

Foundational Investments to Build a Twenty-First Century City

Proposed Fiscal Year 2017 Budget

MAYOR BETSY HODGES

Wednesday, August 10, 2016

Foundational Investments to Build a 21st Century City

Minneapolis Mayor Betsy Hodges 2017 Budget Address August 10, 2016

Council President Johnson, Council Members, thank you for calling this meeting. Department heads, City staff, guests, and residents, thank you, and welcome.

Writing the City's budget is my favorite part of this job. Some people spend their summers at a lake or a cabin, some people play ultimate or midnight basketball: but in my summer, there is little I look forward to more than sitting in conference rooms poring over the minutiae of spreadsheets. #budgetnerd. #greeneyeshade. I own it. 100%.

As you can easily imagine, putting together the budget is often a long, sprawling exercise in trade-offs. If we want X, should we cut Y, or should we scale Z? How should we balance one-time expenditures with ongoing, or borrowing with cash? If revenues are up, how should we meet years of backlogged needs while controlling the tax impact? If revenues are down, how should we balance cuts with the need to maintain critical services? The trade-offs go on and on.

At the same time, the budget is not always the exercise in trade-offs that people think it is. Do we have to choose between investing in the basics of good government and investing in managing our growth? Must we trade off investing in community trust if we are investing in public safety? This budget argues that we do not.

This budget necessarily makes trade-offs, like all budgets do. In this budget in particular, we have had to trade off or balance among several pressures: the decline in some revenues; our historic commitment earlier this year to invest in our streets and parks for the next generation; increasing costs in some areas; declining costs in others; the natural growth in the cost of doing the work that we do; and holding down property taxes. Some of the trade-offs I have gotten to make are good ones, between worthy bodies of great work. Others were tougher, and involved some difficult choices, including cuts.

In this budget, I propose that we invest in good government, accommodating our growth, and public safety. We cannot have everything that we want. At the same time, this budget shows that in the 21st century, rising to the imperatives of good government, growth, and public safety serves to help meet our deepest challenges well.

Good Government

Collecting solid waste and recycling. Records management. Street sweeping. Accounting. Enforcing building codes. Making sure the streetlights are on. These are some of the fundamentals of city government, and a significant part of putting together the budget is making sure that we do them, and continuously improve on them, transparently, responsibly, and responsively. And when we do, they can transform our communities.

Here's a great example of what I mean. Right now Animal Care and Control has an Animal Control officer working at the front desk, answering the phone. That means one officer is not out caring for missing dogs and cats and protecting the community from dangerous animals. I propose hiring one administrative staff

member in Animal Care and Control so that our animal control officers can do the job they were hired for. Thank you to the MACC staff for raising this issue: I heard you.

Another example is paying attention to our audits. In 2015, an internal audit of our information governance found that the City had room to improve. I propose a new records specialist to work in the City Clerk's office based on the audit's recommendation. In addition, we are directing the Clerk's office to use existing resources to implement information-governance training across the City enterprise. I also recommend adding another auditor in the City Auditor's office, capably led by Will Tetsell. I appreciate Council Member Linea Palmisano's keen interest in ensuring that we pay close attention to the good work of the our Auditor's office.

A further example of good government is capitalizing on the large events that we have won in recent years: Super Bowl LII, the Final Four, and two years of the X Games. This budget invests in strategies to get the best possible return on these events, including by turning first-time visitors into repeat tourists and conventioners, and to ensure our investments in managing these spectacular events live on after the events have concluded. Council Member Jacob Frey has been an enthusiastic partner in promoting Minneapolis as a great place to visit and have fun.

I am incredibly proud every day to work with some of the best, most committed employees a city could ask for: folks who could choose to make more money in the private sector, but who have committed themselves to the public good. One of the smartest investments we can make on behalf of the residents of Minneapolis is in our employees. We can do this through investments in training, hiring, and giving them better tools with which to serve our residents.

For example, I propose the employees in our City Assessor's office get the required training they need to bring fresh skills and innovative solutions into the department.

