City of Minneapolis
FY 2014 Budget
Financial Plan

Convention Center Special Revenue Fund

Background

The Convention Center Special Revenue Fund and related Facilities Reserve Fund are used to account 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 2012 fund balance for the Convention Center Special Revenue Fund was $53.2 million, an increase of $9.3 million from 2011. The cash balance in the fund grew by approximately $13.7 million. In addition, the Convention Center Facilities Reserve Fund had a 2012 year-end fund balance of nearly $5.4 million. The 2012 increase in fund balance can be largely attributed to an increase in operating and local tax revenue, coupled with lower operating expenses.

For 2012, the operating deficit (operating revenue less operating expenses) dropped to $(8.2) million from $(9.7) million in 2011.

Details of recent history for the local sales taxes are provided below:

Comparative amounts collected:

Local Sales Taxes (in millions)	2010	2011	2012	% chg.
0.5% Citywide Sales tax	$27.3	$29.9	$31.7	6.0%
3.0% Downtown Restaurant Tax	$10.5	$11.0	$11.5	4.5%
3.0% Downtown Liquor Tax	$4.6	$4.6	$5.4	17.4%
2.625% Lodging Tax *	$5.8	$6.3	$6.4	1.6%
Total Tax Collection	$48.2	$51.8	$55.0	6.2%

* Lodging Tax was reduced to 2.625% from 3.0% 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 Arena Reserve Fund (Target Center) to credit the fund for entertainment tax proceeds generated from Target Center activities and to the General Fund to offset additional public safety costs associated with City-wide entertainment activities. Starting in 2012, the entertainment tax revenue was booked directly in the Target Center Arena Reserve Fund and the General Fund. A recent history of entertainment tax is shown at the top of the next page.

Entertainment Taxes (in millions)	2010	2011	2012	% chg.
3.0% Entertainment Tax	$13.2	$14.1	$14.2	1.0%

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 2012, total operating revenue was $15.1 million, which was an increase of $428 thousand from 2011 and nearly $958 thousand over the 2012 budget.

2013 Projections

Operating revenue is currently projected to come in at approximately $16.7 million, which would be up significantly from 2012 results. With operating expenses projected to be approximately $24.3 million, the operating deficit is projected to be $(7.6) million. The ongoing management of operating expenses includes a variety of cost containment activities:

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

Capital investments for equipment, maintenance and improvements are projected at $11.1 million which includes a $2.3 million rollover for obligated, but unspent funds.

City funding of Meet Minneapolis is projected to be approximately $8.8 million, $250,000 under budget and approximately $700,000 above 2012. Meet Minneapolis is projected to finish $250,000 under budget as a result of receiving $250,000 of their $500,000 budgeted incentive. The Convention Center was the recipient of a $174,357 rebate for an LED lighting installation in Hall A through Xcel Energy.

Local sales taxes are projected to be $56.4 million in 2013, a 2% increase from 2012 actuals.

2014 Budget

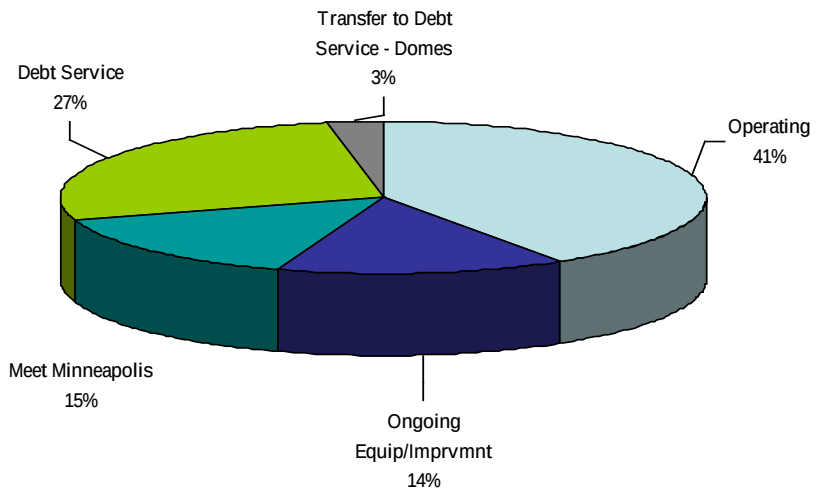
Operating Revenues

The 2014 revenues for the Convention Center have been adjusted to reflect the actual historical receipts and anticipated event activity. Total operating revenue for 2014 is expected to be $16 million. The Convention Center continues to discount rents to be competitive. Operational changes made in 2012 are showing positive results, particularly in charges for services and equipment while also reducing labor costs. Meet Minneapolis sales and marketing initiatives include a rebranding of the Convention Center and Convention Center website along with continued efforts to bring people downtown with events such as the Secret City Festival and the Minneapolis Interactive Macro-Mood Installation (MIMMI) display on the plaza. Although the economy is rebounding, the convention and meeting industry continues to face challenges in controlling costs as centers discount heavily to remain competitive.

