

**City of Minneapolis  
2014 Budget**

**Financial Overview**

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# City of Minneapolis 2014 Budget

## Financial Overview

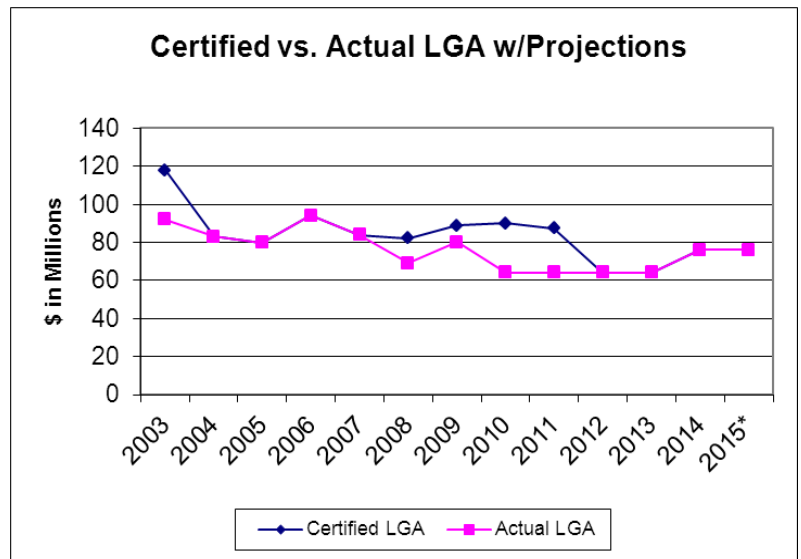
### Prepared by the Minneapolis Finance and Property Services Department

The 2014 Council Adopted Budget for all City funds of \$1.238 billion was adopted on December 11, 2013. The 2014 budget represents a \$41.6 million, or 3.5%, increase from the 2013 Council Adopted Budget of \$1.196 billion. At the same time, the Council adopted a 2014 property tax levy of \$281.7 million, which results in a 1% decrease, or \$2.8 million reduction, from the 2013 adopted property tax levy. The 2014 budget utilizes accumulated funds in the General Fund to support a property tax reduction. These funds were generated through policies of fiscal restraint which resulted in under-spending in City departments. The General Fund also benefited from growth in local sales tax and other non-property tax revenues due to an improving economy. These factors, combined with resources previously dedicated to property tax relief and an increased appropriation in Local Government Aid (LGA) from the State of Minnesota, allowed the Council to adopt a levy that is 1% lower than 2013. The overall 2014 budget is funded with the lower levy amount, despite a previously planned increase of 2.5% in prior tax policy and increased cost of maintaining services of approximately 3.5%.

2014 is the third year in which the budget is presented without transfers. Transfers have also been removed from charts and numbers within this document, including totals for comparative prior years, unless otherwise noted.

### 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 increased the amount of LGA appropriated to the City of Minneapolis from \$64.1 million in 2013 to \$76.1 million for 2014. Of this \$76.1 million, the City will allocate \$66.9 million for its General Fund, \$9.0 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.



\* 2015 amount is projected to remain the same as 2014

## Major Highlights

The 2014 Council Adopted Budget includes significant proposals to address future financial 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:

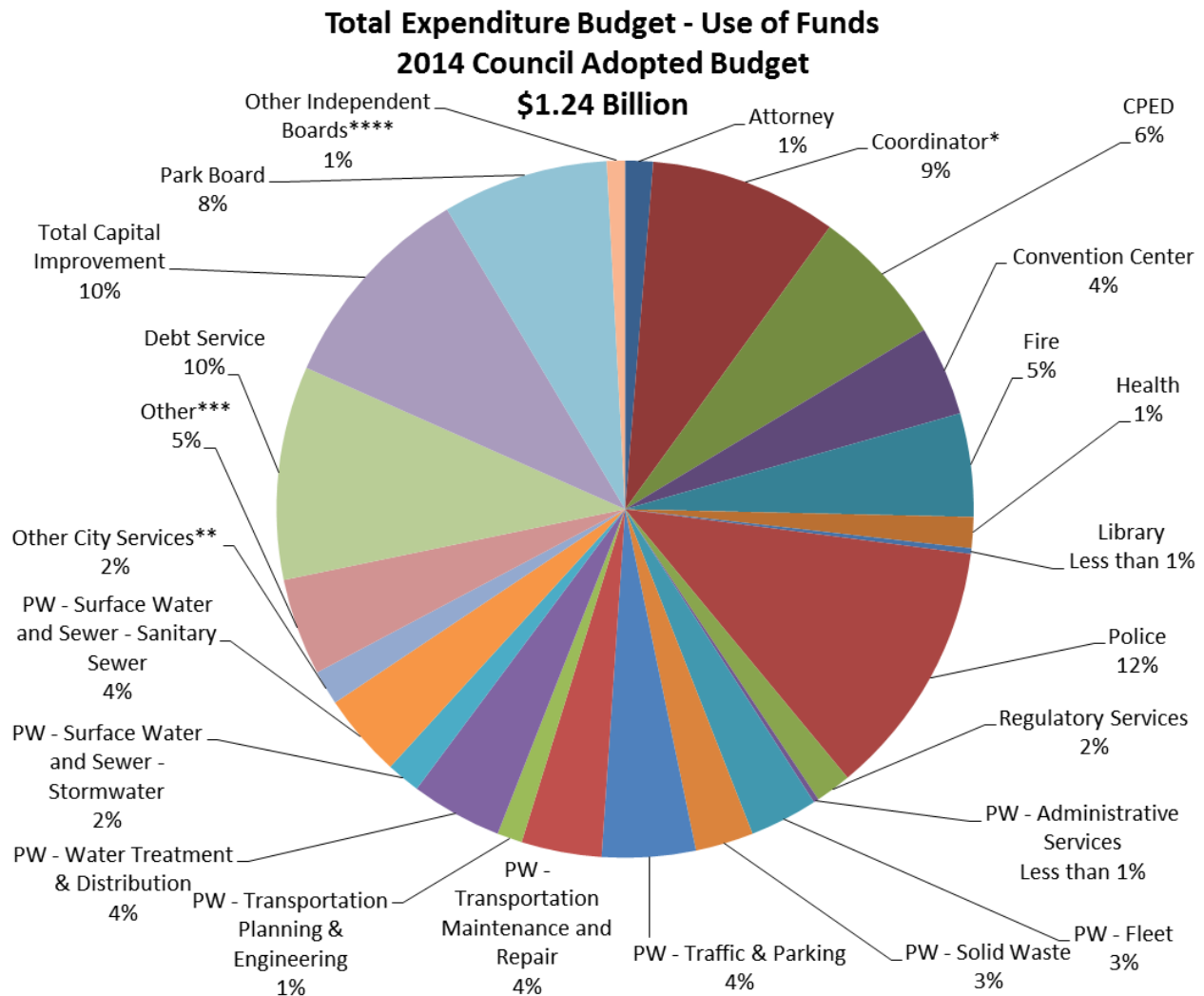
- The budget for City departments increases by 5.4% in 2014, or \$42.3 million. As part of this budget, funds that have accumulated in the General Fund due to a growing economy and fiscal restraint in prior years, coupled with an increase in Local Government Aid allows for a simultaneous decrease in the property tax levy.
- The 2014 budget, for the first time in five years, does not project 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 2013, and 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. The City currently maintains among the highest possible ratings from Fitch Ratings, Standard & Poor's, and Moody's Investors Services with AAA from both Fitch and S&P and Aa1 from Moody's.
- The budget provides for a realignment of City sales and use taxes, as permitted by the legislation that authorized the City's contribution to a new stadium in partnership with the State and the Minnesota Vikings. The local sales and use taxes will now be credited as revenue in the City's General Fund. Funds will then be transferred to the Convention Center and Arena Reserve Funds as necessary to cover certain expenses in those funds. The flexibility gained by eliminating the restrictions on the uses of these funds is a factor in the City's ability to reduce its levy for 2014.
- The 2014 Council Adopted Budget completes the City's aggressive efforts to reduce the City's internal service fund deficits and build reserves by prepaying the remaining obligations. The original 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 and the allocations in this budget, 2014 will be 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 and to help mitigate levy increases in the future.
- The 2014 Council Adopted Budget continues to lay the foundation for a wave of development including, but not limited to, projects associated with the new stadium for the Minnesota Vikings and other uses. 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. Additionally, revenues associated with this growth is a contributing factor to the City's ability to reduce property taxes for 2014.
- A new system for budgeting small and mid-level capital requests normally funded from departmental operating budgets has also been introduced in this year's budget process.

This system, called the Capital Asset Request System, or “CARS,” will be used on an ongoing basis to better plan for long-range smaller operating capital requests that would normally be recognized in individual departments. The requests 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 first year of this program, approximately \$9 million has been dedicated to fund items through this process. The majority of items funded reflect deferred maintenance and replacement costs for existing operating capital.

- Future challenges and opportunities that the 2014 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.

## City Spending

Below is a summary of the 2014 Council Adopted Budget by major spending categories, excluding transfers.



\* Includes Human Resources, Finance, 311, Intergovernmental Relations, Communications, Neighborhood and Community Relations, IT, 911 and Emergency Management. Convention Center is broken out for illustrative purposes.

\*\* Includes Assessor, Internal Audit, City Clerk, City Council, Civil Rights and Mayor

\*\*\* Includes Non-departmental, Health and Welfare, Worker's Compensation, Liability, Contingency and Pensions

\*\*\*\* Includes Neighborhood Revitalization Program, Board of Estimate and Taxation, the City's Contribution to Minneapolis Public Housing Authority, and Municipal Building Commission

## Expenditures by Service

(In Millions of Dollars)

	2013 Budget	2014 Council Adopted	% Change	\$ Change
Attorney	14.7	15.9	8.4%	1.2
Coordinator*	98.4	107.7	9.4%	9.2
CPED	76.5	79.3	3.6%	2.8
Convention Center	48.5	51.5	6.3%	3.0
Fire	54.3	59.3	9.2%	5.0
Health	16.9	17.8	4.9%	0.8
Library	4.1	3.2	-21.1%	(0.9)
Police	136.1	147.7	8.5%	11.6
Regulatory Services	18.1	20.6	13.3%	2.4
<b>Charter Departments Subtotal</b>	<b>467.7</b>	<b>503.0</b>	<b>7.5%</b>	<b>35.3</b>
PW - Administrative Services	2.9	3.0	3.6%	0.1
PW - Fleet	42.9	39.0	-9.0%	(3.9)
PW - Solid Waste	36.8	33.4	-9.4%	(3.5)
PW - Traffic & Parking	53.4	53.7	0.6%	0.3
PW - Transportation Maintenance and Repair	42.3	46.0	8.7%	3.7
PW - Transportation Planning & Engineering	11.3	14.4	27.7%	3.1
PW - Water Treatment & Distribution	50.9	52.4	3.0%	1.5
PW - Surface Water and Sewer - Stormwater	17.3	19.4	12.2%	2.1
PW - Surface Water and Sewer - Sanitary Sewer	46.5	48.0	3.2%	1.5
<b>Public Works Subtotal</b>	<b>304.3</b>	<b>309.3</b>	<b>1.7%</b>	<b>5.1</b>
Other City Services**	18.7	19.8	5.9%	1.1
Other***	50.4	55.7	10.5%	5.3
Debt Service	117.7	122.5	4.1%	4.8
Total Capital Improvement	135.1	121.5	-10.1%	(13.6)
<b>Subtotal</b>	<b>322.0</b>	<b>319.5</b>	<b>-0.7%</b>	<b>(2.4)</b>
Park Board	91.7	95.2	3.8%	3.5
Other Independent Boards****	10.2	10.4	2.2%	0.2
<b>Independent Boards Subtotal</b>	<b>101.9</b>	<b>105.6</b>	<b>3.7%</b>	<b>3.7</b>
<b>Total City Spending</b>	<b>1,195.8</b>	<b>1,237.5</b>	<b>3.5%</b>	<b>41.6</b>

\* Includes Human Resources, Finance & Property Services, 311, Intergovernmental Relations, Communications, Neighborhood and Community Relations, IT, 911 and Emergency Management. Convention Center is broken out for illustrative purposes.

\*\* Includes Assessor, Internal Audit, City Clerk, City Council, Civil Rights and Mayor.

