

**City of Minneapolis  
2019 Budget**

**Table of Contents**

<b>Financial Overview</b>	<b>Pages 27-47</b>
Major Highlights	28
City Spending	32
Sources of Revenue	33
Local Government Aid	35
Major Changes	40
Property Tax	44

## City of Minneapolis 2019 Budget

### Financial Overview

---

The 2019 Council Adopted Budget for all City funds is \$1.70 billion as adopted on December 5, 2018. This represents an \$158.9 million, or 10.3 percent increase from the 2018 Council Adopted Budget of \$1.54 billion inclusive of the City's component units. At the same time, the Council adopted an overall increase of 5.67 percent in the property tax levy for the City and its component units (including their respective requests for funding their own budgets), raising the total amount levied by \$18.8 million, from \$331.2 million in 2018 to \$350.0 million in 2019. This budget also utilizes accumulated fund balances to fund budgetary items that are one-time or short-term in nature to mitigate budgetary fluctuations and to avoid volatile property tax levies which place undue burden on property taxpayers. The City's financial position has benefited from growth in local sales and entertainment taxes and other revenues due to the continued growth in the local economy. This growth is offset by static or even declining revenues in other areas. Local Government Aid (LGA) from the State of Minnesota will remain constant with 2018 at \$79.3 million, and fall short of the 2010 certified LGA amount of \$90 million by over \$10 million. The Financial Overview is presented without transfers to avoid double counting of resources. Transfers have also been removed from charts and graphs within this section, including totals for comparative prior years, unless otherwise noted.

### Major Highlights

The 2019 Council Adopted Budget includes significant proposals to address future financial and operating challenges. It is important to be aware of these initiatives when making comparisons between budget years, and to understand the context in which these decisions were made.

The highlights include the following:

- The operating budget for City departments, capital and debt increases by 5.6 percent in 2019, or \$59.2 million. As part of this budget, funds that have accumulated in various City funds due to a growing economy and fiscal restraint in prior years allow for utilization of fund balances for departmental activities, as well as providing for operating capital items and other one-time items.
- A primary feature of this budget is an historic investment in Affordable Housing. This budget includes over \$40 million of one-time and ongoing resources to address this critical need:
  - Within Community Planning and Economic Development, the Affordable Housing Trust Fund is funded at over \$20 million in 2019 – more than three times as much as is included in the base budget. Sizeable investments are also made in the preservation of Naturally Occurring Affordable Housing (also known as NOAH); the Minneapolis Homes program which provides affordable financial assistance to create homeownership opportunities; and a new Healthy Homes, Healthy Schools program which aims to provide housing stability for Minneapolis families with students enrolled in Minneapolis public schools. Other affordable housing initiatives funded through CPED include: a tenant stability hotline; expansion of the City's '4d program' launched in early 2018 which provides reduced property tax rates for landlords in exchange for stable rent prices; housing stability programming, support for the affordable

Missing Middle, homeownership rehab support, tenant legal support, homeownership education and counseling, Homeownership Opportunity Minneapolis, and a new pilot Eviction Representation program.

- \$650,000 is allocated across two departments to provide support for those who rent their home in Minneapolis, including support for those residents facing eviction.
  - One-time funding is provided to enhance security services at residences operated by the Minnesota Public Housing Authority.
  - Two additional housing inspectors are provided for in the Regulatory Services department to ensure that housing stock is safe and compliant with city, state, and national housing rules.
  - And, funding is provided through the Neighborhood & Community Relations department for aging support services that allow older Minneapolitans to age in place with dignity and support.
- This budget also makes major investments in Community Police Relations across multiple departments:
    - A new Office of Violence Prevention is being created in the Health Department. The aim of this office is to coordinate violence prevention efforts across the enterprise in order to work ‘upstream’ to stop violent and criminal behavior before it occurs. The Office will manage and make recommendation on allocation of dollars from a Violence Prevention Fund – to be used to support community-based violence prevention strategies.
    - Funding is provided to develop a health and wellness training program within the Police Department. Physically and mentally fit officers are better able to perform their job functions and maintain positive interactions with the Community. Funding is also provided in the Police Department to continue the City’s plan to outfit all sworn officers with body cameras by the end of 2020; integrate body camera data with the 911 computer system; make permanent the Mental Health co-Responder program, and pilot an expansion of the program; and pilot a new program to Fix It, Not Ticket – wherein officers will be equipped with vouchers for residents to fix broken taillights and turn signals rather than issuing multiple citations that can create financial hardships.
    - In the City Attorney’s office, funding is provided to continue a Domestic Violence Outreach program that sends family therapists with MPD officers to follow up on domestic violence calls that don’t result in police reports. The goal of the program is to ensure that families are offered resources necessary to address any outstanding needs. Funding is also provided to continue outreach for victims of human trafficking.
    - Additional staffing and training funding is provided to 911 in order to enhance the department’s quality assurance reviews, and ensure that those who call 911 are receiving excellent service at a time when they need it most.
    - And within the Health Department, continued funding is being provided for the Group Violence Intervention and Next Step programs which are showing extremely positive results in reducing group violence and youth violence within our city.
  - As we continue a near decade-long economic expansion, we know that the effects of the expansion are not being felt equally amongst all communities within our city. This budget invests in continuing to grow our economy through inclusion – rather than accepting disparate outcomes as given.
    - In Finance & Property Services, a half-million dollar investment is being made in the Village Trust Financial Cooperative – which aims to be the City’s only black led credit union. Additionally, this

- budget provides for increased staffing in supplier diversity efforts in the City's procurement office – to ensure that the dollars the City spends are spread to a wide range of vendors.
- In the Civil Rights department, an additional Labor Standards Investigator is provided for – to help enforce the City's newly enacted Minimum Wage and Sick and Safe Time rules. Funds are also provided for a collaborative enforcement pilot so that the employer community and workers' rights advocacy groups can work together to promote and inform their constituencies about these policies – with a goal of fostering voluntary enforcement and compliance.
  - In the Neighborhood & Community Relations department, funds are provided for the promotion of the 2020 Census. In order to ensure that the City receives federal resources to which residents are entitled, we must make sure that every Minneapolitan is counted.
  - In CPED, investments are made in the Cedar Riverside Opportunity Center and 800 West Broadway Workforce Center so that residents can access the training and supports needed to find good paying jobs for themselves and their families. Ongoing support is also provided for MSP TechHire which provides additional training and career development in the tech sector.
  - Finally, the City Coordinator's office includes investments in the City's creative economy through the Arts & Creative Economy Technical Assistance Program (ACE-TAP) and Creative City Challenge, and also includes funding for a Municipal ID program currently being researched by City staff.
- This budget continues to make the necessary and required investments in City parks and streets as outlined in the historic funding agreement forged in 2016 between the Park Board and City Council.
  - Finally, this budget makes sound investments in ensuring those who live, work, and play in Minneapolis can have confidence that the City is being run well.
- Funding is provided in the City Coordinator's office for additional staff and programming to support racial equity efforts in City services.
  - Five additional fire personnel are added to the Minneapolis Fire Department in anticipation of the opening of Station 1 downtown, and to help staff a mobile healthcare provider program within the department.
  - A final round of project funding, and funding for ongoing maintenance, has been provided for a new Computer Aided Mass Appraisal system in the City Assessor's office. This system will increase transparency and consistency around the property assessment and valuation process. In order to pay for the ongoing costs of this system, almost all departments are seeing an operating budget reduction of between \$1,000 and \$10,000 (reflected in the Major Changes chart below).
  - Investments are being made in a new budget system in the Finance & Property Services department to help policymakers better understand the investments they make.
  - The City Clerk's office receives a new Records Asset Inventory System to be able to better track and access historical and legal documents and produce them for the public as requested.
  - Multiple departments are receiving funding to reduce paper and streamline workflows as the City has an eye towards consolidating departments from multiple locations downtown into a new public service center in 2020.
  - And, ongoing funding is provided to the Office of Emergency Management to support new continuity planning capability so that departments can quickly recover in the event of an emergency.

