City of Minneapolis
2017 Budget

Financial Plans

The section that follows contains 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
2017 Budget

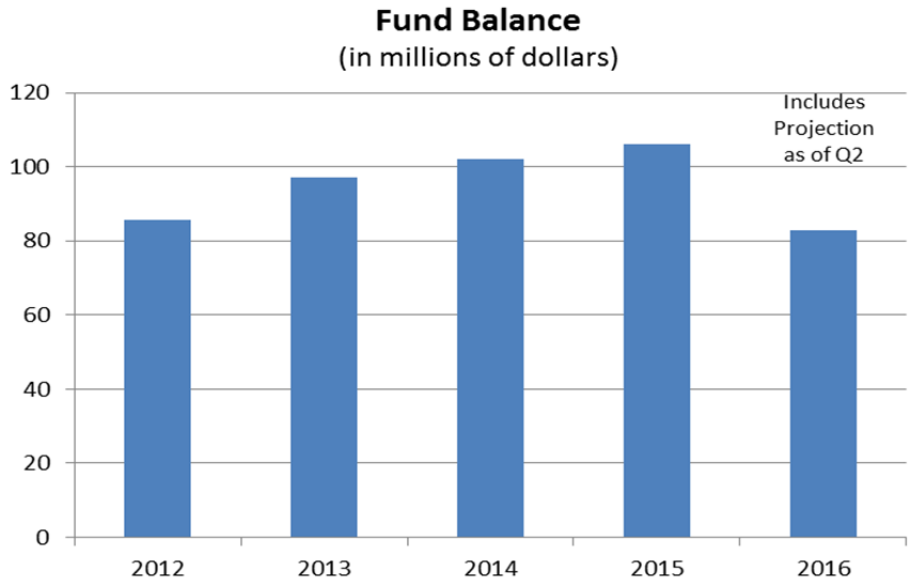
Five-year Financial Direction 2018-2022
(Including information on the City's General Fund)

Introduction
The Five-year Financial Direction reflects the City's ongoing commitment to long-term financial planning. The financial direction provides projections for property tax supported services, including the City's General Fund, pensions, capital and debt. The purpose of recommending a 2018-2022 financial direction is to provide guidance for decision making on available planned resources in the City's General Fund.

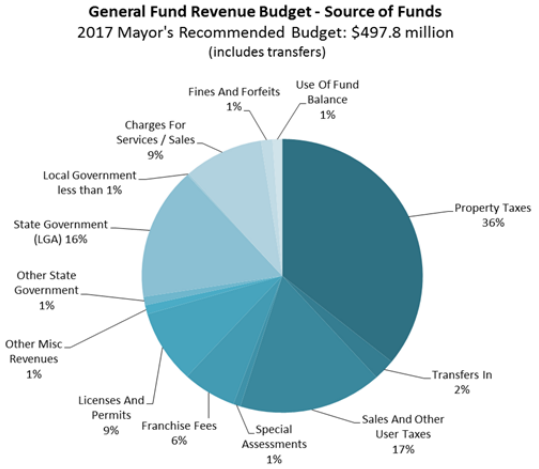
General Fund
The General Fund is the general operating fund of the City and is the primary funding source for public safety, street paving, snow plowing and other general government services. In 2017, the General Fund expenses and revenues, including use of fund balance is $497.8 million.

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 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 unrestricted fund balance of 17 percent of the following year's budgeted expenditures amount to be used for cash flow purposes, unanticipated expenditures of a non-recurring nature, and to meet unexpected increases in service delivery costs or unexpected revenue shortfalls.

The General Fund began 2016 with a fund balance of $106.0 million. The 2016 year-end fund balance in the General Fund as of second quarter is expected to be at $82.8 million, which is slightly below the stated fund balance requirement of 17 percent, or $83.0 million, of the following year's expenditure budget.



2017 General Fund Revenue Budget

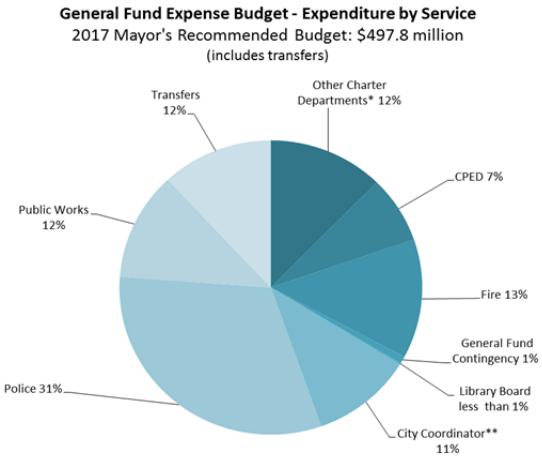


The 2017 Mayor's Recommended budget includes a total of $497.8 million of revenues for services incorporated in the financial direction, including transfers from other funds and use of fund balance. Budgeted revenues are expected to increase by 2.0 percent from the 2016 budget from a combination of increased property taxes and transfer in increasing. The increase in these sources is mitigated by the growth in local sales and other user taxes, local government aid and other non-tax revenues which minimize the need for increased property taxes.

Revenue Source	2015 Acutal	2016 Adopted	2017 Mayor's Recommended	% Chg from 2016 Adopted	2016 Adopted % of Total	2017 Recommended % of Total
Property Taxes	160.5	160.6	178.2	11.0%	32.9%	35.8%
Sales and Other User Taxes	76.7	76.0	82.3	8.3%	15.6%	16.5%
Franchise Fees	30.1	31.5	30.9	-1.7%	6.4%	6.2%
Licenses and Permits	44.3	43.4	42.9	-1.1%	8.9%	8.6%
State Government / LGA	77.4	77.8	78.0	0.2%	15.9%	15.7%
Other State Government	5.3	4.9	5.0	2.5%	1.0%	1.0%
Charges For Services / Sales	46.9	47.4	45.6	-3.8%	9.7%	9.2%
Local Government	0.8	0.7	1.0	40.3%	0.1%	0.2%
Special Assessments	3.2	3.3	4.1	21.6%	0.7%	0.8%
Fines and Forfeits	6.5	7.3	6.5	-10.5%	1.5%	1.3%
Transfers In	4.3	4.0	12.5	209.5%	0.8%	2.5%
Use of Fund Balance		24.0	5.5	-77.0%	4.9%	1.1%
Misc. Revenues	5.0	7.3	5.3	-27.8%	1.5%	1.1%
Total	**461.0**	**488.2**	**497.8**	**2.0%**	**100.0%**	**100.0%**

State Aids (including Local Government Aid):
The City's local government aid (LGA) allocation in 2017 is certified at $78.0 million. This does not reflect potential increases discussed during the 2016 Legislative session. LGA reflects an increase of $181,000 or 0.2% over the 2016 allocation.

2017 General Fund Expenditure Budget



The 2017 recommended budget for City services included in the financial direction is $497.8 million, which includes $59.4 million in transfers to other funds.

Approximately 60.7% of the overall expenditure budget is related to salaries and benefits. In the General Fund, salary and wage expenditures increased from $203.5 million in 2016 to $216.9 million in 2016. The salary and wages expense category also includes overtime costs, contractually-obligated payments, and one-time funding for positions that are not permanent. The General Fund provides funding in some shape or form for most City functions. A breakdown of

* Other Departments: Assessor, Attorney, Civil Rights, Council/Clerk/Elections, Health, Internal Audit, Mayor, and Regulatory Services
** City Coordinator: 311, 911, Communications, Emergency Management, Finance and Property Services, Intergovernmental Relations, IT, Neighborhood and Community Relations

the allocation of the $497.8 million in the 2017 General Fund budget is reflected in the chart above.

Five-Year Financial Direction

The Five-year Financial Direction includes a property tax levy increase of 5.5 percent in 2017-2019, 5.19 percent in 2020, 6.89 percent in 2021, and 5.0 percent in 2022. These percentages reflect funding for statutorily-required costs, the 20 year program for additional investments in streets and parks, and a current service level cost escalator for departments and support services.

The 2017 budget is the basis for future projections: In other words, services and activities included in the 2017 budget provide the starting point for the 2018-2022 department budget estimates. One-time 2017 supplemental items are removed from department budgets in 2018 and beyond.

The financial direction from 2018 to 2022 contains updates to departmental resources: The financial direction includes the most updated assumptions about contract settlements and other commitments, as well as projected changes in revenue.

Salary Assumption: - The City adopted a compensation philosophy in 2007, rather than a specific salary policy. It is anticipated that salary settlements will vary within and between bargaining units. Assumptions are updated annually as contracts are settled.

Capital and Debt Service

As part of the 2016 budget, the amount of property tax supported resources for capital improvements was comparable to the previous five-year plan. For 2017 and future years, the intent is to provide a significantly higher level of property tax supported (net debt bond) funding to make significant improvements to City streets and neighborhood park infrastructure. In April of 2016, the Mayor and City Council and the Minneapolis Park and Recreation Board approved an historic twenty year plan supporting increased funding levels for street infrastructure and neighborhood parks. As a result of this new plan and other base increases, net debt bond funding in the 2017 – 2021 five-year plan will be increasing from $155 million to $240.71 million. The additional resources will improve all types of capital infrastructure with a distinct emphasis on improving street paving, protected bikeways and pedestrian improvements, lighting and traffic related safety improvements and major improvements to neighborhood parks. More detail about the total resources dedicated for the Street Infrastructure and Neighborhood Park Funding Plan can be found in the Capital Budget Narrative Overview later in this document. The City's Water infrastructure is also an area of emphasis in this budget.

The Net Debt Bond (NDB) program is paid for with property tax collections. The five-year financial direction for the bond redemption levy will remain consistent with the previous plan for 2017 but will be increasing in 2018 and beyond to support the new street infrastructure and neighborhood parks funding plan. The increases are possible due in part to lower pension funding costs, lower current debt levels and the decertification of the consolidated tax increment district in 2020 which will increase the City's tax capacity starting in 2021.

Funding for pension liabilities: The five-year financial direction includes obligations for three closed pension funds that have since been merged into the statewide retirement system, the Public Employees Retirement Association (PERA) of Minnesota. The former closed funds that were merged are the Minneapolis Police Relief Association (MPRA), the Minneapolis

Firefighters' Relief Association (MFRA), and the Minneapolis Employees Retirement Fund (MERF). All three funds are administered by PERA. The City has ongoing obligations funded from within departmental budgets to PERA to support current employees' retirement plans. The 2016 City ordinance passed for the 20 year funding program for streets and parks assumed that the levy necessary for support of the pension obligations would decrease by $5 million from 2016 to 2017. In the subsequent four years, the levy to support pension obligations would then rise back to 2016 levels. The five year financial direction reflects the 2016 ordinance.

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

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

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

- *Property taxes:* Future projections plan on property tax increases to support future services. Reducing the growth in property taxes in the face of additional budget needs will require the City to continue monitoring other revenue sources and expenditures, as well as looking at creative ways in which to reallocated existing resources.

- *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 challenges related to the ability to keep up with increased workloads across the enterprise while mitigating the impact on property tax payers.

- *Aging Facilities and Infrastructure:* The City is responsible for facilities and infrastructure that is not contemplated in its existing capital processes. As these facilities need major repairs and maintenance, there will be a need to recognize large out-year commitments to fund these projects.

Assumptions for 2017-2022
- The tax policy is managed in the aggregate, with consideration for allocation by use.
- Out-year projections will be adjusted over time as new information becomes available.
- Contingency is maintained to provide cushion for uncertainty related to seasonal and economic conditions proportional to overall anticipate budget increases.
- Health insurance is assumed to be increase by 5.1% in 2017 and remain near 5.0 percent through 2022.
- Revenues in the General Fund are assumed to increase by 1.7 percent annually.
- Expenditures for the cost allocation model for internal City departments and the government service fee also include cost escalators.
- Local tax revenue is recorded as direct revenue into the General Fund.

Five Year Financial Direction

	2016	2017	2018	2019	2020	2021	2022
Uses:							
General Fund Base Cost	409,197,461	423,142,229	437,153,167	452,474,266	468,334,424	484,753,783	501,753,289
General Fund One-times	24,072,384	11,754,054	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
General Fund Commitments	54,978,570	62,878,943	56,800,068	56,829,320	56,859,450	56,890,483	56,922,448
Total Uses	488,248,415	497,775,226	501,953,235	517,303,586	533,193,874	549,644,266	566,675,737
Sources:							
Non-Property Tax Resources General Fund	303,601,031	315,389,835	303,945,040	306,907,267	310,756,111	307,786,140	308,153,602
Use of Fund Balance	24,072,384	5,533,496	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Property Tax Resources-HRA	129,000	0	0	0	0	0	0
Property Tax Resources General Fund	160,446,000	176,851,895	190,008,195	202,396,319	214,437,763	233,858,126	250,522,135
Total Sources	488,248,415	497,775,226	501,953,235	517,303,586	533,193,874	549,644,266	566,675,737

Property Tax	2016	2017	% chg	2018	2019	2020	2021	2022
General Fund	160,446,000	176,851,895	10.23%	190,008,195	202,396,319	214,437,763	233,858,126	250,522,135
Minneapolis Park Board	54,315,000	59,745,000	10.00%	62,134,800	64,620,192	67,205,000	69,893,200	72,688,928
Bond Redemption	37,800,000	37,800,000	0.00%	39,350,000	41,510,000	43,830,000	45,880,000	45,880,000
Other City Levies	28,604,000	22,990,000	-19.63%	23,000,000	24,025,000	25,040,000	26,050,000	26,060,000
Municipal Building Commission	4,810,000	4,954,300	3.00%	5,102,929	5,256,017	5,413,697	5,576,108	5,743,392
Teacher's Retirement Association	2,300,000	2,300,000	0.00%	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Library Debt Service	9,300,000	9,300,000	0.00%	9,300,000	9,300,000	9,300,000	9,300,000	9,300,000
Total	297,575,000	313,941,195	5.50%	331,195,924	349,407,528	367,526,460	392,857,434	412,494,455
Percentage Change from Prior Year				5.50%	5.50%	5.19%	6.89%	5.00%

City of Minneapolis
2017 Budget
Financial Plan

Arena Special Revenue Fund

Background

The Arena Special Revenue Fund (Arena 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 provides support for the operation of the Arena and pays AEG a fee based upon a revenue sharing formula, if certain criteria are met, for contracted services associated with operating and promoting the Target Center.

The entertainment tax directed to the Arena Fund reflects entertainment tax proceeds generated directly from Target Center activities. The Arena Fund also receives a transfer from the Parking Fund per Council action and the long-term Target Center finance plan. The transfer reflects the estimated parking revenue received from events at the Target Center.

The Arena Fund also receives financing from three Tax Incremental Financing (TIF) sources: the NBA Arena TIF District (now decertified), the Consolidated TIF District, and the Common Project. These revenues are segregated and restricted to specific purposes, including debt service and capital expenses.

2016 Projections

In 2016, the unrestricted Arena revenue is projected to be $6.9 million which is 6% higher than was projected for the 2016 budget. This increase is a result of the Arena generating more in entertainment taxes and a greater amount of investment earnings on the fund balance. For 2016, entertainment tax collections will be $0.3 million greater than the budgeted amount of $1.4 million and interest earnings on the fund balance are expected to be $.1 million greater than had been projected. For the year, total capital investments are projected to be $9.5 million, including the balance of the capital contribution from AEG and the $4.9 million that was carried forward from 2015 for completion in 2016. It is expected that an additional $2.9 million for capital improvements will be carried over into 2017.

2017 Budget

Revenues
Revenues from the tax increment (TI) sources are budgeted to be $9.2 million. This does not includes the pledge from the Common Project, which will be held separately in a reserve to pay debt service on the Series 2009 bonds in those years after the Consolidated TIF District is decertified. Entertainment tax revenues are budgeted at $1.3 million, a 23 percent decrease from 2016 as a result of the shutdown of the Arena during the renovation project. The parking revenue transfer is budgeted at $3.9 million, a slight increase from the prior year. As of 2014, the Arena became tax exempt with respect to the primary tenant. In lieu of property taxes, the primary tenant now makes an annual rent payment.

It is anticipated that debt will be issued in 2017 to finance costs relating to the proposed

renovation of the Arena. Local option taxes will be pledged to the payment of this debt and will not be budgeted separate and apart from the Arena Special Revenue Fund.

The cumulative TI balance is reserved to pay future debt service on the 2009 Bonds. Based on current projections, when combined with the cumulative balance, sufficient revenue will be available from the TI sources to make principal and interest payments on the 2009 Bonds as they become due.

The Arena Fund expects fund balance/net position on non-TI sources to decrease by $.95 million as a result of a planned usage of cash reserves to fund planned capital improvements to the Arena.

Expenditures
The only expenditure funded with TI revenue in the 2017 budget is $5.0 million of existing debt service. Budgeted expenditures to be paid from non-TI sources include $4.6 million in capital improvements, $0.3 million in administrative costs, and a potential operator reimbursement that is currently projected at $2.0 million.

Renovation project
The 2017 budget contemplates significant renovations occurring in 2017. To finance the City's share of the project, it is anticipated that the City will issue taxable general obligation bonds sometime in 2016, with local sales tax revenues being the primary revenue source for repayment of debt service on these bonds. A renovation agreement with AEG, the Timberwolves/Lynx and the City has been negotiated and signed. As the planning for the renovation project is completed, the sizing and timing of any new debt issuance and revised financial ramifications become more certain.

Mayor Recommended
There are no changes to the Mayor Recommended.

City of Minneapolis
2017 Mayor's Recommended Budget
Financial Plan (in thousands of dollars)

Arena Special Revenue Fund

	2014 Actual	2015 Actual	2016 Budget	2016 Actual	2017 Budget	% Chg From 2016 Projected	2018 Forecast	2019 Forecast	2020 Forecast
Source of Tax Increment Funds:									
Common Project TIF Contribution	1,474	1,515	1,556	1,556	-	-100.0%	-	-	-
Consolidated TIF District (01CON)	5,324	6,231	6,152	6,352	9,094	43.2%	9,592	9,340	525
Interest Earnings (01CPK & 01CON)	51	68	110	126	110	-12.4%	131	154	174
Sub-Total	6,849	7,814	7,818	8,034	9,204	14.6%	9,723	9,494	699
Use of Tax Increment Funds:									
Transfer to Debt Service (01CPK)	-	1,515	1,556	1,556	-	0.0%	-	-	-
Transfer to Debt Service (01CON)	4,250	2,977	3,184	3,184	5,003	57.1%	5,248	5,468	5,691
Capital Improvements/Admin	-	-	-	-	-	0.0%	-	-	-
Sub-Total	4,250	4,492	4,740	4,740	5,003	5.5%	5,248	5,468	5,691
Net Available After 2009 Debt	2,599	3,322	3,078	3,294	4,201		4,475	4,026	(4,992)
Cumulative TI Balance for 2009 Bonds (see note)	12,828	18,749	25,149	22,043	26,244		30,719	34,745	29,753
Source of Non-Restricted Funds:									
Local Option Taxes	-	2,000	-	-	-	0.0%	-	-	-
Event Parking	3,323	3,523	3,728	3,728	3,940	5.7%	4,158	4,383	4,615
Rent	1,350	1,350	1,350	1,350	1,433	0.0%	1,461	1,491	1,520
Entertainment Tax (Arena Events Only)	1,976	1,580	1,394	1,657	1,270	-23.4%	1,675	1,709	1,743
AEG Capital Investment	232	5	-	-	-	-	-	-	-
Interest Earinings (01260)	34	41	34	153	156	2.0%	159	162	166
Sub-Total	6,915	8,499	6,506	6,888	6,799	-1.3%	7,453	7,745	8,043
Use of Non-Restricted Funds:									
Capital Improvements	2,020	8,892	4,622	9,500	4,620	-51.4%	4,727	4,412	5,600
Administration	244	260	254	523	274	-47.6%	279	285	291
Reimbursement of Unamortized Improvements	-	-	1,736	1,557	-	-100.0%	-	-	-
Net Operator Reimbursement / Profit Share	1,265	1,441	1,541	1,541	2,000	29.8%	1,627	1,672	1,718
Sub-Total	3,529	10,593	8,153	13,121	6,894	-47.5%	6,633	6,369	7,609
Net Income for Operations	3,386	(2,094)	(1,647)	(6,233)	(95)	-98.5%	1,294	1,376	434
Cumulative Operations Fund Balance	7,318	8,610	4,869	2,377	2,282		3,576	4,952	5,386
Total Anticipated Capital Expenditures	1,922	8,892	4,622	9,500	4,620		4,727	4,412	5,600

Notes:

Cumulative TI Balance for 2009 Bonds, balance to be maintained and reserved to pay debt service on the 2009 Bonds.
Debt for renovation will be issued in 2017, payable from local sales taxes to be accounted for in separate debt service fund

City of Minneapolis
FY 2017 Budget
Financial Plan

Convention Center Special Revenue Fund

Background
The Convention Center Special Revenue Fund is used to account for the maintenance, operation and marketing of the City-owned Convention Center and related facilities. The Convention Center was created to foster and generate economic growth and vitality by providing facilities and services for conventions, trade shows, exhibits, and meetings, as well as 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 2015 fund balance for the Convention Center Special Revenue Fund was $67.2 million, an increase of $6.7 million from 2014. The cash balance in the fund grew by nearly $8.6 million. Much of the increase can be attributed to transferring the Convention Center Facilities Reserve Fund $5.4 million fund balance to the Convention Center Fund in 2015. For 2015, the operating deficit (operating revenue less operating expenses) decreased to $6.3 million from $8.9 million in 2014. This decrease can be largely attributed to an increase in operating revenue generated from a busy year coupled with a decrease in operating expenses generated from operational efficiencies.

