

2018

DEPARTMENT

results  
minneapolis

## Finance and Property Services

### Results Minneapolis is changing.

The Strategic Planning and Analysis team (City Coordinator's Office) is leading an evolution of the City's Results Minneapolis program. These changes reflect recommendations of a recent program assessment completed by What Works Cities, a Bloomberg Philanthropies initiative, and the Center for Government Excellence at Johns Hopkins University. [See the assessment to learn more about the changes.](#)

Note: The Strategic Planning and Analysis team is working with City departments on a rolling basis to select a core set of performance metrics to report on each year. This department has not yet completed the process. Therefore, **the performance metrics in this report are interim metrics for 2018 and may be subject to change.**

# Performance summary

2017 department budget: **\$49 million**

Budget program	2017 Budget	Performance measure	2017 performance	Data trend	Status indicator: Red/yellow/green
Facilities, Energy & Security Management <i>Note: Includes Radio Communications &amp; Electronics; ERP Application &amp; System Functional Support</i>	\$18.7M	1. City carbon emissions 2. Management Services Survey responses	1. 63K pounds 2. 62% positive	1. Slight decrease 2. NA	1.  2. 
Accounting and Financial Reporting	\$6.8M	1. Number of audit findings	1. 8	1. Stable	1. 
MBC/City Hall Operating Costs	\$5.3M	1. NA (Pass-through fund to MBC)	1. NA	1. NA	1. 
Utility Billing System	\$5.1M	1. Percent of invoiced City revenue collected in 30 days 2. Percent of Utility Billing transactions paid electronically	1. 85% 2. 27%	1. Slight increase 2. Stable	1.  2. 
Strategic Financial Services <i>Note: Includes Investment, Cash Management and Receivables</i>	\$5.1M	1. City sales tax revenue 2. Bond rating (Standard & Poor's; S&P Management Score; Fitch Ratings) 3. Number of visits to budget website 4. Number of visits to financial transparency page	1. TBD 2. AAA; Very Strong; AA+ 3. 4,579 4. 1,651	1. Slight increase 2. Stable; slight decrease in Fitch Ratings 3. Increase 4. Decrease	1.  2.  3.  4. 
Order, Buy and Pay for Goods and Services	\$4.2M	1. Average number of days to pay invoices	1. 19	1. NA	1. 
Risk Management & Claims	\$2.19M	1. Number of tort claims under \$25K 2. Total paid to date on tort claims under \$25K 3. Number of workers comp. claims 4. Total paid for workers comp. claims	1. 411 2. \$134K 3. 489 4. \$3.4M	1. Slight increase 2. Decrease 3. Slight increase 4. Decrease	1.  2.  3.  4. 
Pay Employees	\$1.7M	1. Number of paper checks 2. Number of W-2s 3. Taxable gross wages	1. 16K 2. 9.7K 3. \$323M	1. Decrease 2. Increase 3. Slight increase	1.  2.  3. 

# Enterprise Priorities

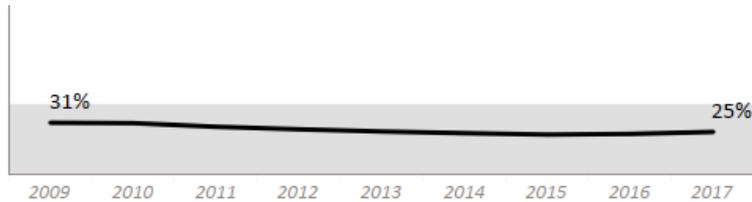
## Workforce diversity

- **Does not meet the 2022** enterprise goal of 41% people of color
- **Exceeds the 2022** enterprise goal of 45% women

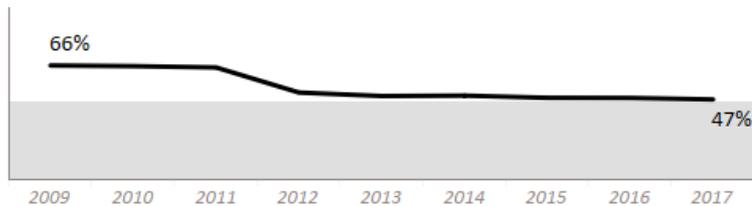
While the overall number of women and people of color has increased in finance has increased, the percent has decreased mostly due to the inclusion of property services to the department in 2012. New initiatives to retain women and people of color are beginning including pathways to career growth and promotion. Further, our department participates in and supports efforts lead by Human Resources to meet Workforce diversity goals.

