

Dear Minneapolis residents,

Every four years the City engages in strategic planning to determine citywide goals and strategic directions. In March 2014, the mayor and the City Council adopted five citywide goals. These goals guide the elected officials during the budget process as they decide how to allocate the City's resources. While elected officials may further refine the City's direction, the 2016 Budget was prepared with the following goals as guidance.

Living Well

Minneapolis is safe and livable and has an active and connected way of life.

One Minneapolis

Disparities are eliminated so all Minneapolis residents can participate and prosper.

A Hub of Economic Activity and Innovation

Businesses – big and small – start, move, stay and grow here.

Great Places

Natural and built spaces work together and our environment is protected.

A City That Works

City government runs well and connects to the community it serves.

These goals can be found in more detail on the City's website at

www.minneapolismn.gov/citygoals.

If you have questions about any of the material presented in the Budget in Brief, please call 311 from any landline or cell phone within Minneapolis city limits, or 612-673-3000 outside the city limits. For online information about Minneapolis program performance and progress, go to

www.minneapolismn.gov/results.

Minneapolis by the numbers

- Population: 407,207*
- Residential housing units: 178,287*
- Residential neighborhoods: 84
- Homeownership rate: 49.2%
- Per capita personal income: \$35,652**
- Median household income: \$69,111**
- Accredited colleges and universities: 21
- Unemployment rate: 3.5%
- Median age: 33.7 years*
- Land area: 53.97 square miles

*Source : U.S. Census Bureau 2014, <http://quickfacts.census.gov/qfd/states/27/2743000.html>

**Source : Department of Numbers, <http://www.deptofnumbers.com/income/minnesota/minneapolis/>



2016 City of Minneapolis Budget in Brief

The 2016 City Council Adopted Budget:

- Is \$1.34 billion, a 3.0 percent (or \$38.7 million) increase from the 2015 Adopted Budget of \$1.30 billion.
- Includes a 3.4 percent increase in the City share of the property tax levy.
- Includes \$14.5 million investments in affordable housing.
- Maintains current service levels from 2015, including inflationary and mandated cost increases.
- Bolsters public safety by raising the number of police officers to 862 while funding a recruit class, ongoing community service officer classes, and accelerated training for Minneapolis Police officers in implicit bias, procedural justice and crisis intervention.
- Provides funding for the Minneapolis Fire Department to implement innovative new programs to get youths and high school students of diverse backgrounds into pipelines for the emergency medical technician, emergency medical services, firefighter and community outreach fields.
- Provides initiatives to overcome global climate change challenges.
- Provides resources to support racial diversity initiatives.
- Provides for additional staffing to accommodate the increased workloads due to growth in construction activities in Minneapolis.

Budget process

June - August - Mayor developed and submitted recommended budget.

- Mayor met with department leadership.
- Mayor reviewed budget proposals, policy changes and funding options.
- Recommended budget submitted to council (August).

September - December - Hearings held on mayor's recommended budget.

- City Council received budget and referred to the City Council's Ways & Means Committee and Budget Subcommittee.
- City departments and boards presented their budgets to the Ways & Means Committee and Budget Subcommittee.
- Ways & Means Committee approved any changes to the mayor's recommended budget.

November - Public hearings held.

- Property tax notices mailed to property owners, stating the amount of property tax to be paid in 2016 for all jurisdictions, including the City, and dates for public input.
- First public hearing held.

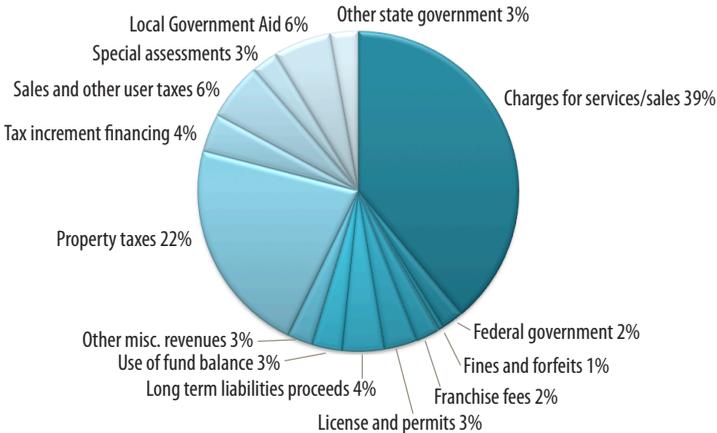
December - Budget adopted.

