

**City of Minneapolis  
2017 Budget**

**Table of Contents**

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<b>Financial Overview</b>	<b>Pages 36-72</b>
Major Highlights	37
City Spending	41
Sources of Revenue	43
Local Government Aid	45
Major Changes	50
Property Tax	68

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# City of Minneapolis 2017 Budget

## Financial Overview

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The 2017 Council Adopted Budget for all City funds is \$1.454 billion was adopted on December 7, 2016. This represents a \$112.7 million, or 8.4 percent, increase from the 2016 Council Adopted Budget of \$1.341 billion inclusive of the City's component units. At the same time, the Council adopted an overall increase of 5.5 percent in the property tax levy for the City and its component units (including their respective requests for funding for their own budgets), raising the total amount levied by \$16.4 million, from \$297.6 million in 2016 to \$313.9 million in 2017. The budget also utilizes accumulated fund balances to fund budgetary items that are one-time or short-term in nature to mitigate budgetary fluctuations and to avoid volatile property tax levies which place undue burden on property taxpayers. The City's financial position has benefited from growth in local sales and entertainment taxes and other revenues due to the continued growth in the local economy. This growth is offset by static or even declining revenues in other areas. Local Government Aid (LGA) from the State of Minnesota is projected to be almost the same in 2017 as in 2016. Other revenues such as franchise fees and certain license and permit revenues are projected to decline slightly. The flat or declining revenues put pressure on property taxes to increase more than inflation to fill the gap for necessary capital and service expenses. The Financial Overview is presented without transfers to avoid double counting of resources. Transfers have also been removed from charts and graphs within this section, including totals for comparative prior years, unless otherwise noted.

### Major Highlights

The 2017 Council Adopted Budget includes significant proposals to address future financial and operating challenges. It is important to be aware of these initiatives when making comparisons between budget years, and to understand the context in which these decisions were made.

The highlights include the following:

- The budget for City departments increases by 3.3 percent in 2017, or \$31.7 million. As part of this budget, funds that have accumulated in the various City funds due to a growing economy and fiscal restraint in prior years allows for utilization of fund balances, operating capital items and other one-time items.
- This budget continues to bolster public safety by providing funding for additional Community Service Officers (CSO), twelve more sworn officers for community policing, three officers for mental-health co-responder pilot project, funding dedicated to the Downtown Improvement District for community based policing strategies, and ongoing annual support for police body cameras program. In City Attorney's office, the public safety has been enhanced further by providing resources aimed at domestic violence prevention and restorative justice initiatives. One-time and ongoing funding for a Group Violence Intervention strategy in the Health Department and further funding for additional sworn staff and also for alternative hiring and recruitment initiatives in Fire department.
- In response to a growing need to act more proactively to global climate change, this budget provides resources in the City Coordinator's office for climate action plan. Additional funding is provided to enhance initiatives geared towards clean energy partnerships. Additional

resources have been provided to enhance the City's Creative Making project that has increased the demand for artist-driven initiatives across the City. In support of the Rockefeller Foundation's Resilient Cities program that will enable the City to build urban resilience across the globe and to share in a network of other cities that foster best practices, additional resources have been provided in the City Coordinator's office.

- The 2017 Council Adopted Budget includes resources dedicated to supporting small businesses in navigating the city processes across the enterprise. Also included are funds that are dedicated to support affordable housing in form of Naturally Occurring Affordable Housing, Family Housing and Infill Housing initiatives, and Affordable Housing Trust Fund.
- The 2017 Council Adopted budget lays foundation towards fulfillment of landmark agreement to fund the infrastructure and operations of our neighborhood parks and streets for the next 20 years - investing in streets and parks so that future generations will also enjoy city's most basic infrastructure.
- The City is levying less for the closed pension obligations in 2017 Council Adopted budget compared to previous years. This lower obligation is the result of the City's work with the Legislature in prior years.
- The 2017 Council Adopted Budget includes strategic cuts of nearly \$2.7 million. Approximately \$2.0 million dollars of these cuts come from lower- costs for providing healthcare to employees. The remaining \$0.7 million targeted cuts are in five departments to offset the cost of new investments in those departments.
- On equity, the 2017 Council Adopted budget builds on and continues a strong foundation of equity investments in recent years that are transforming City's operations. This budget provides additional funding for enterprise equity programming the office of equity and inclusion in the City Coordinator's office, Minneapolis TechHIRE program, and Bloomberg-supported iTeam among others.
- The 2017 Council Adopted Budget recognizes that new growth means additional City services are necessary to keep the City functioning well. 2017 is the fifth consecutive year that the City has issued construction permits exceeding \$1 billion. Construction growth in the City impacts a number of functions in the City including permitting and inspections. This budget includes funding for additional staffing in the City Assessor, Regulatory Services, and Minneapolis Health departments to handle increased workloads and provides funding necessary to build supporting infrastructure and recognizes the growth in these revenue sources.
- The Capital Asset Request System, or "CARS," will be used on an ongoing basis in long-range planning for smaller operating capital requests that would normally be budgeted in individual departments. Requests funded within the CARS system include items that are not ongoing in nature such as enterprise software upgrades, vehicle purchases and similarly-valued items. The CARS process provides a rolling five-year perspective of the City's needs for these assets and is intended to create a longer term funding plan.
- Future challenges and opportunities that the 2017 budget addresses, through the five-year financial direction, include the impacts of rebounding property values and continued growth

in the cost of providing City services due to inflationary pressures, as well as levy growth that has not kept pace with inflation.

- The City Council in 2016 endorsed concept for a new office building and public safety center to complement the historic city hall. The two buildings together are referred to as the “downtown campus”. City Council authorized staff to retain consultants and report back with a more defined schedule, building scope, and cost estimate by the end of the 2016 or early 2017. The initial finance plan for downtown campus improvements include cash to help write down the cost of the feasibility analyses in 2017 and the replacement of library General Obligation bonds in 2021 with new debt.

## **Enterprise Challenges**

In the course of the City’s annual business and strategic planning process, City departments review and document the most significant trends and challenges affecting their work. While some of these issues are specific to department business, several enterprise-wide themes emerge. A summary of enterprise challenges follows:

### *Resources Necessary to Support a Construction Boom*

In the recent couple of years, the City has experienced booming construction as measured by value of permitted projects. This boom is fueled by new office buildings in and around downtown, multiple high-rise apartment buildings, Target Center renovation, and the recently completed new stadium to be used by the Minnesota Vikings and ancillary development. However, the quickly improving economy and construction boom have also put multiple strains on the City in the areas of permitting, assessing, financial planning, compliance monitoring, and public works expansion. These strains, challenge current resources and create a need for additional resources.

### *Shrinking Workforce and Increased Demands*

In response to the economic downturn and increasing hardship on the City’s taxpayers, the City made large cuts to its workforce by eliminating positions across all City departments and component units since 2007. The 2017 budget includes more than 100 fewer FTEs than in 2007, despite additional resources in the recommendation. The reduction in staffing over time places increased pressure on remaining employees as the workloads are increasing as the economy improves and the need for responsive resources increases.

### *Workforce Turnover*

It is anticipated that the City’s workforce will experience high turnover in the coming years due to three factors: a large population of retirement-eligible workers, the above-mentioned shrinking workforce and increased demands, and the rebounding economy allowing for greater workforce mobility. The loss of institutional knowledge and costs of retirement and transition planning has not been fully realized by City departments, despite a continued recognition of and planning for this reality in the 2017 budget.

### *Increased Demand for Technological Solutions*

Departments note the increased technological savvy of customers, and as a result, increased demand of technological approaches to customer service. This translates into additional costs for new equipment and software, and in particular, increased maintenance costs. For example, several enterprise software systems will be upgraded over the next several years, with anticipated costs in the millions of dollars. Other examples include

increased computer and internet bandwidth usage, the growth in demand for wireless connectivity, a drive toward enhancing the City's interaction with residents through technological means, as well as the challenge of training employees in the use of these technologies.

#### *Regulatory Complexity/Unfunded Mandates*

Departments have noted increased complexity of protocols and regulations at many levels. Civil Rights identified the increased complexity of investigation protocols. Regulatory Services and Community Planning and Economic Development cite State codes, protocols, and building standards that are placing additional strains on the workload of inspectors. Public Works notes increased costs for inflow and infiltration to meet standards required by Metropolitan Council Environmental Services or facing monetary penalties. The City Clerk notes additional election requirements as a result of the implementation early voting options for citizens as well as . Furthermore, public safety departments face legislative-directed or nationally developed standards, training, or operating procedures. Departments', especially following several years of significant cuts to the City's training programs, indicate a need for increased and improved employee training, as well as recruitment, possibly placing additional short-term strain on productivity, to address the growing complexities of their program administration.

#### *Emergency and Security Management Needs*

Ensuring adequate physical security, health security, electronic security (prevention of viruses, hacks, fraud, and other system security threats), information backups, and emergency planning consumes resources of nearly every department. City departments continue to build and strengthen relationships with other governmental entities to maximize the effectiveness of security planning and build systems to mitigate and prevent disasters and crises.

## City Spending

For 2017, the budget includes expenditure appropriations corresponding to priorities outlined in the Council Adopted Budget as well as ongoing projects and current City-provided services. Details of the individual expenditure appropriations within the departments and other categories identified in the pie chart below are available in the Operating Departments and Capital Programs sections of this document.

Below is a summary of the 2017 Council Adopted Budget by departmental activity, excluding transfers.

### **Expenditures by Service**

(In Millions of Dollars)

	2016 Adopted	2017 Council Adopted	% Change	\$ Change
Attorney	17.4	18.1	4.1%	0.7
Coordinator*	125.9	136.9	8.7%	11.0
CPED	85.6	91.2	6.6%	5.6
Convention Center	54.6	53.8	-1.5%	-0.8
Fire	62.3	65.1	4.4%	2.8
Health	20.0	21.3	6.3%	1.3
Police	157.8	163.2	3.4%	5.4
Regulatory Services	23.8	24.2	2.1%	0.5
Public Works	334.7	342.2	2.2%	7.5
Other City Services**	85.6	83.3	-2.6%	-2.2
Debt Service	124.1	135.6	9.3%	11.5
Capital Improvement	138.0	198.3	43.7%	60.3
Park Board	102.1	111.0	8.7%	8.9
Other Independent Boards***	9.3	9.7	3.5%	0.3
<b>Total City Spending</b>	<b>1,341.2</b>	<b>1,453.9</b>	<b>8.4%</b>	<b>112.7</b>

