CITIZENS LEAGUE REPORT

No. 190

City of Minneapolis Financial Condition and Structure Amendments 20 & 21

April 1966

190

Citizens League

Report

ON

minneapolis

FINANCIAL SITUATION

Citizens League
545 Mobil Oil Building
Minneapolis, Minnesota 55402

April 14, 1966

STATEMENT BY THE CITIZENS LEAGUE OF MINNEAPOLIS AND HENNEPIN COUNTY TO THE MINNEAPOLIS CHARTER COMMISSION AT ITS PUBLIC HEARING APRIL 14, 1966 ON PROPOSED CHARTER AMENDMENTS 20 AND 21

Prepared by: CITIZENS LEAGUE LEGISLATIVE ACTION COMMITTEE, Greer Lockhart, Chairman

Approved by: CITIZENS LEAGUE BOARD OF DIRECTORS at its meeting on April 13, 1966

Subject: Response to the Charter Commission's request for reaction to proposed amendments 20 and 21.

We understand that the Minneapolis City Council has submitted both proposed amendments Nos. 20 and 21 to your Commission with the request that you approve them in time to have them submitted to the voters of Minneapolis at a special election on June 7, 1966. This will require action by your Commission not later than April 29 and would allow approximately five weeks for voters to assimilate the purposes and provisions of these two proposed amendments. We further understand that the justification for having to move this swiftly is based on the assertion that the impact of the Donaldson Case will be so severe on the city's finances that city agencies (the City Council, Welfare Board, Library Board and Park Board) will have insufficient financial resources to maintain services at the present level through the 1967 calendar year. The reasoning, as we have had it presented to us, is that the 1967 session of the State Legislature will have to provide the long-range solution to the financial problems resulting from the Donaldson Case, but that whatever relief will be afforded by the 1967 session is unlikely to produce additional revenues until the 1968 year. Therefore, we are told, the City Council must act at this time to provide the necessary additional funds to maintain the present level of city services during the balance of 1966 and through 1967. Proposed Amendments Nos. 20 and 21 are, in the Council's opinion, the best means of attaining this short-run objective.

Based on the above understanding of the situation, we have directed our first attention to trying to determine whether the present level of city services can or cannot be maintained through 1967 within existing and anticipated financial resources. This, we believe, is a critically important question, since only the most dire financial emergency would justify submitting such comprehensive amendments as are proposed here on such short notice to the voters of Minneapolis.

Unfortunately, an accurate estimate of the financial impact resulting from the Donaldson decision is not known at this time and probably will not be determined until later this year. There appears little likelihood that an accurate estimate will be available before the proposed special election on June 7. The only published figures available at this time are those suggested last fall by the City Assessor's office. These figures projected a revenue loss of $10.8 million for all levels of government for which property taxes are levied within the City of Minneapolis. Since these estimates were made available last fall, considerable reassessing of properties has been taking place, which will provide a much more accurate basis on which to project anticipated revenue loss. Although no official statements have been made, we have sound reason to believe that the ultimate revenue loss resulting from the impact of the Donaldson case will be considerably less than the previously estimated

INTRODUCTION

This report is directed to the Minneapolis Charter Commission in response to its request that we review two proposed amendments to the Minneapolis City Charter. Proposed Amendment No. 20 would consolidate various city funds, including the Welfare, Park and Library funds, under one fund controlled by the Minneapolis City Council. Proposed Amendment No. 21 would grant broad additional taxing powers to the City Council, including the right to levy a city earnings tax.

The amendments have been put forward as emergency stop-gap measures because of court-ordered property tax equalization and its impact on city revenues. We have been told that the amendments are necessary to finance city services through 1967 until such time that the 1967 State Legislature is able to fashion an overall state or metropolitan area solution to the problems of municipal and school finances and the excessive burden of the property tax. We have conducted our analysis of the amendments in this context.

The report, though, goes far beyond our reaction to these amendments. To our knowledge it represents the only examination of the financial situation of Minneapolis city government which has been made in connection with these amendments. We have concluded that, if funds now in separate accounts within city government can be transferred, city government--including functions provided by the Welfare, Park and Library boards--can survive revenue loss resulting from tax equalization and operate through 1967 maintaining at least the same level of services in 1967 as are being provided in 1966.

We emphasize that our conclusions do <u>not</u> apply to the financial situation of the Minneapolis Public Schools. However, we have considered carefully the implications of proposed Amendment No. 21 to the schools and have included our comments in this report. We will be pursuing additional study in the area of the schools' needs and resources.

It should also be understood that, while we have carefully studied the status of the various city-related funds, we have not considered the adequacy or efficiency of existing city services. No program for expansion of city services has been proposed by the City Council. The 1966 city budget reflects essentially the same level of services as in 1965 except in one area, street maintenance, where budgeted costs reflect a substantial increase in services over 1965. A related question we have not addressed is that of the proper level of surplus balances, especially for the welfare and street maintenance functions.

This report could not have been prepared without the benefit of earlier research conducted by Citizens League research committees, including the Minneapolis Fiscal Crisis Committee headed by C. D. Mahoney, Jr., which met in the fall of 1965. Earlier in 1965 a major report was submitted by the Citizens League to the State Legislature recommending major property tax assessment reforms.

$10.8 million. Some recent projections, we understand, have estimated the loss at a figure as low as $6 million. The City Assessor is the only person who can speak authoritatively on this question, and even he will not be able to do so for several months.

Our analysis of the financial condition of city governmental agencies has, of necessity, therefore, had to be based on arbitrary assumptions of the anticipated revenue loss which will result from the impact of the Donaldson case. We have used two assumptions. The first assumption uses the estimate of an overall $10.8 million revenue loss made last fall by the City Assessor's office. Our second assumption uses the arbitrary figure of $6 million. Undoubtedly, the ultimate magnitude of the revenue loss will be somewhere between these figures. Revenue losses to all governmental agencies affected under these two assumptions would be as follows:

C I T Y O F M I N N E A P O L I S

1966 Real Estate and Personal Property Taxes
Estimated Tax Loss Resulting from Equalization

Taxing Authority	Tax Rate in Mills	Total Tax Levy	Estimated Tax Loss at $10.8 Million	Estimated Tax Loss at $6 Million
State of Minnesota	9.93	$ 4,228,632	$ 466,660	$ 259,463
Hennepin County	59.40	25,295,141	2,791,504	1,552,076
Separate Districts	2.43	1,034,801	114,198	63,494
Minneapolis Schools	82.43	35,102,332	3,873,800	2,153,833
City (including Welfare, Parks and Library)	75.62	32,202,333	3,553,763	1,975,892
TOTAL	229.81	$97,863,240	$10,799,925	$6,004,758

