# MAYOR'S SUPPLEMENTAL BUDGET FOR 2009



February 23, 2009

# City of Minneapolis FY 2009 Budget

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Minneapolis
City of Lakes

# Office of the Mayor

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February 23, 2009

# LETTER OF TRANSMITTAL

Dear Council President Johnson & Members of the City Council:

I am submitting to you my proposed revisions to the City of Minneapolis' 2009 Budget, which reflect the Governor's recommended cuts to the Local Government Aid (LGA) program. Although we continue to work with our friends at the Legislature to reduce the size of these cuts, I believe it is prudent to plan for the 2009 reductions at the proposed level because we will not know the final cuts until halfway through the calendar year. 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 provides a summary of my supplemental budget recommendations for the 2009 budget. In addition, the individual department narratives include the implications of a 20 percent reduction to local government aid on the services they provide. Although, in most cases, the cuts are less than that amount, the information will be useful to illustrate the relationship between resources and results.

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. Because the state has taken a short-term approach to its decision making, we are forced to redo the difficult work we have done. But, we must not allow the state's actions to eliminate the progress we have made.

I look forward to working with you over the next weeks and months to address these financial challenges using the strong financial principles we have worked so hard together to maintain.

Respectfully Submitted,

Mayor R.T. Rybak City of Minneapolis

# City of Minneapolis FY 2009 Mayor's Supplemental Budget Recommendations

# **Executive Summary**

The 2009 Council adopted budget for all City funds remains at \$1.4 billion, a constant spending level from the 2008 adopted budget. When including transfer expense between City funds, the total Council adopted budget is \$1.4 billion, a decrease of \$4 million over the prior year. The adopted budget recommends a property tax increase of 8% in 2009, consistent with the adopted 8% property tax revenue policy.

The 2009 Council adopted budget serves as the base for the Mayor's supplemental budget recommendations.

# 2008 Reduction to the Budget Reserve

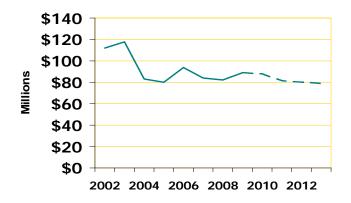
In December 2008, the Governor exercised his authority to "unallot" or unilaterally reduce various state appropriations. The appropriation which most directly impacts the City of Minneapolis is Local Government Aid (LGA). The City's LGA was reduced by \$13.2 million as a result of these actions. Because the action occurred with only one week remaining, the City reduced its budget reserves to address the shortfall.

The budget reserve serves as both the City's budgetary reserve and cash flow reserve. The City's adopted financial policies require a budget reserve equal to 15 percent of the following year's revenue budget amount, which would be approximately \$55 million at the end of fiscal year 2008. The unallotment action resulted in a reserve below the stated policy. These recommendations propose restoring the City's budget reserve in 2009 to the 15 percent level.

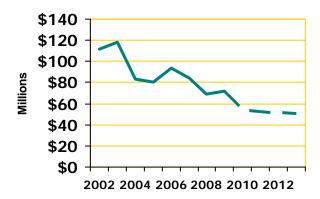
# 2009 Supplemental Budget Recommendations

In February, the Governor released his budget recommendations to balance the state's projected deficit. The recommendations included a reduction in LGA, which directly impacts the City of Minneapolis. The proposed reductions include \$17.1 million in 2009 and an additional \$18 million in 2010, for an ongoing impact over the next two years of \$35 million. The following tables show the historical LGA appropriations, both the certified amounts and with the Governor's proposed revisions:

#### Certified LGA 2002-2013



# Citywide LGA 2002-2013 (with reductions)



The 2009 Mayor's supplemental budget recommendations evaluated the resources available to departments in determining the level of reductions. As mentioned, the City's adopted financial policies include a formula for distributing LGA 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: 2009 LGA Reduction Distribution

Total 2009 Proposed Reduction	-\$16,862,131
Municipal Building Commission	-\$ 50,755
Park Board	-\$ 1,990,069
City General Fund	-\$14,821,308

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 and the Neighborhood Revitalization Program Policy Board.

The following table shows the Mayor's recommended changes for City departments to address the \$17.1 million reduction. *Please note: Estimates for funds from the federal stimulus bill are not included.* 

# **Expenditures by Service**

(In Millions of Dollars)

(		0,		
	2009 Council Adopted	2009 Mayor's Revised	% change	Change
Attorney	13.9	13.6	-2.4%	-0.3
City Coordinator*	75.0	73.1	-2.6%	-1.9
CPED	125.5	125.4	-0.1%	-0.2
Convention Center**	45.9	45.7	-0.6%	-0.3
Fire	53.2	50.5	-5.0%	-2.7
Health and Family Support	13.7	13.4	-1.5%	-0.2
Library (Transfer to Hennepin County)	7.5	7.5	0.0%	0.0
Neighborhood and Community Relations	1.0	1.0	0.0%	0.0
Police	135.1	128.6	-4.8%	-6.5
Regulatory Services	32.9	32.8	-0.4%	-0.1
Public Works Subtotal	302.2	300.0	-0.7%	-2.2
Other City Services***	17.6	17.0	-3.2%	-0.6
Other***	107.2	107.2	0.0%	0.0
Debt Service****	138.3	138.3	0.0%	0.0
Capital Improvement (Including Enterprise				
Fund Capital)	110.5	110.5	0.0%	0.0
Youth Coordinating Board	1.9	1.9	-2.5%	0.0
Park Board	92.3	90.3	-2.2%	-2.0
Other Boards*****	10.3	10.2	-0.6%	-0.1
Total	1,284.2	1,267.0	-1.3%	-17.1

<sup>\*</sup>Includes Human Resources, Finance, 911/311, Intergovernmental Relations, Communications and BIS

<sup>\*\*</sup>Non-General Fund resources

<sup>\*\*\*</sup>Includes Assessor, City Clerk/Elections/Council, Civil Rights & Mayor

<sup>\*\*\*\*</sup>Includes Non-departmental, Health and Welfare, Workers' Compensation, Liability, Contingency and pensions

<sup>\*\*\*\*\*</sup>Does not include debt service paid directly from proprietary funds or by independent boards

<sup>\*\*\*\*\*\*</sup>Includes Neighborhood Revitalization Program, Board of Estimate and Taxation and Municipal Bldg Commission

Recent economic conditions have put significant pressure on all of the services provided by the City and the associated revenue sources. As a result of these pressures, the Mayor's recommendations also impact several activities that are funded from non-General Fund resources. The recently enacted federal stimulus bill is included in the summaries with the most recent information available and may require further action from the City Council when the final allocations are made.

Detailed information for departments is provided in this document. In addition to reductions to departments for general fund departments, the Mayor recommends the following changes that will impact non-general fund departments:

- Convention Center (-\$280,000): This reductions to MCC's operating budget is intended to reflect the estimated decline in sales tax and other convention-related revenues due to the slowing of the economy.
- Business Information Services (-\$725,000): As an internal service fund, reductions to the BIS operating budget will be reflected in all city departments. General fund departments are recommended to receive an appropriation decrease equal to the impact of the BIS reduction to ensure the alignment of the services provided by BIS and the charges to departments.

# **Linking Resources to Results**

As a part of developing contingency plans, City departments were asked to examine various levels of reductions to determine the specific impacts of funding reductions to the services delivered by the departments. Scenarios varied as appropriate to the individual department and funding sources. Many of the departments focused on the *Results Minneapolis* measures, while others focused reduction scenarios, to the extent possible, on services that are not tracked as a part of the ongoing *Results Minneapolis* review, but are tracked internally by department management.

The individual department narratives reflect results data at an LGA 20 percent reduction level. Although the recommended reductions vary, the 20 percent performance data provides consistent information across departments for the Council's consideration.

#### **Directions to Staff**

The Mayor is also recommending a number of reviews of existing processes and requests all departments to participate in providing the information and resources needed to accomplish the following staff directions (directions involving more than one department are noted under the lead department):

Business Information Services: The Mayor directs the department to work with the Finance department to develop a process to achieve savings through turning in of computers and other devices under current contract provisions. The process should include a timeline by which departments must make decisions to achieve savings in 2010. BIS is further directed to work with departments to identify acceptable service reductions under technology contracts that would result in savings in the current fiscal year. BIS should report back to the Ways & Means/Budget Committee no later than April 1, 2009.

*Civil Rights:* The Mayor directs the department to report back to the Health, Energy, and Environment Committee with a transition plan no later than June 1, 2009.

Finance Department: The Mayor directs the department to lead work on the following items:

- Conduct an immediate audit of the top 25 overtime recipients across the City.
- Identify and implement reforms to the procurement process to increase efficiencies.
- Support the Police department in its analysis of the fine revenue collection process.

Fire Department: The Mayor directs the department to lead work on the following items:

- Implement process improvements to improve its service level on housing inspections.
- Immediately implement a commercial inspection program and begin a revenue collection process for those activities.

Health & Family Support: The Mayor directs the department to close the Public Health Lab, effective January 1, 2010.

Human Resources: The Mayor directs the department to develop and communicate a citywide policy restricting the use of permit employees and report back to Ways & Means/Budget committee no later than May 1, 2009.

Police Department: The Mayor directs the department to work with the City Attorney's Office and Police Department to explore changes to the fine revenue collection processes and report back to the Public Safety and Regulatory Services and Ways & Means/Budget committees no later than May 1, 2009.

Public Works: The Mayor directs the Public Works department to lead work on the following items:

- Implement a street lighting utility fee for both residential and non-residential properties. For a typical residential property, the street lighting utility fee will be no more than \$20.00 a year.
- Develop a team to review fleet size, car share options, take home vehicles and parking policies and report back to the Transportation and Public Works Committee no later than June 1, 2009.

