City of Minneapolis
FY 2009 Budget

Financial Plans

The schedules that follow contain the Financial Plans for the major funds of the City. Detailed financial plans are included for the following major funds, listed below. For the other funds of the City, financial information (expenditure and revenue) is included in the *Financial Schedules Section* of this report.

City of Minneapolis
2009 Budget

Five-year Financial Direction 2010-2014
(Including detailed information on the City's General Fund)

Introduction

In keeping with the January, 2003 five-year financial direction and commitment to business planning resolution, this document reflects Council's adopted five-year financial direction. The purpose of adopting a 2010-2014 financial direction is to provide guidance for departments in updating their business plans and to provide a long-term view of financial pressures.

The financial direction provides detailed projections for property tax supported services: the City's general fund, pensions, capital and contributions to the internal service funds. Of the $394.2 million in the financial direction, $363.8 million is in the general fund.

The five-year financial direction adopted in December 2008 was balanced in all five years. Due to the extraordinary circumstances and short timeline for consideration of solutions, expenditures for 2010-2014 have not yet been adjusted for shortfalls related to the additional pension costs and proposed reductions in local government aid pending final legislative action. Because it is a known liability, estimates of pension liabilities are based on actuarial estimates completed in February 2009 for Minneapolis Police Relief Association (MPRA) and Minneapolis Fire Relief Association (MFRA) funds and reflect the significant market decline experienced in 2008.

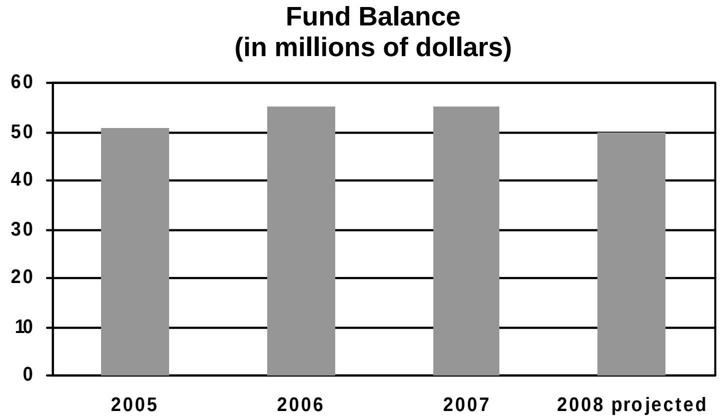
General Fund

The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Combined, the two largest revenues (state aids and property tax) have historically accounted for approximately 60-70% of total sources of funds for the general fund. The top four sources of funds account for more than 80% of the general fund's annual financial inflows.

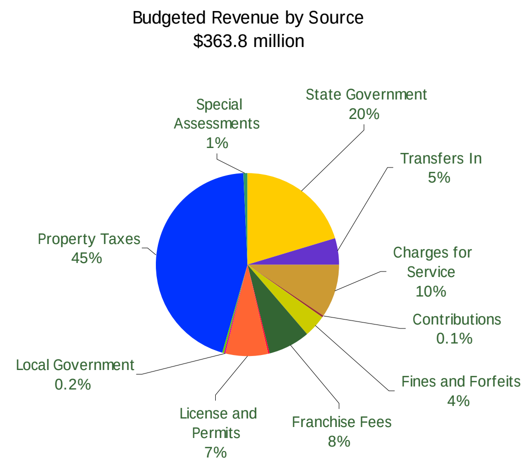
Historical Financial Performance

The results of the general fund's annual operations at the end of the year reflect the fund's "fund balance." The general fund's fund balance measures the amount of available, spendable resources contained within the fund. The balance provides the City a reserve to cushion adverse economic shocks and to meet a portion of the City's liquidity needs. The City's policy is to maintain a minimum fund balance of 15%. Further, the City's financial policies place a priority on debt buy-down or debt avoidance for spending of excess fund balance.

The general fund began 2008 with a fund balance of $55.2 million. The unaudited year-end fund balance in the General Fund was $49.8 million, which is below the stated fund balance requirement of 15% of the following years' revenue budget. In December 2008, the State of Minnesota unalloted over $13 million in Local Government Aid (LGA) from Minneapolis, of which $11.6 million was the General Fund's share. The City took action in 2009 to rebuild reserves which were significantly depleted as a result of the unallotment.



2009 General Fund Revenue Budget
The 2009 budget includes a total of $363.8 million of revenues and other sources for services included in the financial direction, including $17.9 million in transfers from other funds. Budgeted revenues are 0.9% higher than 2008 budget due partly to the adoption of a City-wide rate charge for City Hall space (see Public Works – Property Services and Schedule 13 for more detailed information).



Revenue Source	2007 Actual	2008 Adopted Budget	2009 Revised Budget	% Chg from 2008 Adopted	2007 Budget as % of Total	2008 Budget as % of Total
State Aids	81.1	82.8	73.4	-9.4%	22.9%	20.2%
Property Tax	121.3	152.2	165.4	36.3%	42.2%	45.5%
Franchise Fees	29.5	27.1	28.1	-4.9%	7.5%	7.7%
Licenses and Permits	25.2	26.4	26.4	4.6%	7.3%	7.2%
Charges for Services	35.9	36.1	35.0	-2.7%	10.0%	9.6%
Fund Transfers	15.0	19.6	18.0	19.9%	5.4%	4.9%
Fines & Forfeits	8.5	11.4	11.0	29.3%	3.1%	3.0%
Misc. Revenues	9.0	5.0	6.7	-25.6%	1.4%	1.8%
Total	325.5	360.7	363.8	0.9%	100.0%	100.0%

State Aids (including Local Government Aid):
In 2008, the State Legislature certified an increase to the City's LGA allocation for 2009 to $88.8 million, a $6.6 million increase over the 2008 certified amount of $82.2 million. In December of 2008, the Governor unalloted LGA to the City of Minneapolis by $13.2 million, reducing 2008 LGA to $69.1 million, which affected reserves. The following chart details the 2009 LGA cuts expected from the Governor's FY 2010-2011 proposed budget:

	LGA $ Distribution %	2008 Certified LGA Distribution	Actual 2008 LGA Distribution	2009 Certified LGA Distribution	Expected 2009 LGA Distribution	$ Change from 2009 Certification	% Change from 2009 Certification
General Fund	87.897%	$72,278,486	$60,699,335	$78,043,592	$63,222,284	-$14,821,308	-19.0%
Park Board	11.802%	$9,704,890	$8,150,148	$10,478,975	$8,488,906	-$1,990,069	-19.0%
MBC	0.301%	$247,515	$207,863	$267,257	$216,502	-$50,755	-19.0%
Totals	100.000%	$82,230,891	$69,057,346	$88,789,824	$71,927,693	-$16,862,131	-19.0%

Typically, Minneapolis has seen LGA formula declines of about $1.5 million each year. The major factors in the formula which lead to these typical reductions are the City's property wealth and declining motor vehicle accidents. With these changes, total state aids in the General Fund are estimated at $73 million including $63 million of LGA which is about 87.9% of the total LGA allocation received by the City. Park Board receives about 11.8%, or $8.5 million, of the allocation and Municipal Building Commission receives the remaining 0.3%, or $217,000.

The City is assumed to receive a reduction in LGA of $0.3 million each year as a result of new state legislative provisions capping LGA formula-related reductions. This equates to $265,000 fewer resources in the general fund annually. The adverse impact of the decertification of tax increment financing districts on the amount of the LGA received by the City begins in 2011, estimated at $8 million for the general fund. The effect of these conditions means that the City's 2009 gain in LGA will be offset by state aid losses in 2011.

Franchise fees are paid by various utility companies for their use of City rights-of-way. Franchise fees are a percentage of total utility revenues. The City's collections vary directly with the paying utility's gross revenues. There are four franchise agreements that provide revenue for the City:

- The twenty-year franchise agreement with Xcel Energy for electricity requires payment of 5% of gross revenues for residential service customers, 3% of gross revenues for commercial and industrial customers, and 5% of gross revenues on small commercial and industrial customers. The residential rate will drop to 4.5% of gross revenues beginning in January of 2013. This franchise agreement expires on December 31, 2014. For 2009, the City is anticipating $14.5 million in revenues from this franchise agreement.

- The franchise agreement with Center Point Energy/Minnegasco requires payment of 4.25% of gross revenues for residential buildings with four units or less, 5% for small commercial/industrial or interruptible customers, and 3% for large-volume interruptible customers. This franchise agreement expires on December 31, 2015. For 2009, the City is anticipating $11 million in revenues from this franchise agreement.

- The City also has two smaller franchises:
    - The bus stop advertising franchise generates approximately $110,000 in revenues.
    - The City's cable franchise is anticipated to generate $2.5 million in 2009.

The 2009 budget anticipates the total franchise fee revenue to be $28.1 million.

Licenses and Permits create significant revenue for the City's General Fund. The City issues licenses and permits for a wide variety of regulated activities. Building permits are a major component of this revenue category. The 2009 budget anticipates a 3% increase in licenses and permit revenue.

Fines and Forfeitures are anticipated to decline by 3.3% in 2009. This reflects a revision to police fine revenues ($500,000) based upon year-to-date experience. Further analysis is needed to determine the impact of recent state decisions on this revenue.

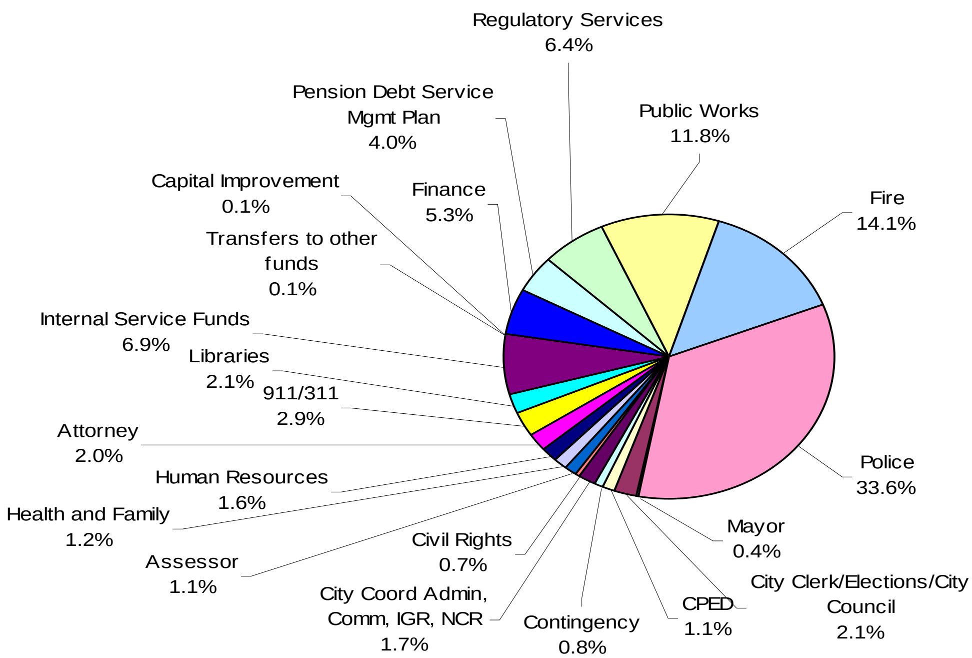
2009 General Fund Expenditure Budget

The 2009 budget for services included in the financial direction is $363.8 million, which includes $42.7 million in transfers to other funds.

Several cost increases are anticipated in the 2009 budget. These include:

- Salary and wage expenditures increased 2.4%, from $166.3 million to $170.4 million. This increase reflects settled contracts to date and additional positions.
- Employer health insurance costs increased about 16%, or $3.8 million. The budget is based on an anticipated 16% increase to employer costs.
- Non-personnel line items increased by 3%.

Expenditures by Service Area
$363.8 million



Budget Decisions
Each annual budget is framed by the ability to make one-time expenditures while remaining prepared for future cost impacts.

The 2009 revised budget recommends the following major changes:

911/311 - The Mayor's revised budget included a reduction of $280,000. Council concurs with the Mayor's recommendation.

Assessor - The Mayor's revised budget included no reduction. Council concurs with the Mayor's recommendation.

Attorney - The Mayor's revised budget included a reduction of $330,000. Council further reduces the budget by $75,000 in one-time funds for a youth prostitution prevention pilot program. Please refer to the departmental narrative for information regarding staff directions.

BIS - In the revised budget, the Mayor recommended and Council approves a reduction of $580,000 from the general fund to BIS, and a reduction of $145,000 in other funds, for a total reduction of $725,000. These changes should be reflected the rate model charges to departments, and departmental appropriations will be reduced accordingly. Please refer to the departmental narrative for information regarding staff directions.

City Clerk/Elections/City Council - In the revised budget, the Mayor recommended and Council approves a reduction of $320,000. Please refer to the departmental narrative for information regarding staff directions.

City Coordinator Administration - In the revised budget, the Mayor recommended and Council approves a reduction of $56,000.

Civil Rights - In the revised budget, the Mayor recommended and Council approves a reduction of $180,000. Please refer to the departmental narrative for information regarding staff directions.

Communications - In the revised budget, the Mayor recommended and Council approves a reduction of $80,000. Please refer to the departmental narrative for information regarding staff directions.

Convention Center - In the revised budget, the Mayor recommended and Council approves a reduction of $280,000.

CPED - The Mayor's revised budget recommended a reduction $150,000. The Council concurs with the Mayor's recommendation and further reduces $100,000, for a total reduction of $250,000. The $100,000 was one-time funding for the promotion of the City goal of Connected Communities by advancing the project of reopening of Nicollet Avenue at Lake Street (BR112).

Finance - In the revised budget, the Mayor recommended and Council approves a reduction of $570,000. Please refer to the departmental narrative for information regarding staff directions.

Fire - The Mayor's revised recommendation included a reduction of $2,647,000. The Mayor also recommended the implementation of a commercial inspection program and to increase its revenue budget by $800,000. The Council approves the Mayor's recommendations. Please refer to the departmental narrative for information regarding staff directions.

Health and Family Support - In the revised budget, the Mayor recommended and Council approves a reduction of $210,000. Please refer to the departmental narrative for information regarding staff directions.

Human Resources - In the revised budget, the Mayor recommended and Council approves a reduction of $320,000. Please refer to the departmental narrative for information regarding staff directions.

IGR - In the revised budget, the Mayor recommended and Council approves a reduction of $55,000. Please refer to the departmental narrative for information regarding staff directions.

Mayor - In the revised budget, the Mayor recommended and Council approves a reduction of $60,000.

Neighborhood and Community Relations - The Mayor's revised budget includes no reduction. Council concurs with the Mayor's recommendation.

Police - The Mayor recommended a reduction of $6,510,000 in the general fund. This reduction will be temporarily offset by the receipt of up to $4.7 million in federal grant resources in 2009, and an additional amount in 2010. The remaining $1.8 million will be achieved through the reduction of non-personnel expenditures, including overtime. The Council concurs with the Mayor's recommendations. Please refer to the departmental narrative for information regarding staff directions.

Public Works - The Mayor's revised budget recommended a reduction of $2,225,000. In addition to reducing expenditures, the Mayor directs the Public Works department to introduce a street lighting utility fee for both residential and non-residential properties. For a typical residential property, the street lighting utility fee will be no more then $20.00 a year.

The Council concurs with the amount of reduction and directs Public Works to decrease the revenue budget by $850,000 to reflect removal of the street light fee implementation in 2009. Public Works is to decrease the proposed expenditure appropriation by $850,000. To offset this $850,000 reduction, the following one-time funding allocations are to be eliminated:

- CPED: $100,000 for the promotion of the City goal of Connected Communities by advancing the project of reopening of Nicollet Avenue at Lake Street (BR112)
- Capital project: $250,000 for the Hiawatha LRT Signal Improvements project (TR019)
- Attorney: $75,000 for a youth prostitution prevention pilot program
- Regulatory Services: $25,000 for contract spay and neuter services
- Public Works: $400,000 for ballpark area pedestrian improvements

Please refer to the departmental narrative for information regarding staff directions.

Public Works Administration - The Mayor recommended and Council approves no changes to this division.

Public Works Central Stores - The Mayor recommended and Council approves no changes to this division.

Public Works Fleet Services - The Mayor recommended and Council approves no changes to this division.

Public Works Property Services - The Mayor recommended and Council approves no changes to this division.

Public Works Solid Waste and Recycling Services - The Mayor recommended and Council approves no changes to this division.

Public Works Surface Water and Sanitary Sewer - The Mayor recommended and Council approves no changes to this division.

Public Works Traffic & Parking Services - The Mayor recommended and Council approves no changes to this division.

Public Works Transportation Maintenance and Repair - The Mayor recommended and Council approves no changes to this division in addition to those mentioned above related to the ballpark area pedestrian improvements and the Hiawatha LRT signal improvements.

Public Works Transportation Planning and Engineering - The Mayor recommended and Council approves no changes to this division.

Public Works Water Treatment and Distribution Services - The Mayor recommended and Council approves no changes to this division.

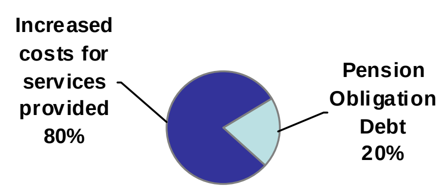
Regulatory Services - The Mayor's revised budget included a reduction of $130,000. The Council further reduces the budget by $25,000 in one-time funds for contract spay and neuter services.

Five-Year Financial Direction

Property tax estimates are based upon adopted tax policy. No changes to the maximum tax revenue increase of 8% over the prior year are included. .

In 2009-2011, levy limits are in effect. The City is using special levies for allowable expenses that are beyond the rate of inflation dictated in levy limits. Levy limits result in reduced flexibility in terms of how the City allocates property tax revenue within the City's 8% tax policy. These limits also served to accelerate reductions to growth that had been anticipated in the prior year's financial direction. From 2010 to 2014, these increases ($112 million) are estimated to cover the following purposes:

The 2009 budget is the basis for future projections: In other words, the starting place for the 2010-2014 department budget estimates is what is included in the 2009 budget. One-time 2009 supplemental items are removed from department budgets in 2010 and beyond. Since the Council did not adopt additional reductions to growth for 2010-2014 in the revised budget, the five-year financial direction reflects the annual amounts that will need to be reduced to be in balance.



Summary of Five-Year Financial Direction 2010-2014 (dollars in millions)			
Department	2014 Resources	Reductions to growth 2010-2014	Reductions to growth in previous plan
Police	$152.1	($3.2)	$0
Fire	62.3	(1.3)	0
Public Works	50.1	(1.0)	(1.9)
Regulatory Services	28.9	(0.6)	0
Health and Family Support (HFS)	5.4	(0.1)	0
Civil Rights	2.9	(0.1)	0
Capital Plan (pay-go and debt)	24.6	0	0
Pensions	65.5	0	0
All Other Spending	104.1	(2.1)	(1.2)
Total	$ 495.9	($8.4)	(3.1)

The financial direction from 2010 to 2014 contains updates to departmental resources: The financial direction includes the most updated assumptions about contract settlements and other commitments. The health care contract entered into in 2006 has rate increases of 15% in 2009. The out years of the plan assume a 20% annual increase.

Reductions are removed for all departments in 2012. This is the first year within the plan where the elimination of all reductions is possible.

Salary Assumption -- The City adopted a compensation philosophy during 2007. The philosophy does not specify a salary policy. It is anticipated that salary settlements will vary within and between bargaining units, but overall are projected to increase by 2.5% annually.

What changes have been made to the financial plan over the years?
As policy decisions have been made, several departments have been exempted from taking budget cuts, mainly in public safety departments. A history of these exemptions follows:

Department	When	Why (generically)
Regulatory Services	2003	Overall net contributor to general fund
Assessor, Council, Coordinator Administration, IGR, Communications, Mayor, Clerk	2003	Too small to withstand additional cuts
Internal Service Fund Workout Plans	2003	Financial progress
Police, Fire	2006	Prioritize Public Safety
Health and Family Support	2006	Maintain funding above match requirements; preserve senior ombudsman and external contracts
Civil Rights	2007	Smallest department still taking reductions
Elections	2007	No additional cuts – trying to match election cycles; had $50,000 in reductions to date; also changed phase in of cuts
Public Works	2007 (one year only)	Provide some maintenance funding
BIS, 911/311	2006, 2004	Changed phase-in of cuts
All Departments	2007	Rescission of the 2% wage policy.
All remaining departments reductions removed in 2013	2008	Begin to provide an outlook with level funding for departments
All departments	2009	Resets financial direction to more equably distribute planned reductions to growth

In 2009, the Mayor recommended and the Council approved resetting the five-year financial direction so that more departments take reductions to growth. As displayed in the detailed financial schedules at the end of this plan, departments that had previously been exempt from cuts are now taking cuts proportional to their share of the budget.

State authorized financing for Target Center and neighborhoods

Background
Established in 1990, the twenty-year Neighborhood Revitalization Program and its funding source ended in 2009, a provision that has been in place for almost 10 years. In addition, the City's purchase in 1995 of the Target Center increased long-term demand for resources.

During the 2008 legislative session, the Minnesota Legislature authorized the City to establish a non-contiguous redevelopment tax increment finance (TIF) district. If established, this district will be comprised of properties commonly know as "pre-1979" TIF districts, which are scheduled to end in 2009. The earliest year the tax increment revenue can be realized is in 2011. Without further action by the City, the current districts will go back into the tax, increasing the overall size of the tax base, resulting in property tax relief for many property owners beginning in 2010.

Under the special legislation, tax increment from the district may be expended only to pay principal and interest on Target Center bonds or for "neighborhood revitalization purposes." The legislation does not specify any particular allocation of revenues between these purposes.

The legislation also explicitly states that the certification of the district does not impact the City's "property wealth" factors in the Local Government Aid program. A $9 million drop in the City's LGA will occur in 2011, whether or not the City uses the special legislation. Much of the impact is anticipated in the general fund ($8 million).

Overall Recommended Funding from the District

Consistent with the recommendations in the "Framework for the Future" from the Neighborhood Revitalization Program (NRP) Work Group, the Mayor recommended and the Council approved certification of a redevelopment tax increment finance district to pay principal and interest on Target Center bonds and to fund neighborhood revitalization programs and administration. Further, the Mayor recommended and the Council approved establishment of this new City department in the Coordinator's group, with transition funding allocated.

The Council direction would certify districts so that $24 million dollars is generated in 2011, the earliest year allowed under the special legislation. The Council allocates these funds as follows:

Target Center principal and interest	$ 10 million
Target Center expedited debt payments	$ 2 million
General Neighborhood Revitalization Purposes (neighborhood operations, department of Neighborhood and Community Relations)	$8.5 million
Community Revitalization	$3.5 million
Total	$24 million

This direction leads to certifying 100% of the tax capacity of the district. If none of the districts were certified, residential taxpayers would see an estimated reduction in their tax bills from $61 to $307 annually. The district would last for ten years (through 2020).

Financial recommendation for Target Center principal and interest

The current Target Center financial plan (before the 2008 State legislation) is not structurally balanced. In addition to $61.3 million in fixed rate debt at an interest rate higher than the current market conditions, the financial plan does not take into account two cost pressures: an operating subsidy for the operator (up to $1.7 million annually) and necessary capital refurbishment of the arena (an estimated $3 million annually).

The current plan relies on the following revenue sources:

- *Property tax* generated at the arena - $100,000 annually through 2012, $550,000 when the arena TIF district decertifies in 2013 and beyond.
- *Tax Increment* from the Arena - $1 million annually through 2012. This resource may only be used for debt service, certain administrative costs, and capital costs.
- *Entertainment tax* generated at the arena - $1.1 million annually
- *Event parking* - $2.6 annually million in 2010, escalating to $5.6 million by 2024.
- *Minnesota Amateur Sports Commission* - $750,000 in 2009 only

- *Tax Increment* from the Common Project – around $5 million annually through 2013. This resource may only be used for debt service, certain administrative costs, and capital costs.

Of these resources only entertainment tax, parking revenues and property tax can be used to fund the operating subsidy. But for dedication in the plan, these amounts could be used to reduce financial pressures in the general fund or the parking fund.

The Council direction funds the principal and interest payments for the Target Center financial plan at $10 million each year. Additionally, the Council allocates $2 million for expedited debt payments. This direction provides the opportunity to redirect resources to the unfunded capital and operating needs. The finance department will prepare an updated finance plan for the arena based upon this Council direction by July 2009.

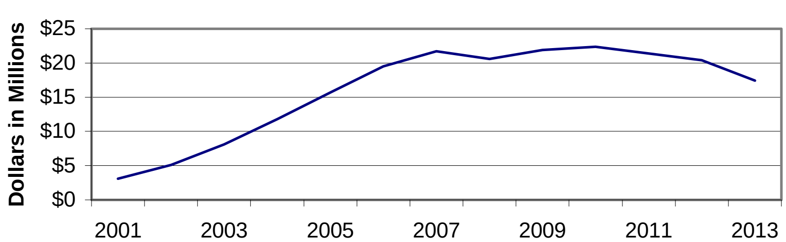
Financial impact for neighborhood operations and programming
The Council direction specifies $8.5 million per year for general neighborhood revitalization purposes. In addition, the direction includes $3.5 million for community revitalization. In the current neighborhood revitalization program, neighborhood groups identify administrative funding from within the overall program funding.

This direction demonstrates City support for a long-term funding source for neighborhood groups tied to the length of the new district as defined in state law. Neighborhood groups may decide to reallocate administrative funding to programmatic funding as needed.

Capital and Debt Service (including pensions)

Neither relief from reductions nor any growth is planned in the capital or debt service levies for the capital plan until 2010. Pressure on the capital project budgets will continue. Any new projects will need to be offset by reductions in projects in the current plan. A 2% growth factor is included beyond 2010 in order to begin planning for expanded capital needs. This level of increase does not keep up with inflation. Further, considerable pent up demand for public works and technology infrastructure exists. The Mayor recommended and Council approved an expansion of capital programming from one-time revenue – please see further details in the capital plan section of this document.

Funding for internal service fund long-term financial plans. In 2009, $3 million of property tax increase will go to fund long-term financial plans for these funds. To meet the goals of the adopted long-term financial plans, these expenditures will continue to make up a substantial portion of the City's budget until 2010 when these expenditures begin to decrease.

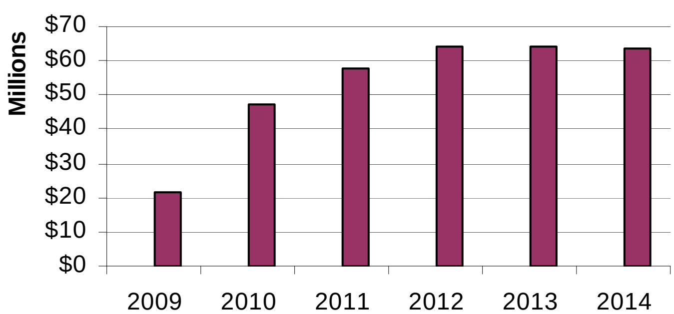


In addition, as one-time resources have become available, the elected officials have prioritized the avoidance and pay down of debt. The following table highlights these important decisions:

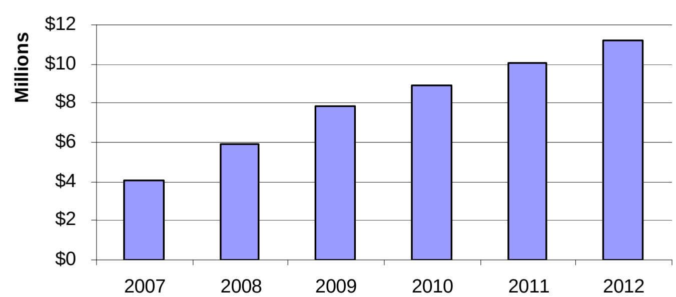
Description (year decided)	Amount (millions)
Hilton Legacy Fund (2003) – *proceeds from the sale of the City's share in the downtown hotel.*	$12.5
Year-end savings from 2004 (2005)	$15.0
One-time LGA, general fund resources (2005 for 2006)	$10.0
2007 one-time resources	$3.0
Pre-payment of BIS workout plan obligations for 2012 (2009)	$1.5
Total	$42.0

Funding for increasing pension liabilities. The property tax needed to support closed pension fund-related debt service will be $14.9 million and $7.1 million direct payments in 2009 and is estimated to grow to $47.4 million in total obligations in 2010. The closed pension fund obligations are based on an approximately -30% return experienced in 2008. The City also has increasing obligations for the pension plan most City employees are in, the Public Employees Retirement Association (PERA).

