

2013 OPERATING BUDGET DETAILED PROPOSAL



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Excelsior, Greenwood, Shorewood and Tonka Bay

Coordinating Committee Meeting

Wednesday - July 18, 2012

Prepared by Chief Bryan Litsey

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SOUTH LAKE MINNETONKA POLICE DEPARTMENT
Serving Excelsior, Greenwood, Shorewood and Tonka Bay

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M E M O R A N D U M

TO: Coordinating Committee Members

FROM: Bryan Litsey, Chief of Police

DATE: July 12, 2012 - Thursday

RE: 2013 Operating Budget Proposal - Recommended Motion
Coordinating Committee Meeting - July 18, 2012

This is my fourteenth year of preparing and presenting a budget as chief executive officer for the South Lake Minnetonka Police Department (SLMPD). Each time my primary objective has been to develop a realistic, yet lean and efficient budget proposal that adequately provides for the mission of the organization with an eye towards the future. This has been particularly challenging in recent years with a sluggish economy that has been slow to recover from the recession.

There are some unique aspects to preparing an annual operating budget for a joint powers organization like the SLMPD. The process starts sooner and involves multiple layers of review prior to being considered for approval by the respective City Councils. Transparency during the budget process is important and a web-based feature first introduced last year has furthered this objective. Interested individuals can now go to www.southlakepd.com to track the budget process and access downloadable information from the budget meetings.

The Chief of Police for the SLMPD has a greatly expanded role given the autonomy of being a joint powers organization. Many of the duties are akin to that of a city manager with additional financial responsibilities. This extends to the budget process, where the Chief of Police is charged with shepherding through a budget proposal that has the support of the Coordinating Committee and is ultimately approved by the member City Councils.

Entering the 2013 budget process in a fiscally sound position is no coincidence. It reflects prudent strategies and practices by the SLMPD financial team with direction and support from the Coordinating Committee. This effort has been bolstered by applying operating budget surpluses to capital needs to shore up special funds with declining balances. Unanticipated personnel vacancies have generally been the impetus behind operating budget surpluses. The time it takes to fill the position, coupled with the new employee starting at a lower rate, results in a temporary reduction in payroll and other related expenses. Revisions to the budget after being adopted has also been beneficial. This occurs when pending expenses at the time the budget is prepared are not fully realized and can be applied to other underfunded expense categories. The 2012 budget is the most recent example, when a more favorable labor agreement than anticipated was negotiated after the

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Coordinating Committee Meeting - July 18, 2012
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budget was approved. The savings were applied to two underfunded expense categories raising their respective baselines to more appropriate levels for 2013.

The current proposal before the Coordinating Committee is a culmination of what has transpired during the budget process to date. Preliminary budget considerations were discussed at the Coordinating Committee Meeting held on May 9, 2012. These were incorporated into an initial budget proposal prepared by staff and presented at the Coordinating Committee Work Session held on June 20, 2012. The work session presentation was well received and there was no dissension with the preliminary budget proposal. It was recognized that the majority of increases relating to expenses are either market driven (utilities and motor fuels) or the result of previously approved actions by the Coordinating Committee (labor agreements and technology). It was further noted that declining state aid continues to be a factor, even though the reliance placed on this revenue to support operations has been scaled back in recent years. Nevertheless, the burden for making up this loss revenue falls on the member cities. These and other topics were addressed in the attached PowerPoint presentation incorporated into the work session. The current proposal is a refined and more detailed version of the work session proposal. It is intended to provide a workable budget for 2013 that sustains current operations while addressing future needs.

In accordance with the 2006 arbitration ruling, the funding formula used to determine each member city's percentage contribution toward operations was reset in 2012 and is not subject to change again until 2017. This means the revised percentages first applied to the 2012 operating budget carry over to the 2013 operating budget without being affected by a formula change. This makes for a smoother budget process when the overall percentage increase to the member cities is also the same for each individual city.

More than four years have elapsed since the SLMPD last conducted a comprehensive strategic planning process. Nevertheless, it is important not to lose sight of the findings and recommendations contained in the Strategic Action Plan dated May 11, 2008. This roadmap for the future is still posted on the SLMPD web site and serves as a good reminder of the unfinished business waiting to be addressed once economic conditions improve. One of the key recommendations was increasing the current complement of police officers employed by the SLMPD. This conclusion was reached after determining that the redeployment of existing personnel was not a viable option; that there was clear and convincing data to support adding more police officers; and that officer safety was being compromised at present staffing levels. Doing more with less can only stretch so far before core operations and safety become compromised. The SLMPD has been on this threshold for a number of years and this critical staffing issue still persists. This also continues to be a concern among the rank and file when asked what they would like to see changed about their working conditions. Attempts have been made in recent years to secure a COPS grant to help phase-in additional police officers, but competition has been immense for the limited amount of money available through this federally funded program. The vast majority of applicants have not received funding, with the SLMPD being among this group. This is no reflection on the need, but rather, demand far exceeding the available funding.

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A new strategic initiative being explored is the possible expansion of the SLMPD partnership. This initiative is being guided at the Coordinating Committee level with staff support. This only makes sense if the present policing arrangement is strengthened not weakened through an expansion opportunity. Both operational and financial considerations need to be taken into account to determine if there is enough of a benefit to all parties involved. This evolving process will take time to research and develop before the pros and cons can be properly evaluated. Therefore, it is not included as part of the 2013 operating budget proposal.

Being considered as part of the 2013 budget process is a restructuring of the command staff to better delineate the chain-of-command, levels of authority and expanded responsibilities. The framework for such a change was discussed at the budget work session as part of the attached PowerPoint presentation. This continues to be a work in progress and if implemented, would not take effect until January 1, 2013. Any financial implications would be accommodated within the current budget proposal. The goal is to complete the study and have a recommended course of action for the Coordinating Committee to consider at its meeting scheduled for November 14, 2012.

In conclusion, staff is recommending that the Coordinating Committee adopt the motion below supporting the current budget proposal for 2013. This will be on the agenda for the Coordinating Committee Meeting on Wednesday, July 18, 2012.

Proposed Motion:

Motion to accept the 2013 Operating Budget Proposal as presented at the Coordinating Committee Meeting on July 18, 2012. Further, that this budget proposal be forwarded to the member City Councils with a recommendation for approval by September 1, 2012.

2013 OPERATING BUDGET DETAILED PROPOSAL



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Budget Documents

Spreadsheets - Charts - Narratives

Prepared by Chief Bryan Litsey

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SOUTH LAKE MINNETONKA POLICE DEPARTMENT

2013 Operating Budget Proposal

Projected Expenses

Coordinating Committee Meeting

Wednesday - July 18, 2012

ITEM	CATEGORY	AMOUNT
50100	Salaries - Full-Time	\$1,234,000
50200	Salaries - General Overtime	\$36,000
50230	Salaries - Reimbursed Overtime	\$41,000
50300	Salaries - Part-Time	\$97,200
50500	Social Security & Medicare	\$29,700
50600	PERA Pensions	\$186,300
50700	Insurance Benefits	\$241,600
51000	Contracted Services	\$17,000
52100	Equipment Leases	\$34,000
52200	Repairs & Maintenance	\$43,700
52300	Utilities	\$61,500
52400	Janitorial & Cleaning	\$11,000
52500	Printing & Publishing	\$3,200
52800	Care of Persons	\$100
53000	Supplies	\$76,000
54000	Uniforms & Gear	\$14,000
54500	Training & Conferences	\$12,900
56000	Insurance	\$58,000
56100	Subscriptions & Memberships	\$3,200
57000	Special Projects	\$14,000
58000	Capital Outlay	\$70,000
59000	Undesignated Allocation	\$0
	TOTAL PROJECTED EXPENSES	\$2,284,400

SOUTH LAKE MINNETONKA POLICE DEPARTMENT

2013 Operating Budget Proposal

Projected Revenues

Coordinating Committee Meeting

Wednesday - July 18, 2012

ITEM	CATEGORY	AMOUNT
40110	Court Overtime	\$4,500
40120	Excelsior Park and Dock Patrol	\$20,700
42100	State Police Officer Aid	\$93,000
42200	State Training Reimbursement	\$4,500
43100	Minnetonka School District	\$7,000
43200	Administrative Requests	\$4,000
43400	Special Policing Details	\$26,000
44000	Investment Income	\$4,500
46400	Forfeitures	\$1,500
46500	Grant Reimbursements	\$26,500
46600	Other Reimbursements	\$3,000
	TOTAL PROJECTED REVENUES	\$195,200
	<i>Expenses in Excess of Revenues</i>	\$2,089,200

	PROJECTED COST TO MEMBER CITIES	\$2,089,200
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**SOUTH LAKE MINNETONKA POLICE DEPARTMENT
2013 Operating Budget Proposal**

Coordinating Committee Meeting

Wednesday - July 18, 2012

Contributions from Member Cities - Year 2013

Reallocation Formula (2012-2016)

MEMBER CITY	TOTAL AMOUNT	% SHARE	\$ SHARE	\$ INCREASE OVER 2012
Excelsior	\$2,089,200	28.0532%	\$586,087	\$15,008
Greenwood	\$2,089,200	8.4747%	\$177,053	\$4,534
Shorewood	\$2,089,200	48.4887%	\$1,013,027	\$25,942
Tonka Bay	\$2,089,200	14.9834%	\$313,033	\$8,016

