

**City of Minneapolis  
FY 2005 Budget  
Financial Management Policies**

---

The City of Minneapolis' Financial Management Policies provide a framework for the fiscal management of the City. These policies cover the following areas:

- ◆ Budgeting Policies
- ◆ Revenue Policies
- ◆ Reserve Policies
- ◆ Debt Policies
- ◆ Capital Budget Policies
- ◆ Accounting Policies
- ◆ Investment Policies
- ◆ Development Finance Policies
- ◆ Public Participation Policies
- ◆ Administrative Policies

## **BUDGETING POLICIES**

The objective of the operating budget policies is to provide adequate levels of essential City services at reasonable costs.

**Balanced Budget.** The operating budget for the City shall be balanced. For each fund, ongoing costs are not to exceed ongoing revenues plus available fund balances used in accordance with reserve policies.

**Self-supporting Enterprises.** All enterprise activities of the City shall be self-supporting to the greatest extent possible, including those activities contained within the Internal Service Funds.

**Service Levels.** Performance measurement and productivity indicators for services shall be integrated into the annual budgeting process. Changes in service levels shall be governed by the following:

**Budget Process.** The annual budget process is intended to weigh all competing requests for City resources, within expected fiscal constraints. Requests for new programs made outside the annual budget process shall be discouraged. New initiatives should be financed by reallocating existing City resources to the services with the highest priorities.

**Personnel Expenses.** Additional personnel should be requested only after service needs have been thoroughly documented or after it is substantiated that

the new employees will result in increased revenue or enhanced operating efficiencies.

**Grant Funded Programs.** Programs financed with grant monies shall be budgeted in special revenue funds, and the service program shall be adjusted to reflect the level of available grant funding. In the event of reduced grant funding, City funding sources shall be substituted only after all competing program priorities are considered during the annual budget process.

**Basis of Budgeting.** Except as noted below, the basis of budgeting and basis of accounting are the same. The budgets of all governmental and agency funds are created using the modified accrual basis. Their revenues are budgeted if they are measurable and available as net current assets. Major revenues that are determined to be susceptible to accrual include property taxes, special assessments, grants-in-aid, intergovernmental revenues, rentals, franchise fees, and intra-City charges. Interest on investments, short-term notes and loans receivable are accrued; interest on special assessments receivable is not accrued or budgeted. Major revenues that are determined not to be susceptible to accrual because they are not available soon enough to pay liabilities of the current period or are not objectively measurable include delinquent property taxes and assessments, licenses, permits, fines and forfeitures. Delinquent property taxes are not budgeted, while the other categories are budgeted.

In the governmental and agency funds, expenditures are generally budgeted when the related fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Compensated absences, which include accumulated unpaid vacation, compensatory time and severance pay, are not payable from expendable available financial resources, except for available resources in the Self-Insurance Internal Service Fund for vested severance pay. Compensated absences are considered expenditures when paid to employees. Salary expenditures are budgeted based on full time equivalents (FTE's), regardless of the type of pay.

Proprietary funds use the accrual basis. Revenues are budgeted as they are anticipated to be earned. Unbilled utility service receivables are recorded at year-end. Utility Service revenue estimates are based on the number of users, without a factor for delinquencies. Compensated absences are considered expenses when they are incurred.

**Budgetary Controls.** The legal level of budgetary control is at the department level within a fund. The City Coordinator's Office, the Public Works Department and the City Clerk/Elections areas are considered to be legal levels of budgetary control within a fund even though budgetary data is presented at lower levels. Budgetary amendments at the department/fund level must be approved by the City Council. Appropriations lapse at year-end.

Purchase orders, contracts, and other commitments are recorded as encumbrances, which reserve appropriation authority. Encumbrances outstanding at year-end are

reported as reservations of fund balance and do not represent generally accepted accounting principles (GAAP) expenditures.

**Five-Year Financial Direction.** [Council Resolution adopted in 2003] City departments will prepare business plans with a five-year planning horizon which reflect the allocation of general City revenues and property tax revenue. This financial direction is based upon the City's adopted tax policy, which established an 8-percent maximum annual increase in property tax levy. This direction also reflects the Council-adopted wage policy of a 2-percent annual increase.

## REVENUE POLICIES

The objective of the revenue policies is to ensure that funding is derived from a fair, equitable, and adequate resource base, while minimizing tax differential burdens.

**Revenue Structure and Sources.** The City will maintain a stable and diverse revenue system to shelter programs and services from short-term fluctuations in any single revenue source. Services having a city-wide benefit shall be financed with revenue sources generated from a broad base, such as property taxes and state aids. Services where the customer determines the use shall be financed with user fees, charges and assessments related to the level of service provided.