## Enterprise Challenges

In the course of the City's annual business and strategic planning process, City departments review and document the most significant trends and challenges affecting their work. While some of these issues are specific to department business, several enterprise-wide themes emerge. A summary of enterprise challenges follows:

### *A Quickly Improving Economy and a Construction Boom*

In the last several years, the City has experienced booming construction as measured by value of permitted projects. This boom is fueled by new office buildings in and around downtown, multiple high-rise apartment buildings, and the recently completed U.S. Bank Stadium and ancillary development. However, the quickly improving economy and construction boom have also put multiple strains on the City in the areas of permitting, assessing, financial planning, compliance monitoring, and public works expansion. These strains, compounded by a backlog of needed infrastructure improvements accumulated during the economic downturn, challenge current resources and create a need for additional resources.

### *Workforce Turnover*

It is anticipated that the City's workforce will experience high turnover in the coming years due to three factors: a large population of retirement-eligible workers, the above-mentioned shrinking workforce and increased demands, and the rebounding economy allowing for greater workforce mobility. The loss of institutional knowledge and costs of retirement and transition planning has not been fully realized by City departments, despite a continued recognition of and planning for this reality in the 2019 budget.

### *Increased Demand for Technological Solutions*

Departments note the increased technological savvy of customers, and as a result, increased demand of technological approaches to customer service. This translates into additional costs for new equipment and software, and in particular, increased maintenance costs. For example, several enterprise software systems will be upgraded over the next several years, with anticipated costs in the millions of dollars. Other examples include increased computer and internet bandwidth usage, the growth in demand for wireless connectivity, a drive toward enhancing the City's interaction with residents through technological means, as well as the challenge of training employees in the use of these technologies.

### *Regulatory Complexity/Unfunded Mandates*

Departments have noted increased complexity of protocols and regulations at many levels. Civil Rights identified the increased complexity of investigation protocols. Regulatory Services and Community Planning and Economic Development cite State codes, protocols, and building standards that are placing additional strains on the workload of inspectors. Public Works notes increased costs for inflow and infiltration to meet standards required by Metropolitan Council Environmental Services or facing monetary penalties. The City Clerk notes additional election requirements as a result of the implementation of Instant Runoff Voting (IRV), as well as ranked choice voting. Furthermore, public safety departments face legislative-directed or nationally developed standards, training, or operating procedures. Departments', especially following several years of significant cuts to the City's training programs, indicate a need for increased and improved employee training, as well as recruitment, possibly placing additional short-term strain on productivity, to address the growing complexities of their program administration.

### *Emergency and Security Management Needs*

Ensuring adequate physical security, health security, electronic security (prevention of viruses, hacks, fraud, and other system security threats), information backups, and emergency planning consumes resources of nearly every department. City departments continue to build and strengthen relationships with other governmental entities to maximize the effectiveness of security planning and build systems to mitigate and prevent disasters and crises.

## **City Spending**

For 2019, the budget includes expenditure appropriations corresponding to priorities outlined in the Council Adopted Budget as well as ongoing projects and current City-provided services. Details of the individual expenditure appropriations within the departments and other categories identified in the pie chart below are available in the Operating Departments and Capital Programs sections of this document.

Below is a summary of the 2019 Council Adopted Budget by departmental activity, excluding transfers.

### **Expenditures by Service**

(In Millions of Dollars)

	<b>2018 Adopted</b>	<b>2019 Council Adopted</b>	<b>% Change</b>	<b>\$ Change</b>
Attorney	18.4	19.0	3.2%	0.6
Coordinator*	144.1	144.5	0.3%	0.4
CPED	97.1	119.9	23.5%	22.9
Convention Center	53.0	56.1	5.7%	3.0
Fire	66.5	69.3	4.3%	2.8
Health	22.7	24.0	5.9%	1.3
Police	179.4	184.9	3.1%	5.5
Regulatory Services	25.1	27.3	8.7%	2.2
Public Works	370.7	387.4	4.5%	16.7
Other City Services**	83.8	87.6	4.4%	3.7
Debt Service	148.6	159.9	7.6%	11.3
Capital Improvement	204.3	287.0	40.5%	82.7
Park Board	116.3	122.0	5.0%	5.8
Other Independent Boards***	10.0	10.0	-0.5%	0.0
<b>Total City Spending</b>	<b>1,540.2</b>	<b>1,699.1</b>	<b>10.3%</b>	<b>158.9</b>

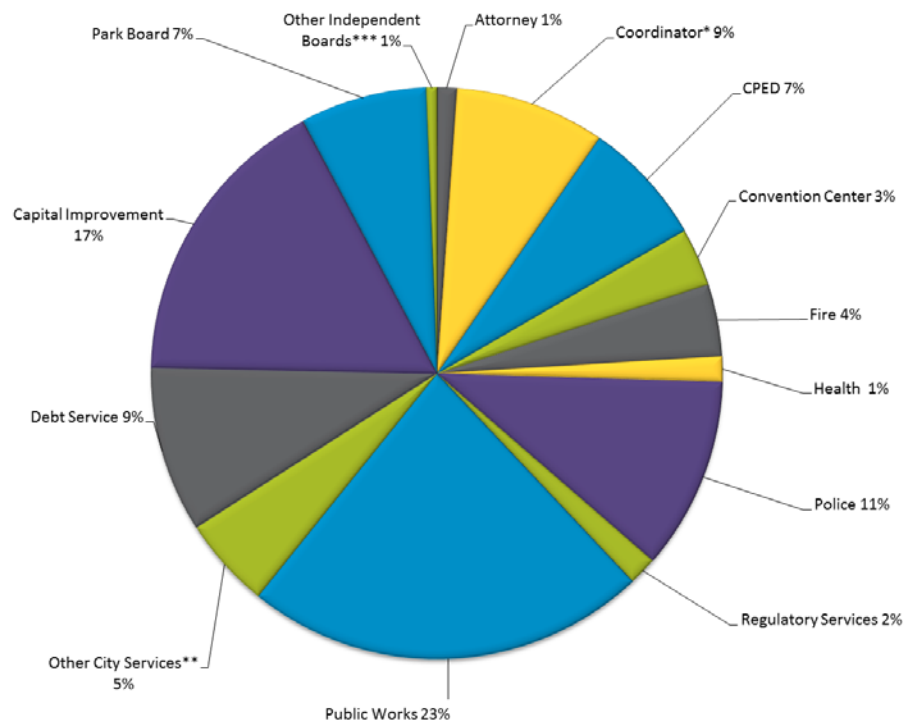
\* Includes 311, 911, Communications, Emergency Preparedness, Finance and Property Services, Human Resources, IT, Intergovernmental Relations, and Neighborhood and Community Relations.

