CITY OF MINNEAPOLIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION

This section of the City of Minneapolis' comprehensive annual financial report presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2005. Please read it in conjunction with the transmittal letter at the front of this report and the City's basic financial statements following this section. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- Assets of the City of Minneapolis exceeded liabilities at the close of the 2005 fiscal year by $815,159 (net assets). Of this amount, a shortage of $107,565 (unrestricted net assets) resulted primarily from prior period losses in the internal service funds, debt related to unfunded pension liabilities, and other debt issued by the City to finance assets owned by the City's component units. Additionally, $79,697 is restricted for specific purposes (restricted net assets) and $843,027 is invested in capital assets net of related debt.

- The City's total net assets increased by $44,412. Governmental activities increased the City's net assets by $43,247 and the business type activities by $965.

- As of December 31, 2005, unreserved fund balance for the general fund was $50,838, or about 19% of total general fund expenditures.

- The City's total long-term bond and note liability decreased by $41,886 from the prior year. Total bonds and notes issued in 2005 was $248,336 including $138,485 of refunding transactions and total debt retirement was $290,223, including refunding transactions. Major new debt issuances included $16,400 for the new Guthrie Theater Parking Ramp, $37,240 for various infrastructure improvements in the five year capital plan and $29,915 for library improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include 3 components; 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements—Government-wide financial statements are designed to provide readers with a broad overview of City finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all City assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this

statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or in part a portion of these costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, health and welfare, and community development. The business-type activities of the City include sanitary sewer, Stormwater, solid waste and recycling, water works, economic development, and parking.

The government-wide financial statements include not only the City of Minneapolis (known as primary government), but also legally separate entities for which the City is accountable. For the City of Minneapolis, component units are included in the basic financial statements of the City, and consist of legally separate entities for which the City is financially accountable (discretely presented component units) and have substantially the same board as the City or provide services almost entirely to the primary government (blended component units). An example of blended funds is the Board of Estimate and Taxation (BET). Examples of discretely presented component units include the Minneapolis Library Board (Library Board), Minneapolis Park and Recreation Board (Park Board), and the Municipal Building Commission (MBC).

The government-wide financial statements can be found on pages 28-29 of this report.

Fund Financial Statements—A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds in the City can be divided into three categories - governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Minneapolis maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, the Community Planning and Economic Development Special Revenue Fund, the Convention Center Special Revenue Fund, and the Permanent Improvement Capital Projects Fund, all of which are considered to be major funds. Data from the other 12 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds' financial statements can be found on pages 30-33 of this report.

***Proprietary Funds*—**The City of Minneapolis maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Minneapolis uses the enterprise funds to account for its Sanitary Sewer, Stormwater, Solid Waste and Recycling, Water Works, Community Planning and Economic Development (CPED), and Parking activities. The City uses internal service funds to account for its property management services, equipment services, business information systems, central stores, engineering lab, outside purchase of asphalt and cement services, city attorney, workers' compensation, unemployment benefits and other payroll related services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The proprietary funds' financial statements can be found on pages 34-37 of this report.

***Fiduciary Funds*—**Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the City.

The fiduciary fund financial statements can be found on page 38 of this report.

***Notes to the Financial Statements*—**The notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the government-wide financial statements.

The notes to the financial statements can be found on pages 41-77

***Required Supplementary Information*—**In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

The required supplementary information can be found on pages 79-82 of this report.

The combining statements referred to earlier, in connection with non-major governmental funds and internal service funds, are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets:

The City's assets exceeded liabilities by $815,159 at the close of the fiscal year ending December 31, 2005, compared to $770,947 at the end of the previous year.

Statement of Net Assets

December 31, 2005

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	$ 526,408	$ 575,575	$ 131,281	$ 153,285	$ 657,689	$ 728,860
Capital assets	923,175	883,151	936,592	935,776	$ 1,859,767	1,818,927
Total assets	1,449,583	1,458,726	1,067,873	1,089,061	2,517,456	2,547,787
Current and other liabilities	267,369	291,429	58,811	83,679	326,180	375,108
Long-term liabilities	927,478	955,808	448,639	445,924	1,376,117	1,401,732
Total liabilities	1,194,847	1,247,237	507,450	529,603	1,702,297	1,776,840
Net assets:						
Invested in capital, net of related debt	319,954	353,750	523,073	504,453	843,027	858,203
Restricted net assets	42,667	49,028	37,030	40,140	79,697	89,168
Unrestricted net assets	(107,885)	(191,289)	320	14,865	(107,565)	(176,424)
Total net assets	254,736	211,489	560,423	559,458	815,159	770,947
Total liabilities and net assets	$ 1,449,583	$ 1,458,726	$ 1,067,873	$ 1,089,061	$ 2,517,456	$ 2,547,787

The largest portion of the City's net assets, $843,027, reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The net investment in capital assets has slightly decreased by $15,176 from $858,203 at the end of 2004. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net assets represents a deficit in unrestricted net assets of ($107,565), which, if positive, would be used for meeting the City's short and long-term obligations**.** The negative unrestricted net assets balance is a result of prior period losses within the internal service funds and debt obligations that are not offset with capital assets. The nature of the debt obligations include pension contributions, tax increment issued for the Community Planning and Economic Development Fund ("CPED"), and debt issued on behalf of the City's discrete component units. The City reports the debt, but not the assets related to city's discrete component units.

The remaining balance of the City's net assets, $79,697 represents resources that are subject to external restrictions on how they may be used.

The following table presents the net assets of the Primary government, (the City) and its discrete component units (Park Board, Library Board, and the Municipal Building Commission):

(All dollar amounts are expressed in thousands unless otherwise indicated.)

City and Discrete Component Units

Statement of Net Assets

December 31, 2005

	Primary Government		Discrete Component Units		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	$ 657,689	$ 728,860	$ 49,144	$ 51,428	$ 706,833	$ 780,288
Capital assets	1,859,767	1,818,927	461,349	411,221	2,321,116	2,230,148
Total assets	2,517,456	2,547,787	510,493	462,649	3,027,949	3,010,436
Current and other liabilities	326,180	375,108	33,131	32,017	359,311	407,125
Long-term liabilities	1,376,117	1,401,732	2,019	2,857	1,378,136	1,404,589
Total liabilities	1,702,297	1,776,840	35,150	34,874	1,737,447	1,811,714
Net assets:						
Invested in capital, net of related debt	843,027	858,203	461,343	408,255	1,304,370	1,266,458
Restricted net assets	79,697	89,168	1,354	416	81,051	89,584
Unrestricted net assets	(107,565)	(176,424)	12,646	19,104	(94,919)	(157,320)
Total net assets	815,159	770,947	475,343	427,775	1,290,502	1,198,722
Total liabilities and net assets	$ 2,517,456	$ 2,547,787	$ 510,493	$ 462,649	$ 3,027,949	$ 3,010,436

As the above table shows, the debts issued by the City for capital assets acquired by the discrete component units are reported in city's column and the related capital assets under the component unit's column.

