City of Minneapolis
2016 Budget

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Financial Overview

The 2016 Mayor's Recommended Budget for all City funds is $1.22 billion. This represents a $31.7 million, or 2.7%, increase from the 2015 Council Adopted Budget of $1.19 billion in City fund appropriation exclusive of the City's independent boards. "City funds" are those under the auspices of the City Council, and do not include funds controlled and appropriated by independent boards, such as the Minneapolis Park and Recreation Board, which adopt their own budgets. The Mayor is recommending an overall increase of 3.4% in the property tax levy for the City and its independent boards, raising the total amount levied by $9.8 million, from $287.6 million in 2015 to $297.5 million in 2016. This budget also utilizes accumulated fund balance to fund budgetary items that are one-time or short-term in nature to mitigate budgetary fluctuations and to avoid volatile property tax levies which place undue burden on property taxpayers. The City's financial position has benefited from growth in local sales and entertainment taxes and other revenues due to the continued growth in the local economy. These factors, combined with an increased appropriation in Local Government Aid (LGA) from the State of Minnesota, allow the City to plan for significant improvements in service delivery and targeted enhancements to programs outlined in this budget, without significant impact to the property taxpayers.

The Financial Overview is presented without transfers to avoid double counting of resources. Transfers have also been removed from charts and graphs within this section, including totals for comparative prior years, unless otherwise noted.

Major Highlights

The 2016 Mayor's Recommended Budget includes significant proposals to address future financial and operating challenges. It is important to be aware of these initiatives when making comparisons between budget years, and to understand the context in which these decisions were made.

The highlights include the following:

- The budget for City departments increases by 5.1 percent in 2015, or $44.4 million. As part of this budget, funds that have accumulated in the General Fund due to a growing economy and fiscal restraint in prior years allows for utilization of fund balance in the amount of $13.8 million for departmental activities, as well as an additional $10.0 million to provide a match for an anticipated State Capital Bonding grant for the 10th Avenue Bridge replacement.

- This budget includes rightsizing initiatives in multiple departments to realign resources by eliminating existing unfilled positions, as well as recognizing expenditure trends which identify resources available for reallocation. This has been achieved by directing resources to provide new services and eliminate redundant processes based on new and changing needs of City's residents.

- This budget continues to bolster public safety by providing funding for a police recruit class, two more police officers and additional civilian personnel to assist in Crime Lab and

data analysis. The budget also includes funding for police body cameras and civilian personnel to assist in program implementation. Funding is also included for the EMT Pathways and Community Outreach Explorer programs in the Fire Department which offers leadership development and encourages young and diverse people in Minneapolis public high schools to enter firefighting and emergency services as a career.

- In response to growing need to act more proactively to global climate change, this budget provides resources for additional staffing in City Coordinator's office to facilitate clean energy partnerships. Additional funding is provided to enhance initiatives geared towards diversity and achieving equity – one of the City's goals. More funding for Urban Scholar program has been provided in response to a growing need to preparing the youth for future City careers. Additionally, this budget directs more resources to ensuring more participation in coming elections.

- The 2016 budget does not project any growth in the cost of closed pension obligations from the prior year. The City will levy the same amount for these obligations as it did in 2015 - costs are projected to remain flat in the near term. If recent advances in financial markets continue, it is possible that these costs may actually decline more quickly than currently projected as the plans merged with the Public Employee Retirement Account (PERA) in 2015 due to reaching the mandate funding ratio.

- The 2016 Mayor's Recommended Budget is the second budget after the City completed aggressive efforts to reduce the City's internal service fund deficits and build reserves by prepaying remaining obligations prescribed under "workout" plans. The original workout plans were adopted between 2000 and 2004 and required the Self-Insurance, Equipment, Property Services and Intergovernmental Services (IT) internal service funds to rely on transfers from the General Fund to eliminate deficits through 2019. However, due to efforts in recent budget cycles, 2014 was the final year of these transfers. The elimination of this obligation allows for General Fund resources to be redeployed to other purposes in 2016 and beyond and to help hold levy increases to less than 4 percent annually in the City's long-range planning documents. More importantly, the early completion of these obligations provides flexibility in addressing future budget needs.

- The 2016 Mayor's Recommended Budget continues to lay the foundation for a wave of development including large projects associated with building a new stadium in partnership with the State and the Minnesota Vikings. Construction growth in the City impacts a number of functions in the City including permitting and inspections. This budget includes funding for additional staffing in City Assessor and Community Planning and Economic Development departments to handle increased workloads and provides funding necessary to build supporting infrastructure and recognizes the growth in these revenue sources.

- In its third year, the Capital Asset Request System, or "CARS," will be used on an ongoing basis in long-range planning for smaller operating capital requests that would normally be budgeted in individual departments. Requests funded within the CARS system include items that are not ongoing in nature such as enterprise software upgrades, vehicle purchases and similarly-valued items. The CARS process provides a rolling five-year perspective of the City's needs for these assets and is intended to create a longer term funding plan. In the second year of this program, approximately $23.4 million is recommended to fund items through this process. The majority of items funded

reflect deferred maintenance and replacement costs for existing operating capital including technology upgrades.

- Future challenges and opportunities that the 2016 budget addresses, through the five-year financial direction, include the impacts of rebounding property values and continued growth in the cost of providing City services due to inflationary pressures, as well as levy growth that has not kept pace with inflation.

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:

A Quickly Improving Economy and a Construction Boom
The City is experiencing its third year in a row of record construction as measured by value of permitted projects. For 2014, just over $2.0 billion of construction was permitted. This boom is fueled by new office buildings in and around downtown, multiple high-rise apartment buildings, and the new stadium to be used by the Minnesota Vikings. However, the quickly improving economy and construction boom have put multiple strains on the City in the areas of permitting, assessing, financial planning, compliance monitoring, and public works expansion. These strains, compounded by a backlog of needed infrastructure improvements accumulated during the economic downturn, stretch current resources and create a need for additional resources.

Shrinking Workforce and Increased Demands
In response to the economic downturn and increasing hardship on the City's taxpayers, the City made large cuts to its workforce by eliminating positions across all City departments and independent boards since 2007. The 2016 budget includes over 100 fewer FTEs than in 2007, despite additional resources in the recommendation. The reduction in staffing places increased pressure on remaining employees as the workloads are increasing as the economy improves. Increasing demands on employees coupled with declining wages when factoring for inflation also create challenges for attracting and retaining personnel.

Workforce Turnover
It is anticipated that the City's workforce will experience high turnover in the coming years due to three factors: a large population of retirement-eligible workers, the above-mentioned shrinking workforce and increased demands, and the rebounding economy allowing for greater workforce mobility. The loss of institutional knowledge and costs of retirement and transition planning has not been fully realized by City departments, despite recognition of and planning for in the 2016 budget.

Increased Demand for Technological Solutions
Departments note the 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 software, and in particular, increased maintenance costs. For example, several enterprise software systems will be upgraded over the next several years, with anticipated costs in the millions of dollars. Other examples include increased computer and internet bandwidth usage, the growth in demand for wireless

connectivity, a drive toward enhancing the City's interaction with residents through technological means, as well as the challenge of training employees in the use of these technologies. This budget includes a new effort to plan for these costs as well as other smaller operational capital needs through the Capital Asset Request System (CARS) program. The CARS program plans not only for major technological initiatives, but also for aging equipment replacement and facility upgrades. More information on CARS is available throughout this document.

Regulatory Complexity/Unfunded Mandates

Departments have noted increased complexity of protocols and regulations at many levels. Civil Rights identified the increased complexity of investigation protocols. Regulatory Services and Community Planning and Economic Development cite 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 to meet standards required by Metropolitan Council Environmental Services or facing penalties. The City Clerk notes additional election requirements as a result of the implementation of Instant Runoff Voting (IRV). Furthermore, public safety departments face legislative-directed or nationally developed standards, training, or operating procedures. Departments, especially following several years of significant cuts to the City's training programs, indicate a need for increased and improved employee training, possibly placing additional short-term strain on productivity, to address the growing complexities of their program administration.

