

**City of Minneapolis
2012 Budget**

Financial Overview

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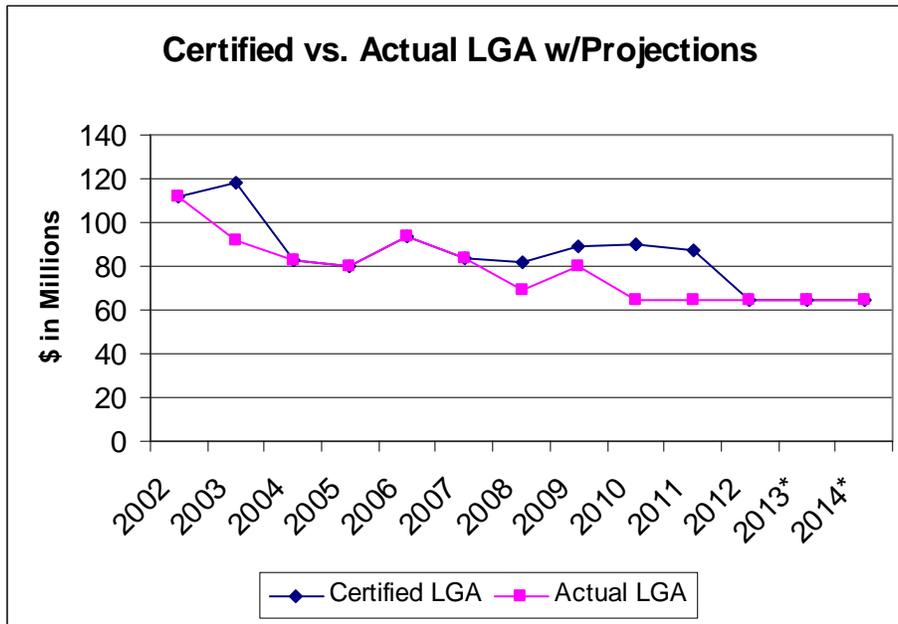
City of Minneapolis 2012 Budget

Financial Overview Prepared by the Minneapolis Finance Department

The 2012 Council Adopted Budget for all City funds increases to \$1.225 billion, a \$33 million or 2.7% increase from the 2011 Council Revised Adopted Budget of \$1.192 billion. Most of this increase is due to accelerated payments towards the City's bond obligations. The Council adopted a property tax levy with no change from the 2011 level. 2012 is the first year that the budget is presented without transfers, and transfers have been removed from charts and numbers within this document noting totals for prior years.

2011 and 2012 Local Government Aid (LGA)

In August 2010, the Minnesota Department of Revenue certified that Minneapolis would receive \$87.5 million in LGA in 2011, which was reflected in the 2011 Council Adopted Budget. However, in responding to the State's structural budget crisis, the Legislature reduced local aids and credits to Minnesota cities, including a reduction of Minneapolis's LGA by \$23.4 million to \$64.1 million. The 2011 Council Adopted Budget included a mechanism to automatically reduce appropriations in certain areas if the State acted to reduce LGA. This mechanism was effectuated, and the appropriation reductions in the 2011 Council Adopted Budget were implemented. Totals shown in this document for the 2011 Council Adopted Budget reflect these revisions and are referred to as totals for the 2011 Council Revised Budget. The State, in building its biennial budget, also appropriated \$64.1 million in LGA for Minneapolis in 2012 and 2013. The following table shows the historical certified and actual LGA amounts including the reductions, as well as projected LGA levels based on current law:



*2013 and 2014 amounts are projected numbers.

Major Highlights

The 2012 Council Adopted Budget includes significant changes to 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:

- This budget reduces spending for City departments by \$1 million in 2012 to hold the property tax levy flat. In addition, the Council directed in 2011 that department budgets be further reduced for 2011 and 2012 to reflect no increase in salaries during this period.
- 2012 is the first year of a two-year implementation of Priority-Based Budgeting process. In this process, departments make proposals for funding their programs. These proposals are essentially applications for funding based on the City's goals and priorities, and each proposal is allowed to apply for funding within a category. For more information on departmental program proposals and the Priority-Based Budgeting process, please refer to the Strategic Planning section of this document.
- In the 2010 Council Adopted Budget, the Council replaced the previous 8% tax revenue policy with a policy of shared revenue distribution. This approach improved transparency and better aligned revenue changes among City departments and the independent boards, while addressing shared financial challenges. This approach allows for consideration of the tax impact on taxpayers with anticipated changes to the City's tax base, LGA unallotments and other General Fund revenues. This policy continues in the 2012 Council Adopted Budget and future years. For 2012, the tax levy increase is 0%.
- In order to reduce the proposed property tax levy increase to 0%, the Council Adopted Budget redeems the entirety of the remaining principal on the \$114 million in bonds issued for the Minneapolis Employees Retirement Fund (MERF), which is now a division of the Statewide PERA pension fund, and the former Minneapolis Police Relief Association (MPRA), which has been merged into PERA's Police and Fire Fund (PERA P&F). This redemption creates significant additional debt capacity in future years and eliminates the interest payments associated with the debt that were charged at a 5.8% annual rate. The Council Adopted Budget also reduces the transfer from the General Fund to the Intergovernmental Services (BIS) Fund by \$1.2M on an ongoing basis to reflect the positive experience toward the goals in the financial plan, leaving these resources in the General Fund. Other changes include a lesser increase in health care costs than originally anticipated by \$2.5 million due to lower rates.
- Future challenges that the 2012 budget, through the five-year financial direction, plans for include the impacts of falling property values, rising pension obligations, and continuing growth in the cost of providing City services due to inflationary pressures.
- 2011 revenues and expenditures throughout the budget document reflect the 2011 Council Revised Adopted Budget and incorporate the cuts that were enacted as the result of reductions to State Aids as specified in the 2011 Adopted Budget Resolution. If the changes to State Aids related to the Resolution, which was enacted in late July 2011, were not removed from the 2011 budget, 2011 revenues and expenditures

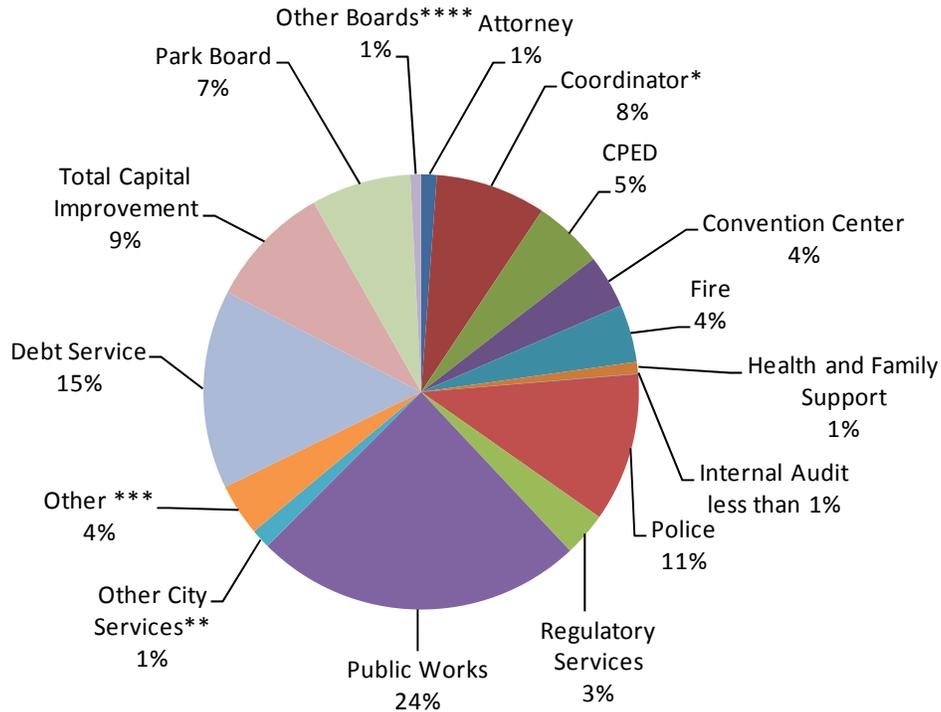
citywide would be \$23.4 million higher than displayed in this document. Therefore, the overall change from the 2011 Revised budget is an increase of approximately \$10 million, or 0.8%.

- The 2012 Mayor's Recommended Budget did not allocate funding for Community Development Block Grants (CDBG) because Congress did not allocate specific amounts to the City at the time of budget publication. The 2012 Council Adopted Budget includes these amounts in program and departmental funding, totaling \$14.8 million. CDBG funds include HOME, ESG, HOPWA and other funds.
- The 2012 Council Adopted Budget does not include any of the various amendments which are derived from 2011 transfers or rollovers as those funds were appropriated in 2011. These impacts will be incorporated into program funding in 2012 after all adjustments related to the financial accounting "closing" of 2011 are accounted for, likely late in the first quarter of 2012.

City Spending

Below is a summary of the 2012 Council Adopted Budget by major spending categories and independent boards, excluding transfers.

**Total Expense Budget – Use of Funds
2012 Council Adopted Budget
\$1.22 Billion**



* Includes Human Resources, Finance, 311, Intergovernmental Relations, Communications, Neighborhood and Community Relations, BIS, 911 and Emergency Preparedness

** Includes Assessor, City Clerk/Elections/Council, Civil Rights and Mayor

*** Includes self insurance, contingency and certain pension obligations

**** Includes Board of Estimate and Taxation, Youth Coordinating Board, the City's Contribution to Minneapolis Public Housing Authority, and Municipal Building Commission

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)

	2011 Revised	2012 Council Adopted	Percent Change	Change
Attorney	14.4	14.2	-1.6%	(0.2)
Coordinator*	102.3	100.3	-2.0%	(2.0)
CPED	75.6	63.5	-16.0%	(12.1)
Convention Center	48.5	48.7	0.5%	0.3
Fire	51.4	52.3	1.7%	0.9
Health and Family Support	13.4	10.7	-19.8%	(2.6)
Internal Audit	0.4	0.4	0.0%	
Library (Transfer to Hennepin County)	5.9	5.0	-14.9%	(0.9)
Police	135.0	135.4	0.3%	0.4
Regulatory Services	35.9	40.1	11.5%	4.1
Charter Departments Subtotal	482.8	470.6	(0.0)	(12.2)
PW - Administrative Services	2.7	2.8	1.4%	0.0
PW - Fleet	40.4	43.7	8.1%	3.3
PW - Solid Waste	33.8	32.9	-2.6%	(0.9)
PW - Property Services*****	1.0		-100.0%	(1.0)
PW - Traffic & Parking	54.8	56.4	2.9%	1.6
PW - Transportation Maintenance and Repair	41.2	41.7	1.1%	0.5
PW - Transportation Planning & Engineering	11.8	11.4	-3.1%	(0.4)
PW - Water Treatment & Distribution	48.4	51.1	5.6%	2.7
PW - Surface Water and Sewer - Stormwater	13.7	15.5	12.9%	1.8
PW - Surface Water and Sewer - Sanitary Sewer	42.3	44.3	4.6%	2.0
Public Works Subtotal	290.0	299.6	3.3%	9.6
Other City Services**	16.1	17.6	9.3%	1.5
Other ***	44.4	42.6	-4.1%	(1.8)
Debt Service	133.2	180.8	35.8%	47.6
Total Capital Improvement	122.4	112.8	-7.9%	(9.7)
Subtotal	316.1	353.7	11.9%	37.6
Park Board	92.2	90.8	-1.5%	(1.4)
Other Boards****	11.2	9.9	-11.4%	(1.3)
Independent Board Subtotal	103.3	100.7	-2.5%	(2.6)
Total City Spending	1,192.2	1,224.6	2.7%	32.4

* Includes Human Resources, Finance, 311, Intergovernmental Relations, Communications, Neighborhood and Community Relations, BIS, 911 and Emergency Preparedness

** Includes Assessor, City Clerk/Elections/Council, Civil Rights and Mayor

*** Includes Non-departmental, Health and Welfare, Worker's Compensation, Liability, Contingency and Pensions

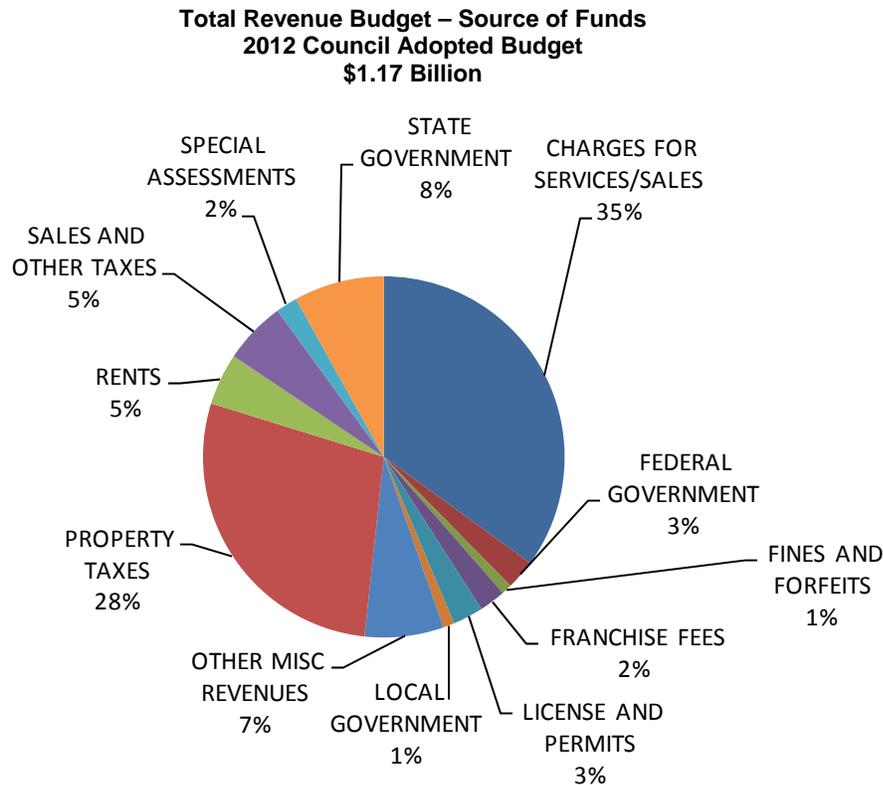
**** Includes Board of Estimate and Taxation, the City's Contribution to Minneapolis Public Housing Authority, and Municipal Building Commission

*****Property Services has been moved to Finance except for the Development Properties division and Parking Facilities division. CPED will contract out for the maintenance of the department's properties. This history here reflects the Development Properties division of Property Services.

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 2012 Council Adopted Budget revenues by major category.



In 2012, the City forecasts \$1.17 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 the 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. Specific sales tax revenues are dedicated to the Convention Center and Convention Center-related facilities by State law. Like many Minnesota cities, Minneapolis pays for core City services (police, fire, streets, parks, etc.) primarily with property taxes and LGA.

