

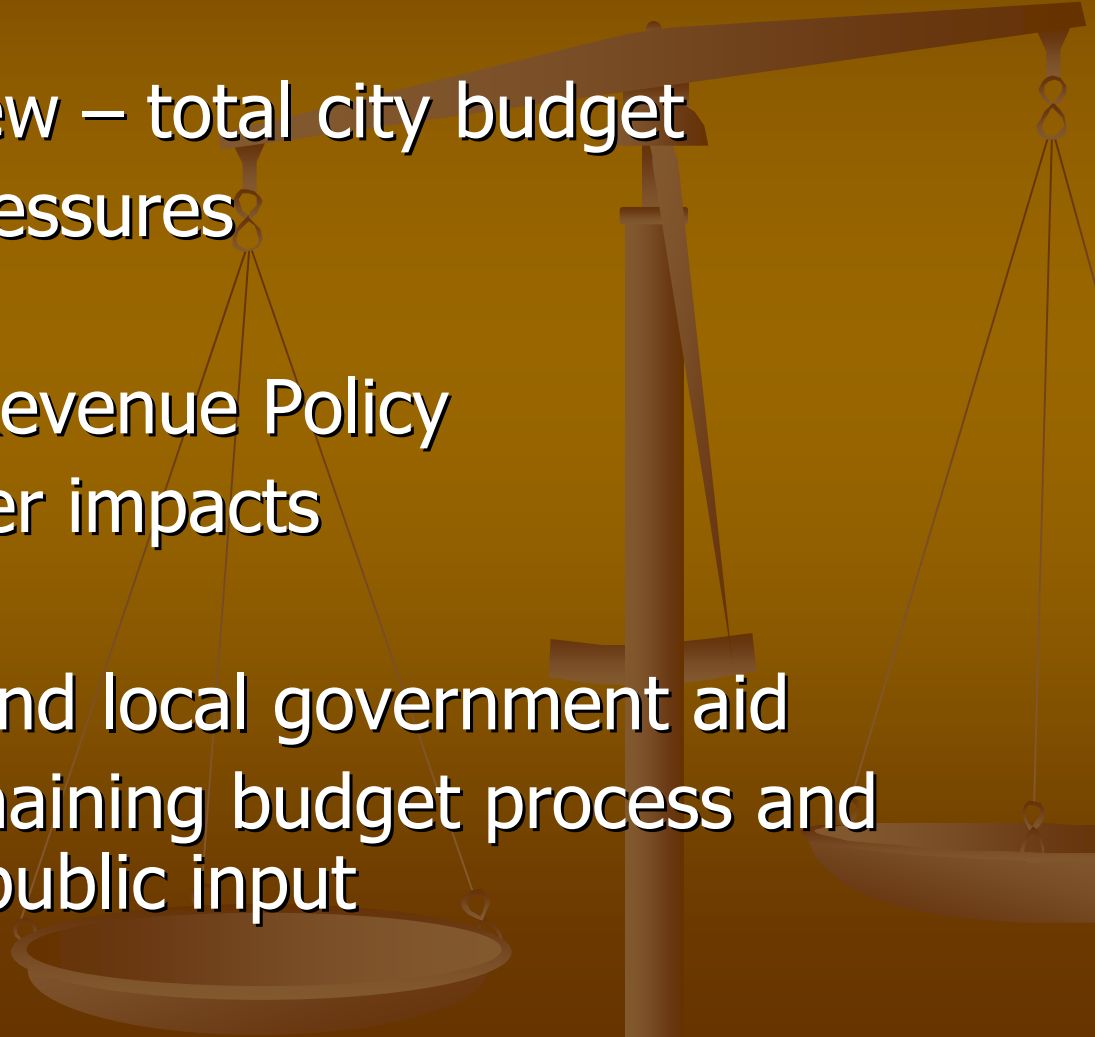
# **Overview of Mayor's 2010 Recommended Budget**



**Presented to the Board of Estimate & Taxation**

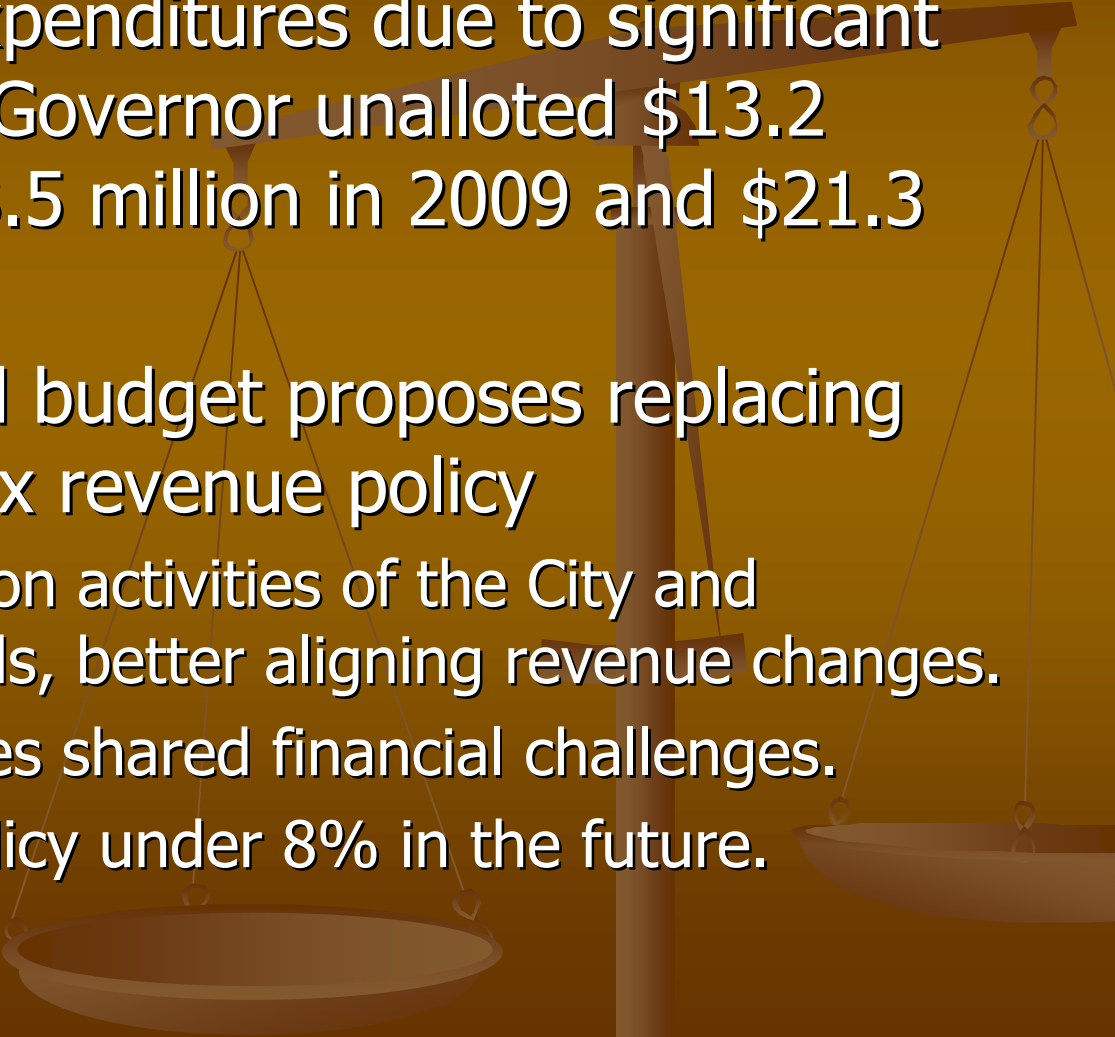
**Prepared by  
the Finance Department  
August 26, 2009**

# Agenda – Summary of Presentation

1. Major highlights
  2. Financial overview – total city budget
  3. Major budget pressures
  4. Property Taxes
  5. Change in Tax Revenue Policy
  6. Property taxpayer impacts
  7. Major Initiatives
  8. Property taxes and local government aid
  9. Summary of remaining budget process and opportunity for public input
- 

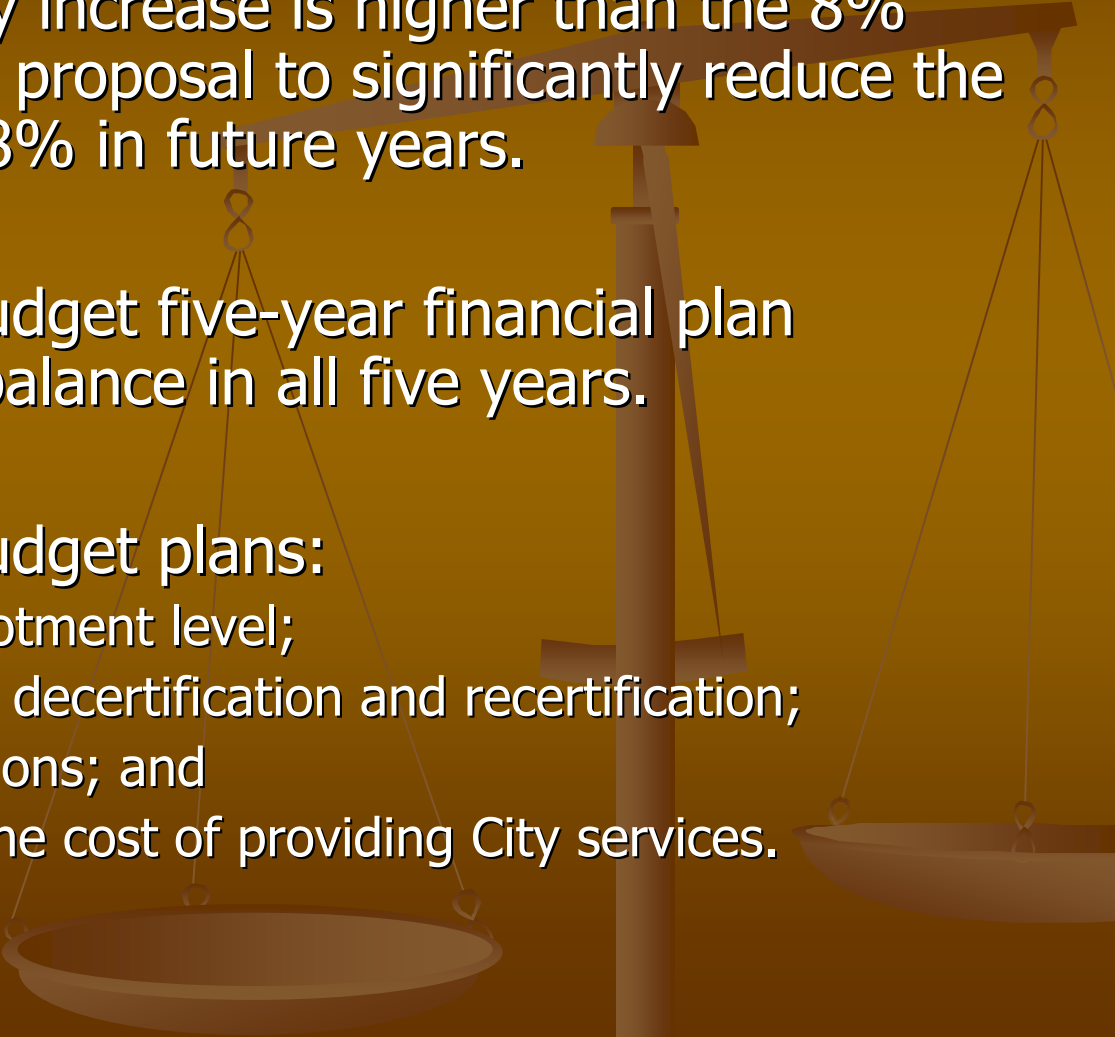
# Major Highlights

Financial Overview – Budget Book Page 36

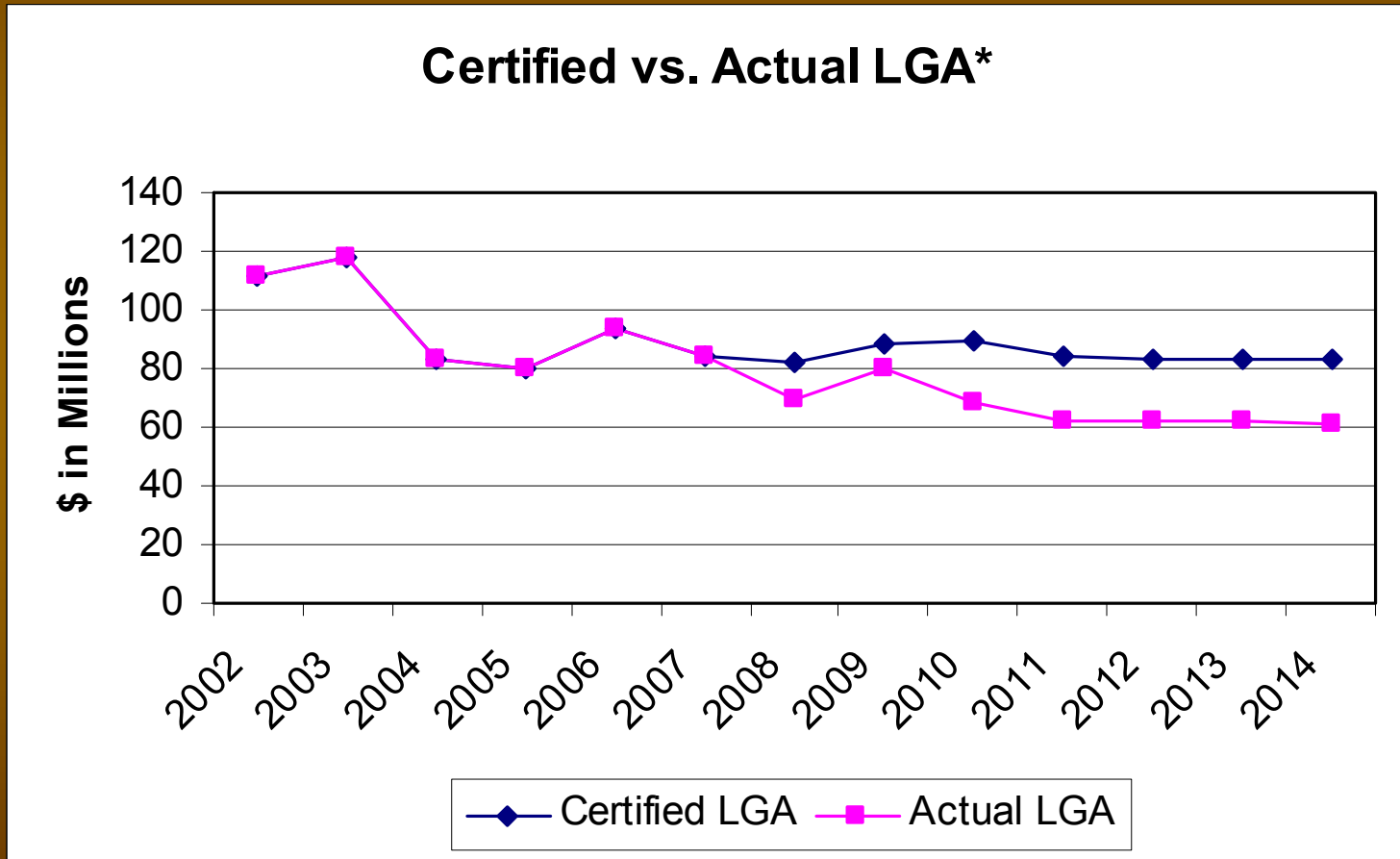
- Minneapolis cut expenditures due to significant cuts to LGA. The Governor unallotted \$13.2 million in 2008, \$8.5 million in 2009 and \$21.3 million in 2010.
  - The recommended budget proposes replacing the existing 8% tax revenue policy
    - New policy based on activities of the City and independent boards, better aligning revenue changes.
    - Approach addresses shared financial challenges.
    - Brings revenue policy under 8% in the future.
- 

