

**City of Minneapolis
FY 2005
Financial Plan**

Municipal Parking Fund

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 and high office vacancy rates, actual revenue performance has been less than the annual forecast. Major street reconstruction and Light Rail Transit construction activities also impacted the performance by 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 was released in conjunction with the other Public Works business plans and addresses strategies for managing and responding to a growing municipal parking system.

The financial condition of the Parking Fund has historically been stable, but it is projected to 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 substantial debt service. The Parking Fund makes substantial annual contributions to General Fund (\$9.8 million for year 2004) and to Target Center Arena (\$1.6 million for year 2004).

Rather than using equity to fund part of the capital cost of ramps, it has historically been financed 100% by debt. Besides servicing the debt on its own balance sheet, the fund receives transfers from the Convention Center Special Revenue Fund (\$8.4 million in year 2004) 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 (\$6.8 million in year 2004).

The Finance Department will continue to monitor the financial condition of the fund on a regular basis and inform the Mayor and City Council of any changes in condition. The City Council adopted a workout plan for this fund, which will be discussed later.

Current Year to Date / End of Year Financial Performance

Revenues

The revenues for 2003 were budgeted at \$59.8 million. Actual revenues for the year were \$53.4 million. The variance is partly due to two additional ramps, 11th & Harmon and Vineland Place, which were included in 2003 budget but were only partial contributors to actual revenues since these two ramps went into operations in the third and the fourth quarters of 2003. Revenues from towing and on-street meters were up from 2002 level by \$479,000. Off-street parking, for both City- and State-owned facilities, show a decline of \$994,000.

Operating revenue for 2004 is budgeted at \$57.2 million and projection for the year is \$54.4 million. Revenues for 2nd quarter were at \$28.6 million, almost 50% of the budget. This is an increase of 7% over 2nd quarter of 2003. Revenues from on-street parking and towing are up by 4% and 28% respectively. Increase in towing revenues is the result of an increase in rate charged per vehicle and the increase in number of vehicles towed. Off-street parking has shown an increase of \$803,000 from a year ago. The increases in on-street as well as off-street parking revenues can be attributed, in part, to the Metro Transit bus strike resulting in increased use of the facilities.

Expenditures

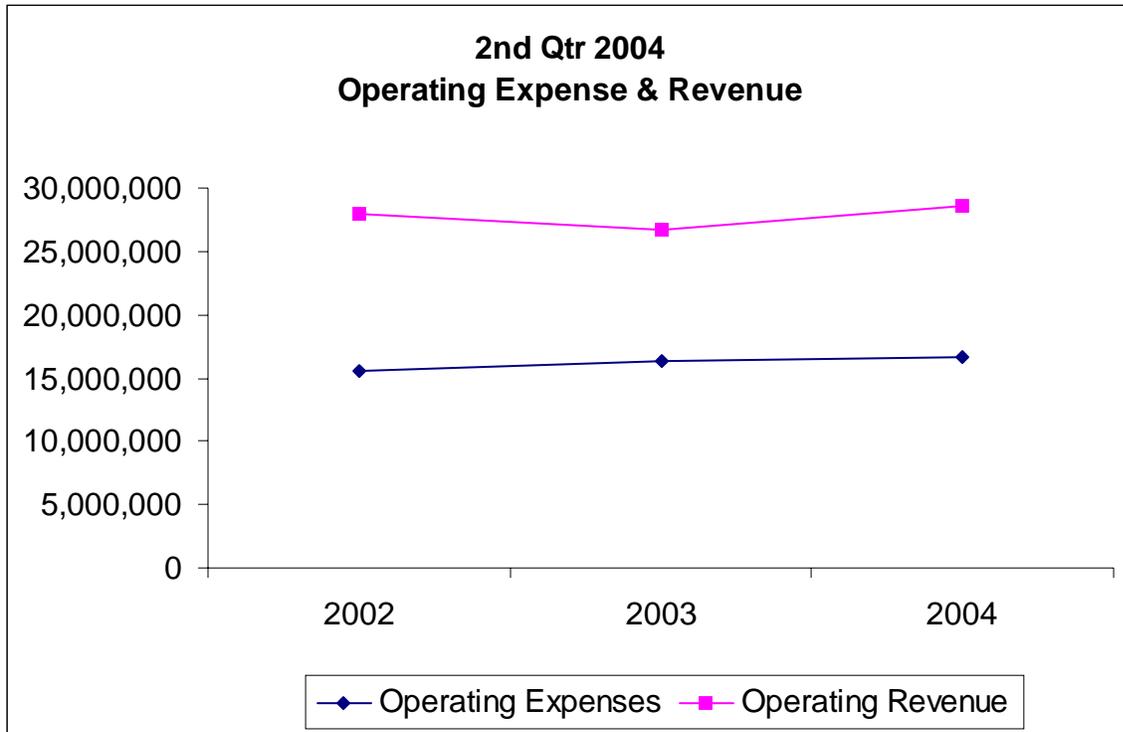
In 2003, operating expenses were budgeted at \$39.4 million and were projected to be \$36.3 million based on 2001 and 2002. Actual expenses for the year, however, were at \$44.5 million due to \$8 million payment to the State for accumulated excess revenues of TAD ramps. New contract with tow companies raised expenses for the impound lot. To meet the increase in expense, impound lot has increased its rates.

