

**City of Minneapolis  
2013 Budget**

**Financial Overview**

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# City of Minneapolis 2013 Budget

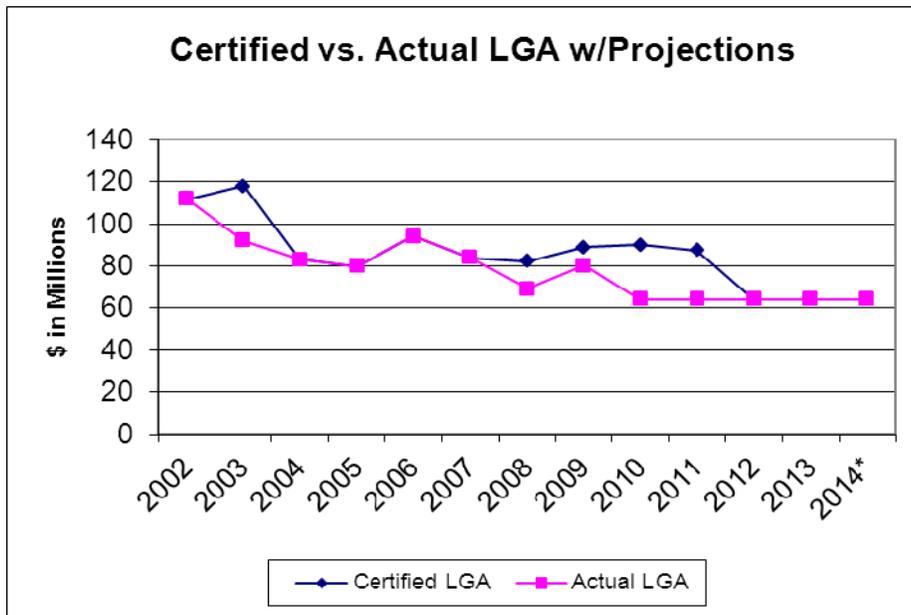
## Financial Overview Prepared by the Minneapolis Finance Department

The 2013 Council Adopted Budget for all City funds of \$1.196 billion was adopted December 12, 2012. The 2013 budget represents a \$29 million, or 2.4%, *decrease* from the 2012 Council Adopted Budget of \$1.225 billion. The largest contributing factor to this decrease is the result of accelerated payments towards the City's bond obligations during 2012. The Mayor recommended, and the Council adopted, a 2013 property tax levy of \$284,560,000, an increase of 1.77%, or \$4,953,000 over the 2012 level.

2013 is the second year in which the budget is presented without transfers. Transfers have also been removed from charts and numbers within this document, including totals for comparative prior years. The 2013 Council Adopted Budget is further presented with financial information for the City's Independent Boards, although their budgets are moved separately from the Mayor's Recommended Budget process, and the Mayor's Recommended Budget did not include this information.

### 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 has appropriated \$64.1 million in LGA for Minneapolis in 2013. This is the same amount the City received for 2012. Of this \$64.1 million, the City will use \$56.4 million for its General Fund, allocate \$7.6 million to the Park Board, and the remaining \$0.2 million to the Municipal Building Commission (MBC). The following table shows the historical certified and actual LGA amounts including the reductions, as well as projected LGA levels for 2014 based on current law:



\* 2014 amount is projected to remain the same as 2012 and 2013

## Major Highlights

The 2013 Council Adopted Budget includes significant proposals to address future financial 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.

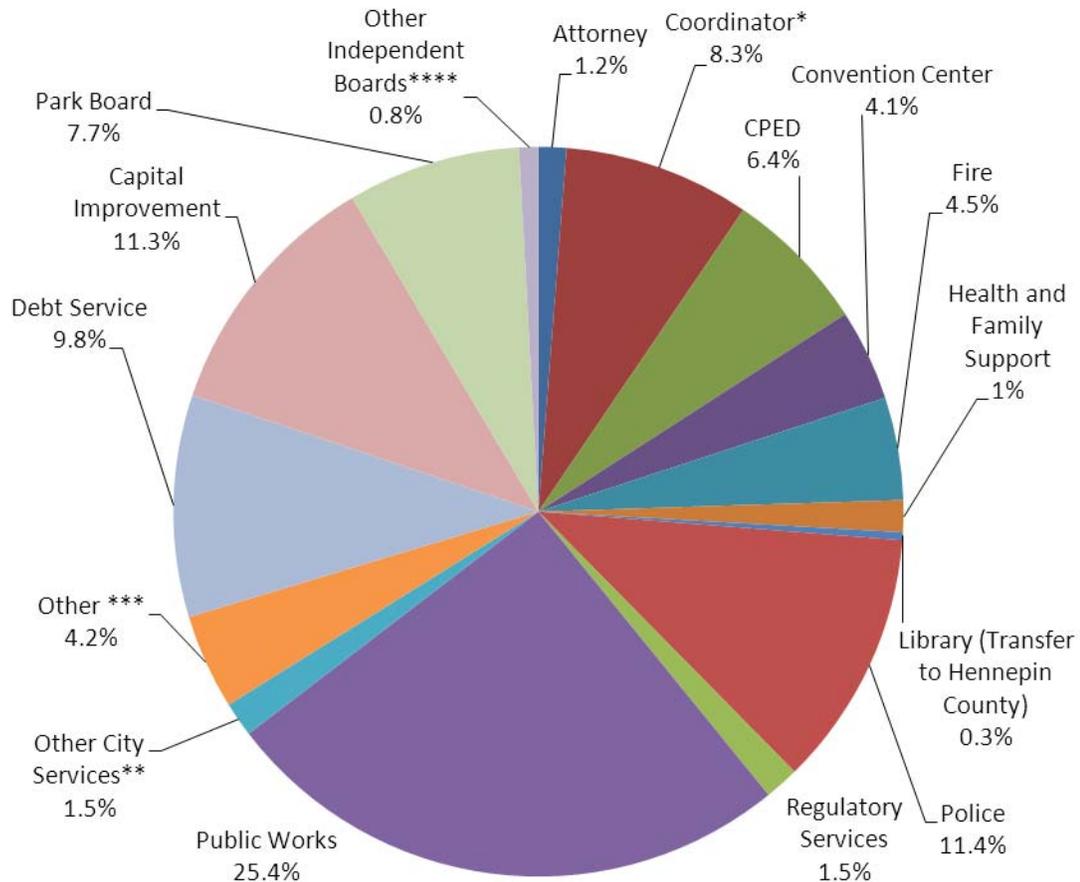
The highlights include the following:

- The budget for City departments increases by only 0.4% in 2013, or \$2.9 million, to help hold the property tax increase down to 1.77%. As part of this budget, the Mayor recommended and Council adopted departmental reductions in 2013 to reflect savings attributable to a lower cost for health insurance than was anticipated early in the budget development process.
- 2013 is the second year of a two-year implementation of Priority-Based Budgeting. 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. Each proposal is allowed to apply for funding within a category.
- The Mayor recommended a major realignment of the Regulatory Services Department to reduce management overhead costs, more closely align revenue budgets with actual experience, and create symmetry between departmental missions and City programming.
- The 2013 Council Adopted Budget continues aggressive efforts to reduce the City's internal service fund deficits, build up public safety programs through the hiring of new cadets in the Police and Fire Departments in response to anticipated retirements, and to stabilize long-term obligations including pensions and bonded debt payments.
- The 2013 Council Adopted Budget begins to lay the foundation for a wave of development associated with the new stadium for the Minnesota Vikings and other uses. The City's support of the stadium project will impact several departments as permits are issued and construction progresses.
- It is also anticipated that the new stadium will provide the City with additional revenue that will serve to offset related expenses. Without this new revenue, the Mayor's proposed property tax levy would have been approximately \$5 million higher for 2013. The expanded revenue will offset additional Convention Center and Target Center operating and maintenance expenses and provide for increased police presence around City entertainment venues.
- Future challenges that the 2013 budget addresses, through the five-year financial direction, include the impacts of rebounding property values, rising pension obligations, and continued growth in the cost of providing City services due to inflationary pressures.

## City Spending

Below is a summary of the 2013 Council Adopted Budget by major spending categories, excluding transfers.

### Total Expense Budget – Use of Funds 2013 Council Adopted Budget \$1.20 Billion



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

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

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

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

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

## Expenditures by Service

(In Millions of Dollars)

	2012 Adopted	2013 Adopted	% Change	\$ Change
Attorney	14.2	14.7	3.8%	0.5
Coordinator*	100.3	98.4	-1.9%	(2.0)
CPED	63.5	76.5	20.6%	13.1
Convention Center	48.7	48.5	-0.6%	(0.3)
Fire	52.3	54.3	3.9%	2.1
Health and Family Support	10.7	16.9	58.0%	6.2
Library (Transfer to Hennepin County)	5.0	4.1	-17.6%	(0.9)
Police	135.4	136.1	0.5%	0.7
Regulatory Services	40.1	18.1	-54.7%	(21.9)
<b>Charter Departments Subtotal</b>	<b>470.2</b>	<b>467.7</b>	<b>-0.5%</b>	<b>(2.5)</b>
PW - Administrative Services	2.8	2.9	3.2%	0.1
PW - Fleet	43.7	42.9	-1.7%	(0.7)
PW - Solid Waste	32.9	36.8	12.0%	3.9
PW - Traffic & Parking	56.4	53.4	-5.3%	(3.0)
PW - Transportation Maintenance and Repair	41.7	42.3	1.6%	0.7
PW - Transportation Planning & Engineering	11.4	11.3	-1.3%	(0.2)
PW - Water Treatment & Distribution	51.1	50.9	-0.4%	(0.2)
PW - Surface Water and Sewer - Stormwater	15.5	17.3	11.8%	1.8
PW - Surface Water and Sewer - Sanitary Sewer	44.3	46.5	5.1%	2.3
<b>Public Works Subtotal</b>	<b>299.6</b>	<b>304.3</b>	<b>1.6%</b>	<b>4.7</b>
Other City Services**	18.0	18.7	4.2%	0.7
Other ***	42.6	50.4	18.4%	7.8
Debt Service	180.8	117.7	-34.9%	(63.1)
Capital Improvement	112.8	135.1	19.8%	22.3
<b>Subtotal</b>	<b>354.1</b>	<b>322.0</b>	<b>-9.1%</b>	<b>(32.2)</b>
Park Board	90.8	91.7	1.0%	0.9
Other Independent Boards****	9.9	10.2	2.5%	0.3
<b>Independent Boards Subtotal</b>	<b>100.7</b>	<b>101.9</b>	<b>1.2%</b>	<b>1.2</b>
<b>Total City Spending</b>	<b>\$1,224.6</b>	<b>\$1,195.8</b>	<b>-2.4%</b>	<b>(\$28.8)</b>

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

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

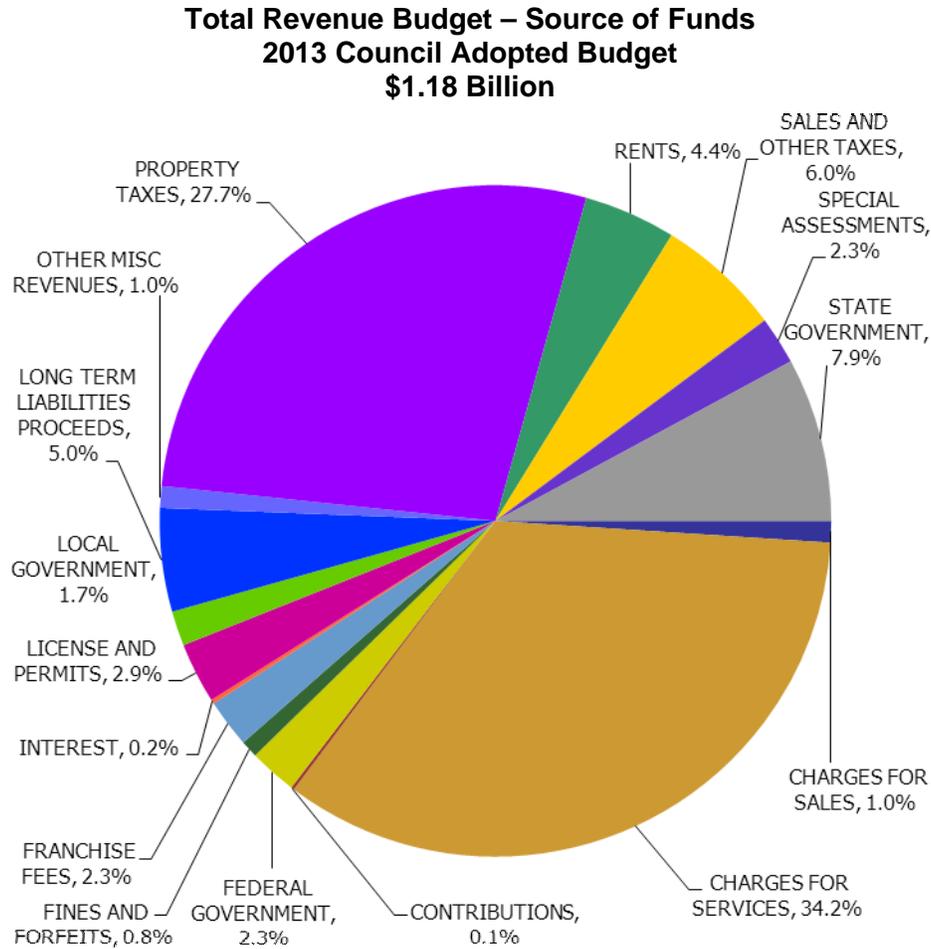
\*\*\* Includes Non-departmental, Health and Welfare, Worker's Compensation, Liability, Contingency and Pensions

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

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

## City Sources of Revenue

Below is a summary of the 2013 Council Adopted Budget revenues by major category.



