

**City of Minneapolis
FY 2007 Budget**

Financial Overview

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City of Minneapolis FY 2007 Adopted Budget

Financial Overview Prepared by the City of Minneapolis Finance Department

The 2007 Adopted Budget for all City funds remains at \$1.24 billion with a slight 0.4% increase in spending from the 2006 Adopted Budget.

When including transfer expense between City funds, the total Adopted Budget is \$1.34 billion. This represents a decrease of \$3.9 million or 0.29%.

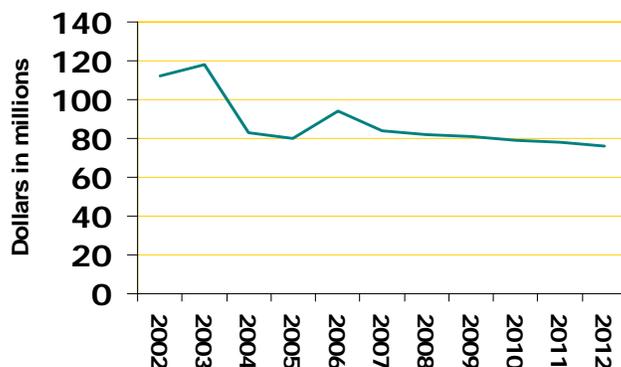
Major Highlights

The 2007 Adopted Budget builds on many of the significant organizational and financial changes that have occurred in recent years. It is important to be aware of these major changes when making comparisons between budget years.

The major changes include:

- **The Adopted Budget maintains the financial discipline of the 8 percent property tax levy and the 2 percent limit on wage growth for all unsettled labor contracts.** This sets the parameters for the level of spending for all departments in the five-year financial direction. Ongoing budget pressures make this continued financial discipline critically important.
- **The Adopted Budget reflects a decrease in Local Government Aid.** The City of Minneapolis LGA total for 2007 is \$83.98 million, a \$10 million decrease from the prior year. Of the \$10 million decrease, \$8.1 was one time funding for 2006, and \$1.9 million resulted from a change in the formula to calculate a City's share of LGA. The Adopted Budget includes a reduction of \$400,000 in Local Government Aid over the level planned in the five-year financial direction. The City's portion is reduced by \$300,000 in 2007.

Citywide LGA 2002-2012



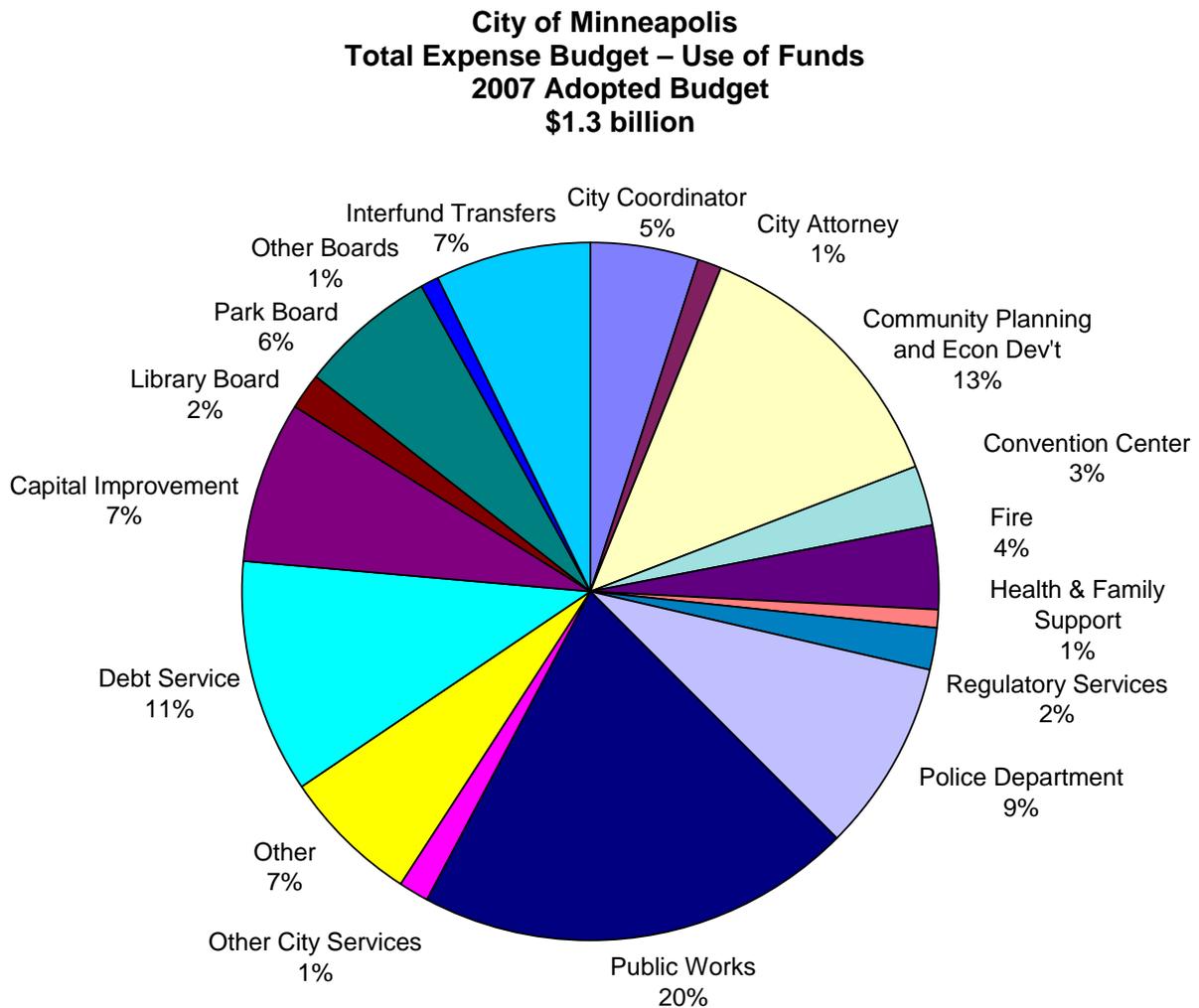
- **The Adopted Budget prioritizes pay down of pension debt.** As a result of reducing and paying down pension debt, an additional \$7.6 million in property tax revenue is

available in the General Fund. Further, the Adopted Budget commits \$3 million in one-time resources to reduce the need for issuance of property-tax supported pension debt.

- **The Adopted Budget plan from 2008 to 2012 contains updates to department resources.** The Adopted Budget's five-year financial plan maintains structural balance in all five years. Estimated changes related to revenue loss from the decertification of TIF districts is now included in 2011 and beyond.

City Spending

Below is a summary of the 2007 Adopted Budget by major spending categories, which includes transfers between funds and the independent boards.



City of Minneapolis Expenditures by Service (in millions of dollars)

	2006	2007
	Adopted	Adopted
	Budget	Budget
City Coordinator (excluding Regulatory Services) ¹	\$ 68.1	\$ 67.8
Attorney	12.6	12.9
Community Planning and Economic Development	180.8	176.2
Convention Center	35.9	35.5
Fire	50.5	52.1
Health and Family Support	12.9	13.6
Regulatory Services	25.4	25.7
Police	115.5	119.7
PW - Field Services	29.2	31.7
PW - Sewer, Stormwater, Flood Mitigation	43.9	45.5
PW - Solid Waste and Recycling	27.8	28.6
PW - Transportation	53.4	55.2
PW - Water Treatment and Distribution	43.3	42.1
PW - Other (includes Internal Services)	71.0	69.8
Public Works Subtotal	\$ 268.6	\$ 273.0
Other City Services ²	14.1	15.2
Other ³	70.3	87.9
Debt Service (including Enterprise Funds) ⁴	150.0	144.2
Capital Improvement (including Enterprise Fund Capital)	114.9	99.6
Subtotal	\$ 1,119.5	\$ 1,123.3
Independent Boards:		
Library Board	22.0	23.7
Park Board	83.8	84.6
Youth Coordinating Board	2.5	2.0
Other Boards ⁵	10.1	9.8
Subtotal	\$ 118.5	\$ 120.1
Total Expenditures (without Transfers)	\$ 1,238.0	\$ 1,243.4
Transfers to other funds	106.7	97.7
Total Expenditures with Transfers	\$ 1,344.7	\$ 1,341.0

Note: See “City Council Operating Departments” and “Independent Boards and Agencies” sections in the budget document for further explanation of changes between years.

¹ Includes Human Resources, Finance, 911/311, Intergovernmental Relations, Communications, and BIS.

² Includes Assessor, City Clerk/Elections/Council, Civil Rights and Mayor.

³ Includes Nondepartmental, Health and Welfare, Workers’ Compensation, Liability, Contingency and pensions.