Revenue by Type

Revenue Category	2011 Revised	2012 Council Adopted	\$ Change	% Change
CHARGES FOR SERVICES/SALES	400.2	408.8	8.6	2.1%
FEDERAL GOVERNMENT	52.1	31.0	(21.1)	-40.5%
FINES AND FORFEITS	10.9	10.8	(0.1)	-0.9%
FRANCHISE FEES	27.8	27.5	(0.3)	-1.1%
LICENSE AND PERMITS	31.4	31.8	0.4	1.3%
LOCAL GOVERNMENT	7.5	11.9	4.4	58.7%
OTHER MISC REVENUES	63.7	82.3	18.6	29.2%
PROPERTY TAXES	347.1	328.0	(19.1)	-5.5%
RENTS	54.6	54.1	(0.5)	-0.9%
SALES AND OTHER TAXES	59.6	65.4	5.8	9.7%
SPECIAL ASSESSMENTS	21.7	22.4	0.7	3.2%
STATE GOVERNMENT	107.5	94.4	(13.1)	-12.2%
Total Revenue	\$1,184.2	\$1,168.5	(\$15.7)	-1.3%

Note: LGA is reflected in the State Government line.

The change in property tax revenue shows a different change than the change in levy because of decreased tax increment property tax revenue resulting from the decertification of tax-increment financing districts.

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 2012 Council Adopted Budget anticipates the total franchise fee revenue will decrease by \$0.3 million from the 2011 Council Adopted Budget, from \$27.8 million in 2011 to \$27.5 million in 2012. The decline in revenue is due to declining usage of natural gas.

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 2012, the Council Adopted Budget anticipates Xcel will pay the City \$16.2 million from this agreement, up from \$15.5 million in 2011.

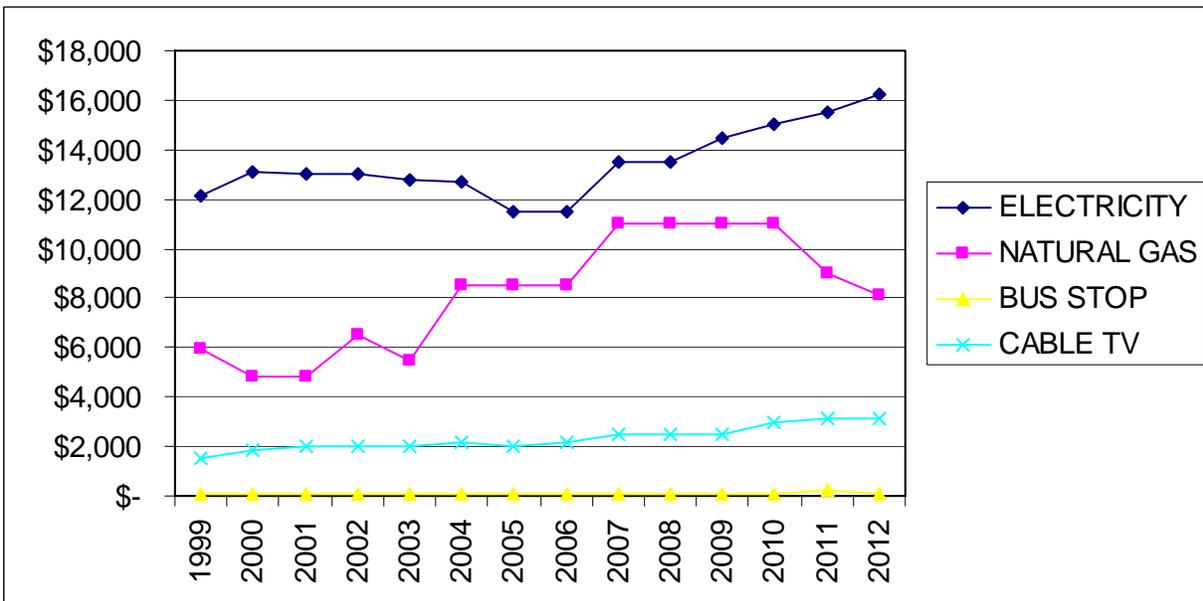
The franchise agreement with CenterPoint Energy for natural gas requires the company to pay the City 4.25% of gross revenues for Minneapolis residential buildings with four units or less, 5% for small commercial/industrial/firm or "interruptible" customers (customers who have agreements to allow their service to be interrupted, generally during peak loads), and 3% for large volume interruptible customers. This franchise agreement expires on Dec. 31, 2015. For 2012, the Council Adopted Budget anticipates CenterPoint Energy will pay the City \$8.1 million from this agreement, a decrease of \$0.9 million from the 2011 amount.

The city also has two smaller franchises. The bus stop advertising franchise will generate approximately \$100,000 in revenues for the City in 2012, and the City's cable television

franchise is anticipated to generate \$3.1 million for the City in 2012. Comcast collects this 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 \$800,000 from subscribers for the access fee in 2012, up \$350,000 from 2011. 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 1999-2012
(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 28% of the 2012 Council Adopted Budget.

Special Revenue Funds are used for personnel costs, operating costs, contractual services and equipment. These 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 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.

Enterprise Funds include services that the City provides that operate 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.

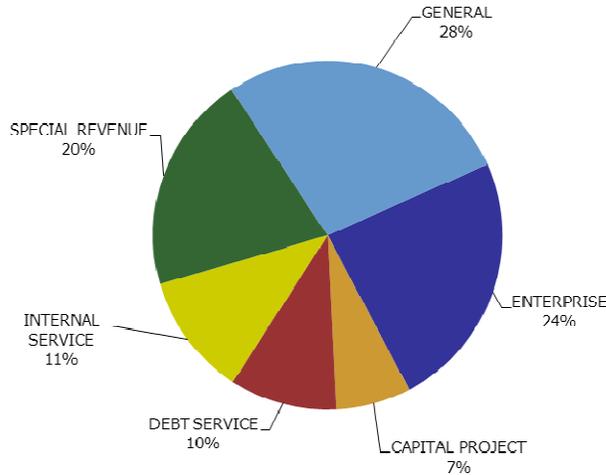
The following tables reflect the expenditures and revenues for these funds:

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

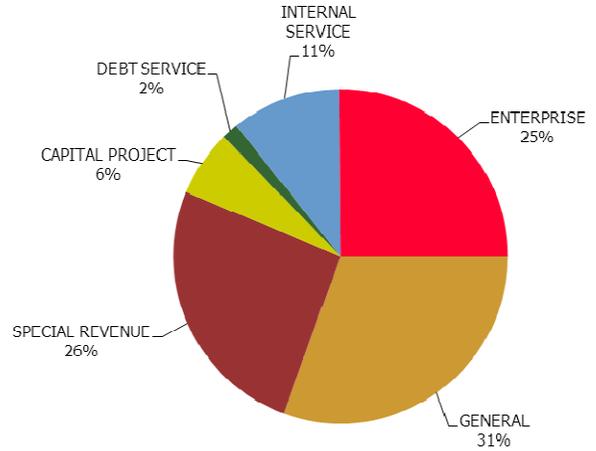
	2011 Revised	2012 Council Adopted	Percent Change	Dollar Change
Expense				
GENERAL	331.1	337.9	2.0%	6.7
SPECIAL REVENUE	272.3	248.0	-8.9%	(24.3)
CAPITAL PROJECT	96.2	85.1	-11.5%	(11.0)
DEBT SERVICE	71.1	121.6	71.0%	50.5
INTERNAL SERVICE	135.2	138.9	2.7%	3.7
ENTERPRISE	286.3	293.1	2.4%	6.9
Total	\$1,192.2	\$1,224.6	2.7%	\$32.5
Revenue				
GENERAL	351.4	356.9	1.6%	5.5
SPECIAL REVENUE	320.7	300.5	-6.3%	(20.2)
CAPITAL PROJECT	77.8	75.1	-3.5%	(2.7)
DEBT SERVICE	27.2	18.5	-32.1%	(8.7)
INTERNAL SERVICE	123.9	123.7	-0.2%	(0.3)
ENTERPRISE	283.1	293.7	3.7%	10.6
Total	\$1,184.2	\$1,168.5	-1.3%	(\$15.8)

Note: This chart shows General Fund revenues higher than expenditures due to the removal of transfers from the presentation of the 2012 Council Adopted Budget. Transfers are included in the Financial Plans section of the budget detailing the General Fund.

**Total City Expense Budget by Fund
2012 Council Adopted Budget
\$1.22 Billion**



**Total City Revenue Budget by Fund
2012 Council Adopted Budget
\$1.17 Billion**



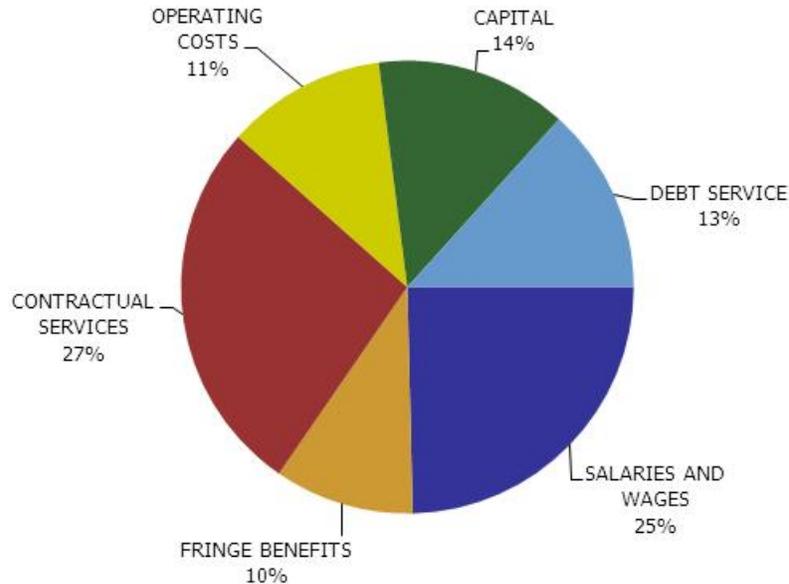
A significant amount of the City's budget is spent on personnel, \$412 million or 34% of the total budget. The 2012 Council Adopted Budget includes an overall decrease of 139 budgeted full-time equivalent positions, inclusive of independent boards.

**Spending by Major Categories
(in millions of dollars)**

Expense	2011 Revised	2012 Council Adopted	\$ Change	% Change
CAPITAL	182.8	170.8	(12.0)	-6.6%
CONTRACTUAL SERVICES	326.0	318.8	(7.2)	-2.2%
DEBT SERVICE	133.3	180.9	47.6	35.7%
FRINGE BENEFITS	116.8	119.1	2.3	1.9%
OPERATING COSTS	138.5	141.8	3.3	2.4%
SALARIES AND WAGES	294.7	293.3	(1.4)	-0.5%
Total Expense	\$1,192.2	\$1,224.6	\$32.5	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
2012 Council Adopted Budget
\$1.22 Billion**



Major Budget Pressures:

➤ **Funding for Physical Infrastructure**

Five Year Capital Program Totals: For 2012 – 2016, the five year capital program for City departments, independent boards and commissions totals \$641.66 million including all funding sources. The 2012 portion of this program is \$100.13 million. Due to cuts in Local Government Aid as part of the State of Minnesota’s adopted biennial budget, the City was forced to eliminate \$45 million of planned capital improvements funded with general fund transfers. In response, since the City can no longer afford to postpone needed improvements to infrastructure, this budget recommends a \$56.565 million increase in net debt bond funding in the five-year capital plan over the previously adopted plan.

The Net Debt Bond (NDB) program is paid for with property tax collections. The five year financial direction for the bond redemption levy included increases in 2014 and significant increases in 2015 and beyond for capital improvements. These increases are possible because as the demand for property tax resources for the internal service fund financial plans are reduced, the bond redemption levy is increased. In order to expedite capital improvements in 2012 and 2013, the City will extend debt maturities slightly longer than current practice for new issuances until the higher bond redemption levies are realized. This plan also includes an increase in base levies of approximately \$4 million starting in 2014 versus the previous long-term financial plan to pay for the higher capital level. These property tax supported net debt bonds 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.

Expanded NDB Resources for Capital Improvements: The net debt bond funding previously approved for programming for 2012 - 2016 was \$93.435 million. The \$56.565 million NDB

increase recommended will allow for \$150 million of capital programming over the next five years. The NDB increase is part of the long-term plan to continue the infrastructure acceleration program which concludes in 2013. The decline in the street infrastructure this past spring coupled with the loss of LGA funding which reduced future paving expenditures by \$45 million from 2011 - 2015, has resulted in this net debt increase being recommended sooner than originally anticipated. This capital infusion will improve all classes of City infrastructure with a greater emphasis on paving projects, parks, traffic signals and economic development projects that enhance the property tax base. These additional resources are combined with municipal state aid, special assessments and Infrastructure Acceleration Program (IAP) funds. Total funding for individual projects can be found in the "Capital Budget Detail for Funded Projects" report later in this document.

(\$ millions)	2012	2013	2014	2015	2016	Totals
Original Net Debt Bonds	\$17.310	\$17.675	\$18.050	\$20.000	\$20.400	\$93.435
Net Debt Bond Increase	<u>8.690</u>	<u>22.570</u>	<u>11.550</u>	<u>9.155</u>	<u>4.600</u>	<u>\$56.565</u>
Total Net Debt Bonds by Year	\$26.000	\$40.245	\$29.600	\$29.155	\$25.000	\$150.000

Property Tax Supported – Public Works: The 2012 capital budget includes \$19.87 million in property tax supported (NDB) funding for Public Works projects. Included in this 2012 amount is \$1.0 million for economic development related projects to enhance the property tax base. These economic development projects will be managed by the Community Planning and Economic Development Department in cooperation with the Public Works Department and can be found in the Street Paving section of the capital program. Below is a summary of the 2012 - 2016 NDB allocation for the Public Works infrastructure program, including the economic development projects.

(\$ millions)	2012	2013	2014	2015	2016	Totals
Net Debt Bond funding	\$19.87	\$30.60	\$22.62	\$21.20	\$15.67	\$109.96

Neighborhood Parks Infrastructure Funding: The 2012 capital budget includes \$4.5 million for Park improvements including \$2.5 million of net debt bonds, \$1.5 million of Park capital levy and \$.50 million of infrastructure acceleration funding. Below is a summary of the total 2012 – 2016 funding for park board capital improvements.

(\$ millions)	2012	2013	2014	2015	2016	Totals
Net Debt Bond funding	\$2.50	\$5.00	\$2.50	\$2.50	\$2.50	\$15.00
Park Capital Levy	\$1.50	1.50	1.50	1.50	.90	\$6.90
Infrastructure Acceleration funding	<u>\$0.50</u>	<u>0.50</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>\$1.00</u>
Total Park Board Capital funding	\$4.50	\$7.00	\$4.00	\$4.00	\$3.40	\$22.90

Property Tax Supported – Municipal Building Commission (MBC), BIS Technology and Miscellaneous Projects: The 2012 capital budget includes \$3.63 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, including City Hall. These categories use 16.7% of the available net debt bond funds in the five-year plan. Below is a summary of the 2012 - 2016 net debt funding for MBC, BIS Technology and Miscellaneous projects.

(\$ millions)	2012	2013	2014	2015	2016	Totals
Net Debt Bond funding	\$3.63	\$4.65	\$4.48	\$5.45	\$6.83	\$25.04

Infrastructure Acceleration Program (IAP): In addition to the net debt bond funding indicated above, this capital budget continues the infrastructure acceleration program with \$10.30 million over the final two years of this program to provide additional investment in paving projects, economic development, street lighting, pavement and bikeway maintenance and park infrastructure improvements. Funding for this program comes from one-time trust funds and also leverages other funding sources – see funding details for specific projects later in the document which are identified as “Transfer from Special Revenue Funds”.