**Tax Base Capacity.** The City will seek to ensure that local general tax resources are not increased faster than the tax base capacity of the community. In July 2002, the Mayor and City Council approved a resolution that set the maximum increase in the total property tax levy collected by the City, including independent boards and special levies, at no more than 8-percent from the previous years' amount from year 2003 forward. This resolution serves as a guideline for preparing tax revenue forecasts.

**User Fees.** The City shall implement user charges in lieu of general revenue sources for identified services where the costs are related to the level of service.

**Cost of Service.** The City shall establish user charges and fees at a level that reflects the service costs. Components of the user charges shall include operating and capital costs, as well as the direct and indirect costs of providing the service. Full cost charges shall be imposed unless it is determined that policy, legal or market factors require lower fees.

**Policy and Market Considerations.** The City shall consider policy objectives, market rates and charges levied by other public and private organizations for similar services when City fees and charges are established.

**Non-Resident Charges.** User fees and other appropriate charges shall be levied for City activities, services or facilities in which non-residents participate, whenever practical. Non-resident fees shall be set at market levels to minimize the tax burden on City residents.

**Enterprise Service Fees.** User charges for Enterprise Services, such as water, sewer and solid waste collection, shall be set at rates sufficient to finance all direct and indirect operating, capital, and debt service costs. Overhead expenses and general government services provided to the enterprise activities shall be included as indirect costs. Rates will be set such that these enterprise funds are never in a cash deficit during the year. The City shall maintain a minimum cash balance in its Enterprise Funds equal to approximately three months of operating expense.

**Code Enforcement and License Fees.** These activities shall be funded through user charges that reflect the cost of the services provided, including direct and indirect expenses, to the extent legally allowable.

**Internal Service Fees.** When interdepartmental charges are used to finance internal service functions, the charges shall reflect full costs, including all direct and indirect expenses. Beginning in 2005, costs for services provided by BIS will be allocated to departments using BIS services based on a rate model.

**Administrative Fees.** Administrative fees shall be assessed on all non-General Fund supported capital projects. These fees allocate the proportionate share of general government services to those projects so that the General Fund is not required to subsidize infrastructure or economic development projects.

**Parking Fees.** Hourly, daily, and monthly contract rates for City-owned parking facilities shall be adjusted at least annually to reflect market prices of privately owned parking facilities. Fee adjustments shall also consider downtown objectives, such as development incentives, space availability, business promotion, traffic control, and mass transit patronage.

**Fines.** Levels of fines shall be set according to legal guidelines, deterrent effect, administrative costs and revenue potential.

**Convention Center.** The Convention Center will develop a profit and loss statement for each event. The Center shall be managed so that operating costs are financed through user charges to the greatest extent possible within the overall mission of the Convention Center.

**Dedicated Revenues.** Except where required by law or generally accepted accounting principles (GAAP), no revenues shall be dedicated for specific purposes. All non-restricted revenues shall be deposited in the General Fund and appropriated by the annual budget process.

**Private Revenues.** All private money donated, contributed or lent to the City shall be subject to grant solicitation and acceptance procedures, and shall be deposited in the appropriate City fund and accounted for as public money through the City's budget process and accounting system.

## RESERVE POLICIES

The objective of the reserve policies is to provide adequate working capital for cash flow and contingency purposes, while maintaining reasonable tax rates.

**Cash Flow and Contingency.** The City shall maintain a minimum unallocated fund balance of 10 percent of the General Fund budget to be used for cash flow purposes, unanticipated expenditures of a non-recurring nature, or to meet unexpected increases in service delivery costs. To the extent that unusual contingencies exist as a result of state or federal aid uncertainties, or other highly variable factors, a balance larger than this minimum amount shall be maintained.

Appropriate operating contingency reserves shall be maintained in enterprise funds to provide for business interruption costs and other unanticipated expenditures of a non-recurring nature. Appropriate capital fund reserves shall also be maintained for emergency improvements relating to new regulations, or emergency needs for capital repair or replacement.

For all other funds, appropriate balances shall be maintained reflecting the nature of the accounts, such as:

**Special Assessment Funds.** The appropriate balance shall be the amount needed for revolving fund cash flow purposes.

**Enterprise Funds.** The appropriate balance shall be maintained to ensure adequate maintenance reserves, cash flow balancing requirements and legal restrictions. For most funds, the City will maintain a three-month operating cash balance. Where cost-effective access to capital markets is available and debt financing is regularly used, replacement balances shall not be maintained so current consumers are not required to pay for future facilities.