### Workforce diversity (2009-2017)

#### People of color



#### Women



#### Notes:

(1) Grey shading indicates enterprise goals (41% people of color and 45% women).

## Spending with diverse suppliers\*

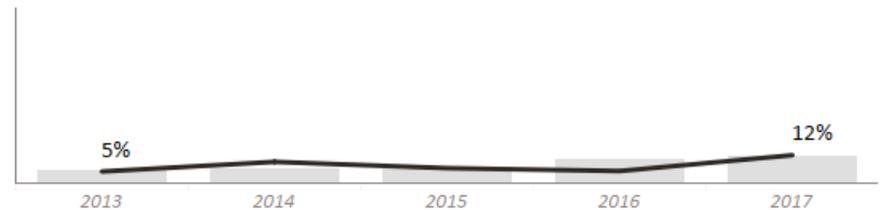
- **Lower than** Citywide diverse spending
- **Lower than** Citywide percent spending with minority-owned suppliers
- **Lower than** Citywide percent spending with non-minority women-owned suppliers

While our department has not reached the benchmark yet, our diverse supplier spending was increased by 7% over the previous year due mainly to increased diverse spending in Property Services. Additional efforts are being made to diversify our vendor pool by unbundling the construction projects in our Property Services.

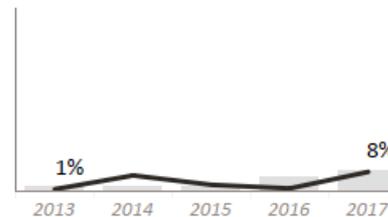
FPS is working with the Coordinator's Office to continue cleaning the data as a part of a broader City effort.

### Spending with diverse suppliers (2013-2017)

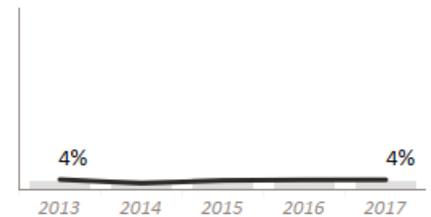
#### Overall



#### Minority (all genders)



#### Non-minority women



#### Notes:

(1) Grey shading indicates Citywide percent for each year.

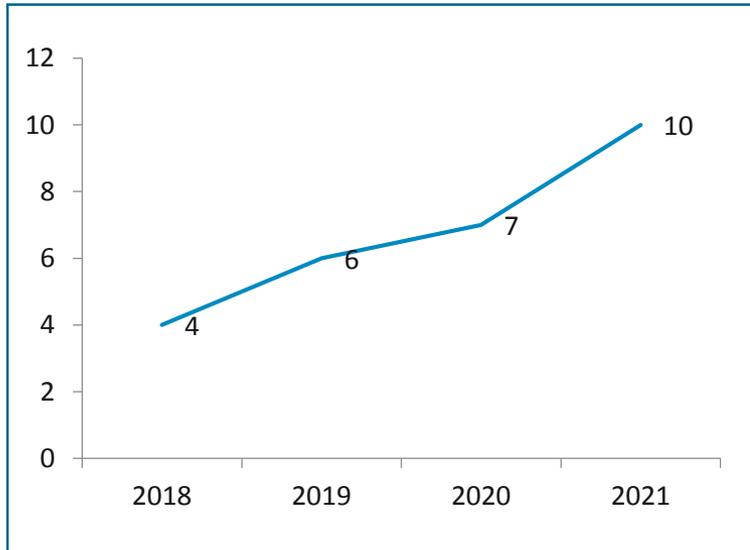
(2) Data does not reflect the entire budget. Data reflects discretionary spending with for-profit primary suppliers.