Statement of Activities

The following table presents the changes in net assets for governmental and business-type activities:

Statement of Activities

For the Year Ended December 31, 2005

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for services	$ 107,959	$ 91,860	$ 222,078	$ 220,309	$ 330,037	$ 312,169
Operating grants and contributions	85,301	52,288	-	-	85,301	52,288
Capital grants and contributions	13,858	35,637	-	-	13,858	35,637
General revenues:						
Property taxes	131,261	124,485	-	-	131,261	124,485
Property tax increment	64,044	64,118	-	-	64,044	64,118
Franchise fees	27,702	25,112	-	-	27,702	25,112
Convention center taxes	55,064	52,169	-	-	55,064	52,169
Other taxes	228	273	-	-	228	273
Local government aid	65,921	81,722	-	-	65,921	81,722
Interest and investment earnings	13,510	6,152	1,359	1,236	14,869	7,388
Miscellaneous	1,144	1,031	1,582	2,270	2,726	3,301
Total revenues	**565,992**	**534,847**	**225,019**	**223,815**	**791,011**	**758,662**

(All dollar amounts are expressed in thousands unless otherwise indicated.)

Statement of Activities

For the Year Ended December 31, 2005

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Expenses						
General government	68,095	75,530	-	-	68,095	75,530
Public safety	215,366	202,334	-	-	215,366	202,334
Public works	28,909	20,691	-	-	28,909	20,691
Culture and recreation	48,744	49,968	-	-	48,744	49,968
Health and welfare	13,502	9,905	-	-	13,502	9,905
Community & economic development	133,037	105,676	24,517	18,551	157,554	124,227
Interest on long-term debt	34,383	56,283			34,383	56,283
Sanitary Sewer	-	-	26,880	53,690	26,880	53,690
Storm Water	-	-	25,898		25,898	-
Solid waste and recycling	-	-	24,500	26,007	24,500	26,007
Water works	-	-	46,292	50,683	46,292	50,683
Municipal parking	-	-	56,676	67,195	56,676	67,195
Total expenses	**542,036**	**520,387**	**204,763**	**216,126**	**746,799**	**736,513**
Excess (deficiency) before transfers	23,956	14,460	20,256	7,689	44,212	22,149
Transfers	19,291	8,544	(19,291)	(8,544)	-	-
Change in net assets	43,247	23,004	965	(855)	44,212	22,149
Net assets - January 1,	211,489	188,485	559,458	560,313	770,947	748,798
Net assets - December 31, 2005	**$ 254,736**	**$ 211,489**	**$ 560,423**	**$ 559,458**	**$ 815,159**	**$ 770,947**

Governmental Activities—Governmental activities increased the City's net assets by $43,247, compared to an increase of $23,004 in 2004. Governmental activities are supported by charges for services, grants, and contributions. Additionally, general revenues cover any net expense after program specific revenues are applied. In 2005, the City relied primarily on taxes and local government aid for funding governmental activities. Specifically, property tax increment revenues supported economic development activities.

A significant expense in the statement of activities, compared to fund statements, is depreciation. Current year depreciation for governmental activities was $34,551

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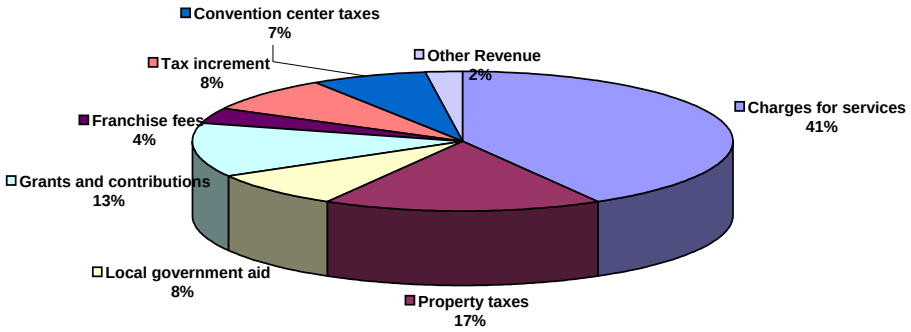
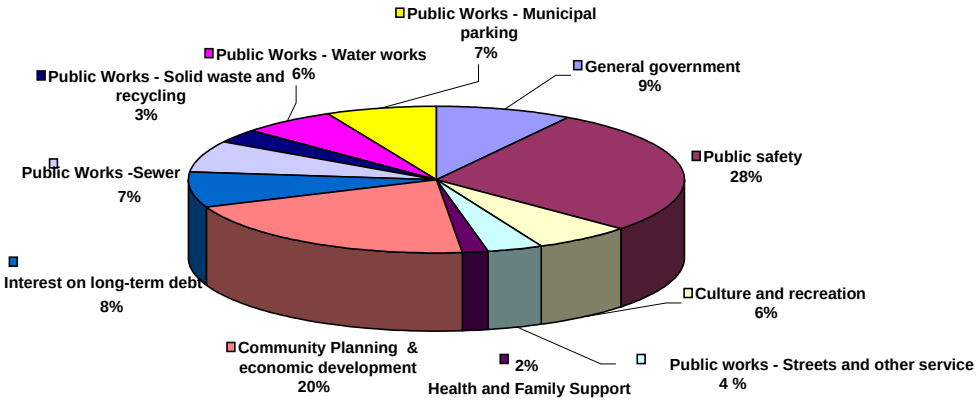
Government-wide Revenues



(All dollar amounts are expressed in thousands unless otherwise indicated.)

Government-wide Expenses



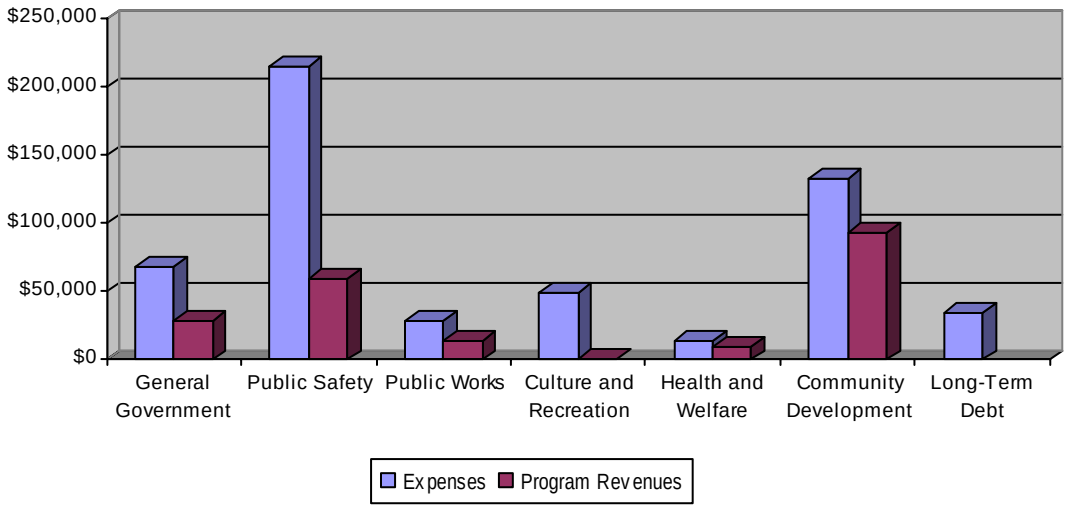
Summary of expenses and program revenues - Governmental Activities

For the Year ended December 31, 2005

Functions/Programs	Expenses	Program revenues	Net (Expense) Revenue by Program
General government	$ 68,095	$ 28,863	$ (39,232)
Public safety	215,366	60,097	(155,269)
Public works	28,909	14,520	(14,389)
Culture and recreation	48,744	43	(48,701)
Health and welfare	13,502	10,190	(3,312)
Community & economic development	133,037	93,405	(39,632)
Interest on long term debt	34,383		(34,383)
	$ 542,036	$ 207,118	$ (334,918)

General revenues and transfers supporting governmental activities	378,165
Change in net assets	43,247
Net assets - January 1, 2005	211,489
Net assets - December 31, 2005	$ 254,736

(All dollar amounts are expressed in thousands unless otherwise indicated.)