We are implementing an improved 911 call processing system next year to improve the quality and consistency of our 911 response. Accordingly, I propose funding for new training and certification for our 911 operators.

Inspired by Chief John Fruetel's successful work in creating pathways for careers into the Fire Department, particularly for young people of color, I propose creating similar pathways in other departments. We know that we are facing a wave of retirements across our city enterprise, and we know that the young people who are available to fill these openings are increasingly diverse. We get to develop the best talent our city has to offer. I thank Council Vice President Elizabeth Glidden for her leadership in ensuring we set ambitious goals for hiring, retaining, and promoting women and people of color at the City of Minneapolis.

Business support

Entrepreneurs are at the core of the growth of our City. Our many small and mid-size businesses add vitality and create employment opportunities in our neighborhoods, and this budget will invest in their success.

When I became mayor, I launched Business Made Simple to simplify City processes and make it easier for entrepreneurs — particularly immigrants, women, and people of color — to invest in their businesses and in our city. Since 2014, we have eliminated unnecessary licenses and modified or repealed ordinances that were barriers to that investment. We are also doing great work through Business Made Simple, our Innovation Team, and in CPED in removing unnecessary barriers to business development and investment.

On the recommendation of the Workplace Partnership Group, and the advocacy of Council Members Lisa Bender and Andrew Johnson, I propose that we use existing resources to create a full-time position in Director Craig Taylor's CPED — one person, with one email and one phone number, who will make it easier for smaller businesses and entrepreneurs to navigate City systems and prosper.

I also recommend renewing funding for the Health Department's Green Business Cost Sharing Program, and funding a new contract-compliance certification specialist in the Civil Rights Department to accelerate the certification of new women and minority owned businesses so that they can more quickly access the assistance they qualify for.

Earlier this year, I was pleased to sign the groundbreaking worker protections in our Earned Sick and Safe Time ordinance, which the Council passed unanimously. I first proposed it in 2015 and I am proud of it: it will protect public health by ensuring that families no longer need to choose between getting paid and getting well. Making sure that we implement the ordinance well and fairly is our next task. I am investing \$50,000 in the Civil Rights Department to support outreach and education to workers and businesses, especially small businesses. I share Council Member Abdi Warsame's concern that we do this right.

Sustainability

Good government also means doing what we must to keep our residents healthy. Globally, 2015 was the hottest year on record, and experts have told us that Minneapolis will feel the effects of climate change more intensely than most other cities. This makes it even more important that we are prepared and working toward solutions.

In May, Minneapolis was selected to join the global 100 Resilient Cities network, based in part on the great work we have been doing for years. One of the benefits of this designation is funding from the Rockefeller Foundation for a Chief Resilience Officer. Our CRO will work across departments and with the community on our city's ability to survive shocks and stresses – be they climate change, natural disasters, infrastructure failures, or disasters like inequality and a lack of affordable housing. I build into the budget the acceptance of the CRO that we approved this past spring.

Our first-of-its-kind Clean Energy Partnership with Xcel Energy and CenterPoint Energy has been a success: through our first year, we have seen a 68 percent increase in homeowners receiving a Home Energy Squad visit to improve energy efficiency. That has meant more money in homeowner pockets and fewer pollutants in our air. I propose to continue funding this valuable work. I also recommend funding to implement longstanding plans to reduce commercial building energy use in Minneapolis, an aspect of our Climate Action Plan of which Council Member Cam Gordon has been a longtime, consistent champion.

Growth

Back 2009 and 2010, our economy was in a deep recession, we were slashing our city budgets yet again, and folks were extremely worried about their own futures and the future of our city. If I got in a time machine today, traveled back to those years, and explained to people that in 2016, some of the challenges we're most vocal about now are the traffic delays caused by so much construction in downtown Minneapolis, they would be ecstatic. If I told them that we need to accelerate the pace of restaurant inspections, not because we have too few inspectors but because we're experiencing a nationally-recognized restaurant and hospitality boom, they would be thrilled.

