

AGENDA

CITY OF MINNETONKA

STUDY SESSION

MONDAY, AUGUST 29, 2011

6:30 PM

BOARDS & COMMISSIONS ROOM

1. 2012 preliminary budget review
2. Adjournment

Additional Information

Special study session summary August 1, 2011

The purpose of a study session is to allow the city council to discuss matters informally and in greater detail than permitted at formal council meetings. While all meetings of the council are open to the public, study session discussions are generally limited to the council, staff and consultants.

City Council Study Session Item #1 Meeting of August 29, 2011

Brief Description: 2012 preliminary budget review

Recommended Action: Provide direction on key issues and preliminary levy

The purpose of this study session is to review key budget issues and provide direction on the 2012 preliminary tax levy, which will be set by council on September 12, 2011, and certified to the county by September 15, 2011, as required by state law. This is the maximum amount the city can levy for 2012.

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

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

Repositioning Plan Cost Savings

As detailed in the recently adopted Strategic Profile, 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.

Recognizing the implications of the "new normal," the city of Minnetonka enacted in 2009 a long-term budget strategy designed to restructure the way city services are provided. This *permanent budget restructuring continues to save over \$1 million every year*, thereby preserving the city's capacity to continue to provide the quality services our residents and businesses have come to expect, both now and well into the future.

Strategies involved new ways of doing business: cooperative service agreements with other agencies, productivity investments that help deliver core services more efficiently, and reorganizations that reposition the city to better serve our constituents. Because the city is a service business, changes were needed to permanently reduce personnel-related costs. The city's *work force was permanently reduced by six percent*, similar to nationwide contractions in the private sector. Additionally, *employment contracts limit future base wage increases to one percent annually*, with an allowance for market adjustments, when warranted, to remain competitive.

Ongoing Cost Management

With personnel costs accounting for about three-fourths of the city's operating budget, changing service demands will continue to be met without any increases in permanent headcount, but rather, through work load management and technology investments to enhance productivity. Initial planning for the 2012 budget includes such actions as:

- With an upcoming retirement, **Community Development** plans to reorganize the city's licensing function to streamline the application process. As construction activity picks up, inspection demands will be met through shared arrangements with other cities and the use of seasonal, rather than full time, inspectors. Environmental health interns are being used to supplement full time staff.
- Rather than add new round-the-clock duty crews, the **Fire Department** will instead adopt an hourly staffing model, similar to that used by other departments, to accommodate increasing demands when they occur. As inspection and service call activities continue to evolve, staffing needs will be adjusted through changes in hourly shift assignments based on demand, rather than permanent 24/7/365 additions to duty crew rosters.
- The use of ICWC crews continues to be a very cost-effective method for managing growing park and trail maintenance costs in **Public Works**. In addition, the newly implemented CityWorks scheduling system is expected to greatly improve work load management and service delivery.
- The **Police Department** will use college interns to assist officers with large, time consuming projects and investigations.
- **Engineering's** use of interns has proven to be a very cost effective way of enhancing staffing capabilities, and will be continued.
- **Recreation Services** recently reorganized clerical staffing following two retirements to slightly decrease total staffing, while increasing support for community facilities and senior services.
- **Finance** will continue recent technology investments to improve service and increase productivity, including a new electronic water billing system and automated vendor payments.
- **Administration** will continue to roll out the new document locator system, which is significantly improving coordination of work flows among departments. Increasing recruitment demands prompted by retirements will be managed with technology system efficiencies, rather than personnel additions.

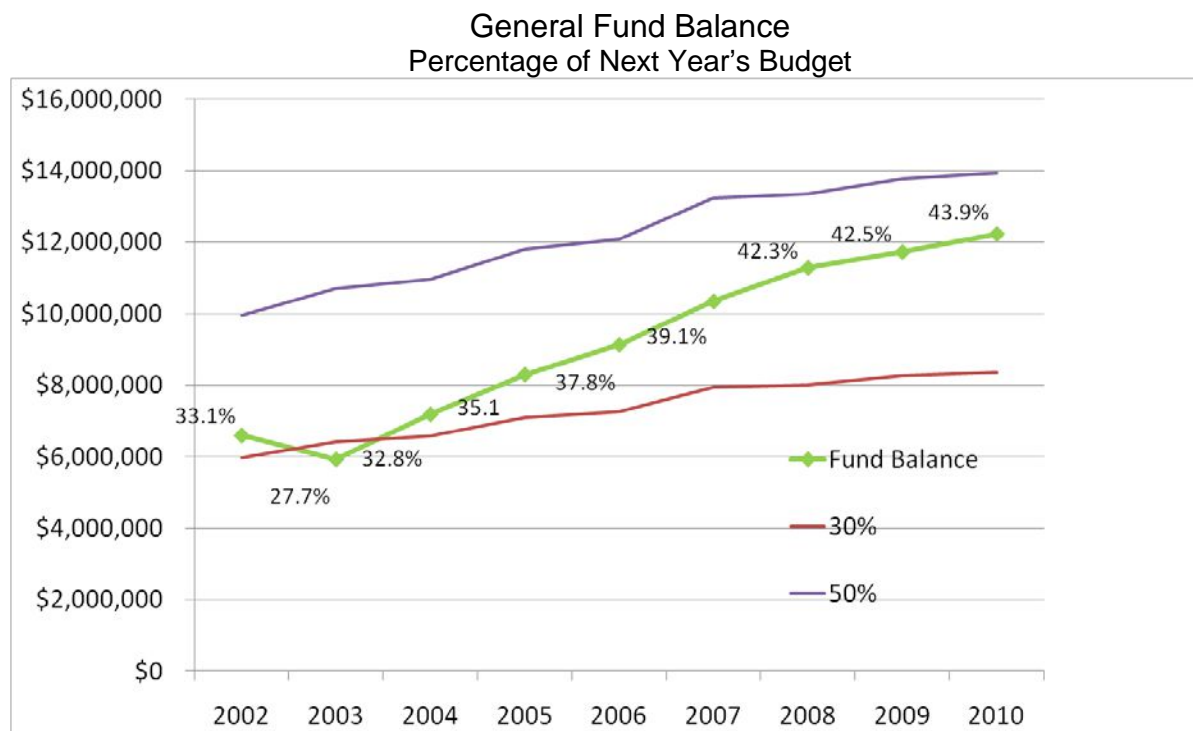
General Fund Balance Policy

Prompted by the new GASB 54 rule regarding fund balances, staff is recommending certain changes to better manage current and future budget risk. Specifically, a revised general fund balance policy will help ensure stable tax rates, and responsibly allocate excess funds for appropriate uses.

Beginning with the 2012 budget, a portion of the general fund balance will be assigned as a *Budget Stabilization Reserve*. Consistent with Minnesota State Auditor guidelines, 30 to 50 percent of the following year's operating budget would provide for:

- working capital to meet cash flow timing fluctuations in the receipt of tax levy revenue and outlay of operating expenses, and
- a reserve for economic and budget uncertainties in both revenues (delinquent taxes, permit collections, state law changes), and unforeseen expenditures.

Staff also recommends that after considering budget uncertainties in the following budget year, amounts above 40 percent may be considered for **one-time** uses, such as capital projects. Because these are one-time resources, it is important that any such uses not result in ongoing financial commitments.



For the 2012 budget, staff estimates an amount of about one million dollars will be available above the 40 percent guideline. However, with the extreme uncertainty in the state and national economies and political arenas, it is recommended that only one-half of this amount be considered for one-time capital uses at this time.

Discussion question: Does council concur with recommended the new general fund balance policy?

Trail Improvement Program

Over the past decade, the city has taken steps to implement long-term, sustainable funding plans for its major capital investments, including the street improvement and preservation program, parks renewal program, water and sewer utility system investments, storm water funding structure, electric power line undergrounding, recreational facility renovations, and most recently, the fire apparatus fund.

