Finance Commission Agenda

Tuesday, October 8, 2024
6:30 PM
City Council Chambers

(Any times listed are approximate – please note that items may be earlier or later than listed on the agenda)

1. **Roll Call - Barclay, Bester, Dahir, Davy, Sagisser, Tupy, Vervoort**
2. **Receive Public Comment**
3. **Approval of Meeting Minutes**
    a. Approve meeting minutes
4. **Business Items**
    a. Receive Utility Rate Study update and review 2025 proposed utility rates
    b. Receive Commission Recommendations Tracking Report
    c. Update on the Council adopted 2025 preliminary Budget &Tax Levy
5. **Other Business**
    a. Discussion on roles/specialization among Commissioners as requested by Chair Bester
    b. Future meeting topics and work plan
6. **Adjourn**

Roseville Finance Commission
Agenda Item

DATE: October 8, 2024 **ITEM:** 3.a.

ITEM DESCRIPTION: Approve meeting minutes

Background
As an advisory commission to the City Council, the Finance Commission's discussions and recommendations play an important role in setting City policies and influencing decisions on programs and services.

To ensure an accurate historical account of the Finance Commission's activities is preserved, the City maintains a practice of keeping meeting minutes. The attached file contains the draft minutes from the September 10,2024, meeting. The Commission is asked to review the minutes and identify any typos, errors or inaccuracies of the discussion that took place.

Where applicable, Commission members are asked to identify any necessary corrections at the meeting. The Commission should subsequently vote to approve the amended (if necessary) minutes. Once the minutes are approved, they become part of the City's permanent records.

Recommendation
Review the draft minutes.

Requested Commission Action
Amend (as necessary) and approve via motion, the Finance Commission meeting minutes for the September 10, 2024, meeting.

Attachments
1. FC 09.10.2024

Finance Commission
Meeting Minutes
DRAFT – September 10, 2024 - DRAFT

Roll Call/Announcements

The Finance Commission (FC) meeting was called to order at 6:30 p.m. Chair Bester requested staff call the roll.

Commissioners Present: Siafa Barclay, Bruce Bester, Sadiq Dahir, Kevin Davy, Dan Sagisser, Joe Tupy, and Anna Vervoort

Commissioners Absent: None.

Staff Present: Finance Director Michelle Pietrick

Receive Public Comments

There being no one present wishing to speak to the Commission on an item not on the agenda, the Chair moved to the next agenda item.

Approval of Meeting Minutes

Commissioner Barclay moved, seconded by Commissioner Tupy to approve the July 9, 2024, and August 22, 2024 meeting minutes as presented. The motion carried unanimously.

Receive Finance Commission Recommendations Tracking Report

Chair Bester reviewed the Finance Commission Tracking Report.

Ms. Pietrick reviewed the topic that was covered at the last meeting regarding the staff vacancy/turnover recovery factor. She noted she did not think this would materially impact the budget.

Commissioner Sagisser indicated it is only useful if counting the lost time in hiring that all of the other staff are doing. He did not think there were any real savings, and it was probably an extra cost because employees are taking on other work that is below their pay grade, which is a huge extra cost. He explained he would only be interested in doing this if it would take all of those extra costs into account.

The Commission discussed the topic and the recommendations that the Commissioners made who were at the August 22, 2024, meeting.

The Commission discussed and rescinded the Finance Department staff calculating a staff vacancy/turnover recovery factor.

Establish Recommendations on the 2025 Budget & Tax Levy & 2025-2044 CIP

Finance Director Pietrick presented the 2025 Budget & Tax Levy & 2025-2044 CIP.

Commissioner Vervoort indicated the 2024 versus 2025 taxable market values are very similar but the calculation is different. She wondered what the intent was.

Ms. Pietrick indicated that is because the State legislature increased the market value exclusion and changed low income multi-family housing class rate for 4d properties. If the City were even to be able to do a zero percent levy increase, which would be impossible because costs are going up, taxes would have still gone up because the market value of the home increased, and the two legislative changes occurred.

Commissioner Sagisser thought it was fascinating to learn how the tax rate was determined.

Ms. Pietrick discussed with the Commission the license center and passport center staffing and the new design when rebuilt with the Campus Master Plan. There was also discussion related to the Police Department and their use of mental health workers, funding for them, and ending of ARPA dollars.

Ms. Pietrick explained City Manager Trudgeon presented this to the City Council who made some potential requests including increasing Council Pay, adding the HR Manager position and providing funding for a non-profit that provides services in Roseville.

The Commission discussed the City Council's considerations and noted that any recommendation to the City Council would not include those recommendations made by the City Council because the Finance Commission does not have any budget to review.

Chair Bester thought the Commission was in favor of recommending the City Council approve the 2025 budget as presented.

Commissioner Sagisser made a motion, seconded by Commissioner Tupy to recommend to the City Council approval of the 2025 budget as presented. The motion passed unanimously.

Fiscal Disparities Discussion

Finance Director Pietrick presented an informational memo from the League of Minnesota Cities regarding Fiscal Disparities.

Identify Discussion Items for the Future Meeting

Chair Bester stated the next agenda would include discussions on the Council-adopted 2025 preliminary Budget and Tax Levy and the Commission will also review and adopt a recommendation on the 2025 property utility rates.

Adjourn

Commissioner Davy made a motion, seconded by Commissioner Dahir to adjourn. The motion passed unanimously.

The meeting was adjourned at 7:55 p.m.

Roseville Finance Commission
Agenda Item

DATE: October 8, 2024 **ITEM:** 4.a.

ITEM DESCRIPTION: Receive Utility Rate Study update and review 2025 proposed utility rates

Background

Unlike many city services that are supported by property taxes, the City's utility or *enterprise* operations are funded primarily by user fees and are operated as separate, stand-alone functions. The City engaged Ehlers to perform an update to the utility rate study of the Water, Sanitary Sewer and Storm Drainage Funds from 2022. Ehlers will be presenting their analysis at the October 8, 2024, Finance Commission meeting. Over the past few years, city staff have curtailed capital improvements to allow for water and storm drainage funds to build their minimum fund reserves.

<u>Water Fund Operations</u>

The updated Utility Rate Study done by Ehlers on the Water Fund recommends a 5.5% increase in rates for 2025 to cover fixed and variable costs, debt service and replenishment of fund reserves. The previous study recommended an 8% increase in rates for 2025. As a result of curtailment of capital improvements, this fund is starting to recover and build reserves. One of the main costs is the purchase of water from St. Paul Regional Water. Their increases for 2025 are roughly 8% and then drop to a 5% increase in 2026. In addition, this fund is still working on building fund reserves to cover the minimum for operations and the amount needed for capital. The study anticipates hitting these reserve levels in 2030.

