



**Agenda
Minnetonka City Council
Study Session
Monday, Nov. 21, 2022
6:30 p.m.
Minnehaha Room**

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|----|--|----------------|
| 1. | Call to Order | 6:30 p.m. |
| 2. | Introductions/Roll Call | 6:30-6:35 p.m. |
| 3. | 2023 budget related items:
a. 2023 proposed budget
b. Review 2023 utility rates
c. Annual cellular antenna lease schedule | 6:35-8:45 p.m. |
| 4. | December Study Session – topics and date | 8:45-8:55 p.m. |
| 5. | Adjournment | 8:55 p.m. |

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.



**Study Session Agenda Item #3
Meeting of Nov. 21, 2022**

Title: 2023 budget related items:
1. 2023 proposed budget
2. Review 2023 utility rates
3. Annual cellular antenna lease schedule

Report from: Darin Nelson, Finance Director

Submitted through: Mike Funk, City Manager
Moranda Dammann, Assistant City Manager

Action Requested: Review the proposed 2023 budget, levies, utility rates and cellular tower lease schedule and provide feedback

Summary Statement

We are pleased to propose to the city council a 2023 levy and budget consistent with our strategic goals and community values. Within that framework, the budget recommendations presented are both forward-looking and responsive to the community and the city council's concerns, specifically to ensure that city services are maintained. The proposal aligns with the reaffirmation by a considerable majority of Minnetonka community survey respondents that they would support an increase in taxes to maintain current city service levels. The recommendations are built using long-term forecasts, including a conservative eye on the national economy.

As always, the City of Minnetonka will continue to provide the excellent services that our residents and businesses have come to expect, and at a reasonable value, both in 2023 and well into the future.

Strategic Profile Relatability

- | | |
|---|--|
| <input checked="" type="checkbox"/> Financial Strength & Operational Excellence | <input checked="" type="checkbox"/> Safe & Healthy Community |
| <input checked="" type="checkbox"/> Sustainability & Natural Resources | <input checked="" type="checkbox"/> Livable & Well-Planned Development |
| <input checked="" type="checkbox"/> Infrastructure & Asset Management | <input checked="" type="checkbox"/> Community Inclusiveness |

N/A

Statement: The city's six strategic priorities drive the development and direction of the annual budget.

Background

The purpose of this study session is to review detailed budget recommendations and to provide direction for the 2023 budget prior to the public meeting and final budget and levy adoption by the city council on Dec. 5, 2022. For any reason additional time is needed following the public

discussion on December 5, adoption may be delayed until the next city council meeting on December 19.

In addition, council is requested to review and provide feedback on the 2023 proposed utility rates. A public hearing is also planned for December 5 to further review the 2023 proposed utility rates. Lastly, included within the agenda packet is an annual cellular antenna lease schedule. City Council policy 12.5 requires the city manager to annually report to the city council existing leases for each water tower.

1. 2023 proposed budget

As discussed at both the August 15 council study session and the September 12 council meeting which set the preliminary levy and budget, the proposed 2023 levy and budget are consistent with the city's strategic goals and community values.

At the Sept. 12, 2022 council meeting, council adopted a preliminary levy increase of no more than 6.85 percent for 2023. Since that council meeting, staff have been inputting the detailed line items into the budget. In addition, supplemental budget information has become available to better estimate the revised 2022 and proposed 2023 budgets. Staff is proposing a slight levy reduction to 6.74 percent for the final levy.

Staff estimates that the impact of this proposed levy increase on a median-valued home is an annual increase of \$97. The city's proposed levy increase of 6.74 percent will place Minnetonka's levy increase in the middle of a group of similar metro cities.

Our Public Process

Minnetonka always encourages input on its budget from the public. In addition to the public budget discussion scheduled and published on proposed tax notices by Hennepin County for December 5 at 6:30 p.m., residents and businesses will again have the opportunity to provide feedback via the city's website, www.minnetonkamn.gov, opportunities that are 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.

Long-Term Financial Planning and Sustainability

The city's strategic profile outlines six strategic priorities, of which financial strength and operation excellence is one. This strategic priority focuses on the city's long-term financial position and providing innovative, responsive, quality city services at a level that reflects community values and is supported by available resources.

The proposed budget and levy focus on the long-term financial sustainability and its impact on future levy increases. The current 2022 budget utilized federal American Rescue Plan Act (ARPA) funding to buy down the levy by \$1 million. This levy buy-down is a one-time action and must be added to future levies to restore this one-time reduction to maintain service levels.

The original plan for a portion of the ARPA funding was to buy down the General Fund levy by \$1 million in 2022 along with \$250,000 in both 2023 and 2024. The preliminary 2023 levy modified this approach by combining the levy subsidy from 2023 and 2024 into a one-time subsidy of \$500,000 in 2023. This change was done to mitigate the levy increase in 2023 since the difference between the 2022 levy subsidy of \$1 million and the 2023 preliminary levy

subsidy requires the difference to be levied in the subsequent year to maintain service levels. Supplanting \$500,000 versus \$750,000 requires a smaller levy increase in the current year but pushes additional burden to future years.

As staff began working through the preparation of the detailed budget, and not knowing what the state of the economy may be next year, the goal became to reduce the levy subsidy for 2023 and beyond, thus reducing the 2024 base levy. The proposed levy subsidy for 2023 is now \$250,000 versus the preliminary levy subsidy of \$500,000. This reduction will reduce the estimated 2024 base levy by just over 0.5 percent.

Additionally, there has been more discussion within the state legislature about instituting levy limits in coming years. If that comes to fruition for the 2024 tax levy, the city would be impacted less by having a smaller levy subsidy in 2023.

The city's General Fund ended 2021 with a very healthy unassigned fund balance of approximately 59 percent of the ensuing year's expenditure budget. This solid financial position was due in part to federal funding received in 2020 and 2021, along with stronger than anticipated building permits. That strong fund balance is continuing into 2022, with an anticipated surplus of revenues over expenditures of \$1.8 million.

The city's General Fund fund balance policy requires a balance between 30 to 50 percent of the following year's operating budget. The city council may appropriate balances above 40 percent for one-time costs that have no ongoing financial commitments.

Excess General Fund fund balance is routinely programmed within the Capital Improvements Program (CIP) due to the one-time nature of the projects. The 2023 preliminary General Fund budget is programming transfers of \$2.35 million to various CIP funds. This will reduce the fund balance to an estimated 44.5 percent at the end of 2023.

2023 Budget Initiatives and Influencing Factors

Personnel

The proposed General Fund 2023 budget includes expenditures of \$46.9 million, an increase of 7.2 percent or \$3.1 million. Over three-quarters of the city's General Fund operating expenditures is the cost of its greatest assets, its employees. A cost of living adjustment (COLA) has been set at three percent along with a potential market increase, which is dependent upon each position's comparable position in other cities. The proposed budget includes a total wage increase of approximately 3.2 percent or \$944,500. Again, these are proposed wages. The council will ultimately determine final COLA adjustments, which are either already set by existing union contracts or will be set through upcoming union contract negotiations, and finally by approving all 2023 non-union wage adjustments in December.

In 2021, the city exited the LOGIS healthcare consortium in favor of bidding on its own health insurance. The bidding environment was very favorable. As a result, the city saw a decrease in 2021 premiums with a cap on rates for 2022, limiting the city's exposure in the second year of the contract. This move saved the city about \$585,000 in 2021. The 2022 health insurance rates did increase to the 12.5 percent cap. This increase was directly attributed to a rise in our claims, which equated to an additional cost of \$330,000. The 2023 plan year is not protected with a cap and is increasing 13.1 percent or \$568,000. The city and its employees share in the cost of this increase with the city picking up a slightly higher share than the employees.

Another significant increase impacting personnel costs relates to workers' comp insurance. Rates for this are set by the League of Minnesota Cities Insurance Trust and are also dependent upon the city's experience rating. The city's experience rating has been extremely low, which provides significant savings. However, that experience rating is expected to increase and coupled with increases in worker classification rates, most notably around public safety employees, the city is anticipating an increase of \$350,000.

Lastly, the 2023 budget includes an additional staffing request of 5.4 full-time equivalents. These new requests include:

- *Two full-time firefighter technicians.* These two positions will allow for 24/7 staffing of fire station #1. The full-time fire staffing hired this year will allow for 24/7 staffing of fire station #3. The combined cost of these two firefighters is about \$235,000, of which about \$100,000 of realized savings are recognized in the budget between a decrease in paid on-call staffing, training and equipment costs.
- *One data analyst position to be shared between police and fire.* The police department has been very active in recent months in collecting data. Still, the department lacks the capacity to analyze the data to be proactive with intelligence-lead policing efforts. The fire department would utilize this position to aid the department in statistic tracking, which is required as part of the department's accreditation goal. This position has a cost of \$96,200 that would be split between the police and fire departments.
- *One park maintenance public service worker.* This position has an estimated cost of \$109,500. The lack of available seasonal help is driving this request. It is increasingly difficult to find seasonal help for mowing and snow removal. The hiring of one full-time position maintenance position would be partially offset by a \$25,000 decrease in seasonal salaries, but provides more adequate and reliable shift coverage.
- *One human resources wellness and safety specialist.* This position has an estimated cost of \$116,000. Over time, there is a positive return on this investment in that it is expected the position will pay for itself. As evidenced by the 2023 increase in health insurance and worker's compensation costs, this new position will develop a stronger, more aligned wellness program and develop a centralized safety program that will give the city greater control of future annual health care and worker's compensation costs.
- *Legal assistant moving to full-time from part-time.* This position was created in 2021, in coordination with the police department's use of body worn cameras. The number of videos requiring review has increased, as older cases with only squad videos are resolved and replaced with new cases that involve both squad and body camera videos. The position's workload will continue to increase as the court works through its backlog of jury trials and an increasing percentage of cases include body camera videos. The estimated cost of moving this position to a full-time benefited position is \$44,900.

The total cost of the new staffing is approximately \$603,600, which equates to a 1.3 percent increase in the levy.

Inflationary Pressures

Similar to our residents and businesses, the city is experiencing inflationary pressures in almost all facets of operations. Fuel costs for next year are budgeted to increase by \$184,000 or 50 percent. We have seen some recent reprieve at the pump, but our gasoline contract pricing is

still expected to jump from its current pricing of \$2.50 gallon to something much higher. Fleet parts and service is experiencing soaring inflationary costs and is expected to increase an additional \$93,000 next year to \$1.21 million.

Natural gas and electricity costs are also increasing and are substantially impacting the budget. Similar to gas and diesel costs, natural gas thermal rates have already increased and are anticipated to be 35 percent higher next year. Electricity is also expected to increase by about 12 percent. Combined utility costs will be increasing by \$117,000, which equates to a 0.3 percent increase in the budget.

Departments are anticipating increases in almost all other service delivery and supply costs. In June, the Consumer Price Index (CPI) rose 9.1 percent over the past 12 months. In comparison, the Municipal Cost Index (MCI) rose 12.24 percent during this timeframe. The MCI tends to be a more accurate inflationary picture for local governments since it measures goods and services utilized by municipalities versus the goods and services used by individual consumers. Inflation rates seem to be moderating slightly with the September MCI down to 9.14 percent and the CPI down to 8.25 percent. However, these are still elevated inflationary numbers that are having a tangible impact on the city's budget. The 2023 budget has accounted for inflationary increases for certain areas. Still, the overall budget is not keeping pace with inflation, and departments will be required to be creative in maintaining their current service levels.

What's Not in the Budget

The CIP levy was reduced from a preliminary levy increase of \$790,000 to a reduction of \$407,000 to reduce the 2023 preliminary levy to a 6.85 percent increase. This reduction was made possible by utilizing General Fund reserves in 2023 and future years while gradually recouping lost CIP levy dollars in the coming years. The CIP's out-year balances are manageable, but a concerted effort is needed to ensure funding is restored in the future, or future projects may need to be delayed.

For the last few years, staff has been trying to move the last half of the Cable TV Special Revenue Fund operational costs over to the General Fund. Cable franchise fees support the operations and capital outlay in this fund. These fees have been declining as more and more people move away from cable television in favor of internet streaming services. Staff has been planning to move the remaining full-time employees and other operational costs not associated with cable programming out of the fund and into the General Fund, thus ensuring the fund remains viable. The first half of this transition was completed in 2020, and the second half was initially planned for 2021 until COVID-19 impacted that year's levy request. That move was then delayed until 2023. In trying to reduce the 2023 levy to a manageable level, staff is further delaying this move until 2024. This move saved the 2023 levy \$327,200 and is tentatively programmed to be included in the 2024 levy.

2023 Preliminary Levy

Since recovering from the recession beginning in 2014, the city's community survey has shown our taxpayers' consistent recognition of the value of city services and strong community support to increase taxes in order to maintain city services. In the 2022 survey, 72 percent of those who stated an opinion still favored such an increase.

The 2023 proposed operating and capital budgets require an overall net increase in the city property tax levy of 6.74 percent to maintain city services. This increase includes all the changes mentioned earlier in this report, along with \$250,000 in ARPA funds to subsidize the levy increase. Although appearing separately on property tax statements, the HRA levy would decrease by \$25,000, which equates to a 0.1 percent decrease in the city's overall property tax levy impact.

2023 Levy Analysis

Levy (thousands)	2022	2023	Change
City property taxes, current services	44,815	44,767	-0.1%
Prior Year One-Time Requests		(127)	-0.3%
ARPA Levy Reinstatement		750	1.7%
Staffing COLA		815	1.8%
Workers Comp		323	0.7%
Health Insurance		391	0.9%
Energy Costs		117	0.3%
Fleet Maintenance		93	0.2%
Fuel Costs		184	0.4%
General Liability Insurance		50	0.1%
Other GF Supplies & Services COLA		77	0.2%
New Staffing Requests		602	1.3%
New Requests		200	0.4%
CIP Levy Increases (Decreases)		(407)	-0.9%
Total	44,815	47,835	6.7%
HRA	325	300	-0.1%
Total City Levies	45,140	48,135	6.6%

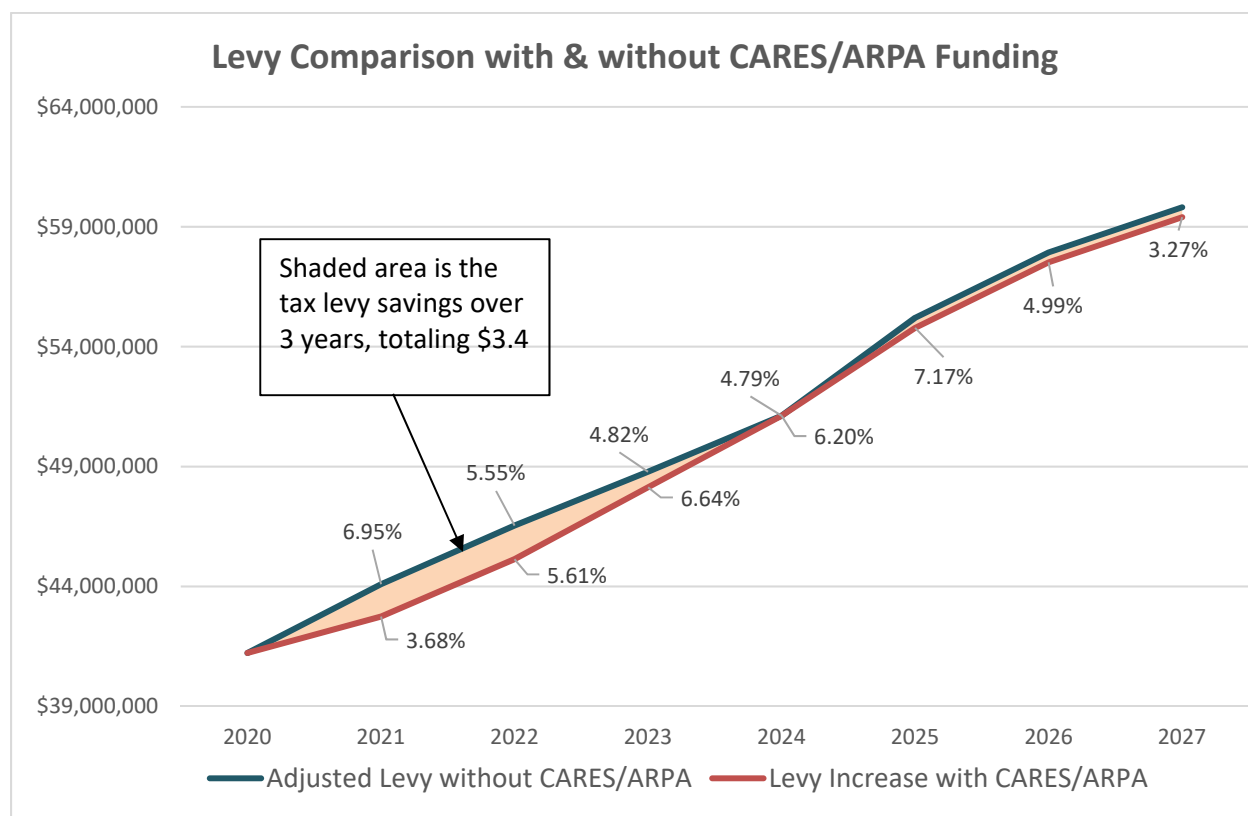
The 2023 levy includes the decertification of the Boulevard Gardens TIF district. This district is estimated to provide approximately \$500,000 of additional levy capacity without impacting existing taxpayers. This additional tax capacity effectively decreases the levy impact by about 1.1 percent to existing taxpayers.

Levy Forecast

Over the last two years, the city has been fortunate to receive federal grant funding from the CARES Act and ARPA. These allotments have aided the city, and its residents and businesses

in battling and fending off COVID-19 from the health and financial impacts felt by many. In addition, these grants have allowed the city to provide property tax relief in 2021, 2022 and 2023, thus reducing our necessary tax collections by \$3.4 million over this same timeframe.

The blue line in the chart below represents the potential levy if federal funding had not subsidized the levy from 2021 through 2023. If federal funding had not been received, the 2023 preliminary tax increase would have been estimated to be 4.82 percent, which is lower than the currently requested 6.64 percent. However, the total tax collections under the 6.64 percent levy increase are \$900,000 less than if we had not received federal funding. 2023 is the last year of available tax relief and thus will require a larger levy increase in 2024 to maintain the current service levels.



Due to some of the shifting taking place with the 2023 budget and levy, the 2024-projected levy includes a few baseline costs that will need to be considered this time next year. Those costs include:

- 2023 ARPA property tax relief recoupment - \$250,000
- Cable TV staff and operations - \$327,200
- Reestablishing the CIP levy - \$710,000
- Presidential election cycle - \$145,000
- Interfund loan repayment for the Community Center remodel - \$248,800

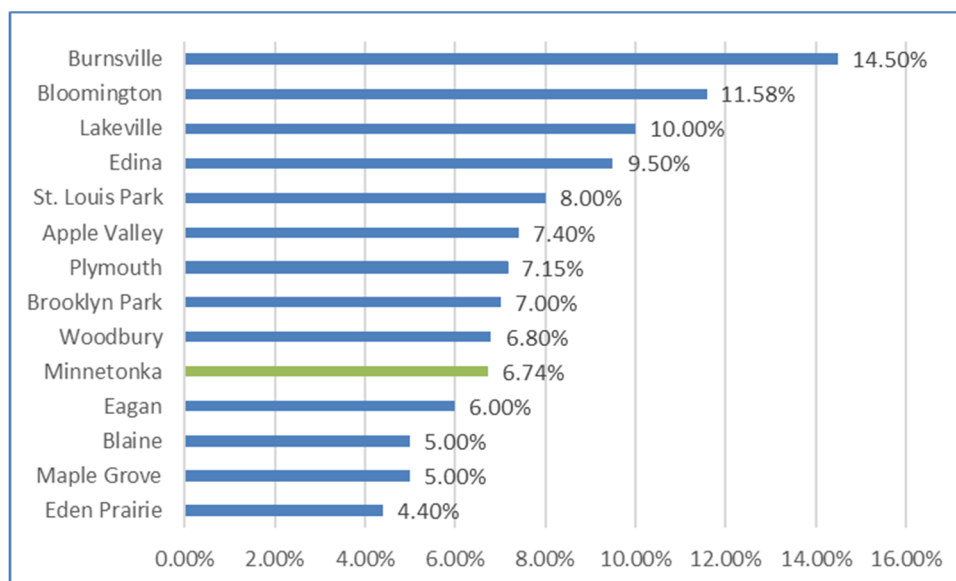
These costs, plus other routine increases related to personnel and other services and charges, increase the estimated 2024 levy to approximately 6.2 percent.

The 2025 budget includes funding for approximately nine full-time firefighters as the department continues transitioning to more career-orientated staffing. The 2025 budget also adds a patrol officer with a second officer planned in the 2027 budget. These additions are based on current and projected population growth along with the light rail system coming online.

Comparisons with Other Cities. The proposed 2023 city levy increase is likely to place Minnetonka in the middle of our comparable cities. These percentages are preliminary increases and may change between now and when cities formally adopt their final levies. As a reminder, each city is unique and their tax levies can vary for a number of reasons.

Similar to all our comparable cities except for one, Minnetonka does not and will not receive LGA in 2023. Equally important, unlike many of these other cities, the city does not rely upon special assessments to fund street reconstruction and maintenance.

Potential 2023 Preliminary Tax Increases

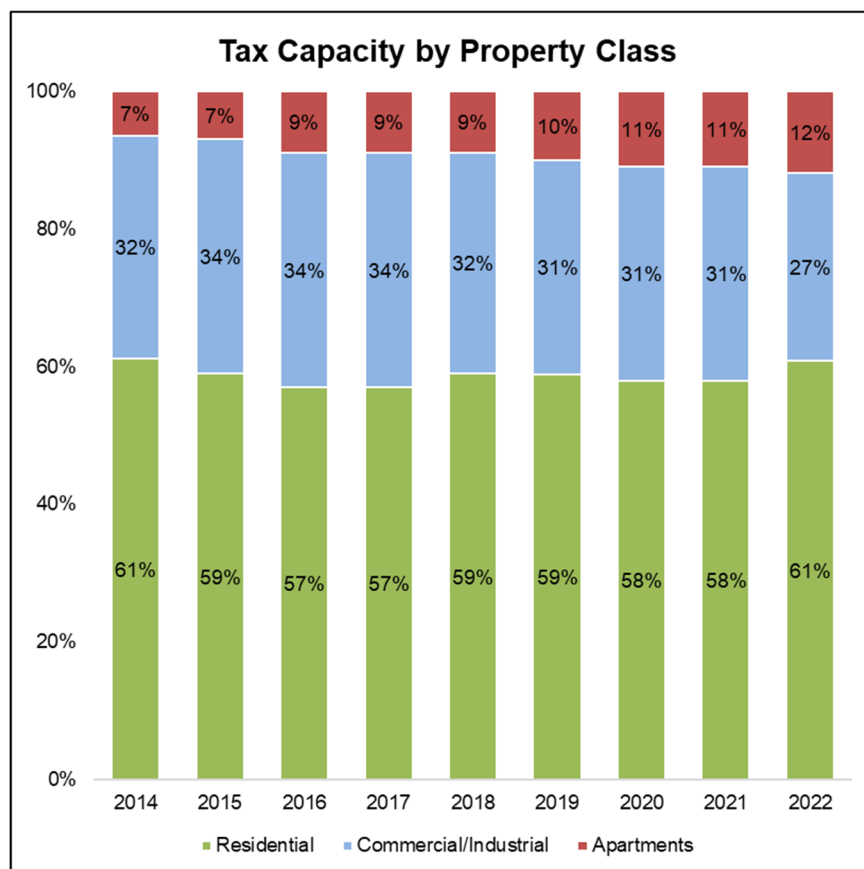


Homeowner Impacts. New development and redevelopment in the city again increased the city's property tax base last year, as reported in March by the city assessor. Over the previous nine years, the city's assessed market value has increased by 58 percent. A portion of that increase results from improved real estate as opposed to market forces alone.

The table below outlines this year's growth (including new improvements) in the market by major property type.

	Overall Growth	Total Change (millions)
Single-family Residential	16.1%	\$943.8
Lakeshore	23.1%	\$91.9
Townhouses	10.8%	\$73.4
Condominiums	7.1%	\$42.7
Commercial	3.9%	\$62.6
Industrial	10.3%	\$36.9
Apartments	12.9%	\$174.7
Other Property Types	9.4%	\$24.0
Total Change	13.0%	\$1,450.0

The varying growth rates of the different property classifications equates to a shift in property tax burden. The tax burden between property types tends to ebb and flow over time as market conditions affect properties differently. Most notably for taxes payable in 2023 is the increase in all residential housing property types. This residential increase will cause a shift in tax burden towards all these property classes while shifting the tax burden away from commercial properties. The apartment growth over the last several years is mainly due to new construction, which adds to the tax base and helps alleviate some of the tax burdens for all taxpayers.



Calculating the impact of changes in property taxes on homeowners in Minnesota requires a complicated mix of data and information that changes each year, some of which depends upon legislatively defined formulas, such as the state fiscal disparities program. Estimates indicate that a median-valued home that increased in value 15.6 percent to \$468,500 will see a monthly tax increase of \$8 or \$97 per year, which equates to a 6.47 percent increase. The expiring TIF district and the additional tax capacity that it generates has effectively eliminated much of the shifting tax burden residential property owners would have experienced.

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 \$2 million for Minnetonka in 2023. On June 20, the city council reviewed in a study session the 2023–2027 Economic Improvement Program (EIP), which recommends the 2023 HRA levy decrease by \$25,000 for a total levy of \$300,000. The indicated uses of the funds are SW Light Rail (\$75,000), Housing Programs (\$100,000), and Homes Within Reach (\$125,000). This is the same information that was presented at the August 15 budget study session and the setting of the preliminary tax levies at September 12 council meeting.

Discussion Questions

- ***Does the council agree with the proposed general levy of \$47,835,374 an overall 6.74 percent increase should be certified as the city's general levy for 2023?***
- ***Does the city council agree with the EDAC's 2023 HRA levy recommendation of \$300,000?***

2. Review 2023 utility rates

2023 Water and Sewer Rates

In 2014 and 2015, the council convened a number of study sessions regarding critical maintenance and reconstruction of the city's \$500 million water and sewer system assets, which has now grown to \$600 million. Subsequently, the council proactively adopted a long-term bonding and user rate plan to support the ongoing costs required to keep the aging systems in appropriate working order. Under this plan, the city has sold \$37.5 million in General Obligation (G.O.) revenue bonds in 2015, 2016, 2018 and 2021.

In 2020, staff requested that Baker Tilly update its initial 2014 rate study to confirm the city is still on track to ensure financial stability of the city's utility system. Baker Tilly took into consideration for its assumptions the city's most recent CIP, current budget, number of utility accounts, projections on new users to the systems, and current utility rates.

With an ever-aging utility system, capital outlay continues to be the driving factor in rates. Staff is estimating \$119 million of projected capital outlay over the next 15 years. Paying for this capital outlay will be through a combination of cash reserves and debt issuances. Fortunately, the city's current rate structure plan with structured increases will continue to meet the city's needs into the future. As a result, the city's water and sewer rates are among the highest of our

comparable cities. However, Baker Tilly believes Minnetonka is among a small minority of communities that are taking a proactive approach to addressing aging infrastructure and extensive replacement costs. By doing so the city will incur rate increases, but is preparing for a stable future for its ratepayers.

The adopted rates and financial plan continue to be consistent with the city's historic and appropriate financing structures for the city's utilities. It uses a combination of pay-as-you-go and pay-as-you-use approaches for financing the major infrastructure of these enterprises and does not special assess property owners.

The city has a fixed infrastructure fee along with variable usage rates for sanitary sewer and water. Over the last number of years, rates have been increasing at 3.75 percent across both the variable and fixed rate fee types. The fixed infrastructure fee was held unchanged at \$73.65 per quarter, the variable water rate was increased 3.75 percent and the variable sewer rate was increased 7.8 percent.

The larger variable sewer rate increase was necessary to offset the Metropolitan Council Environmental Services (MCES) sewer processing charge based on gallons metered for Minnetonka. MCES's 2023 rate increase for Minnetonka is about 4.3 percent for a total annual processing fee of \$5.0 million. However, this rate is based on a sizeable decrease in gallons of sewage flows within the city. MCES measured 1.56 billion gallons of sewage flow in 2021 compared to 1.71 billion gallons in 2020. The combination of increased costs and reduced flow causes the per unit rate to increase substantially for 2023 just to cover the MCES pass through cost for sanitary sewer treatment.

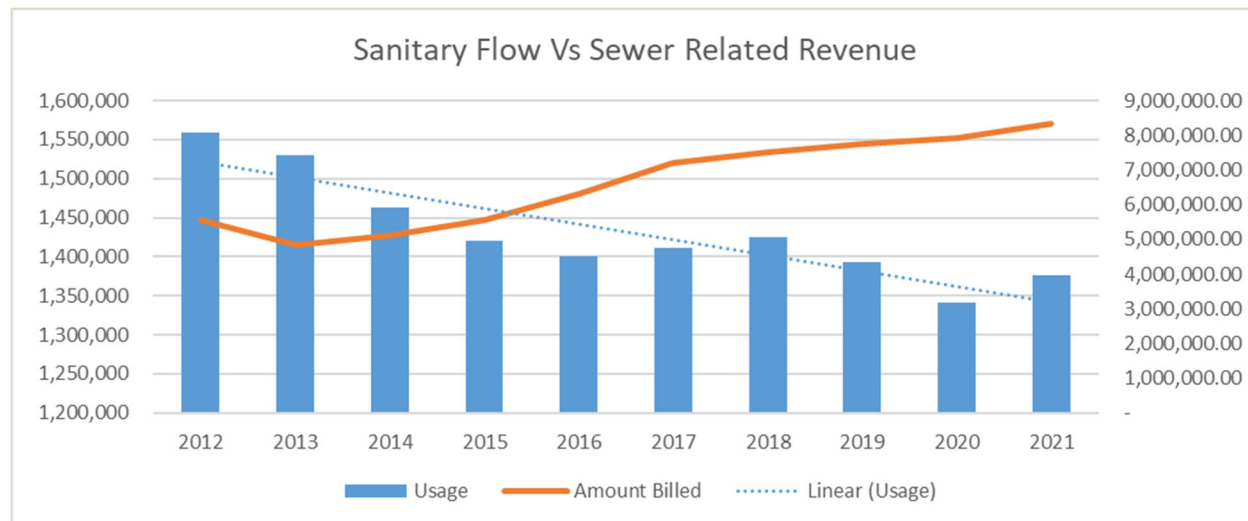
In addition, the city only billed about 1.375 billion gallons of sewer in 2021, compared the MCES flow measurement of 1.56 billion gallons. The difference between the MCES readings and the city's readings are due to three factors. First, the city bills residents their sewer usage based on their winter quarter sewer usage. Meaning that if a resident utilizes 12,000 gallons of water in the winter quarter (December through February); the resident is billed 12,000 gallons of sewer use for the remaining three quarters of the year, regardless of how much water is used during those three quarters. If a resident is on vacation for a month in the winter, their winter usage is arbitrarily low and that low amount is then billed for the remainder of the year. Utilizing the winter average is a common practice, since high water usage in the summer months is often attributed to outside watering, which does not enter the sanitary sewer system.

Second, the city does not bill itself for water usage at city facilities such as city hall, public works, Williston Fitness Center, ice arenas and water treatment plants. These facilities add to the sewer system, but charging these facilities would just add to the tax levy or user fees.

Lastly, inflow and infiltration (I&I) of groundwater and storm water into the sanitary sewer system accounts for some of the difference. MCES measures their interceptor system with sewer flow meters located at the entrance and exit points of the city. Over the last two decades, the city has made a concerted effort to reduce I&I into the system. Generally, clean water from I&I contributes between 10-40 percent of the overall sewer flow for a system and can vary depending on actual precipitation rates. The city's sewer system usually tracks on the lower end of that range, reducing potential treatment costs related to I&I.

Sanitary sewer flows and water usage overall have steadily decreased over the past decade, as seen in the chart below. These usage reductions are attributed to a number of factors including;

water-saving appliances, education in the conservation of natural resources and tiered water rates.



For 2023, staff is recommending an increase in the sewer variable rate from \$2.80 per thousand gallons to \$3.60 per thousand, based on 2023 MCES charge of \$5.0 million and the city's 2021 sewer billing units of 1.375 billion. In order to offset the sizable sewer rate increase, staff is recommending that the water variable rate and the infrastructure fee remain unchanged for 2023. This proposed rate structure will cover the MCES pass through charge and allow the water variable rate and the infrastructure fee to cover the utility's other costs including water operating costs, debt service, CIP capital costs and the city's sewer operating costs.

Staff is also considering a change to the utility bill to make it clear that the sewer variable rate charge is a pass through cost from MCES. The water and sewer impact varies depending upon a household's water usage. Low water users consuming 9,000 gallons per quarter will see an overall increase of 4.92 percent or \$8.49 per quarter. Heavier or more average users consuming 15,000 gallons per quarter will see an increase of 6.33 percent or \$13.29 per quarter.

Again, this rate increase only affects the sewer variable rate. So if users consume higher water amounts in the summer, their sewer variable rate will remain unchanged from the winter average.

Senior Discount

Earlier this year the council expressed an interest in revisiting a utility discount for seniors. The city actually had a senior utility discount up until 2013 when the utility rates were restructured to include an infrastructure fee and the elimination of the senior discount moving forward. Seniors that were enrolled in the senior program prior to the rate restructure were grandfathered into the program and continue to receive a discount on the infrastructure fee as long as they remain in the same home since that time. The 2022 senior infrastructure fee is \$27.19 per quarter compared to the standard infrastructure fee of \$73.65 per quarter. At the time of the rate restructure, there were approximately 1,700 senior accounts, as of today there are 686 accounts receiving this discount.

Leading up to the rate restructure in 2013, there were two rate study reports completed by Ehlers and city staff in 2010 and 2012. The goal of the rate restructure was twofold:

- **Equity and fairness.** A new base rate structure should ensure fairness amongst utility payers. Specifically, all conservative water users should reap the financial benefits of their efforts, not subsidize other users; seniors should not be penalized; and users should share equally in paying for the fixed costs of the utility system. Council generally agreed that utility rates are not an appropriate mechanism to set social policy with a system based on ability to pay, and all users should simply pay for what they use.
- **Long-term sustainability.** The utility rate structure should be sustainable for the long-term, taking into account the community's aging demographics as well as future infrastructure needs.

The new base fee at the time, now referred to as the infrastructure fee, replaced a minimum usage amount of 15,000 gallons per quarter and reduced the sewer variable rate from \$3.10 to \$1.49 per thousand gallons. The goal of the base fee is to ensure that all customers are charged a fee to fairly cover the fixed base system costs. The elimination of the minimum usage amount allows users to pay for their specific use of the system, no matter the number of gallons utilized.

The staff report from Nov. 5, 2012 is attached to this agenda packet to provide additional context as to the discussions that occurred from 2010 to 2012.

Given utility rates were restructured a decade ago to eliminate the senior discount rate, staff recommends keeping with the current structure in order to maintain equity and fairness in providing the service while ensuring sufficient funding for long-term sustainability.

Discussion Questions

- ***Does council support the sewer variable rate increase from \$2.80 to \$3.60 per thousand gallons to cover the 2023 MCES pass through fee?***
- ***Does council continue supporting the current rate structure, which does not include a senior discount other than the current grandfathered users?***

2023 Storm Water Fees

The storm water rate is budgeted to increase three percent for 2023. The current CIP projects a fund balance deficit in the fund by 2023, mainly due to intensive street reconstruction projects in 2021 through 2023. The fund is projected to rebound in future years with annual three percent rate increases. Staff will continue to monitor this fund into the future to ensure its sustainability.

2023 Environmental Recycling Fees

2022 recycling fees remained unchanged from 2021 at \$19.80 per quarter. These fees pay for the recycling contract with Republic Services, the brush and yard waste disposal site at public works and the special community drop-off events. The recycling contract with Republic Services is schedule to increase by about 3.75 percent for 2022. In addition, the city is seeing a spike in the brush and yard waste disposal costs.

Yard waste disposal costs have doubled over the last five years. The city's 2018 yard waste disposal costs were \$96,300, the 2022 year-to-date costs are approximately \$190,000. These increased costs are associated to a couple factors. The price for grinding and trucking yard waste has increased along with the volume of brush and yard waste collected has also increased. The market for ground mulch has changed in 2022. Industries that previously used the mulch have changed their practices and the supply of mulch in the metro area far exceeds the demand. Instead of being used for waste-to-energy or commercial production of colored mulch for landscaping, the majority of mulch exported from the drop off site is only being composted. When used by the other industries there was no cost to export the mulch. However, now that the mulch is only being composted the contractor has to charge the city for the export costs instead of the industries accepting the mulch.

Staff is proposing increasing the recycling rate from \$19.80 per quarter to \$20.90 per quarter to cover the increasing recycling contract costs and yard waste disposal costs.

Staff is also proposing an option for council discussion to include a pilot project related to buckthorn removal. The cost of the pilot project is approximately \$15,000. This would increase the quarterly recycling rate from \$20.90 to \$21.15 or 25 cents. Staff is still developing the specifics of the pilot program, but this would just not be a special buckthorn pickup, but would require a remediation plan to ensure that appropriate buckthorn eradication is taking place.

Attached is a table depicting the brush and yard waste services levels provided by many metro cities.

Discussion Questions

- ***Does council support the storm water rate increase of three percent and the environmental recycling increase of \$1.10 per quarter?***
- ***Does council supporting the implementation of a pilot project related to buckthorn removal and eradication at an added cost per residence of 25 cents per quarter, increasing the quarterly recycling fee to \$21.15?***

3. Annual cellular antenna lease schedule

City Council policy 12.5 establishes a uniform policy for reviewing requests for the location of antennas on city water towers, delegates limited authority to the city manager to approve antenna agreements and reserves to the city council the right to revoke agreements. The policy requires that the city manager must annually report to the city council the existing leases for each city water tower, including the number of antennas allowed under the lease, annual rent payable and the lease expiration.

Attached is the 2023 cellular antenna lease report.

Attachments:

- 2023 Proposed budget
- Nov. 5, 2012 study session staff report
- Yard waste collection comparison table
- 2023 cellular antenna lease report



CITY OF
MINNETONKA

2023 Budget

Minnetonka, Minnesota

Preliminary

City Council:

Brad Wiersum, Mayor
Deb Calvert, Councilmember At Large
Kimberly Wilburn, Councilmember At Large
Brian Kirk, Councilmember Ward 1
Rebecca Schack, Councilmember Ward 2
Bradley Schaeppi, Councilmember Ward 3
Kissy Coakley, Councilmember Ward 4

Staff:

Mike Funk, City Manager
Moranda Dammann, Assistant City Manager
Darin Nelson, Finance Director/Treasurer
Scott Boerboom, Chief of Police
Corrine Heine, City Attorney
Will Manchester, Public Works Director
Kelly O'Dea, Recreation Services Director
John Vance, Fire Chief
Julie Wischnack, Community Development Director

City of Minnetonka

2023 Annual Budget

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CITY OF
MINNETONKA

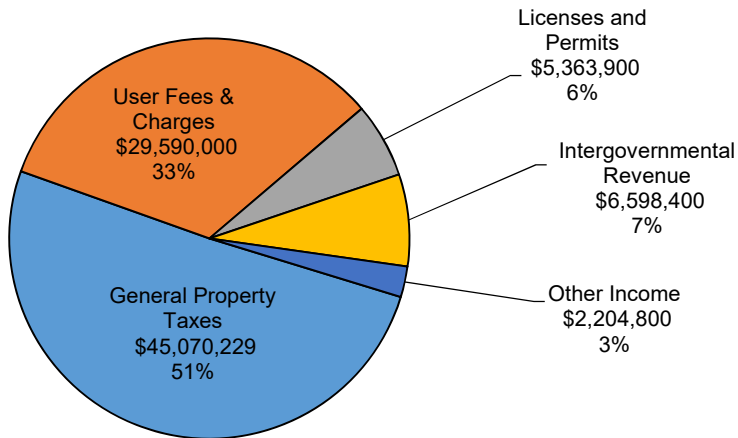
Consolidated Budgets Summary - All Funds

	2022 Revised	2023 Budget
<u>Revenue</u>		
General Property Taxes	\$ 45,070,229	\$ 47,959,374
User Fees & Charges	29,590,000	30,129,200
Licenses and Permits	5,363,900	3,790,400
Intergovernmental Revenue	6,598,400	7,900,000
Other Income	2,204,800	10,422,700
Total Revenue	\$ 88,827,329	\$ 100,201,674
<u>Expenditures</u>		
By Program:		
General Government	\$ 9,298,025	\$ 11,087,900
Public Safety	20,995,900	21,344,700
Streets & Utilities	54,304,200	51,233,000
Parks & Environment	12,017,000	11,066,800
Recreation	7,443,010	7,970,600
Development	6,520,200	13,921,200
Total Expenditures by Program	\$ 110,578,335	\$ 116,624,200
By Category:		
Personnel	\$ 39,666,000	\$ 42,217,900
Supplies	3,992,400	4,717,600
Services & Charges	17,971,875	25,818,200
Capital Outlay	40,503,800	34,661,200
Debt Service	8,444,260	9,209,300
Total Expenditures by Category	\$ 110,578,335	\$ 116,624,200

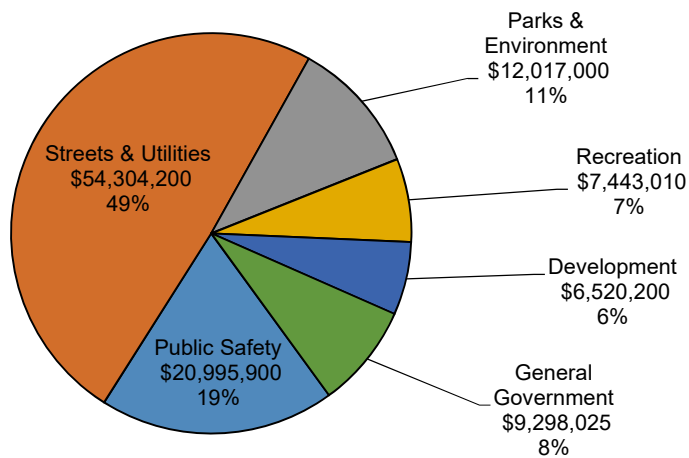
Note: Internal service fund budgets are accounted for twice in this summary to better reflect costs by program and category. They appear once from the internal service fund and once from the respective fund incurring the charge for service.

2022 Revised Consolidated Budgets Charts - All Funds

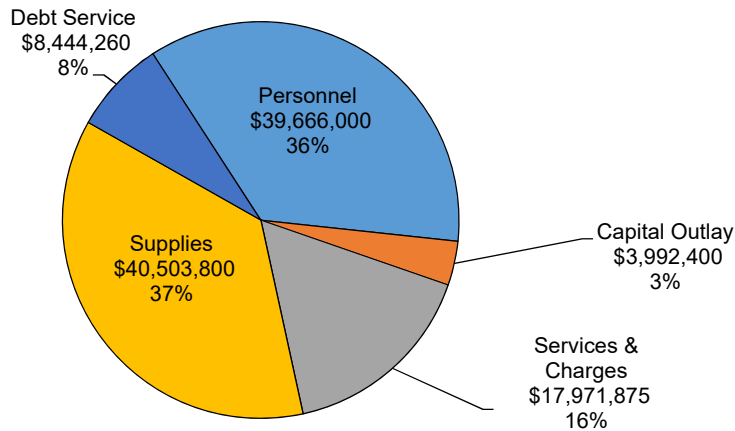
Revenue



Expenditures by Program

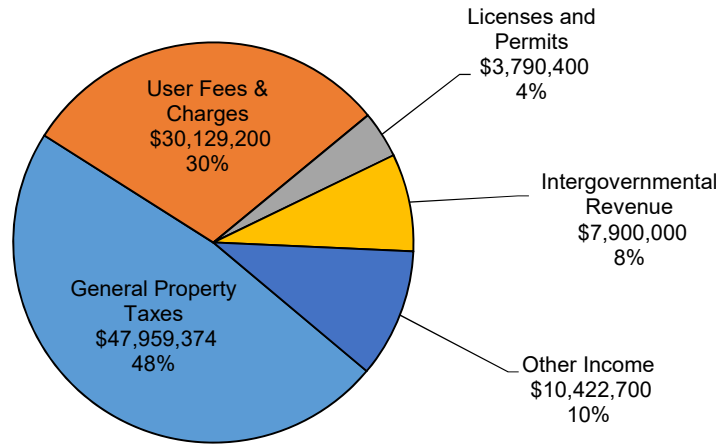


Expenditures by Category

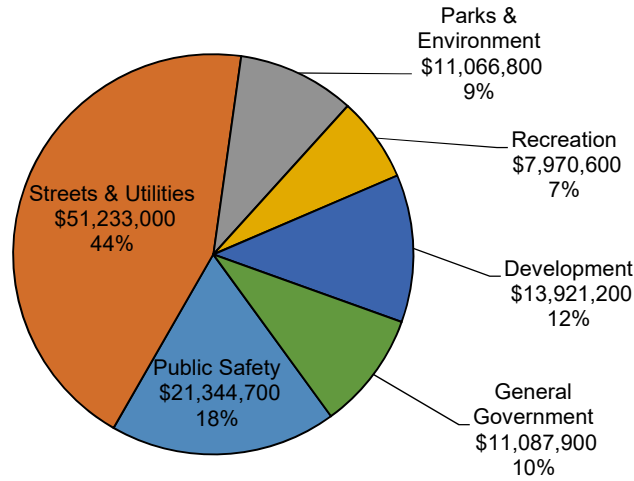


2023 Consolidated Budgets Charts - All Funds

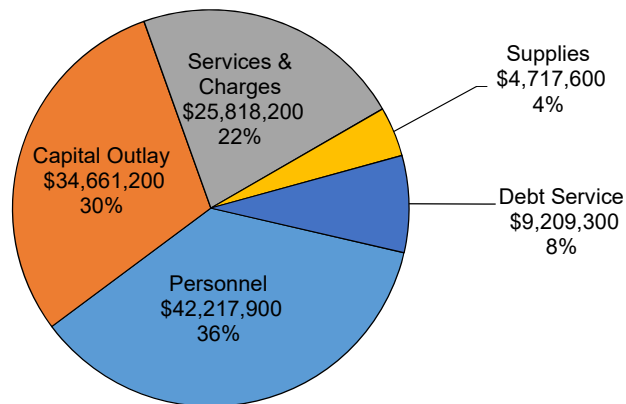
Revenue



Expenditures by Program



Expenditures by Category



Tax Levies

Tax Base	2020	2021	2022	2023	
Real Estate	\$ 124,183,480	\$ 131,633,164	\$ 136,021,628	\$ 151,694,768	Estimate
Personal Property	1,008,773	1,105,657	447,613	532,854	Estimate
Fiscal Disparities Contribution	(15,396,403)	(15,706,327)	(16,360,158)	(15,640,271)	Estimate
Fiscal Disparities Distribution	5,076,458	5,413,170	5,853,063	5,857,295	Estimate
Tax Increment	(3,211,119)	(3,479,997)	(4,016,614)	(2,599,574)	Estimate
Total Tax Capacity	\$ 111,661,189	\$ 118,965,667	\$ 121,945,532	\$ 139,845,072	Estimate
Taxable Referendum Market Value	\$ 10,166,460,750	\$ 10,743,355,100	\$ 11,106,248,450	\$ 12,439,225,300	Estimate
City Tax Levy					
General Fund	\$ 29,671,100	\$ 32,368,800	\$ 33,760,800	\$ 37,180,000	
Street Improvement Fund	5,680,000	5,880,000	6,080,000	6,080,000	
Capital Replacement Fund	2,155,000	806,000	1,517,100	1,385,000	
Park & Trail Improvement Fund	650,000	650,000	650,000	425,000	
Technology Development Fund	600,000	600,000	650,000	650,000	
Forestry Fund	118,000	118,000	133,000	83,000	
Public Safety Fund	550,000	550,000	550,000	550,000	
Ridgedale Tax Abatement	65,000	70,000	75,000	80,000	
Debt Service (Public Safety Facility)	1,230,062	1,116,668	1,114,989	1,117,929	
Tax Capacity Tax Levy	\$ 40,719,162	\$ 42,159,468	\$ 44,530,889	\$ 47,550,929	
Market Value Tax Levy (Park Bonds)	283,815	284,130	284,340	284,445	
Total Tax Levy	\$ 41,002,977	\$ 42,443,598	\$ 44,815,229	\$ 47,835,374	
City Tax Rates					
City Tax Capacity Tax Rate	36.552	35.556	36.763	33.919	Estimate
City Market Value Tax Rate	0.00279	0.00265	0.00256	0.00229	Estimate
HRA Tax Levy					
HRA Tax Capacity Tax Rate	0.202	0.252	0.267	0.215	Estimate
HRA Tax Levy % of Market Value	0.002213%	0.002792%	0.002926%	0.002412%	

2023 Annual Budget - Governmental Funds Summary

	General Fund	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Governmental Funds
Revenues:					
General Property Taxes	\$37,004,000	\$ 300,000	\$ 9,253,000	\$1,402,374	\$ 47,959,374
User Fees & Charges	2,174,000	-	6,000	-	2,180,000
Licenses and Permits	3,215,400	-	575,000	-	3,790,400
Intergovernmental Revenue	1,217,700	-	6,562,300	-	7,780,000
Other Income	1,588,100	3,309,600	4,226,900	-	9,124,600
Total Revenues	<u>\$45,199,200</u>	<u>\$ 3,609,600</u>	<u>\$20,623,200</u>	<u>\$1,402,374</u>	<u>\$ 70,834,374</u>
Expenditures					
General Government	\$ 7,434,400	\$ 980,600	\$ 2,028,900	\$ -	\$ 10,443,900
Public Safety	20,066,400	26,000	198,500	1,053,800	21,344,700
Streets & Utilities	7,968,100	810,000	15,154,000	-	23,932,100
Parks	4,320,100	-	5,172,100	268,900	9,761,100
Recreation	3,648,100	1,109,500	-	-	4,757,600
Development	3,506,900	3,703,800	6,536,400	174,100	13,921,200
Total Expenditures	<u>\$46,944,000</u>	<u>\$ 6,629,900</u>	<u>\$29,089,900</u>	<u>\$1,496,800</u>	<u>\$ 84,160,600</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$(1,744,800)</u>	<u>\$(3,020,300)</u>	<u>\$(8,466,700)</u>	<u>\$ (94,426)</u>	<u>\$(13,326,226)</u>
Other Financing Sources (Uses)					
Transfers In	\$ 1,494,800	\$ 350,000	\$ 2,521,000	\$ -	\$ 4,365,800
Transfers Out	(2,871,000)	(72,200)	(174,000)	-	(3,117,200)
Total Other Financing Sources (Uses)	<u>\$(1,376,200)</u>	<u>\$ 277,800</u>	<u>\$ 2,347,000</u>	<u>\$ -</u>	<u>\$ 1,248,600</u>
Net Change in Fund Balance	<u><u>\$(3,121,000)</u></u>	<u><u>\$(2,742,500)</u></u>	<u><u>\$(6,119,700)</u></u>	<u><u>\$ (94,426)</u></u>	<u><u>\$(12,077,626)</u></u>

General Fund Summary

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Budget
Revenues					
General Property Taxes	\$ 29,765,807	\$ 32,411,693	\$ 33,584,800	\$ 33,590,800	\$ 37,004,000
Licenses & Permits	4,283,869	4,587,992	3,081,900	5,353,900	3,215,400
Intergovernmental Revenue	5,245,070	3,578,239	1,211,300	3,588,200	1,217,700
Transfers	1,447,500	1,457,800	1,469,200	1,469,200	1,494,800
User Fees & Charges	1,385,825	1,863,447	2,121,300	2,197,000	2,174,000
Other Income	1,197,409	721,095	1,309,300	(590,300)	1,588,100
Total Revenues	\$ 43,325,480	\$ 44,620,266	\$ 42,777,800	\$ 45,608,800	\$ 46,694,000
Expenditures					
Mayor & City Council	\$ 320,637	\$ 217,069	\$ 303,100	\$ 303,200	\$ 345,000
General Administration	2,396,991	2,650,829	3,151,600	3,151,825	3,539,300
Information Technology	1,056,030	1,124,163	1,374,500	1,375,500	1,462,700
Finance	1,020,876	1,150,758	1,176,850	1,180,400	1,082,500
Assessing	823,894	855,447	919,000	904,900	954,900
<i>Subtotal, General Government</i>	<i>5,618,428</i>	<i>5,998,266</i>	<i>6,925,050</i>	<i>6,915,825</i>	<i>7,384,400</i>
Police	11,022,970	11,637,840	11,882,050	11,882,200	12,781,300
Fire	3,852,330	3,971,849	5,293,200	5,354,700	5,792,200
Legal	880,360	955,711	1,007,800	1,007,900	1,090,600
Environmental Health	393,504	360,266	397,400	396,000	402,300
<i>Subtotal, Public Safety</i>	<i>16,149,164</i>	<i>16,925,666</i>	<i>18,580,450</i>	<i>18,640,800</i>	<i>20,066,400</i>
Engineering	1,249,142	1,332,208	1,512,900	1,513,000	1,575,400
Street Maintenance	3,343,356	3,576,646	4,041,450	3,991,500	4,408,800
Building Maintenance	1,338,021	1,620,461	1,731,500	1,832,400	1,983,900
<i>Subtotal, Streets & Utilities</i>	<i>5,930,519</i>	<i>6,529,315</i>	<i>7,285,850</i>	<i>7,336,900</i>	<i>7,968,100</i>
Parks & Trails	1,863,058	2,049,417	2,171,500	2,165,200	2,373,500
Natural Resources	1,599,334	1,621,735	1,865,800	1,867,600	1,946,600
<i>Subtotal, Parks & Environment</i>	<i>3,462,392</i>	<i>3,671,152</i>	<i>4,037,300</i>	<i>4,032,800</i>	<i>4,320,100</i>
Joint Recreation	1,136,975	1,600,682	1,870,850	1,862,160	1,953,000
Minnetonka Recreation	588,603	555,075	625,100	601,800	646,500
Senior Services	331,184	360,651	412,900	393,950	386,200
Community Center	457,628	471,892	621,000	564,400	662,400
<i>Subtotal, Recreation</i>	<i>2,514,390</i>	<i>2,988,300</i>	<i>3,529,850</i>	<i>3,422,310</i>	<i>3,648,100</i>
Planning	627,694	675,437	858,800	858,600	862,600
Community Development	2,211,783	2,228,617	2,510,500	2,527,900	2,644,300
<i>Subtotal, Development</i>	<i>2,839,477</i>	<i>2,904,054</i>	<i>3,369,300</i>	<i>3,386,500</i>	<i>3,506,900</i>
Contingency	-	-	50,000	50,000	50,000
Total Expenditures	\$ 36,514,370	\$ 39,016,753	\$ 43,777,800	\$ 43,785,135	\$ 46,944,000
Surplus of Revenues over Expenditures	\$ 6,811,110	\$ 5,603,513	\$ (1,000,000)	\$ 1,823,665	\$ (250,000)
Transfer to Capital Replacement Fund	(2,448,000)	(355,000)	(400,000)	(1,650,000)	(2,350,000)
Transfer to Other Funds	(1,726,608)	(3,599,603)	(2,488,000)	(1,693,500)	(521,000)
Beginning Fund Balance	23,735,923	26,372,425	28,021,335	28,021,335	26,501,500
Ending Fund Balance	\$ 26,372,425	\$ 28,021,335	\$ 24,133,335	\$ 26,501,500	\$ 23,380,500
Nonspendable Balances - Inventories	371,290	334,436	375,000	375,000	375,000
Unrestricted Balances					
Committed for Compensated Absences	1,070,000	1,642,473	1,460,000	1,650,000	1,650,000
Assigned for Federal ARPA Awards	-	1,750,000	1,450,000	550,000	-
Assigned for POC Fire Pensions	315,900	365,900	415,900	415,900	465,900
Assigned for Rec Scholarships & Sr. Ctr.	15,000	15,000	15,000	15,000	15,000
Assigned as Budget Stabilization*	17,511,200	17,511,200	18,089,000	18,777,600	19,397,300
Unassigned	7,089,035	6,402,326	2,328,435	4,718,000	1,477,300
Ending Fund Balance	\$ 26,372,425	\$ 28,021,335	\$ 24,133,335	\$ 26,501,500	\$ 23,380,500
Budget Stabilization Balance Policy Goal	44.9%	40.0%	38.5%	40.0%	40.0%

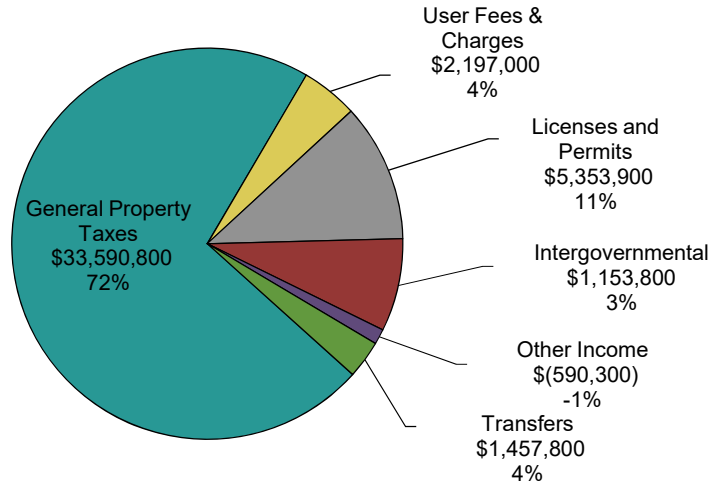
*Budget Stabilization amount above is 40% of next years budget.

