

**City of Minneapolis
2015 Budget**

Financial Overview

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City of Minneapolis 2015 Budget

Financial Overview

The 2015 Council Adopted Budget for all City funds is \$1.303 billion. This represents a \$65 million, or 5.3 percent, increase from the 2014 Budget of \$1.238 billion inclusive of the City's independent boards. At the same time, the Council adopted a 2015 property tax levy for the City and its independent boards of \$287.6 million, which results in a 2.1 percent increase or \$5.9 million in additional property taxes as compared to the 2014 adopted levy of \$281.7 million. This budget also utilizes accumulated fund balance to mitigate budgetary needs and to avoid placing undue burden on property taxpayers. The City's financial position has benefited from growth in local sales taxes and other revenues due to an improving economy. These factors, combined with an increased appropriation in Local Government Aid (LGA) from the State of Minnesota, allow the City to plan for significant improvements in service delivery and targeted enhancements to programs outlined in this budget, with a minimal increase in the property tax levy.

The Financial Overview is presented without transfers. Transfers have also been removed from charts and graphs within this section, including totals for comparative prior years, unless otherwise noted.

Major Highlights

The 2015 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 budget for City departments increases by 4.7 percent in 2015, or \$39.0 million. As part of this budget, funds that have accumulated in the General Fund due to a growing economy and fiscal restraint in prior years allows for utilization of fund balance in the amount of \$13.5 million.
- This budget bolsters public safety by providing funding for ten more police officers, a class of 18 cadets, and funding for classes of community service officers which serve a hiring pipeline proven to increase the diversity of the City's police force. The budget also includes funding for police body cameras, four more 911 operators, and two recruit classes in the Fire Department. Funding is also included for the Fire and Emergency Service Explorer Program in the Fire Department, which offers leadership development and encourages young and diverse people in Minneapolis public high schools to enter firefighting and emergency services as a career.
- In addition to the diversity initiatives funded in the Police and Fire Departments, this budget also provides resources for other programs in support of racial diversity initiatives including the addition of two positions in the City Coordinator's Office that will focus exclusively on ensuring City work is coordinated to support the best possible racial equity outcomes in every department. Additionally, this budget adds one position in elections

and voter services to ensure the City pursues voter outreach, engagement and education initiatives across all communities.

- The 2015 budget does not project any growth in the cost of closed pension obligations from the prior year. The City will levy the same amount for these obligations as it did in 2014; costs are projected to remain flat for years to come. If recent advances in financial markets continue, it is possible that these costs may actually decline more quickly than currently projected as full funding for these obligations is reached. These funding levels are reviewed on a regular basis.
- The 2015 Council Adopted Budget is the first budget after the City completed aggressive efforts to reduce the City's internal service fund deficits and build reserves by prepaying remaining obligations prescribed under "workout" plans. The original workout plans were adopted between 2000 and 2004 and required the Self-Insurance, Equipment, Property Services and Intergovernmental Services (IT) internal service funds to rely on transfers from the General Fund to eliminate deficits through 2019. However, due to efforts in recent budget cycles, 2014 was the final year of these transfers. The elimination of this obligation allows for General Fund resources to be redeployed to other purposes in 2015 and beyond and to help hold levy increases to 3 percent annually in the City's long-range planning documents. More importantly, the early completion of this obligations provides flexibility in addressing future budget needs.
- The 2015 Council Adopted Budget continues to lay the foundation for a wave of development including large projects associated with building a new stadium in partnership with the State and the Minnesota Vikings. Construction growth in the City impacts a number of functions in the City including permitting and inspections. This budget includes funding for additional staffing to handle increased workloads and provides funding necessary to build supporting infrastructure and recognizes the growth in these revenue sources.
- In its second year, the Capital Asset Request System, or "CARS," will be used on an ongoing basis in long-range planning for smaller operating capital requests that would normally be budgeted in individual departments. Requests funded within the CARS system include items that are not ongoing in nature such as enterprise software upgrades, vehicle purchases and similarly-valued items. The CARS process provides a rolling five-year perspective of the City's needs for these assets and is intended to create a longer term funding plan. In the second year of this program, approximately \$23.9 million is recommended to fund items through this process. The majority of items funded reflect deferred maintenance and replacement costs for existing operating capital including technology upgrades.
- Future challenges and opportunities that the 2015 budget addresses, through the five-year financial direction, include the impacts of rebounding property values and continued growth in the cost of providing City services due to inflationary pressures, as well as levy growth that has not kept pace with inflation.

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

The City is experiencing its second year in a row of record construction as measured by value of permitted projects. For 2014, just over \$2.0 billion of construction was permitted. This boom is fueled by new office buildings in and around downtown, multiple high-rise apartment buildings, and the new stadium to be used by the Minnesota Vikings. However, the quickly improving economy and construction boom have 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, stretch current resources and create a need for additional resources.

Shrinking Workforce and Increased Demands

In response to the economic downturn and increasing hardship on the City's taxpayers, the City made large cuts to its workforce by eliminating positions across all City departments and independent boards since 2007. The 2015 budget includes over 600 fewer FTEs than in 2007, despite additional resources in the recommendation. The reduction in staffing places increased pressure on remaining employees as the workloads are increasing as the economy improves. Increasing demands on employees coupled with declining wages when factoring for inflation also create challenges for attracting and retaining personnel.

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 recognition of and planning for in the 2015 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. This budget includes a new effort to plan for these costs as well as other smaller operational capital needs through the Capital Asset Request System (CARS) program. The CARS program plans not only for major technological initiatives, but also for aging equipment replacement and facility upgrades. More information on CARS is available throughout this document.

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 penalties. The City Clerk notes additional election requirements as a result of the implementation of Instant Runoff Voting (IRV). 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, 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, worms, fraud, and other system security threats), information backups, and emergency planning consumes resources of nearly every department. From natural disasters such as the tree-toppling thunderstorms of Summer 2014 or the recent North Minneapolis tornado to physical infrastructure disasters like the I-35W bridge collapse, Minneapolis 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.

Aging Office Facilities and Scattered Administrative Workforce

The City received responses to an RFP issued for consolidating several work locations and City operations. The goal of the RFP issuance is to begin the process of reducing the total office locations of the City's administrative workforce from seven to three or less, located close to and connected to City Hall via skyways or tunnels. The City may partner with the private sector in a build-to-suit development or consolidate its offices in some other fashion while divesting itself of other offices through lease expiration or sale. Combining the administrative offices may place challenges on the workforce due to the preparation of an existing building or building(s) or the retrofitting of an existing building along with the staff move itself. The City has also been undertaking an ongoing renovation of City Hall, resulting from deferred maintenance.

City Spending

Below is a summary of the 2015 Council Adopted Budget by major spending categories, excluding transfers.

Expenditures by Service

(In Millions of Dollars)

	2014 Adopted	2015 Adopted	% Change	\$ Change
Attorney	15.9	16.7	4.8%	0.8
Coordinator*	107.7	119.5	11.0%	11.9
CPED	79.3	76.1	-4.0%	-3.2
Convention Center	51.5	52.6	2.2%	1.1
Fire	59.3	60.2	1.5%	0.9
Police	147.7	153.4	3.9%	5.7
Regulatory Services	20.6	22.8	10.8%	2.2
Public Works	309.3	326.6	5.6%	17.3
Other City Services**	75.5	79.9	5.8%	4.4
Health	17.8	18.5	4.4%	0.8
Debt Service	122.5	126.5	3.3%	4.0
Other Independent Boards***	13.6	11.5	-15.4%	-2.1
Capital Improvement	121.5	140.2	15.4%	18.7
Park Board	95.2	97.9	2.8%	2.6
Total City Spending	1,237.5	1,302.5	5.3%	65.0

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

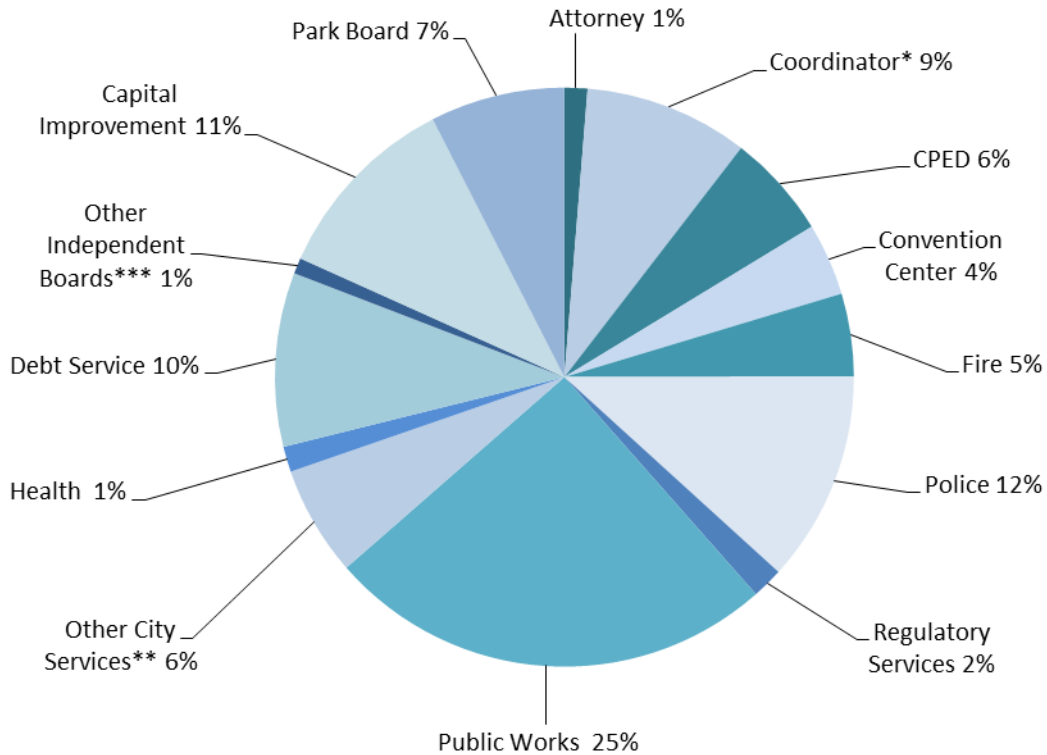
** Includes Assessor, Internal Audit, City Clerk/Elections/Council, Civil Rights, Mayor, Health, Worker's Compensation, Liability, Contingency and Pensions

***Includes Board of Estimate and Taxation, the City's contribution to the Municipal Building Commission and Library Board

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

Total Expense Budget - Use of Funds

2015 Council Adopted Budget: \$1.303



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

** Includes Assessor, Internal Audit, City Clerk/Elections/Council, Civil Rights, Mayor, Health, Worker's Compensation, Liability, Contingency and Pensions

*** Includes Board of Estimate and Taxation, the City's contribution to Municipal Building Commission and Library Board

For 2015, 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 chart above are available in the Operating Departments and Capital Programs sections of this document.