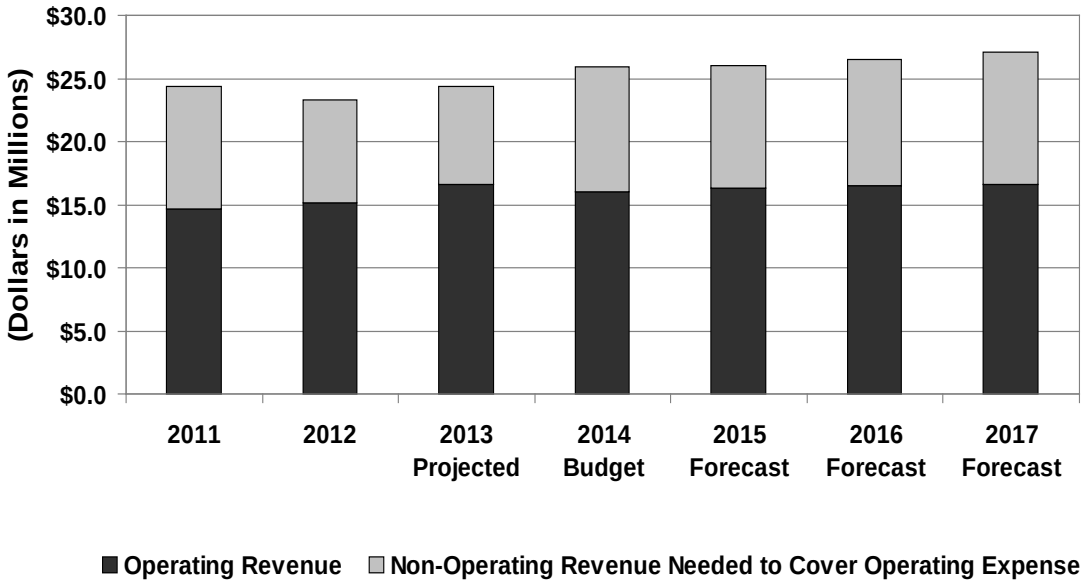
Local Sales Tax Revenue
Beginning in 2014, local tax revenue will be receipted directly to the General Fund. The General Fund will transfer sufficient funds to the Convention Center for the Convention Center to break even.

Expenditures
Operating expenses are budgeted at $25.9 million, up from the projected $24.3 million in 2013. At this level, the operating deficit is budgeted to be $(9.9) million. The budget for Meet Minneapolis is $9.5 million, up $700,000 from projected 2013. Capital investments for 2014 are budgeted at $9.1 million, per the long-term capital plan previously adopted by the City Council. The Convention Center Fund will no longer be transferring sales tax to the General Fund. In 2013, the transfer to the General Fund was $5.3 million.

Use of Funds
($63.4 million)



Operating Revenue and Expense (Excludes Ongoing Equipment & Improvement)



Cash Fund Balance
Between the Convention Center Special Revenue Fund and Facility Reserve Fund, the ending 2014 cash balance is projected at approximately $40.8 million.

Debt Service
The 2014 budget includes full funding to meet the debt service payments of both $17.1 million in outstanding building related debt and $1.8 million in debt for the dome replacement.

Forecast for 2015-2017
Operating revenue is currently forecast to range between $16.3 million and $16.6 million based on already booked events and projections for additional bookings. In 2015, the Convention Center expects operating expenses to increase approximately $500,000 or 2% from 2014, and for planning purposes operating expenses are forecast to increase by 2% annually, though cost containment efforts could lead to lower actual operating costs. The 2015 forecast for Meet Minneapolis is approximately $500,000 lower than 2014 with the 2014 budget including a one-time increase of $500,000 for Meeting Professionals of America and another additional one-time $250,000 increase for Meeting Professionals of America which was added during the City Council Budget Adoption with 2.8% inflators thereafter.

Capital investments are forecasted to be $9.5 million, $10.6 million, and $9.5 million over this period as aligned with the long-range capital plan.

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

The General Fund will be transferring sufficient funds to fully fund the Convention Center to break even in each of these years.

Convention Center Related Programs
The Convention Center has four programs associated with the Fund:

Minneapolis Convention Center Events Program
Convention Centers exist to provide economic impact to their communities.

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 their attendees. This program also includes the City's contract with Meet Minneapolis, which provides sales services for the convention center as well as destination marketing for the City of Minneapolis.

