

**City Council Agenda Item #14B**  
**Meeting of September 10, 2007**

**Brief Description:**

Items for the 2008 Preliminary Tax Levy:

- 1) Resolution setting a preliminary 2008 tax levy and budget for truth-in-taxation purposes.
- 2) Resolution setting a preliminary 2008 tax levy for the Bassett Creek Watershed Management Tax District.

**Recommended Action:** Adopt the resolutions

**Background**

The city of Minnetonka takes a responsible long-term perspective with financial planning and management. Decisions are made with the future in mind to ensure our ongoing ability to provide residents and businesses with the quality services they have come to expect, and at a reasonable price.

State law requires local governments to certify preliminary property tax levies by September 15 of each year. This is the maximum amount the city can levy for the following year. When the final 2008 budget is adopted in December, the final levy may be less than the preliminary amount, but cannot be greater.

The city of Minnetonka always encourages public budget input. In addition to the Truth-in-Taxation hearing in December, residents and businesses have an opportunity to provide feedback via the city's website and *Minnetonka Memo*. Comments will be shared with council as budget options are considered.

**Budget Pressures**

**Personnel costs.** As is the case with any service business, salary and benefit costs represent about three-fourths of the city's operating budget:

- **Salaries.** All union contracts expire at the end of 2008, and existing contracts include 2008 base increases of three percent for all employee groups. This increase is similar to those being given by comparable cities throughout the metro area. Under the city's unique MERIT system, market adjustments are expected to be made for about one-half of all employees in 2008 to ensure that the city of Minnetonka remains competitive. These increases will add an estimated total of 0.7 percent to the three percent base salary increases.

- **Health insurance** premiums are expected to increase by an average of about two percent in 2008 under a new contract with HealthPartners. This follows double digit increases in previous years. 2008 is the first year in a new three-year contract negotiated by the LOGIS consortium, with future increases capped at 16 percent annually. The growing complexity of benefit administration is also impacting HR workloads, prompting a review of potential outsourcing and staffing alternatives for these services.

Health Insurance Premium Annual Increases	
2006	12%
2007	16%
2008	2%
2009	16%
2010	16%

**Unfunded mandates.** Other units of government continue to impose mandates that impact city budgets:

- **PERA.** Most significantly, the city and its employees have to absorb third year increases in pension contributions related to a five-year state mandated plan to fix Public Employee Retirement Association (PERA) funding liabilities. In 2008, the city will be required to contribute at a rate of 6.5 percent of salary (up from 5.5 two years ago) for most employees, and at a rate of 12.9 percent (up from 9.3) for police and fire employees. *These increases will cost the city more than one million dollars over the five-year phase in.*
- **Legal expenses.** Changes in the Hennepin County court system, legislative actions and increased local traffic enforcement have significantly impacted city prosecution costs in recent years. Staffing and computer system changes were previously made to accommodate these impacts. Despite these efforts, steadily growing workloads required the city to terminate its long-time contract with Minnetrista and St. Bonifacius for prosecution services. The net impact of this change is a loss of \$66,000 annually in contract revenue.

**Other operating costs.** Non-personnel cost inflation is expected to be higher than in recent years (3 to 4 percent), with some costs even higher:

- **Energy costs** continue to outpace other operating expenses, and will directly impact building, vehicle and materials budgets. As discussed in a later section, an aggressive energy conservation plan was adopted last year to curb rising expenses for electric and gas utilities and fuel.

- **IT costs** continue to rise as the city expands technology applications to provide better service to the public. Pressures resulting from the increasing complexity, frequency of replacement and usage levels necessitated a review of IT staffing options. Over the past six years, the current staff has seen the number of city computers increase 60 percent, servers more than triple, and home connections increase tenfold. Examples of new systems include police car connectivity, digital dispatch, field laptops, public works scheduling, digital video, fiber optic networks and VOIP phone system. Systemwide security requirements have correspondingly increased.

## **2008 Budget & Tax Target**

Options to manage budget pressures remain limited. Unlike private businesses, the city cannot unilaterally choose our client base, nor the services we wish to sell, nor even the geographic market areas we serve.

To meet resident and business expectations for both service quality and taxes, council directed at their August 27 study session that the ***2008 property tax increase for basic services be limited to three percent***. This target would cover both operating and capital expenses, with any budget changes met by reallocating normal growth in existing resources. For example, any IT staffing changes would need to fit within this overall three percent tax increase.

As subsequently detailed, ***expanded public safety services*** were also reviewed by council at their August 27 study session. These improvements would require an additional 1.7 percent tax increase, which would be over and above the recommended three percent base property tax increase for 2008.

The recommended target is among the lowest in recent years, and would be the ***lowest tax increase of comparable cities in the metro area***. As a result of various market changes, ***city property taxes will go down for seven out of every ten Minnetonka homeowners***.

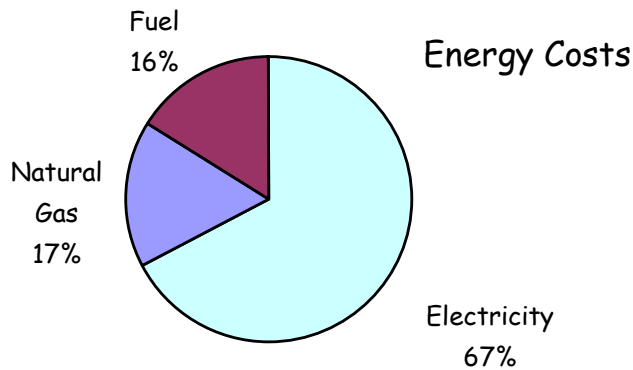
## **Progress Report and Budget Issues**

Several initiatives were previously approved by council in the 2007 budget, and progress reports are provided as background for 2008 budget discussions:

- Energy Conservation
- Traffic Management
- *ReadyMinnetonka*
- Natural Resources
- Road Revitalization
- Infiltration & Inflow

## Energy Conservation

Energy costs continue to represent a significant share of the city's operating budget pressures. Electricity accounts for two-thirds of all energy costs, with the remainder natural gas and vehicle fuel. To address the ongoing challenge of energy cost uncertainty, council set a goal of reducing energy usage by up to ten percent in 2007. Initial progress in meeting this goal has been good.

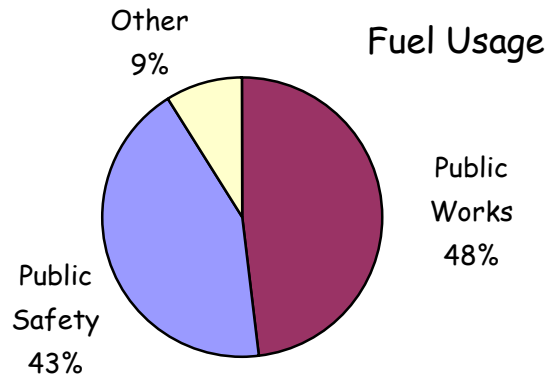


**Electricity & gas utility progress.** Municipal buildings, the ice arenas and Williston account for nearly 90 percent of all natural gas usage. Close to one-half of total electricity usage is related to water treatment and pumping, with street lighting accounting for another quarter. Recreation facilities use 18 percent, and other municipal buildings another 10 percent. Expenses of the water utilities, ice arenas and Williston are fully supported by user fees.

Due to utility company billing cycles, energy usage data is only available for the first four months of 2007. Comparing this time period to the same period in 2006 and adjusting for weather, natural gas usage is down 10.3 percent and electric usage is down 3.1 percent for a combined energy reduction of 8.2 percent:

Usage (MMBTU Equiv)	Gas	Electric	Total
2006	11,609	4,796	16,405
2007 adjusted	10,409	4,647	15,056
Savings	1,200	149	1,349
Percentage	10.3%	3.1%	8.2%

**Fuel usage progress.** Public works and public safety account for most vehicle fuel usage in the city. Police operations represent 37 percent of total fuel usage, with street maintenance another quarter of the total. Water utilities and parks/trails maintenance use 12 and 10 percent, respectively.



Fuel conservation has been more challenging, since options to reduce usage for such services as police patrols, snow plowing and street maintenance are limited due to the nature of the activities. Through June, fuel usage actually increased over the same time period last year. This was due to two main factors: twice as many major snow events this year, and the location of the thin overlay program.

In all of 2006, public works personnel plowed in six major snow events. Since January of this year, the department has already responded to seven major snow events. Last year, the thin overlay project areas were in close proximity to the public works facility, but this year's paving is in the southwest portion of the city.

On a more positive note, the police department's fuel usage decreased by five percent between January and June of 2007, compared with the same period last year. Usage for all other city departments (excluding public works and police) decreased by two percent.

**2008 budget.** The rising cost of energy requires both short-term and long-term solutions. Although a longer pay-back period is necessary for the more expensive measures, the city will be well positioned in the long run by the strategic investments being made today.

