

2027 Budget Address

MAYOR JACOB FREY

August 12, 2026



2027 Budget Address

Mayor Jacob Frey

August 12, 2026



Good morning, and thank you all for being here.

It's been said before that the City's budget reflects our shared values. But this budget also reflects our priorities, and priority number one is telling the truth. Minneapolis and cities around our country are confronting significant budget challenges. Those challenges did not emerge overnight but given several unanticipated events over the last six years—ranging from remote work and a devaluation of downtown commercial property to inflation and increased labor costs, to Operation Metro Surge and an attempt of slashing federal assistance—the need to adjust and evolve faster is apparent. So of course, this budget reflects our values, and at this time, the primary value is stewardship.

Such stewardship requires difficult decisions, painful choices, and telling the truth about what it actually costs to run a city, especially when assistance from other jurisdictions is questionable. While it may feel good to blame the federal government and outside factors – and believe me, blame is due – it doesn't change the straightforward challenge ahead of us: the cost of providing the services and programs that our residents expect is growing faster than the revenue available to pay for them. Recurring expenses and budgetary amendments have too often been covered by one-time funding, vacancy savings, accounting workarounds, or by simply hoping that the next year would be easier. Those approaches may appear to balance a budget on paper. They don't solve the underlying challenges. In some cases, unanticipated circumstances demanded we provide help where people needed it most. Through these crises, Minneapolis has stepped up to lead when others couldn't, or wouldn't.

Minneapolis is a national leader in our response – praised for the ways we all stepped up. Our staff worked tirelessly to provide emergency response. We helped keep families in their homes by providing \$2.8 million in emergency rental assistance. We supported local businesses through a \$7 million Small Business Resiliency Fund. We all supported these decisions. I supported those decisions. Council President Payne, Council Vice President Osman, and members of the City Council: you supported those decisions. We agreed they were the right ones. But I hope we can also agree on this: emergency government cannot become permanent government.

The circumstances that required us to respond in crisis are not the same circumstances that should define how we govern this city long-term. For the long term, we need responsible stewardship. It's making sure every taxpayer dollar is accounted for. It's focusing our resources on the work that only city government can deliver effectively. This budget is not about expanding the role of municipal government or launching a long list of new initiatives. It is about doing the hard things now. If we don't make difficult decisions today, those choices won't go away. They'll just become bigger and more difficult in years to come. If we make responsible decisions now, in two years' time, the rightsizing will be addressed.

The city is already coming back. The trajectory is strong, but there is a two-year lag, which I will address later. This honest budgeting will also protect our triple-A bond rating. We have worked hard to obtain that designation because it saves our taxpayers money over the long-term.

Budget summary

I know these decisions will not be universally popular. In fact, I am certain the two biggest critiques of this budget will be that the cuts are too deep, and that they aren't deep enough. I know these decisions will not be universally popular. In fact, I'm certain the two biggest critiques of this budget will be that the cuts are too deep, and that we didn't cut enough. When we entered office, we swore an oath to do our best in serving this city. We serve the City best by making hard choices now, allowing us to punch through this two-year ring of fire and set the city on the right trajectory for the long haul. Whenever government asks taxpayers to contribute more, government should look inward first. Before asking residents to pay another dollar, we have to ask ourselves whether we're spending every dollar as effectively as we can. That has been the guiding principle behind this budget.

Over the last several months, our budget team and City leaders have taken a comprehensive look at how Minneapolis operates, not simply to identify savings, but to build a government that is stronger, more efficient, and better prepared for the future. We asked necessary questions that every healthy organization should ask: *Is this work something only city government can do? Should do? Can we do it more efficiently?* Those questions matter because the financial landscape of our city has changed.

Federal pandemic recovery dollars gave Minneapolis the ability to respond to extraordinary challenges. They helped us stabilize small businesses, expand affordable housing, invest in violence prevention, support our workforce, and strengthen public health during one of the most difficult periods in our city's history. Those investments helped Minneapolis recover. But they were never intended to fund government permanently. As those one-time resources come to an end, we have a responsibility to ensure our ongoing budget is supported by our ability to generate ongoing revenue, not temporary funding.

When we began building this budget, we faced an over \$60 million estimated budget gap beginning in 2027: this gap was comprised of a \$28 to \$33 million in current service level (CSL) shortfall and an over \$20 to \$30 million imbalance between department base budgets and estimated operating costs. This would equate to an over 19 percent levy increase. We could continue relying on temporary solutions and postponing difficult decisions in favor of short-term relief. Or, we could build a budget that reflects today's fiscal reality and puts Minneapolis on stronger footing for tomorrow, even if the decisions we have to make are hard. We chose the latter, we made hard decisions and this budget reflects it.