Closed Pension Obligations:
MERF, MFRA, MPRA



PERA Pension Obligations: Annual Increase



Change in Cushion for Adverse Circumstances
The original financial direction in January, 2003 was based upon a 4% salary increase. Subsequent updates assumed the 2% salary cap through 2007. Assuming 2.5% wage growth, the 8% tax policy and department reductions, a cushion exists for adverse circumstances. Examples of adverse circumstances the City has encountered include reductions in LGA and increased pension obligations.

Change in cushion for adverse circumstances (dollars in millions)						
Year	2005-2009 Forecasted Cushion	2006-2010 Adopted Cushion	2007-2011 Adopted Cushion	2008-2012 Adopted Cushion	2009-2013 Adopted Cushion	2010-2014 Revised Cushion*
2005 (adopted)	4.5	n/a	n/a	n/a	n/a	n/a
2006 (adopted)	12.5	4.6	n/a	n/a	n/a	n/a
2007 (adopted)	20.5	9.2	0.3	n/a	n/a	n/a
2008 (adopted)	27.5	11.8	0.3	2.3	n/a	n/a
2009 (adopted)	37.1	17.4	1.4	2.1	7.5	n/a
2010 (estimate)	n/a	23.9	4.8	5.7	3.5	-29.7
2011 (estimate)	n/a	n/a	4.9	2.2	0.0	-39.4
2012 (estimate)	n/a	n/a	n/a	4.0	0.5	-42.6
2013 (estimate)	n/a	n/a	n/a	n/a	0.7	-40.4
2014 (estimate)	n/a	n/a	n/a	n/a	n/a	-30.4

*As stated previously, the Council did not adopt additional reductions to growth for 2010-2014 in the revised budget given extraordinary circumstances. The 2010 estimate reflects the amount of permanent cuts needed to balance the 2010 budget. Once the decisions about 2010 have been made, the magnitude of the additional cuts needed in years 2011-2014 will be lessened.

What other pressures does the City face in future planning efforts?

The City faces several pressures for which a policy decision has yet to be reached:

- *Property taxes:* Future projections plan on the 8% property tax increases to support future services – reducing the growth in property taxes in the face of declining LGA will require more department reductions.

- *Park Board:* Like other participants in the City's capital funding pool, the Park Board faces significant capital pressures to maintain the facilities it operates. The Mayor's recommendation provides an increase to the Park Board's capital program. This increase represents 10% of the overall expansion of the capital program, a rough representation of the share of the infrastructure which is Park Board owned.

- *Enterprise funds:* The enterprise funds have experienced a decline in their financial condition (primarily working capital), largely related to increasing debt loads related to approved capital projects.

- *Public Works Operating Budget:* The department will undertake a major reassessment of services and how they are provided in light of planned reductions.

- *Performance Information*: As the City continues to gain experience with using results information for performance discussions, it will need to undertake benchmark development in using this information for financial decision making.

- *Department Reductions*: The City will continue to see issues with ability to keep up with enterprise demands while subject to increased costs.

- *Regulatory Services:* The department will become a net drawer on the general fund in 2013 based on current revenue and expense assumptions.

- *Higher Police Service Levels*: Now that the Police Department is back at its pre-2003 state aid reduction strength, the challenge of making the best use of these resources and adapting to new technology becomes the central focus of the department's financial and business planning.

- *Annual Buying Commitment for Wireless Services*: As part of the agreement with US Internet, to build a citywide wireless network, the City committed to purchase $1.2 million of wireless services each year. The transition from wired to wireless technology will require tradeoffs within departmental budgets.

Assumptions for 2010-2014

- Council will need to take action in the 2010 budget to offset increased pension costs via general fund reductions.
- No more than a 2.5% salary increase is funded by new resources.
- No additional cuts other than what was included in the five-year financial direction are included for the permanent improvement levy or for debt service.
- Reductions in LGA of $0.265 million annually (excluding independent boards) are reflected in 2011-2014. 2010 reflects the Governor's proposed LGA reduction of $16.1 million.
- Revenues in the general fund are NOT assumed to increase, except for licenses and permits which are anticipated to increase by 3.0% annually.
- No additional revenues are anticipated from public works (assessments, other fees).
- No additional programs or services are added – they would need to be funded by new revenue or through departmental efforts to reduce costs.
- Currently adopted pension law is reflected.
- Pension estimates include the impact of one year (2008) of -30% investment returns based on actual returns.
- Full funding of pension and internal service fund debts are included. Constraints in internal service funds are maintained.
- The level of revenue from the parking fund is reduced according to the Council adopted financial workout plan.
- Base entertainment tax from the Convention Center fund flows at the same rate as in the past (about $8 million annually), with increases for the Target Field revenue beginning in 2010.
- No changes to state tax law regarding property taxes (including removal of levy limits, changes to classification rates, and change to phase-out of limited market value).

Five-Year Summary of Property Tax Supported Budgets										
							Allocated Revenues for Presentation Purposes *These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.*			
	2009 Expense	**5-Year Projected Growth in Spending**	**5-Year Reduction to Growth in Spending**	**2014 Expense**	**Avg Annual % Incr over 5-yr period**	**2014 Direct Revenue**	**2014 General City Revenues (Non-Direct)**	**2014 Local Government Aid**	**2014 Property Tax Revenue**	**2014 Total Revenues**
Mayor	1.494	0.389	(0.035)	1.847	4.7%	-	0.430	0.197	1.220	1.847
City Clerk/Elections/City Council	7.647	1.912	(0.178)	9.381	4.5%	0.051	2.170	0.997	6.163	9.381
CPED	3.879	1.358	(0.091)	5.147	6.5%	1.842	0.769	0.353	2.183	5.147
Contingency	2.878	0.089	(0.052)	2.915	0.3%	-	0.678	0.312	1.926	2.915
City Coord Admin, Comm, IGR, NCR	6.332	1.559	(0.133)	7.758	4.5%	2.929	1.123	0.516	3.189	7.758
Civil Rights	2.367	0.489	(0.064)	2.791	3.6%	-	0.649	0.298	1.844	2.791
Assessor	3.901	0.969	(0.097)	4.774	4.5%	0.066	1.095	0.503	3.109	4.774
Health and Family	4.476	0.758	(0.100)	5.134	2.9%	0.555	-	-	4.578	5.134
Human Resources	5.948	1.601	(0.155)	7.393	4.9%	0.005	1.718	0.790	4.880	7.393
Attorney	7.427	2.008	-	9.436	5.4%	0.020	2.190	1.006	6.219	9.436
911/311	10.704	2.789	(0.275)	13.218	4.7%	-	-	-	13.218	13.218
Libraries	7.500	(4.300)	-	3.200	-11.5%	-	-	3.200	-	3.200
Internal Service Funds	25.110	(10.751)	-	14.359	-8.6%	-	-	-	14.359	14.359
Transfers to other funds	0.470	(0.010)	-	0.459	-0.4%	-	-	-	0.459	0.459
Capital Improvement	0.203	-	-	-	-20.0%	-	-	-	-	-
Finance	19.208	5.073	(0.489)	23.792	4.8%	0.021	5.529	2.541	15.701	23.792
BIS	-	-	(0.643)			-	-	-	-	-
Pension Debt Service	14.568	1.201	-	15.769	1.6%	-	-	-	15.769	15.769
Regulatory Services	23.460	6.008	(0.599)	28.868	4.6%	27.996	-	-	0.872	28.868
Public Works	42.836	9.072	(1.020)	50.887	3.8%	14.338	8.501	3.907	24.141	50.887
Fire	51.226	12.968	(1.292)	62.901	4.6%	4.597	13.561	6.232	38.511	62.901
Police	122.196	33.034	(3.177)	152.053	4.9%	15.055	31.865	14.644	90.489	152.053
Total General Fund	363.827	66.214	(8.400)	422.082	3.2%	67.475	70.279	35.497	248.830	422.082
Capital - Permanent Improvement	1.587	-	-	2.450	10.9%	-	-	-	2.450	2.450
Debt Service	21.799	-	-	22.207	0.4%	-	-	-	22.207	22.207
Subtotal	23.386	-	-	24.657	1.1%	-	-	-	24.657	24.657
Total City (not incl special levies)	387.213	66.214	(8.400)	446.739	3.1%	-	-	-	273.487	446.739
Pensions - Direct Levy	6.992	1.271	-	49.694	122.1%	-	-	-	49.694	49.694
Total	394.205	67.485	(8.400)	496.433	5.2%	-	-	-	323.181	496.433

2009 Max	187.999
2014 Max	292.733
Difference between maximum and needed amount to balance	30.448

Estimates of pension liabilities are based on actuarial estimates completed in February 2009 for Minneapolis Police Relief Association (MPRA) and Minneapolis Fire Relief Association (MFRA) funds and reflect the significant market decline experienced in 2008.

The five-year financial direction adopted in December 2008 was balanced in all five years. Due to the extraordinary circumstances and short timeline for consideration of solutions, expenditures for 2010-2014 have not yet been adjusted for shortfalls related to the additional pension costs and proposed reductions in local government aid pending final legislative action.

2009 Property Tax Supported Budgets						
			Allocated Revenues for Presentation Purposes *These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.*			
	Council's Revised Expense	**Direct Revenue (received by the department)**	**Other General City Revenues**	**Local Government Aid**	**Property Tax Revenue**	**Total Revenues**
Mayor	1.494	-	0.473	0.332	0.685	1.490
City Clerk/Elections/City Council	7.647	0.051	2.405	1.686	3.484	7.626
CPED	3.879	1.589	0.725	0.508	1.050	3.873
Contingency	2.878	-	0.911	0.639	1.320	2.870
City Coord Admin, Comm, IGR, NCR	6.332	2.929	1.077	0.756	1.561	6.323
Civil Rights	2.367	-	0.749	0.525	1.086	2.360
Assessor	3.901	0.066	1.214	0.851	1.759	3.891
Health and Family	4.476	0.555	1.241	0.870	1.798	4.465
Human Resources	5.948	0.005	1.881	1.319	2.726	5.932
Attorney	7.427	0.020	2.345	1.645	3.398	7.407
911/311	10.704	-	3.389	2.376	4.910	10.675
Libraries	7.500	-	-	6.800	0.700	7.500
Internal Service Funds	25.110	-	-	-	25.110	25.110
Transfers to other funds	0.470	-	-	-	0.470	0.470
Capital Improvement	0.203	-	-	-	0.203	0.203
Finance	19.208	0.021	6.074	4.260	8.801	19.155
BIS	-	-	-	-	-	-
Pension Debt Service Mgmt Plan	14.568	-	-	-	14.568	14.568
Regulatory Services	23.460	24.149	-	-	-	24.149
Public Works	42.836	13.488	9.291	6.515	13.461	42.756
Fire	51.226	4.597	14.762	10.352	21.388	51.099
Police	122.196	15.055	33.920	23.786	49.144	121.905
Total General Fund	363.827	62.526	80.458	63.222	157.621	363.827
						-
Capital - Permanent Improvement	1.587	-	-	-	1.587	1.587
Debt Service	21.799	-	-	-	21.799	21.799
Subtotal	23.386	-	-	-	23.386	23.386
Pensions - direct levy	6.992				6.992	6.992
Total	394.205	62.526	80.458	63.222	187.999	394.205

(Expense greater than revenues)/expense less than revenues (0.000)

Estimates of pension liabilities are based on actuarial estimates completed in February 2009 for Minneapolis Police Relief Association (MPRA) and Minneapolis Fire Relief Association (MFRA) funds and reflect the significant market decline experienced in 2008.

The five-year financial direction adopted in December 2008 was balanced in all five years. Due to the extraordinary circumstances and short timeline for consideration of solutions, expenditures for 2010-2014 have not yet been adjusted for shortfalls related to the additional pension costs and proposed reductions in local government aid pending final legislative action.

2010 Property Tax Supported Budgets									
						Allocated Revenues for Presentation Purposes These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.			
	Prior Year Total Expense	**Projected Growth in Spending**	**Reduction to Growth in Spending**	**Current Year Total Expense**	**Direct Revenue**	**General City Revenues (Non-Direct)**	**Local Government Aid**	**Property Tax Revenue**	**Total Revenues**
Mayor	1.494	0.062	(0.010)	1.546	-	0.441	0.239	0.866	1.546
City Clerk/Elections/City Council	7.647	0.245	(0.051)	7.841	0.051	2.222	1.206	4.363	7.841
CPED	3.879	(0.097)	(0.026)	3.756	1.637	0.608	0.330	1.182	3.756
Contingency	2.878	(0.411)	(0.015)	2.452	-	0.699	0.379	1.374	2.452
City Coord Admin, Comm, IGR, NCR	6.332	0.768	(0.038)	7.062	2.929	1.182	0.641	2.310	7.062
Civil Rights	2.367	(0.051)	(0.018)	2.298	-	0.656	0.356	1.285	2.298
Assessor	3.901	0.139	(0.028)	4.013	0.066	1.126	0.611	2.209	4.013
Health and Family	4.476	(0.137)	(0.029)	4.310	0.555	1.072	0.582	2.101	4.310
Human Resources	5.948	0.250	(0.044)	6.153	0.005	1.755	0.952	3.441	6.153
Attorney	7.427	0.322	-	7.749	0.020	2.190	1.189	4.351	7.749
911/311	10.704	0.449	(0.079)	11.074	-	3.160	1.715	6.199	11.074
Libraries	7.500	(0.800)	-	6.700	-	-	6.700	-	6.700
Internal Service Funds	25.110	(2.064)	-	23.046	-	-	-	23.046	23.046
Transfers to other funds	0.470	0.015	-	0.485	-	-	-	0.485	0.485
Capital Improvement	0.203	-	-	-	-	-	-	-	-
Finance	19.208	0.806	(0.140)	19.874	0.021	5.665	3.074	11.114	19.874
BIS	-	-	(0.184)	(0.184)	-			(0.184)	(0.184)
Pension Debt Service Mgmt Plan	14.568	2.562	-	17.130	-	-	-	17.130	17.130
Regulatory Services	23.460	0.985	(0.171)	24.274	24.874	-	-	(0.600)	24.274
Public Works	42.836	0.150	(0.292)	42.694	14.338	8.117	4.405	15.833	42.694
Fire	51.226	1.852	(0.369)	52.709	4.597	13.738	7.455	26.919	52.709
Police	122.196	5.132	(0.908)	126.421	15.055	31.814	17.264	62.288	126.421
Total General Fund	363.827	10.178	(2.400)	371.402	64.148	74.445	47.097	185.712	371.402
									-
Capital - Permanent Improvement	1.587	0.098	-	1.685	-	-	-	1.685	1.685
Debt Service	21.799	(3.978)	-	17.821	-	-	-	17.821	17.821
Subtotal	23.386	(3.880)	-	19.506	-	-	-	19.506	19.506
Pension - direct levy	6.992	23.258	-	30.250	-	-	-	30.250	30.250
Total	394.205	29.556	(2.400)	421.158	64.148	74.445	47.097	235.468	421.158
									-
							2009 Max	187.999	
							2010 Max	205.716	
							Additional cuts needed/(Cushion for adverse circumstances)	29.752	

Estimates of pension liabilities are based on actuarial estimates completed in February 2009 for Minneapolis Police Relief Association (MPRA) and Minneapolis Fire Relief Association (MFRA) funds and reflect the significant market decline experienced in 2008.

The five-year financial direction adopted in December 2008 was balanced in all five years. Due to the extraordinary circumstances and short timeline for consideration of solutions, expenditures for 2010-2014 have not yet been adjusted for shortfalls related to the additional pension costs and proposed reductions in local government aid pending final legislative action.

2011 Property Tax Supported Budgets

	Prior Year Total Expense	Projected Growth in Spending	Reduction to Growth in Spending	Current Year Total Expense	Direct Revenue	General City Revenues (Non-Direct)	Local Government Aid	Property Tax Revenue	Total Revenues
						Allocated Revenues for Presentation Purposes These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.			
Mayor	1.546	0.071	(0.025)	1.592	-	0.439	0.199	0.954	1.592
City Clerk/Elections/City Council	7.841	0.364	(0.127)	8.078	0.051	2.213	1.003	4.811	8.078
CPED	3.756	0.190	(0.065)	3.881	1.686	0.614	0.278	1.304	3.881
Contingency	2.452	0.108	(0.037)	2.523	-	0.695	0.315	1.514	2.523
City Coord Admin, Comm, IGR, NCR	7.062	(0.282)	(0.095)	6.685	2.929	1.045	0.474	2.237	6.685
Civil Rights	2.298	0.117	(0.046)	2.369	-	0.655	0.297	1.417	2.369
Assessor	4.013	0.180	(0.069)	4.123	0.066	1.120	0.507	2.430	4.123
Health and Family	4.310	0.194	(0.072)	4.432	0.555	-	-	3.877	4.432
Human Resources	6.153	0.292	(0.111)	6.335	0.005	1.748	0.792	3.790	6.335
Attorney	7.749	0.360	-	8.110	0.020	2.196	0.995	4.899	8.110
911/311	11.074	0.507	(0.197)	11.385	-	3.144	1.424	6.817	11.385
Libraries	6.700	(0.800)	-	5.900	-	-	5.900	-	5.900
Internal Service Funds	23.046	(1.205)	-	21.841	-	-	-	21.841	21.841
Transfers to other funds	0.485	0.016	-	0.500	-	-	-	0.500	0.500
Capital Improvement	-	-	-	-	-	-	-	-	-
Finance	19.874	0.925	(0.349)	20.450	0.021	5.640	2.555	12.234	20.450
BIS	(0.184)	-	(0.459)	(0.643)	-			(0.643)	(0.643)
Pension Debt Service Mgmt Plan	17.130	1.332	-	18.462	-	-	-	18.462	18.462
Regulatory Services	24.274	1.087	(0.428)	24.933	25.620	-	-	(0.687)	24.933
Public Works	42.694	1.930	(0.729)	43.895	14.338	8.221	3.724	17.612	43.895
Fire	52.709	2.405	(0.923)	54.191	4.597	13.712	6.212	29.669	54.191
Police	126.421	5.920	(2.269)	130.072	15.055	31.836	14.423	68.758	130.072
Total General Fund	371.402	13.711	(6.000)	379.113	64.943	73.279	39.097	201.794	379.113
									-
Capital - Permanent Improvement	1.685	0.147	-	1.832	-	-	-	1.832	1.832
Debt Service	17.821	2.676	-	20.497	-	-	-	20.497	20.497
Subtotal	19.506	2.823	-	22.329	-	-	-	22.329	22.329
Pensions - direct levy	30.250	9.953	-	40.203	-	-	-	40.203	40.203
Total	421.158	26.487	(6.000)	441.645	64.943	73.279	39.097	264.326	441.645
									-
							2010 Max	205.716	
							2011 Max	224.921	
							Additional cuts needed/(Cushion for adverse circumstances)	39.405	

Estimates of pension liabilities are based on actuarial estimates completed in February 2009 for Minneapolis Police Relief Association (MPRA) and Minneapolis Fire Relief Association (MFRA) funds and reflect the significant market decline experienced in 2008.

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2012 Property Tax Supported Budgets									
						Allocated Revenues for Presentation Purposes These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.			
	Prior Year Total Expense	**Projected Growth in Spending**	**Reduction to Growth in Spending**	**Current Year Total Expense**	**Direct Revenue**	**General City Revenues (Non-Direct)**	**Local Government Aid**	**Property Tax Revenue**	**Total Revenues**
Mayor	1.592	0.077	-	1.669	-	0.456	0.205	1.009	1.669
City Clerk/Elections/City Council	8.078	0.394	-	8.472	0.051	2.300	1.032	5.089	8.472
CPED	3.881	0.208	-	4.089	1.736	0.643	0.288	1.422	4.089
Contingency	2.523	0.118	-	2.641	-	0.721	0.324	1.596	2.641
City Coord Admin, Comm, IGR, NCR	6.685	0.323	-	7.008	2.929	1.114	0.500	2.465	7.008
Civil Rights	2.369	0.127	-	2.496	-	0.682	0.306	1.509	2.496
Assessor	4.123	0.196	-	4.319	0.066	1.161	0.521	2.570	4.319
Health and Family	4.432	0.211	-	4.643	0.555	-	-	4.088	4.643
Human Resources	6.335	0.318	-	6.653	0.005	1.816	0.815	4.018	6.653
Attorney	8.110	0.399	-	8.508	0.020	2.318	1.041	5.130	8.508
911/311	11.385	0.552	-	11.937	-	-	-	11.937	11.937
Libraries	5.900	(0.900)	-	5.000	-	-	5.000	-	5.000
Internal Service Funds	21.841	(0.865)	-	20.976	-	-	-	20.976	20.976
Transfers to other funds	0.500	0.016	-	0.517	-	-	-	0.517	0.517
Capital Improvement	-	-	-	-	-	-	-	-	-
Finance	20.450	1.007	-	21.456	0.021	5.854	2.628	12.953	21.456
BIS	(0.643)	-	-	-	-			-	-
Pension Debt Service Mgmt Plan	18.462	(0.764)	-	17.698	-	-	-	17.698	17.698
Regulatory Services	24.933	1.184	-	26.117	26.389	-	-	(0.272)	26.117
Public Works	43.895	2.104	-	45.999	14.338	8.646	3.882	19.132	45.999
Fire	54.191	2.621	-	56.811	4.597	14.260	6.402	31.553	56.811
Police	130.072	6.949	-	137.021	15.055	33.309	14.953	73.704	137.021
Total General Fund	379.113	14.275	-	394.031	65.762	73.279	37.897	217.093	394.031
									-
Capital - Permanent Improvement	1.832	0.197	-	2.029	-	-	-	2.029	2.029
Debt Service	20.497	0.588	-	21.085	-	-	-	21.085	21.085
Subtotal	22.329	0.785	-	23.114	-	-	-	23.114	23.114
Pensions-direct levy	40.203	7.910	-	48.113	-	-	-	48.113	48.113
Total	441.645	22.970	-	465.258	65.762	73.279	37.897	288.320	465.258
									-
							2011 Max	224.921	
							2012 Max	245.735	
					Additional cuts needed/(Cushion for adverse circumstances)			42.585	

Estimates of pension liabilities are based on actuarial estimates completed in February 2009 for Minneapolis Police Relief Association (MPRA) and Minneapolis Fire Relief Association (MFRA) funds and reflect the significant market decline experienced in 2008.

The five-year financial direction adopted in December 2008 was balanced in all five years. Due to the extraordinary circumstances and short timeline for consideration of solutions, expenditures for 2010-2014 have not yet been adjusted for shortfalls related to the additional pension costs and proposed reductions in local government aid pending final legislative action.

2013 Property Tax Supported Budgets

	Prior Year Total Expense	Projected Growth in Spending	Reduction to Growth in Spending	Current Year Total Expense	Direct Revenue	*Allocated Revenues for Presentation Purposes These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.* General City Revenues (Non-Direct)	Local Government Aid	Property Tax Revenue	Total Revenues
Mayor	1.669	0.084	-	1.753	-	0.433	0.201	1.119	1.753
City Clerk/Elections/City Council	8.472	0.430	-	8.902	0.051	2.186	1.014	5.651	8.902
CPED	4.089	0.778	-	4.867	1.788	0.760	0.353	1.965	4.867
Contingency	2.641	0.129	-	2.770	-	0.684	0.317	1.769	2.770
City Coord Admin, Comm, IGR, NCR	7.008	0.354	-	7.362	2.929	1.095	0.508	2.830	7.362
Civil Rights	2.496	0.139	-	2.636	-	0.651	0.302	1.683	2.636
Assessor	4.319	0.214	-	4.533	0.066	1.103	0.512	2.852	4.533
Health and Family	4.643	0.231	-	4.874	0.555	-	-	4.319	4.874
Human Resources	6.653	0.349	-	7.002	0.005	1.728	0.802	4.467	7.002
Attorney	8.508	0.437	-	8.945	0.020	2.204	1.022	5.699	8.945
911/311	11.937	0.604	-	12.541	-	-	-	12.541	12.541
Libraries	5.000	(0.900)	-	4.100	-	-	4.100	-	4.100
Internal Service Funds	20.976	(1.470)	-	19.506	-	-	-	19.506	19.506
Transfers to other funds	0.517	(0.075)	-	0.442	-	-	-	0.442	0.442
Capital Improvement	-	-	-	-	-	-	-	-	-
Finance	21.456	1.101	-	22.557	0.021	5.566	2.582	14.389	22.557
BIS		-	-	-	-			-	-
Pension Debt Service Mgmt Plan	17.698	(0.833)	-	16.865	-	-	-	16.865	16.865
Regulatory Services	26.117	1.297	-	27.413	27.180	-	-	0.233	27.413
Public Works	45.999	2.304	-	48.302	14.338	8.389	3.891	21.685	48.302
Fire	56.811	2.870	-	59.681	4.597	13.605	6.310	35.169	59.681
Police	137.021	7.086	-	144.106	15.055	31.874	14.784	82.393	144.106
Total General Fund	394.031	15.128	-	409.160	66.606	70.279	36.697	235.577	409.160
									-
Capital - Permanent Improvement	2.029	0.196	-	2.225	-	-	-	2.225	2.225
Debt Service	21.085	0.588	-	21.673	-	-	-	21.673	21.673
Subtotal	23.114	0.784	-	23.898	-	-	-	23.898	23.898
Pensions-direct levy	48.113	1.124	-	49.237	-	-	-	49.237	49.237
Total	465.258	17.036	-	482.295	66.606	70.279	36.697	308.712	482.295
									-
							2012 Max	245.735	
							2013 Max	268.293	
					Additional cuts needed/(Cushion for adverse circumstances)			40.419	

Estimates of pension liabilities are based on actuarial estimates completed in February 2009 for Minneapolis Police Relief Association (MPRA) and Minneapolis Fire Relief Association (MFRA) funds and reflect the significant market decline experienced in 2008.

The five-year financial direction adopted in December 2008 was balanced in all five years. Due to the extraordinary circumstances and short timeline for consideration of solutions, expenditures for 2010-2014 have not yet been adjusted for shortfalls related to the additional pension costs and proposed reductions in local government aid pending final legislative action.