# City of Minneapolis FY 2009 Mayor's Supplemental Budget Recommendations

# **Restoring the Budget Reserve**

The City's certified LGA total for 2008 was \$82.2 million. In December 2008, the Governor exercised his authority to "unallot" various state appropriations. The appropriation that most directly impacts the City of Minneapolis is Local Government Aid (LGA). The City's LGA was reduced by \$13.2 million as a result of these actions. Because the action occurred with only one week remaining in the City's 2008 fiscal year, the City had no choice but to see its reserves reduced by a similar amount. The following table summarizes the unallotment distribution by the City and Independent Boards:

# The 2008 Unallotment Distribution

Unallotment	\$13.192.654
City General Fund (87.897%)	11,596,703
MBC (.301%)	40,099
Park Board (11.802%)	\$1,555,582

The Mayor's supplemental recommendations will follow this distribution and restore the City's budget reserve in 2009 to the 15 percent level.

The budget reserve serves as both the City's budgetary reserve and cash flow reserve. The City's adopted financial policies require a budget reserve equal to 15 percent of the following year's revenue budget amount, which would be approximately \$55 million at the end of fiscal year 2008. The unallotment action resulted in a reserve below the stated policy.

The following table summarizes the Mayor's recommendation for restoring the City's General Fund budget reserve:

#### **Budget Reserve Restored**

Total	\$11,596,703
Downtown Area Transportation Improvements	450,000
Hilton Fund Revised Estimates	5,046,703
Accelerated infrastructure in 2013	700,000
Unallocated one-time funding	1,200,000
Hiawatha Funding w/Enterprise Bonds	\$4,200,000

Hiawatha Funding with Enterprise Bonds - \$4.2 million: The City is in the process of building a new, flexible facility for a variety of City functions. As the use of the facility has been analyzed, it was determined that rather than funding the entire facility through property-tax supported (also known as "net debt") bonds, resources from the sewer and stormwater funds should also be used, since portions of these two operations will also be housed in this facility. Realigning these resources frees up capacity to fund the Council adopted Infrastructure Acceleration Program with net debt bonds in 2009, which allows \$4.2 M of Hilton Trust Fund resources to be transferred to the general fund.

*Unallocated one-time funding - \$1.2 million:* The decertification of the tax increment financing districts in August of 2009 results in a one-time payment to the City of Minneapolis' general fund. The Council did not

allocate the entire amount of that payment. This action would specify its use for the general fund budget reserve.

Reduce the Accelerated Infrastructure Program in 2013 - \$0.7 million: The Council adopted Infrastructure Acceleration Program in 2013 was funded through Hilton Fund resources. This action would reduce the adopted program in 2013 and allocate those resources to the budget reserve.

Revised Hilton Fund Revenue Estimates - \$5.0 million: The Hilton Fund revenue estimates were updated in the fourth quarter of 2008. Recent reviews of these estimates indicate the availability of the additional resources above the commitment for the Accelerated Infrastructure program. This action would transfer the additional resources to the General Fund and allocate those resources to the budget reserve. This estimate assumes the full repayment of the Brookfield Loan in 2009.

Downtown Area Pedestrian Improvements - \$0.5 million: The adopted budget includes \$2.4 million for downtown area pedestrian improvements to improve traffic flow in the area surrounding the new baseball stadium. This action would reduce the allocated amount by \$450,000 and allocate it to the restoration of the budget reserve.

# ASSESSOR

#### **EXPENSE INFORMATION**

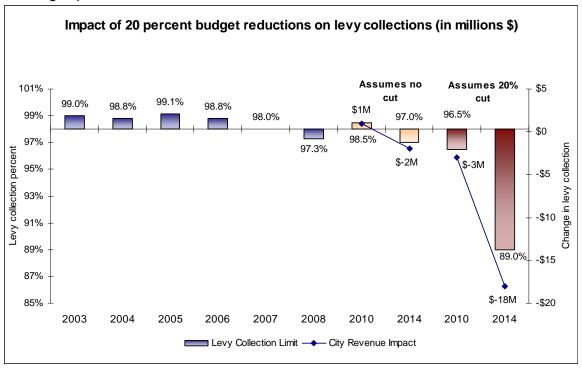
EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General Fund	3,576,980	3,766,000	3,913,207	3,913,207	0.0%	0
TOTAL EXPENSE	3,576,980	3,766,000	3,913,207	3,913,207	0.0%	0

# Mayor's Revised Recommendations

The Mayor recommends no reduction. Larger cuts to this department would significantly reduce revenue opportunities.

# **RESULTS IMPLICATIONS**

The department was asked to respond to a 20% LGA reduction, or \$200,000. Under this scenario, the department would reduce 3.5 FTE. Although the Mayor proposes no reduction to the Assessor, a reduction to LGA of 20%, or \$200,000 would have the following impact on service.



A reduction in the levy collection is primarily the result of an increase in the average tax court settlement. The average tax court settlement increases or decrease relative to:

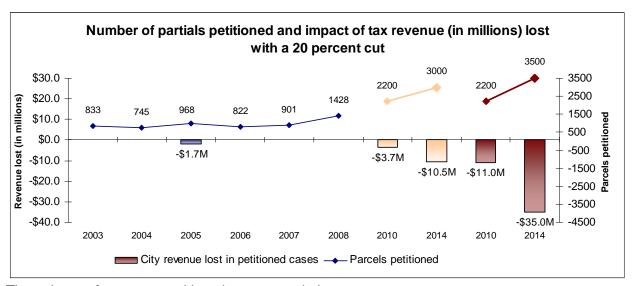
• The volume of tax court petitions filed annually. In 2000, the ratio of petitions to appraiser was 11:1 (274 parcels under petition ÷ 24 appraisers), or less than 1 petition per appraiser per month. In 2008, the petition to appraiser ratio was 65:1 or 5.4 petitions per appraiser per month. Due to the recession, tax petitions are forecast to go up 25% to 50% over the next twelve to twenty-four months

compounding the department's workload and adversely impacting the levy collection rate.

- The complexity of properties under petition. Writing tax court appraisals for property located in the downtown Central Business District (CBD) requires substantially more time than property located outside the CBD. As values in the CBD decline, more staff will be necessary to offset the increase in petitions. Without adequate staffing to manage the CBD tax court petitions, the average tax court settlement will increase precipitously and thus reducing the levy collection rate of the city.
- Staffing levels. A full compliment of support staff is necessary to perform
  essential day-to-day operations thus allowing appraisers to dedicate time and
  resources to fulfill state mandated assessment requirements as well as manage
  the increasing tax court workload.

#### Conclusion

A 20% reduction in the Assessor's office budget will result in a staff reduction of 9.5 FTE's. A reduction of this magnitude will undermine the department's ability to meet statutory requirements, and to successfully defend property values in tax court resulting in lost revenue of up to \$18 multi-million dollars.



The volume of tax court petitions increases relative to:

#### Rapidly changing real estate markets

The current recession is expected to increase tax court petitions 25% to 50% over the next 12 to 24 months. A 50% increase in petitions will increase each appraiser's tax court workload from 65 to 97 parcels per appraiser. A 20% budgetary reduction of 9.5 FTE's will catapult tax court workload to over 122 petitioned parcels for the remaining appraisers. At this level, the outcome will be fewer dismissed tax court cases and larger and more frequent property tax refunds until staffing levels are restored.

#### Properties not inspected regularly

Fewer properties inspected correlates to less accurate building data. Inferior data results in a less accurate assessment which results in an increase in filed petitions. More importantly, Minnesota Statute MN 273.08, states the assessor's office is required to

view twenty percent of the taxable property annually. A 20% budgetary reduction equal to -9.5 FTE's will reduce staffing below the number necessary to comply with the state mandate.

# **Sales Ratio**

Per Minnesota Statute 278.05 subd. 4d the median sales ratio (the ratio between a property's sales price and its assessed value) must not be lower than 90%. A 20% budgetary reduction equal to -9.5 FTE's will reduce staff below the number needed to accurately value all property, putting the city at risk to fall below the state mandates and subject to State ordered assessment changes.

#### City's Revenue Impacts:

- The Assessor Department is a revenue generating department.
- 43% or \$160.6 million for 2009 of the City's Revenue Budget is generated from property taxes.
- \$4.4 million in revenue is at risk of being lost with every FTE reduction.
- A reduction in levy collection is a loss in revenue for Minneapolis, Hennepin County, Minneapolis Public Schools, TIF and Watershed districts.
- Inspection of cell towers and billboards will only be completed once every 5 years, a loss in revenue of \$1,000 to \$2,500 per year up to 4 years for undocumented properties.

#### Additional department impacts:

- FTE reductions will place the City at risk of violating state mandates as the department's work is driven by:
  - Statute MN 273.08 the number of parcels viewed annually
  - Statute MN 278.05 subd. median sales ratio of the city
  - Standards set by the Department of Revenue (DOR)
- FTE reductions jeopardize the department's ability to meet MN statutes and DOR requirements which can result in DOR mandates like the one ordered in 2008.
- FTE reductions will necessitate extensive process reengineering and capital investment to design and develop electronic applications.
- Customer Service Levels (CSL) will be reduced, the front counter will be closed and property owners will be required to apply for homestead via the internet which will pose an additional barrier for those without internet access. All phone calls will be routed to 311 for assistance and information.
- All fraud investigations will only be conducted when time and resources allow.
- All requests for information and analysis will be wait-listed. Most frequent requestors are: CPED, GIS, Reg. Services, Met Council, Legislature, City Council, etc.

# **A**TTORNEY

#### **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General Fund	6,162,050	7,094,924	7,851,902	7,521,902	-4.2%	(330,000)
Special Revenue Funds	340,485	341,716	447,968	447,968	0.0%	0
Internal Service Funds	5,404,034	5,364,393	5,635,053	5,635,053	0.0%	0
TOTAL EXPENSE	11,906,569	12,801,033	13,934,924	13,604,924	-2.4%	(330,000)

# Mayor's Revised Recommendations

The Mayor recommends a reduction of \$330,000. This reduction will be temporarily offset by the receipt of federal Byrne grant resources in 2009 and 2010. At the recommended level the department may need to reduce 4 positions, delay hiring an investigator and reprioritize domestic abuse staffing, and reduce online research and publications. Some of these reductions may be offset temporarily with the use of federal grant dollars.

