

CITY OF MINNEAPOLIS

Overview of Mayor's 2017 Recommended Budget

Presented by the Finance and
Property Services Department.

Major Highlights

- Mayor's Recommendation includes a 5.5% increase in the tax levy
- Neighborhood Parks and Streets
 - Fully funded as planned in Spring, 2016
 - 1% tax levy increase for more Park operating for 2017
 - \$30 million in new capital spending
- Tax Levy and Local Taxes Offset Other Revenues
 - LGA flat
 - General fund fees, permits, etc. down
 - Sales, hospitality and entertainment tax volume up
- Increase in Public Safety Spending

Mayor's Recommended 2017 Budget

2017 Property Tax Levies

Fund	2016	2017	% Change	\$ Change
			From 2016	From 2016
General Fund	160,446,000	176,851,895	10.2%	16,405,895
Minneapolis Park Board - General	52,583,000	58,013,000	10.3%	5,430,000
Minneapolis Park Board - Tree	1,732,000	1,732,000	0.0%	0
Bond Redemption	37,800,000	37,800,000	0.0%	0
595 (HRA) Levy	129,000		-100.0%	-129,000
Permanent Improvement	1,000,000	500,000	-50.0%	-500,000
Pensions (MERF, MPRA, MFRA)	27,310,000	22,310,000	-18.3%	-5,000,000
Board of Estimate and Taxation	170,000	180,000	5.9%	10,000
Municipal Building Commission	4,810,000	4,954,300	3.0%	144,300
Teachers' Retirement	2,300,000	2,300,000	0.0%	0
Library Referendum Debt Service	9,300,000	9,300,000	0.0%	0
Total	297,580,000	313,941,195	5.5%	16,361,195

Major Highlights

- Public Safety in Mayor's 2017 Recommended Budget:
 - \$1.3 million in funding for 15 new sworn police officers, 12 for community policing, and 3 for a police/mental health co-responder pilot program
 - Nearly \$1 million for community based strategies to improve public safety
 - More than \$1 million annually for a Community Service Officer class to build more capacity for a proven pathway into the police department for people of color
 - \$400,000 for 5 additional full-time sworn firefighters to better serve residents and reduce overtime costs
- \$2.7 million in strategic cuts

CITY OF MINNEAPOLIS

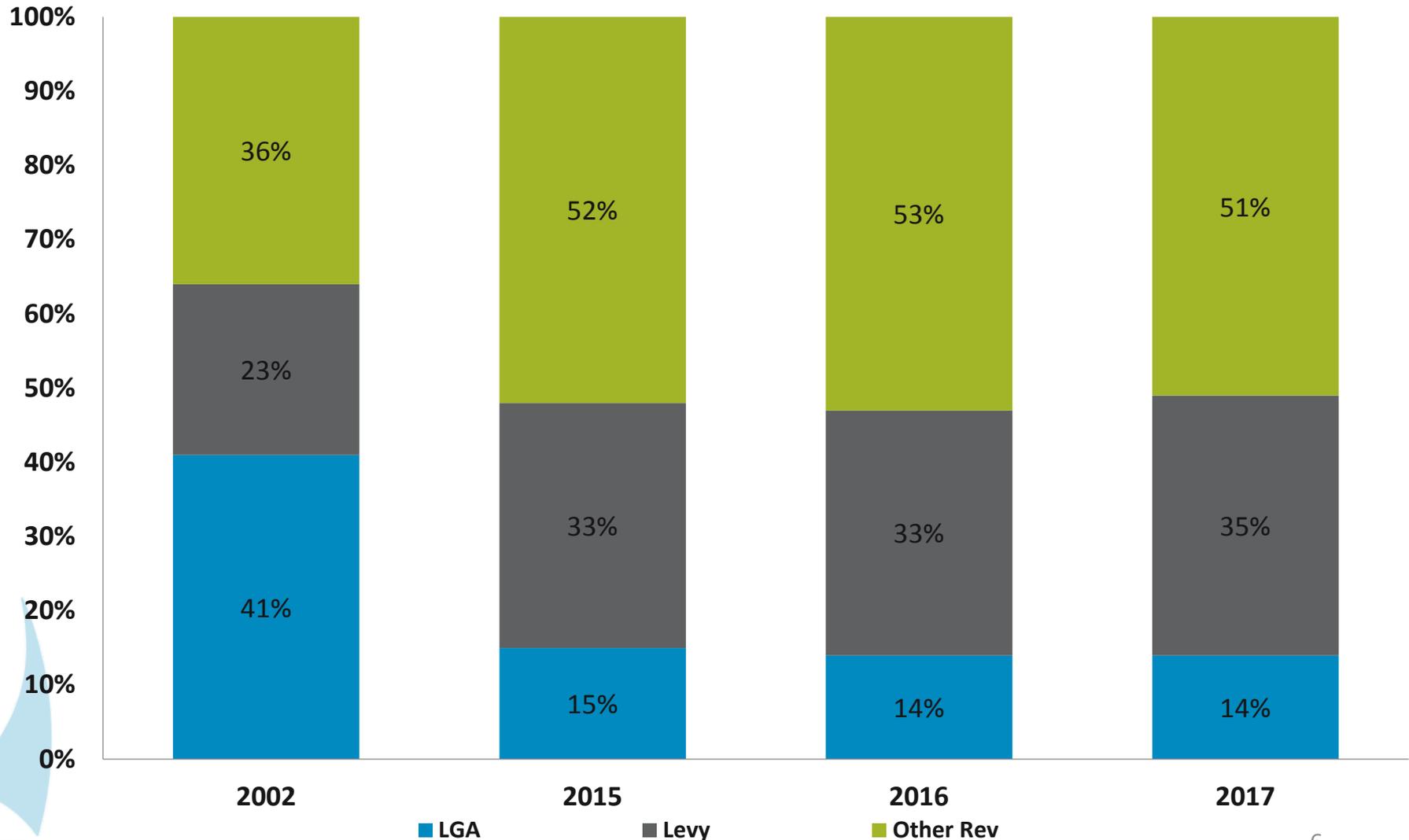
2017 Recommended Budget

General Fund Financial Overview

Mayor's Recommended 2017 Budget

Levy and Local Government Aid Funding

(for City General Fund)



General Fund – Overview

- \$497.8 million, less than 1/3 total budget
- General Fund Levy increase of 10.2% from 2016.