Since only City of Minneapolis agencies could directly benefit from additional revenues which might be provided under the authority of Proposed Amendments 20 and 21, we have limited our fiscal analysis to the condition of funds for these agencies. These are the funds under the control of the Minneapolis City Council, the Welfare Board, Library Board and Park Board. The estimated revenue loss to each of these funds resulting from the impact of the Donaldson case, under the $10.8 million and the $6 million assumptions, would be as follows:

FISCAL DATA FOR CITY COUNCIL, WELFARE, PARK AND LIBRARY FUNDS

Fund	1966 Mills	Total Tax Levy*	Dollar Loss at $10.8 Million	Dollar Loss at $6 Million
Current Expense	16.16	$6,881,641	$ 759,440	$ 422,249
Street	2.79	1,188,105	131,116	72,900
Permanent Improvement	2.79	1,188,105	131,116	72,900
Welfare	9.90	4,215,857	465,251	258,680
Civil Service	.25	106,461	11,749	6,532
Civil Defense	.09	38,326	4,230	2,352
Dutch Elm	.40	170,338	18,798	10,452
Park and Playground	6.715	2,859,543	315,572	175,458
Street Forestry	.055	23,421	2,585	1,437
Library	4.475	1,905,652	210,303	116,928
Board of Est. & Taxation	.075	31,938	3,525	1,960
Bond Redemption	13.25	5,642,435	622,681	346,211
Employee Health & Welfare	.75	319,383	35,246	19,597
Municipal Building Comm.	1.19	506,755	55,924	31,094
Police Expansion	3.00	1,277,532	140,985	78,388
Municipal Employees Retirement	9.88	4,207,340	464,311	258,157
Fire Relief	1.88	800,587	88,351	49,123
Police Relief	1.97	838,913	92,580	51,474
TOTAL	75.62	$32,202,333	$3,553,763	$1,975,892

* 1966 City budget figures are based on a 97% property tax collection rate estimate.

Within the severe time limitations imposed upon us by the schedule your Commission has been compelled to adopt, we have made a careful review of the financial resources of the city agencies as measured against the financial requirements necessary to continue the present level of governmental services through the 1967 calendar year. We have examined each fund separately. <u>This review and analysis convinces us beyond a reasonable doubt that, even taking into account the full impact of the Donaldson Case in 1967, present and anticipated financial resources in total will be more than adequate to provide for a continuation of present levels of all city services through the 1967 calendar year.</u> This conclusion assumes, moreover, that all city employees will be granted wage increases in 1966 and again in 1967 at rates comparable to those granted in recent years.

We must emphasize here that we have <u>not</u> as yet analyzed the schools' finances in the manner we have studied the City-related funds. Our above emphasized conclusion does <u>not</u>, therefore, cover the schools' situation. However, we have carefully considered proposed Amendment No. 21 with relation to the schools and discuss this relationship elsewhere in this statement.

The fact that total available financial resources will be adequate to maintain the present level of city services through the 1967 year, however, does not mean that each individual fund will have sufficient financial resources to assure maintenance of this level of service through the 1967 year. Substantial surplus balances will be available in some funds, in amounts more than adequate to make up the deficits in all other funds. Although it would appear that transfers among funds would be possible under present legal authority, the necessary authority to transfer reserves from one surplus fund, the Public Welfare Fund, does not presently exist.

The City has legal authority to rectify revenue loss resulting from the impact of the Donaldson Case for quite a number of funds. No further authority need be provided to assure adequate financial resources for functions financed from the following nine funds: Civil Defense, Civil Service, Duth Elm, Bond Redemption, Employees Health & Welfare, Fire Department Relief Association, Police Relief Association, Municipal Employees Relief Association and Municipal Building Commission.

Although the Permanent Improvement Fund is subject to and is currently at its maximum allowable mill levy, the financial impact resulting from the Donaldson Case can be offset by increasing the proportion of work done under this fund by the issuance of bonds. Therefore, no additional legal authority is required to assure maintenance of the present level of operations under this fund through 1967.

Three other major funds for which the present mill levy is at or near its legal maximum (Current Expense, Public Welfare, and Street) will have adequate reserve balances to assure maintenance of the present level of services through the 1967 year.

We find that only five funds appear to have inadequate financial resources to absorb the impact of the Donaldson Case and to maintain present levels of services through the 1967 year. These funds will require, therefore, transfers from available balances in other funds. Following are the impacts of the Donaldson Case on these five funds:

Fund	Dollar loss at $10.8 Million	Dollar loss at $6 Million
Board of Estimate & Taxation	$ 3,525	$ 1,960
Library	210,303	116,928
Park & Playground	315,572	175,458
Street Forestry	2,585	1,437
Police Personnel Expansion	140,985	78,388
TOTAL	$672,970	$374,171

Our review of the financial condition of each city fund convinces us that five major funds will have substantial surplus balances on December 31, 1967, as follows:

Fund	Estimated Balance (12/31/67)	Balance adjusted to absorb loss in fund - $10.8 Million assumption	Balance adjusted to absorb loss in fund - $6 Million assumption
Current Expense	$ 920,000	$ 160,560	$ 497,751
Public Welfare	741,000	276,429	483,000
Parking Meter*	600,000	600,000	600,000
Street y	131,116	----	58,216
Park Operating*	300,000	300,000	300,000
TOTAL	$2,692,796	$1,336,989	$1,938,967

(* No revenue in these funds comes from taxes. Meter collections and Park Board fees and concessions income provide all of the revenue for these funds.

y Analysis of the Street Fund is so complex that determination of a projected year-end balance for 1967 is impossible at this time. Our analysis, however, has convinced us that the balance will be at least enough to absorb the loss to the fund under the $10.8 million assumption, and doubtless considerably more. See the section on this fund in the Discussion Section attached to this statement.)

These surpluses will accrue to the extent indicated if all services financed from these funds are continued at present levels through the 1967 year. Our figures also reflect a 3% across-the-board wage increase for all employees paid out of these funds in 1966 and an additional 3% increase in 1967.