Convention Center events drive economic impact to the City as these clients and attendees purchase goods and services from the convention center as well as local businesses contributing to a vibrant downtown. Meet Minneapolis also pursues leisure travelers and sponsorship opportunities.

Minneapolis Convention Center Facilities Program
The Convention Center Facility Program provides the physical building and grounds of the Convention Center as well as the staff to maintain this City asset. The Events Program utilizes the facility to sell and host events. The Facilities Program includes repair and maintenance expenditures.

Minneapolis Convention Center Tallmadge Program
The Convention Center Tallmadge Building is currently operated as an office building that is leased to local businesses. Within the next several years, as lease contracts expire, we will implement our long-term competitive strategy to repurpose this building into a visitor center and restaurant to provide amenities and access to cultural and recreational activities to visitors. This will assist in attracting national business and economic impact to our City.

Target Center
The Target Center program provides an operating subsidy and capital funds for this City-owned facility through a contractual agreement with its operator, AEG.

City of Minneapolis
FY 2014 Council Adopted Budget
Financial Plan (in thousands of dollars)

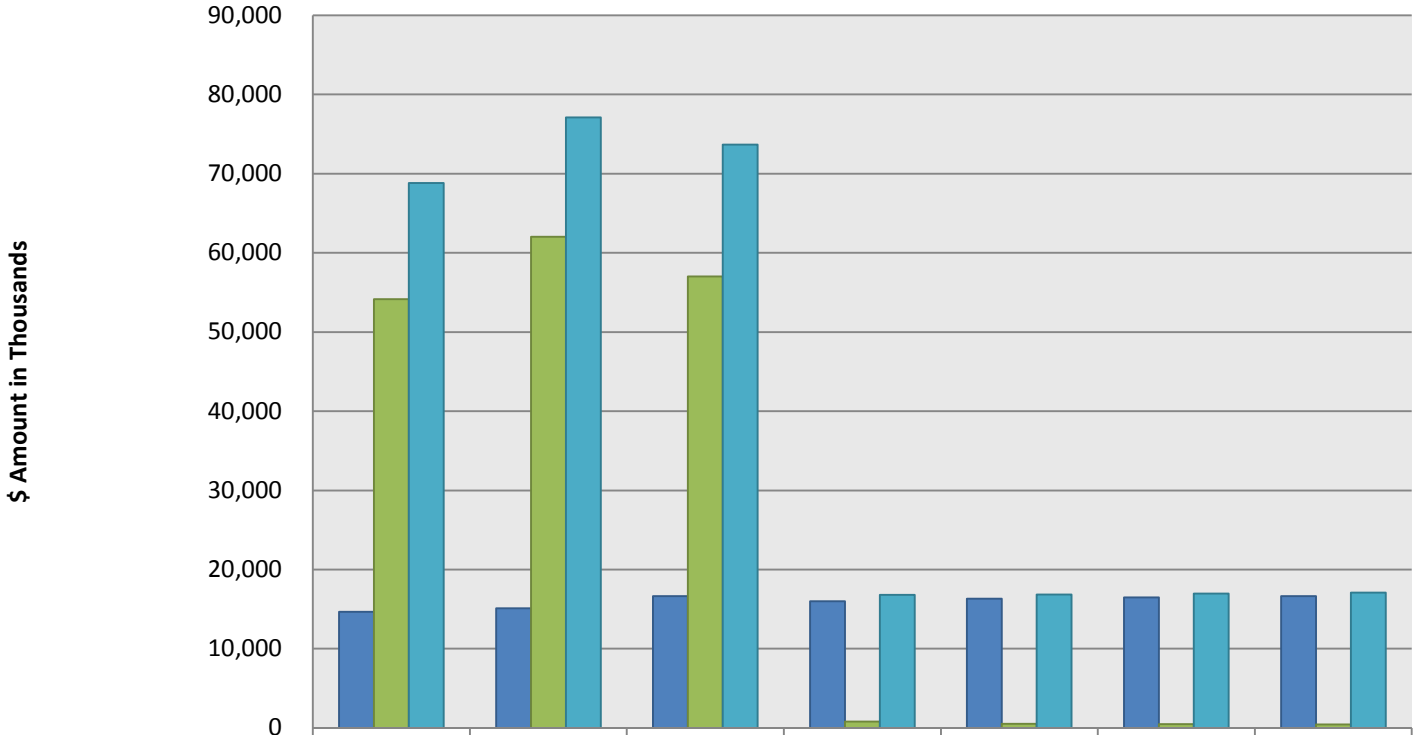
Convention Center Special Revenue Fund

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Budget	% Chg From 2013 Projected	2015 Forecast	2016 Forecast	2017 Forecast
Source of Funds:									
Operating Revenues:									
Charges for Services	5,347	5,405	5,339	6,000	5,720	-4.7%	5,834	5,892	5,951
Rents and Commissions	6,580	7,005	6,400	7,250	6,980	-3.7%	7,120	7,189	7,261
Other Miscellaneous Operating	2,744	2,689	3,044	3,400	3,300	-2.9%	3,366	3,399	3,433
Sub-Total	14,671	15,099	14,783	16,650	16,000	-3.9%	16,320	16,480	16,645
Non-Operating Revenues:									
Local Taxes	29,922	31,731	31,500	32,670	-	-100.0%	-	-	-
Restaurant Tax	11,032	11,465	12,000	11,830	-	-100.0%	-	-	-
Liquor Tax	4,599	5,427	5,700	5,240	-	-100.0%	-	-	-
Lodging Tax	6,300	6,432	6,800	6,630	-	-100.0%	-	-	-
Interest	162	259	200	200	361	80.5%	368	376	383
Other Misc Non Operating	624	880	265	461	215	-53.4%	164	114	63
Bonds Issued - Domes	-	4,200	-	-	-	0.0%	-	-	-
Premium on Bonds	-	111	-	-	-	0.0%	-	-	-
Transfer from Convention Facilities Reserve	1,500	1,500	-	-	-	0.0%	-	-	-