Staff has implemented a number of immediate actions to reduce energy use, such as lowering thermostats and decreasing vehicle idling, and a long-term approach is also being pursued. Consultants were engaged to conduct a comprehensive energy audit and lighting study of all city buildings. As one example of the recommendations, \$400,000 of energy saving investments in lighting would have an average three year payback, and these investments are being phased-in as fixtures are replaced.

Based on consultant recommendations, the 2008-12 CIP includes \$40,000 in 2008 and 2009 to upgrade energy consuming equipment such as light fixtures, ballasts, occupancy sensors, insulation, weather stripping, set-back thermostats and similar equipment that will save energy expenses over the long term. Most improvements focus on lighting upgrades and heat controls, and these initial investments will be ramped up in future CIP's. Roof replacements on ten city buildings are also included in the adopted five-year CIP -- adding insulation during re-roofing will decrease heating and cooling expenses.

Finally, all future fleet vehicle purchases will include consideration of emerging technologies. A hybrid vehicle was purchased for the engineering department, and other departments may follow. Part of the decision-making process will include a cost-benefit analysis of the impacts of using alternative energy sources.

In addition to the adopted 2008-12 CIP conservation initiatives, one additional action is planned for the 2008 operating budget: the \$75,000 contingency reserve included in this year's budget will be continued to hedge against energy cost uncertainties.

**Traffic Management**

Community surveys have consistently identified speeding as a city-wide concern. In response, council has allocated additional resources in recent years, including an expanded traffic management program last year with various enforcement, education and engineering strategies. A traffic safety committee including police, engineering and public works developed a coordinated approach, and collectively implemented the strategies designed to influence driver behavior.

**Enforcement progress.** Two full-time officers were previously added, with their time dedicated to traffic related issues. These traffic unit officers account for about 40 percent of all traffic-related activity of the department.

Additionally, the entire police department is now emphasizing increased traffic management. Experienced officers are embracing this new focus, and their augmented work is being reinforced. The importance of traffic management is stressed to all new officers going through the Field Officer Training program. The results of these supplemental efforts are obvious:

	2005	2006	2007 (thru June)
<b>Traffic contacts</b>	7,669	9,045	5,542
<b>Traffic citations</b>	4,776	5,531	3,525

To fund this year's supplemental traffic enforcement effort, the police department earmarked \$20,000 from its 2007 operating budget for additional overtime traffic enforcement. From April 1 through June 30, an extra 135 hours were dedicated to traffic enforcement, yielding 605 traffic contacts and 284 citations. This supplemental enforcement runs through mid-September.

**Education progress.** Traffic contacts may not always lead to citations. Traffic warnings can and do have a positive impact on a driver's future behavior, and are considered an integral part of the police department's educational plan.

In addition to enforcement, traffic unit officers are also responsible for the educational component of the traffic management plan. In 2007, officers have conducted the following educational seminars:

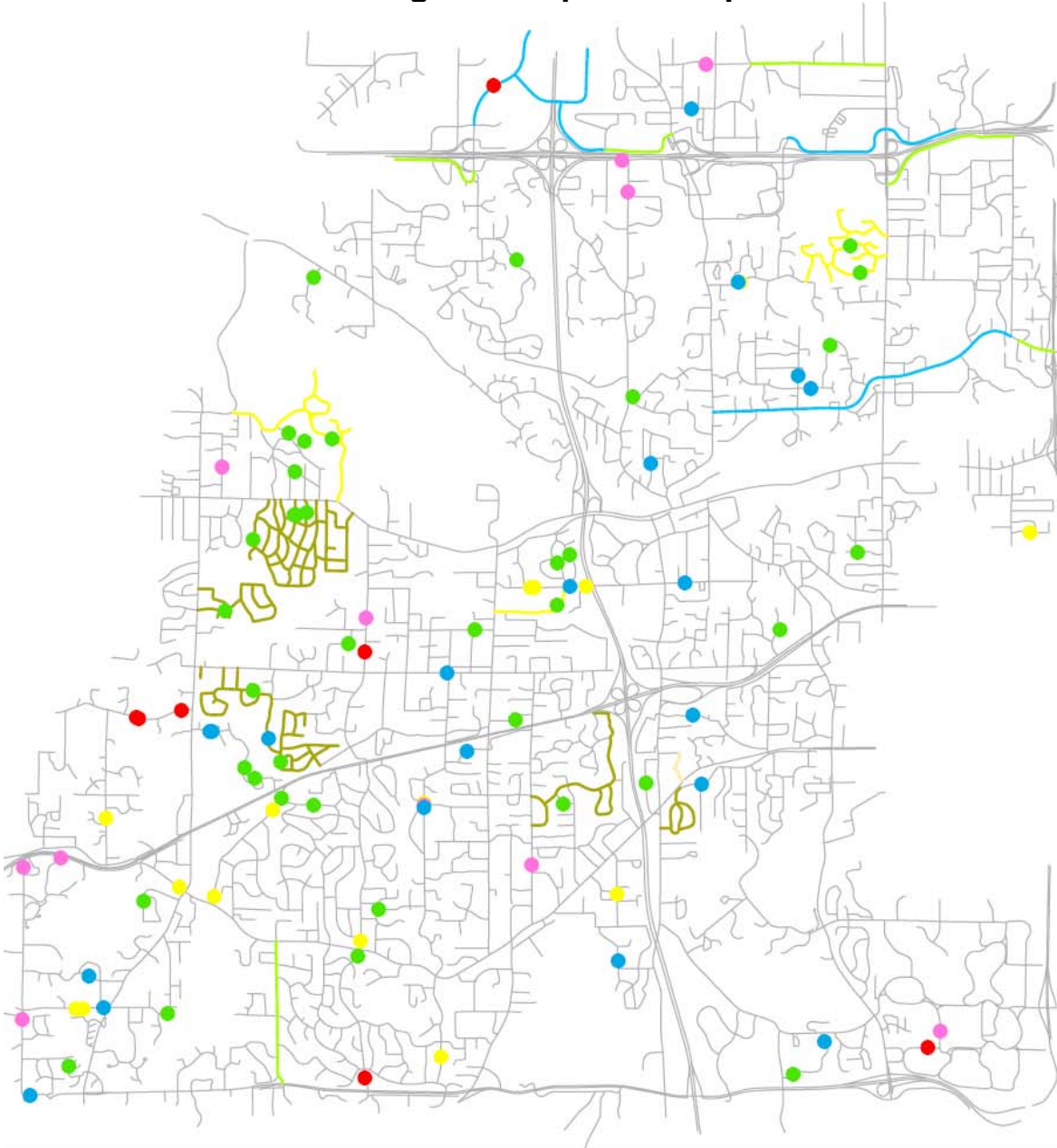
- Teen Diversion Driving Seminar. Monthly seminars are offered to first-time traffic offenders and their parents for the purposes of educating and changing teen driving behaviors.
- Senior Driving Seminar. The "Driving Safely While Aging Gracefully" program, developed exclusively by Minnetonka's traffic unit, focuses on helping seniors recognize how the aging process can affect driving ability.
- Ghost Out. This Hopkins High School senior class event presents, in dramatic and memorable fashion, the negative consequences of drinking and driving. A similar program was previously conducted at Minnetonka High School.

**Engineering progress.** Various design strategies are also being implemented to influence driver behavior. To help focus city efforts, Engineering is updating city-wide traffic counts for all state aid routes with new speed data to help monitor and identify any areas that need particular attention.

About one-half of the city's 118 traffic count locations now include speed data, and others will be collected on a complaint basis. As one recent example, Cottage Lane speed data was collected in response to speeding complaints. In this case, compliance was determined to be higher than the 85 percent standard, or the speed at which at least 85 percent of motorists drive on the road.

As shown on the map on the following page, most streets are signed consistent with the 30 mile per hour state standard, but different limits were established decades ago for some areas. The speed count dots indicate the speed at which 85 percent of motorists drive. While many areas of the city are in compliance, some will receive more enforcement attention.