(\$ millions)	2012	2013	Totals
Paving Programs	\$1.85	\$2.35	\$4.20
Major Pavement Maintenance	1.00	.80	1.80
Development Projects	1.00	0.00	1.00
Parkway & City Street Lighting	1.05	1.05	2.10
Bike Trail Maintenance	0.10	0.10	0.20
Park Infrastructure	0.50	0.50	1.00
Total IAP Program	\$ 5.50	\$ 4.80	\$10.30

Utility Fee Supported Capital: The 2012 - 2016 capital budget includes funding for sewer and water related infrastructure projects supported by utility rates. For the five-year plan, the Sanitary Sewer System has two projects totaling \$33.75 million, the Storm Sewer System has eight projects totaling \$84.17 million and the Water Department has four projects totaling \$88.40 million, exclusive of reimbursable projects. Long-term financial plans are used to determine utility fees required to support the sewer and water operations and infrastructure. For 2012, the Sanitary Sewer and Water rates are being changed to have both a variable rate component based on water usage and a fixed rate component based on meter size. Individual project details and utility 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 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 extra rating points.

➤ **Funding for Neighborhoods**

Beginning in January 2012 all neighborhood funding programs will be administered by the Neighborhood and Community Relations Department. This includes funding for Neighborhood Revitalization Program (NRP) Phase I and II projects as well as the Community Participation Program (CPP). NRP funds will be the source of funding for the CPP in 2012 and 2013. Neighborhoods will continue to establish their own priorities, and recommendations on CPP funding allocations will be made by a reformed NRP Policy Board, which will consist of representatives of the Mayor, City Council, Hennepin County Board, School Board, Park Board, legislative delegations, and the Minneapolis Neighborhood and Community Engagement Commission.

➤ **Funding for Pension Liabilities**

The City's payments to its closed pension funds are not projected to increase. However, without the legislation that merged the Minneapolis Police Relief Association (MPRA) and

Minneapolis Fire Relief Association (MFRA) into the Public Employees Retirement Association Police & Firefighters Fund (PERA P&F), these costs would have otherwise increased. Costs for these two funds are actually projected to drop from 2011 to 2012 now that the merger legislation has been approved by the two funds, their membership, PERA, and the City. Overall costs between 2011 and 2012 decrease only slightly however because of the increased obligation to the Minneapolis Employee's Retirement Fund (MERF) which merged into PERA in 2010. MERF costs are expected to remain nearly steady from 2013 – 2032 after large increases from 2011 – 2012.

Without the legislatively approved changes to the MPRA and MFRA, City payments provided from property taxes would be \$20.5 million higher in 2012, at \$23.1 million, versus the actual payment due in 2012 of only \$2.6 million for obligations to those two plans. The overall obligation for all three closed funds falls from \$23 million in 2011 to \$20.1 million in 2012.

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

The 2012 payment to PERA for MERF-related costs is \$19.5 million, of which \$17.5 million is financed through the property tax levy and \$2.0 million financed through non-tax funds. The 2012 Council Adopted Budget allocates funds necessary for redeeming the remaining principal on the \$61 million in MERF related bonds issued from 2002-2003.

Due to poor market returns in 2008, MERF was only 56% funded as of June 30, 2009. This placed MERF's funding status in a serious negative position that required immediate attention. During the 2009-2010 legislative session, legislation was approved that merged MERF into PERA in July, 2010, with annual funding commitments from the City from 2012 – 2032 in the range of \$20-\$23 million per year. This represents the second time that the City will fund its MERF obligations as the City had previously fully funded the pension plan for each retiree at the time of their retirement. If the consolidated MERF plan does not meet actuarial assumptions for its investment returns, the City, State and other MERF employers could see additional costs associated with MERF.

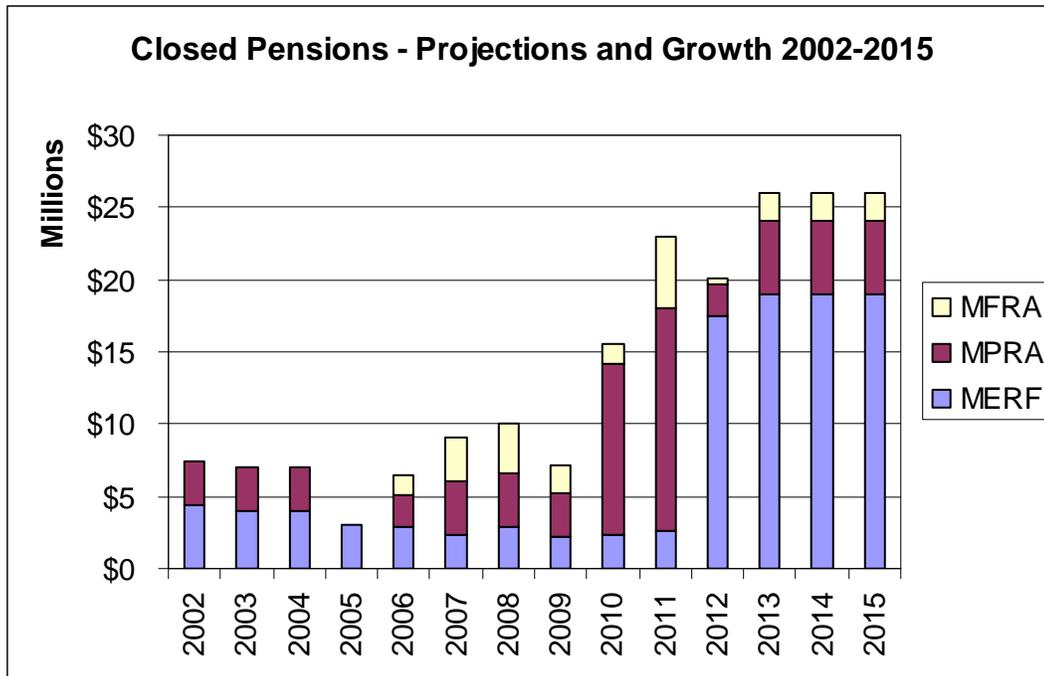
Minneapolis Police Relief Association (MPRA), a closed fund:

In 2011, legislation was passed by the State that merges the MPRA into PERA P&F. This legislation has been authorized by the entities which needed to approve it, and the merger was effectuated January 1, 2012. The 2012 budget for the City's contribution to the MPRA will be redirected to PERA P&F. In 2011, the City's levy contribution to MPRA was \$15.5 million. With enactment of the legislation, the 2012 City contribution drops to \$2.3 million. Without the legislation, the levy would have been \$17.9 million. The 2012 budget also includes money to redeem the remaining principal on the \$53 million in bonds that were issued from 2002-2004.

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

In 2011, legislation was passed by the State that merges the MFRA into PERA P&F. This legislation has been authorized by the entities which needed to approve it, and the merger was effectuated January 1, 2012. The 2012 budget for the City's contribution to the MFRA will be redirected to PERA P&F. In 2011, the City's levy contribution to MFRA was \$4.9 million. With enactment of the legislation, the 2012 City contribution drops to \$0.3 million. Without the legislation, the levy would have been \$5.2 million.

The following graph shows the historical and projected levy using current projections for the former Minneapolis closed funds (MPRA and MFRA), with the Minneapolis share of the MERF Division of PERA 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. State law changed the \$2.25 million City levy to a contribution in 2012, causing the City to have to levy more as the City does not collect 100% of what it levies. In 2012, the City will levy \$2.45 million for TRA, an increase of \$200,000. The increased contribution to the TRA in 2012 also includes \$80,000 in back taxes due to the TRA.

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

The employers’ contribution level in PERA’s Coordinated Plan is 7.25% in 2012, steady from 2011. The police and fire plans’ employer’s contribution level remains at 14.4% in 2012, steady from 2011. The estimated total cost to the City in 2012 is \$27.4 million, which is covered in the department budgets where the employees work.

	2011	2012	Change
PERA	\$13.1	\$13.1	\$0.0
PERA P&F	\$14.5	\$14.3	-\$0.2
Total	\$27.6	\$27.4	-\$0.2

In 2012, the combined total City cost of the open and closed pension funds is \$51.75 million.

➤ **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 2010, the City’s three internal services funds with long-term financial plans had combined net assets of \$53.1 million. Additionally, all three funds had positive cash balances at 2010 year-end.

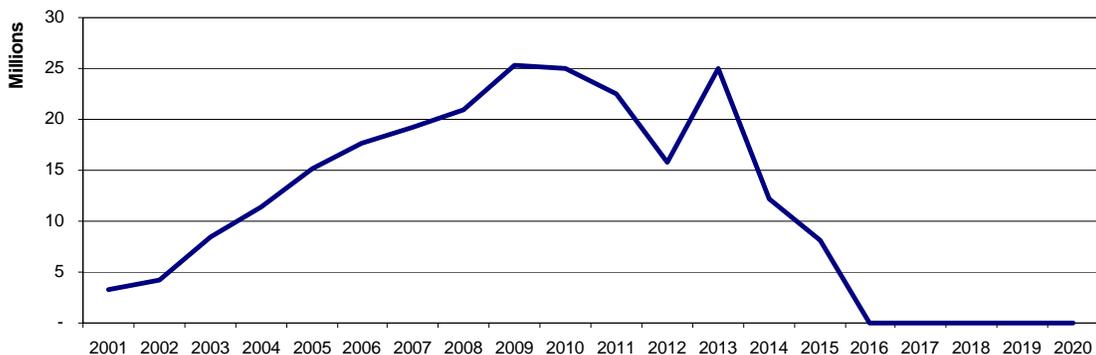
Status of Workout Plans (in millions)

	Adopted	Original Cash Deficit (2000)	Original Net Asset Deficit (2000)	2010 Year-End Net Assets	Target Date for Positive Cash Balance	2010 Year-End Cash Balance
Self-Insurance	2003	\$ (8.1)	\$ (49.5)	\$ (6.6)	2007	\$ 41.2*
Equipment	2001	(16.6)	0.0	30.6	2003	8.2
BIS	2000	(12.9)	(12.2)**	16.9	2009	8.4
Internal Service Fund Total		\$ (37.6)	\$ (61.7)	\$ 53.1		\$ 57.8
Parking Fund	2004	\$ (8.6)	\$ 75.7	\$148.3	2010	\$ 12.8

*Status does not include \$2.5M due from other funds.

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

General Fund Support for Internal Service Funds



The financial plans of the Self-Insurance, Fleet, and Intergovernmental Services (BIS) internal service funds call for transfers from the General Fund to eliminate deficits. The graph above presents the schedule of General Fund transfers to the three internal service funds with deficits.

To meet the goals of the adopted long-term financial plans, these transfers continue to make up a substantial portion of the City's budget. In order to create capacity over the ten-year plan which is used to hold down property tax levy increases in 2016 onward, the Council adopted an acceleration of the workout plan transfer schedule, thereby moving up full completion of these obligations from 2019 to 2015. This acceleration caused a spike in planned General Fund obligations in 2013 as indicated on the preceding graph. Transfers to the Self Insurance Fund and Equipment Fund will be completed in 2014; transfers to the Intergovernmental Services Fund and Property Services Fund will be completed in 2015.

Additionally, given the financial performance of the Intergovernmental Services Fund, the Council adopted a reduction in obligations to the fund of \$3.6 million over three years. For more detailed information about the amount of the workout plan transfers, please see Schedule 8 in the Financial Schedules section of the budget book.

➤ **Growth in personnel costs**

- **Personnel Changes.** The 2012 Council Adopted Budget reduces the FTE count of City positions by 98 from 3,754 to 3,656, saving the city an estimated \$9 million in ongoing annual costs. In just three years, from 2009 to 2012, the City FTE count will have been reduced by 445 positions. When including independent boards, the three year reduction is 516 FTE, from 5,327 to 4,811 FTE, with a reduction of 139 FTE from 2011 to 2012.
- **Salary and wages.** The 2012 Council Adopted Budget includes a slight increase in personnel expenditures (a 2012 total of \$293.3 million in salaries and wages, \$119.1 million in fringe benefits). For City positions, not including independent boards, growth in salary and wages are again budgeted at 0% in 2012 after no budgeted increase in 2011 for bargaining units without settled contracts. For units with settled contracts in 2011, a 0% assumption is used for 2012 and 2013.
- **Benefits.** Health and dental insurance expenditures are budgeted to increase from \$57.0 million to \$58.9 million. This estimate is based on changes and experience related to the current plan design and the competitive procurement processes. The anticipated health premium increase in 2012 is 4% due to continuation of the current contract.

- **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 for an additional declining base contribution for 10 years. In 2012, that contribution is approximately \$5.0 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 by the City for Library purposes.

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. For 2012, a total of \$1.3 million in technology projects are funded through property tax supported debt as planned for in the capital program. The five-year plan totals \$5.3 million.

Pay-as-you go: On occasion, the City will allocate current year funding for a technology project with existing resources rather than issuing bonds.

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.

➤ **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

Recent financial downturns in the economy coupled with State budget cuts and reduced funding from the Federal government have led to challenges at the City. At a time when demand for services is up, funding is reduced. For example, the increased foreclosure rate in Minneapolis results in an increased need for home inspection and monitoring.

Shrinking Workforce and Increased Demands

Because of the economic downturn and increasing hardship on the City's taxpayers, the City has made very significant cuts to its workforce, reducing position counts by over 500 across all departments and independent boards since 2009. This has significantly increased pressure on those remaining employees as the workload has not decreased. Increasing demands on employees coupled with decreasing inflation-adjusted wages also creates potential problems with retaining personnel with a high level of institutional knowledge.

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, several enterprise software systems will need to be upgraded over the next three years, the full financial impact of which is not yet known. Other examples include increased computer and internet bandwidth usage, and a drive toward enhancing the City's interaction with residents through technological means.

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 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, but the funding is only temporary and does not provide a long-term solution to funding shortfalls. Most of the benefits that the City has received from this program come to an end by 2013.

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. In addition, CDBG funding from the Federal government continues to be cut, from \$19.8 million in 2010 to \$14.8 million in 2012.

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.

Stadium/Hospitality Facilities

Construction of several major stadiums - Target Field, the University of Minnesota's football stadium and a possible new multi-purpose (including the Vikings) 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. The City must also contribute toward maintenance of the Target Center and Convention Center.

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. City Hall and other City facilities are in need of upgrading their mechanical and safety systems. Similar concerns are also noted by the Target Center and 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 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.

The transfer of property tax burden from commercial and industrial properties to residential properties continues, resulting from valuation changes and State law.

Major Changes in the 2012 Council Adopted Budget

The 2012 Council Adopted Budget incorporates a new funding methodology based on funding programs instead of departments. Because the City is in the midst of incorporating this policy into its budget process, the information below is descriptive of changes the Mayor and Council made to program submissions from departments, organized by department. It is anticipated that in future years, program submissions and organization of the department will be based on goal areas as opposed to departments.

➤ **Citywide**

Department budgets reflect no increase in City salary schedules for 2011 or 2012 with unless units have a settled contract. For contracts that were settled in 2011, budgets for salary schedule increases should be adjusted in 2012 and 2013. While the 2012 budget does not include salary schedule increases, the budget has been adjusted for additional salary costs resulting from step movement in 2011. This assumption change does not affect Independent Boards. In 2012, no department has a settled bargaining unit contract so a 0% salary schedule adjustment was included citywide with the exception of independent boards.

