

1 **DRAFT**

2 **MINUTES OF THE JOINT COMMITTEE**

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4  
5 **June 16, 2016**

6  
7 **CALL TO ORDER**

8  
9 Manager White called the Committee to order at 6:45 p.m. at the District Offices,

10  
11 15320 Minnetonka Blvd

12 Minnetonka, MN 55345

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14 **COMMITTEE MEMBERS PRESENT**

15  
16 Sherry Davis White, Brian Shekleton, Bill Becker, Dick Miller, Pam Blixt, Kurt Rogness, and  
17 Bill Olson.

18  
19 **OTHERS PRESENT**

20  
21 Lars Erdahl, District Administrator;  
22 James Wisker, Director of Planning & Projects;  
23 Becky Christopher, Lead Planner & Project Manager;  
24 Eric Fieldseth, AIS Program Manager;  
25 Yvette Christianson, Water Quality Manager;  
26 Craig Dawson, Research & Monitoring Director;  
27 Tiffany Schaufler, Project and Land Program Manager;  
28 Darren Lochner, Education Program Manager;  
29 Brett Eidem, Cost Share Grant Administrator;  
30 Katherine Sylvia, Permitting Program Lead;  
31 Telly Mamayek, Communications and Education Director;  
32 David Mandt, Operations and Support Services Director;  
33 Maddie Johnson, Technical Support Services Specialist;  
34 and Matthew Cook, Planning Assistant.

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36 **APPROVAL OF AGENDA**

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38 The agenda was approved without amendment.

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40 **COMMITTEE MEETING**

41  
42 Mr. Erdahl stated that the objectives of the meeting were for staff to receive Board direction on  
43 the 2017 budget and levy, with a focus on any particular areas of the budget which warranted  
44 further exploration.

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46 Mr. Erdahl presented an outline for the meeting:

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1. Overview of April Board Retreat and May OPC budget discussions
2. Review Divisional and Departmental budget adjustments
3. Review specific budget questions and budget policy topics
4. Review organizational needs

Budget Discussion Overview

Mr. Erdahl noted that the 2017 budget, while informed by the parallel strategic planning process, will be finalized before the strategic planning process is complete. He explained that any major program realignment would happen after the 2017 budget has been determined, once the strategic planning process has been finished. Mr. Erdahl stated that as staff were conducting cross-departmental program evaluations, the PPC had begun discussing the development of a prioritization framework. He underscored that the framework, program evaluations, and budget decisions would all inform the 2017 Comprehensive Plan (Plan).

Mr. Erdahl stated that the District would need an implementation roadmap to operationalize all of the changes and decisions made through the strategic planning process. He noted that this “action plan” would heavily influence the 2018 budget.

Mr. Wisker illustrated how the levy had flattened over time, and juxtaposed that against significant budget growth during the same timeframe. Mr. Wisker noted that from 2009 to 2014, the District’s budget grew approximately 32% while the levy increased only 2%. He reminded the Committee of the District’s historic use of cash from cancelled capital projects to fund programs, and that the current budget discussions are part of a multi-year course correction to better sync the levy and budget.

Mr. Wisker reviewed the 2016 budget and levy decisions, highlighting the approximate 10% budget cut and 5% levy increase. He noted that the biggest fractions of the District’s budget are capital projects, debt service, and operations.

Mr. Wisker summarized the District’s carryover from 2015 and the outcomes of the April Board retreat. He stated that the Board had decided to postpone some of the capital projects in order to lessen the gap between the 2017 budget and levy. Mr. Wisker noted that since the retreat, staff has proposed 2016 spending reductions and 2017 budget cuts to bring the budget and levy closer yet. He underscored that there is still an approximate \$800,000 budget and levy gap, and after reviewing program budgets at this meeting, the staff would seek guidance on where to focus efforts in closing the remaining gap.

Mr. Wisker presented a divisional overview of the 2017 budget to the Committee. He also provided a diagram of the divisions and their respective 2017 budgets, noting the number of staff allocated to each division. Mr. Wisker stated that program staff would now present program-specific budgets.

