

City of Minneapolis 2013 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.

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City of Minneapolis 2013 Budget

Five-year Financial Direction 2014-2018 (Including detailed information on the City's General Fund)

Introduction

In addition to projecting property tax needs for ten years, the City supports its long term financial planning with the creation of the Five-Year Financial Direction. This plan reflects the City's ongoing commitment to long-term financial planning. 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 \$431.4 million in the financial direction, \$382.6 million is in the City's general fund, which is the primary funding source for public safety, street paving, snow plowing and other general government services. The purpose of recommending a 2014-2018 financial direction is to provide guidance for departments on available planned resources in the City's General Fund.

General Fund

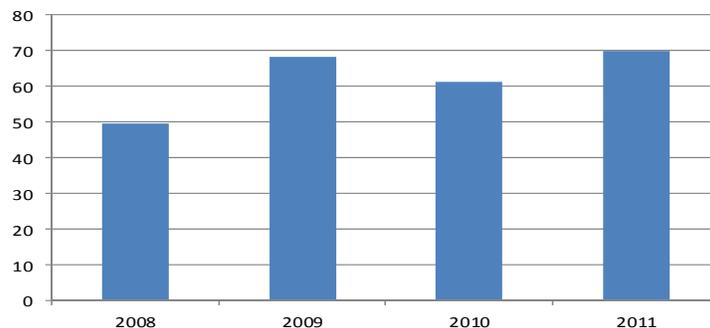
The general fund is the general operating fund of the City. Combined, the two largest revenues (state aids and property tax) have historically accounted for approximately 60-70% of total financial resources for the general fund. The top four sources of revenue account for more than 80% of the general fund's annual financial resources. Licenses and permits and charges for services, in addition to state aids and property taxes comprise these four largest sources.

Historical Financial Performance

The results of the general fund's annual operations at the end of the year reflect the fund's "fund balance," or the amount of available, spendable resources contained within the fund. The fund balance provides the City a reserve to cushion adverse economic shocks and to meet a portion of the City's cash flow needs. The City's policy is to maintain a minimum fund balance of 15% of the following year's revenue, which is consistent with best practices for local governments. Further, the City's financial policies place a priority on debt buy-down or debt avoidance for the use of fund balance when possible.

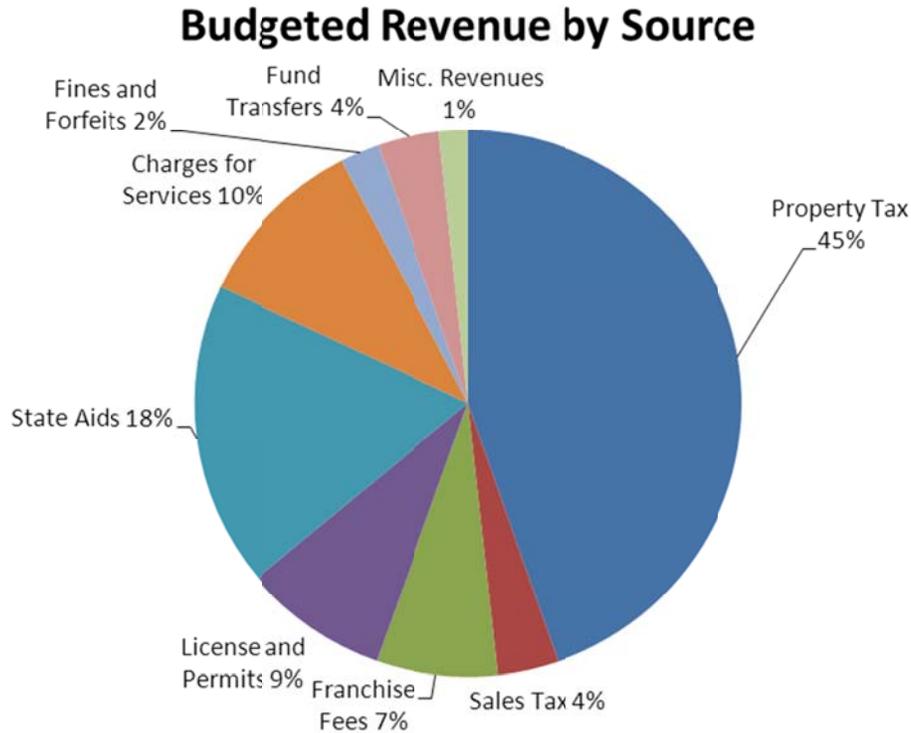
The general fund began 2011 with a fund balance of \$61.4 million. The 2011 year-end fund balance in the General Fund was \$69.9 million, which is above the stated fund balance requirement of 15% of the following year's revenue budget.

Fund Balance
(in millions of dollars)



2013 General Fund Revenue Budget

The 2013 recommended budget includes a total of \$382.6 million of revenues for services incorporated in the financial direction, including \$13.9 million in transfers from other funds. Budgeted revenues are expected to increase less than 1% over the 2012 budget. General fund revenues by source are reflected in the chart and table below:



Revenue Source	2011 Actual	2012 Adopted	2013 Adopted	% Chg from 2012 Adopted	2012 Adopted as % of Total	2013 Adopted as % of Total
Property Tax	170.6	177.1	170.9	-3.5%	46.7%	44.7%
Sales Tax	0.0		13.7	100%	0.0%	3.6%
Franchise Fees	29.1	27.5	27.4	-0.4%	7.2%	7.2%
License and Permits	30.4	29.3	32.6	11.1%	7.7%	8.5%
State Government	67.8	67.0	69.0	3.0%	17.6%	18.0%
Charges for Services	37.8	40.3	39.7	-1.5%	10.6%	10.4%
Fines and Forfeits	9.5	9.5	8.8	-6.8%	2.5%	2.3%
Fund Transfers	24.9	22.6	13.9	-38.3%	6.0%	3.6%
Misc. Revenues	7.4	6.2	6.5	4.1%	1.6%	1.7%
Total	377.5	379.5	382.6	0.8%	100.0%	100.0%

State Aids (including Local Government Aid):

The City's local government aid (LGA) allocation in 2013 is certified at the same level (\$64.1 million) as 2011 and 2012. This is based on legislative actions during the 2012 session.

After 2013 the City is assumed to receive a reduction in LGA of \$0.3 million each year as a result of state legislative provisions capping LGA formula-related reductions. This equates to \$265,000 fewer resources available in the general fund annually.

Franchise fees are paid by various utility companies for 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 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 drops to 4.5% of gross revenues beginning in January 2013. This franchise agreement expires on December 31, 2014. For 2013, the City is anticipating \$16.2 million in revenues from this franchise agreement.
- The franchise agreement with Center Point Energy 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 2013, the City is anticipating \$8.1 million in revenues from this franchise agreement.
- The City anticipates \$3.1 million in revenue from the cable franchise in 2013:

The 2013 budget anticipates the total franchise fee revenue to be \$27.4 million.

Licenses and Permits are issued by the City for a wide variety of regulated activities. Building permits are a major component of this revenue category. The 2013 budget anticipates an 11.1% increase in licenses and permit revenue.

Fines and Forfeitures include traffic fines, administrative citations, and forfeitures related to certain state and federal crimes. Citywide collections from are anticipated to decline by 9.8% in 2013.

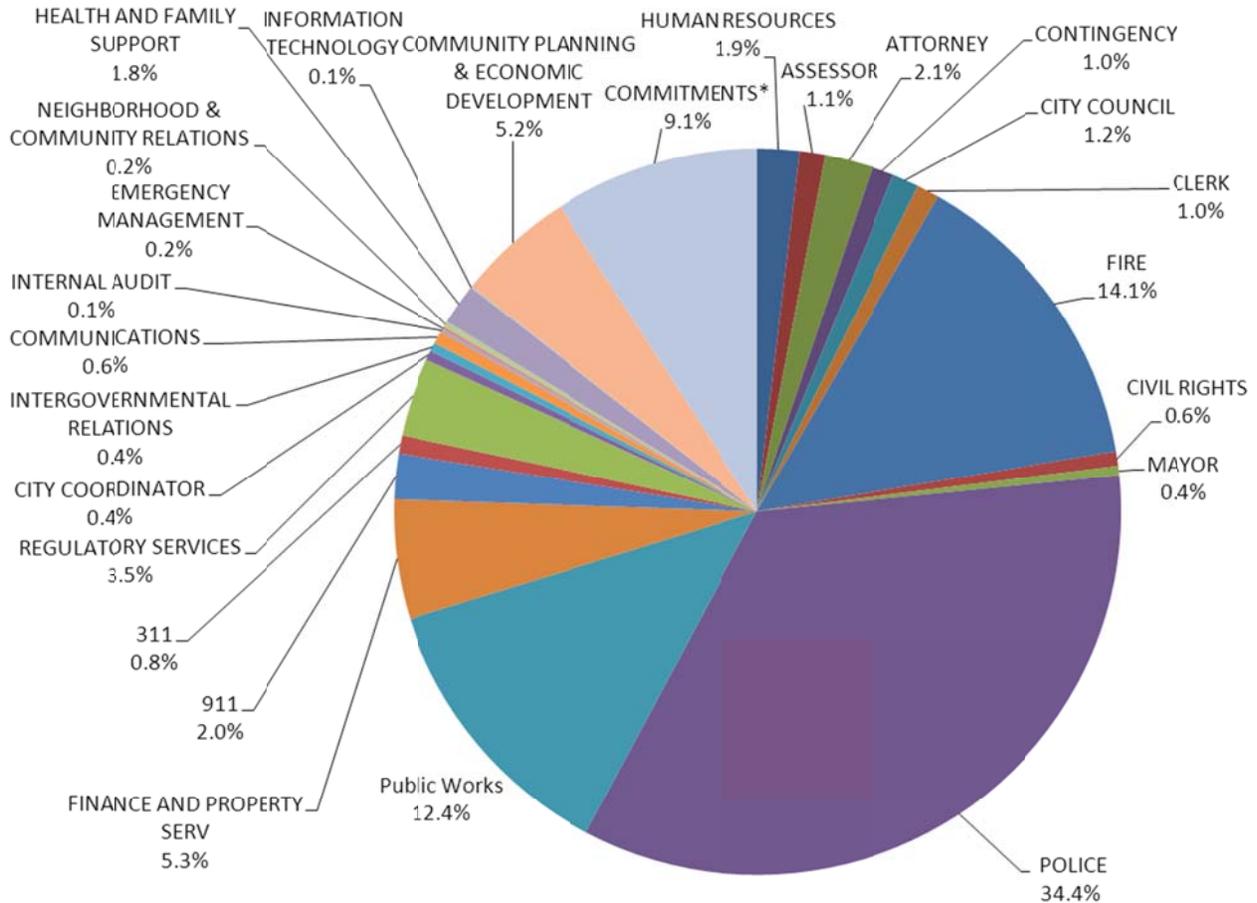
2013 General Fund Expenditure Budget

The 2013 recommended budget for services included in the financial direction is \$431.1 million, which includes \$34.2 million in transfers to other funds.

Approximately 64% of the overall expenditure budget is related to personnel costs. In the General Fund, salary and wage expenditures increased from \$169.0 million in 2012 to \$175.6 million in 2013. The salary and wages expense category also includes overtime costs, contractually-obligated payments, and one-time funding.

Employer health insurance costs increases 5% from 2012. This is a significant drop from the estimated 10% increase in the City’s planning estimates which allowed for reallocation of funds and levy reduction during the initial budget recommendation process. Programmatic budgets reflect the reduction in health care costs.

The general fund provides funding in some shape or form for most City functions. A breakdown of the allocation of the \$431.1 million in the 2013 general fund budget is reflected in the chart below.



*Commitments include: transfers to the internal service funds, pension obligations, payment to Hennepin County related to the library system, and other miscellaneous transfers.

Five-Year Financial Direction

The Five-Year Financial Direction for the 2013 budget includes a tax policy of 1.77% in 2013, 2.5% in 2014 and 2015, 2.75% in 2016, 3.0% in 2017 and 3.25% in 2018. These percentages reflect statutorily-required costs and provide for the following current service level cost escalator for departments: 2.8% in 2013, 3.4% in 2014; 3.5% in 2015; 3.5% in 2016; 3.5% in 2017 and 3.6% in 2018.

The 2013 budget is the basis for future projections: In other words, what is included in the 2013 budget is the starting place for the 2014-2018 department budget estimates. One-time 2013 supplemental items are removed from department budgets in 2014 and beyond.

The financial direction from 2014 to 2018 contains updates to departmental resources: The financial direction includes the most updated assumptions about contract settlements and other commitments.

Reductions to departmental growth required in 2013 only. The departmental cuts necessary to balance the five-year financial direction are required in 2013. Any future balances have been allocated to the operating contingency fund.

Salary Assumptions – The City adopted a compensation philosophy in 2007. The philosophy does not specify a salary policy; rather, it anticipates that salary settlements will vary within and between bargaining units. Assumptions are updated annually as contracts are settled.

Capital and Debt Service (including pensions)

As part of last year's budget and in response to critical infrastructure needs and reduced support from the State of Minnesota, the amount of property tax supported resources for capital improvements was expanded from the previous five-year plan by over \$56 million, from \$94 million to \$150 million. For 2013 – 2017 and future years, the intent is to sustain this higher level of property tax supported (net debt bond) funding to continue the infrastructure acceleration program, which otherwise would have concluded in 2013. This ongoing higher capital infusion will improve all classes of City infrastructure with a greater emphasis on paving projects, parks, traffic signals and economic development projects that enhance the property tax base. Even with the infrastructure acceleration program from 2009 – 2013 and the higher net debt bond resource levels, there is a large backlog of infrastructure needs that still must be addressed. The current emphasis for these funds is primarily on improving street paving.

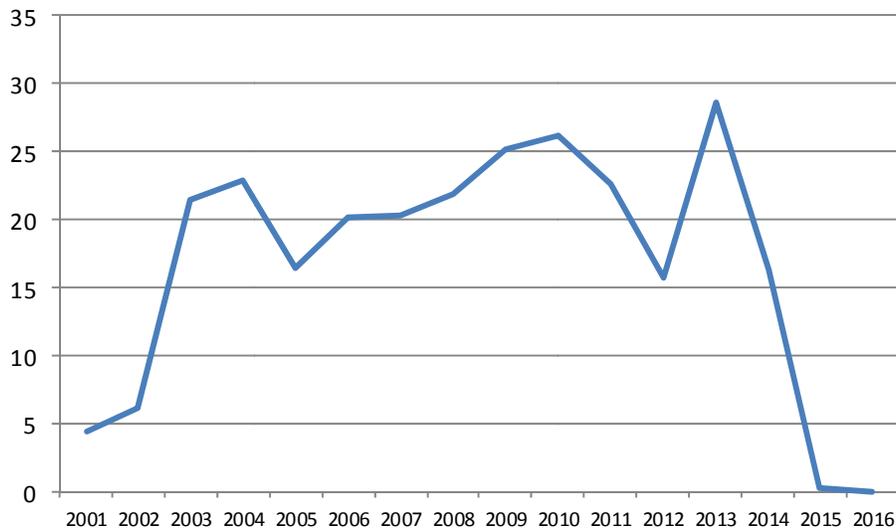
The Net Debt Bond (NDB) program is funded by property tax collections. The five-year financial direction for the bond redemption levy includes increases in 2014 with more significant

increases in 2015 and beyond for capital improvements. These increases are possible due to improvements in the internal service fund financial plans which reduce the demand for property

Summary of Five-Year Financial Direction (dollars in millions)	
Department	2018 Resources
Police	156.244
Fire	64.653
Public Works	56.448
Community Planning and Economic Developm	23.606
Regulatory Servcies	15.838
Health and Family Support	7.994
Civil Rights	2.925
Capital (pay-go and debt)	35.28
Pensions	26.764
All other spending	84.42
Total	474.170

tax resources. The plan to pay off the remaining pension bonds in 2012 also creates financial capacity to continue the expanded NDB program.

Internal Service Fund obligations. The 2008 adopted long-term financial plans began accelerating the General Fund's contribution to the adopted workout plans for the internal service funds to create capacity to hold down later year property tax levy increases. Over the last few years the General Fund has accelerated the workout plan schedule to move forward the full completion date from 2019 to 2015. The 2013 adopted budget continues support for this course of action.



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
Pre-payment of Self Insurance Fund workout plan obligations for 2011 (2010)	\$3.5
Payment of pension obligations (2010 Revised)	\$2.8
Pre-payment of Self Insurance Fund workout plan obligations for 2012 and 2013 (\$5.6 million); reduction to transfer of \$1 million to the Self Insurance Fund given fund's financial performance (2011)	\$4.6
Postponement of Fleet Fund workout plan obligations for 2012 to 2013 and prepayment of 2014 obligations in 2013 (net zero impact)	\$0
Acceleration of workout plan obligations and \$3.6 million reduction to BIS workout plan obligations	\$3.6
Acceleration of workout plan obligations: \$1.1 million to equipment, \$0.236 million to Intergovernmental Services, \$2.3 million to Property Services (2013)	\$3.7
Payment of pension debt in 2012 (2012)	\$50.5
Total	\$110.7

Funding for pension liabilities. The property tax levy needed to support closed pension fund-related obligations is \$27.3 million in 2013, and will remain at that level through 2030. The debt service portion will be retired in 2012, which will eliminate the remaining pension debt obligations issued for the City's closed funds in 2013 and all future years. The five-year financial direction includes obligations for three closed pension funds: the Minneapolis Police Relief Association, the Minneapolis Firefighters' Relief Association, and the Minneapolis Employees Retirement Fund. All three funds are administered by the Public Employees Retirement Association, (PERA). Additionally, the City has continuing obligations to PERA for the pension plan to which most current City employees belong.

Change in Contingency for Adverse Circumstances

Contingency exists for adverse and unforeseen circumstances. Examples of adverse circumstances the City has encountered include winter seasons with heavy snowfall, reductions in LGA, unemployment costs and increased pension obligations.

Other Pressures Facing the City 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 property tax increases to support future services. Reducing the growth in property taxes in the face of declining LGA and other factors may 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.
- *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 Increases:* The City will continue to see issues related to the ability to keep up with enterprise demands while subject to increased costs.
- *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 from 2008 through 2017. Recently, City departments have increased their usage of this service to full capacity. The wireless commitment was reflected in the budgets for non-General Fund departments starting in 2011 (The share of the commitment for departments in the General Fund is transferred directly to the Intergovernmental Services Fund and, therefore, is not reflected in the operating budgets of those departments).

Property Tax Revenue Distribution.

In 2010, the City adopted a "shared revenue" approach based on the sum of the following revenue sources: total property tax revenue, total Local Government Aid revenue, and total General Fund revenues. From this total, shared costs are deducted, including: pension obligations, previously approved internal service fund workout plans, the Bond Redemption Fund levy, the Permanent Improvement Fund levy, the Teacher's Retirement Association special levy, the Library Market Value Referendum levy, the levy for the Board of Estimate and

Taxation, General Fund Overhead associated with the Park Board and Municipal Building Commission (MBC), General Fund Overhead for others, General Fund transfers to other funds, General fund support of the Wi-Fi commitment, Target Center, graffiti removal, election transition costs, property tax stabilization account, Mayor initiatives for 2013, and City Support of the Affordable Housing Trust Fund. The remaining revenues are then identified as being available for “activities.”

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

Aside from the policy decisions listed above, the annual percentage change in revenue available for activities of the City, Park Board and MBC are the same for each entity beginning in 2014.

Assumptions for the 2013-2018 Five Year Financial Direction

- The tax policy for 2013-2018 is as follows: 1.77% in 2013; 2.5% in 2014-2015; 2.75% in 2016, 3.0% in 2017, and 3.25% in 2018. These percentages reflect statutorily-required costs and provide for the following current service level cost escalator for departments: 2.8% in 2013, 3.4% in 2014, 3.5% in 2015-2017; and 3.6% in 2018.
- Contingency increased to provide cushion for uncertainty related to seasonal and economic conditions.
- Health increases are assumed at 5% in 2013; 9.5% for 2014 -2018; and 12% thereafter.
- This budget has an increase of \$56 million in a capital program in 2013 for Public Works capital projects.
- Reductions in LGA of \$0.265 million annually (excluding independent boards) are reflected in 2014-2018.
- Revenues in the general fund are NOT assumed to increase, except for licenses and permits which are anticipated to increase by 3.0% annually, the cost allocation model for internal City departments, and the government service fee, include cost escalators.
- Full funding of internal service fund debts are included.
- Entertainment tax revenue is no longer treated as a transfer into the general fund. It is recorded as direct revenue into the general fund.
- Other local tax revenue is recorded as a transfer into the general fund.

2013 Property Tax Supported Budgets						
	2013 Council	2013 Direct Revenue (received by the department)	Allocated Revenues for Presentation Purposes <i>These revenues are received at the Fund Level, but have been allocated to departments in this table for presentation purposes.</i>			Total Revenues
			Other General City Revenues	Local Government Aid	Property Tax Revenue	
General Fund						
<u>General Fund Commitments</u>						
Internal Service Funds Financial Plans	28.633	-	-	-	28.633	28.633
Transfers to BIS for WiFi from Gen Fd Depts	0.491	-	-	-	0.491	0.491
Graffiti Removal	0.150	-	-	-	0.150	0.150
Target Center Financial Plan	0.089	-	-	-	0.089	0.089
Payment to County for Library System	4.106	-	-	4.106	-	4.106
Pension Debt Service Mgmt Plan	0.715	-	-	-	0.715	0.715
Total General Fund Commitments	34.184	-	-	4.106	30.078	34.184
<u>General Fund Departments</u>						
Police	131.564	10.357	35.330	22.458	57.856	126.001
Fire	53.790	3.959	14.525	9.233	23.786	51.503
Subtotal for Police & Fire	185.354	14.316	49.856	31.691	81.641	177.504
Assessor	4.315	0.063	1.239	0.788	2.030	4.120
Attorney	8.075	0.020	2.319	1.474	3.797	7.610
IT	0.200	-	0.058	0.037	0.095	0.191
City Council	4.538	-	1.323	0.841	2.166	4.330
City Clerk/Elections	3.779	0.109	1.070	0.680	1.752	3.611
City Coordinator Administration	1.628	-	0.475	0.302	0.777	1.553
311	3.122	-	0.910	0.578	1.490	2.979
911	7.726	-	2.220	1.411	3.635	7.266
Emergency Management	0.693	-	0.202	0.128	0.331	0.661
Civil Rights	2.463	-	0.718	0.456	1.176	2.350
Communications	2.136	3.930	-	-	-	3.930
Community Planning & Economic Development (CPED)	20.034	24.780	-	-	1.001	25.781
Contingency	3.884	-	-	-	3.884	3.884
Finance	20.323	-	5.924	3.766	9.701	19.390
Health and Family	6.946	2.347	0.645	0.410	1.057	4.459
Human Resources	7.129	-	2.139	1.360	3.503	7.002
Intergovernmental Relations	1.510	-	0.440	0.280	0.721	1.441
Internal Audit	0.382	-	0.111	0.071	0.182	0.364
Mayor	1.598	-	0.466	0.296	0.763	1.525
Neighborhood & Community Relations	0.934	-	0.272	0.173	0.446	0.891
Public Works	47.530	14.777	10.900	6.929	17.850	50.456
Regulatory Services	13.336	12.242	1.251	0.795	2.048	16.336
Subtotal for all other departments	162.281	58.268	32.682	20.775	58.405	170.130
Total General Fund Departments	347.635	72.584	82.538	52.466	140.046	347.634
<u>General Fund transfer for Rent</u>						
Transfers for City Hall rent	0.748	-	-	-	0.748	0.748
Total General Fund	382.567	72.584	82.538	56.572	170.872	382.566
<u>Other Property Tax-Supported Commitments</u>						
Capital - Permanent Improvement	0.980	-	-	-	0.980	0.980
Debt Service	20.776	-	-	-	20.776	20.776
Pensions - Direct Levy for MPRA, MFRA and MERF	26.764	-	-	-	26.764	26.764
Subtotal	48.520	-	-	-	48.520	48.520
Total Property Tax Supported Commitments	431.086	72.584	82.538	56.572	219.392	431.086
				2013 Total Revenue	431.086	
				2013 Total Expense	431.086	

2014 Property Tax Supported Budgets								
	Prior Year Total Expense	Projected Growth in spending	Current Year Total Expense	Direct Revenue (received by the department)	Allocated Revenues for Presentation Purposes <i>These revenues are reported at the Fund Level, but have been allocated to departments in this table for presentation purposes.</i>			Total Revenues
					Other General City Revenues	Local Government Aid	Property Tax Revenue	
General Fund								
<u>General Fund Commitments</u>								
Internal Service Funds Financial Plans	28.633	(12.357)	16.276	-	-	-	16.276	16.276
Transfers to BIS for WiFi from Gen Fd Depts	0.491	0.007	0.498	-	-	-	0.498	0.498
Graffiti Removal	0.15	-	0.150	-	-	-	0.150	0.150
Target Center Financial Plan	0.089	0.455	0.544	-	-	-	0.544	0.544
Payment to County for Library System	4.106	(0.868)	3.238	-	-	3.238	-	3.238
Post election transition costs	0	0.350	0.350	-	-	-	0.350	0.350
Pension Debt Service Mgmt Plan	0.715	-	0.715	-	-	-	0.715	0.715
Total General Fund Commitments	34.184	(12.413)	21.771	-	-	3.238	18.533	21.771
<u>General Fund Departments</u>								
Police	131.564	5.789	137.353	10.357	36.473	23.476	64.191	134.498
Fire	53.79	2.237	56.027	3.959	14.954	9.625	26.318	54.856
Subtotal for Public Safety	185.354	8.026	193.380	14.316	51.427	33.101	90.509	189.354
Assessor	4.315	0.147	4.462	0.063	1.264	0.813	2.224	4.363
Attorney	8.075	0.171	8.246	0.020	2.363	1.521	4.158	8.061
IT	0.200	(0.200)	-	-	-	-	-	-
City Council	4.538	0.152	4.690	-	1.347	0.867	2.371	4.584
City Clerk/Elections	3.779	(0.054)	3.725	0.109	1.038	0.668	1.828	3.643
City Coordinator Administration	1.628	0.055	1.683	-	0.483	0.311	0.851	1.645
311	3.122	0.107	3.229	-	0.927	0.597	1.632	3.156
911	7.726	0.263	7.989	-	2.294	1.477	4.038	7.809
Emergency Management	0.693	0.024	0.717	-	0.206	0.132	0.362	0.701
Civil Rights	2.463	0.084	2.547	-	0.731	0.471	1.287	2.489
Communications	2.136	(0.042)	2.094	3.930	-	-	-	3.930
Community Planning & Economic Development (CPED)	20.034	0.650	20.684	25.483	-	-	1.001	26.484
Contingency	3.884	0.398	4.282	-	-	-	4.282	4.282
Finance	20.323	0.537	20.860	-	5.991	3.856	10.544	20.391
Health and Family	6.946	0.015	6.961	2.417	1.305	0.840	2.297	6.859
Human Resources	7.129	(0.532)	6.597	-	1.895	1.219	3.334	6.449
Intergovernmental Relations	1.510	0.051	1.561	-	0.448	0.289	0.789	1.526
Internal Audit	0.382	0.013	0.395	-	0.113	0.073	0.200	0.386
Mayor	1.598	0.054	1.652	-	0.474	0.305	0.835	1.615
Neighborhood & Community Relations	0.934	0.006	0.940	-	0.270	0.174	0.475	0.919
Public Works	47.530	1.623	49.153	14.777	9.873	6.355	17.376	48.380
Regulatory Services	13.336	0.455	13.791	12.609	-	-	-	12.609
Subtotal for all other departments	162.281	3.976	166.257	59.409	31.024	19.968	59.883	170.283
Total General Fund Departments	347.635	12.002	359.637	73.725	82.451	53.069	150.392	359.637
<u>General Fund transfer for Rent</u>								
Transfers for City Hall rent	0.748	0.022	0.770	-	-	-	0.770	0.770
Total General Fund	382.567	(0.389)	382.178	73.725	82.451	56.307	169.695	382.178
<u>Other Property Tax-Supported Commitments</u>								
Capital - Permanent Improvement	0.980	-	0.980	-	-	-	0.980	0.980
Debt Service	20.776	6.517	27.293	-	-	-	27.293	27.293
Pensions - Direct Levy for MPRA, MFRA and MERF	26.764	-	26.764	-	-	-	26.764	26.764
Subtotal	48.520	6.517	55.037	-	-	-	55.037	55.037
Total Property Tax Supported Commitments	431.087	6.128	437.215	73.725	82.451	56.307	224.732	437.215
							2014 Total Revenue	437.215
							2014 Total Expense	437.215
							(Additional cuts needed)/Cushion for adverse circumstances	0.000