Operating revenues are generated directly from Convention Center operating activities. Exhibit space rent is the largest source of revenue for the Convention Center. Also included in operating revenues, is 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 2015, total operating revenue was nearly $18.3 million, which was an increase of nearly $1.7 million from 2014 and $842,000 over the 2015 budget.

2016 Projections
Operating revenue is currently projected to come in at nearly $17.4 million, which is $900,000 less than 2015. With operating expenses projected to be $25.9 million, the operating deficit is projected to be $8.5 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 to be $13.0 million, which includes a $4.8 million rollover to 2016 for obligated, but unspent 2015 funds.

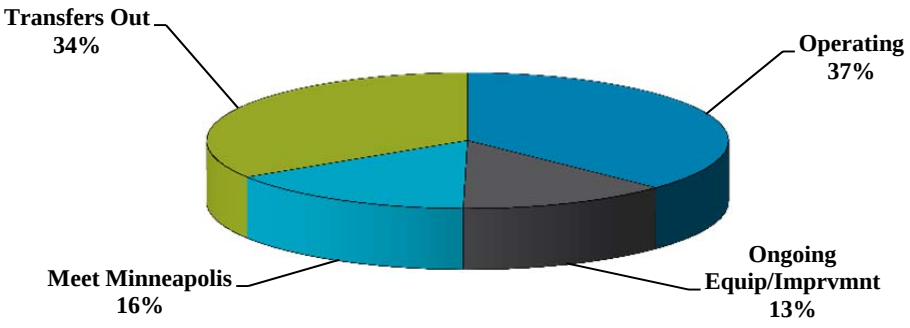
City funding of Meet Minneapolis is projected to be $9.9 million which is $126,000 below 2015. The current contract with Meet Minneapolis began on 1/1/2015 which sets their base funding at $9.0 million. City funding also includes incentive funds payable upon achievement of performance indicators and one-time funding.

Local Sales Tax Revenue
Beginning in 2014, local tax revenue is being deposited directly to the General Fund, and the General Fund is transferring sufficient funds to the Convention Center to fund Convention Center operating and non-operating expenditures.

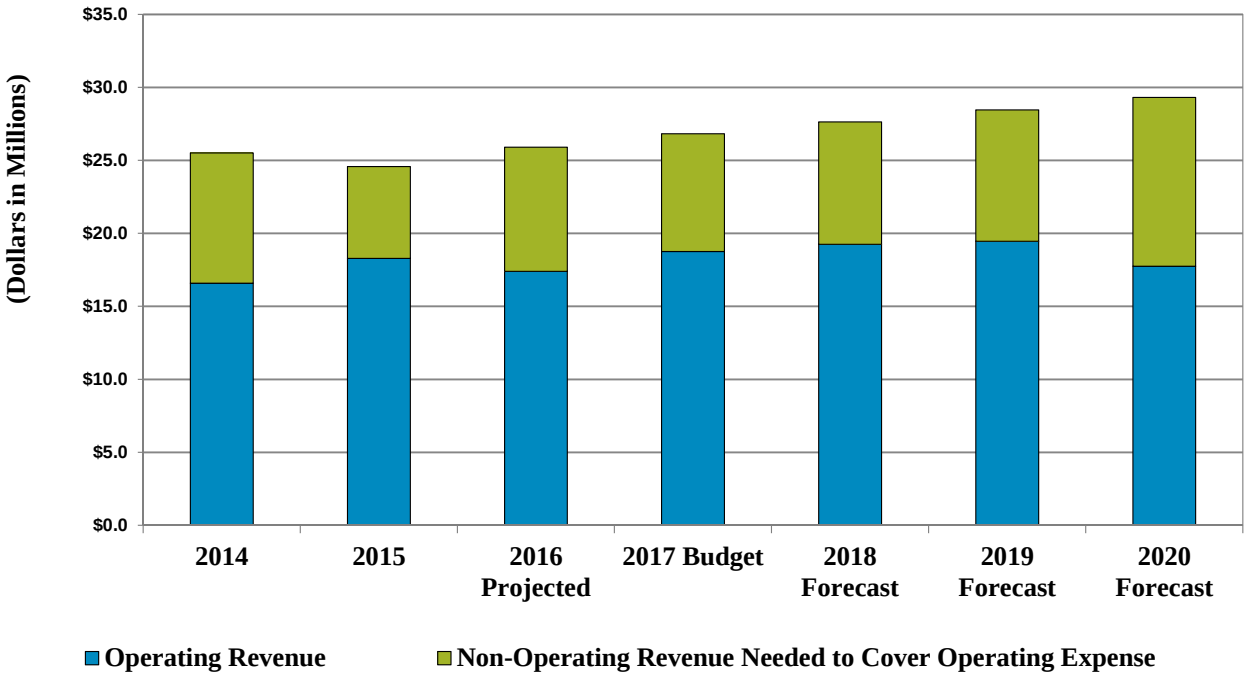
2017 Budget
Operating Revenues
The 2017 revenues for the Convention Center have been adjusted to reflect the actual historical receipts and anticipated event activity. Total operating revenue for 2017 is expected to be nearly $18.8 million which is an increase of nearly $1.4 million over the most recent 2016 projection. The Convention Center continues to discount rents heavily to compete nationally. Operational changes made in 2012 continue to show positive results, particularly with increases in sales of services and equipment, while also reducing overall labor costs. Meet Minneapolis sales and marketing initiatives include targeted markets and expanded event services to enhance the stakeholder and customer experience, as well as continued efforts to bring people downtown with events such as the Creative City Challenge and the Wolf and Moose display which consists of spectacle-scale animal sculptures of a wolf and moose that are interactive, animated, and illuminated. Although the economy is rebounding, the convention and meeting industry continues to face challenges in controlling costs as centers discount heavily to remain competitive.

Expenditures
Operating expenses are budgeted at $26.8 million, up $900,000 from the projected $25.9 million in 2016. At this level, the operating deficit is budgeted to be $8.0 million. The budget for Meet Minneapolis is nearly $10.9 million, up $958,000 from projected 2016. Some of this funding will be used to support several sales and marketing initiatives. Capital investments for 2017 are budgeted at nearly $26.0 million, per the long-term capital plan previously adopted by the City Council, and $10.5 million added for the Plaza renovation.

Use of Funds
($92.2 million)



Operating Revenue and Expense (Excludes Ongoing Equipment & Improvement)



Cash/Fund Balance
Beginning in 2015, the Facility Reserve Fund cash and fund balance of $5.4 million is being reported under the Convention Center Fund to reflect the current reporting in the Comprehensive Annual Financial Report (CAFR). The 2017 combined fund balance of the Convention Center Special Revenue Fund and Facility Reserve Fund is projected to be $44.4 million, and the cash balance is projected to be approximately $34.8 million. In 2017, there is a planned use of fund balance of nearly $23.0 million

Debt Service
The 2017 budget includes funding for transfers out of the Convention Center Fund for debt service payments of nearly $24.2 million in outstanding building related debt and $510,000 in debt for the dome replacement.

Transfers
Two transfers were added in 2017. A transfer of nearly $3.9 million will be made to the General Fund, and a $6.0 million transfer will be made to City Capital.

Forecast for 2018-2020
Operating revenues are currently forecast at $19.2 million in 2018, $19.5 million in 2019, and $17.8 million in 2020 based on booked events and event projections. 2018 and 2019 are projected to be very busy years at the Convention Center, and based on events levels, 2020 is currently projected to fall under 2018 and 2019 levels.

Operating expenses are forecast to range between $27.6 million and $29.3 million, based on a 3% inflation factor for planning purposes, which could actually finish lower as a result of on-going cost containment efforts.

Meet Minneapolis is forecast to increase approximately 2% per annum over this period based on the contractual increase to their base funding. Capital investments are forecast to be $7.8 million, $11.4 million, and $10.5 million over this period of time as aligned with the Convention Center's long-term 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 the Convention Center to meet the Convention Center's operating and non-operating expenditure needs.

Mayor Recommended
A transfer of nearly $3.9 million was added to the General Fund.
A $6.0 million transfer was added to City Capital.
$958,000 was added to Meet Minneapolis.
$10.5 million was added for the Plaza renovation

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

Minneapolis Convention Center Events Program
Convention centers exist to provide an economic impact on the community.

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 have an economic impact on the City as 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. The future of the Tallmadge Building will be evaluated and decided upon.

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

Mayor Recommended
There are no changes to the Mayor Recommended.

City of Minneapolis
FY 2017 Mayor's Recommended Budget
Financial Plan (in thousands of dollars)

Convention Center Special Revenue Fund

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Budget	% Chg From 2016 Projected	2018 Forecast	2019 Forecast	2020 Forecast
Source of Funds:									
Operating Revenues:									
Charges for Services	6,048	6,523	6,000	6,179	6,700	8.4%	6,875	6,950	6,341
Rents and Commissions	6,819	7,863	7,197	7,324	7,836	7.0%	8,041	8,128	7,416
Other Miscellaneous Operating	3,726	3,903	3,500	3,894	4,223	8.4%	4,332	4,379	3,996
Sub-Total	16,593	18,289	16,697	17,397	18,759	7.8%	19,248	19,457	17,753
Non-Operating Revenues:									
Interest	345	370	184	630	595	-5.6%	607	619	631
Other Misc Non Operating	496	318	114	125	76	-39.2%	-	-	-
Sub-Total	841	688	298	755	671	-11.1%	607	619	631
Total	17,434	18,977	16,995	18,152	19,430	7.0%	19,855	20,076	18,384
Use of Funds:									
Convention Center Operations	25,506	24,580	25,924	25,900	26,826	3.6%	27,631	28,460	29,313
Ongoing Equipment/Improvement	10,054	9,055	15,467	13,000	19,953	53.5%	7,833	11,434	10,453
Meet Minneapolis	9,461	10,031	9,905	9,905	10,863	9.7%	10,050	10,241	10,436
Transfer to Debt Service	16,906	23,281	24,092	24,092	24,159	0.3%	24,811	26,863	26,988
Transfer to Debt Service - Domes	1,774	1,040	520	520	510	-1.9%	-	-	-
Transfer to General Fund	-	-	-	-	3,860	0.0%	-	-	-
Transfer To City Capital	-	-	-	-	6,000	0.0%	-	-	-
Total Transfers Out	18,680	24,321	24,612	24,612	34,529	40.3%	24,811	26,863	26,988
Total	63,701	67,987	75,908	73,417	92,171	25.5%	70,325	76,998	77,190
Transfer from General Fund	46,593	50,340	50,050	50,050	49,786	-0.5%	53,520	55,120	56,780
Transfer from Facility Reserve Fund	-	5,400	-	-	-	0.0%	-	-	-
Total Transfers In	46,593	55,740	50,050	50,050	49,786	-0.5%	53,520	55,120	56,780
Net Income	326	6,731	(8,864)	(5,215)	(22,956)	340.2%	3,050	(1,802)	(2,026)
Fund Balance/Retained Earnings:									
Beginning Balance	60,128	60,454	67,186	67,186	67,371	0.3%	44,415	47,465	45,664
Ending Balance	60,454	67,186	58,322	67,371	44,415	-34.1%	47,465	45,664	43,638
Ending Cash Balance	57,618	66,210	54,154	57,803	34,847	-39.7%	37,897	36,096	34,070
Convention Center Facility Reserve Fund Balance	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. In November 2014, Meet Minneapolis sold the iDSS, but the loan payments will continue to be made to the City.

In 2011, IT began transferring $1.5 million annually to the MCC with a final payment of $1.75 million in 2016 to repay its loan from the MCC.
The loan is being accounted for on the balance sieet.

City of Minneapolis
2017 Budget
Financial Plan

Neighborhood and Community Relations Special Revenue Fund

Background

The Neighborhood & Community Relations (NCR) Special Revenue Fund accounts for neighborhood revitalization efforts funded by the revenues of the Consolidated Redevelopment Tax Increment Financing (TIF) District. The district was established pursuant to special legislation adopted in 2008, and must be decertified no later than December 31, 2020. The tax increment revenue generated by the Consolidated TIF District, for neighborhood revitalization purposes, may be spent anywhere within the City of Minneapolis. The Fund is used primarily for community engagement and neighborhood-based initiatives, as well as NCR administrative costs.

Historical Financial Performance

This fund was established in 2011. Growth in the fund was impacted by the two year hiatus on tax increment collection. 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. Projected revenue in this fund increased due to a growth in property values within the TIF district. The General Fund contribution to NCR has become minimal in 2015 and 2016, as this special revenue fund now provides the resources for NCR operations.

2017 Budget

Revenues

Revenues for the Neighborhood and Community Relations Special Revenue Fund are budgeted in 2017 at $6.5 million in transfer-in TIF revenues based on the consolidated tax increment plan allocation for the district. The 2016 revenue budget is $6.1 million and 2015 revenue realized was $6.2 million.

Expenditures

Expenditures for the Neighborhood and Community Relations special revenue fund include access and outreach support, coordinated engagement services and neighborhood engagement and support programs. The total expenditures budgeted for 2017 is $6.5 million and is comparable to the 2016 expenditure budget of $6.1 million.

Mayor Recommended

There are no changes to the Mayor Recommended.

City of Minneapolis
FY 2017 Mayor's Recommended Budget
Financial Plan (in thousands of dollars)

NCR Special Revenue Fund

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Budget	% Change from 2016 Proj	2018 Forecast	2019 Forecast	2020 Forecast
Source of Funds									
Operating Revenues:									
Charge for services	6	-	-	-	-	-	-	-	-
Other Misc.	-	-	-	-	-	-	-	-	-
Non-Operating Revenues:									
Interest	-	-	-	-	-	-	-	-	-
Transfer from TI funds	5,520	6,225	6,127	6,127	6,488	5.9%	6,700	6,800	6,900
Total source of funds	5,526	6,225	6,127	6,127	6,488	0	6,700	6,800	6,900
Use of Funds									
Community Services			-						
Personal Services	502	851	1,118	1,118	1,241	11.0%	1,390	1,557	1,744
Fringes	156	265	433	433	443	2.3%	487	536	590
Contractual Services	2,381	4,067	4,441	4,441	4,570	2.9%	4,579	4,453	4,302
Materials / Other	99	169	135	135	234	73.3%	244	254	265
Total Use of funds	3,138	5,352	6,127	6,127	6,488	5.9%	6,700	6,800	6,900
Net Income for Operations	2,388	873	-	-	-	0.0%	-	-	-
Beginning Fund Balance	649	3,037	3,910	3,910	3,910	0.0%	3,910	3,910	3,910
Ending Fund Balance	3,037	3,910	3,910	3,910	3,910	0.0%	3,910	3,910	3,910
Ending Cash Balance	3,064	4,105	4,010	4,010	3,910	-2.5%	4,010	4,005	4,000

Note: Neighborhood & Community Relations (NCR) Special revenue fund 01800 accounts for neighborhood vitalization efforts funded by the revenues of the Consolidated Redevelopment Tax Increment Financing District. This Fund is used primarily for community engagement and neighborhood -based initiatives.

City of Minneapolis
2017 Budget
Financial Plan

Police Special Revenue Fund

Background

The Police Special Revenue Fund accounts for the City's revenues and expenses related to federal and state administrative forfeitures, lawful gambling, non-emergency service contracts, Automated Property System, and the Workforce Director scheduling and payroll system. The Automated Property and Workforce Director systems are proprietary software systems that are owned and managed by the City of Minneapolis and recovers expenses from user agreements with other governmental and non-governmental entities.

The non-emergency service contracts are typically entered into by the City of Minneapolis Police Department and an external entity usually located within the City of Minneapolis. The Police provide non-emergency services for sporting events, concerts, or extra presence at designated facilities or geographic areas.

Periodically, City departments (frequently Public Works) contract with Police to provide additional services at a desired location(s). The Police Special Revenue Fund is also used to account for revenues and expenses associated with these types of contracts.

Historical Financial Performance

The accumulated fund balance for year ending 2015 is $1.6 Million compared to 2014 fund balance of $1.1 million. The increase of $500 thousand in fund balance was primarily due to a decrease in 2015 personnel service costs due to vacancies and $250 thousand in one-time Workforce Director expenditures being charged to the general fund.

Actual revenues for the Police Special Revenue Fund remained consistent between 2014 and 2015. For 2014 and 2015, actual revenue was $2.2 million. Expenditures for the Police Special Revenue Fund decreased from $2.1 million in 2014 to $1.7 million in 2015. The decrease was primarily due to a decrease in 2015 personnel service expenditures and $250 thousand in one-time Workforce Director expenditures being charged to the general fund.

2017 Budget

Revenues
The total revenue budgeted for 2017 is $2.9 million compared to 2016 projected revenue of $2.3 million. The increase of $600 thousand is predominately due to US Bank stadium/Vikings overtime reimbursement contracts.

Expenditures
The total expenditures budgeted for 2017 are $2.9 million compared to 2016 projected expenditures of $2.3 million. The increase of $600 thousand is predominately due to overtime costs associated with US Bank stadium event security (bomb sweeps, swat etc.) contracts.

Mayor's Recommended Budget
The Mayor recommended no changes to this fund.

City of Minneapolis
FY 2017 Mayor's Recommended Budget
Financial Plan (in thousands of dollars)

Police Special Revenue Fund

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Budget	% Chg From 2016 Projected	2018 Forecast	2019 Forecast	2020 Forecast
Source of Funds:									
Charges for Services and Sales	1,660	1,524	1,565	1,761	2,340	32.8%	2,378	2,417	2,452
Fines and Forfeits	464	503	400	400	400	0.0%	250	250	250
Licences and Permits	-	-	-	-			-	-	-
Miscellaneous	-	-	-	-			-	-	-
Taxes	131	187	182	182	185	1.4%	185	185	185
Total	2,255	2,213	2,147	2,343	2,924	24.8%	2,812	2,852	2,887
Use of Funds:									
Personal Services	782	604	829	1,025	1,505	46.8%	1,550	1,597	1,644
Fringes	213	145	223	223	369	65.6%	380	392	403
Contractual Services	815	672	716	716	649	-9.3%	480	462	443
Materials / Other	352	239	380	380	401	0.0%	401	401	401
Total	2,161	1,660	2,147	2,343	2,924	24.8%	2,812	2,852	2,892
Net Change in Fund Balance[1]	94	554	-	-	-		-	-	-
Fund Balance [1]	1,096	1,650	1,650	1,650	1,650		1,650	1,650	1,650
Cash Balance	978	1,429	1,429	1,429	1,429		1,429	1,429	1,429
Target Cash Reserve[2]	324	249	322	352	497		478	485	492
Variance Cash to Target Reserve	654	1,180	1,107	1,078	932		951	944	938

* Assumed 3% wage and fringe expense increases for 2018 to 2020. No Worforce Director or APS revenue changes are expected whereas decrease in fines and forfeiture revenue is anticipated. To balance revenue and expense, decrease in contractual services expense is expected.

[1] The Net Change in Fund Balance and fund balance for 2014 and 2015 are the amounts recorded in the CAFR.

[2]The target cash reserve is in accordance with the financial reserve policy of 17% of the operating budget.

City of Minneapolis
2017 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 for 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 2013, it accumulated a fund balance of $5.5 million. This balance is the result of various initiatives in previous years and the availability of grant funds to pay for certain eligible expenses. These two revenue sources were not ongoing, leaving special assessments and direct property owner charges as the only sources of revenue for this fund. These resources will face challenges in 2017 and beyond as assessments and property charges have been declining due an improved economy where residents have the resources to proactively make necessary property repairs.

2016 Budget

Revenues
Revenues for the Regulatory Services Special Revenue Fund have been declining since 2011. The total revenue budgeted for 2017 is $3.4 million; $3.3 million of this is from special assessments. In 2017 Regulatory Services' share of these revenues is $3.1 million and CPED's share is $300,000. Revenue in future years is projected to remain flat at current levels.

Expenditures
Expenditures for the Regulatory Services Special Revenue Fund include services such as demolitions, board-ups, nuisance grass cutting, nuisance tree removals, and nuisance rubbish removal. In order to continue to spend down fund balance, total budgeted expenditures for 2017 are $5.2 million or $1.8 million in excess of revenue. Regulatory Services' appropriation is $5.0 million, and CPED's appropriation is $240,191.

Mayor Recommended
There are no changes to the Mayor Recommended.

City of Minneapolis
2017 Mayor's Recommended Budget
Financial Plan (in thousands of dollars)

Regulatory Services Special Revenue Fund

	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Budget	% Change from 2016 Proj	2018 Forecast	2019 Forecast	2020 Forecast
Source of Funds:											
Operating Revenues	4,574	3,907	3,414	4,189	3,083	3,425	3,425	0.0%	3,425	3,425	3,425
Use of Funds:											
Operating Expenses	4,845	3,642	3,847	4,705	5,103	4,178	5,253	25.7%	5,364	5,510	5,660
Net Income	(271)	265	(433)	(516)	(2,020)	(753)	(1,828)	142.8%	(1,939)	(2,085)	(2,235)
Fund Balance:											
Beginning Balance	5,478	5,207	5,471	5,038	4,522	4,522	3,768	-16.7%	1,940	1	(2,084)
Ending Balance	5,207	5,471	5,038	4,522	2,501	3,768	1,940	-48.5%	1	(2,084)	(4,319)
Ending Cash Balance	5,141	5,495	5,135	4,619	2,599	3,866	2,038	-47.3%	99	(1,986)	(4,221)

City of Minneapolis
2017 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 capital construction and related activities also occur in this fund.

