

City of Minneapolis
2014 Budget
Financial Plan
Community and Economic Development Funds

Background

Community and Economic Development Funds support the City's development efforts and are primarily managed by the Community Planning and Economic Development (CPED) department with the assistance of the Development Finance Division of the Finance Department. The resources used to fund these activities have faced several challenges in past years, including lower than expected tax increment and non-tax increment revenues, reductions in federal grant allocations, and limited flexible resources. The Financial Plan schedule is inclusive of both CPED's operating budget and transfer and debt service payments. Transfer and debt services payments are reflected in separate lines for ease of comparing operational activities from year-to-year.

2014 Budget

Revenues

Overall, operating revenues in CPED are increased by 4.9% for the 2014 adopted budget, an increase of \$3.0 million as compared to the 2013 adopted budget. Within this 4.9% increase, there are a number of re-allocations and re-structuring of funding sources for CPED operating activities. First, General Fund revenue increases by \$9.7 million over the 2013 budget, totaling \$34.5 million for 2014 and reflecting an increase of 39.3%. The large increase in General Fund funding for the 2014 budget reflects two primary factors: a change in accounting practice whereby revenues associated with the issuance of conduit bonds for housing and economic development are now considered General Fund revenues. In prior years, these resources were identified as special revenues and were reflected in those areas as depicted in the chart at the end of this section. The second factor is a projected increase in permit revenues associated with the current boom in new construction, including the Vikings stadium and associated developments. The \$9.7 million increase in General Fund is offset by a decrease in program fees and revenue of \$6.2 million. An additional \$3.5 million in General Fund resources is allocated to CPED to mitigate the impact of a longer-term structural deficit in funding for operational and preliminary planning activities.

Tax increment revenues for 2014 are budgeted at an amount similar to the 2013 adopted budget, or \$30.3 million, which reflects less than a one percent reduction from 2013. Future years' tax increment revenue is projected to decline slightly on an annual basis. The 2014 contemplates utilizing \$2.0 million in TIF for affordable housing, but is anticipated to be reduced in future years as accumulated funds are depleted. Program income varies on an annual basis and is projected to decline at a rate of 5% following a 2.7% reduction from the 2013 adopted budget.

Federal funds are dependent upon the availability of federal grants and allocations. These resources have generally been declining in recent years. Future amounts are based upon current projections.

Revenue from the Consolidated TIF District will be used to pay existing Target Center debt in 2014 and beyond for Target Center debt and neighborhood revitalization activities. The financial plan does not include any assumptions regarding this district, since currently none of the revenues will be directly available for CPED activities.

Expenditures

The 2014 adopted operating budget of \$62.5 million reflects a \$9.3 million, or 17.4% increase compared to the 2013 adopted operating budget. The \$9.3 million increase from the 2013 operating budget includes funding for 5 new FTEs, 4 to expand CPED's regulatory capacity in response to the current building boom and 1 Homelessness Coordinator position that has been transferred from another city department to CPED. Other operating cost adjustments include a \$2.2 million increase associated with allocated costs through the City's internal service charge mechanism, \$2.5 million for indirect costs associated with the transfer and debt service areas and \$0.5 million in supplemental funding for affordable housing. The future expenditure projections contain assumptions that must be revisited annually in the context of revised revenues and department performance measures. The tax increment revenues will continue to be restricted to existing debt and contractual obligations.

Debt

Bonded debt payable from tax increment revenues remains outstanding beyond 2014. It is anticipated that tax increment revenue will be sufficient to pay debt service on these obligations.

CDBG Program Income

Resources have been identified and are being appropriated to repay the balance of the CDBG Letter of Credit relating to Block E, therefore the policy of redirecting 50% of the CDBG Program Income to pay down the letter of credit is no longer needed and 100% of that revenue may be available for reprogramming purposes.

General Fund Resources

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

**City of Minneapolis
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Financial Plan (in thousands of dollars)**

Projected CPED Revenues & Expenditures

	2012 Adopted	2013 Adopted	2014 Council Adopted	% Chg from 2013	2015 Forecast	2016 Forecast	2017 Forecast
Local Funds							
General Fund Total	3.505	24.780	34.525	39.3%	35.539	36.576	37.643
Capital Bonding (CIP) (Public Arts Proj)	0.346	0.605	0.480	-20.7%	0.545	0.405	0.425
Tax Increment	44.972	30.387	30.257	-0.4%	27.641	25.371	25.080
Affordable Housing TI	2.000	2.000	2.000	0.0%	0.300	0.300	0.300
Interest Earnings all Funds	2.080	1.248	1.225	-1.9%	1.225	1.225	1.225
Housing Program Fees & Revenues*	1.090	1.393	-	-100.0%	-	-	-
Economic Dev Program Fees & Revenues*	4.930	4.777	-	-100.0%	-	-	-
Other Project & Program Income	14.341	15.247	14.838	-2.7%	9.598	9.118	8.662
							-
Federal Funds							
CDBG & NSP**	9.198	8.041	8.924	11.0%	7.056	7.056	7.056
ESG	0.939	0.830	0.773	-6.8%	0.773	0.773	0.773
HOME	2.058	2.153	2.153	0.0%	2.153	2.153	2.153
							-
Other State/Local Grants	4.500	4.500	4.500	0.0%	4.500	4.500	4.500
Adjustment to cover Transfers and Debt Service***	(45.245)	(35.651)	(36.401)	2.1%	(26.259)	(24.102)	(23.826)
Total Projected Operating Revenues	44.713	60.311	63.275	4.9%	63.072	63.375	63.992
Appropriated							
Business Lines:							
Economic Policy & Development	10.544	10.181	11.856	16.5%	12.093	12.335	12.520
Workforce Development	8.874	8.796	8.331	-5.3%	8.497	8.667	8.797
Housing & Policy Development	14.484	14.090	17.535	24.4%	16.152	16.475	16.722
Long Range Planning	1.487	2.160	2.574	19.2%	2.625	2.678	2.718
Development Services	2.401	13.199	12.314	-6.7%	12.254	12.499	12.687
CPED Support:							-
Executive & Support Services	5.074	4.784	9.881	106.5%	10.078	10.280	10.434
Total Projected Operating Uses	42.865	53.210	62.489	17.4%	61.699	62.933	63.877
Transfer & Debt Service	49.245	35.651	36.401	2.1%	26.259	24.102	23.826
Difference	1.848	7.101	0.785		1.373	0.441	0.114

* Beginning in 2014, Housing and Economic Development bond fees are being treated as General Fund Direct Revenue

** Includes CDBG Program Income

*** For presentation purpose, Transfer and Debt Service budget has been separated from CPED's operating budget