

CITIZENS LEAGUE REPORT

No. 200

**CL Report on Proposed Amendment 21
(The Finance Amendment)
to the Minneapolis City Charter**

October 1966

Citizens League
545 Mobil Oil Building
Minneapolis, Minnesota 55402

APPROVED
BOARD OF DIRECTORS
DATE OCT 5 1966

REPORT ON PROPOSED AMENDMENT 21
(THE "FINANCE AMENDMENT")
TO THE MINNEAPOLIS CITY CHARTER

Amendment 21 will be on the Minneapolis City ballot November 8, 1966. The Citizens League has previously indicated support for the key provisions of the amendment in several reports and statements and urged the Minneapolis Charter Commission to submit the amendment to the voters.* On July 14, 1966, the Commission revised some language in the proposed amendment and provided for its submission to Minneapolis voters this fall. The Citizens League Legislative Action Committee reviewed the revised amendment, concluded that none of the language changes affect the basis for the previous Citizens League support for the amendment, and approved this report.

I - RECOMMENDATION

Because the amendment holds promise to effect procedural reform in city financial management, and particularly because of the continuing need to achieve maximum utilization of all existing city tax levies in the light of the tight financial situation facing the city in 1967, the Citizens League reaffirms its support of the finance amendment and urges Minneapolis voters to vote "yes" on Amendment 21 on November 8.

II - THE AMENDMENT--WHAT IT DOES

Present

Proposed

1. Consolidated Tax Levy

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| <p>. There is a yearly levy for each of 10 separate funds, each with a separate allowable mill limit. The Board of Estimate & Taxation sets maximums for each fund and the City Council and separate boards then set their levies within the maximums designated by the Board of Estimate.</p> | <p>. One combined General Fund is established with a maximum allowable levy of 42.70 mills - the aggregate of the 10 separate levy limits. The 10 funds are: Current Expense, Permanent Improvements, Streets, Park and Playground, Street Forestry, Library, Board of Estimate & Taxation, Public Welfare, Civil Service, and Civil Defense.</p> |
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- a) Statement to the Charter Commission April 15, 1965 (4 pages)
- b) Report on Minneapolis Financial Situation Submitted to Charter Commission April 14, 1966 (20 pages)
- c) Statement to the Charter Commission June 30, 1966 (4 pages)

2. City Finance Officer Established under City Council -
Budget Process - Coordination of Fiscal Procedures -
Mayor's Role

Currently there is no centralized city financial control. The Ways and Means Committee of the Council and the Board of Estimate conduct independent hearings with the Board of Estimate reviewing the Parks and Library requests as well as the requests of the Council-controlled departments being reviewed by Ways and Means. The Council does not formally adopt a budget appropriation until after final action of the Board of Estimate setting limits for all the separate funds for the ensuing year.

Fiscal procedures are largely uncoordinated now.

The Mayor is totally uninvolved in the budget process.

. The "City Finance Officer", a new position, is appointed by the City Council. He is responsible for coordinating and directing the financial and budgetary activities and functions of all boards, departments and commissions of the City. He prepares a comprehensive budget document and submits same to the Mayor, the Council and the Board of Estimate by August 15 of each year. By September 20 the Council by resolution (i.e. subject to the Mayor's review and possible veto) adopts an overall budget for submission to the Board of Estimate.

. The City Finance Officer studies and recommends improvements in administration, organization, procedures, records, forms, data processing, etc.

The Council may by ordinance prescribe procedures to coordinate work of the Treasurer, Comptroller and Finance Officer with respect to programs, payrolls, purchase orders and contracts of all city agencies and of the Park, Library and Board of Estimate.

. The Mayor as well as the City Finance Officer and Board of Estimate is explicitly given full access to all records, accounts, information, and finance employees of all departments and boards. He also must review all budget and ongoing appropriation resolutions of the Council. (See 3.)

3. Park, Library and Board of Estimate
& Taxation Finances - Guarantees

. The three boards are each guaranteed at least as much money as they would have received within their present separate levies and subject to Board of Estimate action. The Board of Estimate, however, instead of setting a separate yearly mill levy for each as now, would set a separate dollar amount for each of these three boards to be raised from the new General Fund levy.

