City of Minneapolis
FY 2004 Budget

Financial Plans

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

- **General Fund**

- **Special Revenue Funds**
  - Convention Center Special Revenue Fund

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

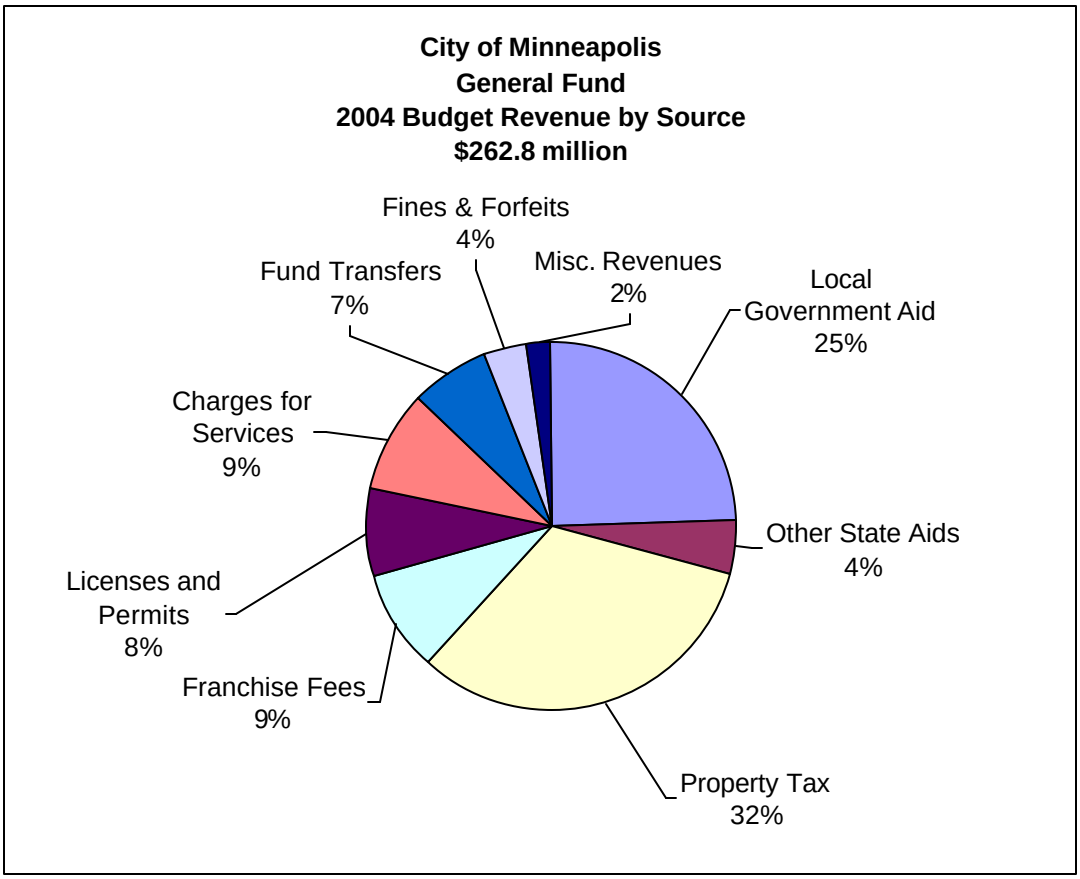
- **Internal Service Funds**
  - Central Stores Fund
  - Intergovernmental Services Fund
  - Permanent Improvement Equipment Fund
  - Property Services Fund
  - Self-Insurance Fund

City of Minneapolis
FY 2004
Financial Plan

General Fund

Background

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The major sources of revenue include and their relative percentage of total General Fund financial sources are:



Combined, the two largest revenues (State Aids and Property Tax) have historically accounted for approximately 60-65% of total sources of funds for the General Fund. The top four sources of funds account for more than 80% of the General Fund's annual financial inflows.

Historical Financial Performance

The results of the General Fund's annual operations are closed annually into the fund's "fund balance". The General Fund's balance measures the amount of available, spendable resources owned by the fund. The balance provides the City a reserve to cushion adverse economic shocks and to meet the City's liquidity needs. The City's policy is to maintain a minimum fund balance of 10 percent of the following year's revenue budget amount.

For several years, the City has been able to increase its General Fund balance. At year-end 2002, the General Fund operations resulted in approximately a $6.5 million increase in fund balance for a total year-end balance of $46.2 million. This amount met the 10 percent reserve requirement and represents a reserve of 19 percent of modified budgeted revenues for year 2003. The City anticipates that it will again meet its reserve requirement at year-end 2003.

2004 Budget

Revenues

The General Fund 2004 budget includes a total of $262.8 million of revenues and other sources including $18.7 million from transfers from other funds. Budgeted General Fund revenues for 2004 are slightly lower than 2003 budget. The 2004 budgeted revenues represent a 3.7% increase over 2002 actual revenues.

As the chart below shows, the distribution of total revenue among the General Fund's revenue categories has changed from 2003 to 2004. The effects of the 2003 and 2004 reductions in Local Government Aid are evident. State Aid (including LGA) went from 40% of the budget to 30%. Property taxes and franchise fees have increased as a percent of the total revenue picture.

Revenue Source	2003 Adopted Budget	2003 Modified Budget	2004 Adopted Budget	% Chg from 2003 Adopted	% Chg from 2003 Modified	2003 Budget as % of Total	2003 Mod. Budget as % of Total	2004 Budget as % of Total
State Aids	104.5	84.0	76.3	-27.0%	-9.2%	39.7%	34.5%	29.0%
Property Tax	66.9	66.9	85.4	27.7%	27.7%	25.4%	27.5%	32.5%
Franchise Fees	20.4	20.4	23.5	15.2%	15.2%	7.8%	8.4%	8.9%
Licenses and Permits	21.0	21.0	20.7	-1.4%	-1.4%	8.0%	8.6%	7.9%
Charges for Services	17.8	18.0	23.0	29.2%	27.8%	6.8%	7.4%	8.8%
Fund Transfers	18.3	19.0	18.7	2.2%	-1.6%	7.0%	7.8%	7.1%
Fines & Forfeits	8.4	8.4	9.4	11.9%	11.9%	3.2%	3.4%	3.6%
Misc. Revenues	5.9	5.8	5.8	-1.7%	0.0%	2.2%	2.4%	2.2%
Total	263.2	243.5	262.8	-0.2%	7.9%	100.0%	100.0%	100.0%

State Aids (including Local Government Aid):

The City faced significant pressure this year when the State Legislature reduced the Local Government Aid (LGA) to the City by $25.6 million. Of this reduction, $20.6 million was allocated to the general fund with the remaining $5 million allocated to the Park and Library Boards. This reduction represented an 8% decrease to the general fund's revenue. For 2004, LGA was reduced an additional $8.7 million in the general fund, and $9.3 million in total for the City.

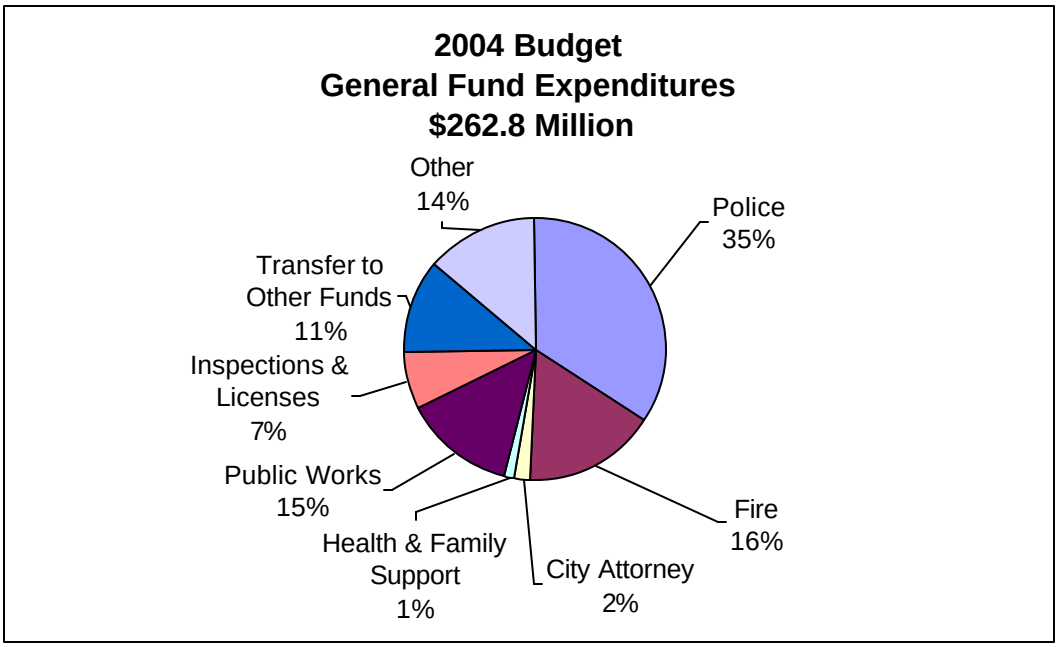
Franchise fees are a paid by various utility companies for their use of City rights of way. Franchise fees are a percentage of total utility revenues. Therefore, the City's collections vary directly with the paying utility's gross revenues. The 2004 budget includes a $3.1 million increase to Franchise fees, from $20.4 million to $23.5 million based on mid-year 2003 estimates.

