City of Minneapolis
2012 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.

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City of Minneapolis
2012 Budget

Five-year Financial Direction 2013-2017
(Including detailed information on the City's General Fund)

Introduction
This plan reflects the City's ongoing commitment to long-term financial planning. The purpose of recommending a 2013-2017 financial direction is to provide guidance for departments on available resources in the City's General Fund.

The financial direction provides detailed projections for property tax supported services: the City's general fund, pensions, capital and contributions to the internal service funds. Of the $418.6 million in the financial direction, $379.6 million is in the City's general fund, which is the primary funding source for public safety, street paving, snow plowing and other general government services.

For the Mayor's phase of the 2012 budget process, the City is moving from traditional budgeting to priority budgeting to allow for the prioritization of programs. Instead of focusing on what to cut, the new process will focus on where to invest. Priority budgeting allows the City to direct resources toward programs that provide the greatest value, articulates why a program exists and provides a strategic and transparent view of City services.

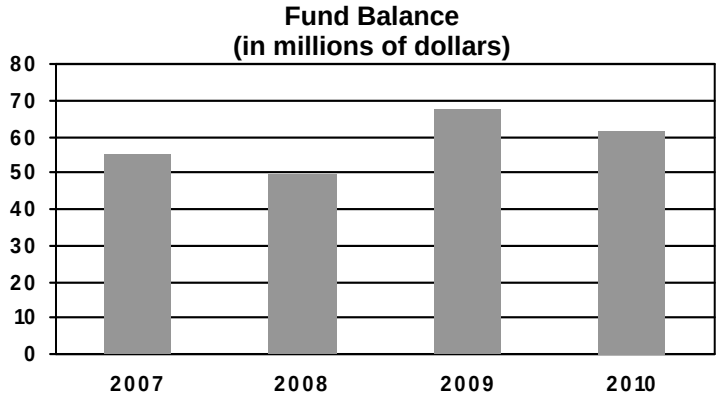
In traditional budgeting, the starting point is last year's spending with increased assumptions added to the base. Revenue shortfalls are handled through cuts to this base. Departments determine how to allocate spending.

In priority budgeting, there is not a starting point. Departments are asked to submit proposals to achieve results for the City goals (priorities).

General Fund
The general fund is the general operating fund of the City. Combined, the two largest revenues (state aids and property tax) have historically accounted for approximately 60-70% of total sources of funds for the general fund. The top four sources of revenue account for more than 80% of the general fund's annual financial resources.

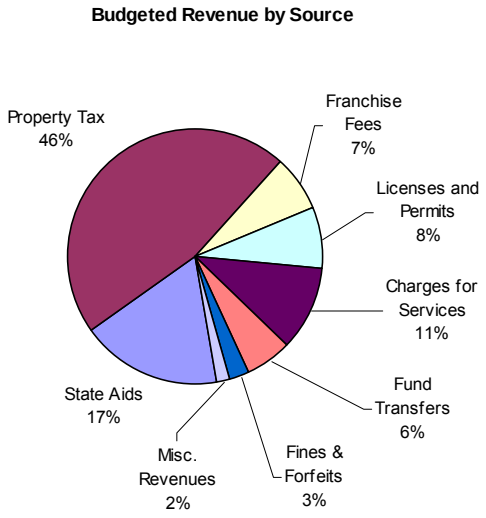
Historical Financial Performance
The results of the general fund's annual operations at the end of the year reflect the fund's "fund balance," or the amount of available, spendable resources contained within the fund. The balance provides the City a reserve to cushion adverse economic shocks and to meet a portion of the City's cash flow needs. The City's policy is to maintain a minimum fund balance of 15% of the following year's revenue, which is consistent with best practices for local governments. Further, the City's financial policies place a priority on debt buy-down or debt avoidance for the use of fund balance.

The general fund began 2010 with a fund balance of $67.3 million. The 2010 year-end fund balance in the General Fund was $61.4 million, which is above the stated fund balance requirement of 15% of the following years' revenue budget.



2012 General Fund Revenue Budget

The 2012 recommended budget includes a total of $379.6 million of revenues for services included in the financial direction, including $22.6 million in transfers from other funds. Budgeted revenues are 3.3% lower than 2011 adopted budget. Please note that 2011 revenues reflect the 2011 Council Adopted budget and do not incorporate any changes that have occurred during the fiscal year 2011. If the "Changes to State Aids" enacted in late July were removed from the 2011 budgets, revenues are 2.5% higher in 2012.



Revenue Source	2010 Actual	2011 Council Adopted	2012 Recomm. Budget	% Chg from 2011 Adopted	2011 Budget as % of Total	2012 Budget as % of Total
State Aids	11.1	89.5	67.0	-25.2%	22.8%	17.6%
Property Tax	0.1	169.6	177.1	4.4%	43.2%	46.7%
Franchise Fees	3.3	27.8	27.5	-1.1%	7.1%	7.2%
Licenses and Permits	26.0	27.9	29.3	5.2%	7.1%	7.7%
Charges for Services	8.4	36.3	40.4	11.3%	9.2%	10.6%
Fund Transfers	22.7	21.2	22.6	6.8%	5.4%	6.0%
Fines & Forfeits	8.8	9.6	9.5	-1.5%	2.5%	2.5%
Misc. Revenues	6.9	10.5	6.2	-40.8%	2.7%	1.6%
Total	87.2	392.3	379.6	-3.3%	100.0%	100.0%

State Aids (including Local Government Aid):

The City's local government aid (LGA) allocation is certified at the same reduced level as 2011 in 2012 and 2013 ($64.1 million). This is based on the certification received from the State of Minnesota in late July. Typically, Minneapolis has seen LGA formula declines of about $1.5

million each year. The major factors in the formula which lead to these typical reductions are the City's property wealth and declining motor vehicle accidents.

After 2012 the City is assumed to receive a reduction in LGA of $0.3 million each year as a result of new state legislative provisions capping LGA formula-related reductions. This equates to $265,000 fewer resources in the general fund annually.

Franchise fees are paid by various utility companies for use of City rights-of-way. Franchise fees are a percentage of total utility revenues. The City's collections vary directly with the paying utility's gross revenues. There are four franchise agreements that provide revenue for the City:

- The franchise agreement with Xcel Energy for electricity requires payment of 5% of gross revenues for residential service customers, 3% of gross revenues for commercial and industrial customers, and 5% of gross revenues on small commercial and industrial customers. The residential rate will drop to 4.5% of gross revenues beginning in January 2013. This franchise agreement expires on December 31, 2014. For 2012, the City is anticipating $16.2 million in revenues from this franchise agreement.

- The franchise agreement with Center Point Energy/Minnegasco requires payment of 4.25% of gross revenues for residential buildings with four units or less, 5% for small commercial/industrial or interruptible customers, and 3% for large-volume interruptible customers. This franchise agreement expires on December 31, 2015. For 2012, the City is anticipating $8.1 million in revenues from this franchise agreement.

- The City also has two smaller franchises:
    - The bus stop advertising franchise generates approximately $100,000 in revenues.
    - The City's cable franchise is anticipated to generate $3.1 million in 2012.

The 2012 budget anticipates the total franchise fee revenue to be $27.5 million.

Licenses and Permits create 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 2012 budget anticipates a 5.2% increase in licenses and permit revenue.

Fines and Forfeitures are anticipated to decline by 4.7% in 2012.

2012 General Fund Expenditure Budget

The 2012 recommended budget for services included in the financial direction is $379.6 million, which includes $41.6 million in transfers to other funds. Please note that 2011 expenditures reflect the 2011 Council Adopted budget and do not incorporate any changes that have occurred during the fiscal year 2011. If the "Changes to State Aids" enacted in late July were removed from the 2011 budgets, expenditures are 2.5% higher in 2012.

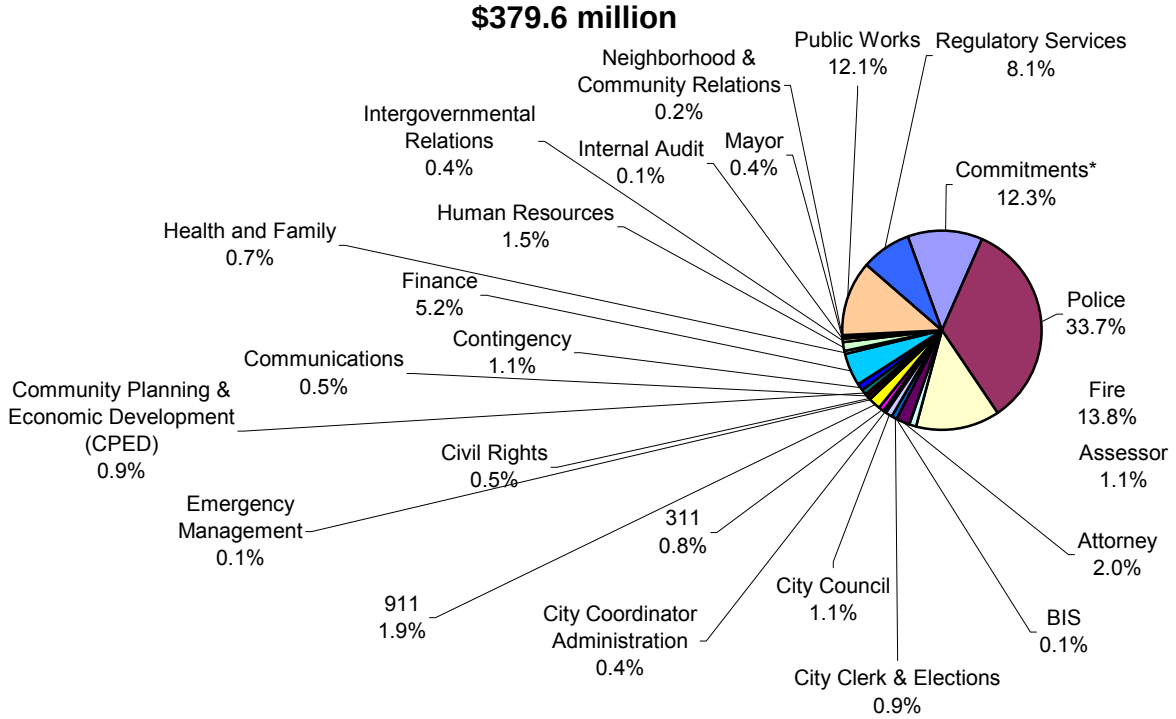
Approximately 62% of the overall expenditure budget is related to personnel costs. In the 2011 adopted budget, Council directed the Finance department to revise the five-year financial direction to reflect no increase in City salaries for a two-year period. For contracts that were settled in 2011 at the time of this action, budgets are adjusted in 2012 and 2013. Department budgets reflect a slight increase in the financial direction for 2012 to account for salary progression in 2011. This assumption change does not affect Independent Boards.

In the General Fund, salary and wage expenditures decreased slightly from $168.9 million in 2011 to $168.4 million in 2012. Settled contracts to date as well as recommended department reductions are reflected. The largest contract, which includes Police sworn, non-appointed positions such as officers and captains, is settled for 2011. The contract was settled at a 1.5% increase. The salary and wages expense category also includes overtime costs, contractually-obligated payments, and one-time funding.

Employer health insurance costs increases 4% from 2011. This is a significant drop from the estimated 10% increase in the City's planning estimates. Programmatic budgets are reflective of the reduction in health care costs.

Non-personnel line items increased by 1.6%.

Expenditures by Service Area
$379.6 million



*Commitments include: transfers to the internal service funds, pension obligations, payment to Hennepin County related to the library system, and other miscellaneous transfers.

Major Changes in the 2012 Recommended Budget

The 2012 Mayor's Recommended Budget incorporates a new funding methodology based on funding programs instead of departments. Because the City is in the midst of incorporating this policy into its budget process, the information below is descriptive of changes the Mayor made to program submissions from departments, organized by department. It is anticipated that in future years, program submissions and organization of the department will be based on goal areas as opposed to departments.

Citywide

Department budgets reflect no increase in City salary schedules for 2011 or 2012 with unless units have a settled contract. For contracts that were settled in 2011, budgets for salary schedule increases should be adjusted in 2012 and 2013. While the 2012 budget does not include salary schedule increases, the budget has been adjusted for additional salary costs resulting from step movement in 2011. This assumption change does not affect Independent Boards. In 2012, no department has a settled bargaining unit contract so a 0% salary schedule adjustment was included citywide with the exception of independent boards.

The Mayor's Recommended Budget reduces health care budgets for all departments to reflect the final contract for health care costs in 2012.

Internal Service Fund obligations: The 2008 adopted long-term financial plans begin reducing the General Fund's contribution to the internal service funds in 2010, but to create capacity in order to hold down property tax levy increases in future years, the General Fund will accelerate the workout plan schedule from full completion in 2019 to 2015. The Mayor recommends a reduction in obligations to the fund of $3.6 million over three years.

The Mayor did not make a recommendation as to Community Development Block Grant (CDBG) funding as the associated appropriations for these grants have not been finalized. Program and department totals do not have CDBG dollars included, however, positions paid for with CDBG funding have been left in the budget for illustrative purposes.

The Mayor's Recommended Budget redeems the entirety of the remaining principal on the $114 million in bonds issued for the Minneapolis Employees Retirement Association (now a division of the Statewide PERA pension fund), and the Minneapolis Police Relief Association. This redemption creates significant additional debt capacity in future years and eliminates the interest payments associated with the debt that are charged at a 5.8% annual rate.

2011 departmental expenditures and revenues reflect the 2011 Council Adopted Budget and do not incorporate any changes that have occurred during the fiscal year 2011 including the cuts that were enacted as the result of reductions to State Aids as specified in the 2011 Adopted Budget Resolution.

Assessor

Mayor's Recommended Budget: The Mayor recommended no changes.

Attorney

Mayor's Recommended Budget: The Mayor recommended that the department reduce $300,000 and 2 FTE's, one each in the Criminal Prosecution and Community Attorney Prosecution programs. The difference should be managed with non-personnel reductions.

BIS

Mayor's Recommended Budget: The Mayor recommends $240,000 in one-time startup money for the Employee Computing Mobility program and $50,000 as well as in ongoing costs, for a total of $290,000 in General Fund money, making no other changes to department program funding.

City Clerk/Elections

Mayor's Recommended Budget: The Mayor recommends

- Appointed Boards and Commissions: The Mayor recommends no change.
- Elections Administration: Includes a planned increase of $500,000 for election year 2012. The Mayor recommends a $100,000 cut to this program from 2011 spending levels.
- Domestic Partnership Registry: The Mayor recommends no cut.
- Board of Appeal and Equalization: The Mayor recommends a $600 cut from 2011 spending levels.
- Legislative Support: The Mayor recommends no change.
- Records & Information Management: The Mayor recommends no funding for the enhanced program and a $6,000 cut from 2011 spending levels.
- City Records Center: The Mayor recommends a $12,000 cut from 2011 spending levels.
- Document Solutions Center: The Mayor recommends no change.
- Mail/Courier Services: The Mayor recommends no change.
- Council Staff – Constituent Services and Policy Development: The administrative portion of these programs remains in Clerk & Elections.

City Council

Mayor's Recommended Budget:
The Mayor recommends that Council be separated from City Clerk and Elections.

- City Council: The Mayor recommends no change.
- Council Staff – Constituent Services: The Mayor recommends a ten percent reduction from 2011 spending levels because 311 reduces the call volume to Council offices.
- Council Staff – Policy Development: The Mayor recommends no change.

City Coordinator Administration

Mayor's Recommended Budget: The Mayor's Recommended Budget for this division funds expenditures at the current level except for a recommended $20,000 reduction.

311 (a Division of City Coordinator Administration)

Mayor's Recommended Budget: The Mayor's Recommended Budget for this division makes no changes to the division's planned program expenditures.

911 (a Division of City Coordinator Administration)

Mayor's Recommended Budget: The Mayor's Recommended Budget for this division makes no changes to the division's planned program expenditures.

Emergency Management (a Division of City Coordinator Administration)
Mayor's Recommended Budget: The Mayor's Recommended Budget for this division provides funding at the current level.

Civil Rights

Mayor's Recommended Budget:
The Mayor recommends a 2012 budget of $2.156 million, including:

- Contract Compliance: The Mayor recommends a reduction of $89,000 and one position from 2011 spending levels.
- Minneapolis Civilian Police Review Authority (CRA): The Mayor recommends no change.
- Minneapolis Civil Rights Complaint Investigations Program: The Mayor recommends a 5%, or $36,000 cut from 2011 spending levels.

Communications

Mayor's Recommended Budget: The Mayor recommended a reduction of $126,000 including 1 FTE and an additional $250,000 cut to MTN Public Access Television with other programs funded at current expenditure levels.

Convention Center

Mayor's Recommended Budget: The Mayor's Recommended Budget for this department funds expenditures at the current level.

CPED

Mayor's Recommended Budget: The Mayor's Recommended Budget for this department funds the department at the requested level with reductions to growth for a slower than anticipated rise in health care costs. The Mayor recommends funding the One Minneapolis program with $300,000 in one-time funding to be jointly administered with Civil Rights, $75,000 in one-time funding for the Mayor's regional export growth strategy initiative which will enable Minneapolis to work more effectively with companies considering exporting or seeking to grow by exporting to additional markets and be implemented through CPED - Economic Development Division's existing business calling plan, and $150,000 for Greater MSP in one-time funding.

The Mayor also recommends that the department eliminate policy assistance for CLIC, reduce heritage preservation funding by $123,000 (81,600 in General Fund money), eliminate departmental support for the Arts Commission, and thereby, reducing two FTEs in the planning department. The Mayor's recommendation also includes the reduction of four additional FTEs across three programs – Corridor Vitality Investment Program, Minneapolis Youth Program, and Protection, Preservation and Design of the Built and Natural Environment. The Mayor also recommends a $100,000 program enhancement for the Minneapolis Youth Program. At this time, the Mayor has not made recommendations for CDBG dollars. The department's budget reflects removing CDBG dollars until a recommendation is made. Any FTEs funded with CDBG dollars remain in the department position totals.

Finance

Mayor's Recommended Budget: The Mayor's Recommended Budget for this department includes a $250,000 cut to departmental programming. At this time, the Mayor has not made recommendations for CDBG dollars. The department's budget reflects removing CDBG dollars until a recommendation is made. Any FTEs funded with CDBG dollars remain in the department position totals.

Property Services (now a Division of the Finance Department)

Mayor's Recommended Budget: The Mayor's Recommended Budget for this department funds base departmental proposals at the requested level. At this time, the Mayor has not made recommendations for CDBG dollars. The department's budget reflects removing CDBG dollars until a recommendation is made. Any FTEs funded with CDBG dollars remain in the Finance Department position totals.

Fire

Mayor's Recommended Budget: In 2011, the Mayor restored $1.1 million to the department's base to restore positions that would have otherwise been eliminated by the removal of one time funding. The Mayor made the following recommendations.

- Fire Suppression, Emergency Medical Service and Emergency Rescue: a reduction of 1 FTE from 2011 spending levels.
- Training and Recruitment: The Mayor recommends a reduction of $200,000 in non-personnel expense from 2011 spending levels.
- Community Risk Reduction and Community Outreach: The Mayor recommends no changes from 2011 spending levels.
- Code Inspection and Enforcement: The Mayor recommends no changes from 2011 spending levels.
- Fire Investigation: The Mayor recommends no changes from 2011 spending levels.

Health and Family Support

Mayor's Recommended Budget: The Mayor recommends:

- Youth Violence Prevention: The Mayor recommends no changes.
- Infectious Disease Prevention: The Mayor recommends no changes.
- MDHFS Healthy Homes Outreach, Education and Blood Lead testing: The Mayor recommends no changes.
- Infant and Early Childhood Services: The Mayor recommends no changes.
- Obesity Prevention: The Mayor recommends no changes.
- Senior Services: The Mayor recommends no changes.
- Senior Initiative: Preparing for an aging population: The Mayor recommends no changes from 2011 spending levels.
- School Based Clinic Program: The Mayor recommends no changes.
- Perinatal Initiatives: The Mayor recommends no changes.
- Teen Pregnancy Prevention: The Mayor recommends no changes.
- Youth Development: The Mayor recommends a 10%, or $44,000 cut from 2011 spending levels.
- Health Care Safety Net: The Mayor recommends a $200,000 cut from 2011 spending levels.
- Public Health Emergency Preparedness: The Mayor recommends no general fund funding. The program will maintain $374,872 in grant revenue.
- Community Health Assessment, Engagement, and Policy: The Mayor recommends an $8,000 cut from 2011 spending levels.

The Mayor did not fund:

- Green and Healthy Homes; Aligning grant resources for greater impact
- Advocacy Services for Victims of Domestic Violence

Human Resources

Mayor's Recommended Budget: The Mayor recommended a 50% cut to the department's training and development program with all other programs funded at the current level.

Intergovernmental Relations

Mayor's Recommended Budget: The Mayor's Recommended Budget for this department funds department programs at the current level. The Mayor also recommends an additional $50,000 to cover the costs of airport consulting services while reducing 1 FTE. At this time, the Mayor has not made recommendations for CDBG dollars. The department's budget reflects removing CDBG dollars until a recommendation is made. Any FTEs funded with CDBG dollars remain in department position totals.

Internal Audit

Mayor's Recommended Budget: The Mayor recommends a reduction of 1 position.

Mayor

Mayor's Recommended Budget: The Mayor recommends a $15,000 ongoing, and a $45,000 one time cut from 2011 spending levels to the Mayor's Administration program.

Neighborhood and Community Relations

Mayor's Recommended Budget: The Mayor recommended a reduction of $120,000 (including one FTE) from 2011 service levels. At this time, the Mayor has not made recommendations for CDBG dollars. The department's budget reflects removing CDBG dollars until a recommendation is made. Any FTEs funded with CDBG dollars remain in the department position totals.

The Mayor recommends that Neighborhood Revitalization Program phase out operations during calendar year 2012 and be transferred to this department.

Police

Mayor's Recommended Budget: The Mayor recommends a reduction of 24 FTE including 2 managerial positions and 17 officers. Sworn positions shall be reduced through attrition and reassignment.

The Mayor recommends a total general fund budget of $128.015 million for the Police Department. The recommendations include $4.42 million in reductions to growth including:

- $1.16 million, including 12 FTE (5 non-sworn and 7 sworn) from the Community Engagement Program.
- $1.76 million, including 3 FTE, overtime and non-personnel reductions to contractual services (including fleet) from all programs, including personnel reductions in Administration and Training program and overtime reductions in Criminal Investigations Program.

- $1.51 million including 9 FTE and non-personnel savings in the Public Safety Services Program.

Public Works

Administration
Mayor's Recommended Budget: The Mayor recommends no changes.

Fleet Services
Mayor's Recommended Budget: The Mayor recommends no changes.

Solid Waste and Recycling
Mayor's Recommended Budget: The Mayor recommends $32.88 million, including $150,000 for graffiti microgrants.

Surface Water & Sanitary Sewer – Sanitary Sewer
Mayor's Recommended Budget: The Mayor recommends a rate increase of $0.32 per 100 cubic feet to $3.37 in 2012. The Mayor recommends no changes to the program.

Surface Water & Sanitary Sewer – Stormwater
Mayor's Recommended Budget: The Mayor recommends a rate increase of $0.28 per ESU to $11.70 in 2012. The Mayor recommends no changes to the program.

Traffic & Parking
Mayor's Recommended Budget: The Mayor recommends the following changes:
- Street Lighting: The Mayor recommends an ongoing reduction to growth of $156,000 and 2 positions. This reduction will be offset by one-time funds of the same amount, which will delay the reduction of 2 positions. This ongoing reduction will increase the time between the report of needed street light maintenance and the repairs.
- Traffic: The Mayor recommends an ongoing reduction to growth of $108,000 and one position. This reduction will be offset by one-time funds of $94,000, which will delay the position reduction.

The Mayor recommends no changes to the other programs.

Transportation Maintenance and Repair
Mayor's Recommended Budget: The Mayor recommends the following changes:
- Bridge Maintenance and Repair: The Mayor recommends a reduction to growth of $25,000 from contractual services. This reduction will reduce professional services used to support bridge maintenance activities without a noticeable impact to the public.
- Street Maintenance & Repair: The Mayor recommends a reduction to growth of $306,000. This reduction will eliminate preventative maintenance on residential and local streets.
- Snow & Ice Control: The Mayor recommends a reduction to growth of $700,000. This reduction will reduce snow removal provided after snow events.
- Malls & Plazas: The Mayor recommends a reduction to growth of $200,000 and 2.5 positions. This will reduce maintenance and support activities for neighborhood gardens, center island medians, maintenance of irrigation systems, mowing and trash pickup on city-owned green spaces.

The Mayor recommends no changes to the other programs.

Transportation Planning and Engineering
Mayor's Recommended Budget: The Mayor recommends the following changes:
- Transportation Planning & Management: The Mayor recommends an increase of $200,000 to fund work on capital projects for which costs are not recoverable.

The Mayor recommends no changes to the other programs.

Water Treatment and Distribution
Mayor's Recommended Budget: The Mayor recommends a water utility rate increase of $0.16 to $3.36 per unit in 2012. The Mayor recommends no changes to the program.