In 2013, the City forecasts \$1.182 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. For example, 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 these 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 such as street or sidewalk maintenance. Bond proceeds must go to purposes for which the debt was incurred. Local sales tax revenues generally support the Convention Center and Convention Center-related facilities, the Target Center, capital projects, and other economic development-related purposes. 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	2012 Adopted	2013 Adopted	\$ Change	% Change
CHARGES FOR SALES	12.8	12.2	(0.6)	-4.6%
CHARGES FOR SERVICES	396.0	404.5	8.6	2.2%
CONTRIBUTIONS	1.5	1.7	0.2	15.1%
FEDERAL GOVERNMENT	34.1	27.2	(6.9)	-20.3%
FINES AND FORFEITS	10.8	9.8	(1.0)	-9.2%
FRANCHISE FEES	27.5	27.4	(0.1)	-0.4%
GAINS	0.2	0.2		0.0%
INTEREST	2.1	2.2	0.1	2.7%
LICENSE AND PERMITS	31.8	34.5	2.7	8.6%
LOCAL GOVERNMENT	11.9	19.8	7.9	66.3%
LONG TERM LIABILITIES PROCEEDS	49.2	58.9	9.7	19.7%
OTHER MISC REVENUES	29.3	12.4	(16.9)	-57.8%
PROPERTY TAXES	328.0	327.4	(0.6)	-0.2%
RENTS	54.1	52.3	(1.8)	-3.3%
SALES AND OTHER TAXES	65.5	71.2	5.7	8.7%
SPECIAL ASSESSMENTS	22.4	27.3	4.8	21.5%
STATE GOVERNMENT*	94.4	93.2	(1.2)	-1.2%
<b>Total Revenue</b>	<b>\$1,171.6</b>	<b>\$1,182.2</b>	<b>\$10.7</b>	<b>0.9%</b>

\*LGA is reflected in the State Government line

The change in property tax revenue shows a different change than the change in levy because tax increment property tax revenue fluctuates due to the certification and decertification of tax-increment financing districts.

## 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 29% of the 2013 Council Adopted Budget.

**Special Revenue Funds** are used for personnel costs, operating costs, contractual services and equipment that are funded by specific revenue sources. 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 used to account for business-like services that the City provides to other City departments. Internal services include information technology, fleet (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” – 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. 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

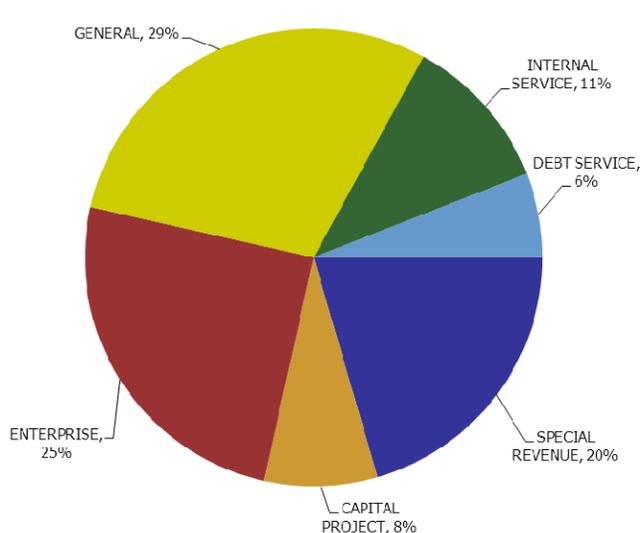
(in millions of dollars)

Expense:	2012 Adopted	2013 Adopted	% Change	\$ Change
GENERAL	\$337.9	\$351.7	4.1%	\$13.9
SPECIAL REVENUE	\$248.0	\$245.1	-1.2%	(\$2.9)
CAPITAL PROJECT	\$85.1	\$95.7	12.4%	\$10.5
DEBT SERVICE	\$121.6	\$71.3	-41.4%	(\$50.3)
INTERNAL SERVICE	\$138.9	\$132.4	-4.6%	(\$6.4)
ENTERPRISE	\$293.1	\$299.6	2.2%	\$6.4
<b>Total</b>	<b>\$1,224.6</b>	<b>\$1,195.8</b>	<b>-2.4%</b>	<b>(\$28.8)</b>

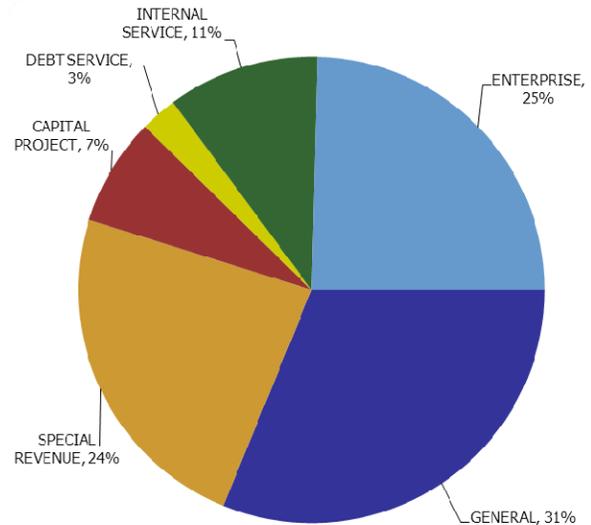
Revenue:	2012 Adopted	2013 Adopted	% Change	\$ Change
GENERAL	\$356.9	\$368.6	3.3%	\$11.7
SPECIAL REVENUE	\$303.7	\$279.9	-7.8%	(\$23.7)
CAPITAL PROJECT	\$75.1	\$88.6	17.9%	\$13.4
DEBT SERVICE	\$18.5	\$29.9	61.6%	\$11.4
INTERNAL SERVICE	\$123.7	\$124.3	0.5%	\$0.6
ENTERPRISE	\$293.7	\$291.0	-0.9%	(\$2.8)
<b>Total</b>	<b>\$1,171.6</b>	<b>\$1,182.2</b>	<b>1.3%</b>	<b>\$10.7</b>

Note: This chart shows General Fund revenues higher than expenditures due to the removal of transfers from the presentation of the 2013 Council Adopted Budget. Transfers are included in the Financial Plans section of the budget detailing the General Fund.

**Total City Expense Budget by Fund  
2013 Council Adopted Budget  
\$1.20 Billion**



**Total City Revenue Budget by Fund  
2013 Council Adopted Budget  
\$1.18 Billion**



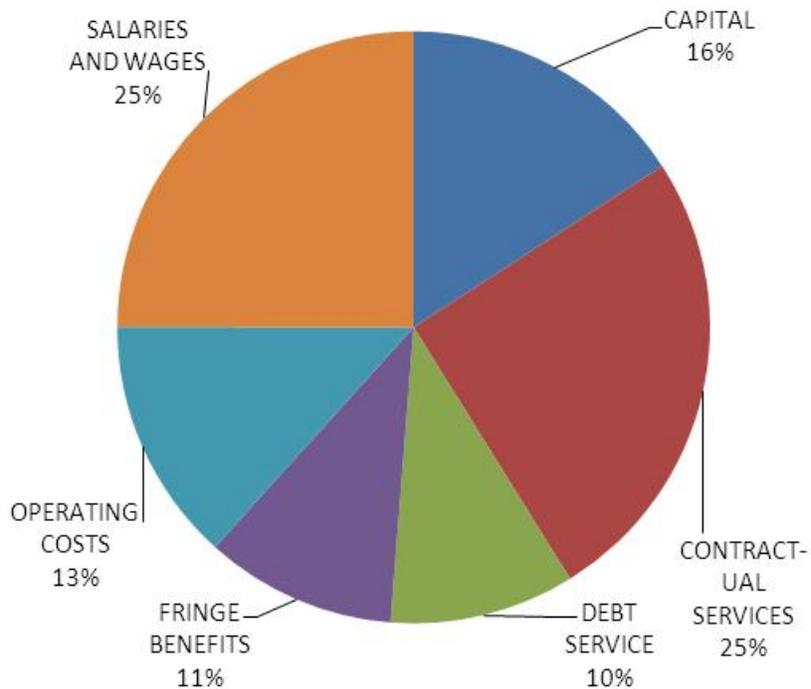
The largest portion of the City's budget is spent on personnel, which makes up \$424 million or 36% of the total budget. The 2013 Council Adopted Budget includes an overall increase of 29 budgeted full-time equivalent (FTE) positions, inclusive of the City's independent boards.

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

Expense Category	2012 Adopted	2013 Council Adopted	\$ Change	% Change
CAPITAL	170.8	189.4	18.6	10.9%
CONTRACTUAL SERVICES	318.8	302.7	(16.1)	-5.0%
DEBT SERVICE	180.9	120.7	(60.2)	-33.3%
FRINGE BENEFITS	119.1	124.9	5.8	4.9%
OPERATING COSTS	141.8	159.5	17.7	12.5%
SALARIES AND WAGES	293.3	298.6	5.3	1.8%
<b>Total Expense</b>	<b>\$1,224.6</b>	<b>\$1,195.8</b>	<b>(\$28.8)</b>	<b>-2.4%</b>

\*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 2013 Council Adopted Budget \$1.20 Billion



## Major Budget Pressures:

### ➤ Funding for Physical Infrastructure

**Five-Year Capital Program Totals:** For 2013 – 2017, the five-year capital program for City departments, independent boards and commissions totals \$606.27 million including all funding sources. The 2013 portion of this program is \$122.65 million which funds accelerated improvements to the City's infrastructure by continuing to support the expanded net debt bond program that was put in place for 2012. Below is a summary of the five-year capital program showing where infrastructure investments are planned by major infrastructure category.

Five-Year Capital Investment Allocation Council Adopted Budget								
Submitting Agency	Infrastructure Category	2013	2014	2015	2016	2017	Total	Percent of Total
<b>Budget in Thousands</b>								
<b>MUNICIPAL BUILDING COMMISSION</b>		1,854	1,070	1,460	1,060	1,230	6,674	1.10%
<b>PARK BOARD</b>		9,550	4,300	4,300	4,300	4,300	26,750	4.41%
<b>PUBLIC WORKS DEPARTMENT</b>	STREET PAVING	49,516	33,715	44,705	32,410	37,955	198,301	32.71%
	SIDEWALKS	3,210	3,365	3,520	3,675	3,830	17,600	2.90%
	BRIDGES	2,465	12,815	400	2,705	4,525	22,910	3.78%
	TRAFFIC CONTROL & STREET LIGHTING	5,880	7,125	9,335	9,085	5,320	36,745	6.06%
	BIKE TRAILS	1,150	1,575	0	0	0	2,725	0.45%
	SANITARY SEWERS	8,000	8,000	8,000	7,250	7,250	38,500	6.35%
	STORM SEWERS	15,750	24,805	19,138	22,730	17,850	100,273	16.54%
	WATER INFRASTRUCTURE	18,700	23,900	24,000	22,300	24,700	113,600	18.74%
	PARKING RAMPS	1,700	1,700	1,700	1,700	1,700	8,500	1.40%
	<b>Public Works Department Totals</b>	<b>106,371</b>	<b>117,000</b>	<b>110,798</b>	<b>101,855</b>	<b>103,130</b>	<b>539,154</b>	<b>88.93%</b>
<b>INFORMATION TECHNOLOGY</b>		1,150	1,850	2,900	1,750	1,700	9,350	1.54%
<b>MISCELLANEOUS PROJECTS</b>		3,720	4,465	4,475	4,885	6,800	24,345	4.02%
	<b>Grand Totals</b>	<b>122,645</b>	<b>128,685</b>	<b>123,933</b>	<b>113,850</b>	<b>117,160</b>	<b>606,273</b>	<b>100.00%</b>

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 2013, a total of \$1.15 million in technology projects are funded through property tax supported debt with a five-year plan total of \$9.35 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.

➤ **Funding for Pension Liabilities**

The City's levies for its former closed pension funds that have been merged into the Minnesota State Public Employees' Retirement Association (PERA) increased from \$20.1 million in 2012 to \$27.3 million in 2013. This increase is detailed for each of the three former pension funds below.

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

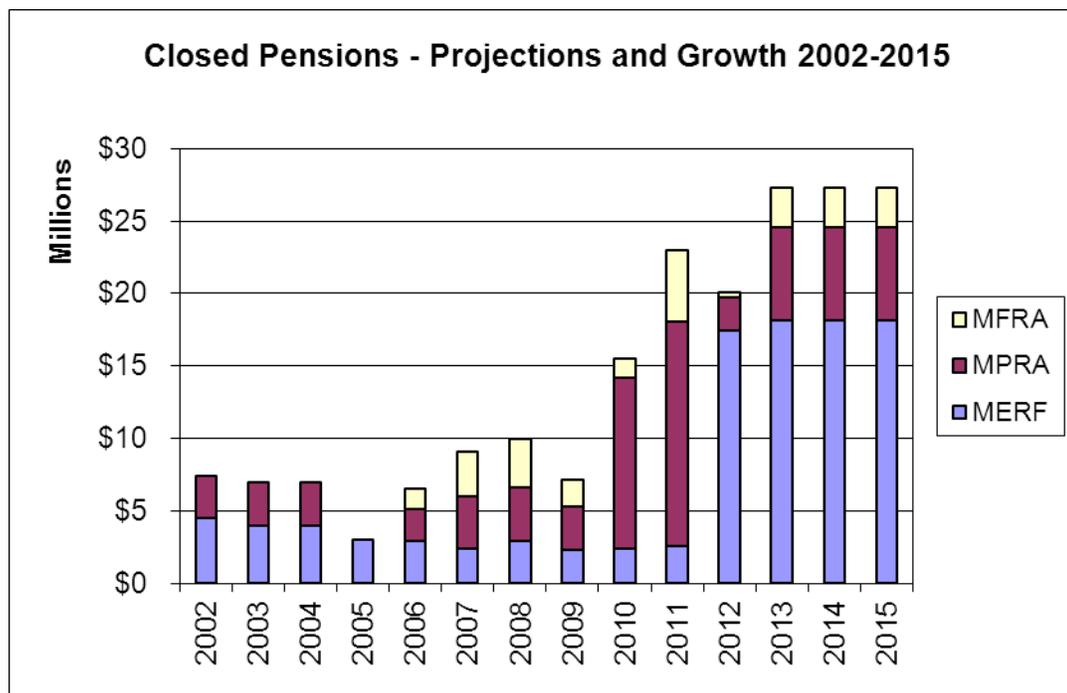
The 2013 levy for MERF-related costs is \$18.2 million, up from \$17.5 million in 2012. The increase is due to legislation passed in 2010 that called for a gradual increase in City funding to cover a share of the cost associated the agreement that merged MERF into PERA. The City's share of MERF expenses is expected to be fairly stable through 2031 unless the MERF Division of PERA does not meet actuarial assumptions for its investment returns or if the actuarial assumptions for PERA are changed by the State.

