

**City of Minneapolis  
2020 Budget**

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# City of Minneapolis 2020 Budget

## How to Use This Document

The budget book contains some of the best sources of information on governmental activities as well as key financial information for policy makers and managers. The highlights below will guide the reader through the various sections of the budget document.

<b>Table of Contents</b>	The table of contents allows the user to pinpoint the page of a particular part of the City's budget.
<b>Introduction and Background Information</b>	<p>This section contains a community profile of the City of Minneapolis, including an overview of the City's history, economy, population, and attractions. The section also includes lists of the City's elected officials, department and agency heads, the City's budget principles, and a citywide organization chart. A map of Minneapolis Communities and Neighborhoods and descriptions of the City's form of government are included in this section, as well as a chronology of financial decision making for the City.</p> <p>Descriptions of the major City funds are included in this section, including a bird's - eye view of the relationship between fund types, revenue sources, expenditures and departments/boards.</p>
<b>Financial Overview</b>	<p>This section summarizes the key decisions and financial issues addressed in the budget. It includes key charts and graphs which depict the various portions of the City's budget and key revenue trends. A chart of the Minneapolis property tax levy recommendation appears in this section.</p> <p>This section also contains a summary of major decisions in the budget, and enterprise level challenges.</p>
<b>Strategic Planning</b>	The strategic planning section lists the set of City goals and strategic directions. The citywide strategic plan provides clear direction for departments' business planning efforts. Annual budget process, dates for this year's budget process, and a description of integration of key processes follow. The City's financial decision calendar displays the annual flow of these processes. Links between the City goals and department five-year business plan goals are described in this section.
<b>Financial Policies</b>	This section presents the major financial policies adopted by the City Council and Mayor.
<b>Financial Plans</b>	<p>Financial plans for the City's major funds and business lines are found in this section. The five-year financial direction begins this section. A summary of the demands on the property tax levy is included.</p> <p>For fund level plans, the budget, a three-year forecast and two years of actual expenditures are displayed on the financial page. These plans include narratives which summarize what operations are run in the fund, historical financial performance, and current year expenses, revenues, transfers and debt service.</p>
<b>Operating Departments</b>	<p>This section provides the most detail on a department-by-department basis, including departments' financial summaries. These summaries include expenditures by program, type (<i>i.e.</i> salaries, benefits, contractual services and operating expenses) and fund; the department's revenue estimates; and positions.</p> <p>Narrative summaries for each department, including primary businesses and program descriptions are included. A brief financial overview of the department is prepared by finance staff. Department organizational charts are included in this section.</p>

<b>Capital Program</b>	<p>This section outlines the capital program by funding source and in total. A narrative summarizes the program and presents operating cost impacts as described by applicants for the funds. Information about the City's debt - the legal debt margin, outstanding debt, amortization of the debt, and the bond redemption levy - is included. A separate table of contents and glossary are included for this section.</p> <p>The program is also summarized by the commission, board or department which submitted the request along with each major program. A five-year total of the capital program and its allocations are included. A presentation by amount requested by the department/agency, the capital long range improvement committee recommendation, the Mayor's recommend budget, and the adopted budget follows.</p>
<b>Independent Boards</b>	<p>This section provides information in a format similar to the City Council operating departments for independent boards. The amounts included are generally those most recently approved by the board of the organization.</p>
<b>Financial Schedules</b>	<p>These schedules summarize interfund transactions, revenues by major category, expenditures by fund and agency, the community development block grant program, community planning and economic development program allocations, and positions by department, charges for technology, fleet, property services, rent, and general fund overhead costs by department, all referenced in the appropriation resolutions.</p>
<b>Glossary</b>	<p>A glossary is included for key financial and City terms. A more detailed glossary is available on the City of Minneapolis website. For more detail please reference the Glossary section of the City Council's Policies and Procedures page.</p>
<b>Resolution</b>	<p>The Council-Adopted Budget Resolution that outlines Council action on the Mayor's Recommended Budget is included for reference.</p>

# City of Minneapolis 2020 Budget

## Elected and Public Officials

### **Mayor**

Jacob Frey

### **City Council**

Lisa Bender, President	10th Ward
Andrea Jenkins, Vice President	8th Ward
Kevin Reich	1st Ward
Cam Gordon	2nd Ward
Steve Fletcher	3rd Ward
Phillipe Cunningham	4th Ward
Jeremiah Ellison	5th Ward
Abdi Warsame	6th Ward
Lisa Goodman	7th Ward
Alondra Cano	9th Ward
Jeremy Schroeder	11th Ward
Andrew Johnson	12th Ward
Linea Palmisano	13th Ward

### **Board of Estimate and Taxation**

Jacob Frey	Mayor
Lisa Bender	City Council President
Abdi Warsame	Chair, City Council Ways & Means Committee
Carol Becker, Vice President	Elected Member
Brad Bourn	President, Park Board
David Wheeler, President	Elected Member

### **Minneapolis Park and Recreation Board**

Brad Bourn, President	Commissioner District 6
AK Hassan, Vice President	Commissioner District 3
Chris Meyer	Commissioner District 1
Kale Severson	Commissioner District 2
Jono Cowgill	Commissioner District 4
Stephanie Musich	Commissioner District 5
Meg Forney	Commissioner At Large
Londel French	Commissioner At Large
Latrisha Vetaw	Commissioner At Large

### ***Charter Department Heads / Assistant City Coordinators***

Mark Ruff	Chief Finance Officer
Beth Cousins	Interim Chief Information Officer
Patrick Todd	City Assessor
Susan Segal	City Attorney
Casey Carl	City Clerk
Nuria Rivera-Vandermyde	City Coordinator
Velma Korbel	Civil Rights Director
Greta Bergstrom	Communications Director
David Frank	Community Planning and Economic Development Director
Jeff Johnson	Convention Center, Director
John Fruetel	Fire Chief
Gretchen Musicant	Health Commissioner
Patience Ferguson	Chief Human Resources Officer
Gene Ranieri	Intergovernmental Relations Director
Ginger Bigbie	Director of Internal Audit
David Rubedor	Neighborhood and Community Relations Director
Kim Keller	Director of Regulatory Services
Medaria Arradondo	Police Chief
Robin Hutcheson	Public Works Director

### ***Independent Boards/Agencies***

Tracey Scott	Interim Public Housing Authority Executive Director
Al Bangoura	Minneapolis Park and Recreation Superintendent

