Results
MINNEAPOLIS

Finance

April 19, 2011

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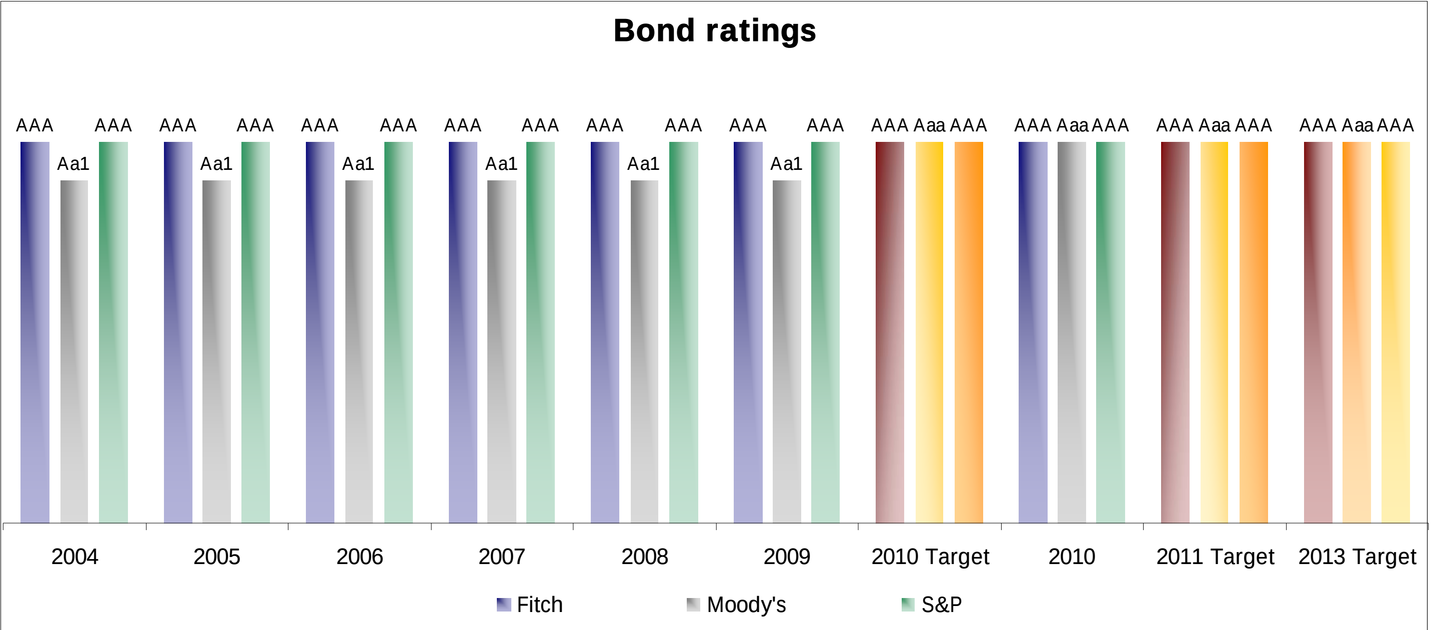
Finance



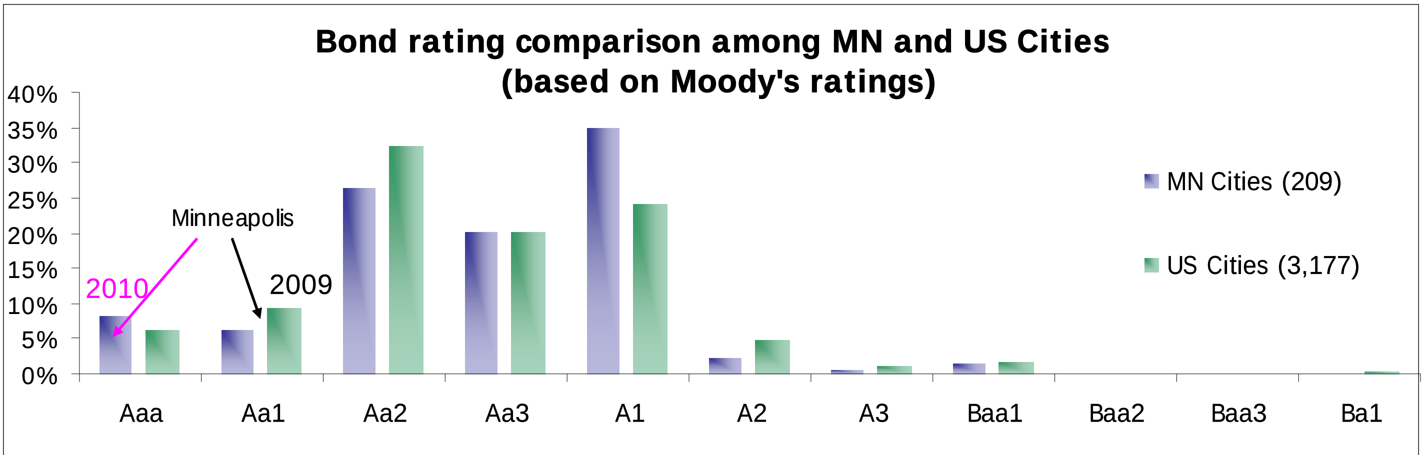
Note: This measure is tied to Finance's Strategic Financial Services service activity.

Why is this measure important?

Credit ratings are independent appraisals of the City's debt, financial, economic, and management performance. Ratings are reviewed twice annually and are comparable across both governmental and private organizations. While slow to change, credit ratings are the most used measure to compare overall financial, management and economic strength among governments and corporations.

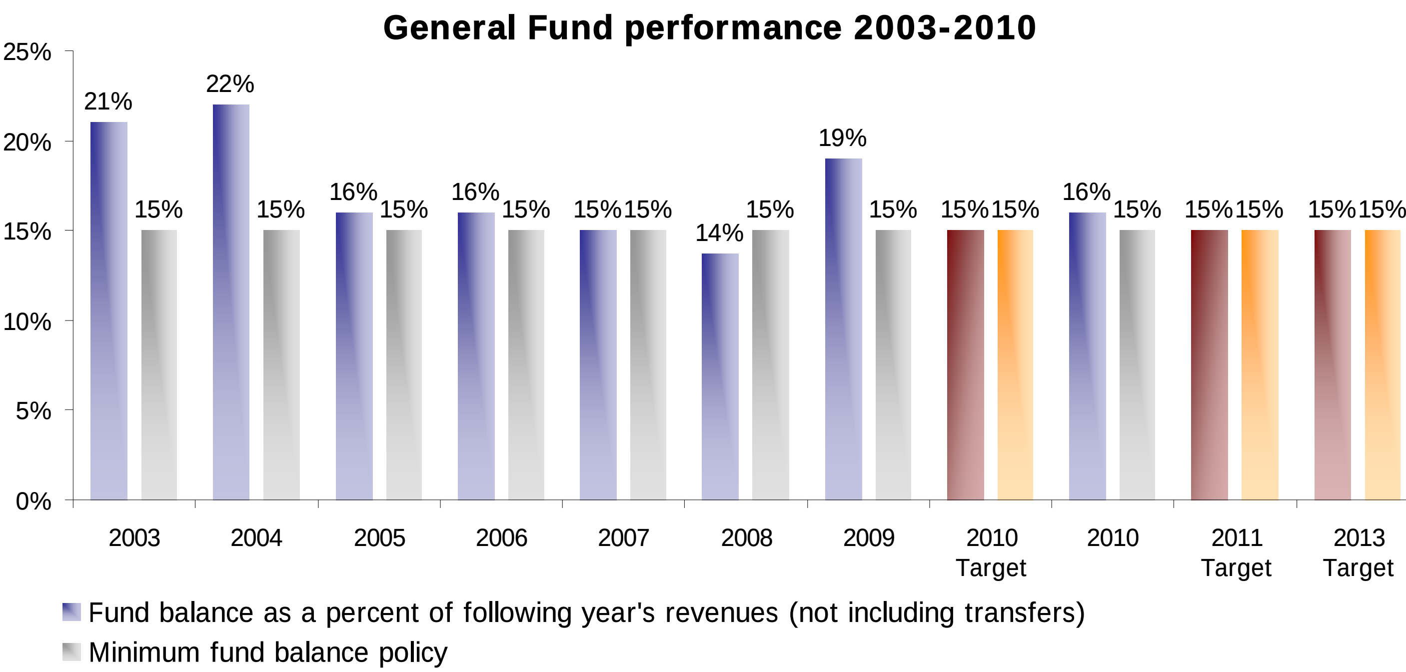
What will it take to achieve the targets?

The City has reached the highest ratings with stable outlooks from all three rating services (Fitch, Standard & Poor's and Moody's). Moody's upgraded the City's rating from Aa1 to Aaa with a stable outlook in April 2010. To maintain these "triple A" ratings, the City must continue to execute the financial plans for the internal service and parking funds, while maintaining all other financial indicators and practices at current levels, maintaining our economic position in the region and using our financial reporting disciplines and long-term planning practices.

