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3 **MINUTES OF THE JOINT MEETING OF THE**
4 **OPERATIONS AND PROGRAMS COMMITTEE AND**
5 **THE POLICY AND PLANNING COMMITTEE**
6

7 July 30, 2015
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9 **CALL TO ORDER**

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11 The joint meeting of the Operations and Programs Committee and the Policy and Planning
12 Committee was called to order by President Sherry White at 7:20 p.m., at the District offices,
13 15320 Minnetonka Boulevard, Minnetonka, Minnesota 55345.
14

15 **MANAGERS PRESENT**

16
17 Sherry White, Brian Shekleton, Richard Miller, Kurt Rogness, Pamela Blixt, Jim Calkins,
18 William Olson.
19

20 **MANAGERS ABSENT**

21
22 None.
23

24 **OTHERS PRESENT**

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26 Lars Erdahl, District Administrator; Telly Mamayek, District Communications and Education
27 Director; Craig Dawson, District Research and Monitoring Director; James Wisker, District
28 Planning and Projects Director; Becky Christopher, District Lead Planner-Project Manager;
29 Chris Meehan, District Consulting Engineer; Chuck Holtman, District Counsel.
30

31 **APPROVAL OF AGENDA**

32
33 *It was moved by Manager Shekleton, seconded by Manager Miller to approve the agenda.*
34 *Upon vote, the motion carried 7-0.*
35

36 **INTRODUCTION TO BUDGET DISCUSSION**

37
38 Administrator Erdahl expressed his thanks to his staff for their hard work, ownership and pride in
39 the careful preparation of budget review materials. Mr. Erdahl distributed and reviewed a budget
40 discussion presentation reviewing budget and levy trends over recent years and the growing
41 recent divergence between budget and levy that resulted from spending down reserves and
42 substantial carryovers reflecting budgeted work not completed. Mr. Erdahl noted illustratively
43 that the gap between budget and levy was \$1,618,160 in 2009 and \$5,122,136 in 2014. Mr.
44 Erdahl offered the board to consider a levy increase of 17 percent for 2016 and 21.5 percent for
45 2017, with a budget declining by 2.7 percent in 2016 and remaining flat for 2017. He noted that
46 while these percentages appear very high, the effect of the proposed levy increase for 2016

47 would be less than \$10.00 for a \$300,000 home. Mr. Erdahl further noted that the District has
48 maintained an essentially flat levy since 2009, at first due to the economic downturn and in
49 general to match the levy trends of Hennepin and Carver Counties. It is important to emphasize
50 that the intent of the increased levy is not to increase spending but to correct the structural
51 imbalance in the District's revenues and spending for the purpose of responsible management
52 going forward.

53
54 Manager Shekleton stated that levy increases of 17 and 21.5 percent are politically unsustainable
55 before either county board. He also asked to understand the reasons for the large budget jumps in
56 specific prior years. Manager White noted Manager Shekleton's caution as one to visit at the end
57 of the presentation.

58

59 **BUDGET DISCUSSION**

60

61 Mr. Erdahl reviewed the program changes summary and budget for general operations and
62 support services. The budget change proposed is a \$446,644 increase, all except \$100,000 of
63 which is the result of transfers from other programs, primarily by consolidating personnel cost
64 under general operations. Manager Miller stated emphatically that consolidating personnel cost is
65 not transparent or clear. Manager White noted this too as a question to which to return.

66

67 Ms. Mamayek presented the communications and education summary of program changes and
68 proposed budget. This program would have a net decrease of \$66,000 apart from any shift in
69 personnel accounting.

70

71 Manager Calkins asked whether the cost-share program is still considered as a demonstration and
72 education project or whether it is now oriented on specific water quality outcomes. Ms.
73 Mamayek noted that Brett Eidem has reviewed the cost share program and staff will return with
74 thoughts on that subject. She noted the compounding effect that the cost share program is to have
75 for both outreach and communications as well as the furthering of water quality practices on the
76 ground.

77

78 Manager Shekleton offered his concern as to the cost-effectiveness of the cost share program. He
79 noted cost share projects in which, to his observation, recipients just saw the opportunity for
80 funds that were not necessarily focused on the best water resource outcomes. Since the District
81 must control its budget, this program should be scrutinized.

82

83 Manager Calkins agreed that there is educational benefit from cost share work over time but he
84 emphasized the absence of a means to measure benefits. Ms. Mamayek commented that staff has
85 developed criteria that have improved the District's ability to assess cost share applications.

86

87 Mr. Dawson reviewed the proposed program changes for research and monitoring and the
88 proposed budget. The net change in the budget as proposed is a \$7,500 reduction.

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90 Manager Calkins offered that neither the Lake Nokomis biomanipulation project nor the AIS
91 program in its totality is a research and monitoring program. He suggested that the program title
92 may be too narrow.

93

94 Mr. Wisker and Ms. Christopher reviewed proposed changes to the planning and permitting
95 program and the proposed budget. A net decrease of \$442,948 is proposed.

