

## EAST HARRIET FARMSTEAD NEIGHBORHOOD ASSOCIATION

### *Meeting of the Board of Directors*

Walker Methodist, Minneapolis  
Wednesday, December 1, 2010 - 7:00 pm

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| 1. Announcements   | 7:00 - 7:05 |
| 2. Approval of 11/3/2010 Minutes - (N. Petersen) Action Required                   | 7:05 - 7:10 |
| 3. Council Members Report (CM Hodges Ward 13 & CM Tuthill Ward 10) - Informational | 7:10 - 7:20 |
| 4. Property Tax Increase - (CM Hodges) Informational                               | 7:20 - 7:35 |
| 5. Park Report (A. Lynch) -Informational   | 7:35 - 7:45 |
| 6. EHNFA Board Goals 2010 (N. Petersen) - Action Required                          | 7:45 - 8:05 |
| 7. Kite Fest - (D. Hart on behalf of Zach Mullinax) = Informational                | 8:05 - 8:20 |
| 8. Committee Budget Reminder   | 8:20 - 8:25 |
| 9. Committee Reports   | 8:25 - 8:45 |
| • Community Builder Committee Update (D. Hart) - Informational                     | 8:25 - 8:30 |
| • Housing, Zoning and Business (M. Jensen on behalf of P. Meier) - Informational   | 8:30 - 8:35 |
| • Crime, Safety, Trans & Noise Committee (K. Larsen) - Informational               | 8:35 - 8:40 |
| • Park, Environment & Schools (B. Wadman) - Informational                          | 8:40 - 8:45 |
| 10. Adjourn  | 8:45        |

#1. Announcements

#2. November 3, 2010 minutes approved (N. Petersen) - Action Required

***Motion: Move to approve the minutes of the November 3, 2010 EHFNA Board of Directors monthly meeting minutes as amended.***

#3. Council Member Report (CM Hodges and CM Tuthill) - *Informational*

- City Council reports from Council Member Tuthill (Ward 10) and Council Member Hodges (Ward 13)

#4. Property Tax Increase (CM Hodges) - *Informational*

- Due to budget constraints, the City of Minneapolis is proposing property tax increases throughout the city. These tax increases will affect the East Harriet Neighborhood particularly hard. The item has been presented to the Board for information, and discussion should the Board wish to make any action.
- CM Hodges has issued the following email:

“Hi there, neighbors!

Understandably a lot of folks have been contacting me about the proposed budget – and property tax levy. I have been listening, and responding, and wanted to share with all of you more about the current situation and what I am doing. Given what I am hearing, and as the Ways and Means/Budget Committee Chair, I am working with the Mayor and other City leaders to find more relief in this budget. I recently wrote an [editorial in the Southwest Journal](#) outlining the context in which we are making these decisions. In addition, the City has put together a [website that explains some of the issues in detail](#).

I also want to let you know there are programs that can assist you if, after we make changes, your property tax burden is still too high. The State provides two property tax refund programs for qualifying property owners. First, you may apply for the Regular Property Tax Refund for income-qualified homeowners. Second, if your net increase is greater than 12% you may apply for the Special Property Tax Refund regardless of income. Information on the programs and the forms to apply for each can be found here: [Homeowner Refund Programs](#).

I have also attached a deeper explanation of your proposed 2011 property tax bill. The confluence of a recertified TIF district, the retained value of Southwest homes compared to other parts of the city, and the proposed maximum levy versus the lower proposed levy in the recommended budget have led to the numbers you see on your statement.

I hope the materials and information here have been helpful, and please contact me if you have trouble with the links above, or if you have additional comments or questions.

Betsy”

- Additionally, below is a detailed description for the property tax increases issued by CM Hodges:

### **2011 Proposed Tax Statement**

Three main factors contribute to the proposed increase you see on your 2011 Proposed Property Tax Statement: 1) the increase to the tax levy, 2) the value of your home relative to other property throughout the City, and 3) the recertification of TIF districts that expired in 2009.

