



**Agenda
Minnetonka City Council
Study Session
Monday, November 30, 2020
6:30 p.m.
WebEx**

1. *Closed session – labor negotiation strategies – 5:45 p.m.*
2. Reports from City Manager & Council Members
3. Review strategic profile action steps
4. 2021 Detailed Budget and Utility Rate Review
5. Adjournment

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

**City Council Study Session #3
Meeting of Nov. 30, 2020**

Brief Description: Review strategic profile action steps

Background

The city council participated in a series of five strategic planning meetings this past summer and fall, facilitated by Patrick Ibarra of The Meioranda Group. During those meetings the council drafted and agreed to a revised vision statement, mission statement, and guiding principles. The council also reviewed a restructured draft of strategic priorities and key strategies at the final strategic planning meeting on Sept. 15.

At the Oct. 12 city council meeting, staff presented a final draft of the strategic priorities and key strategies which were revised to include the council's feedback from the Sept. 15 strategic planning meeting. The city council supported the final draft of the updated strategic priorities and key strategies. Since that council meeting, staff has developed an expanded version of the strategic profile by including draft action steps for each of the key strategies that the council has reviewed.

The action steps are the final piece of the strategic profile and are considered the third level of the plan. Each strategic priority was assigned to a work group of city staff who met and developed the action steps attached for the council's review. In addition to developing action steps, the groups also identified key metrics that will be included in the strategic profile to help visually support the various action steps and areas of the strategic profile.

To conclude the updating of the 2021 strategic profile, the city council is asked to review and provide comments to the proposed action steps in the attachment. The strategic priorities and key strategies are also included in the document as reference to what the council has already updated.

Discussion Point

- ***Does the city council have any feedback on the proposed action steps that will be incorporated into the strategic profile?***

Summary

Once the council has provided feedback to the developed plan, staff will present the final version of the plan at an upcoming meeting. Reporting on the new action steps and key strategies will begin after the first quarter of the new year, 2021, and will continue quarterly throughout the year.

Submitted through:

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Mike Funk, Assistant City Manager

Originated by:

McKaia Ryberg, Assistant to the City Manager

Who we are



VISION STATEMENT

Minnetonka is an inclusive community committed to excellence where all residents, workers and visitors are welcome in a beautiful, sustainable place, supported by quality, dependable city services.

MISSION STATEMENT

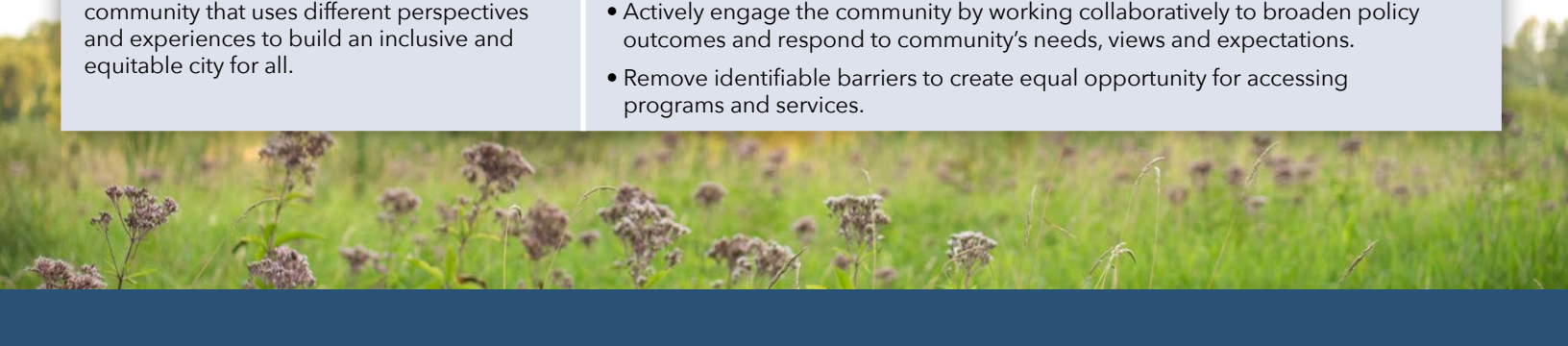
Provide **quality public services**, while striving to preserve and enhance the distinctive character to make Minnetonka a **special place for everyone**.



OUR GUIDING PRINCIPLES

- We earnestly commit to a **beautiful, sustainable and healthy environment** as a vital part of a stable, prosperous and thriving community.
- We responsibly deliver **excellent public services** and **provide affordable opportunities** to ensure access to all we serve.
- We ethically uphold **community trust** through proactive, inclusive public engagement, transparent communications, and the careful stewardship of our financial, natural, and capital assets.
- We nimbly **lead our city into the future** by anticipating community needs, pursuing service innovation and adoption of new technologies, and forging collaborative partnerships with all sectors of society.

STRATEGIC PRIORITIES	KEY STRATEGIES
<p>Financial Strength and Operational Excellence</p> <p>Maintain a long-term positive financial position by balancing revenues and expenditures for operations, debt management and capital investments. Provide innovative, responsive, quality city services at a level that reflects community values and is supported by available resources.</p>	<ul style="list-style-type: none"> • Maintain the city's AAA bond rating. • Develop an annual budget that meets community needs and is in alignment with the strategic plan and financial policies. • Provide excellent, meaningful programs and amenities to serve and enhance our community.
<p>Safe and Healthy Community</p> <p>Develop programs, policies and procedures that enhance the community's well-being and partner with the community to provide engagement opportunities and build trust. Sustain focus on prevention programs, education, hazard mitigation and rapid emergency response.</p>	<ul style="list-style-type: none"> • Identify and adapt to public safety service models that support evolving changes in service delivery expectations. • Identify safety strategies and practices that promote positive quality of life for all. • Collaboratively review current integrated police and fire policy and training protocols and implement appropriate changes. • Provide a full range of recreational programs, services and amenities.
<p>Sustainability and Natural Environment</p> <p>Support long-term and short-term initiatives that lead to the protection and enhancement of our unique and natural environment while mitigating climate change impacts.</p>	<ul style="list-style-type: none"> • Carefully balance growth and development with preservation efforts that protect the highly valued water and woodland resources of our community. • Develop and implement long-term plans to mitigate threats to water quality, ecosystems, urban forests and the unique natural character of Minnetonka. • Take an active role in promoting energy and water conservation, sustainable operations and infrastructure, recycling and environmental stewardship.
<p>Livable and Well-Planned Development</p> <p>Balance community-wide interests and respect Minnetonka's unique neighborhoods while continuing community reinvestment.</p>	<ul style="list-style-type: none"> • Implement programs and policies to diversify housing and increase affordable housing options. • Support business retention and expansion and attract new businesses. • Manage and promote the Opus area as a unique mix of uses and increased development reinvestment.
<p>Infrastructure and Asset Management</p> <p>Provide safe, efficient, sustainable, cost-effective and well-maintained infrastructure and transportation systems. Build, maintain and manage capital assets to preserve long-term investment and ensure reliable services.</p>	<ul style="list-style-type: none"> • Provide and preserve a quality local street and trail system. • Ensure connectivity through increased access to local and regional means of transportation (new mobility options). • Develop an annual capital improvement plan that supports the sustainable maintenance and replacement of assets. • Expand and maintain a trail system to improve safe connectivity and walkability throughout the community.
<p>Community Inclusiveness</p> <p>Create a community that is engaged, tolerant and compassionate about everyone. Embrace and respect diversity, and create a community that uses different perspectives and experiences to build an inclusive and equitable city for all.</p>	<ul style="list-style-type: none"> • Develop and implement inclusive recruiting, application, hiring and retention practices to attract excellent, qualified and diverse candidates from all backgrounds. • Foster an inclusive boards and commissions recruitment and appointment process to increase diversity. • Actively engage the community by working collaboratively to broaden policy outcomes and respond to community's needs, views and expectations. • Remove identifiable barriers to create equal opportunity for accessing programs and services.





CITY OF
MINNETONKA

Strategic Profile Action Items

Updated: Nov. 30, 2020

Strategic Priority: Financial Strength and Operational Excellence

Maintain a long-term positive financial position by balancing revenues and expenditures for operations, debt management and capital investments. Provide innovative, responsive, quality services at a level that reflects community values and is supported by available resources.

Key Strategies:

1. Maintain the city's AAA bond rating.

Action items:

- a. Maintain a Moody's fund balance rating of "Very Strong", which equates to a fund balance of greater than 30 percent of revenues.
- b. Maintain a Moody's net direct debt rating of "Very Strong", which equates to net direct debt being less than 0.75 percent of the city's taxable market value.
- c. Maintain Water and Sewer Utility fund cash balance of least two times the annual debt service, six months of ongoing operations, and 10 percent of accumulated depreciation.

Performance metrics:

- a. Annual fund balance comparison.
- b. Annual net direct debt calculation.
- c. Water and Sewer cash balance target.

2. Develop an annual budget that meets community needs and is in alignment with the strategic plan and financial policies.

Action items:

- a. Review annual strategic plan to prioritize city council objectives.
- b. Develop and approve 5-year Capital Improvements Plan (CIP).
- c. Perform long-term levy projections to ensure financial sustainability and responsible stewardship of the public's tax dollars.

Performance metrics:

- a. Estimated 5-year levy forecast.
- b. Approval of annual Capital Improvements Plan.

3. Provide excellent, meaningful programs and amenities to serve and enhance our community

Action items:

- a. Create internal work committee to evaluate and maintain services through the COVID-10 pandemic.
- b. Transition to ranked choice voting in 2021 elections, including the development of an educational campaign.
- c. Prepare construction plans for Ridgedale Commons and Crane Lake Preserve.

Performance metric:

- a. Community survey results (Ex. Quality of customer service).

Strategic Priority: Safe and Healthy Community

Develop programs, policies and procedures that enhance the community's well-being and partner with the community to provide engagement opportunities and build trust. Sustain focus on prevention programs, education, hazard mitigation and rapid emergency response.

Key Strategies:

1. Identify and adapt to public safety service models that support evolving changes in service delivery expectations.

Action items:

- a. Develop a long term staffing strategy for the fire department.
- b. Collect demographic data to guide public safety training and policy development and strategic planning.
- c. Partner with Metro Transit Police to explore establishment of a joint use police substation in the Opus area/Southwest Light Rail Transit.
- d. Align Minnetonka police officer training with the criteria established by the P.O.S.T. Board, MN Professional Peace Officer Education and professional organizations, along with federal and state requirements.
- e. On-going review of the recommendations made by The President's Task Force on 21st Century Policing.

Performance metrics:

- a. Average length of fire department member service. Member service target set at 8 years.
- b. Response time. (Maintain the standard of 10 firefighters on scene of a fire, within 10 minutes - 90% of the time).
- c. Number of field training officers that complete updated police officer training.

2. Identify safety strategies and practices that promote positive quality of life for all.

Action items:

- a. Collaborate with local business and non-profits to provide vehicle equipment safety inspections including child seat inspections.
- b. Prepare to facilitate a distribution site in Minnetonka for COVID-19 testing or mass public vaccinations.
- c. Participate in community engagement activities to increase understanding between law enforcement and people of color.
- c. Provide educational materials on police interactions to new drivers and elicit feedback from students.

Performance metric:

- a. Number of child seat and vehicle equipment repairs from drive up safety inspections. Child seat and vehicle equipment repairs set at 25 repairs.

3. Collaboratively review current integrated police and fire policy and training protocols and implement appropriate changes.

Action items:

- a. Establish a group of personnel from police and fire departments to identify the most critical potential incidents that would require joint policy.
- b. Develop a joint standard operating guideline for response to Mass Casualty/Active Shooter Events

- c. Develop a standard operating guideline for traffic management at emergency and non-emergency scenes.
- d. Develop a policy for joint structure fire response.

Performance metric:

- a. Number of incidents identified for joint policy. (Target line at three incidents).
4. Provide a full range of recreational programs, services and amenities.

Action items:

- a. Collaborate with the Hopkins School District to provide diverse and affordable preschool programming.
- b. Safely reopen Williston Fitness Center and provide socially distanced opportunities.
- c. Develop a water safety class for kids that explores different ~~types of~~ water safety concepts with lakes, oceans, rivers, currents, cold water, etc.
- d. Provide virtual programming for our senior population to ensure they stay connected.

Performance metrics:

- a. Number of HopKids programs offered with average program fee and attendance.
- b. Number of Williston programs offered with reduced capacity and COVID requirements.
- c. Annual registration numbers for aquatics programming.
- d. Number of participants in virtual programming.

Strategic Priority: Sustainability and Natural Environment

Support long-term and short-term initiatives that lead to the protection and enhancement of our unique and natural environment while mitigating climate change impacts.

Key Strategies:

1. Carefully balance growth and development with preservation efforts that protect the highly valued water and woodland resources of our community.

Action items:

- a. Review and gather public input to help guide updates to the tree protection ordinance.
- b. Develop a guide for the updated tree ordinance that can be used as a developer's tool and for general outreach.
- c. Incorporate green infrastructure practices (e.g. raingardens) as part of the Groveland Bay Area street reconstruction project to enhance water quality and increase landscape sustainability.

Performance metrics:

- a. Number of trees distributed/planted.
- b. Acreage in new conservation easement (e.g. wetland buffers, woodland preservation areas).

2. Develop and implement long-term plans to mitigate threats to water quality, ecosystems, urban forests and the unique natural character of Minnetonka.

Action items:

- a. Update the natural resources master plan to protect and enhance the biological and ecological integrity of the city's natural resources.
- b. Continue to update flood vulnerability models city-wide.
- c. Apply for the new state MS4 permit and update the city's Stormwater Pollution Prevention Plan.

Performance metrics:

- a. Number of stormwater treatment practices inspected annually for maintenance.
- b. Number of storm drains adopted through the city's Adopt-a-Drain program.

3. Take an active role in promoting energy and water conservation, sustainable operations and infrastructure, recycling and environmental stewardship.

Action items:

- a. Implement the city's Energy Action Plan for promoting energy conservation, including promotion of sustainability efforts the city takes.
- b. Implement a city sustainability commission.

- c. Implement a water conservation rebate program to reduce summer peak water use through irrigation.
- d. Conduct an annual leak detection survey to reduce unaccounted water loss.
- e. Implement a pilot cellular water meter program to address water conservation and reduce water use.

Performance metrics:

- a. Number of new solar installations.
- b. Number of home energy squad inspections.

Strategic Priority: Livable and Well-Planned Development

Balance community-wide interests and respect Minnetonka's unique neighborhoods while continuing community reinvestment.

Key Strategies:

1. Implement programs and policies to diversify housing and increase affordable housing options.

Action items:

- a. Implement two components of the housing work plan.
- b. Address accessory dwelling units in detached buildings in city code.
- c. Set ten-year affordable housing goals in accordance with the Metropolitan Council Livable Community Act.

Performance metric:

- a. Number of policies or actual affordability housing produced.
- b. Number of affordability housing units preserved.

2. Support business retention and expansion and attract new businesses.

Action items:

- a. Identify 15 various types of businesses to conduct a business retention and expansion visit.
- b. Produce and distribute Thrive Newsletter to business community.
- c. Promote city in target marketing, including diversity strategies.
- d. Establish cross departmental adaptations that respond to businesses changing needs.

Performance metric:

- a. Number of businesses "reached" (Number open to Business, Business visits, Thrive subscribers (including new subscribers)).

3. Manage and promote the Opus area as a unique mix of uses and increased development reinvestment.

Action items:

- a. Complete Alternative Urban Areawide Review process for Opus.
- b. Further refine capital improvement costs for infrastructure improvements (Bridges/LRT construction).
- c. Incorporate Opus wayfinding (public/private) in development and public projects.

Performance metric:

- a. Track value of new investment in infrastructure, public spaces, and private development.

Strategic Priority: Infrastructure and Asset Management

Provide safe, efficient, sustainable, cost-effective and well-maintained infrastructure and transportation systems. Build, maintain and manage capital assets to preserve long-term investment and ensure reliable services.

Key Strategies:

1. Provide and preserve a quality local street and trail system.

Action items:

- a. Coordinate Capital Improvement Program projects and oversee management of local street and trail projects.
- b. Coordinate all regional improvements including Hennepin County road work along segments of Minnetonka Boulevard, Plymouth Road, Baker Road and Shady Oak Road.
- c. Participate in statewide technical advisory group to review citywide speed limits and develop recommendation on future city consideration.
- d. Review and update the pavement management plan.

Performance metric:

- a. Number of projects completed.

2. Ensure connectivity through increased access to local and regional means of transportation (new mobility options).

Action items:

- a. Work with Metropolitan Transit on contract extension and route connections for SWLRT to plan for improved walkability and connectivity within the city.
- b. Revise winter trail maintenance priorities by adding park maintenance staff to the Opus area.
- c. Coordinate Capital Improvement Program trail construction program along Excelsior Boulevard, Minnetonka Boulevard, Ridgedale Drive, Hopkins Crossroad and in the Opus area.

Performance metric:

- a. Miles of trail planned and constructed.

3. Develop an annual capital improvement plan that supports the sustainable maintenance and replacement of assets.

Action items:

- a. Identify utility replacement program needs and future long-term utility replacements.
- b. Review overall city assets and infrastructure plan with internal sustainability committee.
- c. Review asset management and city infrastructure including fleet operations and other city infrastructure.

Performance metric:

- a. Money spent on asset improvements as a percentage of overall system.
4. Expand and maintain a trail system to improve safe connectivity and walkability throughout the community.

Action items:

- a. Collaborate with local school districts for grant funding.
- b. Identify opportunities to connect businesses to public trail system during development review applications.
- c. Establish a resident request process for trail improvements to the Trail Improvement Plan.
- d. Research feasibility of bike share program.

Performance metric:

- a. Number of new trail miles.

Strategic Priority: Community Inclusiveness

Create a community that is engaged, tolerant and compassionate about everyone. Embrace and respect diversity, and create a community that uses different perspectives and experiences to build an inclusive and equitable city for all.

Key Strategies:

1. Develop and implement inclusive recruiting, application, hiring and retention practices to attract excellent, qualified and diverse candidates from all backgrounds.

Action items:

- a. Review and update job descriptions.
- b. Review recruitment and interview processes and remove any implicit biases.
- c. Explore new methods of advertising/promotion publication mediums.
- d. Utilize NeoGOV software to track applicant demographic data.

Performance metric:

- a. Track number of employees of color.

2. Foster an inclusive boards and commissions recruitment and appointment process to increase diversity.

Action items:

- a. Implement new boards and commissions recruiting software to help track applicant demographics.
- b. Review/update application form and launch a new on-line fillable application.
- c. Create and implement a marketing plan to reach new groups and populations in the community.
- d. Receive feedback from council on interview and selection process.
- e. Offer diversity, equity and inclusion (DEI) training for city council and boards and commission members.
- f. Provide DEI on-boarding for newly elected officials and boards and commission members.
- g. Identify current demographic composition of boards and commissions.

Performance metrics:

- a. Demographic statistics from new application.
- b. Demographic statistics of current boards and commissions members.

3. Actively engage the community by working collaboratively to broaden policy outcomes and respond to community's needs, views and expectations.

Action items:

- a. Evaluate and partner with community groups on DEI.
- b. Evaluate feasibility of creating a community work group.
- c. Collect community data and feedback.
- d. Prepare an inventory of current community engagement efforts and partnerships.

- e. Review annual community survey questions.

Performance metrics:

- a. Survey results/statistics (Community Survey).
- b. Number of community engagement events.
- c. Number of active community partnerships.

- 4. Remove identifiable barriers to create equal opportunity for accessing programs and services.

Action items:

- a. Create guidelines that recognize targeted audiences for program specific services, review modes of communication, and adapt messaging.
- b. Review and evaluate current program offerings to determine effectiveness.
- c. Review geographic locations of program offerings.
- d. Award recreation scholarships to 100% of qualified applicants through the Richard Wilson Scholarship Fund for youth program participants.
- e. Engage local volunteers and stakeholders to assess the new multi-use mountain bike trail at Lone Lake Park and report findings to the park board and city council.
- f. Prepare an end of year scholarship report.
- g. Create a Lone Lake mountain bike use report.

Performance metrics:

- a. Location map of program offerings.
- b. Number of scholarships presented.

**City Council Study Session Item #4
Meeting of Nov. 30, 2020**

Brief Description: 2021 Detailed Budget and Utility Rate Review

The purpose of this study session is to review detailed budget recommendations and to provide direction to staff on the 2021 budget prior to the public meeting and final budget and levy adoption by the city council on Dec. 7, 2020. If substantial changes are needed based on feedback at the public discussion on Dec. 7, adoption may be delayed until the council's Dec. 21 meeting.

In addition, council is requested to review and provide feedback on the 2021 proposed utility rates. A public hearing will be held on Dec. 7 to further review the 2021 proposed utility rates.

At the Sept. 21 council meeting, council adopted a preliminary levy increase of no more than 3.5 percent for 2021. Since that council meeting, staff have been inputting the detail line items into the budget. In addition, supplemental budget information has become available to better estimate the revised 2020 and proposed 2021 budget impacts.

As discussed at both the Aug. 24 council study session and the Sept. 21 council meeting that set the preliminary levy and budget, the proposed 2021 levy and budget are consistent with our strategic goals and community values. Within that framework, the budget recommendations presented are both forward-looking and responsive to community and city council concerns, specifically to ensure that city services are maintained. The proposal aligns with the reaffirmation by a considerable majority of Minnetonka community survey respondents that they would support an increase in taxes to maintain city services. The recommendations are built using long-term forecasts including a conservative eye toward changes in the national economy.

Staff estimates that the impact of this proposed property tax increase on a median-valued home in the city would be a slight decrease in taxes of \$5 annually. The city's proposed levy increase of 3.5 percent is likely to place Minnetonka's levy increase among the lower third of a group of similar metro cities, a number of which are facing similar challenges. While a couple of our comparable cities continue to receive Local Government Aid, Minnetonka will continue to not receive this state financial support in 2021.

OUR PUBLIC PROCESS

State law requires cities, school districts and other government taxing jurisdictions to certify preliminary budgets and tax levies to the county by September 30, 2020. This is the maximum amount the city can levy for 2021. Counties then report these preliminary levies to all property owners in early November.

Guided by the council's initial discussions in August, staff has now developed detailed budget requests for council review and discussion with final adoption slated for Dec. 7. As a reminder, the final 2021 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 discussion scheduled and published on proposed tax notices by Hennepin County for

December 7 at 6:30 p.m., residents and businesses will again have the opportunity to provide feedback via the city's website, www.minnetonkamn.gov. Those opportunities for public comment are publicized in the *Minnetonka Memo*. Comments will be shared with council as budget options are considered, and updated information will be shared in the *Memo* and on the city's website.

ENSURING MINNETONKA'S POSITION OF FISCAL RESPONSIBILITY

As detailed in the city's Strategic Profile, the City of Minnetonka ensures financial strength and maintains a long-term positive financial position by balancing revenues and expenditures for operations, debt management and capital investments. Decisions are made with the future in mind to ensure the city's ongoing ability to provide quality services at a reasonable price. The reaffirmation of the city's Aaa bond rating by Moody's reflects this responsible approach.

Covid-19 pandemic impact. This year's budget process is directly impacted by COVID-19. Typically the Capital Improvements Program (CIP) is approved in June after a detailed study session review in the late spring. This year, the study session still occurred in the spring, but final approval was delayed until September in order to allow for additional time to determine the impacts of the pandemic and to adjust the CIP funding needs.

General Fund (GF) Financial Projections. As a part of general best practices in budgeting, staff looks closely at both a forecast for the remainder of this year's revenues and expenses, those for 2021, as well as those projected for the future four years through 2025. Staff aligns the General Fund (GF) revenues and cost predictions along the adopted five years of the CIP, which is also heavily dependent upon property tax revenues. This long-range perspective is instrumental in developing recommendations and making decisions for the next year's budget and property tax levy.

The GF is typically a stable fund accounting for general operations from year-to-year without a tremendous amount of variation between the budget and actual activity. This year has been anything but typical; COVID-19 has impacted several city funds, with the biggest impact occurring within the GF.

Current revenues. Absent receiving federal Coronavirus Relief Funds (CRF) this past July, the overall GF revenues would have experienced a significant shortfall compared to the 2020 budget. Categorical revenue including recreation and court fines are sharply below budget expectations. Recreation revenue is expected to be \$920,000 or 68 percent below budget, and court fine revenue is anticipated to be down about \$150,000 or about 45 percent of budget. License and permit revenue also experienced a sharp decline during the first several months of the pandemic. However, permit revenue has recently experienced increased activity. Total license and permit revenues are now only anticipated to be approximately \$50,000 below the original 2020 budget of \$4.3 million.

An unknown at this point is the rate of second half property tax collections. This year's first half tax collection percentage did mirror prior years, but that may or may not be indicative of this year's second half collections. We have increased the expected delinquency by \$290,000 for a total expected delinquency including abatements and cancellations of \$615,000, which is about 1.5 percent of the current year's levy.

Due to CRF reporting clarification by the U.S. Treasury in late September, the entire \$4 million CRF allotment is being recognized as revenue in the GF. Transfers of \$2.4 million are subsequently being made to the city's other funds to covers costs or programming associated with COVID-19. In essence the GF will net about \$1.6 million of CRF. This additional revenue within the GF will cover operating costs incurred as a result of COVID-19, such as personnel costs directly associated with reducing the spread of COVID-19 and personal protective equipment (PPE) including additional cleaning supplies and services. A complete overview of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act and subsequent CRF was presented at the [July 27, 2020 council meeting](#) (item 14C) along with an updated reporting plan at the [Oct. 26, 2020 council meeting](#) (item 10D).

GF total revenues are expected to be approximately \$2.8 million greater than the original budget at \$42.2 million, which includes the \$4 million of CRF. Without the CRF, the city's anticipated actual revenues would have been under budget by \$1.2 million.

Current spending. As projected back in September, the 2020 GF operating costs are expected to be less than budget mainly due to the reduction in costs associated with the vast cancelation of recreational programming. Those savings accounted for \$790,000 of the GF's total savings of \$970,000. Other departments are realizing savings in areas such as training and conferences, but certain departments are also seeing increased costs related to COVID-19.

Fund balance. The City of Minnetonka adopts a balanced GF operating budget each year whereby revenue is equal to expenditures. With adoption of the annual budget, the city council also affirms and/or amends the first year of the adopted CIP, which may include transfers from the GF fund balance to capital funds for planned costs. After revenue and spending balances are known, the net change to the GF fund balance for 2019 compared to 2020 is projected below:

(\$ thousands)	2019 Actual	2020 Budget	2020 Projected
Excess revenues	\$1,445	\$0	\$2,848
Remaining expenditure budgets	1,147	0	970
Capital transfers (CIP)	(2,750)	(1,600)	(1,600)
CRF Transfers (CARES Funding)	N/A	N/A	(2,454)
Net change GF fund balance	(\$158)	(\$1,600)	(\$236)

The city planned on reducing GF fund balance levels in both 2019 and 2020, and the council-adopted CIP's for 2020-2024 and 2021-2025 anticipated that plan. In fact, the decrease forecasted above is less than originally projected.

Revenue projections. Because permit revenue is the city's second greatest source of GF revenue after property taxes, albeit substantially smaller than property taxes, it can significantly impact the city's budget and levy needs. While generally using historical trends to forecast revenue over the next five-year period, staff analyzes current development projects planned and in progress as the basis for next year's revenue forecast of permit revenue. Therefore, after experiencing back-to-back record years in permit revenue in 2018 and 2019, forecasts a year ago indicated that permit levels would begin to fall back to more historical averages after 2020. COVID-19 has scaled back those forecasts even further, reducing the 2021 revenue estimate another \$500,000, from \$3.5 million to \$3.0 million. This lower level of permit revenue is

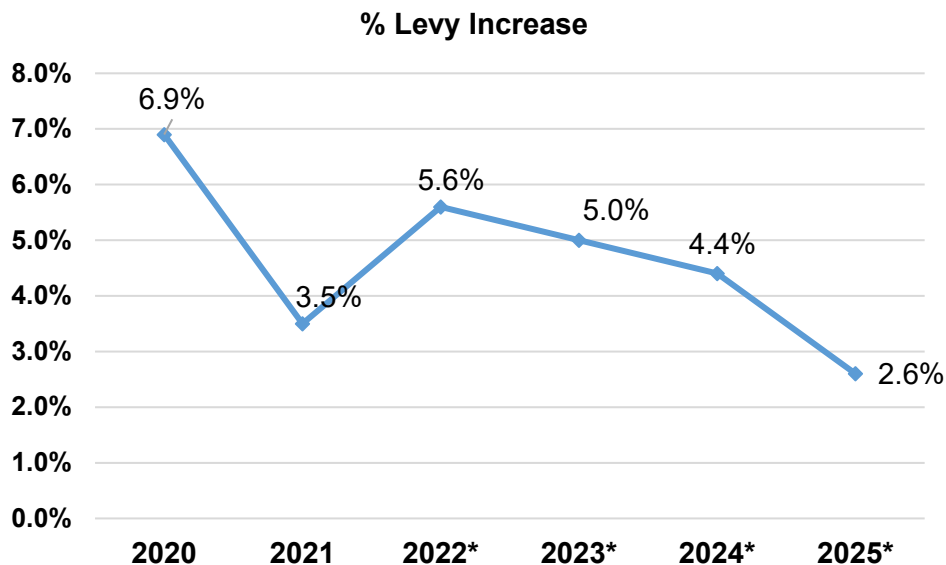
projected to remain relatively flat the following few years, which will add pressure to the property tax levy to financially maintain the city's current level of services, particularly in 2021 and 2022.

Expenditure projections. Staff has anticipated additional ongoing operating costs that will be incurred over the next four years due to projects and programs already approved and in the pipeline, as well as future costs due to known service pressures. Some of these projected increased costs are rolled out over more than one year. The most significant of these estimated costs and their dates of rollout include:

- energy costs and janitorial requirements for the proposed new and expanded public safety facilities (2021, 2022);
- communication staffing (2022 or 2023); and
- public works maintenance of new trails, sidewalks and related landscaping in the adopted CIP (2023).
- General elections (2022, 2024)

Staff assumes current staffing levels and makes very rough estimates on salary and inflationary pressures across the five years using current union contracts and the information known about contracts in other comparable metro cities.

As a result of this analysis, staff currently projects that the property tax levy would require the following increases over the next five years, with diminishing pressure on the later years. In addition, it is strategically important to note that in 2023, the currently scheduled decertification of the city's largest Tax Increment Finance (TIF) district in the northeastern part of the city will boost the city's tax base and thereby mitigate the tax burden of new levy increases.



* Current forecast

These overall projected levy impacts include both staff budget recommendations for 2021 and levy needs required within the 2021-2025 CIP. Projected levy increases in years 2022 thru 2025 are also heavily based upon the city's adopted CIP, which will be reevaluated and amended with capital budget deliberations next spring.

2021 BUDGET

During last year's budget process, the five-year levy forecast projected a 2021 levy increase of 5.8 percent. The onset of the global pandemic and the resulting economic downturn weighs heavily in establishing the 2021 levy. Understanding many residents and businesses are experiencing severe financial pressures, it is prudent the city mitigate its 2021 levy impact as we prepare the 2021 budget.

As the budget began to be developed, staff recognized the need to take a responsible, long-term approach to city operations and capital projects. The goal was to reduce the levy impact for 2021 without having a more burdensome financial impact in the years immediately following. The proposed 2021-2025 CIP was reviewed in-depth to determine the areas of flexibility. Unfortunately, delaying capital projects, such as street and utility projects tends to typically increase the cost of the projects as conditions continue to worsen and annual costs continue to rise.

That being noted, staff looked more closely at capital equipment to determine if a one-year delay in equipment could be incurred without experiencing a significant amount of additional maintenance. It was determined that a majority of annual fleet purchases scheduled for 2021 could be delayed one year without a substantial impact to operational budgets. Rather than just delaying the fleet purchases for one year and subsequently requiring two years of purchases in 2022, staff determined that delaying or pushing back the entire fleet replacement schedule for one year was feasible. In essence, fleet vehicles will be delayed one year into the future. It is important to note that the fleet vehicles being delayed do not include patrol vehicles or heavy duty fire vehicles. The savings associated with this delay is approximately \$786,900, which reduces the levy impact by 1.8 percent.

In addition to the delay in fleet vehicle purchases, the proposed CIP includes the purchase of a replacement Zamboni for the ice arena in the amount of \$162,100. In discussions with the recreation director and ice arena manager, this purchase can also be pushed out to 2022 from 2021 without major financial impact. Since this is just one piece of equipment, delaying the purchase to 2022 does reduce the levy in 2021, but those levy dollars will need to be reinstated for 2022.

The 2021-25 CIP adopted at the Sept. 21 council meeting approved both of these equipment replacement changes.

New Initiatives

The proposed 2021 budget does include funding for new initiatives including: diversity, equity and inclusion, ranked choice voting, and sustainability. These initiatives include funding for both personnel and other services and charges.

Diversity, Equity and Inclusion. The city council initiated conversations about expanding the city's role in diversity, equity and inclusion (DEI) efforts at a special council meeting facilitated by Bill Wells on Aug. 17 and continued this conversation on Oct. 19. The council had multiple discussions about inclusion in August and September during strategic planning sessions and subsequently added a strategic priority of community inclusiveness. Council provided guidance to gain feedback from the community on this important issue.

Further, city staff is increasing its internal organizational initiatives. An Internal Diversity Committee (IDC) comprised of more than 20 city employees began meeting monthly in September. Root'D Relations, a locally-based DEI consulting firm, is onboard to provide expert guidance throughout developmental stages. The city's leadership team is also working with Root'd Relations to ensure internal DEI efforts are cohesive and appropriately supported from the top.

The police department, through the work of Chief Scott Boerboom and Community Engagement Officer Scott Marks, has expanded initiatives focusing on building relationships with community members. In October, Chief Boerboom helped facilitate a community conversation on increasing understanding of others' perspectives, particularly between law enforcement personnel and people of color. Officer Marks continues regular facilitation of faith leaders' meetings, of which a subgroup is increasing collaboration with the city on inclusion activities.

