

City Council Agenda Item #14A
Meeting of December 5, 2011

Brief Description: 2012 Budget Hearing

Recommended Action: Receive public comment on proposed budget & levies

The city of Minnetonka follows an open, public process to review and adopt its annual budget. Although no longer required to by state law, the city has long been committed to providing residents and businesses with accurate and timely information to allow for open public discussions prior to finalizing decisions on city services and tax levies.

Each year, council reviews preliminary budget proposals in August and November at study sessions that are open to the public, and adopts a preliminary levy in September, following a public hearing. Proposed budget and tax information is regularly published on the city's website and in the *Minnetonka Memo*. In addition, Hennepin County mails preliminary tax notices to all homeowners in November.

In each case, the public is invited to provide feedback to the city. Calls to date have generally been comparable with prior years, with most inquiries related to the confusing state changes in its Homestead Market Value Credit (HMVC) program.

Responsible Budget Management

The city of Minnetonka takes a responsible, long-term perspective with financial planning and management. Decisions are made with the future in mind to ensure the city's ongoing ability to provide quality services at a reasonable price.

Beginning in 2009, the city responsibly repositioned its operations to respond to the "new normal." Changes included permanent work force reductions and renegotiated labor contracts comparable with cutbacks in the private sector, as well as cooperative service agreements with other cities and productivity investments so the city could operate more efficiently. As a result of this foresight, *Minnetonka taxpayers continue to benefit from ongoing cost savings of more than one million dollars every year.*

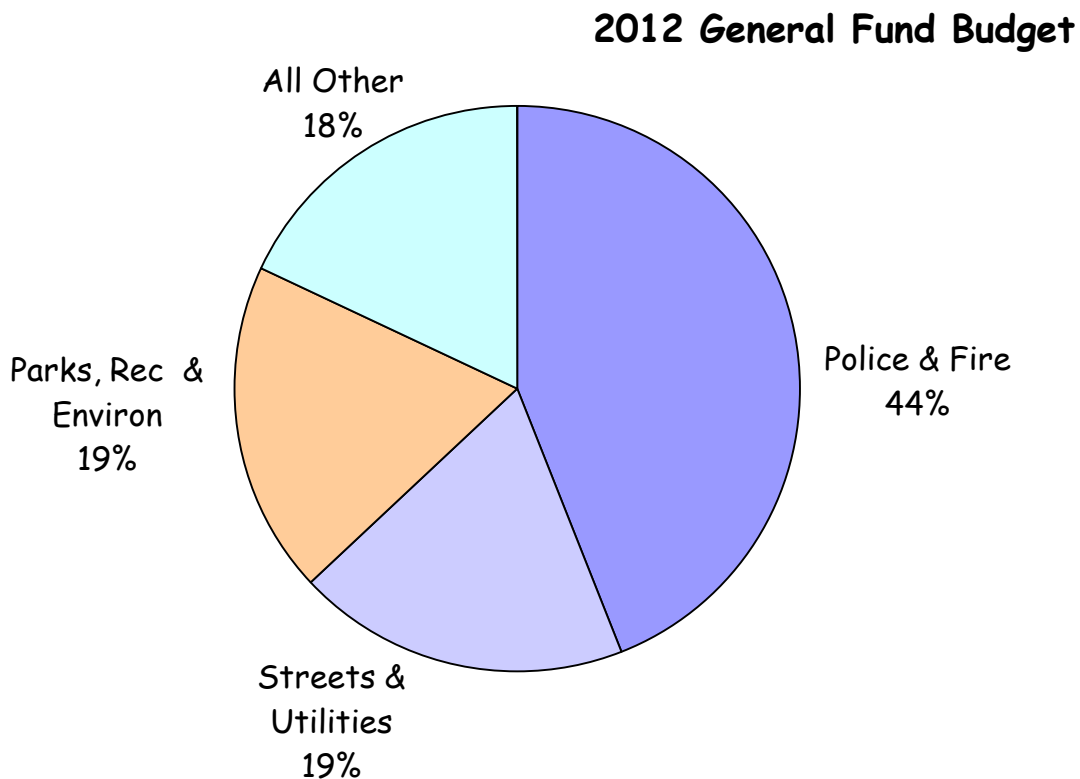
The city's responsible budget management has consistently paid off for its taxpayers. For 2012, the property taxes that support core police, fire, streets and parks services *are held to an increase of just 0.9 percent, the lowest in fifteen years, and about \$9 for the average value home.*

With this recommended budget, the city of Minnetonka will continue to provide the excellent services our residents and businesses have come to expect, and at a reasonable price, both in 2012 and well into the future.