Regulatory Services
Mayor's Recommended Budget: The Mayor recommends that the Homegrown Minneapolis Phase III and 1 FTE be housed in Regulatory Services and funded by increased license fees. Further, the Mayor recommends:

- Construction Code Services (CCS): The Mayor recommends a reduction of $103,000 and 1 FTE from 2011 spending levels.
- On-site Traffic Control & Parking Enforcement Services: The Mayor recommends a reduction of $18,000 and increased revenue of $100,000 from 2011 spending and revenue levels.
- Regulatory Services Fire Inspections: The Mayor recommends an increase in fire inspection fees to increase revenue by $30,000 from 2011 revenue levels.
- Regulatory Services Housing Inspections: The Mayor recommends a reduction of $165,000 and 1 FTE from 2011 spending levels.
- Animal Control: The Mayor recommends a reduction of $184,000 and 1 FTE from 2011 spending levels.
- Environmental Health/Licenses and Consumer Services: The Mayor recommends a reduction of $50,000 from 2011 spending levels.
- Healthy Homes and Residential Lead Hazard Control: The Mayor recommends a reduction of $9,000 from 2011 spending levels.
- Homegrown Minneapolis Phase III: fund this program in Regulatory Services. Increased Regulatory Services' revenue should match expense.
- Minneapolis Development Review: a cut of $112,000 and 1 FTE from 2011 spending levels.
- Environmental Services: a cut of $238,000 and 1 FTE from 2011 spending levels.

In addition, the Mayor recommended reduction of an administrative position, reduced spending on contractual services, and a reduction of interns from 2011 spending levels. Reductions for those costs have been spread across programs.

Independent Boards:

BET
Mayor's Recommended Budget:
The Mayor recommends no changes to BET's budget.

MBC
Mayor's Recommended Budget:
The Mayor recommends that MBC use fund balance to pay MERF debt service.

Park Board
Mayor's Recommended Budget:
The Mayor recommended $4.9 million for the Park Board for operating costs to maintain capital infrastructure. Overall, the Mayor recommends property tax and LGA revenue of $53.84M. After subtracting shared costs and capital projects funded by the Park levy, the Mayor recommends $51.043M in revenue for the Park Board.

MPHA
Mayor's Recommended Budget:
The Mayor did not make a recommendation regarding CDBG dollars. The Mayor recommends no tax levy for MPHA, but recommends no changes to the MPHA budget, which includes a PIILOT reduction of $398,000.

YCB
Mayor's Recommended Budget:
At this time, the Mayor has not made recommendations for CDBG grant dollars. The department's budget reflects removing CDBG dollars until a recommendation is made. Any FTEs funded with CDBG dollars remain in department position totals. The Mayor recommends a $44,000 cut to the Youth Development program in the City's Health and Family Support department. This cut will be passed to YCB as a reduction in contractual services.

Five-Year Financial Direction

Summary of Five-Year Financial Direction (dollars in millions)

Department	2017 Resources
Police	$157.0
Fire	64.1
Public Works	56.5
Regulatory Services	37.6
Health and Family Support	3.1
Civil Rights	2.5
Capital Plan (pay-go and debt)	36.0
Pensions	26.0
All other spending	92.7
Total	**$475.5**

Property tax estimates are based upon the Mayor recommended tax policy. The Mayor recommends a tax policy of no increase in 2012, 3% in 2013, 4% in 2014 and 2015, 4.5% in 2016 and 2017. These percentages reflect statutorily-required costs and provide for the following current service level cost escalator for departments and independent boards: 3.2% in 2013; 4.2% in 2014; 4.3% in 2015; 4.5% in 2016 and 4.7% in 2017. The City is not subject to levy limits under current law.

The 2012 budget is the basis for future projections: In other words, the starting place for the 2013-2017 department budget estimates is what is included in the 2012 budget. One-time 2012 supplemental items are removed from department budgets in 2013 and beyond.

The financial direction from 2013 to 2017 contains updates to departmental resources: The financial direction includes the most updated assumptions about contract settlements and other commitments.

Reductions to departmental growth required in 2012 only. The departmental cuts necessary to balance the five-year financial direction are required in 2012. Any future balances have been allocated to the operating contingency fund.

Salary Assumption -- The City adopted a compensation philosophy during 2007. The philosophy does not specify a salary policy. It is anticipated that salary settlements will vary within and between bargaining units, but overall are projected to experience a 0% increase in 2012 for unsettled contracts and a 0% increase in 2012-2013 for currently settled contracts. Salaries are assumed to increase 2.5% thereafter. Assumptions are updated annually as contracts are settled.

Financing Assistance for Target Center and Neighborhoods

Financing Plan

On December 13, 2010 the City Council approved a budget footnote directing the Finance Department to develop a plan to provide property tax relief to City taxpayers in 2012 and 2013 through adjustments to the TIF Consolidated District. On February 11, 2011, the City Council approved a plan to retain only 50% of the captured value in the Consolidated TIF District in 2012 and 2013, and to add the remaining 50% to the City's general tax base for property tax relief purposes. By retaining only 50% of the captured value in the Consolidated TIF District in 2012 and 2013, the City would forgo $5 million in annual funding from tax increment for neighborhood revitalization purposes in each of these two years. It is currently projected that the Consolidated TIF District will generate approximately $10.5 million in net tax increment revenue through 2011. Half of this amount will be used for Target Center debt service and half will be used for neighborhood revitalization purposes.

It is also currently projected that the Consolidated TIF District will generate approximately $5.0 million in annual net tax increment revenue in 2012 and 2013, all of which will be used for Target Center debt service. In the years 2014-2020 it is currently projected the District will annually generate approximately $10.2-$11.1 million in net tax increment revenue, of which 50% will be used for Target Center debt service and 50% will be used to fund neighborhood revitalization purposes.

Capital and Debt Service (including pensions)

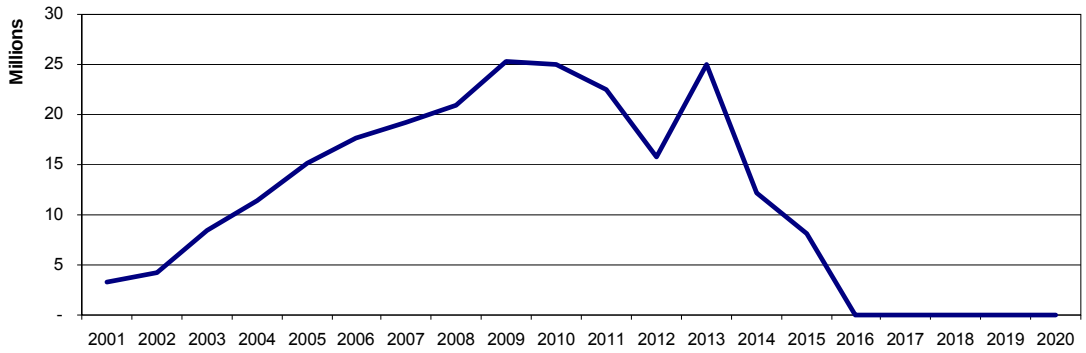
Pressure on capital project budgets continue. Due to cuts in LGA as part of the State of Minnesota's adopted biennial budget, the City was forced to eliminate $45 million of planned capital improvements to be funded with general fund transfers. In response, since the City can no longer afford to postpone needed improvements to infrastructure, this budget recommends a $56.565 million increase in net debt bond funding in the five-year capital plan over the previously adopted plan. The previously approved net debt bond funding level was insufficient to make any progress on improving the City's infrastructure and was not keeping up with construction inflation which generally exceeds the non-construction inflation rates. The increase continues the infrastructure acceleration program started in 2009 which used one-time trust fund resources of $22.6 million for years 2009 – 2013. The primary emphasis of the expanded resources will be used to improve the street infrastructure. The Bond Redemption Levy will start to see increases starting in 2014 to allow for the expanded net debt bond program to continue this emphasis. Even with these extra resources, there remains considerable pent up demand for public works, park board and technology infrastructure investment.

The Net Debt Bond (NDB) program is paid for with property tax collections. The five-year financial direction for the bond redemption levy included increases in 2014 and significant increases in 2015 and beyond for capital improvements. These increases are possible because as the demand for property tax resources for the internal service fund financial plans is reduced, the bond redemption levy is increased. In order to expedite capital improvements in 2012 and 2013, the City will extend debt maturities slightly longer than current practice for new issuances

until the higher bond redemption levies are realized. This plan also includes an increase in base levies of approximately $4 million starting in 2014 versus the previous long-term financial plan to pay for the higher capital level. These property tax supported net debt bonds help to leverage many funding sources in the five-year plan.

Funding for internal service fund long-term financial plans. To meet the goals of the adopted long-term financial plans, these expenditures continue through 2019 at a declining level. The 2008 adopted long-term financial plans begin reducing the General Fund's contribution to the internal service funds in 2010, but to create capacity in order to hold down property tax levy increases in future years, the General Fund will accelerate the workout plan schedule from full completion in 2019 to 2015. The Mayor recommends a reduction in obligations to the fund of $3.6 million over three years.

General Fund Support for Internal Service Funds



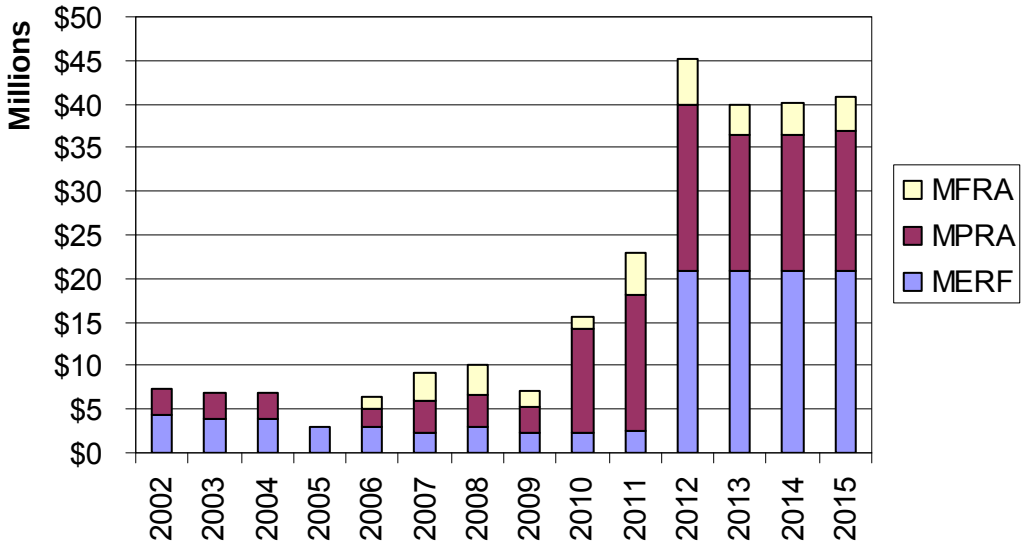
In addition, as one-time resources have become available, the elected officials have prioritized the avoidance and pay down of debt. The following table highlights these important decisions:

Description (year decided)	Amount (millions)
Hilton Legacy Fund (2003) – *proceeds from the sale of the City's share in the downtown hotel.*	$12.5
Year-end savings from 2004 (2005)	$15.0
One-time LGA, general fund resources (2005 for 2006)	$10.0
2007 one-time resources	$3.0
Pre-payment of BIS workout plan obligations for 2012 (2009)	$1.5
Pre-payment of Self Insurance Fund workout plan obligations for 2011 (2010)	$3.5
Payment of pension obligations (2010 Revised)	$2.8
Pre-payment of Self Insurance Fund workout plan obligations for 2012 and 2013 ($5.6 million); reduction to transfer of $1 million to the Self Insurance Fund given fund's financial performance (2011)	$4.6
Postponement of Fleet Fund workout plan obligations for 2012 to 2013 and prepayment of 2014 obligations in 2013 (net zero impact)	$0
Acceleration of workout plan obligations and $3.6 million reduction to BIS workout plan obligations	$3.6
Total	$56.5

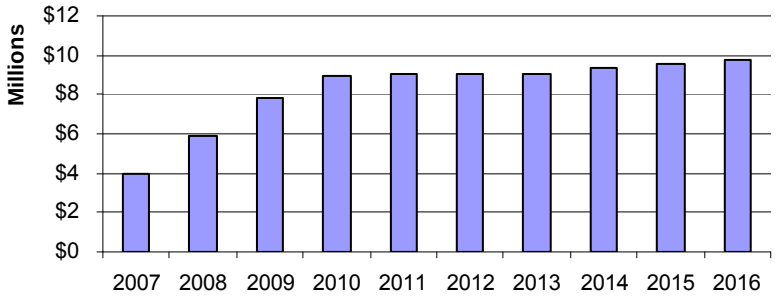
Funding for pension liabilities. The property tax needed to support closed pension fund-related obligations is $45 million in 2012, and estimated to shrink to $30 million in total obligations in 2013. The debt service portion, included in the numbers above is approximately $25 million in

2012, which will retire the remaining pension debt obligations issued for the City's closed funds, eliminating debt service payments in 2013 and all future years. These projections are built on the assumption that the MPRA and MFRA merge into the Statewide PERA Police & Firefighters pension fund. The five-year financial direction includes an additional obligation assigned to the City for the asset losses in the Minneapolis Employees Retirement Fund beginning in 2012. The City also has increasing obligations for the pension plan most City employees are in, the Public Employees Retirement Association (PERA).

City Obligations - Levy



PERA Pension Obligations:
Cumulative Annual Increase



Change in Contingency for Adverse Circumstances

The original financial direction in January, 2003 was based upon a 4% annual salary increase. Subsequent updates assumed the 2% salary cap through 2007. Assuming 0% wage growth for all contracts, contingency exists for adverse circumstances. Examples of adverse circumstances the City has encountered include reductions in LGA, unemployment costs and increased pension obligations.

For the 2013-2017 five-year financial direction, any available funds remaining on the bottom line have been included in contingency to pay for unforeseen costs such as pensions. Any future reductions required are distributed to departments on a percent of budget basis for informational purposes.

What other pressures does the City face in future planning efforts?

The City faces several pressures for which a policy decision has yet to be reached:

- *Property taxes:* Future projections plan on the Mayor recommended property tax increases (outlined below) to support future services – reducing the growth in property taxes in the face of declining LGA and increase pension costs will require more department reductions.

- *Park Board:* Like other participants in the City's capital funding pool, the Park Board faces significant capital pressures to maintain the facilities it operates.

- *Enterprise funds:* The enterprise funds have experienced a decline in their financial condition (primarily working capital), largely related to increasing debt loads related to approved capital projects.

- *Performance Information*: As the City continues to gain experience with using results information for performance discussions, it will need to undertake benchmark development in using this information for financial decision making.

- *Department Reductions*: The City will continue to see issues with ability to keep up with enterprise demands while subject to increased costs.

- *Higher Police Service Levels*: Now that the Police Department is back at its pre-2003 state aid reduction strength, the challenge of making the best use of these resources and adapting to new technology becomes the central focus of the department's financial and business planning.

- *Annual Buying Commitment for Wireless Services*: As part of the agreement with US Internet to build a citywide wireless network, the City committed to purchase $1.2 million of wireless services each year from 2008 through 2017. The transition from wired to wireless technology will require tradeoffs within departmental budgets. The wireless commitment was reflected in non-General Fund departments' budgets starting in 2011 (General Fund departments' share of the commitment is transferred directly to the Intergovernmental Services Fund and therefore is not reflected in operating budgets of those departments).

Assumptions for 2012-2017

- The tax policy for 2012-2017 is as follows: 0% in 2012; 3% in 2013; 4% in 2014-2015; 4.5% in 2016 and 2017. These percentages reflect statutorily-required costs and provide for the following current service level cost escalator for departments and independent boards: 3.2% in 2013; 4.2% in 2014; 4.3% in 2015; 4.5% in 2016 and 4.7% in 2017.
- Contingency increased to provide cushion for uncertainty related to pension costs and economic conditions.
- For unsettled contracts, the direction assumes a 0% salary increase in 2012. Any increase above 0% will be funded through existing departmental appropriation.
- Health increases are assumed at 4% in 2012; 12% in 2013; and 16% thereafter.
- No additional cuts other than what was included in the five-year financial direction are included for the permanent improvement levy or for debt service. The Mayor recommends an increase of $25 million in a capital program in 2013 for Public Works capital projects.

- Reductions in LGA of $0.265 million annually (excluding independent boards) are reflected in 2014-2016.
- Revenues in the general fund are NOT assumed to increase, except for licenses and permits which are anticipated to increase by 3.0% annually.
- No additional revenues are anticipated from public works (assessments, other fees).
- No additional programs or services are added – they would need to be funded by new revenue or through departmental efforts to reduce costs.
- Currently adopted pension law is reflected.
- Pension estimates include the impact of one year (2008) of -30% investment returns based on actual returns.
- Full funding of pension and internal service fund debts are included. Constraints in internal service funds are maintained.
- Base entertainment tax from the Convention Center fund flows at a higher rate ($13 million in 2012) due to the revenue stream from Target Field sales.
- No changes to state tax law regarding property taxes (including changes to classification rates, and change to phase-out of limited market value). The State has implemented a new methodology for calculating the Market Value Homestead Credit program.

Property Tax Revenue Distribution. In 2010, the City adopted a "shared revenue" approach based on the sum of the following: total property tax revenue, total Local Government Aid revenue, and total General Fund revenues. From this total, shared costs are deducted, including: pension obligations, previously approved internal service fund workout plans, the Bond Redemption Fund levy, the Permanent Improvement Fund levy, the Minneapolis Public Housing Authority special levy, the Teacher's Retirement Association special levy, the Library Market Value Referendum levy, the levy for the Board of Estimate and Taxation, General Fund Overhead associated with the Park Board and Municipal Building Commission (MBC), General Fund Overhead for others, and General Fund transfers to other funds. The remaining revenues are then identified as being available for "activities."

"Activity" definition for MBC excludes the General Fund Overhead transfer to the City. "Activity" definition for the Park Board excludes the General Fund Overhead transfer to the City, the HR Benefits Administration Fee paid to the City and the Park Board levy supported capital projects.

The annual percentage change in revenue available for activities of the City, Park Board and MBC are the same for each entity beginning in 2013. In 2012, both the Park Board and MBC adopted no increase to property tax and LGA revenues. The Mayor made an overt policy decision to increase funding in the City's General Fund to fund firefighters. This means the three entities will have different activity percentage changes.

2012 >>> 2017 Mayor's Budget
Activities Approach

Estimated Property Tax Levies % Change	0.00%	3.00%	4.00%	4.00%	4.50%	4.50%
Activities Approach for Levy & LGA Entities	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	2017 Budget
Municipal Building Commission						
Municp Building Commission Levy	$4,285,000	$4,430,000	$4,639,000	$4,838,000	$5,065,000	$5,312,000
Municp Building Commission Tax rev	$4,199,295	$4,341,400	$4,546,490	$4,741,215	$4,963,644	$5,205,680
MBC LGA Rev	$193,067	$192,164	$191,261	$190,358	$189,455	$188,552
MBC Tax Rev & LGA	$4,392,362	$4,533,564	$4,737,751	$4,931,573	$5,153,099	$5,394,232
LESS MBC's Trf to City General Fund OH	($50,619)	($52,236)	($54,408)	($56,756)	($59,305)	($62,080)
MBC Activities Tax Rev & LGA	$4,341,743	$4,481,328	$4,683,343	$4,874,817	$5,093,794	$5,332,152
MBC $$ Change	($1,635)	$139,585	$202,015	$191,474	$218,977	$238,358
MBC % Change	-0.04%	3.21%	4.51%	4.09%	4.49%	4.68%
MBC Act % Change After Cost ESC >>>	-2.06%	0.00%	0.00%	0.00%	0.00%	0.00%
Park & Recreation Board						
Park Board Levy	$47,217,000	$49,050,000	$51,649,000	$54,130,000	$56,950,000	$60,012,000
Park Board Tax rev	$46,272,605	$48,069,000	$50,616,387	$53,047,106	$55,810,838	$58,811,597
Park Bd LGA Rev	$7,570,039	$7,534,633	$7,499,227	$7,463,821	$7,428,415	$7,393,009
Park Board Tax Rev & LGA	$53,842,644	$55,603,633	$58,115,614	$60,510,927	$63,239,253	$66,204,606
LESS Park Board's Trf to City General Fund OH	($931,670)	($961,425)	($1,001,404)	($1,044,631)	($1,091,535)	($1,142,612)
LESS Park Board's Trf to City General Admin Fee	($198,798)	($205,000)	($214,000)	($223,000)	($233,000)	($244,000)
LESS Park Board's Capital Projects from Levy	($1,669,000)	($1,752,000)	($1,840,000)	($1,932,000)	($2,029,000)	($2,130,000)
Park Board Activities Tax Rev & LGA	$51,043,176	$52,685,208	$55,060,210	$57,311,296	$59,885,718	$62,687,994
Park Board Activities $$ Change	($189,376)	$1,642,032	$2,375,002	$2,251,086	$2,574,422	$2,802,276
Park Board Activities % Change	-0.37%	3.22%	4.51%	4.09%	4.49%	4.68%
Park Board Act % Change After Cost ESC >>>	-2.40%	0.00%	0.00%	0.00%	0.00%	0.00%
City General Fund						
City GFd Levy	$176,374,000	$175,142,000	$177,298,000	$179,545,000	$189,460,000	$200,244,000
City GFd Tax rev	$172,846,520	$171,639,160	$173,752,384	$175,954,419	$185,671,019	$196,239,365
General Fund Revenues	$145,396,420	$147,124,784	$150,019,127	$152,120,309	$154,339,154	$156,688,026
City LGA Rev	$56,378,894	$56,115,203	$55,851,512	$55,587,821	$55,324,130	$55,060,439
City General Fund Revenue	$374,621,834	$374,879,147	$379,623,023	$383,662,549	$395,334,302	$407,987,829
MV Cr Pension Mgmt Plan (PMP) set-aside	$0	$0	$0	$0	$0	$0
Less Payment to the Co for Library System non Tax $$	($4,982,000)	($4,106,000)	($3,238,000)	($2,363,000)	($1,560,000)	($780,000)
Less Gen Fd Revenue Transfer to BIS for WiFi	($484,444)	($491,260)	($498,077)	($504,893)	($482,444)	($462,661)
Less Revenue Transfer to Target Finance Plan	($92,000)	($550,000)	($550,000)	($550,000)	($550,000)	($550,000)
Less Revenue Transfer to Solid Waste Graffiti	($150,000)	($150,000)	($150,000)	($150,000)	($150,000)	($150,000)
LESS City General Fund (Trf to Pen DS sinking Fd)	($24,440,220)	($3,872,960)	($442,960)	($442,960)	($442,960)	($442,960)
LESS Trf to the Property Tax Stabilization Acct	$0	$0	($6,700,381)	($961,406)	($4,968,689)	($304,395)
LESS City GFd trf to Internal Service Funds $ in Total	($15,785,218)	($25,055,619)	($12,113,090)	($8,154,073)	$0	$0
LESS City GFd OH Not recovered from Park Bd	($833,820)	($860,450)	($896,230)	($934,917)	($976,895)	($1,022,608)
LESS City GFd OH Not recovered from MBC	($159,001)	($164,079)	($170,902)	($178,279)	($186,284)	($195,001)
LESS Other's Trf to City General Fund OH	($20,397,131)	($21,048,553)	($21,923,818)	($22,870,190)	($23,897,069)	($25,015,302)
LESS City GFd OH Not recovered from Other's	($545,365)	($562,782)	($586,184)	($611,488)	($638,944)	($668,842)
LESS General fund one time $$ in 2012	($1,000,000)	$0	$0	$0	$0	$0
City GFd Activities	$305,752,635	$318,017,443	$332,353,381	$345,941,343	$361,481,017	$378,396,059
General Fund Activities $$ Change	$8,866,792	$12,264,808	$14,335,938	$13,587,962	$15,539,674	$16,915,042
General Fund Activities % Change	2.99%	4.01%	4.51%	4.09%	4.49%	4.68%
GFd Act % Change After Cost ESC >>>	0.96%	0.82%	0.00%	0.00%	0.00%	0.00%
>>	($1,590,000)	($2,500,000) <<	CPED			
GFd Act $$ Change After Cost ESC >>>	$304,162,635	$315,517,443				
GFd Act % Change BeforeCost ESC >>>	2.45%	3.19%				
GFd Act % Cjange After Cost ESC >>>	0.43%	0.00%				

Note: Park Board activities includes capital and operating expenditures. Please see Park Board narrative in the Independent Boards section for more information.

