

shall require Council approval. The department requesting the fund shall determine the amount of additional City resources that will be required to fund the positions once the grant funding expires and report those estimates to the Finance Department. As a condition of accepting the funds, the Council shall identify permanent resources and amend the Five-Year Financial Direction to reflect adequate resources to retain the positions once the funding ends.

REVENUE POLICIES

The objective of the revenue policies is to ensure that funding is derived from a fair, equitable, and adequate resource base, while minimizing tax differential burdens.

Revenue Structure and Sources. The City will maintain a stable and diverse revenue system to shelter programs and services from short-term fluctuations in any single revenue source. Services having a citywide benefit shall be financed with revenue sources generated from a broad base, such as property taxes and state aids. Services where the customer determines the use shall be financed with user fees, charges and assessments related to the level of service provided.

Tax Base Capacity. In July 2002, the Mayor and City Council approved a resolution that set the maximum increase in the total property tax levy collected by the City, including independent boards and special levies, at no more than 8-percent from the previous year's amount effective in 2003. This resolution served as a guideline for preparing tax revenue forecasts through 2009.

[NEW IN 2010] Property Tax Revenue Distribution. In 2009 (for 2010), the Council adopted the distribution of revenue be based on the sum of the following: total property tax revenue, total Local Government Aid revenue, and total General Fund revenues. From this total, shared costs are deducted, including: pension obligations, previously approved internal service fund workout plans, the Bond Redemption Fund levy, the Permanent Improvement Fund levy, the Minneapolis Public Housing Authority special levy, the Teacher's Retirement Association special levy, the Library Market Value Referendum levy, the levy for the Board of Estimate and Taxation, General Fund Overhead associated with the Park Board and Municipal Building Commission (MBC), General Fund Overhead for others, and General Fund transfers to other funds. The remaining revenues are then identified as being available for "activities."

"Activity" definition for MBC excludes the General Fund Overhead transfer to the City. "Activity" definition for the Park Board excludes the General Fund Overhead transfer to the City, the HR Benefits Administration Fee paid to the City and the Park Board levy supported capital projects.

The annual percentage change in revenue available for activities of the City, Park Board and MBC will be the same for each entity.

User Fees. The City shall implement user charges in lieu of general revenue sources for identified services where the costs are related to the level of service.

Cost of Service. The City shall establish user charges and fees at a level that reflects the service costs. Components of the user charges shall include operating and capital costs, as well as the direct and indirect costs of providing the service. Full cost charges shall be imposed unless it is determined that policy, legal or market factors require lower fees.

Policy and Market Considerations. The City shall consider policy objectives, market rates and charges levied by other public and private organizations for similar services when City fees and charges are established.

Non-Resident Charges. User fees and other appropriate charges shall be levied for City activities, services or facilities in which non-residents participate, whenever practical. Non-resident fees shall be set at market levels to minimize the tax burden on City residents.

Enterprise Service Fees. User charges for Enterprise Services such as water, sewer, stormwater, and solid waste collection, shall be set at rates sufficient to finance all direct and indirect operating, capital, reserve/working capital and debt service costs. Overhead expenses and general government services provided to the enterprise activities shall be included as indirect costs. Rates will be set such that these enterprise funds are never in a cash deficit during the year.

Code Enforcement and License Fees. These activities shall be funded through user charges that reflect the cost of the services provided, including direct and indirect expenses, to the extent legally allowable.

Internal Service Fees. When interdepartmental charges are used to finance internal service functions, the charges shall reflect full costs, including all direct and indirect expenses. Costs for services will be allocated to departments using a rate model.

Administrative Fees. Administrative fees shall be assessed on all non-General Fund supported capital projects. These fees allocate the proportionate share of general government services to those projects so that the General Fund is not required to subsidize infrastructure or economic development projects.

Parking Fees. Hourly, daily, and monthly contract rates for City-owned parking facilities shall be adjusted at least annually to reflect market prices of privately-owned parking facilities. Fee adjustments shall also consider downtown objectives, such as development incentives, space availability, business promotion, traffic control, and mass transit patronage.

Fines. Levels of fines shall be set according to legal guidelines, deterrent effect, administrative costs and revenue potential.

Convention Center. The Convention Center will develop a profit and loss statement for each event. The Center shall be managed so that operating costs are financed through user charges to the greatest extent possible within the overall mission of the Convention Center.

Dedicated Revenues. Except where required by law or generally accepted accounting principles (GAAP), no revenues shall be dedicated for specific purposes. All non-restricted revenues shall be deposited in the General Fund and appropriated through the annual budget process.

Private Revenues. All private money donated, contributed or lent to the City shall be subject to grant solicitation and acceptance procedures, and shall be deposited in the appropriate City fund and accounted for as public money through the City's budget process and accounting system.

