



December 2014

LETTER OF TRANSMITTAL

Dear Residents of the City of Minneapolis:

Transmitted, herewith, please find the Fiscal Year 2014 Budget for the City of Minneapolis for the period beginning January 1, 2014 and ending December 31, 2014. The annual budget is a policy document which sets the financial course for the City of Minneapolis and defines the service priorities provided to the communities. Adopting and monitoring the budget is a key role of the City Council. The budget process affords the City Council the opportunity to balance the needs of the City against available resources. The 2014 Adopted Budget is \$1.238 billion, excluding transfers, and is funded, in part, with a property tax levy that reflects a decrease of 1% in the City's tax levy from 2013.

The various sections of this budget document provide detailed information about the City and its finances. The Introduction section of the document includes the City's Budget in Brief and an explanation of how to use the remainder of the document. The City's Strategic Planning efforts and governing Financial Policies follow in their respective sections. The Financial Overview section of this document provides details on the City's continued fiscal discipline and financial planning efforts. City's future success as depicted by the Five-Year financial direction and five-year capital infrastructure and equipment programs can be found in the subsequent Financial Plans and Capital Program sections.

Priorities and Issues

The city's departments continue to prioritize their work based upon six major goals as established by the City Council in 2010. These goals are: A Safe Place to Call Home; Jobs and Economic Vitality; Eco-Focused; Livable Communities/Health Lives; Many People-One Minneapolis; and A City that Works. In their requests for continued and additional funding, the departments are required to align each budget allocation request to a specific City goal. The 2014 Adopted Budget continues to build upon these goals by focusing on efforts to provide significant investments in public safety, capital improvements, meeting long-term financial commitments and reducing the City's debt. Notable among these efforts are maintaining staffing levels in the police and fire departments by providing transition-funding for police cadets, Community Service Officers and fire cadets; increased investment in the City's capital infrastructure program; the implementation of a longer-term capital equipment plan to support City services; fully funding internal services; supplementing resources to support the economic growth and construction; and aligning costs with appropriate funding streams.

Although the 2014's adopted budget is structurally balanced, balancing the budget over five years continues to be a challenge with significant financial pressures such as declining support from the federal government, 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. Foreseeable attrition/retirement in the police force and the fire fighters is an issue that this budget sufficiently tackles by providing sufficient funding to maintain staffing levels in those departments.

Short Term Financial Challenges

The City's short term financial challenges for 2014 are manageable due the presence of longer-term financial planning. A 5.4% increase in city department's spending can be accommodated by utilizing an increase in Local Government Aid (LGA) from the State of Minnesota of \$12.0 million and utilization of surplus funds in General Fund. Surplus funds are available to provide for property tax relief due to prior year's fiscal restraint and growth in the local economy resulting in increased non-property tax revenues. Furthermore, the 2014 budget, for the first time in five years, does not project growth in the cost of closed pension obligations from the prior year due to the merging of the plans with the State of Minnesota's multi-employer plan.

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 and businesses. 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 opportunities and challenges include the impacts of rebounding property values and continued growth in the cost of providing basic City services due to inflationary pressures and growth in the community.

We are pleased to present the Fiscal Year 2014 Adopted to the residents of the City of Minneapolis at this time.

Sincerely,



RT Rybak
Mayor



Barbara Johnson
Council President



Betsy Hodges
Chair, Ways &
Means/Budget