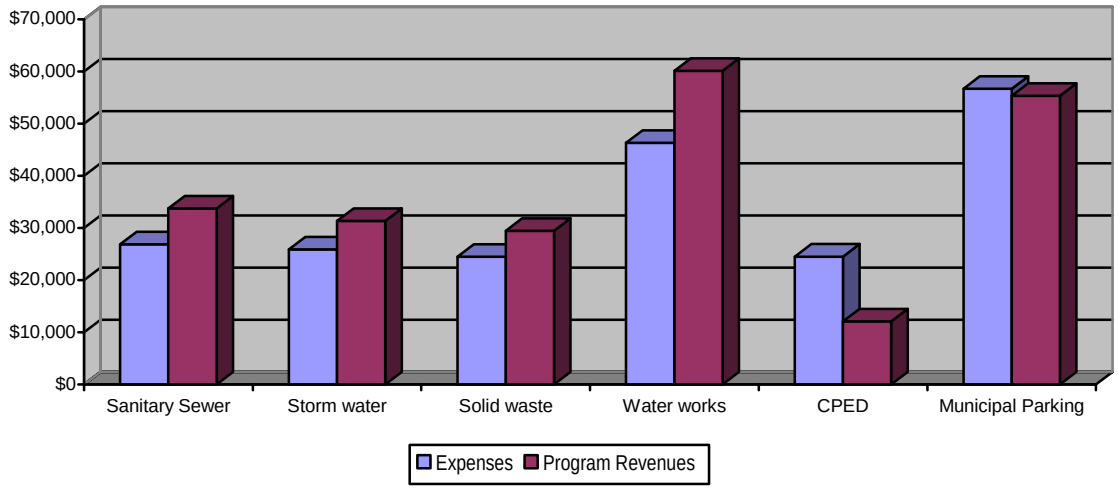
Business-Type Activities—Business-type activities increased the City's net assets by $965, compared with a decrease of $855 in 2004. The Stormwater, Municipal Parking, Solid Waste and Recycling, and Water Works funds experienced positive increases to net assets. However, the Sanitary Sewer and Community Planning and Economic Development (CPED) funds ended the year with a decrease in net assets. The Sewer Rental fund was split into the Sanitary Sewer and Stormwater funds in 2005. The Sanitary Sewer fund's loss was related to this change. The CPED fund's net asset decrease was primarily due to the loss on the disposal of capital assets.

Summary of expenses and program revenues - Business-Type Activities
For the Year ended December 31, 2005

Functions/Programs	Expenses	Program revenues	Net (Expense) Revenue by Program
Sanitary sewer	$ 26,880	$ 33,756	$ 6,876
Stormwater	25,898	31,336	5,438
Solid waste and recycling	24,500	29,443	4,943
Water works	46,292	60,118	13,826
Community & economic development	24,517	12,125	(12,392)
Municipal parking	56,676	55,300	(1,376)
	$ 204,763	$ 222,078	$ 17,315

General revenues net of transfers out supporting business-type activities	(16,350)
Change in net assets	965
Net assets - January 1, 2005	559,458
Net assets - December 31, 2005	$ 560,423

(All dollar amounts are expressed in thousands unless otherwise indicated.)



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Minneapolis uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds—The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Project Funds. The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

During 2005, four governmental funds including the General Fund are presented as major funds. These funds include two Special Revenue Funds (Community Planning and Economic Development Fund, and Convention Center Fund), and the Permanent Improvement Capital Projects Fund. At December 31, 2005, the City's governmental funds reported combined ending fund balances of $415,542 a decrease of $61,818 compared with the prior year. Approximately 51 percent of this total amount ($211,616) constitutes unreserved fund balance, which is available for spending at the City's discretion. The following presents the amounts of unreserved balances by various fund types:

Fund Type	Unreserved Balance
General fund	$ 50,838
Special revenue funds	96,828
Debt service funds	42,667
Capital projects	21,283
Total	$ 211,616

The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period ($21,684), 2) to pay for land development and specific projects ($152,154) or 3) for a variety of other restricted purposes ($30,088).

The following tables provide an overview of revenues by source and expenditures by function for all governmental funds:

(All dollar amounts are expressed in thousands unless otherwise indicated.)

Revenues by Source
Governmental Funds

Revenue by Source	FY 2005 Amount	FY 2005 Percent of Total	FY 2004 Amount	FY 2004 Percent of Total	Increase/ (Decrease) Amount
Taxes	$ 277,411	46.58	$ 265,672	47.86	$ 11,739
Licenses and permits	25,835	4.34	24,780	4.46	1,055
Intergovernmental revenues	169,558	28.47	161,820	29.16	7,738
Charges for services and sales	52,590	8.83	43,798	7.89	8,792
Fines and forfeits	10,680	1.79	9,641	1.73	1,039
Special assessments	11,503	1.93	11,091	2.00	412
Interest	13,292	2.23	6,141	1.11	7,151
Miscellaneous revenue	34,696	5.83	32,042	5.77	2,654
Total	$ 595,565	100.00	$ 554,985	100.00	$ 40,580

Expenditures by Function
Governmental Funds

Expendiutres by Function	FY 2005 Amount	FY 2005 Percent of Total	FY 2004 Amount	FY 2004 Percent of Total	Increase/ (Decrease) Amount
General government	$ 58,880	8.44%	$ 57,557	8.84%	$ 1,323
Public safety	209,453	30.03%	190,638	29.29%	18,815
Highways and streets	39,204	5.62%	40,049	6.15%	(845)
Culture and recreation	48,744	6.99%	49,968	7.68%	(1,224)
Health and Welfare	13,258	1.90%	9,403	1.44%	3,855
Community & economic development	128,464	18.42%	106,348	16.34%	22,116
Capital Outlay	46,141	6.62%	63,365	9.73%	(17,224)
Debt service - principal retirement	90,825	13.02%	76,175	11.70%	14,650
Debt service - interest payment	62,456	8.96%	57,462	8.83%	4,994
Total	$ 697,425	100%	$ 650,965	100%	$ 46,460

General Fund

The General Fund is the general operating fund of the City. As of December 31, 2005, unreserved fund balance in the General Fund was $50,838, while total fund balance reached $53,562. The fund balance of the City's General Fund decreased by $7,790 during the current fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 19.5% of total fund expenditures, while total fund balance represents 20.5% of total expenditures. The year-end fund balance is in compliance with the City's policy of maintaining a minimum fund balance of 15% of the following year's revenue budget for the General Fund.