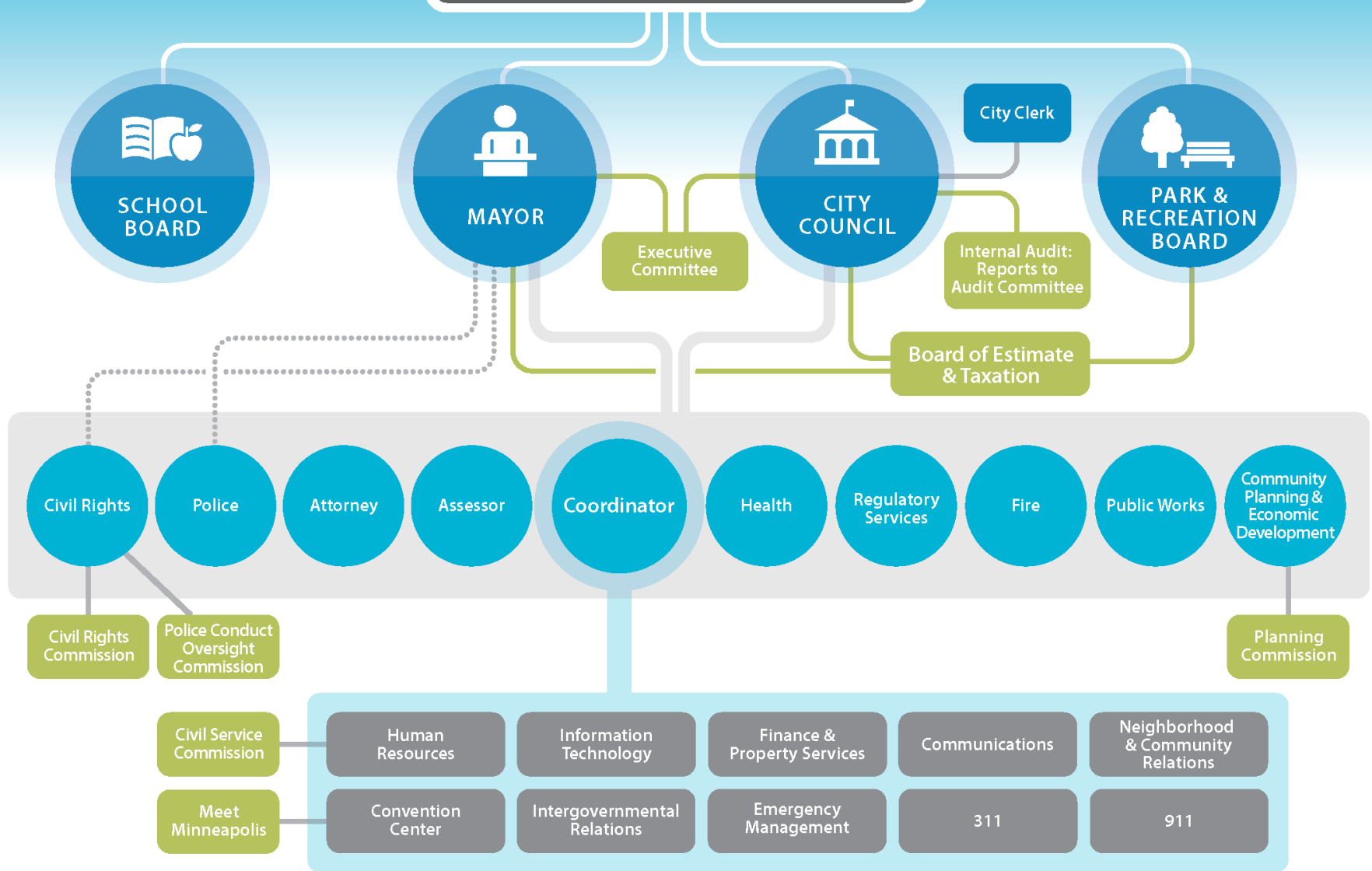
# City of Minneapolis 2020 Budget

## Budget Principles

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- 1. Secure the City's long-term financial health.**
  - Plan budgets based on ten-year outlook.
  - Balance budgets across all funds.
  
- 2. Live within our means.**
  - Adopt a revenue and debt policy before making spending decisions.
  - Adopt consistent budget policies across all City government units including independent boards.
  
- 3. Challenge assumptions - nothing is off the table.**
  - Development agency resources are City resources.
  - Unexpected revenue sources go through the same budget process as other revenue.
  - While some functions may be identified as core services, they will be scrutinized for efficiencies like anything else.
  
- 4. Provide choices and competition.**
  - Departments will provide business plans that include feasible budget options to policymakers.
  - Elected officials will make strategic resource decisions, not across-the-board cuts.
  - Individual projects in a particular area must not be considered for funding independently of other projects.
  
- 5. Build in collaborative and transparent decision-making.**
  - Mayor will involve Council Members and independent agencies and boards in the development of the budget. Employee suggestions and the citizen survey will also be used.
  
- 6. Protect core service delivery by avoiding duplication - both internal and external.**
  - Between different City departments and agencies,
  - With the county, state, independent boards, or other levels of government,
  - With non-profits or the private sector and
  - Consolidation or realignment of critical functions is an option.
  
- 7. Demand accountability.**
  - Departments are expected to produce measurable outcomes (x dollars = y level of service). Failure to produce measurements will not result in escape from budget cuts.
  - Department heads must manage to budget.

RESIDENTS OF MINNEAPOLIS



# City of Minneapolis 2020 Budget

## Background Information

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### COMMUNITY PROFILE

Minneapolis combines the Dakota word for water ("minne") with the Greek word for city ("polis"), a fitting name for the City with 22 of Minnesota's 12,000+ lakes. Minneapolis is renowned for being an attractive and livable city combining the best of urban life with a strong sense of neighborhood community. Residents enjoy access to jobs, a variety of housing, quality education, exciting cultural and recreational opportunities in beautiful natural surroundings.



#### Location

Minneapolis is the largest city in Minnesota and the center of finance, industry, trade and transportation for the Upper Midwest. At 44.58 degrees north latitude and 93.15 degrees west longitude, Minneapolis is 59 square miles (153 square kilometers), including 3.6 square miles (9.4 square kilometers) of inland water. It drapes along the banks of the nation's largest river, the Mississippi.



#### Climate

Minneapolis has an average summer temperature of 70 degrees F and an average winter temperature of 16 degrees F<sup>1</sup>. Minneapolis has four distinct seasons, with moderate spring and fall weather. The abundance of lakes and trees serve as natural air conditioners in the Summer.

### SOCIAL

#### History

Present-day Minneapolis was Dakota homeland until 1805 when new treaties increased the encroachment by Euro-American settlers into the area. By 1851, a treaty opened the west side of the Mississippi River to settlement resulting in a relocation of the Dakota people.