2015 Property Tax Supported Budgets								
	Prior Year Total Expense	Projected Growth in Spending	Current Year Total Expense	Direct Revenue (received by the department)	Allocated Revenues for Presentation Purposes <i>These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.</i>			Total Revenues
					Other General City Revenues	Local Government Aid	Property Tax Revenue	
General Fund								
<u>General Fund Commitments</u>								
Internal Service Funds Financial Plans	16.276	(15.962)	0.314	-	-	-	0.314	0.314
Transfers to BIS for WIFI from Gen Fd Depts	0.498	0.007	0.505	-	-	-	0.505	0.505
Graffiti Removal	0.150	-	0.150	-	-	-	0.150	0.150
Target Center Financial Plan	0.544	0.009	0.553	-	-	-	0.553	0.553
Payment to County for Library System	3.238	(0.875)	2.363	-	-	2.363	-	2.363
Property tax stabilization account	0	6.586	6.586	-	-	-	6.586	6.586
Post election transition costs	0.35	(0.350)	-	-	-	-	-	-
Pension Debt Service Mgmt Plan	0.715	-	0.715	-	-	-	0.715	0.715
Total General Fund Commitments	21.771	(10.585)	11.186	-	-	2.363	8.823	11.186
<u>General Fund Departments</u>								
Police	137.353	3.886	141.239	10.357	36.921	23.662	67.509	138.449
Fire	56.027	2.216	58.243	3.959	15.313	9.814	28.000	57.086
Subtotal for Public Safety	193.380	6.102	199.482	14.316	52.235	33.475	95.509	195.536
Assessor	4.462	0.154	4.617	0.063	1.285	0.823	2.349	4.520
Attorney	8.246	0.285	8.531	0.020	2.401	1.539	4.390	8.350
City Council	4.690	0.162	4.852	-	1.369	0.877	2.503	4.748
City Clerk/Elections	3.725	(0.389)	3.336	0.109	0.910	0.583	1.665	3.267
City Coordinator Administration	1.683	0.058	1.738	-	0.490	0.314	0.897	1.701
311	3.229	0.112	3.340	-	0.942	0.604	1.723	3.269
911	7.989	0.276	8.264	-	2.331	1.494	4.263	8.088
Emergency Management	0.717	0.025	0.741	-	0.209	0.134	0.382	0.726
Civil Rights	2.547	0.088	2.635	-	0.743	0.476	1.359	2.578
Communications	2.094	0.072	2.166	3.930	-	-	-	3.930
Community Planning & Economic Development (CPED)	20.684	0.680	21.365	26.207	-	-	1.001	27.208
Contingency	4.282	(0.038)	4.244	-	-	-	4.244	4.244
Finance	20.860	0.721	21.581	-	6.088	3.901	11.131	21.121
Health and Family	6.961	0.240	7.201	2.490	1.329	0.852	2.430	7.101
Human Resources	6.597	0.228	6.825	-	1.925	1.234	3.520	6.679
Intergovernmental Relations	1.561	0.054	1.615	-	0.456	0.292	0.833	1.581
Internal Audit	0.395	0.014	0.409	-	0.115	0.074	0.211	0.400
Mayor	1.652	0.057	1.709	-	0.482	0.309	0.882	1.673
Neighborhood & Community Relations	0.940	0.033	0.973	-	0.274	0.176	0.502	0.952
Public Works	49.153	1.698	50.851	14.777	10.177	6.522	18.607	50.083
Regulatory Services	13.791	0.477	14.268	12.988	-	-	-	12.988
Subtotal for all other departments	166.257	5.007	171.260	60.584	31.527	20.205	62.891	175.206
Total General Fund Departments	359.637	11.109	370.742	74.900	83.762	53.680	158.400	370.742
<u>General Fund transfer for Rent</u>								
Transfers for City Hall rent	0.770	0.026	0.796	-	-	-	0.796	0.796
Total General Fund	382.178	0.550	382.724	74.900	83.762	56.043	168.019	382.724
<u>Other Property Tax-Supported Commitments</u>								
Capital - Permanent Improvement	0.980	-	0.980	-	-	-	0.980	0.980
Debt Service	27.293	7.007	34.300	-	-	-	34.300	34.300
Pensions - Direct Levy for MPRA, MFRA and MERF	26.764	0	26.764	-	-	-	26.764	26.764
Subtotal	55.037	7.007	62.044	-	-	-	62.044	62.044
Total Property Tax Supported Commitments	437.215	7.557	444.768	74.900	83.762	56.043	230.063	444.768
							2015 Total Revenue	444.768
							2015 Total Expense	444.768
							(Additional cuts needed)/Cushion for adverse circumstances	0.000

2016 Property Tax Supported Budgets									
	Prior Year Expense	Projected Growth in Spending	Current Year Total Expense	Direct Revenue (received by the department)	Allocated Revenues for Presentation Purposes <i>These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.</i>			Total Revenues	
					Other General City Revenues	Local Government Aid	Property Tax Revenue		
General Fund									
<u>General Fund Commitments</u>									
Internal Service Funds Financial Plans	0.314	(0.314)	-	-	-	-	-	-	-
Transfers to BIS for WiFi from Gen Fd Depts	0.505	(0.023)	0.482	-	-	-	0.482	0.482	0.482
Graffiti Removal	0.150	-	0.150	-	-	-	0.150	0.150	0.150
Target Center Financial Plan	0.553	0.008	0.561	-	-	-	0.561	0.561	0.561
Payment to County for Library System	2.363	(0.803)	1.560	-	-	1.560	-	1.560	1.560
Property tax stabilization account	6.586	(2.078)	4.508	-	-	-	4.508	4.508	4.508
Pension Debt Service Mgmt Plan	0.715	-	0.715	-	-	-	0.715	0.715	0.715
Total General Fund Commitments	11.186	(3.210)	7.976	-	-	1.560	6.416	7.976	7.976
<u>General Fund Departments</u>									
Police	141.239	4.437	145.676	10.357	37.967	23.790	70.852	142.966	142.966
Fire	58.243	2.037	60.280	3.959	15.802	9.901	29.489	59.152	59.152
Subtotal for Public Safety	199.482	6.474	205.956	14.316	53.769	33.691	100.342	202.118	202.118
Assessor	4.617	0.161	4.778	0.063	1.323	0.829	2.469	4.684	4.684
Attorney	8.531	0.298	8.829	0.020	2.472	1.549	4.613	8.653	8.653
City Council	4.852	0.169	5.021	-	1.409	0.883	2.629	4.921	4.921
City Clerk/Elections	3.336	0.617	3.953	0.050	1.095	0.686	2.044	3.875	3.875
City Coordinator Administration	1.738	0.061	1.799	-	0.505	0.316	0.942	1.763	1.763
311	3.340	0.117	3.457	-	0.970	0.608	1.810	3.388	3.388
911	8.264	0.289	8.553	-	2.400	1.504	4.479	8.382	8.382
Emergency Management	0.741	0.026	0.767	-	0.215	0.135	0.402	0.752	0.752
Civil Rights	2.635	0.092	2.727	-	0.765	0.479	1.428	2.672	2.672
Communications	2.166	0.076	2.242	3.930	-	-	-	3.930	3.930
Community Planning & Economic Development (CPED)	21.365	0.712	22.077	26.954	-	-	1.001	27.955	27.955
Contingency	4.244	0.220	4.464	-	-	-	4.464	4.464	4.464
Finance	21.581	0.755	22.335	-	6.267	3.927	11.695	21.888	21.888
Health and Family	7.201	0.252	7.453	2.565	1.372	0.859	2.560	7.355	7.355
Human Resources	6.825	0.239	7.064	-	1.982	1.242	3.698	6.922	6.922
Intergovernmental Relations	1.615	0.056	1.672	-	0.469	0.294	0.875	1.638	1.638
Internal Audit	0.409	0.014	0.423	-	0.119	0.074	0.221	0.414	0.414
Mayor	1.709	0.060	1.769	-	0.496	0.311	0.926	1.733	1.733
Neighborhood & Community Relations	0.973	0.034	1.007	-	0.282	0.177	0.527	0.986	0.986
Public Works	50.851	1.779	52.630	14.777	10.621	6.655	19.820	51.872	51.872
Regulatory Services	14.268	0.499	14.767	13.377	-	-	-	13.377	13.377
Subtotal for all other departments	171.260	6.526	177.786	61.735	32.761	20.527	66.601	181.624	181.624
Total General Fund Departments	370.742	13.000	383.742	76.051	86.530	54.218	166.943	383.742	383.742
<u>General Fund transfer for Rent</u>									
Transfers for City Hall rent	0.796	0.028	0.824	-	-	-	0.824	0.824	0.824
Total General Fund	382.724	9.818	392.542	76.051	86.530	55.778	174.183	392.542	392.542
<u>Other Property Tax-Supported Commitments</u>									
Capital - Permanent Improvement	0.980	-	0.980	-	-	-	0.980	0.980	0.980
Debt Service	34.300	-	34.300	-	-	-	34.300	34.300	34.300
Pensions - Direct Levy for MPRA, MFRA and MERF	26.764	-	26.764	-	-	-	26.764	26.764	26.764
Subtotal	62.044	-	62.044	-	-	-	62.044	62.044	62.044
Total Property Tax Supported Commitments	444.768	9.818	454.586	76.051	86.530	55.778	236.227	454.586	454.586
							2016 Total Revenue	454.586	
							2016 Total Expense	454.586	
							(Additional cuts needed)/Cushion for adverse circumstances	(0.000)	

2017 Property Tax Supported Budgets								
	Prior Year Total Expense	Projected Growth in Spending	Current Year Total Expense	Direct Revenue (received by the department)	Allocated Revenues for Presentation Purposes <i>These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.</i>			Total Revenues
					Other General City Revenues	Local Government Aid	Property Tax Revenue	
General Fund								
<u>General Fund Commitments</u>								
Transfers to BIS for WIFI from Gen Fd Depts	0.482	(0.019)	0.463	-	-	-	0.463	0.463
Graffiti Removal	0.150	-	0.150	-	-	-	0.150	0.150
Target Center Financial Plan	0.561	0.008	0.569	-	-	-	0.569	0.569
Payment to County for Library System	1.56	(0.780)	0.780	-	-	0.780	-	0.780
Property tax stabilization account	4.508	(3.592)	0.916	-	-	-	0.916	0.916
Pension Debt Service Mgmt Plan	0.715	-	0.715	-	-	-	0.715	0.715
Total General Fund Commitments	7.976	(4.383)	3.593	-	-	0.780	2.813	3.593
<u>General Fund Departments</u>								
Police	145.676	5.158	150.834	10.357	38.487	24.000	75.361	148.204
Fire	60.280	2.135	62.415	3.959	16.015	9.987	31.359	61.320
Subtotal for Public Safety	205.956	7.293	213.249	14.316	54.502	33.987	106.720	209.524
Assessor	4.778	0.169	4.947	0.063	1.338	0.834	2.620	4.856
Attorney	8.829	0.313	9.142	0.020	2.499	1.558	4.894	8.971
City Council	5.021	0.177	5.198	-	1.424	0.888	2.789	5.101
City Clerk/Elections	3.953	0.140	4.093	0.050	1.108	0.691	2.169	4.017
City Coordinator Administration	1.799	0.064	1.863	-	0.510	0.318	0.999	1.828
311	3.457	0.122	3.579	-	0.981	0.612	1.920	3.512
911	8.553	0.303	8.856	-	2.426	1.513	4.751	8.690
Emergency Management	0.767	0.027	0.795	-	0.218	0.136	0.426	0.780
Civil Rights	2.727	0.097	2.823	-	0.773	0.482	1.515	2.770
Communications	2.242	0.079	2.321	3.930	-	-	-	3.930
Community Planning & Economic Development (CPED)	22.077	0.746	22.823	27.722	-	-	1.001	28.723
Contingency	4.464	0.233	4.697	-	-	-	4.697	4.697
Finance	22.335	0.791	23.126	-	6.336	3.951	12.406	22.693
Health and Family	7.453	0.264	7.717	2.642	1.391	0.867	2.723	7.622
Human Resources	7.064	0.250	7.314	-	2.004	1.250	3.924	7.177
Intergovernmental Relations	1.672	0.059	1.731	-	0.474	0.296	0.929	1.698
Internal Audit	0.423	0.015	0.438	-	0.120	0.075	0.235	0.430
Mayor	1.769	0.063	1.831	-	0.502	0.313	0.982	1.797
Neighborhood & Community Relations	1.007	0.036	1.042	-	0.286	0.178	0.559	1.023
Public Works	52.630	1.864	54.493	14.777	10.881	6.785	21.306	53.750
Regulatory Services	14.767	0.522	15.289	13.778	-	-	-	13.778
Subtotal for all other departments	177.786	6.333	184.119	62.982	33.270	20.747	70.844	187.844
Total General Fund Departments	383.742	13.626	397.368	77.298	87.772	54.734	177.564	397.368
<u>General Fund transfer for Rent</u>								
Transfers for City Hall rent	0.824	0.029	0.853	-	-	-	0.853	0.853
Total General Fund	392.542	9.272	401.814	77.298	87.772	55.514	181.230	401.814
<u>Other Property Tax-Supported Commitments</u>								
Capital - Permanent Improvement	0.980	-	0.980	-	-	-	0.980	0.980
Debt Service	34.300	-	34.300	-	-	-	34.300	34.300
Pensions - Direct Levy for MPRA, MFRA and MERF	26.764	-	26.764	-	-	-	26.764	26.764
Subtotal	62.044		62.044	-	-	-	62.044	62.044
Total Property Tax Supported Commitments	454.586	9.272	463.858	77.298	87.772	55.514	243.274	463.858
							2017 Total Revenue	463.858
							2017 Total Expense	463.858
							(Additional cuts needed)/Cushion for adverse circumstances	(0.000)

2018 Property Tax Supported Budgets									
	Prior Year Total Expense	Projected Growth in Spending	Current Year Total Expense	Direct Revenue (received by the department)	Allocated Revenues for Presentation Purposes <i>These revenues are received at the Fund Level, but have been allocated to departments in this table for presentation purposes.</i>			Total Revenues	
					Other General City Revenues	Local Government Aid	Property Tax Revenue		
General Fund									
General Fund Commitments									
Transfers to BIS for WiFi from Gen Fd Depts	0.463	(0.267)	0.196	-	-	-	0.196	0.196	
Graffiti Removal	0.150	-	0.150	-	-	-	0.150	0.150	
Target Center Financial Plan	0.569	0.009	0.578	-	-	-	0.578	0.578	
Payment to County for Library System	0.78	(0.780)	-	-	-	-	-	-	
Property tax stabilization account	0.916	(3.464)	(2.548)	-	-	-	(2.548)	(2.548)	
Post election transition costs	0	0.400	0.400	-	-	-	0.400	0.400	
Pension Debt Service Mgmt Plan	0.715	-	0.715	-	-	-	0.715	0.715	
Total General Fund Commitments	3.593	(4.102)	-0.509	-	-	-	(0.509)	(0.509)	
General Fund Departments									
Police	150.834	5.410	156.244	10.357	39.028	24.210	80.113	153.708	
Fire	62.415	2.238	64.653	3.959	16.237	10.072	33.330	63.598	
Subtotal for Public Safety	213.249	7.648	220.898	14.316	55.265	34.282	113.443	217.307	
Assessor	4.947	0.177	5.125	0.063	1.354	0.840	2.780	5.037	
Attorney	9.142	0.328	9.470	0.020	2.528	1.568	5.189	9.306	
City Council	5.198	0.186	5.385	-	1.441	0.894	2.957	5.291	
City Clerk/Elections	4.093	0.147	4.240	0.050	1.121	0.695	2.301	4.167	
City Coordinator Administration	1.863	0.067	1.930	-	0.516	0.320	1.060	1.896	
311	3.579	0.128	3.708	-	0.992	0.615	2.036	3.643	
911	8.856	0.318	9.174	-	2.454	1.522	5.038	9.014	
Emergency Management	0.795	0.029	0.823	-	0.220	0.137	0.452	0.809	
Civil Rights	2.823	0.101	2.925	-	0.782	0.485	1.606	2.874	
Communications	2.321	0.083	2.404	3.930	-	-	-	3.930	
Community Planning & Economic Development (CPED)	22.823	0.783	23.606	28.513	-	-	1.001	29.514	
Contingency	4.697	0.333	5.030	-	-	-	5.030	5.030	
Finance	23.126	0.830	23.955	-	6.409	3.975	13.155	23.539	
Health and Family	7.717	0.277	7.994	2.721	1.411	0.875	2.896	7.902	
Human Resources	7.314	0.262	7.576	-	2.027	1.257	4.160	7.444	
Intergovernmental Relations	1.731	0.062	1.793	-	0.480	0.298	0.985	1.762	
Internal Audit	0.438	0.016	0.454	-	0.121	0.075	0.249	0.446	
Mayor	1.831	0.066	1.897	-	0.507	0.315	1.042	1.864	
Neighborhood & Community Relations	1.042	0.038	1.080	-	0.289	0.179	0.593	1.061	
Public Works	54.493	1.955	56.448	14.777	11.148	6.915	22.883	55.724	
Regulatory Services	15.289	0.549	15.838	14.192	-	-	-	14.192	
Subtotal for all other departments	184.119	6.734	190.853	64.266	33.800	20.967	75.412	194.445	
Total General Fund Departments	397.368	14.383	411.751	78.582	89.065	55.249	188.855	411.751	
General Fund transfer for Rent									
Transfers for City Hall rent	0.853	0.031	0.884	-	-	-	0.884	0.884	
Total General Fund	401.814	10.312	412.126	78.582	89.065	55.249	189.230	412.126	
Other Property Tax-Supported Commitments									
Capital - Permanent Improvement	0.980	-	0.980	-	-	-	0.980	0.980	
Debt Service	34.300	-	34.300	-	-	-	34.300	34.300	
Pensions - Direct Levy for MPRA, MFRA and MERF	26.764	-	26.764	-	-	-	26.764	26.764	
Subtotal	62.044	-	62.044	-	-	-	62.044	62.044	
Total Property Tax Supported Commitments	463.858	10.312	474.170	78.582	89.065	55.249	251.274	474.170	
							2017 Total Revenue	474.170	
							2017 Total Expense	474.170	
							(Additional cuts needed)/Cushion for adverse circumstances	0.000	

Five-Year Summary of Property Tax Supported Budgets

	2013 Expense	5-Year Projected Growth in Spending	2018 Expense	Avg Annual % Incr over 5-yr period	2018 Direct Revenue	Allocated Revenues for Presentation Purposes <i>These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.</i>			2018 Total Revenues
						2018 General City Revenues (Non-Direct)	2018 Local Government Aid	2018 Property Tax Revenue	
General Fund									
General Fund Commitments									
Internal Service Funds Financial Plans	28.633	(28.633)	-	-100.0%	-	-	-	-	-
Transfers to BIS for WIFI from Gen Fd Depts	0.491	(0.295)	0.196	-60.1%	-	-	-	0.196	0.196
Graffiti Removal	0.150	-	0.150	0.0%	-	-	-	0.150	0.150
Target Center Financial Plan	0.089	0.489	0.578	549.4%	-	-	-	0.578	0.578
Payment to County for Library System	4.106	(4.106)	-	-100.0%	-	-	-	-	-
Property tax stabilization account	-	(2.548)	(2.548)	0.0%	-	-	-	(2.548)	(2.548)
Post election transition costs	-	0.400	0.400	100.0%	-	-	-	0.400	0.400
Pension Debt Service Mgmt Plan	0.715	-	0.715	0.0%	-	-	-	0.715	0.715
Total General Fund Commitments	34.184	(34.693)	(0.509)	-101.5%	-	-	-	(0.509)	(0.509)
General Fund Activities									
Police	131.564	24.468	156.244	18.8%	10.357	39.028	24.210	80.113	153.708
Fire	53.790	10.166	64.653	20.2%	3.959	16.237	10.072	33.330	63.598
Subtotal for Public Safety	185.354	34.634	220.898	19.2%	14.316	55.265	34.282	113.443	217.307
Assessor	4.315	0.810	5.125	18.8%	0.063	1.354	0.840	2.780	5.037
Attorney	7.975	1.452	9.470	18.7%	0.020	2.528	1.568	5.189	9.306
BIS	0.200	-	-	0.0%	-	-	-	-	-
City Council	4.538	0.723	5.385	18.7%	-	1.441	0.894	2.957	5.291
Clerk/Elections	3.779	0.627	4.240	12.2%	0.050	1.121	0.695	2.301	4.167
City Coordinator Administration	1.628	0.289	1.930	18.5%	-	0.516	0.320	1.060	1.896
311	3.122	0.586	3.708	18.8%	-	0.992	0.615	2.036	3.643
911	7.616	1.393	9.174	20.5%	-	2.454	1.522	5.038	9.014
Emergency Management	0.693	0.130	0.823	18.8%	-	0.220	0.137	0.452	0.809
Civil Rights	2.463	0.443	2.925	18.7%	-	0.782	0.485	1.606	2.874
Communications	2.136	0.360	2.404	12.6%	3.930	-	-	-	3.930
Community Planning & Economic Development (CPED)	14.349	3.711	23.606	64.5%	28.513	-	-	1.001	29.514
Contingency	3.825	0.908	5.030	31.5%	-	-	-	5.030	5.030
Finance	20.323	3.698	23.955	17.9%	-	6.409	3.975	13.155	23.539
Health and Family	4.561	1.263	7.994	75.3%	2.721	1.411	0.875	2.896	7.902
Human Resources	7.339	1.197	7.576	3.2%	-	2.027	1.257	4.160	7.444
Intergovernmental Relations	1.510	0.273	1.793	18.7%	-	0.480	0.298	0.985	1.762
Internal Audit	0.382	0.067	0.454	18.7%	-	0.121	0.075	0.249	0.446
Mayor	1.598	0.275	1.897	18.7%	-	0.507	0.315	1.042	1.864
Neighborhood & Community Relations	0.934	0.171	1.080	15.6%	-	0.289	0.179	0.593	1.061
Public Works	52.172	8.891	56.448	8.2%	14.777	11.148	6.915	22.883	55.724
Regulatory Services	16.533	2.483	15.838	-4.2%	14.192	-	-	-	14.192
Subtotal for all other departments	161.991	29.751	190.853	17.8%	64.266	33.800	20.967	75.412	194.445
Total General Fund Activities	347.345	64.385	411.751	37.0%	78.582	89.065	55.249	188.855	411.751
General Fund transfer for Rent									
Transfers for City Hall rent	0.748	0.079	0.884	18.2%	-	-	-	0.884	0.884
Total General Fund	382.277	29.771	412.126	7.8%	78.582	89.065	55.249	189.230	412.126
Other Property Tax-Supported Commitments									
Capital - Permanent Improvement	0.980	-	0.980	0.0%	-	-	-	0.980	0.980
Debt Service	20.776	6.517	34.300	65.1%	-	-	-	34.300	34.300
Pensions - Direct Levy for MPRA, MFRA and MERF	26.764	-	26.764	0.0%	-	-	-	26.764	26.764
Subtotal	48.520	6.517	62.044	0.651	-	-	-	62.044	62.044
Total Property Tax Supported Commitments	430.797	36.288	474.170	10.1%	78.582	89.065	55.249	251.274	474.170
							2013 Max 2018 Max	219.392 251.274	
							(Additional cuts needed)/Cushion for adverse circumstances	0.000	

City of Minneapolis 2013 Budget

Ten-Year Projection of Demands on the Property Tax

Background

Longer term financial planning is integral to the City's budget process. In order to identify and plan for demands on the property tax levy, the City implemented a ten-year property tax projection initiative. The ten-year projection was first produced in the spring of 2002 to surface all the demands on the property tax to which the City had committed. This projection led to the adoption of the 8% maximum property tax policy in the summer of 2002 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 resource parameters for department business plans. This policy was subsequently amended in 2010 to fund shared costs and provide consistent levels of operating resources for the City and independent boards. Projections now serve as general guidance for departmental resource planning as the City adopted the Priority Budgeting Process.

Assumptions in the Ten-Year Projection

For details on the financial outlook for the City, please refer to the schedule of projected demands on the property tax.

- Included in the projections is a property tax stabilization account that will smooth property tax levy increases and decreases to provide a more stable percent change from year to year. This funding mechanism is planned to start in 2015.

General Fund Operations Assumptions

- It is anticipated that salary settlements will vary within and between bargaining units. Assumptions are updated annually as contracts are settled.
- Annual increases in health insurance premiums of 5.0% in 2013, 9.5% in 2014-2018, and 12% thereafter.
- Non-personnel increases are assumed to be 3.5% each year.
- No increase in departmental and citywide revenue (except for some regulatory services, CPED and Health revenues which are expected to increase by 3%). Please see the discussion in the 2014-2018 five-year financial direction, earlier under this same tab, for more information by department.
- Internal Service Funds financial plans are phased out at an accelerated schedule. The final transfer is scheduled for 2015.
- Commitments for the library are included in the general fund. In 2010 and beyond, the property tax levy for operations are included in the Hennepin County levy.

Capital and Debt Assumptions

- As part of last year's budget and in response to critical infrastructure needs and reduced support from the State of Minnesota, the amount of property tax supported resources for capital improvements was expanded from the previous five-year plan by over \$56 million, from \$94 million to \$150 million. For 2013 – 2017 and future years, the intent is to sustain this higher level of property tax supported (net debt bond) funding to continue the infrastructure acceleration program, which otherwise would have concluded in 2013. This ongoing higher capital infusion will improve all classes of City infrastructure with a greater emphasis on paving projects, parks, traffic signals and economic development projects that enhance the property tax base. Even with the infrastructure acceleration

program from 2009 – 2013 and the higher net debt bond resource levels, there is a large backlog of infrastructure needs that still must be addressed. The current emphasis for expenditures in this program is primarily on improving street paving.

- The Net Debt Bond (NDB) program is funded with property tax collections. The five-year financial direction for the bond redemption levy includes increases in 2014 and more significant increases for 2015 and beyond for capital improvements. These increases are possible due to improvements in the internal service fund financial plans which reduce the demand for property tax resources previously needed to eliminate their deficits. The plan to pay off the remaining pension bonds in 2012 also creates financial capacity to continue the expanded NDB program.

