

**STAFF SUMMARY
CITY OF MINNETONKA
CITY COUNCIL STUDY SESSION
MONDAY, AUGUST 27, 2007
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Council Present: Dick Allendorf, Bob Ellingson, Terry Schneider, Al Thomas, Tony Wagner, Brad Wiersum, and Mayor Jan Callison

Council Absent: None

Staff: John Gunyou, GERALYN Barone, Merrill King, Lee Gustafson, Brian Wagstrom, Jim Malone, Jo Colleran, Perry Vetter, Mark Raquet, Scott Boerboom, Jeff Sebenaler, Joe Wallin, David Maeda

Callison called the meeting to order at 6:30 p.m. City Manager John Gunyou reported there is no meeting September 3 due to Labor Day. The next regular council meeting is September 10.

Gunyou said that staff had developed an option to address a concern Wagner raised at the August 20 council meeting. Wagner had asked how the different time frames for the assessments are established and if the city loses money on the longer periods for payment.

Gunyou suggested that interest rates could be set higher for longer assessments. He reported that the county is not willing to adjust rates, and that state law does not permit the city to do anything for assessments that are for 10 years or less. For 20-year assessments, the city could treat assessments similar to longer term home mortgages that have higher interest rates. Schneider said his concern was ensuring the assessment is paid off when a home is sold. Wiersum said he thought the analogy with mortgages was a good one. He said it's unlikely someone would sell their home because of the assessment rate.

Wagner said he appreciated the staff work. His concern is that he doesn't want to see the city taking a long term risk if interest rates fluctuate. Wiersum asked about the source of the funds. Finance Director Merrill King said there is a special fund for special assessments and money comes into the fund and is expended on a regular basis. Gunyou said the city typically charges more than it earns because there are restrictions on what investments the city can use. Thomas asked what the city is carrying this year in special assessments. King said she would get the information to the council.

1. 2008 preliminary budget review

Personnel Costs

Gunyou said there are not a lot of surprises related to the budget this year. The labor contracts expire at the end of 2008. There are automatic escalators indexed to ten comparable cities, but no major adjustments are expected, since recent city salary increases were close to the comparable cities.

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Health Insurance

Gunyou said employee health insurance remains a major issue, although for 2008, there will only be a two percent increase since the LOGIS contracts were renegotiated. The new contract allow up to 16 percent increases in each of the following years. The provider has been changed to Health Partners from Medica. Gunyou noted that with the increasing complexity of human resources functions, the city is looking at outsourcing some of the administrative work. Schneider asked if that would have an impact on privacy issues. Gunyou said that the firms who would do the work have procedures in place to deal with privacy issues, and the outsourced work would primarily be related to benefits administration.

Allendorf asked if Health Partners was buying the city's business with the two percent increase. Barone acknowledged that was usually the case, and noted tht the 16 percent increases are caps - future increases won't necessarily be that high. Gunyou said it is unfortunate Minnetonka doesn't realize lower rates as a result of its health rewards program, because other members of the LOGIS pool are not as responsible. However, the city can't afford to risk going out on its own because it isn't large enough. The city of Hopkins did leave LOGIS after getting an attractive health insurance offer only to see its rates dramatically increase the following year. He said all it takes for such an overnight increase is one premature baby or cancer.

Gunyou said it is a problem when the city gives raises but the employees see a loss in take home pay if the insurance rate increase is relatively higher. Among the advantages of the new contact, Health Partners is offering higher deductible options and HRA/HSA type programs that will help control costs.

Legal Expenses

Gunyou said the city's prosecution expenses have increased for a number of reasons. One is the increase in the issuance of traffic tickets. Another cause is the significant changes in legal processing imposed by Hennepin County Courts - the city is now required to do all case scheduling. In order to accommodate this increased workload, the city is dropping its contract to provide legal services for Minnetrista and St. Bonifacius. This will mean a loss of revenue as well.

Thomas asked how much the county gets when the city issues a traffic ticket. Police Chief Mark Raquet said the city gets 80 percent and the county gets 20 percent of the revenue. The county's amount covers court costs and administration fees.

Information Technology Costs

Gunyou said staff is discussing the need for an additional IT position. The city has had the same IT staff for six years. In that time, the number of computers has increased 60 percent; there are three times the number of servers; home

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connections have been added; police cars are now equipped with computers; community development now has lap tops in the field; and public works is implementing a new work order system. The city will also be installing a new internet based phone system.

2008 Budget and Tax Target

Gunyou said the proposed budget guidelines call for a three percent increase to cover basic city services, with two recommended options totaling an additional 1.7 percent for public safety.