2012 Property Tax Supported Budgets						
			Allocated Revenues for Presentation Purposes *These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.*			
	2012 Mayor Recomm. Budget	**2012 Direct Revenue (received by the department)**	**Other General City Revenues**	**Local Government Aid**	**Property Tax Revenue**	**Total Revenues**
General Fund						
General Fund Commitments						
Internal Service Funds Financial Plans	15.785	-	-	-	15.785	15.785
Transfers to BIS for WiFI from Gen Fd Depts	0.484	-	-	-	0.484	0.484
Transfer to Pension Management Plan	-			-	-	-
Graffiti Removal	0.150				0.150	0.150
Target Center Financial Plan	0.092	-	-	-	0.092	0.092
Transfers for City Hall rent	0.697	-	-	-	0.697	0.697
Payment to County for Library System	4.982	-	-	4.982	-	4.982
Transfer to Capital Improvement Fund	-	-	-	-	-	-
Property tax stablization account	-	-	-	-	-	-
Pension Debt Service Mgmt Plan	24.440	-	-	-	24.440	24.440
Total General Fund Commitments	**46.630**	**-**	**-**	**4.982**	**41.648**	**46.630**
General Fund Departments						
Police	128.015	8.865	34.716	22.998	58.575	125.154
Fire	52.272	3.887	14.098	9.339	23.787	51.111
Subtotal for Police & Fire	***180.287***	***12.753***	***48.813***	***32.337***	***82.362***	***176.265***
Assessor	4.196	0.063	1.204	0.798	2.032	4.096
Attorney	7.758	0.020	2.255	1.494	3.804	7.573
BIS	0.290		0.084	0.056	0.143	0.283
City Clerk & Elections	3.577	0.050	1.028	0.681	1.734	3.492
City Council	4.296		1.252	0.829	2.112	4.193
City Coordinator Administration	1.519		0.442	0.293	0.747	1.482
311	3.087		0.899	0.596	1.517	3.012
911	7.297		2.126	1.408	3.587	7.121
Emergency Management	0.485		0.141	0.094	0.238	0.473
Civil Rights	2.063		0.601	0.398	1.014	2.013
Communications	2.011	3.930	-	-	-	3.930
Community Planning & Economic Development (CPED)	3.555	1.360	0.639	0.424	1.079	3.502
Contingency	3.999		-	-	3.999	3.999
Finance	19.633		5.720	3.790	9.652	19.162
Health and Family	2.539		0.740	0.490	1.248	2.478
Human Resources	5.510		1.606	1.064	2.709	5.378
Intergovernmental Relations	1.405		0.410	0.271	0.691	1.372
Internal Audit	0.378		0.110	0.073	0.186	0.369
Mayor	1.548		0.451	0.299	0.761	1.511
Neighborhood & Community Relations	0.796		0.232	0.154	0.391	0.777
Public Works	46.084	14.774	9.122	6.043	15.392	45.332
Regulatory Services	30.626	35.124	-	-	-	35.124
Subtotal for all other departments	***152.650***	***55.321***	***29.063***	***19.253***	***53.036***	***156.672***
Total General Fund Departments	**332.937**	**68.074**	**77.876**	**51.590**	**135.398**	**332.937**
Total General Fund	**379.567**	**68.074**	**77.876**	**56.572**	**177.046**	**379.568**
						-
Other Property Tax-Supported Commitments						
Capital - Permanent Improvement	0.980	-	-	-	0.980	0.980
Debt Service	18.375	-	-	-	18.375	18.375
Subtotal	***19.355***	***-***	***-***	***-***	***19.355***	***19.355***
Pensions - Direct Levy for MPRA, MFRA and MERF	19.660				19.660	19.660
Total Property Tax Supported Commitments	**418.582**	**68.074**	**77.876**	**56.572**	**216.061**	**418.582**

(Additional cuts needed)/Cushion for adverse circumstances 0.000

Total Pension Costs	2011 Expense	2012 Expense	% change from 2010
	46.573	**44.100**	**-5.3%**

2013 Property Tax Supported Budgets

	Prior Year Total Expense	Projected Growth in Spending	Reduction to Growth in Spending	Current Year Total Expense	Direct Revenue (received by the department)	Allocated Revenues for Presentation Purposes *These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.* Other General City Revenues	Local Government Aid	Property Tax Revenue	Total Revenues
General Fund									
General Fund Commitments									
Internal Service Funds Financial Plans	15.785	9.270		25.055	-	-	-	25.055	25.055
Transfers to BIS for WiFI from Gen Fd Depts	0.484	0.007		0.491	-	-	-	0.491	0.491
Transfer to Pension Management Plan	-	-		-	-	-	-	-	-
Graffiti Removal	0.150	-	-	0.150	-	-	-	0.150	0.150
Target Center Financial Plan	0.092	0.458	-	0.550	-	-	-	0.550	0.550
Transfers for City Hall rent	0.697	0.022	-	0.719	-	-	-	0.719	0.719
Payment to County for Library System	4.982	(0.876)	-	4.106	-	-	4.106	-	4.106
Transfer to Capital Improvement Fund	-	-	-	-	-	-	-	-	-
Property tax stablization account	-	-	-	-	-	-	-	-	-
Pension Debt Service Mgmt Plan	24.440	(20.567)	-	3.873	-	-	-	3.873	3.873
Total General Fund Commitments	**46.630**	**(11.686)**	**-**	**34.944**	**-**	**-**	**4.106**	**30.838**	**34.944**
General Fund Departments									
Police	128.015	4.088		132.104	8.865	35.516	23.600	64.122	132.104
Fire	52.272	1.669		53.942	3.887	14.425	9.585	26.044	53.942
Subtotal for Public Safety	***180.287***	***5.758***	***-***	***186.045***	***12.753***	***49.942***	***33.186***	***90.165***	***186.045***
Assessor	4.196	0.134		4.330	0.063	1.230	0.817	2.220	4.330
Attorney	7.758	0.248		8.006	0.020	2.302	1.529	4.155	8.006
BIS	0.290	-		-	-	-	-	-	-
City Clerk & Elections	3.577	0.214		3.791	0.050	1.078	0.716	1.947	3.791
City Council	4.296	0.137		4.433	-	1.278	0.849	2.307	4.433
City Coordinator Administration	1.519	0.048		1.566	-	0.451	0.300	0.815	1.566
311	3.087	0.099		3.185	-	0.918	0.610	1.657	3.185
911	7.297	0.233		7.530	-	2.170	1.442	3.918	7.530
Emergency Management	0.485	0.015		0.500	-	0.144	0.096	0.260	0.500
Civil Rights	2.063	0.066		2.129	-	0.613	0.408	1.108	2.129
Communications	2.011	0.064		2.075	3.930	(0.535)	(0.355)	(0.965)	2.075
Community Planning & Economic Development (CPED)	3.555	2.597		6.151	1.360	1.381	0.918	2.493	6.151
Contingency	3.999	(0.688)	-	3.311	-	-	-	3.311	3.311
Finance	19.633	0.627		20.260	-	5.839	3.880	10.541	20.260
Health and Family	2.539	0.081		2.620	-	0.755	0.502	1.363	2.620
Human Resources	5.510	0.176		5.686	-	1.639	1.089	2.959	5.686
Intergovernmental Relations	1.405	0.043		1.449	-	0.418	0.277	0.754	1.449
Internal Audit	0.378	0.012		0.390	-	0.112	0.075	0.203	0.390
Mayor	1.548	0.051		1.599	-	0.461	0.306	0.832	1.599
Neighborhood & Community Relations	0.796	0.025		0.822	-	0.237	0.157	0.427	0.822
Public Works	46.084	1.464		47.547	14.774	9.445	6.276	17.052	47.547
Regulatory Services	30.626	0.978		31.604	36.178	(1.318)	(0.876)	(2.380)	31.604
Subtotal for all other departments	***152.650***	***6.624***	***-***	**158.984**	**56.375**	**28.617**	***19.016***	***54.977***	**158.984**
Total General Fund Departments	**332.937**	**12.382**	**-**	**345.029**	**69.127**	**78.559**	**52.201**	**145.142**	**345.029**
Total General Fund	**379.567**	**0.697**	**-**	**379.974**	**69.127**	**78.559**	**56.307**	**175.980**	**379.974**
									-
Other Property Tax-Supported Commitments									
Capital - Permanent Improvement	0.980	0.020	-	1.000	-	-	-	1.000	1.000
Debt Service	18.375	1.715	-	20.090	-	-	-	20.090	20.090
Subtotal	***19.355***	***1.735***	***-***	***21.090***	***-***	***-***	***-***	***21.090***	***21.090***
Pensions - Direct Levy for MPRA, MFRA and MERF	19.660	5.867	-	25.527				25.527	25.527
Total Property Tax Supported Commitments	**418.582**	**8.299**	**-**	**426.591**	**69.127**	**78.559**	**56.307**	**222.597**	**426.591**

Total Pension Costs	2012 Expense	2013 Expense	% change
	44.100	**29.400**	**-33.3%**

2012 Max	216.061
2013 Max	222.598
(Additional cuts needed)/Cushion for adverse circumstances	0.000

2014 Property Tax Supported Budgets

	Prior Year Total Expense	Projected Growth in Spending	Reduction to Growth in Spending	Current Year Total Expense	Direct Revenue (received by the department)	Allocated Revenues for Presentation Purposes *These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.* Other General City Revenues	Local Government Aid	Property Tax Revenue	Total Revenues
General Fund									
General Fund Commitments									
Internal Service Funds Financial Plans	25.055	(12.943)	-	12.113	-	-	-	12.113	12.113
Transfers to BIS for WiFI from Gen Fd Depts	0.491	0.007		0.498	-	-	-	0.498	0.498
Transfer to Pension Management Plan	-	-	-	-	-	-	-	-	-
Graffiti Removal	0.150	-	-	0.150	-	-	-	0.150	0.150
Target Center Financial Plan	0.550	-	-	0.550	-	-	-	0.550	0.550
Transfers for City Hall rent	0.719	0.030	-	0.749	-	-	-	0.749	0.749
Payment to County for Library System	4.106	(0.868)	-	3.238	-	-	3.238	-	3.238
Transfer to Capital Improvement Fund	-	-	-	-	-	-	-	-	-
Property tax stablization account	-	6.700	-	6.700	-	-	-	6.700	6.700
Pension Debt Service Mgmt Plan	3.873	(3.430)	-	0.443	-	-	-	0.443	0.443
Total General Fund Commitments	**34.944**	**(10.504)**	**-**	**24.441**	**-**	**-**	**3.238**	**21.203**	**24.441**
General Fund Departments									
Police	132.104	5.493	-	137.597	8.865	36.214	23.792	68.726	137.597
Fire	53.942	2.243	-	56.185	3.887	14.712	9.665	27.920	56.185
Subtotal for Public Safety	***186.045***	***7.736***	***-***	***193.782***	***12.753***	***50.926***	***33.457***	***96.646***	***193.782***
Assessor	4.330	0.180	-	4.510	0.063	1.251	0.822	2.374	4.510
Attorney	8.006	0.333	-	8.339	0.020	2.340	1.537	4.441	8.339
BIS	-	-	-	-	-	-	-	-	-
City Clerk & Elections	3.791	0.158	-	3.949	0.050	1.097	0.721	2.081	3.949
City Council	4.433	0.184	-	4.618	-	1.299	0.853	2.465	4.618
City Coordinator Administration	1.566	0.065	-	1.632	-	0.459	0.302	0.871	1.632
311	3.185	0.132	-	3.318	-	0.933	0.613	1.771	3.318
911	7.530	0.313	-	7.843	-	2.206	1.449	4.187	7.843
Emergency Management	0.500	0.021	-	0.521	-	0.147	0.096	0.278	0.521
Civil Rights	2.129	0.089	-	2.217	-	0.624	0.410	1.184	2.217
Communications	2.075	0.086	-	2.161	3.930	(0.498)	(0.327)	(0.944)	2.161
Community Planning & Economic Development (CPED)	6.151	0.256	-	6.407	1.360	1.420	0.933	2.694	6.407
Contingency	3.311	1.251	-	4.562	-	-	-	4.562	4.562
Finance	20.260	0.842	-	21.103	-	5.937	3.900	11.266	21.103
Health and Family	2.620	0.109	-	2.729	-	0.768	0.504	1.457	2.729
Human Resources	5.686	0.236	-	5.923	-	1.666	1.095	3.162	5.923
Intergovernmental Relations	1.449	0.060	-	1.509	-	0.425	0.279	0.806	1.509
Internal Audit	0.390	0.016	-	0.406	-	0.114	0.075	0.217	0.406
Mayor	1.599	0.066	-	1.665	-	0.468	0.308	0.889	1.665
Neighborhood & Community Relations	0.822	0.034	-	0.856	-	0.241	0.158	0.457	0.856
Public Works	47.547	1.977		49.525	14.774	9.776	6.422	18.552	49.525
Regulatory Services	31.604	1.314	-	32.918	37.263	(1.222)	(0.803)	(2.320)	32.918
Subtotal for all other departments	***158.984***	***7.724***	***-***	**166.709**	57.460	**29.450**	***19.348***	**60.451**	**166.709**
Total General Fund Departments	**345.029**	**15.461**	**-**	**360.490**	**70.213**	**80.376**	**52.805**	**157.096**	**360.490**
Total General Fund	**379.974**	**4.957**	**-**	**384.931**	**70.213**	**80.376**	**56.043**	**178.299**	**384.931**
									-
Other Property Tax-Supported Commitments									
Capital - Permanent Improvement	1.000	0.029	-	1.029	-	-	-	1.029	1.029
Debt Service	20.090	6.370	-	26.460	-	-	-	26.460	26.460
Subtotal	***21.090***	***6.399***	***-***	***27.489***	***-***	***-***	***-***	***27.489***	***27.489***
Pensions - Direct Levy for MPRA, MFRA and MERF	25.527	-	-	25.527				25.527	25.527
Total Property Tax Supported Commitments	**426.591**	**11.356**	**-**	**437.947**	**70.213**	**80.376**	**56.043**	**231.315**	**437.947**

Total Pension Costs	2013 Expense	2014 Expense	% change
	29.400	**25.970**	**-11.7%**

2013 Max	222.598
2014 Max	231.315
(Additional cuts needed)/Cushion for adverse circumstances	(0.000)

2015 Property Tax Supported Budgets

	Prior Year Total Expense	Projected Growth in Spending	Reduction to Growth in Spending	Current Year Total Expense	Direct Revenue (received by the department)	Allocated Revenues for Presentation Purposes *These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.* Other General City Revenues	Local Government Aid	Property Tax Revenue	Total Revenues
General Fund									
General Fund Commitments									
Internal Service Funds Financial Plans	12.113	(3.959)		8.154	-	-	-	8.154	8.154
Transfers to BIS for WiFI from Gen Fd Depts	0.498	0.007		0.505	-	-	-	0.505	0.505
Transfer to Pension Management Plan	-	-	-	-	-	-	-	-	-
Graffiti Removal	0.150	-	-	0.150	-	-	-	0.150	0.150
Target Center Financial Plan	0.550	-	-	0.550	-	-	-	0.550	0.550
Transfers for City Hall rent	0.749	0.032	-	0.781	-	-	-	0.781	0.781
Payment to County for Library System	3.238	(0.875)	-	2.363	-	-	2.363	-	2.363
Transfer to Capital Improvement Fund	-	-	-	-	-	-	-	-	-
Property tax stablization account	6.700	(5.739)	-	0.961	-	-	-	0.961	0.961
Pension Debt Service Mgmt Plan	0.443	-	-	0.443	-	-	-	0.443	0.443
Total General Fund Commitments	**24.441**	**(10.533)**	**-**	**13.907**	**-**	**-**	**2.363**	**11.544**	**13.907**
General Fund Departments									
Police	137.597	5.940	-	143.536	8.865	36.592	24.021	74.057	143.536
Fire	56.185	2.425	-	58.610	3.887	14.869	9.761	30.093	58.610
Subtotal for Public Safety	***193.782***	***8.365***	***-***	***202.146***	***12.753***	***51.461***	***33.782***	***104.150***	***202.146***
Assessor	4.510	0.195	-	4.704	0.063	1.261	0.828	2.553	4.704
Attorney	8.339	0.360	-	8.699	0.020	2.358	1.548	4.773	8.699
BIS	-	-	-	-	-	-	-	-	-
City Clerk & Elections	3.949	(0.330)	-	3.619	0.050	0.970	0.637	1.963	3.619
City Council	4.618	0.199	-	4.817	-	1.309	0.859	2.649	4.817
City Coordinator Administration	1.632	0.070	-	1.702	-	0.462	0.304	0.936	1.702
311	3.318	0.143	-	3.461	-	0.940	0.617	1.903	3.461
911	7.843	0.339	-	8.181	-	2.223	1.459	4.499	8.181
Emergency Management	0.521	0.023	-	0.544	-	0.148	0.097	0.299	0.544
Civil Rights	2.217	0.096	-	2.313	-	0.628	0.413	1.272	2.313
Communications	2.161	0.093	-	2.255	3.930	(0.455)	(0.299)	(0.921)	2.255
Community Planning & Economic Development (CPED)	6.407	0.277	-	6.684	1.360	1.447	0.950	2.928	6.684
Contingency	4.562	(0.089)	-	4.473	-	-	-	4.473	4.473
Finance	21.103	0.911	-	22.014	-	5.981	3.927	12.106	22.014
Health and Family	2.729	0.118	-	2.847	-	0.774	0.508	1.566	2.847
Human Resources	5.923	0.256	-	6.178	-	1.679	1.102	3.398	6.178
Intergovernmental Relations	1.509	0.065	-	1.574	-	0.428	0.281	0.866	1.574
Internal Audit	0.406	0.018	-	0.423	-	0.115	0.076	0.233	0.423
Mayor	1.665	0.072	-	1.737	-	0.472	0.310	0.955	1.737
Neighborhood & Community Relations	0.856	0.037	-	0.893	-	0.243	0.159	0.491	0.893
Public Works	49.525	2.138		51.662	14.774	10.023	6.580	20.285	51.662
Regulatory Services	32.918	1.421	-	34.339	38.381	(1.098)	(0.721)	(2.223)	34.339
Subtotal for all other departments	***166.709***	***6.410***	***-***	***173.119***	***58.578***	***29.907***	***19.633***	***65.001***	***173.119***
Total General Fund Departments	**360.490**	**14.775**	**-**	**375.265**	**71.331**	**81.368**	**53.415**	**169.151**	**375.265**
Total General Fund	**384.931**	**4.242**	**-**	**389.172**	**71.331**	**81.368**	**55.778**	**180.695**	**389.172**
									-
Other Property Tax-Supported Commitments									
Capital - Permanent Improvement	1.029	0.049	-	1.078	-	-	-	1.078	1.078
Debt Service	26.460	6.860	-	33.320	-	-	-	33.320	33.320
Subtotal	***27.489***	***6.909***	***-***	***34.398***	***-***	***-***	***-***	***34.398***	***34.398***
Pensions - Direct Levy for MPRA, MFRA and MERF	25.527	-	-	25.527				25.527	25.527
Total Property Tax Supported Commitments	**437.947**	**11.151**	**-**	**449.097**	**71.331**	**81.368**	**55.778**	**240.620**	**449.097**

Total Pension Costs	2014 Expense	2015 Expense	% change
	25.970	**25.970**	**0.0%**

2014 Max	231.315
2015 Max	240.621
(Additional cuts needed)/Cushion for adverse circumstances	0.000

2016 Property Tax Supported Budgets

	Prior Year Total Expense	Projected Growth in Spending	Reduction to Growth in Spending	Current Year Total Expense	Direct Revenue (received by the department)	Allocated Revenues for Presentation Purposes *These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.* Other General City Revenues	Local Government Aid	Property Tax Revenue	Total Revenues
General Fund									
General Fund Commitments									
Internal Service Funds Financial Plans	8.154	(8.154)		-	-	-	-	-	-
Transfers to BIS for WiFI from Gen Fd Depts	0.505	(0.022)	-	0.482	-	-	-	0.482	0.482
Transfer to Pension Management Plan	-	-	-	-	-	-	-	-	-
Graffiti Removal	0.150	-	-	0.150	-	-	-	0.150	0.150
Target Center Financial Plan	0.550	-	-	0.550	-	-	-	0.550	0.550
Transfers for City Hall rent	0.781	0.035	-	0.816	-	-	-	0.816	0.816
Payment to County for Library System	2.363	(0.803)	-	1.560	-	-	1.560	-	1.560
Transfer to Capital Improvement Fund	-	-	-	-	-	-	-	-	-
Property tax stablization account	0.961	4.007	-	4.969	-	-	-	4.969	4.969
Pension Debt Service Mgmt Plan	0.443	-	-	0.443	-	-	-	0.443	0.443
Total General Fund Commitments	**13.907**	**(4.937)**	**-**	**8.970**	**-**	**-**	**1.560**	**7.410**	**8.970**
General Fund Departments									
Police	143.536	6.445	-	149.981	8.865	36.892	24.143	80.081	149.981
Fire	58.610	2.632	-	61.242	3.887	14.994	9.813	32.548	61.242
Subtotal for Public Safety	***202.146***	***9.076***	***-***	***211.223***	***12.753***	***51.886***	***33.956***	***112.628***	***211.223***
Assessor	4.704	0.211	-	4.916	0.063	1.269	0.830	2.754	4.916
Attorney	8.699	0.391	-	9.090	0.020	2.371	1.552	5.147	9.090
BIS	-	-	-	-	-	-	-	-	-
City Clerk & Elections	3.619	0.562	-	4.182	0.050	1.080	0.707	2.345	4.182
City Council	4.817	0.216	-	5.033	-	1.316	0.861	2.856	5.033
City Coordinator Administration	1.702	0.076	-	1.778	-	0.465	0.304	1.009	1.778
311	3.461	0.155	-	3.616	-	0.945	0.619	2.052	3.616
911	8.181	0.367	-	8.549	-	2.235	1.463	4.851	8.549
Emergency Management	0.544	0.024	-	0.568	-	0.149	0.097	0.322	0.568
Civil Rights	2.313	0.104	-	2.417	-	0.632	0.413	1.371	2.417
Communications	2.255	0.101	-	2.356	3.930	(0.412)	(0.269)	(0.893)	2.356
Community Planning & Economic Development (CPED)	6.684	0.300	-	6.984	1.360	1.470	0.962	3.191	6.984
Contingency	4.473	(0.209)	-	4.264	-	-	-	4.264	4.264
Finance	22.014	0.988	-	23.002	-	6.013	3.935	13.053	23.002
Health and Family	2.847	0.128	-	2.975	-	0.778	0.509	1.688	2.975
Human Resources	6.178	0.277	-	6.456	-	1.688	1.105	3.664	6.456
Intergovernmental Relations	1.574	0.071	-	1.645	-	0.430	0.281	0.933	1.645
Internal Audit	0.423	0.019	-	0.442	-	0.116	0.076	0.251	0.442
Mayor	1.737	0.078	-	1.815	-	0.474	0.311	1.030	1.815
Neighborhood & Community Relations	0.893	0.040	-	0.933	-	0.244	0.160	0.529	0.933
Public Works	51.662	2.320		53.982	14.774	10.250	6.708	22.250	53.982
Regulatory Services	34.339	1.542	-	35.881	39.533	(0.955)	(0.625)	(2.072)	35.881
Subtotal for all other departments	***173.119***	***7.763***	***-***	**180.882**	**59.729**	**30.558**	***19.998***	***70.596***	**180.882**
Total General Fund Departments	**375.265**	**16.840**	**-**	**392.105**	**72.482**	**82.445**	**53.954**	**183.225**	**392.105**
Total General Fund	**389.172**	**11.903**	**-**	**401.075**	**72.482**	**82.445**	**55.514**	**190.635**	**401.075**
									-
Other Property Tax-Supported Commitments									
Capital - Permanent Improvement	1.078	0.049	-	1.127	-	-	-	1.127	1.127
Debt Service	33.320	0.980	-	34.300	-	-	-	34.300	34.300
Subtotal	***34.398***	***1.029***	***-***	***35.427***	***-***	***-***	***-***	***35.427***	***35.427***
Pensions - Direct Levy for MPRA, MFRA and MERF	25.527	-	-	25.527				25.527	25.527
Total Property Tax Supported Commitments	**449.097**	**12.932**	**-**	**462.029**	**72.482**	**82.445**	**55.514**	**251.589**	**462.029**

Total Pension Costs	2015 Expense	2016 Expense	% change
	25.970	**25.970**	**0.0%**