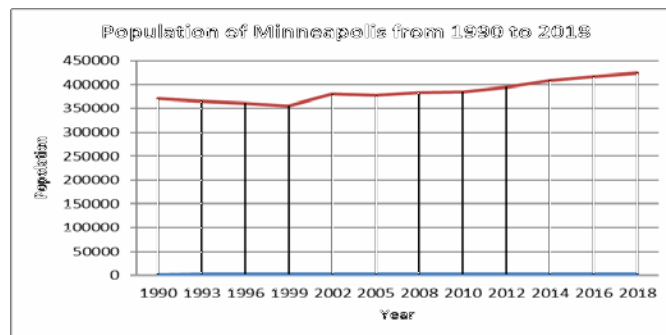
Early settlers, looking to utilize the river for transportation and power, built home and businesses along both sides of the Mississippi near St. Anthony Falls resulting in the development of two separate villages, Minneapolis and St. Anthony. In 1855 a suspension bridge was constructed to physically link the two and in 1872 Minneapolis and St. Anthony were united to form one city by the State Territorial Legislature.

While the riverfront business industries included millwork, paper, wool, and machinery -lumber and flour milling became the primary economic drivers. The flour milling industry particularly contributed to the growth of Minneapolis as a regional center of commerce by attracting new immigrants and residents and by creating an appealing location for other businesses to thrive. Some of Minneapolis' industries can trace their roots to the boom of the lumber and flour industries.

<sup>1</sup> Source: Minnesota DNR, [www.dnr.state.mn.us/faq/mnfacts/climate.html](http://www.dnr.state.mn.us/faq/mnfacts/climate.html)



The United States Census Bureau estimated the population of Minneapolis to be 424,403 residents<sup>2</sup> as of July 1, 2018. This means that the population of Minneapolis grew by about 11.2% between 2010 and 2018. According to the same bureau<sup>3</sup>, men and women each make up approximately 50 percent of the population. Children, youth under 18, and seniors aged 65 and above make up 6.7 percent and 19.9 percent, and 9.2 percent of the population respectively. African Americans comprise 18.9 percent of the population, and Hispanic Americans make up 9.8 percent of the population. People of American Indian and Alaska Native descent comprise 1.2 percent of the population, and Asian Americans make up 6.0 percent of the population. People of two or more races make up 4.9 percent of the total population<sup>4</sup>.



## ECONOMICS

### Economy

In the early years, Minneapolis' economy was based on a booming lumber industry and the processing of Minnesota grain with the tremendous power-generating capabilities of St. Anthony Falls. Large flour mills along the river evolved into the international corporations of Pillsbury, Washburn Crosby (General Mills) and Cargill. In 2018, the ten largest Fortune 500 companies headquartered in the metro area are as follows<sup>5</sup>:

Company Name	Fortune 500 Ranking	Revenues \$ Billions
United Health Group	6	\$226.2
Target	39	\$75.4
Best Buy	74	\$42.9
3M	95	\$32.8
CHS	97	\$32.7
U.S. Bancorp	117	\$25.8
C.H. Robinson	185	\$16.6
General Mills	200	\$15.7
SuperValu	201	\$15.7
Land O'Lakes	212	\$14.9

<sup>2</sup> Source : U.S. Census Bureau 2018, <https://www.census.gov/quickfacts/minneapoliscityminnesota>

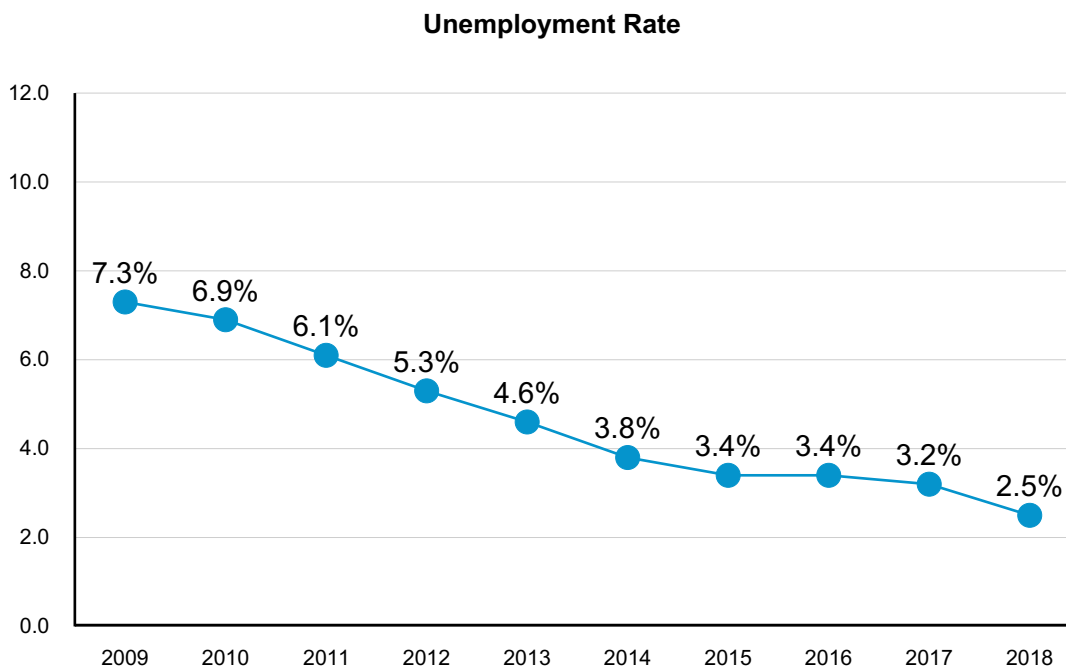
<sup>3</sup> Source : U.S. Census Bureau 2018, <https://www.census.gov/quickfacts/fact/table/minneapoliscityminnesota,MN/PST045218>

<sup>4</sup> Source: U.S. Census Bureau 2018 <https://www.census.gov/quickfacts/minneapoliscityminnesota>

<sup>5</sup> Source: Fortune 500, <https://fortune.com/fortune500/2019/search/?hqstate=MN>

As of 2017, the city’s largest employment sectors were health care and social assistance (19 percent), professional and technical assistance (12 percent), educational service (10 percent), finance and insurance (10 percent), and accommodation and food service (9 percent)<sup>6</sup>. Minneapolis- Saint Paul area is the home of numerous accredited colleges and universities offering wide choice of education programs. The city’s highly educated workforce continues to be a driving force of a strong economy. Some of the accredited institutions located within the metropolitan area with high student enrollment includes University of Minnesota - Twin Cities, Walden University, Capella University, and University of St. Thomas. The University of Minnesota’s highly acclaimed medical school and the City’s seven hospitals have made Minneapolis a leader in the medical field.