Examples of other potential activities are engaging the community in DEI conversations; increasing diversity in city staff hiring and appointments to boards and commissions; applying an equity lens to city policies, practices and systems; and ensuring city facilities, programs and events are inclusive. Funding of \$100,000 had been initially included in the proposed budget, but upon request by council at the Aug. 24 budget study session an additional \$50,000 has been added to the budget to provide sufficient capacity to implement programming goals. Expected expenditures would be for consulting/facilitation, educational initiatives and likely hiring city staff dedicated to DEI initiatives.

Ranked Choice Voting (RCV). This fall, Minnetonka voters approved eliminating the local primary election and replacing it with RCV. The measure will be implemented with the 2021 local election. Included in the proposed 2021 budget is \$102,000 related to the hiring of an additional election specialist to aid in handling increased election responsibilities. An additional \$25,000 is also included for voter education related to RCV. 2021 is an off-year election with no state or national elections, resulting in a budget reduction of \$145,000. The 2021 savings will need to be reinstated with the 2022 budget.

Sustainability. In June, the city council reviewed options for expanding the city's sustainability efforts, including implementation of the Partners in Energy task force recommendations for an Energy Action Plan and creating a sustainability commission. In October, the city council approved an ordinance creating a new sustainability commission. As proposed, the budget includes an additional \$50,000 on top of the \$100,000 established in 2020 for these efforts. \$28,700 of the new dollars are dedicated to hiring a part-time communications specialist to aid in promoting sustainability efforts. The remaining new dollars would be dedicated within the Cable TV special revenue fund and be utilized in supporting the functions of a new commission.

General Fund Budget Impact

The proposed GF 2021 budget is estimated to be \$40.6 million, an increase of 3.1 percent or \$1.2 million. Three-quarters of the city's General Fund operating expenses is the cost of its greatest assets, its employees. Last year, the council supported and approved a competitive compensation structure for its employees. This compensation structuring had a significant impact on last year's levy. While that compensation restructuring affected the vast majority of employees, it did exclude both the police sergeants and public works union members because

each group had a multi-year contract in place through 2020. Although 2021 contract negotiations are still ongoing, it is anticipated that language consistent with the patrol union's contract will be adopted.

Cost of living adjustments (COLA) have been set preliminarily at two percent along with a potential market increase which is dependent upon each position's comparable position in other cities. Preliminary estimates indicate a total compensation increase of approximately 3.21 percent or \$823,600. Again, these are preliminary estimates. The council will ultimately determine final COLA adjustments which are either already set by an existing union contract or will be set through upcoming union contract negotiations, and finally by approving all non-union wage adjustments in December.

Health Insurance

Typically in any given year, health insurance is a driving cost pressure of the budget. This year would have been no different, even with the city's low level of insurance claims. The city has been a member of the LOGIS healthcare consortium for decades. The consortium pools its members in hopes of experiencing less volatility from year-to-year and receiving overall lower rates than if each member was on its own. We were notified in the late spring that the city's health care premiums were set to increase 9 percent for 2021. The current premium is \$2.9 million which equates to an increase of over \$260,000.

As just mentioned, the city's recent claims history is very low so staff thought it was prudent to look outside the consortium and bid for our own health insurance. The bidding environment was very favorable and as a result the city will see a decrease in premiums for 2021 with a cap on rates for 2022 in order to limit our exposure in the second year of the contract. In past years, the city had built in a buffer within the health insurance budget in order to avoid the potential impact of multi-digit increases. Since the city will be insulated against a potential substantial increase in 2022, it provides an opportunity to eliminate that buffer and just budget for our 2021 premium needs. The combination of eliminating the buffer and the reduction in health insurance is expected to provide the GF with \$585,000 in savings for 2021.

Police services

A staffing and organizational change is being proposed within the police department. As the police department continues to evolve to meet current and future expectations, it is necessary to reorganize at the sergeant and command level. It has become increasingly apparent that two captains is insufficient to maintain and in some areas improve our police services.

The proposed 2021 budget includes an additional captain, which will enhance the level of training, policy development, oversight and compliance within the police department. In addition to these daily responsibilities, this position will manage any police reforms, serve as the police public information officer, and oversee large scale department events and other department or city initiatives. In many comparable departments, this position is titled Professional Standards. Staff is currently working on the full position description.

Anticipated retirements at the command and supervisory level in the next few years will significantly reduce the level of experience available to manage a less experienced police force. This reorganization will provide the support needed to maintain our high quality police services.

In addition, the administrative assistant position is proposed to move from part-time to full-time. Some duties currently assigned to a sergeant would be reassigned to the administrative assistant, allowing more time for the sergeant to provide direct support to the detective team.

These additional costs would be partially offset by the elimination of two currently vacant positions, a full-time records clerk and a part-time community service officer. The additional captain would be planned for a mid-year start date in 2021. The net impact of this change is \$20,500 for 2021 and an additional \$82,000 for 2022.

Since the budget study session in August, the city has learned that the Hopkins School District will not be contracting with the city for School Resource Officer (SRO) services in 2021. This contract amounted to \$113,000 in 2020 and accounts for about 10 months of the SRO's annual salary. The Hopkins SRO serves as one of two juvenile detectives assigned to the detective unit and is responsible for handling all cases that occur in any of the Hopkins schools located in Minnetonka and incidents in the community involving juveniles.

Since a majority of the funding for this position is being abolished, the juvenile detective position will be eliminated and the remaining responsibilities will be reassigned to other police staff. The SRO currently assigned to the Hopkins Schools will be reassigned back to patrol duties and a current police officer vacancy due to a recent retirement will not be filled. Eliminating this position is a net savings of approximately \$39,000 taking into account the elimination of the SRO reimbursement revenue from the Hopkins School District.

Fire services

The Minnetonka fire department serves our community using a predominately part-time/paid-on-call (POC) staffing structure. Analysis has shown this is a very cost effective method to provide the essential city function while meeting demands for quality services. Unfortunately, due to retirements and general turnover with the POC structure there is a substantial cost to hire, train and outfit new POC firefighters. This cost can be upwards of \$10,000 per firefighter depending upon equipment and training needs. The fire department typically hires 10 to 12 new firefighters per year. This cost has never been truly funded within the budget and is increasingly difficult to cover with other potential budget savings. The fire department is requesting \$75,000 to offset a majority of these costs.

In addition, the fire department is requesting an additional \$75,000 for an increase in overtime costs. The overtime request is directly related to covering the costs associated with back-filling full-time battalion chiefs and other full-time hourly employees. Since the hiring of the battalion chiefs, the goal has been to have a supervisor overseeing the duty crews 24/7. The additional overtime would provide the opportunity to continue with this model when a battalion chief is on vacation, sick or at training. The overtime would also provide funds to call back these and other non-exempt employees for fire calls when off duty.

Finally, when the city council discussed and approved an increase in the traditional pension for the Minnetonka Firefighters Relief Association in July 2019, the council signaled support for a staff-recommended increase in the annual budget to a reserve that will help buffer this important benefit during downturns in the economy. The recommended 2021 General Fund budget continues with the additional \$50,000 added to the current \$25,000 for a total of \$75,000 that is set aside annually to accumulate in the special assigned reserve in the General Fund balance

for this specific purpose. This balance will continue to be monitored in relation to the pension's required funding ratio.

Legal

Council recently approved an amendment to the 2020-2024 CIP to move up the purchase of body worn cameras (BWC). As a reminder, in addition to the upfront equipment purchase there are also additional operating needs required to appropriately and efficiently administer additional video being captured. The legal department's operational budget includes the addition of a part-time legal support staff member to aid in processing and preparing additional video. This amounts to \$43,700 for 2021. The remaining operating costs related to BWC's is related to the maintenance and cloud storage of video data. This cost is estimated to be \$60,000 and is included within the police department's budget.

Public Works

The engineering division within the public works department is requesting replacing a currently vacant administrative assistant position with an additional full-time engineer. The change will help with current trends in workload. There is an additional \$16,000 cost associated with this reorganization.

As mentioned earlier, the budget also contains new dollars associated with projects or positions approved in the past, but need additional funding in 2021 to fully fund. Two of those items include \$45,200 for funding an additional public service worker for parks and trails maintenance approved last year to begin mid-year in 2020. The other budget item is the need for \$76,000 to cover the increased utility and cleaning cost of the public safety facility once that project comes online in September 2021.

Community Development

A staffing change is also being requested within the community development department. The environmental health code compliance manager position has been vacant since early this spring. The community development director is proposing to eliminate this position and spread some of that position's duties out to other division managers within the department. With this plan, there is still a need to backfill health inspection duties with a part-time inspector or part-time equivalent hours. This restructuring will net a reduction of a 0.5 full-time equivalent (FTE) and an annual savings of \$108,800.

Administration

The proposed GF budget does include a net addition of 3.4 full-time equivalents. The city generally operates very lean in regards to maximizing its capacity from all of its staff members and departments. However, the administration department has been experiencing an increased demand on staff and most notably within the human resources division. This division has been under extreme pressure for some time.

New leadership was established within the last year and has since conducted an in-depth analysis of operations. Due to lack of adequate resources, it has been revealed that a number

of core functions and compliance matters have either been inadvertently overlooked in years past or staff simply did not have time due to an inordinate work load.

Current challenges include keeping up with basic daily transactional HR functions and systems, responding to daily inquiries from employees and managers, and maintaining/filing accurate and timely state and federally mandated reports. These positions are needed to provide expertise in the following areas: benefits and leave of absence administration; compensation and classification; employee and labor relations; performance management; policy and procedures; talent acquisition; and safety and wellness.

Presently, the HR function is staffed by a manager, coordinator and specialist. This is an extremely lean staff for an organization with over 250 full-time employees and 650 plus part-time, seasonal, casual and election judge employees. To better support this critical function, administration is requesting the addition of an HR specialist and an HR coordinator. The plan would be to hire an HR specialist on or around Feb. 2021 and an HR coordinator mid-year. The 2021 impact would be approximately \$123,500 for 2021 and an additional \$41,500 to fully fund the two positions in 2022.

In addition, these two positions will provide efficient and solution-focused services for staff dedicated to attracting, developing, rewarding and retaining a talented and diverse workforce. The future success of the organization, including recalibration of organizational management and development, will require these additional staff requests to tackle a significant list of work plan initiatives.

As already noted, the addition of an elections specialist is proposed to assist in implementation of ranked choice voting. For the communications division, a half-time communications position is also requested with a mid-year start date at a cost of \$28,700 with an additional need of \$28,700 in 2022 to fully fund the position. As noted earlier, the communications position will aid in supporting new initiatives such as sustainability, RCV, and diversity, equity and inclusion.

Cable Television Fund, communication services

In exchange for use of the city's rights-of-way for cable television purposes and as permitted under federal law, the City of Minnetonka first negotiated a franchise agreement in the early 1980s with what is now Comcast (Xfinity). A second franchise agreement was negotiated with CenturyLink in 2016; however, the company did not move forward with its Prism product. Fees from the current iteration of the Comcast agreement with the city are established within the latest contract. The fees support the city's Cable Television Fund, which the city relies upon for its communications both with the community and within the city's organization.

The fund finances numerous activities and events to inform and educate the public and city employees as well as to strengthen residents' sense of community. Expenses include broadcast of public meetings and special events; publication of the *Minnetonka Memo*; upkeep of the city's website and intranet; and hosting city events for residents such as Summer Festival, Spooktacular, Farmers Market and the City Open House. Fiber for the city's technology infrastructure is also budgeted in this fund.

Over the last decade, staff has kept apprised of federal legislation introduced to restrict or eliminate the city's local control of its rights-of-way, which would likely do away with this

franchise fee revenue source. Noteworthy, Federal Communications Commission (FCC) rules adopted last year are expected to reduce the amount of franchise fees collected. Responsibly, the city has budgeted a special reserve in the Cable Television Fund specifically as a safeguard to ensure a smoother transition when fee reductions or elimination come to fruition.

Although the specific legislation has not yet been passed by Congress, regulatory decisions and changes in technology nonetheless appear to be significantly eroding the fee revenue. As more cable customers are moving away from cable to wi-fi streaming services, the franchise fee revenue is dropping, because it is specifically tied to the number of cable customers in Minnetonka.

2018 was the first year in the fund's history that the total annual fee revenue was below the prior year; it fell from nearly \$870,000 in 2017 to \$814,000 in 2018 -- a nearly 6.5 percent drop. 2019 fee revenue declined by another \$28,800 or 3.1 percent. The indications through three quarters of 2020 are that the decline is continuing with a 2.6 percent drop in quarterly returns this year compared to this same time last year. The decline in revenues may be slowing, but given the competitive market with wireless service options, staff anticipates a continued erosion of this fee revenue.

Although there continues to exist a current fund balance and a reserve in the Cable Television Fund to withstand a few years of this increasing structural deficit, staff recommends continuing to plan for the long-term by moving the personnel costs presently supported by the fund to instead be supported by the General Fund.

Prior to 2020, the entire costs (wages and benefits) of two communications positions, plus a portion of the costs of an IT and an administrative position, were funded by the Cable Television Fund. The 2020 budget moved half these personnel costs to the Administrative Services Department within the GF. The intention at the time was to move half the cost in 2020 and the other half in 2021. Due to the current economic climate, staff is proposing to delay that transition until 2022 or more likely 2023. The first step of the transition made in 2020 does shore up the fund financially to withstand a couple more years of these operating costs. However, the long-term plan would continue to move the remaining personnel to the GF.

Inflationary cost pressures

The September Twin Cities Consumer Price Index (CPI) is up 2.1 percent compared to two months prior and is up 1.9 percent compared to a year ago. The national Municipal Cost Index (MCI) is up 1.04 percent at the end of September compared to a year ago. The national MCI incorporates a basket of goods consumed by local governments. This past summer, both indexes were negative compared to a year ago.

The 2021 budget was built on the basis that the CPI and MCI were both negative this past summer. Based on that information the 2021 budget incorporates a zero percent inflation to supplies and services other than those from our information technology services consortium, LOGIS. General costs appear to be increasing based on more current inflationary trends, which will put additional pressure on departments to maintain current service levels without additional funding.

The City of Minnetonka is a member of the LOGIS (Local Government Information Systems) consortium, which has served to significantly reduce the city's technology costs through joint purchasing since the city joined during the 1970s. The LOGIS executive board has approved a 5 percent increase to its members for 2021. This translates into an additional \$32,600 for LOGIS technology costs in 2021.

Additional 2021-2025 CIP amendments

The 2021-2025 CIP included a number of amendments that were all included in official adoption in September. Since that time there has been one additional amendment to the CIP along with the request for an additional amendment. Both of these projects are described in further detail below.

Groveland Elementary School Crossing. The council approved at its Nov. 9 meeting to include an unfunded project page for the consideration of a school crossing at Groveland Elementary. The project has an estimated cost of \$160,000.

Public Safety Equipment. The police department is recommending advancing the purchase of public safety equipment from 2022 to 2020. The public safety equipment would include helmets, gas masks, and other protective gear to enhance personnel safety. The acquisition of this equipment compliments crowd management training provided to all police officers. The funding for this project was to be from the Public Safety fund, but will now be funded through the police department's operating budget utilizing savings realized in other operational areas.

HRA LEVY

The city's first levy for housing and redevelopment began in 2009. State law limits this levy, and the maximum rate is 0.0185 percent of a city's taxable market value. This equates to approximately \$1.9 million in 2021 for Minnetonka. Beginning in 2010, the annual levy was \$175,000. The levy remained at that dollar level until 2017 to accommodate village center master planning, housing programs, marketing efforts, and more recently light rail. In 2018, the levy was increased to \$250,000, in 2019 it was increased to \$300,000, and subsequently it was reduced in 2020 to \$225,000.

On July 27, the city council adopted the 2021–2025 Economic Improvement Program (EIP), which recommends the 2021 HRA levy increase \$75,000 for a total levy of \$300,000. The indicated uses of the funds are: SW Light Rail (\$75,000); Housing Programs (\$100,000); Business Outreach (\$25,000); and one-time contributions for emergency business assistance (\$50,000) and emergency rental assistance (\$50,000).

The light rail funds are set aside for a ten-year payback to the city's Special Assessment Construction Fund for a portion of the city's commitment to the project. The Economic Development Advisory Commission (EDAC) reviewed the HRA budget at its September 17 meeting and recommended approval by the city council.

2021 PROPOSED LEVY

Since the recession recovery beginning in 2014, the city's community survey has shown our taxpayers' consistent recognition of the value of city services and remarkable support to

increase taxes in order to maintain city services. In the 2020 survey, which was done during the pandemic and within a recessionary period, 75 percent of those who stated an opinion still favored such an increase.

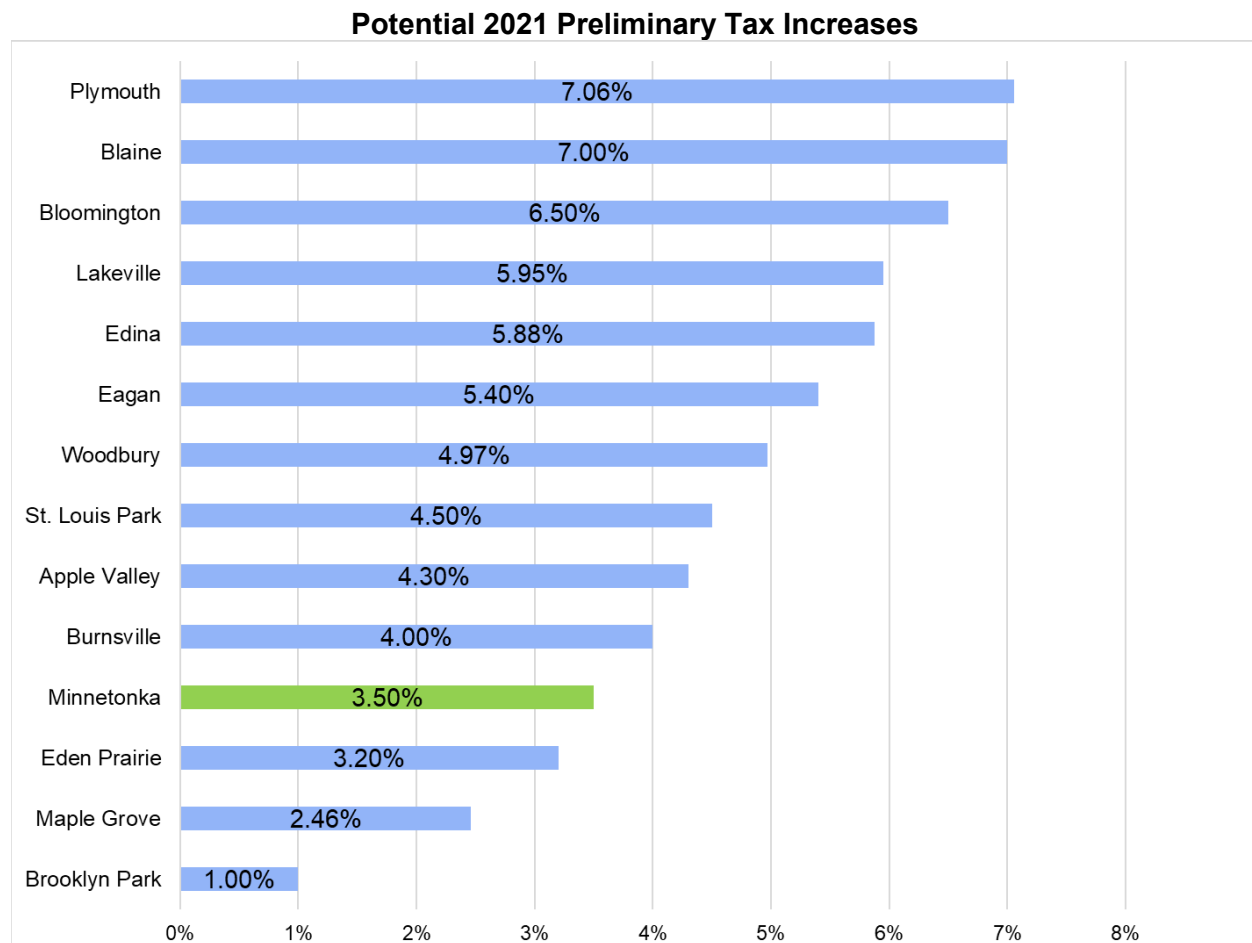
The 2021 proposed operating and capital budgets require an overall net increase in the city property tax levy of 3.5 percent primarily to maintain city services. The largest increase of 6.4 percent is associated with just maintaining our current service levels within the GF. Unfortunately the city's projected 2021 GF non-tax revenue is expected to decline by almost \$1.5 million compared to 2020. In order to maintain our current service levels, property taxes need to fill the void. Fortunately, the city is able to realize savings in health insurance resulting in a levy reduction of 1.4 percent along with a modification of the CIP resulting in an additional levy reduction of 2.8 percent. These two actions aid in reducing the overall levy impact to a more reasonable increase.

A 0.6 percent levy increase is proposed for new GF operating changes which include: non-personnel operating costs for operating body-worn cameras, funding for the fire department's turnover of POC staff, and funding for public works for costs associated with bringing the new public safety facility on-line in September 2021. A 0.4 percent levy increase is related to the net change in positions across the various GF departments outside of the request for an elections specialist. New initiatives such as RCV, sustainability, and diversity, equity and inclusion account for another 0.6 percent of the levy increase which includes the addition one full-time election specialist. Lastly, due to the favorable public safety bond issuance earlier in the year, the levy can be reduced by 0.3 percent to account for savings from the previously projected levy amount.

Although appearing separately on property tax statements, the HRA levy would increase by \$75,000, which equates to a 0.2 percent increase in the city's overall property tax levy impact.

Levy (thousands)	2020	2021	Change
City property taxes, current services	\$41,003	\$43,607	6.4%
Operating Changes		256	0.6%
Staffing Changes		170	0.4%
Health Insurance Conversion		(585)	(1.4)%
New Initiatives		256	0.6%
Capital program change, adopted		(1,149)	(2.8)%
Subtotal	41,003	42,555	3.8%
Public safety facility		(113)	(0.3)%
Total	\$41,003	\$42,442	<u>3.5%</u>
HRA	\$225	\$300	

Comparisons with Other Cities. The proposed 2021 city levy increase is likely to place Minnetonka in the lower third of comparable cities. These percentages are only potential levy increases and may change between now and when final levies are adopted in December.



Further, two of the comparable cities shown, St. Louis Park and Brooklyn Park, continue to receive an allocation of state Local Government Aid (LGA), which began in 2014. As has been the case for over a decade, Minnetonka does not and will not receive LGA in 2021. Equally important, unlike many of these other cities, the city does not rely upon special assessments to fund street reconstruction and maintenance.

Homeowner Impacts. New development and redevelopment in the city again increased the city's property tax base last year as reported in March by the city assessor. Over the last seven years, the city's assessed market value has increased by 35 percent. A portion of that increase is the result of actual improved real estate as opposed to market forces alone.

The residential proportion of the city's tax base increased at a pace slightly less than commercial and significantly less than apartment properties. For taxes payable in 2021, the single family home property base experienced a 3.4 percent growth increase compared to commercial properties at 4.8 percent and apartment properties at 17.7 percent. This will cause a shift of 1 percent in the property tax burden away from residential (58 percent of the tax base) to apartments (11 percent of the tax base), while the commercial tax burden will remain the same (31 percent of the tax base). The median valued home for taxes payable 2021 is \$390,000.

Calculating the impact of changes in property taxes to homeowners in Minnesota requires a complicated mix of data and information that changes each year, some of which depends upon

legislatively defined formulas, such as the state Fiscal Disparities program. Preliminary estimates indicate that the median valued home will see a small decrease of \$5 in the city's portion of their annual tax bill based upon the preliminary levy increase of 3.5 percent.

2021 BUDGET AND LEVY SUMMARY

Responsible long-term financial planning has continued to position the City of Minnetonka to provide highly rated services to city residents and businesses. The 2021 preliminary city tax levy will be limited to an increase of 3.5 percent to maintain city services as clearly supported by a significant majority of our taxpayers. It ensures our position of fiscal responsibility, preserves our standards of excellence, and encourages innovative and creative thinking. The HRA levy would increase by \$75,000, thereby increasing the overall taxes under the city's jurisdiction to 3.7 percent compared to 2020.

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 2021 and well into the future.

Discussion Question:

- **Does the council have any questions, comments or feedback regarding any aspect of the proposed 2021 budget and levy?**

2021 UTILITY RATES UPDATE

A public hearing is also scheduled for the council's Dec. 7 meeting to review the city's various utility rates.

2021 Water and Sewer Rates

In 2014 and 2015, the council convened a number of study sessions regarding critical maintenance and reconstruction of the city's \$500 million water and sewer system assets. Subsequently, the council proactively adopted a long-term bonding and user rate plan to support the ongoing costs required to keep the aging systems in appropriate working order.

Under this plan, the city has sold \$27.5 million in General Obligation (G.O.) revenue bonds in 2015, 2016 and 2018, and annual debt service on the oldest of these bonds began in 2016. Another bond issuance is scheduled for 2021.

With key new staff in place since the first rate study was completed in 2014, staff requested Baker Tilly to prepare an update to confirm the city is still on track to ensure financial sustainability of the city's utility system. Baker Tilly took into consideration for its assumptions the city's most recent CIP, current budget, number of utility accounts, projections on new users to the systems, and current utility rates.

With an ever aging utility system, capital outlay continues to be the driving factor in rates. Staff is estimating \$126.6 million of projected capital outlay through 2035. Paying for this capital outlay will be through a combination of cash reserves and debt issuances. Fortunately, the city's

current rate structure plan of annual increases of 3.75 percent will continue to meet our needs into the future. As a result, the city's water and sewer rates are among the highest of our comparable cities. Baker Tilly believes Minnetonka is among a small minority of communities that are taking a proactive approach to addressing aging infrastructure and extensive replacement costs. By doing so the city will incur rate increases, but is preparing for a stable future for its rate payers.

Attached is Baker Tilly's most recent water and sewer rate study.

2021 Recycling Rate

The city's recycling fund has experienced mounting losses since 2018 and is anticipated to lose over \$300,000 this year alone. A combination of causes have led to this situation. First, the annual collection contract increases charged by the hauler have been surpassing the increase in recycling rate fee increases. Second, yard waste processing charges are increasing. For the past three years there has been a market for the ground wood from the brush drop off, and the grinding and hauling of the material was done at no cost to the city. The market has changed, and there is now a charge to grind and haul the material. Third, the city's recycling grant revenue has been declining. Lastly, the recycling market has been virtually nonexistent, resulting in no contract rebates to offset collection charges.

The city's recycling contract ends in 2021, which coincides with Hennepin County's requirement for some form of household organics collection program. It is uncertain at this time if a new contract will reduce curbside collection charges and/or if the requirement for organic collection will require additional fees for 2022. That analysis will need to be completed in preparation for the 2022 budget.

As for the 2021 budget, household recycling charges need to increase to cover the ever-increasing costs of the environmental fund. The 2020 recycling fee is \$4.58 per month or \$13.74 per quarter. Staff is recommending a fee increase of \$2.02 per month or \$6.06 per quarter for a total quarterly recycling fee of \$18 per quarter.

This increase may seem substantial, but residents are still receiving a sizable discount by having organized curbside recycling compared to each resident contracting with a hauler on their own. In addition, the recycling fee allows residents free access to the city's yard waste drop off site along with funding for other special recycling events.

2021 Storm Water Rate

The storm water rate is budgeted to increase three percent for 2021. The 2021-25 CIP projects a fund balance deficit in the fund by 2023, mainly due to intensive street reconstruction projects in 2021 through 2023. The fund is projected to rebound in the out years with annual three percent rate increases. Staff will continue to monitor this fund into the future to ensure its sustainability.

Discussion Question:

- **Does the council have any questions, comments or feedback regarding any of the utility rate increases?**

Originated by:

Geralyn Barone, City Manager
Mike Funk, Assistant City Manager
Darin Nelson, Finance Director

Attachments:

Proposed 2021 Budget
Baker Tilly Water and Sewer Rate Study

2021 Budget Telephone Call Log

Date	Caller	Notes
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Finance Director Calls and/or visits

No calls, visits or email as of Tuesday, November 24 at 10:00 am.

Assessing Truth-in-Taxation call volume

As of Tuesday, November 24 at 10:00 am, Assessing has received approximately 22 T-n-T calls. This volume is down from previous years. Most calls are inquiring about valuation changes and or homestead classification or exclusion concerns.



CITY OF
MINNETONKA

2021 Budget

Minnetonka, Minnesota

Preliminary

City Council:

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

Staff:

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

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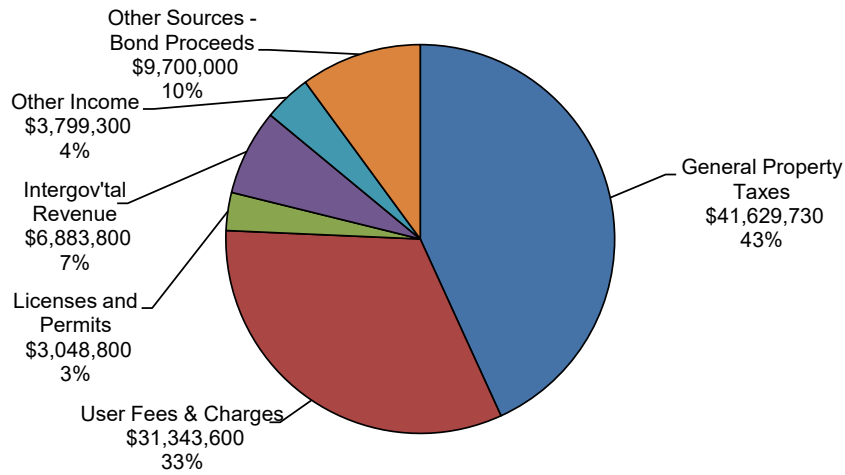
CONSOLIDATED BUDGETS SUMMARY - ALL FUNDS

	<u>2020</u>	<u>2021</u>
	<u>Revised</u>	<u>Budget</u>
<u>Revenue</u>		
General Property Taxes	\$ 40,907,977	\$ 41,629,730
User Fees & Charges	28,973,100	31,343,600
Licenses and Permits	4,266,800	3,048,800
Intergovernmental Revenue	11,713,768	6,883,800
Other Income	5,545,909	3,799,300
Other Sources - Bond Proceeds	25,434,300	9,700,000
Total Revenue	<u>\$ 116,841,854</u>	<u>\$ 96,405,230</u>
 <u>Expenditures</u>		
By Program:		
Public Safety	\$ 35,859,820	\$ 30,342,205
Streets & Utilities	42,562,150	56,149,300
Parks & Environment	9,867,400	13,039,500
Recreation	6,094,275	7,527,200
Development	7,259,005	7,641,700
General Government	6,714,600	7,545,800
Total Expenditures by Program	<u>\$ 108,357,250</u>	<u>\$ 122,245,705</u>
 By Category:		
Personnel	\$ 34,744,925	\$ 36,150,100
Supplies	3,571,050	3,785,700
Services & Charges	21,342,540	23,020,900
Capital Outlay	46,924,726	57,243,705
Debt Service	1,774,009	2,045,300
Total Expenditures by Category	<u>\$ 108,357,250</u>	<u>\$ 122,245,705</u>

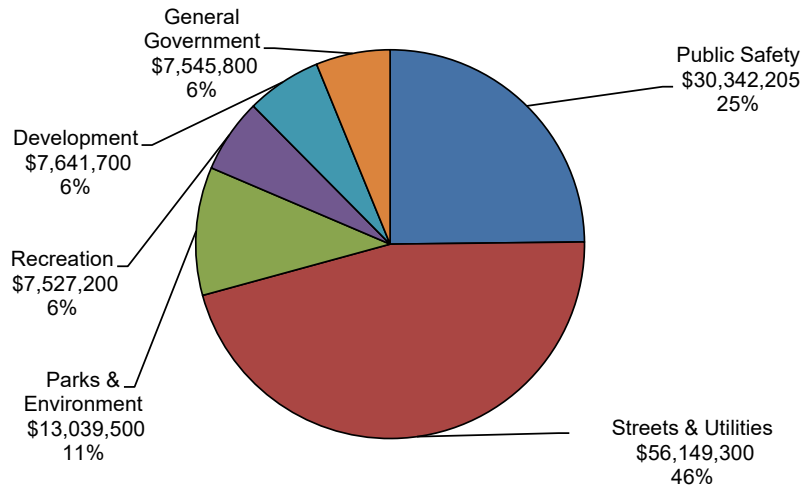
Note: Internal service fund budgets are accounted for twice in this summary to better reflect costs by program and category. They appear once from the internal service fund and once from the respective fund incurring the charge for service.

