

**Finance Commission
Meeting Minutes
SEPTEMBER 8, 2020**

Pursuant to Minn. Stat. 13.D.021, Finance Commission members, City Staff, and members of the public participated in this meeting electronically due to the COVID-19 pandemic.

Roll Call/Announcements

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

Commissioners Present: Sifa Barclay, Bruce Bester, Wanda Davies, John Murray, Jack Reif, and Dan Sagisser

Commissioners Absent: Ryan Lee.

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 Sagisser stated lines 262-264, he thought what he said was not reflected correctly. He recommended changing the sentence to "...the Organization needs to make sure that they are set up with independence because they will likely find areas for change".

Commissioner Bester asked if line 212 could be reviewed by the maker. He thought "form" should be changed to "former" and "principal" should be "principle".

Commissioner Reif indicated on line 145, at the end of the line he would like to have the word "the" removed after "provide".

Commissioner Reif moved, seconded by Commissioner Barclay to approve the August 18, 2020 meeting minutes as amended. **The motion carried unanimously.**

Receive Finance Commission Recommendations Tracking Report

Commissioner Sagisser indicated there were no changes.

Establish a Recommendation on the 2021-2040 Capital Improvement Plan & Tentative Funding Strategies

Finance Director Pietrick reviewed the 2021-2040 Capital Improvement Plan & Tentative Funding Strategies with the Commission.

Commissioner Bester indicated he had a couple of potential items. The Police Vehicle Fund on page 17, the cash is negative in later years and he wondered if that was something that is ok to leave as is or would further discussion be needed.

Ms. Pietrick explained the fund does not drop down until seven years out and she planned on working with the Police Chief to get more information about the equipment that is being looked at. She thought this may need to be looked at next year.

Chair Murray wondered if any of the forfeiture funds could be used for that.

Ms. Pietrick indicated she was not sure. Generally, there are specific things a forfeiture fund has to be used for but some of the equipment might be to further that program. There might also be the potential to get grant funding for some of the equipment as well.

Commissioner Bester indicated on page 26, General Facilities Replacement Fund, was identified by the City Manager as an area of concern and yet if one looks at the charts it looks healthy so he wondered if the City Manager's concerns reflect perhaps some of the facility reconfigurations or is there something he was missing.

Ms. Pietrick thought where the City Manager was going was with regard to the OVAL improvements, which are in the plan but are offset by State Bonding. If the State Bonding is removed the fund goes negative very quickly. That is what the City Manager was trying to address, there are improvements necessary that the City definitely needs State help with.

Commissioner Bester asked if some of the improvements would happen even if the State funding did not happen.

Ms. Pietrick indicated that was correct. Some will have to be planned so it will be trying to find the funding to pay for the improvements.

Chair Murray indicated it was his understanding that the improvements for the OVAL would not proceed without State funding.

Ms. Pietrick indicated that is generally correct other than if the refrigeration system fails, the City will then need to do something.

Commissioner Bester indicated he was a little confused about the Communications budget concerns. He explained he went back to the audited financial statements to find there was a loss in the Communications program but there were transfers out of one hundred forty-one thousand and he wondered what that amount was for.

Ms. Pietrick explained the transfer was done because the capital for 2020 was moved out of the Communication budget and over to the Facilities budget and as a result the Communication Fund exceeded its fund balance targets. Based on excess Fund Balance Policy, that money was transferred into the Cash Reserve Fund.

Commissioner Bester explained on page 49, the Cash Balance on the chart is not the same as the numerical data in the IT Support Equipment.

Ms. Pietrick indicated she would check on that because it might be a typo.

Chair Murray invited Ms. Cynthia White to speak.

Ms. Cynthia White wondered if there is ever a confidence analysis done on the CIP projections. If she went back five years to see what is projected now, how close would the projections be to actual.

Ms. Pietrick indicated she did not have an answer for that.

Chair Murray indicated he was not aware of any sort of analysis.