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

In 2011, legislation was passed by the State that merged the MPRA into PERA Police and Fire on January 1, 2012. The 2013 levy for the former MPRA is \$6.4 million, up from \$2.3 million in 2012. The increase is due to the State's changing of the actuarial investment return assumption and lower asset values at the time of merger than what was projected.

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

In 2011, legislation was passed by the State that merged the MFRA into PERA P&F on January 1, 2012. The 2013 levy for the former MFRA is \$2.7 million, up from \$0.3 million in 2012. The increase is due to the State's changing of the actuarial investment return assumption and lower asset values at the time of merger than what was projected.



**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% its levy. In 2013, the City must levy \$2.4 million for TRA to insure that net collections provide the \$2.25 million. The 2013 TRA levy reflects a decrease of \$50,000 from 2012 as the 2012 levy included back taxes for prior years’ short payments of \$80,000.

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

The employers’ contribution level in PERA’s Coordinated Plan is remains at 7.25% for 2013. The Police and Fire Plans’ employer’s contribution level remains at 14.4% in 2013. The estimated total cost of contributions to PERA for the City in 2013 is \$28.1 million, which is covered in the budgets of the department in which the employees work.

	2012	2013	Change
PERA	\$13.1	\$13.4	\$0.3
PERA Police & Fire	\$14.3	\$14.7	\$0.4
<b>Total</b>	<b>\$27.4</b>	<b>\$28.1</b>	<b>\$0.7</b>

➤ **Funding for internal services funds long-term financial plans**

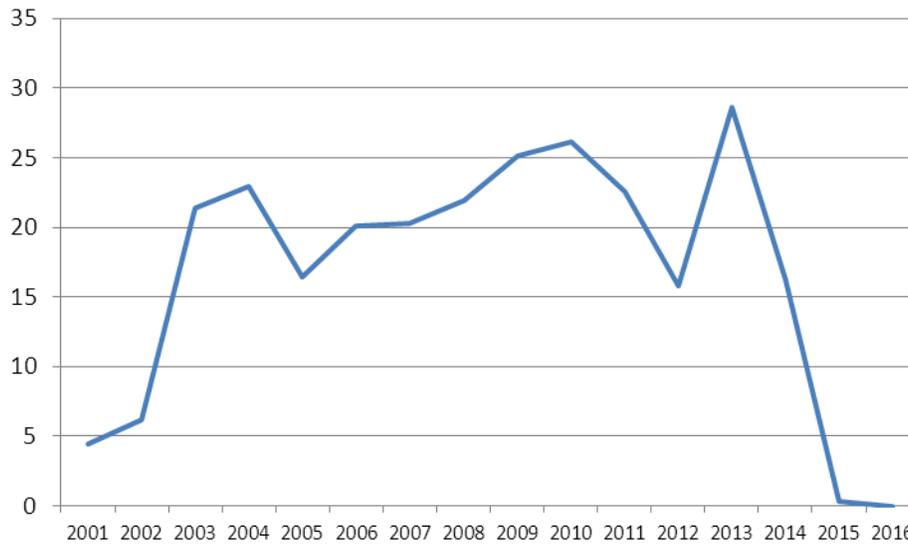
During the 1990s, external demands negatively impacted the ability for revenue to support these internal services to keep pace with the growth in expenditures. Significant negative cash balances resulted because annual expenses exceeded revenues. Today, the combined balance is no longer negative. This is a vast improvement over the position of the funds since 2000 when the net asset deficit was \$61.7 million. At year-end 2011, the City’s three internal services funds with long-term financial plans had combined net assets of \$53.3 million. Additionally, all three funds had positive cash balances at 2011 year-end.

**Status of Workout Plans (in millions)**

	Adopted	Original Cash Deficit (2000)	Original Net Asset Deficit (2000)	2011 Year-End Net Assets	Target Date for Positive Cash Balance	2011 Year-End Cash Balance
Self-Insurance	2003	(\$8.10)	(\$49.50)	(\$4.10)	2007	\$48.60
Equipment	2001	-16.6	0	35.2	2003	12.3
IT	2000	-12.9	(12.2)*	22.2	2009	11.0
<b>Internal Service Fund *</b>		<b>(\$37.60)</b>	<b>(\$61.70)</b>	<b>\$53.30</b>		<b>\$71.90</b>
Parking Fund	2004	(\$8.60)	\$75.70	\$157.20	2010	\$11.60

\*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 (IT) internal service funds rely on 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 comprise 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 and beyond, 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, or pre-payment, causes a spike in planned General Fund transfers in 2013 as indicated on the preceding chart. 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.

#### ➤ Growth in personnel costs

- **Personnel Changes.** The 2013 Council Adopted Budget increases the FTE count of City positions by 29.4, inclusive of the City's independent boards, from 4,810.9 to 4,840.3.
- **Salary and wages.** The 2013 Council Adopted Budget includes an increase in personnel expenditures (\$298.6 million in salaries and wages, compared to a 2012 total of \$293.3 million. It also includes \$124.9 million in fringe benefits, compared to \$119.1 million in 2012).
- **Benefits.** Health and dental insurance expenditures are budgeted to increase from \$58.9 million in 2012 to \$61.5 million in 2013. 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 2013 is 5.0% 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 to provide for an additional declining base contribution for 10 years. In 2013, that contribution is approximately \$4.1 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 existing bonds 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.

➤ **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 for the City. At a time when demand for services is rising, funding has been reduced. For example, the rising foreclosure rate in Minneapolis resulted in an increased need for home inspection and monitoring. Despite the improvements occurring throughout the economy, the impact of this growth has not been fully realized by the City yet as government is typically a "lagging" sector.

*Shrinking Workforce and Increased Demands*

In response to the economic downturn and increasing hardship on the City's taxpayers, the City has made large cuts to its workforce by reducing position counts by over 560 FTEs across all City departments and independent boards since 2008. This reduction in staffing has placed increased pressure on remaining employees as the workloads have not decreased. Increasing demands on employees coupled with decreasing wages when

inflation is taken into account, also create challenges for morale and retaining personnel with a high level of institutional knowledge.

#### *Increased Demand for Technological Solutions*

Departments note the 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, the growth in demand for wireless connectivity, and 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.

#### *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. 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 to meet standards required by Metropolitan Council Environmental Services or facing penalties. The City Clerk notes additional election requirements as a result of the implementation of Instant Runoff Voting (IRV). Furthermore, 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 the growing complexities of their program administration.

#### *Reliance on Tenuous Inter-Governmental Funding*

Reliance on tenuous funding from State and Federal entities for many 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 severe statewide reductions and wide year-to-year fluctuations because the stability of the program is tied to the State's financial health, which has improved only very recently. The uncertainty that surrounds these funds requires much time and energy of City managers who administer these programs with the goal of ensuring the best outcomes possible.

#### *Increased Demand for Infrastructure Maintenance*

The 2012 budget responded to critical infrastructure needs and reduced support from the State by expanding the amount of property tax supported resources for capital improvements from the previous five-year plan by over \$56 million - from \$94 million to \$150 million. For 2013 – 2017 and future years, the intent is to sustain this higher level of property tax supported (net debt bond) funding to continue the infrastructure acceleration program which would otherwise have concluded in 2013. This ongoing higher 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. Even with the previously implemented infrastructure acceleration program from 2009 – 2013 and the higher net debt bond resource levels, there is a large backlog of infrastructure needs that still must be addressed. The current emphasis for these funds is primarily on improving street paving.

### *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. From natural disasters such as the North Minneapolis tornado 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.

### *Stadium/Hospitality Facilities*

Construction of the new multi-purpose stadium with the State of Minnesota and the Minnesota Vikings 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 Facilities and Equipment*

There are not adequate resources available for sufficient maintenance or replacement of many City facilities and major equipment types at the most cost-effective frequencies. 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 upgrades to their mechanical and safety systems. Similar concerns are also noted by the Target Center and Convention Center.

### *Foreclosure*

The volume of foreclosures creates challenges throughout the City. 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 recover, 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 ownership-oriented property development. Minneapolis has also partnered with other organizations to clear or rehabilitate dilapidated homes and pursue infill development on vacant lots.

### *Downtown Real Estate Market*

The downtown real estate market continues to have an oversupply of office space available due to the weak commercial market dating back to 2003.

## Major Changes in the 2013 Council Adopted Budget

*This section of the 2013 Council Adopted Budget is descriptive of changes the Mayor made to program submissions from departments, organized by department, along with further changes adopted by the Council. It is anticipated that in future years, program submissions and organization of this section will be based on goal areas as opposed to departments.*

### ➤ Citywide

**As a starting point for 2013 budgeting, departments were given a target budget number and asked to submit, for existing programs, proposals that were funded by the target amount. Any changes the Mayor recommended to those proposals along with changes that that Council adopted are reflected in the descriptions below.**

The Mayor's Recommendation and Council Adopted Budget reduced health care budgets for all departments to reflect the final contract amounts for health care costs in 2013.

The Citywide Financial Policies, normally put forth in August as part of the Mayor's budget process with minor edits, were rewritten and moved by the Mayor in November as part of the Council Adopted Budget. These adopted financial policies are contained within the Financial Policies section of this book.

The 2008 adopted long-term financial plans began accelerating the General Fund's contribution to the adopted workout plans for the internal service funds to create capacity to hold down future-year property tax levy increases. Over the last few years, the General Fund has accelerated the workout plan schedule to move forward the full completion date from 2019 to 2015. The Council Adopted Budget for 2013 continues support for this course of action and completes the General Fund's contributions to these workout plans in 2015.

All City departments with fees are directed to work with the Finance Department to review and analyze the City's existing fee structure to determine fiscal relationship between cost of providing activities and ability to recoup costs. The study shall be complete by April 1, 2013, and presented to the Ways & Means/Budget Committee and the Regulatory, Energy & Environment Committee during their regularly scheduled meetings in April 2013. The results of the fees study will be incorporated into the development of a methodology and process to support any proposed ongoing adjustments to existing fees. The proposed methodology and process shall be presented to the Ways & Means/Budget Committee and Regulatory, Energy & Environment Committee by June 30, 2013.

The Transition Committee for the proposed reorganization of Regulatory Services Department business units, including City staff and City Council Members appointed by the Council in 2012, will continue to meet in 2013 for the purpose of: (1) Continuing to provide coordination and oversight for any necessary transition work extending into 2013 regarding the reorganized business units of Regulatory Services and the assignment of business units formerly in Regulatory Services into Departments of Community Planning & Economic Development and Health & Family Support; and (2) Focusing on community engagement to maximize service to community and business process improvement opportunities; and (3) Evaluating opportunities for enhancing and improving the Office of Administrative Services, which is part of the Department of Regulatory Services.

## ➤ Departments

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

### **Assessor**

*Mayor's Recommended Budget:* The Mayor recommended no adjustments to this program in 2013.

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

### **Attorney**

*Mayor's Recommended Budget:* The Mayor recommended that the budget for the City Attorney's Office should include funding to maintain current levels of staffing for the Civil Division in the Self Insurance Fund. The City Attorney's Office proposal for the General Fund removed 4 FTEs and the Mayor reduced this cut to 2 FTEs.

*Council Adopted Budget:* Council approved the Mayor's recommendations and amended the budget to include funding for the domestic violence team as follows: Increase the City Attorney's General Fund (00100) appropriation by \$100,000 on a one-time basis and add two FTEs (one Assistant City Attorney and one Paralegal) in the Criminal Division on-going. Use 2013 budget savings in Human Resources from sequencing of hiring for open positions to decrease Human Resources expense appropriation by \$100,000 on a one-time basis. Further, Council made the following staff directions: (1) The City Attorney department is directed to use on-going savings from attrition and sequencing of hiring to maintain the two positions (one Assistant City Attorney and one Paralegal) in the 2014 base budget. (2) The City Attorney department is further directed to make a request to rollover \$75,000 for domestic violence team contracts as part of the rollover process. (3) Direct the City Attorney's Office to request \$40,000 of 2012 rollover process to be used for restorative justice contracts. (4) City Departments are further directed to work with the Finance Department and City Attorney to incorporate the results of the fees study into the development of a methodology and process to support any proposed ongoing adjustments to existing fees. The proposed methodology and process shall be presented to the Ways & Means/Budget Committee and Regulatory, Energy & Environment Committee by June 30, 2013.

The City Attorney's Office is directed to work with Regulatory Services, Community Planning & Economic Development, Health & Family Support, and other affected departments to propose ordinance changes necessary to implement: (1) the reorganization of the Regulatory Services department and (2) the transfer of certain duties from the Regulatory Services to other departments as outlined in the Transition Committee Update, dated December 3, 2012. The City Attorney's Office is further directed to report proposed changes to the Committee of the Whole in the first Council cycle of 2013.

### **Information Technology**

*Mayor's Recommended Budget:* The department reduced 3 vacant FTE. The Mayor recommended the department's proposed budget, and also recommended the department

receive \$200,000 in one-time funding to initiate work on a Managed Services RFP. Additionally, the Mayor recommended no general fund resources for wireless support.

In addition, the Mayor gave IT, City Coordinator and Regulatory Services staff the direction to determine whether the City's Land Management System might incorporate the Intelligent Operating Platform program proposal.

*Council Adopted Budget:* Council approved the Mayor's recommendations and added the following staff direction: The Information Technology department is to report to the Information Technology Policy Group and Ways and Means/Budget Committee by March 31, 2013 regarding major technology projects for 2013 including resource allocation (staffing time and funding) for implementing the projects.

