

**City Council Study Session Item #1  
Meeting of November 21, 2016**

**Brief Description:** 2017 Detailed Budget Review

**Recommended Action:** Review recommendations and provide direction

The purpose of this study session is to review detailed budget recommendations and to provide direction to staff on the 2017 budget prior to the public hearing and final budget and levy adoption by the city council on December 5, 2016. If substantial changes are needed based on feedback at the public hearing, adoption may be delayed until the council's December 19 meeting.

At its previous August 15 study session, council reviewed proposed 2017 budget targets, and subsequently adopted a preliminary budget at its September 12 regular meeting. Since the council's actions, additional information has now provided the opportunity for staff to **revise its recommended budget and levy down from the adopted preliminary levels**. Staff now recommends increasing the levy by a combined 3.5 percent higher than that of 2016 for current services, including wage and benefit requirements, the adopted 2017 capital budget, and less than one percent for new funding to appropriately meet new communication, engineering and fire service demands. After including increases for the voter-approved park referendum debt and the self-funded Ridgedale Mall tax abatement, the **total levy would increase 4.5 percent**, down from the adopted preliminary total levy increase of 4.9 percent.

As detailed in the city's 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. Staff estimates that the adopted levy will **increase city property taxes for the median value home in Minnetonka (\$322,600 in 2016) less than \$46 per year**. Note that individual property tax estimates mailed to homeowners earlier this month reflect the higher adopted preliminary levies, which were estimated to increase combined city property taxes for the median value home in Minnetonka about \$52 per year.

Although a truth-in-taxation hearing is no longer required, the city of Minnetonka has always welcomed and encouraged public input on its budget and property tax decisions. As is the city's practice, preliminary information was regularly provided in the monthly *Minnetonka Memo* and on the city's website, with community residents and businesses invited to provide feedback. Council will be copied on any taxpayer feedback as well as staff responses throughout its deliberation on the 2017 budget and levy. As of the drafting of this report, none has been received.

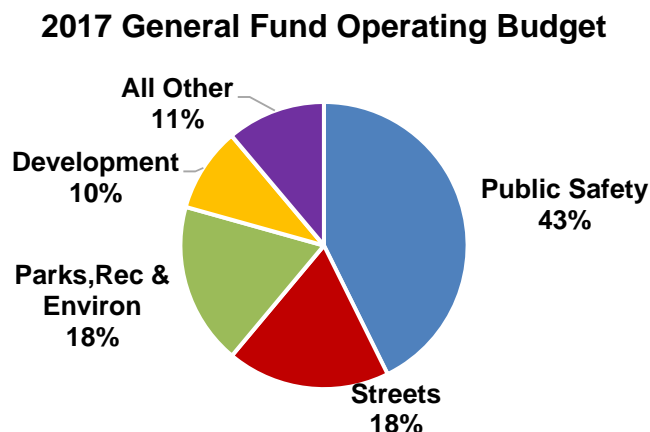
Also attached for council information is a staff report, which was also provided last year, on adjustments in city operations during the last twelve months or proposed for next year that highlights some ways that the public continues to receive value at reasonable costs. As merely a sampling of such continuous change, this addendum highlights a brief list of some of the modifications every city department has made over the period or is included as part of the 2017 budget. Additional changes are noted in the issues section on individual budget pages.

City management and employees continue to maintain its system of reevaluation through several means, including a three-tiered (city-wide, department level, and individual) annual merit system tied to the city's Strategic Profile. Additionally, we use all other windows of opportunity that arise with staff turnover and retirements to analyze potential reorganizations, staff assignment changes, outsourcing, and divestment of service provision. Some of these opportunistic reorganizations may be noted during the closed session briefing prior to this evening's study session.

Council will note changes in employee numbers summarized in Appendix C between the original and revised 2016 budget, and the 2017 budget reflect such adjustments. A commitment to employee development, training and regional involvement keeps new ideas and technology advances in the forefront.