My 2027 budget proposal totals approximately \$2.3 billion, including a General Fund of \$753 million. It proposes an 11.3 percent increase to the property tax levy, about \$409 a year, or \$34 a month, for the median-value homeowner. We got to that figure by evaluating programming and contracts, staffing, and structure. So, here's our arithmetic and how we got the levy down from 19 percent to 11.3 percent.

First, we evaluated existing programming and contracts. Where a program's return on investments was high and is delivering significant results for residents, we doubled down. But in some cases, once benevolent and well-functioning programs from 15 years ago are not as helpful today. Where that's the case, we admitted it and ended the program. Our city's departments perform an extraordinary range of work; each created from a genuine desire to solve problems and improve lives. As challenging as it is, some of these aspirations are not affordable in our current fiscal reality. Those decisions are not a reflection of whether that work once had value. Many of those programs served our city well. These eliminations enabled us to draw down the levy and reduce our spend by over \$20 million.

Second, we have cut 100 positions in our city government. But to be clear, we didn't begin with layoffs. We began with the areas that had minimal long-term impact on city services. Many of these positions were supported by grants, one-time funding, or temporary contracts. These resources are no longer

available. From there, we reduced contracts, consolidated operations, and held vacancies open wherever possible. But when the gap remained, we had to make the difficult decision to reduce our workforce. I understand the impact to people and to employees that have worked proudly to better our city, and I'm deeply sorry – that in some cases – the decisions that I've made in this budget will impact you directly. Ultimately, that decision is mine.

And finally, to streamline service and save money, we have proposed to change the City's structural make up. In some cases, it means consolidating work that has been spread across multiple departments. In others, it means streamlining administrative functions, eliminating duplication, simplifying how services are delivered.

We've got the best park system in the country and for good reason: we have committed public servants that care deeply about our parks, and our parks receive funding at some of the highest rates in the country. This is funding we have been proud to provide, and as mayor, I've increased it dramatically. With that money, we've invested in youth programming, parkway maintenance, and clean water, and we're making the investments to protect it. This budget has a placeholder of 2.5 percent for the Park Board's levy increase. We've agreed to stay in conversation with commissioners and staff about what that final number will be. And we're all going to have to do our part for this budget. By eliminating duplicative functions that exist both at the City and at the Park Board, we can save money.

I value the independence of the Park Board, but not all functions are essential to that independence. Between the City and the Park Board, we don't need two HR systems; two IT systems; two payroll systems. People just want the service, and we are still able to provide that service through some form of consolidation. Responsible government requires us to continuously evaluate whether our current structure is the best way to deliver results for our residents today. That's why much of this budget is about reducing complexity inside government so we can better serve people outside of it.

Public safety

If there is one service that defines what residents expect a city to deliver on, it is public safety. People expect that when they call 911, someone answers. When their home is on fire, firefighters respond. When violence occurs, officers arrive. These are among the most fundamental services a city provides. Any allocation even to the most critical of services is subject to scrutiny.

First, Fire Department overtime costs put strain on the rest of our budget. When a firefighter is absent due to an illness or family or medical leave, we've had two options: closing down an entire station for the day and risk not being able to respond to emergencies or fill that shift with overtime. Recently, more firefighters have taken leave and the costs to temporarily replace them have increased. Our solution is to apply for a SAFER grant, funding a team of 15 floating firefighters that can move between fire stations where a need arises. This change will result in savings of up to \$2 million per year. We also took a closer look at the department's operational expenses that had not kept pace with the reality of rising costs. The price of repairing and replacing fire equipment has increased, as has the cost of maintaining critical PPE and supplies our firefighters rely on every day. These are not optional expenses. They are tools and resources our firefighters need to safely respond to emergencies, protect our community, and come home safely after every shift.

Second, in the Department of Neighborhood Safety, just like everywhere else, we are doubling down on what works, and we are admitting what doesn't. Our Community Safety Ambassador program is seeing early signs of success. Thanks to the good work of Council Members and loud and clear advocacy from neighborhoods like Uptown and Lake Street, the program is off and running, ensuring livable clean

streets, and a dispatch system that gets help to problem areas when its needed most. Conversely, violence interrupter funding continues but is being reduced — a noble program filled with committed and talented community leaders, but clear tracking has not demonstrated the level of results taxpayers deserve.

And finally: I've heard a lot about police overtime these last couple months. Some of the criticism is fair. Some of it isn't. Here's an argument that isn't fair. *"I don't like the overtime spend and we don't need it to provide the necessary service."* We do.

