



2027 Budget Overview

Overview of the 2027-28 Mayor's Recommended Budget
for the Budget Committee

Prepared by the Budget Division, Finance and Property Services Department

Thursday, September 10, 2026

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Agenda

1. Budget overview
2. Budget process and highlights
3. City revenues and spending
4. Property tax levy changes
5. Next steps

Budget Overview

The City of Minneapolis

2027-28 Mayor's Recommended Budget August 12, 2026





Key 2027 Recommended Budget totals

- **Recommended Expenditures:** \$2.29B (\$107M, 5% increase)
- **Forecasted Revenues and Other Financing:** \$2.29B
- **Budgeted City FTEs:** 4,285 (7 Funded FTE Decrease)
- **General Fund Expenditures:** \$753M (\$49M, 7% Increase)
- **General Fund Revenues:** \$753M
- **Minneapolis Parks and Recreation Board (MPRB) Funding:** \$97.3M
- **Capital Improvement Plan (City and MPRB projects):** \$359M (\$16M MPRB)
- **Technology Improvement Plan Appropriation:** \$11.9M
- **2027 Tax Levy:** \$606M (\$61M, 11.3% increase)

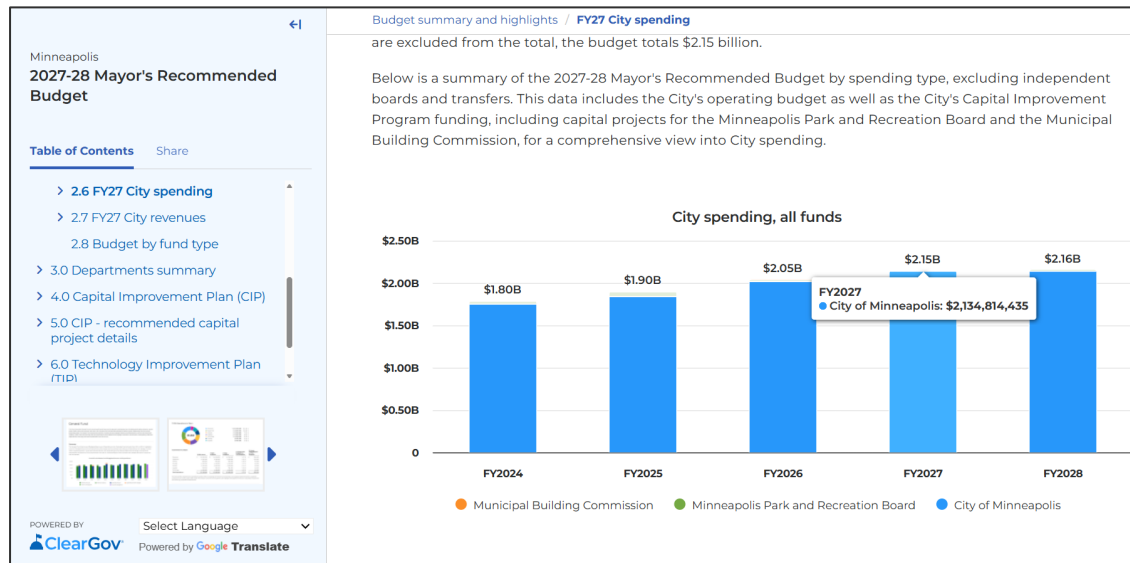


Budget Book format changes

This year, the City of Minneapolis transitioned its budgeting software to ClearGov. This change enhances the accuracy of the City's personnel budgeting and forecasting capabilities.

Notable changes

- Publication of a web-based, interactive budget book in addition to a standard PDF file in LIMS.
- Interactive user experience to provide optimal accessibility and engagement.
- Expanded capital and technology improvement project information.
- Publication of City expenditure data on ClearGov's Transparency site to provide insight into actual spending.



[Interactive Budget Book Link](#)

[PDF Budget Book Link](#)

[Transparency Dashboard Link](#)

Budget Book sections and key content

- **Budget process**
- **Budget summary and highlights**
 - Trends and accomplishments
 - Budget strategy
 - Budget highlights
 - FY27 city spending
 - FY27 city revenues
- **Departments summary**
 - Expenditures
 - Revenues
 - Divisions
 - Budget changes
- **Capital Improvement Plan (CIP)**
 - Budget and funding sources
- **Capital project details**
- **Technology Improvement Plan (TIP)**
 - Budget and funding sources
- **Financial Schedules**
 - Cash Balance
 - Revenues and Expenses
 - HUD Grants
 - Staffing information
 - Transfers and fees
- **About the City**



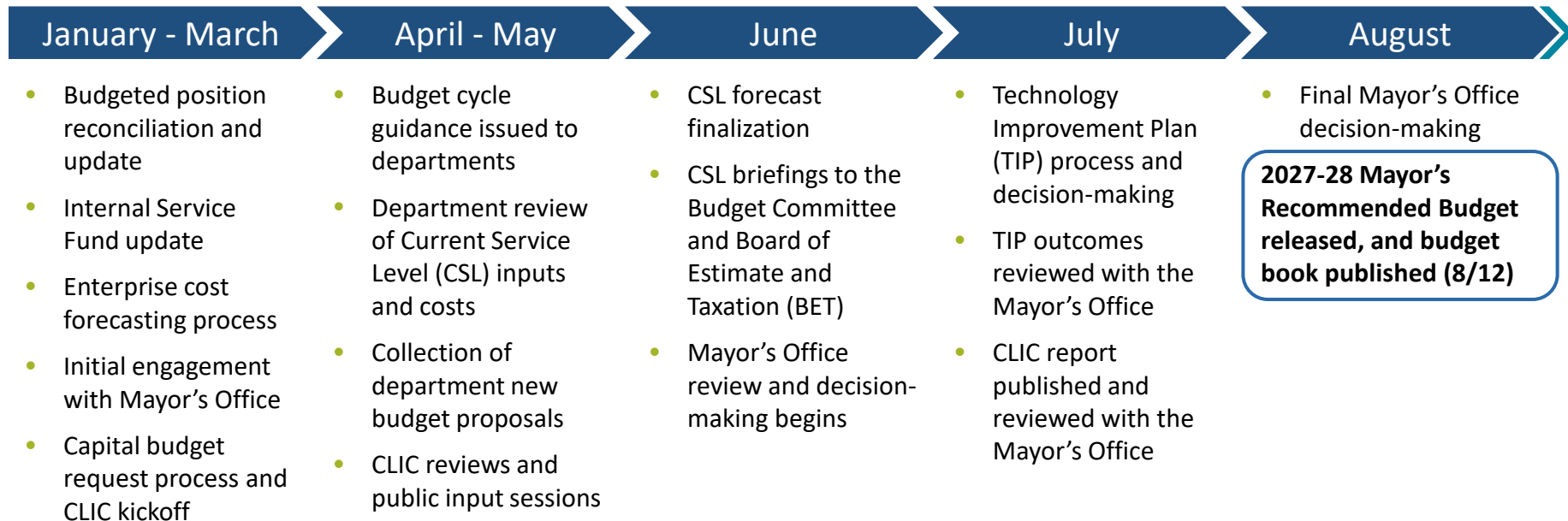
Budget Process and Highlights





Where we've been: recommended budget development

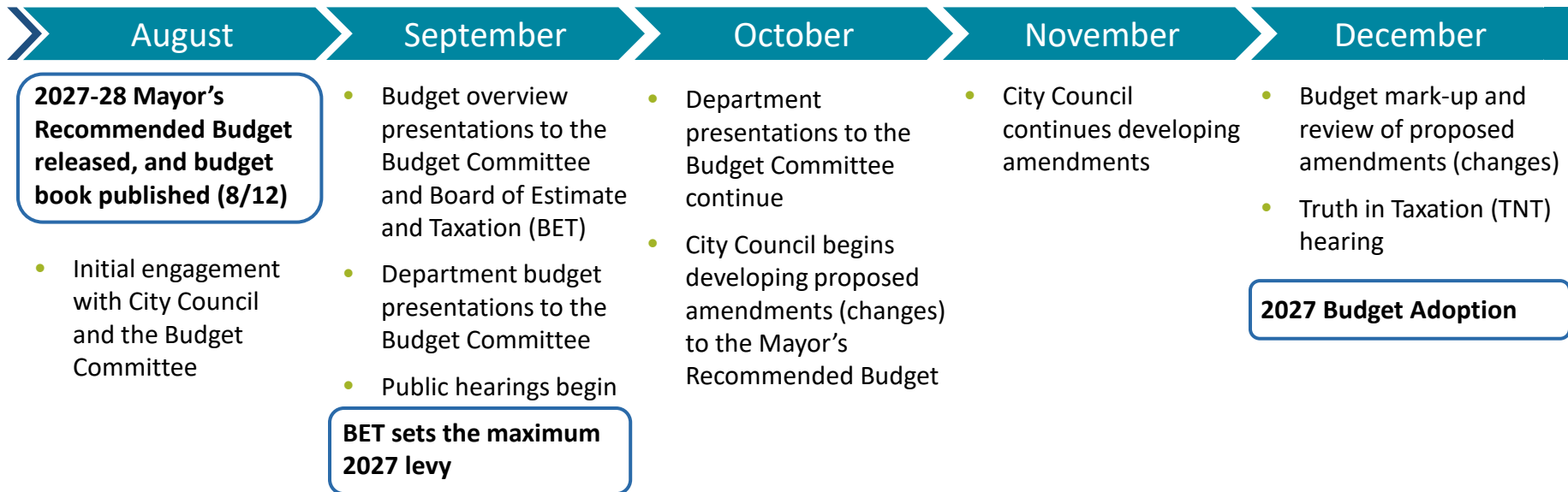
The Budget Division has been hard at work since January updating the City's baseline financial position – the Current Service Level, or CSL – documenting Mayoral decisions, and publishing the 2027-28 Recommended Budget.





Where we're going: budget presentations, markup and adoption

Following publication of the 2027-28 Mayor's Recommended Budget, the Budget Division transitions to supporting the City Council and Budget Committee with the review, markup, and adoption of a 2027 budget.





Budget overview presentation and what's next

What this presentation covers:

- Broad overview of the 2027-28 Mayor's Recommended Budget including:
 - City financial trends
 - Key challenges and risks facing the city
 - Overview of fundamentals, decision-making and priorities in the Recommended Budget
- Walk-through of key changes (investments and divestments) in the Recommended Budget
- Discussion of impacts on the property tax levy
- Overview of the budget process and what comes next

What department presentations will cover:

- Details of key changes at the department level (investments and divestments)
- Anticipated service and operational impacts of proposed divestments
- Justifications for proposed investments
- Special topics and contract details (as applicable)



Entering this budget cycle: accomplishments and trends

Key City strengths provide a foundation for continued progress. They do not, however insulate the City from challenges affecting local governments nationwide.

City strengths and accomplishments

- The City's successful maintenance of its AAA bond rating enables low borrowing costs to support capital and infrastructure projects.
 - S&P revised the City's outlook to **negative** on its AAA rating in August 2026.
 - If structural imbalances remain unresolved this could result in a downgrade next year.
- Long-term planning and strong financial policies have safeguarded the City's financial position.
- The City continues to sustain major investments in housing, public safety reform, climate action, infrastructure, and modernization.