With this responsible financial planning, the capital assets of the community are now in very good shape, and can be conscientiously maintained for years to come. Staff recommends that a similar approach be taken with the city's trail system, which is both aging and experiencing increasing demands.

Trail system conditions and usage. The trail system has not received the same level of sustained investment as the city's other capital assets. Similar to the roadway system prior to adoption of the street improvement and preservation program, the physical conditions of existing trails, some of which are over 30 years old, are deteriorating rapidly. Trail usage is also increasing, as is the demand for additional trail segments, especially as aging Baby Boomers transition from organized sports in the parks to alternative recreational activities.

The adopted 2012-2016 CIP includes a prioritized trail plan with segments that provide access to the park system and village centers, and incorporate pedestrian/bicycle traffic into road reconstruction projects. Beyond the currently scheduled trail projects, another 60 miles of new trail or missing link segments remain unfunded in the CIP, with cost estimates for these projects exceeding \$12 million dollars.

While it would be unrealistic to fund much of this backlog in the near term, staff recommends development of a twenty-year staged investment strategy for the city's increasingly popular trail system. Such a plan would advance Minnetonka's recently adopted Strategic Profile, which calls for: *"Renewing, expanding and maintaining a trail system to encourage outdoor recreation, and improve the connectivity and walkability of our community."* A three-tiered approach is recommended:

(1) Trail rehabilitation. As was done with both park and street renewal, the first tier of the Trail Improvement Program would rehabilitate existing trail sections to raise conditions from poor/fair to good. The attached maps classify the condition of existing trail segments based on a scale similar to that used for street rehabilitation, which indicates high, medium and low priority segments needing repair.

A system-wide evaluation of the city's 85 miles of trails was conducted this summer, with 1.8 miles of trails rated in poor condition and another 18.7 miles in fair condition. As indicated on the maps, a majority of the poor and fair segments are in the Opus area -- built as a secondary road delivery system, the trails are over 25 years old. Although some overlays were recently completed, large areas remain undone. Other areas showing distress are along C.R. 62, Minnetonka Boulevard, portions of the Tamarack trail south of Minnetonka High School, Stone, Oakland and Essex Roads.

With costs of about \$25,000 per mile, the current CIP allocation only allows a mile or two of trails to be rehabilitated each year. Like road conditions prior to adoption of the street improvement program, the city is losing ground. To bring all trails up to good condition, and effectively jump-start the trail improvement program, staff recommends consideration of a *one-time allocation* of the \$500,000 available balance above the amount needed for the 2012 Budget Stabilization Reserve. Work would be completed by a combination of contractors and city public works staff.

(2) Trail system expansion. The existing Park Dedication Fund would be reconstituted as the *Park and Trail Improvement Fund* to recognize the increased importance of trails in the city's recreational system, and to better account for increasingly diverse funding sources. Trail financing is currently derived from the Park Dedication Fund, Park and Open Space Bond Fund, Community Investment Fund (CIF), and such other sources as grants and matching dollars from other agencies.

By exploring new partnerships and reallocating existing capital funding sources, staff believes it is possible to fund a greater number of new trail segments and missing links over time. For 2012, staff would research the feasibility of advancing the three segments shown on the attached map to those already scheduled in the CIP:

- Hutchins Drive. A trail on the south side of Hutchins Drive would provide pedestrian access for residents by completing an off-street walkway from the Frasier Independent Living Home east to C.R. 101.
- Opportunity Court. A trail on the east side of Opportunity Court from Smetana Court north would connect with the approved Nine Mile Creek regional trail, which will link Minnetonka, Hopkins, Edina, Richfield and Bloomington. This connection will provide access to the Opus system via Bren Road pedestrian improvements, and will be an important link for the planned light rail project.

- Wayzata Boulevard/Syngenta. Continuation of a trail along the I-394 south frontage road from C.R. 73 to Archwood Road would provide additional access to the transit station and newly constructed trail to the Ridgedale area. Private donations of rights-of-way would be a key precondition for this project.

(3) Regional trail partnerships. Several of the unfunded trail segments involve very costly regional scale projects. Staff has initiated discussions with such potential partners Three Rivers Park District and Hennepin County to explore the possibility of leveraging these alternative funding resources to construct missing link segments that are regionally significant to the entire system. Potential segments that would link existing regional trails are shown on the attached map.

Discussion questions: Does council support the concept of a Trail Improvement Program, and should staff develop specific budget recommendations for subsequent council consideration?

2012 Preliminary Levy

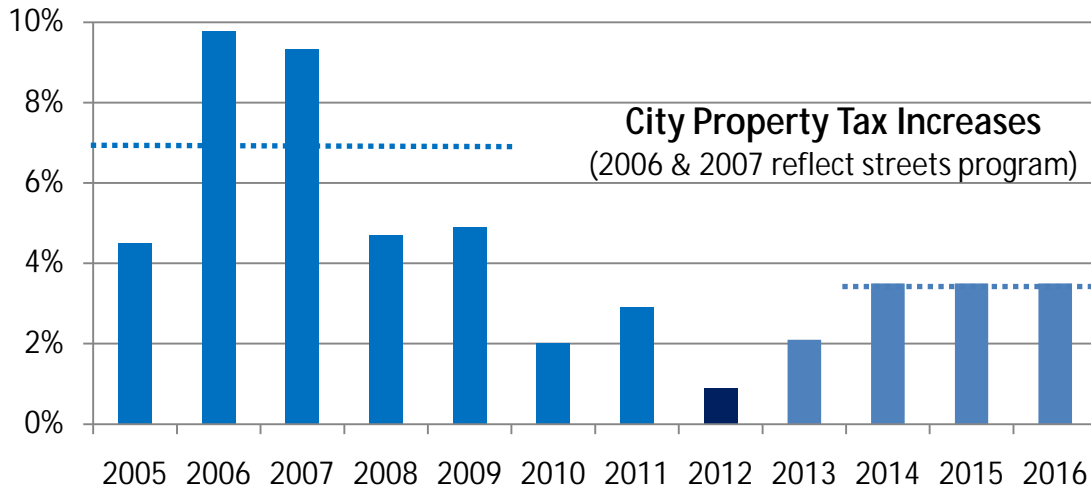
The 2012 budget will reflect the third full year of repositioning, and continues the previously planned property tax levy restraint.

MVHC changes. Recent legislative changes to the state's Market Value Homestead Credit (MVHC) program will significantly impact the 2012 property tax levy. The former system consisted of a property tax *credit* based upon home value, and when the state refused to fund the program in seven of the last ten years, the city of Minnetonka was required to raise property taxes on all properties to make up the difference.

The new Homestead Market Value *Exclusion* program makes adjustments within the tax formulas to provide the same tax relief, but takes cities out of the middle. As a result, there will be a one-time "windfall" for Minnetonka's 2012 levy, since those cities that lost state funding no longer need to levy to make up the shortage.

Since the windfall is one-time, it is important that the benefit be passed through to our taxpayers in a way that does not create future difficulties. Unlike many cities that fluctuate between freezes/decreases, followed by catch-up tax increases, the city of Minnetonka has adopted an ongoing program of modest, sustainable, tax revenue growth that continues to support the provision of quality services at a reasonable price.