2014 Property Tax Supported Budgets									
						Allocated Revenues for Presentation Purposes These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.			
	Prior Year Total Expense	**Projected Growth in Spending**	**Reduction to Growth in Spending**	**Current Year Total Expense**	**Direct Revenue**	**General City Revenues (Non-Direct)**	**Local Government Aid**	**Property Tax Revenue**	**Total Revenues**
Mayor	1.753	0.094	-	1.847	-	0.430	0.197	1.220	1.847
City Clerk/Elections/City Council	8.902	0.479	-	9.381	0.051	2.170	0.997	6.163	9.381
CPED	4.867	0.280	-	5.147	1.842	0.769	0.353	2.183	5.147
Contingency	2.770	0.145	-	2.915	-	0.678	0.312	1.926	2.915
City Coord Admin, Comm, IGR, NCR	7.362	0.396	-	7.758	2.929	1.123	0.516	3.189	7.758
Civil Rights	2.636	0.156	-	2.791	-	0.649	0.298	1.844	2.791
Assessor	4.533	0.241	-	4.774	0.066	1.095	0.503	3.109	4.774
Health and Family	4.874	0.259	-	5.134	0.555	-	-	4.578	5.134
Human Resources	7.002	0.391	-	7.393	0.005	1.718	0.790	4.880	7.393
Attorney	8.945	0.490	-	9.436	0.020	2.190	1.006	6.219	9.436
911/311	12.541	0.677	-	13.218	-	-	-	13.218	13.218
Libraries	4.100	(0.900)	-	3.200	-	-	3.200	-	3.200
Internal Service Funds	19.506	(5.147)	-	14.359	-	-	-	14.359	14.359
Transfers to other funds	0.442	0.018	-	0.459	-	-	-	0.459	0.459
Capital Improvement	-	-	-	-	-	-	-	-	-
Finance	22.557	1.234	-	23.792	0.021	5.529	2.541	15.701	23.792
BIS		-	-	-	-			-	-
Pension Debt Service Mgmt Plan	16.865	(1.096)	-	15.769	-	-	-	15.769	15.769
Regulatory Services	27.413	1.455	-	28.868	27.996	-	-	0.872	28.868
Public Works	48.302	2.585	-	50.887	14.338	8.501	3.907	24.141	50.887
Fire	59.681	3.220	-	62.901	4.597	13.561	6.232	38.511	62.901
Police	144.106	7.947	-	152.053	15.055	31.865	14.644	90.489	152.053
Total General Fund	409.160	12.922	-	422.082	67.475	70.279	35.497	248.830	422.082
									-
Capital - Permanent Improvement	2.225	0.225	-	2.450	-	-	-	2.450	2.450
Debt Service	21.673	0.534	-	22.207	-	-	-	22.207	22.207
Subtotal	23.898	0.759	-	24.657	-	-	-	24.657	24.657
Pensions-direct levy	49.237	0.457	-	49.694	-	-	-	49.694	49.694
Total	482.295	14.138	-	496.433	67.475	70.279	35.497	323.181	496.433
									-
							2013 Max	268.293	
							2014 Max	292.733	
					Additional cuts needed/(Cushion for adverse circumstances)			30.448	

Estimates of pension liabilities are based on actuarial estimates completed in February 2009 for Minneapolis Police Relief Association (MPRA) and Minneapolis Fire Relief Association (MFRA) funds and reflect the significant market decline experienced in 2008.

The five-year financial direction adopted in December 2008 was balanced in all five years. Due to the extraordinary circumstances and short timeline for consideration of solutions, expenditures for 2010-2014 have not yet been adjusted for shortfalls related to the additional pension costs and proposed reductions in local government aid pending final legislative action.

City of Minneapolis
2009 Budget

Ten-Year Projection of Demands on the Property Tax

Background
The ten-year projection was first produced in the spring of 2002. The intent was to surface all the demands on the property tax to which the City had committed. This projection led to adoption of the 8% maximum property tax policy in the summer of 2002. The maximum property tax policy was adopted by both the City Council and the Board of Estimate and Taxation. In January, 2003, the City Council and Mayor adopted a five-year financial direction to set parameters for departmental business plans.

Assumptions in the Ten-Year Projection
These listed assumptions build on the original work from 2002. For complete details on the financial challenges which the City faces, please refer to the schedule of projected demands on the property tax.

General Fund Operations Assumptions
- A 2.5% wage increase is funded from new resources through 2016.
- 20% annual increases in health insurance premiums.
- No increase in departmental and citywide revenue (except for regulatory services revenues which are expected to increase by 3%). Please see the discussion in the 2010-2014 five-year financial direction, earlier under this same tab, for more information by department. Internal Service Funds financial plans are phased out according to the schedule adopted in March 2008.
- Reductions to general fund operations are needed in each year through 2011. Levy limits cause the City to accelerate cuts planned for 2012.
- Commitments for the library are included in the general fund. In 2009 and beyond, the property tax elements are anticipated to be levied by the County.

Capital and Debt Assumptions
- A slight (2%) increase is included for both of these levies for 2010-2016.
- Recommendations related to the capital expansion program are not reflected here since they are not supported by property tax funds.

Independent Boards and Special Levies Assumptions
- Parameters remain the same for independent board operating levy increases – Park, Municipal Building Commission, Public Housing Authority and the Board of Estimate and Taxation all receive a 4% levy increase to deal with increased costs of providing services. The Park Board receives an increase in Local Government Aid in 2009. The Boards are held harmless from the effects of levy limits.
- Pension obligations are funded in each year of the projection.

City of Minneapolis - Details of Annual Demand (Increases) in Property Tax Revenue

	Adopted			Future Projected Demands on the Property Tax								
(In millions of dollars)	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
City General Fund Operations												
Salary and non-personnel increase	8.2	15.1	8.6	8.1	13.9	8.6	12.8	15.0	14.7	13.0	12.2	8.5
Health Insurance	1.8	2.1	3.8	5.9	7.1	8.6	10.3	12.3	14.8	17.8	21.3	25.6
Internal Service Funds	2.3	2.2	4.4	(1.2)	(1.0)	(1.0)	(1.9)	(5.2)	(4.0)	(2.0)	(2.2)	-
Strategies Needed to Balance Budget	**(0.6)**	**(2.0)**	**(1.8)**	**(2.4)**	**(6.0)**		**-**	**-**	**-**	**(1.0)**	**(1.0)**	**(1.0)**
Subtotal	16.9	17.4	15.0	10.4	14.0	16.2	21.6	22.1	25.5	27.8	30.3	33.1
City Capital/Debt:												
Permanent Improvement Fund	(0.7)	(0.5)	-0.5	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Debt structuring changes	(2.1)	(1.3)	2	0.4	0.5	0.6	0.7	0.8	0.8	0.8	0.8	0.8
Subtotal	(2.8)	(1.8)	1.5	0.5	0.6	0.7	0.9	1.0	1.0	1.0	1.0	1.0
City Total	**14.1**	**15.6**	**16.5**	**10.9**	**14.6**	**16.9**	**22.5**	**23.1**	**26.5**	**28.8**	**31.3**	**34.1**
Independent Boards and Special Levies												
Park Board Base Levy	1.7	1.8	1.8	1.7	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9
Subtotal Park Board	1.7	1.8	1.8	1.7	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9
Libraries Base Levy	0.5	0.5	(13.9)	-	-	-	-	-	-	-	-	-
Library Referendum Levy	1.2	-	-	-	-							
Subtotal Library	1.7	0.5	(13.9)	-	-	-	-	-	-	-	-	-
Municipal Bldg Commission	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Community Development Levy	-	-	-	-	-							
Minneapolis Public Housing Authority	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Pension Funds	(1.0)	-	-	6.8	4.6	3.9	-	1.2	-	-	-	-
Total Independent Boards and Special Levies	**2.7**	**2.5**	**(11.9)**	**8.8**	**6.6**	**6.0**	**2.2**	**3.5**	**2.3**	**2.3**	**2.3**	**2.3**
Total Increase in Property Tax Revenue	**16.8**	**18.1**	**4.6**	**19.7**	**21.3**	**22.9**	**24.7**	**26.6**	**28.8**	**31.1**	**33.6**	**36.4**
Total Property Tax Revenue	226.0	244.1	248.6	265.6	286.9	309.8	334.6	361.4	390.3	421.5	455.2	491.6
Annual Percent Increase	8%	8%	1.84%	8.0%	8%	8%	8%	8%	8%	8%	8%	8%

City of Minneapolis
FY 2009 Budget
Financial Plan

Convention Center Special Revenue Fund

Background

The Convention Center special revenue fund accounts for the maintenance and operation of the City-owned Convention Center and the related sales tax activities. The Convention Center was created to foster and generate economic growth and vitality by providing facilities and services for conventions, trade shows, exhibits, meetings; cultural, religious, and sporting events - all of which benefit and showcase the City, the metropolitan region, and the State of Minnesota. The fund also supports an operating transfer to Meet Minneapolis, formerly called the Greater Minneapolis Convention and Visitors Association (GMCVA). Meet Minneapolis is an independent, non-profit organization contracted by the City of Minneapolis to market Minneapolis and the Twin Cities as a convention and tourist destination.

Historical Financial Performance

The fiscal year-end 2007 fund balance for the Convention Center special revenue fund was $46.1 million, an increase of $4.9 million from 2006. Local sales taxes (outlined in the below table) support the Convention Center with approximately $60.1 million collected in 2007. Due to improved economic conditions and consumer spending habits, the 2007 local tax revenue was $3.8 million greater than budget and $3.4 million greater than 2006. Approximately $9.6 million was transferred to the parking fund to cover costs for on Convention Center parking ramps (approximately $3.4 million greater than 2006).

Comparative amounts collected:

Local Sales Taxes (in millions)	2005	2006	2007
0.5% Citywide Sales tax	$27.4	$27.9	$29.5
3.0% Entertainment Tax	$9.2	$9.2	$9.9
3.0% Downtown Restaurant Tax	$9.5	$10.0	$10.3
3.0% Downtown Liquor Tax	$3.5	$3.6	$3.8
3.0% Lodging Tax	$5.5	$6.0	$6.6
Total Tax Collection	$52.2	$56.7	$60.1

The City deposits all of its local tax proceeds (*i.e.*, sales tax, entertainment tax, food tax, liquor tax, and lodging tax) in the Convention Center special revenue funds. All the tax proceeds, with the exception of the entertainment tax, are Convention Center related and are used primarily to fund the debt related to the construction of the Convention Center and related facilities, as well as to fund the operating deficit.

The entertainment tax, established in 1969, is a revenue source for the general fund to offset additional police and fire department costs associated with City-wide entertainment activities ($9.9 million in 2009). A portion of the tax ($1.5 million in 2009) is redirected to the arena reserve fund to fully credit the fund for entertainment tax proceeds generated from Target Center activities, as required by the Target Center arena finance plan. The entertainment tax is not deposited directly into the general fund because it is pledged revenue on the outstanding Convention Center bonds in the event other revenue sources pledged to meet Convention Center debt service are insufficient.

Funds are transferred annually to the Convention Center reserve fund for major repair or equipment replacement for the Convention Center facility. Due to the age of the building, it is anticipated that the amount of this transfer will increase in future years as specific needs are identified. However, the plan keeps the amount flat until an analysis is completed and needs are identified. In 2007, nearly $1.2 million was transferred to the Convention Center reserve fund.

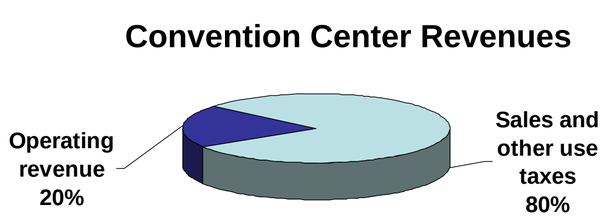
Operating revenues are generated directly from the Convention Center operating activities. Exhibit space rental is the largest source of revenue for the Convention Center. Also included in operating revenues are equipment and space rental of the Tallmadge Building. Charges for services are earned in support of space rent and consist primarily of utility and labor services and ramp parking. Commission sales of food and beverage account for most of the other miscellaneous operating revenue.

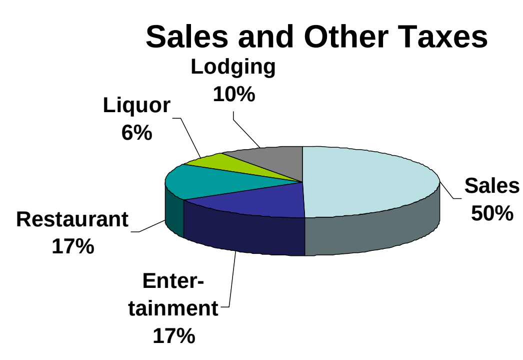
In 2007, total operating revenue was $14.3 million, which was $200,000 lower than 2006 and $300,000 lower than the 2007 budget. Lower than budgeted revenues were the result of lower-than-expected growth in events, lower-than-projected revenues from new product offerings in the auditorium, and competitive forces causing need for discounts to secure events.

2009 Budget

Revenues
The 2009 projected revenues for the Convention Center have been adjusted to reflect the actual historical receipts. Total revenue is expected to remain relatively flat from 2008, with an increase of 1.5% over the 2008 budget. This estimate is based on a weak convention/tradeshow market, increased competition from comparable centers, and usage forecasts. To offset these conditions, the Convention Center is seeking new revenue producing opportunities such as sponsorship opportunities, electronic ticketing and development of the L100 space (Learning Lab).

The Convention Center management, in partnership with Meet Minneapolis, has been working on a sponsorship package. The sponsorship opportunities include: video signage, wireless internet, website advertising, marquee rental, and alternative advertising (floor stickers, window stickers, banners, and column wraps). Also in partnership with Meet Minneapolis, the Convention Center is working on revising its marketing focus which could include re-branding as well as the development of a marketing plan, and possible redeployment of national sales efforts. Additionally, the Convention Center has contracted with All Out Marketing to survey local and national organizations on their interest in the development of the L100 space to use as a Learning Lab or other specialty center. Furthermore, event ticketing will be an exclusive service at the Convention Center beginning April 2009.





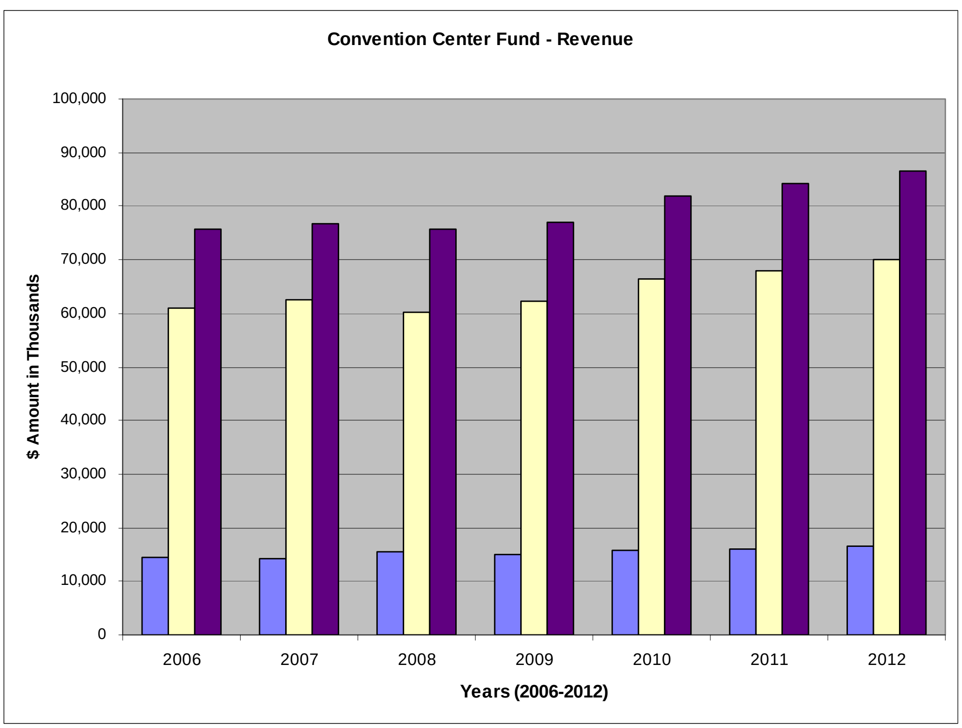
Convention Center - Predicted Revenue Growth	
Tax Type	**Current Growth Assumption 2009-2012**
0.5% Sales	2.5%
3.0% Entertainment Tax	3.0%
3.0% Other Tax	3.0%

Tax revenue is expected to increase 2.5% to 3% annually from 2009-2012. A $2 million entertainment tax increase (offset by the increase to the General Fund) was factored into the budget beginning in 2010 with the opening of the new Twins Ballpark is expected to open. Operating revenue is projected increase slightly in 2010, 2011, and 2012. The 2009 operating expense and revenue projections are $38.4 million and $14.9 million respectively, resulting in a $23.5 million operating shortfall.

Expenditures

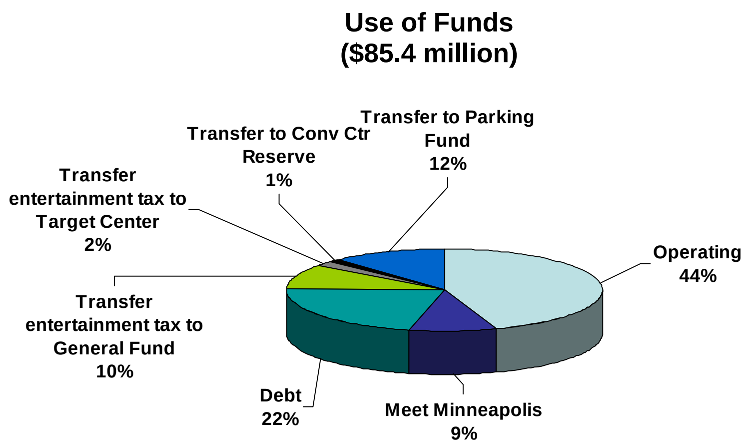
In 2009, the Convention Center operations expenditure budget is anticipated to increase $1 million from the 2008 budget. The increase is primarily the result of contractual services, energy costs, Ongoing Equipment/Improvement, and personnel-related expenses. Cost containment is an important and ongoing initiative, and the Convention Center is working on a number of cost containment strategies which include:

- efficient operations
- improved risk management
- management of client expectations
- proper training
- development of the Convention Center workforce
- tracking of client damage
- expense recovery

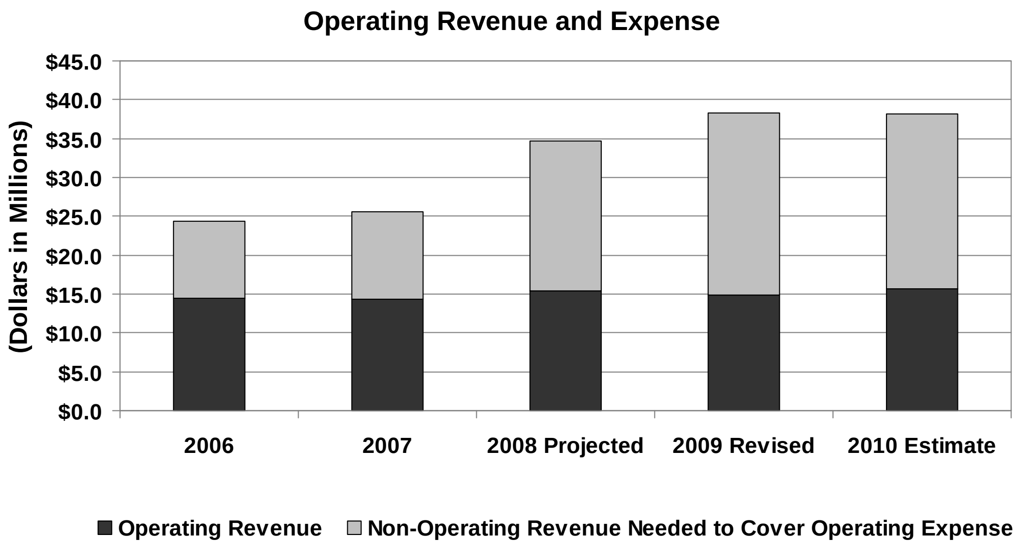


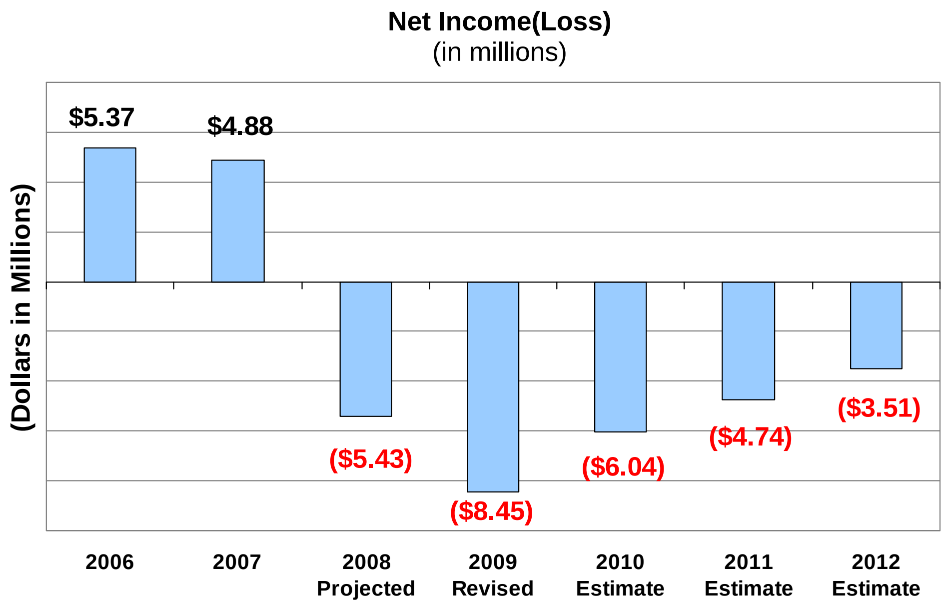
In 2004, Meet Minneapolis, the primary sales and booking agent of the Convention Center, entered into a $2.5 million loan agreement with the City for its joint venture Internet Destination Sales System (iDSS). In 2005, Meet Minneapolis requested that the Council advance an additional $2.5 million for the project. In August 2005, the loans were rolled together and a promissory note was issued for $5 million. In April of 2006, the City entered into a 3rd loan agreement of $5 million for additional iDSS start-up capital. The three loans were consolidated for a total of $10 million.

The $10 million consolidated loan has a 10-year amortization of principal (2008-2017) to be repaid in full in 2017 at a 5% interest rate. The note repayment for the loan is pledged against assets, future appropriation from City funding, and profits from the iDSS. The City began collecting loan interest in 2008 with over $454,000 expected to be collected in 2008 and over $429,000 expected in 2009. In 2009, nearly $7.6 million is budgeted for City support of Meet Minneapolis.



The projected reduction in the ending fund balance from 2008 to 2009 is due primarily to higher repair, maintenance, and improvement expense, in addition to higher budgeted overall operating expense and a slight decline in projected operating revenues in 2009. The MCC will utilize the repair, maintenance, and improvement budget to replace aging, obsolete parts and systems of the facility, such as a projected major roof repair/replacement to the copper domes in 2009.





Cash Position Changes
The Convention Center special revenue fund's 2008 projected cash balance, exclusive of loans to other funds, is expected to fluctuate relative to fund equity. Most operating revenues and expense transactions are cash transactions. The Convention Center has a policy of requiring exhibitors to pay in advance for space rent and services, which contributes to a healthy cash position. The 2007 year ending client advances, sometimes received over two years in advance of the event, were $1.3 million and outstanding client receivables were $783,000.

Transfers
Total transfers to other funds in 2009, excluding Meet Minneapolis, are budgeted at $39.8 million, including a transfer to the Parking Fund. The transfer to the Parking Fund totals $9.9 million which funds current year debt service obligations related parking ramps and facilities and parking fund long-term financial plan.

Debt Service
The 2008 budget includes full funding to meet the annual debt service payments. Outstanding debt for the Convention Center was approximately $222 million in total at the 2007 year-end. Debt service for the Convention Center totals $18.7 million in 2009. Part of the debt is in variable rate mode, and it is likely that total debt service payments will be less than budgeted due to the difference between interest on variable rate and the budget assumption of 5%.

ORIGINAL BUDGET
The Mayor recommended and Council approved $250,000 for a bike share station at the convention center.

COUNCIL REVISED BUDGET
The Mayor recommended and Council approved a reduction of $280,000.

The budget for this department includes a reduction of BIS charges of $14,000 due to the Council's actions to reduce the BIS budget by $725,000, which is consistent with the Mayor's recommendations. This reduction in BIS charges will subsequently reduce the department's appropriation by the same amount.

City of Minneapolis
FY 2009 Budget
Financial Plan (in thousands of dollars)

Convention Center Special Revenue Fund

	2006 Actual	2007 Actual	2008 Budget	2008 Projected	2009 Budget	% Chg From 2008 Budget	2010 Forecast	2011 Forecast	2012 Forecast
Source of Funds:									
Operating Revenues:									
Charges For Services	5,155	5,251	6,215	6,125	5,475	-11.9%	5,500	5,582	5,666
Rents	6,768	6,509	6,689	6,519	6,435	-3.8%	6,972	7,118	7,396
Other Miscellaneous Operating	2,602	2,555	2,700	2,700	3,000	11.1%	3,201	3,356	3,507
Sub-Total	14,525	14,315	15,604	15,344	14,910	-4.4%	15,673	16,056	16,569
Non-Operating Revenues:									
Sales Tax	27,887	29,535	29,103	29,500	29,500	1.4%	30,238	30,993	31,768
Entertainment Tax	9,248	9,880	9,664	9,800	9,954	3.0%	12,253	12,620	12,999
Restaurant Tax	9,993	10,319	9,811	10,000	10,000	1.9%	10,300	10,609	10,927
Liquor Tax	3,627	3,757	3,826	3,850	3,850	0.6%	3,966	4,084	4,207
Lodging Tax	5,990	6,574	5,460	6,000	6,000	9.9%	6,180	6,365	6,556
Meet Mpls Donations	538	392	147	147	-	-100.0%	-	-	-
Meet Minneapolis(iDSS) Loan Interest	-	-	454	454	429	-5.5%	394	348	303
Interest	752	1,544	750	1,250	1,300	73.3%	1,339	1,379	1,552
Other Misc Operating	22	27	14	14	25	78.6%	26	27	27
Transfer From Facility Reserve	3,031	500	1,000	1,000	1,000	0.0%	1,500	1,500	1,500
Sub-Total	61,088	62,528	60,229	62,015	62,058	3.0%	66,194	67,926	69,840
Total	75,613	76,843	75,833	77,359	76,968	1.5%	81,867	83,982	86,409
Use of Funds:									
Convention Center Operations	23,212	24,560	27,555	27,555	28,944	5.0%	29,500	30,692	31,876
Ongoing Equipment/Improvement	1,135	1,008	8,872	7,150	9,121	2.8%	8,376	7,478	6,461
Human Resources	67	66	-	-	-	0.0%	-	-	-
Meet Minneapolis	7,663	7,873	7,684	7,684	7,590	-1.2%	7,742	7,897	8,548
Transfer To Gen Fund - Ent. Tax	8,657	8,762	8,164	8,300	8,454	3.6%	10,753	11,120	11,499
Transfer To Target Ctr Reserve	1,102	1,118	1,500	1,500	1,500	0.0%	1,500	1,500	1,500
Transfer To Conv Ctr Reserve	1,150	1,150	1,150	1,150	1,150	0.0%	1,150	1,150	1,150
Transfer To Debt Service	17,690	17,575	18,864	18,864	18,728	-0.7%	20,150	21,302	22,519
Transfer to Other Debt Serv Fund	-	-	-	-	75	0.0%	-	-	-
Transfer To Parking Fund	9,565	9,856	9,832	9,832	9,858	0.3%	8,435	7,283	6,065
Transfer To City Capital	-	-	750	750	-	-100.0%	-	-	-
Total	70,241	71,968	84,371	82,785	85,420	1.2%	87,605	88,422	89,617
Net Income	5,372	4,875	(8,538)	(5,426)	(8,452)	-1.0%	(5,738)	(4,440)	(3,208)
Fund Balance/Retained Earnings:									
Beginning Balance	35,850	41,222	46,097	46,097	40,671	-11.8%	32,219	26,481	22,041
Ending Balance	41,222	46,097	37,559	40,671	32,219	-14.2%	26,481	22,041	18,833

Notes: Beginning in 2005, the transfer to BIS is reflected in the Convention Center's Operating Budget based on the BIS Rate Model. In 2004, Meet Minneapolis entered into a $2.5 million loan agreement with the City for its joint venture Internet Destination Sales System (iDSS). In 2005, Meet Minneapolis requested that the Council advance an additional $2.5 million for the project. In August 2005, the loans were rolled together and a promissory note was issued for $5 million. In April of 2006, the City entered into a 3rd loan agreement for $5 million for additonal iDSS start up capital. The three loans were consolidated for a total of $10 million. The $10 million consolidated loan will have a 10 year amortization of principle (2008-2017) repaid in full in 2017 at a 5% interest rate. The note repayment for the loan is pledged against assets, future appropriation from the City funding, and profit from the iDSS.