Licenses and Permits are another significant revenue for the City's General Fund. The City issues licenses and permits for a wide variety of regulated activities. Building permits are a major component of this revenue category. The 2004 budget anticipates a slight decline in the overall level of activity with some increases in the actual fees paid, for a 1.4% decrease in licenses and permit revenue.

Expenditures

The total 2004 budget for the General Fund is $262.8 million, which includes $29.9 million in transfers to other funds. After adjusting for transfers, the budget increased from $237.5 million as adopted in 2003, to $231.3 million in 2004, a 2% decrease.

Below is a graph with the 2004 expenditures by department. Public Safety expenditures, Police, Fire, City Attorney, comprise the largest percent of General Fund expenditures.



The Adopted budget recommends the following General Fund changes:

- Assessor – addition of one position for valuation services ($75,000)
- Shift of nuisance housing inspections and a portion of rental licensing inspections from Inspections to Fire
- Increases to permits and fees in Licenses - $258,000
- Increases to permits and fees in Inspections - $399,000
- Intergovernmental Relations – Grants and Special Projects – addition of one position for grantwriting/partnerships - $60,000
- Additions to the Mayor and City Council office budgets ($60,000 each)
- Additional zoning/development fees in the Community Planning and Economic Development department, with an increase to restore a portion of prior cuts, including 2 positions ($110,000 in revenue and expense)
- Addition of 32 firefighters to the Fire department budget as a result of the housing inspections shift.. The department also plans on savings from retirements and revenue from insurance extrication.
- Shift of one health and family support director to grant funding ($101,000)
- Additional resources to public works for an evaluation of the bridal veil falls area ($50,000) and for graffiti strategies ($50,000)
- Nuisance Night Court – 2 additional positions and related non-personnel costs ($95,000) in the City Attorney's budget, funded by an increase in fine revenue ($120 average initial fine for a total of $91,000 in revenue).

Transfers

The 2004 General Fund budget includes a $4.2 million increase in transfer expense, from $25.7 million to $29.9 million. This increase in transfers is due to two main factors; the first is a planned increase in transfers to the city's internal service funds, as called for in the adopted financial workout plans for these funds. The other is due to decision to begin to charge city funds for the cost of the pension obligations versus levying a property tax in the bond redemption fund. This will result in less pressure on the property tax because non-tax funds will now pay their portion of the liability.

In addition, the budget includes CPED funding through a transfer of general city resources ($2.0 million) versus a separate property tax levy for year 2004. The special property tax levy (Chapter 595 authority) was to be eliminated by year 2005 under the City's adopted five-year financial plan. This is recommended to happen as scheduled and the transfer from the General Fund to CPED (special revenue fund) will be eliminated next year.

Summary of Transfers to Other Funds

(in millions of dollars)	2003 Adopted Budget	2004 Adopted Budget	Change
Internal Service Funds[1]	$21.4	$22.9	$1.5
Debt Service Transfers[2]	$0.1	$4.8	$4.7
Capital Improvement	$3.8	$0.0	($3.8)
Other transfers	$0.4	$2.2	$1.8
Total	$25.7	$29.9	$4.2

Summary of Transfers from Other Funds

(in millions of dollars)	2003 Adopted Budget	2004 Adopted Budget	Change
Enterprise Funds	$11.1	$10.5	($0.6)
Entertainment Tax	$6.3	$7.3	$1.0
Capital Improvement	$0.2	$0.0	($0.2)
Other Transfers	$0.7	$0.9	$0.2
Total	$18.3	$18.7	$0.4

[1] This includes funds that are transferred to the internal service funds to cover the General Fund's share of both operational costs and debt service payments, related to internal service fund activities.
[2] This includes funds transferred to the bond redemption fund to pay for bonds issued to pay for 800 Mhz radio project and for pension debt obligations.

City of Minneapolis
FY 2004 Budget
Financial Plan (in thousands of dollars)

General Fund

	2001 Actual	2002 Actual	2003 Adopted Budget	2003 Modified Budget	2004 Adopted Budget	% Chg from 2003 Adopted Budget	2005 Forecast	2006 Forecast	2007 Forecast
Operating Revenues:									
Property Taxes	63,274	54,603	66,905	66,905	85,376	27.6%	85,376	89,426	93,896
Annual Property Tax Increase							4,050	4,470	4,800
Subtotal - Property Taxes	63,274	54,603	66,905	66,905	85,376	27.6%	89,426	93,896	98,696
Local Government Aid	62,430	88,986	93,867	73,228	64,557	-31.2%	64,557	64,557	64,557
Homestead Agricultural Credit Aid	18,164								
Subtotal	80,594	88,986	93,867	73,228	64,557	-31.2%	64,557	64,557	64,557
Other State Aids	11,141	16,401	10,668	10,752	11,764	10.3%	11,940	12,120	12,301
Franchise Fees	25,563	21,861	20,410	20,428	23,500	15.1%	23,853	24,210	24,573
Licenses and Permits	20,697	20,733	21,042	21,008	20,681	-1.7%	21,301	21,940	22,599
Charges for Services and Sales	16,290	17,214	17,767	17,976	23,027	29.6%	23,372	23,723	24,079
Fines and Forfeits	7,974	7,127	8,396	8,396	9,372	11.6%	9,513	9,655	9,800
Special Assessments	2,637	2,821	2,834	2,834	2,857	0.8%	2,900	2,943	2,988
Interest	2,322	2,179	1,231	1,231	1,301	5.7%	1,321	1,340	1,360
Other Miscellaneous Revenues	808	2,042	1,758	1,726	1,613	-8.2%	1,637	1,784	1,811
Total Operating Revenues	231,300	233,967	244,878	224,484	244,048	-0.3%	249,820	256,170	262,764
Operating Expenditures:									
Police	85,409	89,156	91,560	86,033	89,446	-2.3%	93,024	96,745	100,615
Fire	39,079	41,672	44,181	41,239	43,316	-2.0%	45,049	46,851	48,725
Public Works	38,811	35,180	38,271	33,283	36,140	-5.6%	37,586	39,089	40,653
City Coordinator Departments	37,606	37,809	38,670	36,978	40,139	3.8%	41,745	43,414	45,151
City Attorney	4,633	4,376	4,643	4,426	5,013	8.0%	5,214	5,422	5,639
City Clerk	4,290	4,339	4,118	2,631	2,076	-49.6%	2,159	2,245	2,335
Health and Family Support	3,865	3,799	3,857	3,498	3,465	-10.2%	4,011	4,172	4,339
Community Planning & Economic Dev.	1,694	1,672	2,486	1,887	2,184	-12.1%	2,271	2,362	2,457
Other Departments	7,693	8,561	9,721	18,616	11,111	14.3%	10,110	10,514	10,935
Future Target Strategies to Balance							(4,020)	(7,516)	(11,449)
Total	223,080	226,564	237,507	228,591	232,890	-1.9%	237,148	243,298	249,398
Net Operating Gain/(Loss)	8,220	7,403	7,371	(4,107)	11,158	51.4%	12,672	12,871	13,367
Operating Transfers From Other Funds	18,733	19,400	18,279	18,979	18,704	2.3%	19,010	19,771	20,561
Operating Transfers To Other Funds	(25,369)	(20,264)	(25,650)	(24,422)	(29,862)	16.4%	(31,056)	(32,299)	(33,591)
Total	(6,636)	(864)	(7,371)	(5,443)	(11,158)	51.4%	(12,046)	(12,528)	(13,029)
Net Change in Balance	1,584	6,539		(9,550)			626	343	337
Fund Balance/Retained Earnings:									
Beginning Balance	38,040	39,624	46,163	46,163	46,163	16.5%	46,163	46,789	47,132
Ending Balance	39,624	46,163	46,163	36,613	46,163	16.5%	46,789	47,132	47,469
Ten Percent Reserve Requirement (10% of following year's budget)	24,593	26,316	26,275	26,275		-2.3%	27,594	28,333	29,157

The Annual Property Tax Incease is based on the adopted tax policy (July 2002). The target strategy amounts represent the anticipated cuts that will be necessary to balance the General Fund budget within this tax policy and projected growth in non-property tax revenue. This amount will change depending on future capital and debt decisions, which are not reflected here, as well as for other possible future reasons.