2012 Budget

With a 2012 increase significantly below the current 3.3 percent rate of inflation, the greatest share of the city's general operating budget continues to be dedicated to public safety programs and services, which are consistently the highest priority of Minnetonka's residents.

GF Spending (000s)	2011	2012	Change
Public Safety	\$12,380	\$12,301	(0.6%)
Streets & Utilities	5,071	5,321	4.9%
Parks, Rec & Environ	5,174	5,252	1.5%
Development	2,376	2,416	1.7%
All Other	2,889	2,970	2.8%
<i>Total General Fund</i>	<i>\$27,891</i>	<i>\$28,260</i>	<i>1.3%</i>



Public Safety

Permanent budget restructuring for police and fire staffing in 2009, along with recent retirements and a very favorable health insurance contract renewal, will result in significant 2012 budget savings. Paid-on-call firefighter staffing is now more flexibly managed, similar to other city personnel, with assignments adjusted to meet seasonal and evolving service demands.

The 2012 budget also reflects continued investment improvements in the fire relief fund, which reduces the state's funding mandate again for next year. Staff continues its work with a task group of firefighters and actuarial consultants to develop a long-term pension restructuring plan for paid-on-call firefighters. Specific recommendations will be brought to the relief board, firefighters and city council early next year.

The 2012 budget completes the funding phase-in of the Fire Apparatus Fund, which was established to replace essential, but costly, fire trucks and equipment. The fund will support more than \$2 million of replacement pumper and ladder trucks over the next five years, and this will significantly lower rising maintenance costs of the aging equipment. Funding this equipment on a pay-as-you-go basis also avoids interest borrowing expenses that would double costs over time.

Streets & Utilities

The 2012 budget continues the city's commitment to maintaining its substantial investment in streets and utilities infrastructure; most significantly, through the highly successful thin-overlay street maintenance program. Even with construction of the new 169/Bren Road interchange nearing completion this year, about one-half of total city resources remain dedicated to this core responsibility.

Rising fuel and equipment parts costs are reflected in the 2012 budget for street maintenance, and additional steps are being taken to manage these expenses. Investment in a new milling machine will allow city crews to work four times more efficiently, and from a customer service standpoint, significantly reduce the time streets are torn-up for mid-block repairs.

Parks, Recreation & Environment

The use of ICWC crews continues to be a cost-effective method for managing park and trail maintenance costs. A one-time allocation resulting from a new fund balance policy will be used to rehabilitate the city's trail infrastructure, bringing all poor and fair condition trails up to good condition.

Construction of three scheduled trail segments (Hutchins Drive, Opportunity Court and Wayzata Boulevard/ Syngenta) will also be advanced in 2012. Next year, sustainable funding strategies for a comprehensive trails improvement program will be considered by council to address the city's 60 miles of unfunded new trails and missing links.

Development

Reflecting the economic downturn, development-related staffing was substantially reduced in 2009, and shared service contracts are now used to manage workloads. The current Housing and Redevelopment Authority (HRA) levy remains at \$175,000 to fund village center studies of Ridgedale and the Shady Oak LRT station, and will fund two new housing loan programs for home improvements and down payment assistance. Next year, council will consider a long-term strategy to more consistently support economic development activities.

All Other

The 2012 budget continues to expand the use of technology for both productivity savings and public service improvements, including new fiber infrastructure and security equipment. As has been the case in recent years, the 2012 budget for general government services would have remained flat, except for the upcoming national and state election, and recently approved special election for a council vacancy.

2012 Property Tax Levy

The 2012 budget continues the city's traditional property tax levy restraint, with a tax increase of just 0.9 percent, the lowest in the past fifteen years.

Property Taxes (thousands)	2011	2012	Increase
Operating & Capital Levies	\$29,137	\$29,416	
Park Bond Referendum	1,129	1,134	
Total City Levy	\$30,266	\$30,550	0.9%
HRA Levy	175	175	--

Although the 2012 budget limits city property taxes to an increase of less than one percent, other factors will have a much greater impact on community taxpayers. For example, the city of Minnetonka only accounts for about one-fourth of a homeowner's total property tax bill. The remainder is attributable to taxes levied by school districts (33 percent), Hennepin County (35 percent), and other jurisdictions (7 percent). For businesses, the city's share is only about ten percent of the total.

