



December 2012

LETTER OF TRANSMITTAL

Dear Residents of the City of Minneapolis:

We are pleased to present the City of Minneapolis' 2013 Adopted Budget. The 2013 budget continues *budgeting by program* to clearly identify City spending on specific functions.

The 2013 Adopted Budget builds upon 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 Mayor recommended an increase of less than 1.8% in the City's tax levy from 2012, allowing for taxes to decrease in 2013 for the majority of Minneapolis taxpayers for the second year in a row. Furthermore, it is important to note that the adopted budget is structurally balanced over the next five years, as outlined in the five-year financial direction in the Financial Plans section of this document.

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

Balancing the budget over five years continues to be a challenge with significant financial pressures such as declining support from the federal and state governments, rising service demands and a continued desire for reducing growth in property taxes. This budget reflects a continued willingness to make difficult decisions in both the short and long-term to address the City's financial challenges.

Short Term Financial Challenges

The City's short term financial challenges for 2013 are considerable. The budget increases spending for City departments by less than 1% and decreases City property taxes on most homeowners, all while accounting for reduced funding from federal and state sources. On a positive note, the 2013 budget reflects significant savings realized from merging the former City pension funds into the statewide pension system.

Long-Term Financial and Results Planning

The City's long-term financial planning policies enable proactive financial management – matching our spending and revenue over the long term and providing stability for Minneapolis residents. These financial policies, and the strong work on linking resources to results through our *Results Minneapolis* program, provide much better information upon which to base our decisions. Future challenges include the impacts of changing property values, rising pension obligations, and the continued growth in the cost of providing basic City services.

Respectfully Submitted,

RT Rybak
Mayor

Barbara Johnson
Council President

Betsy Hodges
Chair, Ways & Means/Budget



Dear Minneapolis residents,

Every four years the City engages in strategic planning to determine citywide goals and strategic directions. In April 2010, 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

People and businesses thrive in a safe and secure city

Jobs & Economic Vitality

A world-class city and 21st century economic powerhouse

Livable Communities, Healthy Lives

Our built and natural environment adds character to our city, enhances our health and enriches our lives

Many People, One Minneapolis

Inclusiveness is a treasured asset; everyone's potential is tapped

Eco-Focused

Minneapolis is an internationally recognized leader for a healthy environment and sustainable future

A City That Works

Minneapolis is a model of fiscal responsibility, technological innovation and values-based, results-driven municipal government

These goals and information about Minneapolis program performance can be found in more detail on the City's website at www.minneapolismn.gov/results.

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.



2013 City of Minneapolis Budget in Brief

Budget Process

Mayor's Recommended Budget

June through August

The mayor holds budget meetings with departments to review budget proposals, policy changes, and alternative funding options. After the initial review, the mayor provides a budget and tax policy recommendation in August for the coming calendar year.

City Council Budget Review and Development

September through December

The City Council discusses the Mayor's Recommended Budget. Each City department, as well as certain boards and commissions, presents their budget to the Ways and Means/Budget Committee with all council members invited to attend. After these hearings, the Ways and Means/Budget Committee approves changes to the Mayor's Recommended Budget and forwards it to the full City Council for adoption.

Truth in Taxation

November

"Truth in Taxation" (or "TNT") property tax notices are mailed by Hennepin County to property owners indicating the maximum amount of property taxes that the property owner will be required to pay during the coming year from all taxing jurisdictions. These statements also indicate the dates when public budget hearings will be held. For the 2013 budget the City's public hearing was held on Nov. 28, 2012.

City Council Budget Adoption

December

At a public meeting held on Dec. 12, 2012, the City Council adopted a final budget that reflects any and all changes made to the Mayor's Recommended Budget. The final budget is referred to as the "Council Adopted Budget."

THE CITY'S FUNDS

The resources of the City are organized into funds. A fund is a group of related accounts, used to control money that has been dedicated for specific activities or objectives. By maintaining separate funds, the City is able to comply with laws that require certain money to be spent on specific uses. About 72 percent of the City's revenue is dedicated for a specific use. For example, the City may not raise water bills to pay for police services. Because most of the City's \$1.20 billion 2013 Council Adopted Budget is dedicated for specific purposes, most of the big spending decisions occur within the City's \$351.7 million General Fund budget.