Thus, the Board of Estimate, not the Council, remains as now the body with financial control over the amount of the yearly budget of the Park and Library Boards.

- . Currently, the separate boards are entirely on their own financially once the Board of Estimate has set the separate yearly millage maximums. The Council, however, can and does make changes in the appropriations of the various departments currently under its financial control.
- . After final appropriations for all departments and boards have been adopted by the Council following final Board of Estimate action, the Council may not increase or decrease any appropriation except by resolution of two thirds of the full Council, and if the appropriation of the Park, Library or Board of Estimate is affected, such board must also by majority vote of all its members approve any proposed change in its appropriation.

4. Permanent Improvement Budget

- . The Council currently passes on all debt financing of the City and of the separate boards subject to the Board of Estimate's right to set a maximum on the amount of all types of bonds which may be issued in a given year.
- . All boards and departments shall submit 3-year permanent improvement needs to the Finance Officer by June 15. Information, cost estimates, etc. required. Council to hold a public hearing and, in the budget it submits to the Board of Estimate September 20, it shall determine the maximum commitment for issuance of permanent improvement bonds for the next year. The Board of Estimate's strong role in this area unchanged.

5. Board of Estimate Reconstituted

- . Current Board (6) consists of:
 - Mayor (or his representative)
 - Comptroller
 - Park Board Member
 - Chairman, Council's Ways and Means Committee
 - 2 elected citywide.
- . Old Board abolished. Reconstituted Board to consist of (7):
 - Mayor (or his representative)
 - Comptroller
 - Park Board Member
 - Library Board Member (new)
 - Chairman of Council's Ways and Means Committee
 - Appointee of the Mayor (new)
 - Appointee of the Council (new).

III - RECENT DEVELOPMENTS

Although most of the provisions of the proposed amendment were in some form incorporated into the comprehensive charter change proposals which originally evolved in the late 1950's and were voted on in 1960, and then again in 1963, the basic provisions of the proposed amendment were suggested by the City Council and proposed to the Charter Commission in 1964. There were extensive deliberations between Charter Commission and Council members. Then, public hearings on the amendment were held in the spring of 1965, at which time individuals and groups reacted to the version then under consideration, and made specific recommendations for change. The Charter Commission, following these hearings, revised the amendment to take into account the reaction at the hearings. The Commission ultimately decided, however, not to submit the amendment to the voters in connection with the general city election of June, 1965.

A new City Charter Commission was appointed by the District Court in early 1966. Both the City Council and the new Charter Commission were receptive to reconsideration of the finance amendment in the form it had been revised by the previous Commission in April, 1965. Individuals and groups reacted to the proposed amendment at two sets of hearings before the Charter Commission. The first was held in April, 1966, at which time the Commission also considered a Council-proposed amendment which would have granted the Council broad authority to enact new non-property taxes in the city. The second hearings were held in June, 1966, at which time the Commission was also considering the Library Board's proposal for an amendment to increase the Library Board's taxing authority by two mills, which amendment the Commission approved for submission to the voters at the primary election September 13, and which carried.

At the June, 1966, hearings, criticism was made of the proposed finance amendment by the Minneapolis Park Board. During the Charter Commission's deliberations following these hearings, several changes were made in the proposed amendment in an attempt to meet the Park Board's objections. On July 14, 1966, the Charter Commission approved submission of the amendment to the voters in the revised form and in such a manner that it would be placed on the ballot for the November 8, 1966, state general election.

IV - PREVIOUS CITIZENS LEAGUE ACTIONS

From the time the Citizens League was founded in 1952, most League members have held the view that comprehensive change in the structure of Minneapolis city government is urgently needed. Our organization began making specific proposals for changes in the Minneapolis city charter within a year after its establishment, and we have continued to give this issue high priority. Over the years we have on many occasions appeared before City Charter Commissions, sometimes to make specific proposals of our own, and on other occasions to react to proposals made by others. Specifically, we have strongly subscribed to the concept of separation of executive and administrative functions from legislative functions. This has been and remains the basic position of the Citizens League with regard to charter reform.

Over the years and within the framework of the charter reforms we have supported, we have consistently backed establishment of central financial management and control through consolidation of tax levies, a Finance Officer, and an improved budget process.