**Use of Fund Balances.** Available fund balances shall not be used for on-going operating expenditures, unless a determination has been made that available balances are in excess of required guidelines and that plans have been established to address any future operating budget shortfalls. Emphasis shall be placed on one-time uses that achieve future operating cost reductions. Fund Balance is the year's excess or deficit of all revenues and expense. In the case of proprietary funds, this is termed unrestricted net assets. For the purposes of the budget document, revenue and expense activity includes bond proceeds and debt service.

## DEBT POLICIES

The objective of the debt management policies is to maintain the City's ability to incur present and future debt at minimal interest rates for infrastructure and economic development, without endangering essential City services. In addition to these general policies, specific guidelines have been adopted by the City Council and Board of Estimate and Taxation to manage Minneapolis debt practices.

**General Obligation Bonds, Property Tax Supported.** The City utilizes general obligation, property tax supported bonding to finance only those capital improvements and long term assets that have been determined to be essential to the maintenance or development of the City.

**Tax Increment Bonds.** The City uses tax increment bonds only where projects can be shown to be self-liquidating from tax increments arising in sufficient amounts, or where secured guarantees are provided for potential shortfalls, and with appropriate timing to avoid, to the maximum extent possible, the use of city-wide property tax revenues and where maximum allowable guarantees are obtained. (The City maintains a Tax Increment Financing (TIF) Policy, separate from these Financial Management Policies.)

**Special Obligation Revenue Bonds.** Special obligation revenue bonds, those bonds for which the City incurs no financial or moral obligation, are issued only if the associated development projects can be shown to be financially feasible and contributing substantially to the welfare and/or economic development of the City and its inhabitants.

**Variable Rate Debt.** The City may elect to issue bonds as variable rate instruments to provide flexibility and/or attempt to achieve interest savings.

**Debt Management.** City Financial Management Policies shall be designed to maintain a balanced relationship between debt service requirements and current operating costs, encourage growth of the tax base, actively seek alternative funding sources, minimize interest costs and maximize investment returns. The City limits the issuance of new bonded debt so as to maintain or make improvements in key financial trend lines over time.

**Bond Term.** The City shall issue bonds with terms no longer than the economic useful life of the project. For self-supporting bonds, maturities and associated debt service shall not exceed projected revenue streams.

**Feasibility.** The City shall obtain secured guarantees for self-supporting and tax increment supported bonds to the extent possible. The City shall also obtain assurances of project viability and guarantees of completion prior to the issuance of bonds.

## CAPITAL BUDGET POLICIES

The objective of the capital budget policies is to ensure maintenance of the Minneapolis public infrastructure in the most cost-efficient manner.

**Capital Improvement Program.** The City prepares and adopts a five-year Capital Improvement Program (CIP) that details each capital project, the estimated cost and funding source. An adopted priority system is used to rank and recommend projects.

**Operating Budget Impacts.** Operating expenditures must include the cost of implementing the CIP and reflect estimates of all personnel expenses and operating costs attributable to the capital outlays. Departments receiving capital funds should account for increased operating costs resulting from capital projects.

**Repair and Replacement.** The City strives to maintain its physical assets at a level that protects the City's capital investments and minimizes future maintenance and replacement costs. Where possible, the capital budget shall provide for the adequate maintenance, repair and replacement of the capital plant and equipment from current revenues.

## ACCOUNTING POLICIES

The objective of the accounting policies is to ensure that all financial transactions of the City of Minneapolis and its boards, commissions, and agencies conform to the City Charter, Minnesota statutes, grant requirements, and the principles of sound financial management.

**Accounting Standards.** The City shall establish and maintain accounting systems according to the generally accepted accounting principles (GAAP) of the Government Finance Officers Association (GFOA) and the Governmental Accounting Standards Board (GASB). The central system shall be used for financial transactions of all City departments, boards, and independent agencies.

**Disclosure and Monitoring.** Full disclosure is provided in all financial statements and bond representations. Financial systems are maintained to monitor expenditures and revenues on a four-week period basis, with a thorough analysis and adjustment, if required, at mid-year.

## INVESTMENT POLICIES

The objective of the investment policies is to ensure that revenues received by the City of Minneapolis are promptly recorded and deposited in designated depositories. If not immediately required for the payment of obligations, revenues shall be placed in authorized investments. Funds shall be deposited only in the types of investment instruments authorized by the City's Financial Management Policies, Minnesota Statutes chapter 118A, or City Council resolutions. Investments by the City shall conform to the following investment principles:

**Safety.** Safety of principal is the City's foremost objective. Each investment transaction shall seek to first ensure that capital losses are avoided, whether from securities defaults or from erosion of market value.

**Liquidity.** The City's investments shall be structured to provide liquidity to meet its obligations in a timely manner without loss of principal.

