

FINANCE

MISSION

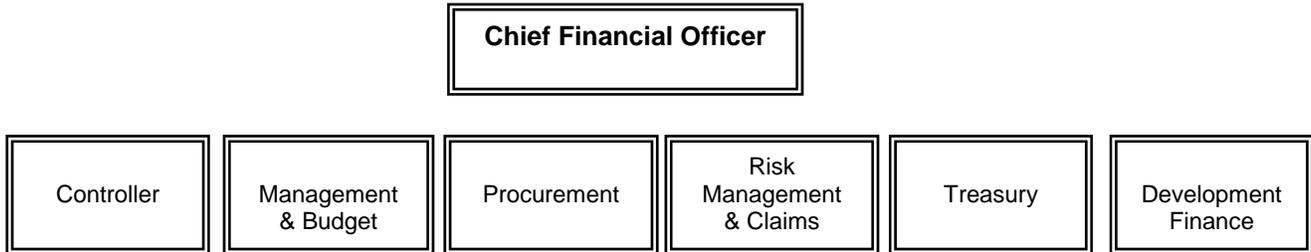
Provide financial services that assist managers and elected officials in making sound and informed decisions and ensure the City's financial integrity.

BUSINESS LINES

Financial Operations – Providing accurate, timely financial information: Collecting and receiving revenue, managing receivables, paying employees, vendors and other third parties, and managing and preserving assets.

- **Decision Support – Supporting informed financial and business-related decisions:** Supporting elected officials in making decisions regarding source and allocation of financial resources, and supporting departments in making decisions regarding management of financial resources.

ORGANIZATION CHART



FIVE YEAR DEPARTMENT GOALS AND OBJECTIVES	
Department Goals	Objectives
<i>Note: As financial stewards for the City, the department's work is linked to all the City's goals.</i>	
Ensure the City's financial stability through informed decision making, aligning with the City priorities.	Provide financial information to managers and policy makers in making sound, informed decisions about: <ul style="list-style-type: none"> • Economic development initiatives. • City services and operations. • Capital investment in physical infrastructure • Resource allocation and performance measurement.
	Maintain and improve established internal and external fees for specified services to fully recover costs.
	Coach and support the implementation of Loss Prevention (LP) tactics in every department.
	Simplify and improve business processes through implementation of a new financial system.
	Maintain a positive work environment for employees by strengthening and improving methods of workforce accountability and feed back.
	Develop a competent and versatile workforce.
	Invest City cash reserves to preserve capital, meet City liquidity needs and maximize returns.

RESULTS MINNEAPOLIS MEASURES, DATA AND TARGETS TABLE						
Measure Name	2004 Data	2005 Data	2006 Data	2007 Data	2008 Target	2011 Target
Bond ratings	AAA Aa1 AAA	AAA Aa1 AAA	AAA Aa1 AAA	AAA Aa1 AAA	AAA Aaa AAA	AAA Aaa AAA
Total debt as a percentage of Assessor's estimated market value	4.1%	3.6%	3.2%	3.0%	3.0%	2.5%
General fund performance (minimum fund balance of 15%)	21%	17%	17%	15%	15%	15%
Net assets of internal service funds with workout plans (dollars in millions)	-\$62	-\$55	-\$35	-\$18	-\$1	\$58
Percent of Finance resources spent on Decision Support	30%	35%	40%	45%	50%	50%
Percent of Finance resources spent on Operations Support	70%	65%	60%	55%	50%	50%
Collections effectiveness indicator (CEI)	79%	68%	61%	74%	78%	85%
Percent of receivables in CEI	73%	74%	76%	83%	85%	90%
Utility billing electronic payments as percent of utility billing revenues	15.2%	18.0%	19.7%	26.1%	26.0%	30.0%
Investment return (operating funds) total return/benchmark	1.73%/0.91%	2.50%/1.67%	4.40%/3.96%	5.45%/5.76%	5.26%/5.95%	NA
Citywide liability claims paid out (in thousands)	\$621	\$457	\$396	\$446	\$422	\$406
Citywide workers' compensation claims paid out (in thousands)	\$5,856	\$5,899	\$5,393	\$5,646	\$5,414	\$5,073

What key trends and challenges does the department face and how will each be addressed?

- The Finance Department has reduced its operating budget by \$800,000** between 2005 and 2008 to meet the five-year financial direction and will be required to reduce General Fund and Self-Insurance Fund spending by \$1.38 million to meet Current Service Level guidelines for 2009. At the same time, Finance has reallocated \$1.5 million annually toward payment of the new City enterprise resource system (financial and human resources information) and will continue these contributions through 2013.

