

AGENDA

CITY OF MINNETONKA

STUDY SESSION

MONDAY, SEPTEMBER 19, 2005

6:30 P.M.

BOARDS & COMMISSIONS ROOM

1. Council NIMS training
2. Police firearms range open house
3. Adjournment

Additional Information

Special Study Session summary August 22, 2005

Study Session summary August 29, 2005

The purpose of a study session is for the council to discuss matters informally and in greater detail than is allowed at formal council meetings. All meetings of the council, including study sessions are open to the public. While the privilege of participating in these discussions is generally limited to the council, staff and consultants, the mayor may open a discussion from the floor.

City Council Study Session Item #1
Meeting of September 19, 2005

Brief Description: National Incident Management (NIMS) Training.

Background

As part of a national response to the 9/11 events, a new National Incident Management System has been adopted. Federal law requires all key government personnel, including elected officials receive this training.

Summary

A PowerPoint training session will be given by Fire Chief Joe Wallin.

Submitted through:
John Gunyou, City Manager

Originated by:
Joseph A. Wallin
Fire Chief, Director of Emergency Management

City Council Study Session Item #2
Meeting of September 19, 2005

Brief Description: Police firearms range open house.

Background

The police department constructed an indoor firearms range in 1990. The purpose of the range was to provide a convenient training facility for police officers to meet their state mandated training requirements and to practice skill development.

In 2004, the CIP provided funding to make repairs and upgrades to the range. The bullet trap, target turning system and floor was replaced. The upgrades have created an environmentally safer facility for employee training.

Following the NIMS training, the police department invites council members to view the upgrades made to the training range. Additionally, for those council members who desire to participate, a demonstration of the “decision – shooting” will be conducted. This interactive laser training program instructs participants on the utilization of the correct decisions on use of deadly force.

Submitted through:
John Gunyou, City Manager

Originated by:
Joy M. Rikala
Chief of Police

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Council Present: Jan Callison, Terry Schneider, Al Thomas, Tony Wagner, Brad Wiersum and Mayor Karen Anderson. Bob Ellingson arrived at 6:23 p.m.

Staff: John Gunyou, Geralyn Barone

Anderson called the special study session to order at 6:15 p.m.

1. Boards and commissions interviews

William Lurth

Anderson explained the process. She noted that Lurth has been active in providing volunteer services to the seniors, and she wanted the council to meet him.

Lurth said that he served as a van driver, chef, and also provided volunteer legal counsel. He thought it was time to get into the planning stages. The seniors have already asked him to help with their annual pancake breakfast, and he has cheaper pancake batter sources. He said that it is time for him to return something to his community during his retirement.

Anderson noted that Lurth has lived in Minnetonka for five years. He said that he lived here earlier, but returned five years ago.

Schneider asked Lurth what he saw for future changes. Lurth said he did not know, but he was anxious to find out.

Ellingson arrived at 6:23 p.m.

Callison said that she knows Lurth, and was pleased that he applied.

Wiersum asked Lurth what he enjoyed most about his volunteer work. Lurth said he likes when he is doing some good. He said that the inner feelings cannot be measured, and that a little humor helps as well. He hasn't helped with tax work, but has offered assistance with avoiding probate, and with health care directives.

Thomas said that it was nice to let the attorneys on the council know that there can be life after the council.

Anderson asked about the participation level in the sandwich program. He said that about 25 to 36 people participate. Anderson said she was concerned when the meal program ended, but this program seems more useful and has better attendance.

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Lurth thanked the council for the opportunity to interview.

2. Adjournment

The study session adjourned at 6:27 p.m.

Respectfully submitted,

Kathleen Magrew
City Clerk

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Council Present: Jan Callison, Terry Schneider, Al Thomas, Tony Wagner, Brad Wiersum and Mayor Karen Anderson. Bob Ellingson was absent.

Staff: John Gunyou, Geralyn Barone, Merrill King, and Darin Nelson

Others: Eleanor Berscheit, Brent Routman

Anderson called the meeting to order at 6:32 p.m.

