

CITY OF MINNEAPOLIS

Financing the Neighborhood Park Plan and the Street Infrastructure Plan

Ways & Means Committee

April 25, 2016

One Time Costs for Program Development – “Start Up Funds”

- Parks: \$1.5M
 - Park board pays for these 2016 costs and reimbursed by City in January, 2017
 - Funded by City one-time allocation as part of 2017 budget recommendation
- Streets: \$250,000 in 2016
 - From current resources in public works budget

Annual Expenditures (Proportional to Requests)

- \$33 million budget increase in 2017
 - Portion of inflation and debt service start in 2018
- Streets: \$22 million new money
 - \$21.2 million streets capital from general fund (net increase)
 - \$800,000 more streets operating funding
- Parks: \$11 million new money
 - \$8 million more parks capital funding
 - \$3 million more parks operating

Themes for Funding Plan

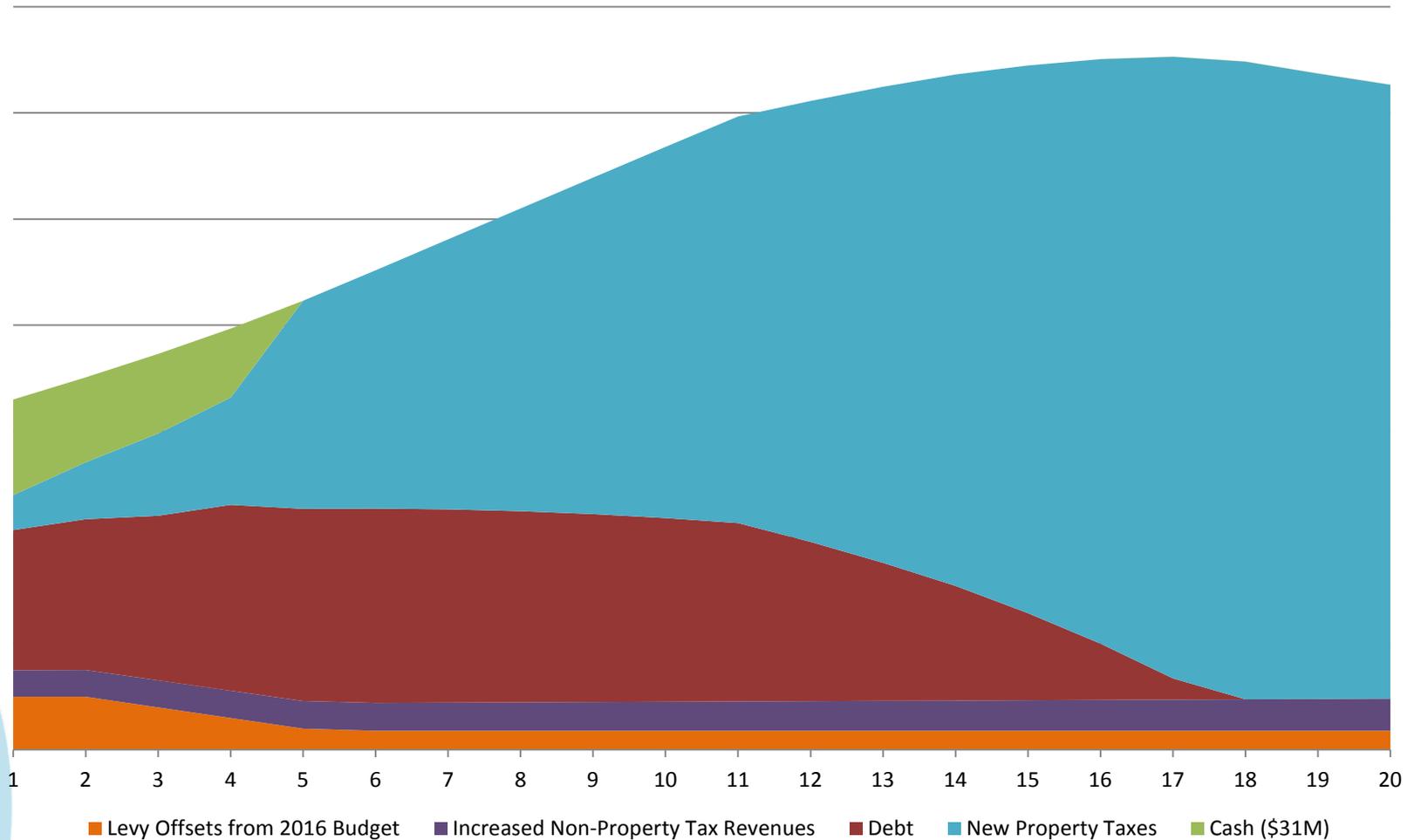
1. Mix of revenues
2. Full operating and capital dollars available in 2017
3. Flexibility when funds are spent
4. Balance of mostly pay-as-you-go and some debt
5. Trade-offs exist in sources
6. Sources of funding re-evaluated annually in context of the budget