Emergency and Security Management Needs

Ensuring adequate physical security, health security, electronic security (prevention of viruses, worms, fraud, and other system security threats), information backups, and emergency planning consumes resources of nearly every department. From natural disasters such as the tree-toppling thunderstorms of Summer 2014 or the recent North Minneapolis tornado to physical infrastructure disasters like the I-35W bridge collapse, Minneapolis City departments continue to build and strengthen relationships with other governmental entities to maximize the effectiveness of security planning and build systems to mitigate and prevent disasters and crises.

Aging Office Facilities and Scattered Administrative Workforce

The City received responses to an RFP issued for consolidating several work locations and City operations. The goal of the RFP issuance is to begin the process of reducing the total office locations of the City's administrative workforce from seven to three or less, located close to and connected to City Hall via skyways or tunnels. The City may partner with the private sector in a build-to-suit development or consolidate its offices in some other fashion while divesting itself of other offices through lease expiration or sale. Combining the administrative offices may place challenges on the workforce due to the preparation of an existing building or building(s) or the retrofitting of an existing building along with the staff move itself. The City (through its relationship with the Municipal Building Commission) has also been participating in an ongoing renovation of City Hall, resulting from deferred maintenance.

City Spending

Below is a summary of the 2016 Mayor's Recommended Budget by major spending categories, excluding transfers.

Expenditures by Service

(In Millions of Dollars)

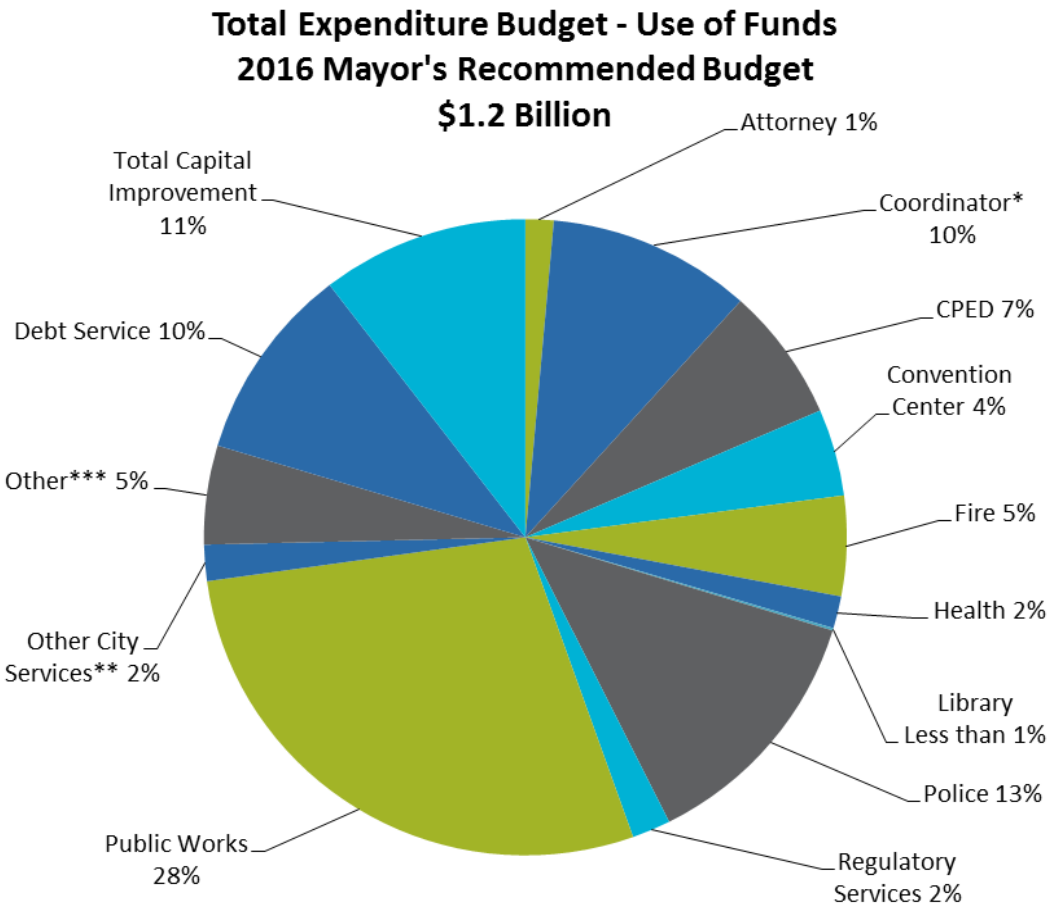
	2015 Adopted	2016 Mayor's Recommended	% Change	Change
Attorney	16.7	17.3	3.5%	0.6
Coordinator*	119.5	125.7	5.2%	6.2
CPED	76.1	83.2	9.4%	7.2
Convention Center	52.6	54.1	2.8%	1.5
Fire	60.2	62.3	3.4%	2.1
Health	18.5	19.9	7.6%	1.4
Library	2.4	1.6	-34.0%	(0.8)
Police	153.4	157.7	2.8%	4.3
Regulatory Services	22.8	23.8	4.3%	1.0
Charter Departments Subtotal	**522.2**	**545.6**	**4.5%**	**23.4**
PW - Administrative Services	3.1	3.8	21.2%	0.7
PW - Fleet	34.4	34.0	-1.1%	(0.4)
PW - Solid Waste	40.5	40.1	-1.1%	(0.4)
PW - Traffic & Parking	55.5	56.1	1.0%	0.6
PW - Transportation Maintenance and Repair	47.7	58.8	23.3%	11.1
PW - Transportation Planning & Engineering	13.3	12.2	-8.0%	(1.1)
PW - Water Treatment & Distribution	56.0	57.8	3.2%	1.8
PW - Surface Water and Sewer - Stormwater	19.4	20.8	7.3%	1.4
PW - Planning and Programming		2.4	100.0%	2.4
PW - Surface Water and Sewer - Sanitary Sewer	56.8	59.9	5.4%	3.1
Public Works Subtotal	**326.6**	**345.8**	**5.9%**	**19.2**
Other City Services**	21.4	22.5	5.1%	1.1
Other***	58.5	61.5	5.1%	3.0
Debt Service	123.8	121.5	-1.9%	(2.4)
Total Capital Improvement	140.2	127.6	-8.9%	(12.5)
Total City Spending	**1,192.7**	**1,224.4**	**2.7%**	**31.7**

* Includes Human Resources, Finance & Property Services, 311, Intergovernmental Relations, Communications, Neighborhood and Community Relations, IT, 911 and Emergency Management. Convention Center is broken out for illustrative purposes.

** 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

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



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** 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

For 2016, the budget includes expenditure appropriations corresponding to priorities outlined in the Mayor's recommendations as well as ongoing projects and current City-provided services. Details of the individual expenditure appropriations within the departments and other categories identified in the pie chart above are available in the Operating Departments and Capital Programs sections of this document.

City Sources of Revenue

Below is a summary of the 2016 Mayor's Recommended Budget revenues by major category.

