



**Agenda
Minnetonka City Council
Study Session
Monday, Jan. 23, 2023
6:30 p.m.
Minnehaha Room**

- | | | |
|----|---|----------------|
| 1. | Call to Order | 6:30 p.m. |
| 2. | Introductions/Roll Call | 6:30-6:35 p.m. |
| 3. | Boards and commissions interviews | 6:35-8:35 p.m. |
| | | Break |
| 4. | Local option sales tax discussion | 8:45-9:15 p.m. |
| 5. | February study session – topics and dates | 9:15-9:25 p.m. |
| 6. | Closed session to conduct city manager performance evaluation; pursuant to Minnesota Statute § 13D.05, subd. 3(a) | |
| 7. | Adjournment | |

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 Jan. 23, 2023**

Title: Boards and commissions interviews

Report From: Sarissa Falk, Executive Assistant

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

Action Requested: Interview applicants for the park board and senior advisory board vacancies.

Summary Statement

The Minnetonka City Council will interview selected applicants for the park board, which has two immediate vacancies and the senior advisory board, which has four immediate vacancies. The senior advisory board may only fulfill three of the four vacancies which will lower their total roster number to 12 members.

Strategic Profile Relatability

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

Background

Applications for city boards and commissions were accepted throughout the month of December. The applications for boards and commissions that have immediate vacancies are reviewed by the city council, and those for boards and commissions that do not have immediate vacancies are kept on file for the rest of the year and considered in the event a mid-year vacancy occurs.

In total 23 applications were received:

- *EDAC – two applications
- *Planning Commission – three applications
- *Sustainability Commission – one application
- Park Board – 11 applications
- Senior Advisory Board – six applications

*No current openings

In 2023, there are vacancies on:

- Park Board – two positions

- Senior Advisory Board – four positions

Applications for the park board and senior advisory board were sent to the city council on Wednesday, Jan. 4 for review and scoring. Based on the aggregate rankings of the park board and senior advisory board applicants by the councilmembers, selected candidates will be invited to the interviews.

Applicants not scheduled for an interview will be notified prior to the public posting of the interview schedule. Their applications will be kept on file for the rest of the year and considered in the event a mid-year vacancy occurs. They may also be notified of other volunteer opportunities in their areas of interest.

Interviews

All candidates will be interviewed in person during the Jan. 23 council study session. Interviews will be limited to a maximum of fifteen minutes. Each applicant will be asked to give a brief (about two or three minutes) presentation on their background. The applicant will then be asked to respond to questions from the council. The applicants may also ask the council questions they may have at the end of the interview.

A one hour block has been dedicated for each respective group of applications. Staff assumes interviewing four candidates for each board; however the schedule may be altered dependent on final candidate scoring:

- Senior Advisory Board – 6:35-7:35 p.m.
- Park Board – 7:35-8:35 p.m.

Next Steps

Following the meeting, individual councilmembers will provide rankings of candidates to staff, with aggregate results to Mayor Wiersum. At the Jan. 30 regular council meeting, the mayor will recommend the appointment for the consideration of the city council.



**Study Session Agenda Item 4
Meeting of Jan. 23, 2023**

Title: Local option sales tax discussion

Report From: Mike Funk, City Manager
Darin Nelson, Finance Director

Submitted through: Mike Funk, City Manager

Action Requested: Informational only, discussion item

Summary Statement

There are several projects identified by staff that require a significant revenue source. One option for consideration is a local option sales tax. The purpose of this agenda item is an initial review of the statutory requirements for approval and to discuss feasibility of implementation.

Strategic Profile Relatability

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

Statement: It is important for the city to identify the best use and source of revenues to fund improvement projects.

Background

Cities need to follow strict rules and procedures to get legislative authority for the creation of a local sales tax. Cities seeking local sales tax authority must file requests with legislators on the House and Senate Taxes committees by Jan. 31.

The city must submit a resolution proposing the local sales tax, details on the projects that will be funded by the tax, and documentation on regional significance. Cities may request legislative authority to impose a local sales tax to fund up to five capital projects of “regional significance” ([Minn. Stat. § 297A.99](#)).