91 Program Budget Adjustments

92

93 Mr. Dawson summarized the history of the Water Quality and AIS programs, noting that staff  
94 plans to merge the two programs in 2017. Mr. Dawson stated that through developing the E-  
95 Grade program, the WQ and AIS programs served complementary functions in monitoring the  
96 overall health of the watershed's hydrologic systems. He added that the AIS program would be  
97 focusing more on monitoring as many of its previous initiatives meant to prevent the spread of  
98 AIS garnered little external support.

99

100 Mr. Fieldseth stated that the program intended to increase its monitoring for effectiveness of  
101 District actions. He noted that performing more AIS-oriented research could be a useful role of  
102 the program's resources in the coming years.

103

104 Ms. Christianson stated that the Research and Monitoring department would be consolidating the  
105 current spread of six workplans into three workplans in 2017. She noted by 2018, development  
106 of the E-Grade program would be complete, and that the Lake Nokomis study would be  
107 completed in 2017. Ms. Christianson detailed the 2017 budget for the Water Quality and E-  
108 Grade programs, highlighting a significant budget reduction in contracted services for the E-  
109 Grade program.

110

111 Mr. Fieldseth presented the 2017 budget for the AIS program. He explained that many of the  
112 program's budget cuts and reduced expenditures came from ending a number of grant and  
113 partnership funds that targeted AIS management and prevention, but did not receive interest from  
114 potential partners. Mr. Fieldseth noted that while he recommends postponing and funding of  
115 research in 2017, he hoped to fund research again in the future.

116

117 Ms. Christopher summarized the structure of the Planning and Permitting division, highlighting  
118 the purposes of the two major program groupings, shown below:

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120 **Permitting**

- 121 • Protect resources from degradation
- 122 • Partner to produce outcomes that exceed regulations

123

124 **Planning and Projects**

- 125 • Plan to create framework to achieve mission
- 126 • Implement improvements on landscape
- 127 • Influence land-use planning

128

129 Ms. Christopher detailed the reductions of the Permitting and Planning programs. Manager  
130 Miller noted the exceptional value of many of the projects classified under the "responsive"  
131 track. Ms. Christopher detailed the 2017 budgets for PMLM, Land Conservation, and Capital  
132 Projects, noting an increase in budget for all three. She stated that the Land Restoration and  
133 Habitat Restoration programs would see slight budget reductions.

134

135 Ms. Mamayek stated the mission of the Ed-Comm-Cost Share division was to build knowledge,  
136 skills, and capacity for stewardship to protect and improve the District's natural resources. She  
137 detailed the cuts to the Communications program for 2017, noting a reduced budget for Media  
138 Relations consulting, citing full confidence in District staff to handle most media relations  
139 incidents.

140  
141 Mr. Lochner reviewed the cuts to the Education program, highlighting a cut to the Cynthia Krieg  
142 program, returning funding to its historic level of \$100,000. Mr. Eidem presented the cuts to the  
143 2017 Cost Share budget. He stated that the bulk of the cuts would be to grant funding.

144  
145 Mr. Mandt stated that the Operations and Support Services is striving to be lean, efficient, and  
146 continuously improving. He noted that the Board has three main considerations to make  
147 concerning budget policy for General Operations: uncollected taxes, legal expenses, and cash  
148 flow. Mr. Mandt presented the 2017 budget for the department. Mr. Mandt stated that the District  
149 has historically not accounted for uncollected tax dollars or general legal expenses, highlighting  
150 two line item increases meant to represent those costs.

151  
152 Mr. Wisker asked if the Committee had any questions before staff continued with the next  
153 segment of the presentation.

154  
155 Manager Miller stated that he had a clear understanding of the District's current budget, but  
156 underscored that there was much work to be done yet to rectify the budget-levy gap. He thanked  
157 staff for providing clarity and offering up repeated program cuts.

158  
159 Manager Becker noted that the cuts presented were evidently selected with strategic intelligence.  
160 He stated that staff had preserved the core functions of the District.