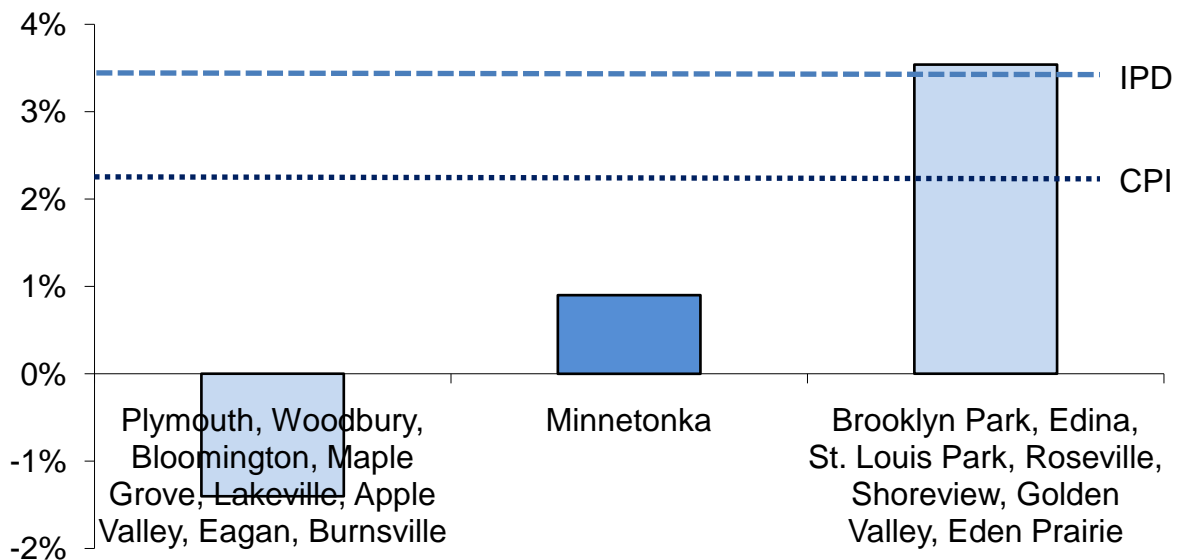
Recommended 2012 levy. Consistent with this long-term management philosophy, staff recommends that the MVHC *windfall be spread over two years*, rather than used only for 2012. This would result in a ***0.9 percent levy increase for 2012, followed by a 2.1 percent increase in 2013.***



The city's 2012 tax increase of 0.9 percent is *substantially below recent years*, and by smoothing the MVHC windfall over two years, 2013 will also remain well lower. The 0.9 percent increase is *far less* than the 2.2 percent Consumer Price Index (CPI) and 3.4 percent official State of Minnesota Implicit Price Deflator (IPD).

Comparisons with other cities. The proposed 2012 city levy increase remains among the lower increases of comparable cities, even with the two year windfall smoothing. By taking this longer-term approach, Minnetonka's 2013 levy will be *well below* those cities that take the entire one-time savings in 2012. Unlike many other cities, no assessments or extraordinary fee hikes are proposed to supplement this minor tax increase.

2012 Preliminary Levy



HRA levy. EDAC recommends no change in the Housing and Redevelopment Authority (HRA) levy for 2012. The HRA levy would remain at \$175,000, with \$80,000 for village center studies and \$95,000 for housing programs. The more extensive Ridgedale study will be supplemented with available fund balances, and city funds for the Shady Oak station study will leverage county community works funding.

Homeowner impacts. The net effect of a 0.9 percent city tax revenue increase on individual homeowners is uncertain, since there are so many interactions within the system, including market value fluctuations, and HMVC changes that impact not only the city, but also school district and county levies.

Staff estimates that the median valued Minnetonka home (\$287,300 in 2011), which would qualify for the new MVHC exclusion program, would likely *only experience a 0.4% city tax increase*. However, homes valued higher than \$414,000 and commercial properties would likely see higher tax increases as a result of the new state MVHC formulas, especially related to school and county levy adjustments.

Discussion Question: Does the council agree that \$30,525,480 (0.9 percent increase) should be certified as the city's preliminary levy for 2012?

Summary

Responsible long-term financial planning has continued to well position the city of Minnetonka to accommodate the slow economic recovery, as well as federal and state political uncertainties. The major restructuring that took place in 2009 has permanently reduced the city's operating costs, and ongoing cost management continues.

The preliminary city tax levy will be limited to an increase of only 0.9 percent for 2012. This increase remains among the lower of comparable cities, even after smoothing the benefit of the state MVHC windfall over two years.

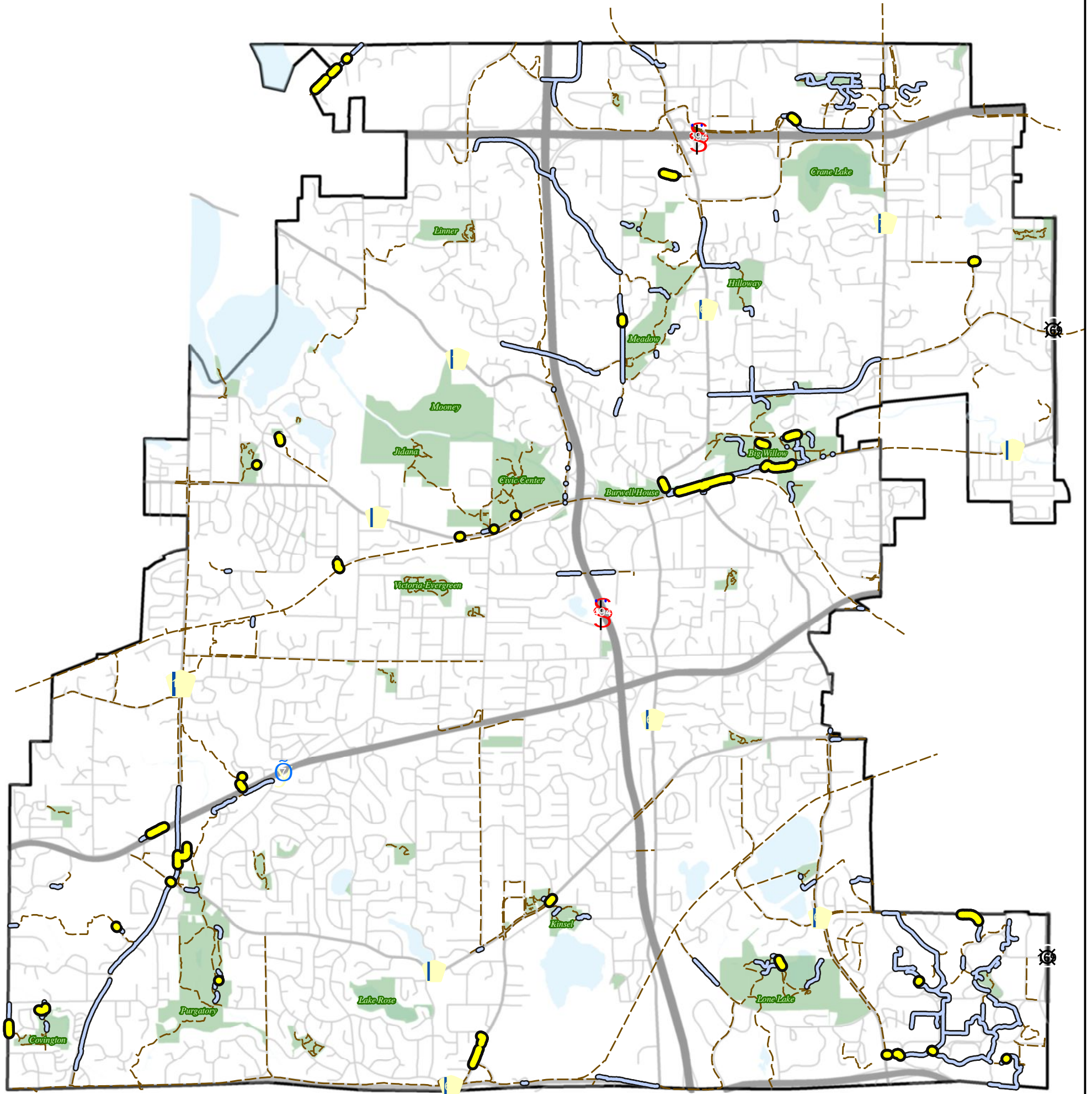
As always, the city of Minnetonka will continue to provide the excellent services our residents and businesses have come to expect, and at a reasonable price, both in 2012 and well into the future.

