

**City of Minneapolis  
FY 2005 Budget**

**Financial Plans**

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The schedules that follow contain the Financial Plans for the major funds of the City. Detailed financial plans are included for the following major funds, listed below. For the other funds of the City, financial information (expenditure and revenue) is included in the *Financial Schedules Section* of this report.

➤ **General Fund**

➤ **Special Revenue Funds**

- Convention Center Special Revenue Fund

➤ **Enterprise Funds**

- Municipal Parking Fund
- Solid Waste and Recycling Fund
- Storm Water, Sewer, and Flood Mitigation Utility Fund
- Water Treatment and Distribution Fund

➤ **Internal Service Funds**

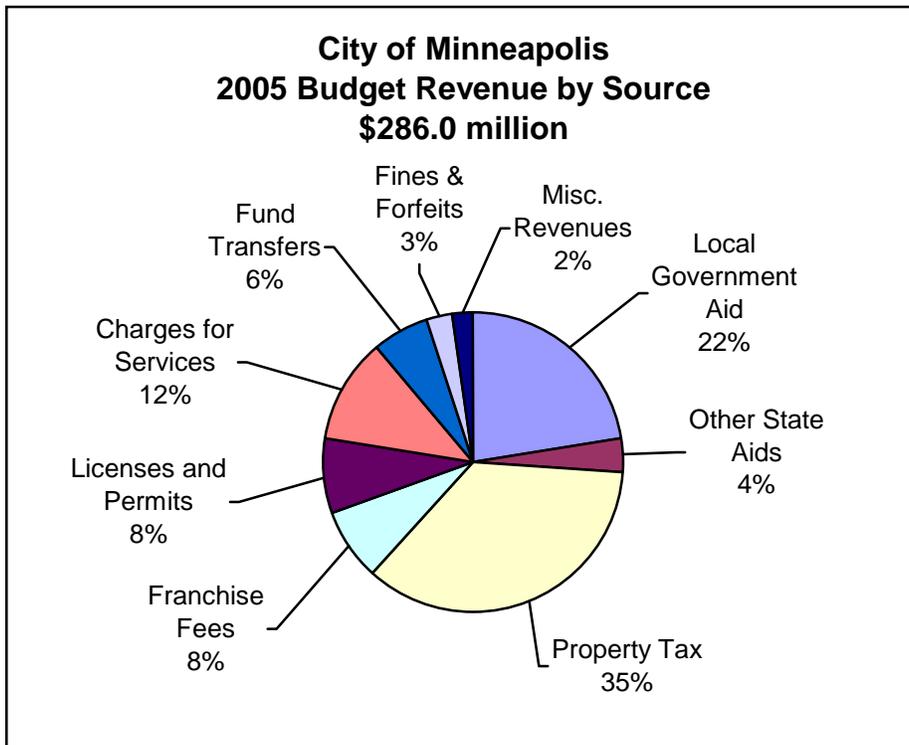
- Public Works Stores Fund
- Engineering Materials and Testing
- Intergovernmental Services Fund
- Equipment Fund
- Property Services Fund
- Self-Insurance Fund

**City of Minneapolis  
FY 2005  
Financial Plan**

**General Fund**

**Background**

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 major sources of revenue include and their relative percentages of total General Fund financial sources are:



Combined, the two largest revenues (State Aids and Property Tax) have historically accounted for approximately 60-65% of total sources of funds for the General Fund. The top four sources of funds account for more than 75% of the General Fund's annual financial inflows.

**Historical Financial Performance**

The results of the General Fund's annual operations are closed annually into the fund's "fund balance." The General Fund's balance measures the amount of available, spendable resources owned by the fund. The balance provides the City a reserve to

cushion adverse economic shocks and to meet the City's liquidity needs. The City's policy is to maintain a minimum fund balance of 10 percent of the following year's revenue budget amount.

For several years, the City has been able to increase its General Fund balance. At year-end 2003, the General Fund operations resulted in approximately a \$7.5 million increase in fund balance for a total year-end balance of \$53.5 million. This amount met the 10 percent reserve requirement and represents a reserve of 20 percent of modified budgeted revenues for year 2004. The City anticipates that it will again meet its reserve requirement at year-end 2004. As a result, the City Council and Mayor decided to reduce debt issuance for pensions by \$5 million in 2005, which reduces ongoing principal and interest costs by \$500,000 annually. These additional resources were allocated to the Police department.

## 2005 Adopted Budget

### *Revenues*

The General Fund 2005 budget includes a total of \$286 million of revenues and other sources including \$17 million from transfers from other funds. Budgeted General Fund revenues for 2005 are 9% higher than 2004 budget. The 2005 budgeted revenues represent a 13% increase over 2003 actual revenues.

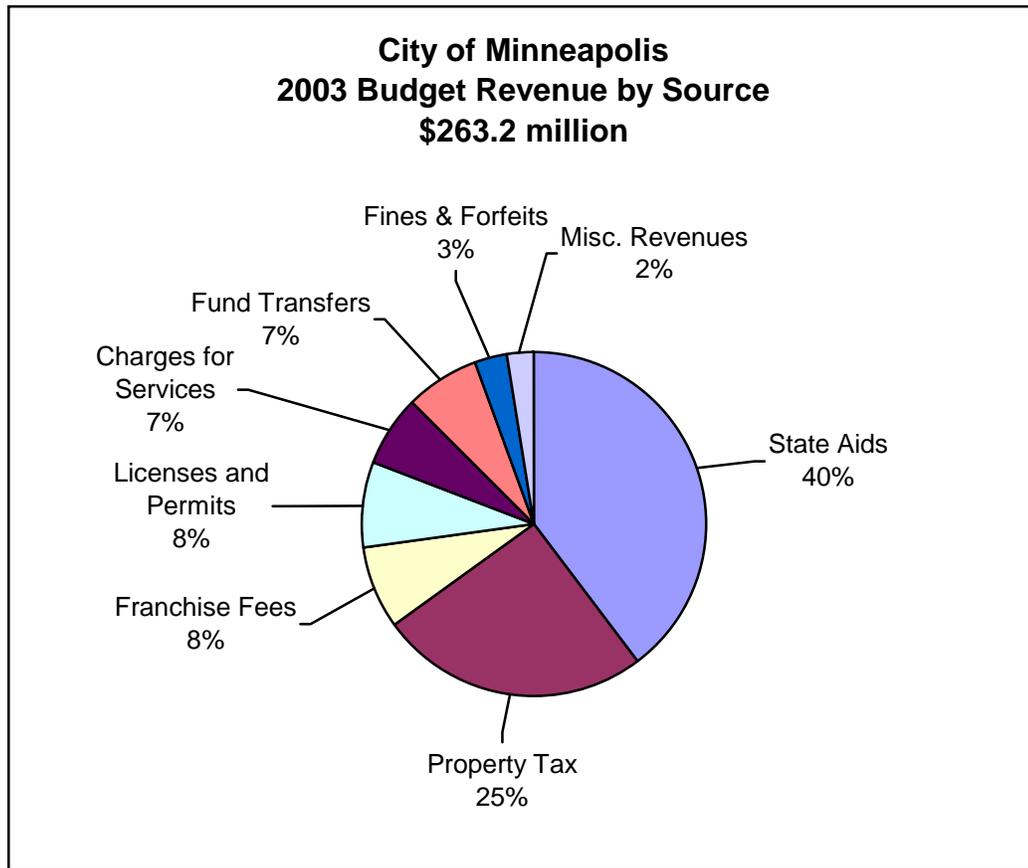
As the chart below shows, the distribution of total revenue among the General Fund's revenue categories has continued to change. The effects of the 2003 and 2004 reductions in Local Government Aid are evident. State Aid (including LGA) went from 40% of the budget in 2003 to 26% in 2005. Property taxes and franchise fees have increased as a percent of the total revenue picture.

| Revenue Source       | 2004<br>Adopted<br>Budget | 2005<br>Adopted<br>Budget | % Chg<br>from 2004<br>Adopted | 2004<br>Budget as<br>% of Total | 2005<br>Budget as<br>% of Total |
|----------------------|---------------------------|---------------------------|-------------------------------|---------------------------------|---------------------------------|
| State Aids           | 76.3                      | 74.6                      | -2.2%                         | 29.0%                           | 26.1%                           |
| Property Tax         | 85.4                      | 101.9                     | 19.3%                         | 32.5%                           | 35.7%                           |
| Franchise Fees       | 23.5                      | 22.1                      | -6.0%                         | 8.9%                            | 7.7%                            |
| Licenses and Permits | 20.7                      | 22.5                      | 8.7%                          | 7.9%                            | 7.9%                            |
| Charges for Services | 23.0                      | 33.0                      | 43.5%                         | 8.8%                            | 11.5%                           |
| Fund Transfers       | 18.7                      | 17.0                      | -9.1%                         | 7.1%                            | 5.9%                            |
| Fines & Forfeits     | 9.4                       | 8.5                       | -9.6%                         | 3.6%                            | 3.0%                            |
| Misc. Revenues       | 5.8                       | 6.2                       | 6.9%                          | 2.2%                            | 2.2%                            |
| <b>Total</b>         | <b>262.8</b>              | <b>285.8</b>              | <b>8.8%</b>                   | <b>100.0%</b>                   | <b>100.0%</b>                   |

### **State Aids (including Local Government Aid):**

The City faced significant pressure in 2003 and 2004 when the State Legislature reduced the Local Government Aid (LGA) to the City by \$35 million. Of this reduction, \$29.3 million was allocated to the General Fund with the remaining \$5.7 million

allocated to the Park and Library Boards. This reduction represented an 8% decrease to the General Fund's revenue.



**Franchise fees** are paid by various utility companies for their use of City rights of way. Franchise fees are a percentage of total utility revenues. Therefore, the City's collections vary directly with the paying utility's gross revenues. The 2005 budget includes a \$1.4 million decrease to franchise fees, from \$23.5 million to \$22.1 million based on mid-year 2004 estimates and the electricity franchise agreement. These changes involve a reduction of the rate of the franchise fees charged to small and large volume commercial/industrial consumers. Further, the City's cable franchise fee revenues have declined as a result of a declining number of subscribers to the service.

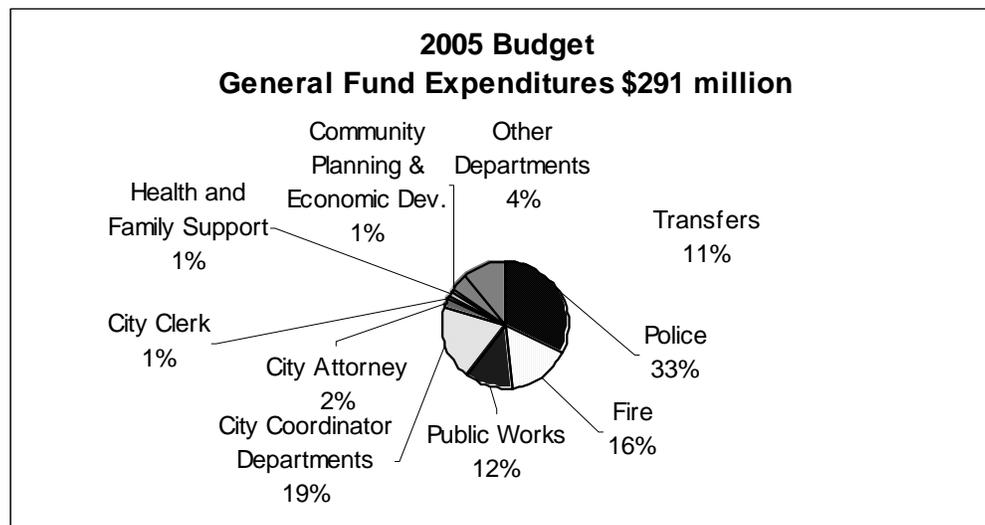
**Licenses and Permits** create significant revenue for the City's General Fund. The City issues licenses and permits for a wide variety of regulated activities. Building permits are a major component of this revenue category. The 2005 budget anticipates a slight increase in the overall level of activity with some increases in the actual fees paid, for a 9% increase in licenses and permit revenue.

**Charges for Services and Sales** reflect a 43% increase in revenue as result of an accounting change on General Fund overhead. The City had previously charged a flat 3.5% to funds that were not exempt from this charge. The City has developed a rate model for these general government activities. As a result, both revenue and expense increased in the General Fund, with offsetting decline in direct charges to other funds.

## Expenditures

The total 2005 budget for the General Fund is \$291 million, which includes \$32 million in transfers to other funds. After adjusting for transfers, the budget increased from \$232.9 million as adopted in 2004, to \$258.9 million in 2005, an 11% increase. These overall figures reflect the changes related to the general fund overhead allocation and the \$5 million draw down of general fund reserve as described above.

Below is a graph with the 2005 expenditures by department. Public Safety expenditures, Police, Fire, City Attorney, comprise the largest percent of General Fund expenditures.



In 2005, department budgets include allocations for Business Information Services costs and for the benefits administration fee. Previously, these expenses had been budgeted centrally at the fund level. Each department's narrative includes information about their charges for these two items. The schedules for both of these charges detail the charges by fund.

The Adopted budget recommends the following major General Fund changes:

- Reductions in accordance with the five year plan for the following departments: City Attorney (\$290,000), Emergency Communications (\$180,000), Finance (\$320,000), Human Resources (\$102,000), Civil Rights (\$200,000), Community Planning and Economic Development (\$80,000), and Fire (\$251,000).
- Reductions below the five year plan for the Police department, (\$2.2 million in reductions).
- Reductions below the five year plan for the Health and Family Support Department (\$650,000 in reductions).

- Reductions below the five year plan for the Public Works department as a result of slower growth than anticipated (\$1.2 million in reductions).
- An additional position to the Communications department for Community Engagement (\$65,000).
- Additional resources to Intergovernmental Relations for enhanced federal and state efforts (\$65,000).
- One-time funding to address the Civilian Review Authority Backlog (\$70,000).
- Funding an enterprise-wide strategy to address Limited English Proficiency issues in City departments (\$50,000).
- Shifting the New Arrivals and Native American Advocate from the Department of Health and Family Support to the Civil Rights department (\$235,000 plus CDBG funding).
- An additional position in Community Planning and Economic Development to support enterprise job creation and career laddering (\$77,000).
- One-time funding for a Police Department Retirement Incentive (\$350,000). Any positions vacated as a result of the incentive will be eliminated.
- Increased workhouse costs by \$100,000 with a decline in contingency by a like amount.
- Addition of \$75,000 to the City Attorney's Office for one-time alternative violence prevention strategies.
- Reductions in the Coordinator's area (\$75,000) and the Regulatory Services area of the Coordinator's area (\$75,000) – these funds reduced the amounts of the police cuts above.
- A reduction in the planned debt service support for pensions as the result of more detailed actuarial analysis (\$1.5 million) and a \$5 million reduction in debt issued, saving \$500,000 annually. These funds reduced the amount of the police cuts above.

### *Transfers*

The 2005 General Fund budget includes a \$2.9 million increase in transfer expense, from \$29.9 million to \$32.8 million. This decrease is the net result of an increase of \$3.9 million related to the internal service fund work out plans, \$11.8 million increase related to increased pension liability, and a \$10.9 million decrease due to the implementation of the Business Information Systems (BIS) rate model. BIS charges are now included in departments' budgets, rather than being transferred at the fund level. Transfer

revenues include a decline of \$1.0 million from the Parking Fund as a result of the adopted work out plan for that fund and a \$900,000 decline in transfers from CPED funds, as a result of implementation of the General Fund overhead model.

### Summary of Transfers to Other Funds

| <i>(In millions of dollars)</i>     | 2004<br>Adopted<br>Budget | 2005<br>Adopted<br>Budget | Change       |
|-------------------------------------|---------------------------|---------------------------|--------------|
| Internal Service Funds <sup>1</sup> | \$22.9                    | \$15.6                    | (\$ 7.3)     |
| Debt Service Transfers              | \$ 4.8                    | \$17.0                    | \$12.2       |
| Other transfers                     | \$ 2.2                    | \$ 0.2                    | (\$ 2.0)     |
| <b>Total</b>                        | <b>\$29.9</b>             | <b>\$32.8</b>             | <b>\$2.9</b> |

### Summary of Transfers from Other Funds

| <i>(In millions of dollars)</i> | 2004<br>Adopted<br>Budget | 2005<br>Adopted<br>Budget | Change         |
|---------------------------------|---------------------------|---------------------------|----------------|
| Enterprise Funds                | \$10.5                    | \$9.5                     | (\$1.0)        |
| Entertainment Tax               | \$ 7.3                    | \$7.5                     | \$ 0.2         |
| Other transfers                 | \$ 0.9                    | \$0.0                     | (\$ 0.9)       |
| <b>Total</b>                    | <b>\$18.7</b>             | <b>\$17.0</b>             | <b>(\$1.7)</b> |

<sup>1</sup> This includes funds that are transferred to the internal service funds to cover the General Fund's share of both operational costs and debt service payments, related to internal service fund activities.

