

**City of Minneapolis
2016 Budget**

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City of Minneapolis 2016 Budget

Financial Overview

The 2016 Council Adopted Budget for all City funds is \$1.34 billion. This represents a \$38.7 million, or 3.0 percent, increase from the 2015 Council Adopted Budget of \$1.30 billion inclusive of the City's independent boards. At the same time, the Council adopted a 2016 property tax levy for the City and its independent boards of \$297.6 million which results in a 3.4 percent increase or \$10.0 million in additional property taxes as compared to the 2015 adopted levy of \$287.6 million. The budget also utilizes accumulated fund balance to fund budgetary items that are one-time or short-term in nature to mitigate budgetary fluctuations and to avoid volatile property tax levies which place undue burden on property taxpayers. The City's financial position has benefited from growth in local sales and entertainment taxes and other revenues due to the continued growth in the local economy. These factors, combined with an increased appropriation in Local Government Aid (LGA) from the State of Minnesota, allow the City to plan for significant improvements in service delivery and targeted enhancements to programs outlined in the budget, without significant impact to the property taxpayers.

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

Major Highlights

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

The highlights include the following:

- The 2016 Council Adopted Budget continues to lay the foundation for a wave of development including large projects associated with building a new stadium in partnership with the State and the Minnesota Vikings and adjacent areas. At nearly \$1.4 billion in permitted construction, 2015 was the fourth consecutive year in which Minneapolis experienced more than \$1.0 billion in permitted construction projects since 2000 based on the value of permits issued for the year. Construction growth in the City impacts a number of functions in the City including permitting and inspections. The budget recognizes the increased level and activity and revenue and also includes funding for additional staffing in the City Assessor and Community Planning and Economic Development departments to respond to increased workloads. The budget for City departments increases by 4.2 percent in 2016, or \$36.7 million. As part of the budget, accumulated funds in the General Fund due to a growing economy and controlled spending allows for utilization of fund balance in the amount of \$24.0 million for departmental activities, including \$10.0 million to provide a match for an anticipated State Capital Bonding grant for the 10th Avenue Bridge replacement, as well as providing for operating capital and other one-time items.
- In support of affordable housing initiatives, the budget provides \$14.5 million including \$1 million in unrestricted resources to help create affordable housing options for large families.

- The budget includes “rightsizing” initiatives in multiple departments to realign resources by eliminating funding for existing unfilled positions, as well as recognizing expenditure trends which identify resources available for reallocation. This has been achieved by re-directing resources to provide new services and eliminate redundant processes based on new and changing needs of the City.
- The budget continues to bolster public safety by raising the sworn complement of police officers to 862, providing funding for a recruit class and ongoing community service officer classes, and additional civilian personnel to assist in Crime Lab and data analysis. The budget also includes funding for police body cameras and civilian personnel to assist in program implementation. Funding is also included for the EMT Pathways and Community Outreach Explorer programs in the Fire Department which offers leadership development and encourages young and diverse people in Minneapolis public high schools to enter firefighting and emergency services as a career.
- In response to a growing desire to act more proactively to global climate change, the budget provides resources for additional staffing in the City Coordinator’s office to facilitate clean energy partnerships. Additional funding is provided to enhance initiatives geared towards diversity and achieving equity – one of the City’s goals. More funding for the Urban Scholar program has been provided to prepare more youth for future City careers. Additionally, the budget directs more resources to ensuring more efficient participation in coming elections.
- The 2016 budget does not project any growth in the cost of closed pension obligations from the prior year. For 2016, the City will levy the same amount for these obligations as it did in 2015 - costs are projected to remain flat in the near term. If recent advances in financial markets continue, it is possible that these costs may actually decline more quickly than currently projected as the Minneapolis Employee Retirement Fund (MERF) merged with the Public Employee Retirement Account (PERA) in 2015 due to reaching the mandated funding ratio of 80 percent.
- In its third year, the Capital Asset Request System, or “CARS,” will be used on an ongoing basis in long-range planning for smaller operating capital requests that were previously funded in individual departments. Requests funded within the CARS system include items that are not ongoing in nature such as enterprise software upgrades, vehicle purchases and similarly-valued items. The CARS process provides a rolling five-year perspective of the City’s needs for these assets and is intended to create a longer term funding plan. In the third year of this program, approximately \$24.0 million will be dedicated to fund items through this process. The majority of items funded reflect deferred maintenance and replacement costs for existing operating capital including technology upgrades. Of this total, \$7.5 million is funded from existing General Fund resources.
- Future challenges and opportunities that the 2016 budget addresses, through the five-year financial direction, include the impacts of rebounding property values and continued growth in the cost of providing City services due to inflationary pressures, as well as levy growth that has not kept pace with inflation.

Enterprise Challenges

In the course of the City's annual business and strategic planning process, City departments review and document the most significant trends and challenges affecting their work. While some of these issues are specific to department business, several enterprise-wide themes emerge. A summary of enterprise challenges follows:

A Quickly Improving Economy and a Construction Boom

The City experienced its fourth year in a row of record construction as measured by value of permitted projects. Since 2012, the City has issued permits for construction valued at over \$1 billion annually. This boom is fueled by new office buildings in and around downtown, multiple high-rise apartment buildings, and the new stadium to be used by the Minnesota Vikings and ancillary development. However, the quickly improving economy and construction boom have also put multiple strains on the City in the areas of permitting, assessing, financial planning, compliance monitoring, and public works expansion. These strains, compounded by a backlog of needed infrastructure improvements accumulated during the economic downturn, challenge current resources and create a need for additional resources to both address the backlog and meet current expectations.

Workforce Turnover

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

Increased Demand for Technological Solutions

Departments note the increased technological savvy of customers, and as a result, increased demand for technological approaches to customer service. This translates into additional costs for new equipment and software, and in particular, increased support and maintenance costs. For example, the City is in the process of upgrading several enterprise software systems, with anticipated costs in the millions of dollars. Other examples include increased computer and internet bandwidth usage, the growth in demand for wireless connectivity, a drive toward enhancing the City's interaction with residents through technological means, as well as the challenge of training employees in the use of these technologies. The budget incorporates continuing efforts to plan for these costs as well as other smaller operational capital needs through the Capital Asset Request System (CARS) program. The CARS program plans not only for major technological initiatives, but also for aging equipment replacement and facility upgrades. More information on CARS is available throughout this document.

Regulatory Complexity/Unfunded Mandates

Departments have noted increased complexity of protocols and regulations at many levels. Civil Rights identified the increased complexity of investigation protocols and contracting requirements. Regulatory Services and Community Planning and Economic Development cite State codes, protocols, and building standards that are placing additional strains on the workload of inspectors. Public Works notes increased costs for inflow and infiltration to meet standards required by Metropolitan Council Environmental Services or facing monetary penalties. The City Clerk notes additional election requirements as a result of the implementation of Instant Runoff Voting (IRV), as well as ranked choice voting.

Furthermore, public safety departments face legislative-directed or nationally developed standards, training, or operating procedures. Departments, especially following several years of significant cuts to the City are training programs, indicate a need for increased and improved employee training, as well as recruitment, possibly placing additional short-term strain on productivity, to address the growing complexities of their program administration.

Emergency and Security Management Needs

Ensuring adequate physical security, health security, electronic security (prevention of viruses, worms, fraud, and other system security threats), information backups, and emergency planning consumes resources of nearly every department. From natural disasters such as the tree-toppling thunderstorms of Summer 2014 or the tornado of 2011 to physical infrastructure disasters like the I-35W bridge collapse, Minneapolis City departments continue to build and strengthen relationships with other governmental entities to maximize the effectiveness of security planning and build systems to mitigate and prevent disasters and crises.

Aging Office Facilities and Scattered Administrative Workforce

In 2015, the City received responses to an RFP issued to study consolidating several work locations and City operations with the goal of reducing the total office locations of the City's administrative workforce from seven to three or less, located close to and connected to City Hall via skyways or tunnels. Combining the administrative offices may place challenges on the workforce due to the preparation of an existing building or building(s) or the retrofitting of an existing building along with the staff move itself. The City (through its relationship with the Municipal Building Commission) has also been participating in an ongoing renovation of City Hall, resulting from deferred maintenance.

City Spending

Below is a summary of the 2016 Council Adopted Budget by departmental activity, excluding transfers.