Since 2009, the city’s unemployment rate has been falling as shown in the graph below<sup>7</sup>:



## THRIVING CITY

### Neighborhoods

Minneapolis has 87 neighborhoods offering 194,633 residential housing units according to Minneapolis Assessors Office. The city is well known for its socially active residents who have engaged in partnerships with government and business to improve neighborhoods and create economic opportunities. The city shares the nation’s current challenge to increase the number of affordable housing units<sup>8</sup>.



<sup>6</sup> Source: MN Department of Employment & Development, <https://apps.deed.state.mn.us/lmi/laus/Results.aspx?geog=2705053245&adjusted=0&periodtype=03&resultset=3&startyear=2010&endyear=2019>

<sup>7</sup> Source: <http://www.minneapolismn.gov/residents/neighborhoods/index.htm>

## **Downtown**

Minneapolis downtown is home to offices, retail, parks, hotels, housing, hotels, and corporate headquarters. The vibrancy of downtown is spread throughout the city center, Hennepin Avenue hosts a concentration of theaters and entertainment, Nicollet Mall is the recently renovated arterial center of downtown, and along the river parks and history abound. Buildings in downtown Minneapolis are connected by a system of glass-enclosed bridges, the skyways, which help to keep activity moving during the cold Minneapolis winters.



## **The Arts**

Minneapolis is a city infused with creative energy. From internationally recognized arts organizations (such as the Guthrie Theatre, Walker Art Center and the Minneapolis Arts Institute) to community driven cultural groups that transform neighborhoods (such as Juxtaposition Arts and the Native American Community Development Institute), arts and culture are a critical element of what makes Minneapolis vibrant. While cultural offerings improve quality of life, creative enterprises also make important contributions to the city's local economy. Minneapolis is the arts and cultural powerhouse for the State as measured by the number of creative workers, (21,000 jobs) and other economic outputs. Since 2006, the number of creative jobs in Minneapolis has grown by 10%, a larger increase than overall job growth of 7.2%. In 2014, revenues in the nonprofit and for-profit arts and creative industries were \$285 million and \$4.5 billion respectively establishing Minneapolis as a national leader in economic creative vitality. On the right is an artwork in the recently upgraded Nicollet Mall.

Photo by Blessing Hancock



## **Education**

The city offers several vocational training and specialty schools. The main campus of the University of Minnesota sits on the banks of the Mississippi just minutes from downtown. It is a major land-grant research institution with a long tradition of community and public service, and it ranks among the top 20 universities in the U.S. It is also one of the largest. In addition to the University of Minnesota, other institutions of higher education include Minneapolis Community and Technical College, Dunwoody Institute, Minneapolis College of Art and Design, Augsburg College, Metropolitan State University, the University of Saint Thomas, St. Mary's University, the College of Saint Catherine and Capella University.

## **Sports and Outdoor Recreation**

Many major league teams call Minnesota home. Fans can watch Major League Baseball's Minnesota Twins

in action at Target Field, located in the Warehouse District of downtown Minneapolis. US Bank Stadium, home to the National Football League's Minnesota Vikings, opened in 2016. The state of the art facility holds seating capacity of 65,000 fans (expandable to 73,000). The Minnesota Timberwolves of the National Basketball Association and the national champion Minnesota Lynx of the Women's National Basketball Association play downtown in Target Center. Minnesota's National Hockey League team, the Wild, play in Saint Paul. And, Minneapolis has the capacity to host large events of all kinds at the City's convention center.

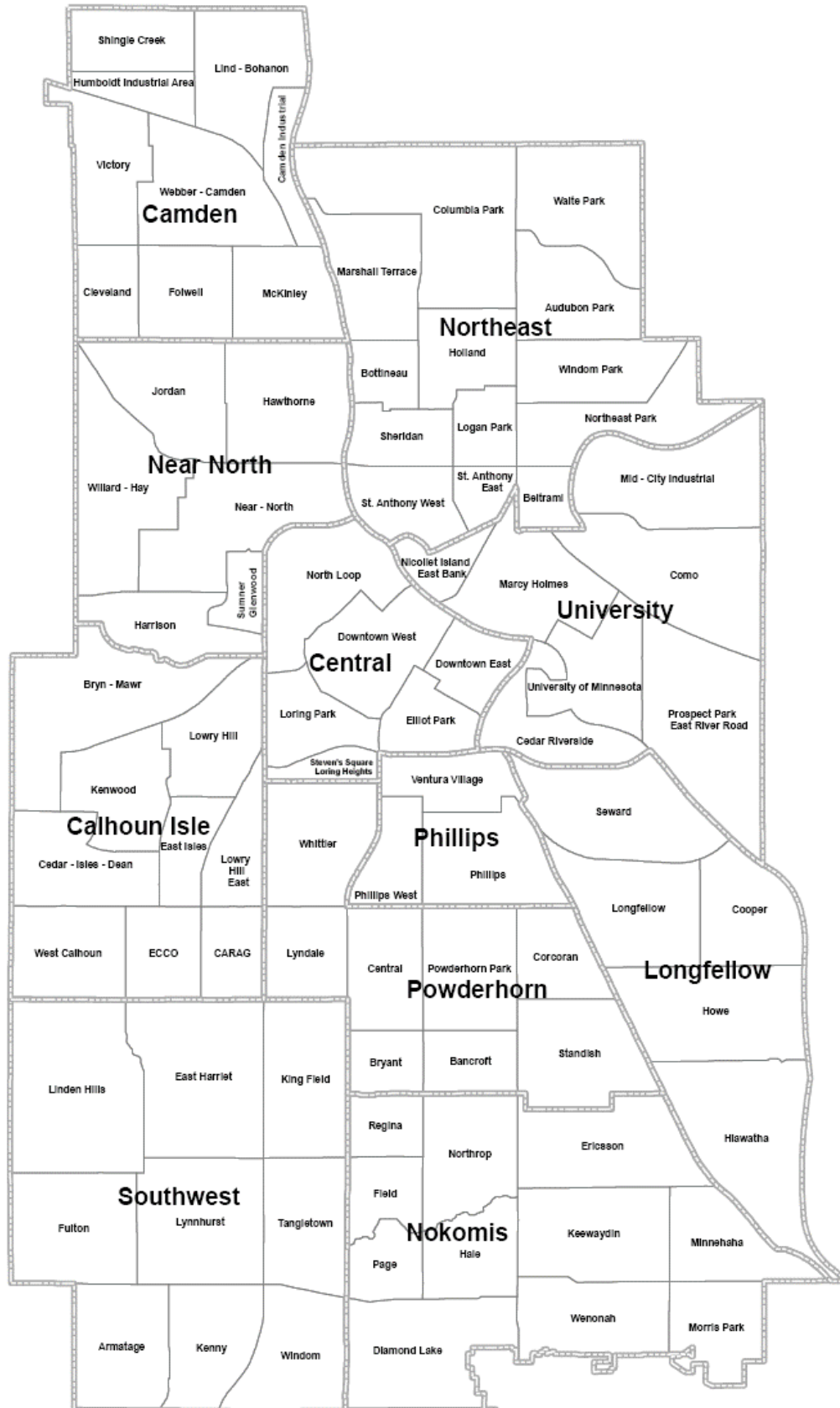


Minneapolis was honored to host Super Bowl LII in February of 2018, and to host the 2019 NCAA Mens Final Four basketball championship, and other national sporting events over the coming years.