REVENUES AND EXPENDITURES - CITYWIDE

Police and Fire

The Police and Fire Departments make up 15.9 percent of the City's budget. The City's 2013 Adopted Budget funds 850 sworn police personnel in five different precincts and 406 sworn fire personnel at 19 stations.

Community Planning & Economic Development

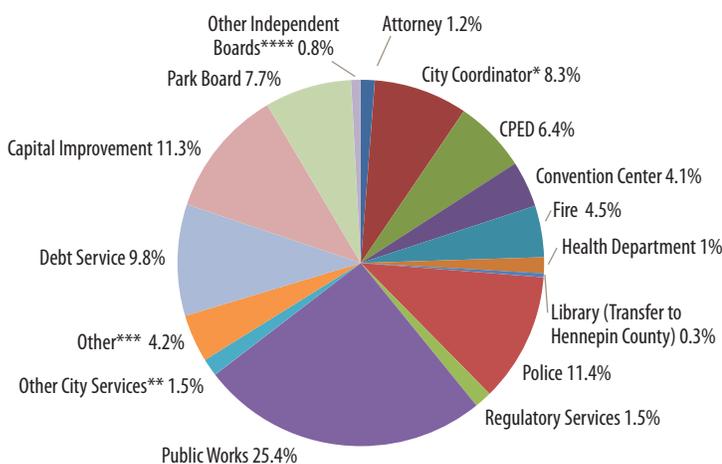
The Community Planning and Economic Development (CPED) Department accounts for about 6.4 percent of the City's budget. CPED's mission is to grow a sustainable city by helping businesses grow, developing an educated workforce and living-wage jobs, promoting homeownership, building housing, and interpreting and enforcing zoning, building and licensing codes to ensure the safety, health, and livability of our community.

Public Works

The Public Works Department makes up the largest part of the City's budget (25.4 percent). 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.

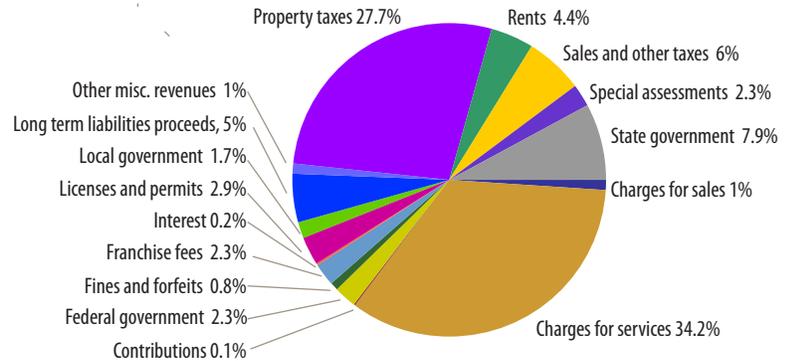
Total Expense Budget – Use of Funds

2013 Adopted Budget: \$1.20 billion



Total Revenue Budget – Sources of Funds

2013 Adopted Budget: \$1.18 billion



Federal government includes grant revenue received from the federal government

Fines & Forfeits includes revenue generated by traffic violations or property forfeiture

Franchise Fees revenues are received from utility companies who pay for use of the City's right of way

License and Permit revenues are generated by license and permit functions of the City, for example, building permits

Local Government is revenue from Hennepin County

Other Misc.Revenues includes contributions, gains, and interest

Property taxes are a major source of revenue and include tax increment funding used to fund development in economically disadvantaged areas of the City

Rents: City departments pay rent internally to cover building maintenance and safety updates

Sales and other taxes include some taxes unique to the City. For example, the City of Minneapolis collects a 0.5 percent sales tax. The City also collects additional taxes on lodging, restaurant, liquor and entertainment sales that are dedicated to help fund the Convention Center and economic development-related activities. Minneapolis sends 6.875 percent of the total sales tax rate collected to the State of Minnesota

Special Assessments are charged to property owners for projects such as sidewalk replacement, street projects, and delinquent utility bills based upon actual costs

State government revenues reflect 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. In 2013, Minneapolis was appropriated \$64.1 million, equal to 2012. For more information on LGA and the distribution formula, please visit www.house.leg.state.mn.us/hrd/topics.asp?topic=32

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

* Includes Human Resources, Finance, 311, Intergovernmental Relations, Communications, Neighborhood and Community Relations, IT, 911 and Emergency Preparedness