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

	BUDGET YEAR 2013	5 Year Financial Directions Planning Time Line					2019	2020	2021	2022	2023
		2014	2015	2016	2017	2018					
General Fund* Less Pension Mgmt. Plan (* Includes the Chapter 595 (HRA) Levy)	\$18.143	(\$1.330)	(\$1.836)	\$5.996	\$6.872	\$7.814	\$10.849	\$13.983	\$15.520	\$16.479	\$17.303
City Capital/Debt											
Permanent Imp Fund	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Bond Redemption Fund	\$2.401	\$6.517	\$7.007	\$0.000	\$0.000	\$0.000	\$0.980	\$0.000	\$0.000	\$0.000	\$0.000
Subtotal City Capital/Debt	\$2.401	\$6.517	\$7.007	\$0.000	\$0.000	\$0.000	\$0.980	\$0.000	\$0.000	\$0.000	\$0.000
City Totals Less Trf Pension Mgmt. Plan	\$20.544	\$5.187	\$5.171	\$5.996	\$6.872	\$7.814	\$11.829	\$13.983	\$15.520	\$16.479	\$17.303
Independent Boards & Closed Pension Funds											
Board of Estimate & Taxation	\$0.005	\$0.004	\$0.010	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005	\$0.005	\$0.004
Library Referendum Levy	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Park & Recreation Board	\$1.371	\$1.721	\$1.799	\$1.883	\$1.972	\$2.067	\$2.354	\$2.503	\$2.666	\$2.844	\$3.040
Municipal Bldg. Commission	\$0.123	\$0.153	\$0.160	\$0.168	\$0.175	\$0.186	\$0.209	\$0.225	\$0.238	\$0.255	\$0.272
Mpls Public Housing Authority	\$0.196	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Teachers Retirement Assoc	(\$0.049)	(\$0.098)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Subtotal Independent Boards	\$1.646	\$1.780	\$1.969	\$2.056	\$2.152	\$2.258	\$2.568	\$2.733	\$2.909	\$3.104	\$3.316
Pension Mgmt. Plan	(\$17.336)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Independent Bds & Closed Pension Funds	(\$15.693)	\$1.780	\$1.969	\$2.056	\$2.152	\$2.258	\$2.568	\$2.733	\$2.909	\$3.104	\$3.316
Incremental Property Tax Revenue	\$4.658	\$6.967	\$7.140	\$8.052	\$9.024	\$10.072	\$14.397	\$16.716	\$18.429	\$19.583	\$20.619
Total Property Tax Revenue	\$278.869	\$285.641	\$292.781	\$300.833	\$309.857	\$319.929	\$334.326	\$351.042	\$369.471	\$389.054	\$409.673
% Change Property Tax	1.77%	2.50%	2.50%	2.75%	3.00%	3.25%	4.50%	5.00%	5.25%	5.30%	5.30%
	BUDGET YEAR 2013	5 Year Financial Directions Planning Time Line					2019	2020	2021	2022	2023
		2014	2015	2016	2017	2018					

**City of Minneapolis
FY 2013 Budget
Financial Plan**

Convention Center Special Revenue Fund

Background

The Convention Center Special Revenue Fund accounts for the maintenance, operation and marketing of the City-owned Convention Center and related facilities, as well as various local 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, and cultural, religious, and sporting events - all of which benefit and showcase the City, the metropolitan region, and the State of Minnesota. The marketing of the Convention Center, as well as the City overall, is supported by providing funding to Meet Minneapolis, 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 2011 fund balance for the Convention Center Special Revenue Fund was \$43.9 million, an increase of \$3.9 million from 2010. The cash balance in the fund grew by approximately \$4.3 million. In addition, the Convention Center Facilities Reserve Fund had a 2011 year-end fund balance of \$5.75 million. The 2011 increase in fund balance can be largely attributed to an increase in operating and local tax revenue, coupled with lower capital investment and operating expenses.

For 2011, the operating deficit (operating revenue less operating expenses) dropped to \$(9.7) million from \$(11.8) million in 2010.

The increase in local sales taxes was largely due to increases in consumer spending within the City of Minneapolis, in addition to summer events such as the U2 concert at TCF Stadium. Details of recent history for the local sales taxes are provided below:

Comparative amounts collected:

<u>Local Sales Taxes (in millions)</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>% chg.</u>
0.5% Citywide Sales tax	\$26.5	\$27.3	\$29.9	9.5%
3.0% Downtown Restaurant Tax	\$9.9	\$10.5	\$11.0	4.8%
3.0% Downtown Liquor Tax	\$3.8	\$4.6	\$4.6	0.0%
<u>2.625% Lodging Tax *</u>	<u>\$5.7</u>	<u>\$5.8</u>	<u>\$6.3</u>	<u>8.6%</u>
Total Tax Collection	\$45.9	\$48.2	\$51.8	7.5%

* Lodging Tax was reduced from 3% effective 07/01/2009

Until 2012, the entertainment tax of 3.0% flowed through the Convention Center Fund, though it was ultimately transferred to the General Fund to offset additional public safety costs associated with City-wide entertainment activities. Starting in 2012, the entertainment tax is credited directly into the General Fund. A history of recent collections of the entertainment tax is provided at the top of the following page:

<u>Entertainment Taxes (in millions)</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>% chg.</u>
3.0% Entertainment Tax	\$9.1	\$13.2	\$14.1	6.8%

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 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. Food and beverage commission sales account for the other miscellaneous operating revenue.

In 2011, total operating revenue was \$14.7 million, which was an increase of \$1.8 million from 2010 and nearly \$500,000 over the 2011 budget.

2012 Projections

Operating revenue is currently projected to come in at approximately \$15.1 million, which would be up \$0.7 million from 2011 results. With operating expenses projected to be approximately \$24.0 million, a decrease of \$0.4 million from 2011, the operating deficit is projected to be \$(8.9) million. The ongoing management of operating expenses includes a variety of cost containment activities:

- Reduction in energy consumption
- Identifying and implementing operating efficiencies
- Realignment of the workforce
- Managing overtime

Capital investments for equipment, maintenance and improvements are projected at \$5.2 million, but the budget has been encumbered and the Convention Center anticipates submitting a rollover request for the obligated, but unspent funds. In addition, \$4.2 million in bonds were issued this year to finance the replacement of the domes. Debt service for this bond issue will commence in 2013, with all of the bond debt retired by 2017.

City funding of Meet Minneapolis is projected to be approximately \$8.1 million, \$300,000 under budget and approximately \$500,000 above 2011.

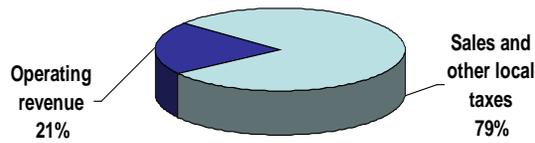
Local sales taxes are projected to be \$55.0 million in 2012, a 6% increase from 2011 actuals. Although no longer booked into the Convention Center Fund, entertainment taxes are estimated at \$14 million, which is near 2011 levels.

2013 Budget

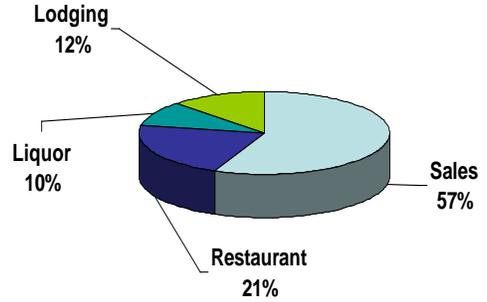
Operating Revenues

The 2013 revenues for the Convention Center have been adjusted to reflect the actual historical receipts and anticipated event activity. Total operating revenue for 2013 is budgeted to be \$14.8 million which is approximately \$300,000 lower than the most recent 2012 projection. The Convention Center is doing better in 2012 than originally projected when the 2013 budget was developed and adopted. Though the Convention Center continues to discount rents heavily to be competitive, operational changes made in the beginning of 2011 generated positive results in all operational areas, particularly in rental revenue along with charges for services and equipment. The 2013 budget projections will be reviewed and adjusted after the first quarter.

Convention Center Fund Revenues



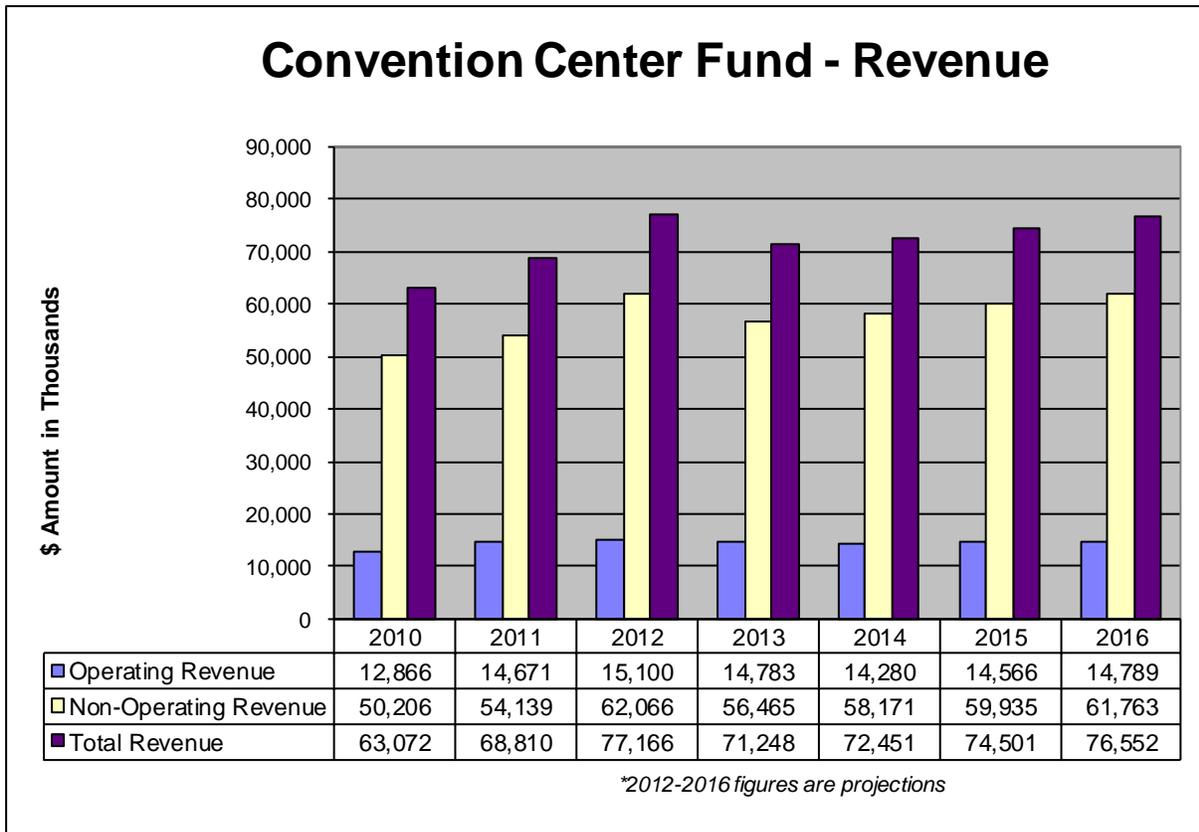
Sales and Other Taxes



Convention Center Special Revenue Fund Predicted Revenue Growth	
Tax Type	Current Growth Assumption 2013-2016
0.5% Sales	2.6%
2.625% Lodging Tax	3.0%
3.0% Restaurant Tax	3.4%
3.0% Liquor Tax	5.6%

Local sales tax revenue

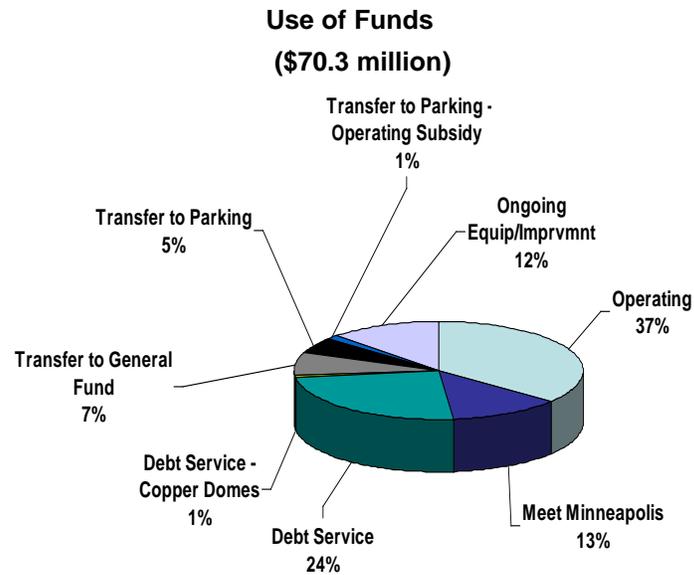
Local sales tax revenue is budgeted to increase 2% in aggregate for 2013, compared to projected full-year 2012 with the largest increases seen in restaurant, liquor, and lodging taxes. The entertainment tax (no longer booked in the Convention Center Fund), is budgeted at \$15 million, a 2.0% increase from projected 2012 levels.



Note: Non-operating revenue includes bonds issued, transfers in and local taxes through 2012; after 2012, there is no revenue from bonds or transfers.

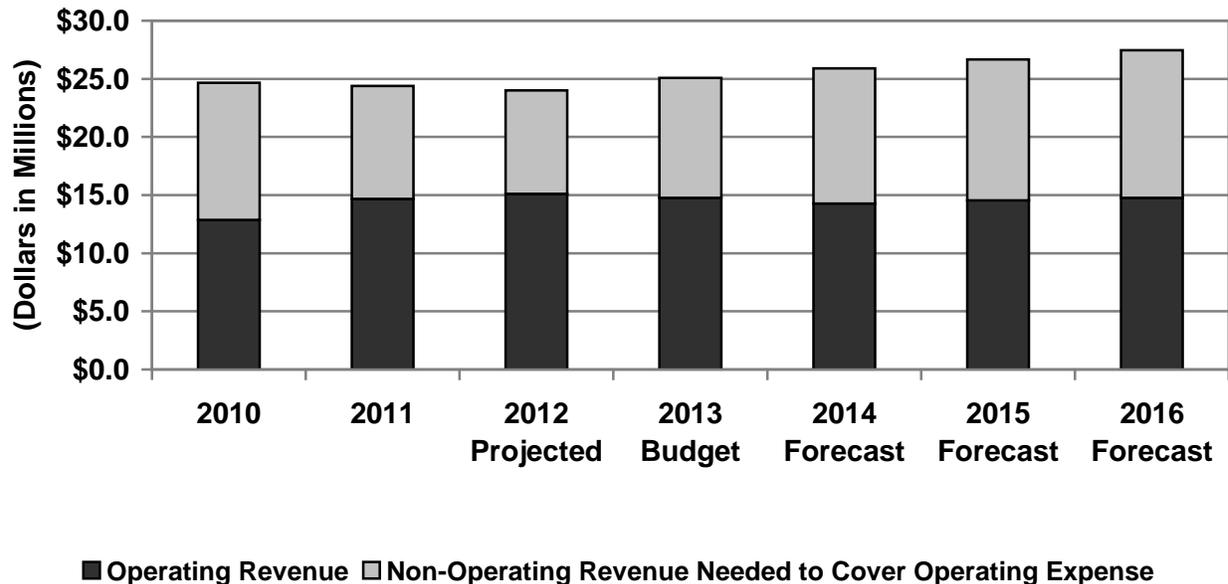
Expenditures

Operating expenses are budgeted at \$25.1 million, up slightly from a projected \$24.0 million in 2012. At this level, the operating deficit is budgeted to be \$(10.3) million. The budget for Meet Minneapolis is \$8.9 million, up \$750,000 from projected 2012. Capital investments for 2013 are budgeted at \$8.9 million, per the long-term capital plan previously adopted by City Council. Beginning in 2013, \$5.0 million in sales tax revenue will be transferred to the General Fund from the Convention Center in addition to the \$250,000 that has historically been transferred for public safety purposes in conjunction with activities at the Convention Center.



* Entertainment tax and Target Center transfers are reported below the Use of Funds total

Operating Revenue and Expense (Excludes Ongoing Equipment & Improvement)



Cash Fund Balance

Between the Convention Center Special Revenue Fund and the Facility Reserve Fund the ending 2013 cash balance is budgeted at approximately \$35 million.

Debt Service

The 2013 budget includes full funding to meet the annual debt service payments of both \$20.7 million for the outstanding debt and \$600,000 for the anticipated new debt to be issued for the dome replacement.

Forecasts for 2014-2016

Operating revenue is currently forecasted to range between \$14.3 million and \$14.8 million, based on already booked events and projections for additional bookings. For planning purposes, operating expenses are forecasted to increase 3.0% annually from budgeted 2013 levels, though cost containment efforts should lead to lower actual operating costs. The 2014 forecast for Meet Minneapolis is roughly flat to 2013, with 2.8% annual inflators thereafter.

Capital investments are forecasted to rise to \$9.1 million, \$9.5 million and \$10.6 million over this period, all in line with the long-range capital plan.

No new debt service is forecast and all existing debt service (including the projected debt service from the anticipated debt for the dome replacement) is fully funded.

Local sales tax revenues are forecast to continue to increase by 2.6% annually. The \$5.25 million annual transfer from local sales taxes to the general fund is funded in each year of the forecast period.

Due to conservative forecasting on future operating deficits (2016 operating deficit of \$(12.7) million), forecasted cash balances drop from \$31.6 million to \$29.9 million in 2016.

Convention Center Related Programs

The Convention Center Department has three programs:

MCC Events Program

The Convention Center Events Program provides sales, event coordination, delivery of audio visual, utility, security, and guest services to international, national, regional, state, and local clients and other attendees. Events drive economic impact into the City and these clients and attendees purchase goods and services from local businesses contributing to a vibrant downtown.

MCC Facility Program

The Convention Center Facility Program provides the physical building and grounds of the Convention Center, as well as the building trades and grounds staff who maintain this City asset. The MCC Events Program uses the building.

MCC Tallmadge Program

The Convention Center Tallmadge building is currently operating as an office building that is leased to local businesses. Within the next several years, as lease contracts expire, the Convention Center will implement their long-term strategy to repurpose the building into a visitor center and restaurant to provide amenities and access to cultural/recreational activities for visitors. This asset is attracting national and economic impact to the City.

Mayor's Recommendation

The Mayor recommends no changes to this fund.

Council Adopted Budget

Council approved the Mayor's Recommendations

City of Minneapolis
FY 2013 Council Adopted Budget
Financial Plan (in thousands of dollars)

Convention Center Special Revenue Fund

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg From 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
Source of Funds:									
<i>Operating Revenues:</i>									
Charges For Services	4,501	5,347	5,140	5,405	5,339	-1.2%	5,191	5,294	5,336
Rents	6,203	6,580	6,492	7,006	6,400	-8.6%	6,555	6,688	6,822
Other Miscellaneous Operating	2,162	2,744	2,509	2,689	3,044	13.2%	2,534	2,584	2,631
Sub-Total	12,866	14,671	14,141	15,100	14,783	-2.1%	14,280	14,566	14,789
<i>Non-Operating Revenues:</i>									
Sales Tax	27,266	29,922	28,842	31,700	31,500	-0.6%	32,319	33,159	34,021
Restaurant Tax	10,491	11,032	11,097	11,400	12,000	5.3%	12,408	12,830	13,266
Liquor Tax	4,586	4,599	4,865	5,450	5,700	4.6%	6,019	6,356	6,712
Lodging Tax	5,790	6,300	6,125	6,400	6,800	6.3%	7,004	7,214	7,431
Interest	342	162	145	277	200	-27.8%	206	212	219
Other Misc Non Operating	731	624	314	1,028	265	-74.2%	215	164	114
Bonds Issued - Domes	-	-	5,000	4,200	-	-100.0%	-	-	-
Premiums and Accrued Interest (Bonds)	-	-	-	111	-	-100.0%	-	-	-
Transfer From Convention Facilities Reserve	1,000	1,500	1,500	1,500	-	-100.0%	-	-	-
Sub-Total	50,206	54,139	57,888	62,066	56,465	-9.0%	58,171	59,935	61,763
Total	63,072	68,810	72,029	77,166	71,248	-7.7%	72,451	74,501	76,552
Entertainment Tax	13,176	14,077	-	-	-	-	-	-	-
Use of Funds:									
Convention Center Operations	24,667	24,392	25,968	24,000	25,092	4.6%	25,912	26,689	27,490
Ongoing Equipment/Improvement	7,990	1,612	7,076	5,200	8,765	68.6%	9,115	9,480	10,628
Meet Minneapolis	6,976	7,525	8,388	8,138	8,888	9.2%	8,803	9,052	9,309
Capital Improvements - Domes	-	-	5,000	3,894	-	-100.0%	-	-	-
Transfer To Gen Fund	250	250	250	250	5,250	2000.0%	5,250	5,250	5,250
Transfer To Conv Facilities Reserve	1,150	1,150	1,150	1,150	-	-100.0%	-	-	-
Transfer To Debt Service	19,037	22,214	20,075	19,834	16,947	-14.6%	17,087	23,462	24,092
Transfer to Debt Service - Domes	-	-	-	-	586	0.0%	1,774	1,020	520
Transfer To Other Debt Service Fund	73	153	400	400	-	-100.0%	-	-	-
Transfer for Gen Fund Debt Service (Bonds)	0	0	-	111	-	-100.0%	-	-	-
Transfer To Parking Fund for Debt Service	10,544	6,589	5,580	5,580	3,729	-33.2%	4,195	-	-
Transfer to Parking Fund - Operating Subsidy	1,000	1,000	-	-	1,000	0.0%	1,000	1,000	1,000
Total	71,687	64,885	73,887	68,557	70,257	2.5%	73,136	75,953	78,289
Transfer to Gen Fund - Ent. Tax	12,469	13,997	-	-	-	-	-	-	-
Transfer to Target Center - Ent. Tax	706	80	-	-	-	-	-	-	-
Net Income	(8,615)	3,925	(1,858)	8,609	991	-88.5%	(684)	(1,452)	(1,737)
Fund Balance/Retained Earnings:									
Beginning Balance	48,625	40,009	43,933	43,933	52,542	19.6%	53,533	52,849	51,397
Ending Balance	40,009	43,933	42,075	52,542	53,533	1.9%	52,849	51,397	49,660
Ending Cash Balance	21,079	25,362	23,504	33,971	34,962	2.9%	34,278	32,826	31,089
Convention Center Facility Reserve Fund Balance	6,100	5,750	5,400	5,400	5,400	0.0%	5,400	5,400	5,400

Notes:

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 additional 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.

Beginning in 2011, BIS will be transferring \$1.5 million annually to the MCC with a final payment of \$1.75 million in 2016 to repay their loan from the MCC.

The loan is being accounted for on the balance sheet.

**City of Minneapolis
2013 Budget
Financial Plan**

Arena Reserve Special Revenue Fund

Background

The Arena Reserve Special Revenue Fund accounts for the maintenance and operation of the City-funded portion of the Target Center. The day to day operations are managed by AEG, one of the leading sports and entertainment presenters in the world. The City pays AEG an annual operator reimbursement for contracted services for operating and promoting the Target Center.

The entertainment tax directed to the Arena Fund reflects entertainment tax proceeds generated from Target Center activities. Also, the Arena Fund is credited with a transfer from the Parking Fund, per Council action and the long-term Target Center finance plan. This transfer reflects the estimated parking revenue received from events at Target Center.

The Arena Reserve Fund also receives financing from three Tax Incremental Financing (TIF) sources: The Arena TIF District, the Consolidated TIF District and the Common Project. These revenues are restricted for specific purposes, such as debt service, capital expenses, and certain administrative costs.

2012 Projections

In 2012, the unrestricted Arena revenue, before the \$2.0 million capital contribution from AEG, is projected to finish at \$4.397 million which is above the \$3.933 million budget. The Target Center is having a good year with a large increase in Timberwolves event attendance and several large concerts and events. Due to this increased activity, entertainment tax is projected to be \$1.3 million, \$400,000 over budget. For the year, total capital investments are projected at \$4.13 million, including the \$2.0 million capital contribution from AEG, as well as an additional \$1.5 million that will be carried forward for completion in 2013.

2013 Budget

Revenues

Revenues from the TIF sources are budgeted to be \$7.4 million, a reduction of \$700,000 from 2012 projections. Entertainment tax revenues are budgeted at \$1.3 million, consistent with the current projected 2012 levels and the parking revenue transfer is budgeted at \$3.1 million. In addition, \$92,000 is budgeted for base property taxes paid by the primary tenant of the Arena.

Expenditures

The major expenditure funded with the TIF revenue in the 2013 budget is \$5.3 million of existing debt service. In addition, TIF revenue is budgeted to fund \$2.25 million in capital improvements in 2013 as well as \$100,000 in administrative costs. Budgeted expenditures funded with other non-TIF sources include an additional \$1.8 million in capital improvements, \$20,000 in administrative costs and a \$1.47 million operator reimbursement.

Renovation project

The 2013 budget contemplates a significant renovation project for the Arena and the public realm surrounding it. To finance the City's share of the project, it is likely that the City will issue taxable general obligation bonds, with local sales tax revenues being the primary revenue source for debt service on these bonds. Negotiations have commenced with AEG, the Timberwolves/Lynx and LifeTime Fitness to discuss each party's contribution to the overall project. As a result of these negotiations, it is possible that certain of the financial inter-relationships among the parties may change. The current 2013 budget includes a placeholder to reflect the financial impact of the renovation within the Arena Reserve Fund. \$2.5 million in annual local sales tax revenues has been identified to fund an estimated \$2.5 million in new debt service obligations on an annual basis which is reflected in the budget as an expense. As negotiations progress, and the sizing and timing of any new debt issuance and revised financial ramifications become more certain, the information in the financial schedule for the Arena Reserve Fund will be revised.

Mayor's Recommended Budget

The Mayor recommended no changes to this fund.

Council Adopted Budget

The Council adopted the Mayor's recommendation.

