

CITY OF MINNEAPOLIS

Office of the Mayor

July 3, 1947

TO THE HONORABLE MEMBERS OF THE CITY COUNCIL:

I have called this Special Session of the City Council in order that we may give further consideration to means of financing the program of salary increases which was adopted by your Honorable Body in regular Council meeting Friday, June 27, 1947.

The City of Minneapolis has for many years faced a serious situation in its program of taxation and finance. We are compelled to live within the terms of our City Charter which prescribes for us the ways and means of raising revenue and authorizes the sources of income, as well as imposing definite limitations upon the millage rate for the several services extended by our municipal government.

In the recent session of the Minnesota State Legislature we presented a comprehensive financial program which would have provided financial relief for our municipal services and our public schools. This program was divided into two sections. First, a substantial sharing of State revenues, particularly a sharing of those tax revenues which are collected from the people who reside in the City of Minneapolis. Secondly, the enactment of a broad municipal tax enabling act. This proposal would have given to the City Council the authority to be truly a self-governing body in terms of taxation and would have provided a flexibility in obtaining revenue on a local basis for local services. The Legislature saw fit to deny us the broad municipal tax enabling act, thereby leaving our main

base of revenue the personal and real property tax, with such other minor incomes as we are able to obtain from miscellaneous sources such as licenses, permits, fees and fines. The State sharing which we obtained will come from a State-imposed cigarette tax and an increase in the State liquor tax. Our request for a sharing of gross earnings taxes was not reported out of Committee.

It is anticipated that the 50% portion of the tax on liquor and wine collected after July 1, 1947, will pay to each municipality about \$1.00 to \$1.25 per person per year based on the population in the 1940 census. This would mean a maximum of \$615,000 for the year 1948, or one-half that amount for the balance of the year 1947. In reference to the cigarette tax, the State Commissioner of Taxation has informed our City Comptroller that the distribution of this tax money will be based on the populations of the various cities, counties, villages and boroughs in this State. He has assumed that the gross collections will be between \$5,500,000 and \$6,000,000 on a state-wide basis. In his letter of June 24, 1947, he refuses to hazard a guess as to what the receipts will actually amount to for the balance of 1947, nor will he predict what any city will receive.

In the instance of both of these taxes, the State Auditor has informed your City Comptroller, and I quote:

"It would therefore appear that on or before February 15, 1948, in each case the City of Minneapolis should receive its proper share of the collections under the Acts for the period from July 1, 1947, through December 31, 1947, and on or before August 15, 1948, the proper share of the collections from January 1, 1948, through June 30, 1948."

The State Liquor Control Commissioner, who has jurisdiction over the administration of the State liquor tax, has likewise informed your City Comptroller as of June 24, 1947, that payments

"will be made by the State Auditor on February 15 and August 15 of each year. The first payment which you may expect will be February 15, 1948."

It appears, therefore, that the City of Minneapolis can not expect to receive revenue from the cigarette and liquor taxes until at least February 15, 1948, thereby prohibiting the use of such money for any obligations incurred for the fiscal year of 1947.

(Attached are copies of the letters received by the City Comptroller in reference to the State liquor and cigarette taxes.)

I have given a good deal of thought, attention and study to the financial situation which faces our City. We have been making decided progress in the reduction of our City debt. We have been operating our municipal services on a pay-as-you-go basis, and we have begun to reverse the process of refunding bonds used for the retirement of obligations incurred and bonds issued many years ago.

Our net City debt by the latest report of our City Comptroller as of July 1, 1947, is \$51,327,916. Our net debt limit as provided under State law is \$73,557,512.30. The difference between the debt limit and the net debt leaves a margin for any bond issues of \$22,229,595.53.

(Attached is a copy of the official finance report of the City Comptroller.)

The City is gradually improving its financial position. It is of the utmost importance that this process be continued, and that we retire our municipal debt as quickly as possible and at the same time

that we maintain cash balances in all departmental budgets so as to be able to meet necessary expenditures during the first few months of each new fiscal year before property taxes are forthcoming.

Many of our municipal physical facilities, such as public buildings, streets, mechanical equipment, etc., are in need of repair, renovation, or we must acquire completely new facilities. This can only be done if we continue to improve our financial picture and if we continue to retire our municipal debt and maintain strict control over all departmental budgets.