\*\* Includes Assessor, Benefits, City Clerk/Elections/Council, Civil Rights, Contingency, Internal Audit, Mayor, Pensions and Workers Compensation.

\*\*\* Includes Non-departmental, Health and Welfare, Liability, Contingency and Pensions

**Note:** See "City Council Operating Departments" and section in the budget document for further explanation of changes between years.

### Total Expenditure Budget - Use of Funds 2019 Council Adopted Budget: \$1.7 Billion



\* Includes 311, 911, Communications, Emergency Preparedness, Finance and Property Services, Human Resources, IT, Intergovernmental Relations, and Neighborhood and Community Relations.

\*\* Includes Assessor, Benefits, City Clerk/Elections/Council, Civil Rights, Contingency, Internal Audit, Mayor, Pensions and Workers Compensation.

\*\*\* Includes Non-departmental, Health and Welfare, Liability, Contingency and Pensions

### City Sources of Revenue

For 2019, the City forecasts \$1.70 billion in revenue from a variety of sources. Many of the City's revenue sources are restricted, meaning they are required to be spent in defined areas or on specific programs or projects. These restrictions limit the City's ability to raise additional funds and to apply the revenue to other departments or programs. For example, the City charges fees for services such as water, sewer and trash pickup, but State law requires that these fees be no higher than the cost of providing the services, including both operating and capital costs. Because these revenues are restricted, the City cannot raise water bills to pay for citywide police services.

Grants and allocations from the Federal Government and other units of government are usually designated for specific needs and purposes. If the City does not spend these resources for their designated purpose, the City will not receive the grants. Bond proceeds must go to purposes for which the debt was incurred. Like many Minnesota cities, Minneapolis pays for core City services (police, fire, streets, parks, etc.) primarily with property taxes and LGA, as well as other general governmental revenues such as licenses and permits as well as fees and interest income.

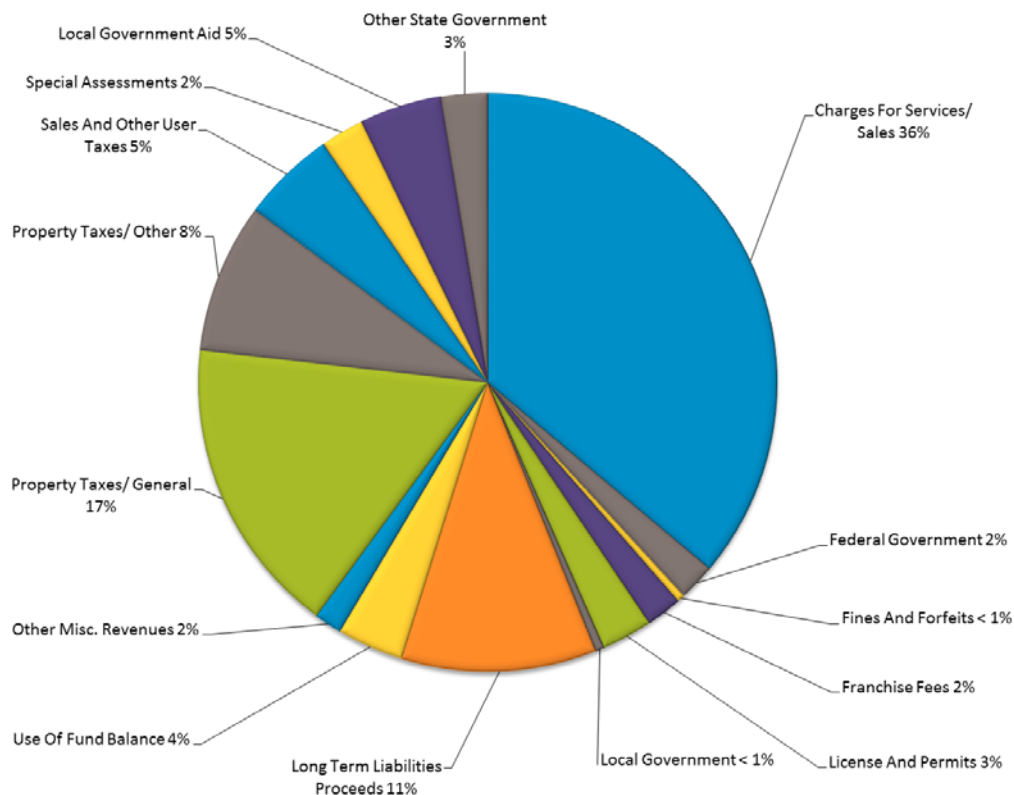
Below is a summary of the 2019 Council Adopted Budget revenues by major category.

## Revenue by Category

(In Million of Dollars)

Revenue Category	2018 Adopted	2019 Council Adopted	% Change	\$ Change
Charges For Services/ Sales	583.1	\$613.6	5.2%	30.5
Federal Government	32.3	\$34.6	7.0%	2.3
Fines And Forfeits	7.3	\$7.3	0.6%	0.0
Franchise Fees	33.5	\$34.1	1.8%	0.6
License And Permits	44.8	\$48.8	8.9%	4.0
Local Government	13.6	\$8.0	-40.8%	-5.5
Long Term Liabilities Proceeds	90.0	\$185.0	105.5%	94.9
Use Of Fund Balance	32.7	\$63.0	92.6%	30.3
Other Misc. Revenues	38.3	\$26.4	-31.1%	-11.9
Property Taxes/ General	268.8	\$284.0	5.7%	15.2
Property Taxes/ Other	136.3	\$142.3	4.4%	5.9
Sales And Other User Taxes	87.9	\$88.9	1.2%	1.1
Special Assessments	52.6	\$41.3	-21.5%	-11.3
Local Government Aid	77.8	\$78.0	0.3%	0.2
Other State Government	41.3	\$43.9	6.1%	2.5
<b>Total Revenue</b>	<b>\$1,540.2</b>	<b>\$1,699.1</b>	<b>10.3%</b>	<b>158.9</b>

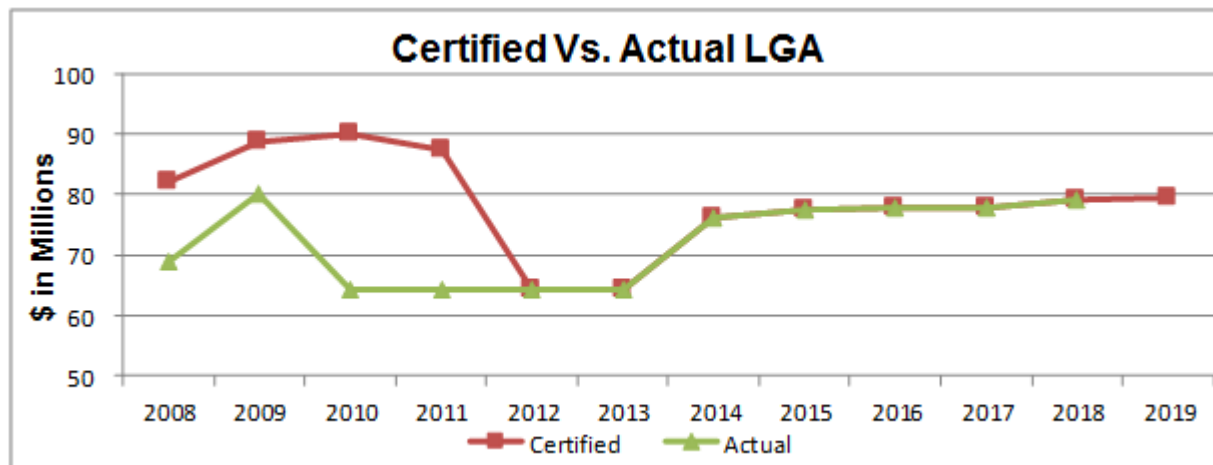
**Total Revenue Budget - Source of Funds**  
**2019 Council Adopted: \$1.7 Billion**