# Traffic Management Speed Compliance



**MnDot Authorized Speed Limit  
On Local Streets  
All Others 30 MPH**

- 15
- 20
- 25
- 35
- 40

**Speed Count Locations  
85th Percentile Speed**

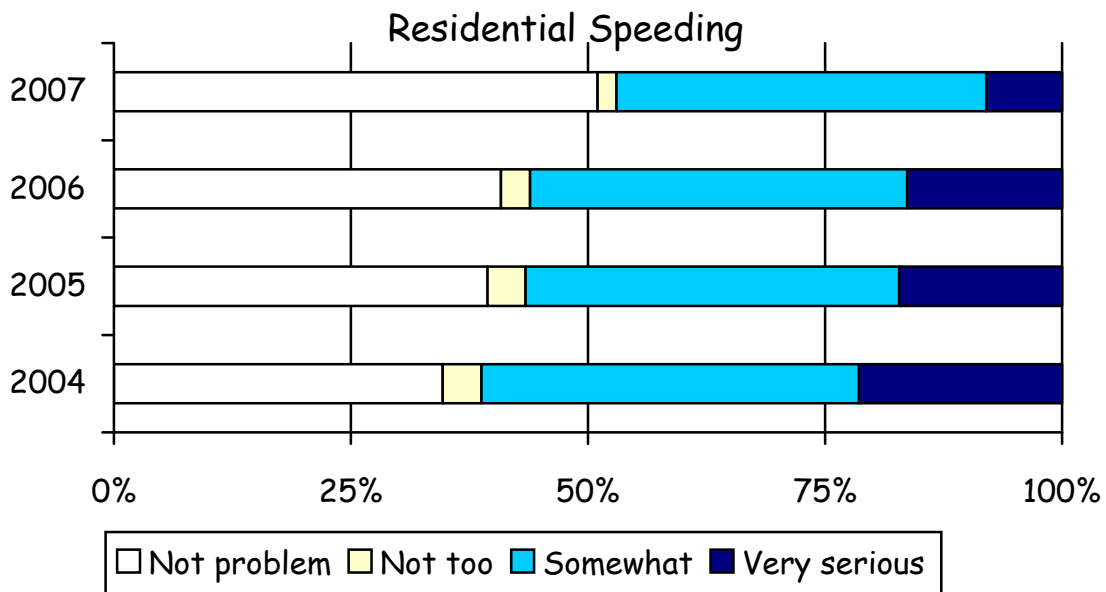
- 30 or less
- 31 - 33
- 34 - 36
- 37 - 39
- 40 or greater

Additional engineering progress includes:

- Engineering is developing a crosswalk policy that will be used as a guide to determine appropriate crosswalk locations, and to better manage and enhance existing crosswalks uniformly throughout the city. This policy will be presented to the council later this year for consideration.
- In-street pedestrian crosswalk signs have been placed at several key crosswalks adjacent to schools to enhance safety. When the crosswalk policy is formalized, other locations will be evaluated (including key trail locations) and signs will be placed accordingly.
- Starting in mid-July, public works began restriping all existing crosswalks throughout the city. Additionally, crosswalk signs have been updated with florescent yellow-green signs for better visibility, including enhanced reflectorized fluorescent sign posts at key locations.
- Engineering is implementing traffic calming techniques as part of the city's roadway reconstruction projects. Recently, intersection realignments and narrower street widths were included as part of the Boulder Creek and Acorn Ridge reconstruction projects. These traffic calming techniques will provide for safer, better controlled intersections and may lead to slower, calmer traffic within the neighborhoods.
- Various traffic calming improvements were also made based on input from the Glen Lake Pedestrian Plan Committee. As examples, Woodhill Road was restriped to narrow the lanes from 12 to 11 feet. The narrower lane widths give motorists the feeling of a more confined driving area, which leads to more attentive driving and slower speeds. The narrower lane widths also increase shoulder widths, which creates a larger safety buffer and more room for pedestrians.

**2008 Budget.** Community response to the traffic management program has been encouraging. The community survey indicates a very positive impact on resident perceptions of driving habits, especially in the past year.

Following implementation of last year's traffic management program, fewer than one-half of Minnetonka residents now view speeding as a concern -- a significant decline from three years earlier when two-thirds of all residents expressed concerns about residential speeding. Even more telling, the share of residents who now view speeding as very serious was cut in half since last year.



Based on these encouraging results, the supplemental traffic enforcement efforts initiated in 2007 will continue. The overtime funds temporarily reallocated within the department’s budget this year will be incorporated into future base funding, and will be accommodated within the three percent base tax increase target.

**Increased enforcement.** At its previous study session, council directed staff to develop a proposal to expand the traffic management effort by adding another full time position. This would increase the dedicated traffic unit to three officers, and would result in the following increases in enforcement:

- Two traffic officers would work Monday and Friday, and three officers would be on duty Tuesday, Wednesday and Thursday. The city would be divided into three zones, with a traffic officer assigned to each. Traffic contacts would increase by an estimated 1,600 to 2,000 annually, an increase of about 15 to 20 percent over current levels.
- Three officers could conduct their own traffic saturations, rather than rely on shift officers, who are often called away for patrol calls. This would increase enforcement on Williston, Plymouth and other major roads. Council also expressed interest in a greater focus on red light violations.
- The additional traffic officer would also allow for more residential visibility to accommodate extra patrol requests. The city typically has a backlog of 10 to 15 requests for neighborhood patrols, and these could be regularly scheduled, rather than periodically assigned to shift officers.

- The additional officer would permit specialized training, with more time spent on truck and trailer enforcement. It is currently not possible to dedicate any time for this purpose.
- Education and administrative duties would be split three ways, providing more time for traffic enforcement and such training functions as the Car Seat Clinic, Mock Crash and Senior Driving Seminars.
- Specific objectives for the new position will be defined so that future success can be evaluated.

The addition of another traffic officer would cost \$67,000 annually plus \$20,000 in one time squad car and equipment expenses. Expected growth in court fine revenue would cover increased legal expenses and a portion of the costs of the additional officer. The net budget impact would be a property tax increase of about 0.3 percent over the three percent base increase.

### ***ReadyMinnetonka***

The fire department has developed the *ReadyMinnetonka* program to enhance community involvement in, and understanding of, emergency preparedness. The successful school fire education program was adapted to better prepare the city, its residents and business community for unusual events that have significant community-wide impact.

**Progress.** A total of 63 paid-on-call firefighters and officers have completed the requirements to be presenters for the *ReadyMinnetonka* program. Since the first of the year, 68 presentations have been delivered to over 1,300 people, with an additional 16 presentations at National Night Out neighborhood gatherings.

***School partnerships*** have proven to be the most effective way to bring the *ReadyMinnetonka* program into homes. The existing school fire safety program was overhauled to include the all-hazards preparedness of *ReadyMinnetonka*. The elementary school program was developed with the assistance of the Gatewood Elementary School principal, while Minnetonka High School staff provided assistance in developing the high school program. Both programs have been presented to approximately 500 children and young adults.

In addition to these efforts, the Minnetonka School District has also completed a complementary program to *ReadyMinnetonka* called the *SmartSchool* program. This program involves schools reviewing and revising policies and procedures to enhance school preparedness for acts of violence, fire, sexual violence, intrusion, arson, drills and exercises, emergency communication, and bombs and bomb threats. The Hopkins and Wayzata School Districts are also considering this tool, using feedback from the Minnetonka District's experiences.

One key to *ReadyMinnetonka*'s success is developing **community partnerships** prior to an emergency event, and the fire department has played a central role in bringing the partners together. For example, community-based groups check on residential facilities with at-risk populations (assisted living housing, nursing homes, etc.) after an emergency to determine if there are any pressing needs. In addition, local scout troops are collaborating with Presbyterian Homes to help should a disaster occur.

Faith-based groups are also receptive to *ReadyMinnetonka* and are evaluating how to tie this program into their other roles in emergencies, such as providing shelter, coordination and faith services. Additionally, local Boy Scouts have been using the *ReadyMinnetonka* training to help achieve the rank of Eagle Scout, and the Cub Scouts are obtaining merit badges with the training.

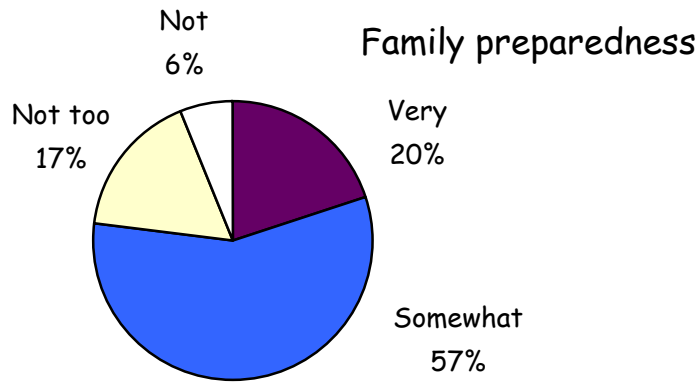
The *ReadyMinnetonka* program provides **employers** an extra measure of insurance by educating their personnel on how to be prepared for emergencies. The intent is to increase the likelihood that employees will report to work in the event of an emergency. City staff met with management teams at Cargill, Cub Foods, Kraemer's Hardware, Opportunity Workshop, Ridgedale and United Healthcare to encourage them to consider future employee presentations. As with the community groups, some business and commercial establishments have adopted at-risk housing facilities. For example, the staff at Cargill adopted Hillcrest Nursing Home as their partner should an emergency occur.

In addition to schools, community groups and businesses, *ReadyMinnetonka* has worked directly with **neighborhoods**. A program has been developed using a fire truck and its equipment to provide visual aids to describe the basic needs for family preparedness. The police department's Neighborhood Watch Block Captains group evaluated the program for effectiveness and provided positive feedback. The program has been used on-site for National Night Out, during neighborhood block parties and at local Neighborhood Watch meetings.

