

AGENDA
CITY OF MINNETONKA
STUDY SESSION
MONDAY, JULY 17, 2006
6:30 P.M.
BOARDS AND COMMISSIONS ROOM

1. 2007-2011 Capital Improvements Program
2. Adjournment

Additional Information
Study Session summary April 17, 2006
Study Session summary May 15, 2006

The purpose of a study session is to allow the city council to discuss matters informally and in greater detail than permitted at formal council meetings. While all meetings of the council are open to the public, study session discussions are generally limited to the council, staff and consultants.

**City Council Study Session #1
Meeting of July 17, 2006**

Brief Description: 2007-11 Capital Improvements Program

Requested Action: Review proposed CIP and provide feedback

Background

This proposed 2007-11 Capital Improvements Program (CIP) details capital expenditures in the city of Minnetonka over the next five years. Similar to the annual operating budget, the CIP is a policy document. It is the city's plan to provide and maintain facilities for the citizens and businesses of Minnetonka within the constraints of limited resources.

The CIP reflects ongoing capital needs for new construction, and also for the reconstruction and maintenance of our substantial investments in streets, water and sewer utilities, parks, public buildings and major capital equipment.

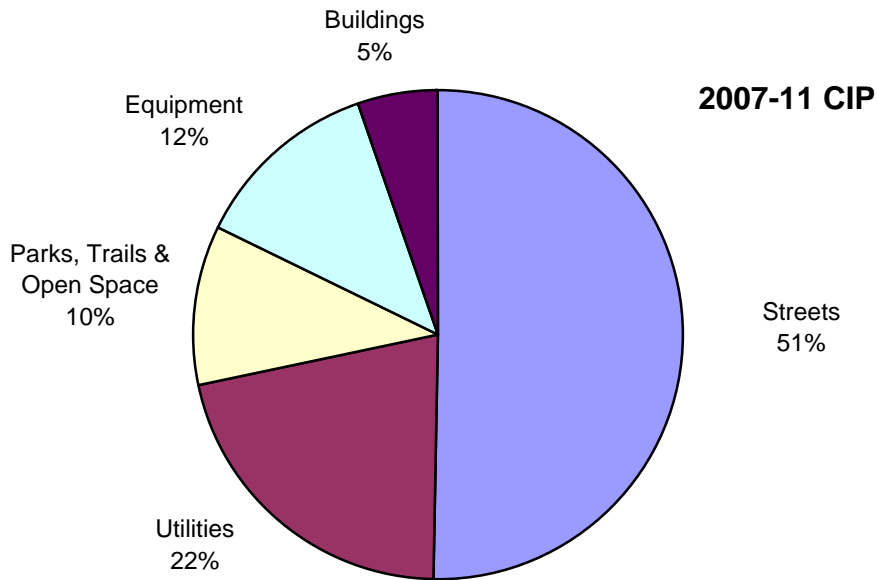
The recommended CIP is consistent with the city's capital improvement fiscal policy, which establishes funding priorities for projects that contribute to the public health and welfare, maintain an existing system or make it more efficient, and expand public services.

The majority of the projects included in this recommended CIP have been reviewed in previous years. However, changes in the city's operational needs and available resources require that the plan be reevaluated on an annual basis. The two most significant modifications in this CIP are an expansion of the adopted road revitalization program and funding for Minnehaha Creek corridor projects.

What the CIP funds

The recommended 2007-11 CIP funds \$73.6 million in projects over the next five years; another \$34.8 million will be spent on county road projects. With the proposed increase in local road reconstruction, street investments will represent about one-half of the total. This is a significant increase from about one-third of the total CIP in past years.

Water, sewer and storm drainage utilities account for 22 percent of the total, due to proposed water meter replacement and the new infiltration and inflow (I&I) reduction program. As the park renewal program nears completion, parks, trails and open space account for a declining share of CIP investments.



2007-11 capital expenditures are greater than previous CIP's as a result of the recommended increases in street improvements and utilities.

