City of Minneapolis
FY 2005
Financial Plan

Public Works Stores Fund

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 Actual	2003 Actual	2004 Current Budget	2004 Projected	2005 Budget	% Chg from 2004 Budget	2006 Forecast	2007 Forecast	2008 Forecast
Source of Fund:									
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			-		-		-	-	-
Total	3,755	4,689	3,620	3,620	3,423	-5.5%	3,559	3,702	3,850
Use of Funds:									
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	-		-	-	-
Total	3,768	4,688	3,697	3,620	3,407	-7.8%	3,543	3,685	3,832
Change in Cash	(13)	1	(77)	-	15	-120.1%	16	17	17
Cash Balance	2	3	(74)	3	18	-125.0%	19	36	53
Fund Margin	288	306	(77)	-	15	-120.1%	16	17	17
Fund Balance	2,201	2,507	2,430	2,507	2,522	3.8%	2,523	2,540	2,557

City of Minneapolis
Engineering Materials and Testing
Fund 6000

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 Actual	2003 Actual	2004 Current Budget	2004 Projected	2005 Budget	% Chg from 2004 Budget	2006 Forecast	2007 Forecast	2008 Forecast
Source of Fund:									
Charges for Sales	2,793	5,368	3,200	3,500	3,600	12.5%	3,650	3,796	3,948
Other Misc Revenues			-		-		-	-	-
Total	2,793	5,368	3,200	3,500	3,600	12.5%	3,650	3,796	3,948
Use of Funds:									
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
Total	3,131	5,069	4,599	4,000	4,600	0.0%	4,346	4,520	4,727
Change in Cash	(338)	299	(1,399)	(500)	(1,000)	-28.5%	(696)	(724)	(779)
Cash Balance	636	935	(464)	435	(565)	21.6%	(261)	(984)	(1,763)
Fund Margin	(292)	(709)	(1,399)	(500)	(1,000)	-28.5%	(696)	(724)	(779)
Fund Balance	1,489	780	(619)	280	(720)	16.2%	(416)	(1,139)	(1,918)

City of Minneapolis
FY 2005 Budget
Financial Plan

Intergovernmental Services Fund

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 Actual	2003 Actual	2004 Current Budget	2004 Projected	2005 Budget	% Chg from 2004 Budget	2006 Forecast	2007 Forecast	2008 Forecast
Revenue									
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
Total	27,360	22,617	30,823	27,779	29,684	-3.7%	31,340	32,004	32,972
Expenses									
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
Total	29,502	24,739	38,154	29,299	31,837	-16.6%	30,841	25,428	26,008
Intergovernmental Services Fund Margin	(2,142)	(2,122)	(7,331)	(1,520)	(2,153)		499	6,576	6,964
Intergovernmental Services Fund Balance	(32,984)	(39,794)	(47,125)	(34,504)	(36,657)		(36,158)	(29,582)	(22,618)
Intergovernmental Services Cash Balance	(16,728)	(18,850)	(26,181)	(20,370)	(22,523)		(22,024)	(15,448)	(8,484)

City of Minneapolis
FY 2005
Financial Plan

Equipment Fund

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

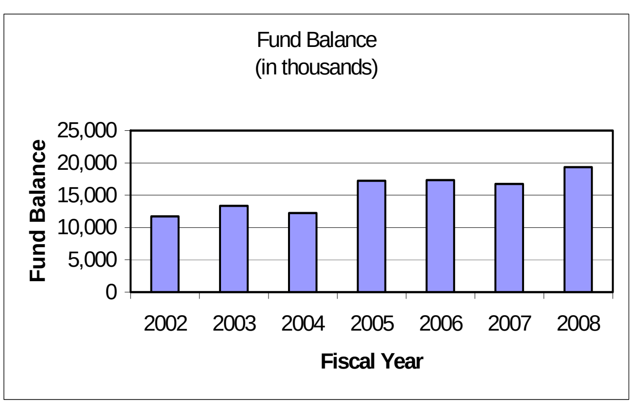
The 2005 budget includes a transfer out of $262,937 for debt service related to the MERF unfunded retirement fund. The Business Information Services (BIS) and Self-Insurance funds used to receive transfers from the equipment fund, but starting in 2005 the financial plan will show these transfers as expenditures.

