

Minneapolis
City of Lakes

Office of the Mayor

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April 8, 2010

LETTER OF TRANSMITTAL

Dear City Council:

We are submitting to you revisions to the City of Minneapolis' 2010 Budget, which reflect the recently adopted cuts to the Local Government Aid (LGA) and Market Value Homestead Credit programs. Early action will allow City leadership as much time as possible to implement the reduced spending levels and help minimize the impact on our employees.

The attached document reflects cuts and other adjustments to the 2010 budget. This document includes a summary of the reductions the individual departments will make to address the implications of the cuts on the services they provide. These recommendations strive to avoid additional personnel reductions at this point in time.

Long-Term Financial and Results Planning

The City's long-term financial planning has taught us the value of aligning our spending and revenue over the long term. These financial policies, and the strong work on linking resources to results through *Results Minneapolis*, have given us much better information upon which to base our decisions. Although planning has been incredibly difficult in these uncertain times, we must strive to build upon the work that we have done.

These recommendations include the use of one-time resources to meet the adopted reductions, which I would not normally support in the regular annual budget process. In a supplemental budget, this is a reasonable reaction to rapidly changing state budget situation. This will provide City departments additional time to plan for the 2011 budget to ensure that any personnel eliminations proposed as a part of that process are done so strategically in order to restructure the services departments provide. This budget also includes the strategic use of one-time resources to further long-term restructuring of the City's workforce.

I look forward to working with you in the upcoming weeks and months to address the City's financial challenges.

Respectfully Submitted,

Mayor R. T. Rybak

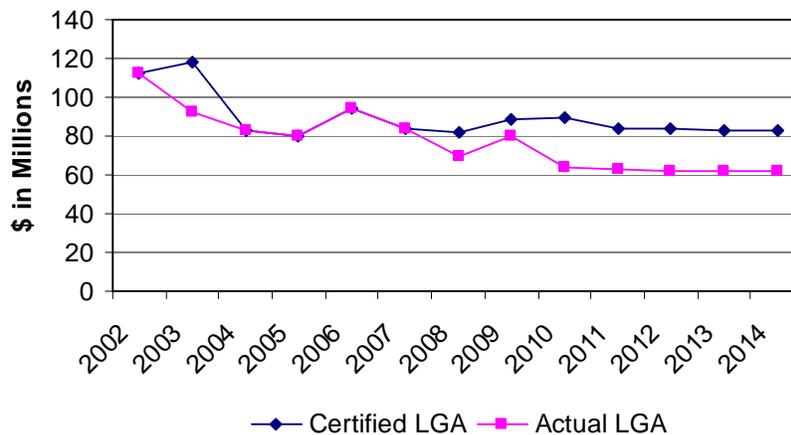
City of Minneapolis FY 2010 Mayor's Supplemental Budget Recommendations

The 2010 Mayor's Supplemental budget for all City funds remains at \$1.3 billion, a reduction in spending level from the 2009 adopted budget. The 2010 Council adopted budget serves as the base for the Mayor's supplemental budget recommendations. The City's strong financial decision making enables the supplemental recommendations to address these cuts using one-time and ongoing resources, without additional reductions to personnel in 2010.

2010 Supplemental Budget Recommendations

In March, the State reduced state aids and credits which directly impact the City of Minneapolis. The \$10.9 million in reductions include \$4.7 million in Local Government Aid (LGA) and \$6.2 million in the Market Value Homestead Credit (MVHC), which will result in lower property tax revenues. The following tables show the historical LGA appropriations, both the certified amounts and the actual amount received by the City:

Certified vs. Actual LGA*



*2011 and out years are projected numbers for original certifications and actuals.

The 2010 Mayor's supplemental budget follows the City's adopted financial policies to equitably distribute reductions among the City's general fund and the independent boards. The following table shows how the recommended reductions break out according to this policy:

City and Independent Boards: 2010 State Aids & Credits Reduction Distribution

City General Fund	-\$ 9,180,404
Park Board	-\$ 1,578,565
Municipal Building Commission	-\$ 141,031
Total 2010 Proposed Reduction	-\$10,900,000

The Mayor's recommended changes do not impact the independent boards that are not included in the distribution of LGA. These boards include the Minneapolis Public Housing Authority, the Youth Coordinating Board, the Board of Estimate & Taxation, and the Neighborhood Revitalization Program Policy Board.

