

2021 Budget Address

MAYOR JACOB FREY

August 14, 2020

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[The Mayor's 2021 Budget Address was broadcast on cable television and webcast from the City's website due to the declared local public health emergency caused by the novel coronavirus (COVID-19)]

Where We Are

Hello, Minneapolis.

This—my second budget address in as many months—will serve as less of a budget speech and more of a budget snapshot in time. It's a snapshot because projections are quickly evolving and changes will inevitably need to be made. We'll also take today as an opportunity to chart a path forward for clear progress with necessary, and sometimes difficult, actions.

Minneapolis stands at a pivotal moment that demands every ounce of our shared strength pushing in the same direction. And in this moment, we must both see and realize the opportunity embedded in these crises. Still, we're here to discuss where we are in the budgeting process, and it is my honor to deliver our 2021 budget address. Over the last several months, City staff and leadership have poured themselves into stabilizing our finances, reinventing how to run their departments, and ensuring we continue delivering core City services with excellence. COVID-19 demanded sacrifice at the city-level through our revised 2020 budget. Thanks to sound decision-making and the diligent work of our staff, we swiftly bridged a \$156 million gap. But that was only a first step in what all evidence suggests will be a longer road. Under the weight of the pandemic and on the heels of the civil unrest following George Floyd's killing, our City's finances are under severe duress.

COVID Context

The absence of a unified, cogent, and data-driven federal response to this virus has left local and state governments in the lurch and, more importantly, led to pain and suffering on a once-unimaginable scale. In the U.S. alone, at least 160,000 lives have been lost to the virus. Minnesota has seen at least 1,724 fatalities, and cases in our city continue to climb. This public health crisis is unfolding against a barren local and national economic landscape.

The 2008 Great Recession peeled away 8.8 million jobs. The tally in this recession is 17 million, and it's still growing. And today there are 300,000 Minnesotans who have been forced to file for unemployment.¹ Hidden a layer deeper beneath the surface of those health and economic numbers are deepening racial disparities. Nearly half of all Black workers in Minnesota have applied for unemployment benefits since mid-March, and people of color make up 63 percent of the deaths among adults under age 64 despite representing just 16 percent of that population. We have a moral and fiscal responsibility to act. We did not create this pandemic, and in Minneapolis we will not surrender to tragic outcomes. We've led the state in rapid public health responses.

For the health and safety of our city—and especially our frontline workers—Minneapolis was the first jurisdiction to implement a masking requirement and the only jurisdiction to move aggressively on curbing

¹ <https://www.startribune.com/minnesota-jobless-rate-still-nearly-triple-what-it-was-before-pandemic/571790522/>

spread at bars. COVID is impacting all of us, and all of us can do our part to make it better. But we still need a matching commitment in the form of economic aid from our state and federal partners.

Nationally, local governments have been forced to cut nearly one million jobs since the onset of the pandemic. For state governments, that figure is closer to 200,000.² These are the very same organizations that employ the country's largest share of essential workers.³ In other words, Minneapolis today confronts a reality faced by major cities across the country, but our reality is more stark than any other city in our state. It's almost axiomatic: Minneapolis is the economic engine for our entire state. And people entering our city effectively rev that engine—people who take in our world-class culinary scene, turn the lights on and run water at work, catch a Twins game, and pay for parking along the way. Because Minneapolis uniquely holds so many revenue-generating assets, we're also uniquely-impacted when those revenues aren't being generated.

Fifty-five percent of our ongoing general fund revenues are garnered from sources outside of property taxes. In a typical year, we would expect those revenues to increase by about \$3 million. Due to the recession caused by COVID-19, those revenue sources will decrease next year by \$32.5 million. Short of outside support, there are two ways to make up for that loss: cuts or property tax increases. Simply increasing property taxes to offset our losses would result in an over-15 percent levy increase while so many people already suffer from the economic downturn. That was not an option.

To make matters more difficult, one form of outside support, Local Government Aid (LGA), has actually been decreased. In a time of financial crisis, we are set to receive about \$3.7 million less in LGA in 2021 simply because we're growing faster than other local jurisdictions in the state. That growth has been encouraged, even championed, and benefits jurisdictions throughout the state. However, the formula used resulted in a cut when it couldn't hurt us more. To avoid that 15-plus percent property tax increase, here is the work we're doing to alleviate pressure.

