December 2010

Eighth Ward News

"Bancroft, Bryant, Central, Field-Regina-Northrop, Kingfield, Powderhorn"

From Councilmember Elizabeth Glidden

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elizabeth.glidden@ci.minneapolis.mn.us

Dear Neighbors:

On Wednesday, the City Council's Budget Committee amended the Mayor's proposed 2011 budget. The full Council will vote on the 2011 budget on December 13, after a public hearing beginning at 6:05 pm in City Hall, 3rd Floor council chambers.

Property tax relief for this year and the future has been our primary goal. The 2011 property tax bills have been outrageous and I am gravely concerned how property taxes will impact our residents, particularly those unemployed and on fixed incomes. Painful increases are also foreseen for 2012 and 2013.

This year has seen a "perfect storm" of factors resulting in property tax increases. The City's portion of your property tax bill is 34%, with the County, Schools, and other taxes making up the rest. Factors impacting your property tax bill include years of reduced aid from the State (local government aid), payments Minneapolis must make on pension funds, recertification of the TIF districts to capture commercial property tax dollars for neighborhood purposes and Target Center debt relief, and changing valuation of commercial property (because commercial property is in a big slump, residential properties end up paying more). You can read more about these issues at **www.ci.minneapolis.mn.us/city-budget/truth-in-taxation.asp** .

This past Wednesday, the budget committee voted to reduce the property tax levy from 7.5% to 4.7%. Skyrocketing pension obligations and $54 million dollars in cuts passed onto the City by the State in the past three years cause huge levy pressures. As well, leaders of the new Republican majority at the State Legislature have been clear that they intend to significantly reduce or eliminate local government aid to Cities. If these cuts come mid-year 2011 as expected, they will require additional major reductions to city services like public safety and road repair.

The budget committee also voted to seek additional property tax relief for 2012 and 2013. This proposal would spend uncontracted funding for neighborhoods before raising property taxes for new neighborhood funding through Tax Increment Financing (TIF) districts. The proposal would freeze 50% of Phase II funding for some neighborhoods to provide property tax relief in 2012 and 2013 by reducing the funding tied up in TIF districts. Because we are uncertain if legislative approval can be achieved, the Council directed finance staff to look for additional options for property tax relief in 2012 and 2013. Neighborhoods will continue to receive community participation dollars in 2011 through 2016.

While these cuts are difficult, and negatively impact services that we value in Minneapolis, I feel it is my responsibility to look at every option for property tax relief. Our failing economy, State deficit of 6.2 billion, and other factors force these hard choices and more to come in the future. As always, please contact me with your thoughts and concerns at (612) 673-2208 or **elizabeth.glidden@ci.minneapolis.mn.us**.

Elizabeth

Bancroft

Bancroft Neighborhood Assoc Council
www.bancroftneighborhood.org
Meets 2nd Thursday, 7 pm
4120 17th Avenue South

Bryant

Bryant Neighborhood Association
Meets 1st Tuesday, 7 pm
Phelps Park, 3900 Chicago

Central

CANDO
www.CANDOmpls.org
Meets 3rd Thursday, 6:15 pm
Sabathani Community Center
310 East 38th Street, Room 304

Field-Regina-Northrop

www.frnng.org
Meets 3rd Wednesday, 6:30 pm
1620 E 46th Street

Kingfield

www.kingfield.org
Meets 2nd Wednesday, 7 pm
ML King Park, 40th & Nicollet

Powderhorn

www.ppna.org
Meets 2nd Thursday, 6:30 pm
821 E 35th Street

38th & Chicago

38th & Chicago Implementation Committee
Meets 3rd Monday, 7 pm
Pillsbury House 3501 Chicago Ave S

Minneapolis Budget Details

Minneapolis has shrunk the size of government. This year's proposed budget is $1.36 billion. In 2009, the budget was $1.406 billion. Over the last 10 years, City spending has declined in constant dollars: after adjusting for inflation, the City's proposed budget for 2011 is 7% smaller than the City's budget in 2001. The City will have fewer full-time employees in 2011 than at any point in the last 10 years.

Minneapolis' Pensions

Minneapolis has unique challenges in that we are required by state law to fund skyrocketing pension costs. We don't manage the City's Closed Pension Funds. Under State Law, the pension funds are managed by their own boards. That's why the City had to go to court to defend our taxpayers from being overcharged. The judge has sided with the City and its taxpayers. That's how we were able to decrease taxes by $10 Million last year.