**Yield.** The investment portfolio shall be designed to attain a market-average rate of return through budgetary and economic cycles, taking into account the City's investment risk constraints, cash flow characteristics, and safety of principal.

**Diversification.** The City of Minneapolis shall diversify its investments to minimize the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

**Maintaining the Public Trust.** The investment program shall be designed and managed with professionalism worthy of the public trust. The best investment vehicles for the City's objectives shall be sought through competitive processes. Investment officials shall avoid any transaction that might impair public confidence in the City of Minneapolis government.

**Prudence.** The "prudent person" standard shall be applied in managing the investment portfolio. Investment officers, acting in accordance with fiduciary standards and written procedures, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported timely and appropriate action is taken to control adverse developments.

**Internal Controls and Safekeeping.** The City Finance Officer shall establish a written system of internal controls. To protect against potential fraud and embezzlement, assets of the City of Minneapolis shall be secured through third party custody and other safekeeping procedures. Bearer instruments shall be held only through third party institutions. Investment officials shall be bonded.

## **DEVELOPMENT FINANCE POLICIES**

The objective of the development finance policies is to provide public assistance to community development efforts in a manner that balances costs against benefits. In addition to the City's Financial Management Policies, detailed guidelines have been adopted by the City to manage specific development resources and programs.

To the greatest extent possible, all development activities shall be self-supporting. Sufficient public and private resources shall be identified at the time a project is approved to ensure feasible completion and operation of the project. All development financing proposals shall be reviewed to ensure that the proposed financial plan is reasonable, balanced, and the best means by which to achieve City objectives, while adequately protecting City-wide financial interests.

## **PUBLIC PARTICIPATION POLICIES**

The objective of the public participation policies is to enhance the City's ability to meet financial and policy challenges by promoting a well-informed community and by encouraging public input in the decision-making process.

***Financial and Performance Measurement Reports.*** Information regarding the City budget, financial statements and performance measurement shall be provided to citizens

***Budget and Service Priorities.*** Various methods shall be used to ensure public input into the budgeting process, such as informational hearings, surveys, resident-based review committees and community meetings.

## **ADMINISTRATIVE FINANCIAL POLICIES**

The following policies are ongoing and administrative in nature. In the past, these policies had been included annually as footnotes in the budget resolutions. Beginning in 2005, they are included by reference to this section in the resolutions. There are two sections – one for operating budget administrative policies, and another for capital and debt related administrative policies.

### **Section One - Operating Budget Policies**

#### ***Revenue Related***

**Setting the general fund overhead rate and exemptions** The proper City Officials are directed to charge non-tax supported funds under the City Council jurisdiction, including all construction projects under City Council jurisdiction, and those in the Permanent Improvement Fund (4100), an amount equal to 3 1/2% of the expenditures of such funds. This shall exclude:

- Central Library Project,
- Near North Project,
- Forfeitures revenue in Police Special Revenue Fund (2100),
- Engineering Materials and Testing Fund,
- Permanent Improvement Equipment Fund,
- Property Services Fund,
- Public Works Stores Fund,
- Self-Insurance Fund,
- Intergovernmental Services Fund,
- Inter-Fund Transfers of all funds
- Debt service in Enterprise Funds
- Neighborhood Revitalization Fund (Fund CNR)
- 2700 East Lake Fund (Fund CEL)
- Saint Anthony East Village Fund (Fund CEV)
- Pay-as-you-go Tax Increment Revenue Notes
- Tax Increment Financing Districts

The proceeds of such charges will be credited to the General Fund Overhead Revenue Account 3385/01 in the General Fund. Non-exempt expenditures in non-exempt tax increment district funds will be subject to a 3% General Fund overhead charge. The City Center District will be subject to a .6 of 1% charge. Overhead rates will be charged to TIF districts consistent with state law and as approved by the appropriate authorities.

[New for 2005] Upon completion of a City-wide rate model, the amounts described above shall be replaced and the exclusions may be modified. The Finance Department will report to the City Council the impact of this change.

**Work for Others and Grant Funding** In all cases where tax funds and non-tax supported funds have appropriations which are based on or include work for others or on

income from the Special Independent School District No. 1, or County, State or Federal Governments or any other grants, donations and contracts, expenditures shall be limited to the amounts which can be supported by billings against parties, agencies or funds for which work is to be done, or for which grants or aids are provided and the proper city officials shall treat such billings, actual and prospective, as revenues only to the extent such billings are collectible or such grants and aids are authoritatively assured.

**Equipment Division Revenues and Expense** The Public Works Equipment Division, cost center 6758, personnel services appropriation, as approved in the 2005 General Appropriation Resolution, shall be limited to only personnel services expenditures. Overall expenses are limited to revenues received.