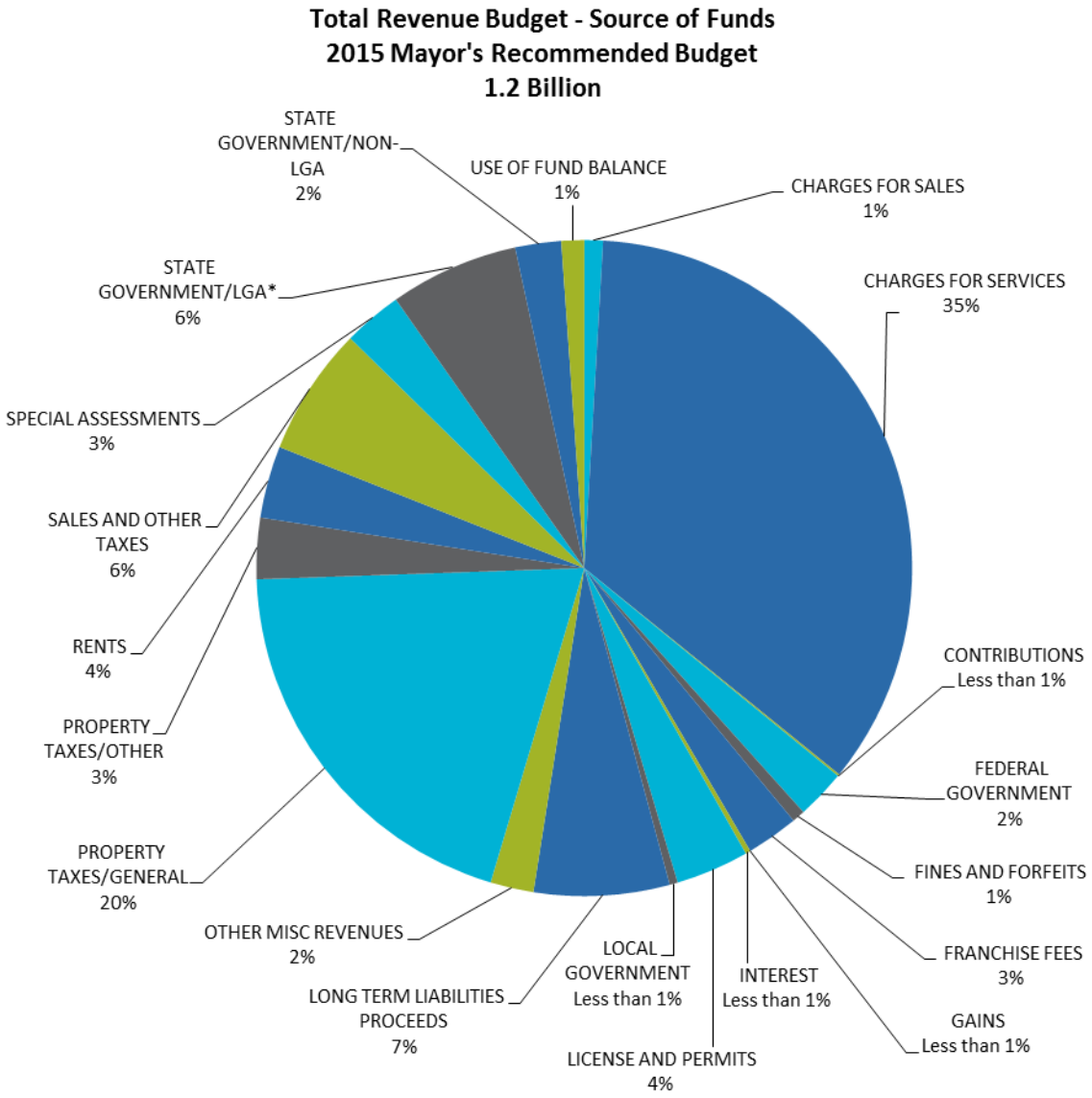
Revenue by Category

(In Millions of Dollars)

Revenue Category	2015 Adopted	2016 Mayor's Recommended	$ Change	% Change
CHARGES FOR SALES	13.3	11.2	(2.1)	-15.5%
CHARGES FOR SERVICES	412.9	427.5	14.6	3.5%
CONTRIBUTIONS	1.2	1.1	(0.1)	-4.3%
FEDERAL GOVERNMENT	37.2	29.7	(7.5)	-20.1%
FINES AND FORFEITS	7.7	7.8	0.1	0.8%
FRANCHISE FEES	29.0	31.5	2.5	8.5%
GAINS	0.0	0.0		-100.0%
INTEREST	3.4	3.0	(0.4)	-11.2%
LICENSE AND PERMITS	41.0	44.1	3.2	7.7%
LOCAL GOVERNMENT	5.3	4.9	(0.4)	-7.5%
LONG TERM LIABILITIES PROCEEDS	88.5	81.8	(6.7)	-2.5%
OTHER MISC REVENUES	18.4	26.2	7.8	54.0%
PROPERTY TAXES/GENERAL	235.4	243.0	7.5	3.2%
PROPERTY TAXES/OTHER	41.9	36.9	(5.0)	-12.0%
RENTS	40.8	43.5	2.7	6.6%
SALES AND OTHER TAXES	75.1	77.6	2.5	3.3%
SPECIAL ASSESSMENTS	38.9	35.6	(3.3)	-8.4%
STATE GOVERNMENT/LGA*	68.0	77.8	9.8	14.4%
STATE GOVERNMENT/NON-LGA	43.0	27.7	(15.3)	-35.6%
USE OF FUND BALANCE	13.3	13.8	0.5	3.6%
Total Revenue	**1,214.2**	**$1,224.5**	**$10.5**	**0.9%**

*LGA is reflective of only the City's portion in the Mayor's Recommended Budget (does not include Independent Boards).

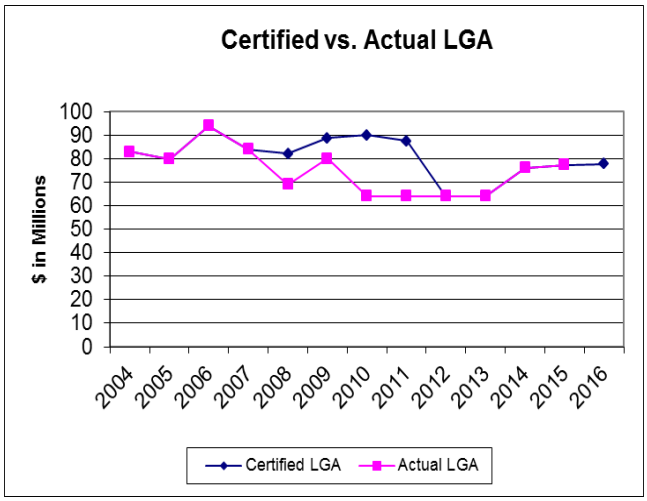
The table above shows a different dollar amount in property taxes than the dollar amount levied because the City assumes a collection rate of only 98%.



For 2016, the City forecasts $1.2 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. These restrictions limit the City's ability to raise additional funds and to apply the revenue to other departments or programs. For example, the City charges fees for services such as water, sewer and trash pickup, but State law requires that these fees be no higher than the cost of providing the services, including both operating and capital costs. Because these revenues are restricted, the City cannot raise water bills to pay for citywide police services.

Grants and allocations from the Federal Government and other units of government are usually designated for specific needs and purposes. If the City does not spend these resources for their designated purpose, the City will not receive the grants. Bond proceeds must go to purposes for which the debt was incurred. Like many Minnesota cities, Minneapolis pays for core City services (police, fire, streets, parks, etc.) primarily with property taxes and LGA, as well as other general governmental revenues such as licenses and permits.

Local Government Aid (LGA)



Following several years of uncertainty in funding from the State of Minnesota in the form of LGA, including the loss of over $70 million from 2008-2011, the State increased the amount of LGA appropriated to the City of Minneapolis from $64.1 million in 2013 to $76.1 million for 2015, with another $1.7 million added in 2016, bringing the total to $77.8 million. Of this $77.8 million, the City plans to allocate $68.4 million for its General Fund, $9.2 million to the Park Board, and the remaining $0.2 million to the Municipal Building Commission (MBC). The table to the right shows the historical certified and actual LGA amounts including the reductions, as well as the certified LGA levels for 2016 based on current law. Recent stability in LGA funding is a factor in the City's ability to control its property tax levy.

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 34.1% of the 2016 Mayor's Recommended Budget, down from 34.5% in the 2015 budget when excluding independent boards.

Special Revenue Funds are used for personnel costs, operating costs, contractual services and equipment that are funded by specific revenue sources. Special revenue funds support the convention center, health and family support, public safety, Federal, State and local grants and ongoing support of closed pension funds.

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

Debt Service Funds are used to pay interest and principal on City debt.

