

CITY OF MINNEAPOLIS

Overview of Mayor's 2016 Recommended Budget

Presented by the Finance and
Property Services Department

CITY OF MINNEAPOLIS

2016 Recommended Budget
Major Highlights

Major Highlights

- Mayor's Recommendation includes a 3.4% increase in the tax levy
- Mayor's Recommended Budget is \$1.22 billion, a 2.7%, or \$31.8 million increase from the 2015 adopted budget of \$1.19 billion
- Mayor's Recommended Budget maintains current service levels from 2015, including inflationary and mandated cost increases of \$17.5 million
- Mayor Recommendation on-going funding for program enhancements of \$6.3 million (total \$15.8 million requested) and \$24.1 million in one-time items (total \$38.9 million requested)

Major Highlights

- The Mayor's 2016 Recommended Budget lays the groundwork for the future by:
 - Enhancing public safety with funding for 2 police officers and 7 civilian staff in MPD, as well as implementation of the body camera program
 - Rightsizing the budget by eliminating redundant processes and unfilled positions.
 - Providing resources for programs in support of racial diversity, youth programs (Urban Scholars) and Clean Energy Initiatives
 - Managing levels of fund balances and future property tax impacts by considering out-year impacts

CITY OF MINNEAPOLIS

2016 Recommended Budget Financial Overview

Mayor's Recommended 2016 Budget Financial Overview

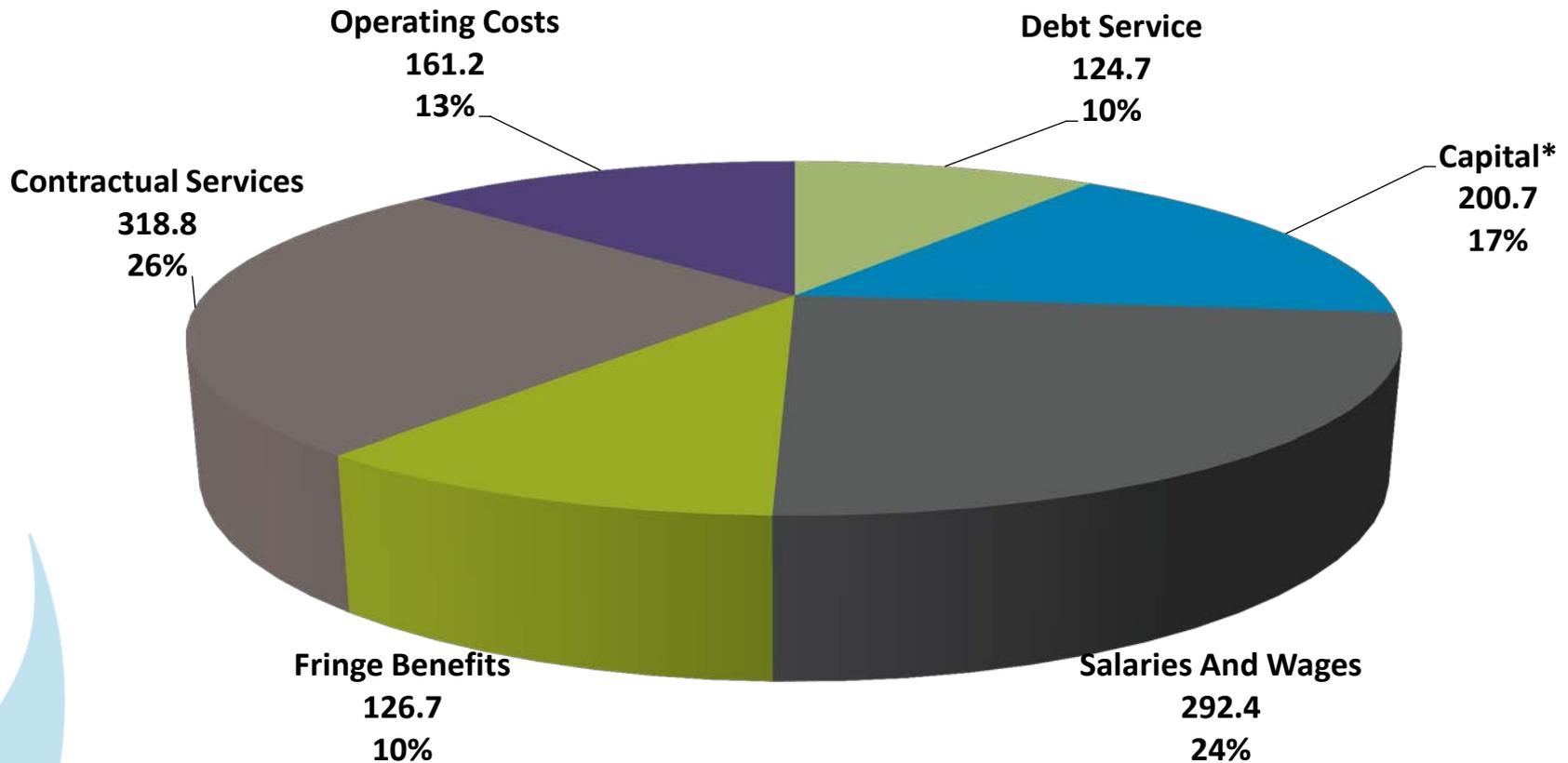
- **\$1.224 Billion Budget**
 - Spending level increases by \$31.8 million, or 2.7%, from 2015 Adopted Budget across all funds
- **3,960.65 Positions**
 - Increase of 35.25 positions from 2015 level