### **City Clerk**

*Mayor's Recommended Budget:* The Mayor recommended no programmatic changes to the proposed budget and provides funding for two supplemental requests.

- City Clerk – Supplemental Request: The Mayor recommended additional one-time funding of \$77,000 to provide for 1 additional FTE as per contractual obligations.
- Elections and Voter Services – Ranked Choice Voting Supplemental Request: The Mayor recommends an additional \$100,000 in one-time funding to provide for extra technology expenses associated with the Ranked Choice Voting initiative.

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

### **City Council**

*Mayor's Recommended Budget:* The Mayor recommended no programmatic changes to the proposed budget.

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

### **City Coordinator Administration**

*Mayor's Recommended Budget:* The Mayor recommended no changes to the department's proposed budget.

*Council Adopted Budget:* Council approved the Mayor's recommendations and added the following staff directions:

The City Coordinator and Chief Financial Officer are directed to lead a staff working group, also including the heads of the Departments of Regulatory Services, Health and Family Support, Fire and Community Planning and Economic Development, to oversee the operational execution of the Regulatory Services reorganization. This group will manage the various finance and accounting, technology, space and other related changes to various operational and processing activities necessary to reflect the movement of certain business units to new departments.

The City Coordinator department is directed to request \$30,000 for the St. Anthony Falls Heritage Board partnership on a one-time basis as part of the 2012 rollover process.

The City Coordinator department is directed to request \$15,000 for the Midtown Safety Center partnership on a one-time basis as part of the 2012 rollover process.

The City Coordinator department is directed to request \$75,000 for the Minneapolis Public Housing Authority "Project Lookout" partnership on a one-time basis as part of the 2012 rollover process.

### **311** (a Division of City Coordinator Administration)

*Mayor's Recommended Budget:* The Mayor recommended no changes to the proposed budget.

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

### **911** (a Division of City Coordinator Administration)

*Mayor's Recommended Budget:* The Mayor recommended an increase of \$282,000 to the proposed budget to fund the department at a level to maintain 2012 staffing levels.

*Council Adopted Budget:* Council approved the Mayor's recommendations and increased 911's General Fund (00100) expense appropriation by \$110,000 and added two FTEs for 911 Operators. Decrease Human Resources department's General Fund (00100) expense appropriation by \$110,000 from the Workforce Planning program and decrease one FTE. The Council directed the 911 department to use ongoing savings from attrition and sequencing of hiring to fully fund the two 911 Operator positions in 2013 and to maintain the positions in the 2014 base budget.

### **Emergency Management** (a Division of City Coordinator Administration)

*Mayor's Recommended Budget:* The Mayor approved the department's base budget recommendations with the following exceptions. The Mayor recommended fleet charges on two vehicles be transferred for public safety purposes, but reserved for Emergency Management during emergencies. Additionally, the Mayor recommended spending in contractual services be held at 2012 spending levels.

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

### **Civil Rights**

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

- **Police Conduct Oversight Commission:** The Mayor recommended \$17,000 in additional program funding for administration expense for the new PCOC.
- **One Minneapolis Equity in Employment:** The Mayor recommended providing \$265,000 in ongoing funding for this Civil Rights program as it only had one-time funding in 2012 which was previously budgeted in both Civil Rights and CPED.

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

## **Communications**

*Mayor's Recommended Budget:* The Mayor recommended no changes to the proposed budget, and recommended an additional \$110,500 in one time funding for Government Access Equipment.

*Council Adopted Budget:* The Council approved the Mayor recommendations and included the following staff direction: The Communications Department is directed to request \$46,000 for the MTN contract on a one-time basis as part of the 2012 rollover process.

## **Convention Center**

*Mayor's Recommended Budget:* The Mayor recommends no programmatic changes to the proposed expense budget.

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

## **CPED**

*Mayor's Recommended Budget:* As part of the restructuring of the Regulatory Services Department, the Mayor recommended shifting the Minneapolis Development Review and Business Licensing Divisions from Regulatory Services into CPED.

There is a difference in how some divisions of Regulatory Services show up on the organizational chart and how their budget is written programmatically. Because of this the Mayor's recommended budget moves the Environmental Health/Licenses and Consumer Services program and the Minneapolis Development Review program from Regulatory Services into CPED. The Environmental Health/Licenses and Consumer Services program includes both the Business Licensing division and the Environmental Health division. The Mayor recommended moving the Environmental Health division to the Health and Family Support Department, which causes the Mayor's recommended budget to overstate the financial impact within CPED by including the Environmental Health division component of that programmatic move.

As part of the reorganization of Regulatory Services functions, a committee led by the City Coordinator and consisting of representatives from the Mayor's Office, members of the City Council, Finance staff, and heads of the affected departments convened to develop a strategy to implement the changes necessary to align current Regulatory Services functions to the departments that serve as the best fit for overall synergistic functionality. Based on this, the committees elected to break apart current Regulatory Services divisions, program proposals, and funding structures. The committee had a final plan for the reorganization and allocation of Regulatory Services functions prior to adoption of the 2013 Council Adopted Budget.

Specific recommendations of the Mayor pertaining to the Environmental Health Division within the Environmental Health/Licenses and Consumer Services budget program currently shown as moving to CPED include the elimination of one management FTE and the adoption of a "health risk impact fee" to fund adding six Health Inspector FTEs to support a more robust food inspection program.

The Mayor also recommended the transfer of 1 management FTE to CPED from Regulatory Services.

For CPED's budget, the Mayor recommended funding Greater MSP with \$125,000 from within CPED's budget allocation.

The Mayor further recommended the following changes to CPED budget programming:

- Corridor Vitality Investment Program: The Mayor recommended the elimination of 1 Planner FTE.
- Minneapolis Youth Program: The Mayor recommended an enhanced program to provide over 100 Minneapolis teens access to an enriching summer work experience.
- Protection, Preservation and Design of the Built and Natural Environment: The Mayor recommended a reduction of 1 FTE in Plan Administration and 1 FTE in Zoning Enforcement.
- Green Homes North: The Mayor recommended \$607,378 to provide the City's share of funding in 2013 for over 100 new "green" homes in North Minneapolis over the next five years.

*Council Adopted Budget:* To reflect the Regulatory Services Reorganization Transition Committee changes from the Mayor's Recommended Budget, (Construction Code Services moving to Community Planning & Economic Development rather than remaining in Regulatory Services, Traffic Control remaining in Regulatory Services rather than moving to Public Works, and Environmental Health/Food moving to Health & Family Support rather than Community Planning & Economic Development) the City Council amended the Mayor's recommended budget as follows: (1) Increase Community Planning & Economic Development's general fund (00100) revenue by \$14,602,410. Increase Community Planning & Economic Development's special revenue fund (01900) revenue by \$360,690. (2) Increase Health & Family Support's general fund (00100) revenue by \$587,058. Decrease Health & Family Support's other grants fund (01600) revenue by \$231,058. (3) Decrease Public Work's general fund (00100) revenue by \$5,735,000. (4) Decrease Regulatory Services' general fund (00100) revenue by \$9,223,410. Decrease Regulatory Services' special revenue fund (01900) revenue by \$360,690.

To reflect the Regulatory Services Reorganization Transition Committee changes from the Mayor's Recommended Budget, (Construction Code Services moving to Community Planning & Economic Development rather than remaining in Regulatory Services, Traffic Control remaining in Regulatory Services rather than moving to Public Works, and Environmental Health/Food moving to Health & Family Support rather than Community Planning & Economic Development) the City Council amended the Mayor's recommended budget as follows: (1) Increase Community Planning & Economic Development's general fund (00100) expense appropriation by \$5,685,386. Increase Community Planning & Economic Development's special revenue fund (01900) expense appropriation by \$359,826. Increase Community Planning & Economic Development FTE authorization by 44. (2) Increase Health & Family Support's general fund (00100) expense appropriation by \$2,385,127. Decrease Health & Family Support's other grants fund (01600) by \$231,058. Increase Health & Family Support FTE authorization by 19. (3) Decrease Public Works' general fund (00100) appropriation by \$4,642,469. Decrease Public Works' FTE authorization by 45. (4) Decrease Regulatory Services' general fund (00100) expense authorization by \$3,196,986. Decrease Regulatory Services' special revenue fund (01900) expense appropriation by \$359,826. Decrease Regulatory Service's FTE authorization by 18. (5) The Finance Department is directed to work with the Departments of Community Planning & Economic Development, Health & Family Support, Public Works, and Regulatory

Services to make the appropriate adjustments at the program/cost center level to reflect these changes.

Amend the Mayor's recommended 2013 Capital budget for Community Planning and Economic Development by increasing the revenue in the Capital Improvement Fund (04100) by \$605,000 for the Art in Public Places program.

Amend the Mayor's recommended 2013 Capital budget for Community Planning and Economic Development by decreasing expense appropriation in the Capital Improvement Fund (04100) by \$200,000 for the Art in Public Places program.

Direct the Department Heads of Regulatory Services, Health and Family Support, Fire, and Community Planning and Economic Development to report on the status of the Regulatory Services reorganization at Committee of the Whole on June 13, 2013.

The City Coordinator and Chief Financial Officer are directed to lead a staff working group, also including the heads of the Departments of Regulatory Services, Health and Family Support, Fire and Community Planning and Economic Development, to oversee the operational execution of the Regulatory Services reorganization. This group will manage the various finance and accounting, technology, space and other related changes to various operational and processing activities necessary to reflect the movement of certain business units to new departments.

The City Attorney's Office is directed to work with Regulatory Services, Community Planning & Economic Development, Health & Family Support, and other affected departments to propose ordinance changes necessary to implement: (1) the reorganization of the Regulatory Services department and (2) the transfer of certain duties from the Regulatory Services to other departments as outlined in the Transition Committee Update, dated December 3, 2012. The City Attorney's Office is further directed to report proposed changes to the Committee of the Whole in the first Council cycle of 2013.

## **Finance & Property Services**

*Mayor's Recommended Budget:* The Mayor recommended no programmatic changes to the proposed budget and recommends funding 1 additional FTE to augment existing internal controls, particularly around grant management. In addition, the Mayor recommended \$150,000 in one-time funding, in conjunction with \$850,000 in one-time funding in HR, to support upgrades to the enterprise Compass and HRIS systems.

*Council Adopted Budget:* Council approved the Mayor's recommendations and directed the Finance and Property Services department to:

- Amend all schedules and language according to amended budgets.
- Adjust the five year financial direction according to amended budgets and staff directions.
- City Departments are directed to work with the Finance Department to review and analyze the City's existing fee structure to determine fiscal relationship between cost of providing activities and ability to recoup costs. The study shall be complete by April 1, 2013, and presented to the Ways & Means/Budget Committee and the Regulatory, Energy & Environment Committee during their regularly scheduled meetings in April 2013.

- City Departments are further directed to work with the Finance Department and City Attorney to incorporate the results of the fees study into the development of a methodology and process to support any proposed ongoing adjustments to existing fees. The proposed methodology and process shall be presented to the Ways & Means/Budget Committee and Regulatory, Energy & Environment Committee by June 30, 2013.
- The City Coordinator and Chief Financial Officer are directed to lead a staff working group, also including the heads of the Departments of Regulatory Services, Health and Family Support, Fire and Community Planning and Economic Development, to oversee the operational execution of the Regulatory Services reorganization. This group will manage the various finance and accounting, technology, space and other related changes to various operational and processing activities necessary to reflect the movement of certain business units to new departments.

## **Fire**

*Mayor's Recommended Budget:* The Mayor recommended no programmatic changes to the proposed budget and recommends an additional \$1.1 million of ongoing funding to maintain staffing levels for the SAFER Grant and in anticipation of significant attrition. If the department is awarded a second SAFER Grant in 2012, the additional general fund allocation will be reduced by the amount of the new award.

*Council Adopted Budget:* Council approved the Mayor's recommendations and added the following staff direction:

The Department Heads of Regulatory Services, Health and Family Support, Fire, and Community Planning and Economic Development to report on the status of the Regulatory Services reorganization at Committee of the Whole on June 13, 2013.

## **Health and Family Support**

*Mayor's Recommended Budget:* As part of the reorganization of the Regulatory Services Department, the Mayor recommends shifting the Environmental Services Division from the Regulatory Services Department into the Health and Family Support Department.

By program, the Mayor's recommended budget transfers the Environmental Services and Lead & Healthy Homes programs into the Health and Family Support Department from Regulatory Services.

The Mayor also recommended \$203,000 of additional ongoing funding for the Environmental Services program to reduce environmental toxin pollution, improve energy efficiency in buildings and implement a new building energy benchmarking program.

As noted in the departmental recommendation language for CPED, the Mayor also recommended moving the Environmental Health Division from the Regulatory Services Department to the Health and Family Support Department. Because this Division within Regulatory Services is contained within the Environmental Health/Licenses and Consumer Services program, and the Mayor's recommended budget depicts that program moving to CPED, the financial impact on the Health and Family Support Department is understated, which includes the recommendations detailed in the CPED section about establishing a "health risk fee" to pay for an additional 6 FTE.

As part of the reorganization of Regulatory Services functions, a committee led by the City Coordinator and consisting of representatives from the Mayor's Office, members of the City Council, Finance staff, and heads of the affected departments will convene to develop a strategy to implement the changes necessary to align current Regulatory Services functions to the departments that serve as the best fit for overall synergistic functionality. Based on this, the committee may elect to break apart current Regulatory Services divisions, program proposals, and funding structures. It is anticipated that the committee will have a final plan for the reorganization and allocation of Regulatory Services functions prior to adoption of the 2013 Council Adopted Budget.

The Mayor also recommended the following changes to Health and Family Support's ongoing programs:

- Preventing High-Risk Youth from Becoming Victims of Crime: The Mayor recommends \$165,000 in one-time funding and \$110,000 and 1.1 FTE in ongoing support for this new initiative.
- Safe and Healthy Homes Investment Partnership: The Mayor recommends \$50,000 in one-time funding to better align city and community resources so that residents receive improved, efficient, and coordinated assistance with addressing indoor health issues.

