City of Minneapolis
FY 2010 Budget

Financial Overview

- Financial Overview 30
- Property Tax Levy 71
- Residential Property Taxes and Utility Fees: Sample Bills 75
- Commercial/Industrial and Apartment Property: Sample Bills 77

City of Minneapolis
FY 2010 Revised Budget

Financial Overview
Prepared by the City of Minneapolis Finance Department

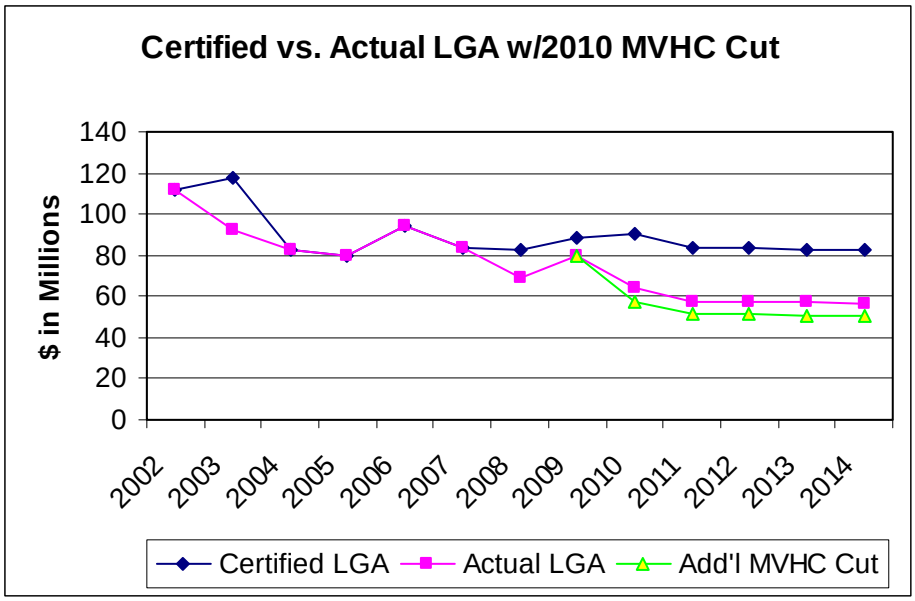
The 2010 Council Revised Budget for all City funds remains at $1.283 billion, an approximate $120 million reduction from the 2009 revised adopted budget. The Council adopted a change in the property tax policy, which includes a tax revenue increase of 7.4% over 2009 levels. This approach will balance the impact of revenue changes given the nature of the City's tax base and reduce the growth of future revenue changes once the financial challenges, such as funding for internal service funds and pensions, have been addressed.

2008 Unallotment and Reduction to the Budget Reserve
In December 2008, the Governor exercised his authority to "unallot" or unilaterally reduce various state appropriations. The appropriation reduction most directly impacting the City of Minneapolis is Local Government Aid (LGA). The City's 2008 LGA was reduced by $13.2 million as a result of these actions. Because the action occurred with only one week remaining in the City's 2008 fiscal year, the City reduced its budget reserves to address the shortfall.

The City's budget reserve serves as both the budgetary reserve and cash flow reserve. The City's adopted financial policies require a budget reserve equal to 15% of the following year's budgeted revenue amount, which would be approximately $55 million at the end of fiscal year 2008. The unallotment action resulted in the reserve falling below the stated policy. The City took action in March 2009 to rebuild reserves that were significantly depleted as a result of the unallotment. The 2010 Council Revised Budget fully rebuilds the City's budgetary reserve to the required 15% level.

2009 and 2010 Unallotments and Legislative Reductions
In June, LGA was reduced through unallotment: $8.5 million in 2009 and $21.3 million in 2010. In addition to these reductions, the Legislature acted to further reduce LGA and Market Value Homestead Credit (MVHC) funding to cities. Additional cuts in 2010 included a $4.7 million LGA cut and a $6.2 million cut to MVHC for Minneapolis. This combined additional $10.9 million cut forced the City to revise its adopted budget for 2010. On April 30, 2010, the Council approved the 2010 Revised Budget after amending the Mayor's Recommendation.

The following tables show the historical LGA appropriations, both the certified amounts and the reductions, including the LGA and MVHC reductions:



*2011 and out years are projected numbers for certified numbers and actuals.

The City's adopted financial policies include a formula for distributing LGA among the City's general fund and the independent boards as shown in the following table:

City and Independent Boards: 2010 LGA Reduction Distribution

	Certified 2010 LGA	Post-Reduction LGA	Difference
General Fund	$ 79,118,244	$ 56,416,914	-$22,701,330
Park Board	$ 10,623,269	$ 7,423,928	-$3,199,341
MBC	$ 270,937	$ 145,889	-$125,048
Total 2010 Reduction	**$ 90,012,450**	**$ 63,986,731**	**-$26,025,719**

The above chart does not include the additional reduction due to loss of the MVHC in the amount of $6.2 million. The MVHC reduction reduces property tax receipts.

Major Highlights

The 2010 Council Revised Budget includes significant changes to the current tax policy and methods for addressing future financial challenges. It is important to be aware of these major changes when making comparisons between budget years.

The major changes include:

- LGA was reduced in 2008, 2009, and 2010. These cuts were initiated in December 2008 when the Governor unalloted $13.2 million from the 2008 distribution of LGA to Minneapolis. In 2009, the Governor unalloted $8.5 million with an additional unallotment of $21.3 million in 2010. Cuts in 2010 above and beyond the initial unallotment included an additional $4.7 million LGA cut and an additional $6.2 million cut to MVHC for Minneapolis. Because of these cuts, Minneapolis cut expenditures to account for the lost revenue.
- In the Council Adopted Budget for 2010, the Council replaced the existing 8% tax revenue policy with a policy based on the financial need to fund activities of the City on

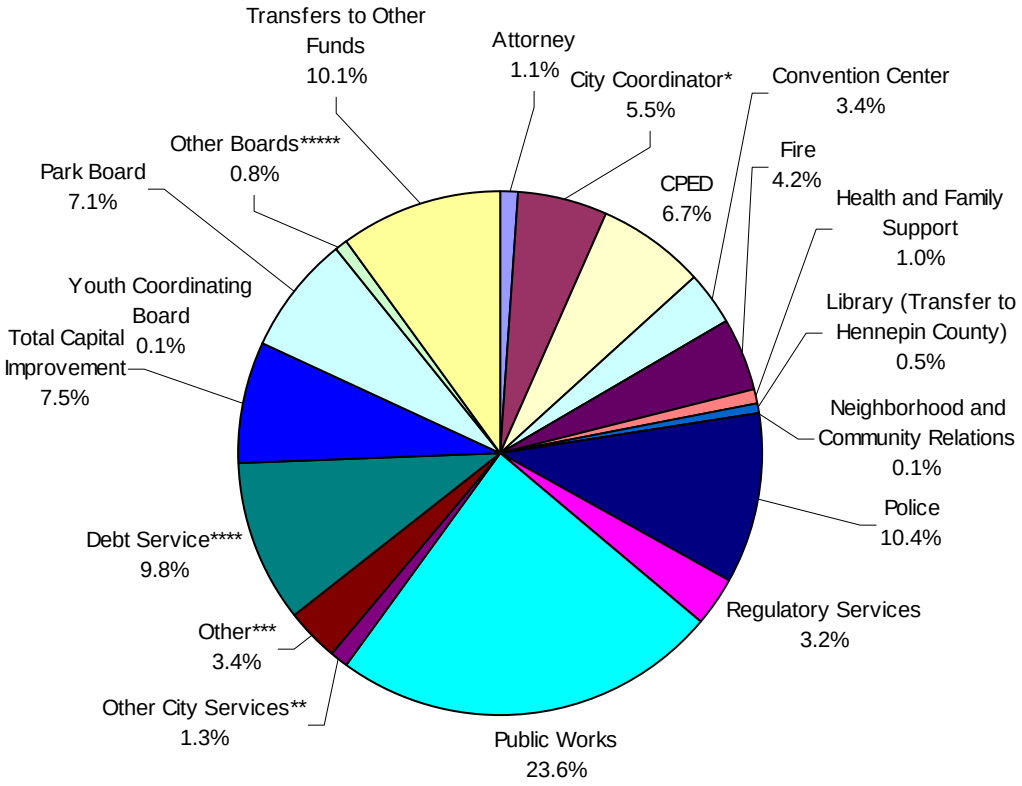
an annual basis. This approach improves transparency and better aligns revenue increases among the City and the independent boards, while addressing shared financial challenges. This approach is intended to balance the impact on taxpayers with anticipated changes to the City's tax base, LGA unallotments and other General Fund revenues in the next several years.

- Future challenges that the 2010 budget plans for in out years are potential reductions in LGA due to State actions, the 2009 TIF district decertification, rising pension obligations, and continuing growth in the cost of providing City services, such as health care cost increases.

City Spending

Below is a summary of the 2010 Revised Budget by major spending categories, which includes transfers between funds and the independent boards.

Total Expense Budget – Use of Funds
2010 Revised Budget
$1.28 Billion



*Includes Human Resources, Finance, 911/311, Intergovernmental Relations, Communications and BIS
**Includes Assessor, City Clerk/Elections/Council, Civil Rights & Mayor
***Includes Non-departmental, Health and Welfare, Workers' Compensation, Liability, Contingency and pensions
****Does not include debt service paid directly from proprietary funds or by independent boards
*****Includes the Neighborhood Revitalization Program, Board of Estimate and Taxation, Municipal Building Commission, and the City allocation to the Minneapolis Public Housing Authority.

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

Expenditures by Service

(In Millions of Dollars)

	2009 Revised Budget	2010 Revised Budget
Attorney	13.5	14.4
City Coordinator*	71.2	70.5
CPED	125.3	86.5
Convention Center	45.7	43.7
Fire	51.3	54.4
Health and Family Support	13.4	12.2
Library (Transfer to Hennepin County)	7.5	6.7
Neighborhood and Community Relations	1.0	1.4
Police	128.4	133.6
Regulatory Services	32.7	41.5
PW - Administrative Services	2.6	2.7
PW - Eng. Materials & Testing	1.7	0.7
PW - Fleet	42.1	43.1
PW - Property Services	21.9	21.1
PW - Solid Waste	32.5	33.5
PW - Traffic and Parking	50.1	53.3
PW - Transportation Maintenance and Repair	32.6	32.9
PW - Transportation Planning and Engineering	14.3	11.4
PW - Water Treatment & Distribution	47.9	48.4
Surface Water & Sewers	55.3	55.9
Public Works Subtotal	**301.1**	**303.1**
*Other City Services***	17.0	16.5
*Other****	107.0	43.4
Debt Service****	138.3	126.2
Total Capital Improvement	118.8	96.0
Subtotal	**372.4**	**282.2**
Youth Coordinating Board	1.9	1.5
Park Board	90.3	91.5
*Other Boards*****	12.1	9.8
Subtotal	**104.4**	**102.8**
Total Expenditures Without Transfers	**1,278.1**	**1,153.1**
Transfers to Other Funds	128.1	129.7
TOTAL DEPARTMENTS	**1,406.2**	**1,282.8**

*Includes Human Resources, Finance, 911/311, Intergovernmental Relations, Communications and BIS
**Includes Assessor, City Clerk/Elections/Council, Civil Rights & Mayor
***Includes Non-departmental, Health and Welfare, Workers' Compensation, Liability, Contingency and pensions
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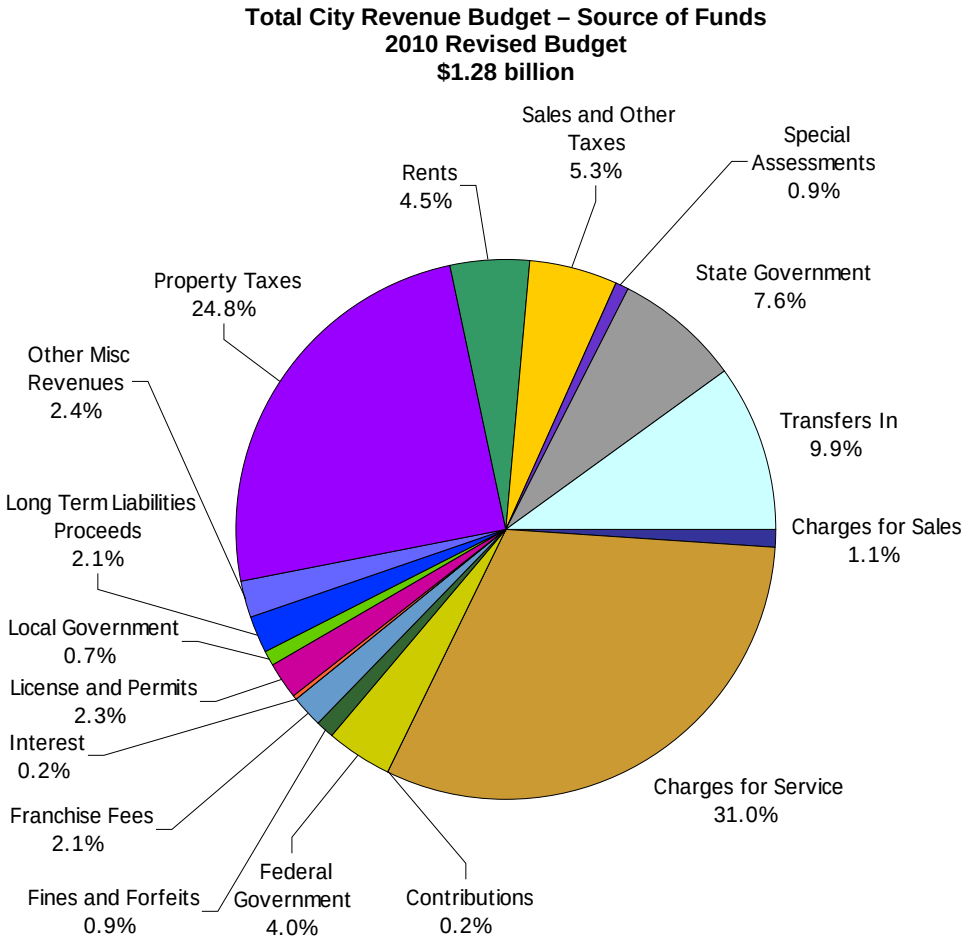
Note: See "City Council Operating Departments" and "Independent Boards and Agencies" sections in the budget document for further explanation of changes between years.

