City of Minneapolis
FY 2008 Budget

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City of Minneapolis
FY 2008 Council Adopted Budget

Financial Overview
Prepared by the City of Minneapolis Finance Department

The 2008 Council adopted budget for all City funds increases to $1.4 billion, a 5% increase in spending from the 2007 adopted budget.

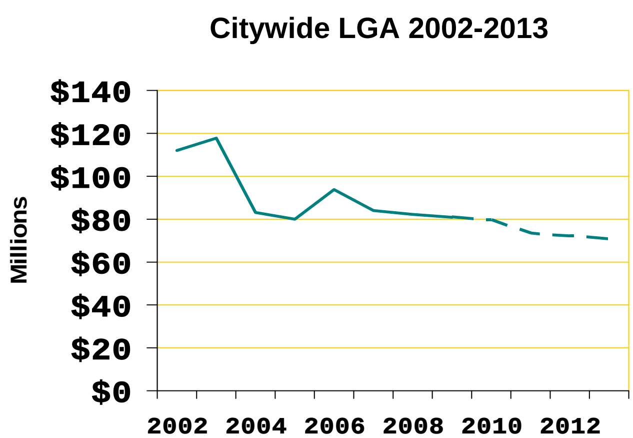
When including transfer expense between City funds, the total Council adopted budget is $1.4 billion. This represents an increase of $105 million or 8.0%.

Major Highlights

The 2008 Council 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 reflects a decrease in Local Government Aid.** The City's LGA total for 2008 is $82.2 million, a $1.8 million decrease from the prior year.



- **The adopted budget plan from 2009 to 2013 contains updates to department resources.** The Council adopted budget five-year financial plan maintains structural balance in all five years. Estimated changes related to revenue loss from the decertification of TIF districts are now included in 2011 and beyond.

- Given the importance of **public safety**, the Police Department budget was increased by 6.6% over the 2007 budget, to $127.5 million. $2.5 million of the increase stems from removal of an attrition savings assumption. Additionally, $1million of the increase is for jail fees paid to Hennepin County.

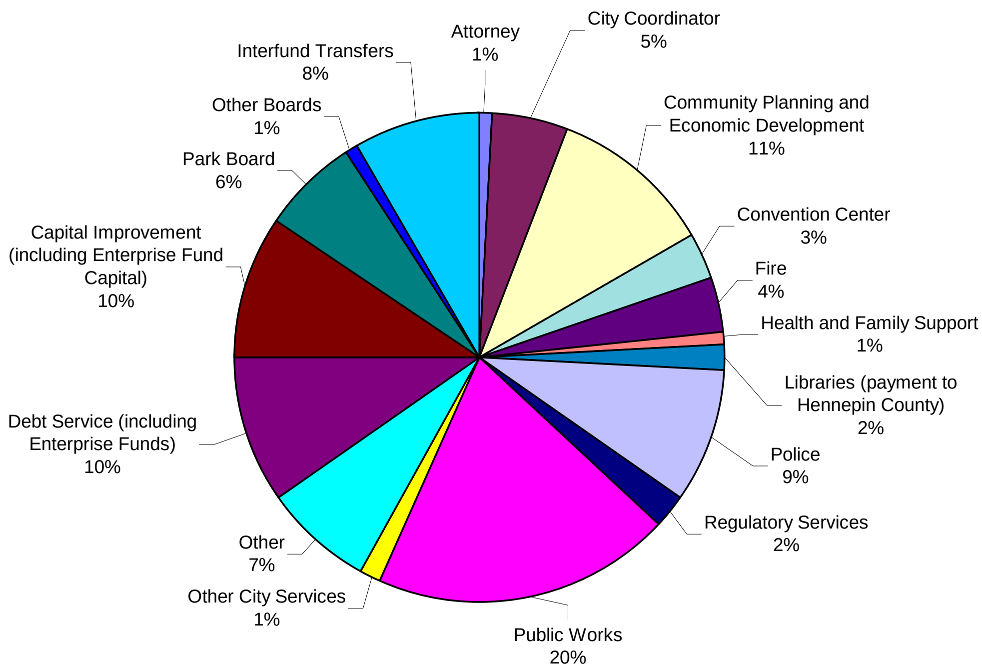
- This budget moves toward a national standard of coverage for our Fire Department with the addition of 3 positions and no reductions included in the five-year financial plan. Additionally, four 911 operators will be added.

- The 2008 Adopted budget includes full funding of the City's funding plan for the integration of the City library system with Hennepin County, sustainability initiatives, youth violence prevention and enhanced funding for bridges in the capital program.

City Spending

Below is a summary of the 2008 Council adopted budget by major spending categories, which includes transfers between funds and the independent boards.

Total Expense Budget – Use of Funds
2008 Council Adopted budget
$1.4 billion



Expenditures by Service (in millions of dollars)

	2007 Adopted Budget	2008 Adopted Budget
Attorney	12.9	12.8
City Coordinator[1]	67.8	71.0
Community Planning and Economic Development	176.2	152.6
Convention Center	35.5	40.4
Fire	52.1	50.8
Health and Family Support	13.6	13.6
Libraries (payment to Hennepin County)	23.7	22.1
Police	119.7	127.5
Regulatory Services	25.7	30.0
PW - Other (includes Internal Services)	64.0	66.2
PW - Solid Waste and Recycling	28.6	31.3
PW - Surface Water and Sewers	50.1	53.9
PW - Traffic and Parking Services	55.2	50.8
PW - Transportation Maintenance and Repair	31.7	32.2
PW - Water Treatment and Distribution	43.3	44.8
Public Works Subtotal	**273.0**	**279.2**
Other City Services[2]	15.2	16.0
Other[3]	91.2	102.1
Debt Service (including Enterprise Funds)[4]	144.2	137.6
Capital Improvement (including Enterprise Fund Capital)	91.2	134.2
Subtotal	**1,141.9**	**1,189.9**
Independent Boards:		
Park Board	84.6	88.3
Youth Coordinating Board	2.0	1.9
Other Boards[5]	9.8	10.0
Subtotal	**96.4**	**100.2**
Total Expenditures (without Transfers)	**1,238.3**	**1,290.1**
Transfers to other funds	97.7	118.6
Total Expenditures with Transfers	**1,336.0**	**1,408.7**

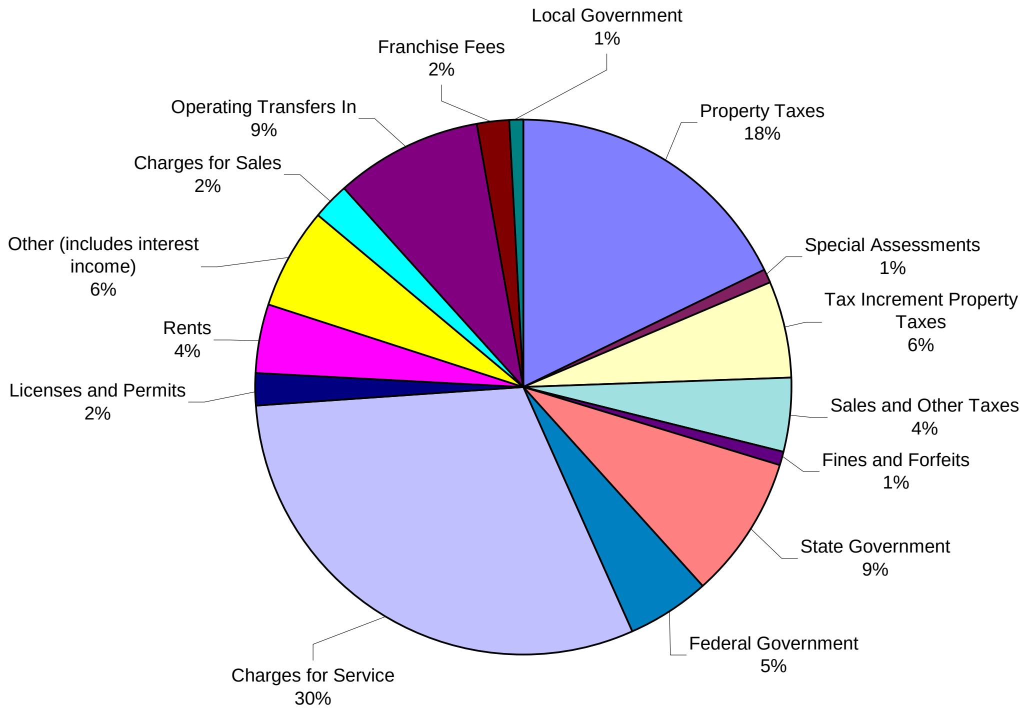
Note: See "City Council Operating Departments" and "Independent Boards and Agencies" sections in the budget document for further explanation of changes between years.