From time to time the City Comptroller has brought to your attention by letter or official communication the condition of the Current Expense Fund. As of February 17, 1947, by letter to the City Council, he informed you the Current Expense Fund for the year 1947 was over-appropriated to the amount of \$428,206.04.

As of June 23, 1947, in a letter to the Ways and Means Committee of the City Council, the Comptroller called attention to the fact that the Current Expense Fund remained over-appropriated to the amount of \$202,947.79. In his report to me as of July 2, 1947, he informs me that after revising his estimates of miscellaneous revenue and increasing such estimates by \$65,000, and after estimating that an additional \$50,000 could be transferred from the Parking Meter Fund to the Current Expense Fund, there will be an estimated over-appropriation in the Current Expense Fund of \$111,338.79.

The City Comptroller has based his estimates of tax collections for the year 1947 at 97%. This may be conservative. The history of recent years indicates that tax collections can be expected at 99% to 100%. If 100% tax collection was made, an additional \$105,000 would be available, which, for all practical pur-

poses, would balance the Current Expense Fund and leave no deficit. I make this prediction because it is my belief that our City Comptroller's estimate of miscellaneous revenues is likewise a conservative one.

It should be remembered that the City Comptroller has final authority in these matters under our Charter, and that at all times his estimates are conservative in order to protect the solvency of the funds.

The abovementioned figures and report of the Current Expense Fund, and the obligations against it, do not include any of the actions taken by the City Council in its meeting of June 27, 1947. It does, however, provide for all actions taken and all increases in salaries and appropriations up to June 13, 1947, which was the most recent Council meeting prior to June 27.

Therefore, it may be said that as of June 13, 1947, and taking into consideration the revised estimates of the Comptroller, along with the possibility of a 100% tax collection and the transfer of funds from the Parking Meter Fund to the Current Expense Fund, that there would be sufficient money to meet all existing obligations to that date.

Your actions of June 27 in providing for a \$25.00 per month salary increase for the personnel of the Police Department and Fire Department, along with selected salary increases in other City departments, would therefore impose an over-appropriation in the Current Expense Fund of approximately \$183,448. for the remaining six months of the fiscal year of 1947. This figure can be broken down

as follows:

Pay increases exclusive of Fire and Police Departments	\$28,248
Pay increases for Fire and Police	<u>155,200</u>
	\$183,448

It is this amount of money which must be found, and which must be appropriated to the respective departmental budgets as affected by your actions of June 27, 1947. In other words, your action of June 27 merely revised the salary schedule, but did not appropriate additional monies to the department budgets affected by those salary schedules.

It is my considered judgment that if these increases are to be granted, that your Honorable Body should appropriate the amounts required to the departments so that the Comptroller will be assured that funds are available, and the employees will be assured that there will be no payless days, lay-offs, or salary reductions. It is the purpose of this meeting to find the ways and means of obtaining the amounts I have herein mentioned. If this can be done, the Current Expense Fund can be balanced, and the City will not be facing an operating deficit.

I also call to your attention that in the beginning of the fiscal year 1946 the Current Expense Fund had a carry-over of approximately \$600,000. In January, 1947, or the fiscal year 1947, your Current Expense Fund had a carry-over of approximately \$440,000. It is important that there be such a carry-over to meet necessary expenditures before tax collections are available.

I am convinced that the report of your City Research Engineer will verify my figures and conclusions. The City Research Engineer

has differed with the City Comptroller in the estimates of tax collections for miscellaneous revenues. It is to be expected that the City Comptroller will be much more conservative in his estimates because of the official obligations and responsibilities which are imposed upon him under the Charter, but, in all fairness, it should be stated you have had capable guidance from the office of the Research Engineer and that he is thoroughly familiar with the financial situation as pertains to the City Council, and has a broad knowledge through experience and study of City finances. I would not hesitate to rely upon his recommendations. He is your employee and to date has given you accurate information concerning departmental budgets and financial requirements.

I present for your information a series of revenue possibilities and alternatives which may provide a solution to the obligations which face you under the terms of your action of June 27.