**City of Minneapolis
2013 Budget
Financial Plan (in thousands of dollars)**

Arena Reserve Special Revenue Fund

	2010 Actual	2011 Actual	2012 Budget	Original 2012 Projected	Revised 2012 Projected	2013 Budget	% Chg From 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
Source of Tax Increment Funds:										
Common Project TIF Contribution (01CPK)	1,909	1,989	2,073	2,073	2,073	1,438	-30.6%	1,474	1,515	1,556
Arena Tax Increment (01CPK)	795	953	972	930	930	949	2.0%	-	-	-
Consolidated TIF District (01CON)	0	5,282	5,000	4,925	4,947	4,955	0.2%	5,120	5,310	5,360
Interest Earnings (01CPK & 01CON)	54	80	11	106	68	101	48.5%	99	123	149
Sub-Total	2,758	8,304	8,056	8,034	8,018	7,443	-7.2%	6,693	6,948	7,065
Use of Tax Increment Funds:										
Transfer to Debt Service (01CPK)	1,488	1,157	-	-	50	-	-100.0%	-	-	-
Transfer to Debt Service (01CON)	-	2,529	4,956	4,956	4,956	5,272	6.4%	4,250	4,492	4,740
Capital Improvements/Admin	-	1,759	3,676	3,676	2,126	3,864	81.7%	-	-	-
Sub-Total	1,488	5,445	8,632	8,632	7,132	9,136	28.1%	4,250	4,492	4,740
Net Available After Current Debt	1,270	2,859	(576)	(598)	886	(1,693)		2,443	2,456	2,325
Cumulative TI Balance for Current Debt	7,850	10,709		10,111	11,595	9,902		12,345	14,801	17,126
Source of Non-Restricted Funds:										
Estimated Local Taxes	-	-	-	-	-	2,500	0.0%	2,500	2,500	2,500
Event Parking	2,241	2,758	2,941	2,941	2,941	3,129	6.4%	3,323	3,523	3,728
Entertainment Tax	706	80	900	1,200	1,335	1,300	-2.6%	1,340	1,380	1,420
Arena Base Tax	92	89	92	92	92	89	-3.3%	545	555	562
AEG Capital Investment				2,000	2,000					
Interest Earnings (01260)	14	13	-	56	29	56	93.1%	59	64	84
Sub-Total	3,053	2,940	3,933	6,289	6,397	7,074	10.6%	7,767	8,022	8,294
Use of Non-Restricted Funds:										
Estimated New Debt Service	-	-	-	-	-	0	0.0%	2,700	3,500	3,500
Capital Improvements	36	1,312	2,036	2,750	2,000	1,791	-10.5%	2,905	2,520	2,522
Administration	105	228	237	55	69	22	-68.1%	122	124	127
Operator Reimbursement (see note)	1,367	1,563	1,500	1,250	1,483	1,470	-0.9%	1,440	1,410	1,385
Sub-Total	1,508	3,103	3,773	4,055	3,552	3,283	-7.6%	7,167	7,554	7,534
Net Income for Operations	1,545	(163)	160	2,234	2,845	3,791	33.3%	600	468	760
Cumulative Operations Fund Balance	2,772	2,610		4,844	5,455	9,246		9,846	10,314	11,074
Total Anticipated Capital Expenditures	36	3,071		6,331	4,031	5,557		2,905	2,520	2,522
Notes:										
Common Project Tax Increment (01CPK)	May only be used for debt service and capital costs									
Arena Tax Increment (01CPK)	May only be used for debt service, certain administrative costs, and capital costs									
Consolidated TIF District (01CON)	May only be used for debt service									
2012 Maximum Operator Reimbursement was \$1,500,000.										

**City of Minneapolis
2013 Budget
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 and non-tax increment revenues, reductions in federal grant allocations, and limited flexible resources.

2013 Budget

Revenues

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

- Revenues from federal grant programs are reduced as a result of federal actions. While CPED has experienced much success with grant seeking, it is anticipated that revenues from state and local grants may be reduced as the availability of revenue is reduced.
- 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 from changes in the lending and housing markets.
- There will be annual variations in program income. These are shown as declining at a 5 percent rate.
- Revenue from the Consolidated TIF District will be used to pay existing Target Center debt in 2013 and will be used in 2014 and beyond for Target Center debt and neighborhood revitalization activities. The financial plan does not include any assumptions regarding this district, since currently none of the revenues will be directly available for CPED activities.

Expenditures

The expenditure projections contain assumptions that also must be revisited annually in the context of revised revenues and department performance measures:

- CPED staff levels are being increased by 108 positions to a total of 225 funded positions as a result of the transfer of services from Regulatory Services to CPED.
- The tax increment revenues will continue to be restricted to existing debt and contractual obligations.

Debt Service

Bonded debt payable from tax increment revenues will remain outstanding beyond 2013. It is anticipated that tax increment revenue will be sufficient to pay debt service on these obligations.

General Fund Resources

Projected general fund revenues and expenditures are consistent with the Five-Year Financial Direction.

Mayor's Recommended Budget

Please see the CPED Department narrative in the Operating Departments section of this budget book.

Council Adopted Budget

Please see the CPED Department narrative in the Operating Departments section of this budget book.

City of Minneapolis
2013 Budget
Financial Plan (in thousands of dollars)

Projected CPED Revenues & Expenditures

	2011 Revised	2012 Adopted	2013 Adopted Budget	% Chg from 2012	2014 Forecast	2015 Forecast	2016 Forecast
Local Funds							
General Fund Total	3.320	3.505	24.780	607.0%	25.494	26.229	26.985
GF Property Tax & Non-Direct Revenue	1.702	1.647	1.001		1.001	1.001	1.001
General Fund LGA	0.478	0.406	-		-	-	-
General Fund Direct Revenues	1.140	1.452	23.780		24.493	25.228	25.985
Tax Increment	61.329	44.972	30.387	-32.4%	24.606	22.050	19.859
Capital Bonding (CIP) (Public Arts Proj)	0.347	0.346	0.605	74.9%	0.445	0.435	0.375
Dev Acct (Non-TI)	7.715	5.919	6.719	13.5%	4.735	2.435	2.150
Affordable Housing TI		2.000	2.000	0.0%	-	-	-
Interest Earnings all Funds	2.190	2.080	1.248	-40.0%	1.240	1.229	1.227
Housing Program Fees & Revenues	1.339	1.090	1.393	27.8%	1.383	1.371	1.369
Economic Dev Program Fees & Revenues	4.333	4.930	4.777	-3.1%	4.728	4.670	4.667
Other Project & Program Income	9.450	8.422	8.528	1.3%	8.436	8.328	8.335
Transfers (Debt Services)	6.000	4.000	4.000	0.0%	4.000	4.000	4.000
Federal Funds							
CDBG & NSP	10.316	9.198	8.041	-12.6%	8.041	8.041	8.041
ESG	0.573	0.939	0.830	-11.6%	0.830	0.830	0.830
HOME	3.766	2.058	2.153	4.6%	2.153	2.153	2.153
Other State/Local Grants	4.500	4.500	4.500	0.0%	4.500	4.500	4.500
Total Projected Revenues	115.177	93.958	99.962	6.4%	90.591	86.271	84.492
Appropriated							
<u>Business Lines:</u>							
Economic Policy & Development	15.352	10.544	10.181	-3.4%	10.072	9.840	10.086
Workforce Development	11.029	8.874	8.796	-0.9%	8.824	8.818	9.038
Housing & Policy Development	16.021	14.484	14.090	-2.7%	14.076	13.973	14.322
Long Range Planning	1.768	1.487	2.160	45.2%	2.124	2.055	2.106
Development Services	2.361	2.401	13.199	449.7%	12.897	12.340	12.648
<u>CPED Support:</u>							
Executive & Support Services	4.761	5.074	4.784	-5.7%	4.783	3.719	3.812
Transfer & Debt Service	52.909	49.245	39.651	-19.5%	30.555	27.770	25.580
Total Projected Uses	104.199	92.110	92.861	0.8%	83.331	78.514	77.592
Difference	10.978	1.848	7.101		7.260	7.757	6.899

**City of Minneapolis
2013 Budget
Financial Plan**

Neighborhood & Community Relations Special Revenue Fund

Background

The Neighborhood & Community Relations (NCR) Special Revenue Fund accounts for neighborhood revitalization efforts funded by TIF district funds. It is primarily managed by the NCR department with the assistance of the Finance & Property Services Department.

In 2008, the Minnesota Legislature passed special legislation authorizing the City of Minneapolis to establish a non-contiguous redevelopment tax increment financing (TIF) district comprised of all, or portions of, the property located within the City's 15 existing pre-1979 TIF districts. The legislation provided that the new district could be (and was) certified on January 1, 2010 and must be terminated no later than December 31, 2020. This new TIF district is the Consolidated Redevelopment Tax Increment Financing District. The tax increment revenue generated by the Consolidated TIF District may be spent anywhere within the City of Minneapolis.

Pursuant to the Special Legislation, tax increment funds from the Consolidated TIF District may be expended only 1) to pay principal and interest on bond obligations issued by the City or the Minneapolis Community Development Agency ("MCDA") for Target Center; and 2) for neighborhood revitalization purposes.

Historical Financial Performance

In 2011, the City established this Fund and through 2011, the NCR portion has established a fund balance of \$2.4 million. The City decided to reduce property tax levies in 2012-2013 by using reprogrammed NRP resources (\$10 million) to fund neighborhood revitalization services for these two years.

2013 Budget

Revenues

The total revenue budgeted for 2013 is \$1.3 million; \$1.2 million of this is the result of a transfer in of reprogrammed Phase II NRP funds.

Expenditures

Expenditures from the NCR Special Revenue Fund include funding for Neighborhood Support Services and NCR Administrative costs. Total budgeted expenditures for 2013 are \$1.3 Million.

Mayor's Recommended Budget

The Mayor recommended no changes to the proposed budget for this fund. Additionally, on a one time basis, the Mayor recommended \$25,000 in one-time funding for Resident Partners.

Council Adopted Budget

Council approved the Mayor's recommendations.

**City of Minneapolis
2013 Budget
Financial Plan (in thousands of dollars)**

NCR Special Revenue Fund

	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg From 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
Sources of Funds:								
Consolidated TIF	5,133					5,122	5,309	5,361
Transfer in- Reprogrammed Phase II NRP Funds (01SNR)		5,210	1,200	1,200	0.0%			
Transfer in- NRP Fund Interest- Post 2009 (01SNR)				104				
Total Sources	5,133	5,210	1,200	1,304	8.7%	5,122	5,309	5,361
Uses of Funds:								
Community Participation Program	2,009	4,010	836		-100.0%	3,700	3,800	3,900
Rebuilding Our Community				104				
Community Innovation Fund							300	
Reserve Fund								
2012-2013 Equity Fund			370					
Neigh. Support & Admin	680	1,200	1,200	1,200	0.0%	1,236	1,273	1,311
Total Uses	2,689	5,210	2,406	1,304	-45.8%	4,936	5,373	5,211
Net Income	2,444	-	(1,206)	-	100.0%	186	(64)	150
Fund Balance -Beginning	-	2,444	2,444	1,238		1,238	1,424	1,360
Fund Balance - Ending	2,444	2,444	1,238	1,238		1,424	1,360	1,510

**City of Minneapolis
2013 Budget
Financial Plan**

Regulatory Services Special Revenue Fund

Background

The Regulatory Services Special Revenue Fund accounts for the City's nuisance building abatement efforts and is primarily managed by the Regulatory Services Department with the assistance of the Finance & Property Services Department. The Fund is used not only for the abatement of buildings that have been deemed to be in nuisance condition pursuant to Chapter 249 but also removal of nuisance conditions. Property owners are charged to recover the costs of these activities and all recovered costs are credited back to this fund. In 2013 the Construction Code Services department of Regulatory Services was transferred to Community Planning and Economic Development (CPED). A portion of the activities in the Regulatory Services Special Revenue Fund are now managed by CPED.

Historical Financial Performance

The City established this fund in 2008, and through 2011, it has established a fund balance of \$5.5million. This balance is the result of various initiatives in previous years and the availability of grant funds to pay for certain eligible expenses. Both of these revenue sources are not projected to continue leaving special assessments and direct property owner charges as the only sources of revenue for this fund. These resources will face challenges in 2013 and beyond, including lower than expected assessment collections and reductions in grant allocations.

2013 Budget

Revenues

Revenues for the Regulatory Services Special Revenue Fund have been declining since 2011. The total revenue budgeted for 2013 is \$4.3 million; \$3.9 million of this is from special assessments. In 2013 Regulatory Services share of these revenues is \$3.9 million and CPED's share is \$361,000. Revenue in future years revenue is expected to decline by 5% annually.

Expenditures

Expenditures from the Regulatory Services Special Revenue Fund include services such as demolitions, boardups, nuisance grass cutting, nuisance tree removals, and nuisance rubbish removal. In order to continue to spend down fund balance, total budgeted expenditures for 2013 are \$5.0M or \$633,000 in excess of revenue. Regulatory Services appropriation is \$4.6 million, and CPED's appropriation is \$360,000.

Mayor's Recommended Budget

The Mayor recommends no changes to this fund.

Council Adopted Budget

The Council amended the Mayor's recommendation for this fund through the implementation of the Regulatory Services Transition Committee's plans to move Construction Code Services from Regulatory Services to CPED as part of the 2013 Council Adopted Budget.

City of Minneapolis
 2013 Budget
 Financial Plan (in thousands of dollars)
 Regulatory Services Special Revenue Fund

Special Revenue Fund	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg from 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
Source of Funds:									
Special Revenue Fund	7,365	5,944	6,052	4,800	4,568	95%	4,339	4,122	3,916
Uses of Funds:									
Special Revenue Fund	7,247	7,241	8,452	5,000	5,212	104%	5,264	4,328	3,995
Net Income	118	(1,297)	(2,400)	(200)	(644)	322%	(925)	(206)	(79)
Fund Balance at start of year	6,657	6,775	5,478	5,478	5,278		4,634	3,709	3,503
Fund Balance at end of year	6,775	5,478	3,078	5,278	4,634	-	3,709	3,503	3,424

**City of Minneapolis
2013 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 presents a future financial challenge to the City due to cash flows. While the fund continues to generate positive changes in net assets, and, with the help of Convention Center sales tax and tax increment and abatement revenues, is capable of satisfying its debt service while restoring its productive assets, it is unable to sustain the current levels of dividend payments to other funds.

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 (\$7.2 million in year 2012) from the Minneapolis Convention Center to pay the debt service and a small portion of the operating costs for the Convention Center-related parking facilities. The fund also receives transfers (\$7.1 million in 2012) from tax increment and abatement revenue to pay part of major development projects in downtown area.

For historical trends, the 2010 and 2011 operating revenues and expenses are presented in the 2013 Parking Fund budget chart (see on a following page). Increases in revenues and expenses for 2010 can be attributed to approximately \$6 million in reimbursement from the State for improvements made to the State-owned ramps to facilitate event parking for Target Field. Additionally, other miscellaneous revenues for that year include approximately \$13 million in proceeds from the sale of ramps which was used to pay off a portion of the long-term debt.

The Parking Fund cash balance for year 2011 was \$11.6 million. The parking system creates a positive cash flow from the parking system operations. However with the projected transfers out to other funds, the Parking Fund may have a negative cash position in future years. Based on current and proposed budgets the Parking Fund cash balances are going to continue to decrease.

2013 Budget

Revenues

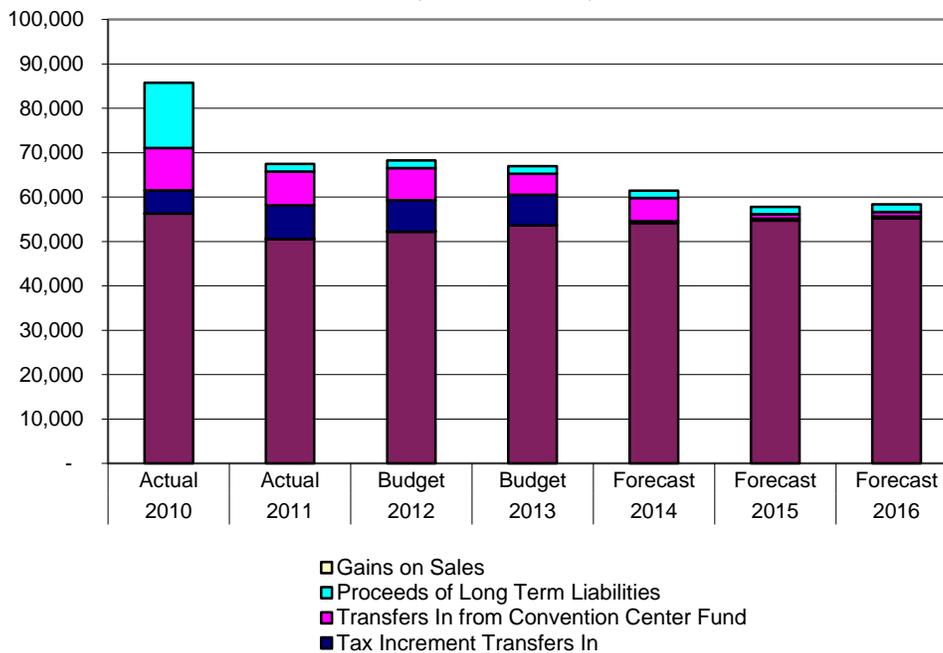
The parking system operating revenue budget for 2013 increased 2.6% to \$55.9 million from \$54.5 million projected for 2012. The 2013 revenue budget incorporates an increase in on-street revenues due to implementation of new smart-meters and associated operational changes, a decrease in impounding revenues due to a decline in day-to-day tows, a decrease in

auction revenues due to a decline in scrap metal prices, and a slight increase in off-street revenues.

Off-Street System Revenue Assumptions (2013)	
Utilization Percentage in 2010	79%
Number of Parking Stalls in the system	20,238
Forecasted Revenue increase	2013 4.4%
	2014 1.0%
	2015 1.0%
Assumed rate increases (if any)	0.05%
System-wide average event rate	\$ 10.00
System-wide average daily rate	\$ 7.25
System wide average monthly rate	\$ 135.00
Number of new stalls in the system	2013 0
	2014 0
	2015 0

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

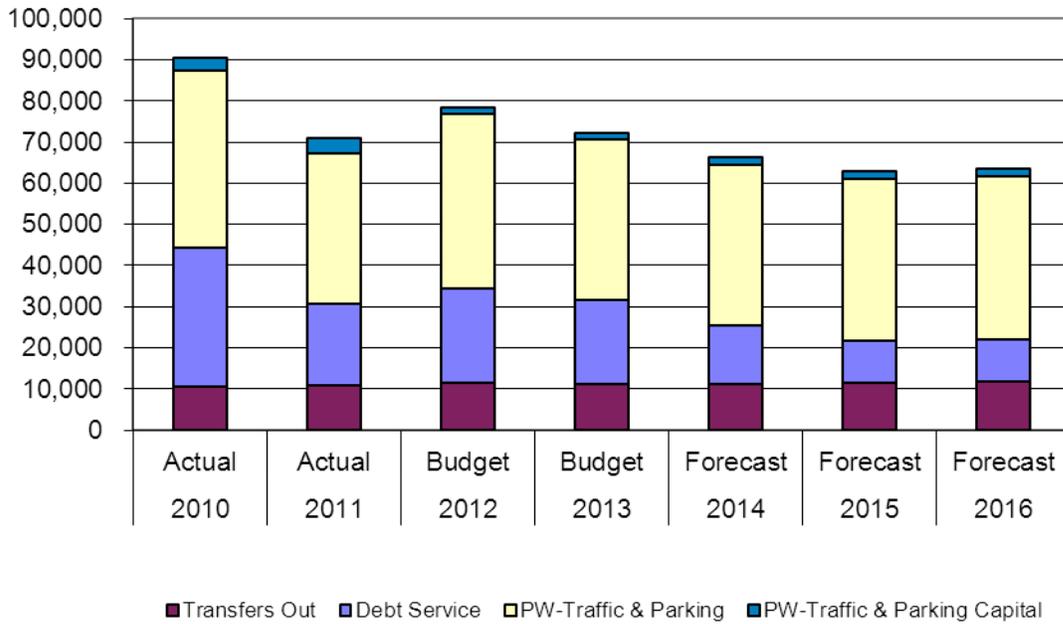
Parking Fund Revenues
(in thousands of dollars)



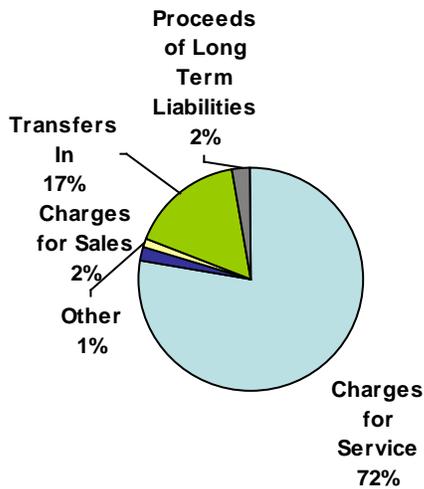
Expenditures

The parking system operating budget for 2013 stands at \$38.7 million which is a decrease of 5.7% from 2012 projected expenditures. The decrease for 2013 is due to a combination of operational efficiencies attained through automation and centralization, removal of one-time charges associated with automation initiatives, completion of on-street meter implementation, and declining costs of towing due to a decrease in day-to-day tows. The capital budget for 2013 is set at \$1.7 million, the same level as 2012 due to on-going repair and improvement work in the City-owned parking facilities.

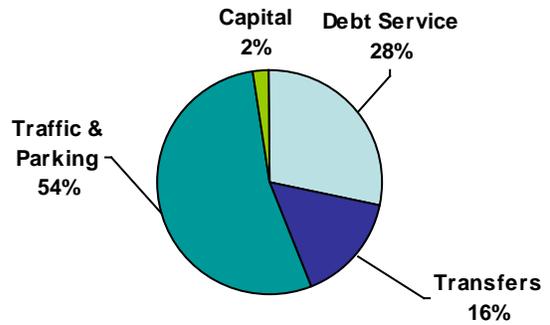
Parking Fund Expenditures (in thousands of dollars)



Source of Funds (\$69.2 million)



Use of Funds (\$72.2 million)



Debt Service

Total debt service, which includes principal and interest on bonds issued for construction of municipal parking ramps, is \$20.5 million for 2013. 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. These transfer revenues total \$11.6 million for 2013.

Transfers

The transfer to the general fund increased by \$0.1 million for 2013 to \$7.9 million. The transfer to the Target Center Arena Fund increases in 2013 by \$0.2 million to \$3.1 million over 2012, and is scheduled to increase in future years. Revenues from State-owned garages continue to be transferred to the State on a daily basis. An annual transfer of \$146,000 to the Solid Waste and Recycling fund supports service for bus shelter litter containers. Lastly, there was a transfer to the Minneapolis Employees Retirement Fund (MERF) debt service fund that ended in 2012.

As discussed above, the transfers into the parking fund include revenues from sales tax along with revenues from tax increment and abatement. The transfer of sales tax revenue from the Convention Center Special Revenue Fund is \$4.7 million for 2013 down from \$7.2 million for 2012. The transfers from the CPED Special Revenue fund for tax increment and abatement are budgeted to decrease \$0.2 million, from \$7.1 million in 2012 to 6.9 million in 2013. These revenue transfers are primarily used towards debt service payments and are scheduled to mostly disappear by the end of 2014 as most of the debt for their respective ramps is paid off.

Mayor's Recommended Budget

As part of the reorganization of the Regulatory Services Department, the Mayor recommended the Traffic Control division of Regulatory Services be moved into Traffic and Parking Services. The Mayor's recommended budget reflects the move of the Traffic Control budget program into the Traffic and Parking Services Division within the Public Works Department.

As part of the reorganization of Regulatory Services functions, a committee led by the City Coordinator and consisting of representatives from the Mayor's Office, members of the City Council, Finance staff, and heads of the affected departments will convene to develop a strategy to implement the changes necessary to align current Regulatory Services functions to the departments that serve as the best fit for overall synergistic functionality. Based on this, the committee may elect to break apart current Regulatory Services divisions, program proposals, and funding structures. It is anticipated that the committee will have a final plan for the reorganization and allocation of Regulatory Services functions prior to adoption of the 2013 Council Adopted Budget.

The Mayor recommended no changes to the proposed budget of this division. The Mayor also recommended the division's proposal for graffiti removal.

Council Adopted Budget

To reflect the Regulatory Services Reorganization Transition Committee changes from the Mayor's Recommended Budget, (Construction Code Services moving to Community Planning & Economic Development rather than remaining in Regulatory Services, Traffic Control remaining in Regulatory Services rather than moving to Public Works, and Environmental Health/Food moving to Health & Family Support rather than Community Planning & Economic Development) the City Council amended the Mayor's recommended budget as follows: (1) Increase

Community Planning & Economic Development's general fund (00100) revenue by \$14,602,410. Increase Community Planning & Economic Development's special revenue fund (01900) revenue by \$360,690. (2) Increase Health & Family Support's general fund (00100) revenue by \$587,058. Decrease Health & Family Support's other grants fund (01600) revenue by \$231,058. (3) Decrease Public Work's general fund (00100) revenue by \$5,735,000. (4) Decrease Regulatory Services' general fund (00100) revenue by \$9,223,410. Decrease Regulatory Services' special revenue fund (01900) revenue by \$360,690.

To reflect the Regulatory Services Reorganization Transition Committee changes from the Mayor's Recommended Budget, (Construction Code Services moving to Community Planning & Economic Development rather than remaining in Regulatory Services, Traffic Control remaining in Regulatory Services rather than moving to Public Works, and Environmental Health/Food moving to Health & Family Support rather than Community Planning & Economic Development) the City Council amended the Mayor's recommended budget as follows: (1) Increase Community Planning & Economic Development's general fund (00100) expense appropriation by \$5,685,386. Increase Community Planning & Economic Development's special revenue fund (01900) expense appropriation by \$359,826. Increase Community Planning & Economic Development FTE authorization by 44. (2) Increase Health & Family Support's general fund (00100) expense appropriation by \$2,385,127. Decrease Health & Family Support's other grants fund (01600) by \$231,058. Increase Health & Family Support FTE authorization by 19. (3) Decrease Public Works' general fund (00100) appropriation by \$4,642,469. Decrease Public Works' FTE authorization by 45. (4) Decrease Regulatory Services' general fund (00100) expense authorization by \$3,196,986. Decrease Regulatory Services' special revenue fund (01900) expense appropriation by \$359,826. Decrease Regulatory Service's FTE authorization by 18. (5) The Finance Department is directed to work with the Departments of Community Planning & Economic Development, Health & Family Support, Public Works, and Regulatory Services to make the appropriate adjustments at the program/cost center level to reflect these changes.