Second quarter operating expenditures for 2004 were at \$16.6 million, 39% of the budget which is listed at \$43.1 million. This is an increase of 2.4% over the 2nd quarter expense figures of 2003. New tow contracts related to impound lot and two additional ramps in the parking system, Vineland Place and 11th & Harmon, have contributed to increase in expenditures.

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 parking system is creating a positive cash flow from its operations, but with transfers out to other funds, the City-owned facilities have a negative cash flow.

The General Fund and Target Center Arena Fund are non-parking related activities financed by the parking fund. Interest payments toward the debt service along with non-parking related transfers are contributing factors to the negative cash flow. At the end of 2003, City's parking system was in a negative cash position. The cash balance of the City System is projected to decrease from negative \$8.2 million to negative \$18.4 million in 2004. This is primarily due to insufficient increase in operating revenue to cover the ongoing annual transfers to General Fund and payments towards debt services.



2005 Budget

Revenues

The revenues for 2005 in the operating budget are anticipated to decrease by 3.5% from \$57.6 million to \$55.6 million. The actual reduction in the current meter, impound lot, State- and City-owned ramps totals \$2.2 million. Revenues are projected to increase \$675,000 with the addition of Guthrie Ramp and Mill Quarter Ramp. With the inclusion of the new facilities the total net change in revenue is proposed to decrease by \$1.6 million. Parking rate projections are conservative estimates provided by Public Works that have been adjusted based on actual revenues that should reflect market demands. The change in on-street Parking is increase of \$203,000 vs. the \$1.96 million decrease in 2004.

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 the county for assessments received on payments made by business' to reimburse part of the capital expenses for the construction of the Lyn-Lake Lots that helped them meet minimum parking requirements.

Expenditures

The 2005 current service level operating expenditure budgets for Public Works Transportation, Human Resources, Finance and Licenses & Consumer Services has increased by 1.8% from \$43.1 to \$44 million. This is due to average personnel increases of around 2% and non-personnel Citywide increases of 1.47% based on an inflationary index. Interest expense is a non-operating expense that is projected to total \$13.1 million for 2005, consisting of both fixed and variable rate bond debts.

The capital budget was decreased from the Mayor's recommended budget by \$712,000 due to the project already appropriated in 2004. The City Council increased the Mayor's recommended budget by \$40,000 for a residential parking program.

Transfers

The transfer to the General Fund is proposed to decrease from \$9.8 to \$8.8 million. Transfers to the Target Center Arena Fund are proposed to increase from \$1.6 million to \$1.8 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 garages owned by the State of Minnesota have reached the breakeven point and have positive retained earnings that will be transferred to State on a monthly basis. The ongoing annual operating transfer of \$146,000 to sanitation has been established to fund the bus shelter litter containers.

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 2005 estimate of \$8.24 million. Based on various construction facility finance plans where tax increment and abatement were a revenue source it is estimated that \$5.89 million will be transferred for debt service from CPED. The following is a breakdown of the \$5.89 million in transfers by facility: \$4,704,858 for LaSalle @ 10th Ramp, \$463,626 for East LRT Ramp, \$650,000 for the Hennepin at 10th Ramp, and \$75,449 for 10th and Washington Ramp.