***Pension Related***

**Authorizing the City Pension employer deductions** The proper City Officials are directed to charge all funds under the City Council jurisdiction 13.37% of covered payroll costs to reflect the costs to the Minneapolis Employees Retirement Fund, to charge \$376.29 bi-weekly for each member of the Police Relief Association, and \$385.62 for each member of the Fire Department Relief Association. The pension costs, as determined above for the charge to the General and Permanent Improvement Tax Funds, shall be credited to Pension Expense, organization number 1280. The 2005 estimated credit to Pension Expense (128) is \$1.2 million for the General Fund (0100), and may be revised periodically during the course of the year, as necessary, by the Finance Department, to reflect more current estimates.

**MERF unfunded liability** amounts are included in the departmental appropriations and will be billed to the affected departments during 2005. Reinsurance amounts will be paid to a self-insurance pool funded through premiums paid by departments and tracked by department.

***Department Related***

**Benefit Charge Authorization** The proper City Officials are directed to charge all funds under the City Council jurisdiction for the employer's cost of employee health and welfare benefits.

**Overtime Limitation** The policy approved by the Mayor and Council that limits all departmental overtime to 5% of personnel budgets is effective for the 2005 budget.

**Elected Official Budgets** A year-end deficit will be allowed for each ward and the Mayor's office budget with the exception of the final year of term (but not for two consecutive years). The deficit will be paid by March 31 or the Council Member or Mayor's office budget for the current year will be reduced at mid-year. If there is savings in a ward or Mayor's budget, these savings can be reappropriated from one year to the next, but cannot be reappropriated the final year of the term.

**Fire Department Staffing Authorization** The Fire Chief is authorized the discretion to maintain up to a daily staffing of 109 Fire Fighters, Fire Motor Operators and Fire Captains on fire suppression and emergency medical duty within the overall constraints of the Fire department budget. The Fire Department shall be authorized to exceed its authorized strength for firefighters for training purposes provided that the average strength for the year is at or below the total authorized and the department does not exceed its legal spending authority.

**Police Department Staffing Authorization** The Police Department shall be authorized to exceed its authorized strength sworn officers in order to achieve a higher strength in the summer months provided that the average monthly strength for the year is at or below the authorized strength and the department does not exceed its legal spending authority.

**MECC Staffing Authorization** The Minneapolis Emergency Communications Center shall be authorized to exceed its authorized strength in order to achieve a higher strength in the summer months provided that the average monthly strength for the year is at or below the authorized strength and the department does not exceed its legal spending authority.

**Inspections Staffing Authorization** The Inspections Division of Operations and Regulatory Services shall be authorized to exceed its authorized number of Housing Inspectors to minimize service disruption to residents provided the department does not exceed its legal spending authority.

### ***Authority of the Finance Officer***

The Finance Officer or his/her designee has the following authority to approve technical changes:

- To make **temporary loans** to cover any cash deficits as of December 31, 2005.
- To adjust appropriations in any fund to facilitate **transfers for debt service** which may be required, and to make all appropriate transfers and payments.
- To amend appropriations related to **technical accounting treatment** changes.
- To adjust **re-appropriations for 2005 for grant funds** within cost centers as appropriate
- To allocate the **State Insurance Aid** payments received from the state for pension costs between the city and the Police and Fire Relief Associations. The City's allocation shall be for cost of Police and Fire PERA and shall be credited to the proper revenue account in the fund incurring the cost with the balance being allocated to the Relief Associations.
- To adjust the appropriations of the special revenue funds for **payments to various pension organizations** as may be required during 2005: Pension Fund (0990).
- To establish or adjust appropriations, transfer balances, or make payments to **carry out the intent** of any action or resolution Passed and Approved, or any legal

agreement Passed, Approved and Executed, with respect to any inter-fund loans, advances, residual equity transfers, or operating transfers, or the repayment thereof.