[1] Includes Human Resources, Finance, 911/311, Government & Community Relations, Communications and BIS.
[2] Includes Assessor, City Clerk/Elections/Council, Civil Rights and Mayor.
[3] Includes Non-departmental, 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 2008 Council adopted budget revenues by major category.

Total City Revenue Budget – Source of Funds
2008 Council Adopted budget
$1.4 billion



In 2008, the City 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.

Revenue by Major Category (in millions of dollars)

	2007 Adopted Budget	2008 Adopted Budget
Charges for Sales	31.8	30.9
Charges for Service	417.0	421.3
Federal Government	48.3	68.1
Fines and Forfeits	11.3	12.3
Franchise Fees	27.1	27.1
Interest Income	1.3	3.6
Licenses and Permits	27.0	27.6
Local Government	9.1	11.2
Property Taxes[1]	228.3	246.8
Rents	54.4	57.6
Sales and Other Taxes	56.7	58.0
Special Assessments	13.3	10.8
State Government	118.0	119.0
Tax Increment Property Taxes	72.3	80.5
Other[2]	75.3	81.5
Subtotal	1191.1	1256.4
Transfers from Other Funds	159.2	121.2
Total Revenues[3]	1,350.4	1,377.6

Franchise Fees

Utility companies pay the City for their use of public rights-of-way, and these payments are called franchise fees. Franchise fees are calculated as a percentage of each company's total utility revenues, so the amounts paid to the City vary. The City anticipates level revenues between 2007 and 2008.

There are four franchise agreements that provide revenue for the City. The franchise agreement with Xcel Energy for electricity (Xcel does not provide natural gas services in Minneapolis) requires the company to pay the City 5 percent of its gross revenues for Minneapolis residential service customers, 3 percent of gross revenues for Minneapolis commercial/industrial customers, and 5 percent of gross revenues for Minneapolis small commercial/industrial customers. The residential rate will drop to 4.5% of gross revenues beginning in January 2013. This franchise agreement expires on Dec. 31, 2014. For 2008, the adopted budget anticipates Xcel will pay the City $13.5 million from this agreement.

The franchise agreement with CenterPoint Energy for natural gas requires the company to pay the City 4.25 percent of gross revenues for Minneapolis residential buildings with four units or less, 5 percent for small commercial/industrial/firm or "interruptible" customers (that means customers who have agreements to allow their service to be interrupted, generally during peak

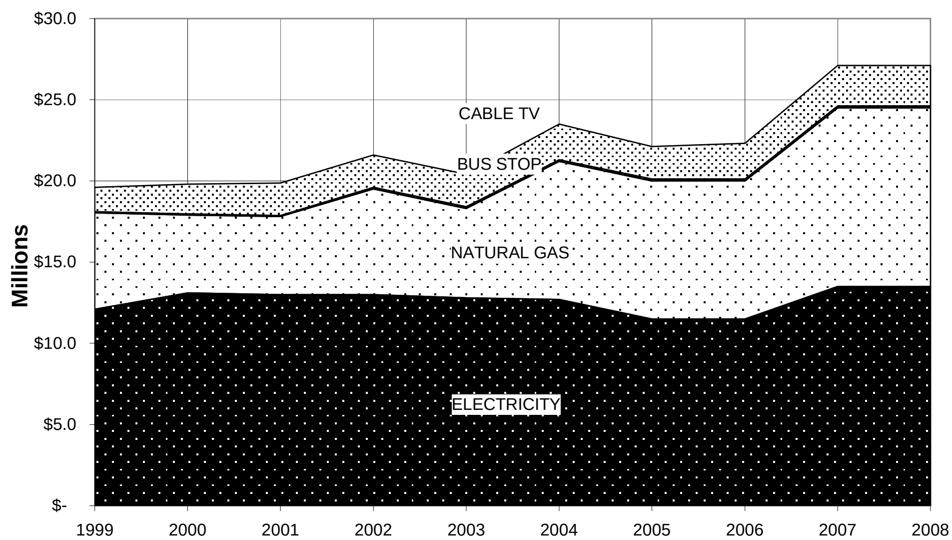
Property taxes are budgeted at 98 percent of the gross levy to reflect anticipated delinquencies.
[2] Other includes gains, contributions, other miscellaneous revenues, and proceeds from long-term liabilities.
[3] Total expenditures do not equal total revenue, which represents the annual budgeted change in fund balance. The change in fund balance is mostly due to timing of capital projects and bond issuance.

loads), and 3 percent for large volume interruptible customers. This franchise agreement expires on Dec. 31, 2015. For 2008, the adopted budget anticipates CenterPoint Energy will pay the City $11 million from this agreement.

The city also has two smaller franchises. The bus stop advertising franchise will generate approximately $110,000 in revenues for the City in 2008, and the City's cable television franchise is anticipated to generate more than $2.9 million for the City in 2008. Comcast collects this "franchise fee" from subscribers to help fund public services such as police, fire and public works as they relate to maintenance and regulation of the City's rights-of-way. Comcast also collects an "access fee" from subscribers to support public, educational and government (PEG) access programming. It is estimated Comcast will collect $350,000 from subscribers for the access fee in 2008. There are ten PEG channels in the City of Minneapolis: four public, three educational and three government channels.

Recent rules issued by the Federal Communications Commission governing the way cities award cable TV franchises may impact this revenue source in the near future. Keeping the franchise authority at a local level will ensure that the provider fairly compensates the City for the private use of public rights-of-way, provides access to cable services for all residents, ensures proper repair of streets and roadways during cable installations, provides continuous availability of PEG access channels and protects consumer rights.

Franchise Fee Revenue 1999-2008



The 2008 Council adopted budget anticipates the total franchise fee revenue to remain at $27.1 million, the same level as the 2007 Adopted Budget.

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 24 percent of the 2008 Council adopted budget, equivalent to the 2007 level.

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.

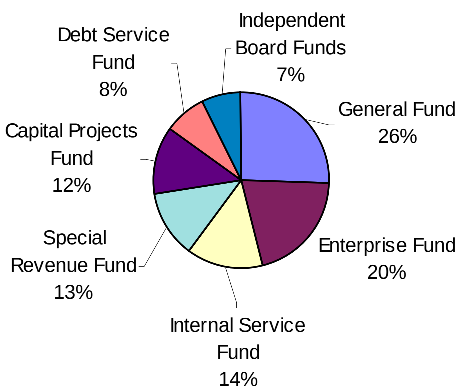
Internal Services Funds are similar to Enterprise Funds in that they are used to account for business-like services that the City provides. However, Internal Service Funds' primary customers are other City departments. Internal services include such services as information technology, equipment rental (*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.

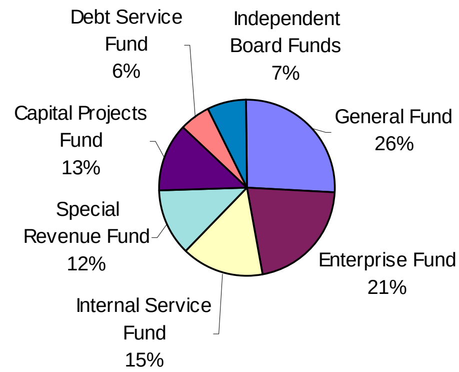
The **Independent Boards** include the Board of Estimate and Taxation, Park, Minneapolis Public Housing Authority, Neighborhood Revitalization Program, Municipal Building Commission, and Youth Coordinating Board.

