Agenda

City of Minnetonka

Study Session

Monday, August 24, 2015

6:00 p.m.

The Minnehaha Room

1. Closed session - open space acquisition
2. 2016 preliminary budget review
3. Adjournment
4. Study session summaries: April 27 and May 11, 2015

The purpose of a study session is to allow the city council to discuss matters informally and in greater detail than permitted at formal council meetings. While all meetings of the council are open to the public, study session discussions are generally limited to the council, staff and consultants.
City Council Study Session Item #2
Meeting of August 24, 2015

Brief Description: 2016 preliminary budget review

Recommended Action: Provide direction on key issues and preliminary levy

We are pleased to propose to the city council a 2016 levy and budget that ensures Minnetonka’s position of fiscal responsibility, preserves our standards of excellence, and encourages innovative and creative thinking.

The budget presented here is an effort to right-size staff resources to meet accumulated service demands associated with an increasingly complex and changing environment in both public safety and human resource management during an ongoing improvement in the economy. In the latter case, a rise in revenue offsets expenses associated with the request. The proposed budget additionally addresses the appropriate maintenance needs of city streetscapes and at other city-owned landscaped facilities.

As outlined in this report, staff recommends increasing all combined levies for 2016 by 4.2 percent, aligning with our long-term projections of annual levy increases of three to four percent. Of this total, 2.0 percent supports capital infrastructure needs as provided in the adopted 2016-20 Capital Improvement Program (CIP). Another 2.0 percent supports the General Fund operating budget, and the remaining 0.2 percent is an HRA levy increase.

Because of the higher capital demands, operating requests are kept modest to stay mindful of reported stagnant wages in the private sector, our taxpayers. Despite continued rises in the cost of employee health care and some market force salary pressures, the city’s operating costs are also being held down with the support of a very low inflation rate including reduced energy prices, especially fuel.

New development and redevelopment in the city significantly increased the city’s property tax base last year as reported in March by the city assessor. Overall the city’s assessed market value increased by 5.8 percent, a significant proportion of which was the result of actual improved real estate as opposed to market forces alone. In addition, commercial property values rose at a greater rate than did residential properties during the period, which causes a shift in the property tax burden from residential to commercial.

As a result, city property taxes for the median-valued home in Minnetonka ($317,800 in 2015) will more than offset the proposed levy increase and will decrease taxes by around 4 percent.¹

¹ This in an early estimate with some data not yet finalized by Hennepin County, and a more certain estimate will be provided when the information becomes available.
The city’s proposed levy increase is likely to place Minnetonka in the middle of our group of similar cities in the metro. While several of our comparable cities began to receive Local Government Aid in 2014, Minnetonka will continue to not receive this state financial support in 2016.

**OUR PUBLIC PROCESS**

The purpose of this study session is to review key budget issues and provide direction on the 2016 preliminary tax levy and city budget, which will be set by council and certified to the county by September 30, 2015, as required by state law. This is the maximum amount the city can levy for 2016.

This initial budget study session focuses on the bigger picture. Guided by these initial discussions, detailed budget requests will be reviewed in November, with the final budget adopted in December. The final levy may be less than the preliminary amount, but cannot be greater.

Minnetonka always encourages input on its budget from the public. In addition to the public budget hearing in early December, residents and businesses will again have an opportunity to provide feedback via the city’s website, an opportunity that is publicized in the *Minnetonka Memo*. Comments will be shared with council as budget options are considered, and updated information will consistently be posted in the *Memo* and on the city’s website.

**ENSURING MINNETONKA’S POSITION OF FISCAL RESPONSIBILITY**

As detailed in the city’s adopted Strategic Profile, the city of Minnetonka takes a responsible, long-term perspective with financial planning and management (see attached 2015 profile status report). Decisions are made with the future in mind to ensure the city’s ongoing ability to provide quality services at a reasonable price.

**Current Spending & Financial Projections**

**Revenues.** As the city’s Comprehensive Annual Financial Report disclosed, 2014 ended roughly even after transfers with *no additional revenue accumulating to the city’s general fund balance* for the first time in a number of years. This tighter fiscal

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2 The 2014 State Legislature extended the deadline for certifying city preliminary levies to the county from September 15 to September 30. However, HRA and EDA preliminary levies must continue to be certified by September 15. Although a bill was introduced to correct this inconsistency last session, it was not ratified. Therefore, both the general levy and the HRA levy for Minnetonka are scheduled for adoption by the council on September 14, 2015.
Meeting of August 24, 2015
Subject: 2016 preliminary budget review

Environment is projected to continue with 2015 revenues conservatively projected to just meet forecasted obligations including capital fund transfers for the year as well.

Continued low investment interest along with recreation fee revenue below projections this year is anticipated to be offset by growth greater than budgeted in permits and licenses associated with the improving economy and a modest increase above forecast in public safety fine revenue. Most importantly, revenues are estimated to continue to cover projected obligations from 2016 through 2020 with an ongoing modest trend of rising between 2.3 to 3.3 percent annually during the period.

Spending. Revisions to operating budgeted costs in 2015 are minor. They include funding for unanticipated temporary costs related to work in the planning division, which is financed by permit fee revenue, and hiring before year-end an additional human resource staffer as outlined more fully later in this report (2015 costs of which are offset by the communications manager vacancy). As we approach the council’s second detailed budget study session in November, additional information may adjust these current 2015 spending estimates. Per regular procedures, the CIP budget will be amended with levy and budget adoption in December to reflect more accurate capital project costs.

2016 BUDGET

At a cost of $31.8 million and financed with multiple sources of revenue, the 2016 proposed General Fund operating budget is limited to 2.3 percent greater than the 2015 adopted budget. The new funds will be strategically used to:

- right-size our public safety staffing to meet the challenges of increasing identity theft crimes and to serve a more robust retail environment;
- ensure we appropriately provide and keep up with all training requirements needed by a fully prepared suburban paid-on-call fire force;
- provide suitable care of our improved public landscapes and streetscapes to uphold our community’s commitment to value our natural environment;
- make sure the city continues to be responsive and efficient to development needs as the economy continues to improve; and
- maintain our excellent workforce by investing in their recruitment, development and retention in an increasingly complex and heavily regulated human resource environment.

PUBLIC SAFETY

Police Service. The proposed 2016 budget includes funding for one additional case investigator to proactively respond to current and rising demands related to identity and retail theft in the city. The department’s investigations team currently
consists of six investigators, of which two are assigned to retail crimes, and an additional four school liaison officers assigned to investigate juvenile-related cases. Organizational restructuring over the last number of years has significantly reduced staffing in this critical area from a period when there were twice as many retail investigators and seven school liaison officers who supplemented other investigations during summer school breaks.

Although some criminal activity has remained stable or diminished, yearly statistics show a marked increase in identity theft over the last five years, especially in the last year. At the same time, identity theft and other crimes such as fraud have become more sophisticated and therefore are more complicated and time consuming to investigate. There have been several cases of identity theft and fraud in Minnetonka with losses totaling over $1 million. This trend is expected to continue.

![Graph showing reported identity theft in Minnetonka](image)

With more senior housing units being constructed and as our community continues to age, we anticipate an increase in identity theft and fraud, because seniors are often the victims of these types of crimes. Staff expects additional reports of theft, identity theft and fraud as Ridgedale Mall completes its increase in overall space by 181,000 square feet. And, the significant growth in multi-unit apartments and condos in the city will likely add to the number of cases that are ultimately assigned to each investigator.

An additional investigator will provide resources needed to handle these growing numbers of cases, and the position will afford the police department the opportunity to more appropriately delve into a greater number of cases than would otherwise be possible due to limited staffing levels.

**Fire Service.** A new firefighter in Minnesota must receive a minimum of 300 hours of training before he/she is certified as a Firefighter/EMT. In 2014, the Minnetonka fire department oversaw and/or delivered nearly 3,900 cumulative hours of training for the
paid-on-call personnel who keep our community safe by responding to fires, hazardous materials incidents, and health-related emergencies, and we anticipate these numbers will be similar or greater in 2015.

