

**City of Minneapolis
FY 2007 Budget**

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City of Minneapolis FY 2007 Budget Background Information

Community Profile

Minneapolis combines the Dakota word for water ("minne") with the Greek word for city ("polis"), a fitting name for a city with 22 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-17th 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 a 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 3.6 square miles (9.4 square kilometers) of inland water. It drapes along the banks of the nation's largest river, the Mississippi.



Climate

Minneapolis has an average annual temperature of 45° F (7° C). During an average winter, the temperatures can reach -20° (-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 6.1% 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 – 40.3% 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 flourmills along the river evolved into the international corporations of Pillsbury, Washburn Crosby (General Mills) and Cargill.

Currently, the ten largest employers in the Twin Cities Metro Area include the following companies, most with major operations in Minneapolis:

Employer	Approximate Total Number of Employees
University of Minnesota	25,000
3M	12,200
Health Partners, Inc	9,600
Fairview University Medical Center	8,000
Methodist Hospital	7,000
West Publishing	6,000
Medtronic	6,000
Park Nicollet Health Services	6,000
United Parcel Svc	5,400
Piper Breast Center	5,300

State of Minnesota and US Government Employment Not Included

Source: www.acinet.org – State Profile - Minnesota – Largest Employers

As of 2005, the City's largest employment sectors were: Health care and social assistance (16%), professional and technical assistance (11%), finance and insurance (10%), and Educational service (9%). The fastest growing employment sectors from 2000 to 2004 were real estate, rental and leasing (28.9% growth, 1,330 new jobs) and arts, entertainment, and recreation (11.7% growth, 501 new jobs.) With twenty-one accredited colleges and universities, and four ABA-accredited law schools, Minneapolis' highly educated workforce continues to be a driving force of a strong



Abbott Northwestern Hospital
in South Minneapolis
Council Adopted Budget



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Retail Sales in Minneapolis for the past four years follow:

Year	Minneapolis Retail Sales (in billions)
2002	\$6.06
2003	\$5.55
2004	\$5.57
2005	\$5.81

Source: 2006 issue of *Sales and Marketing Management: Survey of Buying Power*



Neighborhoods

Minneapolis has 81 residential neighborhoods offering 172,747 housing units. Minneapolis is well known for its concerned and active citizenry which has engaged in partnerships with government and business 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. The majority of current residential projects are located in downtown. In addition to downtown residents, more than 163,000 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 Commons, 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. In June of 2006, the Guthrie Theater celebrated the opening of its brand new \$125 million theater on the banks of the Mississippi River on the northeastern edge of downtown. The City also boasts two world-class art museums, the Minneapolis Institute of Art and the new 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.



The Spoonbridge and Cherry sculpture, a Minneapolis icon found at Minneapolis Sculpture Garden



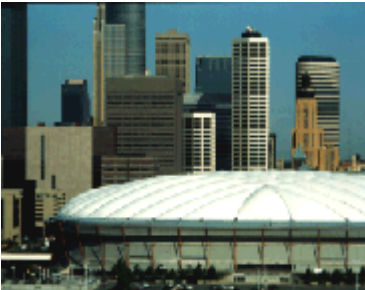
Education

Thirty-nine 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. Total enrollment in 2005 was 49,479. Other institutions of higher education in Minneapolis include: Minneapolis Community and Technical College, Dunwoody Institute, Minneapolis College of Art and Design, Augsburg College, Metropolitan State University, the University of Saint Thomas, and the College of Saint Catherine.

The Washington Avenue Bridge crosses the Mississippi River and connects the University's East and West Banks

Sports and Outdoor Recreation

Three major league teams call Minnesota home. At the Hubert H. Humphrey Metrodome, up to 55,000 fans can watch Major League Baseball's Minnesota Twins in action. In the spring of 2006, the state legislature approved a plan for a \$522 million Twins stadium to be located in the Warehouse District of Downtown Minneapolis, with construction scheduled to be completed in 2010. When the National Football League's Minnesota Vikings are in town, the Metrodome can seat 64,000 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 completed a major expansion in early 2002.