First, we're proposing the hiring freeze enacted this spring be kept in place for all of 2021. This freeze must stay in place for all positions and all funds so that we can continue to thoughtfully examine each and every hire. Too often, a job is filled simply because it's vacant. That tendency deprives us of the opportunity to examine the best way to deliver value on every dollar we collect.

That brings us to step two: reorganization. This week I met with the heads of the City's Charter Departments and shared exceedingly clear expectations that they spend the next six to nine months reorganizing their departments to best and most efficiently deliver core City services. Some of those changes, many already underway, can and will happen immediately, and others will take time. But I firmly believe we must work smarter to do more with less. And to be clear, the Minneapolis Police Department is expected to serve as a full partner in those reorganization efforts. That means looking closely at instances that do and don't require a police response and realizing efficiencies for sworn personnel as we're able.

Third, we need to take steps to reduce the size of our workforce. The easy approach would be to lay off our least senior employees, but that's far from the smartest or most equitable approach. Laying off the least senior employees would disproportionately impact staff of color and undermine our efforts to diversify this workforce. I believe the better path is to create and offer a targeted, voluntary retirement incentive program through which our longest-tenured employees will be given the opportunity to start their golden years a little early. In so doing, they'll be helping us save on payroll costs in the long-run, and retain more diverse team members in the short-run.

² <https://www.nytimes.com/live/2020/08/07/business/stock-market-today-coronavirus#state-and-local-government-added-jobs-back-but-its-not-what-it-seems>

³ <https://www.brookings.edu/blog/the-avenue/2020/08/03/state-and-local-governments-employ-the-highest-share-of-essential-workers-congress-is-failing-to-protect-them/>

Finance, Human Resources, City Attorney, and City Coordinator staff are developing a program as we speak, and I plan to provide additional details in the coming weeks. I've been in regular contact with our labor partners and we are working closely to avoid layoffs. However, it will require partnership of the highest order.

Fourth and finally, we will also have to scale back programming dollars. Whether that is professional service contracts or adjusting internal work, we must reduce costs in all areas, not just staffing. We are continuing to evaluate the specific programs and services that will be impacted but we must also prioritize those programs that protect the most vulnerable among us and keep residents safe.

With these measures in place, we'll be able to limit the levy increase to 5.75 percent in 2021 while also making prudent and necessary investments that benefit all who live and work in our city. To be clear, what we are offering today is a maximum levy—bright lines to guide our decisions moving forward and clear expectations for our City staff. Due to extraordinary and ever-evolving circumstances, our budget proposal will continue to be finalized and see changes even after today. Our team will be working tirelessly to refine our recommendations and deliver a detailed 2021 proposal before the end of September.

As we weigh what we can forego, we also understand the undeniable need for new investments. Public safety and racial justice work following the killing of George Floyd has taken on a new level of urgency. Minneapolis is at a make-or-break moment.

George Floyd

Across this country and throughout our nation's history, cities have served as a stage for an unending struggle between the American promise and America's shortcomings. Our timber and flour industries powered a manufacturing revolution that in turn fueled extraordinary wealth-generating opportunities like homeownership. But that boom also helped touch off historic inequities, as those wealth-generating opportunities excluded Minneapolis residents of color with racist covenants and land-use policies.

Metro areas are often where exceptionalism meets realism, and our shared aspirations have collided with systemic failures. The killing of George Floyd at 38th and Chicago—now a sacred space for community—is perhaps the most jarring example of such a failure in our city's history. George's name will be forever etched on our city, our nation, and in how we as a people perceive racial justice. But there has been a sickening cyclical cadence following moments like these: outrage, strongly-worded and well-intended statements, stalled action, and then we repeat.

In Minneapolis, we have an opportunity to break that cycle.

The killing of George Floyd wasn't inevitable. The outcomes and deepening inequities at the hands of COVID aren't fated. We can and we must change how we approach policy and decision-making in Minneapolis. The world is watching our every move. We find ourselves in a position to create a roadmap for cities across the country with detailed directions, for where to turn and how to reach a final destination. And our final destination must be a more just, more fair, and more inclusive city.

CULTURE SHIFT

So, let's use the best information available. Let's rely on data and research to develop that roadmap. And let's be up front and honest about where barriers exist.

In Camden, New Jersey, a plan now lauded as a paradigm for police reform was in many ways the brainchild of a Republican governor and a product of fiscal necessity. Officials were scrambling to bridge a budget shortfall. Progressive advocates and a reform-minded chief saw an opportunity to change a police department. They disbanded the department—and its union—and ended up with more officers and newer officers than they had before.