**City of Minneapolis  
FY 2005 Budget  
Financial Plan (in thousands of dollars)**

**General Fund**

|   | 2002<br>Actual | 2003<br>Actual | 2004<br>Adopted<br>Budget | 2005<br>Adopted<br>Budget | % Chg from<br>2004 Adopted<br>Budget | 2006<br>Forecast | 2007<br>Forecast | 2008<br>Forecast |
|---|----------------|----------------|---------------------------|---------------------------|--------------------------------------|------------------|------------------|------------------|
| <b>Revenues:</b>  |                |                |                           |                           |                                      |                  |                  |                  |
| Property Taxes  | 54,603         | 64,613         | 85,376                    | 101,926                   | 19.4%                                | 101,926          | 114,702          | 124,413          |
| Annual Property Tax Increase  |                |                |                           |                           |                                      | 12,776           | 9,711            | 13,784           |
| <i>Subtotal - Property Taxes</i>                                    | 54,603         | 64,613         | 85,376                    | 101,926                   | 19.4%                                | 114,702          | 124,413          | 138,197          |
| Local Government Aid  | 88,986         | 73,447         | 64,557                    | 64,143                    | -0.6%                                | 64,143           | 64,143           | 64,143           |
| <i>Subtotal</i>   | 88,986         | 73,447         | 64,557                    | 64,143                    | -0.6%                                | 64,143           | 64,143           | 64,143           |
| Other State Aids  | 16,401         | 15,371         | 11,764                    | 10,540                    | -10.4%                               | 10,540           | 10,540           | 10,540           |
| Franchise Fees  | 21,861         | 24,083         | 23,500                    | 22,110                    | -5.9%                                | 22,110           | 22,110           | 22,110           |
| Licenses and Permits  | 20,733         | 22,205         | 20,681                    | 22,532                    | 9.0%                                 | 22,532           | 22,532           | 22,532           |
| Charges for Services and Sales                                      | 17,214         | 19,980         | 23,027                    | 32,957                    | 43.1%                                | 32,957           | 32,957           | 32,957           |
| Fines and Forfeits  | 7,127          | 8,026          | 9,372                     | 8,512                     | -9.2%                                | 8,512            | 8,512            | 8,512            |
| Special Assessments   | 2,821          | 2,723          | 2,857                     | 2,743                     | -4.0%                                | 2,743            | 2,743            | 2,743            |
| Interest  | 2,179          | 1,432          | 1,301                     | 1,830                     | 40.7%                                | 1,830            | 1,830            | 1,830            |
| Other Miscellaneous Revenues  | 2,042          | 544            | 1,613                     | 1,468                     | -9.0%                                | 1,468            | 1,468            | 1,468            |
| Transfers from other funds  | 19,400         | 20,713         | 18,704                    | 17,032                    | -8.9%                                | 16,032           | 15,031           | 14,031           |
| <b>Total Revenues</b>   | <b>253,367</b> | <b>253,137</b> | <b>262,752</b>            | <b>285,793</b>            | <b>8.8%</b>                          | <b>297,569</b>   | <b>306,279</b>   | <b>319,063</b>   |
| <b>Expenditures:</b>  |                |                |                           |                           |                                      |                  |                  |                  |
| Police  | 94,817         | 93,632         | 89,446                    | 94,749                    | 5.9%                                 | 95,118           | 94,111           | 95,821           |
| Fire  | 41,672         | 39,934         | 43,316                    | 45,200                    | 4.3%                                 | 45,870           | 46,560           | 47,854           |
| Public Works  | 35,180         | 33,542         | 36,140                    | 36,336                    | 0.5%                                 | 36,510           | 36,591           | 36,937           |
| City Coordinator Departments  | 37,809         | 28,734         | 40,139                    | 54,952                    | 36.9%                                | 56,320           | 56,982           | 58,414           |
| City Attorney   | 4,376          | 4,260          | 5,013                     | 6,422                     | 28.1%                                | 6,393            | 6,439            | 6,547            |
| City Clerk  | 4,339          | 1,790          | 2,076                     | 2,269                     | 9.3%                                 | 2,338            | 2,359            | 2,435            |
| Health and Family Support   | 3,799          | 3,415          | 3,465                     | 3,653                     | 5.4%                                 | 2,835            | 2,157            | 1,443            |
| Community Planning & Economic Dev.                                  | 1,672          | 1,885          | 2,184                     | 3,267                     | 49.6%                                | 3,267            | 3,292            | 3,323            |
| Other Departments   | 2,900          | 13,498         | 11,111                    | 12,028                    | 8.3%                                 | 11,850           | 12,136           | 12,429           |
| Transfers to other funds  | 20,264         | 24,989         | 29,862                    | 32,417                    | 8.6%                                 | 37,068           | 45,652           | 53,860           |
| <b>Total</b>  | <b>246,828</b> | <b>245,679</b> | <b>262,752</b>            | <b>291,293</b>            | <b>10.9%</b>                         | <b>297,569</b>   | <b>306,279</b>   | <b>319,063</b>   |
| <b>Net Change in Balance</b>  | <b>6,539</b>   | <b>7,458</b>   |                           | <b>(5,500)</b>            |                                      |                  |                  |                  |
| <b>Fund Balance/Retained Earnings:</b>                              |                |                |                           |                           |                                      |                  |                  |                  |
| Beginning Balance   | 39,114         | 45,653         | 53,111                    | 48,458                    | -8.8%                                | 42,958           | 42,958           | 42,958           |
| Ending Balance  | 45,653         | 53,111         | 53,111                    | 42,958                    | -19.1%                               | 42,958           | 42,958           | 42,958           |
| Ten Percent Reserve Requirement<br>(10% of following year's budget) | 26,316         | 26,275         | 28,579                    | 29,757                    | 30,628                               | 31,906           | 31,295           | 33,014           |

**City of Minneapolis  
FY 2005  
Financial Plan**

**Convention Center Special Revenue Fund**

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**Background**

The Convention Center Special Revenue Fund accounts for the maintenance and operation of the City owned Convention Center and the related sales tax activities. The Minneapolis Convention Center was created as an investment to foster and generate economic growth and vitality by providing facilities and services for conventions, trade shows, exhibits, meetings, cultural, religious, and sporting events, all of which benefit and showcase Minneapolis, the metropolitan region, and the State of Minnesota.

**Historical Financial Performance**

The fiscal year-end 2003 fund balance for the Convention Center Special Revenue Fund was \$24.4 million. Local taxes support the Convention Center with \$48.9 million being collected in 2003, similar to 2002 totals. Approximately \$25.5 million was transferred for debt service obligations or enterprise related debt.

Comparative amounts collected were as follows:

| <u>Local Taxes (in millions)</u> | <u>2002</u>  | <u>2003</u>  |
|----------------------------------|--------------|--------------|
| 0.5% Citywide Sales tax          | \$25.3       | \$25.6       |
| 3.0% Entertainment Tax           | \$7.5        | \$7.8        |
| 3.0% Downtown Restaurant Tax     | \$7.7        | \$7.9        |
| 3.0% Downtown Liquor Tax         | \$2.9        | \$3.0        |
| <u>2.0% Lodging Tax*</u>         | <u>\$4.2</u> | <u>\$4.6</u> |
| Total Tax Collection             | \$47.6       | \$48.9       |

\* Effective April 1, 2002, the Lodging Tax increase to 3%, a 1% increase.

Funds are transferred annually to the Convention Center Reserve Fund for major repair or equipment replacement for the Convention Center facility. Due to the age of the building, it is anticipated that the amount of this transfer will increase in future years as specific needs are identified. In 2003, \$1.1 million was transferred to the Convention Center Reserve Fund.

Operating Revenues are revenues generated directly by the Convention Center. Space rent is the largest source of revenue for the Center. Also included in this line item are equipment rental and 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. Commission sales of food and beverage account for most of

the Other Miscellaneous Operating Revenue line item. In 2005 the Convention Center will be opening a Business Service center and offer wireless and internet services to its customers generating additional revenue in their Charges for Services line item. In 2003 total operating revenue generated by the Center was \$12.2 million, a gain of 9% from 2002.

## **2004 Financial Projections**

The hospitality industry appears to be rebounding from the effects of the national tragedy of September 11, 2001 and the recession. Event operating revenues are projected to exceed 2003 levels by 14% and meet budgetary goals. Tax proceeds are projected to be within budget and 2% above the 2003 actual totals. However due to spending increases, the ending fund balance in the Convention Center Special Revenue Fund is projected to be \$21.5 million a 12% reduction from the prior year.

Operating expenditures for the Center in 2004 are projected to be 3% under budget, though exceeding their 2003 spending by 18%.

## **2005 Budget**

### *Revenues*

Below is a summary of the estimated local tax revenue increases for 2005 over the 2004 actual totals.

- 2.5% increase in sales tax
- 2.5% increase in Restaurant tax
- 2.5% increase in Liquor tax
- 2.5% increase in Lodging tax
- 2.5% increase in Entertainment tax

The Convention Center annual operating revenue budget increased 6% over projected 2004 revenue totals.

### *Expenditures*

In 2005, the Convention Center operating budget, including capital expenditures, will increase 14% over the 2004 current service level. The increase is due to additional capital outlays to replace aging and obsolete parts and systems of the facility. \$2.5 million for 2005 capital replacements will be funded from the Convention Center Reserve Fund. It budget also includes \$1.18 million in General Fund overhead charges.

In 2005, the transfer of revenue to the Greater Minneapolis Convention & Visitors Association (GMCVA) will remain the same as its 2004 level except for variances in lodging tax proceeds. Also in 2004 the City entered into a \$2.5 million loan agreement with the GMCVA for the association's joint venture Internet Destination Sales System (IDSS). The loan is pledged against future City's appropriations to the Association. The GMCVA functions as the primary sales and booking agent of the Convention Center.

## **Cash Position Changes**

In the Convention Center Special Revenue Fund except for loans to other funds, the projected cash balance in 2005 will fluctuate relative to the fund equity. Most operating revenues and expenditure transactions are cash transactions. Attributing to a healthy cash position is the Convention Center policy of requiring cash advances for space rent and services to exhibitors. At the end of 2003, client advances sometimes received years in advance of the event were \$1,729,000 and outstanding client receivables were \$649,000. In 2000, the Convention Center, as part of the Intergovernmental Services Fund (internal service fund) workout plan, advanced \$12,800,000 to the fund as a long-term loan. While this does not impact the fund balance, cash balance is reduced.

## **Debt Service and Transfers**

### *Debt Service*

The recommended 2005 budget includes full funding to meet the annual debt service payments. Outstanding debt for the Convention Center is approximately \$310 million in total. In addition to the to the annual debt service payments for the Convention Center, commencing in 2004 all savings on the variable rate bond interest rates are transferred to the Parking Fund as part of the parking Fund Workout Plan.

### *Transfers to Other Funds*

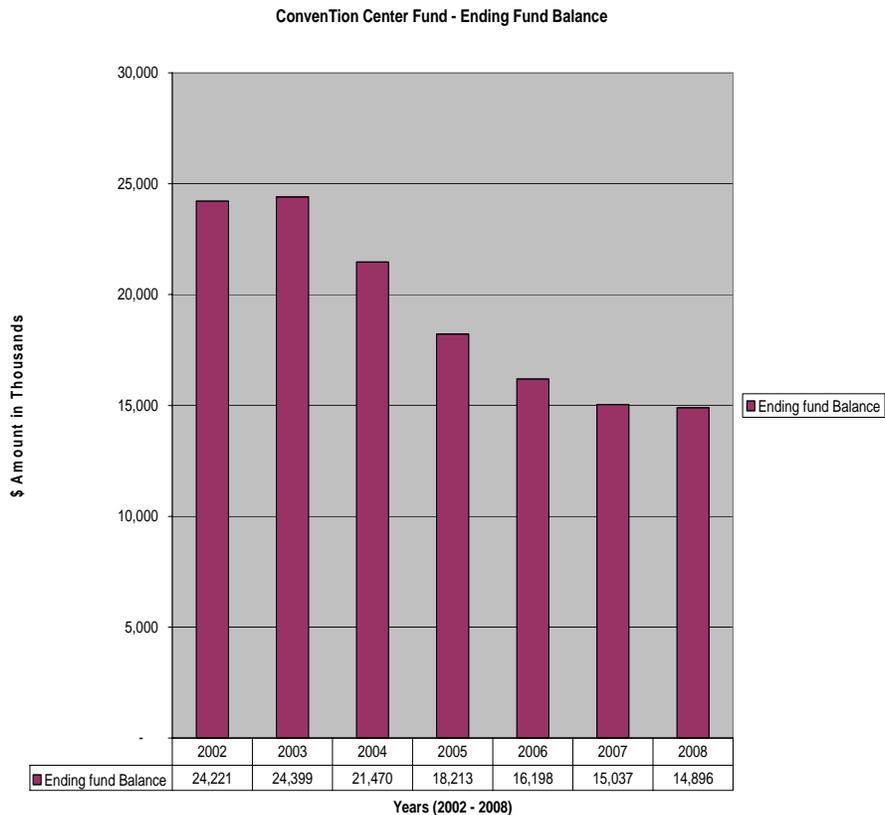
Total transfers to other funds in 2005 are budgeted at \$37.8 million, approximating 2004 levels.

- General Fund - \$7.5 million – funded by entertainment tax proceeds, historically a revenue source to the General Fund since 1969
- Arena Reserve - \$1.2 million – that portion of the entertainment tax estimated to be derived by Target Center activities
- Convention Center Reserve - \$1.2 million for future major Convention Center repairs or replacement
- Convention Center Debt Service - \$19.7 million – current year debt service liability for the Convention Center bond issue

- Parking Fund - \$8.2 million - funding for the current year debt service obligation for the Convention Center related parking ramps and facilities and Parking Fund Workout Plan.
- MERF Pension Fund - \$.02 million - additional funding necessary meet MERF pension plan obligations

The City of Minneapolis deposits all of its local tax proceeds (i.e., sales tax, lodging tax, etc.) in the Convention Center Special Revenue Funds. All the tax proceeds except for the entertainment tax are Convention Center related and are used primarily to fund the debt related to the construction of the Convention Center and other related facilities, as well as to fund operating deficit projected to be \$11.5 million for 2005. Operating revenues are not sufficient to cover operating expense.

The entertainment tax, established in 1969, is a revenue source for the General Fund to offset additional police and fire department costs associated with citywide entertainment activities. A portion of the tax is redirected to the Arena Reserve fund to fully credit the fund for entertainment tax proceeds generated from Target Center activities, as required by the Target Center Arena finance plan. The entertainment tax is not deposited directly in the General Fund because it is pledged revenue on the outstanding Convention Center bonds in the event that other revenue would not be sufficient to meet debt service obligations, which has never happened.



