

**City of Minneapolis
2020 Budget**

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City of Minneapolis 2020 Budget

Financial Overview

The 2020 Mayor's Recommended Budget for all City funds is \$1.62 billion - exclusive of the City's independent boards. This represents an \$54.3 million, or 3.5 percent, increase from the 2019 Council Adopted Budget of \$1.56 billion in City fund appropriation. "City funds" are those under the auspices of the City Council, and do not include funds controlled and appropriated by independent boards, such as the Minneapolis Park and Recreation Board, which adopt their own budgets, as well as the Board of Estimate and Taxation. The Mayor is recommending an overall increase of 6.95 percent in the property tax levy for the City and its independent boards (including their respective requests for funding for their own budgets), raising the total amount levied by \$24.3 million, from \$350.0 million in 2019 to \$374.3 million in 2020. This budget also utilizes accumulated fund balances to fund budgetary items that are one-time or short-term in nature to mitigate budgetary fluctuations and to avoid volatile property tax levies which place undue burden on property taxpayers. The City's financial position has benefited from growth in local sales and entertainment taxes and other revenues due to the continued growth in the local economy. This growth is offset by static or even declining revenues in other areas. Local Government Aid (LGA) from the State of Minnesota amounting to \$81.6 million in 2020 will increase by \$2.2 million from 2019 allocation of \$79.3 million, and fall short of the 2010 certified LGA amount of \$90 million by over \$8 million. The Financial Overview is presented without transfers to avoid double counting of resources. Transfers have also been removed from charts and graphs within this section, including totals for comparative prior years, unless otherwise noted.

Major Highlights

The 2020 Mayor's Recommended Budget includes significant proposals to address future financial and operating 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:

- As part of this budget, funds that have accumulated in various City funds due to a growing economy and fiscal restraint in prior years allow for utilization of fund balances for departmental activities, as well as providing for operating capital items and other one-time items.

A primary feature of this budget is an historic investment in Affordable Housing. This budget includes over \$31 million of one-time and ongoing resources (exclusive of federal funds) in 2020 alone to address this critical need:

- The Mayor has built a plan to provide \$50M of local Funds to the Affordable Housing Trust Fund over an eight-year period from 2020-2027, including increasing the levy by \$1.5M specifically for this purpose. Nearly \$12M of the total funding over the life of this plan will come in 2020.
- Furthermore, the Mayor is proposing continuing to invest in preservation of Naturally Occurring Affordable Housing (\$3M one time in 2020); supporting renters' rights through Tenant Legal Services, a Tenant Hotline, and year 2 of the Stable Homes Stable Schools program (a combined \$3.55M one time in 2021); encouraging production of affordable housing through the Minneapolis Homes program (\$2M one-time in 2020); and supporting those experiencing homelessness in our city through a Low Barrier Housing Initiative (\$250,000 one-time) and making an ongoing commitment to fund the Office to end Homelessness in conjunction with Hennepin County (\$50,000 one-time). All of these investments are on top of a local base funding amount of nearly \$9M in CPED alone.
- Outside of CPED, the Mayor recommends adding a Tenant Navigator position in Regulatory Services; providing a myriad of resources for MPHA through operating support, enhanced security, and funding for energy efficiency improvements in facilities; and, adding a Homeless Community Navigator position (non-sworn) in the Minneapolis Police Department.

This budget also makes major investments in Community Police Relations across multiple departments:

- Funding is provided to the Police Department to hire eight new Neighborhood Outreach Officers to patrol beats across our city; a new traffic unit of three sworn officers is added to MPD; and, the Mayor also recommends adding three additional investigators, two focusing on domestic violence and one focusing on sexual assault. This equals a total of fourteen new sworn officers added through the Mayor's recommendation.
- MPD is also receiving funding for the continuation of the Mental Health Co-Responder program, maintenance of technology systems and public safety cameras, and two additional non-sworn positions - one housed in the Records Information Unit, and one sexual assault advocate in Investigations.
- In the City Attorney's office, funding is provided to develop trauma-informed domestic violence programming, and for cash bail reform efforts.
- And within the Health Department, continued funding is provided for an expansion of the Group Violence Intervention program in South Minneapolis.

This budget also invests directly in Economic Inclusion. Economic Inclusion is the implementation of specific solutions that unmake the legacy of institutionalized and systematic exclusion of black, indigenous, and immigrant people of color (BIPOC). This work furthers the economic and social independence of these communities. In principle and practice, this means that these communities are prioritized as primary beneficiaries of and key partners in economic decisions.

- The primary investment in Economic Inclusion is the funding of a new effort to create Cultural Districts across Minneapolis. \$1.35M is provided for a variety of activities including street sweeps, trash pickup, improved lighting, and safety initiatives located in some of the most culturally diverse commercial districts in our city. These funds will also be used for façade improvements and an arts fund.
- The City is also launching a commercial property development fund of \$2.5M to help support commercial development in economically disadvantaged areas. \$2M of this fund is targeted specifically for Cultural Districts.
- The Mayor recommends an additional \$500,000 investment in Village Financial as they continue to build out the state's only black-led financial institution.
- And, the City is creating a Co-Op and Employee Opportunity Fund of \$100,000 to help prepare, create, or convert worker-owned co-ops or other employee ownership opportunities, particularly for businesses located in areas of poverty.
- Finally, the City is investing an additional \$250,000 one-time over an existing \$250,000 base to accelerate the MSP TechHire program which increases opportunities for Minneapolis residents to enter the tech sector.

And finally, this budget continues to make the necessary and required investments in City parks and streets as outlined in the historic funding agreement forged in 2016 between the Park Board and City Council.

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:

A Quickly Improving Economy and a Construction Boom

In the recent couple of years, the City has experienced booming construction as measured by value of permitted projects. This boom is fueled by new office buildings in and around downtown, multiple high-rise apartment buildings, and the recently completed new stadium to be used by the Minnesota Vikings and ancillary development. However, the quickly improving economy and construction boom have also put multiple strains on the City in the areas of permitting, assessing, financial planning, compliance monitoring, and public works expansion. These strains, compounded by a backlog of needed infrastructure improvements accumulated during the economic downturn, challenge current resources and create a need for additional resources.

Shrinking Workforce and Increased Demands

In response to the economic downturn and increasing hardship on the City's taxpayers, the City made large cuts to its workforce by eliminating positions across all City departments and independent boards. We are just now recovering to staffing levels last seen in 2007. The reduction in staffing over time places increased pressure on remaining employees as the workloads are increasing as the economy improves and the need for responsive resources increases.

Workforce Turnover

It is anticipated that the City's workforce will experience high turnover in the coming years due to three factors: a large population of retirement-eligible workers, the above-mentioned shrinking workforce and increased demands, and the rebounding economy allowing for greater workforce mobility. The loss of institutional knowledge and costs of retirement and transition planning has not been fully realized by City departments, despite a continued recognition of and planning for this reality in the 2019 budget.

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 software, and in particular, increased maintenance costs. For example, several enterprise software systems will be upgraded over the next several years, with anticipated costs in the millions of dollars. Other examples include increased computer and internet bandwidth usage, the growth in demand for wireless connectivity, 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 and Community Planning and Economic Development cite 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 monetary penalties. The City Clerk notes additional election requirements as a result of the implementation of Instant Runoff Voting (IRV), as well as ranked choice voting. Furthermore, public safety departments face legislative-directed or nationally developed standards, training, or operating procedures. Departments', especially following several years of significant cuts to the City's training programs, indicate a need for increased and improved employee training, as well as recruitment, possibly placing additional short-term strain on productivity, to address the growing complexities of their program administration.

Emergency and Security Management Needs

Ensuring adequate physical security, health security, electronic security (prevention of viruses, hacks, fraud, and other system security threats), information backups, and emergency planning consumes resources of nearly every department. 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.

City Spending

For 2020, the budget includes expenditure appropriations corresponding to priorities outlined in the Council Adopted Budget as well as ongoing projects and current City-provided services. Details of the individual expenditure appropriations within the departments and other categories identified in the pie chart below are available in the Operating Departments and Capital Programs sections of this document.