## Local Government Aid (LGA)

Following several years of uncertainty in funding from the State of Minnesota in the form of LGA, including the loss of over \$70 million from 2008-2011, the State has slightly been increasing the amount of LGA appropriated to the City of Minneapolis from \$76.1 million in 2014 to \$79.3 million in 2019. The certified LGA appropriation for 2019 remains flat \$79.3 million. Of this amount, the City plans to allocate \$69.7 million for its General Fund, \$9.4 million to the Park Board, and the remaining \$0.2 million to the Municipal Building Commission (MBC). The table below shows the historical certified and actual LGA amounts, as well as the certified LGA levels for 2019 based on current law.



## Budget by Fund

The City uses different “funds” to account for expense and revenue associated with the various services provided. The **General Fund**, where the City accounts for most property tax supported services, represents 28.4 percent of the 2019 Council Adopted Budget, a decrease from 30.6 percent in the 2018 budget.

**Special Revenue Funds** are used for personnel costs, operating costs, contractual services and equipment that are funded by specific revenue sources. Special revenue funds support the convention center, health and family support, public safety, Federal, State and local grants and ongoing support of closed pension funds.

**Capital Project Funds** include permanent improvement and arbitrage funds and are used for the construction of infrastructure projects.

**Debt Service Funds** are used to pay interest and principal on City debt.

**Internal Services Funds** are used to account for business-like services that the City provides to other City departments. Internal services include information technology, equipment (e.g. police squad cars, fire equipment, and other rolling stock), property services, tort claims, and workers compensation claims.

**Enterprise Funds** include services that the City provides that operate like a “business” – similar to internal service funds but with external customers. Charges for services are expected to recover

operating costs, indirect costs, capital investments, and interest expense. Utility rates are set with the intent of funding these costs. Enterprise services of the City include sanitary sewer services, storm water management and flood mitigation, water treatment and distribution, solid waste and recycling, and parking.

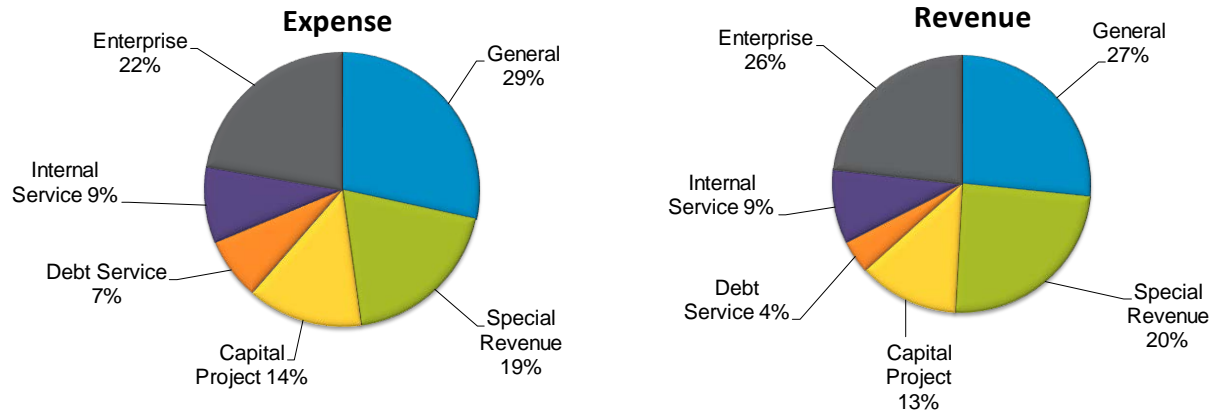
### Expense and Revenue By Fund Type

In Millions

	2018 Adopted	2019 Council Adopted	% Change	\$ Change
<b>Expense:</b>				
General	\$471.4	\$482.7	2.4%	\$11.3
Special Revenue	\$294.9	\$329.7	11.8%	\$34.8
Capital Project	\$145.9	\$230.0	57.6%	\$84.1
Debt Service	\$111.4	\$124.4	11.7%	\$13.1
Internal Service	\$156.6	\$154.0	-1.7%	-\$2.6
Enterprise	\$360.0	\$378.2	5.1%	\$18.3
<b>Total</b>	<b>\$1,540.2</b>	<b>\$1,699.1</b>	<b>10.3%</b>	<b>\$158.9</b>

	2018 Adopted	2019 Council Adopted	% Change	\$ Change
<b>Revenue:</b>				
General	\$442.2	\$452.2	2.3%	\$10.0
Special Revenue	\$363.6	\$412.0	13.3%	\$48.4
Capital Project	\$130.5	\$212.8	63.0%	\$82.3
Debt Service	\$70.3	\$70.3	-0.1%	-\$0.1
Internal Service	\$162.3	\$157.9	-2.7%	-\$4.4
Enterprise	\$371.3	\$394.0	6.1%	\$22.7
<b>Total</b>	<b>\$1,540.2</b>	<b>\$1,699.1</b>	<b>10.3%</b>	<b>\$158.9</b>

### Expense and Revenue By Fund Type



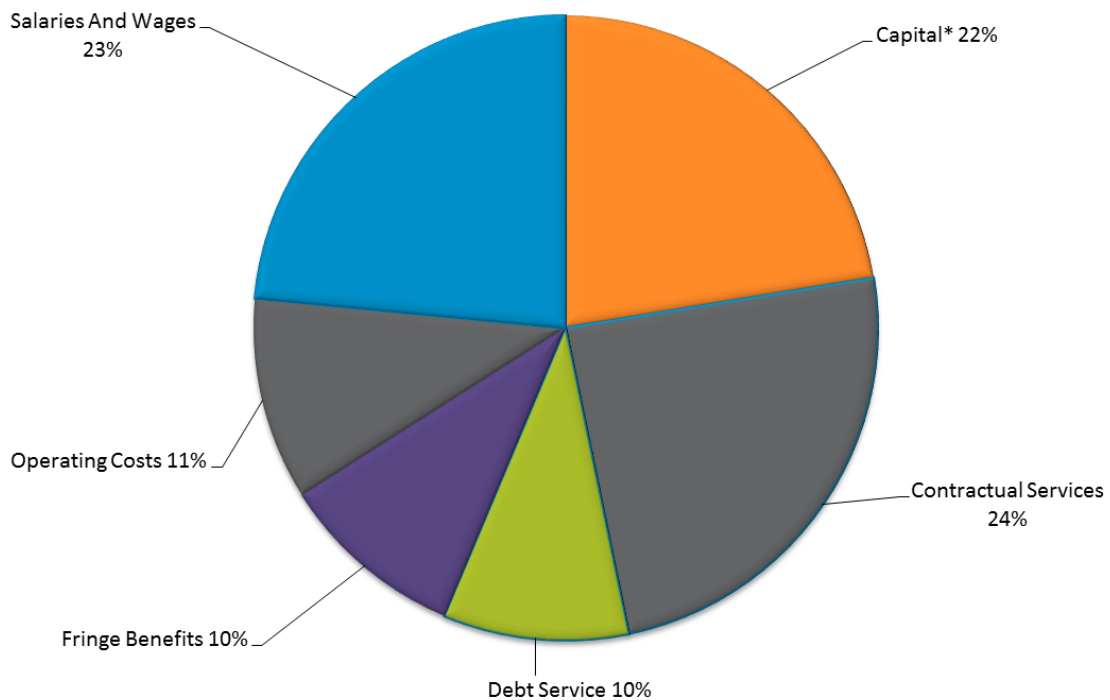
The largest portion of the City's budget is spent on personnel, which comprises \$563.7 million or 33.2% percent of the total budget.