General Fund Revenues

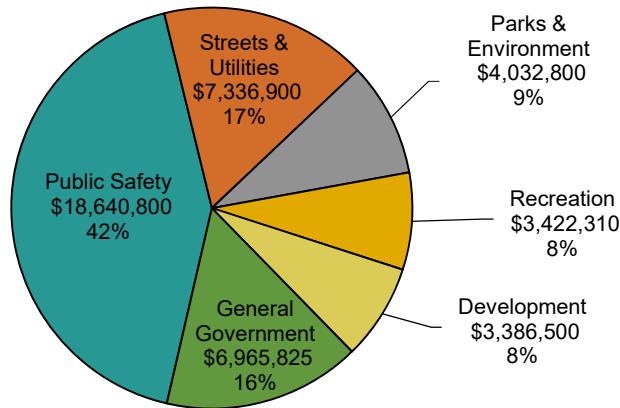
	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Budget
General Property Taxes					
Ad Valorem Tax Levy	\$ 29,560,970	\$ 32,109,862	\$ 33,760,800	\$ 33,760,800	\$ 37,180,000
Abatements & Cancellations	180,502	240,230	(200,000)	(200,000)	(200,000)
Other, incl. Tax Forfeit Sale Revenue	-	25	-	-	-
Penalties & Interest	24,335	61,576	24,000	30,000	24,000
<i>Subtotal, General Property Taxes</i>	<u>\$ 29,765,807</u>	<u>\$ 32,411,693</u>	<u>\$ 33,584,800</u>	<u>\$ 33,590,800</u>	<u>\$ 37,004,000</u>
Licenses & Permits					
Building Permits	\$ 2,232,863	\$ 2,631,399	\$ 1,610,000	\$ 3,012,200	\$ 1,700,000
Plumbing Permits	315,631	389,962	225,000	495,900	240,000
Electrical Permits	496,383	408,627	285,000	576,500	370,000
Heating Permits	591,944	534,046	375,000	643,000	360,000
Liquor Licenses	230,745	214,667	233,500	234,000	195,000
Food Handlers Licenses	234,843	216,340	195,000	204,800	210,000
All Other Licenses & Permits	181,460	192,951	158,400	187,500	140,400
<i>Subtotal, Licenses & Permits</i>	<u>\$ 4,283,869</u>	<u>\$ 4,587,992</u>	<u>\$ 3,081,900</u>	<u>\$ 5,353,900</u>	<u>\$ 3,215,400</u>
Intergovernmental Revenue					
Public Safety State Aid	\$ 953,925	\$ 971,663	\$ 953,900	\$ 1,029,900	\$ 1,029,900
MSA Maintenance	76,740	76,720	76,700	76,700	76,800
Federal Grants	4,092,116	2,379,378	40,000	2,344,900	40,000
Other Grants/Aid	122,289	150,478	140,700	136,700	71,000
<i>Subtotal, Intergovernmental Revenue</i>	<u>\$ 5,245,070</u>	<u>\$ 3,578,239</u>	<u>\$ 1,211,300</u>	<u>\$ 3,588,200</u>	<u>\$ 1,217,700</u>
Transfers					
Transfer From Utility Fund	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000	\$ 814,000
Transfer From Spec. Assess. Fund	41,700	42,400	43,100	43,100	43,900
Transfer From Ice Arena Fund	34,300	34,900	35,500	35,500	36,100
Transfer From Cable TV Fund	34,300	34,900	35,500	35,500	36,100
Transfer From Development Fund	66,500	67,700	68,900	68,900	70,100
Transfer From Environmental Fund	209,400	213,100	216,800	216,800	220,600
Transfer From Forestry Fund	58,000	58,000	59,000	59,000	60,000
Transfer From Williston Center	51,500	52,400	53,300	53,300	54,200
Transfer From Gray's Bay Marina	12,000	12,200	12,400	12,400	12,600
Transfer From Storm Water Fund	139,800	142,200	144,700	144,700	147,200
<i>Subtotal, Transfers</i>	<u>\$ 1,447,500</u>	<u>\$ 1,457,800</u>	<u>\$ 1,469,200</u>	<u>\$ 1,469,200</u>	<u>\$ 1,494,800</u>
User Fees & Charges					
Recreation Receipts	\$ 564,566	\$ 1,066,251	\$ 1,193,900	\$ 1,279,000	\$ 1,304,900
Community Center Rental	(1,730)	42,899	99,500	77,700	74,700
School Liaison Reimbursement	239,000	153,572	232,000	244,400	244,400
Tower Antenna Rental	583,989	600,725	595,900	595,900	550,000
<i>Subtotal, User Fees & Charges</i>	<u>\$ 1,385,825</u>	<u>\$ 1,863,447</u>	<u>\$ 2,121,300</u>	<u>\$ 2,197,000</u>	<u>\$ 2,174,000</u>
Other Income					
Court Fines	\$ 204,465	\$ 167,539	\$ 253,500	\$ 120,000	\$ 135,000
Investment Income	483,688	410,216	575,000	473,500	671,400
Miscellaneous Income	327,221	592,153	480,800	554,200	347,200
Change in Value of Investments	182,035	(448,813)	-	(1,738,000)	434,500
<i>Subtotal, Other Income</i>	<u>\$ 1,197,409</u>	<u>\$ 721,095</u>	<u>\$ 1,309,300</u>	<u>\$ (590,300)</u>	<u>\$ 1,588,100</u>
TOTAL REVENUES	<u>\$ 43,325,480</u>	<u>\$ 44,620,266</u>	<u>\$ 42,777,800</u>	<u>\$ 45,608,800</u>	<u>\$ 46,694,000</u>
Non-levy revenue	\$ 13,559,673	\$ 12,208,598	\$ 9,193,000	\$ 12,018,000	\$ 9,690,000

2022 Revised General Fund Operating Revenues & Expenditures

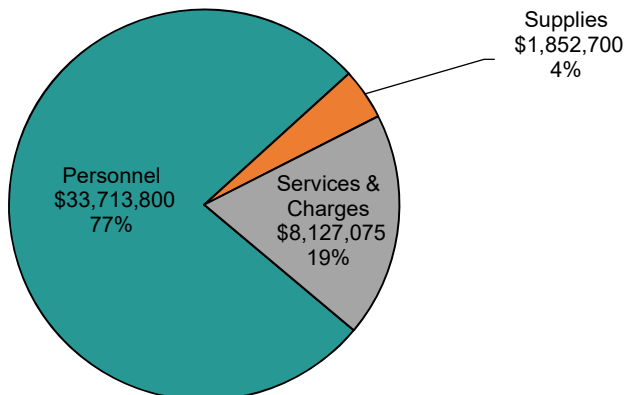
Revenues



Expenditures by Program

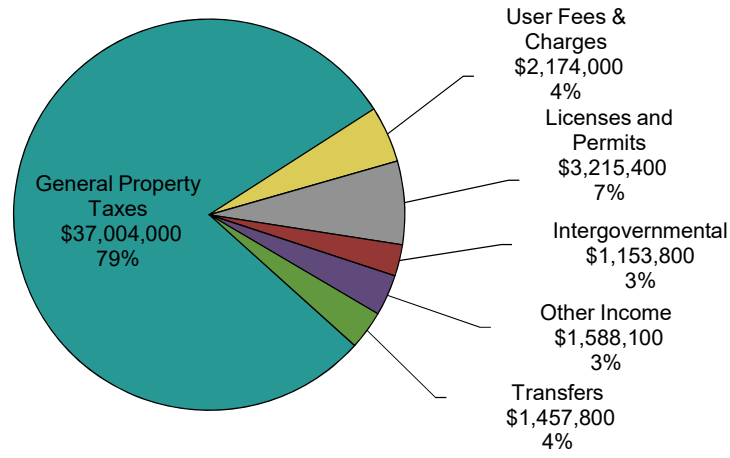


Expenditures by Category

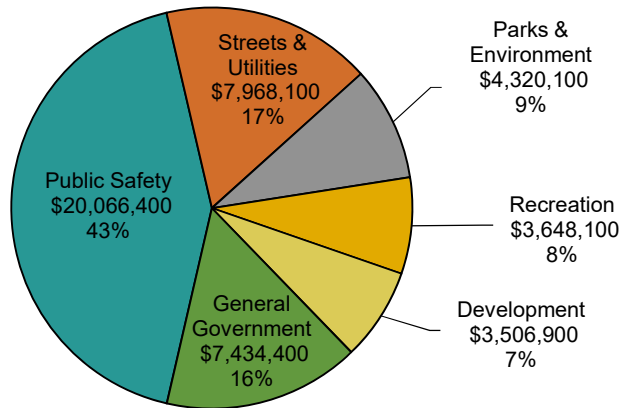


2023 General Fund Operating Revenues & Expenditures

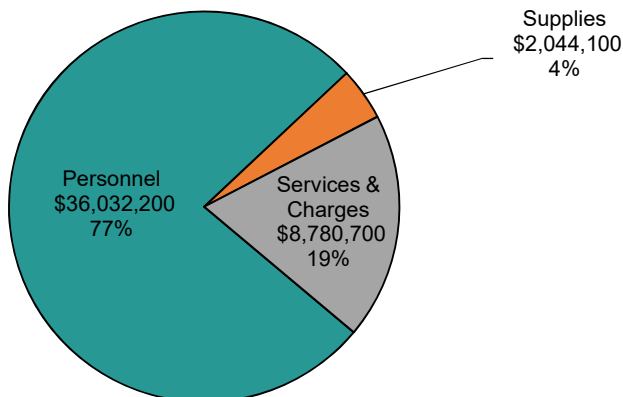
Revenues



Expenditures by Program



Expenditures by Category





CITY OF
MINNETONKA



CITY OF
MINNETONKA



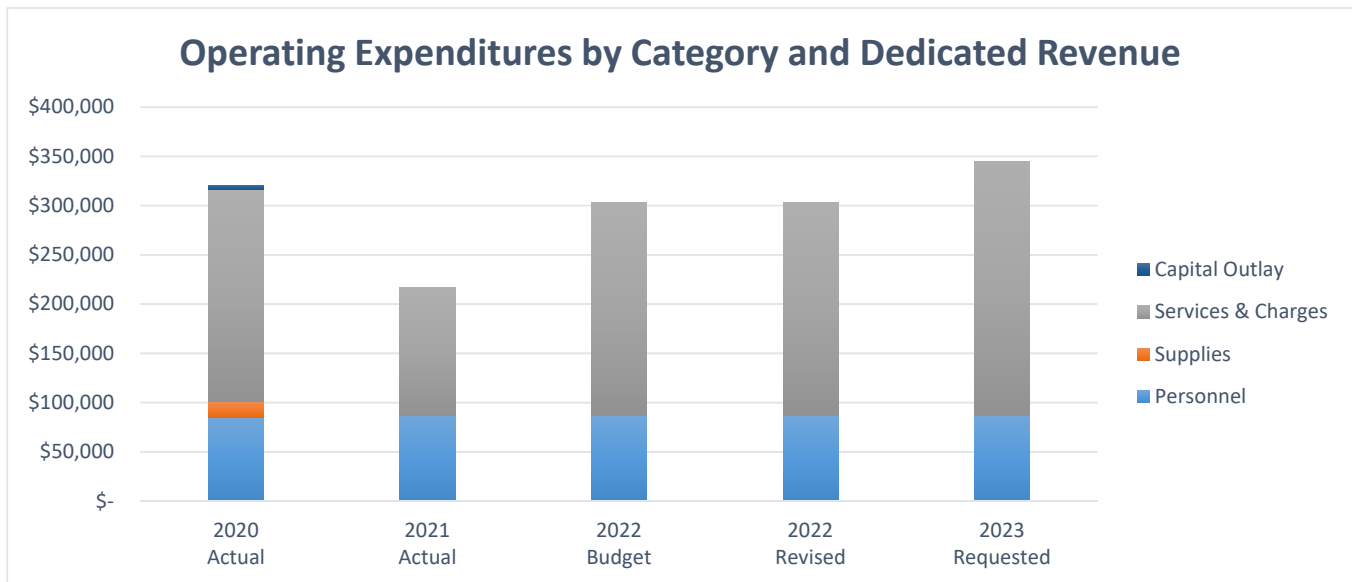
Division: **Mayor & City Council Division**
 Fund Type: **General Fund**

Description of Services:

The mayor and six council members are the city’s elected representatives and the governing body. The city’s charter and code of ordinances provide that they be paid a modest salary and reimbursed for reasonable expenses, which are included within this budget. Also included in this budget are the city’s memberships and dues in various metro, state and national organizations through which the city’s interests are represented and/or the city receives benefits and services.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Operating Expenditures by Category					
Personnel	\$ 85,050	\$ 86,783	\$ 86,800	\$ 86,800	\$ 86,500
Supplies	15,611	37	100	300	300
Services & Charges	215,276	130,248	216,200	216,100	258,200
Capital Outlay	4,699	-	-	-	-
Total Operating Expenditures	\$ 320,636	\$ 217,068	\$ 303,100	\$ 303,200	\$ 345,000



Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Residents rating "Quality of Life" in city as "good" or "excellent"	99%	99%	98%	98%
City council meeting dates (reg and study sessions)	48	35	41	40
Board, commission and task force appointments / reappointments	13	21	36	17
BIPOC Boards & Commission members	N/A	34%	36%	38%

Budget Comments/Issues:

- 2023 budget is reflected with anticipated inflation of dues and subscriptions.
- Savings of \$29,622 in 2021 due to Bassett Creek Watershed District dues being paid in December of 2020 instead of 2021.
- The 2020 increase in "other services and charges" are related to an increase in dues for organizational memberships, an increased interest from elected officials to attend regional and national conferences, and strategic planning consultant fees.

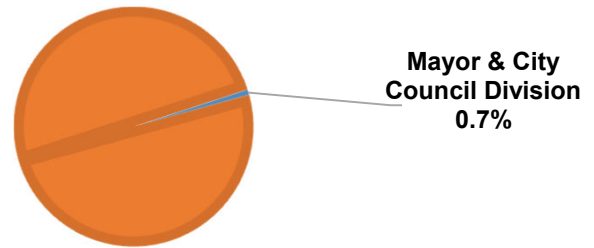
Employees

7 — 7 — 7 — 7 — 7

2020 Budget	2021 Budget	2022 Budget	2022 Revised	2023 Budget
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— — Mayor and Council Members

Percent of General Fund Expenditures





Division:
Responsible Department:
Fund Type:

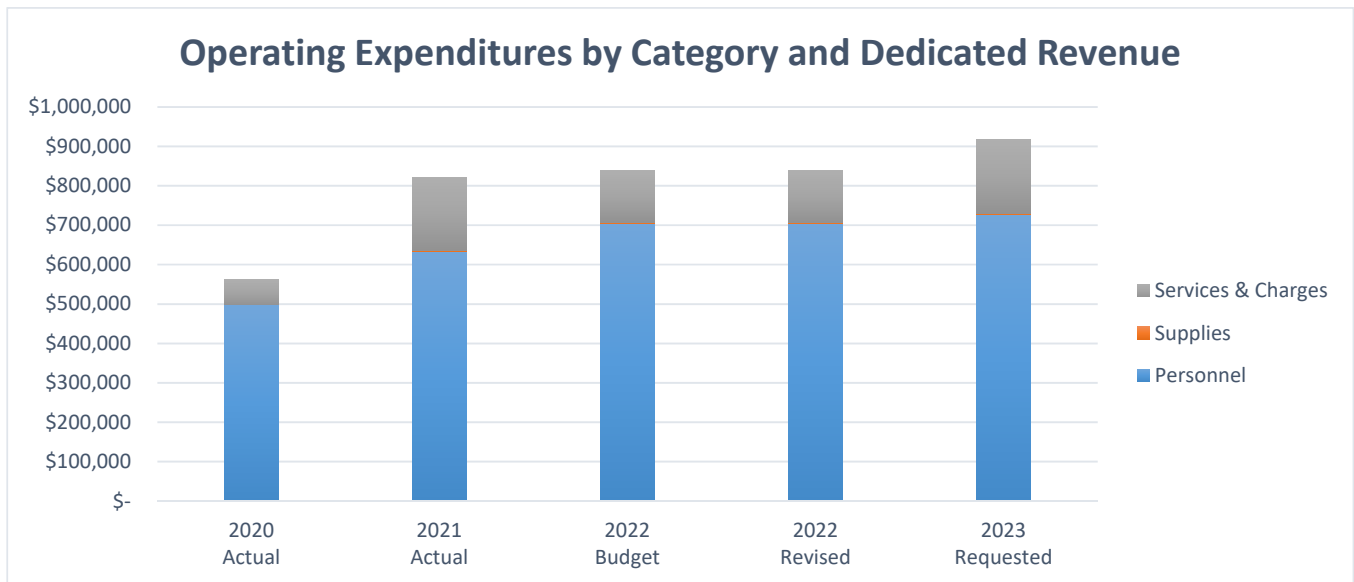
City Manager Division
Administrative Services Department
General Fund

Description of Services:

The city manager communicates with the mayor and council members, administers the city's policies and procedures and reviews, approves city council agendas, prepares the annual operating budget and capital improvements program and serves as the city's liaison to outside agencies.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Operating Expenditures by Category					
Personnel	\$ 497,633	\$ 633,007	\$ 704,900	\$ 704,900	\$ 728,200
Supplies	-	2,779	1,900	1,800	1,700
Services & Charges	63,761	186,226	132,000	132,200	188,100
Total Operating Expenditures	<u>\$ 561,394</u>	<u>\$ 822,012</u>	<u>\$ 838,800</u>	<u>\$ 838,900</u>	<u>\$ 918,000</u>



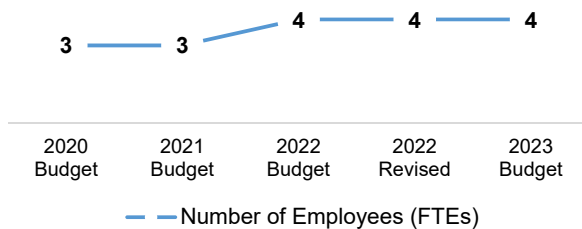
Key Measures:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Estimated</u>	<u>2023 Projected</u>
Internal Diversity Committee meetings	2	7	10	10
Diversity, Equity & Inclusion Task force meetings	0	7	2	0
Action steps in strategic plan	0	84	105	100

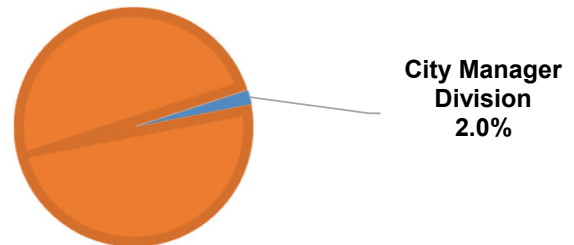
Budget Comments/Issues:

- The 2023 budget includes funds for software enhancements such as an agenda management system and additional modules in Envisio.
- The 2023 budget reflects increased efforts of Diversity Equity and Inclusive.
- The 2022 budget reflected increased efforts of Diversity Equity and Inclusive, including the salary of the 1 FTE, and accounts for the hiring and onboarding of City Manager.
- The 2021 and 2022 budget reflected costs associated with the creation of and ongoing learning for the Internal Diversity Committee (IDC).
- The 2021 budget includes the addition of 1 FTE. This new position in administration will serve as the Senior Diversity, Equity & Inclusion Coordinator. The 2022 funds for this position are reflected in personnel costs.
- The 2021 and 2022 budget reflected costs associated with the External Diversity, Equity and Inclusion task force.
- The 2021 budget reflected the retirement of a long term employee.
- The 2022 budget anticipated unknown in staffing.

Employees



Percent of General Fund Expenditures





Division:
Responsible Department:
Fund Type:

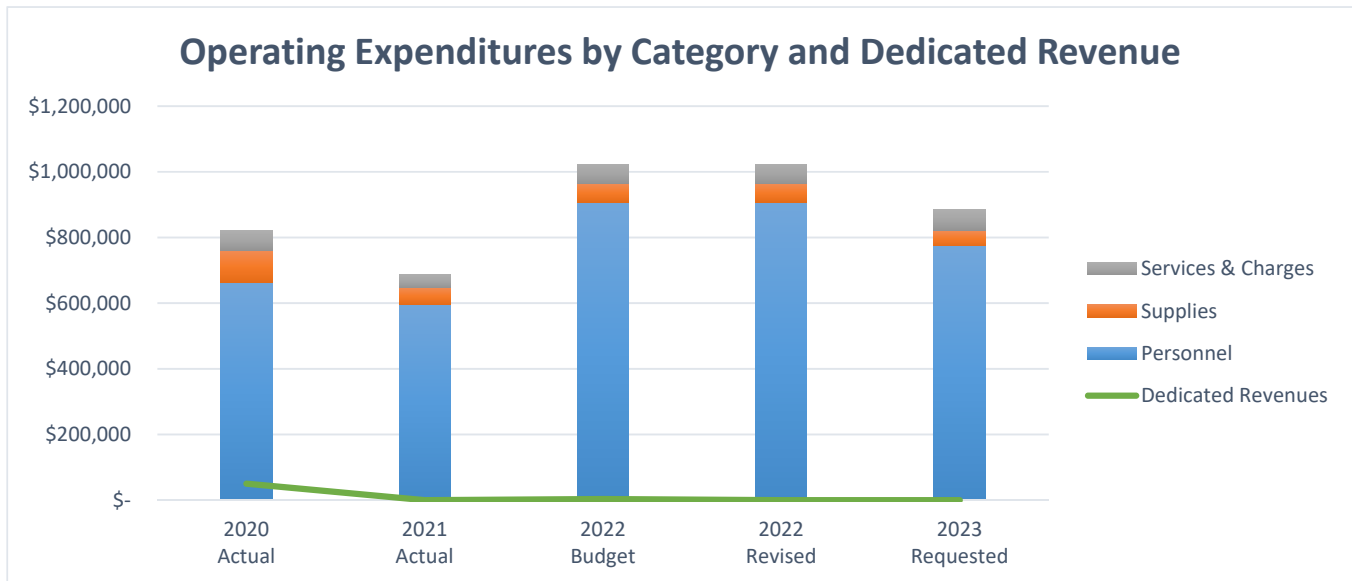
City Clerk Division
Administrative Services Department
General Fund

Description of Services:

To provide exceptional front line customer service; ensure City records are accurate and accessible by managing and placing records pursuant to State law; to hold fair elections by coordinating the election process pursuant to charter and law; to administer the administrative citation hearing process as an alternative to the court system; and to ensure the cities liability, property and auto insurance is current and accurate.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 50,260	\$ 250	\$ 3,500	\$ -	\$ -
Operating Expenditures by Category					
Personnel	\$ 664,214	\$ 597,252	\$ 906,300	\$ 906,300	\$ 774,100
Supplies	95,463	49,689	56,600	56,700	45,600
Services & Charges	60,220	38,966	60,400	60,300	64,500
Total Operating Expenditures	\$ 819,897	\$ 685,907	\$ 1,023,300	\$ 1,023,300	\$ 884,200



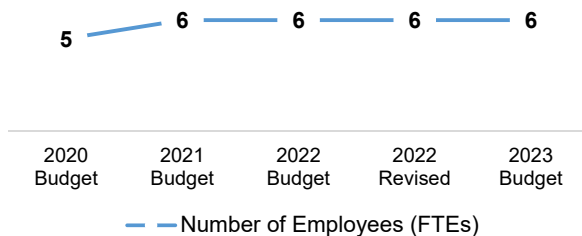
Key Measures:

	<u>2020</u> <u>Actual</u>	<u>2021</u> <u>Actual</u>	<u>2022</u> <u>Estimated</u>	<u>2023</u> <u>Projected</u>
Information desk phone calls	23,870	18,817	20,000	20,000
Total number of ballots cast	37,602	11,350	35,260	11,260
Registered voter turnout (percentage)	N/A	28.46%	86%	28%
Data Practice Requests	115	170	140	150

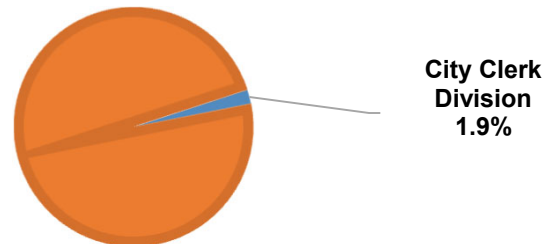
Budget Comments/Issues:

- The division's budget, for personnel services in particular, fluctuates with the occurrence of elections. In a year like 2022 that includes state elections, workload responsibilities and corresponding information desk calls increase, which in turn increases costs. The cost is reduced in 2023.
- The 2023 Election Supplies decreases from 2022, but reflects the substantial increase in per ballot costs.
- The 2021 budget includes \$25,000 to assist with the transition to ranked choice voting.
- The 2021 budget includes the addition of 1 FTE additional staff. The elections specialist position was dependent on the passage of the ranked choice vote ballot question passing on November 3.
- The Office of the Secretary of State (OSS) received funding through the 2020 CARES Act "to prevent, prepare for, and respond to coronavirus, domestically or internationally, for the 2020 Federal election cycle." Minnesota Laws 2020, Chapter 77, authorized the use of these funds within Minnesota, including allowing for distributing these funds to local governments for use consistent with the state and federal requirements. Note that this is a separate pool of funds from the larger CARES Act money that Minnetonka received. These funds can only be spent on elections-related costs. The City of Minnetonka received a total of \$40,203. Due to a required 20% match, an addition of \$48,243.60 was added to the line item.

Employees



Percent of General Fund Expenditures





Division:
Responsible Department:
Fund Type:

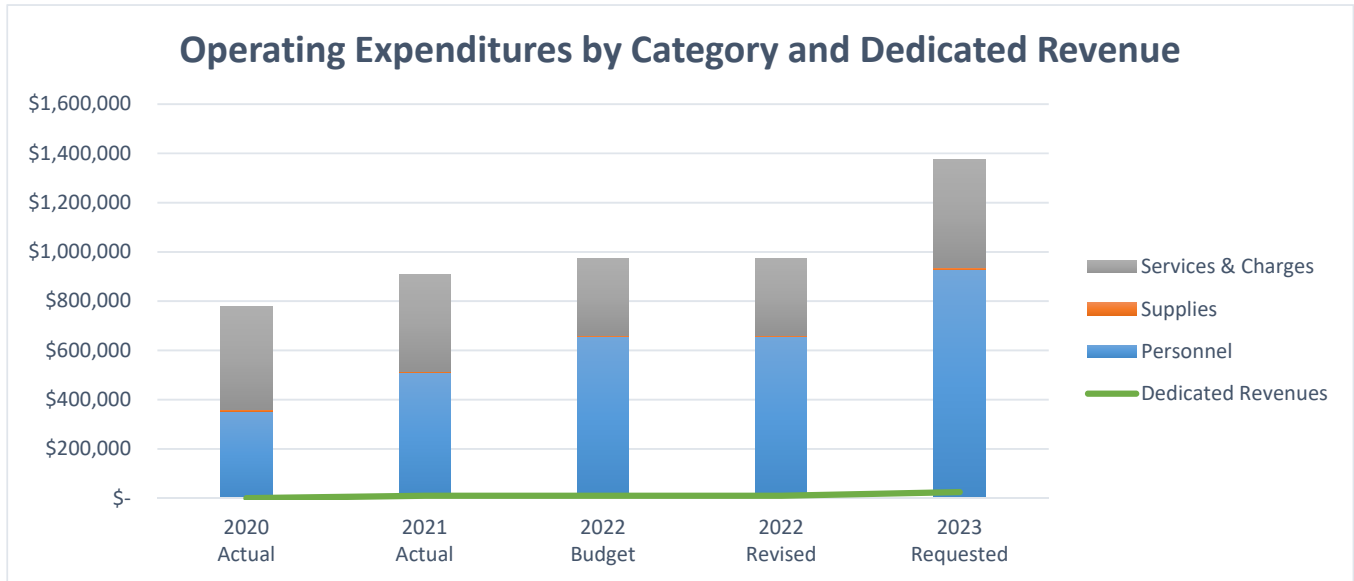
Human Resources Division
Administrative Services Department
General Fund

Description of Services:

Through strategic and customer service oriented partnerships and collaboration, Human Resources designs and supports systems to attract, develop, and retain a high performing, inclusive and diverse workforce and fosters a healthy, safe and engaged workforce focused on maximizing individual potential, expanding organizational capacity and positioning the City of Minnetonka as a premier employer.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ -	\$ 10,000	\$ 10,000	\$ 10,000	\$ 25,000
Operating Expenditures by Category					
Personnel	\$ 353,243	\$ 511,311	\$ 654,500	\$ 654,500	\$ 927,200
Supplies	7,335	3,010	5,500	6,300	7,900
Services & Charges	416,604	394,832	312,200	311,500	439,300
Total Operating Expenditures	\$ 777,182	\$ 909,153	\$ 972,200	\$ 972,300	\$ 1,374,400



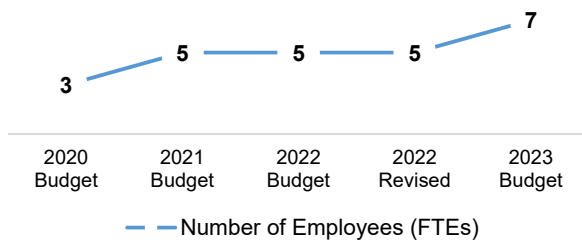
Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
City positions - Reg FT, PT & POC	341	364	364	368
Employee turnover rate (FT, PT & POC)	8.1%	10.74%	7.53%	8.5%
Workers Compensation Mod Factor	0.73	0.55	0.7	0.9
Increase / (decrease) in the annual health insurance premium	13%	(10%)	12.5%	20%
BIPOC city employees - Reg FT, PT & POC	6.3%	6.59%	6.3%	6.6%
BIPOC city employees - Seas, Temp, Flex PT	8.9%	8.3%	8.65%	8.8%
Average payroll count (FT,PT,seasonals,firefighters)	518	518	595	595

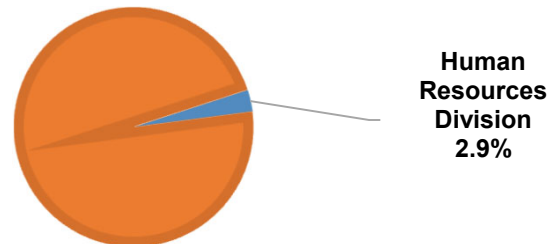
Budget Comments/Issues:

- In 2023 health insurance premiums are to increase by an average of 13.1%. This will be a shared costs between employees and the city. City-wide personnel budgets are reflective of this increase.
- The 2023 budget includes 1 full-time employee in the Human Resources Division focusing on safety and wellness.
- The 2023 budget reflects costs associated with the ongoing learning for the Internal Diversity Committee (IDC).
- The 2022 and 2023 budget reflects the transition of the payroll accountant from Finance to Human Resources.
- The 2023 budget reflects the need of a salary survey to be conducted by a consultant, this is anticipated to be a three-year project.
- In 2022 health insurance premiums are to increase by an average of 12.5%. This will be a shared costs between employees and the city. City-wide personnel budgets are reflective of this increase.
- The 2021 budget include 2 full-time employees in the Human Resource Division.
- The 2021 budget exceeds budgeted costs as staffing turnover resulted in the hiring of temp staff to continue the ongoing workload and additional workload to accommodate for continued COVID-19 related tracking and focus.
- The 2021 budget reflects the need to purchase software to modernize and streamline the onboarding of new employees and performance management throughout organization.
- The division's budget saw a drastic increase in 2020 and 2021 due to the impacts from COVID-19, staffing turnover both in division and city wide and increased efforts to recruit and retain employees, while staying competitive with benefits and compensation.

Employees



Percent of General Fund Expenditures





Division:
Responsible Department:
Fund Type:

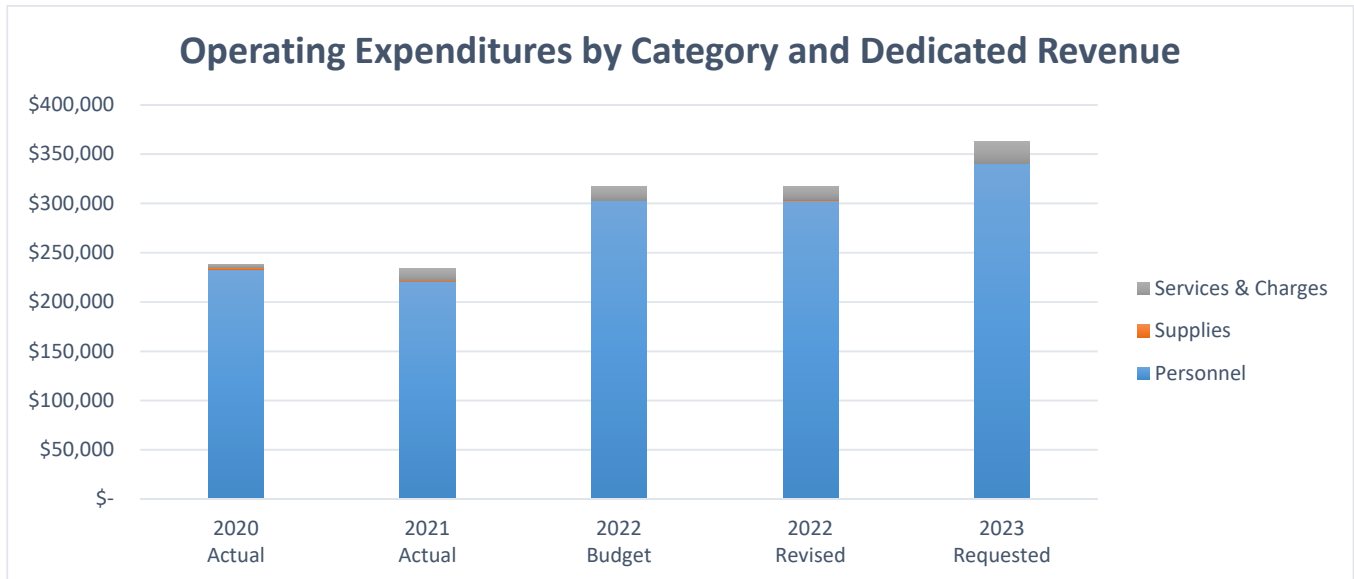
Communications Division
Administrative Services Department
General Fund

Description of Services:

The communications team is responsible for all external and internal communications, including: media relations, crisis communications, publications, website, social media, brand and image management, and marketing.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Operating Expenditures by Category					
Personnel	\$ 233,383	\$ 220,858	\$ 303,400	\$ 303,400	\$ 340,900
Supplies	1,615	874	-	1,000	-
Services & Charges	3,513	12,024	13,900	12,925	21,800
Total Operating Expenditures	<u>\$ 238,511</u>	<u>\$ 233,756</u>	<u>\$ 317,300</u>	<u>\$ 317,325</u>	<u>\$ 362,700</u>



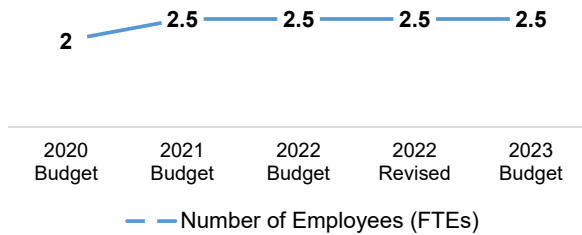
Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
City email subscribers	21,671	27,307	30,000	33,000
Minnetonka Memo as preferred communication	59%	51%	52%	54%
Social media engagement rate	2.5%	5.3%	5.8%	6.3%
Videos content produced	10	15	20	25

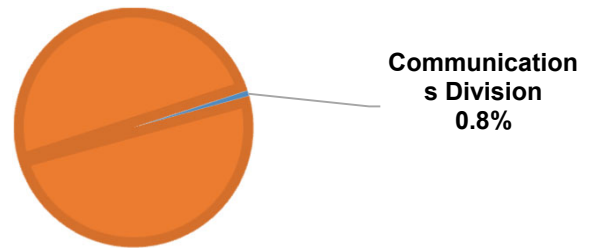
Budget Comments/Issues:

- The 2022 and 2023 budget reflect the cost of implementation and ongoing annual fee to recently launched employee intranet, which is being transferred out of the cable television fund.
- The 2021 budget reflects the cost of the MinnetonkaMatters.com website and regular video reports (i.e.: Minnetonka Moment). These tools are aimed at increasing engagement and attracting new subscribers.
- The 2021 budget reflects a .5 additional staff in the Communications Division who will focus on developing engagement content.
- The 2021 budget sees a cost savings as conferences and training were all held remotely due to the current pandemic.

Employees



Percent of General Fund Expenditures





Division:
Responsible Department:
Fund Type:

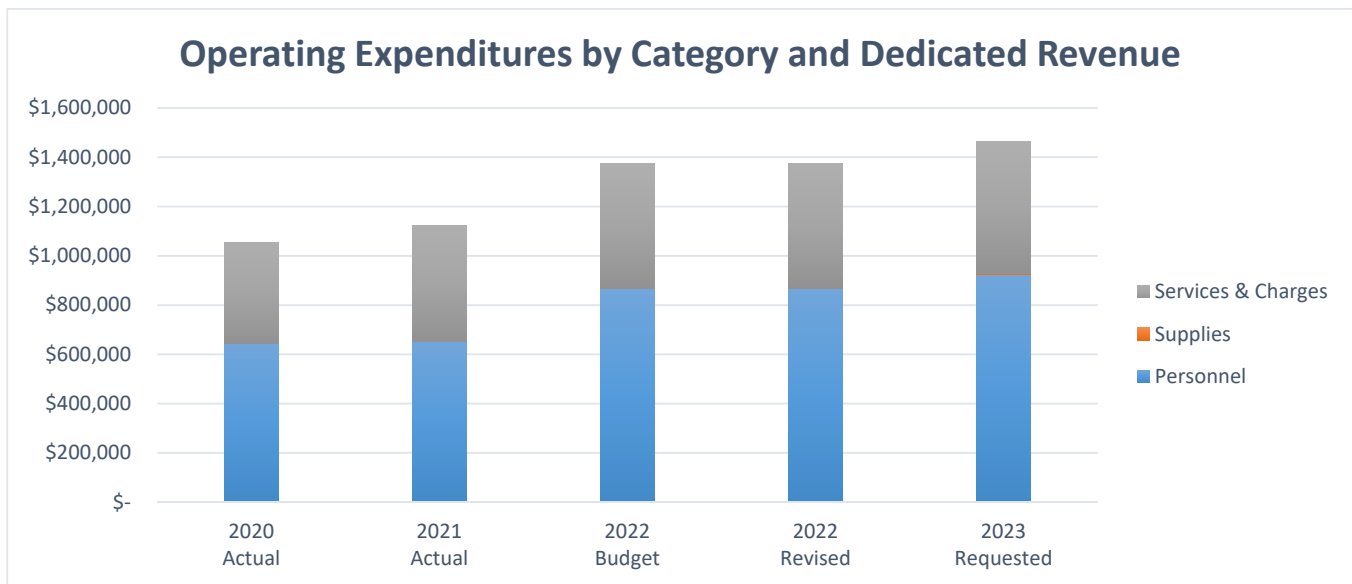
Information Technology Division
Administrative Services Department
General Fund

Description of Services:

The Information Technology Division provides internal consulting and end-user support for technology to all city departments. Specifically, the division is responsible for implementing and maintaining the network infrastructure, desktop and mobile support, telephone system, pagers, cell phones, office equipment and audio visual equipment at 18 city locations.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Operating Expenditures by Category					
Personnel	\$ 643,693	\$ 651,842	\$ 866,000	\$ 866,000	\$ 925,900
Supplies	885	668	2,400	3,400	3,200
Services & Charges	411,450	471,654	506,100	506,100	533,600
Total Operating Expenditures	<u>\$ 1,056,028</u>	<u>\$ 1,124,164</u>	<u>\$ 1,374,500</u>	<u>\$ 1,375,500</u>	<u>\$ 1,462,700</u>



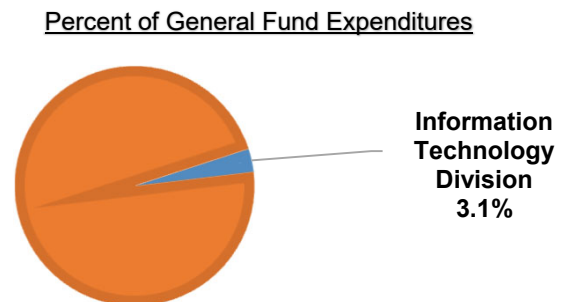
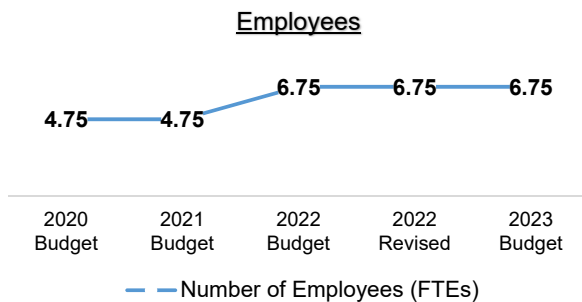
Key Measures:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Estimated</u>	<u>2023 Projected</u>
Help Desk requests	2,739	2,739	3,300	3,750
Field & home remote connections supported	360*	360*	500*	535*
Technology projects completed	49	49	65	65

* Field & home remote connections now include all mobile devices (iPads, iPhones, & home remote)

Budget Comments/Issues:

- The 2023 budget reflects professional consulting to begin investigation on Microsoft 365.
- The 2022 budget recognized an increase in minimal inflation, particularly in personnel. Help desk tickets and project initiatives continue to trend upward which will require evaluation of staff resources for 2022 with a request of two additional FTE's.
- In 2022, the budget included additional mid-level information technology staff person to handle the increased technology demands on the city.
- The 2020 budget includes a \$15,000 increase in "professional services" to support the hiring of a strategic planning consultant. A long-term strategic plan will position the IT division to continue providing efficient, forward-thinking customer service to the organization in the midst of an ever-changing industry.
- The number of remote connections and hand held devices continues to grow requiring additional support of an increasingly mobile workforce.





Division:
Responsible Department:
Fund Type:

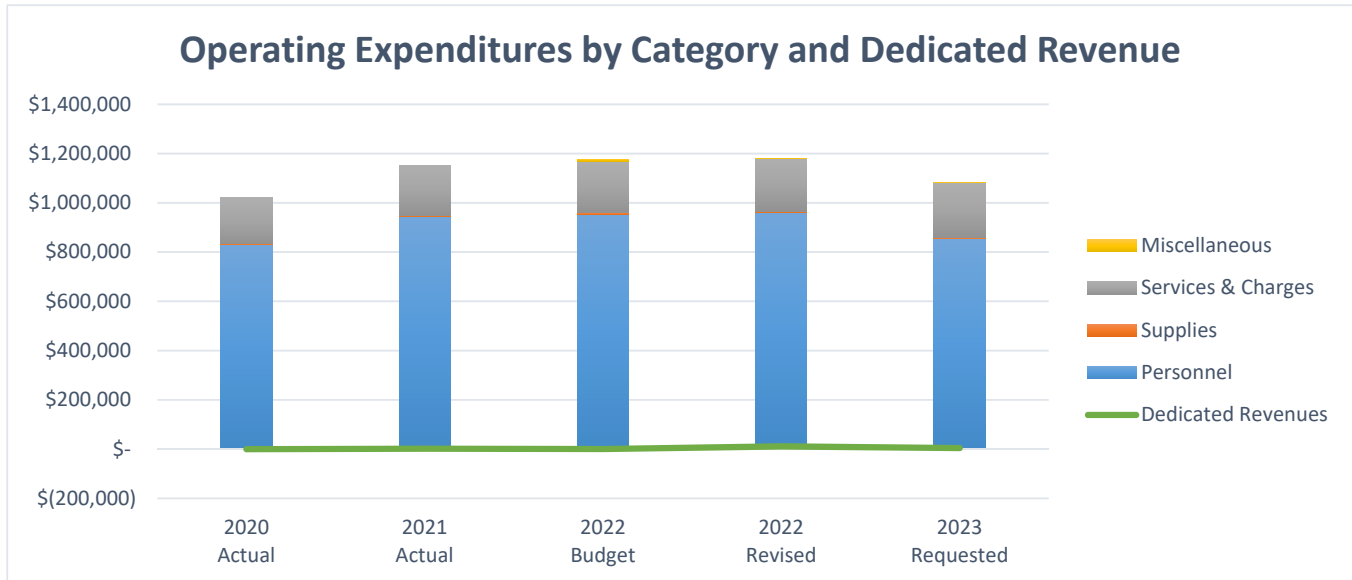
Finance Division
Finance Department
General Fund

Description of Services:

The mission of the Finance Department is to protect and safely manage the assets of the city and to provide accurate, timely and complete financial information in an understandable and friendly manner to the public and staff. The department is responsible for the functions of preparation of budgets, utility billing, purchasing, investing city funds, debt, financial reporting, and managing as well as safeguarding other city assets as requested by city council and/or the city manager and in compliance with federal, state and local legal requirements. It assists other city departments in developing appropriate recommendations for fee schedules, fiscal analysis including examination of program costs and benefits, and other financial evaluations as needed.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ (312)	\$ 1,727	\$ -	\$ 11,100	\$ 4,000
Operating Expenditures by Category					
Personnel	\$ 829,174	\$ 945,437	\$ 954,200	\$ 960,900	\$ 854,100
Supplies	3,817	2,856	4,500	3,700	4,300
Services & Charges	187,885	202,465	209,950	214,800	223,100
Miscellaneous	-	-	8,200	1,000	1,000
Total Operating Expenditures	<u>\$ 1,020,876</u>	<u>\$ 1,150,758</u>	<u>\$ 1,176,850</u>	<u>\$ 1,180,400</u>	<u>\$ 1,082,500</u>



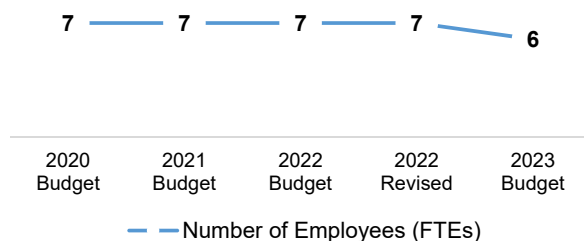
Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Utility customer accounts	17,134	17,141	17,200	17,250
Utility customers using city online billing	20%	25%	27%	28%
Utility customers paying electronically	65%	64%	68%	69%
Average monthly vendor payments	612	611	681	700
Vendor payments paid electronically	35%	40%	39%	40%
Annual rate of return on investments	2.4%	(0.4%)	(1.7%)	3.3%
Moody's credit rating	Aaa	Aaa	Aaa	Aaa
GFOA Award for Excellence in Financial Reporting	Awarded	Awarded	Awarded	Awarded

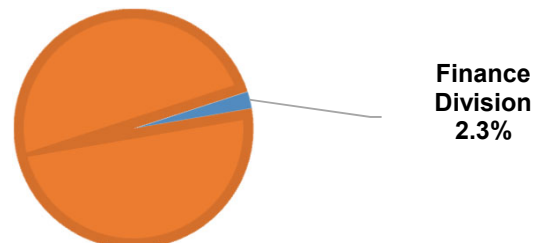
Budget Comments/Issues:

- The 2023 budget for the finance department maintains current operations and service levels.
- The department continues to move towards greater efficiencies through electronic transactions, and staff continues to promote their use to realize cost efficiencies. Over the past several years, the department has implemented systems for citywide accounts payable processing and invoice filing as well as electronic payment of vendors. The current online utility billing and payment software was replaced January 2021 with a more modern and customer friendly application that provides real-time account information, multiple modes of communication including optional text messages, and several payment options.
- The city's current financial, human resources management and utility billing applications are 20+ years old. The city currently utilizes the LOGIS consortium for these and several other applications city-wide. LOGIS and its members have decided that due to the age and required updates of these applications it is beneficial to RFP for the suite of applications. This conversion project will require significant staff time, including potential temporary or permanent staffing during and/or after the project is complete. This project was kicked off in May 2021 and is anticipated to be completed towards the end of 2024. This project is included within the 203-2027 CIP and is budgeted at \$1.4 million.
- In 2022, the payroll function was reorganized and transferred to the human resources division under the administration department. This reorganization accounts for the decrease of one full-time position within the finance department.

Employees



Percent of General Fund Expenditures





Division:
Responsible Department:
Fund Type:

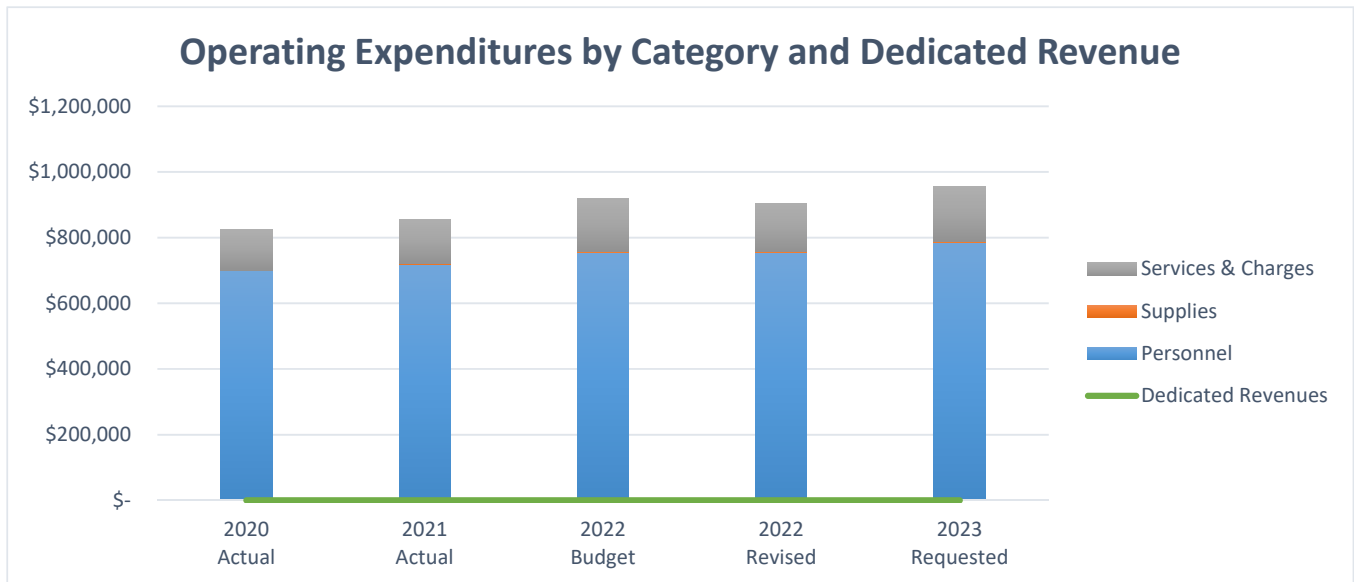
Assessing Division
Finance Department
General Fund

Description of Services:

The mission of the Assessing Division is to establish accurate and equitable market values by recording property characteristics and conducting sales analyses of the approximately 20,900 parcels in the city, including real and personal property, residential, industrial, and tax exempt. After the division values parcels of real property in the city, as required by state law, it mails value notices to property owners in March. Property owners' concerns or appeals are addressed by staff and by the city council sitting as the Local Board of Appeal and Equalization in April. The council has local real estate professionals advise them when considering market value appeals, while staff works with commercial property owners regarding their petitions to State Tax Court. The division also administers special assessments, and serves as the repository for current and historical property information within the city.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 20	\$ 100	\$ -	\$ -	\$ -
Operating Expenditures by Category					
Personnel	\$ 699,800	\$ 719,222	\$ 754,000	\$ 754,000	\$ 784,300
Supplies	1,399	1,654	3,800	3,400	4,000
Services & Charges	122,695	134,570	161,200	147,500	166,600
Total Operating Expenditures	<u>\$ 823,894</u>	<u>\$ 855,446</u>	<u>\$ 919,000</u>	<u>\$ 904,900</u>	<u>\$ 954,900</u>

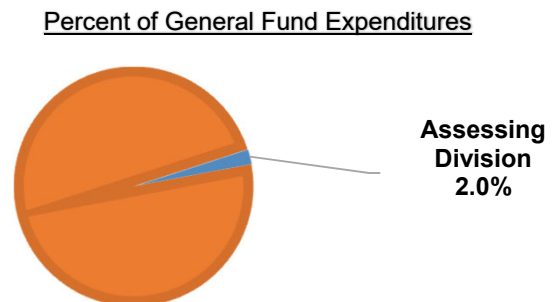
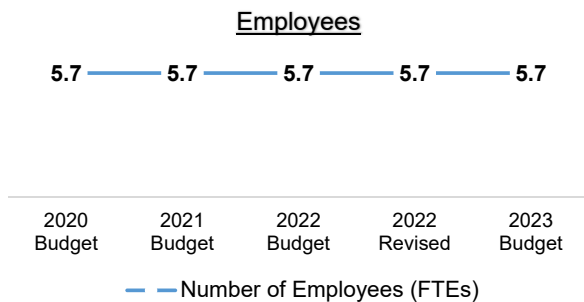


Key Measures:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Estimated</u>	<u>2023 Projected</u>
Total market values	\$10.77 billion	\$11.19 billion	\$12.59 billion	\$13.35 billion
Sales ratio (targets revised annually by county)	96.8%	96.0%	95.6%	96.0%
Coefficient of dispersion (Less than 10 is "good")	6.4	5.3	5.3	5.4
Survey rating "excellent" or "good" from on-site appraisal visits	N/A	97%	99%	97%
Commercial tax court petitions (payable year)	64	83	68	70

Budget Comments/Issues:

- The 2023 budget for the Assessing Division supports current services of the division. Fluctuation in the real estate market can increase the workload of the division with required revaluation of properties due to new developments, other improvements and sales.
- Due to commercial appraiser staff turnover, the limited market for commercial appraisers and the need for succession planning, the Assessing Division was reorganized to include an assistant city assessor. This position, along with the city assessor, will be responsible for the commercial assessment along with other administration duties of the division. This addition does not change the total FTE count.
- The Assessing Division has developed an internship program to educate and encourage new workers in the public appraisal field. The seasonal intern in the program likewise serve a critical role in managing the division's workload. Due to the COVID pandemic, the internship program did not take place in 2020 or 2021, but was reinstated in 2022.
- Residential property values experienced a 16% value increase as of January 2, 2022. This large increase spurred an unprecedented amount of resident inquiries and appeals requiring substantial staff time to resolve and/or prepare for the Local Board of Appeals and Equalization.