- Final public meeting held on date of budget adoption.
- Final budget now referred to as the Council Adopted Budget.

How the city is funded

Total revenue budget - sources of funds

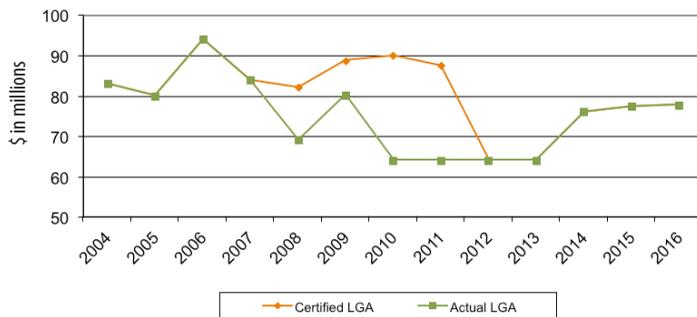
2016 Council Adopted Budget: \$1.3 billion



STATE FUNDING

The City receives funding from the State of Minnesota largely in the form of Local Government Aid, or LGA. The State uses a formula to distribute LGA funds to cities throughout Minnesota. For 2016, Minneapolis was appropriated \$77.8 million, an increase of \$0.4 million from 2015. The graph below shows certified and actual levels of LGA funding the City of Minneapolis has been receiving since 2004, as well as projected levels for 2016 based on current law.

Certified vs. actual LGA



For more information on LGA and the distribution formula, please visit www.house.leg.state.mn.us/hrd/topics.asp?topic=32.

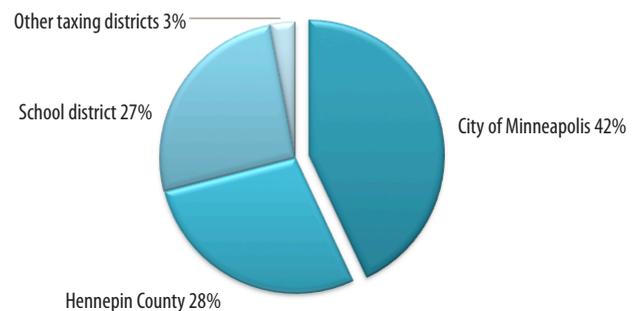
Charges for services and sales revenue

Much of the City's funding comes from services residents and others pay for, such as water, sanitary sewers, storm sewers, trash removal and recycling pickups. The revenue obtained from providing these and other services accounts for about 39 percent of the total revenue for the City's budget.

Property tax

Property taxes comprise approximately 22 percent of overall revenue for the City. Your total property tax dollars are split among several different governmental jurisdictions. The three jurisdictions that receive the greatest proportion of your property taxes are the City of Minneapolis, Hennepin County, and Special School District No. 1 (*Minneapolis Public Schools*). The City typically receives about 42 percent of the revenue from the overall total property tax payments made by City taxpayers. Hennepin County receives about 28 percent, and the School District about 27 percent. The other 3 percent of property tax revenue is split between Metro Mosquito Control, Metropolitan Council, Metro Transit, Hennepin County Regional Railroad Authority, Regional Sewer System, Regional Parks & Museums, Hennepin County Watershed Management, and Hennepin County Public Housing. The City of Minneapolis is only responsible for the City portion of the taxes paid.

2016 Property tax breakdown



2016 ADOPTED BUDGET PROPERTY TAX BREAKDOWN (City portion only)

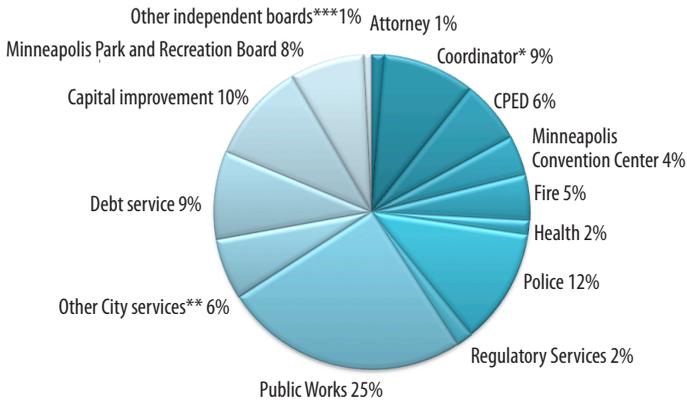
The City's 2016 Adopted Budget includes \$298 million in funding from property taxes, which are used to support many of the City's functions. Under the 2016 Adopted Budget, a Minneapolis home with an estimated value of \$183,750 will pay about \$2,357 in total property taxes for all jurisdictions as listed above, with approximately \$991 going to the City. See where that \$991 in City property taxes goes on the following table:

City property tax breakdown for home valued at \$183,750



Expenditures

Total expense budget - use of funds
2016 Council Adopted Budget: \$1.3 billion



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

** Includes City Assessor, benefits, City Clerk/Elections/Council, Civil Rights, contingency, Internal Audit, liability, Mayor's Office, pensions, and worker's compensation.

*** Includes Board of Estimate and Taxation, the City's contribution to the Municipal Building Commission and Library Board

The City's departments

POLICE AND FIRE

The Police Department and Fire Department comprise 17 percent (\$220 million) of the City's overall budget. The City's 2016 Adopted Budget provides funding for 862 sworn police personnel in five different precincts and 406 sworn fire personnel at 19 stations as well as resources to maintain these levels during times of high turnover.

COMMUNITY PLANNING AND ECONOMIC DEVELOPMENT

Community Planning and Economic Development (CPED) accounts for about 6 percent of the City's budget. CPED's mission is to make Minneapolis more sustainable by helping businesses grow, developing an educated workforce and living-wage jobs, promoting homeownership, building housing, and interpreting and enforcing zoning, building and licensing codes to ensure the safety, health, and livability of our community.

PUBLIC WORKS

At approximately 25 percent, the Public Works Department comprises the largest portion of the City's budget. The main responsibilities of Public Works include enabling safe transportation for residents by maintaining streets, bike paths and sidewalks; providing safe, high-quality drinking water to residents and visitors; managing the sewer systems and facilitating the collection and disposal of trash and recycling.

The City's funds

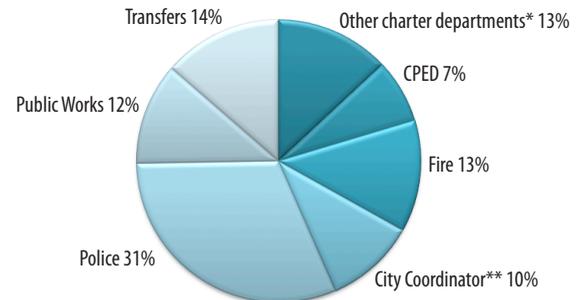
Revenue collected by the City is directed into different funds. These funds help manage City spending by directing the revenue dedicated to specific activities or objectives to a group of related accounts. By maintaining separate funds, the City is able to comply with laws that require certain money to be spent for specific purposes. For example, the City may not raise water bills to pay for police services. About \$853 million or 64 percent of the City's revenue is dedicated for a specific use and is directed to a corresponding fund. Revenue that isn't earmarked for a specific purpose is directed to the General Fund, which pays for the general operations of the City, including police and fire services, street repairs, and regulatory functions.

GENERAL FUND

Because the revenue in the General Fund is not earmarked for any specific purposes, the City has the most discretion in the use of General Fund dollars. This fund comprises about 36 percent of the citywide budget. Its two major sources of funding are local property taxes and Local Government Aid (LGA) from the State. These two sources reflect about 49 percent of the General Fund budget of \$488 million. The remainder of the General Fund revenue is from a variety of sources, including sales and other user taxes, charges for services/sales, and licenses and permits. The following chart shows a more detailed look at the General Fund:

General fund expense budget - expenditure by service

2016 Council Adopted Budget: \$488million (includes transfers to other funds)

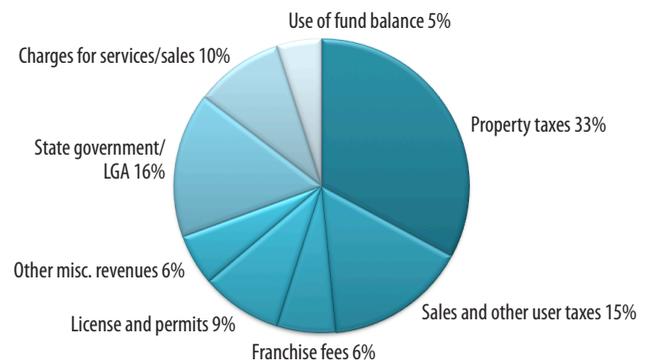


* Other Charter Departments: Assessor, Attorney, Civil Rights, Contingency, Council/Clerk/Elections, Health, Internal Audit, Library Board, Mayor's Office, and Regulatory Services.