	2007 Adopted Budget	2008 Adopted Budget	% Increase
Expenditures:			
General Fund	$327.9	$360.7	10.0%
Enterprise Fund	285.3	285.4	0.0%
Internal Service Fund	194.3	197.4	1.6%
Special Revenue Fund	164.2	179.1	9.1%
Capital Projects Fund	132.2	171.4	29.7%
Debt Service Fund	117.0	114.4	-2.2%
Independent Board Funds	120.1	100.2	-16.6%
	$1,341.0	$1,408.7	5.0%
Revenues:			
General Fund	$327.9	$360.7	10.0%
Enterprise Fund	282.7	286.7	1.4%
Internal Service Fund	204.5	209.3	2.4%
Special Revenue Fund	171.4	170.3	-0.7%
Capital Projects Fund	126.2	172.4	36.6%
Debt Service Fund	120.0	77.7	-35.3%
Independent Board Funds	117.7	100.5	-14.6%
	$1,350.4	$1,377.6	2.0%

Total City Expenditure Budget by Fund
2008 Council Adopted Budget
$1.4 billion



Total City Revenue Budget by Fund
2008 Council Adopted Budget
$1.4 billion



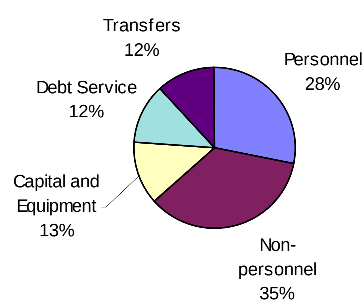
Spending by Major Categories

A significant amount of the City's budget is spent on personnel, almost $400 million or almost 28 percent of the total budget. The 2008 Council adopted budget includes an overall decrease of almost 250 budgeted full-time equivalent positions; this represents a 4.5 percent decrease in positions, largely due to the library merger with Hennepin County.

Budget by Major Expense Category
(in millions of dollars)

	2007 Adopted Budget	**2008 Adopted Budget**
Positions	5,653	5,405
Expenditures:		
Personnel	$399.1	$400.7
Non-personnel	451.2	487.2
Capital and Equipment	140.5	182.1
Debt Service	180.4	173.8
Transfers	169.8	164.8
Total Expenditures	**$1,341.0**	**$1,408.7**

Total City Budget – Expenditures by Category
2008 Council Adopted budget
$1.4 billion



Major Budget Pressures:

- **Growth in personnel costs**

  - ***Salary and Wages**.* The 2008 Council adopted budget includes a slight increase in total personnel expenditures from $399 million to $401 million. Increases in personnel costs outweighed changes related to the Library merger with Hennepin County to create a slight net increase in personnel costs. 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. In July of 2007, the Council and Mayor removed the two percent salary cap that was implemented in 2003 and adopted a compensation philosophy to guide future decisions.

  - ***Benefits**.* Health and dental insurance expenditures are budgeted to increase from $47.1 million to $50 million. This estimate is based on experiences related to current plan design and competitive procurement processes. The anticipated premium increase in 2008 is 18%. It also reflects changes related the Library merger in which $1.8 in budgeted benefits costs are shifted to the payment to the County.

- **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 2006, the City's internal services funds had combined negative net assets of $34.7 million. While the balance is still negative, the position of the funds is showing marked improvement over the 2000 net asset deficit of $61.7 million. Additionally, of the three internal service funds that adopted workout plans (equipment, intergovernmental services & self-insurance), two had positive cash balances at 2007 year-end, most of them ahead of schedule.

Status of Workout Plans (in millions)

	Adopted	Original Cash Deficit (2000)	Original Net Asset Deficit (2000)	2006 Year-End Net Assets	Target Date for Positive Cash Balance	2006 Year-End Cash Balance
Self-Insurance	2003	$ (8.1)	$ (49.5)	$ (29.3)	2008	$ 8.1
Equipment*	2001	$ (16.6)	$ -	$ 18.4	2006	$ 2.0
BIS	2000	$ (12.9)	$(12.2)***	$ (23.8)	2010	$ (1.7)
Internal Service Fund Total		**$ (37.6)**	**$ (61.7)**	**$ (34.7)**		***$ 8.4***
Parking Fund**	**2004**	**$ (8.6)**	**$ 75.7**	**$ 86.9**	**2010**	**$ (11.9)**

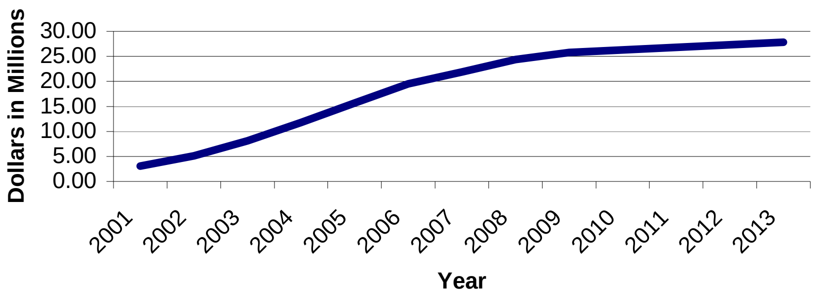
*Status excludes bond cash.

**Parking fund deficit had been projected to grow to $69.2 million by 2010.

***Due to GASB 34, the net asset balance for BIS decreased from $12.2 in 2000 to $36.3 million in 2001.

The 2008 Council 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). As the graph below demonstrates, the obligations in these plans continue to grow.

Internal Service Workout Plan Support



- **Parking fund financial plan**

The 2008 Council 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. The adopted budget reflects the sale of five City-owned parking ramps for $67.8 million in Fall of 2007. .

- **Technology funding**

The City has two main financing mechanisms for technology:

Property tax supported debt financing in the City's capital program: Since 2003, the City has programmed about $1.5-$2.0 million in property tax supported projects, financed by debt, as prioritized by BIS and the department heads. These technology assets are capitalized and the bond payments are structured within the useful life of the asset.

Pay-as-you go: On occasion, the City will allocate current year funding for a technology project with existing resources rather than issuing bonds. This financing mechanism is the least used.

For 2008, a total of $6.6 million in technology projects are planned in the capital program. Of this amount, $2.1 million is funded through property tax supported debt and the remaining $4.5 million is funded through department pre-payment. The five-year plan in total follows:

2008-2012 Capital Plan	
Property tax supported bonds	$6.6 million
Department prepayment	$4.9 million
Total	**$11.5 million**

Regardless of the initial funding source for a capital project, funding the ongoing operating costs for new technology has been a challenge for the City. Departments agree to proceed with projects; however ongoing costs of the systems are rarely identified in departments' long-term financial plans.

- **Funding for physical infrastructure**

Five-Year Capital Program Totals**:** For 2008 – 2012, the five-year capital program for City departments, independent boards and commissions totals $518.2 million including all funding sources. The 2008 portion of this program is $122.8 million. Property tax supported net debt bonds help to leverage many funding sources in the five-year plan.

Property tax supported – public works: The 2008 budget includes $7.84 million in property tax supported (net debt bond) funding for public works capital. Below is a summary of the 2008 - 2012 funding for the public works infrastructure program, including park-related improvements mentioned below.

Property tax supported capital for public works (in millions)

	2008	2009	2010	2011	2012
Net Debt Bond funding	$7.84	$7.31	$11.00	$11.60	$14.86

Property tax supported - park board: The 2008 budget includes $1.61 million in property tax supported funding for Park Board capital projects and $700,000 in the public work's capital budget for parkway street light replacement and parkway paving. Below is a summary of the 2008–2012 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)

	2008	2009	2010	2011	2012
Parkway Street Light Replacement	$0.20	$0.15	$0.15	$0.15	$0.15
Parkway Paving	$0.50	$0.50	$0.50	$0.60	$0.50
Park Board Capital Requests	$1.61	$1.64	$1.85	$1.90	$1.50
Total Park Board Improvements	$2.31	$2.29	$2.50	$2.65	$2.15

Property Tax Supported – Miscellaneous Projects: The 2008 budget includes $4.4 million in property tax supported funding. Miscellaneous projects include public art, technology related improvements and physical building, office space and security improvements for Police, Fire and other City buildings. This category has grown considerably since 2003 and is impacting the City's capacity to maintain and improve the transportation network.

Net Debt Bond funding for	2008	2009	2010	2011	2012
Miscellaneous category	$4.40	$5.46	$2.52	$3.24	$2.61

Utility fee supported capital: The 2008-2012 budgets include 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 increases similar to last year's planned increases for all funds. For 2008, the increases are identical to last year's plan and reflect higher than inflationary increases for stormwater and sanitary sewer rates due to increased capital expenditures required in response to Metropolitan Council demands for less "clean" water in the sanitary system (also known as infiltration and inflow). The water and sewer five-year utility rate schedule approved as part of this budget reflect 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 annual operating costs. The CLIC ranking process provides for adding or subtracting up to 25 points out of 300 for operating cost implications. Proposals indicating an increase in operating costs without a clear definition of how the costs will be funded stand to lose points and those that reduce annual operating costs or have a responsible strategy to pay the increased costs may receive positive points in the project rating process.

