



City of Minneapolis
Financial Status Report as of 1st Quarter 2005
Prepared by the
City of Minneapolis Finance Department
June 22, 2005

City of Minneapolis

Interim Financial Report Index for the 1st Quarter of 2005

BUSINESS LINE REVIEW	1-3
GENERAL FUND	4-8
SPECIAL REVENUE & GRANT FUNDS	
Convention Center Special Revenue Fund.....	9-11
Federal, CDBG and other State and Local Grants.....	12-18
INTERNAL SERVICE FUNDS	19-20
ENTERPRISE FUNDS	21-22

THE REPORT

The report consists of two sections. The first section of the report includes the Business line review. The second section includes detailed schedules and analysis of the results of individual funds thru March 31, 2005.

BUSINESS LINE REVIEW

The City's business activities are accounted for in funds and these funds are divided into two major groupings: Governmental funds and Proprietary funds.

Governmental Funds

Governmental Funds account for services and goods provided within the government and are primarily supported either directly or indirectly by taxes. These groupings include General fund, Special Revenue Funds, Capital Projects, Debt Services, and Agency funds. Governmental funds use the modified accrual basis of accounting to record transactions.

The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund began 2005 with a fund balance of \$61.3 million and an operating expense budget of \$291 million. The operating budget included \$5 million for unfunded pension obligations. This buy-down of unfunded pension obligation will allow the City to avoid having to issue additional debt and incur interest costs. It also caused the City to reduce its planned YE fund balance by the same amount. Additionally, the City Council reappropriated an additional \$14.4 million to fund: more pension obligation, One-Call, One-Stop and various one-time departmental initiatives. Despite the increases to expense appropriations, the City plans to end the year with a fund balance of \$46.8 million which meets the 15% requirement. General Fund spending, as a whole is at 24% for the year which is in line with 25% of the year elapsed.

The **Convention Center Fund** accounts for the operating activities of the Convention Center and for the City's sales tax and other related taxes. All of the tax revenue received by the Convention Center is used to support the Convention Center's capital and operating activities except the entertainment tax. The entertainment tax revenue is transferred to the City's General Fund and Arena Reserve Fund.

The Convention Center's 2005 operating budget planned for a loss of \$5.9 million; however, first quarter results and an updated forecast projects a loss in the \$3.4 million range. The majority of the recovery is in entertainment and lodging tax revenues and a reduction to operating expenses.

Grant Funds are used to record grant related activities. Fund 0300 represents all of the federal grant activity. Fund 0400 captures the Housing and Urban Development grants for community development and housing related programs. This fund includes the Community Development Block Grant, Emergency Shelter Program, HOME Investment Partnership Program, and Housing Opportunities for People with Aids. Fund 0600 is used to record all of the non-federal sources of restricted revenue. Because the year-end CDBG reprogramming is being presented through a separate council action, it is omitted from this report.

Proprietary Funds

Proprietary funds operate, more or less, like a business and are assumed to be self-supporting. Proprietary funds are normally grouped into two subsets: Internal Service funds, which sell goods and services internally to other government units; and, Enterprise funds which sell goods and services to third parties. The rates charged by these businesses are supposed to cover the full cost of providing the good or service sold by the fund- including the cost of maintaining, replacing, and expanding the fund's capital assets. Proprietary funds use full accrual accounting.

Enterprise Funds are City owned businesses that sell goods and services to third parties. Excluding the MCDA enterprise activities and the River Terminal, the City operates four enterprise funds.

With the exception of the Parking fund, the City's enterprise activities are in good condition. All of these funds had positive net assets at the beginning of 2005 and their financial plans call for a continuation of positive financial activity.

Sewer Utility Fund accounts for sewage interceptor and treatment services and the storm management activities including the Combined Sewer Overflow program. The Sewer Fund was split into two funds in 2005: Stormwater and Sanitary. Implementation of separate rates along with a major upgrade to the Utility Billing system has delayed the complete separation of the two funds. The fund is budgeted to end the year with positive net income.

Solid Waste Fund accounts for the City's solid waste collection, disposal, and recycling operations. The fund is expected to have positive financial performance and 1st quarter results indicate the fund is on track. Revenues are better than expected because of the outstanding performance of the recyclable sales area.

Water Utility Fund accounts for the operation and maintenance of a water delivery system for the City and several suburban city customers. The Water Fund had a \$.12 increase in 2005. In addition, the fund issued a refund to the Joint Water Commission of \$2.2 million in accordance with a new contract negotiated with the consortium. This fund is also expected to have positive financial results at year-end.

Parking Fund accounts for the operation and maintenance of parking ramps, lots, on street parking meters, a municipal impound lot, and traffic/parking control. Prior to 2001, revenue performance had been better than budgeted, but since September 2002, revenue has dropped. This is primarily due to the economic conditions, high office vacancy rates, and increasing transfers to other funds, primarily the General Fund. In June 2004, the City Council adopted a financial and operational workout plan for the Parking Services Fund that is expected to restore the funds' solvency by 2010. Revenues are tracking according to plan, revenue has increased significantly in on-street parking and towing but decreased slightly in off-street parking.

Internal Service Funds remain one of the largest financial challenges for the City of Minneapolis. Areas of particular note among the Internal Service Funds are:

The **Intergovernmental Service Fund** is operating at a level called for in its financial workout plan. The City instituted an Activity Based Costing rate model in 2005. Customers will be charged a rate based on how much of the services it consumes. This rate model replaces the arbitrary “fund-transfer” method that existed previously. Through 1st quarter, the results indicate that revenues and expenses are on track. Depreciation expense continues to pose a challenge for the fund because it is not recovered through the cost recovery model.

The **Equipment Fund** also operates under a Council-adopted financial workout plan. The fund has positive cash and net assets and continues to make good progress towards solvency and a pay-as-you-go approach to replacing its capital assets. Revenues and expenses are lower than expected but the funds operating margin remains positive. It is expected that both will increase during the summer months as the construction season begins.

The **Self-Insurance Fund** is expected to have a positive financial outcome at year-end and 1st quarter results indicate this is happening. Revenues and expenses are at 26% and 24% respectively.

The **Property Services Fund** is budgeted at a loss of \$934,000 and 1st quarter results are slightly better than expected. This funds financial performance is hindered by depreciation expense. Similar to BIS, it is not recovering for depreciation in its rental rates and this will continue to adversely affect the fund.

The **Engineering Materials and Testing Fund** is budgeted at a loss of \$1 million. This fund has consistently lost money for the last eight years and if the trend continues will be in need of a financial workout plan. The fund has a very small amount of cash and positive net assets but one more year of losses could reverse that situation. Public Works management has decided to continue outsourcing the asphalt production which may impact the financial result at year-end positively. In addition, management has increased its overhead rates to fully recover its fixed costs. First quarter results are too small to predict the year-end outcome as the vast majority of this funds activity occurs in second and third quarter.

Respectfully Submitted,

Patrick P. Born
Finance Officer

Charles J. Elliott
Controller

Appendix

Detailed Fund Information

General Fund

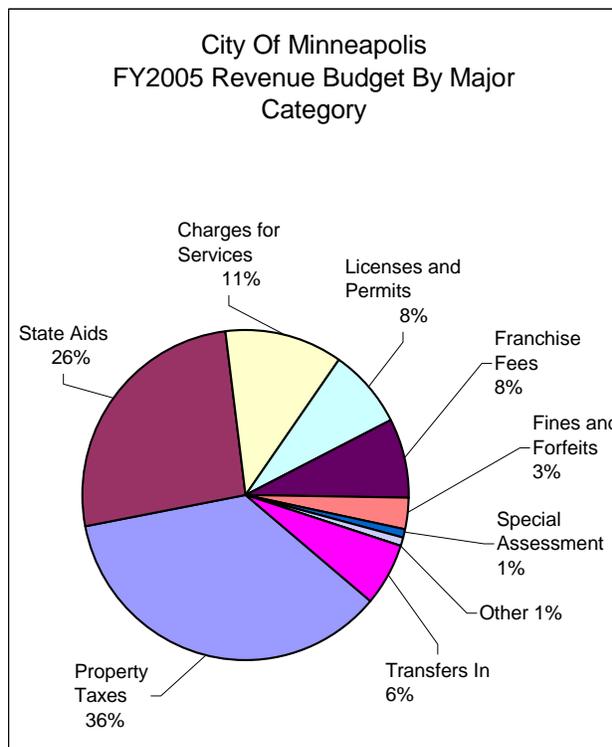
Fund Description

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Financial Performance

The General Fund is expected to end fiscal year 2005 with a significant change in fund balance. The fund balance for the General Fund at fiscal year-end 2004 was \$61.4 million and Council Resolution 2005R-168 dated April 1, 2005 allowed one time reappropriation of 2004 funds of about \$10 million for the early retirement of a portion of pension debts and one time allocation of \$4.5 million to various city departments. These changes resulted in a reduction of \$14.5 million from the 2004 fund balance bringing the 2005 beginning balance to \$46.9 million. Based on the current revenue and expenditure trends, we are not expecting significant changes in the current year and the fund balance at year-end is expected to be about \$46.8 million. The City's policy is to maintain a minimum fund balance of 15% of current expenditures in the General Fund and the projected balance would be within this requirement.