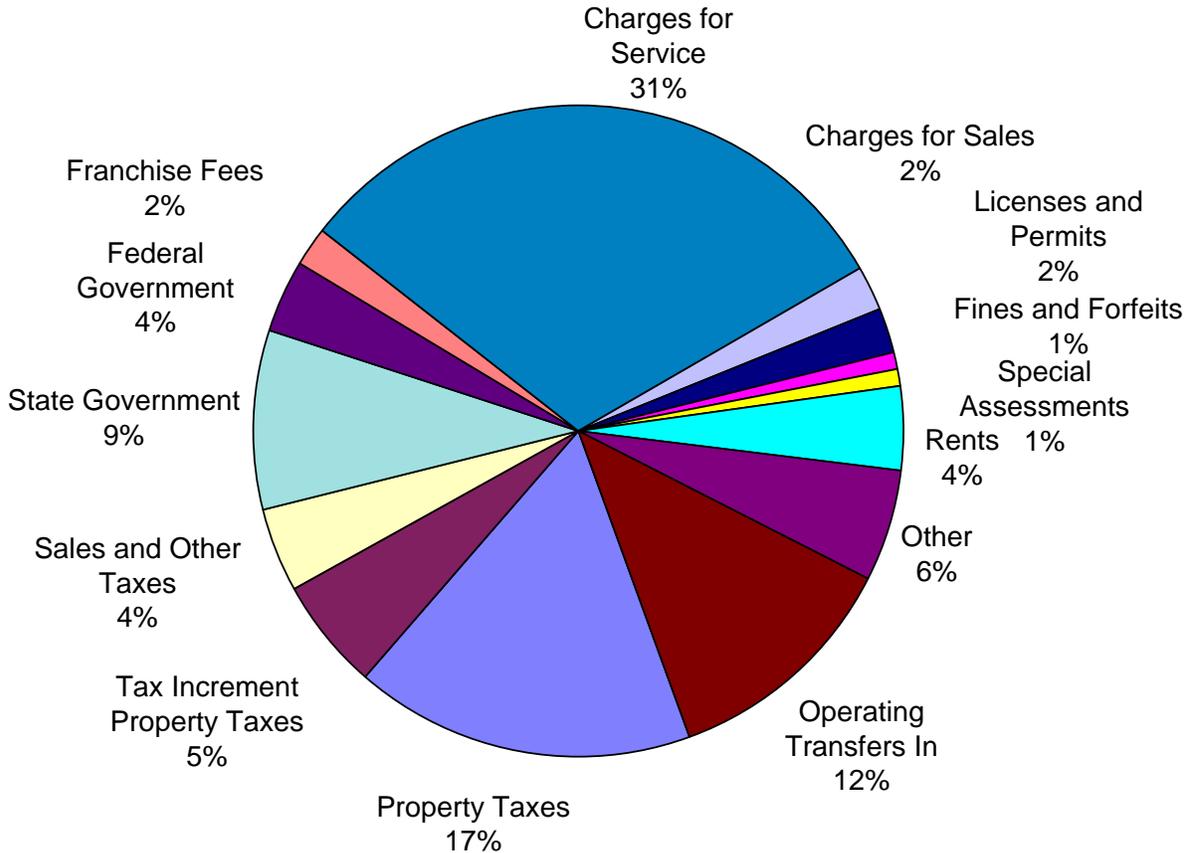
⁴ Does not include debt service paid directly from proprietary funds or by independent boards.

⁵ Includes Neighborhood Revitalization Program, Board of Estimate and Taxation, and Municipal Building Commission.

City Sources of Revenue

Below is a summary of the 2007 Adopted Budget revenues by major category.

City of Minneapolis Total City Revenue Budget – Source of Funds 2007 Adopted Budget \$1.4 billion



In 2007, the City of Minneapolis projects \$1.4 billion in revenue from a variety of sources. It is important to note that many of the City's revenue sources are restricted, meaning they are required to be spent in defined areas or on specific programs or projects. This limits the City's ability to apply the revenue to other departments or programs. The City charges fees for services such as water, sewer and garbage pickup, but State law requires that these fees be no higher than the cost of providing those services. For example, the City cannot raise water bills to pay for Citywide police services.

Grants and transfers from the Federal Government and other units of government are also usually designated for specific needs and purposes. If the City does not spend such grants for their designated purpose, the City will not receive the grants. Some cities increase their revenues through assessments, which are also tied to specific purposes like street or sidewalk maintenance. Bond proceeds must go to purposes for which the debt was incurred. Sales tax revenue is dedicated to the Convention Center by State law. Like many Minnesota cities, Minneapolis pays for other City services (police, fire streets, parks, libraries, etc.) with property taxes and LGA.

City of Minneapolis Revenue by Major Category (in millions of dollars)

	2006 Adopted Budget	2007 Adopted Budget
Property Taxes ¹	\$ 210.9	\$ 228.3
Tax Increment Property Taxes	67.9	72.3
Sales and Other Taxes	55.2	56.7
State Government	142.3	118.0
Local Government	5.9	9.1
Federal Government	46.4	48.3
Franchise Fees	22.3	27.1
Charges for Service	391.6	417.0
Charges for Sales	19.0	31.8
Licenses and Permits	25.9	27.0
Fines and Forfeits	11.3	11.3
Special Assessments	20.8	13.3
Interest Income	2.9	1.3
Rents	53.4	54.4
Other ²	108.9	75.3
Subtotal	\$ 1,184.6	\$ 1,191.1
Transfers from Other Funds	147.6	159.2
Total Revenues³	\$ 1,332.2	\$ 1,350.4

Franchise fees are paid by various utility companies for their use of City rights-of-way. Franchise fees are a percentage of total utility revenues. Therefore, the City's collections vary directly with the paying utility's gross revenues.

There are four franchise agreements which provide revenue for the City:

The franchise agreement with Xcel Energy for electricity requires payment of 5% of gross revenues for residential service customers, 3% of gross revenues for commercial/industrial customers, and 5% of gross revenues on small commercial/industrial customers. This franchise agreement expires on December 31, 2014. For 2007, the City is anticipating \$13.5 million in revenues from this agreement. Xcel does not provide natural gas services in Minneapolis.

The franchise agreement with CenterPoint Energy requires payment of 4.25% of gross revenues for residential buildings with four units or less, 5% for small commercial/ industrial/firm or interruptible customers, and 3% for large volume interruptible customers. This franchise agreement expires on December 31, 2015. For 2007, the City is anticipating \$11 million in revenues from this franchise agreement.

The City also has two smaller franchises. The bus stop advertising franchise generates approximately \$110,000 in revenues. The City's cable franchise is anticipated to generate \$2.5 million from cable television service in 2007.

The 2007 Adopted Budget anticipates the total franchise fee revenue to reach \$27.1 million, \$4.8 million higher than the 2006 Adopted Budget. This is a return to 2005 levels.

¹ Property taxes are budgeted at 98 percent of the gross levy to reflect anticipated delinquencies.

² Other includes gains, contributions, other miscellaneous revenues, and proceeds from long-term liabilities.

³ Total expenditures do not equal total revenue, which represents the annual budgeted change in fund balance. The change in fund balance is mostly due to timing of capital projects and bond issuance.

Budget by Fund

The City uses different “funds” to account for expense and revenue associated with the various services provided. The **General Fund**, where the City accounts for most property tax supported services, represents 25 percent of the 2007 Adopted Budget, as compared to 24 percent in 2006.

The **Enterprise Funds** include services that the City provides that operate more like a “business” in that they are expected to generate a profit to cover capital purchases and related debt service requirements. Enterprise services of the City include sanitary sewer services, stormwater management, flood mitigation, water treatment and distribution, solid waste and recycling, and parking.

Internal Services Funds are similar to Enterprise Funds in that they are used to account for business-like services that the City provides. However, Internal Service Funds’ primary customer is other City departments. Internal services include such services as information technology, equipment rental (e.g. police squad cars and fire equipment), facility fees and workers compensation insurance.

Other Funds includes Special Revenue Funds where the proceeds of specific revenue sources are restricted to expenditures for specific purposes. Services accounted for in the Other Funds include such services and operations as the Minneapolis Convention Center and other grant funded services.

The **Independent Boards** include the Board of Estimate and Taxation, Library, Park, Minneapolis Public Housing Authority, Neighborhood Revitalization Program, Municipal Building Commission, and Youth Coordinating Board.

City of Minneapolis Budget by Fund (in millions of dollars)

	2006 Adopted Budget	2007 Adopted Budget	2007 as % of Total
Expenditures:			
General Fund	\$ 318.5	\$ 327.9	24.5%
Enterprise Fund	\$ 280.0	\$ 285.3	21.3%
Internal Service Fund	\$ 174.4	\$ 194.3	14.5%
Special Revenue Fund	\$ 183.0	\$ 164.2	12.2%
Capital Projects Fund	\$ 152.4	\$ 132.2	9.9%
Debt Service Fund	\$ 118.0	\$ 117.0	8.7%
Independent Board Funds	\$ 118.5	\$ 120.1	9.0%
	\$ 1,344.7	\$ 1,341.0	100.0%
Revenues:			
General Fund - City	\$ 318.5	\$ 327.9	24.3%
Enterprise Fund	\$ 277.6	\$ 282.7	20.9%
Internal Service Fund	\$ 173.1	\$ 204.5	15.1%
Special Revenue Fund	\$ 192.1	\$ 171.4	12.7%
Capital Projects Fund	\$ 140.7	\$ 126.2	9.3%
Debt Service Fund	\$ 112.4	\$ 120.0	8.9%
Independent Board Funds	\$ 117.9	\$ 117.7	8.7%
	\$ 1,332.2	\$ 1,350.4	100.0%

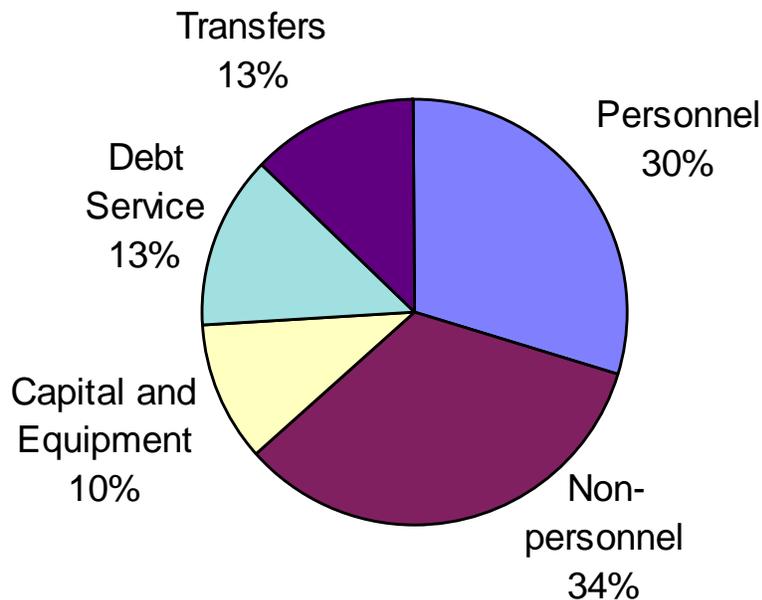
Spending by Major Categories

A significant amount of the City's budget is spent on personnel, almost \$400 million or 30 percent of the total budget. The 2007 Adopted Budget includes an overall increase of almost 19 budgeted full-time equivalent positions; this represents less than a 1 percent increase in positions.