➢ Funding for Pension Liabilities

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

The City issued $61 million in general obligation pension bonds from 2002-03 to cover part of the cost of MERF retirements. In 2007, the City successfully pursued legislation related to the MERF "liquidity trigger" which provided relief from the City prepaying the state's obligations to this fund and eliminated the need for the issuance of new MERF bonds in 2007 and 2008. Due to this legislation, the projected 2007 City obligation to MERF, previously anticipated to be approximately $33.5 million, was reduced to $9.9 million. This was financed through the property tax levy ($2.4 million) and cash ($7.5 million).

The 2008 obligation to MERF is $5.1 million, of which $2.9 million is financed through the property tax levy and $2.2 million financed through nontax funds. The 2008 budget also allocates funds necessary for the debt service on bonds issued from 2002-03. Debt service in 2008 is $3.2 million, of which $1.9 million is financed through tax funds and $1.3 million in nontax funds.

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 to 2020. The result was a lower upfront annual City contribution that increases over time and extends for a longer period. The City's 2008 contribution to MPRA from the tax levy is $3.6 million. An additional $2.8 million will be required for debt service on the $53 million MPRA bonds that were issued from 2002-04 that would otherwise have fallen on the levy.

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

In 2005, the City resumed contributions to the MFRA. The MFRA was previously 100 percent funded, which meant that the City did not need to make annual contributions. The stock market downturn in March of 2001 resulted in investment performance that reduced the funding level of 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 2008 contribution to MFRA is provided by a tax levy of $3.4 million. The City will also pay an additional $829,000 in 2008 to cover debt service payments on the $4.7 million MFRA bonds issued in 2004.

Teacher's Retirement Association (TRA):

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

Public Employees Retirement Association (PERA):

The 2005 Legislative session increased annual employee and employer contribution levels starting January 1, 2006. For 2008 the employer's level in the coordinated plan moves from 6.25% to 6.5%. The police and fire plans' employer's level moves from 11.7% to 12.9%. The estimated incremental cost to the City in 2008 is $2 million, which is covered in the budgets of the departments where the employees work.

	2007	Minus Library	2007 Adjusted	2008 CSL	Change
PERA	$11.2	$ (600)	$10.6	$11.8	$1.2
PERA Police & Fire	$9.6		$9.6	$10.5	$0.9
Total	$20.8	$ (600)	$20.2	$22.3	**$2.1**

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 with the referendum-approved $140 million of debt has been levied. As the debt issuance has taken place the levy amount has increased. For 2008, the levy amount remains at $ 9.3 million. This levy will remain in place through 2032 and will stay with the City's taxpayers after the integration of the libraries with the Hennepin County system.

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 specific to department business, several enterprise-wide themes emerge. A summary 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 ensure 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.

Stadiums
Construction of several major stadiums - the Twins Ball Park, the University of Minnesota’s football stadium and a possible new Viking stadium - has and will continue to increase the workload for the City. Such large development efforts require extensive planning and zoning,

appraisals, and more permit work due to demolition, new construction and redevelopment associated with the projects. The assessor has received numerous information requests in reference to the purchase price of the ball park land. Departments that will be also affected are regulatory services, community planning and economic development, public works and police. All have noted the challenge of the City entering one of its busiest construction phases in history.

2008 Republican National Convention
Hosting a national political convention demands extensive planning and preparations in areas of security, emergency preparedness, public works, marketing and communications. For the police department, increased need for equipment, training and flexibility with staffing are needed to provide an appropriate level of law enforcement. Additional temporary vendors will create additional food testing work for the public health lab. Public works can expect a dramatic workload increase in downtown sweeping, recycling and graffiti cleaning during the four-day convention. A separate cadre of 311 agents may be needed for delegate response. In addition, the convention center will be the delegate credentialing headquarters, with other activities taking place in the facility.

Aging Infrastructure
The collapse of the 35W bridge in August 2007 highlighted the City's aging infrastructure. There are not adequate resources available for maintenance or replacement at most cost-effective frequencies. Public works has begun to tell this story through pavement condition index reporting about the City's roads, bridges and other infrastructure. The fire department has noted a funding shortage for equipment update in the next five to ten years as it reaches the end of the useful life cycle. The city hall and courthouse were in need of upgrading its mechanical and safety system. Similar concerns were also noted by the convention center.

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. Beyond regulation is the city's interest in sustainability. Toward the same goal, regulatory services is looking at a 100% green fleet, an effort that requires a realistic timeframe and substantial funding.

Major Changes in the 2008 Council adopted budget

The 2008 adopted budget recommends the following major changes:

- **911/311 -** The Mayor recommended $300,000 in additional funding to add four 911 operators. The financial direction reduction of $160,000 was not recommended by the Mayor. The Council approved the Mayor's recommendations.

- **Assessor -** The Mayor recommended $75,000 to fund the department's reclassification study from early 2007. The Council approved this recommendation.

- **Attorney -** The Mayor accepted the department's proposal for rent savings ($125,000) to meet the financial direction. (This choice relies upon the Attorney moving to rent free space by 2010.) The Mayor also moved the corrections billings into the department's budget, and accepts the savings that can be achieved by closer scrutiny of these bills for non-Minneapolis expenses. Additional funding for restorative justice ($40,000) brings the department's total for this activity to $75,000. The Council approved these changes.

- **BIS –** The Mayor recommended a reduction of $500,000 to the department's budget, to be achieved through position and non-personnel reallocation. The Council approved this change.

- **City clerk -** The Mayor funded the department's request for additional elections resources at $100,000. The budget includes a reduction of the clerk-operations budget of $100,000. The Council eliminated $50,000 of this reduction. The Council also directed the Clerk to return to the Ways and Means Committee in the first quarter with a report on charging back departments for records storage and disposal.

- **Civil rights –** The Mayor recommended a reduction of $50,000 in the department's budget, a reduction not anticipated in the 2008 financial direction. The Council approved this action.

- **Coordinator administration –** A reduction of $100,000 was recommended in this area by the Mayor – an amount not included in the 2008 financial direction. Council approved this action. The Mayor's budget included moving a position related to strategic partnerships from CPED to the Coordinator's administrative budget. This move consists of $150,000 and one position. Council approved this action.

  Sustainability initiatives ($230,000 total) were included in the Mayor's budget, which the Council approved at the following levels:

  Ongoing program support - $55,000
  Tree trust (one time funding) - $75,000
  Community micro grants (one time funding) - $100,000

- **Communications –** The Mayor recommended reducing the Minneapolis Telecommunications Network contract by $100,000 on a one-time basis; and directed the funding to the Minneapolis Wireless Portals Project. The Council reinstated $100,000 to the MTN contract. The Council funded the Wireless portals project at $100,000 on a one-time basis from the self insurance fund, contingent upon finalization of the Metropolitan Airports Commission settlement and payment to the self insurance fund. The department will reduce its capital expenditures by $25,000, a reduction not anticipated in the financial direction for 2008. Council approved this action.

- **Community planning and economic development –** The Mayor recommended a reduction of $210,000 to the department's budget, to be achieved through expense reallocation among CPED funds. This reduction increased by $175,000 from the adopted 2008 financial direction. The Council approved this change.

  The Mayor's budget included moving a position related to strategic partnerships from CPED to the coordinator's administrative budget. This move consists of $150,000 and one position. The Council approved this change.

  An incentive fund for City employees and Minneapolis Teachers to purchase foreclosed properties was recommended by the Mayor. The Council approved this change.

  The Mayor moved $343,000 in citizen participation funding to the Coordinator. The Council did not approve this change.

- **Convention center –** The Mayor recommended a one-time increase to the convention center's budget to fund the Republican National Convention (RNC) coordination of a community fest. The Council directed the City Coordinator to present a detailed proposal for the funds to the Ways & Means/Budget committee in early December; after this presentation the funding was maintained in the budget.

  The Mayor also funded $420,000 of increased energy costs, with the direction that the convention center uses a portion of the funds for energy efficiency improvements. The Council approved this change.

  The13th Avenue pedestrian improvements project was funded in the recommended budget. The Council approved this item.

- **Council -** The Mayor's budget represented the council as a separate department. The Council did not approve this change. The City Clerk/City Council budgets will be in the same accounting format as the 2007 budget.

- **Finance –** The Mayor accepted the $200,000 reduction to the finance department, as included in the 2008 financial direction. The Council approved this reduction.

- **Fire –** The Mayor recommended an increase to the department's budget of $300,000 for the standard of coverage. This change combined with other internal reallocations included in the department's budget allows for the addition of three positions to the department. Council approved this item.