1. 2006 Preliminary Budget Review

Anderson said that the council needs to provide direction to staff about the budget so that the preliminary tax levy can be certified by September 15. That action is scheduled for the September 12 council meeting. She noted that the council can lower the preliminary levy in December, but they cannot increase it.

Gunyou said that King had introduced new processes and formats for the budget. The council discussion will initially focus on the big picture, and the timing of the new process will better integrate into the MERIT program.

Wagner suggested providing a little more detail up front, in the form of tabular forecasts. Gunyou said that will be done for next year's budget.

Gunyou said that based on council priorities and targets, departments will prepare detailed budgets for review by the council in November. The new budget format will include both capital and operating funds. Following the TNT hearing, council will consider final approval in December.

Gunyou noted that the packet provided an example page of the new format. In the past, line item budgets were provided, but the detailed information was confusing and often meaningless for the public.

Ellingson arrived at 6:39 p.m.

Gunyou said that the newly formatted pages will facilitate a move toward more program budgets in the future. Each department and each capital fund will have a summary page. He noted positive feedback on these changes, and added that individual council members had made specific suggestions.

The center section of the new page will provide a more concise summary in lay language about what the department really does. A trends section will be added to note service challenges, such as increasing youth and elderly police calls. There will no longer be a page of footnotes. The bottom section of the new cover

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page will provide a headline—an introductory sentence—followed by bullets of key budget issues.

Wiersum liked the new format. Wagner liked the trends piece. Thomas said that it followed the “accounting for dummies” concept—the layperson would look at it because it has been simplified.

Wiersum asked if there would always be three bulleted budget comments/issues. Gunyou said that the number could vary.

Schneider said that his focus is often on personnel changes. Gunyou noted that staffing information is included in the highlights section. King said the new format will better explain departments that receive grants.

Wagner said it would be helpful to include this information on-line. Callison suggested that the department summaries be limited to single pages. Gunyou said that was the intent.

Callison asked if every department has a mission statement. Gunyou said they do. King said that the mission would be combined with the descriptions of services.

Schneider struggles with whether or not to include county funds in our budget, since it can be misleading. Gunyou noted that the CIP lists the funding separately.

Schneider said that the detailed information is good, but it confuses people. Gunyou said that a table will be added to show all funds so that readers have a complete picture of the city’s finances

Wagner said that the only downside is that the detailed information helps new council members better understand the city’s operation. He suggested highlighting a few departments each year -- a “deep dive” to provide information about their services and operations. Gunyou said that was a good idea, and that it might be best to do that separate from the budget process. It would provide an opportunity to talk about in-depth trends.

Anderson asked that the meetings be publicized, especially to those who have been through the citizenship academy.

Callison suggested that the goal of any department review be clear, especially if the meeting is opened to the public. Gunyou said he would consider possibilities with the leadership team and report back to the council.

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Gunyou then talked about the budget forecast. The state was supposed to restore the market value credit in accordance with state law, but did not. The loss to the City of Minnetonka is \$622,000 for next year, but that amount will go down over time.

Callison asked if the law changed so it is no longer a legal obligation for the state to fund this program. Gunyou said that the delay in restoration is another two years, so the legislature will have to address the issue again.

Gunyou said that there were other fairly significant challenges imposed by the state. The biggest relates to the PERA pension fund bailout, which had to happen. More people are electing the defined benefit rather than cashing out. When people cash out, they only get the employee contribution so the fund remains stronger. Also, people are living longer. As a result of the bailout, the city must pay for a \$94,000 increase in its 2006 contribution, and over the next five years, additional requirements will total more than \$1 million. The employees' share will also go up, so their take home pay will be less.

Gunyou said that over the objection of city groups, cities will now be responsible for private utility locates. We will have to locate private water lines, and this will increase the workload, which will require us to hire another staff person.

Schneider asked if those locates would only be on public property. Gunyou said they would be on private property too. The city can recoup its costs through fees, but cities are concerned about the liability.

