

COUNCIL ADOPTED BUDGET FOR 2008



December 12, 2007

**City of Minneapolis
2008 Council Adopted Budget**

December 12, 2007



January 2008

LETTER OF TRANSMITTAL

Dear Residents of the City of Minneapolis:

We are pleased to present the 2008 adopted budget of the City of Minneapolis.

The 2008 adopted budget builds on many of the significant organizational and financial changes that have occurred in recent years and continues the City's commitment to long-term financial and business planning. The adopted budget is structurally balanced over the next five years, as indicated five-year financial direction in the financial plan section of this document.

This structural balance continues to be challenged by financial pressures and service demands. This balanced budget reflects a continued willingness to make both short and long-term difficult decisions to address the City's financial challenges.

Long-Term Financial Successes

With the 2008 budget, the City's library system merged with Hennepin County's library system. This merger enabled the reopening of three libraries that were closed during 2007. In addition to these service improvements, the long-term financial picture for the combined system is improved. The Minneapolis Library Board, which voted to pursue this path and eliminate their own positions, deserve commendation for their forward-thinking decision.

Also, in Fall of 2007, the City sold six parking ramps. This sale was a key part of improving the financial condition of the parking fund. When the City adopted a plan to improve the condition of the fund, the deficit for the fund was anticipated to grow to over \$69 million by 2010. This deficit did not increase and the long-term outlook for the fund is improved.

The City has pursued changes to its pension costs, including eliminating prepayment of obligations. In addition, since 2003, the City has dedicated over \$40 million in one-time funding to pay pension debt and prevent issuance of pension debt. These actions resulted in relocation of property resources to basic services and removal of a negative outlook by one major bond rating agency during 2006.

The City has met its commitment to the internal service work-out plans: \$46 million in internal deficits has been eliminated since 2000. These internal deficits, which resulted from less than full funding of internal charges for computers, cars and lawsuit settlements during the mid to late 1990's, were a significant factor in the City's down grade by one major bond rating agency in 2001.

Short Term Financial Challenges

The City's short-term challenges for 2008 budget development were considerable. An additional \$1 million in reductions were needed from departments in the general fund when the City received less than anticipated in Local Government Aid funding. These reductions were made in Business Information Systems, the Clerk's office, Civil Rights, Coordinator Administration, Communications, Community Planning and Economic Development, Health and Family Support, and Regulatory Services.

Despite these challenges, the 2008 budget increases resources for public safety by \$4.9 million. The budget includes nearly \$1 million in additional police overtime, additional firefighter positions, and more 911 operators.

Long-Term Financial Challenges for the Future

As with many other metropolitan cities, the City of Minneapolis will continue to use financial and service planning to address the following future challenges:

- Uncertainty regarding future wage settlements;
- Increased needs for improving City infrastructure and park maintenance;
- Ongoing reliance on 8% increases in property tax revenue necessitates diversification of resources; and
- Future funding for the Neighborhood Revitalization Program past its original ending date of 2010 add demands to property tax and development financing resources.

The Financial Overview, in a separate section of this document, provides details on the City's continued fiscal discipline and financial planning efforts. The Budget in Brief follows this letter, providing highlights of the City's budget. An explanation of "how to use this document" follows the budget in brief. Project detail on the City's \$518 million five-year program can be found in the "Capital Program" section of this document.

Respectfully Submitted,



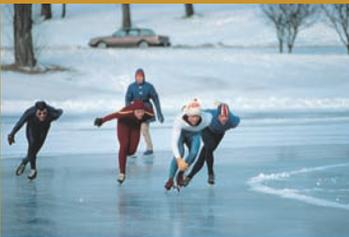
R.T. Rybak
Mayor



Barbara Johnson
Council President



Paul Ostrow
Chair, Ways and Means/Budget



2008 City of Minneapolis Budget-in-Brief

Dear Minneapolis residents,
Every four years the City engages in strategic planning to determine citywide goals and strategic directions. In June of 2006, the Mayor and the City Council articulated six citywide goals. These goals guide the elected officials during the budget process as they decide how to commit the City's resources.