- **Health and family support –** The Mayor added $100,000 in one-time funding for domestic abuse efforts. The Council approved this one time funding.

  The Mayor recommended the youth violence prevention steering committee to be funded at $100,000, from community development block grant funding. The Mayor recommended $150,000 in funding for the You^th are Here buses, a contract of this department. The Council redirected an additional $75,000 from You^th are Here buses to youth violence prevention grants and directed the Health department to work of prioritizing refunding for these programs. The final Council budget includes total funding for the You^th are Here buses at $75,000 and youth violence prevention at $175,000.

  A $50,000 reduction is included in the department's budget, a reduction not included in the 2008 financial direction. The Mayor recommended $15,000 in one-time funding for safe routes to school. The Council approved these recommendations.

- **Human resources -** The Mayor's recommendation left the human resources budget at the current service level – their growth was less than anticipated, so an additional reduction was not needed to reach the 2008 financial direction.

- **Intergovernmental Relations –** The Mayor's budget added $150,000 for federal lobbying with an expanded focus on federal appropriations. Homeless outreach workers were funded in the budget at $100,000 on a one-time basis. The Mayor added $30,000 to enhance funding for the grants manager position. The Council approved these changes.

  The Coordinator proposed transforming intergovernmental relations to government and community relations (GCR) through shifts within his own departments. As part of this proposal, the Mayor moved $343,000 in citizen participation funding from CPED. The Council did not approve these changes.

- **Library -** The Mayor's recommended budget included full funding of the City's funding plan for the integration of the City library system with Hennepin County. The general fund included the following resources:

Property taxes at projected 2008 level	$13.8 million
Local Government Aid at 2007 level	$ 6.8 million
Enhanced funding (scales back annually)	$ 1.5 million
Total	$22.1 million

These City funds are in addition to the approximately $1 million in revenue that the Library receives from other sources, such as consulting services, rental fees, and other state and federal resources.

Further, the Mayor's budget included $500,000 million in capital projects funded from net debt resources, as included in the funding plan. Also, the City will continue to pay the library's share of pension debt service. The $9.3 million referendum for the central and community libraries continues to be levied on City taxpayers only. The Council approved these recommendations.

- **Police –** The Mayor made current service level adjustments to the police department budget as follows:

  - Additional revenue related to state law which changed the split of fine revenue between the City and Hennepin County. The City will now receive 80% or the collections, instead of 60%. ($1 million)
  - Removal of attrition savings assumption ($2.5 million). Beginning in 2005, the department used this strategy to handle an ongoing reduction to the budget. (The need for this reduction resulted from the department's current service level budget outstripping City-wide assumptions.) The result of removing this assumption is that as normal attrition occurs, the department will be able to use these savings. In other words, the department will experience increased resource flexibility.

  The Mayor recommended an additional $800,000 in police overtime, $500,000 from the sales tax fund, with the remainder from the general fund.

  Taxi Inspections ($150,000 for two positions) were moved from police to regulatory services.

  The Council concurred with these recommendations.

- **Public works – transportation maintenance and repair –** The 2008 adopted financial direction included a reduction to the public works department of $1 million. The department's growth in spending was less than expected – the current service level needed a reduction of only $500,000. This reduction is achieved through reducing equipment hours in snow and ice control and related materials cost ($300,000). Also, the department recommended an increase to lane obstruction and closure fees to more closely match experience ($200,000). The Mayor accepted these recommendations. The Council approved these recommendations.

The Mayor included $50,000 (one-time) and an additional position for special service district administration. The department will need to find an additional $50,000 to fund the remainder of the position and will need to identify long-term funding. The Council approved this recommendation.

- **Public works – property services -** The Mayor recommended $25,000 for the City's long-term renewable energy projects, to support the energy manager's work to identify ongoing sources for renewable energy in line with the City's sustainability goals. The Council approved this recommendation.

- **Public works – water –** The Mayor added $50,000 for maintenance of public drinking fountains. The Council approved this recommendation.

- **Public works - solid waste and recycling –** The Mayor recommended $150,000 in one-time general fund resources to supplement the existing graffiti program. The Council approved this recommendation.

  The Mayor also recommended $300,000 on a one-time basis for a pilot program for alternative disposal of organic waste. The Council approved this recommendation.

- **Regulatory services –** The Mayor's recommended budget included a $400,000 reduction to the department's budget. An additional position ($60,000) was added to support task force efforts on problem businesses.

  Taxi Inspections ($150,000 for two positions) were moved from police to regulatory services.

  The Council concurred with these recommendations.

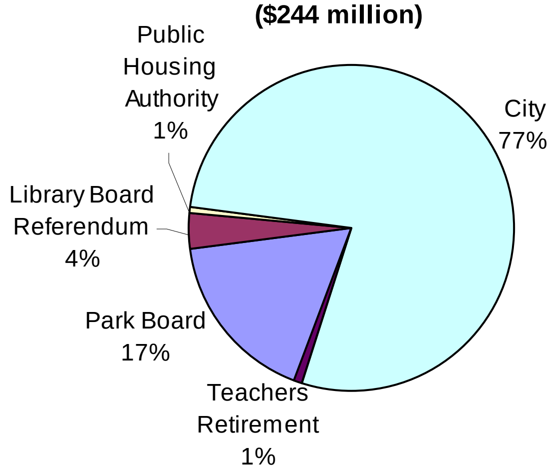
- **YCB –** The Youth Coordinating Board's contract was increased by $150,000 by the Mayor to fund the Youth are Here buses ($50,000 in one-time funding in the general fund and $100,000 in community development block grant funding). The Council redirected $75,000, ($50,000 general fund, $25,000 CDBG funding) to support youth violence prevention grants and directed the health department to prioritize refunding for these programs, leaving a total of $75,000 for this program.

Property Tax and Fee Changes

- **Property tax revenue**

The 2008 Council adopted budget includes an estimated net tax capacity rate of 57.454 percent; this rate is the combined rate for the City, board of estimate and taxation, park and recreation board, municipal building commission (MBC), and the City's special levies for the Minneapolis public housing authority (MPHA) and teachers retirement association (TRA). The library referendum is a market value based tax estimated at .02479 percent for 2008 and is not included in the net tax capacity rate. This estimated net tax capacity rate will levy an additional $18.1 million in property taxes, an 8 percent increase over the 2007 adopted budget. The City's net tax capacity (after reductions for tax increment and fiscal disparities) is projected to increase by 9.5 percent for taxes payable 2008, from $375 million to $410 million.

Property Tax Allocation By Fund
($244 million)



In total, the property tax levy for the City, its independent boards and special levies for MPHA and TRA will increase by 8 percent from 2007 to 2008 or by $18.1 million, based on the 2008 adopted budget. This increase is consistent with the City's adopted property tax policy.

Of the $18.1 million increase in property tax revenue, $16.3 million will be used by the City and $1.8 million by the park board. The City will use its share to increase funding for internal service fund obligations ($2.2 million), to increase public safety spending ($4.7 million), pension obligations ($2.1 million) and for other general fund changes ($7.3 million). The City's share also includes $13.8 million in property taxes for city libraries, which in 2009 and beyond is anticipated to be levied by Hennepin County.

The Park Board revenue increase of $1.8 million is the net result of a 4 percent increase in adopted tax policy and $0.2 million of additional funding for a capital infrastructure gap (for a total increase of 4.4%).