The Mayor's Recommended Budget reduced health care budgets for all departments to reflect the final contract for health care costs in 2012. The Council adopted the Mayor's recommendation.

Internal Service Fund obligations: The 2008 adopted long-term financial plans begin reducing the General Fund's contribution to the internal service funds in 2010, but to create capacity in order to hold down property tax levy increases in future years, the General Fund will accelerate the workout plan schedule from full completion in 2019 to 2015. The Mayor recommended a reduction in obligations to the fund of \$3.6 million over three years. The Council adopted the Mayor's recommendation.

The Mayor's Recommended Budget redeemed the entirety of the remaining principal on the \$114 million in bonds issued for the Minneapolis Employees Retirement Association (now a division of the Statewide PERA pension fund), and the Minneapolis Police Relief Association. This redemption created significant additional debt capacity in future years and eliminated the interest payments associated with the debt that are charged at a 5.8% annual rate. The Council adopted the Mayor's recommendation.

The 2011 departmental expenditures and revenues incorporate changes that occurred during the fiscal year 2011, including reductions enacted as the result of reductions to State Aids as specified in the 2011 Adopted Budget Resolution.

➤ **Departments**

Listed below are summaries of the actions reflected in the Mayor's Recommended and Council Adopted budgets compared to the program budget submissions made by departments.

Assessor

Mayor's Recommended Budget: The Mayor recommended no changes.

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

Attorney

Mayor's Recommended Budget: The Mayor recommended that the department reduce \$300,000 and 2 FTE's, one each in the Criminal Prosecution and Community Attorney Prosecution programs. The difference should be managed with non-personnel reductions.

Council Adopted Budget: Council approved the Mayor's recommendations. Additionally, Council made the following staff directions:

- On a one time basis, MPD is directed to transfer up to \$317,000 of their 2011 unused contingency to the City Attorney to retain the Domestic Assault Prosecution Partnership in 2012.
- On a one time basis, MPD is directed to transfer \$20,000 of unused 2011 contingency to the City Attorney for Restorative Justice Program.

BIS

Mayor's Recommended Budget: The Mayor recommended \$240,000 in one-time startup money for the Employee Computing Mobility program and \$50,000 as well as in ongoing costs, for a total of \$290,000 in General Fund money, making no other changes to department program funding.

Council Adopted Budget: The Council approved the Mayor's recommendations and amended the budget to decrease the 2012 one-time funding for the Employee Computing Mobility Program budgeted in the Business Information Services Department by \$240,000 and increase 2012 funding in the Communications Department for the MTN program by \$150,000 on a one-time basis, the City Council and Clerk Department by \$30,000 on a one-time basis, and the Internal Audit Department by \$60,000 on a one-time basis.

Further, the Council directed BIS to work with ISPSG to make implementation decisions regarding the deployment of the Employee Computing Mobility Program.

City Council & Clerk

Mayor's Recommended Budget: The Mayor recommended:

- Elections Administration: Includes a planned increase of \$500,000 for election year 2012. The Mayor recommended a \$100,000 cut to this program from 2011 spending levels.
- Board of Appeal and Equalization: The Mayor recommended a \$600 cut from 2011 spending levels.
- Records & Information Management: The Mayor recommended no funding for the enhanced program and a \$6,000 cut from 2011 spending levels.
- City Records Center: The Mayor recommended a \$12,000 cut from 2011 spending levels.
- Council Staff – Constituent Services and Policy Development: The administrative portion of these programs remains in Clerk & Elections.
- City Council: The Mayor recommended no change.
- Council Staff – Constituent Services: The Mayor recommended a ten percent reduction from 2011 spending levels because 311 reduces the call volume to Council offices.
- The Mayor recommended that Council be separated from City Clerk and Elections.

The Mayor recommended no changes to the other programs.

Council Adopted Budget: Council adopted the Mayor's recommendations with the following amendments: Increase the City Council & Clerk Department appropriation by \$125,000 to offset reductions; direct staff to reduce City Council's 2012 ward budgets by 12%, setting each ward budget at a total of \$10,490, transfer \$30,000 from the BIS Employee Mobility Project and transfer that amount of the City Council & Clerk Department and delay final action of funds regarding the 2011 roll-over of individual ward budgets until all 2011 expenses have been accounted and paid, and direct staff to develop a plan to train all City Council staff on 311 constituent service and response systems and procedures. Additionally, Council also combined the budgets of the City Council and City Clerk.

City Coordinator Administration

Mayor's Recommended Budget: The Mayor recommended a reduction of \$20,000 from the department's 2011 program proposals.

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

311 (a Division of City Coordinator Administration)

Mayor's Recommended Budget: The Mayor recommended no changes.

Council Adopted Budget: The Council decreased the Mayor's Recommended Budget for 311 by \$125,000 on a one-time basis and increased the City Council & Clerk Department appropriation by \$125,000 on a one-time basis.

The Council also directed 311 to develop a plan to train all City Council staff on 311 constituent service and response systems and procedures.

911 (a Division of City Coordinator Administration)

Mayor's Recommended Budget: The Mayor recommended a reduction of \$50,000 from the department's program proposal.

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

Emergency Management (a Division of City Coordinator Administration)

Mayor's Recommended Budget: The Mayor recommended no changes.

Council Adopted Budget: The Council amended the Mayor's Recommended Budget for Emergency Management by increasing the department's General Fund allocation by \$226,303 and decreasing Regulatory Services' General Fund budget by \$226,303. Also, the Council directed Regulatory Services to transfer two FTE (an Administrative Analyst I and Administrative Analyst II) to Emergency Management.

The Council further directed the City Coordinator's Administration Department to make regular reports to relevant Council committees on the success of grant applications for emergency management functions.

Civil Rights

Mayor's Recommended Budget: The Mayor recommended a 2012 budget of \$2.156 million, including:

- Contract Compliance: The Mayor recommended a reduction of \$89,000 and one position from 2011 spending levels.
- Minneapolis Civil Rights Complaint Investigations Program: The Mayor recommended a 5%, or \$36,000 cut from 2011 spending levels.

The Mayor recommended no changes to the other programs.

Council Adopted Budget: Council adopted the Mayor's recommendations and added \$90,000 and 1 FTE to the department.

Communications

Mayor's Recommended Budget: The Mayor recommended a reduction of \$126,000 including 1 FTE and an additional \$250,000 cut to MTN Public Access Television with other programs funded at current expenditure levels.

The Mayor recommended no changes to the other programs.

Council Adopted Budget: The Council amended the Mayor's Recommended Budget for the Communications Department by increasing one-time funding for MTN by \$150,000 from the Employee Computing Mobility Program budgeted in the Business Information Services Department.

The Council directed the Communications Department to request from MTN additional information about hours of original programming produced and broadcast, demographic information about contributing producers, training and utilization of studio space, and to report back to Ways & Means/Budget Committee no later than March 1, 2012.

The Communications Department is further directed to complete a best practices study into other models to address public, education and government access television and report back to the Ways and Means/Budget Committee no later than June 20, 2012.

CPED and Communications are directed to assist MTN in reviewing options to reduce expenses for office and studio space including seeking a sublessee for MTN's existing space.

Convention Center

Mayor's Recommended Budget: The Mayor recommended no changes.

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

CPED

Mayor's Recommended Budget: The Mayor recommended funding the department at the requested level with reductions to growth for a slower than anticipated rise in health care costs. The Mayor recommended funding the One Minneapolis program with \$300,000 in one-time funding to be jointly administered with Civil Rights, \$75,000 in one-time funding for the Mayor's regional export growth strategy initiative which will enable Minneapolis to work more effectively

with companies considering exporting or seeking to grow by exporting to additional markets and be implemented through CPED - Economic Development Division's existing business calling plan, and \$150,000 for Greater MSP in one-time funding.

The Mayor also recommended that the department eliminate policy assistance for CLIC, reduce heritage preservation funding by \$123,000 (81,600 in General Fund money), eliminate departmental support for the Arts Commission, and thereby, reducing two FTEs in the planning department. The Mayor's recommendation also included the reduction of four additional FTEs across three programs – Corridor Vitality Investment Program, Minneapolis Youth Program, and Protection, Preservation and Design of the Built and Natural Environment. The Mayor also recommended a \$100,000 program enhancement for the Minneapolis Youth Program.

Council Adopted Budget: The Council amended the Mayor's Recommended Budget by increasing the Year 38 allocations for Other Consolidated Plan Entitlements to HOME Investment Partnerships by \$2,072,652; and to the Emergency Solutions Grant (ESG) by \$1,014,625.

The Council also increased the Year 38 allocation for CDBG for Multi-Family/Affordable Housing by \$164,601.

The Council directed that the Year 38 Community Development Block Grant (CDBG) Consolidated Plan capital allocation to CPED be amended by reducing the allocation to NEDF/CEDF (Great Streets) by \$718,056 and increasing the allocation to Adult Training by \$380,000, increasing the allocation to Commercial Property Investment by \$139,000 and increasing the allocation to the Vacant and Boarded Building Program by \$199,056.

The Council also amended the Mayor's Recommended Budget for CPED by increasing the operating budget as follows:

- (1) Fund 01CUB - United Van/Bus \$200,000;
 - (2) Fund 01CRS - Rosacker Nursery \$525,000;
 - (3) Fund 01CPD - Portland place \$70,000;
 - (4) Fund 01CST - Stinson Tech. Campus \$300,000;
 - (5) Fund 01CFR - Former Federal Reserve \$500,000; and
 - (6) Fund 01CUV - Urban Village \$405,000
- for a total of \$2 million.

The Council further amended the Mayor's Recommended Budget by transferring \$90,000 from the RENEW program within CPED to Civil Rights.

The Council also amended the Mayor's Recommended budget for CPED by increasing CPED's expenditure budget by \$92,000 and increasing CPED FTE by 1 (Zoning Inspector II).

The Council further amended the Mayor's Recommended 2012 Capital Budget for Community Planning and Economic Development to allocate \$50,000 in Fund 01CLC (Location Contribution) for the It's All About Kids program, by decreasing the 2011 allocation for the Affordable Ownership Housing Program by \$50,000 and subsequently amending the Council's September 2, 2011 action to reduce the reallocated Affordable Ownership Housing Program funding that capitalizes the revolving loan fund for Neighborhood Stabilization Program projects from \$750,000 to \$700,000.

The Council rescinded its previous action committing \$5 million in UDAG funding to the planetarium project and returned discretionary control of these funds to CPED.

The Council directed the Community Planning and Economic Development Department to work with the Finance Department to prepare and present a methodology for the proposed Growth Fund. These presentations must be made prior to April 1, 2012, to both the Ways and Means/Budget Committee and the Community Development Committee.

CPED and Communications are directed to assist MTN in reviewing options to reduce expenses for office and studio space including seeking a sublessee for MTN's existing space.

CPED is directed to increase fees for land use applications by 3.5% in 2012. Zoning re-inspection fees will be increased from \$150 to \$200.

CPED is directed to allocate up to 7.5% of Community Development Block Grant funds for Emergency Shelter Grants to Intergovernmental Relations.

The Council directed Public Works and CPED to create a Project Team comprised of representatives of CPED, Public Works and Finance department to advance the reopening of Nicollet Avenue at Lake Street. Activities of the Project Team to include:

- a) Create defined project area;
- b) Establish Timeline, schedule, benchmarks; and
- c) Design and implement community and stakeholder engagement.

Staff is further directed to report back to CD and TPW committees by end of the first quarter 2012 on progress and with any recommendations.

Finance

Mayor's Recommended Budget: The Mayor recommended a \$250,000 reduction from 2011 department proposals.

Council Adopted Budget: The Council approved the Mayor's Recommendations and included the following directions. The Finance Department is directed to amend all schedules and final budget documents by removing references to the Growth Fund.

The Finance Department is directed to remove all funding and FTE associated with the Homegrown Minneapolis Business Development Initiative from the City's financial schedules.

Finance Staff is directed to report to the Regulatory, Energy & Environment Committee and Ways and Means by January 31, 2012 about cost recovery models in every department.

Finance and NCR staff are directed to report back to the Community Development Committee in two cycles regarding the appropriate use of Community Development Block Grant funding to support the CPED Citizen Participation program and the issues raised about that funding source.

Property Services (now a Division of the Finance Department)

Mayor's Recommended Budget: The Mayor recommended no changes.

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

Fire

Mayor's Recommended Budget: In 2011, the Mayor restored \$1.1 million to the department's base to restore positions that would have otherwise been eliminated by the removal of one time funding. The Mayor recommended the following changes:

- Fire Suppression, Emergency Medical Service and Emergency Rescue: The Mayor recommended a reduction of 1 FTE from 2011 spending levels.
- Training and Recruitment: The Mayor recommended a reduction of \$200,000 in non-personnel expense from 2011 spending levels.

The Mayor recommended no changes to the other programs.

Council Adopted Budget: Council adopted the Mayor's recommendation with the following amendments: amend the expense and revenue appropriations of Fire and Regulatory Services to increase the total contract for problem properties to \$400,000 in 2012. Additionally, pursuant to 2010 Operating Budget Resolution Footnote (I) of Resolution 2009R-586, staff is directed to renegotiate the Memorandum of Understanding between Fire and Regulatory Services regarding problem properties to reflect this change.

Council directed the Fire Department to work with its consultants to evaluate the arson investigation functions performed by Fire personnel, including the potential for revising staffing models as well as work share agreements with MPD.

Finance and NCR staff are directed to report back to the Community Development Committee in two cycles regarding the appropriate use of Community Development Block Grant funding to support the CPED Citizen Participation program and the issues raised about that funding source.

Health and Family Support

Mayor's Recommended Budget: The Mayor recommended the following changes:

- Youth Development: The Mayor recommended a 10%, or \$44,000 cut from 2011 spending levels.
- Health Care Safety Net: The Mayor recommended a \$200,000 cut from 2011 spending levels.
- Public Health Emergency Preparedness: The Mayor recommended no general fund funding. The program will maintain \$374,872 in grant revenue.
- Community Health Assessment, Engagement, and Policy: The Mayor recommended an \$8,000 cut from 2011 spending levels.

The Mayor did not fund:

- Green and Healthy Homes; Aligning grant resources for greater impact.
- Advocacy Services for Victims of Domestic Violence.

The Mayor recommended no changes to the other programs.

Council Adopted Budget: Council adopted the Mayor's Recommendation with the following amendments and staff directions:

- Direct MPD and Health to report results on Youth Violence Prevention efforts to Results Minneapolis, including juvenile crime statistics, broken down by gang affiliation.

- The department's budget is reduced by \$106,000 and one FTE (Senior Ombudsman) is moved to Neighborhood and Community Relations.
- The department's budget is increased by \$72,000 in CDBG funding for Neighborhood Services.
- The department's budget is increased by \$60,000 for the Domestic Abuse Project.

Human Resources

Mayor's Recommended Budget: The Mayor recommended a 50% cut to the department's training and development program with all other programs funded at the current level.

Council Adopted Budget: The Council adopted the Mayor's recommendations for this department and amended the 2012 operating budget for Human Resources programs to allocate \$119,253 in previously unallocated dollars to specific programs as follows: Administration \$8,687; Classification \$2,240; Compensation \$2,240; HRTS \$28,223; Labor Relations \$7,674; Management \$38,296; Recruiting \$22,312; Diversity \$7,250; and Training \$2,331.