- To make the necessary project and line item budget adjustments to periodically balance budgets and expenses between national objectives within given programs and within normal **CDBG program** constraints.
- To make any necessary appropriation adjustments to allow departments to receive and spend **NRP funds** consistent with Council-approved NRP Action Plans, Early Access requests, and First Step Plans.
- To appropriate available **grant balances** from the following grants:
  - (i) HUD Rental Rehab grant to Fund FG0
  - (ii) HUD HOME grant funds to Fund FG0
  - (iii) Federal Transit Administration (Trolley) grant funds to either Fund FG0 or City Fund 0300 for use by the Greater GMCVA
  - (iv) Eligible UDAG recapture funds to fund FNA
  - (v) State Economic Recovery Grants to fund FNA
  - (vi) HUD Special Purpose Grant MN47SPG507(TCOIC) funds to the Non-departmental Agency in the Fund (0400-1230)
- To make appropriation adjustments to **correct any errors**, omissions or misstatements to accurately reflect the intent of the City Council in adopting the Operating Budget.
- To adjust the December Local Government Aid (LGA) payments to the Park Board and Library Board if payment is not received from these independent boards for the **management support fees** included in the adopted budget (\$300,000 from the Library Board and \$800,000 from the Park Board).
- To make transfers of appropriation and authorized positions within the approved budgets for departments or agencies. Based on the direction set forth in 2002R-303(l) (the **Focus Minneapolis resolution**), any increases in appropriation or authorized positions for CPED approved under this footnote must include offsetting appropriation and position decreases in the affected departments so that there is no net change in overall citywide appropriation or authorized position totals. The City Coordinator will report back to the Community Development and Ways & Means/Budget Committees as changes occur to the appropriation or position authority levels in the affected departments.
- To transfer appropriations as loaded on the financial system from **one organization to another within the same Agency** and fund and within and between Parking Funds upon request by the department. Such transfers shall not change the fund and Agency level totals as approved by the City Council and Mayor and shall not constitute approval of any policy change.
- To appropriate and transfer revenue within the Tax Increment capital project funds funds consistent with the management of the City's tax increment districts, Common Project, Development Accounts and Preliminary Planning Fund:

CAZ (Common Project Uncertified),  
CLC (Local Contribution),  
CPP (Preliminary Planning Fund),  
CPZ (Common Project Reserve),

CNR (NRP),  
SAD (NRP Planning & Implementation),  
SDA (Development Account), FNA (Neighborhood Development Account) and  
SPH (Community Development Revenue)

- The Finance Officer is authorized to establish or amend appropriations related to technical accounting treatment changes and is authorized to establish and adjust accounts and appropriations, make payments and transfers, process transactions as necessary for the purpose of cash management of revenues and facilitate any technical corrections, adjustments and completions authorized for the following projects:

-Federal Courts Project as authorized by Council Resolution 91R-328;

-Target Center Finance Plan as adopted on March 10, 1995 and detailed in resolutions 95R-058, 95R-059, 95R-060 and Council action of August 22, 2003 so as to prevent situations that would require a market disclosure.

- The Finance Officer is authorized to establish or adjust appropriations in Fund STH (Theatres) to the extent permitted by the original bond resolutions, as necessary to facilitate Trustee activity and the required transfers to and from the Theatre Operating Account as described in the "Management Agreement, Orpheum and State and Pantages Theatres."

### ***Appropriation and Reappropriation***

**Reappropriation in grant funds** The balances of 2004 appropriations for the following grant funds are hereby re-appropriated in the year 2005:

0300 Grants - Federal  
0400 CDBG/UDAG Fund  
0600 Grants – Other  
FBG0 CDBG (CPED)  
FGO0 HOME (CPED)  
FEZ0 Enterprise Zone (CPED)  
SMN State Grants (CPED)

The balances of 2004 appropriations for administration in the CDBG/UDAG Grant fund (0400) shall be re-appropriated to the Non-Departmental Agency in 2004, except for the administrative portion of Way to Grow in Health.

**NRP carryover authorization** With the exception of NRP Administration, the balance of the 2003 appropriations for NRP projects within Fund CNR (NRP) are hereby appropriated for said purposes in 2005. Specific amounts re-appropriated will be determined after the close of the 2004 fiscal year and upon review and approval of the Finance Officer.

**Operating Budget Reappropriation [Current policy added to this document]**

The Ways and Means committee will receive a list of requests, prepared by the Finance Department, to increase 2005 appropriation for goods and services encumbered in 2004 but not yet paid for that meet the following criteria:

- 1) a valid encumbrance;
- 2) one-time expenditure (not recurring budget item);
- 3) purpose is consistent with the department's business plan;
- 4) 2004 appropriation balance available for the encumbered item; and
- 5) financial position of the fund (status of the fund relative to work out plans; whether the fund's spending in 2004 had expense in excess of revenue).

**Local Government Aid**

**Allocation** The 2005 Allocation of Local Government Aid to Minneapolis from the State of Minnesota in the amount of \$80,338,989 is to be distributed to the various City Funds and Boards as indicated below:

General (0100)	\$64,142,861
Municipal Building Commission (1100)	241,214
Library (1800)	6,473,121
Park Board (1500&1700)	9,481,793
Total	\$80,338,989

**Library Nicollet Mall Assessment** The Local Government Aid funding for the Library Board is reduced by \$46,803 to fund the Board's share of Nicollet Mall Maintenance.