Below is a summary of the 2020 Mayor's recommended Budget by departmental activity, excluding transfers.

Expenditures by Service

(In Millions of Dollars)

| | 2,019 Adopted | 2020 Mayor Recommended | % Change | \$ Change |
|----------------------------|--------------------------|-----------------------------------|-----------------|------------------|
| Attorney | 19.0 | 19.5 | 2.3% | 0.4 |
| Coordinator* | 144.5 | 221.8 | 53.5% | 77.3 |
| CPED | 119.9 | 120.1 | 0.1% | 0.1 |
| Convention Center | 56.1 | 56.8 | 1.4% | 0.8 |
| Fire | 69.3 | 71.3 | 2.8% | 1.9 |
| Health | 24.0 | 23.6 | -2.0% | -0.5 |
| Police | 184.9 | 193.4 | 4.6% | 8.4 |
| Regulatory Services | 27.3 | 25.9 | -5.1% | -1.4 |
| Public Works | 387.4 | 397.7 | 2.6% | 10.3 |
| Other City Services** | 40.7 | 45.3 | 11.5% | 4.7 |
| Debt Service | 159.9 | 153.7 | -3.9% | -6.3 |
| Capital Improvement | 287.0 | 252.9 | -11.9% | -34.1 |
| Other*** | 46.9 | 39.5 | -15.9% | -7.4 |
| Total City Spending | 1,567.1 | 1,621.4 | 3.5% | 54.3 |

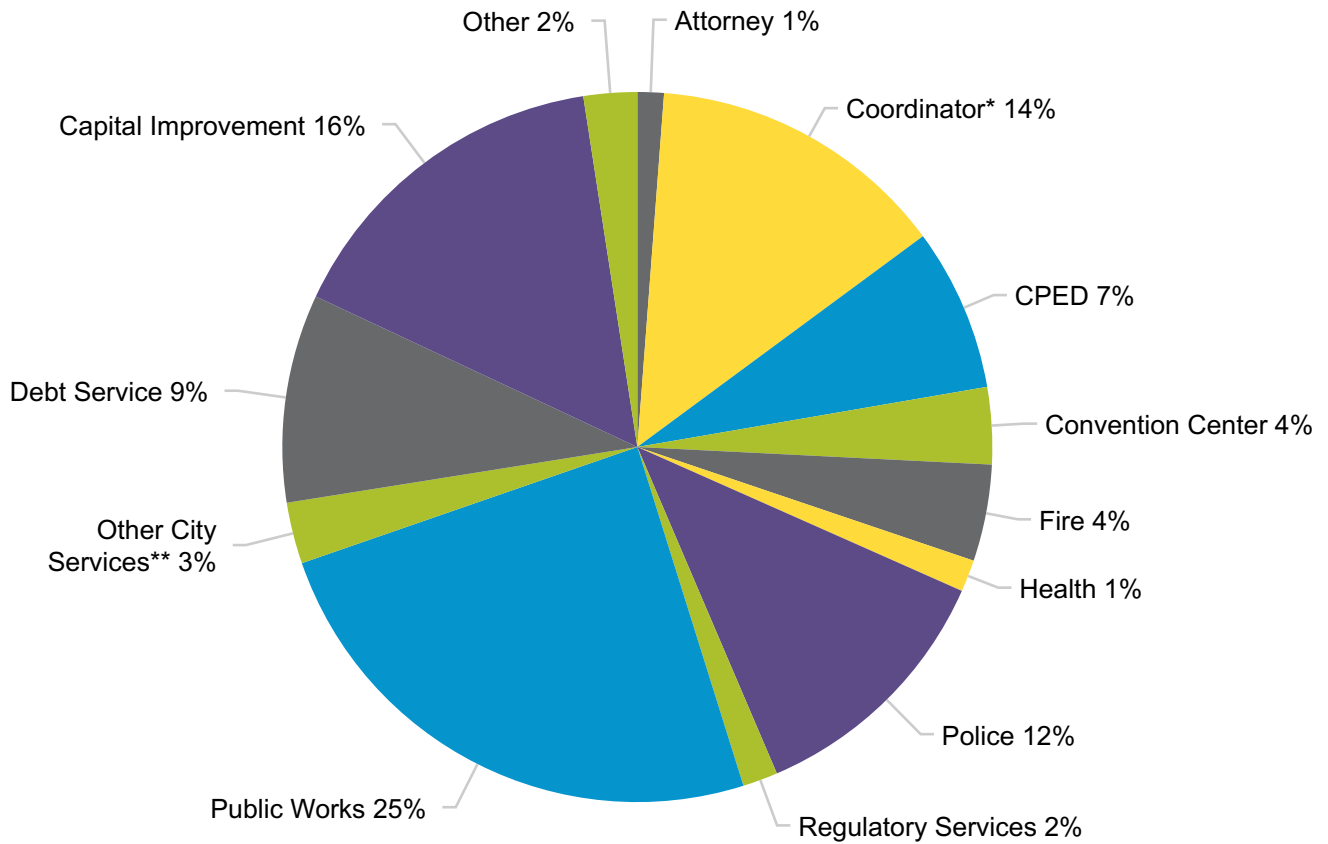
* Includes 311, 911, Communications, Emergency Preparedness, Finance and Property Services, Human Resources, IT, Intergovernmental Relations, and Neighborhood and Community Relations.

** Includes Assessor, Benefits, City Clerk/Elections/Council, Civil Rights, Internal Audit, Mayor, and Workers Compensation.

*** Includes Non-departmental, Health and Welfare, Liability, Contingency and Pensions

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

Total Expenditure Budget - Use of Funds 2020 Council Adopted Budget: \$1.6 Billion



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

** Includes Assessor, Benefits, City Clerk/Elections/Council, Civil Rights, Internal Audit, Mayor, and Workers Compensation.

*** Includes Non-departmental, Health and Welfare, Liability, Contingency and Pensions

City Sources of Revenue

For 2020, the City forecasts \$1.6 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. These restrictions limit the City's ability to raise additional funds and to apply the revenue to other departments or programs. For example, the City charges fees for services such as water, sewer and trash pickup, but State law requires that these fees be no higher than the cost of providing the services, including both operating and capital costs. Because these revenues are restricted, the City cannot raise water bills to pay for citywide police services.

Grants and allocations from the Federal Government and other units of government are usually designated for specific needs and purposes. If the City does not spend these resources for their designated purpose, the City will not receive the grants. Bond proceeds must go to purposes for which the debt was incurred. Like many Minnesota cities, Minneapolis pays for core City services (police, fire, streets, parks, etc.) primarily with property taxes and LGA, as well as other general governmental revenues such as licenses and permits as well as fees and interest income.

