

**City Council Agenda Item #14C**  
**Meeting of September 15, 2008**

**Brief Description:**

Items for the 2009 Preliminary Tax Levy:

- 1) Resolution setting a preliminary 2009 tax levy and budget for truth-in-taxation purposes.
- 2) Resolution setting a preliminary 2009 tax levy for the Bassett Creek Watershed Management Tax District.

**Recommended Action:** Adopt the resolutions.

State law requires that local governments certify preliminary tax levies to the counties by September 15, 2008. This is the maximum amount the city can levy for 2009. When the final budget is adopted in December, the final levy may be less than the preliminary amount, but cannot be greater.

Counties report these preliminary levies in parcel-specific notices to all property owners in November. Minnetonka will hold a public hearing on its proposed final levy on December 8 prior to formal budget adoption on December 22, 2008.

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

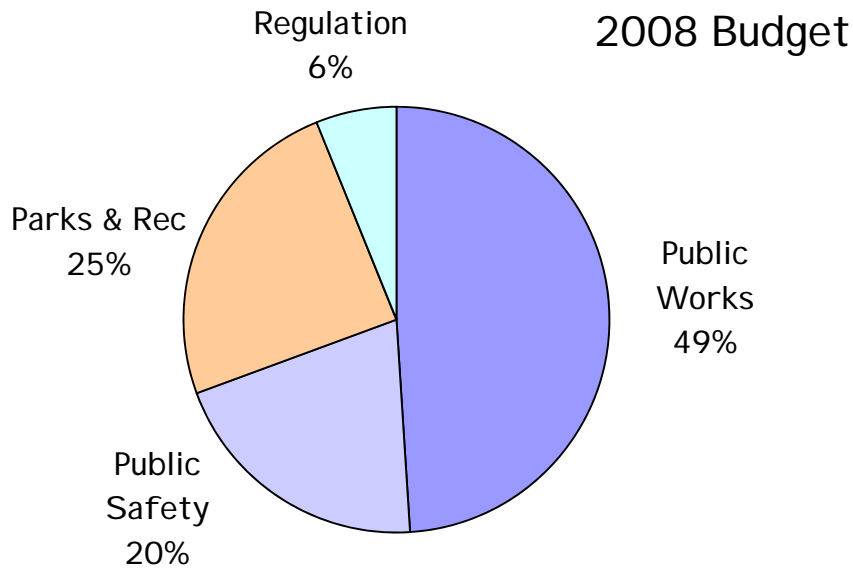
Council previously discussed general budget and tax parameters at an August 18, 2008 study session. As better cost information has become available over the past month, budget forecasts have been refined, and challenges have increased, especially related to energy, compensation and benefit cost pressures. As a result, staff is recommending consideration of a slightly higher preliminary levy than was previously discussed.

**Budget Overview**

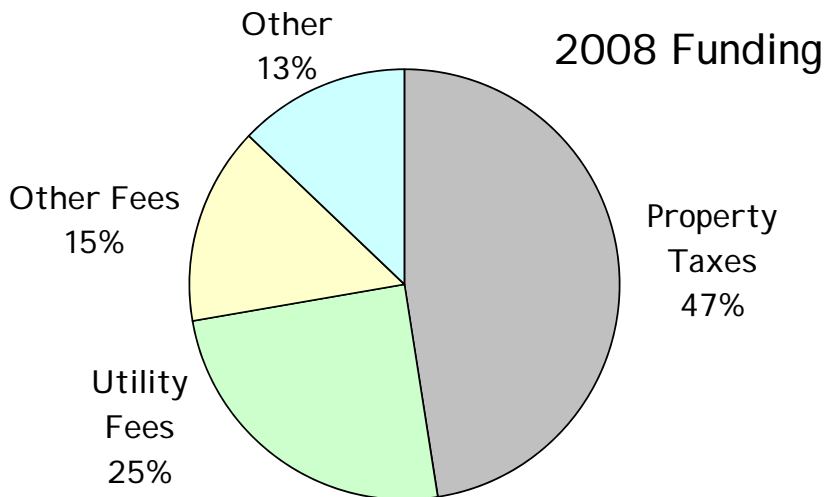
The city of Minnetonka takes a responsible long-term perspective with financial planning and management. Decisions are made with the future in mind to insure the ongoing capacity to provide quality services to residents and businesses at a reasonable price.

**Expenditures.** Although final budget decisions will be made in December, it is expected that the city's 2009 budget will continue to reflect the community's highest priorities: police, fire and streets.

With the recent increase in local road funding, nearly one-half of last year's combined operating and capital budget was dedicated to roads and utilities. Public safety services represented about one-fifth of the total budget, and with the recent park and open space capital investments, another one-fourth was allocated for parks, natural resources and recreation projects and programs.



**Resources.** As is the case with other Minnesota cities, the city of Minnetonka funds its projects and programs with a combination of property taxes and fees for service. Unlike most cities, Minnetonka does not receive any local government aid from the state.



## Budget Challenges

As has been the case in recent years, the city of Minnetonka continues to face substantial budget challenges.

**State-mandated artificial levy limits.** The most significant factor for this and the next several years involves the artificial levy limitations imposed by the state on counties and cities over 2,500 in population. For the next three years (2009 through 2011), the city may not increase its adjusted tax levy base by more than 3.9 percent each year or by the rate of inflation, whichever is less. According to the Minnesota Department of Revenue, the current Government Implicit Price Deflator is 6.2 percent, and the current Consumer Price Index is 5.0 percent.

To calculate the adjusted base upon which the levy limit applies, state law provides a number of exceptions, four of which apply to the city of Minnetonka:

- Debt service for voter-approved referendum bonds (park bonds)
- Narrow budget increases for state pension-related costs
- Public safety wages and benefit increases (duty crews)
- Minor adjustments for commercial/industrial growth

The recommended preliminary levy is approximately \$50,000 below the city's statutory levy limit. The state-imposed limits are structured so that any unused levy limit authority will be carried forward for 2010 and beyond. In other words, if the city does not use all of its levy authority in 2009, that capacity is not lost. However, state levy caps in the past had also included "rollover" language, but subsequent to enactment, the legislature later rescinded that authority to balance its budget the following year. Therefore, cities that had not levied to the cap the first year were penalized in the second year when they faced unanticipated costs.

As an additional consideration, the 2008 Legislature did not balance the state's budget beyond 2009, and previous estimates for the 2010-2011 biennium suggest that the state will face at least another \$2 billion deficit when its costs are adjusted for inflation. As Minnesota's economic recovery continues to lag, it is likely that the state's budget crisis will worsen. Therefore, cities face the risk of additional state cost cutting measures that will likely impact city budgets, and if those actions are taken prior to the end of 2009, the city's levies will have been set and cannot be changed.

Although the city no longer receives any general state aid, Minnetonka still remains vulnerable, as it was during the state's last budget crisis, to back door mechanisms that require cities to pay for the state's market value credit program (MVC). In 2007, Minnetonka's MVC amount was just under \$500,000. As a comparison, a one percent increase in the city's property tax levy would generate approximately \$270,000.

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

- **Salaries.** Considerable uncertainty exists in salary costs for 2009, because all labor contracts expire in 2008. Across-the-board increases were 2.25, 2.25 and 3.0 percent in the last three years. Labor contracts negotiated by comparable cities have generally been toward the upper end of the historical range, which increases the pressure on Minnetonka settlement costs. Per the city's unique MERIT system, market adjustments are also expected to be made for about one-half of employees in 2009 to ensure that city of Minnetonka salaries remain competitive, and this will result in an additional increase to base salary costs.
- **Health Insurance** premiums will grow by sixteen percent in 2009, the second year of a three-year HealthPartners contract. This follows a modest increase in 2008, but double-digit increases in the prior two years. Increases are shared by both the city and its employees through a cafeteria plan benefit. Insurance options have been expanded in recent years to offer a greater array of choices beyond traditional tiered services, including health savings plans and high deductible options to encourage self-directed cost control.

**Unfunded mandates.** Other units of government continue to impose mandates that impact city budgets. In addition to the state-imposed levy limits:

- **PERA.** The city and its employees must absorb a fourth year of increases in pension contributions related to a five-year state plan to fix Public Employee Retirement Association (PERA) funding liabilities. In 2009, the city will be required to contribute at a rate of 6.75 percent of salary (up from 5.5 percent three years earlier) for most employees, and at a rate of 14.1 percent (up from 9.3 percent previously) for police and fire employees. These increases will cost the city budget more than one million dollars over the five-year phase-in.
- **Court related costs.** Changes in the Hennepin County court system continue to impose greater costs on the city's legal staff, and now upon police officers, who are required to spend a significantly greater number of hours on standby to be prepared to testify. In 2008, standby overtime hours for these purposes doubled.

**Other operating costs.** Non-personnel cost inflation is expected to continue its upward trend, especially for energy-related expenses.

- **Energy costs** continue to outpace all other operating expenses, and have an especially costly impact upon the community's two highest priorities – public safety and public works. Although the city has adopted an aggressive energy conservation plan, savings in usage have not been able to completely offset the dramatic rise in fuel and natural gas rates. For example, the city's energy conservation program has managed to save approximately 137,000 kilowatt-hours of electrical energy over the last year, which has resulted in a stabilization

of building electrical expenses. However, fuel costs have risen 45 percent and natural gas costs have risen 59 percent since 2006. Forecasts indicate that natural gas prices will rise another 50 percent during 2009, and electricity rates will increase by seven to ten percent during the same period.