Internal Services Funds are used to account for business-like services that the City provides to other City departments. Internal services include information technology, equipment (*e.g.* police squad cars, fire equipment, and other rolling stock), property services, tort claims, and workers compensation claims.

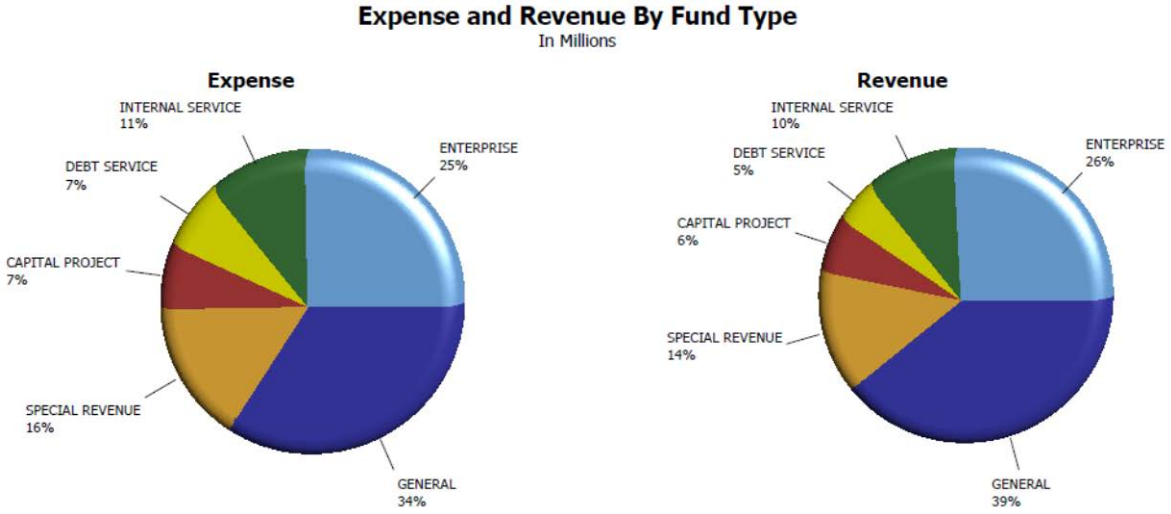
Enterprise Funds include services that the City provides that operate like a "business" – similar to internal service funds but with external customers. Charges for services are expected to recover operating costs, indirect costs, capital investments, and interest expense. Utility rates are set with the intent of funding these costs. Enterprise services of the City include sanitary sewer services, storm water management and flood mitigation, water treatment and distribution, solid waste and recycling, and parking.

Expense and Revenue By Fund Type

In Millions

	2015 Adopted	2016 Mayor's Recommended	Percent Change	Dollar Change
Expense:				
GENERAL	$406.3	$422.1	3.9%	$15.8
SPECIAL REVENUE	$167.6	$181.0	8.0%	$13.4
CAPITAL PROJECT	$100.9	$87.3	-13.5%	($13.6)
DEBT SERVICE	$88.4	$90.4	2.2%	$1.9
INTERNAL SERVICE	$132.8	$131.4	-1.0%	($1.4)
ENTERPRISE	$296.8	$312.4	5.2%	$15.5
Total	**$1,192.7**	**$1,224.5**	**2.7%**	**$31.8**
	2015 Adopted	**2016 Mayor's Recommended**	**Total(Pct Increase)**	**Dollar Change**
Revenue:				
GENERAL	$458.5	$484.3	5.6%	$25.7
SPECIAL REVENUE	$170.3	$164.9	-3.2%	($5.4)
CAPITAL PROJECT	$100.9	$77.0	-23.7%	($23.9)
DEBT SERVICE	$56.2	$55.2	-1.7%	($0.9)
INTERNAL SERVICE	$123.9	$124.1	0.1%	$0.1
ENTERPRISE	$304.5	$319.0	4.8%	$14.6
Total	**$1,214.2**	**$1,224.5**	**0.8%**	**$10.3**

Note: The chart above shows different levels of revenue and expense by fund type due to the removal of transfers and use of fund balance.



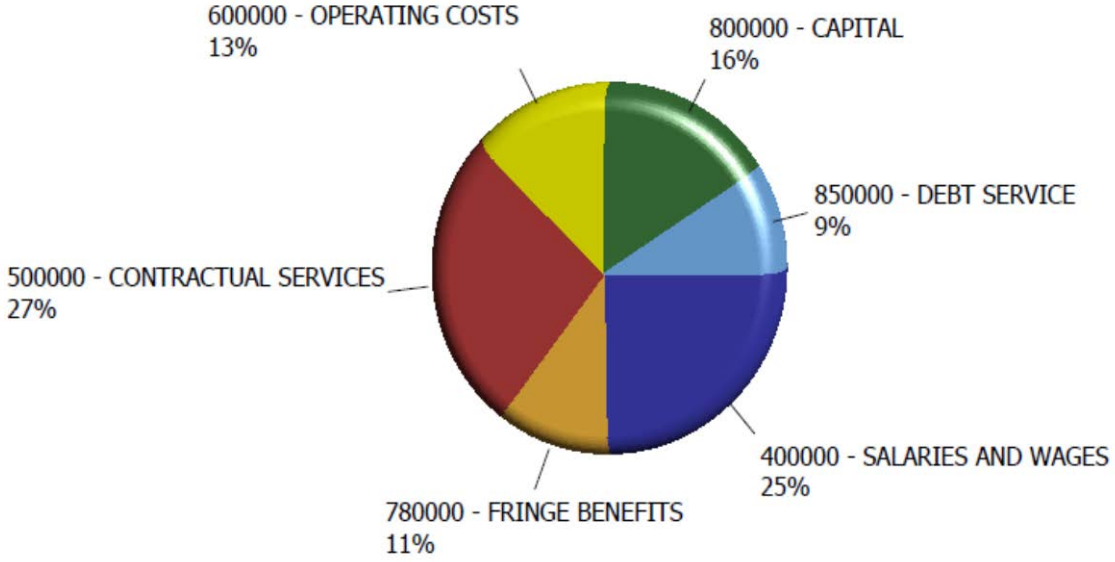
The largest portion of the City's budget is spent on personnel, which comprises $419.1 million or 34.2% of the total budget. The 2016 Mayor's Recommended Budget includes an overall increase of 35.25 budgeted full-time equivalent (FTE) positions from the 2015 Council Adopted Budget, an increase of 0.9% to 3,961.65 FTE in total, exclusive of the City's independent boards.

Expense by Category

Expense Category	2015 Adopted	2016 Mayor's Recommended	$ Change	% Change
DEBT SERVICE	123.9	124.7	0.8	0.6%
CAPITAL	198.8	200.7	1.9	1.0%
SALARIES AND WAGES	281.3	292.4	11.1	3.9%
FRINGE BENEFITS	120.7	126.7	6.0	5.0%
CONTRACTUAL SERVICES	315.9	318.8	2.8	0.9%
OPERATING COSTS	152.1	161.2	9.2	6.0%
Total Expense	**$1,192.7**	**$1,224.5**	**$31.8**	**2.7%**

*The Capital category includes capital improvements in the City's Capital Program as well as capital expenditures within operating departments.

Total City Budget – Expenditures by Category
2016 Mayor's Recommended Budget
$1.22 Billion



Funding for Physical Infrastructure

Five-Year Capital Program Totals: For 2016 – 2020, the five-year capital program for City departments, independent boards and commissions totals $660.55 million including all funding sources. The 2016 portion of this program is $124.43 million. This budget continues the City's commitment to accelerate funding and completion of improvements to the City's infrastructure. Below is a summary of the five-year capital program by major infrastructure category.