**City of Minneapolis**  
**Convention Center Special Revenue Fund 0760**  
**Financial Plan (in thousands of dollars)**

|  | 2002          | 2003          | 2004           |                | 2005           | % Chg         | 2006           | 2007           | 2008          |
|--|---------------|---------------|----------------|----------------|----------------|---------------|----------------|----------------|---------------|
|  | Actual        | Actual        | Current Budget | 2004 Projected | Budget         | From Budget   | Forecast       | Forecast       | Forecast      |
| <b>Operating Revenues:</b>             |               |               |                |                |                |               |                |                |               |
| Charges For Services                   | 3,249         | 3,720         | 4,740          | 4,740          | 5,230          | 10.3%         | 5,500          | 5,763          | 6,050         |
| Rents                                  | 5,737         | 6,194         | 6,765          | 6,765          | 7,063          | 4.4%          | 7,525          | 7,902          | 8,431         |
| Other Miscellaneous Operating          | 2,208         | 2,321         | 2,405          | 2,405          | 2,505          | 4.2%          | 2,630          | 2,761          | 2,899         |
| Total                                  | 11,194        | 12,235        | 13,910         | 13,910         | 14,798         | 6.4%          | 15,655         | 16,426         | 17,380        |
| <b>Non-Operating Revenues:</b>         |               |               |                |                |                |               |                |                |               |
| Sales Tax                              | 25,283        | 25,562        | 26,047         | 26,504         | 26,698         | 2.5%          | 27,365         | 28,050         | 28,751        |
| Entertainment Tax                      | 7,488         | 7,779         | 8,470          | 8,127          | 8,682          | 2.5%          | 8,899          | 9,122          | 9,350         |
| Restaurant Tax                         | 7,754         | 7,907         | 7,754          | 7,661          | 7,948          | 2.5%          | 8,147          | 8,350          | 8,559         |
| Liquor Tax                             | 2,871         | 3,065         | 2,843          | 3,294          | 2,914          | 2.5%          | 2,987          | 3,062          | 3,138         |
| Lodging Tax                            | 4,166         | 4,595         | 4,545          | 4,500          | 4,658          | 2.5%          | 4,774          | 4,894          | 5,016         |
| Contributions                          | 600           | 367           | 0              | 0              |                | 0.0%          |                |                |               |
| Interest                               | 346           | 265           | 160            | 160            | 215            | 34.4%         | 215            | 215            | 215           |
| Transfer From Facility Reserve         | 0             | 0             | 0              | 0              | 2,531          | 0.0%          | 3,599          | 500            | 1,000         |
| Total                                  | 48,508        | 49,540        | 49,819         | 50,246         | 53,646         | 7.7%          | 55,987         | 54,192         | 56,029        |
| <b>Total Revenue</b>                   | <b>59,702</b> | <b>61,775</b> | <b>63,729</b>  | <b>64,156</b>  | <b>68,444</b>  | <b>7.4%</b>   | <b>71,642</b>  | <b>70,618</b>  | <b>73,409</b> |
| <b>Expenditures</b>                    |               |               |                |                |                |               |                |                |               |
| Convention Center Operations           | 16,983        | 18,542        | 21,910         | 21,300         | 22,908         | 4.6%          | 23,824         | 24,777         | 25,768        |
| Ongoing Equipment and Improvement      | 900           | 703           | 1,387          | 1,387          | 3,667          | 164.4%        | 4,810          | 1,760          | 2,310         |
| Bad Debt Expense                       |               | 213           | 0              | 0              | 0              |               | 0              | 0              | 0             |
| Finance                                | 225           | 307           | 302            | 302            | 319            | 5.6%          | 325            | 332            | 339           |
| Convention Related Police Service      |               |               |                |                | 100            | 0.0%          |                |                |               |
| Human Resources                        | 51            | 54            | 59             | 59             | 62             | 5.1%          | 63             | 65             | 66            |
| GMCVA                                  | 7,002         | 7,230         | 6,655          | 6,655          | 6,930          | 4.1%          | 7,171          | 7,314          | 7,460         |
| Neighborhood Early Learning Centers    | 0             | 0             | -              | -              | -              | 0.0%          | -              | -              | -             |
| Convention Center Completion Project   | 93            | 0             | -              | -              | -              | 0.0%          | -              | -              | -             |
| Transfer To Genl Fund - Entert Tax     | 5,841         | 6,480         | 7,270          | 6,927          | 7,482          | 2.9%          | 7,699          | 7,922          | 8,150         |
| Transfer To Target Ctr Reserve         | 1,647         | 1,299         | 1,200          | 1,200          | 1,200          | 0.0%          | 1,200          | 1,200          | 1,200         |
| Transfer To Conv Center Reserve        | 1,100         | 1,150         | 1,150          | 1,150          | 1,150          | 0.0%          | 1,150          | 1,150          | 1,150         |
| Transfer To Capital Improvements       | 1,560         | 60            | -              | 0              | -              | 0.0%          | -              | -              | -             |
| Transfer To Debt Service               | 16,205        | 16,876        | 19,493         | 17,351         | 19,725         | 1.2%          | 19,142         | 18,810         | 18,796        |
| Transfer To Parking Fund               | 8,235         | 8,598         | 8,365          | 10,646         | 8,243          | -1.5%         | 8,359          | 8,539          | 8,402         |
| Transfer to BIS                        | 71            | 66            | 66             | 66             | -              | 0.0%          | 0              | 0              | 0             |
| Transfer to MERF pension               | -             |               | 23             | 23             | 15             | -34.8%        | 15             | 15             | 15            |
| Transfer to Self Insurance             | 17            | 19            | 19             | 19             | -              | 0.0%          | 0              | 0              | 0             |
| <b>Total Expenditures</b>              | <b>59,930</b> | <b>61,597</b> | <b>67,899</b>  | <b>67,085</b>  | <b>71,801</b>  | <b>5.7%</b>   | <b>73,759</b>  | <b>71,883</b>  | <b>73,656</b> |
| <b>Net Income</b>                      | <b>(228)</b>  | <b>178</b>    | <b>(4,170)</b> | <b>(2,929)</b> | <b>(3,357)</b> | <b>-19.5%</b> | <b>(2,117)</b> | <b>(1,265)</b> | <b>(247)</b>  |
| <b>Fund Balance/Retained Earnings:</b> |               |               |                |                |                |               |                |                |               |
| Beginning Balance                      | 24,449        | 24,221        | 24,399         | 24,399         | 21,470         | -12.0%        | 18,113         | 15,996         | 14,731        |
| Ending Balance                         | 24,221        | 24,399        | 20,229         | 21,470         | 18,113         | -10.5%        | 15,996         | 14,731         | 14,484        |

**Notes:**

As part of the Council approved work-out plan, an advance of \$12.8 million was made to BIS in 2000. While this did not affect the Convention Center total fund balance, this transaction decreased cash and increased due from other funds.

A State grant for \$3.288 million was received in 2001 and \$81 million was received in 2002. These grants will be used to reduce the principal outstanding debt and the amount of transfers to debt service.

Beginning in 2005, the Transfer to BIS is reflected in the Convention Center's Operating Budget based on the BIS Rate Model.

In 2004 the GMCVA entered into a \$2.5 million loan agreement with the City for its joint venture Internet Destination Sales System (IDSS). The loan is to be repaid in full in 2009 at a 5% interest rate. Repayment of the loan is pledged against future City funding considerations of the GMCVA commencing with the 2007 appropriation.

**City of Minneapolis  
FY 2005  
Financial Plan**

**Municipal Parking Fund**

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This fund accounts for the operation and maintenance of parking ramps, lots, on-street parking, a municipal impound lot, and traffic/parking control. Major parking-related capital construction and development activities also occur in this fund.

**Historical Financial Performance**

Due to economic conditions and high office vacancy rates, actual revenue performance has been less than the annual forecast. Major street reconstruction and Light Rail Transit construction activities also impacted the performance by restricting access to many of the facilities. Prior to 2001, revenues exceeded projections. This was attributed to a sound economy and weather conducive to greater use of ramps (in cold and snowy weather more people use the ramps).

The Public Works Department has prepared a comprehensive business plan for the Parking Fund, with the assistance of the Finance Department. This plan was released in conjunction with the other Public Works business plans and addresses strategies for managing and responding to a growing municipal parking system.

The financial condition of the Parking Fund has historically been stable, but it is projected to present a future financial challenge for the City if cash outflows continue to exceed the inflows. While the Fund currently generates a positive fund margin, fund-operating income is used not only to provide for the restoration of its productive assets (ramps) but is also committed to substantial debt service. The Parking Fund makes substantial annual contributions to General Fund (\$9.8 million for year 2004) and to Target Center Arena (\$1.6 million for year 2004).

Rather than using equity to fund part of the capital cost of ramps, it has historically been financed 100% by debt. Besides servicing the debt on its own balance sheet, the fund receives transfers from the Convention Center Special Revenue Fund (\$8.4 million in year 2004) to pay its share of debt service on Convention Center related parking facilities. The fund also receives transfers from tax increment and abatement revenue to pay part of major downtown development projects (\$6.8 million in year 2004).

The Finance Department will continue to monitor the financial condition of the fund on a regular basis and inform the Mayor and City Council of any changes in condition. The City Council adopted a workout plan for this fund, which will be discussed later.

## **Current Year to Date / End of Year Financial Performance**

### **Revenues**

The revenues for 2003 were budgeted at \$59.8 million. Actual revenues for the year were \$53.4 million. The variance is partly due to two additional ramps, 11<sup>th</sup> & Harmon and Vineland Place, which were included in 2003 budget but were only partial contributors to actual revenues since these two ramps went into operations in the third and the fourth quarters of 2003. Revenues from towing and on-street meters were up from 2002 level by \$479,000. Off-street parking, for both City- and State-owned facilities, show a decline of \$994,000.

Operating revenue for 2004 is budgeted at \$57.2 million and projection for the year is \$54.4 million. Revenues for 2<sup>nd</sup> quarter were at \$28.6 million, almost 50% of the budget. This is an increase of 7% over 2<sup>nd</sup> quarter of 2003. Revenues from on-street parking and towing are up by 4% and 28% respectively. Increase in towing revenues is the result of an increase in rate charged per vehicle and the increase in number of vehicles towed. Off-street parking has shown an increase of \$803,000 from a year ago. The increases in on-street as well as off-street parking revenues can be attributed, in part, to the Metro Transit bus strike resulting in increased use of the facilities.

### **Expenditures**

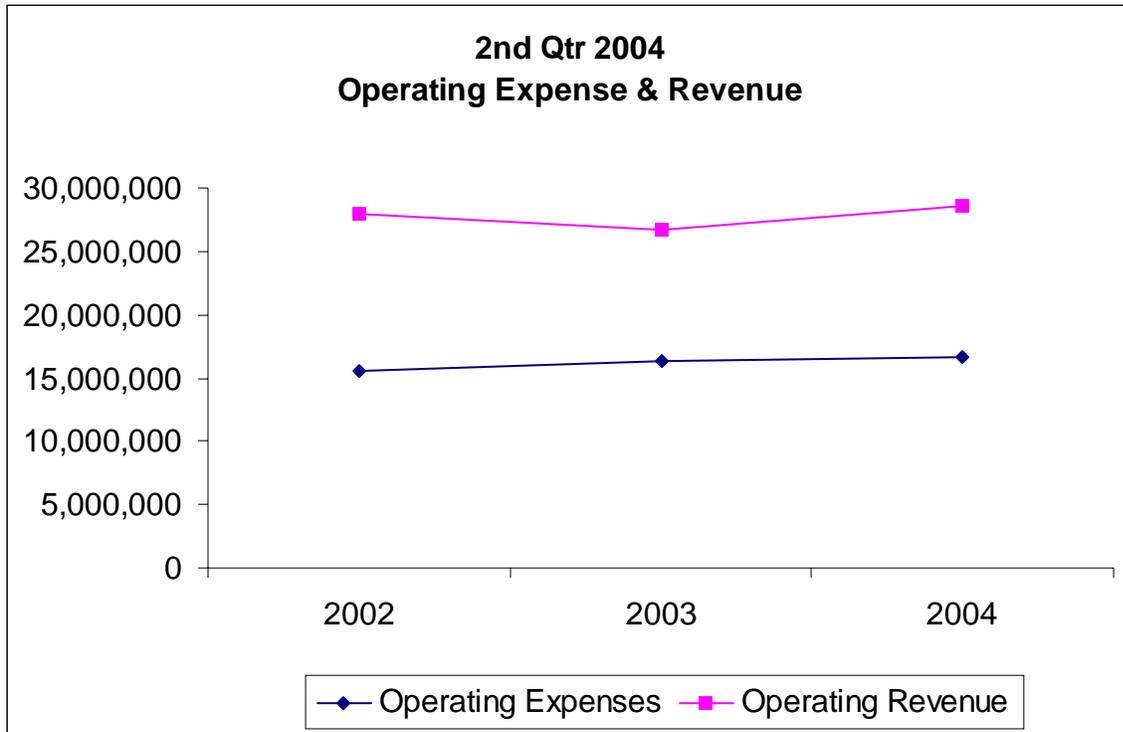
In 2003, operating expenses were budgeted at \$39.4 million and were projected to be \$36.3 million based on 2001 and 2002. Actual expenses for the year, however, were at \$44.5 million due to \$8 million payment to the State for accumulated excess revenues of TAD ramps. New contract with tow companies raised expenses for the impound lot. To meet the increase in expense, impound lot has increased its rates.

Second quarter operating expenditures for 2004 were at \$16.6 million, 39% of the budget which is listed at \$43.1 million. This is an increase of 2.4% over the 2<sup>nd</sup> quarter expense figures of 2003. New tow contracts related to impound lot and two additional ramps in the parking system, Vineland Place and 11<sup>th</sup> & Harmon, have contributed to increase in expenditures.

### **Cash Position**

Based on current and proposed budgets, operating cash balances are going to continue to decrease, especially for cash related to the City system. The parking system is creating a positive cash flow from its operations, but with transfers out to other funds, the City-owned facilities have a negative cash flow.

The General Fund and Target Center Arena Fund are non-parking related activities financed by the parking fund. Interest payments toward the debt service along with non-parking related transfers are contributing factors to the negative cash flow. At the end of 2003, City's parking system was in a negative cash position. The cash balance of the City System is projected to decrease from negative \$8.2 million to negative \$18.4 million in 2004. This is primarily due to insufficient increase in operating revenue to cover the ongoing annual transfers to General Fund and payments towards debt services.



## 2005 Budget

### Revenues

The revenues for 2005 in the operating budget are anticipated to decrease by 3.5% from \$57.6 million to \$55.6 million. The actual reduction in the current meter, impound lot, State- and City-owned ramps totals \$2.2 million. Revenues are projected to increase \$675,000 with the addition of Guthrie Ramp and Mill Quarter Ramp. With the inclusion of the new facilities the total net change in revenue is proposed to decrease by \$1.6 million. Parking rate projections are conservative estimates provided by Public Works that have been adjusted based on actual revenues that should reflect market demands. The change in on-street Parking is increase of \$203,000 vs. the \$1.96 million decrease in 2004.

Non-operating revenues consist of interest revenue that is generated by investment earnings that shows up as revenue but transferred to the general fund. Special assessment revenue is received from the county for assessments received on payments made by business' to reimburse part of the capital expenses for the construction of the Lyn-Lake Lots that helped them meet minimum parking requirements.

### *Expenditures*

The 2005 current service level operating expenditure budgets for Public Works Transportation, Human Resources, Finance and Licenses & Consumer Services has increased by 1.8% from \$43.1 to \$44 million. This is due to average personnel increases of around 2% and non-personnel Citywide increases of 1.47% based on an inflationary index. Interest expense is a non-operating expense that is projected to total \$13.1 million for 2005, consisting of both fixed and variable rate bond debts.

The capital budget was decreased from the Mayor's recommended budget by \$712,000 due to the project already appropriated in 2004. The City Council increased the Mayor's recommended budget by \$40,000 for a residential parking program.

### *Transfers*

The transfer to the General Fund is proposed to decrease from \$9.8 to \$8.8 million. Transfers to the Target Center Arena Fund are proposed to increase from \$1.6 million to \$1.8 million based on the revised finance plan approved in 2000. This transfer has been coming out of net assets generated by City parking revenues and not the event revenue generated by the State-owned TAD garages. The garages owned by the State of Minnesota have reached the breakeven point and have positive retained earnings that will be transferred to State on a monthly basis. The ongoing annual operating transfer of \$146,000 to sanitation has been established to fund the bus shelter litter containers.

Transfers from other funds for debt service payments for Convention Center related parking facilities were paid off with a state grant in 2002 and the transfers in from sales tax revenue and out to the long-term debt account group are continuing with a 2005 estimate of \$8.24 million. Based on various construction facility finance plans where tax increment and abatement were a revenue source it is estimated that \$5.89 million will be transferred for debt service from CPED. The following is a breakdown of the \$5.89 million in transfers by facility: \$4,704,858 for LaSalle @ 10<sup>th</sup> Ramp, \$463,626 for East LRT Ramp, \$650,000 for the Hennepin at 10<sup>th</sup> Ramp, and \$75,449 for 10<sup>th</sup> and Washington Ramp.

### *Debt Service*

The debt service payable, including principal and interest, in 2005 is \$26 million. The debt service is related to bonds issued for construction of municipal parking ramps, which will continue to grow as new facilities are added to the system. Debt service for

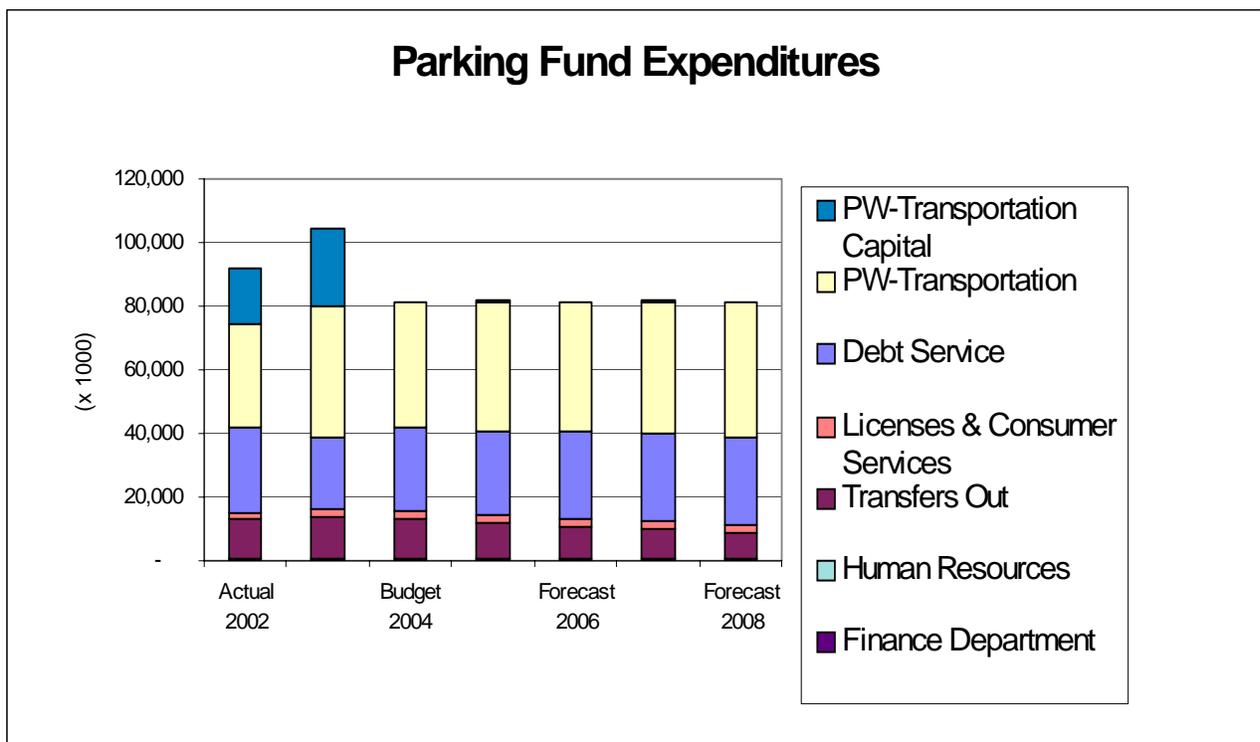
2005 includes bonds issued to cover the cost of condemnation, land and building costs that are reimbursed from tax increment revenue and sales tax proceeds for projects that had these financing sources identified in their original construction finance plans. The estimate for 2005 to be transferred in from the Convention Center Fund is \$8.24 million. The estimated transfer in from tax increment and abatement revenue is \$6.9 million.

