

# City of Minneapolis FY 2002 Budget Background Information

## Community Profile

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Minneapolis combines the Dakota word for water ("minne") with the Greek word for city ("polis"), a fitting name for a city with 18 of Minnesota's 12,034 lakes. Minneapolis is renowned for combining the best of urban life with the neighborhoods and quality of life found in smaller towns. Residents enjoy exciting cultural and recreational opportunities in beautiful natural surroundings.

### History

In the mid 17<sup>th</sup> Century, French explorers searching for the Northwest Passage were the first Europeans to visit the region. In the 1820s, at the confluence of the Minnesota and Mississippi rivers, soldiers from Fort Snelling constructed a sawmill and flourmill at the St. Anthony falls. By the 1850s, the village of St. Anthony had been established on the east bank of the Mississippi and the village of Minneapolis on the west bank. The two towns were soon linked by a suspension bridge. Minneapolis' first volunteer fire company was organized in 1862, and the community was incorporated as a city in 1867. In 1872, Minneapolis and St. Anthony were united to form one city.

### Location

Minneapolis is the largest city in Minnesota and the center of finance, industry, trade and transportation for the Upper Midwest. At 44.58°—north latitude and 93.15°—west longitude, Minneapolis is 59 square miles (153 square kilometers), including five square miles (13 square kilometers) of inland water. It drapes along the banks of the nation's largest river, the Mississippi.

### Climate

With an average annual temperature of 45° F (7° C), Minneapolis is the second coldest city in the United States. During an average winter, the temperatures can reach 20° below zero Fahrenheit (-29° C). Minneapolis has four distinct seasons, with moderate spring and fall weather. Summer is comfortable because lakes and trees serve as natural air conditioners.

### Population

Minneapolis is home to an estimated 382,618 people (2000 Census). Males comprise 50.2% of the population, while females comprise 49.8%. Children and youth aged 19 and younger make up 25.7% of the population. Seniors, age 65 and above, are 9.1% of

the population. The median age is 31.2 years. African Americans comprise 18% of the population. People of American Indian and Alaska Native descent are 2.2% of the population. People of Asian ethnicity make up 12.3% of the population. The Hispanic population of Minneapolis is 7.6% of the total population.

Minneapolis is one of the cities in the country with the largest number of households with one individual - 54.5% of the households fit that description.

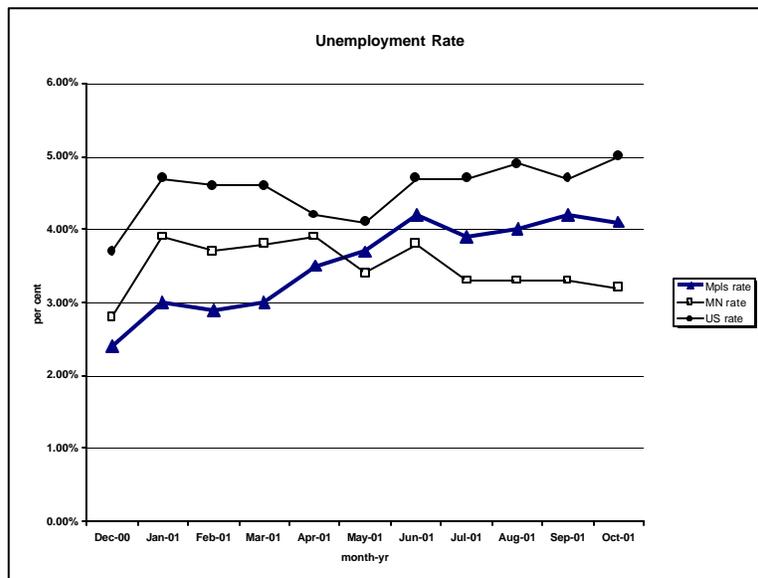
## Economy

In the early years, Minneapolis' economy was based on a booming lumber industry and the processing of Minnesota grain with the tremendous power-generating capabilities of St. Anthony Falls. Large flour mills along the river evolved into the international corporations of Pillsbury, Washburn Crosby (General Mills) and Cargill, which remain headquartered in the Minneapolis area.