### Expense by Category

Expense Category	2018 Adopted	2019 Council Adopted	% Change	\$ Change
Capital*	282.3	381.1	35.0%	98.8
Contractual Services	387.7	413.5	6.7%	25.8
Debt Service	150.8	162.2	7.6%	11.5
Fringe Benefits	159.0	164.7	3.6%	5.7
Operating Costs	175.0	178.6	2.1%	3.6
Salaries And Wages	385.4	399.0	3.5%	13.6
<b>Total Expense</b>	<b>\$1,540.2</b>	<b>\$1,699.1</b>	<b>10.3%</b>	<b>\$158.9</b>

\*The Capital category includes capital improvements in the City's Capital Program as well as capital expenditures within operating departments.

### Total City Budget - Expenditure by Categories 2019 Council Adopted Budget: \$1.7 Billion



## Funding for Physical Infrastructure

**Five-Year Capital Program Totals:** For 2019 – 2023, the five-year capital program for City departments, independent boards and commissions totals \$1.1 billion including all funding sources. The 2019 portion of this program is \$283.8 million. This budget continues the City’s commitment to accelerate funding and completion of improvements to the City’s infrastructure. Below is a summary of the five-year capital program by major infrastructure category.

Submitting Agency	Infrastructure Category	2019	2020	2021	2022	2023	Total	Percent of Total
Budget in Thousands								
PARK BOARD	NEIGHBORHOOD PARKS	12,343	12,337	12,980	12,980	12,625	63,265	5.76%
PUBLIC WORKS	TRANSPORTATION	88,857	82,965	78,430	108,857	107,170	466,279	42.42%
	UTILITY FEE BASED ENTERPRISES	67,590	78,355	67,965	63,500	49,110	326,520	29.70%
	Public Works Department Totals	156,447	161,320	146,395	172,357	156,280	792,799	72.12%
OTHER AGENCIES	CITY HALL, PUBLIC BLDGS, MISC.	114,996	107,418	14,538	4,119	2,146	243,217	22.13%
COUNCIL ADOPTED FIVE-YEAR CAPITAL PROGRAM		283,786	281,075	173,913	189,456	171,051	1,099,281	100.00%

For more details regarding the Five-Year Capital Improvement Program, please see the Capital Program section of this book.

## Funding for Pension Liabilities

The City’s property tax levies for its former closed pension funds that have been merged into the Minnesota State Public Employees’ Retirement Association (PERA) for 2019 total \$23.3 million, an increase of \$1.0 million from 2018, and a decrease of \$4.0 million from the 2016 level of \$27.3 million. Since 2015 the State legislature has reduced PERA’s out year investment assumptions from 8.5% to 7.5% which lowers the assumed out year investment returns, increases the unfunded liability amounts and therefore the annual funding requirement. The three merged funds include:

- The Minneapolis Employee’s Retirement Fund (MERF) Division of PERA – fully merged in 2015.
- The Former Minneapolis Police Relief Association (MPRA), a closed fund.
- The Former Minneapolis Fire Relief Association (MFRA), a closed fund.

The 2016 parks and streets funding ordinance assumed that the levy necessary for support of the pension obligations would decrease by \$5 million from 2016 to 2017. In the subsequent four years, the levy to support pension obligations would then rise back to 2016 levels. The five year financial direction reflects the 2016 ordinance.

### **Teacher’s Retirement Association (TRA):**

The 2006 Legislative session combined the Minneapolis Teachers Retirement Fund Association (MTRA) with the State’s Teachers Retirement Association (TRA). As part of the legislation, the City was required to redirect its annual \$2.25 million MTRA tax levy to TRA through 2037. State law changed the \$2.25 million City levy to a \$2.25 million contribution in 2012. This change increased the total levy for this purpose as the City previously contributed its net TRA levy collection, which was less than \$2.25 million because the City does not collect 100% its levy. For 2019, the City will levy \$2.3 million for TRA to insure that net collections provide the \$2.25 million. For the purpose of long-term planning, it is anticipated that these costs will remain constant and end by 2040.

**Public Employees Retirement Association (PERA), the plan for most current City employees:**

The employers' contribution level in PERA's Coordinated Plan for 2019 is 7.5 percent, the same as in 2018. The PERA's Police and Fire Plans' employer's contribution increased to 16.95% in 2019, from 16.2 percent in 2018. The estimated total cost of contributions to PERA for the City inclusive of its independent boards for 2019 is \$40.6 million, which is covered in the budgets of the departments in which the employees work.

	2018	2019	Change
	(in millions)		
PERA	\$18.1	\$19.1	\$1.0
PERA Police & Fire	\$19.8	\$21.5	\$1.7
<b>Total</b>	<b>\$37.9</b>	<b>\$40.6</b>	<b>\$2.7</b>

**Funding for Internal Services Funds' Long-Term Financial Plans**

During the 1990s, external demands negatively impacted the ability for revenue to support the City's internal services to keep pace with the growth in expenditures. Significant negative cash balances resulted because annual expenses exceeded revenues. By the year 2000, the combined net asset deficit in the Self Insurance, Equipment, and Intergovernmental Services Funds was \$61.7 million. To correct these deficits, the City adopted long-term financial plans between 2000 and 2004 that called for the Self-Insurance, Equipment, Intergovernmental Services, as well as the Property Services internal service funds to rely on transfers from the General Fund through 2019 to eliminate deficits. Fortunately, due to efforts in recent budget cycles, 2014 was the final year of these transfers. The elimination of this obligation will allow General Fund resources to be redeployed to other purposes in future years.

**Growth in Personnel Costs**

**Personnel Changes.** The 2019 Council Adopted Budget increases the FTE count of City positions by 85.30 over the 2018 Council Adopted Budget, inclusive of the City's independent boards, from 5,183.61 to 5,268.91 FTEs.

**Salary and wages.** The 2019 Council Adopted Budget includes an increase in personnel expenditures (\$399.0 million in salaries and wages, compared to a 2018 total of \$385.4 million). It also includes \$164.7 million in fringe benefits, compared to \$159.04 million in 2018, inclusive of the City's independent boards.

**Benefits.** Health and dental insurance expenditures are budgeted to increase from \$75.3 million in 2018 to \$75.9 million in 2019, inclusive of the City's independent boards. This is an increase of \$600,000 or 0.8 percent.

## Major Changes in the 2019 Council Adopted Budget

As a starting point for 2019 budget development, departments were provided a preliminary budget amount and asked to submit, for existing programs, proposals that would provide for the continuation of those programs at the same level of service, or the *Current Service Level*. Departments were also asked to submit supporting documentation for any change items to current programs or any new programs. The Council changes to ongoing departmental programs, along with new initiatives recommended for funding or implementation, are noted below. Program proposals not funded in the Council adopted budget are not included.