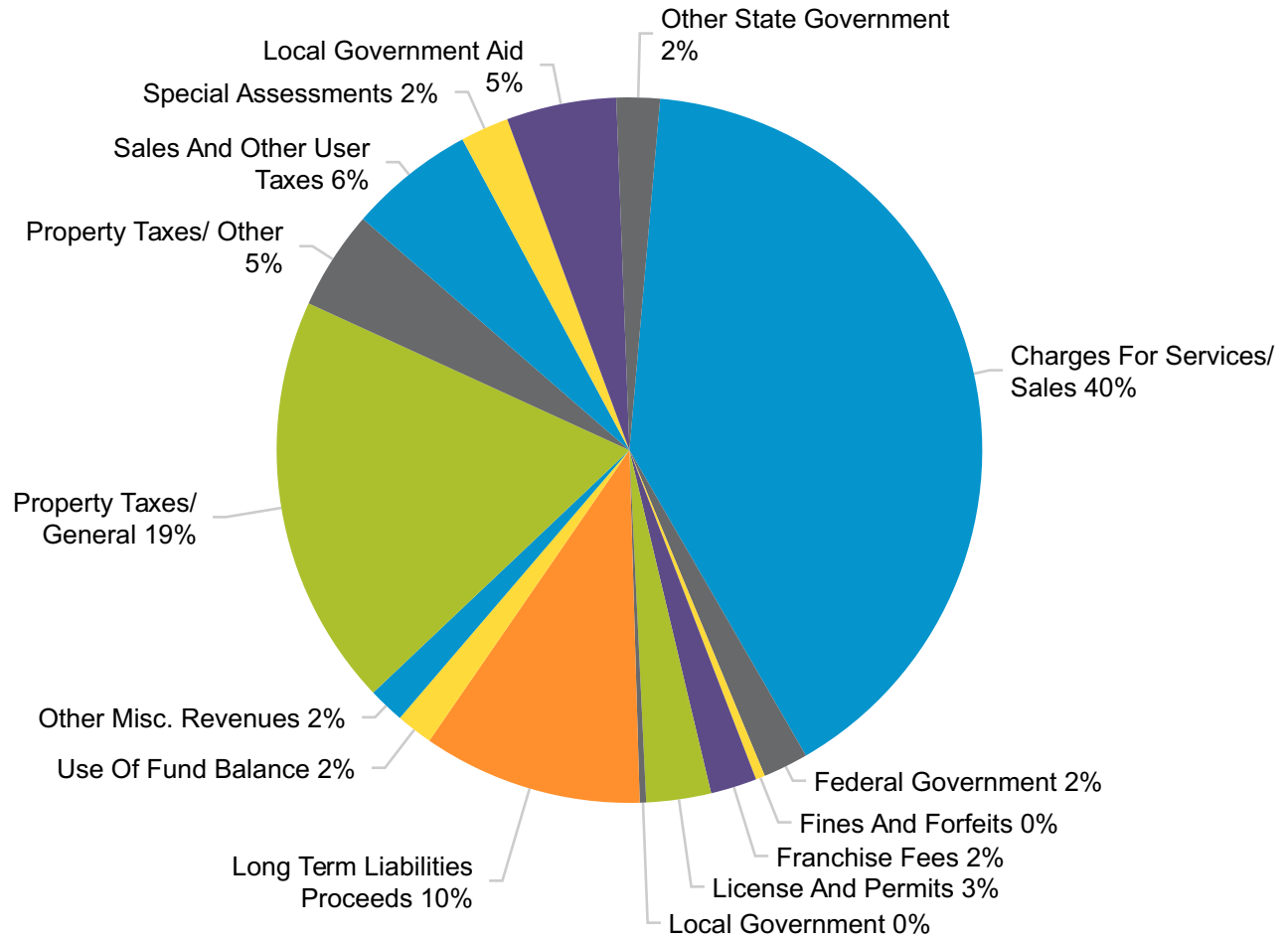
Below is a summary of the 2020 Mayor's recommended Budget revenues by major category.

Revenue by Category

(In Millions of Dollars)

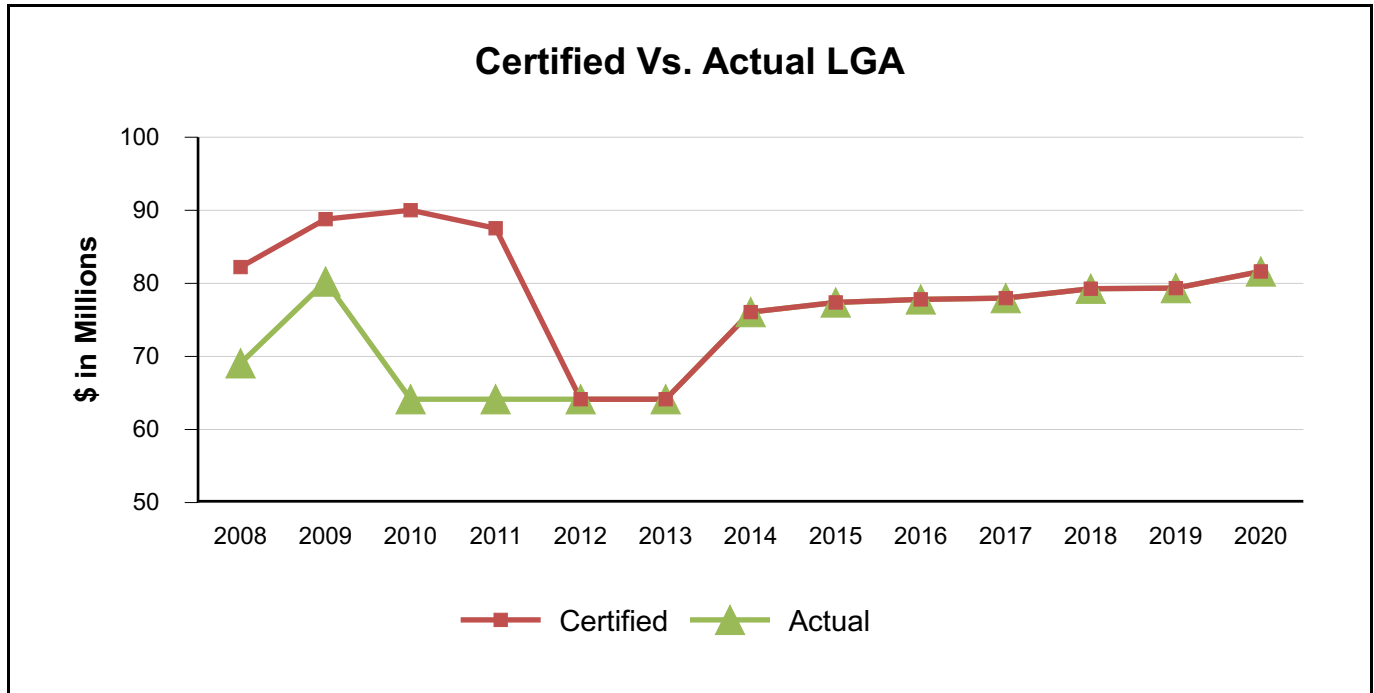
| Revenue Category | 2019 Adopted | 2020 Mayor's Recommended | % Change | \$ Change |
|--------------------------------|------------------|-----------------------------|-------------|---------------|
| Charges For Services/ Sales | 577.6 | 653.0 | 13.0% | 75.4 |
| Federal Government | 34.6 | 33.6 | -2.8% | -1.0 |
| Fines And Forfeits | 7.0 | 6.9 | -1.1% | -0.1 |
| Franchise Fees | 34.1 | 34.4 | 1.0% | 0.3 |
| License And Permits | 48.5 | 48.1 | -0.8% | -0.4 |
| Local Government | 6.7 | 4.7 | -28.7% | -1.9 |
| Long Term Liabilities Proceeds | 188.2 | 163.2 | -13.3% | -25.1 |
| Use Of Fund Balance | 62.6 | 27.2 | -56.5% | -35.4 |
| Other Misc. Revenues | 20.8 | 26.9 | 29.2% | 6.1 |
| Property Taxes/ General | 279.7 | 306.3 | 9.5% | 26.6 |
| Property Taxes/ Other | 67.6 | 73.7 | 9.0% | 6.1 |
| Sales And Other User Taxes | 88.6 | 93.7 | 5.7% | 5.0 |
| Special Assessments | 41.3 | 36.0 | -12.9% | -5.3 |
| Local Government Aid | 79.3 | 81.6 | 2.9% | 2.3 |
| Other State Government | 32.2 | 32.2 | -0.1% | 0.0 |
| Total Revenue | \$1,568.8 | \$1,621.4 | 3.4% | \$52.6 |

Total Revenue Budget - Source of Funds 2020 Council Adopted Budget: \$1.6 Billion



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 slightly been increasing the amount of LGA appropriated to the City of Minneapolis from \$76.1 million in 2014 to a certified amount of \$81.6 million in 2020. Of this amount, the City plans to allocate \$71.8 million for its General Fund, \$9.6 million to the Park Board, and the remaining \$0.2 million to the Municipal Building Commission (MBC). The table below shows the historical certified and actual LGA amounts, as well as the certified LGA levels for 2020 based on current law.