Projects of Regional Significance

Local option sales taxes can only be used for “regionally significant” capital projects. State law limits these projects to “a single building or structure, including associated infrastructure needed to safely access or use the building or structure; improvements within a single park or named recreation area; or a contiguous trail.” In recent years, several of the requests were modified to exclude road and other infrastructure projects,

on the basis that those projects are not “regionally significant” and can be financed, at least in part, with other revenue sources.

Steps of the statutory process

To impose a general local sales tax, a city must take the following steps:

1. **Adopt a resolution.** The city council must first adopt a resolution proposing the tax. The resolution must include the proposed tax rate, documentation of the “regional significance” of each project to be funded, the amount to be raised with the tax, and the estimated length of time the tax will be needed ([Stat. § 297A.99, subd. 2](#)).
2. **Submit resolution and supporting materials to state tax committees.** The city is required to submit the adopted resolution, details on the projects, and documentation on regional significance to the chairs and ranking minority members of the House and Senate Taxes committees and appropriate subcommittees by Jan. 31 of the year that it is seeking the special law.
3. **Get legislative authorization.** The city must secure the passage of a special law authorizing the enactment of the local sales tax. The city would typically work with its local legislators to introduce special legislation ([Stat. § 297A.99, subd. 3](#)).
4. **Adopt a resolution.** After approval, the city must adopt a resolution accepting the new law. The city must also file the resolution and a local approval certificate with the Office of the Secretary of State before the next legislative biennium begins.
5. **Hold a referendum.** The city must conduct a referendum during a general election within two years of receiving legislative authority for the local sales tax. The referendum must include separate questions for each project, and only the ballot questions approved by voters may be funded by the sales tax ([Stat. § 297A.99, subd. 3](#)).
6. **Pass an ordinance.** The city council must pass an ordinance imposing the tax. It must also notify the commissioner of Revenue at least 90 days before the first day of the calendar quarter that the tax will be imposed.

Spending restrictions on referendum

State law restricts cities’ spending of funds to promote the passage of a local sales tax referendum ([Minn. Stat. § 297A.99, subd. 1\(d\)](#)). Cities may only spend money to:

- Give residents the information that is contained in the local sales tax resolution, including information on specific projects and costs of those projects.
- Conduct public forums on the sales tax and projects to be funded, provided that proponents and opponents are given equal time to express their opinions.
- Provide facts on the proposed projects and the impact of the proposed tax on consumers.
- Conduct the required referendum.

Notification requirements

A city with a local sales tax must notify the public about the local sales tax in specific ways ([Minn. Stat. § 297A.99, subd. 12a](#)):

- **Provide notice on the city website.** The city must post a notice on its official city website that residents and businesses in the city may owe a local use tax on purchases of goods and services made outside of the political subdivision limits. The notice must provide information, including a link to any relevant Department of Revenue website, on how the taxpayer may get information and forms necessary for calculating and paying the tax. The city must display a link to this notice on the homepage of its website.
- **Provide notice on billing statements.** If the city provides and bills for sewer, water, garbage collection, or other public utility services, the billing statement must also include at least once per year a notice that residents and businesses may owe a local use tax on purchases made outside of the political subdivision limits. The notice must also explain how the taxpayer may get information and forms necessary for calculating and paying the tax.

Estimated Revenue

The Minnesota Department of Revenue provides cities with taxable sales within their city limits. The most current information available is from 2020, which noted the taxable sales of just over \$866 million. That amount of sales would generate about \$4.33 million per year in local sales tax at a rate of 0.50 percent.

Other cities

Below is a list of all Minnesota cities with a sales tax. The list of pending cities at the bottom of the list were approved last November, which are to go into effect on 4/1/2023 or 7/1/2023, depending on when the city completes its implementation with the Department of Revenue.

Also, there are a couple of counties with general local sales taxes, a special district with a general local sales tax, and there are 54 counties with local sales taxes dedicated to transportation/transit.