City Sources of Revenue

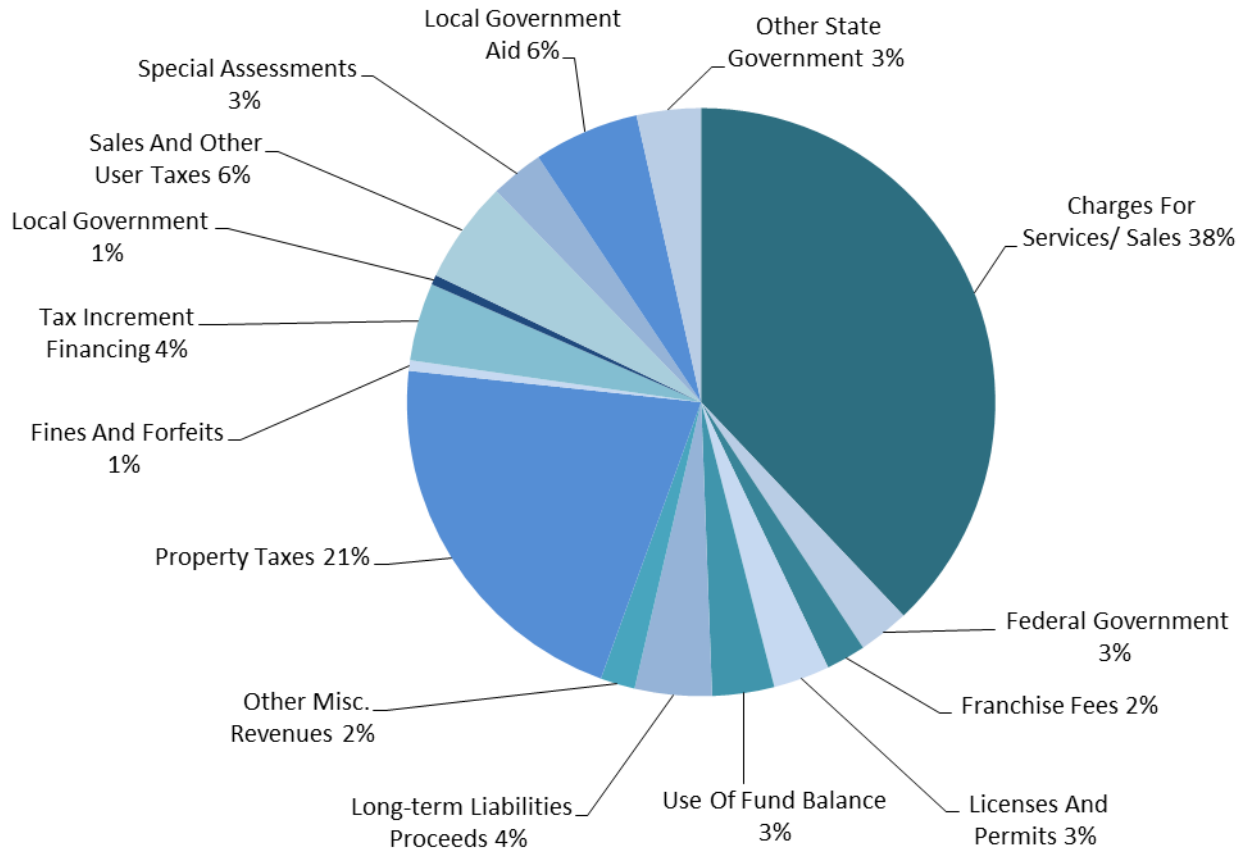
Below is a summary of the 2015 Council Adopted Budget revenues by major category.

Revenue by Category (In Millions of Dollars)

REVENUE CATEGORY	2014 Adopted	2015 Adopted	\$ Change	%Change
Charges For Services/ Sales	480.7	505.2	24.5	5.1%
Federal Government	29.1	37.2	8.1	27.8%
Franchise Fees	26.9	29.0	2.1	7.7%
Licenses And Permits	38.8	41.3	2.5	6.5%
Use Of Fund Balance	24.5	45.4	20.9	85.3%
Long Term Liabilities Proceeds	52.9	56.4	3.5	6.6%
Other Misc. Revenues	21.5	25.3	3.9	18.1%
Property Taxes	276.1	281.9	5.8	2.1%
Fines And Forfeits	8.8	7.7	-1.1	-12.9%
Tax Increment Financing	51.0	57.0	6.0	11.8%
Local Government	6.9	7.2	0.4	5.1%
Sales And Other User Taxes	73.7	75.1	1.4	2.0%
Special Assessments	32.0	38.9	6.9	21.4%
Local Government Aid	76.1	77.4	1.3	1.7%
Other State Government	39.5	47.0	7.5	19.0%
Total Revenue	\$1,238.4	\$1,332.0	\$93.6	7.6%

Because the City assumes a property tax collection rate of 98 percent, the table above reflects a different dollar amount in *budgeted* property taxes than the dollar amount actually levied.

Total Revenue Budget - Source of Funds
2015 Council Adopted Budget
\$1.332 Billion

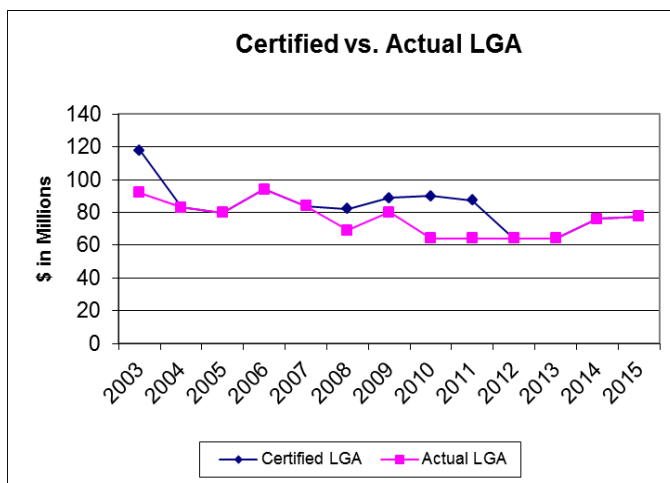


For 2015, the City forecasts \$1.332 billion in revenue from a variety of sources. Many of the City's revenue sources are restricted, meaning they are required to be spent in defined areas or on specific programs or projects. These restrictions limit the City's ability to raise additional funds and to 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, as well as indirect 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.

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 stabilized and increased the amount of LGA appropriated to the City of Minneapolis from \$64.1 million in 2013 to \$76.1 million for 2014, with another \$1.3 million added in 2015, bringing the total to \$77.4 million. Of this \$77.4 million, the City will allocate \$68.0 million for its General Fund, \$9.1 million to the Park Board, and the remaining \$0.2 million to the Municipal Building Commission (MBC). The table to the right shows the historical certified and actual LGA amounts including the reductions, as well as projected LGA levels for 2015 based on current law.



Budget by Fund

The City uses different “funds” to account for expense and revenue associated with the various services provided.

General Fund is the general operating fund of the City. It is where the City accounts for most property tax supported services, represents 31 percent of the 2015 Council Adopted expenditure 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.

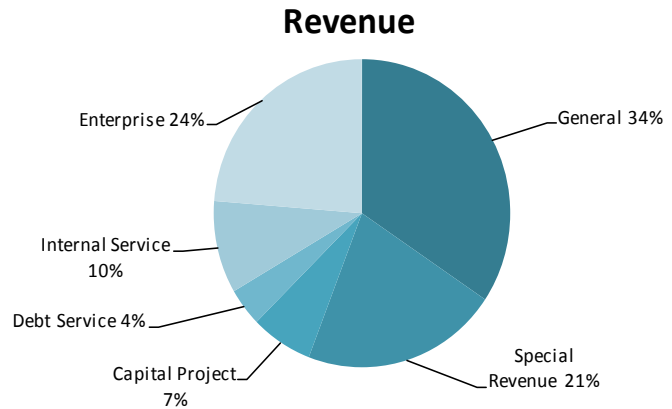
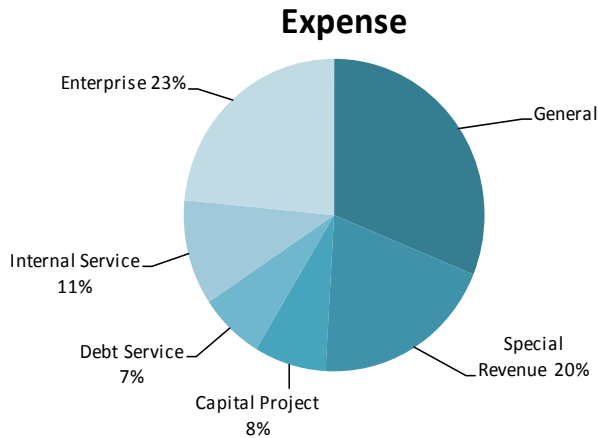
Enterprise Funds include services that the City provides that operate like a “business” – similar to internal service funds but with external customers. Charges for services are expected to recover operating costs, indirect costs, capital investments, and interest expense. Utility rates are set with 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

	2014 Adopted	2015 Adopted	Percent Change	Dollar Change
Expense:				
General	392.6	406.3	3.5%	13.7
Special Revenue	255.0	256.7	0.7%	1.7
Capital Project	76.5	100.9	31.8%	24.3
Debt Service	81.1	91.1	12.3%	10.0
Internal Service	133.3	141.7	6.3%	8.4
Enterprise	298.9	305.9	2.3%	6.9
Total	1,237.5	1,302.5	5.3%	65.0

	2014 Adopted	2015 Adopted	Percent Change	Dollar Change
Revenue:				
General	464.0	458.8	-1.1%	-5.2
Special Revenue	233.0	284.9	22.3%	51.9
Capital Project	67.4	89.6	32.9%	22.2
Debt Service	46.0	53.3	15.9%	7.3
Internal Service	128.0	129.4	1.1%	1.4
Enterprise	300.0	316.0	5.3%	16.0
Total	1238.4	1332.0	7.6%	93.6

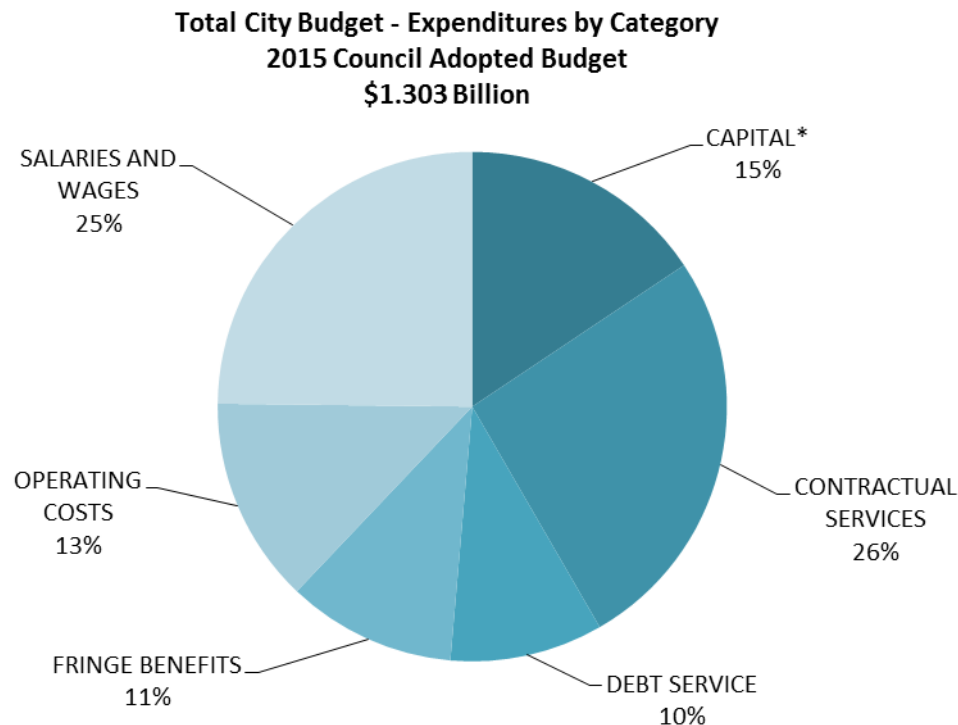


The largest portion of the City's budget is spent on personnel, which comprises \$462.8 million or 35.5 percent of the total budget. The 2015 Council Adopted Budget includes an overall increase of 92.3 budgeted full-time equivalent (FTE) positions from the 2014 Council Adopted Budget, an increase of 1.9 percent to 5,025.9 FTE in total, inclusive of the City's independent boards.

