



April 2009

LETTER OF TRANSMITTAL

Dear Residents of the City of Minneapolis:

We are submitting to you revisions to the City of Minneapolis' 2009 Budget, which reflect the Governor's recommended cuts to the Local Government Aid (LGA) program. Although we continue to work with our friends at the Legislature to reduce the size of these cuts, we believe it is prudent to plan for the 2009 reductions at the proposed level because we will not know the final cuts until halfway through the calendar year. Early action will allow City leadership as much time as possible to implement the reduced spending levels and help minimize the impact on our employees.

The revised budget document reflects cuts for the 2009 budget that was adopted in December. The individual department narratives include the implications of the cuts to local government aid on the services they provide.

Long-Term Financial and Results Planning

The City's long-term financial planning has taught us the value of aligning our spending and revenue over the long term. These financial policies, and the strong work on linking resources to results through *Results Minneapolis*, have given us much better information upon which to base our decisions. Recent financial downturns in the economy and the State budget cuts have led to unique challenges at the City. Although we will share in the solution, we will continue our practice of long-term planning.

The Financial Overview section of this document provides details on the City's continued fiscal discipline and financial planning efforts. An explanation of how to use this document is in the introduction section of this document. Project detail on the City's five year capital program can be found in the "Capital Program" section of the document.

Respectfully Submitted,

A stylized, handwritten signature in black ink, appearing to be "R. Rybak".

R.T. Rybak
Mayor

A handwritten signature in black ink, appearing to be "Barbara Johnson".

Barbara Johnson
Council President

A handwritten signature in black ink, appearing to be "Paul Ostrow".

Paul Ostrow
Chair, Ways & Means



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.



2009 CITY OF MINNEAPOLIS BUDGET-IN-BRIEF

BUDGET PROCESS

Mayor's Recommended Budget

June through August

The Mayor holds budget hearings to review departmental budget proposals, other policy changes, and alternative funding options. After the initial review, 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."

THE CITY'S FUNDS

The accounts of the City are organized into funds. A “fund” is a group of related accounts, used to control money that has 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 2009 revised budget, most of the big spending decisions occur within the City’s \$364 million General Fund.

REVENUES AND EXPENDITURES - CITYWIDE AND GENERAL FUND

CITYWIDE

Police and Fire

The Police and Fire Departments make up 12.3 percent (\$173 million) of the City’s budget. The City’s 2009 revised budget funds 892 police officers in five different precincts and 424 firefighters at 19 stations.

Community Planning and Economic Development

The Community Planning and Economic Development (CPED) Department accounts for about 8.9 percent (\$125 million) of the City’s budget. CPEDs work includes the following goals: 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 (21.4 percent, \$301 million). The main tasks of Public Works include the following: 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 41 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.”

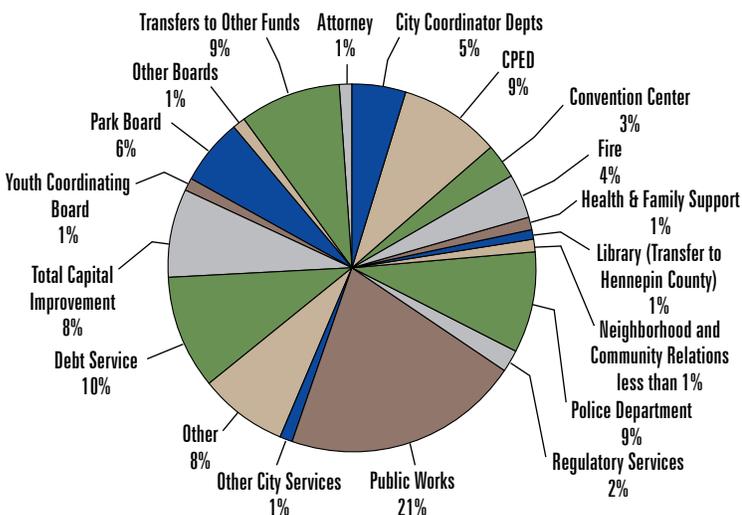
Charges for services include utilities that residents pay for such as water, sewer, stormwater, garbage removal and recycling.