The following table provides the changes in revenues by source from 2004 to 2005.

General Fund
Revenues by Source

Revenues by Source	2005 Amount	2005 Percent of Total	2004 Amount	2004 Percent of Total	Increase (Decrease)
Taxes	$ 125,203	42.02	$ 111,126	41.66	$ 14,077
Licenses and permits	25,044	8.40	24,148	9.05	896
Intergovernmental revenues	80,290	26.94	77,469	29.04	2,821
Charges for services and sales	33,976	11.40	28,182	10.57	5,794
Fines and forfeits	10,016	3.36	8,910	3.34	1,106
Special assessments	2,839	0.95	2,628	0.99	211
Interest	1,952	0.66	541	0.20	1,411
Miscellaneous revenues	693	0.23	1,030	0.39	(337)
Total revenues	280,013	93.97	254,034	95.24	25,979
Transfers in	17,981	6.03	12,698	4.76	5,283
Total revenues and other financing sources	$ 297,994	100.00	$ 266,732	100.00	$ 31,262

In 2005, General Fund revenues and transfers increased by about 12% from the previous year. Some highlights included:

- Tax revenues increased by $14,077 or 12.7%. This increase was primarily due to an increase in general property tax revenue of $9,987; total assessed market value increased 10.6%. Also, franchise fee revenue received by the City increased by $2,590, or 10.3% in 2005 due to an increase in natural gas prices.

- Charges for services and sales increased by $5,794 or 20.6%, primarily due to an increase in overhead charged to other funds and agencies.

The following table provides the changes in expenditures by function from 2004 to 2005.

General Fund
Expenditures by Function

Expenditures by Function	2005 Amount	2005 Percent of Total	2004 Amount	2004 Percent of Total	Increase/ (Decrease) Amount
General government	$ 44,236	14.47	$ 32,123	12.41	$ 12,113
Public safety	171,002	55.92	152,803	59.01	18,199
Public works	38,754	12.67	35,686	13.78	3,068
Culture and recreation	-	0.00	900	0.35	(900)
Health and family support	3,649	1.19	3,446	1.33	203
Community & economic devleopment	3,366	1.10	2,179	0.84	1,187
Total expenditures	261,007	85.36	227,137	87.72	33,870
Transfers out	44,777	14.64	31,790	12.28	12,987
Total expenditures and other financing uses	$ 305,784	100.00	$ 258,927	100.00	$ 46,857

(All dollar amounts are expressed in thousands unless otherwise indicated.)

Overall, general fund expenditures increased by $46,857 or 18.1 % from the previous year.

Despite the overall increase, expenditures for the General Fund are less than inflationary measures. This result was primarily due to the various cost reduction actions adopted by the Mayor and City Council.

In 2005, transfers-out increased $12,987 from the previous year. Of this amount, $12,000 was due to an increase in transfers to the Minneapolis Employee Retirement fund to retire pension related debt.

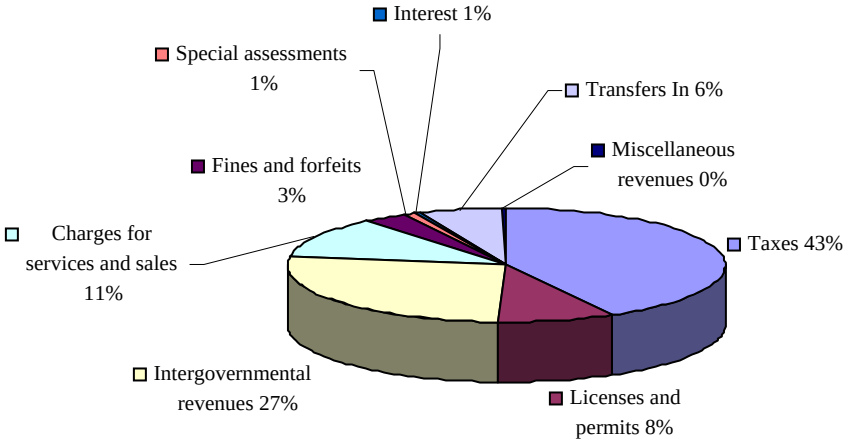
General Fund Budgetary Highlights: The final budget for the City's General Fund represents the original budget, any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments), and any additional supplemental appropriations that may occur during the fiscal year. In 2005, the following were significant budget actions:

- $14,500 of 2004 unspent appropriation was carried forward into 2005. This included $12,000 transferred to Employee Retirement fund to retire pension related debt.
- $500 planned increase in appropriation for Police.
- $ 5,000 early retirement of pension debt.

The original General Fund appropriation for fiscal year 2005 was $291,860, which included projected transfers out of $32,792. The final appropriation was $308,960, including transfers out of $44,792. General revenues and other resources were originally estimated at $285,793, which included projected transfers in of $17,032. The final revenue estimate was $287,535 including transfers in of $17,032.

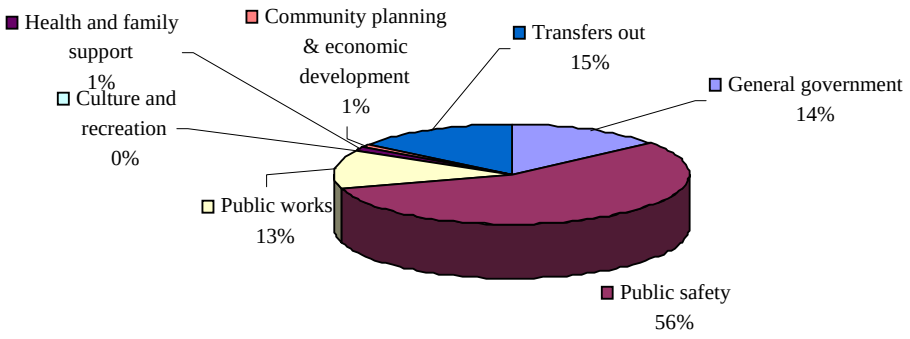
Current fiscal year revenue and expenditure budgets for the General Fund by major category or function are as follows:

General Fund Revenue Budget by Major Category



(All dollar amounts are expressed in thousands unless otherwise indicated.)

General Fund Expenditure Budget by Function



Community Planning and Economic Development (CPED) Special Revenue Fund

The Community Planning & Economic Development (CPED) Special Revenue Fund accounts for governmental fund proceeds that are legally restricted to expenditures for specific purposes in a series of housing and economic development programs. The range of programs operated within this fund are created to increase the City's economic competitiveness, to ensure an array of attractive housing choices, to support strong and diverse neighborhoods, and to preserve the City's historic structures. These programs are financed primarily through federal, state, and local grants, tax increment financing, and administrative fees collected for the issuance of housing and economic revenue bonds. A development account program provides loans and grants to outside organizations within the City to assist commercial and housing development. The program is capitalized with residual equities from development projects and UDAG repayments.