Special Assessments. The City Council has the authority to levy special assessments for approximately 65 different types of projects. There are three main areas of assessments:

- *Public Works:* Most common types of assessments are for sidewalks, street improvements, water and sewer line repairs and Nicollet Mall. (Assessments for unpaid utilities are handled by the City's Finance Department.)
- *Inspections:* Most common types are for rubbish removal, trees, grass and brush cutting inspection fees for inoperable vehicles towed from private property, re-inspection fees, administrative citations, vacant building registration fee and inspections, and Police boarding.
- *Park Board:* Most common types of assessments are for tree removal and parkway and sidewalk reconstruction.

This policy covers City-administered special assessments only.

Method of Payment (Public Improvement Assessments). Owners of benefiting properties shall have the option of paying their assessment all at once or in installments as part of their annual real estate taxes. The City Council shall determine the number of equal annual installments, not to exceed twenty, in which assessments may be paid. The City Council shall determine the interest rate to be paid annually on all unpaid installments; this rate shall not exceed the maximum rate of interest as provided for in statute (*MN Statutes*, section 429.061, Subd. 2). The first installment shall be payable in the year following completion of the project and in the same manner as real estate taxes.

Capital Improvements Fund. The Capital Improvements Fund is a special revenue fund of the City, which shall contain the proceeds of any levy or bonds issued for public infrastructure projects. Any project costs that are not assessed, such as water mains, shall be paid from this fund. If the amount of money raised through special assessments is insufficient to pay the maximum amount specified for the project, the balance needed shall be taken from the Capital Improvements Fund. Offsetting revenue and City Council approval is required in order for the Capital Improvements Fund to cover insufficiencies.

Property Disposition Fund. The proceeds of the Property Disposition Fund are to be used for implementing the City's strategic real estate plan, as developed and approved by the Facilities, Space, and Asset Management Committee.

Uniform Assessment Rate. The Uniform Assessment Rate is a standardized rate applied in street construction and street renovation projects. The current policy requires that assessments be part of the funding for all street paving construction/reconstruction projects for which the City is to bear any part of the cost, except for freeways. This rate shall be applied to the square footage per parcel in the project area to arrive at an assessment cost for each benefited property. The goal of the rate is to ensure an equitable distribution of costs between projects and to assess approximately 25% of project costs. The Uniform Assessment shall be calculated annually and submitted to the City Council's Transportation and Public Works Committee for approval. Separate rates must be established based on the type of project (construction or renovation), funding category (local or other) and benefited parcel category (non-residential or residential).

Tax-Forfeited Properties. A portion of nuisance abatement special assessments may be cancelled for tax-forfeited properties.

- *Tax-forfeited properties sold to the general public –*
 - The portion of a property’s post-forfeiture special assessments, pending assessments and charges in excess of fair market value shall be cancelled if Hennepin County has not sold the property within 90 days of the property’s first offering to the public; and
 - The City will waive its right to assess or reassess pre-forfeiture and post-forfeiture special assessments, pending assessments and charges related to nuisance abatement activities under Chapters 227 and 249, and similar provisions of the Minneapolis Code of Ordinances.

- *Tax-forfeited properties located in targeted neighborhoods and purchased by the City for redevelopment purposes –*
 - The portion of a property’s post-forfeiture special assessments, pending assessments and charges in excess of fair market value shall be cancelled; and
 - The City will waive its right to assess or reassess pre-forfeiture and post-forfeiture special assessments, pending assessments and charges related to nuisance abatement activities under Chapters 227 and 249, and similar provisions of the Minneapolis Code of Ordinances.

RESERVE POLICIES

The objective of the reserve policies is to provide adequate working capital for cash flow and contingency purposes, while maintaining reasonable tax rates.

Cash Flow and Contingency. The City shall maintain a minimum unallocated General Fund balance of 15 percent of the following year’s revenue budget amount to be used for cash flow purposes, unanticipated expenditures of a non-recurring nature, or to meet unexpected increases in service delivery costs. The City shall maintain a 15 percent fund balance in the General Fund.

To the extent that unusual contingencies exist as a result of state or federal aid uncertainties, or other highly variable factors, a balance larger than this minimum amount may be maintained. These funds will be used to avoid cash flow interruptions, generate interest income, avoid the needs for short-term borrowing, and assist in maintaining a triple-A bond rating.

In the event a balance larger than the “base” amount exists as a result of state or federal aid, salary settlements, or other unknowns provided for in the budget, the City shall decide whether to transfer cash to the Internal Service Funds of the City to help reduce the negative cash balances in these funds. When financial stability is returned to the Internal Service Funds of the City, the City shall reevaluate the Cash Flow and Contingency policy statement. Specifically, future changes shall address the level of balance that may be maintained above the minimum “base.” [Internal Service Fund commitment adopted in December 2000, reaffirmed in 2006]

Appropriate operating contingency reserves shall be maintained in enterprise funds to provide for business interruption costs and other unanticipated expenditures of a non-recurring nature.