Mayor's Recommended 2016 Budget

Expenditures by Major Type

\$1.224 Billion

Million \$



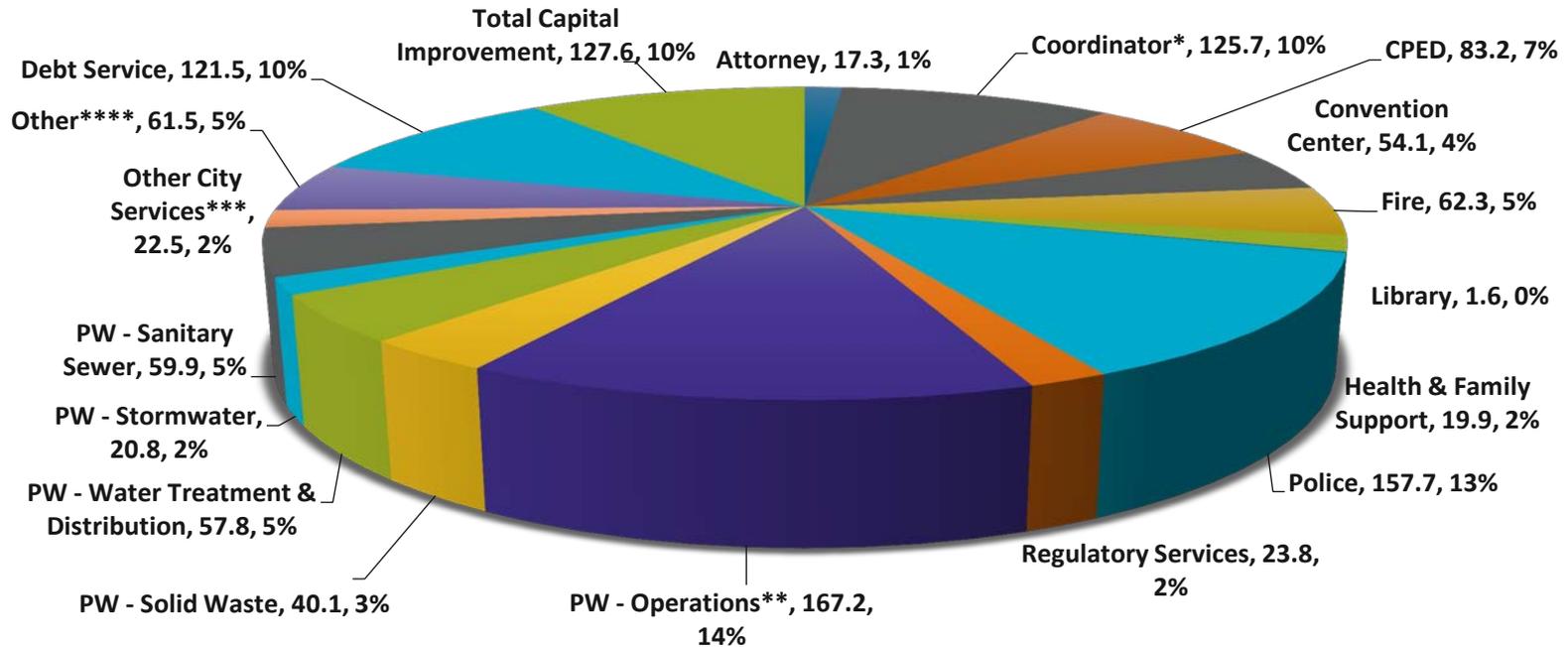
*The Capital category includes capital improvements in the City's Capital Program as well as capital expenditures associated with the CARs program

Mayor's Recommended 2016 Budget

Expenditures by Major Functions

\$1.224 Billion

Millions \$



PW=29%

* 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 PW Administration, Fleet, Traffic & Parking, Maintenance & Repair, Planning & Engineering, Planning & Programming

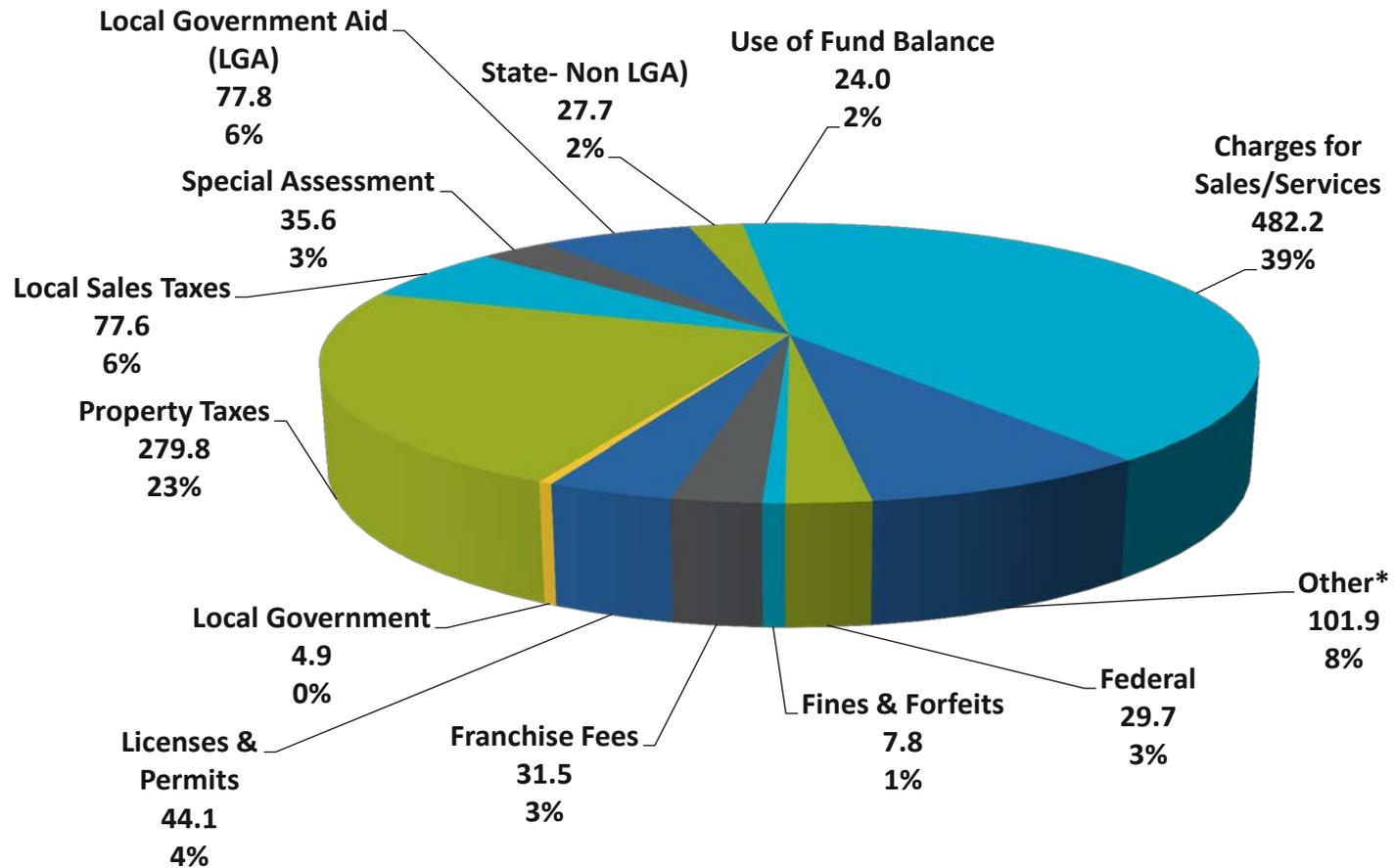
*** Includes Assessor, Internal Audit, City Clerk, City Council, Civil Rights and Mayor.