The total revenues of the CPED Special Revenue fund in 2005 were $114,383. 56% of the fund's revenue was derived from property tax increment. An additional 18% of the revenue was from intergovernmental grants. The remaining revenue was derived from a variety of miscellaneous sources. The fund's revenue increased 11.7% in 2005. There was a corresponding increase in fund expenditures. The expenditures for the fund in 2005 were $74,504. The fund's expenditures are primarily for contractual services for the housing and economic programs operated within the fund and for the staff costs to monitor and deliver these programs. The increase in fund revenues and expenditures was primarily due to increased activity in programs funded by intergovernmental grants.

In 2005 bonds in the amount of $4,935 were issued to support the tax increment financing activities of the fund. There was $14,502 of transfers into the fund recorded during the year. Nearly all the transfers were pass-through grant proceeds from other City funds. The fund's transfers out of $71,232 were to provide resources for the debt service of obligations issued by the City for community development programs, and to transfer funds to pay for neighborhood revitalization projects.

At year-end, the fund balance was $236,593; a decline of 4.8% from the prior year. This decrease was primarily due to the use of fund resources to meet debt service requirements, and the disposition of land held for development. The unreserved portion of the fund balance at December 31, 2005 was $63,425. The remaining fund balance was reserved primarily for property held for development, encumbrances, or for specific development projects.

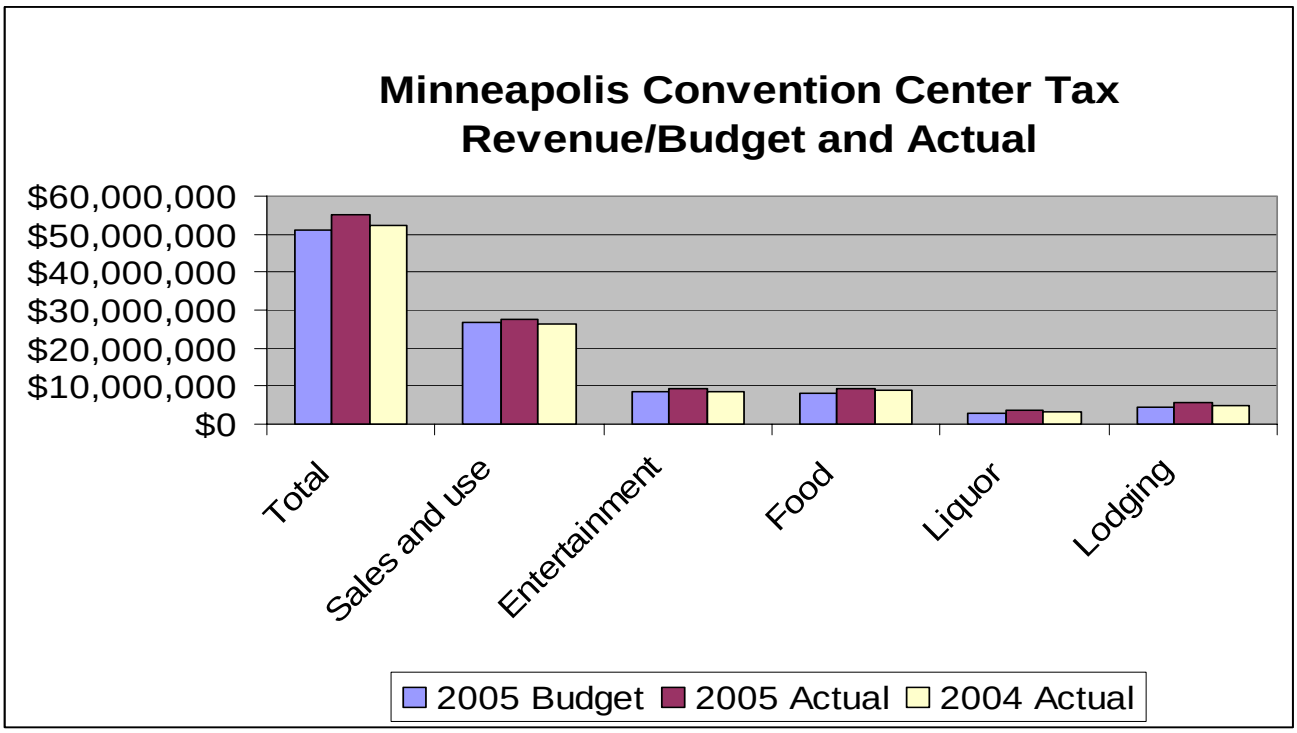
Minneapolis Convention Center Special Revenue Fund

Operations of the Minneapolis Convention Center are reported as a Special Revenue Fund in the fund statements. The Convention Center activity is funded from local taxes and Convention Center operating revenue. Local taxes for convention center activities include:

- 0.5 % citywide sales tax;
- 3 % food and liquor tax applied to core downtown establishments;
- 3 % citywide entertainment tax;
- 3 % citywide lodging tax for motels and hotels with 50 units or more.
- Overall tax proceeds for 2005 exceeded 2004 levels by 5% with sales taxes exceeding 2004 levels by 4%.

Minneapolis Convention Center Tax Revenues

	2005		2004
Taxes	**Budget**	**Actual**	**Actual**
Sales and use	$ 26,698	$ 27,404	$ 26,366
Entertainment	8,682	9,193	8,670
Food	7,948	9,474	8,802
Liquor	2,914	3,487	3,432
Lodging	4,659	5,506	4,899
Total	**$ 50,901**	**$ 55,064**	**$ 52,169**



(All dollar amounts are expressed in thousands unless otherwise indicated.)

The total revenues of the Convention center fund in 2005 were $71,888 and the 2005 revenues exceeded 2004 levels by about 8% and the original budget by 9%. Much of the increase can be attributed to increases in local tax collections, catering commissions, and increases in services, such as audio visual, cleanup, labor, security, and utilities. For 2005, Convention Center fund's expenditures of $32,962 came in nearly 14% above 2004 levels and nearly 3% below budget. Thus, the ending fund balance is $35,850 or $5,926 more than the 2004 level of $29,924.

There were numerous capital improvements in 2005. Among those improvements are: meeting room and sound and lighting system upgrades, office remodeling, meeting room wall fabric, floor boxes, voicemail upgrade, and an inside monitoring system.

Permanent Improvement Capital Project Fund:
The revenue for the Permanent Improvement Fund is primarily from two revenue sources: City issued bonds and aids from State of Minnesota. Bonds are sold by the City of Minneapolis for capital projects. The second source of revenue is from the State of Minnesota. State revenues are primarily used for capital assets including bridges, streets, street lighting, traffic signals and specific projects.