2021 CONSOLIDATED BUDGETS - ALL FUNDS

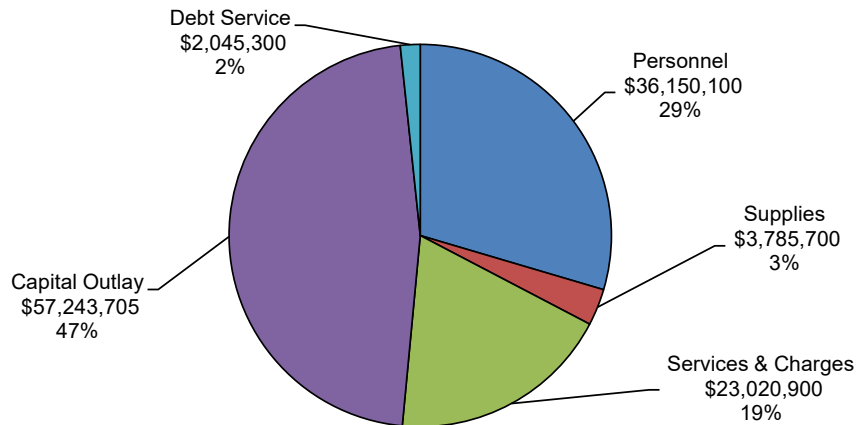
Revenue



Expenditures by Program



Expenditures by Category



GENERAL FUND REVENUES & EXPENDITURES

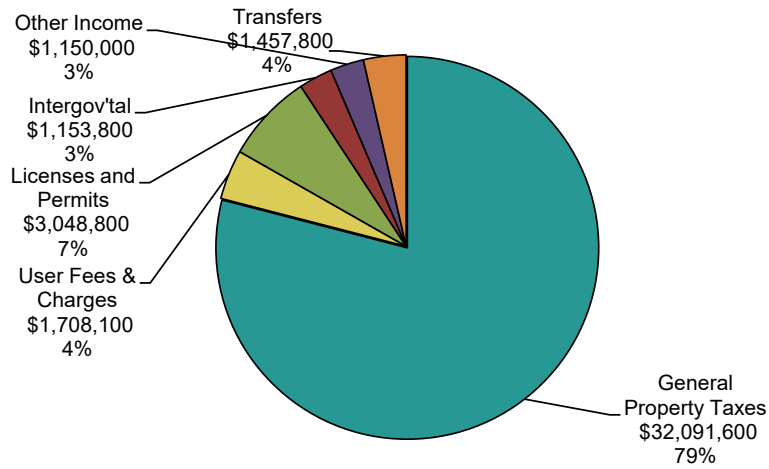
	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Revenues					
General Property Taxes	\$ 25,206,803	\$ 26,410,974	\$ 29,356,100	\$ 29,066,100	\$ 32,091,600
Licenses & Permits	4,783,117	4,887,308	4,317,000	4,266,800	3,048,800
Intergovernmental Revenue	1,112,186	1,176,053	1,113,500	5,240,754	1,153,800
Transfers	1,374,400	1,437,400	1,447,500	1,447,500	1,457,800
User Fees & Charges	2,152,214	2,044,475	2,095,600	1,175,600	1,708,100
Other Income	1,325,041	1,570,638	1,064,300	1,045,600	1,150,000
Total Revenues	\$ 35,953,761	\$ 37,526,848	\$ 39,394,000	\$ 42,242,354	\$ 40,610,100
Expenditures					
Police	\$ 9,563,011	\$ 10,174,471	\$ 11,196,000	\$ 11,162,400	\$ 11,593,100
Fire	3,003,125	3,387,891	4,074,400	4,149,000	4,240,500
Environmental Health	406,252	438,089	502,000	496,300	391,500
Legal	769,751	810,573	938,900	902,200	979,000
<i>Subtotal, Public Safety</i>	<i>\$ 13,742,139</i>	<i>\$ 14,811,024</i>	<i>\$ 16,711,300</i>	<i>\$ 16,709,900</i>	<i>\$ 17,204,100</i>
Engineering	1,293,638	1,128,882	1,425,600	1,425,600	1,460,600
Street Maintenance	3,452,557	3,589,786	3,838,800	3,838,800	3,954,900
Building Maintenance	1,200,981	1,450,242	1,382,500	1,382,500	1,460,600
<i>Subtotal, Streets & Utilities</i>	<i>\$ 5,947,176</i>	<i>\$ 6,168,910</i>	<i>\$ 6,646,900</i>	<i>\$ 6,646,900</i>	<i>\$ 6,876,100</i>
Parks & Trails	1,650,555	1,741,476	1,948,400	1,948,400	2,027,800
Natural Resources	1,277,177	1,407,049	1,574,700	1,575,600	1,599,200
<i>Subtotal, Parks & Environment</i>	<i>\$ 2,927,732</i>	<i>\$ 3,148,525</i>	<i>\$ 3,523,100</i>	<i>\$ 3,524,000</i>	<i>\$ 3,627,000</i>
Joint Recreation	1,547,779	1,589,865	1,717,150	1,231,000	1,708,000
Minnetonka Recreation	695,292	729,811	841,950	734,100	831,600
Senior Services	407,457	426,126	436,800	347,400	401,800
Community Center	502,411	458,002	612,400	505,600	596,900
<i>Subtotal, Recreation</i>	<i>\$ 3,152,939</i>	<i>\$ 3,203,804</i>	<i>\$ 3,608,300</i>	<i>\$ 2,818,100</i>	<i>\$ 3,538,300</i>
Community Development	1,883,618	2,209,012	2,276,600	2,316,500	2,346,800
Planning	681,508	684,202	817,000	678,200	773,100
Assessing	729,832	810,930	888,800	856,700	886,800
<i>Subtotal, Development</i>	<i>\$ 3,294,958</i>	<i>\$ 3,704,144</i>	<i>\$ 3,982,400</i>	<i>\$ 3,851,400</i>	<i>\$ 4,006,700</i>
Mayor & City Council	245,460	241,786	302,100	301,700	299,000
General Administration	1,801,110	1,673,725	2,400,300	2,433,500	2,796,200
Information Technology	925,922	1,017,886	1,063,400	1,063,400	1,088,300
Finance	941,941	964,830	1,106,200	1,075,200	1,124,400
<i>Subtotal, General Government</i>	<i>\$ 3,914,433</i>	<i>\$ 3,898,227</i>	<i>\$ 4,872,000</i>	<i>\$ 4,873,800</i>	<i>\$ 5,307,900</i>
Contingency	\$ -	\$ -	\$ 50,000	\$ -	\$ 50,000
Total Expenditures	\$ 32,979,377	\$ 34,934,634	\$ 39,394,000	\$ 38,424,100	\$ 40,610,100
Surplus of Revenues over Expenditures	2,974,384	2,592,214	-	3,818,254	-
Transfer to Capital Replacement Fund	(1,200,000)	(1,200,000)	(1,200,000)	(2,448,000)	(355,000)
Transfer to Other Funds	-	(1,550,000)	(400,000)	(1,605,600)	(2,100,000)
Beginning Fund Balance	22,119,325	23,893,709	23,735,923	23,735,923	23,500,577
Ending Fund Balance	\$ 23,893,709	\$ 23,735,923	\$ 22,135,923	\$ 23,500,577	\$ 21,045,577
Nonspendable Balances - Inventories	414,126	588,242	175,000	175,000	175,000
Unrestricted Balances					
Committed for Compensated Absences	1,000,000	1,070,000	1,070,000	1,070,000	1,070,000
Assigned for POC Fire Pensions	240,900	265,900	265,900	315,900	365,900
Assigned for Rec Scholarships & Sr. Ctr.	15,000	15,000	15,000	15,000	15,000
Assigned as Budget Stabilization	14,432,900	14,909,200	15,369,700	16,244,100	16,780,100
Unassigned	7,790,783	6,887,581	5,240,323	5,680,577	2,639,577
Ending Fund Balance	\$ 23,893,709	\$ 23,735,923	\$ 22,135,923	\$ 23,500,577	\$ 21,045,577
Budget Stabilization Balance Policy Goal	41.3%	6	37.8%	40.0%	40.0%

GENERAL FUND REVENUE

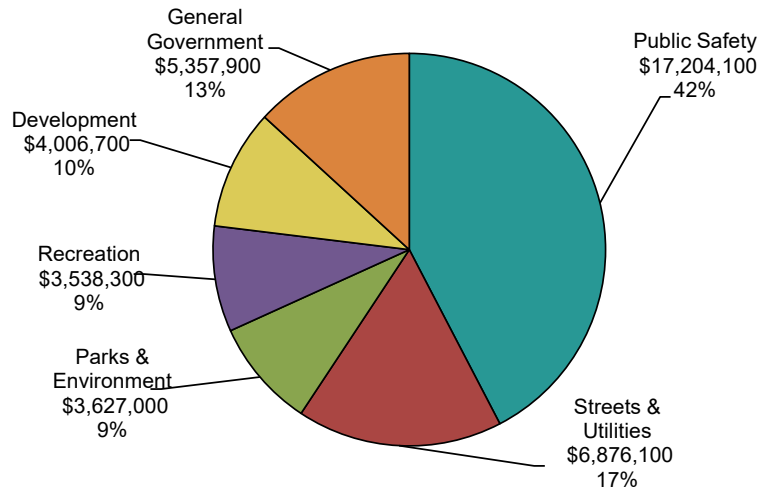
	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
General Property Taxes					
Ad Valorem Tax Levy	\$ 25,246,345	\$ 26,299,849	\$ 29,671,100	\$ 29,671,100	\$ 32,406,600
Abatements & Cancellations	(58,787)	87,500	(325,000)	(615,000)	(325,000)
Other, incl. Tax Forfeit Sale Revenue	145	269	-	-	-
Penalties & Interest	19,100	23,356	10,000	10,000	10,000
<i>Subtotal, General Property Taxes</i>	\$ 25,206,803	\$ 26,410,974	\$ 29,356,100	\$ 29,066,100	\$ 32,091,600
Licenses & Permits					
Building Permits	\$ 2,718,481	\$ 2,590,659	\$ 2,405,000	\$ 2,218,300	\$ 1,500,000
Plumbing Permits	310,693	420,289	320,000	308,100	225,000
Electrical Permits	437,826	610,739	380,000	431,300	300,000
Heating Permits	581,969	552,270	475,000	542,300	380,000
Liquor Licenses	210,040	245,014	210,000	210,000	180,000
Food Handlers Licenses	246,664	224,526	240,000	210,000	190,000
All Other Licenses & Permits	277,444	243,811	287,000	346,800	273,800
<i>Subtotal, Licenses & Permits</i>	\$ 4,783,117	\$ 4,887,308	\$ 4,317,000	\$ 4,266,800	\$ 3,048,800
Intergovernmental Revenue					
Public Safety State Aid	\$ 858,923	\$ 899,213	\$ 858,900	\$ 899,200	\$ 899,200
MSA Maintenance	76,740	76,740	76,700	76,700	76,700
Federal Grants	-	-	-	4,086,954	-
Other Grants/Aid	176,523	200,100	177,900	177,900	177,900
<i>Subtotal, Intergovernmental Revenue</i>	\$ 1,112,186	\$ 1,176,053	\$ 1,113,500	\$ 5,240,754	\$ 1,153,800
Transfers					
Transfer From Utility Fund	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000
Transfer From Spec. Assess. Fund	39,800	41,000	41,700	41,700	42,400
Transfer From Ice Arena Fund	32,700	33,700	34,300	34,300	34,900
Transfer From Cable TV Fund	32,700	33,700	34,300	34,300	34,900
Transfer From Development Fund	63,500	65,400	66,500	66,500	67,700
Transfer From Environmental Fund	199,800	205,800	209,400	209,400	213,100
Transfer from Forestry Fund	-	58,000	58,000	58,000	58,000
Transfer From Williston Center	49,100	50,600	51,500	51,500	52,400
Transfer From Gray's Bay Marina	11,500	11,800	12,000	12,000	12,200
Transfer From Storm Water Fund	145,300	137,400	139,800	139,800	142,200
<i>Subtotal, Transfers</i>	\$ 1,374,400	\$ 1,437,400	\$ 1,447,500	\$ 1,447,500	\$ 1,457,800
User Fees & Charges					
Recreation Receipts	1,254,950	1,162,435	1,240,000	405,000	950,000
Community Center Rental	111,954	112,180	115,000	30,000	80,000
School Liaison Reimbursement	291,186	149,831	186,600	186,600	113,100
Tower Antenna Rental	494,124	620,029	554,000	554,000	565,000
<i>Subtotal, User Fees & Charges</i>	\$ 2,152,214	\$ 2,044,475	\$ 2,095,600	\$ 1,175,600	\$ 1,708,100
Other Income					
Court Fines	\$ 402,635	\$ 323,539	\$ 330,000	\$ 180,000	\$ 275,000
Investment Income	430,627	600,709	443,600	575,000	550,000
Miscellaneous Income	457,930	399,438	290,700	290,600	325,000
Change in Value of Investments	33,849	246,952	-	-	-
<i>Subtotal, Other Income</i>	\$ 1,325,041	\$ 1,570,638	\$ 1,064,300	\$ 1,045,600	\$ 1,150,000
TOTAL REVENUES	\$ 35,953,761	\$ 37,526,848	\$ 39,394,000	\$ 42,242,354	\$ 40,610,100
Non-levy revenue	10,747,103	11,116,143	10,037,900	13,176,254	8,518,500

2021 General Fund OPERATING REVENUES & EXPENDITURES

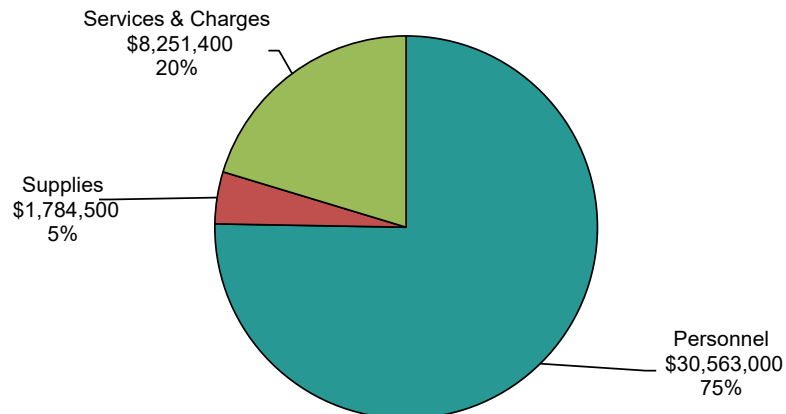
Revenues



Expenditures by Program



Expenditures by Category



TAX LEVIES

Tax Base	2018	2019	2020	2021	
Real Estate	\$ 111,647,471	\$ 118,491,431	\$ 124,183,480	\$ 131,633,164	Estimate
Personal Property	970,845	1,051,367	1,008,773	1,105,657	Estimate
Fiscal Disparities Contribution	(14,138,404)	(14,554,550)	(15,396,403)	(15,706,327)	Estimate
Fiscal Disparities Distribution	4,337,522	4,745,337	5,076,458	5,413,170	Estimate
Tax Increment	(3,092,527)	(3,182,771)	(3,211,119)	(3,479,997)	Estimate
Total Tax Capacity	\$ 99,724,907	\$ 106,550,814	\$ 111,661,189	\$ 118,965,667	Estimate
Taxable Referendum Market Value	\$ 9,100,026,150	\$ 9,698,923,450	\$ 10,166,460,750	\$ 10,743,355,100	Estimate
City Tax Levy					
General Fund	\$ 25,447,828	\$ 26,438,176	\$ 29,671,100	\$ 32,406,600	
Street Improvement Fund	6,300,000	5,380,000	5,680,000	5,880,000	
Capital Replacement Fund	2,045,000	3,295,000	2,155,000	806,000	
Park & Trail Improvement Fund	560,000	650,000	650,000	650,000	
Technology Development Fund	580,000	600,000	600,000	600,000	
Forestry Fund	60,000	93,000	118,000	118,000	
Public Safety Fund	550,000	450,000	550,000	550,000	
Ridgedale Tax Abatement	20,000	60,000	65,000	70,000	
Debt Service (Public Safety Facility)	-	-	1,230,062	1,400,798	
Tax Capacity Tax Levy	\$ 35,562,827	\$ 36,966,176	\$ 40,719,162	\$ 42,481,398	
Market Value Tax Levy (Park Bonds)	1,400,123	1,389,255	283,815	-	
Total Tax Levy	\$ 36,962,950	\$ 38,355,431	\$ 41,002,977	\$ 42,481,398	
City Tax Rates					
City Tax Capacity Tax Rate	35.710	34.676	36.552	35.633	Estimate
City Market Value Tax Rate	0.01577	0.01451	0.00279	0.00000	Estimate
HRA Tax Levy					
HRA Tax Capacity Tax Rate	0.301	0.282	0.202	0.252	Estimate
HRA Tax Levy % of Market Value	0.003297%	0.003093%	0.002213%	0.002792%	

POLICE DEPARTMENT

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Personnel	\$8,203,431	\$8,804,668	\$9,754,300	\$9,660,700	\$10,035,700
Supplies	380,212	415,984	432,000	430,000	431,000
Other Services & Charges	1,072,750	1,002,537	1,064,700	1,011,700	1,126,400
Capital Outlay	-	-	-	177,000	-
Totals	\$ 9,656,393	\$10,223,189	\$ 11,251,000	\$ 11,279,400	\$ 11,593,100

Method of Financing

General Fund	\$ 9,563,011	\$ 10,174,471	\$ 11,196,000	\$ 11,162,400	\$ 11,593,100
Drug and DWI Forfeiture Funds	93,382	48,718	55,000	117,000	-
Totals	\$ 9,656,393	\$ 10,223,189	\$ 11,251,000	\$ 11,279,400	\$ 11,593,100

Number of Employees (FTEs)	69.93	69.69	69.69	69.69	68.47
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Description of Services:

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

Key Measures:	2018 <u>Actual</u>	2019 <u>Actual</u>	2020 <u>Estimated</u>	2021 <u>Projected</u>
Community Survey satisfaction	99%	99%	98%	98%
Calls for service	41,213	41,946	42,500	42,700
Criminal offenses - Part I & II	1,886	1,697	1,840	1,860
Medicals	2,778	2,780	2,700	2,850
Traffic Stops	10,974	9,239	8,200	8,500
Traffic Citations	5,352	4,606	3,500	4,100
Identity Theft / Forgery / Fraud	223	267	300	285
Mental Health Crisis	313	411	395	390

Budget Comments/Issues:

The police department continues to partner with Plymouth Police Department and Hennepin County Human Services on sharing the cost for an in-house social worker. In 2021, the police department will implement a body-worn camera program, capital funding for body-worn cameras was advanced to 2020. The department continues to place an increased emphasis on community engagement.

- In 2019, the police department experienced an increase in mental health crisis related incidents. The increase is attributed to the enhanced tracking system which was created for the formal crisis aftercare program, which launched August 1, 2019. The current agreement with Plymouth Police Department and Hennepin County Human Services will expire in February 2021 and staff is expecting the agreement to be renewed.

- In 2021, the department will continue to strengthen existing community partnerships through current and new community outreach initiatives, with a particular focus on race and equity.

- Expenditures from DWI and drug forfeiture funds include: Emergency vehicle operating course training for patrol officers and community service officers; tasers; radars; and other equipment not otherwise funded by the General Fund. In addition, squad and body cameras will be purchased in part with these funds. During the 2019 legislative session, changes to the state forfeiture statutes occurred. These changes will significantly reduce funds collected from forfeitures in the coming years.

- With the implementation of body-worn cameras, the police department will track data related to its use - such as total number owned and maintained, daily record of BWCs deployed by officers, total amount of recorded data collected, monthly supervisory audit results and any other data which is determined to be beneficial.

- In 2020, there was a decrease in traffic stops and citations due to COVID-19 and the death of Mr. George Floyd.

- Hopkins School District will not renew its school resource officer agreement resulting in the elimination of a police officer position in 2021. The police department will maintain its current sworn officer strength with the addition of a police captain currently in the 2021 proposed budget. In addition, a part-time administrative assistant position is being increased to full-time and a full-time records and part-time community service officer positions are being eliminated.

- The revised 2020 budget includes the purchase of public safety equipment that was originally scheduled to be purchased in 2022 from the Public Safety Fund. The public safety equipment includes helmets, gas masks and other protective gear to enhance personnel safety. The adoption of this budget amends the 2021-2025 Capital Improvement Plan (CIP) to advance the purchase from 2022 to 2020.

FIRE DEPARTMENT

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Personnel	\$ 2,011,484	\$ 2,317,837	\$ 2,965,200	\$ 2,965,200	\$ 3,035,700
Supplies	147,922	221,788	195,900	224,700	249,800
Other Services & Charges	843,719	848,266	913,300	909,100	955,000
Capital Outlay	-	-	-	50,000	-
Totals	\$ 3,003,125	\$ 3,387,891	\$ 4,074,400	\$ 4,149,000	\$ 4,240,500
Method of Financing					
General Fund	\$ 3,003,125	\$ 3,387,891	\$ 4,074,400	\$ 4,149,000	\$ 4,240,500
Number of Employees (FTEs)	8.00	11.00	11.00	11.75	11.75

Description of Services:

The Fire Department's mission is to continuously protect and preserve life and property through quality education, prevention, disaster preparedness, and rapid emergency response. The department provides key services to the city that include: firefighting, emergency medical services (EMS), hazardous material response (hazmat), fire code inspection/enforcement, equipment maintenance, and emergency management. The fire department is regarded as an all-hazards, all-risk service provider by developing and maintaining strategic community partnerships, hiring and training exceptional people, developing efficiencies in service provision to ensure sustainability for the entire organization and maintaining our core infrastructure. The fire department has an authorized strength of 80 paid-on-call firefighters and 11 full-time employees. The fire department's most recent evaluation by the Insurance Service Office (ISO) has maintained a rating of 3. This translates into lower insurance premiums for some Minnetonka businesses and residents.

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Average response time to structure fires (minutes)*	6.56	5.59	6.30	6.30
Paid-on-call firefighters	75	78	80	80
Total fire calls, excluding medicals	1,406	1,113	1,425	1,400
Number of false alarms	351	346	350	350
Medical calls	2,215	2,536	2,350	2,600
Firefighter calls outs	116	121	125	125
Non-duty crew training hours	13,303	15,471	13,330	14,000

* Arrival of first unit

Budget Comments/Issues:

Changing workforce dynamics continue to challenge the city and other fire departments around the country to adapt fire service management structures in order to maintain public safety services and clear efficiencies provided by the city's paid-on-call fire force. This budget addresses the continued evolution of these services as the city attempts to be proactive to maintain the current service delivery model. The department has adapted to covering the city out of two fire stations during the construction of the new central station. Also the department provides planning, direction and implementation of an emergency plan to address sustained operations and response to the COVID-19 virus.

- The Fire/Emergency Management Department has coordinated the entire city's response to the COVID-19 pandemic including the acquisition of Personal Protective Equipment (PPE) for all city departments. This cost is reflected as additional expenditures within the 2020 Revised Budget.
- The fire department will continue to dedicate time and resources over the next 6 to 12 months to ensuring continuity of service during the central station construction project.
- The addition of a 0.75 FTE is for the creation of a part-time fire and life safety specialist. This permanent position will replace 3 firefighter administrative clerks that previously conducted the department's public education. The administrative clerks were part of the paid-on-call staff. This change will have no impact on the budget as the new part-time position will be covered by savings realized in a reduction in paid-on-call salaries.
- The fire department will remain proactive in finding creative solutions to recruit, train and retain paid-on-call firefighters while maintaining core emergency services.
- The 2018 study performed by FACETS consulting will continue to provide guidance for standards of coverage and adequate fire department staffing and operations. Of particular note there is now a supervisor on duty 24/7 to provide safety and clear direction to firefighters. Other staffing recommendations will be proposed as identified by staff in the future in order to continue to deliver adequate services.

PUBLIC SAFETY FACILITY EXPANSION FUND - Finance Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Bond Proceeds	\$ -	\$ -	\$ 25,000,000	\$ 25,434,300	\$ -
State Sales Tax Refund	-	-	550,000	-	550,000
Transfer in (SACF)	-	1,500,000	-	-	-
Transfer in (Cable Fund)	-	-	700,000	700,000	-
Transfer in (Utility Fund)	-	-	1,450,000	1,450,000	-
Investment Income, Other	19,411	23,788	-	125,000	45,000
Totals	\$ 19,411	\$ 1,523,788	\$ 27,700,000	\$ 27,709,300	\$ 595,000
Expenditures by Category					
Project design/planning	\$ 418,727	\$ -	\$ 170,162	\$ 170,162	\$ -
Construction Management Costs	-	-	1,500,000	900,000	600,000
Projects (Fire and Police stations)	-	438,084	25,214,901	15,130,000	11,343,105
Bond Issue Costs	-	-	-	431,800	-
Transfer out	-	-	1,500,000	1,500,000	-
Totals	\$ 418,727	\$ 438,084	\$ 28,385,063	\$ 18,131,962	\$ 11,943,105
Surplus (Deficiency) of Revenues over (under) Expenditures	(399,316)	1,085,704	(685,063)	9,577,338	(11,348,105)
Beginning Fund Balance	1,084,379	685,063	1,770,767	1,770,767	11,348,105
Ending Fund Balance	\$ 685,063	\$ 1,770,767	\$ 1,085,704	\$ 11,348,105	\$ -

Description of Services:

Constructed in 1974 and 1989, the central fire station and police department have not been expanded or extensively remodeled since opening for operations. Both departments have significantly evolved since those years. The adopted 2018-22 Capital Replacement Program (CIP) anticipated the sale of \$25 million in General Obligation capital improvement bonds to construct a new fire station and update/expand the current police department facility. The project broke ground in March 2020 and is slated to be complete by late 2021. Debt service on the bonds would begin in August 2020.

Key Measures:	2018 <u>Actual</u>	2019 <u>Actual</u>	2020 <u>Estimated</u>	2021 <u>Projected</u>
Project completion (cumulative)	5%	0%	60%	100%

Budget Comments/Issues:

In 2019, the city council held a public hearing to amend the CIP and authorize the sale of \$25 million in General Obligation bonds for costs of the public safety facility project. This new obligation for construction of the fifty-year asset is to be paid off with property tax proceeds over the next twenty-eight years.

- On June 12, 2017 and July 22, 2019, the city council authorized \$1.531 million and \$1.5 million respectively, of internal loans from the Special Assessment Construction Fund (SACF) for architectural design and for a construction manager to build the renovated and new central police and fire facilities. The architectural contractual work began in 2017, and most of the remainder of the first phase costs were realized in 2019. Costs for the construction manager began in the fall of 2019. The 2020 budget includes a transfer out to repay the internal loan for costs associated with the construction manager with proceeds from the issuance of the bonds. Bids were approved by council in December 2019 and the facility bonds were sold in January 2020 at a true interest rate of 2.32 percent. Due to the timing of the bond issuance and a favorable interest rate environment, the term of the bond was reduced from 30 to 28 years, which will save the city approximately \$1.5 million in interest expense over the life of the bond.

- The new facility is to be located on the Civic Center campus and requires realignment of infrastructure leading to the well house structure on the north end of the campus. An additional \$1.45 million is budgeted within the Utility Fund for this portion of the project. Additional funding sources include; a transfer from the Cable TV fund (\$700,000), a sales tax exemption approved the State Legislature (\$550,000), a reduction of city-related building permit fees (\$250,000), and the forgiveness of the loan from the SACF for architectural design (\$1.531 million). The 2020 CIP will be amended to reflect these funding changes.

PUBLIC SAFETY FUND- Fire Department/Police Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Ad Valorem Tax Levy	\$ 550,000	\$ 450,000	\$ 550,000	\$ 550,000	\$ 550,000
TIF-related Levy Proceeds	100,000	100,000	100,000	100,000	100,000
Investment Income, Other	(5,171)	6,799	2,000	4,000	1,000
Totals	\$ 644,829	\$ 556,799	\$ 652,000	\$ 654,000	\$ 651,000
Expenditures by Category					
Pumper/Engine Replacement	\$ 566,384	\$ -	\$ -	\$ -	\$ 702,000
Air Truck	-	-	230,000	230,000	-
Rescue Truck	7,698	-	-	-	-
Fire Hose & Nozzle Replacement	-	-	-	-	225,000
Apparatus Refurbishment	-	-	-	-	125,000
Fire Turnout Gear	-	-	255,000	255,000	-
Other Fire Equipment	77,840	67,897	55,700	55,700	10,000
Body and In-Car Cameras	-	-	-	188,000	-
Security Equipment	-	-	25,000	25,000	-
Police Training Room	-	-	-	-	68,000
Other Public Safety Equipment	41,419	1,750	-	-	25,000
PSAP Dispatch Equip/Transition	30,812	-	-	-	-
Totals	\$ 724,153	\$ 69,647	\$ 565,700	\$ 753,700	\$ 1,155,000
Surplus (Deficiency) of Revenues over (under) Expenditures	(79,324)	487,152	86,300	(99,700)	(504,000)
Reserve for Delayed Projects	-	-	-	533,300	-
Beginning Fund Balance	45,540	(33,784)	453,368	453,368	(179,632)
Ending Fund Balance	\$ (33,784)	\$ 453,368	\$ 539,668	\$ (179,632)	\$ (683,632)

Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Average age of pumper trucks	14.5	12.8	13.8	12.3
Average age of ladder trucks	6.3	7.3	8.3	9.3

Budget Comments/Issues:

The 2021 budget for the Public Safety Fund includes costs for the replacement of a pumper truck, continuation of the pumper truck refurbishment plan and the replacement of fire hose and nozzles.

- The ongoing plan for fire equipment includes reducing the number of large rigs, which has decreased the fleet's average age and has provided enhanced maintenance of pumpers and trucks. The replacement and refurbishment schedule of the fire fleet allows it to remain highly reliable by rotating apparatus from a higher use location to lower use locations, thereby balancing the fleet and extending the life of each apparatus.

- Other costs to the Public Safety Fund budgeted in 2021 include: \$10,000 for fire public education equipment, \$25,000 for ballistic glass replacement in the police department's armored vehicle, and \$68,000 for finishing the police training room.

- Annual levy revenue to the Public Safety Fund includes an additional \$100,000 above the adopted capital levy. This temporary funding stream is associated with returned tax increment proceeds from one of the city's Tax Increment Finance (TIF) districts, and the annual amount is scheduled to continue through the life of the district, which ends 2022.

- Reserved for delayed projects includes: \$375,000 for fire apparatus and vehicle refurbishments, \$125,000 for the purchase of a rescue truck, and \$33,300 for various security equipment and a final dispatch payment to Hennepin County.

GRANTS SPECIAL REVENUE FUND - Finance Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Federal Grants	\$ 60,928	\$ 127,099	\$ 51,000	\$ 51,000	\$ 45,000
State Grants	-	5,000	-	-	-
Other Local Grants	-	7,758	-	132,758	-
Investment Income	(405)	(1,333)	-	-	-
Totals	\$ 60,523	\$ 138,524	\$ 51,000	\$ 183,758	\$ 45,000
Expenditures by Category					
Personnel	\$ 54,161	\$ 122,900	\$ 40,000	\$ 40,000	\$ 40,000
Supplies	-	9,098	11,000	5,000	-
Other Services & Charges	109,868	1,445	-	132,758	-
Capital Outlay	4,507	7,758	-	-	-
Totals	\$ 168,536	\$ 141,201	\$ 51,000	\$ 177,758	\$ 40,000
Surplus (Deficiency) of Revenues over (under) Expenditures	(108,013)	(2,677)	-	6,000	5,000
Beginning Fund Balance	68,423	(39,590)	(42,267)	(42,267)	(36,267)
Ending Fund Balance	\$ (39,590)	\$ (42,267)	\$ (42,267)	\$ (36,267)	\$ (31,267)

Description of Services:

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

Key Measures:

	<u>2018 Actual</u>	<u>2019 Actual</u>	<u>2020 Estimated</u>	<u>2021 Projected</u>
Federal grant programs	2	2	2	2
State grant programs	0	0	0	0
Other grant programs*	0	2	2	0

* Denotes local and other grants within only this fund.

Budget Comments/Issues:

The city seeks opportunities on an ongoing basis to apply and receive grants to support city projects and services.

- For the eighth year in 2020, the city is to receive federal funding in the Grants Special Revenue Fund through the Toward Zero Death (TZD) program ~\$40,000 and bullet proof vests ~\$11,000 annually. The TZD grant program is awarded on the federal fiscal year, which runs from October 1 thru September 30 each year, and specific funding for Minnetonka is apportioned amongst four cities who have jointly received the funds -- Minnetonka, Plymouth, Maple Grove and Wayzata.

- In 2019 and 2020, the city received three Hennepin County Youth Sports Grants (HCYSG) : (1) to purchase youth sports equipment for Guillian field, \$7,758, (2) for new gymnasium space at Eagle Ridge Academy, \$125,000; and (3) for a multi-use mountain bike trail at Lone Lake Park, \$140,000. The grant funds and associated expenditures for the multi-use mountain bike trail will be recognized in the Park & Trail Improvement fund.

ENVIRONMENTAL HEALTH DIVISION - Community Development Department

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2020 2,021
Personnel	\$ 389,694	\$ 416,369	\$ 478,800	\$ 478,800	\$ 370,600
Supplies	2,890	9,313	7,500	4,850	6,500
Other Services & Charges	13,668	12,407	15,700	12,650	14,400
Capital Outlay	-	-	-	-	-
Totals	\$ 406,252	\$ 438,089	\$ 502,000	\$ 496,300	\$ 391,500

Method of Financing	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2020 2,021
General Fund	\$ 406,252	\$ 438,089	\$ 502,000	\$ 496,300	\$ 391,500

Number of Employees (FTEs)	2018	2019	2020	2020	2020
	3.5	3.5	3.5	3.5	3.0

Description of Services:

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

<u>Key Measures:</u>	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Licensed establishments	775	775	775	750
Number of routine food inspections	626	608	625	580
Number of follow-up food inspections	234	143	200	125
Nuisance complaints	459	578	600	620
Average number of days to resolve each nuisance complaint	25	23	24	23

Budget Comments/Issues:

The 2021 Budget for the Environmental Health Division considers the impacts of services provided to outside agencies.

- Because of staffing numbers in Environmental Health, contracted services for the City of Wayzata is being discussed. Workload increases are attributable to new food code requirements and the length of time to conduct the inspections. Eliminating the code compliance manager position will save on salaries in this area.
- COVID response issues will continue into 2021. Inspectors are often recommending, educating and assisting business owners with addressing best practices.
- The decline in establishments is due to the likelihood of restaurants closing in the city. The aftermath of COVID impacts is unknown at this time, but the city expects a decrease in these types of businesses.