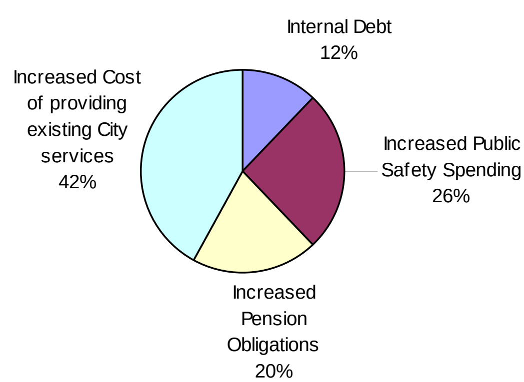
Uses of new property tax revenue - $18.1 million in 2008

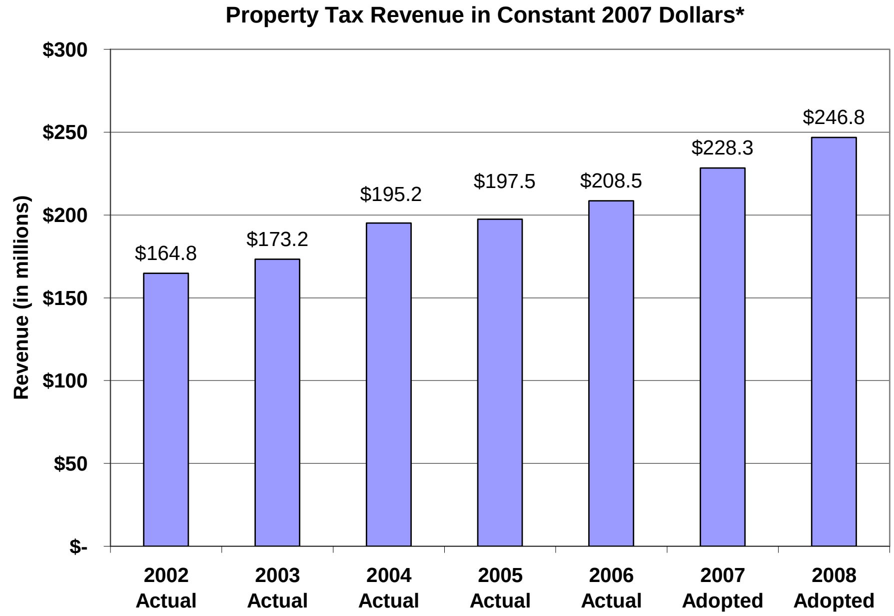
Internal Debt:
$2.2 million

Increased Public Safety Spending:
$4.7 million

Increased pension obligations:
$3.6 million

Increased cost to provide existing City services:
$7.6 million





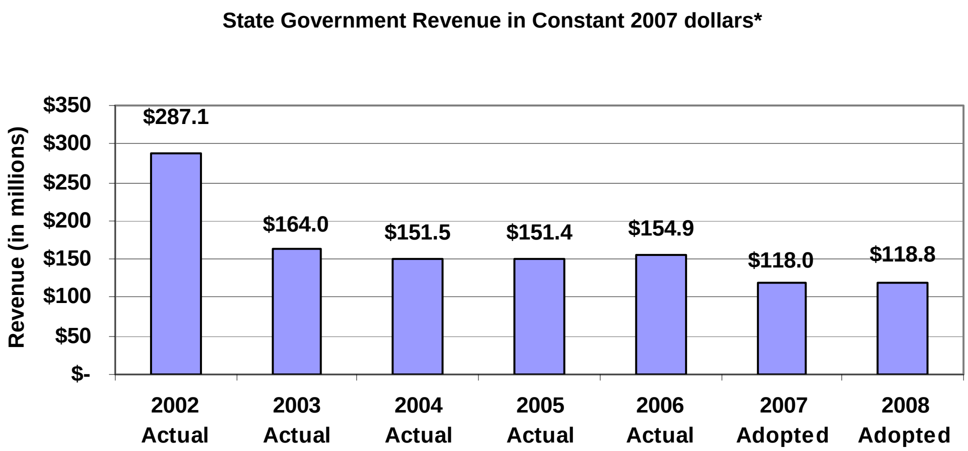
*This revenue chart shows the trend of City revenues adjusted for inflation using the Consumer Price Index (CPI).

➢ State Aid

The State Legislature decreased the City's LGA allocation for 2008 to $82.2 million, a $1.8 million reduction from last year.

	2007 LGA Distribution %	2007 LGA Distribution	2008 LGA Distribution %	2008 LGA Distribution	Percentage Change from 2007	Dollar Change from 2007
General Fund	79.79%	$67,000,000	87.86%	$72,300,000*	8%	$5,300,000
Park	11.82%	9,900,000	11.82%	9,700,000	-2%	(200,000)
MBC	0.33%	270,000	0.33%	250,000	-7%	(20,000)
Library	8.08%	6,800,000	-	-	-	-
	0.33%	**$ 83,980,000**	**100%**	**$ 82,200,000**	-2%	$ (1,780,000)

*This amount reflects the result of the library consolidation with Hennepin County. The portion of City LGA that would have been allocated to Minneapolis Libraries (8.08% or $6,590,000) now is allocated to the City's General Fund and used to partially fund the City's 2008 operating contribution to Hennepin County of $22.1 million.



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

Stormwater, Sanitary Sewer and Water Utility Fees: The 2008 Council adopted budget includes an increase in utility rates of $0.08 per 100 cubic feet for water, $0.15 per 100 cubic feet for sanitary sewer, and $0.49 per equivalent stormwater unit for stormwater services. These increases are necessary to fund investments for the City's sanitary sewer and stormwater management services and water treatment and distribution systems. This represents a 3% increase for water fees, a 6.5% increase for sanitary sewer services and a 5% increase for stormwater. The average monthly charge per residential dwelling is $22.00 (based on average usage of 800 cubic feet) for water, $14.70 (based on average usage of 600 cubic feet) for sewer, and $10.26 for stormwater.

Combined utility bill
Monthly and annual cost for average consumer

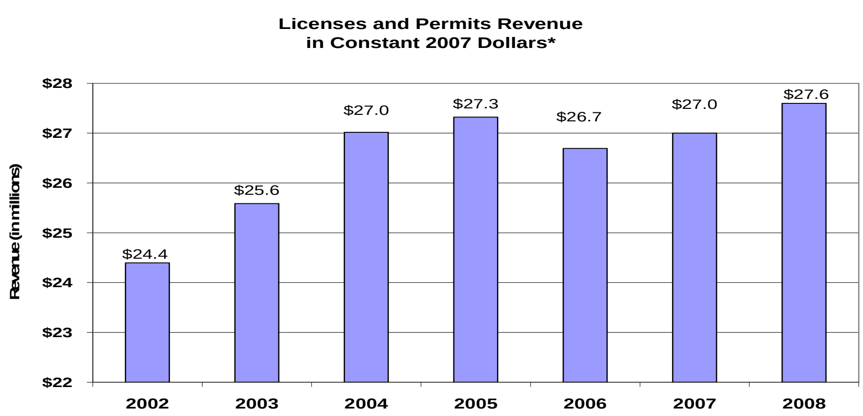
	2007	2008 Monthly Average	2008 Annual Average	2008 monthly dollar change	2008 % change
Sanitary Sewer	$13.80	$14.67	$176	$0.87	6.28%
Storm Water	$9.77	$10.25	$123	$0.48	4.91%
Water	$21.36	$22.00	$264	$0.64	3.00%
Solid Waste/Recycling	$23.00	$23.00	$276	$0.00	0.00%
Total	$67.93	$69.92	$839	$1.99	2.92%

- **Solid waste and recycling fee:** The 2008 Mayor's recommended budget increased the solid waste and recycling fee by $0.75 to $23.75, the average monthly charge per dwelling. Due to better revenue performance than expected in the fund, the Council did not approve this change.

- **Franchise fees:** The 2008 adopted budget anticipates the total franchise fee revenue to remain at the 2007 level of $27.1 million.

- **Community development block grant:** The 2008 CDBG budget anticipates no reduction in funding from the U.S. Department of Housing and Urban Development.

- **Other fee changes:** The licenses and permit fee revenue is expected to increase from $27 million to approximately $27.6 million in 2008 due to increases in the rates charged for some of the licenses and permits. The 2008 Council adopted budget is structured so as to prevent the property taxpayers from having to subsidize fee-based services.

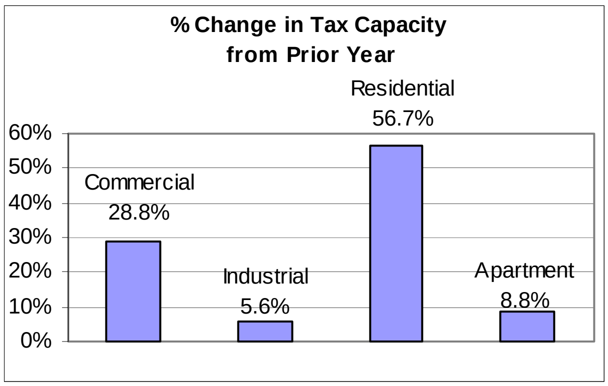


*This revenue chart shows the trend of City revenues adjusted for inflation using the Consumer Price Index (CPI).

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 property group.

