

**City of Minneapolis
2018 Budget**

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City of Minneapolis 2018 Budget

Financial Overview

The 2018 Council Adopted Budget for all City funds of \$1.54 billion was adopted on December 6, 2017. This represents an \$86.3 million, or 5.9 percent, increase from the 2017 Council Adopted Budget of \$1.45 billion inclusive of the City's component units. At the same time, the Council adopted an overall increase of 5.5 percent in the property tax levy for the City and its component units (including their respective requests for funding for their own budgets), raising the total amount levied by \$17.3 million, from \$313.9 million in 2017 to \$331.2 million in 2018. 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 increase by \$1.3 million, but still falls over \$10 million short of the 2010 certified LGA amount of \$90 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 2018 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 inclusive of the Independent Boards increases by 6.2 percent in 2018, or \$61.6 million. As part of this budget, funds that have accumulated in the various City funds due to a growing economy and fiscal restraint in prior years allows for utilization of fund balances for departmental activities, as well as providing for operating capital items and other one-time items.
- This budget emphasizes public safety by funding or continuing initiatives across the enterprise:
 - Within the Police Department, funding is provided for four (4) new Community Safety Liaisons to work directly with the community across our City. Funding is also provided for one (1) additional general fund-funded sworn officer, a City match for 10 new sworn officers made possible through a federal Community Oriented Policing Strategies (COPS) grant, and permanently funding two (2) sworn officers who were previously grant-funded – bringing the authorized strength to 888 sworn officers – continuing down a five-year path towards a full authorized strength of 901 sworn officers. This budget includes funding for two FTE to provide precinct administrative support so that sworn leadership in the community can more fully focus on public safety rather than also focusing on administrative tasks. Finally, this budget marks the first year of a three-year plan to equip all front-line sworn officers with body cameras, providing funding for 100

- additional cameras in each of the next three years on top of the 587 cameras already purchased or authorized for purchase; and the budget funds two FTE dedicated to review of body camera data.
- Within the Fire Department, funding is provided for three (3) additional sworn fire fighters, and for Mobile EMS vehicles. Across the city, calls to the fire department are up, but fires are down. Increased fire department staffing and equipment will help the Fire Department keep Minneapolis residents and visitors healthy and safe.
 - Within the Regulatory Services Department, additional temporary traffic control resources are provided to assist in ensuring safety and managing traffic flow through the heightened construction period the City continues to experience.
 - Within the Health and City Attorney Departments, this budget continues to fund group violence intervention and domestic violence intervention initiatives.
 - And, within the Neighborhood & Community Relations Department, funding is provided for community safety projects to be determined in consultation with city residents.
- Minneapolis will host Super Bowl LII in February, 2018. This international event is expected to bring approximately 100,000 visitors for 10 days of festivities leading up to and including Super Bowl Sunday. Direct City expenses incurred as a result of the Super Bowl which are above and beyond regular City workload, are being paid according to the terms of an agreement with the Super Bowl Host Committee. In total these reimbursements to departments will reach nearly \$5 million, with payments in 2017 and 2018. Most of the expense will occur in 2018 when we expect to be paid for overtime expense for police officers, fire fighters, 911 dispatch, health inspections, fire inspections, traffic control and management activities, and more. The Super Bowl may result in increases in parking revenues, local sales, and entertainment taxes of \$4 million which can offset other potential costs of the City associated with planning for and hosting this event.
 - Increasing sustainability and energy efficiency for the enterprise and businesses and residents across the City continues to be a priority of the City, and this budget reflects that as well. This budget includes over \$2M in ongoing spending dedicated to: moving the City to 100% renewable sources for its electricity; supporting the city's Sustainability office; residential energy benchmarking and pollution reduction efforts through the Green Business Program through the Health Department; and, funding of additional initiatives, to be decided by the Council with input from the Clean Energy Partnership.
 - In 2016, the City Council, Mayor, and Park Board forged a partnership to fund a generational investment in the city's parks and streets infrastructure. This budget continues to fund that investment and solve the problem of our longstanding infrastructure deficit – and does so with a focus on racial and economic equity in when and where those investments are made.
 - This budget continues to build and emphasize pathways for city employment across multiple departments. A new pathways program is being funded in the Finance & Property Services department to recruit and train individuals who have just graduated from accounting programs at technical colleges and universities in the Twin Cities. And additional funding is provided for Regulatory Services for its pathways program and for CPED to continue to work to build pathways programs with selected departments.
 - The 2018 Council Adopted Budget recognizes that performing new work doesn't necessarily mean we need additional funding. This budget includes strategic cuts and reallocations of

over \$1.2 million in the General Fund in order to fund needed improvements while holding property tax increases lower.

- In recognition of one of the major policy changes enacted by the City in 2017, this budget funds education and outreach support for the Minimum Wage ordinance through the Civil Rights department. These resources are intended to help City staff work with the business community to ensure everyone understands the ordinance. The budget also provides funding for a study of the impact of the ordinance on wages and employment in the city.
- This budget also provides resources for enhanced transparency and data practices. The City Clerk's office will implement a new data review and redaction system, and a centralized data practices request system, and the IT department will begin work, in conjunction with the Communications Department, on redeveloping and redeploying an improved minneapolismn.gov.
- The 2018 Council Adopted budget continues to emphasize and underscore the need for the City to ensure the availability of affordable housing for residents. In the budget, \$3.65 million goes towards the Housing Preservation Strategy, and \$750,000 goes to the Minneapolis Homes program, both within the CPED department. Additionally, new funding is proposed in the City Coordinator's office for a Housing Policy Coordinator. Finally, this budget also provides \$125,000 annually for increased security in Minneapolis Public Housing Authority buildings.
- This budget creates a new Downtown Assets Fund, a special revenue fund. The Downtown Assets Fund will clearly delineate the uses of sales and entertainment taxes.

In 2018, the Downtown Assets Fund will:

- Provide \$30.85 million on-going to the General Fund to reduce property taxes;
- Support Convention Center operations and debt service;
- Fund Meet Minneapolis support from the City of Minneapolis;
- Pay for Target Center debt service associated with the new renovations and other on-going operating and capital needs of that facility;
- Provide \$4,000,000 in capital costs to match State and philanthropic support for Peavy Plaza; and,
- Provide operational funds, on a one-time basis, for 2018 for the Downtown East Commons. Through this fund, Convention Center staff will comprehensively manage these four capital assets and integrate the investments in and operations of these facilities.
- Finally, this budget emphasizes civic engagement in our democracy by investing in elections. The 2018 Council Adopted budget includes three changes to how the City funds our elections:
 - First, this budget separates elections funding from the rest of the City Clerk's budget to account for all obligations associated with this important government function.
 - Second, this budget adds one-time funding of \$1M for the 2018 elections which feature a year with the state's three highest offices – Governor and both U.S. Senate seats – up for election.

- And third, this budget gradually increases the base funding for elections over a five year period, in order to smooth out peaks and valleys in funding, and related peaks and valleys in needed property taxes, associated with election cycles.

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 recent couple of 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 new stadium to be used by the Minnesota Vikings 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.

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 reduction in staffing over time places increased pressure on remaining employees as the workloads are increasing as the economy improves and the need for responsive resources increases.

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 2018 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 2018, 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 2018 Council Adopted Budget by departmental activity, excluding transfers.

