

**STAFF SUMMARY
CITY OF MINNETONKA
STUDY SESSION
MONDAY, APRIL 21, 2003
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Council Present: Jan Callison, Al Thomas, Dick Allendorf, Brad Wiersum, Ken Tauer, Terry Schneider and Karen Anderson

Staff Present: John Gunyou, Geralyn Barone, Dale Eggenberger, Lee Gustafson, Virg Hermann, Dave Johnson, Mike Mahady, Kelly O'Dea, Mike Olson, Jennifer Posma, Greg Sticha, Brian Wagstrom, Joe Wallin

Others: Residents Eleanor Berscheit, 3618 Druid Lane; Joanne Olson, 12800 Melody Lane; and Joe Haley, 12807 Dolittle Drive

The mayor called the study session to order at 6:33 p.m.

1. Reports from City Manager and Council

City Manager John Gunyou reminded Council of the Board of Review meeting scheduled for April 23 and the next regular city council meeting on April 28.

Council Member Tauer noted that the yellow and brown house on Cedar Lake Road is now gone.

Council Member Schneider reported that he had met in the morning with the LMC LGA Task Force and said that there had been quite a bit of progress toward agreement on LMC's stand on LGA and levy limits. He said the basic thrust is that LMC would support a 15 percent across-the-board cut to LGA and oppose reverse referendum. He said LMC would not oppose one-year levy limits, but added that the group couldn't agree on transit funding.

Mayor Anderson asked if the 15 percent overall cut would include the market value credit program. Schneider replied that it would.

Anderson added that she and Gunyou have been working with LMC to craft a response to the transit funding proposal, which, she said, hits metro cities very hard and outstate cities hardly at all.

Schneider said that the group debated this issue. He suggested dedicated broad-based transit funding that does not burden the metro area. He then engaged in a brief discussion with Gunyou regarding the 15 percent cut proposal.

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Council Member Allendorf noted that the final Glen Lake planning session would be April 23 at 5:00 p.m. at the Glen Lake Activity Center. He said the final session would emphasize and celebrate the items agreed upon by those participating in the planning sessions.

2. Review Proposed 2004-2008 Capital Improvements Program.

Anderson introduced the topic, saying that the final CIP will come back to council for formal adoption at a regular meeting, so recommendations could be made tonight.

Gunyou provided an overview of the CIP. He noted that conditions had changed significantly with the state budget problems of the past year, so major changes were made to the CIP. He noted that the CIP assumes that the city would continue to grow property tax revenue in the three to four percent range, adding that, if that is not the case, additional cuts would have to be made.

He noted that two-thirds of the capital budget is spent on streets and said that most of the money spent on streets comes from the county, which receives it from the state. He added that much of the CIP is related to utilities and to be paid for by utility fees, including the storm water utility fees.

Gunyou compared this CIP to the last two, saying that this year's is about the same size as last year. He said that replacement schedules for city vehicles and technology were examined last year and extended out. This year, he said the fire equipment replacement schedule was closely examined.

Gunyou explained that there are four main areas requiring further discussion: 1) undergrounding residential utility lines; 2) a public safety communications tower; 3) Williston Center; and 4) the Civic Center Master Plan.

In discussing the undergrounding of residential utility lines, Gunyou noted that the Council had agreed to develop a program to bury utility lines along major streets when those roads were under reconstruction and to pay for it through a flat charge/meter fee on utility bills. He then asked the Council whether the program should be extended to neighborhood streets. He said that, while it could be done, it would be a complex process, which raises concerns about staffing as well as some logistical and community issues. He noted that, though all residents would be asked to pay for the undergrounding, only some would see the benefits of it. He added that

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the undergrounding would only involved front yards. He also said that a question about the issue was included in the community survey. He noted that, though there was some community interest, only about 20 percent of those surveyed would want to pay enough to fund it – \$2.00 per month for 30 years or about and a third did not want to pay anything at all.

Gunyou recommended proceeding with the program for major streets, putting the meter fee in place at the beginning of next year, but deferring the program for residential streets.

Mayor Anderson asked about the \$1.70 per month fee. City Engineer Lee Gustafson answered that all projects listed in the five-year CIP for major streets would be covered by the \$1.70 fee.

Anderson asked if that would go on utility bills starting next year. Gunyou said it would appear on Xcel bills.

Schneider said he is generally in agreement with the approach recommended by Gunyou. He said he saw the issue with residential streets not as the \$2.00 fee, but as how each individual property owner would deal with service to their homes. He also noted that the council would have to look at how the draw the line in defining “major” streets.