## 2017 BUDGET

The significantly greatest proportion of the city's general fund operating budget continues to be dedicated to public safety programs and services, which is consistently the highest priority of Minnetonka's residents according to the annual community survey. The increase for general government services, all other, reflects 1) the growing demand for immediate information via multi-modal methods to residents regarding the city's increasing intensity of road and utility work on city streets and 2) workload associated with the increasingly complex and heavily regulated human resource environment plus costs associated with changing workforce demographics.



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<b>GF Spending (000s)</b>	<b>2016</b>	<b>2017</b>	<b>Change</b>
Public Safety	\$13,621	\$14,224	\$603
Streets & Facilities	5,903	6,128	225
Parks, Rec & Environ	5,877	6,084	207
Development	3,038	3,175	137
All Other	3,480	3,707	227
<b>Total General Fund</b>	<b>\$31,919</b>	<b>\$33,318</b>	<b>\$1,399</b>
			<b>4.4%</b>

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## Public Safety

**Fire Service.** As was introduced in previous council deliberations, the 2017 budget includes funding to continue to address the challenges of recruiting and retaining our efficient and effective paid-on-call (POC) fire force. The Fire Department will add one additional full-time fire technician position and will restore the current part-time fire inspector position to full-time status. Based on council feedback at the August study session, monies are included to increase the city's contribution to POC deferred compensation and modestly increase the hourly rate paid for POC crew leader shift pay. Finally, the salaries of full-time leadership positions in the department, other than the fire chief, are budgeted in two staggered-step increases to bring them in line with the market.

Staffing. Changing workforce demographics and requirements of the federal Affordable Care Act (ACA) have changed the environment and boundaries under which the POC fire force can be effectively used. The new technician position and added hours for the inspector position are part of the city's plan to focus more of the limited hours of POC firefighters upon fighting fires, responding to emergencies, duty crew staffing and all of the many related training requirements. At an additional total cost of about \$130,000 in 2017, the staffing increase will strategically allow permanent regular positions to be responsible for the other essential services and work of the department, such as management, planning, inspection, investigations and equipment maintenance and logistics.

Retirement compensation. Historically, fire service in most of Minnesota has evolved from primarily all-volunteer, independent departments into city-managed forces where firefighters are paid minimal hourly rates for only the hours served, namely paid-on-call. To supplement this very low compensation, state law provides a pension governed by separate boards of firefighters (relief associations) for each community's force that are funded by state fees derived through private property insurance. Communities generally guarantee full funding of the pensions and may supplement them over time as

provided and limited in state law, and several city officials including mayors serve in ex-officio capacity on the pension boards.

Since 2008, Minnetonka has not only continued to support full-funding of the traditional pension for Minnetonka POC firefighters through cash infusions to the separate pension fund when needed, the city has also supplemented our firefighters' retirement packages by paying for pre-tax contributions to a deferred compensation plan (IRS 457) for each POC firefighter. The city has increased this latter hourly contribution since its inception, and in 2015, expenditure for the added benefit was approximately \$130,000 for the year. The current deferred compensation payment of \$3.54 per hour is paid to POC firefighters for each duty crew hour and call-back hour worked, and no city contribution is provided for training hours.

The 2017 proposed budget would increase that per hour city contribution to \$3.59 per hour, in line with general salary increases across the organization, and would expand the program to pay the hourly contribution for all hours worked, including training hours. At a cost of around \$60,000 annually, the additional investment would ensure the city's competitiveness with other POC fire services in our neighboring cities, some of which have instead increased and continue to increase the traditional pension benefits and hence supplemental financial support to those funds.

The deferred compensation benefit to our firefighters can be a more stable and sure method of compensation, since the recent volatility of the investment market has imperiled many traditional government pensions. Additionally, the deferred compensation benefit is portable, and thereby may make our fire service more attractive to today's generation of new firefighters. Each vested firefighter will continue to receive his/her traditional pension in addition to the deferred compensation benefit as a total retirement package. Because the traditional pension requires ten years to be vested and is structured to increase the benefit with each additional year of service up to thirty years, firefighters have an incentive to continue their service with Minnetonka.