Major industries today include machinery and metal fabricating, plastics, computers and publishing. Minneapolis is also a center for graphic arts, printing, electronics and instruments, as well as a transportation center and distribution point for the Upper Midwest. Education is a powerful player in Minneapolis' economy, as is banking, insurance and other service industries. With seven hospitals and the University of Minnesota, Minneapolis is a nationally known center for medicine, and the area is home to many high-technology medical product companies.

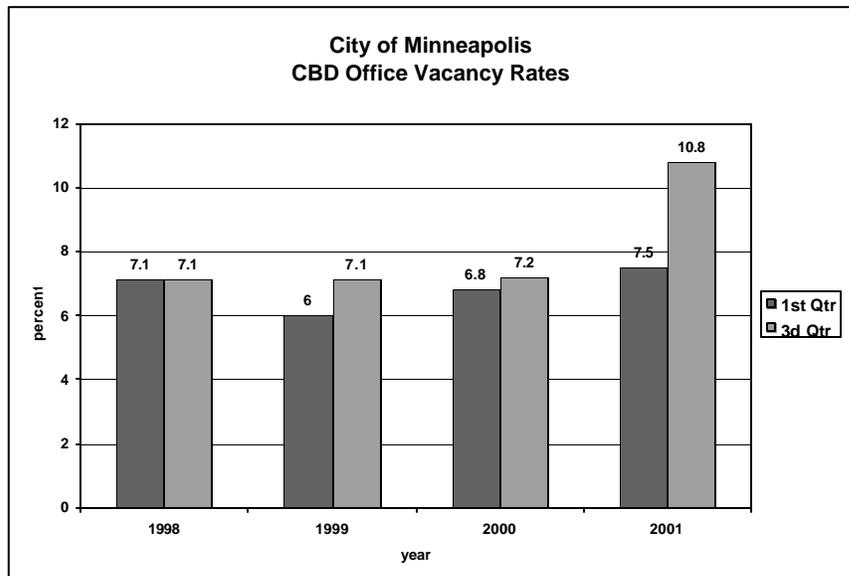
The current economy in Minneapolis mirrors national trends. Between December 2000 and October 2001, the local, state and national unemployment rate has increased and remained persistently high. During that time, Minneapolis' unemployment rate increased by approximately two-thirds from 2.4% to 4%. That trend has continued.

Unemployment in the State and in Minneapolis are at their highest levels (on a consistent basis) since the fourth quarter of 1996.



Because of the importance of real-estate taxes as a source of local government revenue, real-estate statistics are an important economic gauge for municipalities. Several commercial real estate companies compile and report important real estate statistics. The Towle Company regularly reports on local real-estate conditions twice annually. The Towle Company's statistics indicate that after a period of declining office vacancy in the Minneapolis Central Business District (CBD), we are now seeing an

increase in office vacancy rates. While the Minneapolis vacancy rate is still a strong 7.5% in the CBD, Towle notes in its second quarter report that “for the first time since the Towle report began in 1984, the Minneapolis CBD reported negative annual absorption...” (Source: Towle Report, Midyear 2001, "Office"). The same report notes that there are also 2.7 million square feet of office space currently under construction in the Minneapolis CBD and an



additional 3.4 million square feet of construction have been proposed by developers. Towle notes that the surfeit of rental space will prompt competition driving rates lower and concessions higher.

Similar to the Towle’s conclusions, another major commercial real estate firm, CB Richard Ellis notes in their 3<sup>rd</sup> quarter 2001 “Market Index Brief” for Minneapolis/St. Paul, that “(t)he overall market (for office space) has softened significantly in the second half of 2001.” They go on to note that “Concessions have continued to put downward pressure of effective rates with free rent being used in the marketplace ... deals are being completed with significant concessions.”

Lower rental rates and higher concessions imply lower cash flows from office buildings which, in turn, lowers their taxable value. Lower taxable values on business properties increases the amount of the real estate tax levy borne by residential properties. For business properties within Tax Increment Districts, lower taxable values reduce the Tax Increment yield from the property.