Gunyou said that personnel costs represent the largest share of the budget. Two contracts are up this year, and one year remains on two other contracts. Raises have been modest in recent years, but the city makes market adjustments that allow us to remain competitive. Typically, about one-half of all employees receive a market adjustment each year.

Gunyou said that medical insurance premiums will increase by 12 percent, and that other operating costs will also increase, especially energy costs. Staff is planning on a \$60,000 increase in fuel costs. This will spill over to other areas, such as asphalt and supplies that are shipped. The city will limit mileage to the extent possible, and hopes to know more about fuel prices in the next few months.

Wagner asked if the city could look at the type of vehicles in its fleet. Gunyou said that this occurs when vehicles are replaced.

Callison asked if alternative fuels were worth looking at. Gunyou said that they would be to the extent they are cost-effective. Gunyou said that about 40% of the

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fuel budget goes to police, 40% to public works, and 20% for the remaining departments.

Gunyou said that LOGIS and technology costs are increasing more slowly, but that there will be some additional costs for the 800Mhz conversion.

Gunyou said that continuing current services with no changes would cost 5.1 percent more, but recommended a target budget growth of about 4 percent. This would allow for continuing the same services, with prudent spending restraint.

Schneider asked how much of the park and recreation increases could be made up by increasing fees. Gunyou noted that increased energy costs would affect the enterprise activities (ice arena, Williston Center), and that possible fee increases would be considered. Schneider said the scholarship fund could help offset recreation fee increases.

Thomas asked how much of the park and recreation increases were due to the referendum. King said she would research that.

Wiersum asked about severance benefits, and Barone explained the expected impact of possible retirements.

Anderson asked for information about the number of recreation scholarships requested, and the status of that fund. Gunyou said that information would be provided for the November review.

Thomas asked if it is time to review the fees for park dedication and development. Gunyou said all fees are reviewed annually. This budget reflects normal annual adjustments.

Anderson asked if going from 5.1% to 4% growth would jeopardize services. Gunyou answered that the spending growth target would require some tradeoffs, but was doable. It would still get us back to where we were about three years ago, before the state cuts.

He explained that with the Responsible Fix, ten percent was cut from the CIP, and that various positions were eliminated. Last year, we added back a street maintenance worker and utility worker to meet concerns about service impacts. Planning and environmental health each lost one-half a person, and Gunyou is considering adding back these partial positions.

In response to the cuts, Planning did a major reorganization and eliminated a senior position. They have been using more interns, but are considering replacing one intern with an entry level planner. There is a productivity issue with

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interns due to the frequent turnover. Environmental Health has assumed responsibility for nuisance complaints and service demands are growing.

Callison said that of the 4% increase, 1% was due to the city, and 3% due to state mandates. Gunyou confirmed that if the market value home credit was replaced and there was no PERA increase, city property taxes would only have to grow by 1 percent.

Thomas asked if there are any additional changes in service priorities in the immediate future. He gets calls about roads and residential speeding/traffic. Thomas said that aggressive officers could cover the cost with tickets.

Anderson said that this is not a funding issue—we don't get to keep the revenue from fines.

Thomas said that if he had to pick between another police officer or a planner, he would choose a police officer.

Wagner asked about the status of the programs at the schools that have been funded through grants. King said that we get partially reimbursed for those programs the districts.

Callison did not know if the issue related to the number of personnel or if officers need to be instructed to be tougher. She said that a substantial budget increase would be needed to make a dent in the problem, and she was unwilling to do that. Gunyou said that staff would look at what could be done through shifting priorities within the police department. Callison said that more information was needed. Gunyou noted that we do not have quotas, but do participate in periodic crack-downs on traffic enforcement.

Anderson said that the most calls she has gotten about police issues are from people who have been stopped for speeding and didn't think the stop was legitimate. She asked to see data about the number of traffic calls expressing outrage about saturation efforts.

Schneider acknowledged traffic was a major focus of Thomas, and said it was also important to other councilmembers. However, he questioned the expectation of getting everyone to drive 25 to 30 miles per hour on Williston.