		$10.8 Million loss assumption	$6 Million loss assumption
Balance, five funds (12/31/67)		$ 1,336,989	$1,938,967
Minus deficits in five funds (12/31/67)		672,970	374,171
	NET	$ 664,019	$1,564,796

Even assuming the worst revenue loss, therefore, and after equalization has been achieved, our figures show that there would remain a combined balance of funds on hand as of December 31, 1967, of about $664,000. And, this would be after the Library, Park & Playground, Street Forestry, Police Personnel Expansion, and Board of Estimate Funds had been aided to the extent necessary to maintain present levels of service through 1967. Using the $6 million loss assumption, the City would still have $1,564,796 in available funds going into the 1968 calendar year.

Thus, it can be seen that the surpluses which will be available in several city funds will be more than adequate to finance any and all deficits which might occur in other city funds.

Our above projections do not contemplate any additional revenues which could be realized within the existing legal authority of the City Council. The City Council has the present legal authority to add substantially to its current revenues.

Considerable income is produced from fees, license assessments and charges. Some of these have recently been increased. Others could be increased, or new charges instituted. The City Council presently has, for example, the authority to impose a fee for the collection of garbage. A charge of $10 annually on each garbage can currently serviced in Minneapolis would produce additional revenue of approximately $1,300,000 each year.

The City Council also has the authority to issue bonds to meet current expense needs.

The Council has the authority to temporarily establish an aasessment ratio for property tax purposes above the 33 1/3% standard it has now indicated should be used for the 1966 assessments. Any increase in this ratio abovd 33 1/3% would automatically produce additional revenue for each city fund which receives revenue from the property tax, assuming millages are not changed. Such a temporary increase in the assessment standard would also produce additional assured revenue for the Board of Education, as is more fully discussed elsewhere in this statement.

We should also note here two other assumptions upon which our projections are based:

. Our figures assume that tax collections in 1966 will be at the 97% rate provided for in 1966 city budteting. Substantial non-payment of property taxes this year resulting in a collection rate under 97% would reduce year-end 1966 projected fund surpluses and tend to lower the amount of available funds we have shown in our projections. It should be noted, however, that the 97% collection rate projected for 1966 budgets is intended to take into account the equalization factor. The 1965 rate was revised to 96%, and final collections, we have been told, were at about the 97% rate. Traditionally, collections on city levies have topped 99%, for example 99.18% in 1963, including delinquent property tax collections.

. Although we have allowed for the full impact of the Donaldson Case, we have not assumed any offsetting growth in assessed valuation. This is a most conservative assumption on our part, inasmuch as assessed valuations have increased in all but one recent year despite the fact that substantial equalization relief has been given to personal property taxpayers. There are many reasons -- new construction, improvements, increased land and personal property values, renewal, less condemnations for freeways -- to indicate that, with the achievement of equalization, assessed valuation in the city will increase. Although our projections assume no increase, it is likely that assessed valuations, after reflecting the Donaldson Case impact, will increase so that $500,000 to $1,000,000 in additional revenue not provided by our figures would be available for city funds in 1967.

Our analysis, therefore, convinces us that the City Council does not need the additional taxing authority envisioned in proposed Amendment No. 21 in order to maintain the 1966 level of city services through the 1967 calendar year.

It appears that the City Council has the legal authority to transfer balances in the Current Expense Fund to other city funds, including the five funds we have concluded will need aid in 1967. Parking Meter Fund surpluses can be transferred to the Current Expense and Street Funds and possibly to several other funds. However, the Council does not have the legal authority to transfer to other funds available balances in the Public Welfare Fund, and the authority to transfer funds from the Park Operating Fund to other than park funds is open to question.

We believe that the City Council's existing authority to transfer surpluses between funds should be clarified, if necessary through a request for an Attorney General's opinion.

Proposed Amendment No. 20, by consolidating most city funds into a single fund, would accomplish the objective of transferability. We presented our views on proposed Amendment No. 20 to the previous Charter Commission and made a number of specific suggestions for its modification. These suggestions have, in almost all instances, been incorporated into the present draft of the proposed amendment. Although we continue to have serious reservations about certain structural aspects and implications of proposed Amendment No. 20, we believe it would improve present city financial procedures and it would accomplish the important objective of consolidating most city funds into a single central fund. <u>In view of the desirability of achieving maximum possible transferability of funds, we would support the amendment in its present form if your Commission decides to submit it to the voters.</u>

We wish to also point out, however, that authorization to the Council to transfer surplus balances between funds, to the extent such authority does not now exist, could be accomplished in other ways. An alternative to proposed Amendment No. 20 would be a charter amendment authorizing the City Council to transfer surplus funds among all city funds. The advantage of this approach over proposed Amendment No. 20 would be its probable broad public acceptance. We understand that the Park Board, Library Board, and Board of Estimate and Taxation have already declared their

their opposition to proposed Amendment No. 20 in its present form. They would undoubtedly support an amendment authorizing the City Council to transfer surplus funds. This could be accomplished at the 1967 session and, since the balances would already be on hand and would not be needed until late 1967, this would be sufficient time to alleviate any need which might arise in 1967.

In the absence of a clearly urgent financial crisis involving city services, we strenuously object to the City Council's crash program of submitting a charter amendment with the sweeping implications of proposed Amendment No. 21 to the voters on June 7.

The decision on this amendment would precede the report of the metropolitan areawide Mayors' Tax Study Commission, which is concerning itself in depth with the very new sources of revenue included in the provisions of Amendment No. 21. This study, well staffed and financed, and being conducted under the guidance of expert advisors in tax and related fields, is expected to be ready for the Mayors' group by midsummer.

The proposed amendment, if approved, would be sure to inflame suburban residents and public officials and would adversely affect the prospects of city-suburban cooperation for much-needed areawide legislation at the 1967 legislative session.

To those who suggest that whatever new taxes the City Council might impose under the authority granted in Amendment No. 21 could, and probably would, be superseded by action of the Legislature at the 1967 session, let us remind them that present requirements for local consent of any special law would probably subject the superseding legislation to the requirement of consent by the Minneapols City Council. There may also be other legal complications if, as a result of a favorable vote on June 7 on proposed Amendment No. 21, the City Council, as it now indicates, were to levy a city gross earnings tax without explicit legislative authority to do so. As 1948 Op. Atty. Gen. No. 89 points out, most, if not all, cities which levy taxes on incomes or earnings have only done so under enabling authority provided by their state legislatures.