A safe place to call home
housing, health & safety

One Minneapolis
equal access, equal opportunity, equal input

Lifelong learning second to none
schools, libraries & innovation

Connected communities
great spaces & places, thriving neighborhoods

Enriched environment
greenspace, arts, sustainability

A premier destination
visitors, investment & vitality

These goals can be found in more detail on the City's Web site at www.ci.minneapolis.mn.us.

Budget Process

Mayor's Recommended Budget

June through August

The Mayor holds budget hearings to review the departments' budget proposals, other policy changes and alternative funding options. Then the Mayor recommends a budget to the City Council no later than Aug. 15.

City Council Budget Review and Development

October through November

The City Council discusses the Mayor's recommended budget. Each department presents its budget and changes to their business plans to the Ways and Means/Budget Committee with all Council members invited to attend. After these hearings, the Ways and Means/Budget Committee forwards a budget to the City Council with any changes made to the Mayor's recommendations.

Truth in Taxation

November

Truth in Taxation statements are mailed out to residents in mid-November with the maximum amount of property taxes the property owner could be required to pay on that property in the coming year. Truth in Taxation public hearings are held every year in late November or early December. Residents and other taxpayers are invited to attend these public hearings and share their opinions regarding the Truth in Taxation statements.

City Council Budget Adoption

December

The City Council adopts a final budget that reflects any and all changes made to the Mayor's recommended budget. The final budget is referred to as the "adopted budget."

If you have questions about any of the material presented in the Budget-in-Brief please call 311, available on any land line or cell phone within the Minneapolis city limits. 311 is the only number you need to call for City of Minneapolis information and services.

The City's Funds

The accounts of the City are organized into funds. A “fund” is a group of related accounts, used to control moneys that have been earmarked for specific activities or objectives. By keeping revenue in its appropriate funds, the City is able to obey laws that require certain money to be spent on specific uses. About 75 percent of the City’s revenue is dedicated for a specific use. That means the City may not raise water bills to pay for police services, for example. Of the City’s \$1.4 billion 2008 adopted budget, most of the big spending decisions occur within the City’s \$360 million General Fund.

Revenues and Expenditures - Citywide and General Fund

Citywide

Police and Fire

The Police and Fire departments make up 13 percent (\$172 million) of the City’s budget. The City’s 2008 adopted budget funds 880 police officers in five different precincts and 427 fire fighters at 19 stations.

Community Planning and Economic Development

The Community Planning and Economic Development (CPED) Department accounts for about 11 percent (\$153 million) of the City’s budget. CPEDs work includes: promoting a healthy economy by working with private businesses, developing an educated workforce and living-wage jobs, administering programs for housing development and redevelopment, and interpreting and enforcing zoning codes.

Public Works

The Public Works Department makes up the largest part of the City’s budget (20 percent, \$279 million). The main tasks of Public Works include: offering safe transportation to residents by maintaining streets, bike paths and sidewalks; offering high quality drinking water to residents and visitors by managing the sewer and water system; and facilitating the collection and disposal of garbage and recycling.

Property taxes are a major source of revenue for the City. The City receives about 43 percent of your property tax payments. For more information on property taxes, please see the section on the back page titled “Property Tax Dollar Breakdown.”

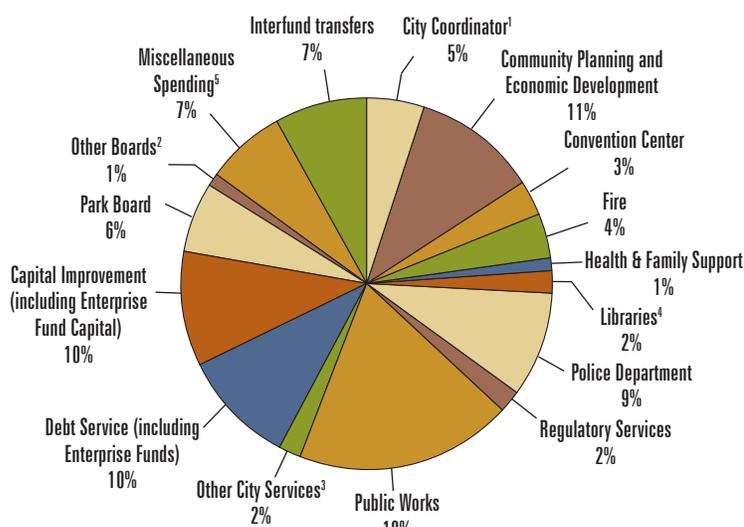
Charges for services include utilities that residents pay for, City services such as: water, sewer, stormwater, garbage removal and recycling.