Intergovernmental Relations

Mayor's Recommended Budget: The Mayor recommended an additional \$50,000 to cover the costs of airport consulting services while reducing 1 FTE.

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

Internal Audit

Mayor's Recommended Budget: The Mayor recommended a reduction of 1 position.

Council Adopted Budget: The Council amended the Mayor's Recommended Budget by moving \$60,000 on a one-time basis from Employee Computing Mobility Program (BIS) to Internal Audit and restored 1 position in the Internal Audit Department to be hired mid-year for a total addition of 0.5 FTE for 2012.

Mayor

Mayor's Recommended Budget: The Mayor recommended a \$15,000 ongoing, and a \$45,000 one time cut from 2011 spending levels to the Mayor's Administration program.

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

Neighborhood and Community Relations

Mayor's Recommended Budget: The Mayor recommended a reduction of \$120,000 (including 1 FTE) from 2011 spending levels.

The Mayor recommended the Neighborhood Revitalization Program phase out operations during calendar year 2012 and be transferred to this department.

Council Adopted Budget: The Council increased the Mayor's Recommended Budget for the Neighborhood and Community Relations Department by \$106,000 from Health and Family Support,

and moved 1 FTE (Senior Ombudsman) from the Health and Family Support Department to the Neighborhood and Community Relations Department.

Finance and NCR staff are directed to report back to the Community Development Committee in two cycles regarding the appropriate use of Community Development Block Grant funding to support the CPED Citizen Participation program and the issues raised about that funding source.

The Council directed unspent funds from the 2011 NRP operating budget after paying all shut down expenses to the NCR Department.

Police

Mayor's Recommended Budget: The Mayor recommended a reduction of 24 FTE including 2 managerial positions and 17 officers. Sworn positions shall be reduced through attrition and reassignment.

The Mayor recommended a total general fund budget of \$128.015 million for the Police Department. The recommendations included \$4.42 million in reductions to growth including:

- \$1.16 million, including 12 FTE (5 non-sworn and 7 sworn) from the Community Engagement Program.
- \$1.76 million, including 3 FTE, overtime and non-personnel reductions to contractual services (including fleet) from all programs, including personnel reductions in Administration and Training program and overtime reductions in Criminal Investigations Program.
- \$1.51 million including 9 FTE and non-personnel savings in the Public Safety Services Program.

Council Adopted Budget: Council adopted the Mayor's Recommendation and adopted the following staff directions:

- MPD is directed to use a portion of their 2011 unused contingency to retain Community Crime Prevention Specialists.
- MPD is directed to provide a staffing update to the Public Safety, Civil Rights and Health and Ways & Means/Budget Committees by April 15, 2012, to allow effective workforce planning for the 2013 budget. The plan should include positions that are not required to be performed by sworn staff, an ongoing funding plan for Community Crime Prevention Specialists; and an ongoing funding plan for sworn officer hiring.
- MPD and Health are directed to report results on Youth Violence Prevention efforts to Results Minneapolis, including juvenile crime statistics, broken down by gang affiliation
- MPD should report back to the Regulatory, Energy and Environment and Ways & Means Committees by January 31, 2012, with a plan to ensure that salaries of MPD staff whose job duties that engage in regulatory functions are paid for out of license fees, not general funds.
- On a one time basis, MPD is directed to transfer up to \$317,000 of their 2011 unused contingency to the City Attorney to retain the Domestic Assault Prosecution Partnership in 2012.
- On a one time basis, MPD is directed to transfer \$20,000 of unused 2011 contingency to the City Attorney for Restorative Justice Program.
- MPD is directed to use the department's 2011 budget savings to fund a \$31,000 City contribution to the St. Anthony Falls Heritage Board and a \$50,000 City contribution to the Mississippi Riverfront Partnership.

Public Works

Mayor's Recommended Budget: Please see division sections for Mayor's recommendations.

Council Adopted Budget: Council adopted the following staff directions:

- Public Works is directed to report to the Transportation and Public Works committee by January 31, 2012 proposed specific projects for the 2012 Capital Budget Paving Program.
- The Public Works Department is directed to determine a strategy for shifting the costs of cleaning graffiti off city infrastructure from the Solid Waste Enterprise Fund and into the operating budgets responsible for maintaining the infrastructure where the graffiti lands. A presentation on the department's graffiti clean-up strategy is to be made to the Ways & Means/Budget Committee prior to or during their regularly scheduled meetings in March.
- Public Works and CPED are directed to create a Project Team comprised of representatives of CPED, Public Works and Finance department to advance the reopening of Nicollet Avenue at Lake Street. Activities of the Project Team to include:
 - a) Create defined project area;
 - b) Establish timeline, schedule, benchmarks; and
 - c) Design and implement community and stakeholder engagement.

Staff is further directed to report back to Community Development and Transportation and Public Works committees by end of the first quarter 2012 on progress and with any recommendations.

On December 16th, Council adopted the utility rates for water, sewer, stormwater and solid waste and recycling services effective January 1, 2012. The resolution included changes to sewer and water rates. In addition to rates based on water usage, a fixed charge based on meter size will be included in each billing period. The monthly fixed charge ranges from:

- Sewer: from \$3.00 for a 5/8 inch meter to \$990 for a 12 inch meter
- Water: from \$2.00 for a 5/8 inch meter to \$660 for a 12 inch meter

Administration

Mayor's Recommended Budget: The Mayor recommended no changes.

Council Adopted Budget: The Council adopted the Mayor's recommendations.

Fleet Services

Mayor's Recommended Budget: The Mayor recommended no changes.

Council Adopted Budget: The Council adopted the Mayor's recommendations.

Solid Waste and Recycling

Mayor's Recommended Budget: The Mayor recommended \$32.88 million, including \$150,000 for graffiti microgrants.

Council Adopted Budget: The Council adopted the Mayor's recommendations.

Surface Water & Sanitary Sewer – Sanitary Sewer

Mayor's Recommended Budget: The Mayor recommended a rate increase of \$0.32 per 100 cubic feet to \$3.37 in 2012. The Mayor recommended no changes to the program.

Council Adopted Budget: On December 16th, Council adopted the utility rates for water, sewer, stormwater and solid waste and recycling services effective January 1, 2012. The resolution included changes to sewer and water rates. The variable rate component will remain flat from 2011 at \$3.05.

In addition to rates based on water usage, a fixed charge based on meter size will be included in each billing period. The monthly fixed charge ranges from \$3.00 for a 5/8 inch meter to \$990 for a 12 inch meter.

Surface Water & Sanitary Sewer – Stormwater

Mayor's Recommended Budget: The Mayor recommended a rate increase of \$0.28 per ESU to \$11.70 in 2012. The Mayor recommended no changes to the program.

Council Adopted Budget: On December 16th, the Council adopted utility rates for water, sewer, stormwater and solid waste and recycling services. The Council adopted the recommended rate of \$11.70 per ESU.

Traffic & Parking

Mayor's Recommended Budget: The Mayor recommended the following changes:

- **Street Lighting:** The Mayor recommended an ongoing reduction to growth of \$156,000 and 2 positions. This reduction will be offset by one-time funds of the same amount, which will delay the reduction of 2 positions. This ongoing reduction will increase the time between the report of needed street light maintenance and the repairs.
- **Traffic:** The Mayor recommended an ongoing reduction to growth of \$108,000 and one position. This reduction will be offset by one-time funds of \$94,000, which will delay the position reduction.

The Mayor recommended no changes to the other programs.

Council Adopted Budget: The Council adopted the Mayor's recommendations.

Transportation Maintenance and Repair

Mayor's Recommended Budget: The Mayor recommended the following changes:

- **Bridge Maintenance and Repair:** The Mayor recommended a reduction to growth of \$25,000 from contractual services. This reduction will reduce professional services used to support bridge maintenance activities without a noticeable impact to the public.

- **Street Maintenance & Repair:** The Mayor recommended a reduction to growth of \$306,000. This reduction will eliminate preventative maintenance on residential and local streets.
- **Snow & Ice Control:** The Mayor recommended a reduction to growth of \$700,000. This reduction will reduce snow removal provided after snow events.
- **Malls & Plazas:** The Mayor recommended a reduction to growth of \$200,000 and 2.5 positions. This will reduce maintenance and support activities for neighborhood gardens, center island medians, maintenance of irrigation systems, mowing and trash pickup on city-owned green spaces.

The Mayor recommended no changes to the other programs.

Council Adopted Budget: The Council adopted the Mayor's recommendations with the following technical adjustment:

- Decrease the Bridge Maintenance and Repair program by \$25,000;
- decrease the Street Maintenance and Repair program by \$100,000;
- decrease the Snow and Ice program by \$75,000;
- and increase the Malls and Plazas program by \$200,000.

Transportation Planning and Engineering

Mayor's Recommended Budget: The Mayor recommended the following changes:

- **Transportation Planning & Management:** The Mayor recommended an increase of \$200,000 to fund work on capital projects for which costs are not recoverable.

The Mayor recommended no changes to the other programs.

Council Adopted Budget: The Council adopted the Mayor's recommendations.

Water Treatment and Distribution

Mayor's Recommended Budget: The Mayor recommended a water utility rate increase of \$0.16 to \$3.36 per unit in 2012. The Mayor recommended no changes to the program.

Council Adopted Budget: On December 16th, Council adopted the utility rates for water, sewer, stormwater and solid waste and recycling services effective January 1, 2012. The resolution included changes to sewer and water rates. The variable rate component will remain flat from 2011 at \$3.20.

In addition to rates based on water usage, a fixed charge based on meter size will be included in each billing period. The monthly fixed charge ranges from \$2.00 for a 5/8 inch meter to \$660 for a 12 inch meter.

Additionally, the Council approved a technical adjustment of 6.34 FTE from the Mayor's recommendation to be funded within existing resources.

Regulatory Services

Mayor's Recommended Budget: The Mayor recommended that the Homegrown Minneapolis Phase III and 1 FTE be housed in Regulatory Services and funded by increased license fees. Further, the Mayor recommended:

- Construction Code Services (CCS): The Mayor recommended a reduction of \$103,000 and 1 FTE from 2011 spending levels.
- On-site Traffic Control & Parking Enforcement Services: The Mayor recommended a reduction of \$18,000 and increased revenue of \$100,000 from 2011 spending and revenue levels.
- Regulatory Services Fire Inspections: The Mayor recommended an increase in fire inspection fees to increase revenue by \$30,000 from 2011 revenue levels.
- Regulatory Services Housing Inspections: The Mayor recommended a reduction of \$165,000 and 1 FTE from 2011 spending levels.
- Animal Control: The Mayor recommended a reduction of \$184,000 and 1 FTE from 2011 spending levels.
- Environmental Health/Licenses and Consumer Services: The Mayor recommended a reduction of \$50,000 from 2011 spending levels.
- Healthy Homes and Residential Lead Hazard Control: The Mayor recommended a reduction of \$9,000 from 2011 spending levels.
- Homegrown Minneapolis Phase III: fund this program in Regulatory Services. Increased Regulatory Services' revenue should match expense.
- Minneapolis Development Review: a cut of \$112,000 and 1 FTE from 2011 spending levels.
- Environmental Services: a cut of \$238,000 and 1 FTE from 2011 spending levels.

In addition, the Mayor recommended reduction of an administrative position, reduced spending on contractual services, and a reduction of interns from 2011 spending levels. Reductions for those costs have been spread across programs.

Council Adopted Budget: Council approved the Mayor's recommendations with the following amendments

- Remove all funding and FTE associated with the Homegrown Minneapolis Business Development Initiative and decrease Regulatory Services' budget by \$142,202.
- Amend the expense and revenue appropriations of Fire and Regulatory Services to increase the total contract for problem properties to \$400,000 in 2012. Additionally, pursuant to 2010 Operating Budget Resolution Footnote (I) of Resolution 2009R-586, staff is directed to renegotiate the Memorandum of Understanding between Fire and Regulatory Services regarding problem properties to reflect this change. Regulatory Services' is directed to return to the Ways and Means/Budget Committee by March 1, 2012, with a renegotiated Memorandum of Understanding between Regulatory Services and MFD.
- Council directed Regulatory Services to request funds for the Public Safety-Animal Control Program a part of the usual year-end rollover process provided in the City's financial policies.

Independent Boards:

BET

Mayor's Recommended Budget:

The Mayor recommended no changes to BET's budget.

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

MBC

Mayor's Recommended Budget:

The Mayor recommended that MBC use fund balance to pay MERF debt service.

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

Park Board

Mayor's Recommended Budget:

The Mayor recommended \$4.9 million for the Park Board for operating costs to maintain capital infrastructure. Overall, the Mayor recommended property tax and LGA revenue of \$53.84M. After subtracting shared costs and capital projects funded by the Park levy, the Mayor recommended \$51.043M in revenue for the Park Board.

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

MPHA

Mayor's Recommended Budget:

The Mayor recommended no tax levy for MPHA, but recommended no changes to the MPHA budget, which includes a PILOT reduction of \$398,000.

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

YCB

Mayor's Recommended Budget:

The Mayor recommended a \$44,000 cut to the Youth Development program in the City's Health and Family Support department. This reduction will be passed to YCB as a reduction in contractual services.

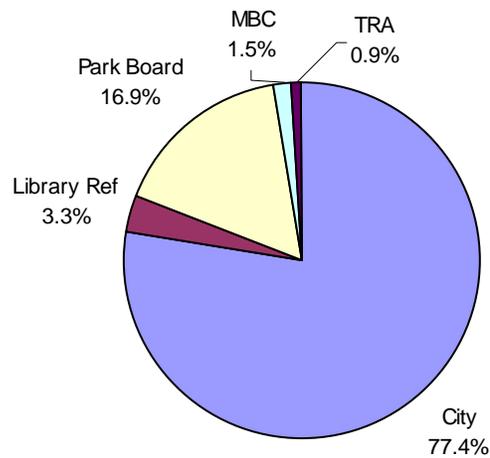
Council Adopted Budget: Council approved the Mayor's recommendation.

Property Tax and Fee Changes

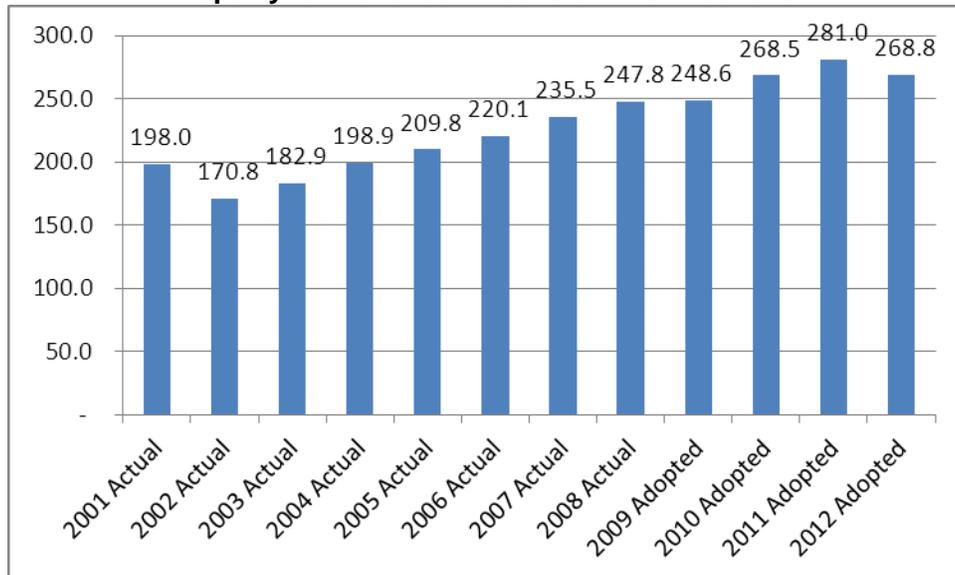
➤ Property Tax Revenue

The 2012 Council Adopted Budget includes an estimated net tax capacity rate of 73.596%; 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 levy for the Teachers Retirement Association (TRA). The library referendum is a \$9.3 million market value based tax estimated at .02793% for 2012 and is not included in the net tax capacity rate. This estimated net tax capacity rate will levy the same dollar amount as the 2011 Council Adopted budget. The City's adjusted net tax capacity (after reductions for tax increment and fiscal disparities) is projected to decrease by 6.4% for taxes payable 2012, from \$394.9 million to \$369.8 million.