Five-Year Capital Investment Allocation
Mayor's Recommended Budget

Submitting Agency	Infrastructure Category	2016	2017	2018	2019	2020	Total	Percent of Total
					Budget in Thousands			
MUNICIPAL BUILDING COMMISSION		2,970	2,205	2,965	2,920	920	11,980	1.8%
PARK BOARD		4,867	4,150	3,650	6,165	4,790	23,622	3.6%
PUBLIC WORKS DEPARTMENT	STREET PAVING	37,960	30,040	30,245	45,580	17,855	161,680	24.5%
	SIDEWALKS	3,675	3,830	4,040	4,250	4,460	20,255	3.1%
	BRIDGES	400	3,065	7,910	5,685	20,180	37,240	5.6%
	TRAFFIC CONTROL & STREET LIGHTING	10,460	6,470	6,175	6,890	6,920	36,915	5.6%
	BIKE TRAILS	760	1,250	1,000	1,140	1,940	6,090	0.9%
	SANITARY SEWERS	10,550	9,250	9,250	9,250	9,250	47,550	7.2%
	STORM SEWERS	13,750	21,378	22,330	16,750	15,750	89,958	13.6%
	WATER INFRASTRUCTURE	22,250	47,370	43,430	32,200	24,650	169,900	25.7%
	Public Works Department Total	99,805	122,653	124,380	121,745	101,005	569,588	86.7%
INFORMATION TECHNOLOGY		3,300	1,500	200	0	0	5,000	0.8%
PUBLIC GROUNDS & FACILITIES		12,910	21,350	1,000	0	0	35,260	5.3%
MISCELLANEOUS PROJECTS		580	600	6,620	6,640	660	15,100	2.3%
	Grand Totals	124,432	152,458	138,815	137,470	107,375	660,550	100.0%

For more details regarding the Five-Year Capital Improvement Program, please see the Capital Program section of this book.

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 the IT Department and the department heads. These technology assets are capitalized and the bond payments are structured within the useful life of the asset. For 2016, $3.30 million in technology projects are funded through property tax supported debt with a five-year plan total of $5.00 million. Approximately 82 percent of the total or $5.0 million of this program is dedicated to replacing the Police Department's primary information system.

Pay-as-you go: The other method used to fund technology is through the Capital Asset Request System (CARS). With this program, which originated with the 2014 budget process, the City will allocate current-year available funding for technology projects rather than issuing bonds. Regardless of the initial funding source, funding the ongoing operating costs to keep technology assets current continues to be a challenge for the City.

Capital Asset Request System (CARS)

In 2014, the City implemented the CARS process to allow departments to submit budget requests for the replacement of capital equipment items greater than $5,000 such as technology systems, vehicles and construction equipment and/or other large dollar items necessary to provide services. The CARS process uses a five-year planning horizon similar to the Five-Year Capital Program (for infrastructure) with the intent of establishing normal replacement cycles for all long-term assets used by City Departments. Replacement cycles had already been established for fleet equipment, but not for other asset categories. For the 2016 - 2020 five-year cycle, the City received requests from departments totaling $114.7 million. For 2016, the requests totaled $30.29 million. This budget allocates $6.92 million of general fund resources and $16.44 million of non-general fund resources for this program across all departments.

Funding for Pension Liabilities

The City's levies for its former closed pension funds that have been merged into the Minnesota State Public Employees' Retirement Association (PERA) remains level at $27.3 million in 2016. This information for each levy is detailed for each of the three former pension funds below.

The Minneapolis Employee's Retirement Fund (MERF) Division of PERA:

The 2016 levy for MERF-related costs is $18.2 million, from the same as 2015. The funding is due to legislation passed in 2010 that called for a gradual increase in City funding to cover a share of the cost associated the agreement that merged MERF into PERA. The City's share of MERF expenses is expected to be fairly stable through 2031 unless the MERF Division of PERA does not meet actuarial assumptions for its investment returns or if the actuarial assumptions for PERA are changed by the State.

The Former Minneapolis Police Relief Association (MPRA), a closed fund:

In 2011, legislation was passed by the State that merged the MPRA into PERA P&F on December 31, 2011. The 2016 levy for the former MPRA is $6.4 million, from the same as 2015. It is anticipated that these costs will remain constant through 2031.

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

In 2011, legislation was passed by the State that merged the MFRA into PERA P&F on December 31, 2011. The 2016 levy for the former MFRA is $2.7 million, from the same as 2015. It is anticipated that these costs will remain constant through 2031.

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. State law changed the $2.25 million City levy to a $2.25 million contribution in 2012. This change increased the total levy for this purpose as the City previously contributed its net TRA levy collection, which was less than $2.25 million because the City does not collect 100% its levy. In 2016, the City must levy $2.3 million for TRA to insure that

net collections provide the $2.25 million. It is anticipated that this levy amount will remain constant.

***Public Employees Retirement Association (PERA)*, the plan for most current City employees:**

The employers' contribution level in PERA's Coordinated Plan for 2016 is 7.5%, same as in 2015. The Police and Fire Plans' employer's contribution also remained at 16.2% for 2016 as was in 2015. The estimated total cost of contributions to PERA for the City exclusive of its independent boards in 2016 is $30.9 million, which is covered in the budgets of the departments in which the employees work.

	2015	2016	Change
PERA	$12.50	$13.30	$0.80
PERA Police & Fire	$17.10	$17.60	$0.50
Total	29.60	$30.90	$1.30

Funding for Internal Services Funds' Long-Term Financial Plans

During the 1990s, external demands negatively impacted the ability for revenue to support these internal services to keep pace with the growth in expenditures. Significant negative cash balances resulted because annual expenses exceeded revenues. By the year 2000, the combined net asset deficit in the Self Insurance, Equipment, and Intergovernmental Services Funds was $61.7 million. To correct these deficits, the City adopted long-term financial plans between 2000 and 2004 that called for the Self-Insurance, Equipment, Intergovernmental Services, as well as the Property Services internal service funds to rely on transfers from the General Fund through 2019 to eliminate deficits. However, due to efforts in recent budget cycles, 2015 was the final year of these transfers. The elimination of this obligation will allow General Fund resources to be redeployed to other purposes in 2016 and beyond.

Growth in Personnel Costs

Personnel Changes. The 2016 Mayor's Recommended Budget increases the FTE count of City positions by 35.25 over the 2015 Council Adopted Budget, exclusive of the City's independent boards, from 3,926.40 to 3,961.65.

Salary and wages. The 2016 Mayor's Recommended Budget includes an increase in personnel expenditures ($292.4 million in salaries and wages, compared to a 2015 total of $281.3 million). It also includes $126.7 million in fringe benefits, compared to $120.7 million in 2015, exclusive of the City's independent boards.

Benefits. Health and dental insurance expenditures are budgeted to increase from $61.2 million in 2015 to $64.1 million in 2016, exclusive of the City's independent boards. This estimate results from better than anticipated renewal rates, growth in employee headcount, and changes in coverage selections by employees.

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 requires Minneapolis to provide an additional declining base contribution for 10 years. In 2016, that contribution is approximately $1.6 million.

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

	Base	Reopen (1)		Reopen	Other City (2)	Total City	Library LGA (3)	Property Tax (4)	One Time (5)	Total
2008	$7,800	$45	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	$0	$17,371
2011	$5,460	$501	79%	$393	$10,750	$16,603	$5,853	$10,750	$0	$16,603
2012	$4,680	$521	58%	$302	$10,750	$15,732	$4,982	$10,750	$0	$15,732
2013	$3,900	$541	38%	$206	$10,750	$14,856	$4,106	$10,750	$0	$14,856
2014	$3,120	$563	21%	$118	$9,300	$12,538	$3,238	$9,300	$0	$12,538
2015	$2,340	$586	4%	$23	$9,300	$11,663	$2,363	$9,300	$0	$11,663
2016	$1,560	$609	0%	$0	$9,300	$10,860	$1,560	$9,300	$0	$10,860
2017	$780	$633	0%	$0	$9,300	$10,080	$780	$9,300	$5,550	$15,630

(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 net debt bonds.
(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 with the exception of 2017, with an amount in the one-time column that is from the State of Minnesota as a contribution to cover 40% of the library debt service as agreed to by the 2015 Legislature. The legislature approved a provision that has the state of Minnesota paying 40% of the remaining annual debt service. The payments begin for debt service due in 2017 and the payments will be made in November of the preceding year.