Historical Financial Performance

The financial condition of the Parking Fund has historically been stable, but it continues to experience financial challenges due to remaining debt levels and funding needs by other City functions. The fund generates positive retained earnings and is capable of satisfying its debt service while restoring its productive assets. The fund still has transfers or dividend payments leading to cash balances being lower than financial policy goals.

Parking Fund revenues and expenses are generated from these three lines of activities:

- Off-street parking
- On-street parking
- Impound Lot operations

For historical trends, the 2014 and 2015 operating revenues and expenses are presented in the 2017 Parking Fund budget chart (see following pages). The parking system creates a positive cash flow from parking operations.

Nearly all of the capital costs of the ramps have been financed by debt. Future capital costs are anticipated to be paid for from the cash balance rather than incur more debt.

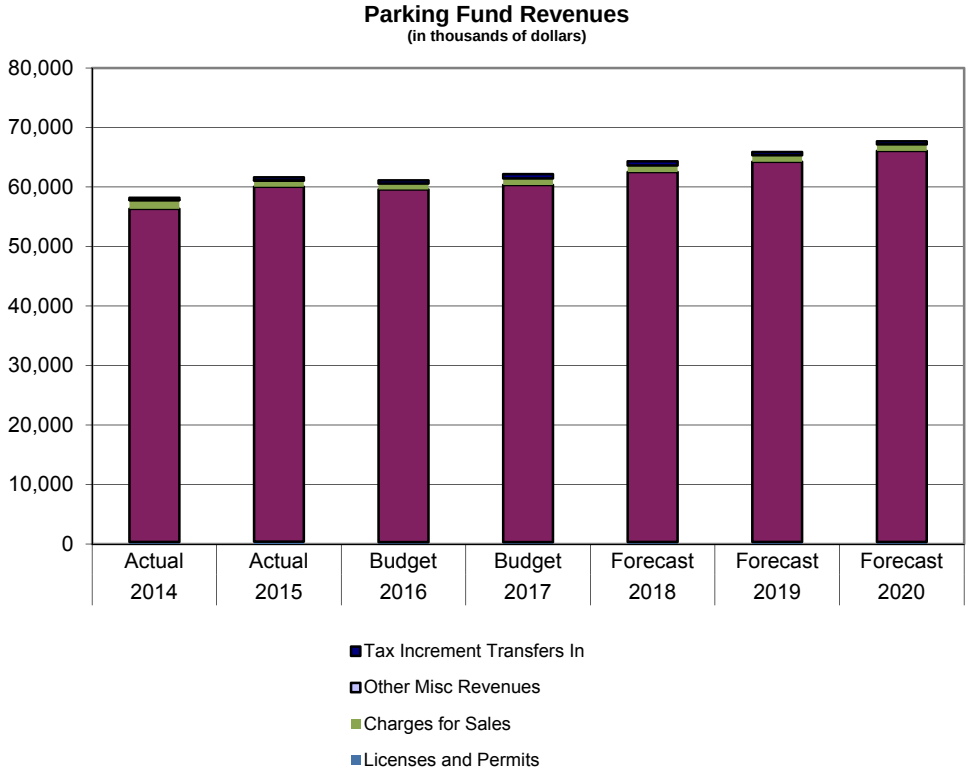
The fund also receives tax increment transfers to pay part of major development projects in the downtown area. For 2017 $0.7 million will be collected. Collections are expected to continue to increase by approximately 10% each year thereafter.

The Parking Fund cash balance at year-end 2015 was $13.9 million. Based on current and proposed budgets, the Parking Fund cash balance will remain positive and continue to increase from current levels.

2017 Budget

Revenues
The parking system operating revenue budget for 2017 decreased by 1.6% to $62.0 million from $63.0 million projected revenue for 2016. The 2017 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, an increase in auction revenues due to a increase in scrap metal prices, and a slight decrease in off-street revenues.

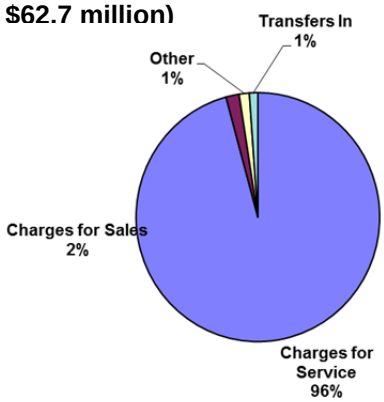
Off-Street System Revenue Assumptions (2017)	
Utilization Percentage in 2014	83%
Number of Parking Stalls in the system	20,060
Forecasted Revenue increase	2016 1.5% 2017 1.5% 2018 1.5%
Assumed rate increases (if any)	1.0%
System-wide average event rate	$ 15.00
System-wide average daily rate	$ 9.25
System wide average monthly rate	$ 155.00
Number of new stalls in the system	2016 (15) 2017 (163) 2018 (1,295)



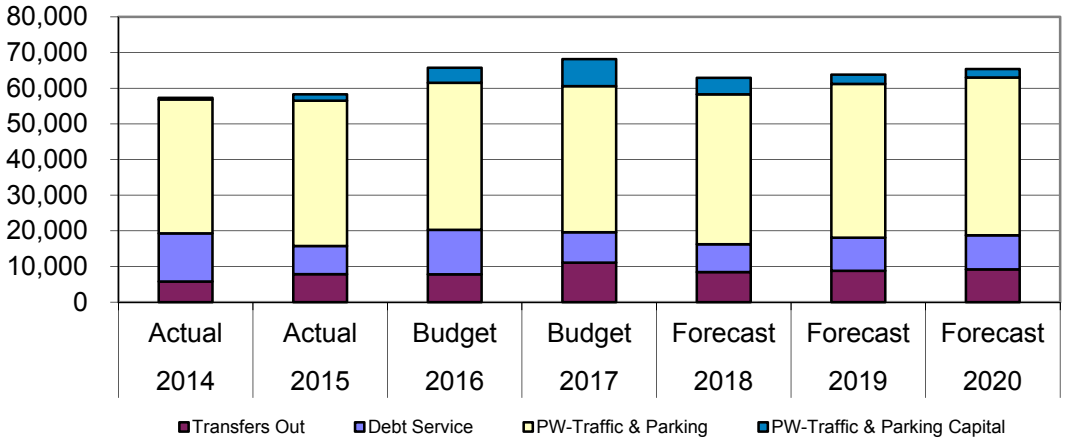
Expenses

The parking system operating budget for 2017 stands at $41.0 million which is a 0.5% decrease from 2016 projected expenses. The increase for 2017 is due to alignment with historical actuals. The capital budget for 2017 is set at $7.6 million which is an increase due to planned repair and improvement work in the City-owned parking facilities and Impound Lot.

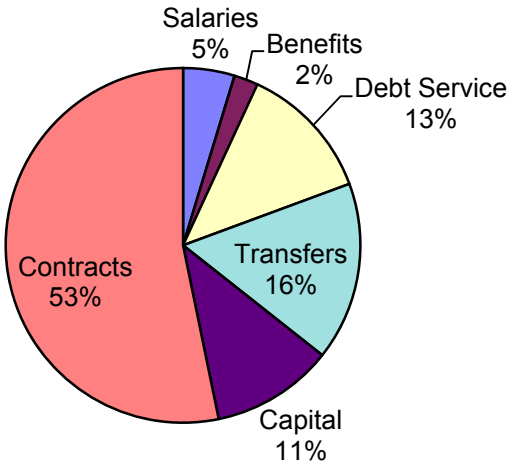
Source of Funds
$62.7 million)



Parking Fund Expenes
(in thousands of dollars)



Use of Funds
($68.2 million)



Debt Service
Total debt service, which includes principal and interest on bonds issued for construction of municipal parking ramps, is $8.5 million for 2017. Opportunities to reduce debt continue to be examined. It is anticipated that $5.4 million in bonds will be sold in 2017

Transfers
In 2017 the General Fund transfer increases by $3.08 million and the Target Center Arena Fund transfer increases by $0.2 million from 2016. An annual transfer of $146,000 to the Solid Waste and Recycling fund supports service for bus shelter litter containers.

Net Position
The Parking Fund expects net position to decrease in 2017.

Mayor Recommended
There are no changes to the Mayor Recommended.

City of Minneapolis
2017 Mayor's Recommended Budget
Financial Plan (in thousands of dollars)

Municipal Parking Fund

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Budget	% Chg From 2016 Budget	2018 Forecast	2019 Forecast	2020 Forecast
Source of Funds:									
Licenses and Permits	349	386	316	417	300	-3.8%	336	336	346
Charges for Service, Sales/Permits	55,982	59,646	59,250	60,885	60,043	1.3%	62,161	63,904	65,701
Charges for Sales	1,462	1,055	1,000	1,140	1,100	8.8%	1,100	1,100	1,100
Special Assessments	13	114	543	525	543		543	543	543
Federal Grant	37		-	-	-		-	-	-
Rents (Transportation)	2	10	-	20	-		-	-	-
Other Misc Revenues	20	14	-	15	-		-	-	-
Total Operating Revenue	57,865	61,225	61,109	63,002	61,986	-1.6%	64,140	65,883	67,690
Tax Increment Transfers In	373	525	536	536	704	31.3%	704	536	536
Transfers In from Convention Center Fund*			-	-			-	-	-
Other Transfers In				-			-	-	-
Total Transfers In	*373*	*525*	*536*	*536*	*704*	31.3%	*704*	*536*	*536*
Proceeds of Long Term Liabilities			-	-	5,400		-	-	-
Total	58,238	61,750	61,645	63,538	68,090	10.1%	64,844	66,419	68,226
Use of Funds:									
Debt Service	13,479	7,854	10,172	12,500	8,498	-13.4%	7,816	9,294	9,564
General Fund Transfer Out*	2,323	4,148	3,919	3,919	7,000	78.6%	4,078	4,200	4,326
Target Arena Transfer Out	3,323	3,523	3,728	3,728	3,940	5.7%	4,189	4,440	4,707
Debt Service Transfer Out		46	-	-	-		-	-	-
MERF Liability Transfer Out			-	-					
Sanitation Transfer Out	146	146	146	146	146		146	146	146
Total Transfers Out	5,792	7,863	7,793	7,793	11,086	42.3%	8,413	8,786	9,179
PW-Traffic & Parking	37,588	40,761	38,888	41,223	40,973	5.1%	42,057	43,133	44,239
PW-Traffic & Parking Capital	415	1,819	2,200	4,200	7,600	128.6%	4,600	2,600	2,400
Total	57,274	58,297	59,053	65,716	68,157	13.9%	62,886	63,813	65,382
Change in Net Position	5,636	4,256	4,211	1,341	(67)	-319.0%	1,772	2,610	4,539
Net Position	176,333	180,588	184,799	181,929	181,862	-1.6%	183,634	186,244	190,783
Cash Balances	10,498	13,957	18,749	11,779	12,293	4.4%	14,251	16,857	19,701

Notes:

* Beginning in 2014, local sales taxes previously credited to the Convention Center and transferred to the General Fund and Parking Fund are credited to the General Fund.

Cash Balance does not include depreciation or impact of all arbitrage funds, but does include principal paid on bonds.

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 anticipated increases.

City of Minneapolis
2017 Budget
Financial Plan

Sanitary Sewer Fund

Background

The Sanitary Sewer Fund accounts for the enterprise activity of wastewater collection and treatment. Approximately 62% of the operating expenditures in the Sanitary Sewer Fund are comprised of contractual payments made to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. The Sanitary Sewer Fund portion is approximately 95% of the total paid by the City to MCES with the remaining 5% being provided by the Storm Water Fund. The fund also accounts for the operation, maintenance, City services, design work, capital programs, transfers, and long-term debt services associated with the sanitary sewer system.

Historical Financial Performance

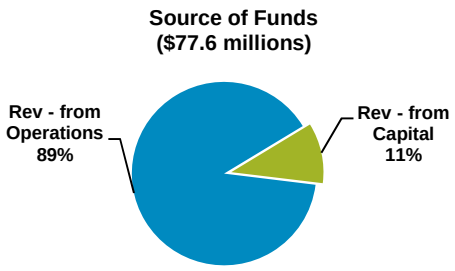
Total 2015 revenues were $60.4 million compared to $62.3 million in 2014, a decrease of $1.9 million, or 3.1%, over 2014. Sewer Availability Charges (SAC) revenues account for $1.1 million of this decrease. Additional decrease of $2.7 million is due to reduction in capital revenues from bond sales since cash reserve has primarily been used as the funding source. These decreases were off-set by increase of $1.8 million in service and design revenues. Sanitary service revenue totaled $52.2 million, compared to the 2014 total of $50.5 million. This increase of $1.6 million is due to increase in rates which are based upon the amount of water used by the account holder. Any increase or decrease in SAC revenues corresponds to a similar increase or decrease in SAC expenditures as SAC charges are passed through to property owners and developers as a direct charge.

The expenditures for 2015 totaled $68.3 million compared to $66.5 million over 2014. This is an increase of $1.7 million, or 2.7%, of which $800,000 is due to an increase in design and maintenance work which also includes City services. Met Council payments contributed an additional $1.3 million increase due to a rate increase in the monthly payments. Capital programs and transfers added $1.3 million to the increase; however, these were slightly off-set by a decrease of $1.7 million in debt services. Maintenance and design expenditures reflect payments made to vendors and other City departments for fleet, supplies, repairs, contractual, and support services.

2017 Budget

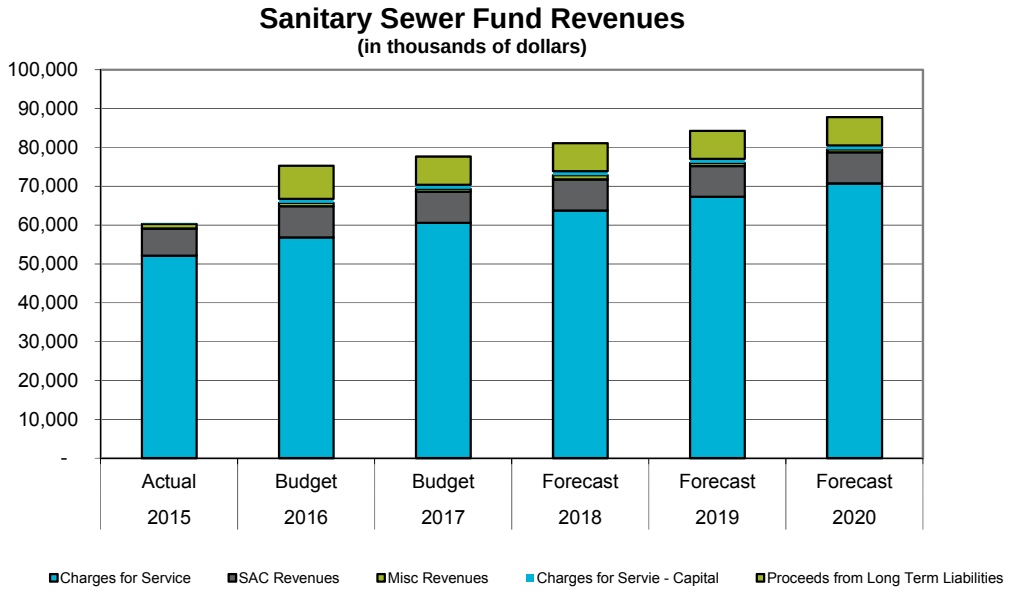
Revenues

The total revenue budget for the Sanitary Sewer Fund for 2017 amounts to $77.6 million compared to the 2016 projected revenues of $88.3 million, a decrease of $10.7 million, or 12.1%. Monthly utility billings, Sewer Access Charge (SAC) permits, design and miscellaneous activities, along with bond proceeds for capital programs make up the revenue sources for the Sanitary Sewer Fund. Revenues from operations account for 89% of the budget with the remaining



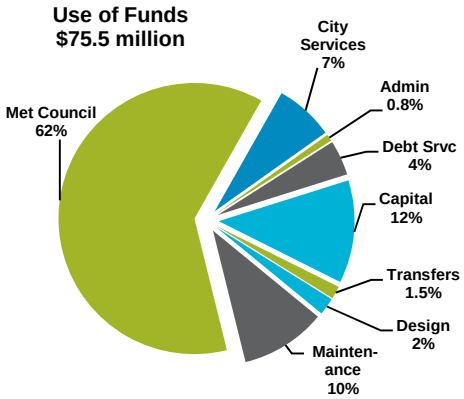
11% coming from capital programs. Sanitary sewer rates are comprised of variable and fixed rates. For 2017, the variable sewer rate is proposed at $3.55 per one hundred cubic feet (one *unit*, or 748 gallons) compared to $3.39 for 2016, while the fixed rate is set at $4.80 compared to $4.30. Revenue estimates were increased to fund sanitary treatment programs, design and maintenance works, upgrade and rehab sanitary tunnels, and pay for debt services and shared meter costs.

Year	Rate (cost per 100 per cubic feet)	% Increase	Average Monthly Bill	Utility Revenue from variable rates
2017	$3.55	4.72%	$21.30	$52.8 million
2018	$3.71	4.51%	$22.26	$55.2 million
2019	$3.89	4.85%	$23.34	$57.9 million
2020	$4.07	4.63%	$24.42	$60.5 million
2021	$4.25	4.42%	$25.50	$63.2 million



Expenditures

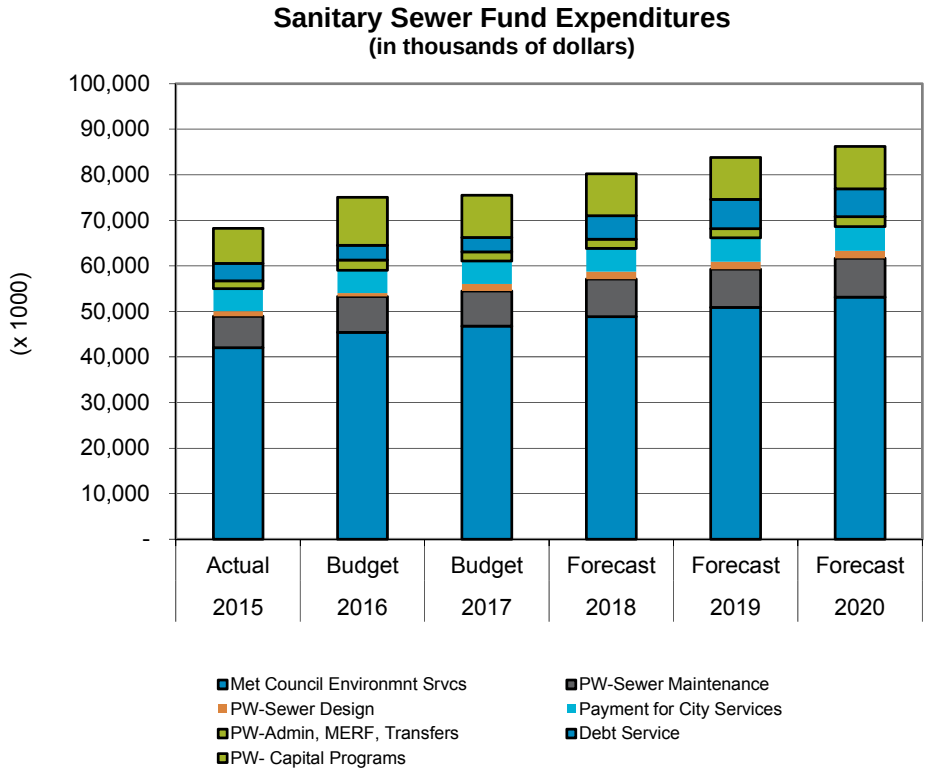
The total expense budget for 2017 amounts to $75.5 million compared to $85.5 million projected for 2016. Administration, maintenance and design activities, interdepartmental City services, waste treatment charges, transfers, capital programs, and long-term debt are included in these expenses. An increase of $1.4 million in Met Council expenditures is anticipated due to an increase in MCES rates over 2016. Met Council sets the rate for treatment services, referred to as Municipal Water Charges (MWC), which is allocated regionally to all users of the system based upon their proportionate use. Supplemental cleaning, flow metering, smoke testing, rehab, upgrades, and design work increased the maintenance budget by $1.5 million. An additional increase of $263,000 is the result of increases in personnel, overheads, and rent expenses.



However, the decrease of $1.5 million in debt service, capital programs and transfers along with $1.2 million in savings on the Maximo and Hiawatha construction projects offsets the overall increase in the 2017 expense budget.

Capital programs for 2017 include inflow/infiltration and sewer tunnel rehab programs. Capital expenses for 2017 total $9.3 million. The largest expense in the Sanitary Sewer Fund is the service charge paid to Metropolitan Council Environmental Services (MCES) for the treatment of waste water. The estimated payment to MCES for 2017 is $40.7 million, a 3.6% increase over 2016. The Sanitary Sewer Fund bears 95%, or $38.7 million, of this cost with the remaining $2.0 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; the SAC payments are included in the plan total).