<u>Storm Drainage Operations</u>

The City provides for the management of storm water drainage to prevent flooding and pollution control, as well as the street sweeping program. In 2022 the Utility Rate Study done by Ehlers recommended a 33% increase for 2023-2024 to cover fixed and variable costs of the Storm Drainage fund and a 2.5% increase thereafter. Through the increases in 2023 and 2024 and the curtailment of capital improvements made by Public Works, the fund is now on course to be able to cover operations and capital infrastructure needs for the next five years. The current update of the utility rate study recommends a 0% increase.

<u>Sanitary Sewer Operations</u>

The City maintains a sanitary sewer collection system to ensure the public's health and general welfare. The previous study recommended a 2% increase to mainly cover the cost increases of Metropolitan Council Environmental Services. The current update of the utility rate study recommends a 0% increase.

<u>Recycling Operations</u>

The recycling operation provides for the contracted curbside recycling pickup throughout the City and related administrative costs. The primary operating cost is the amounts paid to a contractor to pick up recycling materials. In 2024 the City solicited bids on the recycling operations and on October 7, 2024, the City Council will review the bids for recycling operations and for the purchase of city-owned recycling carts. For 2025, the rates are again based on the contracts – half year with the existing contract and half year at new contract rates. A customer rate increase from $14.50 per quarter to $14.99, or 3% is proposed to cover the operating costs and fund the cart purchase.

Recommended Rates for 2025

The following table provides a detailed breakdown of the proposed rates, including the rate structure which depicts how the operating cost burden is distributed to various customer types.

Water Base Rate Category	2024 Rates	2025 Rates	Comments
Single-Family Residential	$ 42.34	$ 44.67	5.5% increase
Non-SF Residential (5/8" Meter)	42.34	44.67	
Non-SF Residential (1.0" Meter)	105.85	111.67	
Non-SF Residential (1.5" Meter)	211.69	223.33	
Non-SF Residential (2.0" Meter)	338.71	357.34	
Non-SF Residential (3.0" Meter)	677.42	714.68	
Non-SF Residential (3.0" Compound Meter)	740.93	781.68	
Non-SF Residential (4.0" Meter)	1,058.46	1,116.68	
Non-SF Residential (4.0" Compound Meter)	1,270.17	1,340.03	
Non-SF Residential (6.0" Meter)	3,387.09	3,573.38	

Water Usage Rate Category	2024 Rate	2025 Rate	Comments
SF Residential: Up to 15,000 gals./qtr	$ 3.90	$ 4.11	5.5% increase
SF Residential: 15,001 to 30,000 gals./qtr	4.87	$ 5.14	
SF Residential: Over 30,000 gals./qtr	6.10	$ 6.44	
Apartments: Up to 8,000 gals/unit/qtr	3.90	$ 4.11	
Apartments: 8,001- 15,000 gals/unit/qtr	4.87	$ 5.14	
Apartments: Over 15,000 gals./unit/qtr	6.10	$ 6.44	
Commercial: Up to 60,0000 gals./qtr	3.90	$ 4.11	
Commercial: 60,001 to 400,0000 gals./qtr	4.87	$ 5.14	
Commercial: Over 400,000 gals./qtr	6.10	$ 6.44	
Irrigation Water Usage	5.52	$ 5.82	

Rates are per 1,000 gallons

Sewer Base Rate Category	2024 Rate	2025 Rate		Comments
Single-Family Residential	$ 43.98	$ 43.98		0% increase
Single-Family Residential: Low-Income Discount	28.59	28.59		
Multi-Family Residential (townhomes)	43.98	43.98		
Multi-Family Residential (apartments & condos)	31.49	31.49		
Non-SF Residential (5/8" Meter)	33.54	33.54		
Non-SF Residential (1.0" Meter)	67.15	67.15		
Non-SF Residential (1.5" Meter)	100.75	100.75		
Non-SF Residential (2.0" Meter)	157.06	157.06		
Non-SF Residential (3.0" Meter)	325.26	325.26		
Non-SF Residential (4.0" Meter)	650.54	650.54		
Non-SF Residential (6.0" Meter)	1,301.07	1,301.07		
Sewer Only accounts	72.33	72.33		
Maplewood sewer accounts	23.79	23.79		set by City of Maplewood
Multi-family rate is per housing unit				
Sewer Usage Rate Category	**2024 Rate**	**2025 Rate**		**Comments**
Residential	$ 2.75	$ 2.75		0% increase
Commercial	6.55	6.55		
Maplewood sewer accounts	5.66	5.66		set by City of Maplewood
Rates are per 1,000 gallons				
Stormwater Base Rate Category	**2024 Rate**	**2025 Rate**		**Comments**
Single-Family Residential & Duplex	$ 26.75	$ 26.75		0% Increase
Multi-Family & Churches	206.97	$ 206.97		
Cemeteries & Golf Course	20.08	$ 20.08		
Parks	62.28	$ 62.28		
Schools & Community Centers	100.67	$ 100.67		
Commercial & Industrial	413.76	$ 413.76		
Rates for single-family are per housing unit; all others are per acre				
Recycling Rate Category	**2024 Rate**	**2025 Rate**		**Comments**
Single-Family	$ 14.50	$ 14.99		3% increase
Multi-Family	14.50	$ 14.99		

Based on staff analysis and the updated Ehlers Utility Rate study, the estimated impact on a Single Family Home for all four utility funds is as follows:

Utility Rate Impact: Single Family Home *(Quarterly)*			
Service	2024	2025	$ Increase
Water - base fee	42.34	44.67	2.33
Water - usage fee	46.80	49.32	2.52
Sanitary Sewer - base fee	43.98	43.98	-
Sanitary Sewer - usage fee	30.25	30.25	-
Storm Sewer	26.75	26.75	-
Recycling	14.50	14.99	0.49
Total per Quarter	$ 204.62	$ 209.96	$ 5.34
Percentage Change			2.61%
per month	$ 68.21	$ 69.99	$ 1.78
per year	$ 818.48	$ 839.85	$ 21.37
Avg. Water consumption (1,000 gals.)	12		
Avg. Sewer consumption (1,000 gals.)	11		

Recommendation
The enclosed information is being recommended by Staff for Council review on October 7 and November 4, 2024, with final Council approval on December 2,2024.

Requested Commission Action
For information purposes only. No formal Commission action is required; however, the Commission may want to submit a recommendation to the City Council on the proposed 2025 utility rates.