The 2005-2007 represents a current projection from the recommended levels - these amounts will be updated with an update to the 5 year financial direction.

City of Minneapolis
FY 2004
Financial Plan

Convention Center Special Revenue Fund

Background

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

Historical Financial Performance

The fiscal year-end 2002 fund balance for the Convention Center Special Revenue Fund was $24.2 million. Local taxes support the Convention Center with $47.6 million being collected in 2002, similar to 2001 totals. Approximately $24.4 million was transferred for debt service obligations or enterprise related debt.

Comparative amounts collected were as follows:

Local Taxes (in millions)	2001	2002
0.5% Citywide Sales tax	$27.4	$25.3
3.0% Entertainment Tax	$7.0	$7.5
3.0% Downtown Restaurant Tax	$7.6	$7.7
3.0% Downtown Liquor Tax	$2.7	$2.9
2.0% Lodging Tax*	$2.9	$4.2
Total Tax Collection	$47.6	$47.6

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

Neighborhood Early Learning Centers (NELCS) were funded from sales taxes, with special legislative action. The total amount spent was $7.2 million.

In 2002, the City collected $7.5 million of entertainment tax. Traditionally this tax has been a funding source to the General Fund. In 2002, $5.8 million of the tax was transferred to the General Fund and $1.7 million to the Target Center Arena Reserve fund. The Target Center Arena Reserve transfer represents the estimated amount of entertainment tax generated from Target Center activities. In addition, the Block E finance plan includes a provision to similarly direct a portion of the entertainment tax generated by the Block E complex to fund that facility's debt service requirements if it should become necessary. The revenues are otherwise directed to the General Fund.

Funds are transferred annually to the Convention Center Reserve Fund for major repair or equipment replacement for the Convention Center facility. Due to the age of the building, it is anticipated that the amount of this transfer will increase in future years as specific needs are identified. In 2002, $1.1 million was transferred to the Convention Center Reserve Fund.

Operating Revenues are revenues generated directly by the Convention Center. Space rent is the largest source of revenue for the Center. Also included in this line item are equipment rental and space rental of the Tallmadge Building. Charges for Services are earned in support of space rent and consist primarily of utility and labor services and ramp parking. Commission sales of food and beverage account for most of the Other Miscellaneous Operating Revenue line item. In 2002 total operating revenue generated by the Center was $11.2 million, a gain of 22% from 2001 due primarily to the opening of the expansion in April 2002.

2003 Financial Projections

Due to the national tragedy of September 11, 2001 and the recession, the hospitality industry has been negatively affected. The ending fund balance in the Convention Center Special Revenue Fund is projected to be $19.4 million, a 20% reduction from the prior year. Event operating revenues while projected to exceed 2002 levels are also projected to be 13% below budget. Tax proceeds are projected to be within 1% of budget and 3% above the 2002 actual totals.

With the new addition to the Convention Center becoming fully operational for an entire fiscal year, operating expenditures for the Center are projected to be 1% under budget, though exceeding their 2002 spending by 17%.

2004 Budget

Revenues

Below is a summary of the estimated local tax revenue increases for 2004 over the 2003 actual totals.

- 2.0% increase in sales tax
- 1.0% increase in Restaurant tax
- 1.0% increase in Liquor tax
- 1.0% increase in Lodging tax
- 1.0% increase in Entertainment tax

The Convention Center annual operating revenue budget increased 12% over projected 2003 revenue totals.

Expenditures

In 2004, the Convention Center operating budget, including capital expenditures, will increase 11% over the 2003 current service level. Increased utility rates and higher than anticipated utility usage of the expanded area contributed to this increase as well as additional security requirements due in part to the Convention Centers commitment to fund police officers and fire fighters.

In 2004, the transfer of revenue to the Greater Minneapolis Convention & Visitors Association (GMCVA) will be increased by approximately 1.3% from its 2003 level. Included in the transfer are proceeds from the 1% citywide lodging tax increase effective last year. The GMCVA functions as the primary sales and booking agent of the Convention Center.

Cash Position Changes

In the Convention Center Special Revenue Fund except for loans to other funds, the projected cash balance in 2004 will fluctuate relative to the fund equity. Most operating revenues and expenditure transactions are cash transactions. Attributing to a healthy cash position is the Convention Center policy of requiring cash advances for space rent and services to exhibitors. At the end of 2002, client advances sometimes received years in advance of the event were $1,395,000 and outstanding client receivables were $730,000. In 2000, the Convention Center, as part of the Intergovernmental Services Fund (internal service fund) workout plan, advanced $12,800,000 to the fund as a long-term loan. While this does not impact the fund balance, cash balance is reduced.

City tax revenue is collected by the State of Minnesota and remitted to the City twice a month. $3.5 million is advanced to the City one month in arrears and followed up by a month end remittance detailing tax revenue types and amounts.

Debt Service and Transfers

Debt Service

The recommended 2004 budget includes full funding to meet the annual debt service payments. Outstanding debt for the Convention Center is approximately $323 million in total.

Transfers to Other Funds

Total transfers to other funds in 2004 are budgeted at $37.6 million, a 3.3% reduction from 2003 levels.

- General Fund - $7.3 million – funded by entertainment tax proceeds, historically a revenue source to the General Fund since 1969

- Arena Reserve - $1.2 million – that portion of the entertainment tax estimated to be derived by Target Center activities

- Convention Center Reserve - $1.1 million for future major Convention Center repairs or replacement

- Convention Center Debt Service - $19.5 million – current year debt service liability for the Convention Center bond issue

- Parking Fund - $8.4 million - funding for the current year debt service obligation for the Convention Center related parking ramps and facilities

- Intergovernmental Services Fund - $.07 million – funding for current year ITS Workout plan

- Self Insurance Fund - $.02 million - funding for current year self insurance liability pertaining to Convention Center activity

- MERF Pension Fund - $.02 million - additional funding necessary meet MERF pension plan obligations

The City of Minneapolis deposits all of its local tax proceeds (i.e., sales tax, lodging tax, etc.) in the Convention Center Special Revenue Funds. All the tax proceeds except for the entertainment tax are Convention Center related and are used primarily to fund the debt related to the construction of the Convention Center and other related facilities, as well as to fund operating deficit projected to be $9 million for 2004. Operating revenues are not sufficient to cover operating expense.

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

The Intergovernmental Services workout plan approved by the City Council requires annual transfers to the internal service fund through 2012.

The Convention Center transfers funds to the Self-Insurance Fund to reimburse the Human Resources department for personnel benefits administration at the Convention Center.

