

Dear Minneapolis residents,

Every four years the City engages in strategic planning to determine citywide goals and strategic directions. In April 2010, the mayor and the City Council articulated six citywide goals. These goals guide the elected officials during the budget process as they decide how to allocate the City's resources. While newly elected officials may further refine the City's direction, the 2014 Budget was prepared with the following goals as guidance.

A Safe Place to Call Home

People and businesses thrive in a safe and secure city

Jobs & Economic Vitality

A world-class city and 21st century economic powerhouse

Livable Communities, Healthy Lives

Our built and natural environment adds character to our city, enhances our health and enriches our lives

Many People, One Minneapolis

Inclusiveness is a treasured asset; everyone's potential is tapped

Eco-Focused

Minneapolis is an internationally recognized leader for a healthy environment and sustainable future

A City That Works

Minneapolis is a model of fiscal responsibility, technological innovation and values-based, results-driven municipal government

These goals can be found in more detail on the City's website at

www.minneapolismn.gov/results.

If you have questions about any of the material presented in the Budget in Brief, please call 311 from any landline or cell phone within Minneapolis city limits.

Minneapolis by the numbers

- Population: 392,880
- Residential housing units: 177,309
- Residential neighborhoods: 81
- Homeownership rate: 50.4%
- Per capita personal income : \$30,693
- Median household income : \$47,478
- Accredited colleges and universities: 21
- Unemployment rate: 4.8%
- Median age: 31.4 years
- Land area: 58.4 square miles



2014 City of Minneapolis Budget in Brief

The 2014 Council Adopted Budget:

- Is \$1.238 billion, a 3.5 percent, or \$41.6 million, increase from the 2013 adopted budget of \$1.196 billion.
- Includes a 1 percent decrease in the property tax levy.
- Reflects a 3.5 percent reduction in levy from the existing tax policy (*the 2014 levy was expected to increase by 2.5 percent*).
- Maintains current service levels from 2013, despite inflationary and mandated cost increases of \$9.883 million.
- Provides transition funding for police cadets, community service officers and fire cadets to maintain staffing levels following expected retirements.
- Enhances the STEP-UP and Urban Scholars programs to diversify our work force.
- Identifies current and future equipment needs to support City services.
- Plans for the City's infrastructure needs by shifting base funding from operations to capital as well as increasing maintenance funding.
- Supports economic growth in the city by supplementing resources for planning, building permits and inspections.

Budget Process

June - August - Mayor developed and submitted recommended budget.

- Mayor met with department managers.
- Mayor reviewed budget proposals, policy changes and funding options.
- Recommended budget submitted to council (*August*).

September - December - Hearings held on mayor's recommended budget.

- City Council discussed budget.
- City departments and boards presented their budgets to the City Council's Ways & Means/Budget Committee.
- Ways & Means/Budget Committee approved any changes to the mayor's recommended budget.

November - Public hearings held.

- Property tax notices were mailed to property owners, stating the amount of property tax to be paid in the following year.
- Dates for public hearings were given.

December - Budget adopted.

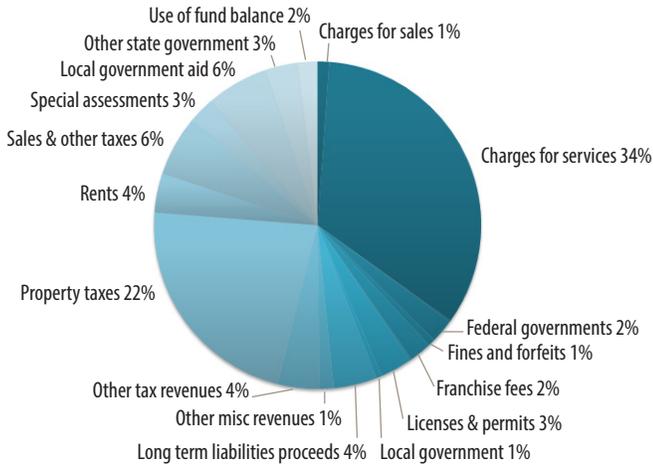
- Public meeting held on date of budget adoption.
- Final budget referred to as the Council Adopted Budget.