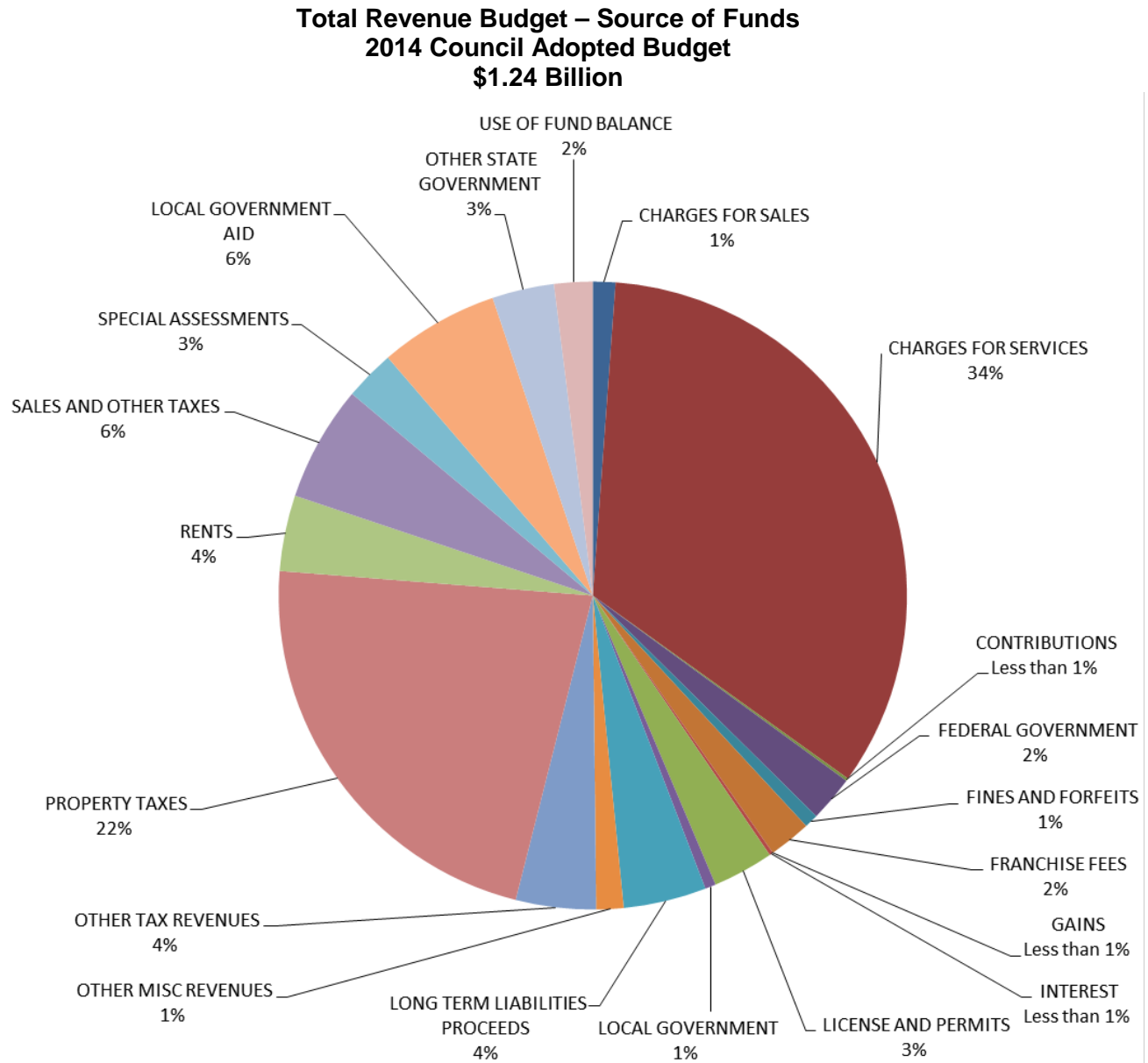
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\*\*\*\* Includes the Board of Estimate and Taxation, the City's Contribution to Minneapolis Public Housing Authority, and Municipal Building Commission.

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

## City Sources of Revenue

Below is a summary of the 2014 Council Adopted Budget revenues by major category.



For 2014, the City forecasts \$1.238 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.

### **Revenue by Category**

<b>Revenue Category</b>	<b>2013 Adopted</b>	<b>2014 Council Adopted</b>	<b>\$ Change</b>	<b>% Change</b>
CHARGES FOR SALES	12.2	14.3	2.1	17.3%
CHARGES FOR SERVICES	404.5	418.0	13.5	3.3%
CONTRIBUTIONS	1.7	1.7	(0.0)	-1.6%
FEDERAL GOVERNMENT	27.2	29.1	2.0	7.2%
FINES AND FORFEITS	9.8	8.8	(1.0)	-10.0%
FRANCHISE FEES	27.4	26.9	(0.5)	-1.8%
GAINS	0.2	0.0	(0.2)	-90.0%
INTEREST	2.2	2.4	0.2	7.3%
LICENSE AND PERMITS	34.5	38.8	4.2	12.2%
LOCAL GOVERNMENT	19.8	6.9	(12.9)	-65.3%
LONG TERM LIABILITIES PROCEEDS	58.9	52.9	(6.0)	-10.3%
OTHER MISC REVENUES	12.4	17.4	5.0	40.6%
OTHER TAX REVENUES	48.6	51.0	2.4	5.0%
PROPERTY TAXES	278.9	276.1	(2.8)	-1.0%
RENTS	52.3	48.4	(3.9)	-7.5%
SALES AND OTHER TAXES	71.2	73.7	2.5	3.5%
SPECIAL ASSESSMENTS	27.3	32.0	4.7	17.4%
LOCAL GOVERNMENT AID	64.1	76.1	12.0	18.7%
OTHER STATE GOVERNMENT	29.1	39.5	10.4	35.6%
USE OF FUND BALANCE	-	24.5	24.5	-
<b>Total Revenue</b>	<b>\$1,182.2</b>	<b>\$1,238.4</b>	<b>\$56.2</b>	<b>4.8%</b>

The table above shows a different dollar amount in property taxes than the dollar amount levied because the City assumes a collection rate of only 98%.



## 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 32% of the 2014 Council Adopted Budget. This percentage reflects an increase from the 29% in 2013 because local sales tax revenues are now receipted in the General Fund. In prior years, local sales tax revenues were receipted in the Convention Center Special Revenue Fund.

**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.

As noted above, the General Fund comprises the largest proportional share of the City’s 2014 budget at 32%. The tables on the following page reflect the distribution of both expenditures and revenues for all fund types.

## Expense and Revenue By Fund Type

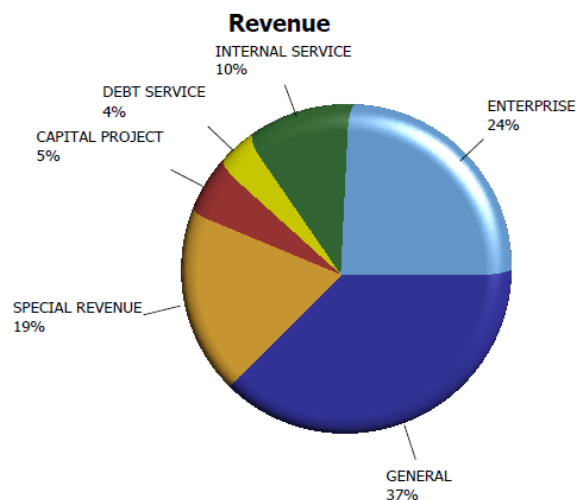
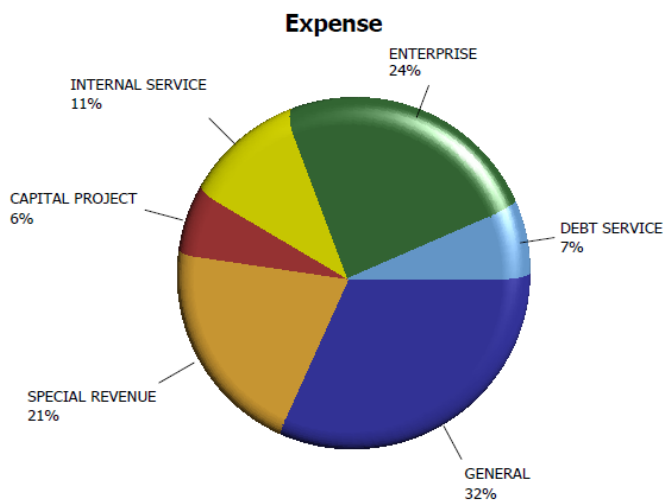
In Millions

	2013 Adopted	2014 Council Adopted	Percent Change	Dollar Change
<b>Expense:</b>				
GENERAL	\$351.7	\$392.6	11.6%	\$40.9
SPECIAL REVENUE	\$245.1	\$255.0	4.1%	\$9.9
CAPITAL PROJECT	\$95.7	\$76.5	-20.0%	(\$19.1)
DEBT SERVICE	\$71.3	\$81.1	13.7%	\$9.8
INTERNAL SERVICE	\$132.4	\$133.3	0.6%	\$0.8
ENTERPRISE	\$299.6	\$298.9	-0.2%	(\$0.6)
<b>Total</b>	<b>\$1,195.8</b>	<b>\$1,237.5</b>	<b>3.5%</b>	<b>\$41.6</b>

	2013 Adopted	2014 Council Adopted	Total(Pct Increase)	Dollar Change
<b>Revenue:</b>				
GENERAL	\$368.6	\$464.0	25.9%	\$95.3
SPECIAL REVENUE	\$279.9	\$233.0	-16.8%	(\$46.9)
CAPITAL PROJECT	\$88.6	\$67.4	-23.9%	(\$21.2)
DEBT SERVICE	\$29.9	\$46.0	53.8%	\$16.1
INTERNAL SERVICE	\$124.3	\$128.1	3.1%	\$3.8
ENTERPRISE	\$291.0	\$300.0	3.1%	\$9.0
<b>Total</b>	<b>\$1,182.2</b>	<b>\$1,238.4</b>	<b>4.8%</b>	<b>\$56.2</b>

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



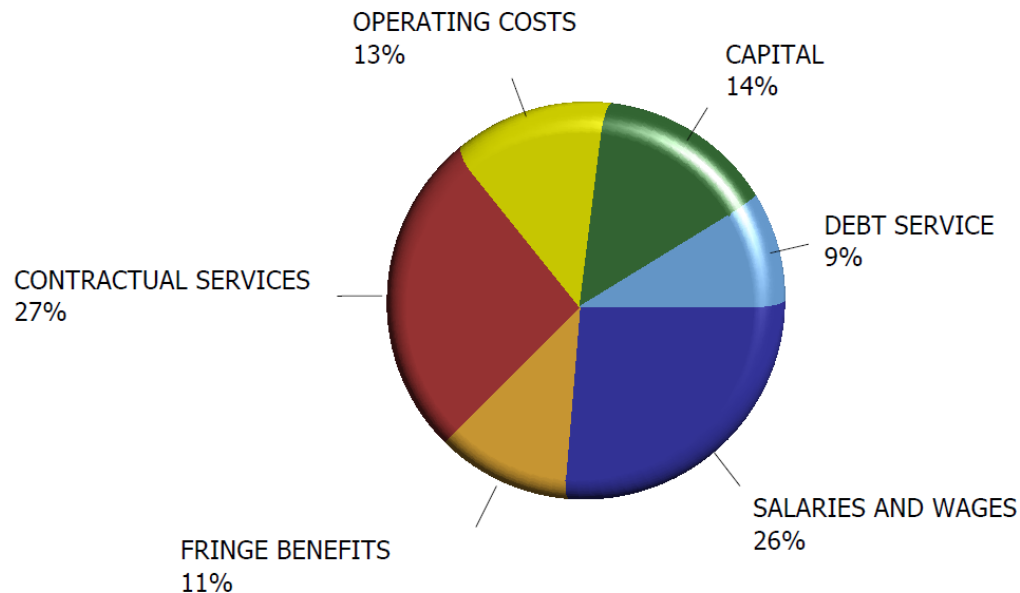
The largest portion of the City's budget is spent on personnel, which comprises \$446.5 million or 36% of the total budget. The 2014 Council Adopted Budget includes an overall increase of 34.5 budgeted full-time equivalent (FTE) positions from the 2013 Council Adopted Budget, an increase of 0.7% to 4,874.8 FTE in total, inclusive of the City's independent boards.