## Neighborhoods

Minneapolis has 81 residential neighborhoods offering a broad range of housing to 165,000 households. Minneapolis is well known for its concerned and active citizenry and partnerships of government, business and citizens created to improve neighborhoods and create economic opportunities. The city shares the nation’s current challenge to increase the number of affordable housing units.

## Downtown

A downtown housing boom has increased downtown residents to an estimated 28,000, with projection of 30,000 by 2010. In addition to downtown residents, more than 125,000 people work in downtown Minneapolis. Second-story skyways keep downtown

busy and thriving even on the coldest days. Nicollet Mall—a 12-block-long shopping area closed to automobile traffic and flanked by some of the nation's finest department stores and specialty stores—is the retail heart of Minneapolis. It also has Gaviidae Common, City Center and the Crystal Court.

## **The Arts**

The Twin Cities is second only to New York in per capita attendance at theater and arts events. Minneapolis has more than 30 theaters. The Guthrie Theater and the Children's Theatre Company are recognized as two of the country's best. The City also boasts two world-class art museums, the Minneapolis Institute of Art and Walker Art Center, and is home to the internationally acclaimed Minnesota Orchestra. Neighborhood arts activities—festivals, galleries and events—play a growing role in resident art participation.

## **Education**

Forty-seven thousand students are enrolled in Minneapolis primary and secondary schools. Non-public primary and secondary school enrollment is about 7,000. The City offers several vocational training and specialty schools. The main campus of the University of Minnesota sits on the banks of the Mississippi just minutes from downtown. It is a major landgrant research institution with a long tradition of community and public service, and it ranks among the top 20 universities in the U.S. It is also one of the largest. In total for the year 2000 enrollment was 52,026 and for year 2001 enrollment was 53,548. Other institutions of higher education in Minneapolis include the Minneapolis Community and Technical College, the Minneapolis College of Art and Design, Augsburg College, the University of Saint Thomas and the College of Saint Catherine (on the West Bank).

## **Sports**

Three major league teams call Minnesota home. At the Hubert H. Humphrey Metrodome, up to 55,000 fans can watch the world-champion Minnesota Twins in action. When the Minnesota Vikings are in town, the Dome can seat 62,000 football enthusiasts. In 1990, the Target Center was constructed downtown for the Minnesota Timberwolves of the National Basketball Association. Minneapolis has the capacity to host large events at the City's Convention Center, which is undergoing a major expansion slated for completion in early 2002.

## **Parks**

Minneapolis residents not only watch sports, they participate as well. Playing in summer softball leagues, golfing and jogging, biking or rollerblading around the city's lakes are favorite pastimes. Residents enjoy boating, fishing, wind surfing and swimming in the summertime and ice skating, ice fishing, skiing and ice sailing during

the winter. Early in Minneapolis' development, the land around five large lakes was dedicated to the public as parkland. With one acre of parkland for every 57 residents, outdoor recreation is an important part of life, and it is estimated that a City park is ready for fun no more than six to eight blocks from every home.

*The City of Minneapolis Communications Department contributed significantly to the Community Profile.*

## City of Minneapolis FY 2002 Budget Background Information

### Form of Government

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The City is a municipal corporation governed by a Mayor–Council form of government; it was incorporated in 1867, and it adopted a Charter on November 2, 1920. The Mayor and 13 City Council Members from individual wards are elected for terms of four years, without limit on the number of terms which may be served. The Mayor and City Council are jointly responsible for the adoption of an annual budget and a five-year capital improvement program. As required by Charter, the Mayor is responsible for preparing an annual operating and capital budget recommendation to the City Council for their consideration. The Mayor has veto power, which the Council may override with a vote of nine members.

The City Finance Officer is charged with maintaining and supervising the various accounts and funds of the City as well as several boards and commissions. In addition, the City Budget Director is charged with assisting the Mayor, City Council and City departments in preparing the City's annual capital and operating budget. The City Finance Officer and Budget Director report to the City Coordinator, who is appointed by the Mayor and serves as Chief Administrative Officer of the City.

This Annual Budget Report for the City presents the entity which consists of organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationships with the primary government are such that exclusion could cause the City's budget report to be misleading or incomplete. Below is a summary of the organizations reflected in the City's Annual Budget Report, in addition to the primary government.