The Mayor directs the Attorney's Office, Finance, and Police to explore the feasibility of implementing other collection processes including administrative citations for the 2010 budget. To the extent possible, implementation should begin in 2009.

# **RESULTS IMPLICATIONS**

The following are estimated impacts to the department's performance based on an LGA reduction of 20%, which would total \$400,000 for this department. Under this scenario, the department would reduce 4.5 FTEs and make further reductions in the previously mentioned activities.

Community Engagement/Perception of Neighborhood Safety/Livability: These numbers might be reduced over time as caseload responsibilities for community attorneys are added. It will also reduce the time available to work on new initiatives in the livability area and may reduce attendance at some community meetings, if they conflict with court obligations. It may also be necessary to consolidate one or two of our community paralegal positions. This would impact the department's ability to maintain lists of our chronic offenders in as prompt a fashion and other databases and information that is useful to the police and community. These cuts could result in a reduction in the number of community impact statements solicited and presented to the courts and a reduction in conviction rates for the top 200 chronic offender conviction rates.

Because this area is one of the department's top priorities for its criminal division, every effort will be made to minimize the impact of budget reductions. In 2010 and beyond, as the budget reductions increase, there may be some reductions in achieving goals in these areas.

**Domestic Violence:** The department intends to maintain its domestic violence team and to maintain our Results Minneapolis conviction rate goals. Domestic Violence is another top priority. At some point, however, the hours that the City Attorney's Office has an attorney at the Domestic Abuse Service Center may be reduced. This could

impact the service levels for victims who come to DASC, depending on the ability of the County Attorney's Office to continue to provide an attorney for DASC. The department will continue to review and charge the gone on arrival cases that are brought to DASC.

The department will also need to reduce or eliminate the attorney position in the MPD Family Violence Unit unless grant funding through the Byrne Justice Assistance Grant (or other federal) program is obtained. There is increased funding in the stimulus package for these grants. These grant opportunities may be able to offset any reductions the department would have to impose over the next few years.

**Restorative Justice:** The department will not have a paralegal available to perform screening tasks for referral of cases. New methods of referral are being explored with restorative justice partners.

**Civil Legal Liability:** If the budget impacts our civil budget, the reduction of staff could lead to an increase in civil liability for the City. Client services attorneys work to minimize legal exposure to the City in transactions, contract provisions, regulatory actions, ordinance provisions and other matters. The caseload for civil litigators is already very significant. Increasing the caseloads per litigator will likely lead to less favorable results in court cases.

# **CLERK/ELECTIONS/CITY COUNCIL**

#### **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General	6,007,402	6,822,000	7,995,773	7,675,773	-4.0%	(320,000)
Fund						_
Internal	1,379,377	1,166,568	1,202,000	1,202,000	0.0%	0
Service						
<u>Funds</u>						(222.222)
TOTAL	7,386,779	7,988,568	9,197,773	8,877,773	-3.5%	(320,000)
<u>EXPENSE</u>						

# Mayor's Revised Recommendations

The Mayor recommends a reduction of \$320,000, including one position. Under this scenario, the department would seek a state law change and reduce printing costs in *Finance and Commerce*. Additionally, the department would use docking stations in Council chambers, rather than the existing computers.

# **RESULTS IMPLICATIONS**

The following are estimated impacts to the department's performance based on an LGA reduction of 20%, which would total \$360,000 for this department.

In addition to the items mentioned above, the department will reduce one FTE which will result in less election related activity.

The City's IGR staff is seeking a legislative change to allow Minneapolis to publish Council Proceedings on the Internet only. There is a good possibility that this legislative change will occur in 2009. The change would result in no reduction in service level.

Direction for implementation would need to be provided to BIS and Finance departments by Council action because a mechanism does not currently exist for departments to receive immediate cost savings. Potential additional costs for implementation could include costs to transition existing Council Member PC's to laptops and purchase docking stations; however, BIS could also be directed to mitigate transition costs through contract negotiations with the vendor, Unisys. There is no reduction in service level. The reduction is not specific to a Results Minneapolis measure.

Elimination of the position will impact several areas of the elections office. Some work related to absentee voting will be delegated to seasonal employees and other work, not legally required, will be eliminated. We will need to cease our practice of proofing registration records and resolving address-related issues, and will no longer be able to notify voters of their errors and omissions on registration applications and absentee ballot materials. This will result in a higher rate of errors in the voter registration system and may result in the rejection of some absentee ballots.

A review of line item allocations reveals areas where expenditures can be minimized, *i.e.*, office supplies, professional services, printing, mailing, etc. There is no reduction in service level. This is not specific to a Results Minneapolis measure.

# **CITY COORDINATOR – ADMINISTRATION**

#### **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General Fund	1,464,830	1,379,134	1,609,569	1,553,569	-3.5%	(56,000)
Special Revenue Funds	122,349	0	0	0	0.0%	0
TOTAL EXPENSE	1,587,179	1,379,134	1,609,569	1,553,569	-3.5%	(56,000)

# Mayor's Revised Recommendations

The Mayor recommends a reduction of \$56,000 to this department. The department's expenditure under this proposal would be reduced by 3.5% to \$1,553,569.

# **RESULTS IMPLICATIONS**

The department was asked to respond to a 20% LGA reduction, or a cut of \$77,000. Under this scenario, the department would eliminate the position of Deputy City Coordinator, which would save \$20,000 in 2009 and \$136,000 in 2010, and the department would also make one-time reductions.

The following are estimated impacts to the department's performance based on an LGA reduction of 20%, which would total \$77,000 for this department. Note that although the impacts are based on a 20% LGA cut, the Mayor's proposal is reflective only of a 14.5% LGA reduction to this department.

#### Administration

Elimination of the Deputy City Coordinator position will result in a redistribution of committee chair responsibilities relative to the Permanent Review Committee (PRC) and the Policy Review Group (PRG). It will also result in leadership replacement on City enterprise projects such as NORTH force and ad hoc projects as they arise (e.g. RNC), or in some cases, the inability to take on additional special projects that would have been assigned to the Deputy.

Further reductions to discretionary funding will result in limited participation in professional conferences and training opportunities as well as a reduction to the department's travel budget, which is already quite limited.

# Sustainability

The reduction will reduce the department's ability to leverage City funds for regional and national partnership opportunities, reduce funding for internships, and limit public outreach and education related to sustainability initiatives.

# 911/311

#### **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General Fund	9,390,350	9,953,257	11,004,498	10,724,498	-2.5%	(280,000)
Special Revenue Funds	2,561,435	567,500	521,000	521,000	0.0%	0
TOTAL EXPENSE	11,951,785	10,520,757	11,525,498	11,245,498	-2.4%	(280,000)

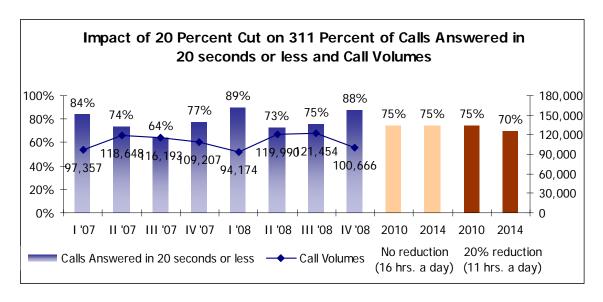
# Mayor's Revised Recommendations

The Mayor recommends a reduction of \$280,000 though the reduction of overtime, securing other resources for maintenance contracts, and use of other administrative savings. The department's expenditure budget is decreased by 2.4% to \$11.2 million. This level will not require a reduction to staffing in 911 or a reduction to 311 hours of operation.

# RESULTS IMPLICATIONS

The department was asked to respond to a 20% LGA reduction, or a reduction of \$560,000 for this department. Under this scenario, the department would reduce training in the 911 division by \$80,000 and overtime by \$120,000. The total number of positions in the department would be reduced by five (in addition to two agents already cut in the adopted 2009 budget), and four dispatcher positions would be left unfilled in 911. The operational hours for 311 would be reduced from 16 to 12.

The following are estimated impacts to the department's performance based on an LGA reduction of 20%, which would total \$560,000 for this department. Note that although the impacts are based on a 20% LGA cut, the Mayor's proposal is reflective only of a 10% LGA reduction to this department.



A 20% LGA in 2009 cut would require the reduction of 5 FTE in the 311 Center (all Customer Service Agents) in addition to the 2 agents already cut for the initial 2009 budget.

In order to maintain an acceptable answer time (service level), the hours of the 311 Center will have to be reduced. A 16 hour day, with the remaining positions spread over the entire day would result in reduced service. An 11 hour day could be managed with near-acceptable service level with the reduced number of agents.

# **BUSINESS INFORMATION SERVICES**

#### **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
Special Revenue Funds	34,409	0	0	0	0.0%	0
Internal Service Funds	35,124,544	25,117,570	26,246,201	25,521,201	-2.8%	(725,000)
TOTAL EXPENSE	35,158,953	25,117,570	26,246,201	25,521,201	-2.8%	(725,000)

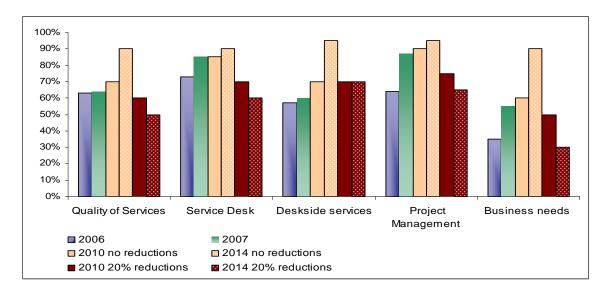
# Mayor's Revised Recommendations

The Mayor recommends a reduction of \$580,000 from the general fund to BIS, and a reduction of \$145,000 in other funds, for a total reduction of \$725,000. These changes should be reflected the rate model charges to departments, and departmental appropriations will be reduced accordingly.