*Workout Plan Strategy*

The Parking Fund’s financial condition, if not addressed, was expected to decline to a cash deficit of \$69.2 million by 2010. In response to this projection, the City adopted a financial and operational workout plan containing the following strategies:

1. Operational strategies designed to cut operating expenses, improve the marketability of the ramps and increase operating revenues;
2. Increasing the amount of variable rate debt within the fund to take advantage of extremely low interest rates;
3. Reduction of the current and future transfers to the General Fund;
4. Transfer excess General Fund reserve to the Parking Fund, when available; and
5. Evaluate the possibility of certain off-street parking ramps; if doing so would improve the financial condition of the fund.

Increase transfers from the Convention Center to the Parking Fund; subject to the financial condition of the Convention Center. The transfers would be used to defray debt service, operating and maintenance costs for Convention Center related parking facilities.



**City of Minneapolis  
FY 2005 Budget  
Financial Plan (in thousands of dollars)**

**Municipal Parking Fund 7500**

|   | 2002<br>Actual | 2003<br>Actual | 2004<br>Budget | 2004<br>Projected | 2005<br>Budget  | % Chg<br>from 2004 | 2006<br>Forecast | 2007<br>Forecast | 2008<br>Forecast |
|---|----------------|----------------|----------------|-------------------|-----------------|--------------------|------------------|------------------|------------------|
| <b>Source of Funds:</b>                     |                |                |                |                   |                 |                    |                  |                  |                  |
| Licenses and Permits                        | 193            | 192            | 155            | 155               | 193             | 24.5%              | 196              | 199              | 202              |
| State Government                            | -              | 296            | -              | -                 | -               |                    | -                | -                | -                |
| Charges for Service, Sales & Permits (Trans | 52,729         | 51,613         | 56,456         | 53,692            | 54,390          | -3.7%              | 55,206           | 56,034           | 56,874           |
| Charges for Sales                           | 1,063          | 1,185          | 1,001          | 1,001             | 1,001           |                    | 1,016            | 1,031            | 1,047            |
| Special Assessments                         | 159            | 156            | 133            | 133               | 133             | 0.4%               | 99               | 99               | 99               |
| Interest                                    | -              | 1              | -              | -                 | 1               |                    | 1                | 1                | 1                |
| Gains                                       | -              | (1,035)        | -              | -                 | -               |                    | -                | -                | -                |
| Rents (Transportation)                      | 131            | 123            | 3              | 3                 | 3               |                    | 3                | 3                | 3                |
| Other Misc Revenues                         | 455            | 62             | 1              | 1                 | 1               |                    | 1                | 1                | 1                |
| Tax Increment Transfers In                  | 5,845          | 5,342          | 6,778          | 6,778             | 6,915           | 2.0%               | 8,242            | 8,283            | 7,936            |
| Sales Tax Transfers In                      | 8,235          | 9,097          | 8,365          | 8,365             | 8,244           | -1.4%              | 8,391            | 8,594            | 8,932            |
| Arbitrage Transfers In                      |                |                |                |                   |                 |                    |                  |                  |                  |
| <i>Total Transfers In</i>                   | <i>14,080</i>  | <i>14,440</i>  | <i>15,143</i>  | <i>15,143</i>     | <i>15,159</i>   | <i>0.1%</i>        | <i>14,383</i>    | <i>16,633</i>    | <i>16,877</i>    |
| Proceeds of Long Term Liabilities           | 19,122         | 23,082         | -              | -                 | -               |                    | -                | -                | -                |
| <b>Total</b>                                | <b>87,932</b>  | <b>90,115</b>  | <b>72,891</b>  | <b>70,128</b>     | <b>70,881</b>   | <b>-2.8%</b>       | <b>73,155</b>    | <b>74,245</b>    | <b>75,095</b>    |
| <b>Use of Funds:</b>                        |                |                |                |                   |                 |                    |                  |                  |                  |
| Debt Service                                | 26,644         | 22,747         | 25,880         | 25,880            | 26,241          | 1.4%               | 27,288           | 27,678           | 27,489           |
| General Fund Transfer Out                   | 10,575         | 10,890         | 9,800          | 9,800             | 8,800           | -10.2%             | 7,800            | 6,800            | 5,800            |
| Target Arena Transfer Out                   | 1,335          | 1,470          | 1,620          | 1,620             | 1,768           | 9.1%               | 1,921            | 2,079            | 2,241            |
| Debt Service Transfer Out (Mann Areaways)   | 158            | 287            | 275            | 275               | 252             | -8.2%              | 12               |                  |                  |
| Internal Service Funds Transfers Out        | 91             | 76             | 77             | 77                |                 |                    |                  |                  |                  |
| MERF Liability Transfer Out                 |                |                | 128            | 128               | 94              | -27.2%             | 95               | 97               | 99               |
| Sanitation Transfer Out                     | 146            | 146            | 146            | 146               | 146             |                    | 146              | 146              | 146              |
| Parkboard Transfer Out                      | -              | -              | -              | -                 | -               |                    | -                | -                | -                |
| <i>Total Transfers Out</i>                  | <i>12,305</i>  | <i>12,869</i>  | <i>12,046</i>  | <i>12,046</i>     | <i>11,060</i>   | <i>-36.5%</i>      | <i>9,975</i>     | <i>9,122</i>     | <i>8,286</i>     |
| PW-Transportation                           | 32,943         | 41,357         | 39,424         | 36,018            | 40,946          | 3.9%               | 41,560           | 42,184           | 42,816           |
| Human Resources                             |                | 225            | 228            | 228               |                 |                    | 234              | 239              | 244              |
| Finance Department                          | 532            | 578            | 594            | 594               |                 |                    | -                | -                | -                |
| Licenses & Consumer Services                | 2,137          | 2,395          | 2,833          | 2,833             | 2,997           | 5.8%               | 2,541            | 2,592            | 2,644            |
| PW-Transportation Capital                   | 17,355         | 24,085         | 180            | 180               | 30              | 100%               | 35               | 40               | 35               |
| <b>Total</b>                                | <b>91,916</b>  | <b>104,256</b> | <b>81,185</b>  | <b>77,779</b>     | <b>81,273</b>   | <b>0.1%</b>        | <b>81,634</b>    | <b>81,855</b>    | <b>81,515</b>    |
| <b>Fund Margin</b>                          |                |                |                |                   |                 |                    |                  |                  |                  |
| TAD (State Owned) Ramps                     | 2,985          | (5,508)        | 845            | 2,526             | 355             | -58%               | 316              | 276              | 234              |
| City Ramps and Lots                         | (6,969)        | (8,633)        | (9,139)        | (10,177)          | (10,747)        | 17.6%              | (8,795)          | (7,885)          | (6,654)          |
| (1) Total                                   | (3,984)        | (14,141)       | (8,294)        | (7,652)           | (10,392)        | 25.3%              | (8,478)          | (7,609)          | (6,420)          |
| <b>Retained Earnings</b>                    |                |                |                |                   |                 |                    |                  |                  |                  |
| TAD (State Owned) Ramps                     | 12,019         | 6,511          | 7,356          | 9,037             | 9,392           | 27.7%              | 9,708            | 9,984            | 10,219           |
| City Parking System                         | 16,542         | 1,591          | (2,582)        | (3,620)           | (8,447)         | 227.1%             | (8,921)          | (7,395)          | (4,123)          |
| <b>Total</b>                                | <b>28,561</b>  | <b>8,102</b>   | <b>4,774</b>   | <b>5,416</b>      | <b>945</b>      | <b>-80.2%</b>      | <b>788</b>       | <b>2,589</b>     | <b>6,096</b>     |
| <b>Cash Balances</b>                        |                |                |                |                   |                 |                    |                  |                  |                  |
| TAD (State Owned) Ramps                     | 12,523         | 7,015          | 7,860          | 9,541             | 9,896           | 25.9%              | 10,212           | 10,488           | 10,723           |
| City System Construction Cash (2)           | 22,799         | 16,787         |                |                   |                 |                    |                  |                  |                  |
| City System Op Cash                         | 1,375          | (8,233)        | (17,372)       | (18,411)          | (29,158)        | 67.8%              | (37,953)         | (45,838)         | (52,492)         |
| <b>Total</b>                                | <b>36,697</b>  | <b>15,569</b>  | <b>(9,512)</b> | <b>(8,870)</b>    | <b>(19,262)</b> | <b>102.5%</b>      | <b>(27,740)</b>  | <b>(35,350)</b>  | <b>(41,769)</b>  |

**City of Minneapolis  
FY 2005  
Financial Plan**

**Solid Waste and Recycling Fund**

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**Background**

This fund accounts for solid waste collection and disposal/recycling activities for the City. The Solid Waste Division of the Public Works Department provides weekly trash and yard-waste pickup, bi-weekly recycling pickup and operates a solid waste transfer station for over 100,000 households.

Funding for solid waste and recycling activities are provided mainly from sanitation fees and partly from sources such as Hennepin County Grants, recyclable sales, and charges for other services. City crews provide approximately one-half of the solid waste collection service and the other half of the service is provided through a contract with a consortium of companies specializing in waste collection.

**Historical Financial Performance**

The overall financial condition of the Solid Waste Fund is positive as a result of management practices and scheduled annual rate increases for the sanitation fee. The net assets for this fund at the end of year 2003 were \$16.4 million, as compared to \$13.2 million at year-end 2002.

The Solid Waste fund has been partially updating its fleet on a yearly basis. In 2002, two recycling units, one side loader for litter containers, and three sanitation trucks were purchased.

**2004 Financial Performance**

In 2004 revenues from charges for services are projected to be \$26.8 million or \$700,000 more than the budgeted \$26.1 million.

Expenses for the Public Works cost center are projected to be slightly under the \$25.8 million budget at \$25.7 million.

**2005 Budget**

*Revenues*

For 2005, no Solid Waste and Recycling rate increase is recommended. The monthly rate will remain at \$19.25 per month per dwelling unit. For planning purposes an annual rate increase of 3% is assumed for years 2006 through 2008. A 3% increase would

result in a \$19.83 and \$20.42 per month per dwelling unit for years 2006 and 2007, respectively.

The Hennepin County Recycling Grant is estimated to total \$544,000 in 2005, a decrease of \$260,000 from 2004. It is anticipated that the amount will decrease by approximately \$100,000 annually in future years.

*Expenditures*

Overall operating expenditures are budgeted to increase by .7% from \$27.1 million in 2005 to \$27.3 million in 2005 for the Public Works Solid Waste cost center. Transfers to Internal Service funds have been replaced with a rate model which charges the individual costs centers, rather than being funded by a transfer at the fund level.

*Transfers*

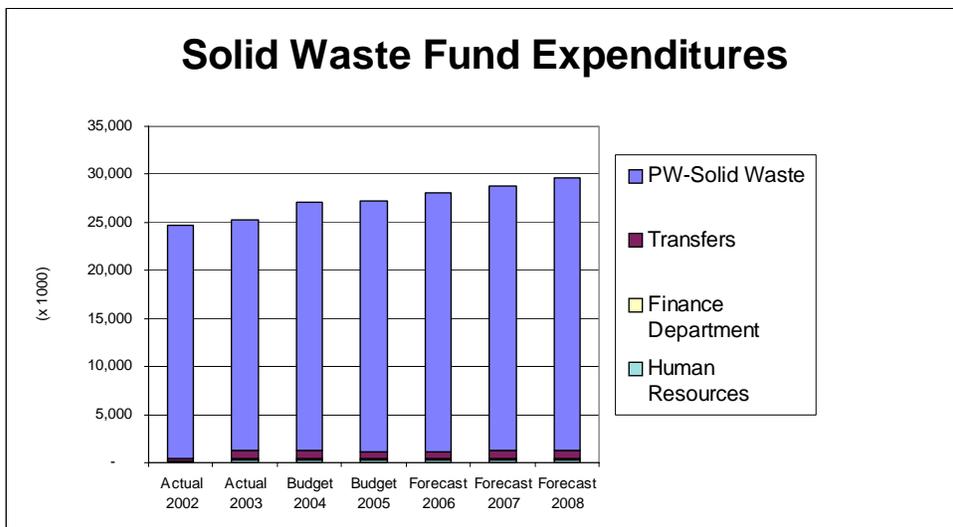
The 2005 budget includes the continuation of a \$700,000 transfer from Solid Waste and Recycling to the General Fund to pay for snow alley plowing to ensure delivery of solid waste and recycling services in the alleys and is projected to remain at \$700,000 thereafter.

A transfer of \$58,000 to the Debt Service fund for pension obligations related to the Minneapolis Employees Retirement Fund (MERF) is also reflected.

The Solid Waste and Recycling Fund receives a transfer of \$146,000 from the Parking Fund to pay for litter container pick-up (downtown). In 2004, a permanent transfer of \$50,000 was established for graffiti removal.

*Debt Service*

This fund does not have any associated capital debt service payments.



**City of Minneapolis  
FY 2005 Budget  
Financial Plan (in thousands of dollars)**

**Solid Waste Fund 7700**

|                          | <b>2002<br/>Actual</b> | <b>2003<br/>Actual</b> | <b>2004<br/>Budget</b> | <b>2004<br/>Projected</b> | <b>2005<br/>Budget</b> | <b>% Chg<br/>from 2004</b> | <b>2006<br/>Forecast</b> | <b>2007<br/>Forecast</b> | <b>2008<br/>Forecast</b> |
|--------------------------|------------------------|------------------------|------------------------|---------------------------|------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| <b>Sources of Funds:</b> |                        |                        |                        |                           |                        |                            |                          |                          |                          |
| Local Government         | 936                    | 844                    | 804                    | 804                       | 544                    | -32.3%                     | 444                      | 344                      | 244                      |
| Charges for Service      | 24,906                 | 26,241                 | 26,099                 | 26,803                    | 26,099                 |                            | 26,882                   | 27,688                   | 28,519                   |
| Charges for Sales        | 617                    | 943                    | 640                    | 640                       | 900                    | 40.6%                      | 900                      | 900                      | 900                      |
| Special Assessments      | 128                    | 93                     |                        | 54                        |                        |                            | -                        | -                        | -                        |
| Operating Transfers In:  |                        |                        |                        |                           |                        |                            |                          |                          |                          |
| From Parking Fund        | 146                    | 146                    | 146                    | 146                       | 146                    |                            | 146                      | 146                      | 146                      |
| From General Fund        |                        |                        | 50                     | 50                        | 50                     |                            | 50                       | 50                       | 50                       |
| <b>Total</b>             | <b>26,733</b>          | <b>28,267</b>          | <b>27,739</b>          | <b>28,497</b>             | <b>27,739</b>          |                            | <b>28,422</b>            | <b>29,128</b>            | <b>29,859</b>            |
| <b>Use of Funds:</b>     |                        |                        |                        |                           |                        |                            |                          |                          |                          |
| PW-Solid Waste           | 24,271                 | 23,940                 | 25,830                 | 25,658                    | 26,548                 | 2.8%                       | 27,344                   | 28,165                   | 29,010                   |
| Transfers                |                        |                        |                        |                           |                        |                            |                          |                          |                          |
| To General Fund          | 170                    | 762                    | 700                    | 700                       | 700                    |                            | 700                      | 700                      | 700                      |
| To BIS Fund              | 12                     | 70                     | 70                     | 70                        | -                      |                            | -                        | -                        | -                        |
| To Self Insurance Fund   | 11                     | 11                     | 11                     | 11                        | -                      |                            | -                        | -                        | -                        |
| To MERF Fund             |                        |                        | 90                     | 90                        | 58                     | -35.6%                     | 60                       | 60                       | 60                       |
| Finance Department       | 183                    | 195                    | 196                    | 196                       | 1                      | -99.5%                     | 1                        | 1                        | 1                        |
| Human Resources          |                        | 225                    | 228                    | 228                       | -                      |                            | 228                      | 235                      | 242                      |
| <b>Total</b>             | <b>24,647</b>          | <b>25,203</b>          | <b>27,125</b>          | <b>26,953</b>             | <b>27,307</b>          | <b>0.7%</b>                | <b>28,333</b>            | <b>29,161</b>            | <b>30,013</b>            |
| <b>Fund Margin</b>       | <b>2,086</b>           | <b>3,064</b>           | <b>614</b>             | <b>1,544</b>              | <b>432</b>             | <b>-29.6%</b>              | <b>89</b>                | <b>(32)</b>              | <b>(154)</b>             |
| <b>Fund Balance</b>      | <b>13,212</b>          | <b>16,353</b>          | <b>16,967</b>          | <b>17,897</b>             | <b>18,329</b>          | <b>8.0%</b>                | <b>18,417</b>            | <b>18,385</b>            | <b>18,232</b>            |
| <b>Cash Balance</b>      | <b>8,005</b>           | <b>10,675</b>          | <b>11,289</b>          | <b>12,219</b>             | <b>12,651</b>          | <b>12.1%</b>               | <b>12,739</b>            | <b>12,707</b>            | <b>12,554</b>            |

**City of Minneapolis  
FY 2005 Fund  
Financial Plan**

**Stormwater and Sanitary Sewer Fund**

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**Background**

This fund accounts for sewer contractual payments to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. This fund also accounts for storm water management activities including the Combined Sewer Overflow (CSO) program, which separates the remaining storm sewer lines that are connected to sanitary sewer lines.