Callison asked how long the \$1.70 would have to be assessed in order to complete undergrounding on all major streets. Gunyou said that his is not sure how many years it will take to bury all of the lines and that it would go on for a long time. She then wondered if the city could stop assessing the fee for a while if the county is slow in completing the work and if enough money is accumulated. She said she feels that undergrounding would make the city more attractive, but she doesn’t want the extra fee. She supports the staff recommendation.

Tauer also said he agreed with the staff recommendation. He noted that the council would need the ability to choose which street to do first when confronted with one that is extremely expensive and one that is not.

Allendorf said he also supports the policy. He asked if a specific account could be set up, which is specifically dedicated to undergrounding utility lines. He

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commented that otherwise the account would look like a “slush fund” and a future council may decide to use it for other purposes.

Gunyou replied that there are legal restrictions on what the money can be used for.

Callison asked if the program was only for distribution lines and not for transmission lines. Gunyou said she was correct.

Thomas said he supports the staff recommendation.

Anderson said she supports the staff recommendation. She said she would like to see residential lines buried, but doesn’t think the fee can be sustained. She would prefer leaving the issue open for the future, inc case circumstances change. She congratulated staff for being so visionary on the items being discussed and reiterated that there was a need to give direction while still leaving room for future flexibility.

Schneider said that, while the city’s policy of not funding residential streets, needs to stay in place, there might be a solution that allows streets neighboring a street under reconstruction to receive a special assessment. Gunyou noted that the city attorney did not think this was permissible. Schneider said he is suggesting that it would happen only if a neighborhood petitions and agrees to a special assessment. Gunyou said staff could look into this.

Noting that transmission lines can’t be buried, Wiersum asked whether it made sense to bury only distribution lines when both transmission and distribution lines run along a major street. Gustafson answered that County Road 101 would be a good test of this. He said these situations would be looked at on a case-by-case basis. Wiersum questioned if the money should be spent if the aesthetics aren’t going to improve.

Gunyou moved the discussion forward to the public safety communications tower. He asked the council to consider two possible locations for the tower: one, north of the Ice Arena, or two, on a high point to the north of the fire station. He said Mike Olson would show views of what the proposed tower will look like and discussed the photos.

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Allendorf noted that the cost of constructing the tower would be greater due to tree roots. Gunyou agreed and Director of Public Works, Brian Wagstrom, noted that as the reason why construction would take place in the winter, when there would be negligible root damage.

Tauer said he prefer the staff recommended site, northeast of Fire Station 1, as it is further away from neighbors and would damage fewer trees. Schneider, Wiersum, Thomas, Callison and Allendorf all agreed.

Anderson said she continues to oppose the tower placement on the civic center campus, though she agrees that the staff recommended site will have less impact.

Tauer commented that the lattice tower doesn't look bad as long as attention is paid to how things are hung on it.

Anderson said that it will be important to watch technology over the next few years. Gunyou replied that the tower in the photos does supply what is needed for technology today, but agreed that looking into options in case technology improves is important.

Gunyou introduced the topic of Williston Center. He provided background information with a review of the Civic Center. He asked the council to consider the opportunities before the city and how they hinge on what is done with Williston Center. He noted that Williston serves two roles, one as a health club and one as a facility for programming. He said that a number of residents use Williston and it is popular with seniors. He commented that it is an inexpensive club and, accordingly, the facilities are less expensive. Gunyou added that a significant amount of programming takes place there, both Minnetonka programs and contracted programs.

Allendorf asked if the city had another facility could programs be run there? Recreation Services Director Dave Johnson answered that Williston complements the Lindbergh Center, which is used for volleyball and basketball. He said that the tennis courts, aerobics room and pool as well as the baseball and tennis programs are unique to Williston. Allendorf asked if the baseball programs could be brought to Lindbergh. Johnson answered that some could on a smaller scale. Gunyou added that the availability of Lindbergh is an issue. Allendorf said that he hates to

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hear there's no alternative since Minnetonka did have a rec program before Williston Center.

Gunyou reviewed various options for Williston. He said there was the option of continued operation as it is with upgrades. He noted that, when Williston was purchased in 1995, some code modifications were made as well as some maintenance improvements. However, he noted that staff believes it doesn't make sense to try to make any significant improvements within the site limitations and in addition to the cost of maintenance.

A second option, according to Gunyou, would be to close Williston and sell the land. He said the value from the land would be around \$1 million and that Williston Center would most likely be replaced by housing. However, he added that Minnetonka's programming has expanded since the purchase of Williston and that some programming may have to be eliminated, while other parts of it would require purchasing space elsewhere (e.g., schools). Overall, he said, about one half to three-quarters of programs would have to be eliminated. He said this is a viable option. He added that the down side to this option would be the loss of Williston Center as a health club. He said health club facilities just aren't readily available at Williston's price. He added that this is the most cost effective option, but noted the loss of use.