The following table shows the Mayor's recommended changes to address the \$10.9 million reduction:

Expenditures by Service
(In millions of dollars)

	2010 Council Adopted	2010 Mayor's Supplemental	% Change	Change
311	3.020	3.020	0.0%	-
911	8.040	8.040	0.0%	-
Assessor	3.986	3.986	0.0%	-
Attorney	14.495	14.426	-0.5%	(0.069)
Business Information Services	24.636	24.436	-0.8%	(0.200)
City Coordinator Administration	1.411	1.364	-3.3%	(0.047)
City Council/Clerk/Elections	8.795	8.682	-1.3%	(0.113)
Civil Rights	2.394	2.394	0.0%	-
Communications	2.424	2.424	0.0%	-
Convention Center	43.722	43.722	0.0%	-
CPED	86.588	86.484	-0.1%	(0.104)
Finance	21.987	22.437	2.0%	0.450
Fire	54.471	54.391	-0.1%	(0.080)
Health and Family Support	12.284	12.215	-0.6%	(0.069)
Human Resources	7.443	7.443	0.0%	-
Intergovernmental Relations	2.777	2.736	-1.5%	(0.041)
Internal Audit	0.200	0.200	0.0%	-
Mayor	1.482	1.467	-1.0%	(0.015)
Neighborhood & Community Relations	1.484	1.434	-3.4%	(0.050)
Police	133.314	133.624	0.2%	0.310
Public Works*	301.721	303.881	0.7%	2.160
Regulatory Services	41.635	41.560	-0.2%	(0.075)
City Subtotal	778.308	780.365	0.3%	2.057
	-			
Park Board	93.080	91.501	-1.7%	(1.579)
Municipal Building Commission	8.187	8.046	-1.7%	(0.141)
Other Boards**	3.716	3.716	0.0%	-
Independent Board Subtotal	104.982	103.262	-1.6%	(1.720)
	-			
Transfers***	125.905	128.715	2.2%	2.810
Capital Improvement	94.355	94.355	0.0%	-
Debt Service	126.250	126.250	0.0%	-
Library (Transfer to Hennepin County)	6.721	6.721	0.0%	-
Contingency****	6.574	2.574	-60.8%	(4.000)
Other*****	40.851	40.851	0.0%	-
Other Subtotal	400.656	399.466	-0.3%	(1.190)
	-			
TOTAL	1,283.945	1,283.092	-0.1%	(0.853)

*The Mayor recommends a reduction of \$550,000 for Public Works which the department will meet through a one-time revenue increase of \$550,000 due to a renegotiated State Truck Highway (STH) agreement. Public Works revenue increases from \$306.696 million to \$307.246 million.

**Includes Youth Coordinating Board, MPHA, Board of Estimate & Taxation and Neighborhood Revitalization Policy Board

***The increase of 2.81 million is the Mayor recommended one-time increase to the pension management plan for the reduction and avoidance of pension debt.

****Includes an increase of \$500,000 for retirement incentives.

*****Includes non-departmental, Health and Welfare, Workers' Compensation, Liability, Contingency and Pensions

2009 One-time Resources for Re-Appropriation

In 2009, the City experienced the receipt of several one-time sources of revenue, resulting in a year-end fund balance in excess of the City's financial policies of \$9.5 million. The Mayor's supplemental recommendation allocates some of these resources for initiatives that use one-time resources to generate long-term savings or workforce restructuring beginning in 2011. The remaining resources are used to offset departmental cuts on a one-time basis to allow time for the departments to change service delivery in an era of reduced resources.

The Mayor recommends the following one-time appropriations to achieve ongoing cost savings and to maintain an effective workforce with fewer resources in 2010:

Department	Project	Recommendation
BIS/Public Works	Wireless installation in City vehicles	0.360
BIS/Public Works	Wireless Poles	0.800
Citywide	Pension Debt Avoidance	2.810
Finance	Finance process improvements	0.500
Police/Fire	Retirement incentive for sworn personnel	0.500
Police	MPD ticket writers	0.250
Police	Fitness testing	0.240
Public Works	Pothole Filling	0.500
Public Works	Sealcoating	0.500
Total		6.460

These initiatives will be described further in the following departmental paragraphs.

Departmental Changes in the 2010 Supplemental Budget

As a part of the original 2010 budget, the Mayor Recommended and the Council adopted a plan that accelerated the budget reductions that were planned in the five-year financial direction in anticipation of additional reductions to address the shortfall in the State's 2010 budget. This decision transferred \$4.5 million in the contingency fund in 2010. This appropriation is recommended to be transferred into the General Fund to fill part of the gap left by the State's cuts.

The Mayor further recommends implementation of the appointed and non-rep salary increases for 2010, consistent with the 2.5% wage policy as implemented with the other bargaining units. In addition to these recommendations, the Mayor's supplemental recommendations include both one-time and ongoing reductions to department budgets as detailed in the following paragraphs:

311

The Mayor includes no reduction to this department.

911

The Mayor includes no reduction to this department.

Assessor

The Mayor includes no reduction to this department.

Attorney

The Mayor recommends a reduction of \$69,000. The City Attorney's Office will meet this reduction through a combination of budgetary leave, business process improvements, and other non-personnel

reductions. If these strategies are insufficient, the department will reduce a vacant position within the criminal division.

BIS

The Mayor recommends a reduction of \$200,000 on a one-time basis. The department shall meet this reduction through non-personnel savings and explore additional ongoing savings through the restructuring and reduction of existing services in anticipation of the 2011 budget.

City Clerk/Elections/City Council

The Mayor recommends a reduction of \$113,000.

City Coordinator Administration

The Mayor recommends a reduction of \$47,000 and one position.