Division:
Responsible Department:
Fund Type:

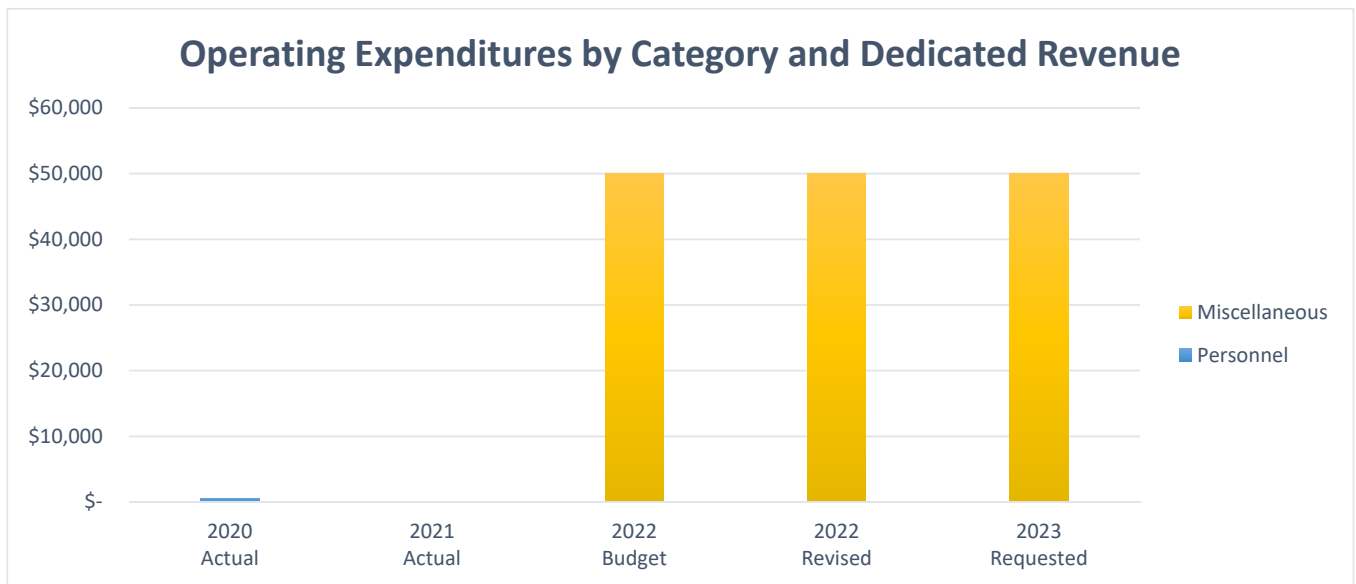
Contingency Budget Division
Finance Department
General Fund

Description of Services:

The city budgets a targeted amount for contingency in the event that unanticipated expenses arise during the fiscal year that require additional funding. If the monies are not required, they are returned to the fund balance of the General Fund.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Operating Expenditures by Category					
Personnel	\$ 592	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	50,000	50,000	50,000
Total Operating Expenditures	<u>\$ 592</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>



Budget Comments/Issues:

- Over time, the amount budgeted for contingency has been revised up and down to reflect current conditions. The city has not required its use in recent history.



CITY OF
MINNETONKA



Department:
Responsible Department:
Fund Type:

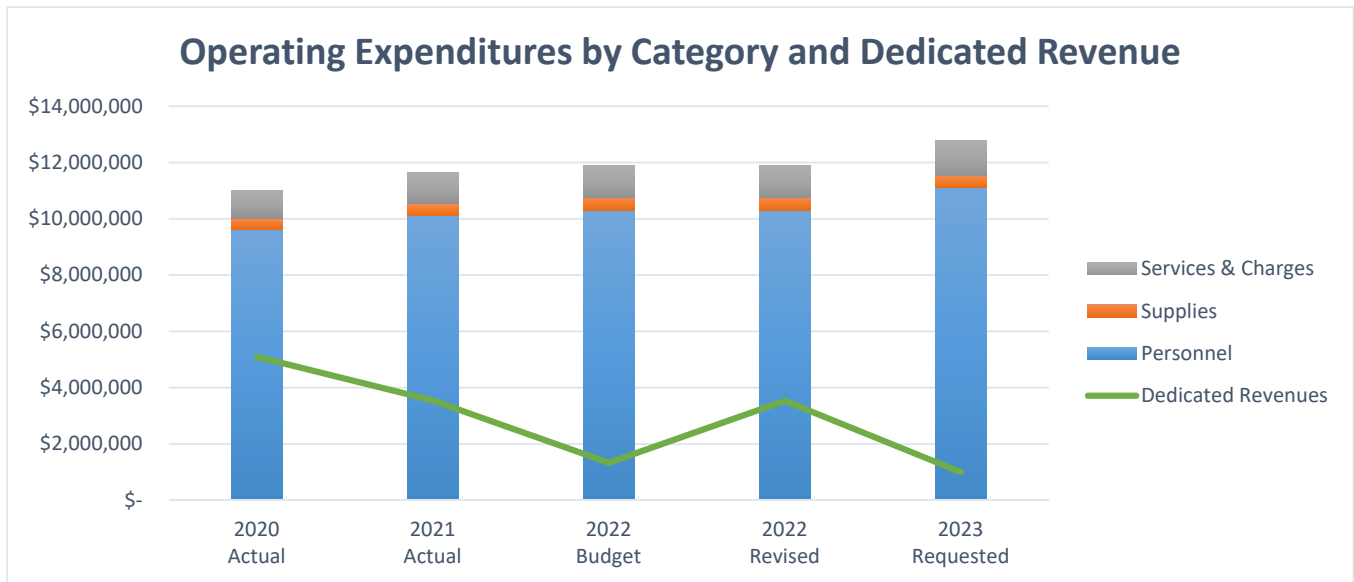
Police Department
Police Department
General Fund

Description of Services:

The police department is responsible for providing police services to the community. This includes: emergency response, investigative services, homeland security, crime prevention, and proactive and reactive patrol. The department works collaboratively with other city departments, three school districts and community partners to include other law enforcement agencies to maximize its effectiveness. The city complies with all state and federal reporting requirements for the maintenance of police records and data relevant to the criminal justice requirements.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 5,095,885	\$ 3,546,093	\$ 1,332,500	\$ 3,534,700	\$ 999,700
Operating Expenditures by Category					
Personnel	\$ 9,613,027	\$ 10,097,170	\$ 10,301,400	\$ 10,301,400	\$ 11,101,200
Supplies	404,981	442,133	440,800	449,000	423,000
Services & Charges	1,004,372	1,098,535	1,139,850	1,131,800	1,257,100
Total Operating Expenditures	\$ 11,022,380	\$ 11,637,838	\$ 11,882,050	\$ 11,882,200	\$ 12,781,300

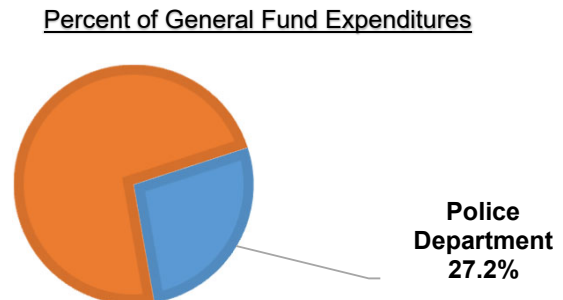
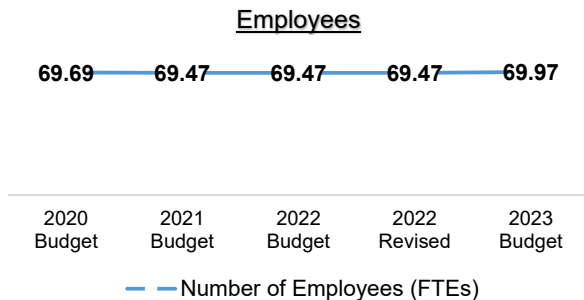


Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Community Survey Satisfaction	98%	97%	98%	98%
Calls for service	40,509	38,490	39,500	41,000
Criminal offenses - Part I & II	1,089	1,914	2,075	2,200
Medicals	2,559	3,145	3,600	4,500
Traffic Stops	4,738	2,972	3,350	4,100
Traffic Citations	1,407	788	2,300	2,800
Mental Health Crisis	449	400	415	430
Training Hours	3,605	5,779	5,500	5,500

Budget Comments/Issues:

- Policing continues to evolve as public safety expectations change in our community. The department has engaged a consultant to review all police operations and will make recommendations to enhance department readiness. The department has identified several officer recruitment strategies to address numerous retirements in the coming years. The department continues to place an increased emphasis on community engagement, specifically race and equity and continues to partner with community groups to build trust and legitimacy.
- The department instituted a directed patrol program to identify and respond to emerging crime and traffic issues.
- The department purchased the VirTra video simulator which provides enhanced realistic use of force training.
- The department will launch additional transparency dashboards in 2023 to further provide operational data. These dashboards will include data on arrests, use of force and complaints. To manage the dashboards and to assist with evaluating the data on a continuous basis, a data analyst shared with the fire department is included in the 2023 budget.
- Reduced police officer applicants has required the department to identify new recruitment strategies. A cadet program was implemented to target diverse applicants, providing tuition reimbursement, mentoring and job placement opportunities. These positions will replace our current community service officer positions as they are vacated. The 2023 tuition reimbursement is approximately \$13,000 and increases to \$26,000 in 2024 and thereafter. In addition, in anticipation of a retirement, the department will attempt to hire the replacement approximately 60 days before the retirement. Cost is approximately \$13,000 per retirement.
- The department engaged a consultant to explore all aspects of police operations and staffing with the intent of bringing recommendations to the city council for review.
- The annual cost to support our current technology is increasing.
- Dedicated revenues includes federal CARES and ARPA funds of \$4,048,243 and \$4,733,320, respectively.





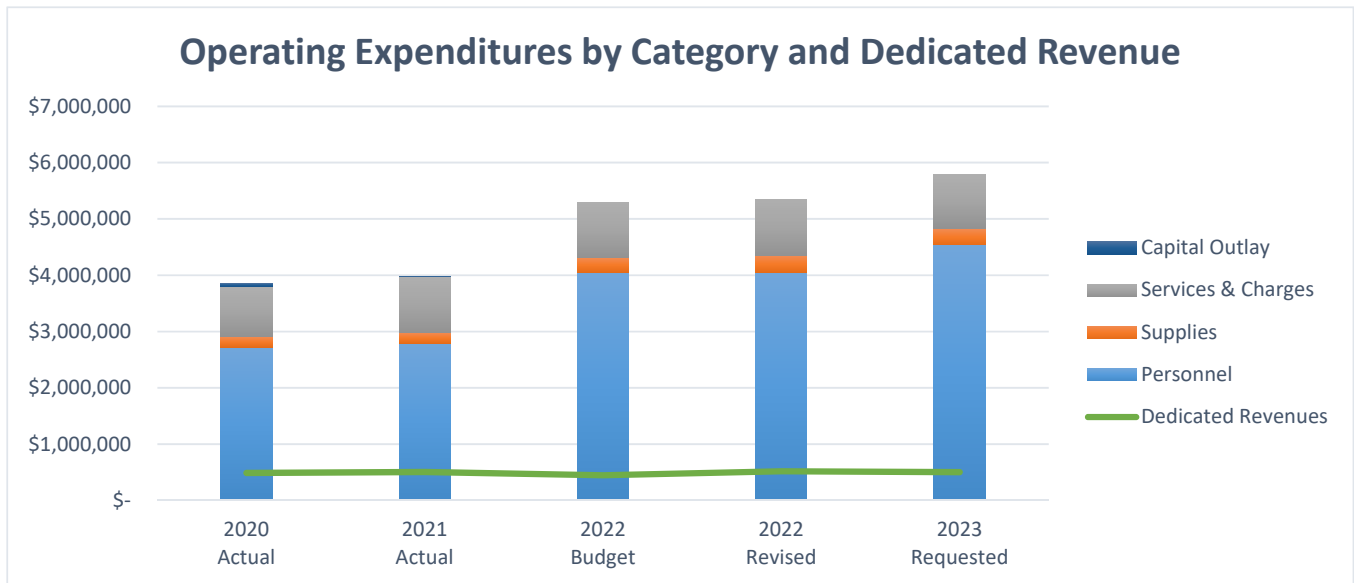
Department: **Fire Department**
 Responsible Department: Fire Department
 Fund Type: General Fund

Description of Services:

The Fire Department's mission is to continuously protect and preserve life and property through quality education, prevention, disaster preparedness, and rapid emergency response. The department provides key services to the city that include: firefighting, emergency medical services (EMS), hazardous material response (hazmat), fire code inspection/enforcement, equipment maintenance, and emergency management. The fire department is regarded as an all-hazards, all-risk service provider by developing and maintaining strategic community partnerships, hiring and training exceptional people, developing efficiencies in service provision to ensure sustainability for the entire organization and maintaining our core infrastructure. The fire department has an authorized strength of 80 paid-on-call firefighters and 23.5 full-time employees. The fire department's most recent evaluation by the Insurance Service Office (ISO) has maintained a rating of 3. This translates into lower insurance premiums for some Minnetonka businesses and residents.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 487,865	\$ 505,160	\$ 447,800	\$ 518,400	\$ 502,900
Operating Expenditures by Category					
Personnel	\$ 2,713,633	\$ 2,793,706	\$ 4,054,800	\$ 4,054,800	\$ 4,540,300
Supplies	190,065	180,503	253,600	291,400	287,100
Services & Charges	896,781	997,402	984,800	1,008,500	964,800
Capital Outlay	51,849	238	-	-	-
Total Operating Expenditures	\$ 3,852,328	\$ 3,971,849	\$ 5,293,200	\$ 5,354,700	\$ 5,792,200

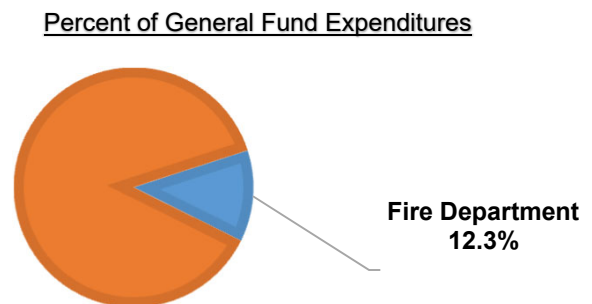
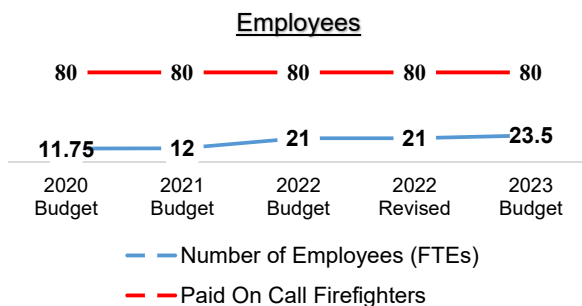


Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Paid-on-call firefighters	79	79	65	70
Total fire calls, excluding medicals	1,075	1,206	1,250	1,275
Number of false alarms	291	329	366	350
Medical calls	2,359	2,997	3,432	3,400
Firefighter calls outs	76	83	90	80
Non-duty crew training hours	12,273	13,655	13,800	13,900
Daily On Duty Crew Staffing - FTE/Part Time	1/4	1/4	4/4	5/3
Average response time to all emergency calls	7:45	8:06	7:56	7:26
Effective Response Force (at least 10 firefighters)	13:58	12:27	14:30	12:30

Budget Comments/Issues:

- Changing workforce dynamics continue to challenge the city and other fire departments around the country to adapt fire service management structures in order to maintain public safety services. This budget addresses the continued evolution of these services as the city attempts to be proactive to maintain the current service level.
- The city hired 9 full time fire personnel in 2022 to begin to fill the staffing shortfall the fire department is experiencing due to high turnover and falling experience levels. This first phase of full time staffing also allows the city to staff Fire Station 3 on Rowland Road 24/7. This is critical due to an increasing demand for service in the Opus area and southeast corner of the city.
- To insure quality service, transparency, planning and to make informed operational changes that are data driven, the fire department will begin the accreditation process through the Center for Public Safety Excellence.
- The 2023 budget includes the funding of two additional full time personnel, allowing staffing of a total of five full time personnel on duty 24/7.
- The city engaged a consultant in 2022 to study station location and staffing, particularly on the north and south sides of the city in order to assure equitable fire department coverage throughout the city. Council will receive the results of that study prior to the formulation of the 2024 budget.
- Staff continues to seek and implement ways to be creative with staffing to maintain a safe and effective staffing level while also follow industry best practices.
- Staff will work closely with neighboring jurisdictions and state organizations to address increasing Emergency Medical Services (EMS) response times.





Department:
Responsible Department:
Fund Type:

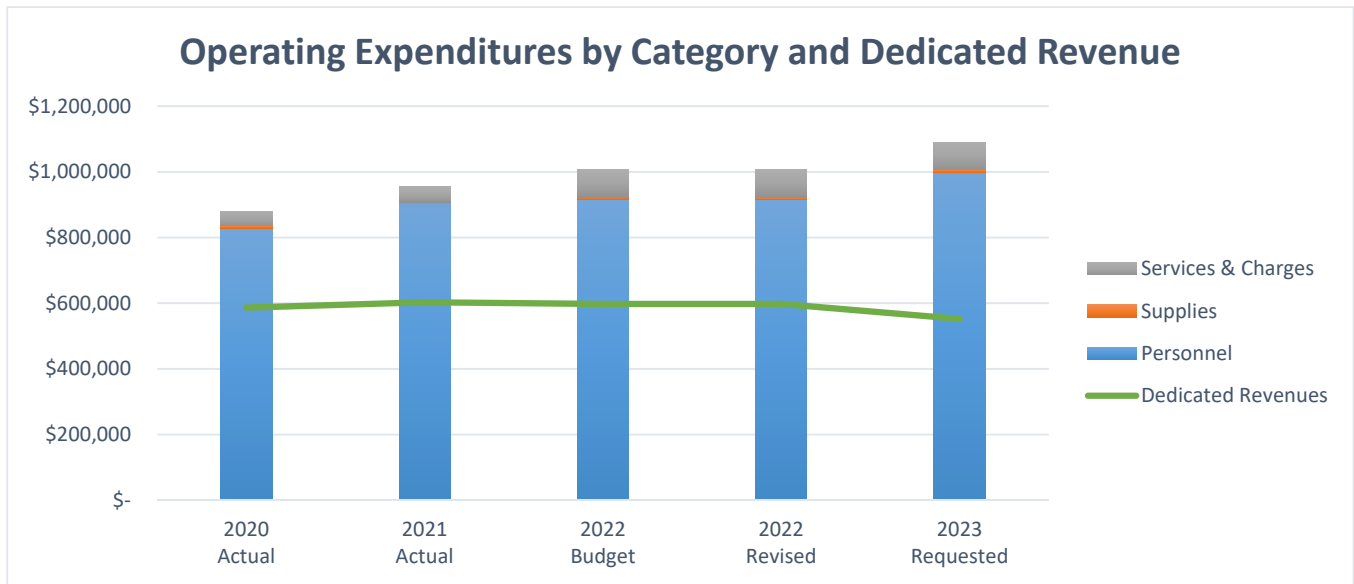
Legal Department
Legal Department
General Fund

Description of Services:

The Minnetonka City Attorney’s Office provides legal work in two primary areas. The office prosecutes petty misdemeanor, misdemeanor, and gross misdemeanor criminal cases for violations occurring in the City of Minnetonka. The office is also responsible for all non-criminal legal matters involving the city, including providing legal advice to the city council and staff, answering questions of citizens regarding city ordinances, providing staff support to the Charter Commission, and representing the city in uninsured litigation.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 586,504	\$ 602,890	\$ 597,900	\$ 597,900	\$ 552,000
Operating Expenditures by Category					
Personnel	\$ 827,885	\$ 902,524	\$ 915,600	\$ 915,600	\$ 999,000
Supplies	8,135	3,872	7,050	6,300	7,100
Services & Charges	44,342	49,313	85,150	86,000	84,500
Total Operating Expenditures	<u>\$ 880,362</u>	<u>\$ 955,709</u>	<u>\$ 1,007,800</u>	<u>\$ 1,007,900</u>	<u>\$ 1,090,600</u>



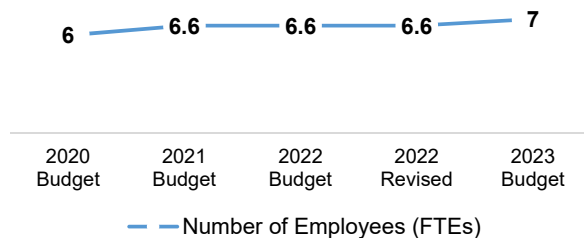
Key Measures:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Estimated</u>	<u>2023 Projected</u>
Cases opened and processed by staff:	632	748	650	650
• Cases in court - all cases	454	443	450	600
▪ DWI cases in court	83	97	105	105
▪ Domestic violence cases in court	21	37	60	60
Contracts drafted or reviewed	121	91	95	95
Customers rating staff at "above average" or "excellent"	100%	100%	95%	95%
Charter Commission rating staff at "above average" or "excellent"	88%	83%	85%	85%

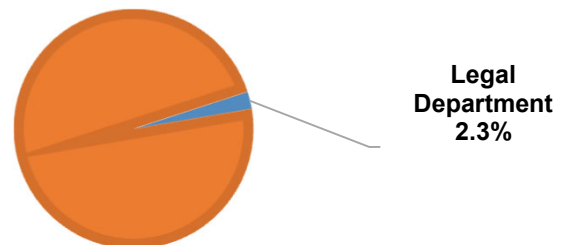
Budget Comments/Issues:

- The COVID-19 pandemic had a dramatic impact on the criminal division's workload. The number of cases dropped, court rooms were closed for over one year, while some court functions continued via Zoom. The decrease in cases was offset by the work associated with repeated preparation for and rescheduling of hearings and trials. In-person jury trials resumed in 2021, however the court faces a backlog of jury trials that will likely extend into 2023. In-person hearings at Ridgedale Court are scheduled to resume in July 2022. DWIs and domestic violence cases have increased each year since the beginning of the pandemic.
- The 2023 budget continues to include funds for a part-time law clerk/intern to assist with general legal services, under a program through the League of Minnesota Cities. The intern is not a city employee and not included in the number of department FTEs.
- The dedicated revenues consist almost exclusively of rental fees from antenna leases on water towers.
- The department continues to monitor the impact that body worn cameras is having on staff related to discovery and trial preparation. The 2023 budget includes funds to increase the video analyst position from part-time to full-time, as necessitated by work demands.
- Legislation effective Jan. 1, 2022 imposed additional restrictions on vehicle forfeitures, which are anticipated to significantly reduce forfeiture revenues. Forfeiture proceedings are civil, not criminal, and are not reflected in the caseload reported in Key Measures above.

Employees



Percent of General Fund Expenditures





Division:
Responsible Department:
Fund Type:

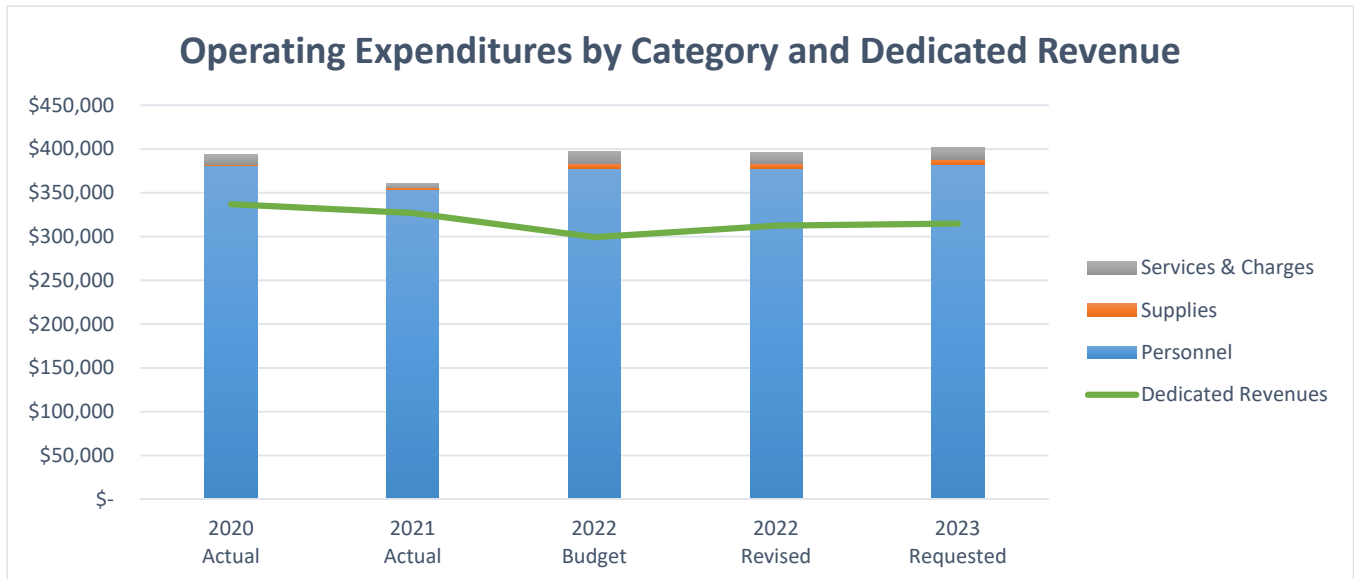
Environmental Health Division
Community Development Department
General Fund

Description of Services:

The mission of the Environmental Health Division is to ensure a safe and healthful community by inspecting all licensed establishments and investigating public health and nuisance complaints. The division is responsible for plan review and inspections of all licensed food, beverage, lodging, and massage establishments as well as all public swimming pools, refuse haulers, and vending machines. Lastly, the division is responsible for the investigation of all public health complaints and food borne illnesses and is the clearing house for the city's nuisance program, which includes the inspection/investigation of hundreds of violations each year.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 336,943	\$ 326,916	\$ 299,400	\$ 312,500	\$ 314,800
Operating Expenditures by Category					
Personnel	\$ 380,902	\$ 353,376	\$ 377,800	\$ 377,800	\$ 382,100
Supplies	1,818	2,402	5,650	5,700	6,300
Services & Charges	10,784	4,488	13,950	12,500	13,900
Total Operating Expenditures	<u>\$ 393,504</u>	<u>\$ 360,266</u>	<u>\$ 397,400</u>	<u>\$ 396,000</u>	<u>\$ 402,300</u>



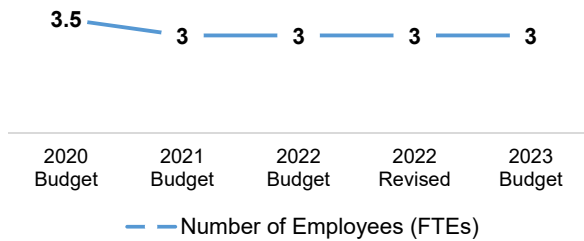
Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Licensed establishments	610	647	663	652
Number of routine food inspections	610	502	552	575
Number of follow-up food inspections	137	42	73	90
Nuisance complaints	522	510	560	570
Average number of days to resolve each nuisance complaint	30	51	42	45

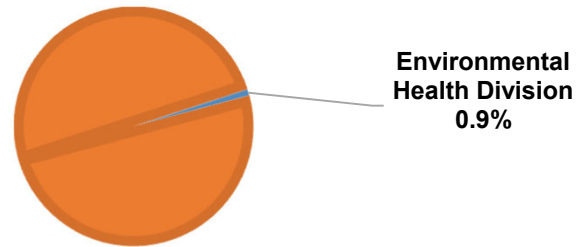
Budget Comments/Issues:

- The 2023 Budget for the Environmental Health Division considers the impacts of services provided to outside agencies.
- The city will continue its contract with the City of Wayzata to conduct health inspections.
- Number of establishments and inspections remain steady.

Employees



Percent of General Fund Expenditures





Division:
Responsible Department:
Fund Type:

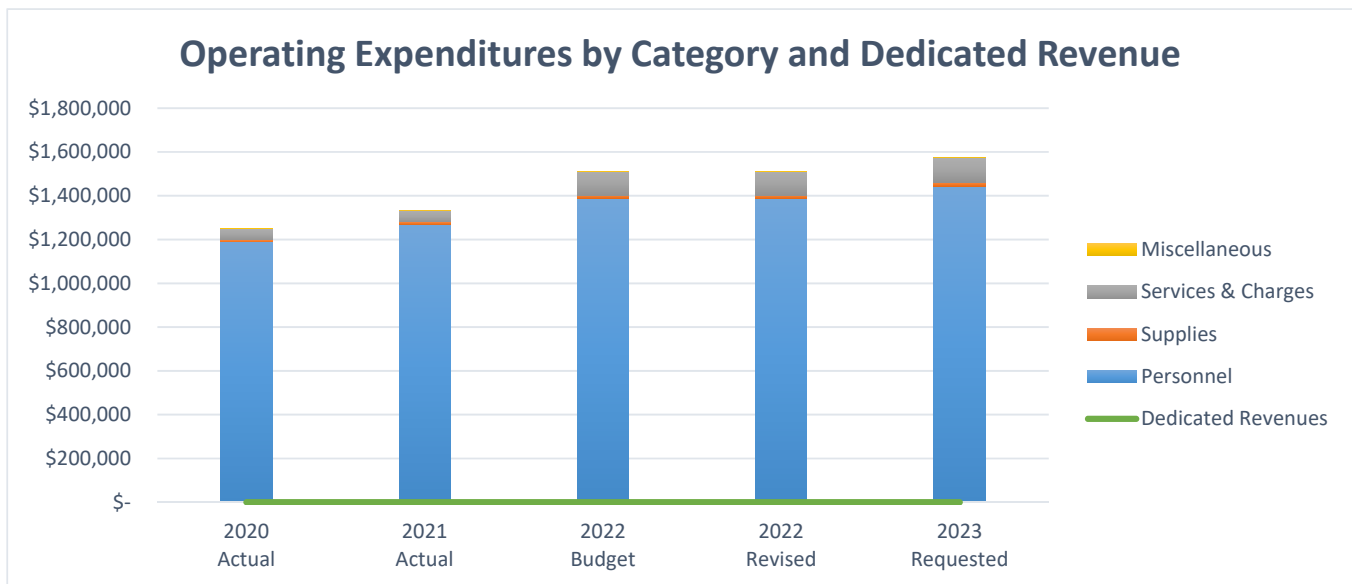
Engineering Division
Engineering Department
General Fund

Description of Services:

The Engineering Division manages and oversees most of the city's major capital construction projects, including all streets and many public facilities. The division's specific services include surveying, design, and construction administration and inspection. The division regularly coordinates its activities with other departments, other agencies and responds to general public inquiries, which include storm drainage problems and traffic complaints.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 16	\$ 38	\$ -	\$ -	\$ -
Operating Expenditures by Category					
Personnel	\$ 1,189,364	\$ 1,269,416	\$ 1,387,300	\$ 1,387,300	\$ 1,443,900
Supplies	9,344	10,710	15,100	15,200	18,300
Services & Charges	50,083	51,731	109,500	109,500	112,200
Miscellaneous	350	350	1,000	1,000	1,000
Total Operating Expenditures	<u>\$ 1,249,141</u>	<u>\$ 1,332,207</u>	<u>\$ 1,512,900</u>	<u>\$ 1,513,000</u>	<u>\$ 1,575,400</u>



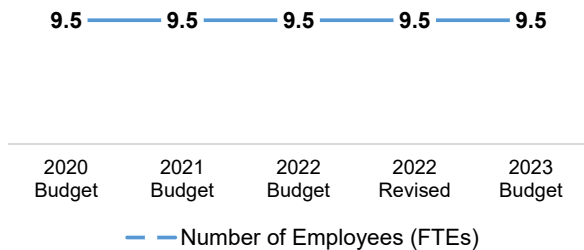
Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Neighborhood meetings held	5	3	2	2
Project newsletters mailed/emailed	1,282/3,205	1,796/31,774	3,500/35,000	3,000/45,000
Property acquisitions for construction projects	31	11	21	20
Construction contracts started	12	11	6	3
Construction projects completed	6	8	9	5
Customer service surveys sent out/received	531/31	633/31	150/25	150/25
Responding customers satisfied with project (rated as "average" or greater)	86%	83%	85%	85%

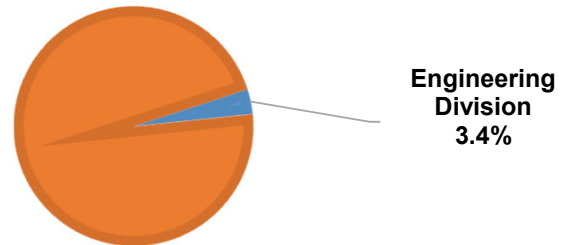
Budget Comments/Issues:

- The 2023 budget for the Engineering Division provides funding to manage and fulfill workload demand services. Thousands of project communication texts and emails will continue to be sent out keeping residents informed of daily activities. New methods of communication will continue to be explored for future projects to continue to improve customer service.
- In 2023, the division will continue with an on-going program to survey sections of the city for speed compliance. The results will assist the Police Department with its enhanced traffic enforcement program. Speed counts are taken based on requests from the Police Department and concerned residents. In 2019, legislation was passed providing cities with authority of speeds on residential streets. Staff have been exploring the impacts of this change and continue to work on determining best practices for this legislation change which will be reviewed with Council.
- The city performs 32 bridge inspections for all road bridges and large culverts every two years. The Rowland Road railroad bridge and Libbs Lake bridge get inspected every year.
- In 2019, the Public Works Department added engineering as a division in an effort to combine functions and provide improved collaboration between these areas of the city. In 2021, the engineering administrative assistant position was eliminated as part of the combination with Public Works and a project engineer added to better meet workload demand.

Employees



Percent of General Fund Expenditures





Division:
Responsible Department:
Fund Type:

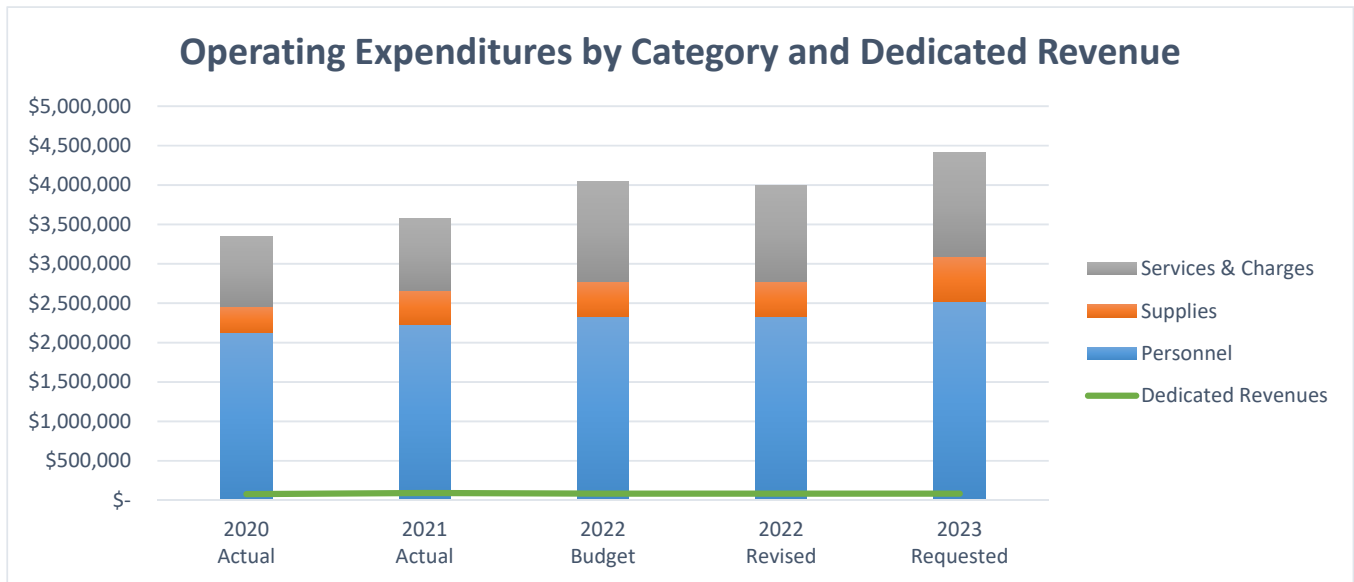
Street Maintenance Division
Public Works Department
General Fund

Description of Services:

The Street Maintenance Division of the Public Works Department is responsible for maintenance of 254 centerline miles of municipal right-of-way including pavement maintenance, snow and ice control, drainage, pavement markings, street signs, intersection traffic signals, street lighting, roadside mowing and tree trimming. Swings in climatic conditions dramatically affect seasonal maintenance expenditures on a year-to-year basis along with energy pricing that affects fuel, supplies and machine repair costs.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 77,623	\$ 92,752	\$ 84,200	\$ 84,200	\$ 84,300
Operating Expenditures by Category					
Personnel	\$ 2,123,144	\$ 2,235,396	\$ 2,327,500	\$ 2,327,500	\$ 2,526,800
Supplies	335,031	430,987	446,300	446,300	570,500
Services & Charges	885,180	910,262	1,267,650	1,217,700	1,311,500
Total Operating Expenditures	\$ 3,343,355	\$ 3,576,645	\$ 4,041,450	\$ 3,991,500	\$ 4,408,800



Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Full-scale plowing events required	5	5	10	10
Tons of salt used	1,900	2,680	2,500	2,500
Tons of bituminous mix laid	15,250	13,500	16,000	10,000
Miles of maintenance overlays	7.3	9.8	10.7	6.8
Signs installed	800	310	300	300
Miles of neighborhood refurbishment	1.9	1.8	1.4	3.9
Maintained streetscape area (sq. ft.)	117,000	124,300	125,270	130,000

Budget Comments/Issues:

- The 2023 budget maintains current service levels. Streetscape maintenance is currently provided by contract under an annual agreement. The contract will be extended again in 2023 to include the Ridgedale Drive streetscape improvements.
- This division is responsible for the neighborhood street pavement preservation program. The program uses a variety of pavement maintenance technologies to preserve streets after initial construction or thin overlay in order to extend their asset life and serviceability. In 2023, the focus of street preservation will be a number of areas throughout the city. Materials are funded through the Capital Improvement Program (CIP) by the Street Improvement Fund.
- The division is responsible for storm water drainage maintenance and collaborates with the Engineering Department to assure compliance with National Pollution Discharge Elimination System (NPDES) permit requirements. Projects are coordinated with the Water Resources Engineer and Natural Resources Manager.
- Winter road maintenance uses liquid salt brine along with crystal salt for winter snow and ice control. Liquid salt solutions increase crystal salt effectiveness and reduce the total amount of salt used on roadways which minimizes chloride ions that end up in storm water and wetlands. This road maintenance technology addresses environmental concerns which are increasingly important. The city manufactures brine (liquid salt) for its own use and also sells product to Hennepin County and other neighboring cities and school districts which offsets city purchasing and operational costs.
- The city's snowplow trucks have been outfitted with automated vehicle location (AVL) and digital salt spreader controllers that allow drivers to precisely control the amount and location of salt that is applied on streets and records the total the amount of salt that is used for each plowing or sanding event. Supervisors then use the data for jurisdictional reporting such as watershed districts, Hennepin County and the State of Minnesota.
- The operating budget for the division is highly impacted by seasonal climatic variations and the cost of fossil fuel energy, which affect the cost and amount of fuel, street lighting, road maintenance/construction supplies and machine repair parts.

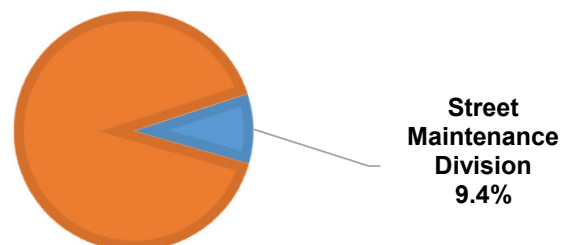
Employees

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2020 Budget 2021 Budget 2022 Budget 2022 Revised 2023 Budget

— Number of Employees (FTEs)

Percent of General Fund Expenditures





Division:
Responsible Department:
Fund Type:

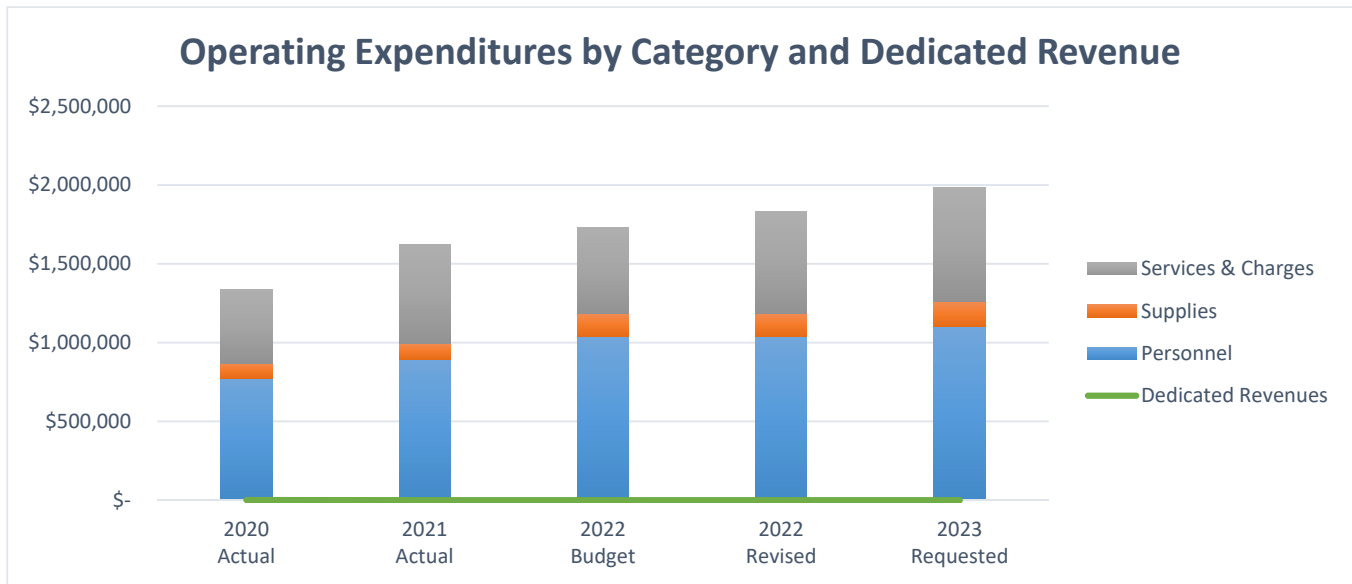
Building Maintenance Division
Public Works Department
General Fund

Description of Services:

The Building Maintenance Division of the Public Works Department is responsible for the maintenance and repair of the city's 14 community buildings and their component systems such as heating, ventilation, air conditioning, electrical, plumbing and mechanical. The division oversees and coordinates capital building improvement projects as outlined in the city's Capital Improvements Program (CIP). It also supports the city's enterprise fund facilities and parks buildings with maintenance and capital project support.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 1,350	\$ 10	\$ -	\$ -	\$ -
Operating Expenditures by Category					
Personnel	\$ 775,769	\$ 892,268	\$ 1,041,300	\$ 1,041,300	\$ 1,099,900
Supplies	94,023	99,623	141,600	141,600	159,700
Services & Charges	468,231	628,567	548,600	649,500	724,300
Total Operating Expenditures	<u>\$ 1,338,023</u>	<u>\$ 1,620,458</u>	<u>\$ 1,731,500</u>	<u>\$ 1,832,400</u>	<u>\$ 1,983,900</u>

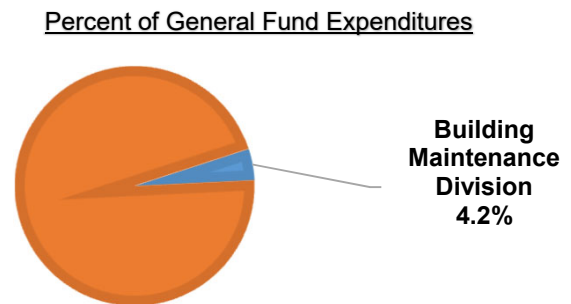
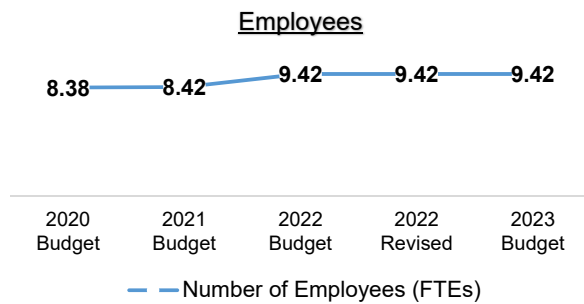


Key Measures:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Estimated</u>	<u>2023 Projected</u>
Work orders completed	1,980	2,785	3,000	2,665
Heat energy - cost	\$60,516	\$84,489	\$101,600	\$121,700
Heat energy used (THM)	222,570	222,570	310,000	320,290
Electrical energy - cost	\$71,948	\$267,566	\$271,900	\$316,100
Electrical energy used (kWh)	3,720,186	3,725,000	4,250,000	4,600,000
Solar Garden Savings (all bldgs.)	\$60,850	\$60,850	\$75,000	\$120,000

Budget Comments/Issues:

- The 2023 budget for the Building Maintenance Division maintains current service level and continues pandemic sanitation efforts for work spaces and public restrooms. It anticipates adding EV charger revenue and maintenance. Planning for a solar deployment will increase the review of roofs and open space for feasibility analysis.
- The Fire Department study associated with the full-time deployment is expected to impact satellite station support.
- Building automation and temperature setbacks will be examined with the rising costs for electric and natural gas.
- Renovation of the Community Center is expected to be completed with a focus on sustainability and long-term utilization of the spaces.
- The two final solar contract agreements were approved in 2019 and are also the largest solar agreements entered into by the city. Initially the solar facilities were expected to go online in 2019, but are now expected to go online in the beginning of 2023.





Division:
Responsible Department:
Fund Type:

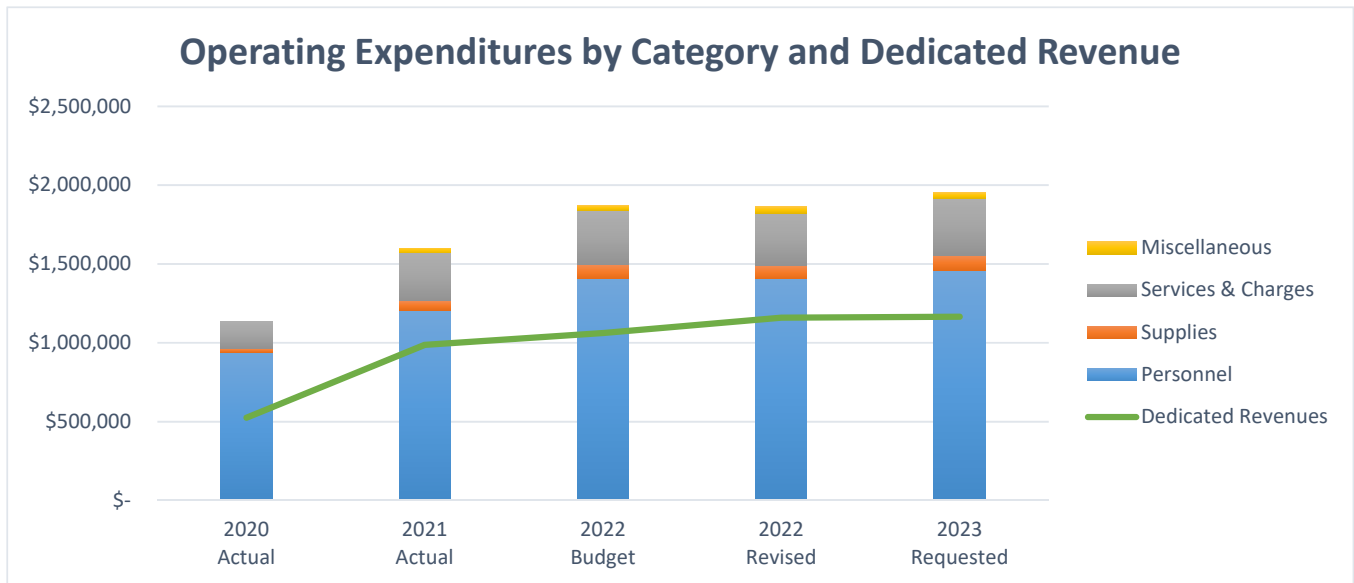
Joint Recreation Division
Recreation Services Department
General Fund

Description of Services:

The mission of the Joint Recreation Division of the Recreation Services Department is to develop, provide and promote programs and facilities in anticipation of and in response to the recreational needs and interests of our community. The division administers a wide variety of programs and services for residents of Minnetonka and Hopkins. The net cost of the joint recreation program is shared by Minnetonka (67%) and the city of Hopkins (33%). Programs are offered in over 60 areas of interest for participants from infants to senior citizens. This division also oversees the operation of Shady Oak Beach, attended by approximately 25,000 people annually.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 524,820	\$ 986,778	\$ 1,061,900	\$ 1,159,400	\$ 1,165,800
Operating Expenditures by Category					
Personnel	\$ 937,662	\$ 1,205,022	\$ 1,406,700	\$ 1,406,700	\$ 1,461,800
Supplies	27,185	61,515	86,900	81,600	90,000
Services & Charges	172,122	303,315	345,250	334,300	366,200
Miscellaneous	-	30,831	32,000	39,560	35,000
Total Operating Expenditures	<u>\$ 1,136,969</u>	<u>\$ 1,600,683</u>	<u>\$ 1,870,850</u>	<u>\$ 1,862,160</u>	<u>\$ 1,953,000</u>
Other Financing Sources (Uses)					
Transfers Out	<u>\$ (8,008)</u>	<u>\$ (11,603)</u>	<u>\$ -</u>	<u>\$ (8,000)</u>	<u>\$ (8,000)</u>



Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Program participants	10,459	20,523	30,000	31,500
Adult sports teams registered	258	300	315	315
Youth sports participation	369	539	800	800
Shady Oak Beach season passes sold	0	3,931	3,900	3,900
Scholarships approved	43	70	75	75
Total value of scholarships approved	\$4,300	\$7,000	\$7,500	\$7,500

Budget Comments/Issues:

- The youth basketball program was canceled in 2021 due to low registration numbers. A partnership with a neighboring community in 2022-23 has been established to try to increase participation and run the league successfully.

- An annual goal for the department's budget is to cover 80% of expenses with the fees collected. Due to COVID-19, only 66.04% of expenditures were covered in 2021. It is anticipated that the department will get closer to this goal in 2022 and 2023 as registrations continue to increase.

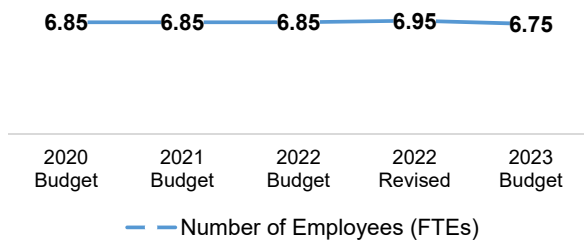
Participation in joint recreation programs rebounded favorably in 2022 after many classes were canceled or capacity reduced in 2020 and 2021.

- In order to attract quality seasonal employees and stay competitive with surrounding cities, minimum hourly rates were increased for some summer positions in both 2021 and 2022.

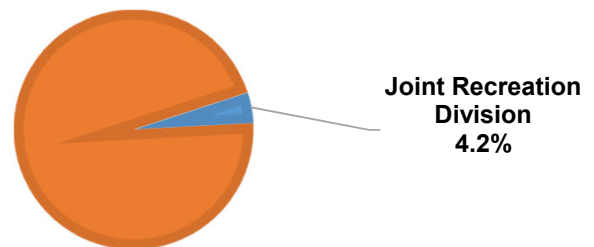
- Regular operations at Shady Oak Beach resumed for the 2022 season. Staffing has been an issue early on in the season due to a shortage of applicants for the lifeguard position. Guarded hours have been adjusted as needed.

- Qualified scholarship applicants receive \$100 annually to apply towards eligible programs of their choosing. All scholarship requests were granted in 2021 and through June in 2022. The purchase of a Shady Oak Beach passes was added as an acceptable use of scholarship funds in 2022.

Employees



Percent of General Fund Expenditures





Division:
Responsible Department:
Fund Type:

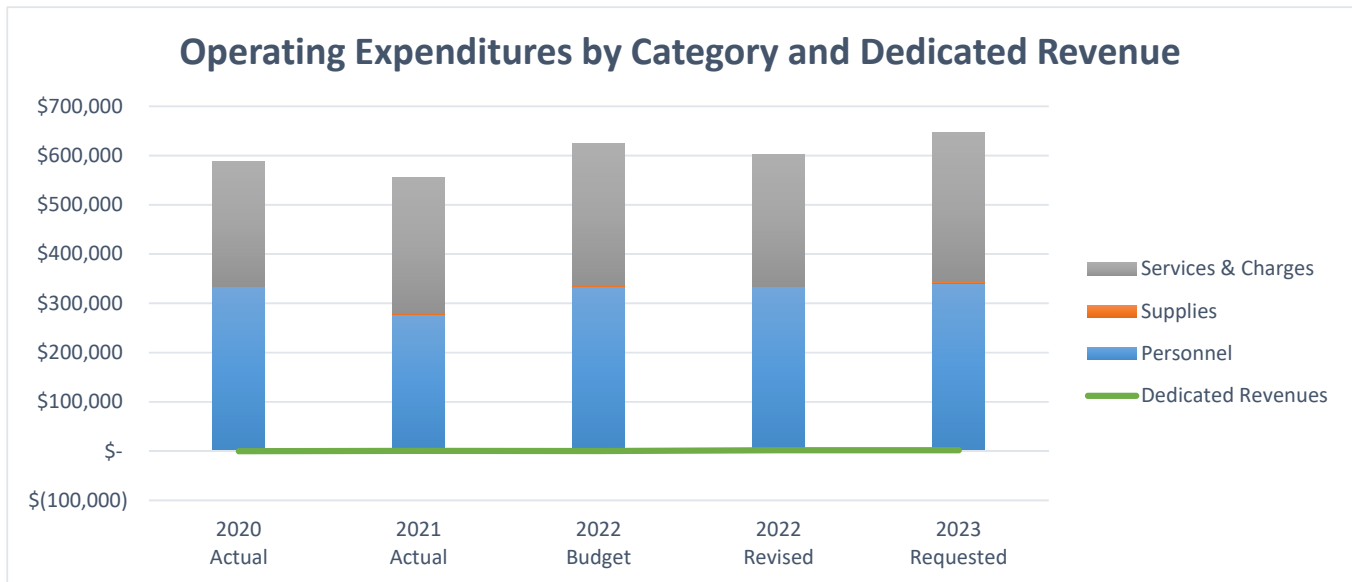
Minnetonka Recreation Division
Recreation Services Department
General Fund

Description of Services:

The mission of the Minnetonka Recreation Division is to develop, provide and promote programs and facilities in anticipation of and in response to the recreational needs and interests of Minnetonka residents. Recreational amenities and programs included in this budget are primarily intended to serve residents of Minnetonka and include the Royals Athletic Center, Music Association of Minnetonka programs, Libbs Lake Beach, outdoor ice rink operations, the Adopt-A-Sign program and six summer playground program locations.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ (83)	\$ 500	\$ -	\$ 1,800	\$ 1,800
Operating Expenditures by Category					
Personnel	\$ 333,782	\$ 277,834	\$ 333,300	\$ 333,300	\$ 340,300
Supplies	711	1,208	3,600	1,200	3,600
Services & Charges	254,110	276,032	288,200	267,300	302,600
Total Operating Expenditures	<u>\$ 588,603</u>	<u>\$ 555,074</u>	<u>\$ 625,100</u>	<u>\$ 601,800</u>	<u>\$ 646,500</u>
Other Financing Sources (Uses)					
Transfers Out	<u>\$ (113,000)</u>	<u>\$ (113,000)</u>	<u>\$ (113,000)</u>	<u>\$ (113,000)</u>	<u>\$ (113,000)</u>



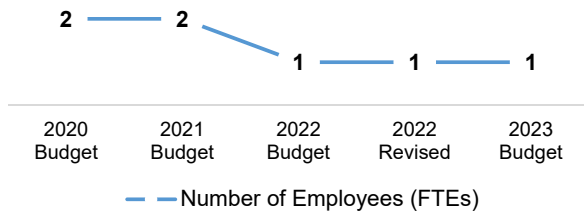
Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Minnetonka playground registrations	0	924	761	800
Warming House Attendance	4,070	N/A	6,510	6,500
Music Association of Minnetonka (MAM) participants	0	295	300	300
Special Event Attendance (Summer Fest, Kid's Fest)	2,500	0	5,875	7,500
Music/Theater/Movies in the Park attendance	0	4,890	4,700	4,700

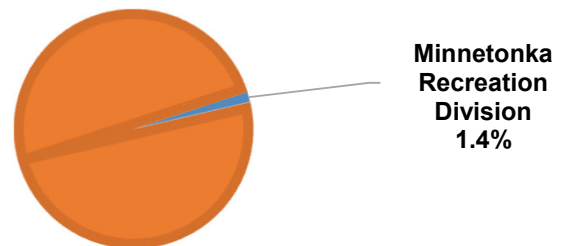
Budget Comments/Issues:

- Minnetonka Recreation programming is annually reviewed and adjusted to provide programming that is desired by the community at the present time.
- A new registration process for the Park Adventures program was implemented in 2021. Rather than registering for the entire season, participants now register for each week to encourage more consistent attendance. This format worked well and continued in 2022.
- Outdoor ice rinks are provided at six city park locations as well as Glen Lake Elementary School. The weather was favorable for skating conditions throughout the majority of the 2021-22 season, resulting in overall record attendance numbers of 6,510.
- Tuesday evening Music in the Park concerts at the Amphitheater are a popular destination for city residents. The start time for concerts was changed from 7 p.m. to 6:30 p.m. in 2021 in order to overlap with the city's Farmers Market which benefited both programs. Theater in the park was scheduled for 4 performances over two days in 2022.
- MAM programs offered in 2022 included the following: Youth Choir, Symphony Orchestra, Chamber Orchestra, Concert Band, Jazz/Big Band and Senior Chorale.