** City Coordinator: 311, 911, Communications, Emergency Management, Finance and Property Services, Intergovernmental Relations, IT, Neighborhood and Community Relations.

General fund revenue budget - source of funds

2016 Council Adopted Budget: \$488 million (includes transfers from other funds)



Capital plan

Every year, the City adopts a plan for capital improvements for the next five years. Capital improvements include projects such as street construction, bridges, public buildings, traffic systems, park improvements, sewers and water infrastructure.

Prior to the mayor presenting her recommended budget to the City Council, elected officials gather feedback from residents regarding which capital projects the City should undertake through the Capital Long-Range Improvement Committee (CLIC). The CLIC consists of 33 residents (*seven appointed by the mayor and two appointed by each of the 13 council members to represent their wards*) who rank proposed capital projects based upon a number of criteria and present their recommendations to the mayor and City Council.

The 2016 budget includes the first year of the 2016–2020 five-year capital plan, with funding of \$134.8 million appropriated for the first year. The five-year total for the capital budget is \$668.9 million, with 86.9 percent associated with Public Works projects. The three largest capital expenditure categories include: street paving, water infrastructure, and storm sewers. Capital projects tend to be costly; therefore, the City often issues bonds (debt) to finance these projects. The City uses resources received from bond sales to pay for capital projects, and repays investors over time at tax-exempt interest rates using annual revenues as noted below. This process is similar to a homeowner utilizing a home improvement loan to complete a major home repair project.

DEBT SERVICE AND BONDS

The City's total general obligation debt outstanding as of Dec. 31, 2015, is \$643 million. General obligation bonds are backed by the full faith and taxing authority of the City. Approximately 16 percent of this debt is funded with future property tax payments, 33 percent is paid for by fees collected for sewer, water and parking services and the balance is supported by sales taxes, tax increment, special assessments and other user fees. Each year, the City pays between \$100 and \$120 million in principal and interest on its general obligation bonds.

The City's bonds receive among the highest possible ratings from all three major credit rating agencies. The ratings represent the strength of the City's credit and thus the safety of investing in City bonds. The City's top bond ratings reflect the sound financial management of the City and allow the City to borrow money from investors at low interest rates.

Utility rates

For 2016, the City Council Adopted utility rates for water and sanitary sewer fees which include both a variable rate component based on the size of the water meter servicing the property. Stormwater fees will not increase in 2016. Solid waste rates are increasing due primarily to the implementation of organics recycling. The table below provides a summary of the anticipated change in an average residential customer's utility bill from 2015 to 2016.

	2015	2016 monthly average*	2016 annual average	2016 monthly \$ change	2016% change
Water*	\$26.59	\$27.65	\$ 332	\$1.06	4.0%
Sanitary sewer	\$23.06	\$24.64	\$ 296	\$1.58	6.9%
Stormwater	\$11.94	\$11.94	\$ 143	\$0.00	0.0%
Solid waste/recycling**	\$26.60	\$27.89	\$ 335	\$1.29	4.8%
Total	\$88.19	\$92.12	\$1,106	\$3.93	4.5%

Combined utility bill
Monthly and annual cost
for average customer

*The average household rate for water is based on seven units of consumption at \$3.45 per unit plus a \$3.50 fixed charge. Sanitary rates are based on six units of water consumption at \$3.39 per unit plus a fixed charge of \$4.30. Stormwater rates are based on one equivalent stormwater unit of 1,530 square feet on impervious surface.

**The solid waste rate is based on a \$22.89 monthly charge with a large recycling cart fee of \$5. Customers can substitute a small cart with a \$2 fee. The large increase in the monthly charge is due to incorporating organics recycling.



If you have questions about any of the material presented in the Budget in Brief, please call 311 or 612-673-3000. For online information about Minneapolis program performance and progress, go to www.minneapolismn.gov/results/index.htm

For reasonable accommodations or alternative formats please contact Finance and Property Services, LaTonia Green at 612-673-3205 or latonia.green@minneapolismn.gov. People who are deaf or hard of hearing can use a relay service to call 311 at 612-673-3000. TTY users can call 612-673-2157 or 612-673-2626. Para asistencia 612-673-2700, Rau kev pab 612-673-2800, Hadii aad Caawimaad u baahantahay 612-673-3500.