During 1998, the City embarked on a \$72 million, nine-year, flood control program (which has been expanded since the original plan was adopted). This program targets specific areas in the City and creates holding ponds and additional storm drains that are designed to mitigate the effects of flash floods, but has been scaled back in the 2005 capital budget.

This fund also accounts for the cost of street sweeping as a related cost activity.

**Historical Financial Performance**

The Sewer Rental Fund has experienced a positive retained earning for the last several years. This is due to the combination of rate increases being implemented as planned and unanticipated delays in capital project expenditures. Delays in capital project expenditures have also increased total cash balances. For the year ending in 2003, \$6.4 million of the cash balance was related to unspent bond proceeds with an operating cash balance of \$7.8 million. One financial goal for this fund is to have three months worth of operating expenses in a cash reserve from operations.

**2004 Financial Performance**

The 2004 revenues from charges for services are projected to be less than budgeted. The estimated revenue has been revised from \$69 to \$65 million to project a more realistic revenue amount. Another factor that could impact the 2004 projected revenue is that there could be less revenue generated from reimbursable capital projects, which is budgeted at \$3 million.

Expenses are also projected to be less than budgeted for the sewer design, field services and sewer maintenance cost centers. The field services or street cleaning cost center is projected to be within its \$5.8 million budget at \$5.7 million. Sewer design is projected to be \$3.6 million, which is considerably less than the \$5.5 budgeted due to one-time decision packages that have been removed out of the 2005 base budget for

inflow, utility fee and design manual studies. The sewer maintenance is projected to be under budget by \$3.5 million dollars partially due to under spending contractual services. Again for 2004, it is anticipated that all budgeted capital projected will not be completed.

## **2005 Budget**

### *Revenues*

The Sewer Rental Fund has a projected rate increase of 21-cents (per 100 cubic feet), or 6.1% for 2005. For 2005 this results in an average monthly cost to consumer of \$21.84. The rate increase will be used to pay for ongoing operating expenses as well as debt service related to the CSO and flood mitigation projects. It is anticipated that the current sewer rates will be separated from storm water utility in 2005.

### *Expenditures*

The Sewer Rental Fund has a projected increase in expenses partially due to increased rates by the Metropolitan Council Environmental Services (MCES). For 2005, the capital expenditures budget is decreased to \$9.9 million, \$5.9 million is financed, \$3 million reimbursed from other departments or external private sources and the balance to be paid from cash in the fund balance. The recommended budget also includes continuation of funding to complete the CSO (combined sewer overflow) Separation Evaluation Project.

### *Stormwater Rate*

A stormwater rate model implementation is currently underway and is scheduled to begin in 2005. Two funds will be used to accomplish the separate reporting and tracking of sanitary and stormwater activities. With the implementation of this program the 2005 approved sewer rate will be split into two rates. Sanitary sewer will continue to be billed based on water consumption usage and the stormwater rate will be billed based on the amount of stormwater runoff a property has.

### *CSO (Combined Sewer Overflow)*

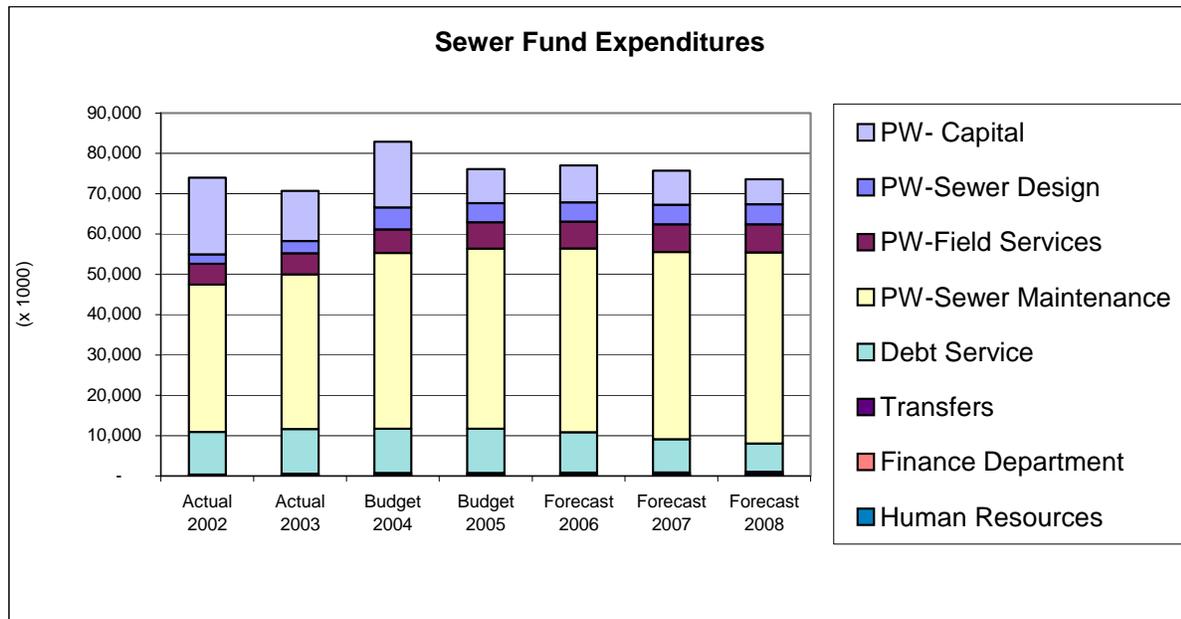
In 2001, a study was done by the City of Minneapolis and Metropolitan Council, which indicated that there maybe as many as 5,000 buildings and properties with rainwater connection to the sanitary system. To resolve this issue, both parties will need to identify these properties and work on an alternative for rainwater connection. Once this task is complete, the department of Public Works will be required to hire additional staff to redesign and reconstruct the storm water drainage system. The project will take 3 to 5 years to complete. The estimated cost for 2005 is approximately \$2 million, which will be funded by bonds.

## Transfers

In 2005, payments of \$342,000 were transferred to the bond fund for debt service related to the Minneapolis Employee Retirement Fund (MERF) outstanding liability. Transfers to Internal Service funds have been replaced with a rate model which charges the individual costs centers as an expense rather than a transfer at the fund level. Costs for equipment has increased due to a change from hourly billing to monthly billing. This change is projected to dramatically increase the costs for the street cleaning cost center.

## Debt Service

The debt service payments are primarily for bonds previously sold to finance the Combined Sewer Overflow (CSO) and flood mitigation programs. The scheduled principal and interest payments for 2005 will be just over \$11 million.



**City of Minneapolis  
FY 2005 Budget  
Financial Plan (in thousands of dollars)**

**Combined Sanitary Sewer Fund 7100 and Stormwater Fund 7300**

|                                    | 2002<br>Actual | 2003<br>Actual | 2004<br>Budget | 2004<br>Projected | 2005<br>Budget | % Chg<br>from 2004 | 2006<br>Forecast | 2007<br>Forecast | 2008<br>Forecast |
|------------------------------------|----------------|----------------|----------------|-------------------|----------------|--------------------|------------------|------------------|------------------|
| <b>Source of Funds:</b>            |                |                |                |                   |                |                    |                  |                  |                  |
| Federal Government                 | 980            | 41             | 310            | 310               |                |                    |                  |                  |                  |
| State Government                   | 566            | 556            | 1,159          | 2,059             | 920            | -20.6%             | 920              | 920              | 920              |
| Local Government                   | 128            | 290            | 290            | 290               | 167            | -42.4%             | 167              | 167              | 167              |
| Charges for Service                | 64,122         | 62,626         | 68,843         | 64,738            | 70,237         | 2.0%               | 72,672           | 75,841           | 78,876           |
| Charges for Sales                  | 5              | 6              | -              | -                 | 1              |                    | 1                | 1                | 1                |
| Special Assessments                | 275            | 257            | 115            | 115               | 115            |                    | 120              | 124              | 129              |
| Interest                           | (3)            | -              | -              | -                 | -              |                    | -                | -                | -                |
| Other Misc Revenues                | (60)           | 25             | 52             | 52                | 60             | 15.4%              | 60               | 60               | 60               |
| Proceeds of Long Term Liabilities  | 7,988          | 6,875          | 10,519         | 10,519            | 5,870          | -44.2%             | 4,900            | 4,500            | 2,500            |
| <b>Total</b>                       | <b>74,001</b>  | <b>70,676</b>  | <b>81,288</b>  | <b>78,083</b>     | <b>77,370</b>  | <b>-4.8%</b>       | <b>78,840</b>    | <b>81,613</b>    | <b>82,653</b>    |
| <b>Use of Funds:</b>               |                |                |                |                   |                |                    |                  |                  |                  |
| PW-Sewer Design                    | 2,338          | 3,079          | 5,463          | 3,607             | 4,840          | -11.4%             | 4,937            | 5,036            | 5,136            |
| PW-Field Services                  | 5,177          | 5,258          | 5,810          | 5,787             | 6,556          | 12.8%              | 6,687            | 6,821            | 6,957            |
| PW-Sewer Maintenance               | 36,530         | 38,336         | 43,597         | 40,171            | 43,313         | -0.7%              | 44,179           | 45,063           | 45,964           |
| Debt Service                       | 10,612         | 11,147         | 11,004         | 11,512            | 11,016         | 0.1%               | 10,093           | 8,223            | 7,075            |
| Transfers                          |                |                |                |                   |                |                    |                  |                  |                  |
| To General Fund                    | 116            | 63             | -              | -                 |                |                    |                  |                  |                  |
| To Debt Service for MERF Liability |                |                | 288            | 288               | 342            | 18.8%              | 400              | 500              | 600              |
| To BIS Fund                        | 65             | 66             | 66             | 66                |                |                    | -                | -                | -                |
| To Self Insurance Fund             | 10             | 10             | 10             | 10                |                |                    | -                | -                | -                |
| Finance Department                 | 117            | 137            | 129            | 129               | 1              | -99.2%             | 1                | 1                | 1                |
| Human Resources                    |                | 225            | 228            | 228               | -              |                    | -                | -                | -                |
| PW- Capital                        | 19,034         | 12,436         | 16,317         | 15,000            | 9,865          | -39.5%             | 9,117            | 8,445            | 6,170            |
| <b>Total</b>                       | <b>73,999</b>  | <b>70,757</b>  | <b>82,912</b>  | <b>76,799</b>     | <b>75,933</b>  | <b>-8.4%</b>       | <b>75,414</b>    | <b>74,088</b>    | <b>71,904</b>    |
| <b>Fund Margin</b>                 | <b>2</b>       | <b>(81)</b>    | <b>(1,624)</b> | <b>1,284</b>      | <b>1,437</b>   | <b>-188.5%</b>     | <b>3,426</b>     | <b>7,525</b>     | <b>10,749</b>    |
| <b>Fund Balance</b>                | <b>293,665</b> | <b>294,554</b> | <b>292,930</b> | <b>295,838</b>    | <b>297,275</b> | <b>1.5%</b>        | <b>300,701</b>   | <b>308,226</b>   | <b>318,976</b>   |
| <b>Cash Balances</b>               |                |                |                |                   |                |                    |                  |                  |                  |
| Operating Cash                     | 9,879          | 7,835          | 6,211          | 9,119             | 10,556         | 70.0%              | 13,982           | 21,507           | 32,257           |
| Construction Cash                  | 4,198          | 6,430          |                |                   |                |                    |                  |                  |                  |
| <b>Total Cash Balance</b>          | <b>14,077</b>  | <b>14,265</b>  | <b>6,211</b>   | <b>9,119</b>      | <b>10,556</b>  | <b>70.0%</b>       | <b>13,982</b>    | <b>21,507</b>    | <b>32,257</b>    |

**City of Minneapolis  
FY 2005 Budget  
Financial Plan**

**Water Fund**

This fund accounts for the operation and maintenance of a water delivery system for the City and several suburban city customers. The City currently sells water to seven cities including Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal and Edina.

**Historical Financial Performance**

The financial condition of this fund has been stable. Retained earnings have been positive the past several years, due primarily to the timing of scheduled rate increases for major capital improvements.

**2005 Budget**

***Revenues***

The projected rate increases for the following years is to pay debt service for the capital expenditures for the Hilltop reservoir and the Ultra-Filtration program, as well as growth in operating expenditures.

***Water Utility Recommended Rates***

The 2005 budget includes a rate increase for water from \$2.38/unit to \$2.50/unit. The rate increase will provide funding for the Capital Ultrafiltration Program, completion of the SCADA System and for Water Distribution Improvements.

| Year | Rate (cost per 100 cubic feet) | Cost Per Month for Average Consumer <sup>1</sup> | % Increase | Total Planned Revenue from Utility Fee |
|------|--------------------------------|--|------------|--|
| 2005 | 2.50                           | 20.00  | 5.0%       | \$62.1 Million                         |
| 2006 | 2.62                           | 20.96  | 4.8%       | \$65.1 Million                         |
| 2007 | 2.67                           | 21.36  | 1.9%       | \$66.3 Million                         |
| 2008 | 2.75                           | 22.00  | 3.0%       | \$68.3 Million                         |
| 2009 | 2.85                           | 22.80  | 3.6%       | \$70.8 Million                         |

<sup>1</sup> Rate is based on cost per 100 cubic feet and assumes 8 units of water is consumed per month.

Note: Total revenue from charges for services in the financial plan exceeds the amount generated by the utility fee because revenue is also deposited in the Water Fund from sources other than utility fees.

***Expenditures***

The recommended budget provides funding for the capital infrastructure improvement program by decreasing it by 44% from \$37.5 million in 2004 to \$20.9 million in 2004.

The total budget for security in 2005 is \$1.15 million. The Water Fund has 16 (FTE) positions from the Police Department dedicated full time to providing security for Water Works.

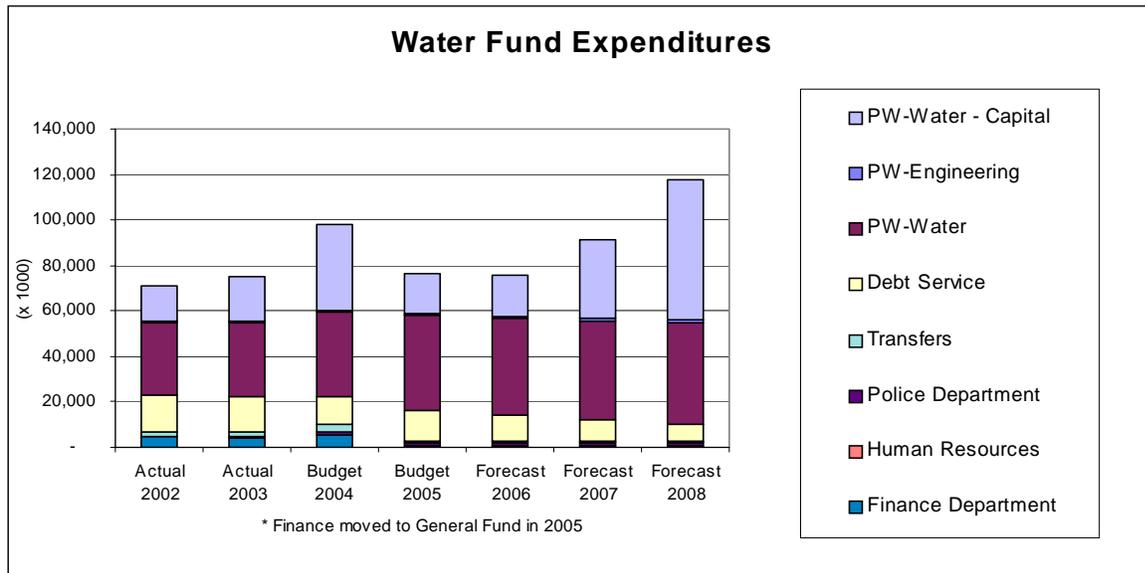
The decrease in the finance cost center is due to the expenses being moved from the water to the general fund. This will also impact the revenue that was received from Sewer and Solid Waste to fund a portion of the program, which has also been redirected to the general fund.

**Transfers to Other Funds**

The Water Fund will begin incurring a transfer expense related to its share of the Minneapolis Employee Retirement Fund (MERF) pension obligations. The \$0.6 million will be transferred to the bond redemption fund to cover the liability obligations related to Water Fund employees that have retired under the MERF pension plan.

**Debt Service**

The debt service amounts are primarily for bonds and notes sold to finance the Water-Works Capital Construction program.