Attachments
1. Rate Study Memo To Council - Roseville - 10-2-2024
2. City of Roseville URS Presentation - 10-2-2024

MEMORANDUM

TO: Michelle Pietrick, Finance Director

FROM: Jeanne Vogt and Stacie Kvilvang, Ehlers

DATE: October 2, 2024

SUBJECT: Utility Rate Study Update

The City of Roseville contracted with Ehlers to complete a utility rate study update ("the Study") of the water, sewer, and storm drainage utility funds. The scope of work for the Study included:

- Building and maintaining adequate cash balances
- Funding future capital projects
- Managing revenue volatility
- Competitiveness

Overall Impact on Utility Customers

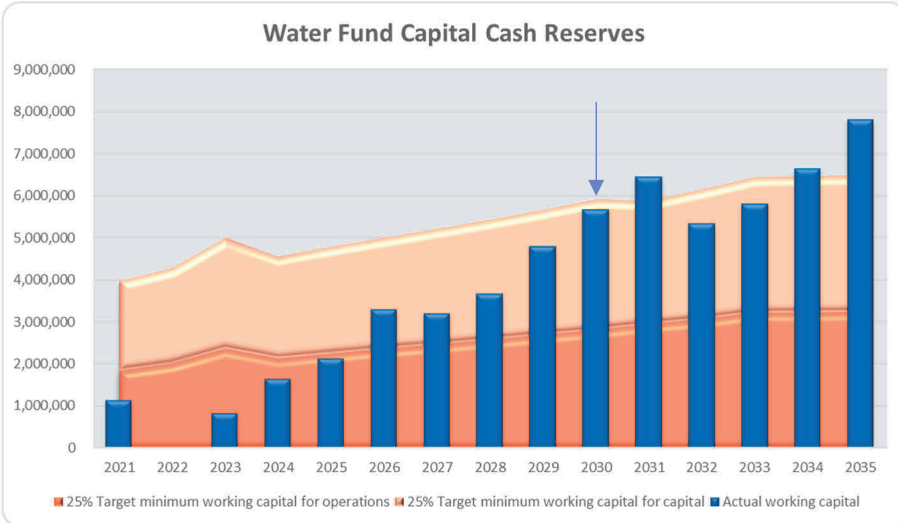
Attached is the Impact Analysis for "Residential" and "Other Users" of the system. We looked at quartiles, which is defined as the number of accounts in the bottom quarter (25% quartile), mid-point (50% quartile) and top quarter (75% quartile) of total users. Also included in "Other Accounts" is the City's largest commercial account at the 100% quartile.

> Bottom Line: ***We are not recommending any changes to existing rate structures for any funds as part of this update. We are recommending consumption rate increases for the Water Fund over the next ten years to continue rebuilding appropriate cash reserves and inflationary increases in the Sewer Fund starting in 2031 to pay for future capital projects. All users, with the exception of the Very High Commercial and High Irrigation, can expect to see minimal increases across the board in their quarterly utility bills due to building reserves for the Water Funds.***

Below are brief summaries of how the goals included in the scope of work were met as well as additional information regarding the need for rate increases in the Water Fund and demand vs. revenue across user classes:

Building and Maintaining Adequate Cash Balances

The Study reviewed how the City can continue to build adequate reserves for the three (3) utility funds and provide a long-term road map to achieve and maintain those goals for all funds, all while paying for future operating, capital and any recommended future debt service. Based upon the recommendations from the studies completed in 2020 and 2022, the City has been diligent in rebuilding reserves for the utility funds and this effort is now paying off. The Sewer and Storm Drainage Funds have both met the required goals for the respective systems. The chart on the following page shows the Water Fund has a targeted cash balance below recommended reserve requirements. ***We are projecting the Water Fund will meet the goal by 2030 if the recommendations for annual increases are followed and there are no significant changes in capital needs.***



Funding Future Capital Projects

The Study reviewed the timing and cost of capital projects over the next ten years. Staff has reviewed timing of capital projects to align them with required repairs/replacement while allowing the funds to build or maintain adequate cash as appropriate.

Recommendations:

- **No external borrowing is anticipated over the next ten years. For 2025, the City will be able to return to allocating $1 million/year for sewer main repairs. Likewise, the City is able to fund the Storm Drainage CIP at the level anticipated in 2022, if it chooses.**
- **Annual rate increases are recommended for the Water Fund for the next ten years, while the Sewer and Storm Drainage Funds can maintain their current 2024 rates for several years. *We recommend including inflationary increases for the Sewer Fund starting in 2031 and no increases over the next 10 years for the Storm Drainage Fund since the "shot in the arm" rate increase in 2023 has done what was intended.***

Managing Revenue Volatility

The Study reviewed the fixed vs. variable costs for the Water Fund. This was last reviewed in 2020. Fixed costs are defined as those the City will incur regardless of water usage. These fixed costs should be paid for with the Fixed Rate. Current charges cover 100% of fixed costs, plus a portion of capital costs, based on audited 2023 expenditures. ***Therefore, we do not recommend any structural changes to the existing fixed charges, only minimal increases to continue rebuilding reserves.***

Review of Water Fund Rates

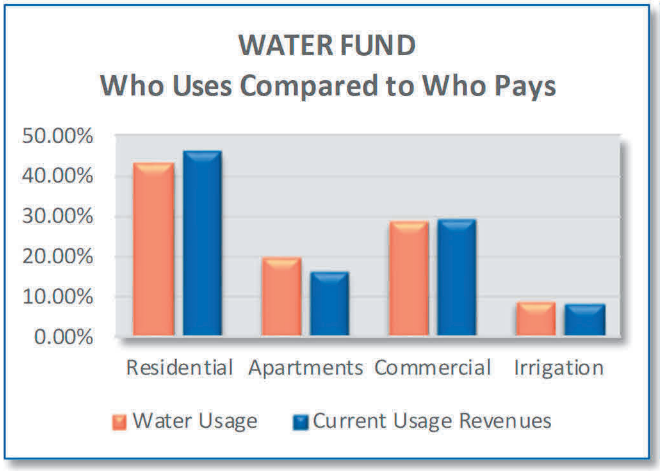
Whenever there are significant changes to water rate structures, a follow-up review is recommended to determine if the rates are generating appropriate revenues, determine if the anticipated capital needs are being met and if reserves are adequate. The new rate structure was adopted effective January 1, 2021. The previous update in 2022 determined a needed correction to the rates, which was completed in early 2023, thus delaying the impacts of the new rate structure until now. A review of 2023 water usage determined the new rates and proposed annual increases will meet the Fund's needs, while building future reserves. Below are some statistics regarding usage for 2023:

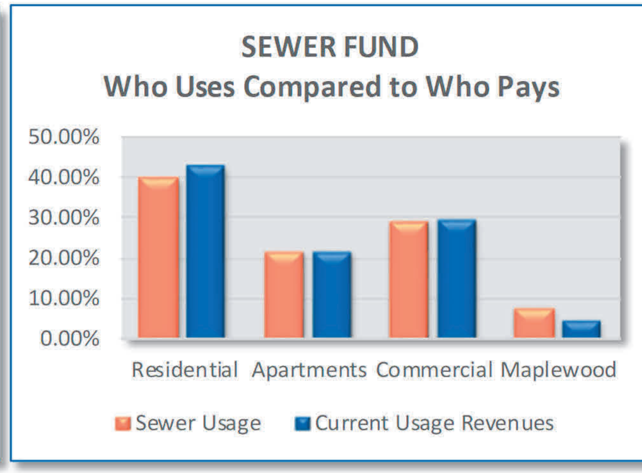
- Residential Customers: Consumption down by nearly 3%.
- Multi-Family Customers: Consumption increased 14%, due to new construction

- Commercial Customers: Usage increased less than 2%. This is expected, since many accounts have separate irrigation meters.
- Irrigation Customers: Usage increased nearly 15%. This is consistent with the new construction of multi-family housing and a dry summer.

Review of Demand vs. Revenue

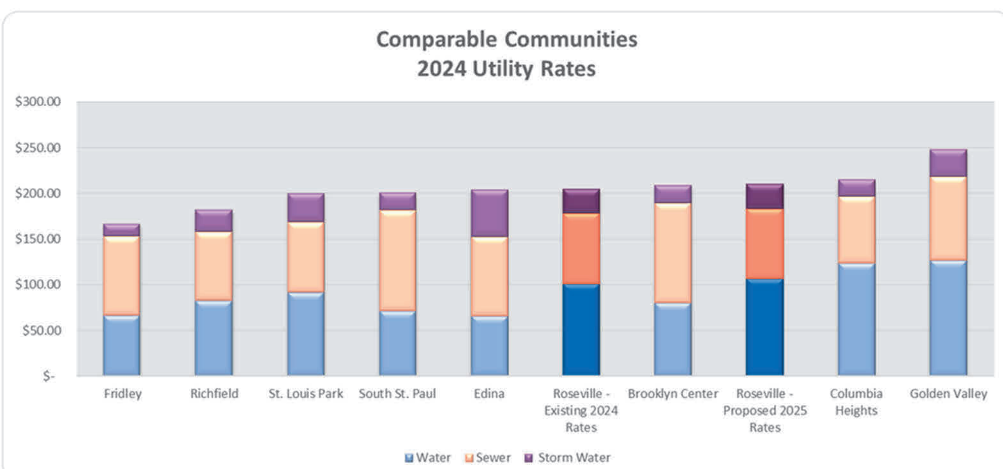
A review of system demand vs. revenue generated by customer type shows each is effectively paying for their respective share of the system for both the Water and Sewer Funds.





Competitiveness

We compared Roseville's existing 2024 and proposed 2025 rates for residential accounts to comparable communities 2024 rates, since 2025 rates for those communities are not yet available. Even if we assume that those communities do not implement any rate increases in (which is unlikely), with the proposed rate increases for the Water Fund, the proposed overall 2025 rates remain competitive for fully developed communities.



	RESIDENTIAL ACCOUNTS			OTHER ACCOUNTS					
	Low	Median	High	High Apartment (Per Unit)	Low Commercial	Median Commercial	High Commercial	Very High Commercial	High Irrigation
Quartile	25% Quartile	50% Quartile	75% Quartile	75% Quartile	25% Quartile	50% Quartile	75% Quartile	100% Quartile	75% Quartile
Sample 2019 Usage	6,000	10,000	15,000	11,000	13,000	45,000	138,000	13,843,000	128,000
Winter Average	3,000	7,000	12,000	11,000	13,000	45,000	138,000	13,843,000	-
Meter Size	5/8"	5/8"	5/8"	1.5"	5/8"	1.0"	2.0"	1.0" & 6.0" each	1.5"
	Existing 2024 Rates and Structure			Existing 2024 Rates and Structure					
Total Water	$ 65.74	$ 81.34	$ 100.84	$ 52.43	$ 93.04	$ 281.35	$ 952.57	$ 85,739.96	$ 918.25
Total Sewer	52.23	63.23	76.98	61.74	118.69	361.90	1,060.96	91,972.72	-
Total Storm Water	26.75	26.75	26.75	32.08	364.11	723.79	2,507.39	9,530.59	-
Total Bill	$ 144.72	$ 171.32	$ 204.57	$ 146.25	$ 575.84	$ 1,367.04	$ 4,520.92	$ 187,243.27	$ 918.25
	Proposed 2025 Rates with Existing Structure			Proposed 2025 Rates with Existing Structure					
Total Water	$ 69.33	$ 85.77	$ 106.32	$ 55.28	$ 98.10	$ 287.17	$ 1,004.86	$ 90,516.88	$ 968.29
Total Sewer	52.23	63.23	76.98	61.74	118.69	361.90	1,060.96	91,972.72	-
Total Storm Water	26.75	26.75	26.75	32.08	364.11	723.79	2,507.39	9,530.59	-
Total Bill	$ 148.31	$ 175.75	$ 210.05	$ 149.10	$ 580.90	$ 1,372.86	$ 4,573.21	$ 192,020.19	$ 968.29
$ Increase/(Decrease)	$ 3.59	$ 4.43	$ 5.48	$ 2.85	$ 5.06	$ 5.82	$ 52.29	$ 4,776.92	$ 50.04

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City of Roseville

Utility Rate Study Update

October 2, 2024

Overview

Purpose & Approach of the Study

Findings

Water, Sewer, & Storm Drainage

- ✓ Goals & Assumptions
- ✓ Capital Projects
- ✓ Projections
- ✓ Comparable Communities

Impact Analysis

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Purpose of the Study

Review the current rate structures for all funds

1. Water Fund
   - Base charges cover fixed costs
   - Build and maintain appropriate fund balances
   - Pay cash for future capital projects
2. Sewer Fund
   - Maintain appropriate fund balance
   - Pay cash for future capital projects
3. Storm Drainage Fund
   - Maintain appropriate fund balance
   - Pay cash for future capital projects

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Purpose of the Study

Parameters

1. Assure funds pay for
    - Capital outlay
    - Operations
    - Annual debt service, if applicable

2. Provide sufficient cash reserves for
    - Six months of operating and capital expenses (including depreciation)
        - ✓ 25% is the operations reserve minimum per policy
    - Next years' annual debt service (if applicable)