*Council Adopted Budget:* Council approved the Mayor's recommendation and made the following changes:

The City Attorney's Office is directed to work with Regulatory Services, Community Planning & Economic Development, Health & Family Support, and other affected departments to propose ordinance changes necessary to implement: (1) the reorganization of the Regulatory Services department and (2) the transfer of certain duties from the Regulatory Services to other departments as outlined in the Transition Committee Update, dated December 3, 2012. The City Attorney's Office is further directed to report proposed changes to the Committee of the Whole in the first Council cycle of 2013.

The City Coordinator and Chief Financial Officer are directed to lead a staff working group, also including the heads of the Departments of Regulatory Services, Health and Family Support, Fire and Community Planning and Economic Development, to oversee the operational execution of the Regulatory Services reorganization. This group will manage the various finance and accounting, technology, space and other related changes to various operational and processing activities necessary to reflect the movement of certain business units to new departments.

Direct the Department Heads of Regulatory Services, Health and Family Support, Fire, and Community Planning and Economic Development to report on the status of the Regulatory Services reorganization at Committee of the Whole on June 13, 2013.

To reflect the Regulatory Services Reorganization Transition Committee changes from the Mayor's Recommended Budget, (Construction Code Services moving to Community Planning & Economic Development rather than remaining in Regulatory Services, Traffic Control remaining in Regulatory Services rather than moving to Public Works, and Environmental Health/Food moving to Health & Family Support rather than Community Planning & Economic Development) the City Council amended the Mayor's recommended budget as follows: (1) Increase Community Planning & Economic Development's general fund (00100) revenue by \$14,602,410. Increase Community Planning & Economic Development's special revenue fund

(01900) revenue by \$360,690. (2) Increase Health & Family Support's general fund (00100) revenue by \$587,058. Decrease Health & Family Support's other grants fund (01600) revenue by \$231,058. (3) Decrease Public Work's general fund (00100) revenue by \$5,735,000. (4) Decrease Regulatory Services' general fund (00100) revenue by \$9,223,410. Decrease Regulatory Services' special revenue fund (01900) revenue by \$360,690.

To reflect the Regulatory Services Reorganization Transition Committee changes from the Mayor's Recommended Budget, (Construction Code Services moving to Community Planning & Economic Development rather than remaining in Regulatory Services, Traffic Control remaining in Regulatory Services rather than moving to Public Works, and Environmental Health/Food moving to Health & Family Support rather than Community Planning & Economic Development) the City Council amended the Mayor's recommended budget as follows: (1) Increase Community Planning & Economic Development's general fund (00100) expense appropriation by \$5,685,386. Increase Community Planning & Economic Development's special revenue fund (01900) expense appropriation by \$359,826. Increase Community Planning & Economic Development FTE authorization by 44. (2) Increase Health & Family Support's general fund (00100) expense appropriation by \$2,385,127. Decrease Health & Family Support's other grants fund (01600) by \$231,058. Increase Health & Family Support FTE authorization by 19. (3) Decrease Public Works' general fund (00100) appropriation by \$4,642,469. Decrease Public Works' FTE authorization by 45. (4) Decrease Regulatory Services' general fund (00100) expense authorization by \$3,196,986. Decrease Regulatory Services' special revenue fund (01900) expense appropriation by \$359,826. Decrease Regulatory Service's FTE authorization by 18. (5) The Finance Department is directed to work with the Departments of Community Planning & Economic Development, Health & Family Support, Public Works, and Regulatory Services to make the appropriate adjustments at the program/cost center level to reflect these changes.

## Human Resources

*Mayor's Recommended Budget:* The Mayor recommended no changes to the proposed budget. Additionally, the Mayor recommended the following programs in addition to the department's base:

- ERP Application Re-Implementation & Application Assessment: The Mayor recommends \$850,000 million in funding on a one time basis (in conjunction with \$150,000 in one-time funding for Finance and Property Service) to support upgrades to the enterprise HRIS and Compass systems.
- Halogen Licensing (supports *Perform Minneapolis*): The Mayor recommends \$93,000 for this program.
- Workforce Planning: The Mayor recommends \$657,000 and 6 new FTE for this ongoing program
- Metropass Subsidy: The Mayor recommends \$100,000 in ongoing funding for this program. The funding will come from the parking fund as subsidized employee parking is moved to only city-owned ramps.
- Testing and Staffing Services: The Mayor recommends \$50,000 for this program.

*Council Adopted Budget:* The Council approved the Mayor's recommendation and amended the budget to use 2013 budget savings in Human Resources from sequencing of hiring for open positions to decrease Human Resources expense appropriation by \$100,000 on a one-time

basis and decrease Human Resources department's General Fund (00100) expense appropriation by \$110,000 from the Workforce Planning program and decrease one FTE.

Additionally, the Council directed the Human Resources that none of the FTEs approved as part of the Workforce Planning program shall be hire until after a Director of Human Resources is hired and is able to review and approve of the program as it has been proposed.

The Human Resources Department is directed to capture and reallocate \$100,000 in salary savings from the sequencing of hiring FTEs associated with the Workforce Planning program and to use those funds on a one-time basis to apply towards enterprise-wide training efforts.

### **Intergovernmental Relations**

*Mayor's Recommended Budget:* The Mayor recommended no changes to the proposed budget. Additionally, the Mayor recommended one FTE and \$90,000 in ongoing funding for a position to assist with solicitation, receipt and tracking of public funds through grants and other non-federal public sources.

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

### **Internal Audit**

*Mayor's Recommended Budget:* The Mayor recommended no programmatic changes to the proposed budget.

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

### **Mayor**

*Mayor's Recommended Budget:* The Mayor recommended no programmatic changes to the proposed budget.

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

### **Neighborhood and Community Relations**

*Mayor's Recommended Budget:* The Mayor recommended no changes to the proposed budget. Additionally, on a one time basis, the Mayor recommended \$25,000 in one-time funding for Resident Partners.

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

### **Police**

*Mayor's Recommended Budget:* The Mayor recommended no programmatic changes to the proposed budget. In addition, the Mayor recommended an additional \$2.5 million in ongoing funding to provide for a larger number of sworn personnel in the department during the summer months as well as \$50,000 in funding dedicated to the Mad Dads organization.

*Council Adopted Budget:* Council approved the Mayor's recommendations and added the following staff directions:

The Minneapolis Police Department is directed to use their 2011 unused rollover and 2013 budget savings from attrition and contracts to provide \$510,000 in General Fund (00100) to retain six Community Crime Prevention Specialists.

The Minneapolis Police Department and the Police Chief are directed to provide a 2013 workforce plan for Crime Prevention Specialists to the Public Safety, Civil Rights and Health and Ways & Means/Budget Committees by April 1, 2013.

## **Public Works**

*Mayor's Recommended Budget:* Please see division sections below for Mayor's recommendation.

*Council Adopted Budget:* Public Works is directed to report to the Transportation and Public Works committee by January 31, 2013 with proposed specific projects for the 2013 Capital Budget for the Paving Program.

## **Administration**

*Mayor's Recommended Budget:* The Mayor recommended no changes to the proposed budget.

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

## **Fleet Services**

*Mayor's Recommended Budget:* The Mayor recommended no changes to the proposed budget.

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

## **Solid Waste and Recycling**

*Mayor's Recommended Budget:* The Mayor recommended no changes to the proposed budget. Also, the Mayor recommends a rate of \$24.70 for 2013.

*Council Adopted Budget:* Council approved the Mayor's recommendations and reduced the Mayor's recommended 2013 Solid Waste and Recycling rate by \$7.70. The Mayor's recommended rate of \$24.70 included a recycling credit and the program will no longer have a recycling credit. The new rate is set at \$17.00. In addition, the Council amended the Mayor's Recommended 2013 Budget for Public Works by decreasing the revenue appropriation in the Solid Waste and Recycling Fund (07700) by \$885,604. The rate was changed to make the removal of the recycling credit cost-neutral to customers.

## **Surface Water & Sanitary Sewer – Sanitary Sewer**

*Mayor's Recommended Budget:* The Mayor recommended no changes to the proposed budget. Also, the Mayor recommends a rate of \$3.14 per 100 cubic feet in 2013. The division added positions within existing resources in 2013 to reflect actual staffing patterns.

*Council Adopted Budget:* Council approved the Mayor's recommendations and amended the Mayor's Recommended 2013 operating budget for Public Works by increasing the appropriation in the Sanitary Sewer Fund (07100) by \$339,017 for SAC charges paid to Metropolitan Council.

### **Surface Water & Sanitary Sewer – Stormwater**

*Mayor's Recommended Budget:* The Mayor recommended no changes to the proposed budget. Also, the Mayor recommended a rate of \$11.82 per ESU in 2013.

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

### **Traffic & Parking Services**

*Mayor's Recommended Budget:* As part of the reorganization of the Regulatory Services Department, the Mayor recommended the Traffic Control division of Regulatory Services be moved into Traffic and Parking Services. The Mayor's recommended budget reflects the move of the Traffic Control budget program into the Traffic and Parking Services Division within the Public Works Department.

As part of the reorganization of Regulatory Services functions, a committee led by the City Coordinator and consisting of representatives from the Mayor's Office, members of the City Council, Finance staff, and heads of the affected departments will convene to develop a strategy to implement the changes necessary to align current Regulatory Services functions to the departments that serve as the best fit for overall synergistic functionality. Based on this, the committee may elect to break apart current Regulatory Services divisions, program proposals, and funding structures. It is anticipated that the committee will have a final plan for the reorganization and allocation of Regulatory Services functions prior to adoption of the 2013 Council Adopted Budget.

The Mayor recommended no changes to the proposed budget of this division. The Mayor also recommended the division's proposal for graffiti removal.

*Council Adopted Budget:* To reflect the Regulatory Services Reorganization Transition Committee changes from the Mayor's Recommended Budget, (Construction Code Services moving to Community Planning & Economic Development rather than remaining in Regulatory Services, Traffic Control remaining in Regulatory Services rather than moving to Public Works, and Environmental Health/Food moving to Health & Family Support rather than Community Planning & Economic Development) the City Council amended the Mayor's recommended budget as follows: (1) Increase Community Planning & Economic Development's general fund (00100) revenue by \$14,602,410. Increase Community Planning & Economic Development's special revenue fund (01900) revenue by \$360,690. (2) Increase Health & Family Support's general fund (00100) revenue by \$587,058. Decrease Health & Family Support's other grants fund (01600) revenue by \$231,058. (3) Decrease Public Work's general fund (00100) revenue by \$5,735,000. (4) Decrease Regulatory Services' general fund (00100) revenue by \$9,223,410. Decrease Regulatory Services' special revenue fund (01900) revenue by \$360,690.

To reflect the Regulatory Services Reorganization Transition Committee changes from the Mayor's Recommended Budget, (Construction Code Services moving to Community Planning & Economic Development rather than remaining in Regulatory Services, Traffic Control remaining in Regulatory Services rather than moving to Public Works, and Environmental Health/Food

moving to Health & Family Support rather than Community Planning & Economic Development) the City Council amended the Mayor's recommended budget as follows: (1) Increase Community Planning & Economic Development's general fund (00100) expense appropriation by \$5,685,386. Increase Community Planning & Economic Development's special revenue fund (01900) expense appropriation by \$359,826. Increase Community Planning & Economic Development FTE authorization by 44. (2) Increase Health & Family Support's general fund (00100) expense appropriation by \$2,385,127. Decrease Health & Family Support's other grants fund (01600) by \$231,058. Increase Health & Family Support FTE authorization by 19. (3) Decrease Public Works' general fund (00100) appropriation by \$4,642,469. Decrease Public Works' FTE authorization by 45. (4) Decrease Regulatory Services' general fund (00100) expense authorization by \$3,196,986. Decrease Regulatory Services' special revenue fund (01900) expense appropriation by \$359,826. Decrease Regulatory Service's FTE authorization by 18. (5) The Finance Department is directed to work with the Departments of Community Planning & Economic Development, Health & Family Support, Public Works, and Regulatory Services to make the appropriate adjustments at the program/cost center level to reflect these changes.

### **Transportation Maintenance and Repair**

*Mayor's Recommended Budget:* The Mayor recommended no changes to the proposed budget.

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

### **Transportation Planning and Engineering**

*Mayor's Recommended Budget:* The Mayor recommended no changes to the proposed budget.

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

### **Water Treatment and Distribution**

*Mayor's Recommended Budget:* The Mayor recommends no changes to the proposed budget. Also, the Mayor recommended a water utility rate of \$3.29 per unit in 2013.

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

### **Regulatory Services**

*Mayor's Recommended Budget:* The Mayor recommended that the Regulatory Services Department be restructured, with the Development Review and Business License Divisions moving to CPED, the Environmental Health and Environmental Services Divisions moving to the Health and Family Support Department, and the Traffic Control Division moving to the Public Works Department.

There is a difference in how some divisions of Regulatory Services show up on the organizational chart and how their budget is written programmatically. By program, the Mayor's recommended budget reflects the move of the Development Review and the entire Environmental Health/Licenses and Consumer Support programs to CPED, the Environmental Services and Lead and Healthy Homes programs moved to Health and Family Support, and the

Traffic Control program moved to Public Works.

The Mayor also recommended the elimination of 2 management FTEs within the remaining Regulatory Services Department, the elimination of 1 management FTE within the Environmental Health/Licenses and Consumer Services program and the transfer of 1 management FTE to CPED. The Mayor recommends no other programmatic changes to the department's remaining programs.

As part of the reorganization of Regulatory Services functions, a committee led by the City Coordinator and consisting of representatives from the Mayor's Office, members of the City Council, Finance staff, and heads of the affected departments will convene to develop a strategy to implement the changes necessary to align current Regulatory Services functions to the departments that serve as the best fit for overall synergistic functionality. Based on this, the committee may elect to break apart current Regulatory Services divisions, program proposals, and funding structures. It is anticipated that the committee will have a final plan for the reorganization and allocation of Regulatory Services functions prior to adoption of the 2013 Council Adopted Budget. After all changes are final, the Mayor recommends that the department's name should be changed to the Department of Inspections.