We have worked very hard for the problems that accompany growth in our city, and we should take them as a sign of success. Still, they are problems, and we get to solve them.

One of the basic responsibilities of a city in 2016 & 2017 is managing our growth – and we are growing. Our population grew eight percent in five years, to 412,517. We are on pace for our fifth consecutive year of exceeding \$1 billion in construction permits. We have more people using our parks and our streets. We have more people taking advantage of all Minneapolis has to offer. Therefore, managing the growth of our city requires more resources.

Take, for example, our City Assessor Patrick Todd and his team. The work of the Assessor is the front line of our growth. They are responsible for appraising all of Minneapolis' real estate so we know its market value, which enables us to capture fairly the financial benefit of our growing city. Our growth means they have a lot more work than before, so today I propose a new lead appraiser in the City Assessor's office.

Or take downtown traffic. Between the cranes dotting the skyline and our countless road improvements, you may have noticed that this can be an especially challenging time to drive in downtown. Reminder: we worked very hard for this problem.

But it is a problem nonetheless, so I propose one-time funding for five more traffic-control agents in the Regulatory Services Department that Noah Schuchman now leads so well to help us ease the transition to modernized downtown streets, a more developed downtown, and the big events that we have reason to believe Minneapolis will continue to attract.

Housing

As we continue to grow, our success has resulted in a tightening of our housing market, threatening to create a city in which only those in the upper incomes can afford to live. The Minneapolis I envision includes a range of high-quality housing options affordable to people at all incomes, in every neighborhood in our city.

Over the past several decades, we have invested millions of dollars in the construction of new affordable housing units. But as successful as those investments have been, we are losing affordable units faster than we can build them. Across our region, existing affordable units are being bought by investors and rents are being raised. Since 2000, Minneapolis has lost 10,000 units affordable to households with incomes below \$43,000 a year. To meet this need, I propose investing more than \$14.5 million in affordable housing development.

We must continue to invest in the construction of new affordable units, but if we choose to create a city where everyone has a place to call home, we have to preserve the affordability we have. It's time to invest in the preservation of Naturally Occurring Affordable Housing, or NOAH. Leaders in the housing and philanthropic community have been developing innovative ways to invest in the acquisition of existing affordable market-rate properties to preserve their affordability. I propose the City invest \$1.5 million in a NOAH strategy, with the goal of leveraging these regional opportunities to preserve up to 280 affordable units in Minneapolis.

Last year, I invested in a new family housing initiative focused on developing affordable units for large families at the lowest incomes, particularly those coming out of shelters. Both Heading Home Hennepin and my Cradle to K cabinet identified this as one of the most urgent needs facing low-income families in Minneapolis. This strategy has already resulted in the seeding of a ground-breaking project in the 12th Ward, partnering with MPHA and Hennepin County. When fully funded, the Minnehaha Townhomes will provide

high-quality units with services for 16 families experiencing homelessness. This year I propose we build on the success of our new strategy by investing an additional \$1 million in the Family Housing Initiative.

Council Member Blong Yang has been working to find a solution that will help us develop housing on our portfolio of vacant lots, with an eye toward rebuilding the wealth in communities hit hardest by the foreclosure crisis. I applaud that work and propose investing \$250,000 toward the eventual recommendations of that work group.

I also recommend adding \$1.6 million to the Affordable Housing Trust Fund. All told, as I said, this budget invests more than \$14.5 million in affordable-housing development.

Earlier this year, other local leaders and I partnered with HUD Secretary Julián Castro to launch the Prosperity Playbook. We convened regional leaders to begin aligning housing policies and investment in order to promote housing mobility throughout the region. The investments I propose we make in housing today are a step toward fulfilling Minneapolis' commitment to that vision.

Fire

The Minneapolis Fire Department is also deeply affected by our growth: even as fires have declined nationally and locally, our firefighters are going on more emergency medical and rescue calls.

We already ask much of our firefighters. They do a difficult and dangerous job. I know personally what it means to know your loved ones are out there on a rig, putting themselves in harm's way to make sure we all are healthy and safe. Our firefighters sign up to rush into burning buildings and put their lives on the line. They do amazing work and I thank them.