**City of Minneapolis  
FY 2005 Budget  
Financial Plan (in thousands of dollars)**

**Water Fund 7400**

|                                    | 2002<br>Actual | 2003<br>Actual | 2004<br>Budget | 2004<br>Projected | 2005<br>Budget | % Chg<br>from 2004 | 2006<br>Forecast | 2007<br>Forecast | 2008<br>Forecast |
|------------------------------------|----------------|----------------|----------------|-------------------|----------------|--------------------|------------------|------------------|------------------|
| <b>Source of Funds:</b>            |                |                |                |                   |                |                    |                  |                  |                  |
| Property Taxes                     |                |                |                |                   |                |                    |                  |                  |                  |
| Licenses and Permits               | 1              | 1              | 1              | 1                 | 1              |                    | 1                | 1                | 1                |
| Federal Government                 | 317            | 154            | -              | -                 | -              |                    | -                | -                | -                |
| Charges for Service                | 54,733         | 61,733         | 66,818         | 66,818            | 65,672         | -1.7%              | 66,100           | 67,334           | 69,321           |
| Charges for Sales                  | 1,715          | 679            | 1,740          | 1,740             | 1,780          | 2.3%               | 1,816            | 1,852            | 1,889            |
| Special Assessments                | 1,769          | 1,031          | -              | -                 | -              |                    | -                | -                | -                |
| Interest                           | 23             | 2              | -              | -                 | -              |                    | -                | -                | -                |
| Rents                              | 3              | -              | 2              | 2                 | 1              | -50.0%             | 1                | 1                | 1                |
| Other Misc Revenues                | 2              | 39             | 19             | 19                | 19             |                    | 20               | 20               | 21               |
| Operating Transfers In             | 106            | 615            | -              | -                 | -              |                    | -                | -                | -                |
| Proceeds of Long Term Liabilities  | 8,049          | 20,923         | 33,000         | 33,000            | 16,000         | -51.5%             | 11,000           | 28,000           | 54,400           |
| <b>Total</b>                       | <b>66,718</b>  | <b>85,177</b>  | <b>101,580</b> | <b>101,580</b>    | <b>83,473</b>  | <b>-17.8%</b>      | <b>78,937</b>    | <b>97,208</b>    | <b>125,633</b>   |
| <b>Use of Funds:</b>               |                |                |                |                   |                |                    |                  |                  |                  |
| PW-Engineering                     | 662            | 726            | 878            | 878               | 1,096          | 24.8%              | 1,118            | 1,140            | 1,163            |
| PW-Water                           | 31,796         | 32,508         | 37,586         | 37,586            | 43,273         | 15.1%              | 44,138           | 45,021           | 45,922           |
| Debt Service                       | 15,988         | 15,186         | 12,148         | 12,148            | 13,611         | 12.0%              | 11,287           | 9,212            | 7,756            |
| Transfers                          |                |                |                |                   |                |                    |                  |                  |                  |
| To General Fund                    | 63             | 63             |                |                   |                |                    |                  |                  |                  |
| To Capital Improvement Fund        |                |                | 80             | 80                |                |                    |                  |                  |                  |
| To Debt Service for MERF Liability | 45             |                | 483            | 483               | 584            |                    | 602              | 614              | 626              |
| To BIS Fund                        | 2,414          | 2,429          | 2,526          | 2,526             |                |                    |                  |                  |                  |
| To Self Insurance Fund             | 27             | 26             | 26             | 26                |                |                    |                  |                  |                  |
| Police Department                  | -              | -              | 1,110          | 1,110             | 1,150          | 3.6%               | 1,173            | 1,196            | 1,220            |
| Human Resources                    | -              | 225            | 228            | 228               | -              |                    | -                | -                | -                |
| Finance Department                 | 4,528          | 4,332          | 5,451          | 5,451             | 13             | -99.8%             | 13               | 14               | 14               |
| PW-Water - Capital                 | 15,726         | 19,524         | 37,568         | 37,568            | 20,891         | -44.4%             | 17,750           | 34,650           | 61,400           |
| <b>Total</b>                       | <b>71,248</b>  | <b>75,019</b>  | <b>98,084</b>  | <b>98,084</b>     | <b>80,618</b>  | <b>-17.8%</b>      | <b>76,081</b>    | <b>91,847</b>    | <b>118,101</b>   |
| <b>Water Works Fund Margin</b>     | <b>-4,530</b>  | <b>10,159</b>  | <b>3,496</b>   | <b>3,496</b>      | <b>2,855</b>   | <b>-18.3%</b>      | <b>2,856</b>     | <b>5,361</b>     | <b>7,532</b>     |
| <b>Water Fund Balance</b>          | <b>111,612</b> | <b>125,364</b> | <b>128,860</b> | <b>128,860</b>    | <b>131,715</b> | <b>2.2%</b>        | <b>134,571</b>   | <b>139,931</b>   | <b>147,464</b>   |
| <b>Cash Balances</b>               |                |                |                |                   |                |                    |                  |                  |                  |
| Operating Cash                     | 109            | 9,502          | 12,998         | 12,998            | 15,853         | 22.0%              | 18,709           | 24,069           | 31,602           |
| Construction Cash                  | 6,028          | 4,971          |                |                   |                |                    |                  |                  |                  |
| <b>Total Cash Balance</b>          | <b>6,137</b>   | <b>14,473</b>  | <b>12,998</b>  | <b>12,998</b>     | <b>15,853</b>  | <b>0</b>           | <b>18,709</b>    | <b>24,069</b>    | <b>31,602</b>    |

**City of Minneapolis  
FY 2005  
Financial Plan**

**Public Works Stores Fund**

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This fund is used to account for the centralized procurement, receiving, warehousing, and distribution of stocked inventory items, and the purchase of special goods and services through Public Works Central Stores and Traffic Stores operations.

**Historical Financial Information**

Public Works has operated Central Stores since it was established by the City Council in January 1965. At that time the stockrooms of Property Services, Bridge Maintenance, Paving Construction, and Sewer Construction and Maintenance were combined to establish a Central Stores operation. In 1980 it was decided that Central Stores would handle all of the City's needs for office supplies and non-specialty items.

A study was completed in June 1998, which included a recommended redesign of the Stores function to include a revamped overhead structure with new directives to utilize the Stores. This has resulted in the fund showing positive net income for years' 2000 through 2003. Projections for 2004 and 2005 also indicate a profit.

**2005 Budget**

*Revenues*

Revenues are expected to be sufficient in 2005 to cover expense plus generate a profit. Pricing structure is being looked at in order to lower overhead rates that were needed to create a positive cash flow for a fund that has needed to borrow at year-end. If projections are realized, the fund will not have to borrow cash at year-end beginning in 2005.

*Expenditures*

Expenditures in the fund are primarily for replenishing the fund's approximate \$3.0 million inventory, which has resulted in the fund continuing to have a negative cash balance. The Public Works and Finance Departments need to review the carrying cost of this inventory level and determine what adjustments may be needed. This may impact future financial plans for this fund. The budget also includes a change in accounting for the General Fund overhead charge that replaces various separate charges for indirect costs that were previously budgeted in separate agencies.

*Transfers*

There are no transfers

*Debt Service*

This fund does not have long-term debt.

**City of Minneapolis**  
**FY 2005 Budget**  
**Financial Plan (in thousands of dollars)**

**Public Works Stores Fund 6300**

|                        | 2002<br>Actual | 2003<br>Actual | 2004<br>Current<br>Budget | 2004<br>Projected | 2005<br>Budget | % Chg<br>from 2004<br>Budget | 2006<br>Forecast | 2007<br>Forecast | 2008<br>Forecast |
|------------------------|----------------|----------------|---------------------------|-------------------|----------------|------------------------------|------------------|------------------|------------------|
| <b>Source of Fund:</b> |                |                |                           |                   |                |                              |                  |                  |                  |
| Charges for Services   | 536            | 387            | 475                       | 475               | 400            | -15.8%                       | 416              | 433              | 450              |
| Charges for Sales      | 3,219          | 4,302          | 3,145                     | 3,145             | 3,023          | -3.9%                        | 3,143            | 3,269            | 3,400            |
| Other Misc Revenues    |                |                | -                         |                   | -              |                              | -                | -                | -                |
| <b>Total</b>           | <b>3,755</b>   | <b>4,689</b>   | <b>3,620</b>              | <b>3,620</b>      | <b>3,423</b>   | <b>-5.5%</b>                 | <b>3,559</b>     | <b>3,702</b>     | <b>3,850</b>     |
| <b>Use of Funds:</b>   |                |                |                           |                   |                |                              |                  |                  |                  |
| Personal Services      | 523            | 546            | 576                       | 576               | 582            | 1.1%                         | 606              | 630              | 655              |
| Contractual Services   | 25             | 85             | 128                       | 128               | 263            | 105.3%                       | 273              | 284              | 296              |
| Materials and other    | 3,141          | 3,980          | 2,843                     | 2,843             | 2,492          | -12.4%                       | 2,591            | 2,695            | 2,803            |
| Rent                   | 61             | 63             | 59                        | 59                | 70             | 18.9%                        | 73               | 76               | 79               |
| Interest               |                |                | 77                        |                   | -              |                              | -                | -                | -                |
| Transfers              | 18             | 14             | 14                        | 14                | -              |                              | -                | -                | -                |
| <b>Total</b>           | <b>3,768</b>   | <b>4,688</b>   | <b>3,697</b>              | <b>3,620</b>      | <b>3,407</b>   | <b>-7.8%</b>                 | <b>3,543</b>     | <b>3,685</b>     | <b>3,832</b>     |
| <b>Change in Cash</b>  | <b>(13)</b>    | <b>1</b>       | <b>(77)</b>               | <b>-</b>          | <b>15</b>      | <b>-120.1%</b>               | <b>16</b>        | <b>17</b>        | <b>17</b>        |
| <b>Cash Balance</b>    | <b>2</b>       | <b>3</b>       | <b>(74)</b>               | <b>3</b>          | <b>18</b>      | <b>-125.0%</b>               | <b>19</b>        | <b>36</b>        | <b>53</b>        |
| <b>Fund Margin</b>     | <b>288</b>     | <b>306</b>     | <b>(77)</b>               | <b>-</b>          | <b>15</b>      | <b>-120.1%</b>               | <b>16</b>        | <b>17</b>        | <b>17</b>        |
| <b>Fund Balance</b>    | <b>2,201</b>   | <b>2,507</b>   | <b>2,430</b>              | <b>2,507</b>      | <b>2,522</b>   | <b>3.8%</b>                  | <b>2,523</b>     | <b>2,540</b>     | <b>2,557</b>     |

**City of Minneapolis  
Engineering Materials and Testing  
Fund 6000**

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**Background**

This fund is used to account for the operation of the City's Asphalt Plant and Engineering Laboratory. The Laboratory provides in-lab and on-site testing and soil boring services to ensure quality control of asphalt, concrete and soils for projects.

**Historical Financial Information**

Each spring, the asphalt plant establishes product prices for each bituminous mix based on the estimated demand that year and the costs for making that mix. The 2002 actual production was lower than original estimates, which has had a negative impact on the fund balance. In 2003 the decision to delay the closing of the asphalt plant due to a positive outlook on paving projects and the usage of bituminous resulted in operating income for the fund of \$78,000. The decision to close the Plant at the end of 2003 resulted in a \$777,000 loss with the disposal of this asset. Net asset position decreased to \$780,000 in 2003 from \$1,489,000 in 2002. This fund will generate revenue in 2005 from Engineering Services at the lab and processing the purchasing of Concrete and Asphalt from outside vendors. Product types and quantities will be identified for its customer departments.

This fund will lose money in 2005 and thereafter until expenses and the resulting revenues charged to customers reflects the change in business and the necessary costs for operations.

**2005 Budget**

*Revenues*

Revenues and expenditures are based on the anticipated projects for the year.

*Expenditures*

The expenditures are based on Paving Lab personnel and expense to purchase Asphalt and Concrete. The budget also includes a change in accounting for the General Fund overhead charge that replaces various separate charges for indirect costs that were previously budgeted in separate agencies.

*Transfers*

The 2005 budget includes a transfer out of \$61,000 for debt service related to the MERF unfunded retirement fund.

**City of Minneapolis**  
**FY 2005 Budget**  
**Financial Plan (in thousands of dollars)**

**Engineering, Materials, and Testing - 6000**

|                        | 2002<br>Actual | 2003<br>Actual | 2004<br>Current<br>Budget | 2004<br>Projected | 2005<br>Budget | % Chg<br>from 2004<br>Budget | 2006<br>Forecast | 2007<br>Forecast | 2008<br>Forecast |
|------------------------|----------------|----------------|---------------------------|-------------------|----------------|------------------------------|------------------|------------------|------------------|
| <b>Source of Fund:</b> |                |                |                           |                   |                |                              |                  |                  |                  |
| Charges for Sales      | 2,793          | 5,368          | 3,200                     | 3,500             | 3,600          | 12.5%                        | 3,650            | 3,796            | 3,948            |
| Other Misc Revenues    |                |                | -                         |                   | -              |                              | -                | -                | -                |
| <b>Total</b>           | <b>2,793</b>   | <b>5,368</b>   | <b>3,200</b>              | <b>3,500</b>      | <b>3,600</b>   | <b>12.5%</b>                 | <b>3,650</b>     | <b>3,796</b>     | <b>3,948</b>     |
| <b>Use of Funds:</b>   |                |                |                           |                   |                |                              |                  |                  |                  |
| Personal Services      | 1,056          | 1,133          | 1,122                     | 1,130             | 1,006          | -10.3%                       | 1,046            | 1,088            | 1,132            |
| Contractual Services   | 377            | 602            | 615                       | 320               | 565            | -8.0%                        | 333              | 346              | 360              |
| Materials and other    | 1,565          | 3,187          | 2,713                     | 2,400             | 2,928          | 7.9%                         | 2,916            | 3,033            | 3,180            |
| Rent                   | 119            | 137            | 140                       | 140               | 40             | -71.4%                       | 42               | 43               | 45               |
| Interest               |                |                |                           |                   |                |                              |                  | -                | -                |
| Transfers              | 14             | 10             | 10                        | 10                | 61             | 530.7%                       | 10               | 10               | 10               |
| <b>Total</b>           | <b>3,131</b>   | <b>5,069</b>   | <b>4,599</b>              | <b>4,000</b>      | <b>4,600</b>   | <b>0.0%</b>                  | <b>4,346</b>     | <b>4,520</b>     | <b>4,727</b>     |
| <b>Change in Cash</b>  | <b>(338)</b>   | <b>299</b>     | <b>(1,399)</b>            | <b>(500)</b>      | <b>(1,000)</b> | <b>-28.5%</b>                | <b>(696)</b>     | <b>(724)</b>     | <b>(779)</b>     |
| <b>Cash Balance</b>    | <b>636</b>     | <b>935</b>     | <b>(464)</b>              | <b>435</b>        | <b>(565)</b>   | <b>21.6%</b>                 | <b>(261)</b>     | <b>(984)</b>     | <b>(1,763)</b>   |
| <b>Fund Margin</b>     | <b>(292)</b>   | <b>(709)</b>   | <b>(1,399)</b>            | <b>(500)</b>      | <b>(1,000)</b> | <b>-28.5%</b>                | <b>(696)</b>     | <b>(724)</b>     | <b>(779)</b>     |
| <b>Fund Balance</b>    | <b>1,489</b>   | <b>780</b>     | <b>(619)</b>              | <b>280</b>        | <b>(720)</b>   | <b>16.2%</b>                 | <b>(416)</b>     | <b>(1,139)</b>   | <b>(1,918)</b>   |

**City of Minneapolis  
FY 2005 Budget  
Financial Plan**

**Intergovernmental Services Fund**

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This fund is used to account for business information services (information and technology), central mailing and printing services, and telecommunications operations.

The City Council approved a Financial Workout Plan for the Intergovernmental Services Fund in September 2000, to resolve both the annual operating deficit and accumulated cash deficits for this fund. An update to this plan was approved in January 2003. The original plan projected a positive operating margin by year 2003 and positive cash flow to the fund by year 2008 if the following were realized:

1. Refund Existing Outstanding Variable Rate Debt.

*During 2000, The City issued \$22.8 million, 12-year, fixed rate bonds. These bonds were used to refund existing 7-year, variable rate bonds.*

2. Identify Level of Funding Available for Capital Projects.

*The original plan committed to finishing "in flight" capital projects totaling \$12.2 million. During 2002 that number increased by \$2.1 million. The increase was necessary to finish construction of the Engineering 2000 software program. The additional costs were financed on a pay-as-you-go basis by the Public Works department. The 2003 budget provided a base budget of \$1 million for core infrastructure investments.*

3. Reduce Information Technology Operating Expenditures.

*The original workout plan called for a \$1.5 million reduction in 2002. The savings were realized through a conversion of contractors to city positions and an overall reduction in contractual expenses. Despite these expense reductions, the overall budget for BIS increased by \$3 million because of \$2.3 million in costs related to software licensing, integration of GIS application support and hardware/software maintenance contracts. In addition, an accounting change related to the Program Management Division resulted in an additional \$880,000 in revenue and expense budget. The managed services (outsourcing) contract executed with Unisys in 2003 will require no additional expense for the department. Conversely, it is expected to generate savings by avoiding future capital expenses such as hardware refresh, data center move and disaster recovery.*

4. Commit \$1.2 million in Additional Annual General Fund Resources.

*Since the original workout plan was adopted in 2000, annual adopted budgets have included the \$1.2 million increase.*

5. All City Funds, Except the General Fund, Must Provide Pay-As-You-Go Funding for Business Information Systems (BIS).

*Departments have complied with this direction. Examples of this cooperation are, \$1.9 million funding from Public Works for E2K, \$100,000 from Finance for a MUPS upgrade, \$250,000 from Human Resources for an HRIS upgrade.*

6. Adjust the Rates Paid by User Departments/Funds on an Annual Basis.

*The original and updated workout plan assumes and plans for a 2-3% budgetary increase annually.*

7. Eliminate Internal Working Capital Charge.

*During 2000, the working capital charge was eliminated for the Intergovernmental Services Fund. This resulted in annual savings of \$160,000.*

8. Implement Permanent Inter-Fund Loans.

*During 2000, the Convention Center and Convention Facilities Reserve Fund loaned \$12.8 million to the Intergovernmental Services Fund.*

9. Develop User Rates for Information Technology Services.

*During 2002, the Finance Department developed a rate model for the fund using an accounting industry standard known as Activity-Based Costing. The model allocates costs to customers on a "level of effort" basis. The model will be used to allocate costs to departments for GASB34 compliant financial statements beginning in 2002 and has been incorporated in the 2005 annual City operating budget.*

## **Historical Financial Performance**

Net assets were affected by the re-alignment of fixed assets and its related debt to the Intergovernmental Services Fund. This change in accounting caused a one-time adjustment to the fund's net assets of a negative \$21.7 million. Although this negative adjustment causes fund assets now to have a balance of negative \$40 million at year-end 2002 it better represents the financial condition of the fund and the importance of implementing the strategies to meet the guidelines of the workout plan. This trend will

be reversed under the plan, if the assumptions hold. The operation was projected to lose \$2.9 million in 2001 (as reflected in the workout plan) but only lost \$2.4 million. A loss of \$4.6 million in 2002 leaves the net assets \$2.7 million behind the workout plan after the one-time adjustment is factored in. However cash improved nearly \$1 million from 2001 to 2002. The workout plan had anticipated a negative \$16.4 million year end cash balance and the actual amount was a negative \$15.9 million, or \$0.5 million more positive than what was planned.