Finance Division	Positions	Personnel	Non-Personnel	Total Reduction
Executive	0.0	\$0	\$57,500	\$57,500
Controller	7.0	\$505,000	\$97,000	\$602,000
Treasury	1.0	\$74,400	\$390,000	\$465,000
Procurement	1.0	\$61,000	\$11,000	\$72,000
Development Finance	0.0	\$0	\$150,000	\$150,000
Risk Management	0.0	\$0	\$38,000	\$38,000
Total Finance:	9.0	\$640,000	\$744,000	\$1,384,242

Finance will address this challenge by exploring and implementing business process improvements wherever possible and realizing efficiencies through implementation of COMPASS. A total of eight positions will be eliminated and non-personnel spending will be reduced by approximately \$744,000.

- **Continue investment in technology improvements** related to the City enterprise resource system. Phase II of the COMPASS project will conclude in 2009 and includes the completion of implementation of the new enterprise financial system for processing and tracking invoices, managing procurement contracts, and paying vendors and employees. Project activities in COMPASS Phase II will include implementation of the accounts receivable module by mid-year 2009. Finance staff will continue work to increase functionality within the COMPASS system to reduce transactional costs and help support decision-making in City departments.
- **Business process improvements (simplification, automation, or elimination) to reduce costs and improve customer service.** Finance continually seeks to improve its operating business processes to reduce costs and improve customer service. Implementation of the COMPASS system has and will require several major business process improvements. As part of COMPASS Phase I, accounts payable activities previously spread throughout all City departments were centralized and consolidated. Another component of Phase I included implementation of the Time and Labor module, which reduced time and resources directed at preparing and processing employee payroll as well as project accounting activities. The accounts receivable module implementation resulted in business process improvements by centralizing collection of City revenues and more efficient cash handling practices.
- **Heightened demand for financial information, analysis, and decision support** by elected officials and department managers due to significant cuts in State aid, declining resources for public safety, infrastructure, and economic development, and the advent of five-year business planning.
- **Mitigating upcoming workforce reductions and ensuring adequate training opportunities for employees to fill the jobs of the future.** As the wave of Baby Boomer retirements begins, Finance estimates that close to 25-percent of its workforce is eligible to retire in the next 5 years and over one-third will be eligible by 2018. Finance employees must be prepared to better understand the business of City operations, critically analyze financial and market trends, solve problems, offer solutions, and lead multi-discipline teams. Finance employees also must be prepared to continually make operational improvements and find simpler methods to achieve financial results.
- **Loss prevention initiative, a proactive program for each City department** to incorporate tactics into their daily operations, which will lead to decreasing losses and preserving precious human and property resources.

FINANCIAL ANALYSIS

EXPENDITURE

For 2009, the department's expense budget for all funds is \$21.7 million, a 2.8% or \$0.6 million increase over the 2008 adopted budget, keeping the department in line with the five-year financial direction. The 2009 original budget reflects a reduction of 9 FTEs, with cost savings used to implement and support the City's new Enterprise Resource System.

REVENUE

The revenue budget for the Finance Department is \$2.3 million, reflecting the implementation of the self-insurance rate model for internal service funds and risk management. This is a 5.9% increase over the 2008 adopted budget, a result of reallocating revenue between workers' compensation and liability premiums to more accurately reflect prior years' experience.

FUND ALLOCATION

The department's budget is primarily derived from the general fund (\$19.2 million or 88%) with \$2.3 million (11%) coming from the self-insurance internal services fund. Special revenue funds account for the remaining 1% of the budget, for support of departments that are significantly funded by grants.

ORIGINAL BUDGET

The Mayor's recommended budget included a reduction to growth of \$100,000 in this department, a smaller reduction than anticipated and described in the department's trends and challenges section.

The Mayor also recommended extending the internal loan for COMPASS by two years to allow additional time for needed business process improvements to be implemented.

The Council approved the Mayor's recommendation along with the following modifications:

The Council directed Finance staff to revise the five-year financial direction to reflect the increased property tax revenues resulting from the Council change to the property tax levy to be directed to the closed pension funds management plan. Finance staff is further directed to report back to the Ways & Means/Budget Committee by February 2, 2009, on the status of the closed pension fund obligations.