## Expense by Category

Expense Category	2013 Adopted	2014 Council Adopted	\$ Change	% Change
CAPITAL	189.4	183.7	(5.7)	-3.0%
CONTRACTUAL SERVICES	302.7	322.1	19.4	6.4%
DEBT SERVICE	120.7	122.7	2.0	1.6%
FRINGE BENEFITS	124.9	133.9	9.0	7.2%
OPERATING COSTS	159.5	162.5	3.0	1.9%
SALARIES AND WAGES	298.6	312.6	14.0	4.7%
<b>Total Expense</b>	<b>1,195.8</b>	<b>1,237.5</b>	<b>41.6</b>	<b>3.5%</b>

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

### Total City Budget – Expenditures by Category 2014 Council Adopted Budget \$1.24 Billion



## Major Budget Pressures:

### ➤ Funding for Physical Infrastructure

**Five-Year Capital Program Totals:** For 2014 – 2018, the five-year capital program for City departments, independent boards and commissions totals \$592.7 million including all funding sources. The 2014 portion of this program is \$120.5 million which funds accelerated improvements to the City's infrastructure by continuing support for the expanded net debt bond program put in place for 2012. For this budget, an additional \$16.4 million was added to the net debt bond program to allow for additional infrastructure investments. 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	2014	2015	2016	2017	2018	Percent of Total
MUNICIPAL BUILDING COMMISSION		995	670	515	1,135	1,290	0.78%
PARK BOARD		6,011	5,650	5,650	5,350	4,150	4.52%
PUBLIC WORKS DEPARTMENT	STREET PAVING	32,225	41,700	28,400	21,110	18,440	23.94%
	SIDEWALKS	3,365	3,520	3,675	3,830	3,985	3.10%
	BRIDGES	14,260	10,190	2,825	5,925	9,210	7.15%
	TRAFFIC CONTROL & STREET LIGHTING	6,658	9,860	9,310	5,545	6,910	6.46%
	BIKE TRAILS	1,415	0	0	0	0	0.24%
	SANITARY SEWERS	8,000	8,000	7,250	7,250	7,250	6.37%
	STORM SEWERS	15,950	26,993	22,730	16,850	16,150	16.65%
	WATER INFRASTRUCTURE	22,100	23,200	23,800	23,900	33,400	21.33%
	PARKING RAMPS	1,700	1,700	1,700	1,700	1,700	1.43%
	<b>Public Works Department Total</b>	<b>105,673</b>	<b>125,163</b>	<b>99,690</b>	<b>86,110</b>	<b>97,045</b>	<b>86.67%</b>
INFORMATION TECHNOLOGY		2,050	3,150	2,950	1,350	1,150	1.80%
PUBLIC GROUNDS & FACILITIES		4,065	5,065	5,510	9,425	2,750	4.52%
MISCELLANEOUS PROJECTS		1,685	3,220	405	425	4,420	1.71%
<b>Grand Totals</b>		<b>120,479</b>	<b>142,918</b>	<b>114,720</b>	<b>103,795</b>	<b>110,805</b>	<b>592,717 100.00%</b>

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 2014, \$2.1 million in technology projects are funded through property tax supported debt with a five-year plan total of \$10.7 million. Approximately 47% of the total or \$5.0 million of this program is dedicated to replacing the Police Department's primary information system.

Pay-as-you go: On occasion, the City will allocate current-year available funding for a technology project rather than issuing bonds. Regardless of the initial funding source for a capital project, funding the ongoing operating costs for new technology has been a challenge for the City.

➤ **New in 2014 – Capital Asset Request System (CARS):**

Beginning with this budget cycle, the City has 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 this first five-year cycle, the City received requests from departments totaling \$76.5 million, with fleet equipment representing approximately 60 percent of this total. For 2014, the requests totaled \$22.6 million. This budget approves \$8.9 million of general fund allocations and \$12.0 million of non-general fund allocations.

➤ **Funding for Pension Liabilities**

The City's levies for its former closed pension funds that have been merged into the Minnesota State Public Employees' Retirement Association (PERA) remains level at \$27.3 million in 2014. 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:***

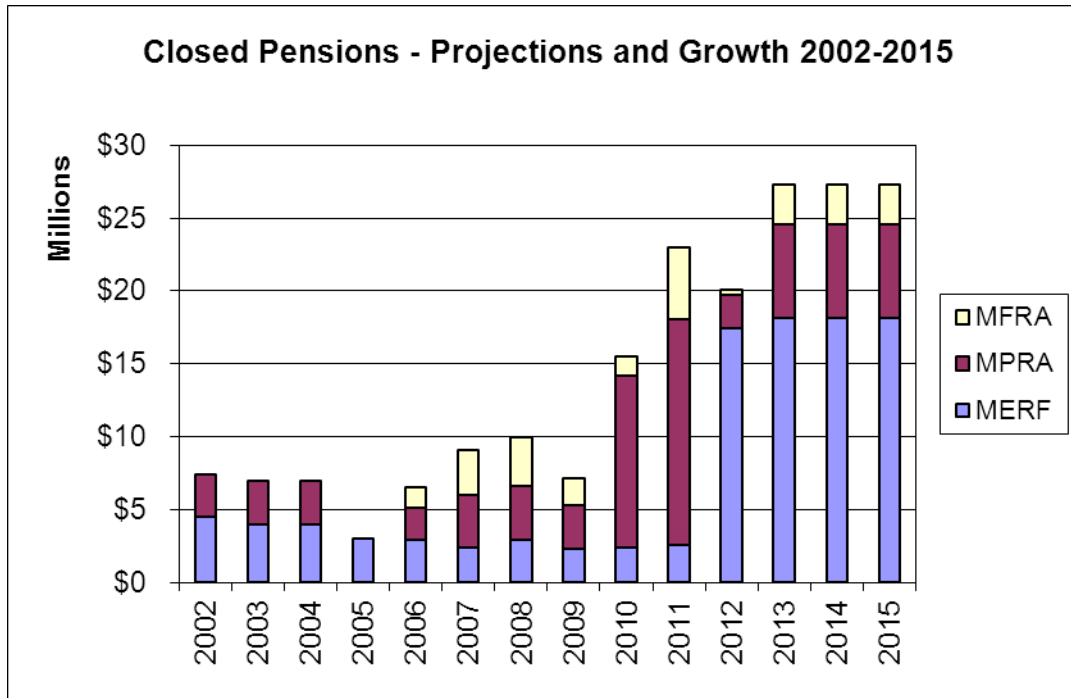
The 2014 levy for MERF-related costs is \$18.2 million, from the same as 2013. The funding is due to legislation passed in 2010 that called for a gradual increase in City funding to cover a share of the cost associated the agreement that merged MERF into PERA. The City's share of MERF expenses is expected 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 2014 levy for the former MPRA is \$6.4 million, from the same as 2013. 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 2014 levy for the former MFRA is \$2.7 million, from the same as 2013. 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 was less than \$2.25 million because the City does not collect 100% its levy. In 2014, the City must levy \$2.3 million for TRA to insure that net collections provide the \$2.25 million. The 2014 TRA levy reflects a decrease of \$100,000 from 2013 as the 2013 levy included back taxes for prior years' short payments.

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

The employers' contribution level in PERA's Coordinated Plan is remains at 7.25% for 2014. The Police and Fire Plans' employer's contribution was raised from 14.4% in 2013 to 15.3% beginning in 2014. This rate will further increase in 2015 to 16.2%. The estimated total cost of contributions to PERA for the City, inclusive of its independent boards in 2014 is \$30.0 million, which is covered in the budgets of the departments in which the employees work.

	2013	2014	Change
PERA	\$13.4	\$13.7	\$0.3
PERA Police & Fire	\$14.7	\$16.3	\$1.6
<b>Total</b>	<b>\$28.1</b>	<b>\$30.0</b>	<b>\$1.9</b>

➤ **Funding for internal services funds long-term financial plans**

During the 1990s, external demands negatively impacted the ability for revenue to support these 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 and the Mayor's recommendations for this budget, 2014 will be 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 2014 Council Adopted Budget increases the FTE count of City positions by 34.5 over the 2013 Council Adopted Budget, inclusive of the City's independent boards, from 4,840.3 to 4,874.8.
- **Salary and wages.** The 2014 Council Adopted Budget includes an increase in personnel expenditures (\$312.6 million in salaries and wages, compared to a 2013 total of \$298.6 million). It also includes \$133.9 million in fringe benefits, compared to \$124.9 million in 2013, inclusive of the City's independent boards.
- **Benefits.** Health and dental insurance expenditures are budgeted to increase from \$61.5 million in 2013 to \$67.6 million in 2014, inclusive of the City's independent boards. This estimate is based on changes and experience related to the current plan design and the competitive procurement processes. The 2014 budget for health and dental insurance costs is based upon an estimate of 10.0% overall cost increases 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 2014, that contribution is approximately \$3.2 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	\$8,600	\$10,963	\$2,363	\$8,600	\$0	\$10,963
2016	\$1,560	\$609	0%	\$0	\$8,600	\$10,160	\$1,560	\$8,600	\$0	\$10,160
2017	\$780	\$633	0%	\$0	\$8,600	\$9,380	\$780	\$8,600	\$5,550	\$14,930

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

(2) Other City includes debt service on net debt bonds. Final referendum debt service in 2025.

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

(4) Property tax amounts are in City's five-year 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% of the library debt service as agreed to by the 2013 Legislature. The legislature approved a provision that has the state of Minnesota paying 40% 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.

## ➤ 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:

### *Economic Downturn and Reliance on Tenuous Intergovernmental Funding*

Financial downturns in the economy, coupled with State budget cuts and reduced funding from the Federal government, led to challenges for the City in the recent past. At a time when demand for services was rising, funding from other governmental agencies was reduced. Reliance on this tenuous funding from State and Federal entities for many important City programs has complicated the management and planning for City programs, and for the outcomes they hope to achieve. Despite the recent improvement throughout the economy, the impact of this growth has not been fully realized by the City yet as government is typically a "lagging" sector, particularly in the recognition of increased property values related economic activity.

### *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 reducing position counts by over 700 employees across all City departments and independent boards since 2007. This reduction in staffing placed increased pressure on remaining employees as the workloads are increasing as the economy improves. Increasing demands on employees coupled with declining wages (when inflation is taken into account) also create challenges for morale and retaining personnel with a high level of institutional knowledge.

### *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 and response in the 2014 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, and 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 with the implementation of the 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 cites 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 indicate a need for increased and improved employee training, possibly placing 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, 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 2013 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.

#### *Stadium/Hospitality Facilities*

Construction of the new multi-purpose stadium with the State of Minnesota and the Minnesota Vikings, as well as the Downtown East district and other growth throughout the City, continue to increase the workload required of City staff. Such large development efforts require extensive planning and zoning, appraisals, and permit work due to demolition, new construction and redevelopment associated with the projects. The City must also plan for significant contributions to the maintenance of the Target Center and Convention Center.

### *Aging Facilities and Other Capital Investments*

The City's current budget processes do not provide for a comprehensive planning process for facilities and improvements that do not meet the criteria of either the CLIC or CARS processes. Included in this group of capital facilities are improvements and associated potential debt service to renovate Target Center, the eventual re-opening of Nicollet Avenue at Lake Street, the recently-approved concept plan to add a City park as part of the Downtown East development project, as well as a desire for general improvements in the public realm. None of these activities is currently contemplated in an existing capital plan, nor are they completely recognized in the 2014 budget. The costs associated with these projects must be considered in the context of ongoing operations to insure that resources are available at the right times and are not already committed.

### *Appropriate Levels of Fund Reserves versus Funding*

The 2014 Adopted Budget includes nearly \$20 million in one-time costs that are funded by General Fund fund balance. The City is able to provide these resources due to a combination of several factors. The first factor is recent growth in the City's General Fund fund balance resulting from restrained spending, including hiring and wage freezes. Secondly, the City has historically maintained a conservative approach to budgeting for non-property tax revenues, which has resulted in revenue surpluses over time. The combined impact of these factors provided for an increase in the General Fund fund balance of \$15.6 million between year-end 2011 and year-end 2012. It is anticipated that growth in the fund balance will be mitigated by more closely aligning revenue and expenditure budgets with actual activity levels. In the short term, growth in fund balance may be used for one-time items or those that are short-term in nature. At the end of 2012, \$7.0 million of the growth in the General Fund fund balance was set aside to provide for property tax relief in an effort to maintain limited growth in the annual property tax levy. A portion of this money is used in 2014 with the remaining resources planned for use in 2015 to help smooth increases following the 1% levy reduction in 2014. Of the remaining \$18.5 million recommended to be funded from fund balance in 2014, approximately \$8.9 million is directed toward supplementing capital purchases associated with the CARS program. Another \$2.1 million is used to support activities associated with infrastructure maintenance and growth. Transitional costs associated with employee retirements are funded at \$4.0 million due to maintain staffing levels. In the future, it is anticipated the annual growth in the fund balance will be leveraged as ongoing funding for these one-time and short-term costs, including annual funding of approximately \$5.0 million for the annually approved operating capital identified in the CARS program.