General Fund Revenues:



The five largest revenue sources account for 90% of total budgeted revenues: property taxes, state aids, charges for services, franchise fees, and licenses and permits.

Property taxes, the major source of General Fund revenue (36%), are expected to meet the budget of \$101.9 million at the end of the year.

State aids, the second major source of fund revenue (26%), are also expected to meet the current estimated revenue of \$74.7 million (received in July and December).

Charges for services, the third major source of fund revenue (12%), are expected to be about equal to the current budget of \$32.9 million.

License and permit fees (8% of fund revenue) are also expected to be about equal to the current budget (\$22.5 million).

Franchise fees, the fifth major source of revenue (8%), are expected to be significantly over the current budget of \$22.1 million (by about 9% or \$2 million), primarily due to increased natural gas franchise fees collected.

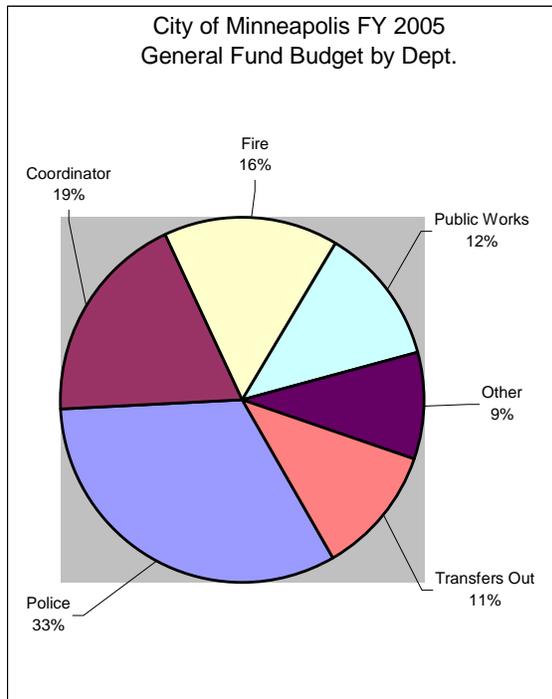
Fine and Forfeit revenues are expected to exceed the estimated revenue budget by about 9% (or about \$0.8 million), primarily due to increased collections in the Regulatory Services Department (about \$2 million), which are expected to more than offset a shortfall in Police Department collections (currently projected to be about \$1.1 million).

Investment income has historically been budgeted conservatively; however, due to lower than expected interest rates in the current year and delayed posting, actual investment income is down by about 25% of the current budget. By the end of the year, however, investment income is expected to meet the current budget.

Other miscellaneous revenues are currently projected to meet the current budget.

All other General Fund revenues and transfers have currently met or exceed the estimated budget at the end of the year with no significant variances.

General Fund Expenditures:



Four departments make up about 80% of the total General Fund expenditures: Police, Coordinator, Fire, and Public Works. Small percentage variances in any of these large departments can have a significant effect on the amount of General Fund expenditures.

At the end of March, the Police Department's expenditures incurred to date are about \$21.6 million (23% of current budget); currently, their projected expenditures are not expected to exceed their budget at the end of the year.

The expenditures of the next major department, Coordinator, are currently running about 3% under budget as of the end of the first quarter; currently, their projected expenditures expected to be within their budget at the end of the year.

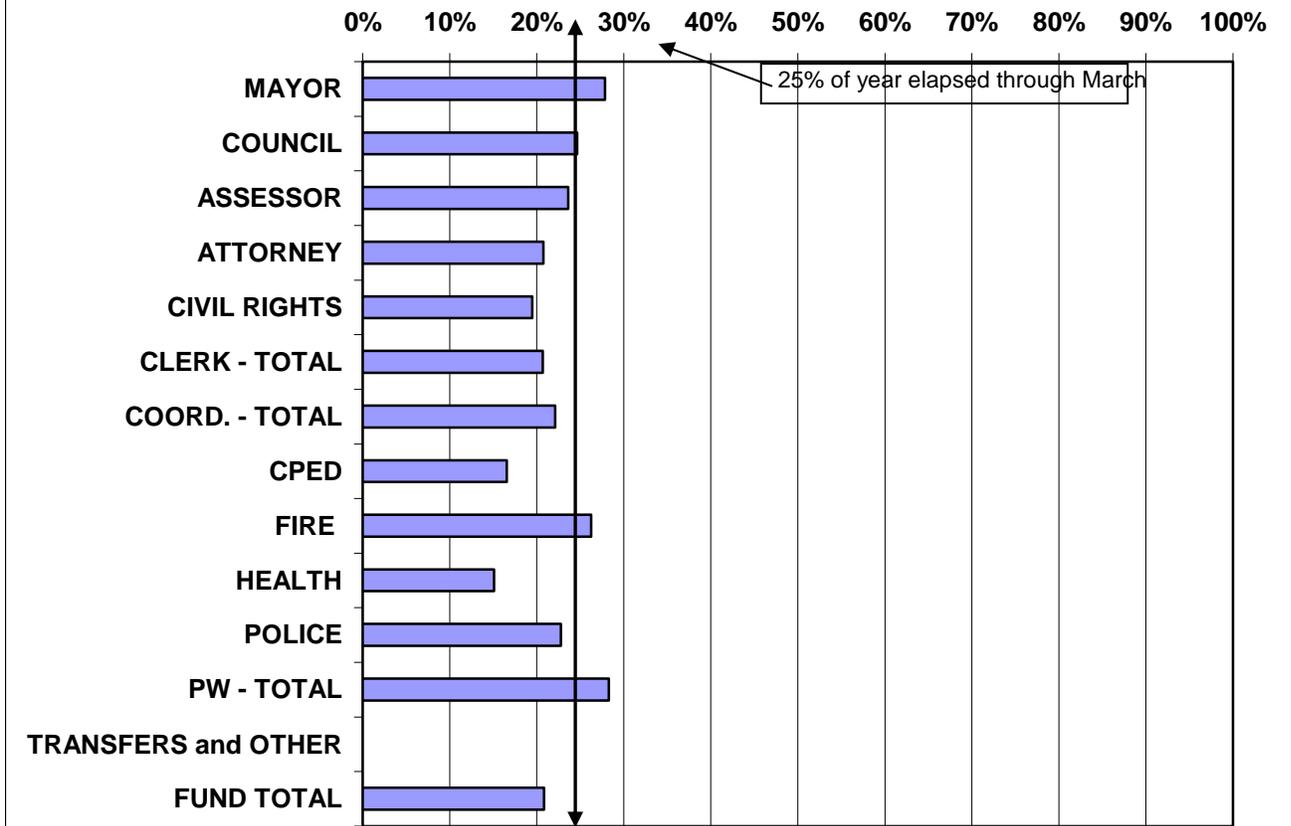
The expenditures for the next major department, Fire, are currently slightly over their current budget (about 1%), primarily due to a recent contract settlement involving a large amount of backpay (about \$870,000). A Contingency carryover budget is expected to cover any current year budget shortfall as a result of this contract settlement.

Currently, expenditures for Public Works are running slightly over budget (about 3%) due to greater than expected expenditures in the Field Services agency, primarily in the personal services and contractual services categories. Any shortfall in these expenditure categories is expected to be offset by savings in other areas by the end of the year.

The expenditures of the Mayor's Office are currently running slightly over budget (about 3%), but are expected to be within budget by year-end.

The expenditures for the remaining departments are running below the current budget through the end of the first quarter. Because departments tend to spend less than budgeted during the first quarter, it is difficult to project how much of these savings will materialize at the end of the year. However, the overall current level of expenditures at the end of the first quarter indicate that total General Fund expenditures at the end of the year will be about equal to or less than the current appropriation barring any unexpected events (as shown on bar chart on following page).

