



# Top 10 things to know about the Minneapolis budget

## 1. Most of Minneapolis' \$1.4 billion budget is non-discretionary spending.

The majority of the City's annual budget is restricted for specific purposes. (For instance, the water fund revenue can only be used to support that program.) The City's discretionary spending comes from its \$374 million General Fund. Since Minneapolis is the state's major hub for business, industry, and tourism, the General Fund ends up paying more per resident so basic services can also be extended to non-residents who work in and visit Minneapolis.

## 2. Most spending growth is in public safety.

City leaders have made public safety a priority, cutting all other departments in order to fund public safety investments. Between 2003 and 2009, the City spent more than \$1 billion on public safety. Annual spending on public safety has increased from just more than \$150 million in 2003 to nearly \$200 million in 2009.

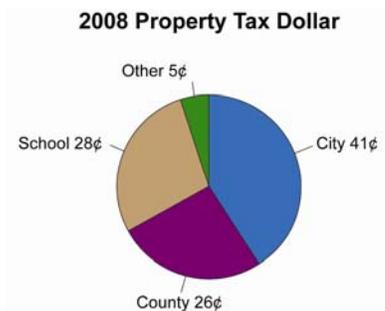
## 3. The City's property tax levy is the only major source of reliable revenue.

This is especially true now that the State of Minnesota's deficit is expected to cut even further local government aid (LGA) to Minneapolis and other local governments (Minneapolis receives about \$35 million less in aid annually from the State since 2003). While the entire City budget is \$1.4 billion, the City's General Fund is less than \$400 million. The General Fund, which receives its funds from property taxes and LGA, is the most flexible of our funds and it pays for basic City services such as police and fire, street maintenance and snow plowing. In addition, the City uses General Fund dollars to pay pension obligations. Increasing expenses in these services combined with cuts to LGA and limits on property tax levies forces the City to make very difficult choices.

## 4. Only a portion of a Minneapolis homeowner's property tax goes to the City.

For the average 2008 property tax dollar in the city, a little more than 40 cents goes to the City. Minneapolis Public Schools accounts for 28 cents of every dollar and Hennepin County receives about 26 cents of every dollar.

This is based on estimates of the total property taxes levied from residential, commercial and industrial, and apartment properties for 2008 within the city.



"Other" represents property taxes levied within the city by special taxing districts, including watersheds, Metro Transit, Mosquito Control District, etc. Actual percentages for individual properties may vary since properties within different watersheds have different rates. There are four watershed districts in Minneapolis, although some parcels are not part of any watershed district.

Below is 2008 total estimated property taxes levied within the city (in millions).

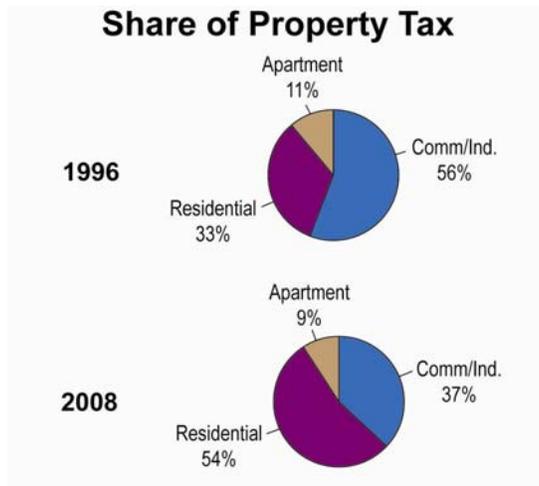
City <sup>1</sup>	\$240.6
County	\$148.6
School	\$162.5
Other	\$27.0
<b>TOTAL<sup>2</sup></b>	<b>\$578.7</b>

1. The amount collected for City government was \$175.6 million. The amount here includes property tax for park board, library referendum, the bond redemption fund, public housing and teacher retirement.

2. The total does not include more than \$74 million the State receives from City property taxpayers.

### 5. Residents are shouldering more of the property tax burden this decade.

In 2001, the Minnesota Legislature made changes to the property tax classification rates, which lowered the tax impact for commercial/industrial properties and high-valued homes. That shift distributed the burden to lower and mid-value residential properties.



### 6. Property tax policy does not directly translate to homeowners' tax bills.

When the City levies an increase to the property tax levy, it does not mean homeowners will see that same percentage hike on their property tax bills. The property tax policy refers to the total increase in the City's property tax collection. There is not a one-to-one relationship between this and the tax amount any property owners pay. Taxes on specific properties are based on property tax classification rates and assessed property values.

### 7. What Minneapolis gets from property tax collections isn't enough to pay for public safety.

The cost of Police, Fire and other public safety services in 2009 is nearly \$200 million. The City's allotted share of the 2009 property tax revenue is estimated to be \$183 million, and much of that is earmarked for debt services, pension funds and other non-discretionary spending.

### 8. Payments to two Minneapolis pension plans have been a major factor for property tax growth since 2003.

In just two years, the City's payments to two closed pension funds (funds that have not added any new members since 1980) will grow from \$4.9 million to at least \$22.4 million, a 357 percent increase. Debt service payments on the Minneapolis Police Relief and the Minneapolis Firefighters' Relief associations will likely total more than \$31.3 million from 2009 to 2014. Minneapolis needed to increase its property taxes by an additional \$2.6 million to cover the projected losses these funds incurred in 2008. City officials have been seeking to reform these two pension funds for years; the state Legislature has rejected the City's reform efforts.

### 9. Long-term financial planning has put the City in as strong a position as possible in today's economy.

Since 2002, City leaders have taken significant steps to streamline City services, find efficiencies and address our own financial challenges. Long-term financial planning has maintained City reserves and assures that ongoing expenses are supported by ongoing revenue. Each year, the City plans five years in advance and implements streamlining and reductions to planned growth. City leaders have also focused on decreasing Minneapolis' debt burden over the past five years. Since 2002, \$86.5 million in debt has been eliminated. That includes completely paying off an internal services fund deficit that amounted to \$38 million in 2000.

### 10. Minneapolis gets high marks for financial management and performance measurement.

The City received the top rating from the financial agencies Fitch and Standard & Poor's. Also, the City's Performance Measurement process implemented for all City departments received special recognition from the Government Finance Officers Association, a national professional organization. City departments use business planning to link services with City goals.

#### MORE INFORMATION

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