



Dear Friend,

The greatest ideas, the greatest innovations, the greatest ideas and the greatest reforms come out of times of great challenge. In planning for the future of Minneapolis during tough economic times, we must look to innovation and growth as the only way forward.

Monday afternoon, I presented the 2011 budget for the City of Minneapolis. My speech, entitled "Electricity in the Darkness," is framed by the story of Earl Bakken, who became fascinated by the uses of electricity during the Great Depression and later founded the company that became Medtronic. In the face of the challenges set before the city — a slow economy and the State's ongoing budget deficit — Bakken stands as an example of a Minneapolis resident who viewed the tough times in which he lived as an opportunity, not an obstacle.

The budget that I recommended to the City Council funds the basics of keep people safe, improving our streets and helping create jobs — or police, potholes, and paychecks — and meets the challenges posed by rising pension obligations, especially two closed pension funds. But providing the basics, which Minneapolis has been able to do well because of years of fiscal responsibility, is simply not enough: the only way to adequately meet the City's future needs and maintain its financial health over time will be to grow the tax base. In my speech, I specifically identified investing in transit-oriented development, downtown planning and a new downtown park, and a new regional economic development entity as opportunities for doing so.

Over the last nine years, the City of Minneapolis has paid down \$130 million in debt, reduced fixed costs, restored the City's AAA bond rating and balanced budgets five years out. Sound financial management has been the key to Minneapolis' ability to provide vital, core services to residents. These services are:

- **Keeping people safe.** Public safety has been, and remains my top funding priority, and this year is no exception. Public safety — defined as police, fire, 911 and the criminal division of the City Attorney's office — will consume 55% of general-fund spending in 2011, and there will be no layoffs to police or firefighters next year. We are all painfully aware that we have significant violence this year and it illustrates at budget time that we have to keep resources in keeping the city safe. The City, police, and prosecutors are taking this problem very seriously and are especially focused right now on holding accountable those who use and traffic in illegal guns. I applaud the police work that has held this year's overall increase in violent crime citywide to just 0.75%.
- **Improving streets.** I recognize that streets have suffered as the City has invested necessary resources into public safety in recent years. In this budget, I propose investing \$9 million more a year over five years, beginning in 2011, to dramatically accelerate improvements on a wide range of City-maintained streets, including significant improvements to residential streets. It is important to note that this is not some optional fringe program: this is work that we simply must do to maintain the streets we use every day.
- **Growing the economy.** I am not cutting one dollar from the City's job-creation and business-support efforts. Minneapolis has weathered the recession better than other cities, largely thanks to the City's economic-development efforts. Nearly 4,600 more Minneapolis residents were employed in June 2010 than were employed one year prior, and Minneapolis' unemployment rate is now routinely lower than the region's and state's unemployment rates.

We will be able to pay for the first three investments that this budget makes — keeping people safe, improving our roads and growing the economy, or police, potholes and paychecks — along with all the other services and operations that the City provides with no increase in the property tax.

I would like that to be the end of the story, but it's not — and the reason it's not is our pension funds, and in particular our closed pension funds. We must spend \$17.7 million more next year to meet pension obligations. Of that amount, nearly 90% must go to the closed pension funds the Minneapolis Police Relief Association and the Minneapolis Fire Relief Association.

Were it not for the \$17.7 million jump in pension obligations, the City would be able to lower property taxes by 0.1% next year. However, obligations to pensions — and in particular, the closed pensions — instead require a 6.5% pension levy for 2011.

Unfortunately, Minneapolis taxpayers are stuck with this pension levy largely because of bad decisions made decades ago and in particular because of mismanagement by the attorneys and managers of the closed pension funds. City retirees and their survivors have worked hard and deserve every cent they earn. However, courts have ruled several times that the closed pension funds have overcharged City taxpayers tens of millions of dollars over the last several years. I pledge to continue the City's legal efforts to recover these overpayments and to seek pension reform from the new Legislature and governor.

But while we keep fighting for reform, make no mistake: for our taxpayers, this pension levy feels just like a property-tax increase. However, it's a levy that is almost entirely due to our need to pay bad decisions that we inherited and mismanagement of the closed funds.

If Minneapolis were an island, our financial future would be sound. But our finances are tied directly to the slowly-recovering economy, bad decisions that we inherited, and the State of Minnesota. Because of the State's budget rollercoaster, it has been an unreliable partner. In each of the last three years, the City has had to respond to mid-year cuts in Local Government Aid after the City Council had already adopted the budget. Given the uncertainty over the State's budget deficit, the speed of economic recovery, and the identity of the new governor, another mid-year cut in 2011 is entirely possible. The City staff has already done significant work on a multitude of scenarios if the State should cut LGA again next year and will fully engage the City Council in this work.

The City has experienced many accomplishments over the past nine years, which include restoring financial health, investing in public safety and redesigning the City's transportation system. While all of these accomplishments and many others are essential, they are not enough. If we want Minneapolis to be the kind of city we know it can be, there is one more thing we have to do: we have to grow.

In this budget, I have identified three opportunities for growing the City's tax base in the long term:

- **Investing in transit-oriented development.** There are a wide range of development opportunities across Minneapolis, but the greatest opportunities are along current or proposed transit lines — including, someday at Lake Street and a reopened Nicollet Avenue. This budget also creates the new position of a high-level coordinator of transit-oriented development to bring together private, public and foundation efforts around economic development on transit lines. The position will be paid for in part with foundation money.
- **Investing in downtown planning and a downtown park.** It is time for the City to fully engage with the Downtown Council in the current round of planning for a vision of downtown decades from now. As part of that process, I promote creating a new park on the block north of the Central Library as a tool for growing the City's tax base. Three decades ago, a park and plaza were added around the Hennepin County Government Center, in what was then an underdeveloped part of downtown. Today, the office towers that surround Government Center have added \$520 million to the City's tax base. New parks throughout the city could have the same potential in raising property values.
- **Investing in regional economic development.** We have been partnering with the region's top business leaders and mayors to map out an aggressive job-growth strategy for the region. This work is now so promising it has attracted grants from national foundations and promised investment from all the region's top employers. The next major step will be to recreate a regional economic-growth organization. I ask for City Council to join Mayor Coleman and me in committing resources to this entity.

Now more than ever we need to look many years down the road: to not just imagine a great city, but take the aggressive steps right now to make it happen. We need to do that not in spite of the fact that we are in tough times, but because that's the only way out of them. Like Earl Bakken, times like these need people of vision who see electricity in the darkness.

Sincerely,
Mayor R.T. Rybak
City of Minneapolis

P.S. For a complete text of my budget speech, visit http://www.ci.minneapolis.mn.us/mayor/speeches/20100816speech_2011budgetspeech.asp. I also encourage you to stay aware of and involved in the budget-review and -adoption process over the next few months. Please contact my office (<http://www.ci.minneapolis.mn.us/mayor/>), your City Council member (<http://www.ci.minneapolis.mn.us/council/>) or the City Clerk's office (<http://www.ci.minneapolis.mn.us/clerk/>) to learn more.



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