Debt Service & Transfers
For 2017, $0.8 million is set aside as debt service payments for bonds that were sold in prior years to fund capital programs. An additional $2.3 million is estimated to be incurred as debt service arising from the current year's capital programs. A transfer from this fund is made to the Water Fund to cover shared meter expenses. For 2017, the transfer is estimated at $1.2 million.



Fund Balance
The Sanitary Sewer Fund expects its net position and fund balance to increase in 2017 by $2.1 million.

Mayor Recommended Budget
The Department has proposed an increase in the 2017 utility rates with a variable rate increase from $3.39 to $3.55 per unit and a fixed rate increase from $4.30 to $4.80 to pay for expenses as described above under the *Expenditures* subheading.

City of Minneapolis
2017 Mayor's Recommended Budget
Financial Plan (in thousands of dollars)

Sanitary Sewer Fund

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Budget	% Chg 2016 Projected	2018 Forecast	2019 Forecast	2020 Forecast
Source of Funds:									
Charges for Service	50,513	52,160	56,822	56,822	60,581	6.6%	63,766	67,247	70,729
SAC Revenues	8,050	6,956	8,000	8,000	8,000		8,000	8,000	8,000
Other Misc Revenues	1,012	1,191	928	1,750	785	-55.1%	785	785	785
Charges for Service - Capital	1,139	53	1,000	1,000	1,000		1,000	1,000	1,000
Proceeds from Long Term Liabil	1,578	-	8,550	20,750	7,250		7,250	7,250	7,250
Total	62,291	60,359	75,300	88,322	77,616	-12.1%	80,801	84,282	87,764
Use of Funds:									
PW-Sewer Design	588	1,141	791	791	1,553	96.4%	1,597	1,638	1,680
PW-Sewer Maintenance	7,142	6,901	7,798	7,748	7,662	-1.1%	8,286	8,383	8,556
MERF Debt Service -New Pla	292	292	310	310	210	-32.3%	210	210	210
Met Council Environment Srvcs	40,713	42,037	45,445	45,445	46,796	3.0%	48,844	50,879	53,101
Payment for City Services	4,500	4,941	5,042	5,042	5,052	0.2%	5,136	5,222	5,309
PW - Sewer Admin		108	544	361	599	65.8%	510	524	538
Debt Service	5,564	3,820	2,136	2,136	800	-62.5%	1,560	1,530	-
Future Debt Service	-	-	1,103	-	2,344	100.0%	3,562	4,857	6,151
Transfers									
To MERF/Gen Debt Service	-	-	-	-	-		-	-	-
To Water Fund	1,157	1,285	1,328	1,101	1,213	10.1%	1,273	1,337	1,404
PW- Capital Programs	6,551	7,754	10,550	22,536	9,250	-59.0%	9,250	9,250	9,250
Total	66,507	68,278	75,047	85,471	75,478	-11.7%	80,228	83,829	86,200
Deferred Capital Projects-Rev Funded			2,100	-	-	100.0%	-	-	-
Change in Net Position	(4,215)	(7,919)	(1,846)	2,851	2,139		571	453	1,564
Net Position Balance	118,582	117,276	115,430	120,127	122,266		122,837	123,290	124,853
Cash Balances									
Operating Cash	18,719	12,324	10,575	15,272	17,411		17,982	18,436	20,000
Construction Cash	401	98	-	-	-		-	-	-
Total Cash Balance	19,120	12,422	10,575	15,272	17,411		17,982	18,436	20,000

City of Minneapolis
2017 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 additional activities. The Solid Waste Division provides weekly and bi-weekly services for trash, yard-waste, and recycling materials pickups. It also operates a solid waste transfer station providing service to over 106,000 households. City crews provide approximately one-half of the solid waste collection service in the City with the other half 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, graffiti, and organic programs.

Historical Financial Performance

The overall financial condition of the Solid Waste and Recycling Fund has remained stable over the years despite implementing a one-sort program at a cost of $5.3 million and an organic program which cost an additional $3.6 million. Total revenues for 2015 were at $37.2 million compared to $32.9 million in 2014. The increase of $4.3 million is mainly due to an increase in utility revenues as a result of base rate increase from $17.60 per dwelling unit in 2014 to $21.60 for 2015. Rates were increased to fund the implementation of organics program.

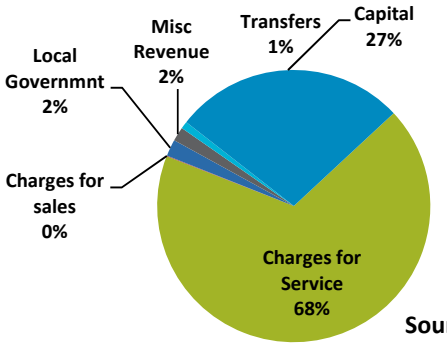
Total expenditures for 2015 came to $33.6 million compared to $31.7 million for 2014, an increase of $1.9 million, or 6.2%. The increase is due to implementation of the city-wide organics program which required purchases of equipment, carts and other one-time roll-out expenses. The increase in utility revenues contributed to the growth of year-end cash balance from $19.7 million to $22.6 million.

For 2016 utility revenues from collection services are projected to reach $36.6 million, and the total revenues for the fund are projected at $39.5 million. Expenses for the Fund are projected to be $39.4 million. This amounts to a projected surplus of $100,000.

2017 Budget

Revenues

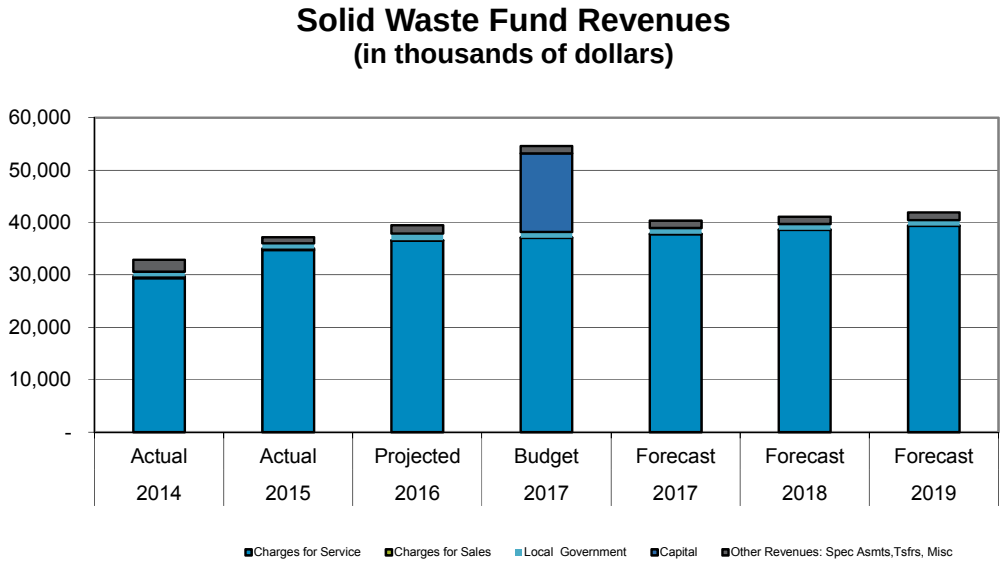
The total revenue budget for 2017 amounts to $54.6 million compared to $39.5 million projected for 2016. This is an increase of $15.1 million over the 2016 projection and mainly due to bond proceeds estimated at $15.0 million to fund capital program scheduled for the year. Service revenue has been estimated at $37.1 million which is $500,000 more than the projection for 2016.



Source of Funds
$54.6 million

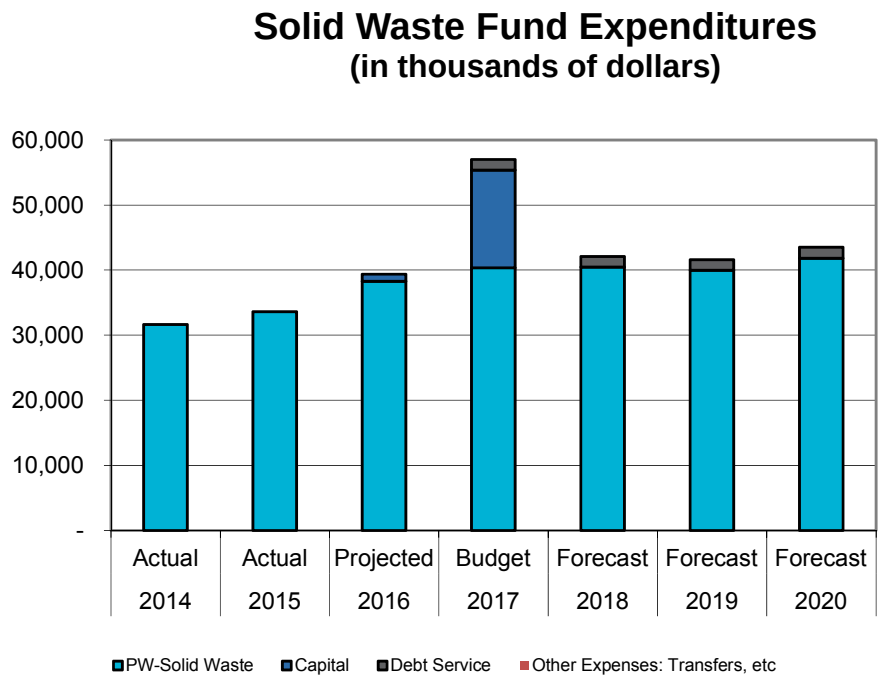
For 2017, the utility rate for solid waste and recycling has been proposed at $23.47 per dwelling unit per month as a base fee compared to $22.89 for 2016. Monthly charges for large and small disposal carts remain the same as prior years. Funds from local governments include a Hennepin County recycling grant of $1.1 million. Revenues generated from debris removals, maintenance, and various miscellaneous works are estimated at $550,000. An additional $400,000 is expected to be generated from other City departments for graffiti related work done on streets, bridges and other City properties.

Revenue Assumptions (2017)	
Number of dwelling units	106,400



Expenditures

The total expenditure budget for 2017 amounts to $56.9 million compared to $39.4 million projected for 2016, an increase of $17.6 million. The operating budget at $40.3 million accounts for 71% of the total budget. The remaining $16.6 million, or 29%, is for facility construction and debt services. The 2017 operating budget, compared to 2016, reflects the following changes: (i) an increase in salaries and fringes of $389,000 as a result of new contracts and step increases; (ii) an increase in yard waste, garbage, TV, and mattress collecting, hauling, disposing, and recycling costs of $830,000 due to new vendor contracts; (iii) an increase in maintenance, rehab and abatement work of $125,000 ; (iv) a decrease in equipment, vehicle, and cart purchases by $600,000 as organics and one-sort programs enter into the operational phase; (v) a decrease in out-reach, postage, printing, educational and roll-out expenses relating to the Organics program by $400,000; and (vi) an overall decrease of $100,000 in payment for City services as set by the 2017 allocation model.



Transfers
The Solid Waste and Recycling Fund will continue to receive $146,000 from the Parking Fund for litter container pick-ups in the downtown area. The Fund has been receiving an annual transfer from the General Fund for graffiti removals. For 2017, General Fund transfers total $325,000. These transfers are expected to continue into the future with variations in programs and amounts.

Debt Service
This fund does not have any capital debt service payments in 2016. However, with a capital program estimated at $15.0 million funded through bond sales set for 2017, the Fund anticipates $1.6 million in debt service payments, including principal and interest, starting in 2017. These payments will continue on a yearly basis based on the debt service schedule.

Fund Balance
In 2017 the Solid Waste and Recycling Fund plans to use some of its excess cash reserve to fund capital improvements in the amount of $2.4 million.

Mayor's Recommended Budget
The Department has proposed to increase the base fee for collection and hauling to $23.47 per dwelling unit, an increase of $0.57 over the 2016 utility rate in order to fund increase in salaries, contractual services, equipment purchases, debt services and at the same time maintain sufficient operating cash reserve.

City of Minneapolis
2017 Mayor's Recommended Budget
Financial Plan (in thousands of dollars)

Solid Waste Fund

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Budget	% Chg From 2016 Projected	2018 Forecast	2019 Forecast	2020 Forecast
Sources of Funds:									
Local Government	872	1,003	1,080	1,300	1,080	-16.9%	1,080	1,080	1,080
Charges for Service	29,380	34,754	36,452	36,578	37,065	1.3%	37,815	38,583	39,370
Charges for Sales	338	297	-	45	45		45	45	45
Special Assessments	106	141	-	130	-		-	-	-
Other Misc Revenues, Rents	1,231	560	920	794	920	15.9%	920	920	920
Long Term Proceeds - Capital	-	-	7,000	-	15,000	100.0%	-	-	-
Operating Transfers In:									
From Parking Fund	146	146	146	146	146		146	146	146
From General Fund - Graffiti	695	325	423	423	325	-23.2%	342	353	364
From General Fund	125	-	50	50	-	100.0%	-	-	-
Total	32,893	37,226	46,071	39,466	54,581	38.3%	40,348	41,127	41,925
Use of Funds:									
PW-Solid Waste	31,656	33,616	40,101	38,276	40,345	5.4%	40,446	39,948	41,835
Transfers	-	-	-	-	-		-	-	-
General Services Capital									
Capital	-	-	7,000	1,100	15,000	100.0%	-	-	-
Debt Service	-	-	-		1,646	100.0%	1,650	1,650	1,647
Total Use of funds	31,656	33,616	47,101	39,376	56,991	44.7%	42,096	41,598	43,482
Change in Net Position	1,237	3,609	(1,029)	89	(2,410)		(1,749)	(471)	(1,557)
Net Position Balance	28,111	26,288	25,259	26,377	23,968		22,219	21,748	20,191
Cash Balance	19,729	22,568	21,539	22,657	20,247		18,498	18,027	16,470

City of Minneapolis
2017 Budget
Financial Plan

Storm Water Fund

Background

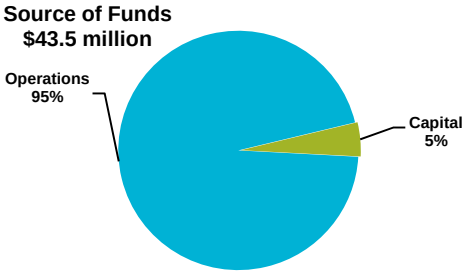
The storm water collection and street cleaning programs make up the budget for the Storm Water Fund. The Fund accounts for the design, construction, and maintenance of the City's storm drain system and street cleaning activities. A portion of the Storm Water Fund is used for sanitary water interceptor and treatment services, a function carried out through the 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 2015 total revenues decreased to $40.4 million compared to $43.7 million in 2014. Design and capital revenues account for $3.8 million of the decrease. This was off-set by an increase of $0.5 million in operating revenues bringing the net decrease to $3.3 million. Capital projects in 2015 were paid out of fund balance, replacing bond proceeds as a funding source. Total expenditures in 2015 amounted to $39.9 million compared to $45.4 million for 2014, a decrease of $5.5 million, or 12.1%. Capital programs and debt services account for $8.6 million of this decrease. This decrease was reduced by $3.1 million due to increases in maintenance, cleaning, tunnel rehab, and design expenses.

2017 Budget

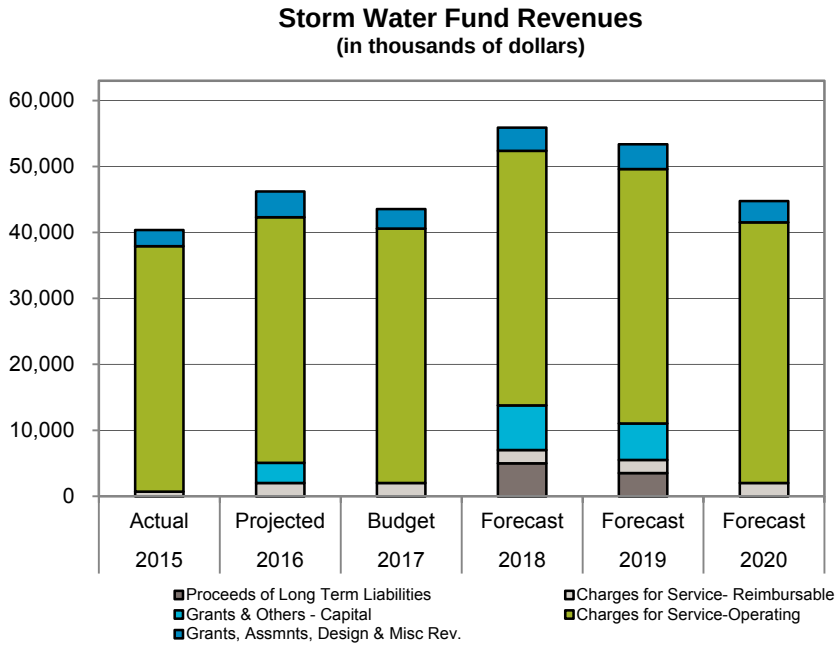
Revenues



The 2017 revenue budget totals $43.5 million, compared to $46.2 million projected for 2016, reflecting a decrease of $2.7 million, or 5.8%. The charges for service revenue, estimated at $38.6 million, are $1.3 million more than the 2016 projection due to a planned increase in utility rates from $11.94 to $12.36 per ESU. Design, miscellaneous, and maintenance revenues are estimated to decline by $0.9 million due to a decline in capital related design activity and reimbursements from County and State. Capital programs are estimated to lose $3.1 million in bond revenues since all funding is aimed to be furnished from reserves.

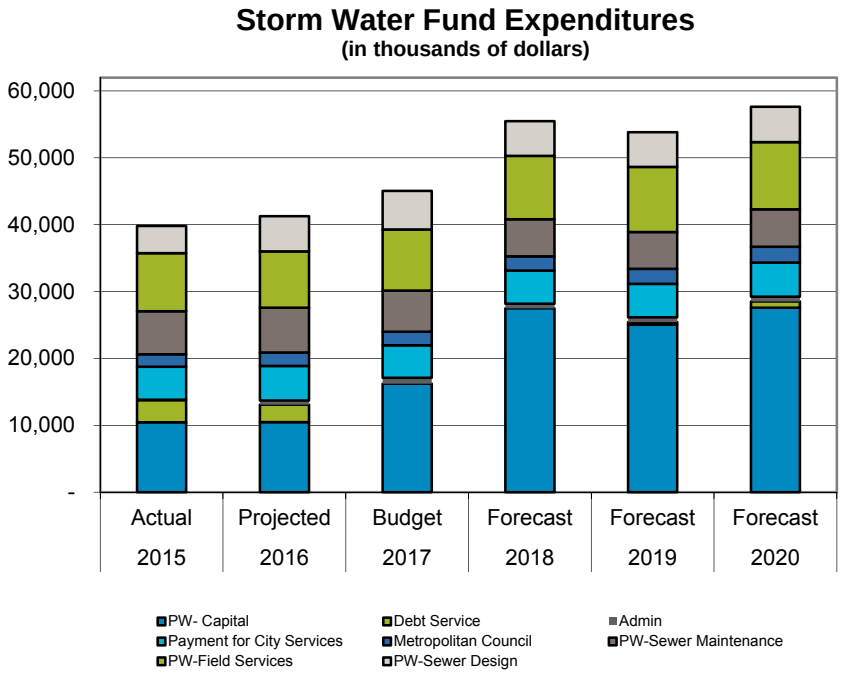
Planned rates

Year	Rate per ESU (Equivalent Storm Water Unit)	% Increase	Total Planned Revenue from Utility Fee
2017	$12.36	3.5%	$38.6 million
2018	$12.36	0.0%	$38.6 million
2019	$12.36	0.0%	$38.6 million
2020	$12.66	2.4%	$39.5 million
2021	$12.96	2.4%	$40.5 million



Expenditures

The 2017 total expenditure budget for the Storm Water Fund amounts to $45.2 million compared to $41.4 million projected for 2016, an increase of $3.8 million, or 9.1%. The fund's operating budget is used for design, maintenance, overflow programs, Met Council payments, City services, and street cleaning. The operating budget for 2017 totals $28.8 million which is $700,000 more than the $28.1 million projected for 2016. The increase is the result of expenditures related to personnel, consultants, professional services, fleet, and IT services. Capital programs are estimated at $16.2 million compared to $10.5 million projected for 2016. For 2017, $14.2 million of capital projects are designated to be funded from Storm revenue and cash reserves. The budget anticipates a decrease in net position by $16.4 million due to an additional $14.8 million in deferred capital expenditures approved in prior years.



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. For 2017, $493,000 has been allotted in the operating budget with additional funding coming from the Capital programs.

Debt Service & Transfers
The debt service payments are primarily for bonds that have been sold in prior years to finance the Combined Sewer Overflow (CSO), flood mitigation, and storm water related infrastructure programs. It is projected the Fund will complete paying off all of its debt service obligations by the end of 2016. Bond funded programs are planned for 2018 and debt service payments are anticipated to resume in 2019. Transfer-out of this fund covers environmental services program in the General Fund which is set at $110,000.

Fund Balance
In 2017 the Storm Water Fund plans to use its excess cash reserve to fund capital programs and reduce bonding as a funding source in the amount of $16.4 million.

Mayor Recommended Budget

The Department has proposed to increase 2017 storm water utility rate to $12.36 per ESU from $11.94 in order to fund additional capital programs scheduled for the next five years.

