

**City of Minneapolis
2012 Budget
Financial Plan**

Community and Economic Development Funds

Background

Community and Economic Development Funds support the City's development efforts and are primarily managed by the Community Planning and Economic Development (CPED) department with the assistance of the Development Finance Division of the Finance Department. These resources have faced several challenges in past years, including lower than expected tax increment and non-tax increment revenues, reductions in federal grant allocations, and limited flexible resources.

2012 Budget

Revenues

These revenue projections are based on assumptions that need to be validated annually:

- Revenues from federal grant programs are reduced as a result of federal actions. While CPED has experienced much success with grant seeking, it is anticipated that revenues from state and local grants may be reduced as the availability of revenue is reduced.
- There will be continuing modest increases in bond-related fee income from housing and economic development activities, but actual revenues need to be closely monitored for the impacts from changes in the lending and housing markets.
- There will be annual variations in program income. These are shown as declining at a 5 percent rate.
- Other than program income, the five-year projections do not include the use of any additional revenues from the Legacy Fund. The Legacy Fund represents the proceeds from the sale by the MCDA and City's interest in the Hilton Hotel. Under the terms of the Discretionary Development Funding Plan adopted through Resolution 2003R-404, CPED was authorized to borrow \$22 million from the Legacy Fund to finance its development activities from 2003 through 2009. Repayment was made in full as of December 2009. Non-tax increment revenues resulting from certain interest earnings, leases and land sale proceeds are available to CPED and are allocated from year to year in the Development Accounts. Actual revenues in these funds are closely monitored to track development revenues that may be available for future year activities.
- Revenue from the Consolidated TIF District will be used to pay existing Target Center debt and neighborhood revitalization activities. The financial plan does not include any assumptions regarding this district, since currently none of the revenues will be directly available for CPED activities.
- The Council increased the Zoning re-inspection fees from \$150 to \$200 and also raised the land use application fees to 3.5% to reflect the consumer price index /bureau of labor statistic inflation rate.

Expenditures

The expenditure projections contain assumptions that also must be revisited annually in the context of revised revenues and department performance measures:

- CPED staff levels are being reduced by 11 positions with personnel costs increasing 2 percent per annum while non-personnel expenditures increase approximately 1 percent per annum.
- The tax increment revenues will continue to be restricted to existing debt and contractual obligations.

Debt Service

Bonded debt payable from tax increment revenues will remain outstanding beyond 2012. It is anticipated that tax increment revenue will be sufficient to pay debt service on these obligations.

General Fund Resources

Projected general fund revenues and expenditures are consistent with the Five-Year Financial Direction.

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Projected CPED Revenues & Expenditures

	2009 Revised	2010 Revised	2011 Revised	2012 Adopted	% Chg from 2011	2013 Forecast	2014 Forecast	2015 Forecast
Local Funds								
General Fund Total	3.873	3.407	3.320	3.505	5.6%	6.153	6.409	6.686
GF Property Tax & Non-Direct Revenue	1.775	1.864	1.702	1.647	-3.2%	3.801	4.042	4.301
General Fund LGA	0.508	0.442	0.478	0.406	-15.1%	0.900	0.915	0.933
General Fund Direct Revenues	1.589	1.101	1.140	1.452	27.4%	1.452	1.452	1.452
Tax Increment	72.463	47.997	61.329	44.972	-26.7%	41.376	46.512	43.179
Capital Bonding (CIP) (Public Arts Proj)	0.317	0.203	0.347	0.346	-0.3%	0.354	0.361	0.400
Dev Acct (Non-TI)	28.303	1.600	7.715	5.919	-23.3%	7.785	2.485	2.535
Affordable Housing TI				2.000	100.0%	2.000	-	-
Total Discretionary Development Revenue	28.303	1.600	7.715	7.919	2.6%	9.785	2.485	2.535
Interest Earnings all Funds	4.853	4.610	2.190	2.080	-5.0%	1.248	1.248	1.186
Housing Program Fees & Revenues	1.342	1.396	1.339	1.090	-18.6%	1.393	1.421	1.449
Economic Dev Program Fees & Revenues	4.585	4.814	4.333	4.930	13.8%	4.777	5.016	5.267
Other Project & Program Income	10.471	9.947	9.450	8.422	-10.9%	8.528	8.102	7.697
Transfers (Debt Services)	11.988	6.000	6.000	4.000	-33.3%	4.000	4.000	4.000
Federal Funds								
CDBG & NSP	10.362	10.383	10.316	9.198	-10.8%	8.109	8.109	8.109
ESG	0.592	0.577	0.573	0.939	63.9%	0.939	0.939	0.939
HOME	3.802	3.787	3.766	2.058	-45.4%	2.058	2.058	2.058
Other State/Local Grants	4.500	4.500	4.500	4.500	0.0%	4.500	4.500	4.500
Total Projected Revenues	157.450	99.221	115.177	93.958	-18.4%	93.220	91.159	88.004
Appropriated								
<u>Business Lines:</u>								
Economic Policy & Development	12.196	15.226	15.352	10.544	-31.3%	10.703	10.863	11.026
Workforce Development	8.308	10.992	11.029	8.874	-19.5%	9.007	9.142	9.279
Housing & Policy Development	18.150	20.649	16.021	14.484	-9.6%	14.701	14.922	15.146
Community Planning	1.616	1.716	1.768	1.487	-15.9%	1.510	1.532	1.555
Development Services	2.257	2.310	2.361	2.401	1.7%	2.437	2.474	2.511
<u>CPED Support:</u>								
Executive & Support Services	8.143	5.715	4.761	5.074	6.6%	5.150	5.228	5.306
Transfer & Debt Service	74.582	41.673	52.909	49.245	-6.9%	49.204	44.977	41.849
Total Appropriated	125.252	98.281	104.199	92.110	-11.6%	92.712	89.137	86.673
Total Projected Uses	125.252	98.281	104.199	92.110	-11.6%	92.712	89.137	86.673
Difference	32.199	0.940	10.978	1.848		0.508	2.022	1.332

Note: This financial plan is presented differently than others in the section as CPED operates within many funds. For more information regarding revenue and expense of individual funds, please see the schedules section of this book.