**Communication** has been extensive. The city's website was revised to prominently feature *ReadyMinnetonka* information. Introductory articles appeared in the *Sun-Sailor* newspaper, the *Minnetonka Memo*, and the city's *Hot Topics* e-newsletter. Ongoing weekly *ReadyMinnetonka* hints are placed in *Hot Topics* and are submitted to the *Sun-Sailor*.

The *ReadyMinnetonka* e-mail listserv has been operational for less than a year, but already has over 30 subscribers, who in turn forward the e-mails to about 750 people as conditions warrant. In a recent survey, 96 percent of users rated the information as both appropriate and useful. Eighty percent listed the information as "above average" or "excellent."

This year's community survey (conducted in March) reflects the good start made by *ReadyMinnetonka* in preparing residents to deal with emergencies. Of those who indicated they were not prepared, a lack of information was cited as the most common reason. As the program expands, community preparedness is expected to continue to improve.



**2008 Budget.** The *ReadyMinnetonka* program continues to evolve and expand throughout the Minnetonka community. To achieve the program goals, the fire department's paid-on-call firefighters are playing an increasing role in delivering the preparedness message. No changes are planned for the program in 2008.

### **Future Fire Service Strategy**

In connection with development of the city's comprehensive plan, the fire department intends to prepare a long-term (twenty year) Future Fire Service Strategy for the community. This planning effort will be similar to the Gage-Babcock study conducted in the early 1980's.

**Background.** During the past several years, the fire department has been examining the services it provides, expectations of residents and businesses, and its ability to continue to operate using a paid-on-call model. Several issues have arisen during this self evaluation: condition of the stations, age and cost of equipment and vitality of the paid-on-call model currently used by the city.

The management and reputation of the Minnetonka Fire Department has helped forestall some of the challenges faced by other metro area departments with maintaining paid-on-call forces. However, turnover trends indicate that additional steps will be necessary to maintain a viable fire protection operation.

In all of 2006, only one firefighter with less than three years of service left the department. In 2007 to date, a total of five have already left for various personal reasons. Equally problematic, the average age of paid-on-call firefighters is 43, which indicates a substantial number will be retiring in the next several years, and will need to be replaced. Recruitment is increasingly difficult.

Various interim steps have already been taken to maintain the high level of fire service that Minnetonka residents and businesses have come to expect. The box alarm system, stronger mutual aid agreements, aggressive recruiting and the use of technology have all been employed to maintain service level and quality.

Several issues have also been addressed in the 2008-2012 CIP. Station updates and maintenance are budgeted for \$35,000 in each year of the CIP to fund basic improvements. Replacement of the City's ladder trucks has been scheduled, but listed as unfunded, while funding options are explored for this costly equipment.

Although these stopgap steps have been taken, a comprehensive fire service strategy is necessary to serve the future needs of the community. The challenge is to structure a fire department that can continue to provide excellent services with paid-on-call firefighters. Most fundamentally, the current organization must adapt to fit the needs and interests of the next generation of fire fighters, rather than try to fit people into a static structure.

**Duty crew model.** The current page-out model used by the city of Minnetonka requires that firefighters respond to calls regardless of their schedule, activity or prior commitments. Historically, our firefighters have preferred this method of response. Citizens have also accepted the short delay in response, since it is offset by the savings of using a paid-on-call, rather than a career force.

Several factors are challenging the city's ability to maintain this paid-on-call model: escalating housing costs, traffic congestion, time availability and changing interests of newer firefighters. The emerging needs of firefighters and community expectations require that the city's traditional model of paid-on-call be examined, and that the use of duty crews be considered.

Firefighters currently respond to emergency calls as they occur via a paging system. The duty crew model incorporates a small crew of three to four firefighters, who would be "on duty" and housed in station #1 around the clock. This model would ensure immediate in-service time, and would also allow paid-on-call firefighters to schedule their time and have less disruption in their busy lives. Although duty crews would have the primary responsibility of responding, neighborhood station crews would continue to respond as needed.

Most other larger paid-on-call fire departments in the metro area have already deployed paid-on-call duty crews, and this model is expected to be applicable for future fire protection in the city of Minnetonka. It's worth noting that the paid-on-call model used by the city has previously been modified several times over the past forty years to adapt to changing needs.

Staff intends to use an inclusive planning model to develop a future fire service strategy that will work best for the community, as well as the firefighters. The process will be facilitated by a consultant, and will include firefighters, fire department officers and other city staff.

**2008 Budget.** At the previous study session, council directed that an additional \$110,000 be included the preliminary levy to fund the planning study and an initial pilot program for duty crews. This operating cost estimate is based on expected minimum staffing, with offsetting savings from reduced call backs. Although the study is a one-time expense, operating costs will grow in the following year as the duty crew model is fully implemented. Ongoing operating costs are estimated to be \$110,000.

An additional \$250,000 is also included in the preliminary levy for one-time capital expenses. Transitioning to the duty crew model will require modifications to Station #1 quarters to accommodate the 24 hour crews. As one example, Murphy beds are currently located in a commonly used meeting room.

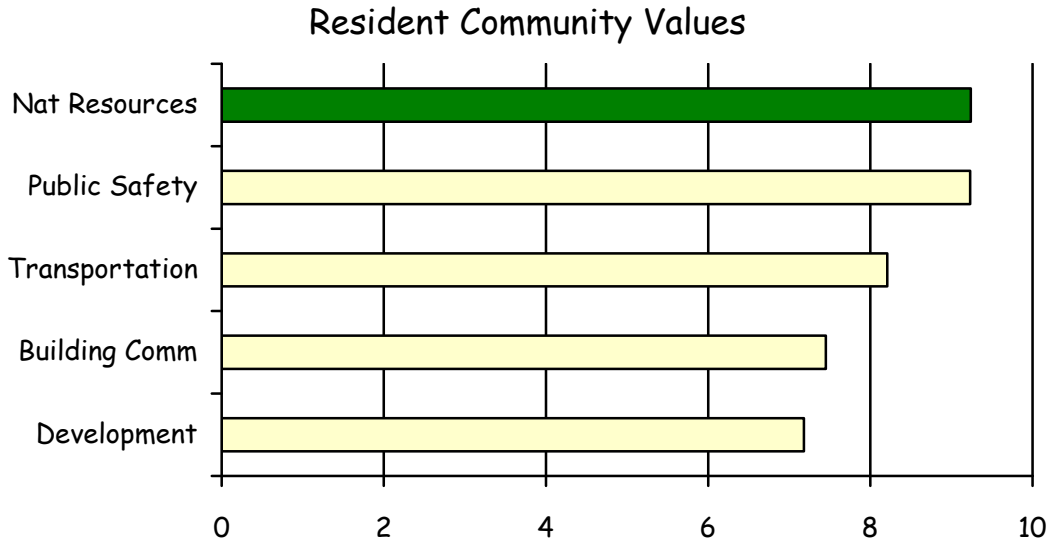
Equally important, the police and fire departments will use this planning effort as an opportunity to review overall space usage, and develop a coordinated plan to more effectively use available space. Personnel, equipment and storage needs have evolved over the years. As examples, the Police Department now has 15 more people than when it first occupied the station, and equipment storage needs are now far more extensive. The new plan will address current and future needs for both departments, and will determine ways in which space allocations can complement common functions.

The 2008 budget for the planned future fire service strategy is \$360,000. This represents a tax increase of 1.4 percent over the three percent base increase.

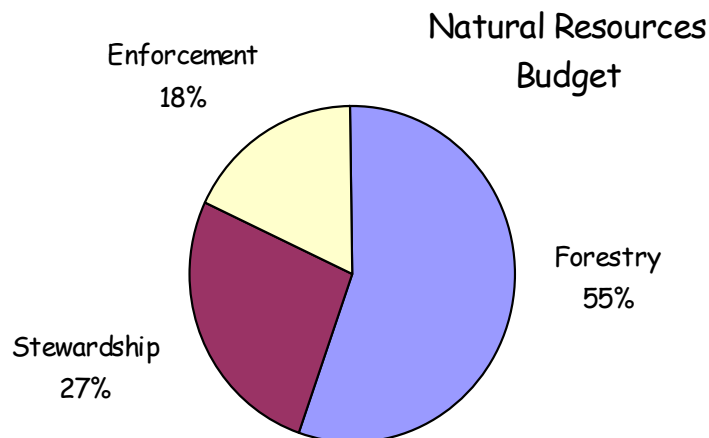
Future Fire Service Strategy	
Operating costs	\$110,000
Capital costs	250,000
2008 Total	\$360,000

## Natural Resources

Minnetonka residents place a very high value on the protection of our natural resources. In fact, the importance of this value is equal to public safety, which is typically the highest value in other communities, and far greater than other traditional values when rated on a scale of 1 to 10:

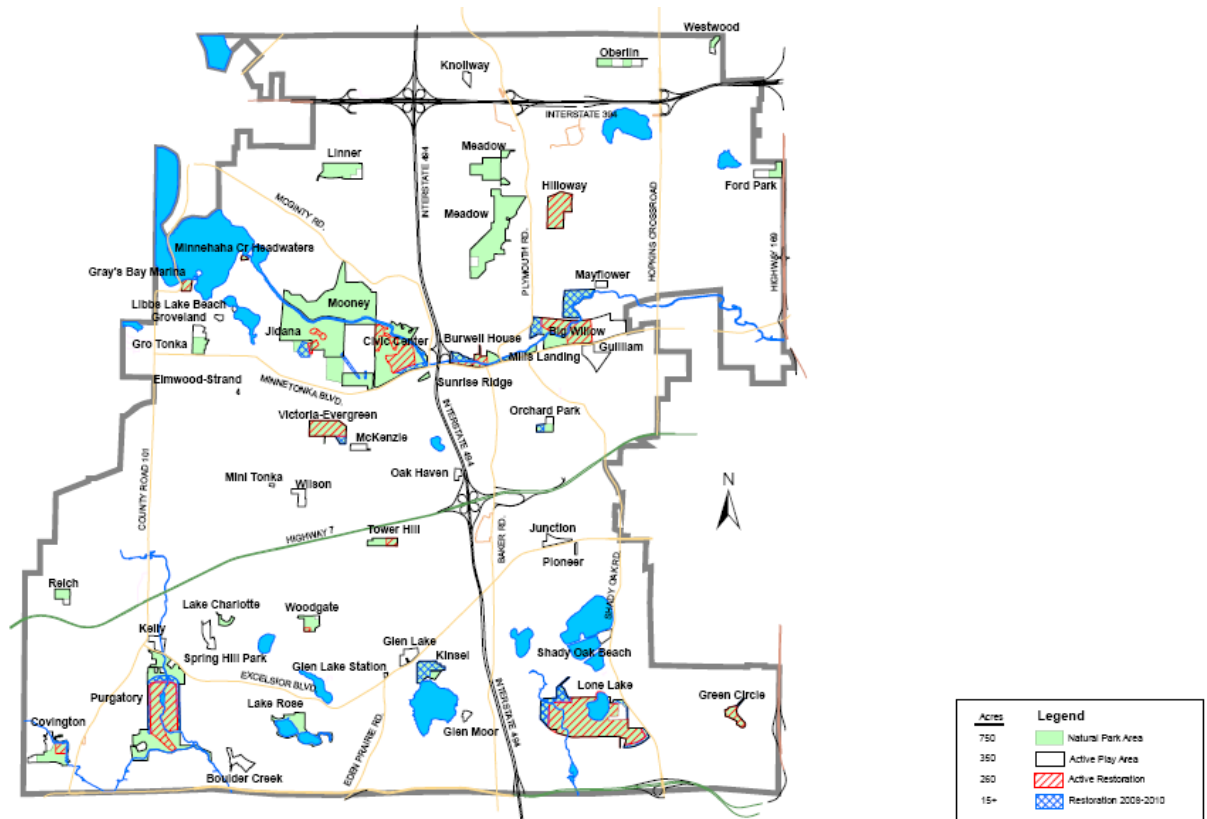


Consistent with the importance of this community value, all forestry, stewardship and enforcement functions were consolidated into a new public works division in 2005, and various new programs were initiated.



**Progress.** The forestry program represents more than one-half of the natural resources budget, and last year, council directed that this program should involve more than simply disease control – it should proactively promote the health of the entire urban forest, with new efforts designed to save the larger, more valuable trees in the community. Council also directed that a stronger emphasis be placed on stewardship, particularly community education.

As indicated on the map, the city of Minnetonka owns and manages 750 acres of natural areas located in parks and other properties throughout the city. More than one-third (260 acres) is undergoing active restoration (2/3 buckthorn control & 1/3 prairie restoration). These areas include 15 city parks and the Civic Center.

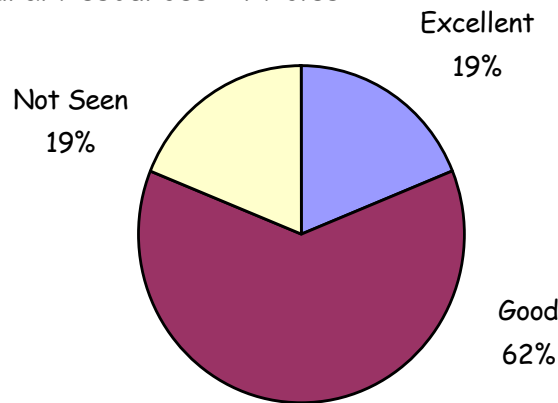


Several new initiatives were funded in the 2007 budget, and considerable progress has been made. In June, council received a comprehensive update, so this report only highlights a few of the expanded efforts:

- Over 350 **tree inspections and consultations** were provided for private property owners and city properties during the first six months of 2007. New procedures were also developed for the Shade Tree Disease Control program, including requiring residents to pay one-half the cost of diseased tree and stump removal within rights-of-way.

- The city's **tree planting program** was modified to reach a greater number of residents, aid in reforestation and maximize the city's planting budget. The new program offers trees to residents at a cost savings, and proved to be highly popular -- in its first year, 1,300 trees were sold to over 650 households. The trees purchased by residents equaled 84 percent of the 1,547 trees lost to Dutch elm disease and oak wilt in 2006.
- **Oversight and enforcement** is being significantly strengthened with new tree preservation and water resource protection ordinances. Compliance will be easier for responsible developers, and violators will face steeper penalties. New checklists and guidelines will help applicants submit appropriate information to comply with the new standards. More than 120 grading and building permits were reviewed and inspected for compliance with natural resource regulations in the past year.
- **Volunteer stewardship** programs were expanded and residents continue to donate their time to work on natural resource projects. These projects include the Arbor Day planting, restoration projects in the parks, buckthorn control on neighborhood outlots, storm drain monitoring and the wetland health evaluation project. Many school groups have also volunteered their time to enhance our natural environment, including St. David's School, Groveland Elementary and Scenic Heights Elementary.
- **Community education** has been notably expanded. In addition to the city's popular annual *Eco Fair*, the April *Minnetonka Memo* contained an eight-page natural resources pull-out section addressing several natural resource topics, including tree care tips, protecting native vegetation and preserving water quality. This educational information has been well received by residents, with six out of ten indicating the articles caused them to change their behavior:

Natural Resources Articles



The 2007 budget also funded a second ICWC crew to significantly expand ***park and trail maintenance***. Savings in contracted maintenance costs have more than offset the added expense of the new crew. Major achievements include:

- Programs for deer enclosures were expanded; work was undertaken at Gray's Bay, and active restoration was increased by 15 acres.
- Buckthorn was cut in three new areas of the city: south side of Minnehaha Creek between I-494 and Baker Rd., area south of the Minnehaha Creek headwaters canoe landing, and at Jidana Park. Cutting and management will expand to adjacent areas in the coming seasons.
- Mowing and outdoor maintenance services previously provided by contract workers are now being done by the ICWC crew at the four satellite fire stations, Gray's Bay Marina, Williston Center, Libb's Lake, Ford Park, and the Glen Lake area.
- The crew assisted with various park renewal projects, including removal of benches, play equipment and other older park amenities.
- With the upgrade to a more natural setting at the Civic Center campus, the ICWC crew has assumed the responsibility of site maintenance.

Finally, Natural Resources recently initiated a ***Living Legacy*** program to encourage Minnetonka residents to place portions of their properties into conservation easements. The city does not pay for the land value of the property, but will cover all administrative and legal expenses. As a first step, staff assembled an inventory of properties at least two to five acres in size, and contacted five of the owners to gauge their potential interest in the program. Initial response has been encouraging.

**2008 Budget.** Consolidating the natural resources functions into one division has served the city well. The forestry program has been streamlined and a greater emphasis has been placed on public education and involvement. Use of the ICWC crew has proven to be very cost-effective, with exceptional results.

No major changes are planned for 2008, although staff does plan to incorporate two additional service improvements that will be accommodated within the base three percent tax growth:

- Further expansion of the highly successful tree sale program, and
- a seasonal intern to assist in monitoring and enforcement of conservation easements and mapping the urban forest.

The 2008 budget will also include an **accounting change** to consolidate all ongoing natural resources program costs in the Natural Resources Division. Begun in the mid-1990s, the city's CIP budgets \$150,000 annually from the Park Dedication Fund for the city's Land Stewardship Program. Because the program is an annual cost that more closely resembles an operating expense, that cost and its related levy will be shifted to the operating budget. Beginning in 2008, the program will be financed within the Natural Resources Division budget. While this will appear to be a 25 percent increase in the division's budget, the accounting change will not increase the city's overall costs for the program.

## **Road Revitalization**

In response to growing resident concerns about road repair, council approved a new road revitalization program in 2006 for Minnetonka's 250 miles of local streets. The program *more than doubled the city resources dedicated for road improvements* and uses a two-pronged approach for stabilizing, repairing and maintaining city roads: (1) thin overlay to stabilize deteriorating pavement and prolong the life of city streets by five to eight years, until such time that (2) complete road reconstruction can take place.