Far more significantly for 2012, the state's major change to its MVHC program will result in great variations in property values and property taxes from city to city and even within cities. The League of Minnesota Cities, the Minnesota Revenue Department, and Hennepin County have provided explanations for the complicated impacts, and links to these resources have been included on the city's website.

As a result of these complexities, the normal comparisons of total tax changes for homeowners in Minnetonka and in other cities are not readily available for 2012, and are at best, very misleading. Nevertheless, the bottom-line is this:

The city of Minnetonka is limiting its 2012 property taxes to an increase of just 0.9 percent, or about \$9 for the average value home (\$287,300).

Any tax changes greater than or less than this modest city increase are due to other taxing jurisdictions, changes in real estate market values, property improvements and most significantly, state changes to its MVHC program.

Summary

Responsible long-term financial planning continues to position the city of Minnetonka to deal with the uncertainties of the economy and state political actions. The significant management restructuring enacted in 2009 has permanently reduced operating costs, and is saving Minnetonka taxpayers more than one million dollars every year. Public safety and roads remain the highest budget priorities, with nearly two-thirds of the city's annual resources dedicated to these basic services.

Property taxes that support the 2012 budget are held to an increase of just 0.9 percent, which is about \$9 for the average homeowner, and the lowest increase in fifteen years. As always, the city of Minnetonka will continue to provide the excellent services our residents and businesses have come to expect, and at a reasonable price, both in 2012 and well into the future.

Originated by:

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City of
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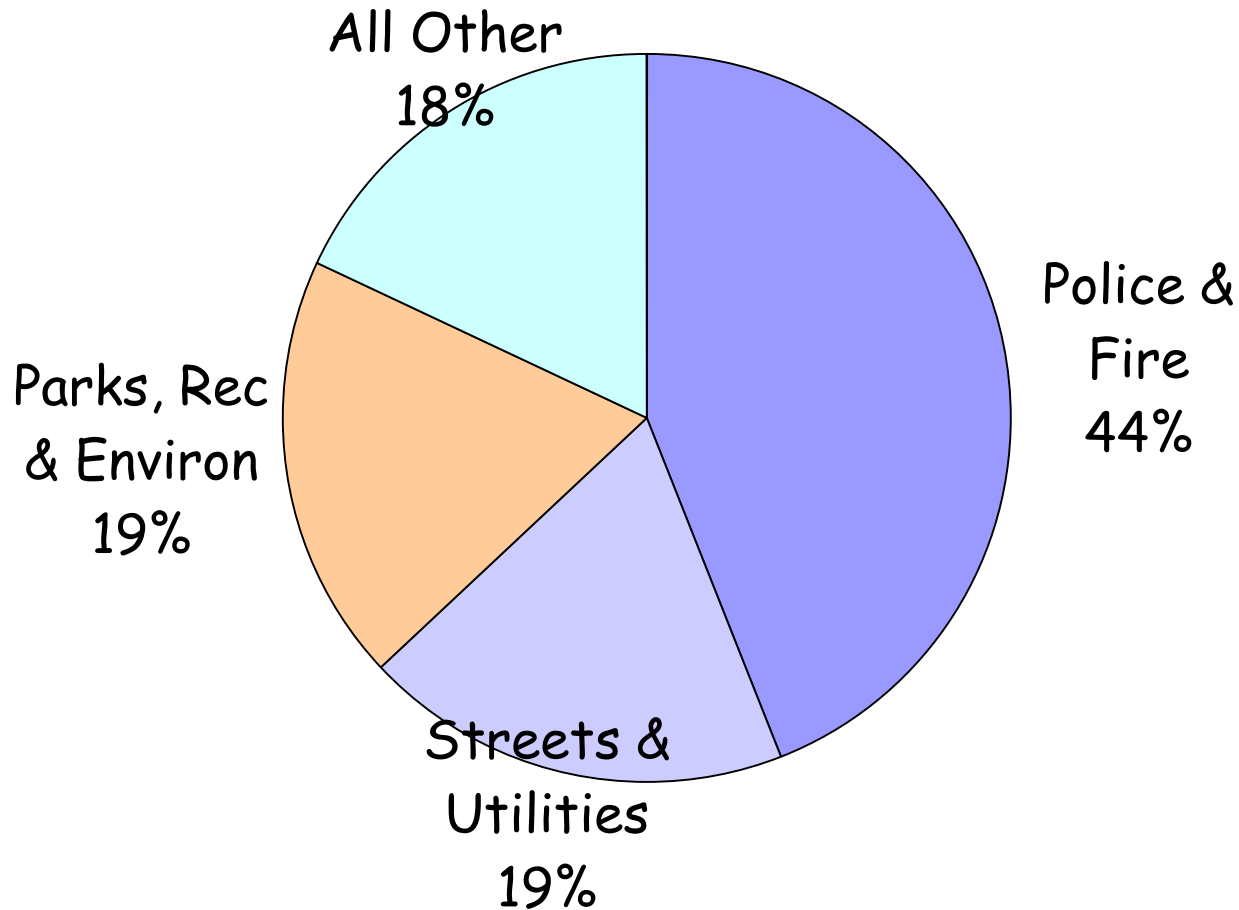
2012 Budget & Levy