Aside from possible legal complications, lawsuits, etc., there are questions of cost, administration and collection of such a tax, especially if it is to be regarded as a temporary tax until the 1967 legislative session provides an overall, coordinated solution. But overriding even these questions are the broad economic and public policy considerations implicit in the taxing authority sought for the City Council under proposed Amendment No. 21. The impact of city taxes which could be levied under the amendment would be area- and statewide in scope, not to mention the impact which the taxes could have on the economy of the city itself. a 2% city gross earnings tax, for example, will mean that city and suburban taxpayers will be paying to Minneapolis city government purely to provide for Minneapolis city services over 40% of what they now pay in Minnesota state income taxes. What are the implications for the schools, for statewide school aids, for state financing in general, for suburban property taxes, for the whole non-property tax picture in the state and metropolitan area? These and many more questions are raised by this proposal before the Charter Commission.

We should state here that we are not against earnings taxes per se. In fact, the Citizens League in the past has supported the concept of a countywide earnings tax. Such a tax, if carefully conceived, is clearly one of the major non-property tax sources which is available to our metropolitan area.

We reject proposed Amendment #21 essentially for two basic reasons. First, we are opposed to the concept incorporated in the amendment that the Minneapolis City Council should have the right by charter to unilaterally impose taxes of almost any type not otherwise prohibited by law. This, we believe, is a broader taxing power than is sound or desirable for individual municipalities in this metropolitan area, as we shall explain in succeeding paragraphs. Second, even if we favored the concept of granting broad taxing powers to the Minneapolis City Council, we would be compelled to reject this broad grant of authority until or unless the basic structure of Minneapolis city government is substantially strengthened.

We reject in principle the broad grant of taxing power incorporated in the proposed amendment for the following reasons:

- The Council itself has limited the broad grant of taxing authority contemplated by Amendment #21 by excluding the imposition of a general sales tax. This exclusion resulted from the Council's belief that a general sales tax raises such important intergovernmental policy questions as to require its imposition, if at all, on a greater than municipal base and by an authority which can impose the tax uniformly on a broader area. These are completely valid reasons. However, they apply equally to certain of the taxes which would be authorized under Amendment #21. We refer particularly to the gross earnings tax, which the Council apparently plans to impose if Amendment #21 is approved by the voters.

- A tax on income or earnings is relied upon heavily for revenue both at the state and federal levels of government. Aside from the legal question of whether the State of Minnesota has preempted the field in this area of taxation, except to the extent that the Legislature might explicitly allow municipalities to levy such taxes, there are important policy questions on what levels of government - state, metropolitan, county, municipal - and on what functions of government - schools, municipal services - should share in the benefits from this major tax source. Decisions on these questions should be made by the Legislature, not as the result of the unilateral action of one governing body in one municipality.

- It would appear that the only two major new sources of revenue available to local governments in the Twin Cities metropolitan area as a means of relieving the excessive burden on the property tax are taxes on either earnings or sales. The decision to impose either or both of these new taxes is of the greatest concern to the entire Twin Cities metropolitan area. It, therefore, is imperative that the imposition of either of these two new major sources of tax revenue must be on a coordinated basis. Coordination cannot be achieved by one community deciding to "go it alone."

- An earnings tax must be uniform among municipalities within the metropolitan area. Only the State Legislature can provide for this uniformity.

- Perhaps the most basic policy decision of all is the proper apportionment of revenues provided by an earnings tax. Should it be apportioned to the municipality of residence or on some other basis? This important policy decision must be made by the State Legislature and cannot be made by a single municipality.

- The basic question of how to apportion revenues from an earnings tax among the various governmental agencies within a single municipality has exceedingly important implications. Should, for example, revenues from an earnings tax on Minneapolis residents be used for governmental services under the control of the City Council alone? Should other governmental agencies, such as the schools, parks and libraries, continue to be limited for their revenues to the property tax and continue to be subject to millage maximums and referendum procedures by petitions? These basic questions are far too important to be left to the determination of the Minneapolis City Council alone. They should and must be made by the state legislature.

- One of the most difficult decisions in imposing an earnings tax is the determination of what income is to be subject to the tax. This question is of crucial importance to businesses, for example, and particularly those with other locations in municipalities throughout the Twin Cities area. This determination can best be made by the state legislature.

We are unalterably opposed to any broad grant of taxing power, such as is incorporated in Amendment 21, until the structure of Minneapolis city government is substantially strengthened. The generally appealing and sound governmental principle of holding elective officials responsible for their conduct is not attainable under the existing governmental structure in Minneapolis. For example:

- Many of the persons and businesses who would be subject to the taxes authorized by Proposed Amendment 21 have no right to vote in city elections. They are non-residents of the city. At least for these non-residents the principles of accountability of elected officials to the voters and of "no taxation without representation" would have no validity.

- Even residents of the city would have exceedingly limited ability to hold the City Council responsible for the sound exercise of the authority granted by Proposed Amendment 21. Under the present Minneapolis structure of government there is no at-large representation on the City Council and therefore each voter elects only 1/13 of the City Council. The one citywide elected official, the Mayor, has very little real participation in the deliberative process. Consequently, the decisions on imposing taxes authorized by Amendment 21 would largely reflect the best judgment of 13 ward-oriented aldermen.

- With the vast diffusion of governmental authority among independent boards and commissions in Minneapolis, it is a practical impossibility to pinpoint the responsibility for the decision-making process. In fact, under current city modes of operation it is almost impossible for anyone to learn with a degree of certainty what the actual fiscal situation of the city is at any given time.

- Wage increases granted to city employees are almost never based on the governing body's judgment of the amount the employees properly have coming. The amount of the increase is usually determined according to the amount of surplus funds available. Until or unless city officials can be held responsible by the electorate for decisions such as this, and they simply cannot be so held under our fragmented present structure of government, it would be unwise, we believe, to entrust these elected officials with the broad type of taxing power incorporated in Proposed Amendment 21.

- Ironically, the fiscal crisis now facing the City of Minneapolis resulting from the impact of the Donaldson Case is closely related to our present inadequate structure of government. The court has found that the assessor has deviated from equality in assessing property to such a degree that the City must now absorb in one year a financial impact ranging upwards to $10.8 million. This inequality developed to this point without any single elected official's being held responsible.

- It should surprise no one that the inequality in assessments which the court has ordered terminated developed under a structure of government with little or no citywide elected representation. The assessor, to the extent he has a boss at all, has 13 bosses, almost all representing predominantly residential wards. It is not hard to imagine developments if Amendment No. 21 is passed. The adverse business climate which resulted from inequality in assessment of property would be more likely to occur in the exercise of the broad taxing powers granted to the City Council under proposed Amendment No. 21.