Expenditures by Service

(In Millions of Dollars)

	2017 Adopted	2018 Council Adopted	% Change	\$ Change
Attorney	18.1	18.4	1.9%	0.3
Coordinator*	136.9	144.1	5.3%	7.2
CPED	91.2	97.1	6.4%	5.8
Convention Center	53.8	53.0	-1.4%	-0.8
Fire	65.1	66.5	2.2%	1.4
Health	21.3	22.7	6.8%	1.4
Police	163.2	179.4	10.0%	16.3
Regulatory Services	24.2	25.1	3.7%	0.9
Public Works	342.2	370.7	8.3%	28.5
Other City Services**	83.3	83.8	0.6%	0.5
Debt Service	135.6	148.6	9.6%	13.0
Capital Improvement	198.3	204.3	3.0%	6.0
Park Board	111.0	116.3	4.7%	5.3
Other Independent Boards***	9.7	10.0	3.9%	0.4
Total City Spending	1,453.9	1,540.2	5.9%	86.3

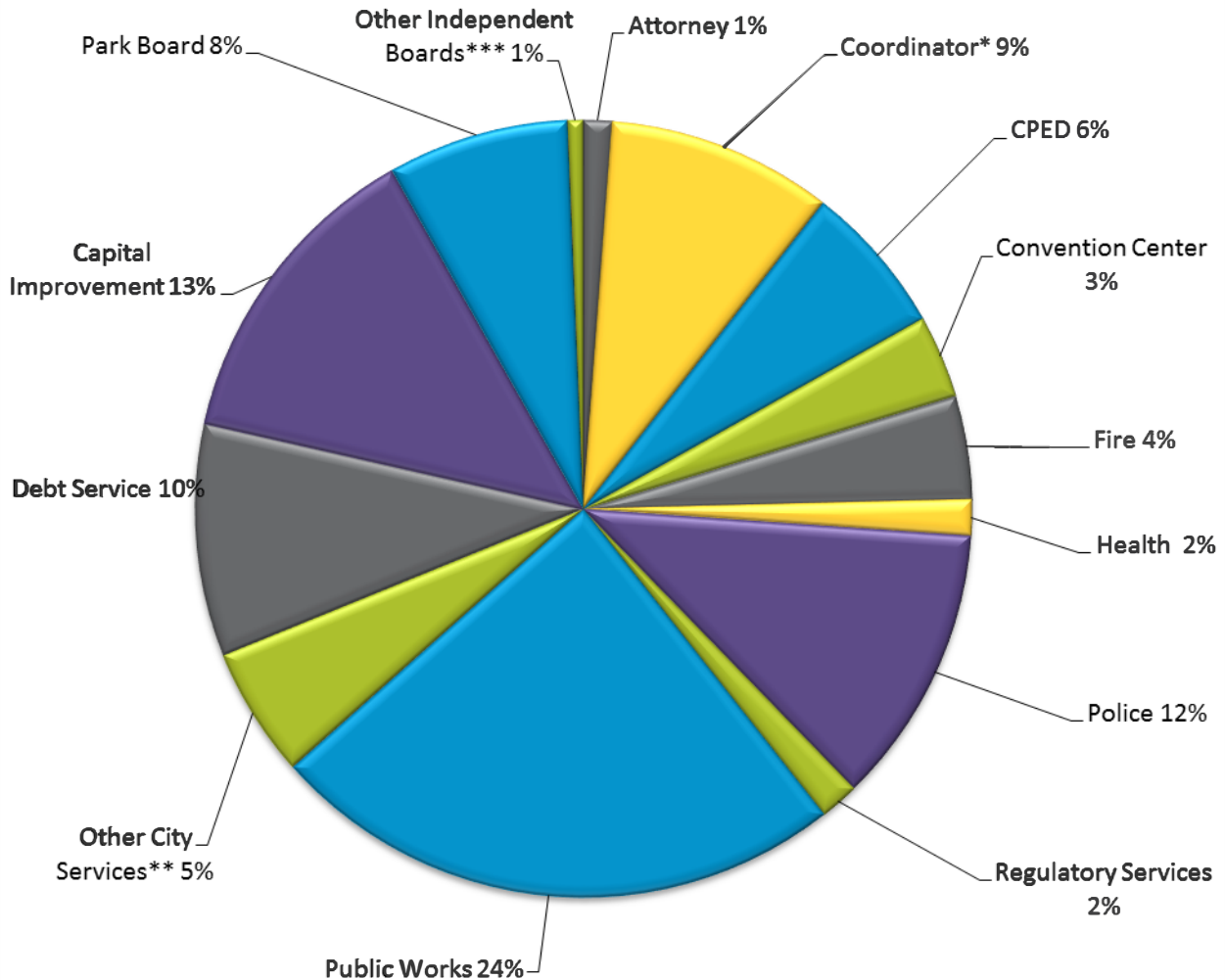
* Includes 311, 911, Communications, Emergency Preparedness, Finance and Property Services, Human Resources, IT, Intergovernmental Relations, and Neighborhood and Community Relations.

** 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 2018 Council Adopted Budget: \$1.5 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 2018, the City forecasts \$1.5 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.

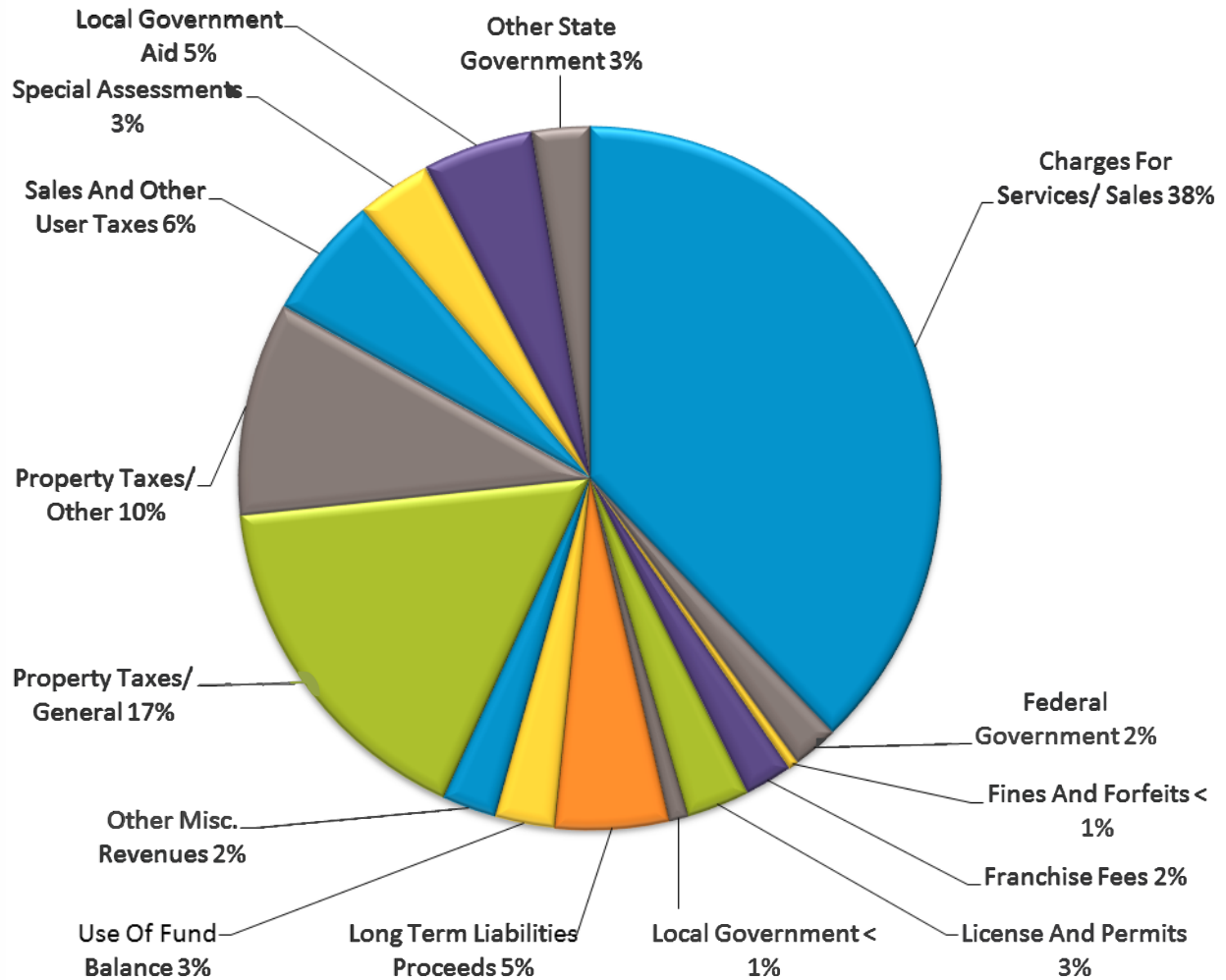
Below is a summary of the 2018 Council Adopted Budget revenues by major category.