The Mayor directs BIS to work with the Finance department to develop a process to achieve savings through turning in of computers and other devices under current contract provisions. The process should include a timeline by which departments must make decisions to achieve savings in 2010. BIS is further directed to work with departments to identify acceptable service reductions under technology contracts that would result in savings in the current fiscal year. BIS should report back to the Ways & Means/Budget Committee no later than April 1, 2009.

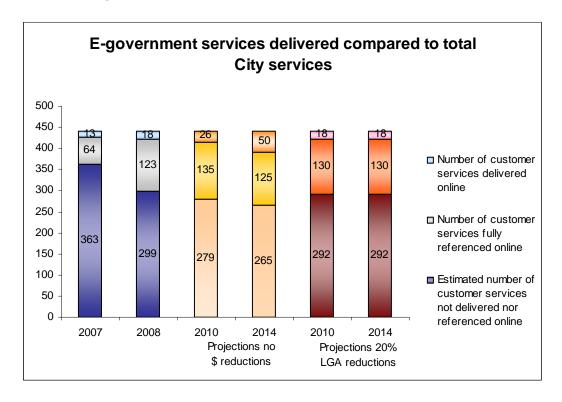
# **RESULTS IMPLICATIONS**

The department was asked to respond to a 20% LGA reduction, or \$1,320,000. In BIS, staff reductions of approximately 11FTE's will be necessary, resulting in reduced capacity for BIS functions. Staff reductions would lengthen system outages, slow enhancements to existing applications, and reduce enterprise management and reporting efforts. The following are estimated impacts to the department's performance based on an LGA reduction of 20%, which would total \$1.32 million for this department.



#### **Customer Satisfaction**

BIS has been showing steady improvement in customer satisfaction. We expected to see continued improvement as we see the benefits of our more strategic focus and improved outsourcing relationship. With the anticipated staff reductions BIS will have insufficient resources to fully implement the business plan and strategic priorities. Of the five categories shown above *Quality of Services, Project Management,* and *Business Needs* are BIS' sole responsibility. Therefore, these are the areas most impacted by a budget reduction. Meeting the business needs and projects are very strategic activities which would be reduced to ensure that foundational support activities still occur. In addition, deskside services have a component of BIS responsibility that would also be reduced, resulting in slower response time and lower customer satisfaction.



#### **E-Government Services**

Departments have generally been slow to adopt on-line services for their customers. Two scenarios could occur with the City's budget reductions: 1) departments could see the increased value (reduced cost and improved service) and seek to provide additional services online; or 2) departments could adopt a bunker mentality, essentially freezing any additional online activities. Regardless, the results will be the same. BIS will have limited ability to implement new online service delivery. Because the services referenced online are completely within the control of the departments a slight increase is anticipated.

#### **Additional Departmental Impacts**

The reductions discussed are in keeping with the Mayor's direction to continue to find innovative and efficient ways to deliver the required services. The reductions will,

however, necessitate a decrease in the volume and pace of innovations, and mean less capacity in most of the BIS functions. For example, modifications and enhancements to applications that support the City Attorney's Office, Regulatory Services, Police, and all other departments will need to be delayed or abandoned because of the reduced capacity in BIS. Furthermore, outages in these or other systems will take longer to resolve; again as a result of reduced capacity and the elimination of enterprise-funded after hours support.

BIS will analyze its policy and research function as part of ongoing review of department functions.

# **Future Opportunities**

Beyond the \$500,000 fiber completion already foregone, BIS believes another \$1.5 million could be saved from City operations outside of the BIS operating budget.

Currently there are four known areas managing the cell phone plans – pricing and usage. Public Works manages contracts for many departments, but Police and Regulatory Services continue to manage their own cell phone plans. In addition, all smart phones are managed by BIS. This results in redundancy in function and likely cost increases since all of the City's minutes are not pooled together. In other words, we are paying for more minutes than necessary, because they are not being efficiently shared across the enterprise. BIS would be willing to take on this responsibility but supports the consolidation regardless of where it is ultimately managed.

Furthermore, significant savings would be available through consolidation of the printers within the City. The City's current ratio is one printer for every three computers. Consolidating these would lead to reduced resource charges in the Unisys contract. In addition, we have identified an additional savings opportunity by completely re-thinking how we source our printing. By acquiring printing services as opposed to our current hardware there is the potential to save \$1 million annually.

# COMMUNICATIONS

#### **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General Fund	2,286,531	2,682,553	2,617,722	2,537,722	-3.1%	(80,000)
Special Revenue Funds	11,064	0	0	0	0.0%	0
TOTAL EXPENSE	2,297,595	2,682,553	2,617,722	2,537,722	-3.1%	(80,000)

# Mayor's Revised Recommendations

The Mayor recommends a reduction of \$80,000 for the Communications Department. This reduction reduces the expenditure budget of this department to \$2,537,722, or a cut of 3.1%. The Mayor's recommended reduction includes a \$20,000 cut to the allocation for MTN and a reduction of one position related to Police Communications.

# RESULTS IMPLICATIONS

The department was asked to respond to a 20% LGA reduction, or a cut of \$124,000. To achieve the necessary cost savings, the department would reduce the allocation for the Minneapolis Telecommunications Network (MTN) by \$20,000. The department would also have eliminated two positions for the remaining savings of \$104,000.

The following are estimated impacts to the department's performance based on an LGA reduction of 20%, which would total \$124,000 for this department. Note that although the impacts are based on a 20% LGA cut, the Mayor's proposal is reflective only of a 12.9% LGA reduction to this department.

It is difficult for the Communications Department to estimate specific changes in numeric measures. The department's ability to carry out its work in support of the communications needs of the City as an enterprise, and to assist individual departments in their communications efforts, is tied to staffing levels.

Looking at the impact of a 20% cut in the LGA funding for the Communications Department, the following impacts would be anticipated:

1. Police Communications – The Police Communications Manager position would be eliminated. While Communications would still provide general communications assistance to the Police Department, it would not have a full-time devoted staff person to manage all proactive and strategic communications. In 2008, this position managed proactive public safety communications that included dozens of news releases, nearly 20 media events and availabilities and other communications-related activities. Communications will continue to offer support to the department, but it will not be able to provide such an elevated profile for public safety and crime prevention with the absence of this position. However, because public safety is the highest priority for the City, the Communications department would continue to devote added resources to public safety communications. To do this, Communications would reduce the support that provided to other City

- departments. The Police Department would also have to do additional report and other writing that was handled previously by this position.
- Administrative support. Communications would also reduce administrative functions. The reduction of administrative functions will require that more administrative, human resources, and budget-related functions be handled by Communications staff. Additional administrative reductions may affect the taping of City Council and Committee meetings.
- 3. Reduction in general funding to MTN. MTN receives funding through an access fee charged by Comcast, with additional dollars provided at a near matching rate from the City's general fund. A 20% general fund cut to the Communications department would result in a \$20,000 reduction in the general fund support to MTN. The Council-Approved MTN funding for 2009 was to be \$729,000, which was up from \$711,000 in 2008.

# **CONVENTION CENTER**

#### **EXPENSE INFORMATION**

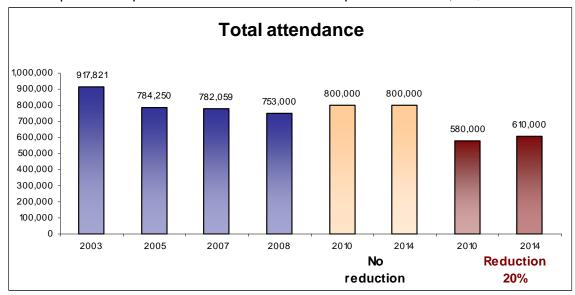
EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
Special Revenue Funds	33,660,383	40,354,202	45,949,698	45,669,698	-0.6%	(280,000)
TOTAL EXPENSE	33,660,383	40,354,202	45,949,698	45,669,698	-0.6%	(280,000)

# **MAYOR'S REVISED RECOMMENDATIONS**

The Mayor recommends a reduction of \$280,000 including 4 supervisory positions.

# **RESULTS IMPLICATIONS**

Because this department does not receive LGA, the following reflects estimated impacts to the department's performance based on a 20% expense reduction, or \$9.2 million.



## Why would a 20% reduction impact attendance?

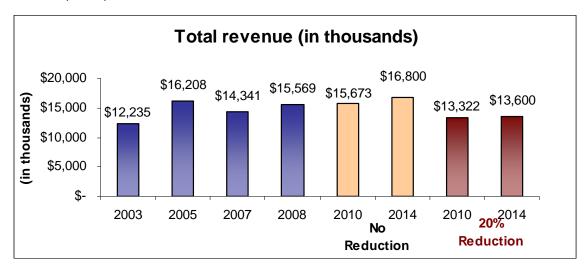
A reduction of this magnitude would require reductions to personnel, materials and contracts that support client events. Given the decrease in those resources, the MCC would have a diminished capacity to host the 550 to 600 annual events that have traditionally generated approximately 750,000 attendees.

#### What does a drop in attendance mean to the City?

Attendance is the driver for economic impact to the City. Approximately 15% of the Center's attendees are non-local which means they sleep, dine, seek entertainment and travel around and through Minneapolis. On average, each non-local attendee (delegate) spends \$1,137/per visit. The 2007 economic impact is estimated at **\$160M**. A reduction in attendance to MCC conventions directly affects the economic impact to the City's

entertainment, travel and lodging industries, not to mention the taxes generated through the purchase of those services.

We estimate a 20% reduction in expenses could result in a 15 - 25% decline in attendance. This could potentially result in a 15 - 25% reduction in economic impact; a value of \$25 - \$40M.



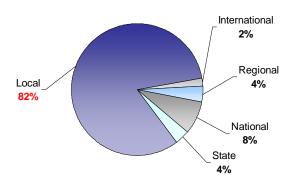
# Why would this measure be impacted by a 20% reduction?