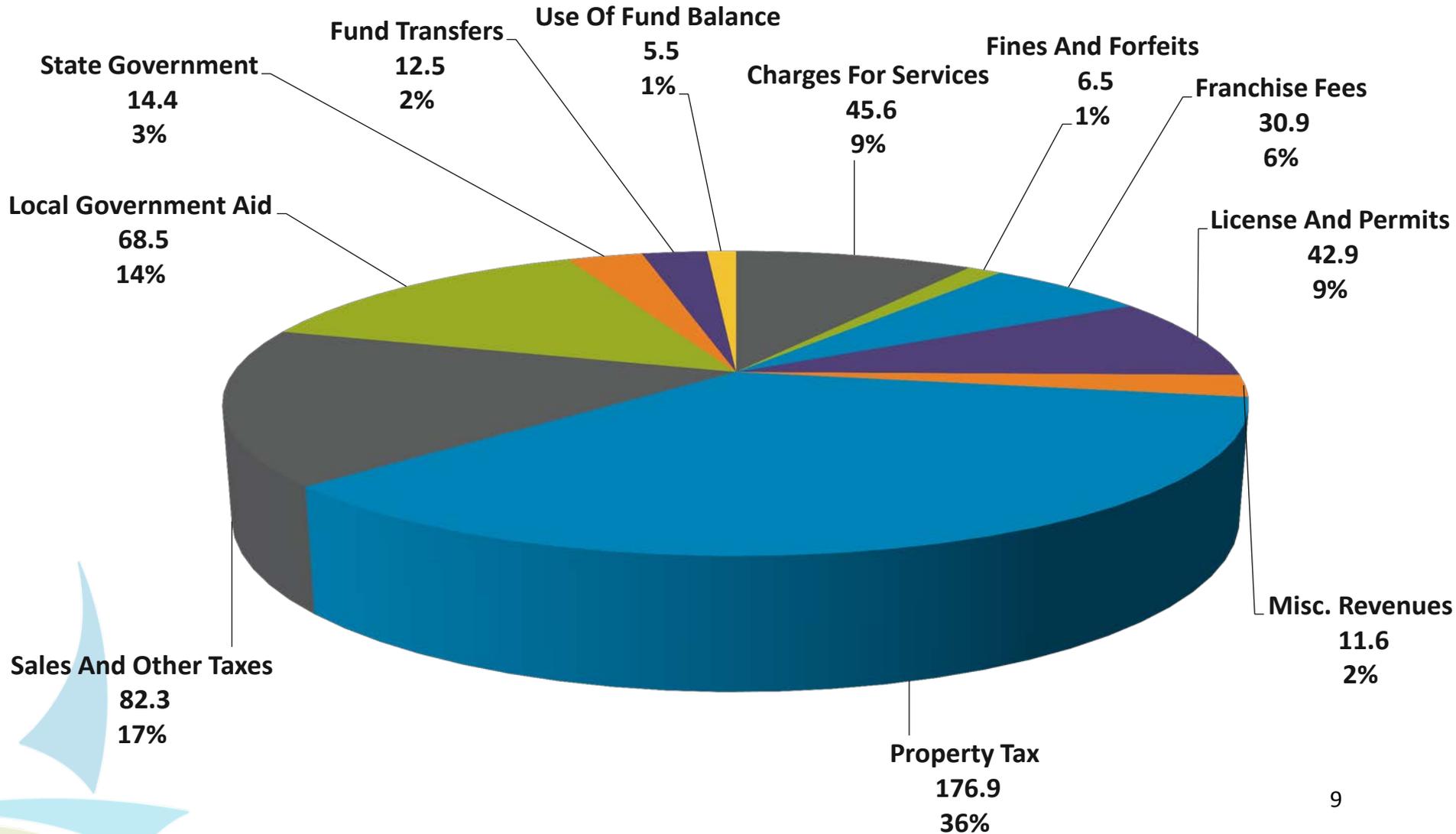
General Fund - Revenue by Category

Comparison to 2016

Revenue Source	2016 Adopted	2017 Recommended	% Change From 2016 Adopted
Charges For Services	47.4	45.6	-3.8%
Fines And Forfeits	7.3	6.5	-10.5%
Franchise Fees	31.5	30.9	-1.7%
License And Permits	43.4	42.9	-1.1%
Misc. Revenues	11.5	11.6	1.4%
Property Tax	160.4	176.9	10.2%
Sales And Other Taxes	76.0	82.3	8.3%
Local Government Aid	68.4	68.5	0.2%
State Government	14.3	14.4	1.0%
Fund Transfers	4.0	12.5	209.5%
Use Of Fund Balance	24.0	5.5	-77.0%
Total	488.2	497.8	2.0%

General Fund - Revenue by Category

(\$497.8 Million)



General Fund – Expense Drivers

- Costs associated with salaries and benefits
- Inflation on utilities, contracts, etc.
- Program Change Items

(see Financial Overview section in Mayor's Recommended 2017 Budget Book)



General Fund Expense – Ongoing

Assessor –

- \$113,500 for an additional Lead Appraiser
- \$100,000 for staff education, licensing and training.

Attorney –

- \$55,000 for the Restorative Justice and Interact program which supplements the existing \$45,000 in the base budget
- \$110,000 to cover shortfall in funding from the Justice Assistance Grant (JAG)
- \$200,000 reversal of previous year rightsizing initiative

City Clerk –

- \$100,000 for a Records Specialist (includes 1.0 FTE)

City Coordinator –

- \$145,000 for strategic management and continuous improvement (includes 1.0 FTE)
- \$100,000 for City Wide events

General Fund Expense – Ongoing

Civil Rights –

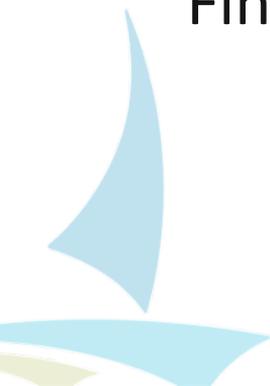
- \$100,000 in the Office of Police Conduct Review for an additional Case Investigator (1.0 FTE)
- \$88,000 in the Contract Compliance division for a Certification Specialist (1.0 FTE)
- Authorized the department to add 1.0 FTE using existing resources in the Equity division.

Communications –

- \$70,000 ongoing General Fund resources for Council Core Communications support

Finance & Property Services –

- \$100,000 for an additional Financial Analyst dedicated to working with CPED (1.0 FTE)



General Fund Expense – Ongoing

Human Resources –

- \$122,000 for an additional 1.0 FTE in the Classification and Compensation unit

CPED –

- \$150,000 Minneapolis TechHIRE

Health –

- \$100,000 Young male sexual health outreach
- \$45,000 Youth violence prevention - Blueprint approved institution
- \$140,000 Group violence intervention
- \$165,000 Health inspectors (2 FTE)



General Fund Expense – Ongoing

Internal Audit –

- \$104,000 for an Internal Audit Manager (includes 1.0 FTE).

Police –

- \$1,093,000 for hiring 20 part time (15.0 FTEs) Community Service Officers,
- \$1,305,000 for adding 12.0 more officers for community policing and 3.0 officers for the mental-health co-responder pilot project, for a total of 15.0 new officers
- \$325,000 to support body camera technology
- \$115,000 for Precinct 1 increased parking cost
- \$172,400 for increased uniform allowance
- \$1,000,000 for training and classes that includes a 32 person cadet class and class of 22 recruits

General Fund Expense – Ongoing

Public Works - Traffic & Parking Services

- 2.0 FTEs for the Traffic Management system to be funded within the base budget.

Regulatory Services –

- \$198,459 for veterinarian and customer service rep (2 FTE) at animal control
- \$120,000 for Code Compliance and Traffic Control (2 FTE)

Fire –

- \$400,000 for hiring 5.0 additional full-time sworn firefighters, raising the total number of authorized sworn firefighters to 411



General Fund Expense – One-time

311 –

- \$80,000 for Black box integration.

911 –

- \$192,000 one-time General Fund resources for Protocols Software training

Attorney –

- \$137,000 for continuation of the Hot Spots Pilot program
- \$30,000 to complete the development of an evidence-based community consequences for carrying without Permit Cases
- \$25,000 to develop Pre-charge Diversion services to prostitution
- \$20,000 to develop strategies for gun violence reduction.

General Fund Expense – One-time

City Coordinator –

- \$160,000 for the Inclusive Engagement Action team,
- \$100,000 for Partnership Initiatives,
- \$15,000 for Promise Zone space lease,
- \$90,000 for the Clean Energy Partnership,
- \$45,000 for the Climate Action Plan,
- \$100,000 for Creative City Making,
- \$40,000 for Enterprise Equity Programming, and
- \$15,000 for the Trans Equity Summit & Events.



General Fund Expense – One-time

Civil Rights –

- \$50,000 for Earned Sick and Safe Time Outreach

Finance and Property Services –

- \$50,000 for the participatory budget pilot,
- \$500,000 for Collaborative Safety Strategies.

Fire –

- \$200,000 for alternative hiring and recruitment

Human Resources –

- \$90,000 for Affordable Care Act Compliance
- \$50,000 for Cultural Intelligence Training for employees.



General Fund Expense – One-time

CPED –

- \$100,000 Affordable Housing Trust Fund
- \$1,000,000 Family Housing Initiative (Affordable Housing Programs)
- \$1,500,000 NOAH – Naturally Occurring Affordable Housing
- \$25,000 Small business assistance
- \$75,000 Opportunity Hub
- \$100,000 Minneapolis Career Pathways
- \$250,000 Infill Housing Initiative

Regulatory Services–

- \$375,000 funding for increased hours in Code Compliance and Traffic Control

General Fund Expense – One-time

Health –

- \$15,000 Children's Savings Accounts (YCB)
- \$40,000 Youth Violence Prevention summer/fall community engagement
- \$60,000 Inspiring Youth
- \$150,000 Group Violence Intervention
- \$10,000 Healthy Living
- \$30,000 East Africans with disabilities
- \$50,000 programming for Somali youth
- \$255,000 Pollution reduction initiative
- \$17,000 Legacy pollution initiative
- \$110,000 Lead Risk Inspector (1 FTE)

General Fund Expense – One-time

NCR –

- \$60,000 Americans with Disabilities Act action plan
- \$20,000 Senior programming

Police –

- \$200,000 for pilot police/mental health co-responders model
- \$10,000 for complaint process improvement at the Office of Police Conduct Review (OPCR)

Public Works –

- Administration
 - \$500,000 for the Downtown East Commons Operating Reserve
- Traffic & Parking Services
 - \$325,000 to accelerate the replacement of the City owned 30 foot street lights to LED technology

Budget Considerations

- Funding for pension liabilities – closed plans
 - Fully merged
 - Reduced levy for 2017 at \$22.3 million. A reduction of \$5.0 million from \$27.3 million in 2016.
- Funding for pension liabilities – regular costs
 - PERA for current employees are expected to be \$31.3 million in 2017, compared to \$30.9 million in 2016.
 - Employer's contribution to Police and Fire Plan = 16.2%
 - Employer's contribution for the Coordinated plan = 7.5%
- All are accounted for in Recommended Budget.