The 2019 Council Adopted budget includes initiatives that have citywide implications. This budget includes the prudent use of accumulated fund balance from various funds for one-time or time-limited activities. These resources were generated through fiscal restraint that resulted in under-spending in City departments and through revenues that exceeded budgetary expectations due to continued growth in the local economy.

### Departmental Changes

The table below outlines additional funding included in this budget beyond the current service level. Detailed descriptions of each change item can be found in the Operating Departments section of this budget book.

Department & Change	General Fund		Other Funds		FTEs
	One-Time	Ongoing	One-Time	Ongoing	
<b>311</b>	<b>\$163,000</b>	<b>\$35,000</b>			
Verint Upgrade	\$163,000	\$40,000			
Operating Budget Adjustment		(\$5,000)			
<b>911</b>	<b>\$15,000</b>	<b>(\$3,000)</b>			
Operating Budget Adjustment		(\$3,000)			
Final Four	\$15,000				
<b>Assessor</b>	<b>\$121,000</b>	<b>\$291,000</b>			
CAMA System	\$121,000	\$294,000			
Operating Budget Adjustment		(\$3,000)			
<b>Auditor</b>	<b>\$40,000</b>				
Funding for IT Audit	\$40,000				
<b>City Attorney</b>	<b>\$25,000</b>	<b>\$91,000</b>	<b>\$72,000</b>		<b>1.00</b>
Domestic Violence Outreach		\$60,000			
Pathways for Gross Misdemeanor Weapons Offenses		\$35,000			
Sex Trafficking Victim Outreach	\$25,000				
Victim Witness Specialist			\$72,000		1.00
Operating Budget Adjustment		(\$4,000)			
<b>City Clerk</b>	<b>\$247,000</b>	<b>\$25,000</b>			
Data Review / Redaction Master Contract	\$15,000				
LIMS Phase 2	\$150,000				
Records Asset Inventory System	\$82,000	\$28,000			
Operating Budget Adjustment		(\$3,000)			
<b>City Council</b>	<b>\$24,000</b>	<b>\$22,000</b>			
Constituent Relationship Management System	\$24,000	\$24,000			
Operating Budget Adjustment		(\$2,000)			

Department & Change	General Fund		Other Funds		FTEs
	One-Time	Ongoing	One-Time	Ongoing	
<b>Civil Rights</b>	<b>\$2,000</b>	<b>\$427,000</b>			<b>2.00</b>
Collaborative Enforcement		\$200,000			
Labor Standards Enforcement Division Investigator	\$2,000	\$100,000			1.00
Urban Scholars		\$30,000			
Operating Budget Adjustment		(\$3,000)			
Office of Police Conduct Review		\$100,000			1.00
<b>Communications</b>	<b>\$82,000</b>	<b>(\$1,000)</b>			
Cultural Radio Programming	\$40,000				
Equip. Maint., Support, Streaming & Music Licensing	\$30,000				
Operating Budget Adjustment		(\$1,000)			
Final Four	\$12,000				
<b>Convention Center</b>			<b>\$1,000,000</b>		
Commons			\$750,000		
Special Events - X Games			\$250,000		
<b>Coordinator</b>	<b>\$2,475,000</b>	<b>\$467,000</b>	<b>\$50,000</b>	<b>\$0</b>	<b>2.00</b>
ACE-TAP	\$50,000				
Creative City Challenge	\$100,000				
Energy & Climate Staff Support & Programming	\$850,000	\$562,000	\$50,000		3.00
Enterprise Engagement Funds	\$80,000				
Municipal ID	\$200,000				
Partnerships	\$675,000				
Race & Equity Support		\$250,000			2.00
Relocate Small Business Team to CPED		(\$343,000)			-3.00
TransEquity Summit	\$15,000				
Operating Budget Adjustment		(\$2,000)			
Renters Support	\$500,000				
Final Four	\$5,000				
<b>Community Planning &amp; Economic Development (CPED)</b>	<b>\$13,065,000</b>	<b>\$1,373,000</b>	<b>\$15,642,000</b>	<b>(\$64,000)</b>	<b>8.00</b>
800 West Broadway Workforce Center	\$75,000				
Affordable Housing Trust Fund			\$13,845,000	\$236,000	2.00
Affordable Missing Middle	\$500,000				
African American Museum & Center for Racial Healing	\$40,000				
Cedar Riverside Opportunity Center	\$100,000				
Construction Code Services Funding Realignment		\$300,000		(\$300,000)	
Eviction Representation Pilot	\$150,000				
Expansion of 4d Program		\$250,000			
Great Streets			\$547,000		
Stable Homes, Stable Schools (year 1 of 3)	\$3,350,000				
Homeownership Education & Counseling	\$50,000				
Homeownership Opportunity Minneapolis (HOM)		\$196,000			
Homeownership Rehab			\$750,000		
Housing Stabilization	\$1,500,000				
Minneapolis Homes	\$3,550,000	\$243,000	\$500,000		2.00
MSP TechHire	\$100,000				
NOAH Preservation	\$3,300,000				
Regulatory Reform		\$101,000			1.00
Relocate Small Business Team from Coordinator		\$343,000			3.00

	General Fund		Other Funds		FTEs
Department & Change	One-Time	Ongoing	One-Time	Ongoing	
Tenant Legal Services	\$175,000				
Tenant Stability Hotline	\$125,000				
Trades Pilot Program	\$50,000				
Transportation Planning Transfer		(\$50,000)			
Operating Budget Adjustment		(\$10,000)			
<b>Elections</b>		<b>\$298,000</b>			
New Elections Space		\$300,000			
Operating Budget Adjustment		(\$2,000)			
<b>Fire Department</b>	<b>\$120,000</b>	<b>\$494,000</b>			<b>5.00</b>
Fire Personnel		\$500,000			5.00
Personal Protective Equipment	\$110,000				
Final Four	\$10,000				
Operating Budget Adjustment		(\$6,000)			
<b>Finance &amp; Property Services</b>	<b>\$550,000</b>	<b>\$397,000</b>			<b>3.00</b>
Fee Study	\$50,000				
Finance Fellowship		\$100,000			2.00
New Budget System		\$206,000			
Supplier Diversity		\$101,000			1.00
Village Trust Financial Cooperative	\$500,000				
Operating Budget Adjustment		(\$10,000)			
<b>Health Department</b>	<b>\$690,000</b>	<b>\$951,000</b>			<b>3.50</b>
Asthma Intervention		\$71,000			0.50
Group Violence Intervention	\$170,000	\$300,000			
Next-Step Youth Violence Prevention		\$130,000			
Office of Violence Prevention	\$171,000	\$457,000			1.00
Opioid Prevention & Coordination	\$50,000				
Youth Coordinating Board	\$83,000				
Final Four	\$16,000				
Food, Lodging, and Pools Inspections	\$200,000				2.00
Operating Budget Adjustment		(\$7,000)			
<b>Human Resources</b>	<b>\$75,000</b>	<b>(\$4,000)</b>	<b>\$75,000</b>		
Human Capital Management System Evaluation	\$75,000		\$75,000		
Operating Budget Adjustment		(\$4,000)			
<b>Information Technology</b>	<b>\$150,000</b>	<b>\$0</b>	<b>\$187,000</b>	<b>\$111,000</b>	
Digital City Services Portal				\$111,000	
Paper Reduction			\$187,000		
SIC & EOTF Technology Upgrades	\$150,000				
<b>Mayor's Office</b>		<b>\$199,000</b>			
Director of Strategic Partnerships		\$200,000			
Operating Budget Adjustment		(\$1,000)			
<b>Neighborhood &amp; Community Relations</b>	<b>\$560,000</b>	<b>\$90,000</b>			
ADA Action Plan Implementation	\$130,000	\$15,000			
Aging Support Services	\$80,000				
Census 2020	\$350,000				
Office of Immigrant & Refugee Affairs		\$75,000			
<b>Office of Emergency Management</b>	<b>\$8,000</b>	<b>\$29,000</b>			
Enterprise Continuity Planning Software		\$30,000			