We can see no justification for broadening the City Council's taxing power in the way contemplated by proposed Amendment No. 21, until the structure of city government is substantially improved. We have seen no evidence that City Council members are willing to incorporate major structural improvements into these financial amendments. If City Council members are unwilling to improve the structure of city government when they believe they are in desperate need of additional revenue, it is unrealistic to believe that these officials would show a greater interest in improvements in the structure of city government if they were given new broad taxing authority. We cannot conceive of granting substantially unlimited taxing power to Minneapolis city government in its present form.

RELATIONSHIP OF AMENDMENT NO. 21 TO THE SITUATION FACING THE MINNEAPOLIS SCHOOL SYSTEM

The most serious financial situation among governmental agencies in Minneapolis doubtless is the one confronting the Minneapolis Board of Education. The Board of Education estimates that it will need at least four additional mills for 1967, in order to maintain present program levels, plus whatever amount is needed to replace the revenue loss resulting from the impact of the Donaldson Case. This revenue loss is expected to be somewhere between $1,975,000 and $3,554,000. This would mean six to ten mills to replace the loss resulting from the impact of the Donaldson Case and an additional four to five mills in order to maintain present program levels, amounting to a total of between 10 and 15 mills for the 1967 year.

The Minneapolis School District, from a legal standpoint, is not part of the City of Minneapolis, since it has been established by the Legislature as a special district. There is no way, therefore, that the Charter Commission can propose a charter amendment which would produce additional revenue for the schools. However, members of the Board of Education have appeared before the Charter Commission to urge submission of either Amendment No. 21 or a specific earnings tax proposal to the voters at a special election in June.

The reasoning of the Board of Education for supporting an earnings tax for City Council functions, as we understand it, is essentially this: If the Board of Education increases its present millage maximum by as much as from 10 to 15 mills, a petition forcing a referendum vote on the proposed higher millage ceiling is almost certain, and the prospects of obtaining a favorable vote on so substantial a millage increase would not be good. The prospects of obtaining the needed additional financial resources to meet school needs are more likely through an earnings tax than through increased millage on the property tax. Board members, therefore, are pledging their support for an enabling amendment allowing an earnings tax for City Council functions. The City Council, if the vote is favorable at the June special election, would then be expected to move immediately to impose the earnings tax and would dedicate a substantial portion of the proceeds to property tax reduction. The amount of this reduction, Board members expect, would at least equal, and preferably exceed, the 10 to 15 mills needed for school operations. The Board of Education would continue to look to the property tax for its revenues and would exercise its legal authority to increase the present millage maximum by from 10 to 15 mills for school purposes. Voters would be more likely to approve a millage increase of from 10 to 15 mills, School Board members reason, if the City Council had previously reduced its millage for Council functions, since the millage increase for schools would not result in an actual property tax increase.

It is not our purpose here to pass judgment on the political feasibility among the alternative ways of producing additional revenue to finance school operations. Our purpose has been to evaluate the merits of proposed Amendment No. 21, and the assumption that it will result in the imposition of a municipal earnings tax, in terms of whether the proposed amendment is sound from a public policy standpoint. As we have indicated earlier in this statement, and for the reasons given, we do not believe that it is sound public policy to grant the type of broad taxing powers included in Amendment No. 21 to the Minneapolis City Council. If, as some are suggesting, the primary purpose of Amendment No. 21 is to provide additional revenue for the Minneapolis school system, then we believe this objective can and should be accomplished in a more direct manner and without producing the undesirable effects which would occur under Amendment No. 21.

We believe that those who would urge submission of Amendment No. 21 as the best way to provide additional revenues for school purposes should understand clearly the implications of this amendment. For example, Amendment No. 21 would:

- Dedicate use of revenues from the earnings tax to those governmental functions under the control of the City Council. The Minneapolis Board of Education would continue to be restricted to the property tax, and to the present petition and referendum procedures. The Library, Park and Welfare Boards would not share in the revenues from an earnings tax as a matter of right, but only if, and to the extent, agreed to by the City Council. The implications of granting to one of several independent governmental agencies in Minneapolis broad taxing authority while maintaining voter restrictions on the others should be assessed carefully.

- In no way compel the present or any future City Council to reduce present millages for Council functions by any prescribed amount. Neither would present millage ceilings be lowered under proposed Amendment No. 21, leaving the City Council free to reimpose mill levies back up to the present maximums. If, for example, the City Council reduced millages by 15 mills in 1967, there would be no charter prohibition preventing subsequent Councils from using millage increases to meet future financial needs for Council functions. The implications of granting to one city agency broad taxing authority, and not to the others, and not at the same time making a corresponding reduction in present millage maximums, should be considered carefully.

- Depart from the general practice in Minnesota of dedicating revenues from the income tax to school purposes. The Minnesota state income tax, among the highest in any state, has, with a few exceptions, been dedicated to educational purposes, primarily in the form of state aids to local school districts. Although many believe that diverting income tax funds to other than school purposes is sound public policy, the implications of this diversion should be carefully considered.

We are deeply concerned about the financial situation facing the Minneapolis school system. It is imperative that adequate revenues be provided to offset the expected impact of the Donaldson Case and to assure maintenance of present program levels until the Legislature can provide a workable long-range solution. We shall be giving this important issue our priority attention during coming weeks. We expect, for example, to give consideration to several alternative ways in which additional revenue might be provided for the Minneapolis school system on a temporary basis. These alternatives include:

- <u>Temporary relief through action of the Legislature at a special session in 1966</u>. Action by the State Legislature at a special session later this year could provide temporary financial relief for the Minneapolis school system. For example, the Legislature could suspend the petition procedure provided for in the Special Minneapolis School Law for one year, granting the schools authority to set a new temporary higher levy to meet its 1967 financial requirements. This would give the Legislature an opportunity at the 1967 session to fit the schools into the overall tax solution.

- <u>Increased millage by action of the Board of Education</u>. The Board of Education has authority to increase its millage, subject to a voter referendum under the petition procedure. This is the procedure traditionally resorted to by the Board of Education, with no instance of voter rejection to date. Since income from almost any source of revenue other than the property tax could be made available during 1967, there is every likelihood that only a part of the 10 to 15 mill increase would be spent in 1967 or needed on a permanent basis.

- Increase the assessment ratio above 33 1/3%. The City Council has the legal authority to temporarily establish an assessment standard for property tax purposes above the 33 1/3% ratio it presently contemplates for 1966 assessments. The ratio necessary to replace the revenue loss resulting from the impact of the Donaldson Case would be something under 37%. A 10% deviation from the goal of a uniform 33 1/3% statewide standard urged since 1962 by the State Tax Commissioner is currently allowed under his announced policy.