City Sources of Revenue

Below is a summary of the 2010 Revised Budget revenues by major category.



In 2010, the City forecasts $1.28 billion in revenue from a variety of sources. 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 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 revenues through assessments for current services, 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, etc.) with property taxes and LGA.

	2009 Revised Budget	2010 Revised Budget
Interest	3.3	3.1
Charges for Service	447.0	374.4
Transfers In	158.1	136.7
Sales and Other Taxes	59.5	62.6
Property Taxes	323.1	317.0
Fines and Forfeits	12.1	11.0
Special Assessments	17.9	13.6
Charges for Sales	28.8	15.1
Federal Government	41.4	54.5
License and Permits	28.2	30.7
Other Misc Revenues	29.4	29.5
Long Term Liabilities Proceeds	54.8	35.3
Gains	0.2	0.3
Contributions	2.1	2.3
State Government	118.1	101.7
Local Government	8.6	9.3
Franchise Fees	28.1	29.1
Rents	60.9	55.2
Total Revenues	**1,421.5**	**1,281.4**

LGA is reflected in the State Government line.

The charges for service category dropped primarily due to a payments practice change – payments for medical and life insurance are now paid directly to vendors and no longer passed through the Self Insurance Fund. The property taxes category shows little change due to reduced tax increment property tax revenue because of the decertification of the Common Project, offset by the property tax levy increase.

Franchise Fees

Utility companies pay the City franchise fees for their use of the public right-of-way. Franchise fees are calculated as a percentage of each company's total utility revenues, so the amounts paid to the City vary. The 2010 Council Revised Budget anticipates the total franchise fee revenue to increase by $1 million from the 2009 adopted budget, from $28.1 million in 2009 to $29.1 million in 2010.

There are four franchise agreements that provide revenue for the City. The franchise agreement with Xcel Energy for electricity requires the company to pay the City 5% of its gross revenues for Minneapolis residential service customers, 3% of gross revenues for Minneapolis commercial/industrial customers, and 5% 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. Xcel does not provide natural gas services in Minneapolis. For 2010, the Council Revised Budget anticipates Xcel will pay the City $15.0 million from this agreement.

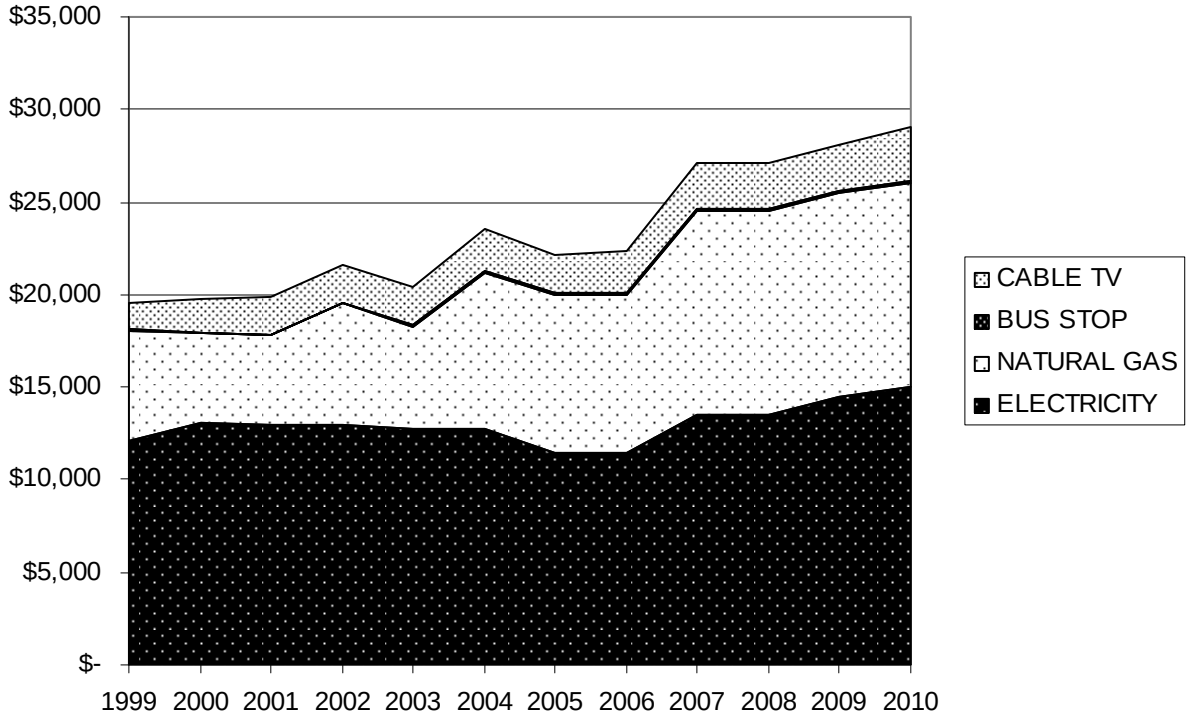
The franchise agreement with CenterPoint Energy for natural gas requires the company to pay the City 4.25% of gross revenues for Minneapolis residential buildings with four units or less, 5% for small commercial/industrial/firm or "interruptible" customers (customers who have agreements to allow their service to be interrupted, generally during peak loads), and 3% for large volume interruptible customers. This franchise agreement expires on Dec. 31, 2015. For

2010, the Council Revised Budget anticipates CenterPoint Energy will pay the City $11 million from this agreement, anticipated to be level from the 2009 amount.

The city also has two smaller franchises. The bus stop advertising franchise will generate approximately $110,000 in revenues for the City in 2010, and the City's cable television franchise is anticipated to generate $3.0 million for the City in 2010. 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 $400,000 from subscribers for the access fee in 2010. 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 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 after cable installations, provides continuous availability of PEG access channels and protects consumer rights.

Franchise Fee Revenue 1999-2010
(in thousands)



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 29.0% of the 2010 Council Revised Budget.

Enterprise Funds include services that the City provides that operate more like a "business." Charges for services are expected to recover operating costs, indirect costs, capital investments, and interest expense. Enterprise services of the City include sanitary sewer services, stormwater management and 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 to City departments. Internal services include information technology, equipment rental (*e.g.* police squad cars and fire equipment), property services, tort claims, and workers compensation claims.

Capital project funds include permanent improvement and arbitrage funds and are used for the construction of infrastructure projects.

Special revenue funds are used for personnel, operating costs, contractual services and equipment. These funds support the convention center, health and family support, public safety, and ongoing support of closed pension funds.

Debt service funds are used to pay interest and principal on City debt.

The following tables reflect the expenditures and revenues for these funds:

Expense and Revenue by Fund Type
(in millions of dollars)

	2009 Revised Budget	2010 Revised Budget	Pct Increase
Expense:			
GENERAL	363.8	371.6	2.1%
SPECIAL REVENUE	340.8	345.1	1.3%
CAPITAL PROJECT	70.0	70.2	0.3%
DEBT SERVICE	110.0	70.7	-35.7%
INTERNAL SERVICE	223.2	153.5	-31.2%
ENTERPRISE	298.3	271.7	-8.9%
Total	**1,406.2**	**1,282.8**	**-8.8%**

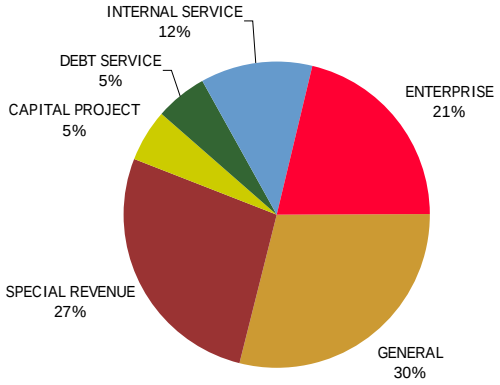
	2009 Revised Budget	2010 Revised Budget	Pct Increase
Revenue:			
GENERAL	363.8	371.6	2.1%
SPECIAL REVENUE	351.9	338.2	-3.9%
CAPITAL PROJECT	63.5	65.1	2.5%
DEBT SERVICE	105.6	73.3	-30.6%
INTERNAL SERVICE	239.4	166.9	-30.3%
ENTERPRISE	297.3	266.5	-10.4%
Total	**1,421.5**	**1,281.4**	**-9.9%**

Internal service funds dropped $69.7 million due to a practice change – payments for medical and life insurance are now paid directly to vendors and no longer are passed through the Self Insurance Fund. There was also a $2.5 million drop in the Stores Fund for a change in the way inventory transactions are handled in the City's financial systems. Another $3.0 million drop appears in the Engineering Materials and Testing Fund due to an accounting change related to charges for asphalt and concrete.

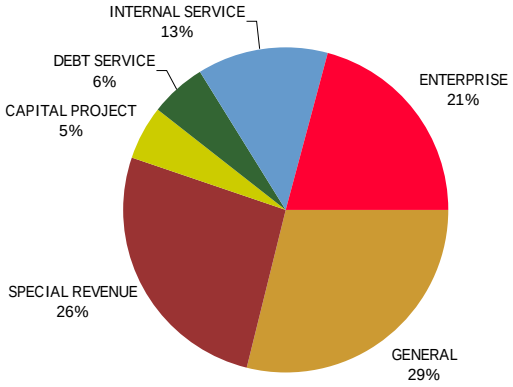
Debt service funds had major drops due to Common Project debt and other outstanding debt being paid off in 2009.

Enterprise funds also dropped due to pre-payments of outstanding debt obligations and changes to debt service structures as a result of 2009 refunding transactions. Another significant portion of the drop in the enterprise funds was due to capital appropriations being lower in 2010 by over $23 million, primarily due to the New Water Filter Presses Project being appropriated in 2009 versus the planned programming in 2010.

Total City Expense Budget by Fund
2010 Revised Budget
$1.28 Billion



Total City Revenue Budget by Fund
2010 Revised Budget
$1.28 Billion



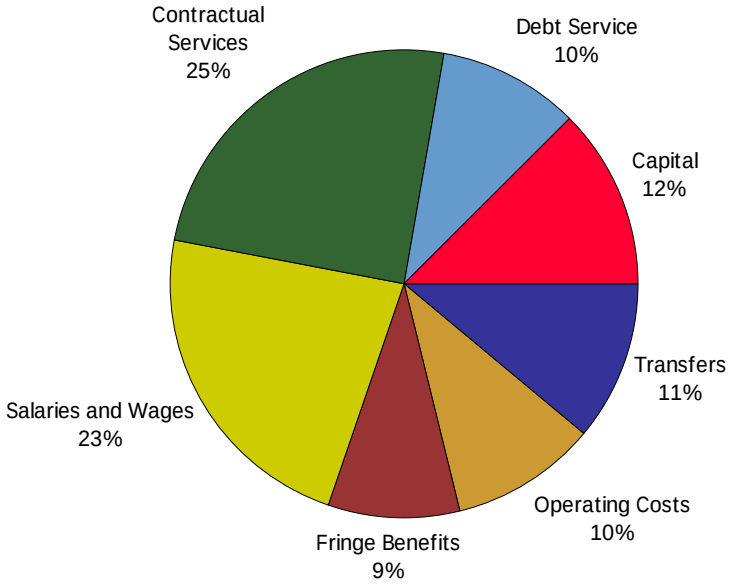
A significant amount of the City's budget is spent on personnel, $413 million or 32% of the total budget. The 2010 Council Revised Budget includes an overall decrease of 263 budgeted full-time equivalent positions, inclusive of independent boards.

Spending by Major Categories

(in millions of dollars)

	2009 Revsied Budget	2010 Revised Budget
Fringe Benefits	113.9	118.7
Salaries and Wages	295.7	294.1
Capital	165.0	159.5
Contractual Services	368.3	316.6
Debt Service	175.7	126.8
Operating Costs	125.9	126.1
Transfers	161.6	140.9
Total Expense	**1,406.2**	**1,282.8**

Total City Budget – Expenditures by Category
2010 Revised Budget
$1.28 billion



Major Budget Pressures:

➢ **Funding for physical infrastructure**

***Five-Year Capital Program Totals*:** For 2010 – 2014, the five-year capital program for City departments, independent boards and commissions totals $478 million including all funding sources. The 2010 portion of this program is $92.8 million. Property tax supported net debt bonds (NDB) help to leverage many funding sources in the five-year plan. Below are highlights of certain NDB totals (in millions) - more details are contained later in this document.

Accelerated Infrastructure Program: In addition to the net debt bond funding indicated below, this budget continues the accelerated infrastructure program with $26.30 million over the next four years to provide additional investment in paving projects, bridges, street lighting, parkway paving, parkway lighting, pavement and bikeway maintenance and park infrastructure improvements. Funding for this accelerated program is coming from the use of Hilton Trust funds and general fund transfers – see details later in the document. Park Board is receiving 10% of the accelerated infrastructure funding based on their assets being approximately 10% of the City's total assets. *Note*: Special Assessments also leverage additional capacity for improvements but are not included in the totals.

	2010	**2011**	**2012**	**2013**	**2014**	**Totals**
Paving	$4.85	$3.85	$3.85	$3.15	$0.00	$15.70
Bridge	$4.00					$4.00
Lighting	$1.05	$1.05	$1.05	$1.05	$0.00	$4.20
Bike Trail Maintenance	$0.10	$0.10	$0.10	$0.10	$0.00	$0.40
Park Infrastructure	$0.50	$0.50	$0.50	$0.50	$0.00	$2.00
Program Total	$10.50	$5.50	$5.50	$4.80	$0.00	$26.30

Property Tax Supported – Public Works: The 2010 budget includes $8.98 million in property tax supported (NDB) funding for Public Works capital. Below is a summary of the 2010 -2014 NDB allocation for the Public Works infrastructure program, including some Park related assets.