Property Tax by Fund - \$279.6 Million



Property tax revenue in constant 2011 dollars*



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

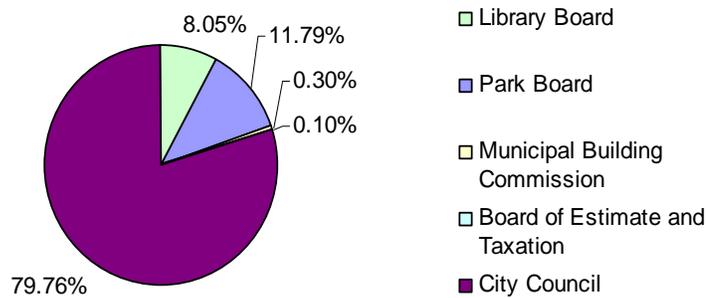
➤ **Shared Revenue Approach**

In 1994, an agreement was reached between the City and the independent boards to allocate Local Government Aid (LGA) according to specific percentages. As a part of this agreement, the independent boards were to receive a three percent annual property tax levy increase, which was amended to a four percent annual increase in 2002.

The State budgeted the same amount of LGA as the City was allocated to receive in 2011 after the 2011 budget State budget reduction. The 2011 and 2012 levels of LGA according to historical distributions are featured in the table below:

	2011 Certified LGA	2011 Actual LGA	2012 Certified LGA	% Change from 2011
General Fund	\$76,945,034	\$56,377,610	\$56,378,894	0.0%
Park Board	\$10,331,471	\$7,571,635	\$7,570,039	0.0%
MBC	\$263,495	\$192,755	\$193,067	0.2%
Totals	\$87,540,435	\$64,142,000	\$64,142,000	0.0%

1994 LGA Distribution



At the time of the Library merger, the City discussed with the independent boards revising its approach to these two major revenue sources to make the revenue for funding operations more consistent across these entities and making the policy choices more transparent. As a part of the 2010 budget process, the Mayor recommended and Council adopted an approach consistent with this request. In September 2009, this approach was adopted by the Board of Estimate and Taxation along with setting the 2010 maximum levies.

This revised “shared revenue” approach makes shared costs more transparent, as they are noted “above the line” prior to determining the revenue available for general operating expenditures. These costs include closed pension obligations, previously approved internal service fund workout plans, the Bond Redemption Fund levy, the Permanent Improvement Fund levy, the Minneapolis Public Housing Authority special levy, the Teacher’s Retirement Association special levy, the Library Market Value Referendum levy, the levy for the Board of Estimate and Taxation, and shared administrative costs. This policy will clearly isolate changes to City policies and the funding of those policy changes. Future increases will be aligned with available resources, and the annual percentage change in revenue available for general fund activities of the City, Park Board and MBC will be the same for each entity. These distributions are allocated during the Council Adopted Budget process.

➤ **Market Value Homestead Credit Information**

The Market Value Homestead Credit (MVHC) program provided property tax relief to lower-valued homes until 2010 when the State defunded the program. For taxes payable in 2011 and prior, the MVHC program reduced the property tax owed on a homestead property by 0.4% of the market value, up to a maximum of \$304. The maximum credit occurred at a \$76,000 market value, and declined as the value increases, entirely phasing out at \$413,778. Municipalities received state aid to compensate for the loss of the property tax revenue attributable to this program. The aid was distributed to taxing districts in proportion to the total tax bill. The same value homes across the state received the same credit.

When the MVHC was eliminated during the 2011 Special Session, it was replaced with the market value exclusion program. Homes at \$76,000 in market value will receive the maximum exclusion of \$30,400, with exclusions gradually decreasing until the exclusion is fully phased out at \$413,800. As a result of the exclusions the tax bases shrinks which means all other variables

being equal that the tax rate charged to all properties increases. This is a transfer of tax burden from the State (the previously paid credits on behalf of the home owner) to all properties. The tax burden shifts from the State to the local taxpayers.

Unlike the old MVHC where the same value home across the state received the same credit, under the new exclusion methodology the effect will vary greatly depending on many factors. These factors include; the tax base composition within the property classifications, the tax rate of the jurisdiction, and the unique mix of properties in each taxing jurisdiction as all taxing districts are affected.

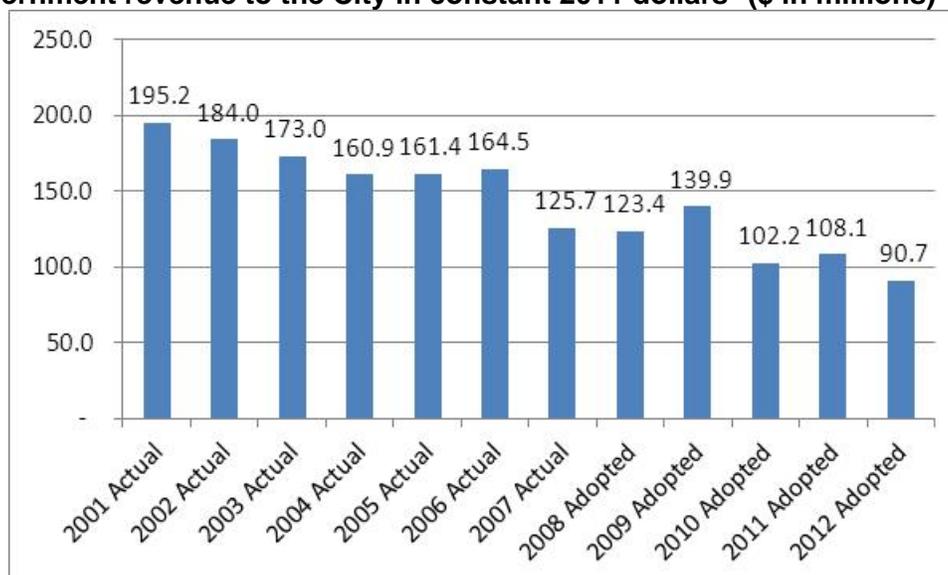
Since the Council adopted a tax levy without an increase and 99.7% of the residential homesteaded properties have flat or decreasing market values, the predominant factor (not the total factor) for those properties experiencing a tax increase is a result of the transfer of tax burden from the State to the taxpayers though the new market value exclusion methodology. The table below shows the percentage of Minneapolis residential properties grouped according to their estimated City tax impacts payable in 2012.

Percentage tax change of City taxes from 2011 to 2012 payable at 0% levy change

Percentage tax change (City portion)			Percentage of parcels in group*
more than - 30 %			0.17%
-20.00%	to	-30.00%	0.96%
-15.00%	to	-20.00%	2.95%
-10.00%	to	-15.00%	9.82%
-7.50%	to	-10.00%	7.58%
-5.00%	to	-7.50%	10.39%
-2.50%	to	-5.00%	13.91%
0.00%	to	-2.50%	18.61%
2.50%	to	0.00%	25.76%
5.00%	to	2.50%	9.69%
7.50%	to	5.00%	0.03%
10.00%	to	7.50%	0.04%
more than + 10 %			0.10%

*This table shows that 64.4% of City properties have decreasing City taxes payable from 2011 to 2012. 25.8% will have a tax increase of 0% to 2.5% with 9.7% having a tax increase of between 2.5% and 5%. These three groups comprise 99.8% of residential parcels that have not changed in homestead status and have not had improvements since taxes payable in 2009.

State Government revenue to the City in constant 2011 dollars* (\$ in millions)



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

- **Water, Sanitary Sewer and Stormwater Utility Fees:** For 2012, the Council Adopted Budget for Water and Sanitary Sewer fees now includes both a variable rate component based on water usage and a fixed rate component based on the size of the water meter servicing your property. For residential properties, the fixed rate charge for a 5/8" water meter is \$2.00/month for water and \$3.00/month for sanitary sewer. For 2012, there is no increase in the water usage component of the water and sanitary sewer rates which remains at \$3.20 and \$3.05 respectively per 100 cubic feet of water. Storm sewer rates for 2012 will be \$11.70 per equivalent stormwater unit (ESU = 1,530 square feet) which is a 2.5% increase. There is no increase for solid waste and recycling services in 2012. The average monthly charge per residential dwelling is estimated to be \$27.60 (based on average usage of 800 cubic feet) for water, \$21.30 (based on average usage of 600 cubic feet) for sanitary sewer, \$11.70 for stormwater (based on 1 ESU), and \$24.00 for solid waste and recycling.

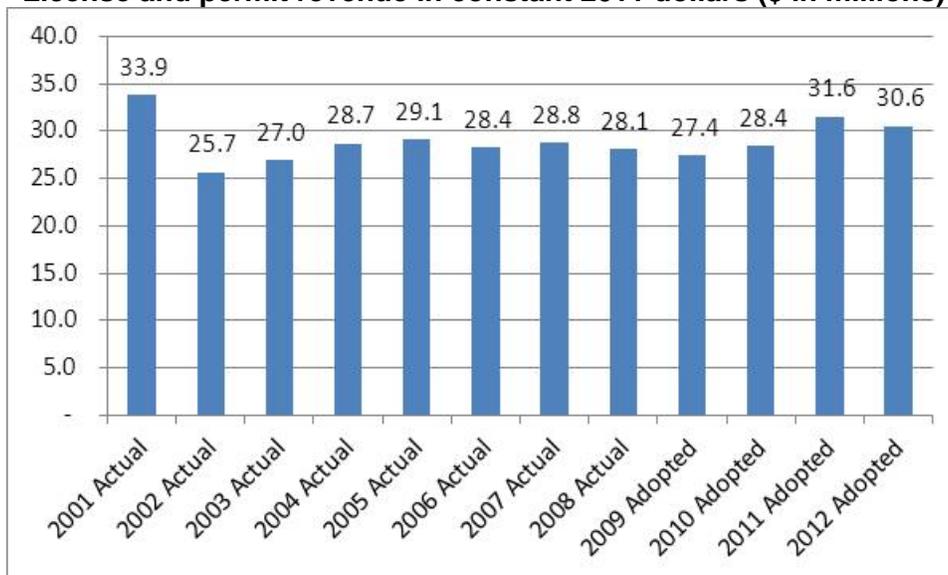
**Combined utility bill
Monthly and annual cost for average consumer**

	2011	2012 Monthly Average	2012 Annual Average	2012 monthly dollar change	2012 % change
Water	\$25.60	\$27.60	\$331	\$2.00	7.8%
Sanitary Sewer	\$18.30	\$21.30	\$256	\$3.00	16.4%
Stormwater	\$11.42	\$11.70	\$140	\$0.28	2.5%
Solid Waste/Recycling	\$24.00	\$24.00	\$288	\$0.00	0.0%
Total	\$79.32	\$84.60	\$1,015	\$5.28	6.7%

- **Solid waste and recycling fee:** The 2012 Council Adopted Budget left the solid waste and recycling fee unchanged at \$24.00, the average monthly charge per dwelling. Collection fee revenues are calculated on the base dwelling units, with adjustments to recycling credits, and charges applied to large and small carts. In an effort to encourage recycling, the cart fees will be \$2 per small cart compared to \$5 per large cart.

- **Franchise fees:** The 2012 Council Adopted Budget anticipates the total franchise fee revenue to decrease from \$27.8 million to \$27.5 million in 2012.
- **Community Development Block Grant:** The 2012 Council Adopted Budget allocates \$14.1 million in CDBG funding for City programs, down from \$16.8 million in 2011.
- **Other fee changes:** The licenses and permit fee revenue is expected to increase from \$31.4 million in 2011 to \$31.8 million in 2012 due to usage projections.

License and permit revenue in constant 2011 dollars (\$ in millions)

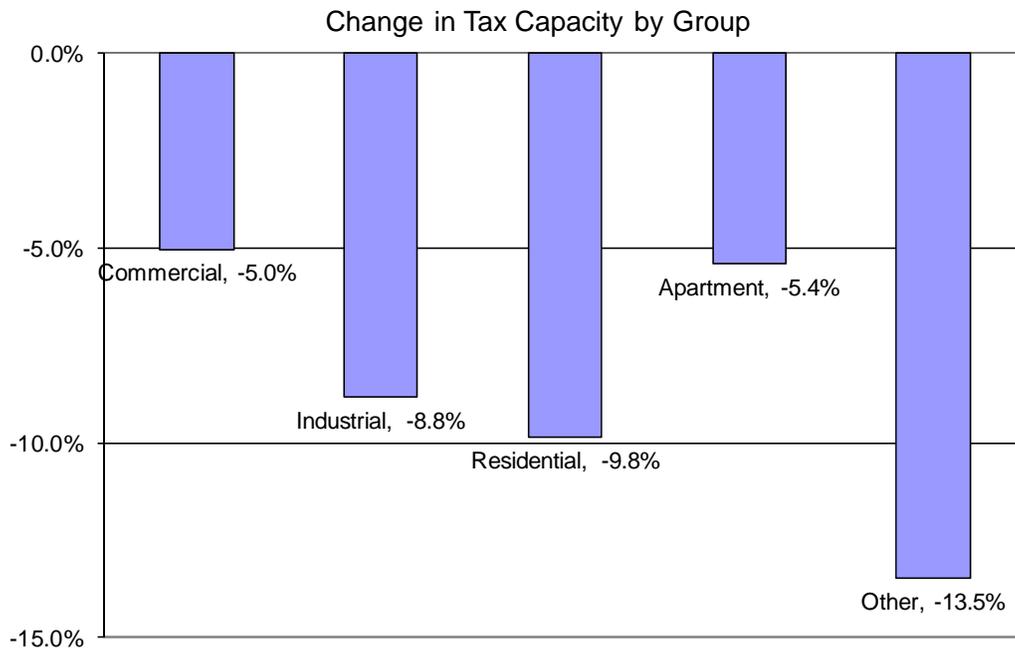


*This revenue chart shows the trend of City revenues adjusted for inflation using the Consumer Price Index (CPI).

Property Market Values and Tax Base Highlights

Following are charts from the City Assessor's Office and from the Hennepin County Assessor's Office with estimated market values and corresponding tax capacity from the Board of Estimate and Taxation by property group for the 2011 assessment, payable in 2012 property taxes.