Expenditures by Service

(In Millions of Dollars)

| | 2015 Adopted | 2016 Adopted | % Change | \$ Change |
|-----------------------------|----------------|----------------|-------------|-------------|
| Attorney | 16.7 | 17.4 | 4.1% | 0.7 |
| Coordinator* | 119.6 | 125.9 | 5.2% | 6.3 |
| CPED | 76.1 | 85.6 | 12.6% | 9.6 |
| Convention Center | 52.6 | 54.6 | 3.8% | 2.0 |
| Fire | 60.2 | 62.3 | 3.5% | 2.1 |
| Health | 18.5 | 20.0 | 7.9% | 1.5 |
| Police | 153.4 | 157.8 | 2.9% | 4.4 |
| Regulatory Services | 22.8 | 23.8 | 4.3% | 1.0 |
| Public Works | 326.6 | 334.7 | 2.5% | 8.2 |
| Other City Services** | 79.9 | 84.0 | 5.1% | 4.1 |
| Debt Service | 126.5 | 124.1 | -1.9% | -2.4 |
| Capital Improvement | 140.2 | 138.0 | -1.6% | -2.2 |
| Park Board | 97.9 | 102.1 | 4.3% | 4.2 |
| Other Independent Boards*** | 11.5 | 10.9 | -5.2% | -0.6 |
| Total City Spending | 1,302.5 | 1,341.2 | 3.0% | 38.7 |

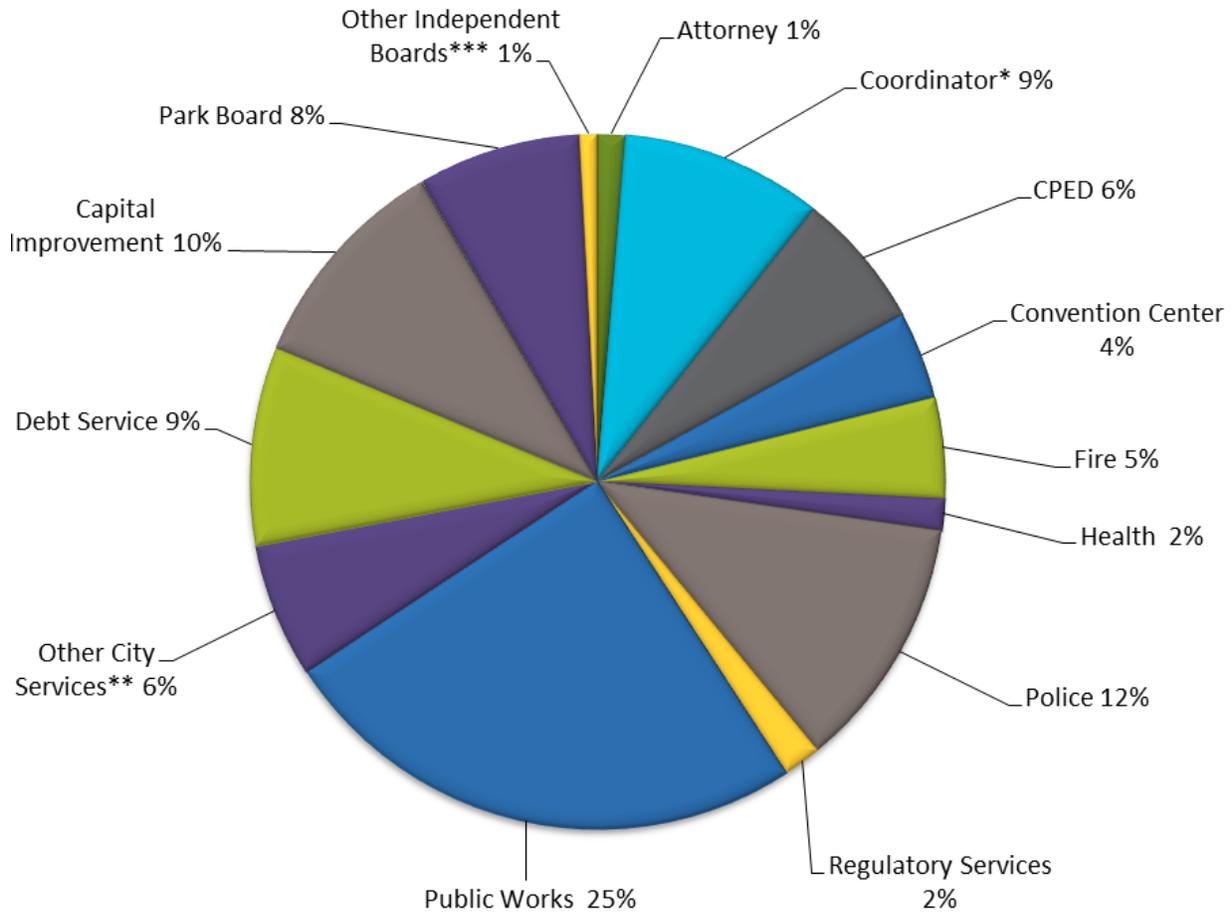
* Includes 311, 911, Communications, Emergency Preparedness, Finance and Property Services, Human Resources, IT, Intergovernmental Relations, and Neighborhood and Community Relations

** Includes Assessor, Benefits, City Clerk/Elections/Council, Civil Rights, Contingency, Internal Audit, Liability, Mayor, Pensions and Worker's Compensation

*** Includes Board of Estimate and Taxation, the City's Contribution to the Library Board and Municipal Building Commission

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

Total Expense Budget - Use of Funds 2016 Council Adopted Budget: \$1.3 Billion



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

** Includes Assessor, Benefits, City Clerk/Elections/Council, Civil Rights, Contingency, Internal Audit, Liability, Mayor, Pensions and Worker's Compensation

*** Includes Board of Estimate and Taxation, the City's Contribution to the Library Board and Municipal Building Commission

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

City Sources of Revenue

For 2016, the City forecasts \$1.3 billion in revenue from a variety of sources. Many of the City's revenue sources are restricted, meaning they are required to be spent in defined areas or on specific programs or projects. These restrictions limit the City's ability to raise additional funds and to apply the revenue to other departments or programs. For example, the City charges fees for services such as water, sewer and trash pickup, but State law requires that these fees be no higher than the cost of providing the services, including both operating and capital costs. Because these revenues are restricted, the City cannot raise water bills to pay for citywide police services.

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

Below is a summary of the 2016 Council Adopted Budget revenues by major category.

