

**STAFF SUMMARY
CITY OF MINNETONKA
CITY COUNCIL STUDY SESSION
MONDAY, APRIL 13, 2009
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Council Present: Dick Allendorf, Bob Ellingson, Amber Greves, James Hiller, Tony Wagner, Brad Wiersum, and Mayor Terry Schneider

Commission Present: David Hakensen, Melissa Williamson-Herren, Michael Kelly, Betty Johnson, Paul Kobs, Paul Thyren, Paul Ansolabehere

Staff: John Gunyou, GERALYN Barone, Jacque Larson, Merrill King, David Maeda

1. Joint meeting with community commission

Schneider noted that at the April 20 council meeting he would offer Ansolabehere's name in for consideration to be appointed as a commission member.

Hakensen gave an overview of the commission's background and activities. He asked for feedback on the neighborhood organizing initiative.

Wagner said he thought the initiative was a great idea. He said he first began getting engaged in his ward by meeting with selected associations including Sherwood Forest. When he first joined the council he asked if there was a list of the associations, management companies, and rental housing communities in the city and found out that there was not such a list. He said there was a good opportunity to provide the associations some tools or linkages in the city. He suggested with the help of the EDA, looking into linking the associations with some of the city's small businesses.

Allendorf agreed the initiative was a good idea and the closest thing that currently exists is the neighborhood watch program. He said that program used to be very active with over 100 neighborhood watch captains. If that group could be tapped in to help identify neighborhoods or see how active particular neighborhoods are, it would boost what the commission was looking to do. Hakensen said has already approached the group.

Wiersum said the definition of a neighborhood differs depending on the community. Hakensen said there was discussion about better defining what constituted a neighborhood. He said Communications Manager Jacque Larson mapped out the areas the neighborhood block captains covered and there were not many blank spots on the map. He said geography and history are some of the things that will have to be looked at in determining the neighborhoods. Wiersum asked if other communities have already tackled the issue of identifying neighborhoods. Hakensen said he has looked at other city's web sites and there are useful tool kits that can be used. He noted the city of St. Louis Park gives

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funds to neighborhood organizations and while this is more ambitious than what is being discussed, there is a lot of information and ideas that can be shared between the two cities.

Greves said she too would be very supportive of the neighborhood initiative. She said with the city's changing demographics, neighborhood groups could help keep an eye on kids after school or find ways to keep seniors involved. Hakensen agreed and said there are examples in Minneapolis and St. Paul with neighborhood groups providing safe homes for kids. If a child feels threatened by something there are identified homes they can go to. There are also programs where people in the neighborhood periodically check in with the elderly. He said people will increasingly look to their cities for social service delivery.

Johnson said ethnic communities might have a different idea of what a neighborhood is, what the connections are, and how they support each other. She said the commission could pick up good ideas from these communities while at the same time honoring their traditions and cultures.

Greves said she was intrigued by the outreach the commission has done and would like to see that continue. Hakensen said the commission had a listening session with Minnetonka Heights and the YMCA. The commission is interested in learning about what the faith community is doing with the idea being to connect groups that might be doing similar activities. He said in the long term the commission could serve the purpose of providing information to the council about what is going on in the neighborhoods.

Wagner suggested tying the neighborhoods in with the comprehensive plan process to get feedback on the village center concept or issues like the potential Metro Transit opt out. Hakensen said ideally when an issue comes up there would be a way to get grass roots reaction. Wagner asked if the commission looked at how the city's web site could be used to provide information and tools for the neighborhoods. Hakensen said he and Larson have looked at what exists from other cities as possible resources.

Gunyou noted that the idea is for the neighborhood initiative to be self selecting. Residents would identify their own neighborhood, rather than the city dictate fixed boundaries. Each neighborhood has its own interests so there should be a wide range of tools to help the groups organize themselves, and address the issues they chose to pursue. He said this approach would best serve the needs while managing the city's resource commitment.

Hiller said there are two different things being looked at. One is identifying a leader like a neighborhood block captain or association. The other is identifying expressive leaders, those people who pull the neighborhood together when there is something going on. He said he didn't know how to identify the latter group but

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it was important to do so. Johnson noted that people can belong to more than one kind of neighborhood. Schools, churches, geography can all determine what neighborhood a person associates themselves with. The goal is to become knowledgeable about what and where the groups are, and the connections between them.

Allendorf cited a program that assisted runaways as an example of what a school has done to address an issue. He said if a group hears about the initiative and sees a benefit for its stakeholders, it would be another tool for what is hoped to be achieved.