The 2016 budget for the fire department includes one additional full-time position to ensure ongoing, stable administration of the rigorous and complex training required to maintain a strong and capable suburban fire force. The new training officer will absorb the work that has been carried out by two paid-on-call (POC) firefighters since the city’s reorganization and downsizing during the Great Recession. Experience has shown that despite great diligence in providing an efficient and high quality training program, part-time firefighters and their POC positions, with requisite work time limitations under the Affordable Healthcare Act (ACA), are unable to support the time and undertaking needed for this essential responsibility.

The new training officer will also respond to fires and other emergencies as do the fire department’s other five full-time positions, but his/her primary duties will be to develop and administer training programs. By making sure a grounded position is dedicated to this vital function, the city will secure its ongoing commitment to the paid-on-call fire force structure along with the great efficiencies it bears and the 85 firefighters who serve the city of Minnetonka.

**STREETSCAPES & LANDSCAPES**

The 2016 proposed budget also includes additional funding to supplement the city’s contractual resources dedicated to maintaining the trees in our streetscapes and landscaping along public rights-of-way. City employees will continue to be supplemented by the cost-effective use of ICWC crews in a number of areas, but the availability of these crews has been found to be limited.

As major roadway improvements and neighborhood street reconstruction has been completed, one and two seasons into landscaping growth has provided the experience to more fully develop a maintenance and watering plan for each thoroughfare. The 2015 budget currently includes funding for a private vendor that is being contracted to maintain streetscapes and landscaping in the areas of Minnetonka Boulevard and CR101, Shady Oak Road from Bren Road to Excelsior Boulevard, and Glen Lake Station. In 2016, an additional private vendor will provide maintenance services for the two current CR101 projects and Shady Oak Road from Excelsior Boulevard to State Highway 7.

Additionally, as neighborhood roads are revitalized, resident expectations have increased to ensure boulevard trees are appropriately cut back and cared for. The natural resources division will be charged with overseeing the tree trimming along neighborhood roads to see that appropriate measures are taken to preserve our street-line arbor’s health.
PARKS AND ENVIRONMENT

Natural Resources.  **2016 will be the first complete year with full staffing for the pre-Emerald Ash Borer arrival phase of the city’s EAB program.** The action plan for managing the bug’s imminent arrival in Minnetonka and its inevitable devastation of the city’s ash tree canopy began in 2014. The current level budget now funds a forestry technician and administrative assistant added with the last two budgets to the Natural Resources Division to support the program. All operating costs for the EAB program are provided in the General Fund operating budget.

The pre-EAB arrival phase of the program includes chemical treatment of high-value ash trees; continued removal of damaged or unhealthy ash trees in parks and outlots, with slow, systematic removal and judicious replacement of other ash trees in those same areas; and thoughtful and cautious citations for removal of damaged or unhealthy ash trees on street rights-of-way under a continued cost sharing (50:50) plan with adjacent landowners. This year staff launched a bulk discount tree injection component to the program, which allows our residents to inoculate and treat their trees at reduced prices.

The adopted 2016-20 CIP restructured forestry funding in the capital budget to effectively use all resources and lessen the city’s property tax burden. The portion of the EAB program in the capital budget provides for associated tree removal, stump grinding, reforestation and capital start-up. The adopted CIP reduced the annual Forestry Fund levy for these costs in the near term and supplanted those resources with settlement funds that were awarded to the city as a part of a class-action lawsuit regarding the use of the chemical herbicide Imprelis. Staff will continue to evaluate damage and destruction of the city’s trees sustained due to use of the product and is confident that as the impacted areas mature, they can be suitably restored. The Forestry Fund levy would continue to increase over time as originally planned in preparation for the EAB’s eventual arrival.

Also note that the accelerated tree trimming funds included in the proposed 2016 budget will be programmed under the Natural Resources Division general fund operating budget to ensure appropriate stewardship of the city’s valuable streetscape trees.

DEVELOPMENT

Workload in the community development department continues to expand as a result of the economy’s improvement with pressures from an increase in new development requests and construction permitting. In the two-year period since 2012, the number of permits issued by the city has increased by over 17 percent. While this is positive news, keeping appropriate staffing levels to provide timely customer service continues to be a challenge.
As the number of permit requests have risen, inspections staff have been supplemented with additional part-time employees, more multidisciplinary trained inspectors, and overtime. Although the augmented staffing has allowed us to perform fairly well over the last 18 months, there has been a noticeable increase in wait times for inspections and plan review. This is particularly the case when one inspector is away from the office.

Because the increase in workload is not expected to diminish across construction types in the city (apartments, commercial, industrial, and residential), the 2016 proposed budget includes funding for an additional full-time inspector position. The community development department will transition to the new position in 2015 by reducing some of the temporary wage hours. As the building permit system is fee based, revenue generated by the department offsets its costs.

**GENERAL GOVERNMENT**

**Human Resources.** Over the past number of years, changing demographics, retirements and generational workplace transformations have increased the challenges and demands upon human resource management. The city employs 241 full-time and regular part-time personnel, 80 POC firefighters, and approximately 400 seasonal employees. The current HR function is supported by two personnel. The revised 2015 and the 2016 proposed budget includes one additional generalist position for the human resources team.
At the end of 2014, 36 full-time positions or nearly 16 percent of the city’s employees, were anticipated to turn over before the end of 2017. Fourteen have already changed during the first six months of 2015, with at least an additional six retirements anticipated before the end of this year.

With every new employee, transition and development is critical, particularly in a market for a new generation of workers who are more mobile and want a higher level of ongoing involvement. In a lean organization such as the city of Minnetonka, general support in human resources is critical for ensuring ongoing direct services to our public through an investment in one of our most important assets, our employees.

On top of these challenges, mounting complexities in health care and legal mandates are demanding more time than the current two-person HR staff can accommodate. While the city has sought in the past and continues to contract portions of this work to outside vendors, oversight of those contracts requires time on an ongoing basis, including complicated research and understanding in pension benefits, healthcare benefits, workers compensation claims, and now the administrative requirements of the Affordable Care Act (ACA). In 2016, all persons hired by the city will receive an additional tax document similar to the federal W-2 but relates to health care benefits for which data must be collected and reported throughout the year.

In addition to assisting and supporting managers for recruiting, onboarding, required safety and other training, the new human resources generalist position will also coordinate ACA reporting mandates for which the clock began October 2014 and for which data must be collected and analyzed monthly and reported annually beginning in 2016. The additional capacity provided by the new position will ensure that the division supports managers and department directors on all facets of human resource needs at appropriate service levels which are presently often unmet.

**Personnel Expenses.** Because the city is a service business, workforce-related changes, including the cost of healthcare, have a significant impact on both the city’s work and its finances. The city will be negotiating two new 2016 contracts later this year with police officers and police sergeants, because the current contracts for those employee groups expire at year end. The labor agreement with public safety dispatchers expires the end of 2016 and public works personnel the end of 2017. Information currently indicates that there may be some market wage pressures from settlements in our comparable cities, if not for 2016, then likely for 2017.

**Health care premiums are slated to increase in 2016 by an average of 10.5 percent.** This is the third year of double digit increases in premiums after substantial reductions in prior years. The city’s contribution is expected to increase to help partially offset these premium increases. As a member of the LOGIS consortium, the city is currently involved in studying the implications of moving toward self-insuring for 2017.
Discussion Question:

- Does the council support the proposed strategies for addressing service level pressures in public safety, community development and human resources, along with streetscape and landscape maintenance?

SOUTHWEST LIGHT RAIL TRANSIT

On July 13, 2015, the city council adopted a resolution committing the city to contribute $2 million for costs of the Southwest Light Rail Transit (SWLRT) project. The SWLRT project includes two station stops for Minnetonka. In addition to our contribution to the project’s costs, the city has planned for its own capital infrastructure improvements around each of the two stations. The latter improvements are included in the city’s adopted 2016-20 Capital Improvement Program (CIP), but the former is not.