1) The Mayor has recommended to the City Council in his 2011 budget a levy increase of 6.5%. The entirety of that increase is due to increased obligations to fund pensions, particularly two closed pension funds described below. Were it not for those obligations, the levy would have decreased by 1%. However, the proposed tax increase on your statement reflects a levy increase of 7.5% rather than the 6.5% proposed in the Mayor's budget. The Board of Estimate and Taxation (BET) adopted a maximum levy increase of 7.5% in case it became clear by December that we faced the worst case scenario at the Legislature and we would need that extra amount to cover basic services. As a result, the property tax statement you received is based on the maximum levy set by the BET. However, the budget currently before the Council recommends the smaller 6.5% levy increase.

2) The City sets an overall levy dollar amount based on a proposed set of service needs. That dollar amount is then spread over all taxable properties throughout the City based on mill rates set by the State and on property values. The City does not set the specific rate by which a given property tax increases or decreases. The rate you see is affected by the change in your property value relative to the change in property values City-wide. If your property increased in value while other properties fell in value, your tax will go up to account for the change. At the same time, if your property value fell but fell less than other properties, your tax will still go up as a result. This is the case even if the levy does not increase at all, and can even be true if the levy decreases. Because property values in Southwest Minneapolis have retained more value than properties in other areas of the City, much of the proposed property tax increase would affect homes in Southwest. That is the cloud to the silver lining of our relatively higher retained value.

3) A third factor in your proposed increase is unique to the 2011 budget. About one third of the increase you see on your property tax statement for 2011 is due to the recertification of a set of TIF districts to pay for neighborhood operations. These districts were originally set up to fund the NRP program in 1989. The properties were taken out of the general tax base and the taxes they would have paid were dedicated to NRP. For those 20 years, the property tax base was smaller and thus all other properties in the base paid a higher share of the tax levy. In 2009, those TIF districts expired, meaning all the properties came back onto the tax base for one year. That meant there was a larger base from which to fund the tax levy, and the burden to all other properties decreased. This year, the TIF districts were recertified for another ten years. Again, the property tax base shrank as a result pushing up the tax on all other properties outside of that TIF district. All these factors are the central reasons for the percentage increase you are seeing on your proposed tax statement. However, there are other factors at play as well that set the context for the above factors. It is important to understand how your property tax dollars are used, where cuts to the budget do and do not affect the property tax levy, and the impact of skyrocketing pension costs and cuts and tax policy changes at the State level.

### **City Budget**

Your property taxes pay for a number of services but are not the only source of City revenue.

Property taxes and Local Government Aid (LGA) fund the majority of the City's \$372 million general fund, which pays for basic services like Police, Fire, Public Works maintenance, and capital debt service. Most major budgetary decisions that affect your property tax bill are made within the general fund. Other revenue sources like charges for service (water, sewer, garbage, etc.), fines, grants, service charges to other organizations, etc., fund the bulk of the City's \$1.4 billion budget, 75% of which is dedicated by law to a specific uses. For example, money collected for water service can only fund water-related projects or programs and cannot be used to pay for police or street maintenance. Cuts or increases to these operations do not impact your property taxes. In 2010, a home valued at \$207,000 paid about \$1184 in City property tax. The breakdown of where those dollars went looks like this:

- Police: \$252
- Parks: \$200
- All other City departments (Community Planning and Economic Development, Attorney, Finance, etc.): \$152
- Library Operations: \$52
- Pensions: \$106
- Capital and Debt Service: \$108
- Fire: \$107
- Public Works: \$60
- Other independent boards: \$21

While the property tax levy has increased dramatically since 2001, the size of City government has actually decreased. The proposed 2011 budget is 7% smaller than the 2001 budget, and funds over 400 fewer positions. This is not a matter of the City budget growing out of control – in fact, quite the opposite. Many City departments have been squeezed to the breaking point or beyond. Due to changes at the State level, the City has been forced to become more reliant on property taxes and residential property taxes in particular, which has driven your tax bill up even as the City cut its budget. However, it's clear the annual property tax levy increases levied in the last few years are unsustainable.