Revenue by Category

(In Million of Dollars)

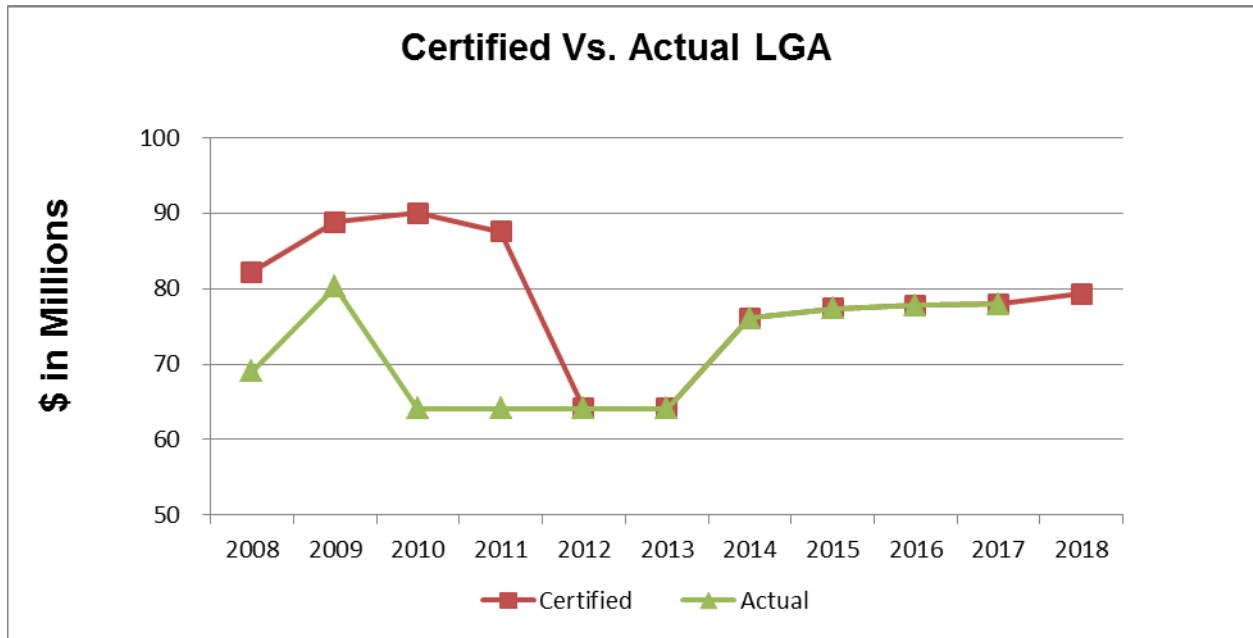
Revenue Category	2017 Adopted	2018 Council Adopted	% Change	\$ Change
Charges For Services/ Sales	536.5	\$583.1	8.7%	46.5
Federal Government	27.7	\$32.3	16.4%	4.6
Fines And Forfeits	7.3	\$7.3	-0.3%	0.0
Franchise Fees	30.9	\$33.5	8.3%	2.6
License And Permits	44.0	\$44.8	1.7%	0.7
Local Government	8.7	\$13.6	56.8%	4.9
Long Term Liabilities Proceeds	102.8	\$80.4	-21.8%	-22.4
Use Of Fund Balance	53.0	\$42.3	-20.2%	-10.7
Other Misc. Revenues	29.7	38.3	29.0%	8.6
Property Taxes/ General	243.1	\$254.0	4.5%	10.9
Property Taxes/ Other	134.0	\$151.1	12.7%	17.1
Sales And Other User Taxes	84.1	\$87.9	4.5%	3.8
Special Assessments	41.0	\$52.6	28.3%	11.6
Local Government Aid	77.8	\$78.0	0.3%	0.2
Other State Government	33.3	\$41.1	23.7%	7.9
Total Revenue	\$1,453.9	\$1,540.2	5.9%	86.3

Total Revenue Budget - Source of Funds 2018 Council Adopted: \$1.5 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 \$78.0 million in 2017. The certified LGA appropriation for 2018 is \$79.3 million, \$1.3 million more than 2017. Of this \$79.3 million, 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 2018 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 30.6 percent of the 2018 Council Adopted Budget, an increase from 30.2 percent in the 2017 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

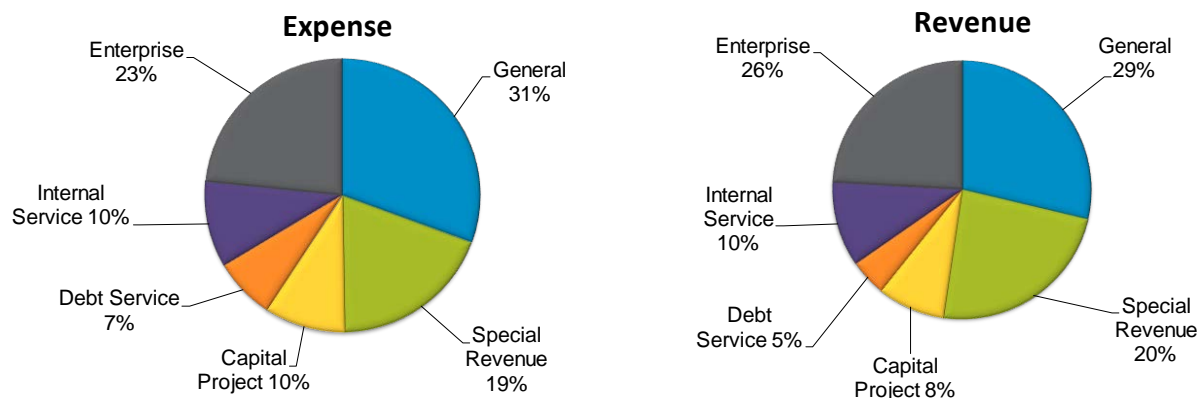
In Millions

	2017 Adopted	2018 Council Adopted	% Change	\$ Change
Expense:				
General	\$438.4	\$471.4	7.5%	\$33.1
Special Revenue	\$294.2	\$294.9	0.3%	\$0.7
Capital Project	\$106.3	\$145.9	37.2%	\$39.6
Debt Service	\$107.3	\$111.4	3.8%	\$4.1
Internal Service	\$142.0	\$156.6	10.2%	\$14.6
Enterprise	\$365.7	\$360.0	-1.6%	-\$5.7
Total	\$1,453.9	\$1,540.2	5.9%	\$86.3

	2017 Adopted	2018 Council Adopted	% Change	\$ Change
Revenue:				
General	\$485.3	\$442.2	-8.9%	-\$43.1
Special Revenue	\$288.2	\$363.6	26.2%	\$75.4
Capital Project	\$90.3	\$130.5	44.4%	\$40.2
Debt Service	\$70.1	\$70.3	0.4%	\$0.3
Internal Service	\$142.8	\$162.3	13.6%	\$19.5
Enterprise	\$377.2	\$371.3	-1.6%	-\$5.9
Total	\$1,453.9	\$1,540.2	5.9%	\$86.3

Note: The chart above shows different levels of revenue and expense by fund type due to the removal of transfers and use of fund balance.