City of Minneapolis
FY 2009
Financial Plan

Community and Economic Development Funds

Background

Community and Economic Development Funds support the City's development efforts and are primarily managed by the Community Planning and Economic Development (CPED) department with the assistance of the Development Finance Division of the Finance Department. These resources have faced several challenges in past years, including lower than expected tax increment revenues in the Common Project (the subset of the City's tax increment districts that support the Neighborhood Revitalization Program [NRP]), reductions in federal grant allocations, and limited flexible resources.

The reduction in Common Project revenues led the City Council to adopt a policy in August 2003 regarding how these funds were to be prioritized between City-wide discretionary development and the NRP. This policy was intended to be in place through 2009, the final year of the City's statutory obligation to provide funding for the NRP. Additionally, 2009 is the first year to reflect the reduction in tax increment revenues from the decertification of the City's pre-1979 tax increment districts and the final year in which CPED has authority to borrow from the City's Legacy Fund, which is reflected in the financial projections. (Please see the *Financial Policies* section of the budget book for the policy detail.)

State Authorized Financing for Target Center and Neighborhoods

Background

Established in 1990, the twenty-year Neighborhood Revitalization Program and its funding are set to sunset in 2009. The City and neighborhood groups have been pondering this major turning point for almost 10 years. In addition, the City's purchase in 1995 of the Target Center increased long-term demand for resources.

During the 2008 Legislative Session, the Minnesota Legislature authorized the City to establish a non-contiguous redevelopment tax increment finance (TIF) district. If established, this district will be comprised of properties currently located in specific TIF districts, commonly known as "pre-1979" TIF districts, which are scheduled to end in 2009. The earliest year the tax increment revenue from the new district can be realized is 2011. Without further action by the City, the value within those pre-1979 TIF will go back into the tax base in 2010, increasing the overall size of the tax base, resulting in property tax relief for many property owners.

Under the special legislation, tax increment from the new district may be expended only to pay principal and interest on Target Center bonds or for "neighborhood revitalization purposes." The legislation does not specify or require any particular allocation of revenues between these purposes.

The legislation also explicitly states that the certification of the district will not impact the City's "property wealth" factors in the Local Government Aid program. A $9 million drop in the City's LGA will occur in 2011, whether or not the City uses the special legislation. Much of the impact is anticipated in the general fund ($8 million).

Overall Recommended Funding from the District
Consistent with the recommendations in the "Framework for the Future" from the Neighborhood Revitalization Program (NRP) Work Group, the Mayor recommends certification of a redevelopment tax increment finance district to pay principal and interest on Target Center bonds and to fund neighborhood revitalization programs and administration. Further, the Mayor recommends and the Council approved establishment of this new City department within the Coordinator's office, with transition funding allocated.

The Council direction is to certify districts so that $24 million dollars is generated in 2011, the earliest year allowed under the special legislation. The Council allocates these funds as follows:

Target Center principal and interest	$ 10 million
Target Center expedited debt payments	$ 2 million
General Neighborhood Revitalization Purposes (neighborhood operations, department of Neighborhood and Community Relations)	$8.5 million
Community Revitalization	$3.5 million
Total	$24 million

This direction leads to certifying 100% of the tax capacity of the district. If none of the districts were certified, residential taxpayers would see an estimated reduction in their tax bills from $61 to $307 annually. The district would last for ten years (through 2020).

Financial recommendation for Target Center principal and interest
The current Target Center financial plan (before the 2008 State legislation) is not structurally balanced. In addition to $61.3 million in fixed rate debt at an interest rate higher than the current market conditions, the financial plan does not take into account two cost pressures: an operating subsidy for the operator (up to $1.7 million annually) and capital refurbishment of the arena ($2-3 million annually).

The current plan relies on the following revenue sources:

- *Property tax* generated at the arena - $100,000 annually through 2012, $550,000 when the arena TIF district decertifies in 2013 and beyond.
- *Tax Increment* from the Arena - $1 million annually through 2012. This resource may only be used for debt service, certain administrative costs, and capital costs.
- *Entertainment tax* generated at the arena - $1.1 million annually.
- *Event parking* - $2.6 annually million in 2010, escalating to $5.6 million by 2024.
- *Minnesota Amateur Sports Commission* - $750,000 in 2009 only.
- *Tax Increment* from the Common Project – approximately $1.9 million annually through 2013 and $1.6 million annually through 2024. This resource may only be used for debt service, certain administrative costs, and capital costs.

Of these resources only entertainment tax, parking revenues and property tax can be used to fund the operating subsidy. But for dedication in the plan, any of these three resources could be used to reduce financial pressures in the general fund or the parking fund.

The Mayor's recommendation funds the principal and interest payments for the Target Center financial plan at $10 million each year. This recommendation provides the opportunity to redirect resources to the unfunded capital and operating needs. The finance department will prepare an updated finance plan for the arena based upon this recommendation by the end of the year.

Financial recommendation for neighborhood operations and programming
The Council direction specifies $8.5 million per year for general neighborhood revitalization purposes. In addition, the direction includes $3.5 million for community revitalization. In the current neighborhood revitalization program, neighborhood groups identify administrative funding from within the overall program funding.

This direction demonstrates City support for a long-term funding source for neighborhood groups tied to the length of the new district as defined in state law. Neighborhood groups may decide to reallocate administrative funding to programmatic funding as needed. The following is the summary of this direction:

Neighborhood and Community Relations Proposed Sources and Uses (in thousands)

	2008	2009 Adopted Budget	2010 Forecast	2011 Forecast	2012 Forecast	2013 Forecast
Sources						
CDBG	428	420	416	185	182	179
NRP central admin funds - admin set aside	1,250	1,048	350	0	0	0
Property Tax (including revenue from new district in 2011)	590	1,110	984	8,314	8,334	8,355
Total Sources	2,268	2,578	1,750	8,499	8,516	8,534
Uses						
(1) Neighborhood Investment & Community Innovation Funds, neighborhood operations, and department of Neighborhood and Community Relations	0	500	1,100	7,905	7,905	7,905
(2) Existing Citizen Participation Program	333	328	328			
(3) Existing Homelessness Program	225	225	75	75	75	75
(4) Existing Multicultural Services	380	392	407	424	441	459
(5)Existing NRP - Central Administration	1,250	1,048	350	0	0	0
(6) Existing City Community Engagement	80	85	90	95	95	95
Total Uses	2,268	2,578	2,350	8,499	8,516	8,534
Difference	0	0	-600	0	0	0

2009 Budget

Revenues
These projections are based on several revenue assumptions that need to be validated annually:

- Revenues from federal grant programs will remain somewhat constant.
- Revenues from state and local grants vary in relation to project need and availability but have been increasing over past years. 2009 projections are significantly increased over 2008 to $9.7 million of which $4.5 million has been secured, but are consistent with CPED's success with grant seeking and the actual revenues received in 2006 and 2007.
- There will be continuing modest increases in bond-related fee income from housing and economic development activities, but actual revenues need to be closely monitored for the impacts of changes in the lending and housing markets.
- There will be annual variations in project income. These are shown as declining at a 3 percent rate from 2009.

- To be consistent with past projections, the 2009-2013 projections include anticipated loan repayment revenue from the Brookfield project on the Nicollet Mall. Given the budgetary impact of one-time revenues of this amount, these, like many revenues, are not part of the submitted revenue budget, but will be added at the time payment is actually received.
- Legislative action in 2008 allows the creation of a redevelopment tax increment district created from the parcels and frozen tax base by recertifying properties located in the pre-1979 TIF districts. Revenue from this district is permitted to be applied to existing Target Center debt and neighborhood revitalization activities. Table 1 does not include any assumptions regarding this district.
- There will be no further legislative actions or valuation events that have a significant negative impact on tax increment or General Fund collections.
- There is only inflationary growth in Planning's fee revenue.
- Assuming the successful conclusion of the Brookfield transaction in 2009, the Legacy Fund balance would be restored to approximately $35.5 million. The availability of these funds from 2010 through 2013 is not assumed in these projections pending clearer direction.

Expenditures
The expenditure projections contain assumptions that also need to be revisited annually in the context of revised revenues and department performance measures:
- CPED staff levels remain constant or reduced slightly with personnel costs increasing 2 percent per annum while non-personnel expenditures increase approximately 1 percent per annum.
- The Development Account and tax increment revenues of the Common Project will continue to be restricted to existing debt and contractual obligations while such obligations exist, and to the capitalization of the NRP through 2009.

Between 2008 and 2012, projected CPED revenues peak in 2009, a consequence of the approximately $27.8 million Brookfield-Dain repayment. Subsequent years show a significant revenue decline, which mirrors the loss of Common Project revenue associated with the decertification of the pre-1979 tax increment districts and the end of the Legacy Fund annual loan to City discretionary development funding.

The five-year projection Table 1 makes no assumptions of a source for discretionary development investment past 2009, although the availability of new tax capacity created by the decertification of the pre-1979 districts could allow, as one policy option, the re-use of Chapter 595 levy authority with little or no increase of residential property taxes. An additional option would be the use of the corpus of the Legacy Fund, which will have been substantially restored by the repayment of the $22 million committed to CPED and fund investment earnings.

Debt Service
Debt service on the post-1979 Common Project tax increment districts continues past 2012 and is projected to be serviced by the tax increment revenue from those districts.

General Fund Resources
Projected general fund revenues and expenditures are consistent with the Five-Year Financial Direction. The direct revenues allocated as a result of the 2005 multi-department fee study are increased annually at a rate of 3 percent, consistent with the rate shown for Regulatory Services revenues.

Neighborhood Revitalization Program
The continuing reduction of Common Project revenues that started in 2001 has reduced (from $20 million per annum in Phase I) the level of funding available to capitalize the NRP. Table 1, Line 33 displays the January 2009 projection. This amount also assumes a Brookfield repayment in 2009 under current contract terms. Under current law and City policy no additional capitalization of the program after 2009 is required. Expenditure of NRP fund balances and NRP program income would continue post-2009 under approved Neighborhood plans. Whether such expenditures would be accounted for in the CPED budget is not yet clear.

ORIGINAL BUDGET

The Mayor recommended:

- *Housing Advocacy Program ($60,000)*: The housing advocacy program moved to CPED from Health and Family Support with $60,000 in one-time funding as a bridge to long-term funding for the two positions which are moving along with the program.
- *Reductions to meet Five-Year Financial Direction ($20,000):* The Mayor's recommended budget included $20,000 in reductions, which CPED may manage by accessing preliminary planning funds.
- *Youth Apprentice Program (matching funds $150,000):* The Mayor recommended $150,000 in one time funding for a youth apprentice program in Civil Rights, with a $150,000 match from existing programs in CPED.
- *Preparation for 2010 Census ($100,000):* The Mayor recommended one-time funding for the 2010 Census for recruiting and launching "Complete Count" committee, as well as laying the ground work for various outreach and public education efforts.
- *Green Manufacturing Initiative ($100,000):* The Making It Green Report, Phase I findings demonstrate encouraging prospects for the Cities of Minneapolis and St. Paul to participate actively in emerging green industries by building on the region's and our City's existing, substantial manufacturing job skills and business base. To jump-start Minneapolis' efforts to actively participate in green manufacturing opportunities, the Mayor recommended one-time funding to engage a consultant to:
    - coordinate research into best opportunities for converting existing skills and assets into green manufacturing opportunities;
    - map a strategy to engage private business, investors, and other partners in a coordinated implementation plan; and
    - begin plan implementation.

The Council approved the Mayor's recommendations. The Council further increased the CPED budget by $100,000 on a one-time basis to promote the City goal of Connected Communities by advancing the project of reopening of Nicollet Avenue at Lake Street (BR112).

COUNCIL REVISED BUDGET

The Mayor's revised budget recommended a reduction $150,000. The Council concurs with the Mayor's recommendation and further reduces $100,000, for a total reduction of $250,000. The $100,000 was one-time funding for the promotion of the City goal of Connected Communities by advancing the project of reopening of Nicollet Avenue at Lake Street (BR112). See the Public Works for the full amendment.

The budget for this department includes a reduction of BIS charges of $41,500 due to the Council's actions to reduce the BIS budget by $725,000. This reduction in BIS charges will subsequently reduce the department's appropriation by the same amount.

Projected CPED Revenues & Expenditures 2009 - 2013

		2008 Budget	2009 Budget	2010 Forecast	2011 Forecast	2012 Forecast	2013 Forecast
1	Local Funds						
2	General Fund Total	3,889,000	3,879,000	4,016,000	4,142,000	4,349,000	5,127,000
3	GF Property Tax & Non-Direct Revenue	1,740,000	1,782,000	2,009,000	2,145,000	2,292,000	2,955,000
4	General Fund LGA	606,000	508,000	370,000	311,000	321,000	384,000
5	General Fund Direct Revenues	1,543,000	1,589,000	1,637,000	1,686,000	1,736,000	1,788,000
6	Tax/Increment/Abatement	80,265,000	63,114,310	40,290,000	40,895,000	27,795,000	27,795,000
7	Capital Bonding (CIP)	804,000	1,067,000	382,000	389,000	389,000	389,000
8	Dev Acct (Non-TI)*	2,002,705	28,302,997	300,000	300,000	300,000	300,000
9	Interest Earnings all Funds	5,108,152	4,852,744	4,610,107	4,379,602	4,379,602	4,160,622
10	Housing Program Fees & Revenues	1,300,000	1,342,317	1,342,317	1,342,317	1,342,317	1,393,835
11	Economic Dev Program Fees & Revenues	4,410,000	4,585,000	4,814,250	5,054,963	5,054,963	5,307,711
12	Legacy Fund	3,679,000	3,500,000	-	-	-	-
13	Other Project & Program Income	13,396,365	10,470,709	10,156,588	9,851,890	9,851,890	9,556,333
14	Transfers & Reserves	42,443,047	46,692,590	9,000,000	9,000,000	9,000,000	9,000,000
15	Federal Funds						
16	CDBG**	10,913,000	9,667,000	9,667,000	9,667,000	9,667,000	9,667,000
17	ESG	597,000	595,800	595,800	595,800	595,800	595,800
18	HOME	3,200,000	3,419,475	3,419,475	3,419,475	3,419,475	3,419,475
19	Other State/Local Grants	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000

* 2009 revenue forecast includes anticipated but unbudgeted Brookfield revenue.

		2008 Budget	2009 Budget	2010 Forecast	2011 Forecast	2012 Forecast	2013 Forecast
20	**Total Projected Revenues**	176,507,269	185,988,942	93,093,537	93,537,046	80,644,046	81,211,776
21	Appropriated						
22	Business Lines:						
23	Economic Policy & Development	16,928,074	12,295,982	12,480,422	12,667,628	12,857,642	13,050,507
24	Housing & Policy Development	17,372,932	18,149,567	18,412,676	18,688,866	18,969,199	19,253,737
25	Community Planning	1,669,767	1,757,275	1,783,634	1,810,389	1,837,544	1,865,108
26	Development Services	1,857,851	2,256,567	2,290,416	2,324,772	2,359,643	2,395,038
27	Workforce Development	9,815,218	8,307,778	8,432,395	8,558,881	8,687,264	8,817,573
28	CPED Support:						
29	Executive & Support Services	9,467,743	7,902,292	7,535,338	7,648,368	7,763,094	7,879,540
30	Transfer & Debt Service	108,058,847	74,582,382	34,000,000	34,000,000	34,000,000	34,000,000
31	Total Appropriated	165,170,432	125,251,843	84,934,880	85,698,903	86,474,386	87,261,502
32	To be appropriated						
33	Potential NRP Capitalization	4,802,177	16,973,004	-	-	-	-
34	Brookfield repayment to Legacy	1,769,000	11,386,000	-	-	-	-
35	**Total Projected Uses**	171,741,609	153,610,847	84,934,880	85,698,903	86,474,386	87,261,502
36	**Difference**	4,765,660	32,378,095	8,158,657	7,838,143	(5,830,340)	(6,049,726)

** entitlement, program income and federal workforce grants

City of Minneapolis
FY 2009 Budget
Financial Plan

Municipal Parking Fund

Background

The Municipal Parking Fund accounts for the operation and maintenance of parking ramps, lots, on-street parking, and a municipal impound lot. Major parking related capital construction and development activities also occur in this fund.

Historical Financial Performance

The financial condition of the Parking Fund has historically been stable, but continues to present a future financial challenge to the City due to cash flows. While the fund continues to generate positive retained earnings, it is insufficient to pay debt service, make general fund transfers, and restore its productive assets (ramps).

Nearly all of the capital costs of ramps have been financed by debt. Revenues for the fund are generated from these three lines of activities:

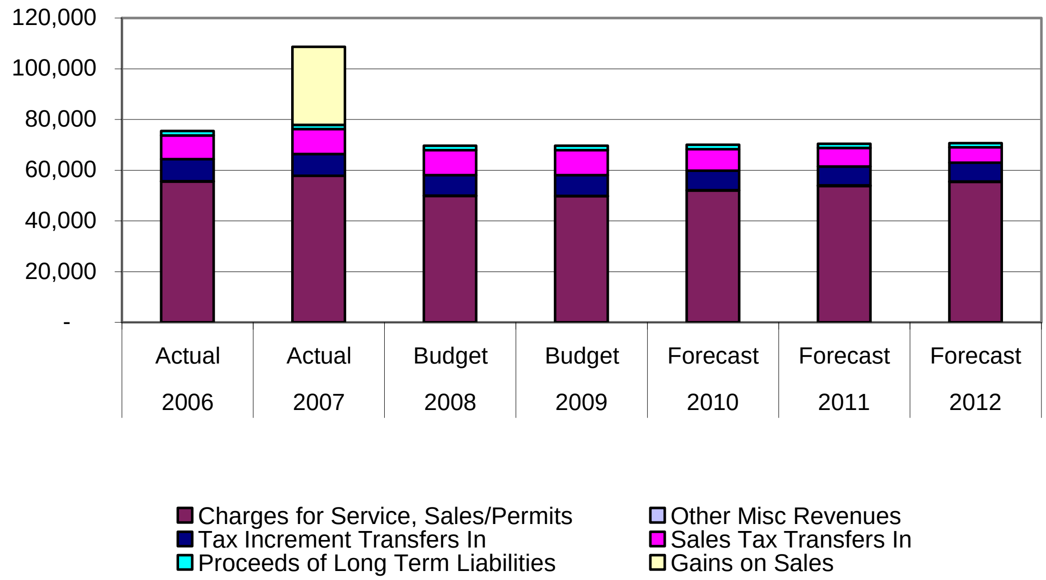
- Off-street parking
- On-street parking
- The impound-lot

The fund receives transfers ($9.9 million in year 2008) from the Minneapolis Convention Center to pay its share of debt service on the Convention Center-related parking facilities. The fund also receives transfers ($8.1 million in 2008) from tax increment and abatement revenue to pay part of major development projects in downtown area.

The Parking Fund and its operations reflect a long-term financial plan that was adopted by the council in 2004. The plan addresses strategies for managing and responding to growing financial concerns regarding the municipal parking system, with annual updates on the performance of the plan. The budget takes into consideration many of the initiatives from the workout plan to improve the fund's cash position. One initiative in the workout plan was to explore the possibility of selling parking ramps. In July 2007 the City Council approved the sale of eight of them, six were sold in 2007, one in 2008 with an additional sale possible in 2008.

Operating revenues for 2007 is $60.3 million compared to $58.1 million in 2006. The workout plan increases in revenues can be attributed to initiatives such as automation and centralization of parking ramp fee collections, enhanced parking ramp marketing, updated parking meter technology, and the sale of unclaimed property left in abandoned vehicles.

Parking Fund Revenues
(in thousands of dollars)



In 2007, operating expenses (without debt service, transfers or capital) increased by $100,000, or .3%, to $39.5 million, from $39.4 million in 2006. The Parking Fund cash balance for year 2007 was $42.7 million. The parking system is creating a positive cash flow from the sale of six ramps in 2007 and one ramp in 2008, but with transfers, interest payments on debt service and debt service payments, the City-owned facilities may have a negative cash flow by 2010. Based on current and proposed budgets, operating cash balances are going to continue to decrease, especially cash related to the City system.

2009 Budget

Revenues

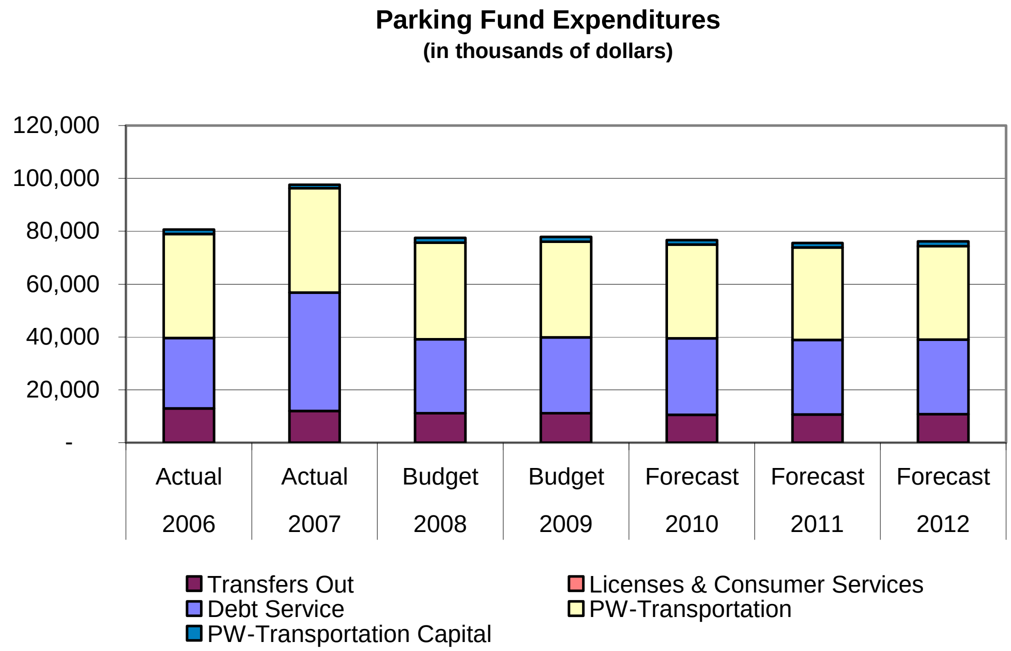
The operating revenue budget for 2009 was decreased about 1% to $51.6 million compared to $51.9 million for 2008. The decrease is due to the ramp sold in 2008 and economic pressures from high fuel prices.

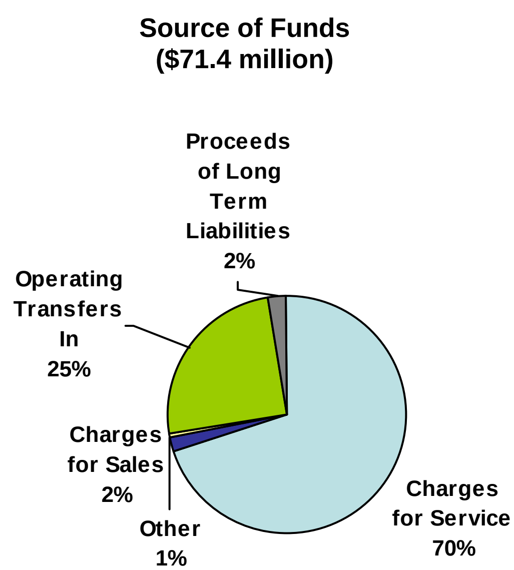
Revenue Assumptions (2009)	
Utilization Percentage in 2006	87%
Number of Parking Stalls in the system	20,630 as of 12/31/2007
Forecasted Revenue increase	2010 4.5% 2011 3.5% 2012 2.9%
Assumed rate increases (if any)	2%
System-wide average event rate	$8.78
System-wide average daily rate	$6.29
System wide average monthly rate	$119.14
Number of new stalls in the system	2008 80 2009 0 2010 0

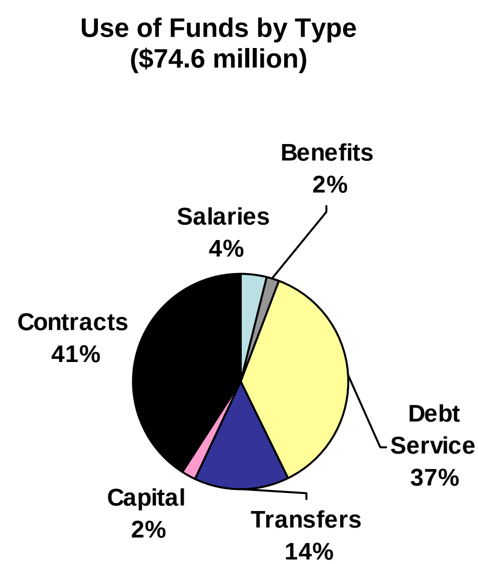
For assumptions regarding sales tax revenue, please see the Convention Center Finance Plan.

Expenditures

The operating budget for 2009 stands at $36.2 million compared to $36.6 million for 2008. There is a decrease of $0.4 million in 2009 over 2008. The capital budget for 2009 has been set at 2008 level which is $1.7 million. The capital budget has been maintained at this level due to on-going repair and improvement work in the City-owned parking facilities.

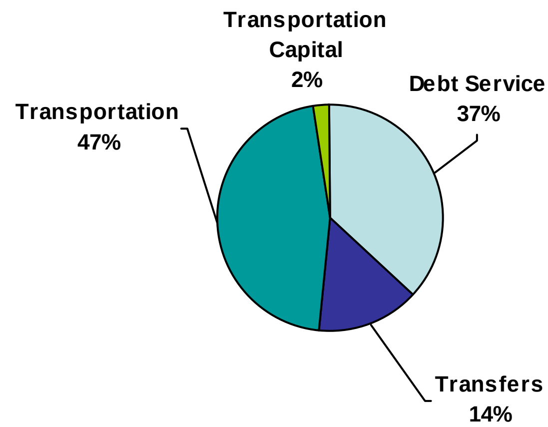






Debt Service
Total debt service, which includes principal and interest on bonds issued for construction of municipal parking ramps, increased $0.7 million over 2008 levels. A portion of debt service payments are reimbursed from tax increment and sales tax revenues, which are transfers to the Parking Fund from the Convention Center and Tax Increment Funds totaling $18.0 million for 2009.

Use of Funds by Department ($74.6 million)



Transfers
The transfer to the general fund declined by $800,000. There is also a transfer to the Target Center Arena. The transfer to the Target Center Arena Fund remained constant in 2009 and 2008 at $2.2 million. This transfer comes out of net assets generated by City parking revenues. Revenues from State-owned garages continue to be transferred to the State on a daily basis. A transfer of $146,000 a year to the Solid Waste and Recycling fund is also done for bus shelter litter containers.