In years past, we have had challenging conversations about the right staffing levels for a department like ours. Unlike Saint Paul and other cities around the country to which we usually compare ourselves, Minneapolis doesn't do paramedic runs. We structure our department differently. So we have had a leaner team than others and still been hugely successful.

But now, we have hired up to the authorized strength of 406 sworn firefighters, and still, we are spending more in overtime than we should be.

As a result, I propose hiring five additional full-time sworn firefighters. This will allow the Fire Department to reduce overtime and better handle our growth. This is the first time in many years we have increased the authorized strength of the department.

Public Safety

We cannot say often enough that public safety is the most basic of the basic services that a city provides. But while it is basic, it is also a dynamic site of transformation.

The transformation of public safety for the 21st century is not new work for the City of Minneapolis: we have been at it for some years now. We have a progressive, forward-looking police chief in Janeé Harteau who has been working on it, in the form of MPD 2.0, every day in the three and a half years that she has been our chief. We have a fire chief in John Fruetel who is passionate about new pathways to create firefighters who look like the city they serve. We have a city attorney in Susan Segal who is constantly on the lookout for ways to innovate. And 911, led by Heather Hunt; the Health Department, led by Gretchen Musicant; the Office of

Police Conduct Review and the Police Conduct Oversight Commission, both supported by the Civil Rights Department that is led by Velma Korbel; and the Office of Emergency Management, led by Barret Lane, round out this progressive team that is leading the country in delivering 21st-century public safety. I am grateful for the service of all of them.

In this budget, I invest in community to improve public safety, and I invest in the Police Department to improve public trust.

Enhancing safety

First, enhancing public safety. Community members have told us for years that they want to be a full partner in the work, and it is a fundamental tenet of 21st-century policing that community capacity to do collaborative, downstream crime prevention must be strengthened.

This budget takes up the community's call and invests in a number of community-based strategies to enhance our public safety.

To start, I propose a pilot police/mental-health co-responder model based in the Police Department. This centralized unit of officers who have received advanced Crisis Intervention Training will be paired with two full-time mental-health professionals. To staff it, I propose three new police officers ongoing. This pilot is designed to keep people who are experiencing mental-health crises from being arrested and entering the criminal-justice system, where often they do not belong, and to provide people in crisis with greater access to treatment and resources. When they are met by officers and professionals who are trained to respond to them with sensitivity, understanding, and compassion, potentially dangerous situations can be defused, safety can be restored, and lives can be transformed. Of all the community-based safety innovations that community members have asked for, a mental-health co-responder model is the one most often requested. It is also a recommendation of our Police Conduct Oversight Commission, and I am excited to propose it today.

This budget also proposes one-time and ongoing funding for a Group Violence Intervention strategy in the Health Department. This community-based strategy has proven in other cities that violence can be significantly reduced when a partnership of community members, law enforcement, and social-service providers directly engages with a small number of people who are actively involved in violence, and says to them, "We will help you and provide resources for you if you are willing to change. If you are not, we will hold you accountable." I am eager to collaborate with community to pilot this in Minneapolis.

I also propose resources so that people in areas heavily affected by violent crime can decide for themselves how to address it on the ground and not rely only on policing.

In the City's budget, we make many investments in upstream strategies that help improve public safety in the medium and long term: workforce development, stable housing, support for education and training, and a number of others. Here, however, I propose resources for community members to choose how they want to intervene downstream in improving public safety in their own neighborhoods, and to implement those strategies.

These resources will be for residents and business owners in two locations in our city where violent crime, driven by youth up to age 24, is high – West Broadway between Lyndale and Girard, and Little Earth – and for the community-based organizations that serve them.

City departments and outside partners will make the resources available and will collaborate with community members, but the strategies will be shaped and driven by residents, business owners, and community-based organizations. Community gets to decide.