2013 Total Contributions from Member Cities	\$2,089,200	
2012 Total Contributions from Member Cities	\$2,035,700	
The funding formula used to determine each member city's percentage contribution toward the operating budget is based on an arbitration ruling in 2006. Every five years the funding formula is subject to adjustment based on the criteria set forth in this ruling. The 2012 operating budget was the first time since the ruling took effect that the funding formula was subject to adjustment. An administrators group established by the Coordinating Committee worked on the reallocation formula that was subsequently sanctioned by the member cities and incorporated into the 2012 operating budget. The reset funding formula is not subject to change again until 2017.		
Dollar Increase Over 2012	\$53,500	
Percentage Increase Over 2012	2.6%	

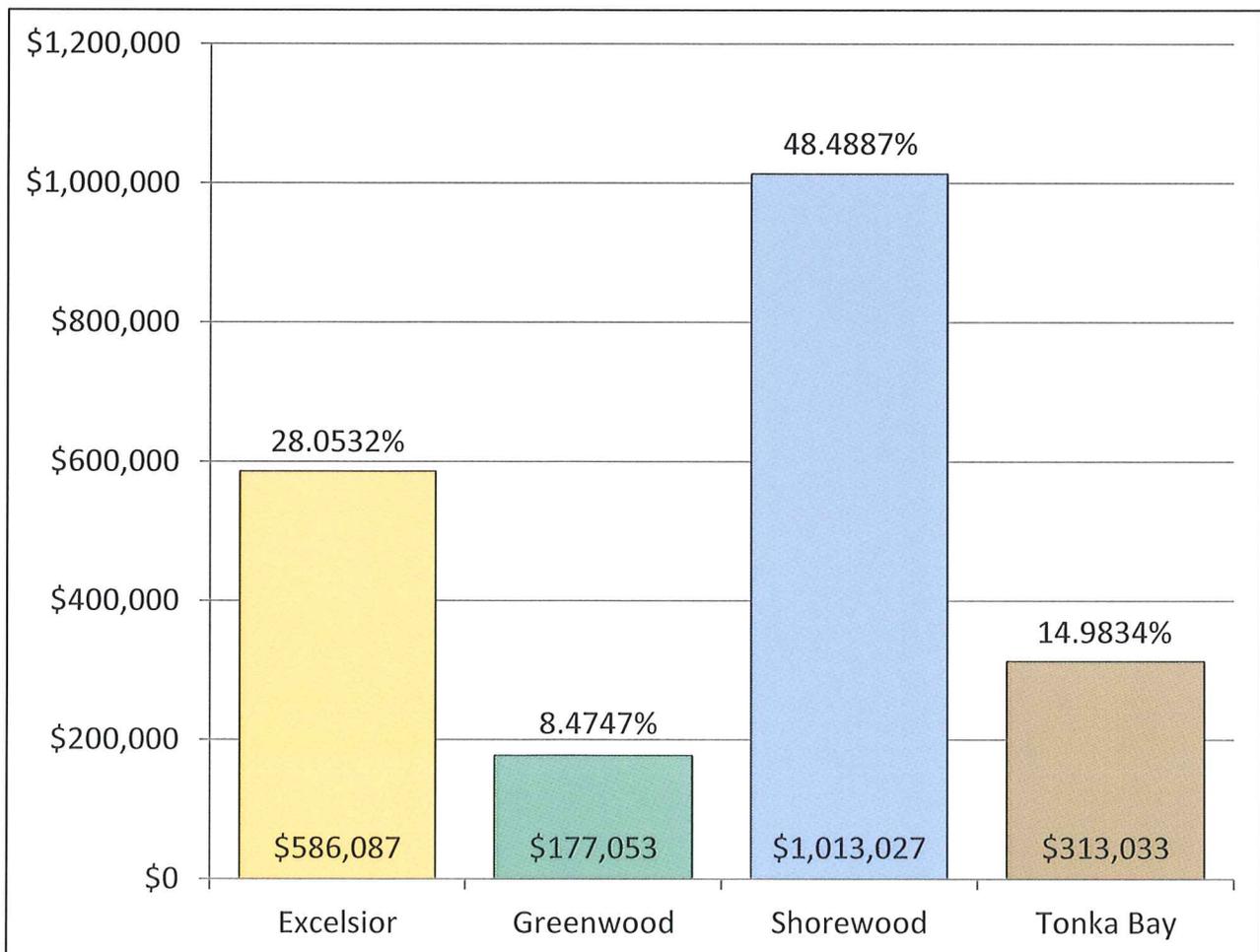
Contributions from Member Cities - Year 2012

MEMBER CITY	TOTAL AMOUNT	% SHARE	\$ SHARE	\$ INCREASE OVER 2011
Excelsior	\$2,035,700	28.0532%	\$571,079	\$35,561
Greenwood	\$2,035,700	8.4747%	\$172,519	\$13,847
Shorewood	\$2,035,700	48.4887%	\$987,085	-\$4,615
Tonka Bay	\$2,035,700	14.9834%	\$305,017	\$7,507
Totals			\$2,035,700	\$52,300

SOUTH LAKE MINNETONKA POLICE DEPARTMENT
2013 Operating Budget Proposal
Coordinating Committee Meeting
Wednesday - July 18, 2012



Contributions from Member Cities - Year 2013
Reallocation Formula (2012-2016)
Total Amount - \$2,089,200



SOUTH LAKE MINNETONKA POLICE DEPARTMENT

2013 Operating Budget Proposal

Coordinating Committee Meeting - July 18, 2012

Proposed 2013 Operating Budget and 2012 Revised Operating Budget 2011 Operating Budget Information (Budget/Actual)

OPERATING BUDGET EXPENSES							
Item	Category	Proposed 2013	Budgeted 2012	Inc(Dec)	Change	Budgeted 2011	Actual 2011
50100	Salaries - Full-time	\$1,234,000	\$1,204,700	\$29,300	2.4%	\$1,185,500	\$1,144,270
50200	Salaries - General Overtime	\$36,000	\$38,000	(\$2,000)	-5.3%	\$37,800	\$25,841
50200	Salaries - Reimbursed Overtime	\$41,000	\$38,000	\$3,000	7.9%	\$38,000	\$32,165
50300	Salaries - Part-Time	\$97,200	\$96,400	\$800	0.8%	\$95,600	\$81,734
50500	Social Security & Medicare	\$29,700	\$29,000	\$700	2.4%	\$28,600	\$25,709
50600	PERA Pensions	\$186,300	\$182,000	\$4,300	2.4%	\$179,000	\$171,317
50700	Insurance Benefits	\$241,600	\$236,000	\$5,600	2.4%	\$239,500	\$231,833
51000	Contracted Services	\$17,000	\$17,000	\$0	0.0%	\$14,000	\$14,817
52100	Equipment Leases	\$34,000	\$30,000	\$4,000	13.3%	\$30,000	\$28,562
52200	Repairs & Maintenance	\$43,700	\$43,000	\$700	1.6%	\$43,200	\$45,512
52300	Utilities	\$61,500	\$59,200	\$2,300	3.9%	\$62,000	\$59,933
52400	Janitorial & Cleaning	\$11,000	\$11,000	\$0	0.0%	\$11,600	\$10,582
52500	Printing & Publishing	\$3,200	\$3,200	\$0	0.0%	\$3,200	\$2,297
52800	Care of Persons	\$100	\$100	\$0	0.0%	\$100	\$0
53000	Supplies	\$76,000	\$74,100	\$1,900	2.6%	\$70,500	\$74,355
54000	Uniforms & Gear	\$14,000	\$13,800	\$200	1.4%	\$13,600	\$16,308
54500	Training & Conferences	\$12,900	\$12,900	\$0	0.0%	\$10,100	\$10,990
56000	Insurance	\$58,000	\$60,000	(\$2,000)	-3.3%	\$60,000	\$60,000
56100	Subscriptions & Memberships	\$3,200	\$2,900	\$300	10.3%	\$2,900	\$3,686
57000	Special Projects	\$14,000	\$13,600	\$400	2.9%	\$12,700	\$12,580
58000	Capital Outlay	\$70,000	\$68,000	\$2,000	2.9%	\$50,000	\$50,000
59000	Undesignated Allocation	\$0	\$0	\$0	0.0%	\$0	\$0
TOTAL PROJECTED EXPENSES		\$2,284,400	\$2,232,900	\$51,500	2.3%	\$2,187,900	\$2,102,491