The Council directed the Finance Department to revise the community development financial plans beginning in 2010 to include an additional \$3.5 million in discretionary development funding through 2020 from the recertified tax increment financing district, creating the Community Revitalization Fund (CRF).

The Council directed the Finance Department to provide to the Committee of the Whole by May 21, 2009, a status report on the projected capitalization level for the remainder of Phase II of the Neighborhood Revitalization Program (NRP) and to provide information necessary to the Council for it to determine whether to increase the appropriation level of the Phase II Neighborhood Action Plans (NAP) above the NRP Policy Board's current policy that states that no more than 80% of approved NAP may be contracted or expended during the first three years following NAP approval.

The Council directed Finance staff to prepare and return to the Council with a proposed tax increment finance plan to establish a redevelopment tax increment financing district. The plan will be circulated for public review and comment and submitted to the Council for consideration no later than July 31, 2009. The plan should have the following financial parameters:

- a. Annually provide after the administrative costs of the district:
 - i. At least \$10 million to retire Target Center debt;

- ii. No more than \$14 million to be allocated as follows:
 - 1. \$2 million, if needed, to further expedite Target Center debt payment;
 - 2. \$8.5 million for general neighborhood revitalization purposes;
 - 3. \$3.5 million for neighborhood commercial community revitalization;
 - 4. Each of these three items would be proportionally reduced should their available revenues be less than \$14 million. If this proportionate reduction occurs, the dollars for general neighborhood revitalization purposes (item #2 above) shall be allocated as follows:
 - a) Full funding for Basic Citizen Participation Services, as defined by the Neighborhood Community Engagement Commission, up to \$3 million.
 - b) All other uses under general neighborhood revitalization purposes would be proportionately reduced.
- iii. Revenues received in excess of \$24 million can be applied to further expedite Target Center debt repayment, applied to the Neighborhood Investment Fund, or returned to the contributing tax jurisdictions.

b. That parcels comprising up to 50% of the captured tax capacity of the district will be decertified and their captured tax capacity returned to the tax base when they are no longer needed for Target Center debt.

The Council directed Finance staff to amend their financial policies to report to the Ways and Means/Budget Committee on preliminary year-end expenditures and revenues by departments compared to authorized allocations for the prior fiscal year not later than January 31st of each year.

MAYOR'S REVISED BUDGET

The Mayor recommended a reduction of \$570,000. The Mayor directed Finance staff to work with the Attorney and Police to explore the fine revenue collection processes. The Mayor also directed Finance Department staff to do an immediate audit of the top 25 overtime recipients. The Mayor further directed Finance Department staff to identify and implement reforms to the procurement process to increase efficiencies.

COUNCIL REVISED BUDGET

The Council concurs with the Mayor's recommendations.

The Council directs Finance and Intergovernmental Relations staff to work with all department heads to review current CDBG allocations, excluding those allocated by the Public Health Advisory Committee, and any additional CDBG funding and return to the Community Development Committee and Ways and Means by June 8, 2009 with a complete review of CDBG funding available for activities currently funded in the General Fund across all departments for consideration in the 2010 budget process.

The Council further directs Finance staff to explore sources of non-General Fund dollars for community crime prevention efforts, including CDBG. The Neighborhood and Community Relations Department is directed to work with the Minneapolis Police Department and in consultation with the Neighborhood and Community Engagement Commission to explore different models for neighborhood funding and oversight of community crime prevention staff. Finance will report to Public Safety and Regulatory Services and Ways and Means/Budget committees by August 1, 2009.

