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DRAFT

MINUTES OF THE JOINT COMMITTEE

July 21st, 2016

CALL TO ORDER

Manager White called the Committee to order at 7:05 p.m. at the District Offices,

15320 Minnetonka Blvd

Minnetonka, MN 55345

COMMITTEE MEMBERS PRESENT

Bill Becker, Bill Olson, Dick Miller, Kurt Rogness, Pam Blixt, and Sherry Davis White.

OTHERS PRESENT

Becky Christopher, Lead Planner & Project Manager;

Brian Gerard, CAC Member;

Craig Dawson, Director of Research & Monitoring;

Dave Mandt, Director of Operations & Support Services;

James Wisker, Director of Planning & Projects;

Lars Erdahl, District Administrator;

Maddie Johnson, Technical Support Services Specialist;

Matthew Cook, Planning Assistant;

Peter Rechelbacher, CAC Member;

Telly Mamayek, Director of Communications & Education.

APPROVAL OF AGENDA

The agenda was approved without amendment.

MEETING SUMMARY

Staff presented potential adjustments to close the remaining gap between the 2017 budget and levy. These adjustments were:

- To not budget for unknown legal expenses under the legal budget in Operations
- To not budget for delinquent taxes
- To postpone allocating planning dollars to Hiawatha Golf Course, as there is no impending action on the site
- To spend some of the District's excess cash reserves for a few years as the levy is raised gradually to meet reduced program costs

47 Staff explained that much of any levy growth that would take place after 2017, at which point the
48 levy would essentially cover program costs, would fund the District's capital improvement
49 program.

50
51 Staff forecasted what the District's 2018 budget and levy may look like. Staff introduced the
52 possibility of reverting some hypothetical changes that the Board had considered making to the
53 capital improvement plan. The Committee again discussed raising the levy in 2017.

54
55 Manager Miller introduced a motion to freeze hiring until the 2017 budget is formally approved.
56 The motion did not pass.

57
58 **COMMITTEE MEETING**

59
60 **Preliminary 2016 Budget Presentation**

61
62 Mr. Erdahl stated that following this meeting's budget discussion, staff would present workplans
63 at Committee and Board meetings on the 4th and 11th of August. He noted that staff had prepared
64 a presentation that would detail a plan to close the gap between the District's budget and levy.
65 Mr. Erdahl explained that the plan would be to right-size the organization's levy over multiple
66 years while incrementally adjusting the budget.

67
68 Mr. Wisker outlined the presentation of the budget, identifying four main discussion points:

- 69
70 1. 2017 budget given a 5% levy increase
71 2. 2018 budget predictions
72 3. 2017 budget changes and effects to 2018, 2019 budgets
73 4. 3 – 5 year budget plan and budget policy considerations
74

75 Mr. Wisker underscored that the 2017 budget development process was not being directly
76 informed by the ongoing strategic planning process, as the latter process would not be completed
77 until after the 2017 budget is finalized. He summarized previous budget discussions:

- 78
79 • April Board Retreat – The Board acknowledged the existing gap between the budget and
80 levy. The Board reviewed the 2017 CIP, and decided to hypothetically postpone certain
81 capital projects to later years, which would tentatively reduce the budget-levy gap by
82 about half of its current size.
83 • May Operations Committee – Staff presented initial program cuts to the Committee.
84 • June Joint Committee – Staff proposed another set of program cuts and identified seven
85 key areas where staff could look for further budget reductions.
86

87 Mr. Wisker noted that staff had found additional opportunities to reduce the budget-levy gap: the
88 general fund; the Operations legal budget; the line item for uncollected taxes; and the capital
89 improvement plan. He stated that he would cover each of these four opportunities in more depth
90 during his presentation.

91

92 **Legal Expenses**

93 Mr. Wisker stated that staff recommends not increasing the budget for unknown legal
94 expenses, instead opting to improve tracking and reporting of legal expenses. He noted
95 that by not increasing the budget for this item, the budget-levy gap would shrink.
96

97 **General Fund / Cash Flow**

98 Mr. Wisker stated staff had examined the District's cash flow since the last budget
99 discussion at the June Joint Committee meeting. Mr. Miller noted that the requirement to
100 have 50% of the District's budget available as cash at any given time was an internal
101 requirement, and could be waved. Mr. Erdahl stated that the requirement, even if adhered
102 to, would not affect the plan that staff were about to propose. Manager Blixt clarified that
103 the requirement was originally based on the fact that the District receives its money in
104 two stages each year.
105

106 Mr. Wisker explained that over the past several years, the District has never had any less
107 than \$14.2 million available for spending – notably more than the District's budget. He
108 stated that the District does not have an issue regarding cash flow, as confirmed by the
109 District's accounting consultant. Mr. Wisker suggested that the Board consider using a
110 portion of the extra cash flow to bridge the budget-levy gap in 2017.
111

112 Manager Becker asked staff if the cash flow funds were a one-time fix to fix the budget-
113 levy gap, and whether or not the accrued cash sum needed to be replenished. Mr. Wisker
114 responded that the cash funds are available one-time, as the funds are not levied for. He
115 clarified that the identified portion of District's on-hand cash does not need to be
116 replenished. Mr. Wisker explained that the Board could use the cash to bridge the budget-
117 levy gap for the next few budget cycles, allowing for a gradual levy increase over two or
118 three years to meet program costs – which would still be reduced – rather than raising the
119 levy significantly in 2017.
120