- **Technology costs.** The city continues to expand its use of technologies to better serve the community through access tools such as online web streaming, police vehicle connectivity and field laptops. Many of these innovations come with higher annual operating costs as well. As two examples, the city's new high speed emergency communication system and new Voice Over Internet Protocol (VOIP) phone system will collectively cost an additional \$40,000 per year.

### 2009 Budget Target

The projected cost of continuing general city services at current levels is 6.1 percent higher than in 2008, comparable to the government price deflator. Implementing the new fire service duty crews would add an additional \$195,000, and a relatively modest increase is planned for capital funding. Debt service on the voter-approved park and open space referendum bonds will require an additional 0.9 percent increase in property taxes, which would result in a total city tax increase of 8.3 percent for 2009.

To meet citizen expectations for both service quality and taxes, staff proposes that this **projected 2009 property tax growth be reduced by \$600,000 (by one-fourth)**. With this target, the city's total tax increase would be held to below the government price deflator: 5.2 percent for all operating and capital needs, plus an additional 0.9 percent for voter-approved park bonds.

Property Taxes	2008	2009 Forecast		2009 Target	
	(000's)	(000's)	Growth	Growth	(000's)
General Services	\$19,226	\$20,906	6.1%		
Duty Crews	- -	195	0.7%		
Capital Funds	7,100	7,255	0.6%		
Subtotal	\$26,326	\$28,356	7.4%	5.2%	\$27,756
Voter-approved Park Bonds	942	1,179	0.9%	0.9%	1,179
Total	\$27,268	\$29,535	8.3%	6.1%	\$28,935
Tax Reduction Target					\$600

## Budget Strategies

As has been the case in previous years, options to reduce the projected budget growth remain limited. Unlike private businesses, the city cannot unilaterally choose its client base, nor the services it wishes to sell, nor even the geographic market areas it serves. To meet the challenges of budget uncertainty, compounded by state-imposed artificial levy limits, the city will need to continue to follow responsible fiscal practices that retain the ability to support services into the future.

Meeting the 5.2 percent tax target represents a significant challenge. The \$600,000 property tax reduction target will be accomplished with a combination of:

1. **“Soft freeze” on replacing vacancies.** Personnel costs will be controlled by continuing the city’s history of modest MERIT compensation and benefits increases. In addition, current and future open positions will remain unfilled, with exceptions considered only after alternatives for service delivery are analyzed. Vacancies will be reviewed to determine whether the position should be:
  - (a) **Eliminated or reallocated to another city service.** Implications of not filling vacant positions will consider both customer service and budgetary impacts.
  - (b) **Restructured.** Since budget challenges will be ongoing, it is important that the city consider new ways of doing business. As a few examples: job responsibilities might be split up among full or part-time employees; interdepartmental teams could be created to accomplish various aspects of the job; volunteers might be used to supplement employee duties; the service could be contracted out to either a public or private entity; or cross training might be used to enable individuals to work out of their traditional job class.
  - (c) **Replaced as is.** Since vacancies present opportunities to consider improvements in service effectiveness and efficiency, the review will carefully evaluate whether it is essential that no changes be considered.
2. **Financing new initiatives by reallocating current resources.** 2009 budget increases in non-personnel operating costs will be frozen at 2008 budget levels and energy costs will be controlled by continuing the city’s aggressive program to reduce energy use. Only the costs of fire department duty crews will be provided additional funding, which is allowable above the statutory levy cap. Staff will examine various cost saving and productivity measures to achieve this goal. Examples include:
  - **Public Safety.** The Police Department is exploring administrative changes and equipment alternatives for reducing energy use. Such measures might include dispatching fewer patrol cars to minor events, taking reports from citizens by telephone for minor incidents, and using smaller and more economical vehicles, such as motorcycles and hybrid vehicles, where appropriate.

- **Public Works.** The Public Works Department will continue its aggressive efforts to reduce energy use by investigating a joint purchase agreement for motor fuels with other government jurisdictions and by experimenting with ethanol at higher than normal concentrations in city fleet vehicles. The city will also develop a comprehensive right-of-way ordinance to ensure better cost recovery of the additional costs of maintenance caused by uncoordinated private construction that impacts the condition of city road and utility infrastructure.
  - **Recreation.** The Recreation Services Department will begin implementing its strategic plan developed with assistance from the University of St. Thomas graduate business program. Staff will develop programs for residents that currently do not participate in city recreation programs, more effectively target program marketing, and track the success of these efforts on a regular basis. Examples of new self-funded programs include a farmer's market offered in conjunction with the Music in the Park series, and a summer daycare program.
  - **Development.** The Community Development Department will create online tools for developers and homeowners to access and apply for permits, including an interactive program for homeowners to learn about the process. The internal development review process will be evaluated to improve efficiencies and functionality for city customers. The Engineering Department will further enhance its technology tools by converting informational computer aided drawings (CAD) for trail maps and snow plow routes to the city's geographical information system (GIS) database. This will facilitate maintenance of the city's infrastructure, and eventually lead to greater online and user friendly citizen information access.
3. **Managing budget uncertainty.** Swings in the economic cycle related to the real estate market have and will likely continue to make the city vulnerable to revenue volatility over the next few years. To manage these uncertainties, development-related fee adjustments will insure that growth pays its own way, and contingency budget plans will be developed.
- **Adjust development fees so that growth pays its own way.** To help ensure that development projects more fairly cover all the costs associated with project reviews, development and planning, permit fees would be adjusted, and new mechanisms explored to more appropriately fund master planning in specific geographical areas or for particularly complex planning reviews.
  - **Contingency budget plan to accommodate revenue uncertainty.** A limited listing of capital projects in the adopted CIP will be placed "on hold" until the following spring when a more accurate assessment of development fee revenue is available. Projects will be "released" in priority order depending upon the level of likely proceeds. Criteria will consider impact on citizens, health and safety issues, and more discretionary projects. Public safety and street projects will be excluded, since these are the city's highest priorities.

## Housing and Economic Development

In addition to the recommended property tax levy for operating programs and capital projects, the city's Economic Development Authority (EDA) has recommended adoption of a Housing and Redevelopment Authority (HRA) levy to support the city's various housing and economic development programs.

**Rationale for an HRA levy.** The Development Fund and Livable Communities Fund both lack reliable, ongoing revenue sources. Even with modest draws in the next few years, resources will soon no longer be available to support the city's affordable housing goals or future redevelopment needs in such areas as the I-394 corridor, Minnetonka Mills and Opus business parks. Additionally, the recent decrease in housing values presents an opportunity to purchase homes or properties for less than historical prices.

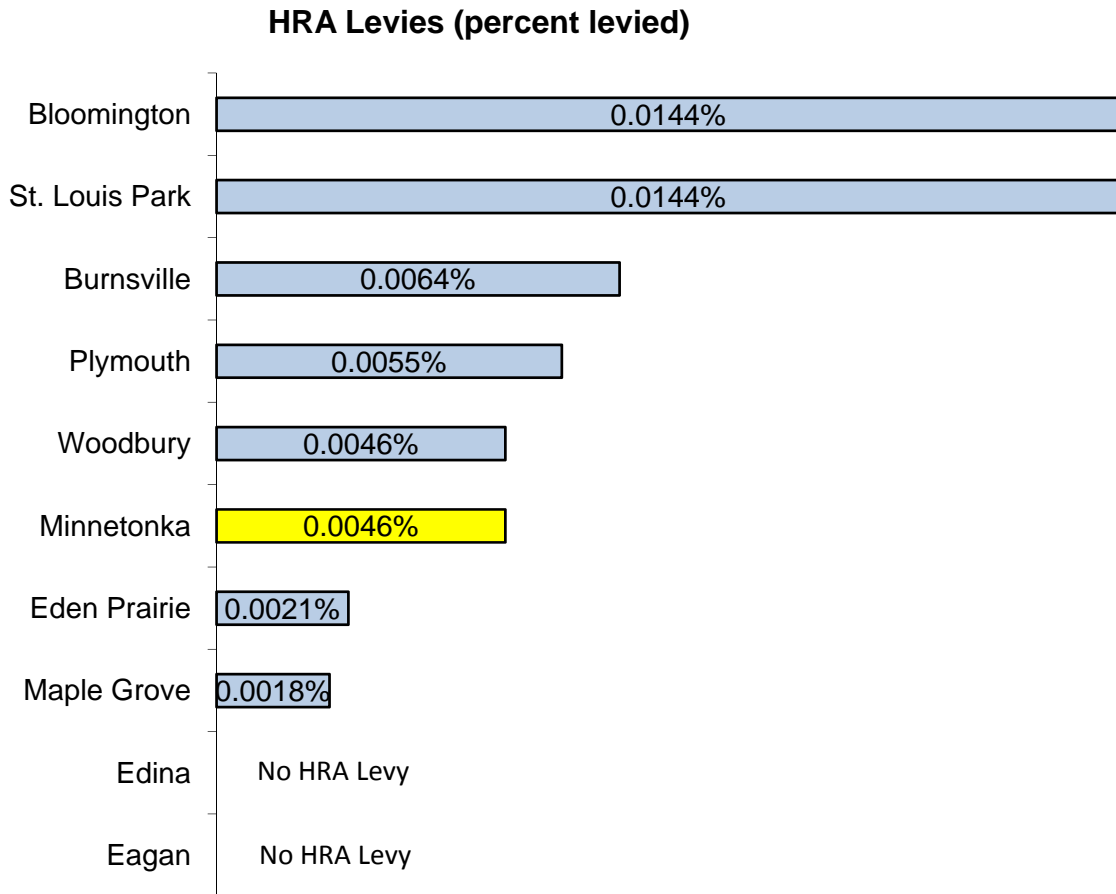
The EDA discussed various potential needs, including ongoing support of current programs, as well as various new initiatives. Existing programs include:

- **West Hennepin Affordable Housing Land Trust.** WHAHLT is a local, non-profit community land trust that purchases properties, writes down the cost of the land and sells the houses to qualified buyers for an affordable price. WHAHLT retains ownership of the underlying land, which assures the permanent affordability of the property. EDA's suggested allocation of \$270,000 represents an increase in recent annual contributions and would help purchase five to six homes in 2009.

