

# **Mayor's Recommended Budget for 2005**

**Mayor R.T. Rybak**

August 12, 2004

City of Minneapolis

# Introduction

- Setting the Context
- A Balanced Approach
- 2005 Budget Overview
- Four Themes:
  - Good Government for Good Value
  - Safe, Livable Neighborhoods
  - A Healthy, Sustainable Future
  - A City as Great as its People
- A Call to Action

# Setting the Context

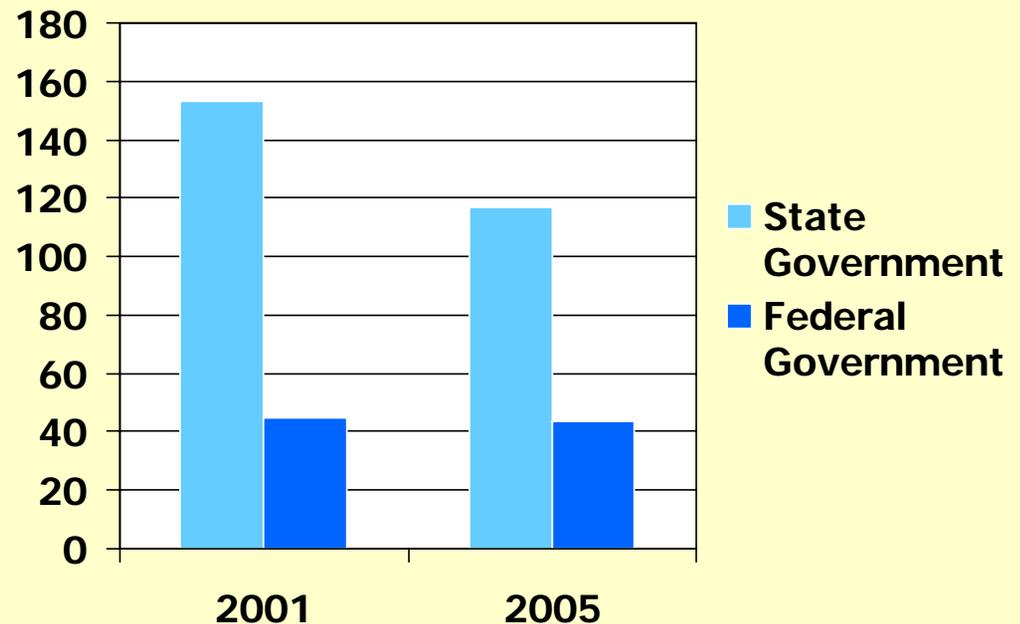
- Costs of providing existing services and paying off current debt are rising faster than the revenues available to pay for them
- State law changes have shifted property-tax burden from corporations to homeowners; reducing total tax revenue to the City
- Federal and State cuts have further compounded these challenges

# State and Federal Cuts

*Setting the Context*

- Total reduction in **annual** State and Federal revenue to the City since 2001: **\$38 million**
- The greatest reductions have been to the most flexible funds: LGA and CDBG

Reductions in Intergovernmental Revenue (\$ in millions)