Other compensation. The city's fire force has evolved over the last approximately twenty years from a relatively separate volunteer corps to become an integral part of the municipal organization. As the fire chief continues to realign the fire force's management structure, the 2017 salaries of specific department full-time positions will be increased using the same methodology as the rest of the city's workforce, ensuring each position is in line with the compensation for those positions in our comparable metro cities.

Additionally, the 2017 budget will supplement duty crew leader shift pay rate, increasing it by \$1.00 per hour for a total of \$1.30 per hour. At a relatively minor cost increase of around \$3,000 for the year, the differential pay will appropriately ensure the vital crew slots are regularly filled for full coverage during duty crew hours.

**Police.** As a part of the city's readiness efforts and in recognizing our needs to proactively communicate and engage with the Minnetonka community, the police department continues to evaluate its services and programmatic structures. Recent analysis along with current events have led staff to propose that the 2017 budget use current-level funding to modify the assignment of one officer from traffic enforcement over to community engagement. Staff believes that technology developed over the last several years will allow this change without impacting traffic enforcement service levels.

As a brief background, in 2000, the city council directed the police department to develop a traffic enforcement program and authorized two new officers for the program. After the 2006 community survey indicated that 58 percent of respondents believed speeding on Minnetonka residential streets was an issue, a third full-time position was authorized by the council in 2008, which increased the traffic unit to three officers. Ongoing response to this survey question over the past ten years has varied, with a low of 43 percent in 2015 and the most recent community survey indicating 52 percent believe speeding is an issue.

Because traffic management technology has evolved to be both effective and affordable, staff believes the newer traffic enforcement strategies will enable the work to be accomplished by only two officers. In 2017, fine and forfeiture funding will afford the purchase of radar speed limit signs and a license plate reader. Studies have shown radar speed limit signs produce a 10-20 percent reduction in roadway speed and increase speed limit compliance, while the portability of the signs provide staff with the ability to place them in varying problem areas on a temporary basis. License plate readers are an effective tool in identifying persons or vehicles whose license plates are connected to a crime or infraction, and placing them on a squad car will increase the effectiveness of traffic enforcement by the remaining assigned officers.

The third traffic officer position will be reassigned to a new position identified as a Community Engagement Officer. Staff believes this change is necessary to align the department with changing policing models that have arisen recently throughout the country and our region. As part of the city's overall community outreach initiatives, the new assignment will allow the department to proactively seek opportunities that will build trust between the community and police. This position will also be a direct liaison with other city departments, working closely with the departments on quality of life issues within the community as well as on prevention and readiness for any and all public safety related events that may develop.

***Discussion Questions:***

- ***Does council concur with 2017 staff proposals for personnel realignment and funding of the fire and police departments?***

- ***Does council have any other feedback regarding these or other public safety budget issues?***

## **Streets & Utilities**

**Road programs.** The 2017 budget continues the city's strong commitment to maintaining and improving its substantial investment in streets, storm water and utilities infrastructure. At a cost of \$45.7 million in 2017, over one-half of all city resources continue to be dedicated to this core responsibility. Minnetonka's adopted and amended CIP for 2017 includes major street, storm water and water utility reconstruction on Crosby Road. Scheduled milling, overlay and refurbishment of various other streets and neighborhoods throughout the city include east Lake Street Extension, Hillside Lane, Lindbergh Drive, south Oakland Road, and west Cedar Lake Road. The 2017 capital budget also includes nearly \$4 million in funding from various sources, including Municipal State Aid, for infrastructure and bridge improvements in the Opus area in anticipation of needs association with the Southwest Light Rail station.

**Staffing.** Over recent years, staff has been challenged to effectively communicate and appropriately respond to residents and businesses located in the neighborhoods of these major and disruptive construction projects. Staff has used and will continue to use various strategies including email and text notification, citizen alerts, newsletters, social media, door hangers and magnets with city contact information. Nonetheless, with the uptick in workload anticipated as we begin to ramp up enhancements to the city's trail system as well as the infrastructure improvements brought to bear by the Southwest Light Rail Transit project and the increased workload associated with full utility replacement projects, the 2017 budget includes funding for one additional project engineer (\$102,000) and increasing the engineering department's right-of-way technician hours to full-time (\$24,000).