Originated by:




John Gunyou, City Manager
Geraldyn Barone, Assistant City Manager
Merrill King, Finance Director

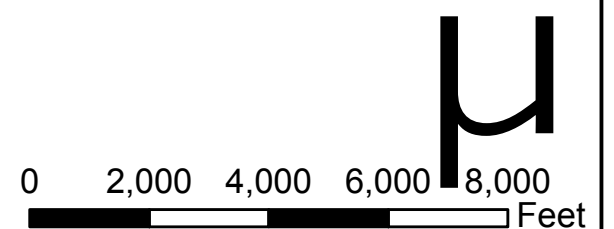
Trail Condition Evaluation

Fair to Poor Rating



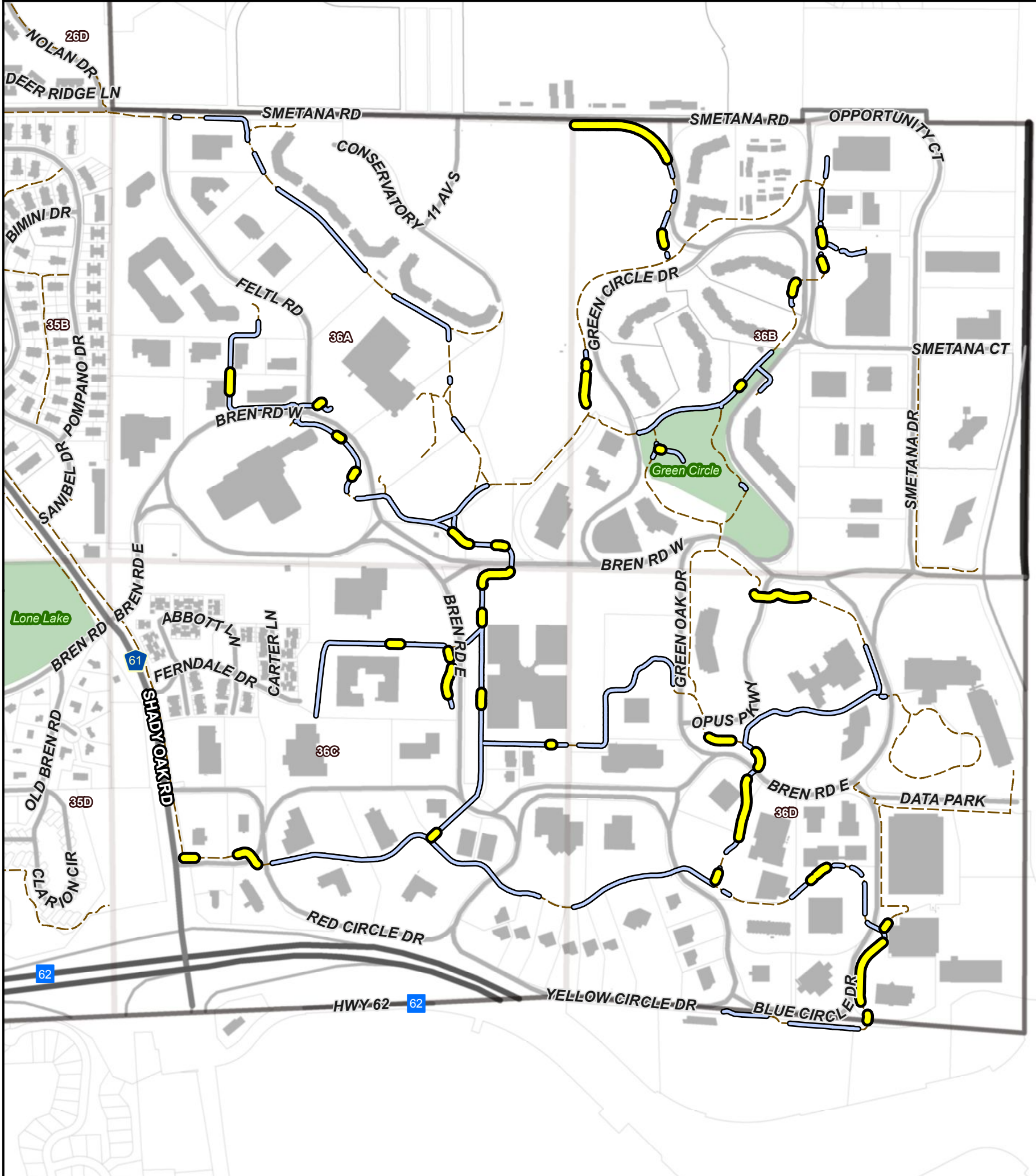
Legend

Condition	
	Poor: 1.8 mi
	Fair: 18.7 mi
	Existing Trails






This map was created using the City of Minnetonka's Geographic Information Systems (GIS), it is a compilation of information and data from various City, County, State, Federal, and other sources. This map is not surveyed or legally recorded and is intended to be used as a reference. The City of Minnetonka is not responsible for any inaccuracies contained herein.

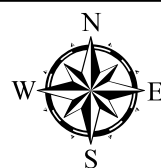
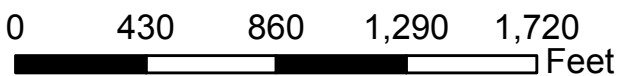
Trail Condition Evaluation Opus Area