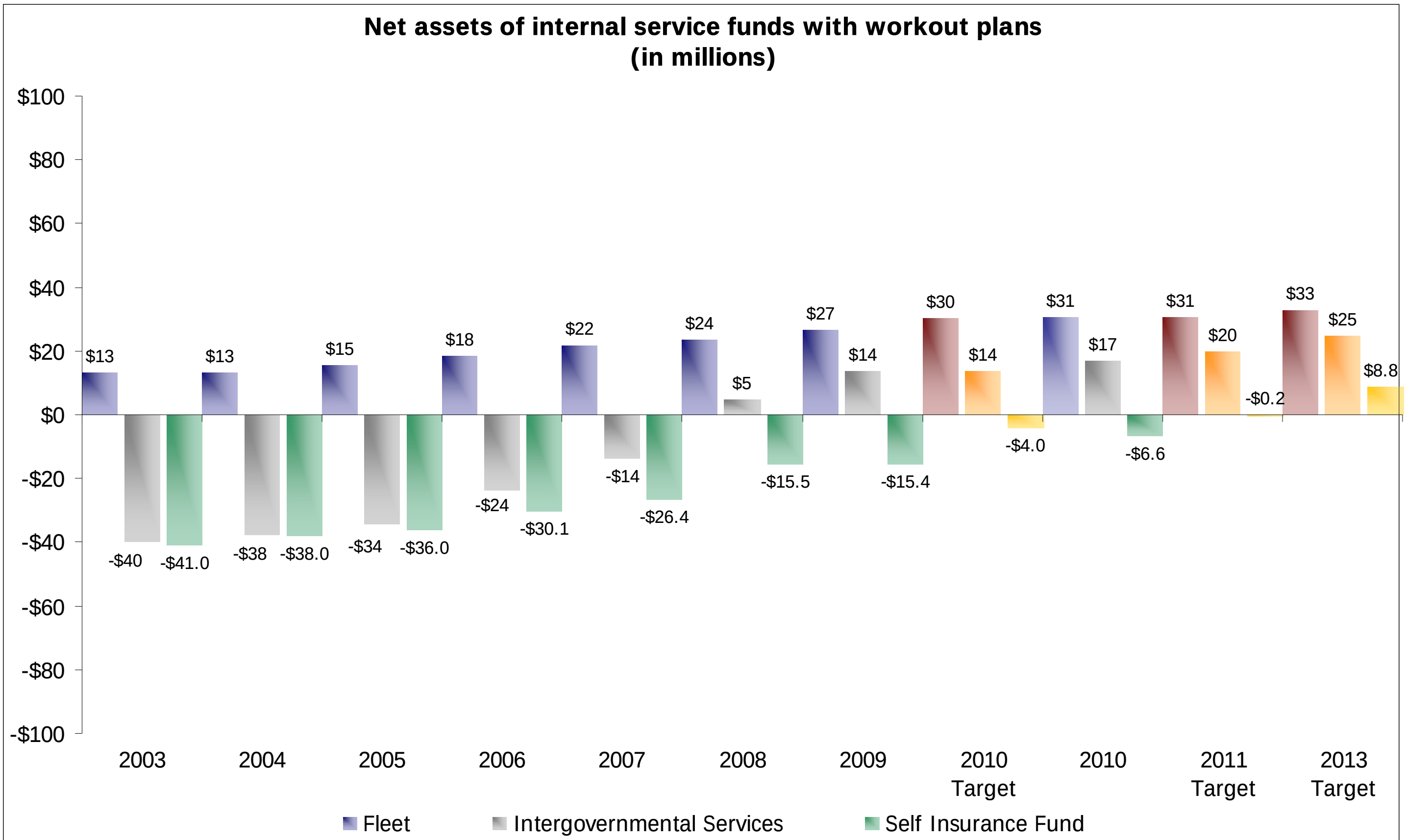


Note: Moody's bond rating comparison data is as of January 2011.

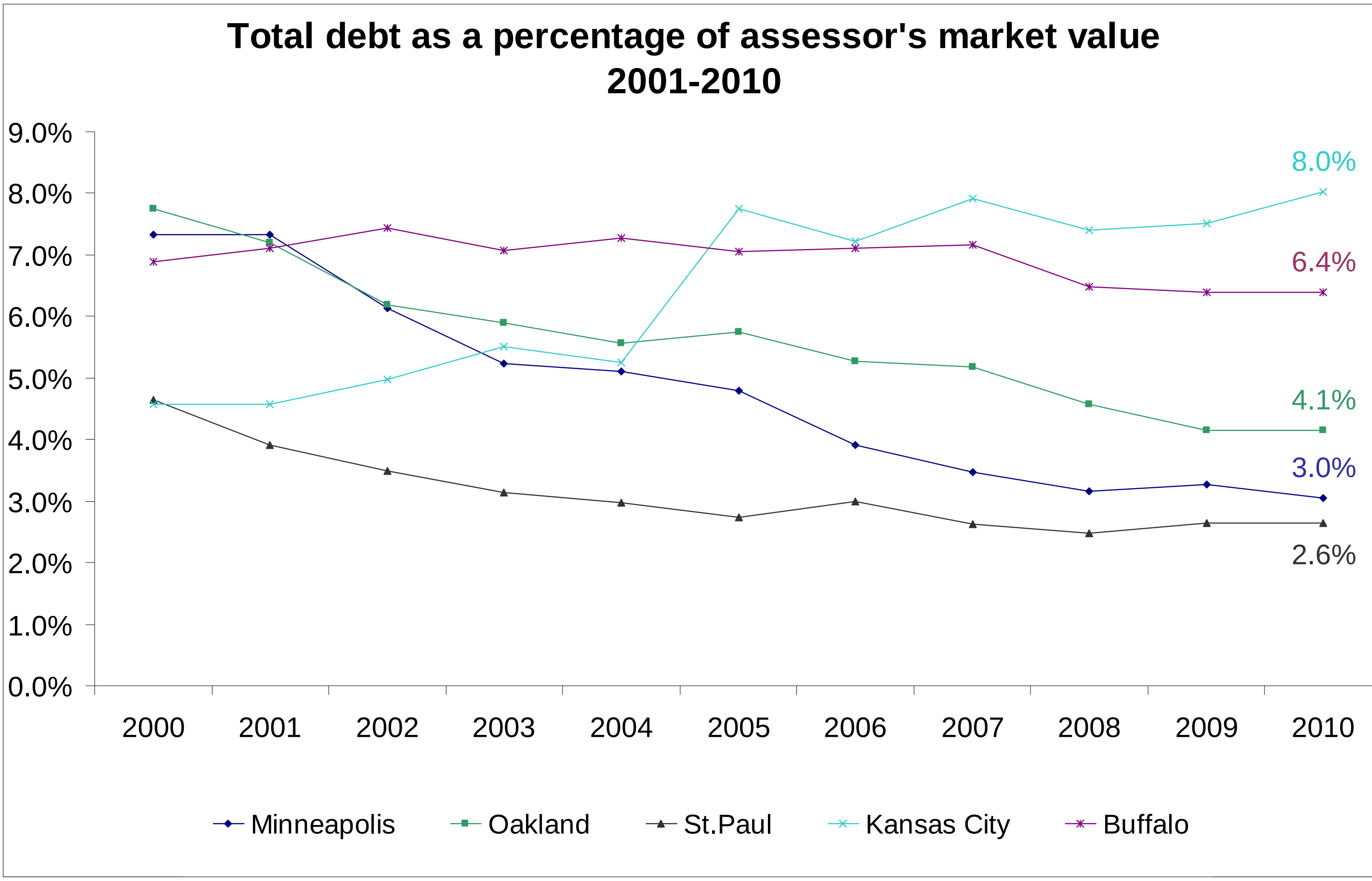
Measures that influence credit ratings



Note: The 2010 actual general fund performance is estimated based on 2010 period 12 close, unaudited CAFR.

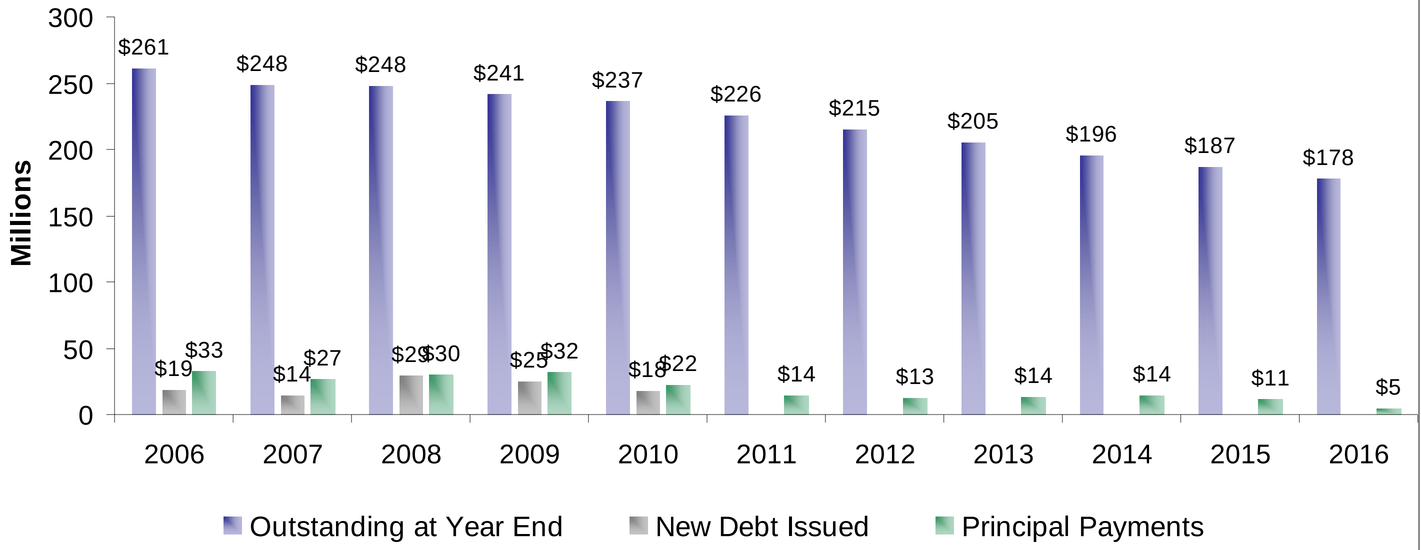


Note: The 2010 data in the chart above is estimated based on 2010 period 12 close, unaudited CAFR.
Intergovernmental Services includes Intergovernmental Relations, Business Information Services, Copy Center and Human Resources.