** Includes Assessor, Internal Audit, City Clerk/Elections/Council, Civil Rights and Mayor

*** Includes Non-departmental, health and welfare, worker's compensation, liability, contingency and pensions

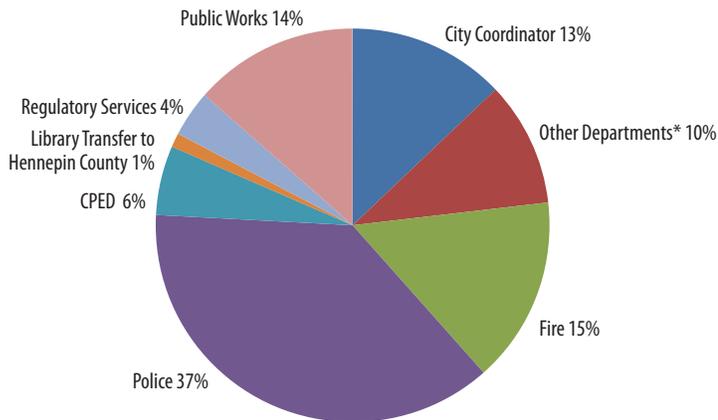
**** Includes Neighborhood Revitalization Program, Board of Estimate and Taxation, the City's contribution to Minneapolis Public Housing Authority, and municipal Building Commission

REVENUES AND EXPENDITURES - GENERAL FUND

The City has the most discretion in the General Fund which makes up about 29 percent of the citywide budget. The two major sources of funding for the General Fund are local property taxes and Local Government Aid from the State. These two sources make up 65 percent of the General Fund budget of \$351.7 million. Here is a more detailed look at the General Fund:

General Fund Expense Budget – Expenditures by Services

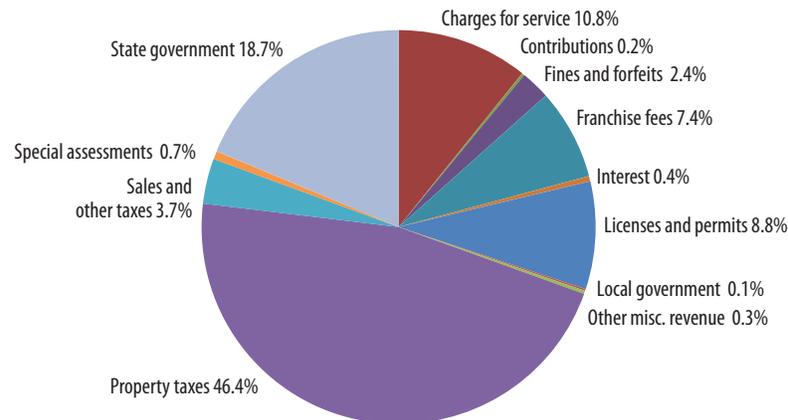
2013 Adopted Budget: \$351.7 million



*Other departments: Assessor, Attorney, Council/Clerk/Elections, Civil Rights, Internal Audit, Mayor and Contingency

General Fund Revenue Budget – Sources of Funds*

2013 Adopted Budget: \$368.6 million



*Category descriptions are the same as the Total Revenue Budget graph

CAPITAL PLAN

Every year, the City adopts a plan for capital improvements for the next five years. Capital improvements include projects such as street construction, bridges, public buildings, traffic systems, park improvements, sewers, water infrastructure, etc.

Prior to the mayor presenting his recommended budget to the City Council, elected officials gather feedback from residents regarding what capital projects the City should undertake. The Capital Long-Range Improvement Committee (CLIC) 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 based upon a number of criteria and present their recommendations to the mayor and City Council.

The 2013 budget includes the 2013 - 2017 five-year capital plan. The five-year total for the capital budget is \$606.3 million, with 89 percent of it within the Public Works Department. The three biggest capital expense categories include street paving (\$198 million), storm sewers (\$100 million) and water infrastructure (\$114 million).

Capital projects tend to be costly, so the City often issues bonds to finance these projects. The City uses the cash received from bond sales to pay for capital projects, and repays investors over time at tax exempt interest rates determined by competitive bids received at the time the

bonds were issued. This process is similar to a homeowner taking out a home improvement loan to complete a major home repair project.