# Department Priorities

## Establish Regular Schedule for Reviewing and Updating Financial Studies and Policies

- A national rating agency, Standard & Poor's, separately rates municipal bond issuers on management practices in addition to an overall credit score/bond rating. Standard & Poor's believes that meaningful financial policies that are deeply imbedded in a City and that are regularly reviewed by elected officials are very important in the credit worthiness of an enterprise. Minneapolis has fallen behind a regular review of these studies and policies. FPS is committed to updating the following:
- Fee studies for all business license type activities
- Fund balance policies to determine appropriate amounts of cash in each fund
- Debt and investment policies

**Projected number of policies regularly reviewed**



# Facilities, Energy & Security Management

\$16 million: Facilities, Energy & Security Management  
 \$2.17 million: Radio Communications & Electronics  
 \$0.5 million: ERP Application & System Functional Support

**Program description:** This program provides for the land, facility, and furnishing needs of City owned, operated and leased facilities. Activities include maintenance, construction, tenant improvements, space and asset management, security and life safety needs, centralized energy management services, and centralized internal security management services. The goals of this program are to provide safe working environments for employees, their clients and visiting members of the public.

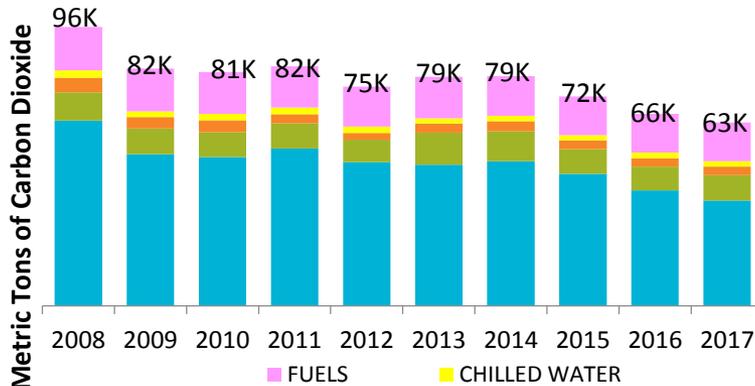
**Analysis:**

- To address scores from the management services survey, information gathering was completed with departments that had rated property services in the neutral to disagree range. The most common feedback was to improve communications with departments, especially ensuring that if a department request was not feasible, rationale and options are provided. Through adapting the culture of the department, property services is working to be more responsive, make accommodations when possible, and communicate findings and rationale with departments.
- The City's goal is to reduce greenhouse gas emissions from City municipal operations by at least 1.5% annually. Through upgrades to lighting, insulation, and heating/cooling equipment, and Xcel Energy increasing the amount of renewable electricity on the grid, we have reduced carbon emissions by an average of 3.4% annually. The City has reduced its total energy usage by 16% since 2008 (1.9% average annual reduction). In 2017, we made an initial purchase of 17.8 million kWh of Renewable\*Connect electricity, and we began converting fluorescent lighting to LED lighting.

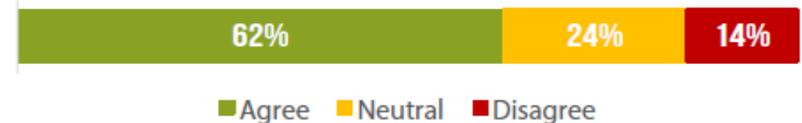
**Action planned for 2018**

- Complete full conversion of fluorescent lighting to LED lighting.
- 40 million kWh additional purchase of Renewable\*Connect electricity from Xcel Energy.
- Plan for solar arrays at Water Treatment Department sites
- Complete in 2018 the second management survey focused on Property Services.
- Assess the results to determine the changes in the effectiveness of our internal services.
- Use the results to both quantify and qualify the approach to our work and improvement to the rest of the enterprise.

**34% Drop in City's Carbon Emissions 2008 - 2017  
 (Includes Xcel Reductions)**



**2016 Management Services Survey: Property Services**



Data source: 2016 Management Services Survey. n = 206.  
 Bar chart reflects overall responses to the question: "Property Services supports our department effectively."

# Accounting and Financial Reporting

**Program description:** This program provides financial information to City policymakers, City staff, and decision makers. Information is accessible to the public, City investors, bond rating agencies, the State Auditor, and grantor agencies. Key services provided by this program include: monitoring and reporting of revenues and expenditures, preparing the City's quarterly financial report and Comprehensive Annual Financial Report (CAFR), responding to internal and external audits, designing and administering rate models, and providing financial analyses to support City decisions and investment.