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

Revenues by Major Sources

\$1.224 Billion

Millions \$

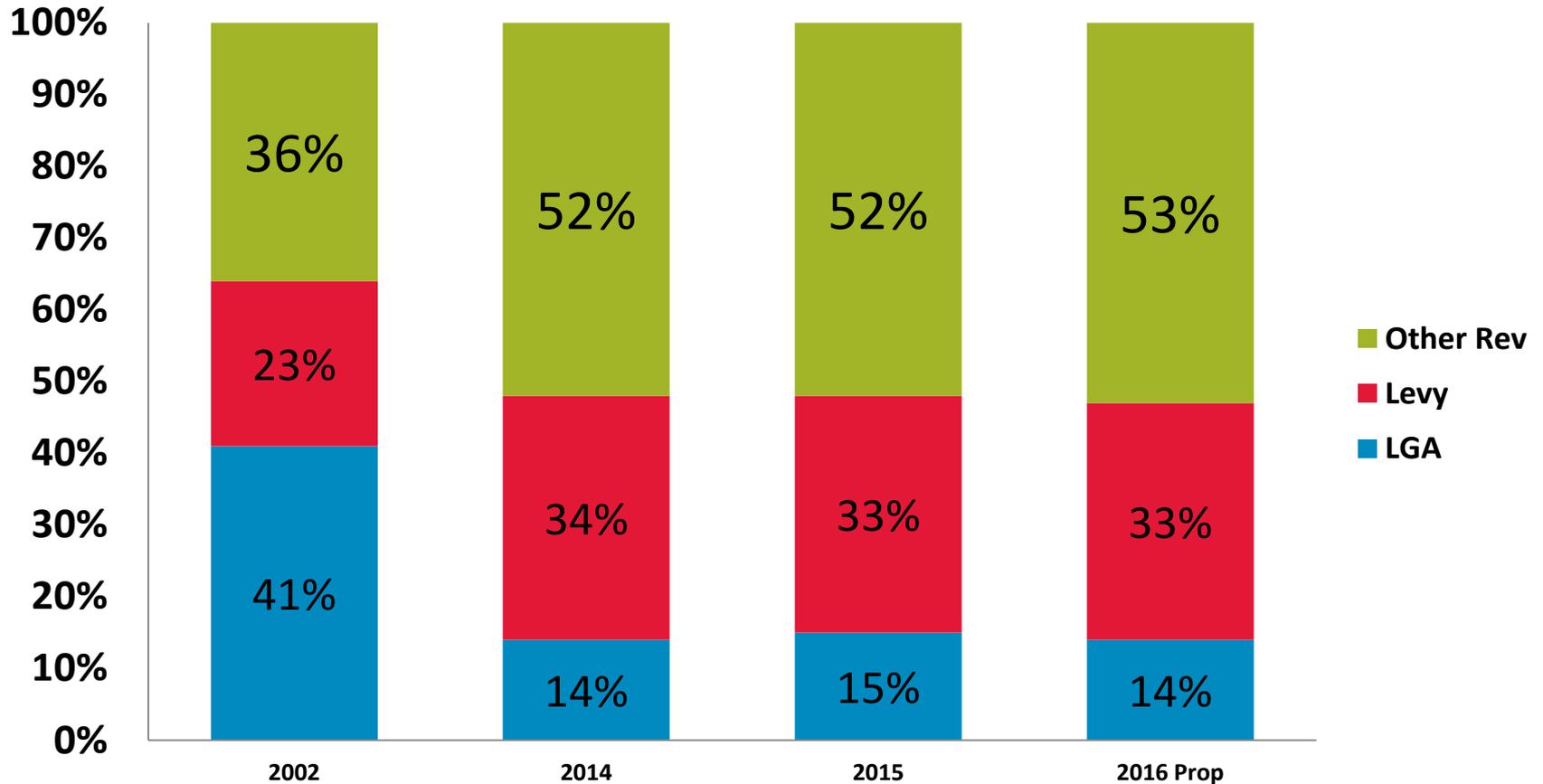


*Includes: contributions, gains, interest, bond proceeds, other misc.

Mayor's Recommended 2016 Budget

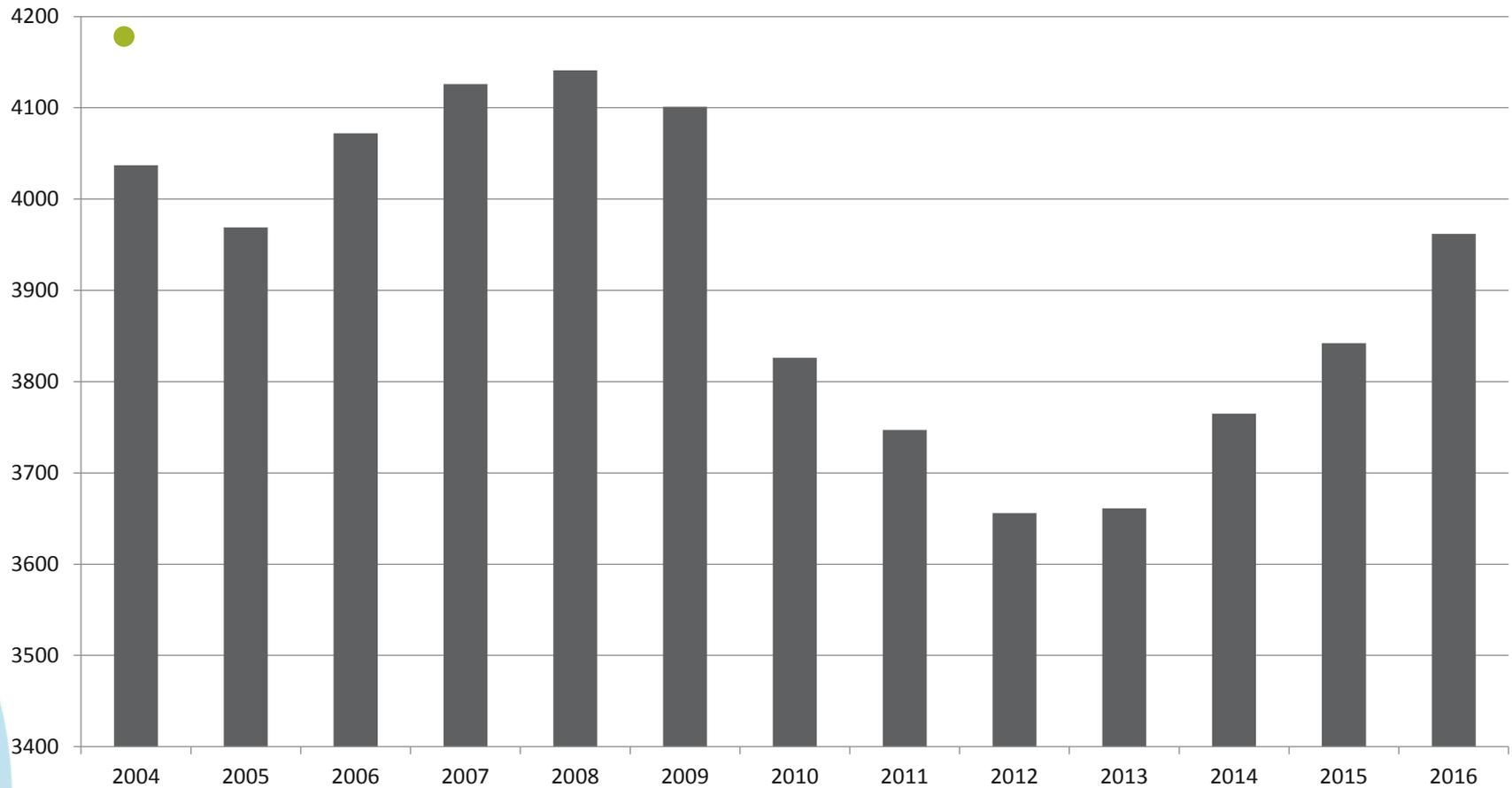
Levy and Local Government Aid Funding

(for City General Fund)



Mayor's Recommended 2016 Budget

Historical FTE levels*



*Excludes Independent Boards

Total FTE count for 2016 is 179 less than in 2008 for City Departments

CITY OF MINNEAPOLIS

2016 Recommended Budget

Major Budget Considerations

see Financial Over view section

Budget Considerations

- Funding for pension liabilities – closed plans
 - Fully merged
 - Constant levy obligation in 2016 – same as 2015 level of \$27.3 million.
- Funding for pension liabilities – regular costs
 - PERA for current employees are expected to be \$30.9 million in 2016.
 - Employer's contribution to Police and Fire Plan = 16.2%
 - Employer's contribution for the Coordinated plan = 7.5%
 - All are accounted for in Recommended Budget.