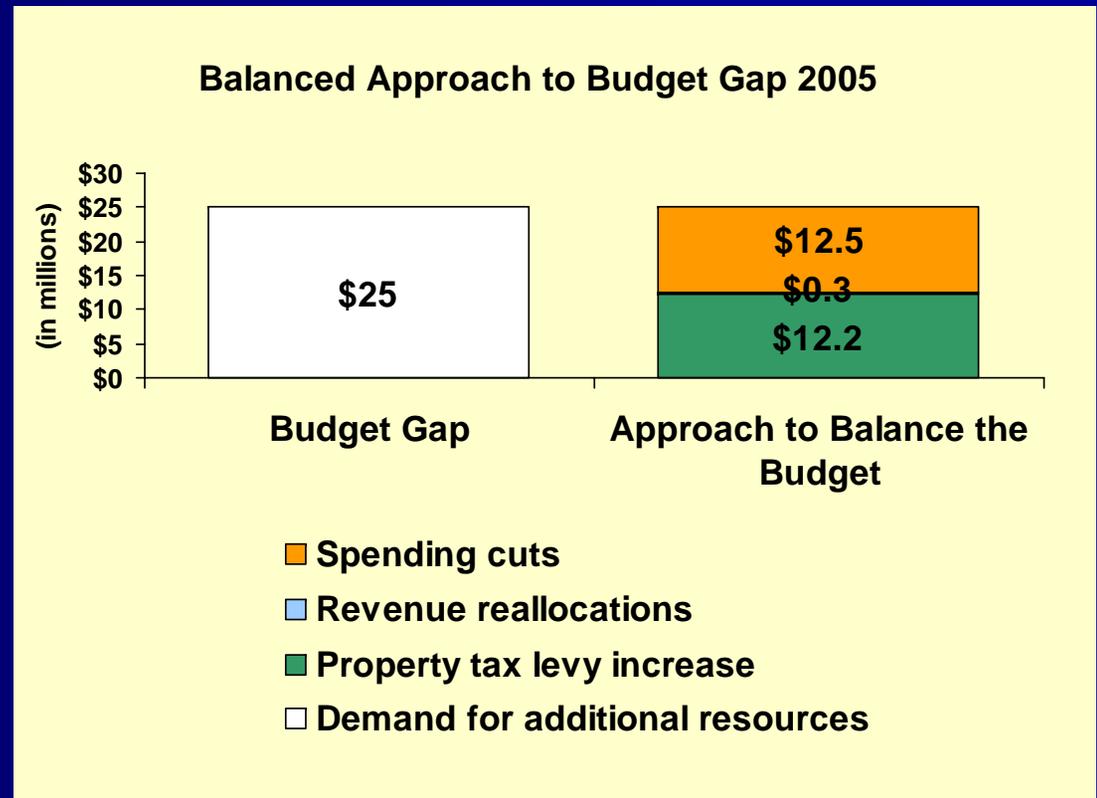
# A Balanced Approach

- Total Impact: a **\$25 million gap** in 2005 between increases in the cost of existing services and debt and projected revenue
- To close this gap, we are taking a balanced approach that includes:
  - Spending cuts: **\$12.5 million**
  - Revenue reallocation: **\$0.3 million**
  - City property tax increase: **\$12.2 million**

# Closing the Budget Gap

*A Balanced Approach*

- 2005 budget gap between rising cost of existing services and debt and the revenue available to pay for them:  
**\$25 million**



# Property Tax Impact

*A Balanced Approach*

- The proposed budget will increase the property tax on an average home in Minneapolis by about \$24
- That home's total tax bill will increase by about \$214, because:
  - The bill includes school district, County and watershed district taxes
  - Almost half of this increase is from increased property value, and State law that shifts tax burden from commercial to residential property