Expense and Revenue By Fund Type



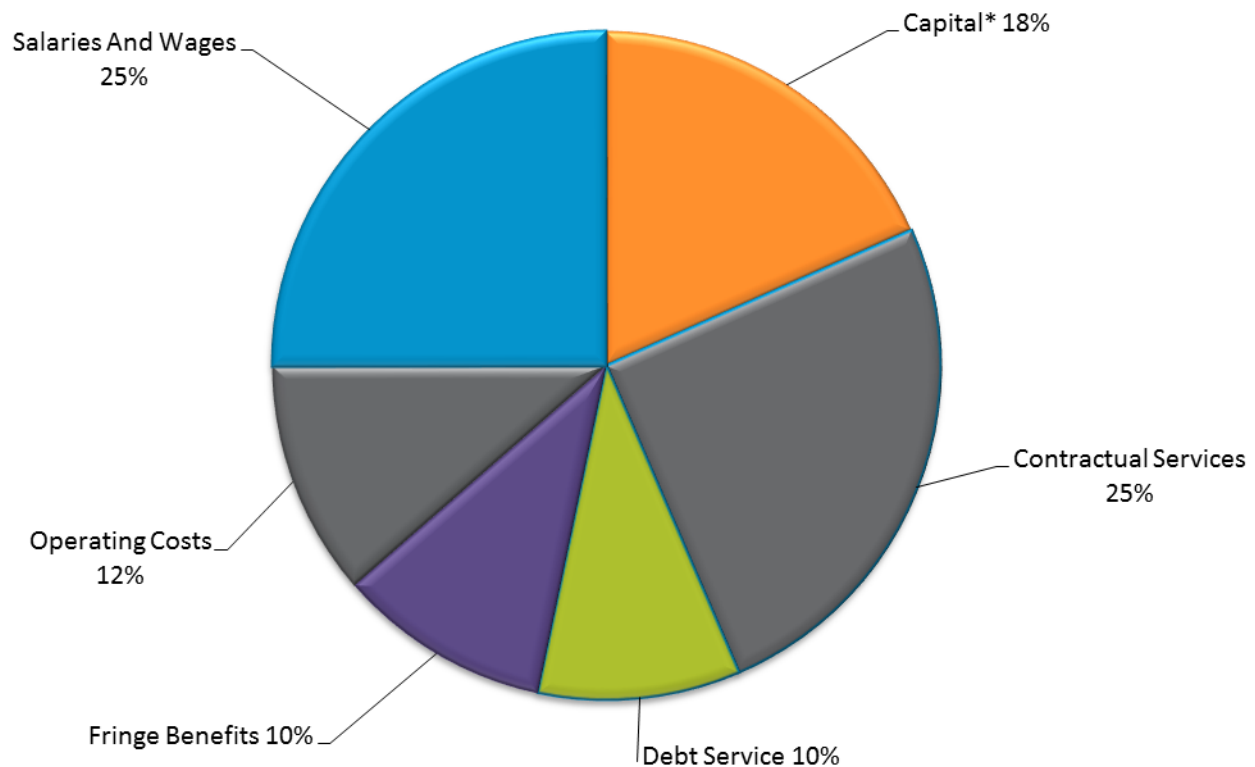
The largest portion of the City's budget is spent on personnel, which comprises \$544.4 million or 35.3 percent of the total budget.

Expense by Category

Expense Category	2017 Adopted	2018 Council Adopted	% Change	\$ Change
Capital*	270.9	282.3	4.2%	11.5
Contractual Services	360.2	387.7	7.6%	27.5
Debt Service	139.6	150.8	8.0%	11.2
Fringe Benefits	147.9	159.0	7.5%	11.1
Operating Costs	177.5	175.0	-1.4%	-2.5
Salaries And Wages	357.8	385.4	7.7%	27.5
Total Expense	\$1,453.9	\$1,540.2	5.9%	\$86.3

*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 2018 Council Adopted Budget: \$1.5 Billion



Funding for Physical Infrastructure

Five-Year Capital Program Totals: For 2018 – 2022, the five-year capital program for City departments, independent boards and commissions totals \$909.61 million including all funding sources. The 2018 portion of this program is \$201.49 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	2018	2019	2020	2021	2022	Total	Percent of Total
Budget in Thousands								
MUNICIPAL BUILDING COMMISSION		5,600	2,066	1,246	856	330	10,098	1.1%
PARK BOARD		12,335	12,342	12,337	12,980	13,140	63,134	6.9%
PUBLIC WORKS DEPARTMENT	INFRASTRUCTURE PROJECTS	96,654	86,023	81,585	83,455	107,002	454,719	50.0%
	SANITARY SEWERS	10,500	12,500	12,500	12,500	12,500	60,500	6.7%
	STORM SEWERS	16,038	27,170	26,750	26,750	29,750	126,458	13.9%
	WATER INFRASTRUCTURE	34,235	50,850	29,445	17,990	18,450	150,970	16.6%
	Public Works Department Total	157,427	176,543	150,280	140,695	167,702	792,647	87.2%
PUBLIC GROUNDS & FACILITIES		25,410	7,700	4,700	0	2,144	39,954	4.4%
MISCELLANEOUS PROJECTS		716	756	775	763	767	3,777	0.4%
	Grand Totals	201,488	199,407	169,338	155,294	184,083	909,610	100.0%

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

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 2018 - 2022 five-year cycle, the City received requests from departments totaling \$90.6 million. For 2018, the requests totaled \$28.6 million. This budget allocates \$6.6 million of General Fund resources and \$15.7 million of non-General Fund resources for this program across all departments.

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 2018 total \$22.3 million, same level as 2017, and a decrease of \$5.0 million from the 2016 level of \$27.3 million. The 2015 State legislature changed PERA's out year investment assumptions from 8.5% to 8.0% which lowers the assumed out year investment returns, increases the unfunded liability amounts and therefore the annual funding requirement.

- 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 2018, 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 through 2037.

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

The employers' contribution level in PERA's Coordinated Plan for 2018 is 7.5 percent, the same as in 2017. The PERA's Police and Fire Plans' employer's contribution remained at 16.2 percent for 2018 as in 2017. The estimated total cost of contributions to PERA for the City inclusive of its independent boards for 2018 is \$37.9 million, which is covered in the budgets of the departments in which the employees work.

	2017	2018	Change
	<u>(in millions)</u>		
PERA	\$17.1	\$18.1	\$1.0
PERA Police & Fire	\$17.7	\$19.8	\$2.1
Total	\$34.8	\$37.9	\$3.1

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 2018 Council Adopted Budget increases the FTE count of City positions by 83.55 over the 2017 Council Adopted Budget, inclusive of the City's independent boards, from 5,137.06 to 5,220.61 FTEs.

Salary and wages. The 2018 Council Adopted Budget includes an increase in personnel expenditures (\$385.4 million in salaries and wages, compared to a 2017 total of \$357.8 million). It also includes \$159.0 million in fringe benefits, compared to \$147.9 million in 2017, inclusive of the City's independent boards.

Benefits. Health and dental insurance expenditures are budgeted to increase from \$70.9 million in 2017 to \$75.3 million in 2018, inclusive of the City's independent boards. This is an increase of \$4.3 million or 6.1 percent.

Major Changes in the 2018 Council Adopted Budget

This section of the 2018 Council Adopted Budget describes the funding recommendations proposed by the Mayor for various departmental program submissions. The recommendations are organized by department.

Citywide Changes

As a starting point for 2018 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. Changes made to program proposals by the Mayor and Council, along with new initiatives that they chose to fund are noted below. Program changes proposed by departments that were not recommended for funding in the budget are not included.

The cost of doing business today is greater than it was yesterday, and the same will be true tomorrow. This is because each year the City faces inflationary pressures in compensation (including salaries and fringe benefits such as health insurance), and internal services (such as rent, information technology (IT), and fleet services). For the General Fund, the inflationary growth has averaged approximately 4.3% over each of the past five years. For 2018, that growth was projected to reach 7%. At the Mayor's instruction the Fleet and IT departments each reduced General Fund charges to other departments by \$750,000. This \$1.5 million cost containment in the General Fund translated to a \$2 million reduction across all funds – and in total it brings the 2018 increase more in line with the historical average but may also mean slower implementation of IT projects and fleet replacements and/or reductions in service for many departments compared to expectations.

The 2018 Council Adopted Budget includes proposals 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 and through revenues that exceeded budgetary expectations due to continued growth in the local economy.

The Council Adopted budget also includes funding for the Capital Asset Request System, or CARS, that was initiated as part of the 2014 budget to provide a mechanism for budgeting small

and mid-level capital requests previously expected to be paid for in departmental budgets. CARS requests include items that are not ongoing in nature including enterprise software upgrades, vehicle purchases, equipment, and other deferred capital items. The goal of this effort is to increase transparency in spending and operating costs by including these budgetary requests in a separate process.

Departmental Changes

The Council approved several amendments to the Mayor's Recommended Budget. The program proposal recommendations include those submitted by departments, as well as new initiatives proposed by the Mayor. The amendments are reflected under the following department's budgets:

Assessor

Mayor's Recommended Budget: The Mayor recommends a \$1.275 million one-time General Fund appropriation for the Property Records and Computer Assisted Mass Appraisal (CAMA) system. This appropriation is not available to be spent until the Assessor, IT, and Finance & Property Services departments have reached a mutually agreed upon work plan.

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

Attorney

Mayor's Recommended Budget: The Mayor recommends ongoing General Fund appropriations of \$60,000 for the MPD Family Violence Unit program, \$200,000 for the Pre-Filing Charge Review Team program (includes 2.0 FTEs), and \$50,000 to hire paid Criminal Division Law Clerks (1.3 FTEs).

The Mayor also recommends one-time General Fund appropriations of \$40,000 to continue to pursue alternative sentencing in carrying without permit cases, \$25,000 for Pre-Charge Diversion programs in prostitution cases, and \$60,000 for continuation of the Violent Crime Hot Spots program.

