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City of Minneapolis  
2013-2017 Recommended  
Five-Year Financial Direction

**Presented September 19, 2011**  
**Prepared by**  
**the Finance Department**

2013-2017 Recommended Five-Year Financial Direction

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**Agenda**

1. Introduction
2. Relationship to Priority Budgeting
3. Property taxes
4. Other major assumptions
5. Department budgets
6. Major future pressures
7. Internal Service Funds
8. Pension obligations
9. Other considerations

## Structure of the Financial Direction

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### **General Fund:**

- Revenue & Expense information
- 2012 Budget Recommendations

### **Five-Year Financial Direction:**

- Property Tax and Local Government Aid
- Major Obligations
- Assumptions
- Financial Schedules
- Ten-Year Projection

## Importance of the Five-Year Direction

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- Provides guide for decisions
- Reflects long-term impact
- Considered financial management best practice
- Provides guidance to departments
- Establishes financial parameters

## Priority budgeting

- How the five-year financial direction is used in priority budgeting
  - Serves as a long-term view of the commitments (assuming there is no change to which programs are funded)
  - Functions as a forecast of program costs

## Major Assumptions

### Property tax policy increases:

2012	2013	2014	2015	2016	2017
0%	3.0%	4.0%	4.0%	4.5%	4.5%

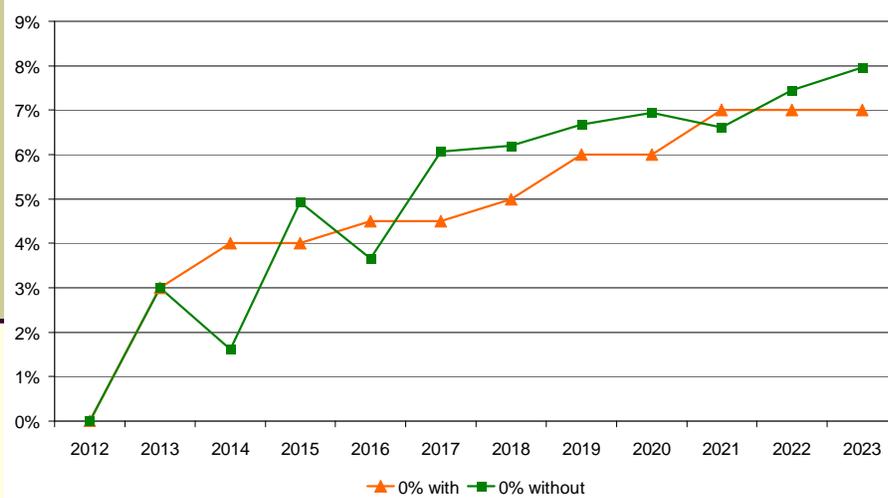
### *2011 Adopted property tax policy increases:*

2012	2013	2014	2015	2016
6.7%	6.5%	6.5%	6.0%	5.5%

2013-2017 Recommended Five-Year Financial Direction  
**Property Tax Stabilization Account**

- Starting in 2014, the property tax stabilization account:
  - Smooths property tax levy increases and decreases
  - Provides a more stable percent change from year to year

2013-2017 Recommended Five-Year Financial Direction  
**Property Tax Stabilization Account**

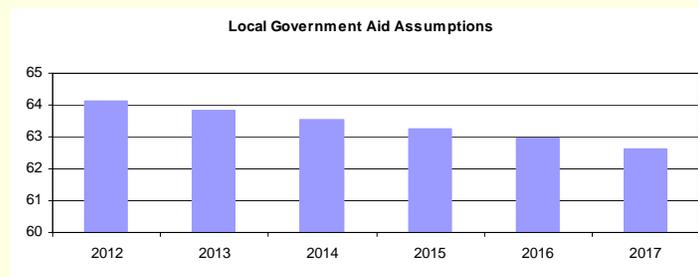


2013-2017 Recommended Five-Year Financial Direction  
Major Assumptions

## State Aid

Certified at the 2010 level of \$64.1M

- Local Government Aid (LGA) annual reductions of \$265,000 in 2013 & beyond



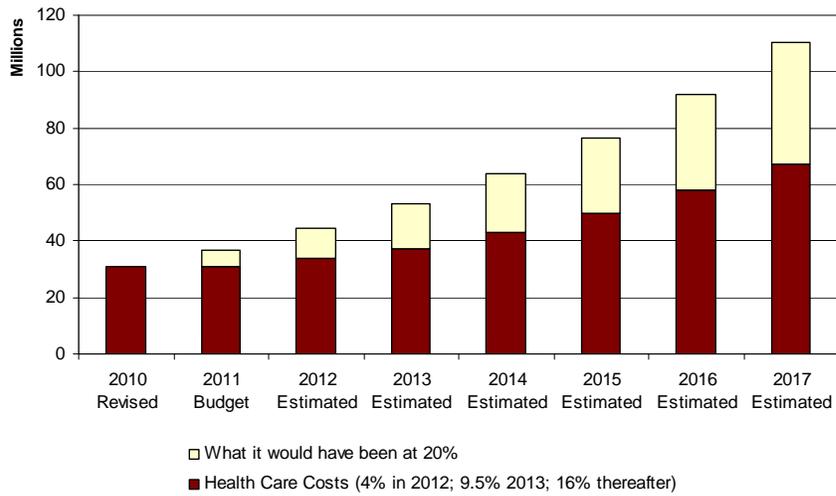
2013-2017 Recommended Five-Year Financial Direction  
Major Assumptions

## Compensation

- Salary assumptions:
  - Builds off the 2012 base
  - 2% in 2013; 2.5% thereafter
  - 0% in 2013 for department not held flat the previous two years
- Health Benefits assumptions:
  - 4% in 2012
  - 9.5% in 2013 (maximum per contract)
  - 16% thereafter

2013-2017 Recommended Five-Year Financial Direction  
Major Assumptions

## Compensation – Health Insurance



2013-2017 Recommended Five-Year Financial Direction  
Major Assumptions

## PERA Employer Contribution Rates

Year	Coordinated Rate	Police/Fire Rate	Annual Cost Inc.	Cumulative Increase
2005	5.53%	9.30%		
2006	6.00%	10.50%	\$2.2 m	\$2.2 m
2007	6.25%	11.70%	\$1.9 m	\$4.1 m
2008	6.50%	12.90%	\$1.9 m	\$6.0 m
2009	6.75%	14.10%	\$1.9 m	\$7.9 m
2010	7.00%	14.10%	\$1.1 m	\$9.0 m
2011	7.25%	14.40%	\$0.7 m	\$9.7 m

2013-2017 Recommended Five-Year Financial Direction  
Major Assumptions

## Contingency

Contingency limited in early years of plan\*:

2013	2014	2015	2016	2017
\$3.7M	\$4.2M	\$4.5M	\$4.3M	\$4.4M

Meets or exceeds City's financial policies  
in all years

\*Corrected

2013-2017 Recommended Five-Year Financial Direction  
Major Assumptions

## Other Considerations

- Mayor's 2012 Recommended Budget for programs is basis for projections
- No reductions to departments planned
- One-time appropriations removed

## Entertainment tax & sales tax

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- Entertainment tax receipts in line with 2011 projections
- Portion of sales tax used for public safety activities related to Citywide entertainment events (\$250,000)

## Future base increases

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- **Growth Fund:**
  - \$2.5 million for the growth fund (reflected in CPED's budget in 2013)
  - The "Growth Fund" will utilize a portion of city taxes derived from "new" tax base to support work by CPED and other departments to help create new tax base.

## Other Considerations

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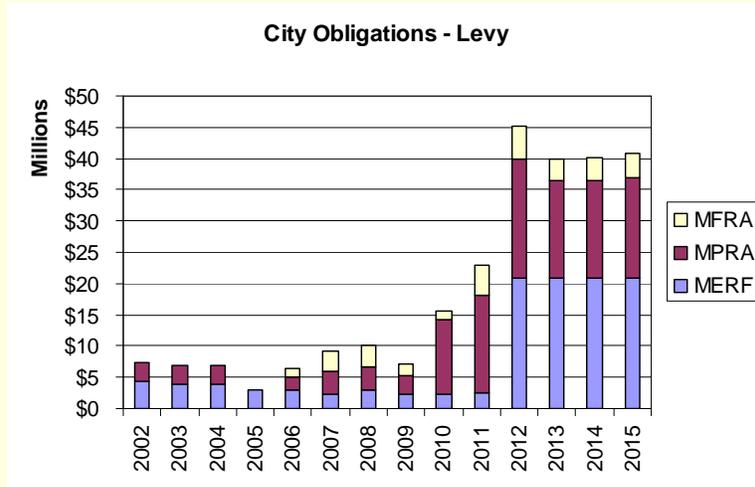
- Property taxes – feasibility of future increases
- Enterprise funds – financial challenges
- Department reductions – demand for services as compared to resources

## Other considerations (continued)

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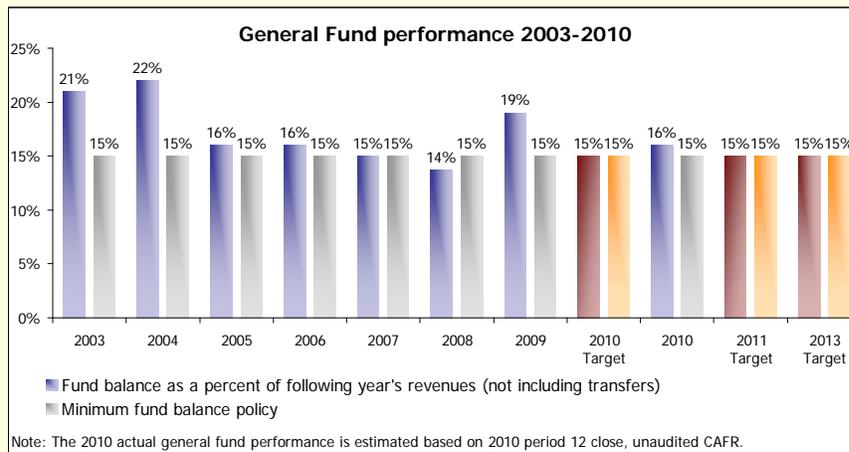
- City and Park Board: Capital pressures
- Wireless services – need to increase use in the future
- Pension obligations increase

2013-2017 Recommended Five-Year Financial Direction: Pensions  
**Annual property tax support for pension obligations**  
 (in millions)



2013-2017 Recommended Five-Year Financial Direction  
 Major future pressures

**General Fund performance**



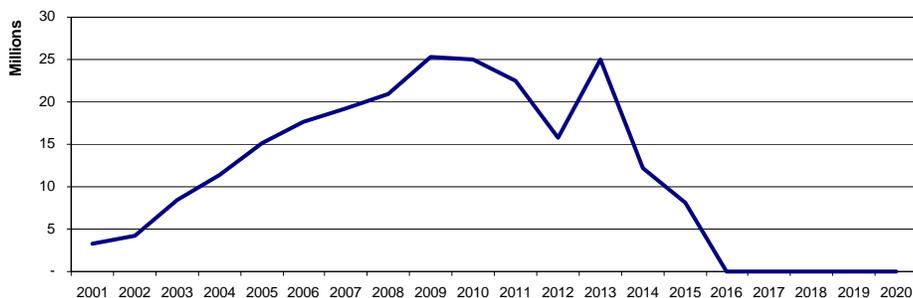
## Internal Service Funds: Improvement in financial position

- 2<sup>nd</sup> Quarter report:
  - Internal Service Funds tracking closely or exceeding long-term financial plans
- Progress
  - WAS **-\$32.2** million; NOW **+\$81.7** million\*
- Future resources in bond redemption levy

\*Estimate from 2<sup>nd</sup> Quarter Financial Report

## General Fund Support

General Fund Support for Internal Service Funds



## Summary – Key Factors to Consider

- Cost Drivers
  - Pension obligations
  - Health care costs
  - Declining internal service fund support
  - Payoff of closed pension fund bonds
  - Department reductions
- Revenue Drivers
  - Taxpayer impact
  - LGA uncertainty

## Meetings on budget topics

September to November	Department presentations to Ways & Means/Budget Committee
October 19 <sup>th</sup>	Capital Budget (2:30 pm)
<b>November 30<sup>th</sup></b>	<b>Public Comment on Levy and Budget (6:05pm)</b>
December 6 <sup>th</sup> -7 <sup>th</sup>	Ways & Means/Budget Committee Budget Mark-up
<b>December 14<sup>th</sup></b>	<b>Public Comment/Budget Adoption (6:05 pm)</b>

# Questions?

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