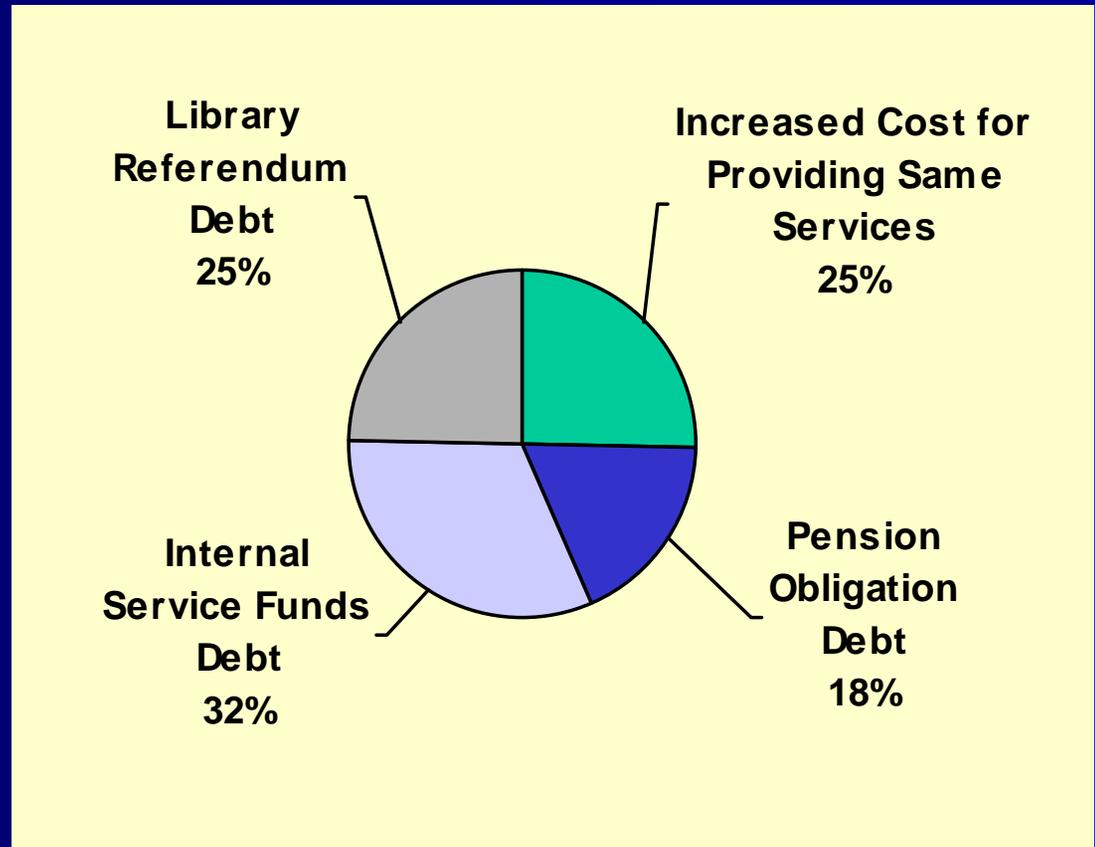
# New Property Tax Uses

*A Balanced Approach*

Internal and pension  
obligation debt:  
**\$6.1 million**  
(50%)

Library referendum:  
**\$3.05 million**  
(25%)

Increased cost to  
provide existing  
City services:  
**\$3.05 million**  
(25%)



# 2005 Budget Overview

- The City expects total revenue in 2005 of **\$1.2 billion** (about the same as in 2004)
- The most flexible revenue, from property tax and LGA, makes up 28% of that total: **\$330 million**
  - We allocate 72% of this revenue to Police, Fire, and Public Works (transportation): **\$237.6 million**
  - Parks and Libraries receive 22%: **\$72.6 million**
  - That leaves just 6% for Criminal Prosecution, Health and Family Support services, Civil Rights, Community Planning and Economic Development, and all other activities supported by property tax and LGA: **\$19.8 million**