LEGAL DEPARTMENT

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Personnel	\$ 718,816	\$ 747,666	\$ 841,800	\$ 841,800	\$ 890,600
Supplies	4,041	3,259	7,300	9,800	7,050
Other Services & Charges	46,894	80,311	117,800	70,100	81,350
Capital Outlay	-	-	-	-	-
Totals	\$ 769,751	\$ 831,236	\$ 966,900	\$ 921,700	\$ 979,000
Method of Financing					
General Fund	\$ 769,751	\$ 810,573	\$ 938,900	\$ 902,200	\$ 979,000
Drug and DWI Forfeiture Funds	-	20,663	28,000	19,500	-
Totals	\$ 769,751	\$ 831,236	\$ 966,900	\$ 921,700	\$ 979,000
Number of Employees (FTEs)	7.00	7.00	6.00	6.60	6.60

Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Minnetonka cases in court				
All cases	950	632	740	600
DWI cases	173	57	90	90
Domestic violence cases	68	70	60	65
Cases opened and processed by staff:	801	655	740	600
Contracts drafted or reviewed	N/A	N/A	98	75
Customers rating staff at "above average" or "excellent"	95%	99%	100%	95%
Charter Commission rating staff at "above average" or "excellent"	100%	100%	100%	95%

Budget Comments/Issues:

The department saw a decrease in overall case numbers and in DWI cases in 2019, which was generally consistent with neighboring cities and all Hennepin County suburban cities. Although cases initially increased in 2020, the COVID-19 pandemic caused a downturn; the COVID-19 influence on caseload numbers is expected to continue for the foreseeable future. The revised 2020 budget anticipates that body cameras will be purchased in 2020; funding is included from available general levy funds for an additional .6 FTE beginning in the fourth quarter of 2020.

- The department continues to monitor the impacts from the Hennepin County District Court's changes in scheduling criminal cases. Funds have been included in the 2021 budget for outside legal services to cushion against those impacts.

- Legislative changes continue to reduce revenues from vehicle forfeitures, even though the caseload of forfeiture proceedings remains steady. Forfeiture proceedings are civil, not criminal, and are not reflected in the caseload reported in Key Measures above.

- The budget continues to include funds for a part-time law clerk/intern to assist with general legal services, under a program through the League of Minnesota Cities. The intern is not a city employee and not included in the number of department FTEs.

- A new key measure has been added for domestic violence cases. Although domestic cases make up only 5-10% of the number of cases that the department handles, they require approximately 30% of the department's resources in time and staff.

ENGINEERING DEPARTMENT

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Personnel	\$ 1,195,310	\$ 1,035,987	\$ 1,303,700	\$ 1,303,700	\$ 1,337,800
Supplies	10,104	9,755	19,100	19,100	14,700
Other Services & Charges	88,224	83,140	102,800	102,800	108,100
Capital Outlay	-	-	-	-	-
Totals	\$ 1,293,638	\$ 1,128,882	\$ 1,425,600	\$ 1,425,600	\$ 1,460,600

Method of Financing

General Fund	\$ 1,293,638	\$ 1,128,882	\$ 1,425,600	\$ 1,425,600	\$ 1,460,600
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Number of Employees (FTEs)	9.50	9.50	9.50	9.50	9.50
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Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Neighborhood meetings held	1	7	2	2
Project newsletters mailed/mailed	3098/5800	1594/2383	2500/6,500	2750/7500
Property acquisitions for construction projects	4	11	4	6
Construction projects underway	7	7	7	6
Construction projects completed	9	5	6	6
Customer service surveys sent out/received	402/16	614/39	400/100	500/125
Responding customers satisfied with project (rated as "average" or greater)	76%	83%	75%	75%

Budget Comments/Issues:

In 2019, the Public Works Department added engineering as a division in an effort to combine functions and provide improved collaboration between these areas of the city. In 2021, the engineering administrative assistant position is eliminated and a project engineer added to better meet workload demand.

- The 2021 budget for the Engineering Division provides funding to manage and fulfill workload demand services. Hundreds of project communication texts and emails will continue to be sent out keeping residents informed of daily activities. New methods of communication will continue to be explored for future projects to continue to improve customer service.

- In 2021, the division will continue with an on-going program to survey sections of the city for speed compliance. The results will assist the Police Department with its enhanced traffic enforcement program. Speed counts are taken based on requests from the Police Department and concerned residents. In 2019, legislation was passed providing cities with authority of speeds on residential streets. Staff explored the impacts of this change in 2020 and will continue to do so in 2021.

- The city performs 32 bridge inspections for all road bridges and large culverts every two years. The Rowland Road railroad bridge gets inspected every year.

STREET IMPROVEMENT FUND - Engineering Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Ad Valorem Tax Levy	\$ 6,300,000	\$ 5,380,000	\$ 5,680,000	\$ 5,680,000	\$ 5,880,000
Investment Income	141,756	330,223	125,000	125,000	125,000
MSA Maintenance	553,735	554,208	500,000	500,000	485,000
Other Local Grants	332,426	-	321,600	322,196	10,000
Cost-Share Reimbursements	62,421	-	-	-	-
R.O.W. Permit Fees	27,440	322,344	-	-	-
Transfer form Utility Fund	-	125,264	-	-	-
Miscellaneous Revenue	32,908	49,786	575,000	-	575,000
Ridgedale Abatement Transfer In	-	667,500	-	-	-
Totals	\$ 7,450,686	\$ 7,429,325	\$ 7,201,600	\$ 6,627,196	\$ 7,075,000
Expenditures					
Local Street Rehabilitation	\$ 2,756,912	\$ 941,231	\$ 2,300,000	\$ 1,650,000	\$ 5,900,000
Local Street Preservation	833,610	1,386,398	2,975,000	2,525,000	1,830,000
Woodland Road Retaining Wall	2,511	2,703	4,200	4,200	4,200
CSAH 61/101 Landscaping	243,759	46,332	-	-	-
Carlson Parkway Imp.	91,608	1,486,976	-	-	-
Flashing Yellow Conversion	224,316	73,871	225,000	225,000	200,000
Other Street Projects	137,336	-	-	-	-
Ford Road Study	3,994	-	-	-	-
Shady Oak Area LRT	570,000	174,400	-	-	-
City LRT Infrastructure	495,274	290,000	160,000	160,000	-
Opus Area Improvements	1,544	177,710	-	-	-
Pavement Management Study	42,510	29,315	44,000	44,000	44,000
Traffic Signals/burying Overhead	2,734	-	-	-	-
Cartway/Ridgedale/Plymouth Rd	457,023	126,630	-	-	-
Opus Bridges	-	-	4,000,000	4,000,000	5,000,000
Totals	\$ 5,863,131	\$ 4,735,566	\$ 9,708,200	\$ 8,608,200	\$ 12,978,200
Surplus (Deficiency) of Revenues over (under) Expenditures	1,587,555	2,693,759	(2,506,600)	(1,981,004)	(5,903,200)
Reserve for Delayed Projects	-	-	-	7,063,762	-
Beginning Fund Balance	7,153,166	8,740,720	11,434,479	11,434,479	2,389,713
Ending Available Fund Balance	\$ 8,740,720	\$ 11,434,479	\$ 8,927,879	\$ 2,389,713	\$ (3,513,487)

Description of Services:

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

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Miles of streets reconstructed	1.4	0.3	0.7	3.2
Miles of streets thin overlay	9.1	8.7	10.9	11.1
Miles of streets rated for condition (varies by quadrant)	65	67	65	57
Average pavement condition index	82	80	82	81

Budget Comments/Issues:

The 2021 budget for the Street Improvement Fund as provided in the Capital Improvement Program (CIP) will continue the city's road rehabilitation and preservation programs.

- Consistent with the city's capital improvements policy, the fund balance for the Street Improvement Fund is managed over a five-year horizon, and some years have higher costs while others have lower costs.
- Reserve for Delayed Projects in 2020 are final costs for various projects including local street rehabilitation, County Road 101, Shady Oak Road, and OPUS area improvements.
- A portion of city's state allotment of Municipal State Aid Maintenance is deposited annually to the Street Improvement Fund for MSA street related costs.
- The Local Street Preservation Program includes patching, sealing, plus thin overlays and reconstruction projects.

MUNICIPAL STATE AID FUND - Engineering Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
State Allotment	2,739,029	4,904,783	1,888,809	1,888,809	1,610,000
State Allotment Dedicated to D.S.	164,775	184,525	173,809	173,809	173,000
Federal Grants	4,504,000	-	-	-	-
Interest	(24,733)	(72,720)	-	-	-
Totals	\$ 7,383,071	\$ 5,016,588	\$ 2,062,618	\$ 2,062,618	\$ 1,783,000
Expenditures					
Bond Debt Service	\$ 164,775	\$ 184,525	\$ 173,809	\$ 173,809	\$ 173,000
Projects:					
Cartway/Ridgehaven	6,825,773	837,230	-	-	-
Ridgedale Drive Improvements	505,011	2,313,582	-	-	-
Totals	\$ 7,495,559	\$ 3,335,337	\$ 173,809	\$ 173,809	\$ 173,000
Surplus (Deficiency) of Revenues over (under) Expenditures	(112,488)	1,681,251	1,888,809	1,888,809	1,610,000
Reserve for Delayed Projects	-	-	-	4,555,300	-
Beginning Fund Balance	(2,029,545)	(2,142,033)	(460,782)	(460,782)	1,428,027
Ending Fund Balance	\$ (2,142,033)	\$ (460,782)	\$ 1,428,027	\$ 1,428,027	\$ 3,038,027

Mission Statement:

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

Key Measures:

	<u>2018 Actual</u>	<u>2019 Actual</u>	<u>2020 Estimated</u>	<u>2021 Projected</u>
Construction projects underway	1	2	1	0
Construction projects completed	0	1	1	1

Budget Comments/Issues:

Per the adopted 2020-2024 Capital Improvements Program (CIP), the MSA Fund financed significant improvements to the Ridgedale area.

- MSA draws for Ridgedale, Ridgehaven, I-394 Ramp and Opus LRT.
- Reserve for Delayed Projects includes: Cartway/Ridgehaven improvements, final costs for Shady Oak (TH 7 to Excelsior) and County Road 101 (Mtka Blvd to CR12, Hwy 7 to Mtka Blvd).
- In 2008, the city issued State-Aid Street bonds to fund a portion of the first half of the costs for the Shady Oak (Bren-Excelsior) project. The debt service for these bonds will be financed over 15 years ending 2024 with the city's MSA allotment.

STORM WATER FUND - Engineering Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Storm Water Utility Charges	\$ 2,599,644	\$ 2,678,482	\$ 2,764,200	\$ 2,764,200	\$ 2,852,700
Intergovernmental	-	-	357,000	300,000	-
Investment Income	73,864	148,094	50,000	125,000	40,000
Totals	\$ 2,673,508	\$ 2,826,576	\$ 3,171,200	\$ 3,189,200	\$ 2,892,700
Expenditures by Category					
Personnel	\$ 179,648	\$ 217,605	\$ 239,500	\$ 239,500	\$ 248,500
Supplies	79,013	160,512	152,100	152,100	155,900
Other Services & Charges	349,571	427,582	558,300	558,300	570,500
Capital Outlay	1,933,928	1,228,566	1,700,000	1,631,000	3,525,000
Transfers to Other Funds	145,300	137,400	142,600	142,600	147,300
Totals	\$ 2,687,460	\$ 2,171,665	\$ 2,792,500	\$ 2,723,500	\$ 4,647,200
Reserve for Previous Years Projects	-	-	-	1,483,800	-
Surplus (Deficiency) of Revenues over Expenditures	\$ (13,952)	\$ 654,911	\$ 378,700	\$ 465,700	\$ (1,754,500)
Number of Employees (FTEs)	1.5	1.5	1.5	1.5	1.5

Description of Services

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Water quality samples taken	5	7	5	6
Storm sewer projects completed	5	5	4	3
Sump catch basins inspected	380	396	380	380
Storm sewer outfalls inspected	120	103	120	100
Drainage ponds inspected	110	124	100	100
Drainage ponds restored	0	0	1	0
Misc. drainage projects completed	25	27	30	25

Budget Comments/Issues:

Consistent with the prior three years, the 2021 budget for the Storm Water Fund includes a three percent fee increase to cover funding pressures related to accelerated street reconstruction projects, unfunded mandates, and inflationary

- Other Services & Charges includes ongoing costs for water quality testing, pond maintenance, watershed modeling, and miscellaneous drainage repairs.

- Project scheduling coincides with county, state, and other city projects including residential street reconstruction. High priority projects in the city's Water Resources Management Plan are scheduled as budget limits allow.

- The inspections of sump catch basins, outfalls and ponds are federally mandated to the city's National Pollution Discharge Elimination System (NPDES) permit. All inspections are performed by public works staff and engineering interns, and include inspecting all sump catch basins every year and 20 percent of the outfalls and ponds.

ELECTRIC FRANCHISE FEES SPECIAL REVENUE FUND - Engineering Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Electric Franchise Fees	\$ 837,130	\$ 1,125,599	\$ 1,137,400	\$ 1,140,000	\$ 1,145,000
County Cost-Share Agreements	-	-	527,100	470,900	-
Other Income	-	15,490	-	-	-
Investment Income	56,363	98,139	40,000	40,000	50,000
Totals	\$ 893,493	\$ 1,239,228	\$ 1,704,500	\$ 1,650,900	\$ 1,195,000
Expenditures by Category					
Overhead Utility Burial	\$ 984,050	\$ -	\$ 900,000	\$ 650,000	\$ 300,000
Energy Saving Street Light Retrofits	-	101,328	50,000	50,000	-
Opus/City/Shady Oak LRT Lighting	226,342	180,000	160,000	160,000	-
CO RD 101	111,814	-	-	-	-
Trail Connection Undergrounding	7,789	381,180	-	800,000	-
Ridgedale Drive	-	108,570	-	-	-
Cartway Lane/Ridgehaven/Plymouth Rd	207,384	99,985	-	-	-
Totals	\$ 1,537,379	\$ 871,063	\$ 1,110,000	\$ 1,660,000	\$ 300,000
Surplus/(Deficiency) of Revenues over/(under) Expenditure	(643,886)	368,165	594,500	(9,100)	895,000
Reserve for Delayed Projects	-	-	-	2,110,872	-
Beginning Fund Balance	\$ 3,808,906	\$ 3,165,020	\$ 3,533,185	\$ 3,533,185	\$ 1,413,213
Ending Fund Balance	\$ 3,165,020	\$ 3,533,185	\$ 4,127,685	\$ 1,413,213	\$ 2,308,213

Description of Services:

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

Key Measures:

	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Miles of utility line buried	2.3	0.3	0.5	0.5
LED Street Lighting - new & retrofits	45	9	30	5

Budget Comments/Issues:

The 2019 budget incorporated an adopted increase in the electric franchise fee of \$2 per residential account, of which \$1 is for burial of electric lines and \$1 is for trail construction. The electric franchise fees associated with trail construction are recorded in the Trail System Expansion Fund along with 100% of the gas franchise fees.

- On April 6, 2020 the council amended the Capital Improvements Program (CIP) for 2020 to flip the trail segments along Excelsior Blvd. to first construct the segment from Baker to Shady Oak in 2020. This amendment moves the overhead burial allotment of \$800,000 from 2021 to 2020.

- Additional overhead utility burial, energy savings retrofits of street lights associated with various street projects, and decorative light installations currently in progress or planned include Ridgedale Drive, and Plymouth Road in the Ridgedale area.

- Reserve for Delayed Projects are costs associated with County Road 101 (CR 62 - CR 3) and (CR 5 - Th 12), Cartway Lane, Minnetonka Boulevard and city hall campus retrofits.

- New energy LED decorative street lighting and retrofits are reviewed in conjunction with county and city street reconstruction projects, redevelopment interests and individual lighting projects, to provide long term energy savings and efficiencies. Current LED street light installations completed, in progress or programmed for installation include the reconstruction on Shady Oak Road from Excelsior Boulevard to TH 7, CR 101 north of Minnetonka to the city of Wayzata, CR 101 from TH 7 south to CR 62, the Ridgedale Area and the Opus area.

SHADY OAK ROAD/OAK DRIVE LANE IMPROVEMENT FUND - Community Development

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Hennepin County	\$ -	\$ -	\$ -	\$ -	\$ -
State, County Grants	-	-	400,000	400,000	-
Property Sale	-	-	734,400	731,449	-
Lease Revenue	3,995	-	-	10,000	-
Interest on Investments	22,225	37,654	20,000	20,000	-
Totals	\$ 26,220	\$ 37,654	\$ 1,154,400	\$ 1,161,449	\$ -
Expenditures by Category					
Project Costs	\$ -	\$ 216,878	\$ 400,000	\$ 400,000	\$ -
Transfer Out to SACF	-	-	878,191	878,191	-
Transfer Out to Dvpt Fund	-	-	1,129,251	957,408	-
Temporary Facility Operating Costs	27,561	43,520	15,000	25,541	-
Totals	\$ 27,561	\$ 260,398	\$ 2,422,442	\$ 2,261,140	\$ -
Surplus (Deficiency) of Revenues over Expenditures	(1,341)	(222,744)	(1,268,042)	(1,099,691)	-
Beginning Fund Balance	1,323,776	1,322,435	1,099,691	1,099,691	-
Ending Fund Balance	\$ 1,322,435	\$ 1,099,691	\$ (168,351)	\$ -	\$ -

Description of Services:

The Shady Oak Road/Oak Drive Lane Improvement Fund was created in 2014 to pay for the purchase and improvements of two parcels within the city associated with the Shady Oak Road (State Highway 7 to Excelsior) road reconstruction project. The fund is financed with various sources including a Hennepin County partnership, grants, the city's Municipal State Aid (MSA) allotment, and interfund loan proceeds from the city Special Assessment Construction Fund (SACF). Repayment of the interfund loan will ultimately be supported by funds from the sale of the properties back to the private sector.

Key Measures:

	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Increase in taxable market value	NA	NA	NA	NA

Budget Comments/Issues:

Road reconstruction related to this fund began in earnest in early 2014 and was completed in late 2016 with final landscaping completed in 2017. The city retained the commercial building on one of the properties for an intermediate period of time, during which city staff has conducted a neighborhood engagement process for determining final development of the combined sites. A development agreement for the commercial site was approved in 2017 and revised in 2020. Site improvements began in late 2020.

- The commercial property site sale closed in 2020 and the proceeds were used to repay the remaining interfund loan balance due to the Special Assessment Construction Fund. The remaining sale proceeds were transferred to the Development Fund. A single family home on the site still remains under the city's ownership. Future lease payments and eventual sales proceeds will be receipted into the Development Fund.
- The project was awarded three grants in 2020. Hennepin County awarded the project \$250,000 through its Transit Oriented Design grant program to assist with demolition, storm water management, and utilities. The Department of Employment and Economic Development awarded the project \$246,652 to assist with demolition, abatement and utilities. The Metropolitan Council also provided \$414,200 to assist with environmental cleanup at the site. Grant awards for this project in 2020 totaled \$910,852.
- In addition to likely increased property tax value for the community, benefits of the project also include visually enhanced aesthetics, improvements to site functionality, and more coordinated storm water ponding areas for both the road and the properties' redevelopment. Value is expected to increase in 2021.

STREET MAINTENANCE DIVISION - Public Works Department

Expenditures by Category	2018 Actual	2019 Actual	2019 Budget	2020 Revised	2021 Budget
Personnel	\$ 1,926,870	\$ 2,161,236	\$ 2,208,100	\$ 2,208,100	\$ 2,278,600
Supplies	386,029	474,230	415,200	415,200	427,700
Other Services & Charges	1,139,658	954,320	1,215,500	1,215,500	1,248,600
Capital Outlay	-	-	-	-	-
Totals	\$ 3,452,557	\$ 3,589,786	\$ 3,838,800	\$ 3,838,800	\$ 3,954,900

Method of Financing

General Fund	\$ 3,452,557	\$ 3,589,786	\$ 3,838,800	\$ 3,838,800	\$ 3,954,900
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Number of Employees (FTEs)	21.10	21.10	21.10	21.10	21.15
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Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Full-scale plowing events required	15	8	10	10
Tons of salt used	2,950	2,100	2,500	2,250
Tons of bituminous mix laid	15,215	13,900	9,500	10,500
Miles of maintenance overlays	3.5	6.1	6.5	5.5
Signs installed	780	8	800	900
Miles of neighborhood refurbishment	4.5	2.0	1.9	3.0
Maintained streetscape area (sq. ft.)	112,370	112,370	117,000	120,000

Budget Comments/Issues:

The 2021 budget maintains current service levels. Streetscape maintenance is currently provided by contract under an annual agreement. The contract will be extended again in 2021 to include Shady Oak Road and CR 101 projects.

- This division is responsible for the neighborhood street pavement preservation program. The program uses a variety of pavement maintenance technologies to preserve streets after initial construction or thin overlay in order to extend their asset life and serviceability. In 2021, the focus of street preservation will be a number of areas throughout the city. Materials are funded through the Capital Improvement Program (CIP) by the Street Improvement Fund.

- The division is responsible for storm water drainage maintenance and collaborates with the Engineering Department to assure compliance with National Pollution Discharge Elimination System (NPDES) permit requirements. Projects are coordinated with the Water Resources Engineer and Natural Resources Manager.

- Winter road maintenance uses liquid salt brine along with crystal salt for winter snow and ice control. Liquid salt solutions increase crystal salt effectiveness and reduce the total amount of salt used on roadways which minimizes chloride ions that end up in storm water and wetlands. This road maintenance technology addresses environmental concerns which are increasingly important. The city manufactures brine (liquid salt) for its own use and also sells product to Hennepin County and other neighboring cities and school districts which offsets city purchasing and operational costs.

- The city's snowplow trucks have been outfitted with automated vehicle location (AVL) and digital salt spreader controllers that allow drivers to precisely control the amount and location of salt that is applied on streets and records the total the amount of salt that is used for each plowing or sanding event. Supervisors then use the data for jurisdictional reporting such as watershed districts, Hennepin County and the State of Minnesota.

- The operating budget for the division is highly impacted by seasonal climatic variations and the cost of fossil fuel energy, which affect the cost and amount of fuel, street lighting, road maintenance/construction supplies and machine repair parts.

- The FTE count increases slightly in 2021 due to the reclassification of the public works receptionist from part-time to full-time. This position's time is allocated to all the divisions within the public works facility, which is why the fte increase is minimal. This change has a very minor budget impact as temporary salaries will no longer be needed to backfill hours not covered by the previous part-time receptionist.

BUILDING MAINTENANCE DIVISION - Public Works Department

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Personnel	\$ 744,649	\$ 747,492	\$ 883,000	\$ 883,000	\$ 888,900
Supplies	95,339	91,941	120,100	120,100	118,100
Other Services & Charges	360,993	610,809	379,400	379,400	453,600
Capital Outlay	-	-	-	-	-
Totals	\$ 1,200,981	\$ 1,450,242	\$ 1,382,500	\$ 1,382,500	\$ 1,460,600

Method of Financing

General Fund	\$ 1,200,981	\$ 1,450,242	\$ 1,382,500	\$ 1,382,500	\$ 1,460,600
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Number of Employees (FTEs)	8.38	8.38	8.38	8.38	8.42
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Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Work orders completed	2,785	2,955	2,850	2,900
Heat energy - cost	\$184,800	\$195,111	\$170,000	\$228,750
Heat energy used (THM)	276,901	317,750	275,000	375,000
Electrical energy - cost	\$446,572	\$443,162	\$470,000	\$530,030
Electrical energy used (kWh)	4,532,302	4,514,979	5,275,000	5,400,000
Solar Garden Savings (all bldgs.)	\$62,922	\$53,597	\$82,000	\$100,000

Budget Comments/Issues:

The 2021 budget for the Building Maintenance Division maintains current service levels. The first contracted solar garden came online in April of 2017, and the remaining two contracts will come online by the end of 2020. An emphasis on project management and implementation of the sustainability goals for the Public Safety project will be an increasing focus.

- The anticipated construction of a new fire station on the civic center campus and the renovation of the police and fire station started in spring of 2020 is expected to increase construction management activities, electrical energy use, and building maintenance resources as divisions are relocated for operations.

- Multi-year phased replacement mechanical equipment and computerized building environmental control system will continue in 2021. The improvements allows for remote observation and control of the various heating, ventilating and air conditioning systems as well as other systems associated with the buildings such as generators and lighting. In 2020/2021, the project will continue with the Public Safety project integration and the Glen Lake Activity Center.

- The city was able to utilize the federal CARES act Coronavirus Relief Funds (CRF) to update several HVAC units throughout city facilities. These units were installed in late fall 2020 and provide enhanced air flow and filtration as well as providing virus/ionization removal and disinfection as recommended by the CDC.

- The two final solar contract agreements were approved in 2019 and are also the largest solar agreements entered into by the city. Initially the solar facilities were expected to go online in 2019, but are now expected go online in the fall of 2020.

- The FTE count increases slightly in 2021 due to the reclassification of the public works receptionist from part-time to full-time. This position's time is allocated to all the divisions within the public works facility, which is why the fte increase is minimal. This change has a very minor budget impact as temporary salaries will no longer be needed to backfill hours not covered by the previous part-time receptionist.

FLEET MAINTENANCE FUND - Public Works Department

	2018	2019	2020	2020	2021
Revenues	Actual	Actual	Budget	Revised	Budget
Charges for Services	\$ 1,595,886	\$ 1,479,040	\$ 1,600,000	\$ 1,375,000	\$ 1,697,000
Investment Income	11,422	21,763	4,400	10,000	10,000
Miscellaneous	6,231	2,937	5,000	3,000	5,000
Fuel	44,650	43,660	45,000	25,000	45,000
Transfers In	-	-	-	22,000	-
Totals	1,658,189	1,547,400	1,654,400	1,435,000	1,757,000
Expenditures by Category					
Personnel	\$ 510,546	\$ 473,976	\$ 523,500	\$ 523,500	\$ 536,000
Supplies	866,897	797,703	758,400	758,400	827,200
Other Services & Charges	358,707	248,773	322,500	322,500	343,800
Capital Outlay	-	29,892	50,000	50,000	50,000
Totals	\$ 1,736,150	\$ 1,550,344	\$ 1,654,400	\$ 1,654,400	\$ 1,757,000
Surplus (Deficiency) of Revenues over Expenditures	(77,961)	(2,944)	-	(219,400)	-
<i>Beginning Fund Balance</i>	<i>387,515</i>	<i>309,554</i>	<i>306,610</i>	<i>306,610</i>	<i>87,210</i>
<i>Ending Fund Balance</i>	<i>\$ 309,554</i>	<i>\$ 306,610</i>	<i>\$ 306,610</i>	<i>\$ 87,210</i>	<i>\$ 87,210</i>
Number of Employees (FTEs)	4.38	4.38	4.38	4.38	4.42

Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Work orders completed	3,030	3,250	3,500	3,550
Gallons of fuel consumed	166,581	176,039	172,000	175,000
Cost to purchase gas/diesel fuels	\$439,582	\$370,320	\$370,000	\$455,000
Average cost per gallon of gas/diesel fuels	\$2.64	\$2.07	\$2.24	\$2.60
Gallons of oil consumed	861	890	800	800

Budget Comments/Issues:

The 2021 budget for the Fleet Maintenance Fund maintains current service levels and increases fuel costs by \$0.36 per gallon. Increased costs for repair parts and outside repairs are anticipated. The budget incorporates expenses for the general maintenance and repair of the city's fleet including fire apparatus. Specialized repairs and testing are generally completed by outside vendors and suppliers for efficiency and technological reasons.

- In order to contain operating expenses, fleet services takes a number of actions: extending oil change intervals in gasoline engines by utilizing scheduled oil sampling and testing; purchasing diesel fuel that contains 10% vegetable oil (B-10) and gasoline that contains 10% percent ethanol and regularly analyzing the feasibility of emerging technologies such as hybrids, compressed natural gas, propane and hydrogen fuel cells as motor fuels.

- Oil change intervals for engines are continually being evaluated by oil sampling and testing in order to determine if intervals can be extended and whether the purchase of a different oil type will result in decreased maintenance costs of vehicles. Oil change intervals are now 6,000 miles for gasoline and diesel engines by using synthetic oils.

- Greater efficiency in shop repairs and maintenance have been realized by utilizing the staff welder for scheduled maintenance and minor repairs when there is time due to openings in the welding schedule.

- Fuels along with a variety of other supplies and equipment are purchased through the State's Cooperative Purchasing Venture. This program establishes a fixed bid price for motor fuel by combining the motor fuel needs of a number of governmental jurisdictions in the metro area and bidding the collective volume of 8.7M gallons of fuel for the coming year.

- The FTE count increases slightly in 2021 due to the reclassification of the public works receptionist from part-time to full-time. This position's time is allocated to all the divisions within the public works facility, which is why the fte increase is minimal. This change has a very minor budget impact as temporary salaries will no longer be needed to backfill hours not covered by the previous part-time receptionist.

CAPITAL REPLACEMENT FUND - Finance Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Ad Valorem Tax Levy	\$ 2,045,000	\$ 3,295,000	\$ 2,155,000	\$ 2,155,000	\$ 806,000
Transfers In	1,200,000	1,200,000	1,200,000	2,448,000	355,000
Investment Income	19,650	63,448	10,000	45,000	20,000
Auction Proceeds/Rebates	149,329	172,098	45,000	12,000	45,000
Totals	\$ 3,413,979	\$ 4,730,546	\$ 3,410,000	\$ 4,660,000	\$ 1,226,000
Expenditures by Category					
Buildings & Structures	\$ 891,248	\$ 3,147,333	\$ 1,390,000	\$ 2,638,000	\$ 1,339,000
Recreation Facilities	207,348	361,725	110,000	110,000	160,000
Machinery and Auto	823,700	654,135	1,834,200	1,834,200	659,100
Totals	\$ 1,922,296	\$ 4,163,193	\$ 3,334,201	\$ 4,582,200	\$ 2,158,100
Surplus (Deficiency) of Revenues over (under) Expenditures	1,491,683	567,353	75,799	77,800	(932,100)
Reserve for Delayed Projects	-	-	-	900,600	-
Beginning Available Fund Balance	1,003,161	2,494,844	3,062,197	3,062,197	2,239,397
Ending Available Fund Balance	\$ 2,494,844	\$ 3,062,197	\$ 3,137,996	\$ 2,239,397	\$ 1,307,297

Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
General light-duty vehicles in fleet	108	108	110	110
Marked police vehicles in fleet	23	23	24	24
Heavy equipment and trucks in fleet	65	65	65	65
Deprec. value of buildings & structures (millions \$)	\$13.2	\$15.7	\$15.9	\$45.0
Deprec. value of furniture & equipment (millions \$)	\$7.9	\$7.1	\$7.3	\$7.5

Budget Comments/Issues:

The adopted 2021-25 Capital Improvements Program (CIP) incorporates 2020 funding from the CRF for the last phase of major refurbishment of city hall (\$819,000), which includes expensive elevator car improvements, tile floor replacement and improvements to the link window system. Total funding from this source for the City Hall project is \$4.5 million and is being completed over a multi-year period from 2018 to 2021. A portion of the project was first adopted as part of the 2017-22 CIP.

- Substantial purchases approved in the 2021 CIP for the fund include: replacement of fuel pumps and leak detection equipment (\$175,000), fleet vehicles (\$384,100), a variety of building components (\$570,000) including energy conservation improvements, building automation upgrades and partial roof replacement at public works. Additionally, \$110,000 is included as the city's partnership costs for improvements to the Lindbergh Center located at Hopkins high school.

- The 2018-2020 CRF budgets include a \$1.2 million transfer in each year from the General Fund balance, which is adopted by council under the city's fund balance policy. The transfer is scheduled as part of the adopted five-year CIP with an additional \$355,000 transfer scheduled in 2021. Like all capital funds, the CRF is managed over a five-year horizon as part of the adopted CIP.

- An additional 2020 General Fund transfer of \$1,248,000 reimburses the CRF for HVAC improvements related to mitigating the spread of COVID-19. The early replacement of these units provide cleaner and increased air circulation throughout city facilities.

- Reserve for Delayed Projects includes \$440,200 for city building roof-related projects and \$460,400 for fleet vehicles.

- The value of building and structures increases in 2021 due to the completion of the public safety facility remodel and expansion project.

- The tax levy revenue is reduced in 2021 due to delaying the purchase of \$949,000 in fleet vehicles and a zamboni.

UTILITY DIVISION / UTILITY FUND - Public Works Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Water Sales & Sewer Revenue	\$ 14,239,494	\$ 14,101,186	\$ 15,527,500	\$ 15,527,500	\$ 16,190,400
Investment Income	383,798	889,733	300,000	400,000	314,100
Grants	9,840	-	-	-	-
Bond Proceeds	10,330,125	-	-	-	9,700,000
Hookup Fees	1,641,577	1,492,292	225,000	262,500	225,000
Met Council SAC Fees	929,696	1,342,110	160,000	160,000	160,000
Miscellaneous Income	383,622	129,776	202,000	152,500	202,000
Transfers In	-	-	-	128,200	-
Totals	\$ 27,918,152	\$ 17,955,097	\$ 16,414,500	\$ 16,630,700	\$ 26,791,500
Expenditures by Category					
Personnel	\$ 2,015,223	\$ 1,766,315	\$ 2,067,600	\$ 2,067,600	\$ 2,102,900
Supplies	677,908	700,160	713,000	713,000	719,000
Sewer Service Charge	4,296,409	4,534,744	4,664,000	4,664,000	4,712,100
Other Services & Charges	2,517,871	4,452,597	3,067,100	2,427,100	2,440,700
I & I Reduction Program	13,411	25,411	150,000	150,000	150,000
Capital Outlay	7,026,248	6,457,591	4,608,300	4,608,300	15,460,000
Bond Principal & Interest	1,247,093	1,828,803	1,600,200	1,600,200	1,822,300
Transfers to Other Funds	862,422	925,265	2,250,000	2,250,000	800,000
Totals	\$ 18,656,585	\$ 20,690,886	\$ 19,120,200	\$ 18,480,200	\$ 28,207,000
Surplus (Deficiency) of Revenues over Expenditures	\$ 9,261,567	\$ (2,735,789)	\$ (2,705,700)	\$ (1,849,500)	\$ (1,415,500)

Number of Employees (FTEs) 18.40 18.20 18.40 18.40 18.45

Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Water pumped (million gallons)	2,040	1,894	2,000	2,000
Water main breaks repaired	53	45	46	50
Utility locate requests completed	9,154	10,380	10,500	11,000
Sewer cleaning (miles)	100	92	98	100
Sewer televising (miles)	1	1	4	5
Fire hydrants inspected	2,813	2,857	2,877	2,850

Budget Comments/Issues:

A comprehensive water system sustainability study was completed in 2014 which focused on scheduled, long-term system improvements needed over the next 20 years for water pumping, treatment, storage, distribution and sewer collection system to meet the demands of the community well into the future. Costs of the improvement plan have necessitated rate increases that will sustain the planned improvements and improvement bonds to be sold at key times to fund a number of planned larger improvements to the systems.