	2010	2011	2012	2013	2014
Net Debt Bond funding	$8.98	$10.56	$13.67	$11.31	$12.78

Park Board Infrastructure Funding: The 2010 budget includes $3.00 million for Park Board Infrastructure improvements including $1.5 million of Park capital levy dollars, $1.0 million of net debt bonds and $.50 million of accelerated infrastructure funding. Also shown are $.45 million of net debt bonds and expansion funding programmed in the public work's capital budget for parkway paving and parkway lighting programs. Below is a summary of the total 2010–2014 funding for park board capital improvements. The Park Capital Infrastructure line includes $1.5 million of capital levy for each year, $0.5 million of expansion funding for 2010 – 2013 and the balance for each year is net debt bonds.

	2010	2011	2012	2013	2014
Park Capital Infrastructure	$3.00	$4.00	$4.00	$4.00	$3.50
Parkway Paving	$.15	$0.15	$0.70	$0.70	$0.75
Parkway Lighting	$0.30	$0.30	$0.30	$0.30	$0.35
Total Park Board Capital Improvements	$3.45	$4.45	$5.00	$5.00	$4.60

Property Tax Supported – Miscellaneous and BIS Technology Projects: The 2010 budget includes $3.79 million in property tax supported funding for these categories. Projects include public art, technology related improvements and physical building, office space and security improvements for Police, Fire and other City buildings. Capital spending in these areas impacts the City's capacity to maintain and improve the transportation network. These categories use 14.6% of the available net debt bond funds in the five-year plan. Below is a summary of the 2010 -2014 net debt funding for miscellaneous and technology projects.

	2010	2011	2012	2013	2014
Net Debt Bond funding	$3.79	$2.65	$1.77	$2.52	$2.44

Utility Fee Supported Capital: The 2010 - 2014 budget includes funding for additional water and sewer related infrastructure expenditures. The utility rates proposed for 2010 – 2014 are higher than last year's adopted plan primarily due to increasing the inflation assumption for future operating cost increases from 3% to 4% as well as providing revenue capacity to create resources to help pay potential unfunded pension liabilities for past employees who worked for these utilities. In addition, the rate recommendations accelerate improvement of the cash positions in the enterprise funds to be in compliance with City financial policies. Sanitary sewer fee increases were primarily due to increased capital expenditures required in response to Metropolitan Council demands for less "clean" water in the Sanitary System and increased treatment costs. Rate details for the Sewer and Water funds can be found later in this document.

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 30 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.

- **Financing Assistance for the Target Center and Neighborhoods**

Background
Established in 1990, the twenty-year Neighborhood Revitalization Program and its funding end in 2009. The City and neighborhood groups have been planning this major turning point for almost 10 years. In addition, the City's purchase in 1995 of the Target Center increased long-term demand for resources.

During the 2008 Legislative Session, the Minnesota Legislature authorized the City to establish a non-contiguous redevelopment tax increment financing (TIF) district which would be comprised of properties that were located in specific TIF districts, commonly known as "pre-1979" TIF districts, which terminated in 2009. The earliest year the tax increment revenue can be realized from the new district allowed under the special legislation is 2011. Without further action by the City, the value within those pre-1979 TIF would initially go back into the general tax base in 2010 and thereafter remain, increasing the overall size of the tax base, effectively resulting in property tax relief for many property owners.

Under the special legislation, tax increment from the new district could only be used to pay principal and interest on Target Center bonds or for "neighborhood revitalization purposes." The legislation does not specify or require any particular allocation of revenues between these purposes.

The legislation also explicitly stated that the certification of the district will not impact the City's "property wealth" factors in the Local Government Aid program. A $9 million drop in the City's LGA will occur in 2011, whether or not the City uses the special legislation. Much of that impact is anticipated in the general fund ($8 million). This loss in these amounts will occur whether or not the City uses the special legislation to create a new district; however, the legislation requires the additional tax capacity to be included in the calculation of LGA, even if the value is re-certified in a new district.

Overall Recommended Funding from the District
A Council direction given at the end of 2008 had called for Finance Department staff to present a TIF plan for consideration by July 31, 2009, certifying expiring pre-1979 districts so that $24 million dollars of net tax increment would be generated and available to the City in 2011, the earliest year allowed under the special legislation.

This direction would have led to the certification of 100% of the tax capacity of the proposed district. If none of the parcels in the district were recertified, residential taxpayers could possibly expect to see an estimated reduction in their tax bills from $61 up to an estimated $307 annually. Pursuant to this direction,100% of the tax capacity of the district would be certified for up to ten years (through 2020) or until the Target Debt is fully paid, at which time parcels representing 50% of the tax capacity of the district must be decertified.

On July 31, 2009 the Council referred the plan back to the Ways and Means/Budget Committee for further review and discussion.

Council Adopted Plan
On December 4, 2009 the City Council directed the Finance Staff to amend the Consolidated Tax Increment Financing Plan for the District to: (1) reduce the size of the proposed District to approx 50%, (2) adjust the tax increment budget contained in the plan accordingly, (3) change the tax increment allocation methodology or funding distribution (4) reduce the maximum amount of bonds to be issued shown in the plan and (5) return to the Committee of Whole on December 17, 2009 with the amended plan and related documents for its consideration. The City Council approved the Consolidated TIF plan, as amended, on December 18, 2009.

The District, as adopted, is comprised of five of the former pre-1979 TIF districts. It represents 50.8% of the total net tax capacity of all of the former pre-1979 TIF districts and contains 51% of the parcels. The District represents the most diverse and stable subset of pre-1979 TIF districts that achieves the 50% target.

The tax increment that will be received each year from the District shall first be used to 1) make the necessary reimbursement payments to Hennepin County required under the Special Legislation, and 2) pay for the City and County costs of administering the District. The remaining "Net Tax Increment" to be allocated:

50% for Target Center debt service and
50% for neighborhood revitalization purposes

- **Funding for Pension Liabilities**

The City's liabilities for its pension funds continue to increase. Much of the increased costs can be attributed to three of the City's "closed" plans, meaning new members are no longer accepted into the plans. From 2006-2009, property-tax supported contributions to three closed funds totaled: $60.4 million. For two of the plans (Minneapolis Police Relief Association, Minneapolis Fire Relief Association), the City is responsible for making up for market underperformance of state law assumptions (6% investment return), increasing the unfunded liabilities by millions of dollars during economic downturns. In these two plans, the respective market returns for 2008 were -30% and -29%, reflecting the overall market performance.

Combined with legislatively approved changes, City payments will increase from $7.1 million in 2009 to $15.5 million in 2010 for the three closed pension plans. The City is currently exploring merging these three funds into the larger statewide plans, which would stabilize the funding of these plans due to the inclusion of new members and the additional time needed to recover from short-term market losses.

Minneapolis Employee's Retirement Fund (MERF), a closed fund:
The 2010 obligation to MERF is $4.4 million, of which $2.4 million is financed through the property tax levy and $2.0 million financed through non-tax funds. The largest component of the $4.4 million is in the "supplemental contribution" of $3.4 million, $1.8 million from the levy, and $1.6 million from the non-tax funds. The 2010 budget also allocates funds necessary for the debt service on bonds issued during 2002-03. Debt service in 2010 is $3.2 million, of which $2.0 million is financed through tax funds and $1.2 million in nontax funds.

Due to poor market returns in 2008, MERF was only 56% funded as of June 30, 2009. This places MERF's funding status in a serious negative position that requires immediate

attention. During the 2009-2010 legislative session, proposals were introduced to merge MERF into a statewide plan. A proposal was adopted that will merge MERF into PERA in July, 2010, with additional funding commitments from the City from 2012 – 2032 in the range of $20-$23 million per year.

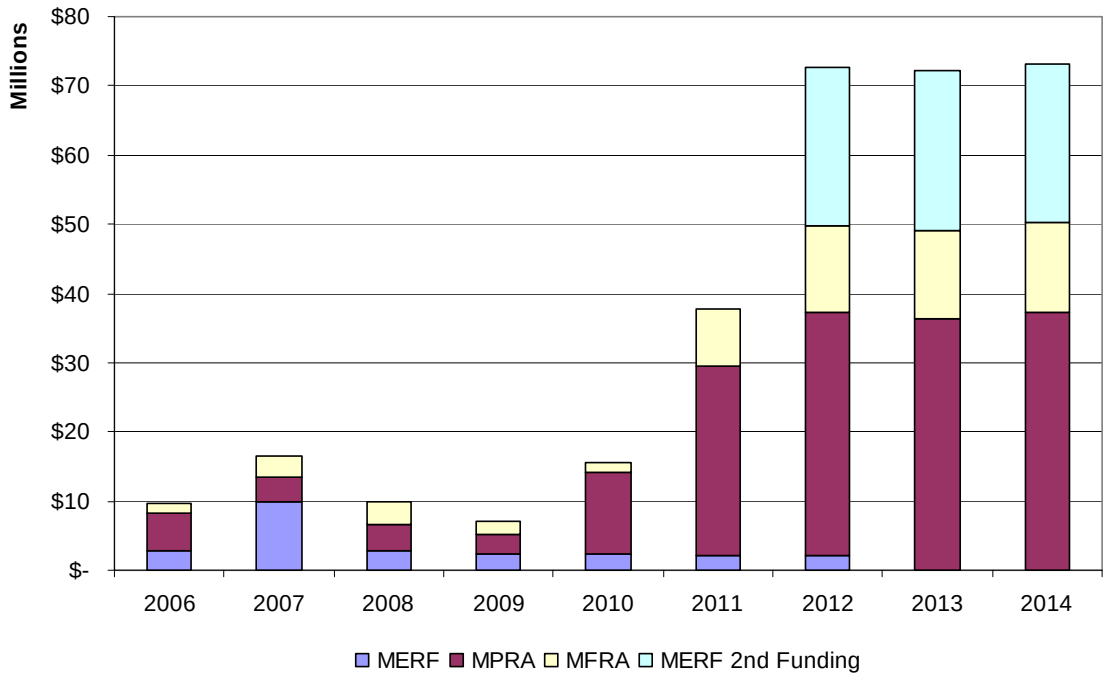
Minneapolis Police Relief Association (MPRA), a closed fund:
Legislation passed during the 2005 legislative session extended the amount of time the City has to fully fund this plan's liabilities by ten years to 2020. The result was a lower upfront annual City contribution that increases over time and extends for a longer period. The City's 2009 contribution to MPRA from the tax levy was $3.0 million.

In 2010, the contribution would have increased to $19.7 million if the City had not prevailed in a lawsuit against the fund. Because the City prevailed, the 2010 levy for MPRA is $11.8 million. Investment gains or losses as compared to the State's assumed 6% are phased in over a three-year timeframe. As a result, the 2008 negative investment performance will result in increases in 2011 and 2012 also unless offset by gains above the 6% assumptions in 2009 and/or 2010. Current projections call for estimated contributions increasing to $27.4 million in 2011 and $35.1 million in 2012. An additional $2.5 million will be required for debt service on the $53 million MPRA bonds that were issued during 2002-04. This obligation would otherwise have fallen on the property tax levy during those years.

Minneapolis Fire Relief Association (MFRA), a closed fund:
In 2005, the City resumed contributions to the MFRA. The MFRA was previously 100% 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 City's 2009 contribution to MFRA from the property tax levy was $1.9 million. This contribution would have increased to $3.0 million in 2010 due to the poor market returns in 2008 had the City not prevailed in a lawsuit against the fund.

Because the City prevailed the MFRA levy for 2010 was reduced to $1.3 million. Investment gains or losses as compared to the State's assumed 6% are phased in over a three-year timeframe. As a result, the 2008 negative performance will result in increases in 2011 and 2012 also unless offset by gains above the 6% assumptions in 2009 and/or 2010. The 2010 contribution would have been $2.3 million without an additional $1.0 million in State aid. Current projections call for contributions increasing to $8.1 million in 2011 and $12.4 million in 2012.

The following graph shows the historical and projected levy under current law for Minneapolis closed funds (MPRA, MFRA, and MERF), with the Minneapolis share from the most recent legislative proposal of the MERF second funding in the form of levy:



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 through 2037.

***Public Employees Retirement Association (PERA)*, the plan for most current City employees:**
The 2005 Legislative session increased annual employee and employer contribution levels starting January 1, 2006. For 2010 the employer's contribution level in the coordinated plan moves from 6.75% to 7.00%. The police and fire plans' employer's contribution level remains at 14.1%. The estimated total cost to the City in 2010 is $26.0 million, which is covered in the department budgets where the employees work.

	2009	2010	Change
PERA	$12.9	$12.7	-$0.2
PERA P&F	$12.6	$13.3	$0.7
Total	$25.5	$26.0	$0.5

- **Funding for internal services funds long-term financial plans**

During the 1990s, 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 annual expenses exceeded revenues. Today, the combined

balance is no longer negative. This is a significant improvement over the position of the funds since 2000 when the net asset deficit was $61.7 million. At year-end 2008, the City's three internal services funds with long-term financial plans had combined net assets of $13.2 million. Additionally, two of the three internal service funds that implemented long-term financial plans (intergovernmental services & self-insurance), had positive cash balances at 2008 year-end.

