



City of Minneapolis
2011-2015 Recommended
Five-Year Financial Direction

Presented September 14, 2009
Prepared by
the Finance Department



2011-2015 Recommended Five-Year Financial Direction

Agenda

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



2011-2015 Recommended Five-Year Financial Direction
Introduction

Structure of the Financial Direction

General Fund:

- Revenue & Expense information
- 2010 Budget Recommendations

Five-Year Financial Direction:

- Property Tax
- Major Obligations
- Assumptions
- Financial Schedules
- Ten-Year Projection



2011-2015 Recommended Five-Year Financial Direction
Introduction

Importance of the Five-Year Direction

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



2011-2015 Recommended Five-Year Financial Direction
Property Tax

Major Assumptions

- Proposed tax policy:
 - Allows for more transparency in comparing independent jurisdictions
 - Mitigates impact of changes in revenue sources by treating major sources together
 - Annual percentage change in revenue available for activities same for City, Park Board and MBC



2011-2015 Recommended Five-Year Financial Direction
Property Tax

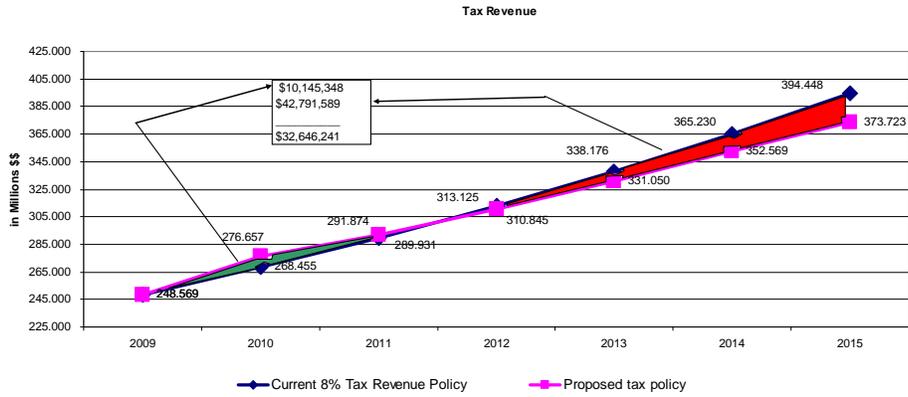
Major Assumptions

Property tax policy increases:

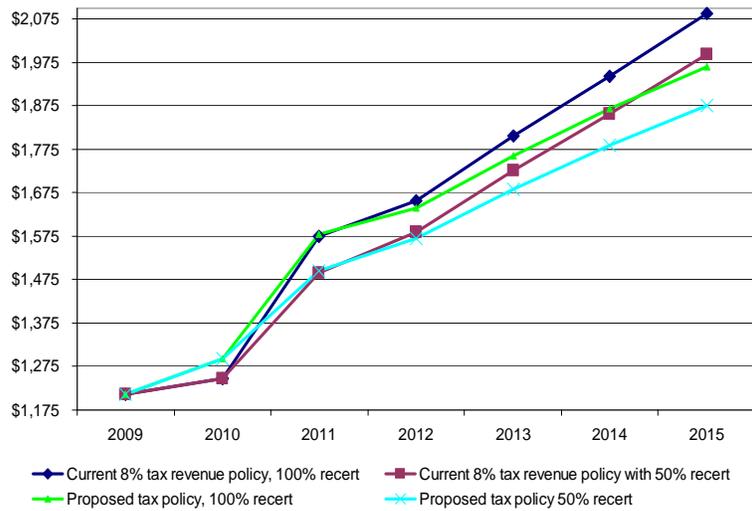
2010	2011	2012	2013	2014	2015
11.3%	5.5%	6.5%	6.5%	6.5%	6.0%