*Council Adopted Budget:* To reflect the Regulatory Services Reorganization Transition Committee changes from the Mayor's Recommended Budget, (Construction Code Services moving to Community Planning & Economic Development rather than remaining in Regulatory Services, Traffic Control remaining in Regulatory Services rather than moving to Public Works, and Environmental Health/Food moving to Health & Family Support rather than Community Planning & Economic Development) the City Council amended the Mayor's recommended budget as follows: (1) Increase Community Planning & Economic Development's general fund (00100) revenue by \$14,602,410. Increase Community Planning & Economic Development's special revenue fund (01900) revenue by \$360,690. (2) Increase Health & Family Support's general fund (00100) revenue by \$587,058. Decrease Health & Family Support's other grants fund (01600) revenue by \$231,058. (3) Decrease Public Work's general fund (00100) revenue by \$5,735,000. (4) Decrease Regulatory Services' general fund (00100) revenue by \$9,223,410. Decrease Regulatory Services' special revenue fund (01900) revenue by \$360,690.

To reflect the Regulatory Services Reorganization Transition Committee changes from the Mayor's Recommended Budget, (Construction Code Services moving to Community Planning & Economic Development rather than remaining in Regulatory Services, Traffic Control remaining in Regulatory Services rather than moving to Public Works, and Environmental Health/Food moving to Health & Family Support rather than Community Planning & Economic Development) the City Council amended the Mayor's recommended budget as follows: (1) Increase Community Planning & Economic Development's general fund (00100) expense appropriation by \$5,685,386. Increase Community Planning & Economic Development's special revenue fund (01900) expense appropriation by \$359,826. Increase Community Planning & Economic Development FTE authorization by 44. (2) Increase Health & Family Support's general fund (00100) expense appropriation by \$2,385,127. Decrease Health & Family Support's other grants fund (01600) by \$231,058. Increase Health & Family Support FTE authorization by 19. (3) Decrease Public Works' general fund (00100) appropriation by \$4,642,469. Decrease Public Works' FTE authorization by 45. (4) Decrease Regulatory Services' general fund (00100) expense authorization by \$3,196,986. Decrease Regulatory Services' special revenue fund (01900) expense appropriation by \$359,826. Decrease Regulatory Service's FTE authorization by 18. (5) The Finance Department is directed to work with the Departments of Community Planning & Economic Development, Health & Family Support, Public Works, and Regulatory

Services to make the appropriate adjustments at the program/cost center level to reflect these changes.

In addition, the Council adopted the following staff directions:

Direct the Department Heads of Regulatory Services, Health and Family Support, Fire, and Community Planning and Economic Development to report on the status of the Regulatory Services reorganization at Committee of the Whole on June 13, 2013.

The City Coordinator and Chief Financial Officer are directed to lead a staff working group, also including the heads of the Departments of Regulatory Services, Health and Family Support, Fire and Community Planning and Economic Development, to oversee the operational execution of the Regulatory Services reorganization. This group will manage the various finance and accounting, technology, space and other related changes to various operational and processing activities necessary to reflect the movement of certain business units to new Departments.

The City Attorney's Office is directed to work with Regulatory Services, Community Planning & Economic Development, Health & Family Support, and other affected departments to propose ordinance changes necessary to implement: (1) the reorganization of the Regulatory Services department and (2) the transfer of certain duties from the Regulatory Services to other departments as outlined in the Transition Committee Update, dated December 3, 2012. The City Attorney's Office is further directed to report proposed changes to the Committee of the Whole in the first Council cycle of 2013.

## Property Tax and Fee Changes

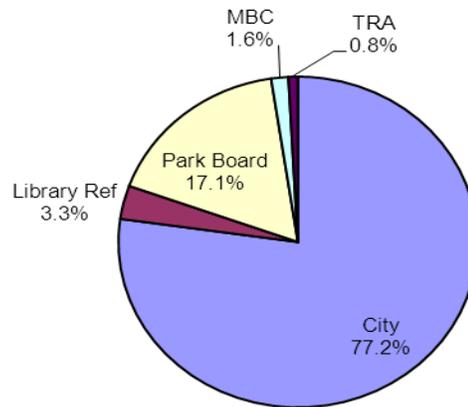
### ➤ Property Tax Revenue

The City's 2013 Council Adopted Budget includes an estimated net tax capacity rate of 2.582%. This rate is the combined rate for the City, the Board of Estimate and Taxation, the Minneapolis Park and Recreation Board, and the Municipal Building Commission (MBC). The Library referendum is a \$9.3 million market value based tax with an estimated tax capacity rate of 0.0287% for 2013 and is not included in the City's net tax capacity rate.

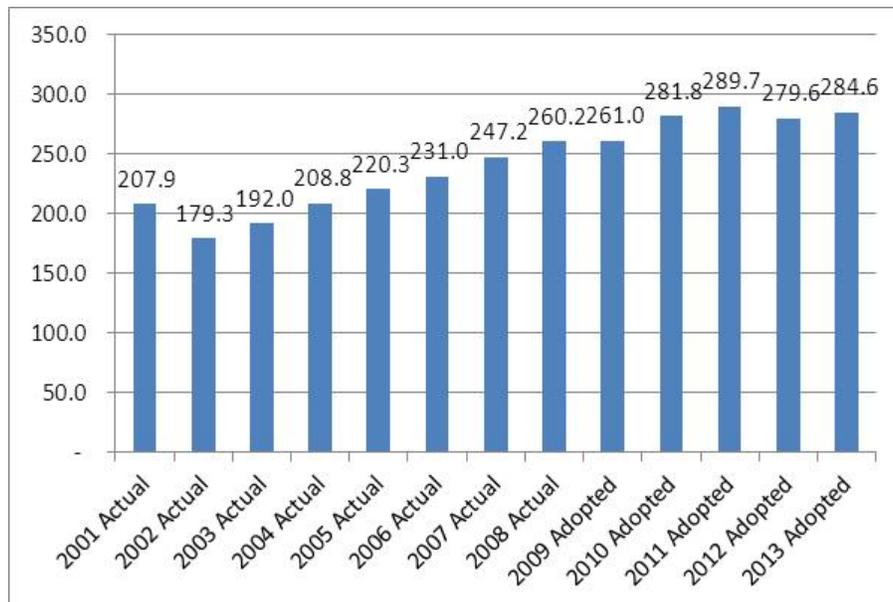
Also, three Special Taxing District Levies were adopted:

- 1) The Teacher's Retirement Association levy with an estimated net tax capacity rate of 0.637%
- 2) The Minneapolis Chapter 595 levy with an estimated net tax capacity rate of 0.316%
- 3) The Minneapolis Public Housing Authority with an estimated net capacity rate of 0.002%

**Property Tax by Fund - \$284.6 Million**



**Property tax revenue in constant 2012 dollars\***



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

### ➤ **Shared Revenue Approach**

As a part of the 2010 budget process, the Mayor recommended and Council adopted a shared revenue approach that makes cost shared between the City and its independent boards more transparent, as they are noted “above the line” prior to determining the revenue available for general operating expenditures for each entity. 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 clearly isolates changes to City policies and the funding of those policy changes. Future increases are aligned with available resources, and the annual percentage change in revenue available for general fund activities of the City, Park Board and MBC is the same for each entity. These distributions are allocated during the Council Adopted Budget process.

### ➤ **Market Value Exclusion Program**

When the Market Value Homestead Credit (MVHC) was eliminated by the State during the 2011 Special Session, it was replaced with the Market Value Exclusion Program. This program excludes part of the taxable value of homes from consideration for taxation. Homes with \$76,000 in market value 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 City’s overall tax base shrinks which means, all other variables being equal, that the tax rate charged to all properties increases. The City considers this is a transfer of tax burden from the State, which previously paid credits on behalf of the homeowner under the former MVHC, to all properties. The tax burden shifts from the State to the local taxpayers and generally more heavily toward commercial and industrial properties as they are not subject to the valuation exclusion.

Under the former MVHC, the same valued home across the State received the same credit. Under the new exclusion methodology, the effect on same-valued homes will vary greatly in different communities 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. 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. The table on the following page shows the percentage of Minneapolis residential properties grouped according to changes in their estimated City tax impacts payable in 2013.

**Percentage tax change of City taxes from 2012 to  
2013 payable at 1.77% levy change**

Percentage tax change (City portion)			Percentage of parcels in group*
more than - 30 %			0.72%
-20.00%	to	-30.00%	2.66%
-15.00%	to	-20.00%	4.46%
-10.00%	to	-15.00%	14.90%
-7.50%	to	-10.00%	12.01%
-5.00%	to	-7.50%	14.19%
-2.50%	to	-5.00%	13.63%
0.00%	to	-2.50%	7.25%
2.50%	to	0.00%	29.21%
5.00%	to	2.50%	0.23%
7.50%	to	5.00%	0.17%
10.00%	to	7.50%	0.10%
more than + 10 %			0.46%

\*This table shows that 69.8% of City properties have decreasing City taxes payable from 2012 to 2013. 29.2% will have a tax increase of 0% to 2.5% with less than 1% of properties having an increase of greater than 2.5%. 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.

- **Water, Sanitary Sewer and Stormwater Utility Fees:** For 2013, the Council Adopted Budget for Water and Sanitary Sewer fees include both a variable rate component based on water usage and a fixed rate component based on the size of the water meter servicing the property. The table below provides a summary what of an average residential customer's utility bill will change to in 2013 from 2012. The 2013 Council Adopted Budget also reduces the solid waste and recycling fee by \$7.00 per month and removes the recycling credit on residential bills, effectively leaving the cost flat to consumers that previously received the recycling credit. For detailed information on these changes, please refer to the narratives within the Public Works Department sections of this document.

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

	2012	2013 Monthly Average	2013 Annual Average	2013 monthly dollar change	2013 % change
<b>Water</b>	\$27.60	\$28.32	\$340	\$0.72	2.6%
<b>Sanitary Sewer</b>	\$21.30	\$21.84	\$262	\$0.54	2.5%
<b>Stormwater</b>	\$11.70	\$11.82	\$142	\$0.12	1.0%
<b>Solid Waste/Recycling*</b>	\$24.00	\$17.00	\$204	-\$7.00	-29.2%
<b>Total</b>	\$84.60	\$78.98	\$948	-\$5.62	-6.6%

\*The reduction of the recycling credit offsets the decrease in the solid waste and recycling fee for 2013, essentially leaving the out-of-pocket costs borne by consumers flat from 2012.

- **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 2013 Council Adopted Budget anticipates the total franchise fee revenue will decrease by \$100,000 from the 2012 Council Adopted Budget, from \$27.5 million in 2012 to \$27.4 million in 2013. The decline in revenue is due to eliminating revenue from the bus stop advertising franchise fee.

There are three 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. 2013, the Council Adopted Budget anticipates Xcel will pay the City \$16.2 million from this agreement, the same amount as 2012.

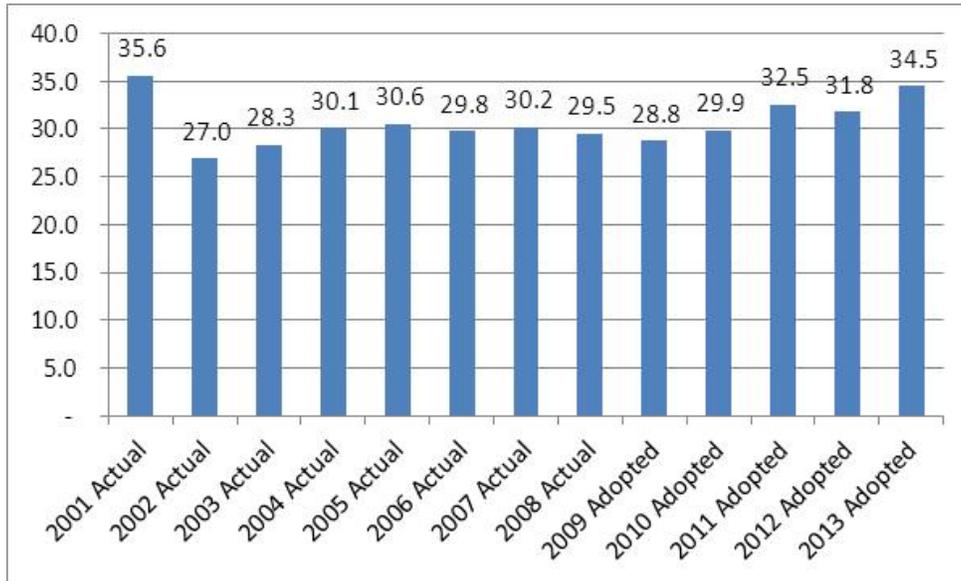
The franchise agreement with CenterPoint Energy for natural gas requires the company to pay the City 4.25% of gross revenues for Minneapolis residential buildings with four units or less, 5% for small commercial/industrial/firm or "interruptible" customers (customers who have agreements to allow their service to be interrupted, generally during peak loads), and 3% for large volume interruptible customers. For 2013, the Council Adopted Budget anticipates CenterPoint Energy will pay the City \$8.1 million from this agreement, the same amount as 2012.

The City also has a cable television franchise with Comcast that is anticipated to generate \$3.1 million for the City in 2013, the same as in 2012. 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 2013, the same amount as 2012. There are ten PEG channels in the City of Minneapolis: four public, three educational and three government channels.

- **Community Development Block Grant:** The 2013 Council Adopted Budget allocates \$10.7 million in CDBG funding for City programs, the same amount as 2012.

- **Other fee changes:** The licenses and permit fee revenue is expected to increase from \$31.8 million in 2012 to \$34.5 million in 2013 due to recent and projected activity levels and current projections.

**License and permit revenue in constant 2012 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 updated charts are from the City Assessor's Office with estimated market values and corresponding tax capacity by property group for the 2012 assessment, payable in 2013 property taxes.