Ms. White thought twenty to thirty years out was hard to project so assumed the normal look ahead is two to three years.

Ms. Pietrick indicated the normal look is three to five years.

Commissioner Bester moved, seconded by Commissioner Davies to recommend approval of the 2021-2040 Capital Improvement Plan & Tentative Funding Strategies. **The motion carried unanimously.**

Establish a Recommendation on the 2021 City Manager Recommended Budget and Tax Levy

Finance Director Pietrick stated the 2021 City Manager Recommended Budget and Tax Levy was presented at the August 10, 2020 City Council meeting. No formal Commission action is required; however, the Commission may want to submit guidance or recommendations to the City Council regarding the City Manager's recommended budget and tax levy.

Chair Murray explained he had a discussion with the City Manager regarding the new position and forwarded an email to the Commission on this item.

Commissioner Reif noted on page 17 of the City Manager's proposed budget, he would prefer to see money left in for three new Police Officers. He thought that given the recommendation came from the outgoing Chief of Police and the new Chief of Police, he would think had some input in that, he was inclined to go along with what their recommendation is as far as adding the new Police Officers.

Commissioner Sagisser asked what the reasoning for this was.

Ms. Pietrick believed the City Manager recognizes there is a need for the officers but to reduce the tax levy increase he made the decision to cut the police officers.

Commissioner Davies indicated she seemed to remember that this decision was going to be deferred until there was a new Chief of Police.

Commissioner Reif explained given that the lady who became the new Chief of Police effective September 1st, has been on the force for twenty-three years and he would assume that there was some discussion between the outgoing Chief and the incoming Chief to agree on what was appropriate as far as the proposed 2020-2021 budget.

Chair Murray asked if any analysis was done. He thought if there were fewer police officers there would be more overtime. He thought the City may not be saving all that much money.

Ms. Pietrick thought the analysis was that based on the call out volume the Police Department has, the department does feel the need for the additional officers but the tradeoff is there would be more overtime without the added officers.

Chair Murray explained he was also told by Chief Mathwig about the Walmart situation where Walmart was paying for an officer to be present, but he believed that agreement has expired, which creates more need.

Commissioner Bester explained he would like to get a sense of comfort from the Police Chief about this.

Chair Murray indicated he was looking at the Equity and Inclusion Manager and he was really not sure what that position is supposed to do. He noted City Manager Trudgeon told him it is not an Inspector General type position and from the description it does not sound like it is not that much of a community outreach either. He explained he was not quite sure where that position fits in. He recapped the email discussion between the City Manager and himself. He noted he was not sure what this new role would be. He wanted to be cautious about adding new payroll to the City without clearly defined ideas about what the roles will be because it is expensive.

Commissioner Sagisser thought according to the email Chair Murray forwarded to him about the conversation, it sounds like this person is advising in efforts for equity and inclusion.

Chair Murray thought this might be better handled by a consultant to figure out what the City wants to do before a person is added to the City payroll.

Commissioner Davies thought the Commission could add a recommendation that prior to adding any personnel that a consultant be involved to define the role, so it is clear exactly what that person is doing. This could still be included in the budget but with the caveat that there needs to be more definition.

Commissioner Sagisser thought from his understanding that was already the case, there would be a consultant hired first to advise on the position, which is probably why the definition is a little weak at this phase. He thought there is a desire for the position and the City is trying to make sure the correct person is hired for the position.

Ms. Pietrick indicated that was correct and the consultant RFP is going out in the next week.

Chair Murray thought that sounded better. He suggested a motion with two revisions that included a consultant will be used to define the position of the Equity and Inclusion Manager and the second would be to strongly recommend consulting with the Police Chief over possible increase in the number of positions.

Commissioner Sagisser asked if the Commission needed to make a recommended motion on this item.

Chair Murray thought the recommended budget is going to the Council and there are some deadlines with setting tax levies.

Ms. Pietrick indicated the expectation is that the Finance Commission recommendation would be presented to the Council at the September 14th meeting by Chair Murray and then the Council will be deliberating the budget the following week and setting the preliminary levy and the City must have a preliminary levy set no later than September 30th.