State government revenue is money that comes from the State of Minnesota — the largest source is Local Government Aid (LGA). The State of Minnesota uses a formula to distribute LGA funds to cities in the state. For more information on LGA and the distribution formula please visit www.house.leg.state.mn.us/hrd/issinfo/histlga.htm.

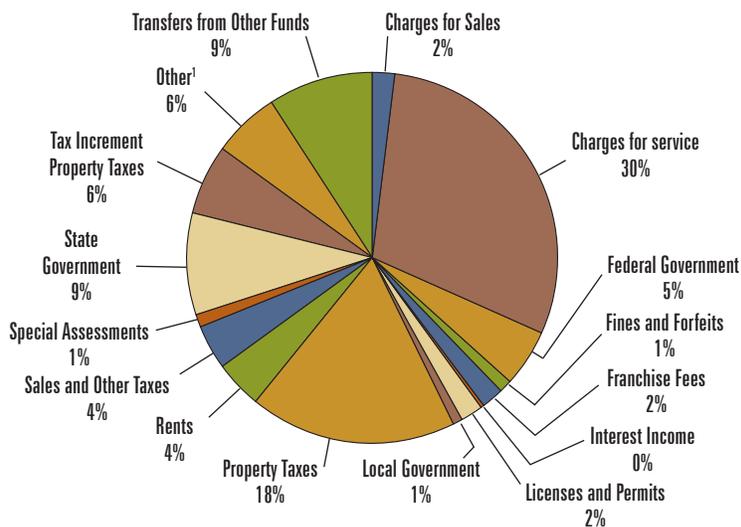
Tax Increment property tax revenue is money being paid back to the City. Sometimes the City issues bonds to fund development in an economically disadvantaged district of the city. Then when the development begins to pay property taxes, the taxes go to the City to repay the bonds.

Sales and other taxes include some taxes unique to the City. The City of Minneapolis collects a 0.5 percent sales tax that is dedicated to help fund the Convention Center. The City also collects additional taxes on lodging, restaurant, liquor and entertainment sales.

Total Expense Budget – Use of Funds
2008 Adopted Budget: \$1.4 billion



Total Revenue Budget – Source of Funds
2008 Adopted Budget: \$1.4 billion



¹ Includes Human Resources, Finance, 911/311, Intergovernmental Relations, Communications, Coordinator Administration and Business Information Systems

² Includes Neighborhood Revitalization Program Administration, Board of Estimate and Taxation, Youth Coordinating Board and the Municipal Building Commission

³ Includes Assessor, Attorney, City Clerk/Elections/Council, Civil Rights, Mayor

⁴ Payment to Hennepin County

⁵ Includes external payments for health and dental insurance, worker’s compensation, liability, pensions, contingency, liability, non-departmental

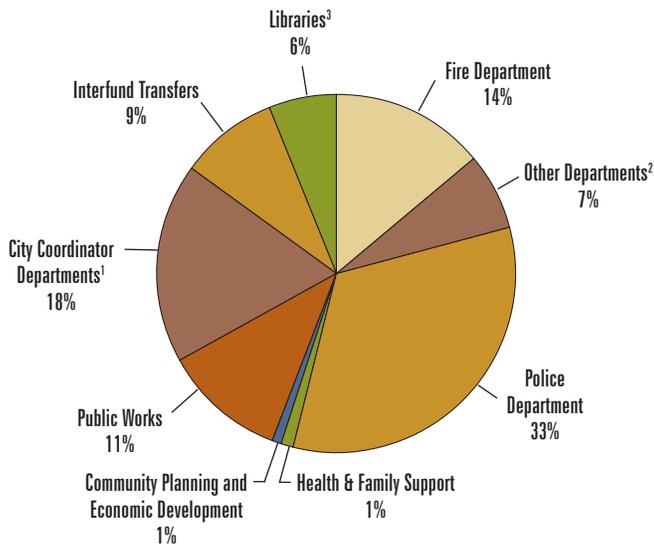
¹ Includes contributions, proceeds from debt sales, interest and investment gains.