Trends and emerging challenges

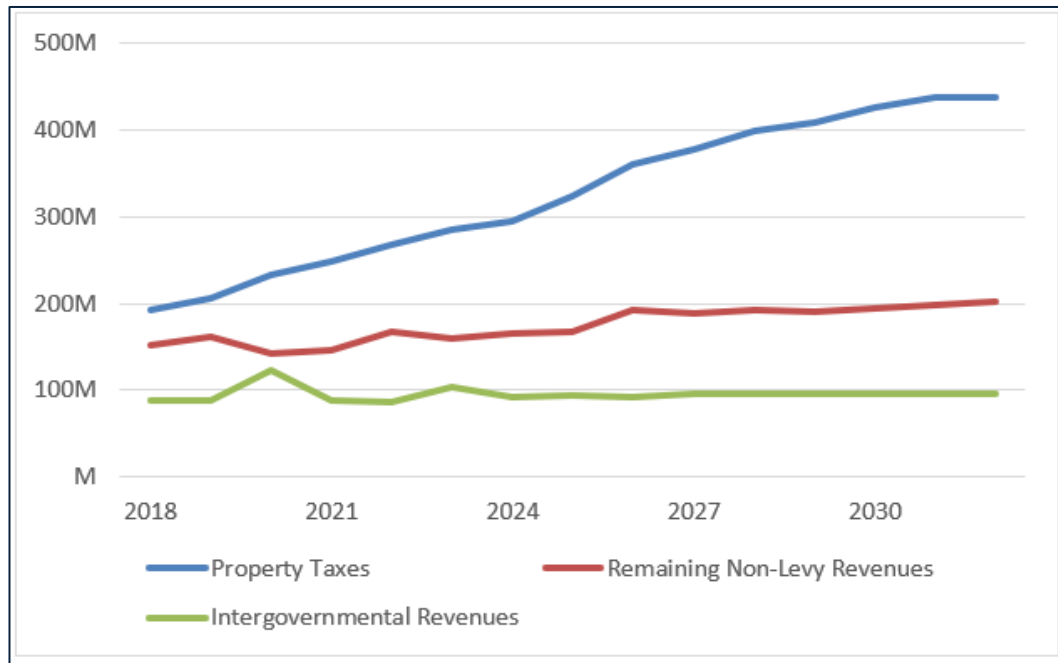
- Costs are growing faster than recurring revenues:
 - Property taxes carry a growing share of the tax burden for the City and County.
 - Commercial property valuations continue to decrease (shrinking commercial tax capacity).
- Labor and workforce costs remain central City cost drivers (as opposed to contractual services).
- Uncertainty of future federal and Local Government Aid (LGA) funding levels.
- Loss of revenue and adverse public safety impacts from Operation Metro Surge.



Shifting property tax levy burden

Revenue trends forecast a growing reliance on levy (property tax) revenues to balance the General Fund budget.

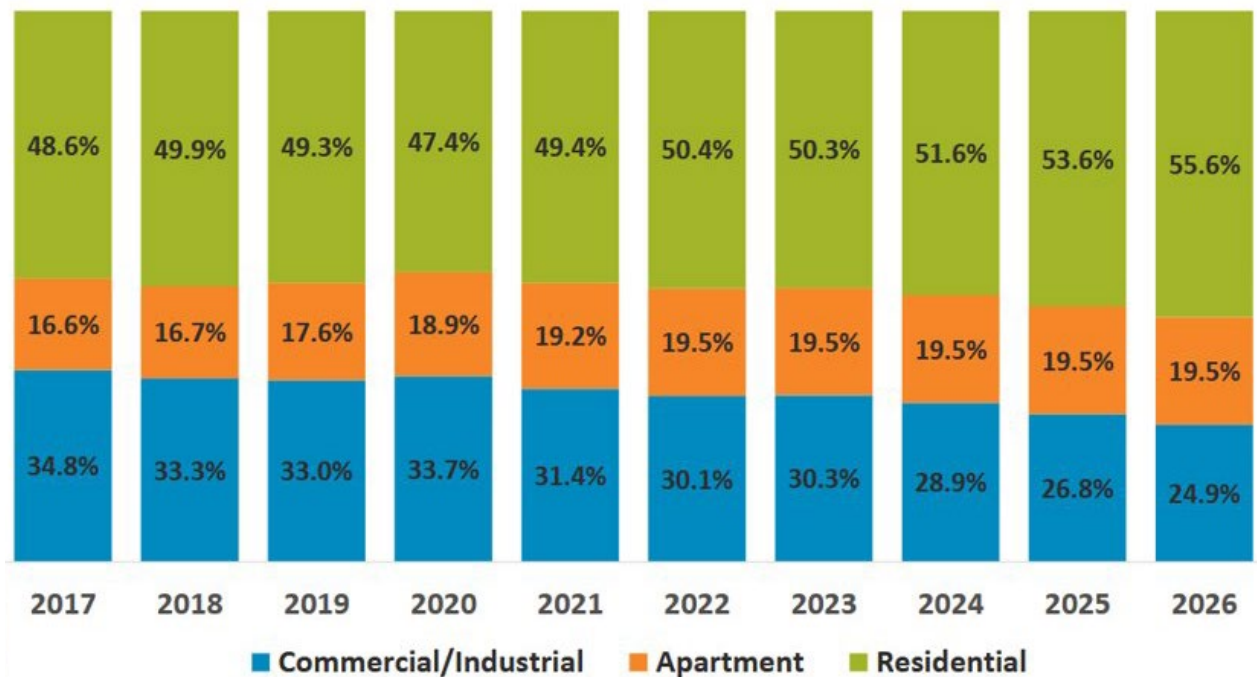
- **Levy:** From 2018 – 2027, property taxes have grown, or are projected to grow, 7.7% annually on average.
- **Intergovernmental revenues** have only grown 0.9% on average.
- Other **non-levy revenues** including fines, fees, and construction permit revenue have grown 2.4% annually.
- **Out-year growth** is forecasted to be 3.9%, reflecting faster growth in levy revenue (5.8%) and slower growth in non-levy revenues (1.2%).





Changes in net tax capacity

Declining commercial property valuations continue shifting tax capacity to residential and apartment sources.





Why the City's bond rating matters

Think about your own credit score.

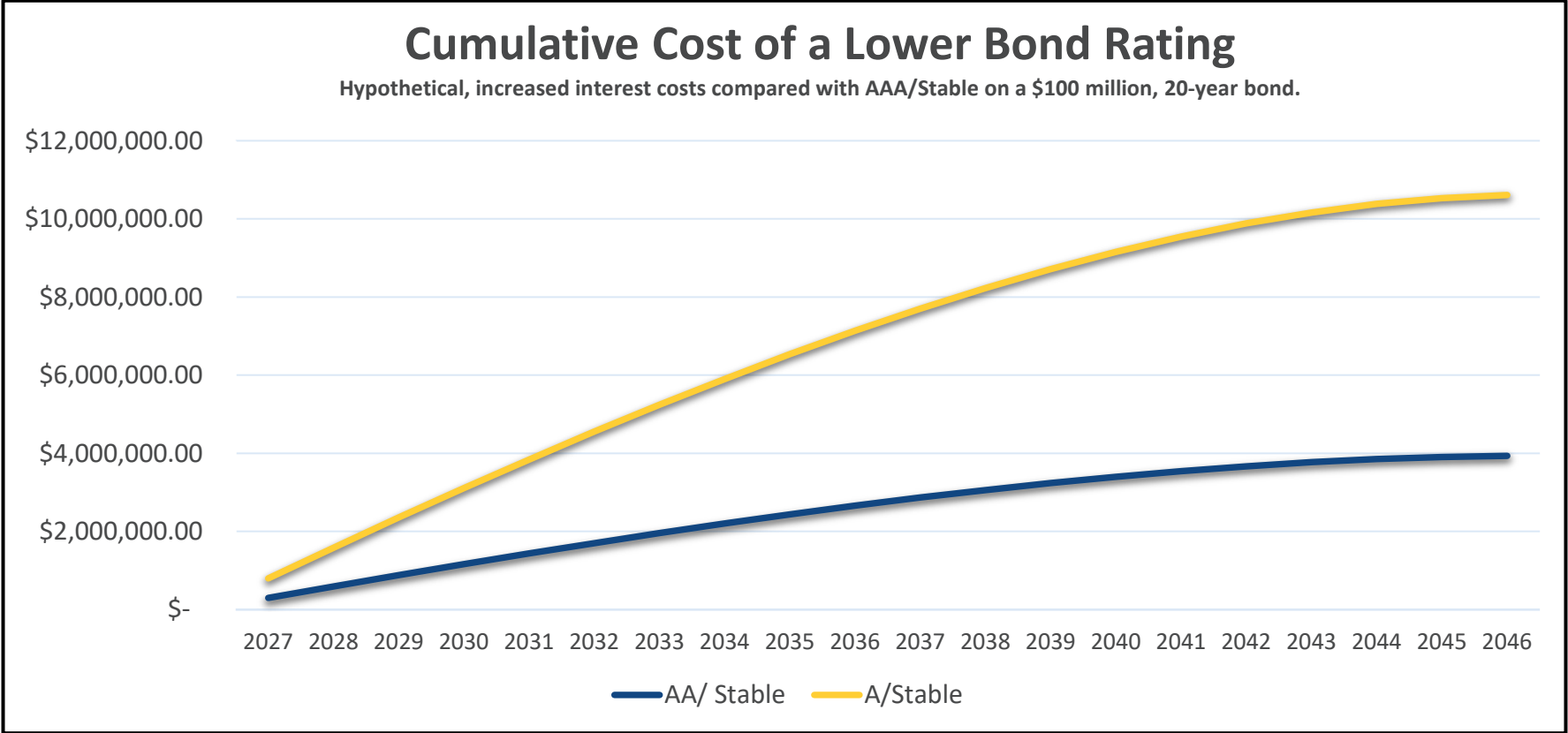
Your credit score and the City's **bond rating** work in similar ways.

- **AAA rating = excellent credit.**
The City currently has a AAA bond rating from all 3 major rating agencies, signaling strong creditworthiness and favorable borrowing costs.
- **A downgrade or negative outlook = increased borrowing risk.**
If a rating agency issues a negative outlook or downgrades the City's rating, borrowing can become more difficult and more expensive.
- **Small changes can have a big impact.**
Even a few basis points (1 basis point = .01%) of additional interest can create meaningful fiscal costs given the City's significant borrowing needs over the life of a typical 20-year illustrative bond.

Bottom line: Maintaining the City's AAA rating helps protect access to affordable borrowing and preserves resources for City capital priorities.



Why the City's bond rating matters: Hypothetical cost of a downgrade



Illustrative scenario; actual interest-rate impacts vary by issue and market condition. Hypothetical AA /A interest scenario is not specific to the City of Minneapolis.



Entering this budget cycle: addressing a \$60M gap

The city began budget development with an over \$60 million estimated budget gap, comprised of an up to \$33M CSL shortfall and over \$30M imbalance between department base budgets and actual operating costs.

Challenge 1: Financial pressures

- During Current Service Level (CSL) briefings in June 2026, the Budget Division forecasted a **\$28-\$33 million budget gap**.
- General Fund **expenses were forecasted to grow 5.1 percent** compared with **revenue growth of only 1.9 percent**.
- The CSL gap was driven by **the changing cost of continuing to provide existing services** with forecasted increases to **personnel costs** (salary and step increases, COLAs, healthcare), and **internal services** (IT, fleet, utilities, rent).