  Since no voter approval would be required for this action, this alternative would be the most certain and the most direct way for the Council to provide additional funds for school operations.

  If this alternative is used, the City Council should reduce its 1967 mill levy for those funds having adequate surpluses to absorb the impact of the Donaldson Case. In fact, if the City has the authority to transfer surpluses among its various funds, there need be no dollar increase to property taxpayers resulting from the impact of the Donaldson Case for city functions.

  The one disadvantage of this alternative is that, as long as a differential existed, Minneapolis taxpayers would be paying a slightly disproportionate share of county and state taxes, since assessment ratios would be somewhat lower in other communities.

We have listed the above alternatives, not to indicate a preference among them at this time, but rather to point out that, in our opinion, any of these three alternatives would be sounder, in terms of the schools' own best interests, than imposition of an earnings tax under authority granted by proposed Amendment 21.

As we move into a detailed analysis of the schools' revenues, needs, and resources, we wish to note that the Minneapolis School Board has not yet presented needed documentation for their 1967 alleged revenue needs over and above whatever funds they will need to replace revenues resulting from the impact of the Donaldson Case. They have stated publicly and to the Charter Commission that they believe they need a minimum of at least 4 additional mills.

Whatever the ultimate needs of the schools may turn out to be, we believe that the implications of Amendment No. 21 are far too serious to warrant granting broad and permanent taxing authority to the Minneapolis City Council for the sole purpose of easing a temporary financial problem for the schools and other governmental functions.

DISCUSSION OF FINANCIAL CONDITION OF CITY FUNDS

The purpose of this section is to discuss and amplify on the financial data and the projections contained in the preceding statement to the Minneapolis Charter Commission. As has been indicated in the statement, the financial impact on the various city funds resulting from the decision in the Donaldson Case varies considerably. A number of funds are subject to charter or statutory millage ceilings. Certain funds are at these ceilings, others are not. Some funds have no such millage maximums and, therefore, present legal authority exists to restore funds lost because of the impact of the Donaldson Case. Certain funds receive only a portion of their revenues from the property tax. The financial impact of the Donaldson Case is, obviously, less severe for these funds. There are a few funds which receive little or no revenue from the property tax and will, therefore, not be affected by the Donaldson Case. Some funds have substantial surpluses. Others have none. We have had, therefore, to review each fund separately, in order to reach meaningful conclusions on the City's financial condition and how it will be affected by the decision in the Donaldson Case.

It should be clearly understood that the purpose of our review has been to determine whether funds under the City Council, the Library Board, the Park Board and the Welfare Board have adequate financial resources to weather the expected impact of the Donaldson Case and, at the same time, to maintain the current level of governmental services during the balance of 1966 and through the 1967 calendar year. The reason for selecting this period of time has been to assure that the present level of City services can be maintained until the 1967 session of the State Legislature has had an opportunity to work out a long-range solution to the City's financial problems and to relieve the overburdened property tax. We are engaged in a holding action, a stopgap arrangement, until a workable and coordinated program can be developed. It is in this context that the City Council has stated its case and it is on this basis that the City Council is urging the Charter Commission to submit proposed Charter Amendments Nos. 20 and 21 to the voters of Minneapolis at a special election on June 7, 1966. Accordingly, we have based our review and our response on this set of assumptions.

It is important to understand the purpose of our review of City funds and the assumptions on which our review was based. It is equally important to understand clearly what our review does not purport to cover. We do not, for example, express any opinion on whether the present level of City governmental services is adequate, inadequate or excessive. The Council has not presented a program for expanded services, and we have not addressed ourselves to this question. We have not investigated the performance of governmental functions to determine whether savings might be forthcoming from increased efficiency. Neither are we expressing any opinion on the desirable level of reserve balances which should be maintained in the various City funds. On these matters we would note again that we are looking to a temporary situation until the Legislature has had time to meet. Its 1967 work will be done well in advance of the adoption of the 1968 City budgets and the setting of mill rates to provide 1968 property tax revenues.

In considering the information on the various funds presented below, we should emphasize, as in our statement, the assumptions noted on Page 6 of the statement. We assume tax collections in 1966 at the 97% collection rate provided for in the 1966 City budgets. To the extent they might fall below this figure, the balances we show will be high; to the extent collections exceed 97%, our balances would be low.

The second assumption we have used is a most conservative one -- that, aside from the full impact of the Donaldson Case which we provide for, there will be no countervailing increase in the tax base. For this to occur would be almost unprecedented. We would expect that there would be some increase in assessed valuations, and, if these occur, they will have the effect of providing more revenue for the City than we have shown in our figures. We fully understand the basis of the $10.8 million and $6 million Donaldson Case loss projections and that they are based on an assumption that residential valuations will be brought up to the 33 1/3% assessment standard. The increase in assessed valuation we expect would result from other factors, primarily new construction and increased personal property values.

Financial Condition of Specific Funds

Adequate legal authority presently exists for ten of the City's funds to replace in full the expected financial loss which will result from the decision in the Donaldson Case. The property tax levy for these ten funds comprises 43% of the total property taxes levied in Minneapolis for city (other than schools) governmental services. Therefore, 43% of the dollar loss resulting from the impact of the Donaldson Case would have no adverse effect whatsoever from the standpoint of maintaining the present level of City services financed from these funds through 1967. It would, however, adversely affect the property taxpayer to the extent the present millages have to be increased. The total millage increase which might become necessary to replace losses resulting from the impact of the Donaldson Case for these ten funds, assuming the full amount of the loss is levied for, would be somewhat under 4 mills and probably in the range of 3 mills. The ten funds having the present legal authority to replace in full the loss from the Donaldson Case are:

Fund	Property Tax Dollars at 97% Collection Rate Used in Budgeting	Dollar Loss at $10;8 Million	Dollar Loss at $6 Million
Permanent Improvement	$ 1,151,092	$ 131,116	$ 72,900
Civil Service	103,145	11,749	6,532
Civil Defense	37,132	4,230	2,352
Bond Redemption	5,466,657	622,681	346,211
Employee Health & Welfare	309,433	35,246	19,597
Municipal Building Commission	490,967	55,924	31,094
Municipal Employees Relief Association	4,076,270	464,311	258,157
Fire Pension*	775,646	88,351	49,123
Police Pension*	812,779	92,580	51,474
Dutch Elm	165,031	$ 18,798	10,452
	$13,388,152	$1,524,986	$847,892

(* These funds have mill rate limits which, if reached, would require increased employee contributions.)