How The City Is Funded

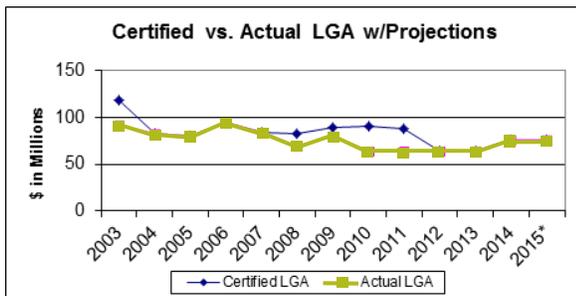
Total Revenue Budget - Sources of Funds

2014 Council Adopted Budget: \$1.238 billion



STATE FUNDING

The City receives funding from the State of Minnesota largely in the form of Local Government Aid, or LGA. The State uses a formula to distribute LGA funds to cities throughout Minnesota. In 2014, Minneapolis was appropriated \$76.1 million, an increase of \$12 million from 2013, reversing a trend of declining allocations. The graph below shows certified and actual levels of LGA funding the City of Minneapolis has been receiving since 2003. The 2015 figure is a projection of anticipated LGA funding.



*2015 is a projected number.

For more information on LGA and the distribution formula, please visit www.house.leg.state.mn.us/hrd/topics.asp?topic=32

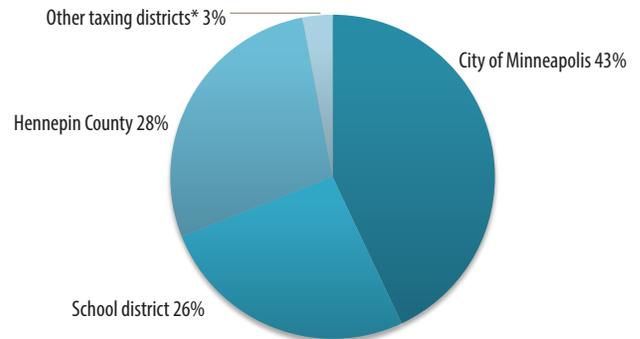
Charges For Services/Sales

Much of the City's funding comes from services residents pay for such as water, sanitary sewers, storm sewers, trash removal and recycling pickups. The revenue obtained from providing these services accounts for about 35 percent of the total revenue for the City's budget.

PROPERTY TAX

Property taxes are a major source of revenue for the City, as well as other governmental units. Your property tax dollars are split among several different organizations. The three organizations that receive the greatest proportion of your property taxes are the City of Minneapolis, Hennepin County, and Special School District No. 1. The City typically receives about 43 percent of the revenue from property tax payments made by city residents. Hennepin County receives about 28 percent, and the School District about 26 percent. The other 3 percent of property tax revenue is split between Metropolitan Mosquito Control, Metropolitan Council, Metro Transit, the Minneapolis Institute of Arts, Hennepin County Regional Railroad Authority and the School Board referendum.

2014 Property Tax Breakdown



*This is split between the Metropolitan Council, Metropolitan Transit, Metropolitan Mosquito Control, and the Hennepin County Regional Railroad Authority.

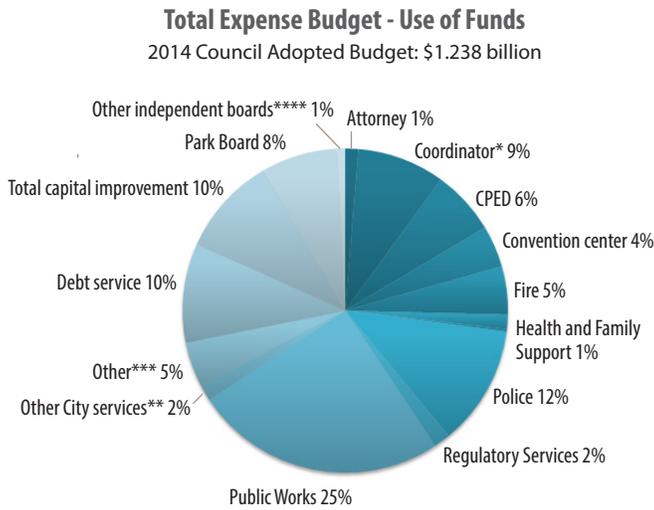
2014 ADOPTED BUDGET PROPERTY TAX BREAKDOWN (City portion only)

The City's 2014 adopted budget includes funding from property taxes of \$276.1 million. Property taxes are used to support many of the City's functions. Under the 2014 adopted budget, a Minneapolis home with an estimated value of \$195,500 will pay about \$3,051 in total property taxes for all jurisdictions as listed above, with approximately \$1,312 going to the City. See where that \$1,312 in City property taxes goes on the following table :

