

Included below in both Additions and Retirements for Self Supporting GO Bonds are \$127,800 of new bonds issued to convert existing variable rate bonds for the Minneapolis Convention Center to fixed rate bonds. The City had \$146,640 of bonds in variable rate mode at year end. The \$79,335 net decrease in total bonded debt outstanding was primarily attributed to the receipt of \$81,527 in State grant funds for the Minneapolis Convention Center which allowed the City to retire approximately \$80,000 of its Sales Tax Refunding Bonds, Series 1992.

Summary of Outstanding Bonded Indebtedness	Balance 1/1/2002	Additions	Retirements	Balance 12/31/2002	Due Within One Year
General Obligation (GO) Bonds:					
Property Tax Supported GO Bonds	\$ 68,705	\$ 66,845	\$ 32,305	\$ 103,245	\$ 25,610
Self Supporting GO Bonds	363,550	150,280	230,295	283,535	9,305
Special Assessment GO Bonds	40,545	6,390	4,616	42,319	4,695
Tax Increment GO Bonds	233,815	-	17,190	216,625	11,370
Internal Service Fund Related GO Bonds	83,255	12,525	3,125	92,655	5,130
Enterprise Fund Related GO Bonds	384,302	47,950	55,326	376,926	28,512
Total General Obligation Bonds	1,174,172	283,990	342,857	1,115,305	84,622
Revenue Bonds:					
Economic Development Revenue Bonds	103,726	-	13,083	90,643	13,541
Other Community Development Related Bonds	102,765	2,750	13,630	91,885	3,545
Total Outstanding Bonds	\$ 1,380,663	\$ 286,740	\$ 369,570	\$ 1,297,833	\$ 101,708

The City maintained an “AAA” rating from Standard & Poor’s and Fitch and an “Aa1” rating from Moody’s for its general obligation debt throughout 2002.

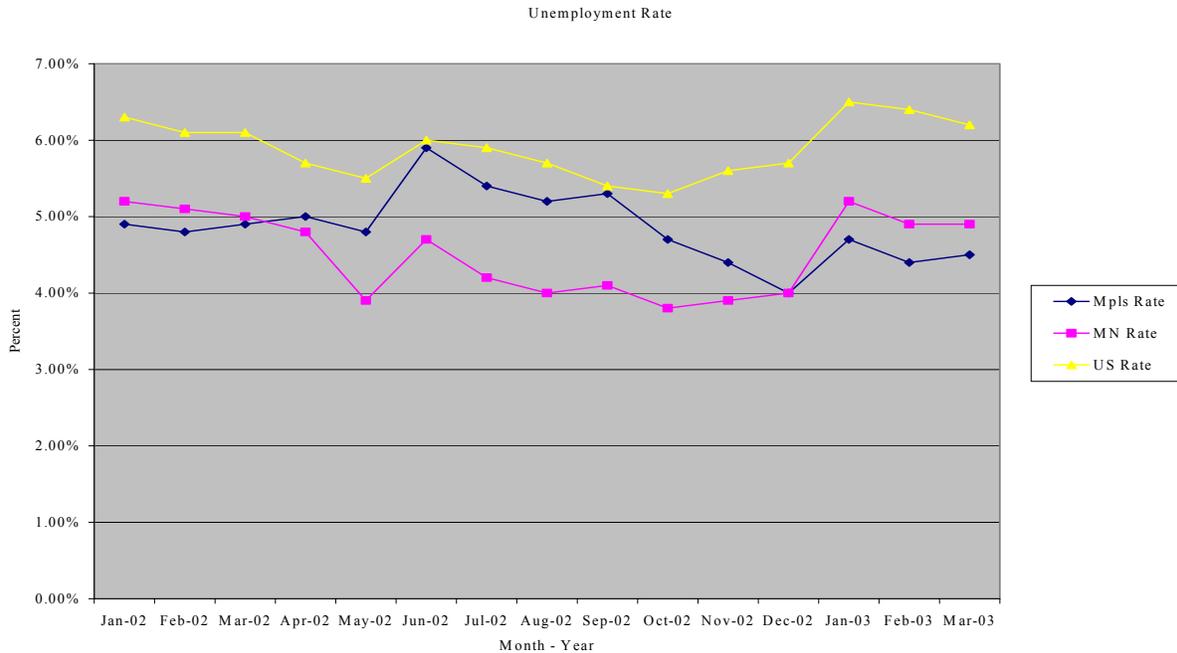
Additional information on the City’s long-term debt can be found in Note 6 on pages 62-67 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The following key indicators provide highlights on the City’s economic outlook and future budget impact.