WHAHLT Support	City Funding	Affordable Houses
2002	\$200,000	7
2003	200,000	4
2004	200,000	2
2005	220,000	6
2006	230,000	4
2007	230,000	5
2008	230,000	5

- **Affordable Housing Support Programs.** Youth, adult, senior and family programs are provided by CommonBond for the Crown Ridge apartments and by the Ridgedale YMCA for the Minnetonka Heights developments. Programming ranges from homework help, after school activities and summer programming for youth to special senior programming and career counseling for seniors and adults. These programs have historically been supported through various fundraising efforts and volunteers, but there is an annual unmet need of approximately \$30,000 to continue the successful operations.

**EDA recommendation.** As requested by council, the EDA considered use of an HRA levy to support the city’s housing and economic development programs, and has recommended adoption of a \$400,000 preliminary HRA levy for 2009 (see attached resolution). This amount equates to 0.0046 percent of the city’s market value, which is about one-fourth of the legally allowable maximum. Although not all comparable and area communities have an HRA levy, the EDA’s suggested preliminary levy is among the lower of those cities that do use such a levy:



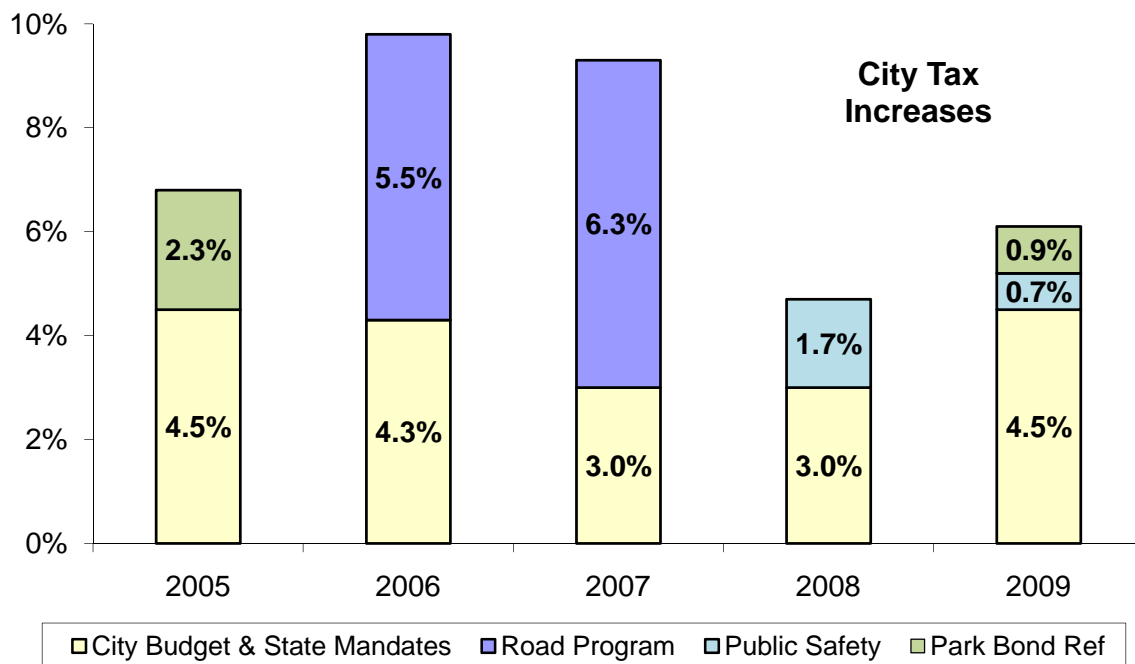
Prior to adoption of a final HRA levy in December, the EDA will solicit public input and will recommend specific applications, including ongoing funding for WHAHLT affordable housing programs, related support services and other initiatives.

## Recommended 2009 Preliminary Property Tax Levies

Staff recommends that a preliminary city tax levy of \$28,935,443 be certified for 2009, which includes a 5.2 percent increase for operating and capital funds, plus 0.9 percent for voter-approved park bonds. The HRA levy would represent another 1.5 percent.

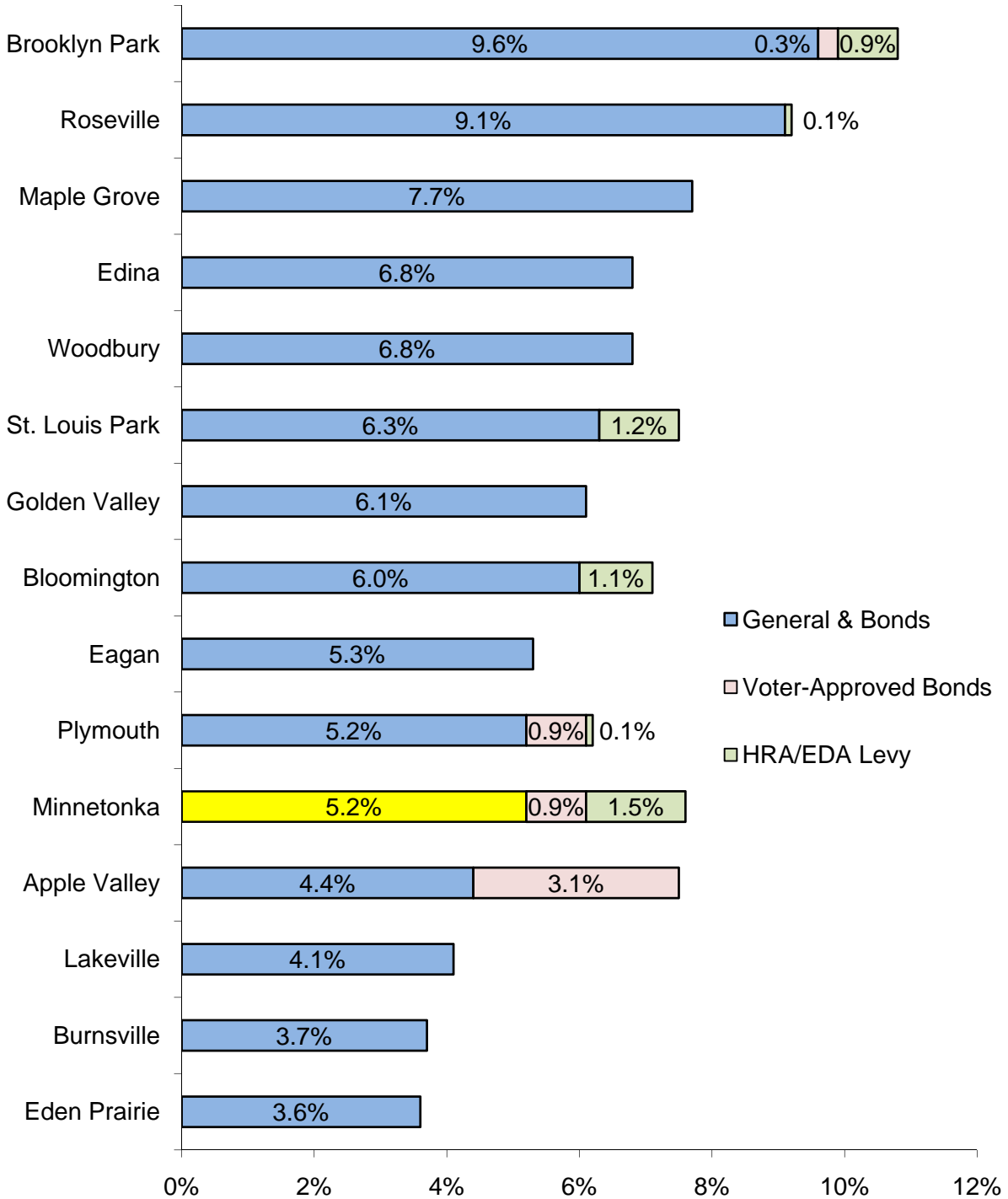
Property Taxes (thousands)	2008 Levy	2009 Levy	Percent Increase
General Fund		\$20,501	
Capital Funds		7,255	
Subtotal	\$26,326	\$27,756	5.2%
Park Bonds	942	1,179	0.9%
Total City Levy	\$27,268	\$28,935	6.1%
HRA Levy		\$400	1.5%

The recommended 2009 levy continues the city's tradition of moderate, inflation-related increases for basic services, with additional funds dedicated to new public safety and road initiatives, as well as the voter-approved park and open space referendum:



**Comparison with other cities.** Minnetonka’s proposed levy for basic services is in the lower half of the increases being considered by other cities, even with voter-approved park bonds. With the HRA levy, Minnetonka would be in the upper one-third.