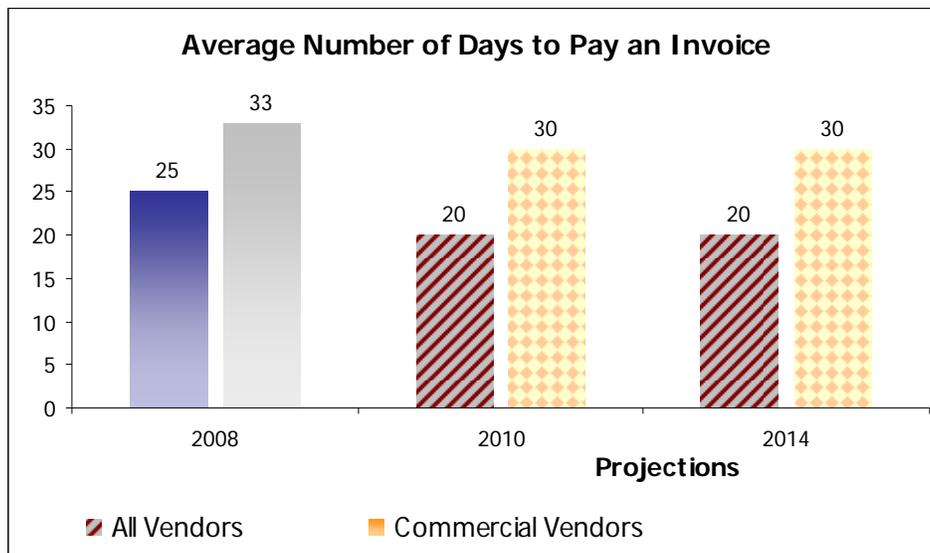
The Council directs Fire to report back to the Public Safety and Regulatory Services Committee on process improvements to housing inspections and further to work with Finance on responsible budget projections for citation revenue to be incorporated into the 2010 budget.

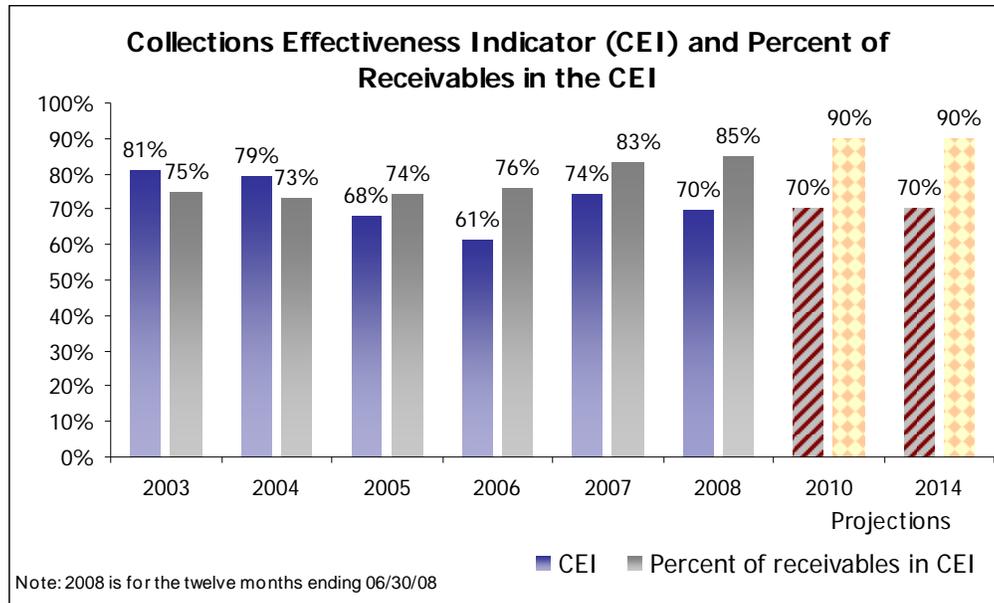
The Council directs Finance to examine the financial impact of the City of Minneapolis' obligations to the Minneapolis Police Relief Association and the Minneapolis Fire Relief Association on the Minneapolis Park and Recreation Board, as well as the ten-year prior impact of those obligations on the MPRB. The Council directs the Chair of the City's Intergovernmental Relations Committee to request from the MPRB President time on the agenda of the March 25th MPRB Committee meetings to present information about the level, governance and administration of the City of Minneapolis' obligations to the Minneapolis Police Relief Association and the Minneapolis Fire Relief Association and the impact of those obligations on the MPRB. Further, the Council directs the Chair of the IGR Committee to request that the MPRB add support for the City's pension legislation to their 2009 legislative agenda.

The budget for this department includes a reduction of BIS charges of \$72,700 due to the Council's actions to reduce the BIS budget by \$725,000. This reduction in BIS charges will subsequently reduce the department's appropriation by the same amount. Backing out this reduction in charges, the 2009 supplemental budget for Finance is \$21,813,198, a 3.1% increase over the 2008 Adopted budget.

RESULTS IMPLICATIONS

The following charts show the projected impacts to the department's *Results Minneapolis* measures due to the Council's revised budget.