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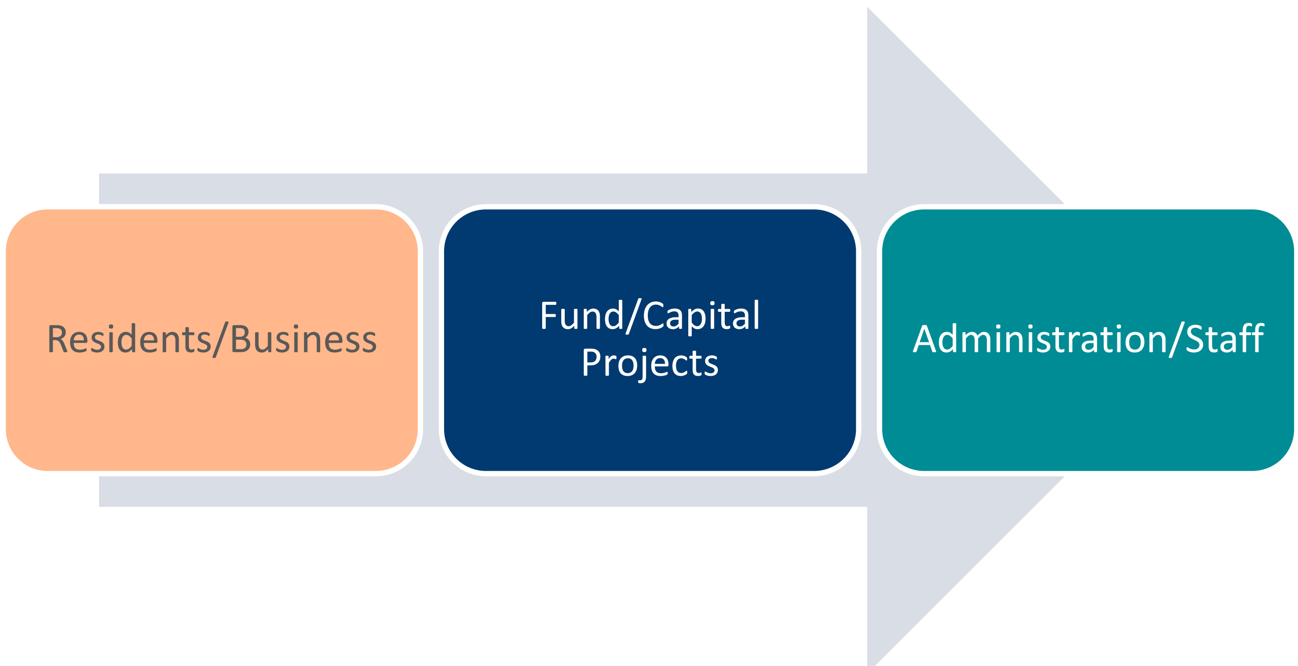
Approach to Study – Impact Analysis



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Findings

1. Cash balances in good position
   - Water Fund: **Continues to build** reserves to meet minimum by 2030
   - Sewer & Storm Drainage Funds: **Have met** minimum reserve goals
2. Capital needs **can be paid with cash**
3. Water base / meter charge **covers fixed costs** of system
4. No significant changes required to base meter charge or rates
   - Only minimal increase in base meter charge and rates for Water Fund

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Capital Projects – Next 10 Years

Fund	Vehicles	Equipment	Buildings	Improvements	Total
Water	$742,602	$1,909,528	$3,570,370	$12,163,789	$18,386,290
Sewer	909,593	1,251,792	1,362,091	13,687,039	17,210,514
Storm	1,679,189	1,174,273	0	22,386,809	25,240,271
TOTAL	**$3,331,384**	**$4,335,592**	**$4,932,461**	**$48,237,638**	**$60,537,075**

Costs are inflated 4%year

Take Away

1. Improvements are the largest portion of capital projects
   1. Water & Sewer main replacement
   2. Storm water infrastructure & water quality device rehabilitation
2. All projects expected to be paid with cash on hand. ***No bonding recommended.***

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Water Fund - Proposed Water Rates

Take Away

1. 5/8" meters see increase of $2.33/quarter
2. Tiered increases:
   - Tier 1 - $0.21/1,000 gallons
   - Tier 2 - $0.27/1,000 gallons
   - Tier 3 - $0.34/1,000 gallons
   - Irrigation - $0.30/1,000 gallons
3. Rate increases over next 10 years **lower** than previous study
   - Overall usage increased
   - Timing of capital projects changed

	Current Quarterly Rate Structure				Existing 2024 Rate	Proposed 2025 Rate	Projected 2025 Revenue
	FIXED RATE						
1	5/8 inch & 3/4 inch				$ 42.34	$ 44.67	$ 1,752,672
2	1.0 Inch				105.85	111.67	159,465
3	1.5 Inch				211.69	223.33	285,862
4	2.0 Inch				338.71	357.34	217,263
5	2.0 Inch - Compound				338.71	357.34	61,462
6	3.0 Inch				677.42	714.68	82,903
7	3.0 Inch - Compound				740.93	781.68	112,562
8	4.0 Inch				1,058.46	1,116.68	26,800
9	4.0 Inch - Compound				1,270.17	1,340.03	-
10	6.0 Inch				3,387.09	3,573.38	28,587
11	**TOTAL BASE AND METER CHARGES**						**$ 2,727,576**
	CONSUMPTION CHARGES	**Current Tiers (1,000 gal.)**					
12	**Residential**	0	to	15	$ 3.90	$ 4.11	$ 1,534,736
13		16	Over	30	4.87	5.14	457,157
14			Over	30	6.10	6.44	426,747
15	**Total Residential Revenues**						**$ 2,418,640**
16	**Apartments**	0	to	8	$ 3.90	$ 4.11	$ 844,954
17	***(per unit basis)***	9	to	15	4.87	5.14	308,030
18			Over	15	6.10	6.44	144,707
19	**Total Apartment Revenues**						**$ 1,297,691**
20	**Commercial**	0	to	60	$ 3.90	$ 4.11	$ 508,004
21		61	to	400	4.87	5.14	735,190
22			Over	400	6.10	6.44	770,198
23	**Total Commercial Revenues**						**$ 2,013,392**
24	**Irrigation**	0	to	999,999	$ 5.52	$ 5.82	$ 571,064
25	**Total Irrigation Revenues**						**$ 571,064**
26	**TOTAL PROJECTED 2025 REVENUES**						**$ 9,028,363**