## Mayor's Recommended 2010 Budget

# Major Highlights

- The proposed tax levy increase is higher than the 8% policy in 2010, with a proposal to significantly reduce the tax levy to less than 8% in future years.
  - The recommended budget five-year financial plan maintains structural balance in all five years.
  - The recommended budget plans:
    - LGA at the 2010 unallotment level;
    - Impacts of TIF district decertification and recertification;
    - Rising pension obligations; and
    - Continued growth in the cost of providing City services.
- 

# Local Government Aid



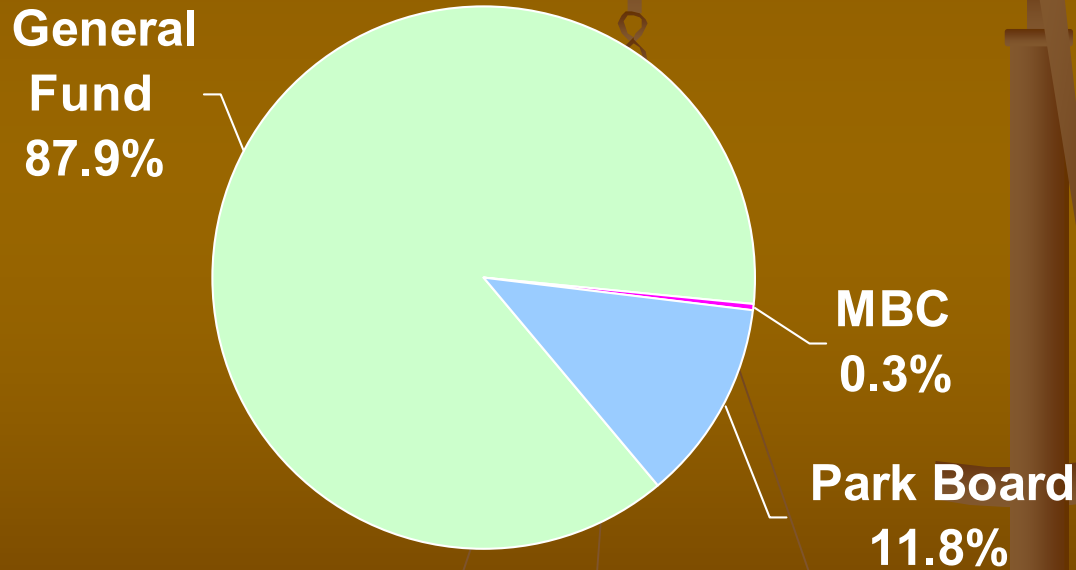
\*2011 and out years are projected numbers for original certifications and actual.

Mayor's Recommended 2010 Budget

# Local Government Aid by Fund

## \$68.7 Million

Budget Book Page 36



# Financial Overview

(Including Independent Boards)

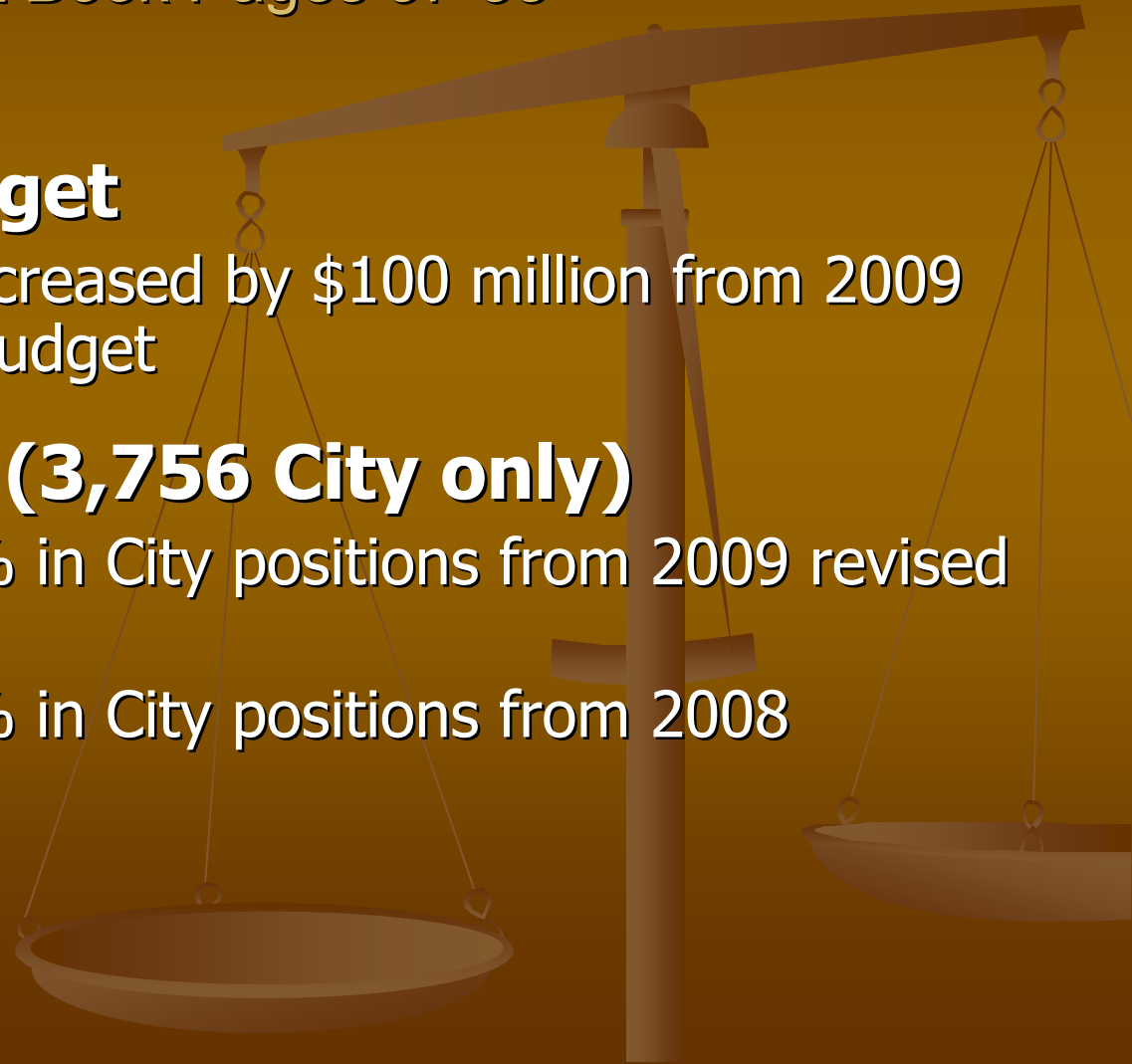
Budget Book Pages 37-38

- **\$1.3 Billion Budget**

- Spending level decreased by \$100 million from 2009 revised adopted budget


- **4,759 Positions (3,756 City only)**

- Reduction of 8.2% in City positions from 2009 revised level
- Reduction of 9.1% in City positions from 2008 adopted



# Financial Overview

Budget Book Page 35-72

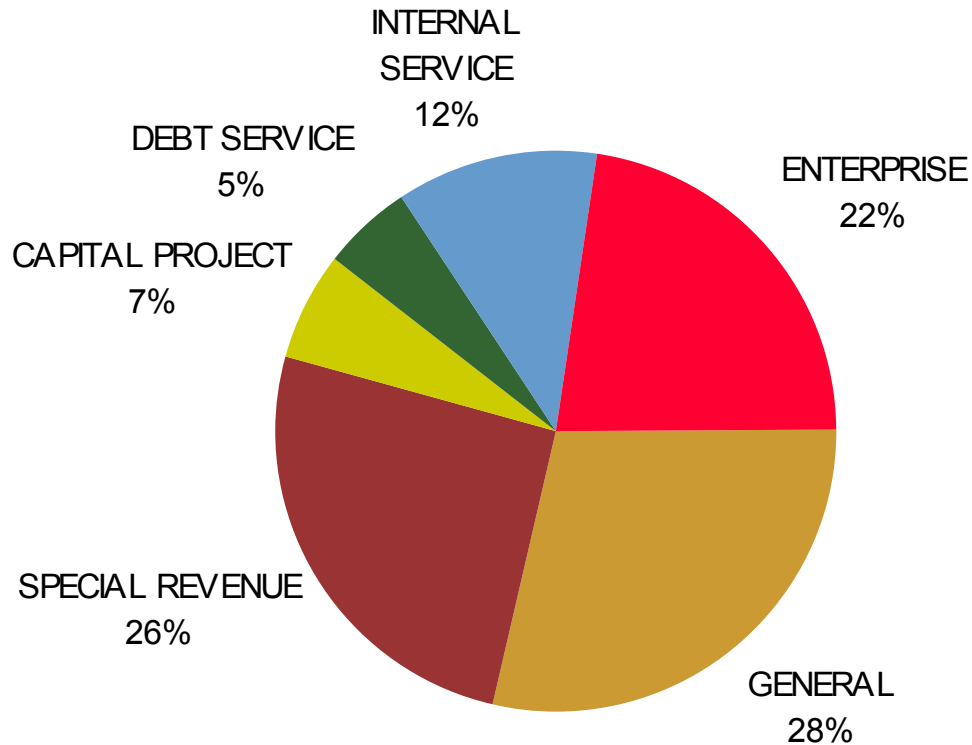
- **City General Fund:** police, fire, public works, inspections/licenses, other departments
  - **Enterprise Funds:** sewer, water, parking, solid waste, stormwater, park operations
  - **Internal Service Funds:** equipment, information technology, property services, self insurance
  - **Special Revenue Funds:** convention center, federal/state grants
  - **Capital/Debt Funds:** includes governmental related capital and debt - not the proprietary funds
  - **Independent Boards:** Park, Building Commission, Board of Estimate
- 

# Mayor's Recommended 2010 Budget

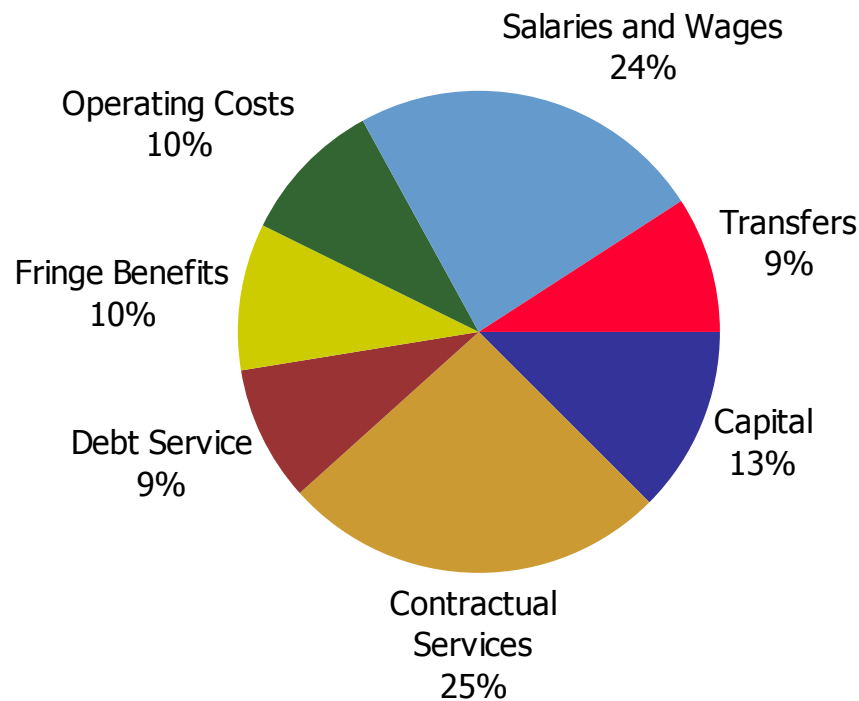
# Expenditures by Fund Category

## \$1.31 Billion

Budget Book Page 43



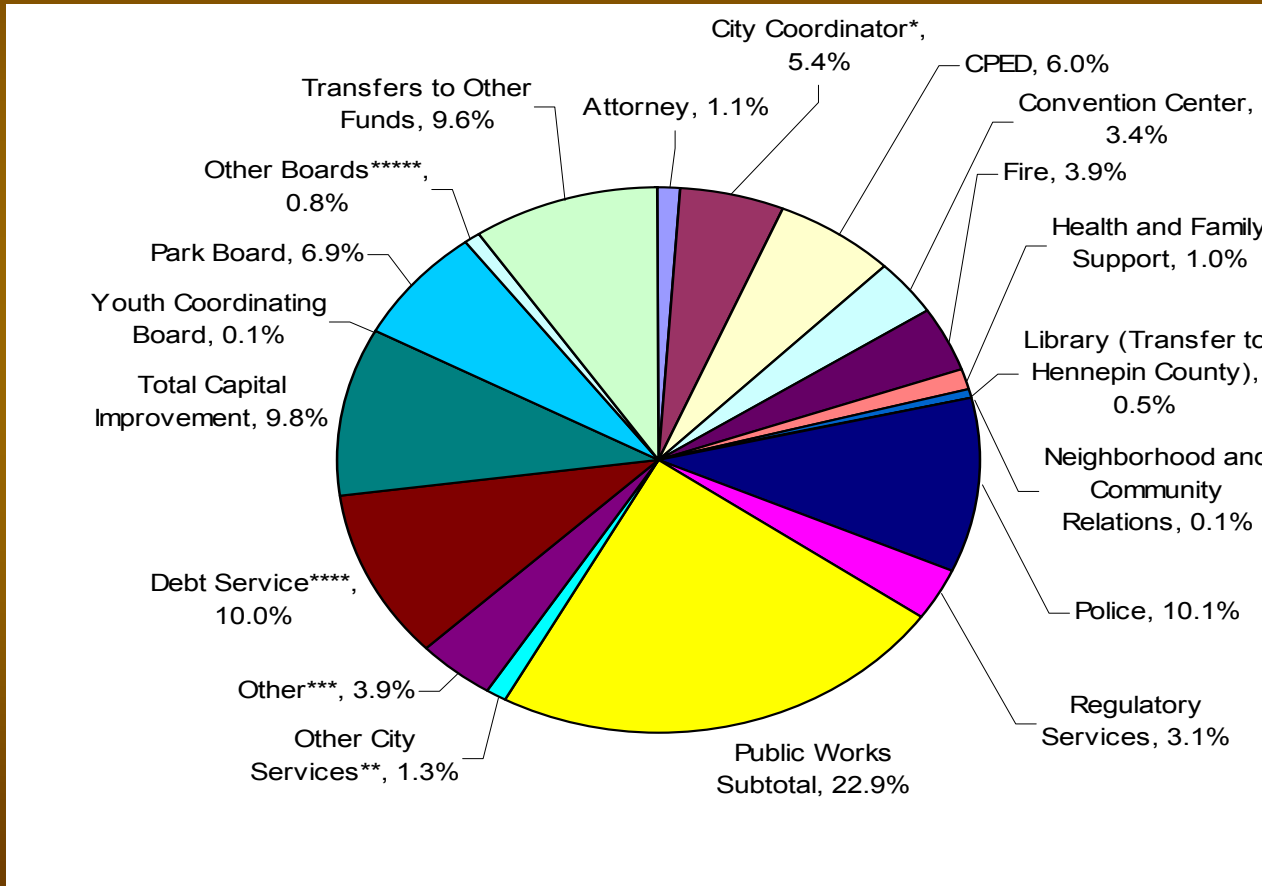
# Mayor's Recommended 2010 Budget Expenditures by Major Type \$1.31 Billion Budget Book Page 44