**Hilton Fund**

**Investment** Notwithstanding prior direction, the proper City and CPED officials are authorized to take actions necessary to re-invest Fund SPH (Community Development), the balance of the invested proceeds from the sale of the CPED's and City's interests in the Hilton Hotel. The status of the fund, expenditures and balances are to be reported annually as part of the City's budget process.

**Use for Pension Obligations** The Finance Officer is directed to transfer \$12.5 million (market value) of investments in the Hilton Legacy Fund to an escrow account for the purpose of paying principal and interest on \$12.5 million of bonds that funded a portion of the City's 2004 pension obligations (Pension Bonds). Investments held in the escrow account will not be available for any other purpose. The Finance Officer is authorized to redeem the remaining Pension Bonds when the Finance Officer determines that the interest rate on the Pension Bonds is expected to exceed the rate of return on the escrow investments for the remaining term of the Pension Bonds. Investments in the escrow account will be returned to the Hilton Legacy Fund after the Pension Bonds are fully paid.

## **Section Two - Capital & Debt Management Resolution Policies**

### ***Appropriation and Reappropriation***

**Approvals for Bond Issuance** The amounts appropriated in any City fund to be financed by bond proceeds are contingent upon the necessary approvals for issuance. The Finance Officer is authorized to establish or adjust any bond-financed appropriations when the necessary approvals for issuance of bonds are obtained. Further, the Finance Officer is authorized and directed to adjust assessment appropriations set forth in this resolution to reflect the actual amount to be assessed. Total amounts assessed will be established by a future Council action approving the assessment public hearing and the amount assessed for the project.

**Creation of Appropriations** The Finance Officer is authorized to create or adjust certain appropriations subsequent to the sale of bonds, including all appropriate fund transfers and payments necessary to comply with arbitrage rebate and reporting to the federal government required under the Tax Reform Act of 1986.

**Reduction of Appropriations if revenues do not materialize** The amounts appropriated in the various funds to be financed from various revenue sources are now hereby appropriated contingent only upon the reasonable expectation of the receipt of the required financing. The Finance Officer is authorized and directed to reduce any capital appropriation whenever a revenue source is determined to be not collectible for whatever reason.

**Capital Project Closure** The Finance Officer is authorized to approve the closure of non-bond funded capital projects and the adjustment of said appropriations as identified and requested by the City Engineer for those projects under Public Works.

**Independent Boards: Appropriations and Capital Advances** The Finance Officer is authorized to establish or adjust appropriations, make payments and transfers, and process transactions as necessary for the purpose of providing Departments, Boards and Commissions an internal financing alternative to lease/purchase agreements with external vendors. The Finance Officer may provide capital advances from individual funds to the extent funds are actually available. The Finance Officer shall establish the term and interest rate applicable to the capital advance. The principal amount of the capital advance can be transferred to the fund of the Department, Board or Commission after the purchase of the asset and execution of an Internal Lease/Purchase Agreement, signed between the Department, Board or Commission and the Finance Officer. Prior to issuing the capital advance, the Finance Officer shall determine that the Department, Board or Commission has made a commitment in their annual budgets to provide the funds necessary to repay the advance, with interest, over the term of the agreement.

**Reappropriation of Capital Projects** The Finance Officer is authorized to adjust re-appropriations to capital project funds as appropriate. The balances of prior year appropriations in Capital funds are hereby re-appropriated with the following exceptions:

<b>Fund</b>	<b>Project or Operating Organization</b>
4100 City-Capital Impr Fund	PW Engineering Services (4100-6025)
4100 City-Capital Impr Fund	Sidewalk Inspection (4100-6076)
4100 City-Capital Impr Fund	Finance Department (4100-8230)
4100 City-Capital Impr Fund	Reimbursable Paving (4100-9372)
4100 City-Capital Impr Fund	Reimbursable Transportation (4100-9440)

Balances of capital projects in the following funds 6100, 6200, 6400, 7300, 7400 and 7500 are also hereby re-appropriated with the exception of Reimbursable Sewer Projects (7300 – 9322) and Reimbursable Water Projects (7400-9545).