City of Minneapolis
2017 Mayor's Recommended Budget
Financial Plan (in thousands of dollars)

Storm Water Sewer Fund

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Budget	% Chg From 2016 Projected	2018 Forecast	2019 Forecast	2020 Forecast
Source of Funds:									
Federal Government	58	6	-	-	-		-	-	-
State Government	1,168	1,385	1,505	1,505	1,327	-11.8%	1,481	1,518	1,558
Local Government	312	336	253	253	318	25.7%	352	358	361
Charges for Service-Operating	36,895	37,206	37,257	37,257	38,578	3.5%	38,578	38,578	39,522
Design & Misc Revenues	3,095	494	2,147	2,147	1,318	-38.6%	1,690	1,892	1,312
Special Assessments	288	235	-	-	-		-	-	-
Grants Proceeds/Others - Capital			-	3,055	-	100.0%	6,783	5,525	-
Charges for Service-Capital	1,930	708	2,000	2,000	2,000		2,000	2,000	2,000
Proceeds of Long Term Liabilities	-	-	-	-	-		5,000	3,500	-
Total Source of Funds	43,746	40,370	43,162	46,217	43,541	-5.8%	55,884	53,371	44,754
Use of Funds:									
PW-Sewer Design	3,463	4,072	5,270	5,270	5,757	9.2%	5,202	5,194	5,287
PW-Field Services	7,173	8,678	8,563	8,410	9,148	8.8%	9,461	9,748	10,044
PW-Sewer Maintenance	5,156	6,427	7,229	6,709	6,149	-8.3%	5,553	5,496	5,614
Metropolitan Council	1,725	1,862	1,992	1,992	2,034	2.1%	2,142	2,249	2,366
Payment for City Services	5,559	4,929	5,173	5,173	4,858	-6.1%	4,934	5,011	5,090
Admin		115	886	625	893	100.0%	697	708	720
Debt Service	4,085	3,276	2,600	2,600	-	-100.0%	-	-	-
Future Debt Service	-	-	-	-	-		-	386	927
Transfers	6	110	110	110	110		110	110	110
PW- Capital	18,231	10,452	14,500	10,493	16,215	54.5%	27,503	25,055	27,595
Total Use of Funds	45,398	39,921	46,323	41,381	45,164	9.1%	55,602	53,957	57,753
Def.Capital Proj - Rev Funded	-	-	6,518	-	14,808			-	-
Change in Net Assets	(1,652)	449	(9,679)	4,834	(16,431)		282	(586)	(13,000)
Net Asset Balance	326,461	323,458	313,779	328,292	311,861		312,144	311,558	298,558
Cash Balances	34,961	35,862	26,183	40,697	24,265		24,546	23,960	10,960
Construction Cash		-	-	-	-		-	-	-
Total Cash Balance	34,961	35,862	26,183	40,697	24,265		24,546	23,960	10,960

City of Minneapolis
2017 Budget
Financial Plan

Water Treatment and Distribution Services Fund

Background

The Public Works Water Treatment and Distribution Services Fund accounts for the administration, operation, maintenance, and capital investments of the water treatment and distribution system of the City of Minneapolis. The City also sells water directly to wholesale customers – the cities of Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, and Edina, as well as the Metropolitan Airport. Beginning in 2016, the City of New Brighton entered into a contract to purchase water from the City until 2018.

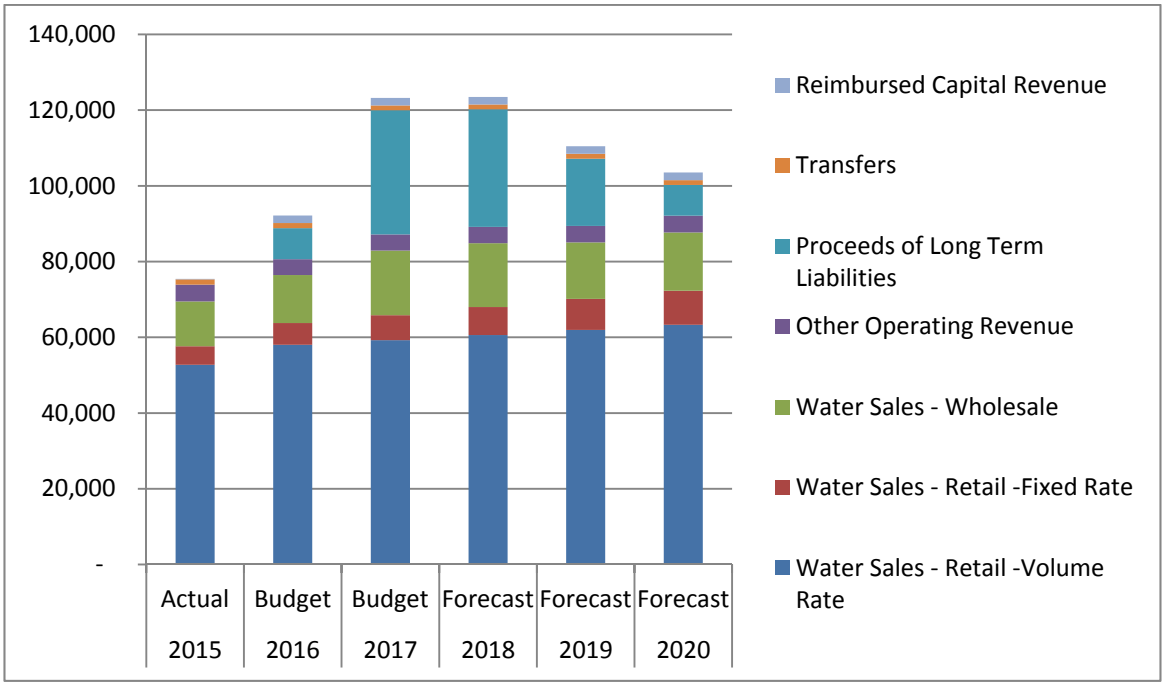
Historical Financial Performance

The net position of the Water Fund has increased over the past several years due primarily to scheduled rate increases and deferrals of some major capital improvements and investments to 2016. The following table shows the revenue earned from retail and wholesale sales for years 2014 – 2015, the projected 2016 revenue, and the 2017 budgeted revenue:

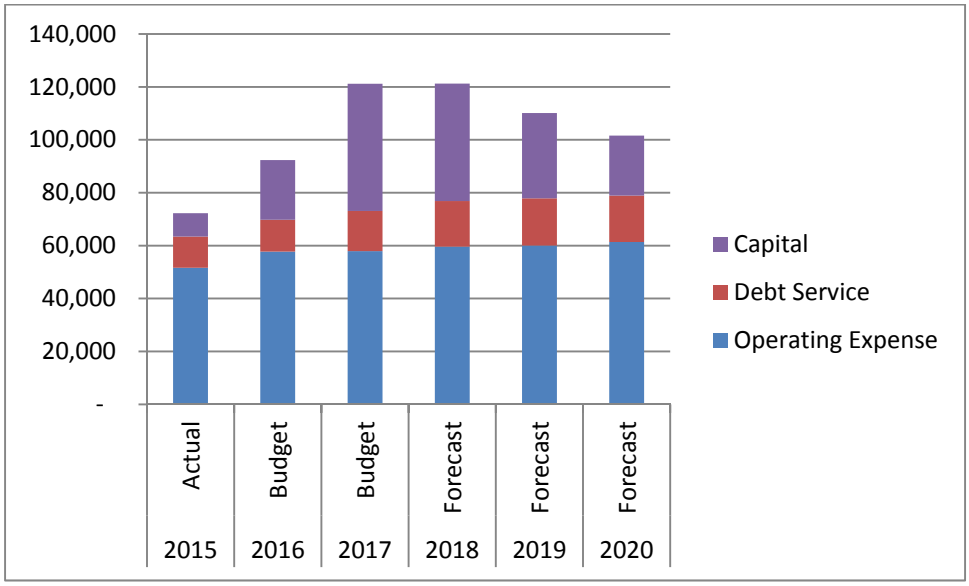
Source of Revenue	2014	2015	2016 Projected	2017 Budget
Bloomington	$2,988,555	$3,336,205	$ 3,237,538	$3,628,505
Columbia Heights	1,198,178	1,229,950	1,348,083	1,494,337
Hilltop	79,320	79,518	81,101	89,899
Joint Water Commission	5,691,483	6,183,956	6,780,579	7,427,107
Edina	181,090	203,719	232,942	257,519
MAC	857,281	799,775	923,252	1,051,440
New Brighton			1,180,845	3,141,494
Total Wholesale	**$10,995,907**	**$11,833,122**	**$ 13,784,340**	**$17,090,301**
Volume Rate	$53,916,478	$52,744,486	$56,392,246	$59,262,277
Fixed Rate	4,052,437	4,907,178	5,710,928	6,573,384
Total Retail	**$57,968,915**	**$57,651,664**	**$62,103,174**	**$65,835,661**
Total Revenue	**$68,964,822**	**$69,484,786**	**$75,887,514**	**$82,925,962**

Water Fund Revenues

(In thousands of dollars)

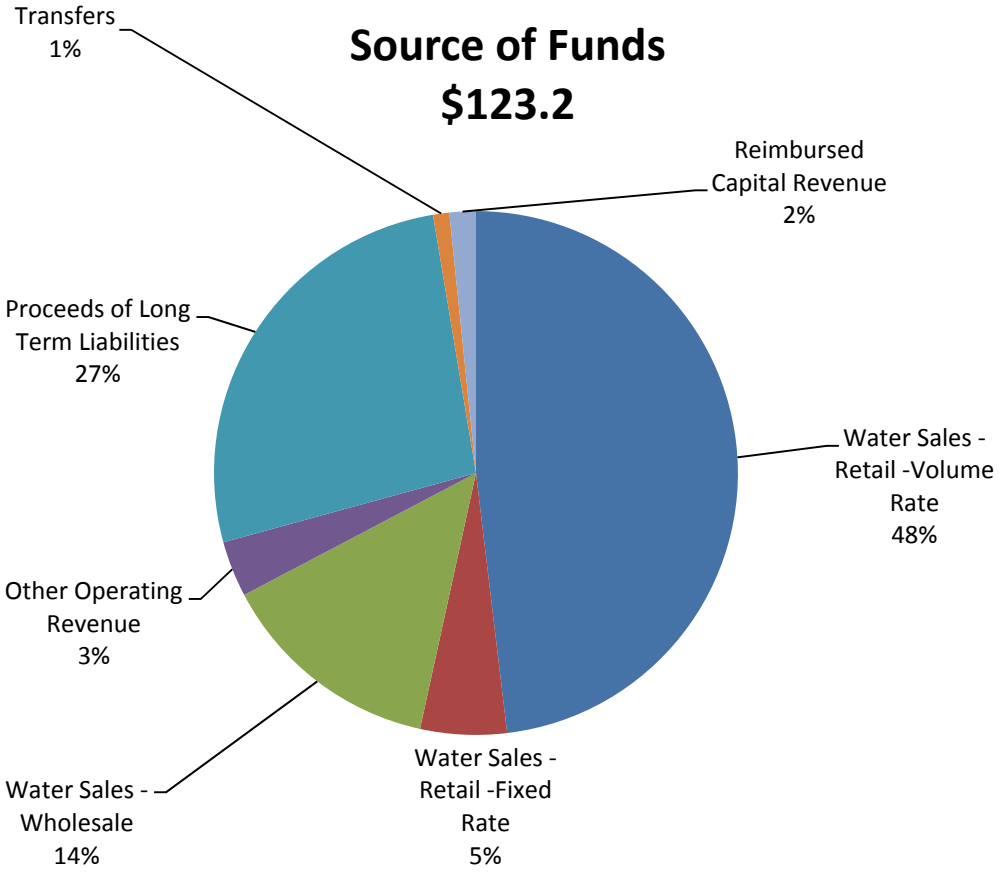


Water Fund Expenses
(In thousands of dollars)



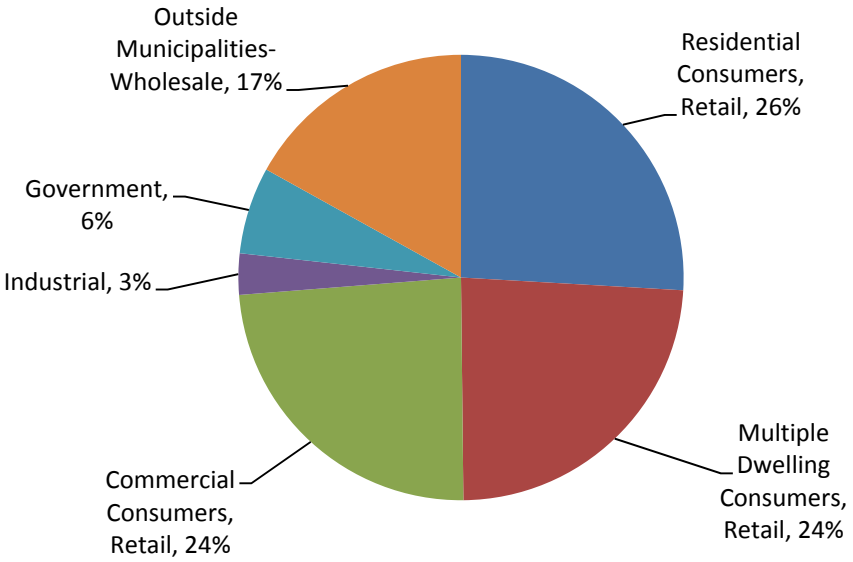
2017 Budget

Revenues
The 2017 revenue budget of $123.2 million is $27.6 million more than the 2016 projected revenue budget of $95.6 million. This increase is mainly due to a $21 million increase in bond proceeds from 2016 from 2017 and by projected rate increases for the years 2017 – 2022 to pay debt service for the capital program expenses and to repair infrastructure as well as to cover anticipated growth in operating expenses.



Water Utility Rates
The budget includes a fixed rate charge based on meter size as well as a variable rate charge of $3.53/unit. The fixed rate charge helps to cover the 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 2015 Consumption)

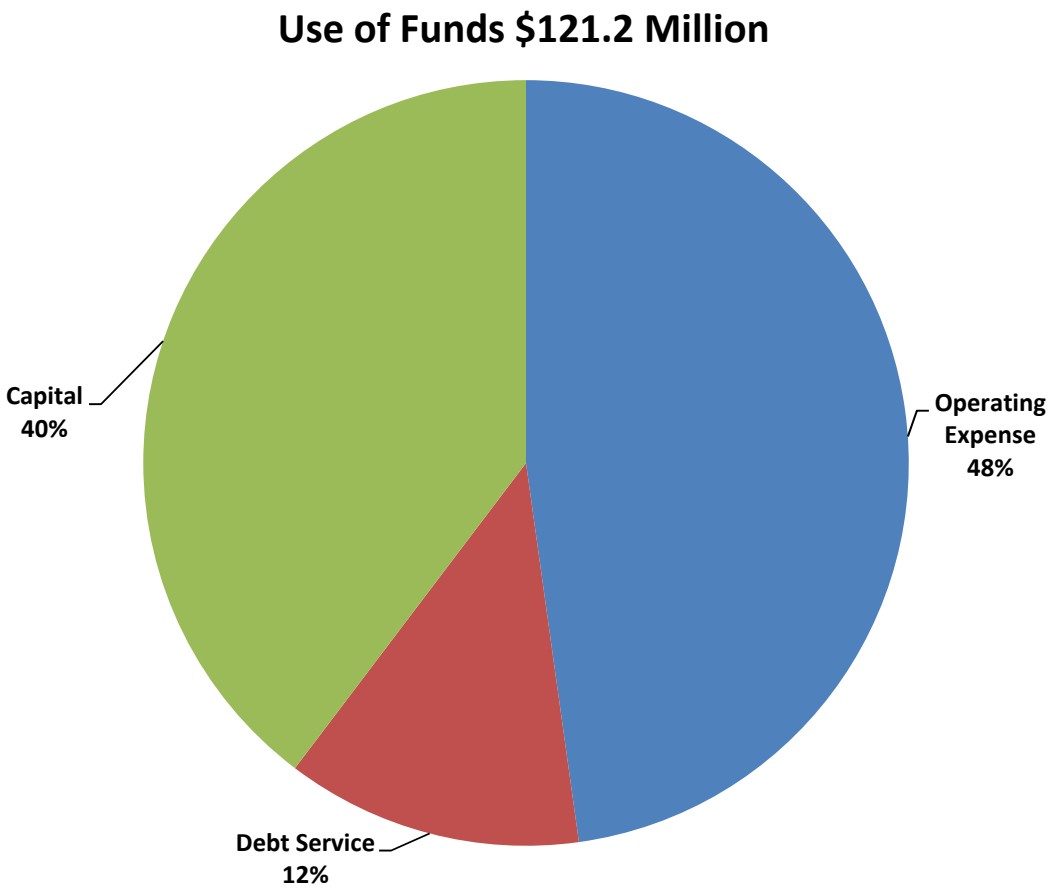


Projected Revenue from Retail Water Sales

Year	Fixed Rate (5/8" Meter)	Rate (cost per 100 cubic feet)	Total Cost Per Month for Average Consumer	Total % Increase	Total Monthly Cost Increase per Household	Total Planned Revenue from Utility Fee
2015	$3.00	$3.37	$26.59	3.30%	$0.85	$62.8 Million
2016	$3.50	$3.45	$27.65	3.99%	$1.06	$63.8 Million
2017	$4.00	$3.53	$28.71	3.83%	$1.06	$65.8 Million
2018	$4.50	$3.61	$29.77	3.69%	$1.06	$68.0 Million
2019	$5.00	$3.69	$30.83	3.56%	$1.06	$70.2 Million
2020	$5.50	$3.77	$31.89	3.44%	$1.06	$72.3 Million

Projected Revenue from Wholesale Water Sales

Year	% Increase	Total Revenue Earned from Utility Fee - Wholesale
2015	-4.18%	$12.2 Million
2016	3.50%	$12.7 Million
2017	34.84%	$17.1 Million
2018	-1.35%	$16.9 Million
2019	-11.57%	$14.9 Million
2020	3.03%	$15.4 Million



Expenses
The 2017 expense budget is $121.2 million, a 23% increase from 2016 projected expenses of $98.5 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 2017 capital budget of $48.1 million represents a 58.2% increase from the 2016 projected capital expenses. This increase is largely due to an anticipated $17 million in costs related to rehabilitation of the Fridley filter facility.

Debt Service and Transfers
The debt service total of $15.2 million is for bonds and notes sold to finance the Water Fund's Capital Construction program.

Net Position
The Public Works Water Treatment and Distribution Services Fund expects net position to increase $2.0 million as a result of increased water sales.

Mayor Recommended
There are no changes to the Mayor Recommended.

City of Minneapolis

2017 Mayor's Recommended Budget

Financial Plan (In thousands of dollars)

Water Fund

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Budget	% Chg from 2016 Projected	2018 Forecast	2019 Forecast	2020 Forecast
Source of Funds:									
Water Sales - Retail									
Volume Rate	53,917	52,745	58,026	56,392	59,262	5.1%	60,605	61,948	63,292
Fixed Rate	4,052	4,907	5,752	5,711	6,573	15.1%	7,395	8,217	9,038
Water Sales - Wholesale	10,996	11,833	12,674	13,784	17,090	24.0%	16,860	14,909	15,361
Other Operating Revenue	4,852	4,530	4,177	4,894	4,240	-13.4%	4,303	4,367	4,433
Proceeds of Long Term Liabilities	6,000	-	8,200	11,500	32,820	185.4%	31,080	17,750	8,100
Transfers									
From Sewer Fund for Meter Shop	1,159	1,285	1,328	1,328	1,213	-8.7%	1,231	1,250	1,268
From General Fund	25	25	24	24	24	-	24	24	24
Reimbursed Capital Revenue	144	105	2,000	2,000	2,000	-	2,000	2,000	2,000
Total	81,145	75,430	92,181	95,633	123,222	28.8%	123,498	110,465	103,516
Use of Funds:									
Operating Expense	50,869	51,632	57,754	56,094	57,917	3.2%	59,642	60,037	61,393
Debt Service	10,460	11,775	12,041	12,041	12,248	1.7%	11,334	10,812	9,802
Future Debt Service	-	-	-	-	2,932	-	5,862	7,061	7,740
Capital	13,788	8,868	22,540	30,404	48,100	58.2%	44,430	32,220	22,650
Total	75,117	72,275	92,335	98,539	121,197	23.0%	121,268	110,130	101,585
Water Fund Margin	6,028	3,155	(154)	(2,906)	2,025	-	2,230	335	1,931
Water Net Position	221,480	219,678	219,524	216,772	218,797	0.9%	221,027	221,362	223,293
Cash Balance	25,133	30,084	29,930	27,178	29,203	7.5%	31,432	31,767	33,698

City of Minneapolis
2017 Budget
Financial Plan

Engineering Materials and Testing Fund

Background

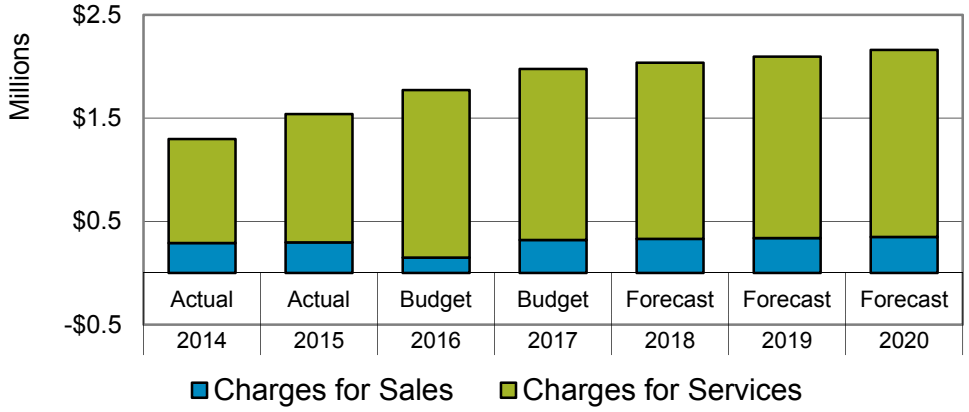
The Engineering, Materials and Testing Fund accounts for transactions related to City purchases of hot-mix asphalt and ready-mix concrete and the related quality control activities for the placement of these materials to assure compliance with State and Federal standards and specifications. The Engineering Laboratory, a component of this fund, provides these quality control activities. In addition, the Engineering Laboratory is responsible for construction inspection and testing services, maintaining 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.