Council Adopted Budget: The City Council amended the Mayor's recommendations; adding a one-time appropriation of \$25,000 for a contract with The Link to work with youth and families to overcome the impacts of poverty and social injustice.

The City Council directed the Neighborhood and Community Relations' Office of Immigrant and Refugee Affairs, the City Coordinator's Office, the Finance Department, and the City Attorney's Office to establish the Municipal ID Workgroup.

The Municipal ID Workgroup shall report back to Committee of the Whole no later than March 31, 2018, to present a framework and budgetary needs to inform the Municipal ID program for the City of Minneapolis. The work plan shall include, but not be limited to, identifying the research, engagement, and resources required to develop a Municipal ID ordinance and program that serves all residents of Minneapolis including the immigrant, transgender, homeless, student, and elderly communities.

City Clerk – Office of City Clerk

Mayor's Recommended Budget: The Mayor recommends ongoing General Fund appropriations of \$10,000 for a centralized data practices request system, \$60,000 for a data review and redaction system, and re-allocation of General Fund resources by decreasing the City Clerk department's budget on an ongoing basis by \$200,000 and increasing the Election and Voter Services Department's base budget by \$200,000.

The Mayor also recommends a one-time General Fund appropriation of \$50,000 for a centralized imaging and scanning system and \$25,000 for transition and orientation of the newly elected officials following the 2017 municipal election.

Appropriations for the centralized data practices request system, the data review & redaction system, and the centralized imaging and scanning systems are not available to be spent until the City Clerk, IT, and Finance & Property Services departments have signed a reached agreed upon work plan for each project.

Council Adopted Budget: The City Council amended the Mayor's recommendations; decreasing the department's ongoing appropriation by \$10,000.

City Clerk – Election and Voter Services

Mayor's Recommended Budget: The Mayor recommends re-allocation of General Fund appropriations by decreasing the City Clerk department's budget on an ongoing basis by \$200,000 and increasing the Election and Voter Services Department's base budget by \$200,000.

The Mayor also recommends a one-time General Fund appropriation of \$1.0 million for the 2018 gubernatorial election.

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

City Council

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

Council Adopted Budget: The City Council amended the Mayor's recommendations; increasing the ongoing appropriation of \$130,000 for an increase to council member salaries of \$10,000 per member.

City Coordinator Administration

Mayor's Recommended Budget: The Mayor recommends ongoing General Fund appropriations of \$989,000 for projects to be allocated through the Clean Energy Partnership, \$375,000 for investment in renewable sources for energy used in city's facilities, \$225,000 for Strategic Planning and Continuous Improvement (includes 4.0 FTEs), \$125,000 for increased security for Minneapolis Public Housing Authority (MPHA) residences, \$90,000 for a new Housing Policy Coordinator (includes 1.0 FTE) and \$190,000 for enterprise Sustainability activities.

The Mayor also recommends one-time General Fund appropriations of \$122,000 for Arts Culture and the Creative Economy, \$80,000 for Enterprise Engagement Services, \$130,000 for Equity and Inclusion, \$175,000 for various Citywide partnerships (including Midtown Community Works, St Anthony Falls Heritage Board, Mississippi Riverfront, Cedar Riverside, and others), \$125,000 for Partnership Initiatives specifically in conjunction with Greater MSP, \$25,000 for a Community Economic Development plan, \$25,000 for a Downtown Mobility Plan Assessment following implementation of downtown mobility improvements, \$50,000 for community initiatives programming, and \$15,000 for expense related to Super Bowl LII, reimbursable by the Super Bowl Committee.

Council Adopted Budget: The City Council amended the Mayor's recommended budget on an ongoing basis in the General Fund; reducing the appropriation for Strategic Planning and Continuous Improvement by \$40,000; eliminating ongoing appropriations of \$90,000 and 1.0 FTE for a new Housing Policy Coordinator; and, decreasing the department's base by \$50,000.

The City Council amended the Mayor's recommended budget on an ongoing basis in the grants (01300) fund; reducing the appropriation for the federal SAMHSA grant by \$72,898.

The City Council also amended the Mayor's recommended budget on a one-time basis in the General Fund; adding an appropriation of \$75,000 to fund the Southside Green Zone initiative; adding an appropriation of \$90,000 for a contract with Mind Foundry for after-school Science, Technology, Engineering and Math (STEM) education; and, adding an appropriation of \$15,000 for the Community Commemoration of the 100th Anniversary of the Armistice ending WWI; eliminating the \$25,000 appropriation for the Community Economic Development plan; by eliminating the \$25,000 appropriation for the Downtown Mobility assessment; and, by reducing the appropriation for Arts Culture and the Creative Economy by \$22,000.

311

Mayor's Recommended Budget: The Mayor recommends a \$48,000 one-time General Fund appropriation for Squiz Knowledge Base Reporting. This appropriation is not available to be spent until the 311, IT, and Finance & Property Services departments have reached a mutually agreed upon work plan.

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

911

Mayor's Recommended Budget: The Mayor recommends one-time General Fund appropriations of \$41,000 for planned overtime expense related to increased staffing for Super Bowl LII, reimbursable by the Super Bowl Committee, \$170,000 for 911 workstation furniture, and \$100,000 for 911 Logging Recorder. The Logging Recorder appropriation is not available to be spent until the 911, IT, and Finance & Property Services departments have reached a mutually agreed upon work plan.

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

Civil Rights

Mayor's Recommended Budget: The Mayor recommends ongoing General Fund appropriations of \$96,800 for an additional 1.0 FTE in the Office of Police Conduct Review, and \$60,000 for

education and outreach on the Minimum Wage ordinance in the Labor Standards Enforcement division (including 1.0 FTE). The Mayor further recommended transferring on an ongoing basis \$98,300 (including 1.0 FTE) from Civil Rights to Neighborhood and Community Relations (NCR) department for the Office of Immigrant and Refugee Affairs in the General Fund.

The Mayor also recommends the following one-time appropriations; \$450,000 for a Compliance Management System and \$15,000 for improvements to the Police Misconduct Complaint Filing System. These appropriations are not available to be spent until the Civil Rights, IT, and Finance & Property Services departments have reached a mutually agreed upon work plan for each project.

Council Adopted Budget: The Council amended the Mayor's recommendation; increasing the ongoing appropriation for the Labor Standards Enforcement Division by \$40,000; and, adding a one-time appropriation of \$50,000 for Labor Standards Education & Outreach.

Communications

Mayor's Recommended Budget: The Mayor recommends one-time General Fund appropriations of \$20,000 for Audio Production Capability enhancements and \$20,000 to prevent overheating of Cable TV equipment.

Council Adopted Budget: The City Council amended the Mayor's recommended budget on a one-time basis; adding a General Fund appropriation by \$20,000 for Video Storage and Software Efficiency Upgrade, and eliminating the appropriation for Audio Production Capability by \$20,000.

Convention Center & Downtown Assets

Mayor's Recommended Budget: The Mayor recommends using fund balance in the Convention Center Fund on a one-time basis in the amounts of \$150,000 to provide Better Service to Existing Customers, \$250,000 to Engage New Customers, \$250,000 to Tell Our Story, and \$100,000 for Major Customer Events.

The Mayor also recommends an ongoing appropriation from the Downtown Assets Fund of \$400,000 for Peavey Plaza Operations, and one-time appropriations from the Downtown Assets Fund of \$750,000 for Commons Operations, and \$4,000,000 for Peavey Plaza Capital.

Council Adopted Budget: The City Council amended the Mayor's recommended budget; reducing the use of convention center fund balance by \$250,000 and eliminating the Tell Our Story program; and, increasing the transfer from the Downtown Assets Fund to the General Fund by \$250,000.

Community Planning and Economic Development (CPED)

Mayor's Recommended Budget: The Mayor recommends one-time General Fund appropriations of \$1,000,000 for the Family Housing Initiative, \$3,000,000 for the Housing Preservation Strategy, \$250,000 for Minneapolis Homes, \$75,000 for Minneapolis Career Pathways, \$50,000 for the Cedar Riverside Opportunity Hub, and \$1.719 million for the Management Information Network System (MINS). The appropriation for MINS is not available until CPED, IT, and Finance & Property Services have reached a mutually agreed upon work plan.