OPERATING BUDGET REVENUES (Does Not Include Contributions from Member Cities)							
Item	Category	Proposed 2013	Budgeted 2012	Inc(Dec)	Change	Budgeted 2011	Actual 2011
40110	Court Overtime	\$4,500	\$5,000	(\$500)	-10.0%	\$5,500	\$4,327
40120	Excelsior Park and Dock Patrol	\$20,700	\$20,700	\$0	0.0%	\$21,000	\$17,082
42100	State Police Officer Aid	\$93,000	\$97,000	(\$4,000)	-4.1%	\$102,000	\$90,834
42200	State Training Reimbursement	\$4,500	\$4,500	\$0	0.0%	\$5,500	\$4,544
43100	Minnetonka School District	\$7,000	\$7,000	\$0	0.0%	\$7,000	\$6,838
43200	Administrative Requests	\$4,000	\$4,000	\$0	0.0%	\$3,500	\$3,974
43400	Special Policing Details	\$26,000	\$25,000	\$1,000	4.0%	\$25,000	\$25,050
44000	Investment Income	\$4,500	\$4,500	\$0	0.0%	\$4,500	\$1,883
46400	Forfeitures	\$1,500	\$1,500	\$0	0.0%	\$1,000	\$604
46500	Grant Reimbursements	\$26,500	\$26,000	\$500	1.9%	\$26,500	\$20,665
46600	Other Reimbursements	\$3,000	\$2,000	\$1,000	50.0%	\$3,000	\$3,162
TOTAL PROJECTED REVENUES		\$195,200	\$197,200	(\$2,000)	-1.0%	\$204,500	\$178,963
Expenses in Excess of Revenues		\$2,089,200	\$2,035,700	\$53,500	----		
PROJECTED COST TO MEMBER CITIES		\$2,089,200	\$2,035,700	\$53,500	2.6%		

SOUTH LAKE MINNETONKA POLICE DEPARTMENT

Historical Comparison - Contributions from Member Cities toward Operations

Years 2012 - 2003

Prepared by Chief Bryan Litsey - July 2012

Operating Budget - Year 2012		Excelsior	Greenwood	Shorewood	Tonka Bay	Reserves	Total	% Change Previous Year
JPA Percentage Contributions		28.0532%	8.4747%	48.4887%	14.9834%		100%	
Final Contributions		\$571,079	\$172,519	\$987,085	\$305,017		\$2,035,700	2.6%

The funding formula used to determine each member city's percentage contribution toward the operating budget is based on an arbitration ruling in 2006. Every five years the funding formula is subject to adjustment based on the criteria set forth in this ruling. The 2012 operating budget was the first time since the ruling took effect that the funding formula was subject to adjustment. An administrators group established by the Coordinating Committee worked on the reallocation formula that was subsequently sanctioned by the member cities and incorporated into the 2012 operating budget. The reset funding formula is not subject to change again until 2017.

The 2012 budget process had an additional challenge with the funding formula change factoring into the equation. The percentage share for Excelsior and Greenwood went up while the percentage share for Shorewood and Tonka Bay went down. Holding the overall budget increase to 2.6 percent softened this unfavorable condition for Excelsior and Greenwood. Helping to make this possible was the significant decrease in health insurance premiums for the first time in years. This was instrumental in reaching a favorable two-year (2012-2013) labor agreement with the union after the budget was adopted. On the downside, the continuing decline in state aid and other revenues increased the reliance on member city contributions to support operations.

Operating Budget - Year 2011		Excelsior	Greenwood	Shorewood	Tonka Bay	Reserves	Total	% Change Previous Year
JPA Percentage Contributions		27.0%	8.0%	50.0%	15.0%		100.0%	
Final Contributions		\$535,518	\$158,672	\$991,700	\$297,510		\$1,983,400	4.8%

The lackluster economy was still a consideration during the 2011 budget process. Salaries and benefits were the impetus behind much of the overall increase in expenses. The multi-year (2010-2011) labor agreement negotiated with union employees contained a base wage freeze for 2010 followed by a two (2) percent increase for 2011. This applied to non-union personnel as well. This coincided with additional pension and medicare costs tied to payroll, rate increases and eligibility requirements. Health insurance costs also went up significantly due to more employees opting for dependent coverage and a reopener in the union contract for 2011 that led to the employer contribution increasing as a result of notably higher rates. Declining revenues continued to be a factor, most notably state aid and investment income. Much of the burden for making up this loss revenue shifted to the member cities even though there were reductions on the expense side.

Contributions from Member Cities toward Operations
Continued - Page 2

Operating Budget - Year 2010	Excelsior	Greenwood	Shorewood	Tonka Bay	Reserves	Total	% Change Previous Year
JPA Percentage Contributions	27.0%	8.0%	50.0%	15.0%		100.0%	
Final Contributions	\$510,813	\$151,352	\$945,950	\$283,785		\$1,891,900	0.7%

The economic downturn significantly impacted the 2010 budget process. The approved budget was predicated on being able to negotiate a base wage freeze with union employees exclusive of step increases and other obligations. This was also the expectation concerning non-union personnel. This budget objective was subsequently achieved as part of the multi-year (2010-2011) labor agreement negotiated with union employees. These factors, coupled with reductions in other expenses, basically made for a flat budget. If not for the decline in revenues, most notably state aid, member city contributions would have actually gone down from the previous year.

Operating Budget - Year 2009	Excelsior	Greenwood	Shorewood	Tonka Bay	Reserves	Total	% Change Previous Year
JPA Percentage Contributions	27.0%	8.0%	50.0%	15.0%		100.0%	
Recommended Contributions <i>2009 Strategic Goals Included</i>	\$524,070	\$155,280	\$970,500	\$291,150		\$1,941,000	9.5%
Difference	\$17,037	\$5,048	\$31,550	\$9,465		\$63,100	3.5%
Final Contributions	\$507,033	\$150,232	\$938,950	\$281,685		\$1,877,900	6.0%

The arbitration process in 2006 settled the dissension that had lingered for several years over the formula used to determine each city's annual contribution to the operating budget. This paved the way for a renewed effort on the part of the Coordinating Committee to engage in strategic planning. Although the groundwork was laid in 2007, this effort kicked into high gear with the creation of a Strategic Planning Group (SPG) at the beginning of 2008. The SPG adopted an aggressive schedule so that their findings could be considered as part of the budget process for 2009. A three step approach was followed which included information gathering, defining the key issues and developing a plan. Through this process four strategic goals were identified as being critically important to the mission of the organization. Specific to the operating budget were phasing in additional police officers earmarked for the patrol division; increasing the overtime budget to help manage scheduling issues; and maintaining a sufficient fund balance in order to keep pace with technology. A corresponding five-year budget projection was developed to show the financial implications of implementing these strategic goals. The operating budget proposal, which was endorsed by the Coordinating Committee and overwhelmingly supported by three of the four member City Councils, incorporated the strategic goals recommended for 2009. Nevertheless, it fell short of being adopted because one City Council lacked majority support for the proposal. Ultimately, an operating budget was adopted for 2009 absent any of the goals developed through the strategic planning process.

Contributions from Member Cities toward Operations
Continued - Page 3

Operating Budget - Year 2008	Excelsior	Greenwood	Shorewood	Tonka Bay	Reserves	Total	% Change Previous Year
JPA Percentage Contributions	27.0%	8.0%	50.0%	15.0%		100.0%	
Contributions Without CSO Option	\$466,263	\$138,152	\$863,450	\$259,035		\$1,726,900	5.8%
Difference	\$12,150	\$3,600	\$22,500	\$6,750		\$45,000	2.8%
Final Contributions With CSO Option	\$478,413	\$141,752	\$885,950	\$265,785		\$1,771,900	8.6%

The 2008 operating budget proposal contained an option for expanded community service officer (CSO) coverage. The figures above reflect the difference between these two budget scenarios. Ultimately, the budget with the CSO option was approved as part of a two step process. This allowed the SLMPD to take on animal control and other responsibilities for the member cities. Prior to this change, the member cities had contracted with other agencies for animal control service. By redirecting this money to the SLMPD, considerably better and expanded service was achieved for virtually the same or minimally higher cost to member cities.

Operating Budget - Year 2007	Excelsior	Greenwood	Shorewood	Tonka Bay	Reserves	Total	% Change Reset 2006 Baseline
JPA Percentage Contributions Pursuant to Arbitration Ruling (1)	27.0%	8.0%	50.0%	15.0%		100.0%	
Reset 2006 Baseline Amount (2)						\$1,556,100	N/A
Final Contributions	\$440,512	\$130,522	\$815,762	\$244,729		\$1,631,525	4.8%

(1) The Fourth Amendment to the Joint Powers Agreement, which was ratified in 2006, ended the stalemate over the percentage share each member city contributes toward the operating budget. This dispute, which had plagued the budget process since 2003, was resolved by an arbitration panel and their findings of fact and order was filed in June of 2006. Their ruling established new percentages for each member city starting in 2007, which are subject to review and adjustment every five years based on predetermined criteria. These new percentages are reflected above.

(2) The Fourth Amendment to the Joint Powers Agreement also reset the baseline for determining each member city's share of the operating budget in 2007. This number normally represents the cumulative total of what the member cities contributed toward the operating budget the previous year. Although this came to \$1,517,051 for 2006, there was a one time exception whereby this number increased to what it would have been if the operating budget had been fully funded in 2006. This brought the baseline up to \$1,556,100, which became the new starting point for 2007.