From 2003 through 2008, this fund had a decrease in net position of $1.5 million of which $777,000 was due to the loss on the disposal of the asphalt plant after operations were suspended. Beginning in 2008, with a net position of $27,758, the fund continued to have positive increases through 2013 ending the year with a balance of $2.0 million. In 2014, it was determined to decrease laboratory service fees and the overhead rates on asphalt and concrete resulting in a decrease net positon to a balance of $1.8 million. The net position decreased to $802,175 by year-end 2015 due to the purchase of a drill rig for $175,855 and GASB No. 68 pension liability adjustments of $829,355. The cash balance decreased from a balance of $1.9 million in 2014 to a balance of $1.6 million in 2015.

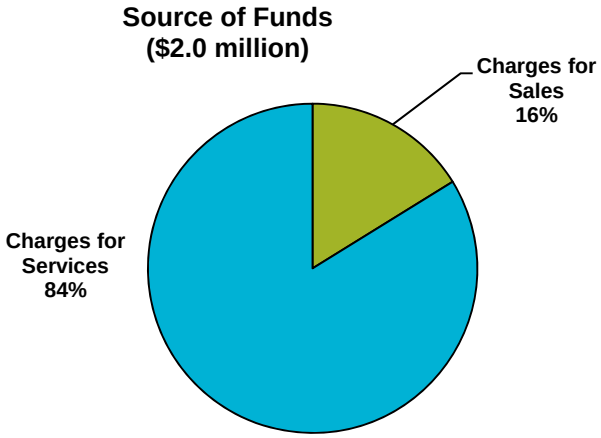
Engineering Materials and Testing Revenues



2017 Budget

Revenue
The 2017 revenue budget is $2.0 million, an increase of 27.1% from the 2016 projected revenue of $1.6 million. The 2017 budgeted revenue is greater than the 2016 projected due to a significant yearly increase in City road construction/overlay projects and maintenance activities. The rates continue to be reviewed to ensure accurate capture of revenue sufficient to cover expenses.

This fund generates revenue from testing and inspection services provided by the Engineering Laboratory and the sale of concrete and asphalt from outside vendors to other City departments. Product types and quantities are identified for customer departments. A cost allocation model determines product costs to allow the fund to generate revenues that match operating expenses.

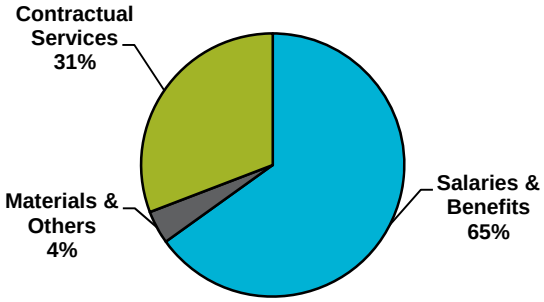


The 2017 revenue budget includes $1.7 million earned from charges for services provided by the Engineering Laboratory and $320,000 as mark up on the sale of asphalt and concrete. In 2017, overhead rates on asphalt and concrete sales will remain constant with the 2016 rates. The Engineering Laboratory continually compares its rates with those of the private sector that provides comparable services. Historically, the Laboratory's hourly rate has been significantly lower than that of the private sector and generates adequate revenue to cover the fund's direct and indirect expenses.

Expense
The 2017 expense budget is $2.0 million representing an increase of 14.4% from the 2016 projected expense of $1.7 million. The 2016 projection is slightly lower than the 2016 budget due to vacant positions. The Engineering, Materials and Testing Fund plans to be fully staffed in 2017. Beginning in 2015, the amount expended for professional services has increased due to an increase in construction projects.

Transfers
There are no transfers scheduled in 2017 for this fund.

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



Net Position and Cash Balance
The Engineering, Materials and Testing Fund had a positive net position of $802,175 at year-end 2015, representing a decrease of $1.0 million from the 2014 ending net position of $1.8 million. The net position at year-end 2015 includes an adjustment of $829,355 due to recognition of long-term pension liabilities in accordance with GASB Statement No. 68. Of the total adjustment amount, $529,908 is reflected in the financial reports as a decrease to the beginning net position at January 1, 2015. The net

position is projected to be $638,461 at the end of 2016 and increase to $648,923 in 2017. The financial policy for this fund determines that the fund should maintain a net position at least equal to 15.0% of the operating budget. For the year ending 2015, the benchmark for net position was $281,808 and the fund exceeded the benchmark by $520,367.

The 2015 year-end cash balance was $1.6 million, a decrease of $382,053 from the 2014 year-end balance of $1.9 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 15.0% of the operating budget, or $281,808 for 2015. The fund exceeded the benchmark by $1.3 million. The cash balance is projected to be $1.4 million in 2016 and to remain flat for 2017.

Mayor Recommended
There are no changes to the Mayor Recommended.

City of Minneapolis
2017 Mayor's Recommended Budget
Financial Plan (in thousands of dollars)

Engineering, Materials and Testing

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Budget	% Chg From 2016 Projected	2018 Forecast	2019 Forecast	2020 Forecast
Source of Funds:									
Charges for Services	1,007	1,243	1,622	1,352	1,657	22.5%	1,706	1,757	1,810
Charges for Sales	290	297	150	204	320	57.2%	330	339	350
Total	1,297	1,540	1,772	1,555	1,977	27.1%	2,036	2,097	2,160
Use of Funds:									
Personnel Services	1,067	1,138	1,273	1,129	1,280	13.4%	1,319	1,358	1,399
Contractual Services	379	494	572	523	606	15.8%	624	643	662
Materials and other	72	247	84	67	80	19.2%	82	85	87
Transfers Out	-	-	-	-	-		-	-	-
Total	1,518	1,879	1,929	1,719	1,966	14.4%	2,025	2,086	2,148
Change in Net Position[1]	(192)	(450)	(157)	(164)	11		11	11	11
Net Position[1]	1,782	802	645	638	649		660	671	682
Cash Balance	1,936	1,553	1,396	1,389	1,401		1,411	1,423	1,434
Target Cash Reserve[2]	228	282	289	258	295		304	313	322
Variance Cash to Target Reserve	1,708	1,271	1,107	1,131	1,106		1,108	1,110	1,112

[1]Change in net position and net position for 2014 & 2015 are CAFR values.
[2]The 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.

City of Minneapolis
2017 Budget
Financial Plan

Fleet Services Division Fund

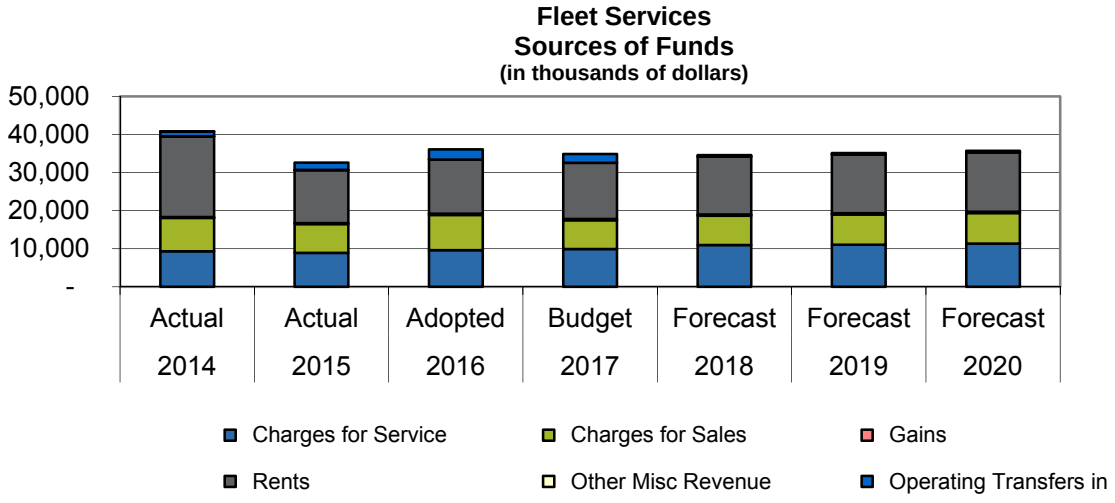
Background

The Fleet Services Division Fund manages the acquisition, maintenance and disposal of approximately 1,700 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 the services of technicians to maintain the equipment. In addition, the fund manages the field coordination of City-owned and contractual equipment and operators as well as the procurement and sale of fuel for these vehicles.

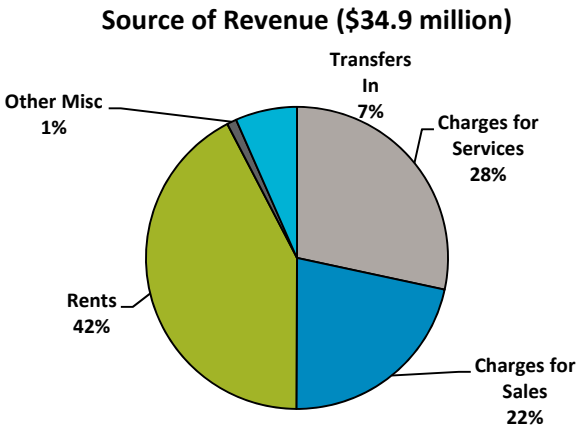
Through the end of October 2013, the fund provided the drivers and operators for the equipment that is used in construction and snow removal. Starting in November 2013, these employees were transitioned out of Fleet Services Fund and reassigned to various Public Works departments. In 2015, the Fleet Services Division assigned nearly all of its fleet (base units) to City departments. The City departments are allocated a rental rate for these units that is calculated through an activity based cost allocation model and designed to capture the replacement cost of the vehicle. The City's fleet of vehicles and equipment has an acquisition value of $84.3 million and accounts for 53.8% of the net value of the long-term assets in this fund.

Historical Financial Performance

A primary objective of the Fleet Services Division long-term financial plan is to maintain the fund's net position and cash balance according to the financial policies for the internal service funds. Originally, the long-term financial plan financed fleet purchases by issuing general obligation bonds. The fund followed the plan to maintain a positive cash balance, increase net position, 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.



2017 Budget

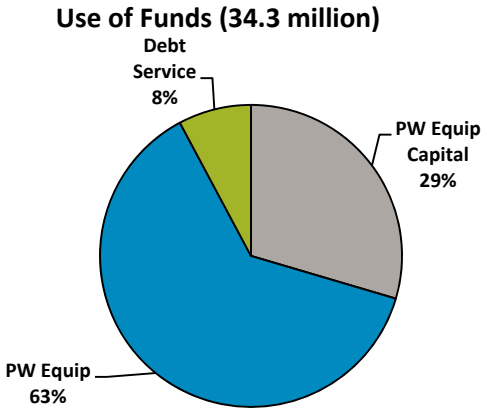


Revenue

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 2017 are budgeted at $34.9 million, a slight increase from the 2016 projected revenue of $32.8 million. The increase in 2017 budgeted revenue over the 2016 projected is due to an increase in overhead allocations in 2017 for vehicles assigned on a permanent basis to the departments. These increases are offset by a decrease in base rental rates and transfers in.

Expense

The 2017 expense budget is $34.3 million which represents a slight increase from the 2016 projected expense of $34.2 million. The increase in 2017 expense over the 2016 projection is primarily due to an increase in expense for fuel and materials. The increase in fuel and materials is offset by a decrease in capital purchases. Fleet equipment capital purchases vary from year to year based on a long-term replacement schedule which requires higher amounts of replacement in some years compared to others. The 2017 operating budget includes $50,000 related to CARS capital expenditures for fuel station hardware.



Transfers

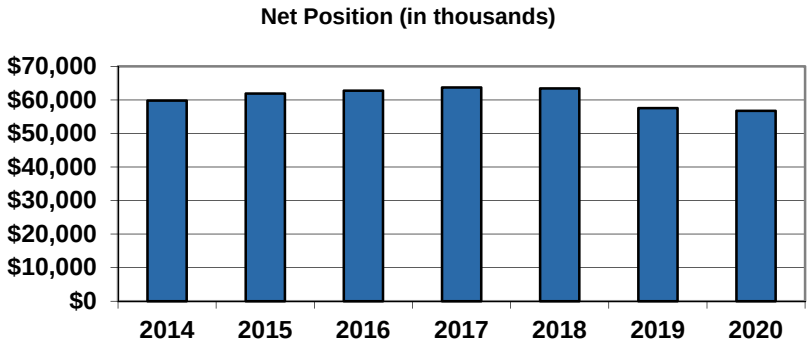
In 2017, the Fleet Services Division will receive $2.0 million as a transfer in from the General Fund to assist with the funding of approved CARS capital expense. Of this amount, $1.9 million will contribute to the regular lifecycle replacement of the fleet capital assets and $50,000 will fund the upgrade of a fuel dispenser. In 2017, Property Services will transfer $345,663 to Fleet Services to pay a portion of the debt expense related to the Currie Maintenance Facility. Property Services included a portion of the debt expense in its rent cost allocation model to charge other City departments that are housed in the Currie facility for a portion of the debt.

Debt Service

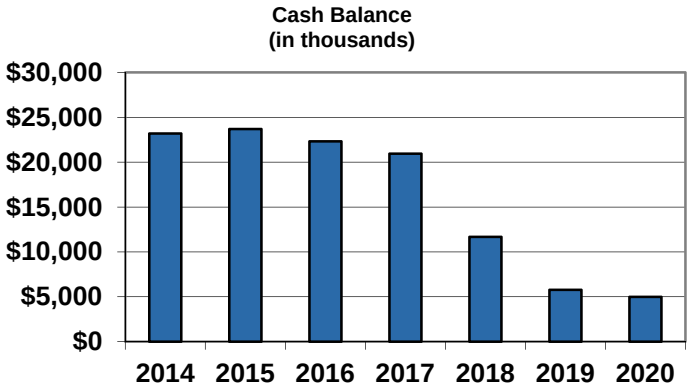
As part of the fleet modernization effort that began in 1997, the City issued bonds to finance fleet upgrades and to build new maintenance facilities. Principal and interest payments totaling $2.7 million are due in 2017 related to these bonds. The remaining debt obligation of $9.3 million is due in 2018.

Net Position

The net position at year-end 2015 was $61.9 million, an increase of $2.1 million from the 2014 ending position of $59.8 million. The primary reason for this increase is timing differences between recording rent revenue in 2015 for replacement of vehicles and the delivery of and payment for these vehicles occurring in 2016. In addition, the amount of equipment capitalized in 2015 was $4.3 million greater than the depreciation recorded. The Fleet Services Division Fund expects net position to increase in 2017 and to decrease in 2018 through 2020 as operating revenues are matched to expenses and capital outlay follows the fleet replacement plan. In 2018, the fund will pay off the remaining debt of $9.3 million. The net position at year-end 2015 includes an adjustment of $4.5 million due to recognition of long-term pension liabilities in accordance with GASB Statement No. 68. Of the total adjustment amount, $2.9 million is reflected in financial reports as a decrease to the beginning net position at January 1, 2015. The financial policy related to net position for the Fleet Services Division states that the net position should not fall below two times the annual depreciation amount. The annual depreciation for Fleet Services in 2015 was $6.6 million. The 2015 net position of $61.9 million is $48.7 million greater than the benchmark amount.



The 2015 ending cash balance of $23.7 million was an increase of $0.5 million from the 2014 ending balance of $23.2 million. Timing differences between the collection of revenue for equipment replacement in 2015 and the delivery of the equipment in 2016 are the primary reasons for the increase in cash. The cash balance is projected to decrease from 2016 through 2020 as the fund experiences an increase in capital outlay and funds the payment of debt. The financial policy related to cash balance for the Fleet Services Division states that the minimum cash balance should be 15.0% of the operating budget or $2.8 million in 2015. The 2016 projected balance is $22.3 million. The chart to the right illustrates the historical and projected cash performance of the fund.



Mayor Recommended

There are no changes to the Mayor Recommended.

City of Minneapolis
2017 Mayor's Recommended Budget
Financial Plan (in thousand of dollars)

Fleet Services Divison

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Budget	% Chg From 2016 Projected	2018 Forecast	2019 Forecast	2020 Forecast
Source of Funds:									
Charges for Service	9,309	8,903	9,589	9,500	9,897	4.2%	10,940	11,041	11,313
Charges for Sales	8,797	7,551	9,275	5,670	7,564	33.4%	7,689	7,944	8,038
Gains	214	260	350	350	350	0.0%	350	350	350
Rents	21,175	13,907	14,176	14,588	14,755	1.1%	15,232	15,439	15,651
Other Misc Revenue	7	87	10	5	10	100.0%	10	10	10
Operating Transfers in	1,289	1,912	2,712	2,712	2,304	-15.0%	346	346	346
Total	40,791	32,620	36,112	32,825	34,880	6.3%	34,567	35,130	35,708
Use of Funds:									
Debt Service	2,335	2,444	2,615	2,615	2,677	2.4%	9,260	-	-
Transfers	-	-	-	-	-	0.0%	-	-	-
PW Equipment	25,818	19,891	22,595	19,579	21,472	9.7%	21,987	22,457	22,942
PW Equipment Capital	7,540	10,152	11,391	12,013	10,139	-15.6%	12,597	18,573	13,552
Total	35,693	32,487	36,601	34,207	34,288	0.2%	43,844	41,030	36,494
Change in Net Position[1]	9,760	5,000	(489)	(1,382)	592		(9,277)	(5,900)	(787)
Net Position[1]	59,822	61,919	63,645	62,752	65,684		65,397	59,497	58,710
Cash Balance	23,187	23,702	23,213	22,320	22,912		13,635	7,735	6,948
Target Cash Reserve[2]	2,973	2,826	3,239	2,787	3,071		3,148	3,219	3,291
Variance Cash to Target Cash Reserve	20,214	20,876	19,974	19,533	19,841		10,487	4,516	3,657

[1]Change in net position and net position are CAFR values.
[2] The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Fleet Services Division at a minimum should be equal to 15.0% of the operating budget adjusted for intrafund revenue and expense.

City of Minneapolis
2017 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, managed services contracts, the Project Management Office (PMO), and telecommunications operations. Information Technology activities account for 96.6% 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 3.4% of operating activities. Through the end of 2016, the fund also included a portion of the Human Resources budget designated for internal training.

In 2015, IT incurred $14.7 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 $2.9 million for technology capital projects in 2015 which are funded by net debt bonds. For 2016, the City Council approved $3.3 million for technology capital projects. For 2017, no funds were appropriated for technology capital projects. The majority of the funding for technology projects is derived from City departments' operating budgets.

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

- *Enterprise Content Management System,* Replacement of the current Electronic Content Management System (ECMS) will allow the City to incorporate American with Disabilities Act (ADA) compliance within the public website, support multiple language translations for vital information and institute automated records retention with the new system. Incorporating these critical needs and revamping the information architecture sets the City up to scale for the future.

- *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 project is expected to be completed in October, 2016.

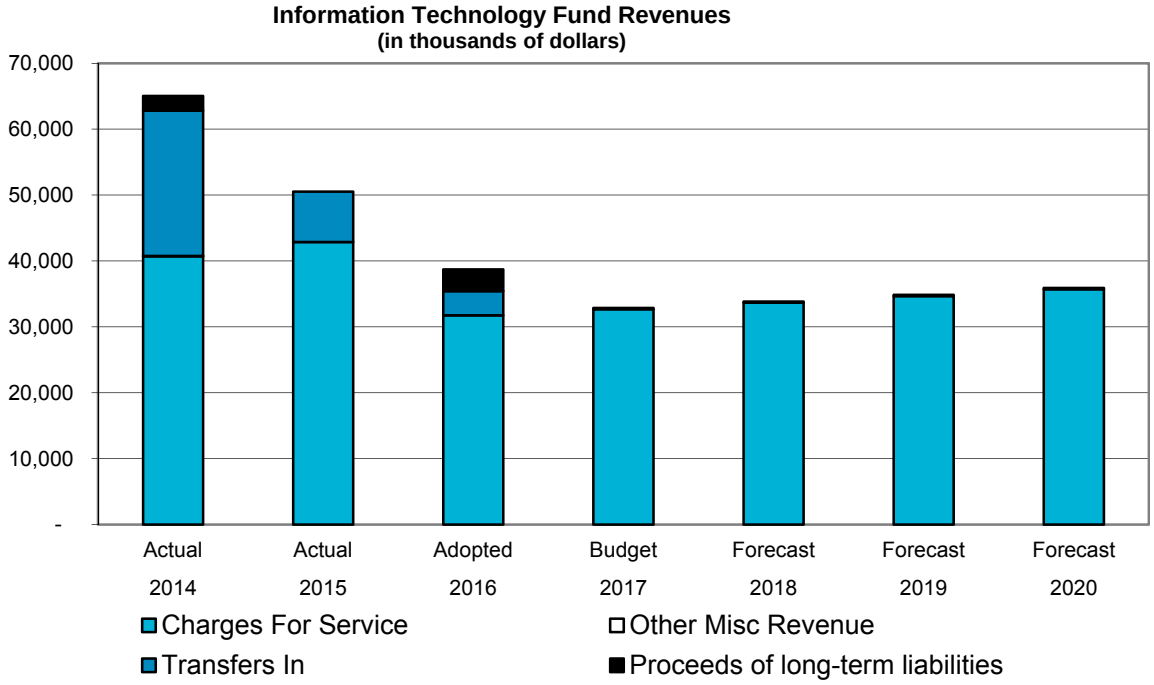
- *Enterprise Resource Planning (ERP) Program:* The City implemented upgrades to the PeopleSoft systems: financial reporting (Compass), HRIS including HCM (Human Capital Management) and ELM (Enterprise Learning Management), and Business Intelligence (Cognos reporting). The implementation enables more effective integration and collaboration of the components through the ERP perspective resulting in enhanced business processes, better data, and improved financial and HR reports. Hardware and

database upgrades were completed in 2013 and the system-wide project was completed in August 2015.