Expense by Category

Expense Category	2014 Adopted	2015 Adopted	\$ Change	% Change
CAPITAL	183.7	203.7	20.0	10.9%
CONTRACTUAL SERVICES	322.1	338.8	16.7	5.2%
DEBT SERVICE	122.7	126.7	4.0	3.3%
FRINGE BENEFITS	133.9	139.6	5.7	4.2%
OPERATING COSTS	162.5	170.5	8.0	4.9%
SALARIES AND WAGES	312.6	323.2	10.6	3.4%
Total Expense	\$1,237.5	\$1,302.5	\$65.0	5.3%

*The Capital category in the table above and the following chart includes capital improvements in the City's Capital Program as well as capital expenditures within operating departments.



Funding for Physical Infrastructure

Five-Year Capital Program Totals: For 2015 – 2019, the five-year capital program for City departments, independent boards and commissions totals \$572.77 million including all funding sources. The 2015 portion of this program is \$132.84 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.

Five-Year Capital Investment Allocation Council Adopted Budget								
Submitting Agency	Infrastructure Category	2015	2016	2017	2018	2019	Total	Percent of Total
Budget in Thousands								
MUNICIPAL BUILDING COMMISSION		1,700	2,050	4,325	6,430	3,455	17,960	3.14%
PARK BOARD		5,010	6,093	5,557	4,150	7,150	27,960	4.88%
PUBLIC WORKS DEPARTMENT	STREET PAVING	48,889	29,325	29,776	30,160	31,705	169,855	29.66%
	SIDEWALKS	3,520	3,675	3,830	3,985	4,140	19,150	3.34%
	BRIDGES	11,000	2,915	3,050	6,850	6,895	30,710	5.36%
	TRAFFIC CONTROL & STREET LIGHTING	9,670	6,970	4,927	4,946	6,501	33,014	5.76%
	BIKE TRAILS	790	760	0	0	0	1,550	0.27%
	SANITARY SEWERS	7,200	7,250	7,250	7,250	7,250	36,200	6.32%
	STORM SEWERS	9,765	18,378	17,830	14,250	13,250	73,473	12.83%
	WATER INFRASTRUCTURE	22,200	22,800	22,900	32,400	20,600	120,900	21.11%
	Public Works Department Total	113,034	92,073	89,563	99,841	90,341	484,852	84.65%
INFORMATION TECHNOLOGY		2,850	2,950	1,150	450	1,050	8,450	1.48%
PUBLIC GROUNDS & FACILITIES		8,415	6,660	8,700	0	0	23,775	4.15%
MISCELLANEOUS PROJECTS		1,835	405	425	6,465	640	9,770	1.71%
	Grand Totals	132,844	110,231	109,720	117,336	102,636	572,767	100.0%

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

Technology funding

The City has two main financing mechanisms for technology:

Property tax supported debt financing in the City's capital program: Since 2003, the City has programmed about \$1.5 - \$2.0 million annually in property tax supported projects, financed by debt, as prioritized by the IT Department and the department heads. These technology assets are capitalized and the bond payments are structured within the useful life of the asset. For 2015, \$2.85 million in technology projects are funded through property tax supported debt with a five-year plan total of \$8.45 million. Approximately 47 percent of the total or \$4.0 million of this program is dedicated to replacing the Police Department's primary information system.

Pay-as-you go: The other method used to fund technology is through the Capital Asset Request System (CARS). With this program, which originated with the 2014 budget process, the City will allocate current-year available funding for technology projects rather than issuing bonds. Regardless of the initial funding source, funding the ongoing operating costs to keep technology assets current continues to be a challenge for the City.

Capital Asset Request System (CARS)

In 2014, the City implemented the CARS process to allow departments to submit budget requests for the replacement of capital equipment items greater than \$5,000 such as technology systems, vehicles and construction equipment and/or other large dollar items necessary to provide services. The CARS process uses a five-year planning horizon similar to the Five-Year Capital Program (for infrastructure) with the intent of establishing normal replacement cycles for all long-term assets used by City Departments. Replacement cycles had already been established for fleet equipment, but not for other asset categories. For the 2015 - 2019 five-year cycle, the City received requests from departments totaling \$125.2 million, with fleet equipment representing approximately 56 percent of this total. For 2015, the requests totaled \$35.39 million. This budget allocates \$8.27 million of general fund resources and \$15.62 million of non-general fund resources for this program across all departments.

Funding for Pension Liabilities

The City's levies for its former closed pension funds that were merged into the Minnesota State Public Employees' Retirement Association (PERA) remains level at \$27.3 million in 2015. This information for each levy is detailed for each of the three former pension funds below.

The Minneapolis Employee's Retirement Fund (MERF) Division of PERA:

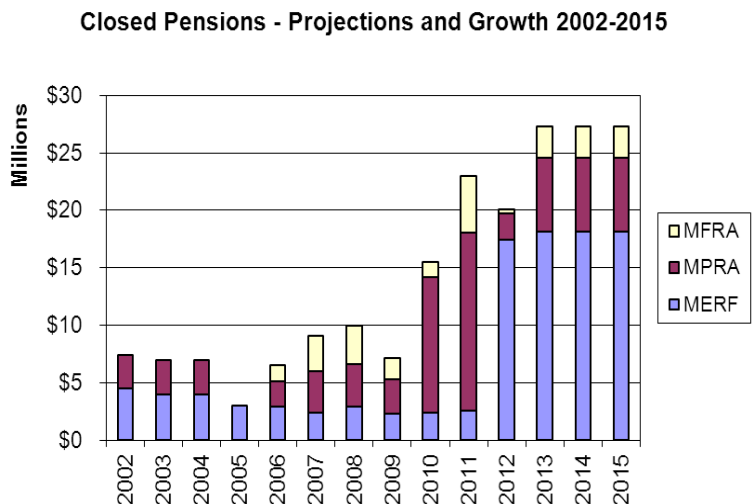
The 2015 levy for MERF-related costs is \$18.2 million, same as 2014. The funding is due to legislation passed in 2010 that called for a gradual increase in City funding to cover a share of the cost associated the agreement that merged MERF into PERA. The City's share of MERF expenses is expected to be fairly stable through 2031 unless the MERF Division of PERA does not meet actuarial assumptions for its investment returns or if the actuarial assumptions for PERA are changed by the State.

The Former Minneapolis Police Relief Association (MPRA), a closed fund:

In 2011, legislation was passed by the State that merged the MPRA into PERA P&F on December 31, 2011. The 2015 levy for the former MPRA is \$6.4 million, from the same as 2014. It is anticipated that these costs will remain constant through 2031.

The Former Minneapolis Fire Relief Association (MFRA), a closed fund:

In 2011, legislation was passed by the State that merged the MFRA into PERA P&F on December 31, 2011. The 2015 levy for the former MFRA is \$2.7 million, the



same as 2014. It is anticipated that these costs will remain constant through 2031.

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 is typically less than 100 percent its levy. In 2015, the City must levy \$2.3 million for TRA to insure that net collections provide the \$2.25 million. It is anticipated that this levy amount will remain constant.

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

The employers' contribution level in PERA's Coordinated Plan was raised from 7.25 percent in 2014 to 7.5 percent in 2015. The Police and Fire Plans' employer's contribution was raised from 15.3 percent in 2014 to 16.2 percent beginning in 2015. The estimated total cost of contributions to PERA for the City in 2015 is \$32.7 million, which is covered in the budgets of the departments in which the employees work.

	2014	2015	Change
PERA	\$13.7	\$15.1	\$1.4
PERA Police & Fire	\$16.3	\$17.6	\$1.3
Total	\$30.0	\$32.7	\$2.7

Funding for Internal Services Funds' Long-Term Financial Plans

During the 1990s, external demands negatively impacted the ability for revenue to support 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. However, 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 2015 and beyond.

Growth in Personnel Costs

Personnel Changes. The 2015 Council Adopted Budget increases the FTE count of City positions by 92.3 over the 2014 Council Adopted Budget, inclusive of the City's independent boards, from 4,933.6 to 5,025.9 FTEs.

Salary and Wages. The 2015 Council Adopted Budget includes an increase in personnel expenditures (\$323.2 million in salaries and wages, compared to a 2014 total of \$312.6

million). It also includes \$139.6 million in retirement and payroll taxes, compared to \$133.9 million in 2014 which is proportional to the change in salaries and wages.

Benefits. Health and dental insurance expenditures are budgeted to increase by 1.9 percent from \$67.6 million in 2014 to \$68.9 million in 2015. This estimate results from a combination of better than anticipated renewal rates, growth in employee headcount, and changes in coverage selections by employees.

Continuing Library Obligation to Hennepin County

Minneapolis libraries merged with the Hennepin County system in 2008. In addition to the \$9.3 million market value referendum supported by Minneapolis taxpayers, the merger finance plan requires Minneapolis to provide an additional declining base contribution for 10 years. In 2015, that contribution is approximately \$2.4 million.