CITY OF MINNEAPOLIS

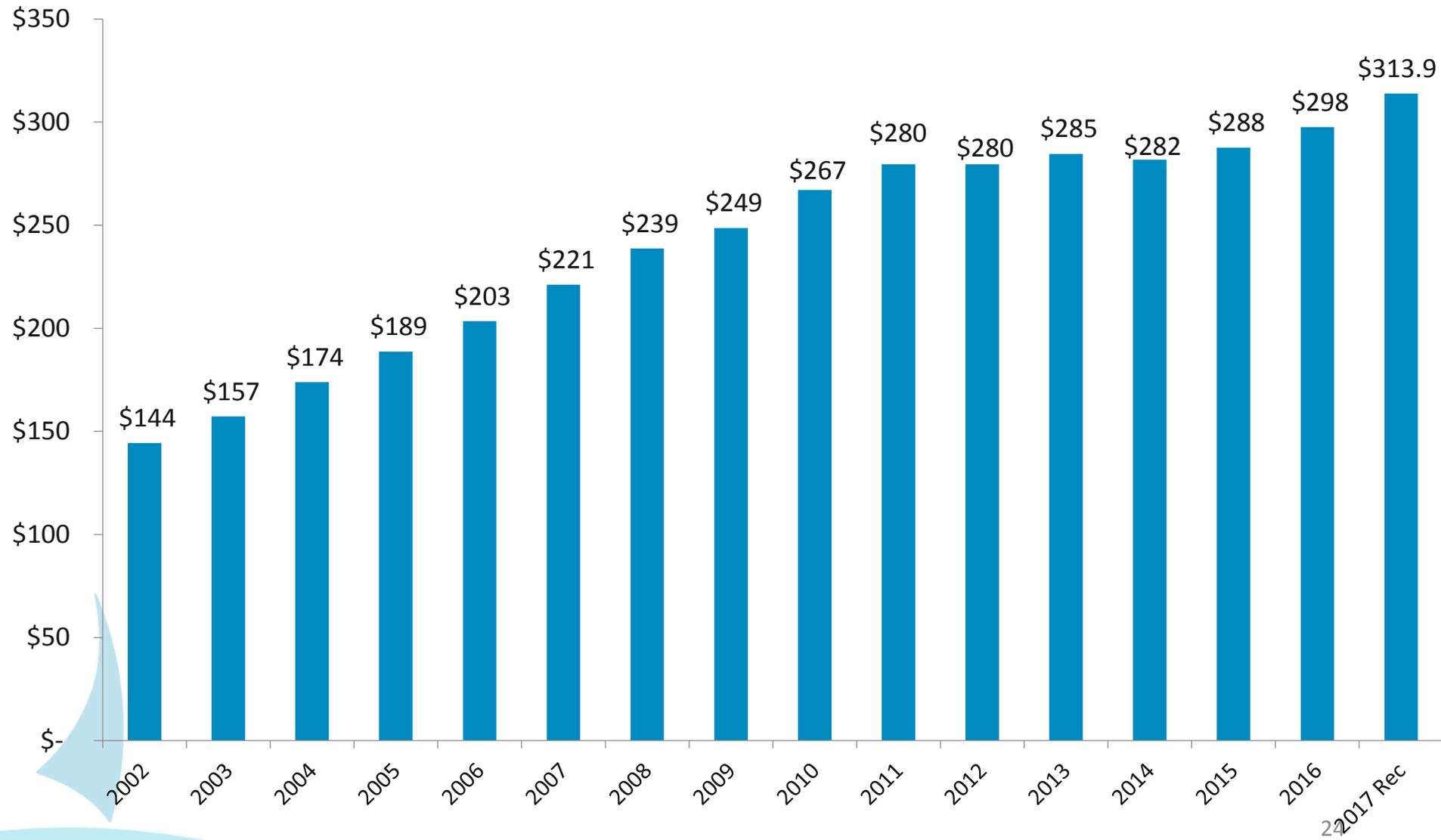
2017 Recommended Budget

Property Taxes

Includes Taxpayer Impacts

Mayor's Recommended 2017 Budget

City Property Tax Levy History

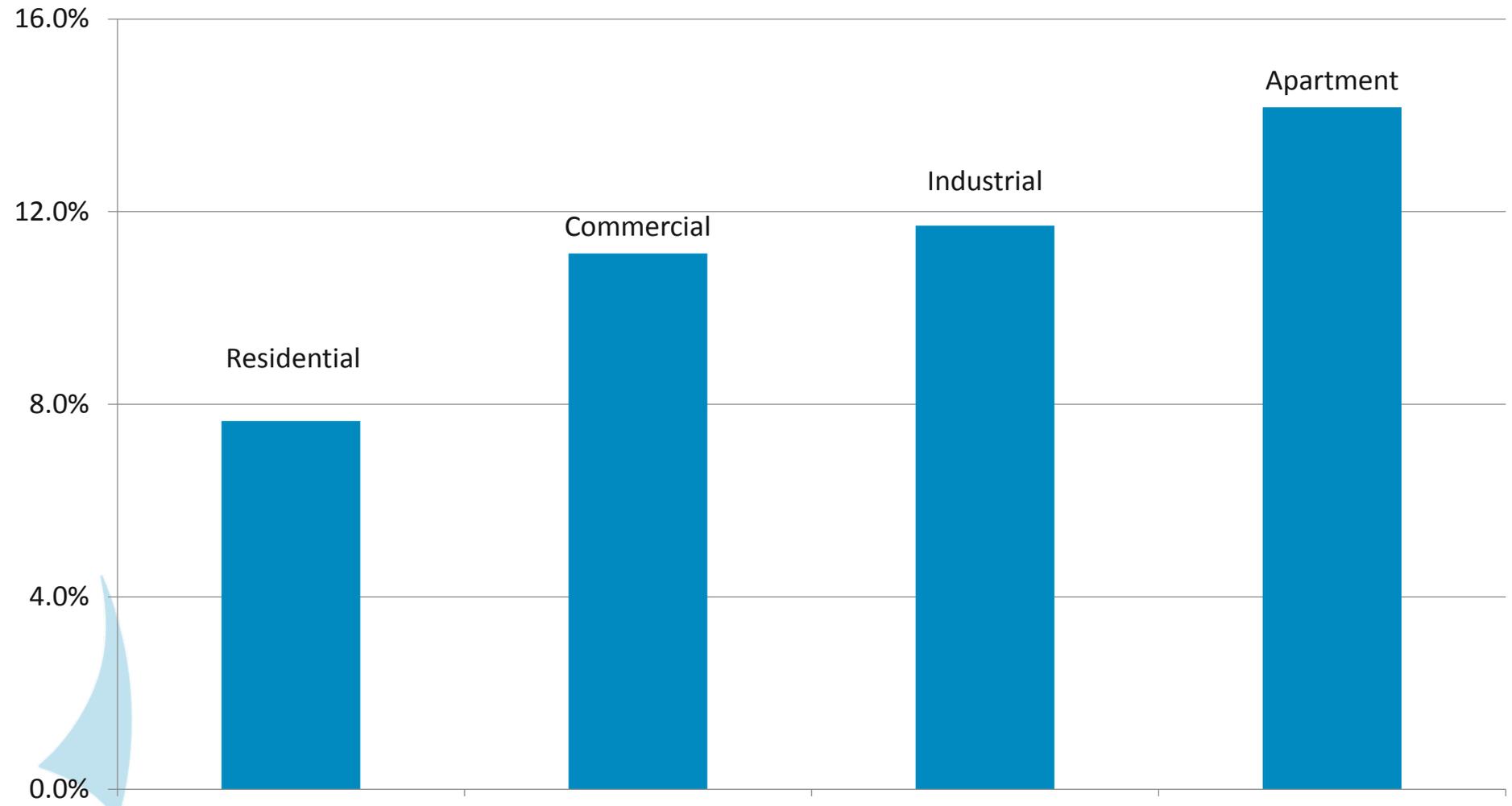


Mayor's Recommended 2017 Budget

City Tax Base Growth

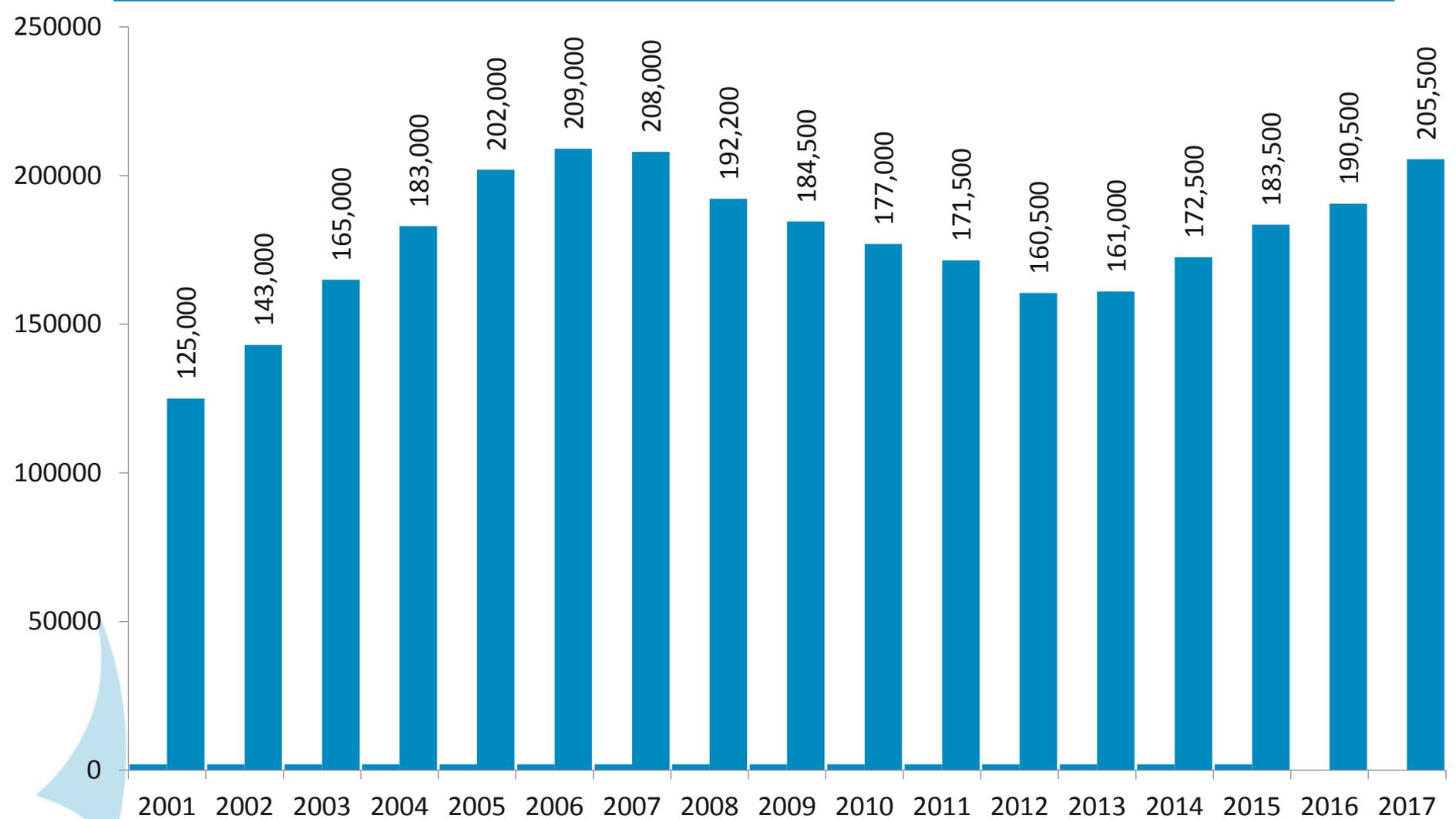
- Depends upon how tax base is measured
- Depends upon what type of property is included
- EMV up 9% - almost all inflation on value
 - \$44B in EMV
 - \$.9B is new construction
- New construction increase offset by fiscal disparities
- Variety of factors drive tax rate
 - Expect tax rate for city to drop slightly

Change in Tax Capacity for Taxes Payable in 2017



SINGLE FAMILY MEDIAN VALUE TREND

(2001-2017)