Recognizing that the proposed Finance Amendment was not designed to effect separation of powers, but that it was being advanced as a means to consolidate tax levies, provide for centralized city financial management and a more orderly and visible budget process, we made a series of suggestions to the Charter Commission on April 15, 1965, for strengthening the then-proposed amendment within the context of its limited objectives. Specifically, we made proposals for strengthening of the budget process through requiring the formal adoption by the City Council of a comprehensive budget prior to submission of same to the Board of Estimate and Taxation. Recognizing that the amendment did not make the Library and Park Boards appointive rather than elective, as we had proposed in both 1960 and 1963, we recommended that, if these boards were to remain elective, they should, as separate quasi-independent boards brought under the centralized financial control of the City, at least be granted a guarantee of the full amount of the operating funds which they would have received if the proposed amendment were not passed. Furthermore, we felt these boards should be given a guarantee that, once their operating appropriations had been set, the appropriations could not be arbitrarily revised by Council action. We made proposals for strengthening the Board of Estimate and Taxation, and we made certain other specific proposals with regard to the Permanent Improvement Budget and the powers and duties of the proposed position of City Finance Officer.

Following our detailed presentation to the Charter Commission, every significant proposed change we recommended was incorporated into the Finance Amendment.

On April 14, 1966, we submitted to the new Charter Commission a detailed 20-page report on the Minneapolis financial situation and reacting specifically to the then-proposed charter amendments before the Commission. We opposed the amendment to grant the Minneapolis City Council broad new non-property taxing authority. We supported the Finance Amendment "in view of the desirability of achieving maximum possible transferability of funds" as between the many separate city, park, library and other funds, each with separate tax levies.

At its hearing on June 30, 1966, the Charter Commission again considered the Finance Amendment, as well as the proposed Library millage amendment. Our four-page statement at that time, in its concluding paragraph, stated "It is, we believe, of the utmost urgency that the Finance amendment be passed. . ." An earlier part of our statement read as follows:

"Our support of the Finance Amendment at your April hearing was primarily based on the desirability of consolidating as many of the currently separate tax levy funds as possible into one city general fund. We have supported this concept over the years in connection with all proposed major charter revisions.

"At this time when the City faces a difficult financial situation, it is particularly important to achieve maximum transferability of funds between city and related functions and departments. We discussed this matter at length in our April 14th statement. At that time we stated that some of the funds would clearly be short of revenue in 1967, while other funds, welfare, for example, would contain surpluses. We noted that some transfers of funds are clearly possible under current charter provisions, that other transfers might be allowable, provided that the legal authority were clarified, but that maximum transferability would clearly result from passage of the Finance Amendment. We recognize that the best chance to achieve

maximum utilization of all revenues available in 1967 to meet the needs of the City, parks and libraries, will result from enactment of the Finance Amendment.

"In addition to recognizing the urgent need to maximize transferability of funds, we support now and have long supported the desirability of unified city budget and fiscal control. This is the basic concept of the Finance Amendment -- that the City Council, as the principal city governing body, should be the primary policy and budget review body and sole tax levying body for all city services." (Emphasis added)

V. PROS AND CONS OF THE AMENDMENT

The advantages of the proposed amendment appear to be as follows:

- . It would consolidate 10 now separate funds and provide for one General Fund levy. It would provide for maximum utilization of available revenues and of existing tax levying authority. The separate funds are not all now at their maximums, and, to the extent that the Board of Estimate would determine, justifiable city department and separate board needs for 1967 could be met from existing taxing authority as well as from certain reserves in the funds to be consolidated.

It would no longer be necessary to maintain separate reserves as is now done in many of the separate funds. To the extent that reserves are necessary and desirable, one general reserve could be set up to allow for various contingencies which sound fiscal management dictates should be provided for, such as maintaining adequate funds for fluctuating snow removal and street maintenance needs, possible increased demands on welfare appropriations resulting from sudden economic downturns, etc.