**Contributions from Member Cities toward Operations
Continued - Page 4**

Operating Budget - Year 2006	Excelsior	Greenwood	Shorewood	Tonka Bay	Reserves	Total	% Change Previous Year
JPA Percentage Contributions	29.5%	8.5%	46.0%	16.0%		100.0%	
Recommended Contributions	\$459,050	\$132,269	\$715,806	\$248,976		\$1,556,100	3.7%
No Increase Scenario	\$400,000	\$115,254	\$623,729	\$216,949		\$1,355,932	0.0%
Difference	\$59,050	\$17,015	\$92,077	\$32,027		\$200,168	
Additional Voluntary Contributions	\$20,000	\$17,015	\$92,077	\$32,027		\$161,119	
Final Contributions	\$420,000	\$132,269	\$715,806	\$248,976		\$1,517,051	1.1%
Adjusted Budget Percentages	27.7%	8.7%	47.2%	16.4%		100.0%	

Operating Budget - Year 2005	Excelsior	Greenwood	Shorewood	Tonka Bay	Reserves	Total	% Change Previous Year
JPA Percentage Contributions	29.5%	8.5%	46.0%	16.0%		100.0%	
Recommended Contributions	\$442,559	\$127,517	\$690,092	\$240,032		\$1,500,200	4.1%
No Increase Scenario	\$400,000	\$115,254	\$623,729	\$216,949		\$1,355,932	0.0%
Difference	\$42,559	\$12,263	\$66,363	\$23,083		\$144,268	
Additional Voluntary Contributions	\$0	\$17,394	\$94,132	\$32,742		\$144,268	
Final Contributions	\$400,000	\$132,648	\$717,861	\$249,691		\$1,500,200	5.9%
Adjusted Budget Percentages	26.7%	8.8%	47.9%	16.6%		100.0%	

Operating Budget - Year 2004	Excelsior	Greenwood	Shorewood	Tonka Bay	Reserves	Total	% Change Previous Year
JPA Percentage Contributions	29.5%	8.5%	46.0%	16.0%		100.0%	
Recommended Contributions	\$425,154	\$122,502	\$662,952	\$230,592		\$1,441,200	6.3%
No Increase Scenario	\$400,000	\$115,254	\$623,729	\$216,949		\$1,355,932	0.0%
Difference	\$25,154	\$7,248	\$39,223	\$13,643		\$85,268	
Additional Voluntary Contributions	\$0	\$7,248	\$39,223	\$13,643		\$60,114	
Final Contributions	\$400,000	\$122,502	\$662,952	\$230,592		\$1,416,046	4.4%
Adjusted Budget Percentages	28.2%	8.7%	46.8%	16.3%		100.0%	

Contributions from Member Cities toward Operations
Continued - Page 5

Operating Budget - Year 2003	Excelsior	Greenwood	Shorewood	Tonka Bay	Reserves	Total	% Change Previous Year
JPA Percentage Contributions	29.5%	8.5%	46.0%	16.0%		100.0%	
Recommended Contributions	\$409,254	\$117,920	\$638,158	\$221,968		\$1,387,300	6.5%
Final Contributions	\$400,000	\$115,254	\$623,729	\$216,949		\$1,355,932	4.1%
Difference	\$9,254	\$2,666	\$14,429	\$5,019	\$31,368	Difference Made Up With Reserve Funds	



2013 OPERATING BUDGET PROPOSAL

Detailed Line Item Narrative

Prepared by Chief Bryan Litsey

Coordinating Committee Meeting - July 18, 2012

PROJECTED EXPENSES

50100 - SALARIES - FULL-TIME

This line item includes full-time salaries for union and non-union personnel. Due to current economic considerations, no additional full-time positions have been factored into this category. Nevertheless, the current level of police officer staffing remains insufficient as reinforced through the last strategic planning process and subsequent budget proposals. Expenses attributed to this category take into account the department's current complement of full-time positions, step increases within the salary schedule, longevity and incentive pay, additional detective and sergeant pay and adjustments based on market trends and job responsibilities. These factors, coupled with the already approved base wage increase of 1.25 percent for union and most non-union personnel, account for the increase to this category.

50200 - SALARIES - GENERAL OVERTIME

This line item is for overtime paid by the department to personnel working in excess of their regularly scheduled shifts, working on holidays, call-outs for special circumstances and filling gaps in the schedule due to sickness, injuries, earned time off, vacant positions, etc. Staffing and activity levels are uncontrollable variables that impact overtime throughout the year. Eligible employees have the option of taking general overtime as pay or banking it as compensatory time not to exceed 50 hours at any given time. Not knowing in advance what the breakdown will be presents a unique challenge when preparing the budget. The budgeted amount needs to be sufficient enough to absorb shifts in employee preference between pay and compensatory time. There is a slight reduction in the amount allocated to this category based on current employee preferences and past trends.

50230 - SALARIES - REIMBURSED OVERTIME

Overtime paid under this line item is offset by revenue received for services. It includes court appearances, educational programs in the schools, policing special events, security details and various enforcement grants. The amount budgeted is an estimate based on past history and any new requests for services. Although subject to variances, increases or decreases in expenses proportionately changes revenues thus having no adverse effect on the budget. Each member city is responsible for reimbursing the department for court appearances attributed to incidents within their city. Providing educational programs in the schools such as the highly popular CounterAct program is funded through the Minnetonka School District. There are a number of reoccurring events throughout the year in which the event sponsors pay for an additional police presence. These include Art on the Lake, Fourth of July,

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Lake Minnetonka Triathlon, Tour de Tonka and Pond Hockey. Special details under this category include the innovative and very successful partner arrangement with Maynard's Restaurant and BayView Event Center/Bayside Grille. These popular lakeside establishments pay to have an additional police presence on weekend evenings during the busier summer months. It is anticipated this partnership arrangement will be renewed in 2013 for a seventh consecutive year. The reimbursable costs associated with policing the aforementioned activities is reflected under revenues. Other details include the Toward Zero Deaths traffic enforcement grant through the Minnesota Department of Public Safety. The SLMPD is among a group of law enforcement agencies in western Hennepin County collectively receiving funding through this grant. It combines what used to be a number of separate enforcement programs under one umbrella, including Safe & Sober and Operation NightCAP. Continued funding for the Western Hennepin group is expected to be approved and includes additional enforcement hours for the SLMPD in 2013. The corresponding increase to this category is offset on the revenue side with additional funding through the grant.

50300 - SALARIES - PART-TIME

This line item includes part-time salaries for non-union personnel. Expenses attributed to this category take into account the department's current complement of part-time positions, tenure of personnel within these positions and movement within the salary schedule. With the exception of certain seasonal positions, the remainder of personnel under this category will receive a base wage increase of 1.25 percent in 2013. The recent switch to using part-time community service officers in the front office in place of an office specialist position helps offset this increase due to a lower pay scale. It is important to note that included under this category are the seasonal positions associated with providing park and dock patrol services to the City of Excelsior. The cost of providing these services is paid by the City of Excelsior and is reflected as such under revenues.

50500 - SOCIAL SECURITY & MEDICARE

This line item includes the required employer contributions for those personnel covered under the federally mandated Social Security and Medicare Programs. Although rates for both programs are expected to remain the same in 2013, two other factors contribute to the increase under this category. First, as payroll increases so does the base from which these calculations are made as a percentage of salaries. Second, police officers used to be exempt from both Social Security and Medicare. This has since changed so that Medicare now applies. Therefore, as exempt police officers retire the department is required to make Medicare contributions on behalf of their replacements.

50600 - PERA PENSIONS

This line item includes the required employer contributions for those personnel covered under the state mandated Public Employees Retirement Association (PERA). Contribution amounts are calculated as

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a percentage of salaries based on the prevailing rates at the time. Eligible police officers are covered under the Police and Fire Plan and eligible civilian personnel are covered under the Coordinated Plan. Contribution rates are expected to remain status quo for both plans. The increase to this category is attributed to a larger payroll in 2013.

50700 - INSURANCE BENEFITS

This line item includes the employer contribution toward health, life and supplemental insurance for eligible personnel. The majority of expense under this category is for health insurance. The SLMPD is part of a consortium of local governmental agencies that collectively negotiate with health insurance providers to obtain comprehensive coverage at competitive rates. This alliance is called the LOGIS Health Care Group, which is managed by Gallagher Benefit Services, Inc. One proactive way the group has been trying to lower costs is educating employees on the potential cost savings that can be derived when switching from a traditional plan to a high deductible plan with a companion health savings account (HSA). The SLMPD has been in the forefront of this effort, both in educating employees and negotiating with the union to make the HSA plan more appealing in the labor agreement. The previous contract with HealthPartners expired at the end of 2011 and went out for bids in the spring of that year. After an extensive bidding and screening process, Blue Cross and Blue Shield of Minnesota was selected as the new insurance carrier for the LOGIS Health Care Group. The new contract reverses years of premium increases by offering a premium decrease in 2012 of between 17 and 20 percent depending on the plan selected. Additionally, the rate caps keep premiums under 2011 levels until at least 2015. This played a significant role in being able to negotiate a favorable labor agreement with union employees for 2012-2013 in which there is no increase in the employer contribution toward health insurance benefits. This also applies to non-union employees receiving the same health insurance benefits. Nevertheless, there is a modest increase to this category to account for employees within the SLMPD group switching from single to dependent coverage, the latter of which requires a larger employer contribution.