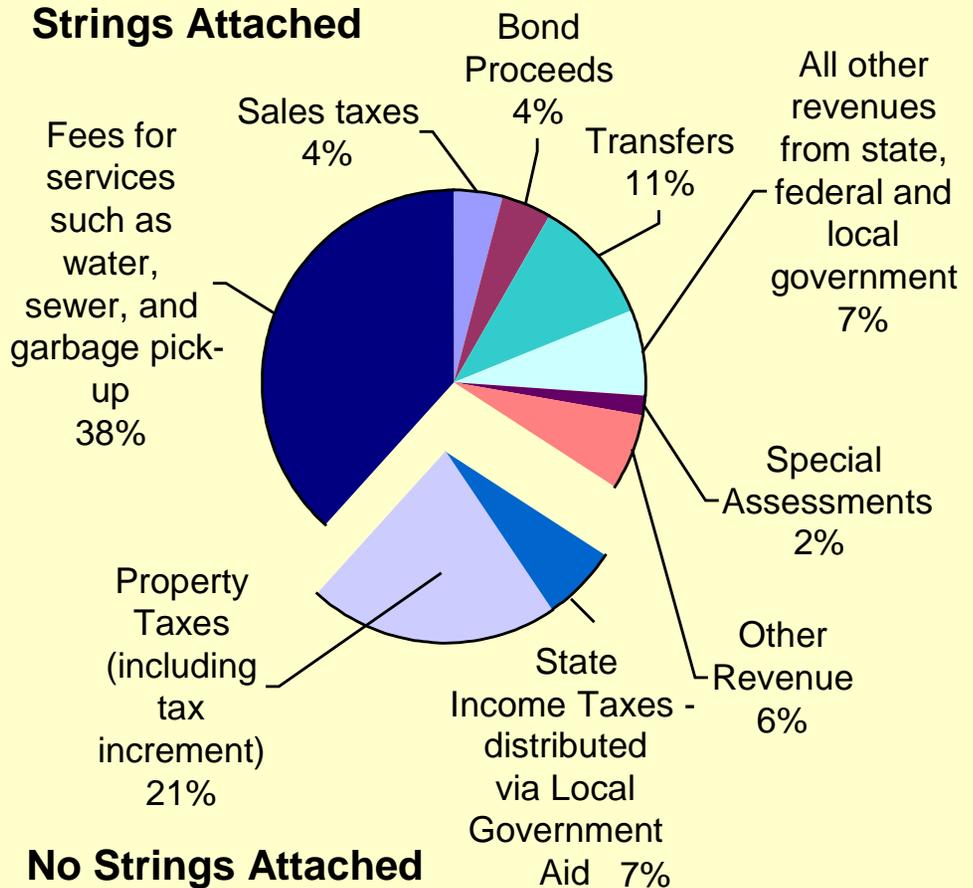
# Total City Revenue

2005 Budget Overview

Total Revenue:  
**\$1.2 billion**

Property Tax and  
LGA revenue:  
**\$330 million** (28%  
of total)

- Most revenue has "strings attached"
- Property Tax and LGA revenue has "no strings attached"