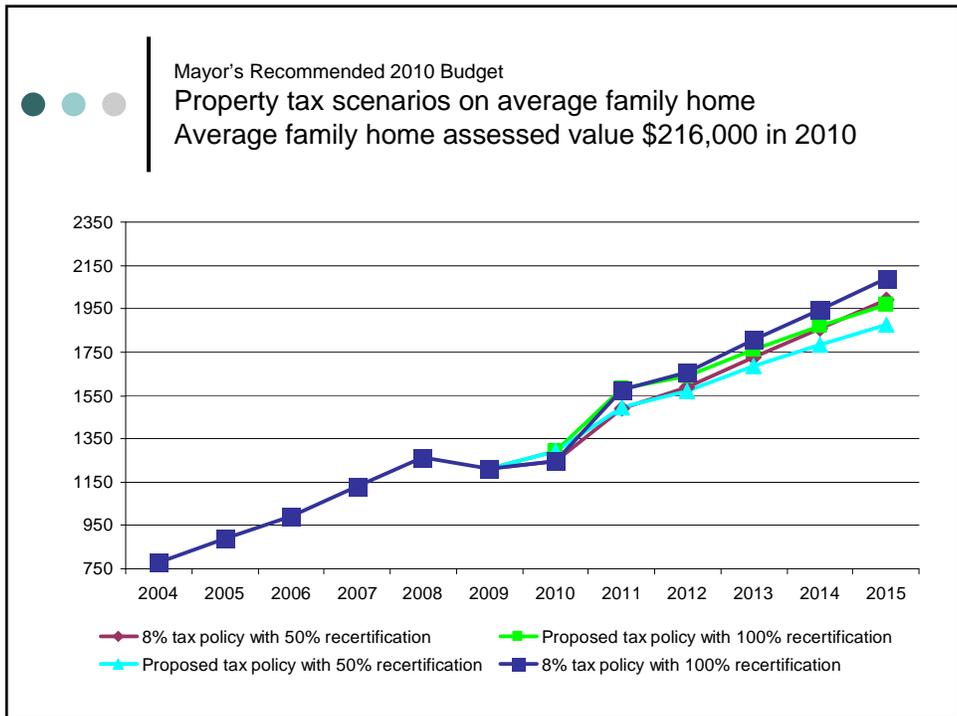
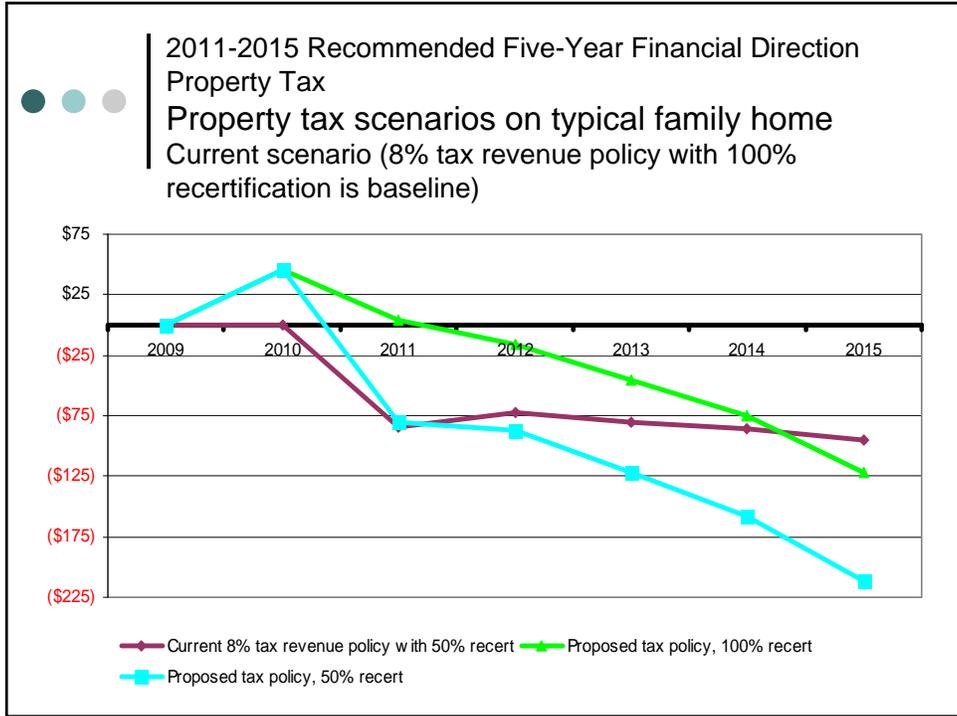