Commissioner Sagisser asked if the Commission could recommend the levy level but request further information on details for the budget.

Chair Murray thought that would put the Commission in the position later on, if the Commission recommends some money get spent elsewhere the City Council will ask the Commission what items would need to be cut. He thought something could be done but was not sure the Commission would be in the position to address that.

Commissioner Bester asked if the Commission has essentially endorsed the City Manager recommendations by moving the budget forward.

Chair Murray indicated that was correct.

Ms. Pietrick indicated that has not happened yet. The action the Commission previously took was strictly on the CIP.

Chair Murray explained he misunderstood the question. Any recommendation the Commission would be making on the budget would either be an endorsement or not an endorsement of the City Manager's budget.

Ms. Pietrick explained if the Commission feels strongly about something the Commission can make a recommendation to the Council.

Chair Murray invited the Commissioners to come to the City Council meeting to discuss Police Officers.

Commissioner Reif indicated he would be there.

Ms. Pietrick noted the City Council meetings are virtual starting at 6:00 p.m.

Commissioner Reif asked if the Commission could recommend most of the City Manager's budget but would like to see three Police Officers added for the request made by the Chief of Police.

Chair Murray indicated the Commission can make any recommendation it wants.

Commissioner Sagisser explained he did not have enough information to recommend the proposed budget either way on that specific issue and did not feel there is enough information either way.

Commissioner Reif thought where things are at in the Country and given that the Chief of Police made the recommendation, he was in favor of adding the three Police Officers.

Commissioner Davies indicated when Ms. Pietrick explained the preliminary levy, after September 30th can be reduced but it cannot be increased. She thought it would make sense to include the three officers and request some further information from the new Police Chief, the need for that to be reviewed at the next Commission meeting.

Commissioner Reif explained if the timetable is looked at it shows adoption of this on September 21st, which means there is not another chance for the Finance Commission to review this again before that adoption.

Ms. Pietrick indicated that was correct.

Chair Murray explained the Finance Commission could recommend three police officers be added to the budget and then next month after review, that police officers could be removed if need be or could be reduced in numbers.

Commissioner Reif thought the three police officers should be added into the budget and get more information from the new Police Chief.

Commissioner Barclay thought from his own perspective, looking at the height of crime and all of the things happening, having additional Police Officers added to what the City has makes a lot of sense but he thought having more information as to why from the current Police Chief would be helpful.

Commissioner Reif moved, seconded by Commissioner Davies, to accept the City Manager Recommended Budget and Tax Levy adding three Police Officer positions be added to the City Manager's proposed 2021 budget.

Chair Murray wondered if it would be wiser to not specify a number, maybe revise to say, "as recommended by the Police Chief".

Commissioner Reif indicated he would be agreeable to that.

Ms. Pietrick thought the corresponding tax increase for the Police Officers should be added to the motion as well.

Commissioner Sagisser thought maybe the recommendation would be to simply set the budget at the level that would pay for those officers and request further evaluation.

Chair Murray asked if Commissioner Sagisser would like to make an amendment to the motion.

Commissioner Sagisser offered his previous statement as a friendly amendment.

Commissioner Reif indicated he would like to leave his motion the way it was.

Chair Murray indicated before he voted he hesitated to send a recommendation to the City Council that is not strongly endorsed by them. As a matter of fact, as far as he knew the Commission has never sent a recommendation that was not unanimously supported.

Commissioner Bester indicated he continued to feel at a loss without a definitive statement from the Chief of Police.

Commissioner Sagisser explained that is why he worded his revision the way he did because he did not have an opinion and there is not enough information for him to make a decision. He thought a more definitive statement is needed.

The motion failed due to a split vote. Ayes: Reif, Barclay, Davies. Nay: Bester, Sagisser, Murray.

Chair Murray explained he would like to craft a motion in order to get a unanimous decision and would help present the proposal to the Council if the Commission would all agree.