Finance Plan for Hennepin County Library/Minneapolis Library Merger (in thousands):

	Base	Reopen (1)		Reopen	Other City (2)	Total City	Library LGA (3)	Property Tax (4)	One Time (5)	Total
2008	\$7,800	\$45	100%	\$445	\$10,650	\$18,895	\$6,800	\$10,650	\$1,445	\$18,895
2009	\$7,020	\$463	100%	\$463	\$10,650	\$18,133	\$6,800	\$10,650	\$683	\$18,133
2010	\$6,240	\$481	100%	\$481	\$10,650	\$17,371	\$6,721	\$10,650	\$0	\$17,371
2011	\$5,460	\$501	79%	\$393	\$10,750	\$16,603	\$5,853	\$10,750	\$0	\$16,603
2012	\$4,680	\$521	58%	\$302	\$10,750	\$15,732	\$4,982	\$10,750	\$0	\$15,732
2013	\$3,900	\$541	38%	\$206	\$10,750	\$14,856	\$4,106	\$10,750	\$0	\$14,856
2014	\$3,120	\$563	21%	\$118	\$9,300	\$12,538	\$3,238	\$9,300	\$0	\$12,538
2015	\$2,340	\$586	4%	\$23	\$9,300	\$11,663	\$2,363	\$9,300	\$0	\$11,663
2016	\$1,560	\$609	0%	\$0	\$9,300	\$10,860	\$1,560	\$9,300	\$0	\$10,860
2017	\$780	\$633	0%	\$0	\$9,300	\$10,080	\$780	\$9,300	\$5,550	\$15,630

(1) The cost to reopen 3 libraries at 24 (2) and 20 (1) hours per week. Annual costs are inflated 4 percent per year after 2008.

(2) Other City includes debt service on net debt bonds.

(3) Library LGA is the amount of LGA allocated to Libraries not exceeding the 2007 level.

(4) Property tax amounts are in City's financial plans.

(5) The City will be responsible for these one-time costs with the exception of 2017, with an amount in the one-time column that is from the State of Minnesota as a contribution to cover 40 percent of the library debt service as agreed to by the 2014 Legislature. The legislature approved a provision that has the state of Minnesota paying 40 percent of the remaining annual debt service. The payments begin for debt service due in 2017 and the payments will be made in November of the preceding year.

Major Changes in the 2015 Council Adopted Budget

This section of the 2015 Council Adopted Budget describes changes the Mayor and Council made for various departmental program submissions. The changes are organized by department.

Citywide Changes

As a starting point for 2015 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. Departments were also asked to submit supporting documentation for any enhancements to current programs or any new programs. The Mayor's recommended changes to ongoing departmental programs, along with new initiatives recommended for funding, are noted below. Program proposals not funded are not included.

The 2015 Council Adopted Budget includes proposals that have citywide implications. This budget uses accumulated fund balance from the General Fund 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 an improving economy.

This budget uses accumulated General Fund and other existing resources for funding the Capital Asset Request System (CARS) which was initiated as part of the 2014 budget as a new system for budgeting small and mid-level capital requests previously planned for in departmental budgets. CARS requests include items that are not ongoing in nature including enterprise software upgrades, vehicle purchases, and similarly-sized items. The goal of this effort is to increase transparency in spending and operating costs by including these budgetary requests in a separate process. Now in the second year, \$44.8 million (\$20.9 million in 2014 and \$23.9 million in 2015) has been dedicated to fund items through this request process, The General Fund portion is \$17.2 million (\$8.9 million in 2014 and \$8.3 million in 2015).

Departmental Changes

The Council approved several amendments to the Mayor's Recommended Budget that affect departments on a citywide basis. These amendments are reflected on the following pages:

Assessor

Mayor's Recommended Budget: The Mayor recommended no changes to this department's base program proposal.

Council Adopted Budget: The City Council approved the Mayor's recommendations.

Attorney

Mayor's Recommended Budget: The Mayor recommended the following ongoing General Fund allocations; \$90,000 to cover the City's share of the cost of two Downtown Probation officers including the Downtown 100 Prosecutor Downtown Improvement District (DID) grant shortfall, and \$75,000 for 1.0 FTE (Data Management Analyst) to enable the City to better track program results and outcomes as well as developing and analyzing new initiatives. The Mayor also recommended \$90,000 in ongoing resources from the City's Self Insurance Fund for an additional paralegal position to assist with responses to data practices requests.

The following one-time General Fund allocations were recommended; \$75,000 for Domestic Abuse 24 Hour Hotline Services that provides immediate advocacy services for domestic abuse victims (City's share of costs in a joint project with Minneapolis Police Department (MPD)), and \$50,000 for the Domestic Violence Hot Spot Initiative - a pilot partnership with the MPD, Health Department and domestic abuse advocates to focus prevention and follow-up efforts in selected hotspot areas.

Council Adopted Budget: The City Council approved the Mayor's recommendations and directed the Minneapolis Police Department to dedicate up to \$75,000 of its existing 2015 expense appropriation to partner with the City Attorney's Office and the Domestic Abuse Hotline.

City Clerk

Mayor's Recommended Budget: The Mayor recommended additional ongoing General Fund resources in the amount of \$284,000 for a program assistant to assist with administering elections and voter services, a program assistant to provide administrative support to the City Council and City Clerk offices, and a software engineer to assist with developing the framework to provide information on City programs and policy actions more effectively and efficiently (3.0 new FTEs in total).

Council Adopted Budget: The City Council amended the Mayor's recommendations by: (1) Utilizing \$80,000 in anticipated savings from the reduction in the 2015 citywide health insurance premium to add 1.0 Full-Time Equivalent (FTE) (Council Committee Coordinator), and (2) Increasing expense appropriation and staffing by \$100,000 and 1.0 FTE, respectively, for the purposes of managing data practices requests with the on-going costs to be recouped through the City's internal cost allocation mechanism.

City Council

Mayor's Recommended Budget: The Mayor recommended no changes to this department's base program proposal.

Council Adopted Budget: The City Council approved the Mayor's recommendations.

City Coordinator Administration

Mayor's Recommended Budget: The Mayor recommended the following ongoing General Fund allocations: \$400,000 for downtown events, \$250,000 (including 2.0 FTEs) for equitable outcomes - a program that will be focused on achieving the elimination of racial disparities for Minneapolis residents, as well as \$75,000 for Creative CityMaking – an initiative that tailors creative community engagement strategies to department needs and works with underserved and vulnerable communities.

The Mayor also recommended the following one-time General Fund allocations; \$150,000 for 1.0 FTE to oversee the Clean Energy Partnership, \$50,000 relating to the transition of Minneapolis Public Housing Agency (MPHA) to its own medical insurance plan and related costs, and \$35,000 for the City of Minneapolis Arts, Culture and the Creative Economy Road Map. Additionally, \$40,000 in ongoing and \$20,000 of one-time General Fund appropriations were recommended for a full update, design and dissemination of the Creative Index report that tracks the assets of the creative community through quantitative and qualitative measures.

Council Adopted Budget: The City Council amended the Mayor's recommendations by reducing the Arts, Culture & Creative Economy budget by a total of \$15,000 to supplement the Arts in Public Places program in Community Planning and Economic Development (CPED).

The Council also provided the following directions to the department; (1) Include staff from multiple departments, including CPED, to solicit, evaluate, and recommend proposals for downtown activation activities that align with City goals and complement City initiatives, and (2) Convene key department stakeholders to research how the city is currently supporting communications technology and make recommendations for enhancements, including, but not limited to, the potential to move the existing Radio Communications & electronics work unit from Finance and Property Services Department to the Information Technology Department.

311 (a Division of City Coordinator Administration)

Mayor's Recommended Budget: The Mayor recommended no changes to this department's base program proposal.

Council Adopted Budget: The City Council approved the Mayor's recommendations.

911 (a Division of City Coordinator Administration)

Mayor's Recommended Budget: The Mayor recommended \$347,000 in ongoing General Fund resources to increase staffing by four operators to make progress in achieving the level recommended in the 2014 National Emergency Number Association (NENA) staffing study.

Council Adopted Budget: The City Council approved the Mayor's recommendations.

Emergency Management (a Division of City Coordinator Administration)

Mayor's Recommended Budget: The Mayor recommended no changes to this department's base program proposal.

Council Adopted Budget: The City Council approved the Mayor's recommendations.

Civil Rights

Mayor's Recommended Budget: The Mayor recommended \$100,000 in additional ongoing General Fund appropriation for a Contract Compliance Officer and \$300,000 in additional one-time General Fund resources to be used for conducting a disparity study over the next two years, which is part of the City's process to comply with the small and underutilized business program.

Council Adopted Budget: The City Council amended the Mayor's recommendations by reducing \$150,000 (50 percent) of the one-time funding for the Civil Rights Disparity Study in the Civil Rights Department.

Communications

Mayor's Recommended Budget: The Mayor recommended an additional \$174,000 in ongoing resources from the City's Consolidated TIF fund for an additional 2.0 FTEs to boost collaboration with the Neighborhood and Community Relations Department and non-English media outlets to ensure that City news and information reach diverse communities across the City.

Council Adopted Budget: The City Council amended the Mayor's recommendations by shifting funding for the 2.0 FTE Communications positions (\$174,000) from TIF to the General Fund and an additional action subsequently reduced the appropriation in the Communications Department by \$174,000 and 2.0 FTEs resulting in no change in staffing levels. The Council also directed the department to work in coordination with the Neighborhood and Community Relations department and other City departments to provide planning, supportive services, and outreach for the implementation of President Obama's executive order on immigration policy.

Convention Center

Mayor's Recommended Budget: The Mayor recommended the transfer of \$500,000 in one-time funding from the General Fund to the Convention Center Fund for the purpose of marketing, events and community engagement programming.

Council Adopted Budget: The City Council amended the Mayor's recommendations by reducing the one-time funding from the General Fund to the Convention Center Fund for the purpose of marketing events and community engagement programming by \$160,000 for other purposes.

Community Planning and Economic Development (CPED)

Mayor's Recommended Budget: The Mayor recommended additional ongoing funding from the General Fund to support the following efforts: \$200,000 for the Homelessness Initiative (with \$150,000 for contractual services for homeless outreach services and the remaining \$50,000 for the Office to End Homelessness), \$250,000 in Homeownership Counseling and Outreach program, \$100,000 in business technical assistance, \$75,000 for youth training and development, \$100,000 (1.0 FTE) for construction code services, and \$94,000 (1.0 FTE) for a new business licensing position. The cost of the business licensing position is anticipated to be offset by the implementation of new license structures associated with taxi-cab and transportation services. Funding for staff in public art is shifted from the permanent improvement fund and debt financing to the general fund. The mayor also recommends one-time appropriations from the general fund for \$1,000,000 in the Affordable Housing Trust Fund program, \$125,000 in Homeownership Counseling and Outreach program, \$100,000 for policy issues addressing land capacity, and \$200,000 for construction code services (2.0 FTE). Additional one-time funding is recommended from the City's Consolidated TIF fund of \$250,000 for planning activities associated with the closure of the Upper Harbor Terminal.

Council Adopted Budget: The City Council amended the Mayor's recommendations by directing \$1.5 million in Community Development Block Grant (CDBG) funding currently earmarked for the Senior Housing Initiative (\$1.0 million) and the Owner Occupied Rehab Program (\$0.5 million) to the City's Affordable Housing Trust Fund, and to prioritize up to \$2.5 million from the City's development accounts for qualified affordable housing projects. The City Council also amended funding for

Homeownership Counseling and Outreach by decreasing ongoing funding by \$200,000, and increasing one-time funding by \$100,000. In addition, the Council amended the Mayor's recommendations by increasing revenue and expense by \$870,000 for the Upper Harbor Terminal to reflect the contractual operating agreement, and shifting \$250,000 of the Upper Harbor Terminal planning activities from TIF funding to General Fund.