City of Minneapolis
2013 Budget
Financial Plan (in thousands of dollars)

Municipal Parking Fund - 7500

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg From 2012 Budget	2014 Forecast	2015 Forecast	2016 Forecast
Source of Funds:									
Licenses and Permits	292	268	240	280	240	-14.3%	242	245	247
Charges for Service, Sales/Permits	56,278	50,572	52,193	55,353	53,623	-3.1%	54,159	54,701	55,248
Charges for Sales	1,670	1,779	1,670	1,670	1,500	-10.2%	1,515	1,530	1,545
Special Assessments	65	57	543	57	543	852.6%	543	543	543
Interest			-	-	-		-	-	-
Rents (Transportation)	3	2	4	5	4	-13.0%	4	4	4
Other Misc Revenues	8	9	46	41		-100.0%	-	-	-
<i>Total Operating Revenue</i>	<i>58,316</i>	<i>52,687</i>	<i>54,696</i>	<i>57,406</i>	<i>55,910</i>	<i>-2.6%</i>	<i>56,464</i>	<i>57,023</i>	<i>57,588</i>
Tax Increment Transfers In	5,272	7,607	7,098	7,098	6,902	-2.8%	423	423	423
Transfers In from Convention Center Fund	9,505	7,589	7,230	7,230	4,728	-34.6%	5,195	1,000	1,000
Other Transfers In			-	-	-		-	-	-
<i>Total Transfers In</i>	<i>14,777</i>	<i>15,196</i>	<i>14,328</i>	<i>14,328</i>	<i>11,630</i>	<i>-18.8%</i>	<i>5,618</i>	<i>1,423</i>	<i>1,423</i>
Proceeds of Long Term Liabilities	14,725	1,700	1,700	1,700	1,700		1,700	1,700	1,700
Total	87,818	69,583	70,724	73,434	69,240	-5.7%	63,782	60,146	60,711
Use of Funds:									
Debt Service	33,726	19,665	22,875	22,875	20,539	-10.2%	15,831	11,925	10,820
General Fund Transfer Out	7,818	7,818	7,818	7,818	7,918	1.3%	7,818	7,818	7,818
Target Arena Transfer Out	2,241	2,758	2,941	2,941	3,129	6.4%	3,323	3,523	3,728
Debt Service Transfer Out	126	42	-	-	-		-	-	-
MERF Liability Transfer Out	111	198	477	477		-100.0%			
Sanitation Transfer Out	146	146	146	146	146		146	146	146
<i>Total Transfers Out</i>	<i>10,442</i>	<i>10,962</i>	<i>11,382</i>	<i>11,382</i>	<i>11,193</i>	<i>-1.7%</i>	<i>11,287</i>	<i>11,487</i>	<i>11,692</i>
PW-Traffic & Parking	43,099	36,450	42,563	36,597	38,742	5.9%	39,129	39,521	39,916
PW-Traffic & Parking Capital	3,077	3,905	1,700	1,700	1,700		1,700	1,700	1,700
Total	90,344	70,982	78,520	72,554	72,174	-0.5%	67,947	64,633	64,128
Change in Net Assets	6,815	8,891	1,134	9,810	4,785	-51.2%	(1,182)	(5,202)	(4,178)
Net Assets	148,318	157,209	158,343	158,128	162,913	3.0%	161,731	156,529	152,351
Modified Change in Net Assets (Net Income Est)									
(-) Depreciation	6,776	6,735	6,910	6,910	6,910		6,910	6,910	6,910
(-) Proceeds of LTD	14,725	1,700							
(+) Traffic & Park Capital	3,077	3,905							
(+) Principal Paid	27,765	14,820	15,840	15,840	14,629	-7.6%	9,894	6,195	6,149
Total	52,343	27,160	22,750	22,750	21,539	-5.3%	16,804	13,105	13,059
Cash Balances	12,781	11,649	3,853	12,529	9,595	-23.4%	5,429	942	(2,475)
Notes:									
Cash Balance does not include depreciation or impact of all arbitrage funds, but does include principal paid on bonds. (Represent more of a sources and uses statement rather than an audited Net Income statement)									
Income statement was not available for projections, so the modified fund margin was used to compute retained earning to reflect the adjustment for depreciation expense and principal paid on bonds.									
Revenue and expense forecast are based on 1.0% increases respectively									
Construction cash not included in current year and projected years									
Cash balances above are actual for 2010 and 2011									

**City of Minneapolis
2013 Budget
Financial Plan**

Solid Waste and Recycling Fund

Background

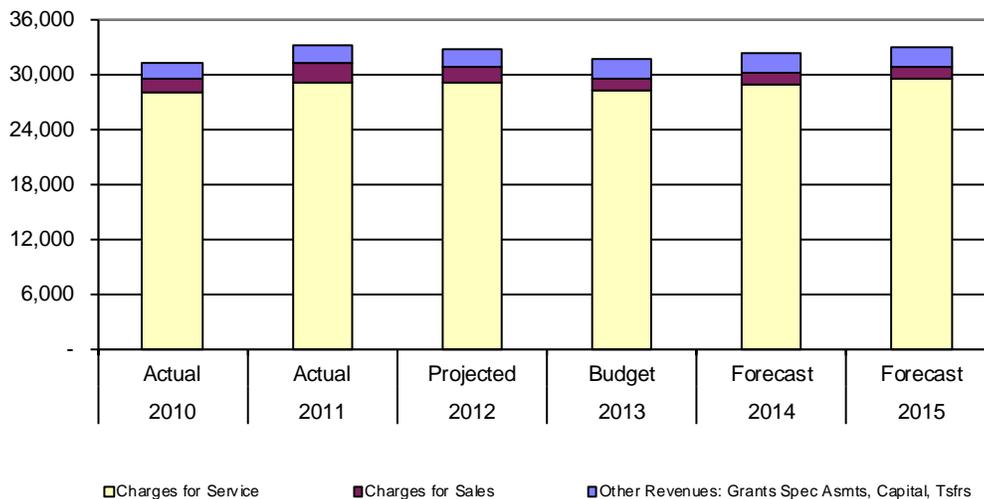
The Solid Waste and Recycling Fund provides services related to collection, disposal, and recycling of household waste, yard waste, and problem materials. Graffiti removal and the organics program are also part of its activities. There are nine programs that are budgeted for 2013 under the Solid Waste fund. The Solid Waste Division provides weekly and bi-weekly pickups of trash, yard-waste, and recycling materials. It also operates a solid waste transfer station providing service to over 105,000 households. City crews provide approximately one-half of the solid waste collection service with the other half of the service provided through a contract with a consortium of companies specializing in waste collection.

Funding for Solid Waste and Recycling activities is primarily generated from solid waste collection fees. The Fund also receives grants from Hennepin County. Additional revenue is generated through recyclable sales, miscellaneous services, and organic programs.

Historical Financial Performance

The overall financial condition of the Solid Waste and Recycling Fund has remained stable over the years. Total revenues for year 2011 were at \$33.0 million compared to \$31.2 million, an increase of \$1.8 million, or 6% over 2010. Revenues from monthly collection services increased by \$1 million due to increase in rates. An additional \$700K increase was generated through sales of scrap metals and recyclables. Total expenditures for 2011 came to \$32.1 million compared to \$30.8 million for 2010, an increase of \$1.3 million or 4%. \$1.7 million of this increase is due to capital purchase of land. This increase was slightly off-set by a decrease in operations of \$400K. The 2011 year-end cash balance for this fund was \$22.4 million compared to \$21.9 million in 2010.

**Solid Waste Fund Revenues
(in thousands of dollars)**



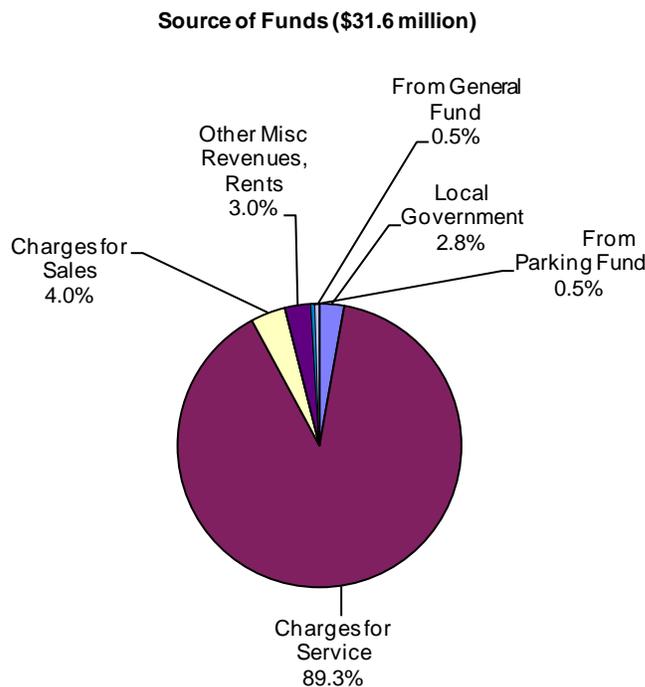
Revenue Assumptions (2013)	
Number of dwelling units	105,429

For 2012, year-end revenues from collection are projected to reach \$29.1 million, and the total revenues for the fund are projected at \$32.8 million. Expenses for the Solid Waste and Recycling Fund are projected at \$35.4 million. This projected deficit of \$(2.6) million is mainly due to the capital outlay scheduled for 2012 relating to the purchase of 30,000 carts. With a fund balance in excess of \$22 million, the Solid Waste and Recycling Fund will be able to absorb these costs.

2013 Budget

Revenues

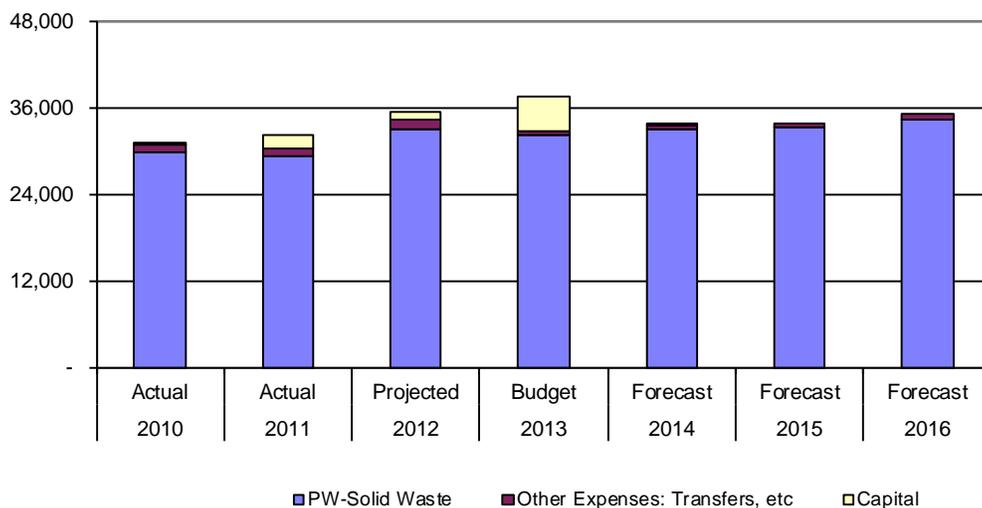
The total revenue budget for the Fund for 2013 amounts to \$31.6 million compared to \$32.8 million projected for 2012. This is a decrease of \$1.2 million or 3.5% over the 2012 projection. Service revenue has been estimated at \$28.2 million compared to \$29.1 million projected for 2012. For 2013, the collection fee has been set at \$17 per dwelling unit. Monthly charges for large and small disposal carts are set at \$5 and \$2, respectively. Due to the increasing market for scrap metals, recyclable sales for 2013 are expected to increase to \$1.3 million, \$300 K less than projected estimate of \$1.6 million for 2012. Funds from local government include a Hennepin County recycling grant of \$880,000 and reimbursement of \$11,000 from the State for graffiti removal. Revenues generated from debris removal, special district maintenance, and various miscellaneous sources are estimated at \$625,000. For 2013 and future years, an additional \$320K is expected to be generated from other City departments for graffiti related work done on streets, bridges and other City properties.



Expenditures

The total expenditure budget for 2013 amounts to \$37.5 million compared to \$35.4 million projected for 2012, an increase of \$2.1 million or 5.9%. Cart purchases planned for 2013 amount to \$1 million of this increase. A mattress recycling program scheduled to start in 2013 with a yearly estimate of \$650,000 is an additional cost to the Fund which will continue in future years. The shared cost of the billing system, Enquesta, and additional equipment purchases are expected to increase by \$500,000.

Solid Waste Fund Expenditures
(in thousands of dollars)



Transfers

The 2013 budget includes a \$700,000 transfer from Solid Waste and Recycling to the General Fund to pay for snow plowing, which enables delivery of solid waste and recycling services in the alleys. This transfer is projected to continue at \$700,000 in coming years.

The 2012 budget included a transfer of \$571,000 to the Debt Service Fund for pension obligations related to the Minneapolis Employees Retirement Fund (MERF). This obligation for 2013 and for futures years will be included and paid out of the operating budget

The Solid Waste and Recycling Fund will continue to receive \$146,000 from the Parking Fund for litter container pick-ups in downtown area. Since 2004, the Fund has been receiving \$50,000 as an annual transfer from the General Fund for graffiti removal. The Fund also anticipates an additional \$100,000 for micro grants.

Debt Service

This fund does not have any capital debt service payments.

Cash Balance

The Solid Waste and Recycling Fund is projected to have a \$13.8 million cash balance at the end of 2013.

Mayor's Recommended Budget

Mayor's Recommended Budget: The Mayor recommended no changes to the proposed budget. Also, the Mayor recommends a rate of \$24.70 for 2013.

Council Adopted Budget

Council approved the Mayor's recommendations and reduced the Mayor's recommended 2013 Solid Waste and Recycling rate by \$7.70. The Mayor's recommended rate of \$24.70 included a recycling credit and the program will no longer have a recycling credit. The new rate is set at \$17.00. In addition, the Council amended the Mayor's Recommended 2013 Budget for Public Works by decreasing the revenue appropriation in the Solid Waste and Recycling Fund (07700) by \$885,604. The rate was changed to make the removal of the recycling credit cost-neutral to customers.

**City of Minneapolis
2013 Budget
Financial Plan (in thousands of dollars)**

Solid Waste Fund - 7700

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg From 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
Sources of Funds:									
Local Government	888	890	808	864	891	3.1%	880	880	880
Charges for Service	27,945	28,938	28,337	29,051	28,226	-2.8%	28,872	29,536	30,221
Charges for Sales	1,445	2,173	1,000	1,629	1,251	-23.2%	1,251	1,251	1,251
Special Assessments	244	256		460	-	-100.0%			
Other Misc Revenues, Rents	515	585	450	460	945	105.4%	945	945	945
Operating Transfers In:									
From Parking Fund	146	146	146	146	146		146	146	146
From General Fund	50	50	150	150	150		150	150	150
Total	31,233	33,038	30,891	32,760	31,608	-3.5%	32,244	32,908	33,593
Use of Funds:									
PW-Solid Waste	29,824	29,282	31,500	32,889	32,055	-2.5%	32,838	33,137	34,344
Transfers									
To General Fund	700	700	700	700	700		700	700	700
To MERF Fund	151	236	571	571		-100.0%			
General Services Capital									
Capital	167	1,908	1,380	1,287	4,775	271.0%	-	-	-
Human Resources									
Total	30,842	32,126	34,151	35,447	37,530	5.9%	33,538	33,837	35,044
Change in Net Assets	392	912	(3,202)	(2,629)	(5,922)		(1,295)	(929)	(1,452)
Net Asset Balance	27,919	30,539	27,337	27,910	21,988		20,693	19,765	18,313
Cash Balance	21,924	22,372	19,170	19,743	13,822		12,527	11,599	10,148

**City of Minneapolis
2013 Budget
Financial Plan**

Sanitary Sewer Fund

Background

The operating budget is set up under the Sanitary Sewer Collection & Treatment program. This program within the Fund accounts for 95% of the contractual payments made to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. It also accounts for maintenance and design work, capital programs and long-term debt services.

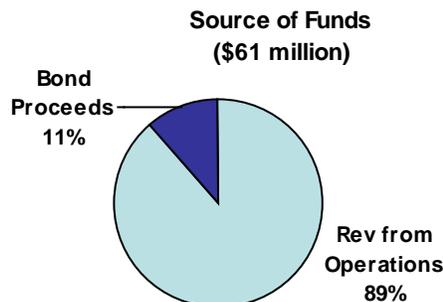
Historical Financial Performance

Total 2011 revenues were \$52.5 million compared to \$53.8 million in 2010. This is a decrease of \$1.3 million, or 2%, over 2010 and is mainly due to decreases in revenues from Capital programs. Sanitary service revenue totaled \$44.9 million, compared to the 2010 total of \$45.1 million. The expenditures for 2011 totaled \$51.1 million compared to \$50.8 million over 2010. An expenditure increase of \$3 million related to design, maintenance, Met Council, SAC charges, and debt services was offset by a decrease of \$2.6 million in MERF and capital programs.

2013 Budget

Revenues

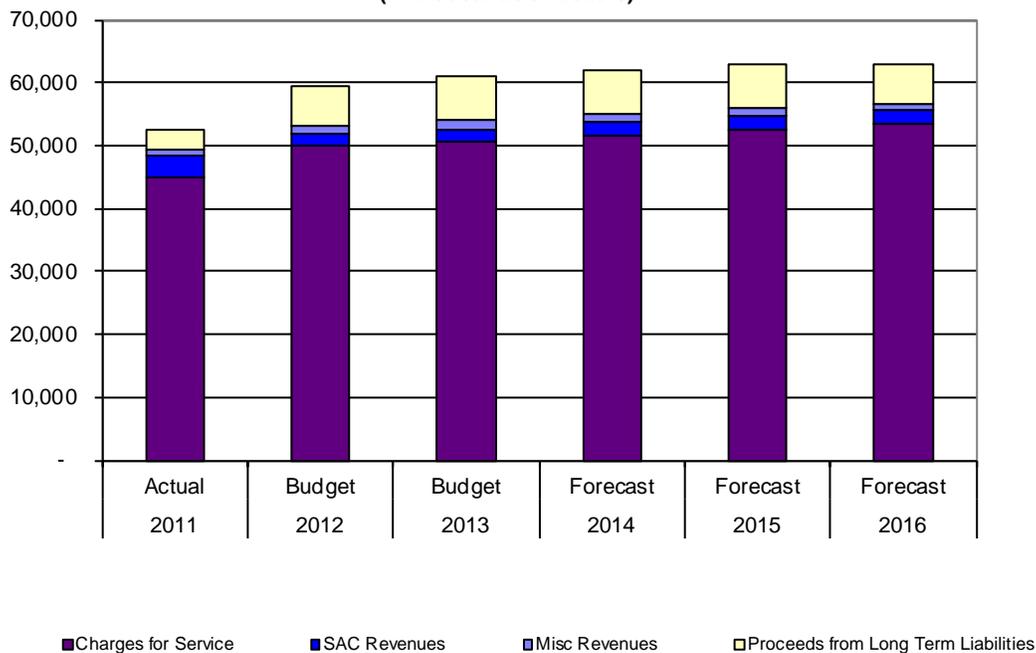
The total revenue budget for the Sanitary Sewer Fund for 2013 amounts to \$61.0 million compared to \$68.6 million, a decrease of \$7.6 million, or 11.1%, over 2012 projected revenues. This decrease is mainly due to an increase in SAC revenues recognized in 2012 corresponding to the unexpected increase in SAC expenditures recognized in that same year.. Monthly sanitary utility charges, Sewer Access Charges (SAC), design and miscellaneous projects, along with proceeds from capital programs make up the sources of revenue for the Sanitary Sewer Fund. Revenues from operations account for 89% of the budget and bond proceeds from capital programs make up the remaining 11%. Sanitary sewer rates are comprised of variable and fixed rates. For 2013, the variable sewer rate has been set at \$3.14 per one hundred cubic feet; meanwhile, fixed rates are based on meter sizes. Revenue estimates were increased to fund sanitary collection and treatment programs, retirements (MERF program), capital programs, debt payments and shared meter costs.



Year	Rate (cost per 100 per cubic feet)	% Increase	Average Monthly Bill	Total Planned Revenue from Utility Fee
2013	\$3.14	3.00%	\$18.84	\$50.6 million
2014	\$3.24	3.20%	\$19.44	\$51.6 million
2015	\$3.34	3.10%	\$20.04	\$52.5 million
2016	\$3.44	3.00%	\$20.64	\$53.5 million
2017	\$3.44	0.00%	\$20.64	\$54.5 million

Sanitary Sewer Fund Revenues

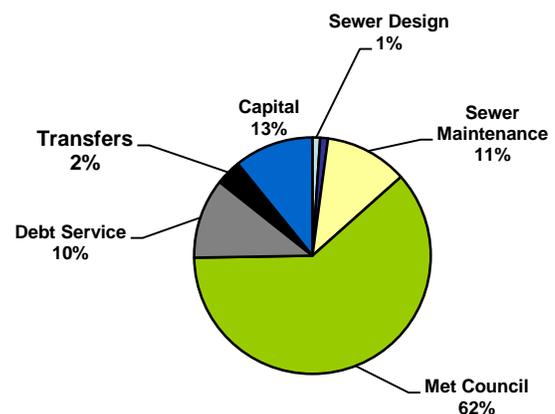
(in thousands of dollars)



Expenditures

The total expenditure budget for 2013 amounts to \$61.9 million compared to \$62.9 million projected for 2012. This is a decrease of \$1.0 million, or 1.4%, over 2012 projections. This decrease is due to the unexpected increase in SAC expenditures recognized in 2012. Maintenance and design work, Met Council, capital programs, and long-term debt are funded from this budget. The increase of \$1.8 million in Met Council over 2012 is mainly due to the rate increase for treatment services. Design and maintenance budgets increased by \$400 over 2012 due to realignment of personnel, planned implementation of FOG

Use of Funds (\$61.9 million)

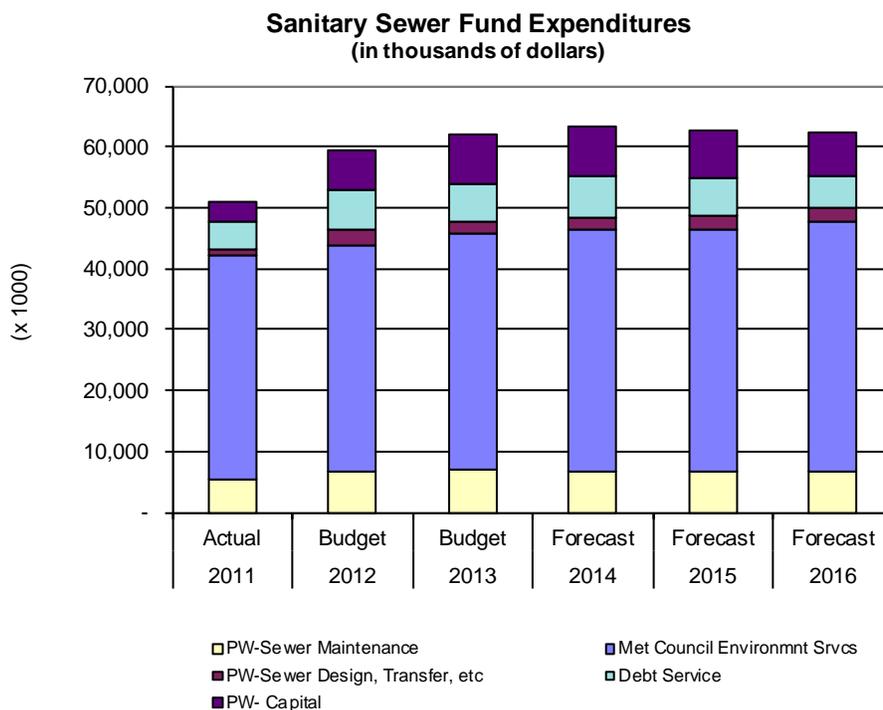


(Fat, oil and grease) program, and a one-time software expenditure of \$295K.

Capital expenditures for 2013 total \$8.0 million compared to \$6.5 million for 2012. This increase of \$1.5 million is due to sanitary tunnel and sewer rehabilitation work scheduled for 2013. The largest expense in the Sanitary Sewer Fund is the service charge paid to Met Council Environmental Services (MCES). The estimated payment to MCES for 2013 is \$34.9 million, a 6.0% increase over 2012. The Sanitary Sewer Fund bears 95%, or \$33.2 million, of this cost with the remaining \$1.7 million paid from the Storm Water Fund. Minneapolis is the largest customer in the MCES system. (Please note, this payment is only a portion of the Met Council Environmental Services line as shown on the plan).

Debt Service & Transfers

Capital programs for 2013 include the inflow/infiltration and tunnel sewer rehab programs. An additional component of the capital program includes repair work on existing infrastructures. For 2013, \$6.3 million is set aside as debt service payments for bonds sold in current and previous years to fund these projects. A transfer from this fund is made to the Water fund to cover shared meter expenses. For 2013, the transfer is estimated at \$1.1 million.



Mayor's Recommended Budget

The Mayor recommended no changes to the proposed budget. Also, the Mayor recommends a rate of \$3.14 per 100 cubic feet in 2013. The division added positions within existing resources in 2013 to reflect actual staffing patterns.

Council Adopted Budget

Council approved the Mayor's recommendations and amended the Mayor's Recommended 2013 operating budget for Public Works by increasing the appropriation in the Sanitary Sewer Fund (07100) by \$339,017 for SAC charges paid to Metropolitan Council.

City of Minneapolis
2013 Budget
Financial Plan (in thousands of dollars)

Sanitary Sewer Fund - 07100

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg from 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
Source of Funds:									
Charges for Service	45,142	44,900	49,867	51,369	50,585	-1.5%	51,568	52,526	53,461
SAC Revenues	2,984	3,592	2,000	10,345	2,060	-80.1%	2,060	2,060	2,060
Other Misc Revenues	1,241	990	1,226	400	1,319	229.8%	1,319	1,319	1,222
Proceeds from Long Term Liabilities	4,477	3,020	6,500	6,500	7,000	7.7%	7,000	7,000	6,250
Total	53,843	52,501	59,593	68,613	60,964	-11.1%	61,947	62,905	62,993
Use of Funds:									
PW-Sew er Design	298	366	632	475	773	62.7%	755	772	789
PW-Sew er Maintenance	5,470	5,510	6,796	6,200	7,087	14.3%	6,542	6,667	6,745
MERF Debt Service -New Plan	-	-	-	-	-		292	292	292
Met Council Environment Svcs	34,897	36,731	36,833	42,303	38,656	-8.6%	39,712	39,775	40,863
Debt Service	3,551	4,618	5,217	5,217	4,594	-11.9%	4,192	2,645	1,040
Future Debt Service			1,367	-	1,709		2,582	3,455	4,219
Transfers	-								
To MERF Debt Service	825	577	1,112	1,112	-	-100.0%	-	-	-
To Water Fund			994	1,058	1,149	8.6%	1,149	1,149	1,149
PW- Capital	5,709	3,309	6,500	6,500	8,000	23.1%	8,000	8,000	7,250
Total	50,750	51,111	59,451	62,865	61,969	-1.4%	63,224	62,754	62,347
Change in Net Assets	3,093	1,390	142	5,749	(1,005)		(1,277)	151	646
Net Asset Balance	96,156	100,825	100,967	106,573.25	105,568		104,290	104,441	105,088
Cash Balances									
Operating Cash	12,474	15,430	15,573	21,179	20,173		18,896	19,047	19,693
Construction Cash	4,177	5,338							

City of Minneapolis

2013 Budget Financial Plan

Storm Water Fund

Background

The Storm Water Collection and Street Cleaning programs make up the budget for the Storm Water Fund. The Fund accounts for street cleaning, design, construction, and maintenance of the City's storm drain system. A portion of the Storm Water Fund is used for sanitary 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 water from the sanitary sewer lines.

Historical Financial Performance

In 2011 total revenues increased to \$53.7 million compared to \$46.1 million in 2010. This increase amounts to \$7.6 million, or 17%. Bond revenues from capital programs increased by \$4.2 million. Design revenues account for \$900K of this increase, and revenues from maintenance agreements with Hennepin County and the State along with Storm Eleven reimbursements account for \$1.3 million. A rate increase of \$0.33 per Equivalent Storm Water Unit (ESU) in utility billings accounted for \$1.1 million of the increase in the Fund's 2011 revenues. The expenditure of \$50.4 million in 2011 is an increase of \$12.5 million, or 33%, compared to \$37.9 million in 2010. Of this increase, \$9.1 million comes from Capital programs and \$6.2 million debt service payments. These increases were offset by a decrease in operating expenditures and transfers of \$2.9 million.