These strategies can take different forms. For example, in the Rainier Beach neighborhood of Seattle, people who live, work, or go to school near five specific locations serve on a community task force: they identify the conditions that contribute to youth violence there, decide what interventions they want to make to stop it, and monitor how they are working. In the Watts neighborhood of Los Angeles, community members, including mothers and grandmothers, collaborate with police officers on the Community Safety Partnership to identify threats of violence and prevent it before it starts. This work has led to significant, double-digit declines in both violent crime and arrests.

These sorts of community-based and place-based strategies are the kinds of interventions community members could consider in the initiative I am proposing.

The resources available are both technical and financial. I am a member of Cities United, a coalition of mayors of 86 cities whose focus is to reduce violence. Cities United is eager to offer technical assistance to lead community members through the process of developing collaborative, downstream strategies at these two locations. I also propose \$500,000 one-time in the 2017 budget to implement the strategies that community members select.

Again, these resources are exclusively for residents and business owners at the two locations, and the community-based organizations that serve them. While other cities are experimenting with collaborative public-safety strategies, I know of nowhere else in the country where community members get to choose how to deploy the resources that the city and its partners make available.

I have heard clearly and repeatedly from community members – sometimes loudly, at close range – that they want to decide how to improve safety. Research also shows that community-driven strategies, when coupled with community policing, are effective in increasing public safety *and* public trust.

Building trust

Enhancing public safety for everyone through partnership with community is one set of public-safety investments that I propose in this budget. The other set of investments I propose is in building trust between community members and police.

First, this budget invests significantly in community policing. At its most basic, community policing is about police officers building trust through building relationships. What this looks like is officers getting out of cars and into community meetings, businesses, houses of worship, barber shops, and beauty parlors. It looks like officers spending more time on calls, really getting to know people and communities, and building real relationships of familiarity, friendship, and trust.

The measures of success of community policing are not officers' making more arrests or writing more tickets. Rather, measures of success are officers' abilities and track records of community engagement, including the numbers of positive contacts they make.

For a number of years, a broad swath of community members have asked for more resources for community policing. Chief Harteau has been reorienting MPD toward community policing, and I have fully supported her. Over the last two years, we have invested in it: the 12 officers that we have added to our authorized strength

over the last two years have entirely been for the purpose of community policing. The data show that we are getting results: positive contacts are up 30 percent over this time last year, and 92 percent over this time two years ago.

Council Member Alondra Cano will appreciate that the beat officers who are doing community policing on Lake Street are providing a great example of what it looks like to build trust and transform police–community relationships. They make chalk art with kids, sing karaoke at neighborhood gatherings, and build relationships with everyone: residents, business owners, and even the people who cause problems. Folks around Lake Street trust these officers and know that when they call on them, they will be there.

In the wake of this success, and with the imperative of building trust that everyone in Minneapolis recognizes, today I propose adding 12 more officers ongoing for community policing, in addition to the three designated for the mental-health co-responder pilot project, for a total of 15 new officers in 2017. This will raise the authorized strength of the Police Department to 877 next year.

I also propose that by 2021, we reach an authorized strength of 901 officers. I have built this level of strength into this budget's five-year financial direction, including my proposed tax policy.

Now more than ever before, we have the opportunity to transform police–community relations. This long-term level of investment in community policing, when coupled with community-driven strategies to improve in public safety, will accelerate the transformation of MPD into the 21st-century police department that residents, businesses, community members, and officers all want.

My budget also provides the resources needed to support this strength: additional training, more cadets and recruits, and yet another ongoing class for community-service officers. As I said two years ago, when I funded our current ongoing CSO class, we continue to need effective ladders for people of color into our Police Department, because it is imperative that our officers reflect the communities they serve. CSO classes provide that ladder: our recent classes have been as high as 61 percent people of color. I am particularly pleased to enhance funding for this critical tool.

I propose other investments in building community trust as well.

In the Police Department, for the third year in a row, I invest resources in officer-worn body cameras. Officers have been wearing body cameras for more than a month, and by mid-October, they will be on officers in every precinct in the city. We are now one of the largest departments in the United States to have them. I thank Council Members for your support over the last two years of our landmark investments in body cameras, which respond to years of community requests. I also thank everyone who participated in developing our body-camera policy, which we released recently after much community consultation.