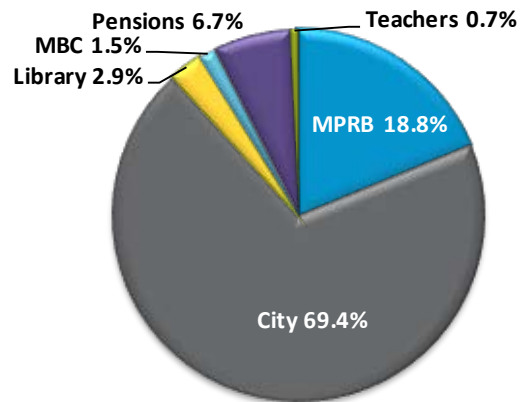


Department & Change	General Fund		Other Funds		FTEs
	One-Time	Ongoing	One-Time	Ongoing	
Final Four	\$8,000				
Operating Budget Adjustment		(\$1,000)			
<b>Police Department</b>	<b>\$1,908,000</b>	<b>\$555,000</b>	<b>\$60,000</b>		
Body Camera Interface to 911 CAD		\$105,000			
Body Worn Cameras		\$177,000	\$60,000		
Co-Responder Program	\$422,000	\$18,000			
Fix It, Not Ticket	\$25,000				
Health & Wellness Training	\$150,000				
Maintain Current Contracts		\$100,000			
Mobile Data Computers		\$100,000			
ShotSpotter Expansion	\$10,000	\$65,000			
Final Four	\$1,301,000				
Operating Budget Adjustment		(\$10,000)			
<b>Public Works</b>	<b>\$325,000</b>	<b>\$140,000</b>			
Gap Funding for Urban Transportation Fellow	\$25,000				
Modernization & Records Digitization	\$100,000				
Small Cell Device Costs		\$150,000			
Winter Maintenance Funding	\$200,000				
Infrastructure Improvement Planning	\$83,000				
Final Four	\$60,000				
Operating Budget Adjustment		(\$10,000)			
<b>Regulatory Services</b>	<b>\$1,010,000</b>	<b>\$391,000</b>			<b>4.00</b>
Increased Housing Inspections		\$254,000			2.00
Part-time Staffing for Traffic Control	\$187,000	\$147,000			2.00
Phased Sunset of Sunset Revolving Fund	\$800,000				
Rental Repair Revolving Fund			\$2,000,000		
Final Four	\$23,000				
Operating Budget Adjustment		(\$10,000)			
<b>All Departments - All Changes</b>	<b>\$21,655,000</b>	<b>\$6,267,000</b>	<b>\$17,086,000</b>	<b>\$47,000</b>	<b>28.50</b>

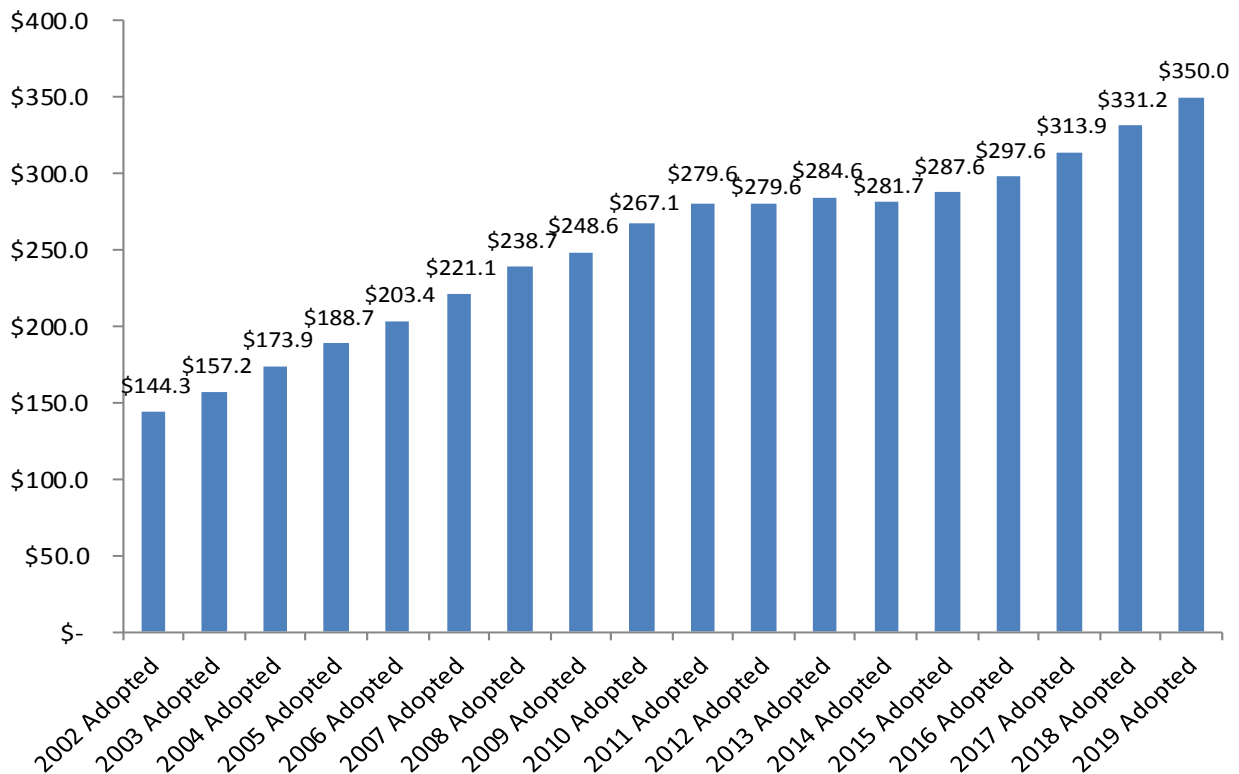
## Property Tax Revenue

The City's 2019 Council Adopted Budget includes an overall property tax levy of \$350.0 million. This levy reflects the combined total for the City, the Board of Estimate and Taxation, the Minneapolis Park and Recreation Board, and the Municipal Building Commission (MBC) levies, as well as the Library referendum levy which is a \$10.3 million market value-based tax levy. The 2019 levy is \$18.8 million more than the 2018 Council Adopted levy of \$331.2 million.

## Property Tax by Entity - \$349.97 Million



## Historical Property Tax Revenue by Year



## Property Taxes on Individual Properties

Several factors beyond the change in amount levied affect the annual change in property tax owed on a particular property. These factors include the tax base composition within property classifications, the tax rate of the jurisdiction, growth or decline in the value of other properties within the jurisdiction, properties placed in tax increment financing districts, improvements to a property, as well as other factors. Each of these variables may change on a yearly basis, occasionally resulting in sizeable changes in the amounts of property taxes assessed to any one property.