The Permanent Improvement Fund is used to build infrastructure for the City including bridges, sidewalks, streets, traffic signals, street lights, and fund other capital projects. During 2005, $46,141 of capital outlays occurred which was a 37% decrease from 2004. The key assets constructed with these funds included:

- Bridges - $3,650
- Sidewalks - $1,933
- Streets - $15,266
- Street lighting - $1,680
- Traffic signals - $3,107
- Bike Trails- $1,214
- Heritage Park (Near North) project - $4,582
- Property Service $2,895

The fund balance decreased from $42,496 in 2004 to $21,500 in 2005. This decrease was mainly due to the issuance of bonds in 2004 for the construction of the new library that were used during 2005. Additionally, revenues for the fund decreased from $32,927 in 2004 to $23,939 in 2005. This occurred as a result of a reduction in capital activity with a corresponding decrease in State and local funding.

Enterprise Funds

The City operates six enterprise funds: Sanitary Sewer, Stormwater, Solid Waste and Recycling, Water Works, Community Planning and Economic Development (CPED), and Municipal Parking.

Overall, the enterprise funds had a positive net asset of $577,820 at December 31, 2005. Total net assets for all enterprise funds increased by $3,128 during 2005.

The following table summarizes the total assets, total liabilities, operating income, changes in net assets, and net asset balances for each of the enterprise funds, from 2004 to 2005:

Enterprise Funds
Key Balance Sheet Account Balances and Revenue and Expense Activities
December 31, 2005

	Sanitary Sewer	Storm water	Solid Waste & Recycling	Water Works	CPED	Municipal Parking	Total 2005	Total 2004
Assets	86,888	258,375	22,098	242,378	113,024	376,117	1,098,880	1,113,505
Liabilities	581	41,971	1,850	104,816	67,607	304,235	521,060	538,813
Operating Income(loss)	(652)	7,329	2,890	8,978	202	9,149	27,896	17,851
Changes in net assets	(855)	5,508	2,407	7,409	(13,539)	2,198	3,128	3,730
Net Assets	$86,307	$216,404	$20,248	$137,562	$45,417	$71,882	$577,820	$574,692

Sanitary Sewer Fund
The Sewer Rental fund was split in 2005 into two funds, Stormwater and Sanitary Sewer. The Sanitary Sewer fund accounts for the majority of the payments to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. It also accounts for the sanitary sewer maintenance and design. Overall, the net asset balance as of December 31, 2005 was $86,307.

Stormwater Fund
The Stormwater fund accounts for Stormwater activities including the Combined Sewer Overflow (CSO) program. Overall, the net asset balance as of December 31, 2005 was $216,404.

Solid Waste and Recycling Fund
The Solid Waste and Recycling Fund accounts for solid waste collection, disposal and recycling operations. The fund also includes "clean city" activities such as neighborhood clean sweeps, litter and graffiti removal, and litter control in the business districts. City crews provide approximately one-half of the solid waste collection services, while the remaining services are provided through contracts with private operators. The decrease in cash is partially due to a temporary year-end loan of $13,600 to fund the cash deficit in the Municipal Parking Fund. The fund reported an increase in net assets of $2,407 for 2005. The fund's net asset balance at December 31, 2005 was $20,248.

Water Works Fund
The Water Works Fund accounts for the operation and maintenance of a water delivery system for the City and several suburban city customers. The City sells water directly to the cities of Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, and Edina. Net assets increased $7,409 for the year, resulting in a net asset balance at December 31, 2005 of $137,562.

Community Planning and Economic Development Enterprise Fund (CPED)
The CPED Enterprise Fund operates business-type activities designed to enhance housing options and economic development within the City. Within this fund there are programs that provide low interest home mortgages financed through the sale of bonds. There is also a program in which revenue bonds are issued to finance economic development. The program obtains lease or loan agreements from developers to meet the debt service requirements of the financing. This fund also operates a river terminal facility. Substantially all operating revenues are derived from fees charged to the users of the services provided. The river terminal accounts for the investment in capital assets of the fund.

During 2005, the City sold its theatre operations under a capital financing lease. As a result of this sale the capital assets of the CPED Enterprise Fund declined by $29,098 and the net assets declined by $13,539. The total assets of the fund decreased by $36,130, and total fund liabilities decreased by $22,590. The decreases were largely the result of the sale of three theatres operated by the fund and by the early retirement of debt in the housing mortgage program and the common bond fund.

Net assets decreased by $13,539 during the year. The decrease is due to the loss on the disposal of capital assets from the sale of theatres, and an operating transfer from resources generated by an economic development program of the CPED Enterprise Fund for the benefit of other development activities of the City. The fund's net asset balance at December 31, 2005 was $45,417.

Municipal Parking Fund
The Municipal Parking Fund accounts for the operation and maintenance of parking ramps, lots, on-street parking meters, municipal impound lot, and traffic/parking control system. Operating revenues decreased $2 from 2004, but an $8,072 decrease in operating expenses for the same period resulted in an increase of $8,070 in operating income from the previous year. This was due to a reimbursement of $8,500 in accumulated earnings to the State of Minnesota for ramps they own. Transfers from the Parking Fund to other funds increased by $5,464. This was due to a one time reduction in the general fund transfer in 2004 of $6,400 that was approved in the workout plan. The year-end operating cash deficit was funded by a $13,600 loan from the Solid Waste and Recycling Fund. The net asset balance for December 31, 2005 was $71,882, which is an increase of $2,198 from 2004 balance of $69,684.

A parking fund financial plan was developed to address declining results of operations and cash deficits within the fund. The plan includes a business strategy to address the diminishing use of City parking facilities; updates to aging revenue control equipment; management practices; maintenance to prevent future capital expense; and a strategy to maximize revenue on the existing programs. During 2005, as part of a workout plan, initiatives such as automation and centralization of operations and security systems have been implemented. Regarding on-street parking, management has addressed issues such as new meter rates and enforcement times.

Internal Service Funds

The City operates six internal service funds: Engineering Materials and Testing; Business Information Services; Property Services; Permanent Improvement Equipment; Public Works Stores; and the Self Insurance fund. Internal service funds charge user fees to recover the cost of operations and accumulate equity for purposes of maintaining the on-going operations provided to the government.

While the financial condition of the internal service funds continue to represent a major financial challenge for the City, key financial management measures taken in 2001 appear to have marked a turning point for these funds. The previous eight years, the financial condition of these funds had deteriorated, reaching a low point at year-end 2000 when the combined net asset deficit had declined to ($54,407). Now at the end of 2005, the combined net asset deficit in the internal service funds has

improved to ($21,873). This improvement resulted largely from a change in accounting principle and prior period adjustments of $17,555 from 2001, resulting from the implementation of GASB Statement No. 34. The restatement resulted in recognizing assets previously unrecorded within the internal service funds. The remaining improvement of $14,963 can be credited to the deficit reduction plans that the Managers of their respective funds implemented. Another milestone reached is that all six Internal Service Funds had a positive cash balance at the end of 2005. If the Internal Service Funds continue on this pace of financial recovery, positive Net Assets will be achieved by the end of the year 2010.