Challenge 2: Financial risks and gaps

- Significant cost overruns from imbalanced department budgets continued in early 2026:
 - **Minneapolis Police Department (MPD):**
\$2.3M overtime budget vs. \$19M-\$21M forecast.
 - **Minneapolis Fire Department (MFD):**
\$1M overtime budget vs. \$6M forecast.
- Approximately **\$4M of annual settlement agreement contract requirements lacking a direct ongoing appropriation**.

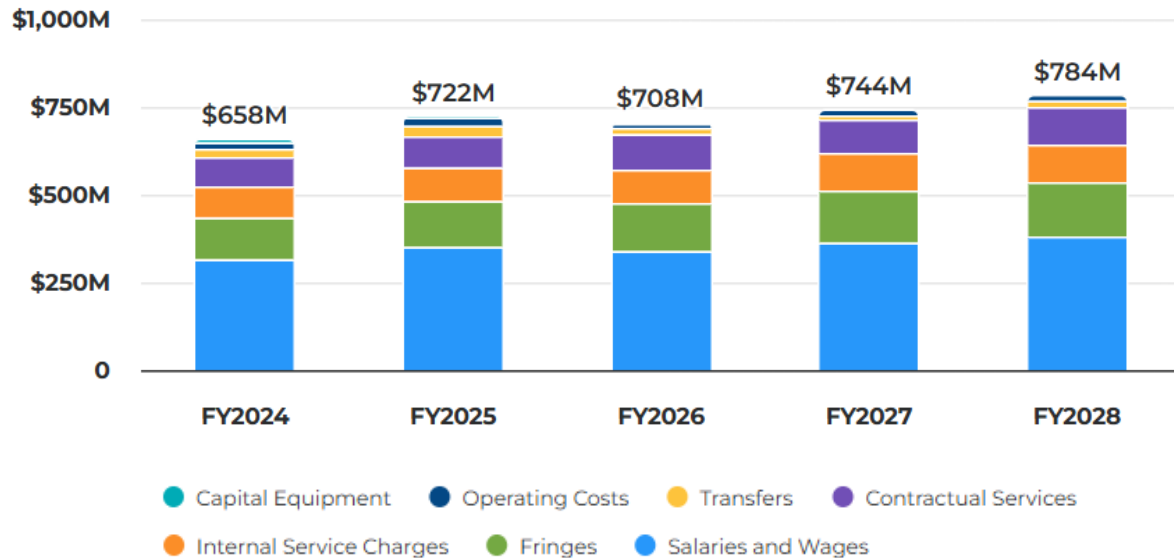
Unaddressed, the \$60M gap would have resulted in an over 17% tax levy increase.



Challenge 1: General Fund CSL expense budget gap

Development of the City's Current Service Level (CSL) forecast exposed a \$28-\$33 million gap in the General Fund between \$712M of planned revenue and \$744M of forecasted expenses.

- **\$712M of General Fund revenue** was forecasted with an **initially planned 5.4% tax levy increase**.
- Initial CSL forecasts anticipated **\$744M of General Fund expenses**.
- Increases are driven **primarily by personnel cost growth (over \$30M increase)** and some Internal Service growth (\$9M).
- Cost of Living Adjustments (COLA), fringe and insurance costs, and step changes contribute to increased personnel costs.





Challenge 2: Imbalanced department budgets and cost overruns

Recurring budget overruns and coverage of Settlement Agreement costs with fund balance are some of the drivers behind the depletion of the City's fund balance.



Minneapolis Police Department (MPD)

Financial Risk: Overtime costs were over-budget by \$14M on average annually since 2021:

- 2021: \$3.6M over OT budget
- 2022: \$6.5M
- 2023: \$13M
- 2024: \$14M
- 2025: \$27M
- 2026: \$19M*

Other over-budget costs included contractual services and recruiting.

*Forecasted FY26 overage as-of August



Minneapolis Fire Department (MFD)

Financial Risk: Overtime costs were over-budget by \$4M on average annually since 2021:

- 2021: \$2.9M over OT budget
- 2022: \$5.8M
- 2023: \$2.5M
- 2024: \$2.8M
- 2025: \$4.1M
- 2026: \$5.7M*

Other over-budget costs included contractual services, materials, and fringe.

*Forecasted FY26 overage as-of August



MDHR Settlement Agreement Compliance

Financial Risk: \$14M of Settlement Agreement costs have had no direct appropriation since 2023:

- 2023: \$825K
- 2024: \$4.2M
- 2025: \$5.3M
- 2026: \$3.6M*

*Forecasted FY26 cost as-of August

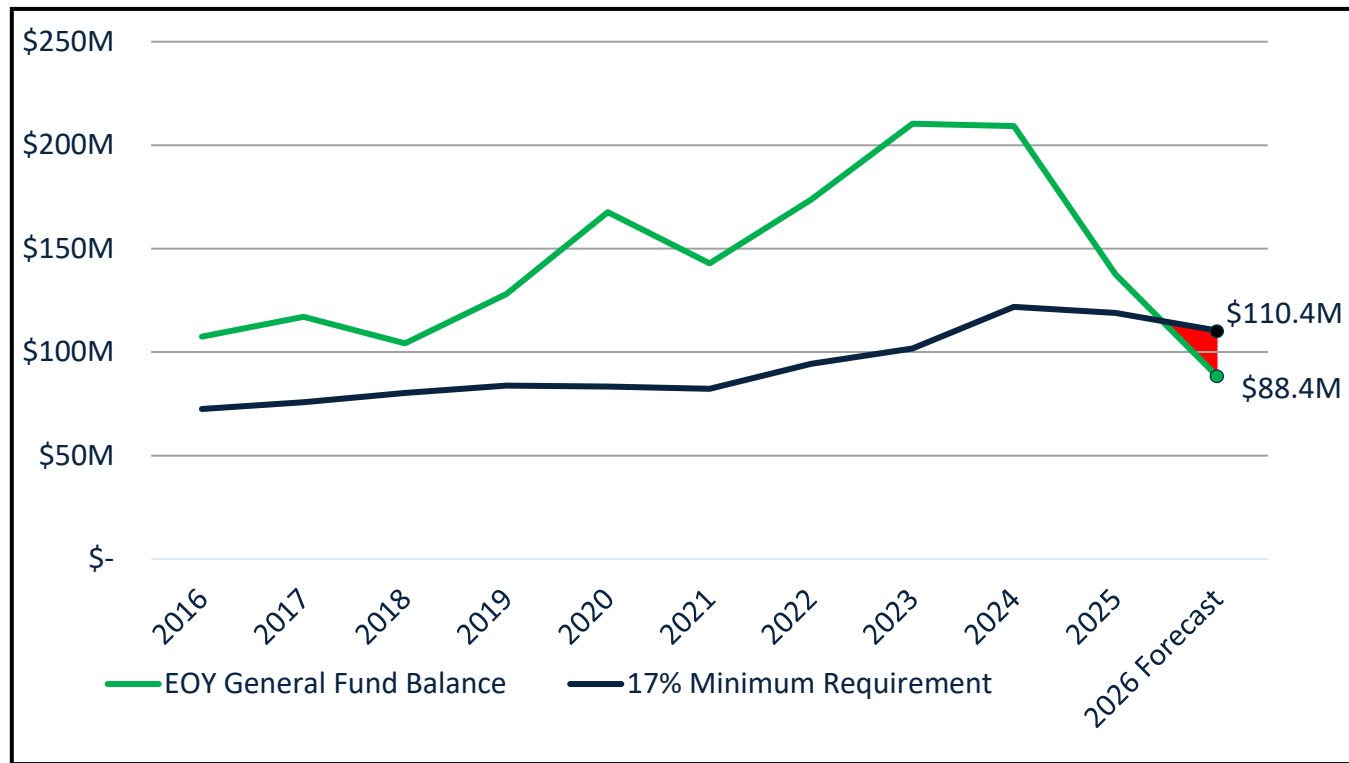


Impact: General Fund balance draw down

Per financial policy, the **General Fund is required to maintain a balance equal to 17% of eligible expenditures.**

This ensures the city has around **2 months of funding to continue essential operations** in an emergency.

For the first time in over a decade, **Minneapolis is forecasted to end 2026 below its required 17% fund balance at 13% or \$88.4M.**





Solution: Mayor's approach to narrow the \$60M gap

Mayoral decision-making employed a broad range of strategies to narrow the funding gap while preserving core city services and programs.

Prioritize Strategic Investments and Right-Sizing

✓ **Prioritized:** Investing and right-sizing budgets where the operational need is compelling, the city has a legal responsibility, or it addresses a known budget imbalance.

✗ **Avoided:** Supporting investments that could reasonably be covered within existing department budgets or deferred for decision in future fiscal years.

Reduce Costs and Streamline Service Delivery

✓ **Prioritized:** Review of alignment to core city services, City Auditor cost benchmarking study findings, staffing and vacancy trends, program consolidation or redesign to reduce costs and duplication.

✗ **Avoided:** Across-the-board cuts disconnected from priorities. Wage reductions and early retirement incentives. Unplanned long-term borrowing or bonding.

Restore Structural Balance and Sustainability

✓ **Prioritized:** Reducing programs supported by one-time funding, preserving fund balance, ensuring debt service affordability, balancing levy growth against core service eliminations or reductions.

✗ **Avoided:** Ignoring structural and budget imbalances to keep the levy low while further diminishing fund balance. Engineering a low levy outcome by deferring risk to FY28+.



Outcome: Changes in the Mayor's Recommended Budget

The Mayor's Recommended Budget proposes a combination of targeted divestments and strategic investments to offset the CSL expense gap while prioritizing the repair of imbalanced departmental budgets and critical needs.

Mayor's Recommended Change Type	Divestment	Investment	Change
Departmental Divestments	(\$17,965,392)	\$ -	(\$17,965,392)
Department Consolidation Savings	(\$2,623,538)	\$ -	(\$2,623,538)
Operational Shift	(\$3,104,709)	\$2,436,694	(\$668,015)
Right-Sizing Imbalanced Department Budgets	\$ -	\$25,365,551	\$25,365,551
Right-Sizing Settlement Agreement Contracts	\$ -	\$4,054,609	\$4,054,609
Critical Sustainment Investments	\$ -	\$1,326,905	\$1,326,905
Fulfilling Legal Requirements	\$ -	\$312,394	\$312,394
Grand Total	(\$23,693,638)	\$33,496,153	\$9,802,515

Notable divestments and cost savings

- **\$13.5M:** Divestment of approximately 100 FTEs (forecasted) from 23 departments, including cost savings from department consolidations
- **\$10.2M:** Contract divestments

Notable investments and right-sizing

- **\$25.3M:** Investment to balance department budgets for overtime, contractual services, supplies, and recruiting (Police, Fire, Regulatory Services)
- **\$5.7M:** Funding for Settlement Agreement contracts, legal requirements, and essential expenses.

Where we stand: impact on financial outlook

Despite key investments in the Mayor's 2027-28 Recommended Budget that right-size imbalanced department budgets, [S&P Global Ratings revised the city's outlook](#).

