



The mission of the League of Minnesota Cities is to promote excellence in local government through effective advocacy, expert analysis, and trusted guidance for all Minnesota cities.

The League's five strategic goals for 2007-09 serve to focus us on this mission. Our progress and accomplishments over the past year are highlighted on the following pages.

Foster financial sustainability for cities.

This goal recognizes that financial health is the top challenge facing many of the League's member cities. It also recognizes that fresh approaches to financing local government and reducing service delivery costs are key to improving long-term financial sustainability.

In 2007, we focused on the financial viability of the state's smallest cities, and on collaboration as a means of reducing the costs of delivering services. We also re-emphasized the findings of the Financing Local Government Task Force as part of our legislative strategy.

2007 Progress and accomplishments

- The League Board appointed a 15-member Small City Viability Task Force in September 2007. Joel Young, city administrator for Chatfield, serves as chair. Its charge is to examine the factors that distinguish city governments with good prospects for long-term financial health from those with more uncertain financial futures. The group hopes to develop model financial policies and simplified worksheet templates to help small cities better understand and manage their financial situation. The task force meets monthly and expects to issue recommendations or a report in the summer of 2008.
- The League incorporated an update on the 2005 Financing Local Government Task Force's recommendations into our 2007 legislative action plan. Staff worked to advance task force recommendations throughout the session. During public committee meetings, many legislators spoke openly about the need to renew the partnership between the state and local governments. Several task force recommendations were included in the omnibus tax bill that was approved by the Legislature. When the governor vetoed the bill, the provisions failed to become law.
- In 2007, the League continued to participate in joint efforts with the Association of Minnesota Counties and the Minnesota School Boards Association to promote communication and partnerships among the three branches of local government and their associations. In the fall of 2007, the three organizations approved formation of a Maximizing Public Resources Task Force, which will identify existing impediments to cooperative efforts between cities, counties, and school boards; identify examples of successful efforts that offer the greatest promise of transferability; explore new opportunities for cooperation; and identify ways to effectively engage local officials in implementing more cooperative efforts. The associations have appointed six representatives from each of their memberships. The League is staffing the group and expects it to meet until summer 2008.

objectives for 2008

1. Assist cities in implementing new, cost-effective ways to deliver services and raise revenue.
2. Research options for small city viability.
3. Promote and facilitate collaborative local government initiatives.

Promote the value and improve public perception of cities.

This goal recognizes that city officials are increasingly confronted by and concerned about the public's tarnished view of government. It also recognizes that while in the short term the League may not be able to improve the environment in which cities govern, we can start by better understanding that environment and helping city officials function more effectively within it.

In 2007, we focused on identifying what people value about cities, collaborating with other local government organizations, and growing the League's public relations capacity.

2007 Progress and accomplishments

- Any long-term effort to address this goal requires understanding what the public currently thinks about cities and city officials, what drives their thinking, and where the greatest potential exists to shift their thinking. In 2007, the League contracted with a firm to conduct a major, statewide public opinion poll on these and related topics. The League will roll out the results over the course of 2008. League President and St. Peter City Administrator Todd Prafke chose to support these efforts through his Presidential Focus, personally sharing the survey findings with the media and showcasing the value of public service and the great work of Minnesota's cities. Also in 2007, the League partnered with the Citizens League to convene three citizen panels to explore ways to make Minnesota's property tax system more understandable.
- In 2007, the League examined the public relations challenges facing member cities. We determined that greater staff capacity was necessary to assist the whole of the city community and make meaningful, lasting progress. Going forward, we will devote more staff time to assessing and enhancing public perception of cities and to advancing the League's legislative priorities. The League will also provide direct assistance to better equip city officials to deal with city-specific public relations challenges. Our first steps will be to share guidance and tools for working effectively with the media, especially in times of crisis. In future years, we plan to develop a training program focused on enhancing city officials' media relations skills.
- In March 2007, the League held a joint legislative conference with the Association of Minnesota Counties and the Minnesota School Boards Association. The conference reflects the ongoing commitment the three associations have toward furthering a united agenda on local issues wherever possible. Turnout was high, with almost 800 local officials attending—nearly 200 of them from city government. Conference participants heard from legislators on the state-local fiscal relationship, explored the concept of local control, heard from the governor, and met with state legislators at the Capitol. The event was a great success—save April 9-11, 2008 for the next joint legislative conference.

objectives for 2008

1. Enhance understanding among the general public, Legislature, and media of the role, function, and value of cities.
2. Identify what people value about cities and what drives their perceptions of cities.
3. Seek opportunities to partner with other organizations.
4. Influence behavior by city officials that inspires public confidence.