Civil Rights

The Mayor includes no reduction to this department.

Communications

The Mayor includes no reduction to this department.

Convention Center

The Mayor includes no reduction to this department.

CPED

The Mayor recommends a reduction of \$104,000 on a one-time basis through the reduction of non-personnel expenses such as those related to office equipment, technology, supplies, and training and development.

Finance

The Mayor recommends a reduction of \$50,000. The department will achieve this through non-personnel reductions. Additionally the Mayor recommends a one-time appropriation increase of \$500,000 for process improvements including funding for contractors to implement modules in the current financial system that will enable the department to restructure its workforce in 2011.

Fire

The Mayor recommends a reduction of \$80,000. The department will achieve this through non-personnel reductions.

Health and Family Support

The Mayor recommends a reduction of \$69,000. The department will achieve this by increased third party reimbursement for school based clinics and moving salaries out of the general fund.

Human Resources

The Mayor includes no reduction to this department. The department is encouraged to implement the Enterprise Performance Management System Software within existing resources.

Intergovernmental Relations

The Mayor recommends a reduction of \$41,000. The department will achieve this by reducing salaries and benefits from an open position as well as other salary savings.

Mayor

The Mayor recommends a reduction of \$15,000. The department will achieve this through budgetary leave, and reductions in postage, cell phones and travel.

Neighborhood and Community Relations

The Mayor recommends a reduction of \$50,000. The department will achieve this through reductions in its administrative budget as well as realizing savings from lower than projected actual salaries.

Office of Internal Audit

The Mayor includes no reduction to this department.

Police

The Mayor recommends a reduction of \$180,000. The department will achieve this through non-personnel reductions. Additionally the Mayor recommends a one-time appropriation increase of \$250,000 for replacement of ticket writers and \$240,000 for implementation of fitness testing and associated costs within the 2010 calendar year.

Public Works

The Mayor recommends a reduction of \$550,000, which will be met through increased revenue. The department will achieve this through increased revenue from a renegotiated State Truck Highway (STH) agreement. Additionally the Mayor recommends a one-time appropriation increase of \$2.16 million for doubling the number of crews filling potholes (\$500,000); seal-coating (\$500,000); and for installation of wireless poles to ensure the wireless network is fully operational (\$800,000) and for installation of wireless equipment in the city's vehicles to increase usage of the City's wireless contract (\$360,000 – *also shown in Citywide*).

Regulatory Services

The Mayor recommends a reduction of \$75,000. The department will achieve this through the reduction of equipment expenses and salary savings.

Citywide

The Mayor recommends a one-time increased transfer to the pension management plan of \$2.81 million for the reduction and avoidance of pension debt.

The Mayor further recommends up to \$500,000 be reserved in the contingency fund for a retirement incentive for sworn Police and Fire personnel. The incentive should be budget neutral, with separations to occur before the end of the 2010 calendar year to ensure a full annual savings occurs in these departments for 2011.

The Mayor further recommends up to \$360,000 for installation of wireless equipment in the City's vehicles to increase usage of the City's wireless contract. This estimate will outfit approximately 450 vehicles and should include vehicles in various City departments.

Directions to Staff

The Mayor is also recommending that departments continue to review existing processes and services to prepare for further reductions as the State continues to address its future deficits. These efforts should not impact compensation of the City workforce negatively in 2010. In addition, the City's long-term focus will continue, including addressing its existing commitments. To that end, the Mayor recommends the following staff directions:

Business Information Services and Finance: The Mayor directs the BIS and Finance departments to work together in consultation with operating departments to develop an allocation model to distribute the costs of the City's annual wireless buying commitment of \$1.25 million. The allocation should be based on a department's potential for using the service model, and credit should be given to reflect departments' existing use of the service.

Business Information Services: BIS should assist Public Works in identifying vehicles throughout the City that will be most effective in using the wireless services and report on the progress of this initiative to the Information Services Policy Group. This report should include the return on investment related to this installation.

Finance Department: The Finance Department is directed to report to the Ways & Means/Budget Committee in December 2010 on the status of the implementation of business process improvements funded in these recommendations. This presentation should highlight impacts on the department's *Results Minneapolis* measures.

Human Resources and City Attorney's Office: The Mayor requests the Human Resources department to work with the Police and Fire departments, in consultation with the City Attorney, to develop a budget-neutral retirement incentive for the sworn workforce. The structure of the incentive should be proposed to the City Council in June 2010, with all separations to occur before December 31, 2010.

Police Department and Business Information Services: The Police Department, in consultation with BIS, is directed to report monthly revenue to the Ways & Means/Budget Committee six months after the implementation of the ticket writers funded in these recommendations. The report should include monthly revenue and citations written for the year prior to and the six months following implementation of the new technology as compared to the projections in the technology business case.

Public Works: The department should quantify the impact of the resources recommended by the Mayor in its fourth quarter *Results Minneapolis* presentation in 2010. Measures should focus on the impact of the \$1 million requested for pothole repair and seal coating.