Transfers to the parking fund include revenues from sales tax along with revenues from tax increment and abatement. Tax increment and abatement revenues are transferred from CPED and the sales tax revenue is transferred from Convention Center. These transfer revenues are used for debt service payments. The transfer from sales tax funds remained the same at $9.8 for 2009 as it was in 2008. The transfers from tax increment and abatement are budgeted to increase $0.1 million, from $8.1 million in 2008 to $8.2 million in 2009. The following is a breakdown of the $8.2 million in transfers by facility:

- $7.4 million for LaSalle at10th Ramp
- $100,000 for East LRT Ramp
- $700,000 for the Hennepin at 10th Ramp

Original Budget
The Mayor recommended Traffic & Parking be required to allocate, within existing resources, the City's portion of the assessment for a downtown improvement district (up to $200,000). This amount represents the assessment for City parking facilities in the zone.

The Council approved the Mayor's recommendation and further directed Public Works to increase funding by $500,000 on a one time basis for resolving outstanding traffic issues on Trunk Highway 55 caused by the Hiawatha Light Rail Transit in the amount of $250,000, and engineering studies for relieving traffic congestion anticipated due to the Central Corridor Light Rail Transit project in the amount of $250,000.

Council Revised Budget
Council eliminated $250,000 in one-time funds for the Hiawatha LRT Signal Improvements project (TR019).

The budget for this fund includes a reduction of BIS charges of $5,100 due to the Council's actions to reduce the BIS budget by $725,000, which is consistent with the Mayor's recommendations. This reduction in BIS charges will subsequently reduce the department's appropriation by the same amount.

City of Minneapolis
FY 2009 Budget
Financial Plan (in thousands of dollars)

Municipal Parking Fund - 7500

	2006 Actual	2007 Actual	2008 Budget	2008 Projected	2009 Budget	% Chg From 2008 Budget	2010 Forecast	2011 Forecast	2012 Forecast
Source of Funds:									
Licenses and Permits	252	235	218	240	218		220	222	225
State Government			-	-	-		-	-	-
Charges for Service, Sales/Permits	55,514	57,809	49,818	51,313	49,720	-0.2%	51,965	53,809	55,350
Charges for Sales	2,103	2,242	1,551	1,613	1,551		1,567	1,582	1,598
Special Assessments	12557*	73	133	136					
Interest	68	166	1	-	1		1	1	1
Gains	(123)	30,711	-	-	-		-	-	-
Rents (Transportation)	214	20	3	3	3		3	3	3
Other Misc Revenues	141	8	138	2,582	138		139	141	142
Tax Increment Transfers In	8,642	8,505	8,137	8,137	8,214	0.9%	7,759	7,481	7,421
Sales Tax Transfers In	9,377	9,856	9,832	9,832	9,858	0.3%	8,435	7,283	6,065
Other Transfers In				-	39		-	-	-
Total Transfers In	*18,019*	*18,361*	*17,969*	*17,969*	*18,110*	*0.8%*	*16,194*	*14,764*	*13,486*
Proceeds of Long Term Liabilities	1,779	1,700	1,700	1,700	1,700		1,700	1,700	1,700
Total	90,524	111,325	71,531	75,556	71,441	-0.1%	71,789	72,223	72,505
Use of Funds:									
Debt Service	28,647	44,806	28,047	47,833	26,338	-6.1%	25,925	24,880	23,656
General Fund Transfer Out	10,618	1,618	8,618	8,618	7,818	-9.3%	7,818	7,818	7,818
Target Arena Transfer Out	1,921	2,078	2,241	2,241	2,241		2,408	2,581	2,758
Debt Service Transfer Out	226	48	-	-	-		-	-	-
Internal Service Funds Tranfers Out		8,000	-	-	-		-	-	-
MERF Liability Transfer Out		73	104	104	115	10.6%	115	115	115
Sanitation Transfer Out	146	146	146	146	146		146	146	146
Park Board Transfer Out			-	-	-		-	-	-
Total Transfers Out	*12,911*	*11,963*	*11,109*	*11,109*	*10,320*	*1.3%*	*10,487*	*10,660*	*10,837*
PW-Transportation	39,431	39,548	36,572	35,841	36,204	-1.0%	35,425	34,963	35,358
Finance Department			-	-	-		-	-	-
Licenses & Consumer Services			-	-	-		-	-	-
PW-Transportation Capital	1,638	1,330	1,735	1,735	1,735	100%	1,740	1,740	1,740
Total	82,627	97,647	77,463	96,518	74,597	-3.7%	73,577	72,243	71,591
Change in Net Assets	15,026	38,781	3,853	(11,178)	7,522	95.2%	9,910	11,733	12,783
Net Assets	86,908	125,689	129,542	114,511	122,034	-5.8%	131,943	143,676	156,459
Cash Balances	(11,850)	42,661	36,729	21,699	18,543	-49.5%	16,755	16,734	17,649

City of Minneapolis
FY 2009
Financial Plan
Solid Waste and Recycling Fund

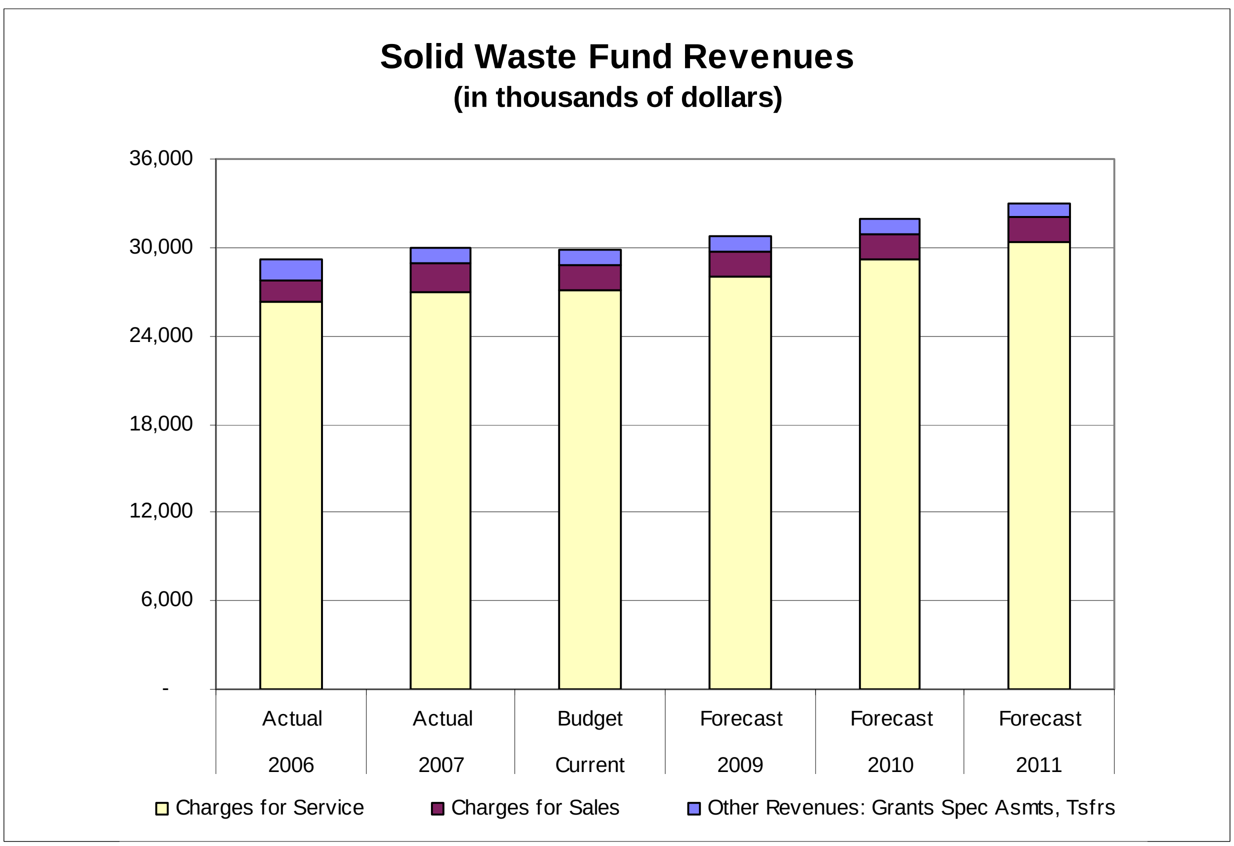
Background

The Solid Waste and Recycling Fund accounts for solid waste collection, graffiti removal, and disposal/recycling activities of the City. The Solid Waste Division of Public Works provides weekly trash and yard-waste pickup, bi-weekly recycling pickup, and operates a solid waste transfer station providing service to over 100,000 households. City crews provide approximately one-half of the solid waste collection service and the other half of the service is provided through a contract with a consortium of companies specializing in waste collection.

Funding for Solid Waste and Recycling activities are primarily from solid waste fees. The Fund also receives grants from Hennepin County. To a lesser extent, funding comes from revenues generated through recyclable sales, miscellaneous services, and the organics program.

Historical Financial Performance

The overall financial condition of the Solid Waste Fund is strong as a result of management practices and increase in recycling activities. Revenues in the past years have surpassed budgeted amounts. Total revenues for year 2007 were at $29.9 million compared to a total budget of $29.7 million. The cash balance for this fund increased from $15.5 million at year-end 2006 to $17.4 million at year-end 2007.



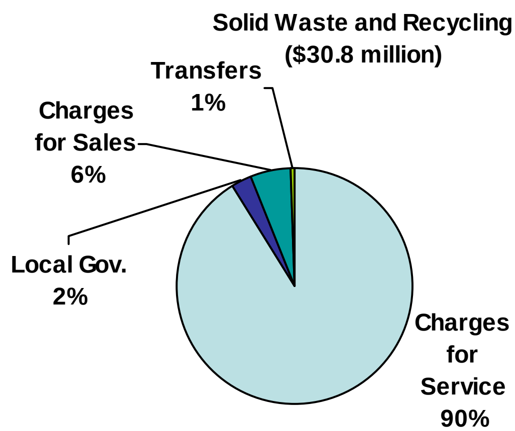
Revenue Assumptions (2009)	
Number of dwelling units	104,174
Number of recycling customers	100,600

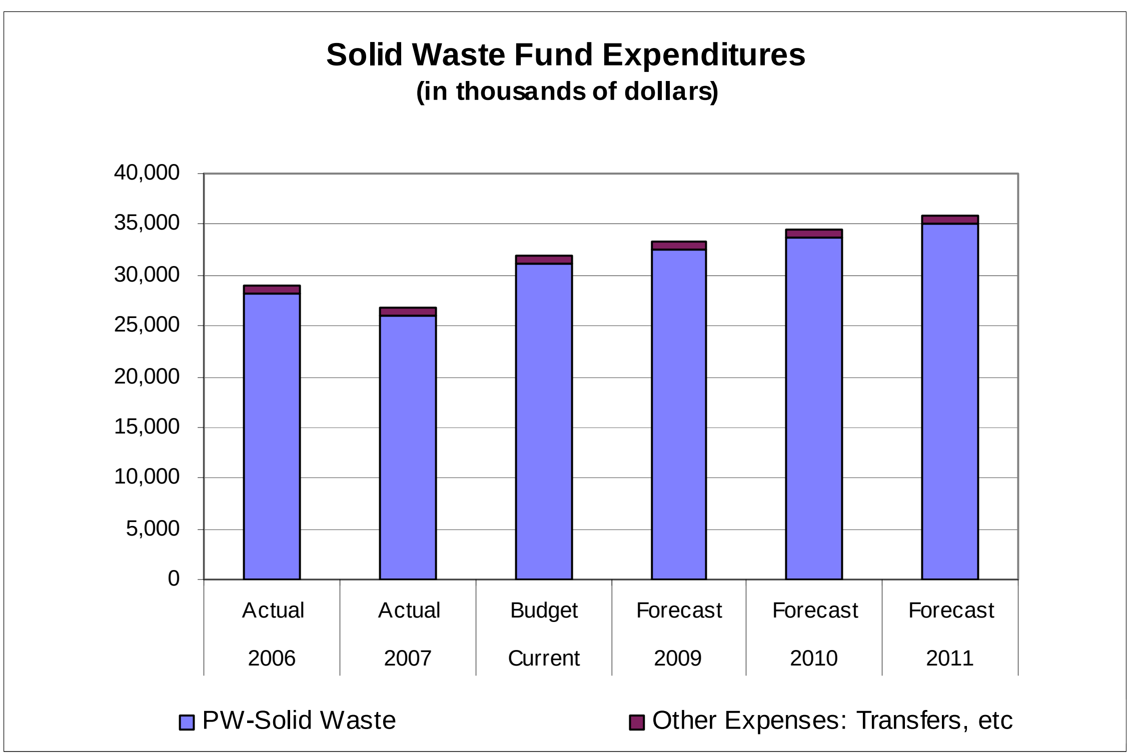
The City has invested over $7.2 million in equipment from 2005 to 2007 including recycling trailers, loading packer/packer bodies, zoeller lifters, recycling cab chassis's, recycling bodies, and garbage collection cab chassis.

For 2008, year-end revenues from charges for services are projected to reach $27 million and the total revenues for the fund are projected to reach $30 million. Expenses for the Solid Waste and Recycling are projected to be $27.1 million, compared to budgeted amount of $32 million.

2009 Budget

Revenues
Revenue budget for 2009 totals $30.8 million compared to $29.8 million for 2008. This is an increase of $1 million or 3% in revenue budget. The 2009 budget includes rate increase of $1.00 per month per dwelling unit proposing the 2009 base utility rate for solid waste to $24.00 per unit. At this rate, the "charges for service" revenue for 2009 is projected to increase by $992,000. The 2009 Hennepin County Recycling Grant will continue at $800,000.



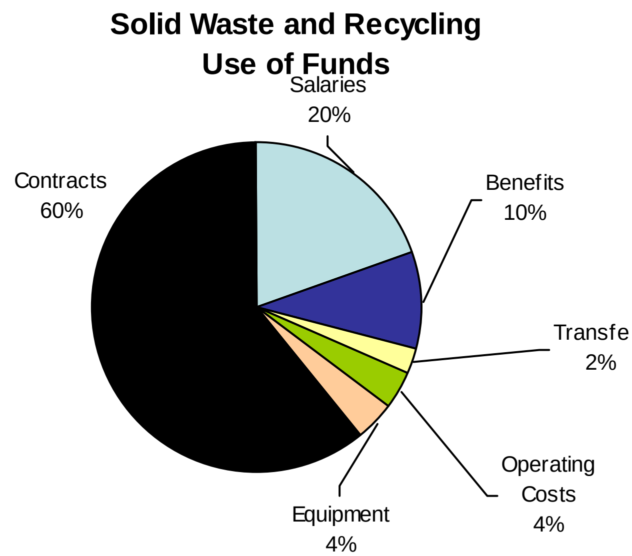


Expenditures
The total expenditure budget for 2009 is $33.3 million compared to $32 million for 2008. The operating expenditure amount of $32.4 million is $1.2 million more compared to $31.2 million in 2008.

Transfers
The 2009 budget includes the continuation of a $700,000 transfer from Solid Waste and Recycling to the General Fund to pay for alley snow plowing, which will ensure delivery of solid waste and recycling services in the alleys; this transfer is projected to remain at $700,000 in coming years.

A transfer of $121,000 to the Debt Service Fund for pension obligations related to the Minneapolis Employees Retirement Fund (MERF) is also reflected.

The Solid Waste and Recycling Fund will continue to receive $146,000 from the Parking Fund to pay for litter container pick-up (downtown). Since 2004, an annual transfer of $50,000 from the general fund has occurred for graffiti removal.



Debt Service
This fund does not have any capital debt service payments.

2009 Cash balance
The Fund is projected to have $12.7 million in cash balance. However, the Division is expecting to spend $8.4 million on purchase of Transfer Station half of it ($4.2 million) will be reimbursed by the County, thereby, leaving unrestricted cash balance of $8.5 million for the year.

Original Budget
The Mayor recommended and Council approved a $1.00 increase to solid waste per unit fees for 2009 through 2011 and 0.75 per unit for 2012 and 2013. Graffiti strategies are funded at $1.2 million from the division's fund balance.

Council Revised Budget
The budget for this fund includes a reduction of BIS charges of $7,800 due to the Council's actions to reduce the BIS budget by $725,000, which is consistent with the Mayor's recommendations. This reduction in BIS charges will subsequently reduce the department's appropriation by the same amount.

City of Minneapolis
FY 2009 Budget
Financial Plan (in thousands of dollars)

Solid Waste Fund

	2006 Actual	2007 Actual	2008 Current Budget	2008 Projected	2009 Budget	% Chg From 2008 Budget	2010 Forecast	2011 Forecast	2012 Forecast
Sources of Funds:									
Local Government	803	784	800	800	800		800	800	800
Charges for Service	26,301	27,029	27,087	27,100	28,079	3.7%	29,201	30,316	31,244
Charges for Sales	1,497	1,876	1,699	1,699	1,699	0.0%	1,699	1,699	1,699
Special Assessments	37								
Other Misc Revenues, Rents	15	32			-				
Operating Transfers In:									
From Grants									
From Parking Fund	146	146	146	146	146		146	146	146
From General Fund	360	50	50	50	50		50	50	50
Total	29,159	29,917	29,782	29,795	30,774	3.3%	31,896	33,011	33,939
Use of Funds:									
PW-Solid Waste	28,147	26,094	31,153	26,282	32,433	4.1%	33,731	35,080	36,483
Transfers									
To General Fund	700	700	700	700	700	0.0%	700	700	700
To BIS Fund									
To Self Insuance Fund									
To MERF Fund	35	78	109	109	121	11.0%	134	148	164
General Services Capital					-				
Finance Department									
Human Resources									
Total	28,882	26,872	31,962	27,091	33,254	4.0%	34,565	35,928	37,347
Fund Margin	277	3,046	(2,180)	2,704	(2,480)	13.8%	(2,669)	(2,917)	(3,407)
Fund Balance	21,689	24,735	22,555	27,439	20,075	-11.0%	17,405	14,489	11,081
Cash Balance	15,497	17,373	15,194	20,077	12,713	-16.3%	10,044	7,127	3,720

City of Minneapolis
FY 2009 Budget
Financial Plan

Stormwater Fund

Background
The Sewer Fund was previously a combination of Stormwater and Sanitary Sewer, which was split in 2005 to form two separate funds: Stormwater Fund and Sanitary Sewer Fund. A portion of the Stormwater Fund accounts for storm water interceptor and treatment services, a program carried out through Metropolitan Council Environmental Services (MCES).

The Fund also accounts for the Combined Sewer Overflow (CSO) Program, which separates storm sewer lines from sanitary sewer lines. The remainder of the fund is used for street sweeping, sewer design, and maintenance works.

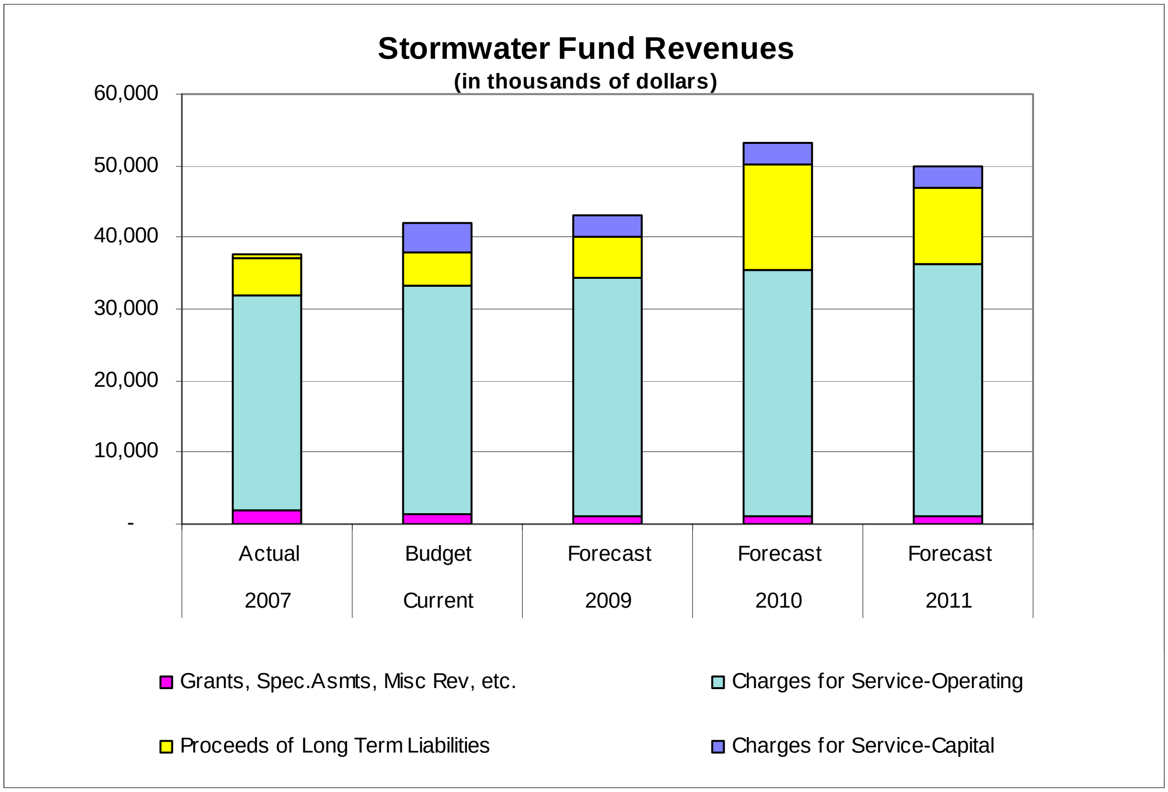
Historical Financial Performance
In 2007, revenues increased to $37.7 million compared to $31.7 million in 2006. Proceeds from sale of bonds and rate increase account for $5.3 million of the $6 million increase in 2007. The remainder of that increase is from other combined sources which include State, County, assessments, miscellaneous activities and reimbursable jobs. The expenditures in 2007 were $35.6 million compared to $37.8 million in 2006, a decrease of 6%. Most of the decrease can be attributed to capital programs and debt service activities. Scheduled payments in these two areas were approximately $1.8 million less in 2007 than in 2006.

2009 Budget

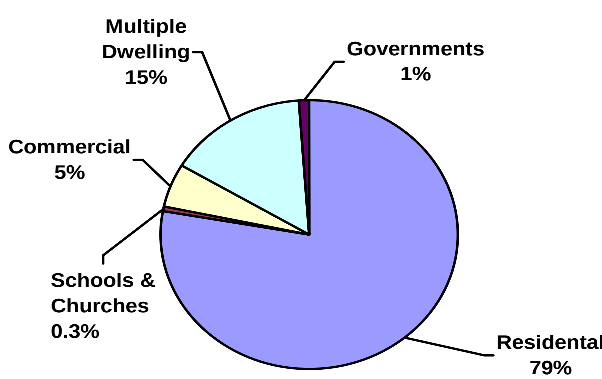
Revenues
The 2009 revenue budget is $43.1 million, an increase of 2.9%, from 2008 budget of $41.9 million. For 2009, stormwater service charges are calculated based on 2008 budget, increasing the projected operating revenue to $33.2 million, a 3.4% increase from 2008. Funds from local government are expected to be lower and the State funds are expected to remain the same as 2008.

Year	Rate per ESU (Equivalent Stormwater Unit)	% Increase	Total Planned Revenue from Utility Fee
2009	$10.77	5%	$33.2 million
2010	$11.09	3%	$34.1 million
2011	$11.42	3%	$35.1 million
2012	$11.65	2%	$35.8 million
2013	$11.88	2%	$36.5 million

Note: Total revenue from charges for services in the financial plan exceeds the amount generated by the utility fee because revenue is also deposited in the Stormwater Fund from sources other than utility fees, such as capital work for others billings.



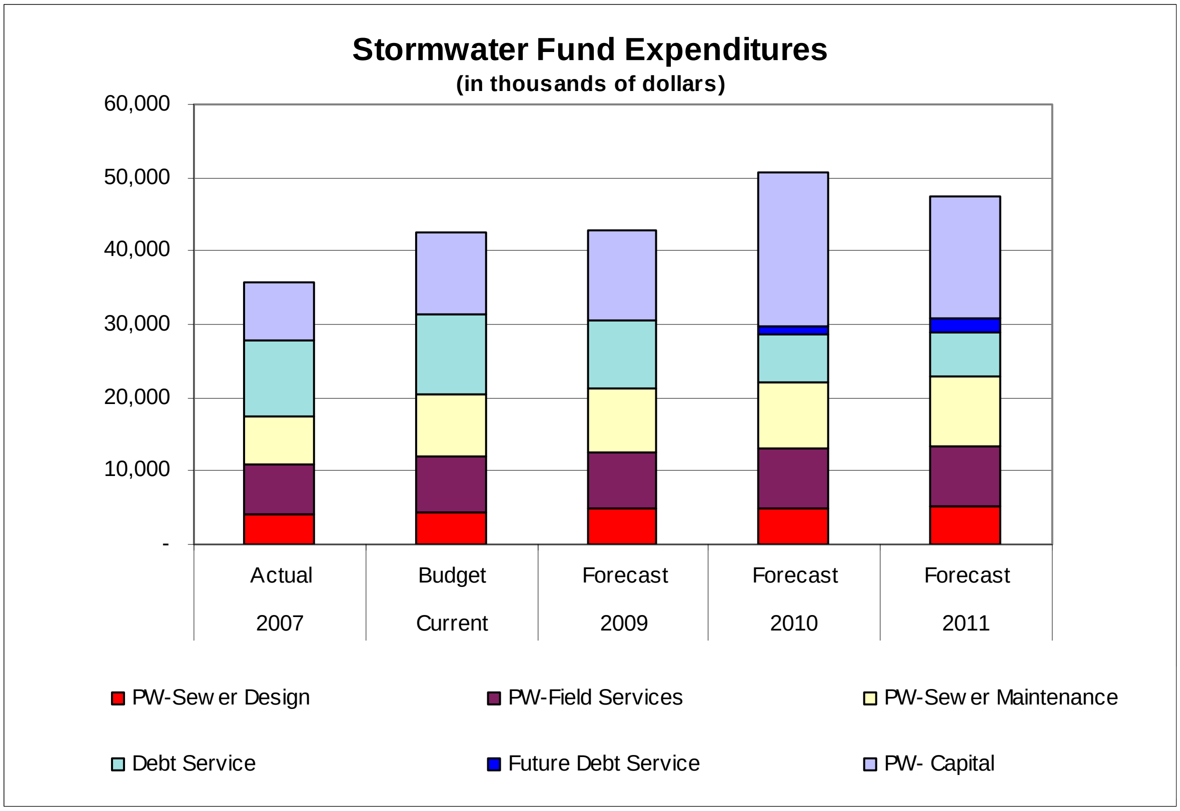
Total Active Stormwater Property Types



Total Active Sewer Property Types	
Property Type	**Count**
Residential	76,346
Commercial	5,333
Government	1,032
Schools/Churches	334
Multiple Dwelling	14,961
Total	**98,006**

Expenditures

The 2009 expenditure budget for the Stormwater Fund totals $43.2 million compared to $42.9 million in 2008. This is an increase of 0.6% over 2008. Based on actual expenditures of preceding years, estimated expenditure budget for 2009 has remained at the 2008 level. The Stormwater Fund is used in line of activities such as storm design, maintenance, environmental services, and Combined Sewer Overflow programs.



Combined Sewer Overflow (CSO)
Combined Sewer Overflow project started in 2004 in order to design and reconstruct storm water drainage system. This is an on-going program and $1.7 million has been set aside for 2009 from maintenance budget with additional funding coming from the Capital programs.