96

97 Manager Shekleton referenced the District's substantial cost to review permit applications for
98 public projects, which by statute cannot be recovered from applicants. He asked whether there
99 are means to reduce these costs, such as an in-house engineer to fulfill certain functions.

100 Manager Miller noted that attorney cost savings should be considered as well.

101

102 As a recap, Manager White noted two central questions being the proposed consolidation of
103 personnel cost and the political acceptability of levy increases.

104

105 Manager Miller stated that the increases suggested by Mr. Erdahl are high as a percentage but
106 not substantial in actual dollars. He noted that the need results essentially from the District's
107 increasing capacity and ability to complete work that it has programmed. He is not concerned
108 with increasing the levy.

109

110 Manager Rogness also noted the District's increased productivity as a contributing factor.

111

112 Manager Shekleton reminded the Board that in previous years it made a conscious decision to
113 match county spending patterns. He offered that the hard part of being on a board is saying no,
114 particularly to things that are worthwhile.

115

116 Manager Blixt recalled previous years in which the District thought it would encounter loud
117 opposition to a levy increase but it did not occur. She agreed that staff should carefully examine
118 programs for savings but the concern about public opposition to a levy increase should not be
119 overstated.

120

121 Mr. Erdahl again reminded the Board that the suggested levy increases are not due to an
122 increased budget or expanding bureaucracy, and that in fact the budget would decrease.

123

124 Manager Miller suggested that the District also look at more efficiency as to its administrative
125 costs. He stated, though, that if the manner of accounting for personnel cost is revised for
126 transparency, he would not be concerned about supporting a levy increase. Manager Olson
127 seconded the importance of the fact that the budget would be decreasing. He noted that the need
128 for the present adjustment comes from the District having exercised discipline during the
129 economic downturn.

130

131 Manager Shekleton emphasized that as a matter of logic he doesn't disagree with the proposal
132 but that emotion, and not logic, will rule the day politically.

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134 To Manager Calkins, the question is whether the District can prove it has made a difference
135 through its spending, and the means to do this is better metrics. For example, he agrees that AIS
136 is an issue of great importance, but is the District's spending accomplishing anything? This
137 process is an opportunity to examine this question. He stated that if the District can demonstrate
138 the value of its programs to its constituency, he will be happy to make the case for an increased
139 levy.

140
141 Manager White stated that she would be willing to support an increased levy, but that the
142 explanation needs to be well crafted. She offered to Manager Calkins that metrics are important
143 but that not everything is measurable. She would like to see alternative levy increases of five and
144 10 percent to compare to the proposal.

145
146 Manager Miller remarked that the number of people who complain to elected officials about
147 taxes is really very tiny. He emphasized that Minnesota is a high quality of life state and that
148 there is not concern about paying a little bit more to support an environment that includes sound
149 management of resources.

150
151 Manager White asked the other managers what they would like in order to continue the
152 discussion in a week. Manager Miller asked that personnel be allocated to program areas.
153 Managers White and Blixt requested five percent and 10 percent levy increase scenarios.
154 Manager Miller suggested that managers bring their own list of programs or projects that they
155 would consider removing or reducing from 2016 work plans.

156
157 Manager Calkins wished to clarify his earlier remark by emphasizing that if he believes the
158 expenditures are effective, he will be ready to spend more on AIS matters, but he is concerned
159 that it isn't true. He also commented that if one looks at the past seven years, the annual average
160 levy increase is just 3 percent. Nevertheless, he said, the question to him is determining what's
161 effective and being able to show it.

162
163 Manager Shekleton cautioned again that most people don't know of the District and if their first
164 knowledge of the District is a proposed 17 percent levy increase, that will define their
165 perception. The Board needs to pay attention to who is doing the critiquing. Manager Miller
166 replied that people will criticize the District either way, so it should do what is right.

167
168 Manager Shekleton noted that there has now been a period of AIS program rollout and maturity
169 and it is possible to observe how state agencies, cities and other District partners have responded
170 to the District's initial program efforts. He suggested that the District examine recalibration of its
171 program based on these external circumstances. Mr. Erdahl added that this should include more
172 intentional discussion of what success looks like for AIS management. Manager Calkins
173 concluded by stating that no one supports more than he does an AIS program that works. He
174 believes the District needs a long term strategy for how to achieve long term goals, and then its
175 long term budget and levy strategy will follow accordingly. This is more of a watershed plan
176 development matter but the present budgeting process creates an opportunity to discuss it.

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178 Manager Miller offered his support for Manager Calkins' concern and encouraged his leadership
179 as the chair of the Policy and Planning Committee.

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181 **ADJOURNMENT**

182

183 There being no further business, the joint meeting of Operations and Program Committee and the
184 Policy and Planning Committee was adjourned at 9:55 p.m.

185

186 Respectfully Submitted,

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188

189

190 Kurt Rogness, Secretary

DRAFT