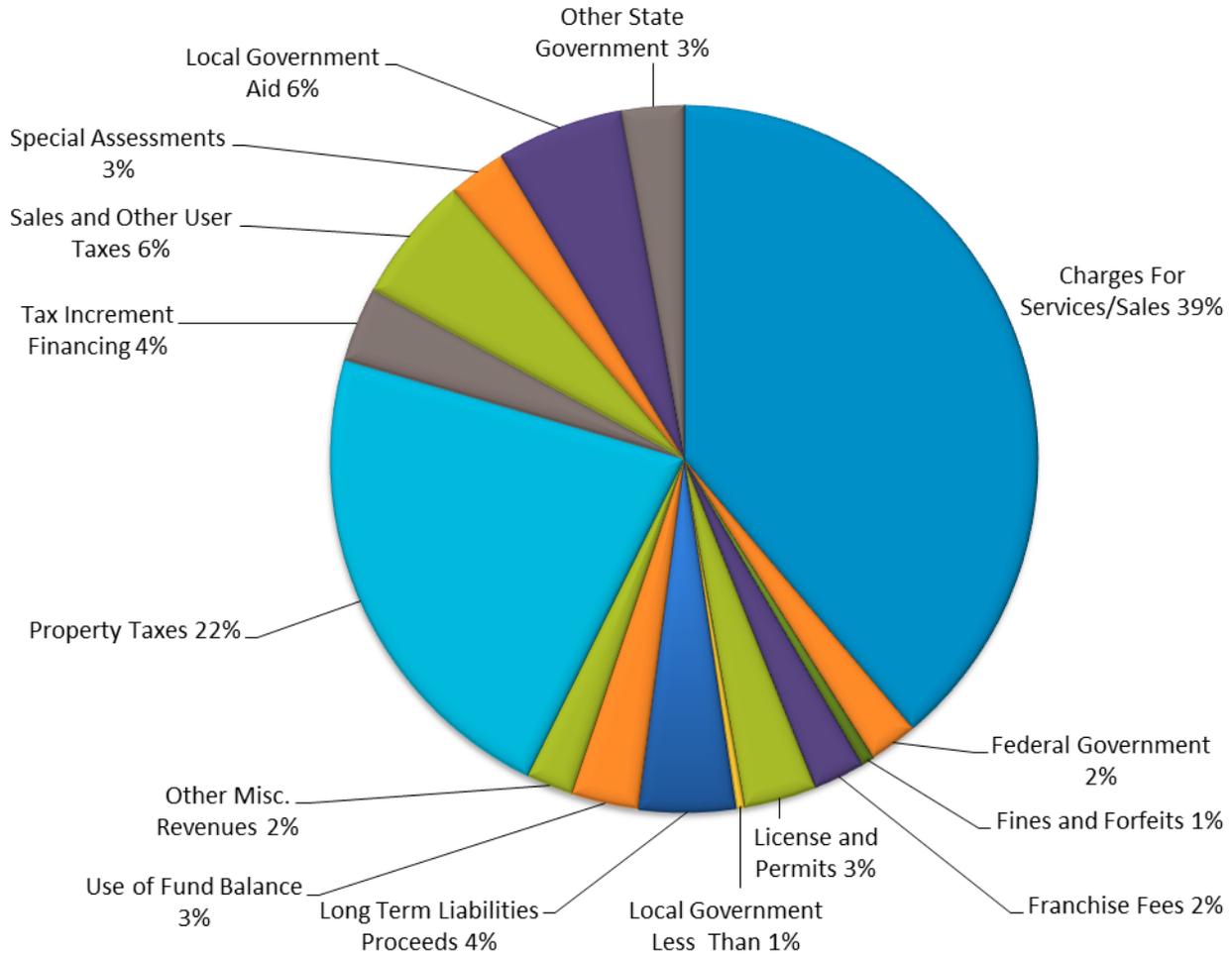
Revenue by Category

(In Millions of Dollars)

| REVENUE CATEGORY | 2015 Adopted* | 2016 Adopted | \$ Change | % Change |
|--------------------------------|------------------|------------------|---------------|-------------|
| Charges For Services/Sales | 510.0 | 520.4 | 10.4 | 2.0% |
| Federal Government | 37.2 | 29.7 | -7.5 | -20.1% |
| Fines and Forfeits | 7.7 | 8.1 | 0.4 | 5.2% |
| Franchise Fees | 29.0 | 31.5 | 2.5 | 8.5% |
| License and Permits | 41.3 | 44.4 | 3.1 | 7.6% |
| Local Government | 7.2 | 4.9 | -2.3 | -32.2% |
| Long Term Liabilities Proceeds | 56.4 | 56.7 | 0.3 | 0.5% |
| Use of Fund Balance | 15.9 | 43.8 | 27.9 | 175.3% |
| Other Misc. Revenues | 20.5 | 29.2 | 8.6 | 42.0% |
| Property Taxes | 287.6 | 297.6 | 9.9 | 3.5% |
| Tax Increment Financing | 51.3 | 46.0 | -5.3 | -10.3% |
| Sales and Other User Taxes | 75.1 | 77.8 | 2.7 | 3.6% |
| Special Assessments | 38.9 | 35.5 | -3.4 | -8.6% |
| Local Government Aid | 77.4 | 77.8 | 0.4 | 0.6% |
| Other State Government | 47.0 | 37.8 | -9.2 | -19.5% |
| Total Revenue | \$1,302.5 | \$1,341.2 | \$38.7 | 3.0% |

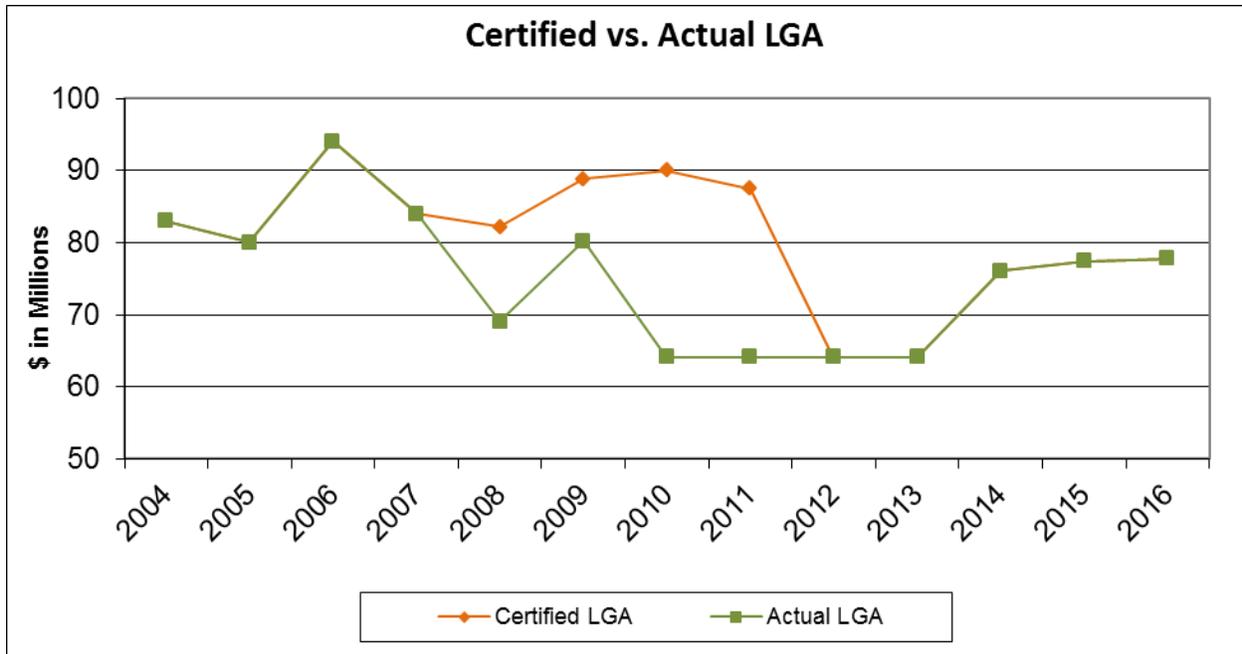
*Revenues have been adjusted by use of fund balances

**Total Revenue Budget - Source of Funds
2016 Council Adopted Budget: \$1.3 Billion**



Local Government Aid (LGA)

Following several years of uncertainty in funding from the State of Minnesota in the form of LGA, including the loss of over \$70 million from 2008-2011, the State increased the amount of LGA appropriated to the City of Minneapolis from \$76.1 million in 2014 to \$77.4 million for 2015, with another \$0.4 million added in 2016, bringing the total to \$77.8 million. Of this \$77.8 million, the City plans to allocate \$68.4 million for its General Fund, \$9.2 million to the Park Board, and the remaining \$0.2 million to the Municipal Building Commission (MBC). The table below shows the historical certified and actual LGA amounts including the reductions, as well as the certified LGA levels for 2016 based on current law. Recent stability in LGA funding is a factor in the City's ability to control its property tax levy.



Budget by Fund

The City uses different “funds” to account for expense and revenue associated with the various services provided. The **General Fund**, where the City accounts for most property tax supported services, represents 31.5 percent in both the 2015 and 2016 Council Adopted Budgets, including City’s independent boards.