General Fund

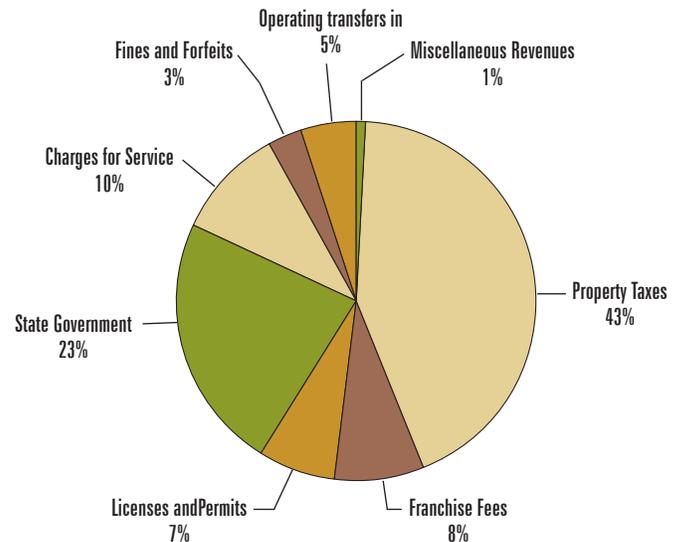
The fund where the City has the most discretion is the General Fund. The two major sources of funding for the General Fund are local property taxes and Local Government Aid from the state.

The General Fund budget is \$360 million, about 25 percent of the citywide budget. Here is a more detailed look at the General Fund:

General Fund Expense Budget – Expenditures by Services
2008 Adopted Budget: \$360 million



General Fund Revenue Budget – Source of Funds
2008 Adopted Budget: \$360 million¹



¹ Includes Human Resources, Finance, Regulatory Services, 911/311, Intergovernmental Relations, Coordinator Administration, and Communications

² Includes Assessor, Attorney, City Clerk/Elections/Council, Civil Rights, Contingency and Mayor

³ New this year, Libraries are included in the General Fund in support of the merger with Hennepin County

¹ Property tax and local government aid for libraries are included for the first time

Capital Plan

Every year, the City adopts a plan for capital improvements for the next five years. Capital improvements include projects such as bridge repair, street construction and park and library improvements. Capital projects tend to be costly, so the City issues bonds to help cover the cost. The City sells bonds to investors, uses the money from the bond sale to fund capital projects, and repays the investors over time, including an interest rate that was negotiated at the time the bonds were issued. This process is very similar to a homeowner taking out a home improvement loan to complete a major home repair project.

The 2008 adopted budget includes the 2008-2012 capital budget. The five-year total for the capital budget is \$518.2 million, with 88 percent of it within the Public Works Department. The three biggest capital expenses included in the budget are water (\$125 million), street paving (\$112 million), and stormwater sewers (\$73 million).

Debt Service and Bonds

Right now, the City's total outstanding debt is about \$1.2 billion. The most common type of debt is called general obligation debt, which uses future property tax payments as a guarantee for payment. Some types of debt, such as maintaining the water plant, are repaid using specific revenue sources, such as utility payments.

The City's bonds receive ratings from credit rating agencies. The ratings represent the strength of the City's credit and thus the safety of investing in City bonds. The City has very high bond ratings, which reflect sound financial management of the City and allow the City to borrow money from investors at a low interest rate.

Capital Long-Range Improvement Committee (CLIC)

Elected officials need feedback from residents regarding what capital projects the City should undertake. The Capital Long-Range Improvement Committee consists of 33 residents (seven appointed by the Mayor and two appointed by each of the 13 Council members to represent their wards). CLIC members rank proposed capital projects and present their recommendations to the Mayor and City Council.