Group	2011 Estimated Market Value	% of Total	% Change	Tax Capacity	% of Total	% Change
Real Estate						
Commercial	\$5,987,867,500	18.1%	-5.0%	\$117,326,854	29.5%	-5.0%
Industrial	1,301,687,600	3.9%	-8.7%	25,568,377	6.4%	-8.8%
Residential	22,562,732,400	68.1%	-4.1%	216,100,660	54.3%	-9.8%
Apartment	3,266,162,400	9.9%	-0.7%	38,881,833	9.8%	-5.4%
Other	20,662,400	0.1%	-12.5%	275,368	0.1%	-13.5%
Sub Total	\$33,139,112,300	100.0%	-4.2%	\$398,153,092	100.0%	-8.0%
Personal Property						
All	372,205,100		-1.9%	7,096,419		-1.5%
Grand Total	\$33,511,317,400		-4.1%	\$405,249,511		-7.9%



The market value and tax capacity data shown above does not include personal property, which is estimated to have a market value of approximately \$372 million and a corresponding tax capacity of \$7.1 million for taxes payable 2012. With personal property included, gross tax capacity is estimated to decrease from the prior year by approximately 7.9%.

The following table provides the estimated changes in tax increment financing, fiscal disparities contribution, and fiscal disparities distribution for taxes payable 2012:

For Taxes Payable in 2012	
Real Estate Tax Capacity	\$398,153,092
Personal Property Tax Capacity	\$7,096,419
Gross Tax Capacity	\$405,249,511
- Less Increment Financing	(\$36,141,002)
- Less Fiscal Disparities Contribution	(\$52,179,586)
+ Plus Fiscal Disparities Distribution	\$52,856,334
Adjusted Net Tax Capacity	\$369,785,257

Property Values and Tax Trends

Commercial and Industrial Trends

Minneapolis has the highest concentration of commercial office buildings in the State of Minnesota and therefore is the largest contributor of revenue to the state general tax on a per city basis. Minneapolis's 2011 commercial/industrial tax base is \$7.3 billion dollars, of which \$3.98 billion resides in the Minneapolis Central Business District (CBD).

Between January 2010 and January 2011 the Minneapolis CBD experienced a 3.4% reduction in the commercial and industrial tax base. Citywide the commercial and industrial tax base for Minneapolis declined 5.7% from \$7.7 billion dollars in 2010 to \$7.3 billion in 2011.

There was an increase of 24% in commercial-industrial foreclosures from 25 in 2009 to 31 for the year 2010. While the year-over-year increase is significant, the percentage of foreclosed commercial-industrial property in Minneapolis is less than one half of one percent, not statistically significant relative to the size of the Minneapolis market.

According to real estate professionals, investment grade transactions will continue to be less than the long-term historical average because of the limited number of properties on the market and the uncertainty in the economy. Professionals are of the opinion that unless an owner is forced to sell during this economic recession, property owners will wait for the market to show signs of recovery in job growth and declines in unemployment.

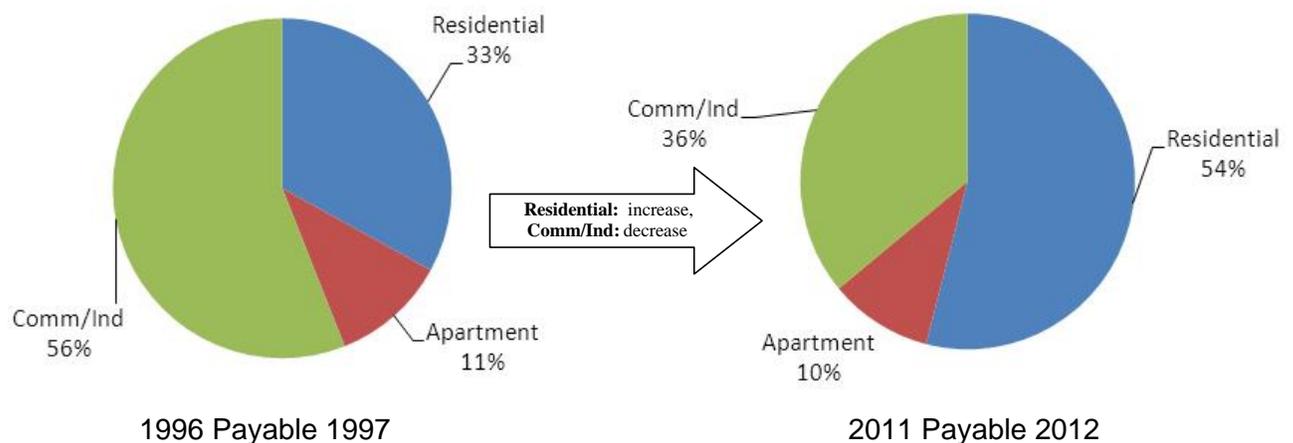
Apartments

The apartment market continues to be the most stable real estate sector of all property types. Apartment vacancy rates in Minneapolis are 3% compared to an overall rate of 4.2% for the entire metro area. There are six new apartment development projects under construction adding 597 units of market-rate, affordable and student housing to Minneapolis. GVA Marquette Advisors 4th Quarter reported that average overall rent for an apartment in Minneapolis outside of downtown was \$801 per month in December 2010 with a 3.1% vacancy rate. This rent is down from \$817 per month from the previous year. Rent in downtown Minneapolis was reported to be \$1,244 per month, the highest reported rents in the metro area, with a vacancy rate of 4.2%, down from 9.8% the year before. In 2011, the apartment tax base declined by less than 1% from 2010.

Residential

Consistent with national trends, residential property values in Minneapolis have been negatively impacted by foreclosures, short-sales and the current recession. Prices of single family values peaked in early 2007 with a median citywide value of \$230,000. By 2011, that median property value declined to \$180,500, or a reduction of 21.5 percent in four years. The Minneapolis Area Association of Realtors reports the median sale price of residential homes increased from \$140,000 in 2010 to \$155,000 in 2011. Some of the increase can be attributed to the decline in foreclosure inventory in the market. Residential foreclosures sales in Minneapolis decreased 22.6 percent from 4,095 (Sept. 2009) to 3,169 (Aug. 2010), a sign that the foreclosure market is trending downward and one positive indicator for the Minneapolis residential market. In 2011, the residential tax base was reduced by 4% percent from 2010.

In summary, unless there is a significant change in the current state of the economy, the Minneapolis real estate market will continue to work its way through the foreclosure and short-sale inventory similar to the 2010 real estate activity. Unlike real estate markets on either coast, none of Minneapolis's real estate sectors have been delt a devistating blow by the recession. While Minneapolis is not immune to the current economic crunch, it does not function within a vaccum. Minneapolis has yet to see a Class "A" office building, major apartment complex or retail development turn their keys over to the lender. This bodes well for Minneapolis's diverse industries and balanced economic market place, its focused commitment to sound fundamental investing, and its long-term planning in capital and infrastructure.

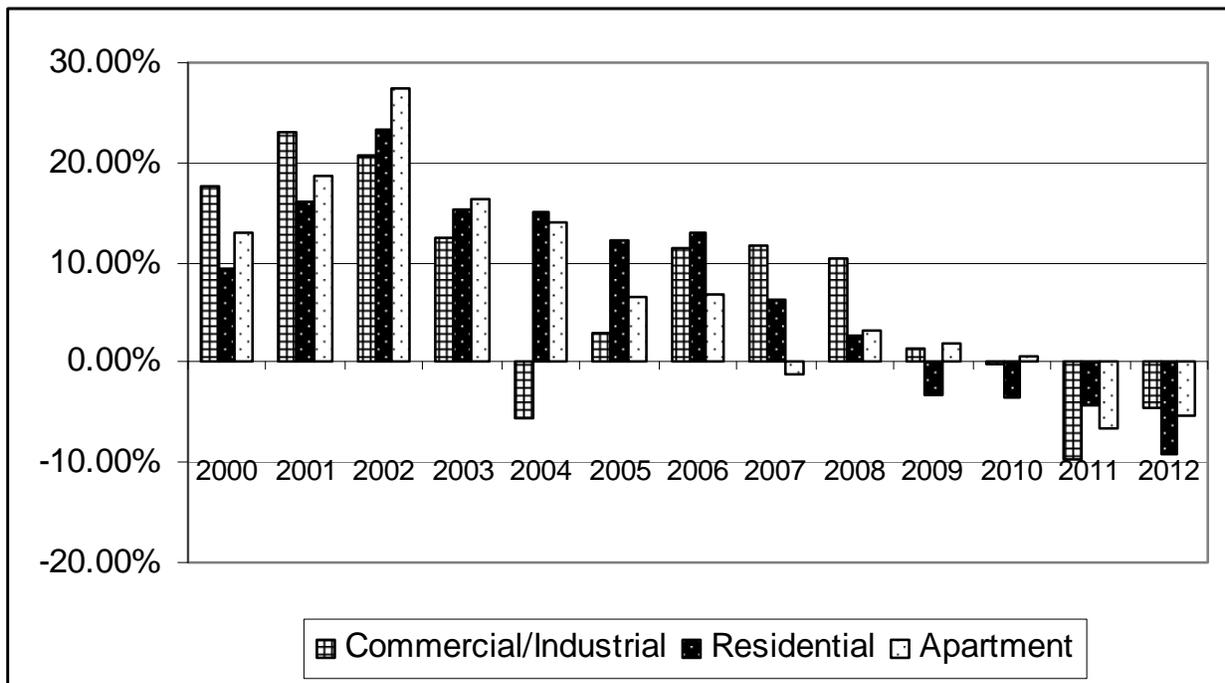


The table above shows the changes in the distribution of the tax base away from commercial and industrial properties and towards residential properties. These changes are a function of both market conditions and changing class rates and State laws.

The tables below shows the overall growth or decline in the market value by the three main property type classifications from payable 2000 to 2012:

Payable	Change in Market Value		
	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%
2011	-9.80%	-4.40%	-6.70%
2012	-4.50%	-9.10%	-5.20%

Change in Market Value



2012 Adopted Budget Property Tax Levies

	2011 Adopted	2012 Adopted Budget		
		2012 Adopted Levies	% Change from 2011	\$ Change from 2011
By Major Funds				
General Levies	\$277,357,000	\$277,157,000	-0.1%	(\$200,000)
Special Levies Other*	\$2,250,000	\$2,450,000	8.9%	\$200,000
Grand Totals	\$279,607,000	\$279,607,000	0.0%	\$0

	2011 Adopted	2012 Adopted Budget		
		2012 Adopted Levies	% Change from 2011	\$ Change from 2011
By Entity				
City**	\$216,555,000	\$216,355,000	-0.1%	(\$200,000)
Municipal Building Commission	\$4,285,000	\$4,285,000	0.0%	\$0
Park Board	\$47,217,000	\$47,217,000	0.0%	\$0
Library Referendum***	\$9,300,000	\$9,300,000	0.0%	\$0
Public Housing Authority	\$0	\$0		\$0
Teachers' Retirement	\$2,250,000	\$2,450,000	8.9%	\$200,000
Grand Totals	\$279,607,000	\$279,607,000	0.0%	\$0

* Special Levies other Include; Chapter 595 (CPED), Public Housing Authority, Teachers' Retirement

** Includes General Fund, Permanent Improvement, Bond Redemption, Board of Estimate & Taxation, and closed pension funds (MERF,MPRA,MFRA)

***This remains a City obligation after the Library System consolidation

2012 Adopted Budget Property Tax Levies

	2011 Adopted	2012 Adopted Budget		
		2012 Adopted Levies	% Change from 2011	\$ Change from 2011
Levy Only Entities				
Public Housing Auth	\$0	\$0		\$0
Teachers Retirement	\$2,250,000	\$2,450,000	8.9%	\$200,000
Library Referendum***	\$9,300,000	\$9,300,000	0.0%	\$0
Board Estimate & Taxation	\$170,000	\$170,000	0.0%	\$0
Perm. Imp Fund	\$1,900,000	\$1,000,000	-47.4%	(\$900,000)
Bond Redemption Fund	\$18,500,000	\$18,750,000	1.4%	\$250,000
MERF	\$2,570,000	\$17,461,000	579.4%	\$14,891,000
MFRA	\$4,880,000	\$325,000	-93.3%	(\$4,555,000)
MPRA	\$15,525,000	\$2,275,000	-85.3%	(\$13,250,000)
Subtotals	\$55,095,000	\$51,731,000	-6.1%	(\$3,364,000)
Levy & LGA Entities				
Municipal Building Commission	\$4,285,000	\$4,285,000	0.0%	\$0
Park & Recreation Board	\$47,217,000	\$47,217,000	0.0%	\$0
General Fund Levy	\$173,010,000	\$176,374,000	1.9%	\$3,364,000
Subtotals	\$224,512,000	\$227,876,000	1.5%	\$3,364,000
Grand Totals	\$279,607,000	\$279,607,000	0.0%	\$0

2012 Adopted Budget Activities Approach

Activities Approach for Levy & LGA Entities	2011 Budget	2012 Budget	% Change from 2011	\$ Change from 2011
Municipal Building Commission				
Municip Building Commission Levy	\$4,285,000	\$4,285,000	0.00%	\$0
Municip Building Commission Tax Revenue	\$4,199,295	\$4,199,295	0.00%	\$0
MBC LGA Revenue	\$192,755	\$193,067	0.16%	\$312
MBC Tax Revenue & LGA	\$4,392,050	\$4,392,362	0.01%	\$312
LESS MBC's Transfer to City General Fund OH	(\$48,672)	(\$50,619)	4.00%	(\$1,947)
MBC Activities Tax Revenue & LGA	\$4,343,378	\$4,341,743	-0.04%	(\$1,635)
MBC \$\$ Change		(\$1,635)		
MBC % Change		-0.04%		
MBC Activities % Change After Cost ESC >>>		-2.06%		
Park & Recreation Board				
Park Board Levy	\$47,217,000	\$47,217,000	0.00%	\$0
Park Board Tax Revenue	\$46,272,605	\$46,272,605	0.00%	\$0
Park Bd LGA Revenue	\$7,571,635	\$7,570,039	-0.02%	(\$1,596)
Park Board Tax Revenue & LGA	\$53,844,240	\$53,842,644	0.00%	(\$1,596)
LESS Park Board's Transfer to City General Fund OH	(\$895,837)	(\$931,670)	4.00%	(\$35,833)
LESS Park Board's Transfer to City General Admin Fee	(\$125,899)	(\$125,491)	-0.32%	\$408
LESS Park Board's Capital Projects from Levy	(\$4,902,888)	(\$4,865,867)	-0.76%	\$37,021
Park Board Activities Tax Revenue & LGA	\$47,919,616	\$47,919,616	0.00%	\$0
Park Board Activities \$\$ Change		\$0		
<u>Policy Decision by the Park Board</u>		Park Board Request	\$0 Change for 2012	
Park Board Activities % Change		0.00%		
Park Board Activities % Change After Cost ESC >>>		-2.03%		
City General Fund				
City Gfd Levy	\$173,010,000	\$176,374,000	1.94%	\$3,364,000
City Gfd Tax Revenue	\$169,549,860	\$172,846,520	1.94%	\$3,296,660
General Fund Revenues	\$139,569,243	\$145,949,134	4.57%	\$6,379,891
City LGA Revenue	\$56,377,610	\$56,378,894	0.00%	\$1,284
City General Fund Revenue	\$365,496,713	\$375,174,548	2.65%	\$9,677,836
MV HS Cr Pension Mgmt Plan set-aside	(\$6,200,000)	\$0	-100.00%	\$6,200,000
Less Payment to the Co for Library System non Tax \$\$	(\$5,853,000)	(\$4,982,000)	-14.88%	\$871,000
Less Gen Fd Revenue Transfer to BIS for WiFi	(\$477,628)	(\$484,444)	1.43%	(\$6,816)
Less Revenue Transfer to Target Finance Plan	(\$92,000)	(\$92,000)	0.00%	\$0
Less Revenue Transfer to Solid Waste Graffiti	(\$50,000)	(\$150,000)	200.00%	(\$100,000)
LESS General Fund (Trf to Pen DS Sinking Fd)	(\$10,424,792)	(\$24,440,220)	134.44%	(\$14,015,428)
LESS Gfd Trf to Internal Service Funds \$ in Total	(\$22,604,000)	(\$15,785,218)	-30.17%	\$6,818,782
LESS Gfd OH Not Recovered from Park Bd	(\$1,798,575)	(\$833,820)	-53.64%	\$964,754
LESS City Gfd OH Not Recovered from MBC	(\$179,158)	(\$159,001)	-11.25%	\$20,157
LESS Other's Transfer to City General Fund OH	(\$19,693,483)	(\$20,397,131)	3.57%	(\$703,648)
LESS City Gfd OH Not Recovered from Other's	(\$1,246,234)	(\$545,365)	na	\$700,869
LESS General fund one time \$\$ in 2012		(\$1,020,000)	na	(\$1,020,000)
City Gfd Activities	\$296,877,842	\$306,285,349	3.17%	\$9,407,506
General Fund Activities \$\$ Change		\$9,407,506		
General Fund Activities % Change		3.17%		
Gfd Activities % Change After Cost ESC >>>		1.14%		
<u>Policy Decisions Activities \$ Adjustments</u>				
PW Eng Desig \$.49 M for planning 2012 Fwd		(\$490,000)		(\$490,000)
FIRE \$ 1.1 M 2012 Fwd		(\$1,100,000)		(\$1,100,000)
City Gfd Activities Excluding Policy Decisions		\$304,695,349	2.63%	\$7,817,506
Gfd Activities \$\$ Change After Cost ESC & Excluding Policy Decisions >>>		\$7,817,506		
Gfd Activities % Change Before Cost ESC >>>		2.63%		
Gfd Activities % Change After Cost ESC & Excluding Policy Decisions >>>		0.61%		