In order to plan for the additional $2 million contribution likely to be paid in 2017 or 2018, the 2016 proposed budget includes amendments to the 2016-20 CIP, and staff will outline here financial options and other issues to be considered in the city council’s deliberations regarding this commitment.

Funding of the SWLRT project should be considered in light of other significant potential projects currently on the horizon for the city in the next five to ten years as provided in the city’s CIP. These include:

- Implementation of a more comprehensive trails and sidewalks improvement plan, the unfunded portions of which are currently estimated at over $11 million;
- Ridgedale area improvements, including an unfunded park in the CIP for $500,000;
- Significant capital costs associated with unmet public safety space needs (no current cost estimate);
- A Glen Lake activity center, currently unfunded at a very rough estimate of $15 million;
- Big Willow Park enhancements, currently unfunded at an estimate of $1.6 million; and
- Opus area bridge replacement, $3 million from MnDOT bridge funds have not yet been secured for 2016.

Additionally, the council should consider any costs associated with the city’s future interests in pursuing economic development enhancement and affordable housing opportunities.

Based on current actual city capital improvement costs and the SWLRT project components as outlined above, staff believes the city can garner over the next few
years **savings from other city capital projects in various funds** (Street Improvement Fund, Storm Water Fund and Electric Franchise Fees) to **support approximately $1 million of the $2 million contribution**.

Staff recommends discussing three options for the remaining approximately $1 million of the commitment. All three options include use of the Special Assessment Construction Fund (SACF), which is limited by the city charter to permanent transfers to the corpus of the Community Investment Fund (CIF), temporary or permanent transfers to other capital project funds and special assessment required cash flow. The following reflects current commitments of the SACF:

<table>
<thead>
<tr>
<th>$million</th>
<th>Use</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>$8.2</td>
<td>Fund balance as of 12/31/2013</td>
<td></td>
</tr>
<tr>
<td>(2.0)</td>
<td>Cash flow for special assessments</td>
<td>Revolving balance</td>
</tr>
<tr>
<td>(1.6)</td>
<td>Shady Oak (CR 7-Excel) property</td>
<td>10-yr transfer payback from Devpt Fund*</td>
</tr>
<tr>
<td>(1.7)</td>
<td>Ice Arena B improvement project</td>
<td>Transfer payback as afforded from CIF</td>
</tr>
<tr>
<td>(2.5)</td>
<td>Cullen-Smith property</td>
<td>Transfer until 2016 open space bonding</td>
</tr>
<tr>
<td>$0.4</td>
<td>Ending Avail Balance until 2016 bonding</td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td>Open space bonding payback</td>
<td></td>
</tr>
<tr>
<td><strong>$2.9</strong></td>
<td><strong>Available Cash Balance in 2017</strong></td>
<td>* May be paid back sooner, upon sale</td>
</tr>
</tbody>
</table>

Three options to consider are:

1) **A permanent cash transfer** to a capital project fund from the SACF.

2) A temporary cash transfer from the SACF to a capital project fund to be repaid over a period of years from incremental increases to the **Housing and Redevelopment Authority (HRA) levy** -- When the money is fully repaid to the SACF, the levy could be reduced or future revenues used for economic development enhancement and affordable housing opportunities.

At the HRA levy’s current level of $175,000 annually, the adopted 2016-20 Economic Improvement Program (EIP) accumulates an estimated uncommitted fund balance of only $240,000 by the end of 2025. Therefore, a possible scenario is to increase the HRA levy by $75,000, which equates to a 0.2 percent increase above the city’s 2015 levy, in order to pay back the transfer over ten years. The payback period could be shortened with greater or additional HRA levy increases.

3) A temporary cash transfer from the SACF to a capital project fund to be repaid over a period of years using revenue derived through the adoption of a **new natural gas franchise fee** -- After the money is fully repaid, revenue from the franchise agreement might be used to finance a more comprehensive trails and sidewalk improvement plan. Many cities, including Edina, St. Louis Park and Plymouth, currently use this source of revenue for
street improvements, sidewalks and trails. Staff would more fully explore this option, if it is the council’s preference.

The option of bonding for the contribution was reviewed and is not recommended since the issue would be too costly for its small size and scope. Staff has dismissed alternative 1 because of the limiting effect it would have on the SACF for other unforeseen needs. Although option 3 shows promise, the demand for trail and sidewalk improvements is more imminent, and if supported by the council in the future, this financing tool provides a dedicated funding stream to meet connectivity and walkability goals.

Therefore, staff **recommends option 2 to increase the HRA levy by 0.2 percent or an additional $75,000**. The city council has consistently stated that the HRA levy should only increase when a known project is at hand. For years the council has been a strong supporter of the SWLRT project. Use of the HRA levy presents an opportunity for a specific use at a minimal increase to the overall HRA levy. Further, the owner of a median valued home in Minnetonka would continue to see a decrease in the city share of 2016 property taxes even with such a levy increase.

**Discussion Question:**

- Does the council support the recommended combination financing strategy for the city’s $2 million commitment to SWLRT?

**HRA LEVY**

The city’s first levy for housing and redevelopment began in 2009. State law limits levies, and the maximum rate is 0.0185 percent of a city’s taxable market value. This equals approximately $1.52 million in Minnetonka. The 2009 levy rate of 0.00117 percent raised $100,000 and was solely dedicated to WHAHLT (West Hennepin Affordable Housing Land Trust). Beginning in 2010, the annual levy increased to $175,000 (0.00212 percent) and has remained at that dollar level to accommodate village center master planning, housing programs, and marketing efforts.

The Economic Development Advisory Commission (EDAC) reviewed the HRA budget at its August 13 meeting and, on a unanimous vote, recommended adopting **a preliminary HRA levy of $175,000**. The budget would be for comprehensive planning, housing rehab loans, and a small amount for a business survey. The EDAC was informed about the council’s potential discussion of the light rail funding and how this may or may not change the HRA levy request.

Staff recommends adopting the EDAC’s recommendation **plus an additional increase in the HRA levy of $75,000** to begin a 10-year payback to the SACF for the city’s
commitment to the SWLRT project. The additional amount would result in an estimated $3 less savings in property taxes for the median-valued home ($317,800 in 2015) in Minnetonka.

Discussion Question:

• Does the council agree that $250,000 should be certified as the HRA preliminary levy for 2016?

2016 PRELIMINARY LEVY

The 2016 proposed operating and adopted capital budgets plus the HRA budget will require an increase in the city property tax of 4.2 percent. Of this overall increase, 2.0 percent is associated with financing the first year of the city’s 2016-20 capital budget, which was adopted by the city council in May 2015, 2.0 percent is associated with the General Fund operating budget, and 0.2 percent is the proposed HRA levy increase.

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Operating budget</td>
<td>2.0%</td>
</tr>
<tr>
<td>Capital program</td>
<td>2.0</td>
</tr>
<tr>
<td>SWLRT - HRA levy</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total levy increase</strong></td>
<td><strong>4.2%</strong></td>
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Overall inflation is exceptionally low this year, currently 0.4 percent nationwide, 0.5 percent in the Midwest, and this has significantly helped to keep the city’s projected operating costs low for 2016. Almost all of the proposed budget and levy increase is associated with the requested new positions and keeping up with streetscaping and landscaping care as outlined above. A significant decrease in the price of fuel is forecasted to continue into 2016, and therefore meaningful savings are garnered with reductions in the city’s budget for those costs across all programs, which will serve to offset the increases.
As a result the city’s 2016 tax increase of 4.2 percent is in keeping with our recent history of increases below historic averages. Included in these projections are the new tax abatement levy for Ridgedale Mall to begin in 2016 at $26,000, which is offset by an increase in tax capacity, and in 2017, the referendum debt levy for the final $2.5 million referendum bonding for the Cullen-Smith open space property purchase.

Comparisons with Other Cities. The proposed 2016 city levy increase is likely to place Minnetonka in the middle of comparable cities. The levy variable changes amongst these communities is related to a diversity of reasons including new or retiring debt, additional staffing, reductions in liquor store revenues, and capital needs.