**City of Minneapolis Budget by Major Expense Category
(in millions of dollars)**

	2006 Adopted Budget	2007 Adopted Budget
Full-Time Equivalent Positions	5,635	5,653
Expenditures:		
Personnel	\$ 397.6	\$ 399.1
Non-personnel	414.6	451.2
Capital and Equipment	168.2	140.5
Debt Service	189.3	180.4
Transfers	175.0	169.8
Total Expenditures	\$ 1,344.7	\$ 1,341.0

**City of Minneapolis
Total City Budget – Expenditures by Category
2007 Adopted Budget
\$1.3 billion**



Major Budget Pressures:

➤ **Growth in personnel costs**

Salary and Wages. The 2007 Adopted Budget includes a slight increase in total personnel expenditures from \$398 million to \$399 million; this represents less than a 1 percent increase from the 2006 Adopted Budget. For City positions, not including the independent boards, growth in salary and wages are budgeted at 2 percent for bargaining units without settled labor contracts.

Benefits. Health and dental insurance expenditures are budgeted to increase from \$43.7 million to \$47.1 million, a 7.8% increase. This estimate is based on experiences related to current plan design and competitive procurement processes.

➤ **Funding for Internal Services Funds workout plans**

During the 1990's, due to other external demands, the revenue to support these internal services did not keep pace with the growth in expenditures. Significant negative cash balances resulted because of annual expenses exceeding revenues. At year-end 2005, the City's Internal Services Funds had combined negative net assets of \$22 million, as compared to a negative \$29 million in 2004. While the balance is still negative, the position of the funds is showing marked improvement over the 2000 net asset deficit of \$54 million. Additionally, in 2005, the three Internal Service Funds that have adopted workout plans (Equipment, Intergovernmental Services & Self-Insurance) all had positive cash balances at year-end, most of them ahead of schedule.

Status of Workout Plans (in millions)

	Adopted	Original Cash Deficit	Goal	Target Date	Year-End Status
Self-Insurance	2003	(8.1)	0.0	2007	1.8
Equipment*	2001	(16.6)	0.0	2006	1.2
BIS	2000	(12.9)	0.0	2010	0.3
Internal Service Fund Total		(37.6)	0.0		3.3
Parking Fund**	2004	(8.6)	10.0	2010	(13.5)

*Status excludes bond cash.

**Parking fund deficit had been projected to grow to \$69.2M by 2010

The 2007 Adopted Budget includes an additional \$2.2 million in funding for internal City services: self insurance, equipment services and information technology services (e.g. workers compensation, general liability, squad cars, fire trucks and computers). The adopted financial workout plans for the Internal Services Funds will result in continued planned improvements in net assets and cash balances for these funds over the next few years. The 2007 Adopted Budget will meet the financial goals of the three adopted plans.

➤ **Parking Fund Financial Plan**

The 2007 Adopted Budget reduces the transfer from the City's Municipal Parking Fund to the General Fund by \$1 million. This decrease is in line with the adopted Parking Fund financial plan, which was developed to address the cash deficits in the fund.

Funding for Physical Infrastructure

Five-Year Capital Program Totals: For 2007 – 2011, the five-year capital program for City departments, independent boards and commissions totals \$474.7 million including all funding sources. The 2007 portion of this program is \$84.4 million.

Property Tax Supported – Public Works: The 2007 Adopted Budget includes \$8.7 million in property tax supported (net debt bond) funding for Public Works capital. Below is a summary of the 2007 -2011 funding for the Public Works infrastructure program, including Park related improvements mentioned below.

Property Tax Supported Capital for Public Works (in millions)

	2007	2008	2009	2010	2011
Net Debt Bond funding	\$8.7	\$7.9	\$9.8	\$11.4	\$13.2

Property Tax Supported - Park Board: The 2007 Budget includes \$1.6 million in property tax supported funding for Park Board capital projects and \$1.1 million in the Public Work’s capital budget for Parkway Paving Improvements and Parkway Street Lighting Improvements. Below is a summary of the 2007 – 2011 property tax supported funding for Park Board capital. The amounts include a Park Board capital levy, which grew by \$215,000 each year since 2003 to \$1.5 million in 2009 and future years.

Property Tax Supported Capital for Park Board (in millions)	2007	2008	2009	2010	2011
Parkway Street Lighting – Public Works	\$0.4	\$0.3	\$0.1	\$0.2	\$0.3
Parkway Paving – Public Works	0.7	0.5	0.5	0.9	0.9
Park Board Capital Requests	1.6	1.6	1.6	1.6	1.5
Total Park Board Improvements	\$2.7	\$2.4	\$2.2	\$2.7	\$2.7

Utility Fee Supported Capital: The 2007– 2011 budget includes funding for additional water and sewer related infrastructure expenditures. The rate of capital spending on Water and Sewer capital improvements is being managed to allow for the same planned increases for water but higher stormwater and sanitary sewer rates than had previously been planned due to increased capital expenditures in response to Metropolitan Council demands for less “clean” water in the Sanitary System. The water and sewer five-year utility rate schedule approved as part of this budget reflects this planned investment.

Relationship between the Capital and Operating Budgets: As part of each capital budget request, departments and independent boards are required to identify whether the capital request will result in an increase or decrease in operating costs. As part of the 2007-2011 capital submittals, operating costs were given a high priority by the CLIC ranking process.

Funding for Pension Liabilities

Minneapolis Employee’s Retirement Fund (MERF), a closed fund:

The City began issuing general obligation pension bonds in December of 2002 to cover costs of MERF retirements; additional bonds were issued in 2003. The 2007 Adopted Budget

includes funds necessary for the debt service on these bonds. The 2006 legislative session did not adopt legislation (the MERF Liquidity Trigger) that would provide relief from pre-payment requirements to this fund. The 2007 obligation to MERF is anticipated to be approximately \$33.5 million. This will be financed through the property tax levy (\$2.4 million), the use of cash (\$7.1 million), and the issuance of bonds (\$24.0 million).

Minneapolis Police Relief Association (MPRA), a closed fund:

Legislation passed during the 2005 legislative session extended the amount of time the City has to fully fund this plan's liabilities by ten years. The result was a lower upfront annual City contribution that increases over time and extends for a longer period. The City's contribution to MPRA for 2007 is a tax levy of \$3.6 million. An additional \$2.7 million will be required for debt service on the \$53 million of MPRA bonds that were issued in 2002-04 that would otherwise have fallen on the levy. The City's 2007 overall contribution related to MPRA for the levy and debt service is \$6.3 million.

Minneapolis Fire Relief Association (MFRA), a closed fund:

In 2005, the City resumed contributions to the MFRA. Another of the City's closed pension funds, the MFRA was previously 100 percent funded, which meant that the City did not need to make annual contributions. The stock market downturn in 2001-2003 resulted in investment performance that reduced the funding level for the MFRA. The adoption of a new mortality table resulted in an increase in the unfunded liability and the City's annual contribution obligation. The City's 2007 contribution to MFRA is provided by a tax levy of \$3.1 million.

Teacher's Retirement Association (TRA):

The 2006 Legislative session combined the Minneapolis Teachers Retirement Fund Association (MTRA) with the State's Teachers Retirement Association. As part of the legislation the City was required to redirect its annual MTRA \$2.25 million tax levy to TRA.

Public Employees Retirement Association (PERA):

The 2005 Legislative session increased annually the employee's and employer's contribution levels starting January 1, 2006. For 2007 the employer's level in the coordinated plan moved from 6.00% to 6.25%. The police and fire plans' employer's level moved from 10.5% to 11.7%. The estimated incremental cost to the City in 2007 is \$1.9 million which is covered in the budgets of the departments where the employees work.

Funding for debt obligations for voter-approved Library Referendum Central Library and Community Libraries

Starting in 2003, the market value based property tax levy to pay the debt service associated the referendum approved \$140 million of debt has been levied. As the debt issuance has taken place the levy amount has increased. For 2007, the levy amount will be \$ 9.3 million. This is a \$ 1.2 million increase from 2006 level of \$8.1 million.

Enterprise Challenges

In the course of the City's annual business and strategic planning process, City departments review and document the most significant trends and challenges affecting their work. While some of these issues are very specific to department business, several enterprise-wide themes emerge. A digest of enterprise challenges follows:

Demographic Changes

Diversity of City residents (minority and immigrant populations) is growing faster than any other city in Minnesota. Minority populations make up 29 percent of adults aged 18-64 years. Foreign-born residents have increased 2.5 times since 1990, posing language barrier challenges for all departments that touch the public directly. Nearly all departments note a need for improved focus on providing service to limited-English proficient residents. Minneapolis' over-age-65 population is also increasing. An increase in our older population may pose additional health and accessibility challenges in the future.