# Mayor's Recommended 2010 Budget Expenditures by Major Functions

## \$1.31 Billion

Budget Book Page 37



\*Includes Human Resources, Finance, 911/311, Intergovernmental Relations, Communications, Neighborhood and Community Relations and BIS

\*\*Includes Assessor, City Clerk/Elections/Council, Civil Rights & Mayor

\*\*\*Includes Non-departmental, Health and Welfare, Workers' Compensation, Liability, Contingency and pensions

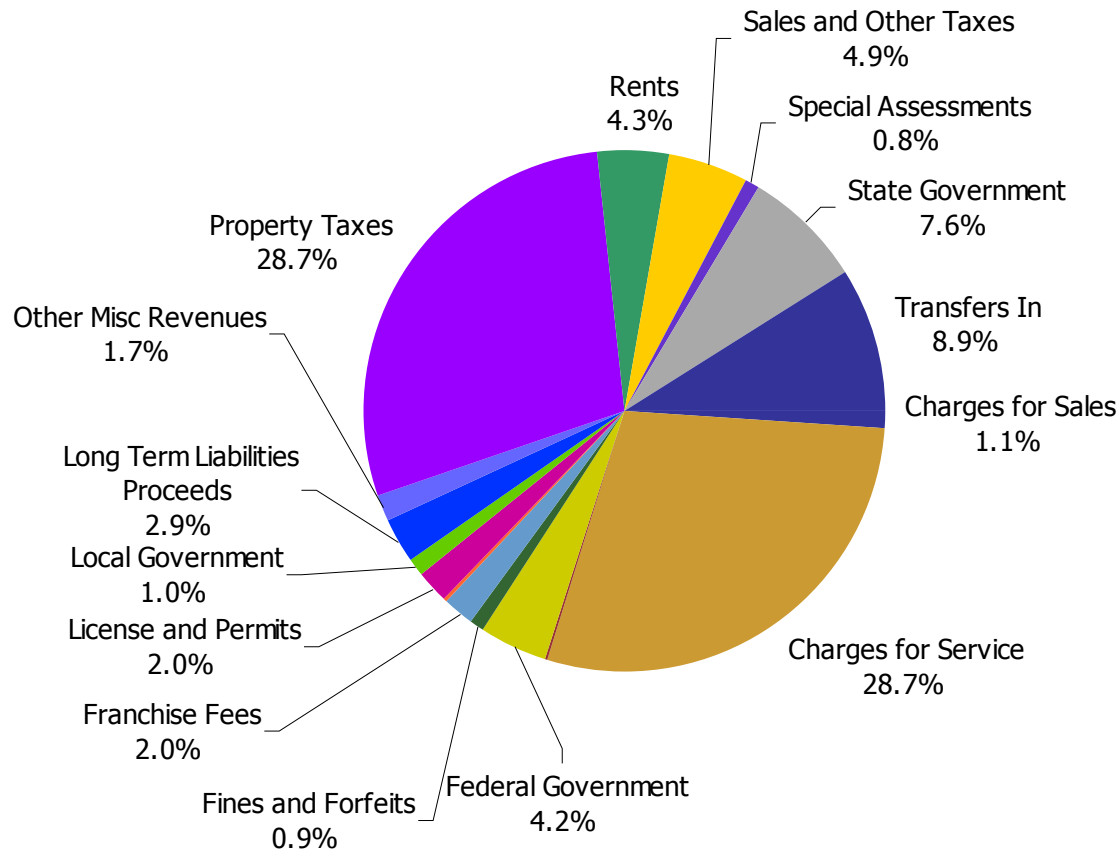
\*\*\*\*Does not include debt service paid directly from proprietary funds or by independent boards

\*\*\*\*\*Includes Board of Estimate and Taxation and Municipal Building Commission

# Mayor's Recommended 2010 Budget Revenues by Major Sources

## \$1.38 Billion

Budget Book Page 39



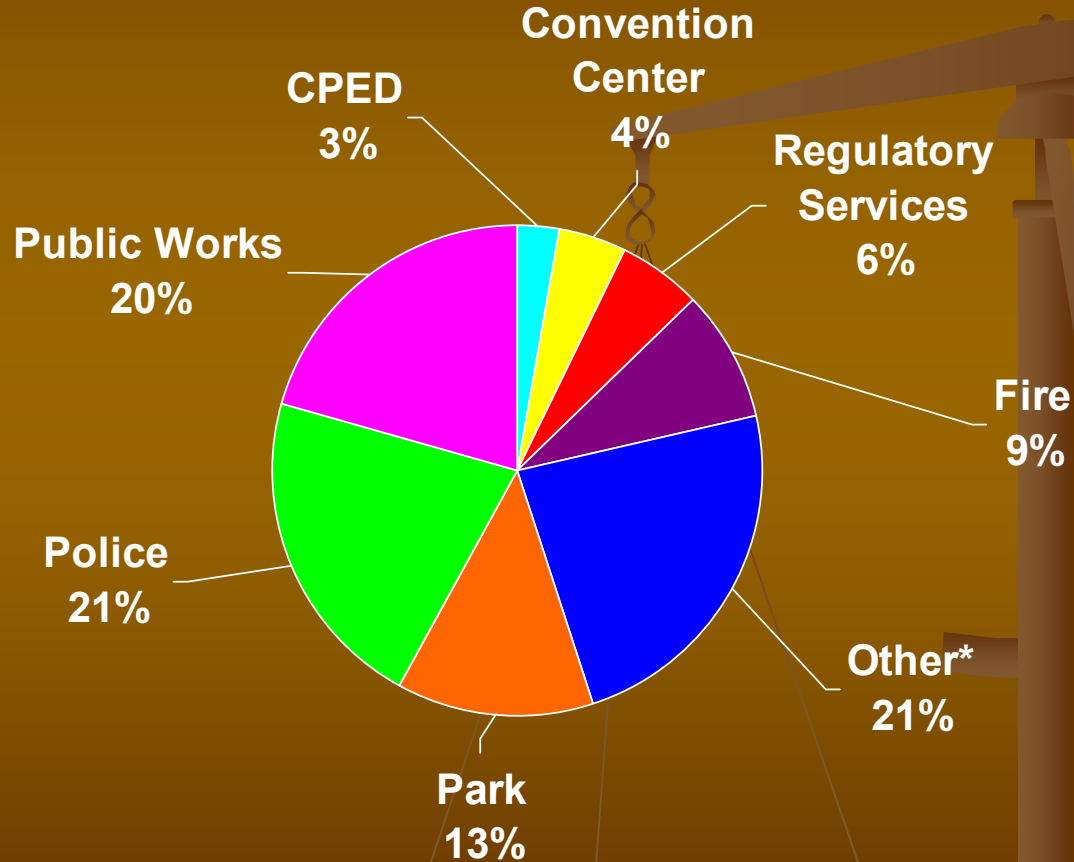
Other Misc Revenues includes gains, contributions, misc, revenues and proceeds from long-term liabilities

# Mayor's Recommended 2010 Budget

## Positions by Service

4,759 positions

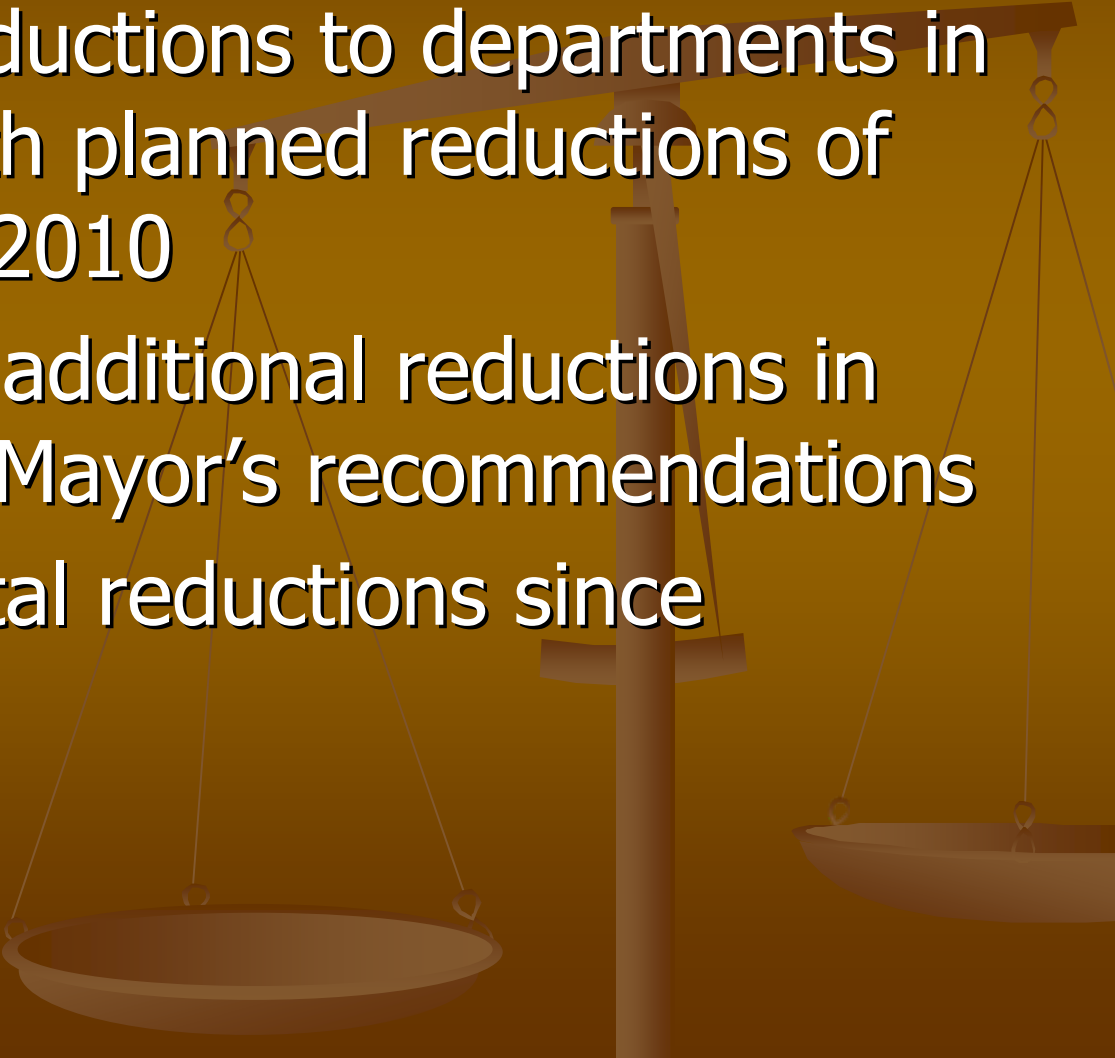
Budget Book Page 262



\*Other: Assessor, Attorney, Civil Rights, Clerk, Council, Health and Family Support, Mayor, Coordinator Administration, Communications, 311/911, BIS, HR, Finance, IGR, Neighborhood and Community Relations, MBC, NRP, MPHA and YCB

## Mayor's Recommended 2010 Budget

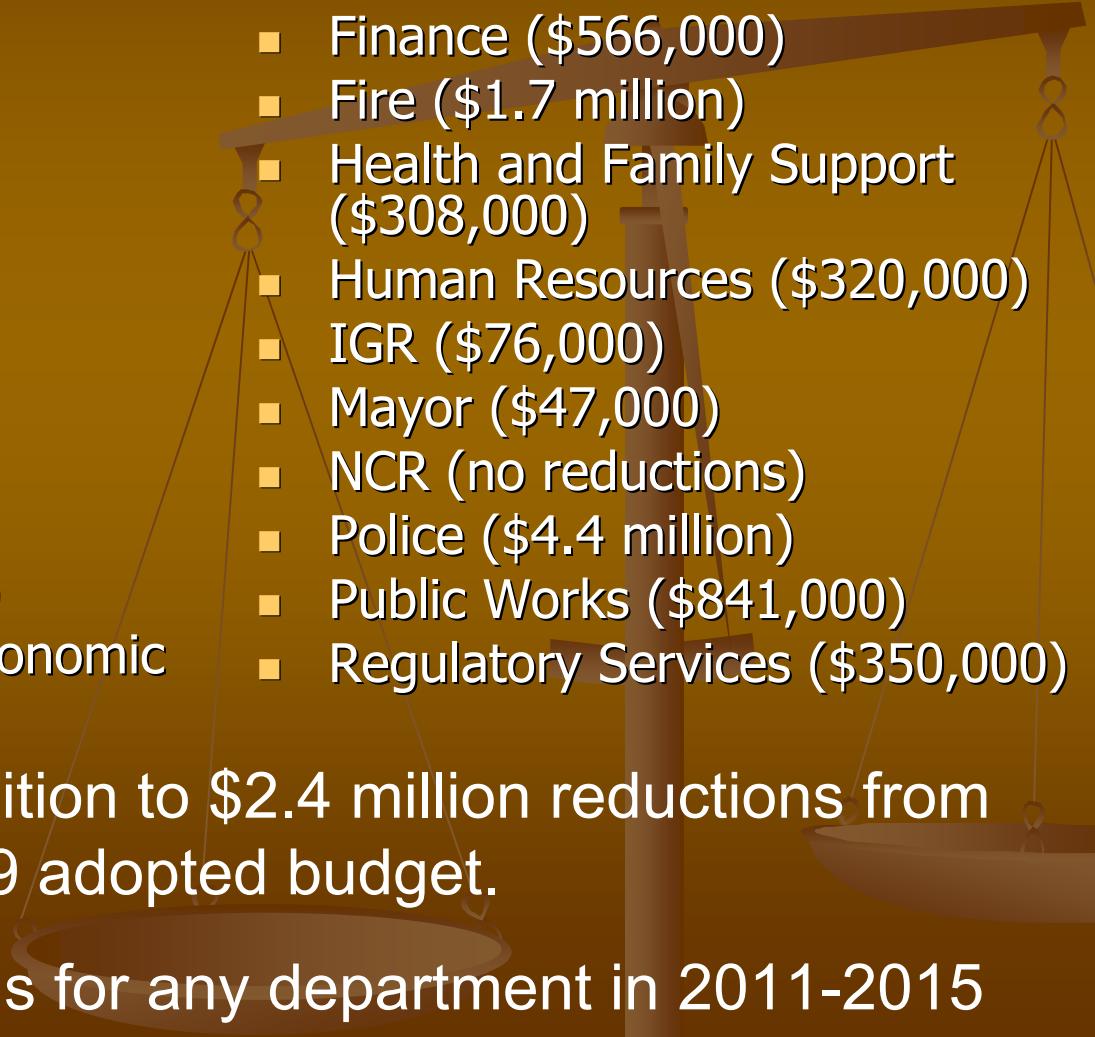
# 2010 Reductions

- \$10.8 million reductions to departments in March 2009, with planned reductions of \$2.4 million for 2010
  - \$10.9 million of additional reductions in 2010 as part of Mayor's recommendations
  - \$24.1 million total reductions since December 2008
- 