Transfers
A total transfer of $292,000 is budgeted for 2009 for the unfunded portion of the Minneapolis Employees Retirement Fund (MERF) pension liability.

Debt Service
The debt service payments are primarily for bonds sold to finance the Combined Sewer Overflow (CSO) and flood mitigation programs. For 2009, the estimated amount for debt service is $9.3 million.

Original Budget
The Mayor recommended and Council approved an increase of $0.51 per equivalent stormwater unit from 2008 to 2009 for the stormwater utility rate.

Council Revised Budget
The budget for this fund includes a reduction of BIS charges of $9,500 due to the Council's actions to reduce the BIS budget by $725,000, which is consistent with the Mayor's recommendations. This reduction in BIS charges will subsequently reduce the department's appropriation by the same amount.

City of Minneapolis
FY 2009 Budget
Financial Plan (in thousands of dollars)

Stormwater Sewer Fund - 7300

	2006 Actual	2007 Actual	2008 Current Budget	2008 Projected	2009 Revised Budget	% Chg From 2008 Budget	2010 Forecast	2011 Forecast	2012 Forecast
Source of Funds:									
Federal Government									
State Government	759	864	747	747	749	0.3%	749	749	749
Local Government	206	271	333	333	273	-17.9%	273	273	273
Charges for Service-Operating	29,021	29,986	32,091	29,504	33,182	3.4%	34,137	35,120	35,796
Charges for Service-Capital	431	712	4,000	4,000	3,000	-25.0%	3,000	3,000	3,000
Charges for Sales	28	26	1	1	1		1	1	1
Special Assessments	327	502	115	115	115		115	115	115
Interest		1	-		-		-	-	-
Other Misc Revenues	-12	284	47	47	47		47	47	47
Proceeds of Long Term Liabilities	902	5,051	4,543	4,543	5,713	25.8%	14,861	10,577	4,167
Total	31,663	37,696	41,877	39,290	43,081	2.9%	53,184	49,883	44,149
Use of Funds:									
PW-Sewer Design	3,842	4,171	4,443	3,882	4,837	8.9%	5,030	5,232	5,441
PW-Field Services	7,211	6,764	7,615	6,777	7,644	0.4%	7,950	8,268	8,599
PW-Sewer Maintenance	6,581	6,458	8,345	6,662	8,811	5.6%	9,076	9,439	9,816
Debt Service	10,851	10,381	11,025	11,025	9,282	-15.8%	6,521	5,904	3,846
Future Debt Service							1,265	1,903	3,730
Transfers	148	49	264	264	292	10.6%	325	358	396
PW- Capital	9,191	7,819	11,193	11,193	12,394	10.7%	20,819	16,597	10,015
Total	37,824	35,642	42,886	39,803	43,260	0.9%	50,986	47,701	41,842
Change in Net Assets	(6,160)	2,054	(1,009)	(513)	(179)	-82.3%	2,198	2,182	2,306
Net Asset Balance	223,450	231,483	230,474	222,936	222,757	-3.3%	224,956	227,138	229,443
Cash Balances	1,212	810	(199)	297	(378)	89.9%	1,820	4,002	6,308
Operating Cash									
Construction Cash									
Total Cash Balance	1,212	810	(199)	297	(378)	89.9%	1,820	4,002	6,308

City of Minneapolis
FY 2009 Budget
Financial Plan

Sanitary Sewer Fund

Background
The Sanitary Sewer Fund, which had previously consisted of a combination of Stormwater and Sanitary Sewer, was split into two separate funds in 2005.

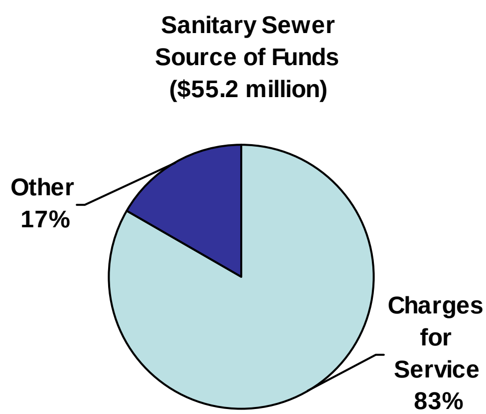
The Fund accounts for 85% of the contractual payments to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. It also accounts for sanitary sewer maintenance and design.

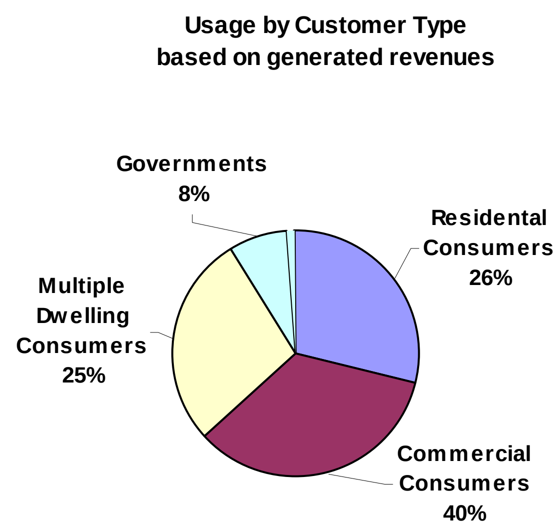
Historical Financial Performance
The Sanitary Sewer fund has had positive retained earnings in the past. This is due to planned rate increases resulting in surplus revenues and expenditures falling in line with the budget.

2009 Budget

Revenues
The revenue budget for Sanitary Sewer Fund for 2009 is $55.2 million compared to $49.3 million in 2008. This is an increase of $5.9 million or 12% over 2008. The increase is mostly due to bond revenue for capital projects. Besides Inflow & Infiltration (I & I) removal program, which aims to reduce the excess water flow in the system, an additional $4.2 million is set aside for tunnel and sewer rehab work in 2009. Inflow is typically a structure that collects surface water and drains to the sanitary sewer. Infiltration is the seepage of groundwater into sanitary pipes through cracks and joints. Inflow and infiltration (I & I) contribute significant amounts of excess flow which contributes to a combined sewer overflow (CSO).

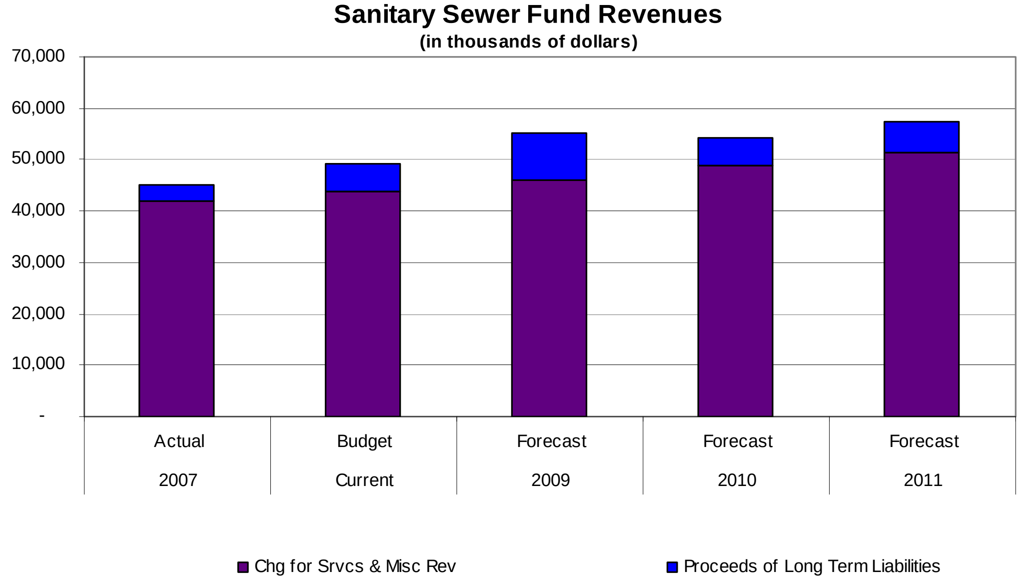
As the number of bond-funded capital projects increase, proceeds from these bond sales increase as well. The Sanitary Sewer Fund has a per-unit rate of $2.61 (cost per 100 cubic feet), an increase of $0.16 per unit over 2008. The fee will be used to pay for ongoing operating expenses and related capital projects. Services availability charges (SAC) are included in the sanitary sewer revenues.

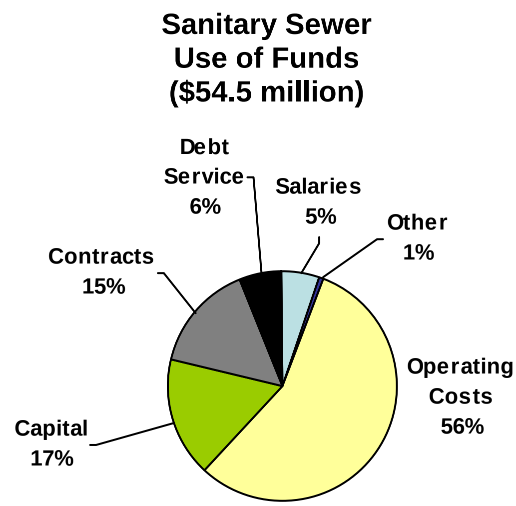




Year	Rate (cost per 100 cubic feet)	% Increase	Average Monthly Bill	Total Planned Revenue from Utility Fee
2009	$2.61	6.5%	$15.66	$43.2 million
2010	$2.78	6.5%	$16.68	$46.0 million
2011	$2.94	5.8%	$17.64	$48.6 million
2012	$3.10	5.4%	$18.60	$51.3 million
2013	$3.25	4.8%	$19.50	$53.7 million

Note: Total revenue from charges for services in the financial plan exceeds the amount generated by the utility fee because revenue is also deposited in the sanitary sewer fund from sources other than utility fees, such as SAC.





Expenditures

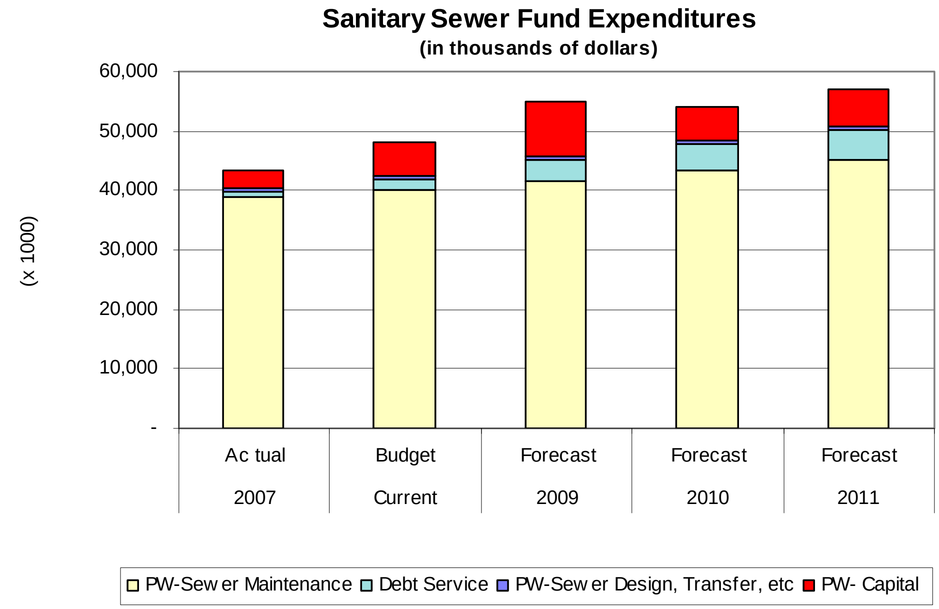
The expenditure budget for 2009 is $54.5 million compared to $48 million in 2008. This increase is $7 million, or 14%, over 2008. Most of the increases stem from increased capital programs and related debt service. The largest expense category in the sanitary sewer fund is the sanitary sewer charge paid to the Met Council Environmental Services (MCES).

Estimated payment to MCES for 2009 is $31.4 million, an increase of $1.2 million over 2008. The fund also includes $7.2 million for sanitary sewer system maintenance and design. Minneapolis is the largest customer in MCES' system.

Debt Service

When the sewer fund was split, it was determined the majority of the debt service was used to construct infrastructure related to storm water. Therefore, all debt service prior to 2007 was allocated to the stormwater fund. The capital program was instituted in 2007 to address the inflow/infiltration issue in Minneapolis and will continue as part of the on-going five-year plan.

Components of the program included expansion of the existing system and major repairs to current infrastructure. In 2009, $9.2 million of the budget is set aside for capital program and $3.4 million is set aside as debt service payments for bonds sold in current and previous years to fund these projects.



Original Budget
The Mayor recommended and Council approved a rate increase of $0.16 per unit for 2009 in sanitary sewer billings in order to meet increase in operating and debt service charges.

Council Revised Budget
The budget for this fund includes a reduction of BIS charges of $3,700 due to the Council's actions to reduce the BIS budget by $725,000, which is consistent with the Mayor's recommendations. This reduction in BIS charges will subsequently reduce the department's appropriation by the same amount.

City of Minneapolis
FY 2009 Budget
Financial Plan (in thousands of dollars)

Sanitary Sewer Fund - 7100

	2006 Actual	2007 Actual	2008 Current Budget	2008 Projected	2009 Council Revised	% Chg from 2008 Budget	1010 Forecast	2011 Forecast	2012 Forecast
Source of Funds:									
Charges for Service	39,342	42,007	43,769	43,769	45,945	5.0%	48,749	51,412	54,035
Other Misc Revenues			51	51	51		53	56	59
Proceeds of Long Term Liabilities	553	3,023	5,500	5,500	9,226	67.7%	5,500	6,000	8,000
Total	39,895	45,030	49,320	49,320	55,222	12.0%	54,302	57,468	62,093
Use of Funds:									
PW-Sewer Design	92	258	312	312	357	14.4%	371	386	401
PW-Sewer Maintenance	38,398	38,807	40,205	40,205	41,283	2.7%	43,307	45,039	46,841
Debt Service	-	904	1,641	1,641	3,372	105%	4,476	5,107	6,145
Transfers	-				-		-	-	-
To Debt Service for MERF Liability	-	348	264	264	292	10.6%	325	358	396
To BIS Fund	-						-	-	-
To Self Insurance Fund	-						-	-	-
PW- Capital	228	3,023	5,625	5,625	9,226	64.0%	5,500	6,000	8,000
Total	38,718	43,340	48,047	48,047	54,530	13.5%	53,979	56,890	61,783
Change in Net Assets	1,177	1,690	1,273	1,273	693	-45.6%	323	578	310
Net Asset Balance	85,881	86,142	87,415	87,415	88,107	0.8%	88,430	89,008	89,318
Cash Balances									
Operating Cash	7,597	8,483	9,757	9,757	10,448	7.1%	10,772	11,349	11,659

City of Minneapolis
FY 2009 Budget
Financial Plan

Water Fund

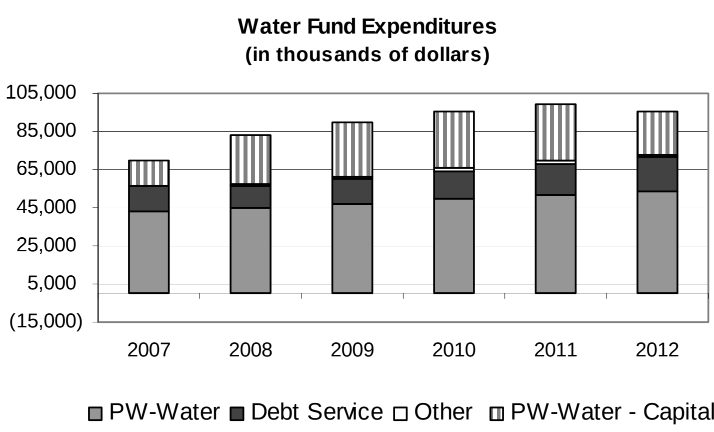
Background

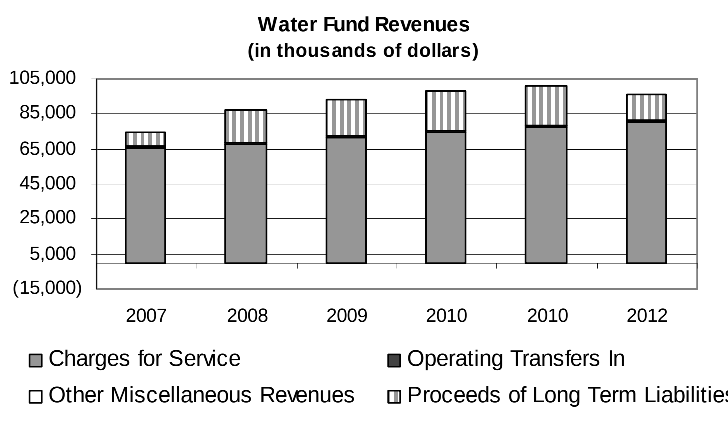
The Water Fund accounts for the operation and maintenance of a water distribution system for the City and several suburban city customers. The City currently sells water to seven cities including Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal and Edina.

Historical Financial Performance

The financial condition of this fund has been stable historically. The net assets of the Water Fund have increased over the past several years due primarily to the timing of scheduled rate increases for major capital improvements. The following table shows the revenue earned from Minneapolis and suburban sales for years 2006-2008:

Source of Revenue	2006	2007	2008 Projected
Bloomington	$2,968,000	$3,440,000	$3,127,000
Columbia Heights	1,037,000	1,005,000	1,053,000
Edina	240,000	275,000	233,000
Joint Water Commission	5,279,000	5,578,000	5,607,000
Hilltop	92,000	1,263,000	100,000
Total Suburban	**$9,616,000**	**$11,561,000**	**$10,120,000**
Minneapolis	50,138,000	51,488,000	52,644,000
Total Revenue	**$59,754,000**	**$63,049,000**	**62,764,000**





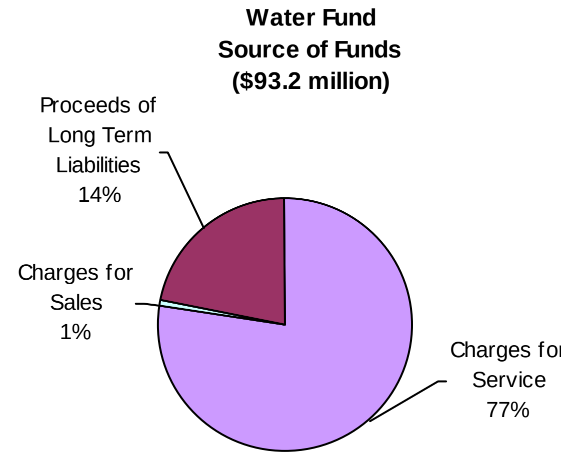
2009 Budget

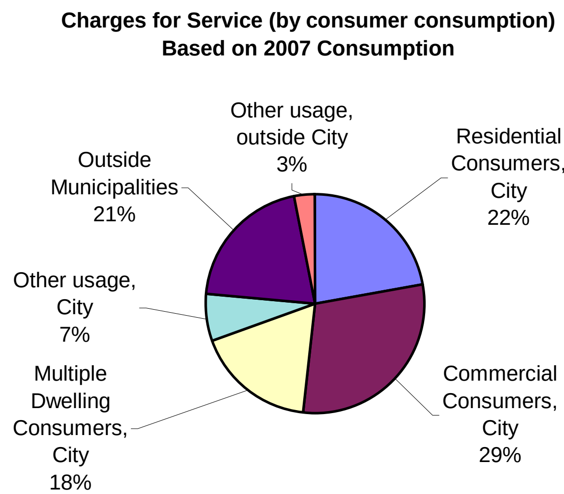
Revenues

There are projected rate increases for years 2009-2012 to pay debt service for the capital expenditures, as well as to cover anticipated growth in operating expenditures and to repair infrastructure. Rate increases may not result in increased revenue due to variable water consumption. A long-term trend has shown that Minneapolis water consumption has decreased slightly over the past several years.

Water Utility Rates

The budget includes a rate increase for water from $2.75/unit in 2008 to $2.91/unit in 2009. The rate increase will provide funding for the multi-year capital projects and water distribution improvements





Year	Rate (cost per 100 cubic feet)	Cost Per Month for Average Consumer[1]	% Increase	Total Planned Revenue from Utility Fee
2009	$2.91	23.28	6.0%	$70.7 Million
2010	$3.03	24.24	4.2%	$73.5 Million
2011	$3.15	25.20	4.0%	$76.4 Million
2012	$3.28	26.24	4.2%	$79.4 Million
2013	$3.42	27.36	4.3%	$82.7 Million

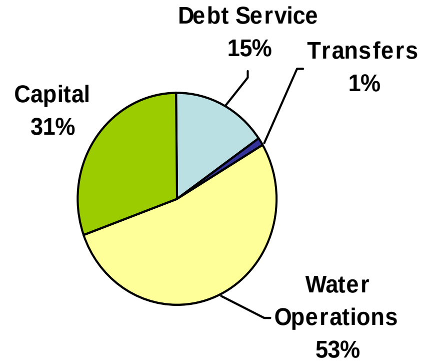
[1] Rate is based on cost per 100 cubic feet and assumes 8 units of water are consumed per month.
Note: Total revenue from charges for services in the financial plan exceeds the amount generated by the utility fee because revenue is also deposited in the Water Fund from sources other than utility fees such as water service line repairs and permit fees.

The following table shows the projected revenue earned from suburban utility sales:

Year	Combined Average Rate	% Increase	Total Revenue Earned from Utility Fee - Suburbs
2009	1.84	3.1%	$10.0 Million
2010	1.89	2.6%	$10.3 Million
2011	1.96	3.6%	$10.6 Million
2012	2.00	2.4%	$10.9 Million
2013	2.05	2.7%	$11.2 Million

Expenditures
The budget provides funding for the capital improvement program. Current capital projects include SCADA (Supervisor Control and Data Acquisition for the water treatment process), two Ultrafiltration Membrane Plants, and the rehabilitation of Pump Station #4. The 2009 capital budget is $27.8 million, an increase of approximately $2 million, or 8.8%, from the 2008 capital budget of $25.5 million. The increase is largely due to the timing of funding for the Ultrafiltration program.

Use of Funds
Water Fund – 7400
($90.5 million)



Transfers to Other Funds
The Water Fund incurs a transfer expense related to its share of the Minneapolis Employee Retirement Fund (MERF) pension obligations. The $1.07 million will be transferred to the bond redemption fund to cover the liability obligations related to Water Fund employees that have retired under the MERF pension plan.

Debt Service
The debt service amounts are primarily for bonds and notes sold to finance the Water-Works Capital Construction program.

Original Budget
The Mayor recommended and Council approved an increase to the per unit water rate of $0.16. The Mayor also recommends Water use its resources to fund up to $50,000 in drinking fountain maintenance.

Council Revised Budget
The budget for this fund includes a reduction of BIS charges of $23,200 due to the Council's actions to reduce the BIS budget by $725,000, which is consistent with the Mayor's recommendations. This reduction in BIS charges will subsequently reduce the department's appropriation by the same amount.

City of Minneapolis
FY 2009 Budget
Financial Plan (in thousands of dollars)

Water Fund - 7400

	2007 Actual	2008 Current Budget	2008 Projected	2009 Budget	% Chg from 2008 Budget	2010 Forecast	2011 Forecast	2012 Forecast
Source of Funds:								
Licenses and Permits	1	1	1	1		1	1	1
Charges for Service	65,520	67,489	64,558	71,898	7%	74,681	77,473	80,485
Charges for Sales	920	1,315	1,315	822	-37%	847	872	898
Other Misc Revenues	2	20	31	1	-95%	1	1	1
Operating Transfers In	-	-	-	-		-	-	-
Proceeds of Long Term Liabilities	8,509	18,250	18,250	20,500	12%	22,500	22,500	14,500
Total	74,952	87,075	84,155	93,222	7.1%	98,030	100,847	95,885
Use of Funds:								
PW-Water	43,097	44,758	44,844	47,908	7.0%	49,653	51,599	53,873
Debt Service	12,901	11,840	11,840	13,795	16.5%	14,688	16,461	17,460
Transfers								
To Debt Service for MERF Liability	760	967	967	1,071	10.7%	1,192	1,313	1,451
PW-Water - Capital	13,287	25,500	25,500	27,750	8.8%	29,750	30,000	22,250
Total	70,045	83,065	83,151	90,524	9.0%	95,282	99,373	95,034
Water Works Fund Margin	4,907	4,010	1,004	2,698	-32.7%	2,748	1,474	852
Water Fund Balance	154,866	158,876	155,870	158,568	-0.2%	161,316	162,790	163,642
Cash Balance	1,965	5,976	5,976	9,796	63.9%	12,545	14,018	14,870

City of Minneapolis
FY 2009 Budget
Financial Plan

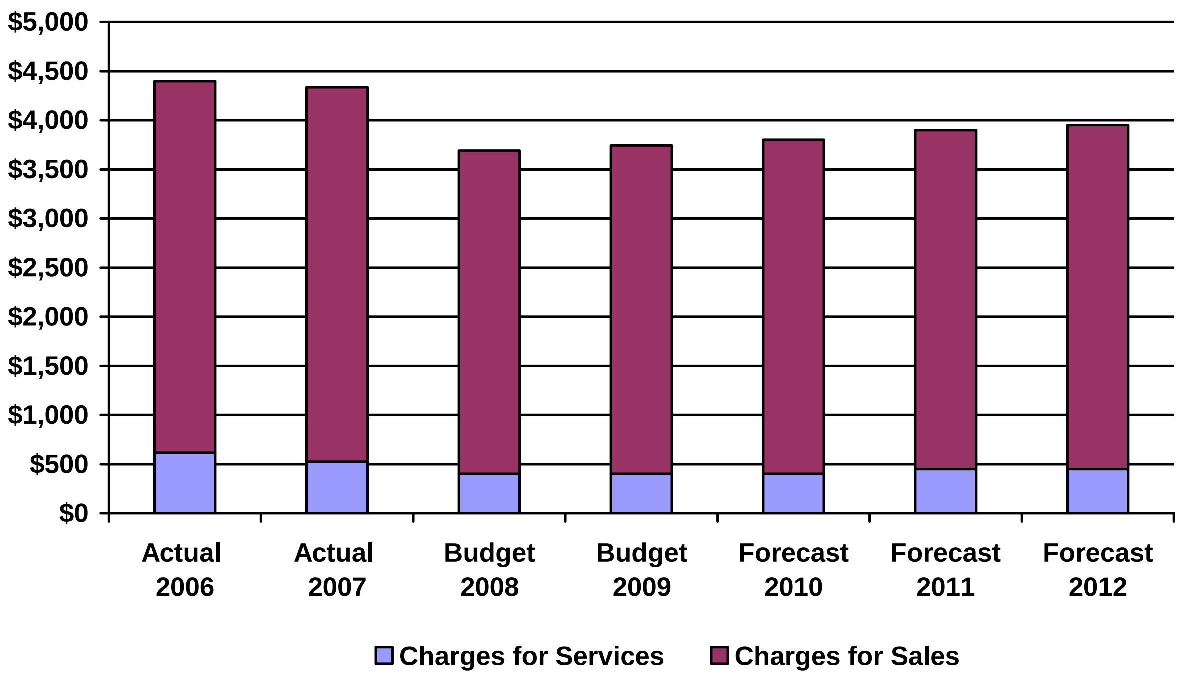
Public Works Stores Fund

Background
The Public Works Stores fund accounts for the centralized procurement, receiving, warehousing, and distribution of stocked inventory items, and the purchase of special goods and services through Public Works central and traffic stores.

Historical Financial Information
Public Works has operated central stores since it was established by the City Council in January 1965. At that time the stockrooms of property services, bridge maintenance, paving construction, and sewer construction and maintenance were combined to establish a central stores operation. In 1980, central stores began purchasing all of the City's needs for office supplies and non-specialty items.