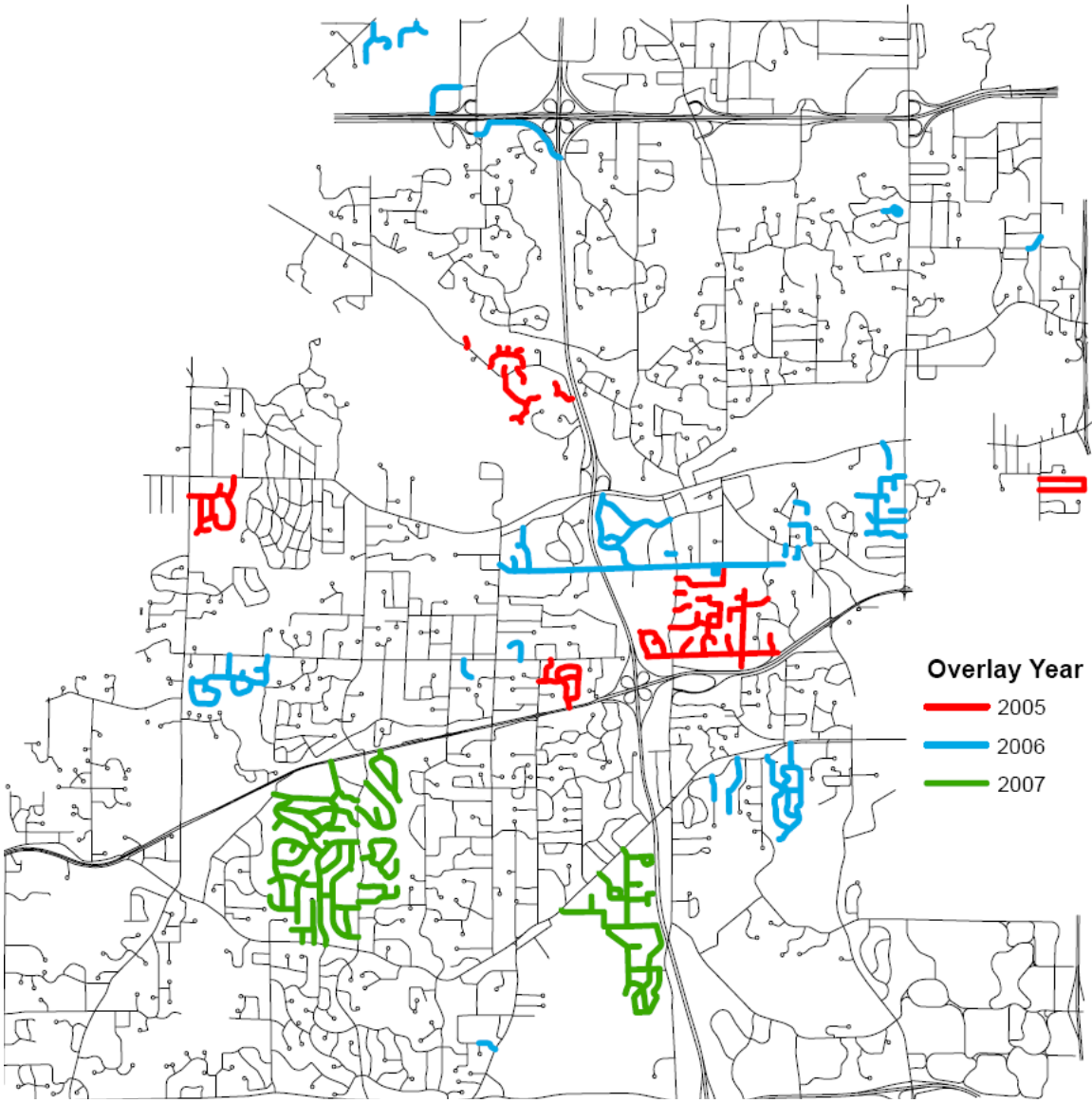
**Reconstruction progress** includes:

- completion of a 2006 project in the Acorn Ridge area and Eastwood Road, with a total length of three miles.
- initial surfacing on 2.2 miles of streets in the Boulder Creek area, with driveway and yard restoration completed by September 1.
- Black Oaks Lane and Gleason Acres Drive (total length of 0.4 miles), prepared for paving in August, with all work completed by September 1.

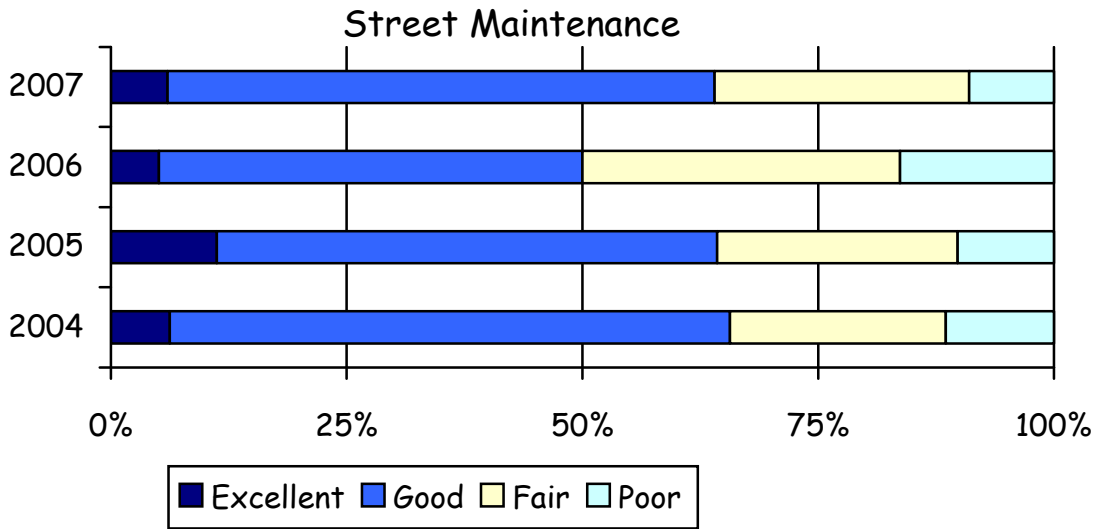
**Thin overlay progress.** This year's 15,000 ton program is now two-thirds complete, with favorable weather allowing for an average of 300 tons of asphalt to be placed per day. The map on the following page shows recent progress, including the area currently being overlaid.

The following streets in the southwest part of the city (south of Highway 7 and east and west of Woodland Road) are included in the 2007 program: Fairhills Road, Hamilton Lane, Hamilton Road, Woodgate Road South, Woodgate Court, Woodgate Road North, Elodie Lane, half of Nursery Drive, Hilltop Terrace, Picha Road, Oak Drive, Forest Road, Birch Road, Elm Circle, Elm Drive, Norwood Drive, Norwood Lane, Temple Road South, Temple Circle, Temple Drive South, Temple Terrace, Temple Way, Temple Road and Temple Drive. Streets remaining to be overlaid in 2007 are east of Spring Hill Park/north of Excelsior Boulevard, and east of Glen Lake/south of Excelsior Boulevard.

# Thin Overlay Program Progress



The pavement management rating for streets indicates an average pavement condition of 78; the city's goal is to be at 70 or above. Perhaps more important, resident reaction has been extremely positive. Community survey satisfaction ratings for pavement repair and patching rebounded in 2007, from a 50 percent approval rating in 2006 to 64 percent approval in 2007. At the recent National Night Out, Public Works crews were actually applauded by area residents.



**2008 Budget.** The comprehensive road revitalization program is well underway, with residents very appreciative of the city's efforts. The substantial investment in roads made by the city of Minnetonka led many other cities (and certainly the state), and no major changes are planned for 2008.

**I & I (Infiltration & Inflow) Reduction**

Last fall, the city launched a five-year effort to reduce the flow of clear water into the Met Council's overburdened sanitary sewer and waste treatment system. To assist homeowners in identifying problematic connections, the city began home inspections in March of this year. If a homeowner is found to have an illegal discharge into the sanitary sewer system, the city offers a matching grant program to assist in making repairs.

Along with the I & I inspection, each homeowner receives a new water meter that features automated reading via radio signal. This allows staff to drive through neighborhoods to check meters, rather than stopping at each home to record the meter reading. The automated approach is considerably more cost-effective, and also provides residents more timely information on water use and possible leaks in their homes.

**Progress.** I & I inspections began in the areas of the city identified as having the greatest increased sewer flow after rain events – the most leakage. The initial inspection area is in the north-central section of the community, located east of I-494, west of Cedar Pass, south of I-394, and north of Minnetonka Boulevard.