Employees



Percent of General Fund Expenditures





Division:
Responsible Department:
Fund Type:

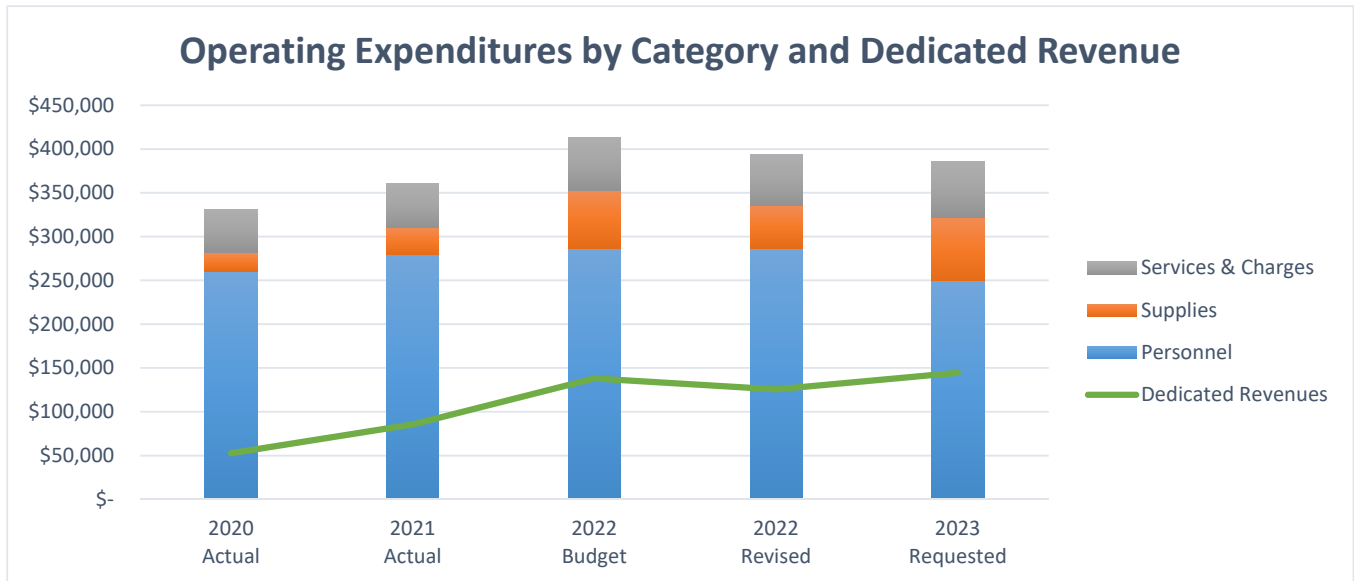
Senior Services Division
Recreation Services Department
General Fund

Description of Services:

The goals of Senior Services are to: broaden the knowledge and involvement of residents 55+; offer diverse programs and services; promote independent living; and encourage volunteerism. Senior Services provides a wide range of leisure activities serving a diverse senior population as well as addressing day-to-day living experiences. Senior programming includes day-trips, education classes, fitness classes, defensive driving, outreach/insurance consultation, and meal/entertainment experiences. In addition, there are 30 special interest groups offered to residents. Some services are provided through contracts with private or non-profit organizations, and a portion of the costs for programs is recovered through fees.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 52,666	\$ 85,646	\$ 138,000	\$ 125,600	\$ 144,600
Operating Expenditures by Category					
Personnel	\$ 260,722	\$ 279,186	\$ 286,800	\$ 286,800	\$ 249,400
Supplies	21,309	30,915	66,100	48,200	72,800
Services & Charges	49,153	50,550	60,000	58,950	64,000
Total Operating Expenditures	<u>\$ 331,184</u>	<u>\$ 360,651</u>	<u>\$ 412,900</u>	<u>\$ 393,950</u>	<u>\$ 386,200</u>



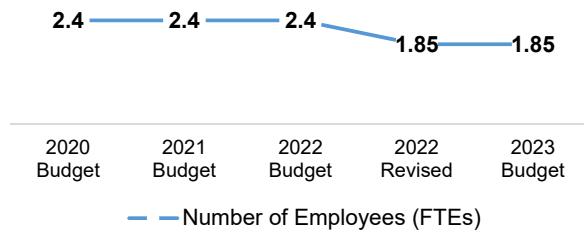
Key Measures:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Estimated</u>	<u>2023 Projected</u>
Program participants visits	11,954	21,165	30,000	40,000
Programs offered	137	270	280	300
Senior volunteers used	100	85	100	110
Volunteer hours donated	3,500	5,300	10,500	11,000

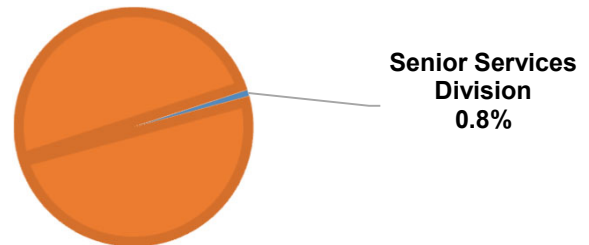
Budget Comments/Issues:

- Senior Services staff provide programs and services designed to meet the needs of the growing 55+ demographic.
- Senior Services 2022 and 2023 programs will be limited due to the planned Community Center renovation.
- Senior Services continues to offer dementia programming such as Memory Café, Dementia Friends classes and caregiver support groups.
- Senior Services customer participation continues to rebound since July 2021 - class sizes have increased safely, special interest groups are growing and meeting in-person and bus trips started June 2022.
- Volunteer hours donated by Senior Services participants were significantly lower the past two years due to COVID-19, but began to increase in 2021.
- Senior Services key measures are significantly reduced in 2020 and 2021 due to COVID-19. It has rebounded somewhat after the community center opened to the public July 2021.

Employees



Percent of General Fund Expenditures





Division:
Responsible Department:
Fund Type:

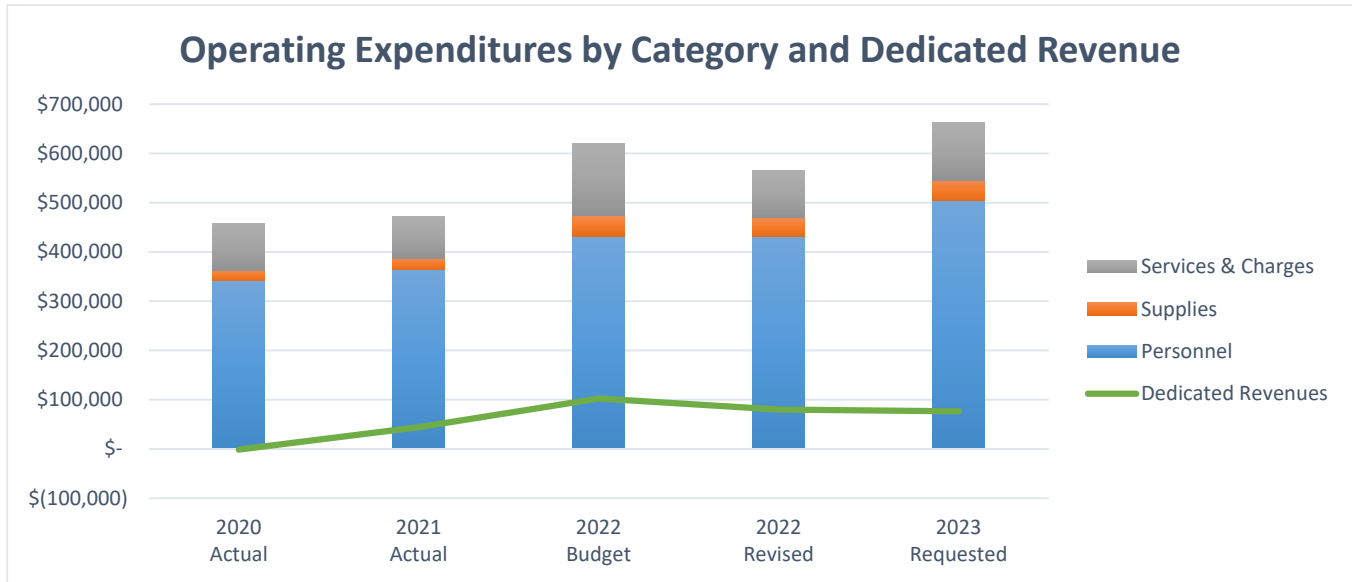
Community Facilities Division
Recreation Services Department
General Fund

Description of Services:

Community Facilities manages city-owned facilities including the Community Center, Glen Lake Activity Center, ten picnic shelters, athletic fields, Royals Athletic Center and the Shady Oak Lake Cemetery. Except for the cemetery, all of the facilities offer a variety of rental spaces for community use. Fees vary dependent on the facility and type of group (resident, non-resident, non-profit). Picnic shelter permits are issued for Gro Tonka, Lone Lake and Shady Oak Park shelters in Minnetonka; and Burnes(2), Central, Cottageville, Oakes, and Valley(2) Park shelters in Hopkins.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ (1,211)	\$ 44,309	\$ 102,500	\$ 80,200	\$ 76,700
Operating Expenditures by Category					
Personnel	\$ 341,421	\$ 363,698	\$ 431,300	\$ 431,300	\$ 503,800
Supplies	21,701	23,691	41,800	37,800	41,800
Services & Charges	94,504	84,501	147,900	95,300	116,800
Total Operating Expenditures	\$ 457,626	\$ 471,890	\$ 621,000	\$ 564,400	\$ 662,400



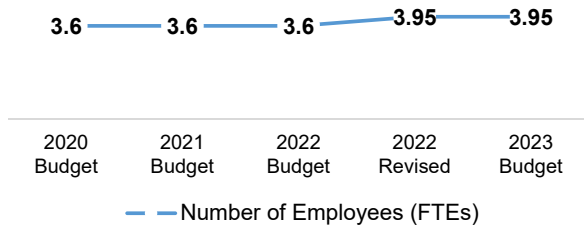
Key Measures:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Estimated</u>	<u>2023 Projected</u>
Community Center rental revenue	(\$1,211)	\$44,309	80,200	76,700
Community Center hours reserved	4,722	5,462	9,000	10,000
Satellite facility hours reserved	233	317	350	400
Picnic shelter permits issued	183	472	300	310
Athletic field hours reserved	2,861	4,054	4,000	4,100

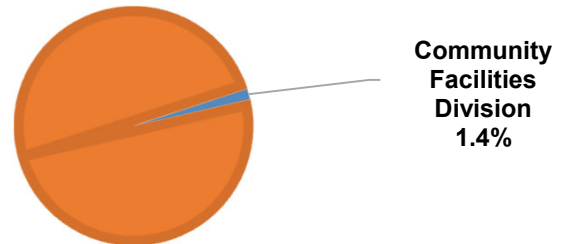
Budget Comments/Issues:

- The 2023 budget for the Community Facilities Division provides current level services.
- Consistent with the city council's strategic plan, a market study is completed annually to determine fees for use of the Community Center and other recreational facilities.
- Community Center rental revenue and use hours are significantly lower in 2020 and 2021 because of cancelled events and meetings due to COVID-19. Revenue and use hours show a rebound in 2022 which is dependent on COVID-19 and customer's comfort level in returning to larger gatherings.
- Community Center use hours and revenue will be affected by the planned renovation.
- The picnic shelter permits issued in 2020 were significantly lower due to COVID-19 restrictions limiting outdoor social gatherings to 25 or less. In 2021 the number of permits spiked due to customers and Hopkins School District holding more events and programs outdoors. In 2022, reservations are expected to normalize back to pre-pandemic levels.

Employees



Percent of General Fund Expenditures





Division:
Responsible Department:
Fund Type:

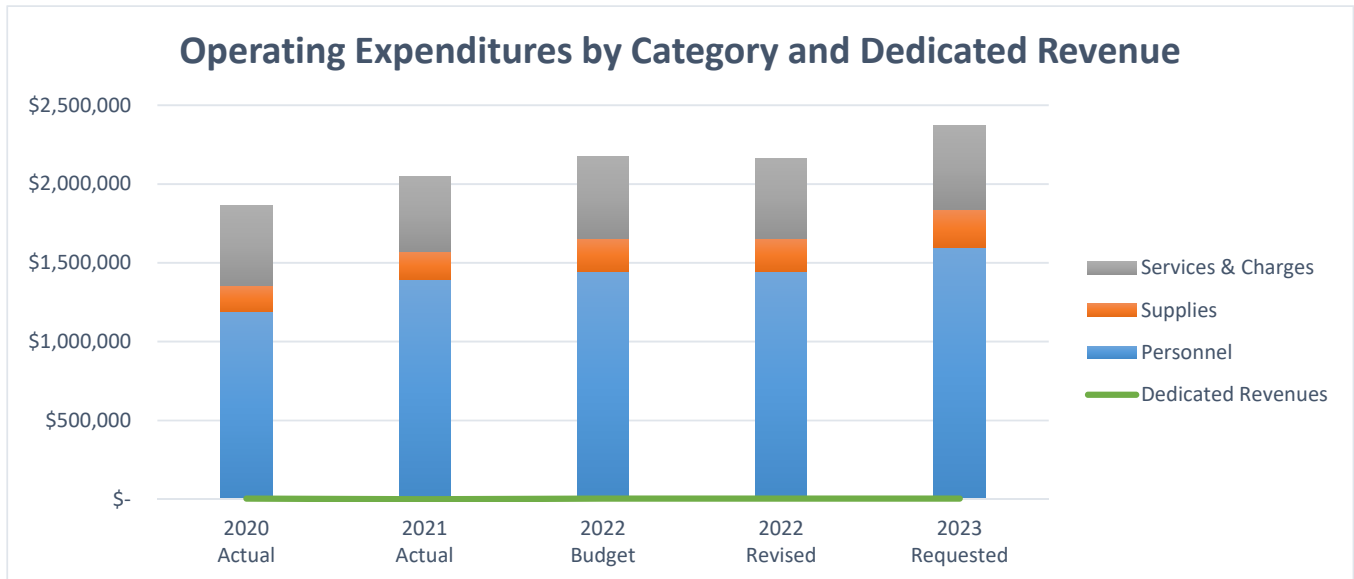
Parks & Trails Division
Public Works Department
General Fund

Description of Services:

The Parks and Trails Division of the Public Works Department is responsible for all park, trail & sidewalk maintenance, planning and development. This includes: park and open space turf areas, 11 athletic fields, 18 ice rinks, over 100 miles of trails & sidewalks and 27 play structures at 54 parks. Future development decisions regarding parks and open space actively include community users, Recreation Department staff, the Minnetonka Park Board and the City Council. In the future, the increase in trail and sidewalk mileage will require that equipment and personnel be added to meet maintenance needs.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 4,560	\$ -	\$ 4,500	\$ 4,500	\$ 4,500
Operating Expenditures by Category					
Personnel	\$ 1,189,929	\$ 1,394,845	\$ 1,446,300	\$ 1,446,300	\$ 1,599,500
Supplies	165,206	174,658	208,200	208,200	239,300
Services & Charges	507,923	479,911	517,000	510,700	534,700
Total Operating Expenditures	\$ 1,863,058	\$ 2,049,414	\$ 2,171,500	\$ 2,165,200	\$ 2,373,500



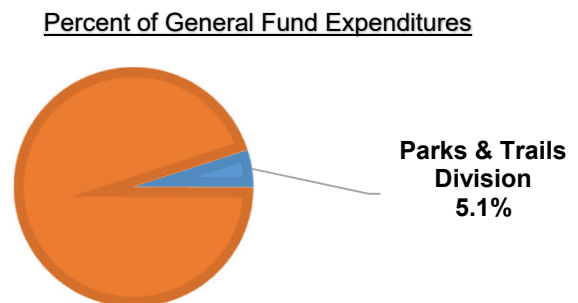
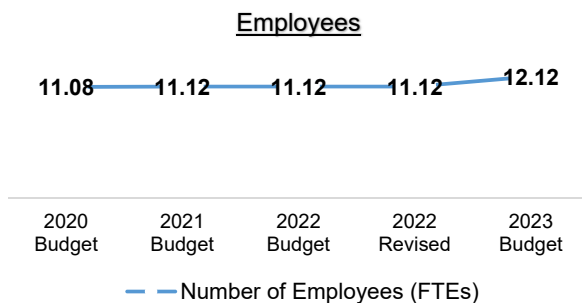
Key Measures:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Estimated</u>	<u>2023 Projected</u>
Park acreage maintained	1,298	1,291	1,293	1,293
Level 1 - Maintenance Areas (# /acres)*	7/429	7/400	8/402	8/402
Level 2 - Maintenance Areas (# /acres)*	12/211	13/199	13/199	13/199
Levels 3 & 4 - Maintenance Areas (# /acres)*	32/662	32/692	32/692	32/692
Trails and sidewalks maintained (miles)	108	108.7	109.3	110.9

* Level 1 = High use, high maintenance;
 Level 2 = Moderate maintenance, some grooming 1x / week;
 Level 3 = Low to moderate maintenance;
 Level 4 = Minimal maintenance

Budget Comments/Issues:

- The 2023 budget continues providing for increasing service levels as staff accommodates an expanding inventory of city park amenities and trails and sidewalks which require additional maintenance.
- 2022 includes the completion of the Ridgedale Drive trail from White Birch Road to Target. 2023 will include a trail along Minneotoka Boulevard from Groveland elementary to Tonkawood. In addition, 2023 includes the trail addition along Smetana Road from Westbrook Way to Sanibel Drive.
- The number of miles of trails and sidewalks maintained as indicated above excludes seasonal maintenance by the city of approximately eight miles of trails owned by Three Rivers Park District that are located inside city limits.
- Ridgedale Commons Park will be substantially complete by late 2022. This Level 1 park will have significant landscape plantings, site furnishings, water feature, amenities, and a building that will require regular maintenance and custodial services to support use by the general public and programming by the recreation department.
- One new FTE is requested in 2023. This position will supplant some seasonal staffing needs as finding seasonal staff for mowing and snow removal is increasingly difficult. The temporary salaries budget has been reduced by \$25,000 to account for this shift.





Division:
Responsible Department:
Fund Type:

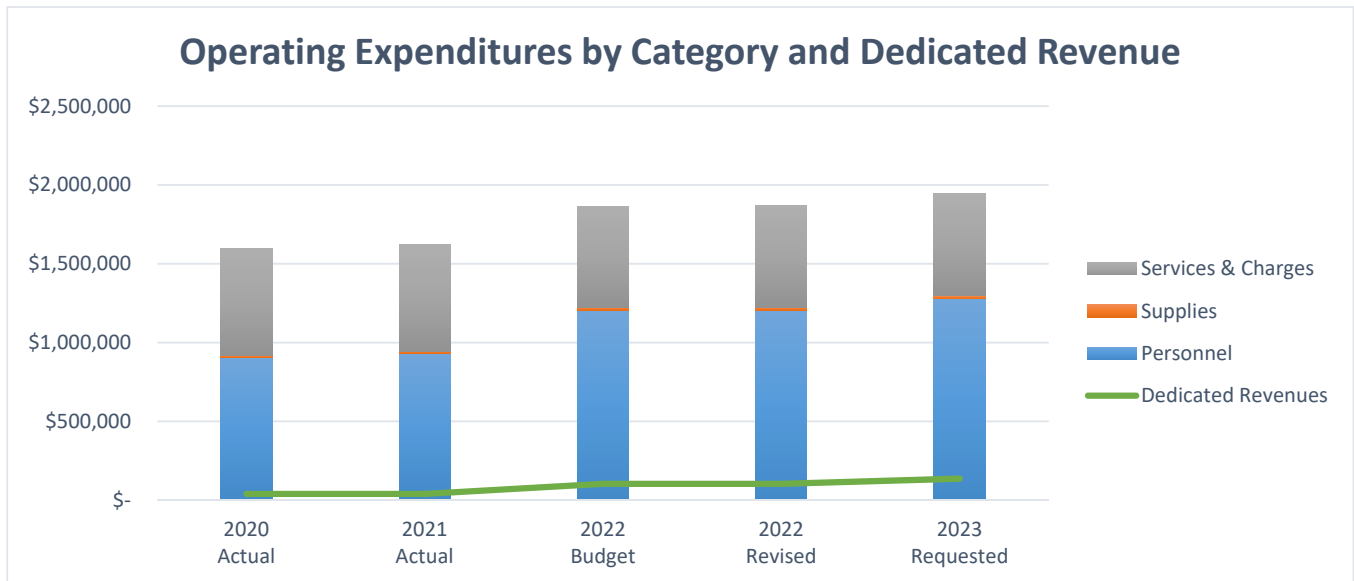
Natural Resources Division
Public Works Department
General Fund

Description of Services:

The Natural Resources Division manages the planning, development and stewardship of the community's natural resources. The division is responsible for urban forest management, natural resource conservation and protection, enforcement of natural resource ordinances, public land stewardship, environmental education, and community engagement through volunteers, public events, and resident consultations.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 40,296	\$ 40,007	\$ 103,700	\$ 103,700	\$ 137,000
Operating Expenditures by Category					
Personnel	\$ 905,708	\$ 930,684	\$ 1,206,200	\$ 1,206,200	\$ 1,278,000
Supplies	11,126	14,260	17,300	17,300	19,200
Services & Charges	682,500	676,790	642,300	644,100	649,400
Total Operating Expenditures	<u>\$ 1,599,334</u>	<u>\$ 1,621,734</u>	<u>\$ 1,865,800</u>	<u>\$ 1,867,600</u>	<u>\$ 1,946,600</u>

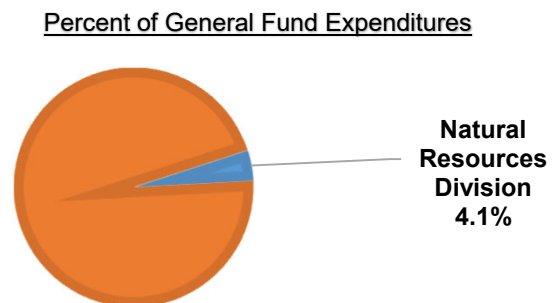
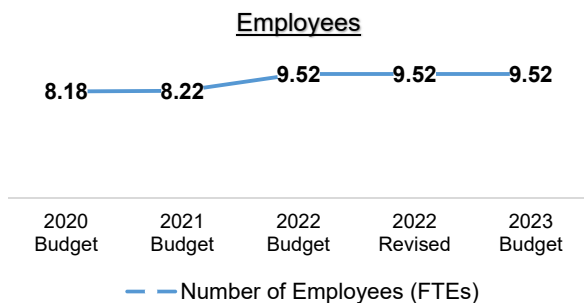


Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Diseased trees removed (Oak & Elm)	295	730	650	650
Public trees planted (reforestation/restoration)	120/33	197	200	250
Private trees planted through city's tree sale	925	901	900	1,000
Permits inspected for natural resource compliance / ongoing inspections	305/400	369/400	350/425	350/425
Development projects reviewed	71	53	70	70
Volunteer programs conducted / hours donated	20/400	26/810	36/1,000	36/1,000
Enforcement actions taken	25	30	30	30
Wetland Conservation Act decisions/contacts	10/210	17/275	15/250	15/250

Budget Comments/Issues:

- The 2023 budget for the Natural Resources Division anticipates an increased level of activity based on adoption of the 2021 Natural Resources Master Plan. Habitat restoration in high priority parks is increasing on over 350 acres of public lands, and the rapid expansion of Emerald Ash Borer (EAB) means that preemptive ash removals and replanting efforts are needed to help mitigate the impacts EAB is having on the community. In 2023, staff will also continue the removal of right-of-way ash trees which will be funded by the Forestry Fund and continue tree inspections for EAB, along with heightened community education.
- The street tree pruning program will continue in 2023 at an annual cost of \$60,000. This work is necessary in order to keep pace with street reconstructions and neighborhood street renovations. Pruning of public trees in parks and other open space areas will also continue.
- In 2023, natural resources staff will continue to work along with the engineering staff to implement requirements for the state Municipal Separate Storm Sewer System (MS4) permit. The new permit requirements include enhancing the city's public outreach and engagement efforts related to stormwater runoff and water quality protection, employee education and training on illicit discharges, reducing pet waste, limiting yard waste in storm drains, and reduction of chloride use by businesses, commercial facilities, and institutions.





Division:
Responsible Department:
Fund Type:

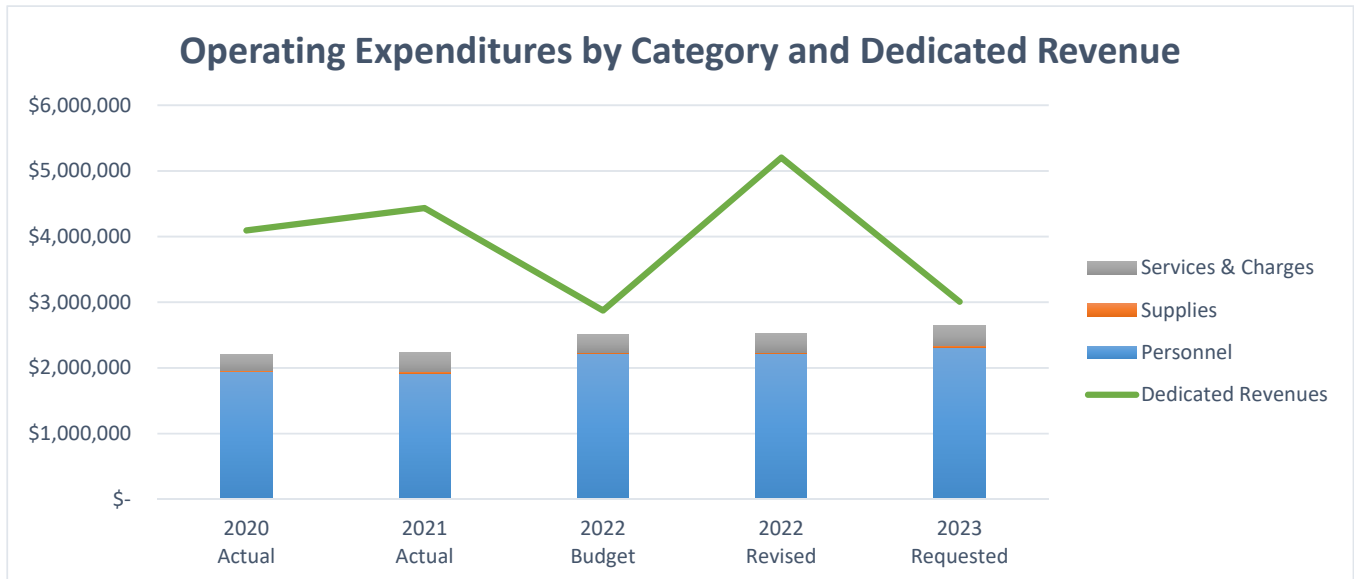
Community Development Division
Community Development Department
General Fund

Description of Services:

The mission of the Community Development Department is to promote building safety through education and inspections, and to promote community vitality through housing, redevelopment, and transit. The department educates residents and businesses about code compliance and assists them in developing a safer, healthier community by sharing clear, timely information with residents and businesses. Community Development also provides housing and redevelopment services for the city, and coordinates certain transit services, including the TransitLink. Building inspections are provided to Deephaven, Woodland and Greenwood via a contract for services.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 4,092,295	\$ 4,433,795	\$ 2,874,100	\$ 5,201,900	\$ 3,008,300
Operating Expenditures by Category					
Personnel	\$ 1,940,025	\$ 1,921,779	\$ 2,218,300	\$ 2,218,300	\$ 2,308,900
Supplies	14,387	20,084	19,600	20,500	30,100
Services & Charges	257,369	286,753	272,600	289,100	305,300
Total Operating Expenditures	\$ 2,211,781	\$ 2,228,616	\$ 2,510,500	\$ 2,527,900	\$ 2,644,300

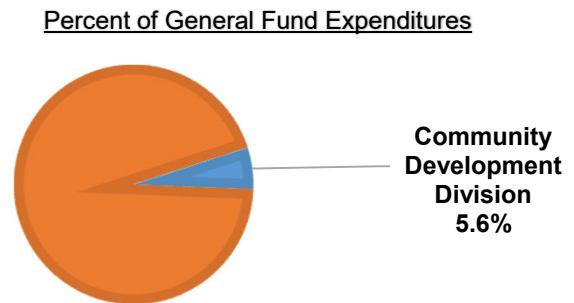
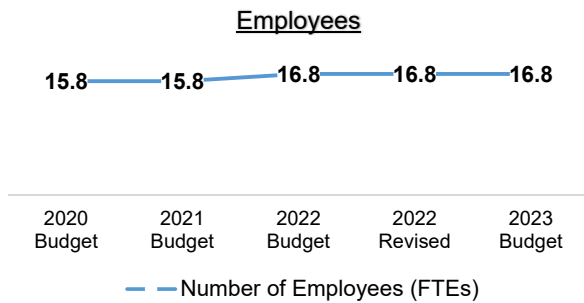


Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Permits issued	8,024	9,515	9,200	9,000
Building construction value	\$236 Million	\$253 Million	\$219 Million	\$200 Million
Residential building plan reviews completed	1,131	2,581	2,300	2,000
Agenda items prepared	184	223	230	245
# of annual inspections	18,267	19,292	18,200	17,500

Budget Comments/Issues:

- Construction activity in 2023 may stabilize as the increase in interest rates continue. While 2022 construction remains strong, no additional full-time inspectors will be requested for 2023.
- The number of permits issued is expected to increase in 2023. There is some uncertainty with some projects due to continued high material costs and availability.
- Increased permit activity transactions by credit card has increased city costs over time. The department implemented LOGIS echeck technology in 2022. Expenses due to credit card charges has decreased.
- An additional housing staff person was approved in 2022 to assist with council directed housing initiatives.





Division:
Responsible Department:
Fund Type:

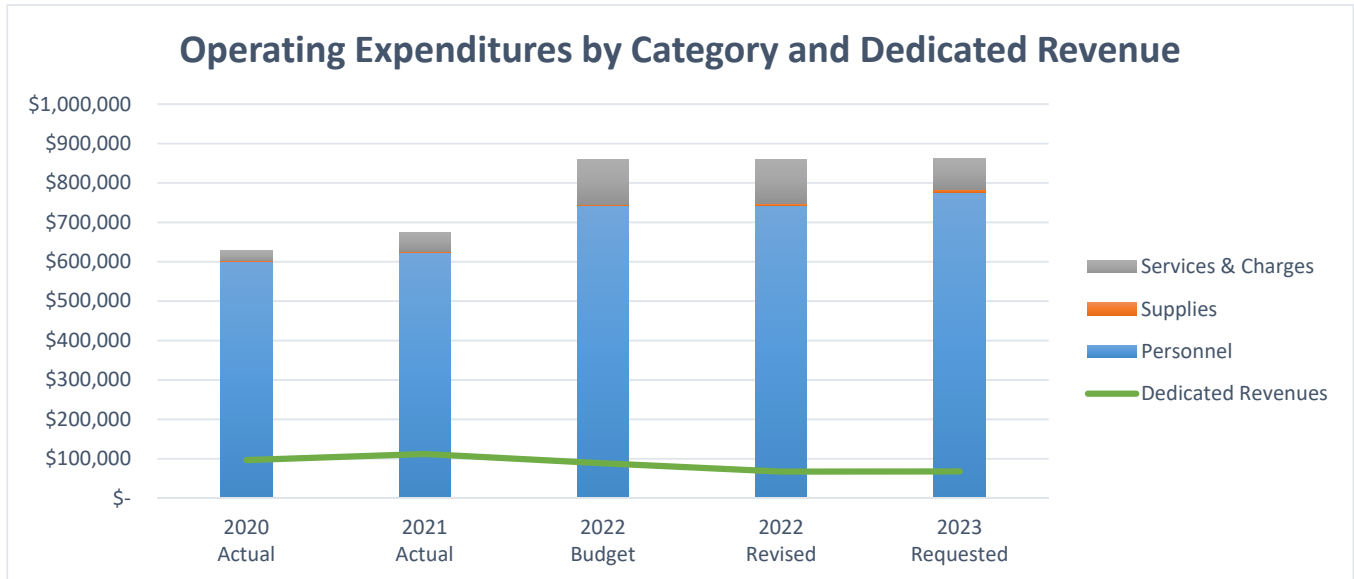
Planning Division
Community Development Department
General Fund

Description of Services:

The mission of the Planning Division is to champion the values of the community by guiding development and protecting the environment. The division serves Minnetonka by providing a long-range plan for the city, reviewing new development applications to ensure that development standards are met, and providing information and assistance to residents, businesses, other city departments, and developers.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 96,787	\$ 112,230	\$ 88,800	\$ 67,400	\$ 67,900
Operating Expenditures by Category					
Personnel	\$ 601,361	\$ 624,552	\$ 742,400	\$ 742,400	\$ 776,100
Supplies	1,209	1,842	2,350	5,800	8,300
Services & Charges	25,126	49,042	114,050	110,400	78,200
Total Operating Expenditures	<u>\$ 627,696</u>	<u>\$ 675,436</u>	<u>\$ 858,800</u>	<u>\$ 858,600</u>	<u>\$ 862,600</u>

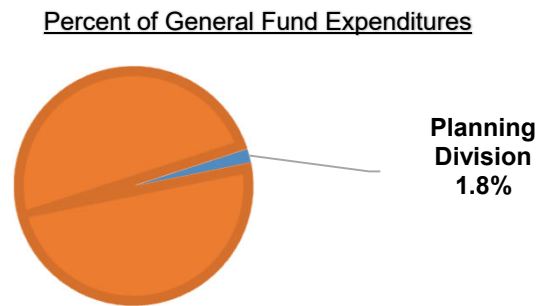
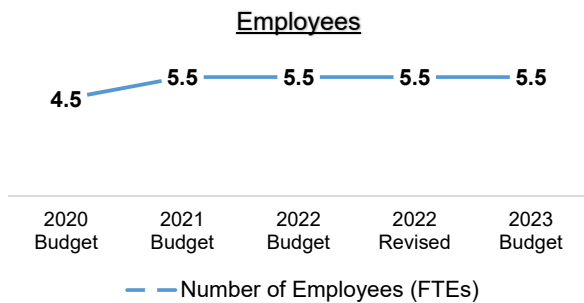


Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Planning applications received	110	127	104	105
Building permits reviewed	618	642	575	575
Grading permits issued	12	10	12	12
Public meetings	73	77	75	80

Budget Comments/Issues:

- The Planning Division is fully staffed and continues to experience a steady work flow as a result of development requests and home related projects. Sustainability work also increased in 2022 and will continue into 2023.
- The overall number of planning applications is expected to stabilize as the economy changes.
- Staff anticipates projects in the Ridgedale area to continue and interest in the development around the Green Line Extension (SWLRT) to remain.
- In 2022 and 2023, the city's Xcel Energy's Partners in Energy (PIE) Energy Action Plan will continue its implementation.





CITY OF
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2023 Annual Budget - Special Revenue Funds

	Affordable Housing Trust Fund	Cable Television	Community Development Block Grant	Electric Franchise Fees	Grants	Housing & Redevelopment Authority	Ice Arena Fund	Total Special Revenue Funds
Revenues:								
General Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,000	\$ -	\$ 300,000
Other Income	48,500	976,000	10,000	1,302,700	26,000	29,100	917,300	3,309,600
Total Revenues	\$ 48,500	\$ 976,000	\$ 10,000	\$ 1,302,700	26,000	\$ 329,100	\$ 917,300	\$ 3,609,600
Expenditures								
General Government	\$ -	\$ 980,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 980,600
Public Safety	-	-	-	-	26,000	-	-	26,000
Streets & Utilities	-	-	-	810,000	-	-	-	810,000
Recreation	-	-	-	-	-	-	1,109,500	1,109,500
Development	3,350,000	-	125,000	-	-	228,800	-	3,703,800
Total Expenditures	\$ 3,350,000	\$ 980,600	\$ 125,000	\$ 810,000	26,000	\$ 228,800	\$ 1,109,500	\$ 6,629,900
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,301,500)	(4,600)	(115,000)	492,700	-	100,300	(192,200)	(3,020,300)
Other Financing Sources (Uses)								
Transfers In	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 350,000
Transfers Out	-	(36,100)	-	-	-	-	(36,100)	(72,200)
Total Other Financing Sources (Uses)	\$ 300,000	\$ (36,100)	\$ -	\$ -	-	\$ -	\$ 13,900	\$ 277,800
Net Change in Fund Balance	\$ (3,001,500)	\$ (40,700)	\$ (115,000)	\$ 492,700	\$ -	\$ 100,300	\$ (178,300)	\$ (2,742,500)
Estimated Beginning Available Fund Balance	6,553,542	1,449,331	26,147	2,588,162	(33,563)	1,176,149	(74,790)	
Reserve for Delayed Projects	-	(757,525)	-	(2,480,221)	-	-	-	
Estimated Ending Available Fund Balance	\$ 3,552,042	\$ 651,106	\$ (88,853)	\$ 600,641	\$ (33,563)	\$ 1,276,449	\$ (253,090)	



Fund:
Responsible Department:
Fund Type:

Affordable Housing Trust Fund
Community Development Department
Special Revenue Fund

Description of Services:

On Nov. 23, 2020, the city council adopted an ordinance (City Ordinance 2020-22) to establish an affordable housing trust fund (AHTF). The AHTF is the only mechanism that allows the city to spend dollars on rental assistance and other eligible housing activities.

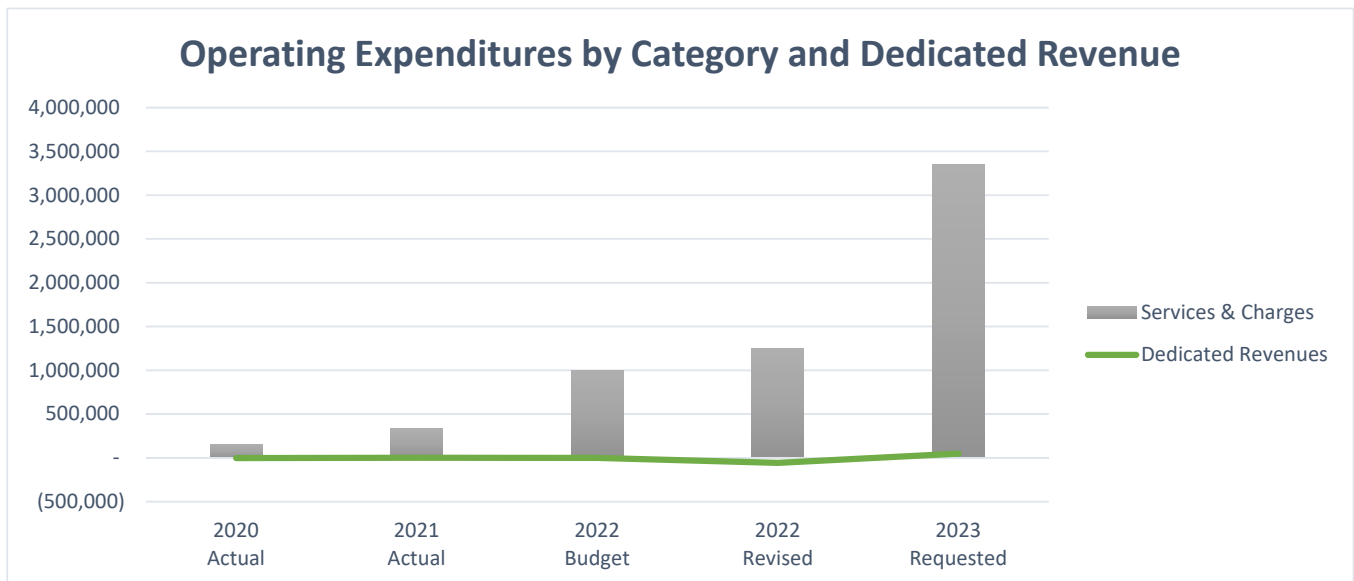
State Statute 462C.16 provides authority for local governments to establish an AHTF for the purposes of:

- Making grants, loans, and loan guarantees for the development, rehabilitation, or financing of housing;
- Matching other funds from federal, state, or private resources for housing projects;
- Providing down payment assistance, rental assistance, and homebuyer counseling services;
- And to pay for administrative expenses, up to 10 percent of the balance of the fund.

Under the statute, cities can finance the trust fund with any money available to the local government. Sources of these funds include, but are not limited to: donations, bond proceeds, grants and loans from state, federal, or private sources, appropriations by local government to the fund, investment earnings of the fund, and housing and redevelopment authority levies.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ (1,108)	\$ 961	\$ -	\$ (57,500)	\$ 48,500
Operating Expenditures by Category					
Services & Charges	\$ 150,000	\$ 330,492	\$ 1,000,000	\$ 1,253,000	\$ 3,350,000
Other Financing Sources (Uses)					
Transfers In	\$ 150,000	\$ 5,291,681	\$ -	\$ 2,903,000	\$ 300,000



Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Households assisted	75	75	73	38
Average cost of rental assistance provided	\$1,300	\$1,300	\$1,300	\$1,200

Budget Comments/Issues:

- 2023 proposed expenditures includes \$300,000 for Pathways Program, \$50,000 Rental Assistance, \$3M placeholder for affordable housing projects.
- 2022 transfers in includes a loan repayment of approximately \$2.1 M from the Cliff's apartments.
- The city received special legislation in 2021 and acted on that legislation by adopting Council Resolution 2021-093, which allowed the city to transfer its existing tax increment pooling balance to the affordable housing trust fund. The city council approved the transfer of \$4,961,680 on Sept. 13, 2021.



Fund:
Responsible Department:
Fund Type:

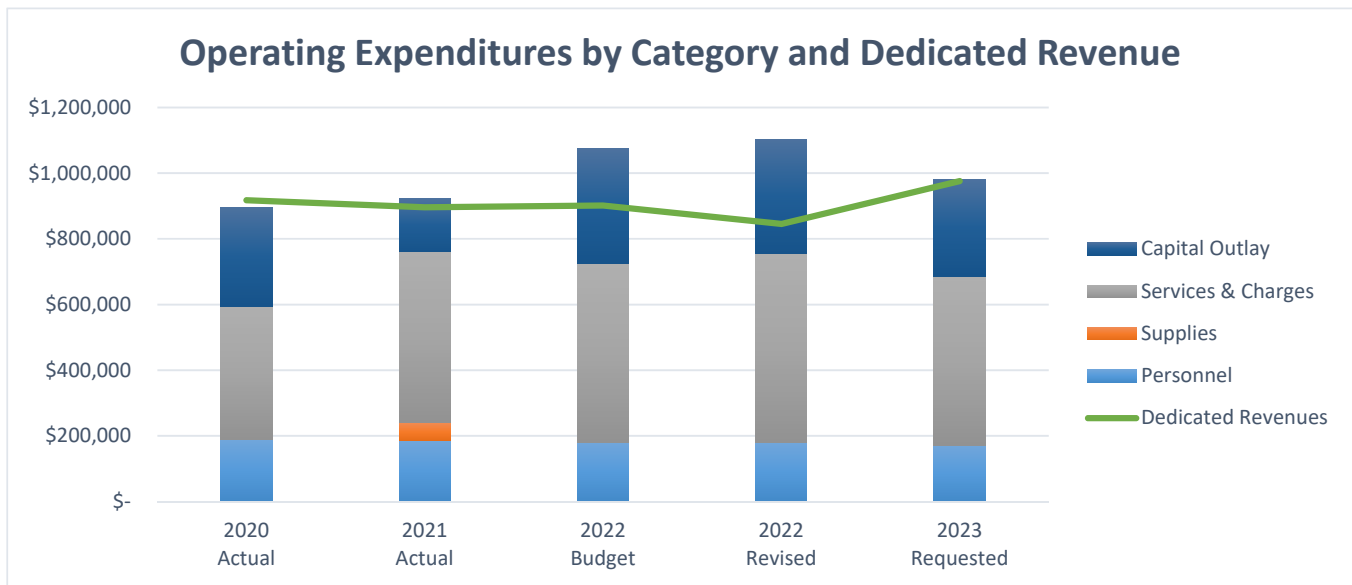
Cable Television Fund
Administrative Services Department
Special Revenue Fund

Description of Services:

The Cable Television Fund was created in 1984 to enhance city communications both with the community and within the city's organization. It is primarily financed by franchise fees paid to the city by two cable companies in exchange for use of the city's rights-of-way. The fund finances numerous activities and events to inform and educate the public and city employees as well as to strengthen residents' sense of community, including broadcast of public meetings and special events; publication of the Minnetonka Memo (circulation of 26,000); upkeep of the city's website; and hosting city events for residents such as Summer Festival and City Open House. Fiber for the city's technology infrastructure is also budgeted in this fund.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 917,473	\$ 896,239	\$ 901,500	\$ 845,300	\$ 976,000
Operating Expenditures by Category					
Personnel	\$ 187,497	\$ 184,474	\$ 180,100	\$ 180,100	\$ 171,000
Supplies	834	55,894	500	500	500
Services & Charges	406,505	520,233	543,500	573,300	513,600
Capital Outlay	301,953	161,327	350,100	350,100	295,500
Total Operating Expenditures	\$ 896,789	\$ 921,928	\$ 1,074,200	\$ 1,104,000	\$ 980,600
Other Financing Sources (Uses)					
Transfers In	\$ 47,300	\$ -	\$ -	\$ -	\$ -
Transfers Out	(734,300)	(34,900)	(35,500)	(35,500)	(36,100)
Total Other Financing Sources (Uses)	\$ (687,000)	\$ (34,900)	\$ (35,500)	\$ (35,500)	\$ (36,100)



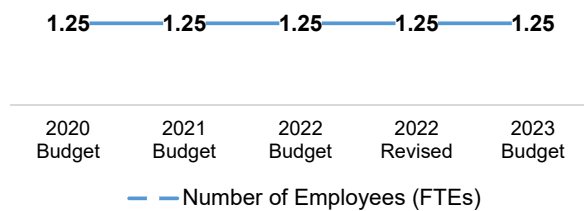
Key Measures:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Estimated</u>	<u>2023 Projected</u>
# of subscribers to email/text notification system	25,030	27,351	30,603	33,000
Average # of unique monthly website visits	44,321	43,069	46,872	48,000
Visitors - Open House	0	3,000	3,200	3,300
Miles of fiber	20	20	21	22
IT supported broadcast events (city and private)	110	128	85	90
# of graphic projects completed	140	146	175	200

Budget Comments/Issues:

- The 2023 budget provides for current services.
- The 2022 budget includes the cost of revamping our current intranet, used to communicate with employees.
- The 2021 budget reflected \$75K added for consulting services to provide technical support due to increased work load associated with approved projects.
- The 2020 budget reflects cost savings due to many city wide events canceled, summer fest and Burwell Spooktacular, due to the pandemic.
- The 2020 budget includes an increase in "service contracts" to account for an increase in annual costs for existing services (such as the city's email/text service). The increase also supports a new annual subscription to a more efficient content management system for the city's website. The new site will make it easier for residents to find important information online.
- Continued efforts will be made to transition items to the General Fund, including the remaining 1.25 FTEs. This transition was postponed in 2021 due to the pandemic. Staff is planning to propose reinstating this transition with the 2024 budget.

Employees



Capital Improvement Program:

The City prepares a five year capital improvement program (CIP). A separate CIP document was approved by Council on September 12, 2022. The CIP book provides a summary of each project location, description and source and use of funds. The CIP book also provides a cashflow for the fund.



Fund:
Responsible Department:
Fund Type:

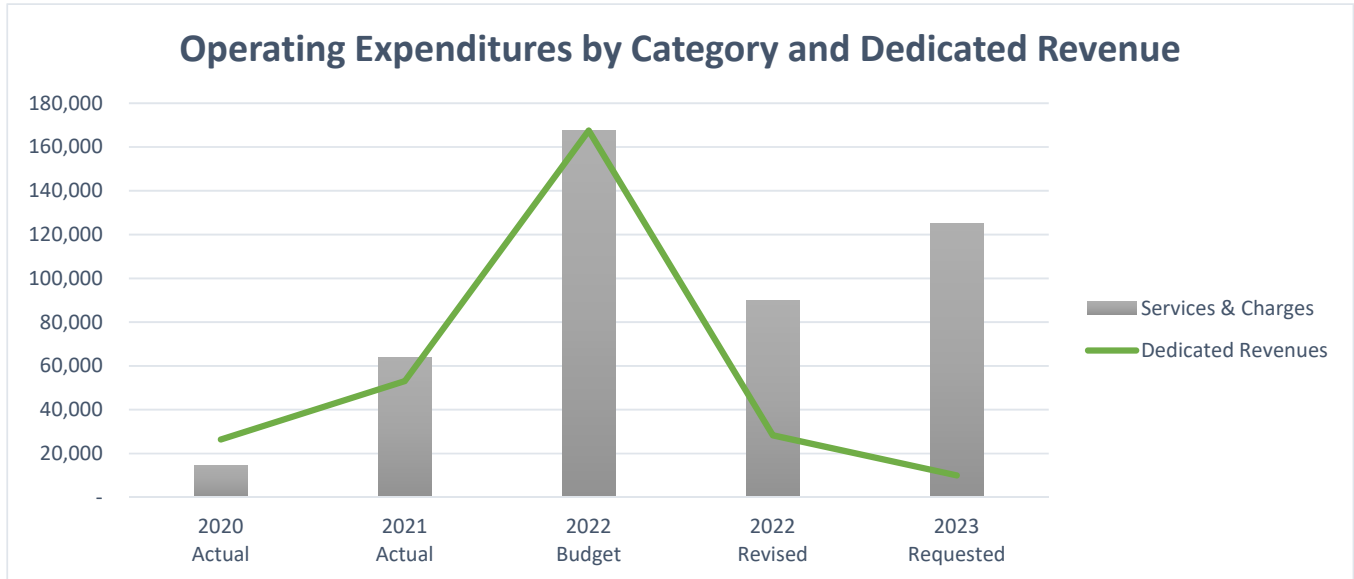
Community Development Block Grant Fund
Community Development Department
Special Revenue Fund

Description of Services:

Since 1975, the Community Development Block Grant (CDBG) fund has accounted for revenues and expenditures made under the federal CDBG program. Minnetonka typically uses these funds for housing projects and programs (such as housing rehab, affordable housing, and supportive housing) and supportive services (such as senior chore programs, sliding fee day care assistance, and others). The CDBG grant revenues vary from year to year based on funding decisions made by the federal government. Because CDBG funding distribution and the federal fiscal year do not coincide with the city's fiscal year, expenditures and revenue figures may seem lower or higher than the allocation, which also affects the key measure comparison. A typical CDBG timeline is the award notification by the Federal government is provided in February, the funds become available in July of that year. This budget is prepared approximately one year ahead of the actual knowledge of funds received.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 26,400	\$ 53,132	\$ 167,500	\$ 28,300	\$ 10,000
Operating Expenditures by Category					
Services & Charges	\$ 14,300	\$ 63,966	\$ 167,500	\$ 90,000	\$ 125,000



Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Average cost of rehabilitation project	\$0	\$7,116	\$6,925	\$7,500
Rehabilitation projects completed	X	5	3	8
HWR Rehabilitation projects	0	10	5	13

Budget Comments/Issues:

- In July of 2018, the city switched to participate in Hennepin County's Urban County CDBG program. This change streamlines public service funding requests and assists the city with administration of the various programs. The city anticipates that this Federal fund will not continue for the long term.
- Housing Rehabilitation expenditures above include the program income from the Minnetonka Entitlement repayments from loans made prior to 2018. The city receives approximately \$10,000 to \$40,000 in loan repayments annually through this program.
- In 2020, the city council approved a new program that provides forgivable loans (up to \$7,500) for residents of Homes Within Reach homes to make emergency repairs. There is a balance of approximately \$86,000 remaining to make new loans/grants for Homes within Reach homeowners for 2023.



Fund:
Responsible Department:
Fund Type:

2023 Annual Budget

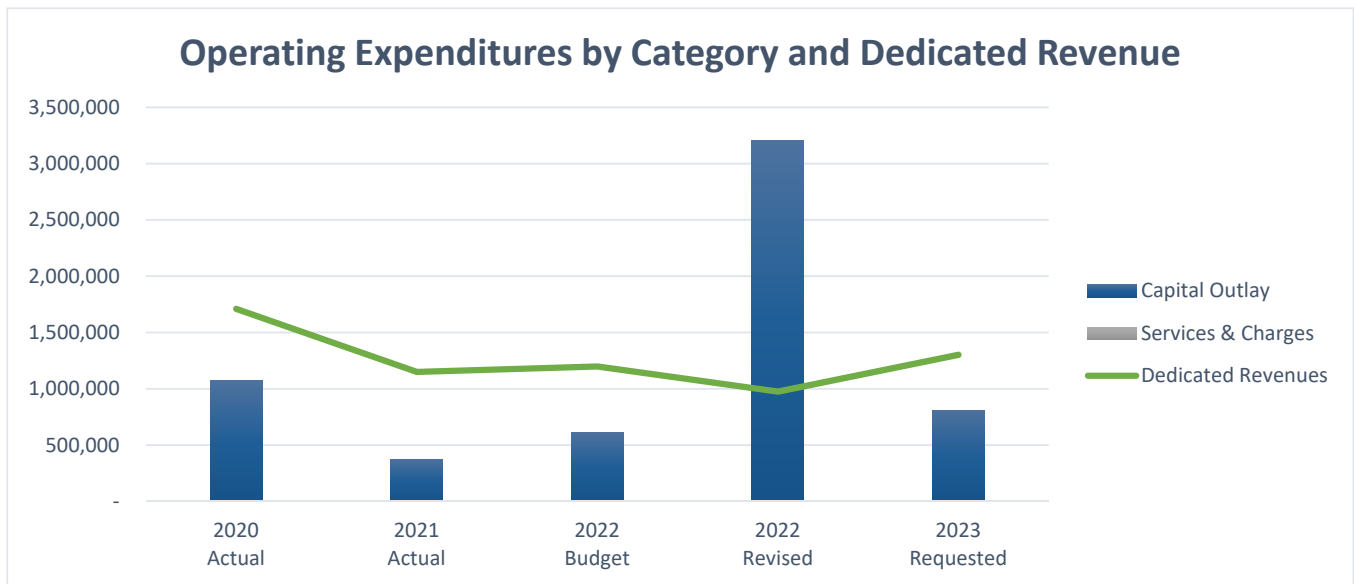
Electric Franchise Fees Special Revenue Fund
Engineering Department
Special Revenue Fund

Description of Services:

The 2003 City of Minnetonka Community Survey indicated that the residents of the city supported the burial of overhead utility lines on major streets. In 2005, the city adopted a franchise fee ordinance under which the city charges Xcel Energy a monthly fee per customer to support the project. Fee revenue and costs associated with the project are financed through the Electric Franchise Fees Special Revenue Fund. The schedule for burying lines is developed and frequently updated to coincide with plans for upgrading major roads within the city. Generally, Xcel Energy collects the fees monthly and submits the revenues to the city on a quarterly basis. The company then buries the lines for the city under contract and bills the city for these services.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 1,710,668	\$ 1,149,504	\$ 1,198,000	\$ 975,600	\$ 1,302,700
Operating Expenditures by Category					
Services & Charges	\$ -	\$ -	\$ 10,000	\$ 10,000	\$ 10,000
Capital Outlay	1,075,674	377,126	600,000	3,200,000	800,000
Total Operating Expenditures	<u>\$ 1,075,674</u>	<u>\$ 377,126</u>	<u>\$ 610,000</u>	<u>\$ 3,210,000</u>	<u>\$ 810,000</u>
Other Financing Sources (Uses)					
Transfers Out	<u>\$ (117,994)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Key Measures:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Estimated</u>	<u>2023 Projected</u>
Miles of utility line buried	0.5	1.3	1.3	0.9
LED Street Lighting - new & retrofits	40	3	10	75

Budget Comments/Issues:

- The 2019 budget incorporated an adopted increase in the electric franchise fee of \$2 per residential account, of which \$1 is for burial of electric lines and \$1 is for trail construction. The electric franchise fees associated with trail construction are recorded in the Trail System Expansion Fund along with 100% of the gas franchise fees.
- Additional overhead utility burial, energy savings retrofits of street lights associated with various street projects, and decorative light installations currently in progress or planned include Ridgedale Drive, Minnetonka Boulevard and the Opus Area.
- 2022 committed fund balance includes costs associated with Ridgedale Drive, Plymouth Road and Excelsior Boulevard.
- New energy LED decorative street lighting and retrofits are reviewed in conjunction with county and city street reconstruction projects, redevelopment interests and individual lighting projects, to provide long term energy savings and efficiencies. Current LED street light installations completed, in progress or programmed for installation include the reconstruction of the Ridgedale Area and the Opus area.