Major repositioning *saves more than \$1 million every year*

1. Long-term balance without gimmicks
2. Sustain direct core services
3. Continue infrastructure investment
4. Moderate property tax growth

Ensures city's long-term capacity to provide quality services at a reasonable price

Public safety & streets are city's highest priorities



Public Safety

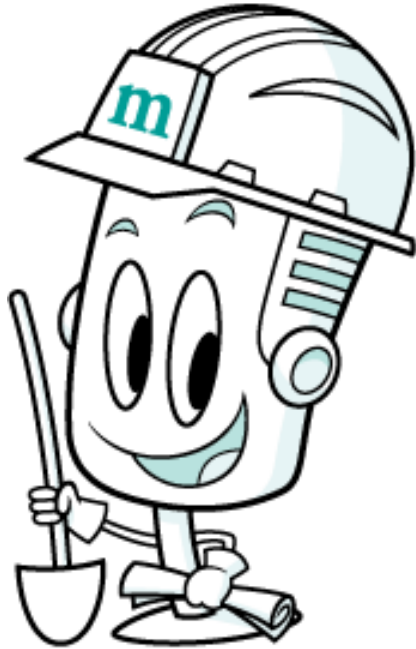


- ✓ Duty crew staffing flexibility

- ✓ Fire Apparatus Fund for ongoing equipment replacement



Streets & Utilities



- ✓ Street protection & preservation program
- ✓ One-half of total city resources

Parks, Recreation & Environment

Trails improvement program to:

- ✓ Rehab existing trails
- ✓ Develop new trails & missing links



2012 City Tax Levy

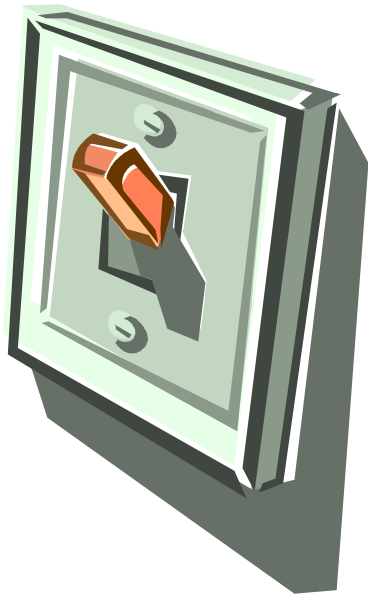
lowest increase in 15 years

\$9 for average home

(000's)	2011	2012	Change
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Confused? See: www.eminnetonka.com

Circuit Breaker tax refunds



Homeowners with incomes less than \$99,240 to \$121,140

Renters with incomes less than \$53,540 to \$75,440

Special refund for increases greater than 12%

Contact: MN Dept of Revenue

Other property tax assistance

Senior citizen tax deferral

Incomes less than \$60,000

MN Dept of Revenue



Foreclosure prevention counseling

Community Action Partnership of
Suburban Hennepin County

Responsible budget management

- Restructuring permanently reduces costs more than \$1 million a year
- 2012 levy held to 0.9% increase
 - ✓ *lowest increase in 15 years*
 - ✓ *about \$9 for average home*

Ensures city's long-term capacity to provide quality services at a reasonable price