## Analysis

- The Office of the State Auditor reviews the City's financial statements, internal controls, grants, and legal compliance requirements through the annual audit process.
- When the City is found to be deficient in one of these areas, it may result in an audit finding. For example, in 2016, the City had insufficiently updated written policies regarding some aspects of internal controls which resulted in a written audit finding.
- Accounting and Financial Reporting seeks to minimize the number of new audit findings while resolving any prior audit findings. New and Unresolved audit findings totaled four in 2016, which was the lowest number in the past five years. Unresolved audit findings include any audit finding that carries over, unresolved, from one year to the next.
- The establishment of an Internal Control division in the FPS department in late 2016 has contributed to a reduction in new findings and for resolution of existing findings. Internal Control staff proactively monitor such issues and work as a liaison with the external auditors to eliminate and resolve issues audit.

## Action planned for 2018

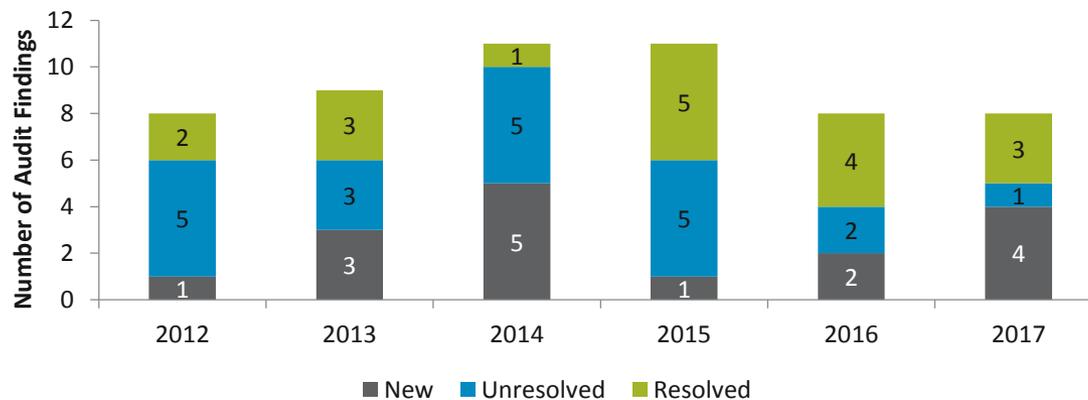
- Accounting and Financial Reporting will pursue solutions to current audit findings and strive to minimize new audit findings through increased internal controls, additional grant monitoring and procedural documentation, and training of staff.

## Actions identified in 2017

### Results memo

- N/A

## Audit Findings 2012-2017



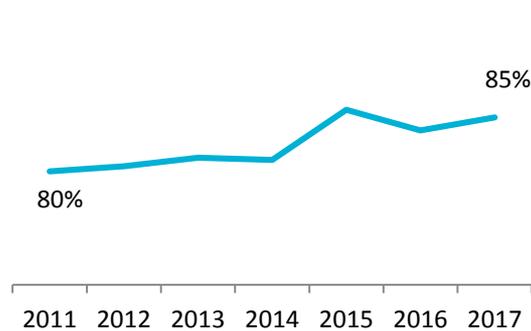
# Utility Billing System

**Program description:** This program is a collaboration between the Finance and Property Services and Public Works Departments to invoice, collect revenue and provide specific utility customer account information related to the delivery of City water, sewer, solid waste and storm water services.