Property Tax Breakdown - 2014 Adopted Budget



Expenditures



- * Includes Human Resources, Finance & Property Services, 311, Intergovernmental Relations, Communications, Neighborhood and Community Relations, IT, 911 and Emergency Management
- ** Includes Assessor, Internal Audit, City Clerk, City Council, Civil Rights and Mayor
- *** Includes non-departmental, health and welfare, worker's compensation, liability, contingency and pensions
- **** Includes Neighborhood Revitalization Program, Board of Estimate and Taxation, the City's contribution to Minneapolis Public Housing Authority, and Municipal Building Commission

POLICE AND FIRE

The Police and Fire Departments comprise 17 percent (\$207.2 million) of the City's overall budget. The City's 2014 adopted budget provides funding for 850 sworn police personnel in five different precincts and 406 sworn fire personnel at 19 stations.

COMMUNITY PLANNING AND ECONOMIC DEVELOPMENT

Community Planning and Economic Development (CPED) accounts for about 6 percent of the City's budget. CPED's mission is to make Minneapolis more sustainable by helping businesses grow, developing an educated workforce and living-wage jobs, promoting homeownership, building housing, and interpreting and enforcing zoning, building and licensing codes to ensure the safety, health, and livability of our community.

PUBLIC WORKS

At approximately 25 percent, the Public Works Department comprises the largest portion of the City's budget. The main responsibilities of Public Works include offering safe transportation to residents by maintaining streets, bike paths and sidewalks; providing safe, high-quality drinking water to residents and visitors; managing the sewer systems and facilitating the collection and disposal of trash and recycling.

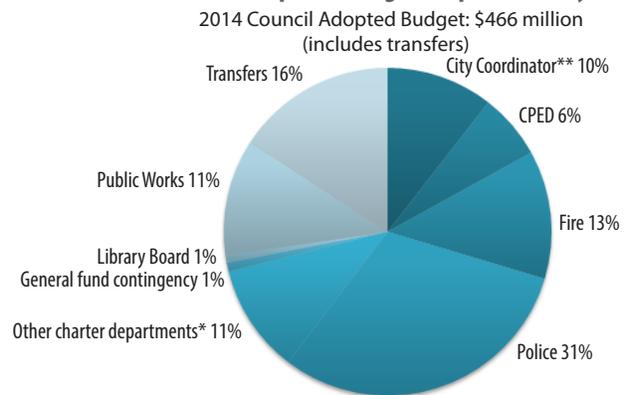
The City's Funds

Revenue collected by the City is directed into different funds. These funds help manage City spending by directing the revenue dedicated to specific activities or objectives to a group of related accounts. By maintaining separate funds, the City is able to comply with laws that require certain money to be spent for specific purposes. For example, the City may not raise water bills to pay for police services. About \$890 million, or 72 percent of the City's revenue is dedicated for a specific use and is directed to a corresponding fund. Revenue that isn't earmarked for a specific purpose gets directed to the General Fund, which pays for the general operations of the City, including police and fire services, street repairs, and regulatory functions.

GENERAL FUND

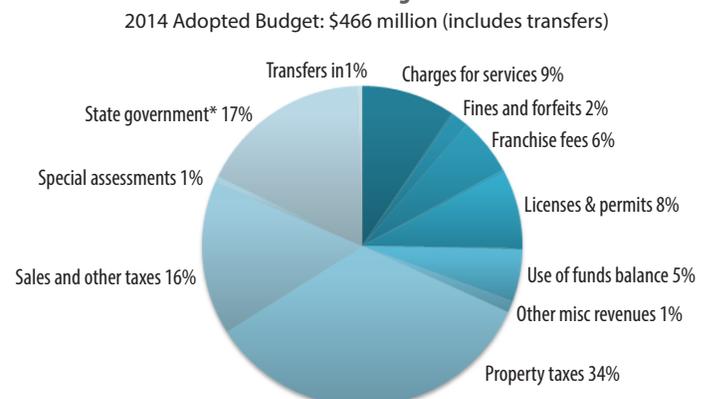
Since the revenue in the General Fund is not earmarked for any specific purposes, the City has the most discretion in the use of General Fund dollars. This fund comprises about 32 percent of the citywide budget. Its two major sources of funding are local property taxes and Local Government Aid (LGA) from the State. These two sources reflect about 51 percent of the General Fund budget of \$466 million. The following chart shows a more detailed look at the General Fund:

General Fund Expense Budget - Expenditure by Service



- *Other Charter Departments: Assessor, Attorney, Council/Clerk Elections, Civil Rights, Internal Audit and Mayor
- **City Coordinator: 311, 911, Emergency Management, IT, Communications, Finance & Property Services, Intergovernmental Relations, Neighborhood & Community Relations

General Fund Revenue Budget - Source of Funds



*State government revenue includes \$76.1 million of LGA

Capital Plan

Every year, the City adopts a plan for capital improvements for the next five years. Capital improvements include projects such as street construction, bridges, public buildings, traffic systems, park improvements, sewers, and water infrastructure.