With fewer retail services to offer clients and a lesser amount of resources to host events, MCC's rental and non-rental revenue potential would be negatively affected. As a revenue-generating operation there is a threshold where reductions in expenses begin to erode revenue potential. We have identified that a 20% expense reduction would impact the quality and quantity of our retail services and would limit our ability to host the same number and caliber of events the Center is accustomed to hosting, negatively impacting our bottom-line revenues.

#### **Economic Impact**

E	0000	Fathmatad
Employment	2008	Estimated
- MCC	212 FTEs	200
<ul> <li>Kelber Cate</li> </ul>	ring 123 FTEs	110
<ul><li>Contractors</li></ul>	<u>55 FTEs</u>	<u>55</u>
Total FTEs	390	365
Local Output		
- MCC	\$25,000	,000 \$23,600,000
<ul> <li>Kelber Cate</li> </ul>	ring \$13,609	,000 \$11,200,000
<ul><li>Contractors</li></ul>	\$ 3,000	<u>,000</u> <u>\$ 3,000,000</u>
Total outpu	t \$41,609	,000 \$37,800,000

# Attendance by scope



The 18% of delegates who are non-local will spend \$1,137/delegate generating \$173.8M in local economic impact

Total Economic Impact (2007)= \$41.6M + \$160M Estimated Total Economic Impact with 20% Expen	se Budget reduction	\$201M
	\$37.8M + \$136M =	\$173.8M
Proposed Expense budget reduction (savings)		\$7.6M
Potential Economic Impact Decrease		\$27.2M

# **FINANCE**

#### **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General Fund	17,829,517	18,720,000	19,848,417	19,278,417	-2.9%	(570,000)
Special Revenue Funds	279,708	270,017	248,881	248,881	0.0%	0
Internal Service Funds	2,053,618	2,162,685	2,285,901	2,285,901	0.0%	0
Enterprise Funds	549	0	0	0	0.0%	0
TOTAL EXPENSE	20,163,392	21,152,702	22,383,199	21,813,199	-2.5%	(570,000)

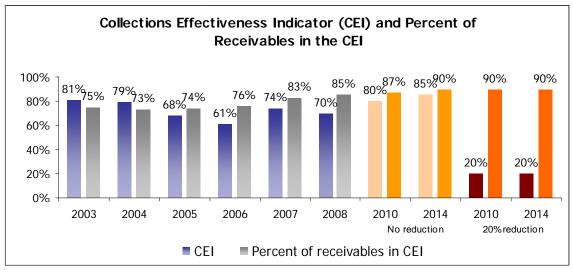
# Mayor's Revised Recommendations

The Mayor recommends a reduction of \$570,000 to this department, or a cut of 2.5% to the department's total expenditure budget. The Mayor directs Finance Department staff to work with the City Attorney's Office and Police Department to explore the fine revenue collection processes. The Mayor also directs Finance Department staff to do an immediate audit of the top 25 overtime recipients. The Mayor further directs Finance Department staff to identify and implement reforms to the procurement process to increase efficiencies.

# **RESULTS IMPLICATIONS**

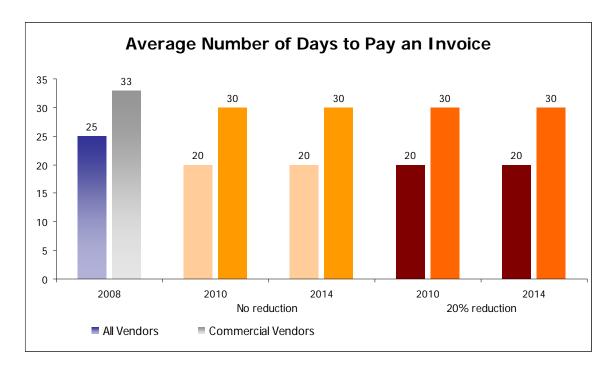
The department was asked to respond to a 20% LGA reduction, or a cut of \$1,000,000. To achieve this level of cost savings, the department would have to reduce 14 positions. This reduction would result in reduced capacity for reporting, slower bill payment, weaker revenue collection processes, increased wait times for utility billing, decreased capacity for enterprise analysis, and slower progress on green purchasing implementation and procure-to-pay system upgrades.

The following are estimated impacts to the department's performance based on an LGA reduction of 20%, which would total \$1,000,000 for this department. Note that although the impacts are based on a 20% LGA cut, the Mayor's proposal is reflective only of an 11.4% LGA reduction to this department.



Note: 2008 is for the twelve months ending 12/30/08. The first 2010 and 2014 bars illustrate expectations without a budget reduction; the second bars illustrate the 20% LGA reduction.

- The Collections Effectiveness Indicator (CEI) is considered the best overall
  measure of how well invoiced revenues are collected. The measure combines
  the goals of collection speed with the amount collected. A score of 100% means
  that all invoiced revenues are collected in 30 days.
- If the CEI deteriorates the financial results include higher accounts receivable balances, lower revenues collected, lower investment balances, and lower investment income.



In this chart, the 2010 and 2014 numbers are expected to remain the same irrespective of any budget reductions. In preparing its budget reduction contingency plans, the department tried to preserve core services such as paying vendors and concentrate reductions in other areas.

- The "days to pay" measure indicates whether the City is complying with its
  contractual obligations and state law. State law requires municipalities to pay
  invoices within 35 days of invoice date or according to contract terms; the City is
  required to pay invoices within 35 days.
- The Finance Department budget contingency plan was prepared with a focus on maintaining core functions including the procure-to-pay process used to pay vendors. In the event of any budget reductions, Finance resources will be directed at preserving this service activity over provision of other departmentspecific services that do not add value at the Enterprise level or increased levels of decision support.

#### **Additional Departmental Impacts**

- Increased response time and reduced capacity to support financial decision making for managers, department heads, and elected officials. In some cases Finance may not be able to participate in certain decisions that do not meet high priority needs.
- Elimination of reporting of expenses at the current level of detail for certain public works services, especially those supported by the general fund.
- Controls that prevent fraud in payments to vendors and cash receipts from customers may be weakened.
- Elimination of services to departments performed by Finance employees that are outside Finance's core services.
- Reduced capacity to respond to procurement initiatives that require special City actions. These procurement initiatives are more expensive to administer than procuring goods and services using one of the shared procurement processes the City now uses.
- Weakened capacity to negotiate and administer tort claims. Tort liability
  payments may increase due to fewer resources available to investigate and
  respond to tort claims.
- Green purchasing measures may deteriorate due to a reduction in a buyer in Purchasing.

# **HUMAN RESOURCES**

#### **EXPENSE INFORMATION**

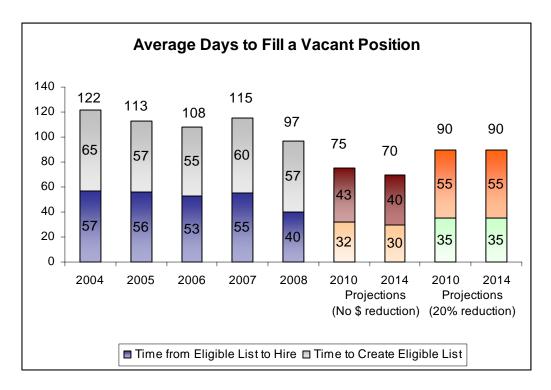
EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General Fund	6,030,616	6,071,000	6,290,314	5,970,314	-5.1%	(320,000)
Special Revenue Funds	199,537	10,000			0.0%	0
Internal Service Funds	1,313,680	1,462,383	1,627,507	1,627,507	0.0%	0
TOTAL EXPENSE	7,543,833	7,543,383	7,917,822	7,597,822	-4.0%	(320,000)

# Mayor's Revised Recommendations

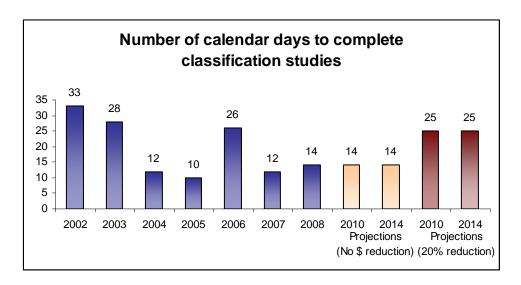
The Mayor recommends a reduction of \$320,000. This scenario eliminates 3 positions. The remaining amount comes from reductions in professional services, training and administrative costs. The Mayor also directs Human Resources to develop and communicate a citywide policy restricting the use of permit employees.

# RESULTS IMPLICATIONS

The following are estimated impacts to the department's performance based on a budget reduction of 20%, or \$320,000.



The loss of an FTE in this area will undo progress have made in reducing the number of days it takes to fill a vacancy.



The loss of a HR Senior Consultant will not only increase the amount of time it takes to complete a classification study, but will negatively impact HR's ability to deliver on a citywide performance management system which has been planned for a 2010-2011 implementation.

## **Additional Departmental Impacts**

Human Resources has been proactive on more than one front to attempt to become more efficient and reduce operating costs in order to reach the department's five-year financial direction. The department has undergone a thorough evaluation of computers, printers and copiers; as a result, it is estimated that HR will save approximately \$50K annually starting in 2010.

The loss of 3 FTEs (if the 20% scenario is adopted for HR) and almost 25% of professional services expenditures will have a dramatic impact on the department's ability to provide strategic support to other departments.

There are three primary strategic initiatives underway in HR:

- 1. Design a citywide performance management system
- Creation of a five-year learning & development plan, which will define how the department 'could' achieve learning initiatives at all levels of the organization – from entry employees through executives
- 3. Ongoing implementation of the diversity plan

The loss of resources will reduce or eliminate the department's ability to deliver on these important enterprise issues – all of which are critical in times of reductions.

# INTERGOVERNMENTAL RELATIONS

#### **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General Fund	1,082,503	1,469,561	1,502,692	1,447,692	-3.7%	(55,000)
Special Revenue Funds	1,276,866	1,134,000	1,126,000	1,126,000	0.0%	0
TOTAL EXPENSE	2,359,369	2,603,561	2,628,692	2,573,692	-2.1%	(55,000)

# MAYOR'S REVISED RECOMMENDATIONS

The Mayor recommends a reduction of \$55,000, or 2.1% of the department's total budget, reducing the department's expenditure amount to \$2,573,692.