With 656 sworn officers, fewer per capita than almost any major city in the country, basic services expected by our residents require the use of overtime as a tool. Calls for service haven't slowed down. Emergencies are more frequent. Investigations can't stop. Until we rebuild the department — which we are working hard to do — overtime is part of how we meet those responsibilities. You may not like spending on overtime. Neither do I. But we have to do it.

Here are two arguments that are fair.

First, we should work to find efficiencies and decrease the overtime spend wherever we can. I've directed MPD to review all overtime hours currently being posted and to create a prioritization strategy for those shifts. We must ensure that all overtime shifts are going to our top priorities like meeting staffing minimums throughout the city, responding to 911 calls, and solving crimes. Where it's safe to scale back somewhere, we are.

Second, we should transparently and accurately account for the true cost of overtime in our budget. For years, we've used the salary savings from officers we didn't have to pay overtime costs for those we do. The good news is that we have less vacancy savings because we have fewer vacancies. The bad news is that the 2026 allocation of \$2.3 million doesn't come anywhere close to meeting that true cost. And so, our overtime allocation of \$13.1 million is a transparent attempt to correct the mismatch by aligning our financial plan with the department's operational reality.

Does it cost more? Yes. But it's going to cost more whether we publicly acknowledge it in this budget or not. Overtime is not a long-term strategy. Building back the department is. We're making good progress on building a department where officers want to be the change. This is court-ordered, and we're going to get it done. Applications are up 200 percent and the department is the most diverse it's been in history.

Our CSO program has become a huge success for bolstering our police department with officers who live in and are committed to Minneapolis. By acclimating students to good, constitutional policing and paying for their school, some of our greatest community-based officers have come up through the ranks. But we've also had to find efficiencies in the recruitment process and reduce costs.

We underwent an analysis to determine how to maximize our return on investments. In other words, how do we invest in candidates who will matriculate and become officers? In doing so, we've reduced the costs of recruitment down by \$4.3 million. Just like with our overtime expenses, we budgeting for the real costs of recruitment, not just by paying for it with vacancy savings.

We also recognize that public safety is bigger than policing and other first responders alone. It also means ensuring that people experiencing addiction or behavioral health crises are met with the right response. Our 911 dispatch calls will now include an embedded social worker to ensure residents are connected to the right response based on the nature of their call. And as we continue confronting the open-air drug market that has taken hold in and around our encampments, our Health department will

continue to build on the work of our Mobile Medical Unit, with an allocation of \$1.4 million for opioid response and treatment resources.

Public safety is not separate from everything else we are trying to achieve as a city. It is the condition that makes everything possible, and it is what determines whether every other investment we make in this budget can succeed.

Housing

If we can give our residents a safe city to call home, we can give them a better opportunity to build a better future. Like public safety, housing is core to the work of city government because it shapes nearly every measure of a city's success. In 2017, we heard from residents saying that housing was too expensive. We agreed and acted.

The topic of affordability has become a hot topic nationwide in the last year. In Minneapolis, we've been focused on it for the last eight. Since 2018, the work we've done around production of market rate and affordable housing, has made Minneapolis among the most affordable big cities in the whole country. Whereas rents have increased nationwide upwards of 31 percent, Minneapolis has remained at 1 percent. Others have talked about it. We did it. Others have glommed on to catchphrases. Here, the numbers speak for themselves.

We've executed on plans that don't just sound good — they do good. And today, were a national leader in affordable housing, we increased the annual production of deeply affordable housing more than 5 times. Our work around affordability was so successful, we became the first major metro area to see inflation fall below the Federal Reserve's target of 2 percent. But it's not good enough to build affordable housing where we already have a lot of it. Affordable housing should be in every neighborhood in the city, including middle- and upper-income neighborhoods. Concentrating deeply affordable housing in low-income neighborhoods prevents kids from growing up and seeing different options for their own futures.

I don't want kids to see limitations. I want them to see possibility — to know the doctor, the teacher, the business owner, the carpenter and artist — all living on one block. I want kids from different backgrounds to go to the same schools, play in the same parks, and grow up knowing they can do whatever they're best at to benefit society the most.

We have done nation-leading work to allow for affordable housing in upper- and middle-income neighborhoods through the 2040 Plan. We've eliminated exclusionary zoning to allow for more than one unit on a single lot. We have built the policy foundation. Now we need to make sure that homes are actually being built. That is the work in front of us now.

First, we will double down on public housing projects like the recently completed triplex in Windom and duplex in Regina. Because of the support from the City's housing levy — which contributes \$5 million annually to the Minneapolis Public Housing Authority — five new deeply affordable homes are now ready for families in neighborhoods where we need to build more.