The Council also added the following staff directions:

- (1) Direct the Community Planning and Economic Development to report to the Community Development & Regulatory Services and the Ways and Means committees by July 1, 2015, with the financial status of the Great Streets Façade Improvement and Business District Support programs for evaluation prior to issuance of the 2015 Request for Proposals.
- (2) Direct the Community Planning & Economic Development Department to complete an analysis of existing housing stock and housing needs in Minneapolis to inform future policy decisions that support housing options for all levels of income including the Affordable Housing Trust Fund and Transit-Oriented Development program as well as potential policy changes that support housing affordability such as inclusionary zoning.
- (3) Direct the Community Planning & Economic Development Department to develop a five-year Art in Public Places capital plan and report back to the Community Development & Regulatory Services and the Ways & Mean committees by March 31, 2015.
- (4) Direct the Community Planning & Economic Development Department to collaborate with Summit Academy OIC to facilitate participation in the City's job training programs.

Finance & Property Services

Mayor's Recommended Budget: The Mayor recommended \$96,000 in ongoing funding from the City's Property Services Fund to hire an additional Painter (1.0 FTE) in Finance and Property Services.

Council Adopted Budget: The City Council approved the Mayor's recommendations and directed the Finance and Property Services Department's staff to:

- (1) Amend all schedules and language according to amended budgets,
- (2) Update the five-year financial direction budgets and staff directions,
- (3) In collaboration with affected City departments;
 - (a) Compile historical information of the City's utilization of single source contracts and report back to the Committee of the Whole and Ways & Means Committees in the first quarter with recommendations for policy considerations to provide more opportunities for supplier diversity in procurement activities; and
 - (b) Review existing standards for insurance and bonding for City contractors, including comparison of standards used by the State of Minnesota and other public bodies, and report back to the Committee of the Whole and Ways & Means Committees in the first quarter with recommendations for policy considerations to provide more opportunities for supplier diversity in procurement activities, and
- (4) Facilitate the hiring of five new FTE positions in the Community Planning & Economic Development Department, Development & Construction Code Services Division.

Fire

Mayor's Recommended Budget: The Mayor recommended \$400,000 in ongoing and \$400,000 one-time General Fund resources to enhance on-going training and recruitment activities. The \$400,000 in ongoing funding provides for a class of trainees every year while the \$400,000 in one-time funding will allow an additional class in 2015. An appropriation of \$50,000 in one-time

General Fund resources was also recommended for continuing development and implementation of outreach to high schools and an alternative hiring process focusing on inner-city youth.

Council Adopted Budget: The City Council approved the Mayor's recommendations and directed the Fire Department to commence with recruit classes as soon as feasible and report back to Ways and Means Committee with a plan to maintain staffing at the approved complement level by July 1, 2015, for the purpose of reviewing and recommending mechanisms to provide for enhanced staffing levels in the future.

Health and Family Support

Mayor's Recommended Budget: The Mayor recommended additional ongoing General Fund appropriation of \$50,000 (0.5 FTE) for school based clinics, \$70,000 for youth development and sexual health programming, \$100,000 for youth violence prevention, and \$350,000 (3.0 FTE) for the food, lodging and pools inspection program to keep pace with the increase in the number of establishments. An additional \$110,000 in resources from the City's Storm Water fund provides for (1.0 FTE) for environmental services to keep pace with increased construction activity for erosion control. The Mayor recommended additional one-time General Fund allocations of \$140,000 (1.0 FTE) for lead and healthy homes, \$25,000 to finalize the 2007 Minneapolis Air Quality Study, and \$72,000 (1.0 FTE) for tobacco prevention to pursue strategies to prevent exposure to second hand smoke.

Council Adopted Budget: The City Council approved the Mayor's recommendations.

Human Resources

Mayor's Recommended Budget: The Mayor recommended the following ongoing General Fund allocations: \$25,000 for an Enterprise Employee Recognition program designed to respond to needs identified in the 2011-12 Employee Engagement Survey, and \$35,000 for the annual licensing fees for the NEOGOV Applicant Tracking System. The 2015 Budget also reallocates funding from Public Works to provide for strategic employment services provided by Human Resources staff, but targeted for Public Works employment needs.

Council Adopted Budget: The City Council approved the Mayor's recommendations.

Information Technology

Mayor's Recommended Budget: The Mayor recommended no changes to this department's base program proposal.

Council Adopted Budget: The City Council approved the Mayor's recommendations.

Intergovernmental Relations

Mayor's Recommended Budget: The Mayor recommended \$15,000 in one-time funding for staff development in areas such as program management, policy analysis and development, leadership and negotiations, as well as a summer intern to assist in all program areas.

Council Adopted Budget: The City Council approved the Mayor's recommendations and directed the Intergovernmental Services Department's staff to lead a staff workgroup to identify opportunities for the City to support the Minneapolis implementation for the Presidential executive order on immigration and bring forward a proposal with a recommended resolution acknowledging the City's commitment.

Internal Audit

Mayor's Recommended Budget: The Mayor recommended no changes to this department's base program proposal.

Council Adopted Budget: The City Council approved the Mayor's recommendations and directed the department to work with the Neighborhood & Community Relations Department and other City Coordinator departments to create a scope of work and then oversee an evaluation of NCR Programs using existing budgeted resources, and to report back to the Committee of the Whole by August 2015.

Mayor

Mayor's Recommended Budget: The Mayor's 2015 Recommended Budget includes \$195,000 in ongoing General Fund allocation for additional policy resources.

Council Adopted Budget: The City Council approved the Mayor's recommendations.

Neighborhood and Community Relations

Mayor's Recommended Budget: The Mayor recommended the following ongoing resources from special revenue funds; \$150,000 for expanding the One Minneapolis Fund, and an additional \$150,000 for 1.0 FTE (Neighborhood Support Specialist) and programming to provide for stronger support for neighborhood organizations to meet City standards and expectations. The Mayor also recommended \$150,000 in one-time General Fund appropriation for conducting an evaluation of City programs and services for compliance with ADA Title II requirements.

Council Adopted Budget: The City Council amended the Mayor's recommendations by;

- (1) Eliminating the Tax Increment Financing (TIF) activities in the Neighborhood & Community Relations Department (NCR) by \$150,000 for staff/program expenses and \$150,000 recommended for the One Minneapolis Fund,
- (2) Utilizing the available \$300,000 of TIF to replace General Fund resources in NCR,
- (3) Shifting NCR General Fund allocation (\$424,000) from the General Fund to TIF funding,
- (4) Utilizing \$150,000 in available one-time General Fund resources for the One Minneapolis Fund, initially funded by TIF, and
- (5) Increasing the department's appropriation by \$50,000 for support services to help implement President Obama's executive order on immigration.

The Council also directed the department to;

- (1) Coordinate with the Communications Department and other City departments to provide planning, supportive services, and outreach for the implementation of President Obama's executive order on immigration policy,
- (2) Provide a one-time allocation of \$55,000 for the Minneapolis Highrise representative Council for Project Lookout utilizing \$30,000 from the increased One Minneapolis Fund and the remainder from the department's existing budget,

- (3) Work with the Internal Audit Department and other City Coordinator departments to create a scope of work and oversee an evaluation of NCR Programs using existing budgeted resources, and to report back to the Committee of the Whole by August 2015.

Police

Mayor's Recommended Budget: The Mayor recommended the following ongoing General Fund resources: \$996,000 for hiring 20 part time Community Service Officers, \$520,000 as a matching requirement for \$520,000 in funding from the Federal COPS Hiring Grant – to provide for ten more officers to address violent crime, and \$100,000 for a 1.0 FTE Data Request Specialist to meet growing records/compliance requests, including maintenance of the newly implemented body cameras. The Mayor also recommended \$962,000 one-time General Fund appropriation for hiring 18 Cadets in 2015.

Council Adopted Budget: The City Council approved the Mayor's recommendations and directed the Minneapolis Police Department to (1) allocate up to \$75,000 of its 2015 expense appropriation to partner with the City Attorney's Office and the Domestic Abuse Hotline and (2) utilize existing resources to facilitate up to eight Open Streets events in 2015.

Public Works

Mayor's Recommended Budget: Please see the divisional sections below for the Mayor's recommendation and Council amendments by division.

Administration

Mayor's Recommended Budget: The Mayor recommended no changes to this division's base program proposal.

Council Adopted Budget: The City Council approved the Mayor's recommendations and directed the Public Works Department to utilize existing resources to facilitate up to eight Open Streets events in 2015.

Fleet Services

Mayor's Recommended Budget: The Mayor recommended no changes to this division's base program proposal.

Council Adopted Budget: The City Council approved the Mayor's recommendations.

Solid Waste and Recycling

Mayor's Recommended Budget: The Mayor's recommended budget includes appropriation in the Solid Waste and Recycling Fund to fund the beginning of a citywide source-separated organics recycling program estimated to cost \$8.0 million in the first year. Of this total amount, approximately \$5.1 million of the costs are considered one-time in nature related to the program's start-up.

The Mayor's recommended budget further proposes a reduction in the transfer of General Fund resources for alley plowing and graffiti removal initiatives which will continue to be funded from the Solid Waste and Recycling Fund.

Council Adopted Budget: The City Council amended the Mayor's recommendations by reducing the expense appropriation by \$2,024,000 to reflect the partial-year organics rollout.

Surface Water & Sanitary Sewer – Sanitary Sewer

Mayor's Recommended Budget: The Mayor recommended no changes to this division's base program proposal.

Council Adopted Budget: The City Council approved the Mayor's recommendations.

Surface Water & Sanitary Sewer – Stormwater

Mayor's Recommended Budget: The Mayor recommended no changes to this division's base program proposal, with the exception of providing funding to offset the cost associated with an additional 1.0 FTE in Environmental Health for erosion control monitoring.

Council Adopted Budget: The City Council approved the Mayor's recommendations.

Traffic & Parking Services

Mayor's Recommended Budget: The Mayor's recommended budget includes \$350,000 in General Fund resources for the Pedestrian Safety Initiative designed to reduce pedestrian and biking injuries and fatalities by providing for improved access and right-of-way markings, including crosswalks and similar signage.

Council Adopted Budget: The City Council approved the Mayor's recommendations.

Transportation Maintenance and Repair

Mayor's Recommended Budget: The Mayor's recommended budget includes \$365,000 in base adjustments to reflect increased revenue from parking ramps and special service districts to align revenues and expenditures in these self-supporting programs. The recommended budget also includes \$150,000 in one-time General Fund funding for snow removal from on-street bike lanes with an additional \$30,000 for on-street bike lane summer cleaning and winter maintenance, and an additional \$11,000 dedicated to off-street trail summer cleaning and winter maintenance. Further, the recommended budget includes \$200,000 in ongoing General Fund appropriation for sidewalk snow removal and enforcement and \$300,000 in ongoing capital sidewalk inspections funding to clear snow from street corners within five days after the end of a snow emergency.