Budget Considerations

- Personnel and benefits
 - *Salary and wages.* The 2016 Mayor's Recommended Budget includes an increase in personnel expenditures (\$292.4 million in salaries and wages, compared to a 2015 total of \$281.3 million).
 - *Benefits.* Health and dental insurance expenditures are budgeted to increase from \$61.2 million in 2015 to \$64.1 million in 2016.



Mayor's Recommended 2016 Budget

Budget Considerations

- ***Funding for Capital Equipment***

- Capital Asset Request System (CARS) process was implemented in the 2014 budget
- For this five-year planning cycle, the City received requests from departments totaling \$114.7 million
- For 2016, the requests totaled \$30.3 million; this budget recommends funding of \$23.4 million for 2016
- Of the \$23.4 million funded in 2015, \$6.97 million is funded by the General Fund

Budget Considerations

- Payment of outstanding bond obligations
 - \$124.1 million in estimated principal and interest payments for 2016, as compared to \$129.9 million in 2015
 - This represents 10% of the City's total budget
- Funding for City infrastructure
 - \$124 million in 2016; \$661 million over five years
 - 2016 Budget Recommendation includes major infrastructure improvements, including a total of \$3.3 million in technology projects funded through property tax supported debt (\$5.0 million in 5-year plan)
- Obligation to Hennepin County for libraries
 - \$9.3 million market value referendum through 2030
 - \$1.6 million in 2016, with declining operating contribution through 2017

Future Budget Considerations

- Diverse Community
- Regulatory Complexity/Unfunded Mandates
- Shrinking Workforce/Increased Demands
- Workforce Turnover
- Technology Needs
- Emergency/Security Management Needs
- Aging Office Facilities/Scattered Administrative Workforce
- Improving Economy/Construction Boom

CITY OF MINNEAPOLIS

2016 Recommended Budget

Property Taxes

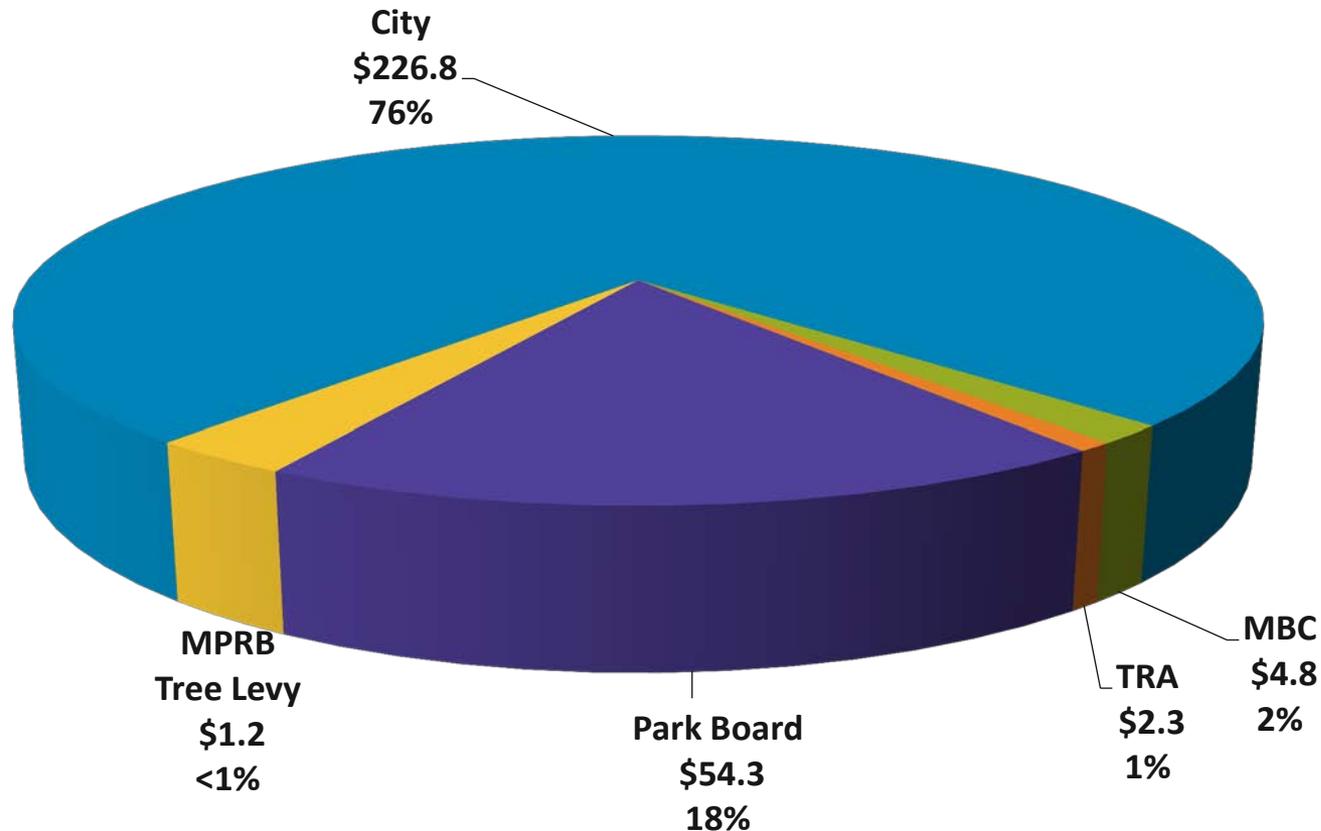
Includes Taxpayer Impacts

Who Levies Property Taxes?