2011-2015 Recommended Five-Year Financial Direction
 Property Tax
 Property tax scenarios: Current 8% tax revenue policy vs. Proposed tax policy



2011-2015 Recommended Five-Year Financial Direction
 Property Tax
 Property tax scenarios on typical family home
 Average family home assessed value \$216,000 in 2010



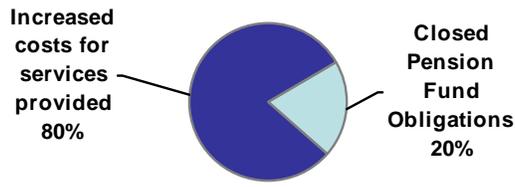


2011-2015 Recommended Five-Year Financial Direction
Property Tax



What does the Mayor's recommended tax policy support?

(\$112 million revenue increase 2011-2015)

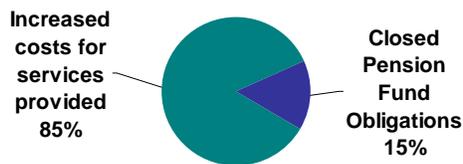


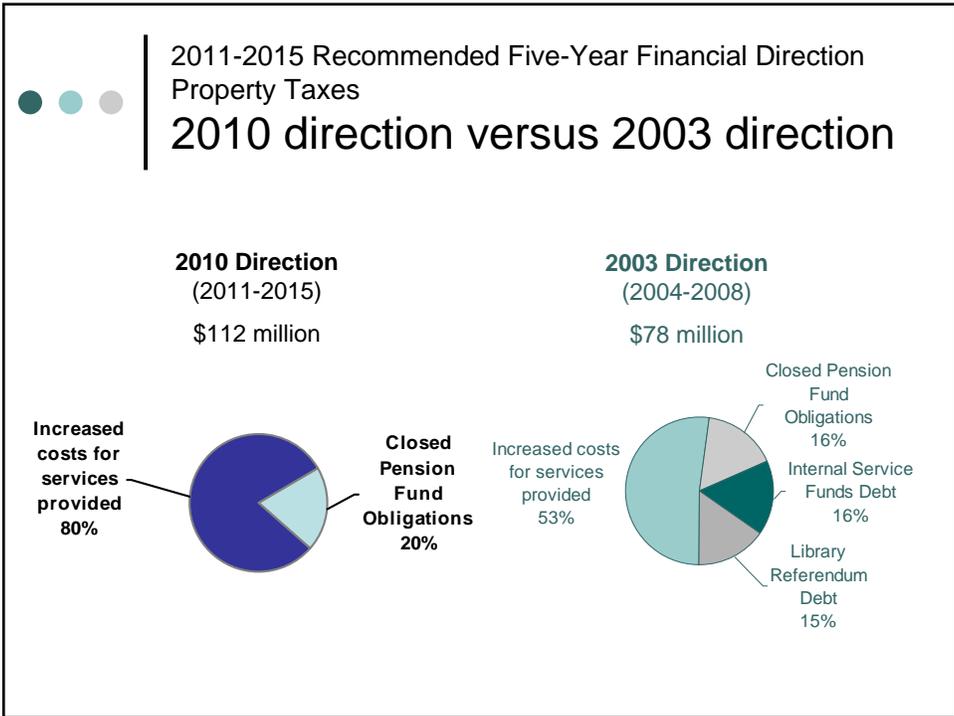
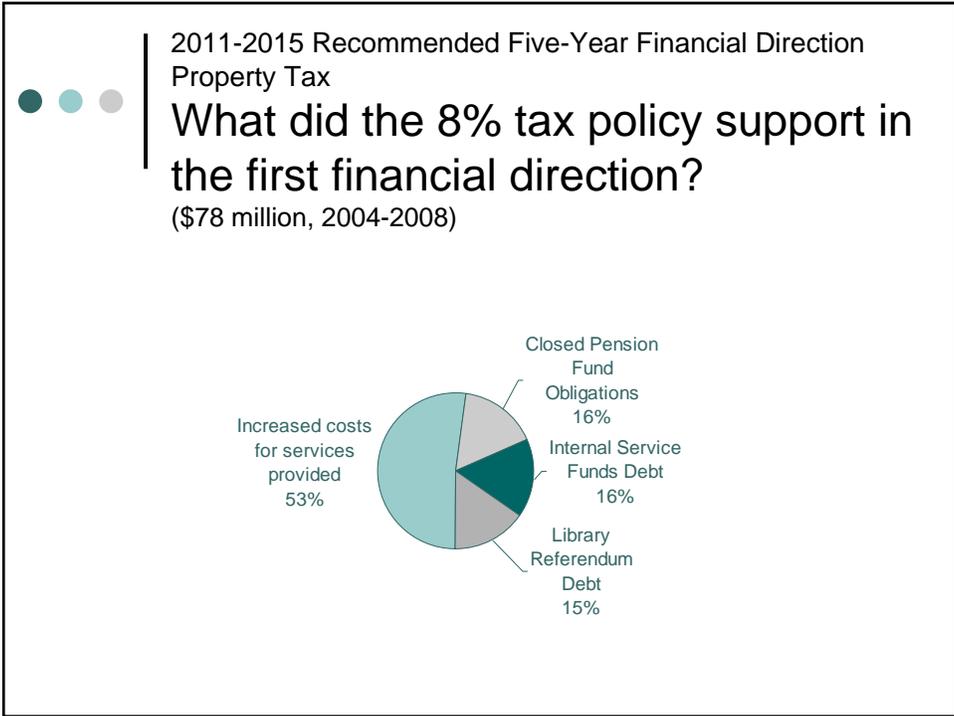
2011-2015 Recommended Five-Year Financial Direction
Property Tax