Minneapolis residents not only watch sports, they also participate actively. Playing in summer softball leagues, golfing, jogging, swimming, playing tennis, biking, in-line skating, and sailing in the city's lakes are favorite pastimes.

The City's Park and Recreation Board maintains 87 miles of walking and biking paths. The Park Board also maintains sports fields, outdoor ice rinks, tennis courts, golf courses and supervised beaches. In the winter, residents enjoy ice skating, ice fishing, skiing and ice sailing. Early in Minneapolis' development, the land around five large lakes was dedicated to the public as parkland. With one acre of parkland for every 60 residents, outdoor recreation is an important part of life, and it is estimated that a City park is no more than eight blocks from every home.

# MINNEAPOLIS COMMUNITIES AND NEIGHBORHOODS



Generated by the City of Minneapolis CPED Department, Planning Division

# City of Minneapolis 2020 Budget

## Form of Government

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The City is a municipal corporation governed by a Mayor-Council form of government. It was incorporated in 1867 and adopted a Charter on November 2, 1920. Thirteen City Council Members from individual wards and the Mayor are elected for terms of four years. There is no term limit on these positions. The Mayor and City Council are jointly responsible for the adoption of the annual budget and a five-year capital improvement program. As required by Charter, the Mayor is responsible for preparing an annual operating and capital budget recommendation for the City Council's consideration. The Mayor has veto power, which the Council may override with a vote of nine members.

The City Finance Officer is charged with maintaining and supervising the various accounts and funds of the City as well as several boards and commissions. In addition, the city budget director is charged with assisting the Mayor, City Council and City departments in preparing the City's annual capital and operating budget. The City Finance Officer reports to the City Coordinator, who is appointed by the Mayor and serves as Chief Administrative Officer of the City.

This annual budget report for the City includes organizations for which the primary government is financially accountable and for which the nature and significance of their relationships with the primary government are such that exclusion could cause the City's budget report to be misleading or incomplete. Below is a summary of the organizations reflected in the City's annual budget report, in addition to the primary government.

### **Blended component units**

The following component units have been presented as blended component units because the component unit's governing body is substantially the same as the governing body of the City, or the component unit provides services almost entirely to the primary government.

- **Board of Estimate and Taxation.** The Board of Estimate and Taxation (BET) is established under Article V of the City Charter. It is composed of six members, two of whom are elected by voters of the City. The Mayor or the Mayor's appointee, the President of the City Council and the Chair of the City Council's Ways and Means/Budget Committee are ex-officio members of the Board. The Minneapolis Park and Recreation Board annually selects one of its members to serve on the BET. By action of the City Council, or such other governing board of a department requesting the sale of bonds, the BET may vote to incur indebtedness and issue and sell bonds and pledge the full faith and credit of the City for payment of principal and interest. The BET also establishes the maximum property tax levies for most City funds.

### **Discretely presented component units**

The following organization is legally separate from the City, but is included in the City's annual budget report and annual financial reports because the primary government is financially accountable.

- **Minneapolis Park and Recreation Board.** The Minneapolis Park and Recreation Board was established according to Article VI of the City Charter. The nine-member board is elected by the voters of the City and is responsible for developing and maintaining parkland and parkways, as well as planting and maintaining the City's boulevard trees. The Mayor recommends the tax levies and budget for the Park Board, and the City Council and Mayor approve the allocations of local government aid from the state for Park Board operations. All Park Board actions are submitted to the Mayor, and a mayoral veto may be overridden by a vote of two-thirds of the members of the Park Board. The Board of Estimate and

Taxation approves the maximum property tax levy for the Park Board, and the full faith and credit of the City secure debt issued for Park Board projects. The City Finance Officer acts as Treasurer of the Park Board.

- **Municipal Building Commission.** The Municipal Building Commission (MBC) is an organization established January 4, 1904, by the State of Minnesota, to operate and maintain the Minneapolis City Hall/Hennepin County Court House Building, which was built pursuant to Chapter 395 of the Special Laws of 1887. The four commissioners are the Chairman of the Hennepin County Board of Commissioners, the Mayor of the City of Minneapolis, an appointee of the Hennepin County Board and an appointee of the Minneapolis City Council. The Mayor recommends the tax levy and budget for the City's share of the MBC's operations, and the City Council and Mayor approve the allocation of state local governmental aid to the MBC.

### Related organizations

The City's officials are also responsible for appointing members of the boards of other organizations, but the City's accountability for these organizations ends at making the appointments. The financial information for these organizations is not included in detail in this report.

- **Meet Minneapolis.** Greater Minneapolis Convention and Visitors Association was incorporated on July 29, 1987. Greater Minneapolis Convention and Visitors Association (d.b.a. Meet Minneapolis) and its subsidiary, Internet Destination Sales System, Inc. (hereinafter collectively the "Association") comprise the reposting entity for Meet Minneapolis. The Association was organized to promote the City of Minneapolis (the City) as a major destination for conventions and visitor travel, and to achieve maximum utilization of the Minneapolis Convention Center. Toward this purpose, the Association receives funding through annual contracts with the City and the state of Minnesota. The Association is a nonprofit corporation under Section 501 (c) (6) of the Internal Revenue Code. Management also has no operational responsibility over Meet Minneapolis. It is this criterion that results in Meet Minneapolis being reported as a discretely presented component unit. Complete financial statements for Meet Minneapolis and Subsidiary can be obtained from Meet Minneapolis at 250 Marquette Avenue South, Suite 1300, Minneapolis, Minnesota 55401.
- **Metropolitan Sports Facilities Authority.** On May 14, 2012 Governor Mark Dayton signed into law a stadium bill which provides for construction and operation of a new National Football League stadium to be located on the Metrodome site. The bill established a new Minnesota Sports Facilities Authority (MSFA) and required that members be appointed within 30 days, the bill also required the Metropolitan Sports Facilities Commission (MSFC) transfer its assets, liabilities, and obligations to the MSFA within 90 days and then abolish the MFSC. The City is obligated to provide funding to build and maintain the new stadium. The MSFA is charged with the design, construction and operation of the new multi-purpose stadium. The MSFA consists of five members. Three authority members, including the chair, are appointed by the governor. Two authority members are appointed by the City of Minneapolis. Complete financial statements for the MFSA can be obtained from the Minnesota Sports Facilities Authority at 900 South Fifth Street, Minneapolis, Minnesota, 55415-1903.
- **Minneapolis Public Housing Authority.** The Minneapolis Public Housing Authority (MPHA) is the public agency responsible for administering public housing and Section 8 rental assistance programs for eligible individuals and families in Minneapolis. A nine- member Board of Commissioners governs MPHA. The Mayor of Minneapolis appoints the Board Chairperson, and four Commissioners (one of whom must be a public housing family- development resident) are appointed by the City Council. The mission of the MPHA is to provide well-managed, high-quality housing for eligible families and individuals; to increase the supply of affordable rental housing; and to assist public housing residents in realizing goals of economic independence and self-sufficiency.