51000 - CONTRACTED SERVICES

This line item takes into account a number of professional services that are utilized as part of operations. These include the general legal counsel for departmental affairs; specialized labor attorney for union negotiations and other personnel matters; annual audit and other financial services; interpreters to communicate with non-English speaking victims, witnesses and suspects; pre-employment medical and psychological examinations for personnel hired during the year; emergency veterinary care for sick/injured animals; and fees associated with payroll and other financial transactions. One of the challenges is trying to estimate in advance the extent to which these services will be needed and the corresponding costs. Budgeted amounts have historically not kept pace with the growing demand for these services spurred by additional mandates and specialized needs. Recent budgets have addressed this disparity by raising the baseline to a level that allows this category to remain status quo for 2013.

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52100 - EQUIPMENT LEASES

This line item includes lease and maintenance agreements for such things as connecting to the state criminal justice information system (CJIS), postage meter and document processing equipment. The most significant expense under this category is the annual transfer made to the Technology Fund. Please refer to the "Funds Supporting Operations" section of this proposal for a more detailed explanation of this fund. The current transfer amount will be incrementally increased over a five-year period (2013-2017) to support the approved changeover to a new records management system. This is the sole reason for the increase to this category.

52200 - REPAIRS & MAINTENANCE

This line item covers the repair of office equipment and furniture, preventative building maintenance, vehicle repairs, support for technology and calibrating specialized equipment. Critical building components are protected by maintenance agreements that are renegotiated periodically to receive the best value. Most of the building maintenance is a shared expense with the Excelsior Fire District. Vehicle maintenance is the most significant expense under this category. It is important that our fleet of vehicles be maintained in top-notch condition given the reliance placed on them for emergency response. Maintaining a reliable computer network requires technical support along with a number of user/maintenance agreements. As dependence on technology increases so does the expense of keeping it operational. Other items include the cost of calibrating specialized equipment such as speed measuring devices. There is also a nominal contribution to the Firearms Range Fund. Please refer to the "Funds Supporting Operations" section of this proposal for a more detailed explanation of this fund. A new expense under this category is the cost of car washes, which were previously provided for free through a now defunct gas station. This accounts for the increase to this category.

52300 - UTILITIES

The majority of expenses under this line item are associated with the public safety facility that serves as headquarters for the SLMPD and the Excelsior Fire District. Shared costs include phone service, high speed data connections, electricity, natural gas, water, sewer, waste removal and fire alarm monitoring/maintenance. Electricity and natural gas costs represent the most significant shared expense under this category. Several years ago a controls expert was brought in to fine-tune the heating/cooling system for maximum efficiency. Since that time there has been a sustainable reduction in natural gas usage. Subsequent budgets did not fully reflect the corresponding cost savings until there was a reasonable degree of certainty that the adjustment to the controls was the primary reason for the reduction and not weather or some other anomaly. A number of factors are taken into account when budgeting for electricity and natural gas costs. Past costs is a helpful indicator in predicting future costs, especially with an experience factor of more than eight years in the building. Less predictable variables include the volatility in pricing for electricity and natural gas along with the impact of weather. The

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amount budgeted for these expenses has been tweaked to the point where in 2011 the annual cost of electricity was over the budgeted amount and near even for natural gas. A similar scenario seems likely for 2012, although the unseasonably warm first quarter of the year kept heating costs down. A modest increase has been factored into this category for both electricity and natural gas in order to keep pace with rising costs. Noteworthy savings have been realized by renegotiating government contracts with the providers used by the SLMPD for telecommunications and cellular service. This has helped keep costs down in this category while receiving the same or better service.

52400 - JANITORIAL & CLEANING

This line item includes janitorial and carpet cleaning services. Janitorial service for the police side of the facility is the most significant expense under this category. The current janitorial arrangement not only provides good service at a competitive price, but also addresses the privacy and security concerns unique to police operations. Carpet cleaning is normally performed twice a year unless conditions warrant otherwise. There is no increase to this category due to the janitorial service agreeing not to raise fees in 2013.

52500 - PRINTING & PUBLISHING

This line item includes printing costs for letterhead, envelopes, business cards, forms, citations and warning notices. The changeover to ticket writer technology in the patrol vehicles requires special thermal paper for the mobile printers. This new expense is partially offset by the reduced number of traditional citation booklets that will need to be purchased for handwriting violations in the field and/or when the ticket writer application is offline. Cost reductions previously factored into this category include posting most personnel vacancies and notices online rather than in the newspaper. Accessing professional and legal resources online saves the expense of having to purchase these publications. This category remains unchanged for 2013.

52800 - CARE OF PERSONS

This line item includes caring for detainees while being held at the SLMPD detention facility. This is a nominal expense since most detainees are either booked and released from the SLMPD detention facility or transported to the Hennepin County Adult Detention Center. This category is also used to track jail booking fees assessed by Hennepin County, which are offset through reimbursement from the member cities.

53000 - SUPPLIES

This comprehensive line item includes gasoline for vehicles in the fleet, diesel fuel for the emergency generator at the public safety facility, vehicle supplies, educational materials, ammunition, first aid

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supplies, recording supplies, drug testing kits, small equipment, office supplies, meeting expenses and other miscellaneous items necessary for department operations. There is an offset under revenues for the educational materials used by the police officer(s) instructing the CounterAct Program at the local elementary schools. Motor fuels (gasoline) represent the greatest expense under this category. The price has been trending upwards since 2009 and within the last year has peaked near \$4.00 per gallon. Revisions made to the 2011 operating budget accounted for some of the increase by moving \$6,000 from the undesignated allocation category to motor fuels, which is a subcategory under this category. This additional amount allocated to motor fuels in 2011 became the new baseline for the 2012 budget. This was still not enough to support gasoline prices nearing \$4.00 per gallon at the time the 2012 budget was being prepared. This meant having to budget even more for motor fuels in 2012. Projecting where gasoline prices are heading for 2013 is a formidable challenge given the recent spike in gasoline prices and the volatility of this commodity on the world market. The benchmark being used for 2013 is an average annual price of \$3.90 per gallon. For budgeting purposes, the actual figure is \$3.72 per gallon due to the fact that the SLMPD is exempt from the federal excise tax of 18.4 cents per gallon. This average price is then applied to the 12,700 gallons of gasoline the vehicle fleet is projected to consume during the course of 2013. All this adds up to a needed increase in the amount budgeted for motor fuels in 2013.

54000 - UNIFORMS & GEAR

This line item includes uniforms and gear for department personnel along with applicable clothing and equipment allowances. In recent years, the expansion of the community service officer program and the formation of an emergency response unit have increased expenses. This category also absorbs the considerable expense of outfitting new personnel, which is not always known at the time the budget is prepared. State and federal reimbursement is generally available when purchasing body armor for licensed police officers. Costs associated with outfitting seasonal personnel working the park and dock patrol detail are reimbursed by the City of Excelsior. There is a nominal increase to this category to account for rising vendor prices.

54500 - TRAINING & CONFERENCES

This line item must accommodate the training needs of both full-time and part-time personnel. Staff development is critically important to the professionalism of the organization, effectiveness within the community, officer and public safety, and the retention of personnel. There can also be significant legal ramifications for failure to adequately train and supervise personnel. Training needs and costs are continually increasing due to mandates, changing technology, specialization, organizational changes and personnel replacements. Although the state provides some training reimbursement, it covers only a fraction of the overall cost each year. A new expense added to this category in 2012 is an online training program called PATROL (Police Accredited Training Online). Through PATROL, officers are able to access monthly web-based courses on current legal issues and important topics relevant to

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Minnesota law enforcement. This cost-effective, but added training expense was not contemplated in the 2012 operating budget when it was adopted. This put an additional strain on what was already an underfunded expense category in need of an infusion. This was addressed by the Coordinating Committee as part of approving revisions to the 2012 operating budget. One of these revisions moved \$2,800 from the undesignated allocation category to the training category bringing the total to a more appropriate level. This new baseline for training expenses has been carried over to the 2013 operating budget with no additional increase.

56000 - INSURANCE

The amount allocated to this line item is transferred to the Insurance Fund. Premiums are paid out of this fund for liability, property and workers' compensation coverage through the League of Minnesota Cities Insurance Trust (LMCIT). It also provides a means for absorbing higher deductibles and self-insuring against smaller claims. Please refer to the "Funds Supporting Operations" section of this proposal for a more detailed explanation of this fund. The transfer amount needed to be increased in 2010 due to a dwindling fund balance. Maintaining this higher transfer amount in 2011 and 2012, coupled with some favorable insurance dividends, has restored the health of the fund. This allows for a modest reduction in the transfer amount for 2013.

56100 - SUBSCRIPTIONS & MEMBERSHIPS

This line item includes subscriptions to periodicals as well as memberships in civic and professional organizations. Also included under this category is the contractual expense of activating and renewing police officer licenses through the Minnesota Board of Peace Officer Standards and Training. There is a modest increase to this category to account for the expanding number of professional memberships and rising costs.