# Uses of Prop. Tax and LGA

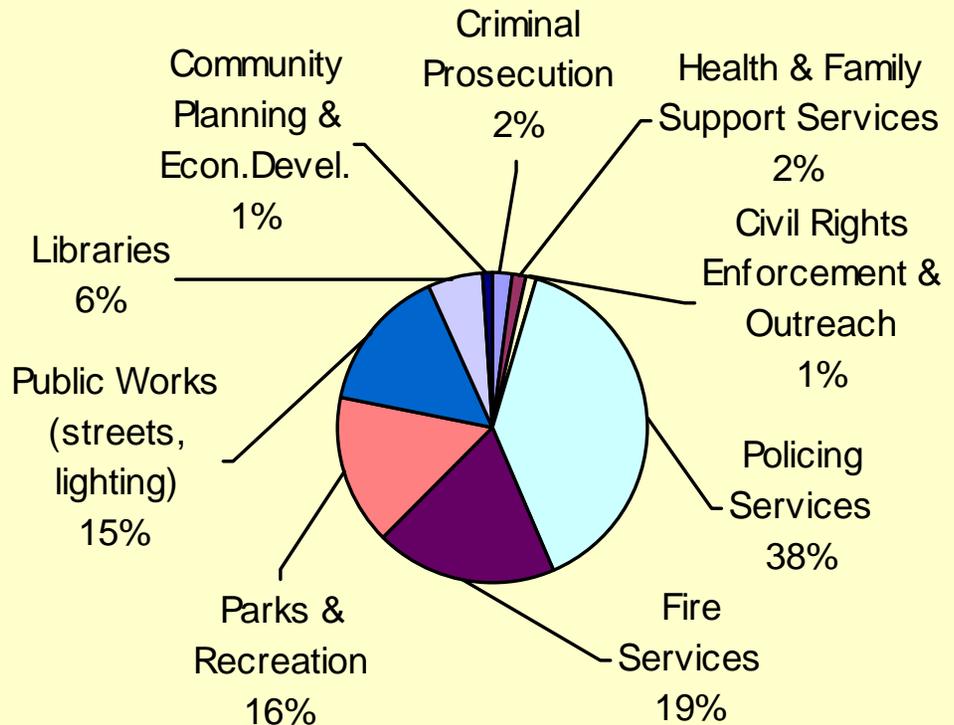
2005 Budget Overview

Property Tax and  
LGA services:  
**\$330 million**

Police, Fire and  
Public Works:  
**\$237.6 million**  
(72%)

Parks and Libraries:  
**\$72.6 million**  
(22%)

All other uses: 6%



# Four Themes

- Good Government for Good Value
- Safe, Livable Neighborhoods
- A Healthy, Sustainable Future
- A City as Great as its People

# Good Government for Good Value

- Fiscal Discipline
- Strategic Management
- Managing Operating Costs
- Reforming Service Delivery

# Fiscal Discipline

*Good Government for Good Value*

- Staying on course with the 5-year plan
  - Internal service fund work-out plan
  - Parking fund work-out plan
  - Property tax policy (annual cap results in average of a 2.2% tax increase)
  - 2% wage policy (annual cap)
  - Rate models are reflected in 2005 budget (water rates down; sewer rates up)

# Strategic Management

*Good Government for Good Value*

- Transparent goal setting
  - Council adopted goals and expectations
  
- Strategic business planning
  - Based on adopted goals and expectations
  - Outcome-oriented business plans
  
- Fiscal discipline
  - Long-range financial outlook (no surprises)
  - Responsible fiscal policies

# Managing Operating Costs

*Good Government for Good Value*

- Successful labor partnerships
  - Restructured healthcare benefit program saving **\$1.5 million** annually
  - 2% cap on wages
  
- Strategic capital investments
  - Replacing street and traffic lights with high-efficiency lamps/LEDs
  - Lower maintenance and operating cost

# Managing Operating Costs

*Good Government for Good Value*

- Downtown campus space planning
  - Managing short-term investments in building improvements within 20-yr. plan
  - Eliminating costly leases over time
  - Improving access and ease of use
  
- Also talking to other jurisdictions
  - Schools, parks, libraries
  - Looking for possible efficiencies

# Reforming Service Delivery

*Good Government for Good Value*

## ■ Minneapolis One Stop

- Consolidated location for all building- and development-related permits and approvals
- Online permits: issued 425 “e-permits” in July, saving 14 days of staff time in one month
- 10% increase in productivity allowed department to speed processing in the busiest month of the year enough to reduce the backlog by 70%

# Reforming Service Delivery

*Good Government for Good Value*

## ■ Minneapolis One Call

- Coordinated system for constituent service requests
- Phase I in November includes common requests: graffiti cleanup, repair of a streetlight
- When you call, you receive “ticket number” that lets you track the status of your request
- This will allow us to measure and improve our performance on all City services
- This is the foundation for “311” phone system: one number for all non-emergency services

# Safe, Livable Neighborhoods

- Doing Basic Things Right
- Public Safety
- Problem Properties
- Affordable Housing

# Doing Basic Things Right

*Safe, Livable Neighborhoods*

- Snow plowing
  - Maintaining current service level
  - Improving efficiency and deployment
  - More service improvements coming this winter
- Street sweeping
  - Maintaining current service level
  - Protecting our lakes and river
- Graffiti
  - Continuing Graffiti removal pilot project
  - Making easier to report and expediting clean-up of graffiti using one-call system
- Fire Department
  - Smooth Fire Chief transition, while maximizing Federal homeland security dollars