Energy Conservation

The city convened an energy task force last year to identify potential savings, with an initial goal to decrease usage by 10 percent. Gunyou said for the first part of 2007, the city has achieved an eight percent savings for natural gas and electricity combined. The city is beginning to replace electrical fixtures and has hired a special lighting consultant. The consultant recommended \$400,000 in retrofitting projects that would have a three-year payback. The suggestions include motion sensors, cycling off half and full lighting, and using LED lights rather than incandescent or florescent lights. These investments are being phased in as the CIP permits.

Traffic Management

Gunyou reported the city has made good progress in traffic management - not only in the number of tickets issued but also in the number of contacts made. Staff has also begun to map speed areas. He noted the city years ago established areas where the speed limit is less than 30 mph, which is the current state standard. Ellingson said he thought that a 25 mph speed limit was not enforceable. Callison said she attended the metropolitan cities transportation subgroup that is supporting decreasing the standard from 30 mph to 25 mph and also giving cities the discretion of dropping the speed limits permanently around schools.

Allendorf asked if there was any data about the dollars collected in terms of tickets issued and where the money goes. Police Captain Jeff Sebenaler said the typical ticket is \$142. Raquet said there are a lot of factors that weigh into the amount. First time moving violations are \$142. However that amount is typically reduced if the driver goes to court. Gunyou said the 80 percent the city receives goes into the general fund. Raquet said to date the city is about \$65,000 ahead of last year. It is hard to project the actual fine amounts the city will end up with based on the number of citations.

Allendorf asked if the costs of the additional traffic officer would balance out with the fines collected. Schneider observed it must be time consuming for police officers to go to court for traffic violations. Raquet said most of the time that does not happen. Usually the driver meets with a hearing officer and pays a lesser

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fine. Gunyou said staff estimates the fines collected with an additional officer would cover the increased legal costs but not the full cost of hiring the officer.

Raquet said at the beginning of the year he met with Sebenaler and Captain Scott Boerboom to assess the department's services to maximize existing resources. The focus in traffic enforcement was on visibility and contact. Raquet said he believes just being visible creates a deterrent. He said the two current traffic officers are very passionate about their work and have taken it beyond enforcement to education. The results document that some of these minor changes have been effective. Raquet said the department cannot do anything more than what is currently being done with existing staff. Adding an officer is the key to Minnetonka being recognized as a place where you don't want to speed because you will be stopped.

Thomas asked if it was possible that if the officer were hired the other police officers might develop the attitude that since there were officers devoted to traffic enforcement, they would not need to pay as much attention to that activity. Raquet said that type of attitude was not acceptable to him. There were a couple of officers put on notice in their last evaluation because of their lack of traffic activity. He said the benefit of the traffic officers is they are not responsible for other calls. Sebenaler said one strategy is saturating an area where there are a lot of complaints. While traffic enforcement activity may not be the most enjoyable thing for an officer to do, teaming up with other officers in a saturation effort makes it more acceptable to the officers.

Allendorf said the rule of unintended consequences comes to mind. He said the 1.7 percent increase in the budget is not a one time cost, so the city has to make sure adding the officer leads to the desired result. Another concern he had is dividing the city into four quadrants. By adding a third traffic officer it might lead to the request to add a fourth to cover all the quadrants. Raquet said there are four different areas for the shift officers, but the traffic management proposal would partition the city into three areas. He said he was not planting the seed to ask for a fourth officer in subsequent years. Allendorf said having three traffic officers might work better than two, and having four might work better than having three. He doesn't want to go down the path where the city doesn't have a handle on the costs and is buying something in the future that hasn't been anticipated.

Schneider said he was supportive of the approach but his concern was prioritizing what the money might be used for. He said the potential shift to the duty crew for the fire department might have more long term implications financially and service wise than adding another traffic officer. He agreed the saturation strategy works and encouraged its continued use. Seeing a couple of cars pulled over in an area changes the driving habits in the entire area. Gunyou said one advantage of having three traffic officers is that three officers are

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operationally needed to do a saturation. Currently two traffic officers are used along with a patrol officer. If there is a call, the patrol officer has to leave the saturation and respond.

Wagner noted that Raquet said the department was currently down three officers. He asked if the department was at full staff, would the extra officer still be needed. Raquet said even if fully staffed he would request the additional traffic officer. Even with a full staff, training, vacation and other absences still have to be taken into account. The idea behind a third officer is to have the officer focused solely on traffic issues. Wagner said one approach might be to hire a traffic officer and if the desired results are not achieved, then the officer could be moved to another opening in the department. Raquet confirmed that from a skill set standpoint, that was possible. He said he would like a clearly defined benchmark to know what the council thought was the desired result. Wagner said he would like to see a reasonable balance between results and cost.

