



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: June 21, 2013 - Friday

RE: Executive Briefing - 2014 Operating Budget

This is my fifteenth year of preparing and presenting a budget as the administrator-manager of 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 while meeting the policing challenges of the 21st century. This has been particularly demanding 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 member City Councils. Transparency during the budget process is essential and has been enhanced in recent years through an online feature added to the SLMPD web site. Interested individuals can now track the budget process and access downloadable budget information by going to www.southlakepd.com.

Entering the 2014 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 length of time it takes to fill the position, coupled with the new employee starting at a lower pay rate, results in a temporary reduction in payroll and other related expenses. Revisions to the budget after being adopted have also been beneficial. This occurs when pending expenses at the time the budget is prepared are not fully realized and can be transferred to other underfunded expense categories. The 2012 budget is the most recent example, when a more favorable labor agreement than anticipated was negotiated

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Prepared for Budget Work Session - June 26, 2013
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after the budget was approved. The savings were applied to two underfunded expense categories raising their respective baselines to more appropriate levels for 2013.

The 2014 budget process formally commenced at the Coordinating Committee Meeting held on May 21, 2013. This involved a preliminary look at budget considerations for the coming year guided by a PowerPoint presentation that was subsequently e-mailed to committee members and posted online at www.southlakepd.com. Since then, a comprehensive internal process has been followed in developing a workable budget for the Coordinating Committee to consider at the upcoming work session scheduled for June 26, 2013.

The intent of this briefing is to provide a snapshot of the more notable factors impacting operations in 2014. It is by no means all-inclusive and once the work session takes place a more comprehensive budget document will be assembled and presented at the Coordinating Committee Meeting scheduled for July 10, 2013.

PERSONNEL

Not unlike most service driven organizations, personnel related costs comprise the majority of SLMPD operating expenses. The collective bargaining agreement with union employees serves as the basis for determining labor costs. The current two-year agreement expires at the end of 2013 with formal negotiations not likely to commence until this fall. This requires a determination to be made beforehand on how much to budget in 2014 without the benefit of having a new labor agreement in place. It is important to note that the makeup of the SLMPD union membership is such that they are all considered essential employees (patrol officer, detective and sergeant job classifications). This means that binding arbitration replaces their right to strike if an impasse is reached during negotiations. Under such a scenario, the arbitrator would generally base the award on what similar labor groups have already settled for along with any extenuating circumstances. It has never reached this point during my tenure as chief of police and negotiations have always led to fair and equitable agreements.

The Coordinating Committee Negotiation Team, comprised of Committee Chair Deb Kind (Greenwood Mayor), Administrator Joe Kohlmann (Tonka Bay) and myself, met on June 18, 2013 to discuss how much additional compensation should be factored into the budget for 2014. The team concentrated on wages and health insurance, which are the big ticket items under labor costs. A determination was reached based on the data I had assembled, past practices and other relevant factors. This amount has been incorporated into the attached budget spreadsheet under the expense category called undesignated allocation.

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This category is used for those expense items still pending at the time the budget is prepared. Once labor costs are known for 2014, the appropriate amounts will be allocated to the corresponding expense categories in the budget. As previously noted, the 2012 budget was the last time this occurred and this process worked well.

The payroll related expense items in the attached budget spreadsheet reflect 2013 staffing levels and compensation rates adjusted for such things as movement within the salary schedule and anticipated employee changes in health insurance coverage. Also taken into account is the rate increase in the employer contribution toward police officer pensions mandated by the state. This is the Police and Fire Fund managed through the Public Employees Retirement Association (PERA). The current rate of 14.4 percent on salaries paid will increase to 15.3 percent on January 1, 2014. The remainder of employees eligible for a pension contribution are covered under the PERA Coordinated Plan. The employer contribution rate will remain the same for 2014 as will the rates for social security and medicare. Nevertheless, these categories will increase proportionately to any increases in wages, since the calculations are determined on a percentage of the base and not a fixed amount.

The only proposed staffing increase factored into the budget is under the category of part-time salaries, where an increase in community service officer hours is being proposed. The current average of 40 hours per week would be increased to 50 hours with staffing more heavily weighted toward the busier summer months. Although not a substitute for the need to add more police officers, it allows them to focus more on activities requiring the attention of a police officer during those periods when a community service officer is working. This is a cost-effective way to maximize the use of our existing complement of personnel.