Anderson noted the concern about public safety expenditures, but said there are many people who feel safe in Minnetonka. Chief Rikala has been successful in getting grants, but Anderson is concerned when those grant funds run out. If the city is not safe, no one will want to live here, work here, or have their children go to school here. She needs more data.

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Callison said that a 4.3% increase in property taxes to maintain services would be appropriate.

Ellingson asked how much the increase would be without the state mandates.

Wiersum said that 4% sounds higher than inflation, but this is a service business. Our costs relate to employees, and wages are increasing less than 4%. However, benefits are increasing more, as are fuel costs. A 4% increase in a service business seems reasonable.

Gunyou said that a 4 percent annual growth is not out of line. The consumer price index (CPI) is misleading because it doesn't reflect the true cost of running a city. Government cost indices are much higher than the CPI – cities aren't buying what's in the CPI. He said that the CPI is at 2.8%, but the municipal cost index is at 4.1%.

Callison noted that the true cost increase of 1%, before the city has to pay for unfunded state mandates, is exceptional.

In response to Anderson's question, the council expressed consensus in support of the 4% budget growth target.

Gunyou shared information about property tax increases, comparing Minnetonka with other metro cities.

Schneider asked if other dynamics were at play with the general tax rate that would impact homeowners. Gunyou said that the legislature extended the limited market value phase out, which was placing a higher burden on residential property, so we won't see the big shift we have seen in the past. In addition, commercial property values are growing more than they have in the last three years, so less burden will be shifted to homeowners.

We don't know yet about the county or the school districts. The state has raised the referendum cap on schools, and has built in more automatic levies where a vote by school district residents would not be required. The state estimates a 23% increase in school taxes statewide next year. He does not think Minnetonka School District will have a referendum, but Hopkins likely will to renew an excess levy. The other dynamics include our park referendum, which will cause an increase in 2007. There is \$5 million remaining to be sold.

Anderson said that a 4% general fund increase relates to a 4.3% levy increase for both operating and capital. She asked if that increase meant nothing would be done for streets and roads. Gunyou said that we are already spending \$2 million per year for roads, and that will continue. Any additional amount would require a higher increase in the levy.

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Gunyou said that the council has discussed different options for funding the new road revitalization program. One option would fully fund the additional \$2 million per year starting in 2006. The second option would phase it in over two years. Fully funding the program right away would require an additional 9% increase in 2006. Two year phasing means the two top priorities (Dominick Drive and Vine Hill Road) would be delayed about one year. Dominick will cost \$4 million to reconstruct, so it would take longer to save the funds necessary to complete the project. It would be delayed from 2007/08 to 2008/09. Vine Hill Road would be as expensive, and also involves Shorewood. This project would occur in the same time frame as the Shady Oak Road project, so we would need to juggle the funding.

Gunyou said the choice between fully funding the new program in 2006 or phasing the increase over two years is a policy choice for the council. If done immediately, the program would require a 13.5 percent total increase in 2006. Splitting the increase over two years puts Minnetonka more in the realm of what other cities are doing. However, park bonds would add to the 2007 tax increase, and it is likely that the legislature could reimpose levy limits for 2007 since it is an election year. If this happens, it would not be possible to implement the second phase increase.

Anderson said that the council had already decided to undertake the street improvement program, and said that the council needed to decide how to implement it. Her major concern is levy limits. We have been without levy limits for two years, but we had them for 12 years. If levy limits come back, the city could only levy for one-half of the program and would have to cut the rest of the budget if there are limits next year.

Schneider said that if we do it over two years, he would support doing more than 50 percent of the increase in 2006 – something less than 10 percent. He thinks there will be levy limits, but not as bad as in the past. We can look at bonding, if needed, as an option.

Gunyou said that there also has been discussion of a road utility fee. Some growing cities have pushed for this. Schneider said enactment was questionable, and Gunyou agreed.