Technological Complexity and Increased Demand for Technological Solutions

Departments note an increased technological savvy of customers, and as a result, increased demand of technological approaches to customer service. In order to provide competitive service to customers, technological needs have become more complex and demanding. This translates into additional costs for new equipment and in particular, increased maintenance costs. Examples include the new Computer-Aided Dispatch system, which could require significant maintenance costs (18-20% of software license costs). Also, assistive voting technology enhancements will likely need to be maintained by the City, the full financial impact of which is not yet known. Other examples include increased use of cameras in law enforcement, and a drive toward enterprise-wide technologies for use in business process re-engineering.

Regulatory Complexity / Unfunded Mandates

Departments have noted increased complexity of protocols and regulations at many levels. Civil Rights notes increased complexity of investigation protocols. Regulatory Services cites state codes, protocols, and building standards that are placing additional strains on the workload of inspectors. The City Clerk notes additional election requirements as a result of the 2002 Federal Help America Vote Act. Additionally, public safety departments face legislative-directed or nationally developed standards, training, or operating procedures. Departments indicate a need for increased and improved employee training, possibly placing short-term strain on productivity, to address these complexities.

Reliance on Tenuous Inter-Governmental Funding

Reliance on tenuous funding from state and federal entities for some important City programs complicates the management and planning for these programs, and for the outcomes they hope to achieve. Federal support for Community Development Block Grant and Empowerment Zone funding was threatened this past year, placing programs that rely on this funding in jeopardy. Local Law Enforcement Block Grant funding, used in part to fund positions in the City Attorney's office, is unpredictable. Local Government Aid from the state has been unpredictable with statewide reductions and year-to-year fluctuations. The uncertainty that surrounds these funds drains time and energy of City managers from administering programs to the best outcomes possible.

Health programs have also faced state and federal cuts recently. Medicare eligibility cuts, State of Minnesota public health care cuts, and reduced funding in early childhood and youth development affects the ability of City departments to project the health of residents. Finally, Health and Family Services has noted that ideology, not science, have been more strongly influencing funding decisions for health programs.

Homeland Security

Ensuring adequate physical security, health security, electronic security (prevention of viruses, worms, and other system security threats), information backups, and emergency planning

consumes resources of nearly every department. Departments continue to build and strengthen relationships with other governmental entities to maximize the effectiveness of security planning.

City Workforce Trends

Retirement rates are expected to remain at 1 to 2 percent for the next six years, but greatly accelerate after 2011 due to the expected “baby boom” generation reaching retirement age. As employees reach retirement age, the City loses institutional memory and highly skilled personnel.

Other Trends

The downtown real estate market continues to have an oversupply of office space available due to the weak commercial market from 2003-2004. Several departments – including regulatory services, community planning and economic development, public works, assessor and police – will all face increased work load with the construction of the new baseball stadium, beginning in 2007.

Major Changes in the 2007 Adopted Budget

The 2007 Adopted Budget makes the following major changes:

- **Financial Direction Reductions** - The Mayor and Council adopted proposals for reductions from the following departments: Human Resources (\$100,000), Finance (\$200,000), Business Information Services (\$200,000), Community Planning and Economic Development (\$35,000 offset by revenue) and Attorney (\$150,000). The current service level budgets for 911/311 and City Clerk met the financial direction estimate and did not require further reductions. The Mayor and Council did not recommend any reductions from the current service level for Public Works in 2007.
- **911/311** – The Mayor and Council adopted the Department’s strategy to meet the financial direction. The Mayor recommended increasing funding by \$250,000 and 5 positions for 311 to fund and cover weekend operations and \$80,000 in one-time training money for the implementation of the CAD system. The Council deferred \$250,000 on an ongoing basis for 311 weekend hours and reduced position authority in 911/311 by 5 positions.
- **Assessor** – The Mayor and Council added two positions (\$150,000) to improve the response to disputed commercial property values.
- **Attorney** - The Mayor and Council adopted the Department’s proposal to meet the financial direction. The Department’s proposal to use lease savings (\$150,000) is predicated on a move to City Hall in 2010. A \$2,000 increase for the ethical practices board is also included in the Mayor’s recommendation. An attorney position is added to back fill grant funds (\$75,000) in the Criminal Division.
- **BIS** - The Mayor and Council directed the Department to reduce its budget as included in the financial direction (\$200,000). An increase to the telecom rate model is included in the adopted budget (\$410,000) funded by increased charges to other departments. The data center allocation is moved from BIS to the City Clerk, within the intergovernmental services fund.
- **City Clerk** - The Mayor and Council adopted the Department’s strategy to meet the financial direction. Council offices are added to the legal level of appropriation control for Clerk/Elections.

- **City Council** - The Mayor and Council added one position (\$50,000) for the City Council.
- **Civil Rights** - The Mayor and Council recommended no changes to the Civil Rights budget.
- **Coordinator Administration** - An additional position is added for Results Minneapolis efforts (\$75,000). The Mayor and Council adopted one-time funding for the Tree Trust of \$100,000. The Mayor and Council moved the environmental coordinator and one additional position to the Coordinator Administration area (\$180,000) from Regulatory services and added one-time funding for external environmental efforts (\$125,000).
- **Communications** - The adopted budget includes \$700,000 in annual draw downs of the cable franchise settlement over the next five years. This recommendation results in level funding for cable-related items until an increase to Public, Educational and Governmental (PEG) programming fees comes on line in 2012.
- **Community Planning and Economic Development** - Funding for the arts coordinator moves from a direct charge to the capital program to a charge for time spent on projects. The budget for the position moves into the General Fund, along with an assumption of \$80,000 in revenue from capital project charges. This change allows the Department to allocate time of arts staff to activities in a more flexible manner.

The Mayor and Council adopted the Department's proposal to meet the financial direction with an increase to revenue of \$35,000. A portion (\$150,000) of the Department's budget is moved from the community development block grant fund to the General Fund.

- **Finance** - The Mayor and Council adopted the Department's proposal to meet the financial direction (\$200,000) by reducing financial operations activities.
- **Fire** – Two positions and \$200,000 in support is allocated to the Department by the Mayor and Council to ensure the implementation of the Standard of Coverage. The adopted budget allows the department's budget to grow by an additional \$90,000 to fund fuel cost increases.
- **Health and Family Support** - Additional one-time funding for domestic violence efforts is adopted (\$50,000). The Mayor and Council also add \$125,000 in one-time funding for Youth Violence Prevention efforts. The Mayor and Council approved \$80,000 in one-time funding for the safe routes to school initiative, with the Department coordinating its efforts with Public Works.
- **Human Resources** - The Mayor and Council adopted the Department's proposal to reduce non-personnel spending by \$100,000 to meet the financial direction.
- **Intergovernmental Relations** – One-time funding for homelessness outreach is included in the Department's budget (\$100,000).
- **Library** – The Council directed the Finance Officer to use the Library Board repayment of the City's share of the planetarium loan of \$850,000 to reduce or avoid future property tax supported debt or other use at the discretion of the Library Board.

The Council provided additional \$1.2 million one-time funding to the Library Board.

- \$850,000 from declining the repayment of the loan the City made for structural enhancements to the central library to allow for a future planetarium;

- \$355,000 from reductions in general fund services.

The use of these funds is at the discretion of the Library Board pending the following outcomes:

1) The Minneapolis Public Library Board or its designee shall report a capital and operating budget plan and priorities to the Ways and Means Committee as follows:

Given the Library Board's financial resources, determined in part by the budget passed by the City Council on December 11, 2006, report by January 30, 2007, how many of the system's fifteen libraries can be open at the standard of five days a week, eight hours a day.

- If fewer than fifteen, report which libraries can meet that standard.
- Direct the Minneapolis City Coordinator, in conjunction with the Executive Director of the Minneapolis Public Library, to create a timeline of important deadlines in the decision making process for the continued operation of the Minneapolis Public Library system; including but not limited to the discussions with:
 - Hennepin County
 - The Minnesota Legislature
 - The Library Board Advisory Committee
 - The Capital Long-Range Improvement Committee
 - The Minneapolis Library Board
 - The Minneapolis City Council, and
 - Any other decision making body with input on this issue.
- The Minneapolis City Coordinator and the Executive Director of the Minneapolis Library Board shall report back to the Ways and Means/Budget Committee of the Minneapolis City Council before the end of January 2007.

Within two weeks of the closing of the 2007 State of Minnesota legislative session, report the impact of any policy or fiscal decisions made by the state legislature on the short- and long-term functioning of the Minneapolis Public Library system. This should include a reassessment, if applicable, of the capacity to keep libraries open at five days a week for eight hours a day.

Request that the Library Board of Trustees report to the Ways & Means/Budget and Intergovernmental Relations Committees of the City Council with a strategic plan for the future of the Minneapolis Libraries within two months following the later of:

- Issuance of recommendations by the Library Advisory Committee;
- Issuance of recommendations by the City/County Task Force; or
- The end of the 2007 Minnesota Legislative Session (85th Legislature);

Request that the Library Board of Trustees incorporate a community engagement process, including community meetings, in 2007 for its strategic plan and related decisions.

2) And further Direct that the CPED Department assign staff experienced in public building use, mixed-use development, and business development to work with the Library Board of

Trustees and Library staff as they develop a strategic plan and explore creative options for a sustainable library system and report back to the Community Development Committee by May 1, 2007.

- 3) City Finance staff, in conjunction with work already underway in the City Attorney's office, are directed to examine the financial impact of making the Library Board a City department.

That report should be transmitted to the Ways & Means/Budget Committee, the Intergovernmental Relations Committee, the Library Advisory Committee, and the Minneapolis Library Board by March 1, 2007.

- **Mayor** - An additional position (\$50,000) is added to the Mayor's budget.
- **MBC** - The Mayor recommended funding of the Commission's Meet and Greet program (\$70,000). The Council did not approve this measure.
- **Police** – The Mayor and Council add 43 police officers to the Department's budget (\$3.4 million). This increases the Department's staffing level to the same level of police officers as in 2002. The Adopted Budget allows the Department's budget to grow by an additional \$225,000 to fund fuel cost increases. One-time funding for the Department's technology road map (\$1 million) is included in the adopted capital budget for the department.