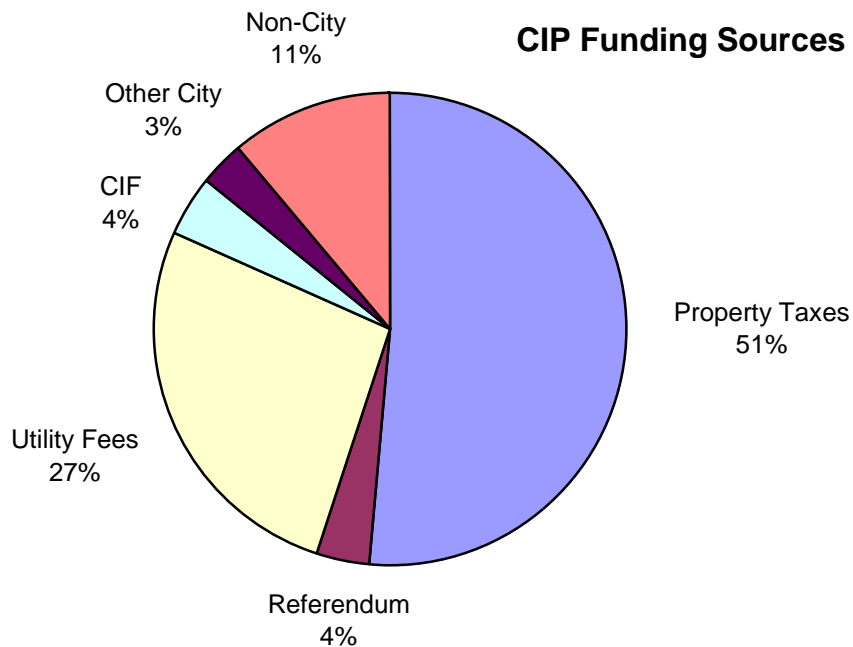
CIP (000's)	2004-08	2005-09	2006-10	2007-11
Street Improvements	\$20,697	\$19,912	\$30,315	\$37,018
Buildings & Equipment	13,715	13,660	12,650	13,127
Parks, Trails & Open Space	11,016	9,154	14,211	7,700
Water, Sewer & Drainage	12,297	17,886	8,197	15,801
Total CIP	\$57,725	\$60,612	\$65,373	\$73,646

How the CIP is funded

Well over one-half the recommended \$73.6 million CIP is financed with property taxes, including both annual levies and the voter approved parks and open space referendum. These local taxes support investments in streets, parks, public buildings and major equipment.

The next largest share of the CIP is funded through utility fees, which pay for all water, sewer and storm drainage projects. In addition, franchise fees which appear on electric utility bills fund the city's program to bury utility lines along major streets.

Low interest rates have reduced available funds, so the Community Investment Fund (CIF) again accounts for a minor portion of the five year total. Most non-city revenue is municipal state aid (MSA) for roads.



There are two major discussion issues associated with the proposed 2007-11 CIP: (1) road revitalization program, and (2) Minnehaha Creek corridor projects.

Road Revitalization program

As council knows, resident dissatisfaction with road repair has been high. In this year's community survey, satisfaction with pavement repair and street patching slipped even further from a previous 63 percent approval rating last year to 49 percent, the lowest rating of the last six years.

Current program. In response to these concerns, council approved a new road revitalization program in last year's CIP to substantially increase funding for Minnetonka's 250 miles of local streets. The program uses a two-pronged approach for stabilizing, repairing and maintaining city roads:

- **Thin overlay.** Begun as a pilot program in 2004, last year's CIP increased funding by \$600,000 annually to stabilize deteriorating pavement and prolong the life of city streets by five to eight years. This nearly tripled the previous budget for asphalt, and the cost-effective work is being done by existing city crews. The process places a 1.5 inch layer of fresh asphalt over an entire road, at a fraction of the cost of mill and overlay. It also improves safety by increasing the smoothness of the pavement, an essential factor in maintaining proper tire contact with the road.
- **Road reconstruction.** Complete road reconstruction is very expensive, so only a limited numbers of streets can be done each year – typically only one or two neighborhoods. The worst areas are scheduled within the next ten years, with thin overlay used to buy time until reconstruction of the remaining streets can take place. With complete reconstruction, the road surface is removed down to the underlying soil, then a new road surface is constructed, along with new curb and gutter.