- **Minneapolis Telecommunications Network.** The Minneapolis Telecommunications Network (MTN) is a non-profit corporation organized by the City in 1983 under Minnesota Statutes, Chapter 317. Minneapolis Telecommunications Network provides public access media programming to residents of the City as well as providing media production training. Support for MTN comes from Public, Education, and Government (PEG) fees collected as part of agreements between the City and cable service providers. These agreements require cable companies to provide support for public, educational, and government access TV channels. The City Council and Mayor appoint the nine members of the board. There are up to three ex-officio members representing the City of Minneapolis, Comcast Cable, and the Minneapolis Public Schools. Complete financial statements for the MTN can be obtained from the Minneapolis Telecommunications Network at 1620 Central Avenue Suite 175, Minneapolis, Minnesota, 55413-1674.

### Joint ventures

The City is a participant in several joint ventures in which it retains an ongoing financial interest or an ongoing financial responsibility. Two of these joint ventures are reflected in the annual budget report for the City: Minneapolis Neighborhood Revitalization Board and Minneapolis Youth Coordinating Board.

- **Minneapolis/Saint Paul Housing Finance Board.** The Minneapolis/Saint Paul Housing Finance Board was established in the early 1980s, in accordance with a Joint Powers Agreement entered into between the Housing and Redevelopment Authority of the City of Saint Paul and the Community Planning and Economic Development Department, and accepted by the Cities of Minneapolis and Saint Paul under Minnesota law. The Community Planning and Economic Development Department's oversight responsibility of the Board is limited to its governing body's ability to appoint only three of the six members of the Board. The territorial jurisdiction of the Board extends beyond the corporate limits of the City of Minneapolis.
- **Minneapolis Youth Coordinating Board.** The Minneapolis Youth Coordinating Board (YCB) was established in the mid-1980s, in accordance with a Joint Powers Agreement entered into between the Hennepin County Board of Commissioners, the Board of Directors of Special School District No. 1, the Park Board, the Mayor and the City Council under authority of State of Minnesota laws. The Board consists of 10 members as follows: the Mayor of the City of Minneapolis, two Hennepin County Commissioners, the Hennepin County Attorney, two Minneapolis School Board members, two Minneapolis City Council members, a Hennepin County District Court Judge, and one member from the Minneapolis Park and Recreation Board.
- **Minneapolis - Duluth / Superior Passenger Rail Alliance.** The Minneapolis - Duluth/Superior Passenger Rail Alliance was established under a joint powers agreement between Anoka County, Hennepin County, Isanti County, Pine County, St. Louis and Lakes Counties Regional Railroad Authority, City of Duluth, City of Minneapolis, and Douglas County (Wisconsin) to explore options for the development of rail transportation between the Twin Cities and Duluth Superior metropolitan areas. The nine member board consists of one elected official selected by each party in the Alliance as well as a member of the Mille Lacs Band of Ojibwe. Each party also appoints an alternate member. The City of Minneapolis pays an annual membership fee to the Alliance to cover the costs of activities. The percentage share of the City in the Alliance's assets, liabilities, and equity cannot be determined at fiscal year-end. St. Louis and Lake Counties Regional Railroad Authority serves as the fiscal agent.



## City of Minneapolis 2020 Budget

### Chronology of Financial Decision Making and Fiscal Sustainability

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1994	Agreement between the independent boards and the City on the division of Local Government Aid.
Mid-late 1990's	Internal Service Funds deficits begin; Federal COPS grant funds police expansion.
1997	First efforts to quantify and fund the Public Works infrastructure gap; attempt to increase pay as you go capital funding and reduce bonding to reduce interest costs.
1998-2000	Positive stock market returns leads to a reduction in the City's levy requirement for police and fire relief.
2000	Library referendum passes; Mayor and Council agree to enhanced capital funding for the Minneapolis Parks and Recreation Board (MPRB) at a level higher than funding for City projects.
2001	City loses AAA rating from Moody's. Reason cited: internal service fund deficits. Stock market falls - convention center and parking fund suffer directly from economic downturn; pension obligations escalate.
2002	Adoption of maximum property tax increase policy; negative outlook from Fitch rating agency.
2003	Adoption of Five-Year Financial Direction and Commitment to Business Planning; 2% Wage Policy; Local Government Aid (LGA) Reductions by the State of Minnesota. City uses 8% tax increase and 2% wage policy to manage employment costs during budget shortfalls and reduce State funding.
2004	Departments bring forward first five-year business plans.
2006	Fitch removes negative outlook; Moody's maintains Aa1 citing pent up internal demands for spending.
2007	Compensation philosophy replaces the 2% wage policy, Minneapolis Employee Retirement Fund (MERF) pension "liquidity trigger" eliminated by the State Legislature, and Sale of six parking ramps
2008	Minneapolis Library System merges with Hennepin County Library System State Legislature imposes Levy Limits on Local Governments for 2009-2011; Governor unallots State aid in December-Minneapolis' cut: \$13.1 million.
2009	Governor unallots State aid-Minneapolis loses \$8.6 million in 2009; \$21.3 million in 2010.