As discussed in August with the council, the public works department has begun to experience significant difficulties in recruiting necessary seasonal workers. The department normally requires around three to four dozen workers during the summer to accomplish regular road, park and natural resource maintenance that cannot otherwise be accomplished by our permanent employees or the ICWC crews. In order to ensure the needed seasonal staffing levels, the 2017 budget includes an additional \$54,000 to raise the hourly wages of these workers. Management analysis currently shows that the wages of the city's other seasonal workers do not require augmentation at this time.

**Water and sewer utilities.** The long-range financial plan for replacement and repair of the city's water and sewer infrastructure continues into 2017. While a substantial portion of the work is associated with much of the city's road program, the 2017 adopted capital budget also includes significant funding for other critical system updates, including the final planned sewer forcemain lining project from Williston Road to

Guilliam Field (\$3 million), system sustainability requirements (\$791,000), ongoing infiltration and inflow reduction projects (\$250,000), and repair/replacement of the city's fire hydrants (\$200,000).

As part of the adopted financial plan, council will be asked in December to approve the second and final year of larger water and sewer rate increases to be effective beginning January 2017. The plan calls for lower annual increases thereafter over the next thirteen years. The progress of construction as well as actual project costs, determined as they are bid, will govern when the city must sell additional bonds to support the work. Currently, cash flow projections indicate that bonds may need to be sold at the end of 2017 or early 2018.

**Buildings.** Over the past year, the city's new buildings manager has worked with consultants in developing a comprehensive inventory of both current and long-range space needs for municipal programs and associated staff that office out of city hall. Although plan specifics are not quite ready to be rolled out, the 2017 capital budget includes a smaller initial funding stream to begin to accommodate costs of the implementing its recommendations. Staff anticipates presenting more information to the council during deliberation of the 2018-22 Capital Improvements Program (CIP).

Electricity. Over the past three years, the price of electricity has risen by nearly nine percent. In 2015, the city spent over \$1.4 million for electricity in city facilities, to power our water utility enterprise, and to light city streets. To combat these higher costs, the city has taken a number of actions, not the least of which is the negotiation of contracts with privately developed solar gardens that will realize cost savings to the city beginning in 2017.

The first of these gardens will be constructed and operational next year. Under the auspices of Innovative Power Systems, this garden will produce 3.5 million KW-h of electrical energy that will result in approximately \$27,000 of savings to the city's 2017 operating budget. Those savings will firstly be directed to property tax supported (General Fund) expenses, which account for approximately 36 percent of the city's electricity bill.

Although the city also holds contracts for several other solar garden projects, approvals from the Public Utility Commission and construction are not likely to be attained until 2017. Because the construction startup dates have not yet been announced, savings to the city associated with these later gardens are not yet assumed in the budget.

Additionally, the city annually implements a plan of energy conservation measures, and in 2017, the adopted capital budget includes funding to replace and improve the HVAC automation systems of City Hall, the police building and Williston Center. City staff also applied for and is receiving a matching Hennepin County Youth Sports grant to light the Civic Center Complex playing fields.

**Sidewalks & trails.** In deliberating the 2017-21 CIP, the city council recognized the community's increasing need and desire for improvements to the city's trail system. As a result, the adopted five-year capital budget prioritized north-south routes by moving construction of the Plymouth road trail (Minnetonka Blvd to Hilloway Rd) into 2019. Because the 1.4 mile addition is currently estimated to cost as much as \$1.8 million, staff has included an amendment to the CIP in 2016 for \$20,000 to conduct a more detailed feasibility study of the project in partnership with Hennepin County. The results of the study will inform further discussion of the project during council's deliberation of the 2018-22 CIP this spring.

## **Natural Resources**

**Water quality management.** Following the October 17 council discussion regarding water quality management, the 2017 budget designates \$7,500 in the Storm Water Fund budget to initiate a fall street sweeping pilot program for added water quality protection and improvements. The pilot program will begin in the fall of 2017, targeting a priority lake area to be determined following the completion of the city's annual 2016 water quality analysis report and the development of a small lakes policy. As the pilot moves forward, the sweeping area will focus on water quality monitoring data collected annually and compared to other areas. The city understands water quality benefits will not be instantaneously observable; however, staff will oversee continued monitoring in order to quantify the water quality benefit provided. The program will be reevaluated after a pilot period of 3-5 years to determine potential benefits and future funding allocations.