SPECIAL POLICING DETAILS

In recent years there has been a significant uptick in the number of organizations and establishments within the SLMPD service area needing additional policing services for special events and details. These requests are administered, staffed and supervised through the SLMPD. Personnel working these details do so as employees of the SLMPD and are compensated accordingly. Organizations and establishments utilizing the services of the SLMPD are charged all-inclusive hourly rates for those personnel working these events and details based on their respective job classifications. These hourly rates are reviewed and adjusted annually so that the SLMPD is not providing a subsidy. The majority of these personnel costs are reported in the expense category of reimbursed overtime and are shown on the revenue side under special policing details. The 2014 budget reflects this ever-increasing demand for additional services.

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The SLMPD is among a group of law enforcement agencies in western Hennepin County that participate in a traffic safety grant through the Minnesota Department of Public Safety known as Toward Zero Deaths (TZD). The amount received from this grant is reported under revenues as grant reimbursements. Also included under this category is the partial reimbursement received through the state for providing health insurance for a former SLMPD police officer disabled in the line of duty. The majority of personnel expenses relating to TZD enforcement activities are reported under reimbursed overtime. The grant amount allotted to the SLMPD during the next funding cycle is expected to be more than what was budgeted for in 2013. This increase is reflected accordingly under the aforementioned categories.

TECHNOLOGY

Law enforcement is becoming increasingly dependent on technology and the SLMPD is no exception. Keeping pace with rapidly changing technology requires a continual financial commitment both in capital outlay and ongoing maintenance costs. A case in point is our recent capital investment in a new records management system purchased through the Law Enforcement Technology Group (LETG). With this technology comes new operating expenses that need to be accounted for in the budget. These include annual maintenance and support fees which were waived until 2014 as part of the initial agreement with LETG; annual hosting and support fees for the shared server now managed through LETG; and additional costs associated with increasing the capacity of the high speed voice/data connection to the public safety facility and mobile broadband in the squads. All total this amounts to nearly \$20,000 with some of these costs incrementally being absorbed into the budget through the use of special revenue-capital funds to help ease the initial impact. The corresponding expense categories in the budget affected by these increases are equipment leases; repairs and maintenance; and utilities.

The planned replacement of our Motorola 800 MHz radios in the vehicle fleet and handheld portables carried by the officers is scheduled to take place this fall. Although the initial timetable for replacing this equipment was 2009, Hennepin County agreed to continue maintaining this equipment for several more years as long as parts were available. However, the time has come to replace this equipment before it is no longer supported and officer safety becomes an issue. Once again, the SLMPD will be acquiring this new equipment through the lease to own option offered by Hennepin County to help preserve some much needed capital for other technology needs. A bit of good news is that the county is not charging interest this time around. This replacement cost has already been accounted for in the annual operating budget transfer to the technology fund under the expense category of equipment leases.

STATE PEACE OFFICER AID

State peace officer aid is the largest revenue item in the budget other than member city contributions. Each year the SLMPD applies for this aid through the Minnesota Department of Revenue. It is funded through a surcharge on auto insurance premiums and the amount of reimbursement is determined on a per officer basis not to exceed what the employer collectively contributed the previous year toward police pensions (PERA Police and Fire Fund). In the past, the amount collected from the surcharge has been enough so that the SLMPD has been fully reimbursed for the previous year's contribution toward police pensions. However, this once 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 surcharge and mandated increases in the employer contribution toward police pensions to keep the fund solvent. Last year marked the fifth 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 peace officer aid. To counter this trend, the SLMPD has been reducing its reliance on this revenue source to support operations. This practice has helped close the gap between actual and budget amounts, although parity has yet to be achieved. The projected revenue from this source in 2014 has once again been downgraded in the budget shifting even more of the financial responsibility to the member cities.

FUNDS SUPPORTING OPERATIONS

The SLMPD is responsible for managing its own fiscal affairs as a joint powers organization. Therefore, it is necessary to maintain a number of special revenue and capital funds to support the operating budget. 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 through the year. Many of the funds depend on operating budget transfers to maintain adequate balances. This becomes problematic during periods when the operating budget is extremely lean and dependence on these funds increases. As previously noted, a concerted effort was made to shore up those funds with declining fund balances. Both the insurance and vehicle funds were in this predicament.