- 2010 Minneapolis' revised LGA cut is \$25.9 million and Market Value Homestead Credit (MVHC) is eliminated, costing the City an additional \$6.2 million on top of the LGA cuts.
- Minneapolis regains AAA rating from Moody's.
- MERF pension plan consolidated with statewide local government employee pension plan.
- 2011 Minneapolis' LGA is held flat from 2010 in 2011 as a response to the State's structural budget crisis.
- 2012 City implements Priority Budgeting.
- 2013 Moody's Investors Service downgraded Minneapolis Credit Rating to Aa1 due to declining property values, high pension liabilities and dependence on state revenues, despite improved overall financial position.
- 2014 The theme of Minneapolis' bid, "Built for the Bold," emphasized the \$1.0 billion Vikings stadium under construction and the state's friendly ethos, hence bringing the Super Bowl to Minneapolis in 2018.
- 2015 City's closed pension plans meet 80% funding and are fully merged with State plan.
- The City to continue the construction and renewal boom trend by providing \$3.5 million to fully fund the \$50 million redesign of Nicollet Mall, preliminary planning of redevelopment of the Upper Harbor Terminal, purchase of property at Lake Street and Nicollet Avenue as first step to reopen the roadway terminating at that block and substantial completion of the Downtown East mixed use development adjacent to the stadium.
- A total of \$1.4 billion in construction permits were issued for the year; this is the fourth consecutive year that Minneapolis had more than \$1 billion in construction projects approved since 2000.
- 2016 The City signed a long - term funding plan to equitably address long - standing capital and operating needs for City Streets and Neighborhood Parks. The plan provides for \$33 million in funding each year for up to 20 years, totaling \$800 million over next 20 years, to meet both urgent and ongoing needs.
- The City Council in 2016 endorsed a site and 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 G.O. bonds in 2021 with new debt.
- This is the fifth consecutive year that Minneapolis is exceeding \$1 billion in construction permits.

2017

A new Downtown Assets Fund, through which City staff can take a coordinated management and investment approach to four major physical assets located in the downtown area (Convention Center, Target Center, Downtown East Commons, and Peavy Plaza) was created. This approach helps maximize revenues from each venue and serve to ensure a dedicated general fund funding stream coming from the sales taxes these assets help to generate.

The City Council approved design and construction management contracts for the new downtown campus consolidated office building project endorsed in 2016. Current plans call for construction in 2018 and 2019 with a move-in date in early fall, 2020.

This is the sixth consecutive year that Minneapolis surpassed \$1 billion in construction permits issued.

.2018

The City sees a million dollar increase to pension costs for sworn personnel in the Fire and Police departments, as the State increased the employer contribution for the Public Employees Retirement Association Police & Fire plans. Another million dollar increase will happen again next year as the State implements the second of two increases.

Positive effects of the move to self-insurance for Medical are felt as the City sees stable utilization within the program and premium increases for 2019 that are well below national averages.

The City increased fees for business licenses, pollution control, rental housing, health licensing, and animal care and control for the first time since 2013. An additional \$3 million in revenues is anticipated, however these activities continue to be largely subsidized by property taxes.

A new IT Governance process aimed at helping to prioritize all departmental technology needs in consideration of each other is implemented, replacing the former Capital Asset Replacement System (CARS) program.

\$50 million of upgrades to the City's century-old water filtration plant are financed through a low-cost loan program from the State of Minnesota's Public Facilities Authority.

The City's commitment to the environment is financially sourced - through increases to franchise fee agreements with private utilities. City Council sets a goal of 100% renewable electricity for enterprise use by 2022, and Citywide by 2030.

2019

This is the eighth consecutive year that Minneapolis surpassed \$1 billion in construction permits issued.

Positive effects of the move to self-insurance for Medical continue as the City sees stable utilization within the program and premium increases for 2020 that are well below national averages.

# City of Minneapolis 2020 Budget

## Fund Description

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The accounts of the City are organized by fund types. A “fund” is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The operations of each fund are monitored with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equities, revenues and expenditures / expenses. Following is a listing and description of major City funds.

**General Fund.** The General Fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund.

**Special Revenue Funds.** Special revenue funds are used to account for the proceeds of revenue sources that are restricted by legal and regulatory provisions to finance specific activities. The City has thirty-four Special Revenue Funds, including community and economic development funds. These funds are used to account for the City’s planning and community development goals, most of which are financed through property tax increment financing. Major special revenue funds are described below:

***Arena Reserve Fund.*** This fund is a holding fund for various finance plan revenues to be used for future costs relating to the acquisition and capital maintenance of the downtown sports, entertainment and health complex.

***Board of Estimate and Taxation Fund.*** This fund is used to account for the operations of the Board of Estimate and Taxation which issues and sells bonds, and establishes the maximum levies for the City, its boards and commissions.

***Community Development Block Grant.*** This fund is used to account for the federal grants received under the Federal Community Development Block Grant provisions.

***Convention Center.*** This fund is used to account for the ownership, maintenance, and operation of the Minneapolis Convention Center.

***Convention Facilities Reserve.*** This fund is a holding fund for parking and sales tax revenues to be used for future capital maintenance needs of the existing Convention Center.

***Downtown Assets.*** This fund is an umbrella fund through which sales taxes are received from the State of Minnesota and distributed to the Convention Center, Target Center, Peavey Plaza, Downtown East Commons, and General Fund.

***Employee Retirement.*** This fund is used to account for the tax levy proceeds and other sources of revenue for the Minneapolis Employee Retirement Fund (MERF), Minneapolis Firefighters’ Relief Association (MFRA), and Minneapolis Police Relief Association (MPRA) retirement programs for some city employees.

***Grants – Federal.*** This fund is used to account for all federal grants, except for the Community Development Block Grant (CDBG), which is accounted for in a separate fund.

***Grants – Other.*** This fund is used to account for grants received from the State of Minnesota, Hennepin County, local government units, and private funds.

***Municipal Building Commission.*** This fund is used to account for the cost of operating and maintaining the City Hall/County Court House building.

***Police Special Revenue.*** This fund is used to account for the revenues and expenditures related to federal and state administrative forfeitures and the revenues and expenditures related to the regulation of lawful gambling in the City.

***Park Operating Fund.*** This fund is used to account for revenue and expenditures related to the cost of operating and maintaining the Minneapolis Parks system.

**Internal Service Funds.** Internal Service Funds are used to account for those City goods and services which are provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost reimbursement basis. The City operates six Internal Service Funds for its operations; the Park Self-Insurance and Internal Service Funds are reflected in the MPRB budget:

***Engineering Materials and Supplies.*** This fund is used to account for the operations of the City's paving products laboratory. The paving products laboratory provides in-lab and on-site testing and soil boring services to ensure quality control of asphalt and soils for projects.

***Intergovernmental Services.*** This fund is used to account for information technology services, central mailing and printing services, and the City's telecommunication operations. These services are provided to City departments as well as the Park Board, Municipal Building Commission, and Youth Coordinating Board.

***Property Services.*** This fund is used to account for the physical management and maintenance of fire stations, police precinct buildings, the Minneapolis Public Service Center, and various other City office locations, except for the City Hall/County courthouse building, which is accounted for in the Municipal Building Commission Special Revenue Fund.