Schneider said the idea is for the initiative to be an organic self involving thing with the city providing support. The city would not dictate what it defines as a neighborhood. If a person does not identify with a neighborhood, the idea would not work. He said the city does need to provide some organization and communication building. While there may be some initial costs, once things get moving, the city's main tool would be the web site where there could be interactive dialogue. The groups will come up with their own ideas and provide their own funding for whatever activities they want to do. Once there are success stories more and more groups will join. He said there is a great potential for a long term benefit for the city.

Wiersum said using the web site is important but it is also important to use the city's newsletter to make sure everybody in the city stays informed.

Hakensen noted the commission's current project is the Minnetonka Reads book club. The current book is former resident Katherine Applegate's "Home of the Brave."

Schneider said he agreed with Wagner's earlier comment about involving the business community. He said there are a number of businesses who want to sponsor youth groups and the neighborhood initiative could help the businesses learn about the opportunities that exist. He said there are also significant grant funds available and given the city's excellent reputation, once the initiative is up and running neighborhoods could be eligible for some of the grant money.

Ansolabehere said every fire starts with a spark. Once one neighborhood has success doing something, the spark can be transferred to other neighborhoods.

2. Budget update

Gunyou gave the update.

Wagner asked how the permanent loss of the market value homestead credit revenue would impact the city going forward. Gunyou said the way the loss of

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revenue was accommodated this year was to delay \$525,000 in capital projects. It was a one-time fix to allow permanent plans to be prepared, but noted the city is not counting on the credit ever being restored by the state.

Gunyou said another potential loss of income could occur if the county courts stop prosecuting lesser offenses. The worst case scenario would be the loss of \$500,000 fine revenue from speeding and moving violations. Schneider said currently most of the fines are for speeding at least 10 mph over the speed limit. Most of the fine revenue goes to the state. He asked if more revenue could be collected if legislation is passed allowing the city to use its administrative fine system for traffic violations. Gunyou said the tradeoff would be the cost of administering such a system. Schneider said if the courts are not going to prosecute the traffic violations the city would have to do something more.

Gunyou said under current law the levy limit for 2010 would likely be around one percent or less because it is indexed to inflation, which is now very low. Even if the legal levy limit is higher, the political climate is such that staff would likely still recommend at most a very modest increase. Because the fire pension requirement is outside the levy limit, one option would be to hold everything else near zero but to increase the total levy to meet state mandates for fire pension funding.

Other than labor costs, Wagner asked what the other factors are driving the projected increase in spending in the upcoming years. Gunyou said the driving factor was personnel costs, which represent nearly three-fourths of operating costs.

Schneider asked how the energy grant would impact the budget going forward. Gunyou said the city was eligible to receive around \$530,000 from the federal stimulus package for energy savings improvements. Improvements that have already been planned will be accelerated with the grant funds. Schneider said although the funding is one-time money, the energy savings would help future budgets. Greves asked if there was any other stimulus money the city could access. Gunyou said staff is looking into what may be available.

Gunyou said one change being planned for employee compensation is to lower the annual base increase, while continuing market adjustments. This approach would allow the city to remain competitive, while not unduly inflating personnel costs. It would initially save around \$100,000, and going forward would save between \$200,000 and \$300,000 a year. Schneider said the change made sense from a cost standpoint but asked how it would impact union negotiations. Gunyou acknowledged the approach would be a challenge. Currently all contracts are structured to include the base increase plus a market adjustment. Those components would continue to be negotiated the same way. Barone said the challenge would come if all the other communities were giving three percent

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increases, but noted that if the additional percentage is justified by the market, an employee would get the additional adjustment. Wiersum said over time a higher portion of people would get a market adjustment but the savings would come from not artificially paying the increase to positions for which market increases were not justified.

Gunyou said he and Police Chief Mark Raquet had met with the superintendants from the Hopkins and Minnetonka school districts to discuss a change in policy in which the districts would fully fund the costs of school liaison officers for the ten months they were in the schools. This would be consistent with District 287, which already pays the full cost. In response, the two superintendents indicated an interest in reducing the number of officers assigned to their districts. Gunyou said the principals from the affected schools have indicated they think the proposed reduction is workable.

Allendorf said the reduction is not consistent with how the school liaison program was sold in the first place. The idea was if there were officers in the schools, there would be fewer calls.

Schneider said the idea made sense, but it also makes sense to not reduce the number of liaisons given some of the behavior that goes on in some of the schools and the disruption the behavior causes. He suggested looking at diverting some of the traffic police time to continue the work in the schools. Wiersum said he was a believer in the school liaison program, but the city was in the position of needing to separate the "must haves" from the "nice to haves."