- In 2021, the city will continue its efforts to reduce inflow and infiltration (I&I) in the city's sanitary sewer system to maintain compliance with the Metropolitan Council Environmental Services (MCES) limits.
- Rehabilitation of the Main Lift Station, one of the City's largest, occurred in 2020 and Williston Lift Station is anticipated to begin in 2021.
- Lining of the primary force main from the Williston Lift Station to Guillian Field will complete the sixth and final phase of the Main and Williston lift stations sewer force main improvements in 2021.
- Rising energy prices and MCES waste water treatment costs will continue to increase the cost of operating the sanitary sewer utility. In 2020, MCES announced a 1.0 percent increase in wastewater treatment costs for 2021.
- The Woodland Hills water tower will undergo structural repairs and painting in 2021, as outlined in the 2017 tank condition assessment.
- Phase 2 of the Water System Instrumentation and Control update, as recommended in the Sustainability Plan, will occur in 2021.
- Continued development/redevelopment of the Opus II area will require improvements and capacity upgrades of the existing sanitary sewer and water systems. An evaluation of the existing systems and strategic planning for future upgrades occurred in 2020 and confirmed the need of a secondary foremain for the Opus lift station which will be constructed in 2021.

PARKS & TRAILS DIVISION - Public Works Department

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Personnel	\$ 1,119,456	\$ 1,145,421	\$ 1,246,400	\$ 1,246,400	\$ 1,318,100
Supplies	146,720	170,591	197,400	197,400	201,000
Other Services & Charges	384,379	425,464	504,600	504,600	508,700
Capital Outlay	-	-	-	-	-
Totals	\$ 1,650,555	\$ 1,741,476	\$ 1,948,400	\$ 1,948,400	\$ 2,027,800

Method of Financing

General Fund	\$ 1,650,555	\$ 1,741,476	\$ 1,948,400	\$ 1,948,400	\$ 2,027,800
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Number of Employees (FTEs)	10.08	10.08	11.08	11.08	11.12
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Description of Services:

The Parks and Trails Division of the Public Works Department is responsible for all park, trail & sidewalk maintenance, planning and development. This includes: park and open space turf areas, 11 athletic fields, 16 ice rinks, over 100 miles of trails & sidewalks and 26 play structures at 50 parks. Future development decisions regarding parks and open space actively include community users, Recreation Department staff, the Minnetonka Park Board and the City Council. In the future, the increase in trail and sidewalk mileage will require that equipment and personnel be added to meet maintenance needs.

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Park acreage maintained	1,297	1,298	1,298	1,298
Level 1 - Maintenance Areas (# /acres)*	7/429	7/429	7/429	7/429
Level 2 - Maintenance Areas (# /acres)*	11/211	12/211	12/211	12/211
Levels 3 & 4 - Maintenance Areas (# /acres)*	32/661	32/662	32/662	32/662
Trails and sidewalks maintained (miles)	105	106	106	108

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

Budget Comments/Issues:

The 2021 budget provides for an increasing level of service compared to 2020 in order to accommodate an expanding inventory of city park amenities and trails and sidewalks which require additional maintenance. In 2020, 1.8 miles of trails were added. In 2019 new pickle ball courts were added in Lone Lake Park along with 1.3 miles of trails and sidewalks. In 2018, an additional 1.7 miles of trails of sidewalks were added.

- In 2018, trails were added on Woodhill Road from TH 7 to Excelsior Boulevard, Plymouth Road from Hilloway Road to Amy Lane and sidewalk in the Ridgehaven Lane realignment. In 2019, the trail on Plymouth Road was completed to Minnetonka Boulevard from Ridgedale Drive and sidewalks were installed on Ridgedale Drive in 2019 and 2020 as part of the road reconstruction. Further in 2020, trail and sidewalks were constructed on Excelsior Boulevard and Parkers Lake Road/Twelve Oaks Center Drive.

- The number of miles of trails and sidewalks maintained as indicated above excludes seasonal maintenance by the city of approximately seven miles of trails owned by Three Rivers Park District that are located inside city limits.

- Additional funding in the 2019 budget (\$60,000) was added for winter maintenance of sidewalks and trails.

- Robinwood Park is a mini park that will be constructed in 2021, located at the cul-de-sac of Royzelle Lane. This Level 2 park will be mowed weekly and the playground area and equipment will be added to the schedule of safety inspections performed by the Park staff.

- One FTE was budgeted to be added in 2020. This position was added to assist with snow removal on the expanded trail system. Additionally, the Opus area trails will move from Third Priority to First Priority snow removal due to the rapid growth of residential development and SWLRT.

NATURAL RESOURCES DIVISION - Public Works Department

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Personnel	\$ 704,822	\$ 776,872	\$ 965,100	\$ 965,100	\$ 988,400
Supplies	19,043	25,955	15,800	16,700	17,000
Other Services & Charges	553,312	604,222	593,800	593,800	593,800
Capital Outlay	-	-	-	-	-
Totals	\$ 1,277,177	\$ 1,407,049	\$ 1,574,700	\$ 1,575,600	\$ 1,599,200

Method of Financing

General Fund	\$ 1,277,177	\$ 1,407,049	\$ 1,574,700	\$ 1,575,600	\$ 1,599,200
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Number of Employees (FTEs)	7.18	8.18	8.18	8.18	8.22
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Description of Services:

The Natural Resources Division manages the planning, development and stewardship of the community's natural resources. The division is responsible for urban forest management, natural resource conservation and protection, enforcement of natural resource ordinances, public land stewardship and ecosystem restoration of 310 acres of public land, and environmental education and community engagement through volunteers, public seminars, events, and resident consultations.

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Diseased trees removed (Oak & Elm)	392	405	500	350
Public trees planted (reforestation/restoration)	189/28	140/45	100/75	100/75
Private trees planted through city's tree sale	830	850	800	900
Permits inspected for natural resource compliance / ongoing inspections	350/425	330/425	325/425	375/430
Development projects reviewed	69	72	70	65
Volunteer programs conducted / hours donated	48/1,478	49/1,490	50/600	34/600
Enforcement actions taken	34	32	30	35
Wetland Conservation Act decisions/contacts	14/253	12/240	20/225	20/230

Budget Comments/Issues:

The 2021 budget for the Natural Resources Division anticipates an increased level of activity, as emerald ash borer (EAB) has been found within the Minnetonka city limits. The effects of EAB infestation will generally not be noticeable for 3-4 years when larger scale removal will be required. A financial action plan was developed in 2013 and has been implemented for the past several years. In 2021, staff will continue the removal of right-of-way ash trees which will be funded by the Forestry Fund and continue tree inspections for EAB, along with heightened community education.

- The street tree pruning program will continue in 2021 at an annual cost of \$60,000. This work is necessary in order to keep pace with street reconstructions and neighborhood street renovations.

- In 2021 natural resources staff along with the engineering staff will be continuing to implement new requirements for the Municipal Separate Storm Sewer System (MS4) permit. This is a comprehensive update/revision to the city's federal storm water permit, with a significant increase in public education requirements. Employee education, identifying and reducing the occurrence of illicit discharges, reducing pet waste, limiting yard waste in storm drains, and reduction of chloride use by businesses, commercial facilities, and institutions are initiatives to be addressed in the coming year.

FORESTRY FUND - Public Works Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Ad Valorem Tax Levy	\$ 60,000	\$ 93,000	\$ 118,000	\$ 118,000	\$ 118,000
Investment Income	15,578	31,653	10,000	10,000	10,000
Miscellaneous Income	-	-	-	-	-
Totals	\$ 75,578	\$ 124,653	\$ 128,000	\$ 128,000	\$ 128,000
Expenditures by Program/Project					
EAB Program	\$ 21,693	\$ 18,806	\$ 165,000	\$ 165,000	\$ 170,000
Transfer Out - GF	-	58,000	58,000	58,000	58,000
Totals	\$ 21,693	\$ 76,806	\$ 223,000	\$ 223,000	\$ 228,000
Surplus (Deficiency) of Revenues over (under) Expenditures	53,885	47,847	(95,000)	(95,000)	(100,000)
Beginning Available Fund Balance	916,939	970,824	1,018,671	1,018,671	923,671
Ending Available Fund Balance	\$ 970,824	\$ 1,018,671	\$ 923,671	\$ 923,671	\$ 823,671

Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Ash trees removed	426	350	600	600
Park trees replanted	189	175	100	100
Stumps ground	35	42	25	30
High value ash trees treated (city trees)	98	90	98	90

Budget Comments/Issues:

Costs in the Forestry Fund reflect only the capital budget portion of the EAB program, which includes tree removal, stump grinding, equipment purchases and reforestation. The 2019 budget incorporated funds to begin removal of right-of-way trees as directed by the Mayor and City Council. As part of the ramp-up, \$58,000 is transferred to the General Fund to support the costs of hiring one additional full-time employee in the Natural Resources Division to assist in administering the program as part of the multi-year action plan.

- At the end of 2018 the city completed the removal of all poorly formed and unhealthy ash trees from the maintained areas of parks and city owned properties (water towers, fire stations, etc.). Tree replacement numbers are anticipated to hold steady because of replanting in woodland areas to replace ash trees that are preemptively removed.
 - Only the highest priority, city-owned ash trees have had bi-annual injection treatments since 2015.
 - The city has solicited a bulk rate for injection and has extended the pricing to residents that want to inject their elm and ash trees in order to protect them from Dutch elm disease and EAB. In 2018, 455 ash trees were treated using this program.
 - Staff costs are reflected within the General Fund and are part of the previously approved city plan. The level of service will likely continue to increase going forward due to the identification of EAB for the first time within the City in 2019.
 - In 2014, almost \$900,000 was received as a settlement for tree loss that was sustained in three parks as a result of the use of Imprelis, a broadleaf herbicide, used to control weeds. The city has begun to use a portion of the settlement deposited in the Forestry Fund for reforestation efforts to replace these lost trees. The residual effects of the chemical are not well understood at this time so planting of new trees will be cautiously slow.

ENVIRONMENTAL FUND - Public Works Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Hennepin Recycling Grants	\$ 129,162	\$ 111,223	\$ 92,800	\$ 92,800	\$ 98,000
Recycling Charges	827,823	883,499	900,200	900,200	1,297,600
Miscellaneous Revenue	1,509	-	-	15,000	15,000
Investment Income	15,395	23,053	11,000	15,000	10,000
Contract Rebate	-	-	-	-	-
Transfer In	-	-	-	1,000	-
Totals	\$ 973,889	\$ 1,017,775	\$ 1,004,000	\$ 1,024,000	\$ 1,420,600
Expenditures by Category					
Personnel	\$ 76,397	\$ 91,570	\$ 103,600	\$ 103,600	\$ 104,200
Supplies	632	4,123	5,400	5,400	5,400
Collection Contract	612,818	716,148	670,000	872,000	944,000
Yard waste Program	96,279	109,393	100,000	125,000	160,000
Other Services & Charges	36,007	30,220	23,900	23,900	23,900
Transfer To General Fund	199,800	205,800	209,400	209,400	213,100
Totals	\$ 1,021,933	\$ 1,157,254	\$ 1,112,300	\$ 1,339,300	\$ 1,450,600
Surplus (Deficiency) of Revenues over Expenditures	(48,044)	(139,479)	(108,300)	(315,300)	(30,000)
Beginning Fund Balance	764,856	715,232	575,753	575,753	260,453
<i>Change in Accounting Principal</i>	(1,580)	-	-	-	-
Ending Fund Balance	\$ 715,232	\$ 575,753	\$ 467,453	\$ 260,453	\$ 230,453
Number of Employees (FTEs)	0.48	0.48	0.48	0.48	0.52

Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Curbside recycling picked up (tons)	4,840	4,705	4,900	4,800
Leaf recycling dropped off (cubic yards)	16,020	17,935	16,000	18,500
Special drop-off customers (est.)	2,150	2,215	2,000	2,100
Customers rating curbside svcs "good" or "excellent"	94%	94%	95%	94%
Households with organics collection	693	721	900	950

Budget Comments/Issues:

The recycling contract with Republic Services was extended to the end of 2021. This coincides with changes to Hennepin County Ordinance 13 which in 2022 requires some form of required household organics collection. Organics composting is seen as the next step in reducing the volume of solid waste that goes to landfills, and Ordinance 13 will outline those requirements.

- The 2021 budget reflects over a nine percent increase in recycling fees charged by the city's contract vendor, which will increase in residential pickup charge from \$4.35 to \$4.75 per household per month. The city's yard waste program is also experiencing substantial increases in processing costs. To ensure ongoing financial sustainability for the programs, the 2021 budget anticipates an increase in the monthly rate charged to residential properties from \$4.58 to \$6.60.

- In 2021 the city will continue to conduct two special drop off events for Minnetonka residents. This is a convenient opportunity to dispose of household items at a reasonable cost. Spring event was not held in 2020 due to Covid-19.

- 2020 was the final year of the transition of SCORE funds received from Hennepin County. In 2020, 50% of SCORE funds available were applied to recycling collection and 50% of SCORE funds were applied to organics collection. Prior to 2017, 100% of SCORE funds received from Hennepin County was applied to recycling collection. Grant monies received from Hennepin County since 2016 have increased household participation in organics collection from approximately 300 homes to approximately 900 homes by the end of 2020.

PARK & TRAIL IMPROVEMENT FUND - Recreation Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Ad Valorem Tax Levy	\$ 560,000	\$ 650,000	\$ 650,000	\$ 650,000	\$ 650,000
Park Dedication Fees	3,290,000	1,068,500	340,000	386,000	70,000
Investment Income	105,020	260,085	100,000	150,000	80,000
Local Grants/Agreements	-	-	100,000	240,000	-
Transfers In, incl. field fees	10,189	1,560,051	-	-	1,600,000
Miscellaneous Income	(396)	-	9,600	-	9,600
Totals	\$ 3,964,813	\$ 3,538,636	\$ 1,199,600	\$ 1,426,000	\$ 2,409,600
Expenditures by Category					
Park Development/Improvements	\$ 526,326	\$ 734,662	\$ 640,500	\$ 640,500	\$ 6,522,000
Trail Development/Improvements	561,285	2,100,311	385,000	2,100,000	75,000
Maintenance-City Housing	44,947	32,616	-	-	-
Totals	\$ 1,132,558	\$ 2,867,589	\$ 1,025,500	\$ 2,740,500	\$ 6,597,000
Surplus (Deficiency) of Revenues over (under) Expenditures	2,832,255	671,047	174,100	(1,314,500)	(4,187,400)
Reserve for Delayed Projects	-	-	-	2,411,500	-
Reserve for Athletic Field Maint.	72,271	81,871	91,471	101,071	110,671
Beginning Available Fund Balance	5,368,716	8,190,782	8,852,229	8,852,229	5,116,629
Ending Available Fund Balance	\$ 8,190,782	\$ 8,852,229	\$ 9,016,729	\$ 5,116,629	\$ 919,629

Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Miles of new trails constructed	1.49	0.00	7.42	0.60
Miles of trails refurbished	0.50	0.00	1.90	1.30

Budget Comments/Issues:

As indicated in the 2021-2025 CIP, the 2021 budget includes funds to continue community supported investments in the trail system and city parks, including improvements to and maintenance of Shady Oak Beach and infrastructure improvements to trails around the Opus Area light rail transit station.

- For 2021, park development includes the new park at Ridgedale, improvements at Crane Lake Preserve and place making & wayfinding initiatives in the Opus area.
- For 2020, the trail budget includes funding for Parkers Lake Road (Twelve Oaks Dr to Plymouth city limits) Lone Lake Park Multi-Use Mountain Bike Trail and Excelsior Blvd (Phase I). Park development includes Robinwood Park.
- For 2019, the budget included significant funding for construction of the Plymouth Road trail, Big Willow Park LED lighting for the ball fields, Ridgedale area park planning and road-adjacent amenities, and Purgatory Park improvements.
- For 2018, the budget included funds to construct pickle ball courts at Lone Lake Park and continues community supported investments in the trail system.
- Revenues to the Parks & Trails Fund in 2017 through 2020 reflect a significant rise in the number of development projects in the city, which contribute park dedication fees compared to past years. Notable in 2018 and 2019 are: the Jordan Avenue project (\$385,000), the Dominion project in Opus (\$2.4 million), Solbekken (\$65,000), and the Luxe apartments (\$370,000). New construction may also contribute in-kind natural and/or public park improvements.
- "Reserve for delayed projects" also include other prior year appropriated funds for projects not yet completed but still scheduled. The larger of these are: completion of prior-year trail projects, including development related park improvement projects (\$595,200); mountain bike trails (\$90,400); Trail Improvement Plan (\$319,600); Burwell House capital maintenance (\$78,800); and Ridgedale park planning phase I & II (\$769,200).

COMMUNITY INVESTMENT FUND - Finance Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Investment Income	\$ 355,568	\$ 661,684	\$ 300,000	\$ 350,000	\$ 300,000
Other	157,500	157,500	157,500	157,500	63,000
Totals	\$ 513,068	\$ 819,184	\$ 457,500	\$ 507,500	\$ 363,000
Expenditures					
Ice Arena Improvements	\$ 500,154	\$ 300,000	\$ 350,000	\$ 350,000	\$ 250,000
Surplus/(Deficiency) of Revenues over/(under) Expenditures	12,914	519,184	107,500	157,500	113,000
Reserve for Delayed Projects	-	-	-	983,000	-
Beginning Fund Cash Balance	21,106,829	21,119,743	21,638,926	21,638,926	20,813,426
Total Ending Fund Cash Balance	\$ 21,119,743	\$ 21,638,926	\$ 21,746,426	\$ 20,813,426	\$ 20,926,426
Required Fund Balance	\$ 19,881,351	\$ 19,916,908	\$ 19,916,908	\$ 19,946,908	\$ 19,981,908
Available Fund Balance	\$ 1,238,392	\$ 1,722,018	\$ 1,829,518	\$ 866,518	\$ 944,518

Description of Services:

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

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

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Annual net investment earnings	\$355,568	\$661,683	\$350,000	\$325,000

Budget Comments/Issues:

Since the 2008 economic recession, the fund has experienced reduced financial investment earnings, and as a result, balances available, as projected in the 2021-25 Capital Improvements Program (CIP), for future capital projects are projected to continue at a conservative level compared to historical highs. The adopted capital budget also provides a list of other significant projects for future consideration to be financed from the fund, including park and open space purchases

- The preliminary 2021-25 CIP includes \$1 million from the Community Investment Fund (CIF) in 2023 for the cost to replace the refrigeration system in the city's Ice Arena B. The fund supported replacement of the Ice Arena A system as part of the 2015 ice arena improvement project.
- 2018 and 2019 expenditures and the 2020 budget for the Community Investment Fund (CIF) are allocated to interfund loan payback for costs of the necessary improvements to the city's ice arena constructed in 2015 using the Special Assessment Construction Fund. The adopted 2020-24 CIP dedicated an additional \$300,000 to the project over the final four years of the capital program.
- Reserve for Delayed Projects above are funds appropriated for the Upper Minnehaha Creek Corridor Project from 2013 through 2017.
- Other revenue to the fund also includes \$63,000 annually transferred in from the General Fund until the year 2048 for ownership conveyance of the Arts Center on 7 to the Minnetonka Independent School District in 2010.
- Completed in 2011, \$4.5 million from the CIF financed significant improvements to the city's Williston Fitness Center. Other revenue to the fund includes \$94,500 annually over ten years for repayment of a portion of those costs from the center's user fees and revenue with a final payment due in 2020.

JOINT RECREATION - Recreation Services Department

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Personnel	\$ 1,107,778	\$ 1,172,420	\$ 1,267,500	\$ 1,014,100	\$ 1,269,700
Supplies	72,652	73,069	85,650	36,700	85,800
Other Services & Charges	357,160	334,325	364,000	180,200	352,500
Other	10,189	10,051	-	-	-
Capital Outlay	-	-	-	-	-
Totals	\$ 1,547,779	\$ 1,589,865	\$ 1,717,150	\$ 1,231,000	\$ 1,708,000

Method of Financing

General Fund	\$ 1,547,779	\$ 1,589,865	\$ 1,717,150	\$ 1,231,000	\$ 1,708,000
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Number of Employees (FTEs)	6.85	6.85	6.85	6.85	6.85
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Description of Services:

The mission of the Joint Recreation Division of the Recreation Services Department is to develop, provide and promote programs and facilities in anticipation of and in response to the recreational needs and interests of our community. The division administers a wide variety of programs and services for residents of Minnetonka and Hopkins. The net cost of the joint recreation program is shared by Minnetonka (67%) and the city of Hopkins (33%). Programs are offered in over 40 areas of interest for participants from infants to senior citizens. This division also oversees the operation of Shady Oak Beach, attended by approximately 25,000 people annually.

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Program participants	44,748	43,633	25,000	35,000
Adult sports teams registered	396	393	250	350
Youth sports participation	863	801	280	700
Expenses covered by fee revenues*	83.2%	79.4%	55.0%	70.0%
Shady Oak Beach season passes sold	3,736	3,209	0	3,000
Scholarships approved	120	118	75	100
Total value of scholarships approved	\$7,255	\$8,109	\$4,500	\$7,000

* Includes all recreational programming, facility rentals, and all enterprises under the management of the department.

Budget Comments/Issues:

Joint Recreation programs were severely impacted by the pandemic in 2020, with the cancellation of many activities.

- In order to attract quality seasonal employees and stay competitive with surrounding cities, minimum hourly rates for various positions at Shady Oak Beach (i.e. lifeguards, gate/concessions attendants) were planned for 2020. This increase is reflected in 2021 "personnel" costs.
- Shady Oak Beach was open to the public in 2020, but no fees were charged and there was minimal staff. Beginning in June, the gates were open daily from 8 a.m. - 8 p.m. and part-time staff checked on the site daily and did light maintenance and cleaning. Due to high attendance, lifeguards were scheduled beginning July 18 through Labor Day from 12-6 p.m. daily. No additional amenities were offered (i.e. concession, rentals, inflatables). New inflatables were purchased in spring of 2020, which will now debut in 2021.
- Qualified scholarship applicants receive \$100 annually to apply towards eligible programs of their choosing. Scholarship requests remained steady in 2019, with an overall increase in the value of those approved. With many program cancellations taking place in 2020, fewer requests are predicted.
- Changes were made to the team formation process for both the youth basketball and soccer leagues in 2018. Previously formed by school and grade, participants were given the option of registering for a specific team based on practice night and location. Both leagues saw slight decreases in 2019, and participation will likely be lower in 2020 due to COVID-19.
- Sand volleyball was canceled in 2020, but 48 teams participated in the fall indoor women and co-rec volleyball leagues. Summer kickball, softball and soccer leagues took place in 2020, although the seasons have been shortened due to COVID-19. This has resulted in lower registration numbers as well.
- An annual goal for the department's budget is to cover 80% of expenses with the fees collected. Due to Covid-19, the 2020 projection is to cover 55% of expenditures.

MINNETONKA RECREATION - Recreation Services Department

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2021 Revised	2021 Budget
Personnel	\$ 286,760	\$ 340,630	\$ 414,600	\$ 349,900	\$ 415,800
Supplies	2,962	1,592	1,750	1,000	2,550
Other Services & Charges	292,570	274,589	312,600	270,200	300,250
Other	113,000	113,000	113,000	113,000	113,000
Totals	\$ 695,292	\$ 729,811	\$ 841,950	\$ 734,100	\$ 831,600

Method of Financing

General Fund	\$ 695,292	\$ 729,811	\$ 841,950	\$ 734,100	\$ 831,600
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Number of Employees (FTEs)	2.00	2.00	2.00	2.00	2.00
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Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Minnetonka playground registrations	791	665	0	650
Warming house days of operation	38	53	50	50
Music Association of Minnetonka (MAM) participants	214	207	200	200
Adopt-A-Sign locations	40	39	42	42
Music/Theater in the Park attendance	3,845	3,435	0	3,200

Budget Comments/Issues:

Minnetonka Recreation programming is annually reviewed and adjusted to provide programming that is desired by the community at the present time.

- The summer playground program was restructured in 2019. Now called Park Adventures, the program remains free and takes place at six sites in Minnetonka. Enrollment varies from year to year based on park locations offered and times offered at each location (morning versus afternoon). Due to COVID-19, the program was canceled at all locations in 2020.

- Outdoor ice rinks are provided at six city park locations as well as Glen Lake Elementary School. The weather was favorable for skating conditions throughout the majority of the 2019-20 season and all sites were able to remain open an additional week. Total attendance for the season was approximately 4,000.

- Tuesday evening Music in the Park concerts at the Amphitheater are a popular destination for city residents. Unfortunately, due to COVID-19 all concerts were canceled for 2020, as well as the Theater in the Park performances. Concerts were planned to begin at 6:30 p.m. in 2020 rather than 7 p.m. to overlap with the city's Farmers Market. This plan will be implemented in 2021. The Movies in the Park program was on as scheduled, although one of three showings was canceled due to weather. The total combined attendance for the two that took place was 310.

- The MAM membership numbers were down slightly in 2019, but the various music groups that make up MAM remain very active. The following groups provide many entertainment options for audiences: Youth Choir (2-5), Da Capo Choir (K-1), Civic Orchestra, Symphony Orchestra, Chorus a la Carte, Concert Band and Senior Chorale.

SENIOR SERVICES - Recreation Services Department

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Personnel	\$ 254,126	\$ 268,447	\$ 291,500	\$ 270,000	\$ 275,000
Supplies	85,960	87,703	79,400	22,300	56,400
Other Services & Charges	67,371	69,976	65,900	55,100	70,400
Totals	\$ 407,457	\$ 426,126	\$ 436,800	\$ 347,400	\$ 401,800

Method of Financing

General Fund	\$ 407,457	\$ 426,126	\$ 436,800	\$ 347,400	\$ 401,800
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Number of Employees (FTEs)	2.4	2.4	2.4	2.4	2.4
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Description of Services:

The goals of Senior Services are to: broaden the knowledge and involvement of older residents; offer diverse programs and services; promote independent living; and encourage volunteerism. Senior Services provides a wide range of leisure-time activities serving a diverse senior population as well as addressing day-to-day living experiences. Senior programming includes day-trips, group education classes, fitness classes, defensive driving, outreach/insurance consultation, and meal/entertainment experiences. In addition, there are 41 special interest groups/clubs offered to residents. Some services are provided through contracts with private or non-profit organizations, and a portion of the costs for programs is recovered through fees.

Key Measures:	2018 <u>Actual</u>	2019 <u>Actual</u>	2020 <u>Estimated</u>	2021 <u>Projected</u>
Program participants	10,695	11,784	3,700	7,000
Program participants visits	46,079	47,629	11,100	22,000
Program offered	379	334	140	200
Senior volunteers used	245	245	150	125
Volunteer hours donated	16,300	16,400	3,500	5,000

Budget Comments/Issues:

Senior Services staff provide programs and services designed to meet the needs of the growing 55+ demographic.

- Volunteer hours donated by Senior Services participants exceeded 16,000 in 2019, which is an estimated cost savings value of \$190,000. Volunteer hours will be reduced dramatically in 2020 and 2021 due to COVID-19.
- Senior Services key measures are significantly reduced in 2020 and 2021 due to COVID-19. It is expected to rebound somewhat in 2021, but will be dependent on an improved COVID-19 environment for seniors.
- Senior Services continues to manage The Landing Shop. The shop sells items created by 77 Minnetonka senior craft vendors.
- Senior Services continues to offer dementia programming such as Memory Café resulting in over 600 visits in 2019. It continues virtually on a smaller scale while senior services are limited due to COVID-19.

TRAIL SYSTEM EXPANSION FUND - Recreation Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Gas Franchise Fees	\$ -	\$ 1,862,217	\$ 1,370,000	\$ 1,370,000	\$ 1,420,000
Electric Franchise Fees	-	-	497,000	497,000	498,500
Investment Income	-	18,551	20,000	20,000	20,000
Totals	\$ -	\$ 1,880,768	\$ 1,887,000	\$ 1,887,000	\$ 1,938,500
Expenditures by Category					
Trail feasibility study - Excelsior Blvd, Priority Segments 3-5	\$ -	\$ 150,069	\$ -	\$ -	\$ -
Plymouth Road Trail - Phase 2	-	281,002	-	-	-
TIP - Misc.	-	32,540	-	-	-
Excelsior Blvd. (CR 3) Glenview Dr to Caribou Drive	-	-	1,900,000	-	1,100,000
Excelsior Blvd. (CR 3) Baker Road to Shady Oak Road	-	-	-	1,900,000	-
Totals	\$ -	\$ 463,611	\$ 1,900,000	\$ 1,900,000	\$ 1,100,000
Surplus/(Deficiency) of Revenues over/(under) Expenditure	-	1,417,157	(13,000)	(13,000)	838,500
Reserve for Delayed Projects	-	-	-	39,000	-
Beginning Fund Balance	\$ -	\$ -	\$ 1,417,157	\$ 1,417,157	\$ 1,365,157
Ending Fund Balance	\$ -	\$ 1,417,157	\$ 1,404,157	\$ 1,365,157	\$ 2,203,657

Description of Services:

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

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

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Miles of new trail segments constructed using gas and electric franchise revenues	NA	0.0	1.1	0.6

Budget Comments/Issues:

Revenues from the new natural gas franchise fee, which is equal to \$4.50/month per residential account, in addition to an increase in the electric franchise fee of \$1.00/month per residential are to be solely dedicated to priority trail construction as provided in the adopted CIP. The new revenue is estimated to generate approximately \$1.9 million per year and allow for the completion of approximately eight new priority segments over the next ten years. This includes the addition of the following segments in the 2021-2025 CIP, Excelsior Boulevard (Glenview Drive to Caribou Drive), Ridgedale Drive (White Birch Road to Target), Minnetonka Boulevard (Woodlawn Ave to Tonkawood Rd), Hopkins Crossroad (Cedar Lake Road to Wayzata Blvd).

- 2019 was the first year of the gas franchise fee and the increased electric franchise fee revenue dedicated to trail expansion. Due to the high cost of priority segments, some monies in 2019 were used to conduct a feasibility study on the highest priority segments in order to better estimate costs for each.

- In 2016, the city's internal trails team updated the feasibility score and reprioritized unscheduled segments which was subsequently approved by the park board and city council. The vision for trail segments uses a score based on: Community Access (40%), Nature of Use (40%), Cost Effectiveness (10%), and Degree of Construction Difficulty (10%). At the same time, the trails team also estimated approximate costs to construct the remaining priority trail network at a projected total of \$58.9 million. Staff used these planning level estimates to develop an approximate idea of funding needed to build out these segments, with the intent to complete feasibility reports as segments are scheduled or get closer to construction to refine the detailed costs. This estimate continues to be updated annually based on current bid climate and is estimated at \$71,550,000.

COMMUNITY FACILITIES DIVISION - Recreation Services Department

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Personnel	\$ 357,619	\$ 350,732	\$ 426,100	\$ 396,100	\$ 410,900
Supplies	29,041	27,550	55,300	34,200	55,500
Other Services & Charges	115,751	79,720	131,000	75,300	130,500
Capital Outlay	-	-	-	-	-
Totals	\$ 502,411	\$ 458,002	\$ 612,400	\$ 505,600	\$ 596,900

Method of Financing

General Fund	\$ 502,411	\$ 458,002	\$ 612,400	\$ 505,600	\$ 596,900
Cemetery Fund	-	-	-	-	-
Totals	\$ 502,411	\$ 458,002	\$ 612,400	\$ 505,600	\$ 596,900

Number of Employees (FTEs)	3.22	3.60	3.60	3.60	3.60
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Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Community Center rental revenue	\$120,376	\$116,965	\$30,000	\$80,000
Community Center hours reserved	13,430	11,424	6,000	8,000
Satellite facility hours reserved	482	67	330	250
Picnic shelter permits issued	301	310	180	300
Field fee revenue	\$30,876	\$30,457	\$25,000	\$30,000

Budget Comments/Issues:

The 2021 budget for the Community Facilities Division provides current level services.

- Consistent with the city council's strategic plan, a market study is completed annually to determine fees for use of the Community Center and other recreational facilities.
- Community Center use hours were reduced in 2019 due to the city hall remodel project. One room was not available for use and another room was held for city staff to be reserved for additional meeting space.
- Community Center rental revenue and use hours are expected to be significantly lower in 2020 because of cancelled events and meetings due to COVID-19. Revenue and use hours show a rebound in 2021 which is dependent on COVID-19 restrictions being loosened.
- Total satellite facility hours were significantly lower in 2019 since city staff was housed at the Glen Lake Activity Center during the city hall remodel.
- The picnic shelter permits issued in 2020 are significantly lower due to COVID-19 restrictions limiting outdoor social gatherings to 25 or less. In 2021, reservations are expected to rebound back to pre-COVID-19 levels.

