

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

**Fund Descriptions**

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The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are monitored with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equities, revenues and expenditures/expenses. Following is a listing of all City Funds.

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

**Enterprise Funds** - The Enterprise Funds are used to account for those activities of the City which are financed and operated in a manner similar to private business enterprises where costs and expenses, including depreciation, are recovered principally through user charges. The City operates eight enterprise funds, including the City's Community Planning and Economic Development department (CPED):

- ***Water Works Fund***  
This fund is used to account for the operation, maintenance, and construction projects related to the water delivery system. This fund also accounts for the operations related to the billings for water, sewage, and solid waste fees.
- ***Sanitary Sewer Fund***  
This fund will be used to account for the operation, maintenance, and construction projects related to the sanitary sewer system.
- ***Stormwater Fund***  
This fund will be used to account for the operation, maintenance and construction projects related to the stormwater utility system.
- ***Solid Waste and Recycling Fund***  
This fund is used to account for the revenues and expenses for solid waste collection, disposal and recycling activities.
- ***Municipal Parking Fund***  
This fund is used to account for the operation, maintenance, and construction of the City's parking facilities as well as on-street parking and the Municipal Impound Lot.
- ***Park Operations Fund***  
This fund is used to account for operation, maintenance and construction of projects related to the Park Board, especially golf courses.

➤ ***River Terminal***

This fund is used to account for the operations of the public terminal facility located on the Mississippi River.

**Internal Service Funds** - Internal Service Funds are similar to Enterprise Funds in that they are used to account for those City services which are financed and operated in a manner similar to private business enterprises, however, the customer is typically other City departments instead of the public. The City operates six Internal Service Funds:

➤ ***Engineering Materials and Supplies***

This fund is used to account for the operations of the City's asphalt plant and paving products laboratory. The paving products laboratory provides in-lab and on-site testing and soil boring services to ensure quality control of asphalt and soils for projects.

➤ ***Intergovernmental Services***

This fund is used to account for business information services, central mailing and printing services, and the City's telecommunication operations.

➤ ***Property Services***

This fund is used to account for the physical management and maintenance of fire stations, police precinct buildings, the Minneapolis Public Service Center, and various other City office locations, except for the City Hall/County Court House building, which is accounted for in the Municipal Building Commission Special Revenue Fund.

➤ ***Permanent Improvement Equipment***

This fund is used to account for the ownership and operation of radio communications equipment and a fleet of motorized equipment and vehicles. The fund operates as a rental agent to various departments to support the construction and maintenance of city infrastructure, fire protection services, and police services.

➤ ***Public Works Stores***

This fund is used to account for the centralized procurement, warehousing, and distribution of stocked inventory items, and the purchase of special goods and services.

➤ ***Self-Insurance***

This 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.

- **Park Self-Insurance and Internal Service Funds**  
This fund is used to account for park employees' 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. The Park Board also has an internal service fund for charges within its programs.

**Special Revenue Funds-** Special revenue funds are used to account for the proceeds of revenue sources that are restricted by legal and regulatory provisions to finance specific activities. The City has eleven Special Revenue Funds:

- ***Arena Reserve Fund***  
This fund is a holding fund for various finance plan revenues to be used for future cost relating to the acquisition and capital maintenance of the downtown sports, entertainment and health complex.
- ***Board of Estimate and Taxation Fund***  
This fund is used to account for the operations of the Board of Estimate and Taxation which issues and sell bonds, and establishes the maximum levies for the City, its boards and commissions.
- ***Community Development Block Grant***  
This fund is used to account for the federal grants received under the Federal Community Development Block Grant provisions.
- ***Convention Center***  
This fund is used to account for the ownership, maintenance, and operation of the Minneapolis Convention Center, and the proceeds of the local sales and use tax.
- ***Convention Facilities Reserve***  
This fund is a holding fund for parking and sales tax revenues to be used for future capital maintenance needs of the existing Convention Center.
- ***Employee Retirement***  
This fund is used to account for the tax levy proceeds and other sources of revenue for the Minneapolis Employee Retirement Fund (MERF), Minneapolis Firefighters' Relief Association (MFRA), and Minneapolis Police Relief Association (MPRA) retirement programs for some city employees.
- ***Grants - Federal***  
This fund is used to account for all federal grants, except for the Community Development Block Grant (CDBG), which is accounted for in a separate fund.

- **Grants - Other**  
This fund is used to account for grants received from the State of Minnesota, Hennepin County, local government units, and private funds.
- **Municipal Building Commission**  
This fund is used to account for the cost of operating and maintaining the City Hall/County Court House building.
- **Police Special Revenue**  
This fund is used to account for the revenues and expenditures related to federal and state administrative forfeitures and the revenues and expenditures related to the regulation of lawful gambling in the City.
- **Park Operating Fund**  
This fund is used to account for revenue and expenditures related to the cost of operating and maintaining the Minneapolis Parks system.
- **Library Operating Fund**  
This fund is used to account for the revenue and expenditures related to the cost of operating and maintaining the Minneapolis Public Library system.