Legend

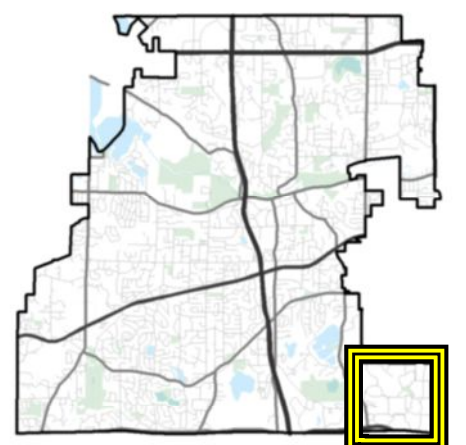
Repair Need Rating

-  High Need: 3,908 ft
-  Medium Need: 16,912 ft
-  Existing Trails



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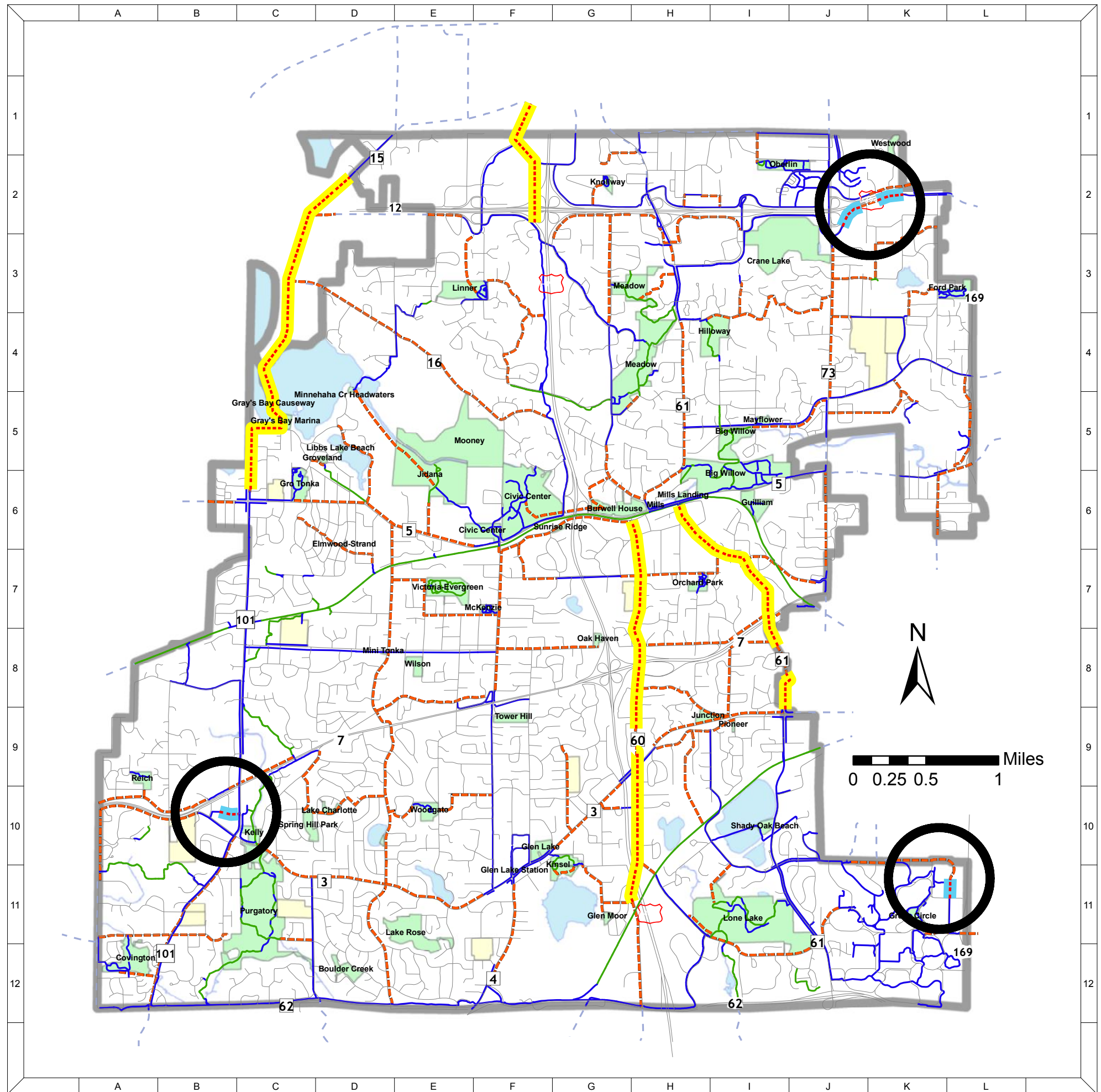
Area of Interest



Future Trail Links Map

Legend

- Trails**
- Intercity Connections
 - Off Road (Paved/Concrete)
 - Off Road (Rock)
 - Missing Links
 - Regional Trail Links (Missing)
 - Possible Additional 2012 Trail Segments
 - School Parcels
 - Parks



Map prepared by:



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Council Present: Dick Allendorf, Bob Ellingson, Amber Greves, James Hiller, Tony Wagner, Brad Wiersum, and Mayor Terry Schneider.

Staff: John Gunyou, Geralyn Barone, Desyl Peterson, Merrill King, Julie Wischnack, Elise Durbin, and David Maeda

Schneider called the meeting to order at 6:35 p.m.

1. Boards and commission interviews

Ellingson was absent from this portion of the meeting.

Nelson Evenrud said he is a 10-year resident of Minnetonka, living here with his wife and three children. He reviewed his involvement in the community, as well as employment and experience with the Minneapolis Park and Recreation Board. His goals, if appointed by the council, would be to give quality and helpful input, give the best service for our dollars, and employ green initiatives in city events.

Hiller asked for Evenrud's impression of the city's parks. Evenrud responded he is usually impressed and has observed the focus on quality, although he does have some ideas.

Allendorf inquired about Evenrud's main location of employment and asked about the First Tee program. Evenrud said he works mainly at Linden Hills and said the program provides golf lessons, teaches caddying, and combines these with life experiences.

Greves wondered, with decreasing revenue sources, if Evenrud had ideas about specific areas. He stated he has been a satisfied resident so far, although staffing remote locations could be improved. Greves stated Evenrud's experience working with diverse populations would be helpful, and Evenrud agreed that he has a lot of experience in this area.

Schneider expressed concern that a board member with expertise can become quasi-staff and needs to weigh his experience with his role. He inquired about programs involving volunteers with stewardship. Evenrud said he has worked with buckthorn busters. He preferred finding volunteers who are passionate because they can educate others and serve as a great resource.

Evenrud asked what the biggest challenge is to effectively serve as a member of a board or commission. Greves said making the commitment; Schneider said being open minded and understanding the issues; and Allendorf said having a thick skin because people have strong opinions and do not always react well.

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Brenton Hayden said he has been a resident of Minnetonka since he was 18. He is an entrepreneur, and he reviewed his business, educational and charitable endeavors. He noted his accolades and awards, pointing out he is very motivated and driven.

Wiersum asked how Hayden could dedicate time to city service, and Hayden said he is now in a position to do so. He is involved in business development and his next focus is becoming active in the community.

Schneider asked why the EDAC was Hayden's first choice. Hayden said he is most suited for this because of his real estate background and his financial wherewithal.

Allendorf said one issue is keeping small and medium sized businesses in the community. Hayden said he lives in the 7/101 corridor and has noticed small businesses leaving the area. He said a lot of small businesses are going to more affordable, tax friendly cities. Hayden said Minnetonka should make it a good business decision for businesses to be here. He pointed out that Minnetonka is still a great business address, but barriers should be removed.

Tom O'Reilly said he moved here from Oregon in 1996 and with his youngest off to college, he has more time available. He is a pilot for Cargill, and he had served in the Air Force Reserve for 20 years (retiring in 2006). O'Reilly travels all over the world, and he said a leading indicator of a city's decline is the condition of its parks. He said he is open minded and has long term vision. He disagreed with the trend to increase fees to use parks and recreational facilities. O'Reilly said he would rather see resources put into parks with no barriers to use them.

Hiller asked what O'Reilly sees in Minnetonka's parks. O'Reilly responded he is a runner, which is a great way to see the parks. He said it is impressive how well maintained the city's parks are, which shows long range planning and that the city cares.

Greves asked if O'Reilly had any insights as a trail user. He said the city does a better job plowing trails than Deephaven. He noted the conflict between bike riders and joggers and thought everyone on bikes should have a bell.

Wiersum asked for examples of park conditions that O'Reilly has observed in his travels. O'Reilly said there are maintenance and safety issues in smaller communities in southern states. He noted there is no consideration for walking or getting to the parks.

O'Reilly said his work schedule is flexible, although a couple of times a year he will be unable to attend a meeting. Schneider said missing a few meetings here

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and there is not an issue. However, if multiple meetings in a row are missed, continuity is lost. He added the city has criteria for participation.

Jacob Millner said he is one-year resident and originally from Chicago, although his wife is from Minnetonka and knows the community. Millner said he participated in the city's citizens academy, which was an exhilarating experience. He reviewed his educational, professional and political experience. Millner said he chose Minnetonka for its great schools and parks and is willing to make a serious commitment.

Allendorf asked why Millner is interested in serving on the Bassett Creek Watershed District Commission. Millner said he cares a lot about the environment, especially water resources. Working on the Legacy Amendment got him interested in this area, and he feels the public does not understand everything that goes into a watershed.

Wagner noted this would be a unique experience because the appointee represents Minnetonka. He asked how Millner would prepare for meetings. Millner responded he would do research, stay in communication with the council, and talk with folks in Minnetonka.

Schneider noted the community commission focuses on things that fit with Millner's background. Millner said changing demographics are coming this way and he has lots of experience. He added he just wants to get involved. Wiersum said the watershed district is far from what Millner normally does and asked how he would feel about leveraging his background more on the community commission. Millner said he does the latter every day and serving on the watershed board would allow him to expand his horizons.

Sue Shuff did not appear at the meeting. Schneider said he would interview her individually. Wiersum said he would provide some names to the mayor. Schneider said he would like to get someone appointed to the LMCD.

2. Recess the special study session in order to convene the regular city council meeting

Schneider recessed the special study session at 6:22 p.m.