Use of Fund Balance	-	-	-	-	250	0.0%	-	-	-
Sub-Total	54,139	62,005	56,465	57,031	826	-98.6%	532	490	446
Total	68,810	77,104	71,248	73,681	16,826	-77.2%	16,852	16,970	17,091
Entertainment Tax	14,077	-	-	-	-	-	-	-	-
Use of Funds:									
Convention Center Operations	24,392	23,345	25,092	24,329	25,904	6.5%	26,014	26,524	27,055
Ongoing Equipment/Improvement	1,612	5,099	11,073	11,073	9,115	-17.7%	9,480	10,628	9,453
Meet Minneapolis	7,525	8,138	9,017	8,767	9,539	8.8%	9,036	9,289	9,549
Capital Improvements - Domes	-	3,905	-	-	-	0.0%	-	-	-
Transfer to Gen Fund	250	250	5,250	5,250	-	-100.0%	-	-	-
Transfer to Conv Facilities Reserve	1,150	1,150	-	-	-	0.0%	-	-	-
Transfer to Debt Service	22,214	19,834	16,959	16,947	17,087	0.8%	23,462	24,092	24,159
Transfer to Debt Service - Domes	-	111	586	586	1,774	202.7%	1,040	520	510
Transfer to Other Debt Service Fund	153	400	-	-	-	0.0%	-	-	-
Transfer to Parking Fund for Debt Service	6,589	4,580	3,729	3,729	-	-100.0%	-	-	-
Transfer to Parking Fund - Operating Subsidy	1,000	1,000	1,000	1,000	-	-100.0%	-	-	-
Total	64,885	67,812	72,706	71,681	63,419	-11.5%	69,032	71,053	70,726
Transfer to General Fund - Ent. Tax	13,997	-	-	-	-	-	-	-	-
Transfer to Target Center - Ent. Tax	80	-	-	-	-	-	-	-	-
Transfer from General Fund	-	-	-	-	46,593	0.0%	52,180	54,083	53,635
Net Income	3,925	9,292	(1,458)	2,000	-	-100.0%	-	-	-
Fund Balance/Retained Earnings:									
Beginning Balance	40,009	43,933	53,225	53,225	55,225	3.8%	54,975	54,975	54,975
Ending Balance	43,933	53,225	51,767	55,225	54,975	-0.5%	54,975	54,975	54,975
Ending Cash Balance	25,362	39,021	37,563	41,021	40,771	-0.6%	40,771	40,771	40,771
Convention Center Facility Reserve Fund Balance	5,750	5,400	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 additonal iDSS start up capital. The three loans were consolidated for a total of $10 million. The $10 million consolidated loan will have a 10 year amortization of principle (2008-2017) repaid in full in 2017 at a 5% interest rate. The note repayment for the loan is pledged against assets, future appropriation from the City funding, and profit from the iDSS.

Beginning in 2011, IT will transfer $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 sieet.



	2011	2012	2013	2014	2015	2016	2017
Operating Revenue	14,671	15,099	16,650	16,000	16,320	16,480	16,645
Non-Operating Revenue	54,139	62,005	57,031	826	532	490	446
Total Revenue	68,810	77,104	73,681	16,826	16,852	16,970	17,091

**2013-2017 figures are projections*