Prior to the mayor presenting his or her recommended budget to the City Council, elected officials gather feedback from residents regarding what capital projects the City should undertake. The Capital Long-Range Improvement Committee (CLIC) consists of 33 residents (*seven appointed by the mayor and two appointed by each of the 13 council members to represent their wards*). CLIC members rank proposed capital projects based upon a number of criteria and present their recommendations to the mayor and City Council.

The 2014 budget includes the five-year (*2014 through 2018*) capital plan. The five-year total for the capital budget is \$592.7 million, with 86.7 percent associated with Public Works projects. The three largest capital expenditure categories include: street paving, water infrastructure and storm sewers. Capital projects tend to be costly; therefore, the City often issues bonds (*or debt*) to finance these projects. The City uses the cash received from bond sales to pay for capital projects, and repays investors over time at tax-exempt interest rates. This process is similar to a homeowner utilizing a home improvement loan to complete a major home repair project.

DEBT SERVICE AND BONDS

The City's total general obligation debt outstanding as of Dec. 31, 2013, is \$732 million. General obligation bonds are backed by the full faith and taxing authority of the City. Approximately 15 percent of this debt is funded with future property tax payments, 34 percent is paid for by fees collected for sewer, water and parking services and the balance is supported by sales taxes, tax increment, special assessments and other user fees. Each year, the City pays between \$110 million and \$130 million in principal and interest on its general obligation bonds.

The City's bonds receive among the highest possible ratings from all three major credit rating agencies. The ratings represent the strength of the City's credit and thus the safety of investing in City bonds. The City's top bond ratings reflect the sound financial management of the City and allow the City to borrow money from investors at low interest rates.

Utility Rates

For 2014, the council-adopted utility rates for water and sanitary sewer fees include both a variable rate component based on water usage and a fixed rate component based on the size of the water meter servicing the property. The variable rate for sanitary sewers did not increase in 2014. The table below provides a summary of the anticipated change in an average residential customer's utility bill from 2013 to 2014.

	2013	2014 Monthly Average	2014 Annual Average	2014 Monthly \$ Change	2014% Change
Water	\$25.03	\$25.74	\$309	\$0.71	2.8%
Sanitary sewer	\$21.84	\$22.24	\$267	\$0.40	1.8%
Stormwater	\$11.82	\$11.94	\$143	\$0.12	1.0%
Solid waste/recycling**	\$22.00	\$22.60	\$271	\$0.60	2.7%
Total	\$80.69	\$82.52	\$990	\$1.83	2.3%

Combined Utility Bill
Monthly and annual cost
for average customer

The average household rate for water is based on 7 units of consumption at \$3.32 per unit plus a \$2.50 fixed charge. Sanitary rates are based on 6 units of water consumption at \$3.14 per unit plus a fixed charge of \$3.40. Stormwater rates are based on 1 equivalent Stormwater unit of 1,530 square feet on impervious surface. The solid waste rate is based on a \$17.60 monthly charge with a large recycling cart fee of \$5.00. Customers may substitute a small cart with a \$2.00 fee.



If you have questions about any of the material presented in the Budget in Brief, please call 311 or 612-673-3000.

For online information about Minneapolis program performance and progress, go to <http://www.minneapolismn.gov/results/index.htm>

If you need this material in an alternative format please call 612-673-3205.

Deaf and hard-of-hearing people call TTY at 612-673-2157.

Attention- If you have any questions regarding this material please call 311.

Hmong - Ceeb toom. Yog koj xav tau kev pab txhais cov xov no rau koj dawb, hu 612-673 2800.

Spanish - Atención. Si desea recibir asistencia gratuita para traducir esta información, llame 612-673-2700.

Somali - Ogow. Haddii aad dooneyso in lagaa kaalmeeyo tarjamadda macluumaadkani oo lacag la'aan wac 612-673-3500.