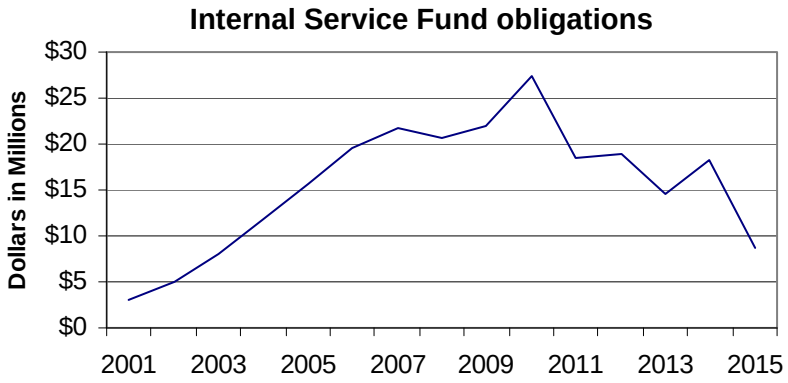
Status of Workout Plans (in millions)

	Adopted	Original Cash Deficit (2000)	Original Net Asset Deficit (2000)	2008 Year-End Net Assets	Target Date for Positive Cash Balance	2008 Year-End Cash Balance
Self-Insurance	2003	$ (8.1)	$ (49.5)	$ (15.5)	2007	$ 16.3*
Equipment	2001	(16.6)	0.0	23.8	2003	-0.0
BIS	2000	(12.9)	(12.2)***	4.9	2009	0.1
Internal Service Fund Total		**$ (37.6)**	**$ (61.7)**	**$ 13.2**		***$ 16.4***
Parking Fund**	2004	$ (8.6)	$ 75.7	$131.0	2010	$ 24.1

*Status does not include $2.4M due from other funds.

**Parking fund includes proceeds of $73.2 million from the sale of parking ramps. The majority of the remaining cash balance will be used to pay down existing bonds.

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



Internal service fund obligations in the graph above fund self insurance, equipment services and information technology services (*e.g.* workers compensation, general liability, squad cars, fire trucks and computers).

To meet the goals of the adopted long-term financial plans, these expenditures will continue to make up a substantial portion of the City's budget until 2011 when these expenditures begin to decrease. The 2008 adopted long-term financial plans were going to begin reducing the General Fund's contribution to the internal service funds in 2010; but to create capacity in future years, the General Fund will prepay $3.4 million of the 2011 obligations.

- **Parking fund financial plan**

  The 2010 transfer from the City's municipal parking fund to the general fund declines from the 2009 funding level by $1 million. This is in line with the adopted parking fund financial plan, which was developed to address the cash deficits in the fund. This decline is the final scheduled change to the transfer to the general fund.

- **Growth in personnel costs**

  - ***Salary and wages***. The 2010 Council Revised Budget keeps personnel expenditures flat at $413 million ($294 million in salaries and wages, $119 million in fringe benefits). For City positions, not including independent boards, growth in salary and wages are budgeted at 2.5% for bargaining units without settled labor contracts.

  - ***Benefits***. Health and dental insurance expenditures are budgeted to increase from $55.7 million to $60.7 million. This estimate is based on experiences related to current plan design and competitive procurement processes. The anticipated premium increase in 2010 is 15%.

- ***Continuing library obligation to Hennepin County.*** Minneapolis libraries merged with the Hennepin County system in 2008. In addition to the $9.3 million market value referendum supported by Minneapolis taxpayers, the merger finance plan calls on Minneapolis taxpayers for an additional declining base contribution for 10 years. In 2010, that contribution is over $6.7 million. The City will also continue to pay the library's share of the MERF pension debt service in addition to the outstanding debt service on other bonds that have already been issued.

Finance Plan For Hennepin County Library/Minneapolis Library Merger (in thousands):

	Base	Reopen (1)		Reopen	Other City (2)	Total City	Library LGA (3)	Prop tax (4)	One Time (5)	Total
2008	$7,800	$445	100%	$445	$10,650	$18,895	$6,800	$10,650	$1,445	$18,895
2009	$7,020	$463	100%	$463	$10,650	$18,133	$6,800	$10,650	$683	$18,133
2010	$6,240	$481	100%	$481	$10,650	$17,371	$6,721	$10,650		$17,371
2011	$5,460	$501	79%	$393	$10,750	$16,603	$5,853	$10,750		$16,603
2012	$4,680	$521	58%	$302	$10,750	$15,732	$4,982	$10,750		$15,732
2013	$3,900	$541	38%	$206	$10,750	$14,856	$4,106	$10,750		$14,856
2014	$3,120	$563	21%	$118	$10,750	$13,988	$3,238	$10,750		$13,988
2015	$2,340	$586	4%	$23	$10,750	$13,113	$2,363	$10,750		$13,113
2016	$1,560	$609	0%		$10,850	$12,410	$1,560	$10,850		$12,410
2017	$780	$633	0%		$10,850	$11,630	$780	$10,850		$11,630

(1) The cost to reopen 3 libraries at 24 (2) and 20 (1) hours per week. Annual costs are inflated 4% per year after 2008.
(2) Other City includes debt service on referendum and net debt bonds/MERF contributions. Final referendum debt service in 2031.
(3) Library LGA is the amount of LGA allocated to Libraries not exceeding the 2007 level.
(4) Property tax amounts are in City's five-year financial plans.
(5) The City will be responsible for these one-time costs.
(6) Net Debt is the City's adopted five-year capital improvement plan plus $500,000 for Walker library improvements.

- **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 annually 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.

For 2010, a total of $1.5 million in technology projects funded through property tax supported debt are planned in the capital program. The five-year plan totals $6.0 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.

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:

Economic Downturn Challenge
Recent financial downturns in the economy coupled with State budget cuts have led to unique challenges at the City. At a time when demand for services is up, State funding is reduced. For example, the increased foreclosure rate in Minneapolis results in an increased need for home inspection and monitoring. In addition, City spending on closed pension funds is growing due to poor market returns and legislatively approved changes to assumptions upon which the calculations are based.

Demographic Changes
Diversity of City residents (minority and immigrant populations) is growing faster than any other city in Minnesota. Minority populations make up 29% 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 the City's 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. This translates into additional costs for new equipment and in particular, increased maintenance costs. For example, 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. Public Works notes increased costs for inflow and infiltration required by Metropolitan Council Environmental Services. The City Clerk notes additional election requirements as a result of the 2002 federal "Help America Vote Act" and implementation of Instant Runoff Voting (IRV). 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. Local Government Aid from the State has been unpredictable with statewide reductions and year-to-year fluctuations, with the stability of the program tied to the State's financial health. The uncertainty that surrounds these funds drains the time and energy of City managers from administering programs to ensure the best outcomes possible.

The recent American Recovery and Reinvestment Act (ARRA) from the Federal government has helped Minneapolis mitigate the cuts from other funding sources, though the funding is only temporary and does not provide a long-term solution to funding shortfalls.

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.

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% 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 - Target Field, 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. Departments heavily affected include the Assessor,

Regulatory Services, Community Planning and Economic Development, Public Works and Police.

Aging Infrastructure
There are not adequate resources available for maintenance or replacement at most cost-effective frequencies. Public Works' pavement condition index reports the City's roads, bridges and other infrastructure are deteriorating. The Fire Department has noted a funding shortage for equipment updates in the next five to ten years as equipment reaches the end of its useful life cycle. The City Hall and Courthouse were in need of upgrading its mechanical and safety systems. Similar concerns were also noted by the Convention Center.

Foreclosure
The volume of foreclosures poses challenges. The Minneapolis foreclosure recovery plan is a strategic and timely government intervention for prevention, reinvestment and market repositioning to the extent necessary to "tip" the market in our neighborhoods. As the housing market begins to decline, Minneapolis continues to employ foreclosure prevention outreach and counseling, engage in community building and marketing efforts to prepare the market for a rebound, and ready to promote rental and homeownership property development. Minneapolis has also partnered with other organizations to clear or rehabilitate dilapidated homes and pursue infill development on vacant lots.

Other Trends
The downtown real estate market continues to have an oversupply of office space available due to the weak commercial market dating back to 2003.

Beyond regulation is the City's interest in sustainability. Toward the same goal, Regulatory Services is pursuing a 100% green fleet, an effort that requires a realistic timeframe and substantial funding.

Major Changes in the 2010 Council Revised Budget

Please note: Recommended reduction amounts are based on the Current Service Level (CSL). The CSL includes inflationary adjustments from 2009, so 2010 cut amounts reflect reductions to current services that are provided by departments.

311
Original Budget: The Mayor recommended and the Council approved a reduction of 2 FTE to meet the 2010 CSL. The Mayor recommended and the Council approved a further reduction of $133,000 from the current service level, including the reduction of one FTE and a reduction in non-personnel expenses. Council action further reduced 311's budget by $277,000 and 3 FTE from the Mayor's original recommendation. The Council also provided one-time funding of $115,000 from the General Fund's contingency for transition costs to developing a sustainable funding source for 7:00 a.m. – 7:00 p.m. hours.

Mayor's Revised Budget: The Mayor included no reduction to this department.

Council Revised Budget: Council adopted the Mayor's recommendations.

911
Original Budget: The Mayor recommended and the Council adopted a reduction of 3 FTE to meet the 2010 CSL. The department made a further reduction of $216,000 from the current service level through the elimination of 1 senior 911 management position and the reduction of 1 other position. The Council further decreased funding in 911 by $80,000 and eliminated 1 additional FTE (Dispatcher).

Mayor's Revised Budget: The Mayor included no reduction to this department.

Council Revised Budget: Council adopted the Mayor's recommendations.

Assessor
Original Budget: The Mayor recommended and Council approved a reduction of $28,000 from the current service level for this department.

Mayor's Revised Budget: The Mayor included no reduction to this department.

Council Revised Budget: Council adopted the Mayor's recommendations.

Attorney
Original Budget: The department eliminated 2 FTE to meet the financial direction. The Mayor recommended a reduction of $250,000 in the criminal division, including the elimination of 2 positions and the balance of funding for restorative justice grants. The Mayor further recommended a reduction of $125,000 from the current service level in the civil division, including the reduction of two and one half positions. Council approved the Mayor's recommendations. Additionally, Council directed that CDBG funding for Restorative Justice programs be increased by $20,000.

Mayor's Revised Budget: The Mayor recommended a reduction of $69,000. The City Attorney's Office will meet this reduction through a combination of budgetary leave, business process improvements, and other non-personnel reductions. If these strategies are insufficient, the department will reduce a vacant position within the criminal division.

Council Revised Budget: Council adopted the Mayor's recommendations.

BIS
Original Budget: The department eliminated 1 FTE to meet the financial direction. The Mayor recommended and Council approved a reduction of $1.6 million and 11 positions from the current service level for this department. This includes a $1.3 million reduction to general fund departments and $325,000 for non-general fund departments. If this recommendation is adopted, general fund departmental appropriations will be reduced to achieve the general fund reduction. During 2009, Council adopted resolution 2009R492 that added 1 FTE to BIS for 2009 and 2010 for staff at the emergency operations training center, to be funded by customer departments. Additionally, Council directed the BIS budget be reduced by $100,000 and not replaced through internal service charges.

Mayor's Revised Budget: The Mayor recommended a reduction of $200,000 on a one-time basis. The department shall meet this reduction through non-personnel savings and explore additional ongoing savings through the restructuring and reduction of existing services in anticipation of the 2011 budget.

Council Revised Budget: Council approved the Mayor's recommendation.

City Clerk/Elections/City Council
Original Budget: The Mayor recommended and Council approved a reduction of $249,000 from the current service level for this department. Additionally, Council funded $20,000 on a one-time basis for transition costs.

Mayor's Revised Budget: The Mayor recommended a reduction of $113,000.

Council Revised Budget: Council approved the Mayor's recommendation.

City Coordinator Administration
Original Budget: The Mayor recommended and the Council adopted a reduction of $94,000 from the current service level. This reduction was achieved through the ongoing savings related to the elimination of the Deputy City Coordinator position in the 2009 budget revisions. The Council directed CPED to eliminate the vacant Community Planner position and use General Fund and CDBG resources to keep the Arts Coordinator position. This position and associated resources will be transferred to the City Coordinator in 2011. The existing Internal Auditor position that resides in the Board of Estimate and Taxation (BET) will report to the City Coordinator for administrative purposes, with associated funding from the BET.

Mayor's Revised Budget: The Mayor recommended a reduction of $47,000 and one position.

Council Revised Budget: Council adopted the Mayor's recommendations.

Civil Rights
Original Budget: The Mayor recommended a reduction of $164,000 and one position from the current service level for this department. Council approved the Mayor's recommendations. Additionally, Council reduced Civil Rights' operating budget by $93,000 and 1 FTE. Council directed the department to develop standards of progress on eliminating the CIU case backlog by December 31, 2011 and present to the MDCR reporting committee no later than February 2010. Quarterly progress reports to MDCR should begin in February 2010. The City Coordinator is directed to recommend to the Civil Rights reporting committee in January 2010, a community engagement plan

to gather input from stakeholders on the future and functions of the Minneapolis Department of Civil Rights.

Mayor's Revised Budget: The Mayor included no reduction to this department.

*Council Revised Budget: Cou*ncil approved the Mayor's recommendation.

Communications
Original Budget: The Mayor recommended and the Council approved a reduction of $140,000 and one position from the current service level for this department. Included as part of this amount is a reduction in contractual services, including a reduction of $26,000 in funding to MTN.

Mayor's Revised Budget: The Mayor included no reduction to this department.

Council Revised Budget: Council adopted the Mayor's recommendations.

Convention Center
Original Budget: The Mayor recommended a reduction of $1.5 million in this department's operating budget. The Mayor further recommended an increase in the transfer from this fund to the parking fund of $2 million to fund improvements to Convention-related parking ramps. This transfer will also be adjusted to accommodate debt service on these ramps from prior-year capital projects ($1.4 million). Council adopted the Mayor's recommendations and directed the Convention Center fund transfer to the General fund be increased by $250,000 for convention-related public safety activities performed by the Police Department.

Mayor's Revised Budget: The Mayor included no reduction to this department.

Council Revised Budget: Council approved the Mayor's recommendations.

CPED
Original Budget: As a result of the 2009 revised budget, the department reduced 3 FTE to reflect the spending cuts. The Mayor recommends a reduction of $215,000 and one position in this department. The Mayor further recommends the reduction of non-personnel expenses and an increase in Community Development Block Grant funding of $62,000 to fund administrative expenses in the department. The Mayor's revised recommendation is to fund $150,000 on a one-time basis for housing advocates from the Reallocated Legacy Fund to Intergovernmental Relations. Council adopted the Mayor's recommendations and further directed funding in the Community Development fund Legacy fund program income to be decreased by $31,000, and funding for the St. Anthony Heritage Board to be increased by $31,000. Additionally, Council directed funding in the Community Development fund Legacy fund program income is decreased by $50,000 and funding to the Riverfront Development Corporation is increased by $50,000. CPED is directed to reduce CDBG funding for Youth Employment by $110,000 and the Mortgage Foreclosure Prevention Program by $140,000.