**Potential 2016 Preliminary Tax Increases**

<table>
<thead>
<tr>
<th>City</th>
<th>Tax Increase</th>
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<tbody>
<tr>
<td>Edina</td>
<td>7.3%</td>
</tr>
<tr>
<td>Bloomington*</td>
<td>7.0%</td>
</tr>
<tr>
<td>St. Louis Park*</td>
<td>5.7%</td>
</tr>
<tr>
<td>Lakeville</td>
<td>5.5%</td>
</tr>
<tr>
<td>Brooklyn Park*</td>
<td>5.4%</td>
</tr>
<tr>
<td>Burnsville*</td>
<td>5.0%</td>
</tr>
<tr>
<td>Eagan</td>
<td>4.9%</td>
</tr>
<tr>
<td>Plymouth</td>
<td>4.5%</td>
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<tr>
<td>Minnetonka</td>
<td>4.2%</td>
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<tr>
<td>Apple Valley</td>
<td>4.0%</td>
</tr>
<tr>
<td>Woodbury</td>
<td>3.4%</td>
</tr>
<tr>
<td>Maple Grove</td>
<td>3.0%</td>
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<tr>
<td>Eden Prairie</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

* Denotes comparable cities that receive Local Government Aid (LGA).

Further, four of the comparable cities listed continue to receive an allocation of LGA, which began in 2014. As has been the case for over a decade, Minnetonka does not and will not receive LGA in 2016. Equally important, unlike many of these other cities, the city does not rely upon special assessments to fund street reconstruction and maintenance.

Homeowner Impacts. New development and redevelopment in the city significantly increased the city’s property tax base last year as reported in March by the city assessor. Overall the city’s assessed market value increased by 5.8 percent, a
significant proportion of which was the consequence of actual improved real estate as opposed to market forces alone.

In addition, commercial property values improved at a greater rate than did residential properties during the period. As a result, **city property taxes for the median-valued home in Minnetonka ($317,800 in 2015) will more than offset the proposed levy increase and will decrease by around 4 percent.** This in an early estimate with some data not yet finalized by Hennepin County, and a more certain estimate will be provided when the information becomes available.

**Discussion Question:**

- Does the council agree that $34,088,440, plus $26,000 for Ridgedale tax abatement (overall 4.0 percent increase) should be certified as the city’s preliminary general levy for 2016?

**Summary**

Responsible long-term financial planning has continued to position the city of Minnetonka to accommodate the slow economic recovery and federal and state political uncertainties, while appropriately providing services to city residents and businesses. The preliminary city tax levy will be limited to an overall increase of 4.2 percent for 2016. This increase is around the middle of comparable cities. It ensures our position of fiscal responsibility, preserves our standards of excellence, and encourages innovative and creative thinking.

As always, the city of Minnetonka will continue to provide the excellent services our residents and businesses have come to expect, and at a reasonable price, both in 2016 and well into the future.

Originated by:

- Geralyn Barone, City Manager
- Merrill King, Finance Director
Preferences
Perceptions
Recognition
Awareness
Consciousness
Appreciation
Realization
Knowledge
Grasp
Understanding
Comprehension
Cognizance
Impression
Idea
Conception
Notion
Thought
Belief
Judgement
Estimation
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Public safety 8
Transportation 9
Community development 10
Recreation 11
Organizational merit 12

Our Shared Values - Excellence with Integrity
Doing the right thing, at the right time, for the right reason.

Spirit of Minnetonka Award Winners

<table>
<thead>
<tr>
<th>Year</th>
<th>Award Winner</th>
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<tr>
<td>2015</td>
<td>Jacque Larson</td>
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<tr>
<td>2014</td>
<td>Dave Johnson</td>
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<td>2013</td>
<td>Steve Malecha</td>
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<td>2012</td>
<td>Fong Yang</td>
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<tr>
<td>2011</td>
<td>Larry Schnack</td>
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<td>2010</td>
<td>Elise Durbin</td>
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<td>2009</td>
<td>Joe Wallin</td>
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<tr>
<td>2008</td>
<td>Bob Manor</td>
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<td>2007</td>
<td>Gary Lauwagie</td>
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<td>2006</td>
<td>Jo Colleran</td>
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<tr>
<td>2005</td>
<td>Virg Herrmann</td>
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<td>2004</td>
<td>Desyl Peterson</td>
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<td>2003</td>
<td>Dean Elstad</td>
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<td>2002</td>
<td>Amy Cheney</td>
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<td>2001</td>
<td>Sandy Surges</td>
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<td>2000</td>
<td>Sandy Streeter</td>
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<td>1999</td>
<td>Kathy Magrew</td>
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<td>1998</td>
<td>Mike Johnson</td>
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<td>1997</td>
<td>Wendy Anderson</td>
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<td>1996</td>
<td>Bert Tracy</td>
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<td>1995</td>
<td>Ron Rankin</td>
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Our Mission

Provide the core public services residents and businesses rely upon in their daily lives, while striving to preserve and enhance the distinctive character that makes Minnetonka a special place to live.

Our Vision

Minnetonka will be the community of choice where people live, work, play and conduct business in a naturally beautiful environment.

Our dedicated employees will deliver dependable, quality services with a positive, helpful attitude.

Our Guiding Principles

- We will focus on excellent customer service by striving to do the right thing, at the right time, for the right reason to meet the needs of our customers.
- We will set the standard for innovative leadership by forging collaborative partnerships, adopting new technologies and promoting effective service delivery.
- We will foster open and inclusive communication to encourage community involvement, and to maintain the trust and respect of those we serve.
- We will live our shared values of authentic communication, contagious enthusiasm, shared success, outcome focused teamwork, adaptable learning and innovation, and healthy human relationships.

Adopted May 16, 2011
The Organization

Minnetonka is a charter city with a council-manager form of government. Minnetonka is represented by seven elected officials, including the mayor and six council members.

Administrative functions are the responsibility of City Manager Geralyn Barone who oversees the Administrative Services, Legal, Community Development, Engineering, Finance, Police, Fire, Recreation Services and Public Works departments.

Organizational Culture: The city of Minnetonka is an organization committed to excellence and integrity with a reputation as a leader and innovator in the Twin Cities. The key to success for the city is its shared values of the entire organization:

- Adaptable Learning & Innovation
- Authentic Communication
- Healthy Human Relationships
- Contagious Enthusiasm
- Outcome-Focused Teamwork
- Shared Success

Community Organizations: Minnetonka has several organizations founded on the principles of giving back to the community. Some of these community and service organizations include: Music Association of Minnetonka, Minnetonka Rotary Club, Sojourner Project, ICA Foodshelf, Resource West, Glen Lake Optimists, TwinWest Chamber of Commerce and the Minnetonka Historical Society.

City Services

Administrative Services: Manages routine operations of the city, including communication with elected officials, human resources, information technology, public relations, elections and official city records.

Community Development: Administers inspections, environmental health, building permits, planning and zoning, licensing and housing and redevelopment.

Engineering: Oversees design, management and construction of the city’s infrastructure.

Fire Department: Performs fire suppression, rescue, fire code enforcement and public fire education. The department includes 80 paid-on-call firefighters and five full-time staff.

Finance: Provides budget preparation, capital planning, assessing, payroll, utility billing, purchasing, investments and city asset management.

Legal Department: Handles most of the city’s criminal and civil legal work.

Police Department: Engages in a community policing philosophy, focusing on building relationships with residents, schools and businesses. The department includes 56 sworn officers and 19 non-sworn support members.

Public Works: Maintains the city’s infrastructure and includes natural resources and forestry, recycling, parks and trails, water and sewer utilities, streets, buildings and fleet.

Recreation Services: Offers year-round programming and operates several facilities including the Community Center, Williston Fitness Center, indoor ice arenas and a marina.