Second, by the end of this year, we will have pre-approved designs in place for triplexes and accessory dwelling units, making it faster and easier to build more homes across Minneapolis.

Third, we will work to allow for construction of four-unit buildings. Three units is often cost prohibitive; four units is not — and it houses another family.

And fourth, we will be more aggressive in aligning our policies with our investments so we can call for diverse neighborhoods. With \$7.3 million to our Affordable Housing Trust Fund, we will strategically use this money alongside policy change to build more affordable homes in the neighborhoods where we need them.

While most of this budget has focused on cuts, Stable Homes Stable Schools will not be. This program has helped improve children's physical and mental health, has kept them out of homelessness, and in school. We will continue to fund this critical program, which has demonstrably helped stabilize families. Because I'm willing to bet on our families and Minneapolis Public Schools, I'm willing to bet on this program.

And finally, we are proposing a \$1.5 million investment to continue the work of our Minneapolis HOMES program — turning vacant City-owned lots into new developments to help low-income families realize homeownership goals and put down roots. When we initially invested \$1 million into Minneapolis HOMES, we secured eight vacant lots in Near North and Camden for affordable homes for families. The first families are now set to move in this summer.

Economic development

The road to keeping the property tax burden lower includes making sure the City is being diligent with our investments while working hand in hand with the business community. Municipal finance doesn't move at the same pace as the private economy. The property taxes and property values that shape today's budget largely reflect market conditions from 2024, the low point. In other words, the difficult decisions we're making in this budget reflect where we've been, not where we are and certainly not where we are headed. We're already seeing that progress. Through the first two quarters of 2026, downtown vacancies have reduced by 150,000 square feet. That means 150,000 more square feet is occupied than it was before. That's good news.

We're seeing events with a major following choose Minneapolis as a destination, like WWE SummerSlam and the Savannah Bananas. That's also good news.

And in this budget, we're continuing investments in programs like Vibrant Storefronts, and in the innovative work of Arts and Cultural Affairs.

But punching through this ring of fire should no longer solely be measured by dollar investments from the City. We should also be judged on how we show up differently for the business large and small, whether on the Southside, the Northside, or anywhere in between.

Here's how we're showing up for them.

Since my State of the City address, we have already cut our response times to review a building permit in half. Our teams are now turning around permits in four days' time as opposed to the previous response rate averaging two weeks, whether they be applications, requests for additional information, or outright approval of a permit for payment. And, two-thirds of those applications are being approved on first submission.

Getting to a yes has been made easier with human interaction. When Minneapolis went fully remote in 2020, that made it easier to communicate with us online, but sometimes you just need to talk to a human being. This past week, we fully reactivated the City's public service area, allowing walk-in customers — residents, business owners, and developers — to get answers directly from our expert staff. Making it easier to do business in Minneapolis is part of how we attract and retain investment.

Making Minneapolis the place people want to be—whether that’s with our Michelin designation, events like Dinner Du Nord, the amphitheater at Upper Harbor Terminal, or a new arena — is how we launch ourselves into the future.

Conclusion

As I said, I am certain the top two biggest critiques of this budget will be that the cuts are too deep, and that they aren’t deep enough. Some will argue that we should raise the levy further to save staff positions and continue the important work that reflects our Minneapolis values. They would be right. Others will argue that the levy is already too high, that taxpayers have reached their limit, and that government should reduce its role even further. They would also be right. There are programs worth protecting. There are taxpayers carrying a heavy burden. Both things can be true at the same time.

The job isn't to satisfy one side or the other. The job is to make the best decisions we can for the long-term health of Minneapolis, and in that, I hope we can find common ground, working together to arrive at two-years from today. That’s what this budget is intended to do. It asks government to be more disciplined. And it asks all of us to recognize that the choices we make today will shape Minneapolis for years to come.

Council Members: I know we will disagree on some priorities and tactics. That disagreement can be healthy and productive in a democracy. But I believe we share the same ultimate goal: leaving Minneapolis stronger than we found it. Over the last six years, we’ve faced challenges that few cities have experienced all at once. And we faced them together. And just like then, we must face this challenge together. I invite every council member, every employee, every neighborhood, every business, and every resident to help us share this budget that reflects not only our aspirations but also our responsibilities. I believe we can deliver on a budget that’s worthy of Minneapolis — one that is honest and can be sustained. If we do the hard work now, in two years' time, we’ll realize the trajectory we are already on.

This budget is the right thing to do, and I look forward to working on it together.

Thank you.

• • •