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

	2001 Actual	2002 Actual	2003 Current Budget	2003 Projected	2004 Budget	% Chg From Budget	2005 Forecast	2006 Forecast	2007 Forecast
Operating Revenues:									
Charges For Services	2,507	3,249	4,743	4,590	4,740	-0.1%	4,977	5,226	5,487
Rents	4,921	5,737	7,090	5,700	6,765	-4.6%	7,103	7,458	7,831
Other Miscellaneous Operating	1,718	2,208	2,433	2,110	2,405	-1.2%	2,525	2,652	2,784
Total	9,146	11,194	14,266	12,400	13,910	-2.5%	14,606	15,336	16,103
Non-Operating Revenues:									
Sales Tax	27,379	25,283	28,166	25,536	26,047	-7.5%	26,567	27,365	28,185
Entertainment Tax	6,963	7,488	7,194	8,387	8,470	17.7%	8,640	8,899	9,166
Restaurant Tax	7,599	7,754	7,892	7,677	7,754	-1.7%	7,909	8,146	8,391
Liquor Tax	2,729	2,871	2,822	2,815	2,843	0.7%	2,900	2,987	3,076
Lodging Tax	2,934	4,166	3,065	4,500	4,545	48.3%	4,636	4,775	4,918
Contributions	51	600	301	301					
Interest	1,005	346	1,146	350	160	-86.0%	160	160	160
Total	48,660	48,508	50,586	49,565	49,819	-1.5%	50,812	52,332	53,897
Total Revenue	57,806	59,702	64,852	61,965	63,729	-1.7%	65,418	67,667	69,999
Expenditures									
Convention Center Operations	12,409	16,983	20,021	19,823	21,911	9.4%	22,787	23,699	24,647
Ongoing Equipment and Improvement	619	900	1,151	1,091	1,120	-2.7%	1,165	1,211	1,260
Finance	242	225	309	250	302	-2.3%	314	327	340
Human Resources	45	51	57	55	59	3.5%	61	64	66
GMCVA	6,595	7,002	6,730	6,730	6,480	-3.7%	6,610	6,742	6,877
Neighborhood Early Learning Centers	122		-	-	-		-	-	-
Convention Center Completion Project	393	93	-	-	-		-	-	-
Transfer To Genl Fund - Entert Tax	5,968	5,841	6,313	7,187	7,270	15.2%	7,440	7,699	7,966
Transfer To Target Ctr Reserve	994	1,647	881	1,200	1,200	36.2%	1,200	1,200	1,200
Transfer To Conv Center Reserve	1,047	1,100	1,150	1,150	1,150		1,150	1,150	1,150
Transfer To Capital Improvements	-	1,560	60	60					
Transfer To Debt Service	16,457	16,205	20,854	20,854	19,493	-6.5%	19,501	19,316	19,071
Transfer To Parking Fund	8,757	8,235	8,301	8,301	8,365	0.8%	8,254	8,391	8,594
Transfer to Information Technology	61	71	66	66	66		71	74	77
Transfer to MERF pension	-	-	-	-	23		23	23	23
Transfer to Self Insurance	19	17	18	18	19	5.6%	18	18	18
Total Expenditures	53,728	59,930	65,911	66,784	67,458	2.3%	68,594	69,914	71,288
Net Income	4,078	(228)	(1,059)	(4,819)	(3,730)	252.2%	(3,177)	(2,246)	(1,289)
Fund Balance/Retained Earnings:									
Beginning Balance	20,371	24,449	24,221	24,221	19,402	-19.9%	15,672	12,496	10,250
Ending Balance	24,449	24,221	23,162	19,402	15,672	-32.3%	12,496	10,250	8,960

Notes:

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

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

City of Minneapolis
FY 2004
Financial Plan

Municipal Parking Fund

Background

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

Historical Financial Performance

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

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

The financial condition of the Parking Fund has historically been stable, but it will present a future financial challenge for the City if cash outflows continue to exceed the inflows. While the Fund currently generates a positive fund margin, fund-operating income is used not only to provide for the restoration of its productive assets (ramps) but is also committed to heavy debt service and makes substantial annual contributions to the General Fund ($10.9 million for 2003) and to the Target Center Arena ($1.5 million of for 2003).

Rather than using equity to fund part of the capital cost of ramps, it has historically been financed 100% by debt. The fund carries $10.80 of debt for each dollar of retained earnings. In addition, besides servicing the debt on its own balance sheet, the fund receives transfers from the Convention Center Special Revenue Fund ($8.3 million in year 2003) to pay its share of debt service on Convention Center related parking facilities. The fund also receives transfers from tax increment and abatement revenue to pay part of major downtown development projects ($5.5 million in year 2003). If revenues do not increase or if expenses do not decease it may be necessary to reduce the annual transfer to the general fund and/or the Target Center debt service to avoid a negative cash position. A reduction to the General Fund transfer would result in fewer resources to fund general city services.

Current Year to Date / End of Year Financial Performance

Revenues

The revenues for 2002 in the operating budget were anticipated to increase by 6.4% from $55.8 million to $59.4 million, but actually decreased by 2.2% to $54.6 million. The projected increase was due to parking rate adjustments and the addition of the LaSalle at 10th ramp. On-street meter revenues are projected to be slightly higher in 2003, than actual 2002, but both City and state parking and towing revenues are down significantly from 2002 levels. In 2003 operating revenues are budgeted at $59.8 million and are projected to drop by $8.5 million to $51.3 million based on projections using 2001 and 2002 revenues. If additional revenues sources are not identified, or operating expenses and/or transfers are not adjusted to offset the decrease in revenue the City will have a growing negative cash balance in the parking fund.

Expenditures

In 2003 operating expenses are budgeted at $39.4 million and are projected to be $36.3 million based on 2001 and 2002. This will lessen the impact of the projected $8 million dollar revenue shortfall by $3.1 million, so that the operating margin's projection is $4.9 million less than budgeted. Impound lot expenses may increase due to a significant increase in the cost per tow received from the recent bid pending contract approval, but the impound lot intends to raise rates to cover this increase.

Cash Position

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

Non-parking related activities financed in the parking fund, which includes transfers to the General Fund and Target Center Arena Fund are contributing factors to the negative cash flow. The City's parking system is currently in a negative cash position that is expected to grow. The cash balance for the City System is projected to decrease by $10.1 million to a negative $8.8 million by year-end 2003.

The chart that follows illustrates that over the last few years revenue has been decreasing while expenses have been growing, the result is a continued decline in the cash position of the fund.

2004 Budget

Revenues

The revenues for 2004 in the operating budget are anticipated to decrease by 4.9% from $60.3 million to $57.3 million. The actual reduction in the current meter, impound lot, state and city owned ramps totals $4 million.

Revenues are projected to increase $1.03 million with the addition of the Walker Ramp. Revenue of $1.023 million is included for the Harmon ramp, which will be due less a management fee to the ramps owner, Opus LLC. With the inclusion of the new facilities the total net change in revenue is proposed to decrease by $2 million.

The 2004 operating revenue budget is based on conservative parking rate estimates provided by the Public Works Department that have been adjusted based on actual revenues that should reflect market demands. The net decrease is projected to be $1.96 million versus the $340,000 increase in 2003.

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

Expenditures

The 2003 current service level operating expenditure budgets for Public Works Transportation, Finance and Licenses & Consumer Services has increased by 5% from $39.4 to $41.3 million. This is due to average personnel increases of 2% and non-personnel citywide increases of 1.32% based on an inflationary index. Interest expense (debt service) is a non-operating expense that is projected to total $13.7 million for 2004 that consists of both fixed and variable rate bond debt.

Transfers

The transfer to the General Fund will decrease from $10.9 million to $9.8 million based on the 2004 adopted budget. The transfer to the General Fund would have increased by 3% based on the adopted five-year financial plan for the City, but due to the declining financial position of the Parking Fund the decision has been made to begin to reduce this transfer.

Transfers to the Target Center Arena Fund are proposed to increase from $1.5 million to $1.6 million based on the revised finance plan approved in 2000. This transfer has been coming out of net assets generated by City parking revenues and not the event revenue generated by the State owned TAD garages.

The State of Minnesota owned garages have reached a breakeven point and are generating positive retained earnings.

The ongoing annual operating transfer of $146,000 to sanitation has been established to fund the bus shelter litter containers. The transfer to Business Information Systems has been increased by 4% based on the approved Financial Workout Plan.

Transfers from other funds for debt service payments for Convention Center related parking facilities were paid off with a state grant in 2002 and the transfers in from sales tax revenue and out to the long-term debt account group are continuing with a 2004 estimate of $8.4 million. Based on various construction facility finance plans where tax increment and abatement were a revenue source it is estimated that $6.2 million will be transferred for debt service from CPED. The following is a breakdown of the $6.2 million in transfers by facility: $4.8 million for LaSalle at 10th Ramp, $.45 million for East LRT Ramp, $0.65 million for the Hennepin at 10th Ramp, $0.05 million for 10th and Washington Ramp and $0.25 million for the Federal Courts Ramp.

Debt Service

The debt service payable, including principal and interest, in 2004 is $25.1 million. The debt service is related to bonds issued for construction of municipal parking ramps, which will continue to grow as new facilities are added to the system. Debt service for 2004 includes bonds issued to cover the cost of condemnation, land and building costs that are reimbursed from tax increment revenue and sales tax proceeds for projects that had these financing sources identified in their original construction finance plans. The estimate for 2004 to be transferred in from the Convention Center Fund is $8.4 million and the estimate to be transferred from tax increment and abatement revenue is $6.2 million.

Decision Packages and Target Strategies

The adopted budget includes funding a parking ramp security system consolidation for $350,000. This would consolidate the security operations for the Leamington and Hilton ramps into the Hawthorne Transportation Center Security Command Center. This will replace personnel with the use of technology that will generate substantial savings over the long term.

The adopted budget also includes $1.5 million in additional costs related to payments to MetroTransit for the Downtown Circulator.