# **RESULTS IMPLICATIONS**

The department was asked to respond to a 20% LGA reduction, or a cut of \$72,000. To achieve the savings necessary to reach this goal, the department would eliminate one position.

The following are estimated impacts to the department's performance based on an LGA reduction of 20%, which would total \$72,000 for this department. Note that although the impacts are based on a 20% LGA cut, the Mayor's proposal is reflective only of a 15.3% LGA reduction to this department. The department does not anticipate any impact to its Results measures based on the Mayor's cut.

# **NEIGHBORHOOD AND COMMUNITY RELATIONS**

## **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General Fund	0	0	808,285	808,285	0.0%	0
Special Revenue Funds	0	0	192,000	192,000	0.0%	0
TOTAL EXPENSE	0	0	1,000,285	1,000,285	0.0%	0

MAYOR'S REVISED RECOMMENDATIONS
The Mayor is not recommending a reduction to the department.

The department was not asked to provide a 20% LGA reduction scenario while it was still under development.

# **RESULTS IMPLICATIONS**

The measures for this department are still under development.

# REGULATORY SERVICES

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	CINOC	INTU	RIVIA	

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General Fund	24,260,685	23,022,000	23,691,415	23,561,415	-0.5%	(130,000)
Special Revenue Funds	2,804,683	6,986,040	9,251,934	9,251,934	0.0%	0
Enterprise Funds	0	0	0	0	0.0%	0
EXPENSE	27,065,368	30,008,040	32,943,349	32,813,349	-0.4%	(130,000)

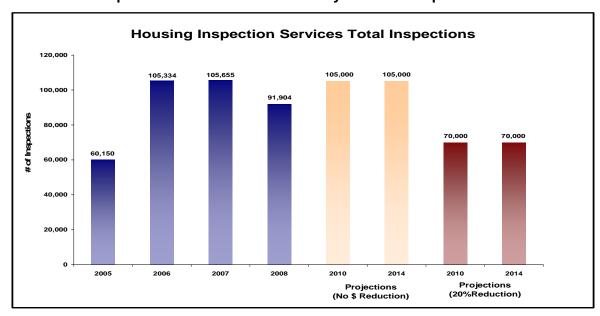
# Mayor's Revised Recommendations

The Mayor recommends a reduction of \$130,000 and one position through management efficiencies. Larger cuts to this department would negatively impact revenue and are not recommended. Additionally, the Mayor recommends funding the Step Up program at a minimum of the 2008 funding level with the purpose of exposing and encouraging young people to government careers.

# **RESULTS IMPLICATIONS**

The department was asked to respond to a 20% LGA reduction, or \$1.23 million. Under this scenario, the department would eliminate nuisance abatement contracts, and reduce staff in Animal Control, Housing Inspections, Food Safety and Environmental Inspections. Although the Mayor proposes only a minimal reduction to Regulatory Services, a 20% reduction would have the following impact on service.

#### Results Minneapolis Measurements Affected by 20% LGA Expenditure Cut:

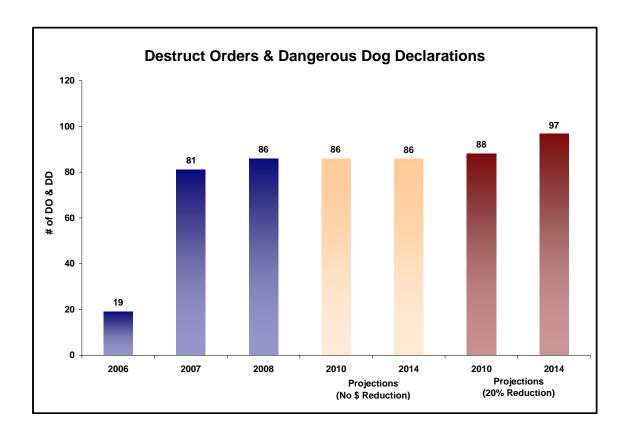


The loss of the nuisance abatement contracts and the summer interns would result in a 35,000 reduction in pro-active inspections a year, including geographic sweeps

(North force) etc. The 311 service requests would continue, but the 311 staff would be directed to say the City doesn't provide the service unless there is a health or environmental hazard.

# **Related Mandates from other levels of government:**

Program	Mandate
Control/Eradicate Noxious Weeds – Inspection, Enforcement & Removal	Statute 18.80 Mayor / Board Supervisors Appointees Must Act as Weed Inspectors



# **CIVIL RIGHTS**

#### **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General Fund	2,323,434	2,492,000	2,558,247	2,378,247	-7.0%	(180,000)
Special Revenue Fund	259,501	330,000	357,000	357,000	0.0%	0
TOTAL EXPENSE	2,582,935	2,822,000	2,915,247	2,735,247	-6.2%	(180,000)

# Mayor's Revised Recommendations

The Mayor recommends a reduction of \$180,000.

The department was asked to respond to a 20% LGA reduction, or \$130,000. Under this scenario, the department would reduce administrative costs and professional services contracts. Specifically, the department would reduce Registration & Tuition, Travel Expense, Membership & Dues, Refreshments, Advertising & Publications, and Professional Services. Reductions will include administrative costs, professional services and other non personnel costs.

The Mayor further recommends transferring the investigations function that continues to provide protections for Minneapolis residents from the City to the State. The department should report back to the Health, Energy, and Environment Committee with a transition plan no later than June 1, 2009.

# RESULTS IMPLICATIONS

The following are estimated impacts to the department's performance based on an LGA reduction of 20%, which would total \$130,000 for this department.

The department will handle this reduction by reducing costs in several administrative items including advertising, membership & dues, registration, and purchase of refreshments and professional services. These budget line items were targeted with the express intention of not impacting the direct provision of services and activities of the Police Civilian Review Authority and the Contract Compliance Unit.

The reductions, in the budget areas specified, will have the general impact of reducing the level of visibility of the Department of Civil Rights. For example, presence at certain annual, community events, such as the Urban League Family Day or Juneteenth will be reduced. Secondly, participation at such events as the Urban League Annual Meeting, the Minnesota Justice Foundation annual meeting and the Minnesota Bar Association annual meeting, Employment Bar Division, will be reduced. Third, advertising support in community newspapers (e.g. Minnesota Spokesman, Insight News and Asian Papers), which was primarily for the purpose of communicating hiring opportunities will be reduced. Fourth, partnering with community agencies and/or other governmental agencies to conduct training sessions or other community building opportunities would be severally curtailed. An example of such an opportunity would be the recently cancelled schedule of activities, hosted by Minneapolis and Hennepin County, for Black History Month. Finally, attendance at national "industry" related events, and the hiring of

certain content-specific experts, to enhance the skill/knowledge of our management staff will be reduced, or perhaps eliminated.

The impact and/or resultant outcome of these actions is difficult to quantify. However, there will be a qualitative impact, as community groups and other organizations experience a diminished level of participation, involvement and, perhaps, perceived support and interest, from the Department. In the short term, these potential perceptions should not affect quantitative aspects of the Department's duties, such as complaints filed, investigated or closed or the number of small underutilized businesses that are used on construction sites. Impacts may result in reduced confidence on the part of community and/or organization leaders with whom we have "partnered" in the past. In the long term, they may well result in quantitatively negative outcomes.

# **COMMUNITY PLANNING & ECONOMIC DEVELOPMENT**

#### **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General Fund	3,708,392	3,474,100	4,146,036	3,996,036	-3.6%	(150,000)
Special Revenue Funds	75,231,136	113,570,594	81,993,185	81,993,185	0.0%	0
Capital Project Funds	136,598	0			0.0%	0
Debt Service Funds	42,750,612	35,940,000	37,254,261	37,254,261	0.0%	0
Enterprise Funds	2,801,313	2,701,640	2,149,861	2,149,861	0.0%	0
TOTAL EXPENSE	124,628,051	155,686,334	125,543,342	125,393,342	-0.1%	(150,000)

# MAYOR'S REVISED RECOMMENDATIONS

The Mayor recommends a reduction of \$150,000. This scenario includes eliminating one position which provides database and mapping support for the Planning Division. The remaining amount comes from non-personnel sources such as reducing fleet expenses and adjusting cost allocation across funding sources within the Planning Division.

# **RESULTS IMPLICATIONS**

The following are estimated impacts to the department's performance based on a budget reduction of 20%. A reduction of this level totals \$190,000 for this department.

A 20% General Fund reduction of the 2009 CPED Planning Division's budget includes the elimination of the Engineer Graphics Analyst III position. This is an occupied, single-title position within the division that provides data base and mapping support for the division's business lines. Primary responsibilities include:

- Developing maps for each of the submitted land use applications (617 in 2008, 2,330 in last three years and as many as 1,200 in 2004) for purposes of analysis and notification. The map is included in the staff report to Planning Commission and City Council. If this position is eliminated, the development services planners will produce their own maps. Most planners are skilled in this task; others will need to enhance their skills.
- Every time the zoning code is updated through an individual rezoning application (22 completed in 2008, 99 in last three years), text amendment (10 completed in 2008, 35 in last three years, 26 pending) or rezoning study (2 completed in 2008, 11 in last three years, 8 pending), the corresponding map(s) in the zoning code (called plates) must be updated (web site and hard copies). If this position is eliminated, the division will assign this task to a planner(s). Some planners have the skill to complete this task; others will need to acquire this skill.
- This position is called upon to produce special maps such as Estimated Market Value for city parcels. Some special projects may be completed with planners skilled in mapping and GIS depending on workload and other assignments. The division likely will do less of this specialized mapping.

- This position was assigned to provide some data base, mapping and other technical assistance related to the Census 2010 project. It is unclear how this will work will be accomplished.
- Generally speaking, the GIS, data base and mapping skills of planners continue to increase. There is a commitment by CPED management to increase these same skill sets in its Project Coordinators.