City of Minneapolis FY2005 General Fund Exp by Dept



Budget vs. Actual, And Change In Fund Balance

For 2005, Council adopted a budget of \$291.3 million in the General Fund. During the year to date, various adjustments have been made to this budget, including the addition of \$0.2 million for prior year appropriation carryovers to various departments, and with the other net adjustments through the end of the first quarter of -\$0.2 million, the current appropriation in the fund is virtually unchanged at \$291.3 million. Currently, as indicated above, the beginning fund balance of \$61.3 million is expected to be significantly changed at the end of the year to \$48 million.

The original budget in the General Fund of \$291.3 million has not been significantly revised as of the end of the first quarter and, as indicated above, remains at \$291.3 million.

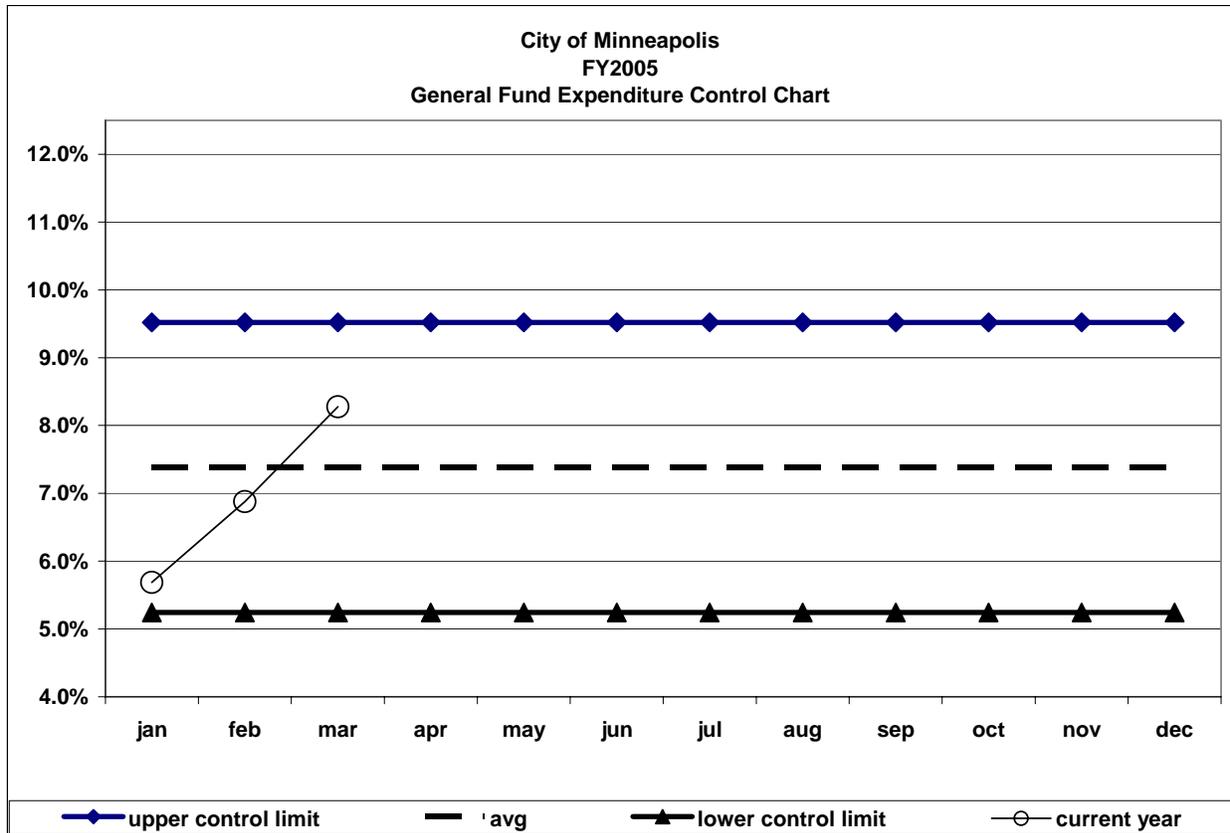
The fund balance for the General Fund at fiscal year-end 2004 was about \$61.4 million and the Council Resolution 2005R-168 dated April 1, 2005 allowed one time reappropriation of 2004 funds of \$10 million for the early retirement of a portion of pension debts and one time allocation of \$4.5 million to various city departments. These changes resulted in a reduction of \$14.5 million from the 2004 fund balance bringing the 2005 beginning balance to \$46.9 million. The early retirement of these bonds will provide an annual interest savings of \$1 million in the General Fund, which will be available for appropriation starting in 2006.

A detailed financial schedule of the General Fund is shown below:

General Fund					
March 31, 2005					
	Original Budget	Revised Budget	Actuals Thru March	Projected YE Totals	Projected YE Actual as Percent of Revised Budget
Revenues:					
Property Taxes*	101,926,076	101,926,076	368,499	101,926,076	100%
State Aids**	74,682,631	74,682,631	1,795,941	74,682,631	100%
Charges for Services	32,918,326	32,948,926	1,703,977	32,948,926	100%
Licenses and Permits	22,532,387	22,462,387	5,725,842	22,462,387	100%
Franchise Fees	22,110,000	22,110,000	7,579,186	24,100,000	109%
Fines and Forfeits	8,512,377	8,512,377	2,099,598	9,300,000	109%
Special Assessments*	2,743,434	2,743,434	104,419	2,743,434	100%
Investment Income	1,830,000	1,830,000	3,111	1,830,000	100%
Other Shared Taxes	673,984	673,984	7,292	673,984	100%
Other Miscellaneous	495,869	565,869	156,725	565,869	100%
Contributions	297,500	297,500	1,500	297,500	100%
Charges for Sales	38,800	38,800	79,303	38,800	100%
Total Revenues	268,761,384	268,791,984	19,625,392	271,569,607	101%
Transfers In	17,031,750	17,031,750	-	17,031,750	100%
Revenues and Other Sources	285,793,134	285,823,734	19,625,392	288,601,357	101%
Expenditures :					
Police	94,749,237	94,749,237	21,571,148	94,749,237	100%
Coordinator - Total	54,951,569	54,659,681	12,079,893	54,659,681	100%
Fire	45,200,377	45,230,977	11,874,826	45,230,977	100%
Public Works - Total	36,153,629	36,135,797	10,227,886	36,135,797	100%
Attorney	5,602,482	5,602,482	1,162,816	5,602,482	100%
Health	3,652,728	3,652,728	551,591	3,652,728	100%
CPED	3,075,229	3,367,117	558,059	3,367,117	100%
Assessor	3,101,062	3,101,062	732,613	3,101,062	100%
City Clerk - Total	2,269,155	2,985,137	617,977	2,985,137	100%
City Council	3,322,914	2,606,932	642,623	2,606,932	100%
Civil Rights	2,338,040	2,338,040	455,493	2,338,040	100%
Contingency	1,983,000	1,983,000	105,000	420,000	21%
Non-Department - Other	1,428,143	1,428,143	-	350,000	25%
Mayor	1,053,899	1,053,899	293,404	1,053,899	100%
Non-Department - Corrections	820,000	820,000	121,589	820,000	100%
Unfunded Pension Liabilities	(1,200,000)	(1,200,000)	(309,092)	(1,200,000)	100%
Total Expenditures	258,501,464	258,514,232	60,685,827	255,873,089	99%
Transfers Out	32,791,670	32,791,670	25,180	32,791,670	100%
Expenditures and Other Uses	291,293,134	291,305,902	60,711,007	288,664,759	99%
Change in Fund Balance	(5,500,000)	(5,482,168)		(63,402)	0%
Fund Balance - January 1, 2005				61,351,532	
One time Exp. Per CA2005-168				(14,453,000)	
Fund Balance - December 31, 2005				46,835,130	

* Special assessment and property tax revenues are received at the end of May, November, and December.

** State aid revenues are received in July and December.



The expenditure control chart is a tool for management to see whether expenditures are within “acceptable” limits - whether expenditures are “under control”.

Actual expenditures for FY2005 are indicated by solid line with circle markers.

Rules for interpreting the control chart:

1. Whenever a data point falls outside the upper or lower control limits, it indicates a possible lack of control that should be investigated immediately.
2. Whenever four out of five successive data points are on the same side of the mid-line and all are closer to the upper or lower control limit than they are to the mid-line, there is the possibility of lack of control.
3. Whenever eight or more data points lie on the same side of the mid-line, there is a possible control problem.