161  
162 Budget Policy Topics

163  
164 Mr. Wisker presented the following list of policy topics for the Committee to review, noting that  
165 the remaining budget-levy gap could be closed through a combination of additional program  
166 refinements and decisions across the policy topics (listed below):

- 167  
168 1. 50% fund balance clarification and General Fund \$1.2M  
169 2. Organizational legal budgets and Operations legal budget \$100k  
170 3. Defer seed funding \$100k in Operations and Maintenance  
171 4. Uncollected taxes \$50k - \$250k  
172 5. Six Mile Debt Service \$100k - \$200k  
173 6. Departmental contingencies  
174 7. Capital Projects

175  
176 Manager Miller asked what the purpose was of keeping \$1.2 million in the General Fund. Mr.  
177 Wisker summarized best practice guidance on the percentage of operational budget  
178 recommended to accommodate cash flow needs associated with the bi-annual receipt of levy

179 proceeds. He also noted that the District appears to have sufficient cash to not have to keep the  
180 \$1.2 million on hand.

181  
182 Manager Blixt asked staff what specific input they were looking for from the Committee. Mr.  
183 Erdahl stated that staff was not seeking direction on each individual item on the list, but a general  
184 affirmation that the seven items listed were appropriate tools to examine and use to further close  
185 the budget-levy gap.

186  
187 Manager Becker asked if the auditor was confident in the District's cash supply. Mr. Erdahl  
188 confirmed that he was.

189  
190 On the second policy topic, Mr. Wisker noted the increase in the general legal line item of the  
191 General Operations budget. He stated that several departments budget for legal expenses within  
192 their program funds and reviewed a table summarizing all legal funds. Mr. Mandt stated that last  
193 year, there were many more legal expenses charged to the General Operations fund than were  
194 covered under the general retainer. Manager Miller noted that last year was an anomaly in terms  
195 of typical legal expenditures.

196  
197 Manager Miller stated that the District should explore outsourcing less-nuanced legal tasks to a  
198 firm with lower rates.

199  
200 Manager Becker asked staff to review the total legal spending over the past five years. He noted  
201 that the presence of many separate legal funds could, on the whole, lend itself to excessive  
202 spending.

203  
204 Manager Blixt recommended that the District consider hiring a contract review attorney as staff.  
205 She added that some of the extra legal costs could be avoided if all official requests for legal  
206 counsel by each manager be conveyed through Manager White, as is Board policy.

207  
208 Mr. Wisker noted that the Board and staff should consider pairing their requests to legal and  
209 engineering consultants with a defined scope of services and a do-not-exceed amount for  
210 specified tasks.

211  
212 Manager Rogness remarked that he was surprised to have seen that the District's legal counsel  
213 records the minutes for Board meetings. Manager Miller stated that at one point, the District had  
214 requested that legal counsel take the minutes as a means of ensuring quality record-keeping and  
215 that it is covered under the retainer.

216  
217 Concerning the increased general legal budget, Manager Miller stated that if the District's legal  
218 spending was already too high, the Board should not plan to budget more money for legal  
219 spending.

220  
221 Mr. Wisker moved to the third policy topic, noting that the Project Maintenance and Land  
222 Management budget included a proposed increase of \$100,000 for infrastructure maintenance as

223 informed by the new O&M Manual. He added that seeding the maintenance fund could be  
224 deferred or reduced as one options to close the budget-levy gap.  
225

226 On the fourth topic, Mr. Wisker explained that the \$250,000 line item for uncollected taxes was  
227 based on a best practice recommendation from the auditor to plan for 2.5% of the District's levy  
228 not being collected by the year's end. Based on review of the past several years, the typical  
229 amount of uncollected taxes appears to be in the \$30,000-\$80,000 range.  
230

231 Manager Miller stated that money not collected in a given year gets collected eventually. Mr.  
232 Mandt stated that budgeting for uncollected taxes is an accounting practice that helps to balance  
233 a single year's budget. The Managers generally agreed that budgeting for uncollected taxes was  
234 likely not necessary. Manager Becker asked staff to review past years' collected taxes, and make  
235 an estimate based on those numbers.  
236

237 Mr. Wisker stated that the fifth item on the list of considerations was currently incorporated into  
238 the Planning budget as \$100,000 to seed a Six Mile Creek debt service program. The Managers  
239 generally agreed that the District should start seeding a Six Mile debt fund but that the number  
240 should be further refined.  
241