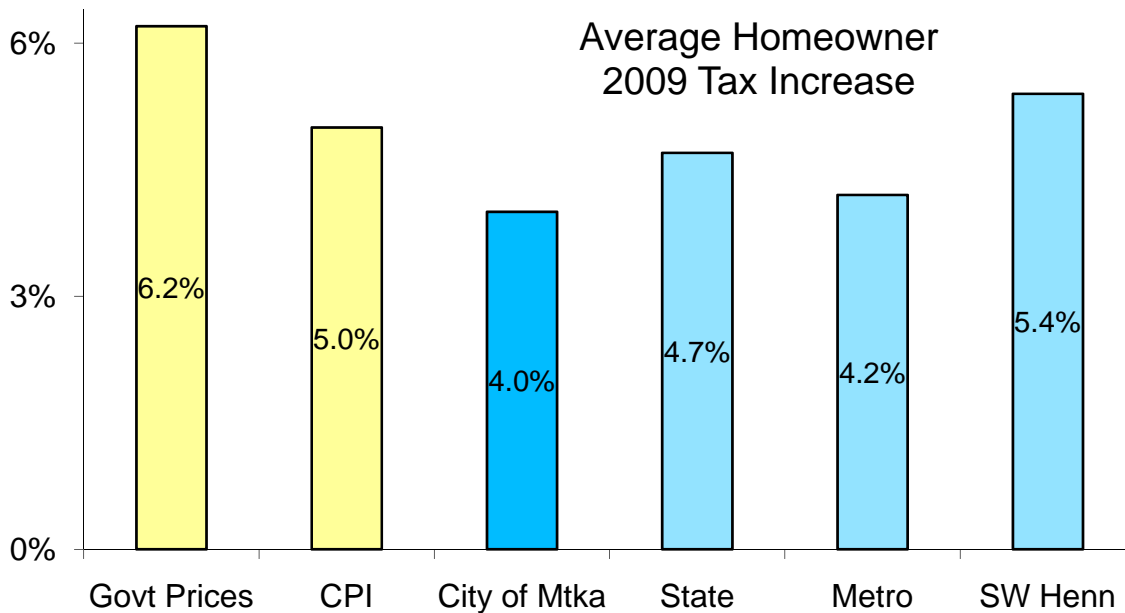
**Potential 2009 Tax Increases**



**Homeowner taxes.** Various factors affect the total property taxes paid by individual homeowners, including changes in market value, state law, and city, county and school district budgets. Most of the variance between revenue collected and homeowner tax impact is due to the continued market shift in property tax burden to commercial properties. Recent turmoil in the real estate market has had less impact on commercial property values than on residential values.

Although 2009 property tax revenue would increase 6.1 percent with the recommended city and voter-approved bond levies, excluding an HRA levy, **city property taxes will increase by 4.0 percent for the average Minnetonka homeowner.** This increase is well below the CPI (5.0%), and Government Price Deflator (6.2%). The suggested HRA levy would add an additional 1.47 percent for the average homeowner. Because of the ongoing shift in tax burden to commercial properties, commercial taxes would increase by about ten percent for the average business.

As council knows, city taxes only represent a portion of total property taxes. Minnetonka levies about 25 percent of the property taxes on homeowners, and only about ten percent of total commercial taxes. Total taxes (city, county, school) for the average homeowner in the state and metro area are projected to increase 4.7 and 4.2 percent respectively. Total property taxes in Southwest Hennepin County are expected to increase by 5.4 percent.



## Summary

Responsible long-term financial planning has continued to position the city of Minnetonka to better accommodate recurring budget pressures, now compounded by legislatively mandated levy limits, than many other communities. The recommended budget plans will help manage the city through the next three years of levy limits and potential state cuts. Specifically,

- To meet citizen expectations for both service quality and taxes, projected 2009 property tax growth will be reduced by \$600,000 (by one-fourth). This significant challenge will be met with a combination of:
  - a soft-freeze on replacing vacancies and continuing moderate compensation and benefit increases,
  - financing new initiatives by reallocating current resources, freezing the growth of non-personnel costs at current levels and continuing the city's aggressive program to reduce energy use, and
  - managing budget uncertainty by restructuring fees so that development pays its own way.
- With these targets, city property taxes would increase 5.2 percent to fund basic city services, plus an additional 0.9 percent for debt service on the voter-approved park and open space referendum bonds. This increase is among the lower grouping of other area and comparable cities. In addition, the city's EDA recommends an additional 1.5 percent HRA levy increase to support the city's housing and economic development activities.
- City property taxes would increase by 4.0 percent for the average Minnetonka homeowner to pay for basic city services. This increase is well below both the CPI (5.0%), and Government Price Deflator (6.2%). The suggested HRA levy would add an additional 1.47 percent for the average homeowner.

Certifying the recommended total amount of preliminary levies preserves future flexibility. Should council subsequently decide to adopt lower or only portions of these preliminary levies, the total levy can always be reduced in December when the final 2009 budget is adopted.

Originated by:

John Gunyou, City Manager  
Geraldyn Barone, Assistant City Manager  
Merrill King, Finance Director

**RESOLUTION NO. 2008-**

**RESOLUTION SETTING A PRELIMINARY 2008 TAX LEVY AND 2009 BUDGET  
FOR TRUTH-IN-TAXATION PURPOSES AND  
CONSENT AND APPROVAL OF A 2008 HRA LEVY**

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BE IT RESOLVED by the City Council of the City of Minnetonka, Minnesota, as follows:

Section 1. Background.

- 1.01. As required by the Truth-in-Taxation legislation, municipalities are required to adopt a preliminary budget and tax levy by September 15, 2008.
- 1.02. The law requires that the City Council hold a public hearing regarding its preliminary budget and tax levy in November or December.
- 1.03. State law and city resolutions authorize the city's Economic Development Authority (EDA) the power to levy a tax to finance housing and redevelopment programs subject to amendment and consent of the city council.
- 1.04. On September 8, 2008, the EDA of the City of Minnetonka adopted a preliminary 2008 HRA levy of \$400,000 and requested the city council's consent and approval.
- 1.05. The city must certify any adopted preliminary Housing and Redevelopment Authority (HRA) levy to the county by September 15, 2008.
- 1.06. The law further requires that all final levies be adopted after the Truth-in-Taxation public hearing and that the final tax levies may not exceed the preliminary tax levies.

Section 2. Findings.

- 2.01. The City Manager's preliminary 2009 budget for Truth-in-Taxation purposes, a copy is on file with the City Clerk, appears reasonable and sufficient to fund the desired municipal services.
- 2.02. A preliminary tax levy of \$28,912,343 for levy in 2008, collectible in 2009, will fund the City Manager's preliminary budget.
- 2.03. The council finds a preliminary 2008 HRA tax levy of \$400,000 is reasonable for purposes of financing housing and redevelopment programs of the city in 2009.

Section 3. Authorization.

- 3.01. The preliminary budget for Truth-in-Taxation purposes and tax levy is hereby approved.
- 3.02 The council consents and approves a preliminary 2008 HRA levy of \$400,000.
- 3.02. The City Clerk is hereby directed and ordered to transmit a certified copy of this resolution to the Hennepin County Director of Property Tax and Public Records.

Adopted by the City Council of the City of Minnetonka, Minnesota, on this 15<sup>th</sup> day of September 2008.

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Janis A. Callison, Mayor

ATTEST:

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David E. Maeda, City Clerk

ACTION ON THIS RESOLUTION:

Motion for adoption:  
Seconded by:  
Voted in favor of:  
Voted against:  
Abstained:  
Absent:  
Resolution adopted.

I hereby certify that the foregoing is a true and correct copy of a resolution adopted by the City Council of the City of Minnetonka, Minnesota, at a duly authorized meeting held on the 15<sup>th</sup> day of September 2008.

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David E. Maeda, City Clerk

**RESOLUTION NO. 2008-**

**RESOLUTION SETTING A PRELIMINARY 2008 TAX LEVY FOR THE  
BASSETT CREEK WATERSHED MANAGEMENT TAX DISTRICT**

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BE IT RESOLVED by the City Council of the City of Minnetonka, Minnesota, as follows:

Section 1. Background.

- 1.01. In 1990, the State Legislature adopted a law requiring municipalities to adopt a preliminary budget and tax levy by September 15 of each year.
- 1.02. The law requires that the City Council hold a public hearing regarding its preliminary budget and tax levy in November or December.
- 1.03. The law requires that a final levy be adopted after that public hearing and that the final tax levy may not exceed the preliminary tax levy.

Section 2. Findings.

- 2.01. A preliminary tax levy of \$23,100 for the Bassett Creek Watershed Management District for levy in 2008, collectible in 2009, will fund the City's expenses for that tax district.

Section 3. Authorization.

- 3.01. The preliminary tax levy of \$23,100 the Bassett Creek Watershed Management District is hereby approved.
- 3.02. The City Clerk is hereby directed and ordered to transmit a certified copy of this resolution to the Hennepin County Director of Property Tax and Public Records.

Adopted by the City Council of the City of Minnetonka, Minnesota, on this 15<sup>th</sup> day of September 2008.