# Public Safety

*Safe, Livable Neighborhoods*

- Police Department Budget
  - Loss of Federal/State funds has reduced MPD by 120 positions since 2001
  - An additional 16 school-funded positions lost
  - In 2005, MPD needs to reduce projected growth by \$3.8 million – reducing the force by 43 FTEs
    - \$2.8M based on the five-year plan
    - Additional \$1M due to lost NRP funds
  - My budget proposal will allow us to:
    - Avoid police layoffs in 2005
    - Minimize overall force reduction over the next 5 years

# Public Safety

*Safe, Livable Neighborhoods*

## Combination of Savings and Revenue

■ Positions to be eliminated in 2005	43
■ Savings:	
– Budget and Military Leave	-10
– Jail Fees	-6
■ Revenue:	
– Sales Tax	-2
– CDBG	-2
– Pension Savings	-12
– Other Partnership Sources	-2
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■ Total positions eliminated (estimate)	9
■ Total positions maintained (estimate)	34

# Public Safety

*Safe, Livable Neighborhoods*

- The remaining positions will be eliminated through normal attrition and a focused retirement incentive
  - Provides an opportunity for eligible officers
  - Greatest benefit is to those who take it now
  - Helps us accomplish required 2005 reduction in force without layoffs
  - Lessens severity of future year reductions

# Public Safety

*Safe, Livable Neighborhoods*

- Results for the community
  - By avoiding layoffs and continuing to work more efficiently, we can:
    - Maintain 911 response capacity
    - Deliver more community-oriented policing
    - Create an Office of Professional Responsibility, increase training and fund mediation agreements
    - Continue to ensure public safety

# Problem Properties

*Safe, Livable Neighborhoods*

- Created a new Problem Properties Unit to deal with most problematic properties in the City
  - Inspections, Fire, Police, and City Attorney all working together to find solutions
- Having one unit deal with most intractable problems frees up others resources
  - Instead of inspecting all licensed properties every 17½ years, we will be able to do so every 5 years.

# Affordable Housing

*Safe, Livable Neighborhoods*

- Maintaining focus on those most in need
  - Affordable Housing Trust Fund
  - It's All About the Kids
  
- Supporting homeownership programs
  - Workforce housing and GHMC Homeownership
  - Mortgage Foreclosure Prevention Loans
  - Home Improvement Loans
  
- Special initiatives
  - Corridor Housing Program
  - LRT Transit-Oriented Development Program

# A Healthy, Sustainable Future

- Alternative Transportation
- Water Management
- Our Health
- Our Children

# Alternative Transportation

*A Healthy, Sustainable Future*

- Childhood asthma skyrocketing; Twin Cities out of attainment with Federal air quality standards; congested roads
- The human and monetary cost of business as usual demands we promote transit alternatives
- Midtown Greenway Streetcar: One-time funding of study, including bridges (possible removals)
- Bicycle Trail projects accelerated, completing six new trails in underserved parts of the city: North, Northeast and Southeast

# Water Management

*A Healthy, Sustainable Future*

- City of Lakes should manage its water
- Building pipes isn't the whole answer
- Creating new Storm Water Management Initiative for innovative strategies like green roofs
  - Municipal water-treatment costs go down because green roofs trap storm-water runoff, allowing it to evaporate
  - Green roofs cost more, but last twice as long
  - Water gardens
- Next step: generate support from homeowners and businesses

# Our Health

*A Healthy, Sustainable Future*

- Severe State and Federal cuts to basic services
- Must protect the fragile "safety net"
- Cut administration first; services last
  - Public Health Advisory Committee recommends early childhood focus
    - Funding Way to Grow, Tots and Pre-School Screening
  - Our priorities must also include seniors
    - Funding Senior Advocate

# Our Children

*A Healthy, Sustainable Future*

- Youth Coordinating Board refocused
  - Successfully spun off programs
  - Increasing focus on coordination
  - Deepening partnership with foundations
  - Less administration, more outreach
  - Developing Children's Agenda
  
- YCB and Health Department creating shared youth-development position
  - Promotes healthy development and prevents potential risky behavior
  - Integrates YCB activities with the research, advocacy and outreach capacity of DFHS