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

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

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

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

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

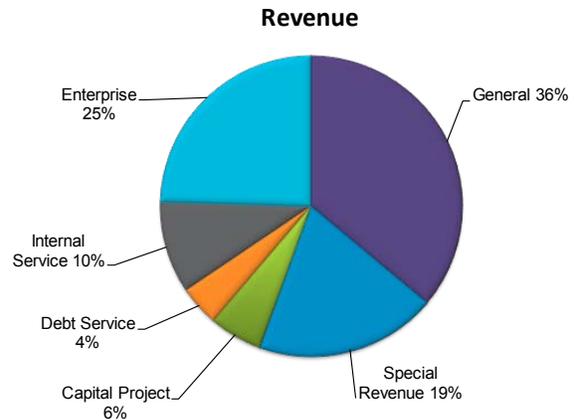
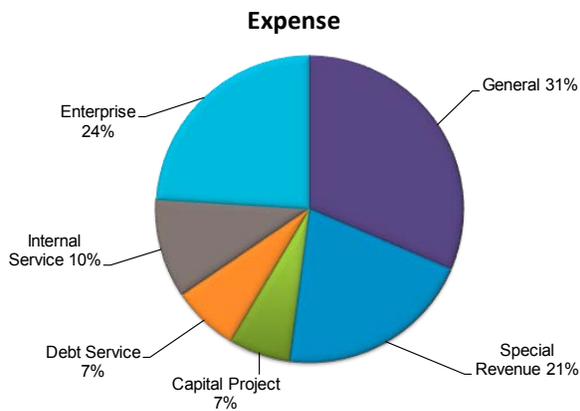
Expense and Revenue By Fund Type

In Millions

| Expense | 2015 Adopted | 2016 Adopted | Percent Change | Dollar Change |
|------------------|------------------|------------------|----------------|---------------|
| General | \$406.3 | \$421.8 | 3.8% | \$15.5 |
| Special Revenue | \$256.7 | \$276.6 | 7.8% | \$19.9 |
| Capital Project | \$100.9 | \$87.3 | -13.4% | -\$13.5 |
| Debt Service | \$91.1 | \$93.0 | 2.1% | \$1.9 |
| Internal Service | \$141.7 | \$140.2 | -1.0% | -\$1.4 |
| Enterprise | \$305.9 | \$322.2 | 5.3% | \$16.3 |
| Total | \$1,302.5 | \$1,341.2 | 3.0% | \$38.7 |

| Revenue | 2015 Adopted* | 2016 Adopted | Percent Change | Dollar Change |
|------------------|------------------|------------------|----------------|---------------|
| General | \$458.8 | \$484.2 | 5.5% | \$25.4 |
| Special Revenue | \$245.1 | \$260.6 | 6.3% | \$15.5 |
| Capital Project | \$94.3 | \$76.6 | -18.8% | -\$17.8 |
| Debt Service | \$58.8 | \$57.9 | -1.6% | -\$0.9 |
| Internal Service | \$129.4 | \$133.0 | 2.7% | \$3.5 |
| Enterprise | \$316.0 | \$328.9 | 4.1% | \$12.9 |
| Total | \$1,302.5 | \$1,341.2 | 3.0% | \$38.7 |

*Revenues have been adjusted by use of fund balances



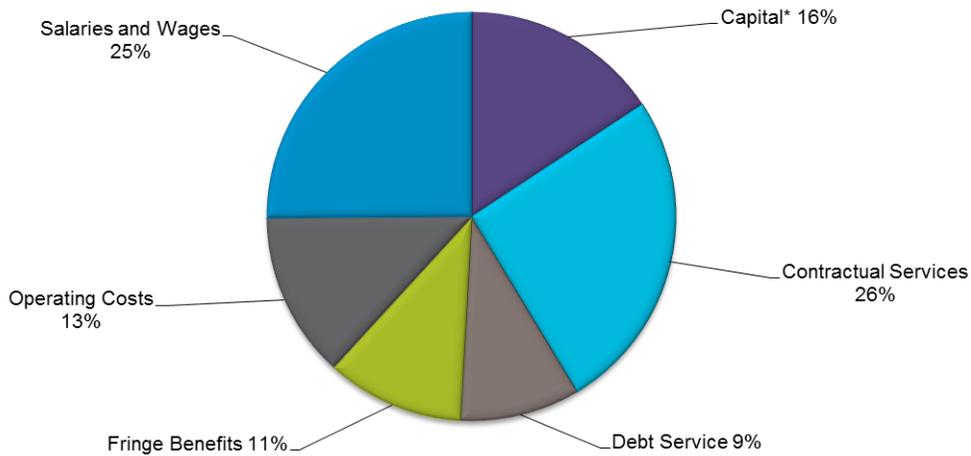
Expense by Category

| Expense Category | 2015 Adopted | 2016 Adopted | \$ Change | % Change |
|----------------------|------------------|------------------|---------------|-------------|
| Capital* | 203.7 | 211.4 | 7.7 | 3.8% |
| Contractual Services | 338.8 | 343.6 | 4.8 | 1.4% |
| Debt Service | 126.7 | 127.4 | 0.7 | 0.6% |
| Fringe Benefits | 139.6 | 146.0 | 6.4 | 4.6% |
| Operating Costs | 170.5 | 175.9 | 5.4 | 3.2% |
| Salaries and Wages | 323.2 | 336.8 | 13.6 | 4.2% |
| Total Expense | \$1,302.5 | \$1,341.2 | \$38.7 | 3.0% |

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

The largest portion of the City's budget is spent on personnel, which comprises \$482.8 million or 36.0 percent of the total budget. The 2016 Council Adopted Budget includes an overall increase of 62.5 budgeted full-time equivalent (FTE) positions from the 2015 Council Adopted Budget, an increase of 1.3 percent to 4,875.9 FTE in total. Detailed breakdown of City's FTEs can be found in schedule 5 in Financial Schedules section.

Total City Budget - Expenditure by Categories
2016 Council Adopted Budget: \$1.3 Billion



Funding for Physical Infrastructure

Five-Year Capital Program Totals: For 2016 – 2020, the five-year capital program for City departments, independent boards and commissions totals \$668.9 million including all funding sources. The 2016 portion of this program is \$134.8 million. The budget continues the City's commitment to continue funding and completion of improvements to the City's infrastructure. Below is a summary of the five-year capital program by major infrastructure category.

| Five-Year Capital Investment Allocation Council Adopted Budget | | | | | | | | |
|---|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Submitting Agency | Infrastructure Category | 2016 | 2017 | 2018 | 2019 | 2020 | Total | Percent of Total |
| Budget in Thousands | | | | | | | | |
| MUNICIPAL BUILDING COMMISSION | | 2,970 | 2,205 | 2,965 | 2,920 | 920 | 11,980 | 1.8% |
| PARK BOARD | | 4,452 | 2,980 | 3,235 | 5,558 | 4,076 | 20,301 | 3.0% |
| PUBLIC WORKS DEPARTMENT | STREET PAVING | 38,710 | 30,041 | 30,245 | 45,580 | 17,855 | 162,431 | 24.3% |
| | SIDEWALKS | 3,675 | 3,830 | 4,040 | 4,250 | 4,460 | 20,255 | 3.0% |
| | BRIDGES | 10,400 | 3,065 | 7,910 | 5,685 | 20,180 | 47,240 | 7.1% |
| | TRAFFIC CONTROL & STREET LIGHTING | 10,460 | 6,532 | 6,706 | 7,221 | 6,920 | 37,839 | 5.7% |
| | BIKE TRAILS | 760 | 1,250 | 1,000 | 1,140 | 1,940 | 6,090 | 0.9% |
| | SANITARY SEWERS | 10,550 | 9,250 | 9,250 | 9,250 | 9,250 | 47,550 | 7.1% |
| | STORM SEWERS | 13,750 | 21,378 | 22,330 | 16,750 | 15,750 | 89,958 | 13.4% |
| | WATER INFRASTRUCTURE | 22,250 | 47,370 | 43,430 | 32,200 | 24,650 | 169,900 | 25.4% |
| | Public Works Department Total | 110,555 | 122,716 | 124,911 | 122,076 | 101,005 | 581,263 | 86.7% |
| INFORMATION TECHNOLOGY | | 3,300 | 1,500 | 200 | 0 | 0 | 5,000 | 0.7% |
| PUBLIC GROUNDS & FACILITIES | | 12,910 | 21,350 | 1,000 | 0 | 0 | 35,260 | 5.3% |
| MISCELLANEOUS PROJECTS | | 580 | 600 | 6,620 | 6,640 | 660 | 15,100 | 2.3% |
| | Grand Totals | 134,767 | 151,351 | 138,931 | 137,194 | 106,661 | 668,904 | 100.0% |

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

Technology funding

The City has two main financing mechanisms for technology:

Property tax supported debt financing in the City's capital program: Since 2003, the City has programmed about \$1.5 - \$2.0 million annually in property tax supported projects, financed by debt, as prioritized by the IT Department and the department heads. These technology assets are capitalized and the bond payments are structured within the useful life of the asset. For 2016, \$3.3 million in technology projects are funded through property tax supported debt with a five-year plan total of \$5.0 million. Approximately 82 percent of the total or \$5.0 million of this program is dedicated to replacing the Police Department's primary information system.