**Environmental Fund.** The city's Environmental Fund finances not only curbside recycling but also other important renewable/reusable programs including the city's yard waste drop off program. Staff is in the process of renegotiating a couple of service contracts associated with the yard waste program. So far, an annual savings of \$50,000 for the 2017 budget has been secured by reducing charges to the city for brush grinding, and another fee reduction may still be finalized in the next month or so for leaf hauling. Although the city's recycling fee is likely to be increased modestly for 2017, these cost savings will be needed to offset the elimination of contract revenue from the sale of recycled materials that began this year.

Hennepin County grant programs, which support the fund, have begun to pivot its emphasis more upon composting. In 2016, the city received only a small additional grant of \$12,740 for these purposes. Because the county's programs have not been finalized, the 2017 budget does not anticipate additional funding beyond that currently received by the city.



**Forestry.** The 2017 budget continues implementation of the Emerald Ash Borer (EAB) program. Although the EAB has not been officially found within Minnetonka, it has arrived less than two miles away from the city. Therefore, in anticipation of the eventual demise of the city's ash trees, which are estimated to number 60,000 in our community, natural resources staff continue its pre-arrival work. The plan includes ongoing removal of vulnerable ash trees, replacement with diverse native species, and treatment of a small cadre of high value ash trees. A modest annual appropriation and levy continue to be included in the annual budget for the Forestry Fund, and monies not spent accumulate by design in the fund in order to ensure the city's readiness for the certain nearly simultaneous death of our ash tree population.

## **Recreation**

**Ice arena.** Operational changes designed to improve the ice arena's budget include council's direction to advance a \$1.8 million capital project to replace Ice Arena A's refrigeration and dasher board from 2018 to 2015. The project was completed in the fall of 2015, on time and under budget. Completion of the project reduced annual expenditures due to the elimination of expensive R22 refrigerant and the reduction in costly repairs needed on the previous 40-year-old mechanical system.

As a result of the renovation project and a staffing reorganization, staff estimates that operating costs in 2016 and the budget for those expenditures in 2017 each will be greater than \$100,000 below actual 2014 numbers and that operating revenues will cover operating expenses for each of those years. The annual \$50,000 General Fund subsidy will remain in place to enable ongoing resolution of the facility's negative cash position of approximately \$463,000 at the end of 2015 and towards an appropriate operating reserve balance.

**Williston Center.** The 2017 budget for the city's fitness center reflects continued forecasted strength in the enterprise's financial position. After ending 2015 in a positive position even after accounting for depreciation, the facility continues to cover the costs of all operating costs as well as capital investments, including replacement of the pool deck and fitness equipment in 2016. With a goal of targeted membership numbers around 8,500, staff evaluates program offerings and user fees on an ongoing basis to ensure that the community continues to enjoy the benefits of this important asset in a self-sustaining manner.

Following the resignation of a recreational programming manager position in June, recreation services evaluated staffing levels and programming needs and determined that the greatest need existed in the area of health and fitness. In October, the position of fitness coordinator was hired to administer a fitness curriculum for both Williston Center and general community programming. Primary responsibilities of the position include hiring and training of fitness staff, and managing the Williston Center personal

training program. The Williston Center hosts over 100 fitness classes on a weekly basis, with group fitness being one of the major attractions for facility users. This past October, classes were attended by more than 6,000 participants.

## **Development**

As has been discussed over the last several years, workload in the Community Development Department continues at a high level. Even with an additional full-time inspector approved for the 2016 budget, the department continues to supplement inspections by hiring part-time staff, currently seven individuals.