Property Tax Dollar Breakdown

Your property tax dollars are split among several different organizations. The three organizations that receive the greatest proportion of your property taxes are: the City of Minneapolis, Hennepin County and Special School District No. 1. The City typically receives about 43 percent of the revenue from property tax payments. Hennepin County receives about 25 percent, and the School District about 28 percent. The other 4 percent of property tax revenue is split between Metro Mosquito Control, Metropolitan Council, Metro Transit, the Minneapolis Institute of Arts, Hennepin County Regional Railroad Authority and the School Board referendum.

Under the 2008 Adopted Budget, a Minneapolis home with an estimated value of \$225,500 will pay about \$1,263 in property taxes to the City in the year 2008. See where that \$1,263 goes on the following chart and table:

City Property Tax Breakdown for Home Valued at \$225,500

Police.....	\$267.86
Park	\$215.52
All Other City departments (CPED, Attorney, Clerk, Finance, etc.).....	\$255.17
Library, including referendum	\$121.15
Pensions	\$100.66
Capital & debt service.....	\$105.14
Fire	\$117.52
Public Works	\$69.00
Other independent boards	\$40.98
TOTAL of City portion	\$1,263.00

2008 Adopted Budget Property Tax Breakdown



Utility Rates

The City charges for the following utilities: tap water, managing stormwater, managing sanitary sewers, and garbage/recycling. In the 2008 Adopted Budget, utility rates for a home with the average consumption will increase 3 percent from 2007 rates.

Average Utilities

	2007	2008	% change	\$ change
Water	\$256	\$264	3%	\$ 8
Stormwater	\$117	\$123	5%	\$ 6
Sanitary Sewer	\$166	\$176	6%	\$10
Solid Waste/Recycling	\$276	\$276	0%	\$ 0
<i>Total Utilities</i>	<i>\$815</i>	<i>\$839</i>	<i>3%</i>	<i>\$24</i>

City of Minneapolis FY 2008 Budget

How to Use This Document

The budget book contains some of the best sources of information on governmental activities as well as key financial information for policy makers and managers. The highlights below will guide the reader through the various sections of the 2008 budget document.

Introductory Section	This section, found before the first tab, includes the transmittal letter from the Mayor, Council President and Ways and Means/Budget Chair, lists of the City's elected officials, department and agency heads, the City's budget principles, and a City-wide organization chart.
Section 1: Table of Contents	The table of contents allows the user of the document to pinpoint the page of a particular part of the City's budget.
Section 2: Background Information	<p>This section contains a community profile of the City of Minneapolis, including an overview of the City's history, economy, population, and attractions. A map of Minneapolis Communities and Neighborhoods and descriptions of the City's form of government are included in this section, as well as a chronology of financial decision making for the City.</p> <p>Descriptions of the major City funds are included in this section, including a bird's eye view of the relationship between fund types, revenue sources, expenditures and departments/boards.</p>
Section 3: Strategic Planning	The strategic planning section lists the set of City goals and strategic directions which was adopted by the Mayor and the City Council in June 2006. The Citywide strategic plan provides clear direction for departments' business planning efforts. Annual budget process, dates for this year's budget process, and a description of integration of key processes follow. The City's financial decision calendar displays the annual flow of these processes. Links between the City goals and department 2008-2012 business plan goals are described in this section.
Section 4: Financial Overview	<p>This section summarizes the key decisions and financial issues addressed in the budget. It includes key charts and graphs which depict the various portions of the City's budget and key revenue trends. A chart of the Minneapolis property tax levy recommendation appears in this section, as well as a comparison of the property tax rate and utility rate comparison between 2007 and 2008.</p> <p>This section also contains a summary of major decisions in the budget, and enterprise level challenges.</p>
Section 5: Financial Policies	This section presents the major financial policies adopted by the City Council and Mayor. The section also includes the financial planning and policy resolution regarding the City's independent boards (2002), and the resolutions which set priorities on the City's development resources (2003).