Residential Property Tax – Sample Bills

Residential Property with Estimated Market Value Change of >>		0.0%			-5.0%			-10.0%		
		2011	2012	% Change	\$ Change	2012	% Change	\$ Change	2012	% Change
Assessed Market Value (MV)	\$138,100	\$138,100	0.0%	\$0	\$131,195	-5.0%	(\$6,905)	\$124,290	-10.0%	(\$13,810)
Market Value Credit Exclusion	na	(\$24,811)			(\$25,432)			(\$26,054)		
Taxable Value	\$138,100	\$113,289	-18.0%	(\$24,811)	\$105,763	-23.4%	(\$32,337)	\$98,236	-28.9%	(\$39,864)
Tax Capacity	\$1,381	\$1,133	-18.0%	(\$248)	\$1,058	-23.4%	(\$323)	\$982	-28.9%	(\$399)
City Property Taxes										
Tax Capacity based Taxes	\$841	\$826	-1.8%	(\$15)	\$771	-8.3%	(\$70)	\$716	-14.9%	(\$125)
MV Referendum Tax	\$37	\$39	5.4%	\$2	\$37	0.0%	\$0	\$35	-5.4%	(\$2)
Total City Property Taxes	\$878	\$865	-1.5%	(\$13)	\$808	-8.0%	(\$70)	\$751	-14.5%	(\$127)
Utility Fees										
Water	\$307	\$331	7.9%	\$24	\$331	7.9%	\$24	\$331	7.9%	\$24
Storm	\$137	\$140	2.2%	\$3	\$140	2.2%	\$3	\$140	2.2%	\$3
Sanitary Sewer	\$220	\$256	16.2%	\$36	\$256	16.2%	\$36	\$256	16.2%	\$36
Solid Waste Recycling	\$288	\$288	0.0%	\$0	\$288	0.0%	\$0	\$288	0.0%	\$0
Total Utilities	\$952	\$1,015	6.6%	\$63	\$1,015	6.6%	\$63	\$1,015	6.6%	\$63
Total City Property Taxes & Utility	\$1,830	\$1,880	2.7%	\$50	\$1,823	-0.4%	(\$7)	\$1,766	-3.5%	(\$64)

Residential Property with Estimated Market Value Change of >>		0.0%			-5.0%			-10.0%		
		2011	2012	% Change	\$ Change	2012	% Change	\$ Change	2012	% Change
Assessed Market Value (MV)	\$216,000	\$216,000	0.0%	\$0	\$205,200	-5.0%	(\$10,800)	\$194,400	-10.0%	(\$21,600)
Market Value Credit Exclusion	na	(\$17,800)			(\$18,772)			(\$19,744)		
Taxable Value	\$216,000	\$198,200	-8.2%	(\$17,800)	\$186,428	-13.7%	(\$29,572)	\$174,656	-19.1%	(\$41,344)
Tax Capacity	\$2,160	\$1,982	-8.2%	(\$178)	\$1,864	-13.7%	(\$296)	\$1,747	-19.1%	(\$413)
City Property Taxes										
Tax Capacity based Taxes	\$1,383	\$1,445	4.5%	\$62	\$1,359	-1.7%	(\$24)	\$1,274	-7.9%	(\$109)
MV Referendum Tax	\$58	\$60	3.4%	\$2	\$57	-1.7%	(\$1)	\$54	-6.9%	(\$4)
Total City Property Taxes	\$1,441	\$1,505	4.4%	\$64	\$1,416	-1.7%	(\$25)	\$1,328	-7.8%	(\$113)
Utility Fees										
Water	\$307	\$331	7.9%	\$24	\$331	7.9%	\$24	\$331	7.9%	\$24
Storm	\$137	\$140	2.2%	\$3	\$140	2.2%	\$3	\$140	2.2%	\$3
Sanitary Sewer	\$220	\$256	16.2%	\$36	\$256	16.2%	\$36	\$256	16.2%	\$36
Solid Waste Recycling	\$288	\$288	0.0%	\$0	\$288	0.0%	\$0	\$288	0.0%	\$0
Total Utilities	\$952	\$1,015	6.6%	\$63	\$1,015	6.6%	\$63	\$1,015	6.6%	\$63
Total City Property Taxes & Utility	\$2,393	\$2,520	5.3%	\$127	\$2,431	1.6%	\$38	\$2,343	-2.1%	(\$50)

**Residential Property
with Estimated Market Value Change of >>**

		0.0%			-5.0%			-10.0%		
	2011	2012	% Change	\$ Change	2012	% Change	\$ Change	2012	% Change	\$ Change
Assessed Market Value (MV)	\$536,000	\$536,000	0.0%	\$0	\$509,200	-5.0%	(\$26,800)	\$482,400	-10.0%	(\$53,600)
Market Value Credit Exclusion	na	na			na			na		
Taxable Value	\$536,000	\$536,000	0.0%	\$0	\$509,200	-5.0%	(\$26,800)	\$482,400	-10.0%	(\$53,600)
Tax Capacity	\$5,450	\$5,450	0.0%	\$0	\$5,115	-6.1%	(\$335)	\$4,780	-12.3%	(\$670)
City Property Taxes										
Tax Capacity based Taxes	\$3,788	\$3,974	4.9%	\$186	\$3,730	-1.5%	(\$58)	\$3,486	-8.0%	(\$302)
MV Referendum Tax	\$143	\$150	4.9%	\$7	\$142	-0.7%	(\$1)	\$135	-5.6%	(\$8)
Total City Property Taxes	\$3,931	\$4,124	4.9%	\$193	\$3,872	-1.5%	(\$59)	\$3,621	-7.9%	(\$310)
Utility Fees										
Water	\$307	\$331	7.9%	\$24	\$331	7.9%	\$24	\$331	7.9%	\$24
Storm	\$137	\$140	2.2%	\$3	\$140	2.2%	\$3	\$140	2.2%	\$3
Sanitary Sewer	\$220	\$256	16.2%	\$36	\$256	16.2%	\$36	\$256	16.2%	\$36
Solid Waste Recycling	\$288	\$288	0.0%	\$0	\$288	0.0%	\$0	\$288	0.0%	\$0
Total Utilities	\$952	\$1,015	6.6%	\$63	\$1,015	6.6%	\$63	\$1,015	6.6%	\$63
Total City Property Taxes & Utility	\$4,883	\$5,139	5.2%	\$256	\$4,887	0.1%	\$4	\$4,636	-5.1%	(\$247)

**Residential Property
with Estimated Market Value Change of >>**

		0.0%			-5.0%			-10.0%		
	2011	2012	% Change	\$ Change	2012	% Change	\$ Change	2012	% Change	\$ Change
Assessed Market Value (MV)	\$1,417,500	\$1,417,500	0.0%	\$0	\$1,346,625	-5.0%	(\$70,875)	\$1,275,750	-10.0%	(\$141,750)
Market Value Credit Exclusion	na	na			na			na		
Taxable Value	\$1,417,500	\$1,417,500	0.0%	\$0	\$1,346,625	-5.0%	(\$70,875)	\$1,275,750	-10.0%	(\$141,750)
Tax Capacity	\$16,469	\$16,469	0.0%	\$0	\$15,583	-5.4%	(\$886)	\$14,697	-10.8%	(\$1,772)
City Property Taxes										
Tax Capacity based Taxes	\$11,446	\$12,010	4.9%	\$564	\$11,363	-0.7%	(\$83)	\$10,717	-6.4%	(\$729)
MV Referendum Tax	\$379	\$396	4.5%	\$17	\$376	-0.8%	(\$3)	\$356	-6.1%	(\$23)
Total City Property Taxes	\$11,825	\$12,406	4.9%	\$581	\$11,739	-0.7%	(\$86)	\$11,073	-6.4%	(\$752)
Utility Fees										
Water	\$307	\$331	7.9%	\$24	\$331	7.9%	\$24	\$331	7.9%	\$24
Storm	\$137	\$140	2.2%	\$3	\$140	2.2%	\$3	\$140	2.2%	\$3
Sanitary Sewer	\$220	\$256	16.2%	\$36	\$256	16.2%	\$36	\$256	16.2%	\$36
Solid Waste Recycling	\$288	\$288	0.0%	\$0	\$288	0.0%	\$0	\$288	0.0%	\$0
Total Utilities	\$952	\$1,015	6.6%	\$63	\$1,015	6.6%	\$63	\$1,015	6.6%	\$63
Total City Property Taxes & Utility	\$12,777	\$13,421	5.0%	\$644	\$12,754	-0.2%	(\$23)	\$12,088	-5.4%	(\$689)

Commercial/Industrial and Apartment Property Tax – Sample Bills

Commercial/Industrial Property		with Estimated Pay 2012 Market Value Change of 0.0%				-5.0%			-10.0%		
	2011	2012	% Change	\$ Change	2012	% Change	\$ Change	2012	% Change	\$ Change	
Assessed Market Value (MV)	\$300,000	\$300,000	0.0%	\$0	\$285,000	-5.0%	(\$15,000)	\$270,000	-10.0%	(\$30,000)	
Tax Capacity	\$5,250	\$5,250	0.0%	\$0	\$4,950	-5.7%	(\$300)	\$4,650	-11.4%	(\$600)	
City Property Taxes											
Tax Capacity based Taxes	\$2,302	\$2,477	7.6%	\$174	\$2,477	7.6%	\$174	\$2,477	7.6%	\$174	
MV Referendum Tax	\$80	\$84	4.3%	\$3	\$80	-0.9%	(\$1)	\$75	-6.1%	(\$5)	
Total City Property Taxes	\$2,383	\$2,560	7.5%	\$178	\$2,556	7.3%	\$173	\$2,552	7.1%	\$169	

Commercial/Industrial Property		with Estimated Pay 2012 Market Value Change of 0.0%				-5.0%			-10.0%		
	2011	2012	% Change	\$ Change	2012	% Change	\$ Change	2012	% Change	\$ Change	
Assessed Market Value (MV)	\$10,350,000	\$10,350,000	0.0%	\$0	\$9,832,500	-5.0%	(\$517,500)	\$9,315,000	-10.0%	(\$1,035,000)	
Tax Capacity	\$205,500	\$206,250	0.4%	\$750	\$195,900	-4.7%	(\$9,600)	\$185,550	-9.7%	(\$19,950)	
City Property Taxes											
Tax Capacity based Taxes	\$90,126	\$97,299	8.0%	\$7,173	\$97,299	8.0%	\$7,173	\$97,299	8.0%	\$7,173	
MV Referendum Tax	\$2,772	\$2,891	4.3%	\$119	\$2,746	-0.9%	(\$26)	\$2,602	-6.1%	(\$170)	
Total City Property Taxes	\$92,898	\$100,189.91	7.8%	\$7,292	\$100,045	7.7%	\$7,148	\$99,901	7.5%	\$7,003	

Apartment Property		with Estimated Pay 2012 Market Value Change of 0.0%				-5.0%			-10.0%		
	2011	2012	% Change	\$ Change	2012	% Change	\$ Change	2012	% Change	\$ Change	
Assessed Market Value (MV)	\$380,000	\$380,000	0.0%	\$0	\$361,000	-5.0%	(\$19,000)	\$342,000	-10.0%	(\$38,000)	
Tax Capacity	\$4,750	\$4,750	0.0%	\$0	\$4,513	-5.0%	(\$238)	\$4,275	-10.0%	(\$475)	
City Property Taxes											
Tax Capacity based Taxes	\$3,301	\$3,464	4.9%	\$162	\$3,291	-0.3%	(\$11)	\$3,117	-5.6%	(\$184)	
MV Referendum Tax	\$102	\$106	4.3%	\$4	\$101	-0.9%	(\$1)	\$96	-6.1%	(\$6)	
Total City Property Taxes	\$3,403	\$3,570	4.9%	\$167	\$3,391	-0.3%	(\$12)	\$3,213	-5.6%	(\$190)	

Apartment Property		with Estimated Pay 2012 Market Value Change of 0.0%				-5.0%			-10.0%		
	2011	2012	% Change	\$ Change	2012	% Change	\$ Change	2012	% Change	\$ Change	
Assessed Market Value (MV)	\$686,000	\$686,000	0.0%	\$0	\$651,700	-5.0%	(\$34,300)	\$617,400	-10.0%	(\$68,600)	
Tax Capacity	\$8,575	\$8,575	0.0%	\$0	\$8,146	-5.0%	(\$429)	\$7,718	-10.0%	(\$858)	
City Property Taxes											
Tax Capacity based Taxes	\$5,960	\$6,253	4.9%	\$293	\$5,940	-0.3%	(\$19)	\$5,628	-5.6%	(\$332)	
MV Referendum Tax	\$184	\$192	4.3%	\$8	\$182	-0.9%	(\$2)	\$172	-6.1%	(\$11)	
Total City Property Taxes	\$6,144	\$6,445	4.9%	\$301	\$6,123	-0.3%	(\$21)	\$5,800	-5.6%	(\$343)	