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 31.8 percent of the 2020 Mayor's Recommended Budget, an increase from 30.1 percent in the 2019 budget.

Special Revenue Funds are used for personnel costs, operating costs, contractual services and equipment that are funded by specific revenue sources. Special revenue 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, equipment (e.g. police squad cars, fire equipment, and other rolling stock), 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. Utility rates are set with the intent of funding these

costs. Enterprise services of the City include sanitary sewer services, storm water management and flood mitigation, water treatment and distribution, solid waste and recycling, and parking.

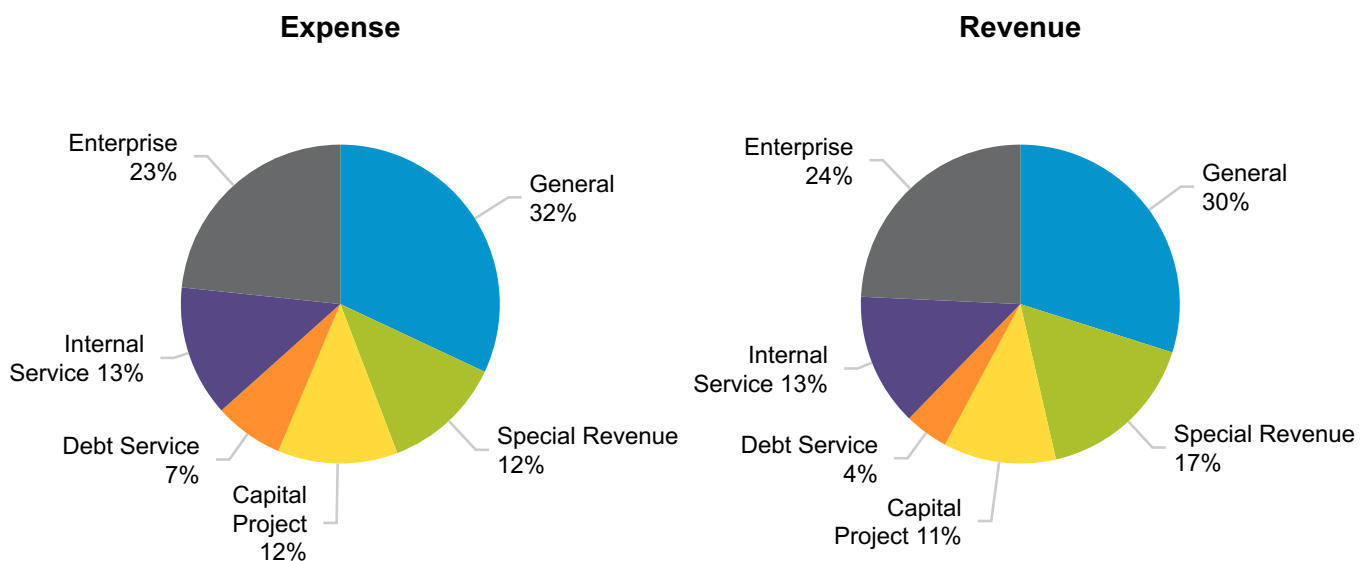
Expense and Revenue By Fund Type

In Millions

| | 2019 Adopted | 2020 Mayor's Recommended | % Change | \$ Change |
|------------------|------------------|--------------------------|-------------|---------------|
| Expense: | | | | |
| General | \$482.7 | \$518.5 | 7.4% | \$35.8 |
| Special Revenue | \$220.2 | \$197.9 | -10.1% | -\$22.3 |
| Capital Project | \$230.0 | \$197.4 | -14.2% | -\$32.6 |
| Debt Service | \$124.4 | \$114.0 | -8.4% | -\$10.4 |
| Internal Service | \$143.4 | \$215.4 | 50.2% | \$72.0 |
| Enterprise | \$366.3 | \$378.2 | 3.2% | \$11.9 |
| Total | \$1,567.0 | \$1,621.4 | 3.5% | \$54.4 |

| | 2019 Adopted | 2020 Mayor's Recommended | % Change | \$ Change |
|------------------|------------------|--------------------------|-------------|---------------|
| Revenue: | | | | |
| General | \$452.2 | \$484.8 | 7.2% | \$32.6 |
| Special Revenue | \$304.3 | \$267.7 | -12.0% | -\$36.6 |
| Capital Project | \$214.8 | \$185.2 | -13.8% | -\$29.6 |
| Debt Service | \$68.2 | \$72.1 | 5.7% | \$3.9 |
| Internal Service | \$147.3 | \$218.2 | 48.1% | \$70.9 |
| Enterprise | \$382.0 | \$393.4 | 3.0% | \$11.4 |
| Total | \$1,568.8 | \$1,621.4 | 3.4% | \$52.6 |

Expense and Revenue By Fund Type



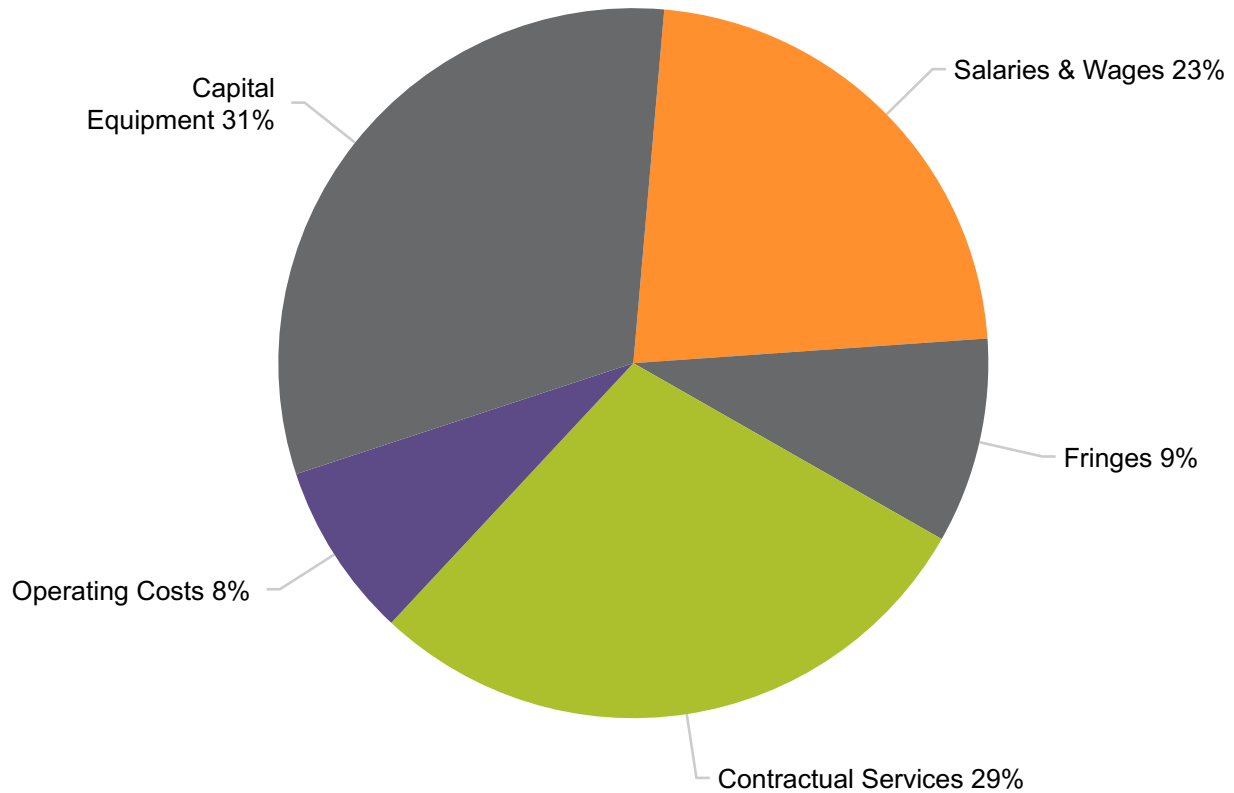
The largest portion of the City's budget is spent on personnel, which comprises \$506.5 million or 31.2 percent of the total budget.