<p>Section 6: Financial Plans</p>	<p>Financial plans for the City’s major funds and business lines are found in this section. The five-year financial direction begins this section. A summary of the demands on the property tax levy is included.</p> <p>For fund level plans, the budget, a three-year forecast and two years of actual expenditures are displayed on the financial page. These plans include narratives which summarize what operations are run in the fund, historical financial performance, and 2008 expenses, revenues, transfers and debt service.</p>
<p>Section 7: Financial Schedules</p>	<p>These schedules summarize interfund transactions, revenues by major category, expenditures by fund and agency, the community development block grant program, community planning and economic development program allocations, and positions by department, all referenced in the appropriation resolutions.</p>
<p>Section 8: Capital Program</p>	<p>This section outlines the capital program by funding source and in total. A narrative summarizes the program and presents operating cost impacts as described by applicants for the funds. Information about the City’s debt – the legal debt margin, outstanding debt, amortization of the debt, and the bond redemption levy – is included. A separate table of contents and glossary are included for this section.</p> <p>The program is also summarized by the commission, board or department which submitted the request along with each major program. A five-year total of the capital program and its allocations are included. A presentation by amount requested by the department/agency, the capital long range improvement committee recommendation, the Mayor’s recommend budget, and the adopted budget follows.</p>
<p>Section 9: Operating Departments</p>	<p>This section, the largest in the budget book, as it provides the most detail on a department-by-department basis, includes departments’ financial summaries, including expenditures by type (<i>i.e.</i> salaries, benefits, contractual services and operating expenses) and fund. A report that summarizes the department’s revenue estimate is also included. The department’s positions are summarized.</p> <p>The departments also prepare narrative summaries for their divisions, including primary businesses, links to City-wide goals, and performance measures. These summaries include a brief financial overview of the department prepared by finance staff. Department organizational charts are included in this section.</p>
<p>Section 10: Independent Boards and Agencies</p>	<p>This section provides information in a format similar to the City Council operating departments for independent boards and agencies. The amounts included are generally those most recently approved by the board of the organization.</p>
<p>Section 11: Glossary</p>	<p>A glossary is included for key financial and City terms. A more detailed glossary is available in the red book, published by the clerk.</p>
<p>Section 12 Resolutions</p>	<p>The resolutions, the legal authority for the budget, are a good reference for summary information on changes to the Mayor’s recommended budget that the Council adopted. Other footnotes provide direction to staff and changes to financial policies, as applicable.</p>

**City of Minneapolis
FY 2008 Budget
Elected and Public Officials**

Mayor

R.T. Rybak

City Council

Barbara Johnson, President	4 th Ward
Robert Lilligren, Vice President	6 th Ward
Paul Ostrow	1 st Ward
Cam Gordon	2 nd Ward
Diane Hofstede	3 rd Ward
Don Samuels	5 th Ward
Lisa Goodman	7 th Ward
Elizabeth Glidden	8 th Ward
Gary Schiff	9 th Ward
Ralph Remington	10 th Ward
Scott Benson	11 th Ward
Sandra Colvin Roy	12 th Ward
Betsy Hodges	13 th Ward

Board of Estimate and Taxation

R.T. Rybak	Mayor
Barbara Johnson	President, City Council
Paul Ostrow	Chair, City Council Ways & Means/Budget Committee
Carol Becker	President (Elected)
Jill Schwimmer	Vice President (Elected)
Robert Fine	Park Board Representative
Sheldon Mains	Library Board Representative

Minneapolis Park and Recreation Board

Jon Olson	President, Commissioner District 2
Mary Merrill Anderson	Commissioner at Large
Tom Nordyke	Commissioner at Large
M. Annie Young	Commissioner at Large
Walt Dziedzic	Commissioner District 1
Scott Vreeland	Commissioner District 3
Tracy Nordstrom	Commissioner District 4
Carol Kummer	Commissioner District 5
Robert B. Fine	Commissioner District 6

Minneapolis Library Board

Anita Duckor	President of the Board
Allen Hooker	Secretary
Laurie Savran	Elected at Large
Hussein Samatar	Appointed by Mayor
Laura Waterman Wittstock	Elected at Large
Sheldon Mains	Elected at Large
Rod Krueger	Elected at Large
Gary Thaden	City Council Appointee