Camden is no blueprint for getting rid of police officers or abolishing a department. But Camden does offer important insight into what's possible when officers are held accountable and leaders are able to shift a department's culture. Officers who didn't subscribe to the department's vision are out; new officers who do are in. Those local officials were given the freedom to enact a culture shift by addressing personnel challenges. Amid great challenges, we now have a Camden-esque opportunity to begin addressing personnel changes, in part through attrition that's already taken place.

Dozens of cops have separated from employment this year, and we expect that number will reach 100 by year end 2020. Those 100 vacant positions will be included in our hiring freeze to realize savings for property taxpayers. Now is the time to accelerate community recruitment efforts. That's precisely why we've reinstated the diverse class of 28 Community Service Officers that were eliminated in the final 2020 budget revision. As officers from past generations leave, it's incumbent on us to ensure that officers of future generations enter the department committed to our shared vision.

We cannot squander this opportunity to make significant progress with Chief Arradondo in shifting the MPD culture. But we cannot rely on attrition and recruitment as our only tools for that shift. Local government is regularly denied perhaps the most important culture-shifting tool: the ability to fire bad officers. Minnesota officers are routinely returned to their jobs, even after doing immeasurable harm to community and the department. Roughly half of all disciplinary decisions in Minnesota departments are overturned through arbitration.

Shared Goals

But there are real and meaningful mechanisms at our fingertips, including through this budget process. Countless pages and pixels have been dedicated to a discussion borne of a fundamental question: Do you support abolishing the Minneapolis Police Department?

I answered that question with clarity in June: I do not.

Now is the time to re-focus the conversation.

We've shortchanged the areas we have in common. And there are many. Every single elected official—and sworn officer—wants to see a right-sized response to 911 calls. Every single person in this body of government wants to see a focus on prevention and intervention, and public safety solutions that go well beyond policing. Everyone who has signed up to serve this city wants to be sure that every single resident in every single neighborhood feels safe.

The challenges ahead and solutions we need are bigger than the Mayor's Office; bigger than the City Council; and bigger than any single department. Realizing the change we need will take all of us, working together. In that vein, I continue to welcome collaboration with my Council colleagues and stand ready to work through specific policy proposals with them. One commonsense and common ground item we're starting with is a proposal to divert staff from MPD to 311 to handle crime report-only calls. Taking that clerical task from our sworn officers will have the added benefit of freeing up their time. This is a change we have all been targeting for a while, and it's time we get it done.

New Investments

In our 2021 budget we're also finding new ways to center community in transforming public safety.

A good place to start is giving our Office of Violence Prevention (OVP)—a hub for so much of the community-driven work underway—a home in community. That's why we're allocating ongoing funding to provide the OVP team with an office that is both visible and accessible to community. And, in a post-physically-distanced Minneapolis, we'd like to see our excellent director, Sasha Cotton, leading a full-time team from that new

office space. We're not settling for a piece-meal, one-time, or half-baked approach to the Cure Violence model. We are all in on seeing the program through.

In Philadelphia, the program helped bring about a 30 percent reduction in shootings and a similar model helped reduce gun injury in New York City by 60 percent. With \$2.5 million in new, ongoing funding for the OVP's new violence interruption initiative, we can bring a proactive approach to interrupting group violence. Neighborhood teams can be fully-staffed at peak hours, 8 p.m. to 2 a.m., with this support and positioned to intervene in the critical moments after a shooting that can keep conflicts cool and prevent retaliation. Those teams of 15-20 community outreach workers will be led, full-time by five new City staff in our Office of Violence Prevention. With those numbers, we'll have coverage in targeted areas throughout Minneapolis.

At least one-third of all shootings in our city have involved a person affiliated with a gang or group this year alone. Getting this right will still require enforcement, but we also need to give community leaders—who are already equipped with trust and credibility—the resources they need to successfully intervene and prevent the spread of violence. Community doesn't just deserve a seat at the table in these discussions. They should be helping lead this work forward. This investment backs up that conviction.

Ongoing Support: Housing

We're innovating where we can, responding to the pandemic as we're able. And we are not sacrificing progress we've made on our shared priorities.

We've invested roughly \$70 million in affordable housing over our first two years, easily surpassing previous City records. Our housing team is the most talented in the country, and they've made the most of those investments. We are producing more than 1,000 units of affordable rental housing and are on pace to close 521 deeply affordable units this year. On top of that, we've preserved a total of nearly 1,500 units from 2018 to 2020. And financed affordable homeownership opportunities at four times the rate of previous years.