## Major Changes in the 2014 Council Adopted Budget

*This section of the 2014 Council Adopted Budget describes changes the Mayor and Council made to program submissions from departments. The changes are organized by department and for the programs that were funded in this budget.*

### ➤ Citywide

**As a starting point for 2014 budget development, departments were provided a preliminary budget amount and asked to submit, for existing programs, proposals that were funded within the amount for each department. Departments were also asked to submit justification statements and supporting documentation for any program proposals that were submitted above this amount. Changes made to program proposals by the Mayor and Council, along with new initiatives that they chose to fund, are noted below. Programs proposed by departments that were not recommended for funding in the budget are not included.**

The 2014 budget includes specific proposals that have citywide implications. These recommendations include an acceleration of the citywide financial “workout” plans that transfer money from the General Fund to internal service funds for the purposes of eliminating debt and bolstering reserves in those funds. It is anticipated that the final year of these transfers will be 2014, which will allow General Fund resources to be redeployed for other purposes in future years.

This budget also utilizes accumulated funds in the General Fund. These funds were generated through policies of fiscal restraint that resulted in under-spending by City departments and through non-tax revenues that exceeded prior budgetary expectations due to a quickly improving economy. These factors, along with resources previously dedicated to property tax relief and an increased LGA appropriation from the State, allowed the City to approve a levy that reflects a 1% reduction from the 2013 levy. The 2014 budget is able to be funded with the 1% reduction in property tax levy despite a previously anticipated need to increase the levy by 2.5%.

A new system for budgeting small and mid-level capital requests that were normally funded from departmental budgets was introduced in this year’s budget process. This system, called the Capital Asset Request System, or “CARS,” will be used on an ongoing basis to better plan for long-range operating capital requests that would normally be recognized in individual departments. The requests include items that are not ongoing in nature and include enterprise software upgrades, vehicle purchases, and similarly-sized items. In the first year of this program, \$8.9 million has been dedicated to fund items through this request process, which is largely used to cover deferred maintenance and replacement costs for existing operating capital. More information regarding CARS is presented in the *Capital Overview* and *Financial Schedules* sections of this document.

The Council further approved the following amendments to the Mayor’s Recommended Budget that affect departments on a citywide basis. These amendments include:

- Amend the Mayor's 2014 recommended budget to allocate \$760,642 in General Fund general revenues (department) for the Internal Service Fund programs to individual departments without a net budget change.
- Amend the Mayor's 2014 Recommended Budget to allocate the recommended use of \$8.9 million in General Fund balance for the City's Capital Asset Request System (CARS) program to individual requesting departments without a net budget change.

- Amend the Mayor's 2014 Recommended Budget for CARS to include \$25,000 for MTN equipment replacement funded by a reduction in other capital requests.
- The Council also directed all City departments to make data available online using open standards and further directed that the Information Technology Director convene a working group to include the City Coordinator and key department staff, with feedback from the Information Technology Executive Group, to develop a policy and implementation schedule for the "Open Data Directive," and report on progress to the Ways & Means/Budget Committee and Information Technology Policy Committee starting in March 2014 and at regular intervals thereafter.

## ➤ **Departments**

The Mayor recommended, and the Council adopted changes to, departmental program proposals for the 2014 budget. These items, in addition to new initiatives that were chosen for funding by the Mayor and Council, are described below. Program proposals submitted by departments that are not funded in the budget have been excluded from this list.

### **Assessor**

*Mayor's Recommended Budget:* The Mayor recommended an additional \$100,000 in ongoing funding for this department to hire an additional position dedicated to assessments and appraisals with a focus on commercial properties.

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

### **Attorney**

*Mayor's Recommended Budget:* The Mayor recommended one-time funding in the amount of \$120,000 to be used for hiring an additional attorney in the Civil Division with a further recommendation to fund the position through cost allocation charges to other departments on an ongoing basis beginning in 2015. The Mayor also recommended an additional \$75,000 in one-time funding to be used for domestic violence prevention programming along with a direction to the department to seek out grants to find an ongoing funding stream for domestic violence prevention.

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

### **City Clerk**

*Mayor's Recommended Budget:* The Mayor recommended \$85,000 in one-time funding to be used for the continuation of office support personnel in this department.

*Council Adopted Budget:* City Council approved the Mayor's recommendations and added the following staff direction; staff from Finance and Property Service is directed to appropriate (transfer) any remaining year-end funds from the 13 ward offices' 2013 budgets to the City Clerk's Office to be dedicated to the Legislative Information Management System.

### **City Council**

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

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

### **City Coordinator Administration**

*Mayor's Recommended Budget:* The Mayor recommended \$80,000 in ongoing funding to support implementation of initiatives related to the City's sustainability goals; \$100,000 in ongoing funding for local and regional lobbying efforts, including Metropolitan Airports Commission, Metropolitan Council, University of Minnesota, Hennepin County and surrounding cities; and \$20,000 in ongoing funding to enhance existing funding for the City's tree canopy. The Mayor also recommended \$90,000 in one-time funding for the department to use to report the City's Creative Vitality Index (CVI) as well as to be used for other arts and culture planning in conjunction with the comprehensive plan update (\$45,000 for each) and \$75,000 in one-time funding to be used for the City's work with the Public Utilities Commission (PUC).

*Council Adopted Budget:* The Council approved the Mayor's recommendations and amended the budget to reduce the appropriation for the City Coordinator's Administration Department by \$150,000 and offset this reduction with an increase to the Human Resources and Intergovernmental Relations Departments to enhance the City's internship programs and lobbying efforts. The Council further amended the Mayor's Recommended Budget to recognize payment in lieu of taxes (PILOT) payments from the Minneapolis Public Housing Authority (MPHA) and amend the Department's budget to refund these payments. The Council also increased the Department's appropriation by \$30,000 to fund annual membership dues in the St. Anthony Falls Heritage organization, funded by money previously allocated to the Finance and Property Services Department. The Council also directed the Department, in conjunction with Civil Rights, NCR, CPED, FPS and HR to develop measures consistent with the racial equity toolkit guides, and work with all departments to include applicable measures in their Results Minneapolis reports.

#### **311 (a Division of City Coordinator Administration)**

*Mayor's Recommended Budget:* The Mayor recommended an additional \$250,000 in ongoing funding to support expanding 311 operations to include weekend hours and the hiring of three additional staff.

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

#### **911 (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 Council approved the Mayor's recommendations and directed staff to utilize the bell-curve staffing authority outlined in the City's Financial Policies to hire two additional FTE (operators). 911 staff is directed to report upon the effectiveness of this staffing mechanism in meeting service level benchmarks by September 1, 2014.

## **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 Council approved the Mayor's recommendations.

## **Civil Rights**

*Mayor's Recommended Budget:* The Mayor recommended an additional \$150,000 in ongoing funding to double the number of participants in the Urban Scholars program as well as an additional \$25,000 in ongoing funding to provide transcription services during hearings.

*Council Adopted Budget:* City Council approved the Mayor's recommendations and added the following staff direction; the Civil Rights Department, in collaboration with Neighborhood and Community Relations, Community Planning and Economic Development, Finance and Property Services, Human Resources, and the Coordinator's office, is directed to develop measures consistent with the racial equity toolkit guides, and work with all departments to include applicable measures in their regular *Results Minneapolis* reports.

## **Communications**

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

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

## **Convention Center**

*Mayor's Recommended Budget:* The Mayor recommended increasing the transfer from the General Fund to the Convention Center Fund by \$400,000 (\$100,000 in ongoing funding, \$300,000 in one-time funding) to use for events and community engagement programming such as the Secret City Festival.

*Council Adopted Budget:* The Council approved the Mayor's recommendations and amended the budget to increase the Convention Center's appropriation by \$250,000 to be allocated for Meet Minneapolis on a one-time basis. The funding for this appropriation increase is to come from prior years' local tax revenue currently in the Convention Center's fund balance. The Council further directed staff to request a quarterly report from Meet Minneapolis detailing the expenses and resulting benefits associated with the one-time \$250,000 allocation and present this report to the City Coordinator on a quarterly basis, with a further request to present this report to the Ways and Means/Budget Committee on a semiannual basis.

## **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: \$185,000 for City support of the Midtown Global Market; \$74,000 to enhance the City's Step-Up program; \$400,000 for enhancing the City's permit and construction inspection capabilities needed due to the recent increases in construction activity; and the realignment the department's administrative services into the General Fund to allow for greater future flexibility in the utilization of development-related funds.

Further, the Mayor recommended an additional one-time General Fund appropriation in the amount of \$300,000 for the Construction Code Services Division to prevent service level reductions.

*Council Adopted Budget:* The Council approved the Mayor's recommendations and amended the budget to reinstate requested funding for the City's Employment and Training programs in CPED and allocated up to \$2.565 million from the CPED Special Revenue Fund to maintain the following programs at current levels:

- \$1.0 million for Adult Training
- \$0.7 million for Youth Employment
- \$0.690 million for Great Streets
- \$0.146 million for the Peavey Plaza project
- \$0.029 million for Residential and Real Estate Development

The Council further amended the Mayor's recommendations by increasing the appropriation for affordable housing by \$1.5 million to be funded through the use of reserves in the CPED Development Account (CPED Special Revenue Fund). The Council also amended the budget to allocate up to \$2.75 million in proceeds attributed to the sale of the Gaviidae property to Public Works for the purpose of funding a portion of the preliminary engineering and/or project development costs associated with the Nicollet/Central Modern Streetcar Project. In addition, Council decreased the Midtown Global Market allocation by \$50,000 to be reallocated to the Minneapolis Animal Care and Control bully breed temperament program in Regulatory Services and reallocated the remaining \$135,000 of the Midtown Global Market allocation to the Great Streets program.

The Council also provided several directions to CPED staff:

- Staff from Intergovernmental Relations (IGR), CPED and possibly others is directed to evaluate existing and ongoing membership in the St. Anthony Falls Heritage Organization for value received.
- Staff from Civil Rights, NCR, CPED, FPS, HR, and the City Coordinator's office is directed to develop measures consistent with the racial equity toolkit guides, and work with all departments to include applicable measures in their regular Results Minneapolis reports.
- CPED staff is also directed to lead a cross-departmental workgroup to include the Minneapolis Police Department's 3rd Precinct, Regulatory Services, CPED Housing, CPED Economic Development, and other relevant departments, along with the Ventura Village Neighborhood Association and other stakeholders, to build on the focused work in the northwest sector of the Ventura Village Neighborhood. The workgroup will establish a discreet project area, a robust community engagement process, baseline measurement data, and comprehensive investment strategies in housing and jobs. The workgroup will regularly evaluate the progress to determine the effectiveness of the City of Minneapolis efforts in this defined area.

## Finance & Property Services

*Mayor's Recommended Budget:* The Mayor's Recommended Budget includes funding to reinstate 2.5 FTEs in Property Services using one-time funding that will subsequently become part of the internal service charge mechanism. The Mayor also recommended funding an additional FTE to assist in purchasing and payment processes. Additionally, the Mayor recommended a reduction of \$200,000 in funding to this department to reflect prior year actual utilization and to mitigate the impact of the additions.

*Council Adopted Budget:* The Council approved the Mayor's recommendations and amended the budget to increase the City Coordinator Administration Department's budget appropriation by \$30,000 to be allocated for the annual membership for St. Anthony Falls Heritage Organization to be offset by a reduction in the appropriation for the Finance and Property Services Department.

The Council also provided several directions to staff:

- The Finance and Property Services Department is directed to amend all schedules and language according to amended budgets and to adjust the five-year financial direction according to amended budgets and staff directions.
- The Finance and Property Services and Public Works Departments are directed to request a report on the utilization of the Minneapolis Parks and Recreation Board Tree Levy and City contribution of \$200,000 for 2014 and prepare a recommendation regarding continued funding for the 2015 budget process.
- Staff from Civil Rights, Neighborhood and Community Relations (NCR), CPED, Finance, Human Resources (HR), and the Coordinator's office is directed to develop measures consistent with the racial equity toolkit guides and work with all departments to include applicable measures in their regular Results Minneapolis reports.

## Fire

*Mayor's Recommended Budget:* The Mayor recommended \$1,100,000 in one-time funding for cadet hiring and training and an additional \$250,000 in one-time funding to be used for a pilot program to respond to emergency medical service (EMS) calls with staff and vehicles equipped for that purpose rather than deploying full fire rigs. The Mayor also recommended \$25,000 be added to this department's ongoing General Fund allocation to be used for youth recruitment programming that provide a pipeline for the EMS specialists and eventually firefighters. It is anticipated that these programs will save money in the long run due to associated savings in staff recruitment and vehicle maintenance costs.