Council authorized the road revitalization program in July 2005 to fund an additional \$2 million annually for both thin overlay and road reconstruction. An initial \$1.2 million increase was approved for 2006, with the remaining \$800,000 increase scheduled for 2007.

Review of current program. In preparation for this CIP, staff reviewed the first year results of the new road program. Although the thin overlay program is working well and has strong resident support, staff is concerned that this stop-gap measure is not going to buy enough time.

Roads are deteriorating much faster than was expected when last year's program was adopted, and staff has concluded that more funding is needed for major road reconstruction. As one clear example, a street sweeper broke through the asphalt on a street that was only scheduled for thin overlay, rather than reconstruction.

Program options. In response to these concerns, staff analyzed various options to stem the accelerating deterioration:

- **Borrowing.** A “catch-up” borrowing program was considered as a way to meet immediate road reconstruction needs of the worst streets. Debt obviously costs more in the long-run, but can be a viable strategy to address temporary funding bubbles. However, Minnetonka’s road reconstruction needs are ongoing, and borrowing is not an appropriate strategy to meet ongoing needs.
- **Selective reconstruction.** At a previous study session, council asked about the possibility of modifying the city’s long-standing policy of reconstructing entire neighborhoods, and instead rebuilding individual streets with the highest needs. While this has the advantage of focusing resources on the worst roads, the approach has several limitations:
 - **Neighborhood disruption.** Reconstructing partial neighborhoods results in considerable resident inconvenience and complaints about which street was or was not reconstructed in their neighborhood.
 - **Cost.** Such an approach would be more costly in the long-run, since bidding packages would be less efficient and mobilization costs would be greater.
 - **Coordination.** The approach complicates coordination with planned drainage improvements, since entire sections need to be replaced at the same time.

Although staff does not recommend a selective reconstruction program based solely on individual street needs, priorities can be set that balance each of these considerations. Mapping will be provided at the study session to illustrate how recommended neighborhood street reconstruction priorities were established in the CIP.

Funding need. To gauge the magnitude of ongoing needs, computer simulations were used to evaluate the impact of different funding levels on road conditions. Council previously discussed alternative roadway funding levels in 1994. At that time, annual funding of \$3.7 million would have been necessary to maintain the existing street rating. Council opted to fund streets at a \$2 million level.

Minnetonka’s current pavement rating is 80; all new roads would be rated 100, and a ranking below 70 is generally considered unacceptable. With the currently approved road revitalization program, including the scheduled \$800,000 increase in 2007, city-wide roadway conditions are projected to decline from our present rating of 80, to 71 in five years, and to 63 after ten years:

Funding level	Annual funding (millions)		Roadway rating		
	2007-11	2012-16	2006	2011	2016
Current funding	\$4.0	\$4.0	80	71	63
Full funding	\$8.0	\$7.6	80	80	80
Minimum funding	\$4.7	\$4.7	80	75	70

Maintaining the city's present 80 rating would cost an average of \$7.8 million a year for the next decade, but doubling current funding is clearly unrealistic. Staff instead recommends a minimum funding increase that would maintain the city's average road rating at 70. This option would require an additional \$700,000 annually, and would keep the total 2007 property tax increase at 9.9 percent – the same as last year's increase.

Property tax impacts. The recommended \$700,000 additional road funding would require a 2.9 percent increase in city property taxes above the increase already planned for the second phase of the road revitalization program initiated last year. This would cost the average homeowner an additional \$2.25 a month over and above the estimated \$6.75 cost of the currently adopted program.