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Janis A. Callison, Mayor

ATTEST:

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David E. Maeda, City Clerk

ACTION ON THIS RESOLUTION:

Motion for adoption:  
Seconded by:  
Voted in favor of:  
Voted against:  
Abstained:  
Absent:  
Resolution adopted.

I hereby certify that the foregoing is a true and correct copy of a resolution adopted by the City Council of the City of Minnetonka, Minnesota, at a duly authorized meeting held on the 15<sup>th</sup> day of September 2008.

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David E. Maeda, City Clerk

E.D.A. RESOLUTION NO. 2008-001

RESOLUTION SETTING A PRELIMINARY 2009 H.R.A. TAX LEVY AND BUDGET

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BE IT RESOLVED by the Economic Development Authority (EDA) of the City of Minnetonka, Minnesota, as follows:

Section 1. Background.

- 1.01. On May 2, 1988 by Resolution 88-8637 and amended on May 9, 1994 by Resolution 94-9715, the city council established the Economic Development Authority (EDA) of the City of Minnetonka, and effective June 15, 1988, transferred to the EDA the control, authority and operation of all projects and programs of the city's Housing and Redevelopment Authority (HRA).
- 1.02. Minnesota Statutes 469.033, Subdivision 6 authorizes housing and redevelopment authorities the power to levy a tax upon all taxable property within its district to finance housing and redevelopment programs subject to the consent of the city council.
- 1.03. The law and council resolutions further require the EDA to file a budget in accordance with the budget procedure of the city in the same manner as required of executive departments of the city and all actions of the authority to be approved by the city council.
- 1.04. State law requires the city to certify to the county a preliminary HRA tax levy by September 15, 2008, and a final HRA budget and levy to be adopted, approved and certified to the county by December 29, 2008.


Section 2. Findings.

- 2.01. The EDA finds that an annual budget and tax levy of \$400,000 for levy in 2008, collectible in 2009, will fund housing and redevelopment activities of the authority in 2009.

Section 3. Authorization.

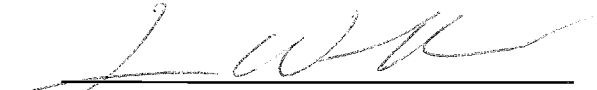
- 3.01. The preliminary 2009 HRA budget and tax levy is hereby approved.
- 3.02. The city council is requested to consent and approve by resolution the preliminary 2009 HRA budget and tax levy and to direct the City Clerk to transmit a certified copy of the resolution to the Hennepin County Director of Property Tax and Public Records.

Adopted by the Economic Development Authority of the City of Minnetonka, Minnesota, on this 8<sup>th</sup> day of September 2008.



Peter St. Peter, President


ATTEST:

  
Julie Wischnack, Secretary

ACTION ON THIS RESOLUTION:

Motion for adoption: *Yaeger*  
Seconded by: *Duffy*  
Voted in favor of: *St. Peter, Duffy, Robinson, Weishaar Cousins, Wiersum, Yaeger*  
Voted against:  
Abstained:  
Absent: *Wagner*  
Resolution adopted.

I hereby certify that the foregoing is a true and correct copy of a resolution adopted by the City Council of the City of Minnetonka, Minnesota, at a duly authorized meeting held on the 8<sup>th</sup> day of September 2008.

  
Julie Wischnack, Secretary

## Merrill King

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**From:** John Gunyou  
**Sent:** Thursday, August 21, 2008 10:01 AM  
**To:** Julie Wischnack; Merrill King; Geralyn Barone; Elise Durbin  
**Subject:** Citizen letter - FW: Property tax increase:

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**From:** Janis Callison  
**Sent:** Thursday, August 21, 2008 9:59 AM  
**To:** 'TONY HONAN'  
**Cc:** John Gunyou  
**Subject:** RE: Property tax increase:

Dear Tony,

Thank you for the email regarding the proposed HRA levy. I have copied the city manager on this response so that he can share your concerns with members of the Economic Development Authority and city council.

I believe the process for considering this issue is set out in state law (and would ask the city manager to correct me if I am wrong). The recommendation for the levy must come from the Minnetonka Economic Development Authority but the levy can only be implemented by the city council. The EDA will be holding the public hearing. But the city council will set the tax levy for 2009. The final decision on this issue will not be made by individuals who have not been elected.

I'm sure the discussion before both bodies will include many of the points that you have raised and I recognize the burden that many property owners are bearing. I also appreciate the fact that you have shared your opinion with me. Thank you.

Very truly yours,

Jan Callison  
Mayor

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**From:** TONY HONAN [mailto:TONYHONAN@comcast.net]  
**Sent:** Wednesday, August 20, 2008 12:14 PM  
**To:** Janis Callison  
**Subject:** Property tax increase:

Dear Jan:

I just read the proposal in the Lakeshore Weekly newspaper in regard to a property tax increase to cover the cost for affordable housing. The proposal is another recommendation from a non-elected body. I take it the Minnetonka City Council might have been too frightened to initiate this themselves. Jan, tell the Economic Development Authority Commissioners I have to pay for my home, I just don't have any extra money to pay for another home. We are taxed to the hilt in Minnesota. They cannot just keep coming back to us time and again for more money. I'd bet the Economic Development Authority Commissioners and their like have hundreds of good ideas. I have a lot of good ideas I want to do too. But I have children to send off to college, house repairs, car repairs, saving for retirement, two trees in my yard that have to be cut down, don't forget four dollar gas and heating bills are to double this coming winter. The list goes on and on. The

Economic Development Authority Commissioners are going to have to get in line before I can give them any more money. They should realize in addition to the list above, I have to pay sales tax, property tax, state income tax, school bonds, federal income tax, road tolls, Social Security income tax, and a lot more.

Tell the Economic Development Authority Commissioners they are too late. All the money has been spent on their previous projects. They should disband and go home to their families.

With best regards,  
Tony Honan  
15405 Robinwood Dr.  
Minnetonka, MN 55345

## Merrill King

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**From:** John Gunyou  
**Sent:** Monday, August 25, 2008 10:04 AM  
**To:** Julie Wischnack; Merrill King; Elise Durbin; Geralyn Barone  
**Subject:** Citizen response - FW: taxes

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**From:** Janis Callison  
**Sent:** Monday, August 25, 2008 9:54 AM  
**To:** John Gunyou  
**Subject:** FW: taxes

*Jan Callison*  
*Mayor*  
*City of Minnetonka*  
*14600 Minnetonka Blvd.*  
*Minnetonka, MN 55345*  
[jcallison@eminnetonka.com](mailto:jcallison@eminnetonka.com)  
*(952) 939-8389 (O)*  
*(952) 935-7010 (H)*

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**From:** Cynthia Irrgang [mailto:cyngang@yahoo.com]  
**Sent:** Monday, August 25, 2008 9:15 AM  
**To:** Terry Schneider; Janis Callison; James Hiller; Bob Ellingson  
**Subject:** taxes

Dear Mr. Schneider:

I object to my city taxes being raised to fund other people's housing. I am a single mother paying my own bills. I expect the same from others. Please make this a voluntary fund or cut another city fund (like landscaping) if necessary. The total tax burden is unacceptable to the average working person.

Thank you,

Cindy Irrgang  
Creekside Circle, Mtka.

## Merrill King

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**Subject:** FW: Proposed increase to property taxes to supplement housing for city employees.

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**From:** John Gunyou

**Sent:** Friday, September 12, 2008 9:56 AM

**To:** Merrill King

**Subject:** FW: Proposed increase to property taxes to supplement housing for city employees.

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**From:** Gary Berg [mailto:gberg99@comcast.net]

**Sent:** Thursday, September 11, 2008 10:46 PM

**To:** Brad Wiersum; Janis Callison; Dick Allendorf; Terry Schneider; Bob Ellingson; Tony Wagner; James Hiller

**Cc:** 'John Flynn'

**Subject:** Proposed increase to property taxes to supplement housing for city employees.

Gary and Eve Berg  
2520 Bantas Point Road  
Wayzata, MN 55391  
952-473 2712

Sept 11, 2008

.Mr. Brad Wiersum  
Councilman, Ward 3  
City of Minnetonka  
14600 Minnetonka Blvd  
Minnetonka, Minnesota 55343

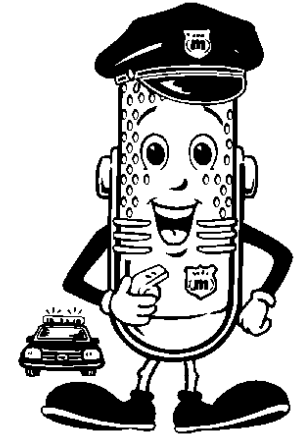
Dear Brad,

You folks are truly going to tax us out of our home. I was very surprised to learn of the effort add yet another increase to our already exorbitant property tax bill, to supplement housing costs for city employees. This is a colossally bad idea. I have never lived in the municipality where I was employed, and I fail to see any need for a city employee to live in this community. Housing prices are on the decline everywhere, and while making housing more affordable for those employees who wish to live in Minnetonka, I expect it will also reduce the tax value of our property. Perhaps the city can save additional funds by stopping the acquisition of homes along the Minnehaha creek watershed. We are totally opposed to the proposed special addition for "affordable/low" income housing to our property taxes.