A study was completed in June 1998 and recommended a redesign of the central stores function to include a revised overhead structure and new directives to use the central stores. The revised plan resulted in positive net income for years 2000 through 2007. Projections for 2008 also indicate a slight gain.

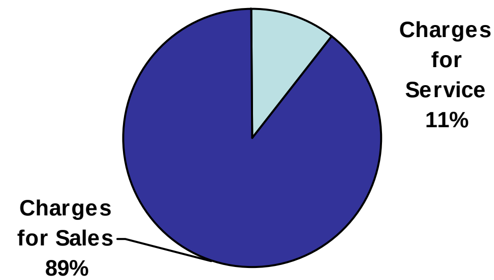
Public Works Stores Revenue
(in thousands of dollars)



2009 Budget

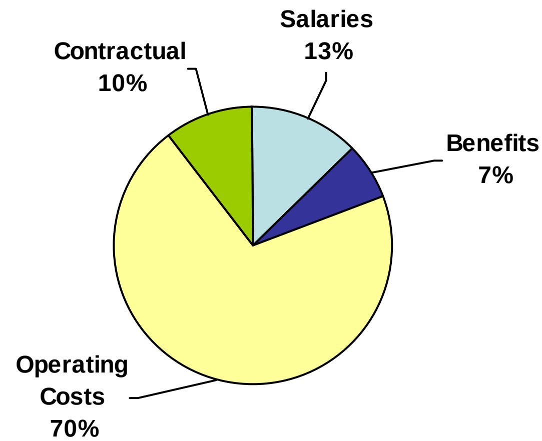
Revenues

Revenues are expected to be sufficient in 2009, at $3.7 million to cover the $3.7 million of budgeted expenditures. Revenues are budgeted with an anticipated increase of 1.5% over the revenues for 2008. The fund's pricing structure is under review in order to lower current overhead rates that were required to create a positive cash flow. The fund required an intrafund cash advance of $570,000 at year-end 2007 to cover a shortfall and incurred a liability for the advance. Unless inventories can be reduced, this fund will require a cash advance to maintain a positive cash position with its modest projected profits.



Expenditures

Expenditures in the fund are primarily for replenishing the fund's approximate $3.0 million inventory, which has resulted in the fund's continuing negative cash balance. Public Works and Finance will review the carrying cost of this inventory level and determine if adjustments are required, which may impact future financial plans for this fund.



The budget also includes a change in accounting for the general fund overhead charge that replaces various separate charges for indirect costs that were previously budgeted in separate agencies.

Transfers

There is a transfer out in 2009 for $34,000 related to the debt service for the Minneapolis Employees Retirement Fund (MERF) unfunded pension liability.

Debt Service

This fund does not have long-term debt.

Original Budget

The Mayor recommended and Council approved no changes to the current service level for the Public Works Stores fund.

Council Revised Budget

The budget for this fund includes a reduction of BIS charges of $1,000 due to the Council's actions to reduce the BIS budget by $725,000, which is consistent with the Mayor's recommendations. This reduction in BIS charges will subsequently reduce the department's appropriation by the same amount.

City of Minneapolis
FY 2009 Budget
Financial Plan (in thousands of dollars)

Public Works Stores Fund - 6300

	2006 Actual	2007 Actual	2008 Current Budget	2008 Projected	2009 Budget	% Chg From 2008 Budget	2010 Forecast	2011 Forecast	2012 Forecast
Source of Fund:									
Charges for Services	617	524	400	400	401	0.2%	402	450	450
Charges for Sales	3,781	3,811	3,290	4,040	3,343	1.6%	3,400	3,450	3,500
Total	4,398	4,335	3,690	4,440	3,744	1.5%	3,802	3,900	3,950
Use of Funds:									
Personal Services	621	732	679	679	717	5.6%	750	760	770
Contractual Services	230	249	280	280	344	22.9%	350	350	350
Materials and other	88	61	247	247	242	-2.0%	230	240	250
Rent	68	25	29	29	34	17.2%	35	37	38
Cost of Stores Issuance	3,066	3,096	2,422	3,172	2,373	-2.0%	2,400	2,450	2,500
Transfers	-	11	31	31	34	9.7%	35	36	37
Total	4,073	4,174	3,688	4,438	3,744	1.5%	3,800	3,873	3,945
Change in Net Assets	326	161	2	2	-		2	27	5
Net Assets	3,370	3,531	3,533	3,533	3,533		3,535	3,562	3,567
Cash Balance[1]	(877)	(561)	(559)	(559)	(559)		(557)	(530)	(525)

[1]**Note:** The 2007 CAFR cash balance is $8,946. The actual ending cash balance was a deficit of $561,054. At year end 2007, the fund received an interfund transfer of $570,000 for the deficit. The interfund transfer was reversed in 2008. In 2006, the CAFR cash balance was $736 and the actual cash balance was a deficit of $877,264.

City of Minneapolis
FY 2009 Budget
Financial Plan

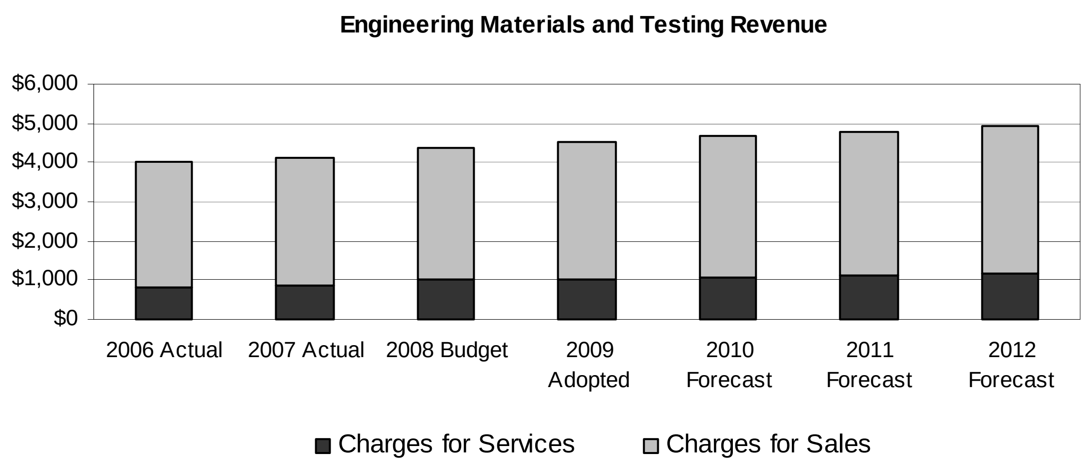
Engineering Materials and Testing

Background
The Engineering Materials and Testing Fund accounts for City purchases of hot-mix asphalt and ready-mix concrete in order to ensure compliance with State and Federal standards and specifications and provide quality control. The Engineering Laboratory is a component of this fund which provides inspection and testing services and maintains a laboratory for testing construction materials, performing geotechnical evaluations, and coordinating related environmental field services.

Historical Financial Performance
The revenue sources for this fund include the procurement of hot-mix asphalt and ready-mix concrete materials along with inspection and testing services by the Engineering Laboratory.

The decision to suspend operations at the asphalt plant at the end of 2003 resulted in a $777,000 loss on the disposal of this asset and a decrease in net assets of $709,000. From 2003 through 2007, this fund had a decrease in net assets of $1.3 million of which $777,000 is due to the loss on the disposal of the asphalt plant.

2009 Budget



Revenues
This fund generates revenue from Engineering Services at the lab and the sale of concrete and asphalt from outside vendors to other City departments. Product types and quantities are identified for customer departments. A rate model determines product costs to allow the fund to generate revenues that match operating expenditures. The 2009 revenue budget is $4.5 million, an increase of 3.4% from 2008. This increase is primarily due to an increase in sales of asphalt and concrete.

Expenditures
The expenditures are based on the cost of engineering laboratory personnel and the anticipated expense for asphalt and ready-mix concrete. The budget also includes a change in accounting for the general fund overhead charge that replaces various separate charges for indirect costs that were previously budgeted in separate agencies. The 2009 expenditure budget is $4.7 million which is an increase of 7.2% over the 2008 budget.

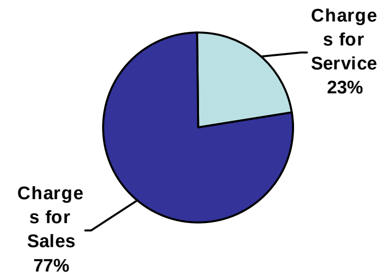
Transfers
The 2009 budget includes a transfer out of $58,000 for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability.

Debt Service
This fund does not have long-term debt.

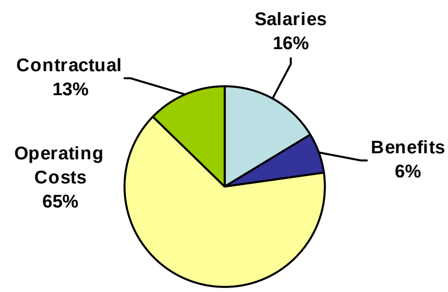
Original Budget
The Mayor recommended and Council approved no changes to the financial plan.

Council Revised Budget
Public Works moved two positions to this fund to more accurately reflect where cost is being incurred, which is consistent with the Mayor's recommendations.

Source of Funds
($4.5 million)



Use of Funds
($4.7 million)



City of Minneapolis
FY 2009 Budget
Financial Plan (in thousands of dollars)

Engineering, Materials and Testing - 6000

	2006 Actual	2007 Actual	2008 Current Budget	2008 Projected	2009 Budget	% Chg From 2008 Budget	2010 Forecast	2011 Forecast	2012 Forecast
Source of Funds:									
Charges for Services	828	846	1,000	1,000	1,030		1,080	1,100	1,150
Charges for Sales	3,180	3,251	3,381	3,381	3,501		3,600	3,700	3,800
Other Misc Revenues	-	-	-	-	-		-	-	-
Total	4,008	4,097	4,381	4,381	4,531	3.4%	4,680	4,800	4,950
Use of Funds:									
Personal Services	781	790	958	958	1,257	31.2%	1,100	1,150	1,200
Contractual Services	330	321	532	532	508	-4.5%	500	500	500
Materials and other	2,904	2,902	2,793	2,793	2,787	-0.2%	2,900	2,950	3,000
Rent	55	96	46	46	86	87.0%	100	100	100
Interest	-	-	-	-	-		-	-	-
Transfers	22	42	53	53	58	9.4%	60	60	60
Total	4,092	4,151	4,382	4,382	4,696	7.2%	4,660	4,760	4,860
Change in Net Assets	(104)	(70)	(1)	(1)	(165)		20	40	90
Net Assets	267	197	196	196	31		51	91	181
Cash Balance	294	243	242	242	77		97	137	227

City of Minneapolis
FY 2009 Budget
Financial Plan

Intergovernmental Services Fund

Background

The Intergovernmental Services Fund accounts for all of the operations of the Business Information Services Department (BIS) including information and technology functions, managed services with Unisys, the Program Management Division (PMD), and telecommunications operations. The fund also accounts for operations within the City Clerk's office including central mailing and printing services. A portion of the Human Resources budget that is designated for internal training is included in this fund.

The City Council approved a long-term financial plan for the Intergovernmental Services Fund in September 2000, to resolve both the annual operating deficit and accumulated cash deficits for this fund. Since that time, the fund has achieved positive changes in net assets for 2006, 2007 and is projected to do so in 2008. Assumptions in the plan anticipated the first positive change in net assets to occur in 2007.

The City Council has appropriated an annual average of $1.5 million for technology projects from 2008 through 2012. The City technology expenditures exceed that amount. In 2007, BIS incurred nearly $15.5 million in expense toward technology projects. The majority of the funding sources were from grants and departmental operating budgets. This level of spending on technology is projected to continue. The PMD generates revenue for the department along with providing quality, low-cost project management for technology-related projects.

In 2009, the debt service payments are scheduled to increase substantially and may result in a decrease in net assets. The increase in debt service will be partially offset by a commitment from the general fund of $0.4 million in additional resources in 2009.

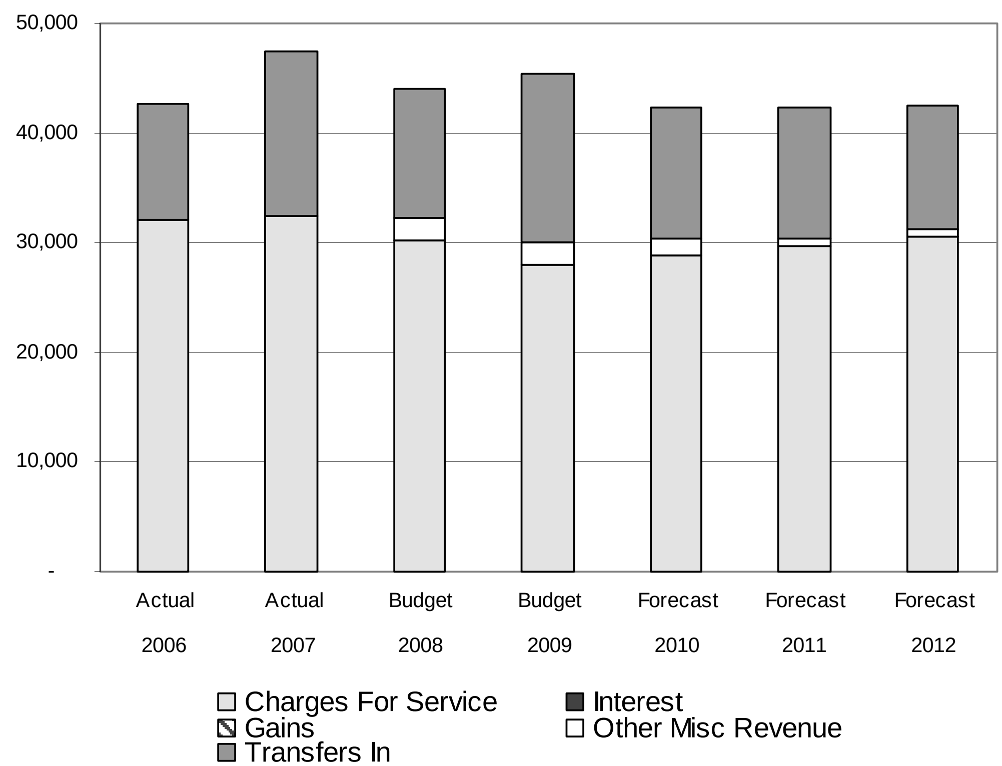
This fund continues to be active with new initiatives:

- Wireless Minneapolis: a City-wide wireless broadband IP data access network for use by residents, businesses, guests and governmental entities is expected to be completed by the end of the third quarter of 2008. The City has entered into a 10-year contract with US Internet as the anchor tenant of the network, committing to $1.25 million in annual usage.
- Other initiatives include an Emergency Operations Command Center, mobile housing inspectors, impound management software, continue with new financial system implementation, Civil Rights compliance management system, and Public Works' traffic management system.

The net asset deficit in this fund will decline as it continues to provide services that are being accounted for through its allocation model, fees for service with PMD, and other ways that the fund collects revenues in order to offset its costs. The allocation model for the fund was developed using an accounting industry standard known as activity-based costing. The model assigns costs to customers on a "level of effort" basis. This model was used in charging customer department rates beginning in 2005.

Historical Financial Performance
Net assets were affected by the realignment of fixed assets and its related debt to the Intergovernmental Services Fund. This change in accounting caused a one-time adjustment to the fund's net assets of a negative $21.7 million. Although this negative adjustment caused fund net assets to have a balance of negative $40.8 million at year-end 2002, it better represents the financial condition of the fund and the importance of implementing the strategies to meet the guidelines of the financial plan. This trend will be reversed under the plan, if the assumptions hold. At year-end 2007, net assets have improved to a negative $13.6 million.

Information Technology Fund Revenues
(in thousands of dollars)



2009 Budget

Revenues
To fund the cost of providing information technology services, the financial plan required that the annual transfer from the general fund received an increase $1.2 million each year from 2005 through 2008, minus the reductions noted in the Five-Year Financial direction which were partially offset by operational savings. In 2009, the fund will receive an increase of $3.1 million from the transfer in from the General Fund with no additional increases planned after 2009. Total transfers, which includes money from the bond redemption fund, equal $15.4 in 2009.

Charges for service were increased, reflected by the additional revenue that BIS has been generating in providing services directly charged to City departments for the services they received over the normal service level provided.

Allocation Model Implications

The allocation model has five components on the customer expense side: BIS application support; BIS operating; telecommunications; data connectivity; and special customer specific services. Revenues generated through the allocation model will recover the following:

- BIS operating costs at a level that conforms to the Council-adopted financial plan.
- Debt service resulting from phone system purchase.
- A small portion for City Clerk data center operations and Human Resources operations.

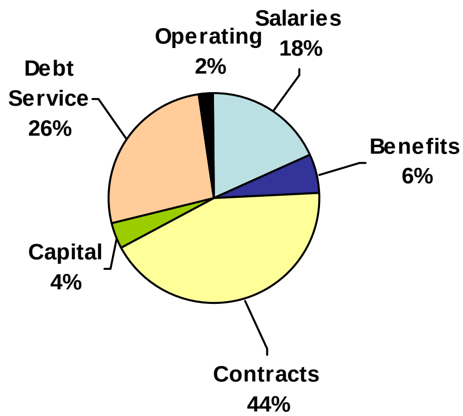
Revenue Assumptions (2009)	
Number of PC's	3,234
Number of telephones	3,005

Expenses

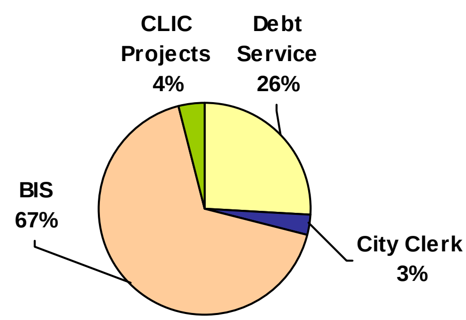
Expenses in the Intergovernmental Services Fund are comprised of the operating expenses (salaries/benefits, contractual, operating, equipment) of BIS, the City Clerk's office, and Human Resources. Capital expenditures for information technology investments were budgeted in the City's Permanent Improvement Fund, but now are budgeted in the Intergovernmental Services Fund. This has caused an increase in depreciation expense.

The budget also includes a change in accounting for the general fund overhead charge that replaces various separate charges for indirect costs that were previously budgeted in separate agencies. The budget includes $1.5 million in property tax supported debt for information technology.

Intergovernmental Services Fund Use of Funds ($38.9 million)



Intergovernmental Services Fund Use of Funds by Department ($38.9 million)



Transfers

Transfers-in (revenue) relates to a transfer from the general fund of $13.7 million to subsidize BIS debt service payments and also a $1.8 million transfer from the general debt service fund. BIS also has a transfer out (expense) of $0.2 million for debt service related to the Minneapolis Employees Retirement Fund's (MERF) unfunded pension liability.

Debt Service

In 2009, the fund will have a bond liability of $30.3 million, with an annual debt service payment of $10.2 million.

ORIGINAL BUDGET

The Mayor recommended a reduction to growth of $140,000 for this department. The Mayor also recommended a $1.5 million pre-payment of internal service fund obligations for 2012, reducing pressure on the general fund in that year. The Mayor's budget also included $1.0 million to repay this fund for capital costs related to completing the City's wireless network that were incurred in 2008. Additionally, the Mayor included $500,000 for fiber ring completion. (These expenses are in addition to the City's annual $1.25M buying commitment.)
The Council directed BIS to reduce the fiber ring completion project by $500,000. Council also directed BIS to offset the unmet wireless internet buying commitment in the internal service fund by $135,000.

COUNCIL REVISED BUDGET

The Mayor recommended and Council approved a reduction of $580,000 from the general fund to BIS, and a reduction of $145,000 in other funds, for a total reduction of $725,000. These changes should be reflected in the rate model charges to departments, and departmental appropriations will be reduced accordingly.

City of Minneapolis
FY 2009 Budget
Financial Plan (in thousands of dollars)

Intergovernmental Services Fund

	2006 Actual	2007 Actual	2008 Current Budget	2008 Projected	2009 Budget	% Chg From 2008 Budget	2010 Forecast	2011 Forecast	2012 Forecast
Source of Funds:									
Charges For Service	32,018	32,349	30,148	35,148	27,228	-9.7%	28,045	28,886	29,753
Interest	-	-	-	-	-		-	-	-
Gains	-	(250)	-	-	-		-	-	-
Other Miscellaneous Revenue	2	-	-	-			-	-	-
Operating Transfers In	10,571	15,036	11,771	11,771	15,419	31.0%	12,098	12,043	11,188
Proceeds of Long term Liabilities	-	-	2,075	2,075	1,500	-27.7%	1,000	700	700
Total	42,591	47,135	43,994	48,994	44,147	0.3%	41,143	41,629	41,641
Use of Funds:									
Transfers	57	177	192	192	212	10.4%	212	212	212
Debt Service	2,038	1,673	3,370	3,370	10,201	202.7%	9,062	9,101	8,911
City Clerk	1,250	1,352	1,167	1,167	1,202	3.0%	1,238	1,275	1,313
Human Resources	187	198	247	247	252	2.0%	260	267	275
Information & Tech Services	24,108	30,762	25,118	30,118	25,521	1.6%	26,287	27,075	27,887
SISSP Projects	4,542	2,871	6,148	6,148	1,500	-75.6%	1,000	700	700
Total	32,182	37,033	36,242	41,242	38,888	7.3%	38,058	38,631	39,299
Change in Net Assets	10,491	10,153	7,752	7,752	5,259		3,085	2,998	2,341
Net Assets	(23,765)	(13,612)	(5,860)	(5,860)	(601)		2,484	5,482	7,823
Cash Balance[1]	(1,661)	(1,886)	5,866	5,866	11,125		14,210	17,208	19,549
Work out Plan Target Cash[2]	(3,648)	3,467	(1,632)	(1,632)	16		1,693	2,566	3,503
Variance Cash to Work-out Plan	1,987	(5,353)	7,498	7,498	11,109		12,517	14,642	16,046

[1]Note: The 2007 CAFR cash balance is $114,254. The actual ending cash balance was a deficit of $1,886,000. At year end 2007, the fund received an interfund transfer of $2,000,000 for the deficit. The interfund transfer was reversed in 2008.

[2] The cash projections for 2008 onward are based on the updated long-term financial plan for this fund, adopted by Council in 2008.

City of Minneapolis
FY 2009 Budget
Financial Plan

Fleet Services Fund

Background

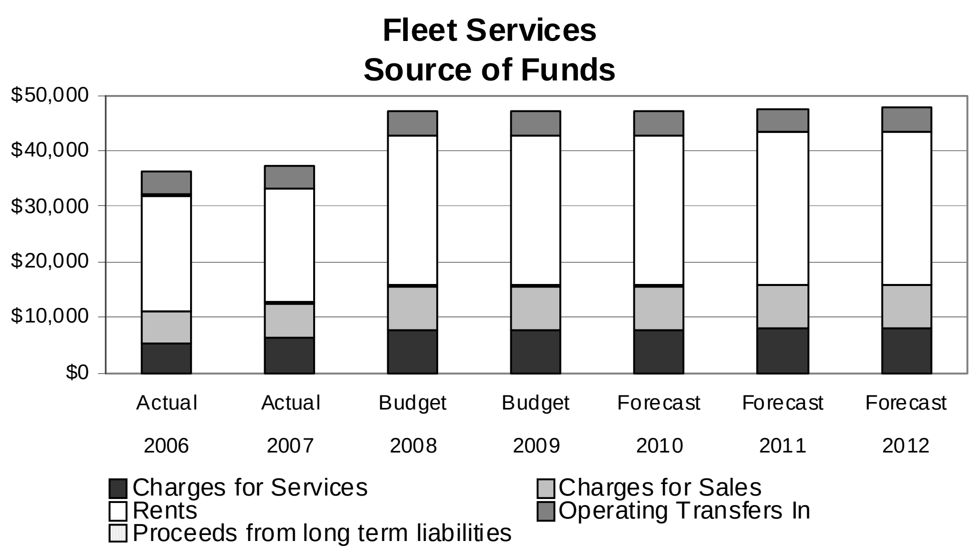
The Fleet Services Fund, formerly known as the Equipment Fund, accounts for the ownership and operation of a fleet of approximately 1,200 vehicles and other pieces of motorized equipment, as well as 400 vehicle accessories (*e.g.* plow blades). The City's fleet of vehicles and equipment is the largest portion of the fund's assets and has an estimated replacement value of approximately $75.5 million.

The Fleet Services Fund rents vehicles and other equipment to City departments. For example, it provides police vehicles, fire trucks, heavy-construction equipment, snowplows and other maintenance equipment to City departments. In addition, the operation funds drivers and operators for equipment as necessary.

Historical Financial Performance

During the 1990s the Fund was not recovering all of its costs. In 2000, the fund had a deficit cash position of over $17.8 million. Early in 2001, Finance and Public Works developed a financial plan for the fund that increased the fund's revenues sufficiently to cover the full cost of operations. As a result of this plan, the fund has sufficient revenue to match its expenses. The general fund contribution for debt service is to remain level at $4.2 million.

Under the current financial plan, fleet purchases were financed with bonds through 2005. This strategy, together with other measures in the plan, allowed the cash position of the fund to improve. Upgrading the fleet has reduced the average age of the fleet, thereby reducing maintenance costs. This fund has positive net assets but continues to follow the plan in order to maintain a positive cash balance and end the reliance on bonds to fund the fleet purchases. In 2006, the practice of issuing bonds to finance fleet replacement was discontinued.



2009 Budget

Revenue
Beginning in 2004, the Fleet Services Division began using an activity-based costing approach to bill internal customers. This method established a fleet rental rate that covers the replacement cost of the vehicles after the useful life. Maintenance, repairs and fuel costs of the fleet are charged separately. All of these charges are billed at a rate that allows the Fleet Services Division's revenue to match expenses. Total revenues are anticipated to remain at $47.1 million.

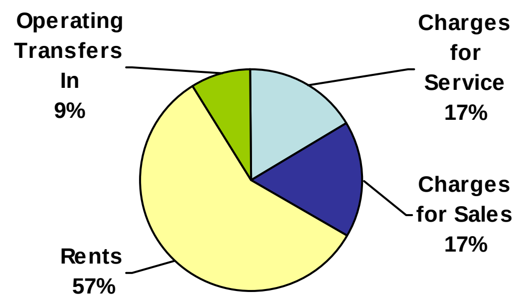
Expenditures
Overall expenditures in 2009 are anticipated to increase by $5.4 million, or 3.6%, over the amount budgeted for 2008 from $41.0 million to $46.4 million. The difference is primarily due to the increase in personnel cost.

Transfers
The 2009 budget includes a transfer out of $502,000 for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability.

Debt Service
As part of the fleet modernization effort that began in 1997, the City issued bonds to finance fleet upgrades and to build new maintenance facilities. Principal and interest payments totaling $3.5 million is due related to these bonds in 2009.