## Mayor's Recommended 2010 Budget

# 2010 Reductions

Budget Book Page 109

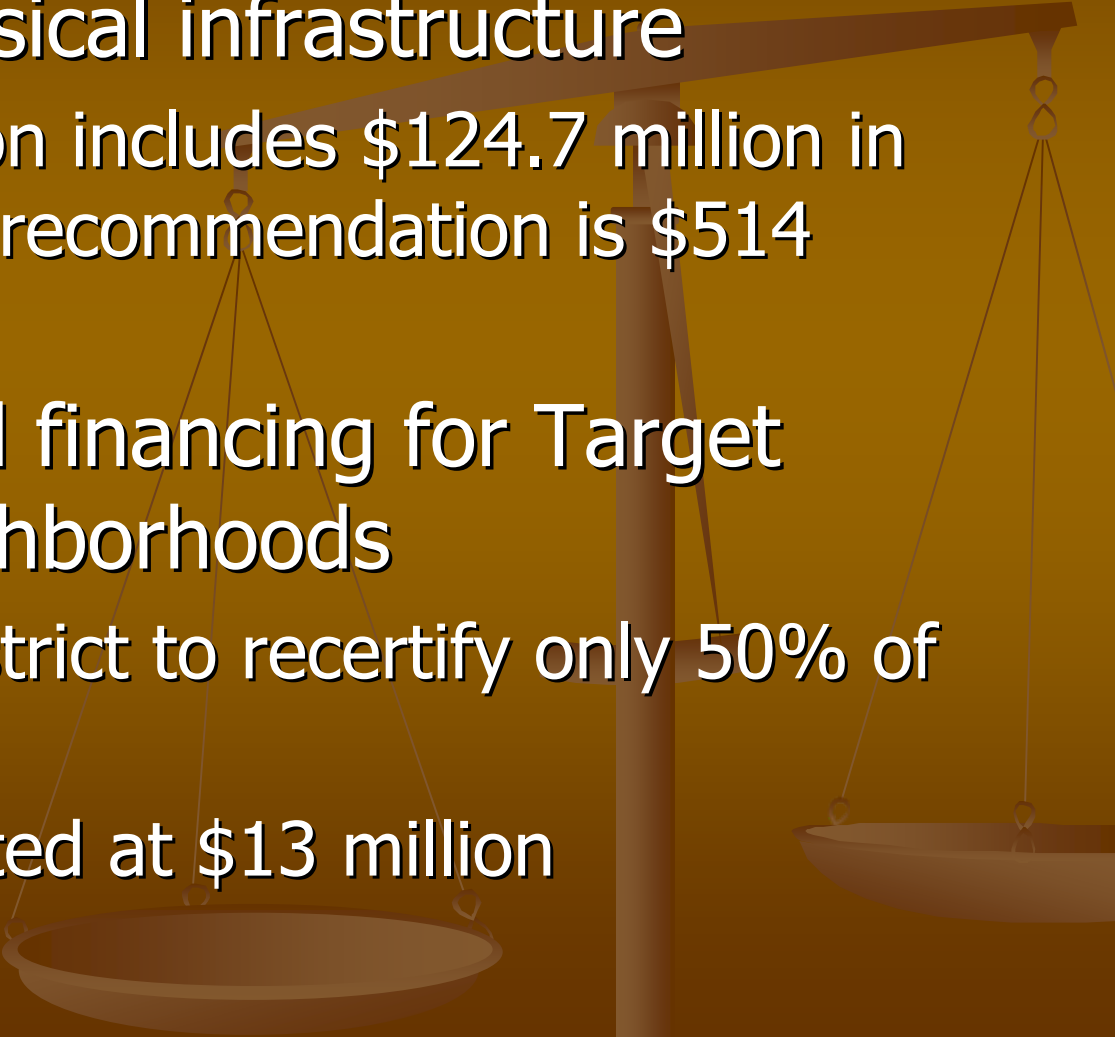
- 
- 311 (\$109,000)
  - 911 (\$161,000)
  - Assessor (no reductions)
  - Attorney (\$250,000)
  - BIS (\$1.1 million)
  - City Clerk/Elections/Council (\$198,000)
  - City Coordinator (\$86,000)
  - Civil Rights (\$146,000)
  - Communications (\$126,000)
  - Community Planning and Economic Development (\$189,000)
  - Finance (\$566,000)
  - Fire (\$1.7 million)
  - Health and Family Support (\$308,000)
  - Human Resources (\$320,000)
  - IGR (\$76,000)
  - Mayor (\$47,000)
  - NCR (no reductions)
  - Police (\$4.4 million)
  - Public Works (\$841,000)
  - Regulatory Services (\$350,000)

These cuts are in addition to \$2.4 million reductions from 2009 adopted budget.

No planned reductions for any department in 2011-2015

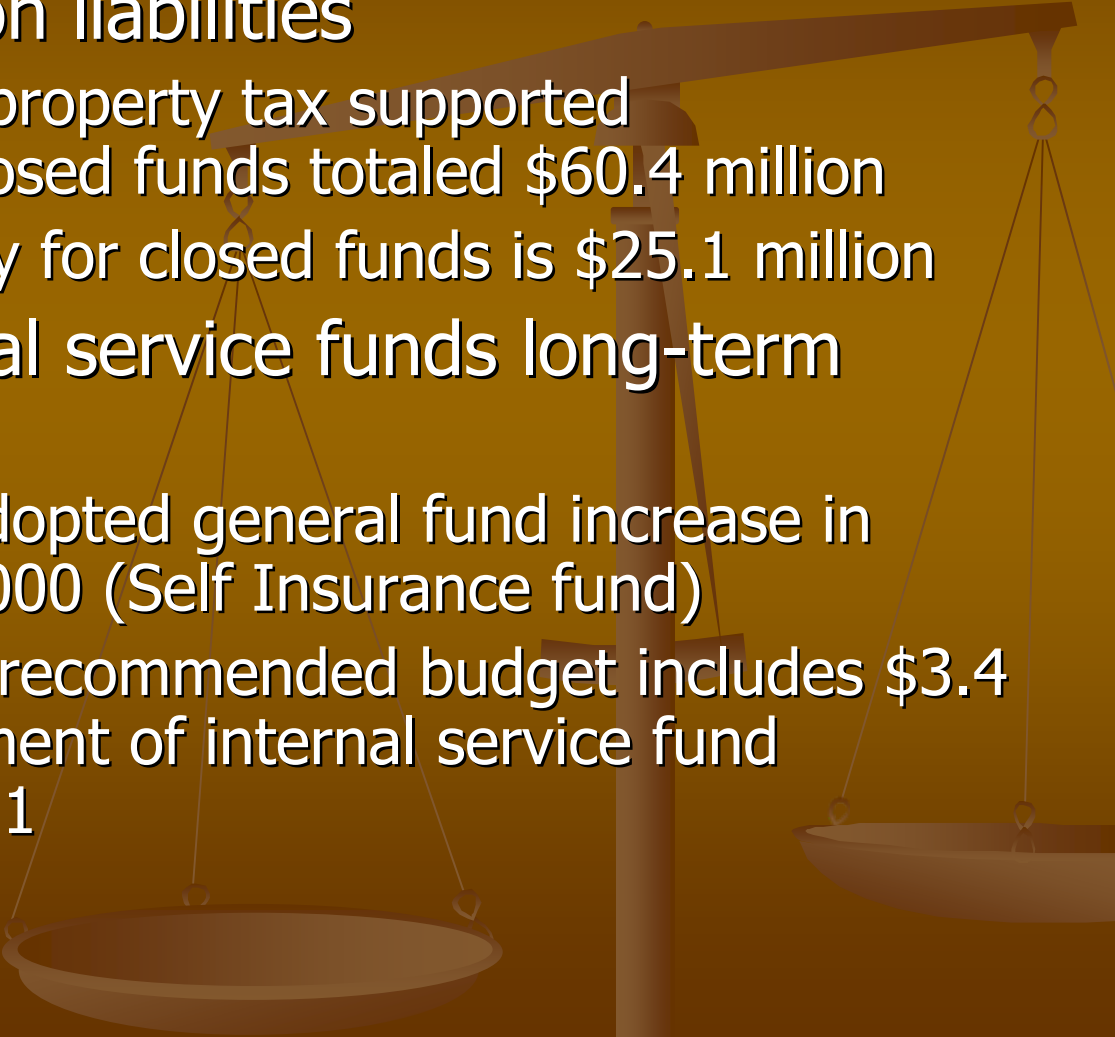
# Major Budget Pressures

Budget Book Page 44-53

- Funding for physical infrastructure
    - Recommendation includes \$124.7 million in 2010; five-year recommendation is \$514 million
  - State authorized financing for Target Center and neighborhoods
    - Reduces TIF district to recertify only 50% of properties
    - Funding estimated at \$13 million
- 

# Major Budget Pressures

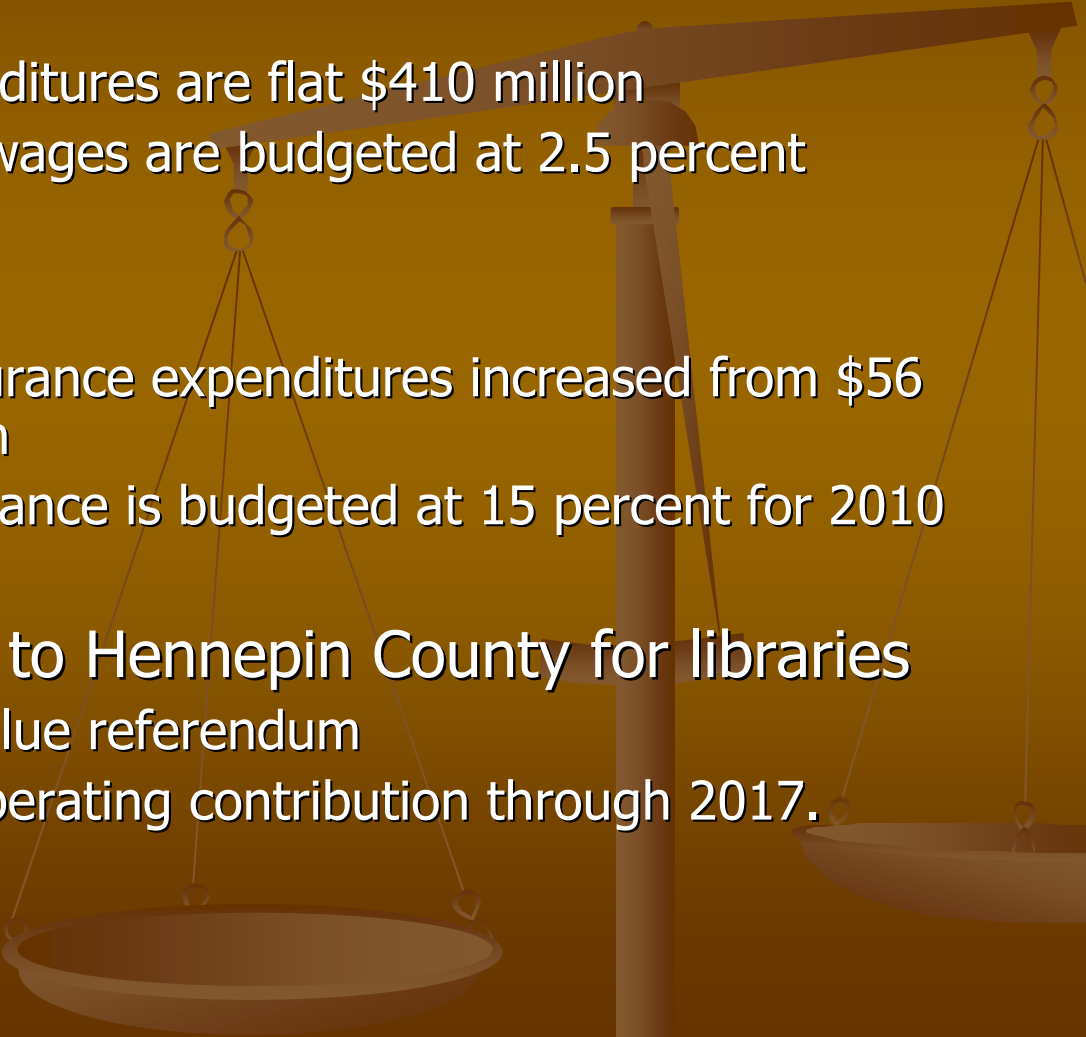
Budget Book Page 44-53

- Funding for pension liabilities
    - From 2006-2009, property tax supported contributions to closed funds totaled \$60.4 million
    - The 2010 total levy for closed funds is \$25.1 million
  - Funding for internal service funds long-term financial plans
    - Budget includes adopted general fund increase in transfers of \$500,000 (Self Insurance fund)
    - The 2010 Mayor's recommended budget includes \$3.4 million in pre-payment of internal service fund obligations for 2011
- 