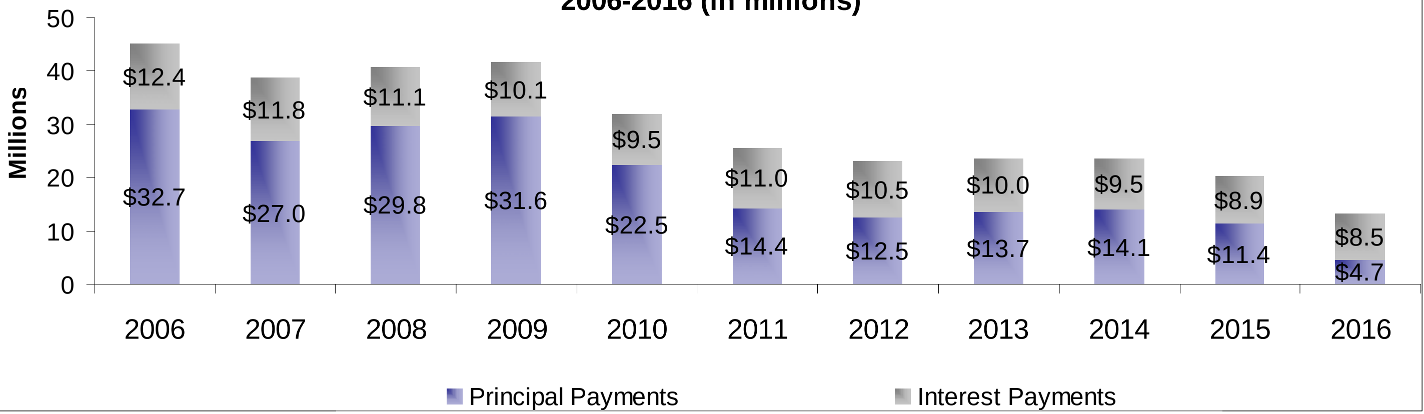
Rating Agency	Minneapolis	Oakland	St. Paul	Kansas City	Buffalo
S&P	AAA	AA-	AAA	AA	A-
Moody's	Aaa	A1	Aa1	A1	Baa2
Fitch	AAA	A+		AA+	

Property tax supported debt outstanding (general infrastructure, library referendum, and pension obligation bonds) 2006-2016 (in millions)

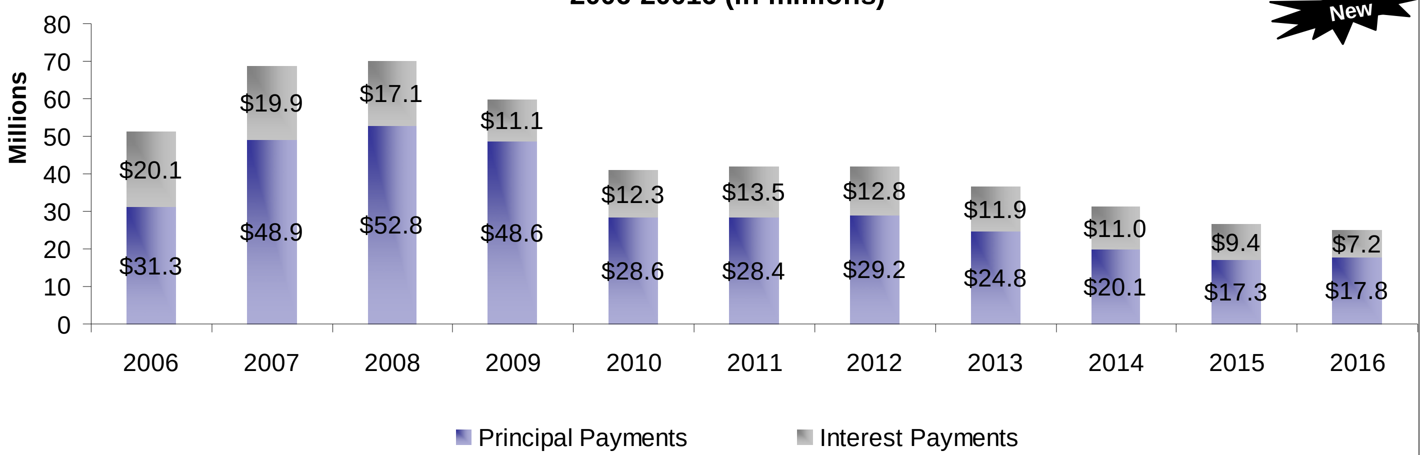


Note: This graph assumes no additional debt is issued.

Property tax supported debt service (general infrastructure, library referendum, and pension obligation bonds) 2006-2016 (in millions)



Enterprise bonds and notes debt service 2006-20016 (in millions)



Debt measures

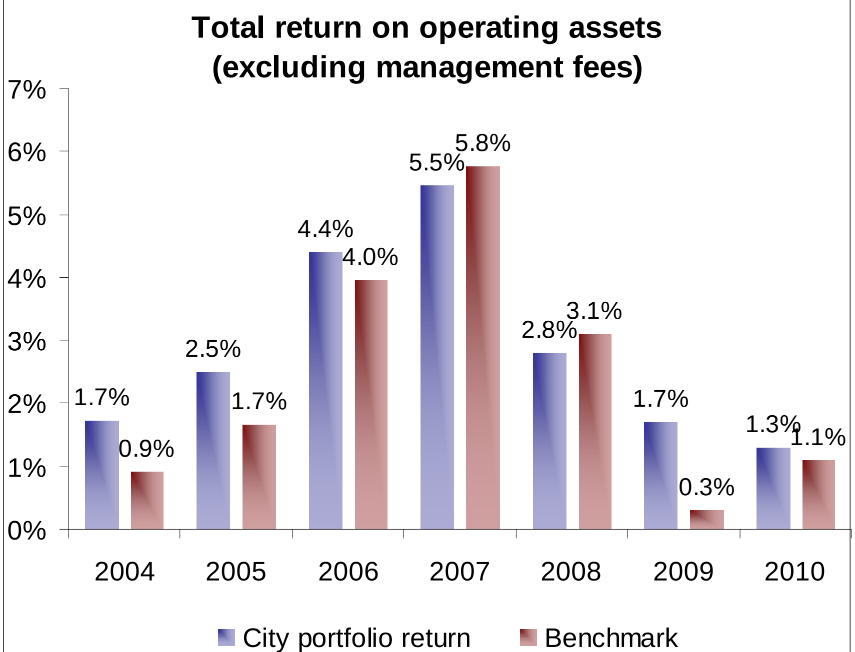
Why are these measures important?
The graphs on the previous page showing principal and interest payments by business function are an important indicator of the cost of financing improvements to the City's capital asset infrastructure. For property tax supported debt, the City tries to minimize the amount of interest cost to the taxpayers by keeping the average life of the debt structure as short as possible. Shorter debt maturities result in interest rates at the lower end of the interest rate yield curve which keeps the cost of financing improvements at the lowest average interest rates possible.

For enterprise bonds and notes, shorter maturities are still desirable, but principal maturities on average tend to be a bit longer to correspond with the useful life of enterprise assets such as water treatment plants, parking ramps and sewer tunnels and underground pipe networks. For enterprise functions, utility fee impacts and prescribed operating cash balances are also taken into consideration in determining the length of bond maturities. Pro forma financial plans are prepared for enterprise funds to assist with long-term cash flow planning and how to minimize the interest cost component of financing capital improvements.

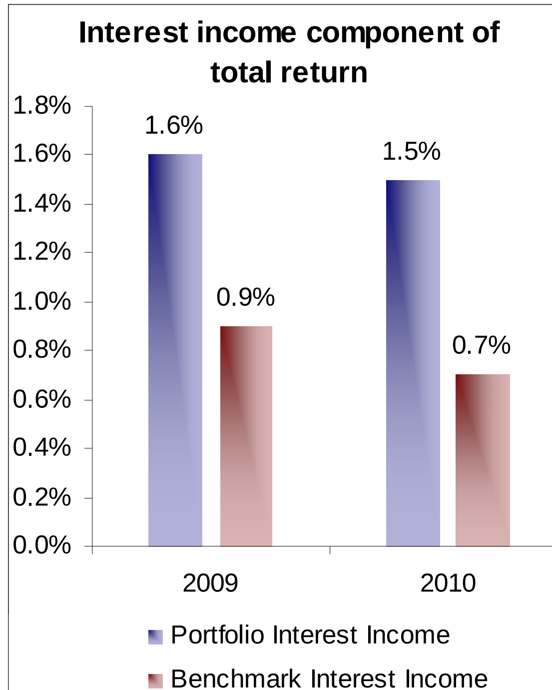
What will it take to make improvements?
To improve the most important measure on the debt graphs, which is the amount of interest paid versus principal paid each year, requires continued vigilance in keeping the debt structure as aggressive (short) as possible. In the case of property tax supported debt, this means building resources from annual tax collections to be able to aggressively pay down debt.

In a very low interest rate environment like today, it would be best if the City could eliminate the issuance of debt to finance capital improvements and simply pay for improvements with cash on hand and not incur any interest expense. This is because the City is unable to invest excess cash and earn interest at or above our cost of debt.

When interest rates are rising rapidly as in an inflationary environment, the City could benefit from earning more interest on cash reserves than the interest we would have to pay on the debt. Paying off debt builds future financial capacity by not being encumbered by a long stream of unavoidable debt service payments. The downside of being too aggressive with debt payments is that you are using financial resources that could be used to provide services to residents, so there is a delicate balance between providing current services, levels of taxation and minimizing interest expense.