Charter Department Heads / Assistant City *Coordinators*

Patrick P. Born	Chief Finance Officer
Lynn Willenbring	Chief Information Officer
Patrick Todd	City Assessor
Jay Heffern	City Attorney
Steve Ristuben	Interim City Clerk
Steven Bosacker	City Coordinator
Michael Jordan	Civil Rights Director
Sara Dietrich	Communications Director
Mike Christenson	Community Planning and Economic Development Director
Jeff Johnson	Convention Center, Interim Director
James Clack	Fire Chief
Gretchen Musicant	Health Commissioner
Pamela French	Human Resources Director
Gene Ranieri	Intergovernmental Relations Director
John Dejung	911/311 Director
Rocco Forte	Operations / Regulatory Services Director
Timothy Dolan	Police Chief
Steve Kotke	Public Works Director/City Engineer

Independent Boards/Agencies

Cora McCorvey	Public Housing Authority Executive Director
Jon Gurban	Minneapolis Park and Recreation Board Superintendent
Jane Eastwood	Interim Minneapolis Library Board Director

**City of Minneapolis
FY 2008 Budget**

Budget Principles

1. Secure the City's long-term financial health.

- ◆ Plan budgets based on ten-year outlook.
- ◆ Balance budgets across all funds.

2. Live within our means

- ◆ Adopt a revenue and debt policy before making spending decisions.
- ◆ Adopt consistent budget policies across all City government units including independent boards.

3. Challenge assumptions – nothing is off the table.

- ◆ Development agency resources are City resources.
- ◆ Unexpected revenue sources go through the same budget process as other revenue.
- ◆ While some functions may be identified as core services, they will also be scrutinized for efficiencies like anything else.

4. Provide choices and competition.

- ◆ Departments will provide business plans that include feasible budget options to policymakers.
- ◆ Elected officials will make strategic resource decisions, not across-the-board cuts.
- ◆ Individual projects in a particular area must not be considered for funding independently of other projects.

5. Build in collaborative and transparent decision-making.

- ◆ Mayor will involve Council Members and independent agencies and boards in the development of the budget. Employee suggestions and the citizen survey will also be used.

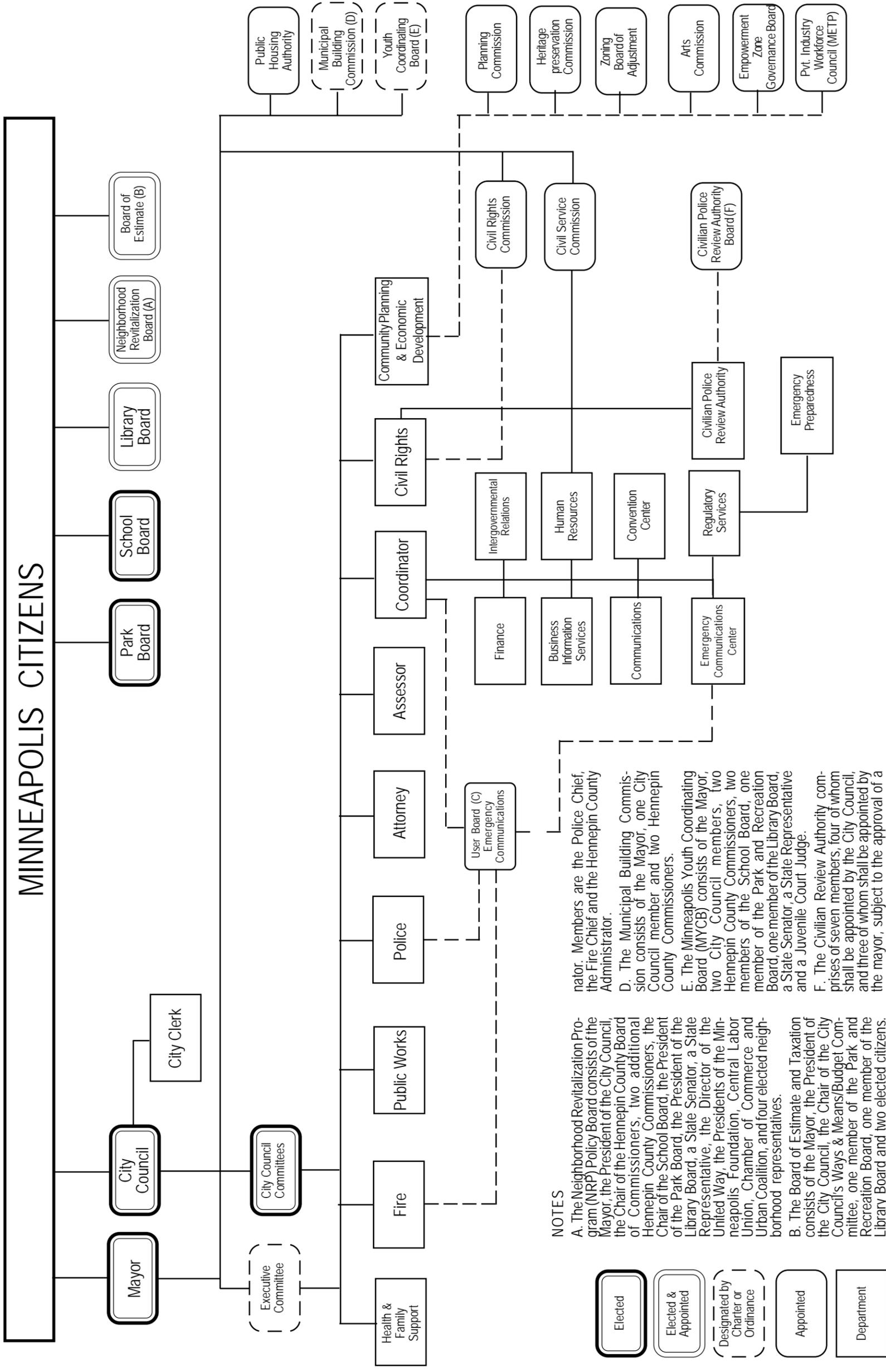
6. Protect core service delivery by avoiding duplication – both internal and external