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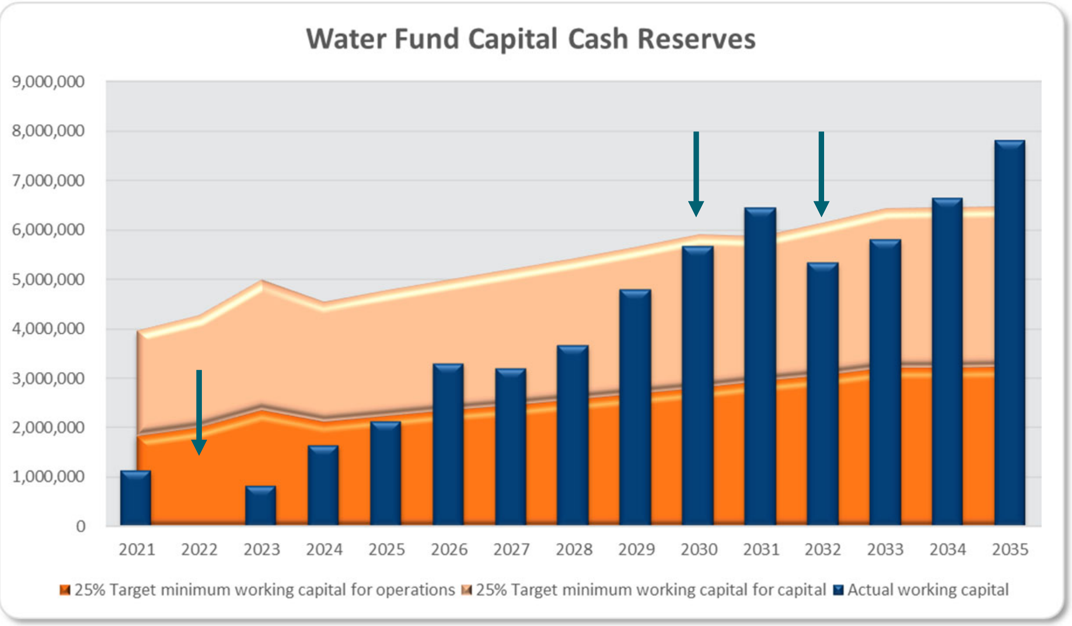
Water Fund - Projections



Target working capital segregated between operating and capital

- Operating: 3 months of operating expenses, including depreciation
- Capital: 3 months of operating expenses, including depreciation + next year's debt service

Take Away

1. Cash balance should be close to or exceed target by 2030
2. No bonding recommended
   - ✓ Use of capital reserves for:
   - ✓ $800,000 for Water booster station in 2027
   - ✓ $1,500,000 for water tower painting in 2032

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Sewer Fund – Proposed Rates

Take Away

1. No rate increases for the Fixed or Consumption Charges
   - ✓ 2025 rates remain unchanged from 2024
   - ✓ Will need to do inflationary increase in rates in 2031 to keep reserves at the required level
2. Increased funding back to $1M/year for projects

	Current Quarterly Rate Structure	Existing 2024 Rate	Proposed 2025 Rate	Projected 2025 Revenue
	Fixed Charge			
	Residential			
1	All Residential	$ 43.98	$ 43.98	$ 1,666,314
2	Apartments	31.49	31.49	836,626
3	Low-Income Discount	28.59	28.59	2,859
4	Sewer Only	72.33	72.33	7,812
5	Maplewood	23.79	23.79	856
	Commercial			
6	5/8" meter	$ 33.54	$ 33.54	$ 14,892
7	1.0" meter	67.15	67.15	47,811
8	1.5" meter	100.75	100.75	47,554
9	2.0" meter	157.06	157.06	58,426
10	3.0" meter	325.26	325.26	41,633
11	4.0" meter	650.54	650.54	2,602
12	6.0" meter	1,301.07	1,301.07	-
	Consumption Charge			
13	Residential	$ 2.75	$ 2.75	$ 1,738,506
14	Commercial	6.55	6.55	1,763,221
15	Maplewood	5.66	5.66	401,662
16	**TOTAL PROJECTED 2025 REVENUES**			**$ 6,630,774**

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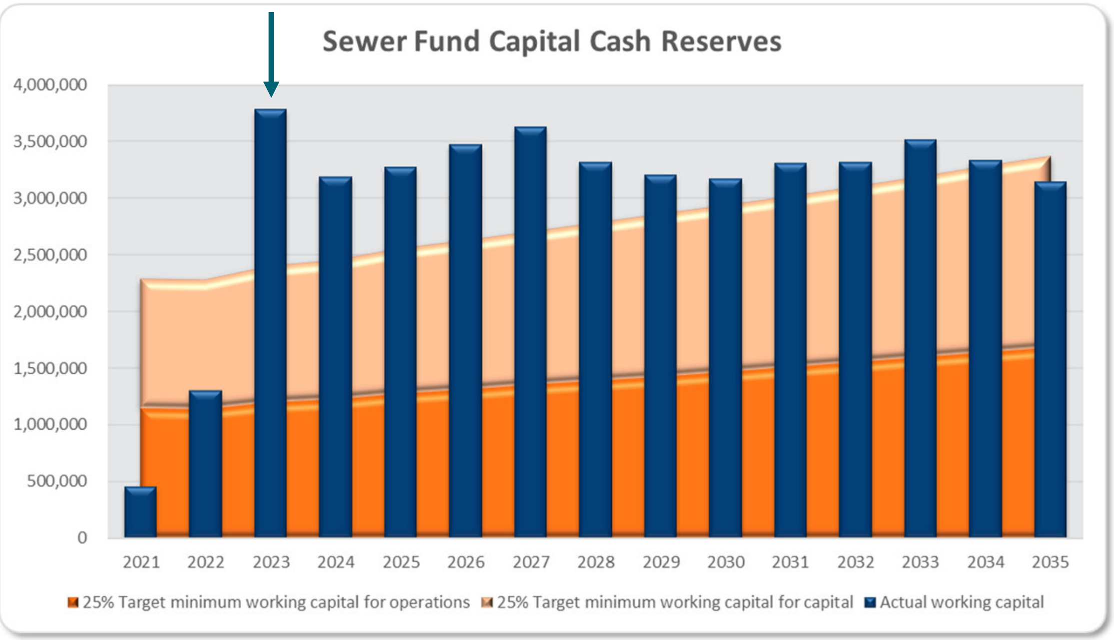
Sewer Fund - Projections



Target working capital segregated between operating and capital

- Operating: 3 months of operating expenses, including depreciation
- Capital: 3 months of operating expenses, including depreciation + next year's debt service

Take Away

1. Cash balance exceeded target in 2023
   - ✓ Revenues higher than projections
   - ✓ Capital Projects delayed
   - ✓ Operating expenses under budget
2. No bonding recommended

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Storm Drainage Fund – Proposed Rates