Community trust in policing is also built when complaints against police officers are submitted easily, investigated thoroughly, and resolved fairly and in a timely fashion. This budget invests in an additional civilian case investigator at the Office of Police Conduct Review, and in improvements to the process of filing a complaint about police misconduct.

All told, this budget's investments in 21st-century public safety are significant: when relevant investments in the Police, Fire, Civil Rights, Health, and City Attorney's office are combined, more than 70 percent of all the dollars that I propose in new, ongoing investments in this budget are for public safety.

These investments build on those of the past several years — not only for body cameras, but for accelerated procedural-justice and crisis-intervention training for all officers; an Early Intervention System; implicit-bias training; more positions for community policing; more pipelines to bring people of color into public-safety careers; an innovative municipal criminal-justice agenda to divert low-level and first-time offenders when possible; restorative justice; youth violence prevention; and more.

I know that there are those in the community who, rather than have us invest more in policing, even for community policing, instead want us to disinvest in the Police Department.

We need a police department. We are going to have a police department. What we get to have, however, is a 21st-century police department that is rooted in 21st-century policing, built on a foundation of trust and dedicated to transforming police-community relations. This investment in more officers for community policing goes hand in hand with the investments that I propose in enhancing public safety through community collaboration. Indeed, in order to be effective, these strategies require collaboration and true partnership with law enforcement.

I also acknowledge that we in Minneapolis have not always policed in accordance with these principles. I acknowledge that our policing has sometimes done harm and sown mistrust, particularly in communities of color. To acknowledge this is not to single out individual police officers. It is to say that for too long, we allowed a culture of policing to persist that sometimes caused harm. This culture hurt everyone, including police officers.

I also know that these conversations about police-community relations, race, and trust provoke discomfort — more specifically, provoke discomfort among white people. For us white people, these conversations feel stark, new, and raw. I posit that this discomfort — more specifically, the more equal distribution of the discomfort that people of color have disproportionately felt about policing for a long time — is a good sign that we are on track to transform systems and relationships that are in need of transformation, and that we are on track to do it together.

Let me also be clear: Minneapolis is leading the way in this conversation. I have talked to researchers, mayors, law enforcement, youth, and community members from around the country: they assure me that no other city in America is putting more resources on the line, changing more policy, and transforming itself more fundamentally than we are. In Minneapolis, one of our greatest strengths as a people is that we put aside our differences and our fears to come together for the common good. This is why I know that we can have these difficult conversations, feel this discomfort, and come together through it all to find solutions that benefit all of us. Yes, change is hard and yes, there is more to do. But we are sticking with it, for the good and the humanity of all of us. There is no going back.

And so I say to our residents of all neighborhoods, races, religions, backgrounds, and genders: join us. Become a Minneapolis police officer. At this dynamic moment of change and transformation, now more than ever, we encourage people who are from and dedicated to the communities we serve to step up and join us in serving, to be part of this transformation in partnership with community on the ground every day.

A final word to our current police officers: I believe in you. I deeply appreciate the work that you do. We ask you to respond with wisdom and courage to situations where lives can be at stake. We ask you to respond with compassion and sensitivity to people who are at their most scared and vulnerable. We ask you to respond humanely and bravely to crises whose root causes are far bigger than any of us. With this budget, I am investing in you, too: I am investing in the resources, collaboration, and support that you need to do your

jobs more effectively, more safely, and with more fulfillment. Thank you for your service and for all that you do and all that you and your families sacrifice to guard our city and keep us safe.

Equity

So far, you have heard me speak of investments in good government, in managing our growth, and in building public safety and public trust. You have not heard me say much explicitly about equity. I'm sure this seems odd in a speech of mine. The reason is simply that investments in equity are woven through this entire budget.