Capital Improvement Program:

The City prepares a five year capital improvement program (CIP). A separate CIP document was approved by Council on September 12, 2022. The CIP book provides a summary of each project location, description and source and use of funds. The CIP book also provides a cashflow for the fund.



Fund:
Responsible Department:
Fund Type:

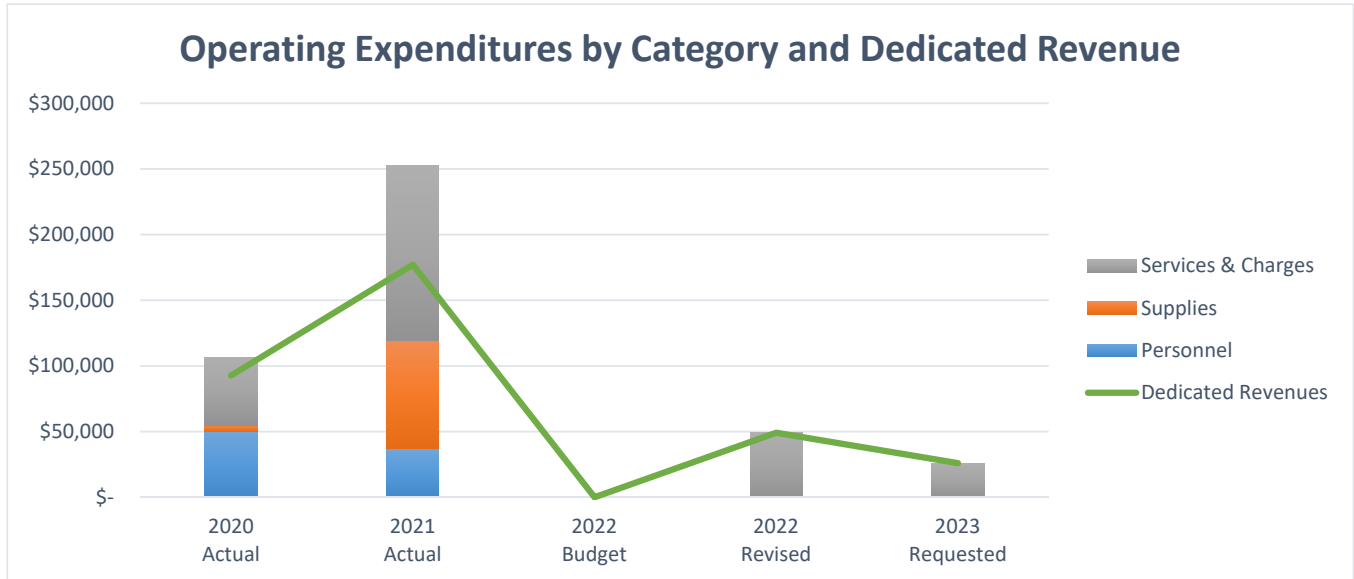
Grants Special Revenue Fund
Finance Department
Special Revenue Fund

Description of Services:

The Grants Special Revenue Fund accounts for significant special grants received by the city from outside sources that are not otherwise associated with a major city capital project or program. Each generally requires special accounting and reporting by the city, and the recipient departments are responsible for program reporting to the funding agency.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 92,810	\$ 177,039	\$ -	\$ 49,100	\$ 26,000
Operating Expenditures by Category					
Personnel	\$ 50,250	\$ 37,328	\$ -	\$ -	\$ -
Supplies	4,602	82,342	-	-	-
Services & Charges	51,259	132,866	-	49,100	26,000
Total Operating Expenditures	<u>\$ 106,111</u>	<u>\$ 252,536</u>	<u>\$ -</u>	<u>\$ 49,100</u>	<u>\$ 26,000</u>
Other Financing Sources (Uses)					
Transfers In	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,500</u>	<u>\$ -</u>



Key Measures:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Estimated</u>	<u>2023 Projected</u>
Federal grant programs	2	2	2	0
State grant programs	0	1	1	0
Other grant programs*	2	2	1	1

* Denotes local and other grants within only this fund.

Budget Comments/Issues:

- The city seeks opportunities on an ongoing basis to apply and receive grants to support city projects and services.
- For more than a decade, the city's Toward Zero Death (TZD) program and bulletproof vest reimbursements have been accounted for within the Grants Special Revenue Fund. Starting in 2023, these grants will be accounted for within the city's General Fund under the police department.
- The Opioid settlement distributions are anticipated to start occurring in late 2022. Annual payments will continue through 2038. The distribution amounts for 2022 and 2023 are \$49,100 and \$26,000, respectively. A formal expenditure plan is still being developed.
- 2022 includes a transfer in from the General Fund to eliminate the fund's negative cash balance. Over the years, operating grants such as TZD and other grants that include personnel costs do not receive dollar-for-dollar reimbursement, rather are awarded on a average hourly cost basis which has caused discrepancies between grant awards and actual expenditures. As previously mentioned, the TZD and other grants that include on-going personnel costs are being moved to the General Fund.
- In 2021, The police department was awarded a \$68,000 auto theft grant through the State of Minnesota, which allowed the department to purchase a license plate reader system. These funds were expended in 2021 with reimbursement by the State in 2022.
- In 2021, the city received two Hennepin County Youth Sports Grants (HCYSG): (1) to purchase youth sports equipment for Guillian field, \$7,758, and (2) for new gymnasium space at Eagle Ridge Academy, \$125,000.



Fund:
Responsible Department:
Fund Type:

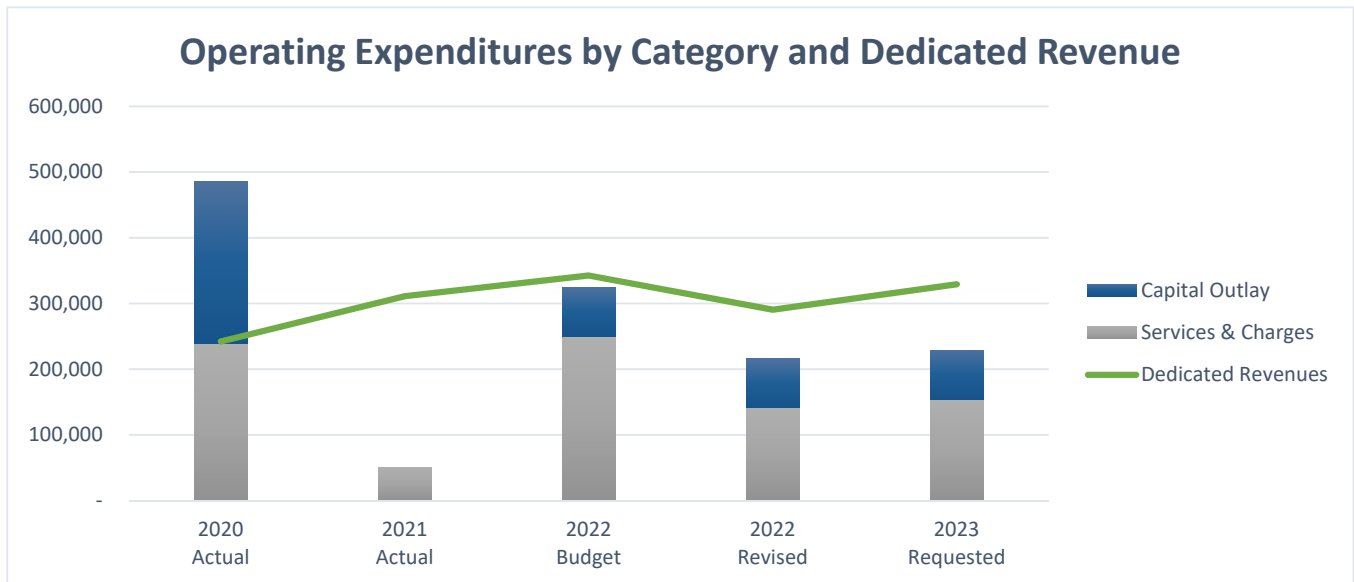
Housing & Redevelopment Authority Fund
Community Development Department
Special Revenue Fund

Description of Services:

Minnesota Statutes 469.033, Subd. 6 authorizes housing and redevelopment authorities (HRAs) the power to levy a tax upon all property within its district to finance housing and redevelopment programs subject to the consent of the city council. In 1988 and amended in 1994 and 2010, the Minnetonka City Council established the Economic Development Authority (EDA) of the City of Minnetonka and transferred to the EDA the control, authority and operation of all projects and programs of the city's HRA. The law and council resolutions further require the EDA to file a budget in accordance with the budget procedure of the city in the same manner as required of executive departments of the city and all actions of the authority to be approved by the city council.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 242,070	\$ 310,934	\$ 342,500	\$ 290,500	\$ 329,100
Operating Expenditures by Category					
Services & Charges	\$ 239,223	\$ 50,348	\$ 250,000	\$ 141,300	\$ 153,800
Capital Outlay	246,667	-	75,000	75,000	75,000
Total Operating Expenditures	\$ 485,890	\$ 50,348	\$ 325,000	\$ 216,300	\$ 228,800
Other Financing Sources (Uses)					
Transfers In	\$ 225,000	\$ -	\$ -	\$ -	\$ -
Transfers Out	(150,000)	(50,000)	-	-	-
Total Other Financing Sources (Uses)	\$ 75,000	\$ (50,000)	\$ -	\$ -	\$ -



Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Housing rehab loan issued <\$15,000	0	1	1	2
Average amount of rehab loan	\$0	\$14,899	\$14,000	\$14,000
Down payment assistance provided <\$10,000	5	1	1	2
Average amount of down payment loans	\$9,591	\$15,000	\$15,000	\$15,000

Budget Comments/Issues:

- The 2023 Housing and Redevelopment Authority (HRA) budget includes funding for Homes Within Reach, supplemental funding for the city's two housing loan programs, and the city's eighth year of a ten-year payback for its commitment the Southwest Light Rail Transit project. The annual budget of the HRA Fund is reviewed by the Economic Development Advisory Commission (EDAC) and as identified in the adopted Economic Improvement Program (EIP).
- The city launched two housing improvement programs in June 2011, Minnetonka Home Enhancement (rehab) and Welcome to Minnetonka (down payment assistance). Additional dollars are included in the EIP recommendations for the 2023 levy to fund the program in future years.
- The 2023 budget includes funding of \$125,000 for Homes Within Reach.
- The Center for Energy and Environment manages the Welcome To Minnetonka and Minnetonka Home Enhancement programs on behalf of the city. Community Reinvestment Fund (CRF) continues to service the loans for the city.
- HRA levies are specifically covered as separate levies under state law, proposed property tax notices and invoices to property owners identify the levy as a "special taxing district" separate from the city.



Fund:
Responsible Department:
Fund Type:

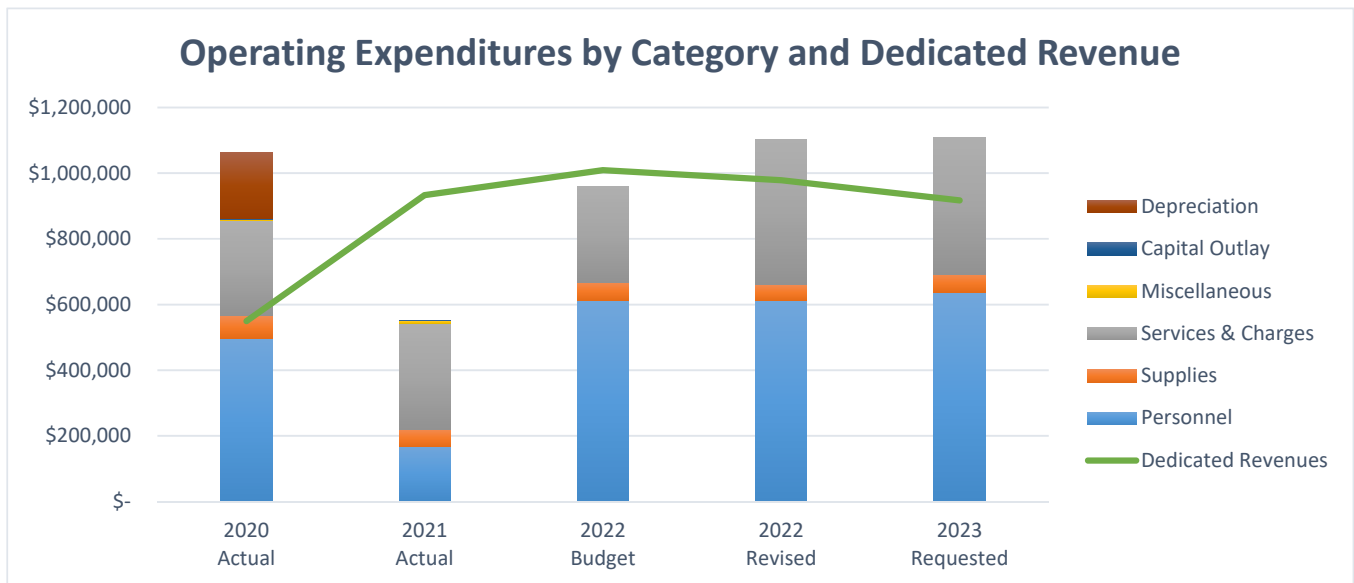
Ice Arena Special Revenue Fund
Recreation Services Department
Special Revenue Fund

Description of Services:

The Minnetonka Ice Arena, under the management of the Recreation Services Department, provides ice time and programs to the surrounding community, as well as local special interest groups and individuals for the purpose of ice related recreational activities. Programs and activities include, but are not limited to hockey, figure skating, learn-to-skate programs and public skate sessions. Fees charged to users support the operation of the facility.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 549,482	\$ 932,981	\$ 1,009,000	\$ 978,300	\$ 917,300
Operating Expenditures by Category					
Personnel	\$ 496,217	\$ 167,199	\$ 612,300	\$ 612,300	\$ 636,400
Supplies	69,361	53,082	56,200	49,200	56,300
Services & Charges	289,371	321,858	290,900	441,100	416,800
Miscellaneous	5,619	8,343	-	-	-
Capital Outlay	332	1,726	-	-	-
Depreciation	201,791	-	-	-	-
Total Operating Expenditures	\$ 1,062,691	\$ 552,208	\$ 959,400	\$ 1,102,600	\$ 1,109,500
Other Financing Sources (Uses)					
Capital Contributions In	\$ 793,627	\$ (2,731,691)	\$ -	\$ -	\$ -
Transfers In	121,700	602,813	350,000	350,000	50,000
Transfers Out	(34,300)	(287,713)	(35,500)	(35,500)	(36,100)
Total Other Financing Sources (Uses)	\$ 881,027	\$ (2,416,591)	\$ 314,500	\$ 314,500	\$ 13,900



Key Measures:

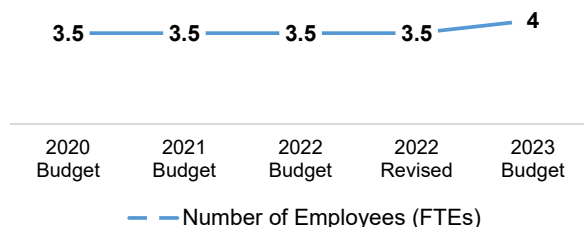
	2020	2021	2022	2023
	Actual	Actual	Estimated	Projected
Ice rental hours sold	2,022	3,100	3,300	3,000
Skating lesson participants	893	1,012	1,000	1,000
Public skating/hockey hours offered	248	453	450	450
Public skating/open hockey participants	2,965	4,700	5,000	5,000
Adult hockey groups & teams utilizing facility	36	45	45	45
Total days of operation	212	340	340	340
Operating expenses covered by dedicated revenue and transfers in	75%	185%*	118%	84%

* Higher due to Conversion from enterprise fund to special revenue fund.

Budget Comments/Issues:

- As of January 1, 2022, the Ice Arena operations converted from an enterprise fund to a special revenue fund. The Ice Arena truly functions as a special revenue fund with its major source of revenue coming from ice rental fees. Capital improvements for the facility are financed from other governmental funds and not from its own revenue generation, which is typically indicative of a true enterprise fund. This change in fund reporting will not impact the bottom line, but it will present a more transparent picture of the facilities operations and funding sources. The 2022 budget contains two Ice Arena pages, one within the enterprise fund section that includes actuals and budget information through 2021 and another within the special revenue fund section that includes only the 2022 budget.
- The city council approved the distribution of \$600,000 of the city's federal ARPA award to be directed towards the Ice Arena to aid in eliminating the fund's cash deficit. \$300,000 is recognized in both, 2021 and 2022.
- Reduced ice rental revenue in 2023 a result of the Rink B refrigeration replacement project.
- Consistent with the Council's Strategic Plan, a market study is completed annually to determine fees for use of the Ice Arena and other recreational facilities.
- Despite its solid record in maintaining strong demand for use of the facility, the Ice Arena has historically struggled to generate enough revenues to meet its annual operating costs. This was in part due to mechanical failures of the aging facility. The city council advanced a capital project from 2018 to 2015 to replace the refrigeration system of Arena A. Additionally, the General Fund provided a one-time cash infusion of \$200,000 to the enterprise fund in 2014 as well as an ongoing annual subsidy of \$50,000 beginning 2015.
- The roof and HVAC system at rink B were replaced in 2020 at a cost of \$890,000. These two projects were planned and earmarked in the 2018, 2019 and 2020 Capital Improvements Program (CIP) and funded through the Capital Replacement Fund. Funding for Ice Arena capital costs is historically through the Capital Replacement Fund.
- Non-prime hourly rates increased from \$175/hour to \$185/hour and prime rates increased from \$225/hour to \$235/hour effective September 1, 2022.
- 2020 reflects reduced revenues and participation numbers resulting from a 134-day government mandated shutdown due to COVID-19. An additional transfer of \$71,700 from the General Fund is the Ice Arena's share of the federal CARES grant awarded to the city.

Employees





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MINNETONKA

2023 Annual Budget - Capital Projects Funds

	Capital Replacement	Community Investment	Development Fund	Forestry Fund	Livable Communities	Municipal State Aid	Parks and Trails
Revenues:							
General Property Taxes	\$ 1,385,000	\$ -	\$ -	\$ 83,000	\$ -	\$ -	\$ 425,000
User Fees & Charges	-	-	6,000	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-
Intergovernmental Revenue	-	-	3,750,000	-	37,000	2,140,300	-
Other Income	236,600	721,900	212,200	33,900	11,900	-	579,400
Total Revenues	\$ 1,621,600	\$ 721,900	\$ 3,968,200	\$ 116,900	\$ 48,900	\$ 2,140,300	\$ 1,004,400
Expenditures							
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	-	-	-	-	-	-	-
Streets & Utilities	5,439,000	-	-	-	-	-	-
Parks	-	1,400,000	-	220,000	-	-	2,002,100
Development	-	-	6,086,400	-	450,000	-	-
Total Expenditures	\$ 5,439,000	\$ 1,400,000	\$ 6,086,400	\$ 220,000	\$ 450,000	\$ -	\$ 2,002,100
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (3,817,400)	\$ (678,100)	\$ (2,118,200)	\$ (103,100)	\$ (401,100)	\$ 2,140,300	\$ (997,700)
Other Financing Sources (Uses)							
Transfers In	\$ 350,000	\$ 63,000	\$ 100,000	\$ -	\$ -	\$ -	\$ 8,000
Transfers Out	-	-	(70,100)	(60,000)	-	-	-
Total Other Financing Sources (Uses)	\$ 350,000	\$ 63,000	\$ 29,900	\$ (60,000)	\$ -	\$ -	\$ 8,000
Net Change in Fund Balance	\$ (3,467,400)	\$ (615,100)	\$ (2,088,300)	\$ (163,100)	\$ (401,100)	\$ 2,140,300	\$ (989,700)
Estimated Beginning Available Fund Balance	3,035,638	20,889,385	4,389,715	926,252	517,065	72,177	12,328,423
Reserve for Delayed Projects	(890,795)	(983,000)	-	-	-	-	(6,041,297)
Estimated Ending Available Fund Balance	\$ (1,322,557)	\$ 19,291,285	\$ 2,301,415	\$ 763,152	\$ 115,965	\$ 2,212,477	\$ 5,297,426

2023 Annual Budget - Capital Projects Funds

	Public Safety	Ridgedale Tax Abatement	Special Assessment Construction	Street Improvements	Technology Development	Trail System Expansion Fund	Total Capital Projects Funds
Revenues:							
General Property Taxes	\$ 550,000	\$ 80,000	\$ -	\$ 6,080,000	\$ 650,000	\$ -	\$ 9,253,000
User Fees & Charges	-	-	-	-	-	-	6,000
Licenses and Permits	-	-	-	575,000	-	-	575,000
Intergovernmental Revenue	-	-	-	635,000	-	-	6,562,300
Other Income	3,000	-	-	329,500	24,300	2,074,200	4,226,900
Total Revenues	\$ 553,000	\$ 80,000	\$ -	\$ 7,619,500	\$ 674,300	\$ 2,074,200	\$ 20,623,200
Expenditures							
General Government	\$ -	\$ -	\$ -	\$ -	\$ 2,028,900	\$ -	\$ 2,028,900
Public Safety	198,500	-	-	-	-	-	198,500
Streets & Utilities	-	-	-	9,715,000	-	-	15,154,000
Parks	-	-	-	-	-	1,550,000	5,172,100
Development	-	-	-	-	-	-	6,536,400
Total Expenditures	\$ 198,500	\$ -	\$ -	\$ 9,715,000	\$ 2,028,900	\$ 1,550,000	\$ 29,089,900
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 354,500	\$ 80,000	\$ -	\$ (2,095,500)	\$ (1,354,600)	\$ 524,200	\$ (8,466,700)
Other Financing Sources (Uses)							
Transfers In	\$ 200,000	\$ -	\$ -	\$ 1,450,000	\$ 350,000	\$ -	\$ 2,521,000
Transfers Out	-	-	(43,900)	-	-	-	(174,000)
Total Other Financing Sources (Uses)	\$ 200,000	\$ -	\$ (43,900)	\$ 1,450,000	\$ 350,000	\$ -	\$ 2,347,000
Net Change in Fund Balance	\$ 554,500	\$ 80,000	\$ (43,900)	\$ (645,500)	\$ (1,004,600)	\$ 524,200	\$ (6,119,700)
Estimated Beginning Available Fund Balance	1,124	229,883	8,642,596	821,481	1,257,020	282,403	
Reserve for Delayed Projects	(457,433)	-	-	(6,618,666)	(231,570)	(97,850)	
Estimated Ending Available Fund Balance	\$ 98,191	\$ 309,883	\$ 8,598,696	\$ (6,442,685)	\$ 20,850	\$ 708,753	



Fund:
Responsible Department:
Fund Type:

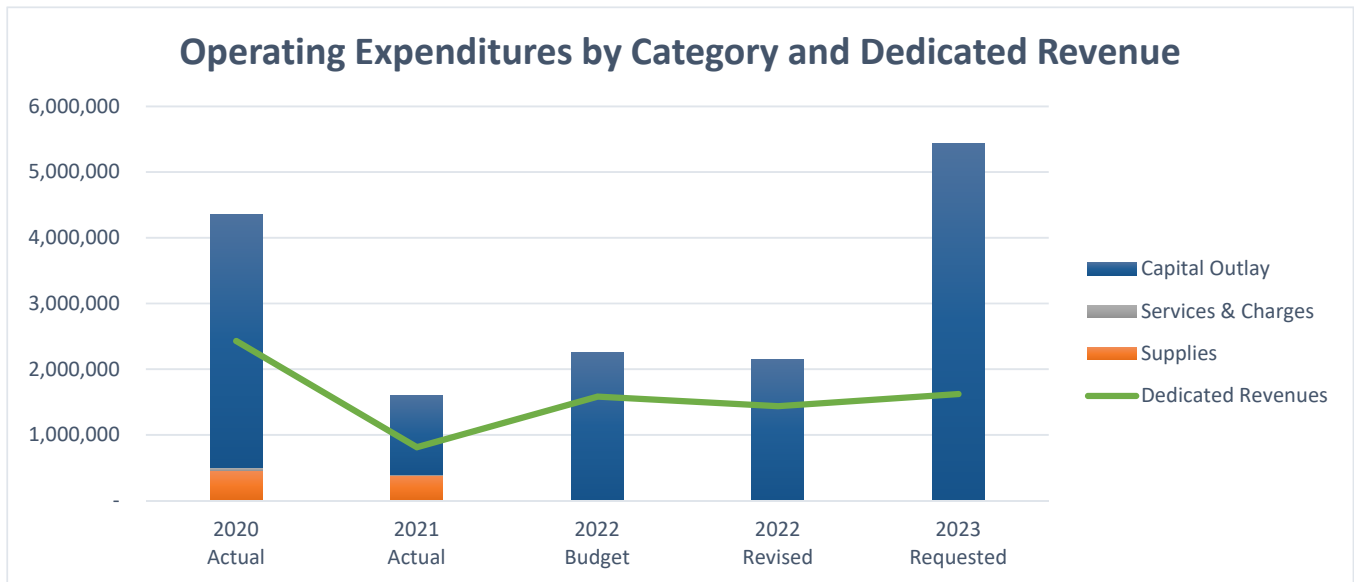
Capital Replacement Fund
Finance Department
Capital Projects Fund

Description of Services:

The Capital Replacement Fund (CRF) was created in 1983 for the purpose of funding replacement or repair of major capital items that are expected to exceed \$5,000 in cost. The primary source of revenue for the fund is tax levy proceeds, but the fund also receives earnings from the auction of surplus city property as well as investment interest. Administrative policies provide for the replacement of general vehicles after eight years, marked police vehicles after 100,000 miles, heavy public works equipment and vehicles after 10-15 years, and fire equipment after 20-25 years with refurbishment after ten years.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 2,427,977	\$ 810,428	\$ 1,582,100	\$ 1,435,700	\$ 1,621,600
Operating Expenditures by Category					
Supplies	\$ 454,538	\$ 385,657	\$ -	\$ -	\$ -
Services & Charges	48,551	14,107	-	-	-
Capital Outlay	3,857,494	1,201,349	2,248,600	2,148,600	5,439,000
Total Operating Expenditures	\$ 4,360,583	\$ 1,601,113	\$ 2,248,600	\$ 2,148,600	\$ 5,439,000
Other Financing Sources (Uses)					
Gain/(Loss) on Capital Sold	\$ -	\$ 206,633	\$ -	\$ -	\$ -
Transfers In	2,448,000	355,000	400,000	400,000	350,000
Total Other Financing Sources (Uses)	\$ 2,448,000	\$ 561,633	\$ 400,000	\$ 400,000	\$ 350,000



Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
General light-duty vehicles in fleet	110	111	112	112
Marked police vehicles in fleet	24	24	24	24
Heavy equipment and trucks in fleet	65	65	65	65
Deprec. value of buildings & structures (millions \$)	\$15.9	\$16.4	\$16.1	\$17.9
Deprec. value of furniture & equipment (millions \$)	\$7.3	\$7.8	\$7.8	\$7.9

Budget Comments/Issues:

- The adopted 2023-27 Capital Improvements Program (CIP) incorporates funding for the community center renovation. Total funding for this project is \$3.58 million with \$3.275 million from the 2023 CIP and \$305,000 from the 2022 CIP.
- Substantial purchases approved in the 2023-27 CIP for the fund include: dump/plow truck replacement (\$315,300), fleet vehicles (\$964,900); sidewalk and trail maintenance vehicle (\$199,800); skidsteer loaders (\$99,000); sustainability initiatives (\$100,000); and a variety of building components (\$375,000), including energy conservation improvements and building automation upgrades. Additionally, \$110,000 is included as the city's partnership costs for improvements to the Royals Athletic Center located at Hopkins high school.
- Transfers into the CRF are done annually from available fund balance within the General Fund, under guidance of the city's fund balance policy. The transfer is scheduled as part of the adopted five-year CIP. Like all capital funds, the CRF is managed over a five-year horizon as part of the adopted CIP.
- An additional 2020 General Fund transfer of \$1,248,000 reimburses the CRF for HVAC improvements related to mitigating the spread of COVID-19. The early replacement of these units provide cleaner and increased air circulation throughout city facilities.
- The tax levy revenue was reduced in 2021 due to delaying the purchase of \$1.35 million in fleet vehicles, electric ice resurfacer and previously mentioned HVAC improvements. 2022 restores approximately \$710,000 of the previous levy reduction. Full restoration of the levy is anticipated to occur in 2025.
- The value of building and structures increased in 2021 due to the completion of the public safety facility remodel and expansion project.

Capital Improvement Program:

The City prepares a five year capital improvement program (CIP). A separate CIP document was approved by Council on September 12, 2022. The CIP book provides a summary of each project location, description and source and use of funds. The CIP book also provides a cashflow for the fund.



Fund:
Responsible Department:
Fund Type:

Community Investment Fund
Finance Department
Capital Projects Fund

Description of Services:

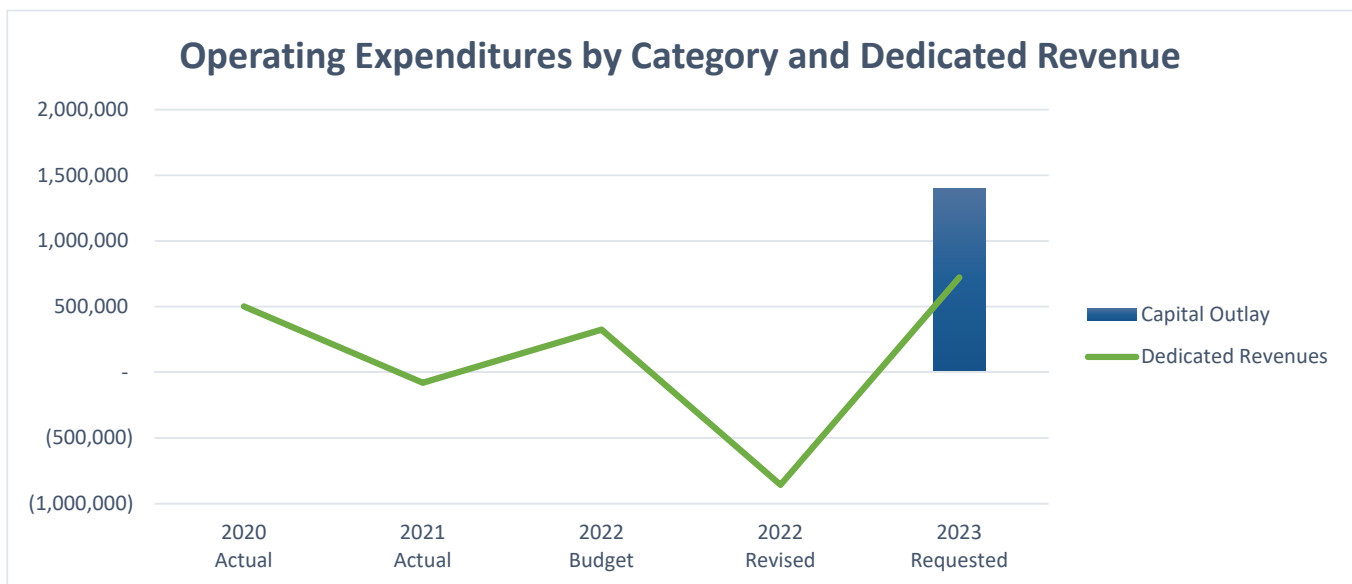
The Community Investment Fund was created in 1989 to be used solely to pay the capital costs for projects of general benefit to the City of Minnetonka. The city charter provides that the principal of the fund will be increased by ten percent of the investment income each year, and if the principal is used for a project, it must either be repaid or other projects may not be funded until the principal is restored to its previous amount plus ten percent of investment earnings.

City ordinance establishes that the following priorities are to be used in determining which projects should be financed by the fund: First, projects that can be funded within the amount of the available investment earnings; second, projects that use principal funds and that have the capacity to repay the principal amount borrowed; and third, projects that use principal funds, have no other reasonable funding source, are non-revenue producing, require significant funding, and will provide otherwise unattainable community benefit.

In the past, the Community Investment Fund was used to assist in financing the construction and/or renovation of city facilities that include: the Lindbergh Center, Williston Center, the Ice Arena, Shady Oak Beach, the Arts Center, Gray's Bay Marina, and the Public Works Building on Minnetonka Boulevard.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 502,233	\$ (78,873)	\$ 325,000	\$ (856,400)	\$ 721,900
Operating Expenditures by Category					
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ 1,400,000
Other Financing Sources (Uses)					
Transfers In	\$ 63,000	\$ 63,000	\$ 63,000	\$ 63,000	\$ 63,000
Transfers Out	-	(600,000)	-	-	-
Total Other Financing Sources (Uses)	\$ 63,000	\$ (537,000)	\$ 63,000	\$ 63,000	\$ 63,000



Key Measures:

	<u>2020</u> <u>Actual</u>	<u>2021</u> <u>Actual</u>	<u>2022</u> <u>Estimated</u>	<u>2023</u> <u>Projected</u>
Annual net investment earnings	\$502,233	(\$78,873)	(\$856,400)	\$721,900
Ending Fund Balance	\$22,298,658	\$21,682,785	\$21,354,885	\$20,801,285
Required Fund Balance	\$19,983,076	\$20,033,299	\$20,025,412	\$20,057,482
Available Fund Balance	\$2,315,582	\$1,649,486	\$1,329,473	\$743,803

Budget Comments/Issues:

- The low interest rate environment continues to limit the funds ability to generate significant investment earnings. As a result, balances available, as projected in the 2023-27 Capital Improvements Program (CIP), for future capital projects are projected to continue at a conservative level compared to historical highs. The adopted capital budget also provides a list of other projects for future consideration to be financed from the fund, including park and open space purchases, skate park improvements and potentially a recreational pool.
- The 2023-27 CIP includes \$1.4 million from the Community Investment Fund (CIF) in 2023 for the cost to replace the refrigeration system in the city's Ice Arena B. The fund supported replacement of the Ice Arena A system as part of the 2015 Ice Arena Improvement Project.
- 2021 transfers out included a transfer out of \$600,000 for a payment on an interfund loan with the Special Assessment Construction Fund related to 2015 Ice Arena A improvements. This transfer combined 2020 and 2021 payments. A final payment \$50,000 on this interfund loan is due in 2024.
- Other revenue to the fund includes \$63,000 annually transferred in from the General Fund until the year 2048 for ownership conveyance of the Arts Center on 7 to the Minnetonka Independent School District in 2010.

Capital Improvement Program:

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Fund:
Responsible Department:
Fund Type:

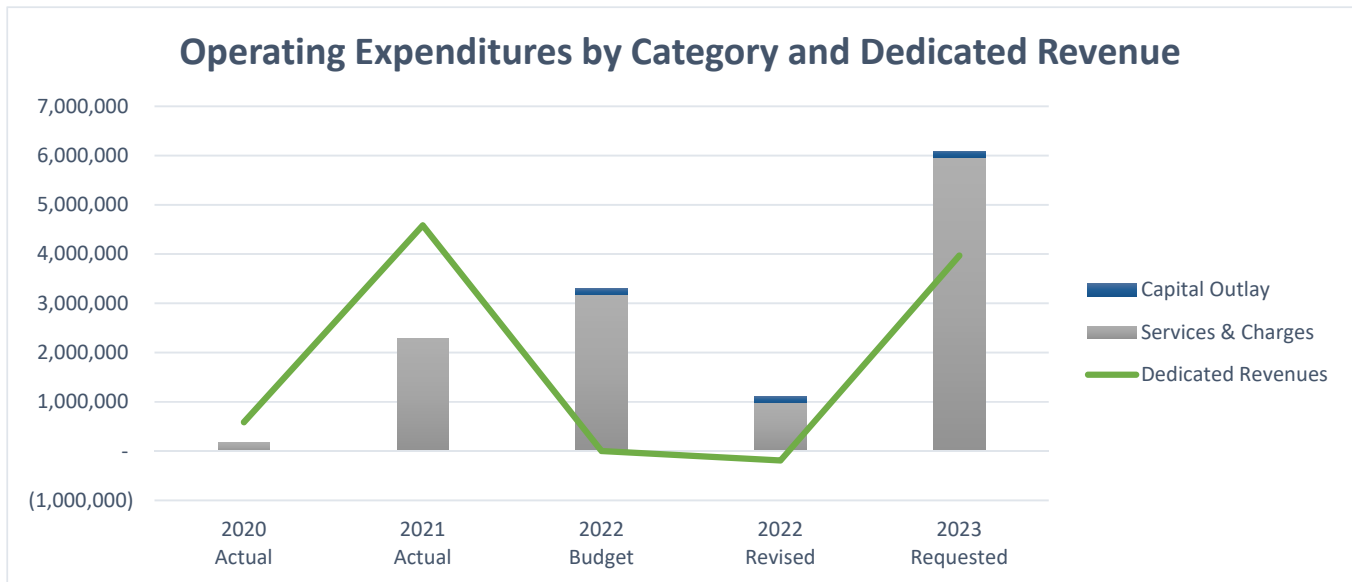
Development Fund
Community Development Department
Capital Fund

Description of Services:

The Development Fund was created with funds remaining after retiring the bonds of a single Tax Increment Finance (TIF) district in 1993. Under provisions of the TIF contract and law, the Development Fund may only be used for costs associated with Minnetonka's redevelopment and economic development activities. The city's Economic Development Authority initiates projects appropriate to these activities.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 586,039	\$ 4,582,667	\$ -	\$ (189,900)	\$ 3,968,200
Operating Expenditures by Category					
Services & Charges	\$ 168,743	\$ 2,281,928	\$ 3,171,200	\$ 978,400	\$ 5,961,400
Capital Outlay	-	-	125,000	125,000	125,000
Total Operating Expenditures	\$ 168,743	\$ 2,281,928	\$ 3,296,200	\$ 1,103,400	\$ 6,086,400
Other Financing Sources (Uses)					
Transfers In	\$ 1,067,252	\$ 39,509	\$ -	\$ 100,000	\$ 100,000
Transfers Out	(234,064)	(67,700)	(68,900)	(2,168,900)	(70,100)
Total Other Financing Sources (Uses)	\$ 833,188	\$ (28,191)	\$ (68,900)	\$ (2,068,900)	\$ 29,900



Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Development/redevelopment projects in progress	14	10	7	5
Predevelopment contacts	26	22	17	20

Budget Comments/Issues:

- In 2020, the city council approved an allocation of \$150,000 to assist with funding a temporary affordable housing trust fund to provide rental assistance to households impacted by COVID-19. The \$150,000 was the available cash balance of conduit debt application fees that the city has collected over time and could be used for this purpose.
- The 2022 revenue to the Development Fund includes additional dollars, which is a temporary funding stream of returned tax increment proceeds from Boulevard Gardens Tax Increment Finance (TIF) District. 2022 will be the final year of these additional dollars.
- In 2012, the city approved establishment of the Cedar Ridge Housing Improvement Area (HIA). Revenues to offset these costs that were incurred in 2012 and 2013 will be realized over time through special assessments to the property owners. Annual income for Cedar Ridge in 2023 is expected to be approximately \$40,000.
- In 2019, the city issued bonds for the Housing Improvement Area at Cloud 9 Sky Flats. The repayment of the bonds is approximately \$175,000 per year over a 20-year payback, beginning back in 2021.
- Expenditures under economic development programs are used to fund the Open to Business program, which is administered by a third-party contractor. Also included is the city's GreaterMSP membership costs.
- New programs include business technical assistance, code compliance program and a pedestrian connection to strengthen the connections to Ridgedale Mall. The source of these funds are indirect ARPA funding.



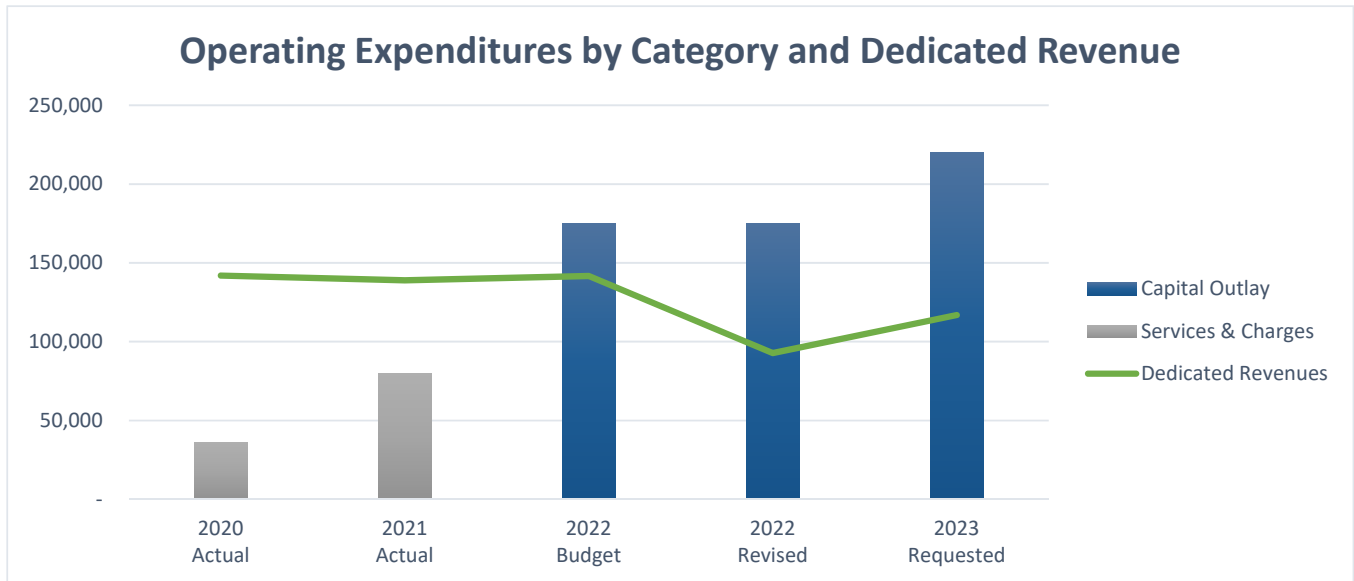
Fund: **Forestry Fund**
 Responsible Department: Public Works Department
 Fund Type: Capital Projects Fund

Description of Services:

The Forestry Fund was established at the beginning of 2014 to finance asset-related costs associated with the arrival of the Emerald Ash Borer (EAB) insect. The insect was first detected in the Twin Cities in 2009 and was discovered in Minnetonka in 2019. EAB will eventually infest and kill most, if not all, native ash trees which comprise about seven percent of all tree species in Minnesota. Inventories of the city suggest there are approximately 60,000 ash trees in the city limits (includes those in private yard areas, public parks, out-lots and public rights-of-way).

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 141,961	\$ 138,930	\$ 141,700	\$ 92,800	\$ 116,900
Operating Expenditures by Category					
Services & Charges	\$ 36,037	\$ 80,073	\$ -	\$ -	\$ -
Capital Outlay	-	-	175,000	175,000	220,000
Total Operating Expenditures	\$ 36,037	\$ 80,073	\$ 175,000	\$ 175,000	\$ 220,000
Other Financing Sources (Uses)					
Transfers Out	\$ (58,000)	\$ (58,000)	\$ (59,000)	\$ (59,000)	\$ (60,000)



Key Measures:

	<u>2020</u> <u>Actual</u>	<u>2021</u> <u>Actual</u>	<u>2022</u> <u>Estimated</u>	<u>2023</u> <u>Projected</u>
Ash trees removed	536	540	700	800
Park trees replanted	112	197	150	150
Stumps ground	36	12	10	10
High value ash trees treated (city trees)	90	110	110	110

Budget Comments/Issues:

- Costs in the Forestry Fund reflect the capital budget portion of the EAB program along other plant pests and diseases, which includes tree removal, stump grinding, equipment purchases and reforestation. The 2019 budget incorporated funds to begin removal of right-of-way trees as directed by the Mayor and City Council. As part of the ramp-up, \$58,000 is transferred to the General Fund to support the costs of hiring one additional full-time employee in the Natural Resources Division to assist in administering the program as part of the multi-year action plan.
- At the end of 2018 the city completed the removal of all poorly formed and unhealthy ash trees from the maintained areas of parks and city owned properties (water towers, fire stations, etc.). Tree replacement numbers are anticipated to hold steady because of replanting in woodland areas to replace ash trees that are preemptively removed.
- Only the highest priority, city-owned ash trees have had bi-annual injection treatments since 2015.
- The city has solicited a bulk rate for injection and has extended the pricing to residents that want to inject their elm and ash trees in order to protect them from Dutch elm disease and EAB.
- Staff costs are reflected within the General Fund and are part of the previously approved city plan. The level of service will likely continue to increase going forward due to the identification of EAB for the first time within the City in 2019.
- In 2014, almost \$900,000 was received as a settlement for tree loss that was sustained in three parks as a result of the use of Imprelis, a broadleaf herbicide, used to control weeds. The city has begun to use a portion of the settlement deposited in the Forestry Fund for reforestation efforts to replace these lost trees. The residual effects of the chemical are not well understood at this time so planting of new trees will be cautiously slow.

Capital Improvement Program:

The City prepares a five year capital improvement program (CIP). A separate CIP document was approved by Council on September 12, 2022. The CIP book provides a summary of each project location, description and source and use of funds. The CIP book also provides a cashflow for the fund.



Fund:
Responsible Department:
Fund Type:

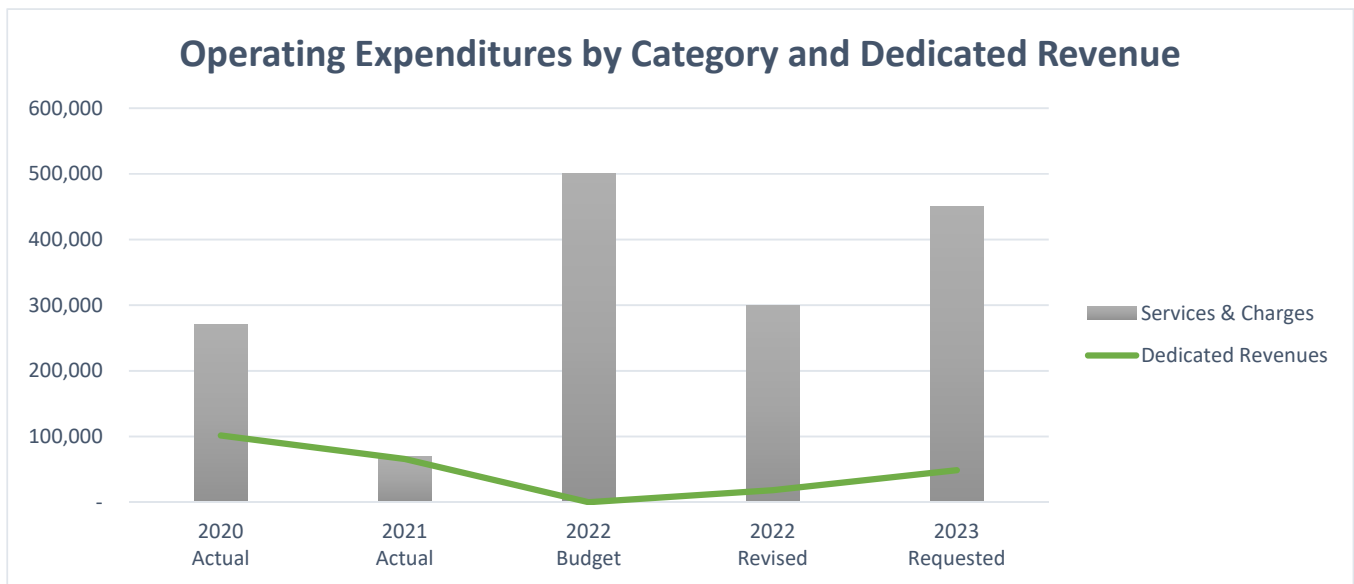
Livable Communities Fund
Community Development Department
Capital Fund

Description of Services:

The Livable Communities fund was created after receiving special legislation to develop an account from the revenues of a closed Tax Increment Finance (TIF) district. The legislation specifically restricts the use of these funds for affordable housing programs. Standards for affordability are consistent with the Metropolitan Council's income, rent and sales price limits. Uses of the fund are annually recommended by the city's Economic Development Advisory Commission (EDAC) and adopted by the city council.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 101,586	\$ 65,839	\$ -	\$ 18,300	\$ 48,900
Operating Expenditures by Category					
Services & Charges	\$ 271,215	\$ 69,499	\$ 500,000	\$ 300,000	\$ 450,000
Other Financing Sources (Uses)					
Transfers In	\$ 150,000	\$ -	\$ -	\$ -	\$ -



Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Total WHAHLT units in Minnetonka	58	60	60	61
Average sales price of WHAHLT unit	\$0	\$305,000	\$305,000	\$385,000
Median value of Minnetonka home	\$390,000	\$405,400	\$468,500	\$499,900
Change from previous year	3.0%	3.9%	15.6%	6.7%

Budget Comments/Issues:

- Due to use of the fund balance, the Livable Communities Fund balance is projected to decrease over time. In 2009, the city's Economic Development Authority (EDA) and the Minnetonka city council adopted a Housing & Redevelopment Authority (HRA) levy to potentially supplement this fund for the purposes of affordable housing.
- The city provides annual financial support to the West Hennepin Affordable Housing Land Trust (WHAHLT), or Homes Within Reach. Per the adopted Economic Improvement Program (EIP), it is anticipated that balances will be exhausted in this fund in 2024. There are prior years unused allocations reflected in this fund.
- Revenue and expenditures include a pass-through annual grant for WHAHLT from the Metropolitan Council, which the non-profit is using to fund scattered-site affordable housing.



Fund:
Responsible Department:
Fund Type:

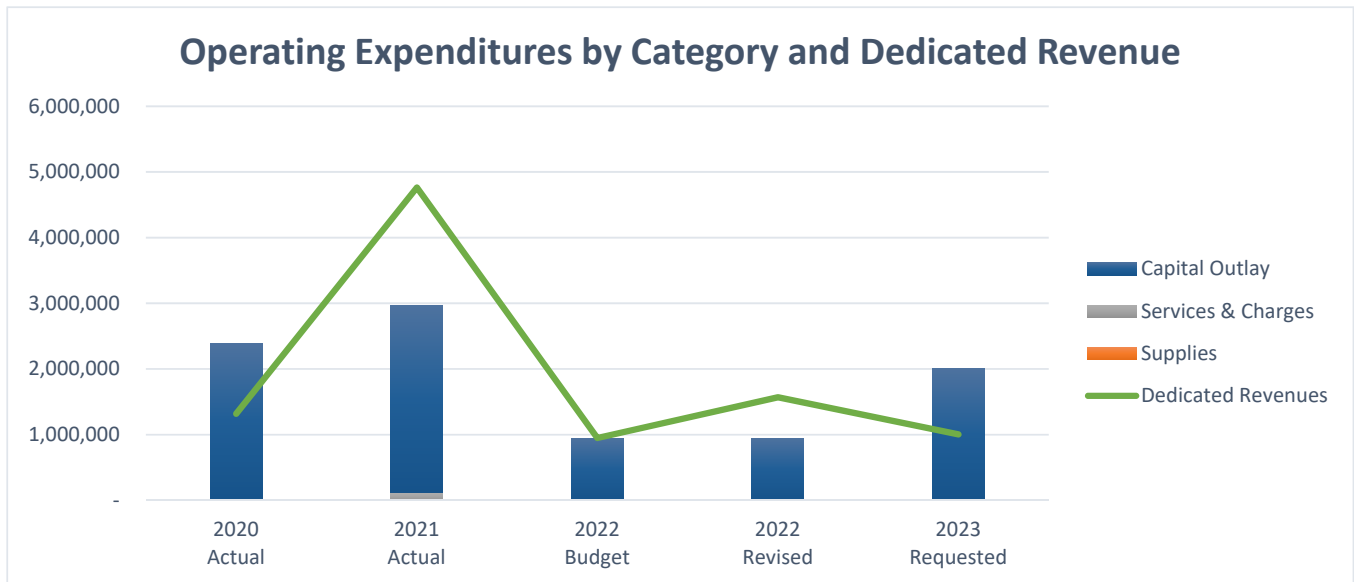
Park & Trail Improvement Fund
Public Works Department
Capital Projects Fund

Description of Services:

The Park & Trail Improvement Fund was created to account for the purchase and development of parks and trails throughout the city. Because park dedication fees are a revenue source for this fund, state law requires it to be segregated and used only for park and trail acquisition and development. Athletic field fees are collected annually and reserved for future capital needs at each specific field. Trails along roadways are also funded through the Trail System Expansion Fund. Their construction often coincides with road construction projects and neighborhood developments.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 1,318,102	\$ 4,762,232	\$ 949,600	\$ 1,570,500	\$ 1,004,400
Operating Expenditures by Category					
Supplies	\$ 4,641	\$ 8,369	\$ -	\$ -	\$ -
Services & Charges	10,840	111,057	-	-	-
Capital Outlay	2,379,373	2,843,909	938,300	938,300	2,002,100
Total Operating Expenditures	<u>\$ 2,394,854</u>	<u>\$ 2,963,335</u>	<u>\$ 938,300</u>	<u>\$ 938,300</u>	<u>\$ 2,002,100</u>
Other Financing Sources (Uses)					
Transfers In	<u>\$ 8,008</u>	<u>\$ 1,836,603</u>	<u>\$ 225,000</u>	<u>\$ 233,000</u>	<u>\$ 8,000</u>



Key Measures:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Estimated</u>	<u>2023 Projected</u>
Miles of new trails constructed	7.4	1.3	0.5	1.4
Miles of trails refurbished	0.8	3.1	1.2	1.2

Budget Comments/Issues:

- As indicated in the 2023-2027 CIP, the 2023 budget includes funds to continue community supported investments in the existing trail system and city parks, including park habitat restoration and infrastructure improvements to parks and trails.
- For 2022, park improvements include Shady Oak Beach maintenance and patio amenity improvements, a skate park feasibility study, new playground equipment at Linner and Ford parks, and updated park monument signs at all city parks including wayfinding.
- For 2021, park development includes the new park at Ridgedale, improvements at Crane Lake Preserve and place making & wayfinding initiatives in the Opus area.
- For 2023, the trail budget includes funding for Smetana Road (Westbrook Way to Sanibel Drive).
- Revenues to the Parks & Trails Fund in 2017 through 2022 reflect a significant rise in the number of development projects in the city, which contribute park dedication fees compared to past years. New construction may also contribute in-kind natural and/or public park improvements.
- For 2019, the budget included significant funding for construction of the Plymouth Road trail, Big Willow Park LED lighting for the ball fields, Ridgedale area park planning and road-adjacent amenities, and Purgatory Park improvements.
- New trail construction is primarily accounted for within the Trail Expansion Fund.

Capital Improvement Program:

The City prepares a five year capital improvement program (CIP). A separate CIP document was approved by Council on September 12, 2022. The CIP book provides a summary of each project location, description and source and use of funds. The CIP book also provides a cashflow for the fund.