Council Adopted Budget: The City Council amended the Mayor's recommendations by increasing revenue and expense appropriation by \$118,667 in the General Fund to reflect the additional revenues and expenses associated with the Downtown Improvement District special assessment program, and amended the budget by reducing expenses by \$300,000 to reflect technical adjustments.

The council also directed the Public Works Department to report to the Transportation & Public Works Committee by January 31, 2015, with proposed specific projects for the 2015 Capital Budget for the Paving Program.

Transportation Planning and Engineering

Mayor's Recommended Budget: The Mayor's recommended budget includes \$300,000 in ongoing General Fund appropriation to enhance transportation planning, right of way/public realm planning, and asset management which covers the costs associated with adding 3.5 FTE to support these services. The budget also includes \$75,000 in one-time General Fund resources to study intersections identified by the Pedestrian Advisory Committee for pedestrian improvements. Further, the Mayor's recommended budget also includes capital transportation planning and engineering funding in the amount of \$386,000 to fund four engineering technician positions charged to capital projects and Public Works lab customers at two each.

Council Adopted Budget: The City Council amended the Mayor's recommendations by reducing revenue by \$85,019 in the General Fund to reflect technical adjustments.

Water Treatment and Distribution

Mayor's Recommended Budget: The Mayor recommended no changes to this division's base program proposal.

Council Adopted Budget: The City Council approved the Mayor's recommendations.

Regulatory Services

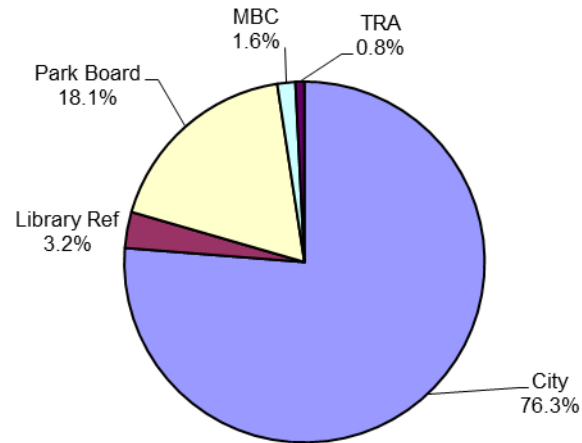
Mayor's Recommended Budget: The Mayor recommended an additional ongoing General Fund appropriation of \$135,000 for 2 animal care technicians to allow animal control officers to spend increased time in the field, and \$185,000 (1.5 FTE) in funding from the special revenue fund for a homeowner navigator and community engagement program. In addition, the Mayor recommended \$300,000 (3.0 FTE) in additional appropriations for fire inspection services which is comprised of \$180,000 in ongoing appropriation and \$120,000 in one-time funding. The Mayor also recommended a one-time general fund appropriation of \$30,000 for translation services.

Council Adopted Budget: The City Council amended the Mayor's recommendations by including an additional \$140,000 for Traffic Control to match revenue with expenditures, and to include funding for Homeline Services in the amount of \$100,000 to be funded from internal reallocations from the Regulatory Services Fund. The Council also directed Regulatory Services staff to (1) provide a status update of the activities performed by Homeline to the Community Development & Regulatory Services committee by July 1, 2015 and (2) provide existing resources to facilitate up to eight Open Street events in 2015.

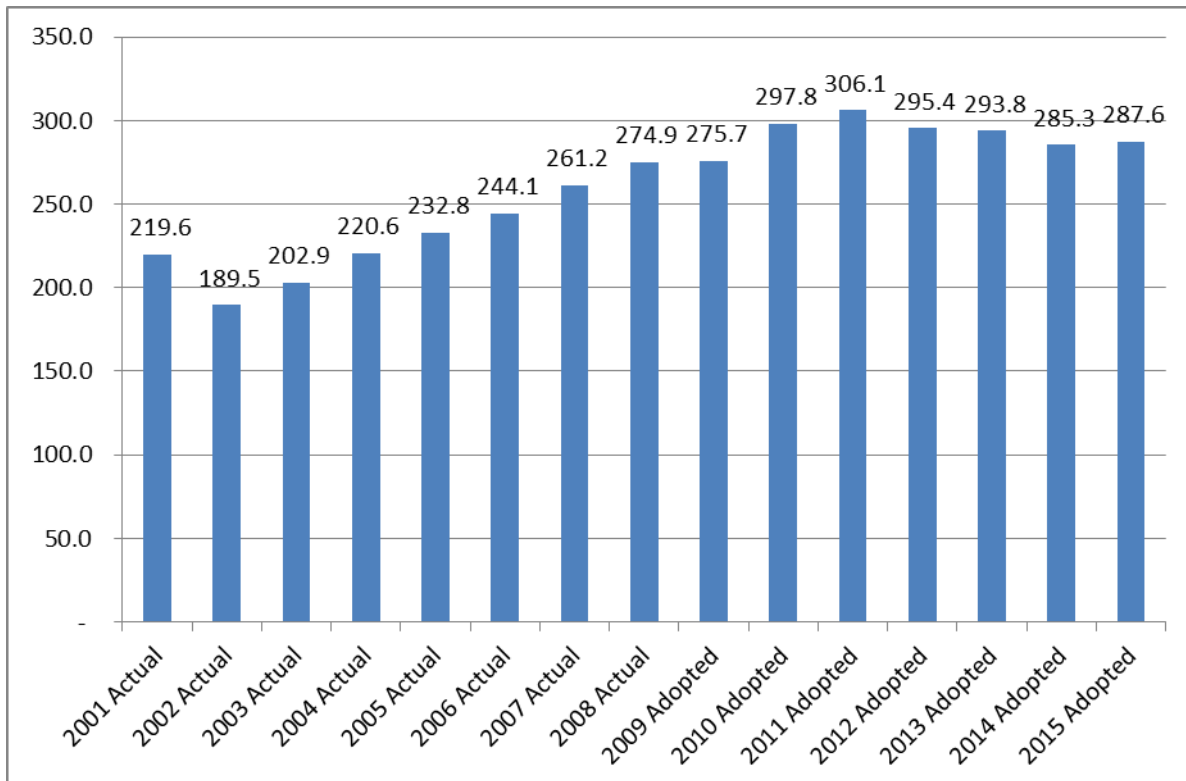
Property Tax Revenue

The City's 2015 Council Adopted Budget and \$5.905 million increase in levy result in an estimated net tax capacity rate of 67.095 percent which reflects the ratio of the certified levy compared to the overall net tax capacity of taxable property in the City. This rate is the combined rate for the City, the Board of Estimate and Taxation, the Minneapolis Park and Recreation Board, and the Municipal Building Commission (MBC). The Library referendum is a \$9.3 million market value based tax levy with an estimated market value rate of 0.02561 percent for 2015 and is not included in the City's net tax capacity rate. For more information regarding tax rate, please see <http://www.house.leg.state.mn.us/hrd/pubs/ss/ssptterm.pdf>.

Property Tax by Fund - \$287.6 Million



Property tax revenue in constant 2014 dollars*



*This revenue chart shows the trend of City revenues adjusted for inflation using the Consumer Price Index (CPI).

Property Taxes on Individual Homes

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. The table to the right shows the percentage of Minneapolis residential properties grouped according to changes in their estimated City tax impacts payable in 2015.

This table shows the estimated percentage tax change for City taxes from payable 2014 to payable 2015 with the Mayor's proposed tax levy increase.

Estimated Percentage Tax Change from Pay 2014 to Pay 2015 (City ONLY Portion)			Percentage of parcels in group*
more than - 15.00 %			1.55%
-10.00%	to	-15.00%	1.50%
-7.50%	to	-10.00%	10.58%
-5.00%	to	-7.50%	3.50%
-2.50%	to	-5.00%	17.97%
0.00%	to	-2.50%	21.62%
0.00%	to	0.00%	0.00%
2.50%	to	0.00%	16.66%
5.00%	to	2.50%	10.72%
7.50%	to	5.00%	8.57%
10.00%	to	7.50%	4.44%
12.50%	to	10.00%	1.63%
15.00%	to	12.50%	0.76%
more than + 15.00 %			0.50%

City Utility Fees

For 2015, the Council Adopted utility rates for water and sanitary sewer fees include both a variable rate component based on water usage and a fixed rate component based on the size of the water meter servicing the property. Stormwater fees will not increase in 2015. Solid waste rates are increasing due to the implementation of organics recycling in the city. The table below provides a summary of the anticipated change in an average residential customer's utility bill from 2014 to 2015. For detailed information of these changes, please refer to the narratives within the Public Works Department sections of this document.

*This table shows that 56.72% of homesteaded properties that have not had improvement between valuation dates for payable 2012 through payable 2015 (Jan 2, 2011 >> Jan 2, 2014) will have property tax decreases in the City portion of their property tax bill in 2015 as compared to their 2014 City property taxes.

Combined utility bill

monthly and annual cost for average customer

	2014	2015 monthly average*	2015 annual average	2015 monthly dollar change	2015 % change
Water	\$25.74	\$26.59	\$319	\$0.85	3.3%
Sanitary Sewer	\$22.24	\$23.06	\$277	\$0.82	3.7%
Stormwater	\$11.94	\$11.94	\$143	\$0.00	0.0%
Solid Waste/Recycling**	\$22.60	\$26.60	\$319	\$4.00	17.7%
Total	\$82.52	\$88.19	\$1,058	\$5.67	6.9%

* The average household rate for water is based on 7 units of consumption at \$3.37 per unit plus a \$3.00 fixed charge. Sanitary rates are based on 6 units of water consumption at \$3.21 per unit plus a fixed charge of \$3.80. Stormwater rates are based on 1 equivalent Stormwater unit of 1,530 square feet on impervious surface.

**The solid waste rate is based on a \$21.60 monthly charge with a large recycling cart fee of \$5.00. Customers can substitute a small cart with a \$2.00 fee. The large increase in the monthly charge is due to incorporating organics recycling.

Franchise Fees

Utility companies pay the City franchise fees for the use of the public right-of-way. Franchise fees are calculated as a percentage of each company's total utility revenues and customer volume, so the amounts paid to the City vary. The 2015 Council Adopted Budget anticipates the total franchise fee revenue will increase by \$2.1 million from the 2014 Council Adopted Budget, from \$26.9 million in 2014 to \$29.0 million in 2015. The increase in revenue is primarily due to the anticipated agreements with CenterPoint Energy related to the franchise fee for natural gas and with Xcel Energy related to the franchise fee for electricity.

There are three franchise agreements that provide revenue for the City. The franchise agreement with Xcel Energy for electricity requires the company to pay the City 5 percent of its gross revenues for Minneapolis residential service customers, 3 percent of gross revenues for Minneapolis commercial/industrial customers, and 5 percent of gross revenues for Minneapolis small commercial/industrial customers. The residential rate dropped to 4.5 percent of gross revenues beginning in 2014. In 2015, the Council Adopted Budget anticipates Xcel will pay the City \$18.0 million from this agreement, up \$1.0 million from 2014.