Take Away

1. No rate increases per ERU

   ✓ 2025 Rates remain unchanged from 2024

	Current Quarterly Rate Structure	Existing 2024 Rate	Proposed 2025 Rate	Projected 2025 Revenue
1	All Users - Per R.E.U.	$ 26.75	$ 26.75	$ 1,042,287
2	Commercial / Industrial	413.76	413.76	2,346,416
3	Multi-Family / Churches	206.97	206.97	355,202
4	Schools / Community Centers	100.67	100.67	70,690
5	Parks	62.28	62.28	249
6	Cemetaries / Golf Courses	20.08	20.08	749
7	**TOTAL PROJECTED ANNUAL REVENUES**			**$ 3,815,593**

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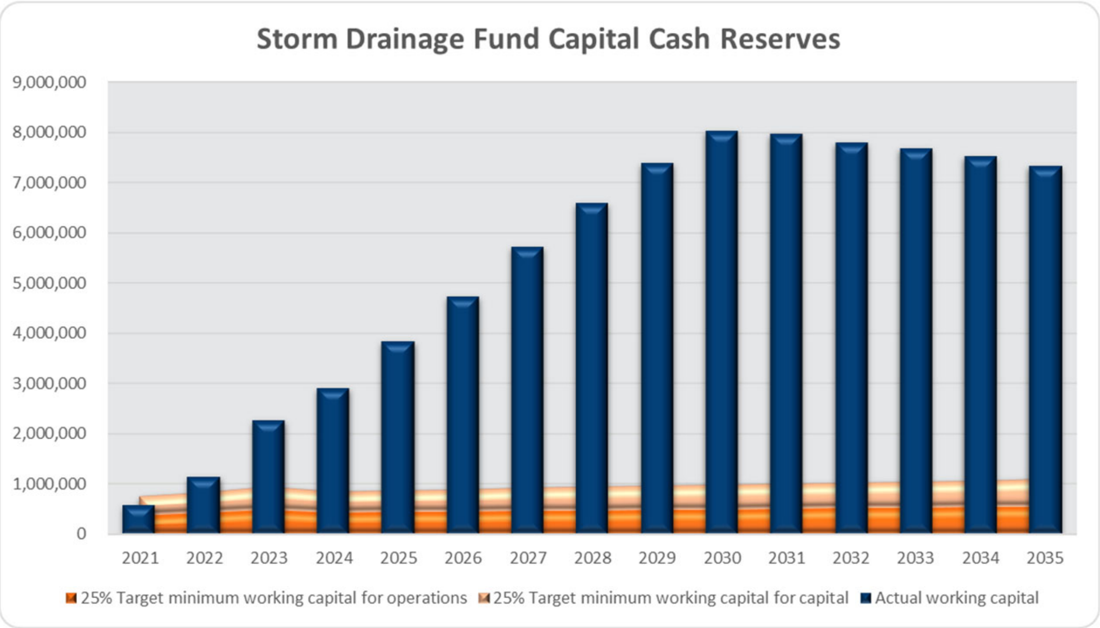
Storm Drainage Fund - Projections



Target working capital segregated between operating and capital

- Operating: 3 months of operating expenses, including depreciation
- Capital: 3 months of operating expenses, including depreciation + next year's debt service

Take Away

1. 2023 & 2024 rate increases had desired effect
2. Capital projects $4.0M less than previous update so City has capacity to increase projects, if desired
3. 2022 & 2023 Actuals better than projections

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Comparable Communities

- Overall rates are in line with comparable cities

Impact Analysis - Residential

Take Away

1. Based on Quartile system
   - **25%** Quartile = bottom ¼ of usage
   - **50%** Quartile = midpoint of usage
   - **75%** Quartile = top ¼ of usage
2. Total utility bill
   - Mild increases overall, with only water increasing

	RESIDENTIAL ACCOUNTS		
	Low	**Median**	**High**
Quartile	25% Quartile	50% Quartile	75% Quartile
Sample 2019 Usage	6,000	10,000	15,000
Winter Average	3,000	7,000	12,000
Meter Size	5/8"	5/8"	5/8"
	Existing 2024 Rates and Structure		
Total Water	$ 65.74	$ 81.34	$ 100.84
Total Sewer	52.23	63.23	76.98
Total Storm Water	26.75	26.75	26.75
Total Bill	**$ 144.72**	**$ 171.32**	**$ 204.57**
	Proposed 2025 Rates with Existing Structure		
Total Water	$ 69.33	$ 85.77	$ 106.32
Total Sewer	52.23	63.23	76.98
Total Storm Water	26.75	26.75	26.75
Total Bill	**$ 148.31**	**$ 175.75**	**$ 210.05**
$ Increase/(Decrease)	**$ 3.59**	**$ 4.43**	**$ 5.48**

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Impact Analysis - Other

	OTHER ACCOUNTS					
	High Apartment (Per Unit)	Low Commercial	Median Commercial	High Commercial	Very High Commercial	High Irrigation
Quartile	75% Quartile	25% Quartile	50% Quartile	75% Quartile	100% Quartile	75% Quartile
Sample 2019 Usage	11,000	13,000	45,000	138,000	13,843,000	128,000
Winter Average	11,000	13,000	45,000	138,000	13,843,000	-
Meter Size	1.5"	5/8"	1.0"	2.0"	1.0" & 6.0" each	1.5"
	Existing 2024 Rates and Structure					
Total Water	$ 52.43	$ 93.04	$ 281.35	$ 952.57	$ 85,739.96	$ 918.25
Total Sewer	61.74	118.69	361.90	1,060.96	91,972.72	-
Total Storm Water	32.08	364.11	723.79	2,507.39	9,530.59	-
Total Bill	**$ 146.25**	**$ 575.84**	**$ 1,367.04**	**$ 4,520.92**	**$ 187,243.27**	**$ 918.25**
	Proposed 2025 Rates with Existing Structure					
Total Water	$ 55.28	$ 98.10	$ 287.17	$ 1,004.86	$ 90,516.88	$ 968.29
Total Sewer	61.74	118.69	361.90	1,060.96	91,972.72	-
Total Storm Water	32.08	364.11	723.79	2,507.39	9,530.59	-
Total Bill	**$ 149.10**	**$ 580.90**	**$ 1,372.86**	**$ 4,573.21**	**$ 192,020.19**	**$ 968.29**
$ Increase/(Decrease)	**$ 2.85**	**$ 5.06**	**$ 5.82**	**$ 52.29**	**$ 4,776.92**	**$ 50.04**

Take Away

1. Based on Quartile system
   - **50%** Quartile = midpoint of usage
   - **75%** Quartile = top ¼ of usage
   - **100%** Quartile = highest user
2. Total utility bill
   - Mild increases overall, with only water increasing

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Conclusion

- Rate increase necessary for Water
  - ✓ Pay for capital projects
  - ✓ Covers inflation
  - ✓ Build reserves
- Still competitive
- Sewer and Storm Drainage Funds healthy
  - ✓ Hard decisions made in prior years has paid off

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Roseville Finance Commission
Agenda Item

DATE: October 8, 2024 **ITEM:** 4.b.