3. Reconvene special study session in the Shady Oak room after adjournment of the regular meeting

Schneider reconvened the study session at 8:34 p.m.

4. YMCA item

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Community Development Director Julie Wischnack gave the staff report.

Wagner asked about the base driver of the \$6 million funding gap. Wischnack said there were a variety of issues. One of the complications was there were two other entities involved in addition to the YMCA. The parcels of land must be sold at market rate. She said there is the impression that the YMCA holds the land, and the land therefore is free. Instead, they are selling the land at market rate, which drives up the cost of how much the senior housing would cost as well as the cost of the affordability component. She mentioned that the property is tax exempt and a portion will continue to be which reduces the available increment. Another issue is land clearance and the complexity of redeveloping property while the construction is going on. She said having the YMCA stay open while building something in the interim and then demolishing everything at once would be highly complex and expensive. Wagner asked if the TIF counsel had looked at all the numbers. Wischnack indicated they had. Gunyou noted the YMCA had an interest in cashing out a portion of the value of the land to help construct the new facility. Wagner said there could not be a more perfect project to meet the vision of what the city wanted on the site. But he said the \$6 million gap made him uncomfortable. He would not support using a majority of the TIF pooling funds on one project.

Wiersum noted the \$4 million gap information in the staff report indicated the TIF/city participation amount per affordable unit would be \$133,000, or over twice the amount for the Glen Lake project and six times the amount for the Duffy development. He agreed with Wagner that the project was exactly what the city was looking for in the area, but the \$133,000 was a high price and would be even higher if the gap was \$6 million. He said the question was if another property could be found where the cost would be \$20,000 per affordable unit and therefore would allow more affordable units. Wagner noted that in the example of the Duffy development, it was unlikely something else would go on the property. The city would be constrained in redevelopment of the Ridgedale area to meet the comprehensive plan goals because of the high cost of the land and it was already fully developed. Wiersum said the combination of the YMCA, senior housing and the medical building was a perfect combination.

Greves agreed the mix was consistent with the comprehensive plan. She said she also was not comfortable with a \$6 million gap. She noted over the years the city has generally used TIF conservatively. She asked if the city was putting itself more at risk with its credit rating. Steve Bubul from Kennedy and Graven said the financing for this project was not unordinary. The legislature provided the pooling tool recognizing that cities have revenue streams from older successful districts. He said because the project was a mixed use redevelopment project it was a little misleading to compare it with a housing assistance project built on a green built site. Dave Callister from Ehlers said the city's use of TIF was low in

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comparison with the overall tax base. He noted that rating agencies generally do not look at tax increment separately from the city's total financial picture.

Allendorf asked for more information about the financial numbers related to the selling of property and TIF. Wischnack said the cost of the new YMCA building was \$12 million. The YMCA has about \$4 million available. The rest of the money would come from the sale of land. Land proceeds would total around \$2.5 million. She said the TIF would come to around \$2.2 million to \$2.8 million. The TIF pooling would be \$1 million for the senior housing. The LCDA would hopefully provide \$1.5 million.

Schneider indicated the question was how the city would allocate the available pooling and the amount that would be provided. He said the council had to weigh the project's benefits to the city but more importantly what other uses did it want to have from the available pooling funds for the other village centers.

Wagner said under the premise that the TIF would be around \$3 million he was comfortable with using \$1 million from the pooling but a \$6 million gap was too high for the community benefit. He said at the same time it would be disappointing if the site's use was minimized. Schneider agreed. Wiersum said the land was valuable and could be redeveloped in a number of ways. Potentially, there could be ways to get more affordable housing in the area less expensively. There had to be an evaluation of the alternatives. The land will redevelop so the city had to determine if the project was the best use of the land and the best use of the funds.

Wagner said the staff report indicated there was \$1.6 million in the Livable Communities Fund, with \$850,000 uncommitted. Eventually the council would have to decide how much to fund WHAHLT in the future. He said he was concerned given the \$1 million in the pooling used for the Duffy development and \$3 million in pooling for the YMCA development there would only be \$2 million left in the pooling account without dealing with other affordable housing funding sources.

Hiller said he was concerned with the proposed 150 units given the costs.

Schneider asked if and when Ridgedale redeveloped what potential existed for more mixed use within the redevelopment. Wischnack said the mixed use could happen on the mall property in the future.

Allendorf noted the comprehensive plan included affordable housing west of the current park-and-ride overlooking Crane Lake. Wischnack confirmed that was correct. If the west bound ramp was done there could be office buildings located in that area but without the west bound ramp that probably would not be appropriate.

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Schneider went around the table and there was general comfort with the \$4 million gap.

Wischnack said the next step would be for the YMCA to submit a formal application for some type of financial assistance and development agreement. The application would be brought to the EDAC.

5. HIA item

Wischnack gave the staff report.

Gunyou noted the benefit the city would bring with a HIA was the ability for the associations to get long term financing that they could not otherwise get under traditional financing solutions. Wischnack said one reason that associations have difficulty getting financing privately was because in many situations there are not a lot of assets that the bank can take in the case of a default.

Gunyou suggested the way to look at the HIA funding was to look at it like special assessments for the costs of improvements. Because the assessment is attached to property taxes, there is a certainty of getting paid. The uncertainty would be when it would get paid. Wischnack noted the EDAC struggled with understanding HIA funding was not a loan but rather was an assessment.

Bubul said the legislature created this tool that mimics special assessments. He said theoretically the city could use pure revenue bonds, but the interest rate would likely be so high that it would undo the benefit of the program. Gunyou said the way it would be done was similar to the city's water bonds. Those bonds are sold as general obligation bonds, but they are based on revenue coming in. Bubul noted because assessments, like utility fee revenue, would be used to pay off the debt, the expectation is never to have to use the levy.

Allendorf asked why the financing would not be available for the higher valued properties. Wischnack said the resources had to be targeted and if they were made available to higher valued properties, there likely would be many more projects.

Wiersum indicated what was being proposed was putting the financing in place to get much needed repairs done now but also essentially overcharging the residents on future association fees in order to build a reserve so the problem would not exist in the future. Wischnack confirmed that was correct.

Gunyou said the idea would be to have the EDAC function similar to a loan committee of a bank to make sure all the criteria in the policy and the plans were

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in place before being recommended for council approval. Wischnack noted the EDAC's questions were detailed and well informed.

Allendorf asked what the downside to an HIA was. Wischnack indicated there were not many cities using the tool so there was not much history from which to learn. Because the tool was assessment-like, cities that use assessments on a regular basis, unlike Minnetonka, would be more comfortable using an HIA. Gunyou said another factor was the additional complexity required of a loan committee review, because other cities did not have something similar to the EDAC, to make those kinds of determinations.

Wagner noted he shared a concern raised by the EDAC -- the additional staff time that would be needed to manage the process had to be factored into the costs. Wiersum agreed the administrative aspect was one of the downsides. The HIA would get the city into a different type of business and the amount of administration and the unintended consequences of the administration needed to be understood. Gunyou noted the bonding involved a higher level of complexity as well. Schneider said the administrative concerns had to be weighed against the unintended consequences of not doing anything at all.

Wiersum said historically the city hasn't looked at condominiums when discussing preserving housing stock, yet one of the fundamental things that the council wanted to do was preserve housing stock. The reality is there are a lot of condominiums in city and they are an affordable housing stock that needs preservation.

Wagner suggested the criteria had to be prioritized. Health and safety and building regulations were important, but from a preservation of housing stock perspective, he would place a high value on the look and feel of the roof, siding, and exterior. The inside elevators and life and safety items could work great, but the value could decrease rapidly if the exteriors were not prioritized.

Wiersum agreed and noted the council had discussed trying to keep seniors in their homes. A lot of seniors live in the condominiums, and the opportunity to stay in the condos was much greater than a three bedroom house on a corner that needs snow shoveling and lawn mowing. Preserving the condominiums would enable people to stay in the homes longer than they might otherwise have the opportunity.