- ◆ Between different City departments and agencies,
- ◆ With the County, the State, independent boards, or other levels of Government, and
- ◆ With non-profits or the private sector.
- ◆ Consolidation or realignment of critical functions is an option.

7. Demand accountability.

- ◆ Departments are expected to produce measurable outcomes (x dollars = y level of service). Failure to produce measurements will not result in escape from budget cuts.
- ◆ Department heads must manage to original budget.

City of Minneapolis



NOTES

- A. The Neighborhood Revitalization Program (NRP) Policy Board consists of the Mayor, the President of the City Council, the Chair of the Hennepin County Board of Commissioners, two additional Hennepin County Commissioners, the Chair of the School Board, the President of the Park Board, the President of the Library Board, a State Senator, a State Representative, the Director of the United Way, the Presidents of the Minneapolis Foundation, Central Labor Union, Chamber of Commerce and Urban Coalition, and four elected neighborhood representatives.
- B. The Board of Estimate and Taxation consists of the Mayor, the President of the City Council, the Chair of the City Council's Ways & Means/Budget Committee, one member of the Park and Recreation Board, one member of the Library Board, a State Senator, a State Representative and a Juvenile Court Judge.
- C. The Minneapolis Emergency Communications Center is managed by a User Board chaired by the City Coordinator. Members are the Police Chief, the Fire Chief and the Hennepin County Administrator.
- D. The Municipal Building Commission consists of the Mayor, one City Council member and two Hennepin County Commissioners.
- E. The Minneapolis Youth Coordinating Board (MYCB) consists of the Mayor, two City Council members, two Hennepin County Commissioners, two members of the School Board, one member of the Park and Recreation Board, one member of the Library Board, a State Senator, a State Representative and a Juvenile Court Judge.
- F. The Civilian Review Authority comprises of seven members, four of whom shall be appointed by the City Council, and three of whom shall be appointed by the mayor, subject to the approval of a majority of the City Council.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

City of Minneapolis

Minnesota

For the Fiscal Year Beginning

January 1, 2007

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Minneapolis, Minnesota for the Annual Budget beginning in January 1, 2007. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device. The award is valid for a period of one year. The City believes the current budget continues to conform to program requirements, and will submit the 2008 Adopted Budget to GFOA to determine its eligibility for another award.

The award for 2007 is the sixth such honor the City has received in consecutive years. Prior to the 2002 award, the City was last recognized by the GFOA for distinguished budget presentation in 1986. The City has received the GFOA's Certificate of Achievement for Excellence in Financial reporting for the Comprehensive Annual Financial Report (CAFR) for thirty-four years.