Major Changes in the 2016 Mayor's Recommended Budget

This section of the 2016 Mayor's Recommended Budget describes the funding recommendations proposed by the Mayor for various departmental program submissions. The recommendations are organized by department.

Citywide Changes

As a starting point for 2016 budget development, departments were provided a preliminary budget amount and asked to submit, for existing programs, proposals that would provide for the continuation of those programs at the same level of service, or the *Current Service Level*. Departments were also asked to submit supporting documentation for any enhancements to current programs or any new programs. The Mayor's recommended changes to ongoing departmental programs, along with new initiatives recommended for funding or implementation, are noted below. Program proposals not funded in the Mayor's recommendation are not included.

The Mayor's 2016 Recommended Budget includes proposals that have citywide implications. This budget includes the prudent use of accumulated fund balance from the General Fund for one-time or time-limited activities. These resources were generated through fiscal restraint that resulted in under-spending in City departments and through revenues that exceeded budgetary expectations due to continued growth in the local economy.

The Mayor proposes using these accumulated General Fund resources for funding of the Capital Asset Request System, or CARS, that was initiated as part of the 2014 budget to provide a mechanism for budgeting small and mid-level capital requests previously planned for in departmental budgets. CARS requests include items that are not ongoing in nature including enterprise software upgrades, vehicle purchases, equipment, and other capital items. The goal of this effort is to increase transparency in spending and operating costs by including these budgetary requests in a separate process. Now in the third year, $6.9 million of General Fund and $16.4 million of other funds has been dedicated to fund items through this request process, which is used to cover deferred maintenance and replacement costs for existing operational capital, as well as new capital needs.

The Mayor's 2016 Recommended Budget also takes steps to manage the growth in the City's General Fund balance. Thorough review of actual revenue and expenditure trends in the City allowed for taking actions to "rightsize" the City's budget. This results in a higher level of non-property tax revenues than previously projected in past budgets, as well as strategic reductions in operating budgets in areas that are historically underspent. The various rightsizing adjustments are reflected in the following section.

Departmental Changes

The Mayor has recommended departmental program changes for the 2016 budget. The program proposal recommendations include those submitted by departments, as well as new initiatives proposed by the Mayor. Recommended changes are described below; proposals that were not recommended have been omitted. CARS recommendations are not reflected below.

Assessor

Mayor's Recommended Budget: The Mayor recommended $114,500 ongoing General Fund resources for an additional 1 FTE (Business Applications Manager) to provide appraisers and staff with additional technical support to analyze data and identify real estate market trends.

Attorney

Mayor's Recommended Budget: The Mayor recommended the following ongoing General Fund allocations: $40,000 for negotiation skills training and building enterprise capacity in the area of negotiation, $50,000 to cover the shortfall in funding from Justice Assistance Grant (JAG) that supports two prosecutor FTEs, and $65,000 for the Domestic Violence Hotline that provides advocacy services for domestic abuse victims.

The Mayor also recommended the following one-time General Fund allocations: $248,000 to fund a two-year pilot program to create a charging team to replace Tab Charging by police of arrested persons (includes 2 FTE's), $100,000 for Restorative Justice program which supplements the existing $50,000 in the base budget, $15,000 to develop policy change recommendations for driving related offenses, $15,000 to develop an evidence based community consequence for carrying without a Permit Cases, $25,000 for 'Business Made Simple' process improvements and plain language consulting services, and $10,000 for a two-year diversion pilot program with Minneapolis Police department that involves obstruction of legal process charges.

The Mayor also recommended rightsizing the City Attorney's budget by reducing the ongoing General Fund resources by $200,000.

City Clerk

Mayor's Recommended Budget: The Mayor recommended $200,000 one-time General Fund resources to provide supplemental funding for the presidential election.

City Council

Mayor's Recommended Budget: The Mayor recommended no changes to this department's base program proposal.

City Coordinator Administration

Mayor's Recommended Budget: The Mayor recommended the following ongoing General Fund allocations: $80,000 to leverage the current initiatives in the Arts and Creative Economy program, $120,000 for consolidating the City's communication strategies, $110,000 for Clean Energy Partnership program initiatives (includes 1 FTE), and $200,000 (2 FTE) for the Working Families program.

The Mayor also recommended the following one-time General Fund resources; $160,000 for an Enterprise Continuous Improvement Strategy (includes 1 FTE), $70,000 for Arts and Creative Economy Road Map roll-out, $90,000 for Clean Energy Partnership programming, $100,000 for City-Wide Partnerships initiatives, $50,000 for the Word Gap program, $20,000 for culturally specific autism awareness, and $20,000 for Bike-Pedestrian education.

311

Mayor's Recommended Budget: The Mayor recommended rightsizing the budget by reducing $50,000 of ongoing General Fund resources for personnel with a net effect of a 1 FTE reduction in the department's authorized staffing level.

911

Mayor's Recommended Budget: The Mayor recommended $80,000 ongoing General Fund resources to enhance the quality assurance/ accountability activities to meet the level required for department accreditation

Emergency Management

Mayor's Recommended Budget: The Mayor recommended no changes to this department's base program proposal

Civil Rights

Mayor's Recommended Budget: The Mayor recommended $92,000 ongoing General Fund resources for enhancing the Urban Scholar program, and $150,000 one-time General Fund resources to conclude the development of the required study of business equity within the City.

The Mayor also recommended rightsizing the department's budget by reducing $50,000 from the ongoing General Fund allocation.

Communications

Mayor's Recommended Budget: The Mayor recommended $25,000 ongoing General Fund resources for marketing through various cultural media platforms, and also rightsizing the department's budget by reducing $50,000 of ongoing General Fund allocations.

Convention Center

Mayor's Recommended Budget: The Mayor recommended using fund balance in the Convention Center fund in the amount of $175,000 in one-time funding for the purpose of marketing, events and community engagement programming. The Mayor also recommended $50,000 in one-time funding from the General Fund for the sister city program.

Community Planning and Economic Development (CPED)

Mayor's Recommended Budget: The Mayor recommended additional ongoing General Fund appropriation of $210,000 (2 FTE) for delivery of the Comprehensive Plan, $850,000 from CPED special revenue funds for continuation of the Great Streets program, $180,000 (1 FTE) for the Next Steps for Disconnected Youth program (along with $320,000 from federal funding), $100,000 (1 FTE) for the Work ready Youth Minneapolis program, $100,000 (1 FTE) for the Development Review Customer Service Center, and $112,000 for a Build Leaders Program for Youth Development in conjunction with the Health Department. The Mayor's recommendation includes a General Fund appropriation of $424,000 (4 FTE) for building inspector positions.

The Mayor recommended one-time funding from the general fund of $1,000,000 for the City's Affordable Housing Trust Fund and $1,000,000 for other Affordable Housing Programs to meet the needs of family housing. The Mayor's recommendation also includes an additional $850,000 in new federal funding, as well as $150,000 in reallocated resources for the Affordable Housing Trust Fund. The Mayor also recommended one-time funding from the general fund of $100,000 for an Opportunity Hub – Cedar Riverside, $175,000 for a minimum wage study, $50,000 for Green Zones, and $25,000 for Nokomis East Senior Center. The Mayor also recommended reorganization with a cost savings of $150,000 as part of the budget rightsizing efforts.

Finance & Property Services

Mayor's Recommended Budget: The Mayor recommended rightsizing the budget by reducing $101,000 of ongoing General Fund allocations.

Fire

Mayor's Recommended Budget: The Mayor recommended the following ongoing General Fund allocations: $50,000 for the Community Emergency Medical Technicians (EMT) program, $100,000 for the EMT Pathways Program, $50,000 for the Community Outreach Explorer Program, and $50,000 for the Emergency Medical Services Academy.