The Court has ruled that our taxpayers were overcharged over many years by these pension funds – by millions of dollars. We need the help of the State Legislature to reform the broken pension system and stop these unreasonable burdens on Minneapolis taxpayers. Please ask State lawmakers for pension reforms which balance the needs of both retirees and taxpayers.

On Target Center and NRP

Aside from Pensions, more than one-third of the impact on taxpayers in 2011 is recertification of Tax Increment Finance (TIF) districts that pay for debts on the Target Center and the operations of the Neighborhood Revitalization Program (NRP).

After the economic downturn of 2008, the Mayor and Council cut the funding for Target Debts and NRP in half. The new NRP is significantly smaller than the previous program. While some have proposed selling Target Center, this was not a realistic proposal even before the economic downturn. There is no private sector buyer. The actions we have taken to make the Target Center more competitive (and less subsidized) constitute the most responsible approach we could to take to the building we inherited.

On Local Government Aid (LGA)

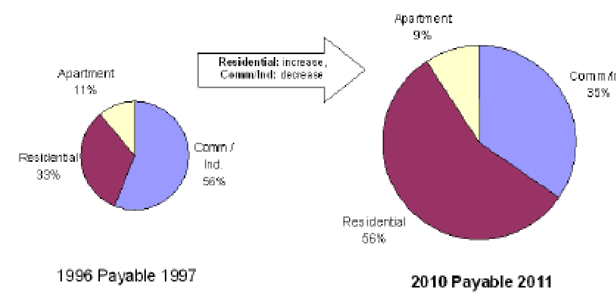
Beginning in 2003, the State of Minnesota has made drastic cuts Minneapolis' Local Government Aid, and the City's LGA has been cut by $54 million over the last three years (2008 – 2010) alone. Minneapolis is a net contributor to the State of Minnesota, not a net recipient. We send more money to the State in sales, income and property taxes than it gets back in return.

LGA is meant to be a revenue sharing program which ensures that all communities in Minnesota have quality basic services, including net recipient communities outside the metro area. I support that system. But in recent years, the State has chosen to keep collecting greater revenues from cities while simultaneously cutting LGA. In effect, the State has balanced its budget on the backs of local governments. Adjusted for inflation, State spending was up 29% from 2001 – 2010, while City spending in Minneapolis was down by 12%.

At this point our citizens would be better off if LGA didn't even exist – as long as Minneapolis could keep all the revenue it produces. The people in Minneapolis should never be made to feel that by expecting the State to fulfill its promises, they are expecting too much.

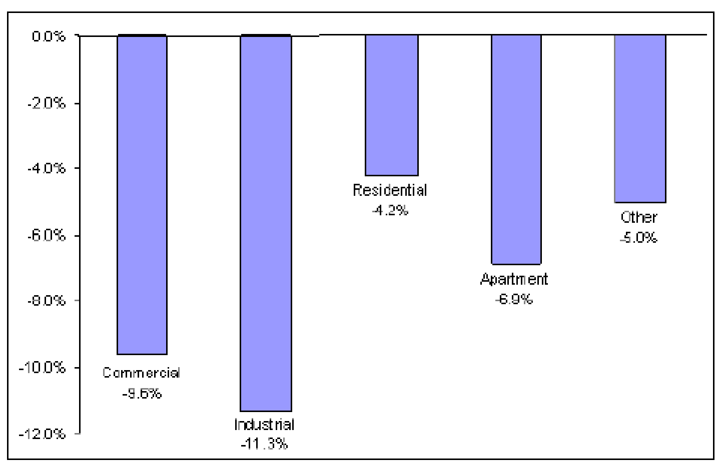
On Shifting Property Valuations

State law changes over the last decade have shifted the burden of property taxes from commercial and industrial properties onto residential properties (meaning residential property owners are now forced to pay a larger proportion of the overall property tax "pie"). This shift has caused residential



property taxes to climb at a greater rate than taxes for other property types in the City.

It is also important to note that in the most recent year for which your property taxes will be based on, property values in all other categories fell faster than residential values, so the shift of the tax burden into residential homes continues this year.



Ward 8 Update, Councilmember Elizabeth Glidden
350 South 5th Street, Minneapolis 55415, (612) 673-2208; elizabeth.glidden@ci.minneapolis.mn.us