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

## Health and Family Support

*Mayor's Recommended Budget:* The Mayor recommended additional one-time General Fund allocations of \$150,000 for community micro-grants targeted at a support group for parents of adolescent children, \$125,000 to continue the 2007 Minneapolis Air Quality Study, and \$75,000 in funding for programming to prevent high-risk youth from becoming victims of violence.

*Council Adopted Budget:* City Council approved the Mayor's recommendations and amended the budget to increase general fund revenues by \$139,000 to account for increased inspection



and citation revenue projections and the expense appropriation was increased by \$139,000 for the Health department to provide for a program to assist these businesses in meeting health standards (in cooperation with CPED). Further, Council directed the staff of the Health Department to provide an update of the fees and process study to Regulatory, Energy and Environment committee during the first quarter of 2014.

## **Human Resources**

*Mayor's Recommended Budget:* The Mayor recommended ongoing General Fund allocations for the following programs: \$126,000 in Halogen license fees; \$100,000 to hire an additional human resource generalist; \$15,000 to support employee access to NiceRide (\$5,000 of which is one-time); and \$100,000 to support employee access to MetroPass (\$25,000 of which is one-time). The Mayor also recommended one-time General Fund allocations of \$80,000 to support benefits staff in implementing the requirements of the Affordable Care Act and \$10,000 to support an employee access to car-sharing.

*Council Adopted Budget:* The Council approved the Mayor's recommendations and amended the budget to increase the Human Resources Department's appropriation by \$50,000 to enhance the City's internship programs with corresponding appropriation authority removed from the City Coordinator's Administration Department. The Council also directed staff from Civil Rights, NCR, CPED, FPS, HR, and the Coordinator's office to develop measures consistent with the racial equity toolkit guides and work with all departments to include applicable measures in their regular Results Minneapolis reports.

## **Information Technology**

*Mayor's Recommended Budget:* The Mayor recommended one-time funding in the amount of \$625,000 to be used by the department to cover costs associated with the managed services request for proposal process. The Mayor further recommended \$100,000 in one-time funding to be used for business intelligence support. In subsequent budget years, this will be funded through departmental cost allocations.

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

## **Intergovernmental Relations**

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

*Council Adopted Budget:* The Council approved the Mayor's recommendations and amended the budget to increase the department's appropriation by \$100,000, which is offset by a like reduction in appropriation authority for the City Coordinator Administration Department. This funding covers the cost of an FTE in the department dedicated to interregional lobbying and coordination efforts. The Council further directed staff, in conjunction with CPED and other departments, to evaluate the existing and ongoing membership against the value received for the cost of membership in the St. Anthony Falls Heritage Organization and other strategic partnerships.

## **Internal Audit**

*Mayor's Recommended Budget:* The Mayor recommended an additional ongoing General Fund appropriation in the amount of \$126,000 for this department to hire one additional auditor.

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

## **Mayor**

*Mayor's Recommended Budget:* The Mayor recommended an additional \$50,000 in ongoing General Fund resources to consistently and fully fund personnel costs in this department rather than relying on temporary grant funding.

*Council Adopted Budget:* City Council adopted the Mayor's recommendations.

## **Neighborhood and Community Relations**

*Mayor's Recommended Budget:* The Mayor recommended an additional \$100,000 in ongoing General Fund resources to deploy in support of the department's access and outreach programming.

*Council Adopted Budget:* The Council approved the Mayor's recommendations and directed staff from Civil Rights, NCR, CPED, Finance, HR, and the Coordinator's office to develop measures consistent with the racial equity toolkit guides and work with all departments to include applicable measures in their regular Results Minneapolis reports. The Council further directed NCR staff to use up to \$25,000 of its Access and Outreach programming funds for Beyond the Yellow Ribbon outreach activities and authorize NCR to add 0.5 FTE.

## **Police**

*Mayor's Recommended Budget:* The Mayor recommended one-time funding from the General Fund in the amount of \$3,100,000 for this department with \$2,000,000 of the funding to be used to cover costs associated with hiring and training a new cadet class and \$800,000 in funding to hire twenty community service officers in the first half of the year as part of a long-term staffing plan to address attrition due to anticipated retirements. The Mayor also recommended \$300,000 in funding to be used for cultural and racial awareness training within the department.

*Council Adopted Budget:* City council approved the Mayor's recommendations and amended the budget to include; (1) \$400,000 for the purchase of body cameras for use by officers to be funded from the Self-Insurance Fund. This budget appropriation is to be offset by a corresponding reduction in General Fund transfer to Self-Insurance Fund, (2) \$150,000 for the purchase of street cameras on Penn Ave N from Lowry to Dowling and Fremont Ave N from Lowry to 44th; and to decrease the General Fund transfer to the Self-Insurance Fund by \$150,000, (3) \$75,000 for the purchase of a street camera to be located in the University District and decrease the General Fund transfer to the Self-Insurance Fund by \$75,000.

In addition to these amendments, City Council added the following staff directions; (1) with 2014 budget savings from attrition and contracts, provide \$510,000 in General Fund to retain six Community Crime Prevention Specialists, (2) in conjunction with the Public Works, Regulatory Services departments, provide services up to an equivalent of \$75,000 to support up to six events associated with the Open Streets program, (3) provide a one-time final allocation from

the existing Minneapolis Police Department budget of \$15,000 to the Midtown Safety Center to provide the City of Minneapolis contribution to the operating expenses, (4) under the leadership of CPED, the Minneapolis Police Department's 3<sup>rd</sup> Precinct is directed to participate in a cross departmental workgroup including Regulatory Services, CPED Housing, and CPED Economic Development and other relevant departments, along with the Ventura Village Neighborhood and other stakeholders, to build on the focused work in the northwest sector of the Venture Village Neighborhood. The workgroup will establish a discreet project area, a robust community engagement process, baseline measurement data, comprehensive investment strategies in housing and jobs. The workgroup will regularly evaluate the progress to determine the effectiveness of the City of Minneapolis efforts in this defined area.

## **Public Works**

Please see the divisional sections below for the Mayor's recommendations 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 Council approved the Mayor's recommendations and directed Public Works along with Finance and Property Services to request a report on the utilization of the Minneapolis Parks and Recreation Board Tree Levy and City contribution of \$200,000 for 2014 and prepare a recommendation regarding continued funding for the 2015 budget process. The Council also directed Public Works to report to the Transportation and Public Works Committee by January 31, 2014 with proposed specific projects for the 2014 Capital Budget for the Paving Program. The Council further directed Public Works, Regulatory Services and the Police Department to provide services up to an equivalent of \$75,000 to support up to six events associated with the Open Streets program without additional funding required.

### **Fleet Services**

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

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

### **Solid Waste and Recycling**

*Mayor's Recommended Budget:* The Mayor recommended realigning the costs associated with graffiti and alley plowing into the General Fund to more clearly reflect the nature of these costs.

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

### **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 Council approved the Mayor's recommendations and amended the budget by reducing the 2014 Sanitary Sewer rate from the recommended amount of \$3.21 down to \$3.14 (the same rate as 2013), subsequently reducing the overall revenue and expenditure appropriation by \$1,021,160, which reflects the reduction in Metropolitan Council Environmental Services fees for 2014.

### **Surface Water & Sanitary Sewer – Stormwater**

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

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

### **Traffic & Parking Services**

*Mayor's Recommended Budget:* The Mayor recommended a one-time General Fund appropriation of \$50,000 for street lighting improvements in North Minneapolis. The Mayor further recommended an ongoing General Fund appropriation of \$435,000 for crosswalk and pedestrian safety improvements.

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

### **Transportation Maintenance and Repair**

*Mayor's Recommended Budget:* The Mayor recommended a one-time General Fund appropriation of \$200,000 for winter-weather maintenance to pedestrian and bike facilities citywide. The Mayor further recommended an ongoing General Fund appropriation of \$575,000 for sealcoating.

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

### **Transportation Planning and Engineering**

*Mayor's Recommended Budget:* The Mayor recommended one-time General Fund appropriations for the following programs: \$140,000 for the Nicollet & Central Avenue Modern Streetcar project environmental impact study; \$500,000 for the West Bank Interconnect Project; \$200,000 to cover one-third of the cost of the Broadway Alternatives Analysis study; \$35,000 for the St. Anthony Business District Traffic Study; and \$1,250,000 for preliminary engineering of the Nicollet & Central Avenue Modern Streetcar project.

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

### **Water Treatment and Distribution**

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

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

## **Regulatory Services**

*Mayor's Recommended Budget:* The Mayor recommended an additional ongoing General Fund appropriation in the amount of \$577,500 to hire 4.5 new positions in support of fire and housing inspections programming. It is anticipated that revenue generated by these positions will be sufficient to cover the costs of this budgetary enhancement. This recommendation is supplemented by \$114,000 in one-time funding for vehicles for these new positions.

*Council Adopted Budget:* City Council approved the Mayor's recommendations and amended the budget include an additional \$50,000 for Minneapolis Animal Care and Control bully breed temperament testing program.

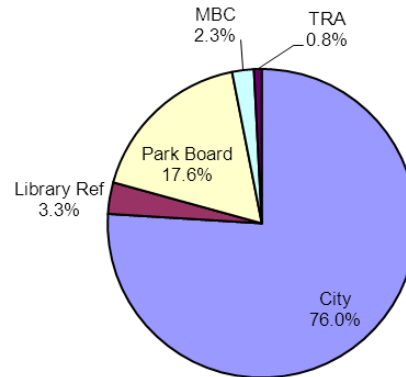
The Council also added the following staff directions; (1) In collaboration with Minneapolis Police and Public Works departments, provide services up to an equivalent of \$75,000 to support up to six events associated with the Open Streets program, (2) Under the leadership of Department of Community Planning & Economic Development (CPED) staff, start a cross departmental workgroup to include the Minneapolis Police Department 3rd Precinct, CPED Housing, CPED Economic Development, and other relevant departments, along with the Ventura Village Neighborhood and other stakeholders, to build on the focused work in the northwest sector of the Ventura Village Neighborhood.

## Property Tax and Fee Changes

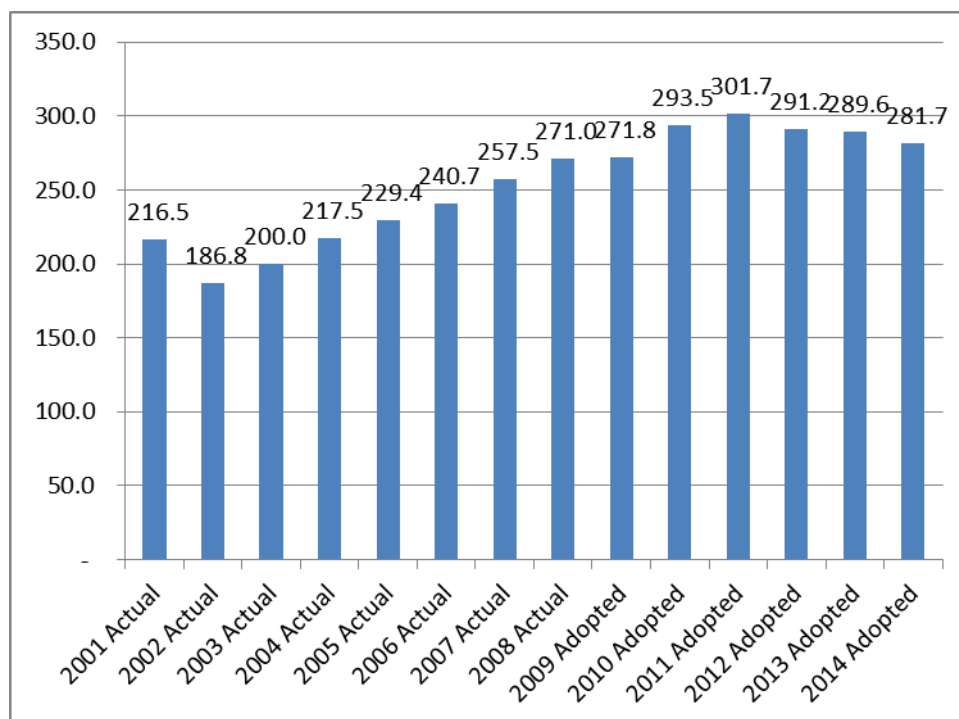
### ➤ Property Tax Revenue

The City's 2014 Council Adopted Budget includes an estimated net tax capacity rate of 71.860%. 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 with an estimated tax capacity rate of 0.02819% for 2014 and is not included in the City's net tax capacity rate. This estimated net tax capacity rate will levy \$2.855 million less than the 2013 Council Adopted Budget.