# **FIRE**

#### **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General Fund	48,471,296	50,348,533	53,102,017	50,455,017	-5.0%	(2,647,000)
Special Revenue Funds	1,258,583	470,522	70,000	70,000	0.0%	0
TOTAL EXPENSE	49,729,879	50,819,055	53,172,017	50,525,017	-5.0%	(2,647,000)

## Mayor's Revised Recommendations

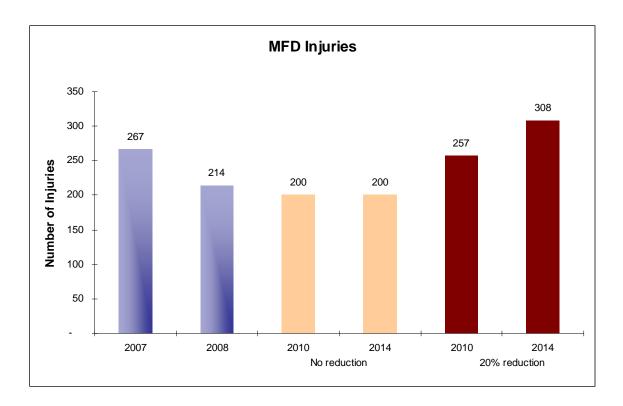
The Mayor recommends a reduction of \$2,647,000. This reduces the department's expenditure budget by 5.0%, to \$50.5 million. The Mayor further recommends that the department implement process improvements to improve its service level on housing inspections. The Mayor also recommends the department implement a commercial inspection program and increase its revenue budget by \$800,000 in order to preserve firefighter positions.

# RESULTS IMPLICATIONS

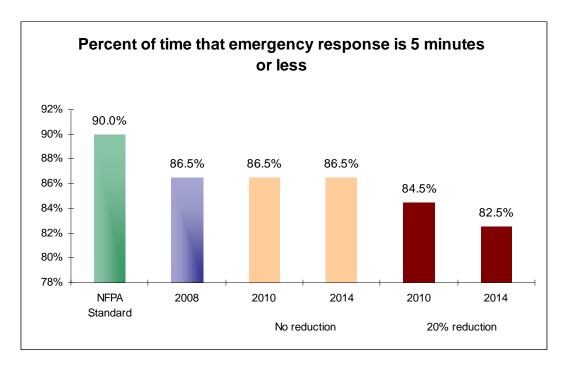
The department was asked to respond to a 20% LGA reduction, or a cut of \$2,647,000. To achieve the cost savings for the cut, the department would reduce one-time equipment purchases, not fill six vacant positions, use military leave savings, and reduce administrative expenses, overtime, and travel. Without the addition of the commercial inspection program, an additional 21 positions would need to be eliminated. The reductions would lower minimum daily staffing, may impact firefighter safety, may result in the suspension of automatic aid with Richfield, and cause the SOC to not be maintained.

The following are estimated impacts to the department's performance based on an LGA reduction of 20%, or \$2,647,000, which is the actual LGA funding cut to this department.

Historically injuries are reduced with increased staffing levels; conversely the department projects injuries will increase when staffing levels are reduced. From 2007 to 2008, the total number of injuries was reduced by approximately 20%. For the 20% budget reduction scenario, the department estimated that injuries would increase by 20% for a total number of injuries of 257 in 2010; for 2014 an additional 20% increase is estimated for a total of 308 injuries. Increased injuries equate to increased lost days, increased workers' compensation claims filed, and an increase in the costs incurred by the City.

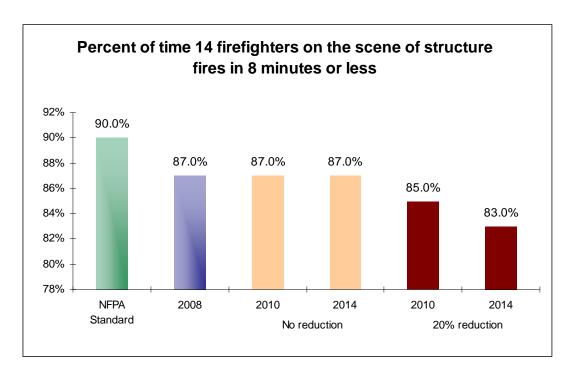


A reduction in the Fire Department's budget will adversely affect response time. The department's ability to meet the standard of having the first unit to emergency events in five minutes or less 90% of the time will be diminished. The budget reduction scenario projections include closing two front-line fire rigs. This means first responding units will be located further away.



In 2008, Ladder 2 was reopened at Fire Station 21 and Ladder 5 was relocated to Fire Station 27. The closure of fire apparatus will negate the gains made toward citywide response time improvements.

Another standard that will be negatively affected by a budget cut is the percentage of time 14 firefighters are on the scene of structure fires in eight minutes or less. Similar to the first response time standard, responding rigs will be located further away. In addition, the rigs in service will be staffed with fewer firefighters making it more difficult to reach the standard.



#### **Additional Fire Departmental Impacts**

- The Council adopted Standard of Coverage for MFD will not be sustainable.
- Planned equipment upgrades and replacement utilizing 2009 one-time funding will not take place and will need to be considered in the 5-year financial direction.
- Between now and 2014, 21 apparatus are scheduled for necessary replacement; 10 are currently past their recommended 15-year life expectancy. The impact shows up in rig downtime for repeated repairs and increased costs for those repairs. The department postponed the purchase of a new ladder truck and pumper scheduled for 2009 pending an updated 5-year financial direction.

# **HEALTH AND FAMILY SUPPORT**

#### **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General Fund	4,073,693	4,081,000	4,712,342	4,502,342	-4.5%	(210,000)
Special Revenue Funds	10,145,524	9,558,580	8,941,798	8,941,798	0.0%	0
TOTAL EXPENSE	14,219,217	13,639,580	13,654,140	13,444,140	-1.5%	(210,000)

# MAYOR'S REVISED RECOMMENDATIONS

The Mayor recommends a reduction of \$210,000. The department should begin closing the lab, effective January 1, 2010.

Under this reduction, the department would eliminate one FTE in the Ombudsman office, reduce other department expenses, and eliminate one position from the public health lab.

# **RESULTS IMPLICATIONS**

The following are estimated impacts to the department's performance based on an LGA reduction of 20%, or \$210,000.

The lab is part of the local public health infrastructure charged with providing services that help protect the health and safety of Minneapolis residents. Additionally, elimination of the public health laboratory would result in decreased service to other City departments. Because the Lab provides services in three areas (environmental, street drug testing and clinical) discontinuing laboratory services will impact the Police, Regulatory Services and Health and Family Support Departments. Costs per service may increase, testing results will be less timely and additional staff time may be required within the affected departments. School Based Clinic (SBC) services are tightly interwoven with the Lab. Discontinuing the Lab would likely add at least \$55,000 to SBC operating costs. Outside the City enterprise, the over 75 local and regional entities that use the Lab will need to adapt their operations in order to meet their lab needs elsewhere.

# **M**AYOR

## **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General Fund	1,300,987	1,374,000	1,558,907	1,498,907	-4.0%	(60,000)
Special Revenue Funds	46,772	0			0.0%	0
TOTAL EXPENSE	1,347,759	1,374,000	1,558,907	1,498,907	-3.8%	(60,000)

# Mayor's Revised Recommendations

The Mayor recommends a reduction of \$60,000. This reduction would be achieved by reducing personnel costs, travel and other miscellaneous expenses.

# **RESULTS IMPLICATIONS**

The estimated impact to the department's performance was based on an LGA reduction of 20%, which would total \$70,000 for this department. A reduction of this magnitude will result in cuts to discretionary spending without significant impacts to service level.

# POLICE

#### **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
General Fund	116,267,665	121,247,539	128,882,717	122,372,717	-5.1%	(6,510,000)
Special Revenue Funds	7,496,185	6,289,821	6,219,804	6,219,804	0.0%	0
TOTAL EXPENSE	123,763,850	127,537,360	135,102,520	128,592,520	-4.8%	(6,510,000)

# Mayor's Revised Recommendations

The Mayor recommends a General Fund reduction of \$6,510,000. This scenario includes the reduction expenses related to recruitment, training and promotions. In addition, the department will reduce and eliminate coordination functions of specialized support units and shift those resources to the primary functions of patrol and investigations.

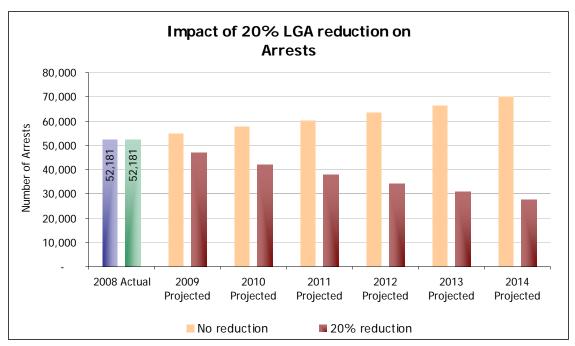
This reduction will be temporarily offset by the receipt of \$5 million in federal grant resources in 2009, and an additional amount in 2010. The remaining \$1.5 million will be achieved through the reduction of non-personnel expenditures, including overtime. The federal funds will allow additional time for the department to restructure its operations and to pull out of those activities that have not received full State or federal funding, such as the State Gang Task Force.

The Mayor directs the Attorney's Office, Finance, and Police to explore the causes of revenue shortfall related to fines. These departments are to explore the feasibility of implementing other collection processes including administrative citations for the 2010 budget and report back to the Public Safety and Regulatory Services and Ways & Means/Budget committees no later than May 1, 2009. The Mayor also directs Police to work with the Department of Finance to complete an immediate audit of the top 25 overtime recipients.

# RESULTS IMPLICATIONS

The following are estimated impacts to the department's performance based on a budget reduction of 20%.