57000 - SPECIAL PROJECTS

This line item includes membership in the Southwest Metro Drug Task Force, subscriber fee for the services provided by CornerHouse, annual transfer to the Designated Reserve Officer Fund and annual contribution to the Lake Minnetonka Emergency Response Unit (ERU). The SLMPD is a charter member of the Southwest Metro Drug Task Force dating back to the 1980s. It is funded through contributions from member law enforcement agencies supplemented by grant money and proceeds seized through forfeitures. Once again, there is no anticipated increase in member contributions for 2013. CornerHouse is a highly regarded child abuse evaluation and training center. The SLMPD utilizes CornerHouse to conduct forensic interviews and medical examinations of children who have reportedly been sexually and/or physically abused. A nominal increase in the subscriber fee is anticipated for 2013. In accordance with the schedule adopted by the Coordinating Committee, the 2013 transfer to the Reserve Officer Fund increases by \$200. Please refer to the "Funds Supporting

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Operations” section of this proposal for a more detailed explanation of the Reserve Officer Fund. A newer addition to this category is the annual fee that the SLMPD and other member law enforcement agencies contribute to the Lake Minnetonka Area Emergency Response Unit.

58000 - CAPITAL OUTLAY

The amount appropriated to this line item is earmarked for two capital funds. These are the Vehicle Fund and the Equipment Fund. Please refer to the “Funds Supporting Operations” section of this proposal for a more detailed explanation of these two funds. Nearly the entire amount under this category is transferred to the Vehicle Fund. This fund is utilized to purchase, equip and setup vehicles as part of a fleet rotation plan. In recent years, the amount transferred to this fund has lagged well behind what is needed to sustain a conservative fleet rotation schedule. A short-term fix was taken in 2010 to address this issue by using proceeds in the DWI Forfeiture Fund to acquire and outfit one of the two patrol vehicles purchased that year. It was understood at the time, however, that relying on an unpredictable funding source was not a good long-term strategy. More recently, this funding shortfall has been exacerbated by Chevrolet and Ford following the lead of Dodge in introducing a new generation of police vehicles. Not only are they more costly, but much of the equipment in existing police vehicles is not compatible with the newer models. This means for the next several years there will be an additional cost to outfit new police vehicles. It was once again noted during the 2012 budget process that the amount being transferred into the Vehicle Fund needs to be incrementally increased in future budget years in order to support a realistic fleet replacement schedule. The increase factored into the 2012 budget was still approximately \$21,000 short of what is needed annually. Great strides were made in addressing this shortfall after revisions to the 2012 operating budget were approved by the Coordinating Committee. One of these revisions moved \$14,000 from the undesignated allocation category to the capital outlay category to supplement the \$52,000 already transferred to the Vehicle Fund. This new transfer amount of \$66,000 raised the baseline for 2013. However, it is still short of the goal even with an additional \$2,000 being budgeted toward capital outlay in 2013.

59000 - UNDESIGNATED ALLOCATION

This line item was first incorporated into the 2011 budget process. The amount allocated to this category is based on what will likely be needed for those expense items still pending at the time the budget is prepared. This normally involves salaries and/or benefits that have yet to be negotiated for the following budget year. Since this has already been established for 2013, and there are no other pending operational costs anticipated at this time, nothing has been allocated to this category.



2013 OPERATING BUDGET PROPOSAL

Detailed Line Item Narrative

Prepared by Chief Bryan Litsey

Coordinating Committee Meeting - July 18, 2012

PROJECTED REVENUES

(Excluding Required Contributions from Member Cities)

40110 - COURT OVERTIME

Each member city is responsible for reimbursing the department for court appearances attributed to incidents within their respective jurisdiction. Court appearances stemming from mutual aid assistance to other law enforcement agencies are not eligible for reimbursement. Court overtime varies from year-to-year and the amount reflected under this category is an estimate based upon past experience. It is important to note that fine revenues generated by SLMPD enforcement efforts goes directly to the member city in which the violation occurred.

40120 - EXCELSIOR PARK & DOCK PATROL

The SLMPD has a longstanding tradition of providing park and dock patrol services for the City of Excelsior during the busier summer months. The primary objective is to provide for the safe and orderly use of the Commons Park and Port of Excelsior along with the security of the adjacent neighborhoods and business district. Personnel working this seasonal part-time detail are classified as either a park police officer, which requires state licensure as a police officer, or a park service officer, which is a civilian position with more limited authority. The schedule normally spans between Memorial and Labor Day weekends with staffing concentrated on weekday evenings and weekends. The City of Excelsior reimburses the SLMPD for actual personnel costs associated with this detail along with an administration fee.

42100 - STATE POLICE OFFICER AID

State police officer aid is the largest revenue source for the SLMPD other than member city contributions. This annual payment from the Minnesota Department of Revenue is based upon the number of full-time licensed police officers employed by an agency for the required period of time. It is funded through a surcharge on auto insurance premiums and the amount of the reimbursement is determined on a per officer basis not to exceed what the employer collectively contributed the previous year toward police pensions (PERA Police & Fire Fund). Historically, the amount collected from the insurance surcharge has been enough so that the SLMPD has been fully reimbursed for the previous year's contribution to police pensions. Unfortunately, what was once a reliable source of revenue has been on the decline since 2008. This can be attributed in part to the downturn in the economy with less revenue being generated from the auto insurance surcharge and mandated increases in the employer

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contribution toward police pensions to keep the fund solvent. 2011 marked the fourth consecutive year in which there has been a significant shortfall between what the SLMPD contributed toward police pensions the previous year and the amount received from state police officer aid. To counter this shortfall, the SLMPD has been reducing its reliance on this revenue source to support operations at the expense of the member cities. This practice has incrementally closed the gap between actual and budget amounts, although it will likely take another year or more until parity is achieved.

42200 - STATE TRAINING REIMBURSEMENT

On an annual basis, the Minnesota Board of Peace Officer Standards and Training (POST) provides reimbursement to local units of government to help defray some of the costs associated with training their respective police officers. The amount of reimbursement is contingent upon how much funding has been appropriated by the legislature divided by the number of eligible officers. The SLMPD submits an application each year to receive this reimbursement. Even though training has become more costly, the amount received in reimbursement has declined the last several years with the exception of 2011. This reimbursement only represents a small portion of the training costs when factoring in salaries, registration fees, etc. For example, during the last reimbursement cycle (July 1, 2010 to June 30, 2011), the cumulative training costs for those SLMPD personnel satisfying the eligibility requirements came to nearly \$50,000.

43100 - MINNETONKA SCHOOL DISTRICT

Funding available through the Minnetonka School District makes it possible for the South Lake Minnetonka Police Department to be part of the educational experience for area students. Most notable is the CounterAct Program for elementary age students. CounterAct is an interactive skill-based curriculum that is taught by police officers in the classroom. It enables students to make positive choices and resist pressures to engage in risky and undesirable behaviors. The focus is on preventing children from turning to alcohol, drugs and violence as a way to solve problems and/or gain acceptance among their peers. The funding amount is expected to remain the same for 2013.

43200 - ADMINISTRATIVE REQUESTS

This category includes the revenue received from requests for information and other services. Records are an important internal function of the SLMPD and data requests are received from the public on a daily basis. These include the thousands of reports, photographs and audio/visual recordings generated from medicals, accidents, criminal activity and other requests for service. Revenue from accommodating these requests has been down ever since the state imposed limits on how much could be charged. However, this is more than offset by the increase in revenue generated from accommodating fingerprint requests for employment, adoption and other non-criminal related purposes. Demand for this service continues to be high at a time when fewer law enforcement agencies are

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offering this service for even their own residents. The SLMPD has seized this opportunity to expand its market share by incorporating this service into the many other duties performed by the community service officers. This service is particularly appealing to the public since it is available on evenings and weekends. Processing fingerprint requests is also made easier by the inkless electronic fingerprinting equipment the department was able to obtain through a grant.

43400 - SPECIAL POLICING DETAILS

This category includes additional policing requests over and above the services normally provided by the department. These extra policing requests are billed at rates determined annually with personnel working these details being paid in accordance with their overtime rates. The number of requests vary from year-to-year. The estimated amount in this category is subject to fluctuation, but there is no adverse net effect on the budget since costs incurred are reimbursed by the business, organization, etc. contracting for the service. Fourth of July and Art on the Lake are two of the more high profile events in which sponsors pay for an additional police presence. Other events include the Pond Hockey Tournament, Lake Minnetonka Half Marathon, Lake Minnetonka Triathlon, Tour de Tonka, Excelsior Firefighters Relief Association Dance and Minnetonka High School Homecoming Parade. One of the more innovative and very successful partnership arrangements with the private sector has been the special policing detail underwritten by Maynard's Restaurant and BayView Event Center/Bayside Grille. These popular lakeside establishments pay to have an additional police presence on weekend evenings during the busier summer months. The SLMPD initiated this pilot project back in 2007 and it has been continued ever since. It is anticipated this partnership arrangement will be renewed in 2013 for a seventh consecutive year.