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

Capital Asset Request System (CARS)

In 2014, the City implemented the CARS process to allow departments to submit budget requests for the replacement of capital equipment items greater than \$5,000 such as technology systems, vehicles and construction equipment and/or other large dollar items necessary to provide services. The CARS process uses a five-year planning horizon similar to the Five-Year Capital Program (for infrastructure) with the intent of establishing normal replacement cycles for all long-term assets used by City Departments. Replacement cycles had already been established for fleet equipment, but not for other asset categories. For the 2016 - 2020 five-year cycle, the City received requests from departments totaling \$114.7 million. For 2016, the requests totaled \$30.3 million. The budget allocates \$7.5 million of General Fund resources and \$16.5 million of non-General Fund resources for this program across all departments.

Funding for Pension Liabilities

Closed Pension Funds: The City's levies for its former closed pension funds that have been merged into the Minnesota State Public Employees' Retirement Association (PERA) remains level at \$27.3 million in 2016, for the three merged funds:

- The Minneapolis Employee's Retirement Fund (MERF) Division of PERA – fully merged in 2015.
- The Former Minneapolis Police Relief Association (MPRA), a closed fund.
- The Former Minneapolis Fire Relief Association (MFRA), a closed fund.

Teacher's Retirement Association (TRA): The 2006 Legislative session combined the Minneapolis Teachers Retirement Fund Association (MTRA) with the State's Teachers Retirement Association (TRA). As part of the legislation, the City was required to redirect its annual \$2.25 million MTRA tax levy to TRA through 2037. State law changed the \$2.25 million City levy to a \$2.25 million contribution in 2012. This change increased the total levy for this purpose as the City previously contributed its net TRA levy collection, which was less than \$2.25 million because the City does not collect 100 percent its levy. In 2016, the City must levy \$2.3 million for TRA to insure that net collections provide the \$2.25 million. It is anticipated that this levy amount will remain constant.

Public Employees Retirement Association (PERA), the plan for most current City employees: The employers' contribution level in PERA's Coordinated Plan for 2016 is 7.5 percent, the same as in 2015. The Police and Fire Plans' employer's contribution also remained at 16.2 percent for 2016 as was in 2015. The estimated total cost of contributions to PERA for the City inclusive of its independent boards in 2016 is \$30.9 million, which is covered in the budgets of the departments in which the employees work.

| | 2015 | 2016 | Change |
|--------------------|---------------|---------------|--------------|
| | (in millions) | | |
| PERA | \$15.1 | \$15.9 | \$0.8 |
| PERA Police & Fire | \$17.6 | \$18.1 | \$0.5 |
| Total | \$29.6 | \$30.9 | \$1.3 |

Funding for Internal Services Funds' Long-Term Financial Plans

During the 1990s, external demands negatively impacted the ability for revenue to support the City's internal services to keep pace with the growth in expenditures. Significant negative cash balances resulted because annual expenses exceeded revenues. By the year 2000, the combined net asset deficit in the Self Insurance, Equipment, and Intergovernmental Services Funds was \$61.7 million. To correct these deficits, the City adopted long-term financial plans between 2000 and 2004 that called for the Self-Insurance, Equipment, Intergovernmental Services, as well as the Property Services internal service funds to rely on transfers from the General Fund through 2019 to eliminate deficits. Fortunately, due to efforts in recent budget cycles, 2014 was the final year of these transfers. The elimination of this obligation will allow General Fund resources to be redeployed to other purposes in 2016 and beyond.

Growth in Personnel Costs

Personnel Changes. The 2016 Council Adopted Budget increases the FTE count of City positions by 62.5 over the 2015 Council Adopted Budget, from 4,813.4 FTEs to 4,875.9 FTEs. Detailed breakdown of City's FTEs can be found in schedule 5 in Financial Schedules section.

Salary and wages. The 2016 Council Adopted Budget includes an increase in personnel expenditures (\$336.8 million in salaries and wages, compared to a 2015 total of \$323.2 million). It also includes \$146.0 million in fringe benefits, compared to \$139.6 million in 2015.

Benefits. Health and dental insurance expenditures are budgeted to increase from \$68.9 million in 2015 to \$72.0 million in 2016. This estimate results from better than anticipated medical renewal rates for 2015 with rate caps for 2016 and 2017, offset by growth in employee headcount, and changes in coverage selections by employees.

Continuing Library Obligation to Hennepin County

Minneapolis libraries merged with the Hennepin County system in 2008. In addition to the \$9.3 million market value referendum supported by Minneapolis taxpayers through 2017, the merger finance plan requires Minneapolis to provide an additional declining base contribution for 10 years. In 2016, that contribution is approximately \$1.6 million and is eliminated after 2017.

Major Changes in the 2016 Council Adopted Budget

This section of the 2016 Council Adopted Budget describes changes the Mayor and Council made for various departmental program submissions. The changes are organized by department.

Citywide Changes

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

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

The 2016 Council Adopted Budget takes steps to manage the growth in the City's General Fund balance. Thorough review of actual revenue and expenditure trends in the City provided opportunities to "right size" the City's budget. This results in a higher level of non-property tax revenues than previously projected in past budgets, as well as strategic reductions in operating budgets in areas that are historically underspent. The various rightsizing adjustments are reflected in the following section, along with other funding adjustments.

The budget also uses accumulated General Fund resources for funding of the Capital Asset Request System, or CARS, that was initiated as part of the 2014 budget to provide a mechanism for budgeting small and mid-level capital requests previously funded within departmental budgets. CARS requests include expenditures on items that are one-time in nature including enterprise software upgrades, vehicle purchases, equipment, and other capital items. The goal of this effort is to increase transparency in spending and operating costs by including these budgetary requests in a separate process, as well as promoting equitable allocation of resources amongst all City departments. Now in the third year, \$7.5 million the General Fund and \$16.5 million of other funds has been dedicated to fund items through process.

Departmental Changes

The Council approved several amendments to the 2016 Mayor's Recommended Budget that affect departments on a citywide basis. These amendments are reflected on the following pages:

Assessor

Mayor's Recommended Budget: The Mayor recommended \$114,500 ongoing General Fund resources for an additional 1.0 FTE (Business Applications Manager) to provide appraisers and staff with additional technical support to analyze data and identify real estate market trends.

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

Attorney

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

The Mayor also recommended the following one-time General Fund allocations: \$248,000 to fund a two-year pilot program to create a charging team to replace Tab Charging by police of arrested persons (includes 2.0 FTE's), \$100,000 for Restorative Justice program which supplements the existing \$50,000 in the base budget, \$15,000 to develop policy change recommendations for driving-related offenses, \$15,000 to develop an evidence-based community consequence for carrying without a Permit Cases, \$25,000 for 'Business Made Simple' process improvements and

plain language consulting services, and \$10,000 for a two-year diversion pilot program with Minneapolis Police department that involves obstruction of legal process charges.

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

Council Adopted Budget: The City Council amended the Mayor's recommendations by providing one-time allocation of \$87,500 to be used for continuation of the Hot Spots Pilot for 2016.

The Council also directed the department, in conjunction with Community Planning & Economic Development, Finance & Property Services and other relevant departments, to return to both the Community Development & Regulatory Services and Ways & Means Committees by April 1, 2016, with an overview and report on the status of the City's tax increment financing (TIF) program, including the Common Project and Consolidated TIF Districts. Additionally, staff is directed to provide an overview of City development projects that are foreseeable in the next five years, including potential funding sources.

City Clerk

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

Council Adopted Budget: The City Council approved the Mayor's recommendations and directed staff to identify and reallocate 1.0 vacant Full-time Equivalent (FTE) position within the City's existing complement to the Office of City Clerk for an analyst position to provide management, policy, and fiscal support to the City Council and its committees.

City Council

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

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

City Coordinator Administration

Mayor's Recommended Budget: The Mayor recommended the following ongoing General Fund allocations: \$80,000 to leverage the current initiatives in the Arts and Creative Economy program, \$110,000 for Clean Energy Partnership program initiatives (includes 1.0 FTE), and \$200,000 (2.0 FTEs) for the Working Families program.