Expense by Category

| Expense Category | 2019 Adopted | 2020 Council Adopted | % Change | \$ Change |
|----------------------|------------------|-------------------------|-------------|---------------|
| Salaries & Wages | 345.9 | 357.9 | 3.5% | 12.0 |
| Fringes | 141.8 | 148.6 | 4.8% | 6.8 |
| Contractual Services | 388.2 | 457.2 | 17.8% | 69.0 |
| Operating Costs | 155.6 | 151.7 | -2.5% | -3.9 |
| Capital Equipment | 535.6 | 506.0 | -5.5% | -29.6 |
| Total Expense | \$1,567.1 | \$1,621.4 | 3.5% | \$54.3 |

*The Capital category includes capital improvements in the City's Capital Program as well as capital expenditures within operating departments.

Total City Budget - Expenditure by Categories 2020 Council Adopted Budget: \$1.6 Billion



Funding for Physical Infrastructure

Five-Year Capital Program Totals: For 2020 - 2024, the five-year capital program for City departments, independent boards and commissions totals \$1.016 billion including all funding sources. The 2020 portion of this program is \$253.6 million. This budget continues the City's commitment to accelerate funding and completion of improvements to the City's infrastructure. Below is a summary of the five-year capital program by major infrastructure category.

| Submitting Agency | Infrastructure Category | 2020 | 2021 | 2022 | 2023 | 2024 | Total | Percent of Total |
|--|---------------------------------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|
| Budget in Thousands | | | | | | | | |
| PARK BOARD | NEIGHBORHOOD PARKS | 12,536 | 12,780 | 12,980 | 12,625 | 12,986 | 63,907 | 6.29% |
| PUBLIC WORKS | TRANSPORTATION | 82,592 | 76,317 | 82,605 | 102,044 | 117,255 | 460,813 | 45.38% |
| | UTILITY FEE BASED ENTERPRISES | 69,185 | 75,085 | 63,650 | 68,350 | 50,775 | 327,045 | 32.20% |
| | Public Works Department Totals | 151,777 | 151,402 | 146,255 | 170,394 | 168,030 | 787,858 | 77.58% |
| OTHER AGENCIES | CITY HALL, PUBLIC BLDGS, MISC. | 89,290 | 30,090 | 20,290 | 15,450 | 8,659 | 163,779 | 16.13% |
| COUNCIL ADOPTED FIVE-YEAR CAPITAL PROGRAM | | 253,603 | 194,272 | 179,525 | 198,469 | 189,675 | 1,015,544 | 100.00% |

For more details regarding the Five-Year Capital Improvement Program, please see the Capital Program section of this book.

Funding for Pension Liabilities

The City's property tax levies for its former closed pension funds that have been merged into the Minnesota State Public Employees' Retirement Association (PERA) for 2020 total \$14.8 million, a decrease of \$8.5 million from 2019 associated with state action to restore MERF funding deal. Since 2015 the State legislature has reduced PERA's out year investment assumptions from 8.5% to 7.5% which lowers the assumed out year investment returns, increases the unfunded liability amounts and therefore the annual funding requirement. The three merged funds include:

- The Minneapolis Employee's Retirement Fund (MERF) Division of PERA – fully merged in 2015.
- The Former Minneapolis Police Relief Association (MPRA), a closed fund.
- The Former Minneapolis Fire Relief Association (MFRA), a closed fund.

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. For 2020, the City will levy \$2.3 million for TRA to insure that net collections provide the \$2.25 million. For the purpose of long-term planning, it is anticipated that these costs will remain constant and end by 2040.

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

The employers' contribution level in PERA's Coordinated Plan for 2020 is 7.5 percent, and the PERA's Police and Fire Plans' employer's contribution remains at 16.95 percent, both same as in 2019. The estimated total cost of contributions to PERA for the City exclusive of its independent boards for 2020 is \$39.0 million, which is covered in the budgets of the departments in which the employees work.

| | | 2019 | 2020 | Change |
|--------------------|-----------|---------------|----------------|-----------------|
| | | (in millions) | | |
| PERA | \$ | 19.3 | \$ 16.6 | \$ (2.7) |
| PERA Police & Fire | \$ | 21.5 | \$ 22.4 | \$ 0.9 |
| Total | \$ | 40.8 | \$ 39.0 | \$ (1.8) |

Funding for Internal Services Funds' Long-Term Financial Plans

During the 1990s, external demands negatively impacted the ability for revenue to support the City's internal services to keep pace with the growth in expenditures. Significant negative cash balances resulted because annual expenses exceeded revenues. By the year 2000, the combined net asset deficit in the Self Insurance, Equipment, and Intergovernmental Services Funds was \$61.7 million. To correct these deficits, the City adopted long-term financial plans between 2000 and 2004 that called for the Self-Insurance, Equipment, Intergovernmental Services, as well as the Property Services internal service funds to rely on transfers from the General Fund through 2019 to eliminate deficits. Fortunately, due to efforts in recent budget cycles, 2014 was the final year of these transfers. The elimination of this obligation will allow General Fund resources to be redeployed to other purposes in future years.

Growth in Personnel Costs

Personnel Changes. The 2020 Mayor's Recommended Budget increases the FTE count of City positions by 51.2 over the 2019 Council Adopted Budget, exclusive of the City's independent boards, from 4,252.0 to 4,303.2 FTEs.

Salary and wages. The 2020 Mayor's Recommended Budget includes an increase in personnel expenditures (\$357.9 million in salaries and wages, compared to a 2019 total of \$352.2 million), excluding the City's independent boards. It also includes \$148.6 million in fringe benefits, compared to \$145.9 million in 2019, exclusive of the City's independent boards.

Benefits. Health and dental insurance expenditures are budgeted to decrease from \$76.6 million in 2019 to \$62.1 million in 2020, exclusive of the City's independent boards. This is a decrease of \$14.5 million or 19.0 percent due to projected better medical insurance rates.

Major Changes in the 2020 Mayor's Recommended Budget

As a starting point for 2020 budget development, departments were provided a preliminary budget amount and asked to submit, for existing programs, proposals that would provide for the continuation of those programs at the same level of service, or the Current Service Level. Departments were also asked to submit supporting documentation for any change items to current programs or any new programs. The changes to ongoing departmental programs, along with new initiatives recommended for funding or implementation, are noted below. Change items proposals not funded in the Mayor's Recommended budget are not included.

The 2020 Mayor's Recommended Budget includes initiatives that have citywide implications. This budget includes the prudent use of accumulated fund balance from various funds for one-time or time-limited activities. These resources were generated through fiscal restraint that resulted in under-spending in City departments and through revenues that exceeded budgetary expectations due to continued growth in the local economy.