# Mayor's Recommended 2010 Budget

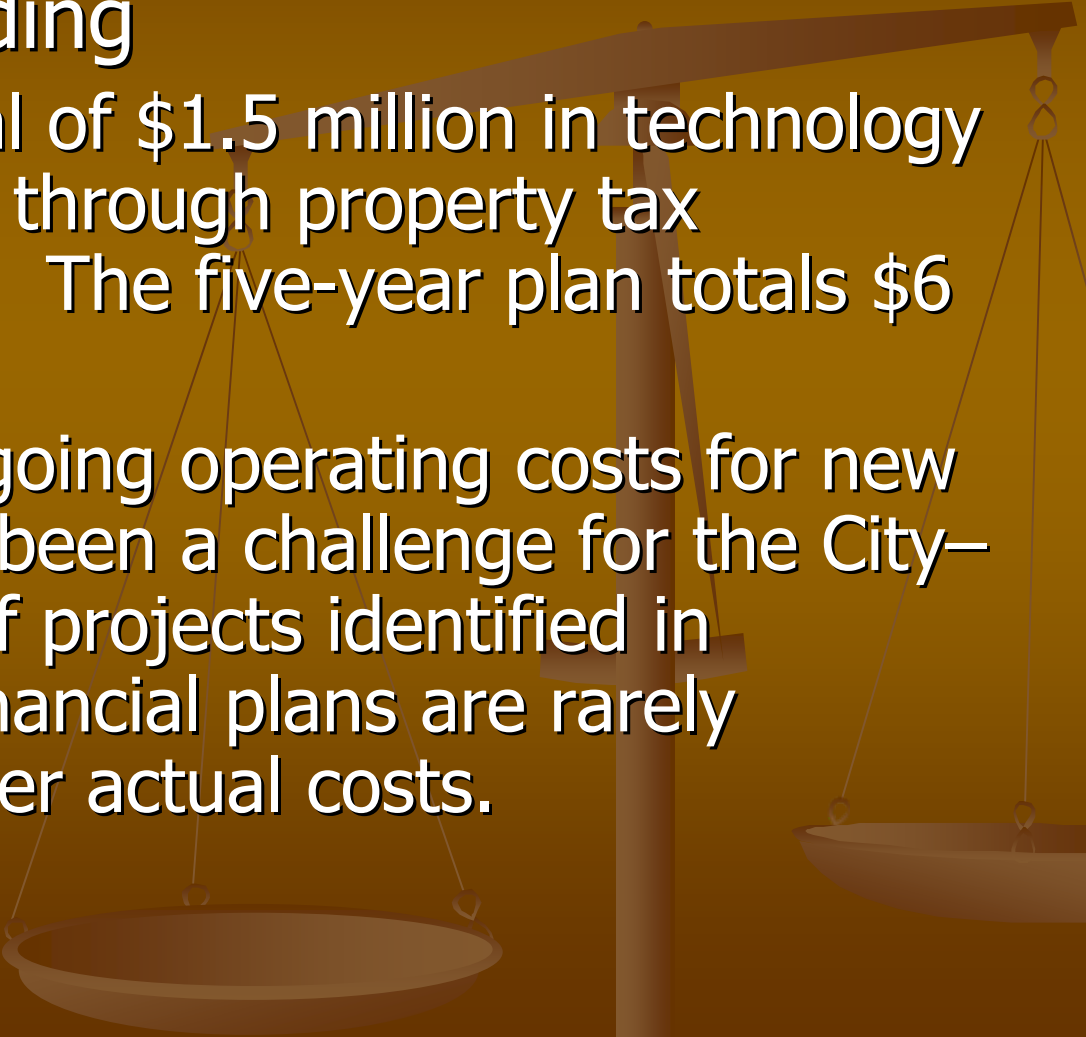
## Major Budget Pressures

Budget Book Page 44-53

- Salaries and wages
    - Total personnel expenditures are flat \$410 million
    - Growth in salary and wages are budgeted at 2.5 percent
  - Benefits
    - Health and dental insurance expenditures increased from \$56 million to \$62.3 million
    - Growth in health insurance is budgeted at 15 percent for 2010
  - Continuing obligation to Hennepin County for libraries
    - \$9.3 million market value referendum
    - Additional declining operating contribution through 2017.
- 

# Major Budget Pressures

Budget Book Page 44-53

- Technology funding
    - For 2010, a total of \$1.5 million in technology projects funded through property tax supported debt. The five-year plan totals \$6 million.
    - Funding the ongoing operating costs for new technology has been a challenge for the City—ongoing costs of projects identified in departments' financial plans are rarely sufficient to cover actual costs.
- 

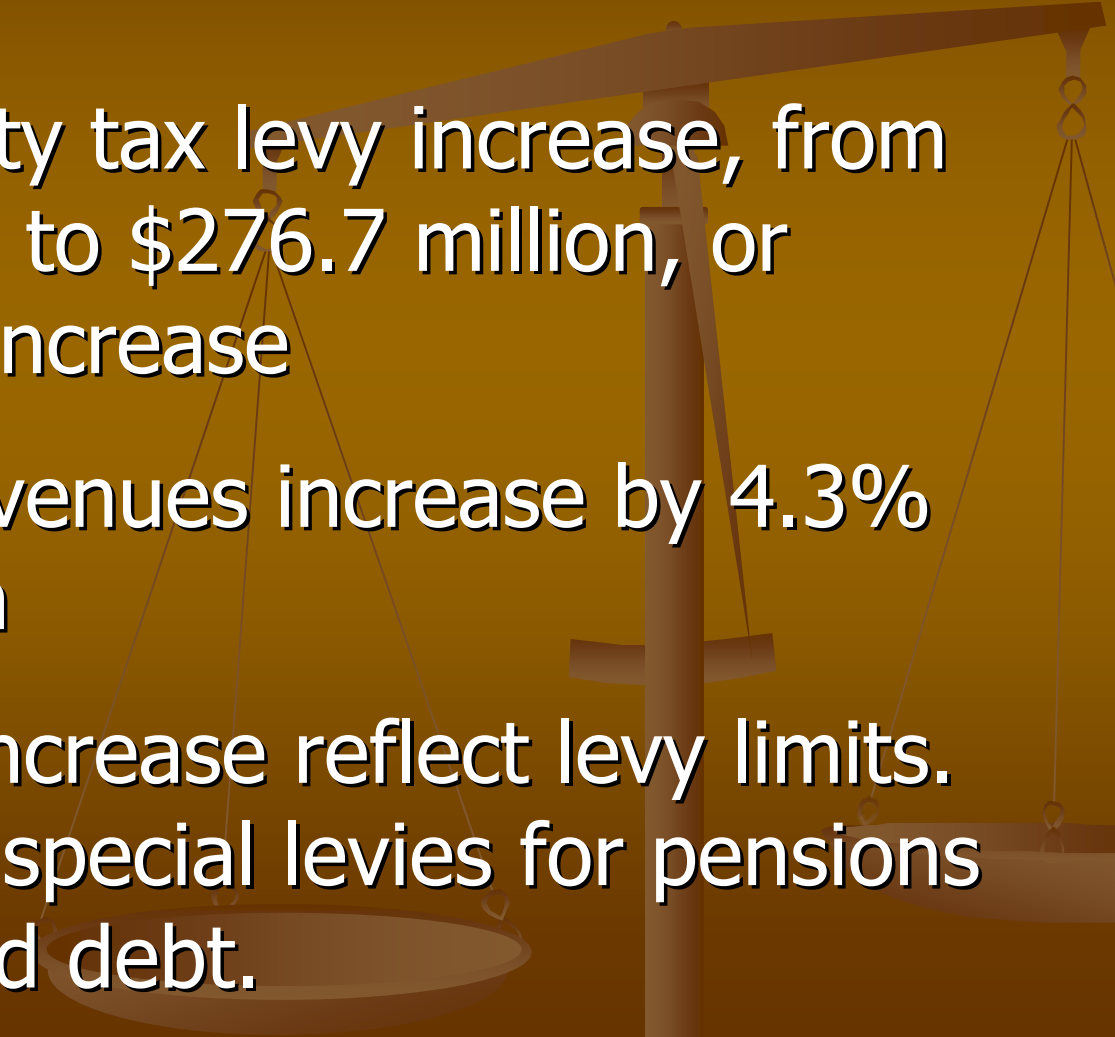
# Major Budget Pressures

Budget Book Page 38

- Payment of outstanding bond obligations
    - \$129.9 million in estimated principal and interest payments for 2010, as compared to \$138.3 million in 2009
    - This represents 10% of the City's total budget
- 

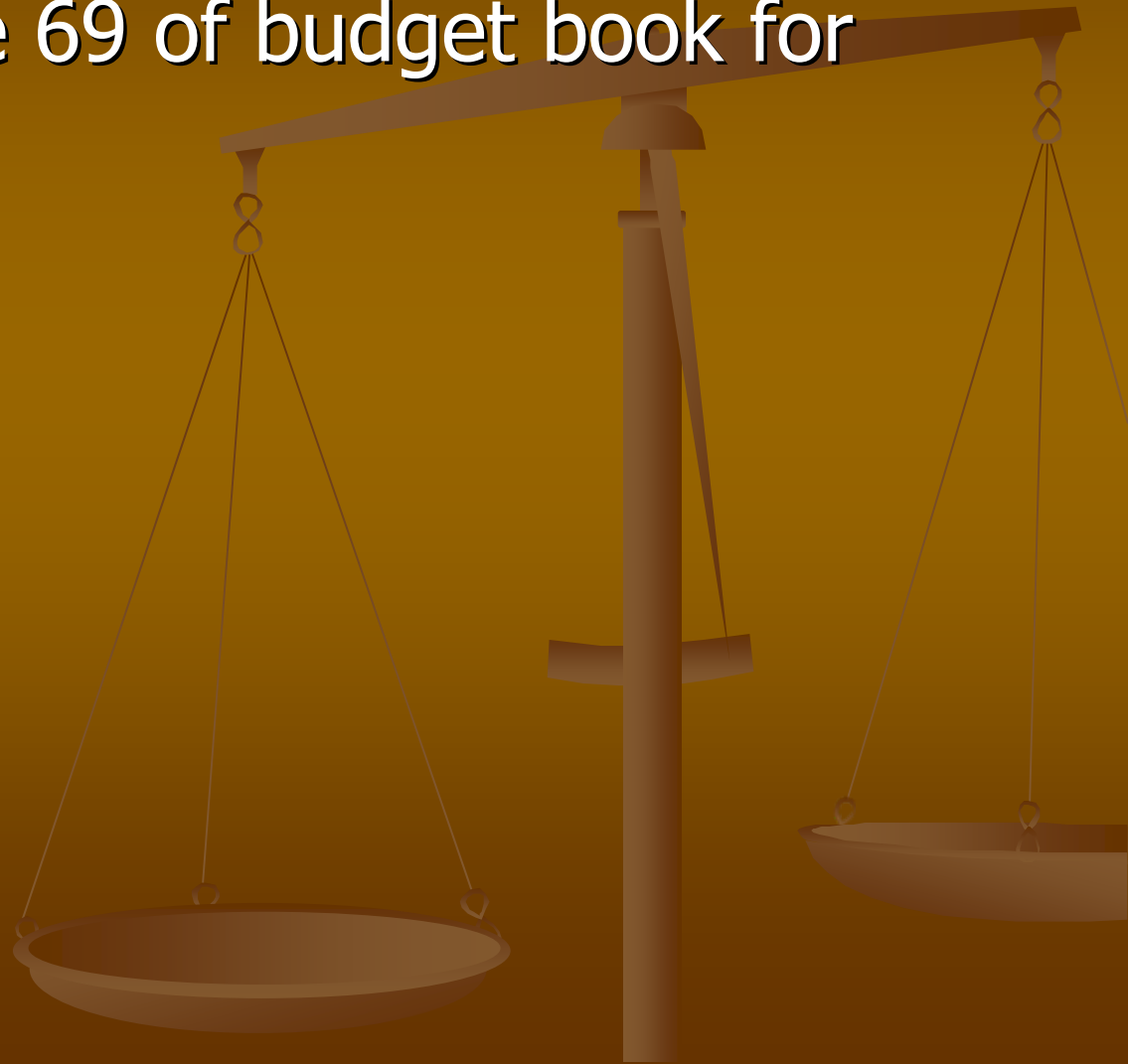
# Property Tax Revenue

Financial Overview – Budget Book Pages 67-69

- 11.3% property tax levy increase, from \$248.6 million to \$276.7 million, or \$28.1 million increase
  - Park Board revenues increase by 4.3% or \$1.9 million
  - Property tax increase reflect levy limits. The City uses special levies for pensions obligations and debt.
- 

# “Activities” Approach

- Please see page 69 of budget book for details



# Mayor's Recommended 2010 Budget

## Uses of New Property Tax Revenue

Budget Book Page 59

Internal Service Fund Debt:

**\$3.4 million** (12%)

Increased pension obligations:

**\$17.9 million** (61%)

Increased cost to provide existing  
General Fund City services:

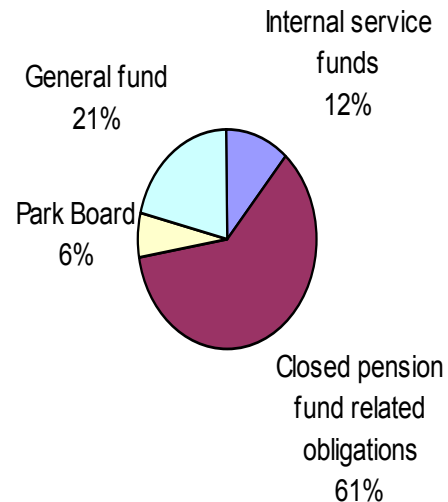
**\$6.3 million** (21%)

Increased cost to provide existing  
Park Board services:

**\$1.8 million** (11%)

Reduction in levy to Minneapolis  
Public Housing Authority

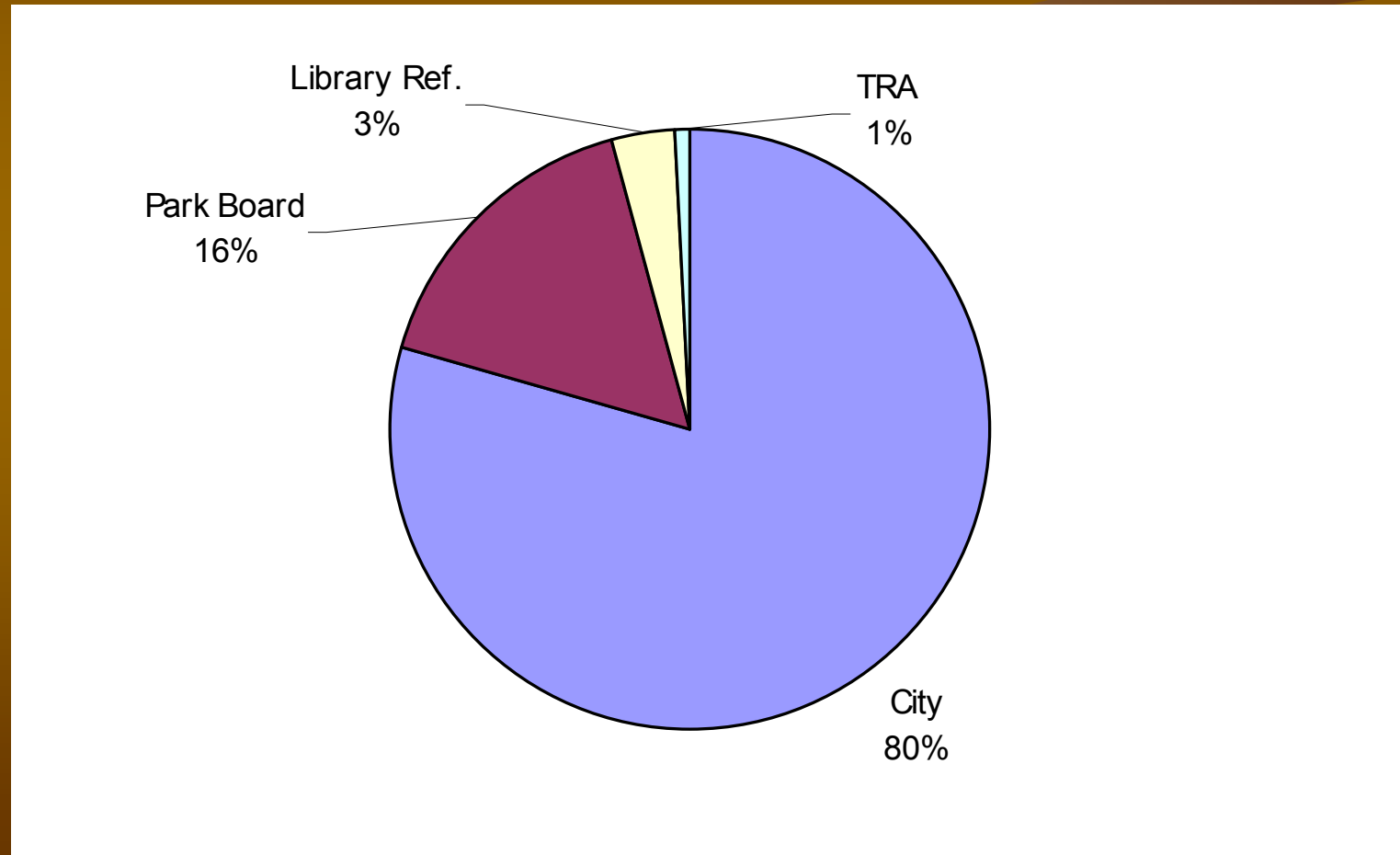
**-\$1.3 million**



# Property Tax Levy by Fund

## \$276.7 Million

Budget Book Page 58

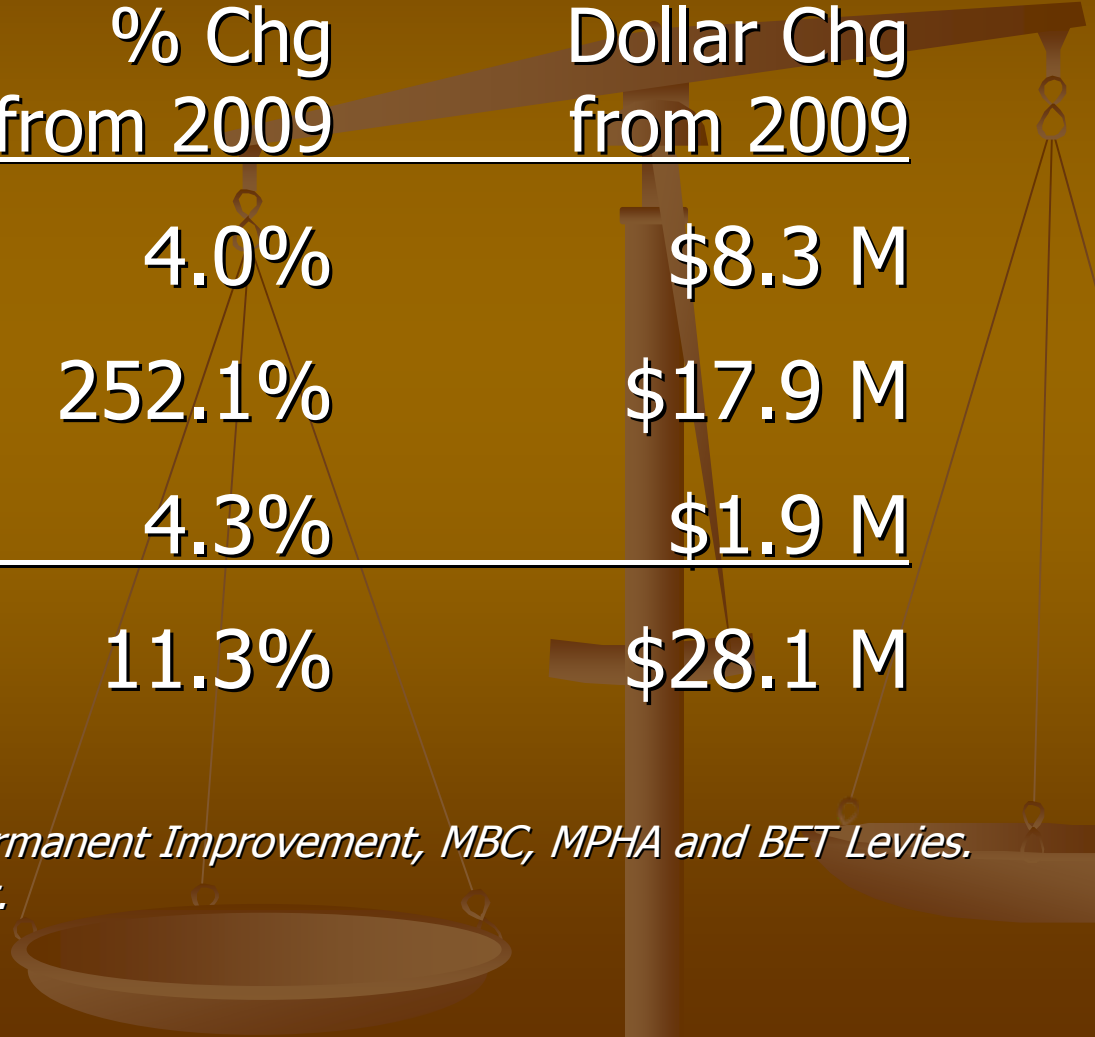


\*City includes MBC, BET, pension, libraries, capital and debt levies

# Mayor's Recommended 2010 Budget

## 2010 Property Tax Levies

Budget Book Page 67

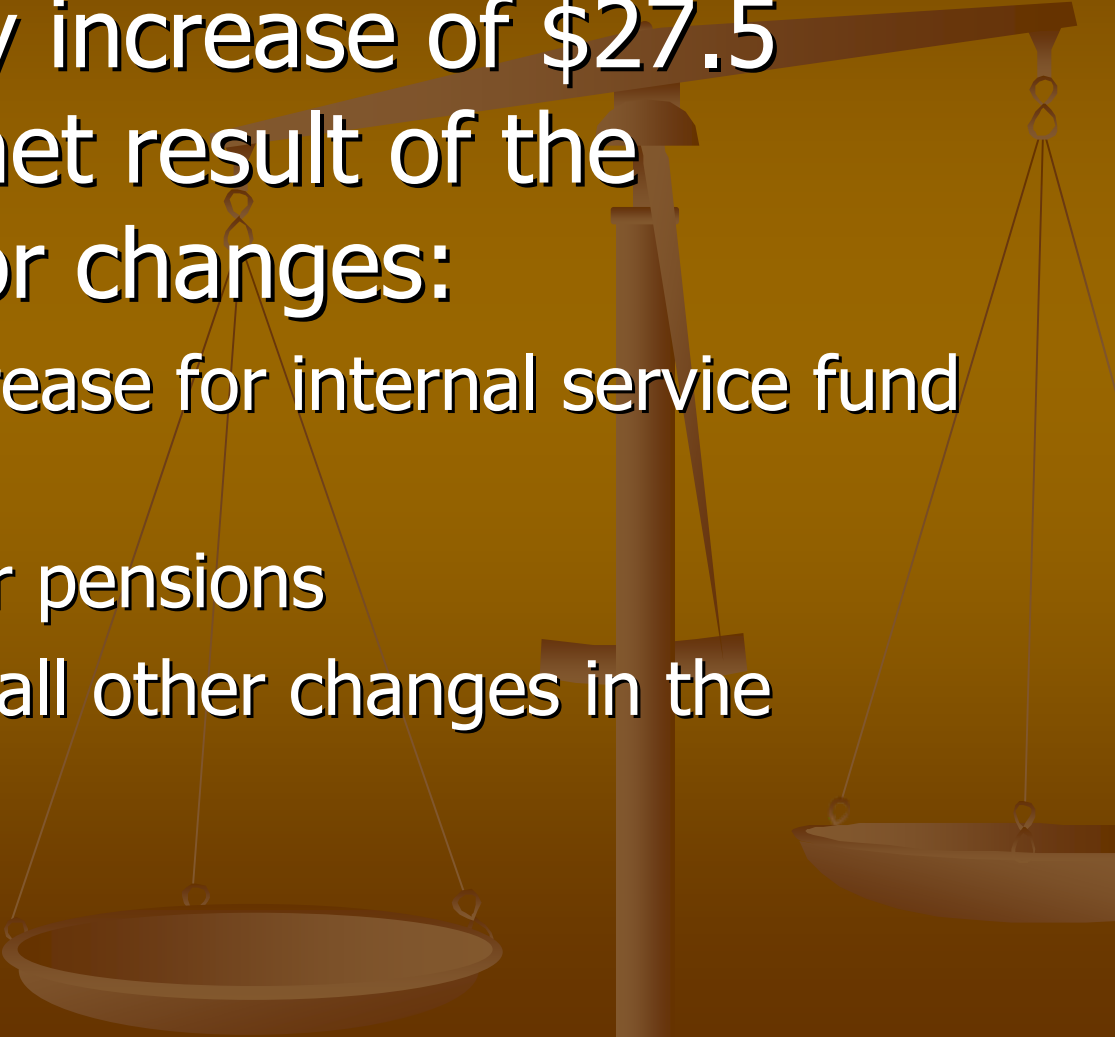


<i>(in millions of dollars)</i>	% Chg from 2009	Dollar Chg from 2009
City Other <sup>1</sup>	4.0%	\$8.3 M
Closed Pensions	252.1%	\$17.9 M
Park Board	4.3%	\$1.9 M
<b>Total</b>	<b>11.3%</b>	<b>\$28.1 M</b>

<sup>1</sup>*Includes Bond Redemption, Permanent Improvement, MBC, MPHA and BET Levies.  
Libraries moved to City Other.*

# 2010 Property Tax Levies

Budget Book Page 58

- City Other levy increase of \$27.5 million is the net result of the following major changes:
    - \$3.4 million increase for internal service fund debt
    - \$17.9 million for pensions
    - \$6.3 million for all other changes in the general fund
- 

# 2010 Property Tax Levies

Budget Book Page 58

- Park Board levy increase is \$1.9 million and represents a 4.3% increase
- Minneapolis Public Housing Authority levy is reduced by \$1.3 million



# Property Taxpayer Impacts

Budget Book Pages 70-72

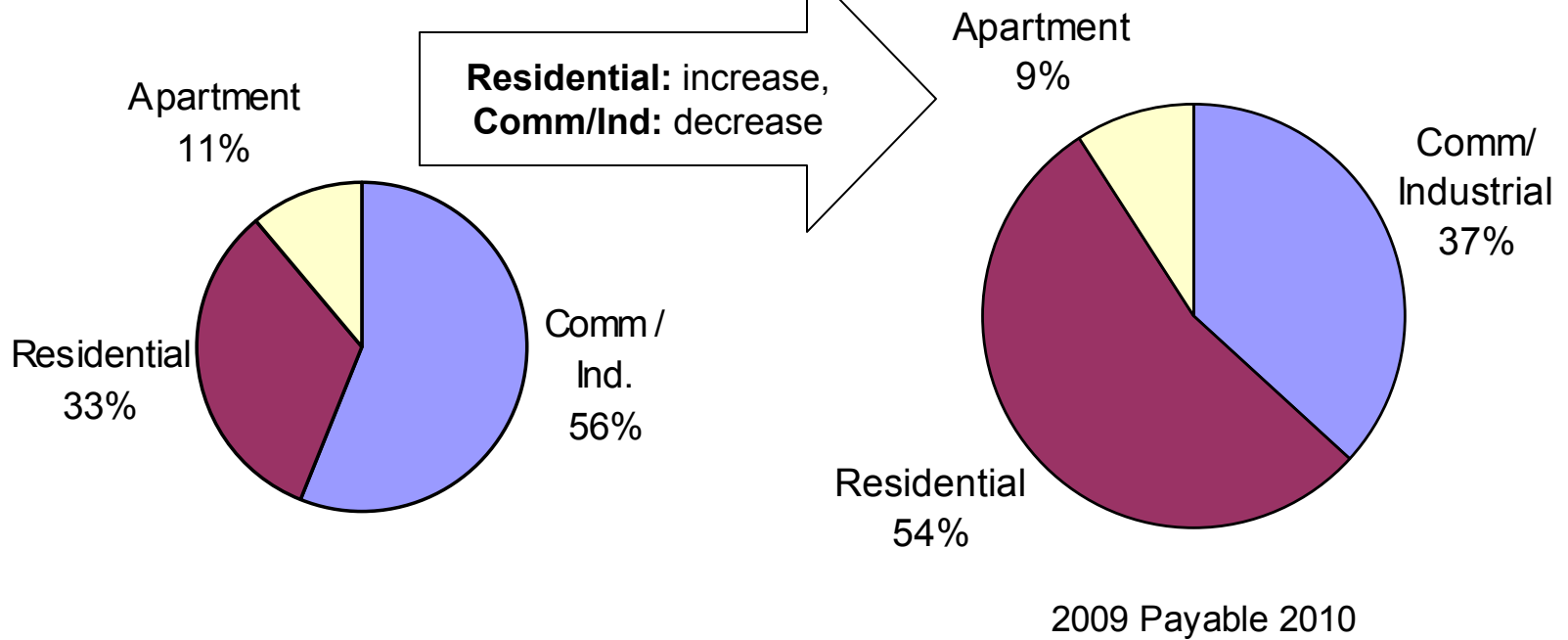
- Impacts depend on three key factors:
  - Individual property value
  - Value of other properties in the City
  - Tax rate