Sincerely;  
Gary & Eve Berg



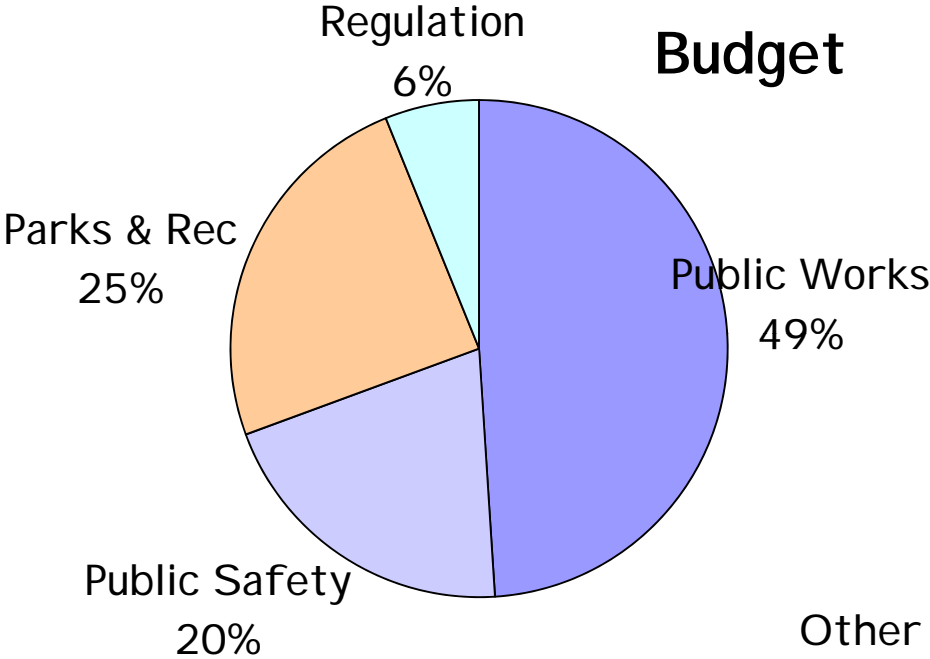
# City of Minnetonka 2009 Budget Guidelines



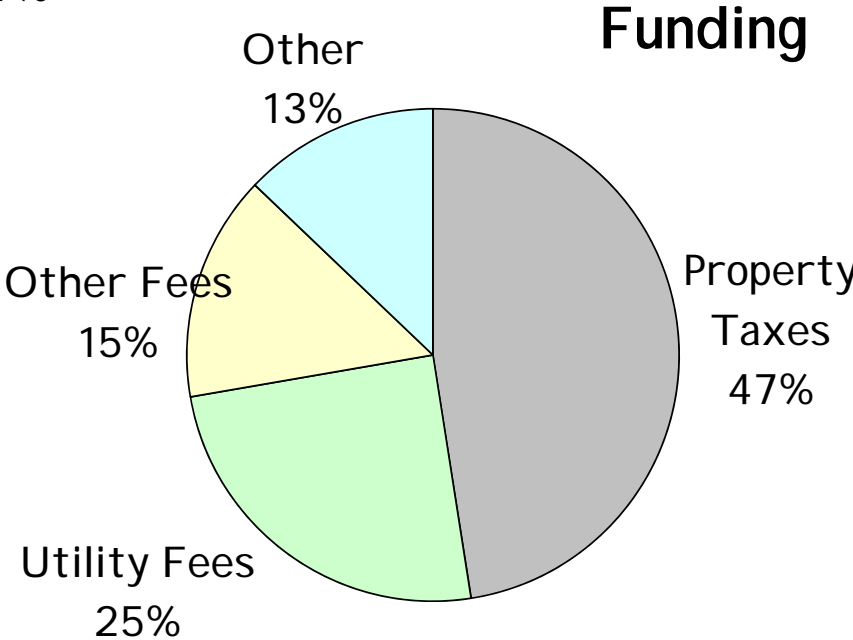
# Responsible long-term financial management

*ensures our ongoing capacity  
to provide quality services  
at a reasonable price*

# Cities provide basic services



*Funded with property taxes & user fees*



# Budget pressures

- **Unfunded state mandates**
  - artificial levy limits
  - PERA fix will cost \$1 million
  - court costs for public safety
- **Personnel costs**
  - health insurance up 16%
- **Operating costs**
  - gas, electric & fuel costs
  - technology tools for access

# Budget options are limited

- a) Raise more revenue
- b) Cut back services
- c) Get more efficient
- d) Make somebody else do it

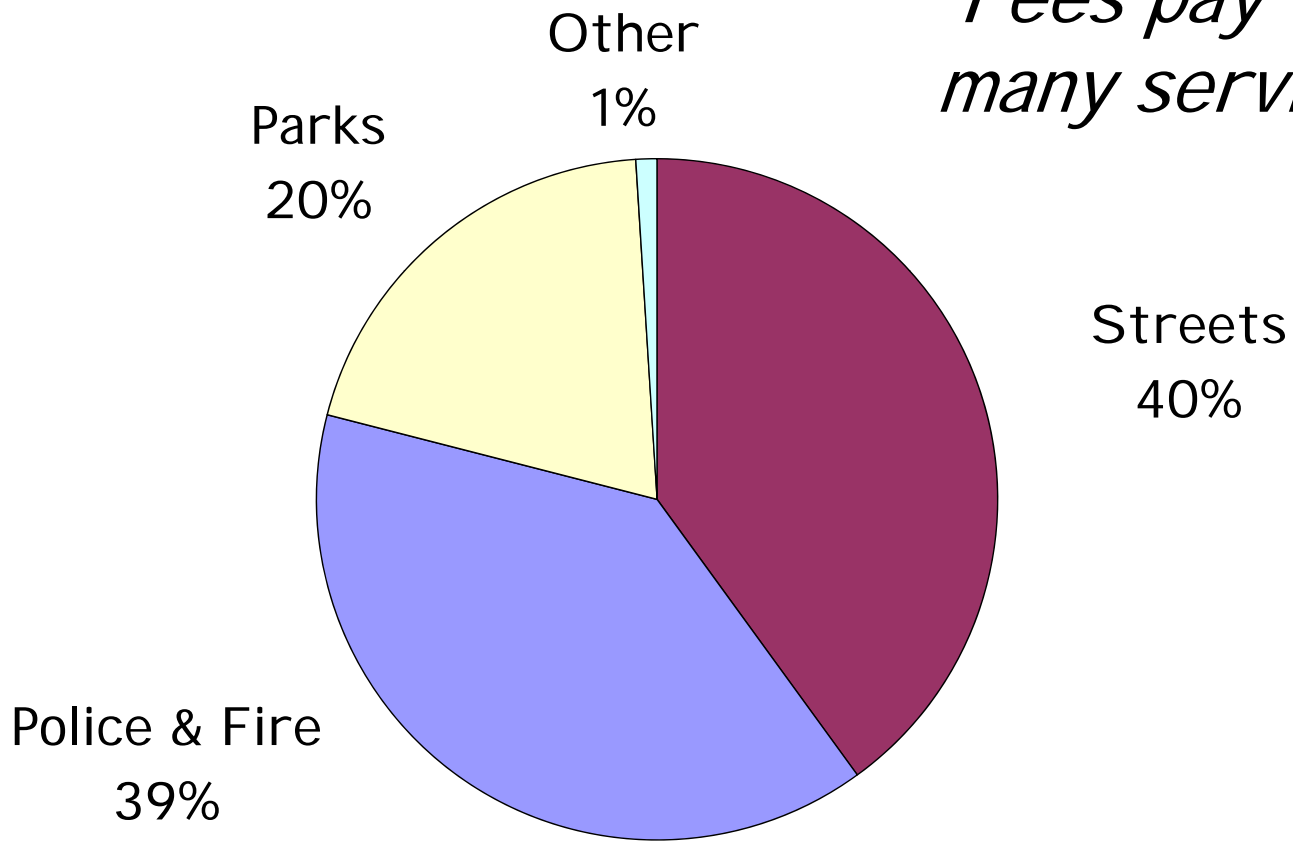
*Cities cannot choose their clients,  
service lines or market areas*