Group	2007 Estimated Market Value	% Total	% Ch.	Tax Capacity	% Total	% Ch.
Commercial	$6,877,117,100	18.0%	12.0%	$134,960,123	28.8%	12.2%
Industrial	1,345,013,600	3.5%	3.0%	26,411,202	5.6%	3.1%
Residential	26,563,306,400	69.4%	2.6%	265,635,897	56.7%	9.9%
Apartment	3,451,911,600	9.0%	3.3%	41,466,508	8.8%	3.4%
Other	24,967,000	0.1%	8.7%	374,509	0.1%	8.7%
Total	**$38,262,315,700**	100%	4.3%	**$468,848,239**	100%	9.6%



The market value and tax capacity data shown above does not include personal property, which is estimated to have a market value of approximately $391.8 million and a corresponding tax capacity of $7.4 million for taxes payable 2008. With personal property included, gross tax capacity is estimated to increase from the prior year by approximately 9.3 percent.

The following table provides the estimated changes in tax increment financing, fiscal disparities contribution, and fiscal disparities distribution for taxes payable 2008:

For Taxes Payable in 2008	
Real Estate Tax Capacity	$ 391,881,100
Personal Propety Tax Capacity	$7,437,868
Gross Tax Capacity	$476,286,107
- Less Increment Financing	($70,371,110)
- Less Fiscal Disparities Contribution	($45,264,934)
+ Plus Fiscal Disparities Distribution	$50,007,587
Net Tax Capacity	**$410,657,650**

NOTE: Adjustments were made to these numbers to estimate conditions in 2008, based on historical experience.

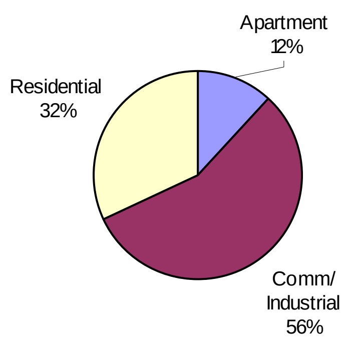
Property Values and Tax Trends

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 classification rate for one property type through changes in the classification system, the taxes are redistributed throughout the property types. The same principle applies for market value referendums. Different property classifications result in a different tax burden as a result of the classification rates of the State's property tax classification system. Property taxes are a function of the market value taken times the classification 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 which resulted in a redistribution of the burden to lower and mid-value residential properties.

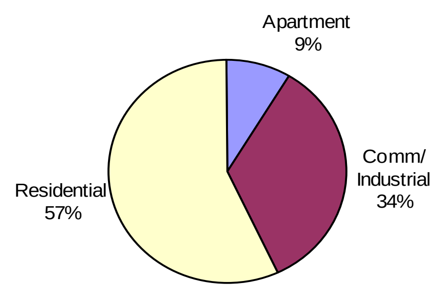
In 2001, the State Legislature enacted a statewide property tax on commercial, industrial and seasonal-residential recreational properties. The State of Minnesota now receives approximately 26% of the property taxes paid on those property types. Until the 2001 property tax reform, property taxes were 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 2008 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 1997; it is estimated that this percentage will be 57 percent for payable 2008. This represents a complete reversal in the share of the City's tax burden between the two property types.

Tax Capacity – Taxes Payable 1997
($330 million)



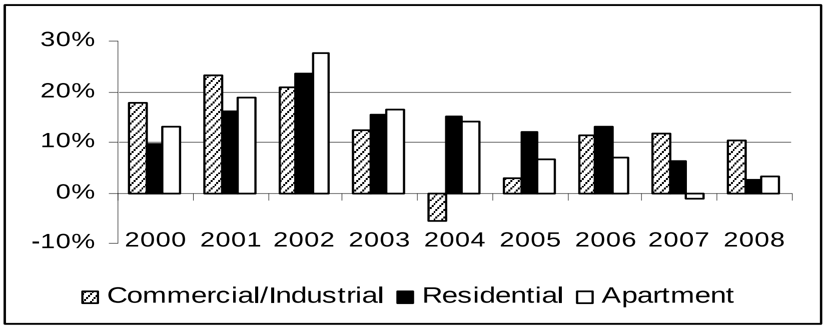
Tax Capacity – Taxes Payable 2008
($469 million)



The changes in distribution of tax base are a function of both market conditions and changing class rates. The table on the next page shows the growth in the market value by the three main property type classifications from payable 2000 to 2008:

	Change in Market Value		
Payable	**Commercial/Industrial**	**Residential**	**Apartment**
2000	17.70%	9.50%	13.00%
2001	23.10%	16.00%	18.70%
2002	20.80%	23.40%	27.50%
2003	12.50%	15.40%	16.40%
2004	-5.50%	15.10%	14.10%
2005	3.00%	12.20%	6.50%
2006	11.40%	12.90%	6.80%
2007	11.80%	6.40%	-1.20%
2008	10.41%	2.63%	3.31%

Change in Market Value



Increases in residential taxes were buffered because of the enactment of the limited market value (LMV) law. This law limited the percentage increases in taxes on residential property by establishing a lower (i.e. limited) market value to which the tax rate was applied instead of the higher actual market value of the property. 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 2008. More recently, the 2005 legislature extended the phase-out of the LMV program two additional years to 2009. This two year extension resulted in a more gradual recapture schedule of the LMV program. The final two years of the LMV program mirror the original phase-out schedule approved by the 2001 legislature.

Minneapolis had a difference of over $2.31 billion dollars between total residential market value and limited market value in 2006; this is down 75% from $4.04 billion in 2005. We anticipate the limited market value for 2007 to be approximately $0.78 billion.

As the limited market value continues to phase out, even if the real estate market remains flat, this will cause a shift in tax burden to residential property. Based on Minneapolis residential sales for year-end 2006 and the first half of 2007, reports from local professional real estate associations, the trend in residential values is mixed. While some properties in high demand neighborhoods continue to be stable or see slight 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 rates of foreclosures are at their highest level due in part to sub-prime lending practices and increasing interest rates. Recently, the Federal Reserve has reduced the prime lending rate to facilitate the recovery of the housing market many areas across the country, including Minneapolis.

The central business district (CBD) in 2007 is maintaining its strong 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 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 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.

In 2007, the suburban office market is seeing new speculative Class A buildings. Although the suburban area has recovered first from an over-supply of office space, the CBD continues to hold its own based on the amenities it provides. The 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 healthy in 2007. Certain sectors have shown greater growth, but overall there has been a slow steady growth in commercial and industrial real estate.

2008 Council Adopted Budget
Property Tax Levy

	2007 Adopted Levies	2008 Adopted Levy	% Chg from 2007	$ Chg from 2007
Total by Major Funds:				
General Levies	$194,545,990	$212,898,497	9.4%	$18,352,507
Special Levies	31,443,653	31,170,319	-0.9%	(273,334)
				-
Grand Total	$225,989,643	$244,068,816	8.0%	$18,079,173
Total by Entity:				
City*	$159,840,041	$189,475,476	18.5%	$29,635,435
Park Board	40,005,789	41,778,021	4.4%	1,772,232
Library Board**	13,377,160	-	-	-
Library Board Referendum	9,300,000	9,300,000	0.0%	-
Public Housing Authority	1,216,653	1,265,319	4.0%	48,666
Teachers Retirement	2,250,000	2,250,000	0.0%	-
Grand Total	$225,989,643	$244,068,816	8.0%	$18,079,173

**Includes the municipal building commission , board of estimate and taxation, libraries and pension levies*

***After integration of library with Hennepin County, this obligation continues as part of the City's funding plan through 2032, when the last of the debt will be repaid on these projects.*