121 Mr. Wisker noted that while staff's proposed cuts to 2017 program budgets and a five percent
122 levy increase would nearly close the budget-levy gap for 2018, this leaves little funding available
123 for capital projects other than the ones postponed from 2017 to 2018. He stated that any "new"
124 capital projects the Board wished to pursue in 2018 may require a levy increase in that year.
125

126 Manager Miller noted that the District would likely have some carry-forward funds from 2016
127 and 2017 that could be allocated to capital projects in 2018.
128

129 **Uncollected Taxes**

130 Mr. Wisker presented a summary of the District's uncollected taxes over the past several
131 years. He noted that in any given year, 50% of delinquent taxes were collected within 12
132 months. Mr. Wisker further explained that within 24 months, 90% of delinquent taxes
133 from a given year were collected. He stated that the impact to the District's budget from
134 uncollected taxes was imperceptible, as the initial amount not collected is miniscule and

135 the subsequent collection of delinquent tax funds is prompt. Mr. Wisker noted that staff
136 recommended that the District simply track, not budget for uncollected taxes.
137

138 **Capital Projects**

139 Mr. Wisker stated that the funds currently allocated for planning a project at Hiawatha
140 Golf Course could be removed from the budget, as no action concerning the site was
141 expected in 2017. He explained that the District could still respond if an opportunity to
142 coordinate with the Minneapolis Parks & Recreation Board (MPRB) arose during 2017,
143 if the Board chose to use “responsive planning” dollars for such an opportunity. Mr.
144 Wisker noted that postponing or removing this item from the capital improvement plan,
145 in addition to the other adjustments proposed, would all but close the budget-levy gap for
146 2017.
147

148 Mr. Wisker asked the Committee for comment. The Committee commended staff for delivering
149 workable solutions and a clear presentation.
150

151 Mr. Wisker stated that staff would present workplans in August:
152

- 153 • August 4th Joint Committee meeting – Research & Monitoring and Education &
154 Communications
- 155 • August 11th Policy and Planning Committee meeting – Planning & PMLM and General
156 Operations & Support Services
157

158 Mr. Wisker presented a potential budget for 2018, based on the following assumptions:
159

- 160 • Program budgets remain flat
- 161 • Debt service levy is included in budget numbers
- 162 • No additional capital projects are planned for 2018
163

164 Mr. Wisker estimated that, given the above criteria, the District’s budget would only be \$100,000
165 above the levy for 2018. He explained that pursuing any new capital projects would likely
166 require a notable increase in the levy, if not funded otherwise. The Committee and staff briefly
167 discussed how the District might manage its assets – particularly 325 Blake Road – in 2017 and
168 2018, and the corresponding budget implications.
169

170 Mr. Wisker noted that, as Manager Miller mentioned earlier, carryover funds accrued in 2017
171 could help fund projects in 2018. Manager Olson asked if programs tend to spend all funds
172 budgeted to them or if they tend to build up carryover with the intent to use it for other expenses
173 within the same program. Mr. Wisker recommended that moving forward, the District pool
174 carryover resources, to prevent either of the practices Manager Olson mentioned, and allow for
175 matching an organization-wide pool of carryover funds to overall District priorities.
176

177 Mr. Wisker proposed that the Board consider raising the 2017 levy by an additional 2%, for a
178 total of a 7% raise. He noted that this raise would allow for enough funding to once again budget

179 for capital investment that has been hypothetically cut during recent budget discussions, should
180 the Managers still see such capital investment as a priority.

181
182 Mr. Wisker stated that after the review of workplans on August 4th and August 11th, the District
183 would hold a public meeting for any levy raise in September. Manager Miller asked if the budget
184 would again be represented with diagrams as well as spreadsheets, as done previously. Mr.
185 Wisker confirmed that staff could prepare diagrams again.

186
187 ***Manager Miller moved, seconded by Manager Rogness, to recommend that the Board freeze***
188 ***hiring, unless approved by the Board, until after the final budget for 2017 is approved. Upon***
189 ***vote, the motion did not carry, 3-3. Managers Becker, Miller, and Rogness voted in favor of***
190 ***the motion; Managers Blixt, Olson, and White voted against the motion.***

191
192 Manager White invited the present members of the CAC to comment. Mr. Rechelbacher
193 commended staff on a clear presentation and a keen analysis of the budget. He expressed his
194 support of increasing the levy by more than 5%.

195
196 Manager Becker suggested that the Board develop policy regarding how the District will handle
197 carryforward in future. Manager White stated that she would coordinate with staff to schedule
198 such a discussion for the Managers.

199
200 Manager Blixt asked staff if they believed a 7% levy increase in 2017 would be sufficient to
201 reduce a complementary levy increase in 2018. Mr. Wisker stated that 7% would likely be
202 enough, assuming that carryover would be generated and some grant funding would be secured.
203 He noted that the District still had to develop a plan for building a capital levy for long-term
204 capital funding.

205
206 The Committee meeting adjourned at 8:35 p.m.

207
208 Respectfully submitted,

209
210 Matthew Cook
211 Planning Assistant