2025 Bond Rating
AAA – Stable Outlook



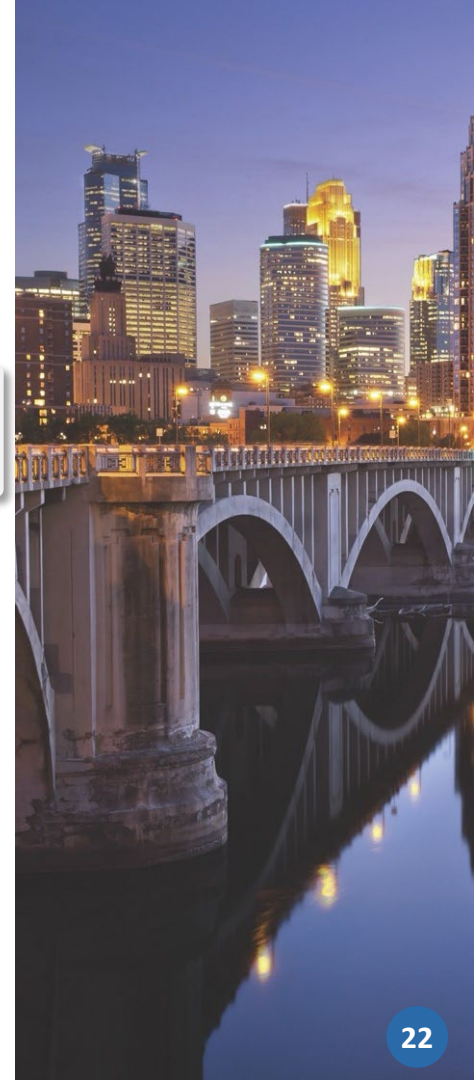
2026 Bond Rating
AAA – Negative Outlook



2027
?

S&P 2025 Downside Scenario:
“We could lower the rating if the city draws down its General Fund reserves more rapidly than planned, which we believe could signify unanticipated budgetary pressure and would leave less room for fiscal maneuvering in outyear budgets.”

S&P 2026 Negative Outlook Rationale:
“Projected material weakening of reserves in 2026, which are expected to fall below the city's 17% policy target.
This depletion is driven by substantial deficits in FY25-26 that significantly exceeded previous budget projections. Reflects uncertainty regarding the 2027 recommended budget, pending council approval in December.”

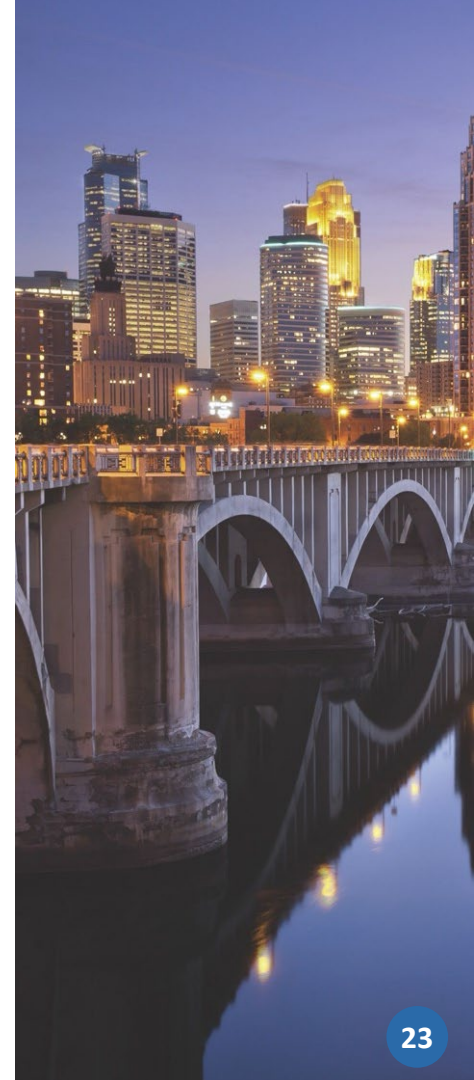


Impact on financial outlook (continued)

“The 'AAA' rating reflects Minneapolis' highly productive economy, robust tax base, and still manageable debt burden. **However, large deficits in the past couple of years have led to material erosion of reserves. These fiscal challenges are exacerbated by stagnant tax base growth, including a slow recovery in the downtown economy, which could weaken economically sensitive revenues.**

The recommended budget relies on assumptions of an 11.3% levy increase and continued elevated transfers from the downtown assets fund (DAF) to the general fund, which we view as unsustainable. **Therefore, we believe it's critical the city implement sufficient budget-balancing measures in fiscal 2027 and beyond to restore structural balance and replenish its fund balance to policy target levels.**

Following the exhaustion of American Rescue Plan Act funding, Minneapolis has experienced structural imbalance the past couple of years. **In fiscal 2026, a \$49.0 million reserve drawdown is projected, which is again substantially higher than the \$9.2 million deficit outlined in the adopted budget.”**



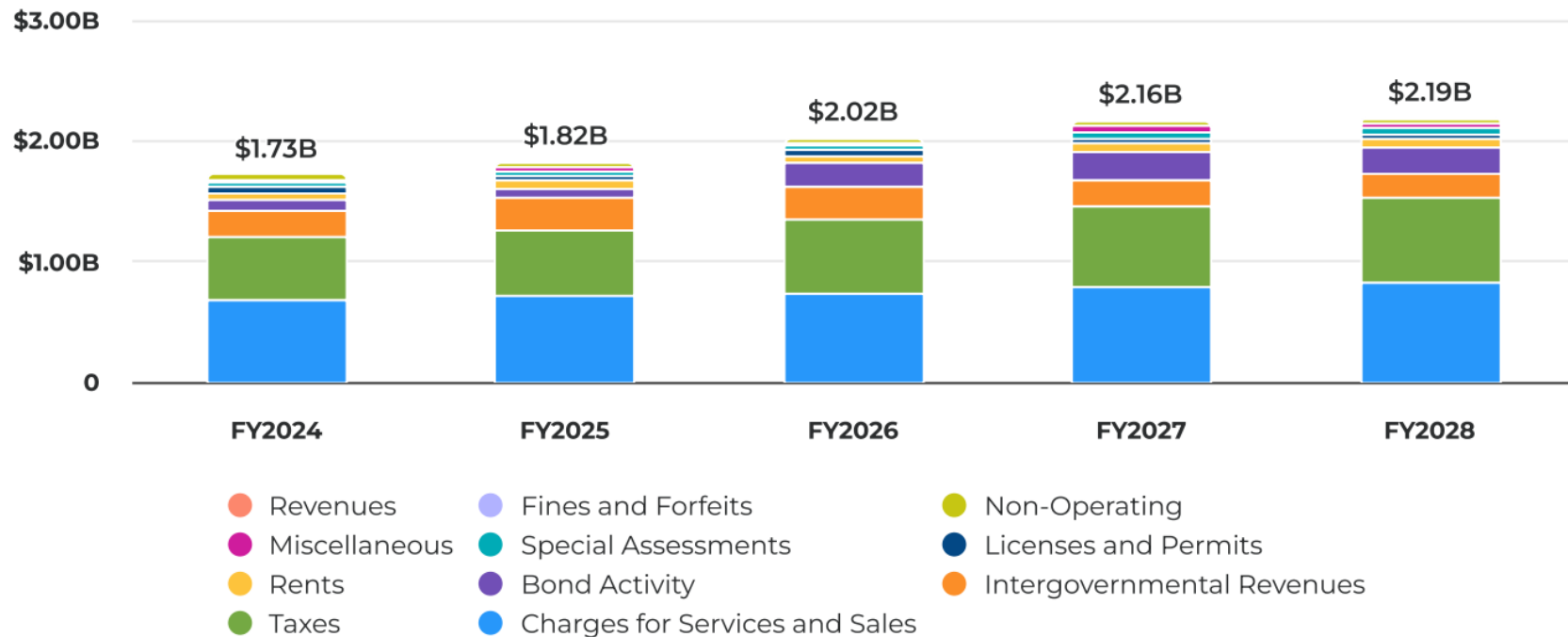
City revenues and spending





Forecasted revenues

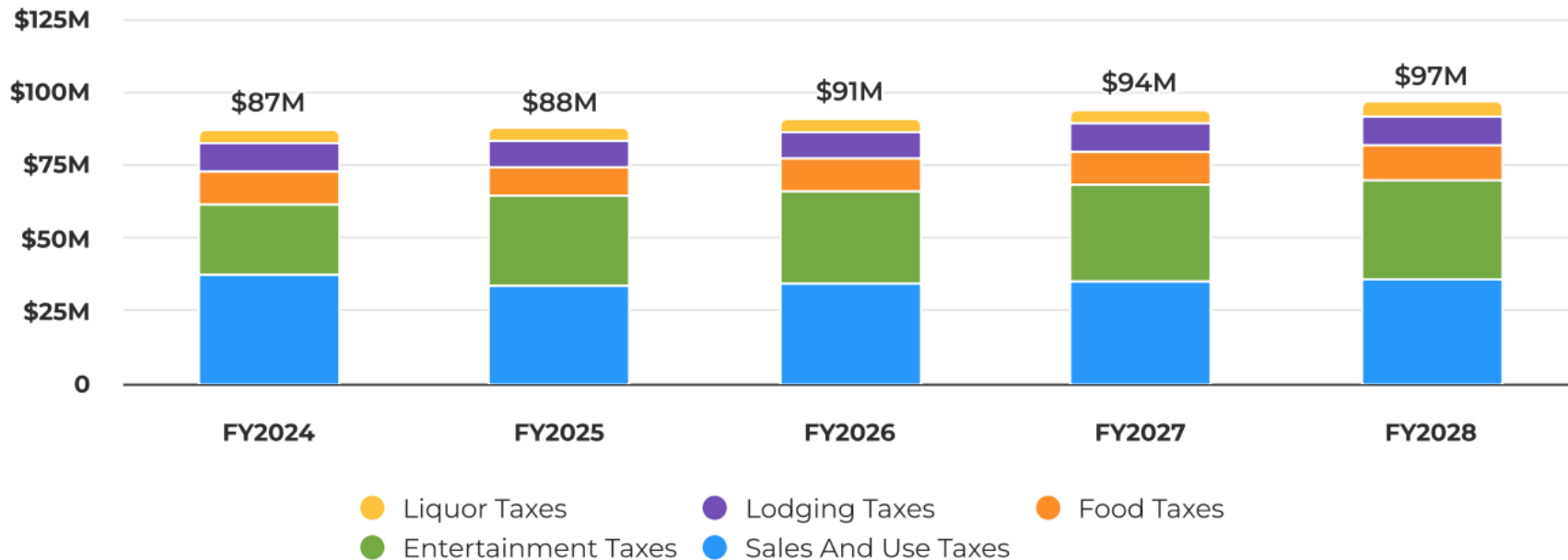
Total city revenues in the Mayor's Recommended budget are projected to increase by 7%, or **\$142 million**.