Allendorf suggested a formalized review of the reduction after a period of time, noting that adjustments could be made accordingly. Tracking the number of calls to the school would help evaluate if more liaisons are needed.

Gunyou noted that the city's proposal was to require school districts to cover the costs of providing liaison officers, and that it was the districts' choice to reduce the number of liaisons. The city suggested Hopkins School District staffing be reduced from three to two. This would have cost the district around \$25,000, but the district chose to only pay for one officer.

Wagner agreed with Allendorf's suggestion of reviewing how the reduction was working after six months.

Greves said she was concerned about the reaction if something major happened at one of the schools. Gunyou emphasized that the police department would still answer all calls, and that it was the school's decision not to pay for the additional liaison. He noted having an officer in the school did not make any difference when a major fight broke out at Hopkins High School a few years ago.

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Gunyou indicated there has been a growing tendency for the districts to use the officers to deal with disciplinary problems the school was reluctant to deal with themselves. Allendorf said if he were a principal and knew he could call the city and a squad would be there in a few minutes versus paying for a liaison officer to be on site, he would choose to call the police department.

Hiller said the original purpose of the liaison program was to have a police presence in the school and not necessarily to have a first responder on site. Wiersum agreed and said the liaisons were in the schools to develop relationships with the students, making the police department more approachable. If there was a disaster in one of the schools, one officer would not make any difference.

Gunyou noted that school districts have the authority to levy for public safety, but they have chosen to use the levy for security purposes other than police liaisons. He cited security lighting and locks as examples.

Gunyou said various efficiency measures were being implemented with the help of advanced technologies. One example is online utility billing that will allow residents to receive and pay their bills online. Schneider inquired about charge card fees. Wagner noted there is a 2.25 percent additional cost to process charges. King said the city already accepts credit card payments in person or over the phone and the additional costs are already encompassed in the rates. She said most people now have the expectation that they can pay online, so the city needs to meet that expectation.

Gunyou said consolidation and reorganization options are also being considered. As the city repositions itself to deal with current and future challenges, downsizing will take place both through attrition and layoffs. Wagner asked what strategies have been looked at in areas with significant seasonality to the work. Gunyou said the seasonal aspect of workflow has been looked at with the proposed reorganizations. Job-sharing and half time positions are being considered. Wagner asked if one option would be to bring back retired employees on a seasonal basis. Gunyou said that would be difficult with the current state pension laws. He also noted that there is a bill moving forward in the state legislature that would require cities to provide sick leave to seasonal employees. If passed into law, it is estimated the bill would cost the city tens of thousands of dollars.

Gunyou said he met with other city managers from the western suburbs and discussed areas the cities could cooperate to help save costs. One area being discussed was with building inspections. He said development is currently slow, but when the economy recovers, building activity will increase. Rather than have each city staff back up to previous levels, it might make sense to look at sharing expertise among neighboring cities.

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Wiersum asked if there were other opportunities for the city to market its capability to smaller neighboring cities. Gunyou said that is already being done for health inspections where Minnetonka provides that service for Wayzata. Other neighboring cities have expressed interest in Minnetonka providing those inspections for them as well. He said those services for other communities were currently being provided at cost. Schneider said there would be an opportunity to charge for overhead and administrative costs for the employees as well. Wiersum agreed and said it wasn't just the actual cost to Minnetonka that should be considered in setting the price, but also what alternatives would cost the other cities.

Gunyou said another idea that is being explored is to have Hennepin County provide the city's assessing services. A business analysis is being conducted to look at the costs and how it would impact service. With this approach, the county would staff assessing operations in city hall. He said the public would see little difference from a process standpoint. One advantage would be the county has broader expertise. One downside would be the city's assessing staff is very good, and the level of service residents currently receive is better than what the county could provide. Gunyou said a number of other cities are also exploring the option.

Wiersum asked how likely it would be that the county would hire the city staff. Gunyou said there is a possibility that some of the staff would get jobs, but there is no guarantee.

Greves asked if the cities that currently use the county for assessing services have found consistency in the assessments. Gunyou said there has been consistency because the assessment community is small and assessors all interact regularly. King noted the activity is highly regulated. The Minnesota Department of Revenue reviews the assessment reports and sets parameters that must be met.

Greves asked if there was any advantage in having staff that truly knows the area well. Gunyou said there was some advantage. King said from a resident's perspective no one likes protesting the value of their house. It's unlikely a person would come back year after year to protest their assessed value. She said there would be a faster response provided by local staff and there likely would be a few days delay for the county to respond to an issue. From a resident's perspective, in both cases they would feel like they've been served.