# Mayor's Recommended 2010 Budget

## Property Tax Shift

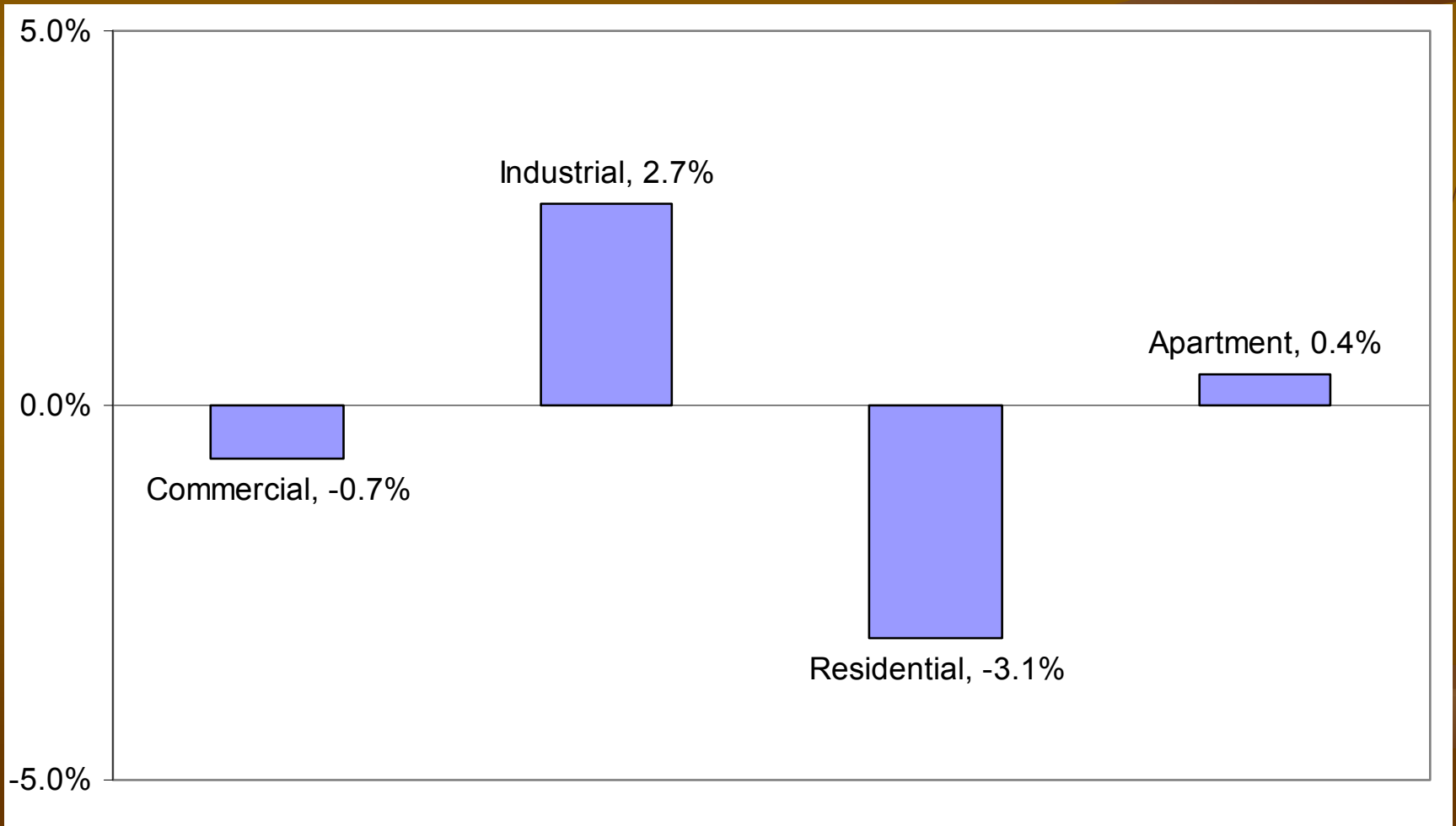
Budget Book Page 64



# Mayor's Recommended 2010 Budget

## Change in Tax Capacity for Taxes Payable 2010

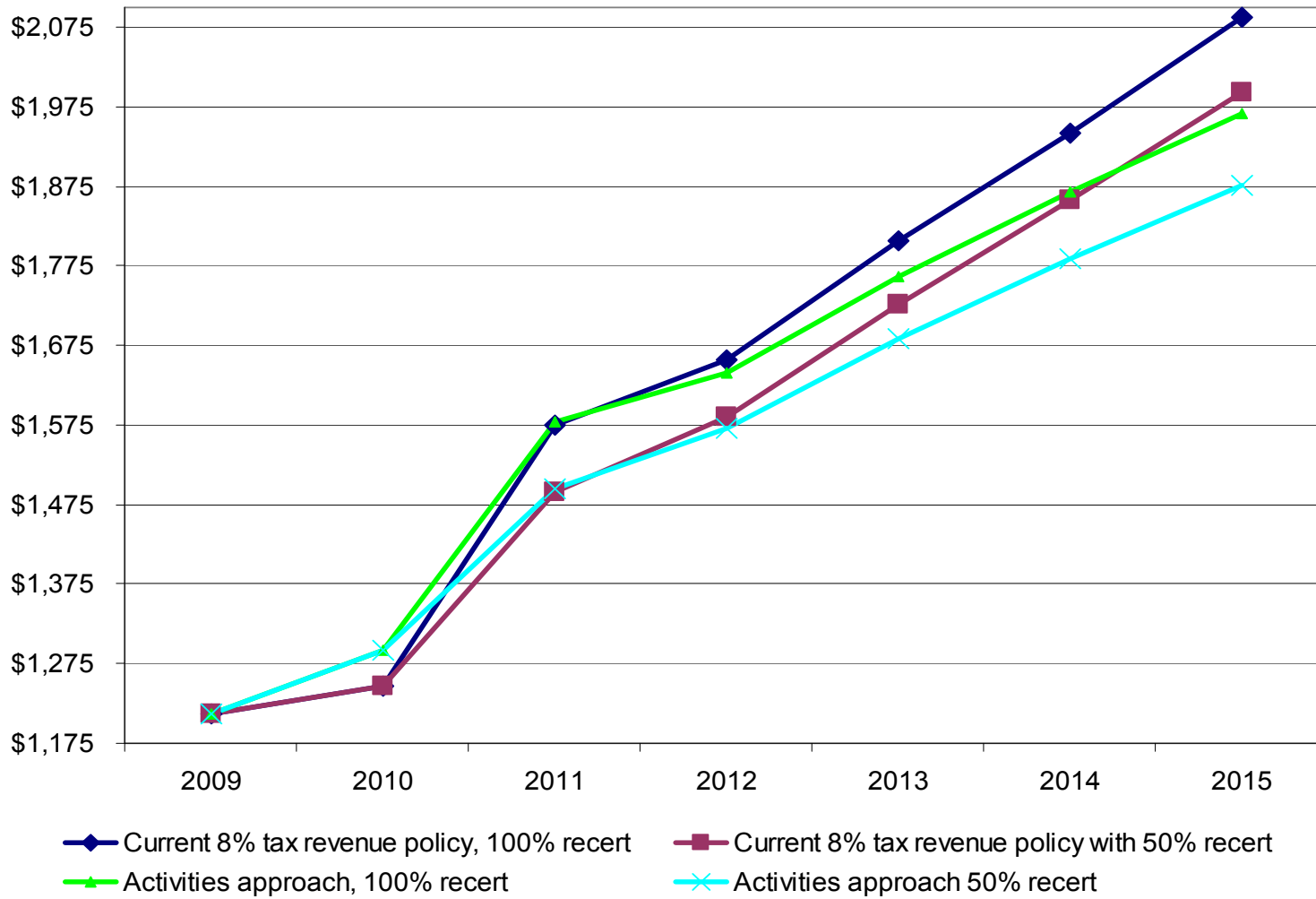
Budget Book Page 63



# Mayor's Recommended 2010 Budget

## Property tax scenarios on typical family home

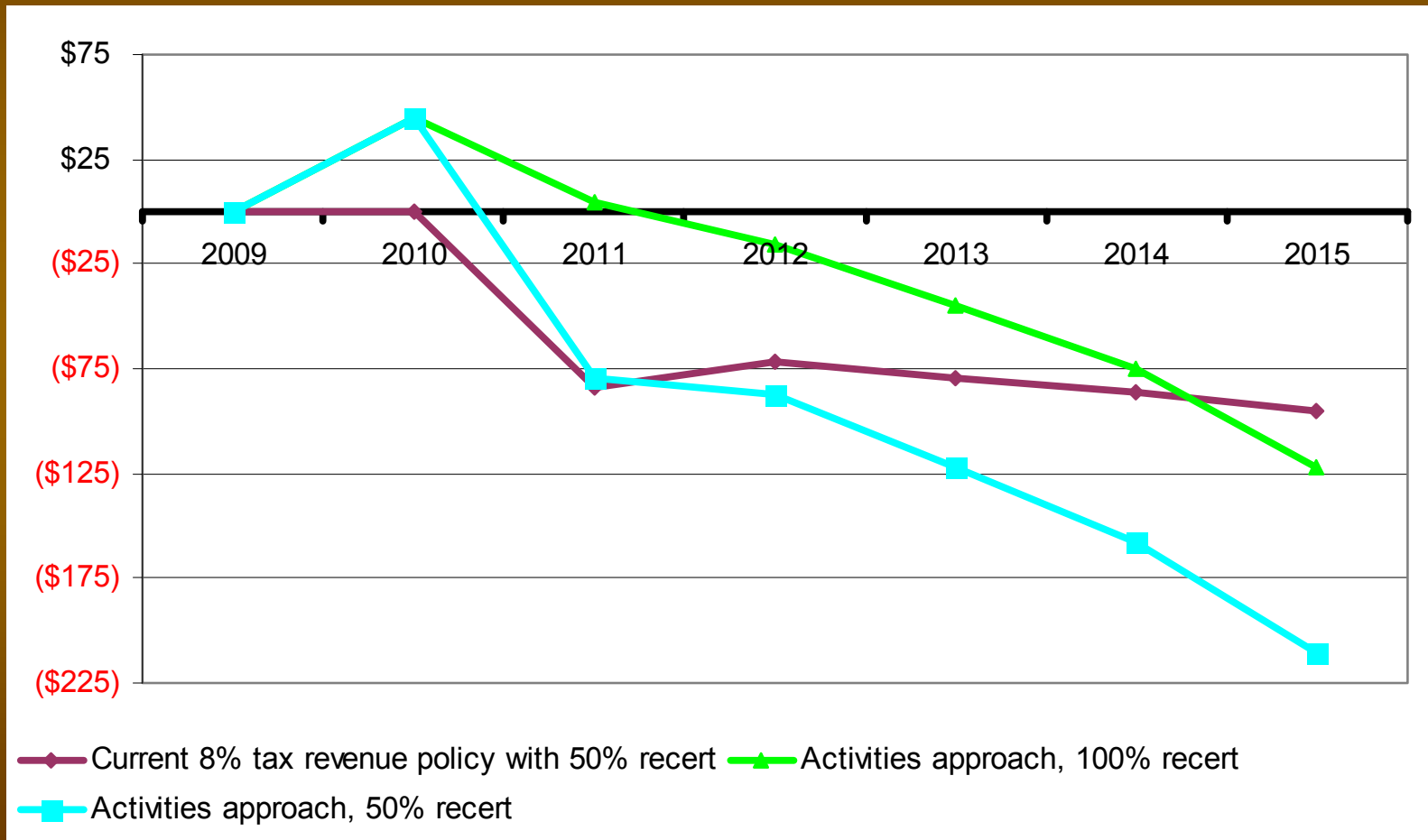
Average family home assessed value \$216,000 in 2010



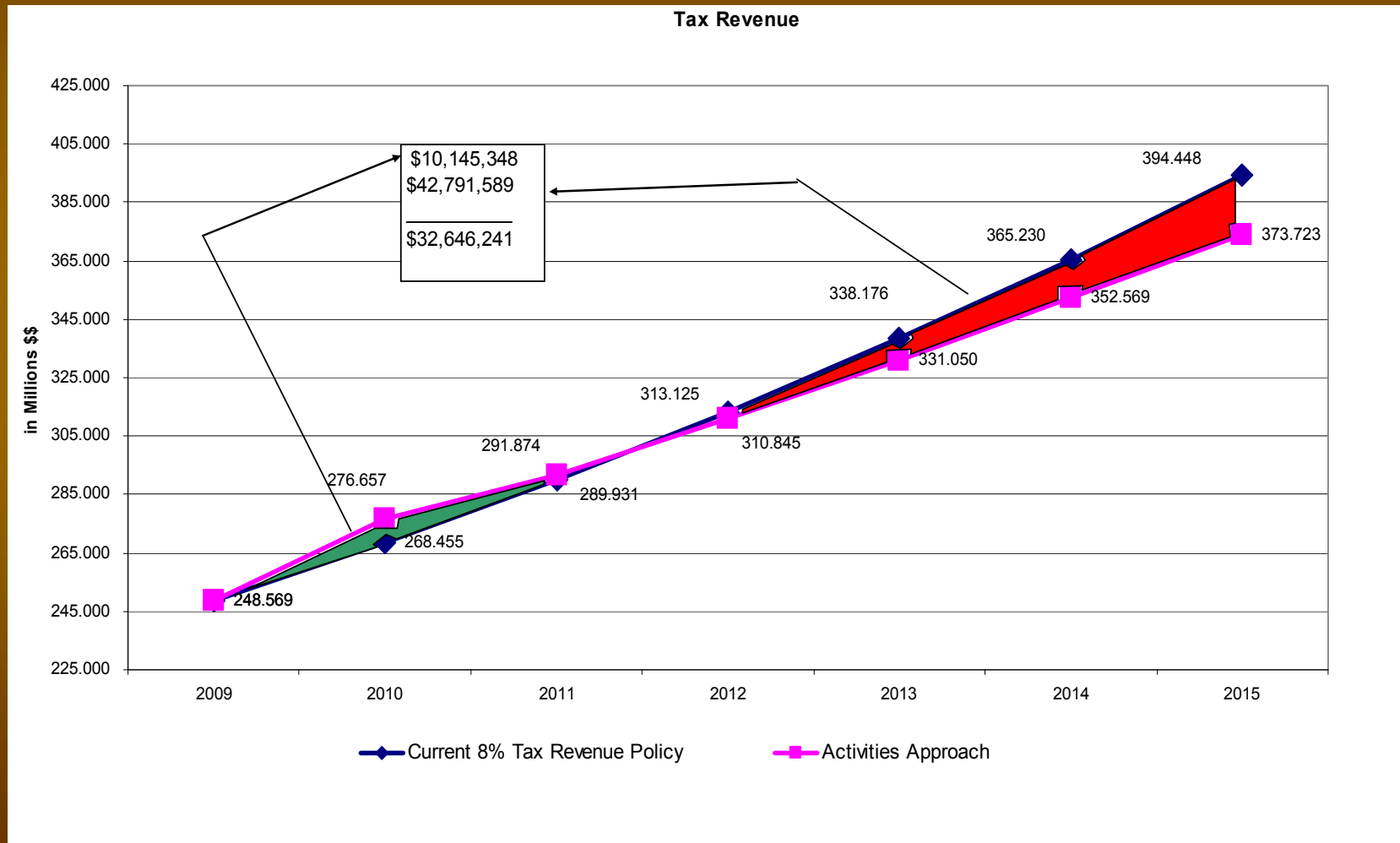
# Mayor's Recommended 2010 Budget

## Property tax scenarios on typical family home

Current scenario (8% tax revenue policy with 100% recert is baseline)



# Property tax scenarios: Current 8% tax revenue policy vs. activities approach



# Relationship between City Revenue and Tax Impact

	Revenue Policy	Est. Impact
2010	11.3%	6.6%
2011	5.5%	15.7% (50% recertification) 22.2% (100%)