The Department is directed to hire a Police Department Finance Officer responsible for all financial and administrative operations for the Department. The position will provide direction and management of the Department's support services, including budget development; financial management, accounting, and reporting; human resources; information systems; technology planning; business planning; management analysis; and other operating activities.

- **Public Works - Field Services** - The Mayor and Council adopted an additional \$100,000 to fund energy cost increases.
- **Public Works – Water** - The Mayor and Council adopted an ongoing reduction of expenses to Public Works-Water in the amount of \$3 million to take advantage of technology investments and to restore the financial health of the fund. The Mayor and Council also directed \$200,000 of existing resources for a marketing effort, with the assistance of the Communications Department.
- **Public Works – Stormwater** - The adopted budget includes \$1.4 million in ongoing operating expense reductions in the stormwater fund, which brings expenditures in line with historical levels and stabilizes the financial outlook for the fund.
- **Regulatory Services** - The adopted budget moves the environmental coordinator and one additional position to the Coordinator Administration area (\$180,000). The Mayor and Council add \$530,000 to fund boarded and vacant building efforts on an ongoing basis. The Adopted Budget accepts all of the Department's revenue proposals (\$719,000). Eight positions are added to the Department – 4 for one stop/development review services and 4 for business licensing (\$500,000).

Regulatory Services is directed not to spend the budgeted \$370,000 or fill positions related to the business licensing initiative until the false alarm ordinance has been

approved by the Council.

Regulatory Services is directed to allocate \$300,000 of one-time resources within its 2007 appropriation for nuisance abatement activities in addition to the Mayor's Recommended funding. Further, this action increases the CDBG allocation to Regulatory Services by \$300,000 for nuisance abatement on eligible properties and decrease the CDBG allocation to CPED for Problem Properties by \$300,000.

City-wide Staff Directions for 2007

In addition to the changes to the budget, the Council adopted several specific staff directions for all departments to address during 2007:

- **Take home used of City vehicles:** The Council directed that departments having City-owned vehicles to report back to their respective home committees by January 31, 2007, on the number of cars authorized to be taken home by employees, actual use, and the policies associated with their use.
- **Amendment to existing financial policy on pre-payment of technology projects:** Departments are directed to clearly identify within existing resources the funds that would be used to finance the ongoing costs related to the purchase or development of technology prior to the expenditure of funds for the purchase or development of that technology. The sponsoring department should prepare a Receive and File notice for consideration by the respective home committee and the Ways and Means/Budget Committee when the annual operating and maintenance cost of any technology project exceeds \$50,000. This notice should be submitted as soon after the sponsoring department has identified the ongoing costs and funding sources. BIS and Finance should work with departments to ensure those costs are identified and included in the contract for technology services.
- **Analysis of contractual service expenditures:** Departments are directed to include in their status updates in their budget presentation an outline of the elements of their contractual services budget, including opportunities or drawbacks to changing from contractual provision of services toward provision of services by City employees.
- **Compensation analysis and philosophy:** The Council reaffirmed the direction of the Executive Committee to include an examination of the Council's current wage policy.

Property Tax and Fee Changes

➤ Property Tax Revenue

The 2007 Adopted Budget includes an estimated net tax capacity rate of 57.598 percent; this rate is the combined rate for the City, Board of Estimate and Taxation, Park and Library Boards, and City special levies (Minneapolis Public Housing Authority and Teachers Retirement). The library referendum is a market value based tax of .02690 percent and is not included in the previous number. This estimated net tax capacity rate will levy an additional \$15.5 million in property taxes, which is a 7.7 percent increase over the 2006 Adopted Budget. The City's net tax capacity (after reductions for tax increment and fiscal disparities) is projected to increase by 11.6 percent for taxes payable 2007, from \$336 million to \$375 million.

In addition to the \$15.5 million in property tax levy increase that is spread over the City's net tax capacity, the City will also need to increase the market value property tax levy by \$1.2 million due to the debt service on the voter approved library referendum bonds issued for a new central library and improvements to the City's community libraries.

In total, the property tax levy for the City and its independent boards will increase by 8 percent from 2006 to 2007 or by \$16.7 million, based on the 2007 Adopted Budget. This increase is consistent with the Mayor's and Council's adopted property tax policy.

Of the \$16.7 million increase in property tax revenue, \$13 million will be used by the City, \$1.9 million by the Park Board, and \$1.8 million by the Library Board. The City will use its share to increase funding for internal service fund obligations (\$2.2 million), to increase public safety spending (\$6.8 million) and for other general fund changes (\$4.0 million).

The Park Board revenue increase of \$1.9 million is the net result of: a 4% increase (\$1.5 million) in adopted tax policy, \$0.2 million increase related to PERA (had been centrally budgeted), and \$0.2 million of additional funding for a capital infrastructure gap.

The Library Board increase of \$1.8 million is the net result of: \$1.2 million for the library referendum, \$0.1 million increase related to PERA, \$0.5 million increase (4%) as provided in adopted tax policy. (In addition to these direct increases to the Library Board's levy, the City Council also allocated \$1.2 million on a one time basis.)

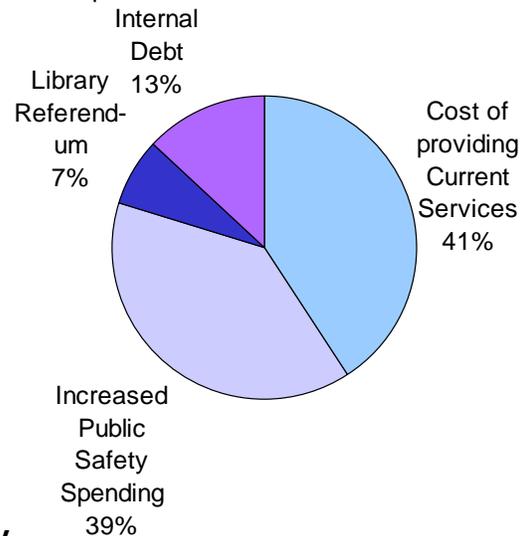
Uses of New Property Tax Revenue - \$16.7 million in 2007

Internal Debt: **\$2.2 million** (13%)

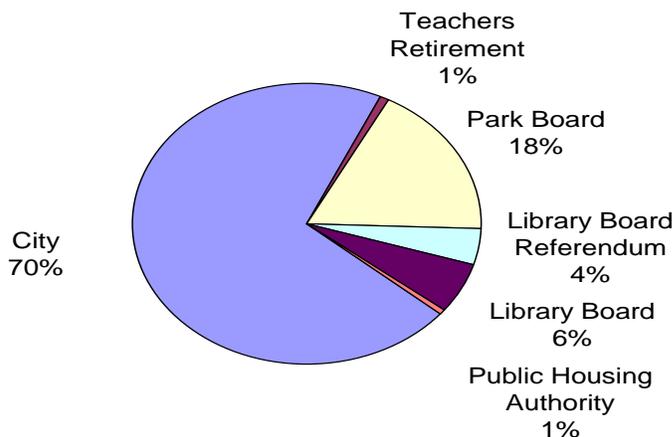
Library referendum: **\$1.2 million** (7%)

Increased Public Safety Spending: **\$6.5 million** (39%)

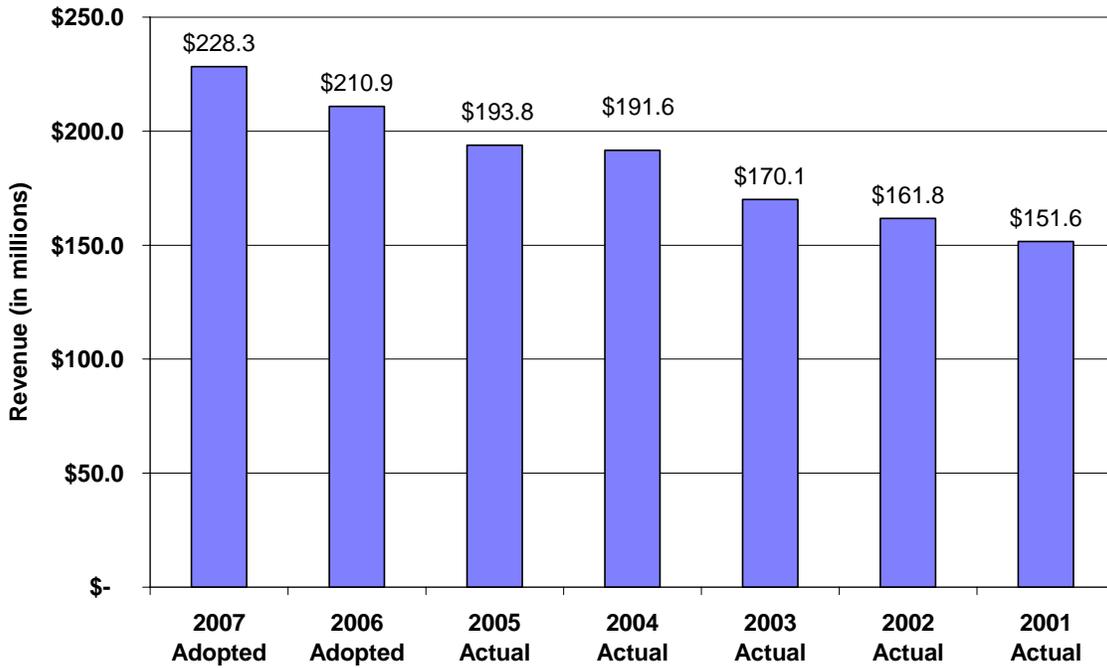
Increased cost to provide existing City services: **\$6.8 million** (41%)