Through March, the control chart suggests General Fund year-end expenditures will be within current FY2005 budget. Expenditures remained within (or below) the upper and lower control limits during the first quarter. Personnel savings through the first quarter are essentially permanent and will offset potential overspending in non-personnel areas through the end of the year.

Source: adapted from U.S. Navy, Handbook for Basic Process Improvement, May 1996.

First Quarter Convention Center Special Revenue Fund and Reserve Report

Convention Center Fund

The Convention Center Fund accounts for the operating activities of the Convention Center and for the City's sales tax and other related taxes. All of the tax revenue received by the Convention Center is used to support the Convention Center's capital and operating activities except for the entertainment tax. The entertainment tax revenue is transferred to the City's General Fund and the Arena Reserve Fund.

Revenue

Tax Revenue

The Convention Center Special Revenue Fund activity is funded from local tax receipts and Convention Center operating revenue. Tax receipts are made up of a .5% citywide sales tax; a 3% food and liquor tax applied to core downtown establishments; a 3% citywide entertainment tax; and a 3% citywide lodging tax for motels and hotels with 50 units or more. Presently one third of all lodging tax proceeds received by the City are paid directly to the Greater Minneapolis Convention and Visitors Association. For the first quarter 2005, revenues exceeded the first quarter of 2004 receipts by 18%.

First Quarter Sales Tax			
Tax	2005	2004	Variance
Sales	7,747,067	6,626,039	1,121,028
Entertainment	2,295,546	2,031,762	263,784
Food	2,534,721	1,915,262	619,459
Liquor	882,461	823,552	58,909
Lodging	1,050,141	878,048	172,093
Total	14,509,936	12,274,663	2,235,273

Interest Revenue

Interest revenue has not yet been posted to the fund in 2005.

Operating Revenue

Operational revenue is derived mostly from rental income. Cash deposits for space rental are required in advance of the actual event. Equipment rental and Tallmadge Building space rent, a Class C multi-story office building managed by the Convention Center due to its proximity, account for the other sources of rental income. Privileges refer to food and beverage catering commissions which is contracted by Kelber Catering. Charges for services to exhibitors or shows include audio visual service to clients, labor charges, cleaning services, coat check fees, parking proceeds, security services, fire marshalling services, and medical related services. During the first quarter, Wire and internet services started being offered to clients is doing better than anticipated. The Business

Service Center also opened in February. First quarter operating revenues were 4.25% less than 2004 levels and is 32% of the 2005 adopted revenue budget.

Expenditures

In past years Convention Center operating shortfalls were offset in part by expenditure savings. For the first quarter 2005, Convention Center operating expenditures were under budget by 1.2%. Fund balanced is expected to decrease by \$3.4 million. In 2004, due to actual interest savings from bonds, the 2004 Fund balance increased by \$5.7 million. The budgeted assumption did not include interest savings.

Transfers

The Convention Center Fund annually transfers a share of its tax revenue to several other funds. Due to the extremely low interest rates on variable rate bonds, substantial savings were realized in prior years. The fund did not experience significant transfer activity in the first quarter.

Convention Facilities Reserve Fund

The Convention Facilities Reserve Fund was established as a holding fund for future capital needs of the existing Convention Center. Approximately \$1 million are transferred annually from the Convention Center Fund for this purpose. Fund balances held in the Reserve Fund at year end for Convention Center activities were \$8.2 million.

Arena Reserve

Like the Convention Facilities Reserve Fund, the Arena Reserve fund was established as a holding fund for the acquisition and capital maintenance costs of the Target Center as determined by the Target Center Finance plan. Transfers to debt service are made annually from the fund. Fund revenues are generated by transfers from other City funds for Target Center related revenue. During the first quarter 2005, there was not transfer activity.

CONVENTION CENTER SPECIAL REVENUE FUND		CITY OF MINNEAPOLIS, MINNESOTA			
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL					
For the fiscal quarter ending March 31,2005					
		2005		Year	2004
		Budget	Actual	End	Actual
				Projection	
REVENUES:					
Taxes:					
Sales and use tax		26,698,175	7,747,067	26,831,000	26,366,164
Entertainment tax		8,681,750	2,295,546	8,900,000	8,669,749
Food tax		7,947,850	2,534,721	8,200,000	8,801,805
Liquor tax		2,914,075	882,461	3,132,630	3,432,394
Lodging tax		4,658,625	1,050,141	5,031,315	4,899,194
Total taxes		50,900,475	14,509,936	52,094,945	52,169,306
Charges for services and sales		5,230,000	1,573,322	5,360,000	4,999,515
Interest		215,000	-	215,000	269,250
Miscellaneous revenues:					
Rents and commissions		6,763,000	2,402,112	6,775,000	6,134,688
Tallmadge		300,000	80,332	325,000	332,925
Privileges		2,500,000	644,892	2,500,000	2,563,769
Other		5,000	8,857	5,000	130,407
Total miscellaneous revenues		9,568,000	3,136,193	9,605,000	9,161,789
Total revenues		65,913,475	19,219,451	67,274,945	66,599,860
CURRENT EXPENDITURES:					
General government:					
Coordinator-Finance				0	302,465
Police Department		100,000	-	100,000	-
General Fund Overhead		1,237,990	300,000	1,237,990	-
Coordinator-Human resources:		61,867	14,635	61,867	57,661
Total general government		1,399,857	314,635	1,399,857	360,126
Economic development:					
Convention and visitors association:		6,930,000	3,465,000	6,930,000	6,654,788
Convention center:		25,653,799	4,873,957	24,578,127	21,854,745
Bad Debt Expense				-	26,857
Total economic development		32,583,799	8,338,957	31,508,127	28,536,390
Total expenditures		33,983,656	8,653,592	32,907,984	28,896,516
Excess of revenues over (under) expenditures		31,929,819	10,565,859	34,366,961	37,703,344
OTHER FINANCING SOURCES (USES):					
General Fund Transfer		(7,481,750)	-	(7,481,750)	(7,469,749)
Arena Reserve Fund Transfer		(1,200,000)	-	(1,200,000)	(1,200,000)
Convention Center Reserve Fund Transfer		(1,150,000)	-	(1,150,000)	(1,150,000)
Convention Ctr Debt Service Transfer		(19,724,675)	(319,132)	(19,724,675)	(13,647,677)
Other Debt Service Transfer		(14,945)	-	(14,945)	(38,846)
Info Tech Internal Svcs Fund Transfer		-	-	-	(66,000)
Self-Insurance Internal Svsc Fund Transfer		-	-	-	(19,000)
Municipal Parking Enterprise Fund Transfer		(8,243,573)	(1,900,778)	(8,243,573)	(8,364,656)
Total other financing sources (uses)		(37,814,943)	(2,219,910)	(37,814,943)	(31,955,928)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses		(5,885,124)	8,345,949	(3,447,982)	5,747,416
Fund balance - January 1		29,968,110	29,968,110	29,968,110	24,220,694
Ending Fund balance		24,082,986	38,314,059	26,520,128	29,968,110
Ending Cash balance		NA	18,207,185	NA	12,491,039

SPECIAL REVENUE FUNDS
Federal, CDBG, and Other State and Local Grants
Quarter Ending March 31, 2005

The City receives a number of state and federal grants that are recorded in special revenue funds 0300, 0400, and 0600. These grants have varying grant periods and are used for a range of purposes.

Since the City records its financial information on a modified accrual basis the timing of cash receipts can result in grant funds reflecting a deficit cash balance. The deficits in fund 0300 and 0400 are a result of the timing of cash flows. This cash will be fully reimbursed when the grant revenue is received.

Federal Grants Fund 0300

The Empowerment Zone grant is one of the major grants in this fund. Its purpose is to create jobs and business opportunities in the most economically distressed areas of inner cities and the rural heartland. The EZ/EC effort provides tax incentives and performance grants and loans to create jobs, expand business opportunities, develop housing, improve education and support sustainable communities. It also focuses on activities to support people looking for work by assisting with job training, childcare, and transportation. Minneapolis is currently designated as a Round II federal urban Empowerment Zone (EZ) and an Enterprise Community (EC). The Grants and Special Projects Department managed the EC from 1995-1999. With the EZ designation in 1999, the administration of both programs was transferred to the Empowerment Zone office. Through reorganizations the program now resides with Community Planning and Economic Development (CPED). The loan receivable amount of \$2,336,022 in the fund is entirely comprised of loans related to the EZ program.