Furthermore, CPED is directed to eliminate the existing vacant Community Planner position in the planning division and use general fund and CDBG resources to keep the Arts Coordinator position. This position and associated resources should be transferred to the City Coordinator in 2011.

Mayor's Revised Budget: The Mayor recommended a reduction of $104,000 on a one-time basis through the reduction of non-personnel expenses such as those related to office equipment, technology, supplies, and training and development.

Council Revised Budget: Council approved the Mayor's recommendation.

Finance
Original Budget: The Mayor recommended and the Council approved a reduction of $706,000 and 8 positions from the current service level for this department. The balance of the reductions was achieved through non-personnel cuts. A further reduction of $50,000 in the self-insurance fund was also approved, which is to be achieved through non-personnel reductions. An additional $87,000 was appropriated in the General Fund to continue providing services to Public Works.

Mayor's Revised Budget: The Mayor recommended a reduction of $50,000. The department will achieve this through non-personnel reductions. Additionally the Mayor recommended a one-time appropriation increase of $500,000 for process improvements including funding for contractors to implement modules in the current financial system that will enable the department to restructure its workforce in 2011.

Council Revised Budget: Council adopted the Mayor's recommendations.

Fire
Original Budget: The department reduced 12 FTE to meet the financial direction. The Mayor recommended a reduction of $2.1 million and up to 19 positions. The Mayor further recommended the department should move forward on implementing the commercial hood cleaning program and a three percent adjustment to fees that have not been updated in the past five years. Council approved the Mayor's recommendations and a general fund one-time increase of Fire's budget by $2 million making funds available until December 31, 2011. Council approved $225,000 from CDBG funds for fire protection equipment purchases. Fire's budget is increased by $200,000 for the responsibilities for Boarded and Vacant housing from Regulatory Services. Additionally, Fire's general fund allocation is increased by $373,000. The department FTE complement will be increased by 25, to 438 FTE consistent with these resources.

Council provided the following staff directions:

- MFD is directed to reduce the budget for take-home vehicles by 50% and the Fire Chief is directed to adopt new policies on take home vehicles consistent with this direction.
- During 2010 and 2011 while MFD is using one-time contingency dollars and until cuts are fully implemented, the department is subject to a hiring freeze and promotion freeze. Additionally no expenditures on new capital projects absent express Council approval are allowed.

Mayor's Revised Budget: The Mayor recommended a reduction of $80,000. The department will achieve this through non-personnel reductions.

Council Revised Budget: Council approved the Mayor's recommendations.

Health and Family Support
Original Budget: The Mayor recommended a reduction of $337,000 and 4 FTE from the current service level for this department. The Minnesota Visiting Nursing Agency should continue to be funded from General Fund resources within the department. Council approved the Mayor's recommendation and directed discretionary CDBG funding subject to the Public Health Advisory

Committee be reduced to $400,000 with a proportional reduction to programs. Health and Family Support's general fund budget is reduced by an additional $100,000. Council directed Health and Family Support to achieve these cuts without cuts to the contracts with the Domestic Abuse Project, leaving that program intact at the full funding level of $75,000.

Mayor's Revised Budget: The Mayor recommended a reduction of $69,000. The department will achieve this by increased third party reimbursement for school based clinics and moving salaries out of the general fund.

Council Revised Budget: Council approved the Mayor's recommendations.

Human Resources
Original Budget: The Mayor recommended and the Council approved a reduction of $364,000 and 4 positions from the current service level for this department. This reduction will be achieved through personnel and non-personnel reductions. A further reduction of $29,000 in the self-insurance fund was also approved, which shall be achieved through non-personnel reductions.

Mayor's Revised Budget: The Mayor includes no reduction to this department. However, the Mayor encouraged the department to implement the Enterprise Performance Management System Software within existing resources.

Council Revised Budget: Council adopted the Mayor's recommendations.

Intergovernmental Relations
Original Budget: The Mayor recommended and the Council approved a reduction of $84,000 for this department. The reductions will impact professional services, reductions in memberships and subscriptions as well as other non-personnel expenditures. $150,000 is added on a one-time basis for homeless outreach programs from the Reallocated Legacy Fund.

Mayor's Revised Budget: The Mayor recommends a reduction of $41,000. The department will achieve this by reducing salaries and benefits from an open position as well as other salary savings.

Council Revised Budget: Council adopted the Mayor's recommendations.

Mayor
Original Budget: The department reduced 1 FTE to meet the financial direction. The Mayor recommended and Council approved a reduction of $57,000 and one position for a total reduction of 2 FTE.

Mayor's Revised Budget: The Mayor recommended a reduction of $15,000. The department will achieve this through budgetary leave, and reductions in postage, cell phones and travel.

Council Revised Budget: Council approved the Mayor's recommendations.

Neighborhood and Community Relations
Original Budget: The Council reduced the department's budget by $200,000 and directed the department to work with CPED and the NCEC over the next six months to develop a best practices model to incorporate NCEC programmatic advice into the Great Streets program.

Revenue to be realized in 2011 from a new tax increment financing (TIF) district represents 50.8% of the total net tax capacity of all of the former pre-1979 TIF districts and contains 51

percent of the parcels. The 10-year Consolidated TIF budget projects Net Tax Increment of $53,650,000 being available for both Target Center debt and neighborhood revitalization purposes, for a total of approx $107.3 million for both activities over the 10 year life of the district.

Mayor's Revised Budget: The Mayor recommends a reduction of $50,000. The department will achieve this through reductions in its administrative budget as well as realizing savings from lower than projected actual salaries.

Council Revised Budget: Council adopted the Mayor's recommendations.

Office of Internal Audit
Original Budget: The Council approved transition funding of $200,000 to fund 2 internal audit positions in 2010, funded by increasing charges to departments in their general fund overhead rate model charges. In addition, the existing auditor position that resides in the Board of Estimate and Taxation (BET) will report to the City Coordinator for administrative purposes, with associated funding from the BET. Future levies will be adjusted to reflect this change.

Mayor's Revised Budget: The Mayor included no reduction to this department.

Council Revised Budget: Council adopted the Mayor's recommendations.

Police
Original Budget: After adoption of the 2009 Revised Budget, MPD was awarded a contract with the Minneapolis School District, and 15 FTE were added. In order to achieve the 5 year financial direction for 2010, 84.5 positions in the general fund were eliminated. The Mayor recommended a reduction of $5.3 million and 38 additional positions from the current service level for this department. The Mayor further recommended the transfer of the Traffic Control Agent division (45 positions) to the Regulatory Services department.

The Mayor recommended restoration of $4 million and 45 FTE to MPD's base funding level to offset the loss of federal Byrne grant funding, making the net change to current service level a reduction of 39.5 FTE. The Mayor recommended that three eligible Crime Prevention Specialist positions be moved out of the general fund and funded with $240,000 of CDBG dollars.

Council approved the Mayor's recommendations and increased the Police budget by $1.5 million in 2010. Council directed $250,000 to be transferred from the Convention Center fund to the Police department general fund appropriation to fund the horse patrol for convention-center related public safety activities. Council added $477,000 to the police general fund budget for Community Crime Prevention Specialists. Additionally, Council directed that the Community Development Block Grant Fund for police should be increased by $487,000 for Crime Prevention Specialists. Furthermore, Council directed a reduction of discretionary CDBG funds to the Public Health Advisory Committee and an increase to the CDBG allocation for MPD for Crime Prevention Specialists by $163,000.

Council provided the following staff directions for Police:

- Reduce MPD's contractual services line budget by $102,000 to reflect savings from closing the public health lab to help offset proposed reductions. Further, direct MPD to fund $100,000 toward chaplain services through contractual savings related to the closing of the health lab.

- Direct MPD to eliminate funding for the Police Activities League (PAL), including the practice of allowing compensatory time to officers for participation in the PAL. These savings should offset recommended cuts and position reductions should be achieved through attrition and reassignment. The Police Chief is directed to convene a task force to develop a plan for the ongoing operation of the Police Activities League that requires no direct appropriation. The task force should include representatives from the Minneapolis Health department including the Commissioner and Youth Violence Prevention coordinator; an active Police Activities League (PAL) officer; the Police Chief or designee; Council Member Johnson; and Sherman Patterson from the Mayor's office.
- Reduce Police budget for take home vehicles by $400,000 and direct the Police Chief to adopt new policies on take home vehicles consistent with this direction and reduce the vehicle count accordingly.
- Eliminate funding for the position of Assistant Police Chief to offset recommended cuts.
- Eliminate 16 positions through attrition to achieve a savings of approximately $2 million over two years. Police should bring a plan forward to the Ways and Means Committee for approval on December 14, 2009.
- Police is directed to report back to Public Safety & Regulatory Services by January 15, 2010 with a plan for a re-designed community crime prevention program; utilizing the dedicated resource as laid out during this budget cycle in addition to existing resources within the police department. Police is also directed to develop accountability measures for Community Crime Prevention Specialists for Results Minneapolis and report these measures to the Public Safety and Regulatory Services Committee by March 1, 2010. After the report to PS&RS, Police should include these measures in its quarterly discussions at Results Minneapolis.
- Police is directed to reduce the Horse Patrol to one shift and cut expenditures accordingly.
- Police is directed to achieve no less than $200,000 in savings through re-organization of the department
- The Chief of Police is directed to examine re-establishing mandatory fitness testing within the department, including costs and to report back to proper Council committees by the end of January 2010. If testing is not implemented by the conclusion of 2010, the department will evaluate elimination of the health club memberships and report back to the proper Council committees.
- Police is directed to achieve a balanced budget in 2010 without cuts to the contract with the Conflict Resolution Center at an amount equal to $25,000.
- Upon receipt of the final CDBG allocation, 15% shall be dedicated to MPD for Crime Prevention Specialists in CDBG-eligible areas.

Mayor's Revised Budget: The Mayor recommends a reduction of $180,000. The department will achieve this through non-personnel reductions. Additionally the Mayor recommends one-time appropriation increases of $250,000 for replacement of ticket writers and $240,000 for implementation of fitness testing and associated costs within the 2010 calendar year.

Council Revised Budget: Council approved the Mayor's recommendation with one exception. The $240,000 appropriation for implementation of fitness testing and associated costs was reduced by $60,000, to $180,000, in one-time funding.

Public Works

Original Budget: The Mayor recommended a reduction of $1.13 million from the current service level of the department's General Fund budget. The Mayor further recommended a reduction of

$422,000 from the Sanitary Sewer fund and $449,000 from the Stormwater fund. The Council approved the Mayor's recommendations and further approved a reduction of $50,000 from Community Development Block Grants for graffiti micro-grants and a reduction of $86,000 from Community Development Block Grants for graffiti removal on public property.

Mayor's Revised Budget: The Mayor recommends a reduction of $550,000, which will be met through increased revenue. The department will achieve this through increased revenue from a renegotiated State Trunk Highway (STH) agreement. Additionally the Mayor recommends a one-time appropriation increase of $2.16 million for doubling the number of crews filling potholes ($500,000); seal-coating ($500,000); and for installation of wireless poles to ensure the wireless network is fully operational ($800,000) and for installation of wireless equipment in the city's vehicles to increase usage of the City's wireless contract ($360,000 – *also shown in Citywide*).

The Mayor also requests the department quantify the impact of the resources recommended by the Mayor in its fourth quarter *Results Minneapolis* presentation in 2010. Measures should focus on the impact of the $1 million requested for pothole repair and seal coating.

Council Revised Budget: The Council approves the Mayor's recommendations.

Administration
Original Budget: The Mayor recommended no change to the Administration division and Council approved the Mayor's recommendations.

Mayor's Revised Budget: The Mayor recommends no change.

Council Revised Budget: The Council approves the Mayor's recommendations.

Engineering Materials and Testing (Central Stores)
Original Budget: The Mayor recommended no changes to the Central Stores division and the Council approved the Mayor's recommendations.

Mayor's Revised Budget: The Mayor recommends no change.

Council Revised Budget: The Council approves the Mayor's recommendations.

Fleet Services
Original Budget: The Mayor recommended Fleet reduce the number of truck drivers and equipment operators placed in reserve status and the number of seasonal rented equipment (-$781,000). This results in a reduction to charges to Transportation Maintenance & Repair for snow and ice removal. The Council approved the Mayor's recommendations.

Mayor's Revised Budget: The Mayor recommends no change.

Council Revised Budget: The Council approves the Mayor's recommendations.

Property Services
Original Budget: The Mayor recommended no change to the Property Services division and Council approved the Mayor's recommendations.

Mayor's Revised Budget: The Mayor recommends one-time resources for installation of wireless equipment in the city's vehicles to increase usage of the City's wireless contract ($360,000).

Council Revised Budget: The Council approves the Mayor's recommendations.

Solid Waste and Recycling
Original Budget: The Mayor recommended no increase to these rates. Graffiti strategies are funded at $1.2 million from the division's fund balance. The Mayor also recommended $50,000 from Community Development Block Grant funds for graffiti microgrants. The Council approved the Mayor's recommendations but reduced funding by $50,000 from Community Development Block Grants funds for graffiti micro-grants.

Mayor's Revised Budget: The Mayor recommends no change.

Council Revised Budget: The Council approves the Mayor's recommendations.

Surface Water & Sanitary Sewer
Original Budget: The Mayor recommended an increase of $0.32 in per unit rates in both the Sanitary and the Stormwater utilities. The Mayor further recommended a reduction of $422,000 to the department's current service level operating budget in the Sanitary Sewer Fund. The Mayor recommended an additional reduction of $245,250 to the department's current service level operating budget in the Stormwater Fund. The Council approved the Mayor's recommendations.

Mayor's Revised Budget: The Mayor recommends no change.