As briefly discussed in August, community development will implement a new software called Avolve to significantly improve the workflow of the division and customer service to developers. Appropriated as part of the 2017 capital budget with monies from the Technology Fund (\$50,000) and an ongoing maintenance fee (\$25,000 per year) in the community development department budget, the system is scheduled to go-live in June 2017 and will allow customers to submit and amend all application materials to the city for approval of developments. Likewise, city staff commentary can be exchanged and documented electronically throughout the process.

In the 2016 planning division budget (General Fund), there are dollars allocated for the preparation of the comprehensive plan. Since those funds will be expended in 2017, they'll be transferred at year end to the Development Fund. The 2017 planning budget includes additional dollars for the comprehensive plan preparation, and it is anticipated that there would be 2018 expenditures as well.

As the city council is aware, the council acting as the Economic Development Authority preliminarily adopted \$75,000 in the Housing and Redevelopment Authority (HRA) levy in 2017 to continue for a second year the 10-year payback to the Special Assessment Construction Fund (SACF) for the city's commitment to the Southwest Light Rail Transit project. The remaining balances in the HRA fund will serve as continued support for the city's two housing loan programs, marketing, and business outreach.

## **All Other**

**Human resources.** Because the city is primarily a service business, workforce-related legislation has a significant impact on both the city's work and its finances. Council will have discussed a number of labor relations issues in a closed door session earlier this evening. As discussed at the August budget study session, management has been able to take advantage of a slight decrease in health insurance premiums in 2017 to restructure the city's contribution tier structure to aid in controlling the city's experience

rating related to health insurance. The change will also address our recent experiences of losing candidates for key positions due to this critical benefit issue.

Also discussed at the August study session, the 2017 budget includes funding for a six-month transitional position (\$43,000) associated with a human resources division retirement. The overlapped staffing will make certain the administration can appropriately support the service levels required by the ongoing high turnover, continued staff development needs, and mounting complexities in health care and other legal provisions. In a lean organization such as the city of Minnetonka, general support in human resources is critical for ensuring ongoing direct services to our public.

The 2017 budget also includes temporary one-time funding (\$30,000) to outsource the update of all City of Minnetonka job descriptions. The work will ensure that the city is in compliance with employment laws enacted or changed over the last ten years.

**Communications.** Communications expectations have changed dramatically in the last 10 years. Due to the proliferation of mobile technology and social media, residents expect accurate and easy-to-understand information in a timely manner, via a number of different mediums – and these expectations are only increasing as technology and society evolve. The demographics of Minnetonka also create a unique communications challenge, as a large portion of our population relies on traditional, albeit costly, print forms of communication (as evidenced by community survey results consistently showing high marks for the *Minnetonka Memo*), while a growing portion of the population is looking for new and different ways to receive information (as substantiated by a 50 percent growth in digital subscribers in the last two years alone) especially as it relates to infrastructure improvement projects.

Recognizably, these increased pressures affect our ability to meet council and staff goals, and adapting to better meet these expectations is critical if we are to continue representing Minnetonka as the premiere, quality place it is. The 2017 budget includes funding for a new communications specialist position (\$102,000). This adjustment in staff will make it possible for communications personnel to better support the work of all departments and allow the communications and marketing manager to focus on implementing initiatives outlined in the council's strategic profile work plan.

**Property Tax Court appeals.** As is prudent, Minnetonka annually budgets for property tax proceeds that must be returned to primarily commercial property owners as the result of property tax value appeals to the Minnesota Tax Court. During the economic aftermath of the recession, the cost of these cases spiked since the real estate market was in flux. Historically, such settlements have generally cost the city around \$230,000 each year. However, due to a delay in adjudication at the state level, the high burden of recessionary costs peaked in 2014 at nearly \$640,000, and the city has conservatively budgeted for a higher level than average after that time based on outstanding caseloads -- \$350,000 in 2015 and \$450,000 in 2016.

Since the August budget study session, city assessing staff has settled appeals of some of the most valuable commercial properties in the city. The city assessor judiciously sought agreements that will protect the city from similar tax payouts for those properties through taxes payable in 2018. Therefore, after payout for these settlements this year, the forecast for these costs may be reduced in the budget for the preliminary 2017 budget from \$450,000 to \$350,000. This \$100,000 reduction is the primary driver for allowing the proposed tax levy for 2017 to be reduced to an increase of only 4.5 percent from the adopted preliminary increase of 4.9 percent.