Debt Service and Bonds

The City's total general obligation debt outstanding as of Dec. 31, 2012, is \$768 million. General obligation bonds are backed by the full faith and taxing authority of the City. Approximately 18 percent of this debt is funded with future property tax payments, 36 percent is paid for by fees collected for sewer, water and parking services and the balance is supported by sales taxes, tax increment, special assessments and other user fees. Annually, the City pays between \$110 and \$130 million in principal and interest on its general obligation bonds.

The City's bonds receive the highest possible ratings from all three major credit rating agencies. The ratings represent the strength of the City's credit and thus the safety of investing in City bonds. The City's top bond ratings reflect the sound financial management of the City and allow the City to borrow money from investors at low interest rates.

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 42 percent of the revenue from property tax payments made by City residents. Hennepin County receives about 27 percent, and the School District about 27 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.

2013 Adopted Budget Property Tax Breakdown

Under the 2013 Adopted Budget, a Minneapolis home with an estimated value of \$195,500 will pay about \$3,177 in total property taxes, with approximately \$1,349 going to the City. See where that \$1,349 goes on the following chart and table:

City Property Tax Breakdown for Home Valued at \$195,500

Tax per City service sector	In dollars
Police	\$ 278.19
Park	229.08
Other City departments	179.92
Miscellaneous (includes contingency)*	159.86
Closed Pension Funds and Pension Management Plan	132.13
Fire	114.37
Capital and Debt Service	104.61
Public Works	85.83
Library referendum debt service	43.82
Independent Boards less Park	21.21

*Miscellaneous includes Internal Service Funds and the Target Center Financial Plans, transfers to IT for wi-fi commitments from General Fund departments, graffiti removal, and contingency funding.

Property Tax Breakdown
2013 Adopted Budget



UTILITY RATES

The City provides and charges for the following utilities: tap water, managing stormwater, managing sanitary sewers, and garbage/recycling. In the 2013 Adopted Budget, utility rates for a home with the average consumption will decrease by approximately 6.6 percent from 2012 rates. In 2013, the recycling credit that offset portions of residents' solid waste and recycling costs has not been renewed. However, because of the decrease in the solid waste and recycling fee, the cost borne by residents for this service who had previously received the credit in 2012 is essentially flat when accounting for this factor.

Average bill

Combined utility bill - Monthly and annual cost for average customer

	2012	2013 Monthly Average	2013 Annual Average	2013 Monthly \$ Change	2013 % Change
Water	\$ 27.60	\$ 28.32	\$ 340	\$ 0.72	2.6%
Sanitary Sewer	21.30	21.84	262	0.54	2.5%
Stormwater	11.70	11.82	142	0.12	1.0%
Solid Waste/Recycling	24.00	17.00	204	-7.00	-29.2%
Total	84.60	78.98	948	-5.62	-6.6%

If you have questions about any of the material presented in the Budget in Brief, please call 311 or (612) 673-3000.

For online information about Minneapolis program performance and progress, go to www.ci.minneapolis.mn.us/results-oriented-minneapolis/resultsmnneapolis.asp.

If you need this material in an alternative format please call 612-673-2162. Deaf and hard-of-hearing people call at 612-673-3000. TTY users call 612-673-2157 or 612-673-2626.

Attention - If you have any questions regarding this material please call 311. Hmong - Ceeb toom. Yog koj xav tau kev pab txhais cov xov no rau koj dawb, hu 612-673 2800.

Spanish - Atención. Si desea recibir asistencia gratuita para traducir esta información, llama 612-673-2700.

Somali - Ogow. Haddii aad dooneyso in lagaa kaalmeeyo tarjamadda macluumaadkani oo lacag la' aan wac 612-673-3500.

City of Minneapolis 2013 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 2013 budget document.

Introductory Section	This section, found before the first tab, includes lists of the City's elected officials, department and agency heads, the City's budget principles, and a citywide organization chart.
Section A: Table of Contents	The table of contents allows the user to pinpoint the page of a particular part of the City's budget.
Section B: 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 C: Strategic Planning	The strategic planning section lists the set of City goals and strategic directions which were adopted by the Mayor and the City Council in 2010. 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 five-year business plan goals are described in this section.
Section D: Financial Policies	This section presents the major financial policies adopted by the City Council and Mayor.
Section E: 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.</p> <p>This section also contains a summary of major decisions in the budget, and enterprise level challenges.</p>
Section F: 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 current year expenses, revenues, transfers and debt service.</p>