Other major programs accounted for in this fund are the Police Department's Local Law Enforcement Block grants and the Copsmore grants; the Maternal Child Health; Welfare to Work and various Workforce Incentive Act grant programs.

CDBG Fund 0400

The Community Development Block Grant (CDBG) is the City's largest single grant and is accounted for in fund 0400 with three other Housing and Urban Development (HUD) Programs. These programs are the Emergency Shelter Grant Program (ESG), HOME Investment Partnerships Program and Housing Opportunities for Persons with AIDS (HOPWA). Most of these programs are operated jointly with CPED where the City is the grant recipient and CPED is reimbursed for its expenditures through transfers from the City. The CDBG program is approximately \$16.5 million annually.

As of March 31, 2005, the revenue in the fund reflects a negative amount because of the timing of cash draw downs and the reversal of accrual entries made to record revenue that was earned in 2004 but not yet received. In April of 2005, \$2,196,187 of revenue was drawn down for various CDBG projects.

The following schedules summarize current year and grant to date expenditures for Year 30, Year 29, and prior CDBG programs. The Year 29 and to some extent the prior year programs include the programs operated by CPED and accounted for in fund FBG0.

Year 30 began on June 1, 2004, and \$4,753,451 was expended as of March 31. The CPED allocations of the Year 30 program are being accounted for in fund 0400. The year 29 program began on June 1, 2003 with a budget of \$16,463,000 and has grant to date expenditures of \$ 12,096,755 through March 31, 2005.

Based on previous council actions, departments have one year to expend their administration appropriations and two years to spend their public service allocations. At the end of the calendar year unspent administration appropriations in excess of 5% become available for reprogramming. After the two program years have passed unspent public service funds are available for reprogramming. Capital funds are not subject to this two-year spending requirement. As of March 31, over 99% of the year 29 public service funds have been expended.

In 1990, the Council committed \$7 million of CDBG funds for the redevelopment of Block E. The commitment was not balanced with reductions in other CDBG funded projects. Consequently, the city has over-committed its total Federal Allocation. Because the CDBG year differs from the City's fiscal year end, it appears that the City has remained within its total cumulative allocation. This can continue only as long as there is a steady flow of CDBG funds. Should the CDBG program cease, the over commitment of funds would become apparent and other funds would need to be made available to cover the shortfall. The intent is to reprogram unspent balances from prior projects to offset the Block E deficit. On November 21, 2001 the City Council approved the reprogramming of \$410,620 of unspent balances from projects through CDBG Year 23 to address this shortfall. In March 2004, the City Council approved the reprogramming of an additional \$846,218 bringing the remaining deficit down to \$6,535,018.

Grants Other Fund 0600

The fund is used to account for non-federal grants and other restricted revenue sources. Activity in the fund is approximately \$7.5 million annually. The major programs are the Children's Health Services and the State Employment grants. Some of the programs, such as the Children's Health Services provide cash advances that are carried over until the end of the grant period. The State Recapture Loan program is also accounted for in this fund and therefore revenue is received prior to any expenditure occurring. In general, this fund carries a positive cash balance and fund balance.

Homeland Security Grant

The Fire Department recently received over \$4,883,000 in a federal urban area security initiative grant from the U.S. Department of Homeland Security. An allocation of \$4,200,000 will go to the Minneapolis Emergency Communications Center for the purchase of a new computer aided dispatch system, \$608,740 will stay in the Fire Department for training and \$74,260 will be used by the Police Department to purchase HAZMAT equipment. Expenditures for this program did not begin until October. Approximately \$50,000 has been spent or obligated as of March 31, 2005.

Special Revenue Funds
Grant Funds
Quarter Ending March 31, 2005

	Federal Grants 0300	CDBG Grants 0400	Grants Other 0600	Total
Assets				
Cash and cash equivalents	\$1,740,611	\$506,979	\$3,920,368	\$6,167,958
Accounts - net			76,943	76,943
Intergovernmental Receivables	583,545			583,545
Loans receivable	2,336,022		6,372,539	8,708,561
Deposits with Fiscal Agents		\$395,841		395,841
Prepaid Expense			1,395	1,395
Due From Other Funds	3		25,243	25,246
Total Assets	<u>\$4,660,181</u>	<u>\$902,820</u>	<u>\$10,396,488</u>	<u>\$15,959,489</u>
Liabilities				
Salaries payable	\$75,336	\$96,390	\$78,900	\$250,626
Accounts payable	133,700	161,277	74,581	369,558
Use Taxes Payable	1,895		78	1,973
Due to Other Funds	582,281	2,864,000	3	3,446,284
Inter Governmental Payables	49,867			49,867
Deferred revenue & Contracts	2,336,022	395,841	6,445,746	9,177,609
Total Liabilities	<u>3,179,101</u>	<u>3,517,508</u>	<u>6,599,308</u>	<u>13,295,917</u>
Fund Balance	<u>\$1,481,080</u>	<u>¹ (\$2,614,688)</u>	<u>\$3,797,180</u>	<u>\$2,663,572</u>
Total Liabilities and Fund Balance	<u>\$4,660,181</u>	<u>\$902,820</u>	<u>\$10,396,488</u>	<u>\$15,959,489</u>
Revenue				
Taxes			\$97,333	\$97,333
Grants and Shared Revenues	\$ 1,811,543	(\$1,167,631)	3,129,929	3,773,841
Private Contributions	1,500		426,190	427,690
Charges for Services			31,215	31,215
Interest	50,300		83,742	134,042
Loan Recapture	2,361,010		472,002	2,833,012
Loan Origination Fees		1,500		1,500
Lands & Buildings		84,312		84,312
Equipment			500	500
Miscellaneous Revenue		9,786	54,877	64,663
Transfer from General Fund				0
Transfer within Special Revenue Fund			(37,498)	(37,498)
Total Revenue	<u>\$4,224,353</u>	<u>(\$1,072,033)</u>	<u>\$4,258,290</u>	<u>\$7,410,610</u>
Expenditures	<u>\$2,743,908</u>	<u>\$1,542,655</u>	<u>\$1,014,241</u>	<u>\$5,300,804</u>
Revenues Over (Under) Expenditures	<u>\$1,480,445</u>	<u>(\$2,614,688)</u>	<u>\$3,244,049</u>	<u>\$2,109,806</u>

¹ This report is on a modified accrual basis. Under full accrual, these amounts would be presented as grants receivable and the fund balance would be zero.