Callison asked if the proposal was something the police department felt it needed or if it was something the police department felt the council wanted. Raquet said he was asking for the position because he truly believes it is needed. He said he is fully prepared to carry on without the position.

Callison said another concern is drivers who don't stop at red lights. She asked if the additional traffic officer would help reduce this problem. Sebenaler said it takes two officers to effectively prosecute a driver cited for running a red light. The department has begun placing two officers at intersections equipped with video equipment. Sebenaler said he had a personal concern with the issue because the problem is increasing. Thomas asked if the department uses cardboard officers to make drivers think there is an officer in the area. Sebenaler said the department does place unmanned squad cars to act as a deterrent.

Allendorf said he didn't want his previous comments to indicate he was against adding the officer. His concern was not thinking through what happens after the initial implementation. He said it was up to the department and not the council to outline the indications measuring the success of adding the officer. The department should have goals in mind in determining if the extra officer is meeting the objectives. Gunyou said that could be done through the departmental indicators in the city's MERIT program.

Wiersum agreed with Allendorf's point about unintended consequences. He said program are put in place and they never end. He said he could support the proposal if there is a measurable goal with a certain time limit applied so it can be evaluated in the future. Gunyou said as the detailed budget is put together, the metrics could be included.

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Thomas said around a year ago when the council was discussing traffic management, certain communities were identified where people know not to speed because they will be ticketed. He asked if adding the officer would make Minnetonka become one of those communities. Sebenaler said when he is out on patrol he has noticed the speeds are in general a lot lower. The city is also doing more education through the schools and on the web site to reach more people. The department is looking into extending its teen diversion program to adults. Raquet said he'd like to say that the city can become known as a place not to speed, and that it is closer to that goal. But, he couldn't say with 100 percent certainty that adding the officer will get the city to the point of having that reputation.

Thomas asked what the enforcement policy is for federal, state, and county highways and roads. Raquet said if the street is in the city it is fair game for traffic enforcement. Gunyou said that while officers patrol all roads, the city's current focus is on city and county roads.

Future Fire Service Strategy

Gunyou described the planned study. He said that most other cities have already adopted a duty crew model, and noted that Minnetonka is now at that point. It will be a major change for the force, and a facilitator would be brought in to help with the transition.

Fire Chief Joe Wallin agreed it is a significant change for the department. Often the change to duty crews relates to resident concerns that calls are not being answered fast enough. Wallin said for Minnetonka the issue is how to maintain a viable paid on call fire department into the future. Talking with firefighters, particularly the younger firefighters, he has heard that they want to work for a department they want to belong to and are able to belong to. Rather than having an organization that gets the employees to fit into it, the city needs an organizational structure that meets the needs of its population.

Gunyou noted the future fire service strategy will be developed in conjunction with the comprehensive planning process. Wallin said as part of the comp plan process, the department has already looked at the condition of the current stations, equipment, and station locations. It became apparent now is the time to start the transition to having a crew on duty at all times to respond to calls. He said there are a number of benefits, including ensuring service times and also addressing the needs of the next generation of firefighters. That generation wants a scheduled times set aside for both fire duties and also time for their personal lives.

Gunyou said Wallin and Raquet's departments are now working more collaboratively than has been the case in the past. Both departments are dealing with physical space issues, but there is a general sense that there is enough total

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space for the two departments. Part of the proposed study is to look at how the city can more effectively use the available space for the two services. He said the recommendation includes capital funding to implement what the public safety study outlines.

Wagner asked if the reluctance to join the department relates to scheduling issues or if it has more to do with a fundamental demographic issue, in that there are not enough people needed who live in the city. Wallin said in some neighborhoods, the demographics are an issue with the price of available housing. The city loses firefighters because of the cost of housing near their stations. He said the larger issue is the scheduling. The city has made an effort in the past few years to recruit female firefighters. Wallin said in particular the female recruits have mentioned scheduling as an issue behind their reluctance to become a firefighter for the city.

Gunyou noted in order for a firefighter to qualify for a pension, the person has to respond to a certain percentage of calls. If they volunteer to be on the duty crews, it would help them qualify for the pension.