Health and Family Support

Mayor's Recommended Budget: The Mayor recommended additional ongoing General Fund appropriation of $30,000 to invest in the Cradle to K Initiative, $75,000 for a parental support program for youth development, $40,000 for lead hazard control and healthy homes, $75,000 to

expand training and outreach for licensed businesses, $60,000 (1 FTE) for a customer services representative to support permitting, licensure, citation and annual registration activities, $75,000 to continue the Green Business Matching Grant Program supporting business' efforts to improve local air quality, and $34,000 (.25 FTE) to provide community outreach supporting the City's comprehensive air quality program.

The Mayor also recommended one-time funding of $25,000 for youth violence prevention, $114,000 (1 FTE) for lead hazard control and healthy homes, and $50,000 to support creation of a 4H program for the Somali community. The Mayor also directed the Health Department to work in conjunction with Public Works, Regulatory Services and the Police Departments to provide services to support up to eight events associated with the Open Streets program within existing budgetary resources.

Human Resources

Mayor's Recommended Budget: The Mayor recommended $60,000 ongoing General Fund resources to increase the Metro Pass program for City employees from $16 to $26 per month.

Information Technology

Mayor's Recommended Budget: The Mayor recommended $150,000 in one-time funding from the General Fund to the IT Services fund for Enterprise Application Support, and $50,000 in one-time funding from the General Fund for *Service Now, a* cloud based service management system.

Intergovernmental Relations

Mayor's Recommended Budget: The Mayor recommended no changes to this department's base program proposal.

Internal Audit

Mayor's Recommended Budget: The Mayor recommended $75,000 ongoing General Fund resources to allow the department to contract for professional IT audit services.

Mayor

Mayor's Recommended Budget: The Mayor recommended $50,000 (1 FTE) ongoing General Fund resources to provide a match for grant funding for of a policy aide position.

Neighborhood and Community Relations

Mayor's Recommended Budget: The Mayor recommended $75,000 (1 FTE) in ongoing funding from the General Fund for Americans with Disabilities Act / Limited English Proficiency support

Police

Mayor's Recommended Budget: The Mayor recommended the following ongoing General Fund allocations: $200,000 for raising the total number of authorized sworn FTE's by 2 FTE's, $173,000 for additional 2 FTE's to assist in implementation of the body cameras system, $400,000 for body camera technology (in addition to $600,000 provided as a match to anticipated Federal grant funding), $124,000 for funding Office of Justice Programs (OJP)

recommendation to implement automated software data system to operationalize the Early Intervention System (includes 1 FTE), $221,000 to enhance the Police Administration, Training and Crime Lab program (includes 2 forensic scientist FTEs), and $214,000 for 2 analysts in the Crime Intelligence unit.

The Mayor also recommended the following one-time General Fund resources; $300,000 to supplement funding for hiring a recruit class, and $20,000 for E. 24th St. Sub-Station.

The Mayor also directed the Minneapolis Police Departments to work in conjunction with Public Works, Regulatory Services and Health departments to provide services to support up to eight events associated with the Open Streets program using existing budget resources.

Public Works

Mayor's Recommended Budget: Please see the divisional sections below for the Mayor's recommendation by division.

Administration

Mayor's Recommended Budget: The Mayor recommended $500,000 in one-time funding for the Development Infrastructure Program previously funded through the City's net debt bond program. In addition, the Mayor recommended rightsizing the budget by reducing the appropriation by $50,000 for anticipated cost savings. The Mayor also directed Public Works to work in conjunction with Regulatory Services, Public Works, Health and the Police Departments to provide services to support up to eight events associated with the Open Streets program within existing budget resources.

Fleet Services

Mayor's Recommended Budget: The Mayor recommended no changes to this division's base program proposal.

Solid Waste and Recycling

Mayor's Recommended Budget: The Mayor recommended $50,000 in one-time funding for zero waste initiatives.

Surface Water & Sanitary Sewer – Sanitary Sewer

Mayor's Recommended Budget: The Mayor recommended no changes to this division's base program proposal.

Surface Water & Sanitary Sewer – Stormwater

Mayor's Recommended Budget: The Mayor recommended no changes to this division's base program proposal.

Traffic & Parking Services

Mayor's Recommended Budget: The Mayor's recommended budget includes $400,000 in one-time General Fund appropriation to accelerate the replacement of the city owned

30 foot street lights to LED technology, and $360,000 for a comprehensive automated pavement assessment.

Transportation Maintenance and Repair

Mayor's Recommended Budget: The Mayor's recommended budget includes $298,176 in ongoing General Fund appropriation for bikeway summer and winter maintenance.

Transportation Planning and Engineering

Mayor's Recommended Budget: The Mayor's recommended budget includes $75,000 in one-time General Fund appropriation for specialized technical bridge inspections.

Transportation Planning and Programming

Mayor's Recommended Budget: The Mayor's recommended budget includes $127,500 in ongoing General Fund appropriation for specialized technical assistance and $46,500 to fund memberships and support bike and walk week.

Water Treatment and Distribution

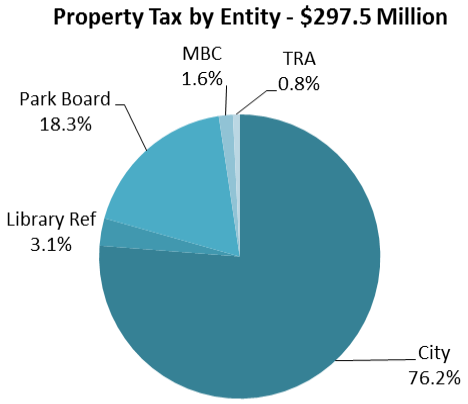
Mayor's Recommended Budget: The Mayor recommended no changes to this division's base program proposal.