Property Tax by Fund - \$281.7 Million



Property tax revenue in constant 2013 dollars\*



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

### ➤ **Shared Revenue Approach**

As a part of the 2010 budget process, the Mayor recommended and Council adopted a shared revenue approach that makes costs shared between the City and its independent boards more transparent, as they are noted “above the line” prior to determining the revenue available for general operating expenditures for each entity. These costs include closed pension obligations, previously approved internal service fund workout plans, the Bond Redemption Fund levy, the Permanent Improvement Fund levy, the Minneapolis Public Housing Authority special levy, the Teacher’s Retirement Association special levy, the Library Market Value Referendum levy, the levy for the Board of Estimate and Taxation, and shared administrative costs. This policy clearly isolates changes to City policies and the funding of those policy changes. Future increases are aligned with available resources, and the annual percentage change in revenue available for general fund activities of the City’s General Fund, the Park Board and MBC is the guided by the governing boards of each organization after adjusting for the estimated costs. Levy distributions are allocated during the Council and Board Adopted Budget process and changes are made in the resource levels based on policy decisions made during the budget process.

### ➤ **Market Value Exclusion Program**

When the Market Value Homestead Credit (MVHC) was eliminated by the State during the 2011 Special Session, it was replaced with the Market Value Exclusion Program. This program excludes part of the taxable value of homes from consideration for taxation. Homes with \$76,000 in market value receive the maximum exclusion of \$30,400, with exclusions gradually decreasing until the exclusion is fully phased out at \$413,800. As a result of the exclusions, the City’s overall tax base shrinks which means, all other variables being equal, that the tax rate charged to all properties increases. The City considers this is a transfer of tax burden from the State, which previously paid credits on behalf of the homeowner under the former MVHC, to all properties. The tax burden shifts from the State to the local taxpayers and generally more heavily toward commercial and industrial properties as they are not subject to the valuation exclusion.

Under the former MVHC, the same valued home across the State received the same credit. Under the new exclusion methodology, the effect on same-valued homes will vary greatly in different communities depending on many factors. These factors include the tax base composition within the property classifications, the tax rate of the jurisdiction, and the unique mix of properties in each taxing jurisdiction as all taxing districts are affected. 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 on the following page shows the percentage of Minneapolis residential properties grouped according to changes in their estimated City tax impacts payable in 2014.

Estimated percentage tax change of City taxes from payable 2013 to payable 2014 at the with a 1% decrease in the tax levy.

<b>Est. Percentage Tax Change (City portion)</b>	<b>Percentage of parcels in group*</b>
more than - 30 %	0.21%
-20.00% to -30.00%	0.42%
-15.00% to -20.00%	1.28%
-10.00% to -15.00%	4.86%
-7.50% to -10.00%	8.45%
-5.00% to -7.50%	12.06%
-2.50% to -5.00%	6.50%
0.00% to -2.50%	33.40%
2.50% to 0.00%	11.65%
5.00% to 2.50%	11.92%
7.50% to 5.00%	7.18%
10.00% to 7.50%	0.79%
more than + 10 %	1.29%

\*This table shows that 67.17% of the City homesteaded properties that have not had improvements between valuation dates will have a decrease in the City portion of their taxes payable in 2014 compared to 2013. An estimated 11.65% will have an increase between 0% to 2.50%. These groups comprise 78.81% of the parcels.



## ➤ City Utility Fees:

For 2014, 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. The variable rate for Sanitary Sewer did not increase in 2014. The table below provides a summary of the anticipated change in an average residential customer's utility bill from 2013 to 2014. For detailed information of these changes, please refer to the narratives within the Public Works Department sections of this document.

**Combined Utility Bill**  
**Monthly and Annual cost for average customer**

	2013	2014 Monthly Average*	2014 Annual Average	2014 monthly dollar change	2014 % change
<b>Water</b>	\$25.03	\$25.74	\$309	\$0.71	2.8%
<b>Sanitary Sewer</b>	\$21.84	\$22.24	\$267	\$0.40	1.8%
<b>Stormwater</b>	\$11.82	\$11.94	\$143	\$0.12	1.0%
<b>Solid Waste/Recycling**</b>	\$22.00	\$22.60	\$271	\$0.60	2.7%
<b>Total</b>	\$80.69	\$82.52	\$990	\$1.83	2.3%

\*The average household rate for water is based on 7 units of consumption at \$3.32 per unit plus a \$2.50 fixed charge, in prior years 8 units of water were used in these calculations. Sanitary rates are based on 6 units of water consumption at \$3.14 per unit plus a fixed charge of \$3.40. 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 \$17.60 monthly charge with a large recycling cart fee of \$5.00. Customers can substitute a small cart with a \$2.00 fee.

## ➤ Franchise Fees

Utility companies pay the City franchise fees for their use of the public right-of-way. Franchise fees are calculated as a percentage of each company's total utility revenues, so the amounts paid to the City vary. The 2014 Council Adopted Budget anticipates the total franchise fee revenue will decrease by \$0.5 million from the 2013 Council Adopted Budget, from \$27.4 million in 2013 to \$26.9 million in 2014. The decline in revenue is due to eliminating revenue from the bus stop advertising franchise fee.

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% of its gross revenues for Minneapolis residential service customers, 3% of gross revenues for Minneapolis commercial/industrial customers, and 5% of gross revenues for Minneapolis small commercial/industrial customers. The residential rate drops to 4.5% of gross revenues beginning in January 2014. In 2014, the Council Adopted Budget anticipates Xcel will pay the City \$17.0 million from this agreement, the up \$0.8 million from 2013.

The franchise agreement with CenterPoint Energy for natural gas requires the company to pay the City 4.25% of gross revenues for Minneapolis residential buildings with four units or less, 5% 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% for large volume interruptible customers. For 2014, the Council Adopted Budget anticipates CenterPoint Energy will pay the City \$6.5 million from this agreement, a decrease of \$1.6 million from 2013.

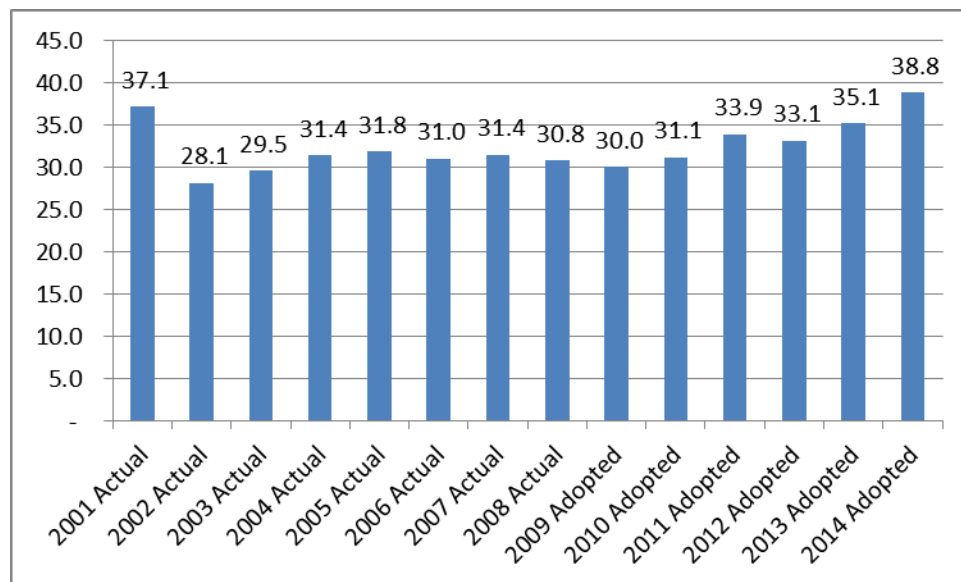
The City also has a cable television franchise with Comcast that is anticipated to generate \$3.4 million for the City in 2014, a \$300,000 increase from 2013. Comcast also collects an “access fee” from subscribers to support public, educational and government (PEG) access programming. The City estimates that it will receive \$840,000 from Comcast for the access fee in 2014, a \$40,000 increase from 2013. There are ten PEG channels in the City of Minneapolis: four public, three educational and three government channels.

➤ **Community Development Block Grant**

The 2014 Council Adopted Budget allocates \$9.1 million in CDBG funding for City programs, down from \$10.7 million in 2013.

- **Other fee changes:** The licenses and permit fee revenue is expected to increase from \$34.5 million in 2013 to \$38.8 million in 2014 due to recent and projected activity levels.

**License and permit revenue in constant 2013 dollars (\$ in millions)**



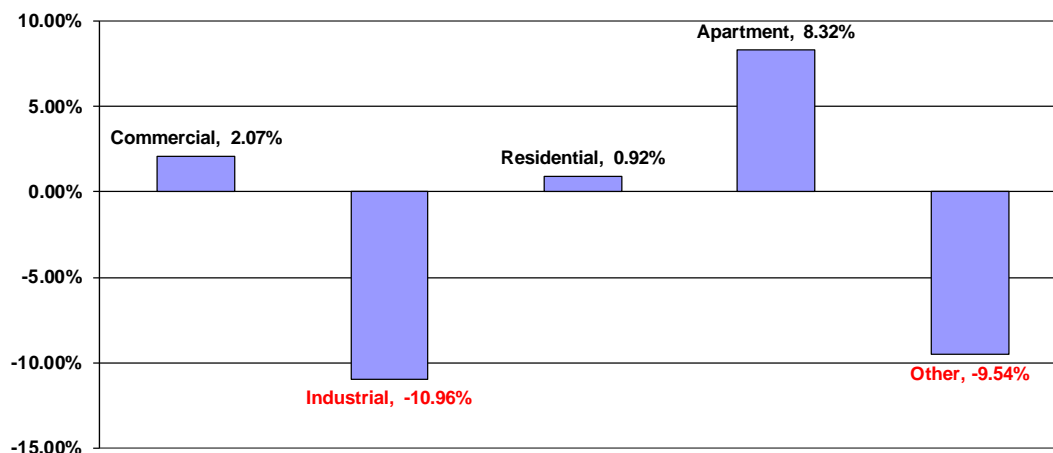
\*This revenue chart shows the trend of City revenues adjusted for inflation using the Consumer Price Index (CPI).

## 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, 2013 assessment utilized for property taxes payable in 2014 based on preliminary numbers

Group	2013 Estimated Market Value	% of Total	% Change	Tax Capacity	% of Total	% Change
<b>Real Estate</b>						
Commercial	\$6,160,330,800	18.6%	2.05%	\$120,791,258	30.0%	2.07%
Industrial	1,148,093,000	3.5%	-10.77%	22,498,936	5.6%	-10.96%
Residential	21,651,726,100	65.5%	0.64%	207,810,585	51.6%	0.92%
Apartment	3,650,569,600	11.0%	8.46%	43,292,334	10.8%	8.32%
Other	18,773,400	0.1%	-9.62%	250,568	0.1%	-9.54%
<b>Sub Total</b>	<b>\$32,629,492,900</b>	<b>98.8%</b>	<b>1.26%</b>	<b>\$394,643,681</b>	<b>98.0%</b>	<b>1.25%</b>
<b>Personal Property</b>						
All	410,530,000	1.2%	1.00%	7,860,000	2.0%	1.19%
<b>Grand Total</b>	<b>\$33,040,022,900</b>	<b>100.0%</b>	<b>1.25%</b>	<b>\$402,503,681</b>	<b>100.0%</b>	<b>1.25%</b>

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 2014 based on preliminary numbers:

For Taxes Payable in 2014*	
Real Estate Tax Capacity	\$394,643,681
Personal Property Tax Capacity	\$7,860,000
<b>Gross Tax Capacity</b>	<b>\$402,503,681</b>
- Less Increment Financing	(\$31,194,757)
- Less Fiscal Disparities Contribution	(\$47,101,081)
+ Plus Fiscal Disparities Distribution	\$51,075,667
<b>Adjusted Net Tax Capacity</b>	<b>\$375,283,510</b>

\* Property Values Jan 2, 2013

### 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 2013 commercial/industrial tax base is estimated at \$7.3 billion dollars, of which \$4.1 billion resides in the Minneapolis Central Business District (CBD). Between January 2012 and January 2013 the Minneapolis CBD experienced a modest 3.6 percent increase in the commercial and industrial tax base. The biggest news in this market sector is the proposed \$975 million stadium development and a \$400 million Ryan development that includes Class "A" commercial, retail and multi-family housing within walking distance to the stadium. A \$1.4 billion dollar redevelopment project in the Downtown East neighborhood could be the catalyst needed to spur other major real estate developments in the area.