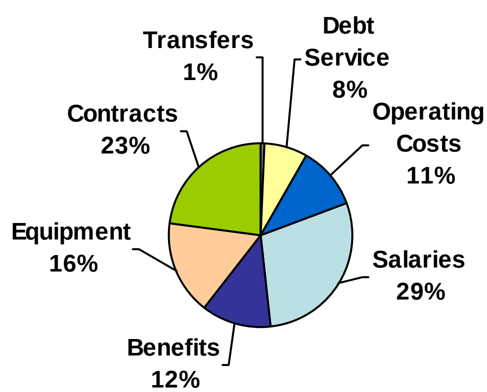
Net Assets
A primary objective of the workout plan is to increase the fund balance of net assets and cash. The following charts illustrate the historical and projected performance of the fund:

Source of Funds ($47.1 million)

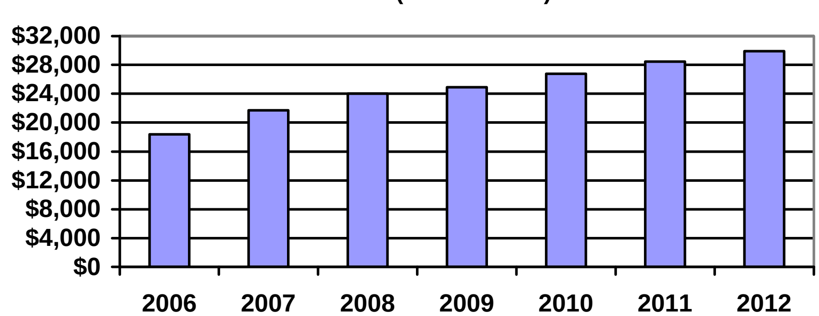


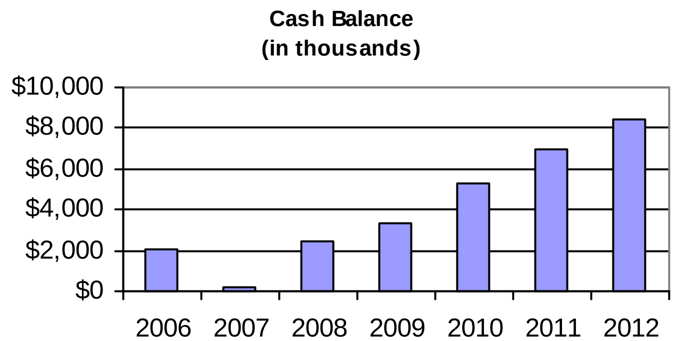
Revenue Assumptions (2009)	
Number of vehicles serviced	1200
Number of vehicles purchased	60

Use of Funds ($46.4 million)



Net Assets (in thousands)





Original Budget

The Mayor recommends a fuel subsidy of $500,000 for the Fleet fund to offset increases to General Fund departments.

The Council directed Public Works to decrease the fuel reserve fund by $500,000. This change will be in effect only if fixed price fuel bids come in at a rate no higher than $2.75/gallon for No. 2 diesel in the fuel contract that is in effect for the 2009 calendar year.

Council Revised Budget

The budget for this department includes a reduction of BIS charges of $12,000 due to the Council's actions to reduce the BIS budget by $725,000, which is consistent with the Mayor's recommendations. This reduction in BIS charges will subsequently reduce the department's appropriation by the same amount.

City of Minneapolis
FY 2009 Budget
Financial Plan (in thousand of dollars)

Fleet Services

	2006 Actual	2007 Actual	2008 Current Budget	2008 Projected	2009 Budget	% Chg From 2008 Budget	2010 Forecast	2011 Forecast	2012 Forecast
Source of Funds:									
Charges for Service	5,454	6,486	7,860	7,491	7,860	0.0%	7,900	7,900	8,000
Charges for Sales	5,620	6,118	7,800	6,650	7,800	0.0%	7,800	7,800	7,800
Interest	1	1	1	0	1	0.0%	1	1	1
Gains	81	192	200	100	200	0.0%	200	200	200
Rents	20,830	20,263	27,004	23,201	27,004	0.0%	27,500	27,500	27,500
Other Misc Revenue	161	187	10	538	10	0.0%	10	10	10
Operating Transfers in	4,180	4,180	4,180	4,180	4,180	0.0%	4,180	4,180	4,180
Proceeds from long term liabilities		-	-	-	-		-	-	-
Total	36,327	37,427	47,055	42,160	47,055	0.0%	47,591	47,591	47,691
Use of Funds:									
Debt Service	7,690	7,363	3,923	3,923	3,462	-11.8%	3,400	3,300	3,200
Transfers	131	332	453	453	502	10.8%	510	520	530
PW Equipment	22,426	22,218	33,008	28,584	34,562	4.7%	34,200	34,300	34,400
PW Equipment Capital	6,517	4,852	7,386	8,000	7,927	7.3%	7,600	7,800	8,100
Total	36,764	34,765	44,770	40,960	46,453	3.8%	45,710	45,920	46,230
Change in Net Assets	2,974	3,338	2,285	2,285	602		1,881	1,671	1,461
Net Assets	18,377	21,715	24,000	24,000	24,602		26,483	28,154	29,615
Cash Balance	2,036	200	2,485	2,485	3,087		4,968	6,639	8,100

Note: More current financial information allowed for Fleet to lower its rates to customers, resulting in a decrease in revenues and expenditures.

City of Minneapolis
FY 2009 Budget
Financial Plan

Property Services Fund

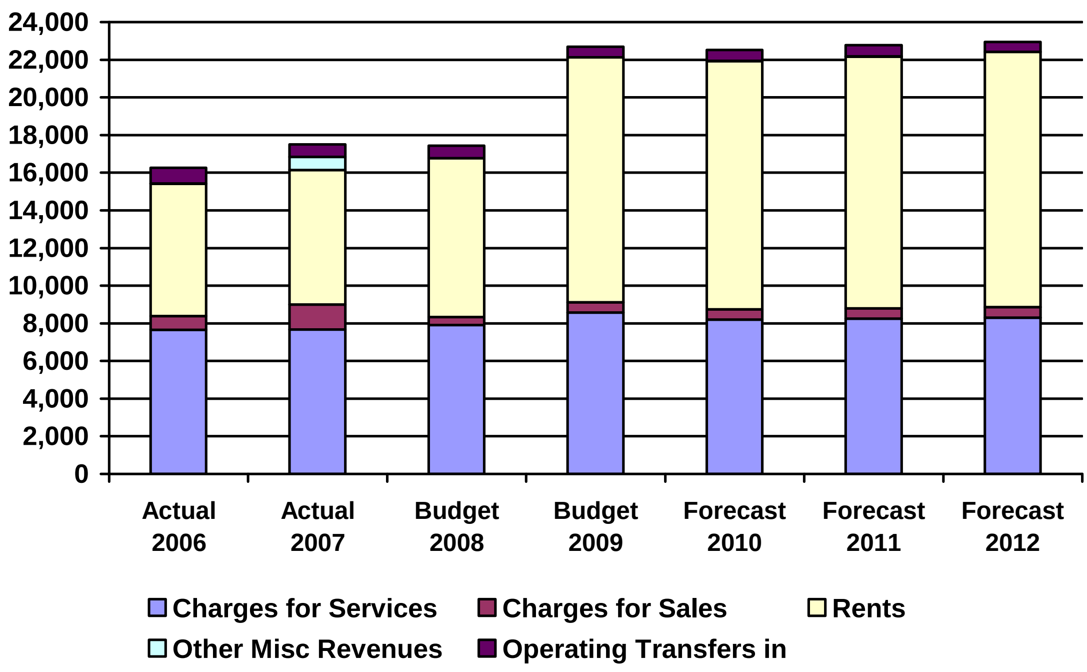
Background

The Property Services Fund accounts for the physical management and maintenance of fire stations, police precinct buildings, the Public Service Center, parking ramps, and various other office locations. It also accounts for the coordination and management of special property projects. Parking ramp maintenance and the radio shop operations were added to this fund in 2002. In 2004, the property services division assumed the responsibility for space and asset management and security management. In 2005, the property services division began providing maintenance for Community Planning and Economic Development department.

Historical Financial Performance

The proposed building rental rates are based on a three-year actual expenditure average. Since 1999, rates to City departments have been allowed to increase annually in order to fully fund the direct and indirect costs in the property services fund. The 2007 year-end cash balance is $315,000. Revenues are expected to closely match expenditures in 2008.

Property Services Revenues
(in thousands of dollars)



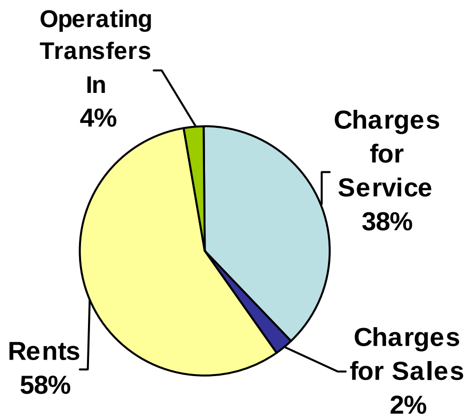
2009 Budget

Revenues

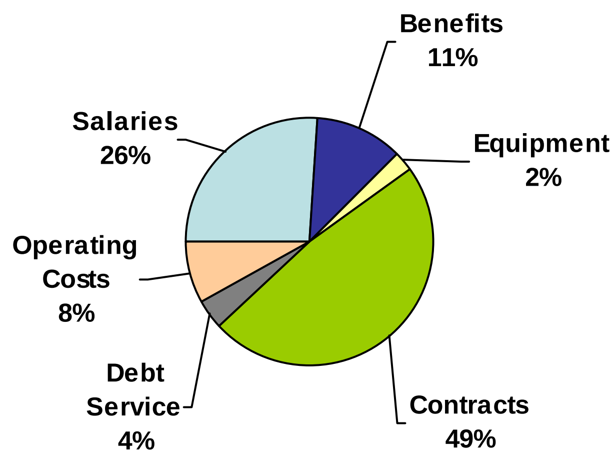
Revenue Assumptions (2009)	
Total Number of Buildings	121
Number of Managed Leases	3
Number of Radios	3000

The 2009 revenue budget for this fund is $22.7 million, or an increase of 30.1% from 2008. The increase in revenue from 2008 to 2009 is primarily related to the Mayor's recommendation for a City-wide charge for City Hall space. Without this change, the increase would be 5.7%.There was also an increase in rental revenue and charges for services.

Property Service Fund
Source of Funds
($22.7 million)



Property Service Fund
Use of Funds
($22.9 million)



Expenditures
The 2009 expenditure budget is $22.9 million, a budgeted increase of 31.5% over 2008. The increase in expenditures from 2008 to 2009 is primarily related to the City-wide charge for City Hall space. Without this change, the increase would be 7.0%. The cost of facilities management also increased. The 2008 projected expenditures are anticipated to be $17.4 million. The budget for this fund has also been increased to reflect historical experience.

Transfers
The 2009 budget includes a transfer of $97,000 to a pension fund debt service to cover the cost of debt related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability.

The fund receives a transfer of $547,000 from the general fund to cover the general fund's portion of the debt service related to the 800MHz emergency communications project. The property services fund is responsible for $350,000 a year in debt service for the project, with the remainder transferred in from the General Fund.

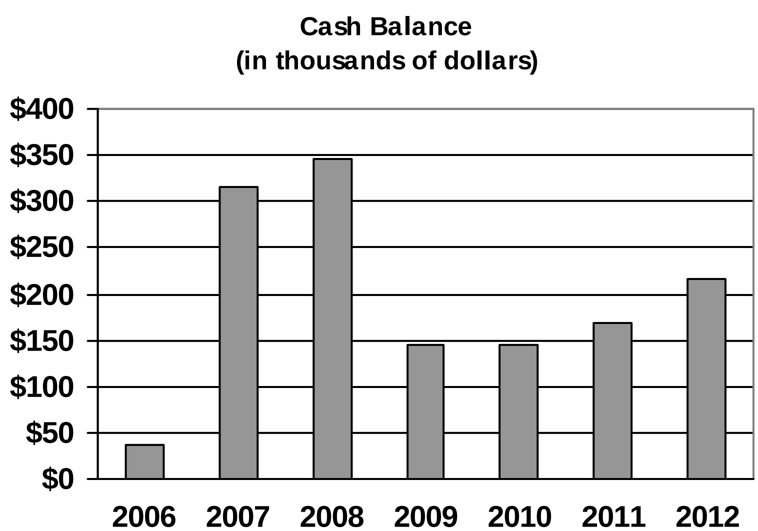
Debt Service
The radio shop, a division of the property services, has management responsibility for the $14.0 million 800 MHz radio system. The property services fund recognizes the fixed assets, along with the debt related to this project. The radio shop is funding a portion of the City's public safety initiative through a contribution of $350,000 a year.

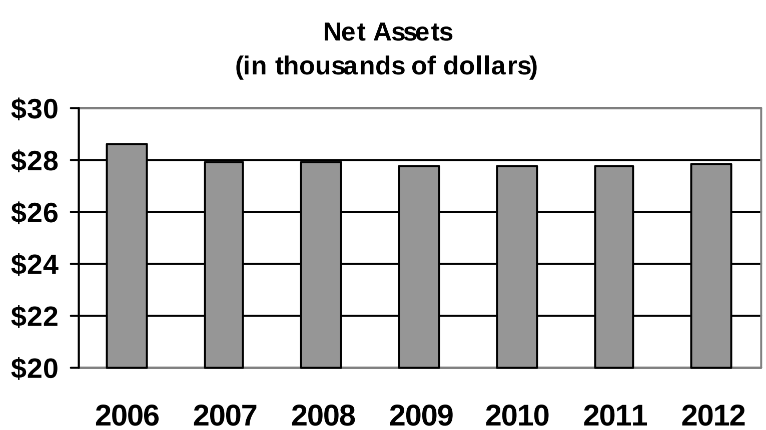
The debt service for 800 MHz radio system is now funded as follows:

$547,000	Transfer from the general fund
$350,000	Property services portion of debt
$897,000	Total debt service (Year 2009)

Net Assets

The property services fund had a positive net asset balance of $27.9 million at year-end 2007. The fund does not recover the cost of depreciation of the buildings that are assets of the fund. Because this cost is not recovered, the fund balance will continue to decline even though the fund recovers its operating costs through a rate model. Cash balance is projected to increase over the next five years due to an increased activity in this fund.





Original Budget

The Mayor recommends that the Finance and Public Works Departments propose and implement a City-wide charge for City Hall space that will encompass all funding sources and would include all City Hall tenants.

The proposal will include various options as compared to the current system of rent charges:

1. Average cost per square foot
2. Average cost per square foot with additional space charges
3. Fully-burdened costs

The proposal will also include various methods of billing including:

1. Increasing Property Services budget accordingly, thereby decreasing budgets of tenant departments
2. Having Property Services bill monthly/quarterly/annually for rent charges

The Finance and Public Works Departments will report back to Ways & Means/Budget Committee by October 6, 2008.

The Council approved the Mayor's recommendation and further approves the City-wide charge for City Hall space.

Council Revised Budget

The budget for this fund includes a reduction of BIS charges of $11,100 due to the Council's actions to reduce the BIS budget by $725,000, which is consistent with the Mayor's recommendations. This reduction in BIS charges will subsequently reduce the department's appropriation by the same amount.

City of Minneapolis
FY 2009 Budget
Financial Plan (in thousand of dollars)

Property Services Fund - 6200

	2006 Actual	2007 Actual	2008 Current Budget	2008 Projected	2009 Budget	% Chg From 2008 Budget	2010 Forecast	2011 Forecast	2012 Forecast
Source of Funds:									
Changes for Services	7,647	7,663	7,903	7,903	8,580	8.6%	8,550	8,575	8,600
Charges for Sales	733	1,328	430	430	530	23.3%	540	550	560
Rents	7,030	7,149	8,434	8,434	13,022	54.4%	13,192	13,369	13,553
Other Misc Revenues	15	704	3	3	3	0.0%	3	3	3
Operating Transfers In	844	653	668	668	655	-1.9%	587	602	529
Proceeds of Long Term Liablilities	-	-	-	-	-		-	-	-
Total	16,269	17,497	17,438	17,438	22,790	30.7%	22,872	23,099	23,245
Use of Funds:									
Property Services Administration	670	400	625	625	880	40.8%	850	875	900
Radio Equipment	1,458	1,417	2,564	2,564	2,683	4.6%	2,650	2,675	2,700
Municipal Market	23	9	34	34	42	23.5%	43	44	45
Facilities Management	13,501	14,712	13,109	13,109	18,273	39.4%	18,281	18,408	18,542
Debt Service	1,039	972	987	987	897	-9.1%	937	952	879
Transfer to MERF	31	69	88	88	97	10.2%	100	110	120
Total	16,722	17,579	17,407	17,407	22,872	31.4%	22,861	23,064	23,186
Change in Net Assets	(1,023)	(673)	31	31	(82)		11	35	59
Net Assets	28,581	27,908	27,939	27,939	27,857		27,868	27,903	27,962
Cash Balance	38	315	346	346	264		275	310	369

City of Minneapolis
FY 2009 Budget
Financial Plan

Self-Insurance Fund

Background
The Self-Insurance Fund is used to account for employee medical, dental, and life insurance benefit programs and the programs' administrative costs. The fund also accounts for occupational health services, severance payments to employees who have retired or resigned and who meet minimum eligibility requirements, a tort liability program, and a workers' compensation program. The 2009 budget for expenditures for this fund is $99.2 million, a 9.5% increase from 2008.

Historical Financial Performance
The net assets of the Self-Insurance Fund reflected a negative position of $26.4 million at year-end 2007, improving $16.8 million from the 2002 ending balance of a negative $43.2 million. The majority of this negative balance is due to the required accounting recognition of liability claims that have occurred but are not reported.

In 2000, the negative net asset deficit increased by $17.1 million due to two major factors. The first was an $8.8 million settlement in which bonds were issued to pay off a legal judgment. The second was a $7.7 million accounting adjustment to "unpaid claims" liability due to the financial results of a recent actuarial study.

During 2003, the City Council adopted a financial plan for the Self-Insurance Fund to increase net assets and attain a positive cash balance by year-end 2006. The fund performed better than projected and reached a positive cash balance of $1.8 million at year-end 2005 increasing cash by $10.0 million from a negative $8.2 million at year-end 2001. The fund has continued performing above expectations ending with a positive cash balance of $11.0 million at year end 2007 and with an anticipated net income of $5.7 million and declining debt service in 2008.

2009 Budget

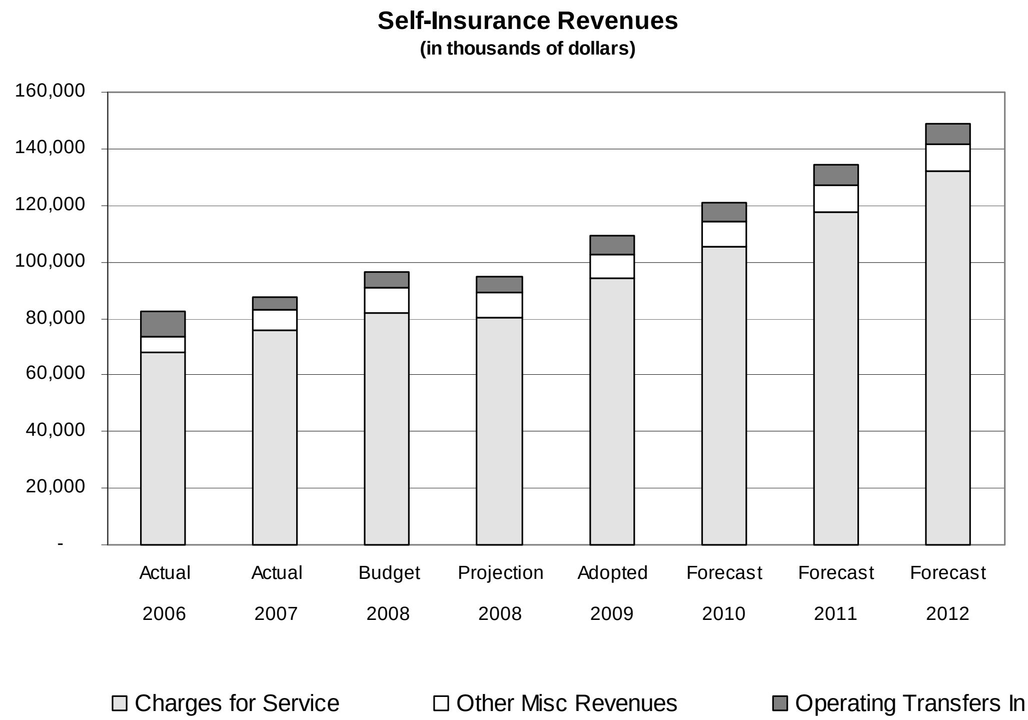
Revenues/Expenditures
Medical and life programs are fully contracted-out so that revenues and expenses should be equal at year-end as premiums are determined by and paid to the contractors. The City selected Medica as its health insurance provider for a three-year period beginning January 1, 2007. A 16.0% planned increase in health insurance premiums is reflected in the budget in 2009. The projections reflect an annual 20% cost increase. The Dental and Minneflex Program premiums are estimated and actual costs are expensed.

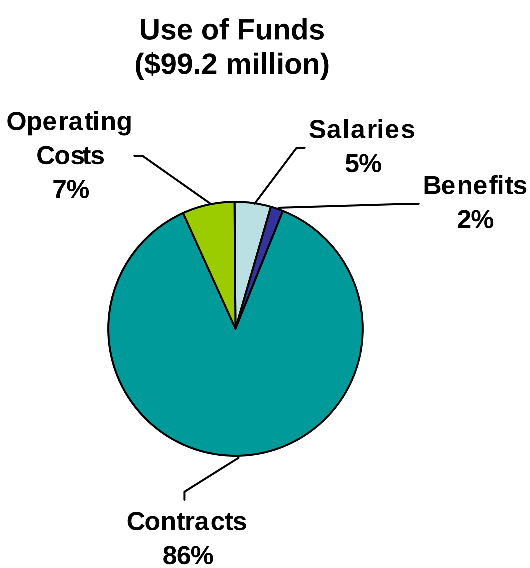
The Unused Sick Leave program provides a payout of unused sick leave to qualified employees at 50% pay. Payments are funded by 0.7% gross pay contributions from the City and Park Board into a severance pool. The rate for City police officers and firefighters is 1.1% of gross pay.

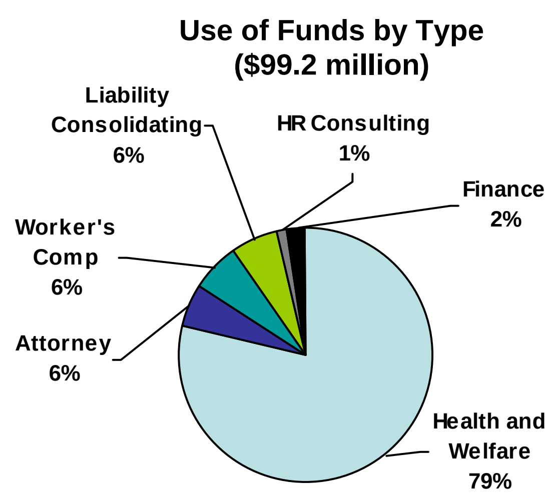
The Alternative Dispute Resolution (ADR) Program was established through funds collected through payroll deductions and direct payment as agreed in previous labor contracts.

Occupational health actual expenses are billed to departments. The worker's compensation payments are estimated at $5.9 million for 2009. This is a 23.2% decrease over the prior year's budgeted amount to bring the 2009 budget in line with a recent actuarial study. The same study predicted an increase in liability payments resulting in an increase of 52.3% to $6.1 million in the 2009 liability budget. The budget also includes a change in accounting for the general fund overhead charge that replaces various separate charges for indirect costs that were previously budgeted in separate agencies.

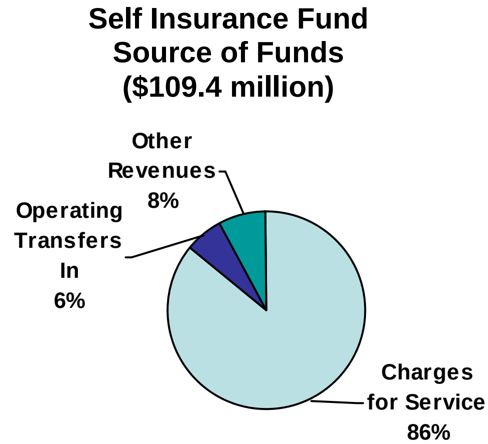
For 2007, a rate model was implemented to recover costs associated with all programs in the fund except for medical and dental. The rate model assigns costs to City departments based on a 5-year claims history for workers compensation and liability. The model was put in place to raise departmental awareness of Self-Insurance costs and increase their ability to control the cost of premiums in the future through loss prevention programs.







Debt Service
Given that all debt payments were satisfied in 2008, there is no debt service in 2009. The $5.4 million in debt outstanding at year end of 2005 was reduced by a $3.1 million payment in 2006 due to a Council action to apply excess general fund appropriations from 2005.



Original Budget
The Mayor recommended and Council approved an increase to Health Benefit Admin fees (Human Resources) to other departments in order to offset the cost of the total compensation statement ($30,000) and providing an employee incentive to use bike share programs ($75,000).

Council Revised Budget
The budget for this department includes a reduction of BIS charges of $13,600 due to the Council's actions to reduce the BIS budget by $725,000, which is consistent with the Mayor's recommendations. This reduction in BIS charges will subsequently reduce the department's appropriation by the same amount.

City of Minneapolis
FY 2009 Budget
Financial Plan (in thousands of dollars)

Self Insurance Fund - 6900

	2006 Actual	2007 Actual	2008 Current Budget	2008 Projected	2009 Budget	% Chg From 2008 Budget	2010 Forecast	2011 Forecast	2012 Forecast
Source of Funds:									
Charges for Service[3]	68,223	75,878	82,128	80,528	93,947	14.4%	105,221	117,847	131,989
Interest			-	-	-		-	-	-
Other Misc Revenues	5,269	7,155	8,516	8,516	8,516		8,857	9,211	9,579
Operating Transfers In	8,745	4,750	5,643	5,643	6,915	22.5%	7,122	7,336	7,556
Total	82,237	87,783	96,287	94,687	109,378	13.6%	121,200	134,394	149,124
Use of Funds:									
Debt Service	114	53	388	388	-		-	-	-
Transfers	45	97	131	131	145	10.7%	103	106	109
Health and Welfare[3]	53,987	58,700	69,591	67,991	77,657	11.6%	89,306	102,701	118,107
Attorney	4,855	5,404	5,364	5,364	5,623	4.8%	5,792	5,965	6,144
Workers Compensation	5,846	6,349	7,722	7,722	5,932	-23.2%	6,110	6,293	6,482
Liability	8,478	10,277	4,036	4,036	6,147	52.3%	6,331	6,521	6,717
Human Resources	1,090	1,116	1,216	1,216	1,372	12.8%	1,413	1,456	1,499
Finance Dept - Risk Mgmt	1,963	2,054	2,163	2,163	2,284	5.6%	2,353	2,423	2,496
Total	76,378	84,050	90,611	89,011	99,160	9.4%	111,407	125,466	141,554
Change in Net Assets	5,938	3,732	5,676	5,676	10,218	80.0%	9,792	8,928	7,570
Net Assets	(30,102)	(26,370)	(20,694)	(20,694)	(10,476)	49.4%	(684)	8,245	15,815
Cash Balance [1]	8,364	11,002	16,678	16,678	26,896	61.3%	36,688	45,617	53,187
Workout Plan Target Cash Balance [2]		2,645	16,678	16,678	23,412		30,663	37,317	42,986
Variance		8,357	-	-	3,484		6,025	8,300	10,201

[1] The 2007 cash balance includes the 2007 CAFR cash balance of $9,001,000 and a balance due from other funds of $2,000,000.
[2] The cash projections for 2008 onward are based on the updated long-term financial plan for this fund, adopted by Council in 2008, which accelerated the target cash balance.
[3] Future financial plans will no longer reflect medical insurance charges as these costs are no longer accounted for in the Self Insurance Fund.