2015 Max	240.621
2016 Max	251.589
(Additional cuts needed)/Cushion for adverse circumstances	(0.000)

2017 Property Tax Supported Budgets

	Prior Year Total Expense	Projected Growth in Spending	Reduction to Growth in Spending	Current Year Total Expense	Direct Revenue (received by the department)	Allocated Revenues for Presentation Purposes *These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.* Other General City Revenues	Local Government Aid	Property Tax Revenue	Total Revenues
General Fund									
General Fund Commitments									
Internal Service Funds Financial Plans	-	-		-	-	-	-	-	-
Transfers to BIS for WiFI from Gen Fd Depts	0.482	(0.020)		0.463	-	-	-	0.463	0.463
Transfer to Pension Management Plan	-	-	-	-	-	-	-	-	-
Graffiti Removal	0.150	-	-	0.150	-	-	-	0.150	0.150
Target Center Financial Plan	0.550	-	-	0.550	-	-	-	0.550	0.550
Transfers for City Hall rent	0.816	0.038	-	0.854	-	-	-	0.854	0.854
Payment to County for Library System	1.560	(0.780)	-	0.780	-	-	0.780	-	0.780
Transfer to Capital Improvement Fund	-	-	-	-	-	-	-	-	-
Property tax stablization account	4.969	(4.664)	-	0.304	-	-	-	0.304	0.304
Pension Debt Service Mgmt Plan	0.443	-	-	0.443	-	-	-	0.443	0.443
Total General Fund Commitments	**8.970**	**(5.426)**	**-**	**3.544**	**-**	**-**	**0.780**	**2.764**	**3.544**
General Fund Departments									
Police	149.981	7.018	-	156.999	8.865	36.781	23.959	87.394	156.999
Fire	61.242	2.866	-	64.107	3.887	14.952	9.740	35.528	64.107
Subtotal for Public Safety	***211.223***	***9.884***	***-***	***221.107***	***12.753***	***51.733***	***33.699***	***122.922***	***221.107***
Assessor	4.916	0.230	-	5.146	0.063	1.262	0.822	2.999	5.146
Attorney	9.090	0.425	-	9.515	0.020	2.358	1.536	5.602	9.515
BIS	-	-	-	-	-	-	-	-	-
City Clerk & Elections	4.182	0.296	-	4.477	0.050	1.099	0.716	2.612	4.477
City Council	5.033	0.236	-	5.269	-	1.308	0.852	3.108	5.269
City Coordinator Administration	1.778	0.083	-	1.862	-	0.462	0.301	1.098	1.862
311	3.616	0.169	-	3.785	-	0.940	0.612	2.233	3.785
911	8.549	0.400	-	8.949	-	2.222	1.447	5.279	8.949
Emergency Management	0.568	0.027	-	0.595	-	0.148	0.096	0.351	0.595
Civil Rights	2.417	0.113	-	2.530	-	0.628	0.409	1.493	2.530
Communications	2.356	0.110	-	2.466	3.930	(0.363)	(0.237)	(0.864)	2.466
Community Planning & Economic Development (CPED)	6.984	0.327	-	7.311	1.360	1.477	0.962	3.511	7.311
Contingency	4.264	0.081	-	4.345	-	1.079	0.703	2.563	4.345
Finance	23.002	1.076	-	24.078	-	5.978	3.894	14.205	24.078
Health and Family	2.975	0.139	-	3.114	-	0.773	0.504	1.837	3.114
Human Resources	6.456	0.302	-	6.758	-	1.678	1.093	3.987	6.758
Intergovernmental Relations	1.645	0.077	-	1.722	-	0.428	0.278	1.016	1.722
Internal Audit	0.442	0.021	-	0.463	-	0.115	0.075	0.273	0.463
Mayor	1.815	0.085	-	1.900	-	0.472	0.307	1.121	1.900
Neighborhood & Community Relations	0.933	0.044	-	0.976	-	0.242	0.158	0.576	0.976
Public Works	53.982	2.526		56.508	14.774	10.362	6.750	24.621	56.508
Regulatory Services	35.881	1.679	-	37.560	40.719	(0.784)	(0.511)	(1.863)	37.560
Subtotal for all other departments	***180.882***	***8.446***	***-***	**189.328**	**60.915**	**31.884**	***20.770***	***75.759***	**189.328**
Total General Fund Departments	**392.105**	**18.330**	**-**	**410.434**	**73.668**	**83.617**	**54.469**	**198.681**	**410.434**
Total General Fund	**401.075**	**12.904**	**-**	**413.979**	**73.668**	**83.617**	**55.249**	**201.445**	**413.979**
									-
Other Property Tax-Supported Commitments									
Capital - Permanent Improvement	1.127	0.049	-	1.176	-	-	-	1.176	1.176
Debt Service	34.300	0.490	-	34.790	-	-	-	34.790	34.790
Subtotal	***35.427***	***0.539***	***-***	***35.966***	***-***	***-***	***-***	***35.966***	***35.966***
Pensions - Direct Levy for MPRA, MFRA and MERF	25.527	-	-	25.527				25.527	25.527
Total Property Tax Supported Commitments	**462.029**	**13.443**	**-**	**475.472**	**73.668**	**83.617**	**55.249**	**262.938**	**475.472**

Total Pension Costs	2016 Expense	2017 Expense	% change
	25.970	**25.970**	**0.0%**

2016 Max	251.589
2017 Max	262.938
(Additional cuts needed)/Cushion for adverse circumstances	0.000

Five-Year Summary of Property Tax Supported Budgets

	2012 Expense	5-Year Projected Growth in Spending	5-Year Reduction to Growth in Spending	2017 Expense	Avg Annual % Incr over 5-yr period	2017 Direct Revenue	Allocated Revenues for Presentation Purposes *These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes.* 2017 General City Revenues (Non-Direct)	2017 Local Government Aid	2017 Property Tax Revenue	2017 Total Revenues
General Fund										
General Fund Commitments										
Internal Service Funds Financial Plans	15.785	(15.785)	-	-	-100.0%	-	-	-	-	-
Transfers to BIS for WiFI from Gen Fd Depts	0.484	(0.022)	-	0.463	-4.5%	-	-	-	0.463	0.463
Transfer to Pension Management Plan	-	-	-	-		-	-	-	-	-
Graffiti Removal	0.150	-	-	0.150	0.0%	-	-	-	0.150	0.150
Target Center Financial Plan	0.092	0.458	-	0.550	497.8%	-	-	-	0.550	0.550
Transfers for City Hall rent	0.697	0.158	-	0.854	85.4%	-	-	-	0.854	0.854
Payment to County for Library System	4.982	(4.202)	-	0.780	-84.3%	-	-	0.780	-	0.780
Transfer to Capital Improvement Fund	-	-	-	-		-	-	-	-	-
Property tax stablization account	-	0.304	-	0.304		-	-	-	0.304	0.304
Pension Debt Service Mgmt Plan	24.440	(23.997)	-	0.443	-98.2%	-	-	-	0.443	0.443
Total General Fund Commitments	**46.630**	**(43.086)**	**-**	**3.544**	**-92.4%**	**-**	**-**	**0.780**	**2.764**	**3.544**
General Fund Activities										
Police	128.015	28.984	-	156.999	22.6%	8.865	36.781	23.959	87.394	156.999
Fire	52.272	11.835	-	64.107	22.6%	3.887	14.952	9.740	35.528	64.107
Subtotal for Public Safety	***180.287***	***40.819***	***-***	***221.107***	***22.6%***	***12.753***	***51.733***	***33.699***	***122.922***	***221.107***
Assessor	4.196	0.950	-	5.146	22.6%	0.063	1.262	0.822	2.999	5.146
Attorney	7.758	1.757	-	9.515	22.6%	0.020	2.358	1.536	5.602	9.515
BIS	0.290	-	-	-	0.0%	-	-	-	-	-
City Clerk & Elections	3.577	0.900	-	4.477	25.2%	0.050	1.099	0.716	2.612	4.477
City Council	4.296	0.973	-	5.269	22.6%	-	1.308	0.852	3.108	5.269
City Coordinator Administration	1.519	0.343	-	1.862	22.6%	-	0.462	0.301	1.098	1.862
311	3.087	0.699	-	3.785	22.6%	-	0.940	0.612	2.233	3.785
911	7.297	1.652	-	8.949	22.6%	-	2.222	1.447	5.279	8.949
Emergency Management	0.485	0.110	-	0.595	22.6%	-	0.148	0.096	0.351	0.595
Civil Rights	2.063	0.467	-	2.530	22.6%	-	0.628	0.409	1.493	2.530
Communications	2.011	0.455	-	2.466	22.6%	3.930	(0.363)	(0.237)	(0.864)	2.466
Community Planning & Economic Development (CPED)	3.555	3.756	-	7.311	105.7%	1.360	1.477	0.962	3.511	7.311
Contingency	3.999	0.346	-	4.345	8.7%	-	1.079	0.703	2.563	4.345
Finance	19.633	4.445	-	24.078	22.6%	-	5.978	3.894	14.205	24.078
Health and Family	2.539	0.575	-	3.114	22.6%	-	0.773	0.504	1.837	3.114
Human Resources	5.510	1.248	-	6.758	22.6%	-	1.678	1.093	3.987	6.758
Intergovernmental Relations	1.405	0.316	-	1.722	22.5%	-	0.428	0.278	1.016	1.722
Internal Audit	0.378	0.086	-	0.463	22.6%	-	0.115	0.075	0.273	0.463
Mayor	1.548	0.352	-	1.900	22.8%	-	0.472	0.307	1.121	1.900
Neighborhood & Community Relations	0.796	0.180	-	0.976	22.6%	-	0.242	0.158	0.576	0.976
Public Works	46.084	10.424	-	56.508	22.6%	14.774	10.362	6.750	24.621	56.508
Regulatory Services	30.626	6.934	-	37.560	22.6%	40.719	(0.784)	(0.511)	(1.863)	37.560
Subtotal for all other departments	***152.650***	***36.968***	***-***	***189.328***	***24.0%***	***60.915***	***31.884***	***20.770***	***75.759***	***189.328***
Total General Fund Activities	**332.937**	**77.787**	**-**	**410.434**	**46.7%**	**73.668**	**83.617**	**54.469**	**198.681**	**410.434**
Total General Fund	**379.567**	**34.701**	**-**	**413.979**	**9.1%**	**73.668**	**83.617**	**55.249**	**201.445**	**413.979**
										-
Other Property Tax-Supported Commitments										
Capital - Permanent Improvement	0.980	0.196	-	1.176	20.0%	-	-	-	1.176	1.176
Debt Service	18.375	16.415	-	34.790	89.3%	-	-	-	34.790	34.790
Subtotal	***19.355***	***16.611***	***-***	***35.966***	***109.3%***	***-***	***-***	***-***	***35.966***	***35.966***
Pensions - Direct Levy for MPRA, MFRA and MERF	19.660	5.867	-	25.527	29.8%	-	-	-	25.527	25.527
Total Property Tax Supported Commitments	**418.582**	**57.180**	**-**	**475.472**	**13.6%**	**73.668**	**83.617**	**55.249**	**262.938**	**475.472**

2012 Max	216.061
2017 Max	262.938
(Additional cuts needed)/Cushion for adverse circumstances	0.000

City of Minneapolis
2012 Budget

Ten-Year Projection of Demands on the Property Tax

Background
The ten-year projection was first produced in the spring of 2002 to surface all the demands on the property tax to which the City had committed. This projection led to adoption of the 8% maximum property tax policy in the summer of 2002. The maximum property tax revenue policy was adopted by both the City Council and the Board of Estimate and Taxation. In January, 2003, the City Council and Mayor adopted a five-year financial direction to set resource parameters for department business plans. This policy was amended in 2010 to fund shared costs and provide consistent current service level adjustments for the City and independent boards.

Assumptions in the Ten-Year Projection
For details on the financial outlook for the City, please refer to the schedule of projected demands on the property tax:

- Included in the projections is a property tax stabilization account that, starting in 2014, smoothes property tax levy increases and decreases to provide a more stable percent change from year to year.

General Fund Operations Assumptions
- A 0% wage increase for unsettled contracts in 2011-2012 and a 0% wage increase in 2012-2013 for settled contracts. The salary assumption is 2% in 2013 for unsettled contracts and 2% for settled contracts in 2014 and a 2.5% wage increase thereafter.
- Annual increases in health insurance premiums of 4% in 2012, 12% in 2013 and 16% thereafter.
- Non-personnel increases are assumed to be 3.5% each year.
- No increase in departmental and citywide revenue (except for regulatory services revenues which are expected to increase by 3%). Please see the discussion in the 2013-2017 five-year financial direction, earlier under this same tab, for more information by department. Internal Service Funds financial plans are phased out at an accelerated schedule. The final transfer in scheduled for 2015 as compared to 2018 in the 2011 Adopted schedule.
- Commitments for the library are included in the general fund. In 2010 and beyond, the property tax levy for operations are included in the Hennepin County levy.

Capital and Debt Assumptions
- The bond redemption levy supports the net debt bond capital program. The level shown in the out years reflect the capacity provided in the 2012-2016 capital budget.
- The Net Debt Bond (NDB) program is paid for with property tax collections. The five-year financial direction for the bond redemption levy included increases in 2014 and significant increases in 2015 and beyond for capital improvements. These increases are possible because as the demand for property tax resources for the internal service fund financial plans are reduced, the bond redemption levy is increased. In order to expedite capital improvements in 2012 and 2013, the City will extend debt maturities slightly longer than current practice for new issuances until the higher bond redemption levies are realized. This plan also includes an increase in base levies of approximately $4 million starting in 2014 versus the previous long-term financial plan to pay for the higher capital level. These

property tax supported net debt bonds help to leverage many funding sources in the five-year plan.

Independent Boards and Special Levies Assumptions

- Park Board, Municipal Building Commission, Public Housing Authority and the Board of Estimate and Taxation all receive the same percentage increase to operating resources as the City (please see the financial overview and financial policies for more information.)
- Includes no Public Housing Authority levy in the future and the PILOT payment will be eliminated..
- Pension obligations are funded in each year of the projection. Projections include the assumption the MPRA and MFRA plans will be consolidated into the statewide Public Employees Retirement Association (PERA) plan.

City of Minneapolis - Details of Annual Demand (increases) in Property Tax Revenue

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund Less Pension Mgnt Plan											
Subtotal	$4.5	$9.9	($4.7)	($1.4)	$2.8	$10.9	$14.6	$15.2	$17.1	$19.3	$10.9
City Capital/Debt											
Permanent Imp Fund	$0.2	($0.9)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Bond Redemption Fund	$2.3	$0.2	$1.7	$6.4	$6.9	$1.0	$0.5	$0.5	$0.5	$0.5	($3.4)
Subtotal	$2.5	($0.6)	$1.7	$6.4	$6.9	$1.0	$0.5	$0.5	$0.5	$0.5	($3.4)
City Totals Less Trf Pension Mgmt Plan	$7.1	$9.3	($3.0)	$5.0	$9.7	$11.9	$15.1	$15.8	$17.6	$19.8	$7.5
Independent Boards											
Board of Estimate & Taxation	($0.1)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Library Referendum Levy	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Park & Recreation Board	$2.6	$0.0	$1.8	$2.5	$2.4	$2.8	$3.0	$3.3	$3.6	$3.0	$4.0
Municipal Bldg Commission	($0.0)	$0.0	$0.1	$0.2	$0.2	$0.2	$0.2	$0.3	$0.3	$0.2	$0.3
Mpls Public Housing Authority	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Teachers Retirement Assoc	$0.0	$0.2	($0.1)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Subtotal	$2.4	$0.2	$1.8	$2.8	$2.6	$3.0	$3.2	$3.5	$3.9	$3.2	$4.3
Pension Mangement Plan											
Subtotal	$11.4	($9.3)	$11.2	$6.3	$2.0	$1.8	($0.8)	$0.9	$3.4	$2.4	$20.0
Incremental Tax Revenue	$18.5	$0.0	$8.2	$11.3	$11.7	$13.7	$14.4	$16.7	$21.0	$22.3	$27.5
Total Property Tax Revenue	**$274.0**	**$274.0**	**$282.2**	**$293.5**	**$305.3**	**$319.0**	**$333.4**	**$350.0**	**$371.0**	**$393.3**	**$420.8**
% Change	**7.2%**	**0.0%**	**3.0%**	**4.0%**	**4.0%**	**4.5%**	**4.5%**	**5.0%**	**6.0%**	**6.0%**	**7.0%**
Property Tax Stabilization Account		$0.0	$0.0	($6.7)	($1.0)	($5.0)	($0.3)	$3.6	$6.2	$3.1	$0.0

City of Minneapolis
2012 Budget
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 Convention Center was created 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 the City, the metropolitan region, and the State of Minnesota. The fund also supports an operating transfer to Meet Minneapolis, an independent, non-profit organization contracted by the City of Minneapolis to market Minneapolis and the Twin Cities as a convention and tourist destination.

Historical Financial Performance

The fiscal year-end 2010 fund balance for the Convention Center Special Revenue Fund was $40.0 million, a decrease of $8.6 million from 2009. The 2010 decrease in fund balance can be largely attributed to increased ongoing equipment and improvement expense and transfers to debt service and to the Parking Fund. Local sales taxes (outlined in the table below) support the Convention Center with approximately $61.4 million collected in 2010. The increase was due largely to the 2010 opening of the Twins Ballpark (Target Field) and to a lesser extent the improved economic condition from 2009. The 2010 local tax revenue increased $6.4 million from 2009. The entertainment tax saw the largest increase from the 2010 opening of Target Field with a $4.1 million increase over 2009. Approximately $19 million was transferred to debt service in 2010 to cover the cost of the building debt, and $11.5 million was transferred to the parking fund to cover costs for Convention Center related parking ramps; an increase of $3.9 million and $1.6 million respectively over the 2009 transfer.

Comparative amounts collected:

Local Sales Taxes (in millions)	2008	2009	2010
0.5% Citywide Sales tax	$29.5	$26.5	$27.3
3.0% Entertainment Tax	$9.6	$9.1	$13.2
3.0% Downtown Restaurant Tax	$10.8	$9.9	$10.5
3.0% Downtown Liquor Tax	$3.9	$3.8	$4.6
3.0% Lodging Tax *	$6.6	$5.7	$5.8
Total Tax Collection	$60.4	$55.0	$61.4

* Lodging Tax was reduced to 2.625% effective 07/01/2009

The City deposits all of its local tax proceeds (*i.e.*, sales, entertainment, food, liquor, and lodging) in the Convention Center Special Revenue Fund. All the tax proceeds, with the exception of the entertainment tax, are Convention Center related and are used primarily to fund the debt related to the construction of the Convention Center and related facilities, as well as to fund the operating deficit.

The entertainment tax, established in 1969, is a revenue source for the general fund to offset additional public safety costs associated with City-wide entertainment activities. A portion of the tax ($706,000 in 2010) was 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 reconciled at the end of the year to the actual entertainment tax the Target Center received. The entertainment tax is deposited into the Convention Center Special Revenue Fund because it is pledged to debt service on outstanding Convention Center bonds in the event other revenue sources pledged to meet Convention Center debt service are insufficient.

With the new state sales tax increase of 0.375% effective July 1, 2009 the lodging tax was reduced from 3% to 2.625%. The law provides that when the general sales tax rate is combined with any other taxes on lodging within the City of Minneapolis, the total tax amount may not exceed 13%.

Funds are transferred annually to the Convention Center reserve fund for major repair or significant improvements to the Convention Center facility. Due to the age of the building and to effectively compete, it is anticipated that the amount of this transfer will increase in future years as the Convention Center implements competitive capital projects. In 2010, a net transfer of $150,000 was made to the reserve fund bringing the balance to $6.1 million.

Operating revenues are generated directly from the Convention Center operating activities. Exhibit space rental is the largest source of revenue for the Convention Center. Also included in operating revenues are equipment 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 from food and beverage account for the other miscellaneous operating revenue.

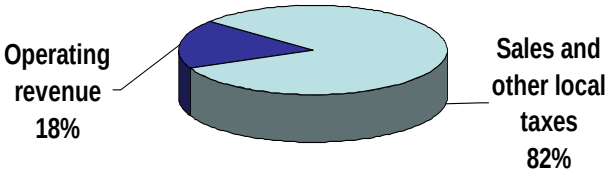
In 2010, total operating revenue was $12.9 million, which was $500,000 lower than 2009 and $1.9 million lower than the 2009 budget.

2012 Budget

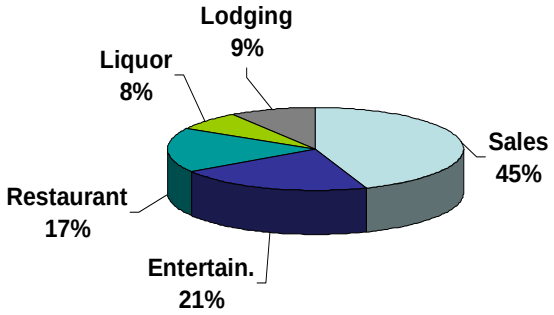
Revenues

The 2012 revenues for the Convention Center have been adjusted to reflect the actual historical receipts and anticipated event activity. Total operating revenue for 2012 is expected to be $14.1 million which is a slight decrease of 0.3% from 2011 projected. The Convention Center continues to discount rents heavily to be competitive and operational changes made in the beginning of 2011 are beginning to see results, particularly in charges for services and equipment. The Convention Center anticipates the 2011 operating revenues to achieve budget. Meet Minneapolis sales and marking initiatives include a rebranding of the City and continued efforts of bringing local business into the Convention Center via the “Meet in Minneapolis” campaign. The convention and meeting industry continues to face significant challenges in controlling costs as centers discount heavily to remain competitive.

Convention Center Revenues



Sales and Other Taxes



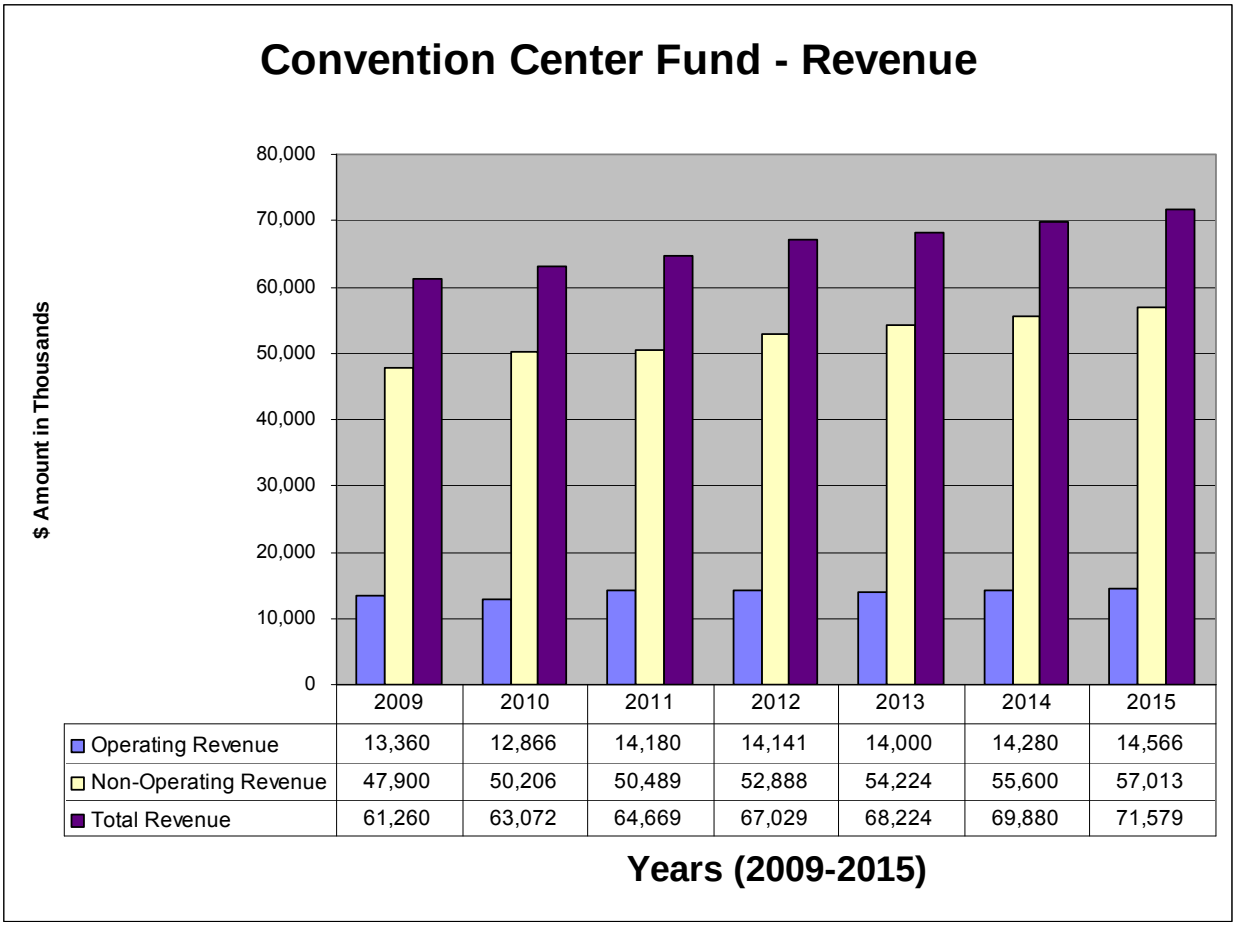
Convention Center Special Revenue Fund Predicted Revenue Growth	
Tax Type	**Current Growth Assumption 2012-2015**
0.5% Sales	2.9% 2012, 2.5% 2013-2015
3.0% Entertainment Tax	2.9% 2012, 3.0% 2013-2015
2.625% Lodging Tax	3.0% 2012, 3.0% 2013-2015
3.0% Other Tax	2.9% 2012, 3.0% 2013-2015

Tax revenue is expected to increase 5% in 2012 for sales, entertainment, and restaurant from 2011 projected. Lodging tax is expected to increase 5.8% in 2012 from 2011 projected. Entertainment, lodging, and restaurant taxes are expected to increase 3% annually from 2013-2015, and sales tax is expected to increase 2.5% over the same period. A $1.5 million entertainment tax increase (offset by a corresponding increase to the General Fund) was factored into the budget beginning in 2010 with the opening of the new Target Field to fund public safety services. This estimate was increased by $300,000 $1.8 in 2011 based on actual receipts.

The 2012 operating expenses excluding ongoing equipment/improvement and projected revenue are $26.2 million and $14.1 million respectively, resulting in a $12.1 million operating subsidy; a reduction of $460,000 from the 2011 projections.

Expenditures
In 2012, the Convention Center operating expenditure budget excluding ongoing equipment/improvement is anticipated to decrease by nearly $500,000 from the 2011 budget. The Convention Center was able to capture expense savings through a number of cost containment measures.