The Mayor also recommended non-General Fund one-time appropriations of \$650,000 for the Housing Preservation Strategy, \$500,000 for Homeownership Minneapolis – Lease to Purchase, \$500,000 for Minneapolis Homes, and \$50,000 for a Commercial Land Trust Pilot. The Mayor also recommended \$75,000 in Non-General Fund appropriations for Lake and Nicollet Property Management, and recommended replacing contracted services budget dollars to fund 2 FTE's for Homeowner Rehabilitation Programs.

The Mayor also recommended an ongoing General Fund reduction of \$60,000 to assist in funding new initiatives.

Council Adopted Budget: The City Council amended the Mayor's recommended budget on a one-time basis by increasing the General Fund budget by \$50,000 for the Cooperative Technical Assistance Program (C-TAP), increasing the General Fund appropriation by \$50,000 for the Cedar Riverside Opportunity Hub, increasing the budget in fund 01SNR by \$103,741 for Summit Academy for the Culinary Arts Initiative, increasing the operating budget in the capital projects fund by \$28,000 for Art in Public Places, and decreasing the General Fund appropriation by \$200,000 for the Management Information Network System (MINS).

The City Council also amended the Mayor's recommended budget on an ongoing basis in the General Fund; increasing the budget by \$90,000 and 1.0 FTE for a Housing Policy Coordinator; and, decreasing the department's ongoing base by an additional \$20,000.

The City Council also gave staff the following directions:

1. Directing staff from Finance & Property Service, the Health Department, Community Planning & Economic Development, the Police Department and Regulatory Services to perform a comprehensive study of the licenses granted and fees charged to businesses and individuals by the City. Licenses and fees to be studied include but are not limited to Food, Lodging, and Pools; Business Licenses; Pollution Control Annual Registration; Rental Licenses; Fire Inspection Services; etc. The study should consider all costs of providing services associated with the licenses and fees. Departments are encouraged to ensure that the fee schedule is structured in a way that most closely aligns with City business process. In so doing, processes should be simplified to support ease of engagement and compliance on the part of the public. Priority should be given to fees related to liquor, stadiums, and hotels. Staff shall report back to the home committees for each department listed above no later than May 30, 2018.
2. Directing staff from Community Planning and Economic Development, in consultation with staff from Finance and Property Services, to develop a plan to prioritize additional resources beyond any specifically appropriated in this budget, and within Community Planning and Economic Development, to fund the C-TAP program up to a total program budget of \$100,000 for 2018.

Emergency Management

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

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

Finance & Property Services

Mayor's Recommended Budget: The Mayor recommends ongoing appropriations of \$88,000 for an Accountant Recruitment and Training program (includes 2.0 FTEs) and \$30,000 for a Bloomberg Terminal for managing City investments, both in General Fund resources, and \$98,000 for a Medical Self Insurance program manager (1.0 FTE) from the Self Insurance Fund.

The Mayor also recommends one-time General Fund appropriations of \$75,000 for Enterprise Resource Planning (ERP) application and systems functional support, and \$50,000 for a banking alternatives equity partnership.

The Mayor also recommends one-time appropriations of \$50,000 for improvements to the Video Management System and \$50,000 for improvements to the Access Management System. These appropriations are not available to be spent until the Finance & Property Services and IT departments have reached a mutually agreed upon work plan for each project.

Council Adopted Budget: The City Council amended the Mayor's recommendation; increasing the self-insurance expense budget by \$1,000,000 to reflect the full expense of medical and indemnity payments, previously reduced by anticipated refunds from the State of MN; and reducing the department's ongoing General Fund appropriation by \$30,000.

The City Council also gave staff the following directions:

1. Directing staff from Community Planning and Economic Development, in consultation with staff from Finance and Property Services, to develop a plan to prioritize additional resources beyond any specifically appropriated in this budget, and within Community Planning and Economic Development, to fund the C-TAP program up to a total program budget of \$100,000 for 2018.
2. Directing the Neighborhood and Community Relations' Office of Immigrant and Refugee Affairs, the City Coordinator's Office, the Finance Department, and the City Attorney's Office to establish the Municipal ID Workgroup.

The Municipal ID Workgroup shall report back to Committee of the Whole no later than March 31, 2018, to present a framework and budgetary needs to inform the Municipal ID program for the City of Minneapolis. The work plan shall include, but not be limited to, identifying the research, engagement, and resources required to develop a Municipal ID ordinance and program that serves all residents of Minneapolis including the immigrant, transgender, homeless, student, and elderly communities.

3. Directing Finance and Property Services staff to present options in the first quarter of 2018 to the Ways & Means/Budget Subcommittee to reduce the use of General Fund dollars for the Renewable Connect Program in 2018, after the Minnesota Public Utilities Commission grants a waiver to the limit on Renewable Connect and the City is able to determine the actual cost and scope of the program.

Fire

Mayor's Recommended Budget: The Mayor recommends a \$225,000 ongoing General Fund appropriation for Mobile Healthcare Providers (includes 4.0 FTEs).

The Mayor also recommends one-time General Fund appropriations of \$75,000 for Mobile EMS vehicles, \$110,000 for personal protective equipment, and \$147,000 for planned overtime expense related to increased staffing for Super Bowl LII, reimbursable by the Super Bowl Committee.

Council Adopted Budget: The City Council amended the Mayor's recommendation by eliminating the ongoing appropriation of \$225,000 for Mobile Healthcare Providers, and reducing by 4 FTE; and, adding an ongoing appropriation of \$225,000 and three additional sworn firefighters (3 FTE).

Health

Mayor's Recommended Budget: The Mayor recommends additional ongoing General Fund appropriations of \$150,000 for Group Violence Intervention (1.5 FTE), \$272,000 for Pollution Reduction via the Green Business Program, \$74,000 for Residential Energy Benchmarking, and \$100,000 for Sexual Health STI Prevention, and an additional 1 FTE for Succession Planning and Right-sizing to be funded with existing department resources.

The Mayor also recommends one-time General Fund appropriations of \$60,000 for Land Management Configuration Resources, \$25,000 for Next Step Hospital Based Interventions, \$25,000 for Intervention and Outreach to Victims of Sex Trafficking, \$40,000 for the Minneapolis Children's Savings Account program, \$30,000 to replace mandatory devices for Lead Testing, and \$40,840 for expenses related to Super Bowl LII, reimbursable by the Super Bowl Committee.

Council Adopted Budget: The City Council amended the Mayor's recommended budget on an ongoing basis in the General Fund; adding an ongoing appropriation of \$100,000 and 1 FTE for Lead Inspections; decreasing the Food, Lodging, and Pools budget by \$50,000; and, decreasing the department's ongoing base appropriation by \$10,000.

The City Council amended the Mayor's recommended budget on an ongoing basis in the grants (01300) fund; increasing the appropriation for the federal SAMHSA grant by \$50,000.

The City Council also amended the Mayor's recommended budget on a one-time basis in the General Fund; increasing appropriation for Next Step Hospital Based Interventions by \$105,000; adding an appropriation of \$200,000 for two temporary Health Inspectors; and, adding an appropriation of \$100,000 for Domestic Violence Prevention.

Human Resources

Mayor's Recommended Budget: The Mayor recommends an additional ongoing General Fund appropriation of \$130,000 for the labor relations program (includes 1.0 FTE). The Mayor also recommends an ongoing General Fund reduction of \$50,000 to assist in funding new initiatives.

Council Adopted Budget: The City Council amended the Mayor's recommended budget on an ongoing basis; increasing the FTE complement by 0.2 FTE; and, reducing the department's ongoing base by \$10,000.

Information Technology

Mayor's Recommended Budget: The Mayor recommends a \$1.9 million one-time General Fund appropriation for the public website redesign project.

Council Adopted Budget: The City Council amended the Mayor's recommendation by reducing the one-time General Fund appropriation for the public website redesign project by \$308,000.

Intergovernmental Relations

Mayor's Recommended Budget: The Mayor recommends an ongoing General Fund appropriation reduction of \$80,000 to the department to assist in funding new initiatives.

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

Internal Audit

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

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

Mayor

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

Council Adopted Budget: The City Council amended the Mayor's recommended budget in the General Fund on an ongoing basis; increasing the budget by \$10,000 for the Mayor's salary.