#### **Blended Component Units**

The following component units have been presented as blended component units because the component unit's governing body is substantially the same as the governing body of the City, or the component unit provides services almost entirely to the primary government.

- ◆ ***Minneapolis Community Development Agency.*** The City Council created the existing Minneapolis Community Development Agency (MCDA) by Ordinance, which was effective June 1, 1981. The MCDA is the redevelopment arm of the City and provides a wide range of services in the areas of housing and economic development. The overall mission of the MCDA is to effect the revitalization of the City through the redevelopment of its commercial, industrial and residential areas. The MCDA Board of Commissioners is composed of the 13 elected City Council Members sitting as the Board and is the principal legislative and administrative body of the MCDA. The City Finance Officer serves as the MCDA Finance Officer.

- ◆ ***Municipal Building Commission.*** The Municipal Building Commission (MBC) is an organization established January 4, 1904, by the State of Minnesota, to operate and maintain the City Hall/County Court House Building, which was erected pursuant to Chapter 395 of the Special Laws of 1887. The four commissioners are the Chairman of the Hennepin County Board of Commissioners, the Mayor of the City of Minneapolis, an appointee of the Hennepin County Board and an appointee of the Minneapolis City Council. The Mayor recommends the tax levy and budget for the City's share of the MBC's operations, and the City Council and Mayor approve the allocation of the state local governmental aid to the MBC.
- ◆ ***Board of Estimate and Taxation.*** The Board of Estimate and Taxation (BET) is established under Chapter 15 of the City Charter. It is composed of seven members, two of whom are elected by voters of the City. The Mayor or the Mayor's appointee, the President of the City Council and the Chair of the City Council's Ways and Means/Budget Committee are ex-officio members of the Board. The Minneapolis Park and Recreation Board and Minneapolis Library Board annually select one of its members to serve on the Board of Estimate and Taxation. By action of the City Council, or such other governing board of a department requesting the sale of bonds, the Board of Estimate and Taxation may vote to incur indebtedness and issue and sell bonds and pledge the full faith and credit of the City for payment of principal and interest. The Board of Estimate and Taxation also establishes the maximum property tax levies for most City funds and maintains responsibility for the internal audit function for the City, including boards and commissions that are component units of the City.

### **Discretely Presented Component Units**

The following organizations are legally separate from the City, but they are included in the City's Annual Budget Report and Annual Financial Reports because the primary government is financially accountable and is able to impose its will on the organizations.

- ◆ ***Minneapolis Library Board.*** The Minneapolis Library Board (Library Board) was established according to Chapter 17 of the City Charter. It is an eight-member board, six of whom are elected for four-year terms by voters of the City. The Mayor and the City Council each appoint one member. The Library Board is responsible for operating and maintaining libraries located throughout the City. The Mayor recommends the tax levies and budget for the Library Board, and the City Council and Mayor approve the allocations of local government aid from the state for Library Board operations. The Board of Estimate and Taxation approves the property tax levy for the Library Board, and the full faith and credit of the City secure debt issued for projects benefiting the Library Board. The City Finance Officer serves as Treasurer of the Library Board.
- ◆ ***Minneapolis Park and Recreation Board.*** The Minneapolis Park and Recreation Board (Park Board) was established according to Chapter 16 of the City Charter. The nine-member board is elected by the voters of the City and is responsible for

developing and maintaining parkland and parkways, as well as planting and maintaining the City's boulevard trees. The Mayor recommends the tax levies and budget for the Park Board, and the City Council and Mayor approve the allocations of local government aid from the state for Park Board operations. All Park Board actions are submitted to the Mayor, and a mayoral veto may be overridden by a vote of two-thirds of the members of the Park Board. The Board of Estimate and Taxation approves the maximum property tax levy for the Park Board, and the full faith and credit of the City secure debt issued for Park Board projects. The City Finance Officer acts as Treasurer of the Park Board.

## Related Organizations

The City's officials are also responsible for appointing members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments.