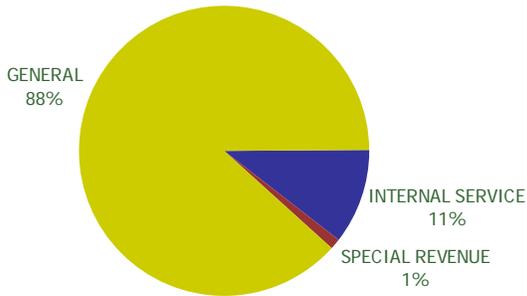


FINANCE DEPARTMENT EXPENSE AND REVENUE INFORMATION

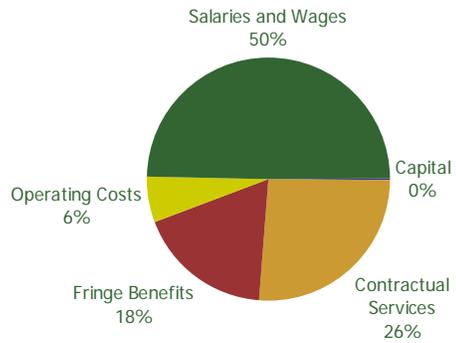
EXPENSE	2006 Actual	2007 Actual	2008 Adopted Budget	2009 Revised Budget	Percent Change	Change
GENERAL						
Salaries and Wages	9,305,493	9,725,525	10,089,805	10,022,649	-0.7%	(67,156)
Fringe Benefits	2,814,273	3,119,576	3,684,456	3,645,732	-1.1%	(38,724)
Contractual Services	5,123,958	4,343,854	4,288,516	4,751,950	10.8%	463,434
Operating Costs	505,336	622,191	612,004	740,700	21.0%	128,696
Capital	7,914	18,371	45,219	46,485	2.8%	1,266
TOTAL GENERAL	17,756,974	17,829,517	18,720,000	19,207,516	2.6%	487,516
SPECIAL REVENUE						
Salaries and Wages	255,101	220,893	177,735	188,443	6.0%	10,708
Fringe Benefits	68,295	58,242	55,977	60,438	8.0%	4,461
Contractual Services	70	514	36,305	(0)	-100.0%	(36,305)
Operating Costs	1	59	0	0	0.0%	0
TOTAL SPECIAL REVENUE	323,467	279,708	270,017	248,881	-7.8%	(21,136)
INTERNAL SERVICE						
Salaries and Wages	451,685	519,196	563,674	606,042	7.5%	42,368
Fringe Benefits	128,979	164,584	199,974	203,321	1.7%	3,347
Contractual Services	965,284	899,287	830,283	887,058	6.8%	56,775
Operating Costs	417,497	470,551	563,107	581,874	3.3%	18,767
Capital	0	0	5,647	5,805	2.8%	158
TOTAL INTERNAL SERVICE	1,963,445	2,053,618	2,162,685	2,284,101	5.6%	121,416
ENTERPRISE						
Operating Costs	499,094	549	0	0	0.0%	0
TOTAL ENTERPRISE	499,094	549	0	0	0.0%	0
TOTAL EXPENSE	20,542,980	20,163,392	21,152,702	21,740,498	2.8%	587,796

REVENUE	2006 Actual	2007 Actual	2008 Adopted Budget	2009 Revised Budget	Percent Change	Change
AGENCY						
Interest	(1,858,141)	(0)	0		0.0%	0
TOTAL AGENCY	(1,858,141)	(0)	0		0.0%	0
GENERAL						
Local Government	15,000	15,000	0	15,000	0.0%	15,000
Charges for Service	8,391	6,048	6,000	6,000	0.0%	0
Charges for Sales	5	166	0		0.0%	0
Other Misc Revenues	81	3,624	0		0.0%	0
TOTAL GENERAL	23,477	24,838	6,000	21,000	250.0%	15,000
INTERNAL SERVICE						
Charges for Service	559,295	338,616	2,172,000	2,285,901	5.2%	113,901
TOTAL INTERNAL SERVICE	559,295	338,616	2,172,000	2,285,901	5.2%	113,901
TOTAL REVENUE	(1,275,370)	363,453	2,178,000	2,306,901	5.9%	128,901