Note: All years for 12 months ended December 31. This measure also ties to Finance's Collect Revenues, Concentrate Cash and Invest Reserves service activity.



Note: Data is from the twelve months ended 12/31/09 and 12/31/10.

Why are these measures important?

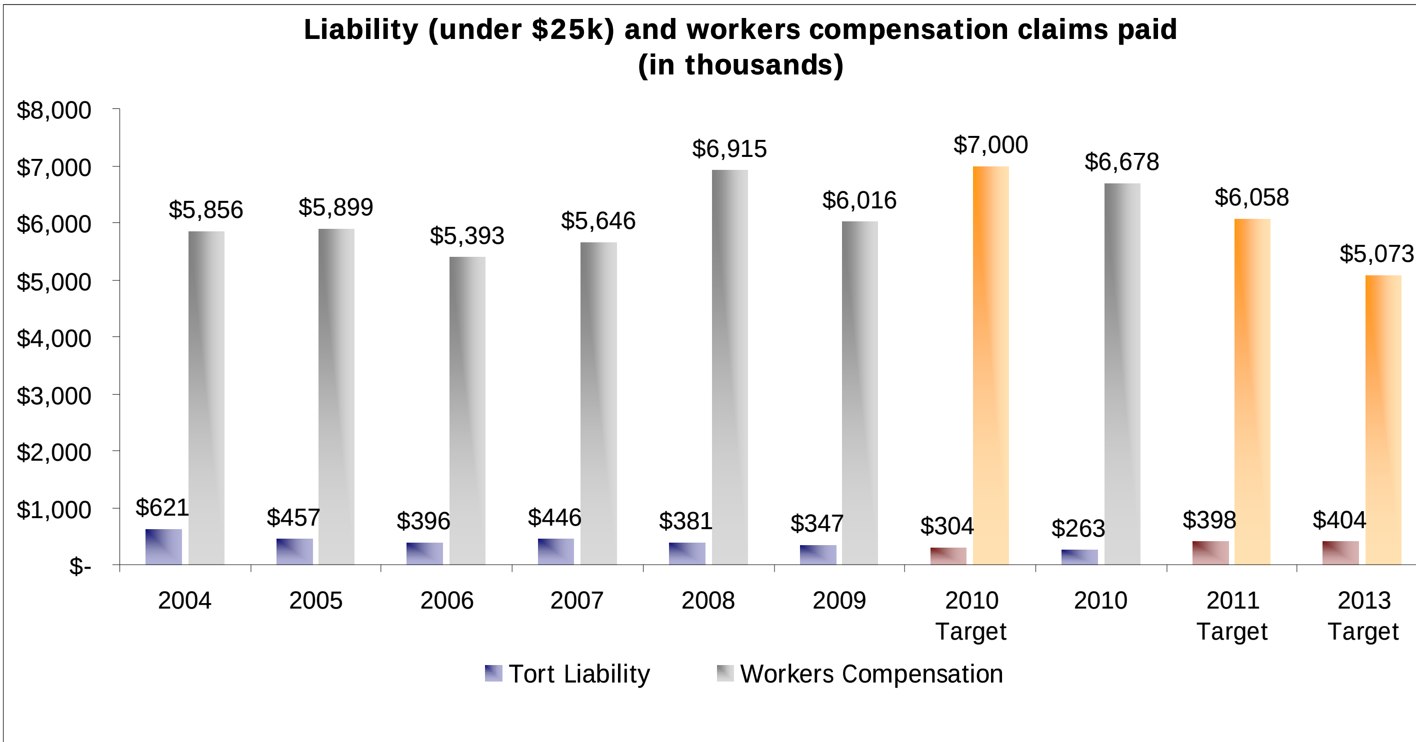
Managing the investment of cash reserves to preserve capital, meet the City's operating needs and earn investment income – in this order of priority – are critical financial objectives of the City. Over an entire business cycle, the City's investment performance measured by "Total Return" and/or "Interest Income" should be above benchmark.

- Total Return measures interest earnings plus any capital gains or losses (realized and unrealized) on assets. The benchmark for comparison is the Total Return on comparable maturity US Treasuries.
- The City also provides a measure of Interest Income on assets. The benchmark for comparison is the Interest Income of comparable maturity US Treasuries.

In a short-term cash investment pool, the Interest Income component of Total Return will dominate the overall performance. Over short time periods of market dislocation, City management expects that Total Return for the City's portfolio could temporarily fall below that of the benchmark. However, over longer-term periods, both Total Return and Interest Income should exceed their respective benchmarks.

What will it take to achieve the targets?

The City uses external money managers to manage nearly all cash reserves. These managers must operate within state law and City investment policies. All managers are measured against consistent benchmarks that are appropriate to their respective investment mandates. An annual assessment of performance may result in changes to the amounts assigned to managers and whether the manager is retained. The City's potential investment return is heavily dependent on the current economic conditions and interest rates on short-term fixed income securities prevailing in the marketplace. The City's custodian holds all investments and monitors all investments for compliance with state laws and City policies.



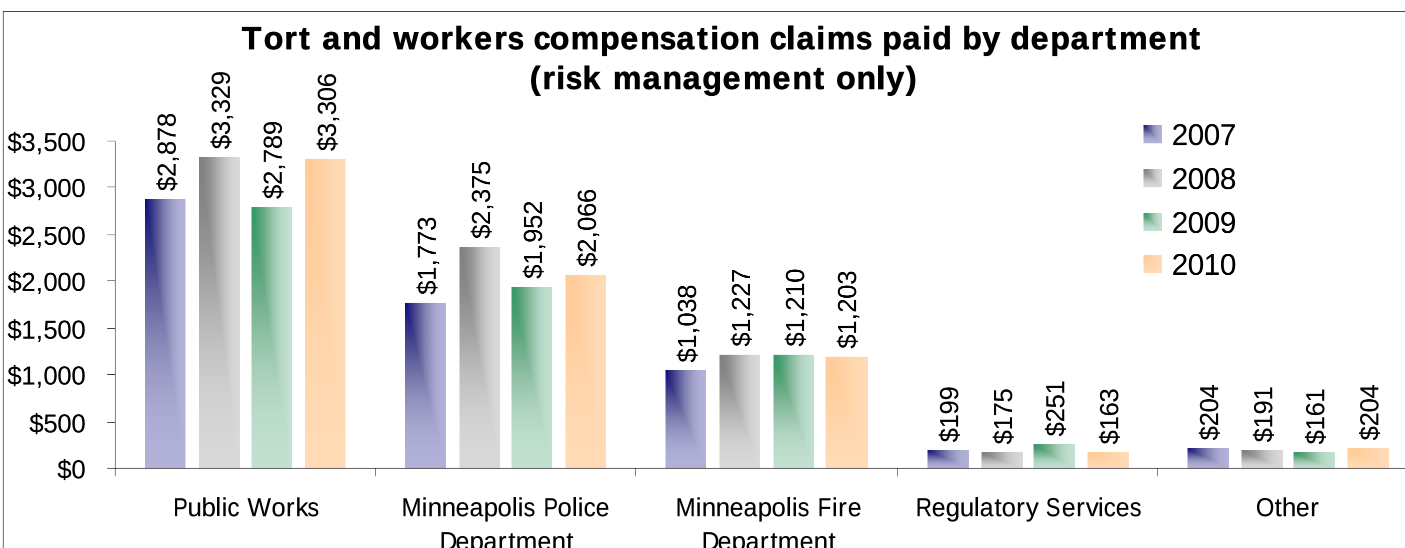
Note: The liability data is currently being audited by an actuary. This measure also relates to Finance's Risk Management an
Claims service activity.