The Mayor also recommended the following one-time General Fund resources: \$145,000 for consolidating the City's communication strategies, \$160,000 for an Enterprise Continuous Improvement Strategy (includes 1.0 FTE), \$70,000 for roll-out of the Arts and Creative Economy Road Map, \$90,000 for Clean Energy Partnership programming, \$100,000 for City-Wide Partnerships initiatives, \$50,000 for the Word Gap program, \$20,000 for culturally specific autism awareness, and \$20,000 for Bike-Pedestrian education.

Council Adopted Budget: The City Council approved the Mayor's recommendations and directed the City Coordinator's department to work with pertinent staff to create a racial equity website by the third quarter of 2016 aimed at both external and internal stakeholders that will:

1. Create a central repository of best practices for City staff to use in defining policy and procedures through a racial equity lens, including racial equity work in other jurisdictions, locally and nationally, to foster learning and to build upon lessons learned by others tackling similar challenges;
2. Provide training and other self-study resources to aid staff in deepening individual understanding of cultural intelligence, race, and equity;
3. Promote existing City equity efforts to enable enterprise-level collaboration and sharing of lessons learned;
4. Provide access to department-level and City-wide racial equity plans, as available;
5. Create a dashboard of progress against department-level goals for racial equity and inclusion; and
6. Provide access to data that residents can use to explore equity-related issues.

311

Mayor's Recommended Budget: The Mayor recommended rightsizing the budget by reducing \$50,000 of ongoing General Fund resources for personnel with a net effect of a 1.0 FTE reduction in the department's authorized staffing level.

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

911

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

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

Emergency Management

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

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

Civil Rights

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

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

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

Communications

Mayor's Recommended Budget: The Mayor recommended rightsizing the department's budget by reducing \$50,000 of ongoing General Fund allocations.

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

Convention Center

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

Council Adopted Budget: The City Council amended the Mayor's recommendations by providing an additional \$500,000 for marketing contract incentive intended as part of the base budget.

Community Planning and Economic Development (CPED)

Mayor's Recommended Budget: The Mayor recommended additional ongoing General Fund appropriation of \$210,000 (2.0 FTE) for delivery of the required Comprehensive Plan update, \$850,000 from CPED special revenue funds for continuation of the Great Streets program, \$180,000 (1.0 FTE) for the Next Steps for Disconnected Youth program (along with \$320,000 from federal funding), \$100,000 (1.0 FTE) for the Work Ready Youth Minneapolis program, \$100,000 (1.0 FTE) for the Development Review Customer Service Center largely for the purpose of administering the Sewer Availability Charge (SAC) program, and \$112,000 for a Build Leaders Program for Youth Development in conjunction with the Health Department. The Mayor's recommendation also includes a General Fund appropriation of \$424,000 (4.0 FTEs) for building inspector positions in the Construction Code Services division.

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

Council Adopted Budget: The City Council amended the Mayor's recommendations by:

1. Reallocating the \$25,000 in one-time General Fund resources for the Nokomis Healthy Seniors to the Neighborhood & Community Relations (NCR) Departments.
2. Providing an additional \$1,500,000 for the Affordable Housing Trust Fund to be funded by available tax increment funds restricted for this use to provide for a total of \$10,000,000 for the Affordable Housing Trust Fund in 2016.
3. Replacing \$129,000 in General Fund funding for eligible Community Planning & Economic Development housing program costs with the additional levy resource from the Special Tax Levy (Chapter 595) and increasing the Department's employment and training budget by \$129,000 for Summit Academy OIC's contextualized GED Program. Summit Academy OIC is required to report back to the Community Development &

Regulatory Services Committee on October 1, 2016, to provide an update on number of participants enrolled and number of participants who have successfully completed the program.

4. Reducing \$50,000 in General Fund one-time enhancement funding for Green Zones in the Community Planning & Economic Development Department and reallocating \$50,000 to the Fire Department. Of the total \$50,000; \$42,000 will be used for the purpose of partnering with organizations to provide youth technical training and outreach and for identifying and securing a location that will allow Hennepin County Technical College, Roosevelt High School's Multi-Craft Core Curriculum, and Public Works' Fleet Division Mechanic Trainee Program to receive educational equipment that has been leveraged through a Department of Employment and Economic Development (DEED) grant. The remaining \$8,000 will be allocated to the Midtown Safety Center.
5. Correcting the original budget recommendation by providing \$155,000 in existing resources from for Upper Harbor Terminal planning and \$108,007 for short-term operating costs.
6. Correcting the original budget recommendation by providing \$500,000 in existing resources for the Capital Acquisition Revolving Fund (CARF).
7. Correcting the original budget recommendation by providing \$50,000 for Property Management.

The council also directed the department, in conjunction with Finance & Property Services, City Attorney's Office and other relevant departments, to return to both the Community Development & Regulatory Services and Ways & Means Committees by April 1, 2016, with an overview and report on the status of the City's tax increment financing (TIF) program, including the Common Project and Consolidated TIF Districts. Additionally, staff is directed to provide an overview of City development projects that are foreseeable in the next five years, including potential funding sources.

Finance & Property Services

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

Council Adopted Budget: The City Council approved the Mayor's recommendations and directed the department to;

1. Amend budgets, schedules and language changes relating to accounting and technical cost allocation adjustments, and program and capital/operating budget corrections.
2. In conjunction with Community Planning & Economic Development, City Attorney's Office, and other relevant departments to return to both the Community Development & Regulatory Services and Ways & Means Committees by April 1, 2016, with an overview and report on the status of the City's tax increment financing program, including the Common Project and Consolidated TIF Districts. Additionally, staff is directed to provide an overview of City development projects that are foreseeable in the next five years, including potential funding sources and further directed staff to identify and reallocate 1.0 vacant Full-time Equivalent (FTE) position within the City's existing complement to the Office of City Clerk for an analyst position to provide management, policy, and fiscal support to the City Council and its committees.

Fire

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

Council Adopted Budget: The City Council amended the Mayor's recommendations on a one-time basis by providing an additional \$42,000 for the purpose of partnering with organizations to provide youth technical training and outreach and for identifying and securing a location that will allow Hennepin County Technical College, Roosevelt High School's Multi-Craft Core Curriculum, and Public Works' Fleet Division Mechanic Trainee Program to receive educational equipment that has been leveraged through a Department of Employment and Economic Development (DEED) grant.

Health and Family Support

Mayor's Recommended Budget: The Mayor recommended additional ongoing General Fund appropriation of \$30,000 to invest in the Cradle-to-K Initiative, \$75,000 for a parental support program for youth development, \$40,000 for lead hazard control and healthy homes activities, \$75,000 to expand training and outreach for licensed businesses, \$60,000 (1.0 FTE) for a customer service representative to support permitting, licensure, citation and annual registration activities, \$75,000 to continue the Green Business Matching Grant Program supporting business' efforts to improve local air quality, and \$34,000 (.25 FTE) to provide community outreach supporting the City's comprehensive air quality program.

The Mayor also recommended one-time funding of \$25,000 for youth violence prevention, \$114,000 (1.0 FTE) for lead hazard control and healthy homes activities, and \$50,000 to support creation of a 4H program for the Somali community. The Mayor also directed the Health Department to work in conjunction with Public Works, Regulatory Services and the Police Departments to provide services to support up to eight events associated with the Open Streets program within existing budgetary resources.

Council Adopted Budget: The City Council amended the Mayor's recommendations by decreasing the department's Capital Asset Request budget by \$12,500 for furnishings at the skyway senior center.

Human Resources

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

Council Adopted Budget: The City Council amended the Mayor's recommendations by making adjustments to reflect the correct budget cost centers in Human Resources department with no net funding/budget impact.

The Council also directed staff to identify and reallocate 1.0 vacant Full-time Equivalent (FTE) position within the City's existing complement to the Office of City Clerk for an analyst position to provide management, policy, and fiscal support to the City Council and its committees.

Information Technology

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

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

Intergovernmental Relations

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

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

Internal Audit

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

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

Mayor

Mayor's Recommended Budget: The Mayor recommended \$50,000 (1.0 FTE) in ongoing General Fund resources to provide a match for grant funding for of a policy aide position.

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

Neighborhood and Community Relations

Mayor's Recommended Budget: The Mayor recommended \$75,000 (1.0 FTE) in ongoing funding from the General Fund for Americans with Disabilities Act / Limited English Proficiency support.

Council Adopted Budget: The City Council amended the Mayor's recommendations on a one-time basis by reallocating \$25,000 for the Nokomis Healthy Seniors from CPED and adding an additional \$20,000 reallocated from the Police budget to be used for cultural community educational programs.