Property Tax Levy Allocation By Fund (\$226 million)



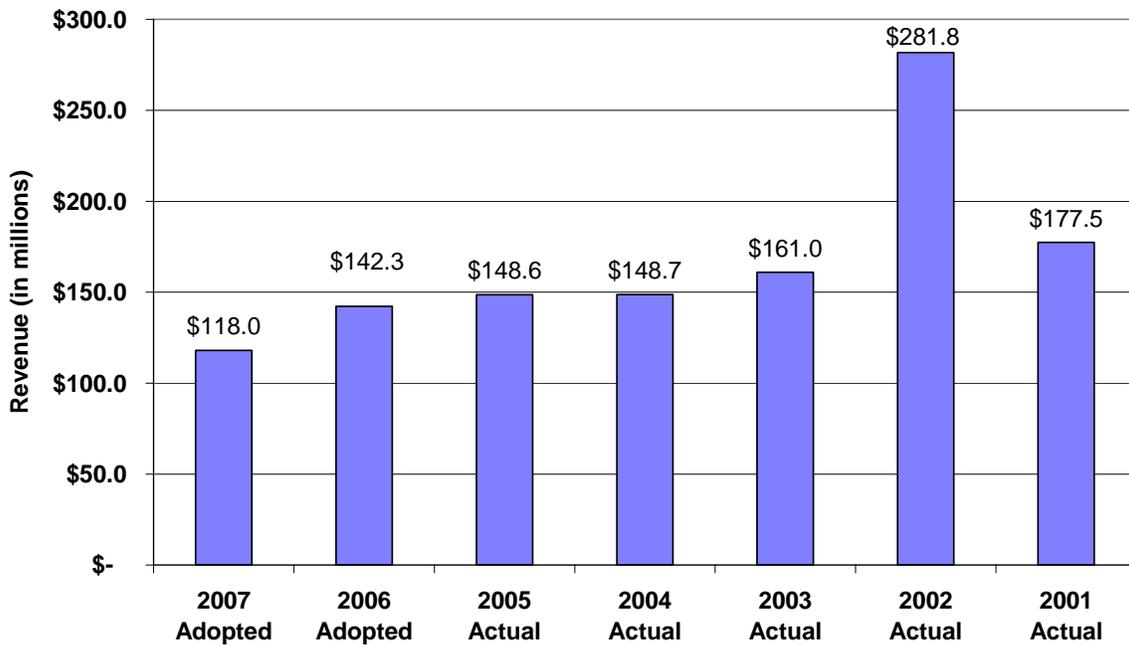
City of Minneapolis Property Tax Revenue in Constant 2006 Dollars*



*This revenue chart shows the trend of City revenues adjusted for inflation using the Consumer Price Index (CPI).

➤ **State Aid**

City of Minneapolis State Government Revenue in Constant 2006 Dollars*

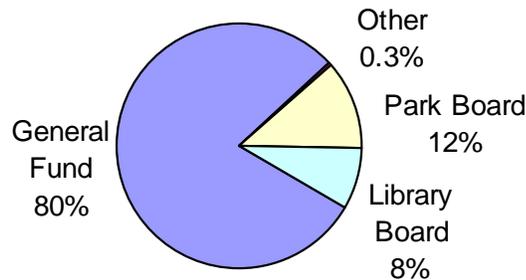


*This revenue chart shows the trend of City revenues adjusted for inflation using the Consumer Price Index (CPI).

The State Legislature decreased the City's LGA allocation for 2007 to \$83.9 million, a \$10 million reduction.

	2006 LGA %	2006 LGA Distribution	2007 LGA %	2007 LGA Distribution	Percentage Change from 2006	Dollar Change from 2006
Library	8.05%	7,600,000	8.08%	6,800,000	-11%	(800,000)
Park	11.79%	11,100,000	11.82%	9,900,000	-11%	(1,200,000)
MBC	0.30%	280,000	0.33%	270,000	-4%	(10,000)
BET	0.10%	90,000	-	-	-100%	(90,000)
General Fund	79.76%	74,900,000	79.79%	67,000,000	-11%	(7,900,000)
	100.00%	\$ 93,900,000	100.00%	\$ 83,970,000	-11%	\$ (9,900,000)

2007 Local Government Aid Distribution By Fund



- **Stormwater, Sanitary Sewer and Water Utility Fees:** To fund investments for the City's sanitary sewer and stormwater management services and water treatment and distribution systems, the 2007 Adopted Budget includes an increase in utility rates of \$0.05/100 cubic feet for water; \$0.20/100 cubic feet for sanitary sewer; and \$0.60/equivalent stormwater unit for stormwater services. This represents a 1.9% increase for water fees, a 9.5% increase for sanitary sewer services, and a 6.5% increase for storm-water, an increase at a higher rate than originally planned. The average monthly charge per residential dwelling for Water is \$21.36 (based on average usage of 800 cubic feet), for Sanitary Sewer \$13.80 (based on average usage of 600 cubic feet), and for Stormwater \$9.77.

Combined Utility Bill Monthly and Annual Cost for Average Consumer

	2006	2007 Monthly Average	2007 Annual Average	Monthly Dollar Change	Monthly Percent Change
Sewer	\$12.60	\$13.80	\$165.60	\$1.20	9.5%
Stormwater	\$9.17	\$9.77	\$117.24	\$0.60	6.5%
Water	\$20.96	\$21.36	\$256.32	\$0.40	1.9%
Solid Waste	\$22.25	\$23.00	\$276.00	\$0.75	3.4%
Total	\$64.98	\$67.93	\$815.16	\$2.95	4.5%

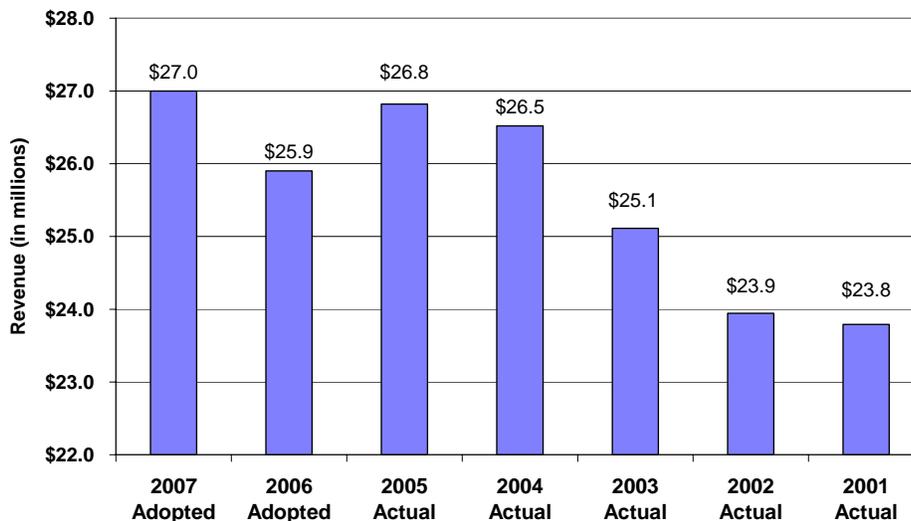
- **Solid Waste and Recycling Fee:** The 2007 Adopted Budget increases the solid waste and recycling fee by \$0.75 to \$23.00, the average monthly charge per dwelling.

- **Franchise Fees:** The 2007 Adopted Budget anticipates the total franchise fee revenue to increase by \$4.8 million over the 2006 Adopted Budget level from \$22.3 million to \$27.1 million. This reflects increased prices of natural gas and electricity.

The Adopted Budget includes \$700,000 in annual draw downs of the cable franchise settlement over the next five years. This recommendation results in level funding for cable-related items until an increase to Public, Educational and Governmental (PEG) programming fees comes on line in 2012.

- **Community Development Block Grant:** The adopted Community Development Block Grant allocation is based upon a 15% reduction in funding from the US Department of Housing and Urban Development.
- **Other Fee Changes:** The licenses and permit fee revenue is expected to increase from \$25.9 million to approximately \$27 million in 2007 due to increases in the rates charged for some of the licenses and permits. The 2007 Adopted Budget is structured so as to prevent the property taxpayers from having to subsidize fee-based services.

**City of Minneapolis Licenses and Permits Revenue
in Constant 2006 Dollars***



*This revenue chart shows the trend of City revenues adjusted for inflation using the Consumer Price Index (CPI).

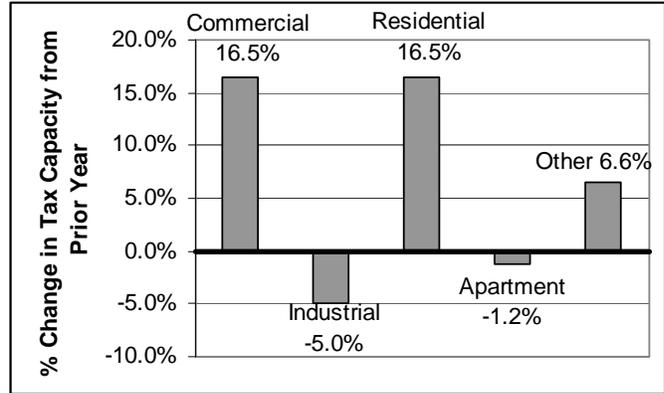
Property Market Values and Tax Base Highlights

Following is a chart from the City Assessor's Office with estimated market values and corresponding tax capacity by group.