The only fund listed above which needs any amplification is the Permanent Improvement Fund. This fund is subject to a legal maximum number of mills which can be levied, and the maximum mills authorized are presently being levied. Further, the present surplus balance in this fund is not adequate to absorb the loss in revenue expected to result from the impact of the Donaldson Case. However, this fund is used to provide for capital or permanent improvements, as is the Bond Redemption Fund. For example, the 1966 budget contains an appropriation of $4,500,000 for auditorium construction. $4 million of this total is being programmed through bond issues and $500,000 through the Permanent Improvement Fund. If, and to the extent, the Permanent Improvement Fund has insufficient financial resources, projects can be transferred to the bond program for eventual payment through the Bond Redemption Fund, for which there is ample levying authority.

Current Expense Fund

The Current Expense Fund is the City Council's general fund. Revenues in this fund are derived from a variety of sources, with about 40% of the total revenue coming from the property tax. The present mill levy is at the maximum legally authorized.

The Current Expense Fund is the Council's largest and most important fund and we have, therefore, given it our most intensive scrutiny. Based on this analysis, we conclude that the impact of the Donaldson Case can be absorbed in full and the present level of services can be maintained through 1967 within revenues available from present sources and at present levels. This conclusion is based on several assumptions:

- That revenues for 1966 and 1967 will be at the same level as they were in 1965. Tax collections, for example, in 1966 will have to achieve the 97% projected collection rate provided for in city budgets. To the 1965 revenues we have added $100,000 in 1966 and $150,000 in 1967. This is the additional revenue which the City Coordinator's office estimates will be derived from the recent 15% increase in fees, permits, licenses, etc. We have reviewed each revenue source in the Current Expense Fund and are confident that the 1965 level of revenues will be maintained during 1966 and 1967.

- That expenditure levels for 1966 and 1967 will be the same as in 1965. To these we have added the cost of a 3% wage increase for all employees in 1966 and an additional 3% pay increase for all employees in 1967.

- That the total amount of funds appropriated but not spent will be the same in 1966 and 1967 as in 1965. These savings, amounting to $267,000 in 1965, result primarily from turnover in employees, with a gap between the date an employee leaves and his replacement begins work. These savings always occur, and the 1965 figure, while somewhat higher than in some years, is not unrealistically high.

Based on the above assumptions, the projected balance sheet for the Current Expense Fund through the 1967 year produces the following figures:

Current Expense Fund

Available balance January 1, 1966	$ 1,152,000
1966 revenue	16,600,000
Total available funds	$17,752,000
1966 expenditures	$16,541,000
Available balance January 1, 1967	1,211,000
1967 revenue	16,650,000
Total available funds	$17,861,000
1967 expenditures	16,941,000
Available funds January 1, 1968	$ 920,000

Since the maximum financial impact which might result from the Donaldson Case is $759,440, the projected surplus balance of $920,000 on January 1, 1968 is adequate to absorb the loss. To the extent that the Donaldson Case impact will be less than $759,440, and it will, the remaining surplus will correspondingly increase. We are confident that these projections will prove to be conservative and that the actual surplus will be somewhat higher if present expenditure levels are maintained.

Police Personnel Expansion Fund

The Police Personnel Expansion Fund is, for all practical purposes, an extension of the Current Expense Fund. No services are performed out of this fund. All revenues are transferred into the Current Expense Fund and expenditures are included as a part of the Current Expense Fund. No surpluses are retained in this fund. It is kept separate from the Current Expense Fund for bookkeeping purposes only and for the sole reason that the Minneapolis Charter requires this procedure and restricts expenditures to the providing of police service. The charter requires a 3 mill levy for this purpose. Therefore, there is no present legal authority under which the impact of the Donaldson Case can be absorbed. The revenue loss to this fund will be somewhere between $78,388 and $140,985.

Parking Meter Fund

All revenue for the Parking Meter Fund is obtained from parking meters. The total annual revenue is approximately $700,000. Slightly over $100,000 is spent each year to service the meters. All remaining revenue traditionally has been transferred to other funds, and at least in recent years has been apportioned in differing amounts to the Current Expense Fund and the Street Fund.

The January 1, 1966 surplus in the Parking Meter Fund was just under $300,000. The 1966 appropriation transfers $250,000 from this fund to the Street Fund and $200,000 to the Current Expense Fund. If a comparable transfer is again made in 1967, and our projections for these two other funds are based on this assumption, then the Parking Meter Fund surplus will be increased by an additional $150,000 in 1966 and by another $150,000 in 1967. Therefore, the January 1, 1968 surplus in the Parking Meter Fund will reach $600,000.

The Parking Meter Fund will not be affected by the impact of the Donaldson Case, since none of the revenues are derived from the property tax. The entire $600,000 surplus is available for use by other funds if and as needed. The only possible contemplated use for revenues in this fund is for the replacement of old parking meters, for which $300,000 is currently being held in abeyance. Our figures do not provide for this expenditure being made in 1966 or 1967. Nor do we feel it is necessary.

Public Welfare Fund

The maximum levy for public welfare purposes is established by the Legislature at 10.1 mills. The levy for 1966 is 9.9 mills, which is .2 mills below the authorized maximum. The present high level of employment has resulted in a reduced level of expenditures from this fund. Based on information provided by officials in the Welfare Department, we make the following projections for this fund through January 1, 1968:

Public Welfare Fund

Available balance January 1, 1966	$ 648,670
1966 revenue	5,256,505
Total available funds	5,905,175
1966 expenditures	5,140,000
Available balance January 1, 1967	765,175
1967 revenue	5,256,505
Total available funds	6,021,680
1967 expenditures	5,280,000
Available balance January 1, 1968	$ 741,680

The above is an exceedingly conservative projection and the actual revenues available on January 1, 1968 appear certain to be higher, and perhaps substantially so, than those we have projected. Relief expenditures for 1966, for example, are estimated at 10% less than the amount appropriated. The actual relief caseload is substantially lower than the 10% decrease used in our projections. We have projected the same expenditure level for 1967 as for 1966. These projections include the cost of a 3% pay increase for all employees in 1966 and an additional 3% pay increase for all employees in 1967. Revenue estimates assume a 1967 levy of 9.9 mills, even though a levy of 10.1 mills is legally permissible. A 10.1 mill levy would produce an additional $80,000 during 1967.

The impact of the Donaldson Case on this fund will be somewhere between $258,680 and $465,251. Therefore, the lowest likely surplus in the Welfare Fund as of January 1, 1968 is $276,429. For reasons indicated, we are confident the surplus will be substantially above this amount.