Local Sales and Use Taxes (including Special Local Taxes)				
	City/County	Type of Tax	Begin Date	Rate
1	Albert Lea	Sales and Use Tax	4/1/2006	0.50%
2	Austin	Sales and Use Tax	4/1/2007	0.50%
3	Avon	Sales and Use Tax	10/1/2019	0.50%
4	Baxter	Sales and Use Tax	10/1/2006	0.50%
5	Bemidji	Sales and Use Tax	1/1/2006	0.50%
6	Blue Earth	Sales and Use Tax	10/1/2019	0.50%
7	Brainerd	Sales and Use Tax	4/1/2007	0.50%
8	Cambridge	Sales and Use Tax	10/1/2019	0.50%
9	Clearwater	Sales and Use Tax	10/1/2008	0.50%
10	Cloquet	Sales and Use Tax	4/1/2013	0.50%
11	Detroit Lakes	Sales and Use Tax	10/1/2019	0.50%

12	Duluth	Sales and Use Tax	10/1/2019	1.50%
13	Elk River	Sales and Use Tax	10/1/2019	0.50%
14	Excelsior	Sales and Use Tax	10/1/2019	0.50%
15	Fairmont	Sales and Use Tax	10/1/2017	0.50%
16	Glenwood	Sales and Use Tax	1/1/2020	0.50%
17	Hermantown	Sales and Use Tax	4/1/2013	1.00%
18	Hutchinson	Sales and Use Tax	1/1/2012	0.50%
19	International Falls	Sales and Use Tax	10/1/2019	1.00%
20	Lanesboro	Sales and Use Tax	1/1/2012	0.50%
21	Mankato	Sales and Use Tax	4/1/1992	0.50%
22	Marshall	Sales and Use Tax	4/1/2013	0.50%
23	Medford	Sales and Use Tax	4/1/2013	0.50%
24	Minneapolis	Sales and Use Tax	2/1/1987	0.50%
25	Moose Lake	Sales and Use Tax	10/1/2017	0.50%
26	New London	Sales and Use Tax	10/1/2017	0.50%
27	New Ulm	Sales and Use Tax	4/1/2001	0.50%
28	North Mankato	Sales and Use Tax	10/1/2008	0.50%
29	Perham	Sales and Use Tax	1/1/2020	0.50%
30	Proctor	Sales and Use Tax	10/1/2017	1.00%
31	Rochester	Sales and Use Tax	1/1/2016	0.75%
32	Rogers	Sales and Use Tax	10/1/2019	0.25%
33	St. Augusta (Joint)	Sales and Use Tax	1/1/2003	0.50%
34	St. Cloud (Joint)	Sales and Use Tax	1/1/2003	0.50%
35	St. Joseph (Joint)	Sales and Use Tax	1/1/2003	0.50%
36	Sartell (Joint)	Sales and Use Tax	1/1/2003	0.50%
37	Sauk Rapids (Joint)	Sales and Use Tax	1/1/2003	0.50%
38	Waite Park (Joint)	Sales and Use Tax	1/1/2003	0.50%
39	St. Paul	Sales and Use Tax	9/1/1993	0.50%
40	St. Peter	Sales and Use Tax	7/1/2022	0.50%
41	Sauk Centre	Sales and Use Tax	1/1/2020	0.50%
42	Scanlon	Sales and Use Tax	1/1/2020	0.50%
43	Spicer	Sales and Use Tax	10/1/2017	0.50%
44	Two Harbors	Sales and Use Tax	10/1/2019	1.00%
45	Virginia	Sales and Use Tax	1/1/2020	1.00%
46	Walker	Sales and Use Tax	1/1/2018	1.50%
47	West St. Paul	Sales and Use Tax	1/1/2020	0.50%
48	Willmar	Sales and Use Tax	10/1/2019	0.50%
49	Worthington	Sales and Use Tax	1/1/2020	0.50%

	Approved not implemented (as of 1/1/2023)			
1	Cloquet	Sales and Use Tax	TBD	0.50%
2	Edina	Sales and Use Tax	TBD	0.50%
3	Fergus Falls	Sales and Use Tax	TBD	0.50%
4	Grand Rapids	Sales and Use Tax	TBD	0.50%
5	Hermantown	Sales and Use Tax	TBD	0.50%
6	Litchfield	Sales and Use Tax	TBD	0.50%
7	Maple Grove	Sales and Use Tax	TBD	0.50%
8	Moorhead	Sales and Use Tax	TBD	0.50%
9	Oakdale	Sales and Use Tax	TBD	0.50%
10	Staples	Sales and Use Tax	TBD	0.50%
11	Waite Park	Sales and Use Tax	TBD	0.50%
12	Warren	Sales and Use Tax	TBD	0.50%