The health of the insurance fund has been restored by increasing the annual transfer from the operating budget and receiving more favorable than expected insurance dividends. This has also allowed the SLMPD to increase some of the deductibles thereby lowering premium costs. Because of these factors, the budget reflects a modest decrease in the amount being transferred to the insurance fund for a second consecutive year. The reduction would have

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been more if not for the anticipated premium increases for municipal liability and workers compensation coverage. The latter of these will be impacted by a prolonged workers compensation claim that was recently resolved, but will go against our experience rate in calculating future premiums.

The health of the vehicle fund has improved considerably with the annual transfer amount under capital outlay nearing the point where it will be able to sustain the current fleet rotation schedule. This was made possible through a short-term fix in 2010 followed by increasing the amount allocated toward capital outlay in both 2012 and 2013. Another modest increase in 2014 with help bring the fund balance even closer to a sustainable level with the goal of achieving parity by 2016.

CONCLUDING REMARKS

This lean budget proposal sustains current operations while addressing personnel and technology considerations. Nevertheless, the need for additional staffing is only minimally dealt with in this budget and is deserving of further discussion as part of a broader strategic planning initiative focused on future budget years. The groundwork for such an initiative has already been laid through the strategic planning process that took place in 2008. The time is right to refresh this past effort with a new strategic planning process initiated through the Coordinating Committee and coordinated by the management team.

Last but not least, I would like to recognize the outstanding individuals that represent the SLMPD. Their professionalism, pride and commitment to excellence is second to none and enables us to provide such a high level of service day in and day out. I am extremely proud to be at the helm of such a fine organization.

2014 OPERATING BUDGET



Coordinating Committee Work Session

Tentative Staff Proposal - Subject to Change

Wednesday - June 26, 2013

Prepared by Chief Bryan Litsey

SOUTH LAKE MINNETONKA POLICE DEPARTMENT

2014 Operating Budget - Tentative Staff Proposal

Projected Expenses - Subject to Change

Coordinating Committee Work Session

Wednesday - June 26, 2013

ITEM	CATEGORY	AMOUNT
50100	Salaries - Full-Time	\$1,238,000
50200	Salaries - General Overtime	\$37,000
50230	Salaries - Reimbursed Overtime	\$48,600
50300	Salaries - Part-Time	\$102,900
50500	Social Security & Medicare	\$30,300
50600	PERA Pensions	\$199,500
50700	Insurance Benefits	\$238,500
51000	Contracted Services	\$19,000
52100	Equipment Leases	\$35,500
52200	Repairs & Maintenance	\$48,500
52300	Utilities	\$63,000
52400	Janitorial & Cleaning	\$11,000
52500	Printing & Publishing	\$3,200
52800	Care of Persons	\$100
53000	Supplies	\$76,500
54000	Uniforms & Gear	\$14,300
54500	Training & Conferences	\$13,200
56000	Insurance	\$56,000
56100	Subscriptions & Memberships	\$3,200
57000	Special Projects	\$14,300
58000	Capital Outlay	\$72,000
59000	Undesignated Allocation	\$34,800
	TOTAL PROJECTED EXPENSES	\$2,359,400

**SOUTH LAKE MINNETONKA POLICE DEPARTMENT
2014 Operating Budget - Tentative Staff Proposal**

Projected Revenues - Subject to Change

Coordinating Committee Work Session

Wednesday - June 26, 2013

ITEM	CATEGORY	AMOUNT
40110	Court Overtime	\$4,800
40120	Excelsior Park and Dock Patrol	\$21,100
42100	State Police Officer Aid	\$88,000
42200	State Training Reimbursement	\$4,500
43100	Minnetonka School District	\$7,000
43200	Administrative Requests	\$3,500
43400	Special Policing Details	\$30,500
44000	Investment Income	\$5,000
46400	Forfeitures	\$2,000
46500	Grant Reimbursements	\$31,000
46600	Other Reimbursements	\$3,000
	TOTAL PROJECTED REVENUES	\$200,400
	<i>Expenses in Excess of Revenues</i>	\$2,159,000

	PROJECTED COST TO MEMBER CITIES	\$2,159,000
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**SOUTH LAKE MINNETONKA POLICE DEPARTMENT
2014 Operating Budget - Tentative Staff Proposal**

Coordinating Committee Work Session

Wednesday - June 26, 2013

Proposed Contributions from Member Cities - Year 2014

Reallocation Formula (2012-2016)