The franchise agreement with CenterPoint Energy for natural gas requires the company to pay the City 4.25 percent of gross revenues for Minneapolis residential buildings with four units or less, 5 percent for small commercial/industrial/firm or "interruptible" customers (customers who have agreements to allow their service to be interrupted, generally during peak loads), and 3 percent for large volume interruptible customers. For 2015, the Council Adopted Budget anticipates CenterPoint Energy will pay the City \$7.5 million from this agreement, an increase of \$1.0 million from 2014.

The City also maintains a cable television franchise agreement with Comcast that is anticipated to generate \$3.5 million for the City in 2015, a \$77,500 increase from 2014. Comcast also collects an "access fee" from subscribers to support public, educational and government (PEG) access programming. The City estimates that it will receive \$950,000 from Comcast for the access fee in 2015, a \$110,000 increase from 2014. There are ten PEG channels in the City of Minneapolis: four public, three educational and three government channels.

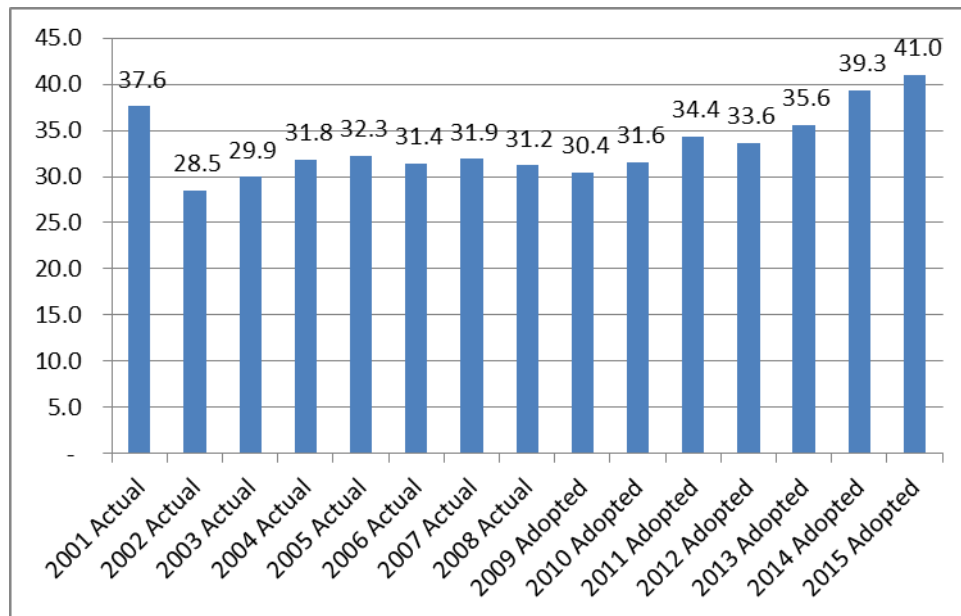
Community Development Block Grant

The 2015 Council Adopted Budget allocates \$10.7 million in CDBG funding for City programs, the same amount as the 2014 consolidated plan.

License and Permit Fee Revenue

Revenue from City-issued licenses and permits is expected to increase from \$38.8 million in 2014 to \$41.0 million in 2015 primarily due to an increase in construction activities throughout the City.

License and permit revenue in constant 2014 dollars (\$ in millions)



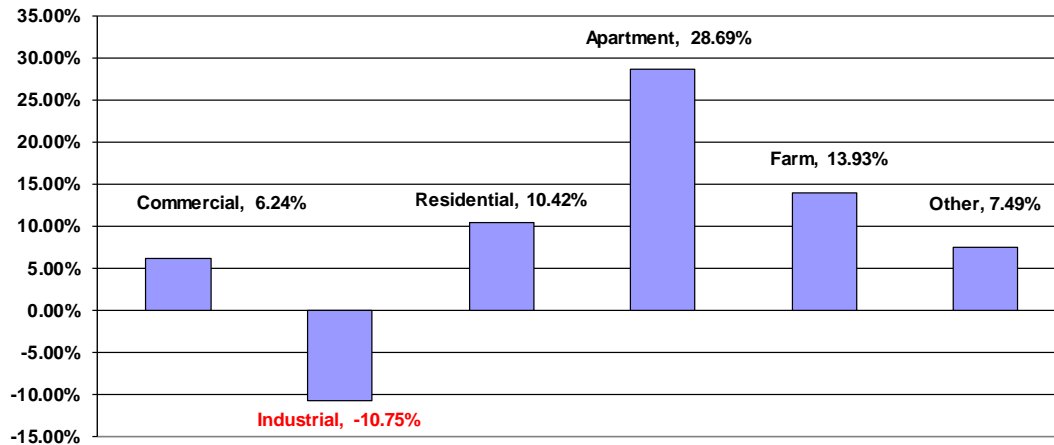
*This revenue chart shows the trend of City revenues adjusted for inflation using the Consumer Price Index (CPI).

Property Market Values and Tax Base Highlights

The following table shows the estimated market values and corresponding tax capacity by property group for the January 2, 2014 assessment utilized for property taxes payable in 2015 based on preliminary numbers.

Group	2014 Estimated Market Value	% of Total	% Change	Tax Capacity	% of Total	% Change
Real Estate						
Commercial	\$6,545,491,500	18.0%	6.14%	\$128,493,549	28.9%	6.24%
Industrial	1,183,526,600	3.3%	-9.92%	23,044,468	5.2%	-10.75%
Residential	23,520,080,100	64.6%	8.71%	228,901,268	51.5%	10.42%
Apartment	4,716,961,200	13.0%	27.80%	56,142,797	12.6%	28.69%
Farm	1,704,800	0.0%	13.93%	17,048	0.0%	13.93%
Other	18,995,100	0.1%	9.94%	253,247	0.1%	7.49%
Sub Total	\$35,986,759,300	98.9%	9.63%	\$436,852,377	98.2%	9.78%
Personal Property						
All	415,930,000	1.1%	1.00%	7,960,000	1.8%	1.05%
Grand Total	\$36,402,689,300	100.0%	9.53%	\$444,812,377	100.0%	9.61%

Estimated Change in Tax Capacity by Property Group



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 2015 based on preliminary numbers from the City and County assessors and the Board of Estimate and Taxation:

For Taxes Payable in 2015*	
Real Estate Tax Capacity	\$436,852,377
Personal Property Tax Capacity	\$7,960,000
Gross Tax Capacity	\$444,812,377
- Less Increment Financing	(\$28,904,146)
- Less Value Captured Financing	(\$1,900,571)
- Less Fiscal Disparities Contribution	(\$51,741,779)
+ Plus Fiscal Disparities Distribution	\$49,817,942
Adjusted Net Tax Capacity	\$412,083,823

* Property Values Jan 2, 2014

Commercial and Industrial Trends

The City of Minneapolis maintains the highest concentration of commercial office buildings in the State of Minnesota and therefore is the largest contributor of revenue to the state general tax on a per city basis. Minneapolis's 2014 commercial/industrial market value is estimated at \$7.7 billion dollars, of which \$4.3 billion resides in the Minneapolis Central Business District (CBD). Between January 2013 and January 2014 the Minneapolis CBD experienced a respectable 5.3 percent increase in commercial market value. Industrial market values declined by 9.9 percent primarily due to the redevelopment and repurposing of several industrial buildings. The sites for the Vikings football stadium and Wells Fargo campus have been cleared and the projects are on schedule for completion in 2016.

Apartments

The 2014 apartment market continues to outperform the other markets in Minneapolis with a 27.8 percent growth in market value over 2013. Marquette Advisors reports an increase in apartment vacancy rates from 2.2 percent to 5 percent in downtown Minneapolis between the first quarters of 2013 and 2014. The jump in vacancy is attributed to the high volume of new luxury apartments coming to market. While the vacancy rate is slightly higher than the metro area, the demand for apartments in Downtown, Uptown and the University of Minnesota neighborhoods remains strong. Apartment projects scheduled to open in 2014 are: Nic on Fifth with 253 units; Mill & Main with 162 units; LPM Apartments with 354 units, and Latitude 45 with 319 units.

Residential

At year-end 2013, the inventory of foreclosures sales competing with traditional sales declined 39 percent from 2012. As foreclosures continue to exit the market, the negative impact these properties exhibit on neighborhoods diminishes. The housing market is "stable" with the job market and other economic sectors improving. The number of homes actively on the market is up 5 percent from the previous year and down 19 percent from the peak in 2006. The current volume of housing inventory on the market is a three-month supply which is considered "in balance," neither a buyer's market or a seller's market. Residential property values grew more than 8 percent in 2013, which will impact taxes payable in 2015.

The table below shows the overall growth or decline in the market value by the three main property type classifications for the tax year in which property taxes are paid from 2006 to 2015:

Taxes Payable in:	Change in Market value for Taxes Payable Year-Over-Year		
	Commercial/Industrial	Residential	Apartment
2006	11.40%	12.90%	6.80%
2007	11.80%	6.40%	-1.20%
2008	10.41%	2.63%	3.31%
2009	1.30%	-3.12%	1.82%
2010	-0.09%	-3.60%	0.53%
2011	-9.80%	-4.40%	-6.70%
2012	-4.50%	-9.10%	-5.20%
2013	0.46%	-5.37%	2.79%
2014	0.60%	0.65%	8.53%
2015	3.32%	8.71%	27.80%

Source: City Assessor's Office and Board of Estimate and Taxation

The following table summarizes the 2015 Adopted Levy amounts:

2015 Adopted Property Tax Levies

Fund		Council Adopted Levy		% Change	\$ Change
		2014	2015	From 2014	From 2014
City-Certified Levies	General Fund	157,124,000	153,929,000	-2.03%	(3,195,000)
	Minneapolis Park Board - General	48,616,000	50,560,000	4.90%	1,944,000
	Minneapolis Park Board - Tree	1,011,000	1,475,000		464,000
	Bond Redemption	29,300,000	35,900,000	22.53%	6,600,000
	595 (HRA) Levy	1,000,000	1,021,000	2.10%	21,000
	Permanent Improvement	1,000,000	1,000,000	0.00%	-
	Pensions (MERF, MPRA, MFRA)	27,310,000	27,310,000	0.00%	-
	Board of Estimate and Taxation	170,000	160,000	0.00%	(10,000)
Other Levies	Municipal Building Commission	4,594,000	4,675,000	1.76%	81,000
	Teachers' Retirement	2,300,000	2,300,000	0.00%	-
	Library Referendum Debt Service	9,300,000	9,300,000	0.00%	-
Total		281,725,000	287,630,000	2.10%	5,905,000