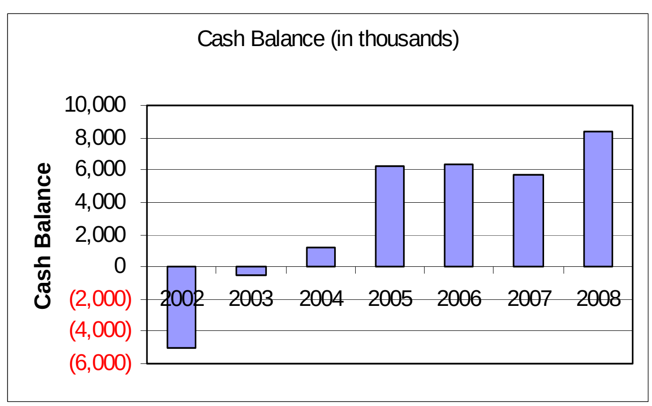
Debt Service

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
FY 2005 Budget
Financial Plan (in thousand of dollars)

Equipment 6100

	2002 Actual	2003 Actual	2004 Current Budget	2004 Projected	2005 Budget	% Change From 2004 Budget	2006 Forecast	2007 Forecast	2008 Forecast
Source of Funds:									
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
Total	37,985	39,928	47,309	47,499	51,321	8%	49,397	50,189	51,936
Use of Funds:									
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
Total	42,134	38,325	48,434	47,392	47,426	-2%	50,771	51,295	49,558
Fund Margin	(4,149)	1,603	(1,125)	107	3,895		(1,374)	(1,106)	2,378
Fund Balance	11,722	13,325	12,200	13,432	16,095		14,721	13,615	15,993
Cash Balance	(4,995)	(502)	1,224	2,456	6,262		4,888	3,782	6,160

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

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:

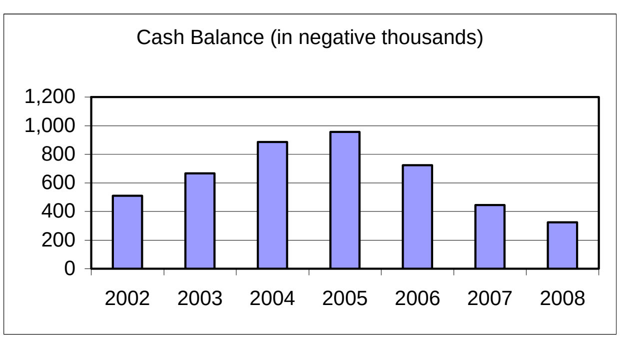
$699,163	Transfer from the General Fund
$350,000	Property services rent charges
$1,049,163	Total Debt Service (year 2005)

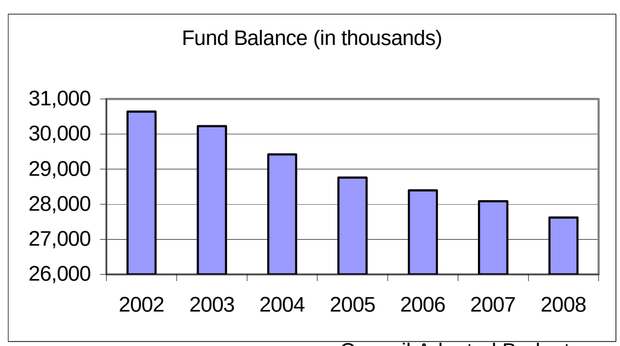
Capital Project and Debt Service

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
FY 2005 Budget
Financial Plan (in thousand of dollars)

Property Services Fund 6200

	2002 Actual	2003 Actual	2004 Current Budget	2004 Projected	2005 Budget	% Chg From 2004 Budget	2006 Forecast	2007 Forecast	2008 Forecast
Source of Funds:									
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 liablilities	6,425	1,166				0%	0	0	0
Total	19,812	13,241	12,935	12,790	14,229	10%	14,813	14,983	15,153
Use of Funds:									
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%			
Total	18,865	13,654	13,746	12,463	15,069	10%	15,353	15,456	15,559
Property Services Fund Margin	947	(413)	(811)	327	(840)		(540)	(473)	(406)
Property Services Fund Balance	30,641	30,228	29,417	30,555	28,577		28,037	27,564	27,158
Property Services Cash Balance	(510)	(666)	(886)	32	(1,136)		(1,086)	(969)	(785)

City of Minneapolis
FY 2005
Financial Plan

Self-Insurance Fund

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 Actual	2003 Actual	2004 Current Budget	2004 Projected	2005 Budget	% Chg from 2004 Budget	2006 Forecast	2007 Forecast	2008 Forecast
Source of Funds:									
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
Total	57,713	71,249	66,378	63,828	66,130	-0.4%	68,114	70,157	72,262
Use of Funds:					-				
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
Total	56,122	68,975	65,393	63,591	64,950	-0.7%	66,898	68,905	70,972
Fund Margin	1,591	2,274	985	237	1,180	19.8%	1,216	1,252	1,290
Fund Balance	(43,255)	(40,983)	(39,998)	(40,746)	(39,566)	-1.1%	(38,350)	(37,098)	(35,808)
Cash Balance	(6,620)	(6,620)	(5,635)	(6,383)	(5,203)	-7.7%	(3,987)	(2,735)	(1,445)