## **2005 Budget**

### *Revenues*

The workout plan required an additional \$1.0 million in 2001 and \$1.2 million annually from 2002-2008 of increased revenue from the property tax supported funds (General Fund), to fund the cost of providing information technology services. In 2003, as a result of Local Government Aid cutbacks, the Business Information Services Department (formerly the Information Technology Services Department) was directed to reduce operating costs by \$1.2 million from the original adopted 2003 budget. BIS did reduce expense by this amount and the General Fund is contributing \$1.2 million less in revenue to the Intergovernmental Services Fund as a result of this decision.

GIS operations have been moved from the General Fund to the Intergovernmental Services Fund as part of the 2005 budget. This transfer did not impact net performance (expense and revenue) of either the General Fund or the Intergovernmental Services Fund.

Charges for service were increased to reflect the additional revenue that the project management division in BIS has been generating by providing services and then direct charging city departments for the services they receive above and beyond the normal service level provided. The total amount is approximately \$800,000 in additional revenue, which was added to the project management division appropriation.

### Rate Model Implications

BIS is using an Activity-Based Costing "Rate Model" to recover its operating costs for 2005. The rate model and the revenue generated from it changes how revenue is budgeted within the fund and how customer expenses are budgeted within theirs. Formerly, BIS received its revenue through non-operating "Transfers" or subsidies primarily from the General Fund and the Enterprise Funds. With the advent of the Rate Model, revenues in BIS are budgeted as "Charges for Service" vice "Transfers In". Conversely, customer expenses are budgeted as "Contractual Services" vice "Transfers Out". This change will show as increases to department operating budgets.

The rate model has 4 components on the customer expense side: Rate Model, Telephony, Data Connectivity, Special Telephone Charges. Revenues generated through the rate model will recover:

- a) BIS operating costs at a level that conforms to the Council adopted workout plan
- b) Projected operating increases related to the purchase of a new phone system
- c) Debt service resulting from phone system purchase
- d) Lease payments to Motorola for Constituent Relationship Management (CRM) software.

### *Expenses*

BIS has contracted with Unisys as part of its Outsourcing of Technology Operations Plan, which was implemented in 2003. Unisys will own and maintain desktop and server equipment plus the related operating software under this plan. BIS will move away from managing technology and concentrate on providing business analysis and information services.

Expenses in the Intergovernmental Services Fund are comprised of the operating expenses (salaries/benefits, contractual, operating, equipment) of BIS and City Clerk. Capital expenditures for information technology investments were budgeted in the City's Permanent Improvement Fund (4100), but now are budgeted in the BIS fund. This has caused an increase in depreciation expense, which the fund is not collecting when debt service for assets exceeds the life of the asset.

A major cost not reflected in the workout plan for this fund is \$8 million in annual depreciation expenses. This expense will continue to cause losses to the fund that are currently not charged to customers through the rate model. As a result, BIS financial position will continue to decline and system replacement will pose future challenges as supplemental capital appropriations will be needed.

The budget also includes a change in accounting for the General Fund overhead charge that replaces various separate charges for indirect costs that were previously budgeted in separate agencies.

### *Transfers*

The rate model for Business Information Services has been finalized and Internal City customer departments will find a charge to their areas versus a transfer as in previous years. The remaining amount in transfers in (revenue) relates to a transfer from the General Fund to subsidize BIS debt service payments. BIS also has a transfer out (expense) in support of the debt service for the unfunded pension liability.

### *Debt Service*

The remaining variable rate debt of \$16.1 million was retired in 2001 with the \$22.8 million of fixed rate debt that was issued in December of 2000. The final pay-off year was extended from 2005 to 2012 with no principal being paid until 2009. This coupled

with the payoff by 2006 of debt issued prior to December of 2000 reduces debt service needed in 2007 and 2008. The City re-directed \$2.7 million of General Fund resources dedicated to variable rate debt, towards funding the operating costs of BIS. This reduced the annual operating deficit for the fund by \$2.7 million. The financial plan reflects this change through 2006.

**City of Minneapolis**  
**FY 2005 Budget**  
**Financial Plan (in thousands of dollars)**

**Intergovernmental Services Fund**

|  | 2002<br>Actual  | 2003<br>Actual  | 2004<br>Current<br>Budget | 2004<br>Projected | 2005<br>Budget  | % Chg<br>from 2004<br>Budget | 2006<br>Forecast | 2007<br>Forecast | 2008<br>Forecast |
|--|-----------------|-----------------|---------------------------|-------------------|-----------------|------------------------------|------------------|------------------|------------------|
| <b>Revenue</b>                                 |                 |                 |                           |                   |                 |                              |                  |                  |                  |
| Charges For Service                            | 5,498           | 4,098           | 5,558                     | 2,711             | 19,726          | 254.9%                       | 20,318           | 20,927           | 21,555           |
| Charges for Sales                              | -               | -               | 10                        | 2                 | 10              |                              | 11               | 11               | 12               |
| Interest                                       | -               | -               | -                         | -                 | -               |                              | -                | -                | -                |
| Gains  | (1)             | -               | -                         | (150)             | -               |                              | -                | -                | -                |
| Other Miscellaneous Revenue                    | 2,937           | -               | 40                        | 1                 | -               |                              | -                | -                | -                |
| Proceeds of Bonds Issued                       | -               | 1,000           | 2,950                     | 2,950             | 2,000           | -32.2%                       | 2,720            | 3,000            | 2,950            |
| Operating Transfers In                         | 18,926          | 17,519          | 22,265                    | 22,265            | 7,948           | -64.3%                       | 8,291            | 8,065            | 8,454            |
| <b>Total</b>                                   | <b>27,360</b>   | <b>22,617</b>   | <b>30,823</b>             | <b>27,779</b>     | <b>29,684</b>   | <b>-3.7%</b>                 | <b>31,340</b>    | <b>32,004</b>    | <b>32,972</b>    |
| <b>Expenses</b>                                |                 |                 |                           |                   |                 |                              |                  |                  |                  |
| Transfers                                      | 427             | 7               | 7                         | 7                 | 124             | 1673.6%                      | 135              | 139              | 143              |
| Debt Service                                   | 4,061           | 3,965           | 7,977                     | 6,766             | 8,266           | 3.6%                         | 7,738            | 1,434            | 1,434            |
| City Clerk                                     | 1,254           | 947             | 1,090                     | 1,045             | 1,111           | 1.9%                         | 1,087            | 1,119            | 1,153            |
| Human Resources                                | 170             | 128             | 186                       | 85                | 192             | 3.0%                         | 197              | 203              | 209              |
| Finance Department                             | 168             | 188             | 191                       | 191               | -               |                              | -                | -                | -                |
| Capital Outlay                                 | 6,120           | 1,000           | 10,448                    | 2,950             | 2,000           | -80.9%                       | 2,720            | 3,000            | 2,950            |
| Information & Tech Services                    | 17,302          | 18,504          | 18,255                    | 18,255            | 20,144          | 10.3%                        | 18,964           | 19,533           | 20,119           |
| <b>Total</b>                                   | <b>29,502</b>   | <b>24,739</b>   | <b>38,154</b>             | <b>29,299</b>     | <b>31,837</b>   | <b>-16.6%</b>                | <b>30,841</b>    | <b>25,428</b>    | <b>26,008</b>    |
| <b>Intergovernmental Services Fund Margin</b>  | <b>(2,142)</b>  | <b>(2,122)</b>  | <b>(7,331)</b>            | <b>(1,520)</b>    | <b>(2,153)</b>  |                              | <b>499</b>       | <b>6,576</b>     | <b>6,964</b>     |
| <b>Intergovernmental Services Fund Balance</b> | <b>(32,984)</b> | <b>(39,794)</b> | <b>(47,125)</b>           | <b>(34,504)</b>   | <b>(36,657)</b> |                              | <b>(36,158)</b>  | <b>(29,582)</b>  | <b>(22,618)</b>  |
| <b>Intergovernmental Services Cash Balance</b> | <b>(16,728)</b> | <b>(18,850)</b> | <b>(26,181)</b>           | <b>(20,370)</b>   | <b>(22,523)</b> |                              | <b>(22,024)</b>  | <b>(15,448)</b>  | <b>(8,484)</b>   |

**City of Minneapolis**  
**FY 2005**  
**Financial Plan**  
  
**Equipment Fund**

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## **Background**

This fund accounts for the ownership and operation of a fleet of approximately 1,200 vehicles, and other pieces of motorized equipment; as well as 400 vehicle accessories (such as plow blades). The City's fleet of vehicles and equipment is the largest portion of the Fund's assets and has an estimated replacement value of approximately \$75.1 million.

The Equipment Fund rents vehicles and other equipment to other City departments. For example, it provides police vehicles, fire trucks, heavy-construction equipment, snowplows, and other maintenance equipment to City departments. In addition, the Fund provides drivers and operators for equipment as necessary.

## **Historical Financial Performance**

### *Revenue from Charges for Service*

During the 1990's the Equipment fund was not recovering all of its costs. In 2000 the Fund had a deficit cash balance of over \$17.8 million. Early in 2001 the Finance Department and the Public Works Department developed a workout plan for the fund, that has raised the revenues sufficiently to cover the full cost of operations. Because of the workout plan, the Fund has sufficient revenue to match its expenses.

### *Cash and Net Assets Balances*

Under the current workout plan, fleet purchases will be financed with bonds through 2008. This strategy, together with other measures in the workout plan, will cause the cash position in the fund to improve. Upgrading the fleet will reduce the average age of the fleet, thereby reducing maintenance costs. The workout plan will be revised in the next year to update the plan to reflect current circumstances.

## **2005 Budget**

### *Change in Accounting Practices*

Starting in 2005, the equipment services division budget, both expenditures and revenues, will be increased due to intra-fund charges. This is used by organizations within the fund, charging other organizations within the fund for services and sales. Since the expenditures and Revenues match, this will have no effect on how the fund as a whole performs. This change increases the expenses and revenues evenly, and allows the managers to manage segments of this fund more effectively.

## Revenue

Starting in 2004, the equipment division has been using an activity-based costing approach to bill the internal customers. This has resulted in setting a rental rate for the fleet that covers the replacement of the vehicles after the useful life; and maintenance, repairs and fuel separately. All of these charges will be billed at a rate that allows the equipment division to match its expenses. Revenue estimates for 2005 are higher than 2004 due to a change in accounting practices related to intra-fund charges. This is not an increase in service level, and does not have a financial impact to the City.

## Expenditures

Overall expenditures in 2005 will decrease by \$1 million from the 2004 Budget. This is due to a reduction of \$6 million in Capital purchases due to the delivery of a large amount of fire equipment in 2004 that was ordered in 2003 to update a very old fleet, and also to accommodate a change in vehicles that the Fire Department is using. Operating expenses will increase due to a change in accounting practices related to intra-fund charges. The accounting practices change is not a change to service level, and does not have a financial impact to the City. The budget also includes a change in accounting for the General Fund Overhead charge that replaces various charges for indirect costs that were previously budgeted in separate agencies.

## Transfers to Other Funds

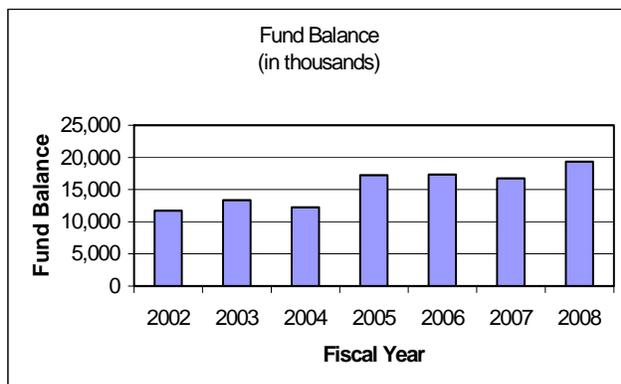
The 2005 budget includes a transfer out of \$262,937 for debt service related to the MERF unfunded retirement fund. The Business Information Services (BIS) and Self-Insurance funds used to receive transfers from the equipment fund, but starting in 2005 the financial plan will show these transfers as expenditures.

## Debt Service

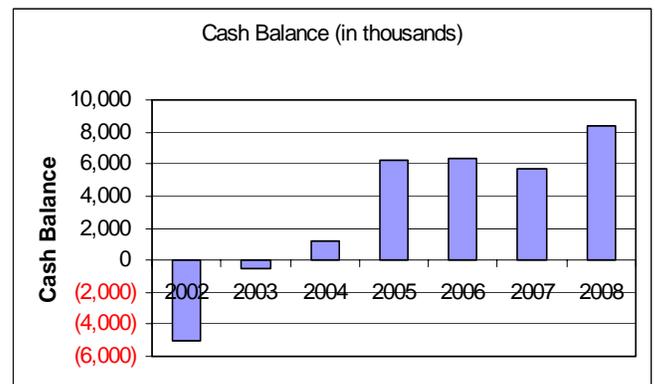
As part of the fleet modernization effort that began in 1997, the City issued bonds to finance fleet upgrades and to build new maintenance facilities. Principal and interest payments totaling \$6.3 million will be due on these bonds in 2005. Consistent with the fund's workout plan, modified for the fire apparatus replacement program, \$5.5 million in bonds will be issued for fleet replacement in 2005.

## Fund Balance

Part of the workout plan is to increase the fund balance of Net Assets and cash. The following chart illustrates how the fund is doing:



City of Minneapolis – Equipment Services Financial Plan



Council Adopted Budget

City of Minneapolis  
 FY 2005 Budget  
 Financial Plan (in thousand of dollars)

Equipment 6100

|                                     | 2002<br>Actual | 2003<br>Actual | 2004<br>Current<br>Budget | 2004<br>Projected | 2005<br>Budget | % Change<br>From 2004<br>Budget | 2006<br>Forecast | 2007<br>Forecast | 2008<br>Forecast |
|-------------------------------------|----------------|----------------|---------------------------|-------------------|----------------|---------------------------------|------------------|------------------|------------------|
| <b>Source of Funds:</b>             |                |                |                           |                   |                |                                 |                  |                  |                  |
| Charges for Service                 | 514            | 602            | 4,972                     | 5,600             | 7,389          | 49%                             | 8,000            | 8,100            | 8,300            |
| Charges for Sales                   | 2,570          | 2,537          | 5,145                     | 3,600             | 6,434          | 25%                             | 7,000            | 7,100            | 7,300            |
| Interest                            | 0              | 1              | 1                         | 1                 | 1              | 0%                              | 1                | 1                | 1                |
| Gains                               | 40             | 12             | 200                       | 5                 | 200            | 0%                              | 200              | 200              | 200              |
| Rents                               | 27,958         | 28,772         | 24,138                    | 24,000            | 27,267         | 13%                             | 29,881           | 30,473           | 31,820           |
| Other Misc Revenue                  | 460            | 589            | 310                       | 250               | 310            | 0%                              | 315              | 315              | 315              |
| Operating Transfers in              | 0              | 1,819          | 2,180                     | 2,180             | 4,180          | 92%                             | 4,000            | 4,000            | 4,000            |
| Proceeds from long term liabilities | 6,444          | 5,596          | 10,363                    | 11,863            | 5,540          | -47%                            | 0                | 0                | 0                |
| <b>Total</b>                        | <b>37,985</b>  | <b>39,928</b>  | <b>47,309</b>             | <b>47,499</b>     | <b>51,321</b>  | <b>8%</b>                       | <b>49,397</b>    | <b>50,189</b>    | <b>51,936</b>    |
| <b>Use of Funds:</b>                |                |                |                           |                   |                |                                 |                  |                  |                  |
| Debt Service                        | 1,381          | 1,629          | 1,571                     | 1,571             | 6,348          | 304%                            | 7,761            | 7,435            | 3,988            |
| Transfers                           | 91             | 61             | 62                        | 62                | 263            | 324%                            | 270              | 280              | 290              |
| PW Equipment                        | 34,683         | 30,557         | 34,365                    | 33,323            | 35,275         | 3%                              | 36,600           | 37,340           | 38,080           |
| Finance                             | 506            | 482            | 573                       | 573               | 0              | -100%                           |                  |                  |                  |
| PW Equipment Capital                | 5,473          | 5,596          | 11,863                    | 11,863            | 5,540          | -53%                            | 6,140            | 6,240            | 7,200            |
| <b>Total</b>                        | <b>42,134</b>  | <b>38,325</b>  | <b>48,434</b>             | <b>47,392</b>     | <b>47,426</b>  | <b>-2%</b>                      | <b>50,771</b>    | <b>51,295</b>    | <b>49,558</b>    |
| <b>Fund Margin</b>                  | <b>(4,149)</b> | <b>1,603</b>   | <b>(1,125)</b>            | <b>107</b>        | <b>3,895</b>   |                                 | <b>(1,374)</b>   | <b>(1,106)</b>   | <b>2,378</b>     |
| <b>Fund Balance</b>                 | <b>11,722</b>  | <b>13,325</b>  | <b>12,200</b>             | <b>13,432</b>     | <b>16,095</b>  |                                 | <b>14,721</b>    | <b>13,615</b>    | <b>15,993</b>    |
| <b>Cash Balance</b>                 | <b>(4,995)</b> | <b>(502)</b>   | <b>1,224</b>              | <b>2,456</b>      | <b>6,262</b>   |                                 | <b>4,888</b>     | <b>3,782</b>     | <b>6,160</b>     |

Note:

The 2005 Recommended Budget reflects a change in accounting and budgeting practice for the Equipment Services Fund. As a result, the annual percentage change figures comparing the 2004 budget to the 2005 Mayor's Recommended budget are significantly impacted.