Through August 7, the city’s contractor has completed 1,144 residential visits (about seven percent of all residential customers), and 1,099 meters have been installed. Of these properties, 83 have not yet passed the I & I inspection, while 26 passed after a second inspection. Eight property owners requested matching grants, and the city has awarded grants ranging from \$24 to \$453, with a total of \$1,572 distributed to date.

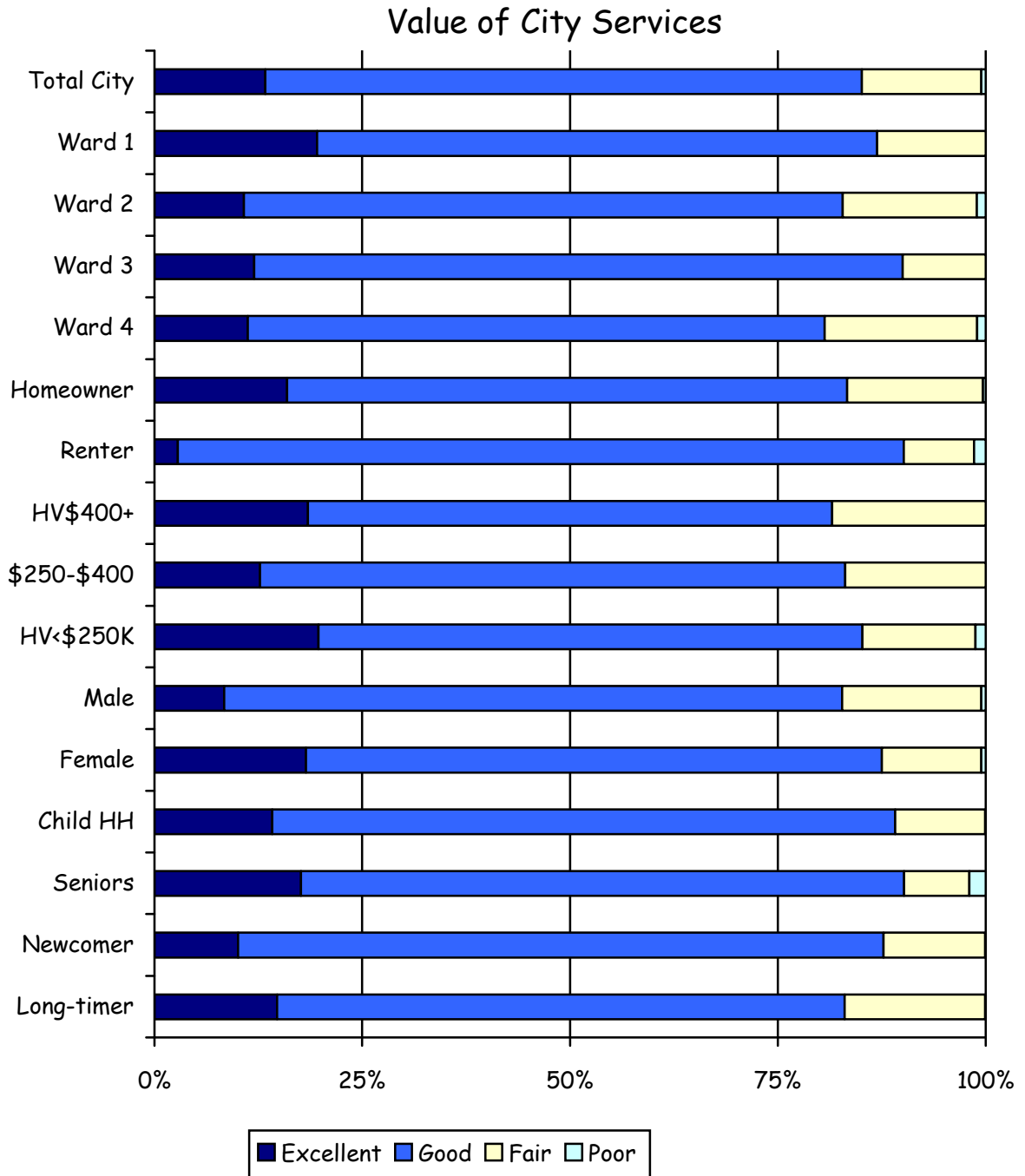
140 accounts have not responded to the contractor’s request for inspection – even after receiving three letters, a preset appointment postcard, and at least one door knock of their home with a door hanger left. In accordance with adopted council policy, beginning in December, a final letter will be sent before a fine of \$150 per month is added to the utility bills of noncompliant customers.

Although a majority of inflow is coming from private property, 6,800 public manholes have also been inspected, with 1,000 remaining to be inspected. Approximately ten percent have been found to leak. A manhole rehabilitation program will be started in 2008 to fix any identified leaks.

**2008 Budget.** The I & I program is off to a good start, with an initial seven percent failure rate on home inspections. The project intentionally began slowly to ensure proper implementation, and the rate of inspections and meter conversions will pick up as more districts of the city are inspected. The northeast quadrant of Minnetonka is slated for the next round of inspections. No major changes in the program are planned for 2008.

## Property Taxes

Minnetonka residents have always highly valued the city services they receive for the taxes they pay. This is generally true across the board, with positive ratings consistently in the 80 to 90 percent range, despite recent substantial increases for road improvements. Minnetonka's tax value ratings are considered to be outstanding compared with other suburban communities.

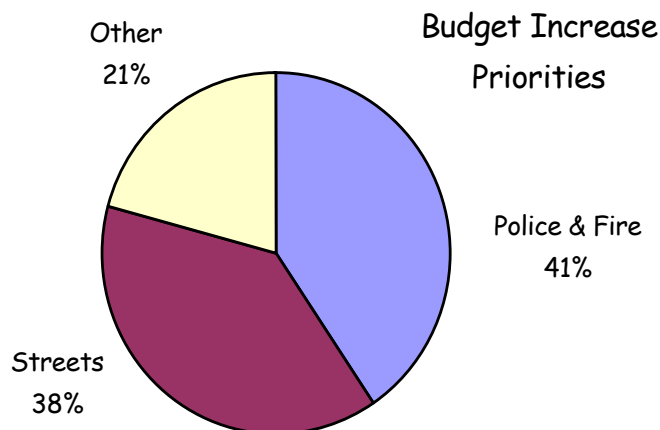


**2008 tax increase.** At its August 27 study session, council generally supported the staff recommendation of \$27,268,554 as the preliminary levy for 2008. This levy includes the three percent base tax increase (including both operating funds and the adopted CIP), and also includes an additional \$447,000 for the two new public safety initiatives.

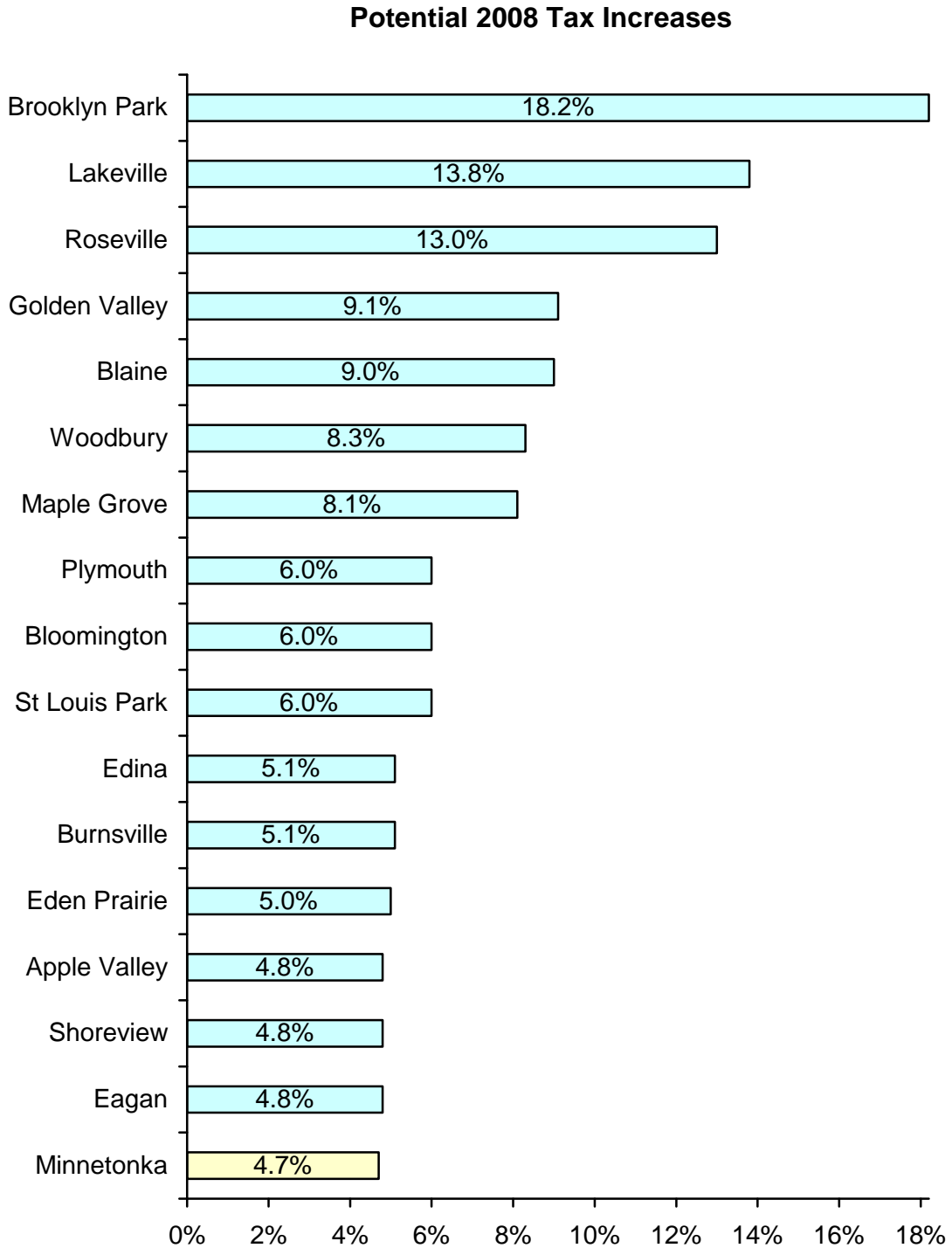
Certifying the total additional amount in the preliminary levy preserves future flexibility. Should council subsequently decide not to adopt either of these new initiatives, the adopted levy can always be reduced in December.