## **GENERAL FUND BALANCE**

In 2012, the council revised the city's fund balance policy in compliance with new standards issued by the Government Accounting Standards Board (GASB). The adopted policy helps ensure stable tax rates and allows the responsible allocation of available one-time funds for appropriate uses. Specifically, the policy provides that any balance not assigned to a specific purpose that is above 40 percent of the following year's operating budget is available for other one-time purposes, such as capital needs or pilot programs for which there are no ongoing financial commitments.

Accordingly, the 2017 budget includes a 40 percent *Budget Stabilization Reserve*, which will accommodate one-time funds to be used to purchase capital equipment as well as facility maintenance and development costs per the adopted and amended CIP in 2017. Current gross revenue estimates for this year are generally in line with forecasts provided in August. Current expenditures are similar to those experienced in 2016, and as a result final costs will likely be down from those indicated within the budget document. As a result, the city is likely to experience funds remaining on the bottom-line above the approximately \$100,000 currently estimated.

As in previous years, the remaining unassigned fund balance is currently obligated to support transfers planned over the following four years of the adopted five-year CIP. Any additional "bottom-line" funds realized at the close of 2016 above that currently indicated will likely first be obligated to ensure that the Budget Stabilization Reserve will cover rises in annual operating costs. Assignment of any remainder would be discussed at the April 2017 CIP study session.

## **2017 LEVY**

The 2017 proposed operating and adopted capital budgets plus the HRA budget will require an overall increase in the city property tax of 4.5 percent. Of this, one percent is the required increases for the last of the city's voter-approved bond debt issued this year and the self-funded tax abatement for Ridgedale Mall.

Of the residual 3.5 percent increase, 1.6 percent is to maintain current services and one percent is to fund the Capital Improvements Program (CIP) adopted in July. The remainder underwrites operations and staffing to meet strategic objectives in connecting the community through safe trails, adequate roads and effective communication, ensuring ongoing proficient and efficient fire services, and reaping the advantages of technology to improve city services.

<b>Levy (thousands)</b>	<b>2016</b>	<b>2017</b>	<b>Change</b>
City property taxes, current services	\$34,114	\$34,656	1.6%
New initiatives		329	0.9%
Capital program increase		349	1.0%
<b><i>Subtotal</i></b>			<b><u>3.5%</u></b>
Voter-approved bond debt increase		269	0.8%
Ridgedale tax abatement increase		55	0.2%
<b><i>Total</i></b>	<b><u>\$34,114</u></b>	<b><u>\$35,658</u></b>	<b><u>4.5%</u></b>
HRA	\$175	\$175	-

New development and redevelopment in the city increased the city's property tax base last year as reported in March by the city assessor. Overall the city's assessed market value increased by 3.6 percent, a proportion of which was the result of actual improved real estate as opposed to market forces alone. Although there are some very significant real estate improvements currently in the pipe line, most of those will not impact the property tax base until after payable 2017.

It is critical to be mindful that the city of Minnetonka only accounts a little over one-quarter of a homeowner's total property tax bill. The remainder is attributable to taxes levied by school districts (32 percent), Hennepin County (34 percent), and other jurisdictions (6 percent). For businesses, the city's share is only about ten to twelve percent of the total. Additionally, the actual change in taxes for any single property will vary from the median on a case-by-case basis.

***Discussion Question:***

- ***Does the council have any questions, comments or feedback regarding any aspect of the proposed 2017 budget?***

## **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. Public safety and roads remain the highest budget priorities, with nearly three-fourths of the city's annual resources dedicated to these basic services. We continue to strategically position the city to be fiscally responsible, preserve its standards of excellence, and encourage organizational innovation and creative thinking.

Property taxes that support the 2017 budget are held to an increase of 4.5 percent with no increases for the Housing Redevelopment Authority (HRA) levy. At this rate, the median value home in the city will experience an increase of less than \$46 for the year in city property taxes and 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 2017 and well into the future.

Originated by:

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