

City of Minneapolis 2014 Budget

Ten-Year Projection of Demands on the Property Tax

Background

Longer term financial planning is integral to the City's budget process. In order to identify and plan for demands on the property tax levy, the City implemented a ten-year property tax projection initiative. The ten-year projection was first produced in the spring of 2002 to surface all the demands on the property tax to which the City had committed. This projection led to the adoption of the 8% maximum property tax policy in the summer of 2002 by both the City Council and the Board of Estimate and Taxation. In January 2003, the City Council and Mayor adopted a five-year financial direction to set resource parameters for department business plans. This policy was subsequently amended in 2010 to fund shared costs and provide consistent levels of operating resources for the City and independent boards. Projections now serve as general guidance for departmental resource planning as the City adopted the Program Budgeting Process.

Assumptions in the Ten-Year Projection

For details on the financial outlook for the City, please refer to the schedule of projected demands on the property tax.

- Included in the projections is a property tax stabilization account that will smooth property tax levy increases and decreases to provide a more stable percent change from year to year.

General Fund Operations Assumptions

- It is anticipated that salary settlements will vary within and between bargaining units. Assumptions are updated annually as contracts are settled.
- Annual increases in health insurance premiums of 10.0% in 2014, 12% in 2015-2019.
- Non-personnel increases are assumed to be 3.5% each year.
- No increase in departmental and citywide revenue (except for some regulatory services, CPED and Health revenues which are expected to increase by 3%). Please see the discussion in the 2015-2019 five-year financial direction, earlier under this same tab, for more information by department.
- Commitments for the library are included in the general fund. In 2010 and beyond, the property tax levy for operations are included in the Hennepin County levy.

Capital and Debt Assumptions

- In continuing to respond to critical infrastructure needs, the Mayor recommended and the Council Adopted an expansion of net debt bond resources of \$16.35 million for the 2014 – 2018 capital plan over previously approved levels. This expanded funding restores the five-year allocation from \$137.755 million to \$154.105 million for the five-year capital plan. The intent is to sustain this higher level of property tax supported (net debt bond) funding to continue the infrastructure acceleration program, which otherwise would have concluded in 2013. This ongoing higher capital infusion will improve all classes of City infrastructure with a greater emphasis on paving projects, bridges, pedestrian safety, public safety related projects and economic development projects that enhance the property tax base. The higher level of net debt bond resources will help to maintain current infrastructure systems but will still leave a large backlog of infrastructure needs.

- The Net Debt Bond (NDB) program is funded with property tax collections. The five-year financial direction for the bond redemption levy includes increases in 2014 and more significant increases for 2015 and beyond for capital improvements. These increases are possible due to improvements in the internal service fund financial plans which reduce the demand for property tax resources previously needed to eliminate their deficits. In addition, paying off the remaining pension bonds in 2012 helped to create financial capacity to expand the NDB program and refocus on infrastructure investment.

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

BUDGET YEAR 2014	5 Year Financial Directions Planning Time Line					
	2015	2016	2017	2018	2019	
General Fund* Less Pension Mgmt. Plan (* Includes the Chapter 595 (HRA) Levy)	(\$11.59)	(\$4.733)	\$3.795	\$6.431	\$6.568	\$5.735
City Capital/Debt						
Permanent Imp Fund	\$0.00	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Bond Redemption Fund	\$7.94	\$7.350	\$0.980	\$0.000	\$0.000	\$0.980
Subtotal City Capital/Debt	\$7.938	\$7.350	\$0.980	\$0.000	\$0.000	\$0.980
City Totals Less Trf Pension Mgmt. Plan	(\$3.651)	\$2.617	\$4.775	\$6.431	\$6.568	\$6.715
Independent Boards & Closed Pension Funds						
Board of Estimate & Taxation	(\$0.00)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Library Referendum Levy	\$0.00	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Park & Recreation Board	\$0.99	\$2.433	\$2.097	\$2.063	\$2.176	\$2.288
Municipal Bldg. Commission	\$0.18	\$0.472	\$0.169	\$0.166	\$0.175	\$0.183
Mpls Public Housing Authority	(\$0.20)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Teachers Retirement Assoc	(\$0.10)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Subtotal Independent Boards	\$0.872	\$2.906	\$2.266	\$2.229	\$2.351	\$2.472
Pension Mgmt. Plan	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Independent Bds & Closed Pension Funds	\$0.872	\$2.906	\$2.266	\$2.229	\$2.351	\$2.472
Incremental Property Tax Revenue	(\$2.778)	\$5.522	\$7.040	\$8.659	\$8.919	\$9.187
Total Property Tax Revenue	(\$2.78)	\$5.522	\$7.040	\$8.659	\$8.919	\$9.187
% Change Property Tax	-1.00%	2.00%	2.50%	3.00%	3.00%	3.00%

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

	2020	2021	2022	2023
General Fund* Less Pension Mgmt. Plan (* Includes the Chapter 595 (HRA) Levy)	\$10.788	\$12.030	\$12.538	\$13.059
City Capital/Debt				
Permanent Imp Fund	\$0.000	\$0.000	\$0.000	\$0.000
Bond Redemption Fund	\$0.000	\$0.000	\$0.000	\$0.000
Subtotal City Capital/Debt	\$0.000	\$0.000	\$0.000	\$0.000
City Totals Less Trf Pension Mgmt. Plan	\$10.788	\$12.030	\$12.538	\$13.059
Independent Boards & Closed Pension Funds				
Board of Estimate & Taxation	\$0.005	\$0.005	\$0.005	\$0.005
Library Referendum Levy	\$0.000	\$0.000	\$0.000	\$0.000
Park & Recreation Board	\$2.421	\$2.558	\$2.705	\$2.867
Municipal Bldg. Commission	\$0.192	\$0.204	\$0.215	\$0.227
Mpls Public Housing Authority	\$0.000	\$0.000	\$0.000	\$0.000
Teachers Retirement Assoc	\$0.000	\$0.000	\$0.000	\$0.000
Subtotal Independent Boards	\$2.618	\$2.767	\$2.925	\$3.099
Pension Mgmt. Plan	\$0.000	\$0.000	\$0.000	\$0.000
Total Independent Bds & Closed Pension Funds	\$2.618	\$2.767	\$2.925	\$3.099
Incremental Property Tax Revenue	\$13.406	\$14.797	\$15.463	\$16.158
Total Property Tax Revenue	\$13.405	\$7.040	\$8.659	\$8.919
% Change Property Tax	4.25%	4.50%	4.50%	4.50%