- Political Subdivisions of the State of MN
 - Cities
 - Townships
 - Counties
 - Schools
 - Special Districts (WMO, Met Council, RRA, HRA)

Mayor's Recommended 2016 Budget Property Tax Levies by Entity

Total Levy
\$297,450,000



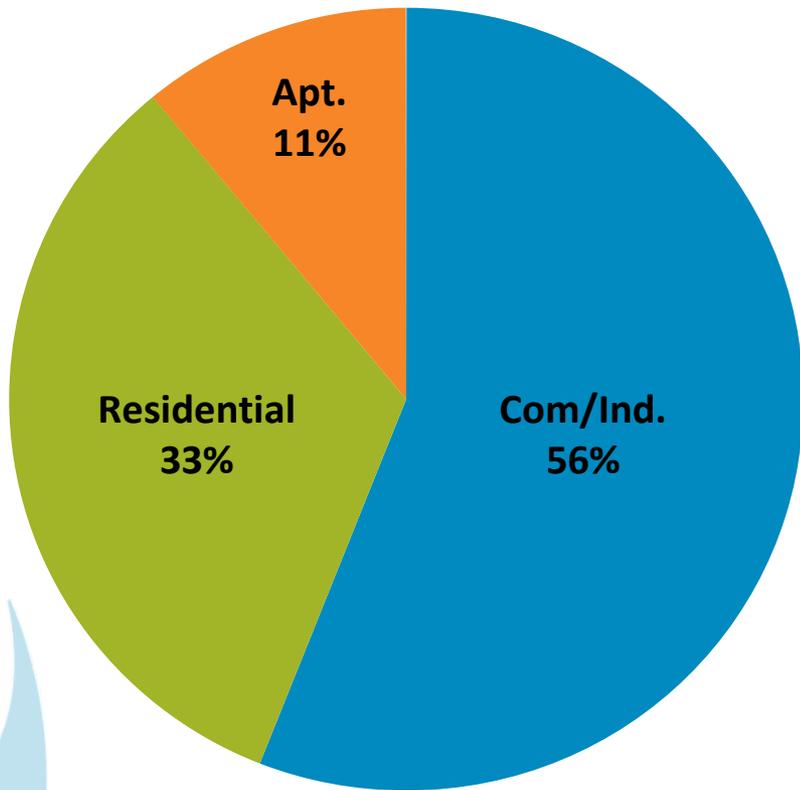
*City includes BET, pension, library operating transfer, capital and debt levies

Who Pays Property Taxes?

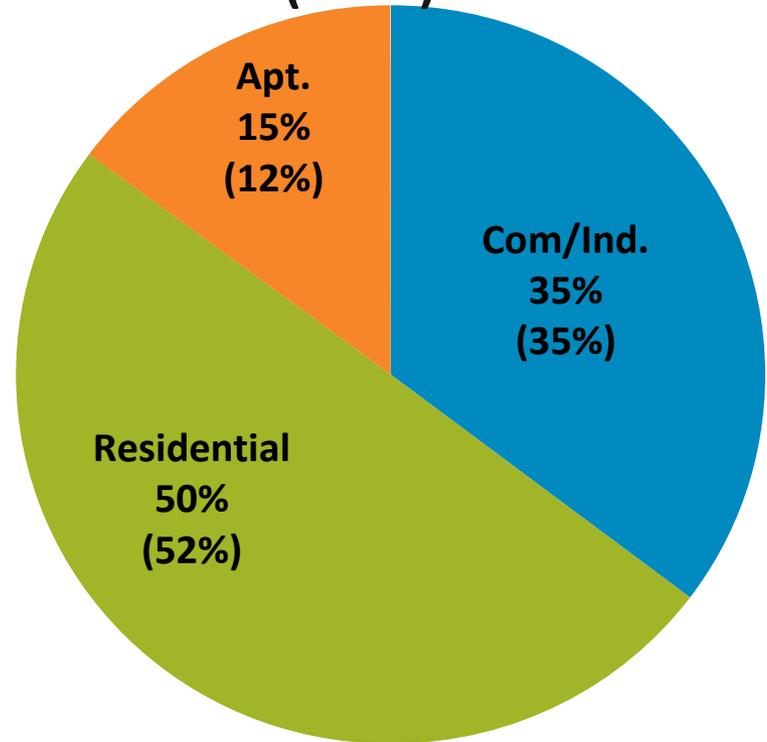
- Property Owners for Various Property Classes
 - Commercial
 - Industrial
 - Residential
 - Apartments
 - Recreational/Cabin
- Exclusions:
 - Other Government
 - Non-profit
 - Payment in lieu of taxes (PILOT)