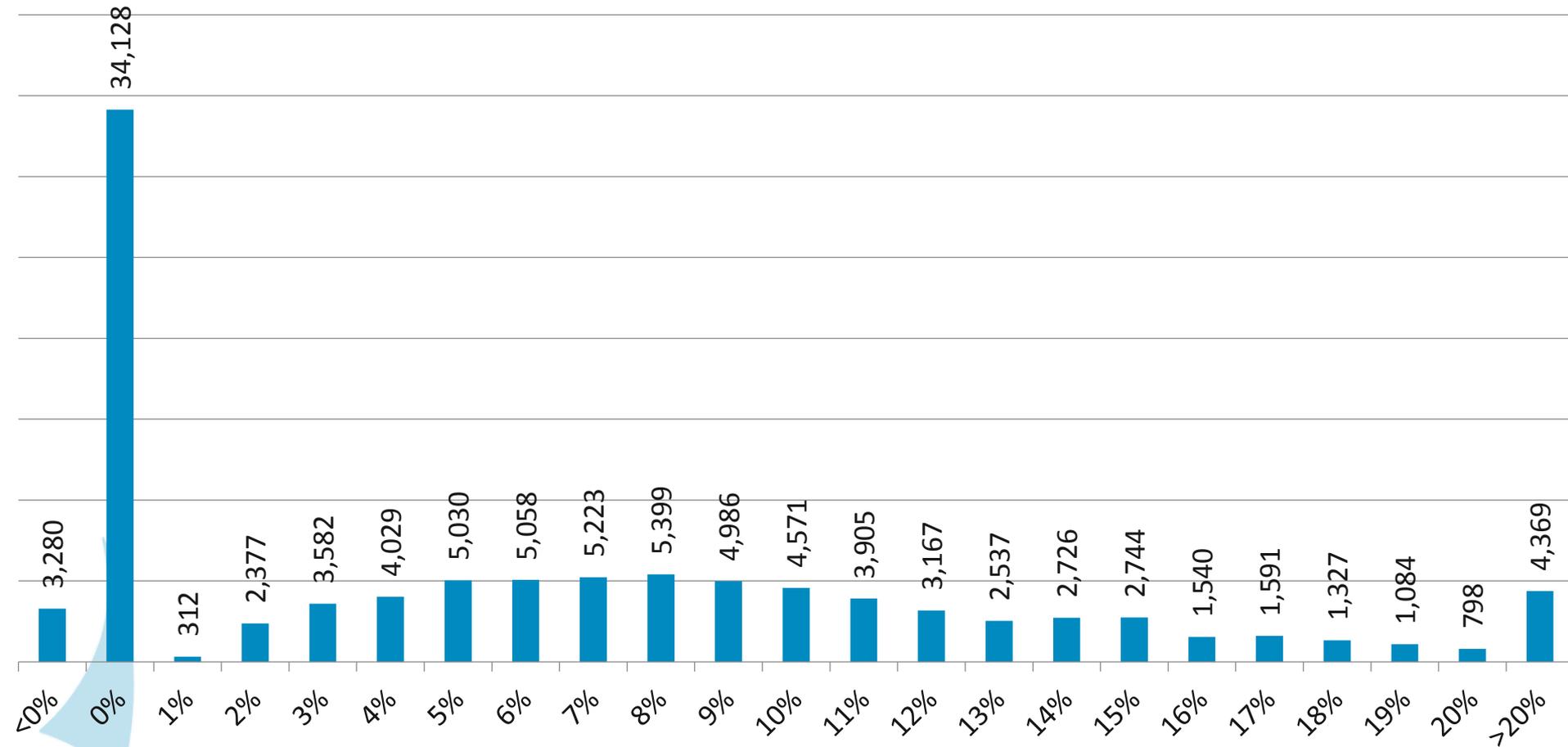


MAYOR'S RECOMMENDED 2017 BUDGET

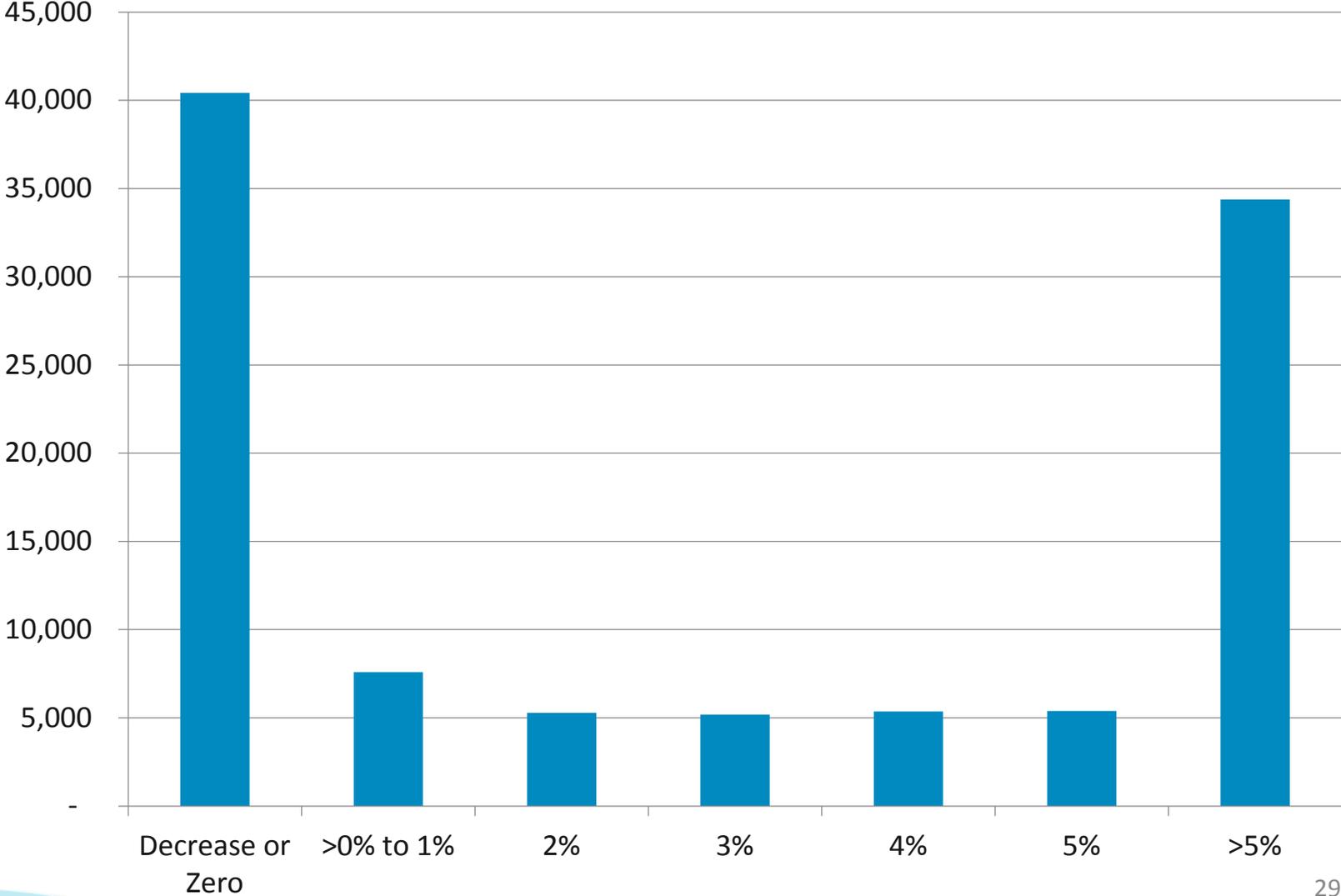
CHANGES IN TAXABLE MARKET VALUE

Distribution of Change in Taxable Market Value of Residential Parcels
Between Pay 2016 & Pay 2017 (Est.)

N=103,763



Mayor's Recommended 2017 Budget Property Tax Increase in 2017 – Estimates for Residential (excluding apartments)



Financial Categories

- **City General Fund:** police, fire, public works, inspections/licenses, other departments
- **Enterprise Funds:** sewer, water, parking, solid waste, stormwater, park operations
- **Special Revenue Funds:** convention center, neighborhood & community relation, police, regulatory services
- **Internal Service Funds:** equipment, information technology, property services, self insurance

CITY OF MINNEAPOLIS

2017 Recommended Budget Enterprise Funds

Enterprise Funds

- Public Works Enterprises
 - Municipal Parking
- Rates for Other Enterprise Funds on Bill
 - Sanitary Sewer
 - Stormwater
 - Water
 - Solid Waste



Municipal Parking Funds

- Operating revenue increases from \$61.1M in 2016 to \$62.0M in 2017, an increase of 1.4%
- Operating expense increases from \$38.9M in 2016 to \$41.0M in 2017, an increase of 5.4%.
- \$11M of transfers out to general fund and Target Center
- Total debt service, which includes principal and interest on bonds issued for construction of municipal parking ramps, is \$8.5 million for 2017

Combined Utility Bill - Monthly Cost for Average Consumer

Combined Utility Bill					
Monthly and Annual cost for average customer					
	2016	2017 Monthly Average*	2017 Annual Average	2017 monthly Amount change	2017 % change
Water*	\$27.65	\$28.71	\$345	\$1.06	3.8%
Sanitary Sewer	\$24.64	\$26.10	\$313	\$1.46	5.9%
Stormwater	\$11.94	\$12.36	\$148	\$0.42	3.5%
Solid Waste/Recycling**	\$27.89	\$28.47	\$342	\$0.58	2.1%
Total	\$92.12	\$95.64	\$1,148	\$3.52	3.8%

*Assumes average household water and sewer usage

Enterprise Funds Budget Comparison

(millions \$)

	2016 Adopted	2017 Recommended	% Change	\$ Diff
Solid Waste	40.1	40.3	0.6%	0.2
Water Treatment & Distribution	57.8	57.9	0.3%	0.2
Surface Water and Sewer - Stormwater	20.6	19.7	-4.2%	-0.9
Surface Water and Sewer - Sanitary Sewer	60.0	61.9	3.2%	1.9
Total Utility Enterprises	178.5	179.8	0.8%	1.4

Sanitary Sewer Utility Rates Average Bills and Revenue

Recommended Rates and Projections for Average Households

Year	Fixed Rate	2017 Proposed Rate per unit (100 Cubic feet)	Proposed % increase year to year on usage only	Cost per Month for average household*
2016	\$4.30	\$3.39		\$20.34
2017	\$4.80	\$3.55	4.7%	\$21.30
2018	\$5.30	\$3.71	4.5%	\$22.26
2019	\$5.80	\$3.89	4.9%	\$23.34
2020	\$6.30	\$4.07	4.6%	\$24.42
2021	\$6.80	\$4.25	4.4%	\$25.50

* Assumes 5/8" meter and 6 units of Sanitary Sewer usage

Stormwater Utility Rates Average Bills and Revenue

Recommended Rates and Projections for Average Households

Year	Rate / ESU (Equivalent Stormwater Unit) = 1,530 square feet of impervious surface	Cost per Month for average household*	% increase
2016	\$11.94	\$11.94	
2017	\$12.36	\$12.36	3.5 %
2018	\$12.36	\$12.36	0.0 %
2019	\$12.36	\$12.36	0.0 %
2020	\$12.66	\$12.66	2.4 %
2021	\$12.96	\$12.96	2.4 %

* Average household is 1 ESU

Water Utility Rates - Monthly Cost for Average Consumer

Recommended Rates and Projections for Average Households

Year	Fixed Rate	2017 Proposed Rate per unit (100 cubic feet)	Proposed % increase year to year on usage only	Cost per Month for average household*
2016	\$3.50	\$3.45		\$27.65
2017	\$4.00	\$3.53	2.3 %	\$28.71
2018	\$4.50	\$3.61	2.3 %	\$29.77
2019	\$5.00	\$3.69	2.2 %	\$30.83
2020	\$5.50	\$3.77	2.2 %	\$31.89
2021	\$6.00	\$3.85	2.1 %	\$32.95