Departmental Changes

The table below outlines additional funding included in this budget beyond the current service level. Detailed descriptions of each change item can be found in the Operating Departments section of this budget book. Some departments' budgets were right-sized with Base Cuts. Those cuts are outlined in the table below but do not have accompanying change item descriptions in the Operating Department Sections.

| Department & Change | General Fund | | Other Funds | |
|--|------------------|-----------------|-------------|---------|
| | One-Time | Ongoing | One-Time | Ongoing |
| Assessor | — | 189,000 | — | — |
| Essential Operating Expenses | — | 189,000 | — | — |
| City Attorney | 150,000 | (50,000) | — | — |
| Develop Trauma-Informed Domestic Violence Programming | 75,000 | — | — | — |
| Alternative to Cash Bail | 75,000 | — | — | — |
| Victim Witness Specialist | — | — | — | — |
| Base Cut - City Attorney | — | (50,000) | — | — |
| City Clerk | 160,000 | — | — | — |
| Data Review & Redaction - Enterprise Funding | 25,000 | — | — | — |
| ESRI Redistricting Application | 35,000 | — | — | — |
| Legislative Information Management System (LIMS) - Phase 3 | 100,000 | — | — | — |
| City Coordinator | 1,372,000 | 960,000 | — | — |
| Creative City Challenge | 100,000 | — | — | — |
| Enterprise Engagement | 100,000 | — | — | — |
| Partnerships | 435,000 | — | — | — |
| Senior Advisor to the City on Exploitation and Human Trafficking | 52,000 | — | — | — |
| Transgender Equity Summit | 15,000 | — | — | — |
| Program Evaluation | 70,000 | — | — | — |
| Sustainability | — | 260,000 | — | — |
| Public Service Area | 600,000 | 700,000 | — | — |

| Department & Change | General Fund | | Other Funds | |
|--|--------------|-----------|-------------|-----------|
| | One-Time | Ongoing | One-Time | Ongoing |
| Civil Rights | — | 153,793 | — | — |
| Contract Compliance Officer II | — | 113,793 | — | — |
| Program Assistant | — | 40,000 | — | — |
| Communications | 85,000 | — | — | — |
| Cultural Media Contracts | 55,000 | — | — | — |
| Video Services, Maintenance, Hosting & Streaming Service Contracts | 30,000 | — | — | — |
| Convention Center | — | — | 350,000 | — |
| Events Program - Meet Minneapolis | — | — | 350,000 | — |
| CPED | 10,275,000 | 588,000 | 14,714,000 | — |
| Affordable Housing Trust Fund (AHTF) | — | 800,000 | 9,714,000 | (750,000) |
| Cultural Districts: Co-op and Employee Owner Opportunity Fund | 100,000 | — | — | — |
| Cultural Districts: Commercial Property Development Fund | 500,000 | — | 2,000,000 | — |
| Cultural Districts Art Fund | 100,000 | — | — | — |
| Cultural Districts: Expand Great Streets Facade Program | — | — | 200,000 | — |
| Expand Staffing for Small Business Team | — | 100,000 | — | — |
| Great Streets Real Estate Gap Financing | — | — | 500,000 | — |
| Homeowner Rehab Program | — | — | — | 750,000 |
| Legal Services for Rental Repairs | 100,000 | — | — | — |
| Low Barrier Housing Initiative | 250,000 | — | — | — |
| Minneapolis Homes | 2,000,000 | — | — | — |
| Naturally Occurring Affordable Housing (NOAH) | 3,000,000 | — | — | — |
| Office to End Homelessness | — | 50,000 | — | — |
| Stable Homes, Stable Schools | 3,350,000 | — | — | — |
| TechHire | 250,000 | — | — | — |
| Tenant Hotline | 125,000 | — | — | — |
| CPED Base Cut | — | (362,000) | — | — |
| Village Financial | 500,000 | — | — | — |
| MPHA Energy Efficiency Improvements | — | — | 2,300,000 | — |
| Downtown Assets | — | — | 920,000 | — |
| Downtown Assets - Commons | — | — | 820,000 | — |
| Downtown Assets - Special Events | — | — | 100,000 | — |
| Elections | 3,910,000 | 200,000 | — | — |
| 2020 Presidential Election: Multiple Early Vote Centers | 3,910,000 | 90,000 | — | — |
| Supervisor, Election Administration (Voter Outreach & Education) | — | 110,000 | — | — |
| Finance & Property Services | 200,000 | (80,000) | — | — |
| Asset Management Strategy | 200,000 | — | — | — |
| Credit Card Fees for Utility Billing | — | — | — | — |
| Grants Oversight | — | — | — | — |
| Expanded Internal Investment Strategy | — | (80,000) | — | — |
| Fire Department | — | 240,000 | — | — |

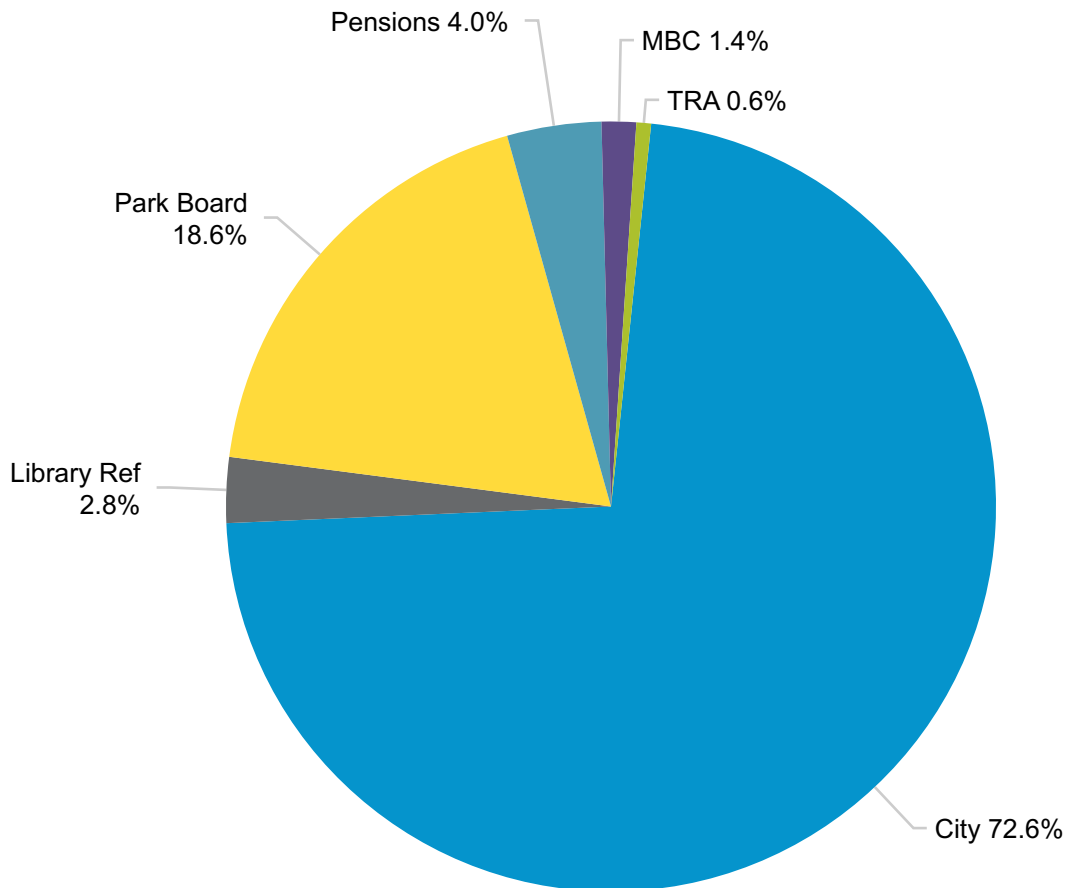
| Department & Change | General Fund | | Other Funds | |
|---|------------------|------------------|------------------|--------------------|
| | One-Time | Ongoing | One-Time | Ongoing |
| Add Civilian FTEs | — | 90,000 | — | — |
| Personal Protective Equipment | — | 150,000 | — | — |
| Health Department | 505,377 | 224,622 | — | — |
| Environmental Youth Development STEM Pathways | — | 45,000 | — | — |
| Fast Track | 50,000 | — | — | — |
| Group Violence Intervention Southside Expansion | 75,000 | 75,000 | — | — |
| Healthy Living in Low-Income Housing | 25,000 | — | — | — |
| Health Inspectors | 55,000 | — | — | — |
| Opioid Response | 300,377 | 104,622 | — | — |
| Human Resources | 2,250,000 | (50,000) | — | — |
| Human Capital Management System ((HCMS) - Includes Payroll Management) - Phase II | 2,250,000 | — | — | — |
| Base Cut - Human Resources | — | (50,000) | — | — |
| Information Technology | — | — | 450,000 | 30,000 |
| Cybersecurity Staffing | — | — | — | 30,000 |
| Enhanced Disaster Recovery | — | — | 450,000 | — |
| Neighborhood & Community Relations | 105,000 | — | — | — |
| Aging Support Services | 80,000 | — | — | — |
| Office of Immigrant & Refugee Affairs Partnership Agreement Funds Increase | 25,000 | — | — | — |
| Police Department | 1,315,564 | 2,416,946 | 789,000 | (1,090,276) |
| Neighborhood Outreach Officers | 428,000 | 884,000 | — | — |
| Automated Pawn System / Workforce Director System | 219,608 | 218,233 | 789,000 | (1,090,276) |
| Civilian NIBIN Workforce Development | — | 115,616 | — | — |
| Co-Responder Program | 300,000 | — | — | — |
| Community Navigators | 50,000 | 93,024 | — | — |
| Increase to Records Information Unit (RIU) | 11,250 | 93,750 | — | — |
| In-squad Mobile Video Recorders (MVR) | — | 178,000 | — | — |
| Investigations | 100,000 | 419,000 | — | — |
| Public Safety Cameras | — | 60,000 | — | — |
| Traffic Unit | 206,706 | 355,323 | — | — |
| PW - Traffic & Parking | 450,000 | 240,000 | 6,000,000 | — |
| Advanced Mobility | 350,000 | 240,000 | — | — |
| Vision Zero Safety Initiatives | 100,000 | — | — | — |
| Parking Fund Capital | — | — | 6,000,000 | — |
| PW - Transportation Maintenance & Repair | 550,000 | 400,000 | — | — |
| Street Lighting/Litter Pick Up - Cultural Districts | 550,000 | — | — | — |
| Expanded Service: Winter Corner Clearing and Green Infrastructure Maintenance | — | 400,000 | — | — |
| Regulatory Services | 322,000 | 775,044 | — | (885,047) |
| Expanded Animal Care at MACC | — | 78,000 | — | — |
| Lead Poisoning & Asthma Prevention | — | 60,000 | — | — |