Mayor's Recommended 2016 Budget Property Tax Shift

1996



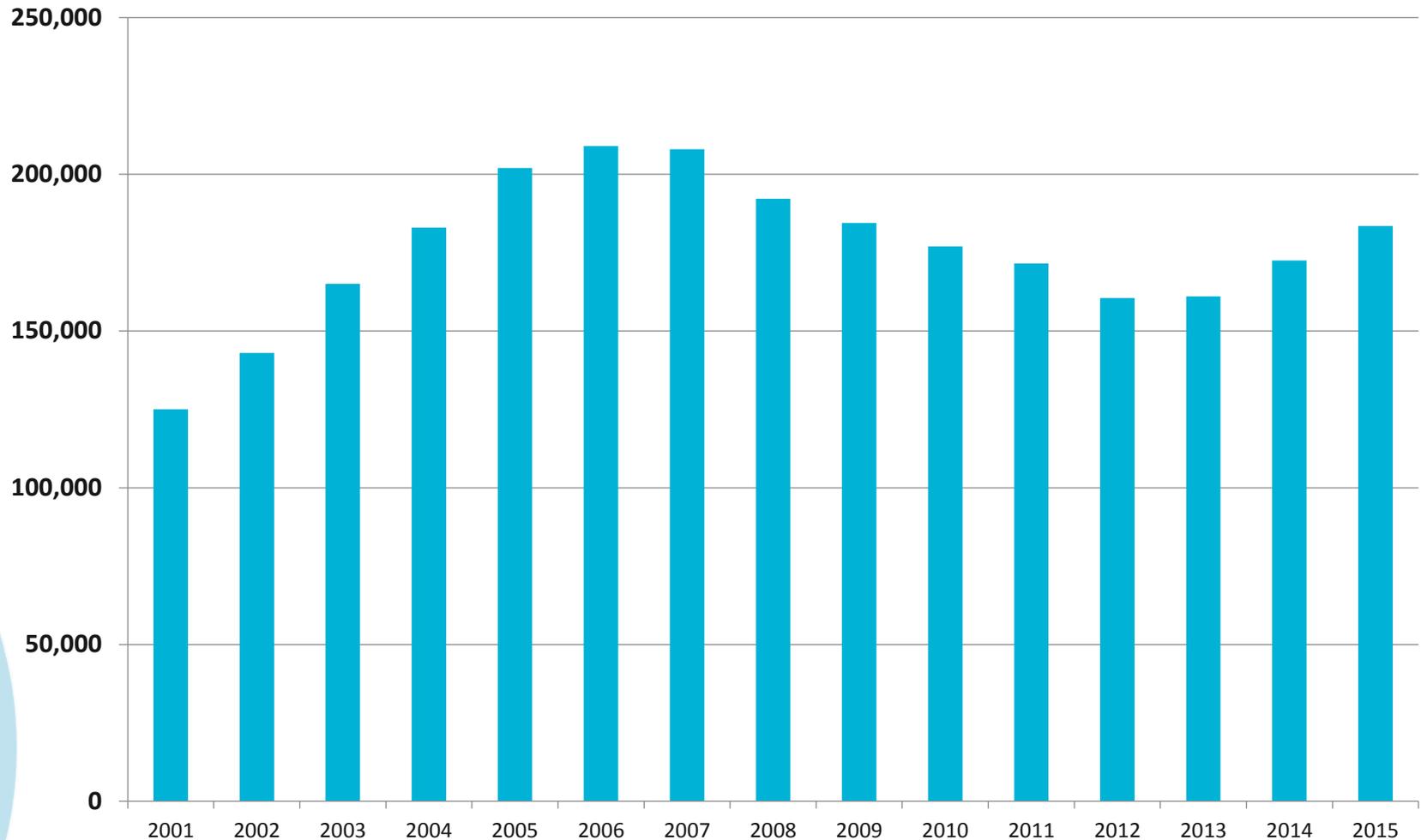
**2015
(2014)**



MAYOR'S RECOMMENDED 2016 BUDGET

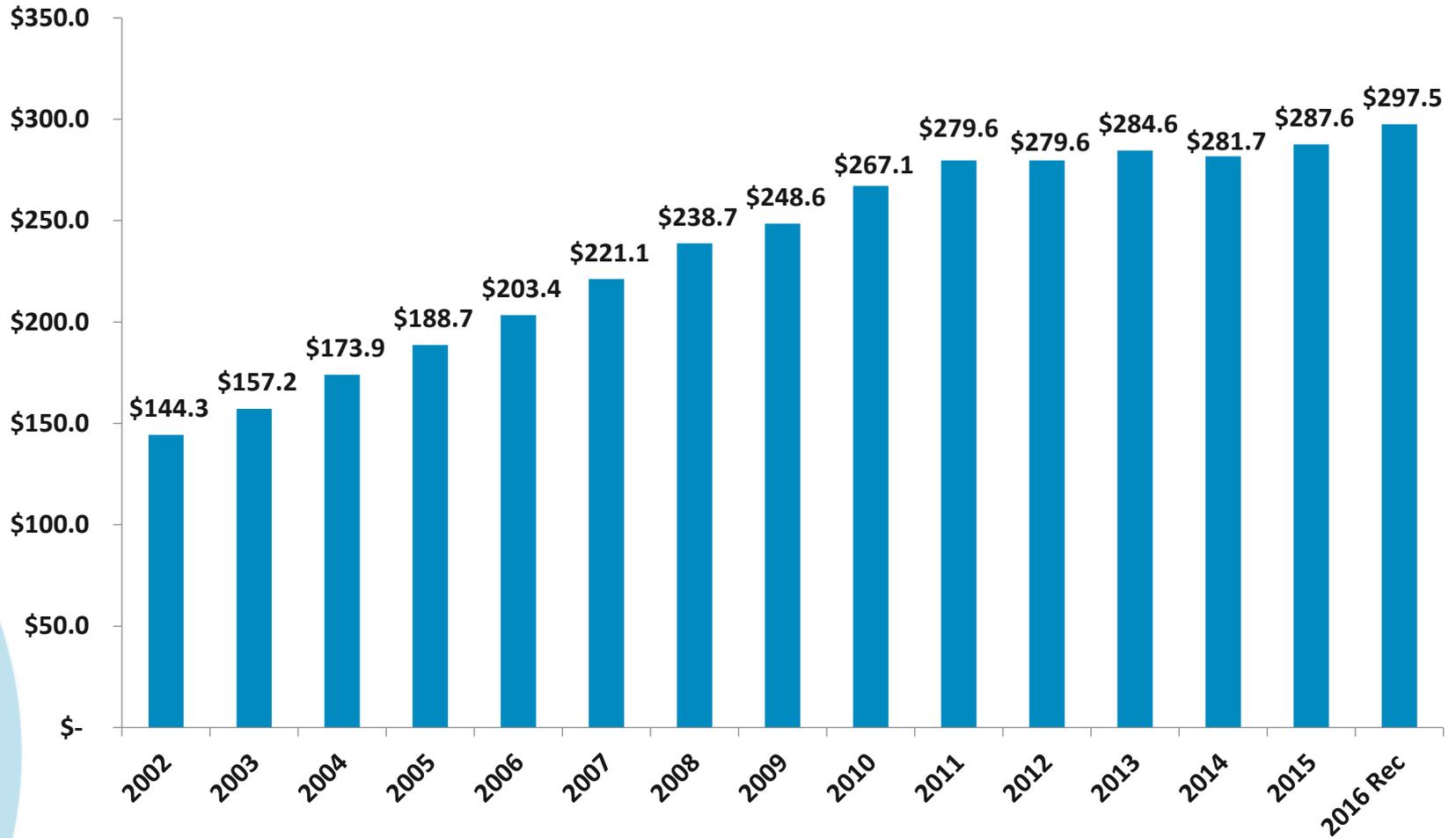
RESIDENTIAL MEDIAN VALUE TREND

(2001-2015)



Mayor's Recommended 2016 Budget

Minneapolis Property Tax Overview



Mayor's Recommended 2016 Budget

2015 Property Tax Levies (millions \$)

	Fund	Mayor Rec Levy		% Change	\$ Change
		2015	2016	From 2015	From 2015
City-Certified Levies	General Fund	154,950,000	160,446,000	3.55%	5,496,000
	Minneapolis Park Board - General	50,560,000	52,583,000	4.00%	2,023,000
	Minneapolis Park Board - Tree	1,475,000	1,732,000	17.42%	257,000
	Bond Redemption	35,900,000	37,800,000	5.29%	1,900,000
	Permanent Improvement	1,000,000	1,000,000	0.00%	0
	Pensions (MERF, MPRA, MFRA)	27,310,000	27,310,000	0.00%	0
	Board of Estimate and Taxation	160,000	170,000	6.25%	10,000
Other Levies	Municipal Building Commission	4,675,000	4,810,000	2.89%	135,000
	Teachers' Retirement	2,300,000	2,300,000	0.00%	0
	Library Referendum Debt Service	9,300,000	9,300,000	0.00%	0
	Total	287,630,000	297,451,000	3.41%	9,821,000

What does property tax increase “feel like” to taxpayer?

- Factors affecting actual property tax:
 - market value (individual and aggregate – EMV  >9%)
 - market value exclusion program
 - citywide tax base (TCAP  12%)
 - tax increment districts
 - levy
- Mayor’s proposal included a 3.4% levy increase
- Tax rate projected to decrease by more than 7.5%
- Overall, residential properties market values increased 7% over pay 2015
- Homestead residential properties (< \$413K) with market increases less than 5% should see a decrease in City portion of their property taxes

CITY OF MINNEAPOLIS

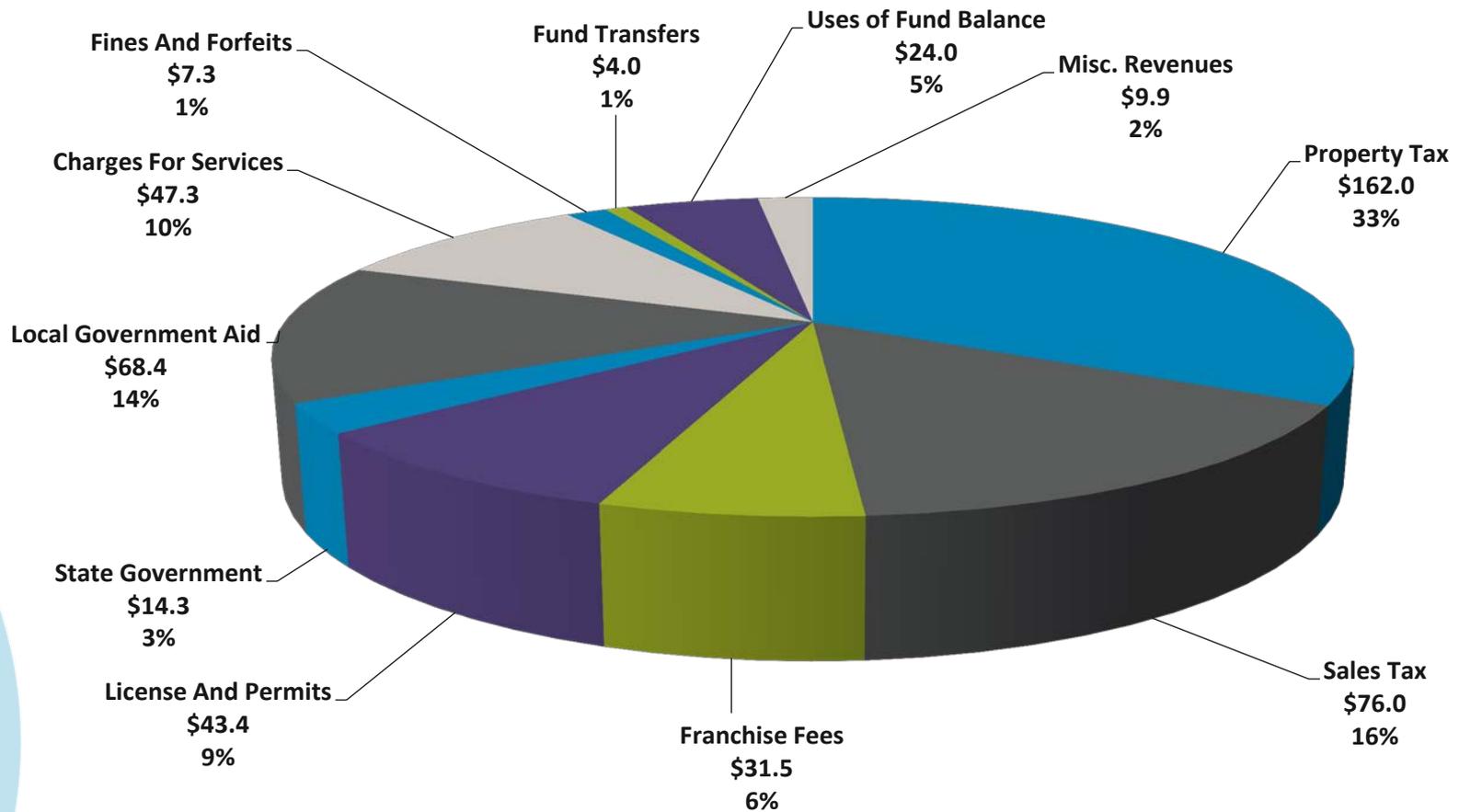
2016 Recommended Budget
General Fund Overview

General Fund – Overview

- \$488 million, or 36% of total budget
- Department spending: \$416.6 million, or 4% increase from 2015
- General Fund Levy increase of 3.55% from 2015

Mayor's Recommended 2016 Budget

General Fund - Revenue by Category (\$488.0 Million)



General Fund - Revenue by Category

Comparison to 2015

Revenue Source	2015 Adopted	2016 Recommended	% Change From 2015 Adopted
Property Tax	\$156.5	\$162.0	3.5%
Sales Tax	\$73.6	\$76.0	3.2%
Franchise Fees	\$29.0	\$31.5	8.5%
License And Permits	\$39.0	\$43.4	11.2%
State Government	\$14.2	\$14.3	0.7%
Local Government Aid	\$68.0	\$68.4	0.6%
Charges For Services	\$44.3	\$47.3	6.9%
Fines And Forfeits	\$7.2	\$7.3	0.9%
Fund Transfers	\$4.7	\$4.0	-15.6%
Uses of Fund Balance	\$13.5	\$24.0	77.7%
Misc. Revenues	\$13.2	\$9.9	-25.0%
Total	\$463.2	\$488.0	5.4%

General Fund – Revenue drivers

- Fund Balance Availability
- LGA Allocations
- Increased Permit, License and Fees revenues
- Franchise Agreements
- Growth in local taxes



General Fund – Expense Drivers

- Costs associated with salaries and benefits
- Inflation
- Contractual obligations
- Operating Capital and associated costs
- Program enhancements

- (see Financial Overview section in Mayor's Recommended 2016 Budget Book)

CITY OF MINNEAPOLIS

2016 Recommended Budget
Special Revenue Funds

Community Development Block Grant

- Estimated funding level for 2016 reflects a 15% reduction from the actual 2015 Consolidated Plan amounts across all programs
- HUD Consolidated Plan programs, HOME, ESG, and HOPWA also projected to have a 15% reduction from the 2015 funding levels
- The Mayor also recommended a new initiative, Next Steps for Disconnected Youth to serve youth ages 16-24 to create new opportunities for Minneapolis youth that are the most disconnected
 - Funded from prior year CDBG-related income

Convention Center Fund

- Operating revenue expectation of \$16.7 million
- Operating expense expectation of \$25.9 million
- Transfer of General Fund of \$50.1 million
- Capital investments for 2016 are budgeted at \$10.6 million
- On-going monitoring of fund balances

Other Special Revenue Funds

- Various Sources and Uses
 - CPED Development and other Funds
 - Regulatory Services Special Revenue Fund
 - Police Special Revenue Fund
 - NCR Special Revenue Fund



CITY OF MINNEAPOLIS

2016 Recommended Budget Enterprise Funds

Enterprise Funds

- Public Works Enterprises
 - Sanitary Sewer
 - Stormwater
 - Water
 - Solid Waste



Mayor's Recommended 2016 Budget

Enterprise Funds

Budget Comparison (millions \$)

	2015 Adopted	2016 Recommended	Change	\$Diff
Solid Waste	40.5	40.1	-1.0%	-0.4
Water Treatment & Distribution	56.0	57.8	3.2%	1.8
Surface Water and Sewer - Stormwater	19.4	20.8	7.2%	1.4
Surface Water and Sewer - Sanitary Sewer	56.8	59.9	5.5%	3.1
Total Utility Enterprises	172.7	178.6	3.4%	5.9