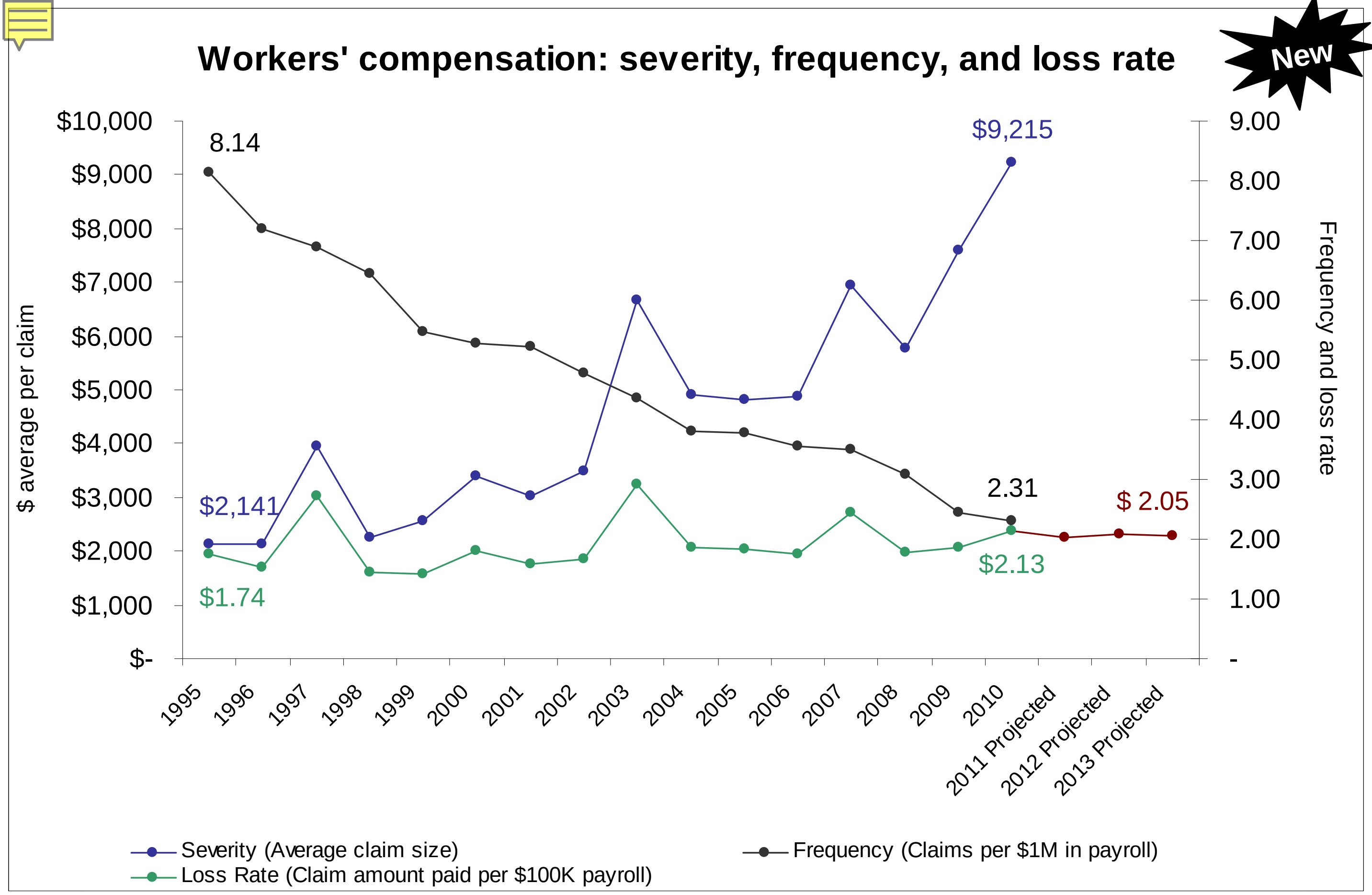
Why is this measure important?

Total claims paid for workers compensation and general liability (under $25,000) is a cost that is manageable. It represents a significant cost for Public Works, Police and Fire.

What will it take to achieve the targets?

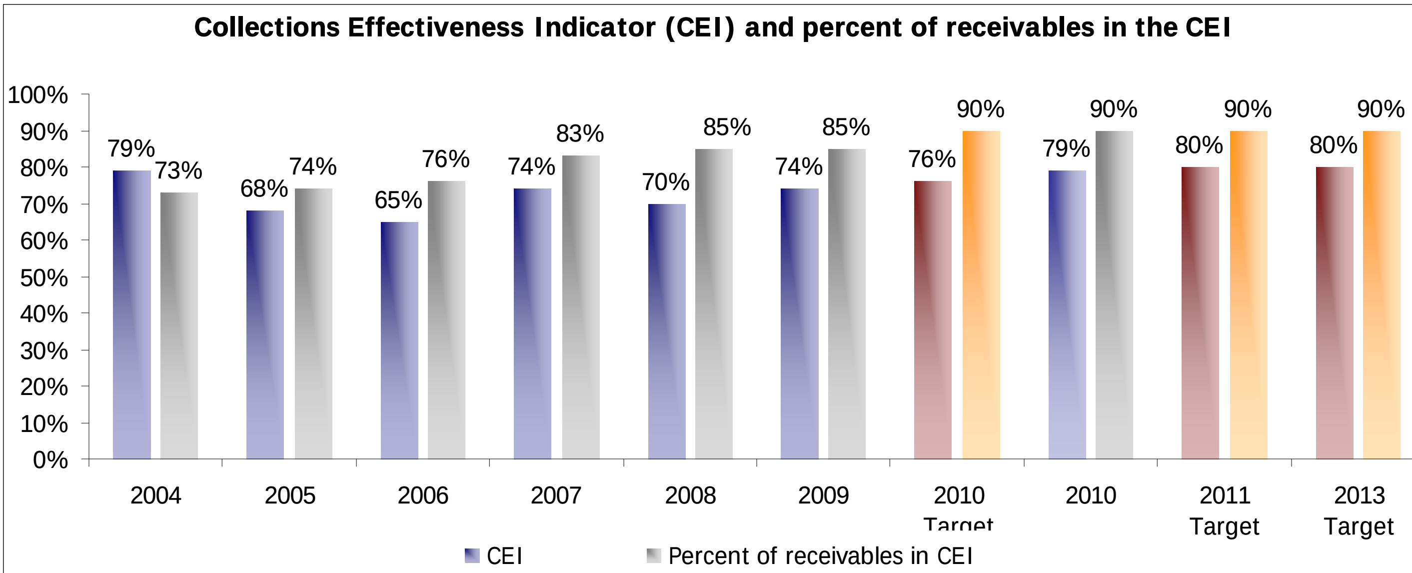
Actions include: implementing loss prevention tactics focused on the principal causes of injury or liability claims, training employees to avoid injuries, providing frequent and accurate information to managers and employees on claims history and causes of claims.





Why is this measure important?
Our loss rate per $100K of payroll shows a very steady claims administration on the ultimate loss of cases filed and resolved. The frequency rate per $1M of payroll demonstrates the number of claims filed going down. The severity rate documenting the average claim size is increasing due to older claimants with more joint replacements, medical cost inflation, and some severe claims reflecting our field exposures of high risk occupations such as our two burn cases in 2010.

What will it take to make improvements?
Worker's compensation will always reflect the overall stability of our workforce, claims will rise with fears of layoff or disciplinary issues being addressed. Our 2010 increase in severity reflects our aging workforce. Continual focus on job safety, analysis of near miss accidents, and creation of light duty jobs within every department will allow employees to return to work faster and avoid secondary gains.



Note: Data is as of 12/31 each year. 2003-2009 represent utility receivables only. Starting in 2010, the target CEI is a combination of COMPASS and utility receivables. For 2011, the CEI Target is 80%. This measure also relates to Finance's Collect Revenues, Concentrate Cash and Invest Reserves service activity.

The formula used to calculate this measure:

$$\frac{\text{beginning receivables + (annual credit sales/12) – ending total receivables}}{\text{beginning receivables + (annual credit sales/12) – ending current receivables}} \times 100$$

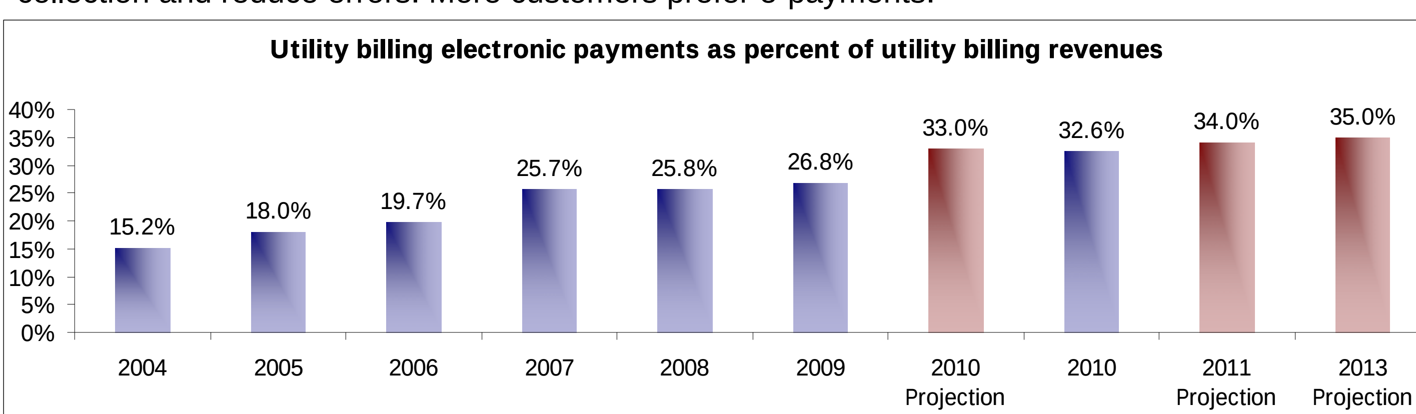
Note: only revenues collected with invoices will be included in this measure.