The Council also directed the department to provide \$50,000 of existing budgeted resources for senior initiatives as part of the Minneapolis for a Lifetime program, and directed the staff in Neighborhood & Community Relations to return to the Health, Environment & Community Engagement Committee by August 1, 2016, with a summary of outcomes and plan to incorporate these activities into the department's on-going business plan.

Police

Mayor's Recommended Budget: The Mayor recommended the following ongoing General Fund allocations: \$200,000 for raising the total number of authorized sworn positions by 2.0 FTE's, \$173,000 for additional 2.0 FTE's to assist in implementation of the body cameras system, \$400,000 for body camera technology (in addition to \$600,000 in one-time funding provided as a match to anticipated Federal grant funding), \$124,000 for funding Office of Justice Programs (OJP) recommendations to implement an automated software data system to operationalize the Early Intervention System which includes 1.0 FTE, \$221,000 to enhance the Police Administration, Training and Crime Lab program including 2.0 forensic scientist FTEs), and \$214,000 for 2.0 analyst FTEs in the Crime Intelligence unit.

The Mayor also recommended the following one-time General Fund resources: \$300,000 to supplement funding for hiring a recruit class, \$20,000 for E. 24th St. Sub-Station, and \$600,000 in grant match as noted above.

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

Council Adopted Budget: The City Council amended the Mayor's recommendations on a one-time basis by

1. Reallocating \$105,000 from Public Works LED lighting replacements and utilizing \$200,000 in cost savings from the timing of hiring new positions to be used for Crisis Intervention Training (CIT) and Procedural Justice Training within the Police Department in addition to the Department's existing training budget for a total of \$305,000 added to the program.
2. Decreasing the E 24th St Sub-Station allocation by \$20,000 and increasing Neighborhood & Community Relations' budget by \$20,000 to be used for cultural community educational programs.
3. Providing \$8,000 to be allocated to the Midtown Safety Center.

Public Works

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

Administration

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

Council Adopted Budget: The City Council approved the Mayor's recommendations

Fleet Services

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

Council Adopted Budget: The City Council approved the Mayor's recommendations

Solid Waste and Recycling

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

Council Adopted Budget: The City Council approved the Mayor's recommendations

Surface Water & Sanitary Sewer – Sanitary Sewer

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

Council Adopted Budget: The City Council approved the Mayor's recommendations

Surface Water & Sanitary Sewer – Stormwater

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

Council Adopted Budget: The City Council approved the Mayor's recommendations

Traffic & Parking Services

Mayor's Recommended Budget: The Mayor's recommended budget includes \$400,000 in one-time General Fund appropriation to accelerate the replacement of the city owned 30 foot street lights to LED technology.

Council Adopted Budget: The City Council amended the Mayor's recommendations on a one-time basis by

1. Transferring \$75,000 from the Parking Fund to Regulatory Services.
2. Decreasing \$105,000 from the LED lighting initiative and increasing the Police budget by \$105,000.

Transportation Maintenance and Repair

Mayor's Recommended Budget: The Mayor's recommended budget includes \$298,176 in ongoing General Fund appropriation for bikeway summer and winter maintenance. The Mayor's recommended budget also includes one-time funding of \$10 million for the 10th Avenue Bridge project, and \$250,000 for the Downtown East Commons.

Council Adopted Budget: The City Council Approved the Mayor's recommendations and directed the department to report to the Transportation & Public Works Committee by January 31, 2016, with proposed specific projects for the 2016 Paving Program within the capital budget.

Transportation Planning and Engineering

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

Council Adopted Budget: The City Council approved the Mayor's recommendations

Transportation Planning and Programming

Mayor's Recommended Budget: The Mayor's recommended budget includes \$127,500 in ongoing General Fund appropriation for specialized technical assistance and \$46,500 to fund memberships and support bike and walk week. The Mayor's recommended budget also includes a one-time \$360,000 appropriation for a comprehensive automated pavement assessment.

Council Adopted Budget: The City Council approved the Mayor's recommendations

Water Treatment and Distribution

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

Council Adopted Budget: The City Council approved the Mayor's recommendations

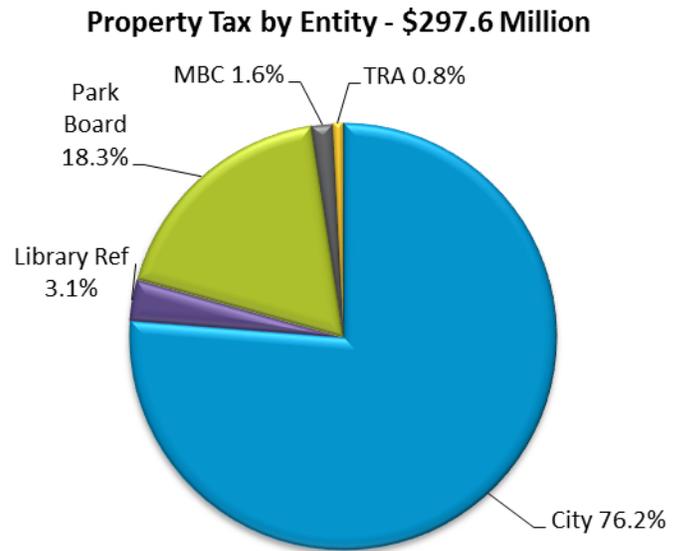
Regulatory Services

Mayor's Recommended Budget: The Mayor recommended an additional ongoing General Fund appropriation of \$275,000 (3.0 FTE), additional \$275,000 (3.0 FTE's) appropriation from the Regulatory Services Special Revenue Fund for Housing Inspection Services, and \$100,000 (1.0 FTE) from the General Fund for a data analyst. The Mayor also recommended a one-time general fund appropriation of \$148,000 to train a reserve pool of temporary traffic control agents, and \$100,000 for HOME-Line service and interpreters for non-English speaking tenants. In addition, the Mayor recommends reorganization with a cost savings of \$100,000 as part of the budget rightsizing exercise. The Mayor also directed Regulatory Services to work in conjunction with Public Works, Health and the Police Departments to provide services to support up to eight events associated with the Open Streets program within existing budget resources.

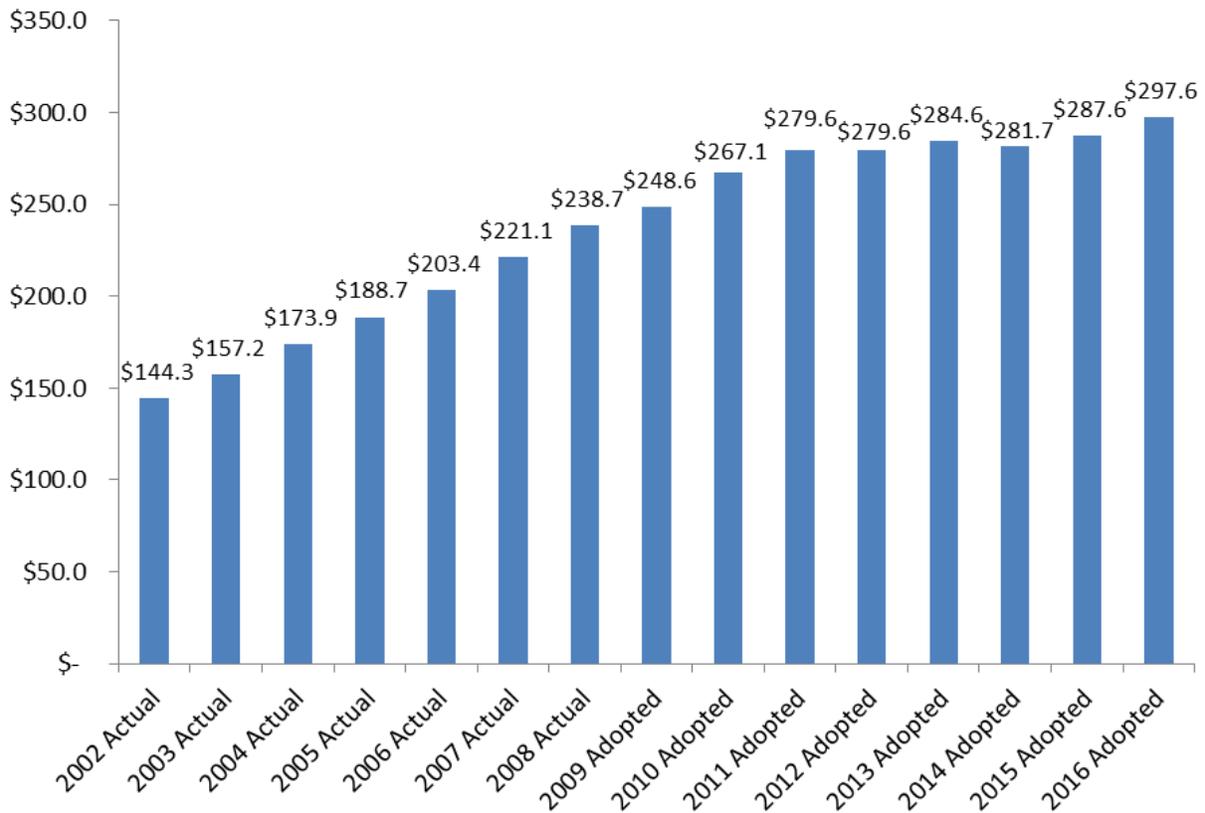
Council Adopted Budget: The City Council amended the Mayor's recommendations on a one-time basis by replacing the General Fund Capital Asset Request budget of \$75,000 with \$75,000 from the Parking Fund to implement traffic and parking citation software.