Street Fund

The Street Fund provides essentially for the non-permanent work done on and in connection with city streets -- cleaning and repairing, maintenance of traffic lights and signs, snow removal and salting. The fund is subject to a maximum mill levy of 2.79 mills, with the actual levy at the maximum. Because of the record snows in the spring of 1965, the balances in this fund have been under severe pressure. However, the fund did have a slight balance at the beginning of 1966.

The revenues for this fund will be increased by $645,000 beginning this year because of an increase in the assessment for street sprinkling. This increase will provide sufficient additional revenue to repay the Permanent Improvement Fund the $250,000 which was borrowed from that fund in 1965. This increased revenue will also permit an increase in the level of street maintenance. The $250,000 which will be used this year to repay the loan from the Permanent Improvement Fund can be used in 1967 for other purposes. The amount will be more than adequate to defray the cost of annual wage increases.

The impact of the Donaldson Case will cost this fund between $72,900 and $131,116. The surplus in this fund, although not large, should be adequate to absorb the impact.

Library Fund

The Library Fund, which is at its legal maximum of 4.49 mills, began 1966 without any surplus. It has been commonly assumed that the Library Fund has been under severe pressure in recent years. The Library Board has repeatedly stated its need for increased millage.

The Library Board hopes to increase its revenue level by $135,000 during 1966 in negotiating its annual contract with the Hennepin County Board of Commissioners. This additional revenue should prove adequate to assure maintenance of the present level of operations through the 1967 year, including normal annual pay increases.

The impact of the Donaldson Case on this fund will be somewhere between $116,928 and $210,303. There will be no surpluses in this fund, and the fund therefore will not be able to absorb the impact without forcing some curtailment of the present level of service.

Park & Playground Fund

The Park & Playground Fund, the largest fund under the control of the Minneapolis Park Board, serves essentially as that board's general revenue fund. The current levy for this fund is at its legally authorized maximum of 6.715 mills. The fund began the 1966 year with a surplus of $110,000, with 1966 expenditures estimated at $3,100,000. We project that revenues and expenditures through the 1967 year will be approximately equal and that normal annual wage increases will use up most, if not all, of the surplus.

The impact of the Donaldson Case on the Park & Playground Fund will be somewhere between $175,458 and $315,572. The fund will not be able to absorb this impact. Its one recourse, other than to curtail the present level of services, would be to charge fees for certain of the recreational facilities it provides. We understand the Park Board is giving some consideration to charging fees.

Street Forestry Fund

The Street Forestry Fund is an exceptionally small fund providing essentially for tree trimming on park property. The present levy of .05 mills is the maximum legally allowed. The impact of the Donaldson Case on this fund will be somewhere between $1,437 and $2,585. This amount could not be absorbed without a slight curtailment in the present acheduling of tree trimming.

Park Operating Fund

The Park Operating Fund has been established by the Park Board in order to keep separate revenues and expenditures for golf courses and refectories. This is not a fund required by charter or statute. This fund began 1966 with a surplus of $275,000. Anticipated revenues during 1966 are expected to equal, and probably exceed the estimated expenditures of $1,527,000. If the unusually adverse weather conditions experienced during much of 1965 are not repeated in 1966, actual revenues should substantially exceed the amount projected. We expect that this situation will apply equally to the 1967 year.

The Donaldson Case will not affect this fund, since none of its revenues are derived from the property tax. There is no legal restriction which would preclude the use of the surplus in this fund for other park purposes. The expected surplus in this fund will be sufficient to offset fully the impact of the Donaldson Case on the Park and Playground Fund in 1967, if the Park Board determined that the surplus should be used for that purpose.

Board of Estimate & Taxation

The present levy is at its legal maximum of .075 mills. The impact of the Donaldson Case will be somewhere between $1,960 and $3,525. This impact could not be absorbed without some curtailment of the present level of operation.

SUMMARY OBSERVATIONS

Recapitulation of Funds

As we have shown, certain funds will have surpluses more than adequate to replace any loss resulting from the impact of the Donaldson Case. Other funds will not. The overall picture, based on the assumptions we have used, is as follows:

Fund	Surplus on Dec. 31, 1967	1967 Dollar Loss at $10.8 M	1967 Dollar Loss at $6 M
Current Expense	$ 920,000	$ 759,440	$ 422,249
Police Personnel Expansion	--	140,985	78,388
Parking Meter	600,000	--	--
Public Welfare	741,680	465,251	258,680
Street	131,116	131,116	72,900
Library	--	210,303	116,928
Park & Playground	--	315,572	175,458
Street Forestry	--	2,585	1,437
Park Operating	300,000	--	--
Board of Estimate	--	3,525	1,960
	$2,692,796	$2,028,777	$1,128,000

The above projections show that total surpluses available on December 31, 1967 will be $2,692,796. The dollar loss to these funds resulting from the impact of the Donaldson Case will be somewhere between $1,128,000 and $2,028,777. The available surpluses will be more than adequate to replace in full the greatest possible impact of the Donaldson Case.

Present legal authority appears adequate to allow use of available revenues in the Current Expense Fund for any City governmental function. This authority would include use of revenues from this fund for operations under the Library Board and Park Board. There would be no restriction on the use of surplus revenues in the Park Operating Fund for park operations generally. The Parking Meter Fund surplus can be transferred to the Current Expense, Street and, possibly, several other funds. The expected surpluses in the Current Expense Fund, the Parking Meter Fund, and the Park Operating Fund, therefore, would be adequate to replace fully the loss resulting from the impact of the Donaldson Case in the Police Personnel Expansion Fund, the Library Fund, the Park & Playground Fund, the Street Forestry Fund, and the Board of Estimate and Taxation. No additional legal authority appears to be needed to accomplish this objective.

Although it probably would be legally possible to borrow from surpluses available in the Public Welfare Fund, there is no present legal authority to transfer surpluses in this fund to other funds. Since a surplus will be available in the Public Welfare Fund, and in all likelihood somewhat larger than we have projected, greater protection would be afforded if legal authority could be provided to transfer surpluses from this fund to other funds.

ABOUT THE CITIZENS LEAGUE . . .

The Citizens League is a non-partisan, independent organization of more than 3,200 members, founded in 1952, and dedicated to the improvement of local government in the Twin Cities area.

Citizens League reports, which provide assistance to public officials and others in finding solutions to complex problems of local government, are developed by volunteer research committees, supported by a fulltime professional staff.

The League's annual budget is financed by annual dues of $10 ($15 for family memberships) and contributions from more than 600 businesses, foundations, and other organizations.