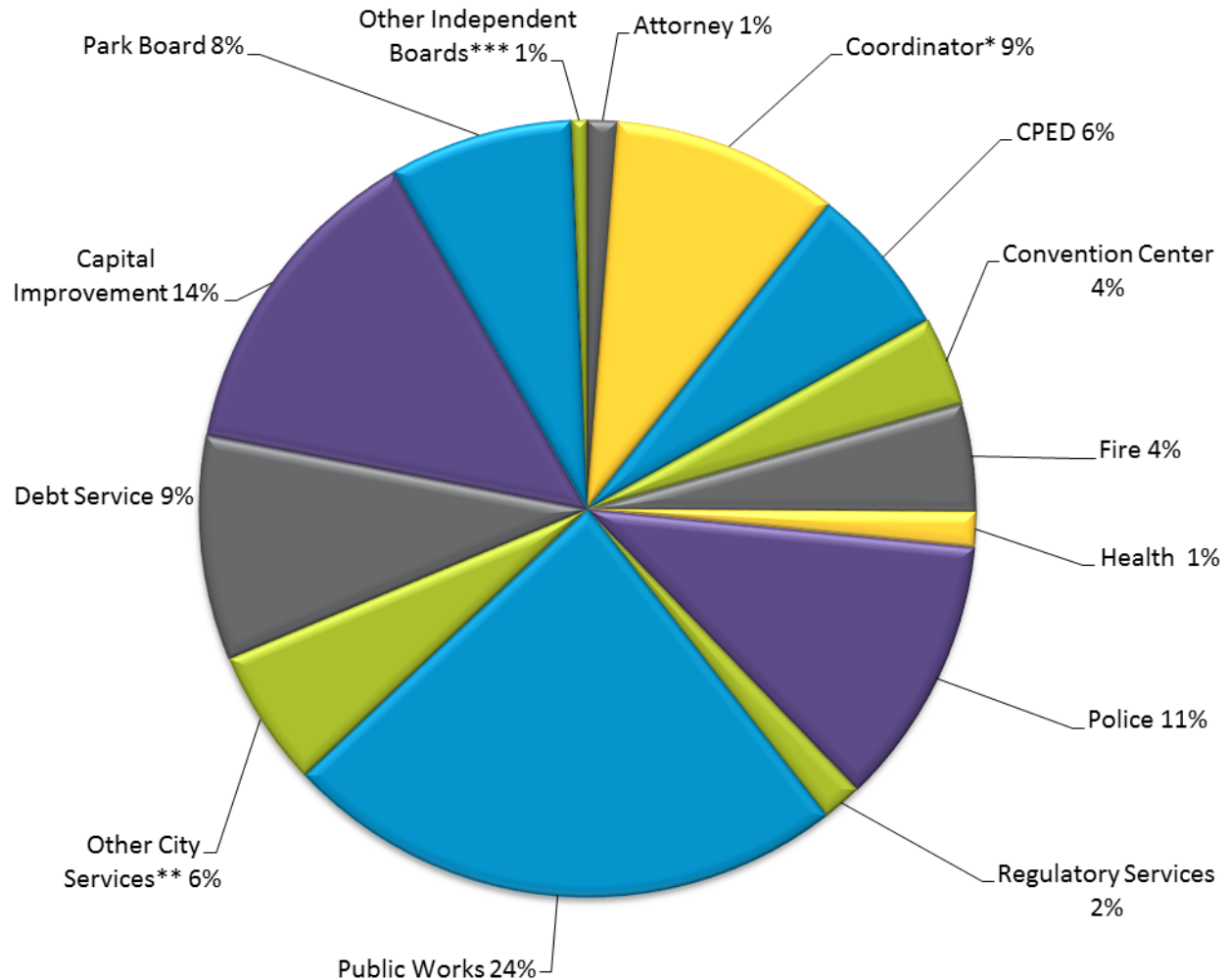
\* Includes 311, 911, Communications, Emergency Preparedness, Finance and Property Services, Human Resources, IT, Intergovernmental Relations, and Neighborhood and Community Relations

\*\* Includes Assessor, Benefits, City Clerk/Elections/Council, Civil Rights, Contingency, Internal Audit, Liability, Mayor, Pensions and Worker's Compensation

\*\*\* Includes Board of Estimate and Taxation, the City's Contribution to the Library Board and Municipal Building Commission

**Note:** See "City Council Operating Departments" and section in the budget document for further explanation of changes between years.

## Total Expenditure Budget - Use of Funds 2017 Council Adopted Budget: \$1.5 Billion



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

\*\* Includes Assessor, Benefits, City Clerk/Elections/Council, Civil Rights, Contingency, Internal Audit, Liability, Mayor, Pensions and Worker's Compensation

\*\*\* Includes Board of Estimate and Taxation, the City's Contribution to the Library Board and Municipal Building Commission

## City Sources of Revenue

For 2017, the City forecasts \$1.454 billion in revenue from a variety of sources. Many of the City's revenue sources are restricted, meaning they are required to be spent in defined areas or on specific programs or projects. These restrictions limit the City's ability to raise additional funds and to apply the revenue to other departments or programs. For example, the City charges fees for services such as water, sewer and trash pickup, but State law requires that these fees be no higher than the cost of providing the services, including both operating and capital costs. Because these revenues are restricted, the City cannot raise water bills to pay for citywide police services.

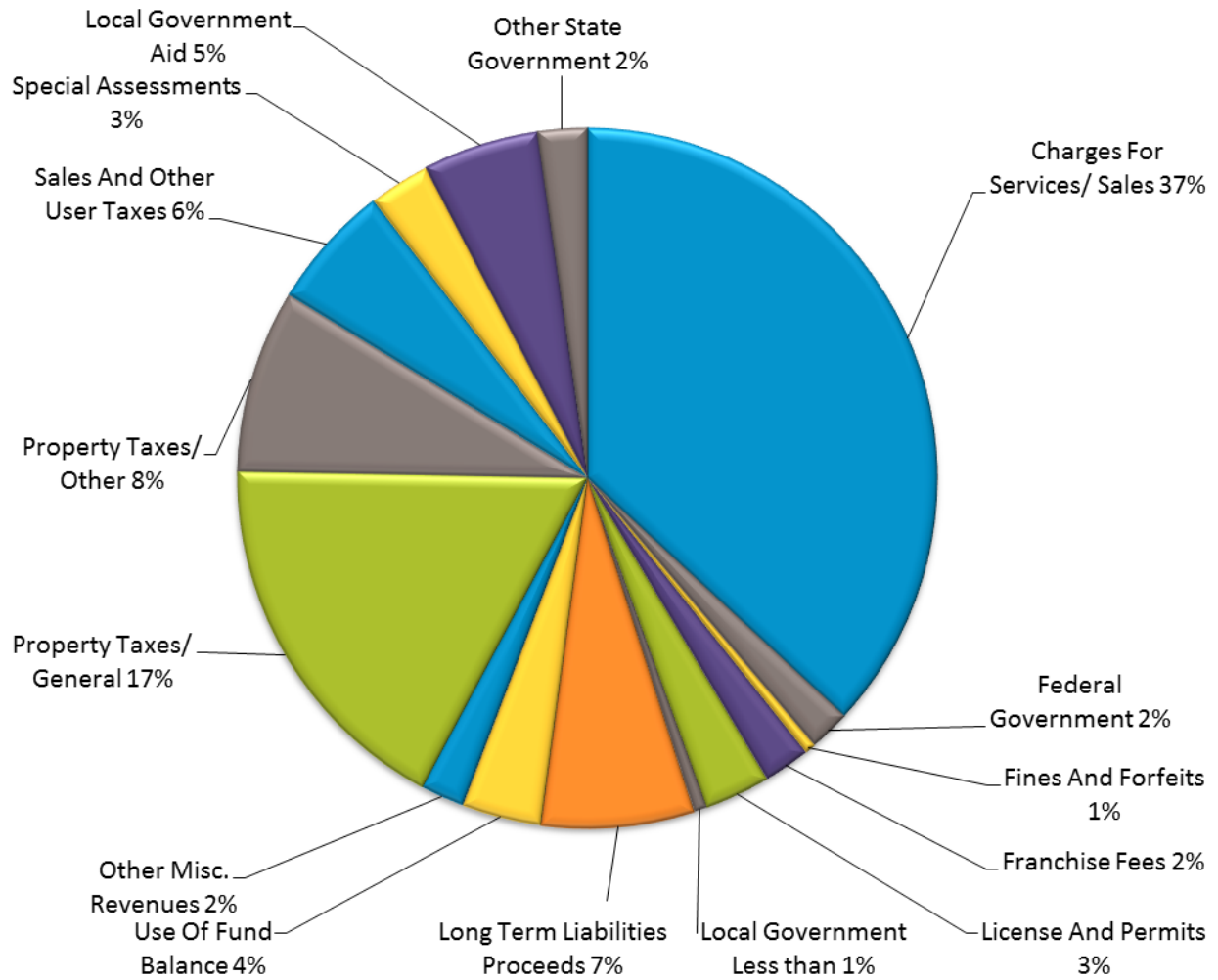
Grants and allocations from the Federal Government and other units of government are usually designated for specific needs and purposes. If the City does not spend these resources for their designated purpose, the City will not receive the grants. Bond proceeds must go to purposes for which the debt was incurred. Like many Minnesota cities, Minneapolis pays for core City services (police, fire, streets, parks, etc.) primarily with property taxes and LGA, as well as other general governmental revenues such as licenses and permits as well as fees and interest income.

Below is a summary of the 2017 Council Adopted Budget revenues by major category.

<b>Revenue Category</b>	<b>2016 Adopted</b>	<b>2017 Council Adopted</b>	<b>% Change</b>	<b>\$ Change</b>
Charges For Services/ Sales	520.4	536.5	3.1%	16.2
Federal Government	29.7	27.7	-6.7%	-2.0
Fines And Forfeits	8.1	7.3	-9.8%	-0.8
Franchise Fees	31.5	30.9	-1.7%	-0.6
License And Permits	44.4	44.0	-0.9%	-0.4
Local Government	4.9	8.7	77.1%	3.8
Long Term Liabilities Proceeds	56.7	102.8	81.4%	46.1
Use Of Fund Balance	43.8	53.0	21.1%	9.2
Other Misc. Revenues	29.2	29.7	1.8%	0.5
Property Taxes/ General	243.1	254.0	4.5%	10.9
Property Taxes/ Other	100.5	123.1	22.5%	22.6
Sales And Other User Taxes	77.8	84.1	8.0%	6.2
Special Assessments	35.5	41.0	15.4%	5.5
Local Government Aid	77.8	78.0	0.3%	0.2
Other State Government	37.9	33.1	-12.7%	-4.8
<b>Total Revenue</b>	<b>\$1,341.2</b>	<b>\$1,453.9</b>	<b>8.4%</b>	<b>112.7</b>

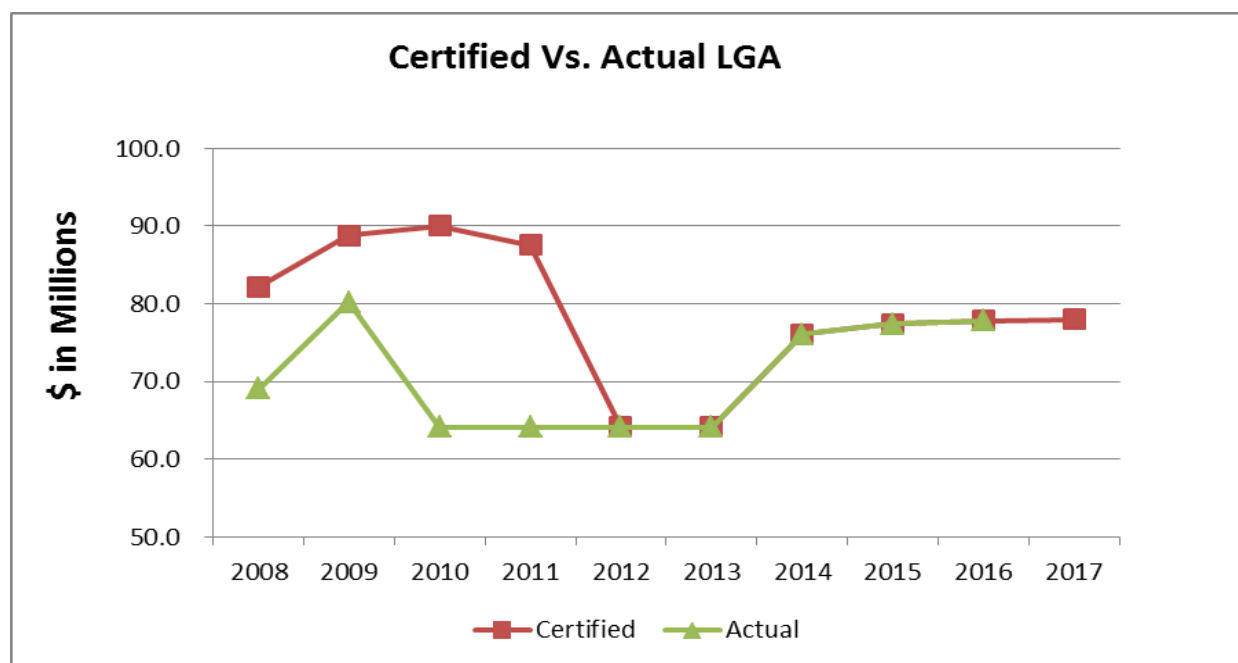


## Total Revenue Budget - Source of Funds 2017 Council Adopted: \$1.5 Billion



## Local Government Aid (LGA)

Following several years of uncertainty in funding from the State of Minnesota in the form of LGA, including the loss of over \$70 million from 2008-2011, the State increased the amount of LGA appropriated to the City of Minneapolis from \$76.1 million in 2014 to \$77.4 million for 2015, with another \$0.4 million added in 2016, bringing the total to \$77.8 million. The certified LGA appropriation for 2017 is \$78.0 million, only \$0.2 million more than 2016. Of this \$78.0 million, the City plans to allocate \$68.5 million for its General Fund, \$9.2 million to the Park Board, and the remaining \$0.2 million to the Municipal Building Commission (MBC). The table below shows the historical certified and actual LGA amounts, as well as the certified LGA levels for 2017 based on current law.