Property Tax Revenue

The City's 2016 Council Adopted Budget includes an overall property tax levy of \$297.6 million. This levy reflects the combined total for the City, the Board of Estimate and Taxation, the Minneapolis Park and Recreation Board, and the Municipal Building Commission (MBC) levies, as well as the Library referendum levy which is a \$9.3 million market value based tax levy. The 2016 Council Adopted levy is \$10.0 million more than the 2015 Council Adopted levy of \$287.6 million.



Historical Adopted Property Tax Revenue



Property Taxes on Individual Properties

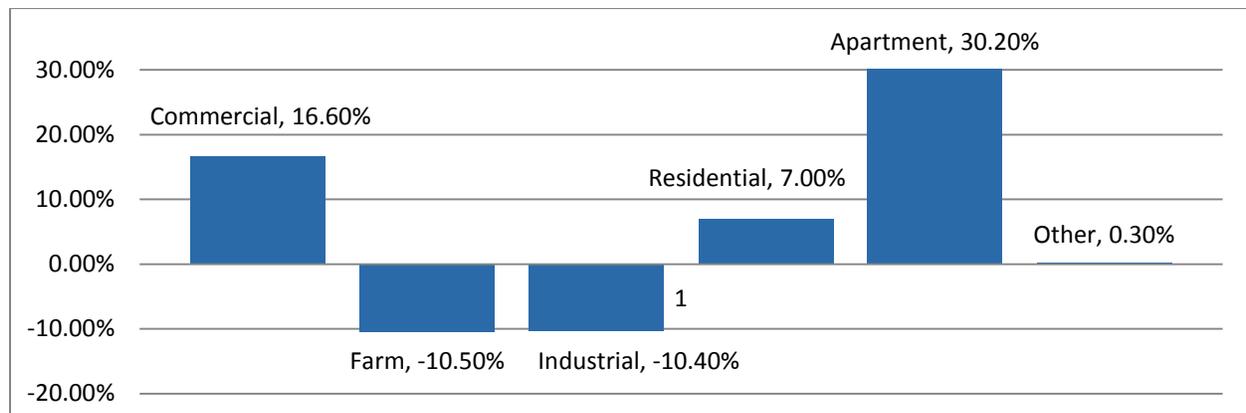
Several factors beyond the change in amount levied affect the annual change in property tax owed on a particular property. These factors include the tax base composition within property classifications, the tax rate of the jurisdiction, growth or decline in the value of other properties within the jurisdiction,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

Property Market Values and Tax Base Highlights

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

| Group | 2015 Estimated Market Value | % of Total | % Change | Tax Capacity | % of Total | % Change |
|--------------------------|-----------------------------|------------|----------|--------------|------------|----------|
| Real Estate | | | | | | |
| Commercial | 7,607,518,740 | 19.1% | 16.4% | 149,663,257 | 30.5% | 16.6% |
| Farm | 1,525,100 | 0.0% | -10.5% | 15,251 | 0.0% | -10.5% |
| Industrial | 1,198,187,400 | 3.0% | -10.5% | 23,599,620 | 4.8% | -10.4% |
| Residential | 24,957,122,900 | 62.5% | 6.1% | 244,674,247 | 49.8% | 7.0% |
| Apartment | 6,132,446,400 | 15.4% | 29.8% | 72,881,327 | 14.8% | 30.2% |
| Other | 19,112,100 | 0.0% | 0.6% | 254,068 | 0.1% | 0.3% |
| Sub Total | 39,915,912,640 | 100.0% | 10.5% | 491,087,770 | 100.0% | 11.7% |
| Personal Property | | | | | | |
| All | 413,920,000 | 1.0% | 1.0% | 7,870,000 | 1.6% | 1.0% |
| Grand Total | 39,915,912,640 | 100.0% | 10.5% | 498,957,770 | 100.0% | 11.5% |

Estimated Change in Tax Capacity by Property Group



Change in Tax Capacity by Group

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

| For Payable in 2016* | |
|--|--------------------|
| Real Estate Tax Capacity | 491,087,770 |
| Personal Property Tax Capacity | 7,870,000 |
| Gross Tax Capacity | 498,957,770 |
| - Less tax Increment | (\$37,232,626) |
| - Less Fiscal Increment Value Captured | (\$3,638,259) |
| - Less Fiscal Disparities Contribution | (\$54,435,694) |
| + Plus Fiscal Disparities Distribution | 51,125,630 |
| Adjusted Net Tax Capacity | 454,776,821 |

* Property Values Jan 2, 2015

| Change in Market Value for Taxes Payable Year-Over-Year | | | |
|--|------------------------------|--------------------|------------------|
| Taxes Payable in | Commercial/Industrial | Residential | Apartment |
| 2006 | 11.4% | 12.9% | 6.8% |
| 2007 | 11.8% | 6.4% | -1.2% |
| 2008 | 10.4% | 2.6% | 3.3% |
| 2009 | 1.3% | -3.1% | 1.8% |
| 2010 | -0.1% | -3.6% | 0.5% |
| 2011 | -9.8% | -4.4% | -6.7% |
| 2012 | -4.5% | -9.1% | -5.2% |
| 2013 | 0.5% | -5.4% | 2.8% |
| 2014 | 0.6% | 0.7% | 8.5% |
| 2015 | 3.3% | 8.7% | 27.8% |
| 2016 | 16.4% | -10.5% | 29.8% |

**Industrial property is now reported separately from commercial property.
Source: City Assessor's Office and Board of Estimate and Taxation*

2016 Council Adopted Property Tax Levies

| Fund | | 2015 | 2016 | % Change From 2015 | \$ Change From 2015 |
|-----------------------|----------------------------------|--------------------|--------------------|-----------------------|------------------------|
| City-Certified Levies | General Fund | 153,929,000 | 160,446,000 | 4.2% | 6,517,000 |
| | Minneapolis Park Board - General | 50,560,000 | 52,583,000 | 4.0% | 2,023,000 |
| | Minneapolis Park Board - Tree | 1,475,000 | 1,732,000 | 17.4% | 257,000 |
| | Bond Redemption | 35,900,000 | 37,800,000 | 5.3% | 1,900,000 |
| | 595 (HRA) Levy | 1,021,000 | 129,000 | -87.4% | -892,000 |
| | Permanent Improvement | 1,000,000 | 1,000,000 | 0.0% | 0 |
| | Pensions (MERF, MPRA, MFRA) | 27,310,000 | 27,310,000 | 0.0% | 0 |
| | Board of Estimate and Taxation | 160,000 | 170,000 | 6.3% | 10,000 |
| Other Levies | Municipal Building Commission | 4,675,000 | 4,810,000 | 2.9% | 135,000 |
| | Teachers' Retirement | 2,300,000 | 2,300,000 | 0.0% | 0 |
| | Library Referendum Debt Service | 9,300,000 | 9,300,000 | 0.0% | 0 |
| | Total | 287,630,000 | 297,580,000 | 3.4% | 9,950,000 |