Council Revised Budget: The Council approves the Mayor's recommendations.

Traffic & Parking
Original Budget: The Mayor recommended a $320,000 reduction to the traffic activities, which will reduce routine repairs to lights and traffic signals, pavement message painting, response to traffic request services and non-safety-related sign replacement.

The Mayor further recommended an increase of $210,000, which included one engineering position, in this division for improving the management of traffic in the City. This initiative will build on the capital improvements related to the Traffic Management Center. The Council approved the Mayor's recommendations.

Mayor's Revised Budget: The Mayor recommends one-time resources of $800,000 for the installation of wireless poles to ensure the wireless network is fully operational.

Council Revised Budget: The Council approves the Mayor's recommendations.

Transportation Maintenance and Repair
Original Budget: The department's budget is decreased to reflect the restructuring activities related to snow and ice service provision, which should achieve ongoing savings of $1.4 million. This included a reduction in the number of pieces of equipment being rented for the season from outside vendors and reduction in salaries of truck drivers and operators being charged from the Fleet Services Division.

In addition, the Mayor recommended an additional $100,000 reduction in service to malls and plazas. Also, as part of the $449,000 reduction in the Stormwater Fund expenses, this division's operating budget for Street Cleaning is reduced by $203,750. The Council approved the Mayor's recommendations but reduced Community Development Block Grant funding for graffiti removal on public property by $86,000.

Mayor's Revised Budget: The Mayor recommends one-time resources for doubling the number of crews filling potholes ($500,000) and for seal-coating ($500,000).

Council Revised Budget: The Council approves the Mayor's recommendations.

Transportation Planning and Engineering
Original Budget: The Mayor recommended no changes to the Transportation Planning & Engineering division and Council approved the Mayor's recommendations.

Mayor's Revised Budget: The Mayor recommends no change.

Council Revised Budget: The Council approves the Mayor's recommendations.

Water Treatment and Distribution
Original Budget: The Mayor recommended a $0.14 increase in per unit water rates. The Mayor also recommended a redefinition of rates to stabilize revenues. The Council approved the Mayor's recommendations.

Mayor's Revised Budget: The Mayor recommends no change.

Council Revised Budget: The Council approves the Mayor's recommendations.

Regulatory Services
Original Budget: The Mayor recommended and the Council approved a reduction of $521,000 from the current service level for this department. This reduction will be achieved through personnel and non-personnel reductions. Also approved was the implementation of late evening enforcement of business licensing with an increase of $450,000 and 3 FTE; an increase of $525,000 in expense for administrative citations administration; an increase of $175,000 and 1 FTE for pollution control permits, and $135,000 and 1 FTE for a pet licensing project coordinator. These initiatives should be supported by revenue.

Traffic Control Agents were transferred from the Police Department to Regulatory Services. Responsibilities for the boarding of vacant buildings were transferred from Regulatory Services to the Fire Department, effective July 1, 2010. This action reduces Regulatory Services' budget by $200,000 in 2010 and an additional $200,000 in 2011.

Mayor's Revised Budget: The Mayor recommended a reduction of $75,000. The department will achieve this through the reduction of equipment expenses and salary savings.

Council Revised Budget: Council adopted the Mayor's recommendations.

Citywide
Original Budget: The Mayor recommended and the Council adopted the following appropriations:

$3.4 million in pre-payment of internal service fund obligations for 2011. This strategy reduces pressures on the general fund in that year.

$4.4 million to assist departments in paying for unemployment costs. These funds are budgeted in the City's operating contingency fund. The Finance Department is directed to report to the Ways & Means/Budget Committee on the distribution of these funds by June 1, 2010.

$4 million for the local share of the Camden Bridge capital project that was accelerated due to the receipt of over $10 million in federal stimulus funds.

$1 million for reimbursement of the capital fund for local costs related to the Marquette and 2nd Avenue construction project. Public Works is directed to work with the Finance department to pursue reimbursement of these costs through the federal grant.

Upon receipt of the final CDBG allocation, 85% shall be allocated to the Affordable Housing Trust Fund, and the remaining 15% to MPD for Crime Prevention Specialists in CDBG-eligible areas.

Mayor's Revised Budget: The Mayor recommended that $2.81 million be transferred to the pension management plan for pension debt avoidance.

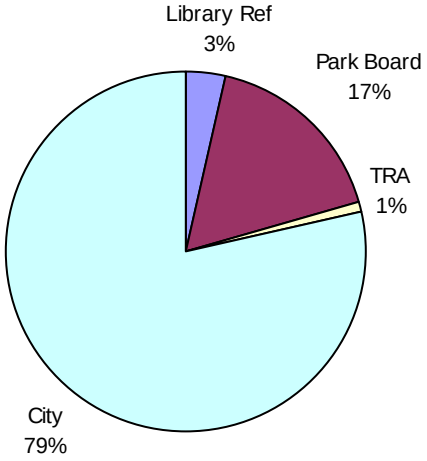
Council Revised Budget: Council adopted the Mayor's recommendations.

Property Tax and Fee Changes

- **Property tax revenue**

The 2010 Revised Budget includes an estimated net tax capacity rate of 58.816%; this rate is the combined rate for the City, the Board of Estimate and Taxation, the Minneapolis Park and Recreation Board, the 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 .02524% for 2010 and is not included in the net tax capacity rate. This estimated net tax capacity rate will levy an additional $18.5 million in property taxes, a 7.4% increase over the 2009 adopted budget. The City's net tax capacity (after reductions for tax increment and fiscal disparities) is projected to increase by 6.2% for taxes payable 2010, from $413.9 million to $439.6 million.

Property Tax by Fund $267.1 Million



Of the $18.5 million budgeted increase in property tax revenue, $17.9 million will be used by the City and $1.9 million by the Park Board. The levy for MPHA is reduced by $1.3 million. The City will use its share to increase funding for internal service fund obligations ($3.4 million), pension obligations ($8.4 million), and for other general fund services ($6.1 million).

The Park Board budgeted revenue increase of $1.9 million is based off the adopted new tax policy and represents an increase of 4.3%.

In 2009-2011, levy limits are in effect. The City is using special levies for allowable expenses that are beyond the rate of inflation dictated in levy limits. Levy limits result in reduced flexibility in terms of how the City allocates property tax revenue under the tax policy.

Uses of new property tax revenue - $18.5 million in 2010

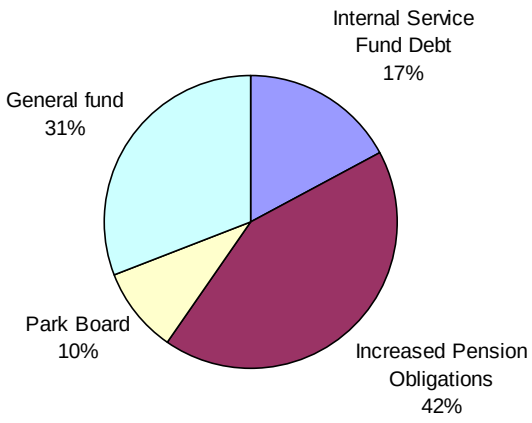
Internal Service Fund Debt:
$3.4 million

Increased pension obligations:
$8.4 million

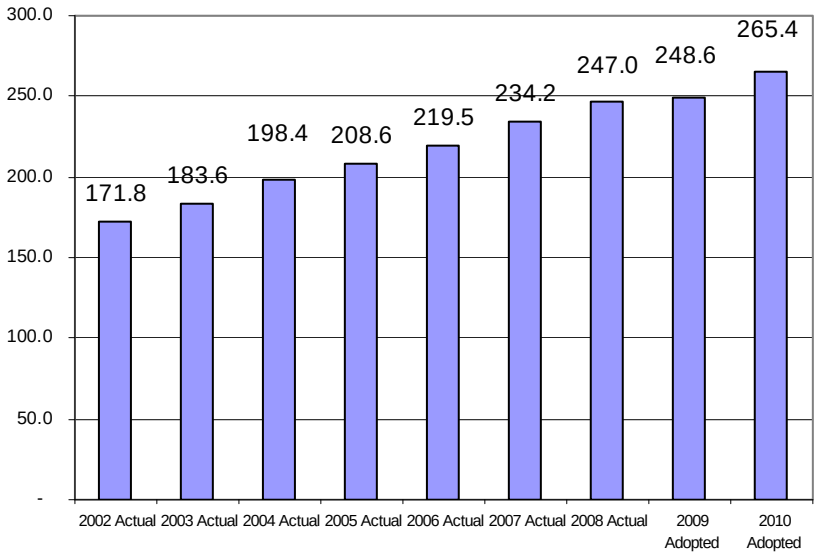
Increased cost to provide General Fund City services:
$6.1 million

Increased cost to provide existing Park Board services:
$1.9 million

Reduction in levy to Minneapolis Public Housing Authority:
-$1.3 million



Property tax revenue in constant 2009 dollars*



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

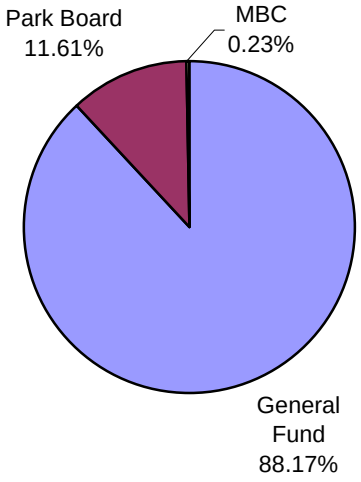
➢ State Aid

The State certified an increase to the City's LGA allocation for 2010 to $90.0 million, a $1.2 million increase over the certified amount from 2009. While the State certified these numbers, actual distributions are much lower due to State action to reduce LGA. The actual distribution for 2010 is $64.0 million, a $16.3 million reduction from the 2009 distribution. Certified LGA versus actual distribution of LGA is featured in the table below:

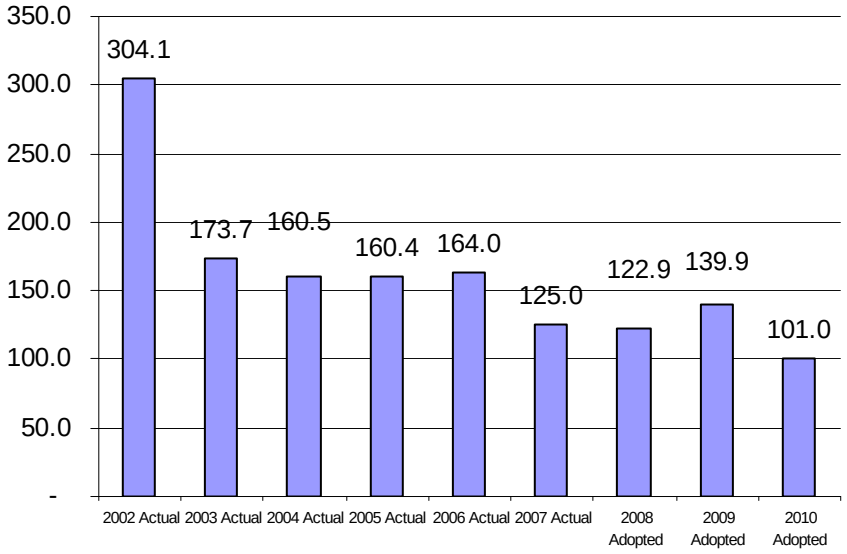
	2009 LGA Distribution %	2009 Certified LGA	2009 LGA Distribution	2010 LGA Distribution %	2010 Certified LGA	2010 LGA Distribution	% Change from 2009
General Fund	87.90%	$78,040,592	$70,537,317	88.17%	$79,118,244	$56,416,914	-20.0%
Park Board	11.80%	$10,478,572	$9,471,102	11.61%	$10,623,269	$7,423,928	-21.6%
MBC	0.30%	$267,247	$241,552	0.23%	$270,937	$145,889	-39.6%
Totals	100.00%	$88,786,411	$80,249,971	100.00%	$90,012,450	$63,986,731	-20.3%

The State also cut the Market Value Homestead Credit to Minneapolis for 2010 in the amount of $6,239,048.

LGA Distribution by Percentage



State Government revenue in constant 2009 dollars*



*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 2010 Revised Budget includes an increase in utility rates of $0.14 per 100 cubic feet for water, $0.32 per 100 cubic feet for sanitary sewer, $0.32 per equivalent stormwater unit (ESU = 1,530 square feet) for stormwater services, and no increase for solid waste and recycling 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 4.8% increase for water fees, a 12.2% increase for sanitary sewer services, a 3.0% increase for stormwater, and no increase for solid waste and recycling. The average monthly charge per residential dwelling is $24.40 (based on average usage of 800 cubic feet) for water, $17.58 (based on average usage of 600 cubic feet) for sewer, $11.09 for Stormwater (based on 1 ESU), and $24.00 for solid waste and recycling.

Combined utility bill
Monthly and annual cost for average consumer

	2009	2010 Monthly Average	2010 Annual Average	2010 monthly dollar change	2010 % change
Sanitary Sewer	$15.66	$17.58	$211	$1.92	12.2%
Storm Water	$10.77	$11.09	$133	$0.32	3.0%
Water	$23.28	$24.40	$293	$1.14	4.8%
Solid Waste/Recycling	$24.00	$24.00	$288	$0.00	0.0%
Total	$73.71	$77.07	$925	$3.38	4.6%

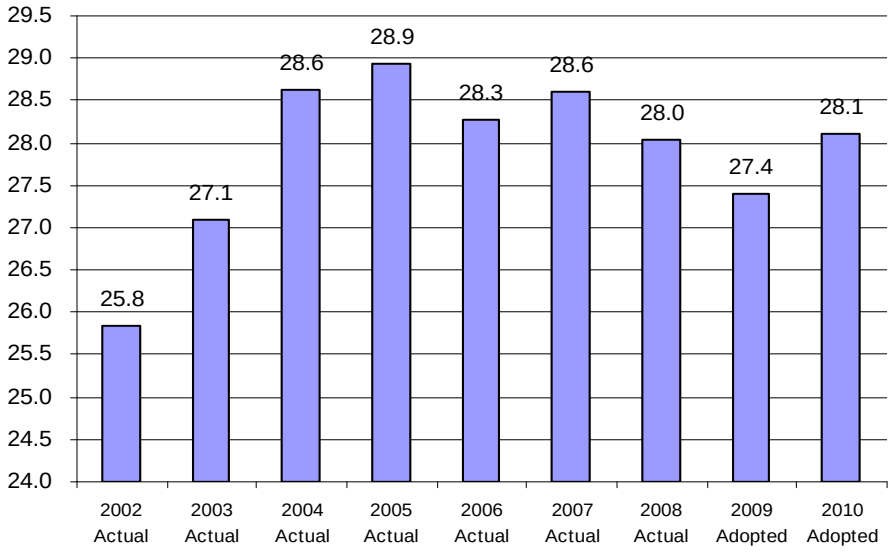
- **Solid waste and recycling fee:** The 2010 revised budget left the solid waste and recycling fee unchanged at $24.00, the average monthly charge per dwelling.