44000 - INVESTMENT INCOME

The SLMPD has traditionally taken a conservative approach with its financial deposits and investment strategies. The authorized financial institutions are locally based Beacon Bank and the 4M Fund (Minnesota Municipal Money Market Fund) sponsored and governed by the League of Minnesota Cities. This past year staff conducted a review of investment practices and options at the direction of the Coordinating Committee. The goal was to achieve a better return on investments even with interest rates remaining at historically low levels. A meeting held with Beacon Bank representatives in June 2011 set the stage for a closer partnership in managing SLMPD deposits at their financial institution. Immediate changes included converting operational and debt service savings accounts to a new investment opportunity at the bank. These internal transfers at the time resulted in more than twice the rate of return while still maintaining liquidity. The next phase of this renewed investment strategy took place in January 2012. This led to funds being transferred from the 4M Fund (Minnesota Municipal Money Market Fund) to a higher yielding CD (Certificate of Deposit) being offered through Beacon Bank. This maintains an adequate amount of money in reserve to provide financial backing for accrued liabilities and unforeseen expenses while offering liquidity and a better rate of return. Already in 2012

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investment income has surpassed each of the past two years (2010-2011) and is on pace to exceed budget projections for this year if there is no decline in interest rates. Staff continues to keep a watchful eye on SLMPD investments in order to maximize the rate of return while adhering to fiscally sound practices.

46400 - FORFEITURES

This reflects unanticipated revenue from forfeitures not accounted for elsewhere. It is subject to extreme fluctuations and in some years there is nothing to report under this category. Proceeds from the sale of vehicles forfeited under the impaired driving laws are not reflected in this category. This money goes directly into the DWI Forfeiture Fund administered in accordance with state guidelines. Please refer to the "Funds Supporting Operations" section of this proposal for a more detailed explanation of this fund. Drug related forfeitures usually stem from enforcement activities through the Southwest Metro Drug Task Force (SWMDTF) of which the SLMPD is a charter member. The proceeds from these forfeitures remain with the SWMDTF to support operations and to keep member contributions extremely low. In fact, member contributions have not gone up for years, even though the primary grant used to fund operations has steadily gone down.

46500 - GRANT REIMBURSEMENTS

Most of the reimbursement under this category is for a special enforcement grant. One exception is the health insurance reimbursement program for police officers disabled in the line of duty. Minnesota Statue 299A.465 requires the employer of a police officer disabled in the line of duty to provide the same health insurance benefits as if the disabled officer was actively employed. This includes the disabled officer's dependents as well. The SLMPD currently has one former police officer who qualifies for this ongoing benefit until reaching medicare eligibility. This obligation is accounted for in the budget each year under health insurance costs. The state provides partial reimbursement to help defray the cost of complying with this law, but the amount has been steadily declining. During the last reimbursement cycle (July 1, 2010 to June 30, 2011) the SLMPD received only \$4,971 (37%) of the \$13,506 it contributed toward health insurance on behalf of this disabled officer. The special enforcement grant under this category is Toward Zero Deaths. The SLMPD is among a group of law enforcement agencies in western Hennepin County collectively receiving funding through this shared grant. This federal funding, administered through Office of Traffic Safety, allows participants to conduct high-visibility traffic enforcement in their region. Toward Zero Deaths combines what used to be a number of separate enforcement programs under one umbrella, including Safe & Sober and Operation NightCAP. Continued funding for the Western Hennepin group is expected to be approved soon and includes additional enforcement hours for the SLMPD in 2013. The net effect on the budget is neutral, since this additional overtime expense is offset by the additional funding available through the grant.

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46600 - OTHER REIMBURSEMENTS

Included under this category are the animal boarding fees collected for kenneling stray and/or dangerous dogs. The SLMPD first assumed responsibility for animal control as part of its expanded community service officer program implemented in 2008. Initially, there was an agreement in place with the Mound Police Department to board those dogs not retrieved by their owners within the first day of being impounded. The Mound Police Department discontinued providing this boarding option to other cities and thus the onus fell back on the SLMPD to manage this within the limits of two indoor kennels. The related fines collected on behalf of each member city are defined by ordinance and forwarded to each member city on a quarterly basis. Other miscellaneous reimbursements are also included under this category. Anticipated revenues from this category have been upgraded to more closely align with what actual collections have been.

2013 OPERATING BUDGET DETAILED PROPOSAL



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Funds Supporting Operations

Spreadsheets - Narrative

Prepared by Chief Bryan Litsey

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SOUTH LAKE MINNETONKA POLICE DEPARTMENT
2013 OPERATING BUDGET PROPOSAL - SPECIAL FUNDS
 Coordinating Committee Meeting - Wednesday, July 18, 2012

Assigned Funds	Audited Balances <i>December 31, 2011</i>	Audited Balances <i>December 31, 2010</i>
Insurance Fund	\$18,205	\$12,152
Vehicle Fund	\$58,991	\$28,514
Equipment Fund	\$6,391	\$16,080
Technology Fund	\$80,109	\$74,061
Building Fund	\$51,011	\$29,476
Reserve Officer Fund	\$9,712	\$5,024
Firearms Range Fund	\$179	\$3,227
Restricted Fund	Audited Balance <i>December 31, 2011</i>	Audited Balance <i>December 31, 2010</i>
DWI Forfeiture Fund	\$37,313	\$26,067

Unassigned-Reserve Fund	Audited Balance <i>December 31, 2011</i>
Unassigned-Reserve Fund - See Notation (1) <i>Approximately 8.8% of 2012 Operating Expenses</i>	\$195,605
	Unaudited Balance <i>May 9, 2012</i>
Balance After Approved Transfers - (May 2012) <i>Approximately 6.2% of 2012 Operating Expenses</i>	\$138,605



Unassigned-Reserve Fund
Undesignated-Reserve Fund - See Notation (2) Balance After Approved Transfer - (May 2011)



Audited Balances <i>December 31, 2010</i>
\$144,713
\$135,713

Notation (1): There was a net increase in the Unassigned-Reserve Fund as a result of favorable operations during 2011. This is reflected in the audit report completed by CPA Stuart Bonniwell for 2011. The balance in the Unassigned-Reserve Fund was approximately 8.8 percent of projected operating expenses for 2012. This was reduced to approximately 6.2 percent after the approved transfers to special funds. The remaining balance maintains a minimally acceptable level in which to support current and future operations, especially with the operating budget being so lean, volatility in gasoline prices and the uncertainty of state aid revenues.

Notation (2): There was a net increase in the Unassigned-Reserve Fund as a result of favorable operations during 2010. This is reflected in the audit report completed by CPA Stuart Bonniwell for 2010. The balance in the Unassigned-Reserve Fund was approximately 6.6 percent of projected operating expenses for 2010. This was reduced to approximately 6.2 percent after the approved transfer to a special revenue fund. This maintained a minimally acceptable level in the Undesignated-Reserve Fund to support current and future operations.

SOUTH LAKE MINNETONKA POLICE DEPARTMENT
2013 OPERATING BUDGET PROPOSAL

Coordinating Committee Meeting - Wednesday, July 18, 2012

PROPOSED TRANSFERS TO SPECIAL FUNDS

Line Item	Operating Budget Expenses		Transfer Amount	Special Funds
	Category	Sub-Category		
52100	Equipment Leases	Communications Records Management	\$20,000 \$4,000	Technology
52200	Repairs & Maintenance	Building Maintenance	\$1,200	Firearms Range
56000	Insurance	N/A	\$58,000	Insurance
57000	Special Projects	Reserve Unit	\$3,000	Reserve Officer
58000	Capital Outlay	Vehicle	\$68,000	Vehicle
58000	Capital Outlay	Equipment	\$2,000	Equipment
Total			\$156,200	

Prepared by Chief Bryan Litsey - July 2012



2013 OPERATING BUDGET

Funds Supporting Operations

Prepared by Chief Bryan Litsey

Coordinating Committee Meeting - July 18, 2012

INTRODUCTION

The South Lake Minnetonka Police Department (SLMPD) is responsible for managing its own fiscal affairs as a joint powers organization. This means it is necessary for the department to maintain a number of special revenue and capital funds to support the operating budget, which is financed primarily by member city contributions. Many of these funds are used to help with cash flow and to maintain consistency in the operating budget from year-to-year. All fund balances are subject to variances depending on when revenues, transfers and expenditures are received or made throughout the year. Most of the funds depend on operating budget transfers to maintain an adequate balance. This becomes problematic during periods when the operating budget is extremely lean and dependence on these funds increases. This can lead to inadequate fund balances that need to be made up in future years. Several funds have been in this predicament in recent years and have received supplemental funding from operating budget surpluses and budget revisions. This is explained in more detail under the corresponding categories below. This summary also provides an overview of each fund within the context of the overall financial management of the organization. The corresponding spreadsheets are a snapshot of the audited fund balances as of December 31, 2011 and the proposed operating budget transfers to these funds in 2013.

ASSIGNED FUNDS

Insurance Fund - This fund is used to manage insurance costs. Premiums are paid out of this fund for liability, property and workers' compensation insurance provided by the League of Minnesota Cities Insurance Trust (LMCIT). Maintaining this fund helps protect against the volatility in the insurance industry. It also provides a means for absorbing higher deductibles and self-insuring against smaller claims. The annual transfer to this fund from the operating budget had to be increased in 2010 to address a declining fund balance. This higher transfer amount was maintained in 2011 and 2012 in order to reach a more sustainable level. These efforts, coupled with some favorable insurance dividends along the way, have restored the health of the fund. The Insurance Fund is now in a position to absorb a modest decrease in the amount transferred from the operating budget in 2013.