Revenue deep dive: sales taxes

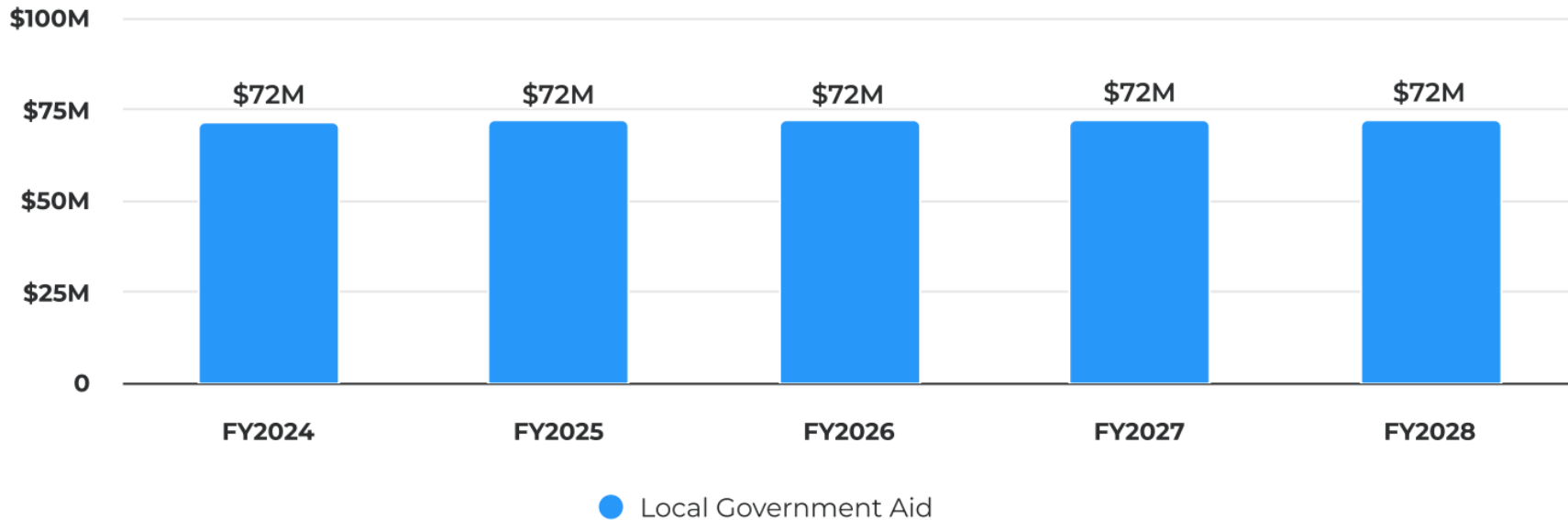
Trends in local option sales tax revenue suggest we have moved beyond the recovery phase and are **entering a period of relative stability**.





Revenue deep dive: Local Government Aid (LGA)

The City will receive **\$72.1M of LGA**. The total LGA certification (City and other entities) is \$82M total.

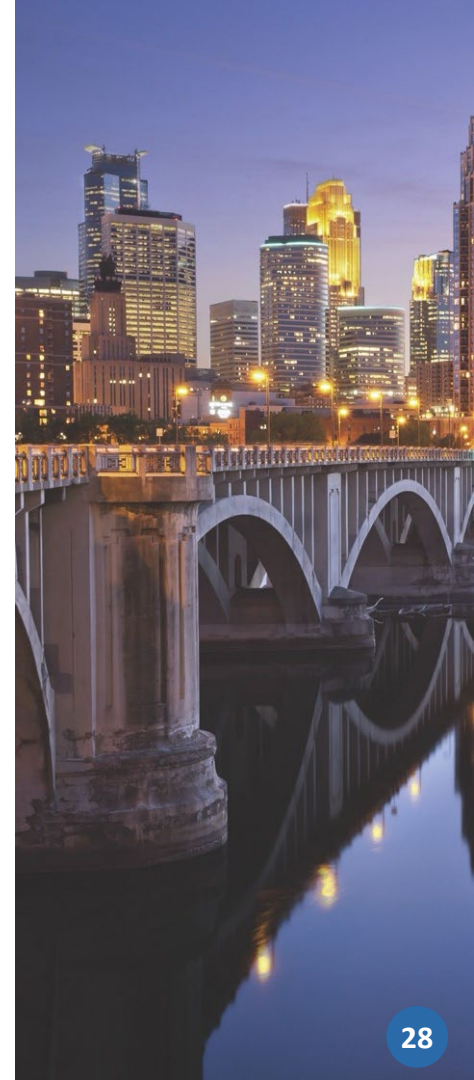


General Fund revenue trend: 2026 indicators

As of Q2 2026, revenue is **under-performing forecast by nearly \$15M.**

Major Revenues	2026 Revenue		Over/(Under) Budget
	Budget	2026 Projected	
Property Taxes	361,100,552	351,754,825	(9,345,727)
Service Charges	62,914,508	66,488,323	3,573,815
Franchise Fees	53,774,440	51,756,689	(2,017,751)
Licenses & Permits	43,922,014	36,881,946	(7,040,068)
State Aids	90,594,281	93,525,551	2,931,269
Transfers	60,539,941	60,189,941	(350,000)
All Other Revenues	33,006,446	30,569,689	(2,436,757)
Total	705,852,183	691,166,965	(14,685,217)

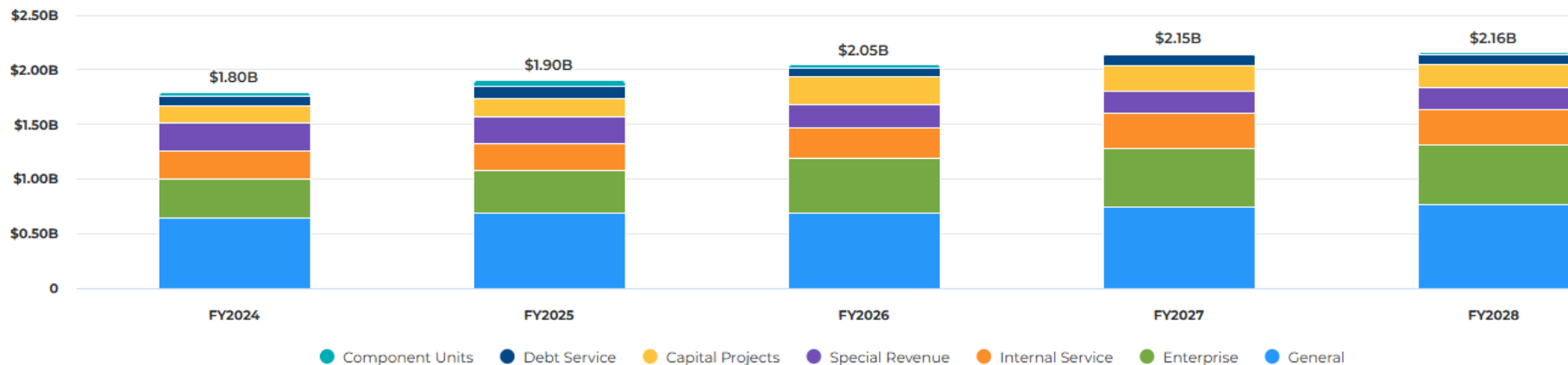
Continued under-performance in FY26 and FY27 could further degrade fund balance.





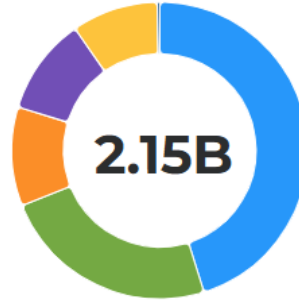
Proposed spending, all funds

The Mayor's Recommended Budget proposes **\$2.15 billion** of expenditures in 2027, excluding transfers and boards.





Proposed spending, all funds (continued)



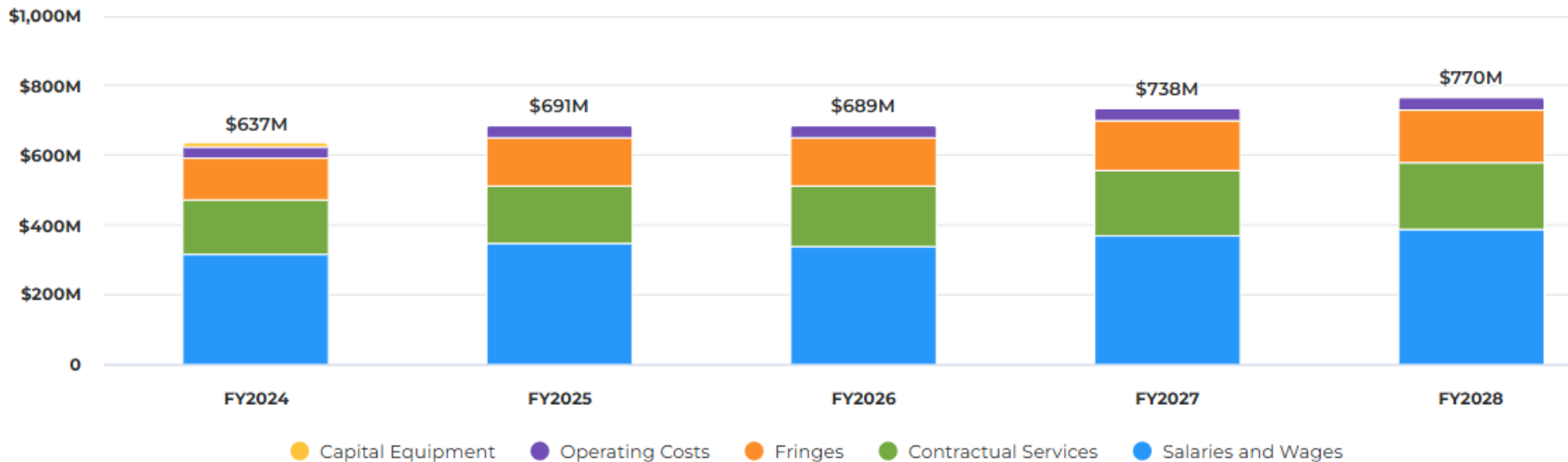
Contractual Services	\$972,963,977	45.19%
Salaries and Wages	\$511,916,203	23.77%
Operating Costs	\$231,818,876	10.77%
Capital Equipment	\$227,894,657	10.58%
Fringes	\$202,548,567	9.41%
Transfers	\$6,066,154	0.28%

Category	FY 2024 Actual	FY 2025 Actual	FY 2026 Adopted Budget	FY 2027 Recommended Budget	FY 2028 Planned Budget
Salaries and Wages	\$444,097,879	\$485,556,182	\$470,119,181	\$511,916,203	\$532,670,779
Contractual Services	\$739,455,684	\$767,799,036	\$621,063,585	\$972,963,977	\$967,754,549
Operating Costs	\$195,145,127	\$194,359,727	\$183,179,214	\$231,818,876	\$236,480,062
Fringes	\$186,518,271	\$197,301,961	\$190,176,980	\$202,548,567	\$210,944,352
Capital Equipment	\$219,573,486	\$253,706,073	\$575,881,908	\$227,894,657	\$205,022,532
Transfers	\$10,813,554	\$4,818,911	\$5,784,817	\$6,066,154	\$6,066,154
Total Expenditures	\$1,795,604,001	\$1,903,541,891	\$2,046,205,684	\$2,153,208,435	\$2,158,938,428



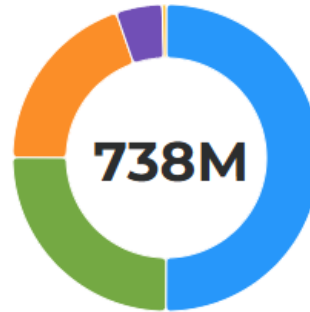
Proposed spending, General Fund

The Mayor's Recommended Budget proposes **\$738 million** of General Fund expenditures in 2027, excluding independent boards and transfers.