Wiersum agreed with Schneider to keep the total increase under 10%. School taxes will go up significantly. Under 10% keeps Minnetonka in the middle of the pack. If levy limits come back, there are some options and we could do 50 to 60 percent of the roads in the first year. He would support 9.5% to 9.9%.

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Wagner said that the EDA discussed an HRA levy for 2007 and 2008. This would limit our ability to do that. He saw the decision as: do we want a double digit increase in 2006 or 2007.

Schneider said that residents voted for the park bond, so that should not be considered in the total.

Wagner said that 50% of the residents don't remember voting for the referendum. There is a risk that schools will increase 20% and the city by 9%, and then there could be levy limits. He would be comfortable either way. He thinks there is public support for getting the roads done.

Thomas leaned toward Schneider's position. Everyone wants to know when their road will be done. We can't do it all in one year. If the line on the truth in taxation notice says 13.5% increase, the phone will ring. He would be more comfortable spreading it over two years. The park referendum is already approved—it's a done deal. We all agree the roads have to get done. He would be comfortable with 9%. He wants some lead time, and does not want the whole thing occur at once. He suggested doing 55 to 60% of the increase in the first year.

Callison said this was the toughest budget discussion in which she has participated. There is no question that the roads need to be done. She was concerned because she didn't want us to be second in the region for increasing taxes. She said that the HRA levy might need to be pushed off because roads are more important. She supported splitting the increase in two so that we could come in under 10%. She noted the impact on individual households with a big increase.

Anderson said that she is getting the same responses about the dollar amounts and wants to get the roads done. She is willing to split the project and do more in 2006.

Wiersum noted the impact on individuals. Gas prices are up 60% in the last year. There are lots of inflationary factors that will hit people. A 9% to 9.5% increase is not modest, but he would have a greater comfort level being under 10%. The city will have tougher and tougher decisions in the next few years and needs to be prudent now. There will be agonizing discussions in the future.

Wagner did not want to see back-to-back double digit increases. He asked if we could borrow for two large projects, and spread the costs over three years.

Schneider said that the dynamics will be better known next year. There are alternatives to explore, such as bonding, and internal borrowing.

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Ellingson said that we are losing ground. A lot of city dollars are going to our share of county projects. The state is not growing their share. We say we need to fix the streets, but we have a hard time paying for it. The state philosophy is not to raise taxes, but that filters down to the local governments. He said that we will fall further and further behind and it will become more expensive. He suggested allowing some flexibility in case we don't have as much room next year. He didn't care if we would stay below 10%, and would support a full 13.5% increase. We have been good at predicting the state. They will put levy limits on. They also put the burden onto the local level—that's been very predictable. The public pays one way or the other through income or property taxes.

Thomas said that we're providing the new services, not just all at one time.

Ellingson said that the potholes in his neighborhood would not be repaired for eight years. The burden has fallen to the city.

Schneider said that we are caught in an unusual bubble with the state and county projects taking up our funding. There will be a gas tax increase. There will be funding growth in the next 20 years. Eight or nine years ago, the city began adding \$2 million per year, and we will be able to accomplish our goals over time.

Callison said that we are just putting off things by a year, but that is legitimate.

Wiersum said that 60% of \$2 million would be \$1.2 million. He suggested delaying 40% of the project for a year. We will still get the most important work underway.

Gunyou said that level of funding would require a 5.5 percent increase for 2006, and said the delay would not affect the thin overlay program - it will delay the bigger projects. Wiersum said that thin overlay provides a great deal of bang for the buck.

Anderson noted a consensus for a 5.5% road increase and a 4.3% basic service increase, for a total of 9.8%, with the road work phased in over two years. The city can certify the preliminary levy at 9.8% and decide in December to stick to that amount or to go lower. That is the amount the council will certify at its September 12 meeting.

In response to council questions about public input, Gunyou noted that there will be an article about these budget targets in the next *Memo*.

2. Adjournment

The meeting adjourned at 8:48 p.m.

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Respectfully submitted,

Kathleen Magrew
City Clerk