- ◆ **Metropolitan Sports Facilities Commission.** The Metropolitan Sports Facilities Commission (Commission) is an appointed authority established under 1977 Minnesota laws. Of the seven members of the Commission, the City of Minneapolis appoints six. The Chair, who must by statute reside outside Minneapolis, is appointed by the Governor. The Commissioners serve four-year terms and removal is for cause only. The primary responsibility of the Commission is to serve as owners, operators, and landlords of the Hubert H. Humphrey Metrodome Sports Facility in Minneapolis. Major tenants of the Metrodome Sports Facility are the Minnesota Twins, the Minnesota Vikings and the University of Minnesota Golden Gophers football team.
- ◆ **Minneapolis Public Housing Authority.** The Minneapolis Public Housing Authority (MPHA) is the public agency responsible for administering public housing and Section 8 rental assistance programs for eligible individuals and families in Minneapolis. A nine-member Board of Commissioners governs MPHA. The Mayor of Minneapolis appoints the Board Chairperson and four Commissioners; four Commissioners (one of whom must be a public housing family-development resident) are appointed by the City Council. The mission of the MPHA is to provide well-managed, high-quality housing for eligible families and individuals; to increase the supply of affordable rental housing; and to assist public housing residents in realizing goals of economic independence and self-sufficiency.

## Joint Ventures

The City is a participant in several joint ventures in which it retains an ongoing financial interest or an ongoing financial responsibility. One of these joint ventures is reflected in the Annual Budget Report for the City: Minneapolis Neighborhood Revitalization Board.

- ◆ **Minneapolis/Saint Paul Housing Finance Board.** The Minneapolis/Saint Paul Housing Finance Board was established in the early 1980s, in accordance with a

Joint Powers Agreement entered into between the Housing and Redevelopment Authority of the City of Saint Paul and the MCDA, and accepted by the cities of Minneapolis and Saint Paul under State of Minnesota laws. The MCDA's oversight responsibility of the Board is limited to its governing body's ability to appoint only three of the six members of the Board. The territorial jurisdiction of the Board extends beyond the corporate limits of the City of Minneapolis.

- ◆ ***Minneapolis Neighborhood Revitalization Policy Board.*** The Minneapolis Neighborhood Revitalization Policy Board (NRPB) was established in 1990, in accordance with a Joint Powers Agreement entered into between the Hennepin County Board of Commissioners, the Board of Directors of Special School District No. 1, the Library Board, the Park Board and the Mayor and City Council under authority of State of Minnesota laws. The NRPB is composed of 20 members and includes public officials as well as representatives of neighborhood and community-interest organizations. The majority of members are persons other than the representatives of the jurisdictions which entered into the Joint Powers Agreement.
- ◆ ***Minneapolis Youth Coordinating Board*** The Minneapolis Youth Coordinating Board (YCB) was established in the mid-1980s, in accordance with a Joint Powers Agreement entered into between the Hennepin County Board of Commissioners, the Board of Directors of Special School District No. 1, the Library Board, the Park Board and the Mayor and the City Council under authority of State of Minnesota laws. The YCB, which numbers 12 in size, includes the Mayor, two members each from the Hennepin County Board of Commissioners and the Board of Directors of Special School District No. 1, two representatives from the City Council, one member each from the Park Board and Library Board, one member each from the Minneapolis State Legislature House and Senate delegations and a Judge assigned by the Chief Judge of the District Court.

## **City of Minneapolis FY 2002 Budget Background Information**

### **Annual Budget Process**

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The City of Minneapolis annual budget process integrates information from the City's annual Enterprise Priority-Setting Process, Capital Long-Range Improvement Committee process and departmental performance review processes to establish annual resource allocations.

#### **January–February**

##### ***Departmental Performance Information***

City department heads bring their annual work plan and accomplishments to the Executive Committee, who then refers the work plan to the relevant Policy Committee for review and file.

##### ***March Preliminary Year-End Budget Status Report***

The Finance Department presents a year-end budget status report for the previous year to the Ways and Means/Budget Committee. This is a preliminary report because the audited Comprehensive Annual Financial Report (CAFR) is not available until second quarter of the year.

##### ***City Goals, Objectives and Performance Measures***

The Mayor and City Council review and establish or reaffirm the annual City goals and objectives. These goals provide the framework for the annual Enterprise Priority-Setting Process and ultimately the annual budget.