Sources of Funding

• New Property Taxes	82%
• Non-Property Tax Revenues	7%
• Reductions in Other Levies	6%
• Cash	<u>5%</u>
• Total	100%

- Present value (today's dollars) over 20 years

Funding Plan – Conceptual View



Source: Non-Property Tax Revenues

- Sales Taxes

- \$1M more in 2017 than was budgeted in 2016
 - No change in sales taxes rates
 - U.S. Bank stadium impact
- Full 20 year term
- Inflated 1% per year
- Reduces chance of any year-end general fund surplus (trade-off)

Source: Non-Property Tax Revenues

- Stormwater Fees
 - \$1.5M in 2017 & inflated 1% annually
 - Reflects storm water costs in street reconstruction
 - Curb and gutter/catch basins
 - Does apply to tax-exempt property
 - +/- 4% increase in fee (once in 2017)
 - Residential home increase about \$6/yr.

Source: Reductions in 2016 Levy Base

- Levy offset – Pension
 - Reduction in levy from 2016 budget
 - No planned change in benefits
 - \$5M in 2017 and 2018 then reduced for next three years
- Levy offset – Park Board Tree Levy
 - Ends in 2021
 - Not shortening the program
 - \$1.8M per year starting in 2022 and each year thereafter

Source: Cash of Up to \$31M and Trade-offs

- **Convention Center: \$6M**
 - Assets can impact sales taxes
- **Self-Insurance Fund: \$8M**
 - Future payout possible if large liability
- **Intergovernmental (IT): \$1M to \$3M**
 - May need future debt depending upon projects
- **Common Bond Fund Reserves: \$13M to \$15M**
 - Alter City pledge underlying bonds
 - Reconfigure program structure