What did the 8% tax policy support last year?

(\$106 million revenue increase 2010-2014)







2011-2015 Recommended Five-Year Financial Direction
Property Tax

Levy limits

- Adopted by the legislature May 2008
- Limits in place 2009-2011
- Limits property tax increases for general levy to 1.3% in 2010
- Special levies are exempt



2011-2015 Recommended Five-Year Financial Direction
Property Tax

Existing Special Levies used by City

- Debt Service levy
- Pension levies
- Library Referendum levy
- Public Housing Authority



2011-2015 Recommended Five-Year Financial Direction
Property Tax

Long-term pressures of levy limits

- Smaller levy increase = More restricted General Fund
- Required reductions are higher than proposed in prior year's financial direction
 - \$10.9 million versus \$8.4 million
- Levy limits restricted local governments' planning flexibility



2011-2015 Recommended Five-Year Financial Direction
Major Assumptions

State Aid

In addition to unallotment of LGA:

- Local Government Aid (LGA) reductions of \$265,000 2010 & beyond
- LGA reduction of \$9 million in 2011 (decertification of TIF districts)



2011-2015 Recommended Five-Year Financial Direction
Major Assumptions

Compensation

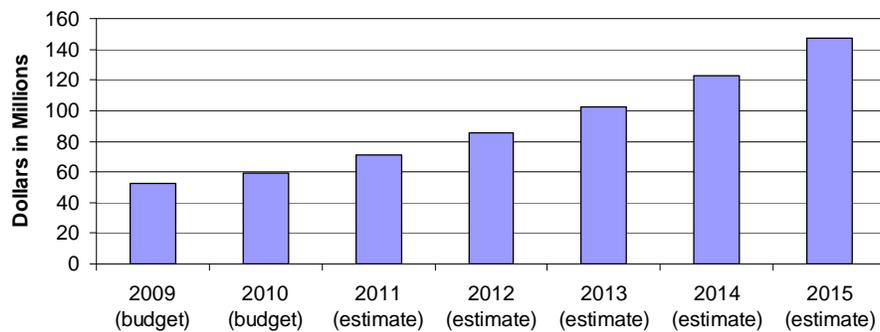
- Salary assumption: 2.5%
- Implementation of Compensation Philosophy
- Health Benefits Assumption: 15% in 2010 and 20% each year thereafter