Property Taxes (thousands)	2007 Levy	2008 Levy	Increase
General Fund		\$19,048	
Capital Funds		7,773	
Subtotal	\$26,043	\$26,821	3.0%
Public Safety initiatives:			
Traffic Management		87	0.3%
Fire Service Strategy		360	1.4%
Total		\$27,268	4.7%

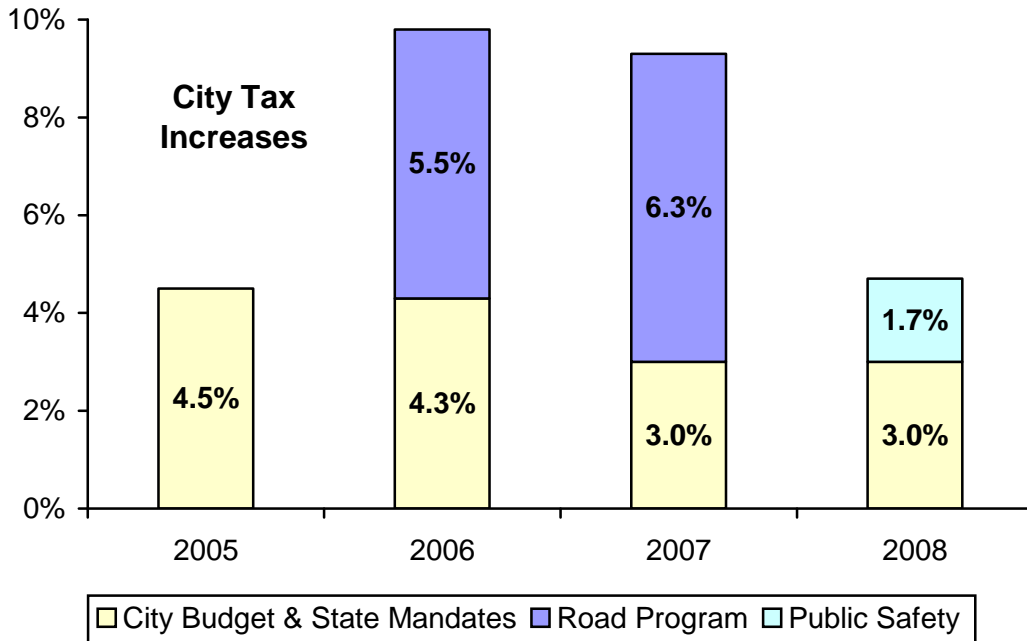
**Budget priorities.** When asked their priorities for budget increases, residents consistently indicate streets and public safety. Beginning in 2006, substantial investments are now being made in road rehabilitation; the recommended 2008 budget allocates new resources to police and fire services.



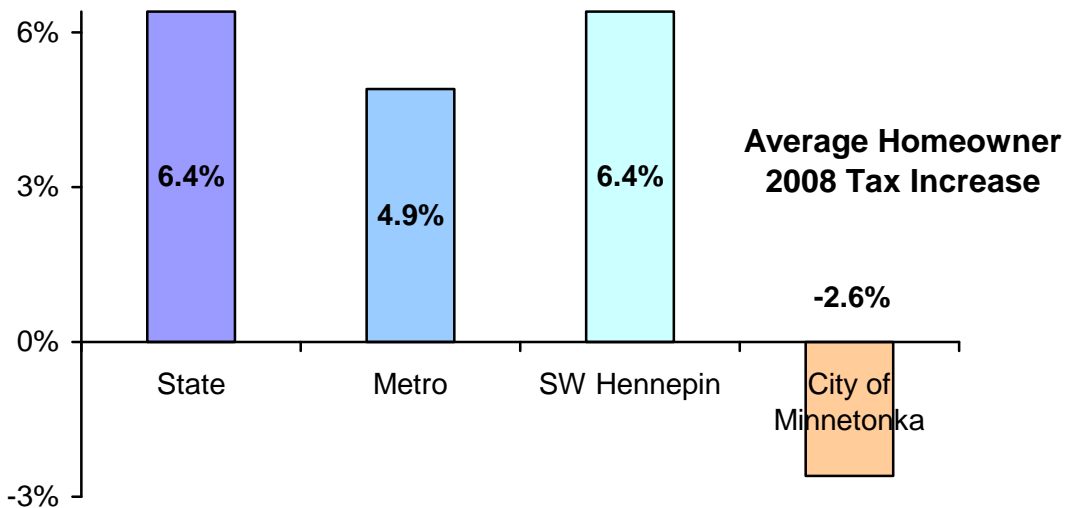
**Comparison with other cities.** The recommended city of Minnetonka tax increase is well below the 2008 increase projected by House Research for both the state (8.8%) and metro area (8.0%), and is also considerably less than increases planned in other cities. In fact, *Minnetonka's would be the lowest tax increase of comparable cities in the metro area:*



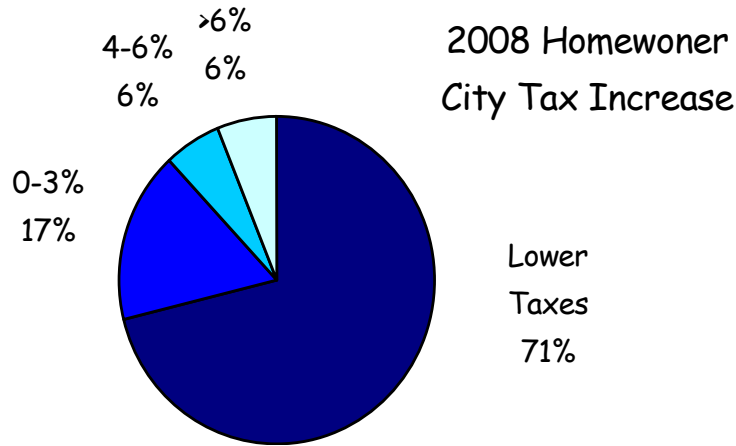
**Recent trends.** The recommended 2008 levy is also among the lowest increases for the City of Minnetonka in recent years:



**Homeowner taxes.** Various factors affect the property taxes actually paid by individual homeowners, including changes in market value, state law and city, county and school budgets. Although 2008 property tax revenue would increase 4.7 percent with the recommended levy, **city property taxes will decrease 2.6 percent for the median Minnetonka homeowner.** In comparison, total taxes (city, county, school) for the average homeowner in the state and metro area are expected increase 6.4 percent and 4.9 percent respectively.



The greater relative growth in commercial property value and decertification of another TIF district in the city will significantly reduce the share of property taxes paid by Minnetonka homeowners in 2008. Preliminary estimates indicate that **seven of ten homeowners will pay lower city property taxes**, and another 17 percent will pay less than three percent more. City property taxes will only increase for properties that experienced an increase in value last year, most often due to location or the state's Limited Market Value program phase out.



### Summary

As a result of responsible long-term financial planning, the city of Minnetonka continues to be better positioned than many other communities to deal with recurring budget pressures and legislative mandates. In accordance with council direction at its August 27 study session, property taxes will increase 3.0 percent in 2008 to fund basic city services, with an additional 1.7 percent increase dedicated to new public safety initiatives. As a result of various market changes, **city property taxes will go down for seven out of every ten Minnetonka homeowners.**

### Recommendation

Staff recommends that council adopt the attached resolutions authorizing a total preliminary levy for the 2008 budget of \$27,268,554.

Originated by:

John Gunyou, City Manager  
 GERALYN BARONE, Assistant City Manager  
 Merrill King, Finance Director