#### **March–April**

##### ***Capital Improvement Budget Development***

The City has a five-year capital improvement plan. Annually, departments prepare and modify capital improvement proposals. Capital improvement proposals are reviewed by the Budget Coordination Unit, the City Planning Commission and the Capital Long-Range Improvements Committee (CLIC). CLIC is the citizen advisory committee to the Mayor and City Council on capital programming.

#### **March–June**

##### ***Enterprise Priority-Setting Process***

The Priorities Process is Minneapolis' annual planning process in which city services are measured for their contribution to progressing towards the City goals. City senior management utilizes the Priorities Process to identify change opportunities. In addition

to working toward achieving the City goals, the Priorities Process enhances the administrative goals of providing quality service, ensuring accountability and continuous improvement of how the City does business.

## **June–July**

### ***Operating Budget Development***

Departments work in coordination with the Finance Department to prepare department operating budget requests referred to as "Current Service Level." The Current Service Level Budget reflects the current year cost of providing the same level of service as provided in the prior year. In addition to preparing a Current Service Level budget, departments also prepare "Decision Package Requests," which describe policy changes or alternatives requested by departments. The Current Service Levels and Decision Packages Requests form the basis for the Mayor's budget hearings with departments in September.

## **July–August**

### ***Mayor's Budget Framework***

As required by Charter, the Mayor prepares and submits a budget framework to the City Council no later than August 15. In addition to outlining important features of the Mayor's budget proposal, this framework is important because it includes the Mayor's recommendation on annual property tax levy amounts. The Mayor also sets priorities and parameters in the Framework Address that provides final direction for departments to establish their "Department Target Budgets." Department Target Budgets reflect any and all changes that the Mayor requires in order to balance the budget within Mayor-recommended resource levels.

## **September**

### ***Maximum Proposed Property Tax Levy***

As required by State law, the maximum proposed property tax levy increase is set by September 15. The Board of Estimate and Taxation sets the maximum property tax levy. The Board of Estimate and Taxation must set a maximum property tax levy for the City, Municipal Building Commission, Public Housing Authority, Library Board and Park Board.

### ***Department Target Budgets***

City departments prepare "Target Strategies" that meet the criteria outlined in the Mayor's Budget Framework Address. Department Target Budgets are developed through adjustments related to the Target Strategies and the Current Service Level budgets that were developed in June and July.

## **October–November**

### ***Mayor's Budget Recommendation***

The Mayor holds departmental budget hearings to review Department Target Budget proposals and other additional policy changes, alternative funding choices and requests that may have developed from the Priorities Process. In addition to reviewing operating budgets, the Mayor meets with representatives from CLIC in preparation of finalizing the capital budget recommendation. Following the departmental budget hearings and meetings with CLIC, the Mayor prepares a final budget recommendation with the assistance of the Finance Department. The Mayor presents a final budget recommendation to the City Council in November.

## **November–December**

### ***City Council Budget Review and Development***

The City Council holds public hearings on the budget. Departments present their Mayor-Recommended Department Budgets to the Ways and Means/Budget Committee with all Council members present. Following departmental budget hearings, the Ways and Means/Budget Committee approves and moves forward a final recommended budget to the City Council. The recommended budget includes any and all changes that are made to the Mayor's Recommended Budget.

### ***Truth in Taxation***

"Truth in Taxation" property tax statements are mailed by Hennepin County to property owners indicating the maximum amount of property taxes that the owner will be required to pay. These statements also indicate when the Truth in Taxation public hearings will be held, which is in early December as required by State law.