MEMBER CITY	TOTAL AMOUNT	% SHARE	\$ SHARE	\$ INCREASE OVER 2013
Excelsior	\$2,159,000	28.0532%	\$605,669	\$19,582
Greenwood	\$2,159,000	8.4747%	\$182,969	\$5,916
Shorewood	\$2,159,000	48.4887%	\$1,046,871	\$33,844
Tonka Bay	\$2,159,000	14.9834%	\$323,491	\$10,458

2014 Total Contributions from Member Cities	\$2,159,000	<p>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.</p>
2013 Total Contributions from Member Cities	\$2,089,200	
Dollar Increase Over 2013	\$69,800	
Percentage Increase Over 2013	3.3%	

Contributions from Member Cities - Year 2013

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
Totals			\$2,089,200	\$53,500

SOUTH LAKE MINNETONKA POLICE DEPARTMENT 2014 Operating Budget - Tentative Staff Proposal

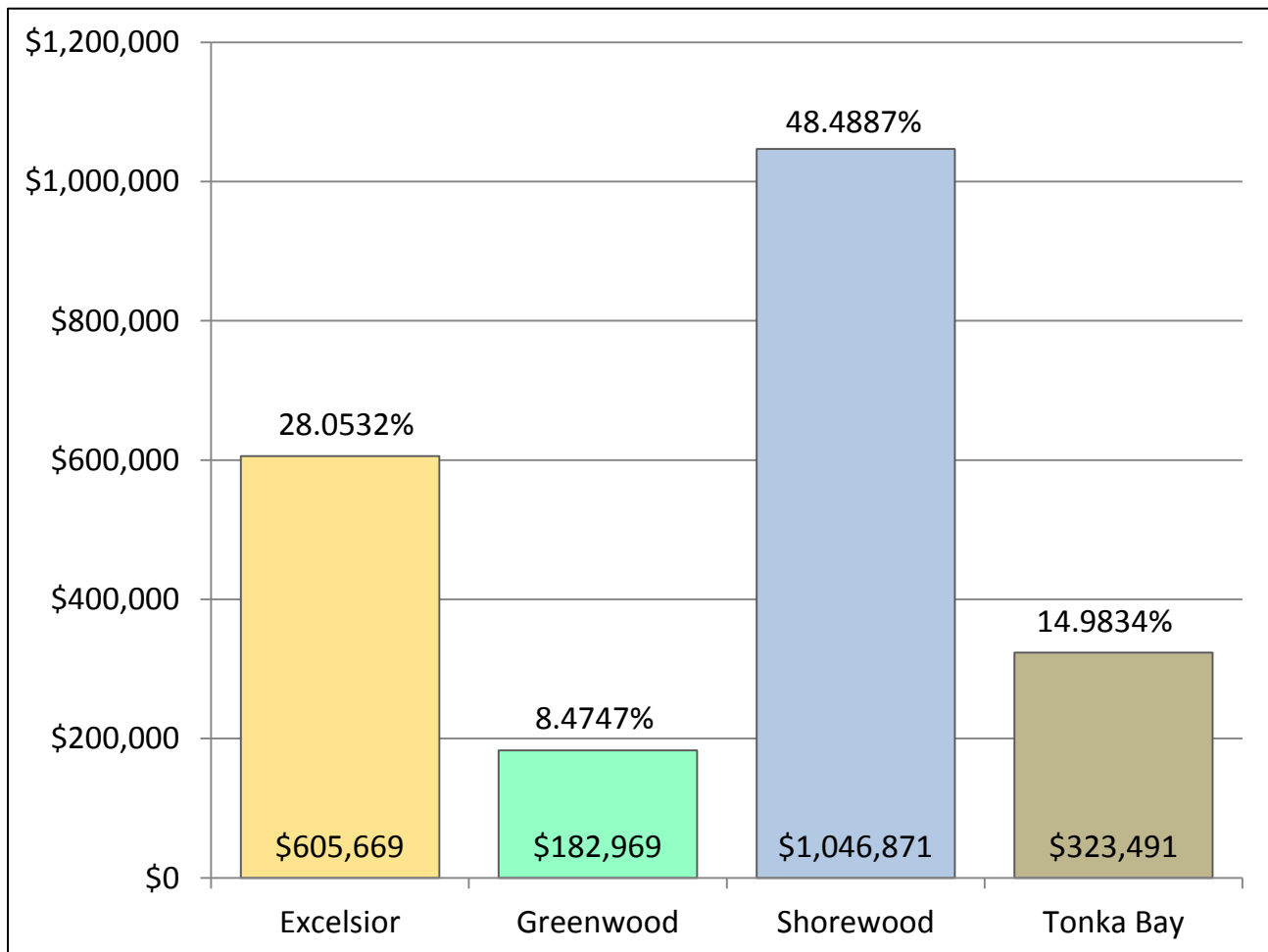
Coordinating Committee Work Session

Wednesday - June 26, 2013



Proposed Contributions from Member Cities Reallocation Formula (2012-2016)

Total Amount - \$2,159,000



SOUTH LAKE MINNETONKA POLICE DEPARTMENT

2014 Operating Budget - Tentative Staff Proposal

Coordinating Committee Work Session - June 26, 2013

2014 Operating Budget and 2013 Operating Budget 2012 Operating Budget Information (Budget/Actual)

OPERATING BUDGET EXPENSES							
Item	Category	Proposed 2014	Budgeted 2013	Inc(Dec)	Change	Budgeted 2012	Actual 2012
50100	Salaries - Full-time	\$1,238,000	\$1,234,000	\$4,000	0.3%	\$1,204,700	\$1,172,610
50200	Salaries - General Overtime	\$37,000	\$36,000	\$1,000	2.8%	\$38,000	\$39,842