Regional Leadership: Minnetonka is proud to be a regional leader in innovative and precedent-setting solutions. City staff are encouraged to be at the cutting edge of issues facing Minnetonka and the Twin Cities. City officials enjoy sharing new approaches to problems by contributing time and ideas to regional organizations such as the League of Minnesota Cities and with their respective professional organizations.
<table>
<thead>
<tr>
<th>Major Goals</th>
<th>Key Strategies</th>
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</table>
| **We will be responsible stewards of the city’s physical assets, human capital and financial resources** | › Providing good value for the dollars entrusted to us.  
› Managing for the long-term to ensure the city’s ongoing ability to provide quality services at a reasonable price.  
› Sustaining core services and continuing infrastructure investments, while living within our means.                                                                                                                                                                                                                      |
| **We will protect and enhance the unique natural environment of our community** | › Carefully balancing growth and development with preservation efforts that protect the highly valued water and woodland resources of our community.  
› Developing and implementing realistic long-term plans to mitigate threats to water quality, urban forests, and the unique natural character of Minnetonka.  
› Taking an active role in promoting energy and water conservation, sustainable operations and infrastructure, recycling and environmental stewardship.                                                                                                                                                       |
| **We will maintain quality public safety for our residents and businesses** | › Implementing appropriate recommendations in the Public Safety Management and Operations Study to address the evolving police, fire and emergency service needs of our community, including an aging and more diverse population.  
› Providing seamless, coordinated and integrated public safety services through common protocols and shared practices among departments and personnel.  
› Leading collaborative efforts with other agencies to cost-effectively provide quality public safety services, with an emphasis on coordinated technology, equipment and programs.                                                                                      |
| **We will work to meet the transportation needs of our residents and businesses** | › Providing and preserving a quality local street system, based on a financially sustainable plan for reconstruction and ongoing maintenance.  
› Collaborating with our state, regional and local partners in the timely development of shared highways and streets.  
› Actively participating in regional light rail planning and development to ensure that community needs and interests are considered.                                                                                                                                                                 |
| **We will support well-planned, responsible community development** | › Carefully balancing individual property rights with community-wide interests, while respecting the unique character of Minnetonka’s neighborhoods.  
› Initiating programs and policies that broaden housing choices to both meet the needs of our aging population and attract young residents.  
› Actively promoting the vitality of designated village centers, which integrate uses and connect people to commercial, residential, employment, and public activities.  
› Supporting business retention and expansion and attracting new businesses to help our private sector be economically competitive.                                                                                       |
| **We will provide excellent recreational amenities** | › Offering a full range of programs for people of all ages and ability levels.  
› Responsibly maintaining our parks, trails and recreational facilities, while fairly balancing user fees with general community support.  
› Renewing, expanding and maintaining a trail system to encourage outdoor recreation, and improve the connectivity and walkability of the community.                                                                                                      |
We will be responsible stewards of the city’s physical assets, human capital and financial resources

**Key Strategies**

*Providing good value for the dollars entrusted to us.*

*Managing for the long-term to ensure the city’s ongoing ability to provide quality services at a reasonable price.*

*Sustaining core services and continuing infrastructure investments, while living within our means.*

**Progress**

Annually the community survey results, department performance measures and industry benchmarks are reviewed to ensure the use of appropriate, available service delivery options and technology. The 2016-2020 Capital Improvement Program, which incorporates the long-term infrastructure and asset management budgets, and the 2016-2020 Economic Improvement Program, a long-term planning tool for development activities and funding were presented and are scheduled for adoption in May.

Several processes were improved this year in order to more effectively connect with residents. @Safer_101 and @MtkaStRehab were implemented to tweet real-time construction updates, six e-newsletters were converted to begin measuring readership metrics, and eminnetonka.com was enhanced to meet the need of alternate platform users. The tree sale was moved to an on-line ordering and payment option. Fiber optic redundancy was enhanced through partnerships.

The new employee onboarding process is moving to web based software, and data security requirements were met. Current year requirements of the Affordable Care Act were fulfilled and workers compensation process analyzed. E-payments of vendors has gone live improving efficiency of issuance and meeting business and public expectations.

Benchmark and trending data is used to analyze city services, such as road index ratings, community survey results, key budget measures and energy management savings. A utility infrastructure sustainability study and financial plan was presented to the council.

**Future Actions**

Conduct an annual survey, analyze key organizational processes and enhance connections with the public. Use metrics and data to improve or enhance business practices.

Create a budget for the city that incorporates long-term planning and measures productivity, quality of work and ongoing development of the workforce. Use policy priority systems for developing budgets and establishing benchmarks for city services and infrastructure.

Provide and preserve a quality city owned facility and utility system, based on a financially sustainable plan for reconstruction and ongoing maintenance. Position the city to attract and retain a talented workforce. Audit electronic security and develop plans for improvements.

Implement plan for welcoming new residents to Minnetonka and ensure marketing, preferences and perception plans are designed. Rollout Minnetonka Matters to improve citizen engagement. Participate in the electronic pollbook pilot program with Hennepin County.
Key Strategies:

Carefully balancing growth and development with preservation efforts that protect the highly valued water and woodland resources of our community.

Developing and implementing realistic long-term plans to mitigate threats to water quality, urban forests, and the unique natural character of Minnetonka.

Taking an active role in promoting energy and water conservation, sustainable operations and infrastructure, recycling and environmental stewardship.

Progress

The city continues to discuss and encourage solar energy opportunities within new developments. The Ridge was constructed with solar technology.

The city continues to work through the Green Step program, implementing 13 of 16 best practices required to become a “Step Three City.”

The city has established and continues to promote energy conservation standards through the Class 5 program, which is a behavior based energy reduction effort for employees.

Through redevelopment at Ridgedale, the city has collaborated with mall ownership to address existing infiltration and inflow issues.

City staff continues work with other agencies – including other cities, watershed districts, Lake Minnetonka Conservation District, Hennepin County, the Department of Agriculture – to educate the public regarding invasive species.

The city entered into a joint powers agreement with the St. Paul Port Authority to offer the Property Assess Clean Energy (PACE) program to Minnetonka businesses.

Various articles about water consumption and conservation have been included in the Minnetonka Memo.

In the maintained parkland areas 408 ash trees have been evaluated and are slated to be injected (170) or removed (238) in a 4-year phased, plan approach. All trees removed will be replaced with a diversity of other species.

Future Actions

Identify three sources of potential illicit discharge and develop a program to create awareness.

Develop a plan to upgrade existing city owned street lighting, especially in redevelopment or project areas, to LED technology to further increase energy savings using the Electric Franchise budget.

Develop new methods to evaluate the success of the city’s energy conservation initiatives.

Coordinate with other agencies to evaluate new or existing grant programs for installation of energy and water conservation items such as rain water sensors and low flow shower heads in homes.

Continue to educate property owners and staff about the programs, risks, and techniques that affect natural resources in the city.

Explore participation on alternate renewable initiatives, such as solar gardens, and an increased emphasis on organics collection.
### Key Strategies

*Implementing appropriate recommendations in the Public Safety Management and Operations Study to address the evolving police, fire and emergency service needs of our community, including an aging and more diverse population.*

*Providing seamless, coordinated and integrated public safety services through common protocols and shared practices among departments and personnel.*

*Leading collaborative efforts with other agencies to cost-effectively provide quality public safety services, with an emphasis on coordinated technology, equipment and programs.*

### Progress

- Quarterly review of 911 core work processes include call answer, hold, and call process times that are then used to assist in managing staffing needs.
- Introduction of policies regarding the maintenance of private hydrants.
- Continue to participate, collaborate and identify areas of public education and regional transit planning.
- Staff has been participating in the configuration of the new public safety Tri-Tech records management system. Implementation is expected Fall/Winter 2015.
- E-government technology continues to be implemented, using of NeoGov software for officer/sergeant evaluations and fire department hiring. Online background packets are also available and staff continues to use Twitter as an option when disseminating public safety information.
- Joint police and fire training on current trends/threats, including Ebola, active shooter and Blue Card (a method to standardize local incident command) in public safety.
- Implemented shared and redundant Public Safety Answering Point (PSAP) resources between Minnetonka and St. Louis Park.
- Leadership team and council participated in all-hazard workshops, including preparedness education, response and coordination.