## Estimated Impact of Property Tax Increases

While it is yet too early to know the precise impact of these increases on any individual taxpayer, it is important to consider how the proposed changes outlined above will be felt across the city. Below are sample bills based on a variety of estimated market values.

### City Portion of Property Tax Bill with 5.67% Levy Increase

#### Non-Homestead Residential

<u>Market Value</u>	<u>Tax in 2018</u>	<u>Tax in 2019</u>	<u>Change</u>	<u>% Change</u>
183,500	1,029	1,085	57	5.5%
249,000	1,396	1,472	76	5.5%
346,500	1,918	2,049	131	6.8%

Assumes lower value residential property market value increase by 10.2% and higher value increase by 11.6%

#### Homestead Residential

<u>Market Value</u>	<u>Tax in 2018</u>	<u>Tax in 2019</u>	<u>Change</u>	<u>% Change</u>
183,500	896	967	71	7.9%
249,000	1,295	1,388	92	7.1%
346,500	1,863	2,014	152	8.1%

Assumes lower value residential property market value increase by 10.2% and higher value increase by 11.6%

#### Apartment

<u>Market Value</u>	<u>Tax in 2018</u>	<u>Tax in 2019</u>	<u>Change</u>	<u>% Change</u>
667,000	4,447	4,897	450	10.1%
5,000,000	33,339	36,712	3,373	10.1%

Assumes median apartment property market value increase by 15% (not including new construction value)

#### Commercial

<u>Market Value</u>	<u>Tax in 2018</u>	<u>Tax in 2019</u>	<u>Change</u>	<u>% Change</u>
375,400	2,589	2,701	112	4.3%
5,000,000	38,232	39,565	1,333	3.5%

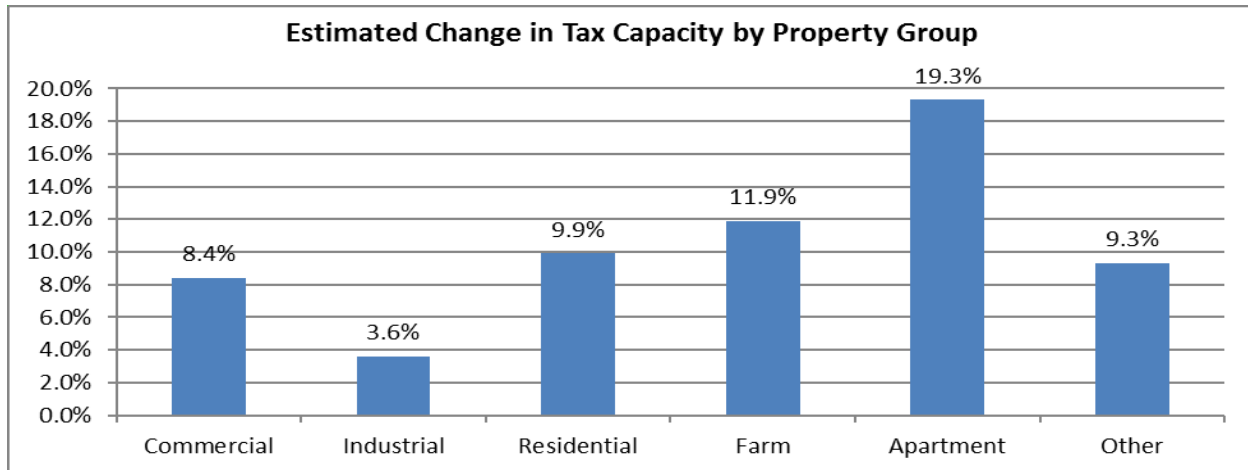
Assumes median commercial property market value increase by 8% (not including new construction value)

## Property Market Values and Tax Base Highlights

The following table shows the estimated market values and corresponding tax capacity by property group for the March 2018 assessment utilized for property taxes payable in 2019 based on preliminary numbers.

### 2018 Assessment For Taxes Collected in 2019

<b>Group</b>	<b>2019 Estimated</b>		<b>Tax Capacity</b>	<b>% Total</b>
	<b>Market Value</b>	<b>% Total</b>		
Residential	\$31,652,887,700	60.5%	\$313,635,845	47.9%
Commercial	9,953,798,300	19.0%	196,585,142	30.0%
Industrial	1,469,855,700	2.8%	29,047,421	4.4%
Apartment	9,182,600,700	17.6%	114,782,509	17.5%
Agriculture	1,730,100	0.0%	17,301	0.0%
Other	24,386,800	0.0%	324,282	0.0%
<b>Total</b>	<b>\$52,285,259,300</b>	<b>100.0%</b>	<b>\$654,392,500</b>	<b>100.0%</b>



#### Change in Tax Capacity by Group

The following table provides the estimated changes in tax increment financing, fiscal disparities contribution, and fiscal disparities distribution for taxes payable in 2018 based on preliminary numbers from the City and County assessors and the Board of Estimate and Taxation:

<b>For Payable in 2019*</b>	
Real Estate Tax Capacity	520,494,600
Personal Property Tax Capacity	9,980,898
<b>Gross Tax Capacity</b>	<b>664,373,398</b>
- Less Tax Increment	-47,808,000
- Less Fiscal Increment Value Captured	-5,581,000
- Less Fiscal Disparities Contribution	-70,076,963
+ Plus Fiscal Disparities Distribution	-54,851,000
<b>Adjusted Net Tax Capacity</b>	<b>486,056,435</b>

\* Property Values March 2018 estimates only at this time.

<b>Change in Market Value for Taxes Payable Year-Over-Year</b>				
<b>Taxes Payable in:</b>	<b>Commercial/Industrial*</b>		<b>Residential</b>	<b>Apartment</b>
2008	10.4%		2.6%	3.3%
2009	1.3%		-3.1%	1.8%
2010	-0.1%		-3.6%	0.5%
2011	-9.8%		-4.4%	-6.7%
2012	-4.5%		-9.1%	-5.2%
2013	0.5%		-5.4%	2.8%
2014	0.6%		0.7%	8.5%
2015	3.3%		8.7%	27.8%
2016	16.4%	-10.5%	6.1%	29.8%
2017	11.5%	6.6%	6.6%	18.2%
2018	10.1%	-6.7%	7.7%	13.9%
2019	8.4%	3.6%	9.9%	19.3%

<b>2019 Council Adopted Property Tax Levies</b>				
<b>Fund</b>	<b>2018</b>	<b>2019</b>	<b>% Change From 2018</b>	<b>\$ Change From 2018</b>
General Fund	189,452,884	201,345,000	6.28%	11,892,116
Minneapolis Park Board	62,201,719	65,740,000	5.69%	3,538,281
Bond Redemption	39,350,000	41,510,000	5.49%	2,160,000
Pensions	22,310,000	23,310,000	4.48%	1,000,000
Municipal Building Commission	5,102,929	5,256,000	3.00%	153,071
Board of Estimate and Taxation	190,000	210,000	10.53%	20,000
Teacher's Retirement Association	2,300,000	2,300,000	0.00%	0
Library / Downtown Office Debt Service	10,300,000	10,300,000	0.00%	0
<b>Total</b>	<b>331,207,532</b>	<b>349,971,000</b>	<b>5.67%</b>	<b>18,763,468</b>