### Apartments

The 2013 apartment market continues to outperform the other markets in Minneapolis with a 8.5 percent growth in tax base over 2012. Marquette Advisors reports a 1.8 percent vacancy rate for Minneapolis, down from a vacancy rate of 2.1 percent a year earlier. Minneapolis vacancy rate is slightly better than the 2.9 percent rate for the overall larger metropolitan market area.

Apartment vacancy rates in Minneapolis decreased during 2012. Apartment new construction continues to be robust in Uptown, Downtown and the University area. The supply of apartment units is increasing with just under 5,000 units currently under construction. Average monthly rents increased slightly over 2012 moving from \$996 to \$1,017 in 2013. The outlook for apartments in 2014 appears to similar to the 2012 and 2013 trend with no downturn noted in the near future.

### Residential

The inventory of foreclosures and short-sales is declining and the negative impact these properties had on the open market transactions is diminishing. The housing market is being perceived as "stable" with the job market other economic sectors improving. The number of homes actively on the market is down 15 percent from the previous year and down 50% since 2008. The lack of housing inventory available for sale has transitioned the real estate market from a "Buyer's Market" to a "Seller's Market" with quick sales and multiple purchase officers on

many of the listings. Prices of single family homes remained relatively flat at \$170,000 entering into 2013. However, recent sales activity indicates the real estate market improving each month thouthout 2013.

The table below shows the overall change in the market value by the three main property type classifications for taxes payable from 2000 to 2014:

	<b>Change in Market Value</b>		
<b>Payable</b>	<b>Commercial/Industrial</b>	<b>Residential</b>	<b>Apartment</b>
2000	17.70%	9.50%	13.00%
2001	23.10%	16.00%	18.70%
2002	20.80%	23.40%	27.50%
2003	12.50%	15.40%	16.40%
2004	-5.50%	15.10%	14.10%
2005	3.00%	12.20%	6.50%
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 Est.	-0.20%	0.64%	8.46%

## 2014 Council Adopted Budget Property Tax Levies

	2013 Adopted	2014 Council Adopted Budget		
		2014 Levies	% Change from 2013	\$ Change from 2013
<b>By Major Funds</b>				
<b>General Levies</b>	\$280,939,000	\$278,404,000	-0.90%	(\$2,535,000)
<b>Special Levies Other*</b>	\$3,621,000	\$3,321,000	-8.29%	(\$300,000)
<b>Grand Totals</b>	<b>\$284,560,000</b>	<b>\$281,725,000</b>	<b>-1.00%</b>	<b>(\$2,835,000)</b>

	2013 Adopted	2014 Council Adopted Budget		
		2014 Levies	% Change from 2013	\$ Change from 2013
<b>By Entity</b>				
<b>City**</b>	\$219,634,000	\$215,904,000	-1.70%	(\$3,730,000)
<b>Municipal Building Commission</b>	\$4,410,000	\$4,594,000	4.17%	\$184,000
<b>Park Board</b>	\$48,616,000	\$49,627,000	2.08%	\$1,011,000
<b>Library Referendum***</b>	\$9,300,000	\$9,300,000	0.00%	\$0
<b>Public Housing Authority</b>	\$200,000	\$0	-100.00%	(\$200,000)
<b>Teachers' Retirement</b>	\$2,400,000	\$2,300,000	-4.17%	(\$100,000)
<b>Grand Totals</b>	<b>\$284,560,000</b>	<b>\$281,725,000</b>	<b>-1.00%</b>	<b>(\$2,835,000)</b>

\* Special Levies other Include; Chapter 595 (HRA), Teachers' Retirement

\*\* Includes General Fund, Permanent Improvement, Bond Redemption, Board of Estimate & Taxation, and closed pension funds ( MERF,MPRA,MFRA ) & HRA Levies

\*\*\*This remains a City obligation after the Library System consolidation

**2014 Council Adopted Budget  
Property Tax Levies**

2014 Council Adopted Budget				
	2013 Adopted	2014 Levies	% Change from 2013	\$ Change from 2013
<b>Levy Only Entities</b>				
Public Housing Auth	\$200,000	\$0	-100.00%	(\$200,000)
Teachers Retirement	\$2,400,000	\$2,300,000	-4.17%	(\$100,000)
Library Referendum***	\$9,300,000	\$9,300,000	0.00%	\$0
Board Estimate & Taxation	\$175,000	\$170,000	-2.86%	(\$5,000)
Perm. Imp Fund	\$1,000,000	\$1,000,000	0.00%	\$0
Bond Redemption Fund	\$21,200,000	\$29,300,000	38.21%	\$8,100,000
MERF	\$18,150,000	\$18,150,000	0.00%	\$0
MFRA	\$2,745,000	\$2,745,000	0.00%	\$0
MPRA	\$6,415,000	\$6,415,000	0.00%	\$0
<b>Subtotals</b>	<b>\$61,585,000</b>	<b>\$69,380,000</b>	<b>12.66%</b>	<b>\$7,795,000</b>
<b>Levy &amp; LGA Entities</b>				
Municipal Building Commission	\$4,410,000	\$4,594,000	4.17%	\$184,000
Park & Recreation Board	\$48,616,000	\$49,627,000	2.08%	\$1,011,000
General Fund Levy*	\$169,949,000	\$158,124,000	-6.96%	(\$11,825,000)
<b>Subtotals</b>	<b>\$222,975,000</b>	<b>\$212,345,000</b>	<b>-4.77%</b>	<b>(\$10,630,000)</b>
<b>Grand Totals</b>	<b>\$284,560,000</b>	<b>\$281,725,000</b>	<b>-1.00%</b>	<b>(\$2,835,000)</b>

\* Includes the Chapter 595 (HRA) Levy

## 2014 Adopted Budget Activities Approach

	2013	2014	% Change	\$\$ Change
<b>Municipal Building Commission ( MBC )*</b>				
Municipal Building Commission Levy	4,410,000	4,594,000	4.172%	184,000
Municipal Building Commission Tax rev	4,321,800	4,502,000	4.170%	180,200
USE of The City's Fund Bal Rev at MBC	227,425	314,048	38.089%	86,623
MBC LGA Rev	193,067	228,959	18.590%	35,892
MBC Tax Rev & LGA	4,742,292	5,045,007	6.383%	302,715
LESS MBC's Trf to City General Fund OH	(52,600)	(155,768)	196.137%	(103,168)
MBC Activities Tax Rev & LGA	4,689,692	4,889,239	4.255%	199,547
MBC \$\$ Change		199,547		
MBC % Change		4.255%		
Estimated MBC Cost Escalator %		4.255%		
<b>MBC % Change After Est. Cost Escalator</b>		<b>0.000%</b>		<b>\$4</b>

	2013	2014	% Change	\$\$ Change
<b>Park Board*</b>				
Park Board Levy	48,616,000	48,616,000	0.000%	0
Park Board Tax rev	47,643,486	47,643,680	0.000%	194
Park Board Tree Preservation Levy	0	1,011,000	0.000%	1,011,000
Park Board Tree Preservation Levy Tax rev	0	990,780	0.000%	990,780
Fees, Fines & Other Revenues	8,917,626	9,100,000	2.045%	182,374
Park Bd LGA Rev	7,570,039	8,977,319	18.590%	1,407,280
Park Board Tax Rev & LGA	64,131,151	66,711,779	4.024%	2,580,628
LESS Park Board's Trf to City General Fund OH	(839,100)	(977,303)	16.470%	(138,203)
LESS Park Board's Trf to City General Admin Fee	(129,000)	(132,422)	2.653%	(3,422)
LESS Park Board's Capital Projects from Levy	(4,629,857)	(4,700,000)	1.515%	(70,143)
Park Board Activities Tax Rev & LGA	58,533,194	60,902,054	4.047%	2,368,860
Park Board Activities \$\$ Change		2,368,860		
Park Board Activities % Change		4.047%		
Estimated Park Bd Cost Escalators Overall % >>		3.995%		
<b>Park Board Activities % Change After Cost Escalator</b>		<b>0.052%</b>		<b>\$30,530</b>

	2013	2014	% Change	\$\$ Change
<b>City General Fund</b>				
City GFd Levy	168,928,000	157,103,000	-7.000%	(11,825,000)
City GFd Tax rev	165,549,440	153,960,940	-7.000%	(11,588,500)
Chapter 595 Levy - Special Levy GFd Dept. \$\$	1,000,580	1,000,580	0.000%	0
PLUS Trf From the Property Tax Stabilization Acct	0	5,000,000	0.000%	5,000,000
General Fund Revenues	159,154,600	215,977,000	35.703%	56,822,400
General Fund Use of Fund Balance	0	18,650,000	0.000%	18,650,000
City LGA Rev	56,378,894	66,859,804	18.590%	10,480,910
City General Fund Revenue	382,083,514	461,448,324	20.772%	79,364,810
Less Payment to the Co for Library System non Tax \$\$	(4,106,000)	(3,238,000)	-21.140%	868,000
LESS MBC's Tax Rev Trf for Rent Non GFd	(748,507)	(740,776)	-1.033%	7,731
Less Gen Fd Revenue Transfer to BIS for Wi-Fi	(491,260)	(505,111)	2.819%	(13,851)
Less Revenue Transfer to Arena Reserve	(89,000)	0	-100.000%	89,000
Less Revenue Transfer to Solid Waste Graffiti	(150,000)	(825,000)	450.000%	(675,000)
LESS City General Fund ( Trf to Pen Mgmt. Plan )	(716,000)	(1,500,000)	109.497%	(784,000)
LESS General Fd Transition Cost After Election Mayor & Council	0	(200,000)	0.000%	(200,000)
LESS City GFd trf to Internal Service Funds \$ in Total	(28,731,619)	(16,591,163)	-42.255%	12,140,456
LESS General Fund Trf to Fund 4100	0	(500,000)	0.000%	(500,000)
LESS City GFd OH Not recovered from Park Bd	(442,480)	(264,122)	-40.309%	178,358
LESS City GFd OH Recovered from Park Bd	(839,100)	(977,303)	16.470%	(138,203)
LESS City GFd OH Recovered from MBC	(52,600)	(155,768)	196.137%	(103,168)
LESS City GFd OH Not recovered from MBC	(163,905)	(57,338)	-65.018%	106,567
LESS Other's Trf to City General Fund OH	(19,793,500)	(21,314,189)	7.683%	(1,520,689)
LESS City GFd OH Not recovered from Other's	(276,106)	(24,741)	-91.039%	251,365
LESS General fund one time \$\$	(1,728,000)	(9,265,000)	436.169%	(7,537,000)
LESS General fund one time \$\$ in 2014 Police Cadet Class	0	(1,300,000)	0.000%	(1,300,000)
Less Revenue Transfer to the CONVENTION CENTER	0	(46,593,000)	0.000%	(46,593,000)
Capital Asset Replacement System ( CARS )	0	(8,900,000)	0.000%	(8,900,000)
LESS Trf to Park Bd for Trees	0	(200,000)	0.000%	(200,000)
City GFd Activities	323,755,437	348,296,815	7.580%	24,541,378
General Fund Activities \$\$ Change		24,541,378		
General Fund Activities % Change		7.580%		
Estimated GFd Cost Escalator % >>		3.945%		
<b>General Fund Activities % Change After Cost ESC</b>		<b>3.635%</b>		<b>\$11,767,977</b>

\* Note: lindependent boards set and adopt their own budgets



## Residential Property Tax – Sample Bills

### Residential Property Levy & Utility Fee Estimated impact

with Estimated Market Value Change of >>

5.0%

0.0%

-5.0%

\* Water Rates for 2013 were adj from 8 units to 7 units to match 2014

	2013	2014	% Change	\$ Change	2014	% Change	\$ Change	2014	% Change	\$ Change
Assessed Market Value ( MV )	\$133,000	\$139,650	5.0%	\$6,650	\$133,000	0.0%	\$0	\$126,350	-5.0%	(\$6,650)
Market Value Credit Exclusion	(\$25,270)	(\$24,672)	-2.4%	\$599	(\$25,270)	0.0%	\$0	(\$25,869)	2.4%	(\$599)
Taxable Value	\$107,730	\$114,979	6.7%	\$7,249	\$107,730	0.0%	\$0	\$100,482	-6.7%	(\$7,249)
Tax Capacity	\$1,077	\$1,150	6.7%	\$72	\$1,077	0.0%	\$0	\$1,005	-6.7%	(\$72)
City Property Taxes										
Tax Capacity based Taxes	\$783	\$823	5.1%	\$40	\$771	-1.5%	(\$12)	\$719	-8.2%	(\$64)
MV Referendum Tax	\$38	\$39	2.6%	\$1	\$37	-2.7%	(\$1)	\$36	-5.4%	(\$2)
Total City Property Taxes	\$821	\$862	5.0%	\$41	\$808	-1.6%	(\$13)	\$755	-8.1%	(\$66)
Utility Fees										
Water	\$300	\$309	2.8%	\$9	\$309	2.9%	\$9	\$309	2.9%	\$9
Storm	\$142	\$143	1.0%	\$1	\$143	1.0%	\$1	\$143	1.0%	\$1
Sanitary Sewer	\$262	\$267	1.9%	\$5	\$267	1.9%	\$5	\$267	1.9%	\$5
Solid Waste Recycling	\$264	\$271	2.7%	\$7	\$271	2.5%	\$7	\$271	2.5%	\$7
Total Utilities	\$968	\$990	2.3%	\$22	\$990	2.3%	\$22	\$990	2.3%	\$22
Total City Property Taxes & Utility	\$1,789	\$1,852	3.5%	\$63	\$1,798	0.5%	\$9	\$1,745	-2.5%	(\$44)