## Budget by Fund

The City uses different “funds” to account for expense and revenue associated with the various services provided. The **General Fund**, where the City accounts for most property tax supported services, represents 30.2 percent of the 2017 Council Adopted Budget, down from 31.5 percent in the 2016 budget.

**Special Revenue Funds** are used for personnel costs, operating costs, contractual services and equipment that are funded by specific revenue sources. Special revenue funds support the convention center, health and family support, public safety, Federal, State and local grants and ongoing support of closed pension funds.

**Capital Project Funds** include permanent improvement and arbitrage funds and are used for the construction of infrastructure projects.

**Debt Service Funds** are used to pay interest and principal on City debt.

**Internal Services Funds** are used to account for business-like services that the City provides to other City departments. Internal services include information technology, equipment (e.g. police squad cars, fire equipment, and other rolling stock), property services, tort claims, and workers compensation claims.

**Enterprise Funds** include services that the City provides that operate like a “business” – similar to internal service funds but with external customers. Charges for services are expected to recover operating costs, indirect costs, capital investments, and interest expense. Utility rates are set with the intent of funding these costs. Enterprise services of the City include sanitary sewer services, storm water management and flood mitigation, water treatment and distribution, solid waste and recycling, and parking.

### Expense and Revenue By Fund Type

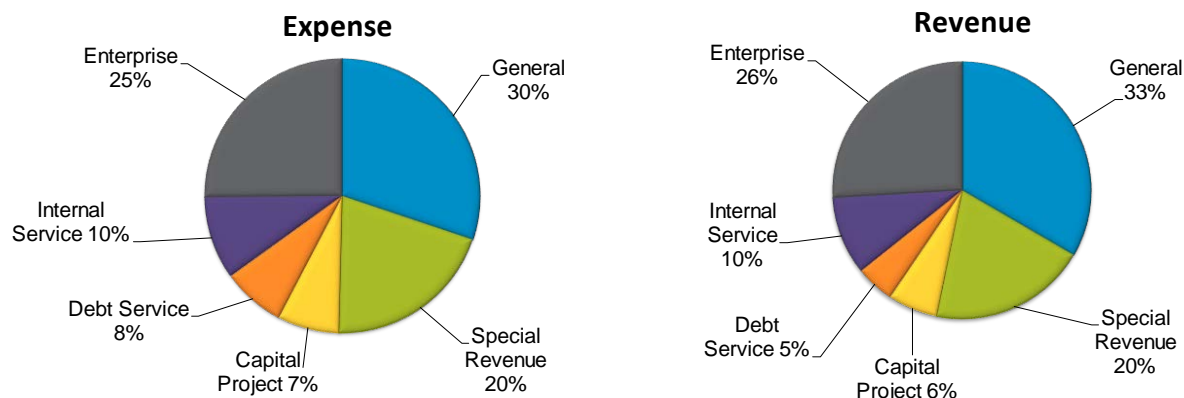
In Millions

	2016 Adopted	2017 Council Adopted	% Change	\$ Change
<b>Expense:</b>				
General	\$421.8	\$438.4	3.9%	\$16.6
Special Revenue	\$276.6	\$294.2	6.3%	\$17.6
Capital Project	\$87.3	\$106.3	21.8%	\$19.0
Debt Service	\$93.0	\$107.3	15.4%	\$14.3
Internal Service	\$140.2	\$142.0	1.3%	\$1.8
Enterprise	\$322.2	\$365.7	13.5%	\$43.5
<b>Total</b>	<b>\$1,341.2</b>	<b>\$1,453.9</b>	<b>8.4%</b>	<b>\$112.7</b>

	2016 Adopted	2017 Council Adopted	% Change	\$ Change
<b>Revenue:</b>				
General	\$484.2	\$485.3	0.2%	\$1.1
Special Revenue	\$260.6	\$288.2	10.6%	\$27.6
Capital Project	\$76.6	\$90.3	18.0%	\$13.8
Debt Service	\$57.9	\$70.1	21.0%	\$12.2
Internal Service	\$133.0	\$142.8	7.4%	\$9.8
Enterprise	\$328.9	\$377.2	14.7%	\$48.3
<b>Total</b>	<b>\$1,341.2</b>	<b>\$1,453.9</b>	<b>8.4%</b>	<b>\$112.7</b>

Note: The chart above shows different levels of revenue and expense by fund type due to the removal of transfers and use of fund balance.

### Expense and Revenue By Fund Type



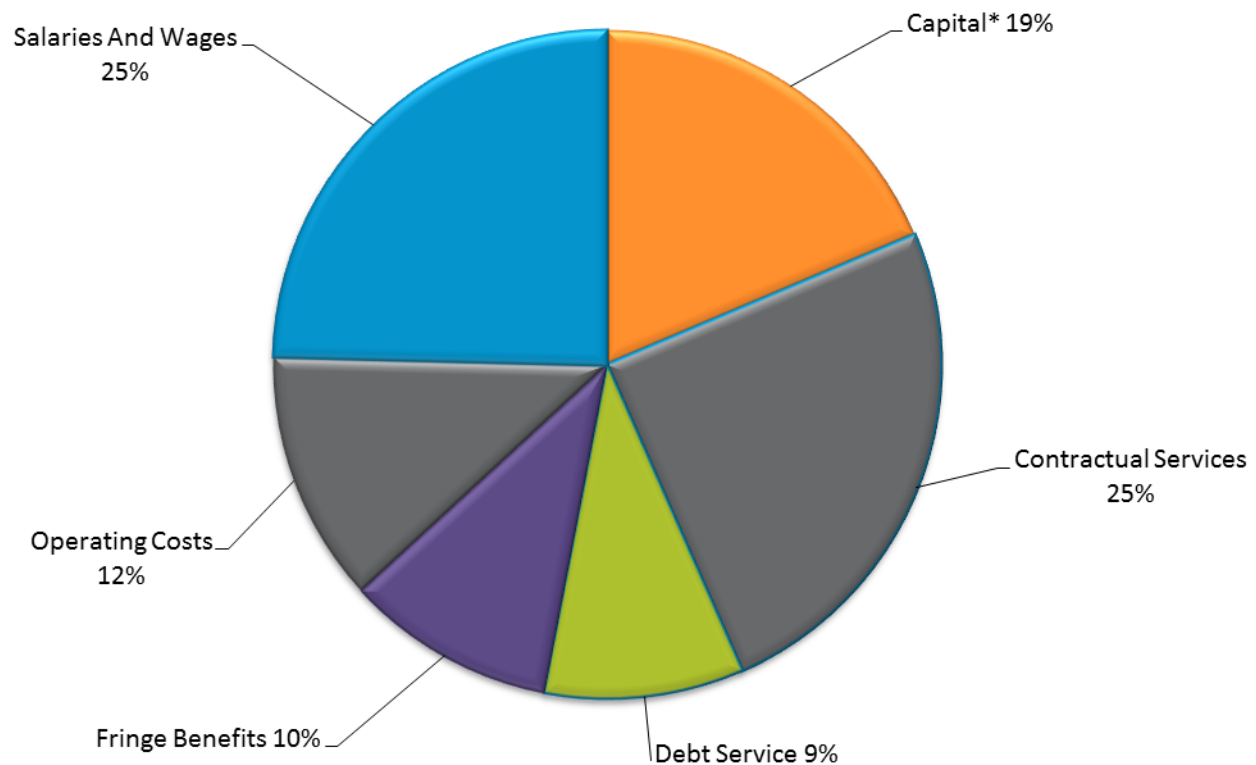
The largest portion of the City's budget is spent on personnel, which comprises \$505.7 million or 34.8 percent of the total budget.

### Expense by Category

Expense Category	2016 Adopted	2017 Council Adopted	% Change	\$ Change
Capital*	211.4	270.9	28.1%	59.4
Contractual Services	343.6	360.2	4.8%	16.6
Debt Service	127.4	139.6	9.6%	12.2
Fringe Benefits	146.0	147.9	1.3%	1.8
Operating Costs	175.9	177.5	0.9%	1.6
Salaries And Wages	336.8	357.8	6.3%	21.1
<b>Total Expense</b>	<b>\$1,341.2</b>	<b>\$1,453.9</b>	<b>8.4%</b>	<b>\$112.7</b>

\*The Capital category includes capital improvements in the City's Capital Program as well as capital expenditures within operating departments.

### Total City Budget - Expenditure by Categories 2017 Council Adopted Budget: \$1.5 Billion



## Funding for Physical Infrastructure

**Five-Year Capital Program Totals:** For 2017 – 2021, the five-year capital program for City departments, independent boards and commissions totals \$927.0 million including all funding sources. The 2017 portion of this program is \$196.0 million. This budget continues the City's commitment to accelerate funding and completion of improvements to the City's infrastructure. Below is a summary of the five-year capital program by major infrastructure category.

Five-Year Capital Investment Allocation Council Adopted Budget								
Submitting Agency	Infrastructure Category	2017	2018	2019	2020	2021	Total	Percent of Total
Budget in Thousands								
<b>MUNICIPAL BUILDING COMMISSION</b>		8,545	3,110	3,020	1,070	100	15,845	1.7%
<b>PARK BOARD</b>		13,223	12,489	12,743	12,691	13,380	64,526	7.0%
<b>PUBLIC WORKS DEPARTMENT</b>	STREET PAVING	50,426	64,609	85,071	63,063	74,378	337,547	36.4%
	SIDEWALKS	3,830	4,040	4,250	4,460	4,670	21,250	2.3%
	BRIDGES	3,090	4,445	400	24,155	3,890	35,980	3.9%
	TRAFFIC CONTROL & STREET LIGHTING	6,672	8,896	6,936	7,025	7,825	37,354	4.0%
	BIKE - PED PROJECTS	1,850	1,400	1,540	2,340	3,535	10,665	1.2%
	SANITARY SEWERS	9,250	9,250	9,250	9,250	9,250	46,250	5.0%
	STORM SEWERS	14,250	24,878	24,330	25,750	27,250	116,458	12.6%
	WATER INFRASTRUCTURE	48,070	49,430	32,200	22,650	15,990	168,340	18.2%
	<b>Public Works Department Totals</b>	137,438	166,948	163,977	158,693	146,788	773,844	83.5%
<b>PUBLIC GROUNDS &amp; FACILITIES</b>		25,387	18,065	4,950	10,450	750	59,602	6.4%
<b>MISCELLANEOUS PROJECTS</b>		11,153	475	485	500	520	13,133	1.4%
	<b>Grand Totals</b>	195,746	201,087	185,175	183,404	161,538	926,950	100.0%

For more details regarding the Five-Year Capital Improvement Program, please see the Capital Program section of this book.