| Department & Change | General Fund | | Other Funds | |
|-------------------------------------|--------------|---------|-------------|-----------|
| | One-Time | Ongoing | One-Time | Ongoing |
| Permanent Part Time Traffic Control | 292,000 | 100,000 | — | — |
| Phased Sunset of the Revolving Fund | — | 537,044 | — | (885,047) |
| Tenant Navigator | 30,000 | — | — | — |

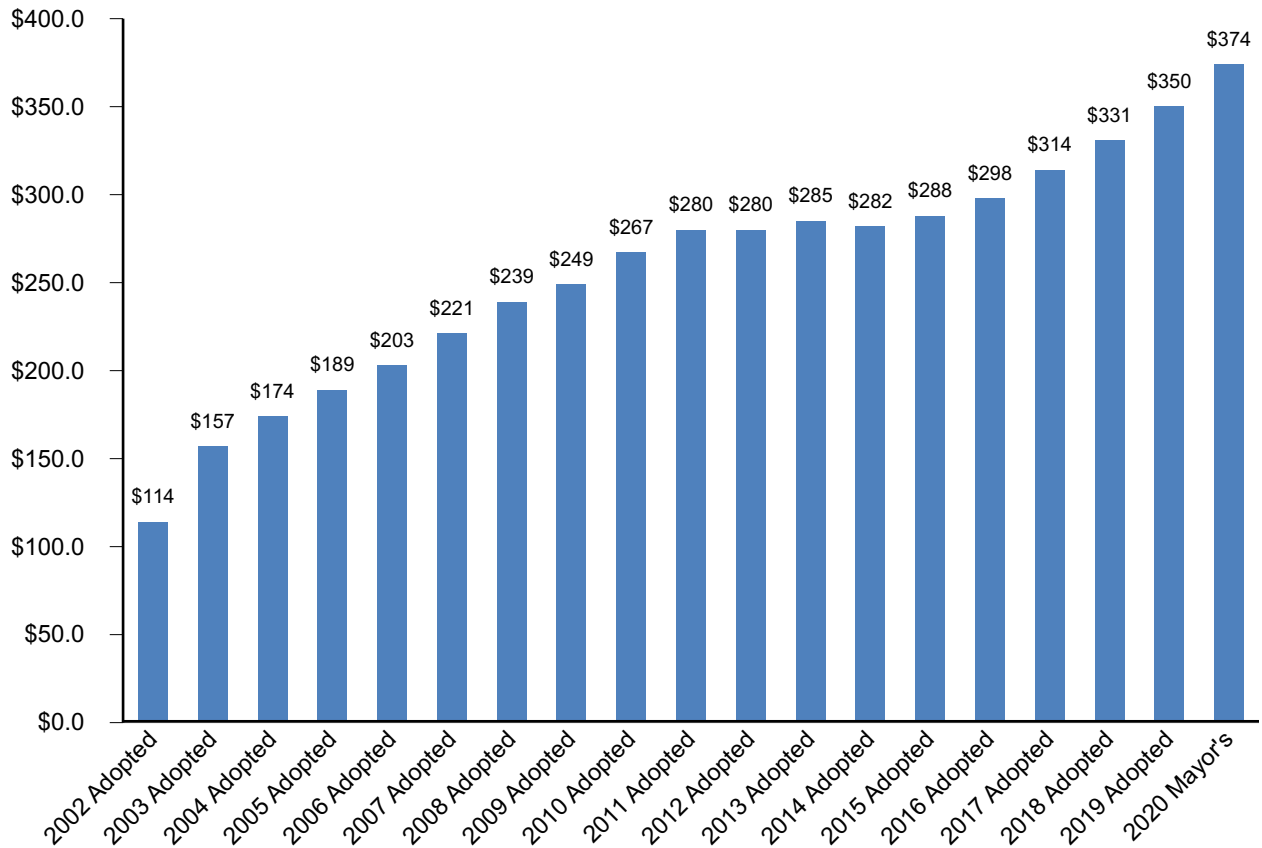
Property Tax Revenue

The City's 2020 Mayor's Recommended Budget includes an overall property tax levy of \$374.3 million. This levy reflects the combined total for the City, the Minneapolis Park and Recreation Board, and the Municipal Building Commission (MBC) levies, as well as the Library referendum levy which is a \$10.3 million market value based tax levy. The 2020 recommended levy is \$24.3 million more than the 2019 Council Adopted levy of \$350.1 million.

Property Tax by Entity - \$374.3 Million



Historical Property Tax Revenue by Year



Property Taxes on Individual Properties

Several factors beyond the change in amount levied affect the annual change in property tax owed on a particular property. These factors include the tax base composition within property classifications, the tax rate of the jurisdiction, growth or decline in the value of other properties within the jurisdiction, properties placed in tax increment financing districts, improvements to a property, as well as other factors. Each of these variables may change on a yearly basis, occasionally resulting in sizable changes in the amounts of property taxes assessed to any one property.