Proposed spending, General Fund (continued)



● Salaries and Wages	\$369,473,750	50.05%
● Contractual Services	\$184,601,663	25.01%
● Fringes	\$144,949,299	19.64%
● Operating Costs	\$35,859,089	4.86%
● Capital Equipment	\$3,275,710	0.44%

Category	FY 2024 Actual	FY 2025 Actual	FY 2026 Adopted Budget	FY 2027 Recommended Budget	FY 2028 Planned Budget
Salaries and Wages	\$313,005,984	\$346,419,158	\$334,972,111	\$369,473,750	\$384,441,941
Contractual Services	\$84,893,366	\$91,428,172	\$97,646,151	\$98,297,281	\$104,448,792
Internal Service Charges	\$86,296,072	\$91,589,310	\$97,272,212	\$106,521,271	\$110,782,113
Operating Costs	\$18,813,213	\$19,568,191	\$16,011,477	\$15,642,200	\$15,657,200
Fringes	\$121,129,983	\$134,444,704	\$137,552,858	\$144,949,299	\$151,080,035
Capital Equipment	\$12,954,602	\$7,265,456	\$5,987,010	\$3,275,710	\$3,275,710
Total Expenditures	\$637,093,220	\$690,714,993	\$689,441,818	\$738,159,511	\$769,685,792



Proposed spending: personnel, all funds

The recommended budget decreases the city's funded personnel count by 7 funded FTEs (4,292 → 4,285).

Category	FY 2025 Budgeted	FY 2026 Budgeted	FY 2027 Budgeted	FY 2028 Budgeted
311 Service Center	45.00	43.00	43.00	43.00
911	93.00	92.00	92.00	92.00
Arts & Cultural Affairs	6.00	6.00	7.00	7.00
Assessing	38.00	38.00	34.00	34.00
City Council	41.00	41.00	39.00	39.00
Civil Rights	47.50	48.00	45.00	45.00
Communications	13.00	22.00	19.00	19.00
Community Planning & Economic Development	243.00	238.00	231.00	231.00
Convention Center/Downtown Assets	163.59	163.59	163.59	163.59
Emergency Management	9.50	9.50	9.50	9.50
Finance and Property Services	290.00	293.00	294.00	294.00
Fire	442.00	441.00	456.00	456.00
Health	172.10	172.50	168.50	168.50
Human Resources	64.00	62.00	56.00	56.00
Information Technology	108.00	108.00	108.00	108.00
Intergovernmental Relations	6.35	6.00	5.00	5.00
Mayor's Office	16.00	16.00	15.00	15.00
Neighborhood & Community Relations	23.00	23.50	19.00	19.00
Neighborhood Safety	17.00	17.00	38.00	38.00
Office of City Attorney	115.30	111.00	109.00	109.00
Office of City Auditor	18.00	14.00	12.00	12.00
Office of City Clerk	55.00	70.00	63.00	63.00
Office of Community Safety Administration	13.00	8.00	7.00	7.00
Office of Public Service Administration	12.00	12.00	10.00	10.00
Performance Management and Innovation	9.00	9.00	7.00	7.00
Police	971.01	969.00	991.00	991.00
Public Works	1,035.37	1,058.14	1,054.45	1,054.45
Racial Equity, Inclusion and Belonging	7.00	5.00	2.00	2.00
Regulatory Services	198.90	195.90	186.90	186.90
Total Authorized FTEs	4,272.62	4,292.13	4,284.94	4,284.94

Approximately 100 FTE divestments were offset by new funding for Police CSOs/Cadets (40), Neighborhood Safety CSAs (23), Firefighters (15), and other adjustments.



Major General Fund investments: right-sizing imbalanced budgets

Major investments focused on right-sizing budgets where the operational need is compelling, the city has a legal responsibility, or it addresses a known budget imbalance.

Justification	Investment	Department	2027 Investment		Details
			FTE	Amount	
Right-Sizing Imbalanced Department Budgets	Police Overtime	Police	0	\$13,100,000	Increases Police overtime budget to \$16.5M, in line with \$4M – \$27M overtime cost trend over 5 years.
	Police Recruiting	Police	40	\$4,335,178	Funds 10 CSOs and 30 Cadets (previously unfunded).
	Fire Overtime	Fire	0	\$3,400,000	Increases Fire overtime budget to \$4.4M, in line with \$3M – \$6M overtime cost trend over 5 years.
	Police Contractual Services	Police	0	\$3,100,000	Fully funds forecasted contract costs.
	Supplies and Operating Costs	Fire	0	\$698,000	Fully funds forecasted supply/operating costs.
	Floating Sworn Firefighters	Fire	15	\$454,373	Supplemented by \$1.36M SAFER Grant funds. (3.75 FTE General Fund / 11.25 FTE SAFER)
	Reg. overtime and on-call	Regulatory Services	0	\$278,000	Fully funds forecasted overtime and on-call costs.
+ Total Recommended Investments			55	\$25,365,551	



Major General Fund investments: operational shifts

Justification	Investment	Department	2027 Investment		Details
			FTE	Amount	
Operational Shift	Community Safety Ambassadors	Neighborhood Safety	23	\$2,276,694	Funds 23 Community Safety Ambassadors (CSAs) to provide an unarmed, non-law-enforcement presence and offer a broad range of neighborhood safety services beyond the pilot phase. Investment is fully offset by a partial divestment of Violence Interrupter contracts.
	911 Embedded Social Worker	911	0	\$160,000	Continues the Embedded Social Worker program with Hennepin County beyond the pilot phase.
+ Total Recommended Investments			23	\$2,436,694	



Other General Fund and Internal Service Fund investments

Justification	Investment	Department(s)	2027 Investment		Details
			FTE	Amount	
Right-Sizing Settlement Agreement Contracts	Settlement Agreement Contracts and ELEFA Evaluator	Police, OCS, and CAO with FPS oversight	0	\$4,054,609	Finance and Property Services (FPS) will centrally administer Settlement Agreement contract funding to ensure alignment to compliance requirements.
Critical Sustainment Investments	Space expansion FTEs	FPS	4	\$429,432	2 custodians, 1 plumber, and 1 engineer to support maintenance of new and renovated city property.
	Election and Voter Services	City Clerk	0	\$427,862	Funds City Clerk's \$1M FY27 and \$7.3M FY28 requirement for Election and Voter Services contracts ahead of the 2028 election. Remaining funding was already included in CSL baseline.
	Multiple Sustainment Investments	Various	0	\$469,611	Funds 7 <\$150K investment requirements including increased state audit costs, banking fees, and small business certification program fees.
Fulfilling Legal Requirements	Web Content Accessibility	NCR	1	\$312,394	Web content accessibility specialist and professional services to meet WCAG requirements.
+ Total Recommended Investments			5	\$5,393,908	



Major divestments

Divestment Type	Divestment	Department(s)	2027 Divestment		Details
			Est. FTE	Amount	
Department Consolidation or Reorganization	Consolidation of Communications and NCR	Comms., NCR	9	\$1,831,245	Consolidation of Communications and Neighborhood & Community Relations (NCR) into a centralized communication and engagement department. Anticipated economies of scale savings.
	Reorganization of PMI and REIB into other departments	PMI, REIB	5	\$792,293	Reorganization of Performance Management and Innovation (PMI) and Racial Equity, Inclusion, and Belonging (REIB) into other departments.
Operational Shift	Reduction of Violence Interrupter Contracts	Neighborhood Safety	2	\$3,104,709	Partial divestment of Violence Interrupter contracts. Offsets cost of deploying 23 Community Safety Ambassadors (CSAs) to shift operational strategy.
General Capacity Reduction or Divestment	Health contracts	Health	0	\$3,743,245	Reduction of health contract capacity.
	Other contracts	7 departments	0	\$2,831,803	Other department contract reductions.
	Police Personnel	Police	17	\$2,102,708	Police personnel reduction.
	Other Personnel	17 departments	66.5	\$9,287,636	Other department personnel reductions.
Total Recommended Divestments			99.5	\$23,693,638	



General Fund impact across city departments: Office of Public Service

Department	FY2025	FY2026	FY2027	FY26 to FY27 Change (\$)	FY26 to FY27 Change (%)
311 Service Center	\$ 6,781,507	\$ 7,087,554	\$ 7,754,571	\$ 667,016	9%
Arts & Cultural Affairs	\$ 2,587,861	\$ 3,603,409	\$ 3,134,948	\$ (468,461)	-13%
Assessing	\$ 7,350,492	\$ 7,428,753	\$ 6,931,877	\$ (496,876)	-7%
Civil Rights	\$ 7,326,677	\$ 7,612,467	\$ 7,393,413	\$ (219,054)	-3%
Communications	\$ 2,959,132	\$ 4,002,920	\$ 3,769,606	\$ (233,313)	-6%
Community Planning & Economic Development	\$ 46,826,432	\$ 54,838,061	\$ 54,861,878	\$ 23,818	0%
Finance and Property Services	\$ 29,317,319	\$ 28,727,103	\$ 35,014,791	\$ 6,287,688	22%
Health	\$ 27,226,248	\$ 28,686,953	\$ 26,028,522	\$ (2,658,431)	-9%
Human Resources	\$ 11,431,142	\$ 11,074,651	\$ 10,857,266	\$ (217,384)	-2%
Intergovernmental Relations	\$ 1,466,422	\$ 1,517,647	\$ 1,473,323	\$ (44,323)	-3%
Neighborhood & Community Relations	\$ 9,381,900	\$ 8,719,107	\$ 8,040,757	\$ (678,350)	-8%
Office of Public Service Administration	\$ 3,153,953	\$ 3,048,120	\$ 2,866,348	\$ (181,773)	-6%
Performance Management and Innovation	\$ 1,203,981	\$ 1,398,594	\$ 1,117,848	\$ (280,746)	-20%
Public Works	\$ 82,122,793	\$ 74,960,198	\$ 76,989,524	\$ 2,029,326	3%
Racial Equity, Inclusion and Belonging	\$ 1,680,069	\$ 1,127,651	\$ 676,559	\$ (451,092)	-40%
Regulatory Services	\$ 29,985,329	\$ 30,997,200	\$ 34,648,342	\$ 3,651,143	12%
Grand Total	\$ 270,801,258	\$ 274,830,387	\$ 281,559,574	\$ 6,729,188	2%



General Fund impact across city departments: Office of Community Safety, Office of City Attorney, Mayor's Office, and Legislative Department