Minneapolis has been doing a great job managing this difficult financial situation, having maintained a balance between keeping the growth in the tax levy and avoiding drastic cuts in critical services. Making tough budget decisions has put the City in the best possible position to eliminate steep levy increases in the coming years. It is crucial to remember that where the City has non-discretionary spending commitments (things like pensions, street repair, debt service, etc.) putting off payments now will mean higher costs in the future.

## **Pensions**

One of the most significant financial challenges the City faces involves two of its three closed pension funds, Minneapolis Police Relief Association (MPRA) and Minneapolis Fire Relief Association (MFRA). Most current employees belong to statewide pension funds; however, before 1980, the City operated its own separate pension funds for Police and Fire departments as well as a third fund for all other employees. These funds stopped accepting new members in 1978 and 1980 but the City's pension obligations to employees enrolled in the funds remain. All current City employees not participating in these closed funds are members of the State pension fund, PERA. Because PERA is much larger, the cost to taxpayers of funding these pensions is much more stable. We are all grateful to the officers, firefighters, and other employees who have served us so well and under any circumstance want them to get the benefits they have been promised. However, for a number of reasons, the costs to the City of funding MPRA and MFRA have grown precipitously in the last few years, and are projected to continue to grow in the years to come. Beginning in 2010 and for the next five years alone, recent

market downturns have increased your responsibility to the funds by an estimated \$38 million. This is clearly an untenable on-going liability.

Part of the reason the situation is so challenging for the City to address is that our ability to control costs is limited due to the way the governance of the funds was set up. In short, the City has limited control over the financial management and administration of the funds but taxpayers are obligated to make up any shortfall that may result from investment and management decisions or market downturns. Other anomalies in the structure of these funds are expensive for you as a taxpayer. One solution the City has been pursuing involves merging the two funds into the statewide Public Employees Retirement Account (PERA – Police & Fire). Such a merger would allow the City to mitigate the incredibly difficult budget decisions and impact on services that would accompany the huge annual increases in these pension costs in the coming years, while preserving the benefits to which members of the funds have earned and are entitled.

### **State Property Tax Policy Changes**

Two other central driving forces in residential property-tax increases over the last few years are the changes to tax classifications made by the State Legislature in 2001 and the cuts to Local Government Aid beginning in 2003. An additional factor has been the phase-out of limited market-value (LMV) Classification Rates. The rate changes in 2001 decreased tax rates on commercial property, which in turn shifted the tax burden to residential property owners whether a local government increased the tax levy or not. In 2001, commercial properties accounted for 60% of Minneapolis' tax levy, while residential properties accounted for 30%. In 2010, those percentages had reversed themselves. Even if the City had not increased its levy, residential property taxes would have increased.

### **LGA Reductions**

The Local Government Aid program (LGA) was designed in the early 1970s as a revenue sharing program among communities across Minnesota to make sure all cities could thrive. This "Minnesota Miracle" essentially meant that local governments agreed to send the income- and sales-tax revenues generated within their boundaries to the state with the understanding that this revenue would be redistributed to local governments throughout the state through a need-based formula. The LGA cuts begun in 2003 were designed to reverse the agreement between local governments and the State made in part to prevent the volatile swings in residential property tax we are seeing today. Many cities in states that have had no such agreement (Ohio, for example) have instituted city income tax and rely heavily on school property tax levies in order to continue to function. Minneapolis, in contrast, was able for many years to provide outstanding services while avoiding significant residential property tax increases, which helped the City maintain its economic viability to continue to generate the income- and sales-tax dollars that flow into the LGA pot at the state.