City of Minneapolis
FY 2004 Budget
Financial Plan (in thousands of dollars)

Municipal Parking Fund

	2001 Actual	2002 Actual	2003 Current Budget	2003 Projected	2004 Budget	% Chg from 2003 Budget	2005 Forecast	2006 Forecast	2007 Forecast
Source of Funds:									
Licenses and Permits	179	193	155	155	155		158	161	164
State Government	463		-	-			-	-	-
Charges for Service, Sales & Permits (Tra	53,257	52,729	59,431	50,896	56,456	-5.0%	57,585	58,737	59,912
Charges for Sales	1,149	1,063	826	826	1,001	21.2%	1,021	1,041	1,062
Special Assessments	170	159	38	38	133	250.0%	136	138	141
Interest	2	-	1	1	1		1	1	1
Gains	(39)		-	-	-		-	-	-
Rents (Transportation)	274	131	18	18	3	-83.3%	3	3	3
Other Misc Revenues	79	455	11	11	11		11	11	12
Tax Increment Transfers In	5,177	5,845	5,505	5,505	6,743	22.5%	6,129	8,242	8,283
Sales Tax Transfers In	8,757	8,235	8,301	8,301	8,400	1.2%	8,254	8,391	8,594
Arbitrage Transfers In	23,192								
Total Transfers In	*37,125*	*14,080*	*13,806*	*13,806*	*14,520*	*5.2%*	*14,383*	*16,633*	*16,877*
Proceeds of Long Term Liabilities	18,673	19,122	-	-			-	-	-
Total	111,332	87,932	74,286	65,751	72,903	-1.9%	73,299	76,727	78,172
Use of Funds:									
Debt Service	45,615	26,644	24,149	24,149	25,881	7.2%	25,249	27,288	27,678
General Fund Transfer Out	10,108	10,575	10,890	10,890	9,800	-10.0%	9,800	9,800	9,800
Target Arena Transfer Out	1,199	1,335	1,470	1,470	1,620	10.2%	1,768	1,921	2,079
Debt Service Transfer Out (Mann Areawa	579	158	287	287	275	-4.4%	252	12	
Internal Service Funds Tranfers Out	65	91	76	76	77	1.1%	80	84	87
MERF Liability Transfer Out					129				
Sanitation Transfer Out	-	146	146	146	146		146	146	146
Parkboard Transfer Out	1,000	-	-	-					
Total Transfers Out	*12,951*	*12,305*	*12,869*	*12,869*	*12,046*	*-3.1%*	*12,046*	*11,963*	*12,112*
PW-Transportation	31,088	32,943	35,805	32,737	39,424	10.1%	40,212	41,017	41,837
Human Resources			225	225	228	1%	233	237	242
Finance Department	548	532	607	607	594	-2.1%	606	618	630
Licenses & Consumer Services	2,270	2,137	2,756	2,756	2,833	2.8%	2,890	2,947	3,006
PW-Transportation Capital	22,341	17,355	180	180	180	100%	184	187	191
Total	114,813	91,916	76,591	73,523	81,186	6.0%	81,419	84,258	85,697
Fund Margin									
TAD (State Owned) Ramps	3,141	2,272	3,757	2,306	2,282	-39%	2,328	2,374	2,422
City Ramps and Lots	(6,622)	(6,256)	(6,062)	(10,079)	(10,565)	74.3%	(10,448)	(9,905)	(9,946)
(1) Total	(3,481)	(3,984)	(2,305)	(7,773)	(8,283)	259.3%	(8,121)	(7,531)	(7,524)
Retained Earnings									
TAD (State Owned) Ramps	9,926	12,198	15,955	14,504	16,786	5.2%	19,114	21,488	23,910
City Parking System	12,987	16,363	15,068	11,052	6,560	-56.5%	2,184	(943)	(1,711)
Total	22,913	28,561	31,024	25,556	23,346	-24.7%	21,298	20,545	22,199
Cash Balances									
TAD (State Owned) Ramps	10,328	12,600	16,357	14,906	17,188	5.1%	19,516	21,890	24,312
City System Construction Cash (2)	16,200	22,799		-	-		-	-	-
City System Op Cash w/o Temp Loan	7,764	1,298	(4,764)	(8,780)	(19,346)	306.1%	(29,794)	(39,699)	(49,646)
Total	34,292	36,697	11,593	6,125	(2,158)	-118.6%	(10,279)	(17,809)	(25,334)

Footnotes:

(1) Revenue and expense projections are based on 2% increases

(2) Construction cash not included in current yr and projected years

City of Minneapolis
FY 2004
Financial Plan

Solid Waste and Recycling Fund

This fund accounts for solid waste collection and disposal/recycling activities for the City. The Solid Waste Division of the Public Works Department provides weekly trash and yard-waste pickup, bi-weekly recycling pickup and operates a solid waste transfer station for over 108,000 households.

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

Historical Financial Performance

The overall financial condition of the Solid Waste Fund is positive as a result of management practices and annual scheduled rate increases for the sanitation fee. The net assets for this fund at the end of year 2002 were $13.2 million, as compared to $13.1 million in year 2001.

The Solid Waste fund has been partially updating there fleet on a yearly basis. In year 2002, four recycling units, one side loader for litter containers, and three problem material vehicles were purchased.

2004 Budget

Revenues

For year 2004, no solid waste and recycling rate increase is included in the adopted budget. The monthly rate will remain at $19.25 per month per dwelling unit. In addition, if projections included in the financial plan for this fund are met, it is likely that a rate increase will not be needed until year 2006. For planning purposes a rate increase of 3% is assumed for year 2006 and 2007. A 3% increase would result in a $19.83 and $20.42 per month per dwelling unit for years' 2006 and 2007, respectively.

For the past three years, the solid waste and recycling fee was being adjusted by 75-*cents* per month per dwelling unit. This will be the first year since 2001 that there will not be a scheduled rate increase.

The Hennepin County Recycling Grant is estimated to total at $804,000 in 2004.

Expenditures

Overall operating expenditures are budgeted to increase by 2.0% for personnel expense, and 1.32% for non-personnel from 2003 to 2004.

In year 2003, the Division eliminated two solid waste routes for total annual savings of $280,000. Solid Waste and Recycling has eliminated 2 municipal solid waste collection routes by consolidating the two subject routes into other existing routes, thus eliminated 4.0 FTE Solid Waste & Recycling Worker positions and 2 of the oldest packer trucks.

The 2004 budget includes $50,000 in revenue from the General fund for graffiti programs in the department.

Transfers

The 2004 adopted budget includes the continuation of a $700,000 transfer from Solid Waste and Recycling to the General Fund to pay for snow alley plowing to ensure delivery of solid waste and recycling services in the alleys.

In addition, the 2004 budget includes: a $70,000 transfer to the Intergovernmental Services Fund; a transfer of $11,271 to the Self Insurance Fund for liability and workers compensation payments; and a transfer of $90,000 to the Debt Service fund for pension obligations related to the Minneapolis Employees Retirement Fund (MERF).

The Solid Waste and Recycling Fund receives a transfer of $146,000 from the Parking Fund to pay for litter container pick-up (downtown).

Debt Service

This fund does not have any associated debt service payments.

City of Minneapolis
FY 2004 Budget
Financial Plan (in thousands of dollars)

Solid Waste Fund 7700

	2001 Actual	2002 Actual	2003 Current Budget	2003 Projected	2004 Budget	% Chg from 2003 Budget	2005 Forecast	2006 Forecast	2007 Forecast
Sources of Funds:									
Sales and Other Taxes	5	-	-	-	-		-	-	-
Local Government	943	936	804	804	804		804	828	853
Charges for Service	24,177	24,906	26,099	26,099	26,099		26,099	26,882	27,688
Charges for Sales	668	617	640	640	640		640	659	679
Special Assessments	143	128	-	54			-	-	-
Operting Transfers In:					-		-	-	-
From Parking Fund	166	146	146	146	196	34.2%	146	146	146
Proceeds of Long Term Liabilities			-	-	-		-	-	-
Total	26,102	26,733	27,689	27,743	27,739	0.2%	27,689	28,515	29,366
Use of Funds:									
Debt Service							-	-	-
Transfers:									
To General Fund	160	170	757	757	790	4.4%	90	90	90
To ITS Fund	12	12	75	75	70	-6.7%	72	74	76
To Self Insuance Fund	11	11	11	11	11		11	12	12
To MERF Fund									
Retiree Incentive							-	-	-
PW-Solid Waste Consolidating	24,576	24,271	25,083	25,083	25,601	2.1%	26,369	27,160	27,975
Finance Department	203	183	195	195	196	0.5%	196	202	208
Human Resources			225	225	228	1.3%	228	235	242
Capital					-		-	-	-
Total	24,962	24,647	26,346	26,346	26,896	2.1%	26,966	27,773	28,603
Fund Margin	1,140	2,086	1,343	1,397	843	-37.2%	723	743	763
Fund Balance	8,542	13,212	14,555	14,609	15,452	6.2%	16,175	16,917	17,680
Cash Balance	4,827	8,005	9,348	9,348	10,191	9.0%	10,914	11,656	12,419

City of Minneapolis
FY 2004 Fund
Financial Plan

Storm Water, Sewer Rental, and Flood Mitigation Utility Fund

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

During 1998, the City embarked on a $72 million, nine-year, flood control program (which has been expanded since the original plan was adopted). This program targets specific areas in the City and creates holding ponds and additional storm drains that are designed to mitigate the effects of flash floods. This fund also accounts for the cost of street sweeping as a related cost activity.