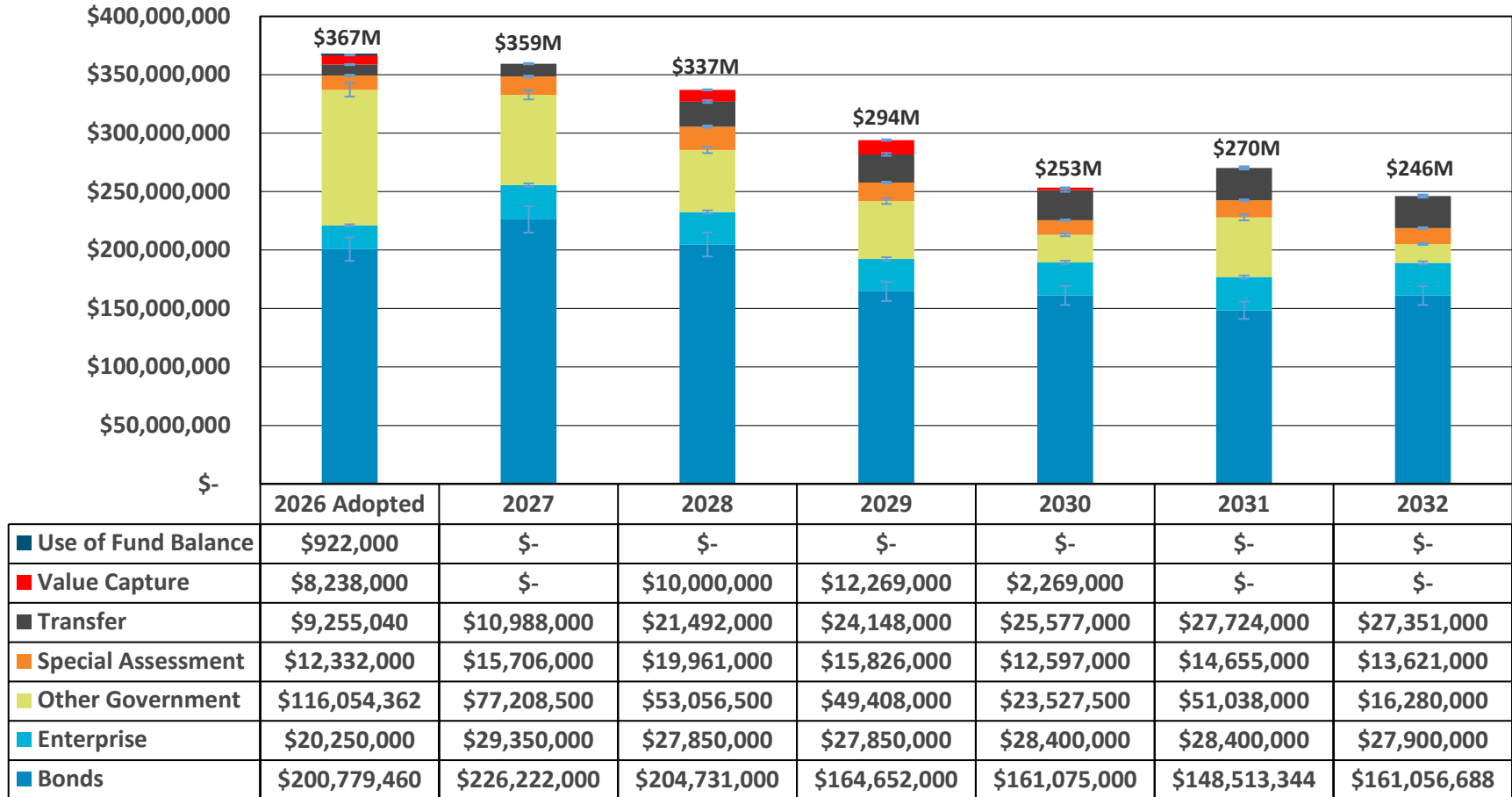
Office of Community Safety

Department	FY2025	FY2026	FY2027	FY26 to FY27 Change (\$)	FY26 to FY27 Change (%)
911	\$ 13,802,780	\$ 13,955,309	\$ 15,437,992	\$ 1,482,683	11%
Emergency Management	\$ 1,349,665	\$ 1,392,197	\$ 1,474,083	\$ 81,886	6%
Fire	\$ 97,227,350	\$ 94,887,840	\$ 108,590,108	\$ 13,702,267	14%
Neighborhood Safety	\$ 8,631,484	\$ 9,986,060	\$ 9,465,343	\$ (520,717)	-5%
Office of Community Safety Administration	\$ 3,622,586	\$ 2,123,560	\$ 2,038,992	\$ (84,568)	-4%
Police	\$ 247,891,444	\$ 225,566,425	\$ 246,785,150	\$ 21,218,724	9%
Grand Total	\$ 372,525,309	\$ 347,911,392	\$ 383,791,668	\$ 35,880,276	10%

Other departments

Department	FY2025	FY2026	FY2027	FY26 to FY27 Change (\$)	FY26 to FY27 Change (%)
City Council	\$ 5,546,447	\$ 5,857,425	\$ 5,751,545	\$ (105,879)	-2%
Mayor's Office	\$ 2,590,050	\$ 3,287,734	\$ 3,359,264	\$ 71,530	2%
Office of City Attorney	\$ 23,289,229	\$ 22,677,111	\$ 24,256,939	\$ 1,579,828	7%
Office of City Auditor	\$ 2,884,945	\$ 2,270,035	\$ 2,145,237	\$ (124,797)	-5%
Office of City Clerk	\$ 13,082,836	\$ 17,920,675	\$ 12,761,488	\$ (5,159,186)	-29%
Grand Total	\$ 47,393,507	\$ 52,012,979	\$ 48,274,474	\$ (3,738,505)	-7%

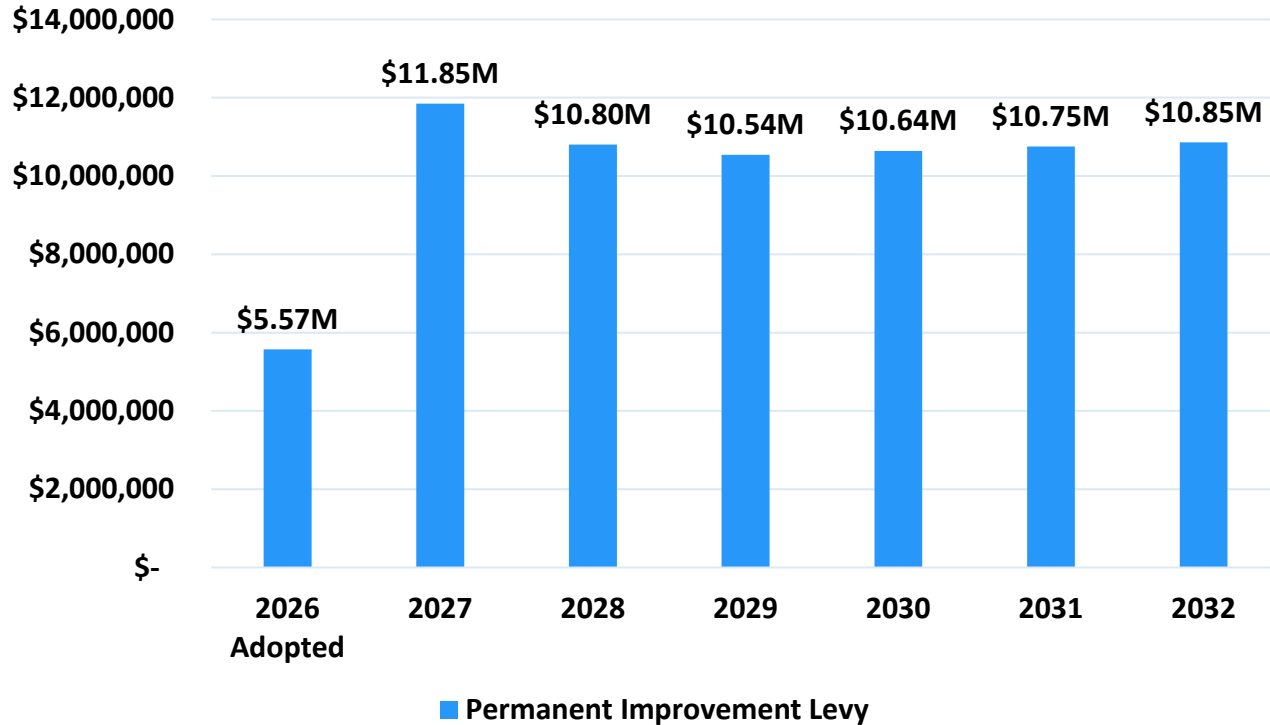
2027-2032 Capital Improvement Plan (CIP) by Funding Source





Proposed spending: Technology Improvement Plan (TIP)

FY27-FY32 Total Funding Recommended by Source



Main Takeaways

TIP's main funding source is the Permanent Improvement Levy.

Projects funded in 2027-28 are:

- 1) Already underway
- 2) Considered critical to IT and physical infrastructure

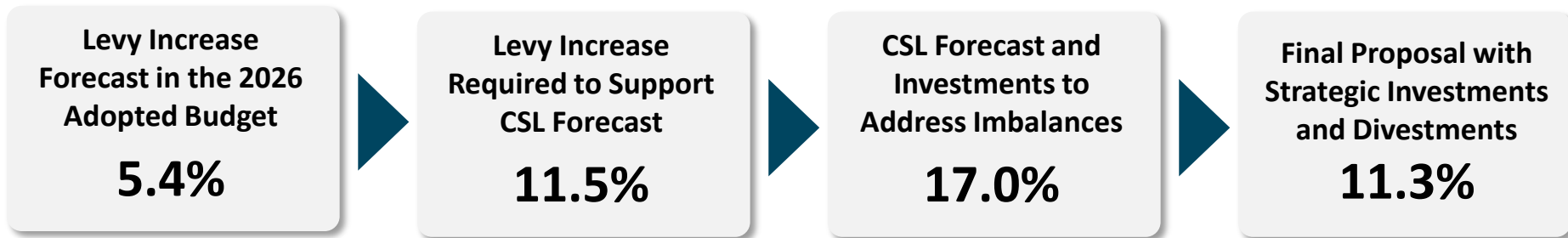
Spending increases are largely attributable to the Enterprise Resource Platform and 311 LAGAN Replacement projects.

Property tax and levy changes





2027 tax levy journey



Difficult choices

- Ignoring imbalanced department budgets for another year, leaving settlement agreement costs unfunded, or avoiding difficult divestment decisions could have easily achieved a lower, near-term levy increase.
- This would have increased the likelihood of a larger double-digit increase in 2028 or resulted in significant service reductions.
- The Mayor's Recommended Budget seeks to balance the right-sizing of imbalanced department budgets with low-impact reductions to program capacity and limited service impacts to residents.



Proposed update to five-year financial direction

Previous Five-Year Plan

All Levies	2026		2027		2028		2029		2030		2031	
General Fund	361,100,552	8.6%	378,309,258	4.8%	398,449,728	5.3%	409,039,735	2.7%	426,957,333	4.4%	437,393,666	2.4%
Park Board	94,956,722	6.1%	97,181,645	2.3%	100,583,002	3.5%	104,103,407	3.5%	107,747,027	3.5%	111,518,173	3.5%
Bond Redemption	59,240,000	3.0%	63,088,000	6.5%	66,065,000	4.7%	69,170,055	4.7%	72,421,048	4.7%	75,824,840	4.7%
Permanent Improvement	5,571,000	316.0%	11,850,000	112.7%	10,433,300	-12.0%	10,537,633	1.0%	10,643,009	1.0%	10,749,439	1.0%
Pensions	11,942,323	0.0%	11,942,323	0.0%	11,942,323	0.0%	11,942,323	0.0%	11,942,323	0.0%	11,942,323	0.0%
Teacher's Retirement Association	1,632,323	0.0%	1,632,323	0.0%	1,632,323	0.0%	1,632,323	0.0%	1,632,323	0.0%	1,632,323	0.0%
Municipal Building Commission	5,000,000	9.3%	5,075,000	1.5%	5,151,125	1.5%	5,228,392	1.5%	5,306,818	1.5%	5,386,420	1.5%
Board of Estimate and Taxation	102,136	2.1%	102,136	0.0%	102,136	0.0%	102,136	0.0%	102,136	0.0%	102,136	0.0%
Mpls Public Housing Authority	5,000,000	0.0%	5,000,000	0.0%	5,000,000	0.0%	5,000,000	0.0%	5,000,000	0.0%	5,000,000	0.0%
Total Property Taxes	\$ 544,545,056	8.0%	\$ 574,180,685	5.4%	\$ 599,358,938	4.4%	\$ 616,756,005	2.9%	\$ 641,752,017	4.1%	\$ 659,549,320	2.8%