Property Market Values and Tax Base Highlights

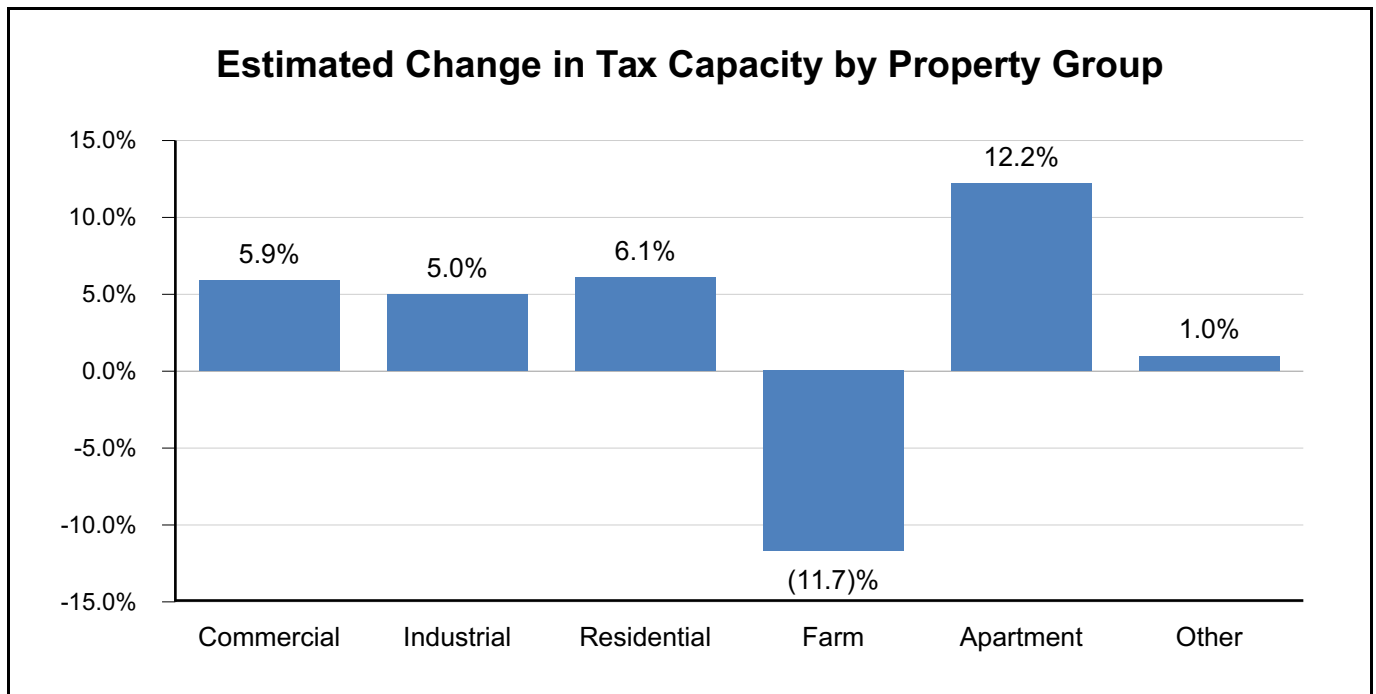
The following table shows the estimated market values and corresponding tax capacity by property group for the July 31, 2019 assessment utilized for property taxes payable in 2020 based on preliminary numbers.

City Portion of a Property Tax Bill with 6.95% Levy Increase

| Non-Homestead Residential | | | | | |
|--|--------------------|--------------------|---------------|-----------------|--|
| <u>Market Value</u> | <u>Tax in 2019</u> | <u>Tax in 2020</u> | <u>Change</u> | <u>% Change</u> | |
| 191,000 | 1,095 | 1,146 | 51 | 4.7% | |
| 264,500 | 1,486 | 1,587 | 101 | 6.8% | |
| 366,000 | 2,068 | 2,196 | 128 | 6.2% | |
| Assumes lower value residential property market value increased by 4% and higher value increased by 6% | | | | | |
| Homestead Residential | | | | | |
| <u>Market Value</u> | <u>Tax in 2019</u> | <u>Tax in 2020</u> | <u>Change</u> | <u>% Change</u> | |
| 191,000 | 975 | 1,030 | 55 | 5.6% | |
| 264,500 | 1,400 | 1,509 | 109 | 7.8% | |
| 366,000 | 2,033 | 2,171 | 138 | 6.8% | |
| Assumes lower value residential property market value increased by 4% and higher value increased by 6% | | | | | |
| Apartment | | | | | |
| <u>Market Value</u> | <u>Tax in 2019</u> | <u>Tax in 2020</u> | <u>Change</u> | <u>% Change</u> | |
| 752,500 | 4,942 | 5,610 | 668 | 13.5% | |
| 5,000,000 | 32,844 | 37,278 | 4,434 | 13.5% | |
| Assumes median apartment property market value increased by 12.8% (not including new construction value) | | | | | |
| Commercial | | | | | |
| <u>Market Value</u> | <u>Tax in 2019</u> | <u>Tax in 2020</u> | <u>Change</u> | <u>% Change</u> | |
| 401,000 | 2,726 | 2,950 | 224 | 8.2% | |
| 5,000,000 | 37,366 | 40,181 | 2,815 | 7.5% | |
| Assumes median commercial property market value increased by 6.8% (not including new construction value) | | | | | |

2019 Assessment for Taxes Collected in 2020

| Group | 2020 Estimated | | | |
|-----------------|-----------------------|---------------|--------------------|---------------|
| | Market Value | % Total | Tax Capacity | % Total |
| Commercial | 10,842,095,400 | 19.4% | 214,120,962 | 30.6% |
| Industrial | 1,211,582,500 | 2.2% | 23,735,739 | 3.4% |
| Residential | 33,415,858,100 | 59.8% | 337,680,629 | 48.3% |
| Farm | 1,527,600 | 0.0% | 15,276 | 0.0% |
| Apartment | 10,390,928,800 | 18.6% | 123,032,866 | 17.6% |
| Other | 25,678,900 | 0.0% | 342,278 | 0.0% |
| Subtotal | 55,887,671,300 | 100.0% | 698,927,750 | 100.0% |



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 in 2020 based on preliminary numbers from the City and County assessors:

| For Payable in 2020* | |
|--|--------------------|
| Real Estate Tax Capacity | 698,927,750 |
| Personal Property Tax Capacity | 10,789,838 |
| Gross Tax Capacity | 709,717,588 |
| - Less Tax Increment | -54,000,000 |
| - Less Fiscal Increment Value Captured | -61,000,000 |
| - Less Fiscal Disparities Contribution | -83,291,299 |
| Adjusted Net Tax Capacity | 511,426,289 |

* Property Values July 2019 estimates only at this time

| Change in Market Value for Taxes Payable Year-Over-Year | | | | |
|---|------------------------|--------|-------------|-----------|
| Taxes Payable in: | Commercial/Industrial* | | Residential | Apartment |
| 2006 | 11.4% | | 12.9% | 6.8% |
| 2007 | 11.8% | | 6.4% | -1.2% |
| 2008 | 10.4% | | 2.6% | 3.3% |
| 2009 | 1.3% | | -3.1% | 1.8% |
| 2010 | -0.1% | | -3.6% | 0.5% |
| 2011 | -9.8% | | -4.4% | -6.7% |
| 2012 | -4.5% | | -9.1% | -5.2% |
| 2013 | 0.5% | | -5.4% | 2.8% |
| 2014 | 0.6% | | 0.7% | 8.5% |
| 2015 | 3.3% | | 8.7% | 27.8% |
| 2016 | 16.4% | -10.5% | 6.1% | 29.8% |
| 2017 | 11.5% | 6.6% | 6.6% | 18.2% |
| 2018 | 10.1% | -6.7% | 7.7% | 13.9% |
| 2019 | 8.4% | 3.6% | 9.9% | 19.3% |
| 2020 | 5.8% | 5% | 5.7% | 13.3% |

* Industrial property is now reported separately from commercial property.

Source: City Assessor's Office and County Assessor's Office

| 2020 Mayor's Recommended Property Tax Levies | | | | |
|--|--------------------|--------------------|--------------------|---------------------|
| Fund | 2019 | 2020 | % Change From 2019 | \$ Change From 2019 |
| General Fund | 201,345,000 | 228,149,000 | 13.31% | 26,804,000 |
| Minneapolis Park Board | 65,740,000 | 69,506,000 | 5.73% | 3,766,000 |
| Bond Redemption | 41,510,000 | 43,830,000 | 5.59% | 2,320,000 |
| Pensions (MERF, MPRA, MFRA) | 23,310,000 | 14,810,000 | -36.47% | -8,500,000 |
| Board of Estimate and Taxation | 210,000 | 0 | -100.00% | -210,000 |
| Municipal Building Commission | 5,256,000 | 5,414,000 | 3.01% | 158,000 |
| Teachers' Retirement | 2,300,000 | 2,300,000 | 0.00% | 0 |
| Library Referendum Debt Service | 10,300,000 | 10,300,000 | 0.00% | 0 |
| Total | 349,971,000 | 374,309,000 | 6.95% | 24,338,000 |