Historical Financial Performance

The Sewer Rental Fund has had positive retained earning experience the last several years. This is due to the combination of rate increases being implemented as planned and unanticipated delays in capital project expenditures. Delay in capital project expenditures also impacts cash balance, when bonds are sold and the expenditures are delayed into the next year. This has resulted in an increasing total cash balance for this fund for the past few years. For the year ending in 2002, about $10.0 million of cash was related to the capital improvements in the Fund and about $4.0 million of cash for operations.

2004 Budget

Revenues

The Sewer Rental Fund has a projected rate increase of 14-cents (per 100 cubic feet) for 2004. The rate increase will be used to pay for ongoing operating expenses as well as debt service related to the CSO and flood mitigation programs. The following rate schedule is proposed for years' 2004 to 2007.

Storm Water, Sewer, Flood Mitigation Utility Rates

Below is a summary of the rates for years 2004 to 2008.

Year	Rate (cost per 100 cubic feet)	Cost Per Month for Average Consumer[1]	Monthly % Increase	Total Planned Revenue from Utility Fee
2004	3.43	20.58	4.3%	63,413
2005	3.58	21.48	4.4%	66,186
2006	3.72	22.32	3.9%	68,775
2007	3.86	23.16	3.8%	71,360
2008	4.00	24.00	3.6%	73,951

[1] Rate is based on cost per 100 cubic feet and assumes 6 units per month.

Note: Total revenue from charges for services in the financial plan exceeds the amount generated by the utility fee (below) because other revenue is also deposited in the Sewer Fund.

Expenditures

The Sewer Rental Fund has a projected increase in expenses due to sewage flow increases. The flow increases will result from newer, more accurate meters installed by the Metropolitan Council Environmental Services. For 2004, the capital expenditures will increase, as more sewer designs are ready for construction. The budget also includes continuation of funding to complete the CSO (combined sewer overflow) Separation Evaluation Project.

Beginning in year 2004, the Sewer Fund will incur a Government Service Fee ($3.1 million) for the general government services that support activities in the Sewer Fund. The Government Service Fee will be calculated annually by reviewing the asset base of the Sewer Fund and other factors that go into the defined formula for calculating the fee.

CSO (Combined Sewer Overflow)

In Year 2001 a study was done by the City of Minneapolis and Metropolitan Council, which indicated that there maybe as many as 5,000 buildings and properties with rainwater connection to the sanitary system. To resolve this issue, both parties will need to identify these properties and work on an alternative for rainwater connection. Once this task is complete, the department of Public Works will be required to hire additional staff to redesign and reconstruct the storm water drainage system. The project could take 3 to 5 years to complete. The estimated cost for 2004 is approximately $2 million. The adopted budget includes the addition of three positions for overflow code compliance staffing.

Transfers

A transfer of $10,000 for liability and workers compensation payments to the Self-Insurance Fund is budgeted in 2004. A transfer of $66,000 for Information Technology Services is budgeted for 2004. A transfer of $288,000 to the bond redemption fund for debt service related to the Minneapolis Employee Retirement Fund (MERF) outstanding liability.

Debt Service

The debt service payments are primarily for bonds previously sold to finance the Combined Sewer Overflow (CSO) and flood mitigation programs.

City of Minneapolis
FY 2004 Budget
Financial Plan (in thousands of dollars)

Sewer Fund 7300

	2001 Actual	2002 Actual	2003 Current Budget	2003 Projected	2004 Budget	% Chg from Budget	2005 Forecast	2006 Forecast	2007 Forecast
Source of Funds:									
Federal Government	3,758	980			310				
State Government	365	566	516	516	1,159	106.2%	1,159	1,159	1,159
Local Government	148	128	148	148	290	154.1%	387	399	411
Charges for Service	58,209	64,122	66,243	66,243	68,843	4.3%	71,588	74,177	76,765
Charges for Sales	-	5			1		1	1	1
Special Assessments	310	275	115	115	115		118	122	126
Interest	1	(3)	-	-	-		-	-	-
Gains	(14)		-	-	-		-	-	-
Other Misc Revenues	18	(60)	53	53	52	-1.9%	54	55	57
Operting Transfers In	-	-	-	-	-		-	-	-
Proceeds of Long Term Liabilities	6,339	7,988	6,000	6,000	10,519	93.2%	6,580	6,725	4,800
Total	69,134	74,001	73,075	73,075	81,289	12.6%	79,887	82,638	83,318
Use of Funds:							-	-	-
Debt Service	2,547	3,007	8,151	8,151	11,004	35.0%	10,918	10,014	8,194
Transfers									
To General Fund	1,877	116	63	63					
To Debt Service for MERF Liability					288		400	600	800
To BIS Fund	65	65	65	65	66		69	69	69
To Self Insurance Fund	10	10	10	10	10		10	10	10
PW-Sewer Design	1,755	2,338	4,484	4,484	5,014	4.5%	5,215	5,215	5,215
PW-Field Services	4,514	5,177	5,479	5,479	5,683	0.4%	5,910	5,910	5,910
PW-Sewer Maintenance	35,781	36,530	39,855	39,855	40,542	10.3%	42,164	42,164	42,164
Finance Department	134	117	137	137	129	66.4%	134	134	134
Human Resources			225	225	228		237	237	237
Government Service Fee					3,055		3,177	3,304	3,436
PW- Capital	11,812	19,034	15,000	15,000	15,881	-20.0%	11,220	11,417	9,300
Total	58,495	66,394	73,469	73,469	81,900	9.7%	79,454	79,074	75,469
Fund Margin	10,639	7,607	(394)	(394)	(611)	-524.4%	433	3,564	7,850
Fund Balance	56,780	293,665	293,271	293,271	292,660	0.6%	293,093	296,658	304,507
Cash Balance	18,887	14,077	13,683	13,683	13,072	12.2%	13,505	17,070	24,919

Note: Cash balance includes restricted cash for capital projects.

City of Minneapolis
FY 2004 Budget
Financial Plan

Water Fund

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

Historical Financial Performance

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

2004 Budget

Revenues

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

Water Utility Rates

The 2004 budget includes a lower rate increase for water than that proposed by the Citizen Long Range Improvement Committee (CLIC). The adopted budget includes a 7.7% increase in year 2004 as compared to a 10.4% increase by CLIC. The adopted budget includes reducing capital spending and reducing the level of capital funded from current revenue versus bonds.

Year	Rate (cost per 100 cubic feet)	Cost Per Month for Average Consumer[1]	% Increase	Total Planned Revenue from Utility Fee
2004	2.38	19.04	7.7%	59,140
2005	2.56	20.48	7.6%	63,613
2006	2.73	21.84	6.6%	67,837
2007	2.81	22.48	2.9%	69,825
2008	2.89	23.12	2.8%	71,813

[1] Rate is based on cost per 100 cubic feet and assumes 8 units of water is consumed per month.

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

Expenditures

The budget holds the funding level for infrastructure improvement program at the prior year level and does not include anticipated growth in this area of expenditure. In 2003, the fund was given a $500,000 increase for security. During 2003, the Council made the decision to provide security to the treatment facility with Police personnel. The total budget for security in 2004 is $1.1 million. The Water Fund has 16 (FTE) positions from the Police Department dedicated full time to providing security for Water Works.

Beginning in year 2004, the Water Fund will incur a Government Service Fee ($1.2 million) for the general government services that support water distribution and treatment activities. The Government Service Fee will be calculated annually by reviewing the asset base of the Water Fund and other factors that go into the defined formula for calculating the fee.

Transfers to Other Funds

The transfers represent annual payment for information technical services charges of $2.5 million, mostly related to the technology costs related to utility billing services (which are partially offset by Sewer and Solid Waste fees) and a $26,000 payment to the Self Insurance Fund for workers compensation and general liability coverage.

In addition, the Water Fund will begin incurring a transfer expense related to its share of the Minneapolis Employee Retirement Fund (MERF) pension obligations. Nearly $0.5 million will be transferred to the bond redemption fund to cover the liability obligations related to Water Fund employees that have retired under the MERF pension plan.