## Capital Asset Request System (CARS)

In 2014, the City implemented the CARS process to allow departments to submit budget requests for the replacement of capital equipment items greater than \$5,000 such as technology systems, vehicles and construction equipment and/or other large dollar items necessary to provide services. The CARS process uses a five-year planning horizon similar to the Five-Year Capital Program (for infrastructure) with the intent of establishing normal replacement cycles for all long-term assets used by City Departments. Replacement cycles had already been established for fleet equipment, but not for other asset categories. For the 2017 - 2021 five-year cycle, the City received requests from departments totaling \$109.5 million. For 2017, the requests totaled \$29.2 million. This budget allocates \$4.4 million of General Fund resources and \$20.3 million of non-General Fund resources for this program across all departments.

## Funding for Pension Liabilities

The City's property tax levies for its former closed pension funds that have been merged into the Minnesota State Public Employees' Retirement Association (PERA) for 2017 total \$22.3 million. This is a decrease of \$5.0 million from the 2016 level of \$27.3 million. The 2015 State legislature changed PERA's out year investment assumptions from 8.5% to 8.0% which lowers the assumed out year investment returns, increases the unfunded liability amounts and therefore the annual funding requirement.

- The Minneapolis Employee's Retirement Fund (MERF) Division of PERA – fully merged in 2015.
  - The Former Minneapolis Police Relief Association (MPRA), a closed fund.
  - The Former Minneapolis Fire Relief Association (MFRA), a closed fund.
- The 2016 City ordinance passed for the 20 year funding program for streets and parks assumed that the levy necessary for support of the pension obligations would decrease by \$5 million from 2016 to 2017. In the subsequent four years, the levy to support pension obligations would then rise back to 2016 levels. The five year financial direction reflects the 2016 ordinance.

### ***Teacher's Retirement Association (TRA):***

The 2006 Legislative session combined the Minneapolis Teachers Retirement Fund Association (MTRA) with the State's Teachers Retirement Association (TRA). As part of the legislation, the City was required to redirect its annual \$2.25 million MTRA tax levy to TRA through 2037. State law changed the \$2.25 million City levy to a \$2.25 million contribution in 2012. This change increased the total levy for this purpose as the City previously contributed its net TRA levy collection, which was less than \$2.25 million because the City does not collect 100% its levy. For 2017, the City will levy \$2.3 million for TRA to insure that net collections provide the \$2.25 million. For the purpose of long-term planning, it is anticipated that these costs will remain constant through 2037.

### ***Public Employees Retirement Association (PERA), the plan for most current City employees:***

The employers' contribution level in PERA's Coordinated Plan for 2017 is 7.5 percent, the same as in 2016. The PERA's Police and Fire Plans' employer's contribution remained at 16.2 percent for 2017 as was in 2016. The estimated total cost of contributions to PERA for the City for 2017 is \$34.8 million, which is covered in the budgets of the departments in which the employees work.

	2016	2017	Change
		(in millions)	
PERA	\$15.90	\$17.10	\$1.20
PERA Police & Fire	\$18.10	\$17.70	(\$0.40)
<b>Total</b>	<b>\$34.00</b>	<b>\$34.80</b>	<b>\$0.80</b>

### **Funding for Internal Services Funds' Long-Term Financial Plans**

During the 1990s, external demands negatively impacted the ability for revenue to support the City's internal services to keep pace with the growth in expenditures. Significant negative cash balances resulted because annual expenses exceeded revenues. By the year 2000, the combined net asset deficit in the Self Insurance, Equipment, and Intergovernmental Services Funds was \$61.7 million. To correct these deficits, the City adopted long-term financial plans between 2000 and 2004 that called for the Self-Insurance, Equipment, Intergovernmental Services, as well as the Property Services internal service funds to rely on transfers from the General Fund through 2019 to eliminate deficits. Fortunately, due to efforts in recent budget cycles, 2014 was the final year of these transfers. The elimination of this obligation will allow General Fund resources to be redeployed to other purposes from 2016 and beyond.

## Growth in Personnel Costs

**Personnel Changes.** The 2017 Council Adopted Budget increases the FTE count of City positions by 217.1 over the 2016 Budget, from 4,890.8 to 5,107.9.

**Salary and wages.** The 2017 Council Adopted Budget includes an increase in personnel expenditures (\$357.8 million in salaries and wages, compared to a 2016 total of \$336.8 million). It also includes \$147.9 million in fringe benefits, compared to \$146.0 million in 2016.

**Benefits.** Health and dental insurance expenditures are budgeted to decrease from \$72.0 million in 2016 to \$70.9 million in 2017. This estimate results from better than anticipated renewal rates and changes in coverage selections by employees.

## Continuing Library Obligation to Hennepin County

Minneapolis libraries merged with the Hennepin County system in 2008. In addition to the \$9.3 million market value referendum supported by Minneapolis taxpayers, the merger finance plan requires Minneapolis to provide an additional declining base contribution for 10 years, the last year being 2017. In 2017, that contribution is approximately \$0.8 million.

## Major Changes in the 2017 Council Adopted Budget

*This section of the 2017 Council Adopted Budget describes changes the Mayor and Council made for various departmental program submissions. The changes are organized by department.*

### Citywide Changes

As a starting point for 2017 budget development, departments were provided a preliminary budget amount and asked to submit, for existing programs, proposals that would provide for the continuation of those programs at the same level of service, or the *Current Service Level*. Departments were also asked to submit supporting documentation for any change items to current programs. Changes made to program proposals by the Mayor and Council, along with new initiatives that they chose to fund, are noted below. Programs proposed by departments that were not recommended for funding in the budget are not included.

The 2017 Council Adopted budget includes proposals that have citywide implications. This budget includes the prudent use of accumulated fund balance from various funds for one-time or time-limited activities. These resources were generated through fiscal restraint that resulted in under-spending in City departments and through revenues that exceeded budgetary expectations due to continued growth in the local economy.

In addition to other sources of funds, this budget uses accumulated fund resources for funding of the Capital Asset Request System, or CARS, that was initiated as part of the 2014 budget to provide a mechanism for budgeting small and mid-level capital requests previously planned for in departmental budgets. CARS requests include items that are not ongoing in nature including enterprise software upgrades, vehicle purchases, equipment, and other capital items. The goal of this effort is to increase transparency in spending and operating costs by including these budgetary requests in a separate process. Now in the fourth year, \$4.4 million of the General Fund and \$20.3 million of other funds has been dedicated to fund items through this request

process, which is used to cover deferred maintenance and replacement costs for existing operational capital, as well as new capital needs.

### ***Departmental Changes***

The Council approved several amendments to the Mayor's Recommended Budget that affect departments on a citywide basis. The amendments are reflected under the following department's budgets:

#### **Assessor**

*Mayor's Recommended Budget:* The Mayor recommended the following ongoing General Fund resources: \$113,500 for an additional Lead Appraiser to manage and coordinate all administrative and valuation responsibilities related to property tax exemptions, and \$100,000 for staff education, licensing and training.

*Council Adopted Budget:* The City Council amended the Mayor's recommendation on a one-time basis by decreasing the Office of the City Assessor by \$25,000 and increasing the Health Department by \$25,000 to be allocated for culturally relevant community-based intervention and street outreach strategies to help the transgender, American Indian, and young women and girl victims of sex trafficking and commercial sexual exploitation.

#### **Attorney**

*Mayor's Recommended Budget:* The Mayor recommended the following ongoing General Fund resources; \$55,000 for the Restorative Justice and Interact program which supplements the existing \$45,000 in the base budget and \$110,000 to cover shortfall in funding from the Justice Assistance Grant (JAG) that supports two prosecutor FTEs which supplements the existing \$50,000 in the base budget. The Mayor also recommended the increasing the ongoing General Fund resources by \$200,000, which previously had been available through health care expenses for the budget that were lower than expected. The health care expenses were an overall reduction in the 2017 budget for all department.

The Mayor also recommended the following one-time General Fund resources; \$137,000 for continuation of the Hot Spots Pilot program, \$30,000 to complete the development of an evidence-based community consequences for carrying without Permit Cases, \$25,000 to develop Pre-charge Diversion services to prostitution, and \$20,000 to develop strategies for gun violence reduction.

*Council Adopted Budget:* The City Council amended the Mayor's recommendations by decreasing on an ongoing basis the City Attorney's Office budget by \$100,000 and increasing the Civil Rights Department's budget by \$100,000 and 1 FTE for the Complaint Investigation Division.

#### **City Clerk**

*Mayor's Recommended Budget:* The Mayor recommended \$100,000 ongoing General Fund resources for a Records Specialist (includes 1.0 FTE).

*Council Adopted Budget:* The City Council adopted the recommendation for the Record's specialist and separately amended the Mayor's recommendations by decreasing on an ongoing



basis the Office of City Clerk's budget by \$118,202 and 1 FTE and increasing the Community Planning and Economic Development Department's budget by \$118,202 and 1 FTE for the purpose of programming and outreach at the Cedar Riverside Opportunity Center.

## **City Council**

*Mayor's Recommended Budget:* The Mayor recommended no changes to this department's base program proposal.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

## **City Coordinator Administration**

*Mayor's Recommended Budget:* The Mayor recommended the following ongoing General Fund resources; \$145,000 for strategic management and continuous improvement (includes 1.0 FTE), and \$100,000 for City Wide events. Additionally, the Mayor recommended \$150,000 for a Chief Resiliency Officer Position funded by the Rockefeller Foundation (includes 1.0 FTE).

The Mayor also recommended the following one-time General Fund resources; \$160,000 for the Inclusive Engagement Action team, \$100,000 for Partnership Initiatives, \$15,000 for Promise Zone space lease, \$90,000 for the Clean Energy Partnership, \$45,000 for the Climate Action Plan, \$100,000 for Creative City Making, \$40,000 for Enterprise Equity Programming, and \$15,000 for the Trans Equity Summit and Events.

*Council Adopted Budget:* The City Council amended the Mayor's recommendations by:

1. Establishing small business support teams of 3 FTE to directly help small business navigate city processes across the Enterprise (particularly in the Business Licensing Division of CPED, Health, and Regulatory Services). The team is to report directly to the City Coordinator's Office and will be comprised of the following:
  - Reallocating \$105,000 and 1 FTE in CPED for a Navigator position and \$25,000 in additional outreach funds as proposed in the Mayor's Recommended Budget, to the City Coordinator's Office.
  - An additional 1 FTE using the \$70,000 increased appropriation to the Communications Department as proposed in the Mayor's Recommended Budget. Finance is directed to reflect the full ongoing cost of the position in the Five-Year Financial Direction.
  - Reallocating \$145,000 and 1 FTE in the City Coordinator's Office currently recommended in the 2017 Budget for "Strategic Management and Continuous Improvement."
2. Increasing on an ongoing basis the City Coordinator's budget by \$1,000,000 (including 1 FTE) for ReCAST program/SAMHSA grant for promoting resilience and equity in communities that have recently faced civil unrest through implementation of evidence-based violence prevention and community youth engagement programs, as well as linkages to trauma-informed behavioral health services.
3. Decreasing on a one-time basis the City Coordinator's Office's budget by \$25,000 and increasing the Health Department by \$25,000 to be allocated for culturally relevant community-based intervention and street outreach strategies to help the transgender, American Indian, and young women and girl victims of sex trafficking and commercial sexual exploitation.