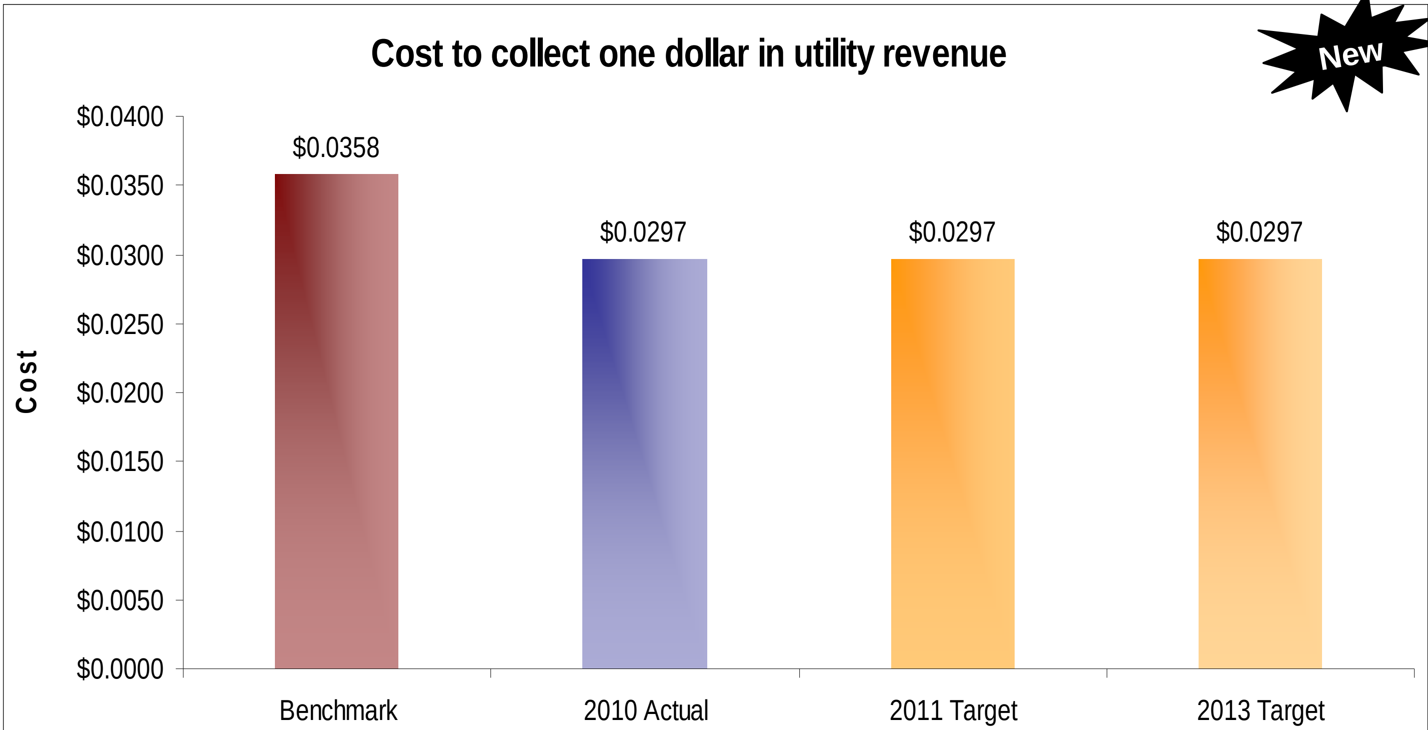
Why is this measure important?

This is considered the best overall measure of how well invoiced revenues are collected. The measure combines the goals of collection speed with the amount collected. A score of 100% means that all invoiced revenues are collected in 30 days. Currently, Finance uses this measure for utility revenues only. Utility revenues represent about 75% of total invoiced revenues. Our goal is to bring virtually all of the City's invoiced revenues into the CEI measurement tool.

What will it take to achieve the targets?

Actions include: motivated and trained employees, consistent use of best collection methods, increased use of electronic payment methods by customers, better use of technology and use of the 311 call center to handle short duration calls. Electronic payments reduce costs, improve collection and reduce errors. More customers prefer e-payments.





Note: This measure relates to Finance's Collect Revenues, Concentrate Cash and Invest Reserves service activity.

Why is this measure important?

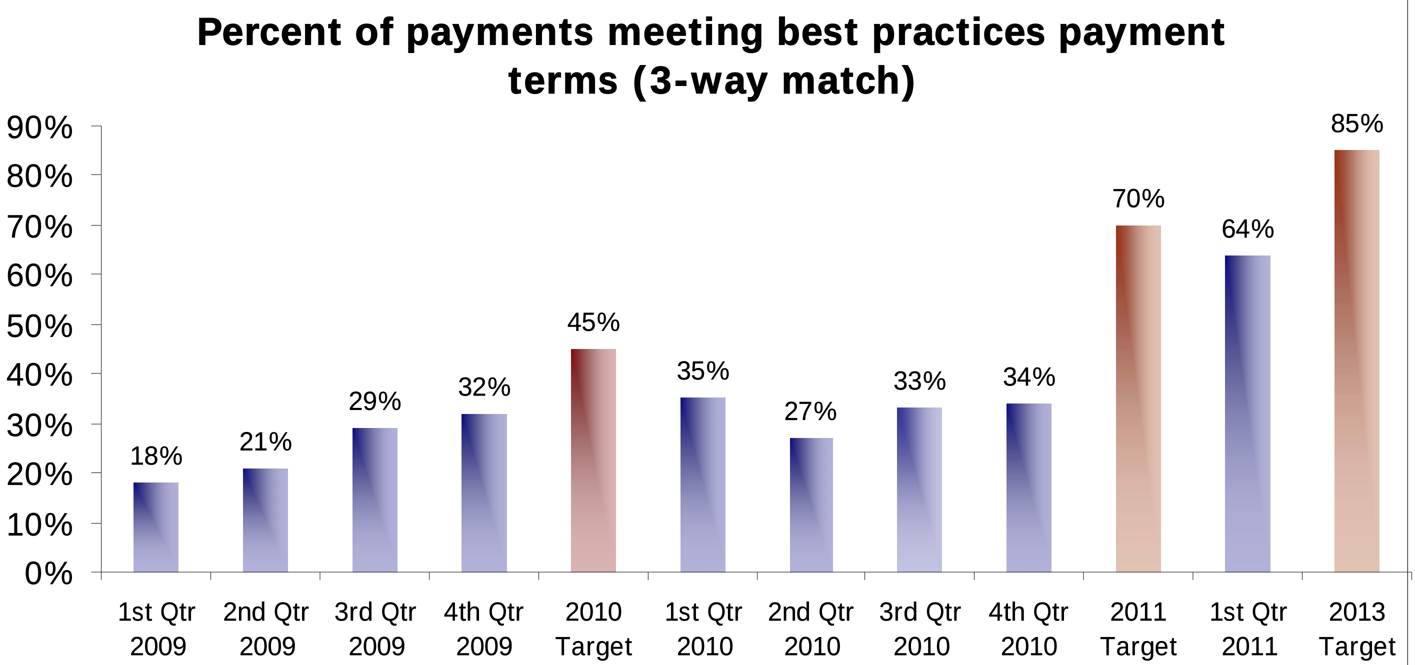
This metric measures the efficiency of the revenue cycle process; more specifically, how much it costs to collect revenue. The above chart displays the City's cost to collect $1 dollar in utility revenue. Since there is no established industry benchmark for this metric in the Public sector, the City collaborated with the American Municipal Water Association to conduct a survey of its members. Of the 16 Municipalities that participated in the survey, Minneapolis ranked as the 5th most efficient City with a cost of $ 0.0297 per dollar. The average cost of collection for these 16 municipalities is $0.0358 per dollar. Our goal at minimum is to remain more efficient than the average or improve our ranking if possible. This metric is for City utility revenues only and will be calculated on an annual basis.

What will it take to achieve the targets?

Increased use of technology, enhanced business processes, motivate and train employees to initiate and maintain efficiencies, and collaborate with Enterprise operations to increase revenues.

Cities Included in the Benchmark:

Helix Water District
Akron Public Utilities Bureau
Minneapolis Public Utilities
St. Paul Regional Water Services
Providence Water
Fairfax Water
WaterOne
Clayton County Water Authority
NYC Dept of Environmental Protection
Portland Water District
Metro Water Services
Seattle Public Utilities
Boston Water & Sewer Commission
Columbus Water Works
Salt Lake City Public Utilities
Louisville Water Company



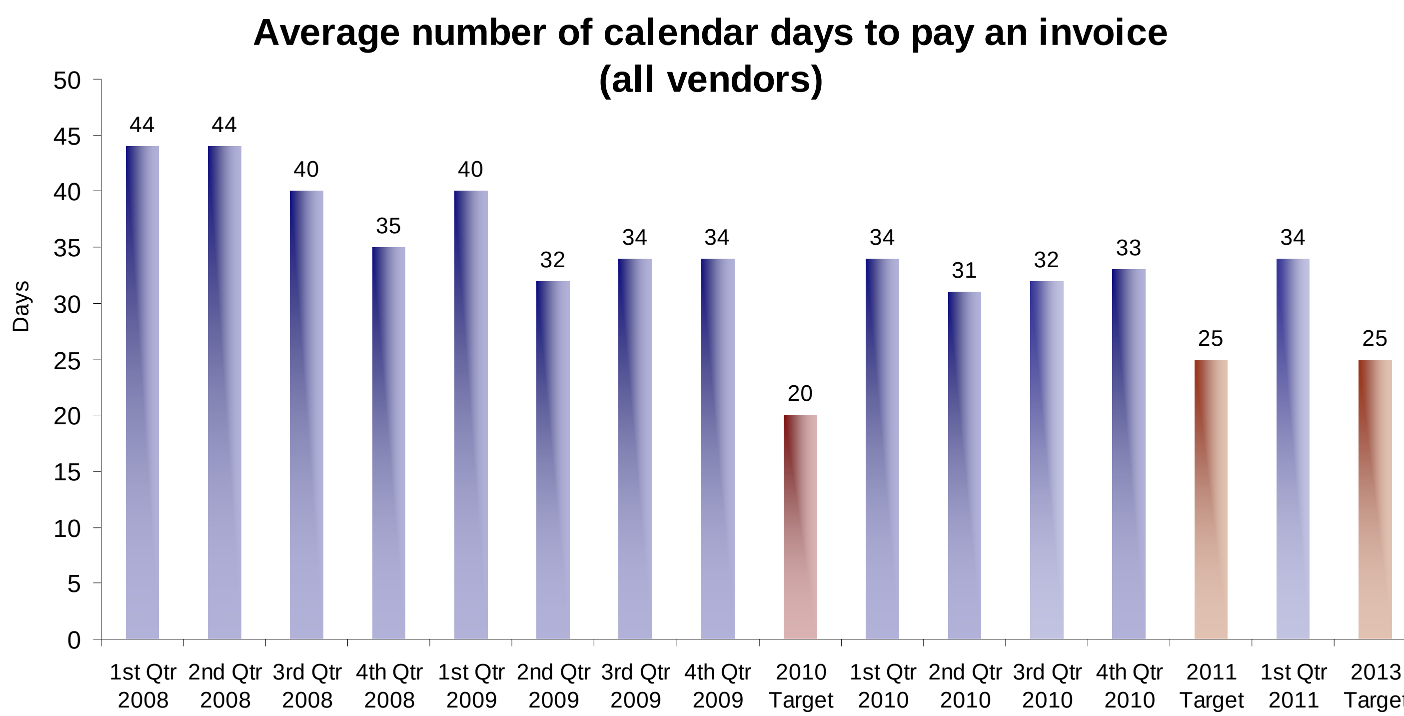
Note: This measure relates to Finance's Buy, Order and Pay for Goods and Services service activity.