Debt Service

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

City of Minneapolis
FY 2004 Budget
Financial Plan (in thousands of dollars)

Water Fund 7400

	2001 Actual	2002 Actual	2003 Current Budget	2003 Projected	2004 Budget	% Chg from 2003 Budget	2005 Forecast	2006 Forecast	2007 Forecast
Source of Funds:									
Licenses and Permits	1	1	1	1	1		1	1	1
Federal Government	765	317	-	-	-		-	-	-
Charges for Service	51,609	54,733	65,002	65,002	66,818	2.8%	71,091	75,315	77,303
Charges for Sales	1,991	1,715	1,625	1,625	1,740	7.1%	1,766	1,915	2,026
Special Assessments	713	1,769	-		-		-	-	-
Interest	18	(22)	-		-		-	-	-
Gains	(13)	-	-		-		-	-	-
Rents	8	3	2	1	2		2	2	2
Other Misc Revenues	21	2	16	16	19	18.8%	16	17	17
Operating Transfers In	14,053	5,266	-	-	-		-	-	-
Proceeds of Long Term Liabilities	-	3,718	4,350	4,350	33,000	658.6%	34,040	58,000	35,920
Total	69,165	67,502	70,996	70,995	101,580	43.1%	106,917	135,250	115,270
Use of Funds:					-				
Debt Service	3,285	2,796	13,566	13,566	12,148	-10.5%	14,931	16,244	16,177
Transfers	2,573	2,548	2,518	2,518	3,035	20.5%	3,156	3,283	3,414
Police Department	-	-	-	-	1,109		1,153	1,199	1,247
PW-Engineering	486	662	779	779	878	12.7%	913	950	988
PW-Water	28,795	31,796	34,848	34,814	36,091	3.6%	37,535	39,036	40,597
Human Resources	-	-	225	225	269	19.6%	280	291	303
Finance Department	4,535	4,528	4,795	4,795	4,985	4.0%	5,184	5,392	5,607
Government Service Fee					1,495		1,555	1,617	1,682
PW-Water - Capital	13,735	15,726	9,525	33,802	37,340	292.0%	38,681	64,500	42,320
SISPP Projects	31	-	-	-	-		-	-	-
Total	53,440	58,056	66,256	90,499	97,350	46.9%	103,388	132,512	112,335
Water Works Fund Margin	15,725	9,446	4,740	-19,504	4,230	-10.8%	3,528	2,738	2,934
Water Fund Balance	78,361	111,612	116,352	92,108	96,338	-17.2%	99,866	102,605	105,539
Water Cash Balance	10,055	6,137	2,634	2,634	6,864	160.6%	10,392	13,131	16,065

City of Minneapolis
FY 2004
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. 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 2002. Projections for 2003 indicate a profit, however, there are indications of lower revenues.

2004 Budget

Revenues

Revenues are expected to be sufficient in 2004 to cover expense.

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.

Transfers

This fund transfers funds to pay for information technology and self-insurance services.

Debt Service

This fund does not have long-term debt.

City of Minneapolis
FY 2004 Budget
Financial Plan (in thousands of dollars)

Public Works Stores Fund 6300

	2001 Actual	2002 Actual	2003 Current Budget	2003 Projected	2004 Budget	% Chg from 2003 Budget	2005 Forecast	2006 Forecast	2007 Forecast
Source of Fund:									
Charges for Services	509	536	500	425	475	-5.0%	494	494	514
Charges for Sales	3,681	3,219	3,245	3,300	3,145	-3.1%	3,145	3,145	3,145
Other Misc Revenues	5		-		-		-	-	-
Total	4,195	3,755	3,745	3,725	3,620	-3.3%	3,639	3,639	3,659
Use of Funds:									
Personal Services	641	520	536	543	576	7.5%	599	623	648
Contractual Services	90	86	129	90	127	-1.6%	132	137	143
Materials and other	86	168	336	200	342	1.8%	356	370	385
Rent			18	66	18		19	19	20
Interest	43		77		78	1.3%	81	84	88
Transfers	14	18	14	14	14		15	15	16
Total	874	792	1,110	913	1,155	4.1%	1,201	1,249	1,299
Fund Margin	3,321	2,963	2,635	2,812	2,465	-6.5%	2,438	2,390	2,360
Fund Balance	1,913	4,876	7,511	7,688	10,153	35.2%	12,591	14,980	17,340
Cash Balance	(835)	(678)	1,957	4,769	7,234	269.6%	9,672	12,061	14,421

Note: Cost of Stores Issuance results in recording the cost of items issued from inventory to customers. Because it is not budgeted, it has been added to this Financial Plan for comparitive purposes.

City of Minneapolis
FY 2004 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 ITS 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 Information Technology Services.

   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 ITS 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 will be 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.

2004 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 2004 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.

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.

Transfers

The rate model for the Intergovernmental Services Fund has not been finalized and therefore the 2004 budget still includes fund level transfers to support operating and capital spending in this fund.

The transfer from the General Fund, which comprises 84% of the total transfer revenue for this fund was adjusted as follows from year 2003 to 2004:

Transfer from the General Fund to Intergovernmental Services Fund:

2003 Adopted Budget	$16.8 million
less 2003 LGA Cut	$1.2 million
Adjusted 2003 Budget	$15.6 million
plus GIS transfer	$0.7 million
plus workout plan planned increase	$1.2 million
2004 Budget	$17.5 million

The transfers from other funds were increased at an inflationary level, from $3.20 million to $3.25 million.

Debt Service

The remaining variable rate debt of $16.1 million was retired in 2001. The final pay-off year was extended from 2005 to 2012. 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
Intergovernmental Services Fund 6400
Financial Plan (in thousands of dollars)

	2001 Actual	2002 Actual	2003 Current Budget	2003 Projected	2004 Budget	% Chg from 2003 Budget	2005 Forecast	2006 Forecast	2007 Forecast
Source of Funds:									
Charges For Service	3,300	5,767	2,910	3,329	4,411	51.6%	4,002	4,122	4,246
Charges for Sales	-	-	2	2	10	400.0%			
Interest	-	-	-	-	-		-	-	-
Gains	(21)	(30)	-	-	-		-	-	-
Other Miscellaneous Revenue	-		49	49	-		182	188	193
Operating Transfers In	17,438	18,840	18,791	18,791	20,750	10.4%	22,077	23,414	24,756
Transfer from componet units	90	86							
Proceeds From Bonds			1,000	1,000	2,950	195.0%	3,100	3,200	3,300
Total	20,807	24,663	22,752	23,171	28,121	23.6%	29,362	30,924	32,495
Use of Funds:									
Transfers to other funds	4,047	427	7	7	7		6	8	8
Debt Service	-	3,820	3,855	3,336	6,766	75.5%	7,948	7,738	1,434
City Clerk	1,300	1,254	1,445	1,310	1,090	-24.6%	1,123	1,156	1,191
Human Resources	113	170	184	126	186	1.1%	192	197	203
Finance Department	130	168	188	188	191	1.6%	197	203	209
Capital Outlay		6,120	1,000	1,000	2,950	195.0%	3,100	3,200	3,300
Information & Tech Services	17,510	17,302	16,900	16,900	17,574	4.0%	17,590	18,118	18,662
Total	23,100	29,261	23,579	22,867	28,764	22.0%	30,155	30,621	25,006
Fund Margin	(2,293)	(4,598)	(827)	304	(643)	-22.3%	(794)	303	7,489
Fund Balance	(36,252)	(40,850)	(41,677)	(40,546)	######	-1.2%	(41,983)	(41,680)	(34,191)
Cash Balance	(15,998)	(15,044)	(15,871)	(14,740)	######	-3.1%	(16,177)	(15,874)	(8,385)

City of Minneapolis
FY 2004
Financial Plan

Permanent Improvement 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; 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 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, which 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 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.

2004 Budget

Revenue

Starting in 2004, the equipment division is using an activity based costing approach to bill the internal customers. Therefore the rental rate of the fleet is the amount that has to be paid to replace the vehicle after the vehicle is past its useful life. Maintenance, repairs and fuel will be billed separately. All of these will be billed at a rate that allows the equipment division to match its expenses.

Expenditures

Expenditures in 2004 will be close to equal with the 2003 service level. With the exception of a decrease in capital expenses caused by a one time increase in capital expenditures in 2003 to purchase new fire trucks. The fire fleet was very old, and needed to have an influx of new vehicles, as well as to accommodate a change in the vehicles that the fire department is using.

Transfers to Other Funds

The 2004 budget includes a transfer out of $39,000 for Business Information Systems and $23,000 for the Self Insurance Fund.

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 $ 4.9 million will be due on these bonds in 2004. Consistent with the funds workout plan, modified for the fire apparatus replacement program, $5.4 million in bonds will be issued for fleet replacement in 2004.