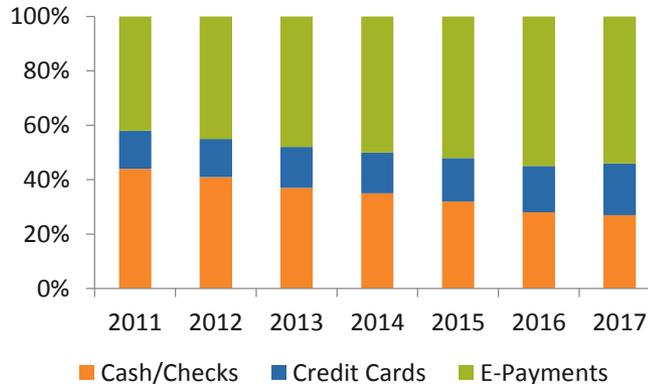
## Analysis

- Automated payment methods and the addition of easily accessible payment locations have increased the collection rate from 80% to 85%. Consolidation of billing has also contributed to the increase. Utility revenues represent about 75 percent of total invoiced revenues by Finance.
- The percent paid electronically (E-Payments and credit cards) has increased from 56% in 2011 to 73% in 2017, which helps cut costs for the City. Technology initiatives are currently underway to allow customers easier web-access to billing data and effectuate payment.
- Customer contact is shifting from telephone to other methods like e-mail and web services. In 2011, Utility Billing averaged nearly 400 telephone calls per day compared to nearly 300 in 2017 and 2018, YTD. Conversely, non-telephone contacts have risen from approximately 20 per day in 2011 to 133 per day in 2017. We anticipate this trend to continue and staffing structure changes are occurring to successfully handle this changing dynamic.
- With the trend toward more electronic methods of communication and deliberate e-bill advertising initiatives, E-bill adoption is anticipated to continue its upward trend resulting in increased savings for the City.
- ACH payments are the City's most cost-effective preferred electronic payment method. Though the ACH adoption rate exceeds the industry standard by 2%, more growth may be realized to further affect cost reductions.

**Percent of invoiced City revenue collected in 30 days**



**Percent of Utility Billing transactions by payment type**



## Action planned for 2018

- The paperless billing option will continue in 2018 as well as development of new strategies to consistently drive customers towards electronic billing and payment methods to reduce City costs.
- Efforts in collecting outstanding debt will continue with assistance of a 3<sup>rd</sup>-party collection agency to increase effectiveness.
- Develop strategies to increase ACH adoption rate.

## 2017 Customer Correspondence

Incoming Customer Phone Calls	73,545
Incoming Customer e-mails	45,136
Web Service Request*	3,016
Via 311	755
*Customer correspondence received via Utility Billing customer online portal	

## 2017 Paperless Initiatives

	Industry Standard	Total # of Utility Billing Customers
# of Customers on Auto Pay (ACH)	18%	20%
# of Customers on e-bill	23%	29%

# Order, Buy and Pay for Goods and Services (Procurement)

**Program Description:** Procurement manages, facilitates and oversees bidding and contracting, purchase of and payment for all goods and services for all City departments and independent boards.

Minnesota Statute 471.425 requires local governments to pay all invoices within 35 days of receipt of the invoice. The Accounts Payable and Central Requisition and Receiving Unit (AP/CRR) of Procurement has been making continuous improvement to vendor payment cycle by reducing the number of days to pay invoices.

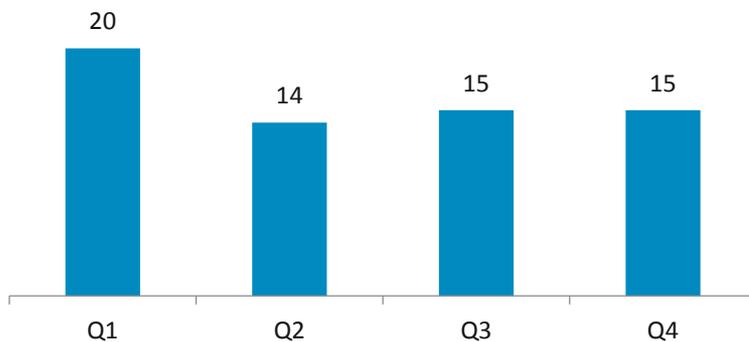
## Analysis:

- In 2015 and 2016, the average number of days to pay invoices was 30. However, these numbers were based on the date of the invoice rather than the receipt of the invoice by the city. Metrics have since been corrected and data since March 2017 is based on the 'date received' as stated in the statute.
- All small businesses participating in the Target Market Program are paid as soon as the department managers approves their invoices, referred to as the 'Due Now' status.
- Procurement's goal is to achieve and maintain a 15-day payment cycle for all invoices in 2018.

## Action planned for 2018

- Procurement's goal is to achieve and maintain a 15-day payment cycle for all departments in 2018.
- Reviewing and revising the Procure to Pay process to ensure it is in alignment with the new procurement modules being implemented in early 2019.
- Increased engagement with the vendor community and department users to ensure they are well versed and trained on the process, and that their needs are being met adequately.