### Future Actions

- Fire and Police will work with engineering consultant to determine options to address police parking and fire space needs.
- Review impact of Ridgedale redevelopment on police staffing assigned to Ridgedale corridor.
- Implementation of Tri-Tech records management, CAD (computer aided dispatch) and mobile system.
- Participate in multi-agency all-hazards regional response training drills.
- Realign fire department apparatus and equipment based on today’s deployment model.
We will work to meet the transportation needs of our residents and businesses.

Key Strategies

Providing and preserving a quality local street system, based on a financially sustainable plan for reconstruction and ongoing maintenance.

Collaborating with our state, regional and local partners in the timely development of shared highways and streets.

Actively participating in regional light rail planning and development to ensure that community needs and interests are served.

Progress

Collaborated with a number of groups, including the Met Council’s SW Project Office, Hennepin County, other SWLRT corridor cities, and the Shady Oak Development Strategy consultant to provide feedback on LRT and station components (including park & ride lots, pedestrian & bike connections, overall design criteria for the corridor, platform design, & public art).

Completed construction on the westbound I-394 / Ridgedale on-ramp, and began construction on the addition of a third lane in each direction on I-494. Concept plans have been developed for the Cartway Lane realignment west of Plymouth Road with construction anticipated in 2016.

Drafts amendments to the I-394 district are complete. Testified several times in support of Street Improvement District legislation.

Snow and Ice Policy was adopted by council on February 9. In February, Public Works crews began performing snow removal on the sidewalks at the County Rd 5 and 101 intersection.

Participated in quarterly meetings with Metro Transit to review and evaluate current bus service, discuss future changes, and market routes.

Master planning of a Ridgedale walkshed was postponed due to the addition of the Cartway Lane project, and is now scheduled to be done this upcoming year to include Cartway Lane and the changes to the Plymouth Road project.

Future Actions

Ridgedale area master planning: Complete high-level concepts to identify areas for decorative lighting, sidewalks, private sidewalks, and possibly aesthetic treatments along roadways.

Work with the Southwest Project Office to assess the feasibility of the city’s locally requested capital improvements (17th Avenue extension and Smetana infill preparation).

Produce utility, roadway and stormwater concepts/layouts to accommodate future redevelopment at the Shady Oak station area.

Begin Opus area capital improvements outlined in the CIP. Develop associated master trail plan identifying trail changes associated with LRT, and new trails needed to serve the LRT Opus station. Included in the trail plan will be identifying locations for new trail lighting.

Coordinate all the regional and local street improvements; I-494, TH 169, CR 101, CR 61, and many miles of local street construction to minimize impacts to businesses and residents.
Key Strategies

Carefully balancing individual property rights with community-wide interests, while respecting the unique character of Minnetonka’s neighborhoods.

Initiating programs and policies that broaden housing choices to both meet the needs of our aging population and attract young residents.

Actively promoting the vitality of designated village centers, which integrate uses and connect people to commercial, residential, employment, and public activities.

Supporting business retention and expansion and attracting new businesses to help our private sector be economically competitive.

Progress

Planning work for a number of transit-oriented development projects has occurred during the last year including Highland Bank and Shady Oak Station planning.

Work on marketing continues. The next step involves engaging a consultant which would help the city strategize on its key messages.

Completed web improvements for Open to Business program and added “success” story to page discussing use of the program and its value.

The planned unit development (PUD) ordinance was updated and adopted in May 2014. Notable changes included the provision for more flexibility by removing regulatory standards and the provision of public benefit criteria to establish a PUD.

Changes to the sign ordinance have been drafted but not introduced as there is a significant case before the U.S. Supreme Court which could have implications on content neutrality of signage.

The index that measures the type and condition of the city’s housing in order to monitor quality and improvements over time has been refined.

The CIP includes many of the improvements discussed in the Ridgedale Vision and work on the design of Cartway Lane improvements has begun.

Adoption of the R1A zoning requirements was completed and the city has approved its first application for a subdivision that would utilize this zoning district.

Future Actions

Obtain web analytics for Open to Business Program and strategize about broadening the program.

Create a new zoning district for the Shady Oak Station area.

Continue to work on marketing strategies for the city.

Develop a plan for city owned property at CR 101 and Coventry for housing. The plan will include a process to determine the housing type and the procedure for development.

Develop an action plan, public process and redevelopment scenario for the city owned Shady Oak Road property.

Ridgedale Vision: Continue implementation of planned connections, road improvements and area aesthetics.
We will provide excellent *recreational* amenities

<table>
<thead>
<tr>
<th>Key Strategies</th>
<th>Progress</th>
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<tbody>
<tr>
<td>Offering a full range of programs for people of all ages and ability levels.</td>
<td>Conducted fee comparison surveys with comparable markets to ensure that facility rates for the ice arena, Community Center and Williston Center were within desired ranges</td>
</tr>
<tr>
<td>Responsibly maintaining our parks, trails and recreational facilities, while</td>
<td>Partnering with comparable cities to select RecTrac, the new registration management software. The system will improve staff's ability to provide quality and efficient customer service.</td>
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<tr>
<td>fairly balancing user fees with general community support.</td>
<td>Increased access to youth programming in key areas including the summer Kid's Corner program and expanded partnerships with Hopkins Community Education.</td>
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<td>Renewing, expanding and maintaining a trail system to encourage outdoor</td>
<td>Implemented park board recommended changes to the summer playground program to accommodate increased numbers of children interested in participating.</td>
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<tr>
<td>recreation, and improve the connectivity and walkability of the community.</td>
<td>Partnered with the Minnetonka School District and local non-profits including the Glen Lake Optimists and the Music Association of Minnetonka to enhance Arts related programming for youth and increase options for young families to participate.</td>
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<td></td>
<td>Selected a consultant to prepare the Glen Lake Activity Center Feasibility Study in an effort to increase access to programming space for all age groups and increase positive perceptions of our city.</td>
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<td>Recreation Services and Public Works staff met numerous times to coordinate details for community, senior services, facility, and youth events.</td>
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<td>Stabilized Williston Center growth to ensure reasonable access to the facility by residents.</td>
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<tr>
<td><strong>Williston Center Average Memberships</strong></td>
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</tr>
<tr>
<td>2014</td>
<td>8,361</td>
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<tr>
<td>2013</td>
<td>8,342</td>
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<tr>
<td>2012</td>
<td>6,638</td>
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<tr>
<td>2011</td>
<td>3,694</td>
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<tr>
<td><strong>Resident Program Participation</strong></td>
<td></td>
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<tr>
<td>0</td>
<td>6,000</td>
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<tr>
<td>12,000</td>
<td>18,000</td>
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<tr>
<td>2009</td>
<td>19 &amp; UNDER 20 - 54 55 &amp; OVER</td>
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<td>2010</td>
<td>20 - 54 55 &amp; OVER</td>
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<td>2011</td>
<td>55 &amp; OVER</td>
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<tr>
<td>2014</td>
<td>19 &amp; UNDER 20 - 54 55 &amp; OVER</td>
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<tr>
<td><strong>Future Actions</strong></td>
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<tr>
<td>Develop a way finding and signage plan to address goals related to trail</td>
<td>Effectively implement and manage the first year's use of RecTrac, the new registration management software.</td>
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<tr>
<td>connectivity.</td>
<td>Continue to explore and develop partnerships with outside agencies to enhance recreational program and trail improvement offerings.</td>
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<td></td>
<td>In an effort to improve resident access to quality city facilities, define facility improvement projects including planned ice arena renovations, Williston Center improvements and planning for the proposed replacement of the Glen Lake Activity Center.</td>
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<td></td>
<td>Develop partnership agreements with the Hopkins School District and local athletic associations to better define public access to city provided athletic amenities.</td>
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<td></td>
<td>Review existing policies and procedures that impact resident access to programming and facility options to ensure that all remain financially sustainable.</td>
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</table>
Residents are extremely satisfied with their quality of life in Minnetonka, with 99% rating it as excellent or good. Nearly half of all those surveyed cited factors related to our natural setting, and close to one-third listed their neighborhood as what they like most about the community.

One-third of those surveyed stated there was nothing they disliked about living in Minnetonka. The metro average for such boosters is six percent, placing Minnetonka significantly above the mean. This year only 14% noted disliking high taxes, down slightly from 15% a year ago.