# A City as Great as its People

- Outreach & Advocacy
- Language Access
- Responding to Community
- Improving Relations
- Public Engagement
- Expanding Job Opportunities
- Diversifying City Workforce

# Outreach & Advocacy

*A City as Great as its People*

- Restoring Civil Rights base funding
  - Brings department to 2004 5-yr. plan level
  
- Catching up on CRA backlog
  - Main recommendation: deal with backlog
  - One-time investment to catch up in one year
  
- Consolidating citywide Multicultural Services functions within Civil Rights
  - Align language and cultural access activities
  - Make it easier for people to access resources
  - Allow DHFS to focus on public-health mission

# Language Access

*A City as Great as its People*

- Launching language-access initiative
  - We now speak 81 languages in Minneapolis!
  - City has developed a proactive plan to provide better access for all city residents
  - \$50,000 catalyst fund in 2005
  - Multicultural Services will coordinate
  - All departments will develop strategies and make budget recommendations for 2006
  - Recommendations will shape how we roll out Minneapolis One Call
  
- Launched this year 3 foreign-language TV shows
  - Somali, Hmong and Spanish

# Responding to Community

*A City as Great as its People*

- Most diverse city in Minnesota
  - Everyone deserves a voice in setting public policy and making resource decisions
  - Summits and AI-MOU were the first steps; implementation is next (a few examples)
  
- Latino/Hispanic/Chicano:
  - Request: diversify Civilian Review Authority board to enhance police-community relations
  - Response: we're working with the Latino Advisory Committee and La Prensa to attract applicants

# Responding to Community

*A City as Great as its People*

- People of African Descent:
  - Request: hold Empowerment Zone more accountable and partner with African and African American community organizations
  - Response: working with the community to establish clear goals and targeted outcomes regarding home ownership, employment, business ownership, health and academic achievement
  
- Asian / Pacific Islander:
  - Request: assist the community to address domestic abuse and family violence
  - Response: we have begun collaborating on creating culturally specific solutions with MDHFS, community organizations and the police

# Responding to Community

*A City as Great as its People*

- American Indian Community MOU:
  - Request: officially recognize the Metropolitan Urban Indian Directors (MUID)
  - Response: MUID members have contributed in the selection of our new Chief of Police, William McManus, our new Civil Rights Director, Jayne Khalifa and the re-organization of the Civilian Review Board
  
- Federal Mediation Process:
  - Request: agreement outlines 82 action items
  - Response: Sgt. Arradondo has responsibility for implementation within MPD, in collaboration with community-based Police Community Relations Council

# Improving Relations

*A City as Great as its People*

- Creation of Bureau of Professional Standards
  - Communicating clear expectations and holding people accountable
  
- Funding for training
  - Give people the tools to be successful
  
- Smart investment
  - Better customer service, fewer claims

# Public Engagement

*A City as Great as its People*

- Engagement is an ongoing, two-way conversation
  
- This budget maintains the City's commitment to public engagement:
  - Continuing CDBG funding and contracts for balance of the current cycle (Jan-May '05)
  - Recommending funding at same level for next cycle
  - Looking forward to recommendations from community and departments on ways to improve public engagement

# Expanding Job Opportunities

*A City as Great as its People*

- Close the Gap and Career Laddering
  - Partners ready, raised more than half the funds
- Youth Employment
  - Step Up! and Summer Youth Employment
- Entrepreneur and Career Center
  - Opening in November on Lake Street
- Leveraging jobs through public investment
  - Midtown Exchange, Northside Home Fund

# Diversifying City Workforce

*A City as Great as its People*

- City's workforce should reflect our residents
- Build "City Schools to City Hall" program with Minneapolis Public Schools.
- Identify and develop career ladders working with other educational institutions
- Become an employer of choice by focusing on employee retention

# A Call to Action

- Cities Stronger with State/Federal Partners
- Special Service District
- Property Tax Reform
- Pension Reform

