

## City of Minneapolis 2012 Budget

### Ten-Year Projection of Demands on the Property Tax

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#### **Background**

The ten-year projection was first produced in the spring of 2002 to surface all the demands on the property tax to which the City had committed. This projection led to adoption of the 8% maximum property tax policy in the summer of 2002 by both the City Council and the Board of Estimate and Taxation. In January 2003, the City Council and Mayor adopted a five-year financial direction to set resource parameters for department business plans. This policy was amended in 2010 to fund shared costs and provide consistent levels of operating resources for the City and independent boards. Projections now serve as a general guidance for departmental resource planning as the City adopted priority budgeting.

#### **Assumptions in the Ten-Year Projection**

For details on the financial outlook for the City, please refer to the schedule of projected demands on the property tax:

- Included in the projections is a property tax stabilization account that, starting in 2014, smoothes property tax levy increases and decreases to provide a more stable percent change from year to year.

#### **General Fund Operations Assumptions**

- A 0% wage increase for unsettled contracts in 2011-2012 and a 0% wage increase in 2012-2013 for settled contracts. The salary assumption is 2% in 2013 for unsettled contracts and 2% for settled contracts in 2014 and a 2.5% wage increase thereafter.
- Annual increases in health insurance premiums of 4% in 2012, 12% in 2013 and 16% thereafter.
- Non-personnel increases are assumed to be 3.5% each year.
- No increase in departmental and citywide revenue (except for regulatory services revenues which are expected to increase by 3%). Please see the discussion in the 2013-2017 five-year financial direction, earlier under this same tab, for more information by department. Internal Service Funds financial plans are phased out at an accelerated schedule. The final transfer is scheduled for 2015 as compared to 2018 in the 2011 Adopted schedule.
- Commitments for the library are included in the general fund. In 2010 and beyond, the property tax levy for operations are included in the Hennepin County levy.

#### **Capital and Debt Assumptions**

- The bond redemption levy supports the net debt bond capital program. The level shown in the out years reflect the capacity provided in the 2012-2016 capital budget.
- 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.

***Independent Boards and Special Levies Assumptions***

- Park Board, Municipal Building Commission, Public Housing Authority and the Board of Estimate and Taxation all receive the same percentage increase to operating resources as the City (please see the financial overview and financial policies for more information.)
- Includes no Public Housing Authority levy in the future and the PILOT payment will be eliminated.
- Pension obligations are funded in each year of the projection. Projections include the assumption the MPRA and MFRA plans will be consolidated into the statewide Public Employees Retirement Association (PERA) plan.

**City of Minneapolis - Details of Annual Demand (increases) in Property Tax Revenue**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>General Fund Less Pension Mgmt Plan</b>											
<b>Subtotal</b>	\$4.5	\$9.9	(\$4.7)	(\$1.4)	\$2.8	\$10.9	\$14.6	\$15.2	\$17.1	\$19.3	\$10.9
<b>City Capital/Debt</b>											
Permanent Imp Fund	\$0.2	(\$0.9)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Bond Redemption Fund	\$2.3	\$0.2	\$1.7	\$6.4	\$6.9	\$1.0	\$0.5	\$0.5	\$0.5	\$0.5	(\$3.4)
<b>Subtotal</b>	\$2.5	(\$0.6)	\$1.7	\$6.4	\$6.9	\$1.0	\$0.5	\$0.5	\$0.5	\$0.5	(\$3.4)
<b>City Totals Less Trf Pension Mgmt Plan</b>	\$7.1	\$9.3	(\$3.0)	\$5.0	\$9.7	\$11.9	\$15.1	\$15.8	\$17.6	\$19.8	\$7.5
<b>Independent Boards</b>											
Board of Estimate & Taxation	(\$0.1)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Library Referendum Levy	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Park & Recreation Board	\$2.6	\$0.0	\$1.8	\$2.5	\$2.4	\$2.8	\$3.0	\$3.3	\$3.6	\$3.0	\$4.0
Municipal Bldg Commission	(\$0.0)	\$0.0	\$0.1	\$0.2	\$0.2	\$0.2	\$0.2	\$0.3	\$0.3	\$0.2	\$0.3
Mpls Public Housing Authority	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Teachers Retirement Assoc	\$0.0	\$0.2	(\$0.1)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Subtotal</b>	\$2.4	\$0.2	\$1.8	\$2.8	\$2.6	\$3.0	\$3.2	\$3.5	\$3.9	\$3.2	\$4.3
<b>Pension Mangement Plan</b>											
<b>Subtotal</b>	\$11.4	(\$9.3)	\$11.2	\$6.3	\$2.0	\$1.8	(\$0.8)	\$0.9	\$3.4	\$2.4	\$20.0
Incremental Tax Revenue	\$18.5	\$0.0	\$8.2	\$11.3	\$11.7	\$13.7	\$14.4	\$16.7	\$21.0	\$22.3	\$27.5
<b>Total Property Tax Revenue</b>	<b>\$274.0</b>	<b>\$274.0</b>	<b>\$282.2</b>	<b>\$293.5</b>	<b>\$305.3</b>	<b>\$319.0</b>	<b>\$333.4</b>	<b>\$350.0</b>	<b>\$371.0</b>	<b>\$393.3</b>	<b>\$420.8</b>
<b>% Change</b>	<b>7.2%</b>	<b>0.0%</b>	<b>3.0%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>5.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>7.0%</b>
<b>Property Tax Stabilization Account</b>		\$0.0	\$0.0	(\$6.7)	(\$1.0)	(\$5.0)	(\$0.3)	\$3.6	\$6.2	\$3.1	\$0.0