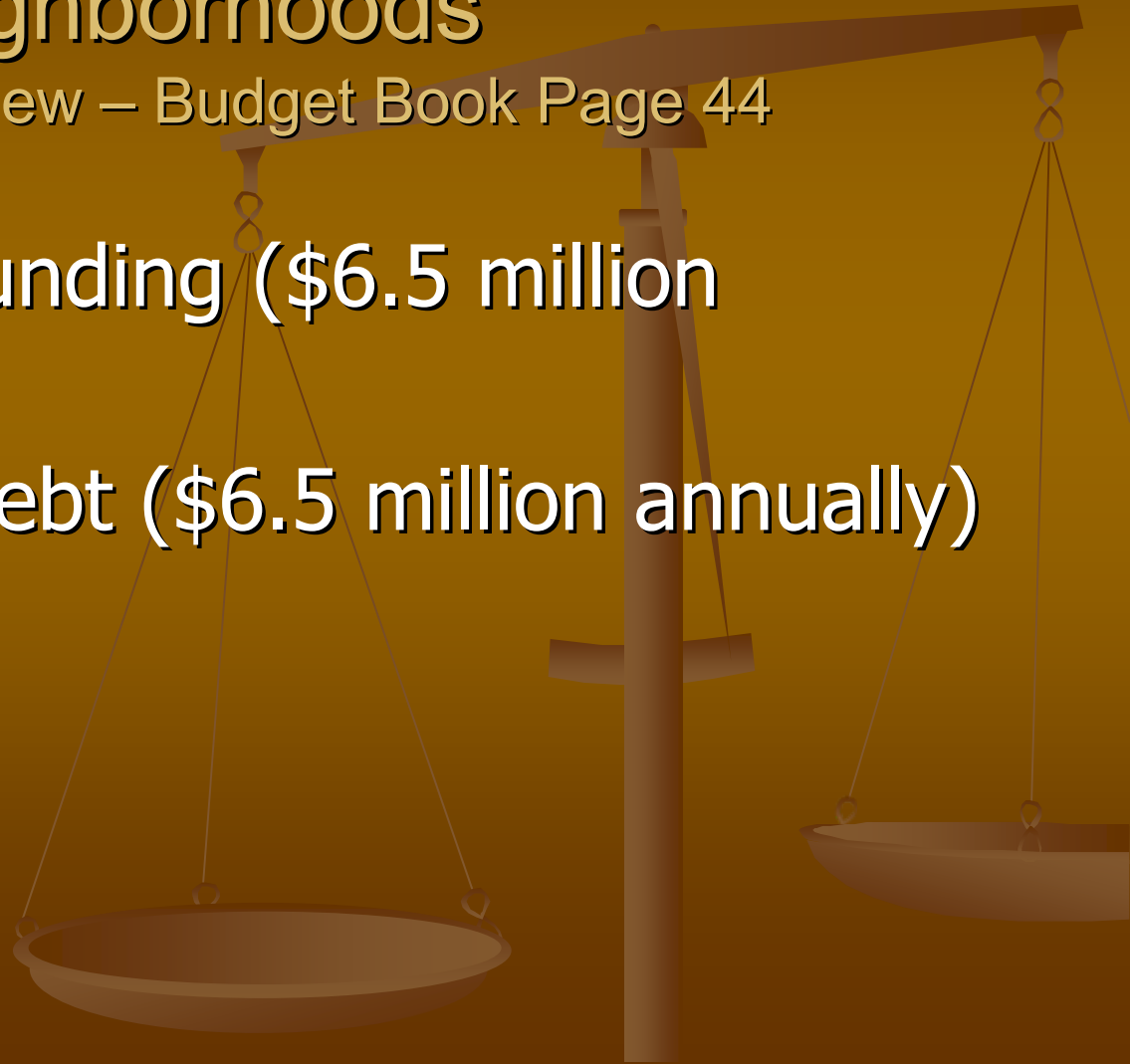
# Mayor's Recommended 2010 Budget Levy Limits

- The State legislature adopted levy limits for 2009, 2010 and 2011.
  - This year growth is limited in the City's general fund to a 0.8% increase.
  - Special Levy authorities include debt, pensions and levy back for unallotment, among others
- 

# Major Initiatives: State authorized funding for Target Center and Neighborhoods

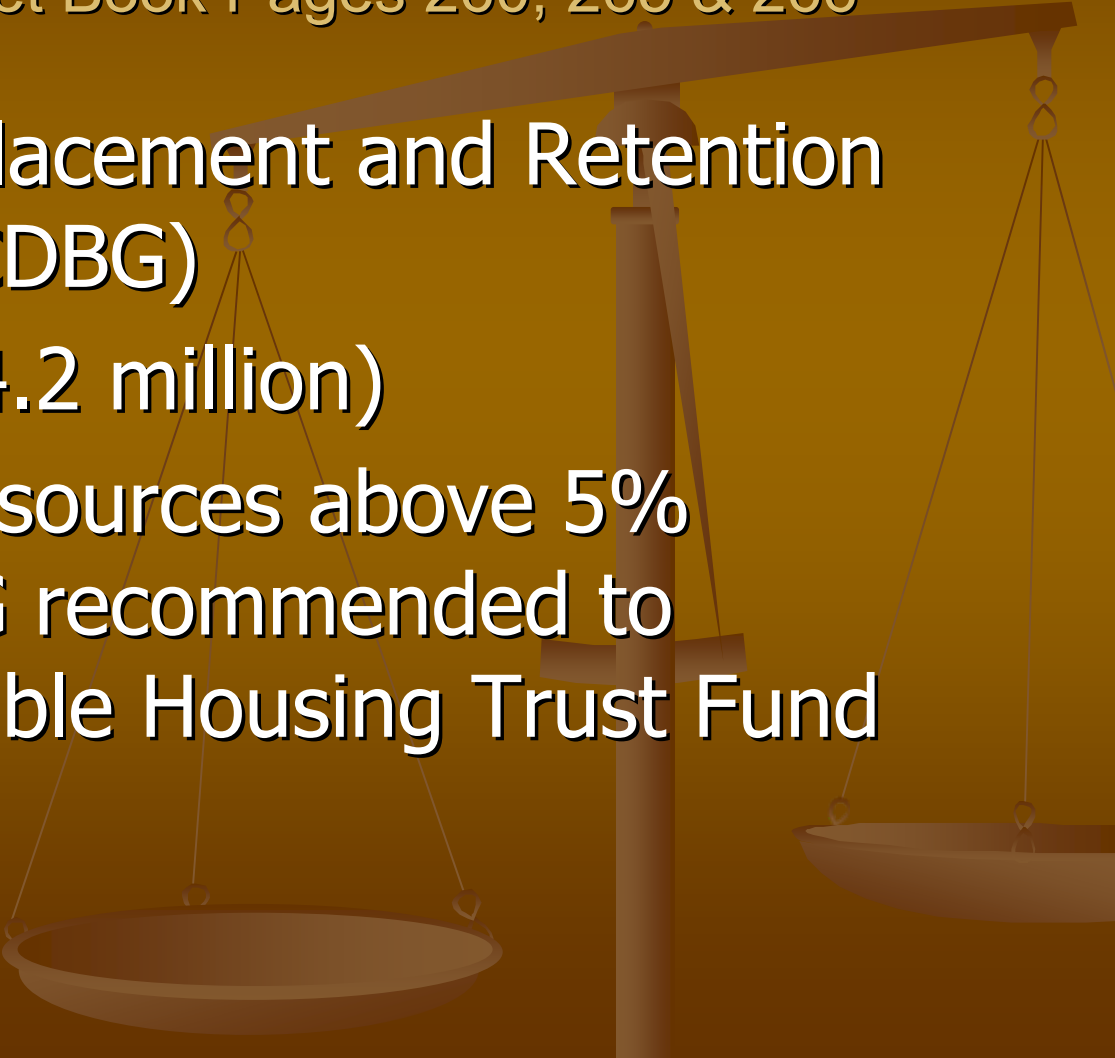
Financial Overview – Budget Book Page 44

- Neighborhood funding (\$6.5 million annually)
- Target Center Debt (\$6.5 million annually)



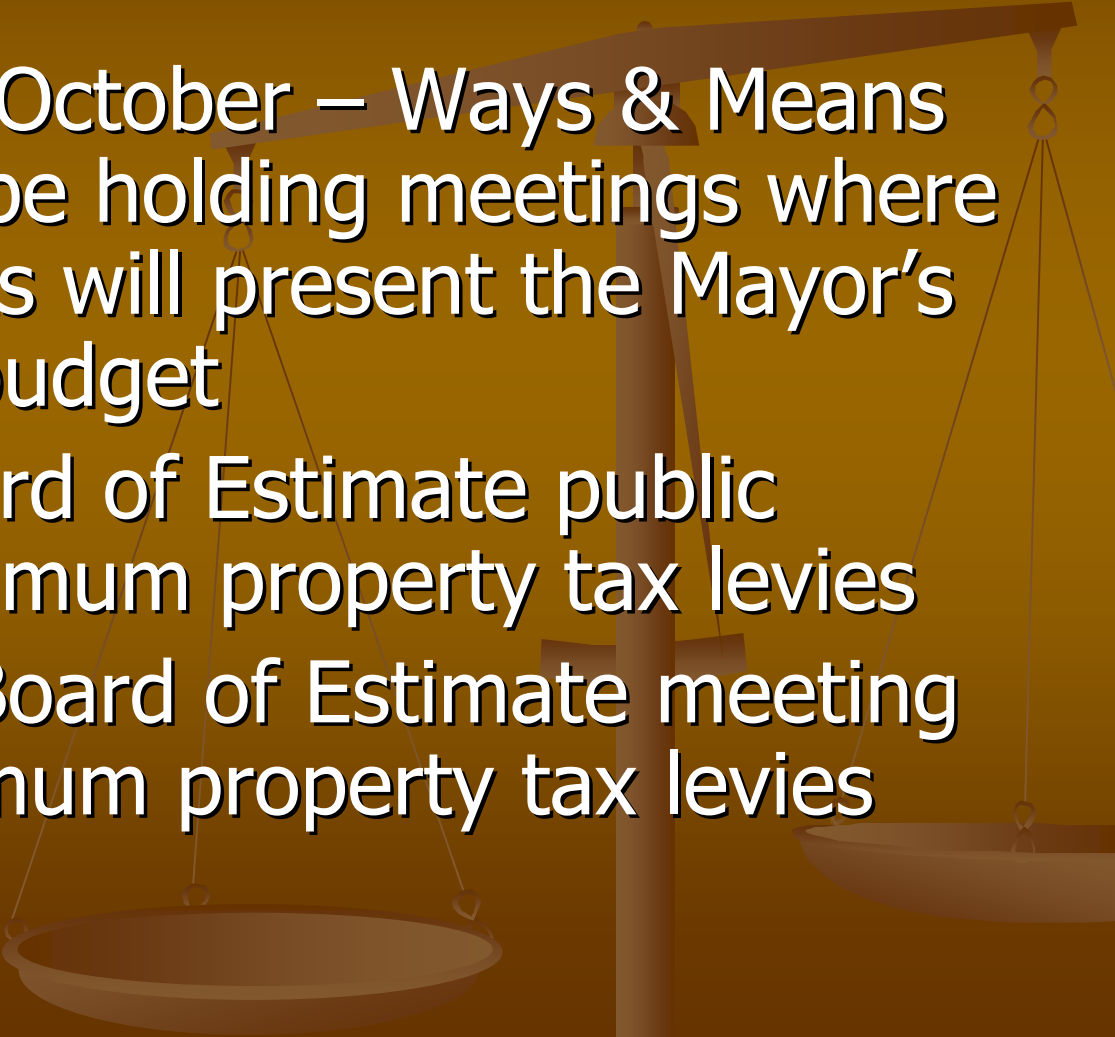
# Major Initiatives: Jobs and Economic Development

Schedules – Budget Book Pages 260, 265 & 266

- Adult Training, Placement and Retention (\$1.2 million in CDBG)
  - Great Streets (\$4.2 million)
  - Any additional resources above 5% increase in CDBG recommended to replenish Affordable Housing Trust Fund
- 

# 2010 Recommended Budget

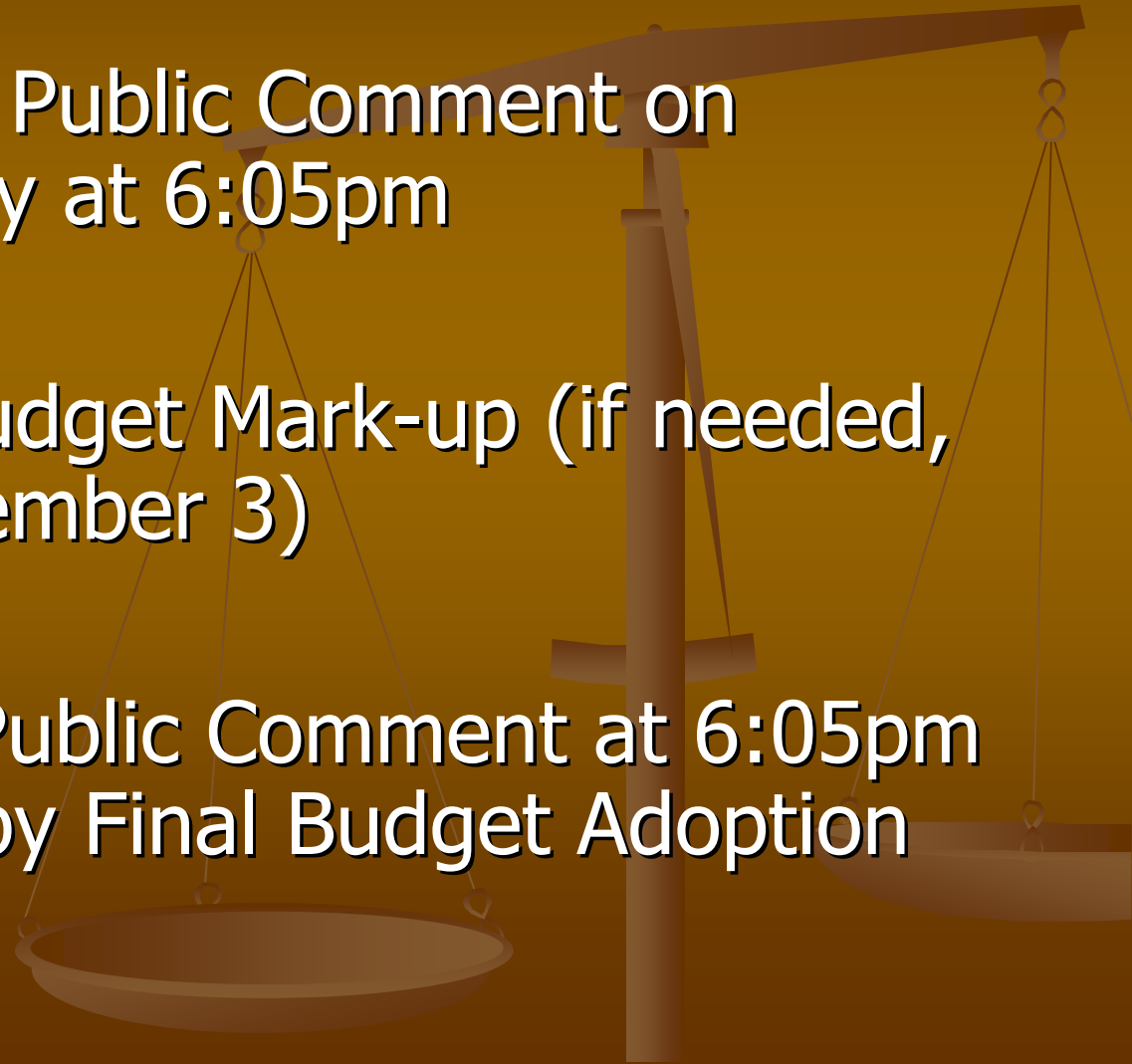
## Upcoming dates

- September and October – Ways & Means Committee will be holding meetings where City departments will present the Mayor's recommended budget
  - August 26 - Board of Estimate public hearing on maximum property tax levies
  - September 9 - Board of Estimate meeting to set the maximum property tax levies
- 

# 2010 Recommended Budget

## Upcoming dates

- November 19 – Public Comment on Budget and Levy at 6:05pm
- December 2- Budget Mark-up (if needed, continuing December 3)
- December 7 – Public Comment at 6:05pm to be followed by Final Budget Adoption



# For More Information...

All of the Mayor's Recommended Budget documents are available on the City's website at

<http://www.ci.minneapolis.mn.us/city-budget/2010recc/>

Thank you for your interest and attention!