Proposed Update in the 2027-28 Mayor's Recommended Budget

All Levies	2026		2027		2028		2029		2030		2031		2032	
General Fund	\$ 361,100,552	8.6%	\$ 413,016,683	14.4%	\$ 443,163,457	7.3%	\$ 459,919,304	3.8%	\$ 480,267,545	4.4%	\$ 494,403,778	2.9%	\$ 521,447,696	5.5%
Park Board	\$ 94,956,722	6.1%	\$ 97,330,640	2.5%	\$ 100,737,212	3.5%	\$ 104,263,015	3.5%	\$ 107,912,220	3.5%	\$ 111,689,148	3.5%	\$ 115,598,268	3.5%
Bond Redemption	\$ 59,240,000	3.0%	\$ 63,088,000	6.5%	\$ 66,065,000	4.7%	\$ 69,170,055	4.7%	\$ 72,421,048	4.7%	\$ 80,387,363	11.0%	\$ 85,210,605	6.0%
Permanent Improvement	\$ 5,571,000	316.0%	\$ 11,850,000	112.7%	\$ 10,800,000	-8.9%	\$ 10,537,633	-2.4%	\$ 10,643,009	1.0%	\$ 10,749,439	1.0%	\$ 10,856,934	1.0%
Pensions	\$ 11,942,323	0.0%	\$ 9,942,000	-16.7%	\$ 11,942,323	20.1%	\$ 11,942,323	0.0%	\$ 11,942,323	0.0%	\$ 11,942,323	0.0%	\$ 11,942,323	0.0%
Teacher's Retirement Association	\$ 1,632,323	0.0%	\$ 1,632,323	0.0%	\$ 1,632,323	0.0%	\$ 1,632,323	0.0%	\$ 1,632,323	0.0%	\$ 1,632,323	0.0%	\$ 1,632,323	0.0%
Municipal Building Commission	\$ 5,000,000	9.3%	\$ 3,875,000	-22.5%	\$ 5,151,125	32.9%	\$ 5,228,392	1.5%	\$ 5,306,818	1.5%	\$ 5,386,420	1.5%	\$ 5,467,216	1.5%
Board of Estimate and Taxation	\$ 102,136	2.1%	\$ 102,136	0.0%	\$ 185,888	82.0%	\$ 234,218	26.0%	\$ 243,976	4.2%	\$ 243,976	0.0%	\$ 243,976	0.0%
Mpls Public Housing Authority	\$ 5,000,000	0.0%	\$ 5,000,000	0.0%	\$ 5,000,000	0.0%	\$ 5,000,000	0.0%	\$ 5,000,000	0.0%	\$ 5,000,000	0.0%	\$ 5,000,000	0.0%
Total Property Taxes	\$ 544,545,056	8.0%	\$ 605,836,782	11.3%	\$ 644,677,329	6.4%	\$ 667,927,263	3.6%	\$ 695,369,263	4.1%	\$ 721,434,770	3.7%	\$ 757,399,341	5.0%

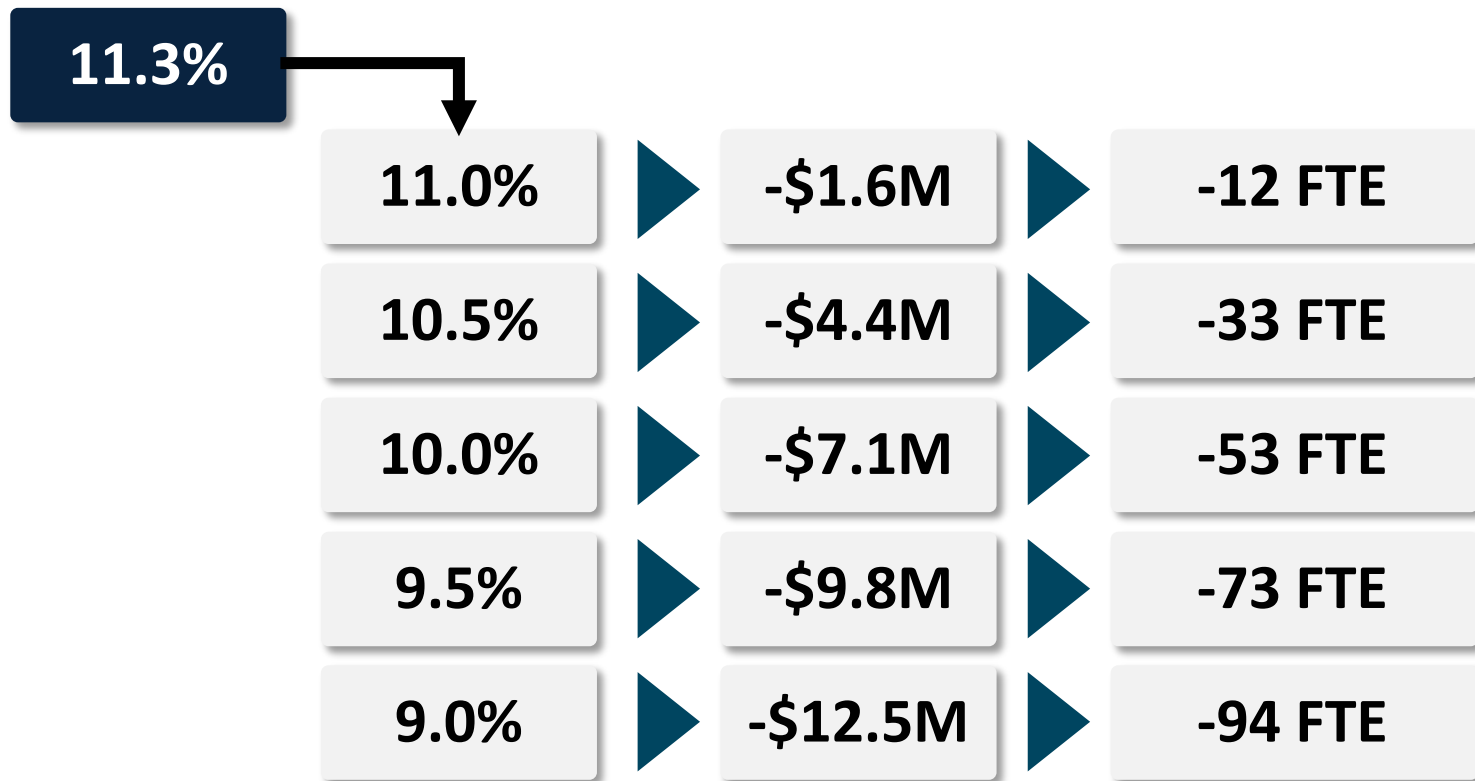


What \$1,000 of taxes pays for (city levy only)





Cumulative levy reduction scenarios (1 levy point = \$5.45M)



Next steps





Framework I: Key principles for the next phase

The Budget Division is committed to supporting Council with confidential training, consultation, analysis, and decision support throughout the amendment development and markup phase of the budget process.



Confidentiality

- All questions, meetings, consultations, and amendment inquiries are confidential.*
- We do not share requests or work products outside of the requesting office without permission.*



Impartiality

- All analysis is objective, nonpartisan, and focused on technical assistance.
- We consider fiscal, operational, and financial policy implications – not policy or political considerations.



Transparency

- Analysis will identify assumptions, fiscal impacts, funding sources, data reliability, implementation considerations, and risks.
- We will use consistent methodologies to provide insight into how conclusions were reached.



Responsiveness

- Timely support is prioritized through amendment development and markup.
- We will communicate expected turnaround times and proactively flag requests requiring additional analysis or department input.

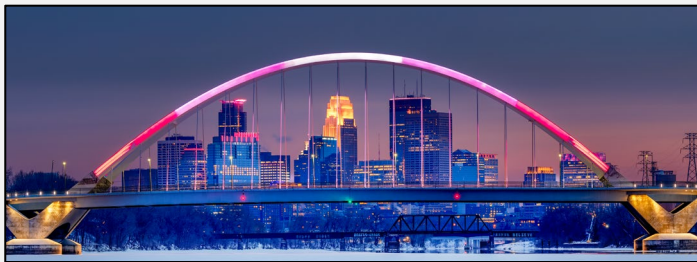
* Except as otherwise required by law.



Framework II: Community engagement and transparency

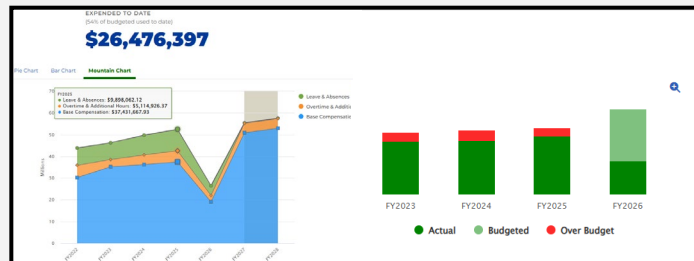
We are committed to supporting Council and residents by maintaining the city's Transparency dashboards and attending community engagement meetings.

Community engagement



- We are available to support community engagement sessions and special events.
- We provide an overview of the Recommended Budget and the budget process.
- We are also available to support Budget Q&A.

Transparency website



- The [transparency site](#) provides insight into current year expenses, revenues, and more.
- The site is updated quarterly with spending data from the city's financial system.
- Allows for deeper review of department and spending type using filtering.



Key budget dates

Dates may be subject to change at Budget Committee's discretion.

September	October	November	December
• 9/10: Budget Overview • 9/14: OCS, OPS, CAO, Settlement Agreement • 9/24: Health, Health CLI • 9/28: Police, Regulatory Services, Homelessness Response • 9/29: CPED, MPHA	• 10/5: Fire, NSD • 10/6: 911, Emergency Management, Civil Rights • 10/8: FPS, IT, TIP • 10/9: Mayor's Office, City Clerk, City Auditor • 10/13: HR, REIB • 10/20: 311, NCR, IGR • 10/22: PMI, Comms., Assessing • 10/23: Youth Coordinating, MPRB, Convention Center • 10/26: Public Works, Arts & Culture, Capital/CIP	• 11/18: Budget Amendments due • 11/19-11/20: Amendment internal reviews • 11/25: Amendments returned with comments	• 12/2: Final revised amendments due • 12/7: Markup packet published • 12/10-12/14: Markup • 12/15: Truth in Taxation (TNT) Hearing and Budget Adoption

Department presentation expectations

The Budget Division remains sensitive to Department Heads' authority over department operations, service impacts, and program planning.

Budget Division

- Providing information and insight into **City-wide revenue, costs, and changes to the CSL baseline in the Recommended Budget.**
- Providing **high-level insight into key changes (investments and divestments)** at the department and fund level.
- **Supporting the Mayor's Office and City Council** throughout the budget formulation (Recommended Budget) and markup/adoption process.
- **Supporting Department Heads** with presentation preparation, analysis and support planning for budgetary changes in 2027, and advice on managing to budget.

Department Heads

- Providing information and insight into **department-specific** revenue, costs, and changes in the Recommended Budget.
- Providing information on the **anticipated service and programmatic impacts of changes** (investments and divestments) at the department level, to the extent known at the time of presentation.



Closing prospect: S&P AAA negative outlook scenarios

S&P's negative outlook reflects that there is at least a one-in-three chance the city's bond rating will be lowered during the one-year outlook period.

S&P Downside scenario

"We could lower the rating if a structurally balanced budget, with reasonably achievable assumptions, fails to pass for fiscal 2027, if actual performance results in a draw on reserves in fiscal 2027, or if the city fails to demonstrate a credible path within the next year that includes structural measures to restore reserves to at least policy target level."

S&P Upside scenario

"We could revise the outlook to stable if the city addresses its structural imbalance with sufficient structural measures and realistic budgeting assumptions that sustain it for fiscal 2027 and beyond."