CDBG Program Year 30
(June 1, 2004 to May 31, 2006)
March 31, 2005

Department	Agy	Project	Adopted 2003R-610	Revised Budget	2005 Expenditures	Grant to Date Expenditures	Remaining Grant Budget
Capital Grants:							
CPED	890	Adult Training, Placement & Retention	\$ 641,000	\$ 639,823	\$ 113,371	\$ 379,641	\$ 260,182
CPED	890	High Density Corridor Housing	1,000,000	998,164	-	-	998,164
CPED	890	Home Ownership Program GMMHC	465,000	464,146	-	-	464,146
CPED	890	Industrial Cluster Training	99,000	98,818	-	-	98,818
CPED	890	Multi Family Affordable Housing	5,390,000	5,380,106	22,446	505,331	4,874,775
CPED	890	Neighborhood/Commercial Economic Dev Fd	150,000	149,725	-	-	149,725
CPED	890	Residential Loan / Grant	444,000	443,185	-	87,721	355,464
CPED	890	Vacant/Boarded Housing Program	1,000,000	998,164	152,731	785,722	212,442
CPED	890	VHR Distressed	393,000	392,279	-	-	392,279
Health & Family Support	860	GMDCA- Child care facilities	323,000	322,407	10,847	10,847	311,560
Regulatory Services	835	Hud Lead Program		145,317	13,529	13,529	131,788
Inspections Department	850	Hud Lead Program	180,000	34,353	-	34,353	-
Regulatory Services	835	Boarded Building Demolition	202,000	201,629	-	-	201,629
Non Departmental	123	General Housing Rehabilitation-MPHA	313,000	312,425	-	-	312,425
		Subtotal Capital Grants	<u>\$ 10,600,000</u>	<u>\$ 10,580,541</u>	<u>\$ 312,924</u>	<u>\$ 1,817,144</u>	<u>\$ 8,763,397</u>
Public Service Grants:							
CPED	890	Mortgage Foreclosure Program	\$ 250,000	\$ 249,541	\$ -	\$ 249,541	\$ -
CPED	890	Youth Employment & Training	568,000	566,957	16,073	525,596	41,361
Environmental Health	835	Groundworks	17,000	16,969	(361)	-	16,969
Civil Rights	300	American Indian Advocacy	-	23,765	13,114	13,114	10,651
Health & Family Support	860	Advocacy	110,000	86,033	31,540	68,890	17,143
Health & Family Support	860	Block Nurse prg	66,000	65,879	15,463	36,109	29,770
Health & Family Support	860	Child Dental Services	11,000	10,980	-	10,980	-
Health & Family Support	860	Curfew Truancy Center	104,000	103,809	54,963	103,809	-
Health & Family Support	860	Domestic Abuse Prevention	58,000	57,894	-	34,200	23,694
Health & Family Support	860	GMDCA- Child care sliding fee	301,000	300,447	32,701	50,364	250,083
Health & Family Support	890	Head Start	66,000	65,879	9,721	48,196	17,683
Health & Family Support	860	Minnesota Aids Project	23,000	22,958	-	10,508	12,450
Health & Family Support	860	MPLS Community Clinics	261,000	260,521	-	144,735	115,786
Health & Family Support	860	Senior Services	61,000	60,888	-	30,969	29,919
Health & Family Support	860	Tubman Family Alliance	41,000	40,925	20,463	20,463	20,463
Health & Family Support	860	Volunteers of America	80,000	79,853	-	39,927	39,926
Health & Family Support	860	Way To Grow	311,000	310,429	-	104,751	205,678
Park & Recreation Board	127	Teamworks	15,000	14,972	-	14,972	-
Public Works	607	Graffiti Removal	107,000	106,804	61,456	83,652	23,152
		Subtotal Public Service Grants	<u>\$ 2,450,000</u>	<u>\$ 2,445,503</u>	<u>\$ 255,132</u>	<u>\$ 1,590,776</u>	<u>\$ 854,727</u>
Administrative Grants:							
Civil Rights	300	Fair Housing Initiative	\$ 190,000	\$ 189,651	\$ 40,091	\$ 51,622	\$ 138,029
Civil Rights	300	Multicultural Services	101,749	101,529	28,855	28,855	72,674
CPED	890	Citizen (Resident) Participation	346,000	345,365	26,466	118,337	227,028
CPED	890	Neighborhood Business Association	174,000	173,681	-	173,681	-
CPED	890	Planning Administration	1,213,000	1,210,773	164,279	722,212	488,561
CPED	890	Program Administration	75,000	74,862	-	44,789	30,073
Finance Department	820	General Administration Finance	343,000	342,370	21	21	342,349
Grants and Special Projects	800	Administration	230,000	229,579	-	-	229,579
Grants and Special Projects	800	Fair Housing Initiatives Council	18,000	17,967	-	-	17,967
Grants and Special Projects	800	Legal Aid Housing Disparities	80,000	79,853	-	46,580	33,273
Health & Family Support	860	Grant Administration	100,000	99,816	27,717	27,717	72,099
Health & Family Support	860	Legal Aid Services	49,000	48,910	-	28,531	20,379
Health & Family Support	860	New Arrivals	18,251	18,251	-	18,251	-
Health & Family Support	860	Neighborhood Services Administration	162,000	161,703	-	-	161,703
Health & Family Support	860	Way To Grow Administration	36,000	35,934	-	35,934	-
Non Departmental	123	Citizen (Resident) Participation-MPHA	98,000	97,820	-	-	97,820
Non Departmental	123	Youth Coordinating Board (YCB)	59,000	58,892	-	49,000	9,892
		Subtotal Administrative Grants	<u>\$ 3,293,000</u>	<u>\$ 3,286,956</u>	<u>\$ 287,430</u>	<u>\$ 1,345,531</u>	<u>\$ 1,941,425</u>
		GRAND TOTAL	<u>\$ 16,343,000</u>	<u>\$ 16,313,000</u>	<u>\$ 855,486</u>	<u>\$ 4,753,451</u>	<u>\$ 11,559,549</u>

CDBG Program Year 29
(June 1, 2003 to May 31, 2005)
March 31, 2005

Department	Agy	Grant	Budget	Reprogram Reduction	Revised Budget	2005 Expenditures	Grant To Date Expenditures	Remaining Grant Budget
Capital Grants:								
Environmental Health	835	Hud Lead Program	\$ 180,000		\$ 180,000	\$ 8,418	\$ 179,868	\$ 132
Regulatory Services	835	Boarded Building Demolition	-	175,990	175,990	8,060	8,060	167,930
Inspections Department	850	Boarded Building Demolition	202,000	(175,990)	26,010	-	26,010	-
Health & Family Support	860	GMDCA- Child care facilities	323,000		323,000	10,372	323,000	-
Health & Family Support/CPED	860/890	Adult Training, Placement & Retention	641,000		641,000	35,956	581,351	59,649
Health & Family Support/CPED	860/890	Industrial Cluster Training	99,000		99,000	14,334	24,357	74,643
MCDA/CPED	340/890	Multi Family Affordable Housing	5,056,241		5,056,241	1,039,305	1,607,605	3,448,636
MCDA/CPED	340/890	Neighborhood/Commercial Economic Dev Fd	300,000		300,000	-	-	300,000
MCDA/CPED	340/890	Vacant/Boarded Housing Program	5,354,859		5,354,859	112,470	3,391,794	1,963,065
Non Departmental	123	General Housing Rehabilitation MPHA	313,000		313,000	23,608	199,207	113,793
Public Works	607	Graffiti Removal	107,000		107,000	-	107,000	0
Public Works	680	Minneapolis American Indian Center	118,000		118,000	-	118,000	-
Public Works	680	Public Works Community Center Operations	42,000		42,000	-	10,639	31,361
Subtotal Capital Grants			<u>\$ 12,736,100</u>		<u>\$ 12,736,100</u>	<u>\$ 1,252,522</u>	<u>\$ 6,576,892</u>	<u>\$ 6,159,208</u>
Public Service Grants:								
Environmental Health	835	Groundworks	\$ 25,000		\$ 25,000	\$ -	\$ 25,000	\$ -
Health & Family Support	860	Block Nurse prg	66,000		66,000	-	64,126	1,874
Health & Family Support	860	Child Dental Services	17,000		17,000	-	17,000	-
Health & Family Support	860	Curfew Truancy Center	104,000		104,000	-	104,000	-
Health & Family Support	860	Domestic Abuse Prevention	87,000		87,000	-	87,000	-
Health & Family Support	860	GMDCA- Child care sliding fee	486,000		486,000	-	486,000	-
Health & Family Support	860	Head Start	99,000		99,000	-	99,000	-
Health & Family Support	860	Minnesota Aids Project	35,000		35,000	-	34,998	2
Health & Family Support	860	MPLS Community Clinics	394,000		394,000	-	394,000	-
Health & Family Support	860	Senior Services	92,000		92,000	-	74,530	17,470
Health & Family Support	860	Tubman Family Alliance	62,000		62,000	-	61,999	1
Health & Family Support	860	Volunteers of America	121,000		121,000	-	121,000	-
Health & Family Support	860	Way To Grow	331,000		331,000	-	331,000	-
Health & Family Support/CPED	860/890	Youth Employment & Training	568,000		568,000	-	568,000	-
Park & Recreation Board	127	Teamworks	23,000		23,000	-	23,000	-
Subtotal Public Service Grants			<u>\$ 2,510,000</u>		<u>\$ 2,510,000</u>	<u>\$ -</u>	<u>\$ 2,490,653</u>	<u>\$ 19,347</u>
Administrative Grants:								
Civil Rights	300	Fair Housing Initiative	\$ 349,502	(7,774)	\$ 341,728	\$ 104	\$ 341,640	\$ 88
Finance Department	820	General Administration Finance	342,928	(125,210)	217,718	63,751	119,653	98,065
Grants and Special Projects	800	Grants Administration	229,339		229,339	48,756	214,539	14,800
Health & Family Support	860	Advocacy	210,000		210,000	-	210,000	-
Health & Family Support	860	Legal Aid Services	49,000		49,000	-	49,000	-
Health & Family Support	860	Multicultural Services	120,000		120,000	-	120,000	-
Health & Family Support	860	Neighborhood Services Administration	161,500		161,500	-	123,537	37,963
Health & Family Support	860	Way To Grow Administration	46,000		46,000	-	46,000	-
MCDA/CPED	340/890	Citizen (Resident) Participation	345,510		345,510	2,348	282,853	62,657
MCDA/CPED	340/890	General Administration	80,000	(36,435)	43,565	-	35,079	8,486
MCDA/CPED	340/890	Neighborhood Business Association	174,000		174,000	-	174,000	-
Planning/CPED	380	Planning Administration	1,282,980	(104,517)	1,178,463	-	1,178,463	-
Non Departmental	123	Citizen (Resident) Participation MPHA	98,000		98,000	-	86,446	11,554
Non Departmental	123	Youth Coordinating Board (YCB)	48,000		48,000	-	48,000	-
Subtotal Administrative Grants			<u>\$ 3,536,759</u>	<u>\$(273,936)</u>	<u>\$ 3,262,823</u>	<u>\$ 114,959</u>	<u>\$ 3,029,210</u>	<u>\$ 233,613</u>
Office of Grants & Special Projects		Block E Deficit Reduction			\$ 273,936	273,936		273,936
GRAND TOTAL			<u>\$ 18,782,859</u>	<u>\$ -</u>	<u>\$ 18,782,859</u>	<u>\$ 1,367,482</u>	<u>\$ 12,096,755</u>	<u>\$ 6,686,104</u>