Debt Service

The debt service payable, including principal and interest, in 2005 is \$26 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

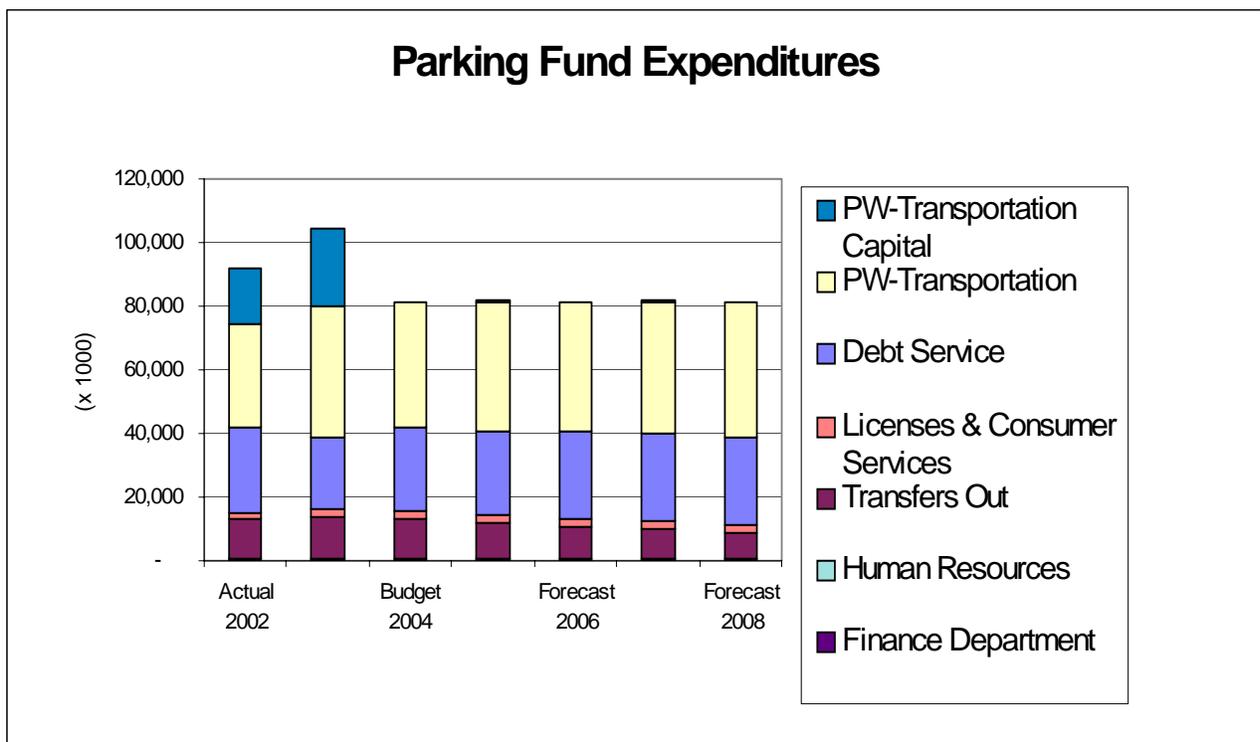
2005 includes bonds issued to cover the cost of condemnation, land and building costs that are reimbursed from tax increment revenue and sales tax proceeds for projects that had these financing sources identified in their original construction finance plans. The estimate for 2005 to be transferred in from the Convention Center Fund is \$8.24 million. The estimated transfer in from tax increment and abatement revenue is \$6.9 million.

Workout Plan Strategy

The Parking Fund’s financial condition, if not addressed, was expected to decline to a cash deficit of \$69.2 million by 2010. In response to this projection, the City adopted a financial and operational workout plan containing the following strategies:

1. Operational strategies designed to cut operating expenses, improve the marketability of the ramps and increase operating revenues;
2. Increasing the amount of variable rate debt within the fund to take advantage of extremely low interest rates;
3. Reduction of the current and future transfers to the General Fund;
4. Transfer excess General Fund reserve to the Parking Fund, when available; and
5. Evaluate the possibility of certain off-street parking ramps; if doing so would improve the financial condition of the fund.

Increase transfers from the Convention Center to the Parking Fund; subject to the financial condition of the Convention Center. The transfers would be used to defray debt service, operating and maintenance costs for Convention Center related parking facilities.