# 2009 budget direction

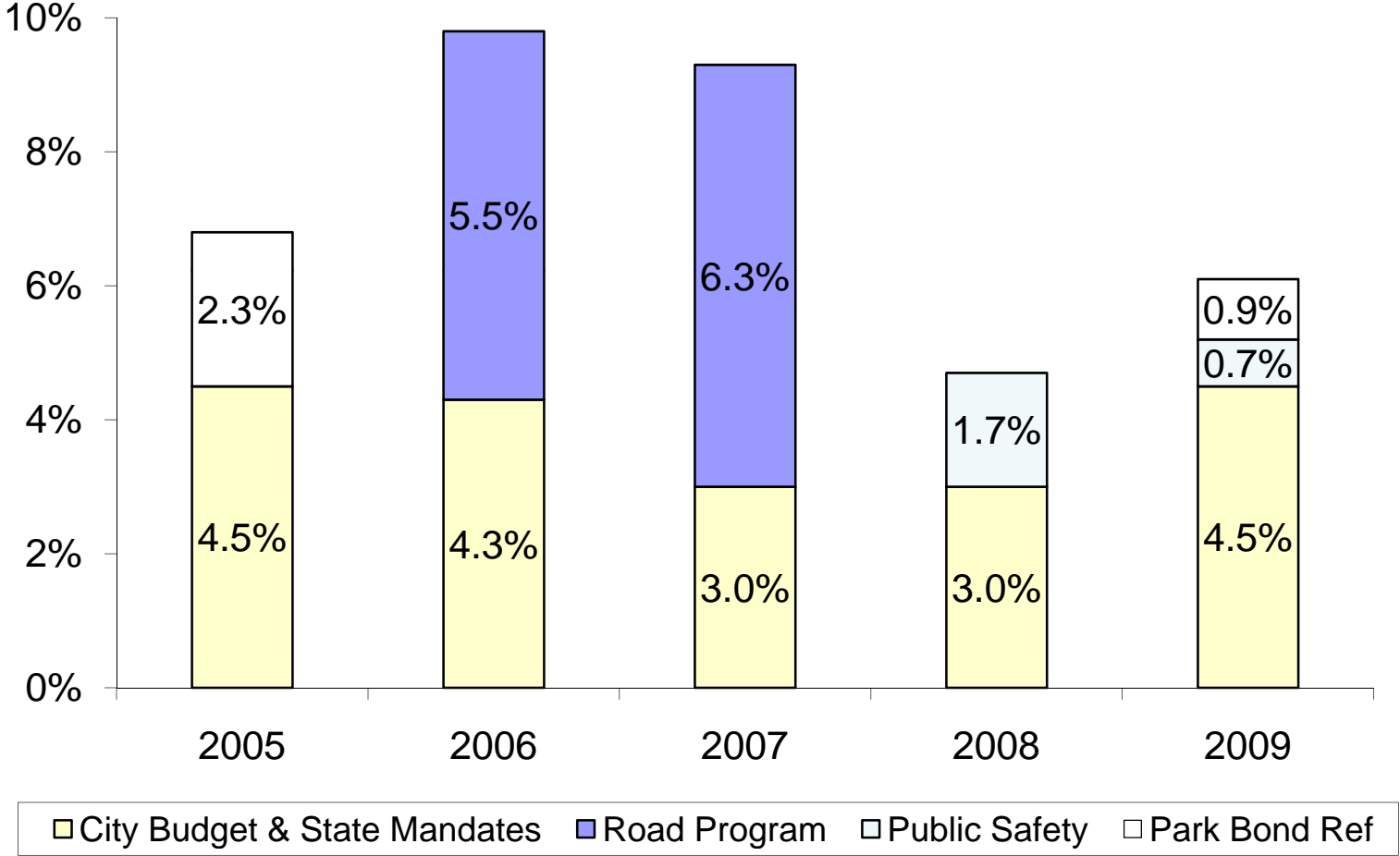
- **Priorities** = roads & public safety
- **Cut projected tax growth by one-fourth (\$600,000)**
  1. Soft freeze on replacing vacancies
  2. Fund new programs with reallocations, freeze costs, energy conservation
  3. Manage budget uncertainty