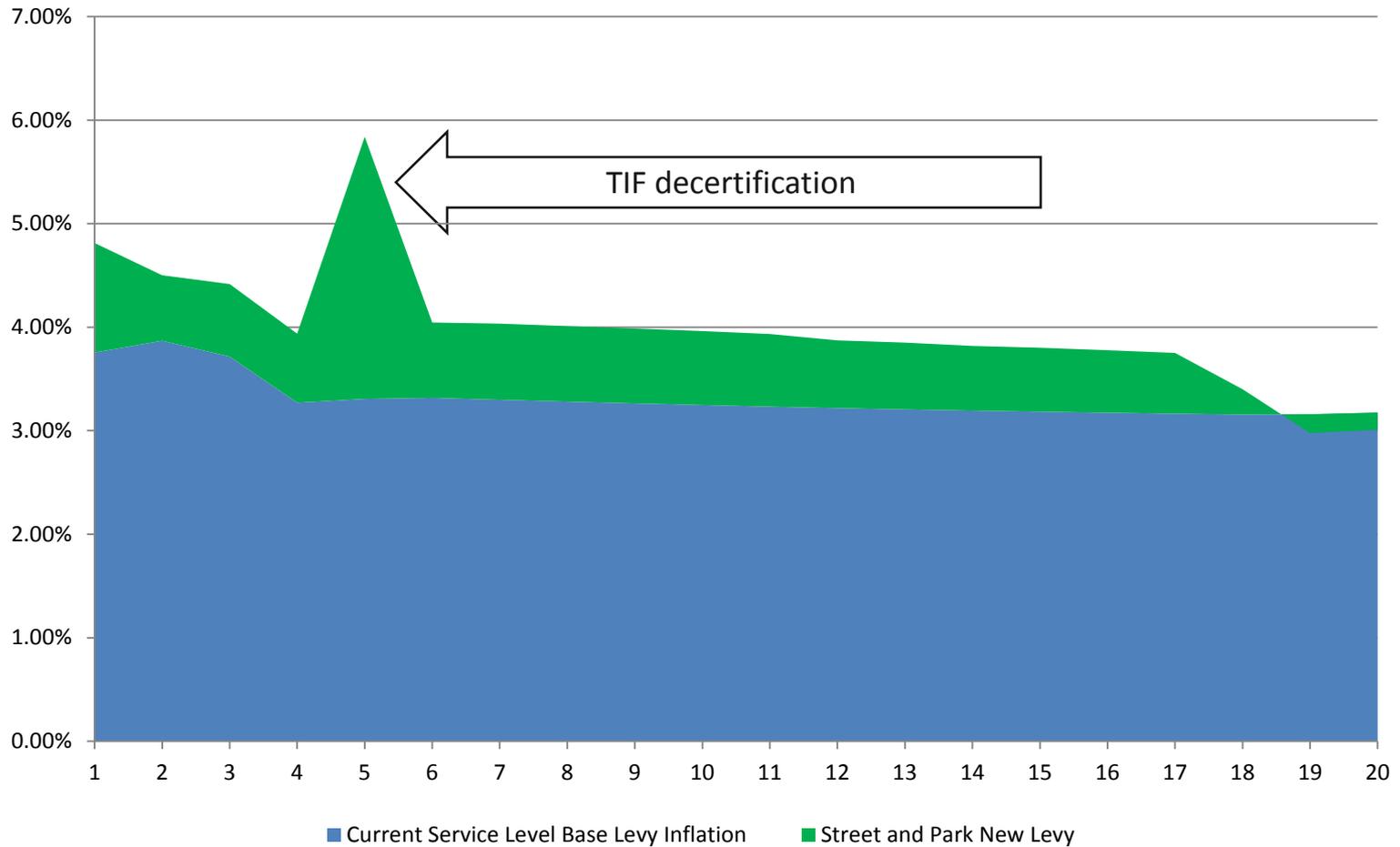
Debt

- \$239M issued
 - 29% of program expenditures
- 10 year term for each issue
 - Issued annually for next 16 to 17 years
 - No “tails” - all paid in 20 years
- 3% interest rate anticipated
 - \$37M in anticipated interest cost
 - Current rates closer to 1.5%