- **Franchise fees:** The 2010 Revised Budget anticipates the total franchise fee revenue to increase to $29.1 million from $28.1 million in 2009.

- **Community development block grant:** For 2010, the City is anticipating an approximate 5% increase from the 2009 actual funding level. The 2009 actual CDBG funds were approximately $266,000 greater than originally budgeted.

- **Other fee changes:** The licenses and permit fee revenue is expected to increase from $27.4 million to approximately $28.3 million in 2010 due to increases in the rates charged for some of the licenses and permits. The 2010 Revised Budget is structured so as to prevent the property taxpayers from having to subsidize fee-based services.

License and permit revenue in constant 2009 dollars

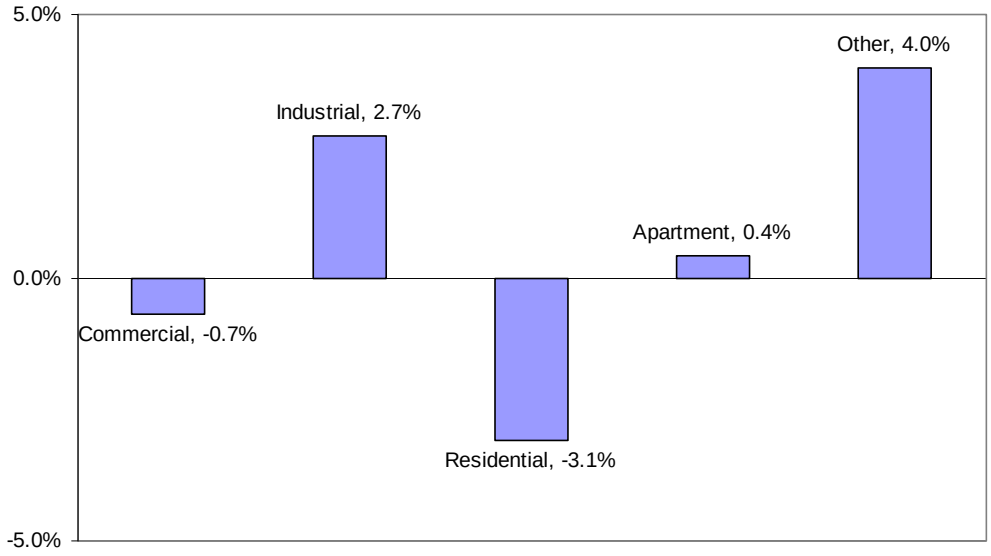


*This revenue chart shows the trend of City revenues adjusted for inflation using the Consumer Price Index (CPI).

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 property group. These numbers are updated as of December 1, 2009.

Group	2009 Estimated Market Value Real Estate	% of Total	% Change	Tax Capacity Real Estate	% of Total	% Change
Commercial	$7,240,226,700	19.3%	-0.6%	141,315,106	30.5%	-0.7%
Industrial	1,461,942,400	3.8%	2.6%	28,559,810	6.2%	2.7%
Residential	24,475,219,830	67.6%	-3.6%	250,987,743	54.2%	-3.1%
Apartment	3,509,116,200	9.3%	0.5%	41,805,217	9.0%	0.4%
Other	24,875,400	0.1%	3.6%	332,956	0.1%	4.0%
Total	**$36,711,380,530**	**100.0%**	**2.2%**	**$463,000,833**	**100.0%**	**-1.9%**



The market value and tax capacity data shown above does not include personal property, which is estimated to have a market value of approximately $381.5 million and a corresponding tax capacity of $7.0 million for taxes payable 2010. With personal property included, gross tax capacity is estimated to decrease from the prior year by approximately 2.5%.

The following table provides the estimated changes in tax increment financing, fiscal disparities contribution, and fiscal disparities distribution for taxes payable 2010:

For Taxes Payable in 2010	
Real Estate Tax Capacity	$463,000,833
Personal Property Tax Capacity	$6,989,849
Gross Tax Capacity	**$469,990,682**
- Less Increment Financing	($35,757,947)
- Less Fiscal Disparities Contribution	($55,162,961)
+ Plus Fiscal Disparities Distribution	$60,483,575
Net Tax Capacity	**$439,553,349**

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 multiplied by the classification rate multiplied by 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 redistributed the burden to lower and mid-value residential properties.

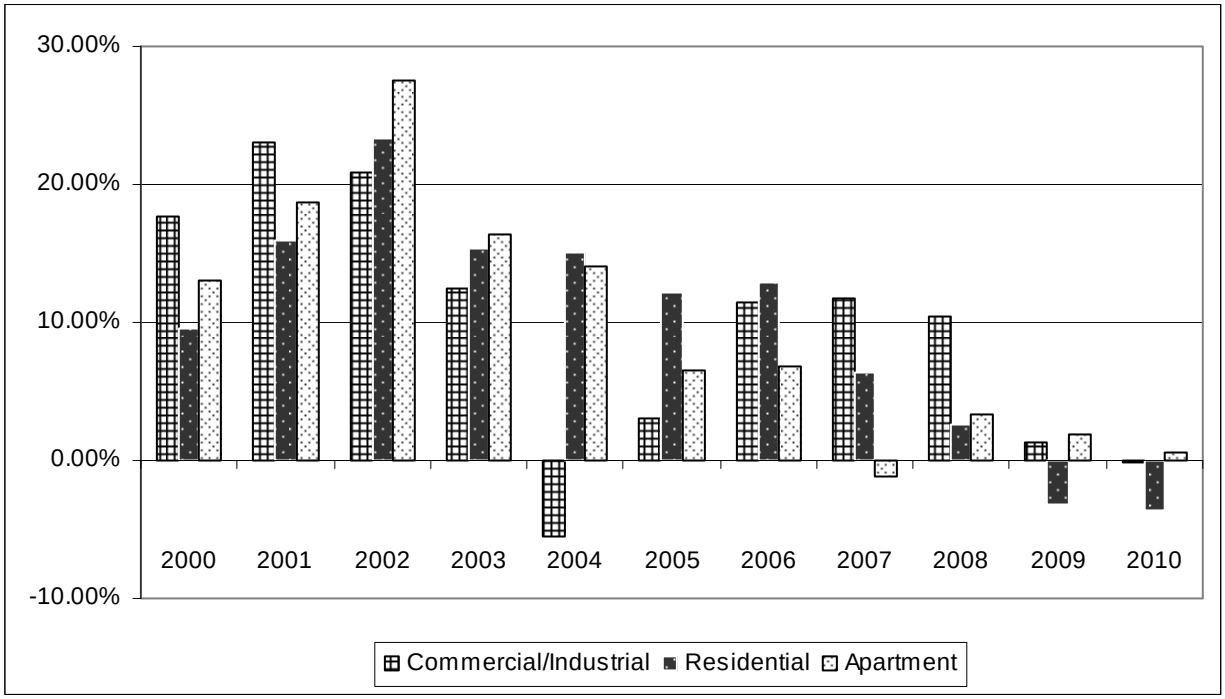
In 2001, the State Legislature enacted a statewide property tax on commercial, industrial and seasonal-residential recreational properties. The State of Minnesota now receives approximately 26% of the property taxes paid on those property types. Until the 2001 property tax reform, property taxes were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

Minneapolis has historically had a strong commercial and industrial (C/I) tax base. For taxes payable in 1997, Minneapolis commercial and industrial property paid 56% of the total taxes for the City with the central business district alone paying almost 40%; for taxes payable 2010 this declined to 36% of the City total with the central business district paying approximately 24%. Corresponding percentages for Residential property owners (defined as 1-3 dwelling units) paid 32% of the City's taxes in 1997, and an estimated 54% for payable 2010. This represents a reversal in the share of the City's tax burden between the two property types. In 2009, the property tax burden began to shift back to the C/I property owners with the growth in C/I values in 2007 and 2008 and a reduction in residential property values. For taxes payable 2010, the shift in tax capacity towards C/I amounted to only 0.5%, essentially stalling the recent shift in tax capacity from residential property to commercial and industrial property.

The changes in distribution of tax base are a function of both market conditions and changing class rates. The table below shows the growth or decline in the market value by the three main property type classifications from payable 2000 to 2010:

	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%
2009	1.30%	-3.12%	1.82%
2010	-0.09%	-3.60%	0.53%

Change in Market Value



- The Minneapolis real estate market closely resembles that of the national and regional real estate markets. Citywide residential assessed values from January 2007 to January 2008 ranged from relatively flat values to double digit decreases in value depending on the location. Mortgage fraud, sub-prime lending practices and a significant inventory of homes for sale are three factors contributing to the downward pressures in Minneapolis's residential market. On a positive note, with the recent reduction in market value of homes and with mortgage interest rates in the range of 6%, housing affordability in

Minneapolis is on the rise. Overall, commercial property values have declined; however, they've not been as negatively impacted by mortgage fraud and sub-prime lending when compared to the residential market.

- Commercial and Industrial property in both the Central Business District (CBD) and neighborhood nodes are trending downward. The downward trend is the result of the current recession and the reduced availability and significant upward re-pricing of credit in the marketplace. In 2008, commercial and industrial sales in the neighborhood nodes are down sharply while sales of major office buildings in the CBD were few and far between. The outlook for recovery is dependent upon several factors, one of which will be the efforts and impact of the fiscal stimulus packages currently underway.

- There was a close correlation between the number foreclosures and vacant and boarded buildings in a neighborhood with the decline in property values. The City anticipates recent actions by Federal, State and local agencies to fund programs targeted at foreclosure mitigation, neighborhood stabilization and revitalization.

2010 Adopted Budget
Property Tax Levies

	2009 Adopted Levies	2010 Adopted Budget		
		2010 Adopted Levies	% Change from 2009	$ Change from 2009
By Major Funds				
General Levies	$245,003,164	$264,805,404	8.1%	$19,802,240
Special Levies Other*	$3,565,932	$2,250,000	-36.9%	($1,315,932)
Grand Totals	**$248,569,096**	**$267,055,404**	**7.4%**	**$18,486,308**

By Entity				
City**	$192,095,622	$210,016,781	9.3%	$17,921,159
Park Board	$43,607,542	$45,488,623	4.3%	$1,881,081
Library Referendum***	$9,300,000	$9,300,000	0.0%	$0
Public Housing Authority	$1,315,932	$0	-100.0%	($1,315,932)
Teachers' Retirement	$2,250,000	$2,250,000	0.0%	$0
Grand Totals	**$248,569,096**	**$267,055,404**	**7.4%**	**$18,486,308**

*** Special Levies other Include; Chapter 595 (CPED), Public Housing Authority, Teachers' Retirement**
**** Includes General Fund, Permanent Improvement, Bond Redemption, Municipal Building Commission, Board of Estimate & Taxation, and closed pension funds (MERF,MPRA,MFRA)**
*****This remains a City obligation after the Library System consolidation**

2010 Adopted Budget
Property Tax Levies

	2009 Adopted	2010 Adopted Budget		
		2010 Adopted Levies	% Change from 2009	$ Change from 2009
Levy Only Entities				
Public Housing Auth	$1,315,932	$0	-100.0%	($1,315,932)
Teachers Retirement	$2,250,000	$2,250,000	0.0%	$0
Library Referendum* **	$9,300,000	$9,300,000	0.0%	$0
Board Estimate & Taxation	$260,035	$270,000	3.8%	$9,965
Perm. Imp Fund	$1,619,000	$1,700,000	5.0%	$81,000
Bond Redemption Fund	$22,243,873	$16,141,429	-27.4%	($6,102,444)
MERF	$2,270,000	$2,390,000	5.3%	$120,000
MFRA	$1,860,000	$1,335,000	-28.2%	($525,000)
MPRA	$3,005,000	$11,793,000	292.4%	$8,788,000
Subtotals	**$44,123,840**	**$45,179,429**	**2.4%**	**$1,055,589**
Levy & LGA Entities				
Municp Building Commission	$4,339,992	$4,413,345	1.7%	$73,353
Park & Recreation Board	$43,607,542	$45,488,623	4.3%	$1,881,081
General Fund Levy	$156,497,722	$171,974,006	9.9%	$15,476,284
Subtotals	$204,445,256	$221,875,974	8.5%	$17,430,718
Grand Totals	**$248,569,096**	**$267,055,403**	**7.4%**	**$18,486,307**