2011-2015 Recommended Five-Year Financial Direction
Major Assumptions

Compensation

Projected Health Benefit Spending





2011-2015 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%	9.3%		
2006	6.00%	10.5%	\$2.2 m	\$2.2 m
2007	6.25%	11.7%	\$1.9 m	\$4.1 m
2008	6.50%	12.9%	\$1.9 m	\$6.0 m
2009	6.75%	14.1%	\$1.9 m	\$7.9 m
2010	7.00%	14.1%	\$1.1 m	\$9.0 m



2011-2015 Recommended Five-Year Financial Direction
Major Assumptions

Contingency

Contingency limited in out years:

2011	2012	2013	2014	2015
\$10.5M	\$9.8M	\$9.3M	\$6.1M	\$6.8M



2011-2015 Recommended Five-Year Financial Direction
Major Assumptions

Other

- Mayor's 2010 Recommended Budget is basis for projections
- Reductions for departments front-loaded in 2010
- Mayor's recommendation resets distribution of departmental reductions



2011-2015 Recommended Five-Year Financial Direction
Major Assumptions

Use of increased entertainment tax

- Entertainment tax expected to increase in 2010 due to new ballpark
- Direction assumes using \$2 million in entertainment tax to fund General Fund



2011-2015 Recommended Five-Year Financial Direction
Major Assumptions

Use of increased entertainment tax

	2010-2014 Total
Revenues	\$8.5 million
Expense	
•Ballpark improvements (prepaid in 2009)	\$3 million
•Increased traffic control	\$1.5 million
•Avoiding reductions (70% in police, fire, PW)	\$4 million
Total Expense	\$8.5 million
Remaining	\$0

Traffic Control receives a base increase of \$500,000 in 2012



2011-2015 Recommended Five-Year Financial Direction
Department Budgets

Base increases (2010)

- **Police:** \$4 million ongoing to cover shortfall from Byrne grant expiration
- **Fire:** \$310,000 ongoing to cover increased salary costs
- **Contingency:** \$1 million ongoing to provide increased cushion for adverse circumstances



2011-2015 Recommended Five-Year Financial Direction
Department Budgets

2010 Reductions since CSL (\$11.2M)

Police	-\$4.6M
Fire	-\$1.7M
Public Works	-\$0.8M
Regulatory Services	-\$0.35M
BIS	-\$1.1M
Assessor & NCR	No reductions
All other depts.	-\$2.6M

No future reductions in years 2011-2015



2011-2015 Recommended Five-Year Financial Direction

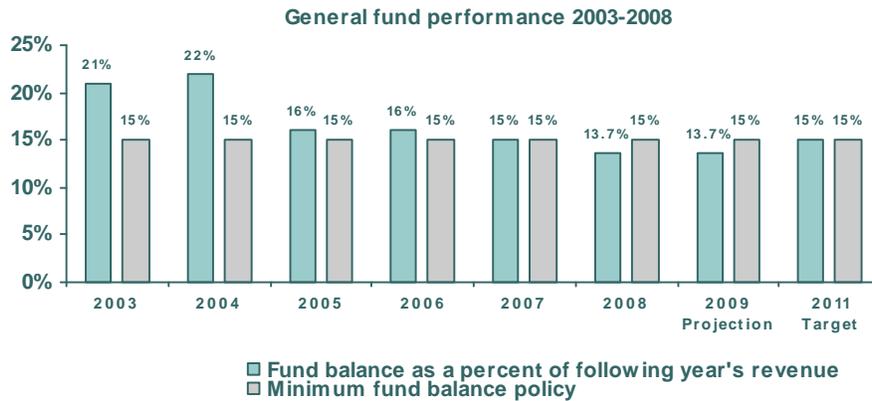
Major future pressures

- Enterprise funds
- Public Works
- Police service levels
- Wireless services
- Fine & forfeiture revenue
- Technological demands