242 On the sixth topic, Mr. Wisker presented a table of various contingency funds that exist across  
243 the District's programs. Manager Miller asked Mr. Mandt to clarify what the IT contingency was  
244 for. Mr. Mandt stated that the contingency was not being levied for, as it represented accrued  
245 carryover.  
246

247 Mr. Wisker restated that the seven budget policy topics listed would be featured again at a  
248 meeting in July. He explained that between now and then, staff would look to further close the  
249 budget-levy gap by reducing or re-allocating funds from the items listed.  
250

251 Manager White asked the Committee if there was any willingness to raise the levy more than  
252 five percent in order to close the budget-levy gap, noting that she personally supported an  
253 increase of 7%.  
254

255 Manager Miller stated that he was not interested in increasing the levy by more than five percent  
256 before the Board completes its strategic evaluation of and makes decisions on how best align and  
257 adjust programs. He noted that his support for any levy increase would be related to funding  
258 needed to support capital project initiatives with long term watershed benefits.  
259

260 Manager Blixt stated that she would be willing to vote for a levy increase of over five percent if  
261 the extra increase was to fund a project. She noted that the recent Communications survey  
262 showed that residents were willing to take on a higher levy.  
263

264 Manager Shekleton stated that although the District enjoyed widespread support from residents  
265 and city officials in some cities, not all cities would be receptive to an increase in levy. He noted  
266 that the General Operations budget was a large proportion of all program budgeting. Manager

267 Shekleton added that he would be open to an increase of up to seven percent, pending a closer  
268 examination of organizational expenditures and the conclusion of the strategic evaluation.  
269

270 Manager Becker added that he would be willing to go higher than five percent provided the  
271 outcomes are clear and justifiable.  
272

273 Manager Rogness stated that he would support a seven percent levy increase, citing his  
274 confidence in the manner in which staff have begun to scrutinize budget allocation. He added  
275 that he believed projects like Arden Park were worth funding and pursuing.  
276

277 Manager Olson also stated his comfort with increasing the levy by seven percent, as the budget  
278 cuts and reallocations proposed for 2017 had been very thoughtful.  
279

280 Strategic Needs  
281

282 Mr. Wisker detailed the list of unfunded strategic needs compiled by staff. Manager Miller noted  
283 the lack of any capital projects on the list. Manager Olson stated that some of the items on the list  
284 could be worthwhile as they may increase organizational efficiencies.  
285

286 Manager Shekleton left the meeting at this point.  
287

288 Mr. Wisker stated that some of the items would serve a baseline function for the District that is  
289 currently unmet. He explained that a geodatabase is one such basic need. Mr. Wisker detailed the  
290 other items listed for the Committee.  
291

292 Manager Miller agreed that many of the items listed were important, but stated that he would not  
293 increase the levy to fund any of them.  
294

295 Manager Blixt noted that the Minnehaha Creek Signage and Landings item was, to her, a project.  
296 She stated that the value of community outreach per dollar spent, especially along Minnehaha  
297 Creek, makes the Signage project worth pursuing.  
298

299 Mr. Wisker stated that staff were hoping to pool District needs for side-to-side comparison by the  
300 Board, instead of individual programs pitching for their own needs.  
301

302 Manager Shekleton returned to the meeting at this point.  
303

304 Manager Becker stated that he would like staff to explain the outcomes and urgency for each of  
305 the strategic needs listed. Manager Olson agreed, noting that for items that are intended to  
306 increase efficiency, staff should estimate the number of man hours saved by a certain upgrade or  
307 investment.  
308

309 Mr. Wisker stated that staff would like to weigh the costs of contracting out GIS work or  
310 bringing on a GIS staff person. Manager Miller noted that bringing a service in-house did not

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Board of Managers  
Minnehaha Creek Watershed District  
06-16-16

311 necessarily translate to a cost savings. Manager White stated that such discussions would be held  
312 through the strategic planning process over the coming year.

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314 The Committee meeting adjourned at 10:05 p.m.

315

316 Respectfully submitted,

317

318 Matthew Cook

319 Planning Assistant

DRAFT