In order to hold the total increase in city property taxes to the same level as this year (9.9 percent), staff proposes that the tax increase for operating and other capital budgets be limited for 2007:

City Property Taxes	2007 Increase		2008 Increase	
	\$000's	percent	\$000's	percent
Operating & CIP	\$850	3.6%	\$1,150	4.4%
Roads - scheduled	800	3.4%	200	0.8%
- additional	700	2.9%		
MVC restoration			(\$550)	(2.1%)
Total	\$2,350	9.9%	\$800	3.1%

In 2008, the normal annual increase for all operating and capital needs is expected to be reduced by restoration of state MVC funding. Although scheduled in law for 2007, restoration is uncertain until the legislature adjourns, so staff recommends not counting on this amount until the following year. This would result in a projected 3.1 percent total tax increase for 2008.

Levy limits are an additional concern – limits are not in effect for 2007, but could be reimposed for 2008. The recommended approach would help avoid making major adjustments in the city’s budget if levy limits were subsequently imposed.

Property taxes would also be affected by sale of the remaining park referendum bonds, the timing of which is uncertain. If the total remaining \$5 million was issued in 2007 (worst case scenario), debt service payments beginning in 2008 would require an additional tax increase of \$470,000, or another 1.8 percent increase. Of course, this increase was voter-approved.

Future funding options. Although the recommended funding increase still allows road conditions to deteriorate, staff believes that additional funding could likely be available sometime during the next decade from two possible new sources:

- **MSA funding.** If enacted, the proposed MVST constitutional amendment would increase Minnetonka’s funding by an estimated \$200,000 annually when fully implemented. More importantly, it is expected that the state will finally raise the gas tax in coming years, and that would increase available local funding through the distribution formula.
- **Street utility fee.** Although the state has rejected such a fee, pressure is building to fund local road needs, and such a funding alternative could be permitted sometime in the future. Staff estimates that a fee of about \$5 per household per month could fund an additional \$2 million annually.

Discussion question: Does council agree that the currently approved road revitalization program should be expanded by \$700,000 annually?

Minnehaha Creek Corridor projects

Funding is reserved in the recommended CIP to implement various creek corridor projects as planning proceeds. Allocations are provided in the Community Investment Fund (CIF), and from the park and open space referendum:

CIP Budget (000’s)	Park & OS Bonds	CIF
Burwell Park	\$450	
Gateway		\$250
Future projects		\$1,500
Unfunded		\$1,250

Potential future projects could include additional trails and boardwalks throughout the corridor, relocation and restoration of the Town Hall, a nature center on the Civic Center campus, a new community playlot and redevelopment of the Minnetonka Mills area. As additional planning takes place, it is expected that priorities will be set for these potential projects.

Discussion question: Does council agree that funding should be reserved in the CIF for future creek corridor projects?

Recommendation

Feedback on the recommended 2007-11 CIP is requested. As always, this proposed CIP reflects previous council direction and addresses the capital priorities of the city of Minnetonka in a prudent and cost effective manner.

This responsible approach preserves the city's outstanding financial condition as reflected in our Aaa bond rating and our reasonable tax and utility rates. Adopting a long-range Capital Improvements Program helps maintain Minnetonka's positive financial position by dealing responsibly with the development and maintenance of the city's extensive community infrastructure.

Originated by: John Gunyou, City Manager
 Geraldyn Barone, Asst City Manager
 Merrill King, Finance Director

**STAFF SUMMARY
CITY OF MINNETONKA
CITY COUNCIL STUDY SESSION
MONDAY, APRIL 17, 2006
PAGE 1**

Council Present: Jan Callison, Terry Schneider, Brad Wiersum, Tony Wagner, Al Thomas, Bob Ellingson. Dick Allendorf was excused.

Staff: John Gunyou, Geralyn Barone, Jo Colleran, Lee Gustafson, Dave Johnson, Merrill King, Jacque Larson, Geoff Olson, Perry Vetter, and Brian Wagstrom.