The net position in this fund will remain positive as it continues to provide services to City departments with charges determined through its allocation model and to collect fees for service with PMO. The allocation model assigns costs to customers based on usage of enterprise-wide applications and customer specific services. The net position of the fund increases primarily as a result of the capitalization of technology projects.

Historical Financial Performance

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 in this fund. Since year-end 2002, the fund has achieved positive increases to its net position. As part of the long term financial plan for the fund, the fund received transfers in from the general fund to assist with debt payments. These transfers in ended in 2014 with a final transfer of $13.1 million as the majority of the debt obligations were retired in 2012. The fund's cash balance has also steadily increased as projected in the long-term financial plan. At year-end 2015, the cash balance was $38.4 million.



2017 Budget

Revenues

The 2017 revenue budget is $32.9 million, a decrease of 23.8% from the 2016 projected revenue of $43.1 million. The 2016 projection includes revenue earned during the current year for PMO projects. The 2017 budget includes a conservative revenue amount for PMO projects that is increased as work is completed and City departments billed for the services. Charges for

service are slightly increased in 2017 as compared to the 2016 original budgeted amount due to increased revenue received from City departments through the cost allocation model.

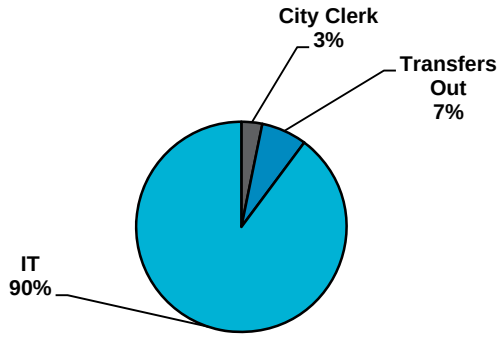
Allocation Model Implications
The allocation model has four components on the customer expense side: IT application support; IT operating; telecommunications; and special customer specific services. Through 2016, there was also a small amount for data connectivity. Revenues generated through the allocation model will recover the following:

- IT operating costs at a level that conforms to the Council-adopted financial plan.
- Through 2016, debt service resulting from phone system purchase.
- A small portion for City Clerk data center operations. Through 2016 there was also a small portion for Human Resources operations.

Revenue Assumptions (2017)	
Number of PC's	2,914
Number of telephones	2,956

Expenses
The 2017 expense budget is $42.9 million, a decrease of 7.2% from 2016 projected expenses. The decrease in the 2017 total expense budget over the 2016 projection is primarily due to expenses from PMO projects. The 2017 budget includes a conservative expense amount for PMO projects that is increased as work is completed and City departments billed for the services. The 2017 operating budget includes $6.1 million in approved CARS expense.

Intergovernmental Services Fund Use of Funds by Department ($42.9 million)



The 2016 projected operating expense is $10.7 million over the 2016 budget. This is primarily due to expenses related to customer funded PMO projects not included in the original operating budget but included in the projection as expense is recorded to projects and billed to customers. PMO projects include expenses related to the Enterprise Land Management project that is expected to be completed in 2016. The projected 2016 expense budget also includes one-time transition costs of $3.3 million related to insourcing the help desk and desk side support functions, which was a Council approved rollover from 2015.

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 2016, the capital budget is $3.3 million, primarily for the Police Report Management System upgrade. For 2017, no capital projects are budgeted. 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 paid in 2016.

Transfers
In 2015, the Intergovernmental Services fund received a payment from the bond redemption fund of $2.8 million to assist with debt payments related to the issuance of net debt bonds for capital projects. As there were no outstanding bonds at the beginning of 2016, no transfer was necessary for 2016. If it is determined that net debt bonds will finance capital projects in the future, it is expected that the fund will receive a transfer to assist with the debt payments. The

fund received a transfer from the general fund of $185,139 in 2016 and $191,708 in 2017 to fund City Hall rent. The fund also received a transfer of $1.5 million in 2016 to fund one-time expenses for the CARS program and Service Now Infrastructure Services. In addition, in 2015 the fund received a final transfer of $1.0 million from the Self Insurance Fund.

In the 2017 budget there is a fund transfer of $3.0 million to the Capital Improvements Fund for the street infrastructure and neighborhood park funding plan.

Debt Service
No debt service payments were due in 2016 as the fund did not have any beginning bond liability in 2016.

Net Position and Cash Balance
The financial policy related to the net position for the Intergovernmental Services fund determines that the net position should not fall below two times the fund's annual depreciation. The annual depreciation for 2016 is $6.3 million and the projected year-end net position is $59.5 million which brings the fund's projected net position $46.9 million over the benchmark amount of $12.6 million. The net position at year-end 2015 was $62.7 million. The Intergovernmental Services Fund expects net position to decrease $3.2 million in 2016 due to the Council approved use of up to $3.3 million of net position to cover ongoing one-time transition costs related to insourcing help desk and desk side support functions and contracting for a new managed services provider. The 2015 net position increased $567,106 from the 2014 ending balance of $62.1 million. The increase in net position is primarily due to the capitalization of technology projects of $10.8 million, which is offset by the recognition of pension liabilities. The net position at year end 2015 includes an adjustment of $6.5 million due to the recognition of long-term pension liabilities in accordance with GASB Statement No. 68. Of the total adjustment amount, $4.2 million is reflected in the financial reports as a decrease to the beginning net position at January 1, 2015.

The financial policy for cash balance states that the minimum cash balance should be equal to 15.0% of the fund's total budget. The year-end cash balance for 2015 was $38.4 million. The fund had a 2015 total budget of $37.4 million resulting in a benchmark amount of $6.1 million. At year-end 2015, the fund's cash balance exceeded the benchmark by $32.3 million. The 2015 cash position decreased $11.5 million from the 2014 ending balance of $49.9 million, primarily due to the planned use of deferred revenue funds for the ERP and Enterprise Land Management projects and due to the planned use of net position as the funding source for transition expenses related to insourcing the IT helpdesk and desk side support functions starting in 2016. It should be noted that included in the 2015 cash balance is $7.0 million of unearned revenue, or cash received from other City departments as prepayment for future technology projects. The cash balance is projected to decrease in 2016 to an ending balance of $28.8 million due to planned use of deferred revenue funds for the Enterprise Land Management and other PMO projects and due to the ongoing transition expenses related to insourcing the IT helpdesk and desk side support functions. In the following years, the fund is projected to decrease its cash balance from $28.8 million in 2016 to $17.7 million in 2020.

Mayor Recommended
There are no changes to the Mayor Recommended.

City of Minneapolis
2017 Mayor's Recommended Budget
Financial Plan (in thousands of dollars)

Intergovernmental Services Fund

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Budget	% Chg From 2016 Projected	2018 Forecast	2019 Forecast	2020 Forecast
Source of Funds:									
Charges For Service	40,720	42,861	31,744	39,454	32,675	-17.2%	33,655	34,665	35,705
Other Miscellaneous Revenue	43	-	-	-	-		-	-	-
Operating Transfers In	22,047	7,659	3,665	1,665	192	-88.5%	192	192	192
Proceeds of Long term Liabilities	2,225	-	3,300	2,000	-	-100.0%	-	-	-
Total	65,035	50,520	38,709	43,119	32,867	-23.8%	33,847	34,857	35,897
Use of Funds:									
Transfers	523	-	-	-	3,000		-	-	-
Debt Service	1,645	2,751	2,000	-	-		-	-	-
City Clerk	1,483	1,765	1,384	1,517	1,376	-9.3%	1,417	1,460	1,504
Human Resources	257	204	308	264	-	-100.0%	-	-	-
Information Technology	41,754	50,196	32,276	42,908	38,558	-10.1%	33,048	33,686	34,528
Capital Projects	805	1,151	3,300	1,600	-	-100.0%	-	-	-
Total	46,467	56,067	39,268	46,289	42,934	-7.2%	34,465	35,146	36,032
Change in Net Position[1, 3]	24,680	4,718	(559)	(3,170)	(10,067)		(618)	(289)	(135)
Net Position[1]	62,084	62,651	62,092	59,481	49,414		48,796	48,507	48,372
Cash Balance[2]	49,888	38,360	31,451	28,840	18,773		18,155	17,866	17,731
Target Cash Reserve	5,074	6,069	5,318	5,318	6,384		5,114	5,216	5,349
Variance Cash to Target Reserve	44,814	32,291	26,133	23,522	12,389		13,042	12,651	12,383

[1] Change in net position and net position for 2014 and 2015 are the amounts recorded in the CAFR.

[2] At year end 2015, fund 06400 has a liability balance of $7.0 million in unearned revenue resulting from prepayments by City departments for future IT projects. These prepayments result in an increase to the cash balance.

[3] The 2016 projected change in net position decreased $2.6 million more than the budgeted net change. This is due to the Council approved rollover from 2015 of $3.3 million of net position to cover one-time ongoing implementation costs associated with insourcing the IT helpdesk and desk side support functions and expenses related to contracting with a new provider for managed services.

City of Minneapolis
2017 Budget
Financial Plan

Property Services Fund

Background

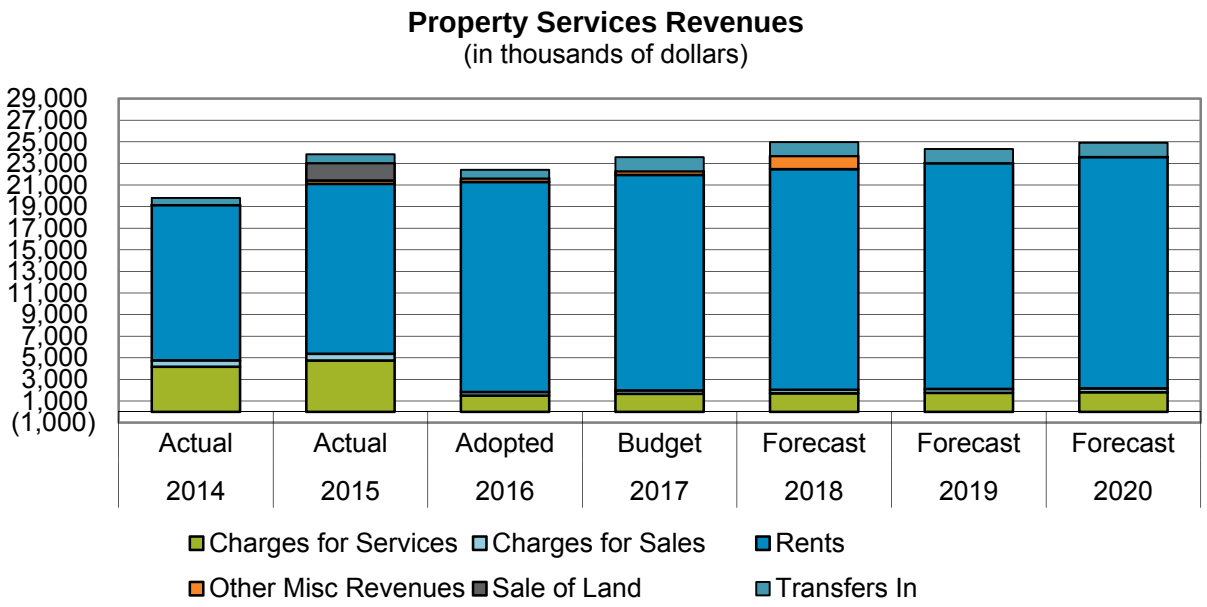
The Property Services Fund is an internal service fund responsible for the operations and maintenance of the City-owned buildings including police precinct structures, fire stations, and public works buildings. The fund does not provide services to the Convention Center, Water facilities, or the Minneapolis Park and Recreation Board buildings. The fund is also responsible for the Radio Shop which maintains the City's emergency communications network. 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 services for City properties.

In April 2011, the Property Services Fund was transitioned from the Public Works department to the Finance and Property Services department within the City Coordinator's department. 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 are either housed in City buildings or use the services provided (building space, operational maintenance, security, space and asset management, energy management, janitorial and radio services). The proposed building and communication equipment charges to City departments are calculated through cost allocation models using historical and anticipated operational costs. The cost recovery structure is configured to enable the fund to charge the amounts required to recover the cost of the goods and services provided to City departments and the cost of the fund's overhead. Beginning in 2009, the Council approved a City-wide charge for City Hall rent. The Property Services Fund collects the rental charge and remits it to the Municipal Building Commission (MBC) to reimburse the MBC for maintenance and property management services.

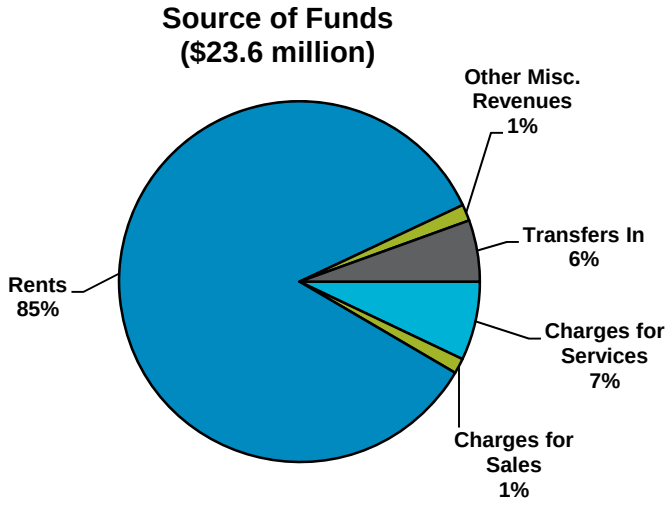
Included in the Property Services Fund is the Property Disposition Fund. This fund was created in section 14.120 of City Ordinance for the purpose of recording proceeds from the sale of City property. The ordinance did not specify the use of proceeds. Some of the proceeds were expended on capital projects upon City Council approval.



2017 Budget

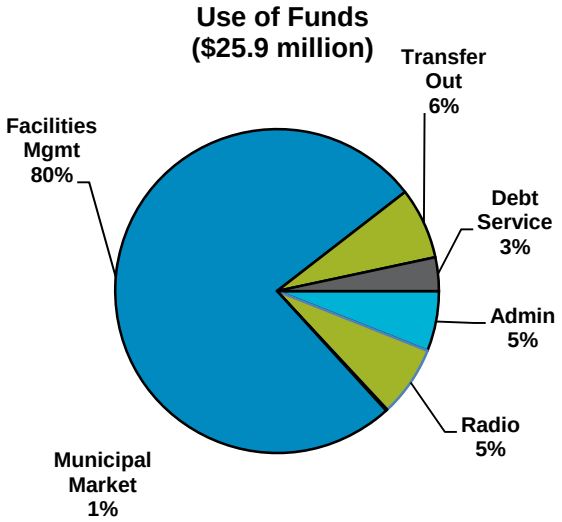
Revenues

The 2017 revenue budget for this fund is $23.6 million, representing an increase of 8.5% from the projected 2016 revenue of $25.8 million. The increase in 2017, when compared to the 2016 projected, is partially due to revenue of $1.7 million received in 2016 for the sale of vacant land. In addition, the projected revenue received in 2016 from charges for services is significantly increased from the amount budgeted in 2017. Charges for services include discretionary repairs and upgrades which can vary from year to year depending on the available budget of City departments. A base budget is recorded each year and increased as additional projects are completed and billed to other City departments. Rent revenue of $19.9 million budgeted in 2017 increased 2.5% over the amount in 2016. Included in rent income is the charge to City departments for use of City owned buildings. The charges for City owned buildings experienced a slight decrease of 0.4% when compared to these charges for 2016. This decrease was offset by increases in the flow-through amounts charged for external leases and City Hall rent. The Property Services Fund will continue to collect revenues from City departments, who occupy City buildings, to fund capital improvements primarily for facility repairs and upgrades. This practice began in 2016 and replaces funding through net debt bonds.



Expense

The 2017 expense budget is $25.9 million, representing an increase of 14.5% from the projected 2016 expense of $22.6 million. Included in the 2017 expense budget is a conservative estimate for costs related to projects completed for other City departments. As the projects are requested and expense is realized, there is offsetting revenue collected through the billing process. The 2016 projected Facilities Management expense reflects this increase in expense related to work for others. Also included in the projection for 2016, is an estimated expense of $1.9 million for capital improvements for City buildings. The 2016 budgeted amount for capital improvements is $4.0 million and the fund collected revenues equal to this amount through the allocation model. In 2016, the fund used the remaining proceeds from net debt bonds for capital improvements before expensing funds from the $4.0 million. The result was a decrease in the projected total operating expense and a significant increase in the change of net position.



The 2017 expense budget includes $1.0 million for expenses related to Downtown Campus. In addition, the fund has an appropriation of $5.0 million for pass-through costs for services provided by the Municipal Building Commission for maintaining the City's space in City Hall.

Transfers

The 2017 budget includes a General Fund transfer of $1.3 million. Of that transfer, $1.0 million is for Downtown Campus, and $300,260 is to cover the cost of City Hall rent for the space occupied by Property Services.

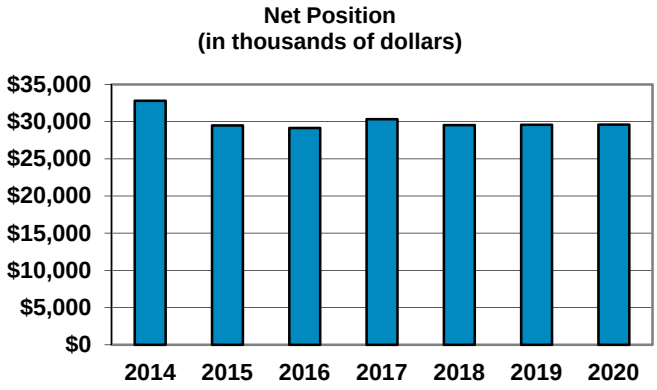
The 2017 expense budget includes a transfer out of $1.8 million. Of that transfer, $1.5 million is to the General Fund to fund 2017 CARS (Capital Asset Request System). The remaining $345,663 is to the Fleet Services Division Fund to assist with the debt payment for the Currie Maintenance Facility. Property Services collects the rent payment through the rent allocation model by charging a portion of the debt expense to those departments that occupy space in the facility.

Debt Service

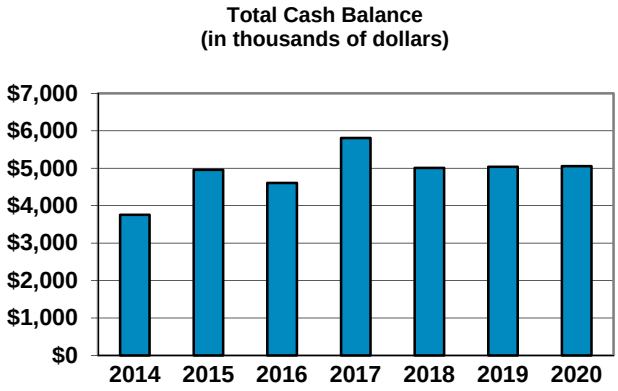
The Radio Shop, a division of Property Services, has management responsibility for the $14.0 million 800 MHz radio system. The Property Services Fund recognizes the fixed asset, along with the debt related to this project. The Radio Shop funds a portion of the City's public safety initiative through a contribution of $350,000 a year. The General Fund completed a transfer for debt service in 2013 of $3.3 million to cover years 2014 through 2018. The fund does not receive additional transfers for debt service. Total debt service for 2017 is $869,200.

Net Position and Cash Balance

The Property Services Fund has a net position of $29.5 million at year-end 2015 representing a decrease of $3.3 million from the 2014 ending net position of $32.8 million. The net position at year-end 2015 includes an adjustment of $4.1 million due to recognition of long-term pension liabilities in accordance with GASB Statement No. 68. Of the total adjustment amount, $2.6 million is reflected in the financial reports as a decrease to the beginning net position at January 1, 2015. The 2016 net position is projected to increase by $3.2 million due to timing differences between collection of revenue for capital improvements for City buildings and the realization of the expense. The financial policy for the net position for the Property Services Fund directs that the net position should not fall below two times the annual depreciation amount. The depreciation for Property Services in 2015 was $1.3 million. The 2015 net position of $29.5 million is $26.9 million greater than the benchmark amount.