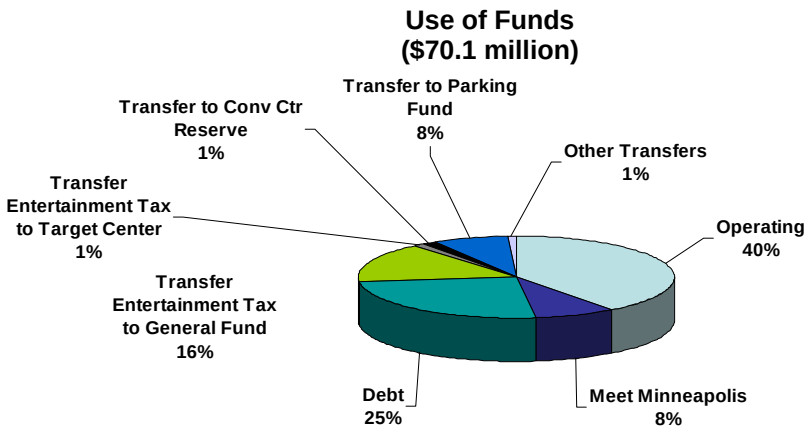
- Reduction of energy consumption
- Reprioritizing capital expenditures
- Identifying and implementing more efficient operations
- Realignment of the Convention Center workforce
- Managing overtime



	2009	2010	2011	2012	2013	2014	2015
Operating Revenue	13,360	12,866	14,180	14,141	14,000	14,280	14,566
Non-Operating Revenue	47,900	50,206	50,489	52,888	54,224	55,600	57,013
Total Revenue	61,260	63,072	64,669	67,029	68,224	69,880	71,579

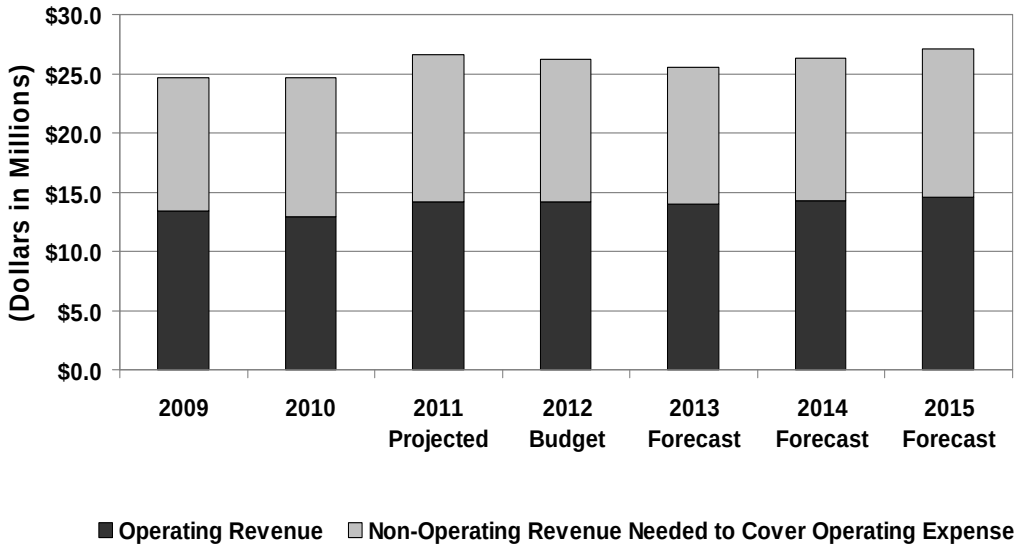
In 2004, Meet Minneapolis, the primary sales and booking agent of the Convention Center, entered into a $2.5 million loan agreement with the City for its joint venture Internet Destination Sales System (iDSS). In 2005, Meet Minneapolis requested that the Council advance an additional $2.5 million for the project. In August 2005, the loans were rolled together and a promissory note was issued for $5 million. In April of 2006, the City entered into a 3rd loan agreement of $5 million for additional iDSS start-up capital. The three loans were consolidated for a total of $10 million.

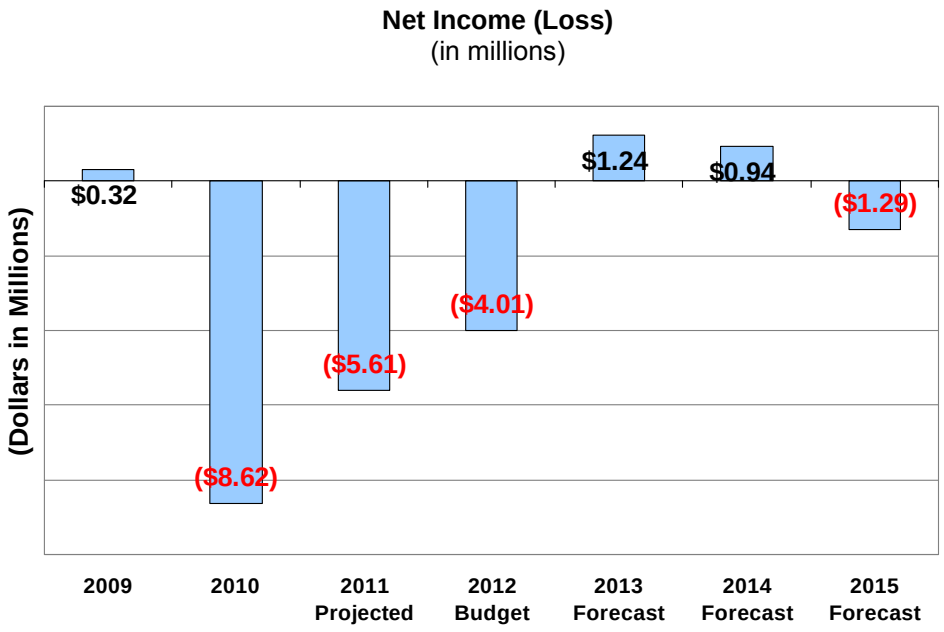
The $10 million consolidated loan has a 10-year amortization of principal (2008-2017) to be repaid in full in 2017 at a 5% interest rate. The note repayment for the loan is pledged against assets, future appropriation from City funding, and profits from the iDSS. The City began collecting loan interest each quarter in 2008, in addition to a $500,000 payment of loan principal. The principal payments increased to $704,011 in 2009 and $908,022 in 2010 and 2011 before capping at $1.01 million in 2012 and beyond. Loan interest and principal payment coincide with Meet Minneapolis's Sales and Marketing payments from the City. In 2012, $8.2 million is budgeted for City support of Meet Minneapolis.



The projected reduction in the ending fund balance from the 2011 budget is due primarily to the overall softening of operating and tax revenue coupled with relatively flat expenses, including transfers which results in negative net income. While 2011 – 2015 projected expenses remain relatively flat, revenues are not projected to increase sufficiently enough to produce net income.

Operating Revenue and Expense (Excludes Ongoing Equipment & Improvement)





Cash Position Changes
The Convention Center Special Revenue Fund's 2011 projected cash balance, exclusive of loans to other funds, is expected to fluctuate relative to fund equity. Most operating revenues and expense transactions are cash transactions. The Convention Center has a policy of requiring exhibitors to pay in advance for space rent and services, which has historically contributed to a healthy cash position. The 2010 year-end client advances, sometimes received over two years in advance of the event, were $1.2 million. Outstanding client receivables excluding collections were $512,000.

Transfers
Total transfers to other funds in 2012 are budgeted at $43.6 million, including a transfer to the Parking Fund. The transfer to the Parking Fund totals $6.6 million which supports operating expenses and current year debt service obligations for Convention Center related parking ramps. Other transfers include $13 million entertainment tax transfer to the General Fund, $250,000 to the General Fund to fund Mounted Patrol Officers, $900,000 entertainment tax transfer to the Target Center, $1.2 million to the Convention Center reserve and $21 million to debt service. The final MERF debt service payment is made in 2012 totaling $400,000, which will be paid for out of fund balance.

Debt Service
The 2011 budget includes full funding to meet the annual debt service payments. Outstanding debt for the Convention Center was approximately $192 million in total at the 2010 year-end. Debt service for the Convention Center is projected to be $22 million in 2011 and decreases to $21 million in 2012. Part of the debt is in variable rate mode, and it is likely that total debt service payments will be less than budgeted due to the difference between interest on variable rate and the budget assumption of 5%.

Mayor's Recommended Budget
The Mayor recommends no changes.

City of Minneapolis
2012 Budget
Financial Plan (in thousands of dollars)

Convention Center Special Revenue Fund

	2009 Actual	2010 Actual	2011 Budget	2011 Projected	2012 Budget	% Chg From 2011 Budget	2013 Forecast	2014 Forecast	2015 Forecast
Source of Funds:									
Operating Revenues:									
Charges For Services	4,583	4,501	5,280	5,280	5,140	-2.7%	5,089	5,191	5,294
Rents	6,410	6,203	6,400	6,400	6,492	1.4%	6,427	6,556	6,687
Other Miscellaneous Operating	2,367	2,162	2,500	2,500	2,509	0.4%	2,484	2,534	2,584
Sub-Total	13,360	12,866	14,180	14,180	14,141	-0.3%	14,000	14,280	14,566
Non-Operating Revenues:									
Sales Tax	26,470	27,266	27,593	27,594	28,842	4.5%	29,563	30,302	31,060
Restaurant Tax	9,887	10,491	10,306	10,491	11,097	5.8%	11,430	11,773	12,126
Liquor Tax	3,769	4,586	3,929	4,590	4,865	6.0%	5,011	5,161	5,316
Lodging Tax	5,671	5,790	5,911	5,791	6,125	5.8%	6,309	6,498	6,693
Meet Mpls Donations	75	-	-	-	-		-	-	-
Meet Minneapolis(iDSS) Loan Interest	435	403	360	360	314	-12.8%	265	215	164
Interest	401	342	400	143	145	1.4%	146	150	154
Revenue from Trusts	160	-	-	-	-		-	-	-
Damage Claims	-	282	-	-	-		-	-	-
Other Misc Non Operating	32	46	20	20	-	-100.0%	-	-	-
Transfer From Facility Reserve	1,000	1,000	1,500	1,500	1,500	0.0%	1,500	1,500	1,500
Sub-Total	47,900	50,206	50,019	50,489	52,888	4.8%	54,224	55,600	57,013
Total	61,259	63,072	64,199	64,669	67,029	3.6%	68,224	69,880	71,579
Entertainment Tax	9,072	13,176	11,299	13,175	13,936	5.8%	14,354	14,785	15,228
Use of Funds:									
Convention Center Operations	24,616	24,667	26,803	26,640	26,166	-1.8%	25,500	26,265	27,053
Ongoing Equipment/Improvement	2,450	7,990	5,376	5,376	7,076	31.6%	8,765	9,115	9,480
Meet Minneapolis	7,507	6,976	8,005	8,005	8,228	2.8%	8,460	8,699	8,945
Transfer To Gen Fund - Sales Tax	-	250.00	250	250	250	0.0%	250	250	250
Transfer To Conv Ctr Reserve	1,150	1,150	1,150	1,150	1,150	0.0%	1,150	1,150	1,500
Transfer To Debt Service	15,174	19,037	20,744	22,111	21,235	-4.0%	18,126	18,266	24,641
Transfer to Other Debt Serv Fund	75	73	153	153	400	161.4%			
Transfer To Parking Fund	9,969	11,544	6,419	6,589	6,580	-0.1%	4,729	5,195	1,000
Total	60,941	71,687	68,900	70,274	71,085	1.2%	66,980	68,940	72,869
Transfer to the Gen Fund - Ent. Tax	8,034	12,469	11,219	13,095	13,036	-0.5%	13,427	13,830	14,245
Transfer to the Target Center - Ent. Tax	1,038	706	80	80	900	1025.0%	927	955	983
Net Income	318	(8,615)	(4,701)	(5,605)	(4,056)	-27.6%	1,244	940	(1,290)
Fund Balance/Retained Earnings:									
Beginning Balance	48,307	48,625	40,009	40,009	34,404		30,348	31,592	32,532
Ending Balance	48,625	40,009	35,308	34,404	30,348		31,592	32,532	31,242
Ending Cash Balance	27,777	21,079	16,378	18,596	16,040		18,784	21,224	21,434

Notes:

In 2004, Meet Minneapolis entered into a $2.5 million loan agreement with the City for its joint venture Internet Destination Sales System (iDSS). In 2005, Meet Minneapolis requested that the Council advance an additional $2.5 million for the project. In August 2005, the loans were rolled together and a promissory note was issued for $5 million. In April of 2006, the City entered into a 3rd loan agreement for $5 million for additonal iDSS start up capital. The three loans were consolidated for a total of $10 million. The $10 million consolidated loan will have a 10 year amortization of principle (2008-2017) repaid in full in 2017 at a 5% interest rate. The note repayment for the loan is pledged against assets, future appropriation from the City funding, and profit from the iDSS.

Beginning in 2011, BIS will be transferring $1.5 million annually to the MCC with a final payment of $1.75 million in 2016 to repay their loan from the MCC. The loan is being accounted for on the balance sheet.

City of Minneapolis
2012 Budget
Financial Plan

Arena Reserve Special Revenue Fund

Background

The Arena Reserve Special Revenue Fund accounts for the maintenance and operation of the City-funded portion of the Target Center and related taxable activities. The fund was previously used primarily for transfers and was managed under a custodial agreement with Wells Fargo. Management was transferred to the City in 2010.

Historical Financial Performance

Because the City's management of the fund began in 2010, there is little historical performance to document. This financial plan documents City resources only.

A portion of the entertainment tax ($706 thousand in 2010) was redirected to the Arena Reserve Fund from the Convention Center Special Revenue Fund to fully credit the fund for entertainment tax proceeds generated from Target Center activities, as required by the Target Center arena finance plan. To reduce the proposed 2011 property tax levy, the entertainment tax transfer was reduced to $80,000 with a corresponding transfer to the General Fund on a one-time basis. The entertainment tax is reconciled to the actual entertainment tax the Target Center received. The entertainment tax is deposited into the Convention Center Special Revenue Fund because it is pledged to debt service on outstanding Convention Center bonds in the event other revenue sources pledged to meet Convention Center debt service are insufficient. Revenues are then transferred into the Arena Reserve Fund.

2012 Budget

Revenues
Revenues for the Arena Reserve Fund come from the Event Parking Transfer, the Entertainment Tax Transfer, and a Property Tax Transfer from the General Fund. When these revenues do not completely offset expenses for Target Center Capital, Professional Services, and the Operator Reimbursement charge that pays for contracted services promoting the Target Center, tax increment revenue is transferred into the fund to cover the balance. Tax increment revenues from several districts flow into the NBA Arena Fund residing in the Community Planning and Economic Development Department and can only be used for administrative, capital and debt service costs

Most of the fund's budgeted 2012 revenues are from tax increment revenue generated by the consolidated tax increment district. In 2012, projected revenue from the district amounts to $8 million. Total budgeted revenues in 2012 total $12 million.

Expenditures
In 2012, most of the fund's projected expenditures will be used to service debt and for modernization of the arena through equipment and capital additions/upgrades Total use of funds in 2012 is budgeted at $12.4 million.

Mayor's Recommended Budget

The Mayor recommends no changes.

City of Minneapolis
2012 Budget
Financial Plan (in thousands of dollars)

Target Center Special Revenue Fund

	2010 Actual	2011 Budget	2011 Projected	2012 Budget	% Chg From 2011 Projected	2013 Forecast	2014 Forecast	2015 Forecast
Source of Funds:								
Tax Revenues:								
Common Project Tax Increment	1,909	1,989	1,989	2,073	4.2%	1,438	1,474	1,515
Arena Tax Increment	795	999	953	972	2.0%	991	-	-
Consolidated Tax Increment	-	5,250	5,250	5,000	-4.8%	5,000	5,100	5,300
Sub-Total	2,704	8,238	8,192	8,045	-1.8%	7,429	6,574	6,815
Non-Operating Revenues:								
Event Parking Transfer	2,241	2,758	2,758	2,941	6.6%	3,129	3,323	3,523
Entertainment Tax Transfer	706	80	80	900	1025.0%	927	955	983
Property Tax Transfer from the GF	92	92	92	92	0.0%	550	550	550
Sub-Total	3,039	2,930	2,930	3,933	34.2%	4,606	4,828	5,056
Total	5,743	11,168	11,122	11,978	7.7%	12,035	11,402	11,871
Use of Funds:								
Target Center Capital	36	6,403	6,403	5,617	-12.3%	5,031	5,234	5,005
Professional Services & Miscellaneous	105	321	321	332	3.4%	343	355	368
Operator Reimbursement	1,367	1,563	1,563	1,500	-4.0%	1,470	1,441	1,412
Transfer to Debt Service	1,488	3,686	3,686	4,956	34.5%	5,272	4,250	4,492
Total	2,996	11,973	11,973	12,405	3.6%	12,116	11,280	11,277
Net Income	2,747	(805)	(851)	(427)	-49.8%	(81)	122	594
Fund Balance/Retained Earnings:								
Beginning Balance	7,335	8,779	8,779	7,928		7,501	7,420	7,542
Ending Balance	8,779	7,974	7,928	7,501		7,420	7,542	8,136
Ending Cash Balance	8,779	7,974	7,928	7,501		7,420	7,542	8,136

Notes:

Common Project Tax Increment	May only be used for debt service, certain administrative costs, and capital costs
Arena Tax Increment	May only be used for debt service, certain administrative costs, and capital costs
Consolidated Tax Increment	May only be used for debt service

For the purposes of this statement fund balance is a combination of the Arena Reserve Fund and TIF Fund 01CPK. This is not the available balance.

City of Minneapolis
2012 Budget
Financial Plan

Community and Economic Development Funds

Background
Community and Economic Development Funds support the City's development efforts and are primarily managed by the Community Planning and Economic Development (CPED) department with the assistance of the Development Finance Division of the Finance Department. These resources have faced several challenges in past years, including lower than expected tax increment and non-tax increment revenues, reductions in federal grant allocations, and limited flexible resources.

Financing Assistance for Target Center and Neighborhoods

Background
During the 2008 Legislative Session, the Minnesota Legislature authorized the City to establish a non-contiguous, redevelopment tax increment financing (TIF) district comprised of properties previously located in specific TIF districts, commonly known as "pre-1979" TIF districts, which terminated in 2009.

Under the special legislation, tax increment from the new district could only be used to pay principal and interest on Target Center bonds or for "neighborhood revitalization purposes." The legislation does not specify or require any particular allocation of revenues between these purposes. The City Council approved the Consolidated TIF Plan (the "Plan") on December 18, 2009. The Consolidated TIF District, as adopted, contained 50.8% of the total net tax capacity of all of the former pre-1979 TIF districts and 51 percent of the parcels, represents the most diverse and stable subset of pre-1979 TIF districts in order to achieve the 50% target.

Council Amendment to Plan
In December 2010, the Council directed the Finance Department to develop a plan to provide property tax relief to City taxpayers in 2012 and 2013 through adjustments to the Consolidated TIF District. In February 2011, the City Council approved a plan to reduce the retained captured value in the Consolidated TIF District in 2012 and 2013 by 50% in order to use the remaining captured value for property tax relief purposes.

The Consolidated TIF District will generate approximately $5 million in annual net tax increment revenue in 2012 and 2013, all of which will be used for Target Center debt service. In the years 2014 through 2020, it is projected that the Consolidated TIF District will annually generate from 10.2 to 11.1 million in net tax increment revenue, of which one-half will be used for Target Center debt service and one-half will be used for neighborhood revitalization purposes.

An additional amendment to the Mayor's recommended budget directed CPED, with the assistance of the Finance Department, to develop to plan to fund ongoing development activities, including prioritizing the services CPED provides. CPED reported back to the Community Development and Ways & Means/Budget Committees in April 2011. As directed by Ways & Means/Budget Committee, CPED will reported back to the Committee on August 29, 2011 with requested revisions.

2012 Budget

Revenues
These revenue projections are based on assumptions that need to be validated annually:

- Revenues from federal grant programs are reduced as a result of federal actions. While CPED has experienced much success with grant seeking, it is anticipated that revenues from state and local grants may be reduced as the availability of revenue is reduced.
- The Mayor has not yet finalized the CDBG allocations, so this revenue source is not included in the table.
- There will be continuing modest increases in bond-related fee income from housing and economic development activities, but actual revenues need to be closely monitored for the impacts from changes in the lending and housing markets.
- There will be annual variations in program income. These are shown as declining at a 5 percent rate.
- Other than program income, the five-year projections do not include the use of any additional revenues from the Legacy Fund. Non-tax increment revenues resulting from certain interest earnings, leases and land sale proceeds are available to CPED and are allocated as one-time revenues from year to year in the Development Accounts. Actual revenues in these funds are closely monitored to track development revenues that may be available for future year activities.
- Revenue from the Consolidated TIF District will be used to pay existing Target Center debt and neighborhood revitalization activities. Table 1 does not include any assumptions regarding this district, since currently none of the revenues will be directly available for CPED activities.
- There will be no further legislative actions or valuation events anticipated that will have a significant negative impact on tax increment or General Fund collections.
- There is only inflationary growth in Planning's fee revenue.

Expenditures
The expenditure projections contain assumptions that also must be revisited annually in the context of revised revenues and department performance measures:

- CPED staff levels are being reduced by 14 positions with personnel costs increasing 2 percent per annum while non-personnel expenditures increase approximately 1 percent per annum.
- CDBG allocations are pending Mayor's decision, therefore, they are not included in the expenditure table.
- The tax increment revenues will continue to be restricted to existing debt and contractual obligations.

Debt Service
Bonded debt payable from tax increment revenues will continue to remain outstanding beyond 2012. It is anticipated that tax increment revenue will be sufficient to pay debt service on these obligations.

General Fund Resources
Projected general fund revenues and expenditures are consistent with the Five-Year Financial Direction.

Finance Plan - Table 1

Projected CPED Revenues & Expenditures 2012 - 2016

		2011 Adopted Budget	2012 Mayor's Recommended Budget		2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast
1	**Local Funds**							
2	General Fund Total	3.320	3.502		6.152	6.407	6.685	6.983
3	GF Property Tax & Non-Direct Revenue	1.702	1.718		3.874	4.114	4.375	4.661
4	General Fund LGA	0.478	0.424		0.918	0.933	0.950	0.962
5	General Fund Direct Revenues	1.140	1.360		1.360	1.360	1.360	1.360
6	New General Fund Support*	-	0.625		-	-	-	-
7	Growth Fund (assumes 100% of new growth) **	-	2.784		2.784	2.784	2.784	2.784
8	Capital Allocation for Development Infrastrure	-	2.000		2.000	2.000	2.000	2.000
9	Tax Increment	61.329	44.972		41.376	46.512	43.179	42.459
10	Capital Bonding (CIP) (Public Arts Proj)	0.347	0.366		0.366	0.366	0.366	0.366
11	Dev Acct (Non-TI)	7.715	5.919		7.785	2.485	2.535	2.535
	Affordable Housing TI		2.000		2.000	-	-	-
14	**Total Discretionary Development Revenue**	**7.715**	**7.919**		**9.785**	**2.485**	**2.535**	**2.535**
15	Interest Earnings all Funds	2.190	2.080		1.248	1.248	1.186	1.186
16	Housing Program Fees & Revenues	1.339	1.090		1.393	1.421	1.449	1.449
17	Economic Dev Program Fees & Revenues	4.333	4.930		4.777	5.016	5.267	5.267
18	Other Project & Program Income	9.450	8.422		8.528	8.102	7.697	7.697
19	Transfers (Debt Services)	6.000	4.000		4.000	4.000	4.000	4.000
20	**Federal Funds**	-	-		-	-	-	-
21	CDBG & NSP	10.316	-		7.534	7.534	7.534	7.534
22	ESG	0.573	-		0.798	0.798	0.798	0.798
23	HOME	3.766	2.829		2.829	2.829	2.829	2.829
24	Other State/Local Grants	4.500	4.500		4.500	4.500	4.500	4.500
25	**Total Projected Revenues**	**115.177**	**90.018**		**98.069**	**96.001**	**92.808**	**92.385**
26	**Appropriated**							
27	Business Lines:							
28	Economic Policy & Development	15.352	10.857		11.020	11.185	11.353	11.524
29	Workforce Development	11.029	9.614		9.759	9.905	10.054	10.204
30	Housing & Policy Development	16.021	13.043		13.239	13.438	13.639	13.844
31	Community Planning	1.776	1.811		1.838	1.866	1.894	1.922
32	Development Services	2.375	2.578		2.616	2.656	2.695	2.736
33	CPED Support:	-	-		-	-	-	-
34	Executive & Support Services	4.761	7.201		7.310	7.419	7.530	7.643
35	Transfer & Debt Service	52.909	52.001		49.204	44.977	41.849	39.448
36	Budget Adjustments per Mayor's Recommendations	-	(13.321)	***	-	-	-	-
37	Total Appropriated	104.221	83.786	****	94.986	91.445	89.015	87.321
38	**Total Projected Uses**	**104.221**	**83.786**		**94.986**	**91.445**	**89.015**	**87.321**
39	**Difference**	**10.956**	**6.232**		**3.084**	**4.556**	**3.793**	**5.064**

* Allocations of new General Fund Revenue, if any are made year by year

** Decision by Mayor as to the use of a Growth Fund remains pending

*** 2012 Mayor's Recommended Budget does not include any Community Block Development Grant (CDBG) allocations; and for informational purpose only, adjustments in other funds have been made at department level that will be reflected accurately in the Counc

**** Allocations include reductions in the Health Insurance charges

City of Minneapolis
2012 Budget
Financial Plan

Municipal Parking Fund

Background
The Municipal Parking Fund accounts for the operation and maintenance of parking ramps, lots, on-street parking, and a municipal impound lot. Major parking related capital construction and development activities also occur in this fund.