1. A further revision of license fees and permit fees.
2. The enactment of a wheelage tax as proscribed by the recent State Legislature.
3. I further recommend exhaustive investigation of the possibility of securing revenue from the public utilities as a payment for rent for the use of the streets and alleys for poles, lines, pipes, etc.
4. Further study of any possibility of transfer of funds to the Current Expense Fund.
5. I call to your attention the Laws of 1919, Chapter 3, which authorizes the issuance of \$1,000,000 in bonds for the purpose of meeting any deficiencies in the annual appropriations necessary for the maintenance and

cost of maintenance of Fire Department, Police Department, and any other departments of the City.

This legislation was specifically made a part of the present home rule Charter. According to the City Attorney, in his letter to the City Comptroller of June 30, 1947, he states,

"I see no reason why bonds cannot be issued under it. However, I suggest that before a bond sale is had, this law be submitted to the City's bond attorneys with the request that they advise us, first, whether the City may avail itself of the provisions of this legislation, and, second, whether in view of the provisions of the Laws of Minnesota of 1947, Chapter 296, these bonds may be excluded in computing the net indebtedness of the City."

There are no bonds outstanding under this law. This law was enacted prior to World War I as an emergency measure.

I am sure you will agree with me that the issuance of bonds for current expenses is not an advisable procedure unless a dire emergency confronts us. It is, however, within your power to determine whether or not the present situation requires this form of action. I have presented these alternatives only as suggestions and not as recommendations.

One thing should be made clear--that it would be grossly unfair to our municipal employees to lead them to believe by Council action and through amendment of our salary ordinances, that a salary

increase was being given, when, in fact, the money was not being provided in order to meet the payroll. Any amendment to a salary ordinance, or any addition of personnel or acquisition of new facilities must be provided for by allocation of funds to the appropriate departmental budget. This is a matter of sound financial policy and one which must be strictly adhered to.

The responsibilities which are imposed upon local government require the most modern means of budgeting and fiscal control. I call upon your Honorable Body to do everything in your power to facilitate such a program. The people of Minnesota look to Minneapolis. It is my hope and desire that they will find here a City well governed, sound in its policies, constructive in its economy, and ever careful of its physical and human resources. We are faced with a serious problem concerning our public schools, and, as I have said before, every part of our municipal government is being called upon to carry an unusually heavy load.

I recognize the sharp rise in the cost of living. I recognize the service which is given by our municipal employees, and, in particular, our Police and Fire Departments. I have repeatedly stated that if the public expects honest and efficient police administration, it must be willing to pay for it. Our Fire Department has made great sacrifices during these past years. We have lost men in the line of duty. Their work schedule is long. These two departments are the only ones which are not operating under a forty hour week program. It is my candid opinion that the personnel of both

Departments is desorving of a wage adjustment. However, you must keep in mind that other City employoos likewise are faced with increased costs of living, and will undoubtedly be asking of the City Council recognition for their demands and requests.

We cannot ignore our financial limitations and the requests for services which are being made upon government. As public officials we must make decisions which we believe to be in the interest of the general welfare. We must view the City as a whole and direct our policies for the benefit of the entire municipality.

Respectfully,

Hubert H. Humphrey
M A Y O R

HHH:LA

Attachments 4

C O P Y

STATE AUDITOR OF MINNESOTA
THE STATE CAPITOL
St. Paul 1

STAFFORD KING
State Auditor

John L. Meader
Deputy State Auditor

June 20, 1947

Honorable O. J. Turner
City Comptroller
City of Minneapolis
Minneapolis, Minnesota

Dear Mr. Turner:

In reply to your letters of June 13 relating to Laws 1947, Chapters 601 and 619, covering intoxicating liquors and cigarettes levies, both Acts are effective July 1, 1947.

It would therefore appear that on or before February 15, 1948 in each case the City of Minneapolis should receive its proper share of the collections under the Acts for the period from July 1, 1947 through December 31, 1947, and on or before August 15, 1948 the proper share of the collections from January 1, 1948 through June 30, 1948.

As the administration of Chapter 601 is placed with the Liquor Control Commissioner, and the administration of Chapter 619 with the Commissioner of Taxation, it is suggested that perhaps these two officials are in better position to advise you concerning the estimated revenues under the individual Acts.