* Assumes 5/8" meter connection and 7 units of water

CITY OF MINNEAPOLIS

2017 Recommended Budget
Special Revenue Funds

Convention Center

- Operating revenue expectation of \$18.8 million
- Operating expense expectation of \$26.8 million
- Continued debt service through 2019
- Total Transfer of General Fund of \$49.8 million
- Capital investments for 2017 are budgeted at \$20.0 million
- Transfer includes \$1.0 million (one-time) for Meet Minneapolis change items
- Includes 1 FTE – Technology Services Coordinator

Community Development Block Grant

- Estimated funding level for 2017 anticipates the funding to be similar to the 2016 funding of \$10.2 million
- HUD Consolidated Plan programs, HOME, ESG, and HOPWA are also projected to remain similar to the amounts allocated for the 2016 funding levels.
- The Mayor recommended the estimated funding level for 2017 to remain consistent with the 2016 actual allocations taking into consideration spending caps in the public service and administration categories

Other Special Revenue Funds

- Various Sources and Uses
 - CPED Development and other Funds
 - Regulatory Services Special Revenue Fund
 - Police Special Revenue Fund
 - NCR Special Revenue Fund
 - Others
 - \$150,000 for a Chief Resiliency Officer Position funded by the Rockefeller Foundation (includes 1.0 FTE) in City Coordinator's Office



CITY OF MINNEAPOLIS

2017 Recommended Budget
Internal Service Funds

Internal Service Fund Summary

Intergovernmental Services Fund

- Revenues up from \$31.7M to \$32.6M
- Expenses have increased in 2016 due primarily to ELMS project
- 2017 shown to have imbalance but stable in 2018
- 2017 budget expense includes Mayor recommended ongoing change items of \$100k for Business Analyst (1 FTE) and \$155k for additional ERP resources

Self-Insurance Fund

- Revenues of \$31.5 million, 1.1% increase over 2016
- Expenses expected to be lower in 2016 than budget due to lower tort settlements.
- In 2017, decrease in tort settlement expense expected to be offset by an increase in the cost of worker's compensation claims
- Updated actuarial study in 2017 will be important

Internal Service Fund Summary

Fleet Services Fund

- Revenues down from \$36.1M to \$34.9 M for 2017
- 2017 budget expense includes transfer from general fund for Mayor recommended one-time CARS change items of \$50k for fuel station hardware and \$1.9 M for regular lifecycle replacement of fleet capital assets

Property Services Fund

- Revenues in \$23.6 M for 2017 up from \$22.4M in 2016
- 2017 budget expense includes transfer from general fund for Mayor recommended one-time \$1.0M for Downtown Campus and ongoing \$60k for increase in security coverage for public services center and city of lakes building

Internal Service Fund Summary

Public Works Stores Fund

- \$1.2 M for 2017, 1.5% higher from 2016 projection
- 2016 projected expense is \$127k over the 2016 budget due to 2 additional FTE added in 2016
- New central stores storeroom was constructed at the Royalston Maintenance Facility in 2016 to provide additional service to City customers

All Internal Service Funds stabilized



CITY OF MINNEAPOLIS

2017 Recommended Budget Capital

Budget Considerations

- Payment of outstanding bond obligations
 - \$134.6 million in estimated principal and interest payments for 2017, as compared to \$124.1 million in 2016
 - This represents 10% of the City's total budget
- Funding for City infrastructure
 - \$197.0 million in 2017; \$907.0 million over five years
- Obligation to Hennepin County for libraries
 - \$9.3 million market value referendum through 2030
 - \$0.8 million in 2017 - last year of additional contribution

Mayor's Recommended 2017 Budget Capital Investment Allocation \$196.97 M

Commission/Board/Department	2016 Funding	2017 Funding	% Total of 2017 Funding
Municipal Building Commission	\$2.97 M	\$8.54 M	4.33%
Park Board	\$4.87 M	\$13.22 M	6.71%
Public Works	\$99.8 0M	\$138.66 M	70.40%
Information Technology Projects	\$3.30 M	N/A	N/A
Public Grounds & Facilities	\$12.9 1M	\$25.59 M	13.00%
Miscellaneous Projects	\$.58 M	\$10.96 M	5.56%
Total	\$124.43 M	\$196.97 M	100.00%

Mayor's Recommended 2017 Budget

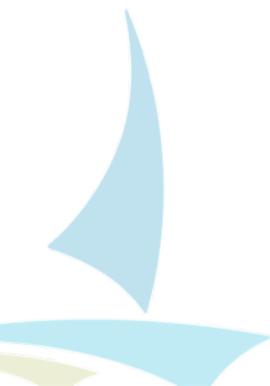
12/31/2015 GO Debt Outstanding

Debt Type with 2004 Peak Debt Balances*		12/31/15 Balances	Change from 2004
Enterprise Funds -	\$407.28 M	\$211.67 M	(\$195.60) M
Convention Center -	\$244.09 M	\$116.05 M	(\$128.04) M
Tax Increment -	\$206.31 M	\$80.01 M	(\$126.30) M
Special Assessment -	\$49.30 M	\$39.29 M	(\$10.01) M
Other Self Supporting -	\$22.70 M	\$74.73 M	\$52.03 M
Internal Service Funds -	\$101.16 M	\$16.00 M	(\$85.15) M
Library Referendum -	\$93.40 M	\$73.75 M	(\$25.43) M
Net Debt Bonds -	\$56.85 M	\$31.42 M	\$1.07 M
Pension -	\$117.87 M	\$0.00 M	(\$117.87) M
Total GO 2004 vs 2015	\$1,298.96 M	\$642.94 M	(656.02) M

Budget Considerations

- **Funding for Capital Equipment**

- Capital Asset Request System (CARS) process was implemented in the 2014 budget
- For this five-year planning cycle, the City received requests from departments totaling \$109.5 million
- For 2017, the requests totaled \$29.2 million; this budget recommends funding of \$16.0 million for 2017
- Of the \$16.0 million funded in 2017, \$4.4 million is funded by the General Fund



Mayor's Recommended 2017 Budget

CARS

By Department	Amount
Public Works	\$7,569,708
Police	\$2,510,202
CPED	\$1,736,200
Information Technology	\$1,250,000
Assessor	\$1,000,000
Civil Rights	\$500,000
Fire	\$380,000
Regulatory Services	\$375,000
Emergency Management	\$250,000
911	\$194,665
City Clerk	\$180,892
Communications	\$50,000
Total	\$15,996,667

CITY OF MINNEAPOLIS

2017 Recommended Budget Overall

Financial Overview

- **\$1.323 Billion Budget**

- Spending level increases by \$92.9 million, or 7.6%, from 2016 Adopted Budget across all funds

- **4,123.55 Positions**

- Increase of 148.00 positions from 2016 level
- 89 FTE is PW Capital projects related to paving, traffic, storm and water

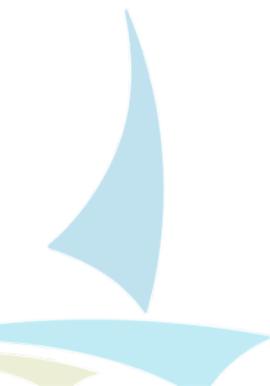
- Mayor's Recommended Budget is \$1.32 billion, a 7.6%, or \$92.9 million increase from the 2016 adopted budget of \$1.23 billion

- Mayor's Recommended Budget maintains current service levels from 2016, including inflationary and mandated cost increases of \$15.0 million

