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

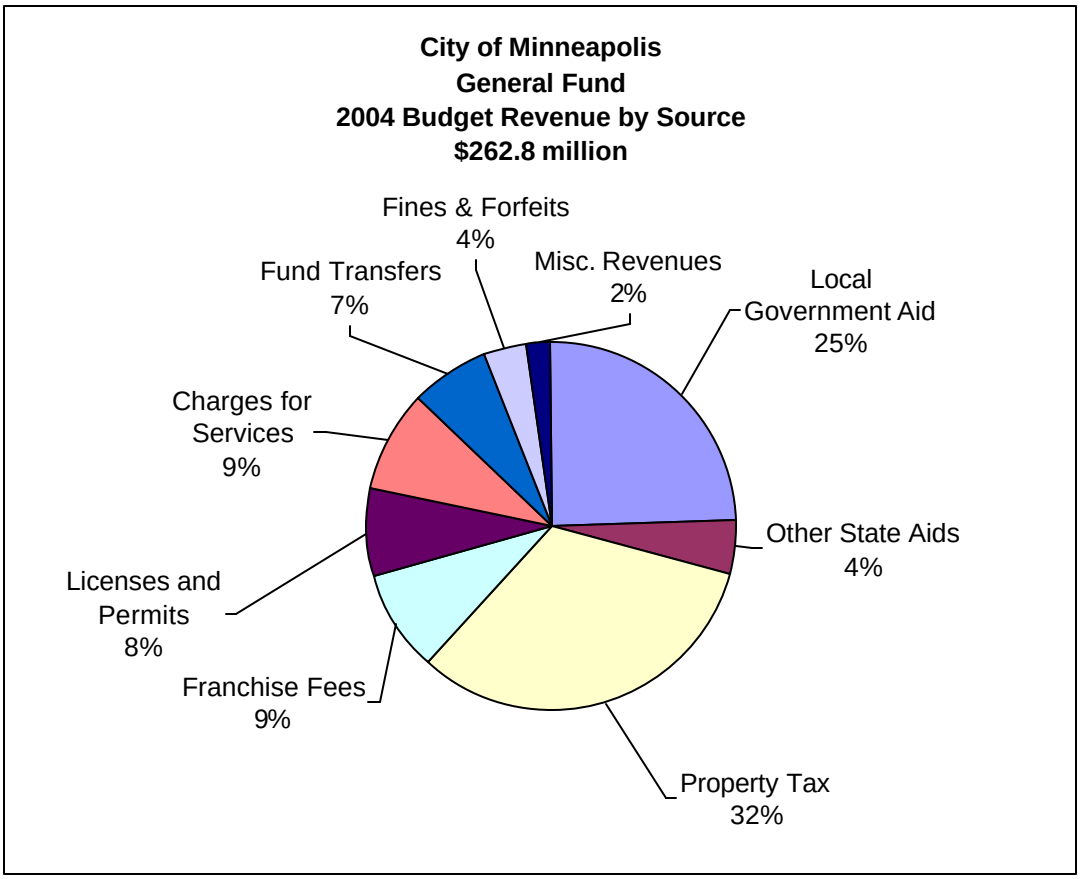
- **Internal Service Funds**
  - Central Stores Fund
  - Intergovernmental Services Fund
  - Permanent Improvement Equipment Fund
  - Property Services Fund
  - Self-Insurance Fund

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.

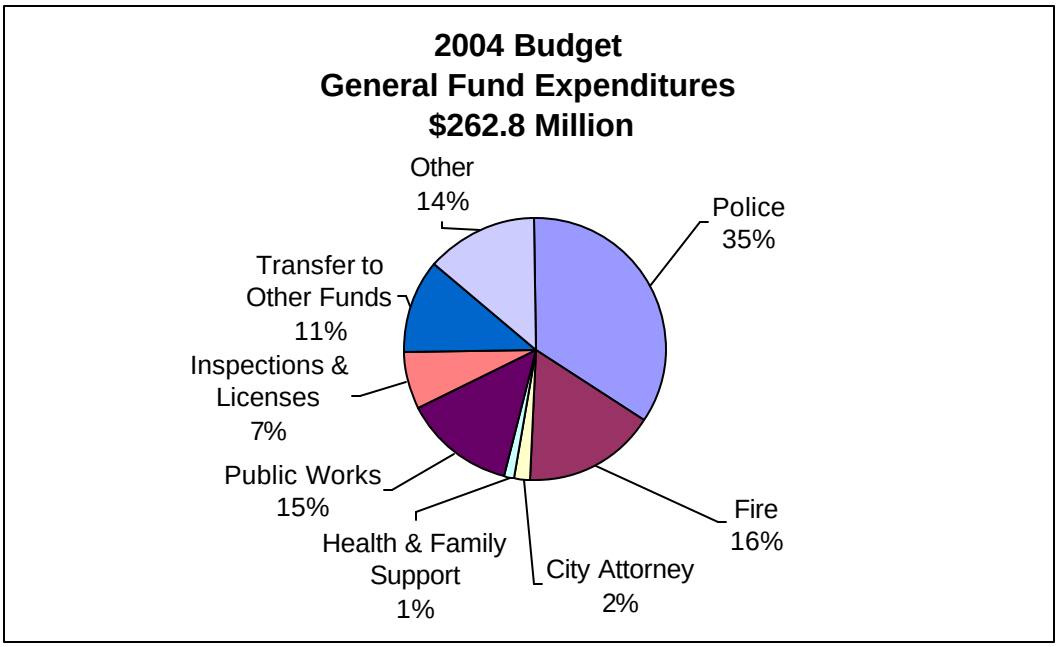
Franchise fees are a paid by various utility companies for their use of City rights of way. Franchise fees are a percentage of total utility revenues. Therefore, the City's collections vary directly with the paying utility's gross revenues. The 2004 budget includes a $3.1 million increase to Franchise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