Next steps

- Staff will continue to evaluate costs related to potential projects that meet regional significance.
 - Opus park*
 - Opus police/fire substation
 - The Marsh
 - Hopkins trail project*
 - Community Center
 - Natural resource restoration projects
 - Other trail projects
- *State bonding dollars are also being pursued.
- Perform analysis impact. Partner with the University of Minnesota Extension to evaluate estimated sales tax proceeds and to understand what proportion of these tax dollars will likely be paid by residents vs. non-residents.
 - The most recent visitors report indicates we have had 33 million people visit the city between July of 2021 and July of 2022 – or 2.5 Million visitors per month.
 - The city employment population is 54,400 jobs – and is expected to grow to 63,200 jobs by 2040.
 - The Green Line Extension estimates nearly 36,000 residents who live downtown Minneapolis will have easier access to job opportunities in the southwest metro and other communities connected by our region’s transit system. Once open, weekly ridership is expected to be 34,000.
 - Initiate a dialog with the Minneapolis Regional Chamber.

Discussion Question

1. Does the city council have any concerns with continuing to the next steps?



**Study Session Agenda Item 5
Meeting of Jan. 23, 2023**

Title: February 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 twice (12) study sessions in 2023. 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 Dec. 19, 2022 Study Session the city council reviewed these rankings, discussed priorities and provided direction to staff.

On Jan. 30, 2023, during the regular council meeting the city council is set to review and approve the 2023 Study Session Work plan.

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.

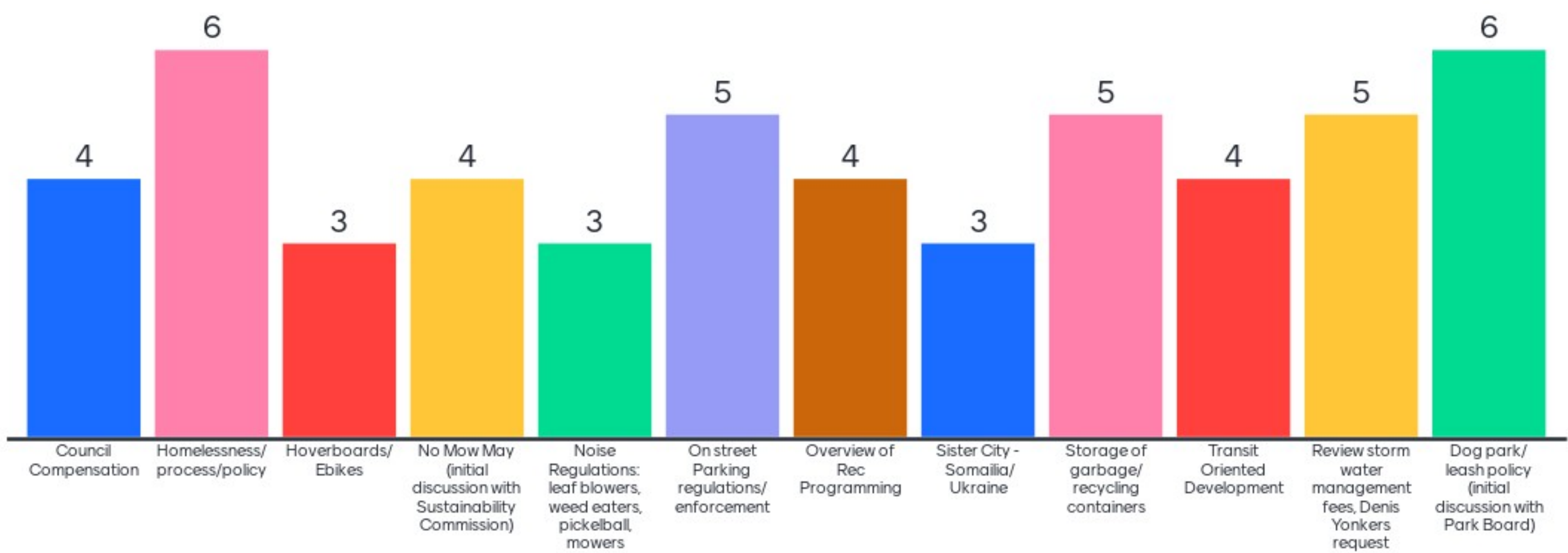
Unless modified by the city council, the 2023 Study Session Work Plan agenda items for Feb. 6, 2023, are:

- Housing updates (pathways and homelessness)
- Council compensation
- Review and Update Council Policy & Rules of Procedure (1.3, 2.7)
- 2023 Community Survey questions review

Discussion Questions

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

Please Mark the Subjects on Which You Would Like Further Discussion



CITY OF
MINNETONKA

2023 Council Study Session Work Plan

Quarter 1

23-Jan

- Board and Commission Interviews
- Sales and/or Lodging Tax
- CLOSED:** City Manager Performance Review

06-Feb

- Housing updates (pathways and homelessness)
- Council compensation
- Review and Update Council Policy & Rules of Procedure (1.3, 2.7)
- 2023 Community Survey questions review

20-Mar

- Insights Discovery

Quarter 2

24-Apr

- Public Safety master plan
- Director presentations
- Overview of recreation programming

15-May

- 2024 Kick-Off Budget discussion
- DEI and Human Rights Commission structure
- Buckthorn Pilot pick-up program

12-Jun

- 2024 CIP/EIP
- Transit Orientated Development

July

Boards & Commissions dinner

24-Jul

- Homelessness/policy/process
- Zoning - density (community development project)

Quarter 3

21-Aug

- 2024 budget discussion

31-Aug

Annual joint Planning Commission, EDAC and City Council tour

06-Sep	Annual Park Board and City Council joint meeting with Tour
	Dog Park/Leash policy (start w/Park Board)
11-Sep	
	Storm water management fees
23-Oct	
	Storage of garbage/recycling containers
	On-street parking regulations/enforcement
01-Nov	<i>Annual Park Board and City Council joint meeting (combine w/ tour) Potential Cancel</i>
20-Nov	
	2024 Enterprise budget discussion
	2024 budget discussion
11-Dec	
	2024 Strategic Profile Action Steps
	2024 Study Session Work plan
	2024 Legislative Breakfast - confirm priorities

* No Mow May- Sustainability Commission to regular council meeting



**Study Session Agenda Item 6
Meeting of Jan. 23, 2023**

Title: Closed session to conduct city manager performance evaluation; pursuant to Minnesota Statute § 13D.05, subd. 3(a)

Report From: Moranda Dammann, Assistant City Manager

Submitted through: Corrine Heine, City Attorney

Action Requested: Motion to convene in closed session, pursuant to Minnesota State Statute § 13D.05, subd. 3(a), for the purpose of evaluating the performance of City Manager Mike Funk for the evaluation period June 27, 2022, through December 31, 2022.

Summary Statement

The employment agreement between the city and City Manager Mike Funk requires the city council to conduct annual performance evaluations with the city manager in the same manner as other non-union employees.

Strategic Profile Relatability

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

Background

On June 27, 2022, the City of Minnetonka entered into an Employment Agreement with Mike Funk as city manager. The agreement requires the city council to conduct annual performance evaluations with the city manager in the same manner as other non-union employees.

Minnesota State Statute § 13D.05, subd. 3(a) allows a public body to close a meeting to evaluate the performance of an individual who is subject to its authority. The public body must identify the individual to be evaluated prior to closing the regular portion of the meeting. However, state statute gives discretion to the employee to keep the meeting open. Mr. Funk has expressed his preference to keep the meeting closed.

This agenda item will take place during the closed portion of the regular study session, therefore it is appropriate the city council conduct the review, which includes goal setting, with the city manager during this time.

Minnesota State Statute § 13D.05, subd. 3(a) also requires the public body to summarize its conclusions regarding the evaluation at its next open meeting. The next open meeting is the regular council meeting scheduled for Monday, January 30, 2023. The mayor will summarize the conclusions during the agenda item: 'Reports from City Manager & Council Members'.

Meeting of: Jan. 23, 2023

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Subject: Closed session to conduct city manager performance evaluation; pursuant to Minnesota Statute § 13D.05, subd. 3(a)

After the council approves the motion and immediately prior to going into closed session the mayor will need to announce the following two statements: 1.) that at the conclusion of the closed meeting, no other regular business of the city will be discussed and that the study session is adjourned; and 2.) that he will summarize the conclusions of the performance evaluation at the January 30 regular council meeting.