- . It would tend to unite city government behind future possible requests to increase city taxing authority. Any such request would take into account the total financial picture of the city and separate boards.
- . By giving the Council a degree of fiscal control over all city departments and separate boards (except the School Board) it would tend to pinpoint responsibility in the Council for all aspects of city government and to make the Council truly the chief governing body of the city.
- . There would be one consolidated city budget, rather than separate budgets, as now.
- . By creating the City Finance Officer and providing for specific budget-making procedures, it would improve and formalize the financial management of city services. With the authority vested in the City Finance Officer to recommend improvements, organization, procedures, record-keeping, utilization of data processing methods, etc., it would undoubtedly modernize and make more efficient many aspects of city financial management, such as payroll keeping, purchasing, contracting, etc.
- . City officials including the Mayor, citizens groups, individual taxpayers and others would be in a much better position than now to receive meaningful information on city finances and to appraise financial aspects of the ongoing programs of the city and related boards.

- . The amendment appears to improve the makeup of and to strengthen the Board of Estimate and Taxation as an overall city financial review body, not only of the capital improvement programs, but also of the operating aspects of city government. The Board would appear to be strengthened as a check on, not only the quasi-independent boards, but also on the City Council.
- . While not placing the budget proposing function in the executive, as provided for in both the 1960 and 1963 proposals for comprehensive charter reform, the amendment provides for a role for the Mayor in the budget-making process, in that formal Council action by resolution is required at the various key points in the budget-making and revising processes, subject to the Mayor's review. The Mayor is also by charter given access to full and complete information on all matters of finance relating to all aspects of city government operations. It is also argued that in the future the Finance Officer could be placed under the Mayor, thereby achieving separation of functions between the executive and the legislative arms of city government.
- . It is argued that the amendment is a step in the direction of eventually making the Park and Library Boards appointive and advisory, as was recommended in the 1960 and 1963 proposals for charter change and, with respect to the Park Board, in the December 1965 recommendations of the Park Board's consultants headed by Professor Charles Brightbill of the University of Illinois.

The disadvantages of the proposed amendment appear to be as follows:

- . It leaves the Park and Library Boards elective, but deprives them of a degree of financial independence which they now enjoy with regard to their year-to-year operations. It could be argued, as the Park Board now argues, that, if substantial financial control is being taken from these boards, this should only be done if the boards are made appointive and advisory. If they remain elective, as the Park Board believes they should be, they should also have maximum financial independence, the Park Board claims.
- . The amendment cannot be regarded as major structural charter reform, but, to the degree that people might believe or be led to believe it is, achievement of major structural charter reform in the future might be impeded.
- . It does not consolidate and place the key administrative function of budget preparation and proposal under the Executive, and, to this extent, fails to correct the weakness of leaving administrative functions under the Council, which is the legislative arm of city government.
- . Certain aspects of the amendment may be subject to differing legal interpretations which could give rise to differences on the nature of the "guarantee" to the Park and Library Boards, the scope of centralized financial control over separate unconsolidated funds and levies of these boards, etc.

VI - CITIZENS LEAGUE SUPPORT FOR AMENDMENT

The main change made by the Charter Commission in the final version of the amendment in effect established the Board of Estimate, rather than the Council, as the money-appropriating authority for the Park and Library Boards, thereby giving these boards maximum protection against the Council. The other changes -- extension of the floor guarantee to these boards from three years to forever, and checking the Council on appropriation revisions after appropriations have been adopted -- followed precisely our April 15, 1965 suggestions to the Charter Commission.

The position of the Park and Library Boards with relation to the Board of Estimate and Taxation remains the same under the Amendment as it has been before, with the Board of Estimate in the position of setting a yearly maximum for the operating expenses of these Boards. The revised makeup of the Board of Estimate, however, could reasonably be expected to favor these boards, in that the Library Board gains a representative on the Board of Estimate and the new position of Mayor's appointee is more likely than not to reflect a viewpoint favorable to parks and libraries.

No language change affects the main basis of our announced support for the amendment -- achievement of fund consolidation and maximum transferability and utilization of revenue and existing taxing authority.

The amendment, within the scope of its limited objectives, in addition to providing consolidation and transferability of funds, holds promise to improve the management of city finances.

On balance, the advantages of the amendment clearly appear to outweigh the possible disadvantages.

Because the amendment holds promise to effect limited reforms, and particularly because of the continuing need to achieve maximum utilization of all existing city tax levies in the light of the tight financial situation facing the city in 1967, the Citizens League reaffirms its support of the Finance Amendment and urges Minneapolis voters to vote "yes" on Amendment 21 on November 8th.