**City of Minneapolis
FY 2005 Budget
Financial Plan (in thousands of dollars)**

Municipal Parking Fund 7500

	2002 Actual	2003 Actual	2004 Budget	2004 Projected	2005 Budget	% Chg from 2004	2006 Forecast	2007 Forecast	2008 Forecast
Source of Funds:									
Licenses and Permits	193	192	155	155	193	24.5%	196	199	202
State Government	-	296	-	-	-		-	-	-
Charges for Service, Sales & Permits (Trans	52,729	51,613	56,456	53,692	54,390	-3.7%	55,206	56,034	56,874
Charges for Sales	1,063	1,185	1,001	1,001	1,001		1,016	1,031	1,047
Special Assessments	159	156	133	133	133	0.4%	99	99	99
Interest	-	1	-	-	1		1	1	1
Gains	-	(1,035)	-	-	-		-	-	-
Rents (Transportation)	131	123	3	3	3		3	3	3
Other Misc Revenues	455	62	1	1	1		1	1	1
Tax Increment Transfers In	5,845	5,342	6,778	6,778	6,915	2.0%	8,242	8,283	7,936
Sales Tax Transfers In	8,235	9,097	8,365	8,365	8,244	-1.4%	8,391	8,594	8,932
Arbitrage Transfers In									
<i>Total Transfers In</i>	<i>14,080</i>	<i>14,440</i>	<i>15,143</i>	<i>15,143</i>	<i>15,159</i>	<i>0.1%</i>	<i>14,383</i>	<i>16,633</i>	<i>16,877</i>
Proceeds of Long Term Liabilities	19,122	23,082	-	-	-		-	-	-
Total	87,932	90,115	72,891	70,128	70,881	-2.8%	73,155	74,245	75,095
Use of Funds:									
Debt Service	26,644	22,747	25,880	25,880	26,241	1.4%	27,288	27,678	27,489
General Fund Transfer Out	10,575	10,890	9,800	9,800	8,800	-10.2%	7,800	6,800	5,800
Target Arena Transfer Out	1,335	1,470	1,620	1,620	1,768	9.1%	1,921	2,079	2,241
Debt Service Transfer Out (Mann Areaways)	158	287	275	275	252	-8.2%	12		
Internal Service Funds Transfers Out	91	76	77	77					
MERF Liability Transfer Out			128	128	94	-27.2%	95	97	99
Sanitation Transfer Out	146	146	146	146	146		146	146	146
Parkboard Transfer Out	-	-	-	-	-		-	-	-
<i>Total Transfers Out</i>	<i>12,305</i>	<i>12,869</i>	<i>12,046</i>	<i>12,046</i>	<i>11,060</i>	<i>-36.5%</i>	<i>9,975</i>	<i>9,122</i>	<i>8,286</i>
PW-Transportation	32,943	41,357	39,424	36,018	40,946	3.9%	41,560	42,184	42,816
Human Resources		225	228	228			234	239	244
Finance Department	532	578	594	594			-	-	-
Licenses & Consumer Services	2,137	2,395	2,833	2,833	2,997	5.8%	2,541	2,592	2,644
PW-Transportation Capital	17,355	24,085	180	180	30	100%	35	40	35
Total	91,916	104,256	81,185	77,779	81,273	0.1%	81,634	81,855	81,515
Fund Margin									
TAD (State Owned) Ramps	2,985	(5,508)	845	2,526	355	-58%	316	276	234
City Ramps and Lots	(6,969)	(8,633)	(9,139)	(10,177)	(10,747)	17.6%	(8,795)	(7,885)	(6,654)
(1) Total	(3,984)	(14,141)	(8,294)	(7,652)	(10,392)	25.3%	(8,478)	(7,609)	(6,420)
Retained Earnings									
TAD (State Owned) Ramps	12,019	6,511	7,356	9,037	9,392	27.7%	9,708	9,984	10,219
City Parking System	16,542	1,591	(2,582)	(3,620)	(8,447)	227.1%	(8,921)	(7,395)	(4,123)
Total	28,561	8,102	4,774	5,416	945	-80.2%	788	2,589	6,096
Cash Balances									
TAD (State Owned) Ramps	12,523	7,015	7,860	9,541	9,896	25.9%	10,212	10,488	10,723
City System Construction Cash (2)	22,799	16,787	-	-	-		-	-	-
City System Op Cash	1,375	(8,233)	(17,372)	(18,411)	(29,158)	67.8%	(37,953)	(45,838)	(52,492)
Total	36,697	15,569	(9,512)	(8,870)	(19,262)	102.5%	(27,740)	(35,350)	(41,769)