WILLISTON CENTER - Recreation Services Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Membership Fees	\$ 1,665,243	\$ 1,709,698	\$ 1,750,000	\$ 900,000	\$ 1,312,500
Tennis Lessons & Court Fees	649,199	651,057	660,000	490,000	600,000
Tennis Pro Shop	16,909	11,754	14,000	6,000	10,000
Sports Training Fees	17,752	16,403	18,500	10,500	15,000
Outside Participant Fees	222,502	219,220	224,000	84,000	100,000
Batting Cage Income	19,131	17,938	19,000	7,000	12,000
Rental Income	23,217	21,343	23,500	3,600	15,000
Investment Income	26,726	50,938	7,000	7,000	7,000
Miscellaneous	125,889	126,974	135,000	55,000	90,000
Transfers In	-	-	-	228,000	-
Totals	\$ 2,766,568	\$ 2,825,325	\$ 2,851,000	\$ 1,791,100	\$ 2,161,500
Expenditures by Category					
Personnel	\$ 1,641,238	\$ 1,750,497	\$ 1,790,300	\$ 1,618,425	\$ 1,790,600
Supplies	177,552	164,673	184,500	103,300	155,500
Other Services & Charges	560,699	547,798	561,300	372,400	512,100
Transfer Expenses	49,100	50,600	51,500	51,500	54,500
Totals	\$ 2,428,589	\$ 2,513,568	\$ 2,587,600	\$ 2,145,625	\$ 2,512,700
Surplus (Deficiency) of Revenues over Expenditures	\$ 337,979	\$ 311,757	\$ 263,400	\$ (354,525)	\$ (351,200)
Capital Outlay	\$ 272,754	\$ 177,338	\$ 259,500	\$ 110,000	\$ 390,000
Number of Employees (FTEs)	7.45	9.45	9.45	9.45	9.45

Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Average active members	9,514	9,637	8,300	8,000
Daily fee (non-member) participants	30,525	27,760	9,300	12,000
Total facility visits	300,231	312,262	125,000	200,000
Recreation program hours	8,250	8,000	4,000	7,000
Tennis overall participation numbers	7,000	7,450	5,500	6,500
% of expenses covered by revenue	102%	100%	79%	74%

Budget Comments/Issues:

Williston's strong historic financial position will help cover the loss of revenue incurred during the pandemic for the next two years.

- Williston continues to be on a "non-resident membership freeze" and has been since July 1, 2013.
- Facility visits is a combination of membership scans, daily visits and program participation, which provides an accurate number for usage of the facility.
- The 2019 budget included the addition of two new full-time positions to appropriately manage maintenance of the facility and the center's robust ongoing tennis program.
- The 2019 revised budget includes an additional \$170,000 in part-time or temporary salaries. This adjustment was needed to better reflect the historical actuals in this area. Facility demand and programming had been driving the need for additional part-time staffing.
- The COVID-19 pandemic impacted the facility. Memberships, guest fees, facility visits/usage are anticipated to be reduced.
- The Treehouse and sauna remain closed until further notice due to COVID restrictions.

ICE ARENA - Recreation Services Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Ice Rental	\$ 597,391	\$ 595,008	\$ 640,000	\$ 545,000	\$ 650,000
Concessions	38,788	28,021	40,000	12,500	20,000
Programs & Special Events	228,947	234,954	230,000	195,000	250,000
Miscellaneous	1,790	6,280	5,000	5,000	5,000
Transfers In	50,000	50,000	50,000	121,700	50,000
Investment Income	(6,108)	(11,603)	-	-	-
Totals	\$ 910,808	\$ 902,660	\$ 965,000	\$ 879,200	\$ 975,000

Expenditures by Category

Personnel	\$ 487,202	\$ 464,852	\$ 533,700	\$ 520,700	\$ 542,700
Supplies	59,371	48,868	54,700	71,300	56,200
Other Services & Charges	292,819	319,222	313,900	272,350	308,900
Costs of Goods Sold	27,012	23,612	27,000	10,500	22,000
Transfer Expenses	32,700	33,700	34,300	34,300	34,900
Totals	\$ 899,104	\$ 890,254	\$ 963,600	\$ 909,150	\$ 964,700

Surplus(Deficiency) of Revenues over Expenditures	\$ 11,704	\$ 12,406	\$ 1,400	\$ (29,950)	\$ 10,300
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Number of Employees (FTEs)	3.50	3.50	3.50	3.50	3.50
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Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Ice rental hours sold	3,000	2,983	2,500	3,000
Skating lesson participants	1,174	1,091	800	1,100
Public skating/hockey hours offered	444	453	350	450
Public skating/hockey participants	6,600	7,000	4,900	6,500
Adult hockey teams utilizing facility	36	36	36	36
Total days of operation	336	339	257	340
Operating expenses covered by revenue, transfers in	101%	100%	97%	101%

Budget Comments/Issues:

Since completion of a major renovation in 2015, the Ice Arena has improved its financial footing as a result of the restructured personnel and utility and maintenance savings with the new refrigeration renovation.

- Despite its solid record in maintaining strong demand for use of the facility, the Ice Arena historically struggled to generate enough revenues to meet its annual operating costs. This was in part due to mechanical failures of the aging facility. The city council advanced a capital project from 2018 to 2015 to replace the refrigeration system of Arena A. Additionally, the General Fund provided a one-time cash infusion of \$200,000 to the enterprise fund in 2014 as well as an ongoing annual subsidy of \$50,000 beginning 2015.

- The roof and HVAC system at rink B were replaced in 2020 at a cost of \$890,000. These two projects were planned and earmarked in the 2018, 2019 and 2020 Capital Improvement Plans and funded through the Capital Replacement Fund. Capital costs associated with the Ice Arena have historically been funded through the Capital Replacement Fund.

- Consistent with the Council's Strategic Plan, a market study is completed annually to determine fees for use of the Ice Arena and other recreational facilities.

- Non-Prime season hourly rates will be increased from \$160/hour to \$165/hour effective June 1, 2021 and Prime season rates increased from \$215/hour to \$220/hour effective September 1, 2020.

- 2020 reduced revenues and participation numbers are a result of a 93 day shutdown due to COVID-19. An additional transfer of \$71,700 from the General Fund is the Ice Arena's share of the CARES grant awarded to the City.

GRAY'S BAY MARINA - Recreation Services Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Slip Rental	\$ 115,785	\$ 115,000	\$ 113,100	\$ 118,000	\$ 116,000
Fuel Sales	162,795	149,904	132,500	142,500	126,500
Other Revenue	1,367	1,423	1,100	1,100	1,100
Investment Income	11,019	22,668	8,000	8,000	8,000
Transfers In	-	-	-	2,800	2,800
Totals	\$ 290,966	\$ 288,995	\$ 254,700	\$ 272,400	\$ 254,400
Expenditures by Category					
Personnel	\$ 27,881	\$ 57,048	\$ 53,300	\$ 47,300	\$ 52,400
Supplies	114,316	101,831	99,500	78,200	81,000
Other Services & Charges	55,985	67,280	73,200	71,700	77,500
Transfer Expenses	11,500	11,800	12,000	12,000	12,200
Totals	\$ 209,682	\$ 237,959	\$ 238,000	\$ 209,200	\$ 223,100
Surplus (Deficiency) of Revenues over Expenditures	\$ 81,284	\$ 51,036	\$ 16,700	\$ 63,200	\$ 31,300
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Employees (FTEs)	0.20	0.20	0.20	0.20	0.20

Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Gallons of gas sold	34,110	30,673	30,000	26,500
Days of operation	181	182	169	185
Slip lease rate	\$3,900	\$3,900	\$3,900	\$4,000
Operating expenses covered by revenue	139%	107%	130%	114%

Budget Comments/Issues:

The 2021 budget for Grays Bay Marina provides current level services and a strong financial position for the fund.

- 2018 gallons of gas sold was the highest since opening in 2003; 32% higher than average.
- Because of the late opening date due to COVID-19, 2020 days of operation are lower than an average season.
- Fifty percent of the LMCD dues are funded through the marina operations budget and is shown as "Other Services & Charges", and the remainder is funded by the Natural Resources Division of the Public Works Department.
- Consistent with the Council's Strategic Plan, a market study is completed annually to determine fees for use of the Marina and other recreational facilities. 2021 slip lease rate shows the Park Board approved increase of \$100.

COMMUNITY DEVELOPMENT DIVISION - Community Development Department

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Personnel	\$ 1,504,783	\$ 1,787,012	\$ 1,959,400	\$ 1,959,400	\$ 2,017,300
Supplies	52,714	17,150	17,400	18,500	20,300
Other Services & Charges	326,121	404,850	299,800	338,600	309,200
Capital Outlay	-	-	-	-	-
Totals	\$ 1,883,618	\$ 2,209,012	\$ 2,276,600	\$ 2,316,500	\$ 2,346,800

Method of Financing

General Fund	\$ 1,883,618	\$ 2,209,012	\$ 2,276,600	\$ 2,316,500	\$ 2,346,800
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Number of Employees (FTEs)	13.25	15.30	15.80	15.80	15.80
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Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Permits issued	7,358	8,139	7,100	5,325
Building construction value	\$220 Million	\$306 Million	\$248 Million	\$132 Million
Residential building plan reviews	689	644	700	525
Agenda items prepared	258	252	240	180

Budget Comments/Issues:

Construction activity in 2021 appears to be less certain than previous years due to COVID-19 impacts especially for larger multiple family residential, office and commercial projects. No additional full-time inspectors will be requested for 2021, although we will reevaluate staffing levels over the next 12 months to ensure that we have adequate staffing moving forward which includes a vacancy in FT mechanical inspections.

- The number of permits issued is expected to decrease in 2021. Although it appears that some approved development projects will proceed with construction, indications are that other projects are on hold due to market uncertainties with COVID-19 impacts.
- Increased permit activity transactions by credit card has increased city costs over time. The department will continue to advocate for the implementation of echeck technology with LOGIS.
- The 2021 budget includes dollars for temporary salaries, but greatly reduced from the 2020 budget. Part-time mechanical plan review/inspections may be needed on more complex projects. This may have a more neutral overall budget impact if permit revenues follow.

PLANNING DIVISION - Community Development Department

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Personnel	\$ 586,742	\$ 624,177	\$ 633,900	\$ 633,900	\$ 595,700
Supplies	3,165	3,348	3,900	2,000	3,400
Other Services & Charges	91,601	56,677	179,200	42,300	174,000
Capital Outlay	-	-	-	-	-
Totals	\$ 681,508	\$ 684,202	\$ 817,000	\$ 678,200	\$ 773,100

Method of Financing

General Fund	\$ 681,508	\$ 684,202	\$ 817,000	\$ 678,200	\$ 773,100
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Number of Employees (FTEs)	6.00	5.00	4.50	4.50	4.50
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Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Planning applications received	139	136	140	85
Building permits reviewed	1,914	2,210	1,500	900
Grading permits issued	9	10	12	6
Sign permits issued	51	112	75	30
Public meetings	100	76	85	35

Budget Comments/Issues:

The Planning Division is fully staffed and continues to experience a steady work flow as a result of development requests and related responses to COVID-19.

- The overall number of planning applications is expected to decline as a result of COVID-19 impacts to the economy.
- Staff anticipates projects requiring more time and public interaction will be received in the coming years as redevelopment around Ridgedale continues and the Green Line Extension (SWLRT) is constructed.
- In 2020, the city has adopted the Xcel Energy's Partners in Energy (PiE) Energy Action Plan. This will require additional staff time in 2020 and 2021.
- Additional staffing may be needed for sustainability efforts. As identified in the sustainability report for the June 29 council study session, \$150,000 is anticipated for a planning related staff position for sustainability efforts. This is an increase of \$50,000 from the 2020 budget.
- Development activity levels will be monitored through 2020 for planning activity.

ASSESSING DIVISION - Finance Department

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Personnel	\$ 616,431	\$ 681,212	\$ 732,600	\$ 717,400	\$ 727,600
Supplies	2,266	5,344	4,000	1,900	4,100
Other Services & Charges	111,135	124,374	152,200	137,400	155,100
Capital Outlay	-	-	-	-	-
Totals	\$ 729,832	\$ 810,930	\$ 888,800	\$ 856,700	\$ 886,800

Method of Financing

General Fund	\$ 729,832	\$ 810,930	\$ 888,800	\$ 856,700	\$ 886,800
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Number of Employees (FTEs)	5.60	5.70	5.70	5.70	5.70
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Description of Services:

The mission of the Assessing Division is to establish accurate and equitable market values by recording property characteristics and conducting sales analyses of the approximately 20,600 parcels in the city, including real and personal property, residential, industrial, and tax exempt. After the division values parcels of real property in the city, as required by state law, it mails value notices to property owners in March. Property owners' concerns or appeals are addressed by staff and by the city council sitting as the Local Board of Appeal and Equalization in April. The council has local real estate professionals advise them when considering market value appeals, while staff works with commercial property owners regarding their petitions to State Tax Court. The division also administers the homestead classification, special assessments, and serves as the repository for current and historical property information within the city.

Key Measures:

	2018 <u>Actual</u>	2019 <u>Actual</u>	2020 <u>Estimated</u>	2021 <u>Projected</u>
Total market values	\$9.71 billion	\$10.19 billion	\$10.72 billion	10.0 billion
Sales ratio (targets revised annually by county)	95.4%	96.0%	95.5%	96.0%
Coefficient of dispersion (Less than 10 is "good.")	6.2	6.4	6.6	6.5
Special assessment manual information requests	164	100	100	100
Survey rating "excellent" or "good" from on-site appraisal visits	100%	97%	97%	97%
Commercial tax court petitions (payable year)	71	54	64	75

Budget Comments/Issues:

The 2021 budget for the Assessing Division supports current services of the division. Fluctuation in the real estate market can increase the workload of the division with required revaluation of properties due to new developments, other improvements and sales.

- Because the city experienced a precipitous rise in special assessment requests for information in 2015 and 2016, the division purchased the use of software to make special assessment information by parcel available to the public online. As a result, such needs required significantly less staff time in 2017 and 2018.
- The Assessing Division has developed an internship program to educate and encourage new workers in the public appraisal field. The seasonal interns in the program likewise serve a critical role in managing the division's workload. Due to the COVID pandemic, the internship program did not take place in 2020.
- Commercial property values have shown steady growth from 2015 through 2020. Due to the COVID pandemic, staff expects a slight decline in commercial values for 2021 which will result in an increase in property tax appeals. Staff proactively seeks multiyear agreements that include the current year before taxes are levied.

DEVELOPMENT FUND - Community Development Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Interest Income	\$ 49,712	\$ 102,838	\$ 45,000	\$ 45,000	\$ 45,000
TIF-related Levy Proceeds	200,000	196,980	250,000	250,000	250,000
Other Grants	-	-	2,477,500	2,000,000	2,500,000
TIF Admin Revenue	192,620	200,000	150,000	150,000	200,000
Cedar Ridge Assessments	53,898	49,509	50,000	45,000	40,000
Miscellaneous Income	293,055	114,895	50,000	50,000	63,500
Transfers In	7,000	-	1,159,251	1,137,408	-
Totals	\$ 796,285	\$ 664,222	\$ 4,181,751	\$ 3,677,408	\$ 3,098,500
Expenditures by Category					
Redevelopment Projects	193,701	113,011	125,000	82,680	125,000
Economic Development Programs	-	28,956	40,000	26,000	50,000
Transfer to SACF	197,266	197,266	-	17,564	-
Other	-	-	2,477,500	2,000,000	2,500,000
Transfer to AHTF	-	-	-	150,000	-
Transfer Out, Indirect Costs	63,500	65,400	66,500	66,500	67,700
Totals	\$ 454,467	\$ 404,633	\$ 2,709,000	\$ 2,342,744	\$ 2,742,700
Surplus (Deficiency) of Revenues over Expenditures	341,818	259,589	1,472,751	1,334,664	355,800
Beginning Fund Balance	3,506,839	3,848,657	4,108,246	4,108,246	5,442,910
Ending Fund Balance	\$ 3,848,657	\$ 4,108,246	\$ 5,580,997	\$ 5,442,910	\$ 5,798,710

Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Development/redevelopment projects in progress	14	14	20	22
Predevelopment contacts	12	0	10	20

Budget Comments/Issues:

In 2020, the city council approved an allocation of \$150,000 to assist with funding a temporary affordable housing trust fund to provide rental assistance to households impacted by COVID-19. The \$150,000 was the available cash balance of conduit debt application fees that the city has collected over time and could be used for this purpose.

- The 2021 revenue to the Development Fund includes additional dollars, which is a temporary funding stream of returned tax increment proceeds from Boulevard Gardens Tax Increment Finance (TIF) District. The annual amount has increased due to improved market values of the district and is scheduled to continue through the life of the district ending 2021.

- The 2021 budget does not include any additional funding for loan repayment to be paid to the Special Assessment Construction Fund for the Shady Oak Road / Oak Drive Lane project, because the city sold the property in 2020 and fully repaid the special assessment loan. A transfer in of \$957,408 is the net proceeds on the property sale.

- In 2020, the city council approved \$400,000 for 801 Carlson "The Pointe" to assist with providing affordable units. The \$300,000 in the Livable Communities fund that was committed was an EDA loan that was repaid to Minnetonka following the sale of Minnetonka Heights. The remaining \$100,000 was contributed through the development fund.

- In 2012, the city approved establishment of the Cedar Ridge Housing Improvement Area (HIA). Revenues to offset these costs that were incurred in 2012 and 2013 will be realized over time through special assessments to the property owners. Annual income for Cedar Ridge in 2021 is expected to be approximately \$40,000.

- In 2019, the city issued bonds for the Housing Improvement Area at Cloud 9 Sky Flats. The repayment of the bonds will happen over time as payments are collected through special assessments to the property owners. Annual income for Cloud 9 is expected to be approximately \$175,000, beginning in 2021.

- Expenditures under economic development programs are used to fund the Open to Business program, which is administered by a third-party contractor. Also included is the city's GreaterMSP membership costs.

- Approximately \$2.5M dollars are included in this budget to document various Met Council, DEED and Hennepin County redevelopment and business development related grants that are passed through the city as revenues and subsequent expenditures.

NOTE: The following budget will reflect the Minnetonka Economic Development Authority (EDA) final adopted Housing and Redevelopment Authority (HRA) tax levy. The HRA tax levy is not legally a statutory levy of the City of Minnetonka.

HOUSING & REDEVELOPMENT AUTHORITY FUND

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Ad Valorem Tax Levy	\$ 247,728	\$ 298,985	\$ 225,000	\$ 225,000	\$ 300,000
Miscellaneous Revenue	-	14,374	30,000	32,000	40,000
Investment Interest	14,887	26,784	10,000	10,000	15,000
Transfer in from General Fund	-	-	-	225,000	-
Totals	\$ 262,615	\$ 340,143	\$ 265,000	\$ 492,000	\$ 355,000
Expenditures by Category					
WHAHLT (Tsf Mtkk Liv Commtty Fd)	100,000	100,000	150,000	150,000	-
SWLRT	100,000	75,000	75,000	246,667	-
Housing Programs	8,060	14,272	150,000	11,500	100,000
Business Program	-	3,713	3,000	226,600	55,000
Transfer to AHTF	-	-	-	-	50,000
Totals	\$ 208,060	\$ 192,985	\$ 378,000	\$ 634,767	\$ 205,000
Surplus (Deficiency) of Revenues over Expenditures	54,555	147,158	(113,000)	(142,767)	150,000
Reserve for Delayed Projects	-	-	-	745,076	-
Beginning Fund Balance	858,470	913,025	1,060,183	1,060,183	172,341
Ending Fund Balance	\$ 913,025	\$ 1,060,183	\$ 947,183	\$ 172,341	\$ 322,341

Description of Services:

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

Key Measures:

	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Housing rehab loan issued <\$15,000	3	3	2	3
Average amount of rehab loan	\$11,000	\$11,715	\$15,000	\$15,000
Down payment assistance provided <\$10,000	1	4	3	3
Average amount of down payment loans	\$7,200	\$7,673	\$10,000	\$10,000

Budget Comments/Issues:

The 2021 Housing and Redevelopment Authority (HRA) budget includes funding for Emergency Rental and Business Assistance Programs, Business Outreach, supplemental funding for the city's two housing loan programs, and the city's sixth year of a ten-year payback for its commitment the Southwest Light Rail Transit project. The annual budget of the HRA Fund is reviewed by the Economic Development Advisory Commission (EDAC) and as identified in the adopted Economic Improvement Program (EIP).

- In 2020, the city committed \$225,000 of the existing fund balance from the Welcome to Minnetonka and Minnetonka Home Enhancement Program to assist businesses impacted by COVID-19. The city offered forgivable loans up to \$7,500 to assist businesses with covering expenses such as payroll, lease payments, and taxes/utilities.

- The city launched two housing improvement programs in June 2011, Minnetonka Home Enhancement (rehab) and Welcome to Minnetonka (down payment assistance). Additional dollars are included in the EIP recommendations for the 2021 levy to fund the program in future years.

- In 2020, WHAHLT (Homes Within Reach) was funded through a combination of a \$25,000 HRA levy and a \$125,000 commitment of WTM (Welcome to Minnetonka) and MHEP (Minnetonka Home Enhancement Program) program dollars. This combined \$150,000 was transferred into the Livable Communities Fund and shown as an expenditure on the HRA page and matches the total EIP recommended commitment for 2020. In 2021, no funding is recommended for HWR.

- The Center for Energy and Environment manages the Welcome To Minnetonka and Minnetonka Home Enhancement programs on behalf of the city. Community Reinvestment Fund (CRF) continues to service the loans for the city. One Welcome to Minnetonka loan was disbursed to date 2020.

- Reserve for delayed projects includes funding for Housing programs, Business Outreach, SWLRT and marketing.
- HRA levies are specifically covered as separate levies under state law, proposed property tax notices and invoices to property owners identify the levy as a "special taxing district" separate from the city.

MINNETONKA LIVABLE COMMUNITIES FUND - Community Development Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Interest Income	6,223	15,818	3,000	3,700	4,000
Metropolitan Council Grants	186,511	208,910	177,500	114,094	150,000
Transfer In, from HRA Fund	100,000	100,000	150,000	150,000	-
Minnetonka Heights	400,000	-	-	-	-
Totals	\$ 692,734	\$ 324,728	\$ 330,500	\$ 267,794	\$ 154,000
Expenditures by Category					
WHAHLT/City Grant	162,912	-	150,000	150,000	-
WHAHLT/Met Council	153,833	129,522	177,500	214,094	150,000
Legal/Other	-	-	-	100,000	300,000
Totals	\$ 316,745	\$ 129,522	\$ 327,500	\$ 464,094	\$ 450,000
Surplus (Deficiency) of Revenues over Expenditures	375,989	195,206	3,000	(196,300)	(296,000)
Beginning Fund Balance	250,858	626,847	822,053	822,053	268,784
Reserve for prior obligations	-	-	-	356,969	-
Ending Fund Balance	\$ 626,847	\$ 822,053	\$ 825,053	\$ 268,784	\$ (27,216)

Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Total WHAHLT units in Minnetonka	60	60	62	63
Average sales price of WHAHLT unit	\$148,000	NA	\$150,000	\$160,000
Percent of Met Council housing goals achieved	60%	65%	130%	20%
Median value of Minnetonka home	\$359,800	\$378,500	\$383,000	\$395,000
Change from previous year	7.5%	5.2%	1.2%	3.1%

Budget Comments/Issues:

Due to use of the fund balance, the Livable Communities Fund balance is projected to decrease over time. In 2009, the city's Economic Development Authority (EDA) and the Minnetonka city council adopted a Housing & Redevelopment Authority (HRA) levy to potentially supplement this fund for the purposes of affordable housing.

- In 2020, the Metropolitan Council requested that the city return \$100,000 in LHIA funds that were repaid to the city following the sale of Minnetonka Heights.
- In 2020, the city council approved \$400,000 for 801 Carlson "The Pointe" to assist with providing affordable units. The \$300,000 in the Livable Communities fund that was committed was an EDA loan that was repaid to Minnetonka following the sale of Minnetonka Heights. The remaining \$100,000 was contributed through the development fund.
- The city provides annual financial support to the West Hennepin Affordable Housing Land Trust (WHAHLT), or Homes Within Reach. The city generally provided around \$225,000 annually through 2016, and WHAHLT has two years to use each year's allotment. "Reserve for prior obligations" are the portion of the prior year WHAHLT allotment that may still be spent in the current fiscal year. Per the adopted Economic Improvement Program (EIP), it is anticipated that balances will be exhausted in this fund in 2021.
- In the 2020-2024 EIP, the recommended funding for HWR is \$25,000 from the HRA Levy and a recommitment of \$125,000 of WTM and MHEP program dollars in 2020. As outlined in the EIP, annual funding to Homes within Reach was reduced to \$25,000 in 2020. The balance of the final three-year commitment in this fund is approximately \$356,969.
- In the 2021-2025 EIP, no city HRA funding was committed to HWR in 2021.
- Revenue and expenditures include a pass-through annual grant for WHAHLT from the Metropolitan Council, which the non-profit is using to fund scattered-site affordable housing.
- New Metropolitan Council housing goals for 2021-2030 were approved by the city council on Nov.9, 2020. The goal is to attain between 585 and 1,064 units during this time period. The prior goal from 2011 to 2020 was attain between 246 and 378 affordable units. The city produced 697 actual units during this timeframe.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND - Community Development Dept.

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Federal Grant - HUD Direct	\$ 34,225	\$ -	\$ -	\$ 2,500	\$ 215,000
Federal Grant - Program Income	39,833	28,384	40,000	30,000	40,000
Investment Income	1,469	2,861	1,500	600	1,000
Totals	\$ 75,527	\$ 31,245	\$ 41,500	\$ 33,100	\$ 256,000
Expenditures by Category					
Housing Rehabilitation	\$ 68,090	\$ 28,385	\$ -	\$ 30,000	\$ 245,000
Business Relocation	\$ -	-	-	-	-
Support Services	9,092	-	-	-	-
Administration	-	-	40,000	2,500	10,000
Fair Housing	3,171	-	-	-	-
Totals	\$ 80,353	\$ 28,385	\$ 40,000	\$ 32,500	\$ 255,000
Surplus (Deficiency) of Revenues over Expenditures	(4,826)	2,860	1,500	600	1,000
Beginning Fund Balance	88,546	83,720	86,580	86,580	87,180
Ending Fund Balance	\$ 83,720	\$ 86,580	\$ 88,080	\$ 87,180	\$ 88,180

Description of Services:

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

Key Measures:

	<u>2018 Actual</u>	<u>2019 Actual</u>	<u>2020 Estimated</u>	<u>2021 Projected</u>
Average cost of rehabilitation project	\$0	\$17,383	\$17,000	\$15,000
Rehabilitation projects completed	11	4	6	8
HWR Rehabilitation projects	X	X	X	28

Budget Comments/Issues:

In July of 2018, the city switched to participate in Hennepin County's Urban County CDBG program. This change streamlines public service funding requests and assists the city with administration of the various programs. The city anticipates that this Federal fund will not continue for the long term.

- Housing Rehabilitation expenditures above include the program income from the Minnetonka Entitlement repayments from loans made prior to 2018.
- In 2018, the maximum loan amount for the Home Rehabilitation Program was increased to \$15,000. In 2020, there are currently 71 residents on the waitlist. The current available balance is \$10,896 (pending complete application review of 2 loans in process).
- In 2020, the city council approved a new program that will provide forgivable loans (up to \$7,500) for residents of Homes Within Reach homes to make emergency repairs. There is a balance of approximately \$215,000 of program income to fund the new program.

AFFORDABLE HOUSING TRUST FUND - Community Development Dept.

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Transfer from Development Fund	-	-	-	\$ 150,000	-
Transfer from HRA Levy	-	-	-	-	50,000
Investment Income	-	-	-	-	-
Totals	\$ -	\$ -	\$ -	\$ 150,000	\$ 50,000
Expenditures by Category					
Rental Assistance	\$ -	\$ -	\$ -	\$ 150,000	\$ 50,000
Surplus (Deficiency) of Revenues over Expenditures	-	-	-	-	-
Beginning Fund Balance	-	-	-	-	-
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -

Description of Services:

In April, 2020, the city council approved a temporary Affordable Housing Trust Fund (AHTF) to provide rental assistance up to \$1,500 to households impacted by COVID-19. The city partnered with ICA to dispense the funding on behalf of Minnetonka. The temporary AHTF expired in 2020 and the city council established a permanent AHTF to support rental/mortgage assistance efforts and potential for other housing efforts.

Key Measures:	2018 <u>Actual</u>	2019 <u>Actual</u>	2020 <u>Estimated</u>	2021 <u>Projected</u>
Households assisted	0	0	100	33
Average cost of rental assistance provided	\$0	\$0	\$1,400	\$1,500

Budget Comments/Issues:

In 2020, the city council approved the reallocation of \$150,000 from the development fund to provide rental assistance to households impacted by COVID-19.

- The 2021 HRA levy recommends an additional \$50,000 for rental assistance in 2021. The assistance would be transferred to the AHTF.
- The temporary AHTF expired in 2020 and the city council established a permanent AHTF to support rental/mortgage assistance efforts and potential for other housing efforts.

MAYOR AND CITY COUNCIL

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Personnel	\$ 88,432	\$ 83,728	\$ 86,900	\$ 86,900	\$ 86,900
Supplies	-	-	-	-	-
Other Services & Charges	157,028	158,058	211,900	189,800	212,100
Capital Outlay	-	-	3,300	25,000	-
Totals	\$ 245,460	\$ 241,786	\$ 302,100	\$ 301,700	\$ 299,000

Method of Financing

General Fund	\$ 245,460	\$ 241,786	\$ 302,100	\$ 301,700	\$ 299,000
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Number of Elected Officials	7.0	7.0	7.0	7.0	7.0
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Description of Services:

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

Key Measures:	<u>2018 Actual</u>	<u>2019 Actual</u>	<u>2020 Estimated</u>	<u>2021 Projected</u>
Residents rating 'Quality of Life' in city 'good'/'excellent'	99%	99%	98%	98%
City council meeting dates (reg and study sessions)	36	31	34	33
Board, commission and task force appointments/reappointments	40	9	42	24

Budget Comments/Issues:

There are no significant changes to this budget for 2021 compared to 2020.

- The 2020 increase in "other services and charges" are related to an increase in dues for organizational memberships and an increased interest from elected officials to attend regional and national conferences, and strategic planning consultant fees.
- Capital outlay includes funding for furniture for the deck outside the city council chambers. These funds were originally allocated in 2019.

ADMINISTRATIVE SERVICES DEPARTMENT

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Personnel	\$ 1,438,203	\$ 1,319,930	\$ 1,925,900	\$ 1,941,500	\$ 2,082,000
Supplies	48,239	40,897	78,500	121,900	77,900
Other Services & Charges	314,668	312,898	395,900	370,100	633,300
Capital Outlay	-	-	-	-	3,000
Totals	\$ 1,801,110	\$ 1,673,725	\$ 2,400,300	\$ 2,433,500	\$ 2,796,200

Method of Financing

General Fund	\$ 1,801,110	\$ 1,673,725	\$ 2,400,300	\$ 2,433,500	\$ 2,796,200
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Number of Employees (FTEs)	11.95	11.75	13.00	13.00	16.50
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Description of Services:

The Administrative Services budget includes management of all day-to-day operations of the city, communications with the mayor and council members, overall administration of the city's policies and procedures, human resources management (including compensation and benefits), official city records, elections, information desk, city court (including its administration for the City of Excelsior) and some oversight of park and open space planning and development.

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Registered voters	37,571	37,666	42,178	42,300
Absentee voters	11,178	712	20,000	1,000
Administrative Citation Hearings	1	4	4	4
Information desk phone calls	23,752	23,262	23,800	24,000
City positions - Reg FT, PT & POC*	324	339	335	345
Employee retention rate	91%	89%	88%	90%

* Refers to number of positions, not full-time equivalents (FTEs).

Budget Comments/Issues:

The department's budget, for personnel services in particular, fluctuates with the occurrence of elections. In a year like 2020 that includes national and state elections (in addition to a local ballot question), workload responsibilities and corresponding information desk calls increase, which in turn increases costs.

- The 2020 budget reflects a 1.25 increase in FTEs due to transferring communications staff previously funded by the Cable TV fund to the Administrative Services department within the General Fund. This move will stabilize the funding source for these positions, which will ensure the city's ability to continue delivering mission-critical communications to residents. The remaining 1.25 FTE's in the Cable TV fund are planning to be transitioned to the General Fund in 2022 or 2023.

- The 2021 budget includes the addition of 3.5 FTE additional staff. These new positions include 2 full-time employees in the Human Resource Division, 1 full-time elections specialist in the Administration Division, and .5 in the Communications Division. The elections specialist position was dependent on the passage of the ranked choice vote ballot question passing on November 3.

- The Office of the Secretary of State (OSS) received funding through the 2020 CARES Act "to prevent, prepare for, and respond to coronavirus, domestically or internationally, for the 2020 Federal election cycle." Minnesota Laws 2020, Chapter 77, authorized the use of these funds within Minnesota, including allowing for distributing these funds to local governments for use consistent with the state and federal requirements. Note that this a separate pool of funds from the larger CARES Act money that Minnetonka received. These funds can only be spent on elections-related costs. The City of Minnetonka received a total of \$40,203. Due to a required 20% match, an addition of \$48,243.60 was added to the line item.

- The revised 2020 budget includes a \$13,000 unbudgeted amount to cover costs for educational outreach for the Charter Amendment ballot question.

- In order to continue to provide a steady array of administrative services, the 2019 budget incorporated shifting the part-time administrative assistant position to full-time and eliminating the vacant part-time image processing tech position to offset those costs. The demands on the admin assistant position to support council, the city manager and department admin functions have increased.

- The 2019 budget supported the reorganization of the city clerk division, which includes a manager, city clerk, elections specialist and front desk staff. The move allowed the division to become more strategic in the implementation of fundamental government duties such as records retention and elections administration.

- The 2019 budget included the second phase of a one-time project to update job descriptions to ensure compliance with employment laws.