**Expiration of Capital Project funding for certain projects** For certain capital projects, the funding is replenished annually due to the source of funding and/or recurring major maintenance nature of the projects. For these projects, the expenditures are to be paid from funds of the appropriation year in which the work occurs. These projects will not have their appropriations carried forward since they are replenished annually. If bonds are issued for these programs, the appropriations will carry over. The projects are as follows:

SWK01	Defective Hazardous Sidewalks – Assessed portion
SW001	Storm and Sanitary Tunnel & Sewer Rehabilitation
SW002	Miscellaneous Storm Drains
SW004	Implementation of US EPA Storm Water Regulations
SW007	Park Board Capital Storm Drain
WTR12	Water Distribution Improvements
RMP03	Bicycle Parking

**Accounting Adjustments** The Finance Officer is authorized to approve adjustments to Capital Appropriations between different agency and organization levels within the same fund and revenue source. Such budget transfers shall not constitute approvals of any policy change.

**Adjustments Related to Cost of Bond Issuance and Maintenance Fees** The Finance Officer is authorized to establish or adjust appropriations to pay all costs associated with authorized City of Minneapolis bond sales including costs of issuance and annual bond maintenance fees from the Bond Redemption Fund (5250) with the expenditures then being allocated to other funds as appropriate.

**Funding of Capital Models and Studies** The Finance Officer is authorized to fund from investment earnings generated from capital project balances studies related to long-term financial planning models and related debt management activity.

**Authorization of Transfers for Bond Proceeds and Investment Income** The Finance Officer is authorized to establish and adjust appropriations to provide for the transfer of funds to include bond proceeds and investment income for capital projects.

**Correction of Errors** The Finance Officer is authorized to make corrections for errors of omission and misstatements in order to accurately reflect the current budget year of the adopted Five Year Capital Program.

**Appropriation of Debt Service** There is hereby appropriated in the various Debt Service Funds sufficient funds to pay debt service requirements.

**CPED capital project carryover authorization** The balance of prior year CPED capital appropriations and related city administrative costs (Object 5060), if applicable, and related transfers are hereby appropriated for said purposes. Specific amounts appropriated will be determined after the close of the 2004 fiscal year and upon review and approval of the Finance Officer.

***Arbitrage, Internal Revenue Service Regulations and Related Policies***

**Use of Investment Earnings** The investment earnings from unspent bond proceeds shall be accounted for in separate arbitrage funds and will be allocated to debt service on net debt bond issues and shall be transferred on the scheduled debt service payment dates. The exception to this is that investment earnings on unspent tax increment bonds are to be used only for tax increment eligible purposes related to that specific tax increment bond issue.

**Tax exempt bonds** The Capital budget resolution constitutes an official declaration pursuant to IRS Treasury Regulations Section 1.150-2 that the City intends to reimburse expenditures which may be made for those projects designated herein to be funded with bond proceeds by incurring tax exempt debt of the City. The expenditures to be reimbursed include all preliminary expenses for planning, design, legal, consulting services and staff costs reasonably allocated to the project as well as costs incurred and paid for the design and construction of the projects after approval of the capital budget. The projects are more fully described in the Capital Budget Request forms on file in the office of the Director of Capital and Debt Management. The reasonably expected source of funds to pay debt service on the tax-exempt bonds to be issued by the City consists of the following according to the designated bond type:

<b>Bond Type</b>	<b>Source</b>
Net Debt, Library Referendum, Public Safety, Equipment	Property taxes and Internal User Fees
Sewer	Sewer Fund revenues, Fund 7300
Water	Water Fund revenues, Fund 7400

Parking  
Assessment

Parking Fund revenues, Fund 7500  
Special assessments

**Reimbursement Intent** The Finance Office is authorized to make further declarations of official reimbursement intent in connection with the projects described herein pursuant to IRS Treasury Regulations Section 1.150-2 on behalf of the City consistent with budgetary and financial circumstances. Copies of any such further declarations shall be filed with the Ways & Means/Budget Committee (W&M) and the Board of Estimate and Taxation.

### ***Direction to Staff Regarding Capital Budget Process***

**Completion of Major Repair Items in Public Facilities** Public Works - Property Services is directed to provide CLIC a one page summary of major repair items completed in the prior year as part of their PSD01 Facilities Repair and Improvements capital program. This document should accompany the annual capital submittal for this program.

**Status of Art in Public Places Program** Staff responsible for the Art in Public Places capital program are directed to provide CLIC a report on the status of projects currently in the planning phase or under construction as part of their annual capital submittal.

**Park Board Request** Park Board is requested to provide CLIC a report showing where capital expenditures were incurred by project for the prior year and details of what projects are planned by year and by funding source as part of the Park Board capital submittal.

**Planning Direction Provided** The adoption of the Five Year Capital Program is to assist in planning and provide direction for City departments including Public Works - Engineering Services, but it does not establish permanent Council commitment to the out-year projects either in scope or timeline of construction.

**Library Board Request** The Library Board is requested to provide CLIC with an updated progress report and cost estimate of infrastructure needs by facility as part of the Library Board Capital submittal.