Vehicle Fund - This fund is utilized to purchase, equip and set-up vehicles. It allows for a uniform replacement schedule for vehicles in the SLMPD fleet. Proceeds from the sale of vehicles go directly into this fund to help offset replacement costs. Vehicles in the patrol fleet are replaced more frequently than the vehicles used for other functions, given the high and rigorous number of miles put on patrol vehicles and their need to be in good condition for safety and reliability. In recent years, the amount transferred to this fund has lagged well behind what is needed to sustain this conservative fleet rotation

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schedule. A short-term fix was taken in 2010 to address this issue by using proceeds in the DWI Forfeiture Fund to acquire and outfit one of the two patrol vehicles purchased that year. It was understood at the time, however, that relying on an unpredictable funding source was not a good long-term strategy. More recently, this funding shortfall has been exacerbated by Chevrolet and Ford following the lead of Dodge in introducing a new generation of police vehicles. Not only are they more costly, but much of the equipment in existing department vehicles is not compatible with the newer models. This means for the next several years there will be an additional cost to outfit new police vehicles. It was once again noted during the 2012 budget process that the amount being transferred into the Vehicle Fund needs to be incrementally increased in future budget years in order to support a realistic fleet replacement schedule. The increase factored into the 2012 budget was still approximately \$21,000 short of what is needed annually. Great strides were made in addressing this shortfall after revisions to the 2012 operating budget were approved by the Coordinating Committee. One of these revisions moved \$14,000 from the undesignated allocation category to the capital outlay category to supplement the \$52,000 already transferred to the Vehicle Fund. This revised transfer amount of \$66,000 raises the baseline for 2013. However, it is still short of the stated goal even with an additional \$2,000 being budgeted toward capital outlay in 2013.

Equipment Fund - This fund was established for the purchase and replacement of furnishings and other non-vehicle related equipment. Some of the fund uses have been shifted in recent years to the Technology Fund. Additionally, most of the furnishings were new when the SLMPD moved into its current facility thus lessening the dependency on this fund. Nevertheless, this fund is still being relied upon for a number of equipment needs. Annual transfers to this fund from the operating budget have been minimal in recent years due to budgetary constraints. This would have been more consequential if not for the resourcefulness of the department in securing other funding sources through grants and donations. One of the most reliable contributors has been the South Lake Minnetonka Crime Prevention and Criminal Apprehension Fund. This locally based nonprofit organization has contributed thousands of dollars toward equipment purchases. This fund received much needed support in May 2012 when the Coordinating Committee approved transferring \$5,000 in surplus year-end revenues to the Equipment Fund. This was needed to help manage the replacement of body armor (bullet-resistant vests) for licensed police officers on the department. The state and federal programs in place to help reimburse law enforcement agencies for this expense have been running into funding issues and the Equipment Fund is being used to bridge the gap. Once again, only a nominal transfer amount is being proposed for 2013.

Technology Fund - This fund supports the ever increasing role of technology in law enforcement. It was initially established in anticipation of the conversion by Hennepin County to a new 800 MHz radio system. It was realized that the department would have to absorb a considerable ongoing expense for the equipment needed to remain part of the county-wide system. Since then, the fund has taken on an expanded role both in acquiring new technologies and supporting a replacement schedule for those technologies that have reached the end of their useful life-span. This includes the mobile data

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computers, 800 MHz radios and video cameras in department vehicles; portable 800 MHz radios for department personnel; internal computer network interfaced with document processing and workstations; video surveillance system for building security and audio/visual recording equipment for evidentiary purposes; and card access system for secured areas. Replacement of the first generation of mobile data computers was recently completed. Next on the horizon is the replacement of the 800 MHz mobile radios in department vehicles and the handheld units carried by personnel. The timetable for replacing this equipment was extended by Hennepin County until 2013, even though the initial manufacturer recommendation was 2009. Once again, the SLMPD is looking at the lease to own option through Hennepin County to help preserve some needed capital. The long awaited changeover to a new records management system is scheduled to take place in 2013. Motorola's PremierOne Record Management System administered through LOGIS was selected after evaluating all the viable options. This additional expense will be incrementally absorbed into the operating budget over a five-year period (2013-2017) using supplemental funding from the Technology Fund. This strategy mitigates the net effect of the increase on the member cities and takes advantage of the preplanning that was done to have funding sources in place prior to implementation. The transfer amount to this fund in 2013 will increase according to the amortization schedule adopted for the new records management system. This fund has also received supplemental funding over the years from surplus operational revenues. This last occurred in May 2012 when the Coordinating Committee approved transferring \$17,000 in surplus revenues from the 2011 operating budget to the Technology Fund. This helps to maintain the long-term viability of this fund.

Building Fund - This fund was initially created to assist with capital costs associated with maintaining the former police station and to provide the financial means for exploring the option of a new shared facility with the Excelsior Fire District (EFD). It was later used to offset some of the costs associated with the SLMPD moving into its new shared facility with the EFD in January 2004. Since then, the fund has served primarily as a capital account for maintaining, repairing and improving the functionality of the facility. This use differs from what is factored into the operating budget each year for the routine maintenance and general upkeep of the building. This fund is not supported through operations, other than when there has been a transfer of surplus year-end revenues. It received a significant boost in 2011 after the Shorewood EDA identified unspent bond proceeds left in the construction fund for the public safety facility. The amount earmarked for the SLMPD was determined to be \$29,737.85. The Coordinating Committee approved transferring the entire amount to the Building Fund to help raise the balance to a more acceptable level. This was still well short of what was needed to meet the growing list of unbudgeted expenses attributed to maintaining and repairing the building infrastructure. Another significant boost came in May 2012, when the Coordinating Committee approved transferring \$35,000 in surplus year-end revenues to the Building Fund. Although this short-term approach has been helpful, it is not a reliable long-term strategy as the building ages. Numerous attempts to secure a more consistent and dependable funding source for the Building Fund have been unsuccessful to date. Another attempt is currently being explored by the SLMPD.

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Reserve Officer Fund - This fund was initially established to finance the appreciation banquet previously held each year for volunteer reserve officers. The use of this fund has been expanded in recent years to help cover the expense of equipping and training reserve officers. One of the funding sources was changed in 2009 at the direction of the Coordinating Committee. Member cities no longer contribute directly to this fund. Instead, this contribution now comes in the form of an annual transfer from the operating budget under the expense category of Special Projects. Other funding sources include the proceeds generated by the SLMPD auctioning seized and/or unclaimed property along with occasional grants and private donations. A more recent approach that has raised additional revenue is suggesting a voluntary donation be made to this fund if reserve officers help out with a special detail or event. This is now included on the invoice when the SLMPD bills for services connected with these types of activities. It is important to note that reserve officers are volunteers in the true sense of the word and receive no personal compensation. Having this fund is a nice way to show the members of this volunteer unit that they are appreciated and supported by the member cities.

Firearms Range Fund - This fund was created to help manage and track expenses relating to the operation and maintenance of the indoor firearms range. Some of the more costly items are maintaining the automated target system, cleaning the bullet trap and replacing the special filters that are part of the air exchange unit. This fund receives a nominal contribution each year from the operating budget along with the revenues generated from other law enforcement agencies renting the firearms range for training purposes.

RESTRICTED FUND

DWI Forfeiture Fund - Proceeds realized from the sale of vehicles seized by the SLMPD pursuant to the DWI forfeiture law must be distributed in accordance with state statute. The percentage that goes to the SLMPD is maintained in a dedicated account for ease of tracking as required by state guidelines. Expenditures from this fund are also regulated by state statute and must be related in some way to enhancing law enforcement efforts. This includes purchasing equipment that can aid in the detection and apprehension of people who are driving while impaired. This fund is intended to supplement, not replace normal budgetary items. It is not a prudent practice to use these proceeds to reduce the impact on the operating budget.

UNASSIGNED FUND

Reserve Fund - The budget process is not a perfect science and many costs are influenced by external factors that are not easily controlled. Additionally, when providing essential services to the public it is critical to have money in reserves for unknown contingencies. This fund provides the SLMPD with a marginally acceptable cushion against unanticipated expenses ranging from escalating fuel prices to investigating a major crime involving hundreds of hours of overtime. One important distinction, however, is that the SLMPD does not rely on money in reserves as extensively as a municipality to

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maintain its cash flow throughout the year. This is because unlike a municipality, which needs to maintain its cash flow between tax collections, the SLMPD receives the majority of its revenue through monthly payments from member cities. This provides a constant revenue stream throughout the year. The history has been to maintain in reserves the equivalent of between five and six percent of operating expenses as a standard financial practice. More recently, this has been increased to the six percent range due to the downturn in the economy along with the increased vulnerabilities and potential shortcomings in the budgets that have been adopted. One of the most notable concerns is the continuing decline in state police officer aid, which is the largest revenue item in the budget after member city contributions. It is prudent, therefore, to maintain this slightly higher reserve balance than what has previously been the case. Anything beyond this amount is considered discretionary in terms of its use. The current practice has been to shift any additional operational surplus to those special funds with insufficient balances and/or expanded uses. It is normally not advisable to offset operating expenses with reserves, being the temporary relief it provides will have to be made up in future budget years in addition to any other budgetary increases. This compounding effect can be difficult to overcome and can lead to future budget deficits. Transferring excess reserves to these special funds allows the SLMPD to better meet specific needs.