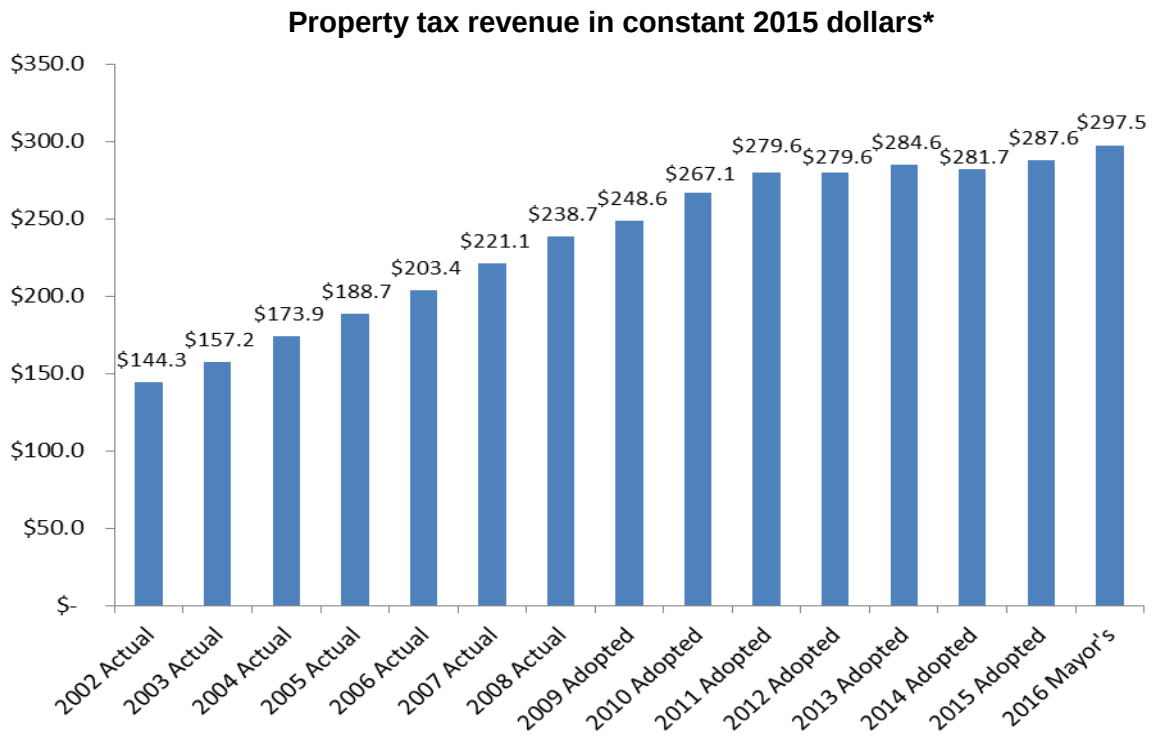
Regulatory Services

Mayor's Recommended Budget: The Mayor recommended an additional ongoing General Fund appropriation of $275,000 (3 FTE), $275,000 (3 FTE) appropriation from the Regulatory Services Special Revenue Fund for Housing Inspection Services, and $100,000 (1 FTE) from the General Fund for a data analyst. The Mayor also recommended a one-time general fund appropriation of $148,000 to train a reserve pool of temporary traffic control agents, and $100,000 for HOME-Line service and interpreters for non-English speaking tenants. In addition, the Mayor recommends reorganization with a cost savings of $100,000 as part of the budget rightsizing exercise. The Mayor also directed Regulatory Services to work in conjunction with Public Works, Health and the Police Departments to provide services to support up to eight events associated with the Open Streets program within existing budget resources.

Property Tax Revenue

The City's 2016 Mayor's Recommended Budget includes an overall property tax levy of $297.5 million. This levy reflects the combined total for the City, the Board of Estimate and Taxation, the Minneapolis Park and Recreation Board, and the Municipal Building Commission (MBC) levies, as well as the Library referendum levy which is a $9.3 million market value based tax levy. The 2016 recommended levy is $9.821 million more than the 2015 Council Adopted levy of $287.6 million.





Property Taxes on Individual Properties

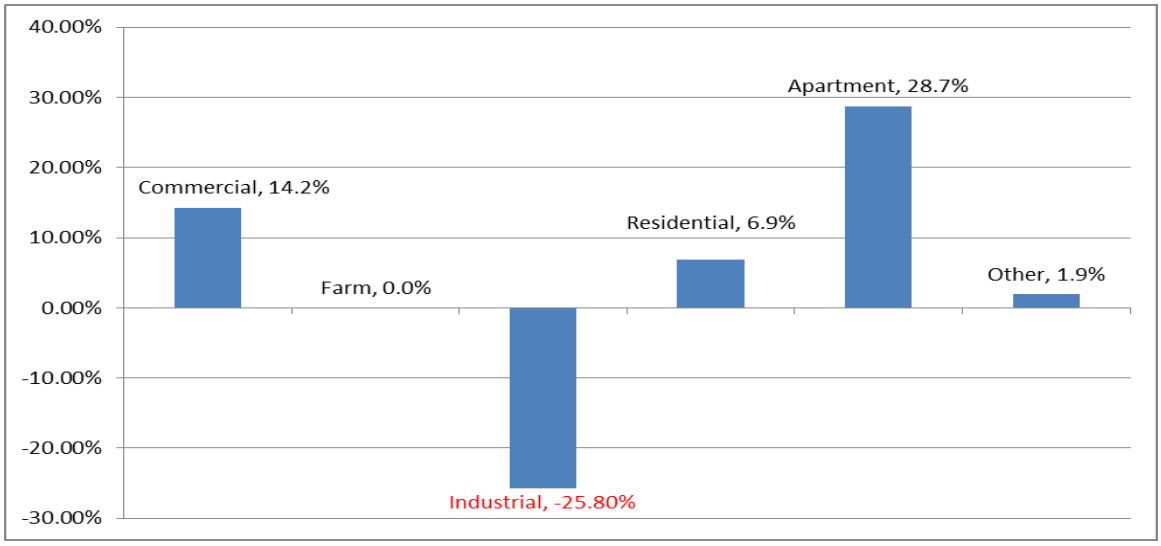
Several factors beyond the change in amount levied affect the annual change in property tax owed on a particular property. These factors include the tax base composition within property classifications, the tax rate of the jurisdiction, growth or decline in the value of other properties within the jurisdiction, properties placed in tax increment financing districts, improvements to a property, as well as other factors. Each of these variables may change on a yearly basis, occasionally resulting in sizeable changes in the amounts of property taxes assessed to any one property

Property Market Values and Tax Base Highlights

The following table shows the estimated market values and corresponding tax capacity by property group for the January 2, 2015 assessment utilized for property taxes payable in 2016 based on preliminary numbers.

	2015 Estimated Market Value	% of Total	% Change	Tax Capacity	% of Total	% Change
Real Estate						
Commercial	7,450,130,600	18.9%	14.0%	146,541,309	30.4%	14.2%
Farm	1,704,800	0.0%	0.0%	17,048	0.0%	0.0%
Industrial	994,960,300	2.5%	-25.7%	19,532,671	4.0%	-25.8%
Residential	24,920,628,700	63.2%	6.0%	244,305,682	50.6%	6.9%
Apartment	6,051,379,900	15.3%	28.1%	72,011,669	14.9%	28.7%
Other	19,373,100	0.0%	2.0%	257,983	0.1%	1.9%
Sub Total	39,438,177,400	99.0%	9.1%	482,666,362	98.4%	9.8%
Personal Property						
All	413,920,000	1.0%	-0.05%	7,870,000	1.60%	1.0%
Grand Total	39,852,097,400	100%	9.09%	490,536,362	100.00%	10.09%

Estimated Change in Tax Capacity by Property Group



Change in Tax Capacity by Group

The following table provides the estimated changes in tax increment financing, fiscal disparities contribution, and fiscal disparities distribution for taxes payable in 2016 based on preliminary numbers from the City and County assessors and the Board of Estimate and Taxation:

For Payable in 2016*	
Real Estate Tax Capacity	482,666,362
Personal Property Tax Capacity	7,870,000
Gross Tax Capacity	**490,536,362**
- Less tax Increment	($34,753,145)
- Less Fiscal Increment Value Captured	($1,900,571)
- Less Fiscal Disparities Contribution	($51,741,779)
+ Plus Fiscal Disparities Distribution	49,817,942
Adjusted Net Tax Capacity	**451,958,809**

*** Property Values Jan 2, 2015**

	Change in Market Value for Taxes Payable Year-Over-Year			
Taxes Payable in:	Commercial/Industrial		Residential	Apartment
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%
2011	-9.80%		-4.40%	-6.70%
2012	-4.50%		-9.10%	-5.20%
2013	0.46%		-5.37%	2.79%
2014	0.60%		0.65%	8.53%
2015	3.32%		8.71%	27.80%
2016	14.00%	-25.70%	6.00%	28.10%

**Industrial property is now reported separately from commercial property.*

Source: City Assessor's Office and Board of Estimate and Taxation

Home

2016 Mayor's Recommended Property Tax Levies

	Fund	2015	2016	% Change From 2015	$ Change From 2015
City-Certified Levies	General Fund*	$154,950,000	$160,446,000	3.55%	$5,496,000
	Minneapolis Park Board - General	50,560,000	52,583,000	4.00%	2,023,000
	Minneapolis Park Board - Tree	1,475,000	1,732,000	17.42%	257,000
	Bond Redemption	35,900,000	37,800,000	5.29%	1,900,000
	Permanent Improvement	1,000,000	1,000,000	0.00%	0
	Pensions (MERF, MPRA, MFRA)	27,310,000	27,310,000	0.00%	0
	Board of Estimate and Taxation	160,000	170,000	6.25%	10,000
Other Levies	Municipal Building Commission	4,675,000	4,810,000	2.89%	135,000
	Teachers' Retirement	2,300,000	2,300,000	0.00%	0
	Library Referendum Debt Service	9,300,000	9,300,000	0.00%	0
	Total	**$287,630,000**	**$297,451,000**	**3.41%**	**$9,821,000**

* Includes the Chapter 595 Levy in 2015