The following table provides a summary of cash balances, total assets, total liabilities, operating income, changes in net asset and net asset balances for each of the internal service funds:

Internal Service Funds

Key Balance Sheet Account Balances and Revenue and Expense Activities

December 31, 2005

							Total	
	Eng. Materials& Testing	**Intergovernmental Services**	**Property Services**	**Equipment Services**	**Public Works Stores**	**Self Insurance**	**2005**	**2004**
Cash	$652	$339	$1,689	$1,251	$92	$1,797	$5,820	$3,025
Assets	771	32,210	41,969	63,604	3,221	2,715	144,490	134,982
Liabilities	400	66,466	12,364	48,201	177	38,755	166,363	163,892
Operating Income(loss)	(167)	(5,477)	(1,164)	(111)	429	(6,806)	(13,296)	(25,513)
Changes in net assets	(229)	3,231	(471)	2,137	429	1,940	7,037	5,053
Net Assets	$371	($34,256)	$29,605	$15,403	$3,044	($36,040)	($21,873)	($28,910)

Engineering Materials and Testing Fund

This fund is used to account for operations of the City's Engineering Laboratory testing and inspection services along with the purchases of asphalt and ready-mix concrete. In 2003, the City Council took action to indefinitely discontinue operations of the asphalt plant. As a result, the Fund continues to account for the outside purchases of asphalt and ready-mix concrete.

The disposal of assets related to the discontinuation of operations of the asphalt plant was the major contributor to the losses of $709, $180, and $229 in 2003, 2004 and 2005 respectively. Net Assets have been reduced from $600 at the end of 2004 to $371 at the end of 2005.

Intergovernmental Services Fund

This Fund accounts for information technology services, central mailing and printing services, and telecommunication operations. In 2003, the fund's beginning net asset balance was restated by $7,866 to reflect corrections made to accurately present the fund's capital assets, accumulated depreciation, and related liability amounts. This positive adjustment reduced the beginning net asset deficit from ($40,850) to ($32,984). A loss in 2003 coupled with a net asset increase of $2,307 in 2004, and another increase of $3,230 in 2005 leaves the Fund's Net Asset deficit at ($34,256). The deficit reduction plan forecasted that the fund would lose ($1,527) at the end of 2005. This projection was updated during the fall of 2005 and indicated that fund would show a profit of $1,967, it ended up positive $3,231. This fund has tracked close to or performed better than projected the last two years.

Property Services
This fund accounts for the City's property and maintenance, including parking ramp maintenance, security, and space and asset management. During 2002, some of the City's properties were transferred to this fund from governmental funds, resulting in additional depreciation expense being incurred. Currently, the Property Services Fund does not have rental and other recovery rates sufficient to fully cover depreciation, which has resulted in a net asset decrease of $471 for 2005. The net asset balance decreased to $29,605 at the end of 2005.

Equipment Services
Equipment Services Fund is used to account for the City's fleet of vehicles and related equipment and accessories. The fund reported an increase in net assets of $2,137 in 2005, and closed the year with a net asset balance of $15,403.

There is an incentive for the customer to take care of the equipment or vehicles in the newly devised plan implemented in 2004 which charges actual expenses related to their vehicles. Procedures have been refined in 2005 in order to account for the multitude of transactions in a more efficient manner.

The updated Deficit Reduction Plan for this fund eliminates the sale of bonds to support the equipment purchases in 2006.

Public Works Stores
This fund is used to account for the centralized procurement, warehousing, and distribution of stocked inventory items, and the purchase of special goods and services. For 2005, the fund reported a net asset increase of $429 with an ending net asset balance of $3,044.

Self Insurance
This fund accounts for employee medical, dental, and life insurance benefits programs, occupational health services, severance payments, tort liability program, workers' compensation program, and the related administrative costs. Net assets increased $1,940 in 2005, which benefited the fund's net asset position by reducing the total net asset deficit balance to $(36,040) at year end. In 2006 City Council adopted the use of funds to reduce the Bond debt in the Self Insurance fund by $3,082 to $2,313.

BUDGET PROCESS

Minneapolis has faced significant pressures on its general city resources due to reductions in local government aid (LGA) from the state, for 2003 to 2005. The Mayor and City Council continue to take a long-term view of the City's financial pressures, anticipating in the City's financial planning future costs in areas such as employee compensation, debt, and pensions. Employee wages and benefits make up over 60 percent of the City's general fund expenses. Prior to 2003, City employees received pay increases that averaged greater than four percent annually. Debt pressures have increased as a result of internal service fund deficits and the timing of obligations related to a voter-approved $140,000 bond issuance to build a new Central Library and fund improvements to the community libraries.

Increased pension costs associated with City's three closed pension plans - Minneapolis Employee Retirement Fund (MERF), Minneapolis Fire Relief Association (MFRA), and Minneapolis Police Relief Association (MPRA) - continue to have a significant impact on the budget. The City's contributions to these funds have significantly increased, primarily due to increased unfunded actuarial liabilities associated with these three plans. The City issued bonds in 2002, 2003 and 2004 to help finance payments to these plans. MERF members have been retiring at a faster pace than allowed for in the

actuarial assumptions. The MPRA and MFRA's unfunded liabilities increased, primarily due to the negative performance of the stock market. Recently, the Mayor and City Council have allocated one-time revenues from positive results in the general fund to avoid having to issue additional pension debt.

A major part of the budget planning efforts concentrated on consolidating all demands on the property tax into a ten-year projection. In 2002, the City projected that in order to continue to fund all of the City's current operations and debt service obligations, it was estimated that property tax revenues collected by the City would have had to triple by 2010. (This increase did not include revenue to provide additional services - these amounts reflected commitments for current programs only.) In this context, in July 2002, the elected officials adopted a property tax policy, which limited annual increases for the City's share of property taxes to a maximum of 8%. Half of this increase was dedicated to supporting the City's debt payments for increased pension obligations, internal service fund deficits, and increased library capital projects as called for in a voter approved referendum in 2000. The other half of the increase was for the cost of providing existing services. This policy was also adopted by the City's Board of Estimate and Taxation, thus capping the annual operating increases for the Minneapolis Park and Library boards at 4%. These policies remained in place for 2006.

In January 2003, the Mayor and City Council adopted a five-year financial direction and commitment to business planning. This direction established resource constraints within which departments were to prepare business plans for providing services with reduced funding. The combination of reduced spending and limited growth in property taxes addressed the City's existing challenges. The elected officials also adopted a 2% cap on wage increases for City employees.

The 2006 budget also reflects the 8% tax policy and a five-year financial outlook. The Mayor and City Council conducted strategic planning in the spring of 2006, setting goals and expectations for departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The City's investment in capital assets for its governmental and business-type activities, as of December 31, 2005, was $1,859,767 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, roads, highways, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 2.2% (a 4.5% increase for governmental activities and a 0.02% increase for business-type activities).

The following table summarizes capital assets for governmental and business-type activities for 2005 and 2004:

Capital Assets (Net of depreciation)

	Governmental		Business-Type		Total	
	2005	2004	2005	2004	2005	2004
Land and easements	$ 111,632	$ 111,288	$ 135,076	$ 136,425	$ 246,708	$ 247,713
Infrastructure	127,854	122,478	256,637	261,043	384,491	383,521
Construction in progress	201,433	169,993	85,780	157,360	287,213	327,353
Structures and improvement	417,493	418,775	451,702	373,176	869,195	791,951
Equipment	64,763	60,617	7,397	7,772	72,160	68,389
Total	$ 923,175	$ 883,151	$ 936,592	$ 935,776	$ 1,859,767	$ 1,818,927

(All dollar amounts are expressed in thousands unless otherwise indicated.)