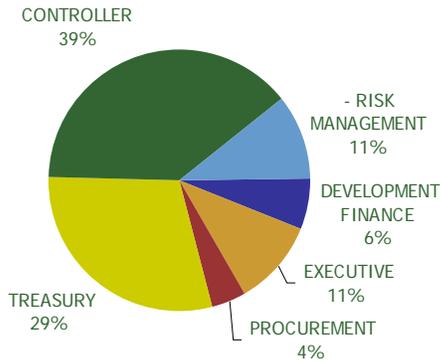
Expense by Fund



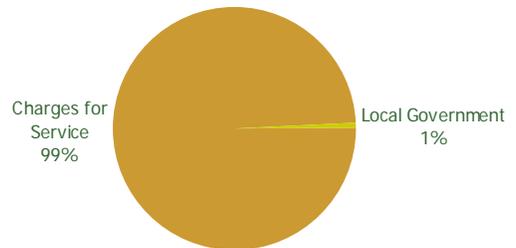
Expense by Category



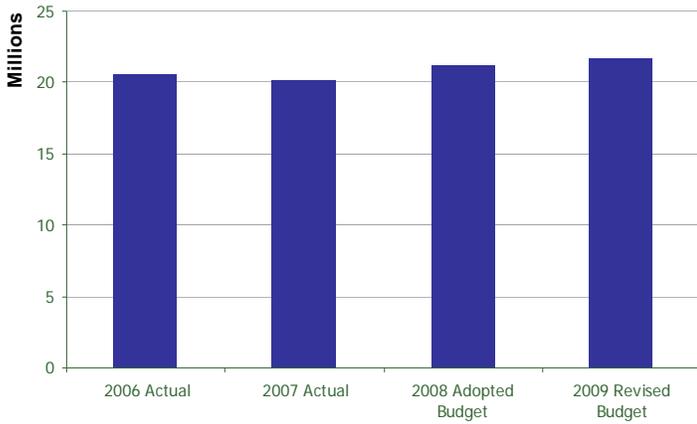
Expense by Division



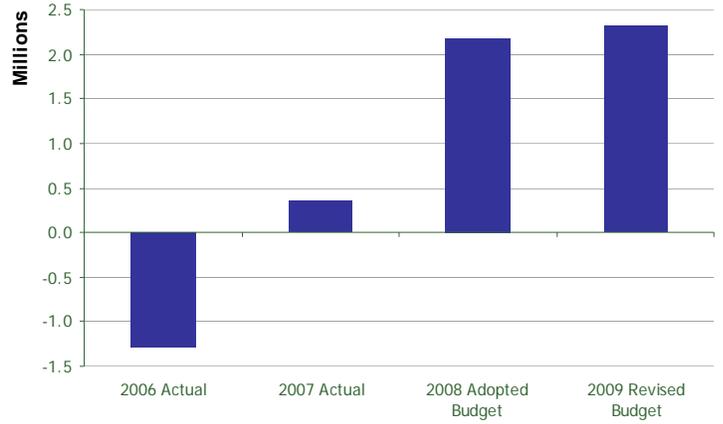
Direct Revenue by Type



Expense 2006 - 2009



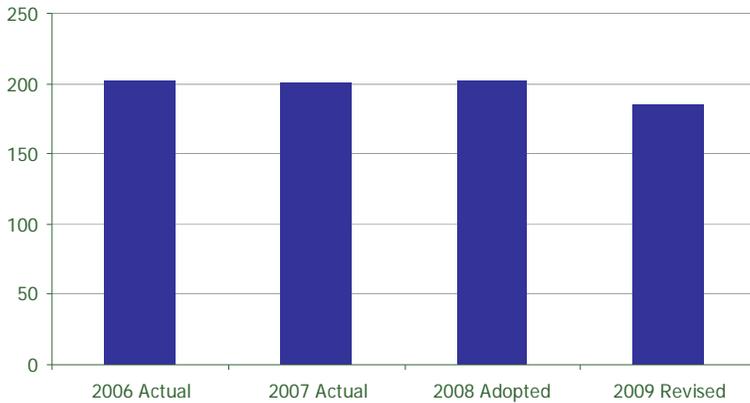
Revenue 2006 - 2009



FINANCE DEPARTMENT Staffing Information

Expense	2006 Actual	2007 Actual	2008 Adopted	2009 Revised	% Change	Change
CONTROLLER	100	100	100	92	-8.0%	(8)
DEVELOPMENT FINANCE	15	15	15	12	-20.0%	(3)
EXECUTIVE	10	9	9	10	11.1%	1
PROCUREMENT	10	10	10	9	-10.0%	(1)
RISK MANAGEMENT	9	9	9	9	0.0%	
TREASURY	58	58	59	53	-10.1%	(6)
TOTAL	202	201	202	185	-8.4%	(17)

Positions 2006-2009



Positions by Division