***Equipment Services.*** This fund is used to account for the ownership and operation of radio communications equipment and a fleet of motorized equipment and vehicles. The fund operates as a rental agent to various departments to support the construction and maintenance of city infrastructure, fire protection services, and police services.

***Public Works Stores.*** This fund is used to account for the centralized procurement, warehousing, and distribution of stocked inventory items, as well as the purchase of special goods and services.

***Self-Insurance.*** This fund is used to account for employee benefit program and administrative costs. The fund also accounts for occupational health services, severance payments to employees who have retired or resigned and who meet minimum eligibility requirements, a tort liability program, and a workers' compensation program.

***Park Self-Insurance and Internal Service Funds.*** The Self-Insurance fund is used to account for park employees' medical, dental, and life insurance benefit programs and the programs' administrative costs. The fund also accounts for occupational health services, severance payments to employees who have retired or resigned and who meet minimum eligibility requirements, a tort liability program, and a workers' compensation program. The Park Board also has an internal service fund for charges within its programs.

**Enterprise Funds.** The Enterprise Funds, like the Internal Service Funds, are used to account for those activities of the City which are financed and operated in a manner similar to private business enterprises where expenses, including depreciation, are recovered principally through user charges. However, the customer is typically the general public or other customers external to the City. The City operates eight enterprise funds. The first five funds listed are reflected in the City's Public Works Department, the River Terminal Fund is reflected in the Community Planning and Economic Development (CPED) department and the Parks Operations Fund is incorporated into the Minneapolis Parks and Recreation Board (MPRB) budget:

**Water Works Fund.** This fund is used to account for the operation, maintenance and construction projects related to the water delivery system. This fund also accounts for the operations related to the billings for water, sewage and solid waste fees.

**Sanitary Sewer Fund.** This fund is used to account for the operation, maintenance and construction projects related to the sanitary sewer system.

**Stormwater Fund.** This fund is used to account for the operation, maintenance and construction projects related to the stormwater utility system as well as the City's street cleaning operation.

**Solid Waste and Recycling Fund.** This fund is used to account for the revenues and expenses for solid waste collection, disposal and recycling activities.

**Municipal Parking Fund.** This fund is used to account for the operation, maintenance and construction of the City's parking facilities as well as on-street parking and the Municipal Impound Lot.

**River Terminal.** This fund is used to account for the operations of the public terminal facility located on the Mississippi River.

**Park Operations Fund.** This fund is used to account for operation, maintenance and construction of projects related to the Park Board, especially golf courses.

**Capital Projects Funds.** The Capital Projects Funds are used to account for financial resources and expenditures applied to the construction of capital facilities and major purchased items for governmental fund types. Sub-funds may be used to account for specific projects and aggregated for reporting purposes.

**Permanent Improvement Capital Fund.** This fund is used to account for capital acquisition, construction, and improvement projects including bridge construction, sidewalk construction, street construction, energy conservation projects, infrastructure projects, and many Information Technology (IT) projects.

**Community Planning and Economic Development.** This fund is used to account for the capital project activities of the department of Community Planning and Economic Development.

**Municipal Building Commission (MBC) Capital Fund.** This fund is used to account for the capital project activities of the MBC, a component unit of the City of Minneapolis.

**Park Board Permanent Improvement Capital Fund.** This fund is used to account for the capital project activities of the Park Board.

**Debt Service Funds.** The Debt Service Funds are used to account for the accumulation of resources for the payment of principal, interest, and related costs on long-term debt obligations. Included in the Debt Service Funds are:

**Community Development Agency Fund.** This fund is used to account for the debt service activity for the department of Community Planning and Economic Development, including debt service on various non-general obligation tax increment revenue bonds.

**Development Debt Service Fund.** This fund is used to account for the debt of several projects supported by property tax increments including the Target Center Arena and transfers of sales tax revenues from the Convention Center Special Revenue Fund for related debt.

**General Debt Service Fund.** This fund is used to account for debt service activity related to General Obligation governmental debt supported by property tax levies or transfers to/from other City funds. Bonds and notes paid within this fund are related to general infrastructure projects, the library referendum and a Section 108 HUD note for the Midtown Exchange.

**Special Assessment Debt Service Funds.** This series of funds are used to account for debt supported by special assessments.

**Bird's Eye View of the Relationship between Fund Types, Revenue Sources,  
Expenditures and Departments/Boards**

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Internal Service Funds</b>	<b>Enterprise Funds</b>
<b>Major Funds Included:</b>		Convention Center, Community Development Block Grants, Community and Economic Development Grants, Other Grants, Arena Reserve	Engineering Materials, Intergovernmental Services, Property Services, Equipment, Stores, Self- Insurance	Water, Stormwater, Sewer, Solid Waste, Parking
<b>Revenue Sources</b>	Local Government Aid, Property Taxes, Franchise Fees, Licenses and Permits	Grants, Property Tax Increment	Charges for Services, Rents, Transfers from other funds	Utility charges, state grants and contributions, rents
<b>Expenditure Classifications</b>	Personnel, Operating Costs, Contractual Services, Equipment	Personnel, Operating Costs, Contractual Services, Equipment	Personnel, Operating Costs, Contractual Services, Equipment, Capital Projects and related debt service, liability and workers compensation	Personnel, Operating Costs, Contractual Services, Equipment, Capital Projects and related debt service
<b>Major Departments</b>	Police, Fire, Public Works, others	Convention Center, Health, Attorney, Fire, Police, Closed Pension Plans	Public Works, Copy Center, City Attorney (Civil Division), IT	Public Works



**Bird's Eye View of the Relationship between Fund Types, Revenue Sources, Expenditures and Departments/Boards**

	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>Park Board Funds</b>
<b>Major Funds Included</b>	Permanent Improvement Funds, Arbitrage Funds	General Debt, Development Debt, Special Assessment Debt, Community Development Agency	The Park Board has enterprise, internal service and special revenue funds. The general fund is treated as a special revenue fund.
<b>Revenue Sources</b>	Property Taxes, Proceeds from Long Term Liabilities, State Aid	Property Taxes, Sales Taxes, Special Assessments, Property Tax Increment	Property Taxes, Local Government Aid, Charges for Sales (golf courses etc.), Contributions, and Grants
<b>Expenditure Classifications</b>	Capital project expenditures related to street construction and infrastructure projects	Payment of principal, interest and fees on City debt	Personnel, Operating Costs, Contractual Services, Equipment
<b>Major Departments</b>	Public Works	Not applicable	

The number of City Funds above includes smaller boards, such as:

- Municipal Building Commission (funded mainly from Property Tax and State Aids)
- Board of Estimate and Taxation (funded from Property Tax and State Aids)
- Youth Coordinating Board (a joint board funded from the City's General Fund and grants)