So for example, training for our own staff; career-pathways programs to diversify our workforce; support for businesses as we implement the Earned Sick and Safe Time ordinance; our pursuit of community-based strategies to improve public safety: all of these are investments in equity.

This budget builds on and continues a strong foundation of equity investments in recent years that are transforming the work of our enterprise: the office of equity and inclusion in the City Coordinator's office, TechHIRE, our Bloomberg-supported iTeam, and many others. I thank the Council for making these investments. We are building equity into the DNA of our work as a city.

This budget does make some fresh investments in equity.

In our East African community, I propose investing in engaging Somali youth and creating access to good jobs and youth programs for them, and in reaching out to and engaging East African folks with disabilities, who face multiple challenges in participating in the life of our city as they would like. I will pause and name again for our East African community members, particularly for people who are Muslim, that these times in our country are challenging times for you. The hateful national rhetoric unfairly blames all of you for things over which you do not have control and for acts committed by fringe elements which you also decry and deplore. I as your Mayor and we as your city stand with you. I know that it is our charge to work with you to make sure your community is thriving in Minneapolis.

I propose funding to advance the work of My Brother's Keeper, President Obama's initiative to lift up boys and men of color as core assets in our community. Minneapolis has been a leading MBK Challenge city for two years now. Among our current MBK work is the job-training and anti-violence BUILD Leaders program, with sites at partner organizations in North Minneapolis and Little Earth.

We know that disparities among children start early and widen over time. Children from language-deprived environments hear fewer words early on which can lead to significant learning gaps. The good news is that we have a solution and we can make our children not only smarter but healthier by talking, reading, and singing to them from day one. That is why I launched the "Talking is Teaching, Talk, Read, Sing" campaign as the first initiative of my Cradle to K cabinet. We are working in partnership with the Clinton Foundation's Too Small to Fail Initiative and The Opportunity Institute, as well as with local partners that include the Reach Out and Read program, Greater Twin Cities United Way, and new partners like Twin Cities Public Television. I propose resources to continue this important work. Many thanks to my Cradle to K Cabinet, chaired by Carolyn Smallwood, Executive Director of Way to Grow, for your great work in preventing disparities before they even begin.

Finally, I don't want to give a major speech without recognizing the challenges our transgender loved ones and neighbors are facing. So much has moved forward for the LGBTQ community these last few

years, and we celebrate that. And yet our city's Transgender Issues Work Group rightfully points out that for transgender people in particular, we still have much work to do to make our city and our City services truly welcoming and inclusive to all. Thank you to all the members of that group for your work and your recommendations.

I want to say once again to my transgender and gender-nonconforming constituents: I see you, I hear you, I honor you, and I stand with you. I also invest in you and your success. This budget proposes funding for the fourth-annual Trans* Equity Summit in 2017. It's a gathering that has broken ground in bringing together the transgender community and allies to talk about how we as a city can remove barriers that transgender people face through policy and other changes, in order for transgender and gender-nonconforming residents to reach their full potential. I know first-hand that this event can change lives: one of my policy aides began his journey to my office from attending the first Trans* Equity Summit. I have also made sure that the Work Group's recommendations about providing access to gender-inclusive bathrooms in City buildings have been moved up the list of priorities in our work, so that it can be completed more quickly. It does not require new funding; it does require willingness and action.

Tax Impact

So, now you're asking: "OK, Hodges, that's some good stuff. How do we pay for it?"

First, this budget is built upon and continues to follow sound, responsible principles of financial management. It pays for ongoing needs like personnel costs with ongoing revenues and one-time needs with one-time dollars. It looks forward into the next five years and beyond to make sure that the impact of the decisions we make today are accounted for in future budgets. I believe the foundation for any investments we make, whether in core services like public safety and infrastructure, or in the work we do to ensure everyone shares in our collective prosperity, is principled budgeting.

And though we have been responsible, we have borne pressures on our budget we cannot control. We weathered years of cuts in our allotment of the revenue-sharing agreement we have with the State. This year, were it not for an error in the State Legislature's bipartisan tax bill, the City would have seen the \$1.7 million increase in Local Government Aid that we had anticipated in our 2017 revenue projections. Because we cannot count on receiving this increase, we I have chosen to budget without it.