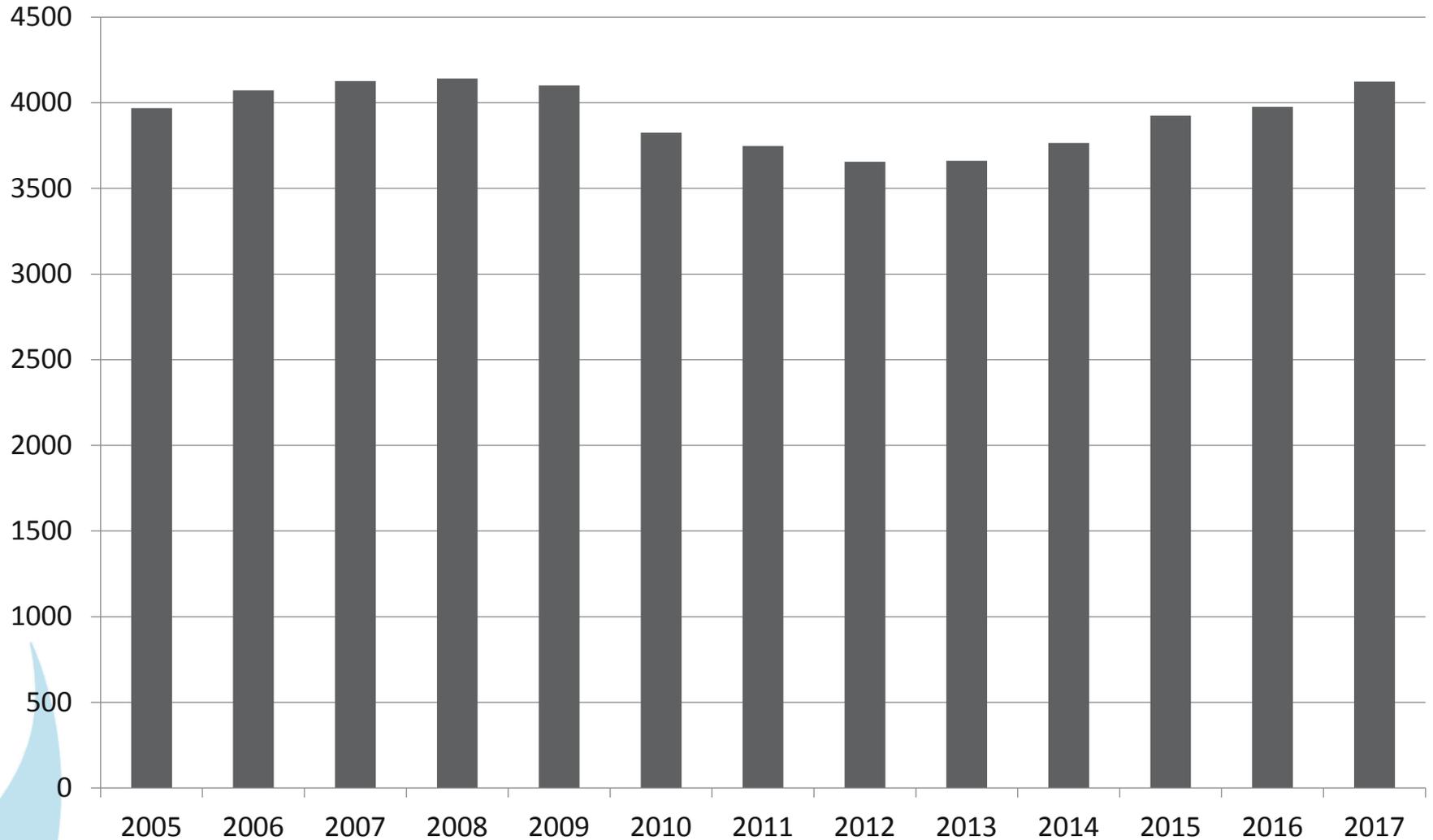
- Mayor Recommendation on-going funding for program change items of \$7.5 million (total \$11.5 million requested) and \$9.8 million in one-time items (total \$10.3 million requested)

Budget Considerations

- Personnel and benefits
 - *Salary and wages.* The 2017 Mayor's Recommended Budget includes an increase in personnel expenditures (\$311.2 million in salaries and wages, compared to a 2016 total of \$292.6 million).
 - *Benefits.* Health and dental insurance expenditures are budgeted to decrease from \$64.0 million in 2016 to \$61.9 million in 2017.



Mayor's Recommended 2017 Budget Historical FTE levels*



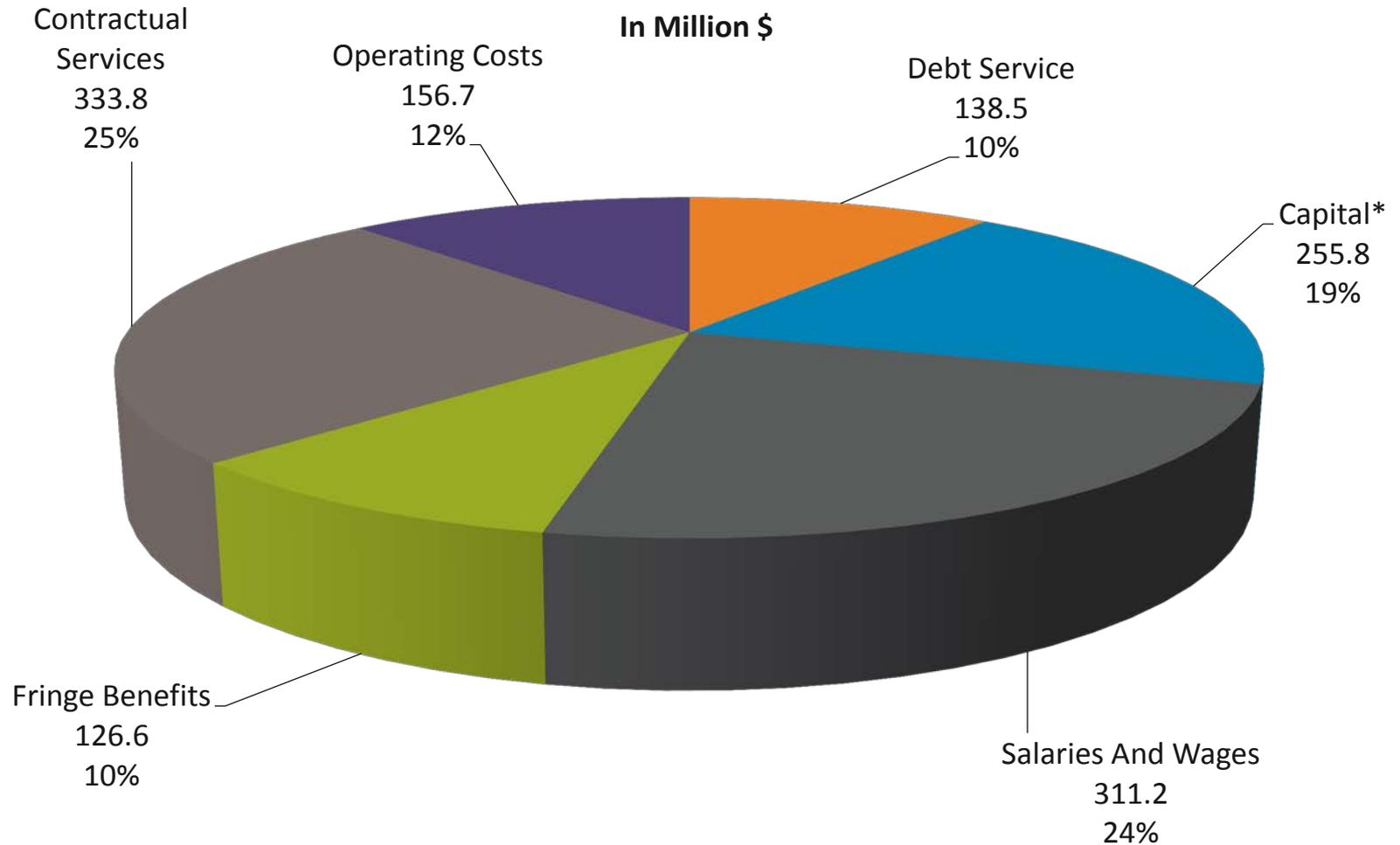
*Excludes Independent Boards

Total FTE count for 2017 is 17 less than in 2008 for City Departments

Mayor's Recommended 2017 Budget

Expenditures by Major Type

\$1.323 Billion (excludes independent boards)