Gunyou said that a third option is to replace Williston. He said that replicating what the city already has on the Civic Center Campus would take up a lot of space. He added that there wasn't much difference between building a big rec center or a small one. He said that another option would be building a new building that replaces the current building on the Williston site. Another option, he said, would be to work with a private operator, but he added that doesn't make sense for what the city currently provides. He said he has had discussions with the YMCA due to their similar mission, but the dilemma has been space.

Gunyou said that the community survey indicated that very few people indicated a preference for any of the options. In fact, he said, most supported continuing as it is now.

In terms of financing, Gunyou said there is not adequate funding to do much right now. He said the Community Investment Fund (CIF) would be used to fund this project and the CIF is booked for the next four to five years. He said if the council

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feels strongly today that the city should not be in the health club business, they should make that clear now. Or, the council should indicate whether the city should continue what is being done now or if there is another option they would like to pursue. He said that staff recommends continuing operations as they are now for five years, noting that at the end of five years there will be more flexibility. He said the current cost is \$80,000 per year to sustain operations for the next five years, after which a decision would have to be made.

Tauer asked if the city could terminate the NovaCare lease after five years. Johnson answered that the lease is up for review. Gunyou added that the lease could be written according to the direction the council would like to go.

Tauer asked if the swimming pool building could be retained if the rest of Williston Center was torn down. Gunyou answered that programming space would be lost. Johnson added that the structure of the pool is sound, but the pool is not.

Callison asked how unique the funding situation is to Williston. She said when the ice arena was acquired it wasn't in great shape but it has not traditionally been expected that capital expenses would be paid for through fees. Gunyou answered that, of cities nationwide, few cover capital expenses. He noted that Minnetonka's staff does an extraordinary job of operating Williston and that for other facilities it would be unrealistic to expect that fees would cover capital expenses.

Callison asked about membership. Johnson answered that Williston has picked up some private club membership because of the economy.

Wiersum pointed out that Williston is a very good value for what consumers are paying.

Thomas asked what would happen if \$120,000 or \$150,000 is needed one year instead of the \$80,000. Gunyou answered that \$80,000 is an average and Johnson noted that \$15,000 per year is escrow and there is \$70,000 there now. Gunyou said if an expense was unexpected, but not catastrophic, it would be okay.

Schneider pointed out that the city was not in the health club business when Williston was originally purchased and that it was bought for offering programming that couldn't be offered without it at time. He said the health club business came as part of the package, but was not the reason the purchase was made. He expressed

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support for the recommendation to continue as is, with minimal expenses, for the next five years. He said he would want to make sure the annual investment is cost effective and that conditions, while not stellar, also do not jeopardize health/safety. He agreed that a decision would have to be made at the end of five years, but he does not support closing Williston just to save money when it is serving a segment of the community that really needs it.

Gunyou said that staff would ensure that rates increase more regularly.

Tauer asked if the city should be in business. He said it shouldn't be in the upscale health club business, but he likes the basic services provided by Williston. He said that staff's conclusion is logical, but suggested that a decision may be made when there is funding available and that could be before five years. He reiterated that he is not in favor of a "lifetime fitness" establishment, but is slightly open to a "YMCA" type of establishment.

Allendorf stated that he did not vote for the purchase of Williston and didn't want to be in the health club business. He said he doesn't see Williston as only a health club, noting that, while revenues are generated, it is another program service to Minnetonka citizens. He discussed the option of closing Williston and not providing the programming that wasn't being provided before it was purchased. He added that a lot of programming possibilities were purchased along with Williston. He said he supports the staff recommendation and added that he has heard of problems with carpet, mold, and the ladies locker room. He suggests charging a surcharge to handle these types of things and stressed that the city should not go below the level of service already being provided to residents.

Callison said she feels that Williston has been a success, and that staff has done a good job of making the center important enough to continue operating. She said she supports continued operation, but is not sure about the idea of a surcharge, favoring instead the idea of increasing membership fees more regularly. Allendorf commented that a surcharge is the same as increasing membership fees more often.

Gunyou said that staff looked at how much more would have to be charged and decided that more attention should be paid to increasing rates and renegotiating contracts, while avoiding sharp increases that lose membership.

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Wiersum complimented staff on the proposed solution. He said he has used the facility, has been a member, and that using the facility for programming provides value. He noted that, if the health club wasn't there, the city would not be able to operate the center. He added that the value of the health club is very high compared to competition. He agrees that there is value in the programming and the health club and that the issue could be set aside for five years.

