

# City of Minneapolis 2013 Budget

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

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### **Background**

Longer term financial planning is integral to the City's budget process. In order to identify and plan for demands on the property tax levy, the City implemented a ten-year property tax projection initiative. The ten-year projection was first produced in the spring of 2002 to surface all the demands on the property tax to which the City had committed. This projection led to the adoption of the 8% maximum property tax policy in the summer of 2002 by both the City Council and the Board of Estimate and Taxation. In January 2003, the City Council and Mayor adopted a five-year financial direction to set resource parameters for department business plans. This policy was subsequently amended in 2010 to fund shared costs and provide consistent levels of operating resources for the City and independent boards. Projections now serve as general guidance for departmental resource planning as the City adopted the Priority Budgeting Process.

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

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

- Included in the projections is a property tax stabilization account that will smooth property tax levy increases and decreases to provide a more stable percent change from year to year. This funding mechanism is planned to start in 2015.

### **General Fund Operations Assumptions**

- It is anticipated that salary settlements will vary within and between bargaining units. Assumptions are updated annually as contracts are settled.
- Annual increases in health insurance premiums of 5.0% in 2013, 9.5% in 2014-2018, and 12% thereafter.
- Non-personnel increases are assumed to be 3.5% each year.
- No increase in departmental and citywide revenue (except for some regulatory services, CPED and Health revenues which are expected to increase by 3%). Please see the discussion in the 2014-2018 five-year financial direction, earlier under this same tab, for more information by department.
- Internal Service Funds financial plans are phased out at an accelerated schedule. The final transfer is scheduled for 2015.
- Commitments for the library are included in the general fund. In 2010 and beyond, the property tax levy for operations are included in the Hennepin County levy.

### **Capital and Debt Assumptions**

- As part of last year's budget and in response to critical infrastructure needs and reduced support from the State of Minnesota, the amount of property tax supported resources for capital improvements was expanded 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 otherwise would 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 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 expenditures in this program is primarily on improving street paving.

- The Net Debt Bond (NDB) program is funded with property tax collections. The five-year financial direction for the bond redemption levy includes increases in 2014 and more significant increases for 2015 and beyond for capital improvements. These increases are possible due to improvements in the internal service fund financial plans which reduce the demand for property tax resources previously needed to eliminate their deficits. The plan to pay off the remaining pension bonds in 2012 also creates financial capacity to continue the expanded NDB program.

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

	BUDGET YEAR 2013	5 Year Financial Directions Planning Time Line					2019	2020	2021	2022	2023
		2014	2015	2016	2017	2018					
<b>General Fund* Less Pension Mgmt. Plan (* Includes the Chapter 595 (HRA) Levy )</b>	\$18.143	(\$1.330)	(\$1.836)	\$5.996	\$6.872	\$7.814	\$10.849	\$13.983	\$15.520	\$16.479	\$17.303
<b>City Capital/Debt</b>											
Permanent Imp Fund	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Bond Redemption Fund	\$2.401	\$6.517	\$7.007	\$0.000	\$0.000	\$0.000	\$0.980	\$0.000	\$0.000	\$0.000	\$0.000
<b>Subtotal City Capital/Debt</b>	\$2.401	\$6.517	\$7.007	\$0.000	\$0.000	\$0.000	\$0.980	\$0.000	\$0.000	\$0.000	\$0.000
<b>City Totals Less Trf Pension Mgmt. Plan</b>	\$20.544	\$5.187	\$5.171	\$5.996	\$6.872	\$7.814	\$11.829	\$13.983	\$15.520	\$16.479	\$17.303
<b>Independent Boards &amp; Closed Pension Funds</b>											
Board of Estimate & Taxation	\$0.005	\$0.004	\$0.010	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005	\$0.004
Library Referendum Levy	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Park & Recreation Board	\$1.371	\$1.721	\$1.799	\$1.883	\$1.972	\$2.067	\$2.354	\$2.503	\$2.666	\$2.844	\$3.040
Municipal Bldg. Commission	\$0.123	\$0.153	\$0.160	\$0.168	\$0.175	\$0.186	\$0.209	\$0.225	\$0.238	\$0.255	\$0.272
Mpls Public Housing Authority	\$0.196	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Teachers Retirement Assoc	(\$0.049)	(\$0.098)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
<b>Subtotal Independent Boards</b>	\$1.646	\$1.780	\$1.969	\$2.056	\$2.152	\$2.258	\$2.568	\$2.733	\$2.909	\$3.104	\$3.316
Pension Mgmt. Plan	(\$17.336)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
<b>Total Independent Bds &amp; Closed Pension Funds</b>	(\$15.693)	\$1.780	\$1.969	\$2.056	\$2.152	\$2.258	\$2.568	\$2.733	\$2.909	\$3.104	\$3.316
<b>Incremental Property Tax Revenue</b>	\$4.658	\$6.967	\$7.140	\$8.052	\$9.024	\$10.072	\$14.397	\$16.716	\$18.429	\$19.583	\$20.619
<b>Total Property Tax Revenue</b>	\$278.869	\$285.641	\$292.781	\$300.833	\$309.857	\$319.929	\$334.326	\$351.042	\$369.471	\$389.054	\$409.673
<b>% Change Property Tax</b>	1.77%	2.50%	2.50%	2.75%	3.00%	3.25%	4.50%	5.00%	5.25%	5.30%	5.30%
	BUDGET YEAR 2013	5 Year Financial Directions Planning Time Line					2019	2020	2021	2022	2023
		2014	2015	2016	2017	2018					