Schneider said the decision should be based on the real savings. He said the main thing that would be lost would be the personal touch in being able to say to residents that the city is paying attention to home values. Without the board of

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review there would be no ability for the board to intercede on behalf of the resident.

Wagner suggested that the idea be further discussed once the actual cost savings are determined. Gunyou said another idea being considered is whether the city could realize any cost savings by reorganizing internally. There is some uncertainty in the cost the county would charge, and it might be possible to restructure the current assessing function to achieve the same savings while retaining the current level of service. Both options will continue to be evaluated.

Gunyou said another area being looked at for reorganization is dispatch services. He noted the city of Plymouth has always used Hennepin County for its dispatch service, and at one time, Minnetonka also used the county. Minnetonka added its own dispatch service when the police station was built. He noted that this consolidation option is complex, since the service is integral to the city's operations. The service isn't just about dispatching a police squad when a 911 call is received. It also includes 24/7 access to city hall, and coordination of all police and fire calls.

Gunyou said staff is currently investigating the possibility of a joint dispatch operation with the city of Hopkins, since the two cities already work well together in other areas. Additionally, there already is overlap in police and fire services, as well as philosophic and culture similarities in the departments. He said the next step was to hire an independent third party to determine how the idea might be put together. A third party would ensure neutrality in decision making.

Allendorf asked how much it would cost to hire the third party consultant. Gunyou said the cost would likely be in the \$10,000 to \$15,000 range for the city, since the cost would be shared. Schneider said it would be useful if the consultant could also look at internal savings options. Gunyou said one other option being looked at is the use of a pool of part time employees to avoid overtime costs for planned absences.

Wiersum asked if the police and fire chiefs were supportive of the idea. Gunyou said because the two cities already work together regularly, the two fire chiefs have indicated they think the idea makes sense, even if costs savings were not involved. The police chiefs both support taking the next step of a third party review as well.

Wagner asked if the city's benefit program was looked at to see if there would be other savings that could be achieved. Gunyou said Minnetonka was already more aggressive than other cities in terms of offering high deductible insurance options to employees. Barone noted the severance package was being evaluated. Currently an employee receives severance when he/she retires. Other public entities offer severance for employees who have worked for more than five

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years for the organization. She said compared to other cities, Minnetonka's severance package is very generous for those that qualify.

Wagner asked if a one year salary freeze had been considered. Gunyou said the idea was discussed, but was not being considered, because a freeze would be a onetime action that would create inequities among employees and leave the city in a position of playing catch up. He thought adjusting future base increases would be far more effective and fair in the long-run.

Wiersum agreed the city was not on the overly generous side in terms of benefits. He asked if there would be an opportunity to allow employees to forgo a larger salary and have the city pay a higher percentage of the benefits. Barone noted that half of the employees receive single coverage, and with the cafeteria plan, they probably would not be interested in the idea. Schneider said that a disadvantage to paying a higher percentage of the health benefits was the escalating costs that can't be controlled would cost the city more in the long term. Barone said that other cities did load up on the benefits during past budget challenges, and now are facing issues due to the rise in insurance costs.

Hiller said that staff could become demoralized when facing possible layoffs and could become recharged once the cuts finally occur. He said it was healthier for an organization to make any layoffs sooner, rather than later. Gunyou agreed, and indicated the leadership team was discussing options and timing.

Allendorf said there was \$20 million in the community investment fund. A small percentage of that would be enough to eliminate the need to raise property taxes. He suggested looking at the rules for using the fund to expand their use. Gunyou said the idea was being looked at and recommendations for possible changes would be included in the CIP discussions. He said what is being considered is phasing in a portion of the CIF for capital uses. The more the original intent of the CIF is adhered to, the easier it will be to consider amending the use of the funds. Examples are parks and trails which are used by the whole community. The fund might also be used to cover a portion of the costs of major equipment purchases. Allendorf said if the fund was also used in lieu of beefing up capital reserves, it would have the effect of reducing the need to raise property taxes.

Gunyou said a related issue that the city managers discussed was if each city needed to replace fire ladder trucks individually, or if there were cost savings options in sharing the use of equipment that can cost one million dollars to replace. As an example, he said Hopkins just purchased a new ladder truck that is located near Minnetonka Station 3.

Greves asked if the same principle was being looked at for public works equipment purchases. Gunyou said the same theory applied, but public works equipment tends to get used more frequently and at the same time, and is not as

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expensive. He noted that the recommended CIP will include funding for developing a long term public safety plan to address the long-term facility and equipment needs of the city.

3. Adjournment

The study session adjourned at 8:54 p.m.

Respectfully submitted,

David E. Maeda
City Clerk