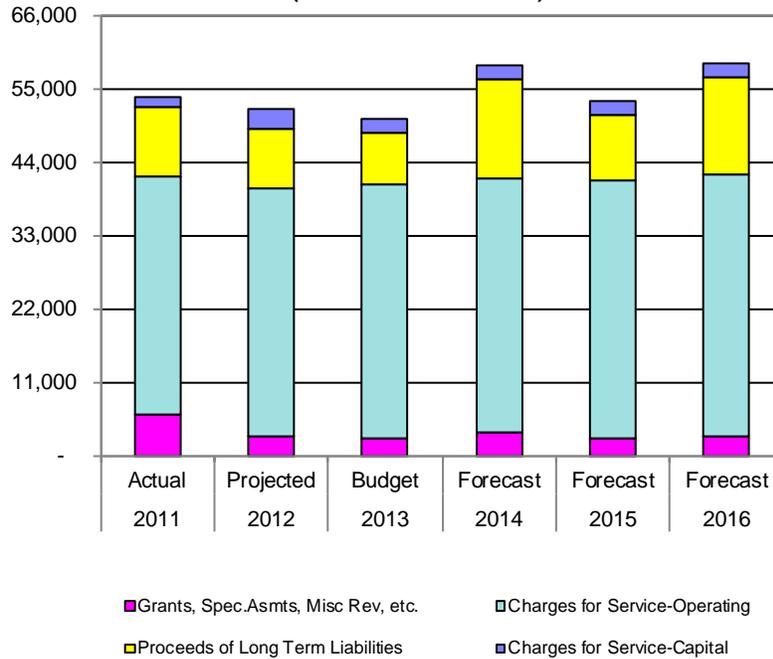
2013 Budget

Revenues

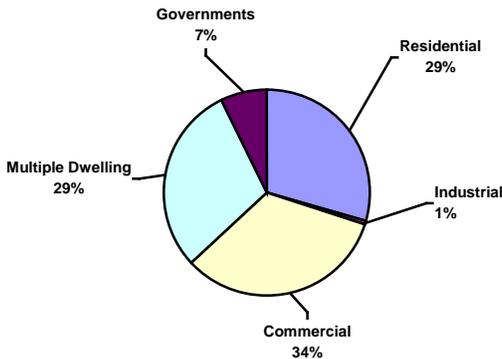
The 2013 revenue budget totals \$50.4 million, compared to \$51.8 million projected for 2012, a decrease of \$1.4 million, or 2.7%. The increase in revenue of \$600K from operations and design work, has been off-set by the decrease in revenues of \$1.0 million in Capital programs. The Storm Water rate or the rate per ESU for 2013 has been set at \$11.82. This rate increase of \$0.12 in storm water billings is estimated to put service revenue at \$37.8 million, \$1 million more than the 2012 projected revenue of \$36.9 million. Revenues from the maintenance agreement with the County/State are expected to remain at \$915K which is \$550K less than 2012 projections; meanwhile, design revenues are estimated at \$1.6 million, an increase of \$400 K over 2012 projection.

Year	Rate per ESU (Equivalent Storm Water Unit)	% Increase	Total Planned Revenue from Utility Fee
2013	\$11.82	1%	\$37.8 million
2014	\$11.94	1%	\$38.2 million
2015	\$12.06	1%	\$38.6 million
2016	\$12.22	1.3%	\$39.1 million
2017	\$12.38	1.3%	\$39.6 million

Stormwater Fund Revenues
(in thousands of dollars)



Total Active Sewer Property Types

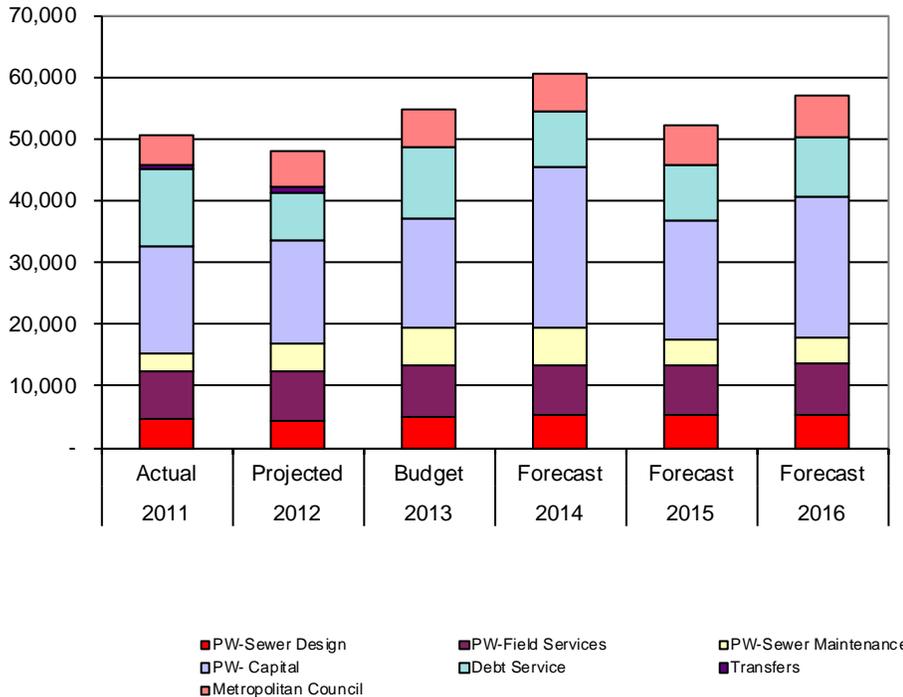


Total Usage Units (in thousands)	
Property Type	Count
Residential	4,387
Commercial	4,911
Government	1,079
Industrial	69
Multiple Dwelling	4,395
Total	14,840

Expenditures

The 2013 total expenditure budget for the Storm Water Fund amounts to \$54.6 million compared to \$48.0 million projected for 2012, an increase of \$6.6 million, or 13.8%. The fund's operating budget is used for design, maintenance, overflow programs, Met Council payments, and street cleaning. The operating budget for 2013 totals \$25.4 million which is \$2.7 million more than the \$22.7 million projected for 2012. Capital programs are estimated at \$17.7 million compared to \$16.5 million projected for 2012. Capital programs are funded by operating revenue and bonds. For 2013, \$9.7 million of capital projects are Storm revenue funded and the remaining \$8 million are bond funded.

Stormwater Fund Expenditures (in thousands of dollars)



Combined Sewer Overflow (CSO)

The Combined Sewer Overflow project started in 2004. Working with property owners, this project aims to identify and disconnect roof drain overflow from the sanitary system. This is an on-going program and \$875 K has been allocated for 2013 from the operating budget with additional funding coming from the Capital programs.

Debt Service & Transfers

The debt service payments are primarily for bonds that were sold previously to finance the Combined Sewer Overflow (CSO) and flood mitigation programs. For 2013, debt service payments are estimated at \$11.6 million compared to \$7.7 million projected for 2012.

Transfers related to the MERF pension plan are now part of the operating budget. For 2012, these transfers were estimated at \$1.1 million. For 2013 and future years, MERF will be paid out of the fund's operating budget; the current estimate for 2013 is \$300K. Both the debt service and transfers are funded through fund balance generated by Storm Water revenues.

Mayor's Recommended Budget

The Mayor recommended no changes to the proposed budget. Also, the Mayor recommended a rate of \$11.82 per ESU in 2013.

Council Adopted Budget

Council approved the Mayor's recommendations.

**City of Minneapolis
2013 Budget
Financial Plan (in thousands of dollars)**

Storm Water Sewer Fund - 7300

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg From 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
Source of Funds:									
Federal Government		421							
State Government	1,148	1,938	670	1,068	670	-37.3%	670	670	670
Local Government	266	400	246	400	245	-38.8%	245	245	246
Charges for Service-Operating	34,543	35,621	36,322	36,878	37,835	2.6%	38,222	38,609	39,125
Design & Misc Revenues	1,650	2,580	1,392	1,200	1,629	35.8%	2,417	1,553	1,989
Charges for Sales	35	-	-	-	-		-	-	-
Special Assessments	686	744	60	300	60	-80.0%	60	60	60
Interest	-	-	-	-	-		-	-	-
Charges for Service-Capital	1,557	1,581	3,000	3,000	2,000	-33.3%	2,000	2,000	2,000
Proceeds of Long Term Liabilities	6,191	10,415	9,000	9,000	8,000	-11.1%	14,830	9,888	14,480
Total	46,075	53,700	50,690	51,846	50,439	-2.7%	58,444	53,025	58,570
Use of Funds:									
PW-Sewer Design	4,434	4,615	5,114	4,433	5,034	13.6%	5,138	5,246	5,405
PW-Field Services	6,994	7,798	8,056	8,056	8,158	1.3%	8,303	7,987	8,130
PW-Sewer Maintenance	3,651	2,811	4,265	4,490	6,081	35.4%	6,020	4,118	4,206
Metropolitan Council	5,121	4,707	6,089	5,794	6,174	6.6%	6,322	6,474	6,630
Debt Service	6,208	12,443	7,400	7,691	7,927	3.1%	4,085	3,030	2,600
Future Debt Service	-	-	3,111	-	3,604		4,724	5,815	7,118
Transfers	3,311	700	1,112	1,112		-100.0%			
PW- Capital	8,214	17,363	14,850	16,461	17,700	7.5%	26,090	19,448	22,800
Total	37,933	50,437	49,997	48,036	54,678	13.8%	60,682	52,118	56,889
Change in Net Assets	8,142	3,264	692	3,809	(4,239)		(2,239)	908	1,681
Net Asset Balance	267,781	284,557	285,249	288,366	284,127		281,889	282,797	284,478
Cash Balances	22,676	24,531	25,223	28,339	22,539		20,300	21,208	22,889
Construction Cash	3,484	2,057							
Total Cash Balance	26,160	26,588	25,223	28,339	22,539		20,300	21,208	22,889

**City of Minneapolis
2013 Budget
Financial Plan**

Water Fund

Background

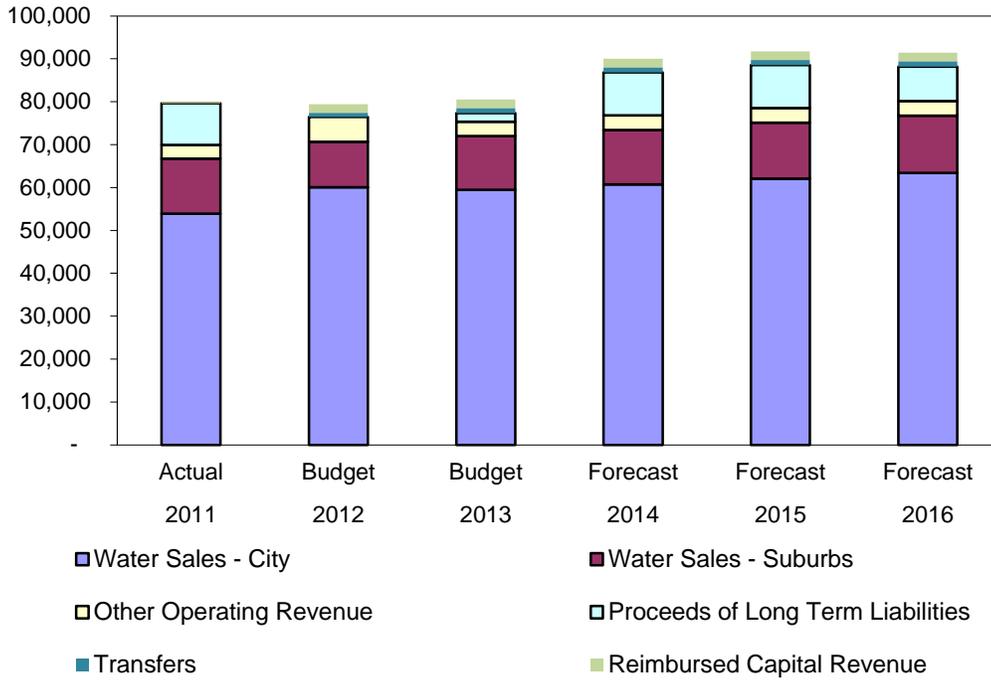
The Water Fund accounts for the operation, maintenance, and capital program of the water treatment and distribution system for the City of Minneapolis and several suburban city customers. The City currently sells water to seven suburbs including Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, Edina, and the Metropolitan Airport Commission.

Historical Financial Performance

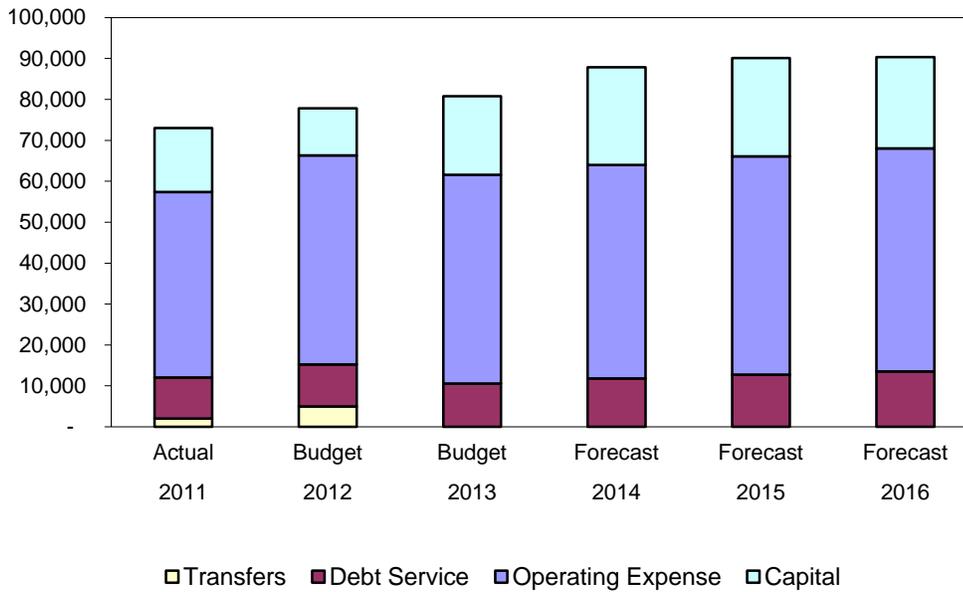
The net assets of the Water Fund have increased over the past several years due primarily to scheduled rate increases and major capital improvements. The following table shows the revenue earned from Minneapolis and suburban sales for years 2010 – 2011, the projected 2012 revenue, and the 2013 budgeted revenue:

Source of Revenue	2010	2011	2012 Projected	2013 Budget
Bloomington	\$3,543,587	\$3,015,665	\$2,967,685	\$3,129,543
Columbia Heights	1,156,604	1,185,559	1,351,203	1,235,632
Hilltop	106,734	99,005	75,125	72,334
Joint Water Commission	5,694,488	7,572,427	7,242,033	6,964,828
Edina	194,026	204,920	244,222	212,125
MAC	N/A	823,274	869,942	865,842
Total Suburban	\$10,695,439	\$12,900,850	\$12,750,212	\$12,480,304
Minneapolis	\$53,167,300	\$53,869,105	\$60,581,308	\$59,500,950
Total Revenue	\$63,862,739	\$66,769,955	\$73,331,520	\$71,981,254

Water Fund Revenues (In thousands of dollars)



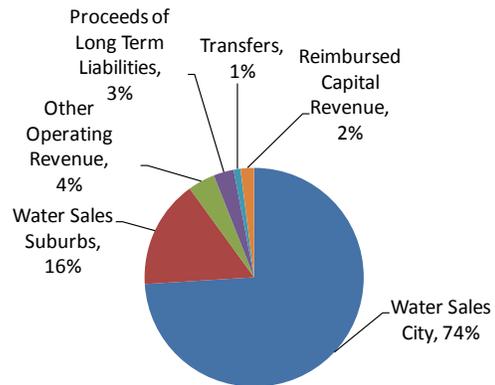
Water Fund Expenses (In thousands of dollars)



2013 Budget

Revenues

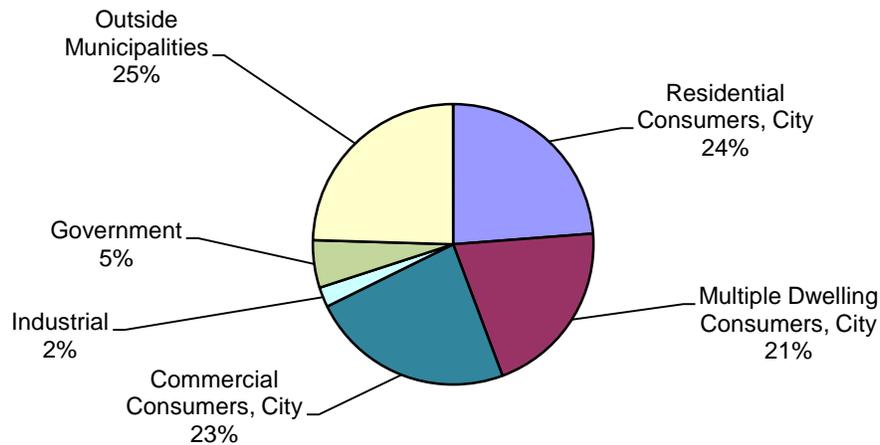
The 2013 revenue budget of \$80.5 million is 4% lower than the 2012 projected revenue of \$83.9 million. There are projected rate increases for years 2013 – 2016 to pay debt service for the capital expenses, as well as to cover anticipated growth in operating expenses and to repair infrastructure. Rate increases may not result in increased revenue, however, due to variable water consumption. A long-term trend has shown that Minneapolis water consumption has decreased over the past several years.



Water Utility Rates

The budget includes a fixed rate charge based on meter size as well as a variable rate charge of \$3.29/unit. The fixed rate charge helps to cover the high fixed costs of operating the utility which increases the utility's financial stability as it continues to operate in an environment of declining consumption due to conservation efforts.

Charges for Services by Customer Consumption (Based on 2011 Consumption)



¹ Rate is based on cost per 100 cubic feet and assumes 8 units of water are consumed per month for a 5/8" meter. The fixed rate increases as the meter size increases.

Year	Fixed Rate (5/8" Meter)	Rate (cost per 100 cubic feet)	Cost Per Month for Average Consumer ¹	Variable % Increase	Total Monthly Cost Increase per Household	Total Planned Revenue from Utility Fee
2013	\$2.00	\$3.29	\$26.32	2.81%	\$0.72	\$59.5 Million
2014	\$2.00	\$3.38	\$27.04	2.74%	\$0.72	\$60.7 Million
2015	\$2.00	\$3.48	\$27.84	2.96%	\$0.80	\$62.0 Million
2016	\$2.00	\$3.58	\$28.64	2.87%	\$0.80	\$63.3 Million
2017	\$4.00	\$3.58	\$28.64	0.00%	\$4.00	\$66.3 Million

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

Year	Combined Average Rate	% Increase	Total Revenue Earned from Utility Fee - Suburbs
2013	\$2.10	2.81%	\$12.5 Million
2014	\$2.15	2.74%	\$12.7 Million
2015	\$2.22	2.96%	\$13 Million
2016	\$2.28	2.87%	\$13.3 Million
2017	\$2.28	0.00%	\$13.2 Million

Expenses

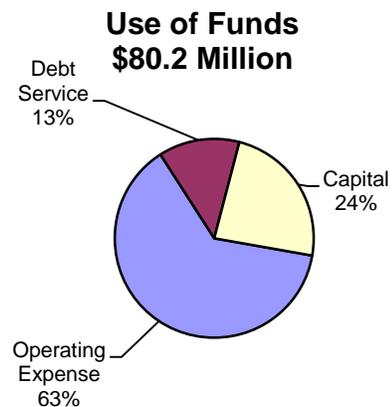
The 2013 expense budget is \$80.4 million, a 1.4% increase over the 2012 projected expense of \$79.3 million. The budget provides funding for water treatment and distribution and the capital improvement program. Current capital projects include improvements to the water distribution network, treatment infrastructure improvements, rehabilitation of the Fridley filter facility and replacement of the distribution maintenance facility. The 2013 capital budget of \$19.2 million represents a 66.4% increase from the 2012 capital budget.

Pension Obligations

The Water Fund incurs expenses related to its share of the Minneapolis Employee Retirement Fund (MERF) pension obligations. There will be \$2.3 million 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 total of \$10.2 million is primarily for bonds and notes sold to finance the Water Fund's Construction program.



Mayor's Recommended Budget

The Mayor recommends no changes to the proposed budget. Also, the Mayor recommended a water utility rate of \$3.29 per unit in 2013.

Council Adopted Budget

Council approved the Mayor's recommendations.

City of Minneapolis										
2013 Budget										
Financial Plan (In thousands of dollars)										
Water Fund - 7400										
	2010	2011	2012	2012	2013	% Chg	2014	2015	2016	
	Actual	Actual	Budget	Projected	Budget	from 2012	Forecast	Forecast	Forecast	
						Budget	Budget			
Source of Funds:										
Water Sales - City	53,459	53,869	60,574	60,581	59,501	-1.8%	60,702	62,053	63,384	
Water Sales - Suburbs	10,695	12,901	10,081	12,750	12,480	23.8%	12,747	13,047	13,342	
Other Operating Revenue	1,508	3,171	4,794	7,332	3,358	-30.0%	3,390	3,423	3,459	
Proceeds of Long Term Liabilities	15,692	9,732		215	2,000		10,000	10,000	8,000	
Transfers										
From Sewer Fund for Meter Shop			994	994	1,149	15.6%	1,184	1,219	1,254	
From General Fund					22					
Reimbursed Capital Revenue	365	247	2,000	2,000	2,000		2,000	2,000	2,000	
Total	81,719	79,920	78,443	83,872	80,510	-4.0%	90,023	91,742	91,439	
Use of Funds:										
Operating Expense	47,916	45,267	51,106	50,910	50,901	-0.4%	52,145	53,303	54,500	
Debt Service	9,518	10,038	10,226	10,273	10,152	-0.7%	10,454	10,691	10,906	
Future Debt Service	-	-	-	-	231	100.0%	1,389	2,092	2,655	
Transfers										
To Debt Service for MERF Liability	1,258	2,042	4,992	4,992	-	-100.0%	-	-	-	
To Debt Service - Other	249	-	-	-	-		-	-	-	
Capital	19,762	15,674	11,510	13,174	19,150	66.4%	23,900	24,000	22,300	
Total	78,703	73,021	77,834	79,349	80,434	3.3%	87,888	90,086	90,361	
Water Works Fund Margin	3,016	6,899	609	4,523	76		2,135	1,656	1,078	
Water Net Assets	176,894	186,111	186,720	190,634	190,710	2.1%	192,845	194,501	195,579	
Cash Balance	13,227	14,877	15,488	19,401	15,226	-1.7%	17,361	19,017	20,095	

**City of Minneapolis
2013 Budget
Financial Plan**

Public Works Stores Fund

Background

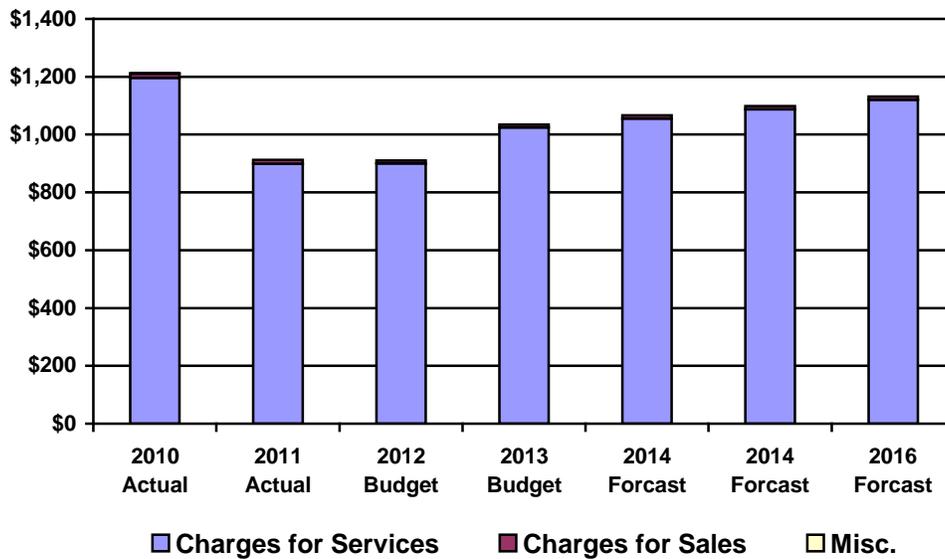
The Public Works Stores Fund accounts for the centralized procurement, receiving, warehousing, and distribution of stocked inventory items and the purchase of special goods and services through Central Stores and Public Works Traffic Stores.

Historical Financial Information

Public Works operated Central Stores beginning 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 the City's office supplies and non-specialty items. In April 2011, Central Stores was transitioned from the Public Works department to become a cost center within the department of Finance & Property Services. Central Stores remains an internal service division and transactions are recorded to the Public Works Stores Fund. Public Works Traffic Stores purchases components for traffic signals, controllers, and street lights.

A revised overhead structure implemented in 1998, resulted in positive net income for years 2000 through 2007. For year ending 2010, PW Stores recorded net income of \$20,000. The net loss for 2011 was \$(198,000).

Public Works Stores Revenue
(in thousands of dollars)



2013 Budget

Revenues

Revenues for 2013 are budgeted at \$1.0 million, a decrease of 47.2% from the 2012 projected revenue of \$2.0 million. Revenues for 2012 are projected to be higher than budgeted due to an increase in inventory items sold from Traffic Stores to capital projects in the last half of 2012. In 2012, the fund received additional revenue from processing orders for goods for City Departments. The 2013 revenue budget was calculated using historical levels of inventory sales. The majority of orders for goods that are not inventoried are processed by the Finance & Property Services Department.

Expense

The 2013 expense budget of \$1.0 million is a 12.7% decrease from the 2012 projected expense of \$1.2 million. The primary reason for the decrease is that the final debt payment of \$117,000 related to the Minneapolis Employees Retirement Fund (MERF) unfunded pension liability was budgeted and paid in 2012.

Transfers

Beginning in 2013, this fund will not have a transfer out for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability. The City determined to retire bonds related to this debt service in 2012 resulting in substantial savings to the City and creating a large increase to this debt payment for the proprietary funds. The Public Works Stores Fund used fund balance as the source of funding for this payment.

Debt Service

This fund does not have long-term debt.

Net Assets and Cash Balance

The year-end net asset balance for 2011 was \$3.0 million, a decrease of \$198,000 from the ending net asset balance of \$3.2 million in 2010. The financial policy for the net asset balance for this fund determines that the fund should maintain a net asset balance, at a minimum, equal to 15% of the operating budget. For year ending 2011, the benchmark for net assets is \$0.2 million and the fund exceeded the benchmark by \$2.8 million.

The fund has experienced a negative cash balance since year-end 2006 when the balance was a deficit of \$(900,000). By 2010, the deficit had improved to \$(826,000). In 2011 the deficit cash balance increased to \$(1,027,000).

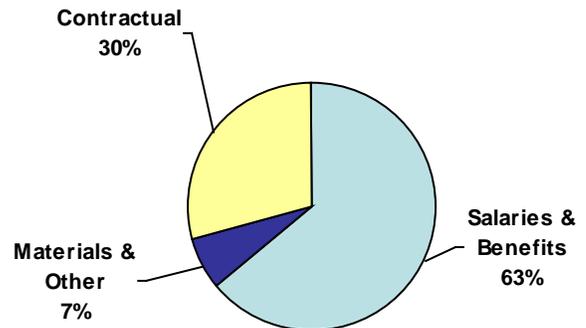
Mayor's Recommended Budget

The Mayor recommended no changes to this fund.

Council Approved Budget

Council approved the Mayor's recommendations.