Wiersum said the fire department has had strong leadership over the years. He asked if the same issues that made other cities change to duty crews is now occurring in Minnetonka. Gunyou said Wallin had begun considering the change several years ago, and indicated it was inevitable the city would one day have to make the change. He said Wiersum's point about the department's leadership is one of the reasons the city has not had to make the change until now. Wallin emphasized the city is not in the position other cities found themselves in. Some cities made the change in response to a crisis where calls were not getting answered or there were not enough firefighters available to respond to a call. He said Minnetonka is not at that point. The city is trying to take a long term look at the issue rather putting a band aid on an existing problem.

Thomas said he works in Eagan and when he got the city phone book there was a picture of five volunteer firefighters from different professions and a list of the qualifications for becoming a firefighter. He said Eagan's water bill also included information about becoming a firefighter. He suggested Wallin look at those types of recruitment practices. He asked about the current time it takes the department to respond to a call. Wallin said the goal is to respond to a call in six minutes or less for a structure fire. The past few years the department has been well below that response time on average, although some calls took longer to respond to. Depending on the time of day the delay in not having firefighters in the station can be around five minutes. He said the delay is increasing as the traffic congestion gets worse. Residents are becoming less accepting of the delay in responding to fires.

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Thomas asked what activities the duty crews would do when they are not responding to a call. Wallin said the station would need to be cleaned and the equipment checked. The study will look at what the firefighters wish to do, such as getting mandatory training done during those times. Also the fire department has begun discussions with the police department in determining how best the fire personnel can assist police personnel.

Thomas said another recruitment idea would be highlighting a different firefighter each month on the city's web site. Also the department might include information in the *Minnetonka Memo*. Thomas said in all the years he has been on the council he has never known what the qualifications are for becoming a firefighter for the city.

Schneider suggested making sure that the term "paid on call firefighter" is always used rather than "volunteer firefighter". He said that would make it clear to recruits that it is a paid part time job. He said there are people in the city who have a good job who might enjoy becoming a firefighter, but scheduling is an issue. Because of the scheduling issue, he said he thought the change would happen a few years ago. His concern is devoting adequate resources to make the change occur effectively. Gunyou said the plan for 2008 is to undertake the study and start the change. Full implementation would occur in 2009.

Allendorf asked for the logistics of how the system would work. Wallin said most likely there would be a crew of three to four in Station #1. The intent is for that crew to handle routine calls such as fire alarms, car accidents, or medical runs. The department will work with the firefighters to determine their comfort level as the change occurs. Currently during the day, the full time staff responds to a fire and the closest two other stations are paged. If the duty crew system is implemented and there are multiple calls, then the closest fire stations would be paged. The odds of non-duty crew firefighters being paged to a fire would likely lessen.

Allendorf said since the paid on call firefighters could still be called at any time to respond to a fire, he wasn't clear on how the change would help in recruitment. Wallin said large incidents would still require the paid on call firefighters, but those firefighters would be called significantly less often, because they wouldn't have to respond to small incidents. Callison asked for statistical information that would quantify the decrease in the number of calls a paid on call firefighter might need to respond to. Gunyou said the study will address that. It is anticipated that the duty crews will be paid at a lower rate to stand by, and there will be a savings from fewer people getting called out to respond. The goal is to make the duty crew shifts voluntary. Wallin said he planned to allow the firefighters to help design how the system will work so it works for them.

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Wagner said he agreed with the scheduling aspect, but was concerned that even before the study is done, the capital and ongoing costs have already been budgeted. Because of the current budget environment he is reluctant to approve additional revenue until he knows what the revenue was going to be used for. Gunyou responded that the proposal is to set aside a reserve to implement the change. The money would not be spent until the specific need is identified. He noted this is the same approach taken for capital improvements where the exact costs are not immediately known. An amount is estimated and earmarked pending completion of the study.

Callison said she thought the proposed \$110,000 was the cost of the study. Gunyou said half of the \$110,000 is for the study and half is for the initial implementation in 2008 of the duty crew. Subsequent years would require the entire \$110,000 for a full year of duty crews.

Schneider said enough money has to be set aside to make the change work. If a certain amount is not needed, it would not be spent.

Natural Resources

Gunyou said the tree planting program was a huge success and will be expanded next year. The second ICWC crew that was funded in 2007 has resulted in major improvements in upkeep of the city's parks and trails. Gunyou said a seasonal intern is being considered to help with enforcement work.

Gunyou said money was set aside last year to help encourage more individual participation in the open space program – this led to the Living Legacy Program. This outreach program targets residents with larger tracks of land. Five were initially identified to see if there was interest in putting land into a permanent conservation easement. The incentive the city is offering is handling all the administrative aspects.