### Residential Property Levy & Utility Fee Estimated impact

with Estimated Market Value Change of >>

5.0%

0.0%

-5.0%

\* Water Rates for 2013 were adj from 8 units to 7 units to match 2014

	2013	2014	% Change	\$ Change	2014	% Change	\$ Change	2014	% Change	\$ Change
Assessed Market Value ( MV )	\$195,500	\$205,275	5.0%	\$9,775	\$195,500	0.0%	\$0	\$185,725	-5.0%	(\$9,775)
Market Value Credit Exclusion	(\$19,645)	(\$18,765)	-4.5%	\$880	(\$19,645)	0.0%	\$0	(\$20,525)	4.5%	(\$880)
Taxable Value	\$175,855	\$186,510	6.1%	\$10,655	\$175,855	0.0%	\$0	\$165,200	-6.1%	(\$10,655)
Tax Capacity	\$1,759	\$1,865	6.1%	\$107	\$1,759	0.0%	\$0	\$1,652	-6.1%	(\$107)
City Property Taxes										
Tax Capacity based Taxes	\$1,279	\$1,335	4.4%	\$56	\$1,258	-1.6%	(\$21)	\$1,182	-7.6%	(\$97)
MV Referendum Tax	\$56	\$58	3.6%	\$2	\$55	-1.9%	(\$1)	\$52	-7.4%	(\$4)
Total City Property Taxes	\$1,335	\$1,393	4.4%	\$58	\$1,313	-1.7%	(\$22)	\$1,234	-7.6%	(\$101)
Utility Fees										
Water	\$300	\$309	2.8%	\$9	\$309	2.9%	\$9	\$309	2.9%	\$9
Storm	\$142	\$143	1.0%	\$1	\$143	1.0%	\$1	\$143	1.0%	\$1
Sanitary Sewer	\$262	\$267	1.9%	\$5	\$267	1.9%	\$5	\$267	1.9%	\$5
Solid Waste Recycling	\$264	\$271	2.7%	\$7	\$271	2.5%	\$7	\$271	2.5%	\$7
Total Utilities	\$968	\$990	2.3%	\$22	\$990	2.3%	\$22	\$990	2.3%	\$22
Total City Property Taxes & Utility	\$2,303	\$2,383	3.5%	\$80	\$2,303	0.0%	\$0	\$2,224	-3.4%	(\$79)

## Residential Property Levy & Utility Fee Estimated Impact

with Estimated Market Value Change of >>

\* Water Rates for 2013 were adj from 8 units to 7 units to match 2014

		5.0%			0.0%			-5.0%		
	2013	2014	% Change	\$ Change	2014	% Change	\$ Change	2014	% Change	\$ Change
Assessed Market Value ( MV )	\$532,000	\$558,600	5.0%	\$26,600	\$532,000	0.0%	\$0	\$505,400	-5.0%	(\$26,600)
Market Value Credit Exclusion	na	na			na			na		
Taxable Value	\$532,000	\$558,600	5.0%	\$26,600	\$532,000	0.0%	\$0	\$505,400	-5.0%	(\$26,600)
Tax Capacity	\$5,400	\$5,733	6.2%	\$333	\$5,400	0.0%	\$0	\$5,068	-6.2%	(\$333)
City Property Taxes										
Tax Capacity based Taxes	\$3,927	\$4,102	4.5%	\$175	\$3,864	-1.6%	(\$63)	\$3,626	-7.7%	(\$301)
MV Referendum Tax	\$152	\$157	3.3%	\$5	\$150	-1.4%	(\$2)	\$142	-6.8%	(\$10)
Total City Property Taxes	\$4,079	\$4,259	4.4%	\$180	\$4,014	-1.6%	(\$65)	\$3,768	-7.7%	(\$311)
Utility Fees										
Water	\$300	\$309	2.8%	\$9	\$309	2.9%	\$9	\$309	2.9%	\$9
Storm	\$142	\$143	1.0%	\$1	\$143	1.0%	\$1	\$143	1.0%	\$1
Sanitary Sewer	\$262	\$267	1.9%	\$5	\$267	1.9%	\$5	\$267	1.9%	\$5
Solid Waste Recycling	\$264	\$271	2.7%	\$7	\$271	2.5%	\$7	\$271	2.5%	\$7
Total Utilities	\$968	\$990	2.3%	\$22	\$990	2.3%	\$22	\$990	2.3%	\$22
Total City Property Taxes & Utility	\$5,047	\$5,249	4.0%	\$202	\$5,004	-0.8%	(\$43)	\$4,758	-5.7%	(\$289)

## Residential Property Levy & Utility Fee Estimated Impact

with Estimated Market Value Change of >>

\* Water Rates for 2013 were adj from 8 units to 7 units to match 2014

		5.0%			0.0%			-5.0%		
	2013	2014	% Change	\$ Change	2014	% Change	\$ Change	2014	% Change	\$ Change
Assessed Market Value ( MV )	\$1,334,000	\$1,400,700	5.0%	\$66,700	\$1,334,000	0.0%	\$0	\$1,267,300	-5.0%	(\$66,700)
Market Value Credit Exclusion	na	na			na			na		
Taxable Value	\$1,334,000	\$1,400,700	5.0%	\$66,700	\$1,334,000	0.0%	\$0	\$1,267,300	-5.0%	(\$66,700)
Tax Capacity	\$15,425	\$16,259	5.4%	\$834	\$15,425	0.0%	\$0	\$14,591	-5.4%	(\$834)
City Property Taxes										
Tax Capacity based Taxes	\$11,217	\$11,635	3.7%	\$418	\$11,038	-1.6%	(\$179)	\$10,442	-6.9%	(\$775)
MV Referendum Tax	\$382	\$394	3.1%	\$12	\$376	-1.6%	(\$6)	\$357	-6.7%	(\$25)
Total City Property Taxes	\$11,599	\$12,029	3.7%	\$430	\$11,414	-1.6%	(\$185)	\$10,799	-6.9%	(\$800)
Utility Fees										
Water	\$300	\$309	2.8%	\$9	\$309	2.9%	\$9	\$309	2.9%	\$9
Storm	\$142	\$143	1.0%	\$1	\$143	1.0%	\$1	\$143	1.0%	\$1
Sanitary Sewer	\$262	\$267	1.9%	\$5	\$267	1.9%	\$5	\$267	1.9%	\$5
Solid Waste Recycling	\$264	\$271	2.7%	\$7	\$271	2.5%	\$7	\$271	2.5%	\$7
Total Utilities	\$968	\$990	2.3%	\$22	\$990	2.3%	\$22	\$990	2.3%	\$22
Total City Property Taxes & Utility	\$12,567	\$13,019	3.6%	\$452	\$12,404	-1.3%	(\$163)	\$11,789	-6.2%	(\$778)

## Commercial/Industrial and Apartment Property Tax – Sample Bills

Commercial/Industrial Property with Estimated Pay 2014 Market Value Change of		5.0%			0.0%			-5.0%		
	2013	2014	% Change	\$ Change	2014	% Change	\$ Change	2014	% Change	\$ Change
Assessed Market Value (MV)	\$275,000	\$288,750	5.0%	\$13,750	\$275,000	0.0%	\$0	\$261,250	-5.0%	(\$13,750)
Tax Capacity	\$4,750	\$5,025	5.8%	\$275	\$4,750	0.0%	\$0	\$4,475	-5.8%	(\$275)
City Property Taxes										
Tax Capacity based Taxes	\$2,369	\$2,467	4.1%	\$97	\$2,332	-1.6%	(\$38)	\$2,197	-7.3%	(\$173)
MV Referendum Tax	\$79	\$81	2.8%	\$2	\$77	-2.1%	(\$2)	\$74	-7.0%	(\$6)
<b>Total City Property Taxes</b>	<b>\$2,448</b>	<b>\$2,548</b>	<b>4.1%</b>	<b>\$100</b>	<b>\$2,409</b>	<b>-1.6%</b>	<b>(\$39)</b>	<b>\$2,270</b>	<b>-7.3%</b>	<b>(\$178)</b>

Commercial/Industrial Property with Estimated Pay 2014 Market Value Change of		5.0%			0.0%			-5.0%		
	2013	2014	% Change	\$ Change	2014	% Change	\$ Change	2014	% Change	\$ Change
Assessed Market Value (MV)	\$10,375,000	\$10,893,750	5.0%	\$518,750	\$10,375,000	0.0%	\$0	\$9,856,250	-5.0%	(\$518,750)
Tax Capacity	\$206,750	\$217,125	5.0%	\$10,375	\$206,750	0.0%	\$0	\$196,375	-5.0%	(\$10,375)
City Property Taxes										
Tax Capacity based Taxes	\$103,133	\$106,586	3.3%	\$3,454	\$101,493	-1.6%	(\$1,640)	\$96,400	-6.5%	(\$6,733)
MV Referendum Tax	\$2,983	\$3,067	2.8%	\$84	\$2,921	-2.1%	(\$62)	\$2,775	-7.0%	(\$208)
<b>Total City Property Taxes</b>	<b>\$106,116</b>	<b>\$109,653</b>	<b>3.3%</b>	<b>\$3,537</b>	<b>\$104,414</b>	<b>-1.6%</b>	<b>(\$1,702)</b>	<b>\$99,175</b>	<b>-6.5%</b>	<b>(\$6,941)</b>

Apartment Property with Estimated Pay 2014 Market Value Change of		5.0%			0.0%			-5.0%		
	2013	2014	% Change	\$ Change	2014	% Change	\$ Change	2014	% Change	\$ Change
Assessed Market Value (MV)	\$404,000	\$424,200	5.0%	\$20,200	\$404,000	0.0%	\$0	\$383,800	-5.0%	(\$20,200)
Tax Capacity	\$5,050	\$5,303	5.0%	\$253	\$5,050	0.0%	\$0	\$4,798	-5.0%	(\$253)
City Property Taxes										
Tax Capacity based Taxes	\$3,672	\$3,795	3.3%	\$122	\$3,614	-1.6%	(\$58)	\$3,433	-6.5%	(\$239)
MV Referendum Tax	\$113	\$119	6.1%	\$7	\$114	1.0%	\$1	\$108	-4.0%	(\$5)
<b>Total City Property Taxes</b>	<b>\$3,785</b>	<b>\$3,914</b>	<b>3.4%</b>	<b>\$129</b>	<b>\$3,728</b>	<b>-1.5%</b>	<b>(\$57)</b>	<b>\$3,541</b>	<b>-6.4%</b>	<b>(\$244)</b>

Apartment Property with Estimated Pay 2014 Market Value Change of		5.0%			0.0%			-5.0%		
	2013	2014	% Change	\$ Change	2014	% Change	\$ Change	2014	% Change	\$ Change
Assessed Market Value (MV)	\$722,000	\$758,100	5.0%	\$36,100	\$722,000	0.0%	\$0	\$685,900	-5.0%	(\$36,100)
Tax Capacity	\$9,025	\$9,476	5.0%	\$451	\$9,025	0.0%	\$0	\$8,574	-5.0%	(\$451)
City Property Taxes										
Tax Capacity based Taxes	\$6,563	\$6,781	3.3%	\$219	\$6,458	-1.6%	(\$104)	\$6,135	-6.5%	(\$427)
MV Referendum Tax	\$201	\$213	6.1%	\$12	\$203	1.0%	\$2	\$193	-4.0%	(\$8)
<b>Total City Property Taxes</b>	<b>\$6,764</b>	<b>\$6,995</b>	<b>3.4%</b>	<b>\$231</b>	<b>\$6,662</b>	<b>-1.5%</b>	<b>(\$102)</b>	<b>\$6,329</b>	<b>-6.4%</b>	<b>(\$435)</b>