**Public Works Stores Funds
Use of Funds
(\$1.0 million)**



**City of Minneapolis
2013 Budget
Financial Plan (in thousand of dollars)
PW Stores Fund - 06300***

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg From 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
Source of Funds:									
Changes for Services	1,196	899	900	1,905	1,025	-46.2%	1,056	1,087	1,120
Charges for Sales	15	13	10	55	10	-81.8%	10	11	11
Misc Revenues	1	-	-	-	-	0.0%	-	-	-
Total	1,211	912	910	1,960	1,035	-47.2%	1,066	1,098	1,131
Use of Funds:									
Salaries and Fringes	730	666	652	668	664	-0.6%	684	704	726
Contractual Services	376	299	293	308	307	-0.3%	316	326	335
Materials and Other	52	92	113	100	70	-30.0%	72	74	76
Transfers	33	51	117	117	-	-100.0%	-	-	-
Total	1,191	1,108	1,175	1,193	1,041	-12.7%	1,072	1,104	1,138
Change in Net Assets	21	(196)	(265)	767	(6)		(6)	(6)	(7)
Net Assets	3,224	3,026	2,761	3,793	3,787		3,781	3,774	3,768
Cash Balance	(826)	(1,027)	(1,292)	(260)	(266)		(272)	(279)	(285)
Target Cash Reserve¹	172	155	159	159	157		161	166	171
Variance Cash to Target Reserv	(998)	(1,182)	(1,451)	(419)	(423)		(433)	(445)	(456)

* This fund includes Cental Stores (Department of Finance) and Public Works Traffic Stores.

¹The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve the PW Stores Fund should be maintained at a minimum of 15% of the operating budget.

Note: The 2014-2016 forecasts for source and use of funds are calculated using a factor of 3.0% to capture increases in revenues and expense.

**City of Minneapolis
2013 Budget
Financial Plan**

Engineering Materials and Testing Fund

Background

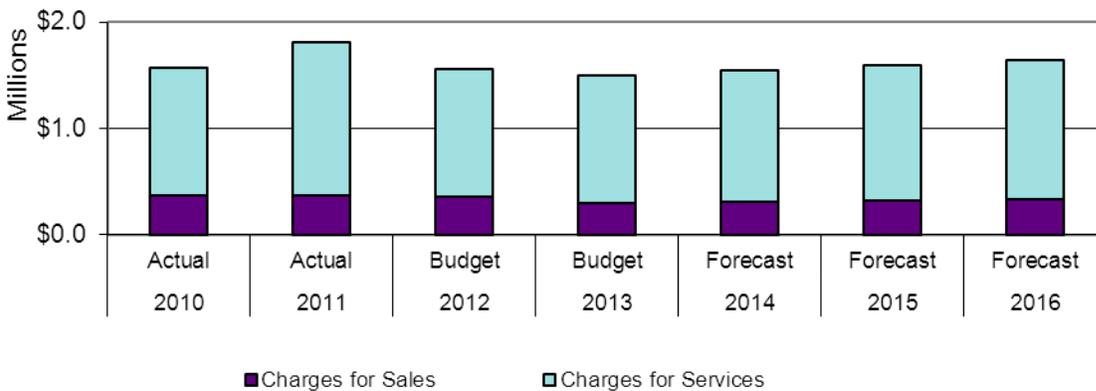
The Engineering Materials and Testing Fund accounts for City purchases of hot-mix asphalt and ready-mix concrete in order to ensure compliance with State and Federal standards and specifications, and to provide quality control of these materials. The Engineering Laboratory is a component of this fund 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 overhead charged on the procurement of hot-mix asphalt and ready-mix concrete materials along with fees for 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 2008, this fund had a decrease in net assets of \$1.5 million of which \$777,000 is due to the loss on the disposal of the asphalt plant. In 2011, the net assets increased \$394,000 bringing the ending balance from \$735,000 in 2010 to \$1,129,000 in 2011. The cash balance increased from a balance of \$802,000 in 2010 to a balance of \$1,164,000 in 2011.

Engineering Materials and Testing Revenues



2013 Budget

Revenues

The 2013 revenue budget is \$1.5 million, a 23.3% decrease from the 2012 projected revenue of \$2.0 million. In 2012, it is projected that revenue will increase significantly over the budgeted amount due to a significant yearly increase in City road construction/overlay projects and maintenance activities. In addition to this increase in City scheduled work, the Central Corridor Light Rail project is a large project with a very tight construction schedule that has had a

significant impact on City infrastructure. There also appears to be an increase in private sector development work being done this year and this adds to the workload with regards to its impact to the City infrastructure. These factors are coupled with extremely favorable early spring weather, which resulted in the commencement of outside construction and maintenance activities earlier than historically normal.

This fund generates revenue from testing and inspection services provided by the Engineering Lab and the sale of concrete and asphalt from outside vendors to other City departments. Product types and quantities are identified for customer departments. An allocation model determines product costs to allow the fund to generate revenues that match operating expenditures. The 2013 revenue budget includes \$1.2 million earned from charges for services provided by the Engineering Lab and \$300,000 as mark up on the sale of asphalt and concrete.

Expense

The 2013 expense budget is \$1.55 million, a increase of 1.9% from the 2012 projected expense of \$1.52 million. The decrease is primarily due to the transfer out for MERF related debt that occurs in 2012 which will not recur in 2013.

The fund will have a one-time increase of \$100,000 to the expense budget for a capital purchase of a soil drilling rig to conduct soils investigation and monitor construction conditions. Currently the Lab has a very outdated soils drill rig that is well beyond its useful life. It is the Lab's intention to procure an appropriately sized drill rig to meet the current and anticipated future needs of the City.

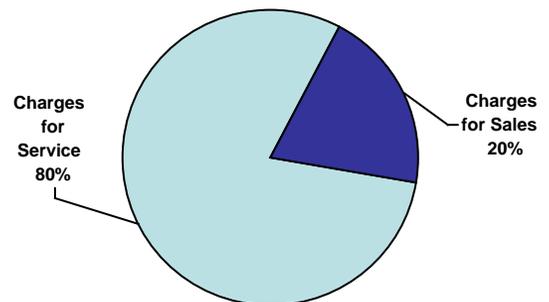
Transfers

There are no transfers scheduled in 2013 for this fund. The 2012 budget included a transfer out of \$195,000 for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability. The City determined to retire bonds related to this debt service in 2012 resulting in substantial savings to the City and creating a large increase to this debt payment for the proprietary funds. The Engineering Lab and Materials Fund used fund balance as the source of funding for this payment.

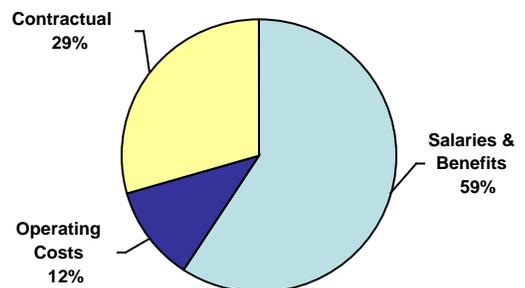
Debt Service

This fund does not have any long-term debt.

**Source of Funds
(\$1.5 million)**



**Use of Funds
(\$1.6 million)**



Net Assets and Cash Balance

The Engineering, Materials and Testing Fund has a positive net asset balance of \$1.1 million at year-end 2011, an increase of \$393,653 from the 2010 ending balance of \$0.7 million. The net asset balance is projected to be \$1.3 million at the end of 2012 and to decrease slightly to \$1.2 million in 2013. The financial policy for the net asset balance for this fund determines that the fund should maintain a net asset balance equal to 15% of the operating budget. For year ending 2011, the benchmark for net assets is \$0.2 million and the fund exceeded the benchmark by \$0.9 million. The net asset balance is projected to exceed the benchmark of \$0.2 million for both 2012 and 2013 by \$1.0 million each year.

The 2011 year-end cash balance is \$1.2 million, an increase of \$362,738 from the 2010 year-end balance of \$0.8 million. Financial reserve policies for the internal service funds determine that the cash reserve target for the Engineering, Materials and Testing fund should not be less than 15% of the operating budget, or \$0.2 million for 2011. The fund exceeded the benchmark by \$0.9 million. The cash balance is projected to be \$1.3 million and \$1.2 million in 2012 and 2013 respectively, exceeding the cash reserve benchmark each year by \$1.0 million.

Mayor's Recommended Budget

The Mayor recommended no changes.

Council Adopted Budget

Council Approved the Mayor's Recommendations

City of Minneapolis
2013 Budget
Financial Plan (in thousands of dollars)

Engineering, Materials and Testing - 06000*

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg From 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
Source of Funds:									
Charges for Services	1,194	1,438	1,200	1,435	1,200	-16.4%	1,236	1,273	1,311
Charges for Sales	371	373	352	521	300	-42.4%	309	318	328
Total	1,565	1,812	1,552	1,956	1,500	-23.3%	1,545	1,591	1,639
Use of Funds:									
Personnel Services	761	822	923	810	917	13.2%	944	972	1,002
Contractual Services	390	424	456	440	458	4.0%	472	486	500
Materials and other	102	80	82	80	180	124.9%	82	84	86
Transfers Out	57	88	195	195	-	-100.0%	-	-	-
Total	1,310	1,414	1,655	1,525	1,554	1.9%	1,496	1,541	1,586
Change in Net Assets	245	394	(103)	431	(54)		49	50	53
Net Assets	735	1,129	1,026	1,560	1,506		1,555	1,605	1,659
Cash Balance	802	1,164	1,061	1,595	1,541		1,590	1,640	1,694
Target Cash Reserve¹	210	220	248	248	234		225	232	239
Variance Cash to Target Reserve	592	944	813	1,347	1,307		1,365	1,408	1,455

* This fund includes the Public Works divisions Engineering Lab, Asphalt Distribution, and Ready-Mix Concrete.

¹The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Engineering, Materials and Testing Fund should be maintained at a minimum of 15% of the operating budget.

Note: The 2014-2016 forecasts for source and use of funds are calculated using a factor of 3.0% to capture increases in revenues and expense.

**City of Minneapolis
2013 Budget
Financial Plan**

Intergovernmental Services Fund

Background

The Intergovernmental Services Fund accounts for all of the operations of the Information Technology Department (IT) including information and technology functions, the managed services contract with Unisys, the Project Management Office (PMO), and telecommunications operations. Information Technology activities accounts for 94.6% of the operating activities in the fund. The fund also records transactions for operations within the City Clerk's office related to central mailing and printing services, representing 4.5% of operating activities. A portion of the Human Resources budget that is designated for internal training is included in this fund, representing 0.9% of operating activities.

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 year-end 2002, the fund has achieved positive increases to the net asset balance bringing the balance from a deficit of (\$40.8) million in 2002 to a positive net asset position of \$22.2 million in 2011. For 2012, the fund is projected to increase net assets by \$2.8 million for an ending balance of \$25.0 million.

The deficit in this fund was partially due to debt issued to finance technology purchases. The long-term financial plan addressed this issue by providing cash transfers to pay off the debt. In 2009, \$16.8 million of bonds were refunded and in 2010 another \$4.56 million of bonds were refunded resulting in interest savings of \$.59 and \$.16 million respectively on future debt payments. Debt service payments of \$10.7 million for 2011 and \$9.6 million for 2012 will extinguish all debt related to the past deficits. By 2013, the debt outstanding will be \$2.6 million and will be paid for with transfers from the bond redemption levy.

In 2011, IT incurred \$5.3 million of expense for technology projects. The PMO office charges City departments for the cost of purchasing or creating technology enhancements and provides quality, low-cost project management for implementing these technology-related projects. The charges to City departments are calculated to generate enough revenue to cover the overhead expense of the department. In addition, the City Council appropriated \$1.3 million for technology capital projects in 2012 which are funded by net debt bonds. For 2013, the City Council approved \$1.2 million for capital projects that will be funded through net debt bonds. The majority of the funding for technology projects is derived from grants and City departments' operating budgets.

The Information Technology department continues to be active with new initiatives:

- **Citywide:** *First-of-a-Kind*, The City is participating in the IBM First-of-a-Kind project to create solutions for cross department coordination leveraging analytics and optimization, business process modeling and asset management technologies. These advanced technology solutions will leverage the citywide wireless network, Strategic Information Center, and camera infrastructure already in place at the City of Minneapolis.
- **Department Specific:** *Enterprise Land Management*, The City will acquire and implement a system that will provide workflow automation and transaction processing for the City's emergency response resource management, regulatory enforcement, inspections,

permitting, development, planning, and constituent self-service and other land management and reporting processes, among many other department-specific projects.

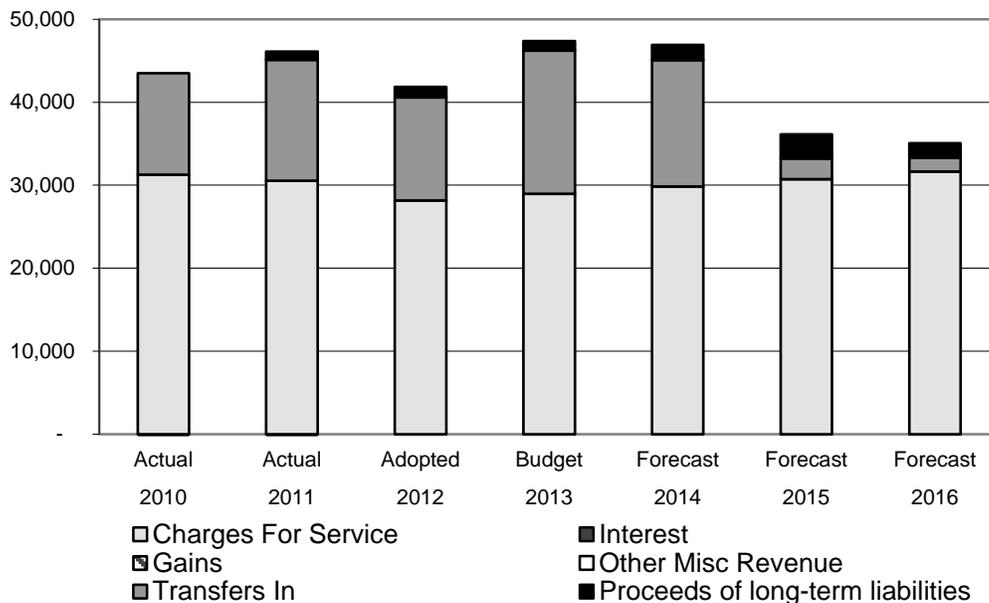
The net asset position in this fund will increase as it continues to provide services to City departments with charges determined through its allocation model and collect fees for service with PMO. The allocation model assigns costs to customers on a “level of effort” basis and began charging customer departments the allocated rates 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 represented the financial condition of the fund and the importance of implementing the strategies to meet the guidelines of the financial plan. This trend has been reversed: at year-end 2011, net assets improved to \$22.2 million.

The updated long-term financial plan projected the net asset balance at year-end 2011 to increase to \$18.4 million. The actual net asset balance at year-end 2011 is \$22.2 million, representing an increase of \$5.3 million from the 2010 ending balance of \$16.9 million. The fund's cash balance has also increased as projected in the long-term financial plan. From 2003 to 2011 the cash balance increased by \$14.9 million from a deficit of \$3.2 million to a positive of \$11.7 million at year-end 2011. It should be noted that the cash balance primarily consists of deferred revenue, or cash received from other City departments as prepayment for future technology projects.

Information Technology Fund Revenues
(in thousands of dollars)



2013 Budget

Revenues

The 2013 revenue budget is \$47.4 million, an increase of 2.4% from the 2012 projected revenue. To fund the cost of providing information technology services, the original financial plan required that this fund receive an annual transfer from the general fund. In 2011, the fund received \$11.1 million from the general fund and \$2.5 million from the bond redemption fund. Revenue transfers from the general fund in 2012 and 2013 are \$10.1 million and \$14.2 million respectively. In addition, the fund will receive transfers from the bond redemption fund of \$1.1 million in 2012 and \$2.1 million in 2013. For fiscal years 2011 through 2016, the Self Insurance Fund transfers \$1.0 million to the Intergovernmental Services Fund annually.

Charges for service are increased in 2013 as compared to the 2012 original budgeted amount due to additional revenue received from City departments through the cost allocation model and from charges directly to City departments for additional IT services.

Allocation Model Implications

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

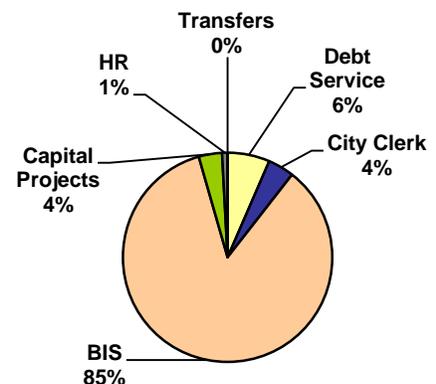
- IT operating costs at a level that conforms to the Council-adopted financial plan.
- Debt service resulting from phone system purchase.
- A small portion for City Clerk data center operations and Human Resources operations.

Revenue Assumptions (2013)	
Number of PC's	2,676
Number of telephones	2,868

Expenses

The 2013 expense budget is \$31.9 million, a decrease of 26.7% from 2012 projected expense budget. The primary reason for the decrease is due to the debt payment decreasing from \$9.6 million in 2012 to \$2.1 million in 2013. Operating expenses in the Intergovernmental Services Fund are comprised of the following: salaries/benefits, contractual, operating, equipment. Of the total operating budget for 2013, the IT expense budget comprises 94.6%. A portion of the operating expenses of the City Clerk's office and Human Resources are included in this fund and comprise 4.5% and 0.9%, respectively, of the total operating budget. Capital expense for information technology investments are budgeted in the Intergovernmental Services Fund. Capitalized assets are reported in this fund as is the depreciation expense. For 2013, the capital budget is \$1.2 million, a decrease of 9.8% from the 2012 budget. In 2011, the fund began to pay \$1.5 million annually as loan repayment to the Convention Center, with final payment of \$1.75 million in 2016.

**Intergovernmental Services Fund
Use of Funds by Department
(\$31.9 million)**



Transfers

Transfers into this fund for 2013 include a transfer from the general fund of \$13.5 million in accordance with the long-term financial plan, \$0.2 million to fund City Hall rent, \$0.5 million for the general fund wireless allocation, a \$2.1 million transfer from the general debt service fund, and \$1.0 million transfer from the Self Insurance Fund. Beginning 2013, the City proprietary funds will not continue to transfer payments to the Pension Debt Service fund related to debt service of Minneapolis Employees Retirement Fund's (MERF) unfunded pension liability. In 2012, bonds related to this debt were retired resulting in substantial savings to the City and creating a large one-time debt payment for the various City funds. The Intergovernmental Services Fund will use fund balance as a revenue source for this payment and recover this cost through the cost allocation model in years 2013 through 2015.

Debt Service

In 2013, the fund will have a beginning bond liability of \$3.1 million. A debt service payment of \$2.1 million in 2013 including \$101,848 of interest will leave an ending balance of bonds payable of \$1.1 million at year end.

Net Assets and Cash Balance

The financial policy related to the net asset balance for the Intergovernmental Services Fund determines that the net asset balance should not fall below two times the fund's annual depreciation. The annual depreciation for 2011 is \$12.1 million and the year-end net asset balance is \$22.2 million which brings the fund within \$2.0 million of benchmark amount of \$24.2 million. The financial policy for cash balance states that the minimum cash balance should be equal to 15.0% of the operating budget. The year end cash balance for 2011 is \$11.9 million and the fund had a 2011 total operating budget of \$25.3 million resulting in a benchmark amount of \$3.8 million. At year end 2011, the fund's cash balance exceeded the benchmark by \$8.1 million.

Mayor's Recommended Budget

The Mayor did not recommend any changes to this fund.

Council Adopted Budget

Council adopted the Mayor's recommendations.

**City of Minneapolis
2013 Budget
Financial Plan (in thousands of dollars)**

Intergovernmental Services Fund

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg From 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
Source of Funds:									
Charges For Service	31,275	30,565	28,187	32,800	28,983	-11.6%	29,852	30,748	31,671
Other Miscellaneous Revenue	(78)	(6)	-	-	-		-	-	-
Operating Transfers In	12,245	14,549	12,407	12,186	17,255	41.6%	15,223	2,499	1,658
Proceeds of Long term Liabilities	-	1,000	1,275	1,275	1,150	-9.8%	1,850	2,900	1,750
Total	43,442	46,108	41,869	46,261	47,388	2.4%	46,926	36,147	35,079
Use of Funds:									
Transfers	395	448	1,072	1,072	-	-100.0%	-	-	-
Debt Service	9,438	10,302	9,604	9,604	2,057	-78.6%	736	504	-
City Clerk	1,342	1,237	1,303	1,250	1,286	2.9%	1,325	1,364	1,405
Human Resources	153	179	261	280	268	-4.3%	276	284	293
Information Technology	26,443	25,619	26,674	30,000	27,106	-9.6%	27,950	28,824	29,673
Capital Projects	(39)	(60)	1,275	1,275	1,150	-9.8%	1,850	2,900	1,750
Total	37,732	37,725	40,188	43,481	31,866	-26.7%	32,137	33,877	33,121
Change in Net Assets	3,225	5,321	1,681	2,780	15,522		14,789	2,270	1,958
Net Assets	16,903	22,225	23,906	25,005	40,526		55,315	57,585	59,543
Cash Balance¹	8,438	11,860	12,041	13,140	27,161		40,450	41,220	41,428
Target Cash Reserve	4,369	3,800	4,175	4,175	4,038		4,160	4,286	4,410
Variance Cash to Target Reserve	4,069	8,060	7,866	8,965	23,123		36,290	36,934	37,018

¹ The cash balance for years 2012 through 2016 is reduced by \$1.5 million for repayment of Minneapolis Convention Center loan. At year end 2011, fund 06400 has a liability balance of \$13.3 million in deferred revenue resulting from prepayments by City departments for future IT projects. These prepayments result in an increase to the cash balance.

² The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Intergovernmental Services Fund should be at a minimum equal to 15% of the operating budget.

**City of Minneapolis
2013 Budget
Financial Plan**

Fleet Services Division Fund

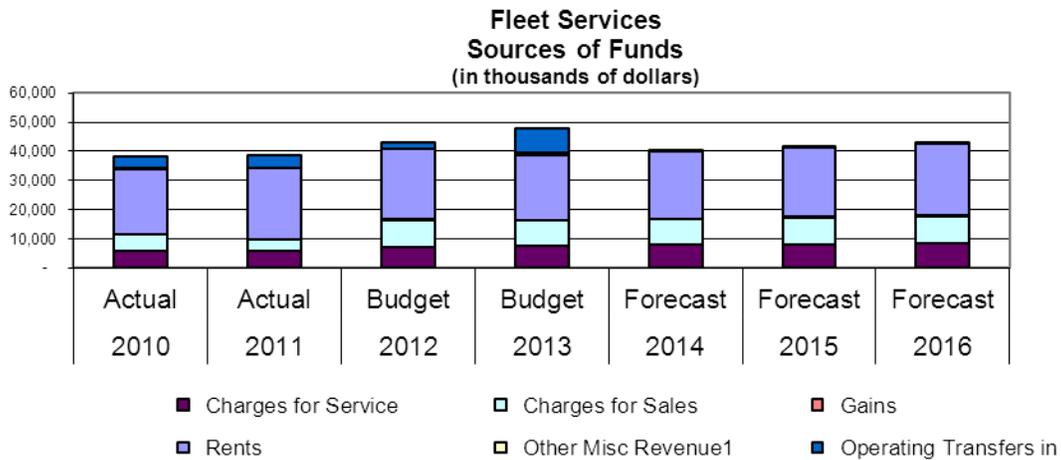
Background

The Fleet Services Division Fund manages the acquisition, maintenance and disposal of 1300 units of equipment; primarily the City's fleet of vehicles, including police cars, fire trucks, snow plows, sedans and pickup trucks along with off road equipment. This fund provides technicians to maintain the equipment as well as the drivers and operators for the equipment that is used in construction and snow removal. In addition, the fund manages the dispatch of City-owned and contractual equipment. The City's fleet of vehicles and equipment has an acquisition value of \$66.8 million and accounts for 47.5% of the net value of the long-term assets in this fund.

Historical Financial Performance

In 2000, the fund had a deficit cash position of \$17.8 million due to costs of operation exceeding revenues collected from City departments. A long-term financial plan was developed in 2001 to generate sufficient revenue to cover the full cost of operations. The fund maintained a positive cash balance through 2011 with the exception of the year ending 2008 when the cash balance was a deficit of \$49,000. At the end of 2011, the cash balance was \$12.3 million. The target cash reserve balance for this fund is \$4.3 million to be attained by year end 2013.

The original long-term financial plan financed fleet purchases by issuing general obligation bonds. Upgrading the fleet reduced the average age of the fleet, reducing maintenance costs in the fund. Historically, the fund continues to follow the plan to maintain a positive cash balance, increase net assets, and to end its reliance on bonds to fund the fleet purchases. In 2006, the practice of issuing bonds to finance fleet replacement was discontinued.

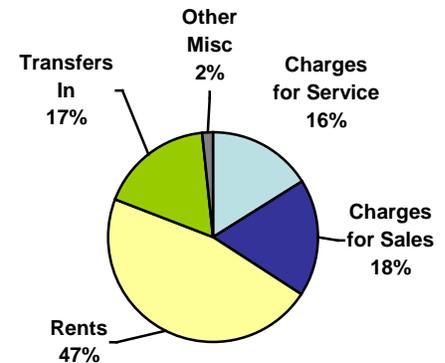


2013 Budget

Revenue

The Fleet Services Division uses activity-based costing to bill internal customers for use of vehicles. This method establishes 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. These charges are billed at a rate that allows the Fleet Services Division to match revenue to expense. Total revenues for 2013 are budgeted at \$47.8 million, an increase of 7.7% from the 2012 projected revenue of \$44.4 million. The increase in projected revenue is due to an increase in the general fund transfer from \$1.9 million in 2012 to \$8.3 million in 2013 as part of a previously adopted schedule.

Source of Revenue (\$47.8 million)



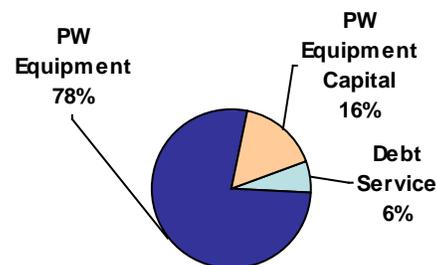
Expense

The 2013 expense budget is \$45.8 million which represents a decrease of 2.4% from the 2012 projected expense of \$46.9 million. The decrease in expense is primarily due to a projected decrease in the transfer out for 2013. In years 2010 and 2012, Fleet Services purchased fewer vehicles than planned causing the net income for the fund to increase over the planned amount. This increase to net income is recorded as an increase to the net asset balance.

Transfers

The transfer out from this fund for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability ended with a final payment in 2012. In 2012 the transfer out was \$2.2 million to retire bonds related to this debt service. The Fleet Services Division is using fund balance as a revenue source for this payment and will recover the cost of the payment through the Fleet allocation model for years 2012 through 2014.

Use of Funds (\$45.9 million)



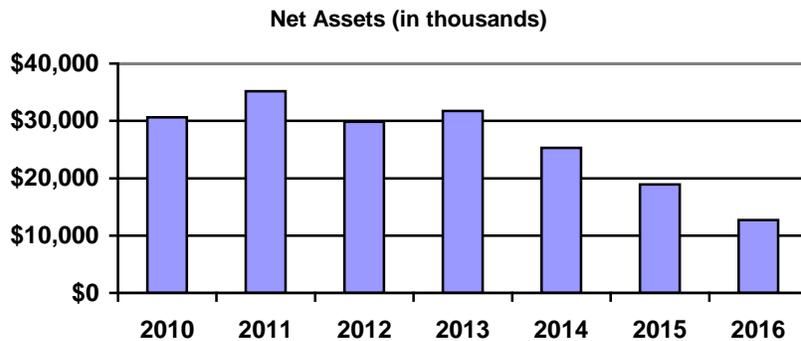
In 2013, the fund will receive a transfer from the general fund of \$8.3 million as determined by the long term financial plan to assist with debt service payments. The fund is not scheduled to receive transfers from the general fund after 2013.