Why is this measure important?

This measure is critical to safeguarding the City's assets to ensure that procedures are in place to approve purchases in advance, prevent fraud and verify that products and services are received in their proper quality and quantity. It is integral to ensuring vendor invoices are paid on time as invoices cannot be paid until an approved purchase order and receipt confirmation are created. The Best Practice Payment Term can be defined as the system-generated 3-way match with each transaction being created at the appropriate time in COMPASS.

What will it take to achieve the targets?

A sustained commitment and focus at all levels within the City to ensuring the business process (3-way match) is followed. Additional training for COMPASS users and authorized purchasers within the City along with (BPI) is also critical. Finance staff is also taking advantage of additional functionality within COMPASS to streamline payment processes without compromising the City's duty to prevent fraud and safeguard assets; examples are 2-way match, Quick Voucher, Direct Connect and Procurement Card. The 2013 target assumes that the percentage of Park Board payment transactions meeting best practices payment terms will show improvement.



Note: This measure relates to Finance's Buy, Order and Pay for Goods and Services service activity.

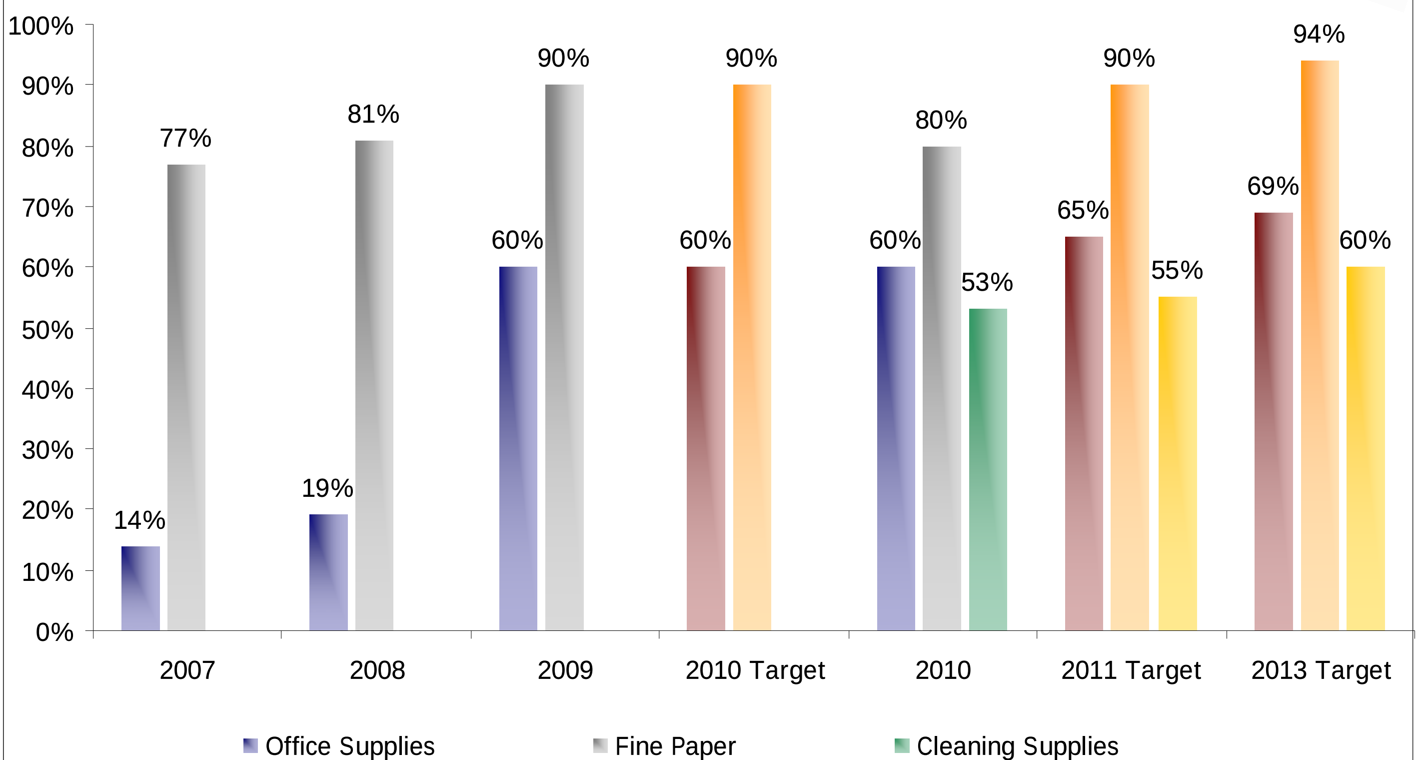
Why is this measure important?

The “days to pay” measure indicates whether the City is complying with its contractual obligations and state law. State law requires municipalities to pay invoices within 35 days of invoice date or according to contract terms. This measure also includes “due now” invoices that require payment within 1-to-3 days of receiving the invoice. Our targets for 2011 and 2013 are based upon a blend of payments required within 30 days and “due now” payments, which require payment within shorter timeframes as noted.

What will it take to achieve the targets?

Continued focus on adherence to established processes, for example: a) emphasizing to vendors and City departments that invoices should be mailed to Accounts Payable so invoices can be tracked to ensure timely payment; b) timely entry of procurement transactions into COMPASS; and c) successful employment and implementation of Business Process Improvement (BPI) initiatives.

Percent of targeted supplies that are "green" purchases

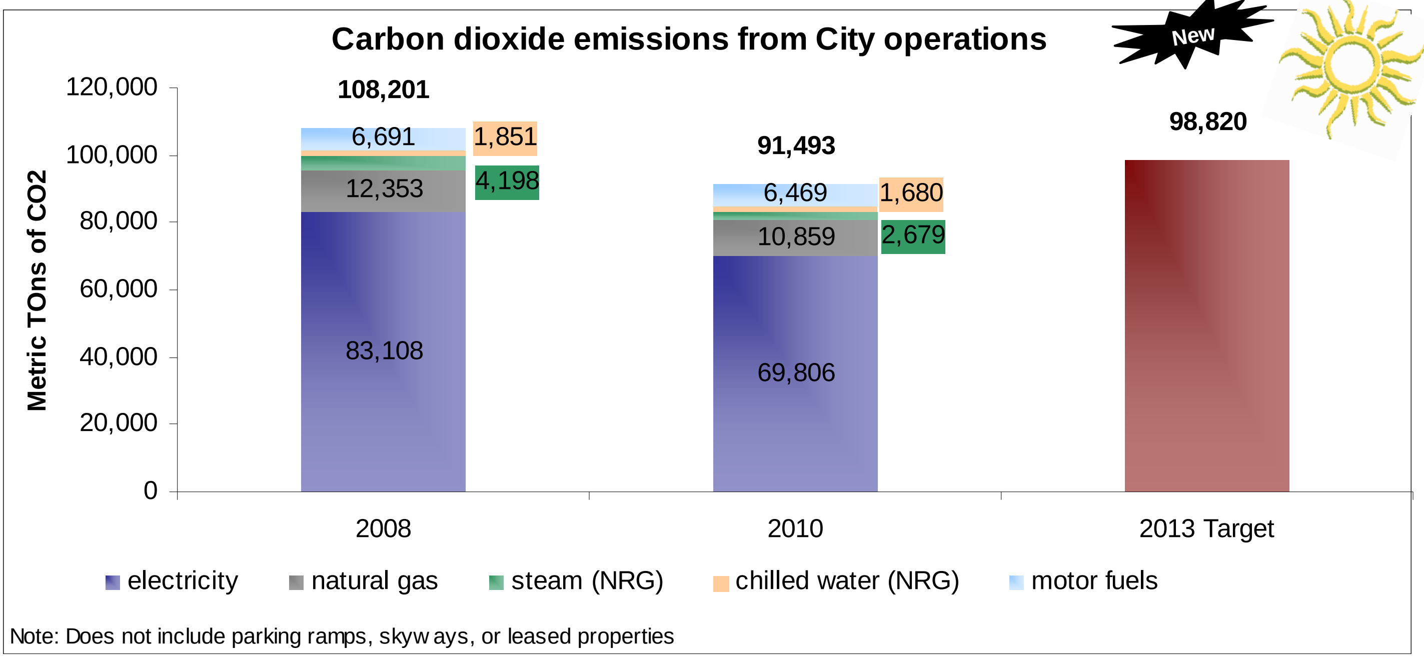


Note: 98 percent of fine paper purchases are 100 percent recycled paper.

Why is this measure Important?
This measure is important to track progress in purchasing environmentally preferable products in specific product areas.

What will it take to achieve the targets?
In 2008, the City adopted an Environmental Purchasing Policy (EPP), which serves as a guide for City departments and staff in making sustainable purchasing decisions (the policy can be found at CityTalk at http://citytalk/finance/procurement/index.htm). Only 32 percent of US cities have established similar environmental purchasing policies.