Anderson said she generally supports other council members' comments and the staff recommendation. She said she doesn't expect the center to be fully self-sustaining and expressed surprise that the 30 percent household use. She agrees that it is a great success story, but expressed concern about the five-year timing. She stated that if, indeed, funding within the CIF will be freed up in five years, Williston should be in the CIP for at least two years and should be discussed again in three years. She added that she doesn't think the city needs to be locked in to either the Williston Center site or the Civic Center site as there are other parks and there may be other pressures on land in the future.

Thomas stated that, with 60 percent of revenue being generated from membership, he believes the city is in the health club business. He said he didn't support the original Williston purchase and doesn't support it now. He said it should be an enterprise fund and remain one.

Gunyou then moved discussion to the Civic Center Master Plan. He noted that council generally supported the base plan and translated it into what would be part of the CIP, noting that any work would not start until 2005-2006. In doing so, he added, staff would be looking not just at the park, but at other uses of the site such as the communications tower and a water treatment plant expansion.

Gunyou provided a description of the new treatment plant. He noted that concern had been expressed about a drought this summer. He said the piping for the plant was being put in place right now and that the plant would temporarily house a wellhead with a ling to be used as back-up if additional capacity is needed this summer.

In further discussing the civic center site, Gunyou noted that there are functional aspects and recreational aspects to the site, and that the city can do one or the other. In terms of traffic circulation and parking, he noted that funding will allow for a

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redesign of the driveway and parking, but did not recommend going ahead with the parking facility.

As far as community use of the site, Gunyou noted that there was strong support for natural areas, trails, and gathering space; some support for a number of activities, and less support for the horse arena. He added that some of the moderately supported options were the more expensive options.

He said staff recommends that trails, landscaping and natural resources goals could be accomplished in 2005-2006. He said this includes the conversion of the horse arena to athletic practice fields, not scheduled for games. He said the park board strongly advocated for space like this and that the conversion could be done at minimal cost. As far as the possible recreation center, which has already been discussed, he suggested the space be converted to an athletic practice field and that future athletic uses be noted on the master plan.

Gunyou added that staff is not recommending other activities because of the price tag, except for pursuing the amphitheater and playground as a joint effort with the church. He then reviewed a summary of funding.

Callison raised the issue of campus circulation. According to her memory, she said, Brauer relooked at the master plan and it seemed like it went from a master plan to a \$1.2 million price tag in 2005-2006. She requested more information about whether some of the changes are really crucial.

Tauer supported the master plan and the change in the driveway and parking lots. He expressed concern about spending \$1 million on the roadway and how that would affect image and quickness.

Gunyou said that portion of the master plan is driven by safety issues and circulation. He stated that, one to two years ago, there had been \$350,000 in the CIP to address these issues, but that was put on hold when a master plan was discussed. He said that the consensus was not to use a "band-aid," but to address major safety issues within the master plan. He added that there will be even more traffic with the new practice areas.

Schneider agreed that improvements are needed. He said that timing relates to public perception and the council should watch for the right time. He noted that the

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parking structure is a long term need and the council should have design ready with a plan and soil tests for when the time comes. At this point, keeping it at 2005 makes sense.

Thomas said he would rather see the athletic field bumped up because he knows the city needs it. Anderson expressed a concern for safety with more traffic on a steep driveway. Gunyou noted that it would be difficult to move up the roadway. Schneider added that he doesn't envision the athletic field generating heavy use and Gunyou commented that it would probably be used mostly on weekends and in the evening.

Allendorf said he likes the 2005-2006 time frame for the parking lot and requested that Jeff do some drawings on improvements beyond just safety. He said the council saw one plan and then it showed up as a \$1.2 million plan --- he said the idea needs more processing than that. Gunyou commented that staff wanted to make sure the funding is programmed in.

Tauer said he doesn't see a need for a parking structure for the general vehicle fleet, although he agreed that police parking is a need. Anderson agreed that this is a priority as funding becomes available.

Anderson asked if anyone had spoken to the Horseman's Association. Gunyou replied yes and that the plan is to update the plan and go back to other groups.

The study session recessed at 8:48 p.m. and reconvened at 8:59 p.m.

Anderson asked that Gunyou review the tables showing bond proceeds and the meter fee.

Callison asked why the Xcel line items jumps significantly in 2005. Gustafson answered that, while \$1.70 per month translates into a \$300,000 surplus in 2004, there's a deficit in 2005 and then a surplus again in 2006. He noted that Table I shows expenditures, not revenues and that the projects coincide with county projects. Schneider asked that a page with fund balances for Xcel with the meter fee and utility undergrounding be added.

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Gunyou noted that the tables represent minimum fund balances and assume that property taxes will increase by 3 to 4 percent; some years this creates deficiencies, but at the end of five years should be at minimum fund balands.

3. Adjournment.

The study session adjourned at 10:02 p.m.