Minneapolis is a net contributor to the LGA program, sending more tax dollars to the state than it gets back in LGA funds. The argument is often made by folks advocating for cuts to LGA balance the State's budget crisis that local governments simply need to cut their spending rather than make up for the cuts with property tax increases. The fact of the matter is that city spending has been flat since the cuts began, even though the property tax levy has been raised 8% per year in response. Local property tax increases have been less than half the total amount of LGA cut since 2003. The City's LGA has been cut by \$54 million over the last three years (2008 – 2010) alone. During that same period, revenues and spending at the state have been rising steadily. Now, Minneapolis faces even more drastic cuts as the state tries to balance its budget once again. In 2003 State Aid accounted for 40 percent of General Fund revenue, while property taxes accounted for only 29 percent of General Fund revenue.

In 2011, however, State Aid will account for only 22 percent of General Fund revenue, while property taxes will make up 44 percent of General Fund revenue. In other words, in order for the City to maintain essential public services like Police, Fire, 911 and Public Works, property taxes have had to increase to make up for the cuts in LGA. Still, the property tax increases of the last few years have not made up that difference.

### **Limited Market-Value Program Phase-out**

In addition to shifting the tax burden toward residential property owners and reducing the amount of LGA to cities, the State has also phased out the Limited Market-Value program, which was designed to soften the impact on homeowners of steep increases in their property values. The program limited the amount of annual increase to a property's taxable value, thereby capping the amount a property's tax could increase in a short period. If your home doubled in assessed value in a year, for example, your next year's tax obligation on that increased value would be capped and then phased in over time to keep the increase manageable. Because this program is being phased out, many homeowners saw their property taxes increase dramatically as their home's taxable value "caught up" to its assessed value. All properties in Minneapolis now are assessed at their full market value, but it's important to note the impact the phase-out of LMV had on many homeowners' tax bills over the last few years.

#### **#5. Park Report (A. Lynch) - *Informational***

- Park Coordinator Ann Lynch will update the board on Lyndale Farmstead Park happenings.

#### **#6. EHFNA Goals 2010 (N. Petersen) - *Action required, approval of goals***

- Board members attended a Goal Setting Summit on Monday, November 29, 2010 to discuss setting goals for EHFNA for 2011. Attending members were Nick Petersen, Donovan Hart, Mike Jensen and Zach Mullinax. The attending members went through and exercise identifying EHFNA assets, liability and stakeholders, and then engaged in a discussion about goals and tactics. It was decided to broaden the approach toward goal setting for 2011, with particular emphasis on improving the strategic area of relevance of EHFNA.

#### **Identified Goals:**

- 1. Raise Awareness of EHFNA.** EHFNA should work towards increasing its visibility as a local form of government and provider of some services within the East Harriet Neighborhood
- 2. Raise EHFNA's Awareness of community needs.** The organization should undertake a campaign to identify main concerns and needs of residents and business leaders.
- 3. Facilitate the success of community organizations and businesses.** EHFNA should work to identify itself within the community as an organization that can facilitate and/or assist other community organizations and businesses in accomplishing their goals and missions within the East Harriet Neighborhood.
- 4. Celebrate and promote neighborhood assets.** The East Harriet Neighborhood is rich in community assets. Target initiatives should be identified that would increase the visibility and success of those assets.

The Executive Committee will meet to discuss a specific implementation strategy and structure, as well as benchmarks for these goals, and present to the Board on December 1, 2010. Following Board approval, a meeting will be called with the EHFNA Steering Committee to discuss further implementation with the EHFNA Committee Chairs during 2011.

**Motion: Move to approve the four goals identified for EHFNA for 2011 by attending board members at the Goal Setting Meeting on November 29, 2010.**

**#7. Kite Fest - (D. Hart on behalf of Zach Mullinax) Informational**

- Presentation of updates on the organization of Kite Fest, including a discussion of needed resources (volunteers, funds, etc...) for Kite Fest, which will be occurring early January.