Fund:
Responsible Department:
Fund Type:

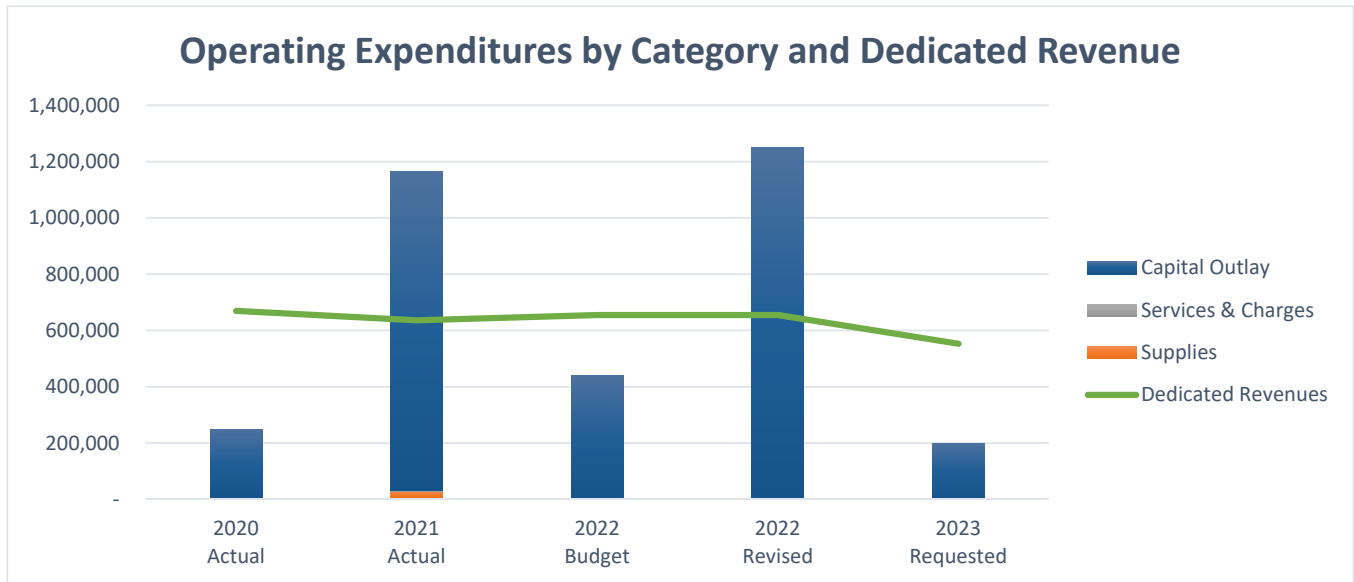
Public Safety Fund
Finance Department/Police Department
Capital Fund

Description of Services:

The Public Safety Fund, originally coined the Fire Apparatus Fund, was created in 2011 to finance the recurring, essential replacement of costly fire and other public safety capital items on a timely basis. While regular vehicles such as patrol cars are funded through the Capital Replacement Fund, the city maintains the following fire apparatus: 8 engines, 3 ladders, 2 grass rigs, 2 utility units, a mobile air support truck, 2 light rescue trucks and one boat. Other high-cost purchases to be supported by this fund include public safety technology items like specialized radios and fire fighting, self-contained breathing apparatus (SCBA) as well as police equipment.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 669,652	\$ 636,214	\$ 655,000	\$ 655,000	\$ 553,000
Operating Expenditures by Category					
Supplies	\$ 3,958	\$ 29,360	\$ -	\$ -	\$ -
Services & Charges	-	984	-	-	-
Capital Outlay	245,110	1,133,399	440,300	1,250,300	198,500
Total Operating Expenditures	\$ 249,068	\$ 1,163,743	\$ 440,300	\$ 1,250,300	\$ 198,500
Other Financing Sources (Uses)					
Transfers In	\$ -	\$ -	\$ 250,000	\$ 250,000	\$ 200,000



Key Measures:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Estimated</u>	<u>2023 Projected</u>
Average age of pumper trucks	13.0	14.0	13.1	11.0
Average age of ladder trucks	8.3	9.3	10.3	11.3

Budget Comments/Issues:

- The 2023 budget for the Public Safety Fund includes \$82,500 for ballistic helmets and tactical vests, \$50,000 for fire pagers and \$66,000 for fire station alerting. The city council approved amending the 2022-2026 CIP to advance the purchase of a fire engine from 2023 to 2022. This advance purchase saved the city \$80,000 due to anticipated price increases. Delivery is not anticipated to occur until late 2023.
- The ongoing plan for fire equipment includes reducing the number of large rigs, which has decreased the fleet's average age and has provided enhanced maintenance of pumpers and trucks. The replacement and refurbishment schedule of the fire fleet allows it to remain highly reliable by rotating apparatus from a higher use location to lower use locations, thereby balancing the fleet and extending the life of each apparatus.
- Through 2022, the annual levy revenue to the Public Safety Fund included an additional \$100,000 above the adopted capital levy. This temporary funding stream is associated with returned tax increment proceeds from one of the city's Tax Increment Finance (TIF) districts, and the annual amount is scheduled to continue through the life of the district, which has now ended.

Capital Improvement Program:

The City prepares a five year capital improvement program (CIP). A separate CIP document was approved by Council on September 12, 2022. The CIP book provides a summary of each project location, description and source and use of funds. The CIP book also provides a cashflow for the fund.



Fund:
Responsible Department:
Fund Type:

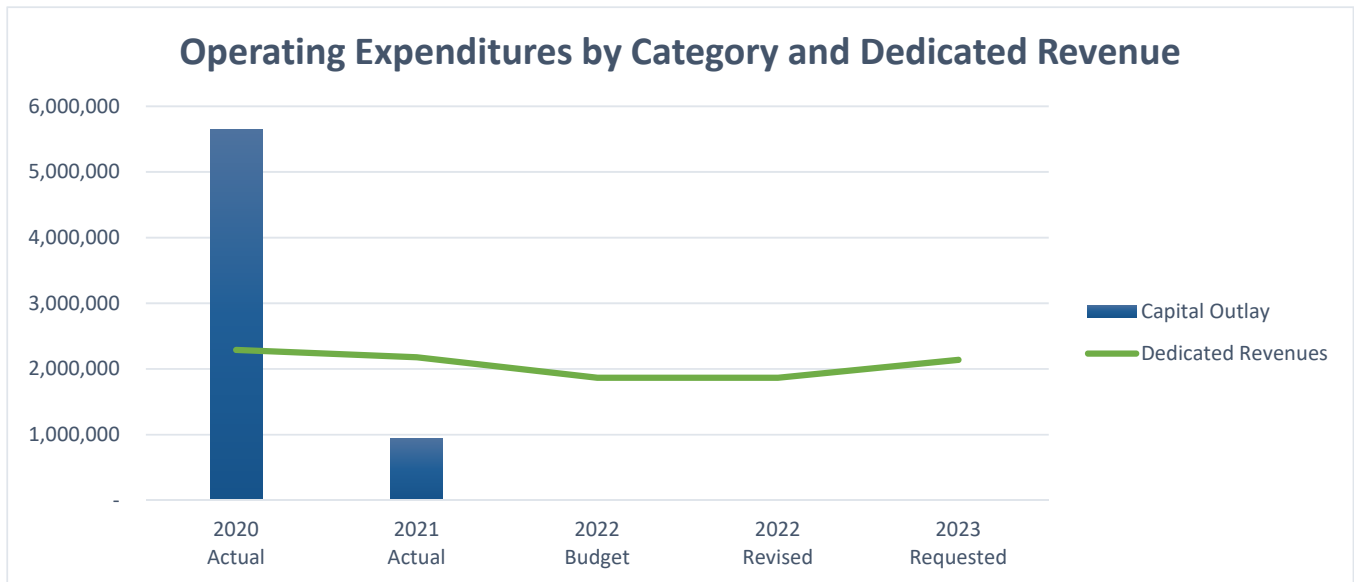
Municipal State Aid Fund
Engineering Department
Capital Projects Fund

Description of Services:

The Municipal State Aid (MSA) Fund accounts for state revenues and related expenses for the construction and maintenance of county state aid road and MSA street systems in Minnetonka. The state generates these funds from fuel taxes, license fees, motor vehicle sales tax and auto parts sales tax. The state then divides the great majority of these tax revenues between the state (62%), counties (29%), and municipalities with populations over 5,000 (9%). The part allocated to the cities is then apportioned amongst those municipalities, 50% based upon need, as determined by estimated construction and maintenance costs over a 25-year period, and 50% based upon census population data.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 2,290,031	\$ 2,179,393	\$ 1,867,100	\$ 1,867,100	\$ 2,140,300
Operating Expenditures by Category					
Capital Outlay	\$ 5,652,967	\$ 941,673	\$ -	\$ -	\$ -
Other Financing Sources (Uses)					
Transfers In	\$ 979,893	\$ 4,449	\$ -	\$ -	\$ -
Transfers Out	-	(193,267)	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 979,893</u>	<u>\$ (188,818)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Key Measures:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Estimated</u>	<u>2023 Projected</u>
Construction projects underway	1	0	0	0
Construction projects completed	1	0	1	0

Budget Comments/Issues:

- Per the adopted 2020-2024 Capital Improvements Program (CIP), the MSA Fund financed significant improvements to the Ridgedale area. Due to major improvement projects over the last several years, the MSA fund has a negative cash balance. There are no immediate projects in the 2023-2027 CIP as the funds works on replenishing its cash balance.



Fund:
Responsible Department:
Fund Type:

Street Improvements Fund
Engineering Department
Capital Projects Fund

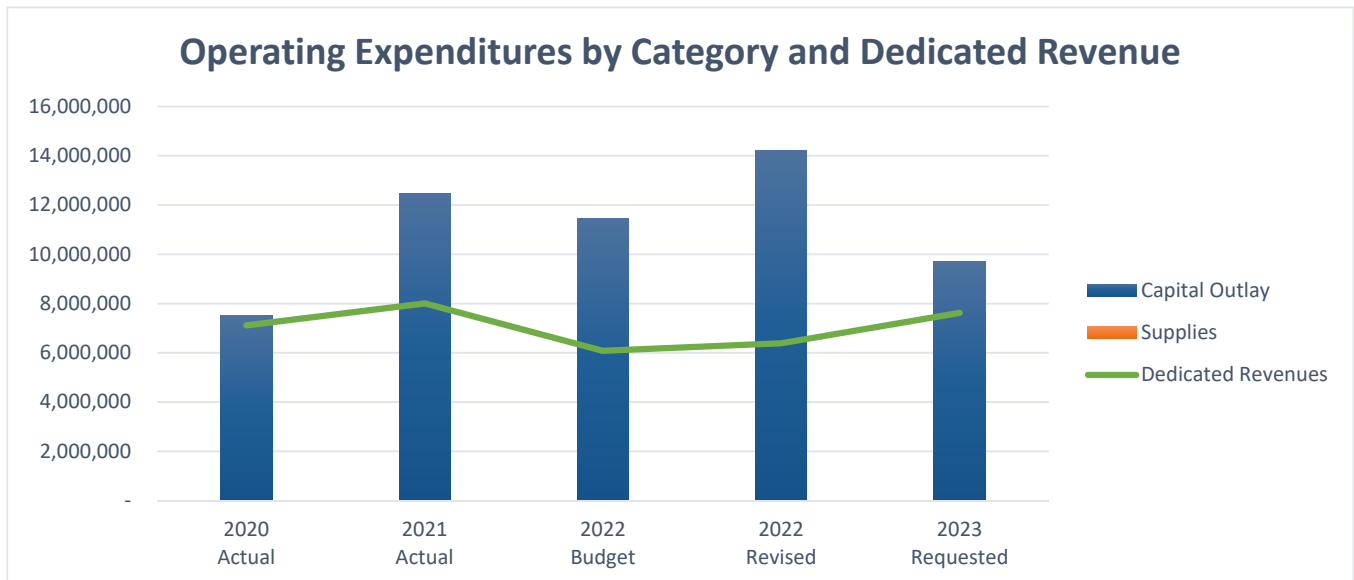
Description of Services:

The Street Improvement Fund was created to finance capital projects for the ongoing maintenance and reconstruction of local city streets. Local city streets are defined as those streets not falling into the category of State Aid, county, or state roadways and, therefore, are relegated to the lowest priority for support from state and county funds. Revenue to the fund is derived primarily by property tax levy proceeds.

The city's current Pavement Management Program requires that each city street be tested and rated once every four years. Staff analyzes the test results annually using a pavement management system to determine the most effective and efficient method to maintain the integrity of the road infrastructure within budget constraints. Road quality, as measured by the pavement condition index, can vary depending upon environmental conditions including load and weather as well as the categories of maintenance performed by city crews.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 7,111,777	\$ 8,006,150	\$ 6,080,000	\$ 6,386,600	\$ 7,619,500
Operating Expenditures by Category					
Supplies	\$ 14,475	\$ 16,509	\$ -	\$ -	\$ -
Capital Outlay	7,486,164	12,448,760	11,455,000	14,225,000	9,715,000
Total Operating Expenditures	<u>\$ 7,500,639</u>	<u>\$ 12,465,269</u>	<u>\$ 11,455,000</u>	<u>\$ 14,225,000</u>	<u>\$ 9,715,000</u>
Other Financing Sources (Uses)					
Transfers In	\$ 134,621	\$ 1,243,430	\$ 1,500,000	\$ 1,500,000	\$ 1,450,000
Transfers Out	(522,968)	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ (388,347)</u>	<u>\$ 1,243,430</u>	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,450,000</u>



Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Miles of streets reconstructed	0.7	3.0	1.5	3.8
Miles of streets thin overlay	10.9	5.5	12.4	13.7
Miles of streets rated for condition (varies by quadrant)	71	57	65	67
Average pavement condition index (Goal=80)	80	80	80	80

Budget Comments/Issues:

- The 2023 budget for the Street Improvement Fund as provided in the Capital Improvement Program (CIP) will continue the city's road rehabilitation and preservation programs.
- Consistent with the city's capital improvements policy, the fund balance for the Street Improvement Fund is managed over a five-year horizon, and some years have higher costs while others have lower costs.
- Reserve for Delayed Projects in 2022 are final costs for various projects including local street rehabilitation, County Road 101, Shady Oak Road and OPUS area improvements.
- A portion of city's state allotment of Municipal State Aid Maintenance is deposited annually to the Street Improvement Fund for MSA street related costs.
- The Local Street Preservation Program includes patching, sealing, plus thin overlays and reconstruction projects.

Capital Improvement Program:

The City prepares a five year capital improvement program (CIP). A separate CIP document was approved by Council on September 12, 2022. The CIP book provides a summary of each project location, description and source and use of funds. The CIP book also provides a cashflow for the fund.



Fund:
Responsible Department:
Fund Type:

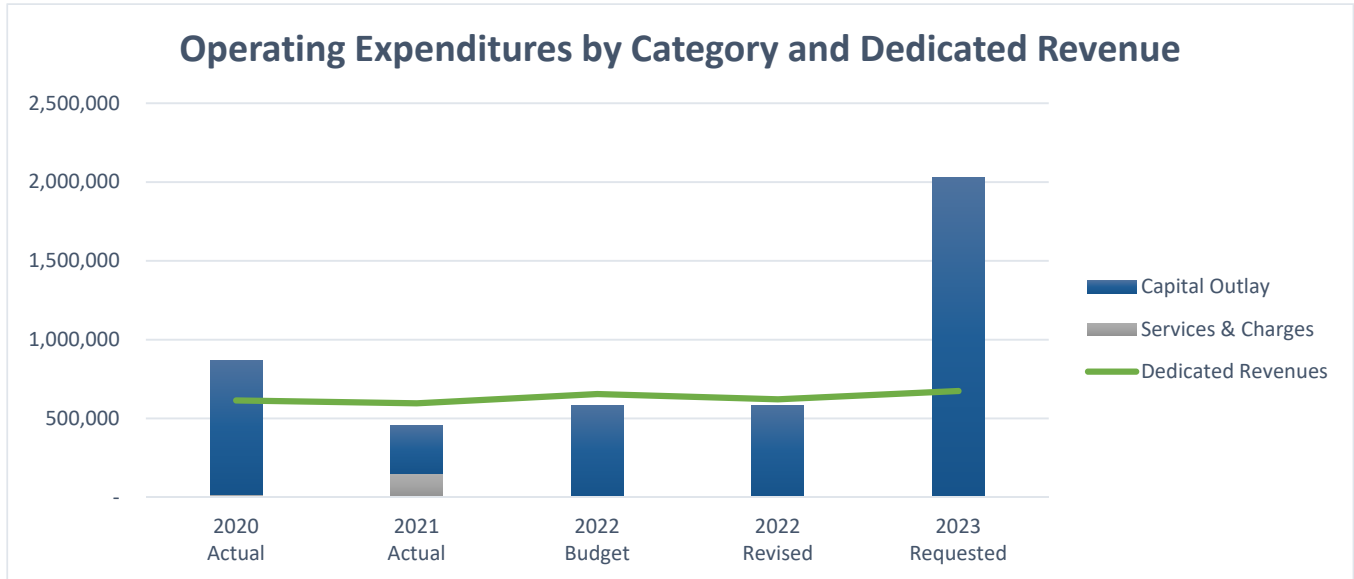
Technology Development Fund
Administrative Services Department
Capital Fund

Description of Services:

The Technology Development fund provides for the purchase of replacement computers, local area and wide area network equipment, printers, peripheral devices, telecommunications improvements and software. It also provides for the purchase of new equipment and software that serves the city as a whole, including major office equipment such as copiers, postage machine, and security card access system enhancements.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 614,664	\$ 595,939	\$ 655,400	\$ 621,400	\$ 674,300
Operating Expenditures by Category					
Services & Charges	\$ 17,416	\$ 152,882	\$ -	\$ -	\$ -
Capital Outlay	850,292	302,452	584,200	584,200	2,028,900
Total Operating Expenditures	\$ 867,708	\$ 455,334	\$ 584,200	\$ 584,200	\$ 2,028,900
Other Financing Sources (Uses)					
Transfers In	\$ 699,600	\$ 500,000	\$ -	\$ -	\$ 350,000



Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Number of servers	42	45	65	67
Number of desktop computers	237	240	200	207
Number of laptop computers	139	200	208	218
Number of iPads/tablets	110	110	110	115

Budget Comments/Issues:

- The 2023 budget provides for current services.
- The 2021 increased physical campus footprint has increased the video surveillance, security cameras, wireless & network infrastructure.
- Increases in the number of wireless access points provide better coverage and mobility for wireless devices of city customers/citizens, business partners and city employees.
- The capital replacement of mobile devices, including: iPads, tablets and laptops has seen an increase due to the city's use of mobile devices in the field to capture and document data. In some instances, where an iPad or tablet does not meet the requirements, city staff is opting to switch from a standard desktop device to a laptop.
- Increases in the number of mobile devices such as iPads/tablets and laptops is also due in part to newly remodeled city offices that feature flexible workspaces and promote collaboration.
- The 2020 & 2021 budgets include one-time transfers of \$400,000 and \$500,000 respectively from the General Fund's reserves in excess of the city's budget stabilization policy.
- The 2020 revised budget includes a \$299,600 transfer from the General Fund related to Federal CARES Funding. These funds were used to purchase mobile equipment such as laptops and monitors, which allows city office staff to telework efficiently and maintain expected service levels.
- 2023 capital outlay includes the implementation of the finance, human resources and utility billing ERP system.

Capital Improvement Program:

The City prepares a five year capital improvement program (CIP). A separate CIP document was approved by Council on September 12, 2022. The CIP book provides a summary of each project location, description and source and use of funds. The CIP book also provides a cashflow for the fund.



Fund:
Responsible Department:
Fund Type:

Trail System Expansion Fund
Public Works Department
Capital Fund

Description of Services:

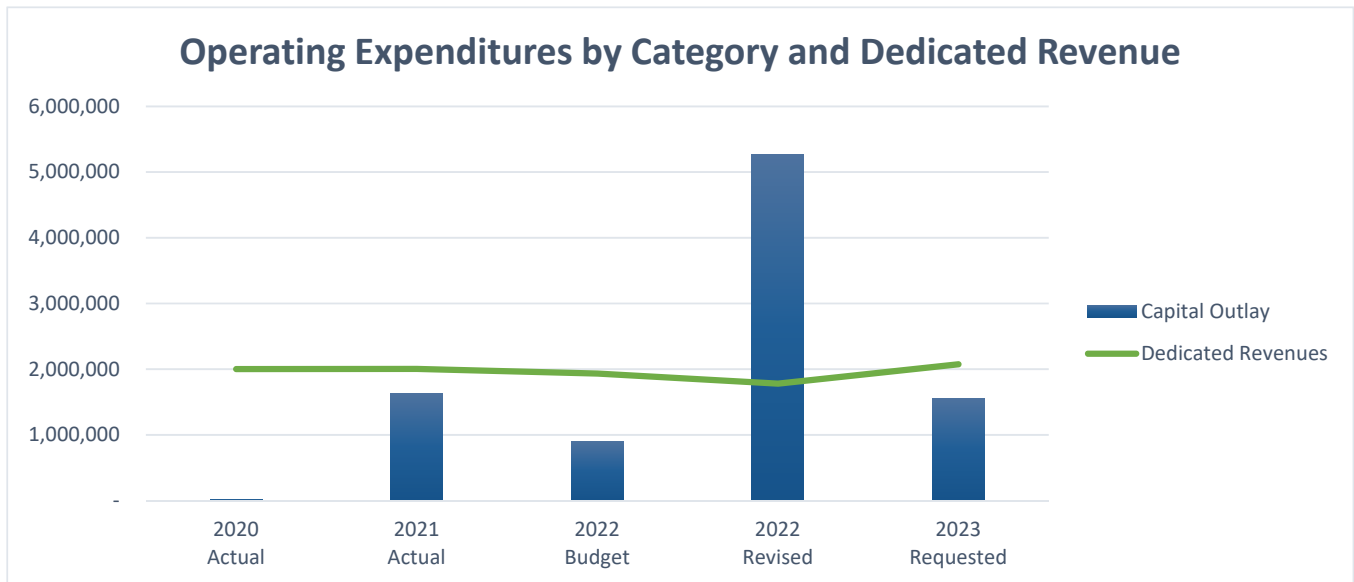
In response to significant results garnered from the City of Minnetonka's annual community survey and the Imagine Minnetonka community engagement process, the city adopted a natural gas franchise fee in 2018 to charge rent to CenterPoint Energy for its use of city rights-of-way. In addition, the electric franchise fee was increased by \$2 per residential account with \$1 dedicated to underground burial and \$1 dedicated to trail expansion. Calculated as a monthly charge per customer, all revenue paid to the city by the gas company and a portion of the revenue paid to the city from the electric company supports costs to expand the city trail system and make sidewalks and streets safer for pedestrians.

Fee revenue and costs associated with the projects are budgeted through the Trail System Expansion Fund. The schedule for constructing these projects is developed as part of the city's five-year Capital Improvements Program (CIP).

This fund was initially named the Gas Franchise Fund. In order to provide a more transparent use of funds and tracking of projects, the portion of electric franchise fees associated with trail development is now accounted for within this Trail Development Fund rather than within the Electric Franchise Fee fund which remain solely used for undergrounding of electrical utilities.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 2,000,910	\$ 2,003,038	\$ 1,932,700	\$ 1,780,200	\$ 2,074,200
Operating Expenditures by Category					
Capital Outlay	\$ 22,881	\$ 1,631,021	\$ 900,000	\$ 5,265,000	\$ 1,550,000



Key Measures:

	<u>2020</u> <u>Actual</u>	<u>2021</u> <u>Actual</u>	<u>2022</u> <u>Estimated</u>	<u>2023</u> <u>Projected</u>
Miles of new trail segments constructed using gas and electric franchise revenues	1.0	0.7	0.6	1.6

Budget Comments/Issues:

- Revenues from the natural gas franchise fee, which is equal to \$4.50/month per residential account, in addition to an increase in the electric franchise fee of \$1.00/month per residential are to be solely dedicated to priority trail construction as provided in the adopted CIP. The fee generates approximately \$1.9 million per year and allow for the completion of approximately eight new priority segments over the next ten years. This includes the addition of the following segments in the 2023-2027 CIP, Smetana Road (Westbrooke Way to Sanibel Drive), Hopkins Crossroad (Cedar Lake Road to Wayzata Blvd), Hillside Lane (Hopkins Crossroad to Tanglen Elementary), Minnetonka Blvd (The Marsh to Tonkawood) and Excelsior Boulevard (Woodland Road to CSAH 101 Library).
- 2019 was the first year of the gas franchise fee and the increased electric franchise fee revenue dedicated to trail expansion. Due to the high cost of priority segments, some monies in 2019 were used to conduct a feasibility study on the highest priority segments in order to better estimate costs for each.
- The city's internal trails team prioritized unscheduled segments which was subsequently approved by the park board and city council. The vision for trail segments uses a score based on: Community Access (40%), Nature of Use (40%), Cost Effectiveness (10%), and Degree of Construction Difficulty (10%). At the same time, the trails team also estimated approximate costs to construct the remaining priority trail network at a projected total of \$58.9 million. Staff used these planning level estimates to develop an approximate idea of funding needed to build out these segments, with the intent to complete feasibility reports as segments are scheduled or get closer to construction to refine the detailed costs. This estimate continues to be updated annually based on current bid climate and is estimated at \$80,200,000.
- Staff continues to recommend delaying Baker Road trail segments from Minnetonka Boulevard to County Road 62 as a part of the above recommendation as Three Rivers Park District (TRPD) has finalized its West Metro Regional Trails master plan and seeks final approvals.

Capital Improvement Program:

The City prepares a five year capital improvement program (CIP). A separate CIP document was approved by Council on September 12, 2022. The CIP book provides a summary of each project location, description and source and use of funds. The CIP book also provides a cashflow for the fund.



CITY OF
MINNETONKA

2023 Annual Budget - Debt Service Funds

	2016B GO Open Space Bonds	2019 HIA Bonds	2020A GO CIP Bonds	Total Debt Service Funds
Revenues:				
General Property Taxes	\$ 284,445	\$ -	\$ 1,117,929	\$ 1,402,374
Expenditures				
Public Safety	-	-	1,053,800	1,053,800
Parks	268,900	-	-	268,900
Development	-	174,100	-	174,100
Total Expenditures	\$ 268,900	\$ 174,100	\$ 1,053,800	\$ 1,496,800
Net Change in Fund Balance	\$ 15,545	\$ (174,100)	\$ 64,129	\$ (94,426)
Estimated Beginning Available Fund Balance	951,107	(16,957)	920,644	
Estimated Ending Available Fund Balance	\$ 966,652	\$ (191,057)	\$ 984,773	



CITY OF
MINNETONKA

2023 Annual Budget - Enterprise & Internal Service Funds

	Business-Type Activities - Enterprise Funds					Total Enterprise Funds	Governmental Activities
	Water and Sewer Utilities	Storm Water	Environmental	Williston Fitness Center	Grays Bay Marina		Total Internal Service Funds
Revenues:							
Operating Revenues	\$ 18,615,100	\$ 3,241,000	\$ 1,522,000	\$ 2,588,400	\$ 298,200	\$ 26,264,700	\$ 3,102,600
Operating Expenses:							
Operating Expenses	22,427,400	2,587,000	1,305,700	2,966,300	246,700	29,533,100	2,930,500
Non-Operating Revenues (Expenses)							
Total Other Financing Uses	<u>(814,000)</u>	<u>(147,200)</u>	<u>(220,600)</u>	<u>(54,200)</u>	<u>(12,600)</u>	<u>(1,248,600)</u>	<u>-</u>
Change in Net Position	\$ (4,626,300)	\$ 506,800	\$ (4,300)	\$ (432,100)	\$ 38,900	<u>\$ (4,517,000)</u>	\$ 172,100
Estimated Beginning Available Fund Balance	<u>72,847,945</u>	<u>31,339,001</u>	<u>162,753</u>	<u>4,055,507</u>	<u>1,031,305</u>		<u>2,913,067</u>
Estimated Ending Available Fund Balance	<u>\$ 68,221,645</u>	<u>\$ 31,845,801</u>	<u>\$ 158,453</u>	<u>\$ 3,623,407</u>	<u>\$ 1,070,205</u>		<u>\$ 3,085,167</u>
Estimated Ending Available Cash Balance	\$ 21,448,065	\$ 3,605,172	\$ 199,334	\$ (6,028)	\$ 914,190		\$ 3,444,576



Fund:
Responsible Department:
Fund Type:

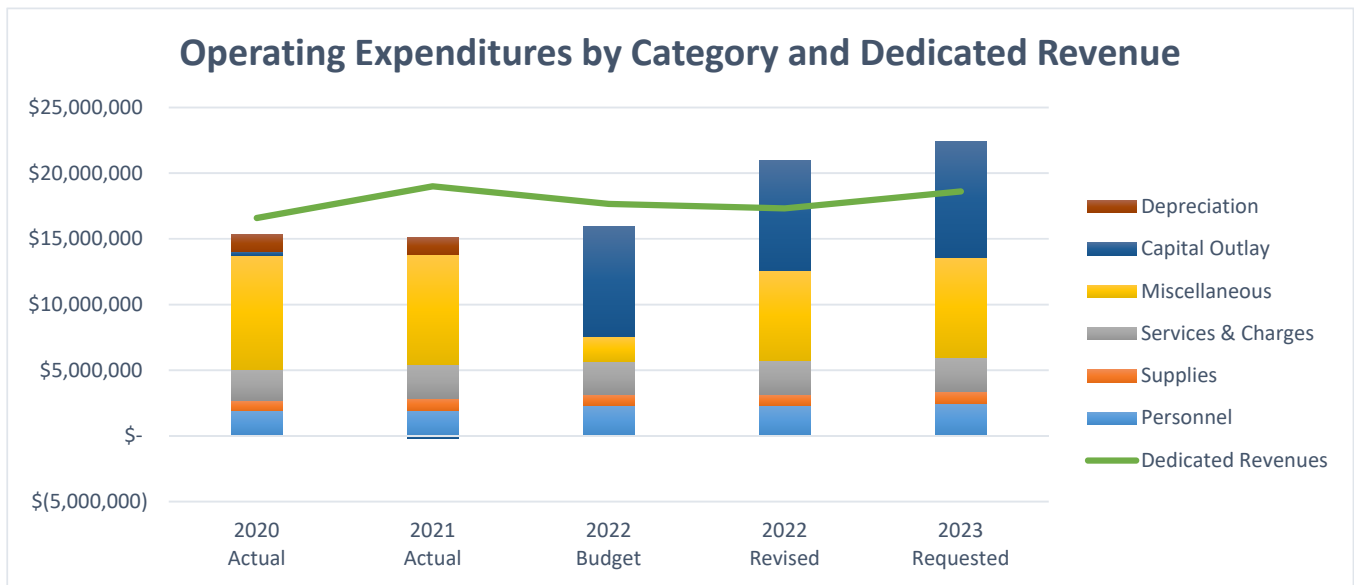
Water and Sewer Utilities Fund
Public Works Department
Enterprise Fund

Description of Services:

The Utility Division of the Public Works Department operates and maintains the water system, sewer collection system, city-owned street lighting and civil defense warning sirens in the city. This includes over 300 miles each of water distribution and sewer collection piping, eighteen wells, eight water treatment facilities, ten water storage structures, 38 lift stations, 371 street lights and ten civil defense sirens.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 16,588,849	\$ 18,996,336	\$ 17,665,300	\$ 17,319,500	\$ 18,615,100
Operating Expenditures by Category					
Personnel	\$ 1,906,101	\$ 1,963,198	\$ 2,313,100	\$ 2,313,100	\$ 2,422,700
Supplies	797,678	914,565	837,500	837,500	945,800
Services & Charges	2,352,554	2,527,263	2,510,300	2,583,500	2,616,200
Miscellaneous	8,657,811	8,399,145	1,909,900	6,857,300	7,625,500
Capital Outlay	300,162	(171,170)	8,390,300	8,390,300	8,817,200
Depreciation	1,303,275	1,287,586	-	-	-
Total Operating Expenditures	\$ 15,317,581	\$ 14,920,587	\$ 15,961,100	\$ 20,981,700	\$ 22,427,400
Other Financing Sources (Uses)					
Gain/(Loss) on Capital Sold	\$ -	\$ 16,575	\$ -	\$ -	\$ -
Transfers In	128,200	-	-	-	-
Transfers Out	(840,058)	(1,192,142)	(800,000)	(800,000)	(814,000)
Total Other Financing Sources (Uses)	\$ (711,858)	\$ (1,175,567)	\$ (800,000)	\$ (800,000)	\$ (814,000)



Key Measures:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Estimated</u>	<u>2023 Projected</u>
Water pumped (million gallons)	2,013	2,241	2,200	2,200
Water main breaks repaired	46	67	60	60
Utility locate requests completed	10,458	9,547	10,000	10,000
Sewer cleaning (miles)	98	101	100	100
Sewer televising (miles)	4	4	13	13
Fire hydrants inspected	2,877	2,887	2,890	2,900

Budget Comments/Issues:

- A comprehensive water system sustainability study was completed in 2014 which focused on scheduled, long-term system improvements needed over the next 20 years for water pumping, treatment, storage, distribution and sewer collection system to meet the demands of the community well into the future. Costs of the improvement plan have necessitated rate increases that will sustain the planned improvements and improvement bonds to be sold at key times to fund a number of planned larger improvements to the systems. The most recent bond sale occurred in late 2021. The next bond issuance is tentatively planned for 2025.
- In 2023, the city will continue its efforts to reduce inflow and infiltration (I&I) in the city's sanitary sewer system to maintain compliance with the Metropolitan Council Environmental Services (MCES) limits and begin phase I of the televising trunk sewer main and televise truck program.
- Rehabilitation of Williston Lift Station will be completed in 2022. Rehabilitation of Burchlane Lift Station will be completed in 2023.
- Rising energy prices and MCES waste water treatment costs will continue to increase the cost of operating the sanitary sewer utility. In 2022, MCES announced a 5.0 percent increase in wastewater treatment costs for 2023.
- Continued development/redevelopment of the Opus II area will require improvements and capacity upgrades of the existing sanitary sewer and water systems. An evaluation of the existing systems and strategic planning for future upgrades occurred in 2020 and confirmed the need of a secondary foremain and rehabilitation of the Opus Lift Station, which will be completed in 2023.

Employees

18.4 — 18.45 — 19.45 — 19.45 — 19.45

2020 Budget	2021 Budget	2022 Budget	2022 Revised	2023 Budget
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— Number of Employees (FTEs)

Capital Improvement Program:

The City prepares a five year capital improvement program (CIP). A separate CIP document was approved by Council on September 12, 2022. The CIP book provides a summary of each project location, description and source and use of funds. The CIP book also provides a cashflow for the fund.



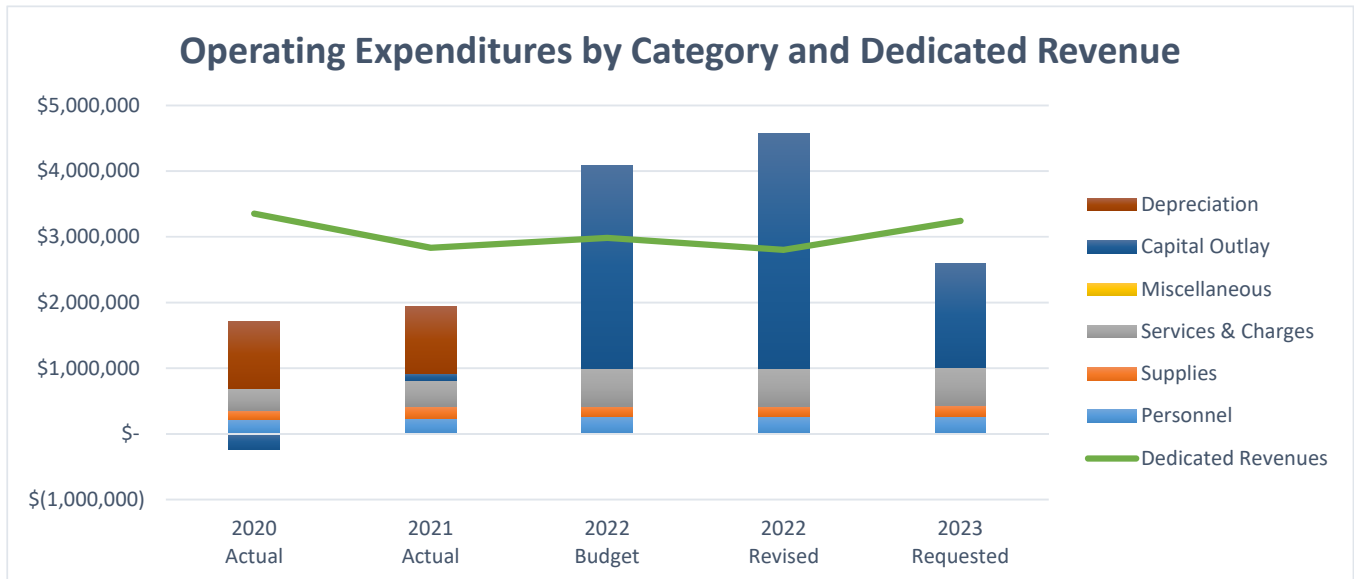
Fund: **Storm Water Fund**
 Responsible Department: Engineering Department
 Fund Type: Enterprise Fund

Description of Services:

The Storm Water Utility Fund was created in 2003 to finance capital projects and associated operational costs designed to provide flood protection and to protect and improve the quality of the city's water resources. Such projects must be compatible with the city's Water Resources Management Plan. Revenues to the fund are provided through monthly fees to property owners that are based upon parcel acreage, land use and related water runoff, and capital project needs.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 3,352,466	\$ 2,833,786	\$ 2,983,900	\$ 2,801,900	\$ 3,241,000
Operating Expenditures by Category					
Personnel	\$ 218,535	\$ 238,220	\$ 262,200	\$ 262,200	\$ 264,400
Supplies	136,586	176,102	158,300	159,700	164,400
Services & Charges	333,490	397,816	572,750	572,200	583,200
Miscellaneous	2,028	2,023	-	-	-
Capital Outlay	(234,082)	98,283	3,085,000	3,575,000	1,575,000
Depreciation	1,025,099	1,028,412	-	-	-
Total Operating Expenditures	<u>\$ 1,481,656</u>	<u>\$ 1,940,856</u>	<u>\$ 4,078,250</u>	<u>\$ 4,569,100</u>	<u>\$ 2,587,000</u>
Other Financing Sources (Uses)					
Gain/(Loss) on Capital Sold	\$ -	\$ 19,728	\$ -	\$ -	\$ -
Transfers Out	(573,295)	(300,221)	(144,700)	(144,700)	(147,200)
Total Other Financing Sources (Uses)	<u>\$ (573,295)</u>	<u>\$ (280,493)</u>	<u>\$ (144,700)</u>	<u>\$ (144,700)</u>	<u>\$ (147,200)</u>



Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Water quality samples taken	4	4	4	4
Storm sewer projects completed	3	4	3	3
Sump catch basins inspected	313	317	300	300
Storm sewer outfalls inspected	0	127	30	30
Drainage ponds inspected	101	68	30	30
Drainage ponds restored	0	1	1	1
Misc. drainage projects completed	38	29	30	30

Budget Comments/Issues:

- Consistent with the prior three years, the 2023 budget for the Storm Water Fund includes a three percent fee increase to cover funding pressures related to accelerated street reconstruction projects, unfunded mandates, and inflationary costs.
- Other Services & Charges includes ongoing costs for water quality testing, pond maintenance, watershed modeling, and miscellaneous drainage repairs.
- Project scheduling coincides with county, state, and other city projects including residential street reconstruction. High priority projects in the city's Water Resources Management Plan are scheduled as budget limits allow.
- The inspections of sump catch basins, outfalls and ponds are federally mandated to the city's National Pollution Discharge Elimination System (NPDES) permit. All inspections are performed by public works staff and engineering interns, and include inspecting all sump catch basins every year and ponds and outfalls at least once every 5 years.

Employees

1.5 — 1.5 — 1.5 — 1.5 — 1.5

2020 Budget	2021 Budget	2022 Budget	2022 Revised	2023 Budget
1.5	1.5	1.5	1.5	1.5

— Number of Employees (FTEs)

Capital Improvement Program:

The City prepares a five year capital improvement program (CIP). A separate CIP document was approved by Council on September 12, 2022. The CIP book provides a summary of each project location, description and source and use of funds. The CIP book also provides a cashflow for the fund.



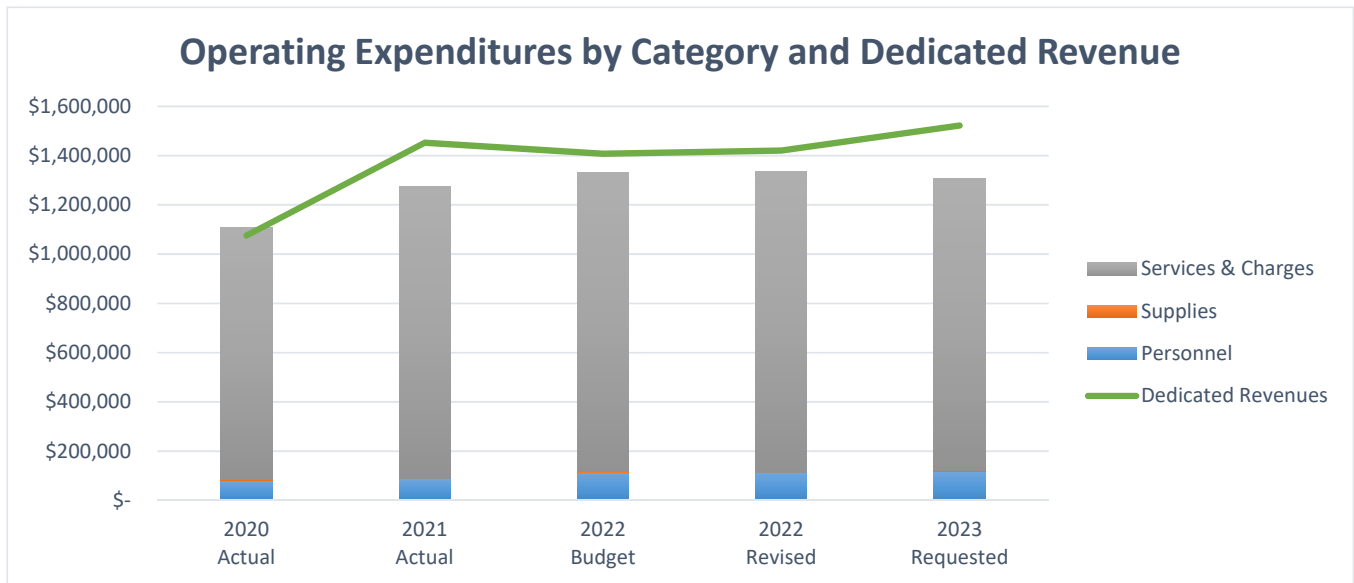
Fund: **Environmental Fund**
 Responsible Department: Public Works Department
 Fund Type: Enterprise Fund

Description of Services:

The Environmental Fund was created to protect the natural environment of the community through the promotion of local environmental awareness, resource conservation and protection of environmentally sensitive areas. The fund pays for residential curbside recycling collection, a community recycling drop-off center, spring and fall leaf drop-offs, on-going storm and home maintenance related brush drop-offs, and two special household material drop-offs in the summer and fall.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 1,075,606	\$ 1,452,094	\$ 1,407,600	\$ 1,420,500	\$ 1,522,000
Operating Expenditures by Category					
Personnel	\$ 80,353	\$ 89,424	\$ 111,800	\$ 113,800	\$ 117,400
Supplies	4,215	995	5,500	600	4,600
Services & Charges	1,025,269	1,185,577	1,216,000	1,222,800	1,183,700
Total Operating Expenditures	<u>\$ 1,109,837</u>	<u>\$ 1,275,996</u>	<u>\$ 1,333,300</u>	<u>\$ 1,337,200</u>	<u>\$ 1,305,700</u>
Other Financing Sources (Uses)					
Transfers In	\$ 1,000	\$ -	\$ -	\$ -	\$ -
Transfers Out	(209,400)	(213,100)	(216,800)	(216,800)	(220,600)
Total Other Financing Sources (Uses)	<u>\$ (208,400)</u>	<u>\$ (213,100)</u>	<u>\$ (216,800)</u>	<u>\$ (216,800)</u>	<u>\$ (220,600)</u>



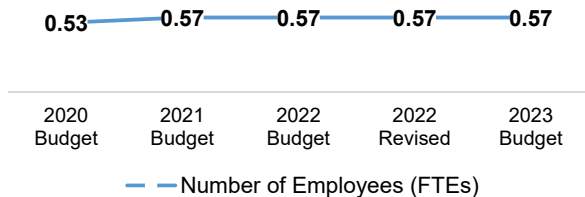
Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Curbside recycling picked up (tons)	4,555	5,130	5,000	5,000
Leaf recycling dropped off (cubic yards)	17,130	23,000	20,000	20,000
Special drop-off customers (est.)	990	1,850	1,800	1,800
Customers rating curbside svcs "good" or "excellent"	94%	96%	96%	95%
Households with organics collection	820	856	880	900

Budget Comments/Issues:

- The recycling contract with Republic Services was extended for 2022 through 2024. This coincides with changes to Hennepin County Ordinance 13 which in 2022 requires some form of required household organics collection. Organics composting is seen as the next step in reducing the volume of solid waste that goes to landfills, and Ordinance 13 will outline those requirements. The city code was revised December 2021 to require garbage haulers to offer curbside organics collection to their customers as an additional service.
- The 2023 budget reflects over a 3.6 percent increase in recycling fees charged by the city's contract vendor, which will increase in residential pickup charge from \$4.40 to \$4.56 per household per month. The city's yard waste program is also experiencing substantial increases in processing costs. To ensure ongoing financial sustainability for the programs, the 2023 budget anticipates an increase in the monthly rate charged to residential properties from \$6.60 to \$7.05.
- In 2023, the city will continue to conduct two special drop off events for Minnetonka residents. This is a convenient opportunity to dispose of household items at a reasonable cost.
- 2020 was the final year of the transition of SCORE funds received from Hennepin County. In 2020, 50% of SCORE funds available were applied to recycling collection and 50% of SCORE funds were applied to organics collection. Prior to 2017, 100% of SCORE funds received from Hennepin County was applied to recycling collection. Grant monies received from Hennepin County since 2016 have increased household participation in organics collection from approximately 300 homes to approximately 900 homes by the end of 2022.

Employees





Fund:
Responsible Department:
Fund Type:

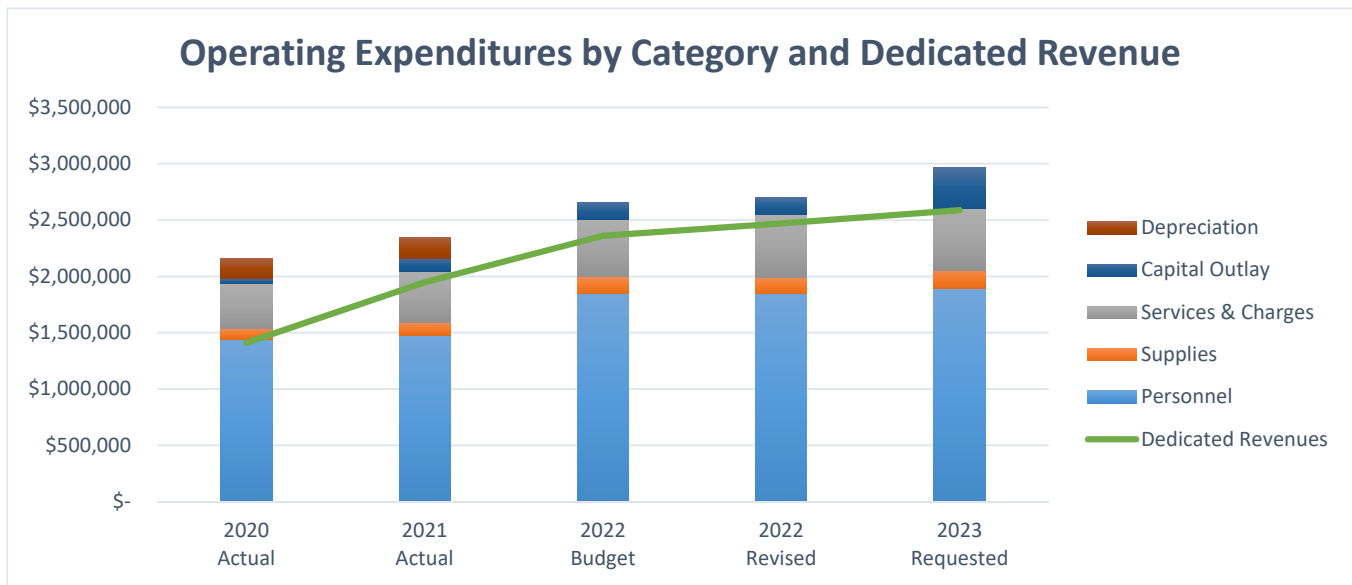
Williston Center Fund
Recreation Services Department
Enterprise Fund

Description of Services:

Recreational amenities at the Williston Fitness Center include: five indoor tennis courts, a 25-yard swimming pool, indoor splash pad, two aerobics studios, four baseball/softball batting cages, a multi-purpose gymnasium, indoor climbing structure, strength training equipment, cardio vascular equipment, whirlpool, and saunas. Minnetonka residents and non-residents may use the facility by paying a daily fee, or registering for a recreational class. In addition, Minnetonka residents may opt to purchase one of a variety of membership packages. Fees charged to users support the operation of the facility.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 1,410,921	\$ 1,947,698	\$ 2,361,000	\$ 2,470,000	\$ 2,588,400
Operating Expenditures by Category					
Personnel	\$ 1,443,687	\$ 1,475,489	\$ 1,845,200	\$ 1,845,200	\$ 1,894,300
Supplies	89,561	113,755	150,000	146,300	159,800
Services & Charges	399,219	453,139	512,100	559,400	547,200
Capital Outlay	47,827	119,209	150,000	150,000	365,000
Depreciation	177,955	181,481	-	-	-
Total Operating Expenditures	<u>\$ 2,158,249</u>	<u>\$ 2,343,073</u>	<u>\$ 2,657,300</u>	<u>\$ 2,700,900</u>	<u>\$ 2,966,300</u>
Other Financing Sources (Uses)					
Transfers In	\$ 228,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Transfers Out	(51,500)	(52,400)	(53,300)	(53,300)	(54,200)
Total Other Financing Sources (Uses)	<u>\$ 176,500</u>	<u>\$ 47,600</u>	<u>\$ 46,700</u>	<u>\$ 46,700</u>	<u>\$ (54,200)</u>



Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Average active members	8,281	7,623	8,200	8,400
Daily fee (non-member) participants	8,495	14,452	26,500	29,000
Total facility visits	119,759	151,425	200,000	230,000
Total tennis court usage (hours)	13,644	15,698	16,000	16,300
Total recreation program hours	4,252	5,200	6,000	6,000
Average fitness classes offered weekly	70	85	90	95
% of expenses covered by revenue	65%	83%	92%	87%

Budget Comments/Issues:

- Williston continues to be on a "non-resident membership freeze" and has been since July 1, 2013.
- Memberships, guest fees, facility visits/usage are gradually increasing after a challenging 2 years. Memberships are up 1500 from May 2021.
- Miscellaneous revenue includes personal training and birthday party revenue which declined due to COVID. We anticipate an increase in revenues for 2022 and 2023.
- Membership opened up to Hopkins residents May 16, 2022.
- Williston hired 3 part-time pickleball pros to provide private lessons and teach weekly clinics at Lone Lake Park.
- New projects for 2022 include 10 new treadmills, new flooring in lower level lobby, resurfacing the splashpad, repainting the water features in the splash pad, key fob access and new flooring in the men's and women's shower area.

Employees

9.45 — 9.45 — 9.45 — 9.45 — 9.15

2020 Budget	2021 Budget	2022 Budget	2022 Revised	2023 Budget
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— — Number of Employees (FTEs)

Capital Improvement Program:

The City prepares a five year capital improvement program (CIP). A separate CIP document was approved by Council on September 12, 2022. The CIP book provides a summary of each project location, description and source and use of funds. The CIP book also provides a cashflow for the fund.



Fund:
Responsible Department:
Fund Type:

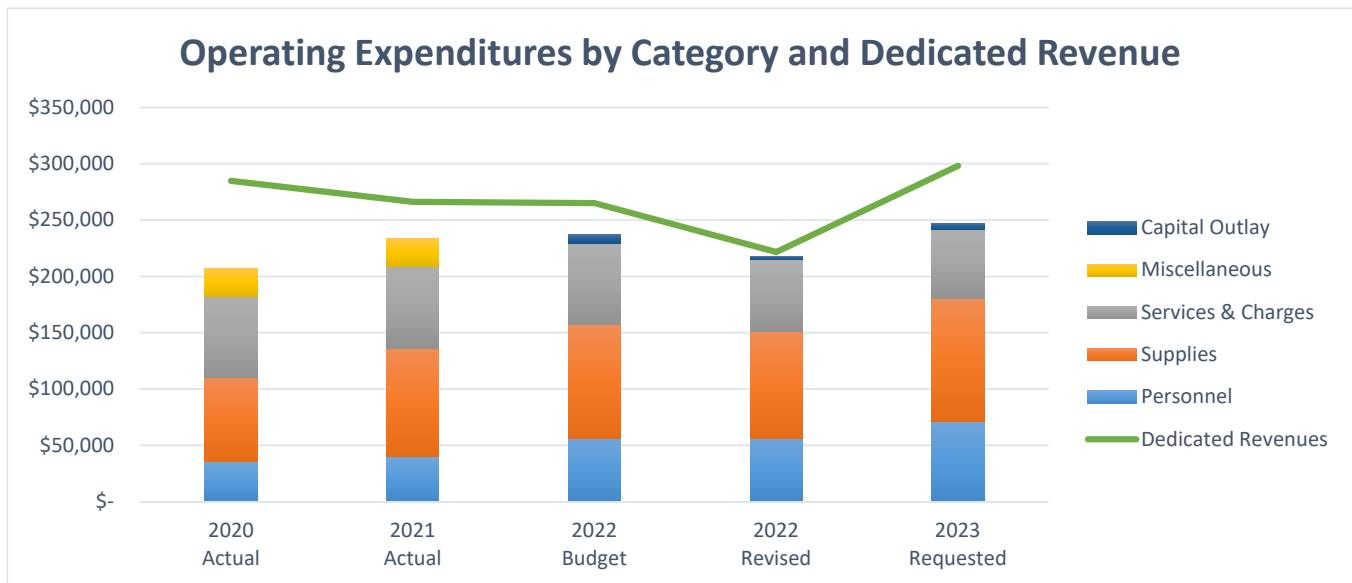
Gray's Bay Marina Fund
Recreation Services Department
Enterprise Fund

Description of Services:

Grays Bay Marina is managed by the Recreation Services Department and is open April 1-October 31, weather and ice-out dates permitting. The facility offers 29 boat slips that are leased to Minnetonka residents only. The site is staffed mid-May through October 31 and offers fuel, pump-out service, restrooms and public launch facilities. Lease fees and gas sales finance operation and maintenance of the facility. Through a joint powers agreement, the City is responsible for all capital outlay for City-owned amenities such as the service building and boat slip/service docks, with the DNR providing funding for public areas of the park such as the public landing, boarding docks, and parking lot.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 284,796	\$ 266,231	\$ 265,100	\$ 221,600	\$ 298,200
Operating Expenditures by Category					
Personnel	\$ 35,240	\$ 39,874	\$ 56,400	\$ 56,400	\$ 71,100
Supplies	74,622	96,413	101,000	94,200	109,000
Services & Charges	72,129	72,789	71,600	64,600	61,600
Miscellaneous	24,718	24,651	-	-	-
Capital Outlay	-	-	8,000	2,000	5,000
Total Operating Expenditures	<u>\$ 206,709</u>	<u>\$ 233,727</u>	<u>\$ 237,000</u>	<u>\$ 217,200</u>	<u>\$ 246,700</u>
Other Financing Sources (Uses)					
Transfers In	\$ 2,800	\$ -	\$ -	\$ -	\$ -
Transfers Out	(12,000)	(12,200)	(12,400)	(12,400)	(12,600)
Total Other Financing Sources (Uses)	<u>\$ (9,200)</u>	<u>\$ (12,200)</u>	<u>\$ (12,400)</u>	<u>\$ (12,400)</u>	<u>\$ (12,600)</u>



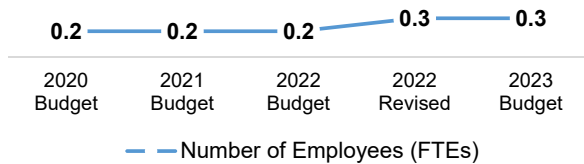
Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Gallons of gas sold	30,588	28,015	26,500	26,500
Days of operation	156	169	170	170
Slip lease rate	\$3,900	\$4,000	\$4,000	\$4,200
Operating expenses covered by revenue	132%	108%	97%	115%

Budget Comments/Issues:

- The 2023 budget for Grays Bay Marina provides current level services and a strong financial position for the fund.
- Consistent with the Council's Strategic Plan, a market study is completed annually to determine fees for use of the Marina and other recreational facilities. 2023 slip lease rate shows the Park Board approved increase of \$200.
- 2020 and 2021 gas sales were above average for the season even considering decreased hours of operation.
- Because of the late opening date due to COVID-19 and early snow season late October, 2020 days of operation are lower than an average season.
- Fifty percent of the LMCD dues are funded through the marina operations budget and is shown as "Other Services & Charges", and the remainder is funded by the Natural Resources Division of the Public Works Department.