Road Revitalization

Gunyou reported on progress of the road revitalization program. Public Works Director Brian Wagstrom said there were 2.5 hours of work left on a section of Holiday Road and then thin overlay of the Temple area will be complete. Work will then begin on thin overlay of the Kinsel area.

Gunyou said at National Night Out, people actually cheered the public works crews, indicating the popularity of the program. He said the idea for the program originated from a question by Allendorf asking if there was something that could be done about potholes other than patching.

Infiltration and Inflow Reduction

Gunyou said the program is still in its early stages, but good progress has been made. One concern is the city has not identified as many out of compliance

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inflows as was expected. There have been 140 accounts that have not responded to the attempts to schedule the inspection. Final notice will be given to those account owners in December and if there is still no response, a surcharge will be added to their water bills according to council policy.

Property Taxes

Gunyou said that staff is proposing a total 4.7 percent levy increase, which would be the lowest increase, compared with other comparable suburban cities. Other proposed increases are likely higher because they are catching up on road improvement financing that Minnetonka addressed over the past couple of years. Additionally, growing cities must increase taxes at a higher rate to accommodate increasing service demands. Allendorf asked if the ongoing costs for the additional traffic officer and the duty crew are reflected in future budgets. Gunyou said the costs would not keep increasing, since they would be incorporated into the base. Allendorf noted the public safety proposals are not just for one year, but would continue into the future.

Thomas asked if the city could look into a rain water conservation program similar to Minneapolis where the city provides a barrel to residents to collect rain water. Natural Resources Manager Jo Colleran said staff would look into the program.

Wagner said in general he supports the budget approach but would like to see the measurements that had been discussed put into place to make sure the goals of the new initiatives are achieved, and if not, the resources reallocated.

Wagner also asked the council to consider using the economic development authority's ability to levy as a method to address affordable housing issues. Schneider said he supports discussing the idea, but would like to combine it with a more detailed evaluation of the development account.

Wagner left at 8:08 p.m.

Gunyou said that even with a proposed 4.7 percent property tax increase, taxes would go down for the average property taxpayer. One reason for this is the way the city handled the market value credit issue with the state over the last several years. Another factor is for the first time in several years, commercial property values are increasing, while residential property values are not. This shifts more of the tax burden onto commercial properties. In recent years, the opposite was true. The biggest factor is a tax increment financing district that is being retired, which means the property values will return to the regular tax rolls.

Gunyou said City Assessor Dick Toy estimates that indicated seven out of 10 homeowners would see their city property taxes decrease in 2008. Another 17 percent would see their taxes go up three percent or less. The people who would

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see an increase are those still in the limited market value program phase out and those in prime locations, such as on Lake Minnetonka. Gunyou said property taxation circumstances in 2008 will be fortuitous, but things will likely return to normal in 2009.

Ellingson said he would favor another moderate tax increase for roads. It takes a few years to save the money to do street improvements and the costs will not decrease over time. He said streets are not his favorite thing to do, but the city has a need for road improvements, and money should be put away in preparation for the improvements. He said the city has been responsible in improving its streets, but the state funding has not changed over the years. The city has contributed a great proportion paying for improvements to county roads leaving less for city street improvements.

Schneider said because road improvements are higher cost items, the discussion should focus on whether the city should bond to do these projects. Bonding would allow the city to do two or three big projects in a short period of time. Gunyou noted a one percent tax increase would raise around \$250,000 to \$260,000 annually. He agreed with Schneider's idea about discussing bonding as an option.

Gunyou said the city is making good progress with its 10 year road revitalization program, and suggested it might be best to wait a few years to fully evaluate its success before adding additional funding. One consideration is whether the state increases funding – if they do not, the city would need to reexamine its options.

Callison said when the city's program was adopted, residents were told their taxes would not be increased again for street costs for a while, so now is not the time to change. Ellingson said he didn't expect others to support his idea to raise taxes, but it's clear the whole country is falling behind in maintaining its roads. He said both bonding for roads and pay-as-you-go approaches are needed. If bonding is used, taxes will need to be raised to pay off the bonds.

Wiersum asked if staff could provide a clear explanation of why the levy will increase by 4.7 percent and the average homeowner will still see a reduction in taxes. He said he agreed with Ellingson's point about the fundamental responsibility of government to provide for infrastructure. He said the city will need to grapple with the infrastructure question. Adding a one percent increase would still leave Minnetonka in a comparable position with other suburban cities, but would not raise the money needed to address the issue.

2. Adjournment

The study session adjourned at 8:20 p.m.

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Respectfully submitted,

David E. Maeda
City Clerk