Note: MCDA/CPED Grants identified above are accounted for in fund FBG0

Source : Period 3, April 9, 2005 G101M

CDBG Program Year 28
(June 1, 2002 to May 31, 2004)
March 31, 2005

Department	Agy	Grant	Budget	2005 Expenditures	Grant To Date Expenditures	Remaining Grant Budget
Capital Grants:						
Inspections Department	835	Boarded Building Demolition	\$ 62,635	\$ -	\$ -	\$ 62,635
Inspections Department	850	Boarded Building Demolition	139,165	-	139,165	-
Public Works	680	Public Works Community Center Operations	42,000	-	4,600	37,400
Health & Family Support/CPED	860/890	Industrial Cluster Training	83,000	6,605	59,340	23,660
MCDA/CPED	340/890	Asst NHS	50,000	-	-	50,000
MCDA/CPED	340/890	GMMHC-Homeownership Recycling Program	628,000	-	-	628,000
MCDA/CPED	340/890	Last Resort	400,000	-	-	400,000
MCDA/CPED	340/890	Multi Family Rental/Housing Program	3,308,000	194,413	2,677,859	630,141
MCDA/CPED	340/890	Neighborhood/Commercial Economic Dev Fd	398,000	-	80,445	317,555
MCDA/CPED	340/890	Regular Deferred Loan & Grant Program	764,000	1,453	245,133	518,867
MCDA/CPED	340/890	Rehabilitation Incentive Fund	190,000	-	3,024	186,976
Subtotal Capital Grants			<u>\$ 6,002,165</u>	<u>\$ 202,471</u>	<u>\$ 3,209,566</u>	<u>\$ 2,792,599</u>
Public Service Grants:						
MCDA/CPED	340/890	Mortgage Foreclosure	\$ 250,000	\$ -	\$ -	\$ 250,000
Subtotal Public Service Grants			<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,000</u>
Administrative Grants:						
Finance Department	820	General Administration Finance	\$ 339,000	\$ -	\$ 339,000	\$ -
Health & Family Support	860	Neighborhood Services Administration	89,000	-	89,000	-
MCDA/CPED	340/890	Administration	49,000	-	48,681	319
MCDA/CPED	340/890	Citizen Participation	349,000	-	349,000	-
MCDA/CPED	340/890	Program Administration	30,000	-	29,991	9
Subtotal Administrative Grants			<u>\$ 856,000</u>	<u>\$ -</u>	<u>\$ 855,671</u>	<u>\$ 329</u>
GRAND TOTAL			<u>\$ 7,108,165</u>	<u>\$ 202,471</u>	<u>\$ 4,065,237</u>	<u>\$ 3,042,928</u>

Note: MCDA/CPED Grants identified above are accounted for in fund FBG0

Source : Period 3, April 9, 2005 G101M

**CDBG Programs Year 27 and Prior
(Beginning 6/1/1996-2001)
March 31, 2005**

Department	Agy	Grant	Budget	2005 Expenditures	Grant To Date Expenditures	Remaining Grant Budget
Capital Grants:						
Park & Recreation Board	127	Mill Ruins Park	\$ 447,902	\$ 7,702	\$ 413,172	\$ 34,730
Park & Recreation Board	127	Hosmer	33,537	-	32,807	730
Park & Recreation Board	127	Discovery Gardens	25,000	-	-	25,000
Non Departmental	123	Relocation	325,000	-	243,075	81,925
MCDA/CPED ¹			-	-	-	-
		Subtotal Capital Grants	<u>\$ 831,439</u>	<u>\$ 7,702</u>	<u>\$ 689,054</u>	<u>\$ 142,385</u>
Administrative Grants:						
Planning/CPED ²	380	Planning Corridor	\$ 172,762	-	\$ 2,551	\$ 170,211
		Subtotal Administrative Grants	<u>\$ 172,762</u>	<u>\$ -</u>	<u>\$ 2,551</u>	<u>\$ 170,211</u>
		GRAND TOTAL	<u>\$ 1,004,201</u>	<u>\$ 7,702</u>	<u>\$ 691,605</u>	<u>\$ 312,596</u>

¹ Current MCDA information for the CDBG 96/97 was not available at the time of this report and therefore not included in the schedule above

² This amount was reprogrammed in October of 2001 as part of the Year 23 reprogramming process

Source : Period 3, April 9, 2005 G101M

**City of Minneapolis
Internal Service Funds**

EQUIPMENT FUND

Fund 6100	2005 Budget	31-Mar-05 Actual	Remaining Budget	% of Actual To Budget
Revenue	45,781,771	8,817,056	36,964,715	19%
Expenditures	44,959,810	8,243,313	36,716,497	18%
Revenue Over (Under) Expenses	821,961	573,742		

Revenue: The primary source of revenue to the fund is rental of equipment which made up approximately 65% of total revenue, first quarter 2005. The workout plan includes a cumulative rate increase totaling \$1.5 million of revenue for 2005

PROPERTY SERVICES FUND

Fund 6200	2005 Budget	31-Mar-05 Actual	Remaining Budget	% of Actual To Budget
Revenue incl. Trans.	14,227,093	3,342,897	10,884,196	23%
Expenditures	15,161,461	3,193,615	11,967,846	21%
Revenue Over (Under) Expenses	(934,368)	149,281		

Revenue: Revenues are charged on an annual basis to other city departments that reside in the buildings Property Services maintains. The amount of "rent" charged is based on historical maintenance expenditures. Ramp Maintenance and Radio Shop use cost reimbursement to recover their costs by charging their customers for the work that they do for them.

ENGINEERING MATERIALS AND TESTING FUND

Fund 6000	2005 Budget	31-Mar-05 Actual	Remaining Budget	% of Actual To Budget
Revenue	3,600,000	111,505	3,488,495	3%
Expenditures	4,617,500	277,272	4,340,228	6%
Revenue Over (Under) Expenses	(1,017,500)	(165,766)		

Revenue: Revenue is generated by the Engineering Laboratory through material inspection and testing. Paving Construction is their main customer and their work is seasonal starting in April and concluding in November. The fund also generates revenue from the purchase of Concrete and Asphalt from outside vendors. Year-to-date revenues are a mere 4% of the annual \$3,600,000 budget as the construction season does not begin until late April. We project revenues at under \$3,500,000 for 2005. Expenses: The fluctuation in spending levels is mostly related to timing differences due to customers' seasonal demands.

PUBLIC WORKS STORES FUND

Fund 6300	27-Jun-05 Budget	31-Mar-05 Actual	Remaining Budget	% of Actual To Budget
Revenue	3,422,500	911,928	2,510,572	27%
Expenditures	3,405,992	828,181	2,577,811	24%
Revenue Over (Under) Expenses	16,508	83,748		

Revenue: As of March 31, 2005 revenues are tracking slightly ahead of plan at \$933,000. Traffic Stores revenues are contributing to this as they have received over 35% of the revenue expected for the year at the end of this first quarter. The revenue also makes up 72% of the total revenue received in 2005.