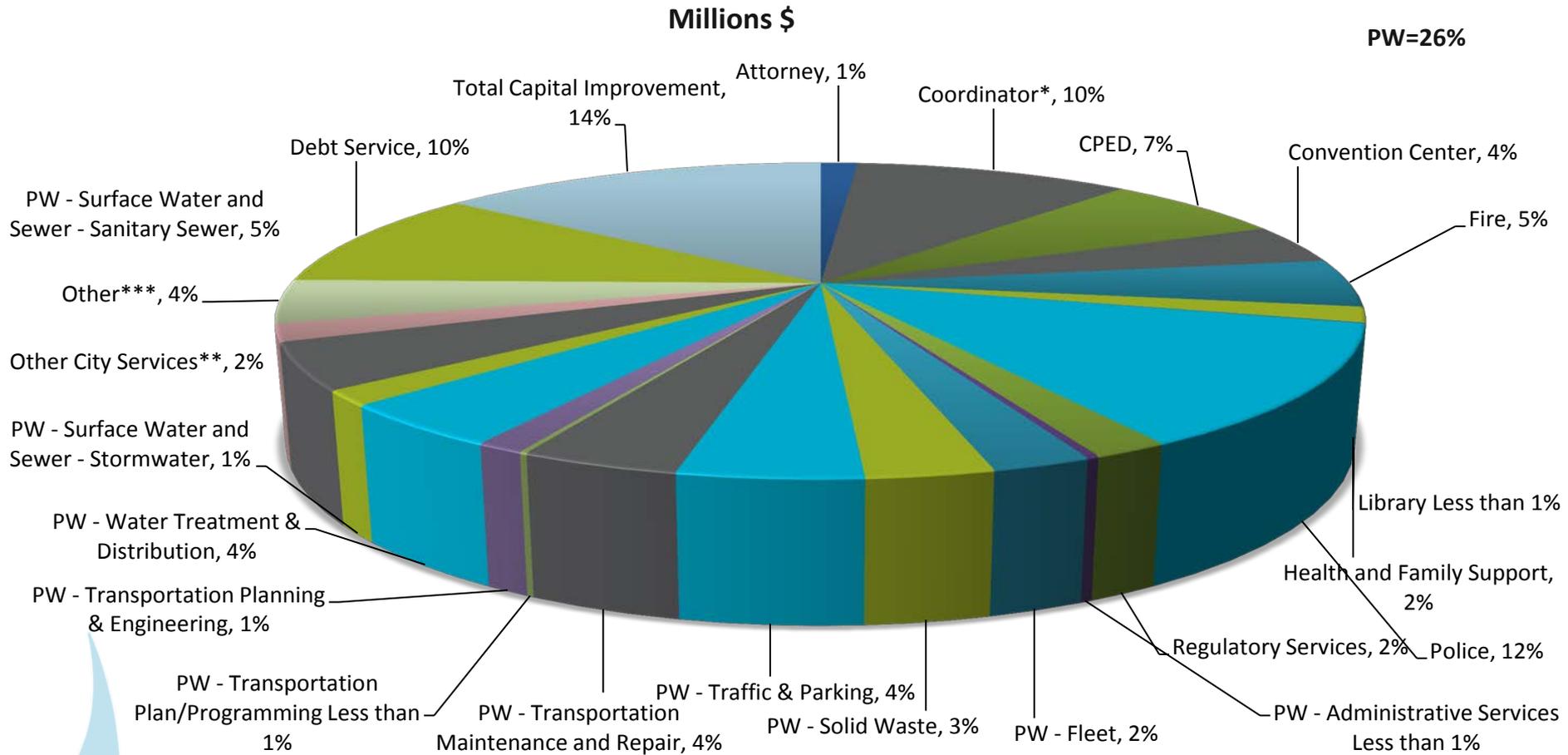


*The Capital category includes capital improvements in the City's Capital Program as well as capital expenditures associated with the CARs program

Mayor's Recommended 2017 Budget

Expenditures by Major Functions

\$1.323 Billion (excludes independent boards)



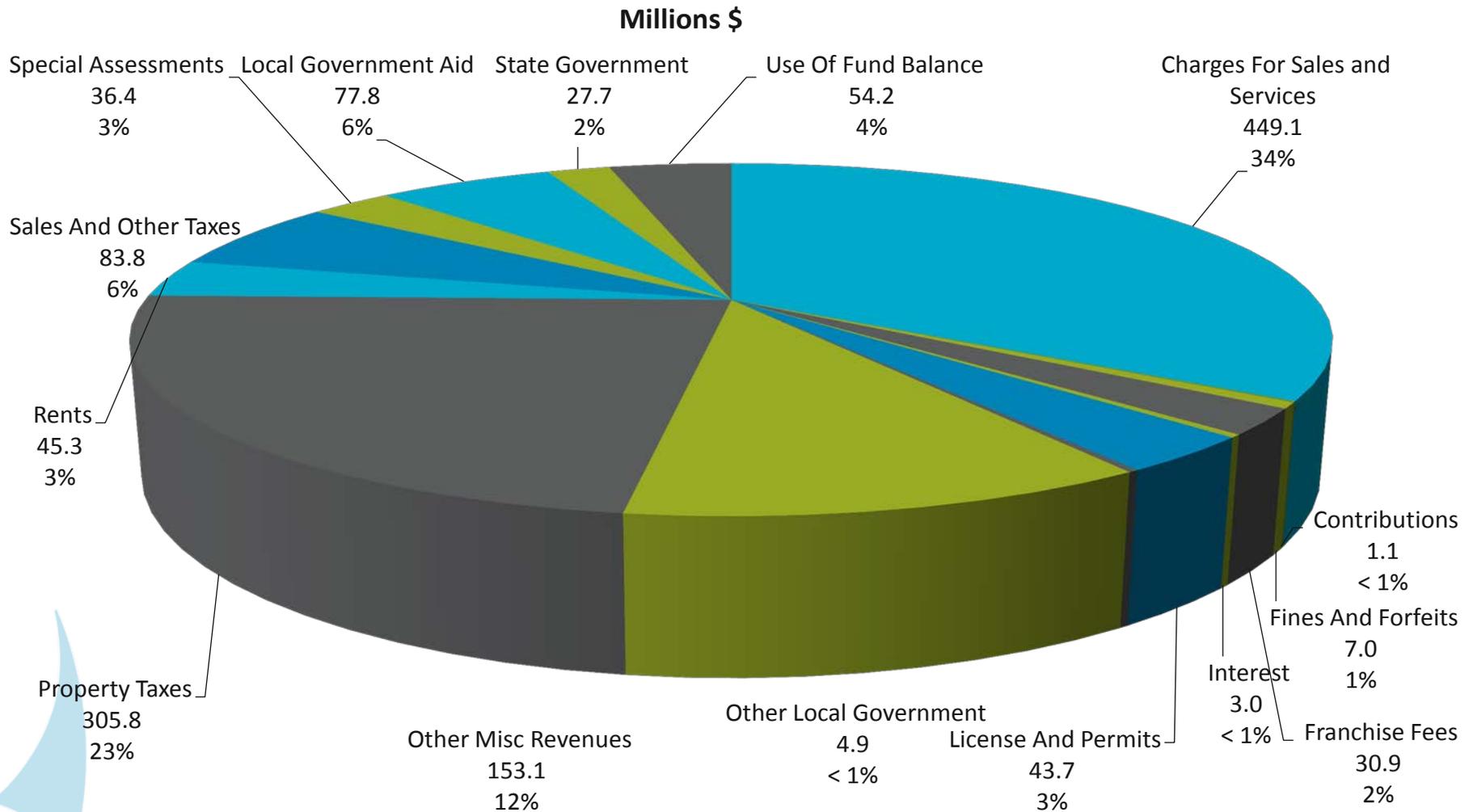
* Includes Human Resources, Finance & Property Services, 311, Intergovernmental Relations, Communications, Neighborhood and Community Relations, IT, 911 and Emergency Management. Convention Center is broken out for illustrative purposes.

** Includes Assessor, Internal Audit, City Clerk, City Council, Civil Rights and Mayor.

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

Revenues by Major Sources

\$1.323 Billion (excludes independent boards)



*Includes: contributions, gains, interest, bond proceeds, other misc.

CITY OF MINNEAPOLIS

2017 Recommended Budget Next Steps

Next Steps

- Board of Estimate and Taxation
 - September 14th , 5:05 PM
- Department Presentations to Budget Committee
 - Beginning Friday, September 22nd, 9:30 AM
 - <http://www.minneapolismn.gov/budget/index.htm>
- Certify Proposed (maximum levy) by September 30th
- Truth-in-Taxation notices sent out second week in November
- Public Comments received November 30th, 6:05 PM
- Budget Markup – December 2nd,
- Budget Adoption – December 7th, 6:05 PM

CITY OF MINNEAPOLIS

2017 Recommended Budget
Thank you