# Property taxes fund basic services

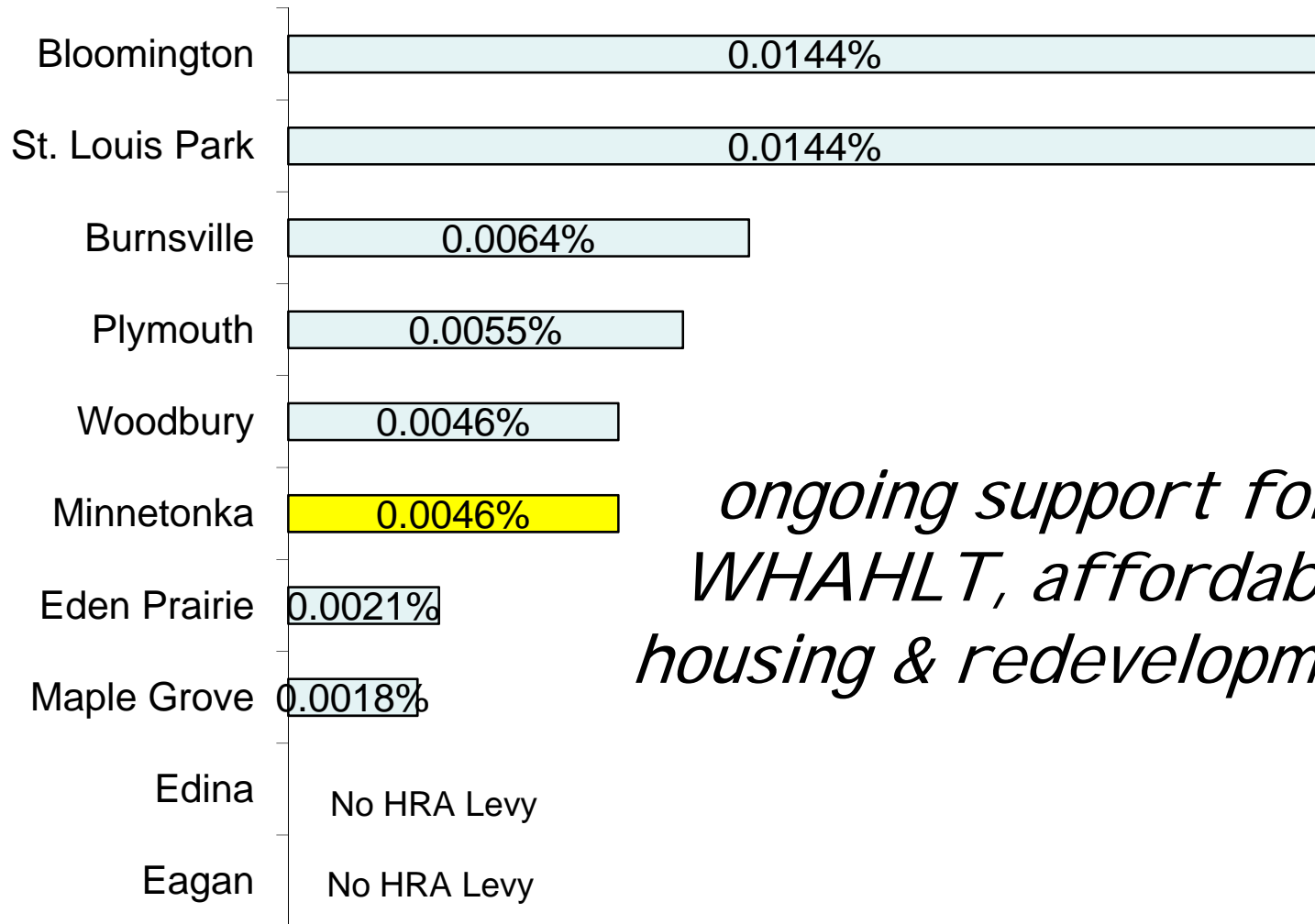
*Fees pay for many services*



# City property tax increases

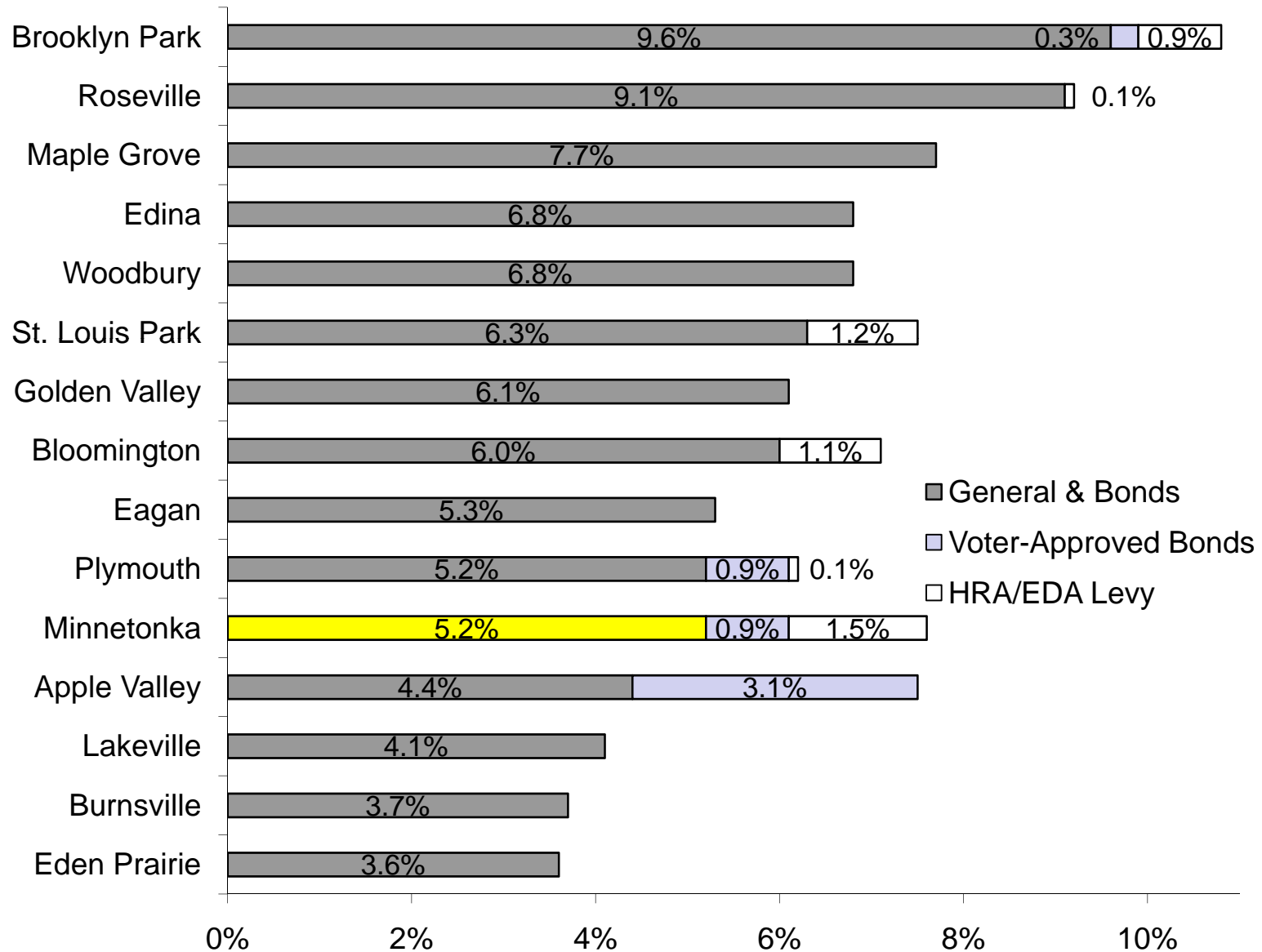


# EDA: \$400,000 HRA Levy

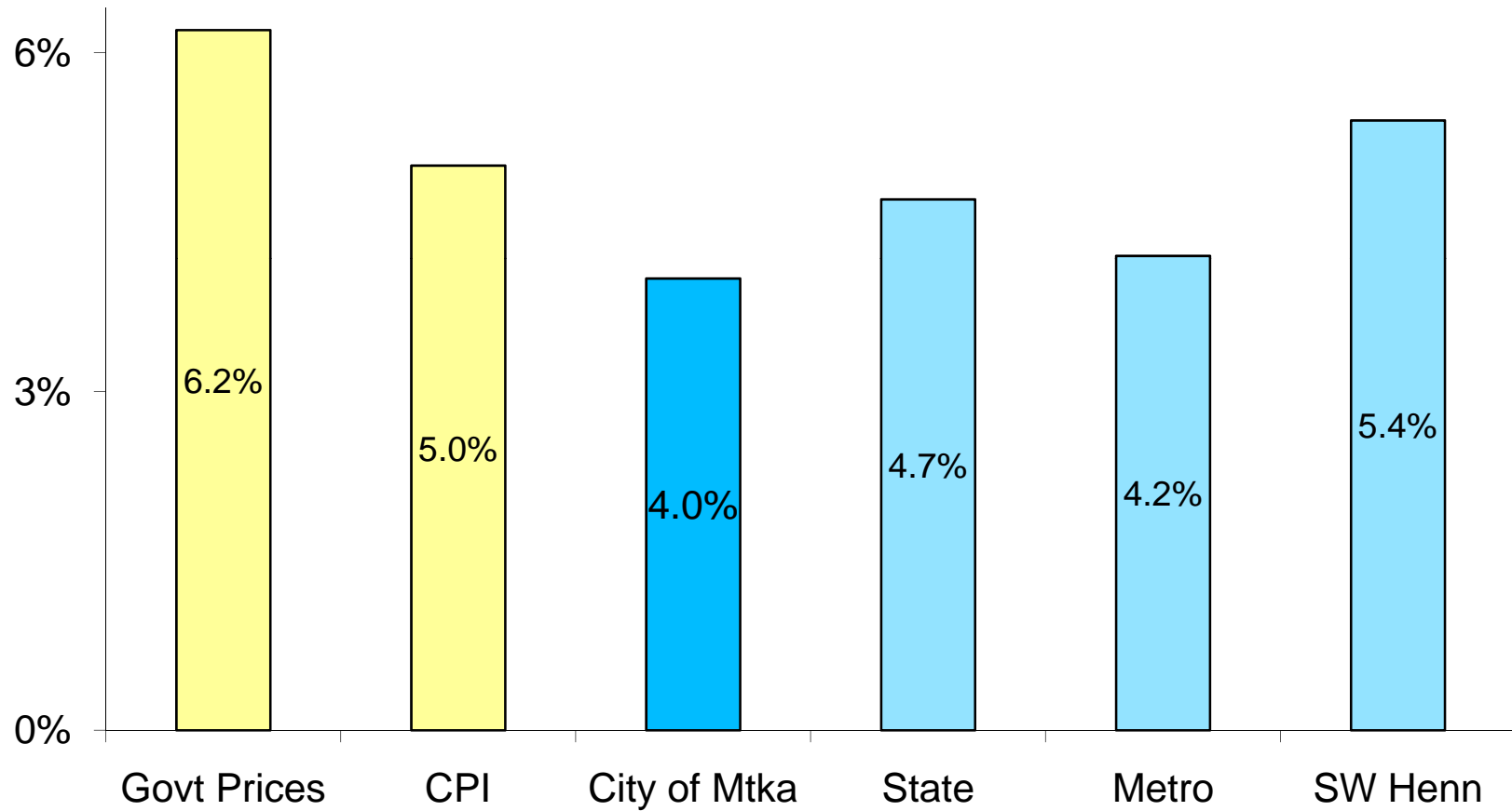


*ongoing support for  
WHAHLT, affordable  
housing & redevelopment*

# Mtka increase among lower



# Average homeowner's 2009 taxes well below CPI & Govt Price Index



# 2009 budget direction

- **Priorities** = roads & public safety
- **Limit property tax growth**
  - cut growth by one-fourth (\$600,000)
  - 5.2% for basic city services & 0.9% for voter-approved park bonds among lowest
  - 1.5% HRA levy recommended by EDA

*4.0% homeowner increase (+1.47% HRA)  
well below GPD (6.2%) & CPI (5.0%)*

**City Council Agenda Item #15A  
Meeting of September 15, 2008**

**Brief Description:** Appointment to the planning commission.

**Recommended Action:** Approve the recommended appointment.

**Background**

One opening exists on the planning commission due to the resignation of Sarah Schmitz. Al Thomas is willing to dedicate the time and energy necessary to be a contributing member of the board and I recommend that he be appointed. A current roster for the planning commission is also attached.

**Recommendation**

To appoint Al Thomas to the planning commission, to serve the remainder of a two year term, effective September 15, 2008 and expiring on January 31, 2010.

Respectfully submitted,  
Janis A. Callison  
Mayor

# Planning Commission

## Current Members

The planning commission assists and advises the city council in administration of the City Zoning Ordinance; conducts public hearings on matters as required by provisions of the zoning ordinance, subdivision ordinance, and any other matters referred by the council or by ordinance. Following the required public hearings, the planning commission makes its reports and recommendations to the city council and city manager. This commission is comprised of seven members who serve two-year terms. The meetings are generally held Thursday nights, twice a month at 6:30 p.m.

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<b>Name:</b> Steven Adams	<b>Ward:</b> 2	<b>Appointed:</b> 2/6/2006	<b>Term Expires:</b> 1/31/2010
<b>Comments:</b>		<b>Reappointed:</b> 1/7/2008	
		<b>Reappointed:</b>	
		<b>Reappointed:</b>	
<hr/>			
<b>Name:</b> Aimee Blatz	<b>Ward:</b> 2	<b>Appointed:</b> 1/28/2008	<b>Term Expires:</b> 1/31/2009
<b>Comments:</b>		<b>Reappointed:</b>	
		<b>Reappointed:</b>	
		<b>Reappointed:</b>	
<hr/>			
<b>Name:</b> John Cheleen	<b>Ward:</b> 3	<b>Appointed:</b> 2/14/2005	<b>Term Expires:</b> 1/31/2009
<b>Comments:</b>		<b>Reappointed:</b> 12/18/2006	
		<b>Reappointed:</b>	
		<b>Reappointed:</b>	
<hr/>			
<b>Name:</b> Paul Lehman	<b>Ward:</b> 4	<b>Appointed:</b> 2/5/2007	<b>Term Expires:</b> 1/31/2009
<b>Comments:</b>		<b>Reappointed:</b>	
		<b>Reappointed:</b>	
		<b>Reappointed:</b>	
<hr/>			
<b>Name:</b> Sue Sjeklocha	<b>Ward:</b> 2	<b>Appointed:</b> 1/28/2008	<b>Term Expires:</b> 1/31/2010
<b>Comments:</b>		<b>Reappointed:</b>	
		<b>Reappointed:</b>	
		<b>Reappointed:</b>	
<hr/>			
<b>Name:</b> Al Thomas	<b>Ward:</b> 4	<b>Appointed:</b> 9/15/2008	<b>Term Expires:</b> 1/31/2010
<b>Comments:</b>		<b>Reappointed:</b>	
		<b>Reappointed:</b>	
		<b>Reappointed:</b>	
<hr/>			
<b>Name:</b> Robert Walker	<b>Ward:</b> 1	<b>Appointed:</b> 1/28/2008	<b>Term Expires:</b> 1/31/2010
<b>Comments:</b>		<b>Reappointed:</b>	
		<b>Reappointed:</b>	
		<b>Reappointed:</b>	

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### Other Commission Members:

Loren Gordon - City of Minnetonka Staff Liaison Ph# 939-8296