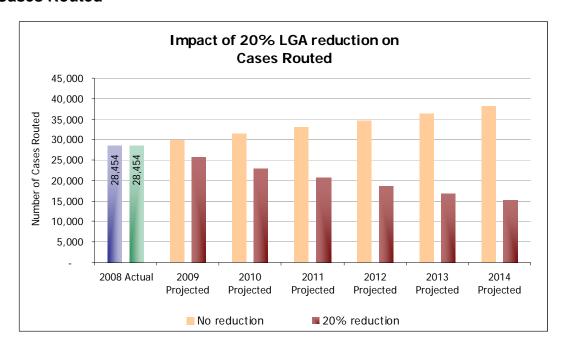
#### **Arrests**



Arrests are a measure of police activity and represent a positive outcome for committed crimes. Decreases in officers on the street will mean fewer arrests will be made.

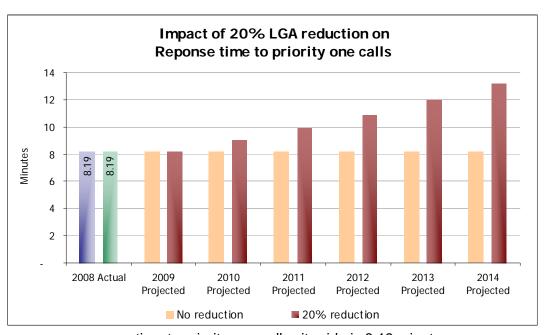
It is difficult to estimate the changes in crime in relation to a percentage of staffing cuts. A Rand Corporation report estimates for every 10% reduction in a police force, there is a corresponding increase in crime varying from 0-10 % depending upon the offense. There is no formula relating to the number of arrests but with a decrease in a police force, particularly based on seniority, the youngest, hardest working officers will be gone. This most certainly will decrease the number of all indicators used here.

#### **Cases Routed**



Cases routed rate corresponds directly to the number crime being committed and police reports being taken. It is hoped a high percentage of cases routed will also be assigned for investigation and end in successfully charging someone for a crime. With fewer officers to take police reports, more crimes will go unreported and therefore the number of cases routed is expected to decrease.

## **Response Times**



The average response time to priority one calls citywide is 8.19 minutes.

## **Additional Departmental Impacts**

With officers taken from special units such as Traffic or Investigative areas, there will be less revenue collected and a decrease in the number of cases investigated and charges for certain crimes.

Any reduction in sworn staff will be taken by seniority which means that the newest, most diverse and often hardest-working patrol officers will be the first to go. Initially, the department could see up to fifty percent reductions in production in some indicators such as police reports and arrests as well as increases in response times. Across the nation, police departments who have had to lay off low seniority officers and move older staff to response cars have seen dramatic increases in Workers' Compensation claims and accidents.

# Public Works

#### **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
Capital Project Funds	1,978,768	8,043,273	8,635,502	8,635,502	0.0%	-
Enterprise Funds	186,083,564	173,402,496	179,416,484	179,416,484	0.0%	-
General Fund	40,868,058	40,180,049	41,914,731	39,689,731	-5.3%	(2,225,000)
Internal Service Funds	56,405,151	57,513,187	72,145,169	72,145,169	0.0%	-
Special Revenue Funds	315,487	90,000	84,000	84,000	0.0%	-
TOTAL EXPENSE	285,651,028	279,229,005	302,195,885	299,970,885	-0.7%	(2,225,000)

# MAYOR'S REVISED RECOMMENDATIONS

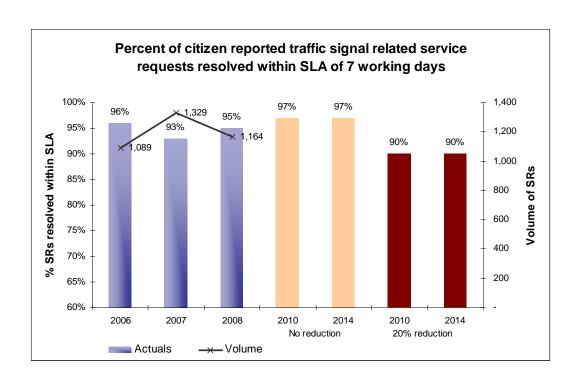
The Mayor recommends a reduction of \$2,225,000. The cost savings will primarily be accomplished through changes in the City's snow and ice control operations, traffic activities, and reduced expenditures on state roadways. This will include reducing traffic signal maintenance, traffic management services and a significant redesign of snow and ice control operations to reduce expenses. Additional saving will be realized by no longer providing services for state roads that are not fully reimbursed. There will be a reduction in positions. However, the exact amount will not be determined until the redesign of the snow removal operations is completed over the next couple months.

In addition to reducing expenditures, the Mayor directs the Public Works department to introduce a street lighting utility fee for both residential and non-residential properties. For a typical residential property, the street lighting utility fee will be no more then \$20.00 a year. The Mayor further directs Public Works to develop a team to review fleet size, car share options, take home vehicles and parking policies and report back to the Transportation and Public Works Committee no later than June 1, 2009.

# **RESULTS IMPLICATIONS**

The following are estimated impacts to the department's performance based on an LGA reduction of 20%, which would total \$2,090,000 for this department.

The reductions to the traffic signal maintenance area will result in a negative impact to the responsiveness to reported signal issues with outages and other malfunctions and traffic control requests.



# City of Minneapolis FY 2009 Mayor's Supplemental Budget Recommendations

# Impact of Local Government Aid Cuts on Independent Boards

In 1994, an agreement was reached between the City and the Independent Boards regarding the distribution local government aid. The agreement was later modified to exclude the Library Board, due to the system merger with Hennepin County. The percentage distribution to the Park Board, MBC, and the City's General Fund is featured in the following charts.

In 2008, the State Legislature certified an increase to the City's LGA allocation for 2009 to \$88.8 million, a \$6.6 million increase over the 2008 certified amount of \$82.2 million. In December of 2008, the Governor unalloted LGA to the City of Minneapolis by \$13.2 million, reducing 2008 LGA to \$69.1 million, which affected the independent boards' reserves. Prior to the unallotment, the State had certified the following LGA amounts for 2008 and 2009:

	LGA \$ Distribution %	2008 LGA \$ Distribution	2009 LGA \$ Certification	% Change from 2008	\$ Change from 2008
General Fund	87.897%	\$72,278,486	\$78,043,592	8.0%	\$5,765,106
Park Board	11.802%	\$9,704,890	\$10,478,975	8.0%	\$774,085
MBC	0.301%	\$247,515	\$267,257	8.0%	\$19,742
Totals	100.000%	\$82,230,891	\$88,789,824	8.0%	\$6,558,933

The following chart details the 2009 LGA cuts expected from the Governor's FY 2010-2011 proposed budget:

	LGA\$	2008	Actual 2008	2009	Expected	\$ Change	% Change
	Distribution	Certified LGA	LGA	Certified LGA	2009 LGA	from 2009	from 2009
	%	Distribution	Distribution	Distribution	Distribution	Certification	Certification
General Fund	87.897%	\$72,278,486	\$60,699,335	\$78,043,592	\$63,222,284	-\$14,821,308	-19.0%
Park Board	11.802%	\$9,704,890	\$8,150,148	\$10,478,975	\$8,488,906	-\$1,990,069	-19.0%
MBC	0.301%	\$247,515	\$207,863	\$267,257	\$216,502	-\$50,755	-19.0%
Totals	100.000%	\$82,230,891	\$69,057,346	\$88,789,824	\$71,927,693	-\$16,862,131	-19.0%

The Independent Boards' budgets are subject to the proportional distribution of the tax levy and LGA distribution, set by the Board of Estimate and Taxation, which affects the total funds each Board gets to work with in a given budget year. Independent Boards' budgets will be further impacted by the reductions in the Governor's 2009 proposed budget.

# **MBC**

## **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
Special Revenue Funds	7,445,377	7,966,431	8,549,257	8,498,502	-0.6%	(50,755)
TOTAL EXPENSE	7,445,377	7,966,431	8,549,257	8,498,502	-0.6%	(50,755)

# **MAYOR'S REVISED RECOMMENDATIONS**

The Mayor recommends a reduction of \$50,755 from the adopted budget for this independent board based upon the formula for LGA distribution.

The Board was asked to respond to a 20% LGA reduction, or \$53,451, but has not done so yet.

## **RESULTS IMPLICATIONS**

The Board has not provided estimated impacts to its performance based on an LGA reduction of 20%.

# PARK BOARD

#### **EXPENSE INFORMATION**

EXPENSE	2007 Actual	2008 Adopted Budget	2009 Adopted Budget	2009 Mayor's Revised	Percent Change	Change
TOTAL SPECIAL REVENUE	78,518,741	80,604,883	84,529,426	82,539,357	-2.4%	(1,990,069)
TOTAL INTERNAL SERVICE	9,045,587	7,652,454	7,800,847	7,800,847	0.0%	0
TOTAL EXPENSE	87,564,328	88,257,337	92,330,273	90,340,204	-2.2%	(1,990,069)

## Mayor's Revised Recommendations

The Mayor recommends a reduction of \$1,990,069, or 2.2% of the total budget (3.6% of the adopted tax supported budget), from the adopted budget for the Park Board based upon the formula for LGA distribution.

# **RESULTS IMPLICATIONS**

The Board responded to its LGA reduction, which is determined by a formula approved in the 1994 agreement between the Independent Boards and the City, by stating its financial planning has prepared the Park Board for the short-term impact of LGA reductions recommended by the Governor. The Board did not include the estimated increase for LGA in 2009 of \$774,000 in anticipation that the increase would not occur due to the State's financial position. The Board also left 26 positions vacant, eliminating the need for layoffs in 2009.

The Park Board will begin the process of developing permanent service reductions for the 2010 budget after a series of public meetings that will be held in 2009.

The 26 vacant positions represent nearly a 5% reduction in the Board's workforce. Examples of service impacts in 2009 include reduced park maintenance, longer trim cycles in Forestry, reduced capacity to pursue new grant funding, and reduced recreation programming.