The City Council also gave the following staff directions:

1. Directing the City Coordinator's Office to establish a small business workgroup that includes the staff team that has been working together as part of the City's Business Made Simple initiative as well as members of the City's Innovation Team. This workgroup shall review existing efforts, programs, and initiatives focused specifically on the small business community to determine how best to align and/or reorganize small business touch points across the enterprise. The workgroup will be co-chaired by Community Planning and Economic Development and the City Coordinator's Office in coordination with other City departments (particularly the City Attorney's Office) as needed. Specifically, staff is asked to build off the continuous improvement work that has already been initiated to streamline and simplify processes for the business community and:
  - Review programs and business lines within CPED to determine how best to reconfigure workflows [and/or business lines], along with aligning these efforts with the City's racial equity goals, in order to accelerate small business efforts. [This review to be facilitated by an external consultant with organizational design experience.];
  - Review and finalize work on an online portal for the business community;
  - Finalize development of business guides and supportive checklists for businesses;
  - Identify and address gaps in processes and service delivery, including the need for additional staff training and other strategies aimed at increasing alignment with the small business community;
  - Research best practices for innovative strategies such as business acceleration programs, development of a municipal design center, cluster-based small business development, creation of entrepreneurial incubator spaces, development of customer service express lanes for basic services, small business recognition programs, micro-lending programs, and others.

Staff is further directed to formalize an external small business advisory council to work alongside staff in this review, and to assist in developing recommendations aimed at increasing small business opportunities, resources, and areas of process improvement. The workgroup is charged with bringing forth a comprehensive report of their review and ensuring recommendations, including those put forward by the small business advisory council, along with any organizational and budgetary impacts or recommendations that stem from this review by no later than May 15, 2017.

The workgroup is directed to Review programs and business lines within CPED to determine how best to reconfigure workflows [and/or business lines], along with aligning these efforts with the City's racial equity goals, in order to accelerate small business efforts. This review to be facilitated by an external consultant with organizational design experience.

2. Designate \$35,000 of one-time budget resources to be allocated for the purpose of funding support services for immigrant families. Further, directing staff from City Coordinator departments, including Intergovernmental Relations, Civil Rights, Neighborhood and Community Relations, and Communications, to work with community stakeholder organizations such as the Immigrant Law Center of Minnesota and others to clarify priority needs for immigrant community services and research potential additional financial and in-kind support from private and other public agency sources. Staff will report to the Intergovernmental Relations Committee with a proposed plan no later than March 31, 2017.

3. Directing the City Coordinator's Office, including Communications, Neighborhood and Community Relations, and Finance and Property Services, and from the Office of City Clerk, to develop a plan for a participatory budgeting program. In so doing, City staff will utilize input from community stakeholders and City advisory committees such as CLIC, NCEC, and cultural and community organizations.

Staff will report back to the Ways and Means Committee no later than June 10, 2017, with a plan for a participatory budgeting program. The program may include the following components:

- A best practices report of other cities' existing participatory budgeting process and those cities' metrics for evaluation of success of the program.
  - Recommendations for the participatory budgeting process including expected number of participants, methodologies of voting, and organizing structure.
  - Methodologies for outreach to the City's 70 neighborhood organizations, cultural and community organizations, and under-represented groups and groups of residents who have not traditionally participated in City programs, including youth.
  - Recommended range dollar amounts and components of the budget, preferably one-time capital or operating expenditures that could be delegated to a participatory budget process.
  - Sample calendar of an annual participatory budgeting process.
  - Identification of other public, non-profit, and private partners that may be willing to provide resources for the participatory budgeting process.
  - Outline of City administrative dollars and potential funding sources for an annual participatory budgeting process.
4. Directing the City Coordinator's Office, as the leader of Minneapolis' Youth Cabinet, to work with our partners in the Youth Coordinating Board and the Mayor's Office, in conjunction with the City of Saint Paul, to explore the feasibility of a sustainable, scalable universal pre-kindergarten program across our two cities that could eventually be implemented statewide.

This work would:

- Be a unique collaborative effort between the cities of Minneapolis and Saint Paul.
  - Expand on existing research and programs currently in place in Minneapolis and St. Paul public schools, as well as other relevant efforts by other jurisdictions and the State of Minnesota.
  - Develop a plan for the creation of a pilot program with the intent of being able to scale to a universal model, guaranteeing that every 3 and 4 year old in Minneapolis would St. Paul would be provided a public pre-kindergarten education.
  - Address persistent disparities between white children and children of color in academic achievement and life outcomes.
  - This effort is contingent upon the commitment from the City of Saint Paul. City Coordinator staff will report on their work to the Committee of the Whole by September 19, 2017.
5. Directing staff to report back to the City Council by March 1, 2017, with an analysis and recommendations to sustain the vitality of Minneapolis's downtown assets and to promote a long-term financial strategy to maintain these assets, as follows:

- A staff committee, similar to FSAM, which is led by the City Coordinator that meets regularly to evaluate operational needs and recommend ongoing capital investments that may occur outside of the typical budget process. Membership of the committee will include the directors of the Convention Center, Public Works, Community Planning and Economic Development, and Finance departments, as well as ex-officio representation from Downtown Council/Downtown Improvement District, Hennepin Theater Trust, and Meet Minneapolis.
- Provide an analysis of the condition, needs, estimated subsidy, and anticipated capital requirements to ensure the vitality and long-term utility of the City-owned assets.
- Develop a recommendation of a funding plan that examines the resources available in the Convention Center Fund, through the Sales and Entertainment Tax revenue and identify other appropriate revenue sources to provide capital and operating support to downtown assets. Downtown assets are generally defined as facilities or areas which the City owns, leases, contributes significant operating support to, or has a primary financing relationship with, including the Convention Center, Target Center, Peavey Plaza, and Commons.
- This funding plan would provide predictability in the use of Sales and Entertainment Tax for these assets. The plan would have an eye toward ensuring the investments will enhance revenues of the Sales Taxes, which increases returns to the General Fund.
- The committee will develop a 5-year recommended capital spending plan on an annual basis.

To formulate such a plan, before March 1, 2017, staff is directed to obtain input from City partners including but not limited to Meet Minneapolis, Downtown Council/DID, Green Minneapolis, and Hennepin Theater Trust.

### **311**

*Mayor's Recommended Budget:* The Mayor recommended \$80,000 one-time General Fund resources for Black box integration for providing additional ways to communicate with 311 rather than the relay system currently in use.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

### **911**

*Mayor's Recommended Budget:* The Mayor recommended \$192,000 one-time General Fund resources for Protocols Software training - an initiative that will optimize the call taking process ensuring all callers receive the same level of care.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

## **Emergency Management**

*Mayor's Recommended Budget:* The Mayor recommended no changes to this department's base program proposal.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

## Civil Rights

*Mayor's Recommended Budget:* The Mayor recommended the following ongoing General Fund resources: \$100,000 in the Office of Police Conduct Review for an additional Case Investigator (1.0 FTE), \$88,000 in the Contract Compliance division for a Certification Specialist (1.0 FTE), and authorized the department to add 1.0 FTE using existing resources in the Equity division.

The Mayor also recommended \$50,000 one-time General Fund resources for outreach related to the implementation of the Earned Sick and Safe Time ordinance.

*Council Adopted Budget:* The City Council amended the Mayor's recommendations by decreasing on an ongoing basis the City Attorney's Office budget by \$100,000 and increasing the Civil Rights Department's budget by \$100,000 and 1 FTE for the Complaint Investigation Division.

The City Council also directed the staff to:

- Assign staff to help coordinate response and information regarding hate speech and crimes, as well as acts of discrimination, within the City and with intergovernmental and community partners.
- In collaboration with City Coordinator's departments including Neighborhood and Community Relations, Intergovernmental Relations and Communications, work with community stakeholder organizations such as the Immigrant Law Center of Minnesota and others to clarify priority needs for immigrant community services and research potential additional financial and in-kind support from private and other public agency sources. Staff will report to the Intergovernmental Relations Committee with a proposed plan no later than March 31, 2017.

## Communications

*Mayor's Recommended Budget:* The Mayor recommended \$70,000 ongoing General Fund resources for Council Core Communications support.

*Council Adopted Budget:* The City Council amended the Mayor's recommendations by reducing on a one-time basis the \$70,000 increased appropriation to the Communications Department as proposed in the Mayor's Recommended Budget, and using the funds for an additional FTE in small business support team in City Coordinators Office.

The City Council also directed the staff to:

1. In collaboration with Civil Rights and City Coordinator's departments including Neighborhood and Community Relations and Intergovernmental Relations, work with community stakeholder organizations such as the Immigrant Law Center of Minnesota and others to clarify priority needs for immigrant community services and research potential additional financial and in-kind support from private and other public agency sources. Staff will report to the Intergovernmental Relations Committee with a proposed plan no later than March 31, 2017.
2. In collaboration with the Office of City Clerk and City Coordinator's departments including Neighborhood and Community Relations, and Finance and Property Services, develop a plan for a participatory budgeting program. In so doing, City staff will utilize input from

community stakeholders and City advisory committees such as CLIC, NCEC, and cultural and community organizations.

Staff will report back to the Ways and Means Committee no later than June 10, 2017, with a plan for a participatory budgeting program. The program may include the following components:

- A best practices report of other cities' existing participatory budgeting process and those cities' metrics for evaluation of success of the program.
- Recommendations for the participatory budgeting process including expected number of participants, methodologies of voting, and organizing structure.
- Methodologies for outreach to the City's 70 neighborhood organizations, cultural and community organizations, and under-represented groups and groups of residents who have not traditionally participated in City programs, including youth.
- Recommended range dollar amounts and components of the budget, preferably one-time capital or operating expenditures that could be delegated to a participatory budget process.
- Sample calendar of an annual participatory budgeting process.
- Identification of other public, non-profit, and private partners that may be willing to provide resources for the participatory budgeting process.
- Outline of City administrative dollars and potential funding sources for an annual participatory budgeting process.

## **Convention Center**

*Mayor's Recommended Budget:* The Mayor recommended using the fund balance in the Convention Center fund in the amount of \$114,000 in ongoing funding to add a technology services coordinator (1.0 FTE). The Mayor also recommended using fund balance in the Convention Center fund on a one-time basis in the amounts of \$300,000 for enhanced target marketing, \$500,000 for sales initiatives for major events, and \$200,000 for customer experience and major events.

*Council Adopted Budget:* The City Council amended the Mayor's recommendations by reducing on a one-time basis \$250,000 for enhanced target marketing.

The City Council also directed the staff to report back to the City Council by March 1, 2017, with an analysis and recommendations to sustain the vitality of Minneapolis's downtown assets and to promote a long-term financial strategy to maintain these assets, as follows:

- A staff committee, similar to FSAM, which is led by the City Coordinator that meets regularly to evaluate operational needs and recommend ongoing capital investments that may occur outside of the typical budget process. Membership of the committee will include the directors of the Convention Center, Public Works, Community Planning and Economic Development, and Finance departments, as well as ex-officio representation from Downtown Council/Downtown Improvement District, Hennepin Theater Trust, and Meet Minneapolis.
- Provide an analysis of the condition, needs, estimated subsidy, and anticipated capital requirements to ensure the vitality and long-term utility of the City-owned assets.
- Develop a recommendation of a funding plan that examines the resources available in the Convention Center Fund, through the Sales and Entertainment Tax revenue and identify

other appropriate revenue sources to provide capital and operating support to downtown assets. Downtown assets are generally defined as facilities or areas which the City owns, leases, contributes significant operating support to, or has a primary financing relationship with, including the Convention Center, Target Center, Peavey Plaza, and Commons.