Others: Roland Aberg and John Larson, of Hart Howerton, and Eleanor Berscheit.

Callison called the meeting to order at 6:30 p.m. Gunyou reviewed the upcoming council meeting schedule.

1. Minnehaha Creek Visioning Plan

Gunyou provided background on the planning process for the creek corridor, summarizing the meetings a multi-department staff committee had with the consultants to review ideas, concepts, and opportunities for the creek. He explained that the purpose of the study session was for the council to review these initial ideas and concepts, and to provide direction on how to proceed with more detailed planning within the creek corridor.

Roland Aberg of Hart Howerton, a planning and architectural firm hired by the city to serve as consultants on the Minnehaha Creek Visioning Plan, outlined possible concepts and ideas for the following areas in the creek corridor:

- Natural Area (Gray's Bay to Jidana Park)
- Civic Center
- City Gateway (I-494 Interchange)
- Burwell Park (I-494 to Minnetonka Mills)
- Minnetonka Mills
- Recreation Area (Big Willow & Guillian)
- East Gateway

The council discussed concepts and proposals for each area. Council supported the general concepts, and provided direction to staff for the various proposals:

Natural Area (Gray's Bay to Jidana Park)

Aberg described this area of wetlands as the "natural" area. He suggested the following:

- Interpretive kiosk at the canoe landing and fishing area
- Improved access to Jidana Park, with more nature trails
- Another canoe landing

**STAFF SUMMARY
CITY OF MINNETONKA
CITY COUNCIL STUDY SESSION
MONDAY, APRIL 17, 2006
PAGE 2**

- Educational programs in the area to stimulate more interest
- A nature center or “portal” that might be a facility with nature trails, an interpretive center, and educational programs
- Year-round recreational activities, such as winter skiing or snow shoeing
- Various trail loops that offer year round opportunities
- Near-wilderness experience for groups, such as the scouts
- Restricted car access at Jidana to make the island more special. Entrance through the boardwalk trail wilderness.
- Wetland restoration and enhancements.

Schneider liked the general concept and felt that a focal point, such as an interpretive center, was critical.

Thomas and Wiersum liked some of the concepts, but had reservations about intensifying uses in the natural areas.

Wagner liked the educational aspects, and thought the civic center or Gray’s Bay would be the best location for a focal point.

Wiersum would like easy access by trail or canoes. He cautioned against too many signs.

Callison liked the “preserve park” concept, and thought that more access might encourage people to preserve the wetlands.

Aberg suggested that the council would have to determine the level of public use in the area.

Gunyou noted that council comments were similar to those of staff – support for the concept of a focal point at the civic center where the trail to Jidana Park starts, with some kind of structure that could act as a portal. More intensive uses would then be concentrated in one area. Staff was skeptical about programming regular recreational activities, but supported having more trails throughout the corridor system.

Civic Center

Aberg concurred that the civic center area, with a master plan already in place, should be the front door to the creek. He suggested the following considerations:

- A pond for ice skating, with a warming house
- Amphitheater in a natural setting
- Acquisition of land in the Timberhill area for future active or passive recreational uses
- Loop trails and links to other trails

**STAFF SUMMARY
CITY OF MINNETONKA
CITY COUNCIL STUDY SESSION
MONDAY, APRIL 17, 2006
PAGE 3**

Council discussed acquiring additional open space within the creek corridor, expansion of the trail system, and possible active programming, including athletic fields. Council agreed that the city manager should pursue the possible acquisition of land adjacent to the creek.

City Gateway (I-494 Interchange)

Aberg described this intersection as a significant entry to the city, and suggested that it be designated as a landscaped zone with woodland plantings. It would be more natural than a park and would improve the feeling of arrival into the community. Conceptually, the trails and landscaping would link the civic center area with this gateway.