Group	2012 Estimated Market Value	% of Total	% Change	Tax Capacity	% of Total	% Change
<b>Real Estate</b>						
Commercial	\$6,036,325,700	18.5%	0.8%	\$118,343,477	29.8%	0.9%
Industrial	1,286,702,700	3.9%	-1.2%	25,268,745	6.4%	-1.2%
Residential	21,514,704,900	65.9%	-5.0%	205,912,855	51.8%	-5.4%
Apartment	3,365,828,300	10.3%	3.1%	39,965,911	10.1%	2.8%
Other	20,771,100	0.1%	0.5%	276,999	0.1%	0.6%
<b>Sub Total</b>	<b>\$32,224,332,700</b>	<b>98.8%</b>	<b>-3.0%</b>	<b>\$389,767,987</b>	<b>98.0%</b>	<b>-2.5%</b>
<b>Personal Property</b>						
All	406,469,900	1.2%	5.8%	7,767,797	2.0%	6.1%
<b>Grand Total</b>	<b>\$32,630,802,600</b>	<b>100.0%</b>	<b>-2.9%</b>	<b>\$397,535,784</b>	<b>100.0%</b>	<b>-2.3%</b>

### 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 2013:

<b>For Taxes Payable in 2013</b>	
Real Estate Tax Capacity	\$389,767,987
Personal Property Tax Capacity	\$7,767,797
<b>Gross Tax Capacity</b>	<b>\$397,535,784</b>
- Less Increment Financing	(\$27,186,847)
- Less Fiscal Disparities Contribution	(\$47,101,081)
+ Plus Fiscal Disparities Distribution	\$51,075,667
<b>Adjusted Net Tax Capacity</b>	<b>\$374,323,523</b>

### Commercial and Industrial Trends

The City of Minneapolis maintains 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 2012 commercial/industrial tax base is \$7.3 billion dollars, of which \$4.1 billion resides in the Minneapolis Central Business District (CBD).

Between January 2011 and January 2012 the Minneapolis CBD experienced a slight increase in the commercial and industrial tax base. Citywide, the commercial and industrial tax base for Minneapolis increased from \$7.1 billion dollars in 2011 to \$7.3 billion dollars in 2012.

### Apartments

The 2012 apartment market continues to outperform the other markets in Minneapolis with a 2.3% market increase over 2011. Apartment vacancy rates in Minneapolis decreased during 2012. Supply is increasing, and more than 500 units were permitted in 2011. Average rents remained relatively unchanged overall, with rents in North Minneapolis increasing slightly while rents in South and Southwest Minneapolis decreased slightly. Typical monthly rents ranged from \$685 for studio apartments to \$1,295 for three bedroom apartments.

### 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 \$213,000. By 2012, that median property value declined to \$170,000, or a reduction of 20.1 percent in five years. The Minneapolis Area Association of Realtors reports the median sale price of residential homes decreased from \$161,150 in January 2011 to \$157,348 in January 2012. Much of the decrease can be attributed to the lingering supply of foreclosure inventory in the market. Residential foreclosures sales in Minneapolis decreased 25.5 percent from 2,308 (FY 2010) to 1,719 (FY 2011), a sign that the foreclosure market is trending downward, one positive indicator for the Minneapolis residential market. As of January 2012, the residential tax base was reduced by 5.4% percent from 2011.

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%
2013	0.46%	-5.37%	2.79%

## 2013 Adopted Budget Property Tax Levies

	2012 Adopted	2013 Adopted Budget		
		2013 Adopted Levies	% Change from 2012	\$ Change from 2012
<b>By Major Funds</b>				
General Levies	\$277,157,000	\$281,139,000	1.44%	\$3,982,000
Special Levies Other*	\$2,450,000	\$3,421,000	39.63%	\$971,000
<b>Grand Totals</b>	<b>\$279,607,000</b>	<b>\$284,560,000</b>	<b>1.77%</b>	<b>\$4,953,000</b>

	2012 Adopted	2013 Adopted Budget		
		2013 Adopted Levies	% Change from 2012	\$ Change from 2012
<b>By Entity</b>				
City**	\$216,355,000	\$219,634,000	1.52%	\$3,279,000
Municipal Building Commission	\$4,285,000	\$4,410,000	2.92%	\$125,000
Park Board	\$47,217,000	\$48,616,000	2.96%	\$1,399,000
Library Referendum***	\$9,300,000	\$9,300,000	0.00%	\$0
Public Housing Authority	\$0	\$200,000		\$200,000
Teachers' Retirement	\$2,450,000	\$2,400,000	-2.04%	(\$50,000)
<b>Grand Totals</b>	<b>\$279,607,000</b>	<b>\$284,560,000</b>	<b>1.77%</b>	<b>\$4,953,000</b>

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

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

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

## 2013 Adopted Budget Property Tax Levies

	2012 Adopted	2013 Adopted Budget		
		2013 Adopted Levies	% Change from 2012	\$ Change from 2012
<b>Levy Only Entities</b>				
Public Housing Auth	\$0	\$200,000		\$200,000
Teachers Retirement	\$2,450,000	\$2,400,000	-2.04%	(\$50,000)
Library Referendum***	\$9,300,000	\$9,300,000	0.00%	\$0
Board Estimate & Taxation	\$170,000	\$175,000	2.94%	\$5,000
Perm. Imp Fund	\$1,000,000	\$1,000,000	0.00%	\$0
Bond Redemption Fund	\$18,750,000	\$21,200,000	13.07%	\$2,450,000
MERF	\$17,461,000	\$18,150,000	3.95%	\$689,000
MFRA	\$325,000	\$2,745,000	744.62%	\$2,420,000
MPRA	\$2,275,000	\$6,415,000	181.98%	\$4,140,000
<b>Subtotals</b>	<b>\$51,731,000</b>	<b>\$61,585,000</b>	<b>19.05%</b>	<b>\$9,854,000</b>
<b>Levy &amp; LGA Entities</b>				
Municipal Building Commission	\$4,285,000	\$4,410,000	2.92%	\$125,000
Park & Recreation Board	\$47,217,000	\$48,616,000	2.96%	\$1,399,000
General Fund Levy*	\$176,374,000	\$169,949,000	-3.64%	(\$6,425,000)
<b>Subtotals</b>	<b>\$227,876,000</b>	<b>\$222,975,000</b>	<b>-2.15%</b>	<b>(\$4,901,000)</b>
<b>Grand Totals</b>	<b>\$279,607,000</b>	<b>\$284,560,000</b>	<b>1.77%</b>	<b>\$4,953,000</b>

\* Includes the Chapter 595 (HRA) Levy

## 2013 Adopted Budget Activities Approach

Municipal Building Commission ( MBC )	2012	2013	% Change	\$ Change
Municipal Building Commission Levy	\$4,285,000	\$4,410,000	2.92%	\$125,000
Municipal Building Commission Tax rev	4,199,295	4,321,397	2.91%	\$122,102
MBC LGA Rev	193,067	193,067	0.00%	\$0
MBC Tax Rev & LGA	\$4,392,362	\$4,514,464	2.78%	\$122,102
One Time Expenditure for elevator repair				
LESS MBC's Trf to City General Fund OH	(50,619)	(52,600)	3.91%	(\$1,981)
MBC Activities Tax Rev & LGA	\$4,341,743	\$4,461,864	2.77%	\$120,121
MBC \$\$ Change		\$120,121		
MBC % Change		2.77%		
MBC Activities % Change After Cost ESC		0.00%		

Park Board	2012	2013	% Change	\$ Change
Park Board Operations				
Park Board Levy	\$47,217,000	\$48,616,000	2.96%	\$1,399,000
Park Board Tax rev	46,272,605	47,643,448	2.96%	\$1,370,843
Park Bd LGA Rev	7,570,039	7,570,039	0.00%	\$0
Park Board Tax Rev & LGA	\$53,842,644	\$55,213,487	2.55%	\$1,370,843
LESS Park Board's Trf to City General Fund OH	(931,670)	(839,100)	-9.94%	\$92,570
LESS Park Board's Trf to City General Admin Fee	(125,491)	(129,000)	2.80%	(\$3,509)
LESS Park Board's Capital Projects from Levy	(4,865,867)	(5,000,000)	2.76%	(\$134,133)
Park Board Activities Tax Rev & LGA	\$47,919,616	\$49,245,387	2.77%	\$1,325,771
Park Board Activities \$\$ Change		\$1,325,771		
Park Board Activities % Change		2.77%		
Park Board Activities % Change After Cost ESC		0.00%		

City General Fund	2012	2013	% Change	\$ Change
City GFd Levy	\$176,374,000	\$168,928,000	-4.22%	(\$7,446,000)
City GFd Tax rev	172,846,520	165,549,440	-4.22%	(\$7,297,080)
Chapter 595 Levy - Special Levy GFd Dept. \$\$		1,000,580		\$1,000,580
General Fund Revenues	145,949,134	154,832,800	6.09%	\$8,883,666
City LGA Rev	56,378,894	56,378,894	0.00%	\$0
City General Fund Revenue	\$375,174,548	\$377,761,714	0.69%	\$2,587,166
Less Payment to the Co for Library System non Tax \$\$	(4,982,000)	(4,106,000)	-17.58%	\$876,000
Less Gen Fd Revenue Transfer to BIS for Wi-Fi	(484,444)	(491,260)	1.41%	(\$6,816)
Less Revenue Transfer to Target Finance Plan	(92,000)	(89,000)	-3.26%	\$3,000
Less Revenue Transfer to Solid Waste Graffiti	(150,000)	(150,000)	0.00%	\$0
LESS City General Fund ( Trf to Pen DS sinking Fd )	(24,440,220)	(715,400)	-97.07%	\$23,724,820
LESS City GFd trf to Internal Service Funds \$ in Total	(15,785,218)	(28,732,619)	82.02%	(\$12,947,401)
LESS City GFd OH Not recovered from Park Bd	(833,820)	(442,480)	-46.93%	\$391,340
LESS Park Board's Trf to City General Fund OH	(931,670)	(839,100)	-9.94%	\$92,570
LESS MBC's Trf to City General Fund OH	(50,619)	(52,600)	3.91%	(\$1,981)
LESS City GFd OH Not recovered from MBC	(159,001)	(163,905)	3.08%	(\$4,904)
LESS Other's Trf to City General Fund OH	(20,397,131)	(19,793,500)	-2.96%	\$603,631
LESS City GFd OH Not recovered from Other's	(545,365)	(276,106)	-49.37%	\$269,259
LESS General Fund one time \$\$ in 2013	0	(1,728,000)		(\$1,728,000)
LESS General Fund one time \$\$ in 2012	(1,020,000)	0	-100.00%	\$1,020,000
Chapter 595 Levy 40% to Aff Housing Trust	0	(400,840)		(\$400,840)
City GFd Activities	\$305,303,060	\$319,780,904	4.74%	\$14,477,844
General Fund Activities \$\$ Change		\$14,477,844		
General Fund Activities % Change		4.74%		
General Fund Activities % Change After Cost ESC		1.97%		

## Residential Property Tax – Sample Bills

### Residential Property Levy & Utility Fee Estimated impact

with Estimated Market Value Change of >>

	0.0%				-5.0%				-10.0%			
	2012	2013	% Change	\$ Change	2013	% Change	\$ Change	2013	% Change	\$ Change		
Assessed Market Value ( MV )	\$133,000	\$133,000	0.0%	\$0	\$126,350	-5.0%	(\$6,650)	\$119,700	-10.0%	(\$13,300)		
Market Value Credit Exclusion	(\$25,270)	(\$25,270)			(\$25,869)			(\$26,467)				
<b>Taxable Value</b>	<b>\$107,730</b>	<b>\$107,730</b>	<b>0.0%</b>	<b>\$0</b>	<b>\$100,482</b>	<b>-6.7%</b>	<b>(\$7,249)</b>	<b>\$93,233</b>	<b>-13.5%</b>	<b>(\$14,497)</b>		
Tax Capacity	\$1,077	\$1,077	0.0%	\$0	\$1,005	-6.7%	(\$72)	\$932	-13.5%	(\$145)		
<b>City Property Taxes</b>												
Tax Capacity based Taxes	\$781	\$792	1.4%	\$11	\$739	-5.4%	(\$42)	\$686	-12.2%	(\$95)		
MV Referendum Tax	\$37	\$38	2.7%	\$1	\$36	-2.7%	(\$1)	\$34	-8.1%	(\$3)		
<b>Total City Property Taxes</b>	<b>\$818</b>	<b>\$830</b>	<b>1.5%</b>	<b>\$12</b>	<b>\$775</b>	<b>-5.3%</b>	<b>(\$43)</b>	<b>\$720</b>	<b>-12.0%</b>	<b>(\$98)</b>		
<b>Utility Fees</b>												
Water	\$331	\$340	2.6%	\$9	\$340	2.6%	\$9	\$340	2.6%	\$9		
Storm	\$140	\$142	1.0%	\$1	\$142	1.0%	\$1	\$142	1.0%	\$1		
Sanitary Sewer	\$256	\$262	2.5%	\$6	\$262	2.5%	\$6	\$262	2.5%	\$6		
Solid Waste Recycling	\$288	\$204	-29.2%	(\$84)	\$204	-29.2%	(\$84)	\$204	-29.2%	(\$84)		
<b>Total Utilities</b>	<b>\$1,015</b>	<b>\$948</b>	<b>-6.6%</b>	<b>(\$67)</b>	<b>\$948</b>	<b>-6.6%</b>	<b>(\$67)</b>	<b>\$948</b>	<b>-6.6%</b>	<b>(\$67)</b>		
<b>Total City Property Taxes &amp; Utility</b>	<b>\$1,833</b>	<b>\$1,778</b>	<b>-3.0%</b>	<b>(\$55)</b>	<b>\$1,723</b>	<b>-6.0%</b>	<b>(\$110)</b>	<b>\$1,668</b>	<b>-9.0%</b>	<b>(\$165)</b>		