- This funding plan would provide predictability in the use of Sales and Entertainment Tax for these assets. The plan would have an eye toward ensuring the investments will enhance revenues of the Sales Taxes, which increases returns to the General Fund.
- The committee will develop a 5-year recommended capital spending plan on an annual basis.

To formulate such a plan, before March 1, 2017, staff is directed to obtain input from City partners including but not limited to Meet Minneapolis, Downtown Council/DID, Green Minneapolis, and Hennepin Theater Trust.

### **Community Planning and Economic Development (CPED)**

*Mayor's Recommended Budget:* The Mayor recommended additional ongoing General Fund appropriation of \$150,000 for the Minneapolis TechHIRE program. The Mayor also recommended one-time funding from the General Fund of \$1,500,000 for NOAH – Naturally Occurring Affordable Housing, \$1,000,000 for the Family Housing Initiative, \$250,000 for the Infill Housing initiative, and \$100,000 for the Affordable Housing Trust fund, with an additional \$1,500,000 in non-general funds for the Affordable Housing Trust fund. Additionally, the Mayor recommended one-time general fund appropriations of \$100,000 for Minneapolis Career Pathways, \$75,000 for the Opportunity Hub, and \$25,000 for outreach costs associated with a new Small Business Assistance program. The Mayor also recommended an ongoing reduction of \$260,000 to assist in funding new initiatives.

*Council Adopted Budget:* The City Council amended the Mayor's recommended budget on a one-time basis by increasing the budget in the CDBG fund by \$596,219 for additional program income, increasing the budget in river terminal fund by \$135,000, increasing the general fund appropriation by \$100,000 for Summit Academy's contextualized GED Program, and decreasing the general fund appropriation by \$25,000 for outreach costs associated with the new Small Business Assistance program.

The City Council also amended the Mayor's recommended budget on an ongoing basis by increasing the budget by \$118,202 and 1.0 FTE for programming and outreach at the Cedar Riverside Opportunity Center, decreasing the budget by \$105,000 and 1.0 FTE to establish a new position in the new small business office in the City Coordinator's department, and decreasing the contribution to Greater MSP by \$115,000 and using those funds to add 1.0 FTE to undertake business retention and expansion activities for small and medium sized businesses, and to work in partnership with the small business support team.

The City Council also directed staff to:

1. Directing the Departments of Community Planning & Economic Development on small business support team to report back to the Community Development & Regulatory Services Committee no later than March 31, 2017, submitting a report detailing their work plan, including how the team will effectively operate, how they will measure their success, regularly report progress, and what, if any, additional operational or budgetary impacts are contained within said work plan. All departments are to assist this team as requested,

working with their respective leadership, the City Council, and the Mayor's Office to advance these goals.

2. Directing the City Coordinator's Office to establish a small business workgroup that includes the staff team that has been working together as part of the City's Business Made Simple initiative as well as members of the City's Innovation Team. This workgroup shall review existing efforts, programs, and initiatives focused specifically on the small business community to determine how best to align and/or reorganize small business touch points across the enterprise. The workgroup will be co-chaired by Community Planning and Economic Development and the City Coordinator's Office in coordination with other City departments (particularly the City Attorney's Office) as needed. Specifically, staff is asked to build off the continuous improvement work that has already been initiated to streamline and simplify processes for the business community and:
  - Review programs and business lines within CPED to determine how best to reconfigure workflows [and/or business lines], along with aligning these efforts with the City's racial equity goals, in order to accelerate small business efforts. [This review to be facilitated by an external consultant with organizational design experience.];
  - Review and finalize work on an online portal for the business community;
  - Finalize development of business guides and supportive checklists for businesses;
  - Identify and address gaps in processes and service delivery, including the need for additional staff training and other strategies aimed at increasing alignment with the small business community;
  - Research best practices for innovative strategies such as business acceleration programs, development of a municipal design center, cluster-based small business development, creation of entrepreneurial incubator spaces, development of customer service express lanes for basic services, small business recognition programs, micro-lending programs, and others.

Staff is further directed to formalize an external small business advisory council to work alongside staff in this review, and to assist in developing recommendations aimed at increasing small business opportunities, resources, and areas of process improvement. The workgroup is charged with bringing forth a comprehensive report of their review and ensuring recommendations, including those put forward by the small business advisory council, along with any organizational and budgetary impacts or recommendations that stem from this review by no later than May 15, 2017.

The workgroup is directed to Review programs and business lines within CPED to determine how best to reconfigure workflows [and/or business lines], along with aligning these efforts with the City's racial equity goals, in order to accelerate small business efforts. This review to be facilitated by an external consultant with organizational design experience.

3. Report back to the City Council by March 1, 2017, with an analysis and recommendations to sustain the vitality of Minneapolis's downtown assets and to promote a long-term financial strategy to maintain these assets, as follows:
  - A staff committee, similar to FSAM, which is led by the City Coordinator that meets regularly to evaluate operational needs and recommend ongoing capital investments



that may occur outside of the typical budget process. Membership of the committee will include the directors of the Convention Center, Public Works, Community Planning and Economic Development, and Finance departments, as well as ex-officio representation from Downtown Council/Downtown Improvement District, Hennepin Theater Trust, and Meet Minneapolis.

- Provide an analysis of the condition, needs, estimated subsidy, and anticipated capital requirements to ensure the vitality and long-term utility of the City-owned assets.
- Develop a recommendation of a funding plan that examines the resources available in the Convention Center Fund, through the Sales and Entertainment Tax revenue and identify other appropriate revenue sources to provide capital and operating support to downtown assets. Downtown assets are generally defined as facilities or areas which the City owns, leases, contributes significant operating support to, or has a primary financing relationship with, including the Convention Center, Target Center, Peavey Plaza, and Commons.
- This funding plan would provide predictability in the use of Sales and Entertainment Tax for these assets. The plan would have an eye toward ensuring the investments will enhance revenues of the Sales Taxes, which increases returns to the General Fund.
- The committee will develop a 5-year recommended capital spending plan on an annual basis.

To formulate such a plan, before March 1, 2017, staff is directed to obtain input from City partners including but not limited to Meet Minneapolis, Downtown Council/DID, Green Minneapolis, and Hennepin Theater Trust.

## **Finance and Property Services**

*Mayor's Recommended Budget:* The Mayor recommended \$100,000 ongoing General Fund resources for an additional Financial Analyst dedicated to working with CPED(1.0 FTE) and ongoing \$60,000 from property services fund for increased security coverage for Public Service Center and City of Lakes building.

The Mayor also recommended the following one-time General Fund resources; \$50,000 for the participatory budget pilot, and \$500,000 to be directed to the Collaborative Safety Strategies.

*Council Adopted Budget:* The City Council amended the Mayor's recommendations by increasing the Finance and Property Services Department by \$100,000 on a one-time basis to be funded by the Police Special Revenue Fund; \$50,000 is to be spent in the Phillips West Neighborhood and \$50,000 in the Ventura Village Neighborhood for community public safety priorities. The resources should be expended with input from the community and neighborhood organizations.

The City Council also gave the following staff directions:

1. Amend budgets, schedules, and language changes relating to accounting and technical cost allocation adjustments, and program and capital/operating budget corrections.
2. Report to the Ways and Means Committee no later than the end of the second quarter of 2017 with potential scenarios for the City of Minneapolis to divest and stop doing business

with financial institutions that invest in the fossil fuel industry and in projects such as the Dakota Access Pipeline. The potential scenarios review shall include a series of options to meet the City of Minneapolis' banking needs including but not limited to exploring the possibility of establishing a municipal bank or participating in a publicly-owned banking operation.

3. Directing Finance and Property Services staff to:

- Monitor and report on an annual basis on the costs for the Vikings Stadium, its operation and management, and the adjacent parking raps and park; and
- Limit the ongoing City subsidy for operations and capital maintenance of the Viking Stadium to the amounts provided for in statute; and
- Per the staff direction of Sept. 11, 2015, report back to the Community Development and Regulatory Services Committee on the desirability and feasibility of reopening of the Park Use Agreement between the City and Minnesota Sports Facilities Authority (MSFA).

4. Provide options by June 30, 2017, to the Mayor for the 2018 budget for a minimum of \$50,000 for ongoing funding of culturally relevant community-based intervention and street outreach strategies to help the transgender, American Indian, and young women and girl victims of sex trafficking and commercial sexual exploitation.

5. Ensure that at least \$250,000 of the \$500,000 allocated for Collaborative Safety Strategies be directed towards work along West Broadway Ave in North Minneapolis. Those funds should be distributed to groups or organizations which have shown a long history of collaborative work along West Broadway and who bring together business and community members and who employ staff focused solely on the improvement and safety of West Broadway. Organizations which do not focus on West Broadway shall not be considered for this funding.

Finance and Property Services staff shall present the process for the disbursement of these funds to the Public Safety, Civil Rights and Emergency Management Committee by March 15, 2017, and these funds shall be distributed by June 16, 2017.

6. Reflect in the Five-Year Financial Direction the full ongoing cost of the small business support additional 1 FTE position that was created by shifting \$70,000 increased appropriation to the Communications Department as proposed in the Mayor's Recommended Budget to the City Coordinator's office.

7. In collaboration with the Office of City Clerk and City Coordinator's departments including Neighborhood and Community Relations, and Communications, develop a plan for a participatory budgeting program. In so doing, City staff will utilize input from community stakeholders and City advisory committees such as CLIC, NCEC, and cultural and community organizations.

Staff will report back to the Ways and Means Committee no later than June 10, 2017, with a plan for a participatory budgeting program. The program may include the following components:

- A best practices report of other cities' existing participatory budgeting process and those cities' metrics for evaluation of success of the program.

- Recommendations for the participatory budgeting process including expected number of participants, methodologies of voting, and organizing structure.
  - Methodologies for outreach to the City's 70 neighborhood organizations, cultural and community organizations, and under-represented groups and groups of residents who have not traditionally participated in City programs, including youth.
  - Recommended range dollar amounts and components of the budget, preferably one-time capital or operating expenditures that could be delegated to a participatory budget process.
  - Sample calendar of an annual participatory budgeting process.
  - Identification of other public, non-profit, and private partners that may be willing to provide resources for the participatory budgeting process.
  - Outline of City administrative dollars and potential funding sources for an annual participatory budgeting process.
8. Report back to the City Council by March 1, 2017, with an analysis and recommendations to sustain the vitality of Minneapolis's downtown assets and to promote a long-term financial strategy to maintain these assets, as follows:
- A staff committee, similar to FSAM, which is led by the City Coordinator that meets regularly to evaluate operational needs and recommend ongoing capital investments that may occur outside of the typical budget process. Membership of the committee will include the directors of the Convention Center, Public Works, Community Planning and Economic Development, and Finance departments, as well as ex-officio representation from Downtown Council/Downtown Improvement District, Hennepin Theater Trust, and Meet Minneapolis.
  - Provide an analysis of the condition, needs, estimated subsidy, and anticipated capital requirements to ensure the vitality and long-term utility of the City-owned assets.
  - Develop a recommendation of a funding plan that examines the resources available in the Convention Center Fund, through the Sales and Entertainment Tax revenue and identify other appropriate revenue sources to provide capital and operating support to downtown assets. Downtown assets are generally defined as facilities or areas which the City owns, leases, contributes significant operating support to, or has a primary financing relationship with, including the Convention Center, Target Center, Peavey Plaza, and Commons.
  - This funding plan would provide predictability in the use of Sales and Entertainment Tax for these assets. The plan would have an eye toward ensuring the investments will enhance revenues of the Sales Taxes, which increases returns to the General Fund.
  - The committee will develop a 5-year recommended capital spending plan on an annual basis.