Residential Property Tax - Sample Bills

Residential Property Levy & Utility Fee Estimated Impact

with Estimated Market Value Change of >>

		0.0%			15.0%		
	2014	2015	% Change	\$ Change	2015	% Change	\$ Change
Assessed Market Value (MV)	\$130,000	\$130,000	0.0%	\$0	\$149,500	15.0%	\$19,500
Market Value Credit Exclusion	(\$25,540)	(\$25,540)	0.0%	\$0	(\$23,785)	-6.9%	\$1,755
Taxable Value	\$104,460	\$104,460	0.0%	\$0	\$125,715	20.3%	\$21,255
Tax Capacity	\$1,045	\$1,045	0.0%	\$0	\$1,257	20.3%	\$213
City Property Taxes							
Tax Capacity based Taxes	\$750	\$693	-7.6%	(\$57)	\$833	11.1%	\$83
MV Referendum Tax	\$37	\$33	-8.7%	(\$3)	\$38	5.1%	\$2
Total City Property Taxes	\$787	\$726	-7.6%	(\$60)	\$871	10.8%	\$85
Utility Fees							
Water	\$309	\$319	3.2%	\$10	\$319	3.2%	\$10
Storm	\$143	\$143	0.0%	\$0	\$143	0.0%	\$0
Sanitary Sewer	\$267	\$277	3.7%	\$10	\$277	3.7%	\$10
Solid Waste Recycling	\$271	\$319	17.7%	\$48	\$319	17.7%	\$48
Total Utilities	\$990	\$1,058	6.9%	\$68	\$1,058	6.9%	\$68
Total City Property Taxes & Utility	\$1,777	\$1,784	0.4%	\$8	\$1,929	8.6%	\$153

Residential Property Levy & Utility Fee Estimated Impact

with Estimated Market Value Change of >>

		0.0%			15.0%		
	2014	2015	% Change	\$ Change	2015	% Change	\$ Change
Assessed Market Value (MV)	\$175,000	\$175,000	0.0%	\$0	\$201,250	15.0%	\$26,250
Market Value Credit Exclusion	(\$21,490)	(\$21,490)	0.0%	\$0	(\$19,128)	-11.0%	\$2,363
Taxable Value	\$153,510	\$153,510	0.0%	\$0	\$182,123	18.6%	\$28,613
Tax Capacity	\$1,535	\$1,535	0.0%	\$0	\$1,821	18.6%	\$286
City Property Taxes							
Tax Capacity based Taxes	\$1,102	\$1,018	-7.6%	(\$84)	\$1,207	9.5%	\$105
MV Referendum Tax	\$49	\$45	-8.7%	(\$4)	\$52	5.0%	\$2
Total City Property Taxes	\$1,151	\$1,063	-7.7%	(\$88)	\$1,259	9.3%	\$107
Utility Fees							
Water	\$309	\$319	3.2%	\$10	\$319	3.2%	\$10
Storm	\$143	\$143	0.0%	\$0	\$143	0.0%	\$0
Sanitary Sewer	\$267	\$277	3.7%	\$10	\$277	3.7%	\$10
Solid Waste Recycling	\$271	\$319	17.7%	\$48	\$319	17.7%	\$48
Total Utilities	\$990	\$1,058	6.9%	\$68	\$1,058	6.9%	\$68
Total City Property Taxes & Utility	\$2,141	\$2,121	-0.9%	(\$20)	\$2,317	8.2%	\$175

Residential Property Levy & Utility Fee Estimated Impact

2015

with Estimated Market Value Change of >>

	2014	2015	% Change	\$ Change	2015	% Change	\$ Change
Assessed Market Value (MV)	\$240,000	\$240,000	0.0%	\$0	\$276,000	15.0%	\$36,000
Market Value Credit Exclusion	(\$15,640)	(\$15,640)	0.0%	\$0	(\$12,400)	-20.7%	\$3,240
Taxable Value	\$224,360	\$224,360	0.0%	\$0	\$263,600	17.5%	\$39,240
Tax Capacity	\$2,244	\$2,244	0.0%	\$0	\$2,636	17.5%	\$392
City Property Taxes							
Tax Capacity based Taxes	\$1,611	\$1,487	-7.7%	(\$124)	\$1,748	8.5%	\$137
MV Referendum Tax	\$68	\$62	-8.7%	(\$6)	\$71	5.0%	\$3
Total City Property Taxes	\$1,679	\$1,549	-7.7%	(\$130)	\$1,819	8.4%	\$140
Utility Fees							
Water	\$309	\$319	3.2%	\$10	\$319	3.2%	\$10
Storm	\$143	\$143	0.0%	\$0	\$143	0.0%	\$0
Sanitary Sewer	\$267	\$277	3.7%	\$10	\$277	3.7%	\$10
Solid Waste Recycling	\$271	\$319	17.7%	\$48	\$319	17.7%	\$48
Total Utilities	\$990	\$1,058	6.9%	\$68	\$1,058	6.9%	\$68
Total City Property Taxes & Utility	\$2,669	\$2,607	-2.3%	(\$62)	\$2,877	7.8%	\$208

Residential Property Levy & Utility Fee Estimated Impact

with Estimated Market Value Change of >>

	2014	2015	% Change	\$ Change	2015	% Change	\$ Change
Assessed Market Value (MV)	\$350,000	\$350,000	0.0%	\$0	\$402,500	15.0%	\$52,500
Market Value Credit Exclusion	(\$5,740)	(\$5,740)	0.0%	\$0	(\$1,015)	-82.3%	\$4,725
Taxable Value	\$344,260	\$344,260	0.0%	\$0	\$401,485	16.6%	\$57,225
Tax Capacity	\$3,443	\$3,443	0.0%	\$0	\$4,015	16.6%	\$572
City Property Taxes							
Tax Capacity based Taxes	\$2,472	\$2,282	-7.7%	(\$190)	\$2,662	7.7%	\$190
MV Referendum Tax	\$99	\$90	-8.7%	(\$9)	\$104	5.0%	\$5
Total City Property Taxes	\$2,571	\$2,372	-7.7%	(\$199)	\$2,766	7.6%	\$195
Utility Fees							
Water	\$309	\$319	3.2%	\$10	\$319	3.2%	\$10
Storm	\$143	\$143	0.0%	\$0	\$143	0.0%	\$0
Sanitary Sewer	\$267	\$277	3.7%	\$10	\$277	3.7%	\$10
Solid Waste Recycling	\$271	\$319	17.7%	\$48	\$319	17.7%	\$48
Total Utilities	\$990	\$1,058	6.9%	\$68	\$1,058	6.9%	\$68
Total City Property Taxes & Utility	\$3,561	\$3,430	-3.7%	(\$131)	\$3,824	7.4%	\$263

Commercial/ Industrial and Apartment Property Tax - Sample Bills

Commercial/Industrial Property with an Estimated Pay 2015 Market Value Change of		0.00%			5.00%			10.00%		
	2014	2015	% Change	\$ Change	2015	% Change	\$ Change	2015	% Change	\$ Change
Assessed Market Value (MV)	\$275,000	\$275,000	0.00%	\$0	\$288,750	5.00%	\$13,750	\$302,500	10.00%	\$27,500
Tax Capacity	\$4,750	\$4,750	0.00%	\$0	\$5,025	5.79%	\$275	\$5,300	11.58%	\$550
City Property Taxes										
Tax Capacity based Taxes	\$2,324.86	\$2,088.83	-10.15%	(\$236.03)	\$2,209.77	-4.95%	(\$115.09)	\$2,330.70	0.25%	\$5.84
MV Referendum Tax	\$77.47	\$70.76	-8.66%	(\$6.71)	\$74.30	-4.09%	(\$3.17)	\$77.83	0.46%	\$0.36
Total City Property Taxes	\$2,402.33	\$2,159.59	-10.10%	(\$242.74)	\$2,284.07	-4.92%	(\$118.26)	\$2,408.53	0.26%	\$6.20

Commercial/Industrial Property with an Estimated Pay 2015 Market Value Change of		0.00%			5.00%			10.00%		
	2014	2015	% Change	\$ Change	2015	% Change	\$ Change	2015	% Change	\$ Change
Assessed Market Value (MV)	\$10,375,000	\$10,375,000	0.00%	\$0	\$10,893,750	5.00%	\$518,750	\$11,412,500	10.00%	\$1,037,500
Tax Capacity	\$206,750	\$206,750	0.00%	\$0	\$217,125	5.02%	\$10,375	\$227,500	10.04%	\$20,750
City Property Taxes										
Tax Capacity based Taxes	\$101,192.71	\$90,919.22	-10.15%	(\$10,273.49)	\$95,481.68	-5.64%	(\$5,711.03)	\$100,044.13	-1.14%	(\$1,148.58)
MV Referendum Tax	\$2,922.64	\$2,669.49	-8.66%	(\$253.15)	\$2,802.96	-4.09%	(\$119.68)	\$2,936.44	0.47%	\$13.80
Total City Property Taxes	\$104,115.35	\$93,588.71	-10.11%	(\$10,526.64)	\$98,284.64	-5.60%	(\$5,830.71)	\$102,980.57	-1.09%	(\$1,134.78)

Apartment Property with an Estimated Pay 2015 Market Value Change of		0.00%			5.00%			10.00%		
	2014	2015	% Change	\$ Change	2015	% Change	\$ Change	2015	% Change	\$ Change
Assessed Market Value (MV)	\$404,000	\$404,000	0.00%	\$0	\$424,200	5.00%	\$20,200	\$444,400	10.00%	\$40,400
Tax Capacity	\$5,050	\$5,050	0.00%	\$0	\$5,303	5.00%	\$253	\$5,555	10.00%	\$505
City Property Taxes										
Tax Capacity based Taxes	\$2,471.70	\$2,220.76	-10.15%	(\$250.94)	\$2,331.80	-5.66%	(\$139.90)	\$2,442.84	-1.17%	(\$28.86)
MV Referendum Tax	\$113.81	\$103.95	-8.66%	(\$9.86)	\$109.15	-4.09%	(\$4.66)	\$114.34	0.47%	\$0.53
Total City Property Taxes	\$2,585.51	\$2,324.71	-10.09%	(\$260.80)	\$2,440.95	-5.59%	(\$144.56)	\$2,557.18	-1.10%	(\$28.33)

Apartment Property with an Estimated Pay 2015 Market Value Change of		0.00%			5.00%			10.00%		
	2014	2015	% Change	\$ Change	2015	% Change	\$ Change	2015	% Change	\$ Change
Assessed Market Value (MV)	\$722,000	\$722,000	0.00%	\$0	\$758,100	5.00%	\$36,100	\$794,200	10.00%	\$72,200
Tax Capacity	\$9,025	\$9,025	0.00%	\$0	\$9,476	5.00%	\$451	\$9,928	10.00%	\$903
City Property Taxes										
Tax Capacity based Taxes	\$4,417.24	\$3,968.78	-10.15%	(\$448.46)	\$4,167.22	-5.66%	(\$250.02)	\$4,365.66	-1.17%	(\$51.58)
MV Referendum Tax	\$203.39	\$185.77	-8.66%	(\$17.62)	\$195.06	-4.10%	(\$8.33)	\$204.35	0.47%	\$0.96
Total City Property Taxes	\$4,620.63	\$4,154.55	-10.09%	(\$466.08)	\$4,362.28	-5.59%	(\$258.35)	\$4,570.01	-1.10%	(\$50.62)