# Cities Stronger with State/Federal Partners

*A Call to Action*

- Cities succeed better when supported by State and Federal partnership
- State and Federal cuts are affecting many cities:
  - Cleveland laid off 250 police officers this year
  - Pittsburgh has lost 25% of its force over three years
  - Los Angeles laid off 1,200 deputies in two years, leading it to close jails and release inmates early
- Bush Administration has cut 85% of Federal funding for community policing, taking 100,000 police officers off the street
- Total Local Government Aid cut by the State of Minnesota over two years: **\$300 million**

# Special Service District

*A Call to Action*

- Downtown and corridors compete with shopping centers and office parks; we need to manage and market like them
- Downtown's share of property tax was 45%; now it's 35%
- Service districts allow us to increase competitiveness and innovate
- Downtown model can be used in neighborhoods

# Property Tax Reform

*A Call to Action*

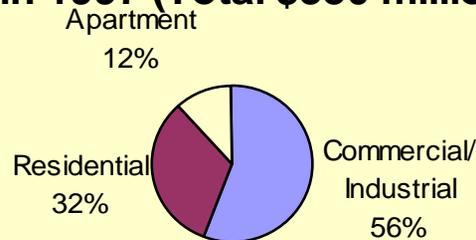
- Even if the City had taken no action last year, property taxes on the average home in Minneapolis would still have increased by 9.3 % in 2004 alone, mostly because of big changes in State tax law
- The shift of property tax burdens from businesses to homeowners was not an accident, it was an objective
- Minneapolis is not an island; we can build alliances with cities across Minnesota whose homeowners have been harmed by property tax "reform"

# Property Tax Reform

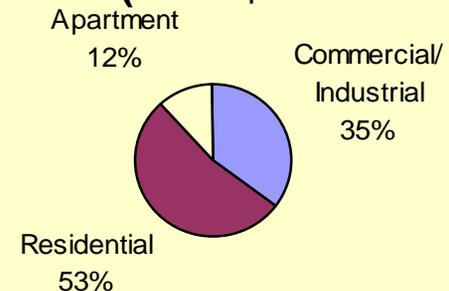
*A Call to Action*

Impact of State law change shifting tax burden:

## City of Minneapolis Tax Capacity for Taxes Payable in 1997 (Total \$330 million)



## City of Minneapolis Tax Capacity for Taxes Payable in 2005 (Total \$333 million)

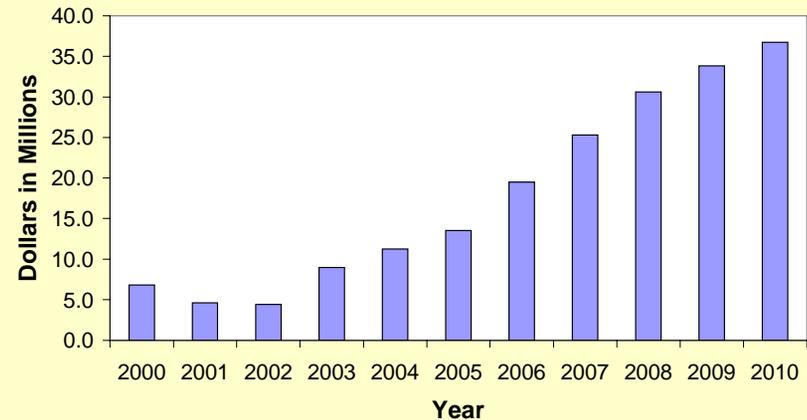


# Pension Reform

*A Call to Action*

- 18% of our new tax revenue is going just to pay pension obligations
- This will increase drastically over time
- It is impossible to say you want funding for police, fire or public works and not also advocate pension reforms that reduce our obligations

Property Taxes for Pensions  
Annual Amount



# Conclusion

- This budget reflects our values:
  - Good Government for Good Value
  - Safe, Livable Neighborhoods
  - A Healthy, Sustainable Future
  - A City as Great as its People

# **Mayor's Recommended Budget for 2005**

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August 12, 2004

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