50200	Salaries - Reimbursed Overtime	\$48,600	\$41,000	\$7,600	18.5%	\$38,000	\$42,898
50300	Salaries - Part-Time	\$102,900	\$97,200	\$5,700	5.9%	\$96,400	\$88,650
50500	Social Security & Medicare	\$30,300	\$29,700	\$600	2.0%	\$29,000	\$28,183
50600	PERA Pensions	\$199,500	\$186,300	\$13,200	7.1%	\$182,000	\$177,003
50700	Insurance Benefits	\$238,500	\$241,600	(\$3,100)	-1.3%	\$236,000	\$227,562
51000	Contracted Services	\$19,000	\$17,000	\$2,000	11.8%	\$17,000	\$26,325
52100	Equipment Leases	\$35,500	\$34,000	\$1,500	4.4%	\$30,000	\$28,609
52200	Repairs & Maintenance	\$48,500	\$43,700	\$4,800	11.0%	\$43,000	\$46,925
52300	Utilities	\$63,000	\$61,500	\$1,500	2.4%	\$59,200	\$52,205
52400	Janitorial & Cleaning	\$11,000	\$11,000	\$0	0.0%	\$11,000	\$10,425
52500	Printing & Publishing	\$3,200	\$3,200	\$0	0.0%	\$3,200	\$3,358
52800	Care of Persons	\$100	\$100	\$0	0.0%	\$100	\$5
53000	Supplies	\$76,500	\$76,000	\$500	0.7%	\$74,100	\$76,093
54000	Uniforms & Gear	\$14,300	\$14,000	\$300	2.1%	\$13,800	\$15,028
54500	Training & Conferences	\$13,200	\$12,900	\$300	2.3%	\$12,900	\$13,938
56000	Insurance	\$56,000	\$58,000	(\$2,000)	-3.4%	\$60,000	\$60,000
56100	Subscriptions & Memberships	\$3,200	\$3,200	\$0	0.0%	\$2,900	\$3,337
57000	Special Projects	\$14,300	\$14,000	\$300	2.1%	\$13,600	\$13,404
58000	Capital Outlay	\$72,000	\$70,000	\$2,000	2.9%	\$68,000	\$68,000
59000	Undesignated Allocation	\$34,800	\$0	\$34,800	0.0%	\$0	\$0
TOTAL PROJECTED EXPENSES		\$2,359,400	\$2,284,400	\$75,000	3.3%	\$2,232,900	\$2,194,400