Neighborhood and Community Relations

Mayor's Recommended Budget: The Mayor recommends an ongoing General Fund appropriation of \$100,000 for Collaborative Safety Strategies. The Mayor also recommends one-time General Fund appropriations from of \$475,000 for Collaborative Safety Strategies, and \$20,000 for Senior Support Services. The Mayor further recommends transferring on an ongoing basis \$98,300 (including 1.0 FTE) from Civil Rights to Neighborhood and Community Relations (NCR) department for the Office of Immigrant and Refugee Affairs in the General Fund.

Council Adopted Budget: The City Council amended the Mayor's recommended budget in the General Fund on a one-time basis; increasing the appropriation for Senior Support Services by \$40,000; reducing appropriation for Collaborative Safety Strategies by \$125,000; and specifically designating the remaining \$350,000 of funding for Collaborative Safety Strategies for Little Earth Community Safety (\$50,000), Broadway Community Safety (\$50,000), Penn Avenue Community Safety (\$50,000), and Lake Street Community Safety (\$200,000).

The City Council further amended the Mayor's recommended budget in the General Fund by eliminating the ongoing appropriation of \$100,000 for Collaborative Safety Strategies.

Police

Mayor's Recommended Budget: The Mayor recommends additional ongoing General Fund appropriations of \$734,000 for hiring eight Crime Prevention Specialists (includes 8.0 FTEs), \$79,400 to expand the records information unit (includes 1.0 FTE), \$196,800 for unit and precinct administrative support (includes 2.0 FTEs), and \$25,000 for late night safety/curfew awareness in downtown. The Mayor also recommends \$122,500 for adding 1.0 sworn officer, and \$239,000 for transferring 2.0 sworn officers from Grant Fund to General Fund due to the completion of the grants. This will raise the authorized strength of the Police Department to 878 in 2018. The Mayor also recommends a reduction of \$142,700 in ongoing General Fund resources to assist in funding new initiatives.

The Mayor also recommends one-time General Fund appropriations of \$100,000 for the mental health co-responder program, \$25,000 for restorative justice strategies, \$80,000 for a sexual assault survivor advocate pilot program, \$2,350,000 for planned overtime expense related to increased staffing for Super Bowl LII reimbursable by the Super Bowl Committee, and a transfer of \$305,000 from the Self-Insurance Fund to the General Fund for body cameras.

The Mayor also recommends one-time General Fund appropriations of \$225,000 for the Milestone Public Safety Camera System (MPSCS), \$85,000 for a forensic comparison Microscope, \$70,000 for In Squad Video, and \$260,000 for additional police vehicles. The appropriation for the MPSCS is not available to be spent until the Police, IT, and Finance & Property Services departments have reached a mutually agreed upon work plan.

Council Adopted Budget: The City Council amended the Mayor's recommendation in the general fund; reducing the ongoing appropriation for Community Safety Liaisons by \$347,662 and eliminating 4 FTE; increasing the department's ongoing appropriation by \$545,662 for matching funds to support the 10 additional sworn officers funded via the 2017 Federal Community Oriented Policing Strategies (COPS) grant; and adding an ongoing appropriation of \$180,000 and 2 FTE for body camera data review specialists.

Public Works

Mayor's Recommended Budget: Please see the divisional sections below for the Mayor's recommendations.

Council Adopted Budget: Please see the divisional sections below for the Council's amendments to the Mayor's recommendations.

Administration

Mayor's Recommended Budget: The Mayor recommends a reduction of \$325,000 in ongoing General Fund resources to this department to assist in funding new initiatives.

The Mayor also recommends one-time General Fund resources of \$25,000 for public restrooms and \$725,000 for planned overtime expense related to increased staffing for traffic operations and snow and ice control during Super Bowl LII, reimbursable by the Super Bowl Committee.

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

Fleet Services

Mayor's Recommended Budget: The Mayor recommends one-time appropriations of \$280,000 from the General Fund and \$1.443 million from the Fleet Services Fund for the replacement of vehicles in the Fire, Police, and Regulatory Services departments and the Traffic & Parking Services and Transportation Maintenance & Repair divisions of Public Works.

Council Adopted Budget: The City Council amended the Mayor's recommendation by increasing one-time Non-General Fund expense by \$335,000 to upgrade the M5 Fleet Management financial system.

Solid Waste and Recycling

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

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

Surface Water & Sanitary Sewer – Sanitary Sewer

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

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

Traffic & Parking Services

Mayor's Recommended Budget: The Mayor recommends ongoing General Fund appropriations of \$250,000 to hire an Engineer and Planner (includes 2.0 FTEs) for the comprehensive safety program and a one-time General Fund appropriation of \$150,000 to launch the comprehensive safety program.

The Mayor also recommended a \$245,000 ongoing General Fund reduction to the department due to cost savings from the LED lighting initiative.

Council Adopted Budget: The City Council amended the Mayor's recommendation; reducing the ongoing General Fund appropriation for the comprehensive safety program by \$50,000 and increasing the one-time General Fund appropriation for the comprehensive safety program by \$50,000.

Transportation Maintenance and Repair

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

Council Adopted Budget: The City Council amended the Mayor's recommendation; increasing the Downtown Improvement District's Non-General Fund revenues and expenses by \$450,185 to reflect the Downtown Improvement District's approved 2018 operating plan.

The City Council also increased the department's budget by adding \$250,000 in one-time General Fund appropriation for the City's payment to the Downtown Improvement District for community-based policing strategies, with an emphasis on Hennepin and Nicollet Avenues.

Transportation Engineering and Design

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

Council Adopted Budget: The City Council amended the Mayor's recommendation by increasing one-time Non-General Fund revenue and expense by \$160,000 for the addition of seven vehicles.

Transportation Planning and Programming

Mayor's Recommended Budget: The Mayor recommends ongoing General Fund appropriations of \$75,000 (includes 0.5 FTE) and ongoing Non-General Fund appropriations of \$75,000 through the Storm Water Fund (includes 0.5 FTE), to fund Urban Design – Green Storm Water Management and the Public Realm Greening program.

The Mayor also recommends one-time General Fund appropriations of \$250,000 to develop the Access Minneapolis Action Plan.

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

Water Treatment and Distribution

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

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

REGULATORY SERVICES

Mayor's Recommended Budget: The Mayor recommends an additional ongoing General Fund appropriation of \$131,000 (1 FTE) to increase capacity for High Occupancy Dwelling Inspections and \$478,000 for Nighttime Mobility. The Mayor also recommends one-time General Fund appropriations of \$375,000 to increase Traffic Control service hours, \$140,000 for Land Management Configuration Resources, \$145,000 for Nighttime Mobility, \$50,000 for

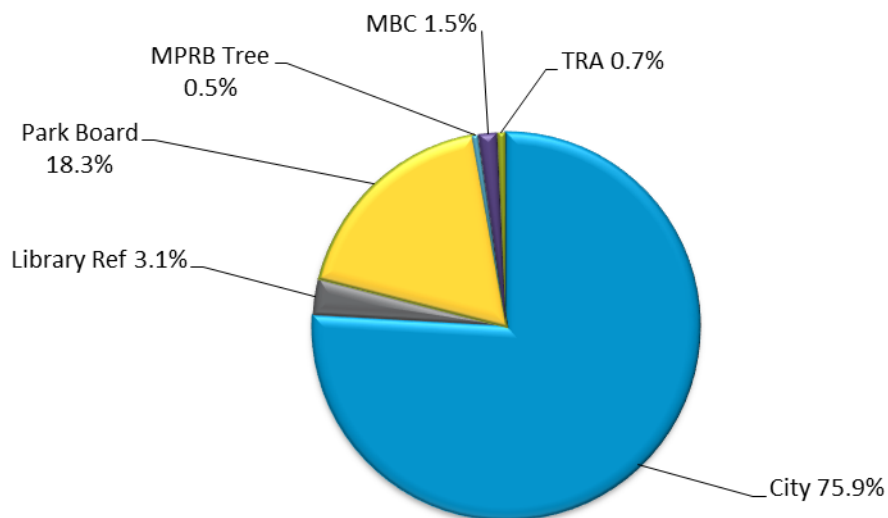
Equity and Inclusion, \$30,000 for Replacement iPads for Traffic Control, and \$75,600 for increased Traffic Management and Fire Inspections for Super Bowl LII, reimbursable by the Super Bowl Committee.