**#8. Committee Budgets - Informational**

- *A reminder that the budgets for each committee are due prior to the January 5, 2011 Board meeting*

**#9. Committee Reports - Informational**

- Community Building Committee (D. Hart)- Informational
- Housing, Zoning & Business Committee (M. Jensen on behalf of P.Meier) - Informational

***EHFNA Housing, Zoning and Business Committee Meeting Recap***

***Meeting Date:*** Wednesday, November 17th

***Attendees:*** Mike Jensen, Pam Meier, Matt Perry, Nick Peterson

**Meeting Highlights**

- *Review of HZB committee member roles, responsibilities & expectations*
- *Review of HZB short-term and long-term goals*
- *Review of HZB meeting process (variance/conditional use permits, committee/board voting, available online resources\_*
- *Review of 2009-2010 projects (history, current status, recommended next steps)*
- *Discussion of 2011 projects (carryover from 2010, requesting new projects, project management/budget)*
- *Discussion of 2011 budget (by project, communication to HZB chair of expenses)*
- *Update on Walker Place parking lot*

**Next Steps / Actions**

- *Reviewed current budget; 2011 budget submitted (P. Meier)*
- *Voted on HZB Chair; unanimous re-election of P. Meier as Chair*
- *Post business node photos on shared drive for HZB committee review prior to December mtg (P. Meier)*
- *Transfer of \$10K from Affordable Housing Fund to Business Facade Improvement Grant Program; 2010 unfinished treasurer business (N. Petersen, M. Jensen)*

**Next Meeting**

- *Wednesday, December 15th*
- *Walker Place (Health Services side), 3737 Bryant, Gamble Lobby Conference Room*

**Meeting Topics**

- *2011 Budget Review*
- *2011 Project Discussion (priorities, assignment of project lead, budget, timing/action)*
  - *Business Design Guidelines (continued discussion)*
  - *Energy Home Improvement Program Update*
  - *Variance/Conditional Use Permits (TBD)*
  - *New Business*

- Parks, Environment & Schools Committee (B.Wadman) - Informational
  - Panels are up on the fountain in the Rose Garden
  - Lyndale Community School Tours and Parent Meeting
  - Bird Sanctuary revitalization plans will go forward. The revitalization team met with the MPRB staff members and they are still moving forward with the creation of a long-term management plan for the Bird Sanctuary. Target date for approval of the management plan by the MPRB Commissioners is pushed back from Summer 2001 to Fall 2011.
  
- Crime Prevention, Safety, Transportation & Noise Committee (K. Larson) - Informational
  - Courtwatch: The people of interest were discussed. There were no arrests made in East Harriet in either September or October.
  - 2011 Budget. A review and submittal will be sent before the next EHFNA board meeting.
  - A draft for the 2011 East Harriet Policing Plan. This is due December 20<sup>th</sup>.

*2011 Policing Plan Draft*

*East Harriet Farmstead Neighborhood is a very beautiful and safe neighborhood to live in. The residents of East Harriet feel very safe. They express this with their daily actions. In an effort to continue and improve on this, the neighborhood residents need to become more aware of their surroundings. The 2011 East Harriet policing plan will focus on raising the awareness level of the residents.*

- 1) *Continue to post/update on the East Harriet website and to our residents, links and information to help the residents of East Harriet stay informed and updated on safety and crime prevention.*
  - a. *Courtwatch link as well as information on impact statements.*
  - b. *Share the road bicycle link.*
  - c. *Links to the various city web pages on helpful tools to safety.*
  - d. *Email relevant information to the residents, via the East Harriet list.*
- 2) *Collaborate between the local business establishment and residents to promote safety.*
  - a. *Social/informational meetings with the businesses and residents.*
- 3) *Increase volunteer participation and block club leader numbers and participation.*
  - a. *Email survey to the residents on what they want from and are willing to give back to their neighborhood*
  - b. *Making contact with current block club leaders to validate their continued efforts.*
  - c. *Door to door hangers with a simple message; lock your doors, get to know your neighbors, don't be afraid to call 911*
- 4) *Increase National Night Out participation.*
  - a. *Get the word out via East Harriet email list as well as informal email networks.*
  - b. *Door to door solicitation.*

**#10. Adjourn**