The city’s financial position remains strong with a renewed Aaa bond rating; only six percent of cities nationwide receive this top rating. For 32 years running, the city has received the Government Finance Officers Award for Excellence in Financial Reporting. The city’s tax rate is among the lowest, despite the lack of special assessments.

As noted, the community’s appetite for taxes continues to stabilize. Last year, eight in ten residents positively rated the quality and value of city services based on the property taxes paid. This year, nine in ten felt that way. In 2014, more than 50% of residents favored an increase in property taxes if it were needed to maintain city services at their current level and in 2015 that number holds steady at 51%. Eight in ten support the use of city funding to manage the Emerald Ash Borer on public lands and more than seven in ten support to manage on private lots.

Overall ratings of the city’s efforts to protect the natural environment remain very positive. Nearly 96% of those with an opinion positively rated the quality of the city’s natural resources management. Nearly 92% felt the city is doing the right amount to protect the environment and nine in ten rated the overall quality of the natural environment as excellent or good.

Educational efforts are paying off, as 97% find the city’s information on protecting the natural environment and conserving water to be very or somewhat helpful. Seven in ten are familiar with the Emerald Ash Borer and over 70% of respondents feel it is a serious threat to Minnetonka.

Police and fire services ratings are overwhelmingly positive, near and at 100% approval respectively. Ninety-eight percent of those calling 9-1-1 rated the way employees handled the situation positively, and ratings were similar to those calling the police and fire departments for non-emergency calls.

Ninety-one percent say there is no area in Minnetonka where they feel unsafe. Of the respondents who had a public safety concern, 28% listed traffic as having the greatest impact. For those who were stopped by a Minnetonka police officer for a traffic violation, 98% felt the officer acted in a professional manner.
Transportation: B+

Over 70% of residents surveyed rated the quality of pavement repair and patching as excellent or good, a rating 20% higher than the metro average. This season committed snow and ice control removal efforts resulted in close to 95% positive rating the quality of snow plowing and 97% positively rated trail maintenance.

Community Development: A-

Residents were 97% positive about the city’s quality of community planning. Over nine in ten feel the city is successful in balancing individual property rights with interests of the wider community, the highest positive ratings in the metro area. More than 70% of residents would be committed to staying in Minnetonka if they chose to upgrade or downsize their house size.

Close to 85% of residents feel neighborhood nuisances such as upkeep of homes and yards are not a problem, while 12% feel they are only a minor problem. This is an improvement from 2013 and 2014.

Recreation: A

Thirty-three percent of survey respondents participated in city-sponsored recreation programs again this year. Notably, 99% responded positively about the quality of recreation programs and services.

Combined ratings of the city’s vision and mission, guiding principles, and each of the six strategic goals result in an overall organizational grade of A- for this year, consistent with last year’s grade. The city’s actual “grade point average” is 3.697, slightly higher (3.685) than last year.
Minnetonka City Council

Terry Schneider, Mayor
Dick Allendorf, At-large
Patty Acomb, At-large
Robert Ellingson, Ward 1
Tony Wagner, Ward 2
Brad Wiersum, Ward 3
Tim Bergstedt, Ward 4

Strategic Work Groups

Responsible Stewards – Merrill King, Geralyn Barone, Patty Latham, Sue Poulos, Corrine Heine and Perry Vetter

Natural Environment – John Weinand, Will Manchester, Jo Colleran, Liz Stout, Jim Malone, Ashley Cauley and Susan Thomas

Public Safety – John Vance, Jeff Sebenaler, Scott Boerboom, Kevin Fox, Brian Wagstrom, Marv Solberg and Shelley Peterson

Transportation – Lee Gustafson, Brian Wagstrom, Darin Ellingson, Will Manchester, Jeff Sebenaler, Julie Wischnack, Elise Durbin, Jeremy Koenen


Recreation – Dave Johnson, Ann Davy, Mike Pavelka, Todd Kasowski, Steve Pieh, Sara Woeste, John Heckmann and Kelly O’Dea
Council Present: Patty Acomb, Tim Bergstedt, Bob Ellingson, Tony Wagner, Brad Wiersum, and Mayor Terry Schneider. Dick Allendorf was excused.

Staff: Geralyn Barone, Perry Vetter, Jeff Sebenaler, Dave Johnson, Lee Gustafson, John Vance, Merrill King, Brian Wagstrom, Julie Wischnack, Corrine Heine, Joel Merry, Liz Berger, Elise Durbin, Darin Ellingson, Will Manchester, Jeremy Koenen, Jim Malone, Mike Pavelka, and David Maeda

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

1. 2016 – 2020 Capital Improvements Program (CIP)

Barone introduced the CIP. She said the city is at the point of its lifecycle that things like streets, sewer and water systems are aging and that was reflected in the CIP. The five year CIP is $111.6 million, a five plus percent increase from last year.

Gustafson reported on the Ridgedale area improvements.

Wagner said his biggest concern was for those coming from the Best Buy, Slumberland, and Kinkos, the only option to keep going around Ridgedale was to go through the parking lot, take a right, and then take a left. Everyone from the neighborhoods was being funneled through Byerlys to get to Target over to Best Buy. Gustafson said there was not a perfect solution.

Wiersum said the problem was too much traffic particularly during the holiday season. Currently people who drive to the area are used to doing some convoluted things to get through. This works if there was not too much traffic. The problem was when there was heavy traffic, it’s aggravating for everyone. He said the solution that did the best job at solving the too much traffic issue was the one that should be focused on. An issue like having to cut through Byerlys would be an inconvenience but was not a big enough deal in the bigger picture than trying to solve the heavy congestion during the holiday season.

Wagner asked if consideration was given to other trail connections to the neighborhoods to the south. Wischnack said that was discussed but there was a lot of opposition from neighbors who did not want that to happen. Wagner said the people most vocal at the neighborhood meeting expressed opposition but he suggested getting further feedback from others in the neighborhood. He said there was definitely support for a connection from the Essex neighborhood so residents did not have to go all the way up to a road with no trail through the Best
Buy parking lot in order to get to Ridgedale. There was also opposition to this but he estimated a 60/40 split in opinion. He thought as people got involved in the process it would be valuable to get their input about connectivity.

Schneider said with all the potential upgrades, it might be a good idea to consider creating a special services district. Wischnack said the property owners would have to petition for a district and a 35 percent threshold was required. Gustafson noted this would be a perfect example of where a street improvement district would work well. Barone added the legislature would have to first approve street improvement districts.

Barone presented information on the sewer and water system projects.

Schneider said it was important to prioritize the items so that the critical projects are addressed. At some point a bond referendum might be needed to pay for the repairs and improvements. This might also require a shift in focus from the street overlay and reconstruction to the basic infrastructure. Wagstrom agreed. The focus is devoting resources on the hotspots in the system, the ones that are most urgent. Schneider said with the more urgent areas being identified his suggestion was to reallocate resources so the areas are addressed sooner rather than later. Gustafson said that's how the CIP had been programmed.

Vance presented public safety information.

Wiersum asked if it was anticipated that because the more expensive trucks would be used less and there would be less wear and tear, if the lifespan of those trucks would likely be increased. Vance said that in the past year the department started using a Suburban on a lot of the medical calls. This reduced the use of the fire engines. The idea was to use the lighter vehicles on more calls.

Wagner said the partnerships with other cities seemed to be working well. He asked how those partnerships aligned in terms of capital improvement plans in differing cities. Vance said Hopkins was in different situation from Minnetonka because it had more fire stations. What Minnetonka brings to the table within the cooperative partnership was the air truck. Hopkins provides a hazardous materials team. Edina provides the heavy technical rescue team. The city participates in the Southwest Operations Group, working closely with all the southwest neighboring communities.

Bergstedt said years back the city had an all-volunteer force and there was no coordination with other cities. He was glad to see the duty crew model as well as
the partnerships with other cities.

Vance and Sebenaler went over proposed changes to the fire and police department spaces.