ITEM DESCRIPTION: Receive Commission Recommendations Tracking Report

Background
A summary of the Finance Commission's recent recommendations submitted to the City Council is included in Attachment 1 for review. The report has been updated to reflect items that have been closed or added per Commissioner Bester.

Recommendation
Not applicable.

Requested Commission Action
For review and discussion purposes only. No formal Commission action is necessary.

Attachments
1. Tracking Report

Roseville Finance Commission
Recommendation Tracking Report
Report Date - October 8, 2024

No.	Recommendation	Description	Date Recommended	Date Presented	Status	Discussion and Next Steps
2023-01	Finance Commission recommends that steps be taken to begin to act on incorporating limited equities in the City's investment portfolio.	Option to permit limited investment in equity investments	3/14/2023	3/14/2023	Pending	On 4/25/22 the City Council approved expanded Investment Policy language to permit limited use of equity investments.
2023-01	Finance Commission recommends that steps be taken to begin to act on incorporating limited equities in the City's investment portfolio.	Option to permit limited investment in equity investments	6/17/2024	6/17/2024	Received	On 6/17/24 the Finance Commission in its annual joint meeting with the City Council, presented a recommendation for limited investment in equities.
2024-01	The Finance Commission recommends the purchase of electric fire engine over the diesel engine. Despite the extra cost associated with electric engines, Finance understands that there are environmental advantages that are in line with the City priorities. Also grant opportunities that may offset some of the cost and possible opportunities to negotiate a lower purchase price.	The Fire Department is proposing to transition to Electric Fire Engines.	1/9/2024	11/14/2023	Implemented	On 11/14/23 Fire Chief Brosnahan and Finance Director Pietrick presented information about electric vs diesel fire engines. Further discussion and financial analysis presented by Finance Commissioners on 1/9/24. Information and recommendation will be presented to City Council on 1/22/24. Approved by Council 1/22/24.
2024-02	The Finance Commission recommends that Finance Department staff calculate a staff vacancy/turnover recovery factor. Calculate the actual dollars "recovered" during the most recent fiscal year.	Assuming each authorized staff position is budgeted at the current incumbent's rate, there is likely to be recovery of dollars while recruiting to refill when turnover occurs. It is also likely that new hires will be paid less than the outgoing.	8/22/2024	9/10/2024	Rescinded	Because only 2 Finance Commissioners were present when this recommendation was made on 8/22/24, we re-discussed this item on 9/10/24 . Finance Director reported computing $61,000 estimated vacancy, also overtime for vacancy coverages, some new staff paid more than old, recruiting cost etc. Committee decided to rescind the recommendation.

Roseville Finance Commission

Recommendation Tracking Report - Definitions

Status	Definition
Pending	Recommendation has not yet been presented to the City Council
Received	Recommendation has been received by the City Council but has not received a formal reply or action
Accepted	Recommendation has been accepted by the City Council but action has not yet been taken
Rejected	Recommendation has been rejected by the City Council and will not move further
Implemented	Recommendation has been accepted by the City Council and action has been implemented
Rescinded	Recommendation has been rescinded by the Finance Commission
Received - Closed	Recommendation has been received by the City Council but has not received a formal reply or action and will be considered closed from future updates tracking.
Received - Further Development	Recommendation has been received by the City Council and returned to the Commission for modifications or further development.

Roseville Finance Commission
Agenda Item

DATE: October 8, 2024 **ITEM:** 4.c.

ITEM DESCRIPTION: Update on the Council adopted 2025 preliminary Budget &Tax Levy

Background
At the September 23, 2024, City Council meeting, the council made three modifications to the budget as follows:

- Added $73,000 for the HR Manager position with a July 1 start date. This also increased the tax levy.
- Added $20,000 for support to Tubman, this was offset by an increase in the public safety aid revenue.
- Increased Council and Mayor pay by $100 per month, which increased the budget by $6,000 and this also increased the tax levy.

These changes resulted in a preliminary city budget of $73,509,845 and a preliminary property tax levy of $30,352,603, which is a 5.44% increase.

Recommendation
For information purposes only

Attachments
None

Roseville Finance Commission
Agenda Item

DATE: October 8, 2024 **ITEM:** 5.a.

ITEM DESCRIPTION: Discussion on roles/specialization among Commissioners as requested by Chair Bester

Background
Chair Bester would like to discuss roles and potential specialization among the Finance Commissioners. Potential areas of specialization are: audit, utility rates, investments, debt, capital improvements, levy, communication, and campus plan.

Recommendation
For discussion purposes only.

Attachments
None

Roseville Finance Commission

2024 Meeting Topics & Calendar

Month	2024 Discussion Topics (Tentative)
January 9	▪ Continue discussion and recommend Electric vs Diesel Fire Engine ▪ Follow up regarding vehicle maintenance
February 13	▪ CANCELLED
March 12	▪ Select Chair, Vice-Chair, and Ethics Commission Representative ▪ Review 2023 Investment Portfolio performance ▪
April 9	▪ Review 2023 preliminary year-end cash reserve levels ▪
May 14	▪ Discuss items for Joint City Council-Finance Commission meeting ▪ Review 2023 Audit Reports – might be moved to June ▪
June 13 Thursday	▪ Finalize discussion items for joint City Council-Finance Commission meeting ▪ Review staff recommendations on refunding water meter deposits
July 9	▪ Receive Civic Campus Master Plan Update ▪ 2025-2044 Capital Improvement Plan review #1
August 22 * Thursday	▪ Discuss the 2025 City Manager Recommended Budget & Tax Levy ▪ 2025-2044 Capital Improvement Plan review #2 ▪ Fiscal Disparities 101
September 10	▪ Establish Recommendation on 2025 City Manager Recommended Budget & Tax Levy ▪ Establish Recommendation on 2025-2044 Capital Improvement Plan ▪
September 16	▪ Present Budget Recommendation to City Council
October 8	▪ Utility Rate Study update presentation - Ehlers ▪ Update on the Council-adopted 2025 preliminary Budget & Tax Levy ▪ Review and adopt a recommendation on the 2025 proposed utility rates
November 12	▪ Adopt 2025 Meeting Calendar ▪ Adopt 2025 Work Plan