Commissioner Davies moved to accept the City Manager Proposed Budget with the addition of three Police Officer positions going through the Preliminary Levy setting pending further information from the Chief of Police and City Manager and action at the October Finance Commission meeting.

Chair Murray asked Commissioner Sagisser if the new motion would be acceptable for him to second it.

Commissioner Sagisser indicated he would be uncomfortable specifically recommending three more officers without understanding, with what is going on in the world, exactly what the reason was, and the City Manager's definition was a little light.

Commissioner Davies asked what kind of a motion Commissioner Sagisser would be comfortable with.

Commissioner Sagisser explained he would be comfortable accepting the initial levy level to be able to fund the three additional officers pending further explanation of what those officers are needed for or why the Police Chief would recommend them.

Commissioner Davies thought that was what her motion stated.

Commissioner Sagisser indicated he did not say he was recommending three Police Officers. He wondered if that made sense to the Commission.

Chair Murray thought Commissioner Sagisser's recommendation would be setting the budget at a level to fund three Police Officers.

Commissioner Sagisser indicated it would be the initial budget because it could be lowered.

Chair Murray indicated he understood and thought it would be based on pending explanation further justification from the Police Chief as to needs and usage of these officers.

Commissioner Sagisser concurred.

Commissioner Davies indicated that was basically what she meant in her motion.

Commissioner Bester indicated he could support that.

Commissioner Sagisser moved, seconded by Commissioner Davies, to recommend to the City Council setting the initial preliminary levy, sufficient to fund the additional officers but pending further justification from the Police Chief with regard to the need for the three officers and the City Manager as to what the full justification was to cut them. **The motion carried unanimously.**

Financial Status Report on 2719 Lexington Avenue

Finance Director Pietrick reviewed the financial status report with the Commission.

Chair Murray explained he was looking at the balance sheet and noted the building cost \$2.3 million but it is not capitalized on the balance sheet.

Ms. Pietrick indicated that is correct because it is not an Enterprise fund, it is a Governmental fund.

Chair Murray indicated his calculation shows the City is losing about nine thousand dollars up through July so by the end of the year the City's loss should be about fifteen thousand.

Ms. Pietrick indicated that is potentially correct.

Chair Murray noted over fifteen million was borrowed from other funds which means the money is not invested and currently the rate is around two percent which would add another thirty-two thousand in cost. Also, from somewhere there is another eight hundred thousand and at two percent would be another sixteen thousand lost. He also noted if depreciation were calculated it would be another forty-five thousand for a total loss of approximately \$106,000. He explained he was at the City Council meeting before the City purchased this center and he told the Council that this would not work out so well and the prospects as far as he knew to rent out the empty space is not very good right now. He asked who is managing this property right now.

Ms. Pietrick indicated it is Gaughan Companies. She thought the contract is currently up for negotiation but was not positive.

Ms. White indicated the Campus Master Plan will be presented to the City Council on September 21st and she would like someone from the Commission to listen in on that discussion because it could involve the strip mall.

Staff Update

None.

Identify Discussion Items for the Future Meeting (October 13, 2020)

Chair Murray asked if the Commission could take a look at the golf course and break out the revenue between the building and golf course.

Ms. Pietrick thought the Commission could look at this, but she did not know if the revenue was currently being broken out separately.

Commissioner Bester asked if the golf course would be part of a business activity and a part of a park activity.

Ms. Pietrick indicated that was correct. She indicated in 2019 a decision was made to move the Capital needs out of the Golf Course fund and over to the Park and Recreation Facilities fund.

Chair Murray indicated he would like to review the Tax Levy and Utility rates as well.

Commissioner Sagisser indicated he would like to see if the Commission could tour some facilities while practicing social distancing, if possible, at one of the future meetings.

Adjourn

Commissioner Davies made a motion, seconded by Commissioner Sagisser to adjourn. **The motion passed unanimously.**

Meeting adjourned at 7:40 p.m.