We are doing more of the City's bread and butter affordable housing work than we ever have. And I am proposing significant ongoing funding for affordable housing programming to ensure that we can continue to make investments to create new, permanent affordable housing, preserve naturally occurring affordable housing we are at risk of losing, reduce racial disparities in homeownership, support renters rights and anti-displacement initiatives, and make strides to prevent and end homelessness in Minneapolis.

One of the key programs we will be making permanent is our Stable Homes Stable Schools initiative, which is a shining example of how we've built and solidified new partnerships. Started as a three year-pilot, the results speak for themselves. Through the initiative so far, we've housed or provided housing stability for 330 families and 946 children. Importantly, over 95 percent of the families served through Stable Homes are BIPOC [Black, Indigenous & People of Color] families. That is housing equity in action.

We're making a difference, and we're not letting up. And we must be just as persistent in our push to make our economy more inclusive and equitable. An enduring commitment to economic inclusion may never be as important as it is at present.

Recovery

In the wake of the unprecedented civil unrest our city experienced after the killing of George Floyd, we understand the scope of the task before us. Rebuilding, recovering, and transforming this city is going to be exceedingly difficult work. Getting this right will require long-term commitment, strong partnerships, and a disciplined approach.

Throughout our city, commercial and cultural corridors have sustained physical damages, with some buildings completely destroyed. Many of these areas are the same ones that have been hit hardest by COVID-19 and are staring down the very real risk of displacement. Our preliminary estimates show that at

least 1,025 buildings have been impacted. And more than 1,300 business, many of which are BIPOC and immigrant-owned, are reeling.

Those numbers represent the people and businesses that made our city the extraordinary place that it is. And we know that private insurance will only cover a fraction of the loss. Transformation will require an incredible amount of work. And we've assembled an incredible team to help do it.

Our Minneapolis Forward: Community Now Coalition brings together BIPOC leaders from across sectors, representatives from the hardest hit areas, including the Native American Community Development Institute; Black Women's Wealth Alliance; Latino Economic Development Center; Hmong American Partnership; Cultural Wellness Center; Minnesota Trans Health Coalition; Black Women's Wealth Alliance; Community Reinvestment Fund; Neighborhood Development Center; Rare Productions; African American Leadership Forum; Lake Street Council; the West Broadway Business and Area Coalition; and the Minneapolis Regional Chamber of Commerce. They've already issued thorough, well-vetted recommendations ranging from community ownership to culturally-specific technical support to specialized financing and paid staff to secure ongoing support from other jurisdictions. It's up to us to support and help raise material backing behind these recommendations to guard against displacement and create a more inclusive future.

Still, the clearer the estimates become, the clearer it becomes that our businesses and neighborhoods need major recovery aid. Our businesses and residents are staring down more than half a billion dollars in damages, thousands more in lost wages and business losses. Our Minneapolis Forward Team and I will continue going to the mat for our businesses. I'll be relentless in seeking out and securing support from our private, philanthropic, and foundational partners. That work is already underway.

But we simply can't afford to take our foot off the gas when it comes to securing support from the state and federal government. No city, including Minneapolis, can undertake this work alone.

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Conclusion

Let's be excruciatingly honest with one another: 2020 has been an immeasurably difficult year.

It's a year of awakening. A year of hardship. And a year of sacrifice. Much of what we've witnessed and the consequences have been painful. But amid that hardship and pain, we've also let bitterness and anger get in the way of empathy and common aspiration. We've allowed ourselves to confuse areas of near-universal consensus for diametric opposition. We—and I mean WE—can do better.

We can approach conversation with humility and urgency. We can approach people with a recognition of both their unique backgrounds and their common humanity. Let 2020 not serve as a year that we intentionally forget, a blip of surfacing trauma relegated to the annals of history. Let 2020 be the year we pierced a veil of comfort and exposed a vision of hope for who we can be. The eyes of the world are, indeed, on Minneapolis. The reality is there are no easy solutions. There is no single policy proposal that will, in one fell swoop, undo 400 years of institutionalized racism. But that doesn't mean we can't leverage this moment to do more and go further than those who have tried before us.

Achieving the big, structural change that has evaded us for generations will require unity in purpose, values, and vision. Let's equip the most forward-looking police chief in the nation with the support he needs to remake the department of and for community. Let's bring more people in and empower community leaders to help us disrupt cycles of violence. With the world watching, let's define a shared framework for progress and honor George Floyd by making real and enduring change.