Employees





Fund:
Responsible Department:
Fund Type:

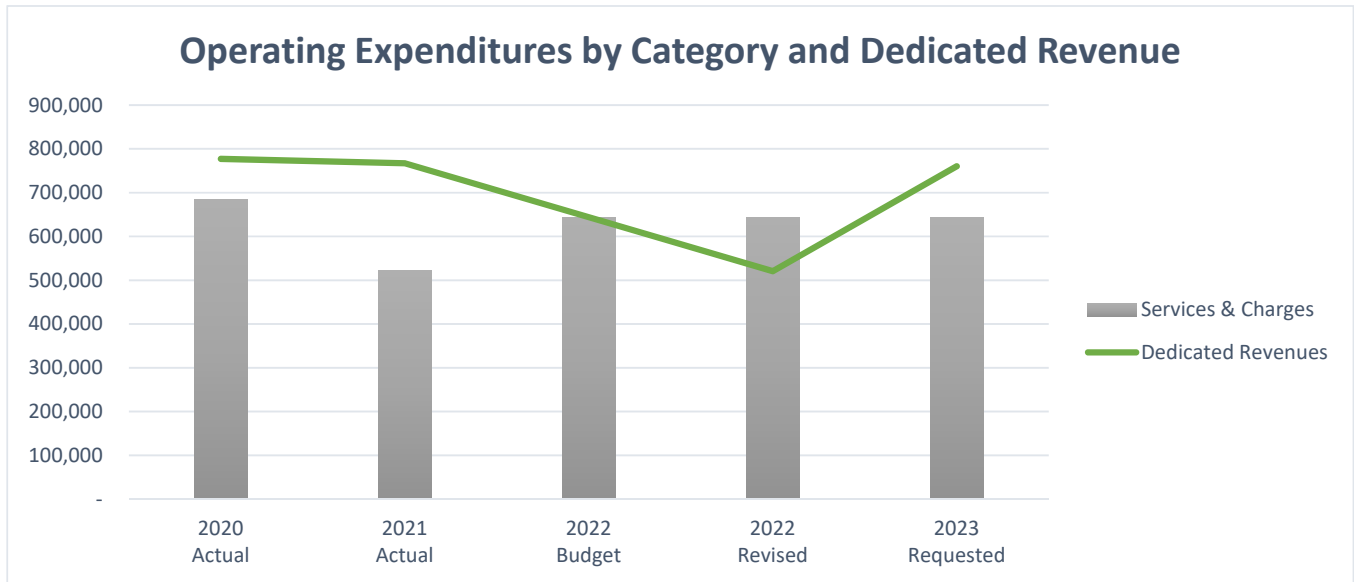
Insurance Fund
Administrative Services Department
Internal Service Fund

Description of Services:

The Insurance Fund was created in 1986 to ensure that the city retains viable and cost-effective insurance coverage. Other city funds are allocated appropriate portions of the premium costs on an annual basis and transferred into the fund. The fund supports the following: 1) premiums for the city's package policies (general liability, property, boiler, etc.), 2) fees for the city's agent of record, 3) settlements (deductibles) for general liability claims and workers' compensation, and 4) risk management, including some costs for safety training. It does not cover workers' compensation premiums, which are financed by each operating division under personnel costs.

Budget:

	<u>2020 Actual</u>	<u>2021 Actual</u>	<u>2022 Budget</u>	<u>2022 Revised</u>	<u>2023 Requested</u>
Dedicated Revenues	\$ 777,127	\$ 767,218	\$ 644,050	\$ 520,600	\$ 760,300
Operating Expenditures by Category					
Services & Charges	\$ 683,567	\$ 521,860	\$ 644,000	\$ 644,000	\$ 644,000



Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Municipal experience mod factor (less than 1.0 is good)	0.847	0.927	0.952	0.971
Auto, liability and auto physical damage experience od factor	0.927	1	1	0.955
Workers comp mod factor (less than 1.0 is good)	0.73	0.55	0.70	0.90

Budget Comments/Issues:

- The city's workers compensation experience rating as measured above by the "mod factor" has fluctuated over the last several years due to an aging work force as well as some significant claims "cycling out" of the city's three-year experience window, which also determines the city's insurance premium cost.
- An appropriate fund balance in the Insurance fund should cover the city's maximum total liability under its policy coverage through the League of Minnesota Cities Insurance Trust (LMCIT) as well as a minimum of \$1 million towards any potentially awarded civil rights claim, which would be outside of state liability limitations. Revenues to the Insurance Fund are programmed through the budgets of contributing city divisions in order to maintain such a reserve over time.
- The workers comp mod factor relates to the frequency and severity of an employer's workers compensation claims over a three-year period, and it is used to calculate the premium. A mod factor of 1.00 is considered average for an employer's particular industry; the lower the mod factor, the better.
- The liability rating is calculated by using a formula that looks at the city's expected liability claim losses compared to the actual losses. Data is used over a three-year period, and it is used to calculate the premium. A liability rating of 1.00 means the city's actual losses equal the expected losses for a city of similar size and expenditures.
- During the 2021-2021 insurance renewal, the city enrolled police and fire personnel into LMCIT's certification of non-smoking status for Police and Fire Department members saving the city a total of \$63,000 in premium savings.
- Prior to 2020, liability included auto experience. Beginning in 2020, the categories were redefined as municipal experience and auto, liability and physical damage experience.



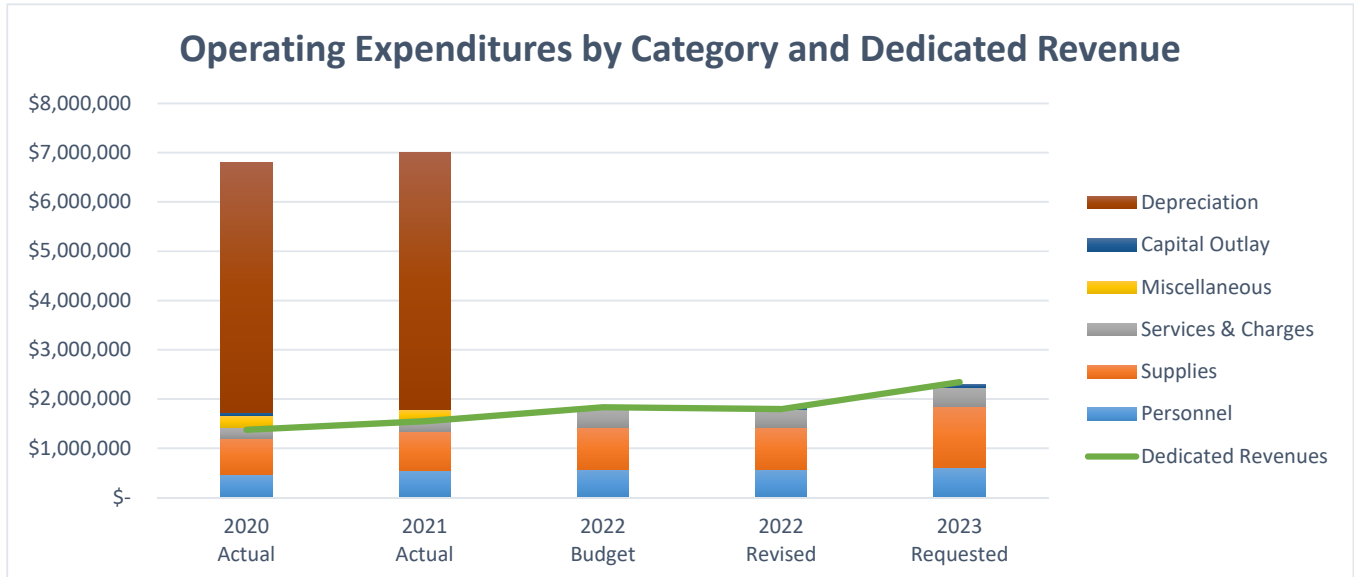
Fund: **Fleet Maintenance Fund**
 Responsible Department: Public Works Department
 Fund Type: Internal Service Fund

Description of Services:

The Fleet Maintenance Division is responsible for the procurement, maintenance, repair and fueling of the city's motorized fleet and support equipment. The fleet consists of approximately 199 mobile vehicles and a similar number of heavy and light support equipment. The costs of the division are allocated to individual city departments with a break-even operating pro-forma. The Fleet Maintenance Fund operates as an internal service revolving fund.

Budget:

	2020 Actual	2021 Actual	2022 Budget	2022 Revised	2023 Requested
Dedicated Revenues	\$ 1,374,939	\$ 1,548,802	\$ 1,830,350	\$ 1,797,400	\$ 2,342,300
Operating Expenditures by Category					
Personnel	\$ 462,971	\$ 553,375	\$ 569,100	\$ 569,100	\$ 608,400
Supplies	745,664	787,156	851,700	851,700	1,233,100
Services & Charges	209,150	227,232	358,950	362,100	395,000
Miscellaneous	251,760	221,259	-	-	-
Capital Outlay	61,232	-	50,000	50,000	50,000
Depreciation	5,063,202	5,218,247	-	-	-
Total Operating Expenditures	\$ 6,793,979	\$ 7,007,269	\$ 1,829,750	\$ 1,832,900	\$ 2,286,500
Other Financing Sources (Uses)					
Gain/(Loss) on Capital Sold	\$ (1,797,119)	\$ (65,361)	\$ -	\$ -	\$ -
Transfers In	22,000	-	-	-	-
Total Other Financing Sources (Uses)	\$ (1,775,119)	\$ (65,361)	\$ -	\$ -	\$ -



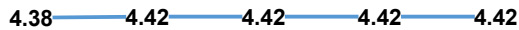
Key Measures:

	2020 Actual	2021 Actual	2022 Estimated	2023 Projected
Work orders completed	3,400	3,000	3,100	3,200
Gallons of fuel consumed	165,505	163,058	164,000	165,500
Cost to purchase gas/diesel fuels	\$355,060	\$356,685	\$434,200	\$778,100
Average cost per gallon of gas/diesel fuels	\$2.50	\$1.80	\$2.75	\$4.90
Gallons of oil consumed	760	990	1,010	1,030

Budget Comments/Issues:

- The 2023 budget for the Fleet Maintenance Fund maintains current service levels and increases fuel costs by \$2.75 per gallon. Increased costs for repair parts and outside repairs are anticipated. The budget incorporates expenses for the general maintenance and repair of the city's fleet including fire apparatus. Specialized repairs and testing are generally completed by outside vendors and suppliers for efficiency and technological reasons.
- In order to contain operating expenses, fleet services takes a number of actions: extending oil change intervals in gasoline engines by utilizing scheduled oil sampling and testing; purchasing diesel fuel that contains 10% vegetable oil (B-10) and gasoline that contains 10% percent ethanol and regularly analyzing the feasibility of emerging technologies such as hybrids, electric, compressed natural gas, propane and hydrogen fuel cells as motor fuels and vehicle replacement.
- Greater efficiency in shop repairs and maintenance have been realized by utilizing the staff welder for scheduled maintenance and minor repairs when there is time due to openings in the welding schedule.
- Fuels along with a variety of other supplies and equipment are purchased through the State's Cooperative Purchasing Venture. This program establishes a fixed bid price for motor fuel by combining the motor fuel needs of a number of governmental jurisdictions in the metro area and bidding the collective volume of 8.7M gallons of fuel for the coming year.

Employees



2020 Budget 2021 Budget 2022 Budget 2022 Revised 2023 Budget

— Number of Employees (FTEs)



CITY OF
MINNETONKA



MINNETONKA
COMMUNITY

MINNETONKA CITY COUNCIL
(Economic Development Authority)

Mayor Brad Wiersum

Council Members at Large: Ward Representation
 Seat A: Deb Calvert Ward 1: Brian Krik
 Seat B: Dr. Kimberly Wilburn Ward 2: Rebecca Schack
 Ward 3: Bradley Schaeppi
 Ward 4: Kissy Coakley

City Attorney
Corrine Heine

CITY MANAGER
Mike Funk

BOARDS & COMMISSIONS
 Charter Commission
 Planning Commission
 Economic Development Advisory Committee
 Park Board
 Senior Citizen Advisory Board
 Sustainability Commission

PUBLIC SAFETY

PUBLIC WORKS

RECREATION

DEVELOPMENT SERVICES

ADMINISTRATION

POLICE
Chief Scott Boerboom

Patrol
Investigation
Support Services

PUBLIC WORKS
Will Manchester

Streets
Water & Sewer
Engineering
Parks, Buildings &
Grounds
Natural Resources
Recycling

RECREATION SERVICES
Kelly O'Dea

Recreation programs
Ice Arena
Williston Center
Gray's Bay Marina
Senior Services

COMMUNITY DEVELOPMENT
Julie Wischnack

Inspections
Environmental Health
Licensing
Planning & Zoning

ADMINISTRATIVE SERVICES
Moranda Dammann

City Clerk & Elections
Human Resources
Payroll
Information Technology
Communications
Risk Management

FIRE
Chief John Vance

Emergency Management
Inspection
Prevention
Response

FINANCE
Darin Nelson

Accounting
Budget
Utility Billing
Assessing
Special Assessments

LEGAL
Corrine Heine

Prosecution
Legal advice to the city

Full-Time Equivalencies by Department

Employees by Function	2020 Budget	2021 Budget	2022 Budget	2022 Revised	2023 Budget
Mayor & City Council Division					
Mayor	1.00	1.00	1.00	1.00	1.00
Council members	6.00	6.00	6.00	6.00	6.00
Total Full-Time Equivalent Employees	7.00	7.00	7.00	7.00	7.00
City Manager Division					
City Manager	1.00	1.00	1.00	1.00	1.00
Assistant City Manager/Director of Administrative Services	1.00	1.00	1.00	1.00	1.00
Assistant to the City Manager/Administrative Assistant	1.00	1.00	1.00	1.00	1.00
Diversity, Equity & Inclusion Coordinator	-	-	1.00	1.00	1.00
Total Full-Time Equivalent Employees	3.00	3.00	4.00	4.00	4.00
Administrative Services Department					
Administration Manager	1.00	1.00	1.00	1.00	1.00
City Clerk	1.00	1.00	1.00	1.00	1.00
Elections Specialist	1.00	2.00	2.00	2.00	2.00
Receptionist	1.00	1.00	1.00	1.00	1.00
Administrative Assistant	1.00	1.00	1.00	1.00	1.00
Total Full-Time Equivalent Employees	5.00	6.00	6.00	6.00	6.00
Human Resources Division					
Human Resource Manager	1.00	1.00	1.00	1.00	1.00
Human Resource Generalist	1.00	1.00	1.00	1.00	1.00
Human Resource Sr. Specialist	1.00	1.00	1.00	1.00	1.00
Human Resources Coordinator	-	1.00	1.00	1.00	1.00
Human Resources Specialist	-	1.00	1.00	1.00	1.00
Human Resources Wellness & Safety Specialist	-	-	-	-	1.00
Accounting Technician	-	-	-	-	1.00
Total Full-Time Equivalent Employees	3.00	5.00	5.00	5.00	7.00
Communications Division					
Marketing and Communications Manager	1.00	1.00	1.00	1.00	1.00
Senior Communication Coordinator	1.00	1.00	1.00	1.00	1.00
Communications Specialist	-	0.50	0.50	0.50	0.50
Total Full-Time Equivalent Employees	2.00	2.50	2.50	2.50	2.50
Information Technology Division					
Information Technology Manager	1.00	1.00	1.00	1.00	1.00
Systems Administrator	1.00	1.00	1.00	1.00	1.00
Network Administrator	0.75	0.75	0.75	0.75	0.75
Information Technology Specialist	1.00	1.00	2.00	2.00	2.00
Information Technology Technician	1.00	1.00	2.00	2.00	2.00
Total Full-Time Equivalent Employees	4.75	4.75	6.75	6.75	6.75

Full-Time Equivalencies by Department

Employees by Function	2020 Budget	2021 Budget	2022 Budget	2022 Revised	2023 Budget
Finance Department					
Finance Director	1.00	1.00	1.00	1.00	1.00
Assistant Finance Director	1.00	1.00	1.00	1.00	1.00
Accounting Coordinator	1.00	1.00	1.00	1.00	1.00
Accounting Technician	1.00	1.00	1.00	1.00	-
Accounting Clerk	1.00	1.00	1.00	1.00	1.00
Senior Accountant	1.00	1.00	1.00	1.00	1.00
Utility Billing Clerk	1.00	1.00	1.00	1.00	1.00
Total Full-Time Equivalent Employees	7.00	7.00	7.00	7.00	6.00
Assessing Division					
City Assessor	1.00	1.00	1.00	1.00	1.00
Assistant City Assessor	-	-	-	1.00	1.00
Commercial Appraiser II	1.00	1.00	1.00	-	-
Residential Appraiser	1.00	1.00	1.00	-	-
Principal Property Appraiser	1.70	1.70	1.70	2.70	2.70
Property Assessment Specialist	1.00	1.00	1.00	1.00	1.00
Total Full-Time Equivalent Employees	5.70	5.70	5.70	5.70	5.70
Police Department					
Chief of Police	1.00	1.00	1.00	1.00	1.00
Directors / Captains	2.00	3.00	3.00	3.00	3.00
Sergeants	11.00	11.00	11.00	11.00	11.00
Police Officers	43.00	43.00	43.00	43.00	43.00
Community Service Officers	5.09	4.47	4.47	4.47	4.47
Crime Prevention Analyst	1.00	1.00	1.00	1.00	1.00
Administrative Assistant	1.60	2.00	2.00	2.00	2.00
Police Records Specialist	3.00	2.00	2.00	2.00	2.00
Evidence Technician	1.00	1.00	1.00	1.00	1.00
Records Supervisor	1.00	1.00	1.00	1.00	1.00
Data Analyst	-	-	-	-	0.50
Total Full-Time Equivalent Employees	69.69	69.47	69.47	69.47	69.97

Full-Time Equivalencies by Department

Employees by Function	2020 Budget	2021 Budget	2022 Budget	2022 Revised	2023 Budget
Fire Department					
Fire Chief	1.00	1.00	1.00	1.00	1.00
Deputy Chief	1.00	1.00	1.00	1.00	1.00
Assistant Chief	1.00	1.00	1.00	1.00	1.00
Battalion Chief / Shift Commander	2.00	2.00	2.00	2.00	2.00
Fire Captains - 24 Hour	-	-	3.00	3.00	3.00
Fire Fighters - 24 Hour	-	-	6.00	6.00	8.00
Fire Inspector	1.00	1.00	1.00	1.00	1.00
Fire Marshal	1.00	1.00	1.00	1.00	1.00
Fire Maintenance Technician	1.00	1.00	1.00	1.00	1.00
Fire Training Officer / Battalion Chief	1.00	1.00	1.00	1.00	1.00
Assistant Training Officer	1.00	1.00	1.00	1.00	1.00
Administrative Assistant-Fire	1.00	1.00	1.00	1.00	1.00
Fire and Life Safety Specialist	0.75	1.00	1.00	1.00	1.00
Data Analyst	-	-	-	-	0.50
Total Full-Time Equivalent Employees	11.75	12.00	21.00	21.00	23.50
District Chief					
District Chief	1.00	1.00	1.00	1.00	1.00
Station Officers (Captains)					
Station Officers (Captains)	5.00	5.00	5.00	5.00	5.00
Lieutenants					
Lieutenants	10.00	10.00	10.00	10.00	10.00
Firefighters					
Firefighters	64.00	64.00	64.00	64.00	64.00
Total Paid on Call	80.00	80.00	80.00	80.00	80.00
Total Employees	91.75	92.00	101.00	101.00	103.50
Legal Department					
City Attorney	1.00	1.00	1.00	1.00	1.00
Associate City Attorney	1.00	1.00	1.00	1.00	1.00
Assistant City Attorney	1.00	1.00	1.00	1.00	1.00
Administrative Coordinator	1.00	1.00	1.00	1.00	1.00
Legal Assistant	1.00	1.00	1.00	1.00	1.00
Legal Support Assistant	1.00	1.00	1.00	1.00	1.00
Video Analyst	-	0.60	0.60	0.60	1.00
Total Full-Time Equivalent Employees	6.00	6.60	6.60	6.60	7.00
Environmental Health Division					
Code Compliance Manager	1.00	-	-	-	-
Environmental Health Specialist	2.50	3.00	3.00	3.00	3.00
Total Full-Time Equivalent Employees	3.50	3.00	3.00	3.00	3.00

Full-Time Equivalencies by Department

Employees by Function	2020 Budget	2021 Budget	2022 Budget	2022 Revised	2023 Budget
Engineering Division					
City Engineer	1.00	1.00	1.00	1.00	1.00
Assistant Engineer	0.50	0.50	0.50	0.50	0.50
Engineering Project Manager	1.00	1.00	1.00	1.00	1.00
Senior Project Engineer	1.00	1.00	1.00	1.00	1.00
Engineer	-	1.00	1.00	1.00	1.00
Engineering Tech IV	4.00	4.00	4.00	4.00	4.00
Engineering Tech III	1.00	1.00	1.00	1.00	1.00
Administrative Assistant	1.00	-	-	-	-
Total Full-Time Equivalent Employees	<u>9.50</u>	<u>9.50</u>	<u>9.50</u>	<u>9.50</u>	<u>9.50</u>
Street Maintenance Division					
Public Works Director	0.15	0.15	0.15	0.15	0.15
Operations Manager	0.50	0.50	0.50	0.50	0.50
Street Maintenance Field Supervisor	1.00	1.00	1.00	1.00	1.00
Public Service Worker II	18.00	18.00	18.00	18.00	18.00
Public Service Worker IV	1.00	1.00	1.00	1.00	1.00
Administrative Manager	0.15	0.15	0.15	0.15	0.15
Receptionist / Secretary	0.10	0.15	0.15	0.15	0.15
GIS Analyst	0.20	0.20	0.20	0.20	0.20
Total Full-Time Equivalent Employees	<u>21.10</u>	<u>21.15</u>	<u>21.15</u>	<u>21.15</u>	<u>21.15</u>
Building Maintenance Division					
Public Works Director	0.14	0.14	0.14	0.14	0.14
Buildings Manager	1.00	1.00	1.00	1.00	1.00
Public Service Worker II	3.00	3.00	3.00	3.00	3.00
Public Service Worker III	2.00	2.00	2.00	2.00	2.00
Public Service Worker I - Custodian	2.00	2.00	3.00	3.00	3.00
Administrative Manager	0.14	0.14	0.14	0.14	0.14
Receptionist / Secretary	0.10	0.14	0.14	0.14	0.14
Total Full-Time Equivalent Employees	<u>8.38</u>	<u>8.42</u>	<u>9.42</u>	<u>9.42</u>	<u>9.42</u>
Joint Recreation Division					
Recreation Services Director	0.25	0.25	0.25	0.25	0.25
Recreation Services Assistant Director	0.50	0.50	0.50	0.50	0.50
Recreation Superintendent	1.00	1.00	1.00	1.00	1.00
Recreation Program Manager	1.90	1.90	1.90	2.00	2.00
Aquatics & Inclusion Services Program Manager	0.70	0.70	0.70	0.70	1.00
Administrative Coordinator	1.00	1.00	1.00	1.00	1.00
Registration Secretary	1.50	1.50	1.50	1.50	1.00
Total Full-Time Equivalent Employees	<u>6.85</u>	<u>6.85</u>	<u>6.85</u>	<u>6.95</u>	<u>6.75</u>

Full-Time Equivalencies by Department

Employees by Function	2020 Budget	2021 Budget	2022 Budget	2022 Revised	2023 Budget
Minnetonka Recreation Division					
Recreation Services Director	0.50	0.50	0.50	0.50	0.50
Recreation Services Assistant Director	0.50	0.50	0.50	0.50	0.50
Park & Trails Planner	1.00	1.00	-	-	-
Total Full-Time Equivalent Employees	2.00	2.00	1.00	1.00	1.00
Senior Services Division					
Community Facilities Superintendent	0.15	0.15	0.15	0.20	0.20
Community Facilities Assistant Manager	-	-	-	0.40	0.40
Senior Services & Activities Manager	1.00	1.00	1.00	1.00	1.00
Senior & General Programming Manager	1.00	1.00	1.00		
Administrative Coordinator	0.25	0.25	0.25	0.25	0.25
Total Full-Time Equivalent Employees	2.40	2.40	2.40	1.85	1.85
Community Facilities Division					
Recreation Services Director	0.10	0.10	0.10	0.10	0.10
Community Facilities Superintendent	0.80	0.80	0.80	0.80	0.80
Community Facilities Assistant Manager	-	-	-	0.40	0.40
Facilities Clerk	1.00	1.00	1.00	1.00	1.00
Administrative Coordinator	0.75	0.75	0.75	0.75	0.75
Administrative Assistant I	0.95	0.95	0.95	0.90	0.90
Total Full-Time Equivalent Employees	3.60	3.60	3.60	3.95	3.95
Parks & Trails Division					
Public Works Director	0.14	0.14	0.14	0.14	0.14
Operations Manager	0.50	0.50	0.50	0.50	0.50
Parks & Trails Field Supervisor	1.00	1.00	1.00	1.00	1.00
Public Service Worker II	9.00	9.00	9.00	9.00	10.00
Administrative Manager	0.14	0.14	0.14	0.14	0.14
Receptionist / Secretary	0.10	0.14	0.14	0.14	0.14
GIS Analyst	0.20	0.20	0.20	0.20	0.20
Total Full-Time Equivalent Employees	11.08	11.12	11.12	11.12	12.12

Full-Time Equivalencies by Department

Employees by Function	2020 Budget	2021 Budget	2022 Budget	2022 Revised	2023 Budget
Natural Resources Division					
Public Works Director	0.14	0.14	0.14	0.14	0.14
Natural Resources Manager	1.00	1.00	1.00	1.00	1.00
City Forester	1.00	1.00	1.00	1.00	1.00
Natural Resources Specialist	2.70	2.70	2.00	2.00	2.00
Forestry Tech	2.00	2.00	2.00	2.00	2.00
Administrative Manager	0.14	0.14	0.14	0.14	0.14
Admin Assistant	0.90	0.90	0.90	0.90	0.90
Receptionist / Secretary	0.10	0.14	0.14	0.14	0.14
GIS Analyst	0.20	0.20	0.20	0.20	0.20
Park & Trails Planner	-	-	1.00	1.00	1.00
NR Inspector	-	-	1.00	1.00	1.00
Total Full-Time Equivalent Employees	8.18	8.22	9.52	9.52	9.52
Community Development Division					
Community Development Director	1.00	1.00	1.00	1.00	1.00
Chief Building Inspector	1.00	1.00	1.00	1.00	1.00
Economic Development and Housing Manager	1.00	1.00	1.00	1.00	1.00
Community Development Coordinator	1.00	1.00	1.00	1.00	1.00
Economic Development Coordinator	1.00	1.00	1.00	1.00	1.00
Housing Coordinator	-	-	1.00	1.00	1.00
Inspectors	7.00	7.00	7.00	7.00	7.00
Administrative Assistant	1.00	1.00	1.00	1.00	1.00
Building Permit Technician	2.80	2.80	2.80	2.80	2.80
Total Full-Time Equivalent Employees	15.80	15.80	16.80	16.80	16.80
Planning Division					
City Planner	1.00	1.00	1.00	1.00	1.00
Assistant City Planner	1.00	1.00	1.00	1.00	1.00
Senior Planner	1.00	1.00	1.00	1.00	1.00
Associate Planner / Sustainability Coordinator	-	1.00	1.00	1.00	1.00
Planner	1.00	1.00	1.00	1.00	1.00
Clerk	0.50	0.50	0.50	0.50	0.50
Total Full-Time Equivalent Employees	4.50	5.50	5.50	5.50	5.50
Cable Television Fund					
Senior Information Technology PC/Telecom Technician	0.25	0.25	0.25	0.25	0.25
Senior Communication Coordinator	1.00	1.00	1.00	1.00	1.00
Total Full-Time Equivalent Employees	1.25	1.25	1.25	1.25	1.25

Full-Time Equivalencies by Department

Employees by Function	2020 Budget	2021 Budget	2022 Budget	2022 Revised	2023 Budget
Ice Arena Special Revenue Fund					
Ice Arena Manager	1.00	1.00	1.00	1.00	1.00
Arena Maintenance Technician	1.00	1.00	1.00	1.00	1.00
Building Supervisors	1.00	1.00	1.00	1.00	1.00
Registration Secretary	0.50	0.50	0.50	0.50	1.00
Total Full-Time Equivalent Employees	3.50	3.50	3.50	3.50	4.00
Utility Division / Utility Fund					
Public Works Director	0.15	0.15	0.15	0.15	0.15
Utility Operations Engineer	1.00	1.00	1.00	1.00	1.00
Utility Field Supervisor	1.00	1.00	1.00	1.00	1.00
Public Service Worker IV	8.00	8.00	9.00	9.00	9.00
Public Service Worker II	3.00	3.00	3.00	3.00	3.00
Public Service Worker I	2.00	2.00	2.00	2.00	2.00
Administrative Manager	0.15	0.15	0.15	0.15	0.15
Receptionist / Secretary	0.10	0.15	0.15	0.15	0.15
Account Clerk	0.60	0.60	0.60	0.60	0.60
Account Technician	1.00	1.00	1.00	1.00	1.00
GIS Analyst	0.40	0.40	0.40	0.40	0.40
GIS Specialist	1.00	1.00	1.00	1.00	1.00
Total Full-Time Equivalent Employees	18.40	18.45	19.45	19.45	19.45
Storm Water Fund					
Assistant City Engineer	0.50	0.50	0.50	0.50	0.50
Water Resources Coordinator	1.00	1.00	1.00	1.00	1.00
Total Full-Time Equivalent Employees	1.50	1.50	1.50	1.50	1.50
Environmental Fund					
Public Works Director	0.14	0.14	0.14	0.14	0.14
Parks, Buildings & Grounds Field Inspector	0.15	0.15	0.15	0.15	0.15
Administrative Manager	0.14	0.14	0.14	0.14	0.14
Receptionist / Secretary	0.10	0.14	0.14	0.14	0.14
Total Full-Time Equivalent Employees	0.53	0.57	0.57	0.57	0.57

Full-Time Equivalencies by Department

Employees by Function	2020 Budget	2021 Budget	2022 Budget	2022 Revised	2023 Budget
Williston Center Fund					
Recreation Services Director	0.15	0.15	0.15	0.15	0.15
Williston Center Manager	1.00	1.00	1.00	1.00	1.00
Williston Center Assistant Manager	1.00	1.00	1.00	1.00	1.00
Aquatics & Inclusion Services Program Manager	0.30	0.30	0.30	0.30	-
Fitness Coordinator	1.00	1.00	1.00	1.00	1.00
Williston Clerk	1.00	1.00	1.00	1.00	1.00
Maintenance Technician	2.00	2.00	2.00	2.00	2.00
Tennis Manager	1.00	1.00	1.00	1.00	1.00
Tennis Coordinator	2.00	2.00	2.00	2.00	2.00
Total Full-Time Equivalent Employees	9.45	9.45	9.45	9.45	9.15
Gray's Bay Marina Fund					
Community Facilities Superintendent	0.05	0.05	0.05	-	-
Community Facilities Assistant Manager	-	-	-	0.20	0.20
Recreation Program Manager	0.10	0.10	0.10	-	-
Administrative Assistant I	0.05	0.05	0.05	0.10	0.10
Total Full-Time Equivalent Employees	0.20	0.20	0.20	0.30	0.30
Fleet Maintenance Fund					
Public Works Director	0.14	0.14	0.14	0.14	0.14
Auto Mechanic	4.00	4.00	4.00	4.00	4.00
Administrative Manager	0.14	0.14	0.14	0.14	0.14
Receptionist / Secretary	0.10	0.14	0.14	0.14	0.14
Total Full-Time Equivalent Employees	4.38	4.42	4.42	4.42	4.42
Total Employees	340.99	345.92	361.22	361.22	366.62

Relevant Financial Policies

City of Minnetonka budgets are adopted on a basis consistent with Generally Accepted Accounting Principles. Annual appropriated budgets are prepared and legally adopted for the General and special revenue funds on a modified cash basis, and government capital funds are appropriated by the council's formal adoption of its five-year Capital Improvement Program (CIP). The city council also adopts a five- and ten-year Economic Improvement Program (EIP). The first years of the rolling five-year CIP and EIP plans are reflected in the annual budget. The city's basis of budgeting is generally consistent with its basis for accounting as reported in its Comprehensive Annual Financial Report.

General Fund and special revenue fund expenditures may not legally exceed budgeted appropriations at the total fund level without city council approval. Budgetary control for capital funds is accomplished through the use of project controls, which are amended by council action of a super majority throughout the year as well as within the budget document on a project-by-project basis. The city council may authorize transfer of budgeted amounts between funds.

Monitoring of budgets is maintained at the expenditure category level (i.e., personnel, supplies and other services and charges, capital outlay) within each activity. Budgetary monitoring, by departments or divisions and by category, is required by the City Charter. Management may alter the budget within a fund but cannot exceed the total budgeted expenditures for the fund that was approved by the city council.

The city's policy regarding General Fund fund balances meets the Government Accounting Standard Board's (GASB's) rules to maintain a prudent level of financial resources to protect itself against temporary revenue shortfalls or unpredicted one-time expenses or mandates. The policy provides that balances are committed to reserve funding for liabilities associated with compensated absences of employees and may be assigned for special purposes. Additionally, the policy requires a balance to serve as a *budget stabilization reserve*, which is equal to 30 to 50 percent of the following year's operating budget. Balances otherwise available above that reserve and above 40 percent of the following year's operating budget may be appropriated by the city council only for one-time costs that have no ongoing financial commitments.

The city council also has a council-adopted policy that establishes goals for cash fund balances in the city's water and sanitary sewer enterprise fund. The policy sets a minimum cash balance in the fund as an operating reserve in an amount equal to six months of operating expenses, plus annual debt service. The policy sets another reserve for capital with a targeted goal of ten percent of the accumulated depreciation of the water and sewer systems combined, but it allows that the reserve may be greater or less depending upon the projected needs for the replacement or upgrades of major components as provided in the adopted CIP. Furthermore, it requires regular staff analysis of the fund, including recommending to the city council rate changes and the issuance of debt with the goal of meeting the established targets.

The city also has an established written capital improvement policy that prioritizes funding and requires fund balance guidelines for each capital fund. Projects are ranked: first, those that are related to public health and safety and legal mandates; second, those that help maintain or make existing systems more efficient; and third, those that expand existing system, provide new services, or are for general community betterment. The policy further provides that fund balance guidelines be established to reflect subsequent-year budget needs, annual cash flow requirements, replacement reserves and potential contingencies. The guidelines are to be used to responsibly manage balances over the five-year planning horizon.

**City Council Study Session Item #1
Meeting of November 5, 2012**

Brief Description: Water and sewer utility rates

Background

In 2010, the city contracted with Ehlers and Associates to analyze the city's water and sewer rates and provide recommendations to ensure that the enterprise remains fiscally sound, provides adequate funding to maintain the systems' infrastructures, and appropriately supports the city's policy goals including water conservation. The consultants made a number of major recommendations including:

- suggested fee increases to accommodate future operating and capital needs;
- a change to conservation tiered rates for apartments;
- implementation of online and electronic billing;
- outsourcing bill stuffing and mailing; and
- changing the sewer fee structure for fixed system costs to a base rate model rather than a minimum usage charge.

At that time, the council reached consensus and acted upon all major elements of the recommendations, except chose to delay action upon the sewer base rate structural change until monthly billing was made available. It was felt the base rate structural change would be the most impactful to customers, especially senior citizens currently eligible for and paying under the senior discount rate, and monthly billing might cushion some of the negative financial effects upon our utility users. Minutes of the October 11, 2010 meeting are attached for reference.

However, since that time, two developments have made offering monthly billings problematic. First, the most recent community survey found a large majority of city residents are opposed to shifting from quarterly to monthly billing. Sixty percent of those who answered the question opposed the shift. Twenty-three percent "strongly opposed," while on the other side, only six percent "strongly favored" the shift.

Second, the city cannot economically offer customers a choice of either monthly or quarterly billing. Because of the city's relatively smaller customer pool (compared to the likes of Xcel and Centerpoint Energy), we take advantage of substantial cost savings by belonging to the LOGIS consortium to purchase and support our utility billing system. No other city in the consortium offers both monthly and quarterly billing. Therefore, our doing so would require significant customizations to the system, which would defeat the economy of our purchasing the system jointly.

Because the city has delayed increasing rates since January 2011, staff requested the consultants update their last analysis and assist in developing new alternatives for instituting the base rate structure for fixed costs. Staff further directed that the new alternatives address previous council concerns, which are:

- **Equity and fairness.** A new base rate structure should ensure fairness amongst utility payers. Specifically, all conservative water users should reap the financial benefits of their efforts, not subsidize other users; seniors should not be penalized; and users should share equally in paying for the fixed costs of the utility system. Council generally agreed that utility rates are not an appropriate mechanism to set social policy with a system based on ability to pay, and all users should simply pay for what they use.
- **Long term sustainability.** The utility rate structure should be sustainable for the long-term, taking into account the community's aging demographics as well as future infrastructure needs.

As with the previous recommendations, the consultants were instructed to design rate structure options that are revenue neutral, i.e. any suggested changes would not increase revenues to the system beyond the levels that would have otherwise been required under our current rate structures.

Mark Ruff and Jeanne Vogt of Ehlers & Associates will present their findings and recommendations for council feedback and direction.

Recommended fee structure change

Based upon the consultant's analyses and recommendations, city staff recommends the council consider adopting Option 3 of the report, which suggests the following utility rate changes.

Base fee. To ensure that all customers are charged a fee to fairly cover fixed base system costs, it is recommended that the city eliminate the current minimum usage on wastewater and alternatively charge a quarterly base fee for fixed costs of \$42.00 per regular account and \$15.50 per senior discount account. *The current 1,700 senior discount customers would be grandfathered to receive the revised senior discount at their current addresses, but otherwise the senior discount would be eliminated for all other accounts in the future.*

The base fee should be enacted in its entirety effective January 2013, and not phased-in over five years as had been recommended in 2010. In this manner, the "sticker shock" of the change for some customers would occur in a single year, not revisited annually over five years. In response to the council's concern regarding *senior discount customers*, the greatest proportion of these accountholders *would be "held harmless"*

and experience no more than a \$5.00 increase in their quarterly sewer bills. (See the attached chart on the impact to senior discount accounts.) Additionally as with the previous recommendations, the account maintenance fee in the water rates (\$1.05 per quarter) would be eliminated, because it is replaced by the new base sewer fee.

User fees. To remain revenue neutral, *the per gallon consumption rate for wastewater would drop by more than half*, down from \$3.10 per 1,000 gallons in 2012 to \$1.49 per 1,000 gallons in 2013, and *all customers would be billed only for the amount used*. Summer wastewater service charges would continue to be based upon winter water consumption to eliminate the effect of irrigation use, which does not require wastewater treatment. The mathematics of this aspect of the change and its design mean the financial impact in the first year to users will vary significantly by the amount of water/wastewater consumed, the lowest use residential consumers and businesses benefiting most. (See page 15 of the Ehlers report.) *The unfair subsidizing of high volume users by conservative users would be eliminated.*

As they had in 2010, city utility customers benefited from a utility rate increase “holiday” in 2012. Although it provided a break during the ongoing recovery from the economic recession, staff recommends enacting the consultant’s recommendation to provide the enterprise with a *4.25 percent increase in water rates in 2013 needed to keep pace with system costs*. The current tiered conservation rate structure would continue, and all users would pay for the water they use.

Comparison with similar cities

A survey last month of the metro area water/wastewater utilities by a respected trade publication indicated that three-quarters of them plan water and sewer rate increases in 2013. Forty-five percent are planning fee increases of more than four percent for water, and twenty percent are planning fee increases of more than four percent for wastewater.

Without taking into consideration any of these rate increases for 2013 by the utilities, the recommended rates herein will place the cost of water and sewer in Minnetonka in the middle of what is charged in our comparable cities for 2012. With consumption of 15,000 gallons during three months, a Minnetonka resident will pay \$73.65 for its quarterly bill in 2013. This compares to an average of \$74.00 for our eleven counterparts in the metro for the same water/sewer use in 2012, which include a high of \$95.64 in St. Louis Park and a low of \$49.80 in Apple Valley. (See page 16 of the Ehlers report.)

Discussion question: Does the council concur with the recommended utility rate structure and fee changes?

Other recommendations

Connection fees. In 2009, the city council revised its Policy 12.4, Sanitary Sewer and Water Connection Fees, which established a Residential Equivalent Charge (REC) to be used as a multiplier against the Metropolitan Council established units of SAC (sewer access charge) in determining city water and sewer connections fees. Per the policy, the city's REC is to be indexed for annual inflationary changes per the "Engineering News Record."

Due to the halt on development and downturn in the economy that began around the same time the policy was adopted, staff has not recommended annual increases in the RECs since they were initially set at \$900 for water and \$1,600 for sewer. Ehlers recommends and staff agrees they now be increased by the current index of 2.5 percent, which would increase the RECs per SAC unit to \$922.50 for water and \$1,640 for sewer.

Cash balance policy and capital improvements. In the past, city staff has used a range of goals to determine the adequacy of the Utility Fund's cash reserve, each taking into account monthly operating costs, depreciation, annual capital costs and debt service. The consultants recommend that a specific minimum cash balance policy be adopted by council against which the fund's reserve may be compared. They suggest the minimum should include six months operating expenses, one year of debt service, and fifty percent of annual depreciation.

They believe this minimum combined with recommended annual rate changes in the future of 4.25 percent for water and 5.50 percent for sewer will be sufficient to position the fund over the next five years to accommodate capital costs adopted within the current 2013-2017 Capital Improvements Program (CIP).

Meanwhile, the public works department has engaged engineering consultants who are now studying the longer term sufficiency of the city's water and sewer infrastructure. The last long term infrastructure analysis was completed in 2000, and as a result, the city sold bonds to construct a new water well, the Williston water tower, and other improvements. Results of the new analysis will be known in 2013 and 2014, and the city is appropriately positioned to consider bonding for any new recommended improvements of substantial costs, because the city's larger current utility debt will be paid off in 2016.

Water conservation education. Water conservation is a priority of the city for both environmental reasons as expressed in the city's strategic goals as well as in the design of our water/wastewater programs, system infrastructure and tiered rates. The consultant's recommendations confirm this commitment by recognizing our current efforts to educate the public and provide incentives to conserve. In addition to targeted placement of the water/sewer rates on utility bills, staff regularly publishes articles in the

Minnetonka Memo, and the city's website has numerous postings covering the topic including how-to's and links to many other online resources.

As provided to the city council in May 2012, the city's action plan for ongoing implementation under the city's Strategic Profile includes new projects. Staff will be promoting park and facility water conservation through its ongoing use of smart controllers and implementing a weather station irrigation retrofit plan. Staff will work through existing recreation programs to engage youth in promoting water conservation and environmental stewardship. And, staff will work with community businesses to educate and promote water conservation and surface water protection in relationship to the city's commercial properties and management.

Discussion question: Does council agree with the increase in REC fees, proposed minimum cash balance policy, and conservation efforts?

Summary

The long-term viability of the city's water and sewer system depends on ensuring the enterprise remains fiscally sound, provides adequate funding to maintain the systems' infrastructures, and appropriately supports the city's policy goals including water conservation. If council is supportive of the recommended adjustments, a public hearing and adoption of new rates will be announced in the December *Minnetonka MEMO* and scheduled for the December 17, 2012 city council meeting. At that meeting, staff will also provide a minimum cash balance policy for council consideration. Rate changes would become effective January 1, 2013 and first be reflected in the April quarterly bill.

Attachments: October 2012 Water and Sanitary Sewer Utility Rate Study – City of Minnetonka, Minnesota, by Ehlers and city staff

2013 Impact to Senior Discount Accounts – Graph

Minutes of the City Council Study Session, October 11, 2010

Submitted through:

Geralyn Barone, City Manager
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Originated by:

Merrill King, Finance Director
Brian Wagstrom, Public Works Director

October, 2012

Water and Sanitary Sewer Utility Rate Study

City of Minnetonka, Minnesota



Prepared By:

City Staff

And

Ehlers

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Introduction

The City of Minnetonka requested that Ehlers & Associates review its water and sanitary sewer system utilities to:

1. Determine whether rates need to be adjusted for 2013 and beyond to pay for the ongoing operations and capital improvements and to maintain adequate cash balances;
2. Ensure the rate structure distributes the costs of operating the system across utility users consistent with the policy objectives of the Council;
3. Examine appropriateness and fairness of senior discount rates.

Background

In September of 2000, prior to completion of the water treatment plant, the City undertook a rate study to ensure rates would be sufficient to pay for the new infrastructure, to continue to replace aging water and sewer lines on an as-needed basis, and to maintain adequate reserves. That study also suggested that the City move from a flat water rate to a tiered rate structure to encourage water conservation. In 2003, the City adopted a tiered rate structure. A tiered water rate structure charges higher water rates at higher levels of consumption. The rationale for a tiered rate structure is typically three-fold:

1. A tiered rate structure can promote water conservation and is one method that is in compliance with Minnesota Statute 103G.291 and is recommended by the Minnesota Department of Natural Resources (“DNR”).
2. Cities construct water systems to meet the capacity of peak watering days in the summer. In Minnetonka, the peak summer demand is about 23 million gallons per day, or approximately three times the average daily winter demand. The water pumping, storage and treatment systems must be constructed large enough to accommodate this peak. Since a tiered rate system charges more per gallon for peak use, it allocates the capital cost of “oversizing” the system to the peak users.
3. By charging more for water used on the lawn than water used in the home, the City is ensuring that essential water use remains as affordable as possible.

In 2010, the City hired Ehlers for a utility rate study to refine the water rate structure, provide options for a new sewer rate structure which included a fixed base fee, and provide a third-party review of projected revenues and expenses. While the Council had

consensus in concept for changes to both the water and sewer rate structures, only the refined water rate structure has been approved to date.

The City of Minnetonka is part of the Metropolitan Environmental Services (MCES) regional sanitary sewer system. The MCES collects the City's outflow and treats it prior to discharge. The MCES charges a disposal fee to the City based on outflow measured in the MCES interceptor. The MCES charges have a direct and major impact upon the City's operating costs - one-third of all sewer and water revenues go to pay for these MCES charges. The MCES operating cost charges vary from year to year, cannot be accurately predicted, and will have a material effect upon the City's charges to its customers. Within the last several years, the MCES has imposed surcharges and required capital improvements to address the flow of storm water into the sanitary sewer system (Inflow and Infiltration). Therefore, the MCES also has an impact on capital costs as the City seeks to reduce Inflow and Infiltration.

It should be noted the City currently has one accounting fund for water and sanitary sewer. Municipal utility funds are considered "enterprise funds," meaning they are intended to be operated as a private enterprise in which the fee revenue pays for all expenses. It is permissible, and in some cases, advantageous for the City to combine the revenues and expenditures in one fund and, for example, use water revenues to pay for sewer expenditures. In the past several years, the City has been focusing on a self-supporting model for each individual utility. This hybrid approach of operating one fund yet tracking revenues and expenditures by utility provides the City with flexibility while maintaining accountability. Therefore rates for each utility will not increase uniformly as the City seeks to balance revenues and expenditures.

An important factor in setting rates and how costs are distributed across different users is the mix of fixed costs and variable costs. Fixed costs for a system are not dependent upon usage. Variable costs are dependent upon volume of water used. Capital costs can be both fixed and variable. Certain capital costs happen without regard to use, such as replacing aging lines under streets. Other capital costs such as wells are dependent upon usage, especially when usage requires higher capacity for peak use. This report will further address the fixed versus variable costs as it relates to rate options.

Assumptions

This study incorporates the proposed 2013-2017 capital improvement plan for the utilities. The proposed capital improvement plans for water and sewer include the following improvements:

- Sewer and water main replacement on an as-needed basis
- Water tower maintenance
- Water treatment plant rehab and upgrades
- Lift station rehabilitation

- Vacuum sewer cleaner
- Dump/Plow truck replacements
- Infiltration and Inflow improvements and grants
- Public works building improvements
- Vehicles and equipment

Following is a chart that summarizes the significant assumptions in the rate study.

	Assumption
Growth and Utility Usage	<ul style="list-style-type: none"> • No significant new connections. • Water usage will continue at 2009 (non-drought) levels. • Sewer usage will remain constant.
Operating Expenses	<ul style="list-style-type: none"> • City expenses increase 3.3% annually. • MCES sanitary sewer disposal fees increase 3% annually.
Capital Expenses	<ul style="list-style-type: none"> • Average \$2.1 million per year including Infiltration and Inflow costs of approximately \$450,000. • Average capital costs are in today’s dollars. Costs of improvements are inflated 3% per year in the rate study.

Analysis of Current Sewer and Water Rates

The City invoices residents on a quarterly basis, and commercial properties on a monthly basis.

Sanitary Sewer Rates

For non-senior residential users, there is currently a \$46.50 minimum quarterly fee, regardless of use, that covers the first 15,000 gallons. The 2011 and 2012 sewer rate is \$3.10 per 1,000 gallons for the amount used over 15,000 gallons. The residential customer’s sewer usage during the summer is assumed to be identical to water usage during the winter quarter when there is almost no outside water use (car washing, lawn sprinkling, swimming pool, etc.).

For senior citizens receiving the senior discount, those 62 years of age or older, bills are calculated based on actual usage, rather than the \$46.50 minimum charge. Thus, these users pay much less than non-senior users when their usage is less than 15,000 gallons per quarter. There is no income limit on the senior rate.

Water Rates

For a minority of users of the water system who have vacant units for part or all of the year, rates are fixed at \$27.15 per quarter, except seniors are charged \$16.29. This charge applies only to “Snowbirds” and vacant units that would otherwise not receive a water bill. In addition, the City collects a \$1.05 account maintenance fee with each bill.

The vast majority of households and businesses are charged usage fees based on the metered use of water. Beginning in 2003 the City instituted a tiered rate system, as discussed above. In 2010, the City adjusted the first tier break from 25,000 gallons to 18,000 gallons to comply with the Conservation Rate Law (M.S. 103G.291). 2012 rates are the same as 2011.

The current water usage rates are below.

2011 & 2012 Minnetonka Water Rates

Residential	Rate	Commercial	Rate	Irrigation	Rate
0 – 18,000	\$1.81	Winter	\$1.81	0 – 75,000	\$2.07
18,001 – 40,000	\$2.07	Summer	\$2.25	75,001 – 175,000	\$2.61
40,001 – 70,000	\$2.61			Over 175,000	\$3.62
Over 70,000	\$3.62				

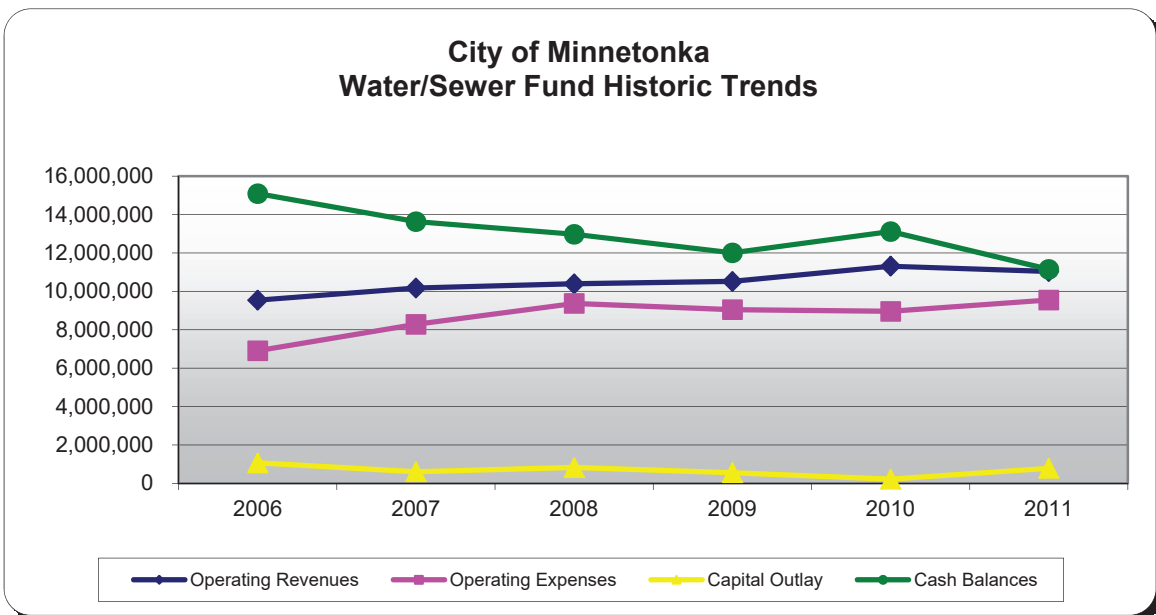
Compared to many cities, Minnetonka collects a much higher percentage of its revenue from usage fees. Most cities have a fixed quarterly charge or minimum usage fee that applies to all residents. Minnetonka’s practice of tying water bills closely to usage helps promote water conservation.

Financial Objectives and Water and Sewer Rates

The City of Minnetonka has been drawing down its cash balances in the utility funds recently. From 2008 to 2010, the cash balances hovered between \$12,000,000 to \$13,000,000. However, in 2011 the cash balance dropped by \$2,000,000 and these losses are forecasted to continue as capital costs increase. Cash balances remain above the City’s minimum target, however, continuing losses may signal financial stress to rating

agencies. In the last six months, Moody’s and Standard & Poor’s have focused on enterprise funds, especially as it relates to outstanding general obligation debt. It is important for the City to have a policy on fund balances and a long-term plan for addressing any further losses in the system. The positive news is that the short-term forecast shows no planned debt required to fund capital needs. There are longer term capital needs that City staff will be working to refine over the next year. These longer term expenditures may require bond issues to help keep cash balances at or near its policy.

The following graph for the Water and Sewer Utility shows the trend of operating revenues, operating expenses, capital outlay with cash balances. It is important to note that operating expenses includes depreciation, which the City does not fund at this time. Instead the City has used cash balances to pay for annual capital costs and has occasionally used debt in the past to fund major capital improvements. This approach is not unusual for Minnesota cities.



Cost Control

The utility system has fixed costs and variable costs. Fixed costs remain relatively constant with the exception of inflation, regardless of consumption, and include debt service, personnel, and facility costs. Variable costs change with consumption, and include three primary categories:

- Electric costs for pumping water
- Chemical costs for water treatment
- MCES Sanitary Sewer Disposal Fees

Conservation can help reduce the variable costs of operating the water and sewer system and keep rates more affordable. Reduced water consumption will reduce electricity costs for pumping and treatment chemicals. In addition, the wells can operate more efficiently and at greater capacity if the water table does not decline. Finally, controlling peak daily demand in the summer through every-other-day watering schedules and conservation may reduce the need for expanding the infrastructure or replacing wells.

Most municipal systems have a balance of fixed charges to users and charges based upon usage. Moving to a system that has no minimum charges to users has risks including more volatility in revenue when weather causes lower consumption.

Proposed Rates

The proposed rate structure for 2013 is designed to accomplish the following goals:

1. *Continue to align revenues with expenses.* Revenues should correlate to cost increases and capital needs, and increase annually on a percentage basis. Most cities prefer smaller increases on an annual basis than large increases in one year.
2. *Continued emphasis of conservation rates.* Water rates continue to be higher for the high consumption users in residential property and for irrigation systems. The recommended option for sewer rates also promotes conservation by eliminating the minimum charge up to 15,000 gallons for the quarterly sewer charge. Currently, homes (except those with the senior discounted rate) and businesses are charged the same whether they use 5,000 gallons or 15,000 gallons. The new rate structure will emphasize the importance of conservation for both sewer and water.
3. *Consistency of rates between users.* The recommended rate structure below discontinues the senior discount program for new applicants, but “grandfathers in” those currently on the program. The City has provided a senior discount which reduces the cost for those 62 and older who use less than 15,000 gallons per quarter. Senior discounts, especially those not tied to income limits, are not typical in the metropolitan area. The discount was more understandable when a city charged a flat amount or a high minimum usage. With the change to eliminate the 15,000 gallon minimum charge, the reason for the discount is also diminished. The City’s senior discount as it exists today is not equitable compared to a typical residential user and is not sustainable for an enterprise fund. The amount of the senior discount is large for a low user of water as it compares to a non-senior low volume user. It is also not sustainable for a business operation because the number of senior discount accounts is expected to grow (currently approximately 1,700 out of a total of 13,000 residential accounts) as the population ages.