Section G: 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, charges for technology, fleet, property services, rent, and general fund overhead costs by department, all referenced in the appropriation resolutions.</p>
Section H: 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 I: Operating Departments	<p>This section provides the most detail on a department-by-department basis, including departments' financial summaries. These summaries include expenditures by program, type (<i>i.e.</i> salaries, benefits, contractual services and operating expenses) and fund; the department's revenue estimates; and positions.</p> <p>Narrative summaries for each department, including primary businesses and program descriptions are included. A brief financial overview of the department is prepared by finance staff. Department organizational charts are included in this section.</p>
Section J: 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 K: 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 L: Resolution	<p>The Council-Adopted Budget Resolution that outlines Council action on the Mayor's Recommended Budget is included for reference.</p>

**City of Minneapolis
2013 Budget**

Elected and Public Officials

Mayor

R.T. Rybak

City Council

Barbara Johnson, President	4th Ward
Robert Lilligren, Vice President	6th Ward
Kevin Reich	1st Ward
Cam Gordon	2nd Ward
Diane Hofstede	3rd Ward
Don Samuels	5th Ward
Lisa Goodman	7th Ward
Elizabeth Glidden	8th Ward
Gary Schiff	9th Ward
Margaret Tuthill	10th Ward
John Quincy	11th Ward
Sandra Colvin Roy	12th Ward
Betsy Hodges	13th Ward

Board of Estimate and Taxation

Board Members

R.T. Rybak	Mayor
Barbara Johnson	President, City Council
Betsy Hodges	Chair, City Council Ways & Means/Budget Committee
David Wheeler	President (Elected)
Carol Becker	Vice President (Elected)
Robert Fine	Park Board Representative

Minneapolis Park and Recreation Board

Board Members

John Erwin	President, Commissioner at Large
Liz Wielinski	Vice President, Commissioner at Large
Bob Fine	Commissioner at Large
Liz Wielinski	Commissioner District 1
Jon Olson	Commissioner District 2
Scott Vreeland	Commissioner District 3
Anita Tabb	Commissioner District 4
Carol Kummer	Commissioner District 5
Brad Bourn	Commissioner District 6

Charter Department Heads / Assistant City Coordinators

Kevin Carpenter	Chief Finance Officer
Otto Doll	Chief Information Officer
Patrick Todd	City Assessor
Susan Segal	City Attorney
Casey Carl	City Clerk
Paul Aasen	City Coordinator
Velma Korbelt	Civil Rights Director
Sara Dietrich	Communications Director
	Community Planning and Economic Development Director
Jeremy Hanson-Willis	Convention Center, Director
Jeff Johnson	Fire Chief
John Fruetel	Health Commissioner
Gretchen Musicant	Human Resources Director
Tim Giles, Interim	Intergovernmental Relations Director
Gene Ranieri	Internal Auditor
Magdy Mossaad	Neighborhood and Community Relations Director
David Rubedor	Director of Regulatory Services
Jay Stroebel, Interim	Police Chief
Janee Harteau	Public Works Director/City Engineer
Steve Kotke	

Independent Boards/Agencies

Cora McCorvey	Public Housing Authority Executive Director
	Minneapolis Park and Recreation Board
Jayne Miller	Superintendent

**City of Minneapolis
2013 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 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.