State government revenue is money that comes from the State of Minnesota - the largest source of which is Local Government Aid (LGA). The State of Minnesota uses a formula to distribute LGA funds to cities in the State. In the Governor’s 2009 budget proposal, LGA to Minneapolis is cut by \$16.9 million. For more information on LGA and the distribution formula, please visit <http://www.house.leg.state.mn.us/hrd/topics.asp?topic=32>.

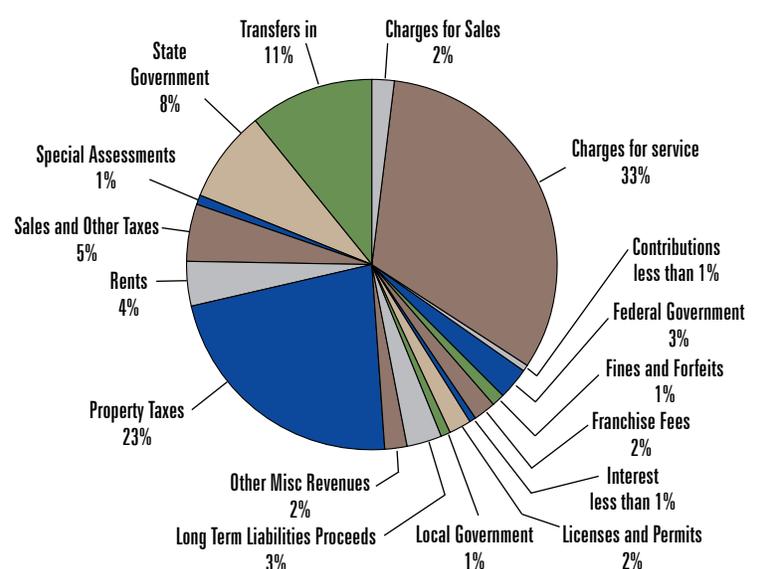
Tax increment property tax revenue is money being paid back to the City. Sometimes the City issues bonds to fund development in an economically disadvantaged district of the City. Then when the development begins to pay property taxes, the taxes go to the City to repay the bonds.

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
2009 Revised Budget: \$1.4 billion



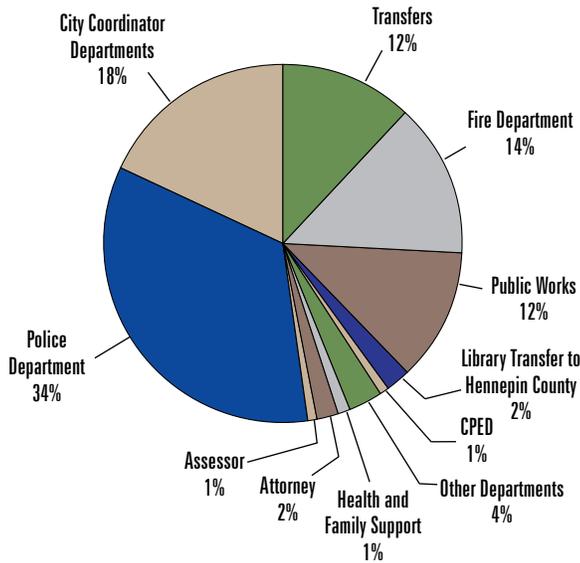
Total Revenue Budget – Source of Funds
2009 Revised Budget: \$1.4 billion



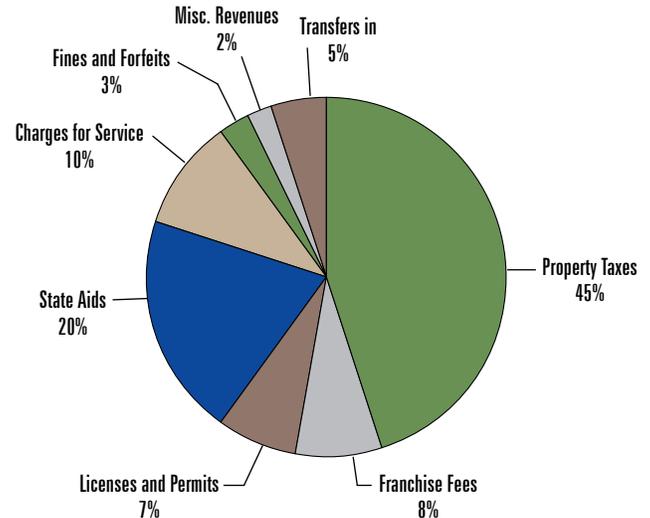
GENERAL FUND

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 \$364 million, about 26 percent of the citywide budget. Here is a more detailed look at the General Fund:

General Fund Expense Budget – Expenditures by Services
2009 Revised Budget: \$364 million



General Fund Revenue Budget – Sources of Funds
2009 Revised Budget: \$364 million¹



¹ Property tax and local government aid for libraries are included.

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 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 at 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 2009 revised budget includes the 2009-2013 capital budget. The five-year total for the capital budget is \$521.7 million, with 90 percent of it within the Public Works Department. The three biggest capital expenses included in the budget are water (\$119 million), street paving (\$140 million), and stormwater sewers (\$71 million).

Debt Service and Bonds

Right now, the City's total outstanding debt is about \$1.1 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 like 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 the 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 41 percent of the revenue from property tax payments. Hennepin County receives about 26 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 2009 Revised Budget, a Minneapolis home with an estimated value of \$216,000 will pay about \$1,224 in property taxes to the City in the year 2009. See where that \$1,224 goes on the following chart and table:

City Property Tax Breakdown for Home Valued at \$216,000

Police	\$238.67
Fire	\$103.87
Public Works	\$65.37
All Other City Departments	\$283.43
Pensions	\$112.16
Capital & Debt Service	\$116.74
Park	\$213.30
Library Operations	\$56.56
Other Independent Boards.....	\$33.50
TOTAL of City portion	\$1,223.59

2009 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 2009 Revised Budget, utility rates for a home with the average consumption will increase 5 percent from 2008 rates.

Average Utilities

	2008	2009	% change	\$ change
Water	\$264	\$279	6%	\$ 15
Stormwater	\$123	\$129	5%	\$ 6
Sanitary Sewer	\$176	\$188	7%	\$ 12
Solid Waste/Recycling	\$276	\$288	4%	\$ 12
Total Utilities	\$839	\$885	5%	\$ 46

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 Minneapolis City limits. 311 is the only number you need to call for City of Minneapolis information and services. For online information about Minneapolis program performance and progress, go to <http://www.ci.minneapolis.mn.us/results-oriented-minneapolis/resultsminneapolis.asp>.

City of Minneapolis FY 2009 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 2009 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 2009-2013 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 2008 and 2009.</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).

Section 6: Financial Plans	<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 2009 expenses, revenues, transfers and debt service.</p>
Section 7: Financial Schedules	<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>
Section 8: Capital Program	<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>
Section 9: Operating Departments	<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>
Section 10: Independent Boards and Agencies	<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>
Section 11: Glossary	<p>A glossary is included for key financial and City terms. A more detailed glossary is available on the City of Minneapolis website. For more detail please reference the Glossary section of the City Council’s Policies and Procedures page.</p>
Section 12 Resolutions	<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 2009 Revised 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

Minneapolis Park and Recreation Board

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

Charter Department Heads / Assistant City Coordinators

Patrick P. Born	Chief Finance Officer
Lynn Willenbring	Chief Information Officer
Patrick Todd	City Assessor
Susan Segal	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
Steve Ethier	Convention Center Director
Alex Jackson	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