The cash balance listed is operating cash, excluding bond funds available, and capital appropriations.

**City of Minneapolis  
FY 2005  
Financial Plan**

**Property Services Fund**

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**Background**

This fund accounts for the physical management and maintenance of fire stations, police precinct buildings, the Public Service Center, parking ramps, and various other office locations. It also accounts for the coordination and management of special projects. Parking ramp maintenance and the radio shop operations were added to this fund in 2002. This aligned operations along the lines of the Public Works reorganization. In 2004 Property Services added two more areas to its list of duties: space and asset management, and security management. Security management is part of the increase in security that has come about since the 9/11 attacks.

**Historical Financial Performance**

The proposed building rental rates are based on a three-year actual expenditure average. In 1998 and 1999 rates were not increased to fully cover the expenditures in this fund, in order to reduce pressure on customer budgets. This resulted in negative financial performance during this period and a decline in cash balance. Since 1999, rates have been allowed to be increased annually (to other city departments) in order to fully fund the direct and indirect costs in the Property Services Fund. The fund currently has a deficit in cash of \$700,000. In 2004, revenues are expected to equal expenditures.

**2005 Budget**

***Revenues***

The increase in revenues from 2004 to 2005 is related to three new ramps that this fund will be maintaining.

***Expenditures***

The 2005 budget includes maintenance for three additional ramps. This additional expense is recovered through charges to the Transportation fund, which is managing these ramps. The budget also includes a change in accounting for the General Fund overhead charge that replaces various charges for indirect costs that were previously budgeted in separate agencies.

**Community Planning and Economic Development (CPED) Merging with the City of Minneapolis**

Part of the merger between CPED and the City of Minneapolis starting in 2005 is that the Property Services fund will take over the maintenance of property and buildings that was formerly maintained by CPED. This will result in an increase to Expenses and Revenue of \$830,000.

**Transfers to/from Other Funds**

The 2005 budget includes \$83,000 of transfers out to other funds to cover the cost of Human Resources and Self Insurance. In addition, the Property Services Fund includes a \$699,163 transfer in from the General Fund to fund a portion of the debt service for 800 MHz radio system. Prior to the changes resulting from the implementation of GASB 34, debt service for 800 MHz radio system was paid from the Bond Redemption Fund versus the Property Services Fund. The Debt Service for 800 MHz radio system is now funded as follows:

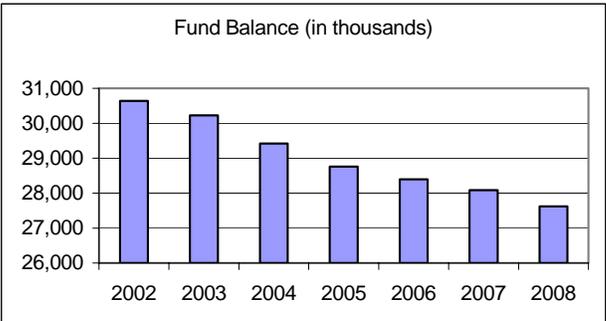
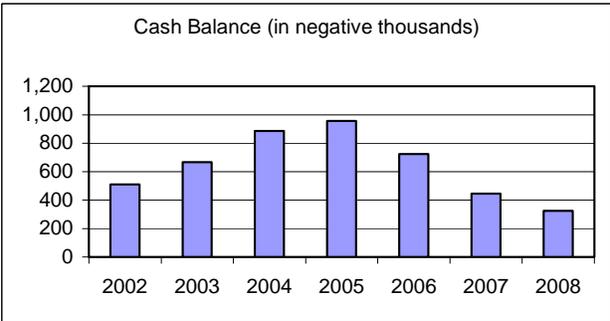
|             |                                |
|-------------|--------------------------------|
| \$699,163   | Transfer from the General Fund |
| \$350,000   | Property services rent charges |
| \$1,049,163 | Total Debt Service (year 2005) |

**Capital Project and Debt Service**

The Radio Shop, a division with the Property Services Fund, has management responsibility for the \$16 million 800 MHz Radio System, which will be fully installed in 2004. As mentioned earlier, the fund recognizes the fixed assets along with the debt related to this project. The Radio Shop is participating in the funding for the Safety Initiative, by contributing \$350,000 a year since 1998.

**Fund Balance**

The Property Services Fund has a positive net asset balance of \$29 Million in 2004. However, this fund does not recover for the depreciation of the buildings that are assets in the fund. Therefore, the fund balance will continue to fall every year, even though the fund is breaking even in terms of cash, keeping the cash balance at around a deficit of \$700,000.



City of Minneapolis – Property Services Financial Plan

Council Adopted Budget

City of Minneapolis  
 FY 2005 Budget  
 Financial Plan (in thousand of dollars)

Property Services Fund 6200

|                                       | 2002<br>Actual | 2003<br>Actual | 2004<br>Current<br>Budget | 2004<br>Projected | 2005<br>Budget | % Chg<br>From 2004<br>Budget | 2006<br>Forecast | 2007<br>Forecast | 2008<br>Forecast |
|---------------------------------------|----------------|----------------|---------------------------|-------------------|----------------|------------------------------|------------------|------------------|------------------|
| <b>Source of Funds:</b>               |                |                |                           |                   |                |                              |                  |                  |                  |
| Changes for Services                  | 5,118          | 4,777          | 4,433                     | 4,890             | 6,381          | 44%                          | 6,400            | 6,450            | 6,500            |
| Charges for Sales                     | 649            | 511            | 880                       | 458               | 386            | -56%                         | 400              | 410              | 420              |
| Rents                                 | 5,929          | 6,214          | 6,339                     | 6,200             | 6,648          | 5%                           | 6,700            | 6,800            | 6,900            |
| Other Misc Revenues                   | 26             | 184            | 441                       | 400               | 2              | -100%                        | 450              | 460              | 470              |
| Operating Transfers In                | 1,665          | 389            | 842                       | 842               | 812            | -4%                          | 863              | 863              | 863              |
| Proceeds of long term liabilities     | 6,425          | 1,166          |                           |                   |                | 0%                           | 0                | 0                | 0                |
| <b>Total</b>                          | <b>19,812</b>  | <b>13,241</b>  | <b>12,935</b>             | <b>12,790</b>     | <b>14,229</b>  | <b>10%</b>                   | <b>14,813</b>    | <b>14,983</b>    | <b>15,153</b>    |
| <b>Use of Funds:</b>                  |                |                |                           |                   |                |                              |                  |                  |                  |
| Property Services Administration      | 180            | 201            | 160                       | 180               | 566            | 254%                         | 600              | 600              | 600              |
| Radio Equipment                       | 1,642          | 1,661          | 2,214                     | 1,513             | 2,283          | 3%                           | 2,300            | 2,350            | 2,400            |
| Municipal Market                      | 15             | 59             | 31                        | 27                | 31             | 0%                           | 32               | 33               | 34               |
| Facilities Management                 | 9,255          | 9,604          | 9,596                     | 9,380             | 11,054         | 15%                          | 11,100           | 11,150           | 11,200           |
| Capital Expenditure                   | 7,109          | 1,166          |                           |                   |                | 0%                           | 0                | 0                | 0                |
| Project Management                    | 152            | 229            | 382                       | 0                 |                | -100%                        | 0                | 0                | 0                |
| Debt Service                          | 123            | 502            | 1,213                     | 1,213             | 1,049          | -14%                         | 1,213            | 1,213            | 1,213            |
| Transfers                             | 286            | 117            | 33                        | 33                | 86             | 161%                         | 108              | 110              | 112              |
| Finance                               | 103            | 115            | 117                       | 117               |                | -100%                        |                  |                  |                  |
| <b>Total</b>                          | <b>18,865</b>  | <b>13,654</b>  | <b>13,746</b>             | <b>12,463</b>     | <b>15,069</b>  | <b>10%</b>                   | <b>15,353</b>    | <b>15,456</b>    | <b>15,559</b>    |
| <b>Property Services Fund Margin</b>  | <b>947</b>     | <b>(413)</b>   | <b>(811)</b>              | <b>327</b>        | <b>(840)</b>   |                              | <b>(540)</b>     | <b>(473)</b>     | <b>(406)</b>     |
| <b>Property Services Fund Balance</b> | <b>30,641</b>  | <b>30,228</b>  | <b>29,417</b>             | <b>30,555</b>     | <b>28,577</b>  |                              | <b>28,037</b>    | <b>27,564</b>    | <b>27,158</b>    |
| <b>Property Services Cash Balance</b> | <b>(510)</b>   | <b>(666)</b>   | <b>(886)</b>              | <b>32</b>         | <b>(1,136)</b> |                              | <b>(1,086)</b>   | <b>(969)</b>     | <b>(785)</b>     |

**City of Minneapolis  
FY 2005  
Financial Plan**

**Self-Insurance Fund**

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The Self-Insurance Fund is used to account for employee medical, dental, and life insurance benefit programs and the programs' administrative costs. The fund also accounts for occupational health services, severance payments to employees who have retired or resigned and who meet minimum eligibility requirements, a tort liability program, and a workers' compensation program.

**Historical Financial Performance**

The net assets of the Self-Insurance Fund reflected a negative position \$41.0 million at year-end 2003, improving \$8.0 million the last three years from a low of \$49.0 million in 2000. The majority of this negative balance is due to the required accounting recognition of liability claims that have occurred but are not reported.

In 2000, the negative net asset balance increased by \$17.1 million due to two major factors. The first was an \$8.75 million settlement in which bonds were issued to pay off a legal judgement. The second was a \$7.7 million accounting adjustment to "unpaid claims" liability due to the financial results of a recent actuarial study.

During 2003, the City Council adopted a financial plan for the Self Insurance Fund which will result in the fund reaching a positive cash balance by year 2006, from a low of a negative \$8.2 million at year end 2001.

**2005 Budget**

*Revenues/Expenditures*

Medical and Life programs are fully contracted-out so that revenues and expenses should be equal at year-end as premiums are determined by and paid to the contractors. For 2004, the City has contracted with Blue Cross Blue Shield as the health insurance carrier. The City's contract with Blue Cross Blue Shield expires at the end of 2006. For planning purposes, the City has assumed a 20% increase in health insurance premiums for year 2005.

The Dental and Minneflex program premiums are estimated, and actual costs are expensed.

The Unused Sick Leave Program provides a payout of unused sick leave to qualified employees at 50% pay. Payments are funded by 0.7% gross pay contributions from the City, Park Board, and Library Board into a severance pool. The rate for City Police

Officers and Firefighters is 1.1% of gross pay. This program was reviewed for compliance with IRS guidelines and modified for year 2002.

The Alternative Dispute Resolution (ADR) Program was established through funds collected through payroll deductions and direct payment as agreed to in previous labor contracts. Occupational Health actual expenses are billed to departments.

The Workers Compensation payments are estimated at \$8.0 million for 2005. This is a 4% increase over the prior year.

The Liability Program expenditures were significantly higher in 2003 than anticipated due to an \$10.0 million legal settlement. The base budget includes funding for the \$1.1 million (average) in annual debt service that was required to service the debt related to the \$8.75 million settlement in 2000, for which bonds were issued to finance the payout, for the next 10 years.

The budget also includes a change in accounting for the General Fund overhead charge that replaces various separate charges for indirect costs that were previously budgeted in separate agencies.

#### *Debt Service*

The 2004 adopted budget includes full funding for debt service payments on \$4.0 million in bonds issued in 1995, \$1.0 million in bonds issued in 1996, and the \$8.8 million previously mentioned. They are variable rate and only the \$8.8 issuance will have an outstanding balance of \$5.9 million at the end 2004 as the others mature.

**City of Minneapolis  
FY 2005 Budget  
Financial Plan (in thousands of dollars)**

**Self Insurance Fund**

|                         | 2002<br>Actual  | 2003<br>Actual  | 2004<br>Current<br>Budget | 2004<br>Projected | 2005<br>Budget  | % Chg<br>from 2004<br>Budget | 2006<br>Forecast | 2007<br>Forecast | 2008<br>Forecast |
|-------------------------|-----------------|-----------------|---------------------------|-------------------|-----------------|------------------------------|------------------|------------------|------------------|
| <b>Source of Funds:</b> |                 |                 |                           |                   |                 |                              |                  |                  |                  |
| Charges for Service     | 49,961          | 54,817          | 59,771                    | 57,187            | 56,818          | -4.9%                        | 58,523           | 60,278           | 62,087           |
| Interest                | -               | -               | -                         | -                 | -               |                              | -                | -                | -                |
| Other Misc Revenues     | 5,508           | 5,653           | 2,828                     | 3,731             | 5,427           | 91.9%                        | 5,590            | 5,758            | 5,930            |
| Operating Transfers In  | 2,244           | 10,779          | 3,779                     | 2,910             | 3,885           | 2.8%                         | 4,002            | 4,122            | 4,245            |
| <b>Total</b>            | <b>57,713</b>   | <b>71,249</b>   | <b>66,378</b>             | <b>63,828</b>     | <b>66,130</b>   | <b>-0.4%</b>                 | <b>68,114</b>    | <b>70,157</b>    | <b>72,262</b>    |
| <b>Use of Funds:</b>    |                 |                 |                           |                   |                 |                              |                  |                  |                  |
| Debt Service            | 1,664           | 94              | 1,217                     | 1,217             | 1,204           | -1.1%                        | 1,240            | 1,278            | 1,316            |
| Transfers               | 2               | 5               | 6                         | 6                 | 125             | 1990.2%                      | 129              | 133              | 137              |
| Health and Welfare      | 37,774          | 43,875          | 44,342                    | 44,414            | 45,011          | 1.5%                         | 46,361           | 47,752           | 49,185           |
| Attorney                | 4,265           | 4,250           | 4,773                     | 4,237             | 4,986           | 4.5%                         | 5,136            | 5,290            | 5,448            |
| Workers Compensation    | 8,104           | 6,047           | 7,762                     | 5,974             | 8,083           | 4.1%                         | 8,325            | 8,575            | 8,833            |
| Liability               | 2,412           | 12,538          | 5,062                     | 5,915             | 3,289           | -35.0%                       | 3,388            | 3,489            | 3,594            |
| Human Resources         | 587             | 441             | 615                       | 533               | 700             | 13.8%                        | 721              | 743              | 765              |
| Finance Dept            | 1,314           | 1,725           | 1,616                     | 1,295             | 1,551           | -4.0%                        | 1,598            | 1,645            | 1,695            |
| <b>Total</b>            | <b>56,122</b>   | <b>68,975</b>   | <b>65,393</b>             | <b>63,591</b>     | <b>64,950</b>   | <b>-0.7%</b>                 | <b>66,898</b>    | <b>68,905</b>    | <b>70,972</b>    |
| <b>Fund Margin</b>      | <b>1,591</b>    | <b>2,274</b>    | <b>985</b>                | <b>237</b>        | <b>1,180</b>    | <b>19.8%</b>                 | <b>1,216</b>     | <b>1,252</b>     | <b>1,290</b>     |
| <b>Fund Balance</b>     | <b>(43,255)</b> | <b>(40,983)</b> | <b>(39,998)</b>           | <b>(40,746)</b>   | <b>(39,566)</b> | <b>-1.1%</b>                 | <b>(38,350)</b>  | <b>(37,098)</b>  | <b>(35,808)</b>  |
| <b>Cash Balance</b>     | <b>(6,620)</b>  | <b>(6,620)</b>  | <b>(5,635)</b>            | <b>(6,383)</b>    | <b>(5,203)</b>  | <b>-7.7%</b>                 | <b>(3,987)</b>   | <b>(2,735)</b>   | <b>(1,445)</b>   |