In addition to adopting the EPP, an Environmental Purchasing Committee also was established. This Committee meets regularly to determine ways to increase the City’s purchase of products that have reduced environmental impact because of the way they are made, transported, stored, package, used or disposed of. The goal of this group is to continue to identify “green” alternatives, wherever possible, without compromising safety, quality or effectiveness available through other products. Annual updates on the status, challenges and future direction of the EPP are made to the Environmental Coordinating Team; copies of updates and minutes can be found via the CityTalk link listed above.



Why is this measure important?

The City of Minneapolis has set a long term goal of 1.5% annual reduction in greenhouse gas emissions for its municipal operations. The graph above illustrates the progress towards this reduction goal.

The graph documents a 15.4% reduction in greenhouse gas emissions over the three year period of 2008 through 2010. In 2010, the City used 10% less natural gas, 3% less electricity, 28% less energy from NRG, and 3% less motor fuels than in 2008, amounting to a 5.7% reduction in carbon dioxide emission. These reductions were due to a new indoor temperature policy, energy conservation investments, and weather patterns. The remaining 9.7% reduction was accomplished by Xcel Energy replacing some of its coal generating capacity with cleaner natural gas fired generators and using more wind power.

What will it take to achieve the targets?

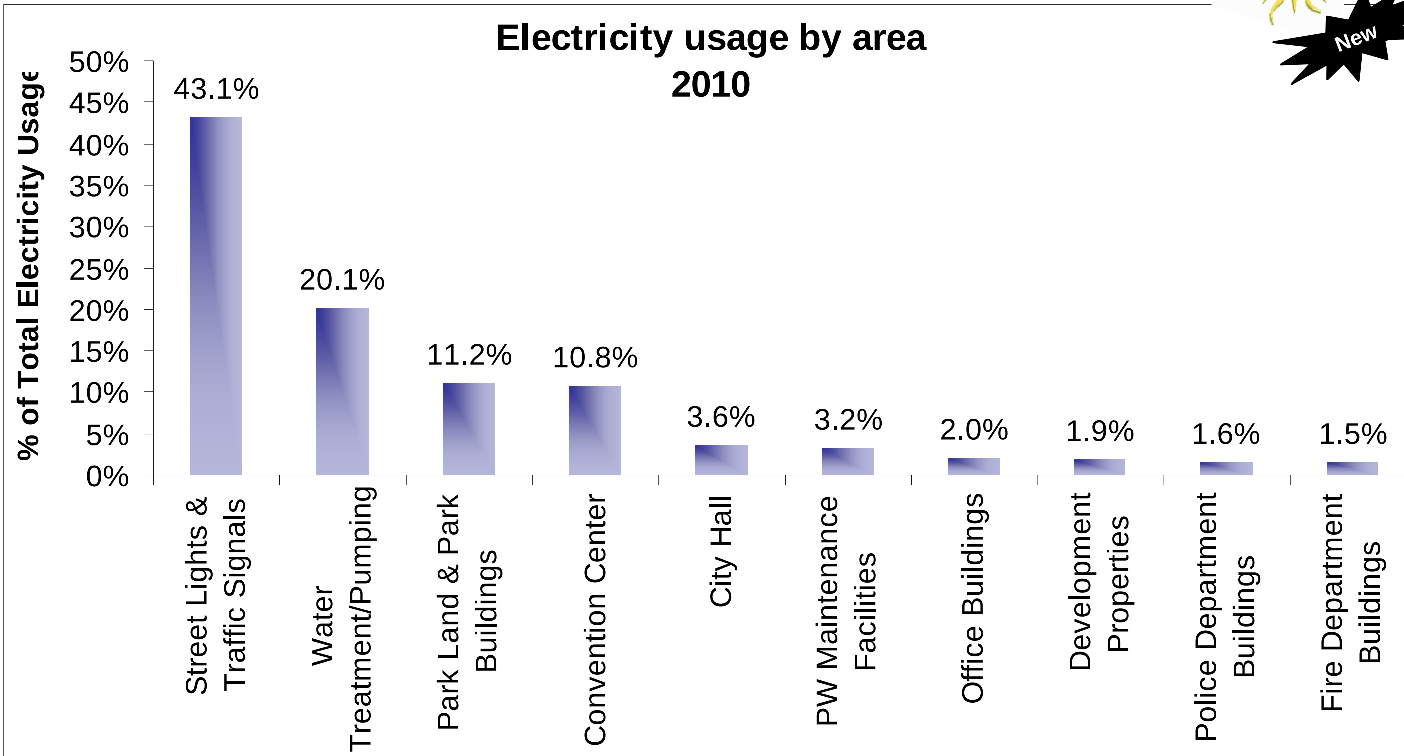
To meet the goal each year, the City must reduce the amount of electricity and natural gas it uses and/or obtain its energy from renewable sources that do not generate greenhouse gases. A breakdown of where energy is used can help point to areas where the largest opportunities are for saving energy. The following two graphs illustrate 2010 electricity and natural gas consumption broken down by areas.

The largest use of electricity is for street lighting and traffic signals. The most promising method of reducing street light electricity usage is to upgrade street lights to the new LED technology that is just becoming available. The City is currently testing this new technology on a section of 46th Street South. This is a promising technology, but it is not cost effective at this time.

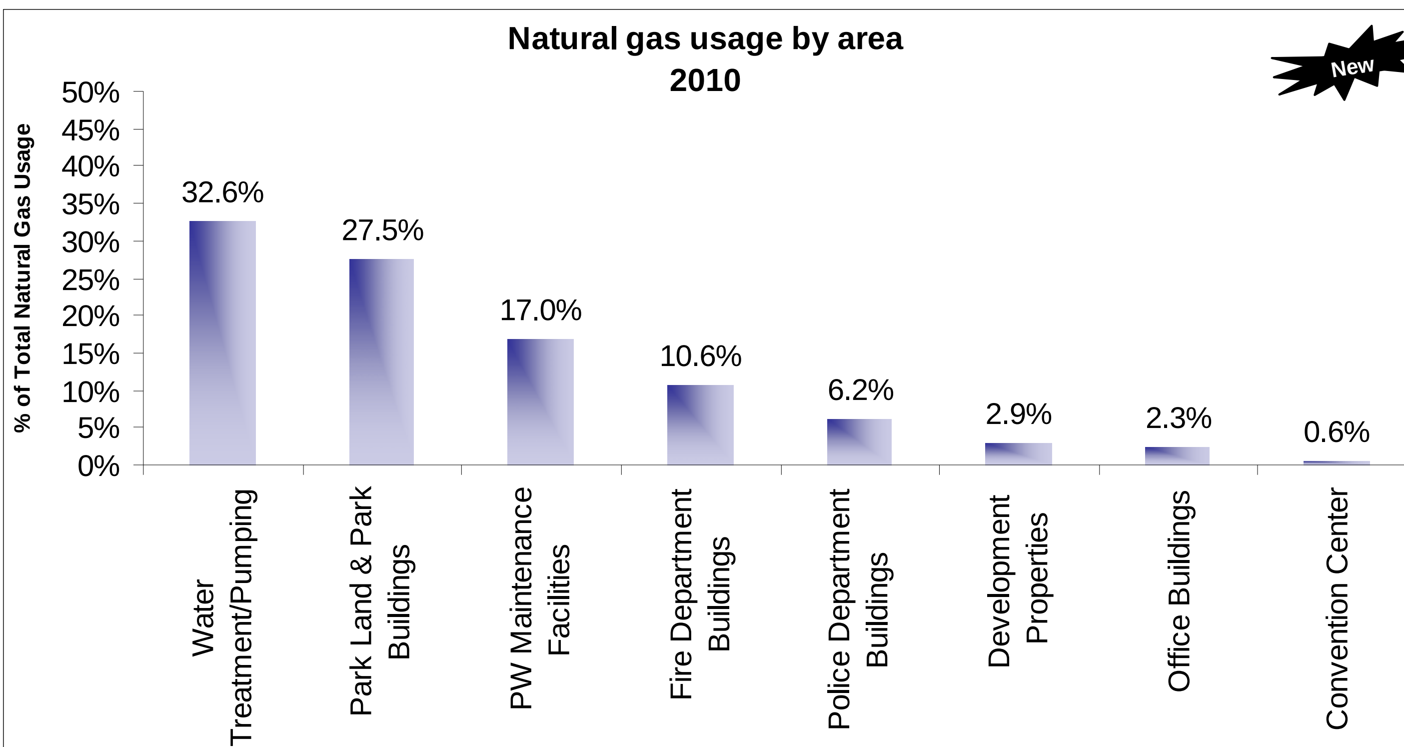
The second largest use of electricity and natural gas is in heating and cooling all of the City’s buildings. To reduce energy usage, we are investing $1.9 million of federal stimulus money at the City’s buildings for new high efficiency boilers and air conditioners, more efficient lighting technology, and building automation controls to provide more accurate and efficient climate control in the buildings. In addition, all of the facilities are being properly sealed and weather stripped to cut down on outside air infiltration. The retrofits to date have reduced our carbon emissions by 1.5%. The remaining improvements should reduce our carbon dioxide emissions by an additional 1.5% by the end of 2012.

To continue to meet the 1.5% annual goal, future investments in street lighting retrofits and conservation measures in water treatment and pumping must be undertaken. The area of Water Treatment/Pumping is currently looking at power consumption in its pumping stations and at new controls for its processes in studies being funded by Xcel Energy. Additional funds will need to be allocated to this area in the future as energy conservation investments are identified by these studies.

Measures that influence City carbon dioxide emissions



Note: Data does not include electricity usage at parking ramps, skyways, or leased properties



Note: Convention Center and Office Buildings heated by NRG Steam
Data does not include parking ramps,skyways, or leased properties