Proposed Sewer Rates

We are providing three options for the City's consideration which look at different methods for implementing a fixed fee for all accounts but also start charging consumption with the first gallon used to be more consistent with the water conservation rates. The options vary with timing and amount.

Option #1: Phase in the Fixed Fee over Five Year for All Users

Proposed Rate Structure Options	2012	2013	2014	2015	2016	2017
Option 1: 5-Year Phase In - All Users		5.50%	-9.00%	-11.00%	-14.50%	-18.50%
Fixed Per Account Charge						
Residential / Commercial	N/A	\$ 7.95	\$ 16.78	\$ 26.55	\$ 37.34	\$ 49.23
Senior	N/A	\$ 7.95	\$ 16.78	\$ 26.55	\$ 37.34	\$ 49.23
Consumption Rate	\$ 3.10	\$ 3.27	2.98	2.65	2.27	1.85

This option was recommended in our 2010 rate study and eliminates the difference between the senior discount rate and other rate classes. It reduces the fixed fee for non-senior residential users from the current 15,000 gallon minimum at \$46.50 to \$7.95, eliminates the minimum usage structure, and also increases the consumption rate. Over time, the fixed fee amount is increased and the consumption rate is decreased. It provides a 5-year phase in period for all accounts (or 20% per year), as shown in the table above. The rates would be the usage rate for all users, including senior discounted accounts. This option is revenue neutral over five years compared to the existing system assuming no change in total usage.

Option #2: Move to a Fixed Fee beginning in 2013 for All Users

Proposed Rate Structure Options	2012	2013	2014	2015	2016	2017
Option 2: 0-Year Phase In - All Users		-52.00%	5.50%	5.50%	5.50%	5.50%
Fixed Per Account Charge						
Residential / Commercial	N/A	\$ 39.75	\$ 41.94	\$ 44.25	\$ 46.68	\$ 49.23
Senior	N/A	\$ 39.75	\$ 41.94	\$ 44.25	\$ 46.68	\$ 49.23
Consumption Rate	\$ 3.10	\$ 1.49	\$ 1.57	\$ 1.66	\$ 1.75	\$ 1.85

This option moves all users to a \$39.75 fixed fee beginning in 2013, including senior discount rates. The fixed fee does not include any minimum usage and the consumption rate would apply to the initial amount of flow. With the implementation of the fixed fee, the usage fee drops from \$3.10 / 1,000 gallons in 2012 to \$1.49 / 1,000 gallons in 2013. This option is also revenue neutral and would require an annual 5.50% increase in the consumption rate after 2013.

Option #3 (RECOMMENDED): Move to a Fixed Fee in 2013 with a Senior Discount Fixed Fee (for those who qualify).

This option includes a \$42.00 fixed fee, which is at a level lower than the current 15,000 gallon minimum at \$46.50, and it reduces the consumption rate from \$3.10 / 1,000 gallons to \$1.49 / 1,000 gallons. The consumption rate starts with the first gallon used. Therefore, the fixed rate helps pay for fixed costs of the system. It also takes in to consideration the sensitivity regarding the senior discount rates. Option #3 has a reduced fixed fee for senior discount users to mitigate cost increases as much as possible. With this option, we recommend no new applications for the senior discount rate be accepted after November 5, 2012. The senior discount rate will apply only to those currently registered with the City. This option also begins in 2013, without a phase in period. As with Option 1 and 2, this option is also revenue neutral.

Proposed Rate Structure Options	2012	2013	2014	2015	2016	2017
Option 3: 0-Year Phase in - Special Discounted		-52.00%	5.50%	5.50%	5.50%	5.50%
Fixed Per Account Charge						
Residential / Commercial	N/A	\$ 42.00	\$ 44.31	\$ 46.65	\$ 49.20	\$ 51.75
Senior	N/A	\$ 15.50	\$ 16.47	\$ 17.50	\$ 18.59	\$ 19.76
Consumption Rate	\$ 3.10	\$ 1.49	\$ 1.57	\$ 1.66	\$ 1.75	\$ 1.85

With a lower senior discount rate for those who qualify, these users are still paying for a portion of the fixed costs of the system without the “sticker shock” of Options 1 and 2.

Future increases of 5.5% per year are necessary to help keep the system costs in balance and to minimize the future decreases in the cash balance for the utility system.

Proposed Water Rates

This rate study builds on the successes implemented by the Council for conservation rates. Thus, the focus of this study was to ensure the current rates are sufficient to pay for ongoing operational and capital costs and maintain adequate cash balances.

We are recommending a 4.25% rate increase in 2013 over existing rates. The City could consider a fixed fee in the water system. This fee is not recommended because the Council has emphasized conservation as a higher priority than covering fixed costs. The table on the following page shows recommendations for the next five years.

Water Fund	2012	2013	2014	2015	2016	2017
Existing Quarterly Rate Structure		4.25%	4.25%	4.25%	4.25%	4.25%
Residential						
0 - 18,000 gallons	\$ 1.81	\$ 1.89	\$ 1.97	\$ 2.05	\$ 2.14	\$ 2.23
18,001 - 40,000 gallons	2.07	2.16	2.25	2.35	2.45	2.55
40,001 - 70,000 gallons	2.61	2.72	2.84	2.96	3.09	3.22
Over 70,000 gallons	3.62	3.77	3.93	4.10	4.27	4.45
Commercial						
Base Rate	\$ 1.81	\$ 1.89	\$ 1.97	\$ 2.05	\$ 2.14	\$ 2.23
Summer Surcharge (May - Sept.)	2.06	2.15	2.24	2.34	2.44	2.54
Irrigation						
0 - 75,000 gallons	\$ 2.07	\$ 2.16	\$ 2.25	\$ 2.35	\$ 2.45	\$ 2.55
75,001 - 175,000 gallons	2.61	2.72	2.84	2.96	3.09	3.22
Over 175,000 gallons	3.62	3.77	3.93	4.10	4.27	4.45

Impact of Proposed Rates on Sample Customers

The chart in Appendix A compares the existing and proposed quarterly and monthly bills for various utility customers in the City of Minnetonka.

Comparison to Other Metropolitan Communities

The chart in Appendix B compares the proposed quarterly water and sewer bill for 15,000 gallons of water for Minnetonka to various communities in the Twin Cities Metropolitan Area.

Cash Balances and Prudent Use of Debt

We are recommending the City adopt a cash balance policy that includes an operating reserve and a capital reserve. The cash balance is forecasted to decline, even with the 4.25% and 5.5% rate increases to sewer and water rates. However, revenues are dependent upon usage by customers, much of which is dependent upon weather. For 2012, staff estimates that revenues will be 10% higher than budget due to a dry year. The chart below uses the budget estimates.

It is also important to note that cash balances are forecasted to increase after 2016, the year the larger of the City's two bond issues is paid off. As stated earlier, there is a likelihood that additional debt will be necessary for future major capital improvements to

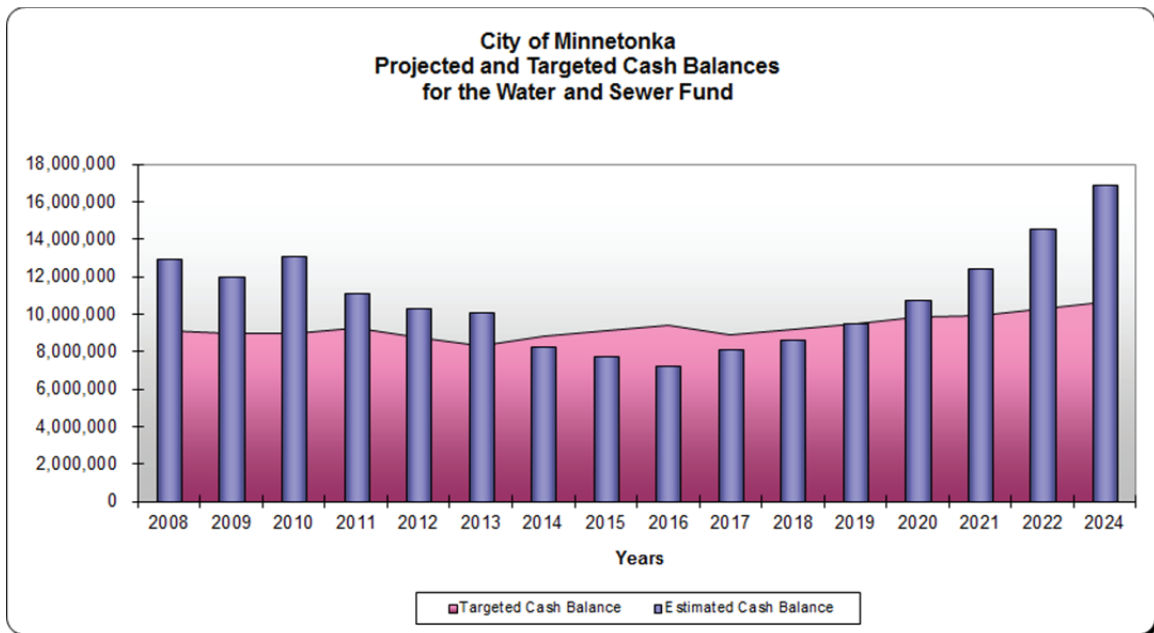
the system. The Council should continue to monitor balances and adjust rates accordingly in the future.

Operating Reserve

The city is targeting a minimum cash balance for operations of an amount equal to six months of operating expenses plus annual debt service, plus 100% of annual depreciation. Cash balances are available to accommodate fluctuations in revenue depending on weather and higher than anticipated operating expenses.

Capital Reserve

The remaining cash balance should be held for long-term replacement of the system, which will not be able to be funded with growth. The model maintains the ending cash balance over time. The graph below portrays the projected cash balances based on the stated assumptions and proposed rates.



Recommendations

- ❑ In 2013, continue to apply a regular and modest percentage increase to rates annually. For water the proposed increase is 4.25% annually. The increase in sewer rates is 5.50% per year.
- ❑ Continue to review the rate structure periodically.
- ❑ Adopt a cash balance policy that contains operating and capital components. Future rates should be set to ensure the cash balance stays at or above the minimum established in the policy.
- ❑ Continue to maintain cash reserves to allow the City to pay for capital improvements without issuing debt for non-major capital improvements.
- ❑ Per City Policy 12.4, annually increase development related fees for water and sanitary sewer connection and hook-ups by 2.5%, per the construction index of Engineering News Record. Current fees are \$900 for Water and \$1,600 for Sewer per Metropolitan Council SAC unit. Recommended rates for 2013 would be \$922.50 for Water and \$1,640 for sewer per SAC unit. An in-depth review of these charges was not included in this study.
- ❑ Display the rate structure on the bills so customers can see how to reduce their bills by lowering consumption.
- ❑ Continue efforts to reduce sanitary sewer outflow to the MCES, primarily by addressing inflow and infiltration.

The City can also take several steps outside of the utility rates to promote water conservation. Many of these recommendations are already in place.

- ❑ Continue to monitor monthly usage and notify customers if there is indication of a leak.
- ❑ Continue and expand the City's program of offering rebates on rain sensors. Rain sensors are simple and inexpensive controls that prevent an irrigation system from turning on when it is raining. They are required by state law, but the DNR does not enforce their use.
- ❑ Continue to use "smart" irrigation controllers on City properties, including parks.
- ❑ Monitor irrigation meter usage for unseasonably high water use, suggesting leaks, and notify property owners.

- ❑ Continue the watering ban between 11 a.m. and 5 p.m.
- ❑ Communicate the success the residents have already achieved in water conservation, and explain the new rates in City newsletters, bill inserts, and other medium.
- ❑ Create a calculator on the City's website that allows customers to calculate the appropriate amount of water to use for irrigation. For example, a business would input the size of its landscaped area and learn how much water it should take to water the recommended one inch per week.

Summary

The City of Minnetonka has managed its utility funds well, and as a result will be able to pay for future improvements with cash. In addition, the tiered rate structure adopted in 2003 has provided incentives to system users to conserve water. However, the pressure of rising operating costs, particularly the MCES disposal fees, and continuing capital costs have put new financial pressures on the utility fund.

The rate study indicates that rate increases are necessary in 2013 to maintain the structural balance of the utility fund. Modest and steady annual rate increases will be needed for water and sanitary sewer to pay for City operating costs and capital improvements. This report recommends strategically implementing water rate increases to enhance the City's conservation efforts and reduce operating costs.

Appendix A

OPTION #1

COMPARISON OF PROPOSED BILLS FOR SAMPLE WATER AND SEWER CUSTOMERS													
Quarterly Bill for Residences													
Percentile of Users	Sample Resident	Existing						OPTION 1: 5-Year Phase In (All Users)					
		2012	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	
50%	Senior User	** Non-Discounted Rate **											
	12,000 gallons water	\$ 21.72	\$ 22.68	\$ 23.64	\$ 24.60	\$ 25.68	\$ 26.76	\$ 22.68	\$ 23.64	\$ 24.60	\$ 25.68	\$ 26.76	
	9,000 gallons sewer	27.90	29.43	31.05	32.76	34.56	36.45	37.38	43.60	50.40	57.77	65.88	
	Total Bill	\$ 49.62	\$ 52.11	\$ 54.69	\$ 57.36	\$ 60.24	\$ 63.21	\$ 60.06	\$ 67.24	\$ 75.00	\$ 83.45	\$ 92.64	
	Annual Variance		2.49	2.58	2.67	2.88	2.97	10.44	7.18	7.76	8.45	9.19	
	Variance from Existing						7.95	12.55	17.64	23.21	29.43		
15%	Low User												
	9,000 gallons water	\$ 16.29	\$ 17.01	\$ 17.73	\$ 18.45	\$ 19.26	\$ 20.07	\$ 17.01	\$ 17.73	\$ 18.45	\$ 19.26	\$ 20.07	
	6,000 gallons sewer	46.50	49.05	51.75	54.60	57.60	60.75	27.57	34.66	42.45	50.96	60.33	
	Total Bill	\$ 62.79	\$ 66.06	\$ 69.48	\$ 73.05	\$ 76.86	\$ 80.82	\$ 44.58	\$ 52.39	\$ 60.90	\$ 70.22	\$ 80.40	
	Annual Variance		3.27	3.42	3.57	3.81	3.96	(18.21)	7.81	8.51	9.32	10.18	
	Variance from Existing						(21.48)	(17.09)	(12.15)	(6.64)	(0.42)		
30%	Medium-Low User												
	15,000 gallons water	\$ 27.15	\$ 28.35	\$ 29.55	\$ 30.75	\$ 32.10	\$ 33.45	\$ 28.35	\$ 29.55	\$ 30.75	\$ 32.10	\$ 33.45	
	12,000 gallons sewer	46.50	49.05	51.75	54.60	57.60	60.75	47.19	52.54	58.35	64.58	71.43	
	Total Bill	\$ 73.65	\$ 77.40	\$ 81.30	\$ 85.35	\$ 89.70	\$ 94.20	\$ 75.54	\$ 82.09	\$ 89.10	\$ 96.68	\$ 104.88	
	Annual Variance		3.75	3.90	4.05	4.35	4.50	1.89	6.55	7.01	7.58	8.20	
	Variance from Existing						(1.86)	0.79	3.75	6.98	10.68		
50%	Medium User												
	21,000 gallons water	\$ 38.01	\$ 39.69	\$ 41.37	\$ 43.05	\$ 44.94	\$ 46.83	\$ 39.69	\$ 41.37	\$ 43.05	\$ 44.94	\$ 46.83	
	15,000 gallons sewer	46.50	49.05	51.75	54.60	57.60	60.75	57.00	61.48	66.30	71.39	76.98	
	Total Bill	\$ 84.51	\$ 88.74	\$ 93.12	\$ 97.65	\$ 102.54	\$ 107.58	\$ 96.69	\$ 102.85	\$ 109.35	\$ 116.33	\$ 123.81	
	Annual Variance		4.23	4.38	4.53	4.89	5.04	12.18	6.16	6.50	6.98	7.48	
	Variance from Existing						7.95	9.73	11.70	13.79	16.23		
75%	Medium-High User												
	30,000 gallons water	\$ 57.42	\$ 59.94	\$ 62.46	\$ 65.10	\$ 67.92	\$ 70.74	\$ 59.94	\$ 62.46	\$ 65.10	\$ 67.92	\$ 70.74	
	20,000 gallons sewer	62.00	65.40	69.00	72.80	76.80	81.00	73.35	76.38	79.55	82.74	86.23	
	Total Bill	\$ 119.42	\$ 125.34	\$ 131.46	\$ 137.90	\$ 144.72	\$ 151.74	\$ 133.29	\$ 138.84	\$ 144.65	\$ 150.66	\$ 156.97	
	Annual Variance		5.92	6.12	6.44	6.82	7.02	13.87	5.55	5.81	6.01	6.31	
	Variance from Existing						7.95	7.38	6.75	5.94	5.23		
Monthly Bill for Commercial Users													
Percentile of Users	Sample Business	Existing						OPTION 1: 5-Year Phase In (All Users)					
		2012	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	
25%	Commercial - Low User												
	7,000 gallons water	\$ 13.67	\$ 14.27	\$ 14.87	\$ 15.48	\$ 16.16	\$ 16.84	\$ 14.27	\$ 14.87	\$ 15.48	\$ 16.16	\$ 16.84	
	3,000 gallons sewer	46.50	49.05	51.75	54.60	57.60	60.75	17.76	25.72	34.50	44.15	54.78	
	Total Bill	\$ 60.17	\$ 63.32	\$ 66.62	\$ 70.08	\$ 73.76	\$ 77.59	\$ 32.03	\$ 40.59	\$ 49.98	\$ 60.31	\$ 71.62	
	Annual Variance		3.15	3.30	3.46	3.68	3.83	(28.14)	8.56	9.39	10.33	11.31	
	Variance from Existing						(31.29)	(26.03)	(20.10)	(13.45)	(5.97)		
50%	Commercial - Medium User												
	21,000 gallons water	\$ 44.26	\$ 46.19	\$ 48.12	\$ 50.27	\$ 52.42	\$ 54.57	\$ 46.19	\$ 48.12	\$ 50.27	\$ 52.42	\$ 54.57	
	21,000 gallons sewer	65.10	68.67	72.45	76.44	80.64	85.05	76.62	79.36	82.20	85.01	88.08	
	35,000 gallons irrigation	75.45	78.73	82.01	85.65	89.29	92.94	78.73	82.01	85.65	89.29	92.94	
	Total Bill	\$ 184.81	\$ 193.59	\$ 202.58	\$ 212.36	\$ 222.35	\$ 232.56	\$ 201.54	\$ 209.49	\$ 218.12	\$ 226.72	\$ 235.59	
Annual Variance		8.78	8.99	9.78	9.99	10.21	16.73	7.95	8.63	8.60	8.87		
	Variance from Existing						7.95	6.91	5.76	4.37	3.03		
75%	Commercial - High User												
	63,000 gallons water	\$ 132.78	\$ 138.58	\$ 144.38	\$ 150.82	\$ 157.26	\$ 163.71	\$ 138.58	\$ 144.38	\$ 150.82	\$ 157.26	\$ 163.71	
	63,000 gallons sewer	195.30	206.01	217.35	229.32	241.92	255.15	213.96	204.52	193.50	180.35	165.78	
	155,000 gallons irrigation	370.05	385.86	402.48	419.86	438.05	456.25	385.86	402.48	419.86	438.05	456.25	
	Total Bill	\$ 698.13	\$ 730.45	\$ 764.21	\$ 800.00	\$ 837.23	\$ 875.11	\$ 738.40	\$ 751.38	\$ 764.18	\$ 775.66	\$ 785.74	
Annual Variance		32.32	33.76	35.79	37.23	37.88	40.27	12.98	12.80	11.48	10.08		
	Variance from Existing						7.95	(12.83)	(35.82)	(61.57)	(89.37)		

OPTION #2

COMPARISON OF PROPOSED BILLS FOR SAMPLE WATER AND SEWER CUSTOMERS												
Quarterly Bill for Residences												
Percentile of Users	Sample Resident	Existing						OPTION 2: 0-Year Phase In (All Users)				
		2012	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
50%	Senior User							** Non-Discounted Rate **				
	12,000 gallons water	\$ 21.72	\$ 22.68	\$ 23.64	\$ 24.60	\$ 25.68	\$ 26.76	\$ 22.68	\$ 23.64	\$ 24.60	\$ 25.68	\$ 26.76
	9,000 gallons sewer	27.90	29.43	31.05	32.76	34.56	36.45	53.16	56.07	59.19	62.43	65.88
	Total Bill	\$ 49.62	\$ 52.11	\$ 54.69	\$ 57.36	\$ 60.24	\$ 63.21	\$ 75.84	\$ 79.71	\$ 83.79	\$ 88.11	\$ 92.64
	Annual Variance		2.49	2.58	2.67	2.88	2.97	26.22	3.87	4.08	4.32	4.53
	Variance from Existing						23.73	25.02	26.43	27.87	29.43	
15%	Low User											
	9,000 gallons water	\$ 16.29	\$ 17.01	\$ 17.73	\$ 18.45	\$ 19.26	\$ 20.07	\$ 17.01	\$ 17.73	\$ 18.45	\$ 19.26	\$ 20.07
	6,000 gallons sewer	46.50	49.05	51.75	54.60	57.60	60.75	48.69	51.36	54.21	57.18	60.33
	Total Bill	\$ 62.79	\$ 66.06	\$ 69.48	\$ 73.05	\$ 76.86	\$ 80.82	\$ 65.70	\$ 69.09	\$ 72.66	\$ 76.44	\$ 80.40
	Annual Variance		3.27	3.42	3.57	3.81	3.96	2.91	3.39	3.57	3.78	3.96
	Variance from Existing						(0.36)	(0.39)	(0.39)	(0.42)	(0.42)	
30%	Medium-Low User											
	15,000 gallons water	\$ 27.15	\$ 28.35	\$ 29.55	\$ 30.75	\$ 32.10	\$ 33.45	\$ 28.35	\$ 29.55	\$ 30.75	\$ 32.10	\$ 33.45
	12,000 gallons sewer	46.50	49.05	51.75	54.60	57.60	60.75	57.63	60.78	64.17	67.68	71.43
	Total Bill	\$ 73.65	\$ 77.40	\$ 81.30	\$ 85.35	\$ 89.70	\$ 94.20	\$ 85.98	\$ 90.33	\$ 94.92	\$ 99.78	\$ 104.88
	Annual Variance		3.75	3.90	4.05	4.35	4.50	12.33	4.35	4.59	4.86	5.10
	Variance from Existing						8.58	9.03	9.57	10.08	10.68	
50%	Medium User											
	21,000 gallons water	\$ 38.01	\$ 39.69	\$ 41.37	\$ 43.05	\$ 44.94	\$ 46.83	\$ 39.69	\$ 41.37	\$ 43.05	\$ 44.94	\$ 46.83
	15,000 gallons sewer	46.50	49.05	51.75	54.60	57.60	60.75	62.10	65.49	69.15	72.93	76.98
	Total Bill	\$ 84.51	\$ 88.74	\$ 93.12	\$ 97.65	\$ 102.54	\$ 107.58	\$ 101.79	\$ 106.86	\$ 112.20	\$ 117.87	\$ 123.81
	Annual Variance		4.23	4.38	4.53	4.89	5.04	17.28	5.07	5.34	5.67	5.94
	Variance from Existing						13.05	13.74	14.55	15.33	16.23	
75%	Medium-High User											
	30,000 gallons water	\$ 57.42	\$ 59.94	\$ 62.46	\$ 65.10	\$ 67.92	\$ 70.74	\$ 59.94	\$ 62.46	\$ 65.10	\$ 67.92	\$ 70.74
	20,000 gallons sewer	62.00	65.40	69.00	72.80	76.80	81.00	69.55	73.34	77.45	81.68	86.23
	Total Bill	\$ 119.42	\$ 125.34	\$ 131.46	\$ 137.90	\$ 144.72	\$ 151.74	\$ 129.49	\$ 135.80	\$ 142.55	\$ 149.60	\$ 156.97
	Annual Variance		5.92	6.12	6.44	6.82	7.02	10.07	6.31	6.75	7.05	7.37
	Variance from Existing						4.15	4.34	4.65	4.88	5.23	

Monthly Bill for Commercial Users												
Percentile of Users	Sample Business	Existing						OPTION 2: 0-Year Phase In (All Users)				
		2012	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
25%	Commercial - Low User											
	7,000 gallons water	\$ 13.67	\$ 14.27	\$ 14.87	\$ 15.48	\$ 16.16	\$ 16.84	\$ 14.27	\$ 14.87	\$ 15.48	\$ 16.16	\$ 16.84
	3,000 gallons sewer	46.50	49.05	51.75	54.60	57.60	60.75	44.22	46.65	49.23	51.93	54.78
	Total Bill	\$ 60.17	\$ 63.32	\$ 66.62	\$ 70.08	\$ 73.76	\$ 77.59	\$ 58.49	\$ 61.52	\$ 64.71	\$ 68.09	\$ 71.62
	Annual Variance		3.15	3.30	3.46	3.68	3.83	(1.68)	3.03	3.19	3.38	3.53
	Variance from Existing						(4.83)	(5.10)	(5.37)	(5.67)	(5.97)	
50%	Commercial - Medium User											
	21,000 gallons water	\$ 44.26	\$ 46.19	\$ 48.12	\$ 50.27	\$ 52.42	\$ 54.57	\$ 46.19	\$ 48.12	\$ 50.27	\$ 52.42	\$ 54.57
	21,000 gallons sewer	65.10	68.67	72.45	76.44	80.64	85.05	71.04	74.91	79.11	83.43	88.08
	35,000 gallons irrigation	75.45	78.73	82.01	85.65	89.29	92.94	78.73	82.01	85.65	89.29	92.94
	Total Bill	\$ 184.81	\$ 193.59	\$ 202.58	\$ 212.36	\$ 222.35	\$ 232.56	\$ 195.96	\$ 205.04	\$ 215.03	\$ 225.14	\$ 235.59
Annual Variance		8.78	8.99	9.78	9.99	10.21	11.15	9.08	9.99	10.11	10.45	
	Variance from Existing						2.37	2.46	2.67	2.79	3.03	
75%	Commercial - High User											
	63,000 gallons water	\$ 132.78	\$ 138.58	\$ 144.38	\$ 150.82	\$ 157.26	\$ 163.71	\$ 138.58	\$ 144.38	\$ 150.82	\$ 157.26	\$ 163.71
	63,000 gallons sewer	195.30	206.01	217.35	229.32	241.92	255.15	133.62	140.85	148.83	156.93	165.78
	155,000 gallons irrigation	370.05	385.86	402.48	419.86	438.05	456.25	385.86	402.48	419.86	438.05	456.25
	Total Bill	\$ 698.13	\$ 730.45	\$ 764.21	\$ 800.00	\$ 837.23	\$ 875.11	\$ 658.06	\$ 687.71	\$ 719.51	\$ 752.24	\$ 785.74
Annual Variance		32.32	33.76	35.79	37.23	37.88	(40.07)	29.65	31.80	32.73	33.50	
	Variance from Existing						(72.39)	(76.50)	(80.49)	(84.99)	(89.37)	

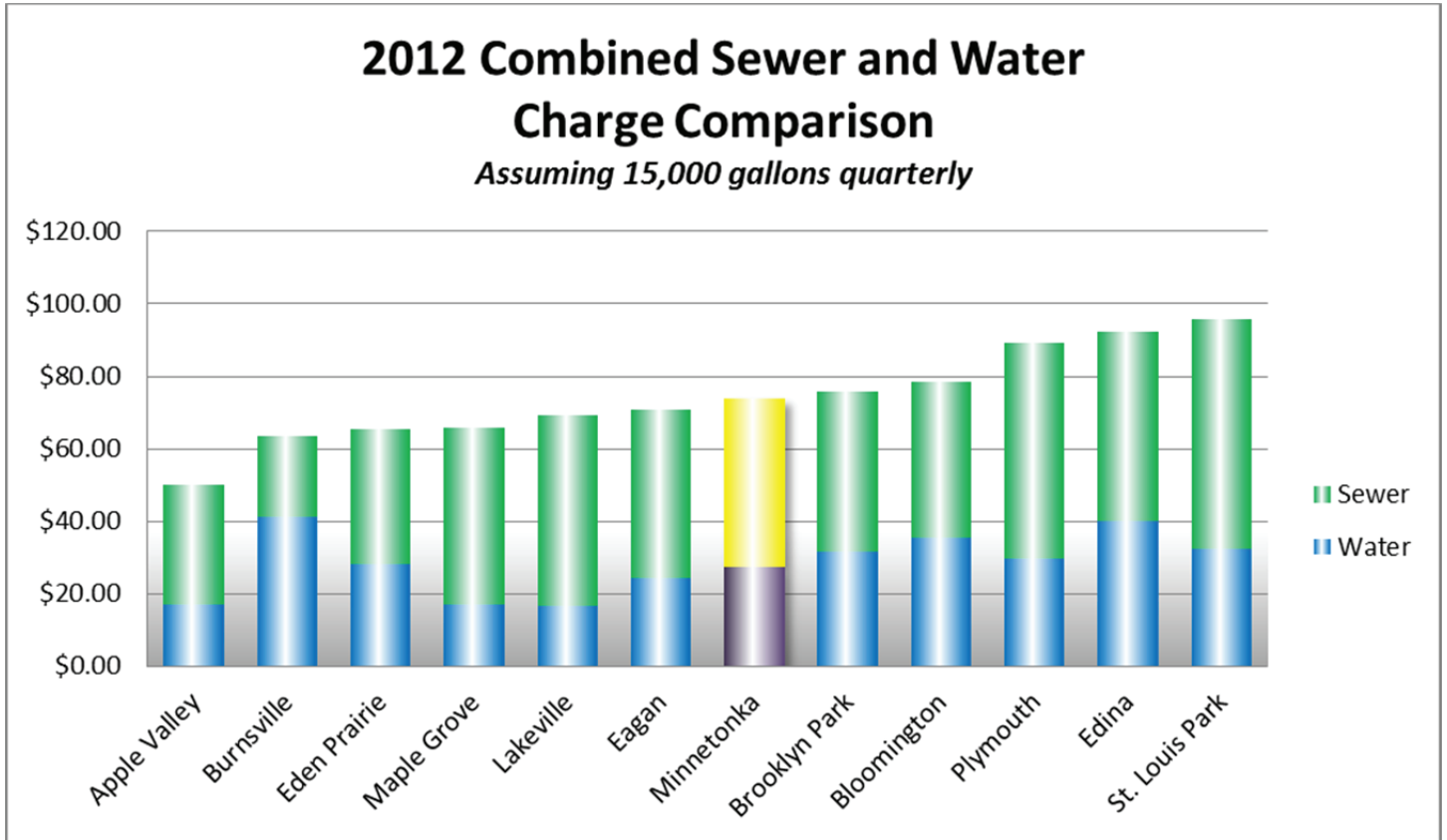
OPTION #3 (Recommended)

COMPARISON OF PROPOSED BILLS FOR SAMPLE WATER AND SEWER CUSTOMERS												
Quarterly Bill for Residences												
Percentile of Users	Sample Resident	Existing						OPTION 3: 0 -Year Phase In (Separate Senior Discount)				
		2012	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
50%	Senior User							** Discounted Rate **				
	12,000 gallons water	\$ 21.72	\$ 22.68	\$ 23.64	\$ 24.60	\$ 25.68	\$ 26.76	\$ 22.68	\$ 23.64	\$ 24.60	\$ 25.68	\$ 26.76
	9,000 gallons sewer	27.90	29.43	31.05	32.76	34.56	36.45	28.91	30.60	32.44	34.34	36.41
	Total Bill	\$ 49.62	\$ 52.11	\$ 54.69	\$ 57.36	\$ 60.24	\$ 63.21	\$ 51.59	\$ 54.24	\$ 57.04	\$ 60.02	\$ 63.17
	Annual Variance		2.49	2.58	2.67	2.88	2.97	1.97	2.65	2.80	2.98	3.15
	Variance from Existing							(0.52)	(0.45)	(0.32)	(0.22)	(0.04)
15%	Low User											
	9,000 gallons water	\$ 16.29	\$ 17.01	\$ 17.73	\$ 18.45	\$ 19.26	\$ 20.07	\$ 16.29	\$ 17.01	\$ 17.73	\$ 18.45	\$ 19.26
	6,000 gallons sewer	46.50	49.05	51.75	54.60	57.60	60.75	50.94	53.73	56.61	59.70	62.85
	Total Bill	\$ 62.79	\$ 66.06	\$ 69.48	\$ 73.05	\$ 76.86	\$ 80.82	\$ 67.23	\$ 70.74	\$ 74.34	\$ 78.15	\$ 82.11
	Annual Variance		3.27	3.42	3.57	3.81	3.96	4.44	3.51	3.60	3.81	3.96
	Variance from Existing							1.17	1.26	1.29	1.29	1.29
30%	Medium-Low User											
	15,000 gallons water	\$ 27.15	\$ 28.35	\$ 29.55	\$ 30.75	\$ 32.10	\$ 33.45	\$ 28.35	\$ 29.55	\$ 30.75	\$ 32.10	\$ 33.45
	12,000 gallons sewer	46.50	49.05	51.75	54.60	57.60	60.75	59.88	63.15	66.57	70.20	73.95
	Total Bill	\$ 73.65	\$ 77.40	\$ 81.30	\$ 85.35	\$ 89.70	\$ 94.20	\$ 88.23	\$ 92.70	\$ 97.32	\$ 102.30	\$ 107.40
	Annual Variance		3.75	3.90	4.05	4.35	4.50	14.58	4.47	4.62	4.98	5.10
	Variance from Existing							10.83	11.40	11.97	12.60	13.20
50%	Medium User											
	21,000 gallons water	\$ 38.01	\$ 39.69	\$ 41.37	\$ 43.05	\$ 44.94	\$ 46.83	\$ 39.69	\$ 41.37	\$ 43.05	\$ 44.94	\$ 46.83
	15,000 gallons sewer	46.50	49.05	51.75	54.60	57.60	60.75	64.35	67.86	71.55	75.45	79.50
	Total Bill	\$ 84.51	\$ 88.74	\$ 93.12	\$ 97.65	\$ 102.54	\$ 107.58	\$ 104.04	\$ 109.23	\$ 114.60	\$ 120.39	\$ 126.33
	Annual Variance		4.23	4.38	4.53	4.89	5.04	19.53	5.19	5.37	5.79	5.94
	Variance from Existing							15.30	16.11	16.95	17.85	18.75
75%	Medium-High User											
	30,000 gallons water	\$ 57.42	\$ 59.94	\$ 62.46	\$ 65.10	\$ 67.92	\$ 70.74	\$ 59.94	\$ 62.46	\$ 65.10	\$ 67.92	\$ 70.74
	20,000 gallons sewer	62.00	65.40	69.00	72.80	76.80	81.00	71.80	75.71	79.85	84.20	88.75
	Total Bill	\$ 119.42	\$ 125.34	\$ 131.46	\$ 137.90	\$ 144.72	\$ 151.74	\$ 131.74	\$ 138.17	\$ 144.95	\$ 152.12	\$ 159.49
	Annual Variance		5.92	6.12	6.44	6.82	7.02	12.32	6.43	6.78	7.17	7.37
	Variance from Existing							6.40	6.71	7.05	7.40	7.75

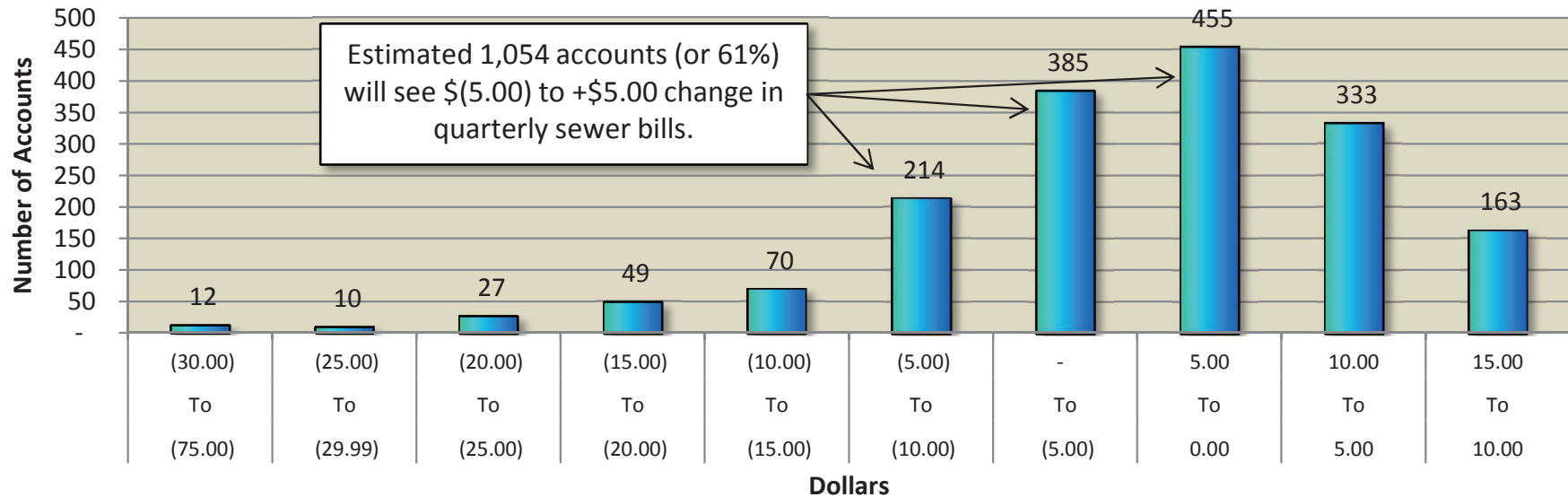
Monthly Bill for Commercial Users												
Percentile of Users	Sample Business	Existing						OPTION 3: 0 -Year Phase In (Separate Senior Discount)				
		2012	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
25%	Commercial - Low User											
	7,000 gallons water	\$ 13.67	\$ 14.27	\$ 14.87	\$ 15.48	\$ 16.16	\$ 16.84	\$ 14.27	\$ 14.87	\$ 15.48	\$ 16.16	\$ 16.84
	3,000 gallons sewer	46.50	49.05	51.75	54.60	57.60	60.75	46.47	49.02	51.63	54.45	57.30
	Total Bill	\$ 60.17	\$ 63.32	\$ 66.62	\$ 70.08	\$ 73.76	\$ 77.59	\$ 60.74	\$ 63.89	\$ 67.11	\$ 70.61	\$ 74.14
	Annual Variance		3.15	3.30	3.46	3.68	3.83	0.57	3.15	3.22	3.50	3.53
	Variance from Existing							(2.58)	(2.73)	(2.97)	(3.15)	(3.45)
50%	Commercial - Medium User											
	21,000 gallons water	\$ 44.26	\$ 46.19	\$ 48.12	\$ 50.27	\$ 52.42	\$ 54.57	\$ 46.19	\$ 48.12	\$ 50.27	\$ 52.42	\$ 54.57
	21,000 gallons sewer	65.10	68.67	72.45	76.44	80.64	85.05	73.29	77.28	81.51	85.95	90.60
	35,000 gallons irrigation	75.45	78.73	82.01	85.65	89.29	92.94	78.73	82.01	85.65	89.29	92.94
	Total Bill	\$ 184.81	\$ 193.59	\$ 202.58	\$ 212.36	\$ 222.35	\$ 232.56	\$ 198.21	\$ 207.41	\$ 217.43	\$ 227.66	\$ 238.11
Annual Variance		8.78	8.99	9.78	9.99	10.21	13.40	9.20	10.02	10.23	10.45	
	Variance from Existing							4.62	4.83	5.07	5.31	5.55
75%	Commercial - High User											
	63,000 gallons water	\$ 132.78	\$ 138.58	\$ 144.38	\$ 150.82	\$ 157.26	\$ 163.71	\$ 138.58	\$ 144.38	\$ 150.82	\$ 157.26	\$ 163.71
	63,000 gallons sewer	195.30	206.01	217.35	229.32	241.92	255.15	135.87	143.22	151.23	159.45	168.30
	155,000 gallons irrigation	370.05	385.86	402.48	419.86	438.05	456.25	385.86	402.48	419.86	438.05	456.25
	Total Bill	\$ 698.13	\$ 730.45	\$ 764.21	\$ 800.00	\$ 837.23	\$ 875.11	\$ 660.31	\$ 690.08	\$ 721.91	\$ 754.76	\$ 788.26
Annual Variance		32.32	33.76	35.79	37.23	37.88	(37.82)	29.77	31.83	32.85	33.50	
	Variance from Existing							(70.14)	(74.13)	(78.09)	(82.47)	(86.85)

Appendix B

Comparison of Surrounding Communities



Estimated Quarterly Difference in 2013 Sewer Bills for Senior Discount Accounts Comparing Existing Rates to Option #3



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department, it should have a plan in place. He also suggested that if changes are made to station three due to the Opus development and light rail, there also should be planning in place.

Greves said there were logically a number of recommendations that were top heavy. Because a number of themes involved collaboration she said it was important to keep in mind getting input from daily staff as systems and processes are discussed. Wallin indicated the consultant did get input from the duty crews. He cited an example of getting input from the daily staff where the fire and police departments have tasked a few police officers and firefighters with redesigning and figuring out how to have the same medical bag in both police squads and fire trucks so everyone could go into each other's medical kits and find the same things. Raquet indicated that the police and fire departments were well on the way to better collaboration.

Wiersum said he was encouraged by what he was hearing. He agreed with Greves that cultural change will really happen with employees working closest with the customer.

Wagner said the executive summary of the study touched on collaboration with other cities. He said as the light rail proceeds it will be important to understand how the cities will react to incidents that start in one city and continue into another city. Gunyou said one advantage is the chiefs have good relationships with their counterparts in neighboring cities.

2. Water and sewer utility rate study

Gunyou provided a summary of the study.

Wagner asked if the discount program for seniors was an "opt in" program. Gunyou indicated that it was. Finance Director Merrill King said the program is advertised in the Minnetonka Memo. There are around 1,700 residents in the program.

Wiersum said a simpler system made a lot of sense as did having a base fee to cover the fixed expenses. Moving in the direction as recommended in the study was appropriate. He said an issue the study didn't really touch on however was one of the reasons for creating a tiered system was to encourage water conservation and that the conservation had not happened. This was in part due to the city not promoting water conservation effectively when the tiered system was put in place. He supports a tiered system but not without an educational component. He said he heard from a number of residents who said they never heard anything about the opportunity to conserve. If the city wasn't going to

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educate residents then everyone should be charged the same amount for water and sewer. Gunyou said some education had been done but the effort could be stepped up.

Wiersum said monthly billing should be available to everyone and there should be an incentive for people to move to online billing. He pointed out he gets information from his bank encouraging him to move to online billing, but they provide no incentive. The bank will save a lot of money if people move to online billing, but no savings are to be passed on to the customer. He suggested adding an amount to the fixed cost and then decreasing an amount to those who go to electronic billing as an incentive to do so. Public Works Director Brian Wagstom asked Wiersum if it made any difference in creating an incentive for those who go to online billing or a disincentive for those who do not. Wiersum said it would be much better to provide an incentive, because some people do not have a computer.

Allendorf said the study was confusing because it switched back and forth between monthly and quarterly information. He said he thought the recommendation was wrong because it penalized seniors. There will be more seniors in the future and the council has discussed strategies for keeping people in their homes and the recommendation was counter to helping seniors remain in their homes. Similarly, giving a discount for online payments penalized seniors who are the most likely not to have computer access or expertise. He said he supported moving to monthly billing but not at the expense of seniors. Wiersum noted the city could also save some money by encouraging people to pay their bills via automatic payments from checking accounts.

Gunyou indicated that with the proposed changes residents would be covering the costs of what they actually are costing the system. Currently seniors on the discount program are not paying for what they use resulting in charging somebody else more. Allendorf said that could be taken care of through a change in the rate structure.

Hiller said he had given a lot of thought about the issues raised by Allendorf. He said in all instances the city would win by having a fair system that is understandable by all. There are some residents who need the discount who are not senior citizens and giving an incentive to a subset of people was not the way to address assisting those who need help. He said the fees were not the mechanism to set social policy to try to keep people in their homes.

King said part of reasoning behind the proposed change was because of the single mother who had lost her job and came forward at a council meeting appealing the certification of her utility bill. The council had instructed King to look

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into providing everybody the senior discount. The proposed change was an attempt to do that. Under the change, people would be paying for what they use.

Wagner said he supported the concept of a fixed fee to cover the city's fixed costs. Even though there had not been documented success of conservation in the city, he still supported rewarding low users of the city's sewer and water system. He agreed with Wiersum's idea of providing some type of incentive to get people to switch to online billing. One of his concerns remains that while he is driving throughout the city during the middle of the day, he sometimes observes a commercial property that has its water on because the management company is not paying attention. He suggested staff consider creating a tier that would address those who have ongoing violations. Gunyou said rather than doing a tier, the city could create a penalty for repeat offenders.

Wagner noted there were two assumptions made in the study. One was that cash balances would be used to pay for improvements. He said Gunyou had assured him that the city was in the position to do that. The other assumption was that there would be non-drought conditions. If there was a drought then the city would not be covering its cost. Wagner said he had talked to Schneider who indicated there had not been a drought during the time he had been on the council and the city used to implement watering bans and interim rate increases. Gunyou said the city had not done interim rate increases during his time with the city. Jeanne Vogt from Ehler and Associates, said that when usage data is analyzed, it's important not to look at the two extremes either a wet year or a drought year. The analysis is done using historic data. She said the 2009 data was from a middle of the road year.

Wagner said the study indicated that the MCES charges for the city are 32 percent more than can be charged to residents because of the infiltration and inflow program. He asked if there was anything the city could do that would be cost effective to reduce the number. Wagstrom said there was still work the city could do and there was still work that could be budgeted through the CIP. Wagstrom said that in 2011 the city will have fulfilled its commitment to the MCES infiltration and inflow program, but the issue will continue to be an ongoing, longer term project similar to what is done with roads. He said Minnetonka is now in a similar position to the city of Plymouth. Plymouth fulfilled its commitment two years ago but still looks at places where an impact can be made. He suggested the Minnetonka will continue to work on a project specific basis to reduce I&I.

Greves said she was generally supportive of the recommendations. She asked what the new utility bill would look like with the new system. Would the basic charge be listed or would it be reflected as the fixed cost? King indicated it would

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be the fixed cost and likely be called the base fee. Greves said she wanted to make sure the educational piece is included to let people know what the base fee covered. King said staff currently receives a lot of questions about what the current "basic charge" covers. Wiersum said terminology should be used that people understand. If a term is not clear, a definition should be included on the bill.

Wiersum said from a public policy perspective, the city wants to encourage seniors to stay in their homes, but he agreed with Hiller's comments about providing a discount to those who truly need it. He suggested increasing the base fee up to \$5.20 for everyone except seniors and then phasing in the seniors who are currently in the program over five years. This would give time to implement a program that creates an opportunity for needy seniors. Gunyou noted creating a program for needy seniors would require the city to examine financial statements on an annual basis.

Wagner noted under the new system residents would have total control over what their water bill was through their use of water.

Gunyou said that there are only a few other cities that have a senior discount.

Wiersum suggested getting copies of bills from seniors who are currently in the program who are low, medium, and high users and then compare them with what their bills would look like in the new system. He said he was supportive of the proposed changes although Allendorf had made a fair point.

King said that the concerns raised about the seniors had been considered while putting together the study, but the recommendation seemed to be the most fair and equitable across the board.

Allendorf said if the educational piece makes it clear what the changes are, seniors will have issues with what the city has done and the wrong message will have been sent --- that Minnetonka does not want to keep seniors in their homes.

Wiersum said he would like the city to be serious about encouraging conservation by being creative in educating residents on how their water usage could be reduced.

Wagner asked what would occur if the high user water rate was raised. Vogt said from a financial standpoint, the city could raise the top tier for the water and that would also help for sewer. The city would have to make sure it stayed revenue neutral so that water and sewer independently supported themselves. Wagner said increasing the high user water rate might allow the city to lower the basic

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charge. Wiersum said historically the concept has been the basic charge covers the fixed costs. Gunyou said one thing that could be done would be to compare the average water bill for seniors with the average bill in other cities. It's likely to show that currently the average water bill for a senior in Minnetonka is substantially less than if they lived in another city.

Greves reiterated that the information on the bill should be clear because the last thing the city wants is a resident coming back thinking a charge is being billed that isn't paying for anything that the resident is using and can't be deducted for income tax purposes. Wiersum suggested using the term "infrastructure charge" rather than "basic charge."

Hiller asked when the new system would be implemented. King said the analysis assumed the restructuring would start in January. Wiersum said he did not want the new system in place until the monthly billing starts. King indicated monthly billing would start after spring. Wiersum suggested doing the inflationary increase at the beginning of the year like is normally done. Gunyou agreed it made sense to make all the changes at the same time but do the inflationary increase in January. Hiller asked if there was a financial reason to link the monthly billing to the base rate increase change. King said there was not a financial reason. Wiersum said that monthly billing would provide a better vehicle for changing behavior related to conservation efforts and would assist with the educational efforts as well.

3. Adjournment

The study session adjourned at 8:31 p.m.

Respectfully submitted,

David E. Maeda
City Clerk

City Buckthorn Drop Off/Pick Up Survey

		Free Brush Drop Available	Buckthorn Pick-Up from Private Property	Limitations
Comparable Cities	Brooklyn Park	No	No	
	Burnsville	Yes	Yes	1/3 acre or 3+ properties; drop off on certain weekends
	Eagan	No	Yes	Specific times of year
	Eden Prairie	Yes	No	
	Edina	Yes	No	
	Lakeville	No	No	
	Maple Grove	Yes	No	Size limitation; extra charge for larger material
	Plymouth	Yes	No	
	St. Louis Park	Yes	Yes	All yard waste; weekly collection; extra fee of \$2.50/mo; less than 40lbs and 4' long
	Woodbury	No	No	
Additional Cities	Lonsdale	Yes	No	
	Coon Rapids	No	Yes	
	Maplewood	No	Yes	1 week in fall; standard pick-up load or larger
	Oakdale	Yes	Yes	
	Prior Lake	No	No	Specific times of year
	Arden Hills	No	Yes	

Summary - Brush Drop vs. Buckthorn Pickup

Total Number of Cities	16	
Only Brush Drop	5	31%
Only Buckthorn Pick-up	4	25%
Both	3	19%
Neither	4	25%

**City of Minnetonka
2023 Cellular Antenna Lease Report**

VENDOR	LOCATION	DATE DUE	2023 RENT AMOUNT DUE YEARLY	ANNUAL ESCALATION RATE	NO. ANTENNAS ALLOWED	ANTICIPATED LEASE EXPIRATION
T MOBILE	14112 LAUREL RD	Pays \$965.12 monthly	\$ 12,565.92	3%	*	2023-12-31
		Total	<u>\$ 12,565.92</u>			
XCEL	BREN	YEARLY	\$ 9,076.17	5%	1	2023-12-31
		Total	<u>\$ 9,076.17</u>			Successive 1 year renewals sine 1992
VERIZON	Hathaway Tower	YEARLY	\$ 49,693.73	3%	6	2032-12-31
T. MOBILE	Hathaway Tower	YEARLY	\$ 37,302.60	5%	6	2024-12-31
		Total	<u>\$ 86,996.33</u>			
T MOBILE	LAKE ST. EXT	YEARLY	\$ 54,267.50	5%	9	2037-12-31
		Total	<u>\$ 54,267.50</u>			
CINGULAR/AT&T	RIDGEDALE	YEARLY	\$ 75,390.43	5%	15	2026-12-31
SPRINT/NEXTEL	RIDGEDALE	YEARLY	\$ 37,335.88	5%	6	2039-12-31
VERIZON	RIDGEDALE	YEARLY	\$ 73,136.26	5%	15	2030-12-31
		Total	<u>\$ 185,862.57</u>			
VERIZON	TANGLIN	YEARLY	\$ 50,449.40	3%	6	2035-06-30
		Total	<u>\$ 50,449.40</u>			
Verizon	WILLISTON TOWER	YEARLY	\$ 28,750.00	3%	Tower	2044-06-05
METRO AREA REPEATER ASSOCIATION, INC. (MARA)	WILLISTON TOWER	YEARLY	\$ 123.92	5%	2	2030-12-31
T. MOBILE	WILLISTON TOWER	YEARLY	\$ 37,317.00	5%	6	2029-12-31
CINGULAR/AT&T	WILLISTON TOWER	YEARLY	\$ 66,583.27	5%	12	2027-12-31
		Total	<u>\$ 132,774.19</u>			
		Total	<u>\$ 531,992.08</u>			

* - Located on Xcel tower on city property



**Study Session Agenda Item #4
Meeting of Nov. 21, 2022**

Title: December Study Session – topics and date

Report From Mike Funk, City Manager

Submitted through:

Action Requested: Affirm upcoming topics and date

Summary Statement

This item is informational and is intended to provide the council with the upcoming study session agenda items and study session schedule.

Background

The Minnetonka city council is scheduled to hold a total of eleven (11) study sessions in 2022. To maximize study session meetings, provide staff direction and focus on council priorities, council members ranked specific topics they expressed interest to review. At the Jan. 10, 2022 Study Session the city council reviewed these rankings, discussed priorities and provided direction to staff.

At the Feb. 7, 2022 regular council meeting the city council unanimously approved the 2022 Study Session Work plan. See attached. Staff committed that at each proceeding study session the topics for the upcoming study session will be provided.

Section 1.5 of the City Council Rules of Procedure states, individual council members may propose agenda items for future meetings at a study session, and the council may provide direction to the city staff regarding scheduling such matters. In essence, this document can be modified throughout the remainder of the year by a majority of council members.

Unless modified by the city council, the 2022 Study Session Work Plan agenda items for December 12, 2022 are:

- 2023 Strategic Profile Action Steps
- 2023 Study Session work plan
- 2023 Study Session minutes
- 2023 Legislative Breakfast priorities

Discussion Questions

1. Does the city council confirm upcoming topics and date?

2022 Council Study Session Work Plan		
C i t y M a n a g e r R e c r u i t m e n t	Quarter 1	
	10-Jan	
	Establish 2022 Council Work Plan Study Session: streaming/broadcasting	
	14-Feb	
	Joint EDAC/CC wealth building buy-down program Boards & Commission Interviews 2022 Community Survey questions review	
	17-Mar	
	Director presentation: Chief Scott Boerboom, Police Director presentation: Julie Wischnack, Community Development Strategic Profile	
	Quarter 2	
	TBD	Joint meeting with City of Hopkins: Southwest Light Rail & Dual city contracts
	04-Apr	
	Director presentation: Mike Funk/ Moranda Dammann, Administration Director presentation: Corrine Heine, Legal Director presentation: Kelly O'Dea, Recreation programming overview Director presentation: Chief John Vance, Fire	
	16-May	
	Director presentation: Will Manchester, Public Works Director presentation: Darin Nelson, Finance 2023 Kick-Off Budget discussion	
	08-Jun	Rescheduled Annual Park Board tour
	20-Jun	NRMP/POST Plan, park dedication fees, funding, priority list 2023 CIP/EIP
	13-Jul	Boards & Commissions dinner
	Quarter 3	
	15-Aug	
	2023 budget discussion Recap RCV Sign ordinance in reference to elections	
	25-Aug	Annual joint Planning Commission, EDAC and City Council tour
	19-Sep	
	Housing: homelessness City wide, curb-side pick up Affordable Housing	
	Quarter 4	
	02-Nov	Annual Park Board and City Council joint meeting
	07-Nov	
	Sustainability commission young adult interviews Speed limits Communications and marketing presentation	
	21-Nov	
	2023 Enterprise budget discussion, including utility billing/senior discount) 2023 budget discussion	
	12-Dec	
	2023 Strategic Profile Action Steps 2023 Study Session Work plan 2023 Study Session minutes 2023 Legislative Breakfast - confirm priorities	

Other Potential Topics

- Technology security and data practice training
- Council meeting length/meeting efficiencies
- Review solar energy programs and offerings
- Noise discussion: Lawn mowers, leaf blowers
- Storage of garbage/recycling containers
- Council member compensation
- Noise discussion/hardscape discussion: outdoor pickleball
- Personal property tax
- Review of business programs
- Permitting work flow: informational
- Human Rights/DEI Commission
- Community Engagement
- New Low to Medium Density Zoning Discussion Along Identified Corridors
- Buckthorn pick-up
- annual survey and/or a question through MinnetonkaMatters
- city council retreat item; Spring 2022