### Residential Property Levy & Utility Fee Estimated impact

with Estimated Market Value Change of >>

	0.0%				-5.0%				-10.0%			
	2012	2013	% Change	\$ Change	2013	% Change	\$ Change	2013	% Change	\$ Change		
Assessed Market Value ( MV )	\$195,500	\$195,500	0.0%	\$0	\$185,725	-5.0%	(\$9,775)	\$175,950	-10.0%	(\$19,550)		
Market Value Credit Exclusion	(\$24,005)	(\$19,645)			(\$20,525)			(\$21,405)				
<b>Taxable Value</b>	<b>\$171,495</b>	<b>\$175,855</b>	<b>2.5%</b>	<b>\$4,360</b>	<b>\$165,200</b>	<b>-3.7%</b>	<b>(\$6,295)</b>	<b>\$154,546</b>	<b>-9.9%</b>	<b>(\$16,950)</b>		
Tax Capacity	\$1,715	\$1,759	2.5%	\$44	\$1,652	-3.7%	(\$63)	\$1,545	-9.9%	(\$169)		
<b>City Property Taxes</b>												
Tax Capacity based Taxes	\$1,244	\$1,293	3.9%	\$49	\$1,215	-2.3%	(\$29)	\$1,136	-8.7%	(\$108)		
MV Referendum Tax	\$54	\$56	3.7%	\$2	\$53	-1.9%	(\$1)	\$50	-7.4%	(\$4)		
<b>Total City Property Taxes</b>	<b>\$1,298</b>	<b>\$1,349</b>	<b>3.9%</b>	<b>\$51</b>	<b>\$1,268</b>	<b>-2.3%</b>	<b>(\$30)</b>	<b>\$1,186</b>	<b>-8.6%</b>	<b>(\$112)</b>		
<b>Utility Fees</b>												
Water	\$331	\$340	2.6%	\$9	\$340	2.6%	\$9	\$340	2.6%	\$9		
Storm	\$140	\$142	1.0%	\$1	\$142	1.0%	\$1	\$142	1.0%	\$1		
Sanitary Sewer	\$256	\$262	2.5%	\$6	\$262	2.5%	\$6	\$262	2.5%	\$6		
Solid Waste Recycling	\$288	\$204	-29.2%	(\$84)	\$204	-29.2%	(\$84)	\$204	-29.2%	(\$84)		
<b>Total Utilities</b>	<b>\$1,015</b>	<b>\$948</b>	<b>-6.6%</b>	<b>(\$67)</b>	<b>\$948</b>	<b>-6.6%</b>	<b>(\$67)</b>	<b>\$948</b>	<b>-6.6%</b>	<b>(\$67)</b>		
<b>Total City Property Taxes &amp; Utility</b>	<b>\$2,313</b>	<b>\$2,297</b>	<b>-0.7%</b>	<b>(\$16)</b>	<b>\$2,216</b>	<b>-4.2%</b>	<b>(\$97)</b>	<b>\$2,134</b>	<b>-7.8%</b>	<b>(\$179)</b>		

**Residential Property Levy & Utility Fee Estimated impact**

with Estimated Market Value Change of >>

	0.0%				-5.0%			-10.0%		
	2012	2013	% Change	\$ Change	2013	% Change	\$ Change	2013	% Change	\$ Change
Assessed Market Value (MV)	\$532,000	\$532,000	0.0%	\$0	\$505,400	-5.0%	(\$26,600)	\$478,800	-10.0%	(\$53,200)
Market Value Credit Exclusion	na	na			na			na		
Taxable Value	\$532,000	\$532,000	0.0%	\$0	\$505,400	-5.0%	(\$26,600)	\$478,800	-10.0%	(\$53,200)
Tax Capacity	\$5,400	\$5,400	0.0%	\$0	\$5,068	-6.2%	(\$333)	\$4,735	-12.3%	(\$665)
<b>City Property Taxes</b>										
Tax Capacity based Taxes	\$3,916	\$3,971	1.4%	\$55	\$3,726	-4.9%	(\$190)	\$3,482	-11.1%	(\$434)
MV Referendum Tax	\$148	\$153	3.4%	\$5	\$145	-2.0%	(\$3)	\$137	-7.4%	(\$11)
<b>Total City Property Taxes</b>	<b>\$4,064</b>	<b>\$4,124</b>	<b>1.5%</b>	<b>\$60</b>	<b>\$3,871</b>	<b>-4.7%</b>	<b>(\$193)</b>	<b>\$3,619</b>	<b>-10.9%</b>	<b>(\$445)</b>
<b>Utility Fees</b>										
Water	\$331	\$340	2.6%	\$9	\$340	2.6%	\$9	\$340	2.6%	\$9
Storm	\$140	\$142	1.0%	\$1	\$142	1.0%	\$1	\$142	1.0%	\$1
Sanitary Sewer	\$256	\$262	2.5%	\$6	\$262	2.5%	\$6	\$262	2.5%	\$6
Solid Waste Recycling	\$288	\$204	-29.2%	(\$84)	\$204	-29.2%	(\$84)	\$204	-29.2%	(\$84)
<b>Total Utilities</b>	<b>\$1,015</b>	<b>\$948</b>	<b>-6.6%</b>	<b>(\$67)</b>	<b>\$948</b>	<b>-6.6%</b>	<b>(\$67)</b>	<b>\$948</b>	<b>-6.6%</b>	<b>(\$67)</b>
<b>Total City Property Taxes &amp; Utility</b>	<b>\$5,079</b>	<b>\$5,072</b>	<b>-0.1%</b>	<b>(\$7)</b>	<b>\$4,819</b>	<b>-5.1%</b>	<b>(\$260)</b>	<b>\$4,567</b>	<b>-10.1%</b>	<b>(\$512)</b>

**Residential Property Levy & Utility Fee Estimated impact**

with Estimated Market Value Change of >>

	0.0%				-5.0%			-10.0%		
	2012	2013	% Change	\$ Change	2013	% Change	\$ Change	2013	% Change	\$ Change
Assessed Market Value (MV)	\$1,334,000	\$1,334,000	0.0%	\$0	\$1,267,300	-5.0%	(\$66,700)	\$1,200,600	-10.0%	(\$133,400)
Market Value Credit Exclusion	na	na			na			na		
Taxable Value	\$1,334,000	\$1,334,000	0.0%	\$0	\$1,267,300	-5.0%	(\$66,700)	\$1,200,600	-10.0%	(\$133,400)
Tax Capacity	\$15,425	\$15,425	0.0%	\$0	\$14,591	-5.4%	(\$834)	\$13,758	-10.8%	(\$1,668)
<b>City Property Taxes</b>										
Tax Capacity based Taxes	\$11,185	\$11,343	1.4%	\$158	\$10,730	-4.1%	(\$455)	\$10,117	-9.5%	(\$1,068)
MV Referendum Tax	\$372	\$383	3.0%	\$11	\$364	-2.2%	(\$8)	\$344	-7.5%	(\$28)
<b>Total City Property Taxes</b>	<b>\$11,557</b>	<b>\$11,726</b>	<b>1.5%</b>	<b>\$169</b>	<b>\$11,094</b>	<b>-4.0%</b>	<b>(\$463)</b>	<b>\$10,461</b>	<b>-9.5%</b>	<b>(\$1,096)</b>
<b>Utility Fees</b>										
Water	\$331 #	\$340	2.6%	\$9	\$340	2.6%	\$9	\$340	2.6%	\$9
Storm	\$140 #	\$142	1.0%	\$1	\$142	1.0%	\$1	\$142	1.0%	\$1
Sanitary Sewer	\$256 #	\$262	2.5%	\$6	\$262	2.5%	\$6	\$262	2.5%	\$6
Solid Waste Recycling	\$288 #	\$204	-29.2%	(\$84)	\$204	-29.2%	(\$84)	\$204	-29.2%	(\$84)
<b>Total Utilities</b>	<b>\$1,015</b>	<b>\$948</b>	<b>-6.6%</b>	<b>(\$67)</b>	<b>\$948</b>	<b>-6.6%</b>	<b>(\$67)</b>	<b>\$948</b>	<b>-6.6%</b>	<b>(\$67)</b>
<b>Total City Property Taxes &amp; Utility</b>	<b>\$12,572</b>	<b>\$12,674</b>	<b>0.8%</b>	<b>\$102</b>	<b>\$12,042</b>	<b>-4.2%</b>	<b>(\$530)</b>	<b>\$11,409</b>	<b>-9.3%</b>	<b>(\$1,163)</b>

## Commercial/Industrial and Apartment Property Tax – Sample Bills

<b>Commercial/Industrial Property</b>					<b>0.0%</b>			<b>-5.0%</b>			<b>-10.0%</b>		
<b>with Estimated Pay 2013 Market Value Change of</b>													
	2012	2013	% Change	\$ Change	2013	% Change	\$ Change	2013	% Change	\$ Change	2013	% Change	\$ Change
Assessed Market Value (MV)	\$275,000	\$275,000	0.0%	\$0	\$261,250	-5.0%	(\$13,750)	\$247,500	-10.0%	(\$27,500)			
Tax Capacity	\$4,750	\$4,750	0.0%	\$0	\$4,475	-5.8%	(\$275)	\$4,200	-11.6%	(\$550)			
<b>City Property Taxes</b>													
Tax Capacity based Taxes	\$2,228	\$2,404	7.9%	\$176	\$2,265	1.7%	\$37	\$2,126	-4.6%	(\$102)			
MV Referendum Tax	\$77	\$79	3.0%	\$2	\$75	-2.2%	(\$2)	\$71	-7.3%	(\$6)			
<b>Total City Property Taxes</b>	<b>\$2,305</b>	<b>\$2,483</b>	<b>7.7%</b>	<b>\$178</b>	<b>\$2,340</b>	<b>1.5%</b>	<b>\$35</b>	<b>\$2,197</b>	<b>-4.7%</b>	<b>(\$108)</b>			

<b>Commercial/Industrial Property</b>					<b>0.0%</b>			<b>-5.0%</b>			<b>-10.0%</b>		
<b>with Estimated Pay 2013 Market Value Change of</b>													
	2012	2013	% Change	\$ Change	2013	% Change	\$ Change	2013	% Change	\$ Change	2013	% Change	\$ Change
Assessed Market Value (MV)	\$10,375,000	\$10,375,000	0.0%	\$0	\$9,856,250	-5.0%	(\$518,750)	\$9,337,500	-10.0%	(\$1,037,500)			
Tax Capacity	\$206,750	\$206,750	0.0%	\$0	\$196,375	-5.0%	(\$10,375)	\$186,000	-10.0%	(\$20,750)			
<b>City Property Taxes</b>													
Tax Capacity based Taxes	\$96,983	\$104,647	7.9%	\$7,665	\$99,396	2.5%	\$2,413	\$94,145	-2.9%	(\$2,838)			
MV Referendum Tax	\$2,890	\$2,977	3.0%	\$86	\$2,828	-2.2%	(\$63)	\$2,679	-7.3%	(\$212)			
<b>Total City Property Taxes</b>	<b>\$99,873.11</b>	<b>\$107,624</b>	<b>7.8%</b>	<b>\$7,751</b>	<b>\$102,224</b>	<b>2.4%</b>	<b>\$2,351</b>	<b>\$96,824</b>	<b>-3.1%</b>	<b>(\$3,050)</b>			

<b>Apartment Property</b>					<b>0.0%</b>			<b>-5.0%</b>			<b>-10.0%</b>		
<b>with Estimated Pay 2013 Market Value Change of</b>													
	2012	2013	% Change	\$ Change	2013	% Change	\$ Change	2013	% Change	\$ Change	2013	% Change	\$ Change
Assessed Market Value (MV)	\$404,000	\$404,000	0.0%	\$0	\$383,800	-5.0%	(\$20,200)	\$363,600	-10.0%	(\$40,400)			
Tax Capacity	\$5,050	\$5,050	0.0%	\$0	\$4,798	-5.0%	(\$253)	\$4,545	-10.0%	(\$505)			
<b>City Property Taxes</b>													
Tax Capacity based Taxes	\$3,662	\$3,714	1.4%	\$52	\$3,528	-3.7%	(\$134)	\$3,342	-8.7%	(\$320)			
MV Referendum Tax	\$113	\$113	0.0%	\$0	\$110	-2.2%	(\$2)	\$104	-7.3%	(\$8)			
<b>Total City Property Taxes</b>	<b>\$3,774</b>	<b>\$3,826</b>	<b>1.4%</b>	<b>\$52</b>	<b>\$3,638</b>	<b>-3.6%</b>	<b>(\$136)</b>	<b>\$3,446</b>	<b>-8.7%</b>	<b>(\$328)</b>			

<b>Apartment Property</b>					<b>0.0%</b>			<b>-5.0%</b>			<b>-10.0%</b>		
<b>with Estimated Pay 2013 Market Value Change of</b>													
	2012	2013	% Change	\$ Change	2013	% Change	\$ Change	2013	% Change	\$ Change	2013	% Change	\$ Change
Assessed Market Value (MV)	\$722,000	\$722,000	0.0%	\$0	\$685,900	-5.0%	(\$36,100)	\$649,800	-10.0%	(\$72,200)			
Tax Capacity	\$9,025	\$9,025	0.0%	\$0	\$8,574	-5.0%	(\$451)	\$8,123	-10.0%	(\$903)			
<b>City Property Taxes</b>													
Tax Capacity based Taxes	\$6,544	\$6,637	1.4%	\$93	\$6,305	-3.7%	(\$239)	\$5,973	-8.7%	(\$571)			
MV Referendum Tax	\$201	\$201	0.0%	\$0	\$197	-2.2%	(\$4)	\$186	-7.3%	(\$15)			
<b>Total City Property Taxes</b>	<b>\$6,745</b>	<b>\$6,838</b>	<b>1.4%</b>	<b>\$93</b>	<b>\$6,501</b>	<b>-3.6%</b>	<b>(\$244)</b>	<b>\$6,159</b>	<b>-8.7%</b>	<b>(\$586)</b>			