Schneider noted years back the city looked at building a garage for the police squads but decided the cost was too high. He asked if other options were being looked at and if there was a long term plan as opposed to just trying to get by with minor improvements. Barone said similar to what happened with the Williston Center, staff could look at a variety of options and bring ideas back to the council.

Bergstedt commended the collaborative efforts between the two departments. He said he hoped when the consultant was hired that the immediate known deficiencies are looked at, but also a wide net is cast so that possible long term solutions are looked at as well.

Barone and Wagstrom provided information about the plan for private fire hydrants in the city.

Wagner asked if staff had considered using the approach of billing the private owner with the repair costs but if the owner turns the hydrant over to the city, the city would then pick up the cost. Wagstrom said staff had discussed that approach.

Wiersum said the number one goal was to get the hydrants working. He said the staff recommendation was logical. He wished the city could recoup some of the repair costs from the private owners but it was more important to get the hydrants working. Looking forward he hoped the approach would be one where the number of private hydrants did not increase so the problem does not continue to get worse.

Schneider said he worked with homeowners association for a number of years and many of them did not know what they owned. He suggested establishing a program where the association is notified they are responsible for the hydrants. This includes maintenance and potential liability if the hydrant does not work. However the city would offer that over time it would take ownership of the hydrant and corresponding water system. The property owner would need to provide an easement.

Johnson provided information about the plan for proposed improvements to the Glen Lake Activity Center and the outdoor skating facility.
Schneider said although he agreed the Glen Lake Activity Center was badly in need of improvements, he thought the $15 million cost was too high. Johnson said the first phase of the study would be to look at what possibly could be done. The $15 million was a placeholder. The council would be given different options as well as cost estimates and whether or not to proceed at all. Schneider said he thought it was possible to build something for a much lower cost that would still be usable and functional.

Schneider called a recess at 8:16 p.m. He called the meeting back to order at 8:31 p.m. Ellingson was excused.

2. 2016 – 2020 Economic Improvement Program (EIP)

Barone gave an overview.

Schneider said one concern was the city was losing opportunities in terms of affordable housing because of a lack of being proactive. He didn’t know what the right answer was given the limited resources available. Wagner said if the council wanted the EDAC to be more proactive, the council would have to provide policy direction. He noted the city had recently used TIF to get affordable housing and historically this had not been typically done. What the city was not doing was funding Homes Within Reach as much. He said 20 years ago the city invested in projects like Minnetonka Heights and Crown Ridge. The EDAC had spent a lot of time on those with the $10,000 or $20,000 funding and it wasn’t really clear the impact. As a result there was an uneasiness about what to do. Acomb noted the school districts had programs that included an affordable element. There were programs that offered a broader array of resources. Wiersum said when a program is first established there was a greater impact. Over time it gets to a level of being maintained. This did not mean the program wasn’t working but one could not expect continual improvement.

Wiersum said given the Met Council’s goals and the tools available, the city might want to adjust its approach. During the recent TIF discussion he ran some numbers and realized Homes Within Reach was providing the best cost effectiveness. If the city wanted to deliver more affordable housing cheaply, then Homes Within Reach was the answer. This was not practical given the program’s limits. He suggested going through a process that might involve the council, staff and EDAC to look at the broad issues and what the city was doing to meet the Met Council’s goals. This might shed some light on what could be done to increase effectiveness, reach, and access to funds. Schneider said he would encourage the idea of looking for cooperative efforts on a broader basis where
resources could be pooled to make everything work better. This was the better long term approach. Wiersum questioned if there were things the city could do, where it provided a facilitating role and existing resources that could be valuable to nonprofit organizations.

Acomb said she would like to see better balance on where affordable housing is located in the city. She would like to see it throughout the city.

3. **Adjournment**

The study session adjourned at 9:02 p.m.

Respectfully submitted,

David Maeda
City Clerk
Schneider called the meeting to order at 6:30 p.m. He provided a SWLRT update.

1. Community solar gardens

Gary Swanson, Energy Management Solutions, gave the presentation.

Wagner asked what would happen if a site was chosen and the area around it developed degrading the production of the cells. Would the city’s rebate amount decrease? Swanson indicated it would. Provisions could be included in the agreements the developers have with the landowners to prohibit too much intrusion on to the property. He noted the contracts are for 25 years and over time the solar system would degrade. The recommendation was to work with the developer and even the land site to provide for annual inspections.

Wiersum asked what megawatt size made it sufficiently attractive for the bigger developers to participate. Swanson said from the information he had it seemed five megawatts was the low end of the scale. Wiersum asked how much risk there was if Xcel was able to delay the process enough so the tax credit expired. Swanson said if the city signed a contract in the near future the only risk would be the gardens not being built so no credit would be available. There would be no financial risk.

Allendorf said one risk that was previously mentioned was the city signing a contract with a vendor who does not perform as expected and then being locked out from signing with another vendor. Swanson said it would be important to include out provisions in the contract if the vendor was not performing. Another strategy for risk mitigation would be to sign contracts with multiple vendors.

Wagner noted that although there were not a lot of government entities signed up at this point there was a lot of corporate demand for the same spaces. Since there was not a lot of downside, he questioned why demand would not pick up quicker and quicker. Swanson agreed and said if the city waited too long it would never get to the 120 percent goal.
Barone indicated if the council would like to move forward the next step to begin negotiations with the three vendors.

Wiersum said this clearly was a situation where the early bird gets the worm. There was a risk of the savings not ever happening but there was no downside in pursuing the program.

Schneider asked what happened at the end of the 25 years. Swanson said the contract would end, and by that time there likely would be a newer technology available.

Bergstedt said the information presented was helpful. At the last meeting he felt pressured and a little unprepared. The information clarified the program for him.

2. **Strategic profile progress report**

Barone introduced the report.

Vetter provided an overview of the process for the profile.

King, Wagstrom, Gustafson, Wischnack, Sebenaler, and O’Dea reported on individual sections of the profile.

Wagner said that over the past four to five months he has had a number of people reach out to him about the number of garbage trucks that go through their neighborhoods. He brought up the topic because Hennepin County recently released its waste/recycling study. The study indicated that the county was going to provide incentives through grants to encourage more organics recycling. The city has a voluntary program but there were only two haulers doing organic recycling. He questioned what more the city could do to promote organic recycling. He said he spoke with County Commissioner Jan Callison who indicated that grants would be available based on the year the city began its program. The higher the participation rate, the more grant money would be available from the county.

Wagstrom said staff had discussed including a question in the community survey about hauling. The council could face a lot of concern from residents if the decision were to be made to go with one hauler in the city. Going with one hauler would be the best way for the city to get a handle on organic recycling.

Wagner said he thought there were other things that could be done. He said there were areas of the city that were particularly green oriented and thought a
lot about the natural environment. The city could focus the education efforts with the neighborhood associations in these areas. He said a little visibility could have an impact if it meant better rebates in the future.

Wiersum said the city should study the experiences of other cities that have gone to one hauler. He liked the idea of working with the neighborhood associations. The idea of voluntary participation versus big government appealed to him but at the same time reducing the number of trucks would protect the infrastructure.

Acomb said the idea of highlighting or targeting specific neighborhoods appealed to her. She suggested highlighting what some neighborhoods are doing in the Minnetonka Memo.

Bergstedt said long serving council members still have scars from years back when the idea was discussed. He said the council learned that residents value their haulers almost as much as they value their own kids. He said it would likely be more fruitful for the city to start with the neighborhood associations rather than trying to do it citywide.

Schneider said he struggled some with the whole concept of organic recycling. He has a number of friends who are avid organic recyclers. These people compost and use the fertilizer in their yards. He said he doubts that his household generates more than a grocery bag a month of organic material. The average resident was likely in a similar situation. Wagner said he would estimate two thirds of his household’s garbage was organic. Wiersum said he has tried organic recycling but it really requires a big lifestyle change.

Heine provided information about a Supreme Court decision related to sign neutrality.

Barone presented the results from the community survey.

3.  **Adjournment**

The study session adjourned at 9:23 p.m.

Respectfully submitted,

David Maeda
City Clerk