Sanitary Sewer Utility Rates Average Bills and Revenue

Recommended Rates and Projections for Average Households				
Year	Fixed Rate	2016 Proposed Rate per unit (100 Cubic feet)	Proposed % increase year to year on usage only	Cost per Month for average household*
2015	\$3.80	\$3.21		\$23.06
2016	\$4.30	\$3.39	5.6 %	\$24.64
2017	\$4.80	\$3.55	4.7%	\$26.10
2018	\$5.30	\$3.71	4.5%	\$27.56
2019	\$5.80	\$3.89	4.9%	\$29.14
2020	\$6.30	\$4.07	4.6%	\$30.72

*** Assumes 5/8" meter and 6 units of Sanitary Sewer usage**

Stormwater Rates

Average Bills and Revenue

Recommended Rates and Projections for Average Households			
Year	Rate / ESU (Equivalent Stormwater Unit) = 1,530 square feet of impervious surface	Cost per Month for average household*	% increase
2015	\$11.94	\$11.94	
2016	\$11.94	\$11.94	0.0 %
2017	\$11.94	\$11.94	0.0 %
2018	\$11.94	\$11.94	0.0 %
2019	\$11.94	\$11.94	0.0 %
2020	\$11.94	\$11.94	0.0 %

* Average household is 1 ESU

Water Utility Rates

Monthly Cost for Average Consumer

Recommended Rates and Projections for Average Households				
Year	Fixed Rate	2015 Proposed Rate per unit (100 cubic feet)	Proposed % increase year to year on usage only	Cost per Month for average household*
2015	\$3.00	\$3.37		\$26.59
2016	\$3.50	\$3.45	2.4 %	\$27.65
2017	\$4.00	\$3.53	2.3 %	\$28.71
2018	\$4.50	\$3.61	2.3 %	\$29.77
2019	\$5.00	\$3.69	2.2 %	\$30.83
2020	\$5.50	\$3.77	2.2 %	\$31.89

* Assumes 5/8" meter connection and 7 units of water

Mayor's Recommended 2016 Budget

Combined Utility Bill

Monthly Cost for Average Consumer

Combined Utility Bill					
Monthly and Annual cost for average customer					
	2015	2016 Monthly Average*	2016 Annual Average	2016 monthly dollar change	2016 % change
Water*	\$26.59	\$27.65	\$332	\$1.06	4.0%
Sanitary Sewer	\$23.06	\$24.64	\$296	\$1.58	6.9%
Stormwater	\$11.94	\$11.94	\$143	\$0.00	0.0%
Solid Waste/Recycling**	\$26.60	\$27.89	\$335	\$1.29	4.8%
Total	\$88.19	\$92.12	\$1,106	\$3.93	4.5%

*Assumes average household water and sewer usage

CITY OF MINNEAPOLIS

2016 Recommended Budget
Internal Service Funds

Internal Service Fund Summary

- Intergovernmental Services Fund
 - \$39.3 M for 2016
 - 10.3% lower than 2015 budget
- Self-Insurance Fund
 - \$29.8 M for 2016
 - 4.2% lower than 2015 budget
- Fleet Services Fund
 - \$36.6 M for 2016
 - .8% lower than 2015 budget
- All Internal Service Funds stabilized

CITY OF MINNEAPOLIS

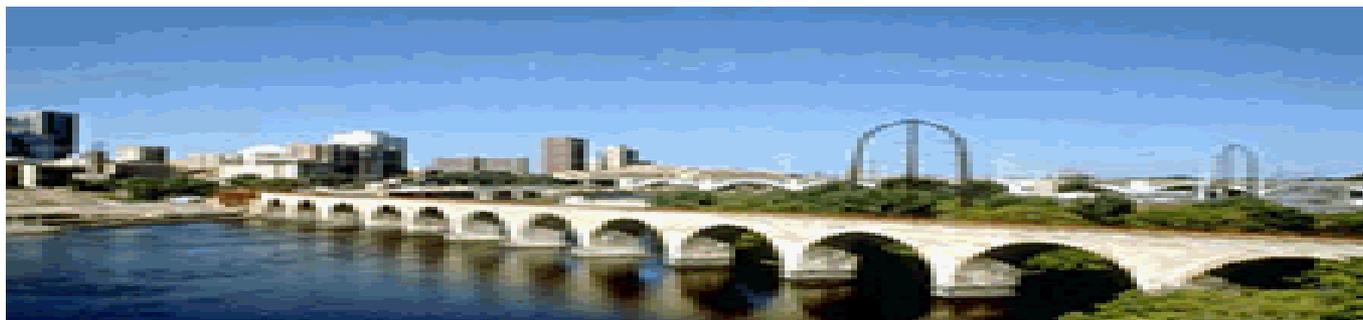
2016 Recommended Budget Capital

Mayor's Recommended 2016 Budget

Capital Investment Allocation

\$124.4 M

Commission/Board/Department	2016 Funding	% Total
Municipal Building Commission	\$2.9 M	2.3%
Park Board	\$4.9 M	3.9%
Public Works	\$99.8 M	80.2%
Information Technology Projects	\$3.3 M	2.7%
Public Grounds & Facilities	\$12.9 M	10.4%
Miscellaneous Projects	\$.6 M	.5%
Total	\$124.4 M	100.0%



Capital Asset Request System (CARS) Benefits

- Opportunity to plan for future needs and replacements
 - Rate models can be adjusted as needed
- Identifies on-going operating costs related to capital
- More collaboration between IT and departments requesting technology
- Creates more equity across departments for obtaining capital equipment
- Provides more transparency in operating budgets
- Third year of implementation

Capital Asset Request System (CARS)

- Requests planned for 2016-2020
- Total Requests for Five-Years = \$114.7M
- Total Requests for 2016 = \$30.3M

<i>Request Type</i>	<i>2016</i>	<i>2016-2020</i>
Replacements	\$22.4	\$85.3
Additions	\$4.5	\$12.5
Upgrades	\$0.0	\$0.0
Renovation	\$2.3	\$11.5
Other	\$1.1	\$5.4
Total	\$30.3	\$114.7

Mayor's Recommended 2016 Budget

Capital Asset Request System (CARS)

- Total Recommendation for 2016 = \$23.4M
- General Fund Resources = \$7.0M
- Other Funding Sources = \$16.4M

Funding Source	Rec Amount
Grants	\$0.0
Utility/Enterprise Funds	\$6.1
Special Revenue/Internal Service Funds	\$10.3
General Fund	\$7.0
Total	\$23.4

CITY OF MINNEAPOLIS

2016 Recommended Budget Next Steps

Mayor's Recommended 2016 Budget

Next Steps

- Board of Estimate and Taxation
 - September 9th , 5:05 PM
- Department Presentations to Budget Committee
 - Beginning Friday, September 18th, 9:30 AM
- Certify Proposed (maximum levy) by September 30th
- Truth-in-Taxation notices sent out second week in November
- Public Comments received November 18th, 6:05 PM
- Budget Markup – December 4, 7
- Budget Adoption – December 9th, 6:05 PM

CITY OF MINNEAPOLIS

2016 Recommended Budget
Thank you