For Taxes Payable in 2007

Group	2006 Estimated Market Value	% Total	% Ch.	Tax Capacity	% Total	% Ch.
Commercial	6,147,058,200	16.8%	16.4%	120,408,893	28.1%	16.5%
Industrial	1,313,674,400	3.6%	-5.6%	25,775,839	6.0%	-5.0%
Residential	25,856,513,300	70.5%	6.4%	241,009,400	56.3%	16.5%
Apartment	3,351,466,100	9.1%	-1.2%	40,410,616	9.4%	-1.2%
Other	22,975,200	0.1%	6.6%	344,633	0.1%	6.6%
Total	\$36,691,687,200	100%	6.7%	\$427,949,381	100.0%	13.0%

The market value and tax capacity data shown above does not include personal property, which is estimated to have a market value of approximately \$401,246,000 and a corresponding tax capacity of \$7,689,000 for taxes payable 2007. With personal property included, tax capacity is estimated to increase by approximately 13 percent, before deductions for tax increment and fiscal disparities.



The following table of data provides the change in tax increment financing and fiscal disparities contribution and distribution for taxes payable 2007:

For Taxes Payable in 2007	
Personal Property Market Value	\$401,246,300
Personal Property Tax Capacity	\$7,689,136
Gross Tax Capacity	\$435,550,945
- Less Increment Financing	(\$64,555,544)
- Less Fiscal Disparities Contribution	(\$39,466,684)
+ Plus Fiscal Disparities Distribution	\$43,325,307
Net Tax Capacity	\$374,854,024

Property Values and Tax Trends

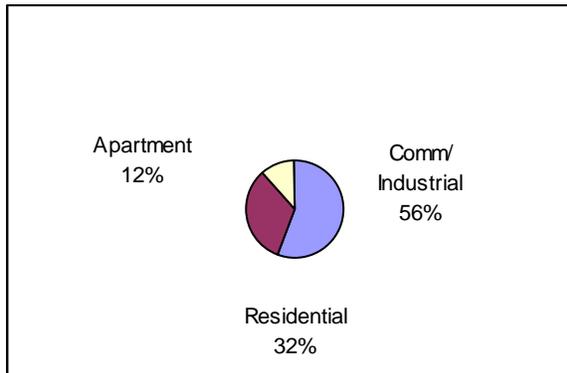
The 2001 tax bill enacted by the state legislature, made comprehensive changes to the property tax laws. Under Minnesota’s state property tax system, if the State reduces the level of property tax for one property type through changes in the classification system, the taxes shift to other property types. The same principle applies if market values change for one property type but not another.

Different property uses pay tax at a different rate as a result of the State’s property tax classification system. The taxes are a function of the market value taken times the statutory class rate times the tax rate. The 2001 legislature made changes to the property tax classification rates that reduced the rates for commercial/industrial property, apartments and high valued homes.

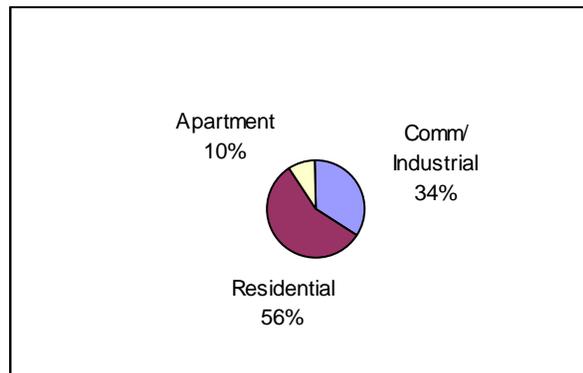
In 2001, the State Legislature enacted a statewide property tax on commercial, industrial and seasonal-residential recreational properties. The State of Minnesota now receives approximately 26 percent of the property taxes paid on those property types. Until recent property tax reform, property taxes were collected and distributed exclusively at the local level.

Minneapolis has historically had a strong commercial and industrial tax base. For taxes payable in 1997, Minneapolis commercial and industrial property paid 56 percent of the total taxes for the City with the central business district alone paying almost 40 percent; for taxes payable 2007 this declined to 34 percent of the City total with the central business district paying approximately 24 percent. Corresponding percentages for residential property (defined as 1-3 dwelling units) show that this class paid 32 percent of the City’s taxes in 1996; it is estimated that this percentage will be 56 percent for payable 2007. This represents almost a complete reversal in the share of the City’s tax burden between the two property types.

**City of Minneapolis
Tax Capacity – Taxes Payable 1997
(\$330 million)**



**City of Minneapolis
Tax Capacity – Taxes Payable 2007
(\$428 million)**



The changes in distribution of tax base are a function of both market conditions and changing class rates. Residential property has increased in value at a higher rate than other property types in the past several years.

The following table shows the growth in the market value by year:

Payable	Change in Market Value		
	Commercial/Industrial	Residential	Apartment
2000	17.7%	9.5%	13.0%
2001	23.1%	16.0%	18.7%
2002	20.8%	23.4%	27.5%
2003	12.5%	15.4%	16.4%
2004	-5.5%	15.1%	14.1%
2005	3.0%	12.2%	6.5%
2006	11.4%	12.9%	6.8%
2007	11.8%	6.4%	-1.2%

Increases in residential taxes of the same magnitude have been avoided because of the *Limited Market Value* law. Originally, the 2001 legislature initiated a phase-out of the limited market value program over a six-year period, with the last year of the program occurring in 2007. Most recently, the 2005 legislature extended the phase-out of the LMV program two additional years. As a result of the extension, the 2005 and 2006 increases in taxable market value will be limited to a 15% increase or 25% of the difference between the current value and the previous limited value. This is a significant change from the previously scheduled 33% and 50% increases as outlined by the 2001 legislature.

Minneapolis had a difference of over \$2.89 billion dollars between total Residential Market Value and Limited Market Value in 2006; this is down 43% from \$4.02 billion dollars in 2005. As the Limited Market Value continues to phase out, even if the real estate market remains flat, this action will cause a significant shift in tax burden to residential property. Based on Minneapolis residential sales in 2006 and reports from local professional real estate associations, the trend in residential values is mixed. While some properties in high demand neighborhoods continue to see modest increases in value, much of the Minneapolis residential market is cooling-off compared to previous years. The inventory of homes for sale is up and the marketing time on average is longer than in recent history. The rate of foreclosures has increased as interest rates and adjustable rate mortgages begin to move upwards.

The Minneapolis Central Business District (CBD) in 2006 had a strong, solid year of growth. Although vacancy rates have not dropped to the level where development is imminent, investors continue to place their faith and pocket book in the Minneapolis CBD. Record sale prices were recorded for buildings downtown. Although reports show positive absorption of over one million square feet in the entire Metro office market, developers are still slow to build new speculative office buildings in the Minneapolis CBD. Some real estate professionals believe the increases in construction costs and the absence of a speculative new office building in the immediate future will put pressure on rents to increase.

The suburban office market will add a large section of speculative office space during 2007. Although the suburban area has recovered first from an over-supply of office space, the Minneapolis CBD continues to hold its own based on the amenities it provides. The Minneapolis CBD is encouraging employees that work downtown to also live downtown in one of the new condominiums to enjoy the entertainment in the warehouse district, the theater district, and at the Target Center or Metrodome.

The overall growth in commercial and industrial real estate has been about 10% in 2006. Certain sectors have shown greater growth, but overall there has been a slow steady growth in commercial and industrial real estate.

**2007 Council Adopted
Property Tax Levy**

	2006 Adopted Levies	2007 Council Adopted		
		2007 Council Adopted Levies	% Chg from 2006	\$ Chg from 2006
Total by Major Funds:				
General Levies	177,945,203	194,545,990	9.3%	16,600,787
Special Levies	31,304,466	31,443,653	0.4%	139,187
Grand Total	209,249,669	225,989,643	8.0%	16,739,974
Total by Entity:				
City*	146,886,205	159,840,041	8.8%	12,953,836
Park Board**	38,064,605	40,005,789	5.1%	1,941,184
Library Board	12,779,000	13,377,160	4.7%	598,160
<i>Library Board Referendum</i>	8,100,000	9,300,000	14.8%	1,200,000
Public Housing Authority	1,169,859	1,216,653	4.0%	46,794
Teachers Retirement	2,250,000	2,250,000	0.0%	-
Grand Total	209,249,669	225,989,643	8.0%	16,739,974

Notes:

* Includes the Municipal Building Commission , Board of Estimate and Taxation and Pension Levies

** Park Board increase from 2005 to 2006 includes the additional capital infrastructure funding as approved in the adopted tax policy, which is why the percent is greater than 4%.