Council Adopted Budget: The City Council amended the Mayor's recommendation in the general fund; eliminating the one-time appropriation of \$145,000 for Nighttime Mobility; eliminating the ongoing appropriation of \$478,000 for Nighttime Mobility; increasing the ongoing appropriation by \$200,000 and adding 2 FTE for Housing Inspection Services; and, decreasing the department's ongoing base appropriation by \$10,000.

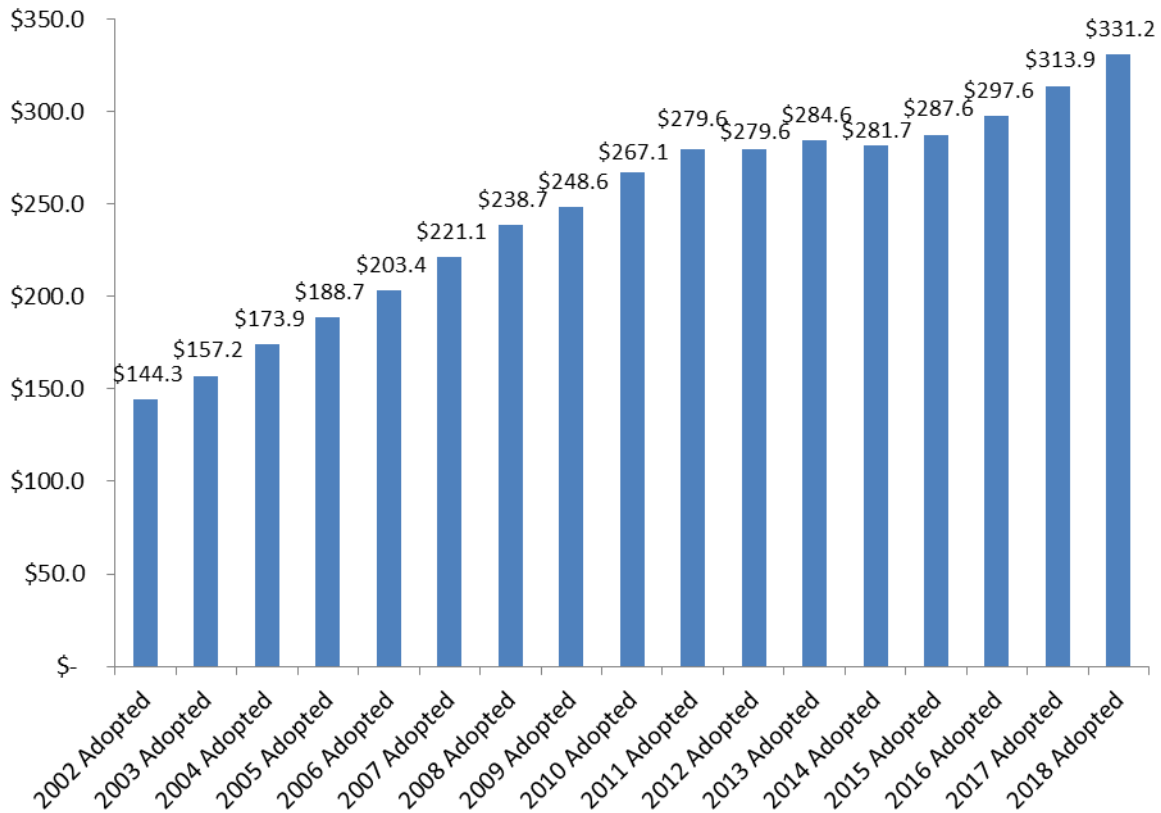
Property Tax Revenue

The City's 2018 Council Adopted Budget includes an overall property tax levy of \$331.2 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 2018 recommended levy is \$17.3 million more than the 2017 Council Adopted levy of \$313.9 million.

Property Tax by Entity - \$331.2 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.

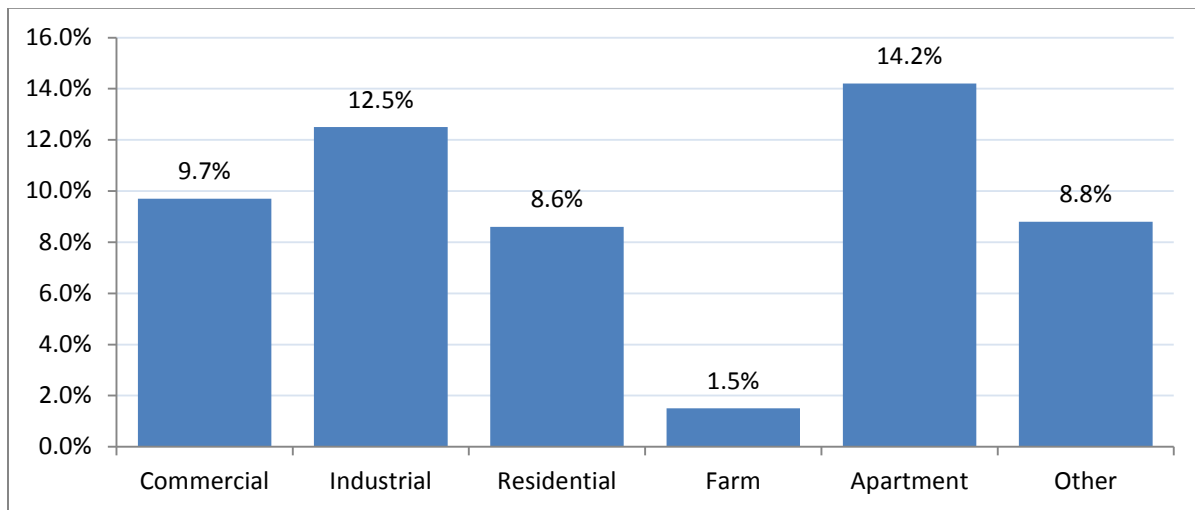
Property Market Values and Tax Base Highlights

The following table shows the estimated market values and corresponding tax capacity by property group for the July 24, 2017 assessment utilized for property taxes payable in 2018 based on preliminary numbers.

2017 Assessment For Taxes Collected in 2018

Group	2018 Estimated Market Value	% Total	Tax Capacity	% Total
Commercial	9,279,387,100	19.5%	183,071,938	30.8%
Industrial	1,455,267,500	3.1%	28,757,334	4.8%
Residential	28,649,422,800	60.2%	285,320,751	48.0%
Farm	1,545,800	0.0%	15,458	0.0%
Apartment	8,209,739,600	17.2%	97,426,912	16.4%
Other	22,321,900	0.0%	296,824	0.0%
Subtotal	47,617,684,700	100.0%	594,889,217	100.0%

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 2018 based on preliminary numbers from the City and County assessors and the Board of Estimate and Taxation:

For Payable in 2018*	
Real Estate Tax Capacity	594,889,217
Personal Property Tax Capacity	9,973,164
Gross Tax Capacity	604,862,381
- Less Tax Increment	-47,426,913
- Less Fiscal Increment Value Captured	-5,744,891
- Less Fiscal Disparities Contribution	-70,076,963
Adjusted Net Tax Capacity	481,613,614

* Property Values July 2017 estimates only at this time

Change in Market Value for Taxes Payable Year-Over-Year				
Taxes Payable in:	Commercial/Industrial*		Residential	Apartment
2006	11.4%		12.9%	6.8%
2007	11.8%		6.4%	-1.2%
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%

*Industrial property is now reported separately from commercial property.

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

2018 Council Adopted Property Tax Levies				
Fund	2017	2018	% Change From 2017	\$ Change From 2017
General Fund	176,851,895	189,452,884	7.1%	12,600,989
Minneapolis Park Board - General	58,013,000	60,449,546	4.2%	2,436,546
Minneapolis Park Board - Tree	1,732,000	1,752,173	1.2%	20,173
Bond Redemption	37,800,000	39,350,000	4.1%	1,550,000
Permanent Improvement	500,000	0	-100.0%	-500,000
Pensions (MERF, MPRA, MFRA)	22,310,000	22,310,000	0.0%	0
Board of Estimate and Taxation	180,000	190,000	5.6%	10,000
Municipal Building Commission	4,954,300	5,102,929	3.0%	148,629
Teachers' Retirement	2,300,000	2,300,000	0.0%	0
Library Referendum Debt Service	9,300,000	10,300,000	10.8%	1,000,000
Total	313,941,195	331,207,532	5.5%	17,266,337