Major capital asset transactions and events during the current fiscal year included:

- In 2002, the Water Department began an ultra filtration program with projected costs of approximately $144,900 (expected completion date of 2007). This new system of water filtration will give the City's water system necessary plant improvements. The ultra filtration program is the most extensive program that the Water Department has ever started.

- The Parking Fund completed construction of the Guthrie and Mill Quarter ramps in 2005.

- The new Central Library Project started in 2002 with a budget of about $125,826. The library project is in the final stages of construction and will be located on the same block as the old library. Construction of the new library began in 2003, with completion scheduled for 2006.

- During 1998, the City embarked on a $72,350 nine-year flood control program. 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.

- In 1998, the City began the Supervisor Control and Data Acquisition (SCADA) program for the Water Department. The SCADA program automates the water control system from one point so that all gates, pumps, monitors, and controls will be in one controlled area. The SCADA project is expected to exceed the original estimated cost by $5,800, due to security and increased concerns over levels of monitoring and automation. Total project costs are estimated to be $18,800, with completion in 2005.

- The Heritage Park project has a budget of $76,605, with costs to date totaling $48,442. This project has an estimated completion date of 2007. The Heritage Park project is for affordable housing, environmental recommitment, and neighborhood-scaled development.

Additional information on the City's capital assets can be found in Note 4 on pages 56-57 of this report.

Long-term debt. As of December 31, 2005, the City had total long-term bonds outstanding of $1,345,617 compared to $1,394,028 in the prior year. Of this amount, $932,096 related to governmental activities and $413,521 related to business activities. The City had $226,775 or 16.9% of the outstanding bonds in variable rate mode at year-end. In addition to bonded debt, the City had $100,680 of long-term revenue notes outstanding at December 31, 2005, of which $41,252 related to governmental activities and $59,428 related to business activities.

The table below shows various classifications of the City's bonded debt at December 31, 2005 and the amount of principal due in 2006.

Summary of Outstanding Bonded Indebtedness	Balance 1/1/2005	Additions	Retirements	Balance 12/31/2005	Due in 2006
General Obligation (GO) Bonds:					
Property Tax Supported GO Bonds	$ 268,115	$ 49,311	$ 46,446	$ 270,980	$ 21,415
Self Supporting GO Bonds	266,800	120	8,580	258,340	7,995
Special Assessment GO Bonds	49,298	15,190	19,082	45,406	5,116
Tax Increment GO Bonds	206,310	56,755	73,705	189,360	10,105
Internal Service Fund Related GO Bonds	101,155	12,385	12,615	100,925	15,630
Enterprise Fund Related GO Bonds	356,278	76,024	80,411	351,891	30,020
Total General Obligation Bonds	1,247,956	209,785	240,839	1,216,902	90,281

(All dollar amounts are expressed in thousands unless otherwise indicated.)

Summary of Outstanding Bonded Indebtedness	Balance 1/1/2005	Additions	Retirements	Balance 12/31/2005	Due in 2006
Revenue Bonds:					
Economic Development Revenue Bonds	74,682	9,365	16,962	67,085	11,874
Other Community Development Related Bonds	71,390	21,055	30,815	61,630	8,505
Total Outstanding Bonds	1,394,028	240,205	288,616	1,345,617	110,660

The City maintained a "AAA" rating from Standard & Poor's and Fitch and an "Aa1" rating from Moody's for its general obligation debt throughout 2005.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Budget Outlook

The City's future financial outlook is strong, but will require continued diligence in the management of significant funding pressures, including personnel costs, pension obligations, and internal service fund debt. The City has several policies in place to help address these pressures.

With the 2006 Budget, the City adopted a revised five-year financial direction. Specifically, growth in salary and wages are budgeted at two percent. Health and dental insurance expenditures are budgeted to increase approximately by 21 percent from the 2005 budget, from $36,200 to $43,700. The five-year financial direction includes an estimated 20 percent annual health benefit premium increase.

Increases in the City's pension liabilities continue to put pressure on the City's financial condition. With obligations of approximately $113,000 in the next five years, the City must include its pension obligations in its long-term financial planning. The 2006 budget includes the use of $10,000 in one-time resources to buy down and avoid additional pension debt. The City is pursuing legislative changes to the structure of its payments to the Minneapolis Employees Retirement Fund (MERF), which, if adopted, would likely end the practice of bonding for the pension payments.

Although the City continues to have a deficit in its Internal Service Funds, future budgets will continue to address these deficits through the Council-adopted workout plans. The 2006 budget includes an additional $3,900 in funding for internal city services: self insurance (*i.e.*, workers compensation, general liability), equipment services (squad cars, fire trucks, and computers), and information technology services. The Equipment Services Fund is no longer experiencing a deficit.

Economic Outlook and Tax Trends

Minneapolis has historically had a strong commercial and industrial tax base. For taxes payable in 1996, Minneapolis commercial and industrial property paid 54.7 percent of the total taxes for the city, with the central business district alone paying almost 40 percent. After the 2001 property tax changes, for taxes payable in 2005, the proportion of taxes paid by commercial and industrial tax payers declined to 38.1% of the City's total, with the central business district paying approximately 28 percent. For property taxes payable in 2010, the commercial/industrial share of taxes is projected to further decline, to a level of 30.5 percent. Corresponding percentages for residential property (defined as 1-3 dwelling units) show that this class paid 33.6 percent of the city's taxes in 1996, increasing to 43.7 percent for taxes payable in 2005, and projected to be 60 percent for taxes payable in 2010. This represents almost a complete reversal in

the share of the City's tax burden between the two property types. This shift highlights the local property tax burden on the residential homeowner.

Downtown Office Space—Vacancy Rate

Because of the importance of real estate taxes as a source of local government revenue, real estate statistics are an important economic gauge for municipalities. Several commercial real estate companies compile and report real estate statistics. Colliers International reports on local real estate conditions twice annually. Collier's statistics indicate a decrease in vacancy rates in the Minneapolis Central Business District (CBD). Compared to 2004, the CBD Direct vacancy rate in 2005 decreased from 22.6% to 19.6%. The overall vacancy rate for the Twin Cities Office market went down slightly from the 2005 rate of 19.9% to 17.4%.

Lower rental rates, excess space, and higher concessions imply lower cash flows from office buildings, which, in turn, lower their taxable value. Lower taxable values on business properties increases the amount of the real estate tax levy borne by residential properties. These factors were considered in preparing the City's budget for the 2005 fiscal year.

The downtown office vacancy rate continues to exacerbate the financial problems of the City's Parking Fund. The City Council adopted a workout plan in 2004 to address the deficiencies in this fund.

Employment

The unemployment rate for the City of Minneapolis at the end of 2005, as released by the Minnesota Department of Employment and Economic Development, is 4.2%. This economic indicator is on par with comparisons including the State of Minnesota (4%) and the national unemployment rate (5.1%).

REQUEST FOR INFORMATION

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