Historical Financial Performance
The financial condition of the Parking Fund has historically been stable, but continues to present a future financial challenge to the City due to cash flows. While the fund continues to generate positive retained earnings, it is insufficient to pay debt service, restore its productive assets (ramps) and pay dividends (*e.g.,* transfers out to other funds).

Nearly all of the capital costs of ramps have been financed by debt. Revenues for the fund are generated from these three lines of activities:

- Off-street parking
- On-street parking
- The impound-lot

The fund receives transfers ($6.4 million in year 2011) from the Minneapolis Convention Center to pay its share of operating and debt service on the Convention Center-related parking facilities. The fund also receives transfers ($7.5 million in 2011) from tax increment and abatement revenue to pay part of major development projects in downtown area.

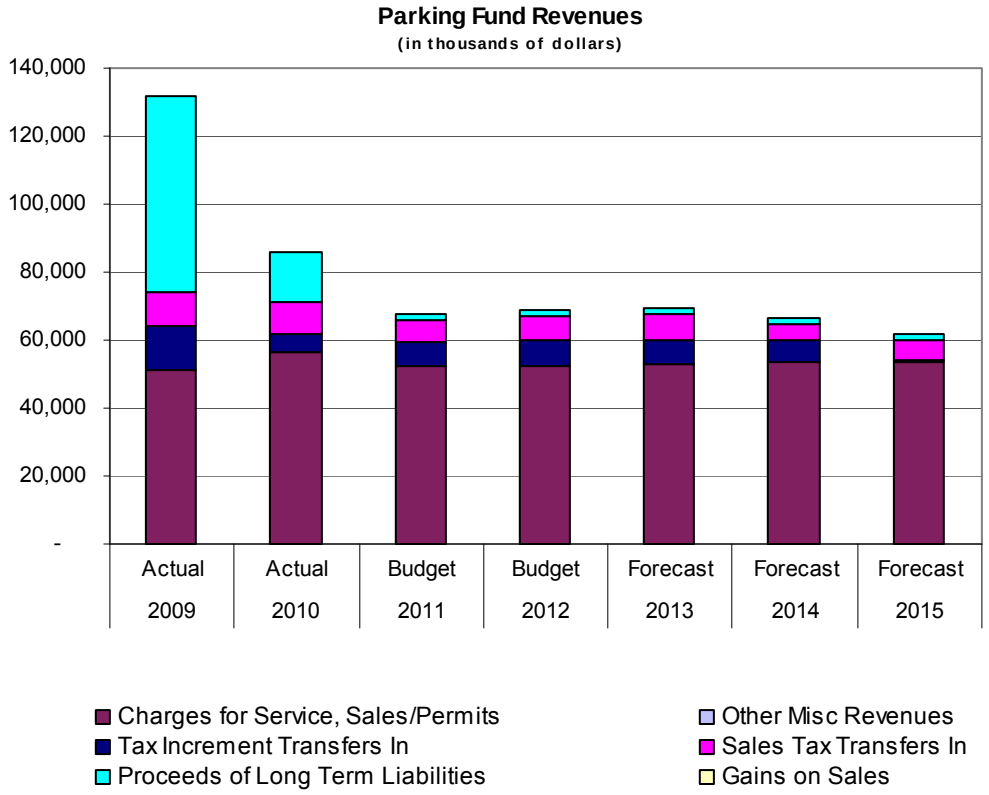
For historical trends, the 2009 and 2010 operating revenues and expenses are presented in the FY2012 Parking Fund budget chart (see on a following page). Increases in revenues and expenses can be attributed to initiatives such as automation and centralization of parking ramp fee collections, enhanced parking ramp marketing, updated parking meter technology, event parking, the sale of unclaimed property left in abandoned vehicles and reimbursement from the State for improvements made to the State owned ramps.

The Parking Fund cash balance for year 2010 was $12.8 million. The parking system creates a positive cash flow from the parking system operations. However with the fund transfers, interest payments on debt service and debt service payments, the Parking Fund may have a negative cash position in future years. Based on current and proposed budgets, the Parking Fund cash balances are going to continue to decrease.

2012 Budget
Revenues
The operating revenue budget for 2012 was increased 0.6% to $54.7 million compared to $55 million for projected 2011. The increase is due to new parking meter technology that will be on line and the continued automation of the parking ramps.

Revenue Assumptions (2011)	
Utilization Percentage in 2009	74%
Number of Parking Stalls in the system	20,569 as of 6/30/2010
Forecasted Revenue increase	2011 2.5% 2012 1.0% 2013 1.0%
Assumed rate increases (if any)	0%
System-wide average event rate	$ 10.00
System-wide average daily rate	$ 7.25
System wide average monthly rate	$ 135.00
Number of new stalls in the system	2011 0 2012 0 2013 0

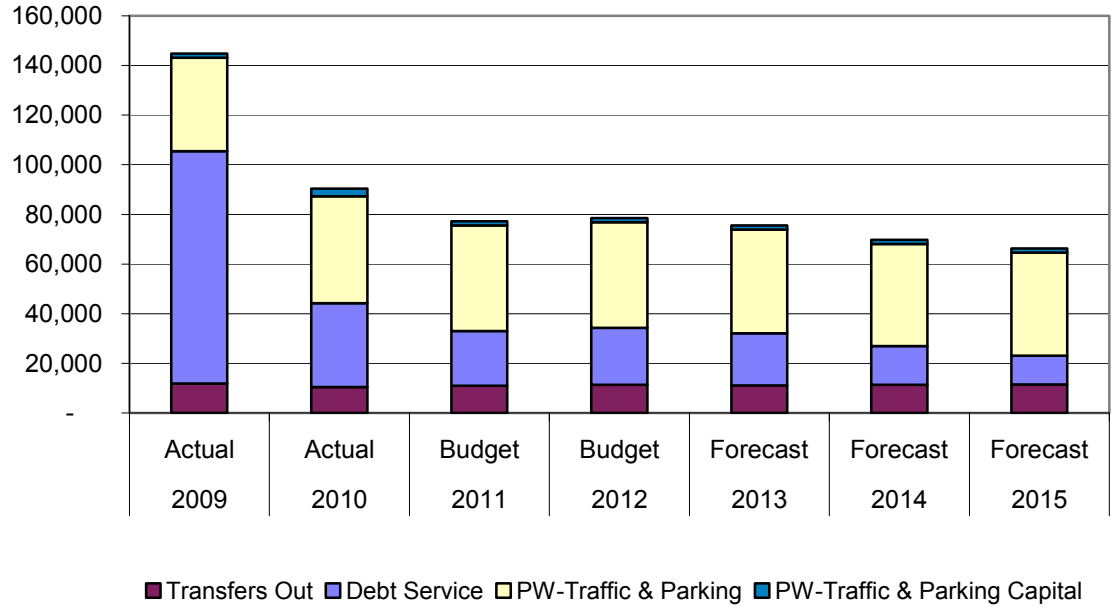
For assumptions regarding sales tax revenue, please see the Convention Center Finance Plan.



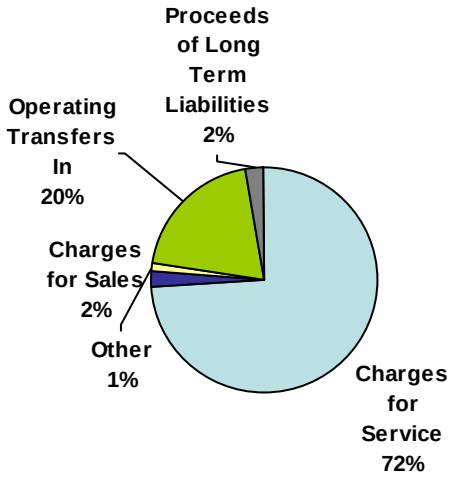
Expenditures

The operating budget for 2012 stands at $42.6 million which is an increase of 2.4% from 2011 projected. The capital budget for 2012 is set at $1.7 million, the same level as the 2011 due to on-going repair and improvement work in the City-owned parking facilities.

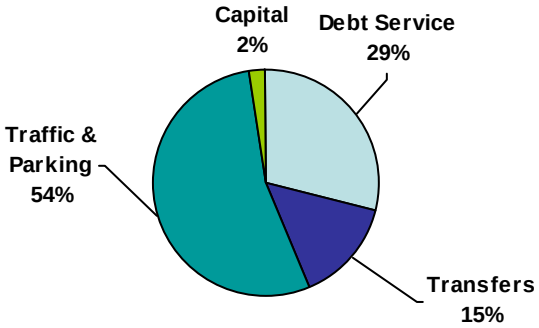
Parking Fund Expenditures
(in thousands of dollars)



Source of Funds
($70.7 million)



Use of Funds
($78.5 million)



Debt Service
Total debt service, which includes principal and interest on bonds issued for construction of municipal parking ramps, is $22.9 million for 2012. A portion of debt service payments are reimbursed from tax increment and sales tax revenues, which are transfers to the Parking Fund from the Convention Center and Tax Increment Funds, revenue totaling $14.9 million for 2012.

Transfers
The transfer to the general fund remained the same for 2012. There is also a transfer to the Target Center Arena. The transfer to the Target Center Arena Fund increases in 2012 by $0.2 million to $2.9 million over 2011 at $2.8 million, and are scheduled to increase in future years. Revenues from State-owned garages continue to be transferred to the State on a daily basis. An annual transfer of $146,000 to the Solid Waste and Recycling fund supports service for bus shelter litter containers. Lastly, there is a transfer to the Minneapolis Employees Retirement Fund (MERF) debt service fund of $477,000 that increases from $198,000 in 2011.

As discussed above, the transfers into the parking fund include revenues from sales tax along with revenues from tax increment and abatement. The transfer of sales tax revenue from the Convention Center Special Revenue Fund is $7.2 million for 2012 and $6.4 million for 2011. The transfers from the CPED Special Revenue fund for tax increment and abatement are budgeted to increase $0.1 million, from $7.5 million in 2011 to $7.7 million in 2012. These revenue transfers are used for debt service payments.

Mayor's Recommended Budget
The Mayor recommends no changes.

City of Minneapolis
2012 Budget

Municipal Parking Fund - 7500

	2009 Actual	2010 Actual	2011 Budget	2011 Projected	2012 Budget	% Chg From 2011 Budget	2013 Forecast	2014 Forecast	2015 Forecast
Source of Funds:									
Licenses and Permits	288	292	240	264	240	-9.1%	242	245	247
State Government			-	-	-		-	-	-
Charges for Service, Sales/Permits	50,924	56,278	52,100	53,100	52,192	-1.7%	52,714	53,241	53,773
Charges for Sales	1,205	1,670	1,550	1,612	1,670	3.6%	1,687	1,704	1,721
Special Assessments	86	65		-	543				
Interest	1		-	-	-		-	-	-
Gains			-	-	-		-	-	-
Rents (Transportation)	4	3	4	5	4	-13.0%	4	4	4
Other Misc Revenues	12	8	46	41	46	11.1%	46	47	47
Tax Increment Transfers In	12,954	5,272	7,523	7,523	7,748	3.0%	7,511	6,700	297
Sales Tax Transfers In	9,969	9,505	6,420	6,420	6,580	2.5%	7,209	4,888	5,843
Other Transfers In	39			-	-		-	-	-
Total Transfers In	*22,962*	*14,777*	*13,943*	*13,943*	*14,329*	2.8%	*14,720*	*11,588*	*6,140*
Proceeds of Long Term Liabilities	57,995	14,725	1,700	1,700	1,700		1,700	1,700	1,700
Total	133,477	87,818	69,583	70,665	70,724	0.1%	71,114	68,528	63,633
Use of Funds:									
Debt Service	93,630	33,726	22,112	22,112	22,875	3.5%	21,043	15,637	11,535
General Fund Transfer Out	7,818	7,818	7,818	7,818	7,818		7,818	7,818	7,818
Target Arena Transfer Out	2,241	2,241	2,758	2,758	2,941	6.6%	3,129	3,323	3,523
Debt Service Transfer Out	1,561	126	-	-	-		-	-	-
MERF Liability Transfer Out	115	111	198	198	477	140.9%			
Sanitation Transfer Out	146	146	146	146	146		146	146	146
Total Transfers Out	*11,881*	*10,442*	*10,920*	*10,920*	*11,382*	4.2%	*11,093*	*11,287*	*11,487*
PW-Traffic & Parking	37,564	43,099	42,553	41,553	42,564	2.4%	41,648	41,105	41,569
PW-Traffic & Parking Capital	1,675	3,077	1,700	1,700	1,700		1,740	1,740	1,740
Total	144,750	90,344	77,285	76,285	78,521	2.9%	75,524	69,769	66,331
Change in Net Assets	10,463	6,815	781	2,427	1,270	-47.7%	3,346	1,680	(3,677)
Net Assets	141,503	148,318	149,099	143,930	145,200	0.9%	148,546	150,226	146,549
Modified Change in Net Assets (Net Income Est)									
(-) Depreciation	6,704	6,776	6,137	6,773	6,773		6,773	6,773	6,773
(-) Proceeds of LTD	57,995	14,725	-	1,700	1,700				
(+) Traffic & Park Capital	1,675	3,077	-	1,700	1,700				
(+) Principal Paid	84,760	27,765	14,620	14,820	15,840		14,529	9,694	5,794
Total	151,134	52,343	20,757	24,993	26,013		21,302	16,467	12,567
Cash Balances	13,211	12,781	5,509	7,161	(636)		(5,046)	(6,287)	(8,985)
Cash Balances after Workout Plan	42,661		5,509	7,161	(636)		(5,046)	(6,287)	(8,985)

Notes:

Fund Margin does not include depreciation or impact of all arbitrage funds, but does include principal paid on bonds. (Represent more of a sources and uses statement rather than an audited Net Income statement)

Income statement was not available for projections, so the modified fund margin was used to compute retained earning to reflect the adjustment for depreciation expense and principal paid on bonds.

Revenue and expense projections are based on 1.5 and 2% increases respectively

Construction cash not included in current yr and projected years

Cash balances above are the actual without the year-end loan

City of Minneapolis
2012 Budget
Financial Plan

Solid Waste and Recycling Fund

Background

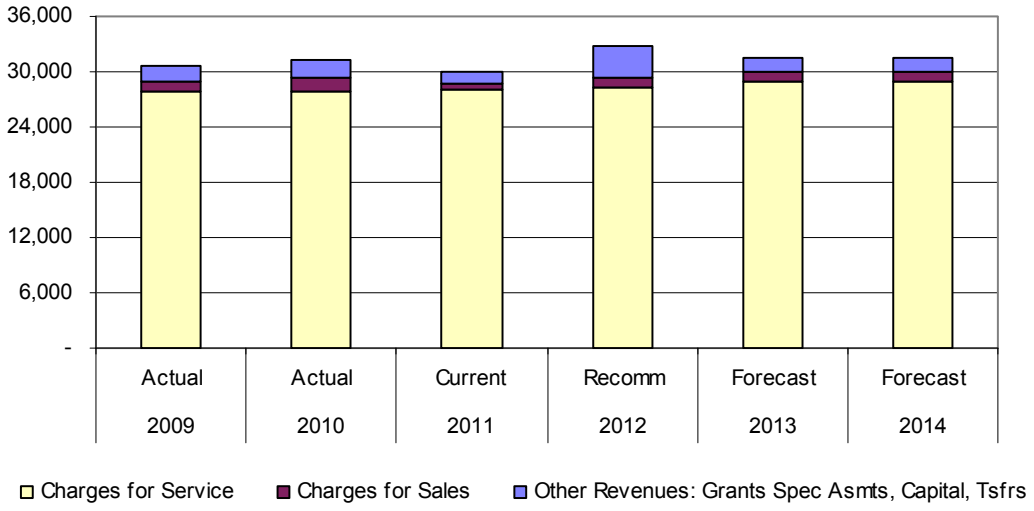
The Solid Waste and Recycling Fund account for solid waste collection, graffiti removal, disposal, recycling activities and organic programs of the City. In all, there are nine programs that are budgeted for 2012 under Solid Waste fund. The Solid Waste Division of Public Works provides weekly and bi-weekly pickups for trash, yard-waste, and recycling materials. It also operates a solid waste transfer station providing service to over 105,000 households. City crews provide approximately one-half of the solid waste collection service with the other half of the service provided through a contract with a consortium of companies specializing in waste collection.

Funding for Solid Waste and Recycling activities is primarily generated from solid waste collection fees. The Fund also receives grants from Hennepin County. Additional revenue is generated through recyclable sales, miscellaneous services, and organic programs.

Historical Financial Performance

The overall financial condition of the Solid Waste and Recycling Fund has remained stable over the years. Total revenues for year 2010 were at $31.2 million compared to the 2009 amount of $30.6 million. Total expenditures for 2010 came to $30.8 million compared to $28.8 million for 2009, an increase of $2 million. $1.6 million of this increase is due to higher cost of contractual services regarding waste collection, higher labor costs, and replacement of solid waste carts and bins. Lease-hold improvement work and purchase of land within Transfer Station division has also contributed to increase in expenditures by $400,000. The year-end cash balance for this fund ended 2010 at $21.9 million compared to $20.6 million in 2009.

Solid Waste Fund Revenues
(in thousands of dollars)



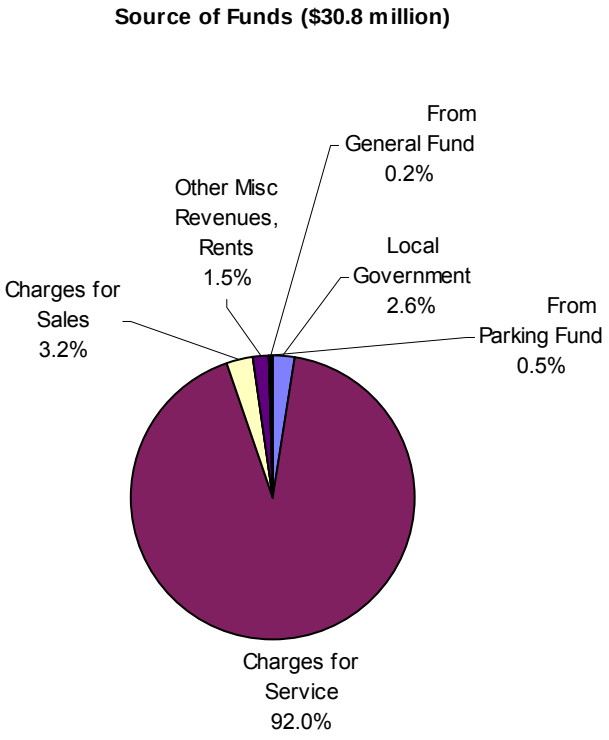
Revenue Assumptions (2012)	
Number of dwelling units	105,259
Number of recycling customers	101,689

For 2011, year-end revenues from collection are projected to reach $28.6 million and the total revenues for the fund are projected at $32.3 million. Expenses for the Solid Waste and Recycling are projected at $33 million. This projected deficit of $762,000 is mainly due to the capital outlay scheduled for 2011 relating to Transfer Station, land and equipment purchases, and related construction works. With a fund balance in excess of $21 million, the Solid Waste and Recycling Fund will be able to absorb these costs.

2012 Budget

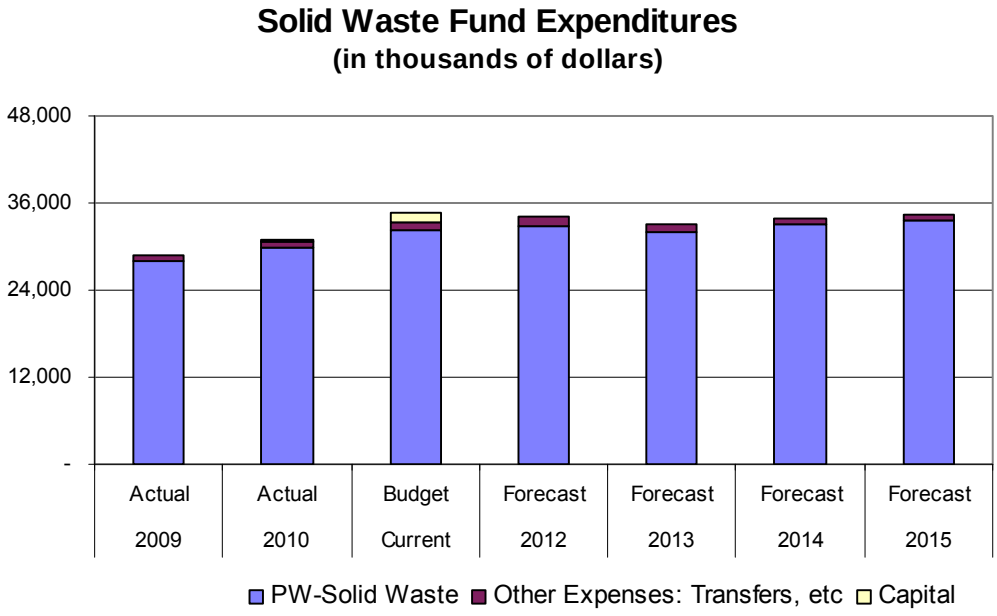
Revenues

The total revenue budget for the Fund for 2012 amounts to $30.9 million compared to $32.3 million for projected 2011. This is a decrease of 4.4% in estimated revenue. Service revenue has been estimated at $28.3 million compared to $28.6 million for projected 2011. For 2012, collection fee has been set at $24 per dwelling unit with adjustments of $7 made to recycling credits. Monthly charges for large and small disposal carts are set at $5 and $2, respectively. Due to increasing market for scrap metals, recyclable sales for 2012 are expected to increase resulting in estimated revenue of $1 million compared to $600,000 for 2011. Funds from local government include a Hennepin County recycling grant of $800,000 and reimbursement of $8,000 from State for graffiti. Revenues generated from debris removals, special district maintenance, and various miscellaneous sources are estimated at $450,000.



Expenditures

The total expenditure budget for 2012 amounts to $34.2 million compared to $33.1 million for projected 2011, an increase of 3.2% over 2011. The reductions were made in salaries, contractual services, and in operating materials to bring the budget more in line with actual expenditures and major contracts.



Transfers
The 2012 budget includes a $700,000 transfer from Solid Waste and Recycling to the General Fund to pay for snow plowing that will ensure delivery of solid waste and recycling services in the alleys. This transfer is projected to continue at $700,000 in coming years.

The budget also includes a transfer of $571,000 to the Debt Service Fund for pension obligations related to the Minneapolis Employees Retirement Fund (MERF). This obligation is to be paid from fund balance.

The Solid Waste and Recycling Fund will continue to receive $146,000 from the Parking Fund for litter container pick-ups in downtown area. Since 2004, the Fund has been receiving $50,000 as an annual transfer from General Fund for graffiti removal.

Debt Service
This fund does not have any capital debt service payments.

Cash Balance
The Solid Waste and Recycling Fund is projected to have a $15.9 million cash balance at the end of 2012.

Mayor's Recommended Budget
The Mayor recommends a one-time increase of $100,000 to the graffiti transfer (totaling $150,000) in 2012 for graffiti microgrants.

City of Minneapolis
FY 2012 Budget
Financial Plan (in thousands of dollars)

Solid Waste Fund - 7700

	2009 Actual	2010 Actual	2011 Budget	2011 Projected	2012 Budget	% Chg From 2011 Projected	2013 Forecast	2014 Forecast	2015 Forecast
Sources of Funds:									
Local Government	861	888	810	800	808	1.0%	800	800	800
Charges for Service	27,892	27,945	28,145	28,562	28,337	-0.8%	28,966	28,966	28,966
Charges for Sales	1,095	1,445	600	1,800	1,000	-44.4%	1,000	1,000	600
Special Assessments	563	244		460		-100.0%			
Other Misc Revenues, Rents	-	515	350	500	450	-10.0%	450	450	450
Operating Transfers In:									
From Parking Fund	146	146	146	146	146		146	146	146
From General Fund	50	50	50	50	150	200.0%	50	50	50
Total	30,607	31,233	30,101	32,318	30,891	-4.4%	31,412	31,412	31,012
Use of Funds:									
PW-Solid Waste	28,021	29,827	32,378	29,429	32,880	11.7%	32,100	33,085	33,661
Transfers									
To General Fund	700	700	700	700	700		700	700	700
To MERF Fund	121	151	236	236	571	141.9%	136	136	136
Total	28,842	30,845	34,694	33,080	34,151	3.2%	32,936	33,921	34,497
Change in Net Assets	1,765	388	(4,592)	(762)	(3,259)		(1,524)	(2,509)	(3,485)
Net Asset Balance	27,948	28,006	23,414	27,244	23,985		22,461	19,952	16,467
Cash Balance	20,560	21,924	17,332	21,163	15,863		14,339	11,830	8,345

City of Minneapolis
2012 Budget
Financial Plan

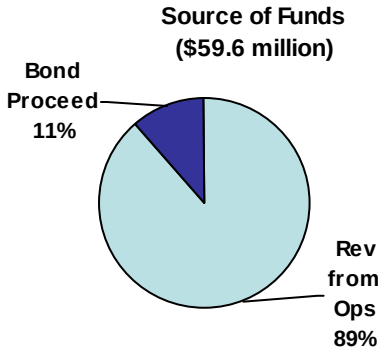
Sanitary Sewer Fund

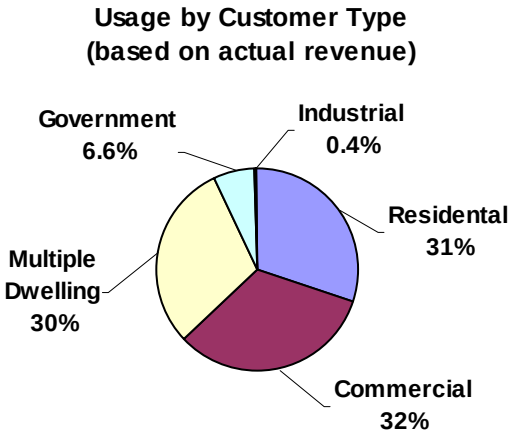
Background
The operating budget has been set up under Sanitary Sewer Conveyance & Treatment program. As part of this program, the Fund accounts for 95% of the contractual payments made to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. It also accounts for maintenance and design work, capital programs and long-term debt service for these activities.