**2007 Adopted Budget
Tax Rates and Levies**

Based on information available as of November 1, 2006

NET TAX CAPACITY BASED (NTC) LEVIES

	2005		2006		2007	
	Tax Rate (%)	Total Tax Levy \$\$	Tax Rate (%)	Total Tax Levy \$\$	Tax Rate (%)	Total Tax Levy \$\$
City Levies						
General ¹	34.899	\$103,678,649	33.882	\$114,661,106	33.542	\$126,180,059
Estimate and Taxation	0.053	157,430	0.068	229,247	0.064	240,417
Building Commission	1.243	3,691,352	1.135	3,839,006	1.067	4,012,566
Permanent Improvement	0.663	1,967,240	0.561	1,897,240	0.431	1,619,000
Bond Redemption	7.663	22,764,000	5.847	19,784,607	4.965	18,677,000
Firefighter's Relief Association	0.000	0	0.410	1,385,000	0.821	3,086,000
Police Relief Association	0.000	0	0.655	2,215,000	0.964	3,625,000
Minneapolis Employees Retirement Fund	1.014	3,010,000	0.850	2,875,000	0.638	2,400,000
Sub-Total City Levies	45.535	\$135,268,671	43.408	\$146,886,206	42.492	\$159,840,042
Park and Recreation	10.200	30,301,312	11.248	38,064,605	10.635	40,005,789
Tree Preservation and Ref.	2.060	6,117,347	0.000	0	0.000	0
Sub-Total Park Board Levies	12.260	\$36,418,659	11.248	\$38,064,605	10.635	\$40,005,789
Library Board ²	4.137	\$12,287,500	3.777	12,779,000	3.556	\$13,377,160
Sub-Total City Levies	61.932	\$183,974,830	58.433	\$197,729,811	56.683	\$213,222,991
City-Related Special Levies						
Public Housing	0.378	1,124,864	0.345	1,169,859	0.322	1,216,653
Teachers' Retirement	0.751	2,250,000	0.659	2,250,000	0.593	2,250,000
Watershed Districts ³	1.276	3,787,000	1.072	3,676,000	1.151	5,990,820
Sub-Total City-Related Specials Levies	2.405	\$7,161,864	2.076	\$7,095,859	2.066	\$9,457,473
Other Special Levies						
Hennepin County	39.182	\$117,077,010	36.433	\$124,030,325	34.895	134,463,075
Minneapolis Public Schools	26.874	85,829,802	25.628	91,843,506	24.326	91,834,140
Other Special Taxing Districts ⁴	4.715	13,265,573	4.168	13,930,947	4.288	15,374,768
Sub-Total Other Specials Levies	70.771	\$216,172,385	66.229	\$229,804,778	63.509	\$241,671,983
TOTAL NTC BASED LEVIES	135.108	\$407,309,079	126.738	\$434,630,448	122.258	\$464,352,447

REFERENDUM MARKET VALUE BASED (RMV) LEVIES

	2005		2006		2007	
	Tax Rate (%)	Total Tax Levy \$\$	Tax Rate (%)	Total Tax Levy \$\$	Tax Rate (%)	Total Tax Levy \$\$
Minneapolis Public Library Referendum	0.02393%	6,400,000	0.02651%	\$8,100,000	0.02690%	\$9,300,000
Minneapolis Public Schools Referendum	0.09445%	25,270,000	0.09911%	30,284,000	0.09139%	36,690,461
Solid Waste Fee ⁵	0.01595%	4,260,000	0.01585%	4,859,000	0.01585%	5,497,000
	0.13433%	\$35,930,000	0.14147%	\$43,243,000	0.13414%	\$51,487,461
TOTAL RMV BASED LEVIES	0.13433%	\$35,930,000	0.14147%	\$43,243,000	0.13414%	\$51,487,461
TOTAL ALL LEVIES		\$443,239,079		\$477,873,448		\$515,839,908

Notes:

¹ This amount includes the Economic Development/Tax Abatement Levy.

² This does not include the Library Board referendum levy. That amount is listed under "Referendum Market Value Based Levies."

³ The watershed Levy \$\$ are for watersheds 3 & 6 & 7 & 8, these watersheds slightly adjust the levy rates for the School & County applicable to these areas, table shows for payable 2

Water Shed #	# 0	# 3	# 6	# 7	# 8
School Rate	24.192	24.224	24.175	24.192	24.192
County Rate	34.799	34.822	34.787	34.799	34.799
Water Shed rate	0.000	1.151	2.211	0.118	0.000
Total NTC Based rate	120.877	122.083	123.059	120.995	120.877

⁴ Other special taxing jurisdictions include: Metro Mosquito Control, Metropolitan Council, Metro Transit, Park Museum, & Hennepin County Regional Railroad Authority .

⁵ The Solid Waste Fee amounts are the portions associated with Minneapolis only.

⁶ The Tax Levy \$\$ are Certified Levy Amounts.

⁷ The pay 2007 Tax rate applies to 74.3044% of the Commercial property's taxable value and the area wide rate of 119.530 applies to the remaining 25.6956% in addition to the State rate of 49.000.

Residential Property Tax and Utility Fees - Sample Bills

Residential Property Home with Estimated Market Value \$145,500				
	2006	2007	% change	\$ change
Assessed Market Value	\$ 143,500	\$ 145,500	1.4%	\$ 2,000
Taxable Value	\$ 130,100	\$ 145,500	11.8%	\$ 15,400
City Property Taxes				
Property Tax	\$ 654	\$ 724	10.8%	\$ 71
Referendum Tax	\$ 34	\$ 39	13.5%	\$ 5
<i>Total City Property Taxes</i>	\$ 688	\$ 763	10.9%	\$ 75
Water	\$ 252	\$ 256	1.9%	\$ 5
Storm Water	\$ 110	\$ 117	6.5%	\$ 7
Sanitary Sewer	\$ 151	\$ 166	9.5%	\$ 14
Solid Waste/Recycling	\$ 267	\$ 276	3.4%	\$ 9
<i>Total Utilities</i>	\$ 780	\$ 815	4.5%	\$ 35
Total Property Taxes and Utilities	\$ 1,468	\$ 1,558	6.1%	\$ 90

Residential Property Home with Estimated Market Value \$225,500				
	2006	2007	% change	\$ change
Assessed Market Value	\$ 225,500	\$ 225,500	0.0%	\$ -
Taxable Value	\$ 175,800	\$ 202,100	15.0%	\$ 26,300
City Property Taxes				
Property Tax	\$ 945	\$ 1,075	13.7%	\$ 129
Referendum Tax	\$ 47	\$ 54	16.7%	\$ 8
<i>Total City Property Taxes</i>	\$ 992	\$ 1,129	13.8%	\$ 137
Water	\$ 252	\$ 256	1.9%	\$ 5
Storm Water	\$ 110	\$ 117	6.5%	\$ 7
Sanitary Sewer	\$ 151	\$ 166	9.5%	\$ 14
Solid Waste/Recycling	\$ 267	\$ 276	3.4%	\$ 9
<i>Total Utilities</i>	\$ 780	\$ 815	4.5%	\$ 35
Total Property Taxes and Utilities	\$ 1,772	\$ 1,944	9.7%	\$ 173

Residential Property Tax and Utility Fees - Sample Bills

Residential Property				
Home with Estimated Market Value \$564,000				
	2006	2007	% change	\$ change
Assessed Market Value	\$ 529,000	\$ 564,000	6.6%	\$ 35,000
Taxable Value	\$ 476,500	\$ 547,900	15.0%	\$ 71,400
City Property Taxes				
Property Tax	\$ 2,832	\$ 3,225	13.9%	\$ 393
Referendum Tax	\$ 126	\$ 147	16.7%	\$ 21
<i>Total City Property Taxes</i>	\$ 2,958	\$ 3,372	14.0%	\$ 414
Water	\$ 252	\$ 256	1.9%	\$ 5
Storm Water	\$ 110	\$ 117	6.5%	\$ 7
Sanitary Sewer	\$ 151	\$ 166	9.5%	\$ 14
Solid Waste/Recycling	\$ 267	\$ 276	3.4%	\$ 9
<i>Total Utilities</i>	\$ 780	\$ 815	4.5%	\$ 35
Total Property Taxes and Utilities	\$ 3,738	\$ 4,187	12.0%	\$ 449

Residential Property				
Home with Estimated Market Value \$1,427,000				
	2006	2007	% change	\$ change
Assessed Market Value	\$ 1,141,500	\$ 1,427,000	25.0%	\$ 285,500
Taxable Value	\$ 993,300	\$ 1,151,000	15.9%	\$ 157,700
City Property Taxes				
Property Tax	\$ 6,637	\$ 7,567	14.0%	\$ 930
Referendum Tax	\$ 263	\$ 310	17.6%	\$ 46
<i>Total City Property Taxes</i>	\$ 6,900	\$ 7,877	14.1%	\$ 976
Water	\$ 252	\$ 256	1.9%	\$ 5
Storm Water	\$ 110	\$ 117	6.5%	\$ 7
Sanitary Sewer	\$ 151	\$ 166	9.5%	\$ 14
Solid Waste/Recycling	\$ 267	\$ 276	3.4%	\$ 9
<i>Total Utilities</i>	\$ 780	\$ 815	4.5%	\$ 35
Total Property Taxes and Utilities	\$ 7,680	\$ 9,507	23.8%	\$ 1,827

Commercial/Industrial and Apartment Property - Sample Bills

Commercial/Industrial Property				
\$400,000 Valued C/I Property	2006	2007	\$ Chg	% Chg
Taxable Value	\$400,000	\$400,000	\$ -	0.0%
City Property Taxes				
City Property Tax	\$3,283	\$3,103	\$ (180)	-5%
Referendum Tax	\$106	\$108	\$ 2	1%
Total City Property Taxes	\$3,389	\$3,210	\$ (179)	-5%

Commercial/Industrial Property				
\$10,000,000 Valued C/I Property	2006	2007	\$ Chg	% Chg
Taxable Value	\$9,700,000	\$10,000,000	\$ 300,000	3%
City Property Taxes				
City Property Tax	\$87,521	\$85,275	\$ (2,246)	-2.6%
Referendum Tax	\$2,571	\$2,690	\$ 118	4.6%
Total City Property Taxes	\$90,092	\$87,965	\$ (2,128)	-2.4%

Apartment Property				
\$459,000 Valued Apartment Building	2006	2007	\$ Chg	% Chg
Taxable Value	\$435,500	\$459,000	\$ 23,500	5%
City Property Taxes				
City Property Tax	\$3,135	\$3,305	\$ 169	5%
Referendum Tax	\$115	\$123	\$ 8	7%
Total City Property Taxes	\$3,251	\$3,428	\$ 177	5%

Apartment Property				
\$653,500 Valued Apartment Building	2006	2007	\$ Chg	% Chg
Taxable Value	\$645,000	\$653,500	\$ 8,500	1%
City Property Taxes				
City Property Tax	\$4,792	\$4,705	\$ (87)	-2%
Referendum Tax	\$171	\$176	\$ 5	3%
Total City Property Taxes	\$4,963	\$4,881	\$ (82)	-2%