Hubert H. Humphrey Metrodome

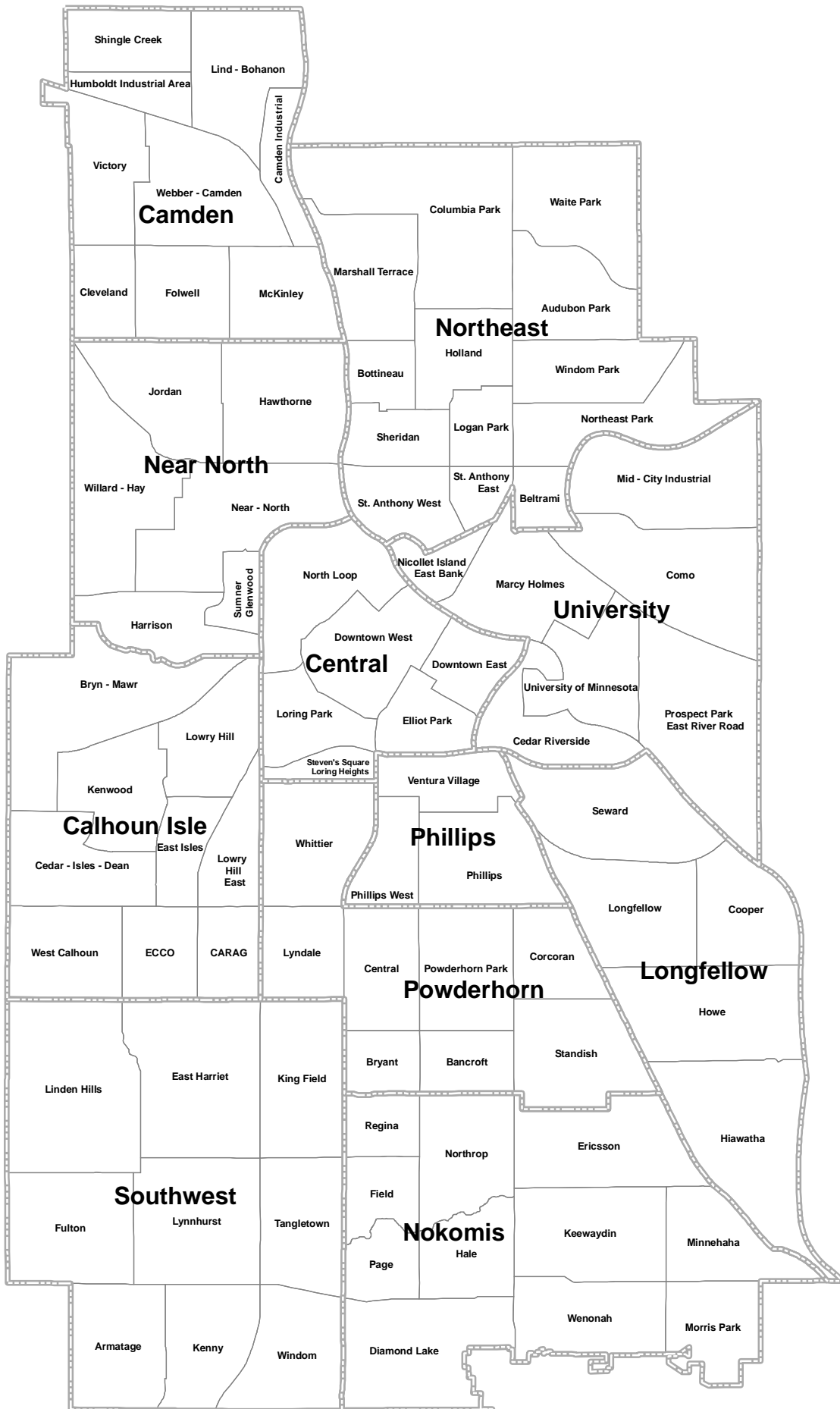
Minneapolis residents not only watch sports, they participate as well. In 2005, *Men's Fitness* magazine named Minneapolis "The Most Athletic City", "The City That Watches the Least TV", and #13 on "The Most Fit Cities" list. Playing in summer softball leagues, golfing, jogging, swimming, playing tennis, biking or rollerblading around the City's lakes are favorite pastimes. The City's Park and Recreation Board maintains 87 miles of walking and biking paths. The City also maintains 396 sports fields, 183 tennis courts, 6 golf courses, and 11 supervised beaches. In the winter, residents enjoy ice skating, ice fishing, skiing, and ice sailing. The City maintains 34 outdoor ice rinks. Early in Minneapolis' development, the



land around five large lakes was dedicated to the public as parkland. With one acre of parkland for every 60 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.



MINNEAPOLIS COMMUNITIES AND NEIGHBORHOODS



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Form of Government

The City is a municipal corporation governed by a Mayor–Council form of government. It was incorporated in 1867 and adopted a Charter on November 2, 1920. Thirteen City Council Members from individual wards and the Mayor are elected for terms of four years. There is no term limit on these positions. 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 for the City Council’s 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 reports 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 includes organizations for which the primary government is financially accountable and 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.

- ◆ ***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 Minneapolis City Hall/Hennepin County Court House Building, which was built 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 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 BET. By action of the City Council, or such other governing board of a department requesting the sale of bonds, the BET 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 BET 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.

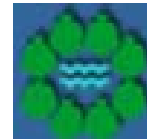
Discretely Presented Component Units

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.

- ◆ **Minneapolis Library Board.** The Minneapolis 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 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 current 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 Community Planning and Economic Development Department, and accepted by the cities of Minneapolis and Saint Paul under State of Minnesota laws. The Community Planning and Economic Development Department'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 that 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, 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 delegations to the Minnesota State House and Senate and a Judge assigned by the Chief Judge of the District Court.



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Chronology of Financial Decision Making

1994	Agreement between the independent boards and the City on the division of Local Government Aid.
mid-late 1990's	Internal Service Funds deficits begin; COPS grant funds police expansion.
1997	First efforts to quantify and fund the Public Works infrastructure gap; attempt to increase pay as you go capital funding and reduce bonding.
1998-2000	Positive stock market returns leads to a reduction in the City's levy requirement for police and fire relief.
2000	Library referendum passes; mayor and Council agree to enhanced capital funding for the Park Board at a level above funding for City projects.
2001	City loses AAA rating from Moody's. Reason cited: internal service funds.
2001	Stock market falls – convention center and parking fund suffer directly from economic downturn; pension obligations escalate
2002	Adoption of maximum property tax increase policy; negative outlook from Fitch rating agency
2003	Adoption of Five-Year Financial Direction and Commitment to Business Planning; 2% Wage Policy; Local Government aid Reductions
2003	City uses 8% tax increase and 2% wage policy to manage employment costs during budget shortfalls
2004	Departments bring forward first five year business plans
2006	Fitch removes negative outlook; Moody's maintains Aa1 citing pent up internal demands for spending