## Average number of days to pay invoices (2017)



*Average number of days across all of 2017: 19*

# Strategic Financial Services: Development Finance

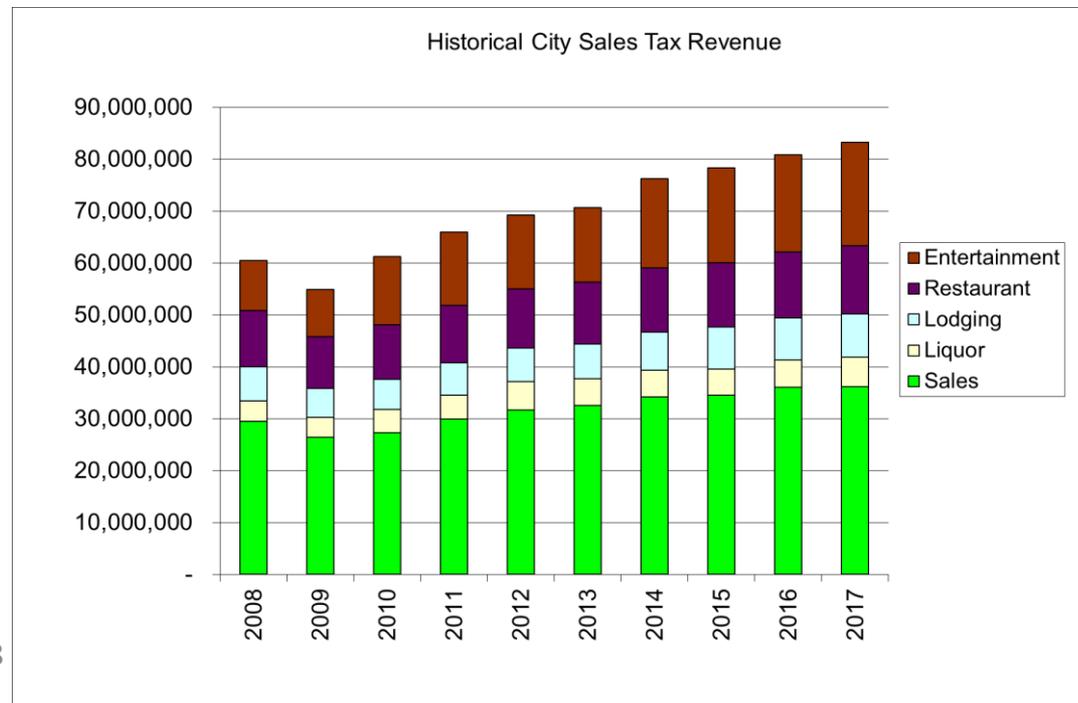
**Program description:** Development finance supports CPED, NCR, and the Convention Center in their efforts to improve economic vitality in the City for all residents, including affordable housing, large scale redevelopment projects, neighborhood revitalization, and support of Downtown Assets. The program also evaluates developer requests for loans and tax increment financing assistance as well as servicing of outstanding housing and economic development loans. One indicator of economic vitality is the total sales and entertainment taxes collected by the City.

## Analysis

- The City collects five different sales taxes including a .5% general sales tax, a 3% liquor tax in the downtown area, a 3% restaurant tax in the downtown area, a 2.125% lodging tax for 50 or more room hotels, and a 3% entertainment tax.
- As was evidenced in the downturn in 2009, economic cycles affect sales taxes.
- Development finance has supported efforts to renovate the Target Center, construct U.S. Bank Stadium and the Downtown East redevelopment, and various neighborhood revitalization efforts that result in increased taxable sales.

## Action planned for 2018

- Support efforts to increase the cap on lodging sales taxes.
- Complete contract with the State of Minnesota regarding use of sales taxes for U.S. Bank Stadium
- Assist CPED and the MPRB in the developer negotiations for the Upper Harbor Terminal redevelopment.
- Refine Downtown Assets special revenue fund activities including the funding options for the Commons.



# Strategic Financial Services: Capital, Debt, and Investments

**Program description:** Capital, Debt and Investments has three primary functions : capital budgeting (including CLIC facilitation), issuance and management of \$750+ million of City bond issues, and directing short and long-term investing of the City's \$860+ million of available cash.

## Analysis

- A common measure of a city's credit worthiness is a bond rating. The City utilizes two rating agencies for its bond sale: Fitch Ratings and Standard & Poor's (S&P). A portion of S&P's rating is a separate score for the financial management practices, which are the components of a rating that are most directly influenced by City action. The City carries the highest possible rating overall from S&P for both the overall rating and financial management practices.
- The City was downgraded by Fitch Ratings in 2017 due to concerns over the City's pension liabilities.
- Pursuant to a Council directive on supplier and vendor diversity, the division has started to increase the size and type of firms that invest the City's cash.