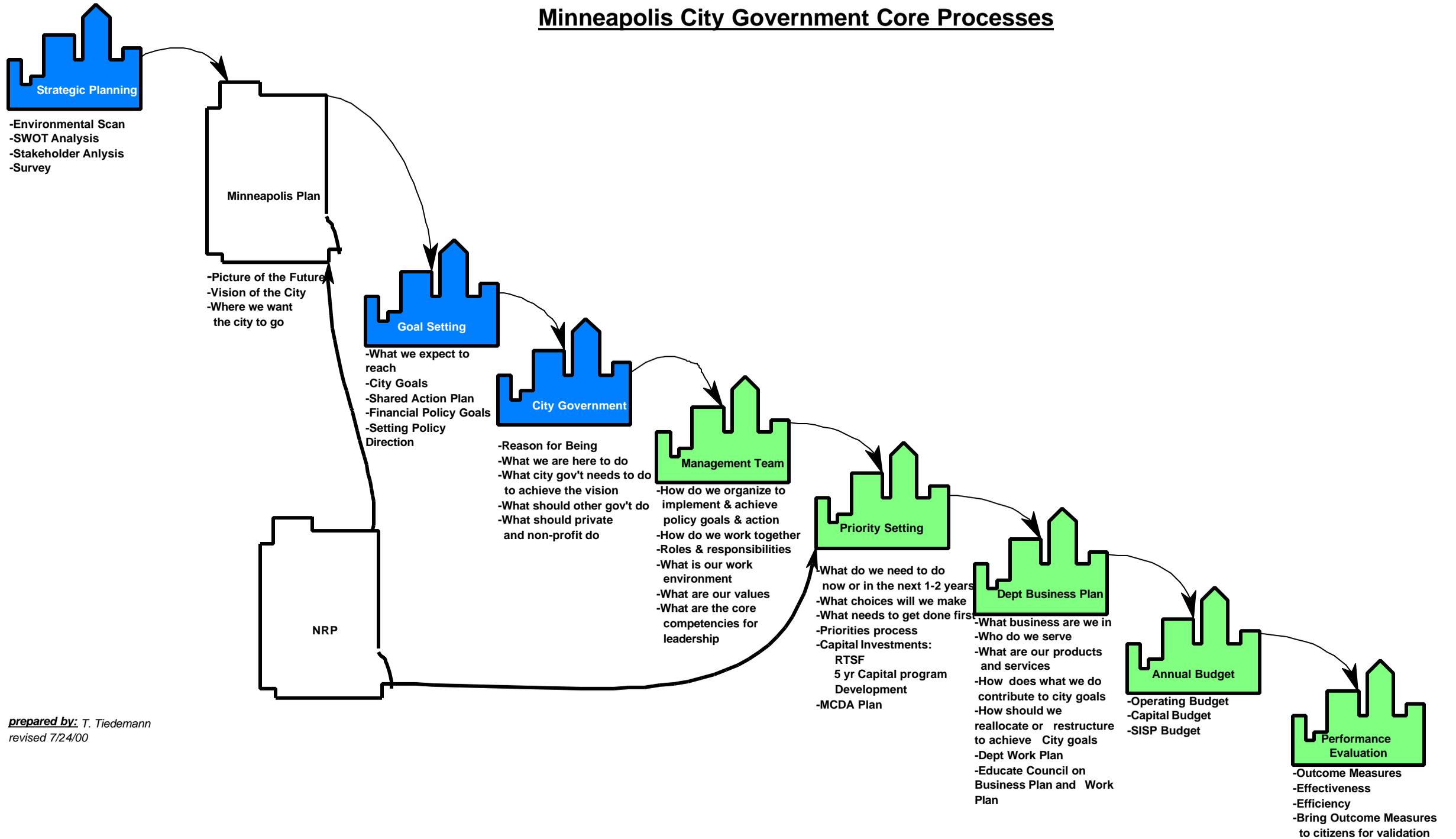
## **December**

### ***City Council Budget Adoption***

The City Council adopts a final budget that reflects any and all changes made to the Mayor's Recommended Budget. Once the final budget resolutions are adopted, all requests from City departments for additional funds or positions made throughout the year are brought before the Ways and Means/Budget Committee and City Council for approval as amendments to the original budget resolutions.

The independent boards and commissions adopt their own operating budgets.