2010 Revised Budget
Activities Approach

Activities Approach for Levy & LGA Entities	2009 Adopted	2010 Revised Budget		
		2010 Revised	% Change from 2009	$ Change from 2009
Municp Building Commission				
Tax Levy $$	**$4,339,992**	**$4,413,217**		
Tax Rev $$	$4,253,192	$4,244,734	-0.20%	($8,458)
One time revenue for elevator repair		$60,000		
One time expenditure for elevator repair		($60,000)		
Trf to City General Fund OH	**($45,000)**	**($45,000)**	**0.00%**	**$0**
LGA Rev	$241,552	$145,889	-39.60%	($95,663)
MBC Activities	**$4,449,744**	**$4,345,623**	**-2.34%**	**($104,121)**
Park & Recreation Board				
Tax Levy $$	**$43,607,542**	**$45,488,280**		
Tax Rev $$	$42,735,391	$43,680,614	2.21%	$945,223
Trf to City General Fund OH	($811,687)	($811,687)	0.00%	$0
Trf to City General Admin Fee	($116,400)	($121,056)	4.00%	($4,656)
Capital Projects from Levy	($1,470,000)	($1,528,800)	4.00%	($58,800)
LGA Rev	$9,471,102	$7,423,928	-21.61%	($2,047,174)
Park Board Activities	**$49,808,406**	**$48,642,999**	**-2.34%**	**($1,165,407)**
General Fund Levy				
Tax Levy $$	**$156,497,722**	**$171,974,478**		
Tax Rev $$	$153,367,768	$163,313,107	11.42%	$17,509,419
Trf to County for Library System	($6,800,000)	($6,721,000)	-1.16%	$79,000
Trf to County for Library System one time	($683,000)	$0	-100.00%	$683,000
Trf to Other Funds	$0	($1,000,000)	100.00%	($1,000,000)
Trf to Target Center Finance Plan	($92,000)	($92,000)	0.00%	$0
Trf to Solid Waste Graffiti	($50,000)	($50,000)	0.00%	$0
Capital Projects from Levy	$0	($5,000,000)	100.00%	($5,000,000)
Trf fo rCity Hall Green Roof MBC	($107,500)	$0	-100.00%	$107,500
Trf for City Hall Elevator MBC	($95,000)	$0	-100.00%	$95,000
Trf for LRT Study Central Corridor	($700,000)	$0	-100.00%	$700,000
Trf for Ballpark Infrastructure	($1,575,000)	$0	-100.00%	$1,575,000
GFd OH Not recovered Park Bd	($1,472,057)	($1,287,025)	-12.57%	$185,032
GFd OH Not recovered from MBC	**($246,954)**	**($184,927)**	**-25.12%**	**$62,027**
GFd OH Not recovered from Others	($3,955,612)	($3,004,803)	-24.04%	$950,809
GFd OH Recovered from Others	($21,604,987)	($21,640,821)	0.17%	($35,834)
General fund one time revenue	$7,300,000	$0	-100.00%	($7,300,000)
Trf to Internal Service Fds Workout Plans	($25,270,000)	($25,205,000)	-0.26%	$65,000
Trf to Pension Debt Service Sinking Fd	($14,567,700)	($8,702,400)	-24.18%	$3,523,100
One time resources				
Transfer to MBC for elevator repair		($60,000)		$60,000
BIS/Public Works for wireless installation in vehicles		($360,000)		$360,000
BIS/Public Works for wireless poles		($800,000)		$800,000
Citywide for pension debt avoidance		($2,810,000)		$2,810,000
Finance process improvements		($500,000)		$500,000
Citywide for retirement incentive for sworn personnel		($500,000)		$500,000
MPD ticket writers		($250,000)		$250,000
MPD for fitness testing		($180,000)		$180,000
Public Works for pothole filling		($500,000)		$500,000
Public Works for sealcoating		($500,000)		$500,000
Subtotal General Fund for Others	**($69,919,810)**	**($79,347,976)**	**-1.64%**	**$1,149,634**
General Fund Revenue	$135,684,000	$142,525,000	5.04%	$6,841,000
LGA Rev	$70,537,317	$56,416,914	-20.02%	($14,120,403)
General Fund Activities	**$289,669,275**	**$282,907,045**	**-2.34%**	**($6,762,230)**

2010 Adopted Budget
Historical Tax Rates and Levies
*Based on Final Pay 2009 information

NET TAX CAPACITY BASED (NTC) LEVIES

	2007		2008		2009*	
City Levies	**Tax Rate (%)**	**Total Tax Levy $$**	**Tax Rate (%)**	**Total Tax Levy $$**	**Tax Rate (%)**	**Total Tax Levy $$**
General Fund	33.543	$126,180,059	37.743	$155,082,373	37.876	$156,497,722
Estimate and Taxation	0.064	240,417	0.061	250,034	0.063	260,035
Building Commission	1.067	4,012,566	1.016	4,173,069	1.051	4,339,992
Permanent Improvement	0.431	1,619,000	0.395	1,619,000	0.392	1,619,000
Bond Redemption	4.965	18,677,000	4.468	18,355,000	5.384	22,243,873
Firefighter's Relief Association	0.821	3,086,000	0.832	3,415,000	0.451	1,860,000
Police Relief Association	0.964	3,625,000	0.887	3,641,000	0.728	3,005,000
Minneapolis Employees Retirement Fund	0.638	2,400,000	0.716	2,940,000	0.550	2,270,000
Sub-Total City Levies	42.493	$159,840,042	46.118	$189,475,476	46.495	$192,095,622
Park and Recreation	10.635	40,005,789	10.168	41,778,021	10.554	43,607,542
Sub-Total Park Board Levies	10.635	$40,005,789	10.168	$41,778,021	10.554	$43,607,542
Library Board 1	3.557	$13,377,160	**In General Fund in 2008**		**a County Function in 2009**	
Sub-Total City Levies	**56.685**	**$213,222,991**	**56.286**	**$231,253,497**	**57.049**	**$235,703,164**
City-Related Special Levies						
Public Housing	0.322	1,216,653	0.307	1,265,319	0.320	1,315,932
Teachers' Retirement	0.593	2,250,000	0.542	2,250,000	0.544	2,250,000
Watershed Districts 2	1.121	5,990,820	1.404	6,703,804	1.489	7,056,535
Sub-Total City-Related Specials Levies	**2.036**	**$9,457,473**	**2.253**	**$10,219,123**	**2.353**	**$10,622,467**
Other Special Levies						
Hennepin County	34.797	134,463,075	34.486	141,969,039	39.697	161,631,008
State of Minnesota 3	**CI only**	70,081,548	**CI only**	74,047,875	**CI only**	78,642,725
Minneapolis Public Schools	24.225	91,834,140	21.950	91,461,148	24.583	71,004,773
Other Special Taxing Districts 4	4.242	15,374,768	4.260	16,742,474	3.820	15,263,657
Sub-Total Other Specials Levies	**63.264**	**$296,378,763**	**60.696**	**$307,478,062**	**68.100**	**$311,278,506**
TOTAL NTC BASED LEVIES	**121.985**	**$519,059,227**	**119.235**	**$548,950,682**	**127.502**	**$557,604,137**

REFERENDUM MARKET VALUE BASED (RMV) LEVIES

	2007		2008		2009*	
	Tax Rate (%)	**Total Tax Levy $$**	**Tax Rate (%)**	**Total Tax Levy $$**	**Tax Rate (%)**	**Total Tax Levy $$**
Minneapolis Public Library Referendum	0.02688%	$9,300,000	0.02465%	$9,300,000	0.02461%	$9,300,000
Minneapolis Public Schools Referendum	0.09311%	36,690,461	0.08752%	38,011,310	0.16261%	61,473,699
Solid Waste Fee 5	0.01571%	5,497,000	0.01584%	5,997,260	0.01096%	4,158,069
TOTAL RMV BASED LEVIES	**0.13570%**	**$51,487,461**	**0.12801%**	**$53,308,570**	**0.19818%**	**$74,931,768**
TOTAL ALL LEVIES		**$570,546,688**		**$602,259,252**		**$632,535,905**

Notes:

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

[2] 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 2009 & #3

Water Shed #	**# 0**	**# 3**	**# 6**	**# 7**	**# 8**
School Rate	24.539	24.583	24.543	24.539	24.539
County Rate	39.666	39.697	39.669	39.666	39.666
Water Shed rate	0.000	1.489	2.143	0.535	0.047
Total NTC Based rate	**125.938**	**127.502**	**128.088**	**126.473**	**125.985**

[3] The State of Minnesota Property Tax is applicable only to Commercial & Industrial properties.

[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 pay 2009 Tax rate applies to 71.3737% of the Commercial property's taxable value and the area wide rate of 115.921 applies to the remaining 28.6263% in addition to the State rate of 45.535.

Residential Property with an Estimated Market Value Change of 0.0%

	2009	2010	% Change	$ Change
Assessed Market Value (MV)	**$138,100**	**$138,100**	**0.0%**	$0
Taxable Value	$138,100	$138,100	**0.0%**	$0
Tax Capacity	$1,381	$1,381	**0.0%**	$0
City Property Taxes				
Tax Capacity based Taxes	$677	$691	**2.1%**	$14
MV Referendum Tax	$34	$35	**2.9%**	$1
Total City Property Taxes	**$711**	**$726**	**2.1%**	**$15**
Utility Fees				
Water	$279	$293	**5.0%**	$14
Sroorm	$129	$133	**3.1%**	$4
Sanitary Sewer	$186	$211	**13.4%**	$25
Solid Waste Recycling	$288	$288	**0.0%**	$0
Total Utilities	**$882**	**$925**	**4.9%**	$43
Total City Property Taxes & Utility	**$1,593**	**$1,651**	**3.6%**	**$58**

	2009	2010	% Change	$ Change
Assessed Market Value (MV)	**$216,000**	**$216,000**	**0.0%**	$0
Taxable Value	$216,000	$216,000	**0.0%**	$0
Tax Capacity	$2,160	$2,160	**0.0%**	$0
City Property Taxes				
Tax Capacity based Taxes	$1,153	$1,178	**2.2%**	$25
MV Referendum Tax	$53	$55	**3.8%**	$2
Total City Property Taxes	**$1,206**	**$1,233**	**2.2%**	**$27**
Utility Fees				
Water	$279	$293	**5.0%**	$14
Sroorm	$129	$133	**3.1%**	$4
Sanitary Sewer	$186	$211	**13.4%**	$25
Solid Waste Recycling	$288	$288	**0.0%**	$0
Total Utilities	**$882**	**$925**	**4.9%**	$43
Total City Property Taxes & Utility	**$2,088**	**$2,158**	**3.4%**	**$70**

Residential Property with an Estimated Market Value Change of 0.0%

	2009	2010	% Change	$ Change
Assessed Market Value (MV)	**$536,000**	**$536,000**	**0.0%**	$0
Taxable Value	$536,000	$536,000	**0.0%**	$0
Tax Capacity	$5,450	$5,450	**0.0%**	$0
City Property Taxes				
Tax Capacity based Taxes	$3,109	$3,178	**2.2%**	$69
MV Referendum Tax	$132	$135	**2.3%**	$3
Total City Property Taxes	**$3,241**	**$3,313**	**2.2%**	**$72**
Utility Fees				
Water	$279	$293	**5.0%**	$14
Srorm	$129	$133	**3.1%**	$4
Sanitary Sewer	$186	$211	**13.4%**	$25
Solid Waste Recycling	$288	$288	**0.0%**	$0
Total Utilities	**$882**	**$925**	**4.9%**	$43
Total City Property Taxes & Utility	**$4,123**	**$4,238**	**2.8%**	**$115**

	2009	2010	% Change	$ Change
Assessed Market Value (MV)	**$1,417,500**	**$1,417,500**	**0.0%**	$0
Taxable Value	$1,417,500	$1,417,500	**0.0%**	$0
Tax Capacity	$16,469	$16,469	**0.0%**	$0
City Property Taxes				
Tax Capacity based Taxes	$9,395	$9,602	**2.2%**	$207
MV Referendum Tax	$349	$358	**2.6%**	$9
Total City Property Taxes	**$9,744**	**$9,960**	**2.2%**	**$216**
Utility Fees				
Water	$279	$293	**5.0%**	$14
Srorm	$129	$133	**3.1%**	$4
Sanitary Sewer	$186	$211	**13.4%**	$25
Solid Waste Recycling	$288	$288	**0.0%**	$0
Total Utilities	**$882**	**$925**	**4.9%**	$43
Total City Property Taxes & Utility	**$10,626**	**$10,885**	**2.4%**	**$259**

Commercial/Industrial and Apartment Property Tax – Sample Bills

Commercial/Industrial Property with Estimated Pay 2010 Market Value of		$300,000		
	2009	2010	% Change	$ Change
Assessed Market Value (MV)	$325,000	$300,000	-7.7%	($25,000)
Tax Capacity	$5,750	$5,250	-8.7%	($500)
City Property Taxes				
Tax Capacity based Taxes	$2,341	$2,089	-10.8%	($252)
MV Referendum Tax	$80	$76	-5.0%	($4)
Total City Property Taxes	**$2,421**	**$2,165**	**-10.6%**	**($256)**

Commercial/Industrial Property with Estimated Pay 2010 Market Value of		$10,350,000		
	2009	2010	% Change	$ Change
Assessed Market Value (MV)	$10,250,000	$10,350,000	1.0%	$100,000
Tax Capacity	$204,250	$205,500	0.6%	$1,250
City Property Taxes				
Tax Capacity based Taxes	$83,166	$81,789	-1.7%	($1,377)
MV Referendum Tax	$2,523	$2,612	3.5%	$89
Total City Property Taxes	**$85,689**	**$84,401**	**-1.5%**	**($1,288)**

Apartment Property with Estimated Pay 2010 Market Value of		$380,000		
	2009	2010	% Change	$ Change
Assessed Market Value (MV)	$400,000	$380,000	-5.0%	($20,000)
Tax Capacity	$5,000	$4,750	-5.0%	($250)
City Property Taxes				
Tax Capacity based Taxes	$2,852	$2,769	-2.9%	($83)
MV Referendum Tax	$98	$96	-2.0%	($2)
Total City Property Taxes	**$2,950**	**$2,865**	**-2.9%**	**($85)**

Apartment Property with Estimated Pay 2010 Market Value of		$686,000		
	2009	2010	% Change	$ Change
Assessed Market Value (MV)	$686,000	$686,000	0.0%	$0
Tax Capacity	$8,575	$8,575	0.0%	$0
City Property Taxes				
Tax Capacity based Taxes	$4,892	$5,000	2.2%	$108
MV Referendum Tax	$169	$173	2.4%	$4
Total City Property Taxes	**$5,061**	**$5,173**	**2.2%**	**$112**