Gunyou said that staff concurred landscaping improvements should be made to the gateway area, although not as extensively as those in the civic center area.

Thomas liked the idea of natural plantings. Wiersum agreed and said plantings would enhance the ambience of that freeway corridor.

Schneider supported natural plantings, and noted that the watershed district has plans that would significantly change the character of the wetland upstream. He did not support changing the cloverleaf to a forested area, and thought the cost of any trees should be funded by MnDOT.

Burwell Park (I-494 to Minnetonka Mills)

Aberg suggested development of a new park that would incorporate the area between I-494 and the Burwell House, which is the focal point of the area. The following features were recommended:

- Interpretive trails, benches and viewing areas to enhance the historical setting of the park
- Botanical and art features to provide a unique experience and distinguish the area as different from other city parks
- Integrating the Burwell House as an anchor of the park, rather than as a stand alone structure
- Introducing other historical elements that once defined the area (American Indian, lumber mill operations, etc.)
- Enhancing the drive along Minnetonka Boulevard to create a feeling similar to that of Theodore Wirth Park with more plantings to filter the view
- More parking to provide better access for visitors
- Relocate or enclose trash receptacles and port-a-potties
- Bridge crossing to link the areas on either side of the creek

**STAFF SUMMARY
CITY OF MINNETONKA
CITY COUNCIL STUDY SESSION
MONDAY, APRIL 17, 2006
PAGE 4**

Council concurred with the concept, and Gunyou suggested programming the new park into the upcoming CIP.

Minnetonka Mills

Aberg's suggestions for the Minnetonka Mills area included:

- Reorient the commercial area toward the creek with decks in back, etc.
- More walking paths adjacent to the creek
- Canoe landing
- Intersection improvements so that access from the regional trail could cross over and connect with the area
- Possible acquisition of residential properties north of the creek to create opportunities for possible redevelopment or public uses

Council supported the concept as a high priority, recognizing that it would need to be undertaken over time.

Thomas believed it was a good concept for residents in the Burwell area.

Callison felt that improvements would draw people, and said that the city needs to change the sameness of the trails system and provide more variety.

Wagner thought there should be more of a draw than just nature. He was concerned about the feasibility of the retail component, and suggested a creative approach by looking at both sides of Minnetonka Blvd.

Schneider thought that businesses would support a dynamic plan, perhaps over 20 years. He said that thorough, detailed planning and environmental research was needed.

Gunyou suggested that the next step should be one of community involvement. He believes that any major change in the area would necessitate business, neighborhood and community effort.

Wagner emphasized the need to involve area residents.

Gunyou reported that Bennis Feed is interested in selling their property and that is a key parcel in the area.

Thomas said that the EDA has discussed acquiring businesses along Minnehaha Creek as opportunities arise. The city could either develop the property or sell to a developer.

Callison suggested there is no rush to consider purchase of Bennis.

**STAFF SUMMARY
CITY OF MINNETONKA
CITY COUNCIL STUDY SESSION
MONDAY, APRIL 17, 2006
PAGE 5**

Callison noted council's support to continue looking into proposals for this area.

Ellingson said that the area was crucial due to its location and history.

Recreation Area (Big Willow & Guillian)

Aberg described this area as the sports center of Minnetonka. He offered the following suggestions for the recreation area:

- A visual break from the public works buildings to create a better entry into the park area
- Interconnecting the trails from this area with the trails in other zones, including a below-grade crossing under Minnetonka Blvd.
- A community play lot on the south side of Minnetonka Blvd. near the regional trail
- A more visible park entry with pull-in parking areas
- Bring the woodland concept into the park areas to provide a better connectedness with the creek corridor
- Possible redevelopment of the area west of Guillian

Wiersum supported the loop trail system for its exercise opportunities and its beauty. He asked about winter uses for Big Willow Park.

Schneider said the only winter activity is cross country skiing. He has long supported a large play lot at that park, but there wasn't enough land. He said acquiring additional properties was an option, although it would be expensive.