To formulate such a plan, before March 1, 2017, staff is directed to obtain input from City partners including but not limited to Meet Minneapolis, Downtown Council/DID, Green Minneapolis, and Hennepin Theater Trust.

## Fire

*Mayor's Recommended Budget:* The Mayor recommended \$400,000 ongoing General Fund resources for hiring 5.0 additional full-time sworn firefighters, raising the total number of authorized sworn firefighters to 411. The Mayor recommended a reduction to the department's ongoing General Fund resources for overtime by \$200,000.

The Mayor also recommended \$200,000 one-time General Fund resources to supplement funding for alternative hiring and recruitment.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations and directed Fire Department to transfer on a one-time basis all 2016 unspent funds of \$42,000 for technical training and outreach to the Health Department for the Next Step hospital-based violence intervention program.

## Health

*Mayor's Recommended Budget:* The Mayor recommended additional ongoing General Fund appropriation of \$100,000 for young male sexual health outreach (1.0 FTE), \$165,000 for health inspectors (2.0 FTE), \$140,000 for Group Violence Intervention, and \$45,000 for Blueprint-Approved Institute youth violence prevention programs.

The Mayor also recommended one-time General Fund appropriations of \$110,000 for a Lead Risk Inspector (1.0 FTE), \$40,000 Youth Violence Prevention summer/fall community engagement, \$10,000 for Healthy Living, \$255,000 for the pollution reduction initiative, \$17,000 for the legacy pollution initiative, \$15,000 for the children's savings account program, \$30,000 for East Africans with disabilities, \$150,000 for Group Violence Intervention, \$60,000 for Inspiring Youth, and \$50,000 for programming for Somali youth. The Mayor also recommended an ongoing reduction of \$65,000 to support funding new initiatives.

*Council Adopted Budget:* The City Council amended the Mayor's recommendations on a one-time basis by increasing the budget by \$150,000 for programs related to domestic violence prevention, increasing the budget by \$25,000 for Next Step hospital based violence intervention, increasing the budget by \$50,000 for intervention and street outreach strategies to help transgender, American Indian, and young women and girl victims of sex trafficking and commercial sexual exploitation, decreasing the budget by \$100,000 and 1.0 FTE for Male Sexual Health Outreach.

The City Council directed the Neighborhood and Community Relations Department to transfer their 2016 end-of-year salary savings on a one-time basis not to exceed \$25,000 to the Health Department to augment the culturally relevant community-based intervention and street outreach strategies to help transgender, American Indian, and young women and girl victims of sex trafficking and commercial sexual exploitation.

The City Council also directed the Fire Department to transfer \$42,000 of their 2016 unspent funds for technical training to the Health Department for Next Step hospital based violence intervention.

## **Human Resources**

*Mayor's Recommended Budget:* The Mayor recommended \$122,000 ongoing General Fund resources for an additional 1.0 FTE in the Classification and Compensation unit, and also recommended reduction in department's ongoing General Fund resources by \$50,000.

The Mayor also recommended the following one-time General Fund resources: \$90,000 for Affordable Care Act Compliance and \$50,000 for Cultural Intelligence Training for employees.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

## **Information Technology**

*Mayor's Recommended Budget:* The Mayor recommended the following General Fund resources: \$100,000 for a Business Analyst for the Enterprise Land Management System (1.0 FTE), and \$155,000 for an additional ERP resource in Technology Application Support team (includes 1.0 FTE).

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

## **Intergovernmental Relations**

*Mayor's Recommended Budget:* The Mayor recommended no changes to this department's base program proposal.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations and directed the staff to:

1. Bring to the Intergovernmental Relations Committee an item related to City support for legislation creating an enforcement mechanism that will ensure that city and state stadium spending caps are honored.
2. In collaboration with Civil Rights and City Coordinator's departments including Neighborhood and Community Relations and Communications, work with community stakeholder organizations such as the Immigrant Law Center of Minnesota and others to clarify priority needs for immigrant community services and research potential additional financial and in-kind support from private and other public agency sources. Staff will report to the Intergovernmental Relations Committee with a proposed plan no later than March 31, 2017.

## **Internal Audit**

*Mayor's Recommended Budget:* The Mayor recommended \$104,000 ongoing General Fund resources for an Internal Audit Manager (includes 1.0 FTE).

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

## **Mayor**

*Mayor's Recommended Budget:* The Mayor recommended no changes to this department's base program proposal.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

## **Neighborhood and Community Relations**

*Mayor's Recommended Budget:* The Mayor recommended \$60,000 in one-time funding from the General Fund for Americans with Disabilities Act action plan, and \$20,000 in one-time funding for senior programming.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations and directed the staff to:

1. Collaborate with the Office of City Clerk and City Coordinator's departments including Finance and Property Services and Communications, to develop a plan for a participatory budgeting program. In so doing, City staff will utilize input from community stakeholders and City advisory committees such as CLIC, NCEC, and cultural and community organizations.

Staff will report back to the Ways and Means Committee no later than June 10, 2017, with a plan for a participatory budgeting program. The program may include the following components:

- A best practices report of other cities' existing participatory budgeting process and those cities' metrics for evaluation of success of the program.
  - Recommendations for the participatory budgeting process including expected number of participants, methodologies of voting, and organizing structure.
  - Methodologies for outreach to the City's 70 neighborhood organizations, cultural and community organizations, and under-represented groups and groups of residents who have not traditionally participated in City programs, including youth.
  - Recommended range dollar amounts and components of the budget, preferably one-time capital or operating expenditures that could be delegated to a participatory budget process.
  - Sample calendar of an annual participatory budgeting process.
  - Identification of other public, non-profit, and private partners that may be willing to provide resources for the participatory budgeting process.
  - Outline of City administrative dollars and potential funding sources for an annual participatory budgeting process.
2. Directing the Neighborhood and Community Relations Department to transfer their 2016 end-of-year salary savings on a one-time basis not to exceed \$25,000 to the Health Department to augment the culturally relevant community-based intervention and street outreach strategies to help transgender, American Indian, and young women and girl victims of sex trafficking and commercial sexual exploitation.
  3. In collaboration with City Coordinator's departments including Civil Rights, Intergovernmental Relations and Communications, work with community stakeholder organizations such as the Immigrant Law Center of Minnesota and others to clarify priority needs for immigrant community services and research potential additional financial and in-kind support from private and other public agency sources. Staff will report to the Intergovernmental Relations Committee with a proposed plan no later than March 31, 2017.

## **Police**

*Mayor's Recommended Budget:* The Mayor recommended the following ongoing General Fund resources; \$1,093,000 for hiring 20 part time (15.0 FTEs) Community Service Officers, \$325,000 to support body camera technology, \$115,000 for Precinct 1 increased parking cost, \$172,400 for increased uniform allowance, \$1,000,000 for training and classes that includes a 32 person cadet class and class of 22 recruits. The Mayor also recommended \$1,305,000 for adding 12.0 more officers for community policing and 3.0 officers for the mental-health co-responder pilot project, for a total of 15.0 new officers in 2017. This will raise the authorized strength of the Police Department to 877 next year.

The Mayor also recommended the following one-time General Fund resources; \$200,000 for pilot police/mental health co-responders model and \$10,000 for complaint process improvement at the Office of Police Conduct Review (OPCR).

### *Council Adopted Budget:*

The City Council amended the Mayor's recommendation on a one-time basis by increasing the Finance and Property Services Department by \$100,000 to be funded by the Police Special Revenue Fund; \$50,000 is to be spent in the Phillips West Neighborhood and \$50,000 in the Ventura Village Neighborhood for community public safety priorities. The resources should be expended with input from the community and neighborhood organizations.

The City Council also amended the Mayor's recommendation by \$117,033 and 1 FTE on a one-time basis for Sex Trafficking Grant from the Minnesota Department of Public Safety, Office of Justice programs to enhance the investigation and victim support for sex trafficking cases in Minnesota for one year commencing on January 1, 2017.

## **Public Works**

*Mayor's Recommended Budget:* Please see the divisional sections below for the Mayor's recommendation by division.

*Council Adopted Budget:* The City Council directed the Public Works staff to report back to the Transportation & Public Works Committee by September 1, 2017, on the environmental benefits, feasibility, reasonable exceptions, cost/benefit analysis, timeline, various alternatives, and a recommended approach to eliminating fossil fuel vehicles in the City. This work will inform the budgetary impact and potential additional requests or adjustment to the department's budget.

Please refer to the individual divisional sections for the Council's amendments to the Mayor's recommendation.

## **Administration**

*Mayor's Recommended Budget:* The Mayor recommended additional \$500,000 one-time General Fund resources for the Downtown East Commons Operating Reserve.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

## **Fleet Services**

*Mayor's Recommended Budget:* The Mayor recommended no changes to this department's base program proposal.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

## **Solid Waste and Recycling**

*Mayor's Recommended Budget:* The Mayor recommended no changes to this department's base program proposal.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

## **Surface Water and Sanitary Sewer – Sanitary Sewer**

*Mayor's Recommended Budget:* The Mayor Recommended \$47,400 in ongoing Non - General Fund resources for an Engineering Technician (includes 0.5 FTE) to be funded from utility revenue.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

## **Surface Water and Sanitary Sewer – Stormwater**

*Mayor's Recommended Budget:* The Mayor Recommended \$47,400 in ongoing Non - General Fund resources for an Engineering Technician (includes 0.5 FTE) to be funded from utility revenue.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

## **Traffic and Parking Services**

*Mayor's Recommended Budget:* The Mayor Recommended 2.0 FTEs in ongoing General Fund resources for the Traffic Management system to be funded within the base budget.

The Mayor also recommended additional \$325,000 one-time General Fund resources to accelerate the replacement of the City owned 30 foot street lights to LED technology.

*Council Adopted Budget:* The City Council amended the Mayor's recommendation on a one-time basis by decreasing the Public Works Department by \$150,000 from the accelerated LED Technology Program, and increasing the Health Department by \$150,000 to be allocated for programs related to domestic violence prevention with the goal of serving families that have experienced domestic violence prioritizing families with very young children, young adolescent males, and non-English speaking families.

The City Council also amended the Mayor's recommendation on a one-time basis by reallocating all 2016 unspent funds from the Fire Department's \$42,000 for technical training and outreach and decreasing the Public Works Department by \$25,000 from the accelerated LED technology program, and increasing the Health Department by \$67,000 for the Next Step hospital-based violence intervention program.



## **Transportation Maintenance and Repair**

*Mayor's Recommended Budget:* The Mayor recommended no changes to this department's base program proposal.

*Council Adopted Budget:* The City Council amended the Mayor's recommendation on a one-time basis by decreasing \$250,000 of new funding to Meet Minneapolis that was designated for enhanced target marketing and increasing the appropriation to the Public Works Department by \$250,000 to be dedicated to the Downtown Improvement District for community based policing strategies.