Rating Agency	2015	2016	2017	2018
Standard & Poor's	AAA	AAA	AAA	TBD
S&P Management Score	Very Strong	Very Strong	Very Strong	Very Strong
Fitch Ratings	AAA	AAA	AA+	TBD

Investment Diversity	2015	2016	2017	2018
Number of banks/firms investing City cash	4	4	4	9

## Action planned for 2018

- Plan for over \$200 million of new debt issuance on top of regular infrastructure investments in 2018 and 2019.
- Explore options to better express the City's actual pension liabilities through communications with rating agencies and the bond market in the City's official statement.
- Continue to diversify the number of firms that invest City short-term funds and plan for a RFP for City longer-term investments.

## Strategic Financial Services: Budget

**Program description:** The budget division serves as staff to the Mayor, City Council, and departments for the development and approval of the entire enterprise annual \$1.5 billion budget. Budget staff reviews and interprets data from each department to determine inflation on current service level from the previous budget year and assists elected officials with the evaluation of department budget requests. The budget division works closely with the controller in program evaluation and effectiveness such as IT spending, revenue forecasting, and overhead allocations to departments.

### Analysis

- The City's budget has moved to primarily a web based tool to enhance the City's transparency. In 2017, with the help of the Clerk's office, the City's budget was placed on a separate budget page with an easier to navigate format.
- Budget public hearings have historically been a measure of the public's opinion and understanding of the budget. A more direct indicator of budget interest and transparency is the number of visits to the City's web page.

Visits to City's Budget Website and Financial Transparency Page	2015	2016	2017
Number of Visits to Budget Website	Not Available	4,148	4,579
Number of Visits to Transparency Website	2,956	1,901	1,651

### Actions planned for 2018

- Reformulate and update the revenue and expense rationale for its major fees.
- Test a new budget software on two departments to determine if it is an appropriate long-term replacement to the current Cognos system which is reaching the end of its useful life.
- Assist in development of long-term funding plans for CPED, Regulatory Services, and NCR.
- Work, in conjunction with the City Coordinator's Office, to enhance the City's deployment of the Budget as a strategic lever – through better integration with Results Minneapolis, City Goal Setting, and other venues.

### Actions identified in 2017 Results memo

- N/A

# Risk Management & Claims

**Program description:** Risk Management processes worker’s compensation claims and payments, staffs the claims committee for tort liability for claims under \$25,000, assists various departments in minimizing risk of injury and crashes through proactive intervention in City policies and procedures involving work place and vehicle safety, participates in the PRC process to determine outside vendor’s appropriate levels of insurance, and evaluates risk transfer strategies for City operations and facilities.

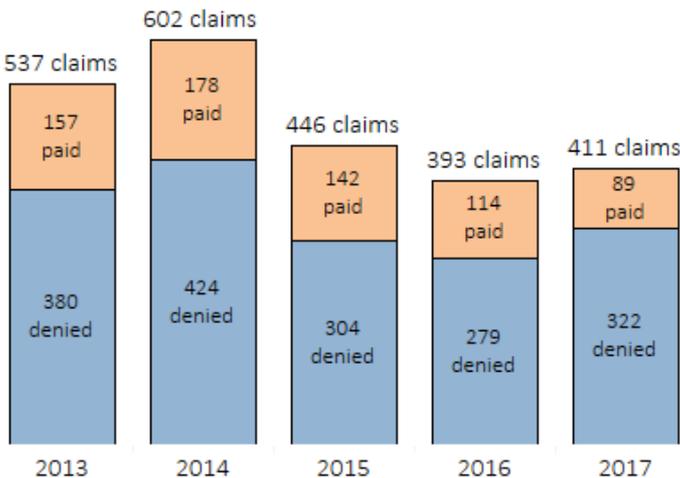
## Analysis

- The City has claims filed against it for a variety of incidents. Risk Management staff work closely with the City Attorney’s Office to evaluate and process claims when the dollar amount is under \$25,000. The chart below demonstrates that the overall number of claims is slowly declining as is the amount of City resources paid out for those claims. More than 60 percent of claims are from towing disputes, potholes, and vehicular accidents. The reasons for change vary based on construction activity, the type of winter, police activity, and many other factors.
- Worker’s compensation claims have a serious impact on the City employee who was injured and the productivity in the workplace. A goal is to minimize time away from work when there is an injury or to help place City workers in alternative roles if necessary. The decrease could be a combination of factors including improved safety procedures. However, it is difficult to directly tie the decrease to a reduction to safety procedures.