Callison questioned if the council was thinking big enough.

Ellingson wanted to respect the history and cautioned against too much growth.

Wiersum observed that the trail and creek limit the size of any additional uses. He didn't see the possibility of a big development in this area.

Callison asked if this would create pressure for a mid-density development. Aberg said there would be an opportunity for that, but no pressure.

Wagner said that mixed uses were possible east of Shady Oak Road.

Wiersum said the limited land area could create parking issues.

East Gateway

Aberg suggested improvements to the gateway entrance to provide more of a woodland feel and better connectedness of the roadway in the entire corridor.

**STAFF SUMMARY
CITY OF MINNETONKA
CITY COUNCIL STUDY SESSION
MONDAY, APRIL 17, 2006
PAGE 6**

Schneider suggested bringing in the city of Hopkins and the Belgrove neighborhood into this part of the study.

Gunyou noted the redevelopment currently being planned by Scott Bader in that part of the corridor, suggesting that any city involvement should coordinate with that potential redevelopment.

Next steps

Gunyou thanked council for their direction and itemized the next steps. Staff will follow up accordingly:

- Certain of the ideas would be included in the CIP for council review
- The park board would be involved with all park and recreation aspects
- The community heritage commission would also be involved with Burwell Park planning
- The EDA would consider the Minnetonka Mills area

Wiersum said funding and timing were issues. He suggested doing the project in phases based on priorities.

Callison suggested that public input processes would need to be specialized for each area.

Schneider also supported establishing priorities as planning continues.

2. Adjournment

The study session adjourned at 8:53 pm.

Respectfully submitted,

Laura L. Ronbeck
Acting City Clerk

**STAFF SUMMARY
CITY OF MINNETONKA
CITY COUNCIL STUDY SESSION
MONDAY, MAY 15, 2006
PAGE 1**

Council Present: Dick Allendorf, Bob Ellingson, Terry Schneider, Al Thomas, Tony Wagner, Brad Wiersum and Mayor Jan Callison

Commission

Members Present: Community Heritage Commission, EDA, Park Board, Planning Commission, and Senior Citizens Advisory Committee

Staff: John Gunyou, GERALYN Barone, Desyl Peterson, Geoff Olson, Jacque Larson, Perry Vetter, Cary Teague, Susan Thomas, Laura Ronbeck, and Cindy Olson

Others: Eleanor Berscheit

Mayor Callison called the session to order at 6:30 p.m. She introduced members of the city council, the city advisory groups and city staff members.

1. Workshop on Understanding Community Change

City Manager Gunyou noted the purpose of the evening's workshop was to provide an understanding of change in our community and what tools and techniques would be useful to the council and advisory groups in addressing change. He recognized Chris Mahai and Becky Bartels, consultants with Aveus who would lead the workshop.

Mahai reviewed the meeting objectives and agenda. She presented information on the impacts of change on individuals and teams. Mahai described several theories on how individuals process change.

At this point, each advisory group and the city council separated into their specific groups. Each group participated in an exercise of identifying and helping key project stakeholders through the change cycle. This included identifying who stakeholders are and why, what their anticipated reactions to a project would be, and brainstorming ways of helping stakeholders through the change process.

Topic areas addressed by each group were as follows:

City Council	Comprehensive Guide Plan
Community Heritage Commission	Minnehaha Creek Visioning Plan
Economic Development Authority	Opus Business Park redevelopment
Park Board	Minnehaha Creek Visioning Plan
Planning Commission	St. David's/ICA expansion
Senior Advisory Board	Adjusting programs/services due to changing demographics

Following the small group discussions, representatives from each group reported their results to the larger group.

**STAFF SUMMARY
CITY OF MINNETONKA
CITY COUNCIL STUDY SESSION
MONDAY, MAY 15, 2006
PAGE 2**

2. Adjournment

The study session adjourned at 8:45 p.m.

Respectfully submitted,

Laura Ronbeck
Acting City Clerk