INFORMATION TECHNOLOGY DIVISION - Administrative Services Department

Expenditures by Category	2018 Actual	2019 Budget	2019 Revised	2020 Budget	2020 Budget
Personnel	\$ 460,045	\$ 570,979	\$ 626,400	\$ 626,400	\$ 628,900
Supplies	827	951	1,800	1,800	900
Other Services & Charges	465,050	445,956	435,200	435,200	458,500
Capital Outlay	-	-	-	-	-
Totals	\$ 925,922	\$ 1,017,886	\$ 1,063,400	\$ 1,063,400	\$ 1,088,300

Method of Financing

General Fund	\$ 925,922	\$ 1,017,886	\$ 1,063,400	\$ 1,063,400	\$ 1,088,300
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Number of Employees (FTEs)	4.75	4.75	4.75	4.75	4.75
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Description of Services:

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

Key Measures:

	<u>2018 Actual</u>	<u>2019 Actual</u>	<u>2020 Estimated</u>	<u>2021 Projected</u>
Help Desk requests	2,681	2,589	3,250	3,300
Field & home remote connections	217	360	400	500
Technology projects completed	37	34	53	65

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

Budget Comments/Issues:

- The 2021 budget is consistent with 2020 and recognizes an increase in minimal inflation. Help desk tickets and project initiatives continue to trend upward which will require evaluation of staff resources for 2022.
- The 2020 budget reflects a 0.25 increase in FTEs due to transferring communications and network staff previously funded by the Cable TV fund to both the Administrative Services department and the Information Technology Division within the General Fund. This move will stabilize the funding source for these positions, which will ensure the city's ability to continue delivering mission-critical communications to residents.
- The 2019 budget was consistent with the 2018 budget and included increased service demands to support the city hall remodel and police and fire facility project.
- In 2018, the budget included a new mid-level information technology staff person to handle the increased technology demands on the city.
- The number of remote connections and hand held devices continues to grow requiring additional support of an increasingly mobile workforce conducting business matters in the field -- primarily in the police, fire, development inspections and public works areas.
- While the number of Help Desk requests is projected to remain stable, the complexity of tickets are increasing primarily as they relate to new projects or initiatives.

TECHNOLOGY DEVELOPMENT FUND - Administrative Services Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Ad Valorem Tax Levy	\$ 580,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000
Investment Income, Other	5,445	3,988	1,000	1,000	4,000
Transfers in	-	-	400,000	699,600	500,000
Totals	\$ 585,445	\$ 603,988	\$ 1,001,000	\$ 1,300,600	\$ 1,104,000
Expenditures by Category					
Technology Purchases/Upgrades	\$ 264,747	\$ 838,378	\$ 413,900	\$ 413,900	\$ 404,400
Office Equipment	170,545	59,775	64,900	64,900	101,200
Security Equipment	11,000	53,047	64,000	64,000	60,000
Totals	\$ 446,292	\$ 951,200	\$ 542,800	\$ 542,800	\$ 565,600
Surplus (Deficiency) of Revenues over (under) Expenditures	139,153	(347,212)	458,200	757,800	538,400
Reserve for Delayed Projects	-	-	-	170,700	-
Beginning Fund Balance	340,717	479,870	132,658	132,658	719,758
Ending Available Fund Balance	\$ 479,870	\$ 132,658	\$ 590,858	\$ 719,758	\$ 1,258,158

Description of Services:

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

Key Measures:

	<u>2018 Actual</u>	<u>2019 Actual</u>	<u>2020 Estimated</u>	<u>2020 Projected</u>
Number of servers	32	43	50	45
Number of desktop computers	244	240	254	240
Number of laptop computers	109	140	150	200
Number of iPads/tablets	85	109	130	130
Wireless access points	42	45	47	67

Budget Comments/Issues:

The 2021 budget provides for current services.

- The 2019 budget included the replacement of a virtual network environment, network switches and uninterruptable power supplies.
- The 2017 budget reflects a tax levy increase of \$165,000 as adopted in the 2017-2021 Capital Improvement Program (CIP) to meet the ongoing technology needs of the city.
- Increases in the number of wireless access points provide better coverage and mobility for wireless devices of city customers/citizens, business partners and city employees.
- The capital replacement of mobile devices, including: iPads, tablets and laptops has seen an increase due to the city's use of mobile devices in the field to capture and document data. In some instances, where an iPad or tablet does not meet the requirements, city staff is opting to switch from a standard desktop device to a laptop.
- Increases in the number of mobile devices such as iPads/tablets and laptops is also due in part to newly remodeled city offices that feature flexible workspaces and promote collaboration.

CABLE TELEVISION FUND - Administrative Services Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Cable TV Franchise Fee	\$ 814,055	\$ 788,844	\$ 770,700	\$ 754,000	\$ 724,000
Public, Educational & Govt. Fee	101,000	97,401	105,000	92,000	88,300
Investment Income	37,668	70,982	30,000	30,000	20,000
Miscellaneous Income	16,580	27,664	15,000	23,200	15,000
Transfer In	-	-	-	47,300	-
Totals	\$ 969,303	\$ 984,891	\$ 920,700	\$ 946,500	\$ 847,300
Expenditures by Category					
Personnel	\$ 300,896	\$ 312,383	\$ 168,400	\$ 168,400	\$ 169,800
Supplies	1,111	876	2,500	1,000	1,000
Other Services & Charges	452,672	467,554	416,000	372,600	559,000
Capital Outlay	137,703	117,836	198,000	198,000	319,500
Transfer Expenses	32,700	33,700	734,300	734,300	34,900
Totals	\$ 925,082	\$ 932,349	\$ 1,519,200	\$ 1,474,300	\$ 1,084,200
Surplus (Deficiency) of Revenues over Expenditures	44,221	52,542	(598,500)	(527,800)	(236,900)
Reserve for Delayed Projects	-	-	-	436,000	-
Dedicated Future Transition Reserve	855,700	863,200	1,469,400	823,000	1,020,000
Beginning Fund Balance	2,373,673	2,417,894	2,470,436	2,470,436	1,506,636
Ending Available Fund Balance	\$ 1,562,194	\$ 1,607,236	\$ 402,536	\$ 683,636	\$ 249,736
Number of Employees (FTEs)	2.50	2.50	1.25	1.25	1.25

Description of Services:

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

Key Measures:

	<u>2018 Actual</u>	<u>2019 Actual</u>	<u>2020 Estimated</u>	<u>2021 Projected</u>
# of subscribers to email/text notification system	21,665	23,265	25,000	26,000
Average # of unique monthly website visits	30,802	31,000	32,000	33,000
Visitors - Open House, Summer Fest/Ice Cream				
Social & Burwell Spooktacular	6,800	8,300	0	8,500
Miles of fiber	19	20	21	22
IT supported broadcast events (city and private)	92	99	92	95
# of graphic projects completed	121	134	145	155

Budget Comments/Issues:

There a number of factors that contribute to an increase in the 2021 budget. There is \$75K added for consulting services to provide technical support due to increased work load associated with approved projects. Also, there is a recognition of postage costs related to the city newsletter that had not previously been reflected.

- The 2020 budget includes an increase in "service contracts" to account for an increase in annual costs for existing services (such as the city's email/text service). The increase also supports a new annual subscription to a more efficient content management system for the city's website. The new site will make it easier for residents to find important information online.

- The 2020 budget reflects a 1.25 decrease in FTEs due to transferring communications staff previously funded by the Cable TV fund to the Administrative Services department within the General Fund. This move will stabilize the funding source for these positions, which will ensure the city's ability to continue delivering mission-critical communications to residents. The remaining 1.25 FTE's are planning to be transitioned to the General Fund in 2021.

- In 2019, outreach and operations for the Burwell House was transferred to the recreation department.
- The 2019 budget supported the cost of updating the city's website infrastructure to improve the city's ability to deliver timely, accurate information to residents.
- In 2019 and 2020, Capital Outlay fund includes \$90k for equipment purchases related to conference room technologies in City Hall and Community Center, including both staff and public meeting spaces.
- 2020 Transfer expenses includes \$700,000 dedicated to the public safety facility construction project.
- "Reserve for delayed projects" includes previously approved CIP projects for fiber infrastructure, electronic records management, audio/visual equipment and security equipment.

- The dedicated-future-transition-reserve equals twelve subsequent months of operating and ongoing capital costs. The 2020 reserve excludes the \$700,000 one-time transfer from this calculation.

FINANCE DEPARTMENT

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2021 Revised	2020 Budget
Personnel	\$ 758,927	\$ 743,609	\$ 896,800	\$ 867,500	\$ 908,800
Supplies	6,790	6,093	4,800	5,200	4,800
Other Services & Charges	172,480	212,809	196,400	200,000	202,600
Capital & Other	3,744	2,319	8,200	2,500	8,200
Totals	\$ 941,941	\$ 964,830	\$ 1,106,200	\$ 1,075,200	\$ 1,124,400

Method of Financing

General Fund	\$ 941,941	\$ 964,830	\$ 1,106,200	\$ 1,075,200	\$ 1,124,400
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Number of Employees (FTEs)	7.0	7.0	7.0	7.0	7.0
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Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Utility customer accounts	17,070	17,083	17,125	17,370
Utility customers using city online billing	12%	17%	17%	25%
Utility customers paying electronically	60%	65%	64%	69%
Average monthly vendor payments	720	739	601	740
Vendor payments paid electronically	28%	27%	31%	35%
Average payroll count (FT,PT,seasonals,firefighters)	585	586	556	595
Annual rate of return on investments	1.7%	2.2%	2.0%	1.2%
Moody's credit rating	Aaa	Aaa	Aaa	Aaa
GFOA Award for Excellence in Financial Reporting	Awarded	Awarded	Awarded	Awarded

Budget Comments/Issues:

A finance analyst position has been vacant since mid-2019. This position has been retooled into a senior accountant position. The posting of this position was originally intended to happen in mid-March 2020 just as COVID-19 shut down city hall. The hiring was delayed until late fall. The senior accountant position will fill a need arising from increased financial reporting requirements and complexity, while providing necessary segregation of duties and stronger internal controls.

- The 2019 Other Services & Charges expenditure category increased due to turnover in utility billing. Contracted temporary staff were utilized to backfill until the positions were filled in the fall of 2019. This additional costs of approximately \$38,000 were offset by utility billing salary savings.

- The department continues to move towards greater efficiencies through electronic transactions, and staff continues to promote their use to realize cost efficiencies. Over the past several years, the department has implemented systems for citywide accounts payable processing and invoice filing as well as electronic payment of vendors. The current online utility billing and payment software is being replaced in late 2020 or early 2021 with a more modern and customer friendly application that will provide real account information and multiple modes of communication including optional text messages.

- The city has developed a plan for compliance with Payment Card Industry (PCI) Data Security Standards that continues to adjust with changing technologies. Working with city IT staff and an outside vendor in 2018 and 2019, finance staff has developed protocols and training for all programs in the city where credit cards are accepted as payment, both online and in-person.

INSURANCE FUND - Administrative Services Department

Revenues	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Interfund Transfers In	\$ 673,100	\$ 673,100	\$ 673,100	\$ 673,100	\$ 673,100
Investment Income	33,728	70,547	2,000	2,000	2,000
Miscellaneous	25,101	28,838	-	-	-
Totals	\$ 731,929	\$ 772,485	\$ 675,100	\$ 675,100	\$ 675,100
Expenditures by Category					
Premiums	\$ 331,557	\$ 338,019	\$ 445,000	\$ 385,000	\$ 400,000
Settlements	156,299	129,383	150,000	150,000	150,000
Other Services & Charges	28,463	100,753	23,000	23,000	23,000
Capital Outlay	-	-	-	-	-
Totals	\$ 516,319	\$ 568,155	\$ 618,000	\$ 558,000	\$ 573,000
Surplus (Deficiency) of Revenues over Expenditures	215,610	204,330	57,100	117,100	102,100
Beginning Fund Balance	2,111,019	2,326,629	2,530,959	2,530,959	2,648,059
Ending Fund Balance	\$ 2,326,629	\$ 2,530,959	\$ 2,588,059	\$ 2,648,059	\$ 2,750,159

Description of Services:

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

Key Measures:	2018 Actual	2019 Actual	2020 Estimated	2021 Projected
Liability rating (less than 1.0 is good)	0.89	0.85	0.84	0.84
Workers comp mod factor (less than 1.0 is good)	0.98	0.90	0.72	0.73

Budget Comments/Issues:

The city's workers compensation experience rating as measured above by the "mod factor" has fluctuated over the last several years due to an aging work force as well as some significant claims "cycling out" of the city's three-year experience window, which also determines the city's insurance premium cost.

- An appropriate fund balance in the Insurance fund should cover the city's maximum total liability under its policy coverage through the League of Minnesota Cities Insurance Trust (LMCIT) as well as a minimum of \$1 million towards any potentially awarded civil rights claim, which would be outside of state liability limitations. Revenues to the Insurance Fund are programmed through the budgets of contributing city divisions in order to maintain such a reserve over time.
- The workers comp mod factor relates to the frequency and severity of an employer's workers compensation claims over a three-year period, and it is used to calculate the premium. A mod factor of 1.00 is considered average for an employer's particular industry; the lower the mod factor, the better.
- The liability rating is calculated by using a formula that looks at the city's expected liability claim losses compared to the actual losses. Data is used over a three-year period, and it is used to calculate the premium. A liability rating of 1.00 means the city's actual losses equal the expected losses for a city of similar size and expenditures.
- The 0.72 experience rating for the 2020 Workers Comp allowed the city to realize \$121,000 in General Fund savings compared to initial budget projections.

CONTINGENCY BUDGET - Finance Department

Expenditures by Category	2018 Actual	2019 Actual	2020 Budget	2020 Revised	2021 Budget
Contingency	\$ -	\$ -	\$ 50,000	\$ -	\$ 50,000
<i>Total Contingency</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>

Description of Services:

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

Budget Comments/Issues:

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

2021 BUDGET SUMMARY - All Funds
by Service Program & Budget

Service Program	Budgetary Unit	%	Budget				
			All Budgets	Gen'l Fund Operating	Enterprise Operating	Capital	Other
Public Safety:	Police Department		\$ 11,593,100	\$ 11,593,100	\$ -	\$ -	\$ -
	Fire Department		4,240,500	4,240,500	-	-	-
	Public Safety Fund		1,155,000	-	-	1,155,000	-
	Public Safety Facility		11,943,105	-	-	11,943,105	-
	Environmental Health Division		391,500	391,500	-	-	-
	Grants Special Revenue Fund		40,000	-	-	-	40,000
	Legal Department		979,000	979,000	-	-	-
	<i>Subtotal</i>	<i>24.8%</i>	<i>\$ 30,342,205</i>	<i>\$ 17,204,100</i>	<i>\$ -</i>	<i>\$ 13,098,105</i>	<i>\$ 40,000</i>
Streets & Utilities:	Engineering Department		\$ 1,460,600	\$ 1,460,600	\$ -	\$ -	\$ -
	Street Improvement Fund		12,978,200	-	-	12,978,200	-
	MSA Fund		173,000	-	-	-	173,000
	Storm Water Fund		4,499,900	-	974,900	3,525,000	-
	Electric Franchise Fee Fund		300,000	-	-	300,000	-
	Street Maintenance Division		3,954,900	3,954,900	-	-	-
	Building Maintenance Division		1,460,600	1,460,600	-	-	-
	Fleet Maintenance Division		1,757,000	-	-	50,000	1,707,000
	Capital Replacement Fund*		2,158,100	-	-	2,158,100	-
	Water & Sewer Utility Fund		27,407,000	-	9,974,700	15,610,000	1,822,300
	<i>Subtotal</i>	<i>45.9%</i>	<i>\$ 56,149,300</i>	<i>\$ 6,876,100</i>	<i>\$ 10,949,600</i>	<i>\$ 34,621,300</i>	<i>\$ 3,702,300</i>
Parks & Environ:	Parks & Trails Division		\$ 2,027,800	\$ 2,027,800	\$ -	\$ -	\$ -
	Natural Resources Division		1,599,200	1,599,200	-	-	-
	Forestry Fund		228,000	-	-	228,000	-
	Environmental Fund		1,237,500	-	1,237,500	-	-
	Gas Franchise Trails Fund		1,100,000	-	-	1,100,000	-
	Park & Trail Improvement Fund		6,597,000	-	-	6,597,000	-
	Community Investment Fund		250,000	-	-	250,000	-
	<i>Subtotal</i>	<i>10.7%</i>	<i>\$ 13,039,500</i>	<i>\$ 3,627,000</i>	<i>\$ 1,237,500</i>	<i>\$ 8,175,000</i>	<i>\$ -</i>
Recreation:	Joint Recreation		\$ 1,708,000	\$ 1,708,000	\$ -	\$ -	\$ -
	Minnetonka Recreation		831,600	831,600	-	-	-
	Senior Services		401,800	401,800	-	-	-
	Community Center		596,900	596,900	-	-	-
	Williston Center		2,848,200	-	2,458,200	390,000	-
	Ice Arena		929,800	-	929,800	-	-
	Gray's Bay Marina		210,900	-	210,900	-	-
	<i>Subtotal</i>	<i>6.2%</i>	<i>\$ 7,527,200</i>	<i>\$ 3,538,300</i>	<i>\$ 3,598,900</i>	<i>\$ 390,000</i>	<i>\$ -</i>
Development:	Community Devpt Division		\$ 2,346,800	\$ 2,346,800	\$ -	\$ -	\$ -
	Planning Division		773,100	773,100	-	-	-
	Assessing Division		886,800	886,800	-	-	-
	Development Fund		2,675,000	-	-	-	2,675,000
	HRA Fund		205,000	-	-	-	205,000
	Livable Communities Fund		450,000	-	-	-	450,000
	CDBG Fund		255,000	-	-	-	255,000
	Affordable Housing Trust Fund		50,000	-	-	-	50,000
	<i>Subtotal</i>	<i>6.3%</i>	<i>\$ 7,641,700</i>	<i>\$ 4,006,700</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ 3,635,000</i>
General Gov't:	Mayor & City Council		\$ 299,000	\$ 299,000	\$ -	\$ -	\$ -
	General Administration		2,796,200	2,796,200	-	-	-
	Information Tech Division		1,088,300	1,088,300	-	-	-
	Technology Fund		565,600	-	-	565,600	-
	Cable Fund		1,049,300	-	-	319,500	729,800
	Finance Department		1,124,400	1,124,400	-	-	-
	Insurance Fund		573,000	-	-	-	573,000
	Contingency		50,000	50,000	-	-	-
	<i>Subtotal</i>	<i>6.2%</i>	<i>\$ 7,545,800</i>	<i>\$ 5,357,900</i>	<i>\$ -</i>	<i>\$ 885,100</i>	<i>\$ 1,302,800</i>
TOTALS		100.0%	\$ 122,245,705	\$ 40,610,100	\$ 15,786,000	\$ 57,169,505	\$ 8,680,100

* Capital Replacement Fund budget is allocated to only "Streets & Utilities" in this table, but is split by actual service program under the Summary tab of book.

2020 REVISED BUDGET SUMMARY - All Funds
by Service Program & Budget

Service Program	Budgetary Unit	%	Budget				
			All Budgets	Gen'l Fund Operating	Enterprise Operating	Capital	Other
Public Safety:	Police Department		\$ 11,279,400	\$ 11,162,400	\$ -	\$ -	\$ 117,000
	Fire Department		4,099,000	4,099,000	-	-	-
	Public Safety Fund		753,700	-	-	753,700	-
	Public Safety Facility		18,131,962	-	-	18,131,962	-
	Environmental Health Division		496,300	496,300	-	-	-
	Grants Special Revenue Fund		177,758	-	-	-	177,758
	Legal Department		921,700	902,200	-	-	19,500
	Subtotal	33.1%	\$ 35,859,820	\$ 16,659,900	\$ -	\$ 18,885,662	\$ 314,258
Streets & Utilities:	Engineering Department		\$ 1,425,600	\$ 1,425,600	\$ -	\$ -	\$ -
	Street Improvement Fund		8,608,200	-	-	8,608,200	-
	MSA Fund		173,809	-	-	-	173,809
	Storm Water Fund		2,580,900	-	949,900	1,631,000	-
	Electric Franchise Fee Fund		1,660,000	-	-	1,660,000	-
	Street Maintenance Division		3,838,800	3,838,800	-	-	-
	Building Maintenance Division		1,382,500	1,382,500	-	-	-
	Fleet Maintenance Division		1,654,400	-	-	50,000	1,604,400
	Shady Oak Rd/Oak Dr		425,541	-	-	400,000	25,541
	Capital Replacement Fund*		4,582,200	-	-	4,582,200	-
	Water & Sewer Utility Fund		16,230,200	-	9,871,700	4,758,300	1,600,200
	Subtotal	39.3%	\$ 42,562,150	\$ 6,646,900	\$ 10,821,600	\$ 21,689,700	\$ 3,403,950
Parks & Environ:	Parks & Trails Division		\$ 1,948,400	\$ 1,948,400	\$ -	\$ -	\$ -
	Natural Resources Division		1,575,600	1,575,600	-	-	-
	Forestry Fund		223,000	-	-	223,000	-
	Environmental Fund		1,129,900	-	1,129,900	-	-
	Gas Franchise Trails Fund		1,900,000	-	-	1,900,000	-
	Park & Trail Improvement Fund		2,740,500	-	-	2,740,500	-
	Community Investment Fund		350,000	-	-	350,000	-
	Subtotal	9.1%	\$ 9,867,400	\$ 3,524,000	\$ 1,129,900	\$ 5,213,500	\$ -
Recreation:	Joint Recreation		\$ 1,231,000	\$ 1,231,000	\$ -	\$ -	\$ -
	Minnetonka Recreation		734,100	734,100	-	-	-
	Senior Services		347,400	347,400	-	-	-
	Community Center		505,600	505,600	-	-	-
	Williston Center		2,204,125	-	2,094,125	110,000	-
	Ice Arena		874,850	-	874,850	-	-
	Gray's Bay Marina		197,200	-	197,200	-	-
	Subtotal	5.6%	\$ 6,094,275	\$ 2,818,100	\$ 3,166,175	\$ 110,000	\$ -
Development:	Community Devpt Division		\$ 2,316,500	\$ 2,316,500	\$ -	\$ -	\$ -
	Planning Division		678,200	678,200	-	-	-
	Assessing Division		856,700	856,700	-	-	-
	Development Fund		2,126,244	-	-	-	2,126,244
	HRA Fund		634,767	-	-	-	634,767
	Livable Communities Fund		464,094	-	-	-	464,094
	CDBG Fund		32,500	-	-	-	32,500
	Affordable Housing Trust Fund		150,000	-	-	-	150,000
	Subtotal	6.7%	\$ 7,259,005	\$ 3,851,400	\$ -	\$ -	\$ 3,407,605
General Gov't:	Mayor & City Council		\$ 301,700	\$ 301,700	\$ -	\$ -	\$ -
	General Administration		2,433,500	2,433,500	-	-	-
	Information Tech Division		1,063,400	1,063,400	-	-	-
	Technology Fund		542,800	-	-	542,800	-
	Cable Fund		740,000	-	-	198,000	542,000
	Finance Department		1,075,200	1,075,200	-	-	-
	Insurance Fund		558,000	-	-	-	558,000
	Contingency		-	-	-	-	-
	Subtotal	6.2%	\$ 6,714,600	\$ 4,873,800	\$ -	\$ 740,800	\$ 1,100,000
TOTALS		100.0%	\$ 108,357,250	\$ 38,374,100	\$ 15,117,675	\$ 46,639,662	\$ 8,225,813

* Capital Replacement Fund budget is allocated to only "Streets & Utilities" in this table, but is split by actual service program under the Summary tab of book.

STAFFING LEVELS 2019-2021
Full-Time Equivalents (FTEs)

Service Category	Budgetary Unit	Fund Type	2019	2020	2020	2021	%
			Revised Budget	Budget	Revised Budget	Budget	
Public Safety:	Police Department	General Fund	69.69	69.69	69.69	68.47	
	Fire Department*	General Fund	11.00	11.00	11.75	11.75	
	Environmental Health Division	General Fund	3.50	3.50	3.50	3.00	
	Legal Department	General Fund	6.00	6.00	6.60	6.60	
	<i>Subtotal</i>		<u>90.19</u>	<u>90.19</u>	<u>91.54</u>	<u>89.82</u>	<u>35.0%</u>
Streets & Utilities:	Engineering Department	General Fund	9.50	9.50	9.50	9.50	
	Storm Water Fund	Enterprise	1.50	1.50	1.50	1.50	
	Street Maintenance Division	General Fund	21.10	21.10	21.10	21.15	
	Building Maintenance Division	General Fund	8.38	8.38	8.38	8.42	
	Fleet Maintenance Division	Internal Service	4.38	4.38	4.38	4.42	
	Water & Sewer Utility Fund	Enterprise	18.40	18.40	18.40	18.45	
<i>Subtotal</i>		<u>63.26</u>	<u>63.26</u>	<u>63.26</u>	<u>63.44</u>	<u>24.7%</u>	
Parks & Environ:	Parks & Trails Division	General Fund	10.08	11.08	11.08	11.12	
	Natural Resources Division	General Fund	8.18	8.18	8.18	8.22	
	Environmental Fund	Enterprise	0.48	0.48	0.48	0.52	
<i>Subtotal</i>		<u>18.74</u>	<u>19.74</u>	<u>19.74</u>	<u>19.86</u>	<u>7.7%</u>	
Recreation:	Joint Recreation	General Fund	6.85	6.85	6.85	6.85	
	Minnetonka Recreation	General Fund	2.00	2.00	2.00	2.00	
	Senior Services	General Fund	2.40	2.40	2.40	2.40	
	Community Center	General Fund	3.60	3.60	3.60	3.60	
	Williston Center	Enterprise	9.45	9.45	9.45	9.45	
	Ice Arena	Enterprise	3.50	3.50	3.50	3.50	
	Gray's Bay Marina	Enterprise	0.20	0.20	0.20	0.20	
<i>Subtotal</i>		<u>28.00</u>	<u>28.00</u>	<u>28.00</u>	<u>28.00</u>	<u>10.9%</u>	
Development:	Community Devpt Division	General Fund	15.30	15.80	15.80	15.80	
	Planning Division	General Fund	5.00	4.50	4.50	4.50	
	Assessing Division	General Fund	5.70	5.70	5.70	5.70	
<i>Subtotal</i>		<u>26.00</u>	<u>26.00</u>	<u>26.00</u>	<u>26.00</u>	<u>10.1%</u>	
General Gov't:	Mayor & City Council**	General Fund	7.00	7.00	7.00	7.00	
	General Administration	General Fund	11.75	13.00	13.00	16.50	
	Information Tech Division	General Fund	4.75	4.75	4.75	4.75	
	Cable Fund	Special Revenue	2.50	1.25	1.25	1.25	
	Finance Department	General Fund	7.00	7.00	7.00	7.00	
<i>Subtotal</i> **		<u>26.00</u>	<u>26.00</u>	<u>26.00</u>	<u>29.50</u>	<u>11.5%</u>	
TOTALS **		<u>252.19</u>	<u>253.19</u>	<u>254.54</u>	<u>256.62</u>	<u>100.0%</u>	

* Excludes paid-on-call firefighters.

** Mayor and council members are excluded from FTE totals.

City of Minnetonka, Minnesota
2021 Budget
BONDED INDEBTEDNESS

	G.O. Revenue Bonds			G.O. Bonds			G.O. State-Aid	TOTAL All Bonds
	Utility 2016A	Utility (portion) 2016B	Utility 2018	Park Ref (portion) 2016B	Housing Impr. 2019A	Capital Impr. Plan 2020A	Street Bonds 2008	
Original Amount	\$ 10,000,000	\$ 7,560,000	\$ 10,000,000	\$ 2,440,000	\$ 2,630,000	\$ 24,390,000	\$ 2,215,000	\$ 59,235,000
Outstanding 12/31/2020								
Principal	\$ 8,755,000	\$ 6,605,000	\$ 10,000,000	\$ 1,765,000	\$ 2,630,000	\$ 24,390,000	\$ 650,000	\$ 54,795,000
Interest	1,561,051	1,123,220	3,632,888	126,950	852,789	10,015,327	54,400	17,366,625
Total	\$ 10,316,051	\$ 7,728,220	\$ 13,632,888	\$ 1,891,950	\$ 3,482,789	\$ 34,405,327	\$ 704,400	\$ 72,161,625
Amounts Due in 2021								
Principal	\$ 470,000	\$ 350,000	\$ 335,000	\$ 235,000	\$ 100,000	\$ 545,000	\$ 150,000	\$ 2,185,000
Interest	176,558	136,310	346,075	32,950	67,270	659,394	23,000	1,441,557
Total	\$ 646,558	\$ 486,310	\$ 681,075	\$ 267,950	\$ 167,270	\$ 1,204,394	\$ 173,000	\$ 3,626,557
To be paid from:								
Property Taxes*	\$ -	\$ -	\$ -	\$ 284,130	\$ -	\$ 1,116,668	\$ -	\$ 1,400,798
State Aid (MSA)	-	-	-	-	-	-	173,000	173,000
Utility Fund	646,558	486,310	681,075	-	-	-	-	1,813,943
Special Assessments	-	-	-	-	167,270	-	-	167,270
Final Payment Year	2036	2036	2040	2027	2040	2048	2024	

* Amounts are Pay 2021 tax levies required to cash flow late 2021 and early 2022 debt service payments.

CITY OF MINNETONKA

2021 Budget Calendar

2020

February 3	Capital Improvement Program (CIP) forms sent to departments or access to Plan-It available .
March 2	Departments submit capital requests to city manager.
Weeks of March 16 & 23	City manager meets with department leadership to discuss CIP requests.
April 27	City council study session on 2021-25 CIP and 2021-25 Economic Investment Program (EIP).
May 11	City council study session on Strategic Profile performance, citizen survey results and new goals.
June 8	City Council adopts 2021-25 CIP and 2021-25 EIP.
June 8	Budget work papers are made available to departments.
Weeks of June 29 & July 6	City manager meets with departments to discuss 2019-20 department merit indicators, big budget issues, and key measures, including identified relationships to the city's Strategic Profile.
July 27	Forecasts completed for compensation and benefits, internal service fund allocations, utility costs, technology contract costs, fee and other revenue.
July 27	Departments submit revised indicators, key measures and issues.
August 19	Budget memo sent to city council.
August 24	First city council budget study session.
September 21	City council adopts preliminary levies and announces public budget hearing date.
September 22	Budget instructions and targets provided to departments.
October 12	Departments submit detailed budget requests.
Weeks of Nov. 9 or 16	Hennepin County sends parcel specific proposed tax estimates to taxpayers.
November 24	City manager sends proposed 2021 budget and revised 2020 budget to city council members.
November 30	Second city council budget study session.
December 7	City council holds public budget hearing and adopts final 2021 budget, 2021 tax levies and revised 2020 budget.
December 21	Alternate date for council adoption of budgets and levies, should changes be required after December 7 council meeting.
December 30	Final 2021 levies certified to Hennepin County.



MINNETONKA CITY COUNCIL
 (Economic Development Authority)

Mayor Brad Wiersum

Council Members at Large: Board Representation:
 Seat A: Deb Calvert Ward 1: Brian Kirk
 Seat B: Susan Carter Ward 2: Rebecca Schack
 Ward 3: Bradley Schaeppi
 Ward 4: Kissy Coakley

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

City Attorney
 Corrine Heine

CITY MANAGER
 Geralyn Barone



POLICE
 Chief Scott Boerboom

Patrol
 Investigation
 Support Services

PUBLIC WORKS
 Will Manchester

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

RECREATION SERVICES
 Kelly O'Dea

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

COMMUNITY DEVELOPMENT
 Julie Wischnack

Inspections
 Environmental Health
 Licensing
 Planning & Zoning

ADMINISTRATIVE SERVICES
 Mike Funk

City Clerk & Elections
 Human Resources
 Information Technology
 Communications
 Risk Management

FIRE
 Chief John Vance

Emergency Management
 Inspection
 Prevention
 Response

LEGAL
 Corrine Heine

Prosecution
 Legal advice to the city

FINANCE
 Darin Nelson

Accounting
 Budget
 Payroll
 Utility Billing
 Assessing
 Special Assessments

Relevant Financial Policies

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

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

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

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

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

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



Minnetonka, Minnesota

Water and Sewer Rate Study

November 23, 2020



Baker Tilly Municipal Advisors, LLC
380 Jackson Street, Suite 300
St. Paul, MN 55101
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+1 (651) 223 3046
bakertilly.com

November 23, 2020

Mr. Darin Nelson, Finance Director
City of Minnetonka
11522 Minnetonka Blvd.
Minnetonka, Minnesota 55305

Re: **Water and Sewer Rate Study**

Dear Darin:

Baker Tilly Incorporated was hired to perform a rate study for the City's Water and Sewer Utility. We have been working with the City on setting water and sewer rates since 2014. As in prior studies, this Study includes a review of the past performance of the Utilities, determines the adequacy of revenues in the Utility, and provides rate recommendations which reflect recent cost experience as well as anticipated capital improvement costs for the Utility Fund.

We appreciate the opportunity to continue to work with and conduct this study for the City of Minnetonka.

Respectfully submitted,

Patty Kettles

Patty Kettles, Director
Consultant

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1. Introduction

Baker Tilly was hired to review and analyze Minnetonka's Water and Sewer Utility Fund to determine the appropriate rate structures and other revenue sources needed for operations and the financing of capital improvements. The water and sewer rate structures and other revenue in each Fund must provide sufficient revenue to cover anticipated operating and maintenance expenses, debt service including principal and interest, capital improvements and replacements, and to maintain adequate cash reserves. The total revenue collected should reflect not only recent cost experience but should recognize anticipated future costs during the period for which rates are being established.

This report includes a review of the City's Water and Sewer Utilities Fund historical revenues and expenses, the 2020 budget, various engineering reports, and a determination of the rates and charges necessary to provide revenues sufficient to cover capital and operational costs. In addition, it provides a comparison of current and proposed rates and a comparison of Minnetonka utility rates to those of several surrounding communities.

2. Executive Summary

This report was prepared to review the financial performance of Minnetonka's Water and Sewer Utilities Fund. The process included a historical review of the Water and Sewer Utilities Fund, planned future expense projections, and the evaluation of the appropriate rates needed to fund operations over the planning period.