Hiller agreed the proposal was logical. His one concern was what would happen if there were multiple associations that applied for the financing right away before there was time to smooth out the process.

Greves said she agreed with the proposal as well and agreed with starting slowly.

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Ellingson said he also agreed with the proposal.

Schneider said he looked at the aesthetic part a little differently. The value of having a roof and siding that was weatherproof and sound was just as valuable as any safety items. He felt energy efficiency issues fell in a lower category.

Gunyou said there was one association that already was in the pipeline and could serve as a good test model. Allendorf asked if bonding would be used for the amount. Gunyou indicated it probably would not because the amount was too low to be economically viable. He said one thing that had been discussed was developing an annual or biannual type of planning and application cycle that would help stress the idea that the plans had to be long term and the financing was not for a crisis situation.

Schneider said one concern was it was one thing to fund near term needs, but it was another to fund and bank future assessments that the associations should be charging themselves. He did not want the city to enable that. Wagner said the EDAC discussed that issue. There was a package for immediate and short term issues and the rest involved having a long term plan. Wiersum noted there was the requirement to have a long term plan.

Schneider suggested having a joint meeting with the EDAC. Wagner said there was EDAC concern about the council's reaction to the recommendation because the city had never served as a bank. He said he indicated to the EDAC that the process had to be worked through but preserving housing stock was a priority as long as there was not a big risk for the city. Wiersum said he was concerned about needing to create a new department because of the work created by the process. Understanding the impact on the workload was a necessity. Gunyou said the thought was to contract for the necessary services.

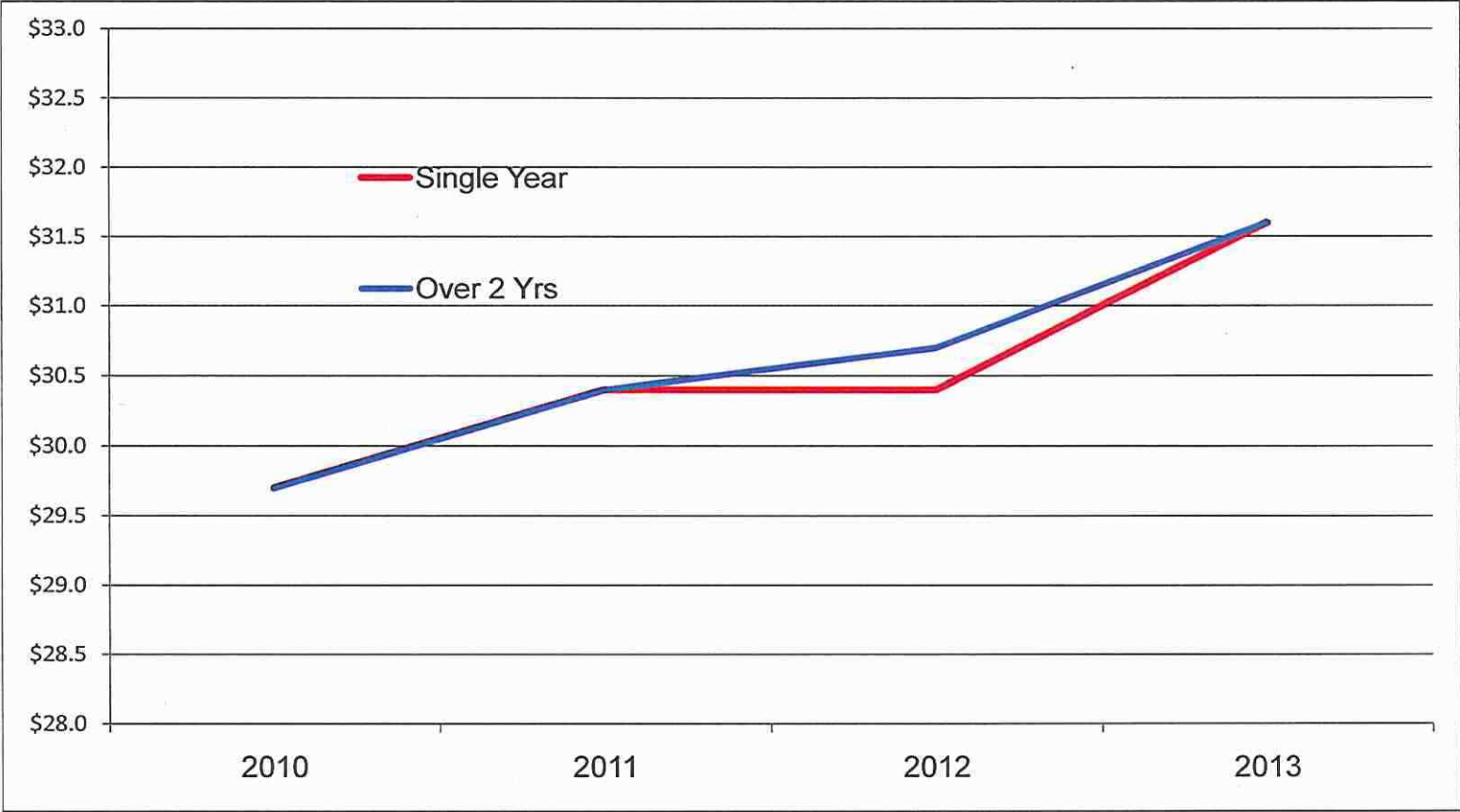
6. Adjournment

The study session adjourned at 9:28 p.m.