If the Legislature passes a corrected tax bill that Governor Mark Dayton can sign to restore next year's planned \$1.7 million increase, I recommend that we apply it to reducing our property-tax levy.

I also would like to take this opportunity to remind us all about the enormous impact of our hard-fought 2011 reform of closed pensions. Because we won reform, the levy I will propose for 2017 is nearly \$50 million lower than it would have been without reform.

Now, for the 2017 math.

At the beginning of this year, In order to fund just the increased costs of our current services, we planned to increase the property-tax levy by 3.75 percent in 2017. Since then, the City Council, the Park Board, and I reached a landmark agreement to fund the infrastructure and operations of our neighborhood parks and streets for the next 20 years, transparently and equitably.

I cannot stress enough the historic nature of this agreement. For many years, we knew that the tipping point was coming at which our parks and streets would be astronomically more expensive to repair, if not beyond repair. We responded by investing in our streets and parks so that future generations will also enjoy our city's most basic infrastructure. Under the leadership of new Public Works Director Robin

Hutcheson and Council Member Kevin Reich, we get to make sure that this historic investment in City streets is not only about rebuilding what we have, it is also about building 21st-century infrastructure for all users.

I especially thank Council President Barbara Johnson, Council Member John Quincy, and Council Member Lisa Goodman for their role in sealing this agreement, as well as former Park Board President Liz Wielinski, current Park Board President Anita Tabb, and Parks Superintendent Jayne Miller for their partnership. My gratitude also goes to City Coordinator Spencer Cronk and Chief Financial Officer Mark Ruff for moving the process steadily forward. At a time when Congress is paralyzed and the State Legislature cannot pass the most fundamental of bills, together we showed once again that in Minneapolis, we put aside whatever differences we may have to come together for the common good.

That historic parks and streets agreement in May increased the baseline levy increase for 2017 from 3.75 percent to 4.9 percent.

I have made the case to you today for the investments I propose in this budget; in good government, in managing our success in growing Minneapolis, in equity, and in public safety. As I said earlier, more than 70 percent of the new ongoing investments that I propose are in public safety. These investments are needed, and they have a cost.

To pay for them, I have made significant, strategic cuts of nearly \$2.7 million in this budget in order to fund the work we need to do. Two million dollars of these cuts come from lower-than-anticipated costs for providing healthcare for our employees. I have also made an additional \$700,000 in targeted cuts to five departments to offset the cost of new investments in those departments. This \$2.7 million in cuts represents nearly a full percent point on our property-tax levy.

As a result, today I propose a 5.5 percent levy increase for 2017.

The 0.6-percent increment over the anticipated baseline levy increase of 4.9 percent pays for a portion of the public-safety investments that I propose. Most, if not all, of the difference between the 5.5 percent levy increase that I propose and the baseline 4.9 percent increase that we planned on could be covered by the increase in Local Government Aid that we had expected for next year. If the Legislature passes a corrected tax bill that Governor Dayton can sign, our levy increase for 2017 could return close to or at the baseline 4.9 percent. Once again, if the LGA increase becomes law, I recommend we apply our share of it to reducing the levy.

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Conclusion

You have heard me speak before and often – I think the whole city has at this point – about the three questions on my white board that I ask myself every day: How does this make the city run well? How does this move the dial on growing the city? How does this move the dial on equity?

These are good questions and I continue to ask them – and increasingly, we are behaving in the City of Minneapolis as if those three questions on my white board are just one. This budget shows that more and more, all three of them can be answered with the same investments in good government, growth, and public safety, investments that all work together to move the dial on equity, growing the city and managing its growth, and running the basics of it well. We need not make trade-offs between them.

Madam President and Council Members, Minneapolis is leading the way in transforming the fundamentals of city government in the 21st century. Today, we get to take the next steps along this journey together.



Thank you for allowing me to address you today. I submit this budget to you and I ask you for your support.