Historical Financial Performance
Total 2010 revenues were $53.8 million compared to $50.1 million in 2009. Sanitary service revenue increased due to a rate increase. The expenditures for 2010 were close to the 2009 total of $50.8 million. Increase of $2.7 million in expenditures relating to design, maintenance, Met Council, and debt services was offset by decrease of $2.7 million in capital programs.

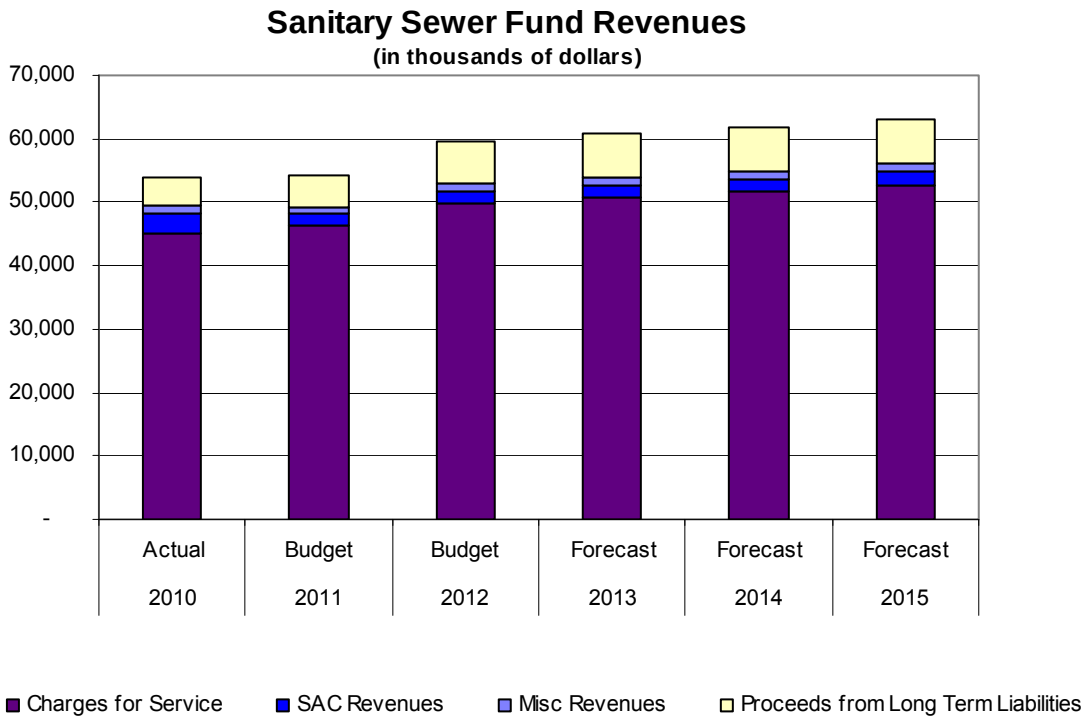
2012 Budget

Revenues
The total revenue budget for the Sanitary Sewer Fund for 2012 amounts to $59.6 million compared to the budgeted $53.1 million in 2011, an increase of 12.3% over 2011 projected. Service revenues have been estimated at $49.8 million, an increase of $4.7 million; and bond proceeds for 2012 have been budgeted at $6.5 million, an increase of $1.5 million over projected 2011. Monthly sanitary utility charges, Sewer Access Charges (SAC), design and miscellaneous revenues, along with bond proceeds are the sources of revenue for Sanitary Sewer Fund. Revenues from operations account for 89% of the budget and bond proceeds from capital programs make up the remaining 11%. For 2012, sanitary sewer rate has been set at $3.37 per one hundred cubic feet. This is an increase of 32 cents, or 10.5%, over 2011 rate of $3.05. Rates needed to be increased to fund Minneapolis Employees Retirement Fund (MERF) debt payments and participate in cost sharing for meter reading.



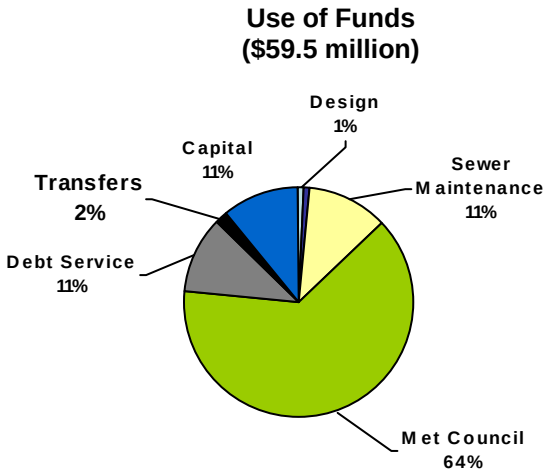


Year	Rate (cost per 100 cubic feet)	% Increase	Average Monthly Bill	Total Planned Revenue from Utility Fee
2012	$3.37	10.50%	$20.22	$49.8 million
2013	$3.47	3.00%	$20.82	$50.8 million
2014	$3.57	2.90%	$21.42	$51.7 million
2015	$3.68	3.10%	$22.08	$52.8 million
2016	$3.79	3.00%	$22.74	$53.8 million



Expenditures

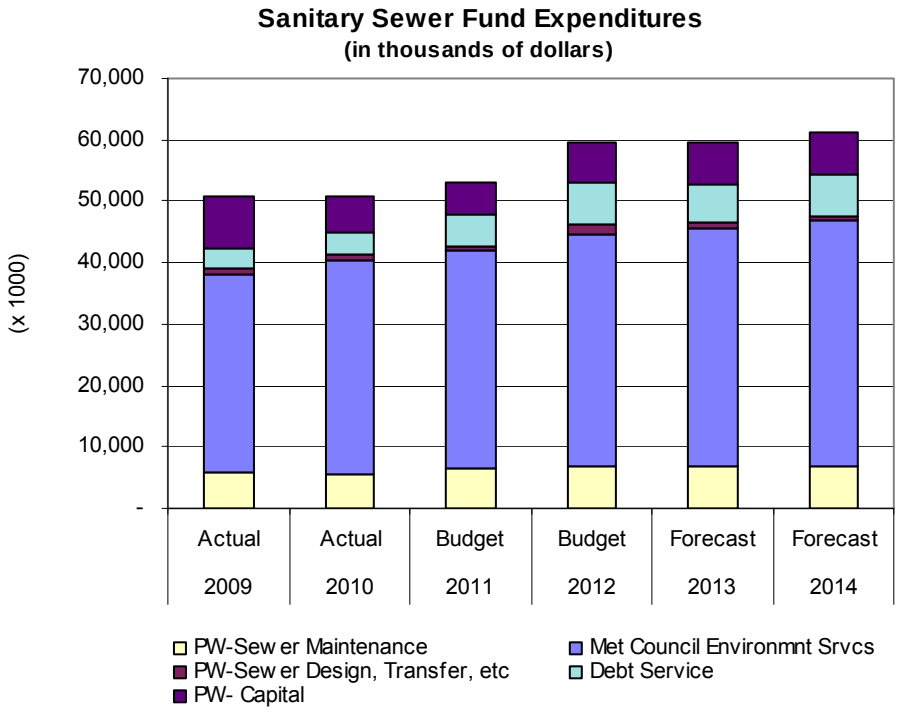
The total expenditure budget for 2012 amounts to $59.5 million compared to $51.9 million for projected 2011. This is an increase of 14.5% from 2011. The use of funds includes maintenance and design work, capital programs, and long-term debts. Increase of $500,000 in design and maintenance budget are mainly due to personnel realignment and cost participation with the Water fund for water meters.



Capital expenditures for 2012 total $6.5 million compared to $5 million for 2011. This increase of $1.5 million is due to sanitary tunnel and sewer rehabilitation work scheduled for 2012. The largest expense in the Sanitary Sewer Fund is the sanitary sewer charges paid to Met Council Environmental Services (MCES). The estimated

payment to MCES for 2012 is $37.8 million a 7.8% increase over 2011 estimate. The Sanitary Sewer Fund bears 95%, or $31.2 million, of this cost with the remaining $1.7 million paid from the Storm Water Fund. Minneapolis is the largest customer in MCES system.

Debt Service & Transfers
Capital programs were instituted in 2007 to address the inflow/infiltration issue in Minneapolis and will continue as part of the on-going five-year plan. Other components of capital program included expansion of the existing system and major repairs to current infrastructure. For 2012, $6.6 million is set aside as debt service payments for bonds sold in current and previous years to fund these projects. This is an increase of $1.4 million over 2011 debt appropriation.
A transfer from this fund is made to the pension fund to cover the MERF pension plan debt. For 2012, this is estimated at $1.1 million compared to $478,000 for 2011.



Mayor's Recommended Budget
The Mayor recommends no changes.

City of Minneapolis

FY 2012 Budget

Financial Plan (in thousands of dollars)

Sanitary Sewer Fund - 07100

	2009 Actual	2010 Actual	2011 Budget	2011 Projected	2012 Budget	% Chg from 2011 Budget	2013 Forecast	2014 Forecast	2015 Forecast
Source of Funds:									
Charges for Service	40,230	45,142	46,367	45,154	49,817	10.3%	50,789	51,737	52,805
SAC Revenues	2,305	2,984	2,000	2,000	2,000		2,000	2,000	2,000
Other Misc Revenues	1,418	1,241	929	929	1,274	37.1%	1,189	1,189	1,189
Proceeds from Long Term Liabilities	6,154	4,477	5,000	5,000	6,500	30.0%	7,000	7,000	7,000
Total	50,107	53,843	54,296	53,083	59,591	12.3%	60,978	61,926	62,994
Use of Funds:									
PW-Sewer Design	230	298	427	563	636	13.0%	620	635	650
PW-Sewer Maintenance	5,923	5,470	6,488	5,986	6,792	13.5%	6,731	6,875	7,022
MERF Debt Service -New Plan	-	-	-	-	-		286	286	286
Met Council Environment Srvcs	32,235	34,897	35,382	35,086	37,827	7.8%	38,849	39,901	40,983
Debt Service	3,372	3,551	3,757	4,814	5,217	8.4%	3,814	3,172	2,645
Future Debt Service			1,439		1,367		2,406	3,446	4,486
Transfers	-								
To MERF Debt Service	628	825	478	478	1,112	132.6%	-	-	-
PW- Capital	8,383	5,709	5,000	5,000	6,500	30.0%	7,000	7,000	7,000
Total	50,771	50,750	52,971	51,927	59,451	14.5%	59,706	61,315	63,072
Change in Net Assets	(664)	3,092	1,325	1,156	140		1,272	612	(78)
Net Asset Balance	89,638	96,156	97,481	97,312	97,452		98,724	99,336	99,258
Cash Balances									
Operating Cash	9,640	12,474	13,799	13,630	13,770		15,042	15,654	15,576
Construction Cash	4,678	4,177							

City of Minneapolis
2012 Budget
Financial Plan

Storm Water Fund

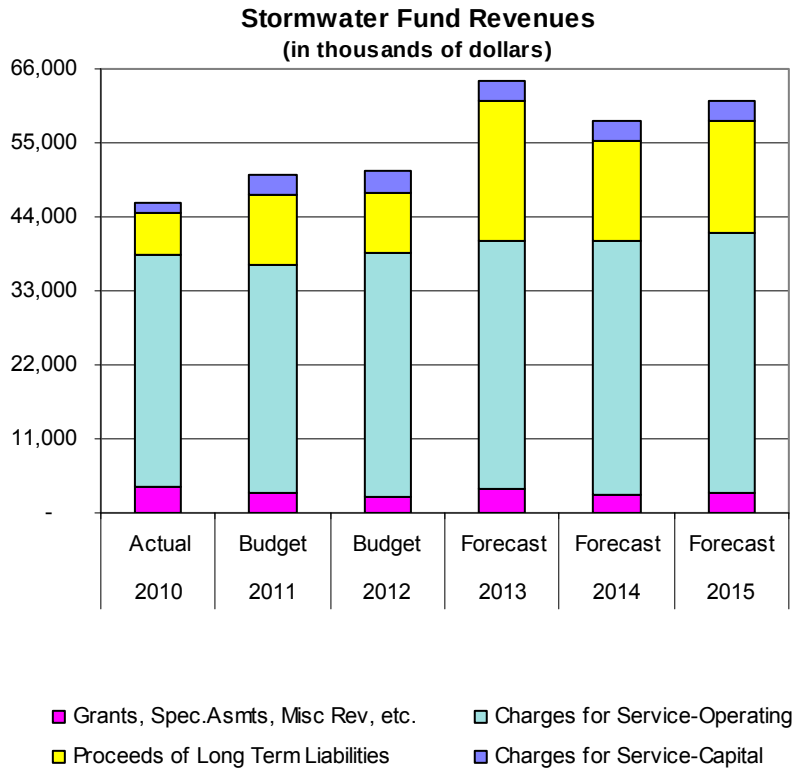
Background
The Storm Water Conveyance & Treatment and Street Cleaning programs make up the budget for Storm Water Fund. The Fund accounts for street cleaning, design, construction, and maintenance of City's storm drain system. A portion of the Storm Water Fund is used for sanitary water interceptor and treatment services, a program carried out through Metropolitan Council Environmental Services (MCES). The Fund also accounts for the Combined Sewer Overflow (CSO) program, which separates storm sewer from the sanitary sewer lines.

Historical Financial Performance
In 2010, total revenues increased to $46.1 million compared to $45.8 million in 2009. This increase amounts to $200,000, or 1%. While design and bond revenues from capital activities decreased by $2.9 million compared to 2009, revenues from storm utility charges and maintenance agreements were up by $3.1 million. A rate increase of $0.32 per Equivalent Stormwater Unit (ESU) in utility billings accounted for $2.8 million increase in the Fund's 2010 revenues. The expenditure of $37.9 million in 2010 is an increase of $5.1 million, or 16%, compared to $32.8 million in 2009. $2.3 million of this increase comes from operations with another $2.9 million from Capital, and $2.4 million in transfers. These increases have been slightly off-set by decrease in debt service by $2.5 million.

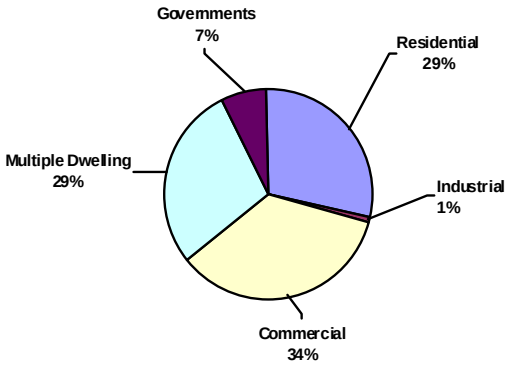
2012 Budget
Revenues
The 2012 revenue budget totals $50.7 million, compared to $46.6 million projected for 2011, an increase of 0.6%. The capital program is estimated to generate $9 million from bond sales in 2012. The Storm water rate or the rate per ESU for 2012 has been proposed at $11.70. This rate increase of $0.28 in storm water billings is estimated to put service revenue at $36.3 million, $900,000 more than the projected $35.4 million for 2011. Revenues from maintenance agreement with County/State are expected to decrease to $916,000 compared to $1.4 million for 2011.

Year	Rate per ESU (Equivalent Storm Water Unit)	% Increase	Total Planned Revenue from Utility Fee
2012	$11.70	2.5%	$36.3 million
2013	$11.93	2%	$37.0 million
2014	$12.17	2%	$37.8 million
2015	$12.41	2%	$38.5 million
2016	$12.65	2%	$39.3 million

Note: Total revenue from charges for services in the financial plan exceeds the amount generated by the utility fee because revenue deposited in the Storm Water Fund also include sources other than utility fees, such as capital work for others billings.



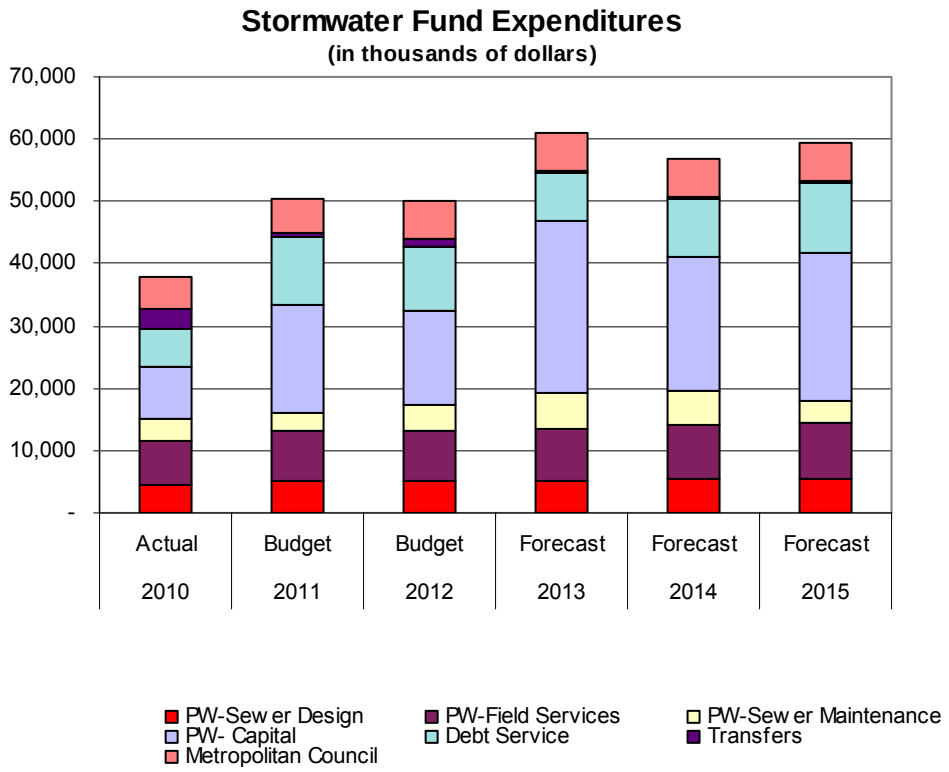
Total Active Sewer Property Types



Total Usage Units (in millions)	
Property Type	**Count**
Residential	4,447
Commercial	5,277
Government	1,106
Industrial	80
Multiple Dwelling	4,413
Total	**15,352**

Expenditures

The 2012 total expenditure budget for the Storm Water Fund amounts to $49.9 million compared to $52.6 million projected for 2011, a decrease of 5%. This amount funds operations, capital programs, debt services and the pension fund. The fund's operating budget is used for design, maintenance, overflow programs, Met Council payments, and street cleaning. The operating budget for 2012 totals $23.5 million which is $3 million higher than the $20.7 million projected for 2011. Capital programs are estimated at $14.3 million compared to $18.5 million projected for 2011. Capital programs are funded by operating revenue and bonds and for 2012, $5.8 million of capital projects are based on Storm revenue and the remaining $9 million are bond funded.



Combined Sewer Overflow (CSO)
Combined Sewer Overflow project started in 2004. Working with property owners, this project aims to identify and disconnect roof drain system from the sanitary system. This is an on-going program and $921,000 has been allotted for 2012 from operating budget with additional funding coming from the Capital programs.

Debt Service & Transfers
The debt service payments are primarily for bonds that have already been sold to finance the Combined Sewer Overflow (CSO) program and flood mitigation programs. For 2012, debt service payments are estimated at $10.5 million compared to $13.1 million projected for 2011. Transfers relating to MERF pension plan are made to the pension fund, and for 2012, these transfers are estimated at $1.1 million compared to $478,000 for 2011. Both the debt service and transfers are funded through fund balance generated by Storm Water revenues.

Mayor's Recommended Budget
The Mayor recommends no changes.

City of Minneapolis
2012 Budget
Financial Plan (in thousands of dollars)

Stormwater Sewer Fund - 7300

	2009 Actual	2010 Actual	2011 Budget	2011 Projected	2012 Budget	% Chg From 2011 Projected	2013 Forecast	2014 Forecast	2015 Forecast
Source of Funds:									
Federal Government									
State Government	731	1,148	1,022	1,022	670	-34.5%	670	670	670
Local Government	297	266	442	442	246	-44.5%	246	246	246
Charges for Service-Operating	32,011	34,543	33,971	35,448	36,323	2.5%	37,043	37,794	38,545
Design & Misc Revenues	3,460	1,650	1,376	1,376	1,394	1.3%	2,470	1,695	1,990
Charges for Sales	-	35	10	10	-		-	-	-
Special Assessments	498	686	60	634	60	-90.5%	60	60	60
Interest	-	-	-		-		-	-	-
Charges for Service-Capital	1,375	1,557	3,000	1,403	3,000	113.8%	3,000	3,000	3,000
Proceeds of Long Term Liabilities	7,473	6,191	10,500	6,238	9,000	44.3%	20,750	14,888	16,880
Total	45,843	46,075	50,381	46,573	50,692	0.6%	64,238	58,352	61,391
Use of Funds:									
PW-Sewer Design	3,874	4,434	5,186	4,615	5,114	10.8%	5,150	5,309	5,474
PW-Field Services	7,242	6,994	8,040	7,779	8,056	3.6%	8,373	8,672	8,982
PW-Sewer Maintenance	2,242	3,651	2,933	2,842	4,265	50.1%	5,860	5,454	3,552
Metropolitan Council	4,577	5,121	5,581	5,285	6,089	15.2%	5,924	6,067	6,215
Debt Service	8,805	6,208	6,024	13,114	7,400	-43.6%	3,154	3,065	3,029
Future Debt Service	-	-	4,890	-	3,111		4,671	6,468	8,124
Transfers	837	3,311	478	478	1,112	132.6%	286	286	286
PW- Capital	5,235	8,214	17,270	18,525	14,850	-19.8%	27,500	21,538	23,810
Total	32,812	37,933	50,402	52,637	49,997	-5.0%	60,918	56,859	59,472
Change in Net Assets	13,032	8,142	(22)	(6,065)	694		3,320	1,492	1,919
Net Asset Balance	257,057	267,781	267,759	261,716	262,410		265,731	267,223	269,142
Cash Balances	14,445	22,676	22,655	16,610	15,353		18,674	20,166	22,085
Operating Cash									
Construction Cash	7,235	3,484							
Total Cash Balance	21,680	26,160	22,655	16,610	15,353		18,674	20,166	22,085

City of Minneapolis
2012 Budget
Financial Plan

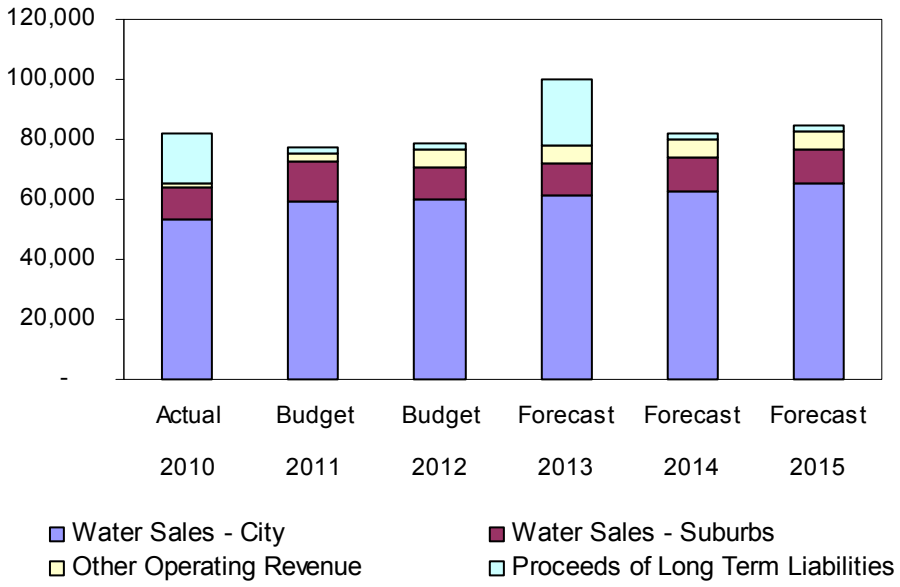
Water Fund

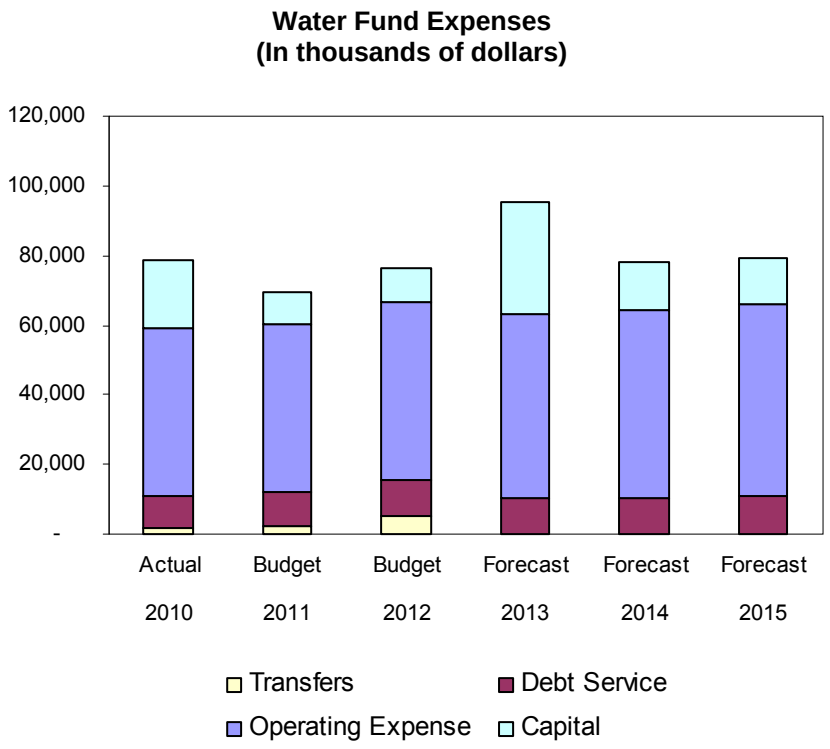
Background
The Water Fund accounts for the operation, maintenance and capital program of the water treatment and distribution system for the City and several suburban city customers. The City currently sells water to seven cities including Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, Edina, and Metropolitan Airport Commission.