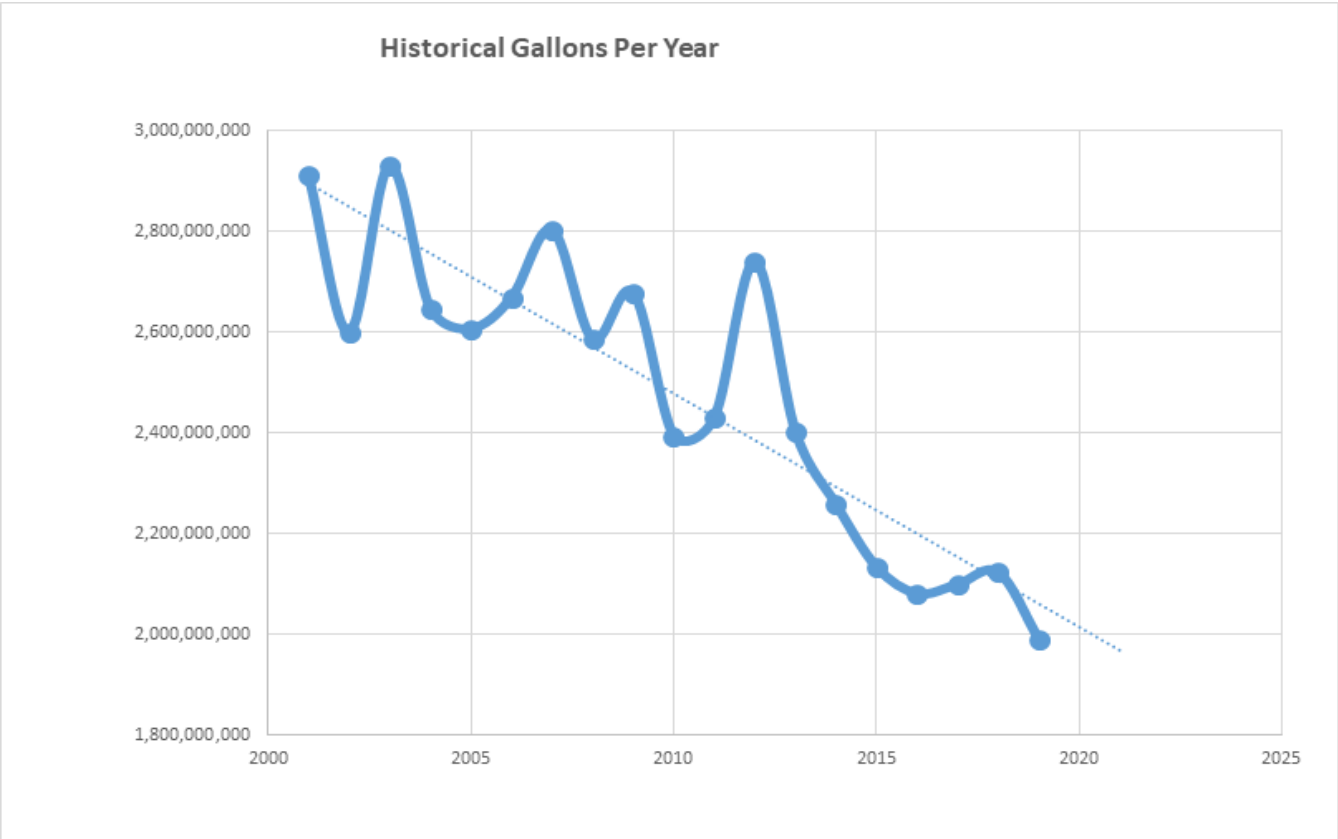
The financial projections began with the Water and Sewer Utilities Fund expenditures; subsequently, revenues were adjusted to provide the recommended income, cash flow, and recommended level of ending cash balances. We recommend the City strive to meet the following minimum cash reserve goals in the Water and Sewer Utilities Fund per their policy which is:

- at least six months of anticipated operating expenses;
- one year's debt service; and
- a capital reserve equal to 10% of accumulated depreciation

In 2020 the target reserve is \$17.7 million. The City is projected to reach approximately 137% of its reserve target in 2020.

With the proposed \$129.9 million in projected capital outlay through 2035, the City will need to increase water and sewer rates. We believe the City is among a small minority of communities that are taking a proactive approach to addressing aging infrastructure and extensive replacement costs. By doing so the City will incur rate increases, but is preparing for a stable future for Minnetonka rate payers.

In addition to the projected capital outlay plan, as the chart on the following page shows, water consumption has been declining over the past 20 years due to water conservation efforts. Unfortunately, the City has fixed costs of the utility system that then requires rate increases to maintain similar revenue levels in addition to increasing rates for inflationary increases in operating expenses and major capital outlay.



We recommend the City increase water and sewer rates 3.75% annually. If the City chooses not to issue debt for certain capital projects, higher rates increases will be necessary.

The City often compares their water rates with surrounding cities or cities with similar community characteristics. The comparison reflects a residential user, using 6,000 gallons per month or 18,000 gallons per quarter. As shown in the table on the following page, the City’s average residential monthly charges are the highest of the group. In 2021, an average residential user would see an increase of \$6.44 per quarter or approximately \$2.15 per month. As the other communities begin to address asset replacement needs, it is highly likely they will move to the higher end of the list.

Average Residential Quarterly Charges

	Total Bill
Maple Grove	\$ 98.51
Eagan	\$ 110.19
Brooklyn Park	\$ 120.25
Apple Valley	\$ 123.41
Lakeville	\$ 133.52
Plymouth	\$ 140.40
Eden Prairie	\$ 145.20
Burnsville	\$ 145.92
St. Louis Park	\$ 159.15
Edina	\$ 169.48
Minnetonka-2020	\$ 173.76
Minnetonka-2021	\$ 180.20

Please note, all comparable cities are based on 2020 rates. We do not know if the comparable cities are anticipating rate increases in 2021.

All recommendations are based on information provided to us and on the assumptions given for the financial projections. The City will need to monitor the performance of the Water and Sewer Utilities Fund and make any necessary adjustments based upon actual performance and on the actual construction costs of the anticipated capital improvements.

3. Background Information

Minnetonka, a community eight miles west of Minneapolis, provides approximately 16,600 residential and commercial accounts with water and sewer service. The City encompasses approximately 28 square miles and has an estimated 2018 population of 53,713 persons.

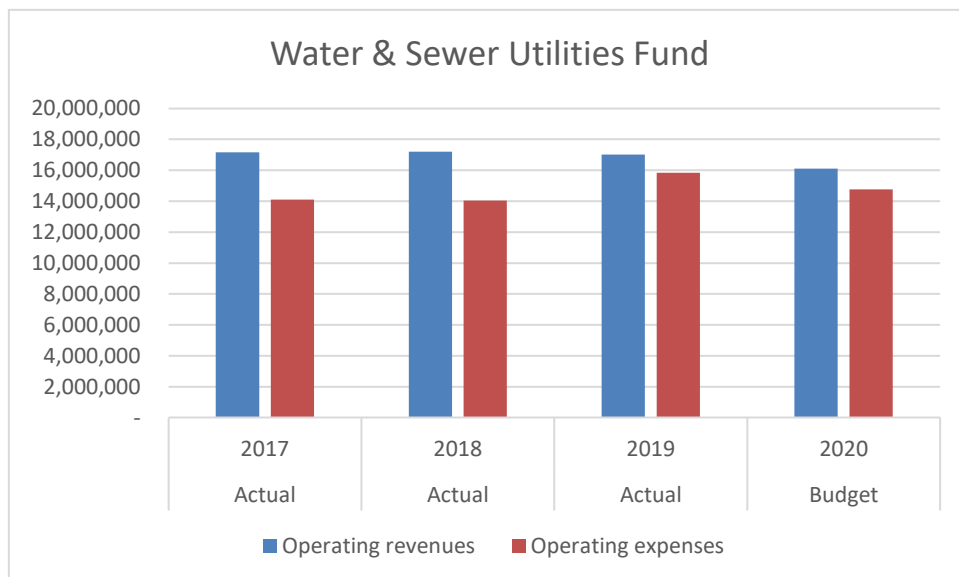
Currently, the City obtains its water supply from eighteen wells and has approximately 330 miles of water mains. The City has approximately 12-million-gallons of water storage capacity and operates 8 water treatment facilities.

The City also maintains a sanitary sewer collection system which discharges into the waste treatment system managed by the Metropolitan Council Environmental Services. There are approximately 14 miles of sanitary sewer forcemain and 300 miles of gravity sewer main pipes.

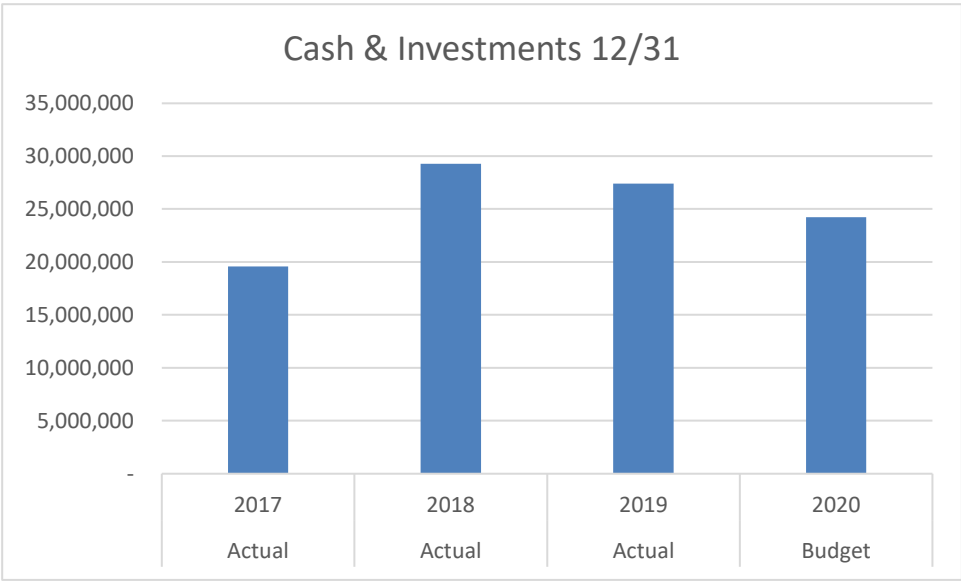
Water and Sewer Utilities Fund

Historical Information

A review of the City’s most recent financial reports for the Water and Sewer Utilities Fund shows revenues have exceeded expenses over the period from 2017 through 2019 and are projected to do so again in the 2020 budget. The Water and Sewer Utilities Fund ending cash and investment balance was approximately \$19.6 million in 2017 and is projected to increase to approximately \$24.2 million at the end of 2020. Operating revenues and expenses and annual cash positions are shown in the charts below.



3. Background Information



3. Background Information

The operating statement for the past three years and the 2020 budget is shown below.

	2017	2018	2019	2020
Operating Revenues	Actual	Actual	Actual	Budget
User Charges	15,315,474	15,402,804	15,443,376	15,527,500
Water Hookup Fees				225,000
Met Council SAC Fees				160,000
Other Revenue	1,849,832	1,793,728	1,580,414	202,000
Total Operating Revenue	17,165,306	17,196,532	17,023,790	16,114,500
Operating Expenses				
Personal Services	1,728,728	2,015,223	1,766,315	2,067,600
Supplies, Repair, Maintenance	779,235	1,039,208	849,653	713,000
Other Services & Charges	3,662,407	2,706,530	4,609,510	3,067,100
MCES Disposal Fee	4,211,481	4,275,810	4,523,006	4,664,000
MCES SAC Remittance				160,000
Depreciation	3,718,591	3,998,339	4,093,522	4,093,522
Total Operating Expenses	14,100,442	14,035,110	15,842,006	14,765,222
Operating Income (Loss)	3,064,864	3,161,422	1,181,784	1,349,278
Non Operating Revenues (Expenses)				
Investment Income	116,625	383,798	889,733	300,000
Interest Expense Existing Debt	(1,275)	(325,592)	(758,803)	(823,267)
Intergovernmental	2,856	9,840	41,575	
Bond Issuance Costs		(151,043)		
Total Non Operating Revenues (Expenses)	118,206	(82,997)	172,505	(523,267)
Net Income (Loss) Before Transfers	3,183,070	3,078,425	1,354,289	826,011
Operating Transfers				
Capital Contributions	32,331			
Transfers In				
Transfers (Out)	(800,000)	(862,422)	(925,265)	(2,250,000)
Total Operating Transfers	(767,669)	(862,422)	(925,265)	(2,250,000)
Net Income (Loss)	2,415,401	2,216,003	429,024	(1,423,989)
Beginning Cash & Investments	18,596,720	19,582,140	29,281,750	27,406,589
Net Income	2,415,401	2,216,003	429,024	(1,423,989)
Depreciation	3,718,591	3,998,339	4,093,522	4,093,522
Amortization	(2,856)	(9,840)	(41,575)	-
Acquisition and Construction of Assets	(2,625,449)	(6,028,674)	(6,286,102)	(4,758,300)
Proceeds from New Long-Term Debt	(275,000)	10,000,000		
Payments on Long-Term Debt	(367,610)	(875,000)	(1,070,000)	(1,100,000)
Adjustment to Accruals	(1,877,657)	398,782	999,970	-
Ending Cash Balance	19,582,140	29,281,750	27,406,589	24,217,822

Current Rates

Water Rates	2020
Residential (Billed Quarterly)	
0 - 18,000 gallons	\$ 3.19
18,001 - 40,000 gallons	3.63
40,001 - 70,000 gallons	4.54
Over 70,000 gallons	6.31
Commercial/Institutional/Industrial (Billed Monthly)	
October - April	\$ 3.19
Summer Surcharge (May - Sept.)	3.60
Irrigation (monthly)	
0 - 75,000 gallons	\$ 3.63
75,001 - 175,000 gallons	4.54
Over 175,000 gallons	6.31
Sewer Rates	
2020	
Volume Charge (per 1,000 gallons)	\$ 2.52
Infrastructure Replacement Fee	
2020	
Fixed Per Account Charge	
Residential (quarterly)	\$ 70.98
Commercial (monthly)	23.66

Equity Amongst Users

In order to determine equity in the rates charged, we reviewed customer counts, volume consumed and billing data. Of total 2019 water revenues received, 49.9% was from residential customers and 50.0% was from commercial customers. The total volume of water sold was 50.0% residential and 49.9% commercial. Typically, a difference under 5% is acceptable and indicates equitable rate structures. Your consumption and revenues generated by each user type is almost identical, indicating that water rates are equitable, and we don't see the need to change the water blocks.

2019 WATER	Residential	%	Commercial	%
Revenues	\$3,089,375	49.9%	\$3,092,185	50.0%
Volume (1,000 gal)	909,075	50.0%	905,971	49.9%

Cash Reserves

Baker Tilly's clients often ask about the amount of cash that should be available in their Utility funds. Utility funds need sufficient cash to pay current expenses, together with principal and interest on outstanding bonds. This would typically require the Utility fund to have a minimum of three months of anticipated operating expenses and one year's total debt service in cash at the end of each year. However, this does not provide any level of cash reserves for unforeseen expenses, emergencies, or to cover any shortfalls in the budget. The amount of cash reserves that each fund should have is dependent on several factors, including:

- Reserves that are legally required
- Variability of the annual revenue stream
- Variability in annual expenses
- Variability in rainfall
- Age and condition of fixed assets
- Anticipated future capital needs
 - Capital improvement plan
 - Asset renewal and replacement
 - Regulatory compliance
- Replacement reserve
- Tolerance for risk
- Number of relatively large customers

Unfortunately, there are no prescribed formulas, and the amount of reserves varies considerably between utilities. The City's reserve policy suggests a minimum cash balance in the Water and Sewer Utilities Fund at the end of any given year equal to:

3. Background Information

- At least six months of anticipated operating expenses;
- An amount equal to the following year's debt service requirements; and
- A capital reserve equal to 10% of accumulated depreciation

In 2020 the target reserve is approximately \$17.7 million. The City is projected to reach 137% of its reserve target in 2020.

Assumptions

The City provided Baker Tilly with a variety of material including:

- 2020 Utility Budget
- Current Utility rates
- Capital Improvement Plans
- Number of water accounts
- Number of water meters by size
- 75 new connections projected each year
- High-level consumption data

Assumptions for the growth of revenues resulting from volume from new customers were projected to be 0.5% annually.

Expenses were projected based on an analysis of past trends, capital improvements, and the assumptions previously stated. The 2020 budget figures were used as the base for expense projections. Revenues were projected to ensure the recommended income, cash flow, and level of ending cash balances were met each year. Assumptions for the increase in operating expenses were based on historical trends and typically range from 2-4%, based on individual line item.

The investment interest rate earned on the investment of annual cash was assumed to be 1% based on the annual beginning cash balance in each fund.

Capital Outlay

To determine the appropriate future fees and rates needed for the operation of each Utility over the planning period, we have incorporated the anticipated future capital outlay needs provided by the City.

Capital outlay is projected to be \$129.9 million over the planning period from 2020-2035. Capital is projected to be funded from cash in the Utility Fund in addition to bonding, which is projected to be approximately \$10 million every other year. However, we recommend the City review the capital costs each year with the annual budget process and adjust accordingly.

3. Background Information

Annual projections for water and sewer capital costs are shown in the table below.

	Totals
2020	4,758,300
2021	15,643,800
2022	7,104,500
2023	9,497,000
2024	3,760,800
2025	10,665,000
2026	6,500,000
2027	6,800,000
2028	7,100,000
2029	7,400,000
2030	7,700,000
2031	8,000,000
2032	8,300,000
2033	8,600,000
2034	8,900,000
2035	9,200,000
Total	129,929,400

4. Financial Projections

The financial projections assume the City would strive to meet their minimum cash reserve policy as well as reach a level where they are funding depreciation and therefore maintain positive operating income in the Water and Sewer Utilities Fund.

To determine the appropriate user rates needed for the operation of the Water and Sewer Utilities Fund, we have projected future revenue and expenses and have incorporated the anticipated future capital outlay needs for the time period covered by this study.

The financial projections began with the Utility expenses; subsequently, revenues were reviewed to ensure the recommended income, cash flow, and level of ending cash balances was met. Our expense projections are generally based on an analysis of past trends, anticipated changes in operations, and staff input.

The 2020 budget was used as the base for expense projections.

We recommend the City increase all water and sewer rates by 3.75% annually. The financial projections show that operating income is projected to be positive over the entire planning period and the cash position in the fund will go from approximately \$24.2 million in 2020 to approximately \$33.2 million at the end of 2035. In most cases, reserve targets are projected to be met in the years when bonds are projected to be issued and fall below targets in the years when solely cash in the Utility Fund is used to finance capital outlay.

The financial projections are shown on the following pages.

4. Financial Projections

Option 1 – 3.75% annual increases

Projected Rate Adjustment	Projected Change	Calculate	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
	2021-2035	2020	2021	2022	2023	2024	2025	2026	2027
Operating Revenues									
User Charges	0.50%	15,527,500	16,190,330	16,881,455	17,602,082	18,353,471	19,136,935	19,953,843	20,805,622
Hookup Fees		225,000	225,600	230,175	234,750	239,475	244,275	249,150	254,175
Met Council SAC Fees		160,000	149,100	153,600	158,220	162,960	167,820	172,860	178,020
Other Revenue	1.00%	202,000	204,020	206,060	208,121	210,202	212,304	214,427	216,571
Total Operating Revenue		16,114,500	16,769,050	17,471,290	18,203,173	18,966,108	19,761,334	20,590,280	21,454,389
Operating Expenses									
Personal Services	3.00%	2,067,600	2,129,628	2,193,517	2,259,322	2,327,102	2,396,915	2,468,823	2,542,887
Supplies, Repair, Maintenance	4.00%	713,000	741,520	771,181	802,028	834,109	867,474	902,172	938,259
Other Services & Charges	2.00%	3,067,100	3,128,442	3,191,011	3,254,831	3,319,928	3,386,326	3,454,053	3,523,134
MCES Disposal Fee	4.00%	4,664,000	4,712,131	4,900,616	5,096,641	5,300,507	5,512,527	5,733,028	5,962,349
MCES SAC Remittance		160,000	149,100	153,600	158,220	162,960	167,820	172,860	178,020
Existing Depreciation		4,093,522	4,011,652	3,931,419	3,852,790	3,775,734	3,700,220	3,626,215	3,553,691
New Depreciation		-	171,935	693,395	930,212	1,246,778	1,372,138	1,727,638	1,890,138
Total Operating Expenses		14,765,222	15,044,408	15,834,738	16,354,044	16,967,118	17,403,420	18,084,789	18,588,479
Operating Income (Loss)		1,349,278	1,724,643	1,636,552	1,849,129	1,998,990	2,357,914	2,505,490	2,865,910
Non Operating Revenues (Expenses)									
State or Federal Grants		-							
Investment Income	1.00%	300,000	242,178	194,042	156,649	198,663	276,763	202,381	272,977
Interest Expense Existing Debt		(823,267)	(660,268)	(626,868)	(592,118)	(556,268)	(519,068)	(480,518)	(440,618)
Interest Expense New Debt		-	-	(182,500)	(175,356)	(568,033)	(875,094)	(842,415)	(1,208,545)
Total Non Operating Revenues (Expenses)		(523,267)	(418,090)	(615,326)	(610,824)	(925,638)	(1,117,399)	(1,120,552)	(1,376,187)
Net Income (Loss) Before Transfers		826,011	1,306,553	1,021,225	1,238,304	1,073,352	1,240,515	1,384,938	1,489,723
Operating Transfers									
Transfers In		-							
Transfers (Out)		(2,250,000)	(800,000)	(800,000)	(800,000)	(824,000)	(848,720)	(874,182)	(900,407)
Total Operating Transfers		(2,250,000)	(800,000)	(800,000)	(800,000)	(824,000)	(848,720)	(874,182)	(900,407)
Net Income (Loss)		(1,423,989)	506,553	221,225	438,304	249,352	391,795	510,756	589,316
Beginning Cash & Investments		27,406,589	24,217,822	19,404,161	15,664,926	19,866,314	27,676,320	20,238,105	27,297,669
Net Income		(1,423,989)	506,553	221,225	438,304	249,352	391,795	510,756	589,316
Depreciation		4,093,522	4,183,587	4,624,814	4,783,002	5,022,513	5,072,358	5,353,854	5,443,829
Acquisition and Construction of Assets		(4,758,300)	(15,643,800)	(7,104,500)	(9,497,000)	(3,760,800)	(10,665,000)	(6,500,000)	(6,800,000)
Proceeds from New Long-Term Debt		\$ -	7,300,000	-	10,000,000	8,200,000	-	10,000,000	-
Payments on New Long-Term Debt			-	(285,774)	(292,918)	(636,059)	(932,368)	(965,046)	(1,334,734)
Payments on Existing Long-Term Debt		(1,100,000)	(1,160,000)	(1,195,000)	(1,230,000)	(1,265,000)	(1,305,000)	(1,340,000)	(1,380,000)
Adjustment									
Ending Cash Balance		24,217,822	19,404,161	15,664,926	19,866,314	27,676,320	20,238,105	27,297,669	23,816,080
Minimum Cash Balance									
For ongoing operations	6	5,335,850	5,430,411	5,604,962	5,785,521	5,972,303	6,165,531	6,365,468	6,572,325
For debt service	12	1,820,268	2,290,142	2,290,392	3,025,360	3,631,530	3,627,980	4,363,897	4,361,647
For Capital Reserve	10%	10,569,298	10,924,298	11,279,298	11,634,298	11,989,298	12,344,298	12,699,298	13,054,298
Minimum Cash Balance Target		17,725,416	18,644,850	19,174,652	20,445,179	21,593,130	22,137,809	23,428,663	23,988,270
Amount Over (Under) Target		6,492,406	759,311	(3,509,726)	(578,865)	6,083,190	(1,899,703)	3,869,006	(172,189)
% of Target Achieved		137%	104%	82%	97%	128%	91%	117%	99%

4. Financial Projections

Projected Rate Adjustment	Projected Change 2021-2035	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
		2028	2029	2030	2031	2032	2033	2034	2035
Operating Revenues									
User Charges	0.50%	21,693,762	22,619,815	23,585,398	24,592,200	25,641,979	26,736,571	27,877,889	29,067,926
Hookup Fees		259,200	264,375	269,625	275,025	280,500	286,125	291,825	297,675
Met Council SAC Fees		183,360	188,880	194,520	200,340	206,340	212,520	218,880	225,420
Other Revenue	1.00%	218,737	220,924	223,134	225,365	227,619	229,895	232,194	234,516
Total Operating Revenue		22,355,059	23,293,994	24,272,677	25,292,930	26,356,438	27,465,111	28,620,787	29,825,537
Operating Expenses									
Personal Services	3.00%	2,619,174	2,697,749	2,778,682	2,862,042	2,947,903	3,036,340	3,127,431	3,221,253
Supplies, Repair, Maintenance	4.00%	975,790	1,014,821	1,055,414	1,097,631	1,141,536	1,187,197	1,234,685	1,284,073
Other Services & Charges	2.00%	3,593,596	3,665,468	3,738,778	3,813,553	3,889,824	3,967,621	4,046,973	4,127,913
MCES Disposal Fee	4.00%	6,200,843	6,448,877	6,706,832	6,975,105	7,254,109	7,544,274	7,846,044	8,159,886
MCES SAC Remittance		183,360	188,880	194,520	200,340	206,340	212,520	218,880	225,420
Existing Depreciation		3,482,617	3,412,965	3,344,706	3,277,811	3,212,255	3,148,010	3,085,050	3,023,349
New Depreciation		2,060,138	2,237,638	2,422,638	2,615,138	2,815,138	3,022,638	3,237,638	3,460,138
Total Operating Expenses		19,115,518	19,666,399	20,241,569	20,841,621	21,467,106	22,118,601	22,796,702	23,502,032
Operating Income (Loss)		3,239,541	3,627,596	4,031,108	4,451,309	4,889,332	5,346,510	5,824,086	6,323,504
Non Operating Revenues (Expenses)									
State or Federal Grants									
Investment Income	1.00%	238,161	304,475	265,425	227,941	292,289	251,970	313,906	271,730
Interest Expense Existing Debt		(408,368)	(375,318)	(341,418)	(306,868)	(271,321)	(234,578)	(196,320)	(156,470)
Interest Expense New Debt		(1,160,006)	(1,559,646)	(1,493,052)	(1,423,850)	(1,801,935)	(1,712,855)	(2,070,195)	(1,959,465)
Total Non Operating Revenues (Expenses)		(1,330,213)	(1,630,489)	(1,569,044)	(1,502,777)	(1,780,966)	(1,695,463)	(1,952,609)	(1,844,204)
Net Income (Loss) Before Transfers		1,909,328	1,997,106	2,462,063	2,948,532	3,108,365	3,651,048	3,871,477	4,479,300
Operating Transfers									
Transfers In									
Transfers (Out)		(927,419)	(955,242)	(983,899)	(1,013,416)	(1,043,819)	(1,075,133)	(1,107,387)	(1,140,609)
Total Operating Transfers		(927,419)	(955,242)	(983,899)	(1,013,416)	(1,043,819)	(1,075,133)	(1,107,387)	(1,140,609)
Net Income (Loss)		981,909	1,041,864	1,478,164	1,935,116	2,064,547	2,575,915	2,764,090	3,338,691
Beginning Cash & Investments									
Net Income		981,909	1,041,864	1,478,164	1,935,116	2,064,547	2,575,915	2,764,090	3,338,691
Depreciation		5,542,755	5,650,603	5,767,344	5,892,950	6,027,394	6,170,648	6,322,688	6,483,487
Acquisition and Construction of Assets		(7,100,000)	(7,400,000)	(7,700,000)	(8,000,000)	(8,300,000)	(8,600,000)	(8,900,000)	(9,200,000)
Proceeds from New Long-Term Debt		10,000,000	-	-	10,000,000	-	10,000,000	-	10,000,000
Payments on New Long-Term Debt		(1,383,274)	(1,752,395)	(1,818,989)	(1,888,191)	(2,278,868)	(2,367,948)	(2,779,369)	(2,890,099)
Payments on Existing Long-Term Debt		(1,410,000)	(1,445,000)	(1,475,000)	(1,505,000)	(1,545,000)	(1,585,000)	(1,625,000)	(1,655,000)
Adjustment									
Ending Cash Balance		30,447,471	26,542,544	22,794,063	29,228,937	25,197,010	31,390,625	27,173,034	33,250,114
Minimum Cash Balance									
For ongoing operations	6	6,786,381	7,007,898	7,237,113	7,474,336	7,719,856	7,973,976	8,237,007	8,509,273
For debt service	12	5,132,359	5,128,459	5,123,909	5,897,123	5,900,380	6,670,884	6,661,034	6,661,034
For Capital Reserve	10%	13,409,298	13,764,298	14,119,298	14,474,298	14,829,298	15,184,298	15,539,298	15,894,298
Minimum Cash Balance Target		25,328,038	25,900,654	26,480,319	27,845,757	28,449,534	29,829,158	30,437,338	31,064,604
Amount Over (Under) Target		5,119,433	641,889	(3,686,257)	1,383,180	(3,252,525)	1,561,468	(3,264,304)	2,185,510
% of Target Achieved		120%	102%	86%	105%	89%	105%	89%	107%

5. Sample Bills

Sample bills, based on the current and proposed rates, were prepared for various users.

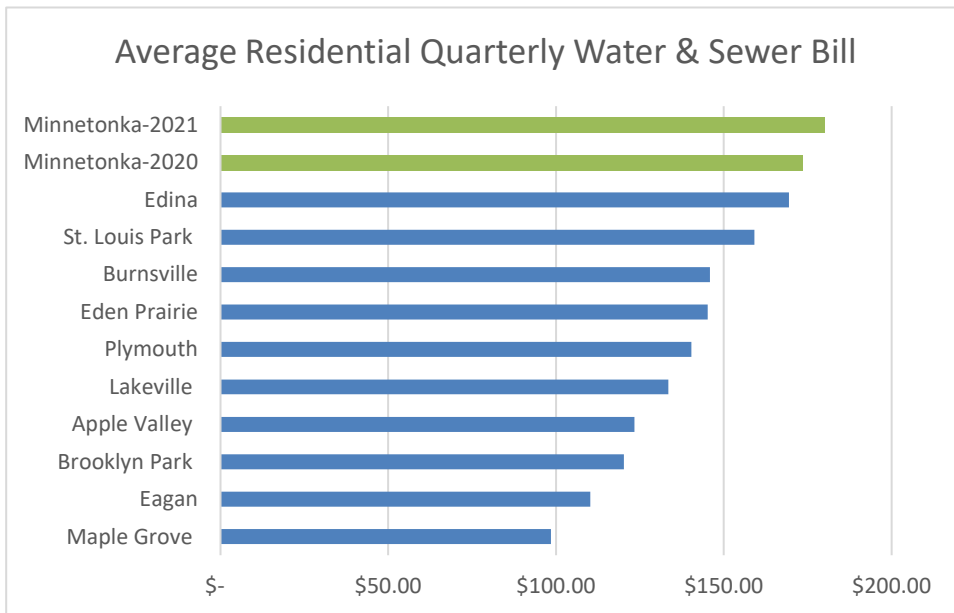
An average residential user with 18,000 gallons of water consumption/quarter currently pays \$173.76 for water and sewer. The cost is projected to increase to \$180.20/quarter or an increase of \$6.44/quarter in 2021. The sample cost of water, and sewer bills based on the financial projections are shown in the tables below.

Total Water & Sewer Bills				
	Water	2020	2021	2022
	Volume			
Low Residential User	3	\$ 88.11	\$ 91.40	\$ 94.82
Quarterly Change			\$ 3.29	\$ 3.42
Cummulative Quarterly Change			\$ 3.29	\$ 6.71
Average Residential User	18	\$ 173.76	\$ 180.20	\$ 186.92
Quarterly Change			\$ 6.44	\$ 6.72
Cummulative Quarterly Change			\$ 6.44	\$ 13.16
High Residential User	163	\$ 1,342.05	\$ 1,392.04	\$ 1,444.99
Quarterly Change			\$ 49.99	\$ 52.95
Cummulative Quarterly Change			\$ 49.99	\$ 102.94
Low Commercial	1	\$ 29.37	\$ 30.47	\$ 31.61
Quarterly Change			\$ 1.10	\$ 1.14
Cummulative Quarterly Change			\$ 1.10	\$ 2.24
Average Commercial	71	\$ 429.07	\$ 444.87	\$ 461.41
Quarterly Change			\$ 15.80	\$ 16.54
Cummulative Quarterly Change			\$ 15.80	\$ 32.34
High Commercial	2775	\$ 15,868.91	\$ 16,452.55	\$ 17,063.97
Quarterly Change			\$ 583.64	\$ 611.42
Cummulative Quarterly Change			\$ 583.64	\$ 1,195.06
Commercial Irrigation	124	\$ 494.71	\$ 513.54	\$ 532.86
Quarterly Change			\$ 18.83	\$ 19.32
Cummulative Quarterly Change			\$ 18.83	\$ 38.15

6. Comparison to Neighboring Communities

Although each City's utility system is unique, most of the local governments we work with try to keep their utility rates competitive with those of their neighboring local governments to the extent possible. The charts below show the 2020 quarterly water and sewer bills for an average residential customer using 18,000 gallons/quarter for neighboring communities and the current and proposed 2021 bill for a residential customer of Minnetonka. Minnetonka's projected quarterly utility bills are the highest in the group. However, it is very likely that the neighboring communities are planning rate increases for 2021 as well.

The combined quarterly bills are shown in the table below.



7. Conclusions and Recommendations

This study was undertaken to review and analyze Minnetonka's Water and Sewer Utilities Funds to determine the appropriate rate structure and rate levels needed to pay for anticipated operating expenses, to provide for anticipated capital improvements, and to ensure adequate levels of cash reserves.

The following conclusions were determined as a result of this study and the financial projections prepared:

- We recommend the City increase water and sewer rates by 3.75% annually 2021 through 2035. These increases are needed to pay for anticipated operating expenses, and capital outlay including the targeted amount to maintain adequate cash reserves.
- The City should establish the user rates for all the Utility Funds for a three to five-year period. The rates should be reviewed on an annual basis concurrent with the development of the following year's budget.

These recommendations are based on information provided to us by city staff. The City will need to monitor the performance of each of the Funds and make any necessary adjustments based upon its actual performance and on the actual construction costs of the anticipated capital improvements.