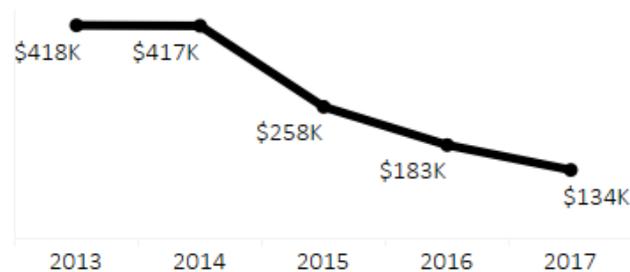
## Action planned for 2018

- Determine appropriate levels of outside insurance for all of the City’s property and fleet.
- Build the balance of the self-insurance fund to incorporate property and fleet and evaluate the methodology to charge “premiums” to departments for the cost of the insurance.
- Utilize internal auditor’s evaluations to continue to improve customer service and effectiveness of claims process for worker’s compensation.
- Partner with IGR to be responsive to legislative changes to the definition of PTSD.

Number of tort claims by claim year (2013-2017) *Under \$25,000 Initial Claim*



Total paid to date on tort claims by claim year (2013-2017) *Under \$25,000 Initial Claim*



Workers' Compensation Claims (as of 2/21/18)		
Claim Year	Total # Claims	Total Paid for the Year
2015	493	\$ 7,078,169
2016	478	\$ 4,803,530
2017	489	\$ 3,413,859

# Pay Employees

**Program description (max 50 words):** This program efficiently and accurately pays 5,000 to 7,000 City employees on a bi-weekly basis (the number of City employees on the payroll fluctuates throughout the year). Through this program, the City calculates and processes various payments including health and dental premiums, retirement benefits, union dues, and garnishments.

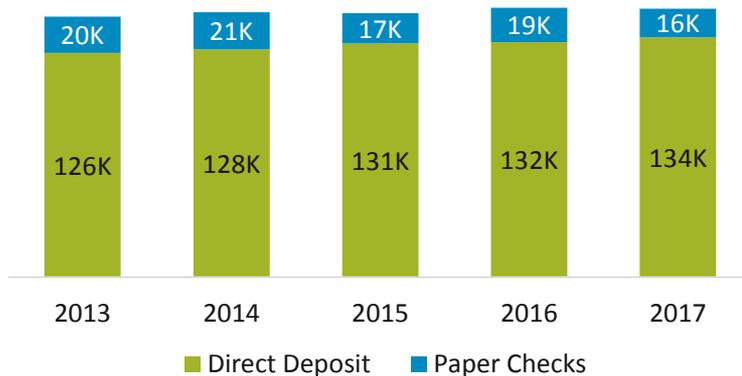
## Analysis

- The City has been working towards providing direct deposit for all employees since 2013. Moving to direct deposit-only payments will reduce staff processing time and printing and postage costs. The percent of payroll issued through paper checks has declined slightly, from 16% in 2013 to just under 12% in 2017.
- The ability to set up temporary, seasonal, and election judge employees with direct deposit is not always beneficial to the City. These employees may be unbankable or receiving only one check, and the time to set up these employees outweighs the benefit.
- The number of W-2s provided by the City of Minneapolis has increased year over year. This trend reflects a stable and growing working environment for the City of Minneapolis in that the number of paid employees has increased.
- Part of the increase is due to a 2016 change in the W-2 threshold, to include any election judges receiving \$600 or more per year in wages. Previously, election judges did not receive W-2s.

## Action planned for 2018

- The highest priority for the Payroll Department is to research additional options for employees who are unbankable. This may include other paycard options or marketing the current program more.
- The Payroll Department expects another increase in the number of W-2s for 2018 to account for the mid-year elections. The number of W-2s and gross wages depends entirely on the amount of turnover and number of seasonal, temporary, and election employees hired in 2018.

Number of Direct Deposit vs. Paper Checks



Number of W-2s and Taxable Gross Wages by Year