**City of Minneapolis
Internal Service Funds**

SELF-INSURANCE FUND

Fund 6900	2005 Budget	31-Mar-05 Actual	Remaining Budget	% of Actual To Budget
Revenue incl. Trans.	66,092,694	17,450,045	48,642,649	26%
Expenditures	64,018,970	15,130,104	48,888,866	24%
Revenue Over (Under) Expense	2,073,724	2,319,941		

Revenue: Revenues vary by activity. Employee benefits collect revenue from payroll withholding or employee contribution enabling revenues to match expenditures. Workers Compensation, with related administrative services of Risk Management and Human Resources for the return-to-work program, recognizes revenues from direct billing of users. Tort Liability including administrative services of the City Attorney's Civil division earn revenue by billing departments participating in Self-Insurance.

Expenses: Principal expenditures for Health and Welfare are to account for employee fringe benefits, Workers Compensation and Tort Liability. Worker's Compensation and Tort Liability are required to be reported based on future payout of existing claims. The fund is required to set aside resources annually to cover the future cost of compensated absences based on benefit accruing.

INTERGOVERNMENTAL SERVICES FUND

Fund 6400	2005 Budget	31-Mar-05 Actual	Remaining Budget	% of Actual To Budget
Revenue incl. Trans.	27,610,118	8,087,793	19,522,325	29%
Expenditures	29,887,923	7,925,796	21,962,128	27%
Revenue Over (Under) Expenses	(2,277,805)	161,997		

Revenue:

The BIS rate model was used to charge out for their services beginning in 2005. This has replaced the transfers from customer funds in previous years along with realigning the charges for Telephone service throughout the City. It also defines services that are performed for specific customers and assigns charges for those special services. Because the model assigns cost based on activity versus a more arbitrary allocation, customers of Intergovernmental Services are more aware of the items that they are paying for and are becoming more accountable for the services requested and provided.

Implementation of the rate model has benefited in defining the revenue streams within the fund and helped determine what services are being charged back to the customer based on specific requests such as in the Project Management area. This area separately bills for its services as it serves its customers by providing service for specific requests from equipment moves to Project Management in the Capital Projects area. A change made in 2005 was to charge Capital Projects for their services versus coding directly. This has enabled the PMD area to more properly recover its costs and is reflected in the dramatic increase in revenue through the first quarter of 2005. The implementation also has improved the matching of revenues with the Fund's expenditures. This can be seen by comparing the revenues with the respective disbursements. This also reflects that activity in the City Clerk area has declined due to using outside sources to perform some of its services. Overall the fund is generating enough revenue to cover expenses including the depreciation through the first quarter.

**City of Minneapolis
Enterprise Funds**

SOLID WASTE FUND

Fund 7700	2005 Budget	31-Mar-05 Actual	Remaining Budget	% of Actual To Budget	31-Mar-04 Actual
Revenue	27,542,800	6,865,485	20,677,315	25%	6,578,862
Expenditures	26,547,630	3,995,481	22,552,149	15%	4,415,502
Revenue Over (Under) Expenses	995,170	2,870,004			2,163,360
Net Income/(Loss)	433,236	2,636,724			1,892,859

Revenue: The Solid Waste and Recycling fund has 5% more revenue than this same time in 2004 due to a new recycling contract. The last rate increase of .75 cent occurred in 2003. Expenses: The Solid Waste and Recycling fund operating expenses are currently at 19.2% of budget. The main reason for low spending in the first quarter is due to the one month lag in the payment of large contracts. This fund is expected to be within budget expectations for 2005.

WATER FUND

Fund 7400	2005 Budget	31-Mar-05 Actual	Remaining Budget	% of Actual To Budget	31-Mar-04 Actual
Operating Revenue	65,473,053	11,182,101	54,290,952	17%	11,168,705
Operating Expenditures	45,521,223	7,849,535	37,671,688	17%	8,840,932
Revenue Over (Under) Expenditures	19,951,830	3,332,566			2,327,773
Net Income (Loss)	9,190,616	1,540,082			213,660

Revenue: For the year 2005, there was a rate increase of 12 cents, increasing the rate from \$2.38 to \$2.50/unit. This equates to an annual increase of 5.0%. The first quarter operating revenue of \$11,182,101 is adjusted to include a 2005 refund of \$2,282,460 to the Joint Water Commission for the period January 1, 2004 through March 31, 2005. After this adjustment, the first quarter operating revenue is \$11,182,101. This equates to a 0.1% increase over the first quarter of 2004. Expenses: For the first quarter of 2005 operating expenses are \$991,397 less than for the first quarter of 2004. Previously, expenditures for human resources, finance, and utility billing were budgeted within the finance and human resource cost centers. Beginning January 2005, these expenditures are included in general overhead and paid from the Contribution to Other Funds cost center of the water fund operating budget. The 2005 budget for Contribution to Other Funds is \$5,621,535 and first quarter expenditures totaled \$167,136, or 3.0% of the total expenditures budgeted. The budgeted quarterly expenditure from this cost center is \$1,405,384. When this amount is transferred to other funds, the expenditures for the first quarter will increase by \$1,238,248. The \$2,282,460 JWC adjustment to decrease operating revenue and the \$1,238,248 increase to expenditures will adjust the Revenue over Expenditures to \$2,094,318 and Net Income to \$301,834 for the first quarter of 2005.

SANITARY SEWER FUND

Fund 7100	2005 Budget	31-Mar-05 Actual	Remaining Budget	% of Actual To Budget
Revenue	36,105,500	7,660,118	28,445,382	21%
Expenditures	37,142,013	10,277,630	26,864,383	28%
Revenue Over (Under) Expenses	(1,036,513)	(2,617,512)		

The Sewer fund was split in 2005 into two funds, Storm Water and Sanitary Sewer. Revenue: Revenues are slightly lower than budgeted. The new billing system for the separate fees was not implemented until March; during the second quarter a review will be done of the revenue provided by the new rate schedule. Expenses: Expenses are currently at 28% of budget. One reason for the overspending is due to April charges paid to Met Council Environmental Services for sewage treatment being included in the first quarter.

**City of Minneapolis
Enterprise Funds**

STORMWATER FUND

Fund 7300	2005 Budget	31-Mar-05 Actual	Remaining Budget	% of Actual To Budget
Revenue	37,314,034	6,805,402	30,508,632	18%
Expenditures	20,925,750	3,014,490	17,911,260	14%
Revenue Over (Under) Expenses	16,388,284	3,790,912		

The Sewer fund was split in 2005 into two funds, Storm Water and Sanitary Sewer. Revenue: Revenues are lower than budgeted as the new billing system for the separate fees was not implemented until March; during the second quarter a review will be done of the revenue provided by the new rate schedule. In addition, there are also some timing differences in Inter-Departmental billings as well as the volatility of the Inspection Services revenues for SAC charges related to the construction market that are expected to increase during the summer. Expenses: Sewer fund expenses are currently at 14% of budget. The apparent under spending is due to timing differences on operating transfers for street sweeping and debt service that will occur after the first quarter.

PARKING FUND

Fund 7500	2005 Budget	31-Mar-05 Actual	Remaining Budget	% of Actual To Budget	31-Mar-04 Actual
Revenue	55,588,366	13,803,374	41,784,992	25%	14,782,727
Expenditures	43,943,245	6,862,433	37,080,812	16%	7,587,514
Revenue Over (Under) Expenses	11,645,121	6,940,941			7,195,213

Revenues: First quarter revenues for 2005 were \$13.8 million which stands at 25% of the budget. This is a decrease of 7% compared to first quarter revenue of 2004. Revenues from on-street parking and towing were up 13% and 4%. New meter management plan such as adjustments to rates, hours, time limits, and days of reinforcements reflect the increase in on-street parking revenue. Increase in towing revenues is the result of increase in rate and the numbers of vehicle towed. Off-street parking for the quarter is \$10.3 million which is less than first quarter revenues of 2004 by 11%. While 4% of the decrease can be traced to City-owned facilities, the other 7% can be attributed to State-owned facilities where revenues are now only limited to City's direct expenditures and overheads. Besides, in 2004, Metro Transit bus strike during the first quarter contributed to increased use of on-street as well as off-street facilities thereby boosting the revenues. Expenditures: Expenditures for first quarter, 2005, were \$6.86 million and at 16% of the budget. This is a decrease of 10% in expenditures over the first quarter of 2004. Decrease in contractual services in off-street parking system account for this variance. Automation and centralization of operations are some of the key initiatives implemented to reduce expenses in the current and for future years. A new agreement with Municipal Parking Inc. Has reduced management fees and should result in savings of \$300,000 for the fund. Operating expenditures for 2005 are projected to be at \$38 million and does not include major maintenance work for State-owned ramps which could be scheduled in the current year. All expenses related to State-owned facilities, however, are fully reimbursed by the State.