**City of Minneapolis
FY 2009 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.

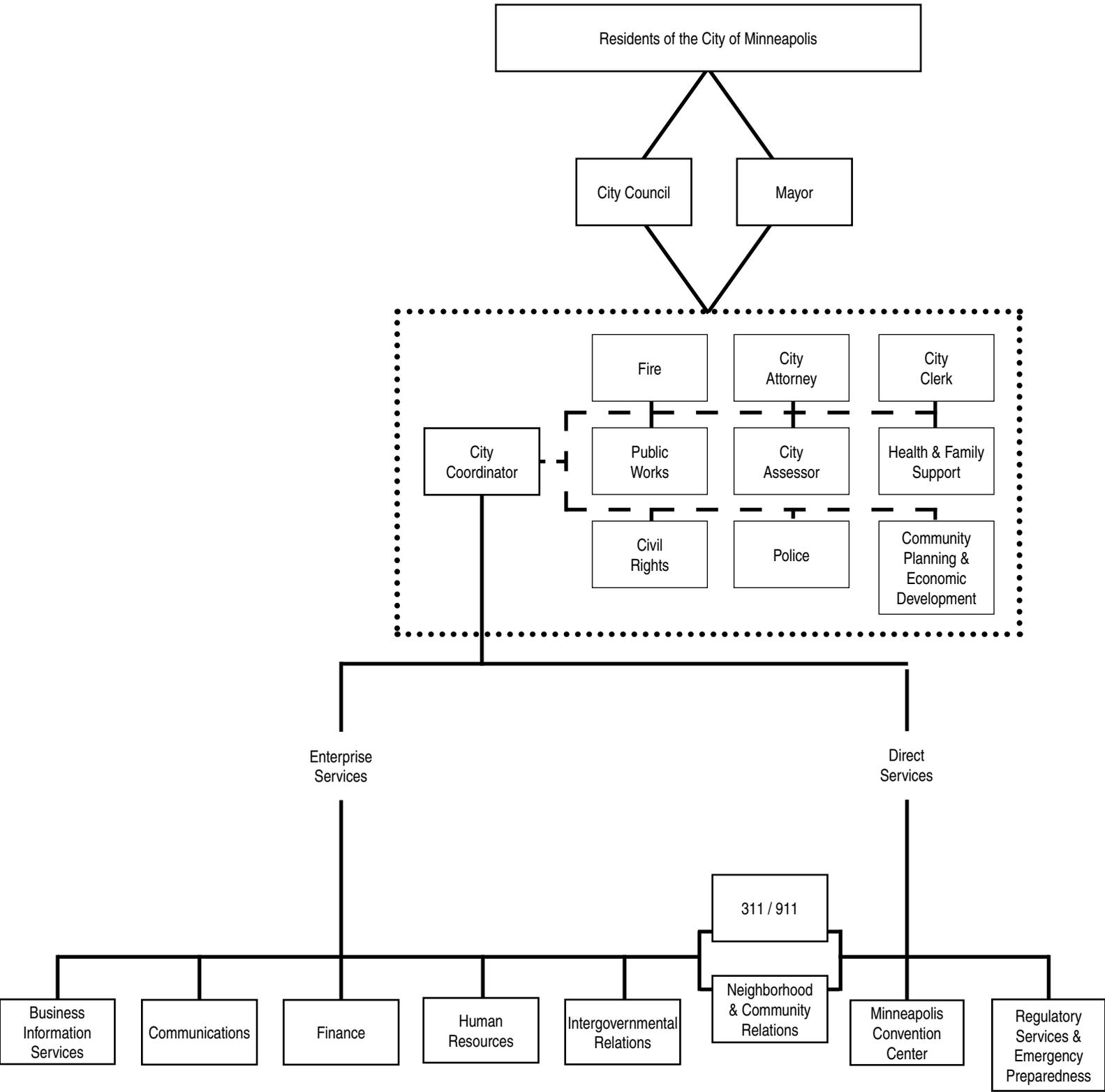
7. Demand accountability.

- ◆ 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

City Coordinator

Organizational Chart





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Minneapolis
Minnesota**

Special Performance Measures Recognition

For the Fiscal Year Beginning

January 1, 2008

Handwritten signature of Oliver S. Cox in cursive.

President

Handwritten signature of Jeffrey R. Snow in cursive.

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, 2008. 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 2009 Adopted Budget to GFOA to determine its eligibility for another award.

In 2008, the City received “special performance measurement recognition.” This recognition means the City was rated outstanding in its presentation of performance measurement information, department goals and objectives and at least proficient on its presentation of long-term goals and objectives. This is the first such recognition by the GFOA of the City.

The award for 2008 is the seventh 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.