## **Transportation Planning and Engineering**

*Mayor's Recommended Budget:* The Mayor recommended no changes to this department's base program proposal.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

## **Transportation Planning and Programming**

*Mayor's Recommended Budget:* The Mayor recommended no changes to this department's base program proposal.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

## **Water Treatment and Distribution**

*Mayor's Recommended Budget:* The Mayor recommended no changes to this department's base program proposal.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

## **Regulatory Services**

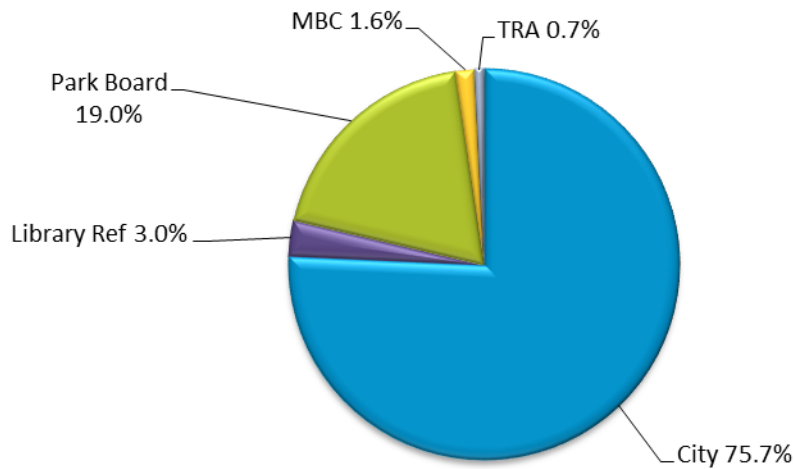
*Mayor's Recommended Budget:* The Mayor recommended an additional ongoing General Fund appropriation of \$198,000 (2.0 FTE) for Minneapolis Animal Care and Control positions, additional \$120,000 (2.0 FTE) for Code Compliance and Traffic Control positions. The Mayor also recommended a one-time general fund appropriation of \$375,000 in Code Compliance and Traffic Control to increase service hours. The Mayor also recommended an ongoing reduction of \$120,000 to the Regulatory Services budget to support funding new initiatives.

*Council Adopted Budget:* The City Council approved the Mayor's recommendations.

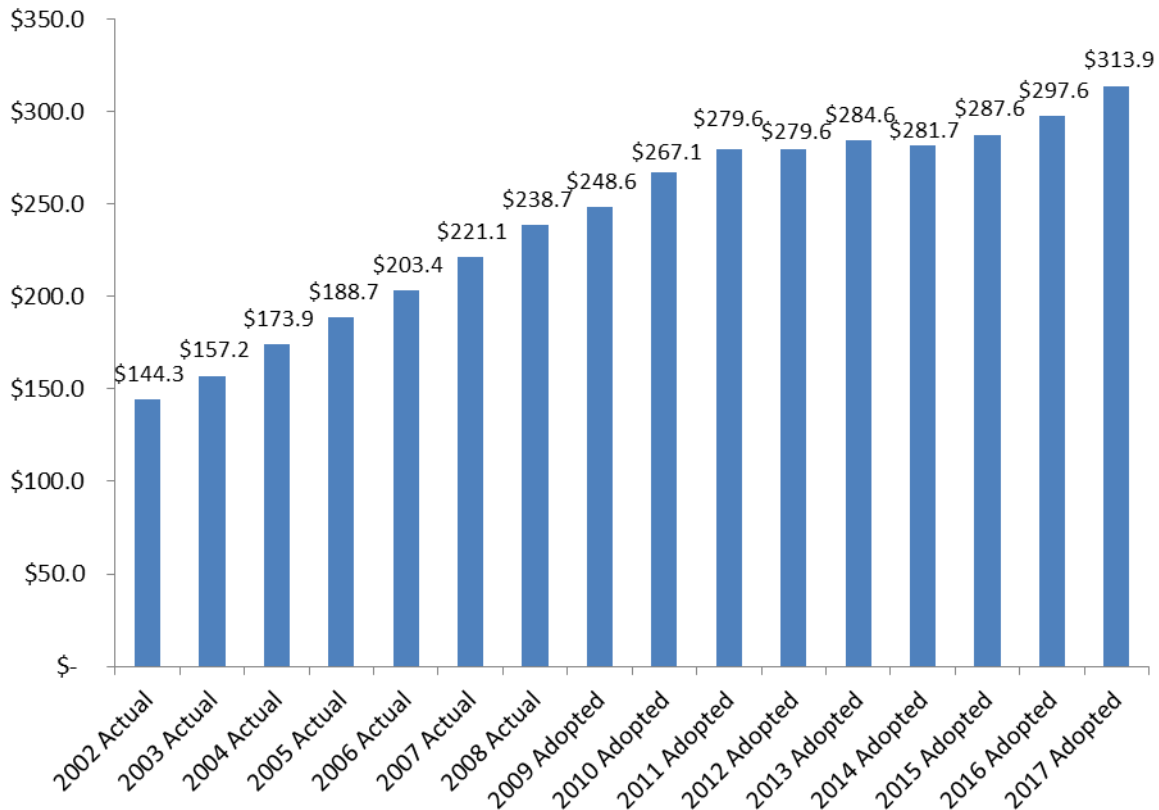
## **Property Tax Revenue**

The City's 2017 Council Adopted Budget includes an overall property tax levy of \$313.9 million. This levy reflects the combined total for the City, the Board of Estimate and Taxation, the Minneapolis Park and Recreation Board, and the Municipal Building Commission (MBC) levies, as well as the Library referendum levy which is a \$9.3 million market value based tax levy. The 2017 recommended levy is \$16.4 million more than the 2016 Council Adopted levy of \$297.6 million.

### Property Tax by Entity - \$313.9 Million



### Historical Property Tax Revenue by Year



### Property Taxes on Individual Properties

Several factors beyond the change in amount levied affect the annual change in property tax owed on a particular property. These factors include the tax base composition within property classifications, the tax rate of the jurisdiction, growth or decline in the value of other properties within the jurisdiction, properties placed in tax increment financing districts, improvements to a property, as well as other factors. Each of these variables may change on a yearly basis,

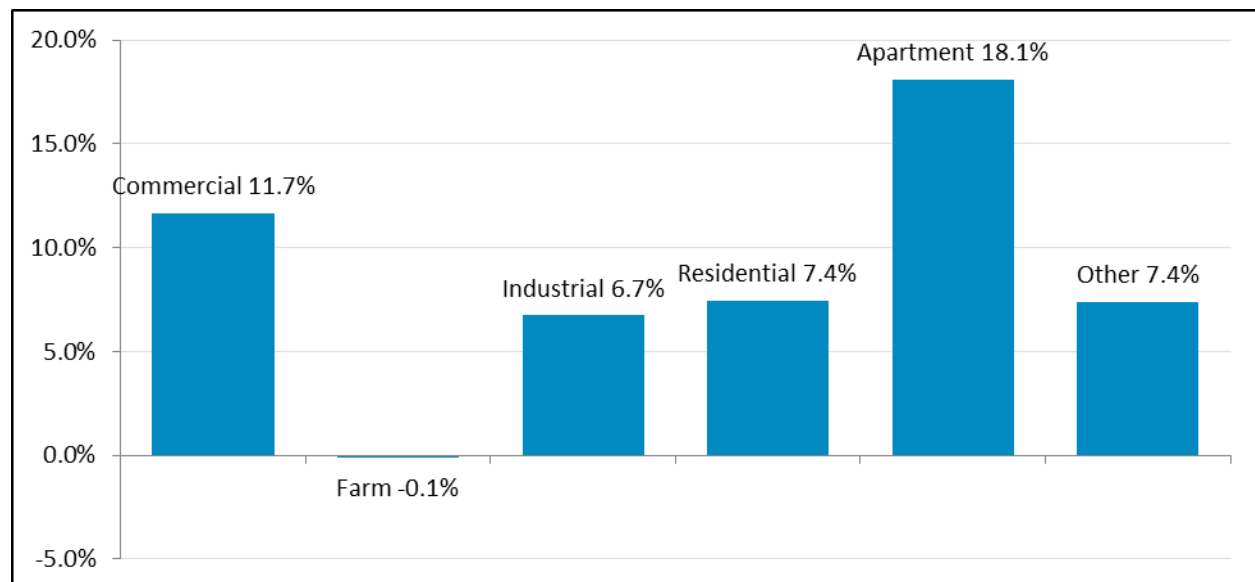
occasionally resulting in sizeable changes in the amounts of property taxes assessed to any one property.

### Property Market Values and Tax Base Highlights

The following table shows the estimated market values and corresponding tax capacity by property group as at December 5, 2016 assessment utilized for property taxes payable in 2017 based on preliminary numbers.

<b>2016 Assessment For Taxes Collected in 2017</b>				
<b>2017 Estimated</b>				
<b>Group</b>	<b>Market Value</b>	<b>% Total</b>	<b>Tax Capacity</b>	<b>% Total</b>
Commercial	8,469,151,400	19.4%	166,876,701	30.9%
Farm	1,523,000	0.0%	15,230	0.0%
Industrial	1,295,694,000	3.0%	25,561,064	4.7%
Residential	26,608,420,700	61.0%	262,809,231	48.6%
Apartment	7,196,357,800	16.5%	85,311,348	15.8%
Other	20,532,300	0.0%	272,880	0.1%
<b>Subtotal</b>	<b>43,591,679,200</b>	<b>100.0%</b>	<b>540,846,454</b>	<b>100.0%</b>

### Estimated Change in Tax Capacity by Property Group



### Change in Tax Capacity by Group

The following table provides the estimated changes in tax increment financing, fiscal disparities contribution, and fiscal disparities distribution for taxes payable in 2017 based on preliminary numbers from the City and County assessors and the Board of Estimate and Taxation:

<b>For Payable in 2017*</b>	
Real Estate Tax Capacity	540,846,454
Personal Property Tax Capacity	9,007,908
<b>Gross Tax Capacity</b>	<b>549,854,362</b>
- Less tax Increment	-42,759,495
- Less Fiscal Increment Value Captured	-5,424,771
- Less Fiscal Disparities Contribution	-62,272,973
+ Plus Fiscal Disparities Distribution	52,548,027
<b>Adjusted Net Tax Capacity</b>	<b>491,945,150</b>

\* Estimated market values are as of Dec 5, 2016.

<b>Change in Market Value for Taxes Payable Year-Over-Year</b>				
<b>Taxes Payable in:</b>	<b>Commercial/Industrial</b>		<b>Residential</b>	<b>Apartment</b>
2006	11.4%		12.9%	6.8%
2007	11.8%		6.4%	-1.2%
2008	10.4%		2.6%	3.3%
2009	1.3%		-3.1%	1.8%
2010	-0.1%		-3.6%	0.5%
2011	-9.8%		-4.4%	-6.7%
2012	-4.5%		-9.1%	-5.2%
2013	0.5%		-5.4%	2.8%
2014	0.6%		0.7%	8.5%
2015	3.3%		8.7%	27.8%
2016	16.4%	-10.5%	6.1%	29.8%
2017	11.5%	6.6%	6.6%	18.2%

*\*Industrial property is now reported separately from commercial property.*

*Source: City Assessor's Office and Board of Estimate and Taxation*

<b>2017 Council Adopted Property Tax Levies</b>				
<b>Fund</b>	<b>2016</b>	<b>2017</b>	<b>% Change From 2016</b>	<b>\$ Change From 2016</b>
General Fund	160,446,000	176,851,895	10.2%	16,405,895
Minneapolis Park Board - General	52,583,000	58,013,000	10.3%	5,430,000
Minneapolis Park Board - Tree	1,732,000	1,732,000	0.0%	0
Bond Redemption	37,800,000	37,800,000	0.0%	0
595 (HRA) Levy	129,000		-100.0%	-129,000
Permanent Improvement	1,000,000	500,000	-50.0%	-500,000
Pensions (MERF, MPRA, MFRA)	27,310,000	22,310,000	-18.3%	-5,000,000
Board of Estimate and Taxation	170,000	180,000	5.9%	10,000
Municipal Building Commission	4,810,000	4,954,300	3.0%	144,300
Teachers' Retirement	2,300,000	2,300,000	0.0%	0
Library Referendum Debt Service	9,300,000	9,300,000	0.0%	0
<b>Total</b>	<b>297,580,000</b>	<b>313,941,195</b>	<b>5.5%</b>	<b>16,361,195</b>