Debt Service

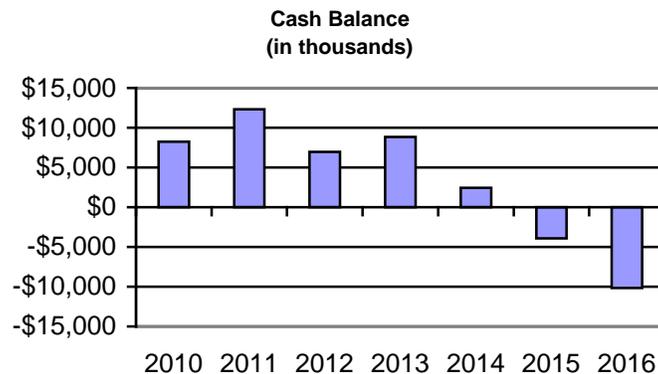
As part of the fleet modernization effort that began in 1997, the City issued bonds to finance fleet upgrades and to build new maintenance facilities. In 2010, the City issued \$22.3 million of refunding bonds to refinance current debt at a lower interest rate. Principal and interest payments totaling \$2.9 million are due in 2013 related to these bonds.

Net Assets

A primary objective of the long-term financial plan is to increase the fund's net assets and the cash balance from the deficit balances in 2002. The fund has steadily increased its net asset balance since 2003 when the financial plan was first implemented. The net asset balance at year-end 2011 was \$35.2 million, an increase of \$4.5 million from the 2010 ending balance of \$30.6 million. The financial policy related to net asset balance for the Fleet Services Division states that the value of net assets should not fall below two times the annual depreciation amount. The annual depreciation for Fleet Services in 2011 was \$6.5 million. The 2011 balance of \$35.2 million is \$22.2 million greater than the benchmark amount. The 2012 projected net asset balance is \$32.6 million.



The 2011 ending cash balance of \$12.3 million is an increase of \$4.1 million from the 2010 ending balance of \$8.2 million. The target cash balance for 2011 as determined by the cash reserve policy is \$2.8 million. The 2012 projected balance is \$7.0 million. The following chart illustrates the historical and projected cash performance of the fund:



Mayor's Recommended Budget

The Mayor recommended no changes to this fund.

Council Adopted Budget

Council adopted the Mayor's recommendations.

**City of Minneapolis
2013 Budget
Financial Plan (in thousand of dollars)**

Fleet Services Divison - 06100

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg From 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
Source of Funds:									
Charges for Service	5,850	5,863	7,346	8,022	7,656	-4.6%	7,886	8,122	8,366
Charges for Sales	5,586	4,026	9,198	9,053	8,634	-4.6%	8,893	9,160	9,435
Gains	169	36	200	221	200	-9.5%	200	200	200
Rents	22,378	24,250	24,254	24,584	22,343	-9.1%	23,013	23,704	24,415
Other Misc Revenue	136	179	30	554	630	13.7%	30	30	30
Operating Transfers in	4,180	4,299	1,926	1,926	8,315	331.7%	-	-	-
Total	38,299	38,653	42,954	44,360	47,778	7.7%	40,022	41,216	42,445
Use of Funds:									
Debt Service	3,590	2,996	3,010	3,010	2,916	-3.1%	2,827	2,870	2,834
Transfers	581	923	2,222	2,222	-	-100.0%	-	-	-
PW Equipment	25,687	25,982	35,748	34,323	35,487	3.4%	36,548	37,641	38,767
PW Equipment Capital	1,687	4,912	7,906	7,390	7,425	0.5%	7,000	7,000	7,000
Total	31,545	34,813	48,886	46,945	45,828	-2.4%	46,375	47,511	48,601
Change in Net Assets	4,060	4,549	(5,932)	(2,585)	1,950		(6,353)	(6,295)	(6,156)
Net Assets	30,608	35,157	29,225	32,572	34,522		28,169	21,874	15,718
Cash Balance	8,235	12,303	6,371	9,718	11,668		5,315	(980)	(7,136)
Target Cash Reserve¹	2,108	2,838	3,569	2,838	4,300		4,442	4,607	4,776
Variance Cash to Target Cash Reserve	6,127	9,465	2,802	6,880	7,368		873	(5,587)	(11,912)

¹ The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Fleet Services Division should be at a minimum equal to 15% of the operating budget. The target cash for years 2010 through 2013 is a phase-in amount.

Note: The 2014-2016 forecasts for source and use of funds are calculated using a factor of 3.0% to capture increases in revenues and expense.

**City of Minneapolis
2013 Budget
Financial Plan**

Property Services Fund

Background

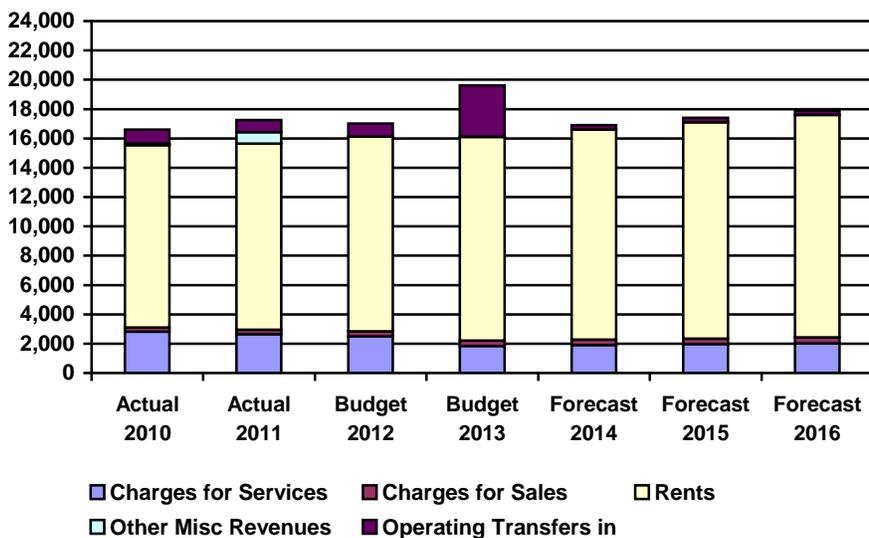
The Property Services Fund is an internal service fund responsible for the operations and maintenance for the majority of the City owned buildings including police precincts, fire stations, public works buildings, parking structures and specialty facilities. At this time, the fund does not provide any services to the Convention Center, City Hall, or the Minneapolis Park and Recreation Board facilities. The fund is also responsible for the Radio Shop which maintains the City’s emergency communications network and accounts for the coordination and management of special property projects. In 2004, the Property Services division assumed the responsibility for space and asset management and security management. In 2007, the division began providing energy management for City properties.

In April 2011, the Property Services Fund was transitioned from the Public Works department to the Finance department within the City Coordinator. The activities in this fund remain an internal service fund and report to the Chief Financial Officer.

Historical Financial Performance

This fund collects revenue from the City departments that use its goods and services (building space, operational maintenance, security, space and asset management, energy management, janitorial and radio services). The proposed building and equipment rental rates charged to City departments are calculated through cost allocation models using historical and anticipated operational costs. The rate structure is configured to enable the fund to charge the amount required to recover the cost of the goods and services provided to City departments and the cost of the fund’s overhead.

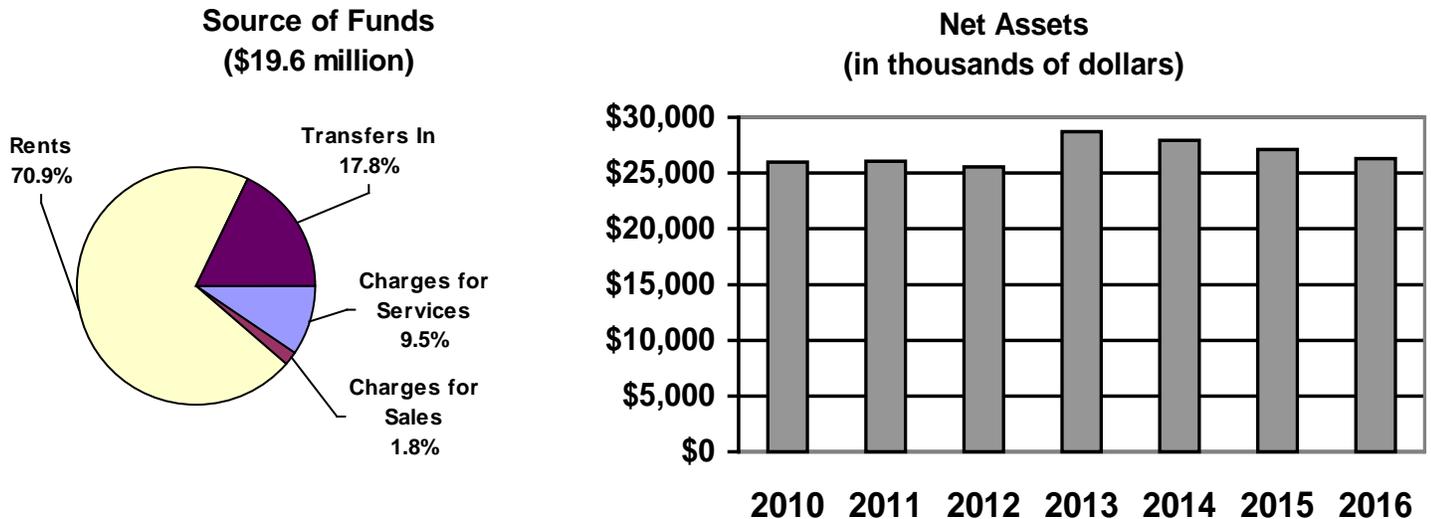
Property Services Revenues
(in thousands of dollars)



2013 Budget

Revenues

The 2013 revenue budget for this fund is \$19.6 million, or an increase of 14.7% from projected 2012 revenue of \$17.1 million. The increase in revenue is primarily related to an increase in the transfer from the general fund from \$0.9 million in 2012 to \$3.5 million in 2013. In addition, there is a \$0.3 million increase in revenue related to pass-through rent revenue collected from City departments that occupy City Hall and paid to the Municipal Building Commission for maintenance services. The Radio Shop charges for sales are expected to increase as mobile phone and data usage increase across City departments.



Expense

The 2013 expense budget is \$17.2 million, an increase of 1.6% from projected 2012 expense of \$16.9 million. The increase in expense is primarily related to expected increases in costs for Facilities Management services. Approximately 40% of the expenses of the fund are related to labor costs for services provided throughout the City. The 2013 budget includes an increase in labor and fringe costs across the division. Also included in this fund's expense budget is \$4.5 million of pass-through cost for services provided by the Municipal Building Commission for maintaining the City's space in City Hall. This is an increase of \$300,000 from the pass through cost in 2012.

Transfers

The 2013 expense budget does not include transfers to other City funds. The 2012 budget included a transfer out of \$598,000 for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded pension liability. This payment retired bonds related to this debt service in 2012 resulting in substantial savings to the City. The cash balance in the Property Disposition Fund, which is included in the Property Services Fund, provided payment for this debt. The Property Disposition fund will be reimbursed for this payment through revenue generated by increasing the rents for City buildings as determined by the rent allocation model for years 2013 through 2015.

The fund receives a transfer of \$3.5 million in 2013 from the general fund which includes \$3.2 million for the general fund's portion of the debt service related to the 800MHz emergency communications project for years 2013 through 2018. In addition, the 2013 transfer includes \$308,324 to cover the cost of City Hall rent that Property Services pays for space it occupies in

City Hall. Beginning in 2014, the fund will only receive a transfer from the general fund for the cost of City Hall rent.

Debt Service

The Radio Shop, a division of Property Services, has management responsibility for the \$14.0 million 800 MHz radio system. The Property Services Fund recognizes the fixed asset, 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 funded as follows in 2013:

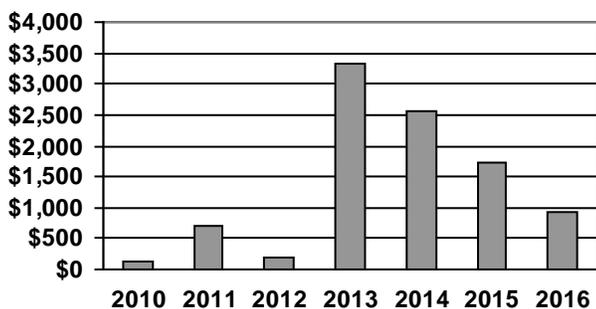
\$523,250	Portion covered by transfer from the general fund
<u>\$350,000</u>	Property services portion of debt
\$873,250	Total debt service (Year 2013)

Net Assets and Cash Balance

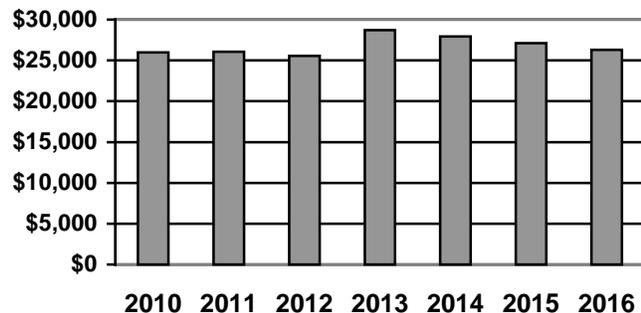
The Property Services Fund has a positive net asset balance of \$26.1 million at year-end 2011, an increase of \$71,000 from the 2010 ending balance of \$26.0 million. The fund does not recover the cost of depreciation of the buildings or equipment that are included as assets of the fund. Because this cost is not recovered, the fund balance will continue to decline even though the fund recovers its operating costs through a rent allocation model. The fund is also experiencing a decline in net assets due to the loss of income resulting from vacant space in the downtown campus City buildings. The financial policy for the net asset balance for the Property Services Fund determines that the value of net assets should not fall below two times the annual depreciation amount. The depreciation for Property Services in 2011 is \$1.1 million. The 2011 net asset balance of \$26.1 million is \$23.9 million greater than the benchmark amount.

The 2011 year-end cash balance is \$699,000, an increase of \$573,000 from the 2010 year-end balance of \$126,000. The Property Services Fund cash balance includes operating cash and the cash balance in the Property Disposition, a fund that receives proceeds from the sale of City property. The cash balance in the Property Disposition Fund at year end 2011 was \$1.4 million, leaving a deficit balance of \$0.7 million in operating cash. Financial reserve policies for the internal service funds determine that the cash reserve for the Property Services fund should not be less than 15% of the operating budget, or \$1.4 million for 2011.

Total Cash Balance
(in thousands of dollars)



Net Assets
(in thousands of dollars)



Mayor’s Recommended Budget

The Mayor recommended no changes to this fund.

Council Adopted Budget

Council adopted the Mayor’s recommendations.

City of Minneapolis
2013 Budget
Financial Plan (in thousand of dollars)
Property Services Fund - 06200

	2010	2011	2012	2012	% Chg		2014	2015	2016
	Actual	Actual	Budget	Projected	2013	From 2012	Forecast	Forecast	Forecast
					Budget	Projected			
Source of Funds:									
Charges for Services	2,818	2,657	2,486	2,600	1,855	-28.7%	1,911	1,968	2,027
Charges for Sales	284	298	355	380	360	-5.2%	371	382	394
Rents	12,428	12,700	13,281	13,200	13,896	5.3%	14,313	14,742	15,178
Other Misc Revenues	122	781	3	23	4	-82.6%	4	4	4
Transfers In	951	821	894	894	3,493	290.7%	300	300	300
Total	16,603	17,257	17,019	17,097	19,608	14.7%	16,899	17,396	17,903
Use of Funds:									
Property Services Administration	1,508	1,538	1,267	1,300	1,387	6.7%	1,428	1,470	1,514
Radio Equipment	1,409	1,459	1,793	1,600	1,770	10.6%	1,823	1,878	1,934
Municipal Market	16	26	40	40	41	1.5%	42	43	44
Facilities Management	13,082	12,988	12,971	12,500	13,105	4.8%	13,498	13,903	14,320
Debt Service	838	880	864	864	873	1.1%	886	918	894
Transfers Out	925	421	598	598	-	-100.0%	-	-	-
Total	16,855	16,892	17,533	16,902	17,175	1.6%	17,677	18,212	18,706
Change in Net Assets	(1,219)	71	(514)	195	2,433		(778)	(816)	(802)
Net Assets	25,991	26,062	25,548	26,257	28,690		27,912	27,096	26,294
Total Cash Balance	126	699	185	894	3,327		2,549	1,733	931
Operating Cash balance¹	(944)	(699)	(1,213)	(504)	1,929		1,151	335	(467)
Target Cash Reserve²	890	1,426	1,920	1,920	1,900		1,942	2,018	2,096
Variance Operating Cash to Target	(1,834)	(2,125)	(3,133)	(2,424)	29		(791)	(1,683)	(2,563)

Cash Reserve

1 Total cash balance is the sum of cash recorded to the Property Disposition fund and to the Property Services fund. Operating cash is the cash balance generated from Property Service fund operations and recorded in the Property Services fund.

2 The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Property Services Fund should be equal to 15% of the operating budget at a minimum. For years 2010 and 2011, the target cash is a phase-in amount.

Note: The 2014-2016 forecasts for source and use of funds are calculated using a factor of 3.0% to capture increases in revenues and expense.

**City of Minneapolis
2013 Budget
Financial Plan**

Self-Insurance Fund

Background

The Self-Insurance Fund records tort liability settlements, workers' compensation claims, severance payments to employees who meet eligibility requirements and the related administrative costs of these and other services. An activity-based allocation model assigns charges to City departments to cover these expenses.

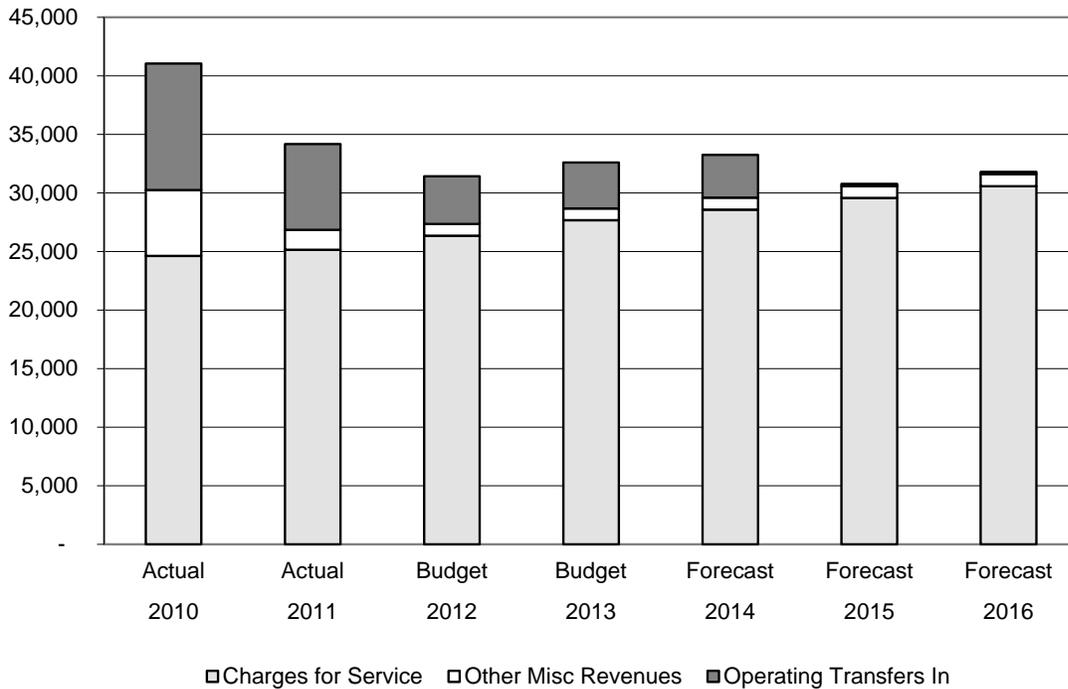
Historical Financial Performance

The net assets of the Self-Insurance Fund reflected a negative position of \$4.1 million at year-end 2011, improving \$39.2 million from the 2002 ending balance of a negative \$43.3 million. One reason for the negative balance is the required accounting recognition of liability for unpaid claims. The 2011 unpaid claims liability is \$50.1 million representing an increase of \$2.8 million from the 2010 liability of \$47.3 million. An actuarial study completed for year-end 2011 calculated the increase to the unpaid claims liability based on historical paid claims, incurred loss, and estimated reserves for claims unpaid.

In 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 financial plan was updated in 2008 and adopted by the City Council. The fund continues to perform above the financial plan cash projections and ended 2011 with a cash balance of \$48.8 million, an increase of \$6.7 million from the 2010 ending balance of \$42.1 million. Financial policies related to the internal service funds determine that a reserve cash balance for the Self Insurance Fund should be maintained equal to the unpaid claims liability amount plus 10% of the annual department operating budgets. The target reserve cash balance for 2011 is \$51.0 million which equals the unpaid claims liability at year end of \$50.1 million plus 10%, or \$0.9 million, of the total 2011 operating budgets. The ending 2011 cash balance is \$2.5 million less than the amount determined by the financial policy.

For 2007, an allocation model was implemented to recover costs associated with all programs in the fund. The allocation model assigns costs to City departments based on a minimum of 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.

Self-Insurance Revenues
(in thousands of dollars)

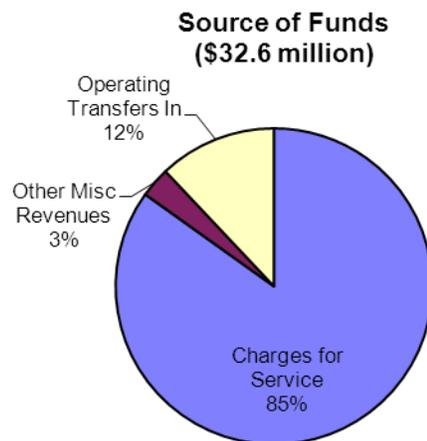


2013 Budget

Revenues

Revenue recorded in this fund primarily consists of funds received from City departments through an allocation model for litigation, risk management, and employee benefit services. In addition, the fund collects revenue to provide for payment of liability settlements and for workers compensation costs.

The 2013 budgeted revenue for the Self Insurance Fund is \$32.6 million, an increase of 3.8% from the 2012 projected revenue of \$31.5 million. The transfer in from the general fund is \$4.0 million, slightly decreased from the \$4.1 million transfer in 2012.

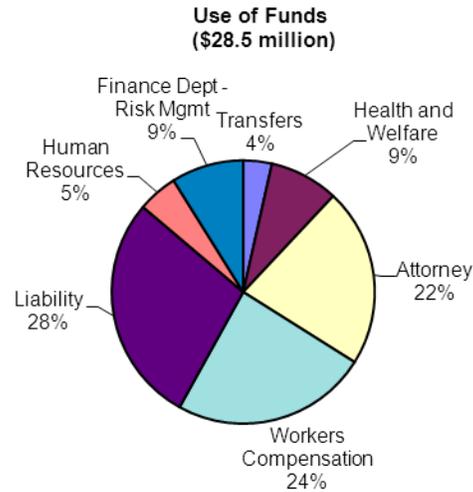


Expense

The expense budget for 2013 is \$28.5 million, an increase of 10.6% from the projected 2012 expenses of \$24.0 million.

The Unused Sick Leave program provides a payout of unused sick leave to qualified employees upon separation from the City. Payments are funded by 0.7% gross salary 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 worker’s compensation payments are estimated at \$6.9 million for 2013. This is a 12.9% decrease from the 2012 projected amount of \$7.9 million. The actuarial study predicted an increase in liability payments of 6.8% from 2012 to 2013. Actual liability payments for 2012 are projected to be less than the amount predicted in the actuarial study resulting in a significant increase in the amount budgeted for 2013 when compared to the projected 2012 payments.



Transfers

The 2013 revenue budget includes a \$3.7 million transfer from the general fund per the fund’s long-term financial plan and a transfer of \$0.2 million as an appropriation for the cost of City Hall rent. The expense budget includes a \$1.0 million transfer to the Intergovernmental Services Fund to assist with payment of debt service as determined by the long-term financial plan.

Debt Service

This fund does not have long-term debt.

Net Assets

The net asset balance at year end 2011 is a deficit of \$4.1 million representing a decrease in the deficit from \$6.6 million at year end 2010. The net asset balance has increased from the 2002 deficit of \$43.3 million since the implementation of the long term financial plan. The financial reserve policy relating to the internal service funds states that the net asset balance for the Self Insurance Fund should not fall below zero.

The fund experienced an increase in cash of \$6.3 million in 2011, bringing the cash balance to \$48.6 million. The financial reserve policy relating to the internal service funds states that the Self Insurance fund should maintain a cash balance equal to the unpaid claims liability plus 10% of the annual operating budgets within the fund. For year ending 2011 the reserve cash balance is \$51.0 million.

Mayor’s Recommended Budget

The Mayor does not recommend any changes to the 2013 budget.

Council Adopted Budget

Council approved the Mayor’s recommendations.

City of Minneapolis
2013 Budget
Financial Plan (in thousands of dollars)

Self Insurance Fund - 6900

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg From 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
Source of Funds:									
Charges for Service	24,615	25,149	26,345	26,191	27,670	5.6%	28,576	29,563	30,583
Other Misc Revenues	5,629	1,703	1,010	1,191	1,011	-15.1%	1,010	1,010	1,010
Operating Transfers In	10,810	7,330	4,071	4,071	3,955	-2.8%	3,663	200	200
Total	41,054	34,182	31,426	31,453	32,636	3.8%	33,249	30,773	31,793
Use of Funds:									
Transfers	140	1,217	1,485	1,485	1,000	-32.7%	1,000	1,000	1,000
Health and Welfare ¹	5,316	794	2,361	800	2,420	202.5%	2,493	2,567	2,644
Attorney	5,488	6,580	6,052	6,080	6,263	3.0%	6,451	6,644	6,843
Workers Compensation	9,555	8,489	6,617	7,900	6,877	-12.9%	7,088	7,141	7,362
Liability	7,957	10,770	7,515	4,000	8,031	100.8%	8,330	8,694	9,073
Human Resources	1,294	1,598	1,369	1,500	1,406	-6.3%	1,448	1,492	1,536
Finance Dept - Risk Mgmt	2,459	2,244	2,466	2,100	2,535	20.7%	2,611	2,690	2,770
Total	32,209	31,692	27,865	23,865	28,532	19.6%	29,420	30,227	31,230
Change in Net Assets	8,845	2,489	3,561	7,588	4,104		3,829	545	563
Net Assets	(6,588)	(4,099)	(538)	3,489	7,593		11,422	11,968	12,531
Cash Balance	42,081	48,571	52,132	56,159	60,263		64,092	64,638	65,201
Target Cash Reserve	48,289	51,040	52,785	52,785	54,597		56,647	58,710	60,847
Variance Cash to Target Reserve	(6,208)	(2,469)	(653)	3,374	5,666		7,445	5,928	4,353

¹The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Self Insurance Fund should not be less than the total of the unpaid claims liability balance plus 10% of the annual operating budgets within the fund.