Very truly yours,

Stafford King,
State Auditor

SK/ea
jlm
cc: Liquor Control
Taxation

OFFICE OF O. J. TURNER, CITY COMPTROLLER
 MINNEAPOLIS - MINNESOTA

BONDED DEBT AS OF JULY 1, 1947

Bonds to be retired from Sinking Fund - Schedule "A"		\$49,128,222.36
Bonds to be retired from General Revenue & Tax Levies		
Sewer Bond - City	\$1,306,000.00	
Sewage Disposal Bonds	<u>3,555,000.00</u>	4,861,000.00
Special Assessment Bonds		
Park Acquisition Bonds	36,000.00	
Street Improvement Bonds	<u>656,000.00</u>	692,000.00
Utility Bonds		
Water Works Bonds	3,601,777.64	
Refunding (To Refund Water Bonds)	<u>447,000.00</u>	
		<u>4,048,777.64</u>
GROSS DEBT -		58,730,000.00
Less: Deductions - Schedule "B"		<u>7,402,083.23</u>
NET DEBT -		<u>51,327,916.77</u>

FULL AND TRUE VALUATIONS - 1946 for 1947

DEBT LIMIT

Real Estate	\$559,643,670.00	Net Debt Limit	73,557,512.30
Personal Property	<u>175,931,453.00</u>	Net Debt	<u>51,327,916.77</u>
	\$735,575,123.00	Margin for New Issues:	\$22,229,595.53

I HEREBY CERTIFY - That the above statement is true and correct
 to the best of my knowledge and belief.

(signed) O. J. Turner
 CITY COMPTROLLER

NOTE: Sinking Fund has tax anticipation note liability to the
 City Treasurer in the amount of \$636,000.00.

C O P Y

STATE OF MINNESOTA
DEPARTMENT OF TAXATION
State Office Building, St. Paul 1

G. HOWARD SPAETH
Commissioner of Taxation

ADMINISTRATIVE DIVISION

June 24, 1947

Mr. O. J. Turner
City Comptroller
City of Minneapolis
Minnesota

Dear Sir:

In behalf of Commissioner Spaeth who is attending a tax conference in the East, but who will return to the office Thursday, I wish to acknowledge your letter of June 23rd, in which you request an estimate of the amount that the City of Minneapolis will receive for the years 1947 and 1948 from the Cigarette Tax.

By referring to Laws 1947, Chapter 619, Section 13, you will note that the plan for distribution of this tax money is based upon the populations of the various cities, counties, villages and boroughs in this state. Assuming that the gross collections under this act will be between $5\frac{1}{2}$ and 6 million dollars, one may make a rough calculation of the portion which Minneapolis will get. As actual operation of the act does not start until July 1st, this department is not yet ready to hazard a guess as to what the receipts will actually amount to, nor until some analysis may be made of the census reports would it be safe to predict what any city will receive.

I shall go over your letter and my reply with Mr. Spaeth upon his return, and if he feels that some further estimate should be made at this time, he will advise.

Yours very truly,

G. HOWARD SPAETH
Commissioner of Taxation

By (signed) Ronald V. Powers
Deputy Commissioner

RVP:ng

C O P Y

STATE OF MINNESOTA
Liquor Control Commissioner
22 State Office Building
St. Paul 1, Minn.

Dudley C. Ericson

June 24, 1947

Honorable O. J. Turner
City Comptroller
City of Minneapolis
Minneapolis, Minnesota

Dear Mr. Turner:

Your letter of June 23rd has been received asking for information on revenue which the City of Minneapolis may expect to receive under the provisions of Laws of 1947, Chapter 601 assessing an additional tax on intoxicating liquors.

It is anticipated that the 30% portion of the tax on liquor and wine collected after July 1, 1947 will pay to each municipality and county, representing rural areas, about \$1.00 to \$1.25 per person, per year, based on population in the 1940 census.

Under the terms of the Act these payments will be made by the State Auditor on February 15 and August 15 of each year. The first payment which you may expect will be February 15, 1948 for the six months business commencing July 1, 1947 and ending December 31, 1947.

Trusting this information will be of assistance to you,
we remain

Very truly yours,

(signed)

DUDLEY C. ERICSON
Liquor Control Commissioner

DCE:wp



Minnesota Historical Society

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