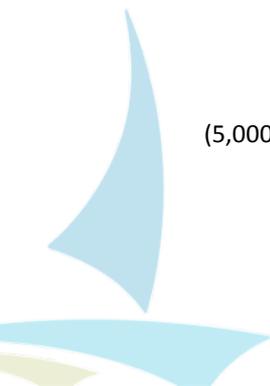
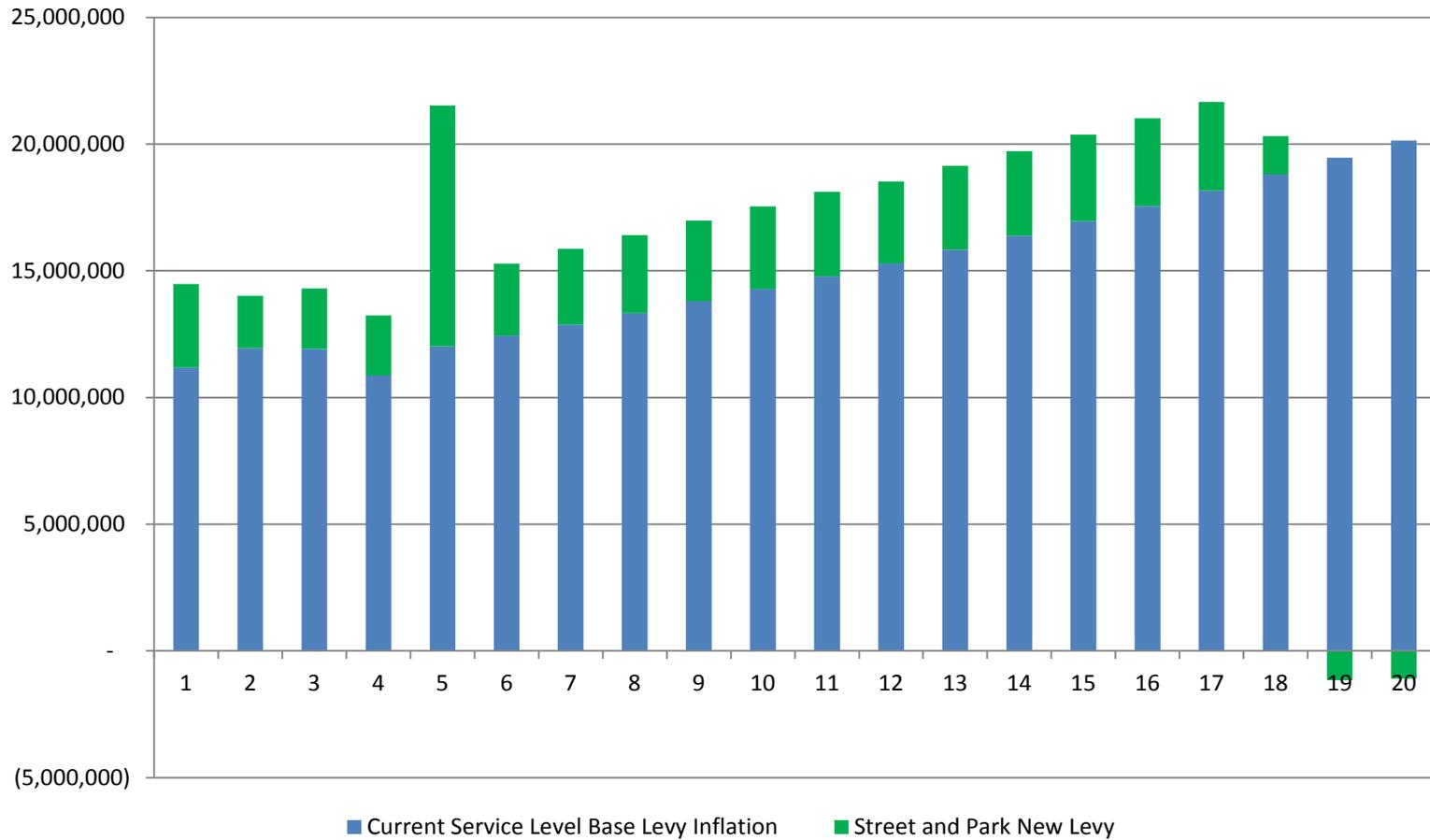
Consolidated TIF Decertification

- Last year of TIF in 2020
- Plan includes larger levy increase in 2021
- \$12M to \$13M of city taxes currently captured
 - Will depend upon values and tax rates in future
 - Requires levy increase
 - Impact mitigated by additional capacity
- Propose to use about one-half of value for parks and streets

Projected Annual Levy Percentage Increases with Current Service Levels



Annual Levy Increases in \$



What is Not Included

- Not counting on new construction in tax base
 - 1% to 2% in 2017
- No park or public works reserves
- No use of 2016 state funding for library bonds
 - Will use to pay those bonds off early

Future Budget Implications

- New expectation for what is “current service level” for 10 to 15 years
- Annual evaluation of mix of revenues to fund this portion of the budget
 - Appendix to resolution
 - Cash portion likely to be most “fungible”
 - Replace funds if others perform better in near term
 - Work to do on bond reserve fund