Respectfully submitted,

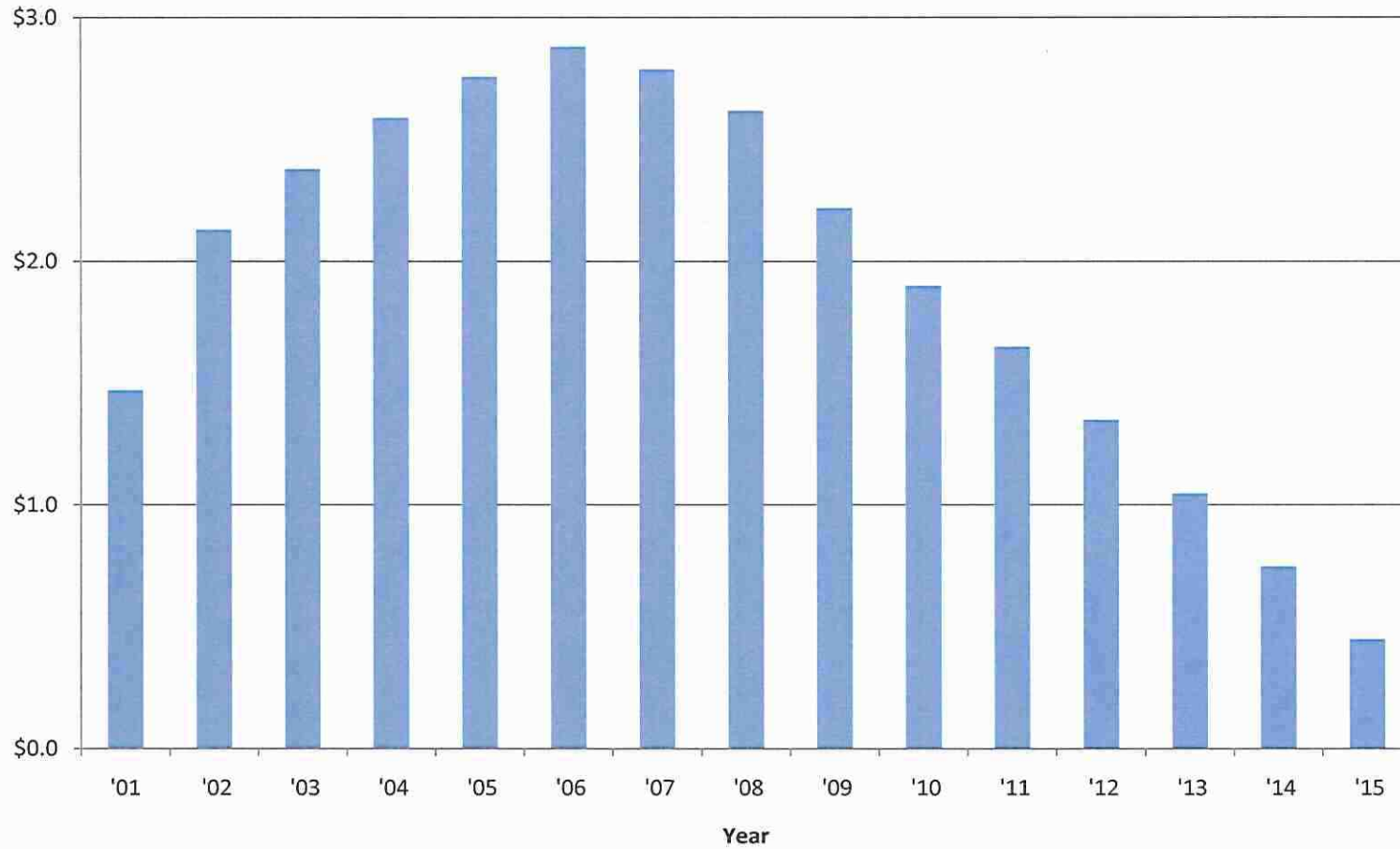
David Maeda
City Clerk

**City of Minnetonka
BUDGET LEVY 2010 - 2013**



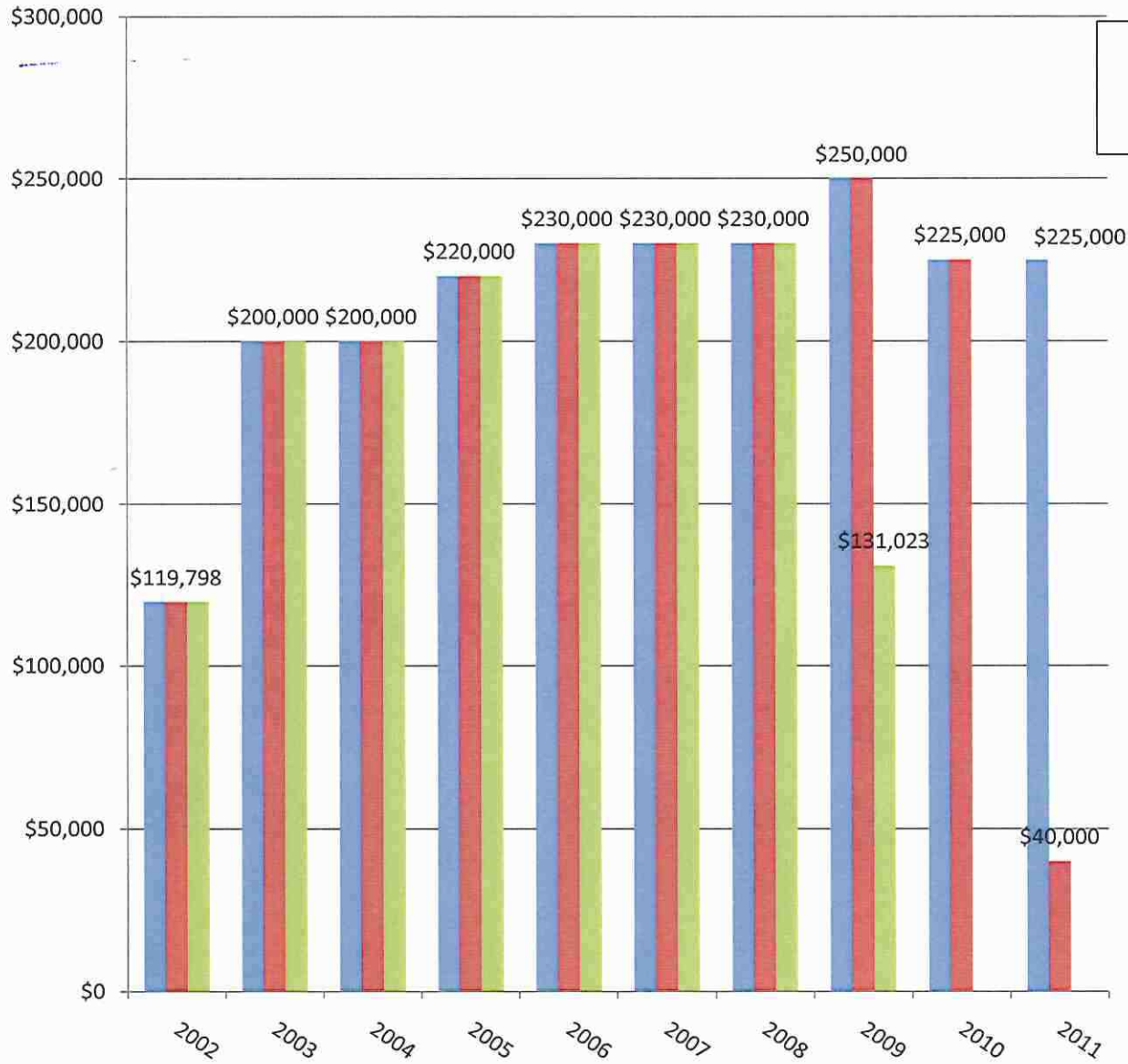
Livable Communities Fund Balance Projection (Millions)

Note: fund balance in 2011 does not include \$468,977 in committed WHAHLT funding



Year of Levy	2009	2010	2011	2012	Total
Amount	\$100,000	\$175,000	\$175,000	\$175,000	\$625,000
<i>Expenditures</i>					
Payments - 101/7 Study		\$45,000			
Pending WHAHLT - Dollars awarded 2009	\$100,000				
Pending Housing Programs			\$190,000	\$95,000	
Pending Village (Ridgedale Traffic/LU LRT Shady)			\$100,000	\$80,000	
Balance	\$0	\$130,000	\$15,000	\$15,000	

**WHAHLT EXPENDITURES AND ALLOCATIONS
MAY 2011**



\$468,977
Pending from
Livable Communities Account

- GRANT AWARD
- AMOUNT ALLOCATED TO SPECIFIC PROJECTS
- AMOUNT SPENT TO DATE

**Ruffridge
Johnson**
3024 Fourth Street SE
Minneapolis MN 55414

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FAX 612 378 9385
WATS 800 462 5383

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Glen Lake Elementary receives Safe Routes to School Grant; city staff helped with grant application and will assist with project construction

The Minnesota Department of Transportation (MnDOT) recently announced that Glen Lake Elementary School is one of 16 Minnesota recipients of the federally funded Safe Routes to School program, which provides federal grants to improve the conditions and quality of bicycling and walking to school.

The \$358,000 grant received by Glen Lake Elementary will cover the cost of installing:

- A sidewalk on Woodridge Road from the elementary school to Excelsior Boulevard
- A sidewalk on Excelsior Boulevard from Woodridge Road to Glenview Drive (Glen Lake Park).
- An internal sidewalk system that will provide better access for students living east of the school.

Although the grant was submitted by the school, City of Minnetonka Project Engineer Nate Stanley prepared most of the background information for the grant and worked very closely with school staff on grant wording to ensure certain maximum points and dollars were obtained.

Nate will be responsible for administering the grant and for overseeing the sidewalk construction, slated to take place in the summer of 2012.

In addition, the city is assisting the school district in promoting Safe Routes to School by designing and submitting the following design to ClearChannel to run on dynamic signs throughout the city through October 10. Further publicity will be provided through the *Minnetonka Memo* and the city website.

Dynamic Sign:

