Request for City Council Committee Action from the Department of City Coordinator

Date: December 1, 2010

To: The Honorable Betsy Hodges, Chair, Ways & Means/Budget Committee

Subject: Excess Sales & Use Tax Revenues

Recommendation: Receive and file

Previous Directives:

Department Information

Prepared by: Leah Palmer Johnson

Approved by: Steven Bosacker, City Coordinator
Patrick Born, CFO
Jeff Johnson, MCC

Presenters in Committee:

Financial Impact

- No financial impact

Supporting Information

This RCA is a receive/file only for consideration by the Ways & Means Committee of the Minneapolis City Council.

In 2009, the Minnesota state legislature passed an amendment to the Laws of Minnesota 2009, Chapter 88, Article 3, Section 12. This section of state law authorizes the City to levy certain taxes (liquor, lodging, restaurant, and sales and use) in order to finance the Minneapolis Convention Center. The 2009 amendments allow excess revenue collected under the sales and use tax provision to be re-purposed away from the Convention Center and toward any capital project which would "further residential, cultural, commercial, and economic development in both downtown Minneapolis and the Minneapolis neighborhoods." The amendment did not change language related to the liquor, lodging, and restaurant taxes, which are collected for payment of bonds related to the Convention Center.

The Convention Center management team, in conjunction with the City of Minneapolis Finance Department and under the advice of the City Attorney's Office, has compiled a five-year financial plan to determine what, if any, excesses would exist under this amendment. This plan is attached to this document.

The financial plan shows deficits that averages approximately $10M a year.

Assumptions in the financial plan:

Tax revenue assumptions in the financial plan are based on industry-accepted rates of growth. Rates are based on the 2009 actual revenues, using 2.1% growth in 2011 and 2.5% in 2012 and beyond for the sales tax; the other three taxes assume a 2.1% growth in 2011 and 3% growth in 2012 and beyond.

Similarly, operating revenues are based on assumptions of flat (1%) growth for charges for service revenues, and only marginal growth of around 2% for miscellaneous operating and rental revenues.

The Convention Center's operating budget is kept flat.

Capital expenses are projected at a base level and do not include any improvement plans that would enhance the Convention Center to make it more competitive. Such improvements would likely be paid for with issued debt that is not reflected in this financial plan.