Employment

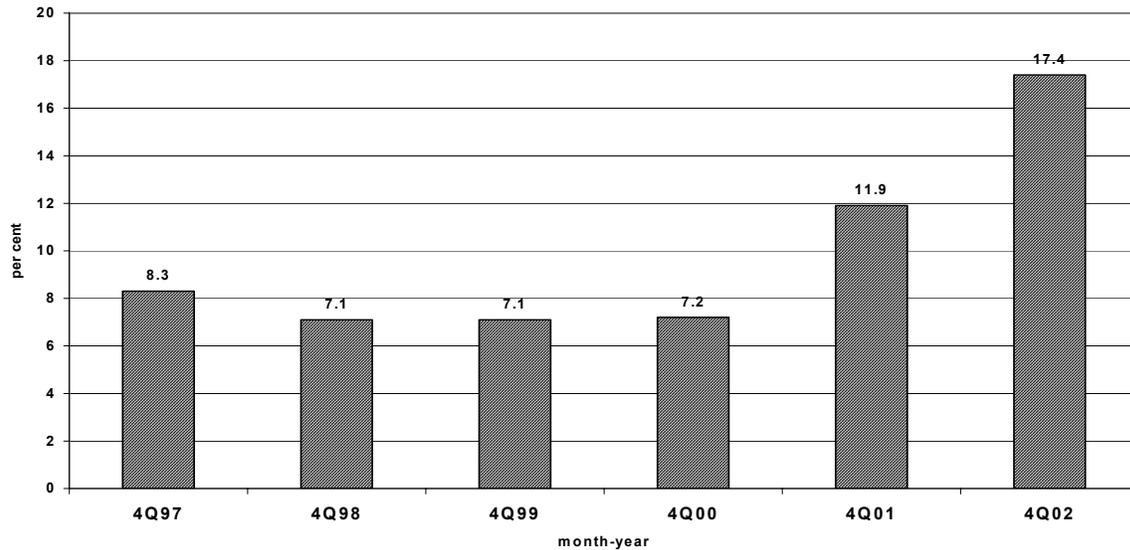
The unemployment rate for the City of Minneapolis at the end of 2002, as released by the Minnesota Department of Economic Security, is 4.0%. This economic indicator is on par with comparisons including the State of Minnesota and the national unemployment rate (5.7%). Although Minnesota’s unemployment averages remain lower than national averages, the Minnesota Department of Finance indicates Minnesota appears to be losing jobs faster than the rest of the nation.



Downtown Office Space – Vacancy Rate

Like employment statistics, real estate statistics can be good indicators of both the current health of the real estate sector of the economy and of possible future trends. Because of the importance of real estate taxes as a source of local government revenue, real estate statistics are an important economic gauge for municipalities. Several commercial real estate companies compile and report important real-estate statistics. The Towle Company regularly reports on local real-estate conditions twice annually. Towle’s statistics indicate a increase in vacancy rates in the Minneapolis Central Business District (CBD). Compared to 2001, the CBD vacancy rate in 2002 increased from 11.9% to 17.4% with a negative absorption in the last six months of 2002 equaling 775,624 square feet.

**Minneapolis Central Business District (Downtown)
Office Vacancy Rate**



Lower rental rates, excess space, and higher concessions imply lower cash flows from office buildings which, in turn, lowers their taxable value. Lower taxable values on business properties increases the amount of the real estate tax levy borne by residential properties. In 2002, the City's tax collections were mildly adversely affected by a tax-court ordered adjustment to the valuation of one office building in the CBD.

These factors were considered in preparing the City of Minneapolis' budget for the 2003 fiscal year.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Minneapolis' finances. Questions concerning any of the information provided in this report or the requests for additional financial information should be addressed to the City's Finance Officer at The City of Minneapolis, 350 South Fifth Street, Minneapolis, Minnesota, 55415. The annual financial report is also available on-line at www.ci.minneapolis.mn.us.