2011-2015 Recommended Five-Year Financial Direction
Major future pressures

General Fund



The 2009 projection is based on the General Fund 2nd Quarter Report



2011-2015 Recommended Five-Year Financial Direction
Internal Service Funds

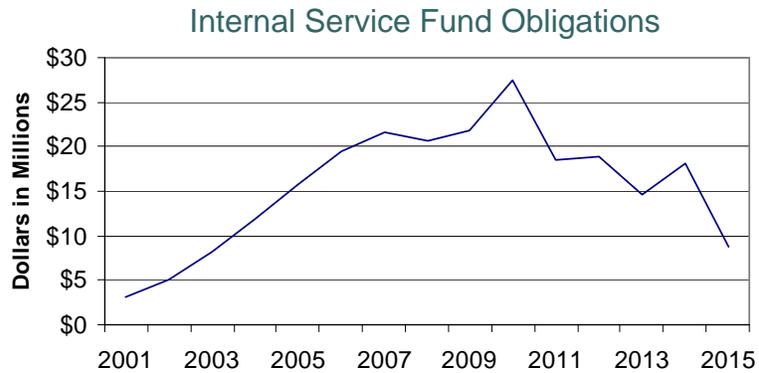
Improvement in internal service funds' financial position

- 2nd Quarter report:
 - Internal Service Funds tracking closely or exceeding long-term financial plans
- Self Insurance Fund:
 - \$3.5 million support (partial prepayment of 2011 transfer from General Fund)



2011-2015 Recommended Five-Year Financial Direction
Internal Service Funds

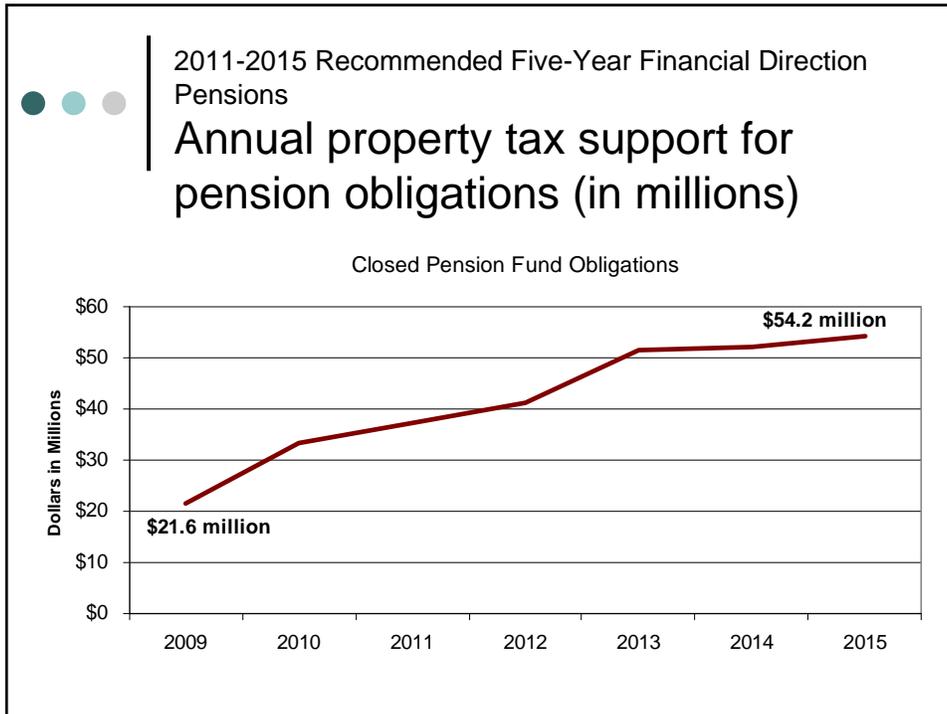
General Fund Support



2011-2015 Recommended Five-Year Financial Direction

Other future pressures

- Sales taxes
- LGA uncertainty
- City and Park Board: Capital pressures
- Pension obligations increase
- MERF merger into PERA



- 2011-2015 Recommended Five-Year Financial Direction
- ### Summary – Key Factors to Consider
- Cost Pressures
 - Pension obligations
 - Health care costs
 - Declining internal service fund support
 - Department reductions
 - Revenue Drivers
 - Taxpayer impact
 - TIF decertification
 - LGA uncertainty

Meetings on budget topics

September to October	Department presentations to Ways & Means/Budget Committee
October 23 rd	Pensions (9:30am) Capital Budget (11:30am)
November 19 th	Public Comment on Levy and Budget (6:05pm)
December 2 nd - 3 rd	Ways & Means/Budget Committee Budget Mark-up
December 7 th	Public Comment/Budget Adoption (6:05 pm)

Questions?