City of Minneapolis
FY 2004 Budget
Financial (in thousand of dollars)

Permanent Improvement Equipment 6100

	2001 Actual	2002 Actual	2003 Current Budget	2003 Projected	2004 Budget	% Change from 2003 Budget	2005 Forecast	2006 Forecast	2007 Forecast
Source of Funds:									
Charges for Service	950	514	951	346	4,972	422.7%	5,131	5,295	5,465
Charges for Sales	4,796	2,570	3,241	2,749	5,145	58.8%	5,310	5,480	5,655
Interest	1	-	1	1	1		1	1	1
Gains	43	40	200	60	200		200	200	200
Rents	27,519	27,958	27,832	27,015	24,138	-13.3%	24,910	25,707	26,530
Other Misc Revenue	482	460	315	454	310	-1.6%	320	330	341
Operating Transfers in	5,224	-	1,819	1,819	2,180	19.8%	1,750	1,806	1,864
Proceeds of long term liabilities		6,444	11,878	9,630	5,450	-54.1%	5,543	6,143	6,243
Total	39,016	37,985	46,236	42,074	42,395	-8.3%	43,163	44,961	46,297
Use of Funds:									
Debt Service	854	1,381	2,928	3,268	4,918	68.0%	6,489	6,891.49	7,112
Transfers	829	91	61	61	62	1.4%	66	68	70
PW Equipment	32,268	34,683	25,614	20,582	26,791	4.6%	28,452	30,216	32,089
PW Property Services	1,761	-	-	-	-		-	-	-
Finance	527	506	597	566	575	-3.7%	611	649	689
PW Equipment Capital	240	5,473	11,878	9,630	5,664	-52.3%	6,015	6,388	6,784
Total	36,479	42,134	41,078	34,108	38,010	-7.5%	41,633	44,212	46,744
Fund Margin	2,537	(4,149)	5,158	7,966	4,385	-15.0%	1,531	749	(447)
Fund Balance	15,871	11,722	16,880	19,688	24,073	42.6%	25,604	26,353	25,906
Cash Balance	(8,555)	(4,995)	163	2,971	7,356	4416.6%	8,887	9,636	9,189

Note:
The 2004 Budget reflects a change in accounting and budgeting practice for the Equipment Services Fund. As a result, the annual percentage change figures comparing the 2003 budget to the 2004 budget are significantly impacted.

City of Minneapolis
FY 2004
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.

Property Services has 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 years' 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 $1.0 million. Revenues are expected to equal expenditures in 2003.

In year 2002, as part of the GASB 34 implementation, the majority of all City owned buildings were added to this fund as assets. This resulted in a higher net asset for this fund, after adjustments for depreciation.

2004 Budget

Revenues

The increase in revenues from 2002 to 2003 is related to the current service level being transferred into the next year, plus the increase in revenue associated with the increase in expense due to the addition of space and asset management, and security management services ($200,000 in total).

Expenditures

The 2004 adopted budget includes additional expense ($200,000) for space and asset management and security planning. This additional expense is recovered through adjustments to the rate charged to customer departments.

Transfers to Other Funds

The 2004 budget includes $33,000 of transfers out to other funds to cover the cost of Human Resources and Intergovernmental Services (information technology) support.

In addition, the Property Services Fund includes a $812,000 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:

$812,000	Transfer from the General Fund
$350,000	Property services rent charges
$1,162,000	Total Debt Service (year 2004)

A transfer from the general fund is budgeted to fund community center operations ($30,000).

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 2003. As mentioned earlier, the fund recognizes the fixed assets along with the debt related to this project. The Radio Shop and has participated in the funding for the Safety Initiative by contributing $350,000 a year since 1998.

City of Minneapolis
FY 2004 Budget
Financial Plan (in thousands of dollars)

Property Services Fund 6200

	2001 Actual	2002 Actual	2003 Current Budget	2003 Projected	2004 Budget	% Chg From 2003 Budget	2005 Forecast	2006 Forecast	2007 Forecast
Source of Funds:									
Charges for Services	3,274	5,118	4,384	3,582	4,433	1.1%	5,008	5,209	5,417
Charges for Sales	-	649	880	703	880		915	952	990
Rents	3,901	5,929	6,428	6,339	6,339	-1.4%	6,593	6,856	7,131
Other Misc Revenues	3	26	3	225	441	14600.0%	459	477	496
Operating Transfers in	3	1,665	130	942	842	547.7%	876	911	947
Proceeds of long term liabilities	-	6,425	560	4,560			-	-	-
Total	7,181	19,812	12,385	16,351	12,935	4.4%	13,850	14,404	14,981
Use of Funds:									
Property Services Administration	-	180	178	193	130	-27.0%	135	141	146
Radio Equipment	-	1,642	2,297	1,533	2,214	-3.6%	2,303	2,395	2,490
Municipal Market	30	15	30	18	31	3.3%	32	34	35
Facilities Management	6,994	9,255	8,623	8,838	9,244	7.2%	9,614	9,998	10,398
Capital Expenditure	-	7,109		4,560			-	-	-
Project Management	226	152	337	240	382	13.4%	397	413	430
Debt Service	17	123	73	936	1,213	1561.6%	1,213	1,213	1,213
Transfers	29	286	33	33	33		34	36	37
Finance	79	103	116	116	117	0.9%	122	127	132
Total	7,375	18,865	11,687	16,467	13,364	14.3%	13,850	14,356	14,881
Property Services Fund Margin	(194)	947	698	(116)	(429)	-161.5%	0	49	99
Change in Accounting Principal	31,678								
Property Services Fund Balance	29,591	30,538	31,236	31,120	30,691	-1.7%	30,691	30,740	30,840
Property Services Cash Balance	(1,457)	(510)	188	72	(241)	-228.2%	(241)	47	(141)

City of Minneapolis
FY 2004
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 $43.0 million at year-end 2002, improving $6.0 million the last two 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 a $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.

2004 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 2003, the City has contracted with Blue Cross Blue Shield as the health insurance carrier. The City is currently in the process of evaluating responses to requests for proposals for a future health insurance carrier. The City's contract with Blue Cross Blue Shield expires at the end of 2003. For planning purposes, the City has assumed a 20% increase in health insurance premiums for year 2004.

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 $7.8 million for 2004. This is a 4% increase over the prior year.

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

The 2004 Adopted budget includes $283,000 in revenue from the Community Planning and Economic Development department for funding of additional Attorney contractual expenses in the Civil Division related to development projects.

Debt Service

The 2003 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 $7.1 million at the end 2003 as the others mature.

City of Minneapolis
FY 2004 Budget
Financial Plan (in thousands of dollars)

Self Insurance Fund

	2001 Actual	2002 Actual	2003 Current Budget	2003 Projected	2004 Budget	% Chg from 2003 Budget	2005 Forecast	2006 Forecast	2007 Forecast
Source of Funds:									
Charges for Service	42,412	49,961	57,427	57,187	59,724	4.0%	68,585	79,904	93,363
Interest	-	-	-		-		-	-	-
Other Misc Revenues	5,329	5,508	3,017	3,731	3,020	0.1%	3,105	3,199	3,295
Operating Transfers In	1,950	2,244	2,910	2,910	3,779	29.9%	4,279	4,779	5,279
Total	49,691	57,713	63,354	63,828	66,523	5.0%	75,969	87,882	101,937
Use of Funds:					-		-	-	-
Debt Service	613	1,664	2,037	2,037	1,217	-40.3%	1,204	1,205	1,188
Transfers	-	2	5	5	6	20.0%	6	6	7
Health and Welfare	35,760	37,774	43,280	44,190	44,343	2.5%	53,212	63,854	76,625
Attorney	4,277	4,265	4,701	4,700	4,773	1.5%	4,931	5,128	5,333
Workers Compensation	6,660	8,104	7,463	7,400	7,762	4.0%	7,762	8,072	8,395
Liability	3,315	2,412	3,115	3,000	3,240	4.0%	3,240	3,369	3,504
Retiree Incentive	61	-	-	-	-		-	-	-
Human Resources	691	587	573	535	615	7.3%	598	622	647
Finance Dept	1,435	1,314	1,519	1,628	1,616	6.4%	1,582	1,645	1,711
Total	52,811	56,122	62,693	63,495	63,571	1.4%	72,533	83,901	97,409
Fund Margin	(3,120)	1,591	661	333	2,952	346.6%	3,436	3,980	4,528
Fund Balance	######	######	(42,594)	(42,922)	(39,970)	-6.2%	(36,534)	(32,554)	(28,027)
Cash Balance	(8,179)	(6,620)	(5,959)	(6,287)	(3,335)	-44.0%	101	4,081	8,608