2008 Adopted Budget
Tax Rates and Levies
*Based on information available as of November 1, 2007

NET TAX CAPACITY BASED (NTC) LEVIES

City Levies	2006 Tax Rate (%)	2006 Total Tax Levy $$	2007 Tax Rate (%)	2007 Total Tax Levy $$	2008* Tax Rate (%)	2008* Total Tax Levy $$
General Fund[1]	33.882	$114,661,106	33.543	$126,180,059	37.730	$155,082,373
	0.068	229,247	0.064	240,417	0.061	250,034
Building Commission	1.135	3,839,006	1.067	4,012,566	1.016	4,173,069
Permanent Improvement	0.561	1,897,240	0.431	1,619,000	0.394	1,619,000
Bond Redemption	5.847	19,784,607	4.965	18,677,000	4.466	18,355,000
Firefighter's Relief Association	0.410	1,385,000	0.821	3,086,000	0.831	3,415,000
Police Relief Association	0.655	2,215,000	0.964	3,625,000	0.886	3,641,000
Minneapolis Employees Retirement Fund	0.850	2,875,000	0.638	2,400,000	0.716	2,940,000
Sub-Total	43.408	$146,886,206	42.493	$159,840,042	46.100	$189,475,476
Park and Recreation	11.248	38,064,605	10.635	40,005,789	10.165	41,778,021
Library Board [2]	3.777	12,779,000	3.557	$13,377,160	0.000	$0
Sub-Total City Levies	**58.433**	**$197,729,811**	**56.685**	**$213,222,991**	**56.265**	**$231,253,497**
City-Related Special Levies						
Public Housing	0.345	1,169,859	0.322	1,216,653	0.307	1,265,319
Teachers' Retirement	0.659	2,250,000	0.593	2,250,000	0.542	2,250,000
Watershed Districts [3]	1.072	3,676,000	1.121	5,990,820	1.404	6,703,804
Sub-Total City-Related Specials Levies	**2.076**	**$7,095,859**	**2.036**	**$9,457,473**	**2.253**	**$10,219,123**
Other Special Levies						
Hennepin County	36.433	$124,030,325	34.797	134,463,075	34.646	142,588,236
Minneapolis Public Schools	25.628	122,127,506	24.225	128,524,601	21.944	129,465,663
Other Special Taxing Districts [4]	4.168	13,930,947	4.242	15,374,768	4.264	16,742,474
Sub-Total Other Specials Levies	**66.229**	**$260,088,778**	**63.264**	**$278,362,444**	**60.854**	**$288,796,373**
TOTAL NTC BASED LEVIES	**126.738**	**$464,914,448**	**121.985**	**$501,042,908**	**119.372**	**$530,268,993**

REFERENDUM MARKET VALUE BASED (RMV) LEVIES

	2006 Tax Rate (%)	2006 Total Tax Levy $$	2007 Tax Rate (%)	2007 Total Tax Levy $$	2008* Tax Rate (%)	2008* Total Tax Levy $$
Minneapolis Public Library Referendum	0.02651%	$8,100,000	0.02688%	$9,300,000	0.02464%	$9,300,000
Minneapolis Public Schools Referendum	0.09911%	30,284,000	0.09311%	36,690,461	0.08749%	33,030,968
Solid Waste Fee [5]	0.01585%	4,859,000	0.01571%	5,497,000	0.01583%	5,992,312
	0.14147%	$43,243,000	0.13570%	$51,487,461	0.12796%	$48,323,280
TOTAL RMV BASED LEVIES	**0.14147%**	**$43,243,000**	**0.13570%**	**$51,487,461**	**0.12796%**	**$48,323,280**
TOTAL ALL LEVIES		**$508,157,448**		**$552,530,369**		**$578,592,273**

Notes:

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

[2] Included as within the General Fund Levy is $ 13,912,246 for Library operations. The Library Board referendum levy is listed under "Referendum Market Value Based Levies."

[3] The watershed Levy $$ are for watersheds 3 & 6 & 7 & 8, these watersheds silightly adjust the levy rates for the School & County applicable to these areas table shows for payable 2008 with the Tax Rates applicable to watershed #3

Water Shed #	**# 0**	**# 3**	**# 6**	**# 7**	**# 8**
School Rate	21.912	21.944	21.903	21.912	21.912
County Rate	34.623	34.646	34.616	34.623	34.623
Water Shed rate	0.000	1.404	2.030	1.094	0.264
Total NTC Based rate	**117.913**	**119.372**	**119.927**	**119.007**	**118.177**

[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 2008 Tax rate applies to 73.0996% of the Commercial property's taxable value and the area wide rate of 115.782 applies to the remaining 26.9004% in addition to the State rate of 46.000%.

Residential Property Tax and Utility Fees - Sample Bills

Residential Property Home with Estimated Market Value $145,500				
	2007	**2008**	**% change**	**$ change**
Assessed Market Value	$145,500	$145,500	0.0%	$0
Taxable Value	$145,500	$145,500	0.0%	$0
City Property Taxes				
Property Tax	$724	$715	-1.3%	-$9
Referendum Tax	$39	$39	-0.1%	$0
Total City Property Taxes	$763	$754	-1.2%	-$9
Water	$256	$264	3.0%	$8
Storm Water	$117	$123	4.9%	$6
Sanitary Sewer	$166	$176	6.3%	$10
Solid Waste/Recycling	$276	$285	3.3%	$9
Total Utilities	$815	$848	4.0%	$33
Total Property Taxes and Utilities	$1,558	$1,602	2.8%	$44

Residential Property Home with Estimated Market Value $225,500				
	2007	**2008**	**% change**	**$ change**
Assessed Market Value	$225,500	$225,500	0.0%	$0
Taxable Value	$202,100	$225,500	11.6%	$23,400
City Property Taxes				
Property Tax	$1,075	$1,207	12.3%	$132
Referendum Tax	$54	$56	3.0%	$2
Total City Property Taxes	$1,129	$1,263	11.8%	$134
Water	$256	$264	3.0%	$8
Storm Water	$117	$123	4.9%	$6
Sanitary Sewer	$166	$176	6.3%	$10
Solid Waste/Recycling	$276	$285	3.3%	$9
Total Utilities	$815	$848	4.0%	$33
Total Property Taxes and Utilities	$1,944	$2,111	8.6%	$167

Residential Property Home with Estimated Market Value $564,000				
	2007	**2008**	**% change**	**$ change**
Assessed Market Value	$564,000	$564,000	0.0%	$0
Taxable Value	$547,900	$564,000	2.9%	$16,100
City Property Taxes				
Property Tax	$3,225	$3,312	2.7%	$87
Referendum Tax	$147	$152	2.9%	$4
Total City Property Taxes	$3,372	$3,464	2.7%	$91
Water	$256	$264	3.0%	$8
Storm Water	$117	$123	4.9%	$6
Sanitary Sewer	$166	$176	6.3%	$10
Solid Waste/Recycling	$276	$285	3.3%	$9
Total Utilities	$815	$848	4.0%	$33
Total Property Taxes and Utilities	$4,187	$4,312	3.0%	$124

Residential Property Home with Estimated Market Value $1,427,000				
	$2,007		**% change**	**$ change**
Assessed Market Value	$1,427,000	$1,350,000	-5.4%	-$77,000
Taxable Value*	$1,151,000	$1,346,600	17.0%	$195,600
				$0
City Property Taxes				$0
Property Tax	$7,567	$8,998	18.9%	$1,431
Referendum Tax	$310	$362	16.9%	$52
Total City Property Taxes	$7,877	$9,360	18.8%	$1,483
				$0
Water	$256	$264	3.0%	$8
Storm Water	$117	$123	4.9%	$6
Sanitary Sewer	$166	$176	6.3%	$10
Solid Waste/Recycling	$276	$285	3.3%	$9
Total Utilities	$815	$848	4.0%	$33
				$0
Total Property Taxes and Utilities	$9,507	$10,208	7.4%	$701

*There was a qualifying improvement to this property since last year.

Commercial/Industrial and Apartment Property Tax – Sample Bills

Commercial/Industrial Property **$400,000 Valued C/I Property**	**2007**	**2008**	**% Chg**	**$ Chg**
Taxable Value	$400,000	$400,000	0%	$0
City Property Taxes				
City Property Tax	$3,101	$3,027	-2%	-$74
Referendum Tax	$108	$99	-8%	-$9
Total City Property Taxes	$3,209	$3,126	-3%	-$83

Commercial/Industrial Property **$10,000,000 Valued C/I Property**	**2007**	**2008**	**% Chg**	**$ Chg**
Taxable Value	$10,000,000	$10,000,000	0%	$0
City Property Taxes				
City Property Tax	$85,205	$83,174	-2%	-$2,031
Referendum Tax	$2,688	$2,463	-8%	-$225
Total City Property Taxes	$87,893	$85,637	-3%	-$2,256

Apartment Property **$459,000 Valued Apartment Building**	**2007**	**2008**	**% Chg**	**$ Chg**
Taxable Value	$459,000	$503,500	10%	$44,500
City Property Taxes				
City Property Tax	$3,305	$3,594	9%	$289
Referendum Tax	$123	$125	1%	$1
Total City Property Taxes	$3,428	$3,719	8%	$291

Apartment Property **$653,500 Valued Apartment Building**	**2007**	**2008**	**% Chg**	**$ Chg**
Taxable Value	$653,500	$686,000	5%	$32,500
City Property Taxes				
City Property Tax	$4,705	$4,897	4%	$192
Referendum Tax	$176	$170	-3%	-$6
Total City Property Taxes	$4,881	$5,067	4%	$186