OPERATING BUDGET REVENUES							
<i>(Does Not Include Contributions from Member Cities)</i>							
Item	Category	Proposed 2014	Budgeted 2013	Inc(Dec)	Change	Budgeted 2012	Actual 2012
40110	Court Overtime	\$4,800	\$4,500	\$300	6.7%	\$5,000	\$2,951
40120	Excelsior Park and Dock Patrol	\$21,100	\$20,700	\$400	1.9%	\$20,700	\$17,738
42100	State Police Officer Aid	\$88,000	\$93,000	(\$5,000)	-5.4%	\$97,000	\$86,776
42200	State Training Reimbursement	\$4,500	\$4,500	\$0	0.0%	\$4,500	\$4,650
43100	Minnetonka School District	\$7,000	\$7,000	\$0	0.0%	\$7,000	\$6,838
43200	Administrative Requests	\$3,500	\$4,000	(\$500)	-12.5%	\$4,000	\$2,994
43400	Special Policing Details	\$30,500	\$26,000	\$4,500	17.3%	\$25,000	\$30,670
44000	Investment Income	\$5,000	\$4,500	\$500	11.1%	\$4,500	\$4,518
46400	Forfeitures	\$2,000	\$1,500	\$500	33.3%	\$1,500	\$6,955
46500	Grant Reimbursements	\$31,000	\$26,500	\$4,500	17.0%	\$26,000	\$24,446
46600	Other Reimbursements	\$3,000	\$3,000	\$0	0.0%	\$2,000	\$16,153
TOTAL PROJECTED REVENUES		\$200,400	\$195,200	\$5,200	2.7%	\$197,200	\$204,689
Expenses in Excess of Revenues		\$2,159,000	\$2,089,200	\$69,800	---		
PROJECTED COST TO MEMBER CITIES		\$2,159,000	\$2,089,200	\$69,800	3.3%		

SOUTH LAKE MINNETONKA POLICE DEPARTMENT

2014 Operating Budget

Coordinating Committee Work Session - Wednesday, June 26, 2013

FUNDS IN SUPPORT OF OPERATIONS

Assigned Fund	Audited Balances <i>December 31, 2012</i>	Audited Balances <i>December 31, 2011</i>
Insurance Fund	\$32,639	\$18,205
Vehicle Fund	\$39,634	\$58,991
Equipment Fund	\$10,105	\$6,391
Technology Fund	\$46,949	\$80,109
Building Maintenance Fund	\$38,492	\$21,272
Building Capital Fund	\$29,738	\$29,738
Reserve Officer Fund	\$10,354	\$9,712
Firearms Range Fund	\$1,621	\$179
Restricted Funds		
DWI Forfeiture Fund	\$3,510	\$37,313
Total	\$213,042	\$261,910

Undesignated Funds	Audited Balance <i>December 31, 2012</i>
Working Capital Reserve	\$141,633
Unassigned Reserve	\$42,960
	\$184,593

SOUTH LAKE MINNETONKA POLICE DEPARTMENT

Historical Comparison - Contributions from Member Cities toward Operations Years 2013 - 2003

Prepared by Chief Bryan Litsey - June 2013

Operating Budget - Year 2013	Excelsior	Greenwood	Shorewood	Tonka Bay	Reserves	Total	% Change Previous Year
JPA Percentage Contributions	28.0532%	8.4747%	48.4887%	14.9834%		100%	
Final Contributions	\$586,087	\$177,053	\$1,013,027	\$313,033		\$2,089,200	2.6%

Adoption of the 2013 budget proved to be a streamline and straightforward process. This was facilitated by the additional transparency incorporated into the budgeting protocol the previously year making it possible to track the entire process online and download the same documents available at meetings. Also factoring into the equation was being in a fiscally sound position heading into the budget process with no outstanding labor agreement. This can be attributed in part to prudent financial strategies and practices at the staff level with support from the Coordinating Committee. It was also beneficial that the funding formula used to calculate member city contributions had been reset the previous year and is not due for another adjustment until 2017.

Hurdles to overcome included another projected reduction in state peace officer aid placing an even greater reliance on member city contributions to support operations. This second largest source of revenue has been in decline since 2008 and falls well short of offsetting what the department contributes toward police officer pensions as intended. Budgeting for the ever-increasing use of technology also proved to be a formable challenge both in terms of meeting current needs as well as positioning the department for the future.

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.

Contributions from Member Cities toward Operations
Continued - Page 2 of 5

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.

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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.

Contributions from Member Cities toward Operations

Continued - Page 3 of 5

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.

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.

Contributions from Member Cities toward Operations

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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.

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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%	

Contributions from Member Cities toward Operations
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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%	

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	