Help cities respond to needs caused by changing demographics.

This goal recognizes that the next five years will bring critically important changes in the demographic makeup of Minnesota, and that what we do during that period will help determine the long-term prosperity of cities and our state. It also recognizes that the impact of demographic changes on cities' workforce planning is of particular concern.

In 2007, we focused on identifying the effects of demographic changes on cities and options for addressing those changes.

2007 Progress and accomplishments

- The League's Demographics Task Force was convened in early 2007 and has been meeting regularly to examine population, aging, generational, and immigration changes and their effects on cities. League President and St. Peter City Administrator Todd Prafke serves as chair. The group is preparing a guide for city-led community discussions on demographic change that a few cities will pilot in early 2008. This pilot approach will help determine how effective a study-group model is for helping cities understand demographic change and its impact on city government. The task force also has developed background papers on aging, immigration, and generation gaps, each including resource lists and checklists for action.
- New workforce planning templates and sample materials were developed by League Human Resources staff and are now available on the League's web site. We also distributed these tools at various League training sessions and to professional human resources organizations for cities. In addition, we are pursuing the purchase of a customized online employment application system to use not only for the posting of League jobs, but potentially to make available to member cities at a negotiated lower rate.
- In mid-2007, the League formed a partnership with the goal of offering our members greater access to cultural diversity services. Our partner is St. Paul's Neighborhood House, which has helped build common ground between immigrant groups and traditional, established community members for more than 100 years. From our members, we have heard strong interest in diversity services but an inability to pay full market price for such services. This combination of strong demand and financial need has led us to seek grant funding to reduce the cost of these services to our members. The LMC-Neighborhood House partnership is currently focusing on securing grant funding, with an eye toward a formal launch of the partnership's services later in 2008.

objectives for 2008

1. Inform membership about emerging demographic trends.
2. Identify potential impact of demographic trends on cities.
3. Begin identifying potential approaches and options for cities to address demographic impacts.
4. Reach out to other entities to fully inform the development of approaches and options to address demographic impacts.
5. Identify ways to provide assistance to cities in dealing with workforce planning issues.

Increase member awareness of League services and strengthen connection to the League.

This goal recognizes that despite our positive reputation as a trusted authority on issues concerning cities, the League faces outreach challenges common among membership organizations. How do we ensure that you—Minnesota’s elected and appointed city officials—are aware of what we do and how we can help, and feel connected to what is indeed *your* organization?

In 2007, we focused on an overhaul of the League’s web site to provide better service to members; seeking a new software solution to make it easier for staff to anticipate and respond to member needs; and rebranding the League to better reflect the organization’s mission and values.

2007 Progress and accomplishments

- In 2007, we began a major overhaul of the League web site. This overhaul was prompted by many factors, including that the site had outgrown its navigational structure, was no longer easy to use, and had outdated and cumbersome functionality. We partnered with a web design and development firm to determine the new site’s features, navigation, and design elements. We tested prototypes of the new site with member city officials and made revisions based on their input. Staff are now transferring content from the old site to the new—look to connect with the League through the greatly enhanced new web site in early 2008.
- You may not know that the League uses a complex association management software (AMS) system to perform and track a wide array of member services. The AMS is our primary repository of information on member cities and city officials, as well as legislators, committees, government agencies, special districts, and advertisers. We use it to track conference and meeting registrations, to generate the *Directory of Minnesota City Officials* publication, to maintain mailing lists, and to perform a variety of financial functions. In short, this software serves as our operational backbone. The League’s current AMS system has been discontinued, spurring an RFP process in 2007 to select a new system. We have selected a new AMS and plan to have the system up and running in mid-2008. The new system is more flexible and easier to use, and will help us better understand how members currently utilize the League and how we can better serve you.
- For the first time in more than a decade, the League underwent a rebranding process. Informed by the most recent strategic planning member survey, as well as in-house and contracted expertise, the new brand was developed to better reflect the League’s focus on cities, our commitment to service and professionalism, our strong history, and our innovative spirit. The new brand was launched at the 2007 Annual Conference in Duluth and will continue to be rolled out over the course of 2008.

objectives for 2008

1. Identify ways to improve and expand the scope of in-person League outreach to members.
2. Determine ways that League interactions, business practices, and services can be enhanced to strengthen member connection to the League.
3. Develop focused strategies to connect elected officials to the League.
4. Determine ways the League can facilitate member discussion of “big ideas” and emerging issues.

Structure League service delivery to better meet member needs regarding format, content, and place.