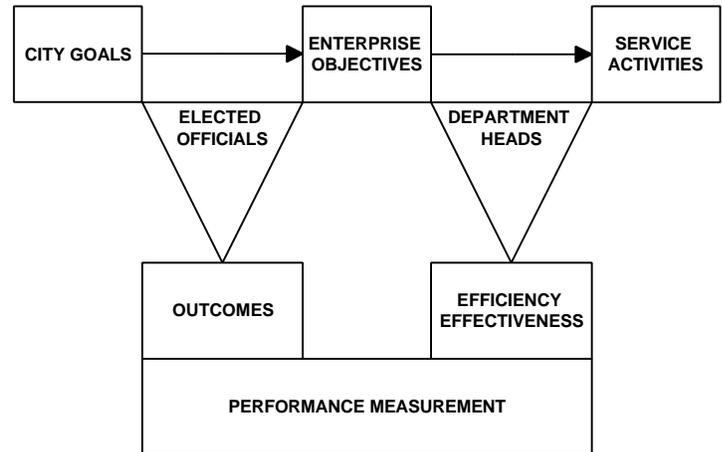
# Minneapolis City Government Core Processes



prepared by: T. Tiedemann  
revised 7/24/00

# IMPLEMENTING THE PERFORMANCE MEASUREMENT MODEL

A successful performance measurement system can lead to continuous improvement of program performance, improved customer service, strengthened accountability, and empowered employees. In implementing the Performance Measurement Model, our goal is to create an enterprise-wide system of performance measurement that is useful to managers, meaningful to elected officials and integrated into the city's core processes.



In April 1999, the Mayor and City Council adopted a Performance Measurement Model for the City of Minneapolis. Components of the model include the following:

- Development of outcome, efficiency and effectiveness measures
- Alignment of City Goals with department services using enterprise objectives
- Definition of the roles of elected officials and department heads
- Development of a citizen engagement framework (postponed – adopted August 2000)

## OUTCOMES OF PERFORMANCE MEASUREMENT

*Enhancing Governance:* Ability of public officials to use performance measurement in setting priorities, speaking with constituents, and holding the system accountable.

*Enhancing Enterprise Management:* Greater alignment between City Goals and department service activities -- department service activities work together to achieve goals and objectives; Context for decision-making with options (choices) for best investment with limited resources; Departments' enhanced ability to redesign their service activities – greater creativity.

*Enhancing Relationships with Citizens:* Effective communication of performance to the public; Constituents understand their role not only as customers, but also as stakeholders and co-creators of the system.

### **PERFORMANCE MEASUREMENT PROGRESS IN 2001:**

In 2001, implementation of the performance measurement model has taken on new momentum. This summer, nearly 200 managers and key staff participated in training sessions on the City's performance measurement model -- bringing the performance measurement concepts to a greater part of the organization is the next step in institutionalizing performance measurement in Minneapolis city government.

In mid-November, the City conducted a random telephone survey of Minneapolis residents to measure citizen opinions, perceptions, and expectations regarding City government services and the City's progress toward achieving our City Goals. The results of the citizens survey will be used to inform the City's strategic planning process and to establish baseline information for departments to track key outcomes. Key results of the survey will be included in the City's annual report to be published in spring 2002. The City intends to repeat this survey on biannual basis so that the City can track changes in citizen perceptions, opinions and expectations.

### **PERFORMANCE MEASUREMENT IN THE 2002 BUDGET PROCESS**

For the 2002 Budget, City departments have made concerted efforts to further develop and improve their performance measures. This year, Inspections, Licenses and Consumer Services, and the Field Services Division of Public Works have participated in a pilot program to refine and reformat their service activity and performance measurement information. The new format will highlight key outcome/quality of life measures, as well as performance measures for each of their service activities. Although these divisions are not yet at the stage of having complete information, they have included the measures that they intend to track in the future.

All other departments have received preliminary coaching on their service activities and performance measures. Several departments have been able to include performance data in their budget submissions. As implementation of the Performance Measurement Model continues, departments will have the opportunity to strengthen their performance data.

By including performance data in the budget process, the City stands to significantly improve its budget discussions. Performance measures can provide the information needed to demonstrate the benefits of additional resources for a particular service area. They can also help make the case for targeted reductions rather than the across the board budget cuts. In addition, performance measures can assist in keeping budget discussions focused on expected outcomes, allowing for greater creativity in how those outcomes are achieved. Finally, performance measures can give both the policy makers and department management the language they need to have a discussion about what resources are needed and why.