The 2015 year-end cash balance is $5.0 million, an increase of $1.2 million from the 2014 year-end balance of $3.8 million. The Property Services Fund cash balance includes operating cash and the cash balance in the Property Disposition Fund, a fund that receives proceeds from the sale of City property. The cash balance in the Property Disposition Fund at year-end 2015 was $1.7 million and is projected to be $3.4 million at year-end 2016 due to additional sales of City property. Financial reserve policies for the internal service funds determine that the cash reserve for the Property Services Fund should not be less than 15.0% of the operating budget, or $2.7 million for 2017.



Mayor Recommended

There are no changes to the Mayor Recommended.

City of Minneapolis
2017 Mayor's Recommended Budget
Financial Plan (in thousand of dollars)

Property Services Fund

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Budget	% Chg From 2016 Projected	2018 Forecast	2019 Forecast	2020 Forecast
Source of Funds:									
Charges for Services	4,171	4,754	1,505	2,788	1,665	-40.3%	1,715	1,766	1,819
Charges for Sales	593	617	324	588	324	-44.8%	334	344	354
Rents	14,388	15,731	19,456	19,609	19,949	1.7%	20,427	20,920	21,427
Other Misc Revenues	3	321	329	334	348	4.3%	1,206	10	10
Sale of Land	-	1,605	-	1,670		-100.0%	-	-	-
Transfers In	646	819	799	799	1,300	62.7%	1,300	1,300	1,300
Total	19,802	23,848	22,414	25,788	23,586	-8.5%	24,981	24,340	24,911
Use of Funds:									
Property Services Administration	1,326	1,896	1,444	1,500	1,558	3.9%	1,605	1,653	1,703
Radio Equipment	1,831	2,180	1,798	1,820	1,830	0.5%	1,885	1,941	2,000
Municipal Market	42	51	41	55	41	-26.2%	42	43	44
Facilities Management	15,985	17,314	18,263	18,027	19,760	9.6%	20,209	20,671	21,147
Debt Service	848	880	894	894	869	-2.8%	845	-	-
Transfers Out	-	316	326	326	1,846	465.9%	1,196	-	-
Total	20,034	22,638	22,765	22,622	25,903	14.5%	25,781	24,308	24,894
Change in Net Position [1]	(257)	(707)	(351)	3,166	(2,317)		(799)	32	17
Net Position [1]	32,801	29,490	29,138	32,655	30,338		29,539	29,570	29,587
Total Cash Balance	3,758	4,958	4,607	8,124	5,807		5,007	5,039	5,056
Operating Cash balance [2]	2,377	3,271	2,920	4,769	2,452		1,653	1,684	1,702
Target Cash Reserve [3]	2,127	2,381	2,426	2,404	2,648		2,755	2,840	2,928
Variance Operating Cash to Target Cash Reserve	250	890	494	2,365	(196)		(1,102)	(1,156)	(1,227)

* The Property Services fund includes transactions of the Property Disposition Fund, a fund that receives proceeds from the sale of City proper

[1]The change in net position and the net position for 2014 and 2015 are the amounts recorded in the CAFR.

[2]Total cash balance is the sum of cash recorded in the Property Dispositon fund and the Property Services fund. Operating cash is the cash balance generated from Property Service fund operations and recorded in the Property Services fund.

[3]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 at a minimum be equal to 15.0% of the adjusted operating budget.

City of Minneapolis
2017 Budget
Financial Plan

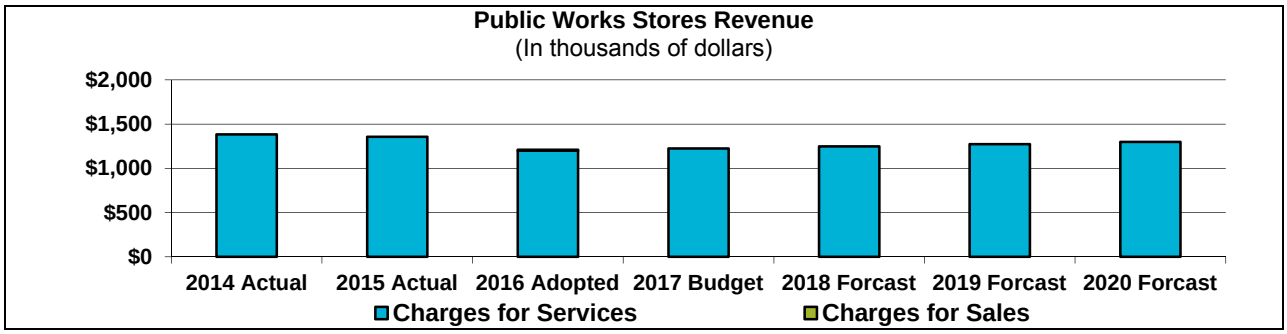
Public Works Stores Fund

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. The fund's mission is to provide goods in a cost effective manner to City departments through the Central Stores and Public Works Traffic Stores.

Historical Financial Information

Public Works began operating Central Stores in January 1965 when the stockrooms for 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. Central Stores was transitioned from the Public Works department to a cost center within the Finance & Property Services Department in April 2011. In 2016, Central Stores added a new storeroom at the Royalston Maintenance Facility. Public Works Traffic Stores purchases components for traffic signals, controllers, and street lights.



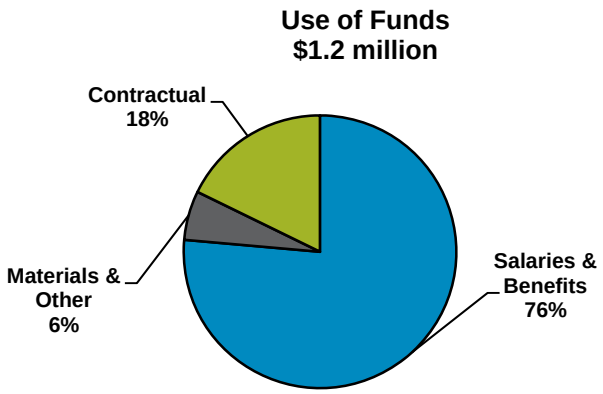
2017 Budget

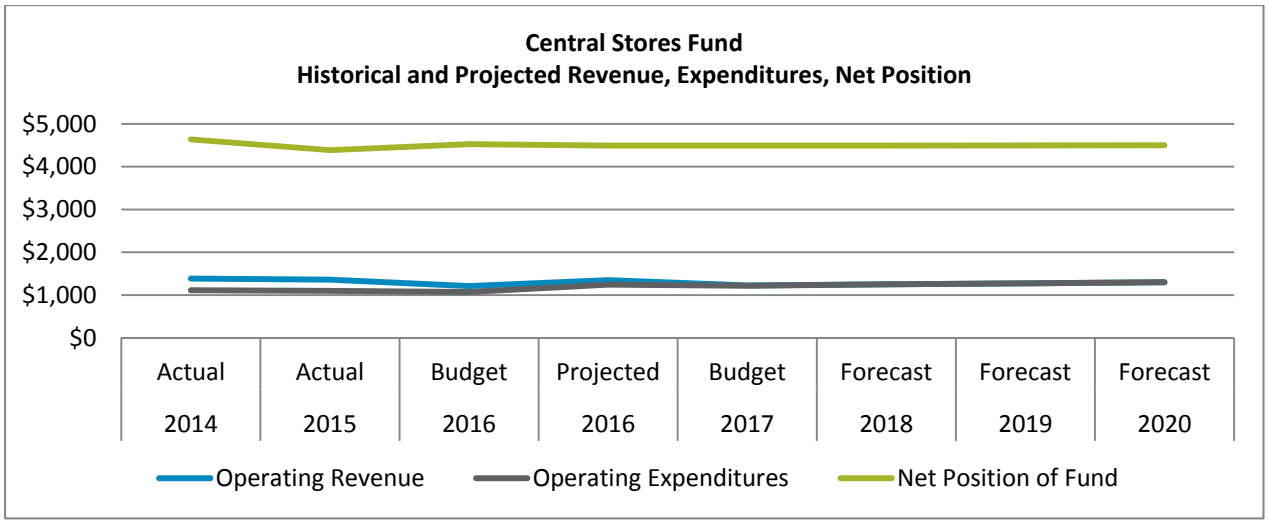
Revenues

Revenue for this fund is earned by applying overhead charges to inventory sales and transaction processing. Revenues for 2017 are budgeted at $1.2 million, a decrease of 9.2% from the 2016 projected revenue of $1.3 million. The 2016 projected revenues are higher than budgeted due to an increase in inventory transactions processed by Traffic Stores. The 2017 revenue budget is based on the revenue required to recover the direct and indirect costs of each department's operations.

Expense

The 2017 expense budget of $1.2 million is a slight increase of 1.5% from the 2016 projected expense of $1.2 million. Salary and fringes are expected to increase in 2017 offset by a decrease in contractual service expense. In 2016, two additional FTEs were added to the Central Stores department with funding through existing ongoing revenue sources. A new Central Stores storeroom was constructed at the Royalston Maintenance Facility in 2016 to provide additional service to City customers.





Transfers

This fund does not have a transfer out obligation to another fund nor does it receive any transfers in from other funds.

Debt Service

This fund does not have any long-term debt.

Net Position and Cash Balance

The financial policy for this fund states that the fund should maintain a minimum net position and cash balance equal to 15.0% of the operating budget. The year-end net position for 2015 was $4.4 million, a decrease of $252,552 from the ending net position of $4.6 million in 2014. The net position at year-end 2015 includes an adjustment of $604,738 due to recognition of long-term pension liabilities in accordance with GASB Statement No. 68. Of the total adjustment amount, $386,391 is reflected in the financial reports as a decrease to the beginning net position at January 1, 2015.

The 2015 year-end cash balance was a deficit of $(368,680), a decrease of 83.6% from the 2014 ending cash balance deficit of $(200,801). The target cash reserve for the Public Works Stores Fund is $164,000. The fund has experienced a negative cash balance since 2006 when the balance was a deficit of $(877,261). By 2011, the deficit had increased to $(1.0 million). The cash balance varies indirectly with the amount expended for inventory purchases.

Mayor Recommended
There are no changes to the Mayor Recommended.

City of Minneapolis

2017 Mayor's Recommended Budget

Financial Plan (In thousands of dollars)

Public Works Stores Fund

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Budget	% Chg From 2016 Projected	2018 Forecast	2019 Forecast	2020 Forecast
Source of Funds:									
Charges for Services	1,384	1,357	1,200	1,328	1,225	-7.8%	1,249	1,274	1,300
Charges for Sales	-	-	10	21	-		-	-	-
Total	1,384	1,357	1,210	1,349	1,225	-9.2%	1,249	1,274	1,300
Use of Funds:									
Salaries and Fringes	775	824	760	847	929	9.7%	952	976	1,000
Contractual Services	306	246	240	288	216	-24.9%	216	216	216
Materials and Other	31	26	71	63	71	13.6%	71	71	71
Transfers									
Total	1,112	1,097	1,071	1,198	1,216	1.5%	1,239	1,263	1,288
Change in Net Position[1]	549	134	139	151	9		10	11	12
Net Position[1]	4,638	4,386	4,525	4,537	4,545		4,555	4,566	4,578
Cash Balance	(201)	(369)	(229)	(217)	(209)		(199)	(188)	(176)
Target Cash Reserve[2]	167	164	161	180	182		186	189	193
Variance Cash to Target Reserve	(368)	(533)	(390)	(397)	(391)		(385)	(378)	(369)

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

[1] The change in net position and net position for 2014 and 2015 are the amounts recorded in the CAFR.

[2] The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve balance for the PW Stores Fund should be maintained at a minimum of 15.0% of the operating budget.

City of Minneapolis
2017 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. A cost allocation model assigns charges to City departments to recover these expenses.

Historical Financial Performance

Prior to year-end 2012, the fund historically recorded a negative net position primarily because of the required accounting recognition of the liability for unpaid claims. At year-end 2012, the net position reached a positive balance of $1.7 million, increasing $45.0 million from a deficit of $43.3 million in 2002. The net position at year-end 2015 was $16.8 million and the unpaid claims liability was $52.0 million. An actuarial study completed for year-end 2014 calculated the unpaid claims liability based on historical paid claims, incurred loss, and estimated reserves for claims unpaid.

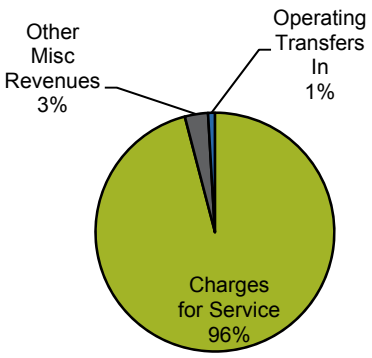
Beginning in 2007, a cost allocation model was implemented to recover costs associated with all programs in the fund. The cost allocation model assigns charges to City departments based on a minimum of 5-year claims history for workers' compensation and liability. The model was put in place to raise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

2017 Budget

Revenues

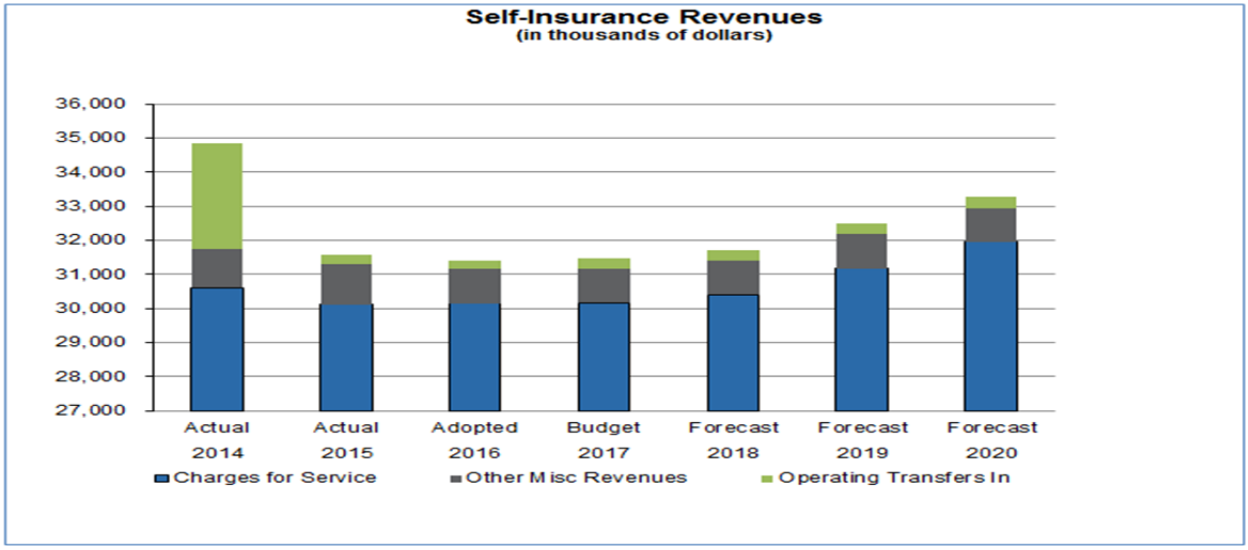
Revenue recorded in this fund primarily consists of funds received from City departments through a cost allocation model for services related to litigation, risk management, and employee benefits. In addition, the fund collects revenue to provide for payment of liability settlements and for workers'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

Source of Funds
($31.5 million)



The 2017 budgeted revenue for the Self Insurance Fund is $31.5 million, an increase of 1.1% from the 2016 projected revenue of $31.1 million. The increase is primarily related to an increase in the liability premium and workers' compensation charges that are allocated to City departments. These increases follow the 2017 estimated payments for tort settlements and workers' compensation claims that are

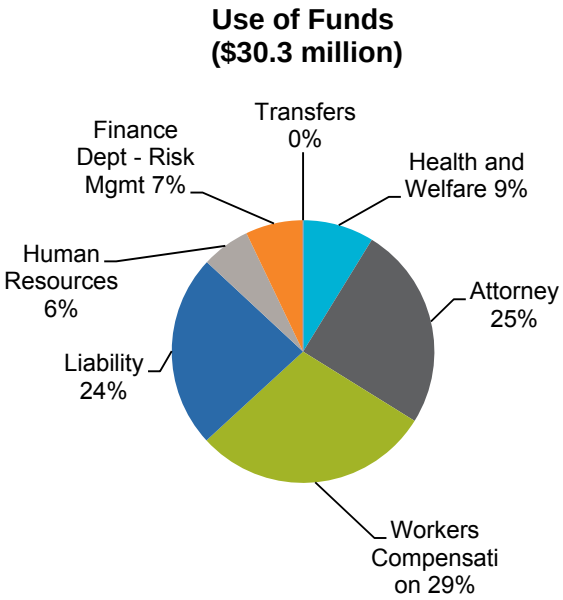
calculated in the 2014 actuarial study. The increase in 2017 revenue is also due to allocating the cost of one FTE that was transferred from the General Fund to the Self Insurance Fund to administer employee benefits.



Expense

The expense budget for 2017 is $30.3 million, an increase of 17.5% from the projected 2016 expenses of $25.8 million. The 2016 projected expense budget reflects a 13.7% decrease over the 2016 adopted budget due to a significant decrease in the projected cost of tort settlements. The 2016 projected decrease in tort settlement expense will be offset by an increase in the cost of workers' compensation claims in the same year.

An actuarial study completed at year-end 2014 provided estimated payout amounts for workers' compensation claims and tort settlements for 2016 and 2017. The workers' compensation estimated payments for 2017 are $7.2 million, an increase of 5.1% from the 2016 estimated payments of $6.8 million. Liability settlements for 2017 are estimated at $7.6 million compared to a $7.5 million estimated for 2016. Actual liability payments for 2016 are projected to be 66.9% less than the amount predicted in the actuarial study.



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. In recent years, the amount collected from City departments is greater than the payouts to qualified employees. The unpaid balance is retained in the Self Insurance Fund to provide for future payouts.

Transfers
The 2017 revenue budget includes a $297,000 transfer from the General Fund for the cost of City Hall rent. In 2015, the fund transferred a final payment of $1.0 million to the Intergovernmental Services Fund in accordance with the long- term financial plan.

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

Net Position
The net position at year-end 2015 is $16.8 million representing a decrease of $1.5 million from the 2014 net position of $18.3 million. The net position at year-end 2015 includes an adjustment of $5.8 million due to recognition of long-term pension liabilities in accordance with GASB Statement No. 68. Of the total adjustment amount, $3.7 million is reflected in the financial reports as a decrease to beginning net position at January 1, 2015. The financial reserve policy relating to the internal service funds states that the net position for the Self Insurance Fund should not fall below zero.

The fund experienced an increase in cash of $5.1 million in 2015, bringing the year-end cash balance to $76.0 million. The primary reason for the increase in cash balance is the decrease in tort settlements paid in 2015 compared to the amount budgeted for that year. 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 10.0% of the annual operating budgets within the fund. For year ending 2015, the target cash reserve is $53.0 million and the fund exceeded the target by $23.0 million.

Mayor Recommended
There are no changes to the Mayor Recommended.

City of Minneapolis
2017 Mayor's Recommended Budget
Financial Plan (in thousands of dollars)

Self Insurance Fund

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Budget	% Chg From 2016 Projected	2018 Forecast	2019 Forecast	2020 Forecast
Source of Funds:									
Charges for Service	30,612	30,120	30,147	30,528	30,172	-1.2%	30,413	31,174	31,953
Other Misc Revenues	1,147	1,176	1,010	355	1,005	183.1%	1,000	1,000	1,000
Operating Transfers In	3,086	292	261	261	297	13.7%	309	321	334
Total	34,845	31,588	31,418	31,144	31,473	1.1%	31,722	32,495	33,287
Use of Funds:									
Health and Welfare	1,244	990	2,593	1,100	2,658	141.7%	2,725	2,793	2,863
Attorney	6,452	6,769	7,341	7,000	7,585	8.4%	7,774	7,969	8,168
Workers Compensation	9,771	10,526	8,607	10,966	8,873	-19.1%	9,300	9,735	9,978
Liability	3,286	2,905	7,551	2,500	7,189	187.6%	7,774	7,973	8,172
Human Resources	1,555	1,534	1,641	1,706	1,804	5.7%	1,849	1,895	1,943
Finance Dept - Risk Mgmt	2,859	2,417	2,097	2,483	2,150	-13.4%	2,204	2,259	2,315
Transfers	1,000	1,000	-	-	-		-	-	-
Total	26,168	26,140	29,829	25,755	30,258	17.5%	31,625	32,623	33,439
Change in Net Position [1]	13,756	2,171	1,588	5,389	1,215		97	(129)	(152)
Net Position [1]	18,309	16,805	18,393	22,194	23,409		23,505	23,377	23,225
Cash Balance	70,785	76,035	77,623	83,013	84,228		84,324	84,196	84,044
Target Cash Reserve [2]	50,937	53,045	55,349	55,360	57,903		60,687	63,685	63,715
Variance Cash to Target Reserve	19,848	22,990	22,274	27,652	26,325		23,637	20,511	20,328

[1]Change in net position and net position are CAFR values for 2014 and 2015

[2]The 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 10.0% of the annual operating budgets within the fund.