This goal recognizes that strong member service is at the core of who we are—what we do, how we do it, and where we make it available are of utmost importance. It also recognizes that as city officials gain greater access to high-speed Internet, web-based delivery of League services becomes more and more viable. One of our ongoing challenges is how to find the right balance of service delivery—whether electronic, on-site, regional, or St. Paul-based—to meet member needs and ensure value for your dues dollars.

In 2007, we primarily focused on how to better leverage technology to meet member needs.

2007 Progress and accomplishments

- Advances in technology have made it possible for the League to communicate information and deliver services in new ways. But to do so, we need to have a better idea of how many member city officials have the technical capacity to take advantage of these opportunities. To this end, in fall 2007 the League asked members about their technology usage as part of the annual survey that updates the League database and helps build the *Directory of Minnesota City Officials*. The results of this survey will give us a better understanding of our members' access to high-speed Internet connections and ability to view DVDs at city hall, and will help us evaluate online training opportunities, web-based tools, and video distribution going forward.
- The League began in 2007 to explore options for delivering more training online. The PATROL (Police Accredited TRaining OnLine) program has been a successful model for delivering web-based learning to police officers, with 34 cities, seven counties, and nearly 600 law enforcement officers currently enrolled in the program. Learning from our experience with PATROL and drawing on the training expertise of the League's Human Resources staff, we began to develop a broader online training effort this year as well. In 2008, we plan to launch online training modules on human resources and land use.
- As part of the 2007 policy development process, the League offered a conference call option for policy committee members. Across two sets of meetings in August and September, 22 city officials from the metro area and greater Minnesota—12 percent of the overall policy committee membership—took advantage of the call-in option. Both committee members who called in and those attended the meetings in person responded positively to the pilot. We intend to continue to offer similar or enhanced options for next year's policy committee meetings.

objectives for 2008

1. Explore the viability of providing more customized services, solely or in partnership with other entities.
2. Evaluate the effectiveness of conferences and training events in terms of purpose, location, monetary cost, and opportunity costs.
3. Learn about members' use of and access to technology.
4. Explore expanding on-site and regional delivery of League services.
5. Identify ways to use technology to improve member access to League services.

our Strategic Priorities for 2008

In 2008, we will be focusing energy and resources on nine strategic objectives. To varying degrees, these nine priorities address all five of the League's goals.

- 1. Enhance understanding among the general public, Legislature, and media of the role, function, and value of cities.** We will continue our focus on building understanding of the value of cities by assisting efforts to place city curriculum in schools; developing a series of seminars for the media that focuses on city issues; and more aggressively addressing incorrect or unfair media coverage of the work of cities and city officials.
- 2. Develop focused strategies to connect elected officials to the League.** For this new objective, we will focus on connecting elected officials to their League by welcoming newly elected officials with something that immediately and directly demonstrates the value we provide to elected officials. We also hope to talk with our most connected elected officials to find out how and why they became closely affiliated with the League.
- 3. Determine ways the League can facilitate member discussion of "big ideas" and emerging issues.** For this new objective, we will identify the topics or big ideas to address over the year; create an online space where members can congregate to discuss ideas and issues; and co-sponsor broad, issue-focused events with other organizations.
- 4. Identify what people value about cities and what drives their perceptions of cities.** We will continue to make progress in this area by analyzing and sharing the results of our statewide survey on the value and perception of cities.
- 5. Promote and facilitate collaborative local government initiatives.** We will promote local government collaboration by leading the Maximizing Public Resources Task Force in partnership with the Association of Minnesota Counties and the Minnesota School Boards Association; offering our members additional joint powers examples and model agreements; sharing examples of collaboration successes; and offering a category on "collaboration" as part of the 2008 City of Excellence Awards Program.
- 6. Assist cities in implementing new, cost-effective ways to deliver services and raise revenue.** We will help cities with cost-effective service delivery and revenue-raising by looking for ways to make state and national joint purchasing programs more accessible to cities; watching for national examples of cost-saving measures; researching the public's tolerance for various revenue sources; and working to increase cities' understanding of their costs and where city dollars are going.
- 7. Influence behavior by city officials that inspires public confidence.** We will help members by counseling cities on financial management and internal controls; educating city candidates about what it means to hold public office; and developing and sharing a set of conduct guidelines for city officials.
- 8. Identify approaches and options for cities to address demographic impacts.** We will address demographic change by continuing the strong work of our Demographics Task Force; pursuing a legislative solution that allows cities to retain retirement-age employees longer or to rehire retired employees without a negative effect on their pensions; and communicate with members via a new web site section on demographic change.
- 9. Explore expanding on-site and regional delivery of League services.** We will continue to explore this issue by determining what we already provide on-site or regionally; and by potentially asking members about which League services you would like to be delivered on-site or regionally, and your willingness to pay for such offerings.