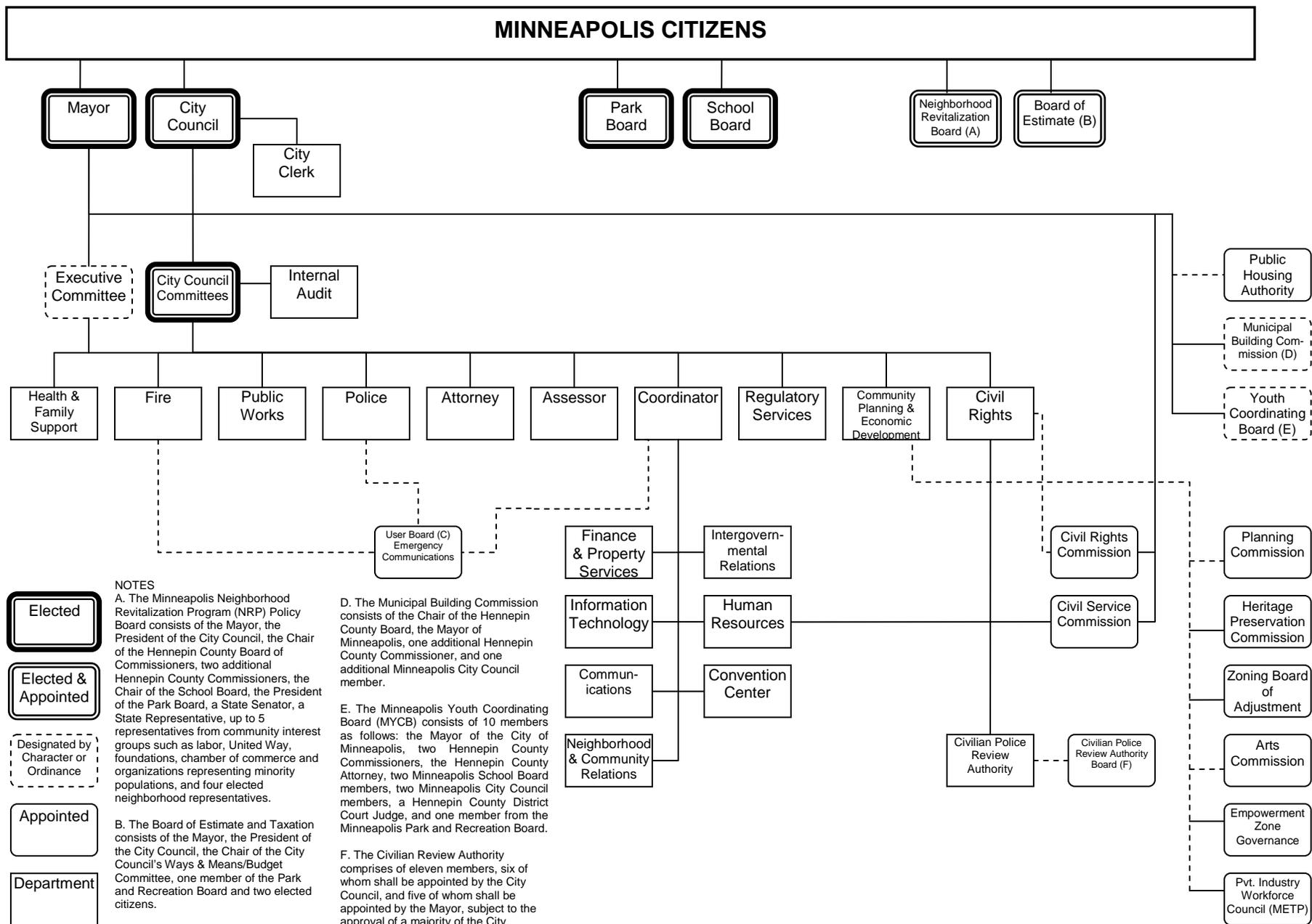
6. Protect core service delivery by avoiding duplication – both internal and external.

- ◆ Between different City departments and agencies,
- ◆ With the county, state, independent boards, or other levels of government,
- ◆ With non-profits or the private sector and
- ◆ 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 budget.

City of Minneapolis



NOTES

A. The Minneapolis 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, a State Senator, a State Representative, up to 5 representatives from community interest groups such as labor, United Way, foundations, chamber of commerce and organizations representing minority populations, 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 and two elected citizens.

C. The Minneapolis Emergency Communications Center (911) 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 Chair of the Hennepin County Board, the Mayor of Minneapolis, one additional Hennepin County Commissioner, and one additional Minneapolis City Council member.

E. The Minneapolis Youth Coordinating Board (MYCB) consists of 10 members as follows: the Mayor of the City of Minneapolis, two Hennepin County Commissioners, the Hennepin County Attorney, two Minneapolis School Board members, two Minneapolis City Council members, a Hennepin County District Court Judge, and one member from the Minneapolis Park and Recreation Board.

F. The Civilian Review Authority comprises of eleven members, six of whom shall be appointed by the City Council, and five of whom shall be appointed by the Mayor, subject to the approval of a majority of the City Council.

Department of Finance, August, 2011



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Minneapolis
Minnesota**

For the Fiscal Year Beginning

January 1, 2012

Christopher P. Morvill

President

Jeffrey R. Snow

Executive Director