City of Minneapolis
2005 Adopted Budget
Ten Year Projection of Demands on the Property Tax

Background

The ten year projection was first produced in spring of 2002. The intent was to surface all the demands on the property tax to which the City had committed. This projection led to the work to adopt the 8% maximum property tax policy in summer of 2002. The maximum property tax policy was adopted by both the City Council and the Board of Estimate and Taxation. In January 2003, the City Council and Mayor adopted a five year financial direction to set parameters for departments when building their business plans.

This is the first update to the ten year projection since the Adopted budget in 2003. This projection adds 2011 and 2012.

Assumptions in the Ten Year Projection

These listed assumptions build on the original work from spring 2002. For complete details on the financial challenges which the City faces, please refer to the original narrative on the "Projected Demands on the Property Tax."

General Fund Operations

- 2% Wage Policy is in effect through 2012
- 19% annual increases in health insurance premiums
- No increase in departmental and City-wide revenue (except for regulatory services revenues which are expected to increase by 3%). Please see the discussion in the 2006-2010 five-year financial direction document earlier under this same tab for more information
- Reductions in revenue related to the parking fund financial plan
- Internal Service Funds work out plan increases continue:
    - Self Insurance $0.5 million in 2006, $1 million annually in 2007-2012
    - Intergovernmental Service Fund (BIS) $1.2 million annually in 2006-2008
    - Equipment $0.7 million in 2006

  The projection includes slight cost of living increases for these operations
- Reductions to general fund operations are needed in each year of the plan

Capital and Debt

- Reductions to both the pay-as-you capital levy and the debt service levies continue in 2006-2009. These reductions were included in the five-year financial direction
- A slight (2%) increase is included for both of these levies for 2010-2012

Independent Boards

- Parameters remain the same for independent board operating levy increases – Park, Library, Municipal Building Commission, Public Housing Authority and the Board of Estimate and Taxation all receive a 4% levy increase to deal with increased costs of providing services
- Increases to support the library referendum levy are included in the projection through 2007
- Pension obligations are funded in each year of the projection. Increases in the property tax levy are currently estimated to cease 2011

City of Minneapolis - Details of Annual Demand (Increases) in Property Tax Revenue

	Adopted			Future Projected Demands on the Property Tax							
(In millions of dollars)	2002	2003	2004	Adopted 2005	2006	2007	2008	2009	2010	2011	2012
City General Fund Operations:											
Net Base Increase (not including Health)	7.5	8.5	2.1	14.3	10.1	10.3	10.5	10.7	10.9	11.2	11.4
Decision Packages - New Programs/Initiatives	2.5		-								
Health Insurance	2.1	2.4	2.2	1.8	3.3	3.9	4.7	5.6	6.6	7.9	9.4
Infrastructure Maintenance Gap Closure Program	0.6	0.4	-	-	-	-	-	-	-	-	
PERA Employer Contribution (change in formula)	0.4		-								
Internal Service Funds	3.2	3.7	3.7	3.9	2.3	2.4	2.5	1.4	1.0	1.1	1.0
Local Govt Aid/HACA - Chg in Distribution	(8.4)	1.0	-								
Tax Abatement	0.5		-								
General Fund Contingency	0.3	0.3	-	-	-	-	-	-	-	-	
Targeted Strategies Needed to Balance Budget	**(13.9)**	**(5.9)**	**-**	**(7.0)**	**(4.2)**	**(7.2)**	**(5.6)**	**(2.5)**	**(3.6)**	**(0.5)**	**(0.6)**
Subtotal	(5.2)	10.5	8.0	13.0	11.5	9.4	12.1	15.2	15.0	19.6	21.2
City Capital/Debt:											
Infrastructure Capital Gap Closure Program began in 1999	1.0	1.0	-	-	-	-	-	-	-	-	
Permanent Improvement Fund	(0.0)	0.2	-	(0.2)	(0.5)	(0.7)	(0.5)	(0.5)	0.1	0.1	0.1
Debt structuring changes	0.9		(2.6)	(3.9)	(4.0)	(2.1)	(1.3)	(1.0)	0.4	0.5	0.6
Public Safety Initiative began in 2001	0.5	0.5	-								
Local Govt Aid/HACA - Chg in Distribution	3.4										
Subtotal	5.8	1.7	(2.6)	(4.1)	(4.5)	(2.8)	(1.8)	(1.5)	0.5	0.6	0.7
City Total	**0.6**	**12.2**	**5.4**	**8.9**	**7.0**	**6.6**	**10.3**	**13.7**	**15.4**	**20.2**	**21.9**
Independent Boards and Special Levies											
Park Board Base Levy	1.9	1.7	1.8	1.6	1.7	1.7	1.8	1.9	1.7	1.8	1.8
Park Board - Local Govt Aid/HACA - Chg in Distribution	1.4	(1.0)	-								
Park Board Operating (Referendum Agreement)	1.2										
Park Board Capital (Referendum Agreement)	2.5	(3.0)	-								
Subtotal Park Board	7.0	(2.3)	1.8	1.6	1.7	1.7	1.8	1.9	1.7	1.8	1.8
Library Board Base Levy	2.0	(0.6)	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.7
Library Board - Local Govt Aid/HACA - Chg in Distribution	(0.6)										
Library Board - Referendum Levy		*0.5*	*3.0*	*3.0*	*1.7*	*1.9*	-	-	-	-	
Subtotal Library	1.5	(0.2)	3.5	3.5	2.2	2.4	0.5	0.6	0.6	0.6	0.7
Municipal Bldg Commission	0.8	0.2	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Community Development - Chapter 595 Special Levy	4.0	-	(2.0)	(2.0)	-	-	-	-	-	-	
Minneapolis Public Housing Authority - Special Levy		0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Teachers Retirement Assoc. - Special Levy	*0.2*	*0.2*	-								
Pension Funds MERF, Police, and Fire (debt service beg in 2003)	*3.9*	*2.0*	*4.5*	*2.3*	*4.5*	*5.8*	*5.3*	*3.2*	*3.2*	-	-
Total Independent Boards and Special Levies	**17.2**	**(0.1)**	**7.8**	**5.5**	**8.6**	**10.2**	**7.8**	**5.9**	**5.7**	**2.6**	**2.8**
Total Annual Increase in Property Tax Revenue	**17.8**	**12.1**	**13.2**	**14.4**	**15.6**	**16.8**	**18.1**	**19.5**	**21.2**	**22.9**	**24.7**
Total Property Tax Revenue	154.0	166.1	179.3	193.7	209.2	226.0	244.2	263.7	284.9	307.7	332.4
Annual Percent Increase	13%	8%	8%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%