Statement Of Revenues, Expenditures, and Changes In The League's General Fund Balance (Audited)

Budget and Actual - for the year ended August 31, 2006

	original & Final Budget	actual	Variance From Budget
Revenues			
Dues	\$2,331,075	\$2,346,680	\$15,605
Institutional Fee	\$1,303,000	\$1,305,984	\$2,984
Communications & Strategic Initiatives	\$219,800	\$221,453	\$1,653
Conferences & Training	\$520,400	\$484,873	(\$35,528)
Codification	\$82,000	\$109,353	\$27,353
Interest and Investment Income	\$115,000	\$175,922	\$60,922
Reimbursements and Other	\$238,000	\$275,905	\$37,905
Total Revenues	\$4,809,275	\$4,920,170	\$110,895
Expenditures			
Member Services	\$881,113	\$831,972	\$49,141
Intergovernmental Relations	\$847,007	\$837,781	\$9,226
Administration	\$732,692	\$718,176	\$14,516
Communications & Strategic Initiatives	\$644,003	\$572,676	\$71,327
Legal Services	\$176,200	\$197,179	(\$20,979)
Conferences And Training	\$620,265	\$463,675	\$156,590
Technology Services	\$234,842	\$208,976	\$25,866
Personnel Services	\$194,259	\$144,040	\$50,219
Board Of Directors	\$153,150	\$161,422	(\$8,272)
Building Operations	\$105,000	\$111,071	(\$6,071)
Budgeted Expenditure Savings	(\$125,000)		(\$125,000)
Total Expenditures	\$4,463,531	\$4,246,968	\$216,563
Revenues Over Expenditures	\$345,744	\$673,202	\$327,458
Operating Transfers out to the Capital Improvement Fund:			
Programmed Transfer	\$380,000	\$380,000	\$0
Residual Transfer		\$234,416	(\$234,416)
Total Transfers Out	\$380,000	\$614,416	(\$234,416)
Revenues (Under) Expenditures and Other Financing Uses	(\$34,256)	\$58,785	\$93,041
Fund Balance At Beginning Of Year	\$1,908,985	\$1,908,985	
Fund Balance At End Of Year	\$1,874,729	\$1,967,770	

Financial overview

All-time high League membership and strong LMCIT participation resulted in the League maintaining its financial health at the Aug. 31, 2006 fiscal year-end (FY2006). The League received an unqualified audit opinion on the year-end financial statements, which include both entity-wide statements and the more familiar fund statements that continue to be the basis for budgeting as well as a focus of the financial report. A more thorough discussion of the League's financial statements is contained in the Management and Discussion Analysis letter incorporated in the League's audited financial statements (contact the League's Finance Department for a copy). Below are highlights of this analysis and the financial statements.

League-wide Financial Statements

Net assets (assets, including depreciated capital assets, net of liabilities) indicate overall financial condition and are the focus of the League-wide and full accrual-based financial statements. As shown in Figure 1, net assets increased almost \$2 million for the year to \$12.7 million. This was primarily the result of LMC and LMCIT capital contributions for property acquisition and building improvements.

Fund Balances

Figure 2 shows the 10-year history of the League's governmental fund balances. Within the General Fund, fund balances were maintained at their targeted levels of 25% and 15%, respectively, for the Undesignated and Special Projects fund balances. This was facilitated by the favorable outcome versus the budget portrayed in Figure 3.

Figure 2 also includes the fund balance history of the Capital Improvement (CI) fund. This fund was established as a resource for capital outlays, including construction of the League building, ongoing technology/building improvements, and property acquisition (LMCIT also shares in capital funding). The CI Fund ended the year with a balance of about \$1.5 million—a decrease of about \$600,000 from the prior year. Much of this decrease was attributable to the League's share of higher capital spending in FY2006, which was due primarily to property acquisition.

Financial operations

Figure 3 demonstrates that together, the League's General Fund revenues and expenditures ended the year \$327,000 better than budgeted. This was a combination of favorable variances on both the revenue and expenditure sides, shown in more detail on the next page.

Summary

The League's FY2006 year-end financial status was very healthy, primarily as a result of strong membership support via dues and LMCIT participation (preliminary FY2007 year-end results are similarly healthy). The League's Board of Directors and staff will continue to strive to maintain this health by best allocating resources in the provision of high-quality services to members.