**Capital Projects Funds-** The Capital Projects Fund is used to account for financial resources and expenditures applied to the construction of capital facilities and major purchased items for governmental fund types.

- **Community Planning and Economic Development**  
This fund is used to account for the capital project activities of the department of Community Planning and Economic Development.
- **Municipal Building Commission (MBC) Capital Fund**  
This fund is used to account for the capital project activities of the MBC, a component unit of the City of Minneapolis.
- **Permanent Improvement Capital Fund**  
This fund is used to account for capital acquisition, construction, and improvement projects including bridge construction, sidewalk construction, street construction, energy conservation projects, infrastructure projects, and many Business and Information Services (BIS) projects.
- **Library Permanent Improvement Capital Fund**  
This fund is used to account for the capital project activities of the Library Board.
- **Park Board Permanent Improvement Capital Fund**  
This fund is used to account for the capital project activities of the Park Board.

**Debt Service Funds** - The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs. Included in the Debt Service Funds are:

- ***Community Development Agency Debt Service Fund***  
This fund is used to account for the debt service activities of CPED and includes the Arena Acquisition Project (Target Center) Series A and B bonds, Tax Increment Bonds of 1990, debt of the Orpheum Theatre Project, and Tax Increment Revenue Notes.
- ***Development Debt Service Fund***  
This fund is used to account for the debt of projects supported by property tax increments, transfers of sales tax revenues from the Convention Center Special Revenue Fund for related debt, and a state grant relating to the completion of the Convention Center.
- ***General Debt Service Fund***  
This fund is used to account for General Obligation Bonds supported by a property tax levy, Management Information System debt supported by the City's General Fund, Great River Road Bonds, Edison Hockey, Community Health, Xcel Power- Revenue and Section 108 HUD Revenue Notes.
- ***Special Assessment Debt Service Fund***  
This fund is used to account for debt supported by special assessments with the exception of the Park Diseased Tree debt.

**City of Minneapolis  
Bird's Eye View of the Relationship between Fund Types, Revenue Sources,  
Expenditures and Departments/Boards**

	<b>Fund Type:</b>		
	<b>General Fund</b>	<b>Enterprise Funds Including: Water Sewer Solid Waste Parking</b>	<b>Internal Service Funds Including: Engineering Materials, Intergovernmental Services, Property Services, Equipment, Stores, Self-insurance</b>
<b>Major Revenue Sources</b>	Local Government Aid, Property Taxes, Franchise Fees, Licenses and Permits	Utility Charges, State Grants and Contributions, Rents	Charges for Services, Rents, Transfers from other funds
<b>Expenditure classifications</b>	Personnel, Operating Costs, Contractual Services, Equipment	Personnel, Operating Costs, Contractual Services, Equipment, Capital Projects and debt service related to these business lines	Personnel, Operating Costs, Contractual Services, Equipment, Capital Projects and debt service related to these business lines, liability and workers compensation claims
<b>Major Departments</b>	Police, Fire, Public Works, among others	Public Works	Public Works, Copy Center, City Attorney – Civil Division, Information Technology Services
	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>
<b>Revenue Sources</b>	Grants, Sales Taxes	Property Taxes, Proceeds from Long Term Liabilities, State Aid	Property Taxes, State Aid
<b>Expenditure classifications</b>	Personnel, Operating Costs, Contractual Services, Equipment	Capital project expenditures related to street construction and infrastructure projects	Payments of interest and principal on City's debt
<b>Departments</b>	Convention Center, Health and Family Support, Attorney, Fire, Police, Convention & Visitor's Association, Closed Pension Plans	Public Works	Not Applicable

**City of Minneapolis  
Bird's Eye View of the Relationship between Fund Types, Revenue Sources,  
Expenditures and Departments/Boards, continued**

	<b>Fund Type:</b>		
	<b>Park Board Funds</b> <i>The Park Board has enterprise, internal service and special revenue funds. The Park Board's general fund is treated as a special revenue fund.</i>	<b>Library Board Fund</b> <i>The Library has a general fund that is treated as a special revenue fund.</i>	
<b>Revenue Sources</b>	Property Taxes, Local Government Aid, Charges for Sales (golf courses, etc.), Contributions, and Grants	Property Taxes, Local Government Aid, Charges for Services	
<b>Expenditure classifications</b>	Personnel, Operating Costs, Contractual Services, Equipment	Personnel, Operating Costs, Contractual Services, Equipment	

**The City has funds set up for other smaller boards:**

- **Municipal Building Commission (funded mainly from Property Tax and State Aids)**
- **Board of Estimate and Taxation (funded from Property Tax and State Aids)**
- **Neighborhood Revitalization Program (funded from Property Tax Increment Financing)**
- **Youth Coordinating Board (a joint board funded from the City's general fund and grants)**

More detail on these boards can be found in the Background and Independent Board sections of this book.