

**STAFF SUMMARY
CITY OF MINNETONKA
CITY COUNCIL STUDY SESSION
MONDAY, AUGUST 29, 2011
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Council Present: Dick Allendorf, Bob Ellingson, Amber Greves, James Hiller, Tony Wagner, Brad Wiersum, and Mayor Terry Schneider.

Staff: John Gunyou, GERALYN Barone, Merrill King, David Blumberg, Julie Wischnack, Perry Vetter

Schneider called the meeting to order at 6:30 p.m.

1. 2012 preliminary budget review

Gunyou gave the staff report. He noted that there were previous discussions about expanding the duty crew but it was decided to take a different approach. Similar to other departments, the fire department would manage the duty crew's staffing hours rather than adding new full crews 24/7. The number of firefighters on duty would depend on the work that needed to be done. Allendorf asked if the idea was to move away from paid on call firefighters. Gunyou indicated that was not the idea. The duty crews are still paid on call firefighters that serve shifts. The duty crew system was implemented to help recruit firefighters and also to reduce response time. This would continue.

Allendorf asked for more information about the proposal in the Recreation Services Department to decrease total staff while increasing support for community facilities and senior services. Gunyou said there are two full time staff that are retiring. The two FTE positions would not be completely filled but support would be increased for the facilities and senior services areas.

Gunyou summarized two changes related to fund balance policies.

Wagner asked if the GASB change related to government funds applied to the general pool of funds or if it applied to every single fund. King noted there are categories of funds that the change would be applied to.

Hiller said the proposed Budget Stabilization Reserve made sense but he would like to see guidelines established for how the one time uses would be decided. Wiersum agreed and said when government has extra money it somehow always seems to get spent. He said the guidelines could fit with stated objectives that are consistent with the city's values. There would also be an option to not spend any of the reserve. Gunyou noted the focus of the policy was on one-time uses. He said in the past couple of years a few capital projects had been advanced that were funded by the extra funds available for that one year. Wagner said if the city continued to have good budget management, the policy would be for appropriate one time uses.

Schneider said he would be interested in looking at leveraging the one time funds

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with other partners to grow the amount in order to do something that fit in with the city's goals and guidelines. Allendorf said the city did not want to budget so conservatively that it allowed something not to be included in the budget with the thought it could still be paid for by the extra reserve. The reserves could not be looked at as a fall back.

Wagner noted the city has fund balances in order to cash flow projects. He asked if that would be a factor that had to be considered in determining what the fund balance should be on a regular basis. Gunyou said that was taken into account with the staff recommendation of the 40 percent threshold. The state auditor uses 50 percent as an indicator that the city may be taxing too much, and 30 percent as not having enough of a reserve.

Hiller said a concern was not allowing the reserve to grow and grow up to the 50 percent level by over taxing and then have the mindset the money should then be spent on something. Once the reserve hit the 40 percent level there was an obligation to flatten out taxes. Gunyou said part of budgeting conservatively was trying to realistically determine actual costs and budgeting that amount in order to break even. Actual net income is either higher or lower than forecast, and the fund balance varies accordingly. In recent years the city has seen personnel savings because of retirements, and has collected more permit revenue than expected during the down development market.

Wiersum said the trails could be used as an example of what was being discussed. There have been numerous discussions about wanting to improve the trail system but it's been determined that the city could not afford the improvements right now. The improvements are not a bad idea, nor do the residents oppose trying to improve the trail system, it was a matter of not having the budget. The one time funds from the reserves could be used for something like trail improvements. Because the city has been prudent and budgeted conservatively in the past and there were still unfunded opportunities in the community puts the city on solid ground to spend the money on improvements that meet specific objectives. Gunyou said he didn't think the available one-time amounts would be significant enough to support ongoing investments going forward, but staff felt there should be a policy in place to allow for that possibility.

Hiller suggested rather than discussing an extra reserve every year that the forty percent be made part of the annual planning process. Gunyou agreed it made sense to make it part of the capital discussion each spring with the CIP.

Allendorf noted that Gunyou was indicating one time funds would be used for the proposed trails funding but he had also indicated that funding for improvements would be made over a number of years. He asked for clarification. Gunyou said the one time funds would be used to help stabilize the trails as quickly as possible in 2012. Other on-going funding would be used to expand the trail

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system and to potentially leverage resources from other partners including Hennepin County and the Three Rivers Park District. Staff has discussed putting together a 20 year plan for the trail system, similar to what was done for streets.

Wiersum indicated he would support giving priority to the trails that were in poor condition. He asked if the limestone gravel covered trails were much less expensive than the paved trails. Assistant Public Works Director Perry Vetter indicated that was true in the short term but not the long term.

Wagner suggested keeping the Mills area in mind when looking at areas that need to be advanced that are tied in with the redevelopment.

Schneider noted that as part of the light rail transit project that consideration be given for the need to acquire easements rather than just focusing on the paving of trails.

Hiller said he thought the proposed idea was a good one but rather than just providing a jump start to improve the trail system there needed to be discussion about the ongoing funding needed to continue with the improvements. Gunyou said staff would come back in November with that type of long term plan.

Wiersum said it made sense to focus first on getting the existing trails in good shape and then look at leveraging other funds for expanding the trail system.

Gunyou said another area that had been discussed quite a bit was economic development funding. He noted that Wagner had a good suggestion that the city should think about the economic development funds similar to CIP funds. It would be good to have a longer term plan that looks at the resources and uses rather than trying to address those things on an annual basis. This would allow the city to look at all the pieces together, rather than piece by piece.

Wagner said during an EDAC meeting there was an examination of the funds. At some point the housing funds would pay for themselves and there were projections at what point that would occur. Meanwhile the Livable Communities fund will eventually go away if the city continues to provide the same funding for WHAHLT. This was why he suggested taking a longer term look at the funds.

Gunyou said the EDAC would be given the direction to come up with a five year plan showing how all the pieces fit together. This would also give the city a better handle on how the HRA levy was being used.

Schneider said when there was a restructuring of the EDA and the creation of the EDAC there were two main goals. One was to get a higher quality board with expertise built into it. The other was to have the council provide more oversight and direction. He said the EDAC had done good job of providing expertise but he

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wasn't as certain the council had done such a good job at its role. The long term planning would assist with that aspect.

Allendorf noted the city had a number of different housing programs and at times it was difficult to remember what an individual program was meant to do. He asked if there was a fund that could be used to consolidate the programs with different buckets for different activities. This would better assist the council to determine if each area was being properly funded. Wagner said he thought the EDAC was doing a good job at determining if different housing issues were being properly funded. Wischnack agreed the city was doing a better job at monitoring the programs to determine if different housing issues were being adequately addressed.

Gunyou said the long range planning change would introduce a discipline to the process by providing a structure to planning for what needed to be done, and insuring that funding was sustainable.

Hiller said he would not support spending any of the unassigned funds for economic development until there was a better picture in place of a plan to meet the city's goals.

2012 Preliminary Levy

Gunyou explained the change in the state's Market Value Homestead Credit (MVHC) program. Staff was recommending spreading the additional revenue out over a two year period.

Hiller asked what the levy would be if there wasn't the change in the MVHC program. Gunyou estimated the preliminary levy recommendation would have been around three percent. Hiller asked if the general fund expenditures were being increased and after the two year period the levy would need to increase. Gunyou said because the adjustment was being made in the capital fund and not the general fund, the levy would not automatically need to be increased.

2. Adjournment

The study session adjourned at 8:29 p.m.

Respectfully submitted,

David Maeda
City Clerk