Historical Financial Performance
The financial condition of this fund has been stable historically. The net assets of the Water Fund have increased over the past several years due primarily to scheduled rate increases and major capital improvements. The following table shows the revenue earned from Minneapolis and suburban sales for years 2009-2010 and 2011 projected revenue:

Source of Revenue	2009	2010	2011 Projected
Bloomington	$3,302,000	$3,543,587	$3,567,166
Columbia Heights	1,032,000	1,156,604	1,125,720
Edina	267,000	194,026	305,509
Joint Water Commission	6,732,000	5,694,488	6,694,773
Hilltop	127,000	106,734	133,290
Total Suburban	**$11,460,000**	**$10,695,439**	**$11,826,458**
Minneapolis	$52,750,000	$53,458,702	$53,509,763
Total Revenue	**$64,210,000**	**$64,154,141**	**$65,336,221**

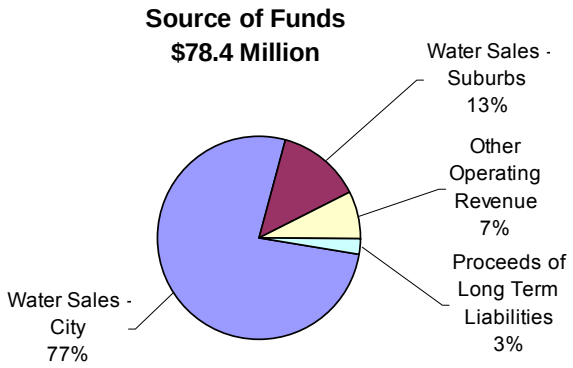
Water Fund Revenues
(In thousands of dollars)





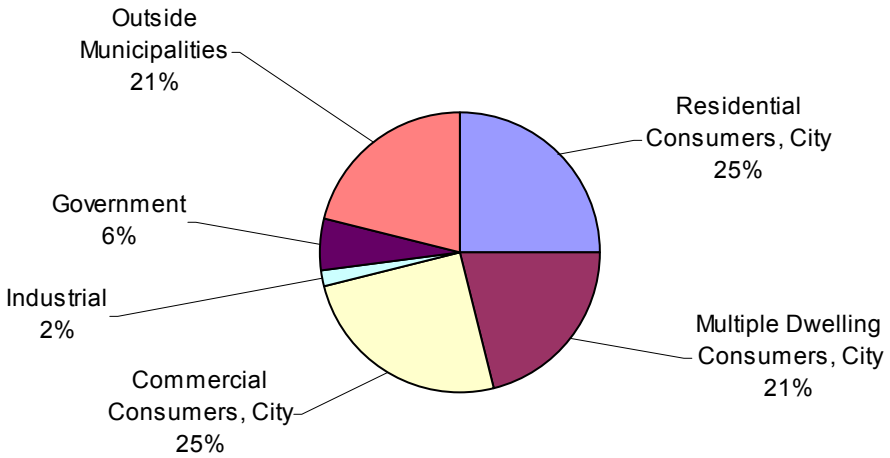
2012 Budget

Revenues
The 2012 revenue budget of $78.4 million is 6.9% higher than the 2011 projected revenue of $73.4 million. There are projected rate increases for years 2012-2015 to pay debt service for the capital expenses, as well as to cover anticipated growth in operating expenses and to repair infrastructure. Rate increases may not result in increased revenue due to variable water consumption. A long-term trend has shown that Minneapolis water consumption has decreased over the past several years.



Water Utility Rates
The budget includes a rate increase for water from $3.20/unit in 2011 to $3.36/unit in 2012. The rate increase will provide funding for water distribution improvements and the continued ability to cover the fixed costs of operating the utility in an environment of declining consumption due to conservation efforts.

Charges for Service by Customer Consumption
(Based on 2010 Consumption)



Year	Rate (cost per 100 cubic feet)	Cost Per Month for Average Consumer[1]	% Increase	Total Planned Revenue from Utility Fee
2012	$3.36	26.88	5.0%	$60 Million
2013	$3.48	27.84	3.6%	$61.4 Million
2014	$3.60	28.80	3.4%	$62.9 Million
2015	$3.71	29.68	3.1%	$63.9 Million
2016	$3.82	30.56	3.0%	$65 Million

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

The following table shows the projected revenue earned from suburban utility sales:

Year	Combined Average Rate	% Increase	Total Revenue Earned from Utility Fee - Suburbs
2012	$2.20	4.9%	$10.6 Million
2013	$2.28	3.5%	$10.8 Million
2014	$2.36	3.5%	$11.1 Million
2015	$2.43	3.0%	$11.3 Million
2016	$2.50	3.0%	$11.5 Million

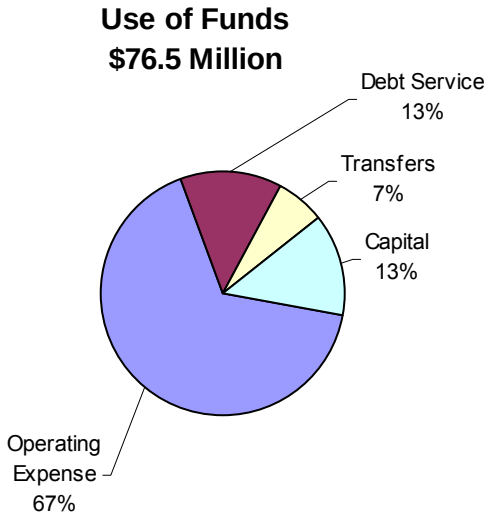
Expenses
The 2012 expense budget is $76.5 million, an 11% increase over the 2011 projected expense of $68.9 million. The Water Fund's operating budget includes a minor percentage increase to keep customers' rate increases minimal.

The budget provides funding for the capital improvement program. Current capital projects include improvements to the water distribution network, treatment infrastructure improvements and a $25 million multiyear project to replace the current dewatering plant which uses centrifuges with new filter presses which will improve efficiency and reduce operating costs. The

2012 recommended capital budget is $10.2 million and represents a 13.4% increase from the 2011 capital budget.

Transfers
The Water Fund incurs a transfer expense related to its share of the Minneapolis Employee Retirement Fund (MERF) pension obligations. There will be $5 million 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 and notes sold to finance the Water-Works Capital Construction program.



Mayor's Recommended Budget
The Mayor recommends no changes.

City of Minneapolis
2012 Budget
Financial Plan (In thousands of dollars)
Water Fund - 7400

	2009 Actual	2010 Actual	2011 Budget	2011 Projected	2012 Budget	% Chg 2011 Projected	2013 Forecast	2014 Forecast	2015 Forecast
Source of Funds:									
Water Sales - City	52,750	53,459	59,455	55,468	60,077	8.3%	61,456	62,859	65,099
Water Sales - Suburbs	11,460	10,695	13,141	12,417	10,579	-14.8%	10,822	11,069	11,463
Other Operating Revenue	2,358	1,508	2,717	3,476	5,788	66.5%	5,875	5,963	6,143
Proceeds of Long Term Liabilities	17,831	16,057	2,000	2,000	2,000		22,000	2,000	2,000
Total	84,399	81,719	77,313	73,361	78,444	6.9%	100,153	81,891	84,705
Use of Funds:									
Operating Expense	46,252	47,916	48,377	47,820	51,106	6.9%	52,777	54,095	55,471
Debt Service	9,924	9,518	10,063	10,063	10,226	1.6%	10,318	10,405	10,640
Future Debt Service		-	-	-	-		1,538	1,538	1,538
Transfers									
To Debt Service for MERF Liability	1,071	1,258	2,042	2,042	4,992	144.5%	-	-	-
To Debt Service - Other		249	-	-	-		-	-	-
Capital	25,909	19,762	9,000	9,000	10,210	13.4%	32,325	13,300	13,300
Total	83,156	78,703	69,482	68,925	76,534	11.0%	96,958	79,338	80,949
Water Works Fund Margin	1,484	3,016	7,831	4,436	1,910		3,195	2,553	3,756
Water Net Assets	159,640	176,894	179,910	181,330	183,240		186,435	188,988	192,744
Cash Balance	(2,007)	11,657	19,487	16,093	16,548		19,606	22,022	24,228

City of Minneapolis
2012 Budget
Financial Plan

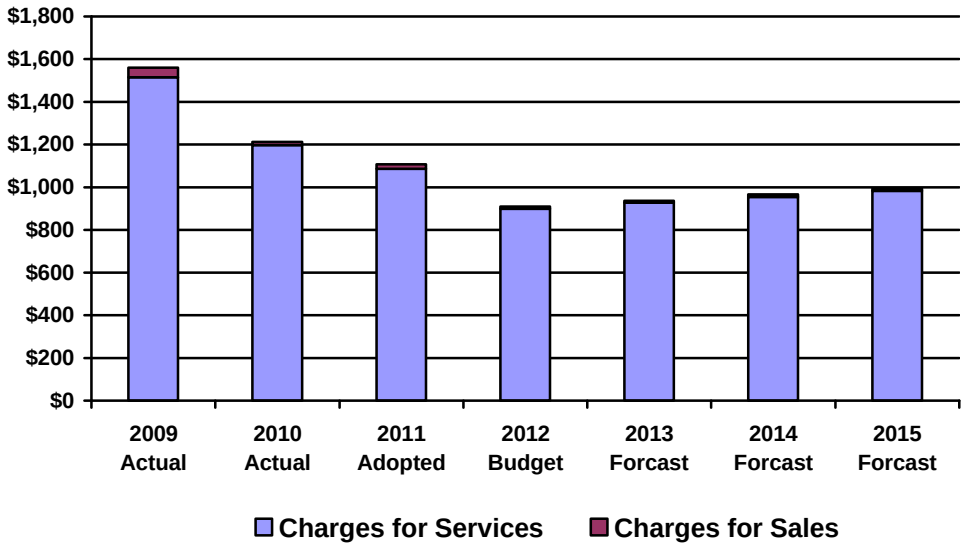
Public Works Stores Fund

Background
The Public Works Stores Fund accounts for the centralized procurement, receiving, warehousing, and distribution of stocked inventory items and the purchase of special goods and services through Central Stores and Public Works Traffic stores. In April 2011, Central Stores was transitioned from the Public Works department to become a cost center within the Department of Finance. Central Stores remains an internal service division and transactions are recorded to the Public Works Stores Fund.

Historical Financial Information
Public Works operated Central Stores beginning 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 operation. In 1980, Central Stores began purchasing the City's office supplies and non-specialty items. Public Works Traffic Stores purchases components for traffic signals, controllers, and street lights.

A revised overhead structure implemented in 1998, resulted in positive net income for years 2000 through 2007. For year ending 2009, PW Stores recorded net income of $318,000. The net income for 2010 is $20,000.

Public Works Stores Revenue
(in thousands of dollars)

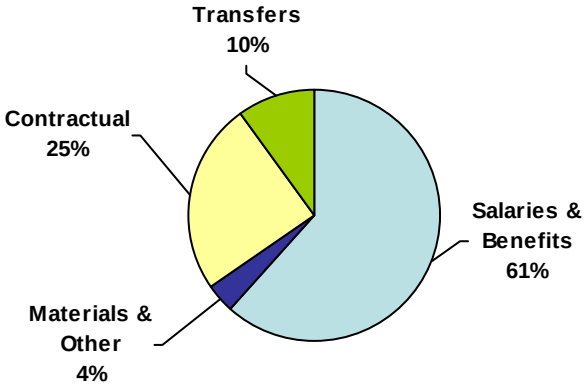


2012 Budget

Revenues
Revenues for 2012 are budgeted at $910,000, a decrease of 9% from the 2011 projected revenue of $1 million. Revenues for 2012 are not expected to be sufficient to cover expenses of the fund. This deficit is partially due to the large increase in the payment for Minneapolis Employees Retirement Fund (MERF) debt service in 2012. In addition, the fund has experienced a decline in revenue earned from processing orders for goods for City departments. The majority of orders for goods that are not inventoried are processed by the Finance Department.

Expense
The 2012 expense budget of $1.2 million is an 11.1% increase from the 2011 projected expense of $1.1 million. The primary reason is the debt payment related to MERF which increased from $51,000 in 2011 to $117,000 in 2012.

Public Works Stores Funds
Use of Funds
($1.2 million)



Transfers
The 2012 budget includes a transfer out of $117,000 for debt service related to the MERF unfunded pension liability. The City will retire bonds related to this debt service in 2012 resulting in substantial savings to the City and creating a large increase in this debt payment for the proprietary funds. The Public Works Stores Fund will use fund balance as the revenue source for this payment.

Debt Service
This fund does not have long-term debt.

Net Assets and Cash Balance
The year-end net asset balance for 2010 is $3.2 million, an increase of $21,000 from the ending net asset balance of $3.2 million in 2009. The fund has experienced a negative cash balance since year-end 2006 when the balance was a deficit of $0.9 million. In 2009, the deficit increased to $1.6 million and in 2010, the cash balance improved to a deficit of $826,000.

Mayor's Recommended Budget
The Mayor recommended no changes to this fund.

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City of Minneapolis
2012 Budget
Financial Plan (in thousand of dollars)
PW Stores Fund - 06300*

	2009 Actual	2010 Actual	2011 Budget	2011 Projected	2012 Budget	% Chg From 2011 Projected	2013 Forecast	2014 Forecast	2015 Forecast
Source of Funds:									
Changes for Services	1,510	1,196	1,087	1,000	900	-10.0%	927	955	983
Charges for Sales	45	15	20	20	10	-50.0%	10	11	11
Misc Revenues	5	1	-	-	-	0.0%	-	-	-
Total	1,560	1,211	1,107	1,000	910	-9.0%	937	965	994
Use of Funds:									
Salaries and Fringes	811	730	675	690	723	4.8%	745	767	791
Contractual Services	342	376	302	302	293	-2.9%	302	311	320
Materials and Other	55	52	41	15	42	177.6%	43	44	46
Transfers	34	33	51	51	117	129.4%	-	-	-
Total	1,242	1,191	1,069	1,058	1,175	11.1%	1,090	1,122	1,156
Change in Net Assets	318	20	38	(58)	(265)		(152)	(157)	(162)
Net Assets	3,203	3,223	3,261	3,165	2,901		2,748	2,591	2,430
Cash Balance	(1,566)	(826)	(788)	(884)	(1,148)		(1,301)	(1,458)	(1,619)

* This fund includes Cental Stores (Department of Finance) and Public Works Traffic Stores.

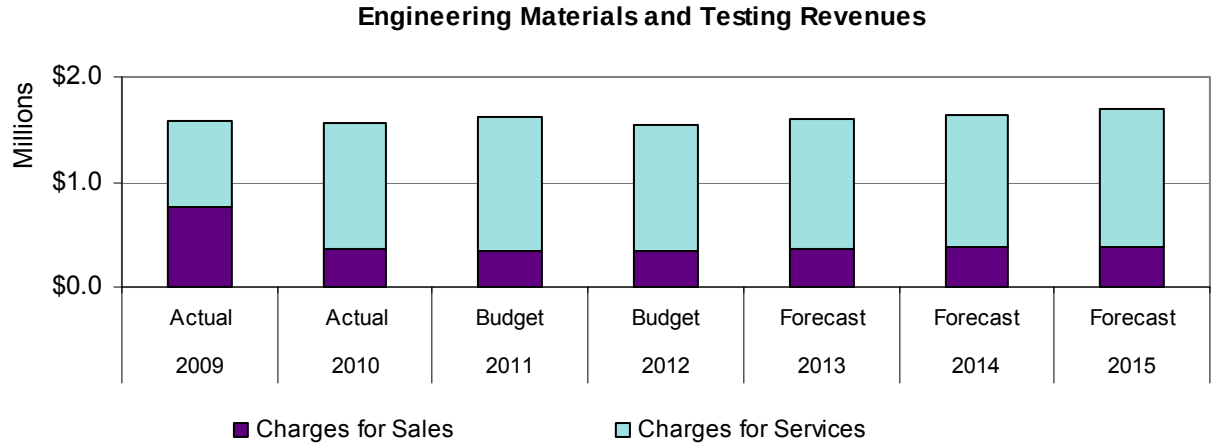
City of Minneapolis
2012 Budget
Financial Plan

Engineering Materials and Testing Fund

Background
The Engineering Materials and Testing Fund accounts for City purchases of hot-mix asphalt and ready-mix concrete in order to ensure compliance with State and Federal standards and specifications and provide quality control. The Engineering Laboratory is a component of this fund which provides inspection and testing services and maintains a laboratory for testing construction materials, performing geotechnical evaluations, and coordinating related environmental field services.

Historical Financial Performance
The revenue sources for this fund include overhead charged on the procurement of hot-mix asphalt and ready-mix concrete materials along with fees for inspection and testing services by the Engineering Laboratory.

The decision to suspend operations at the asphalt plant at the end of 2003 resulted in a $777,000 loss on the disposal of this asset and a decrease in net assets of $709,000. From 2003 through 2008, this fund had a decrease in net assets of $1.5 million of which $777,000 is due to the loss on the disposal of the asphalt plant. In 2010, the net assets increased $245,000 bringing the ending balance from $490,000 in 2009 to $735,000 in 2010. The cash balance increased from a balance of $560,000 in 2009 to a balance of $802,000 in 2010.

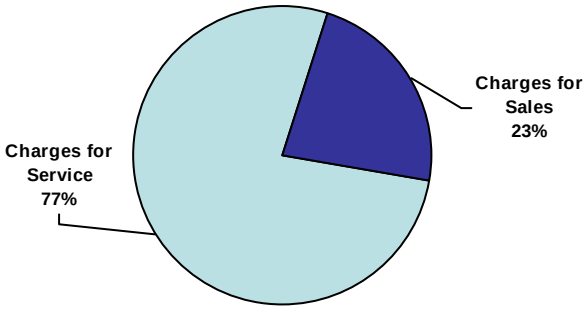


2012 Budget

Revenues
The 2012 revenue budget is $1.6 million, a 0.2% decrease from the 2011 projected revenue. This fund generates revenue from testing and inspection services provided by the Engineering Lab and the sale of concrete and asphalt from outside vendors to other City departments. Product types and quantities are identified for customer departments. An allocation model determines product costs to allow the fund to generate revenues that match operating expenditures.

With the implementation of the new financial accounting system in 2008, the recording of revenue earned from asphalt and concrete sales was modified to include only the revenue generated from the mark up overhead added to the cost of the product. Previously, revenue was recorded as the cost of the goods plus the markup. The 2012 revenue budget includes $1.2 million earned from charges for services provided by the Engineering Lab and $352,000 as mark up on the sale of asphalt and concrete.

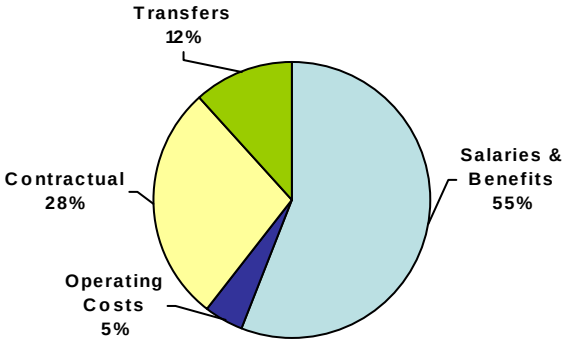
Source of Funds
($1.6 million)



Expenditures
The 2012 expense budget is $1.7 million, an increase of 26.4% from the 2011 projected budget. The increase is primarily due to the transfer out for MERF related debt.

Transfers
The 2012 budget includes a transfer out of $195,000 for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability. The City determined to retire bonds related to this debt service in 2012 resulting in substantial savings to the City and creating a large increase to this debt payment for the proprietary funds. The Engineering Lab and Materials Fund will use fund balance as a revenue source for this payment.

Use of Funds
($1.7 million)



Debt Service
This fund does not have long-term debt.

Mayor's Recommended Budget
The Mayor recommended no changes.

City of Minneapolis
2012 Budget
Financial Plan (in thousands of dollars)

Engineering, Materials and Testing - 06000*

	2009 Actual	2010 Actual	2011 Budget	2011 Projected	2012 Budget	% Chg From 2011 Projected	2013 Forecast	2014 Forecast	2015 Forecast
Source of Funds:									
Charges for Services	830	1,194	1,261	1,200	1,200		1,236	1,273	1,311
Charges for Sales	760	371	352	355	352	-0.8%	363	373	385
Total	1,590	1,565	1,613	1,555	1,552	-0.2%	1,599	1,647	1,696
Use of Funds:									
Personnel Services	747	761	900	820	923	12.5%	950	979	1,008
Contractual Services	273	390	434	356	458	28.5%	471	485	500
Materials and other	36	102	134	45	80	77.0%	85	87	89
Transfers Out	58	57	88	88	195	121.6%	-	-	-
Total	1,114	1,310	1,556	1,309	1,655	26.4%	1,506	1,551	1,597
Change in Net Assets	462	245	57	246	(103)		92	95	99
Net Assets	490	735	792	981	867		959	1,055	1,153
Cash Balance	560	802	859	1,048	745		837	933	991

* This fund includes the Public Works divisions Engineering Lab, Apshalt Distribution, and Ready-Mix Concrete.

City of Minneapolis
2012 Budget
Financial Plan

Intergovernmental Services Fund

Background
The Intergovernmental Services Fund accounts for all of the operations of the Business Information Services Department (BIS) including information and technology functions, the managed services contract with Unisys, the Project Management Division (PMD), and telecommunications operations. The fund also records transactions for operations within the City Clerk's office related to central mailing and printing services. A portion of the Human Resources budget that is designated for internal training is included in this fund.

The City Council approved a long-term financial plan for the Intergovernmental Services Fund in September 2000, to resolve both the annual operating deficit and accumulated cash deficits for this fund. Since year-end 2002, the fund has achieved positive increases to the net asset balance bringing the balance from a deficit of ($40.8) million in 2002 to a positive net asset position of $16.9 million in 2010. For 2011, the fund is projected to increase net assets by $3.6 million for an ending balance of $20.5 million, ahead of the updated long-term financial plan projection of $18.4 million at year-end 2011.

The deficit in this fund was partially due to debt issued to finance technology purchases that was not adequately charged back to departments. The long-term financial plan addressed this issue by providing cash transfers to pay off the debt. In 2009, $16.8 million of bonds were refunded and in 2010 another $4.56 million of bonds were refunded resulting in interest savings of $.59 and $.16 million respectively which helped to reduce the deficit. Debt service payments of $10.7 million for 2011 and $9.6 million for 2012 will extinguish all debt related to the past deficits. By 2013, the debt outstanding will be $1.84 million and will be paid for with transfers from the bond redemption levy.

In 2010, BIS incurred nearly $11.9 million of expense for technology projects. The PMD office charges City departments for the cost of purchasing or creating technology enhancements and provides quality, low-cost project management for implementing these technology-related projects. The charges to City departments are calculated to generate enough revenue to cover the overhead expense of the department. In addition, the City Council appropriated $1.0 million for technology projects in 2011 and the Mayor is recommending $1.275 million for 2012 funded through net debt bonds. The majority of the funding for technology projects are derived from grants and City departments operating budgets.

This fund continues to be active with new initiatives:

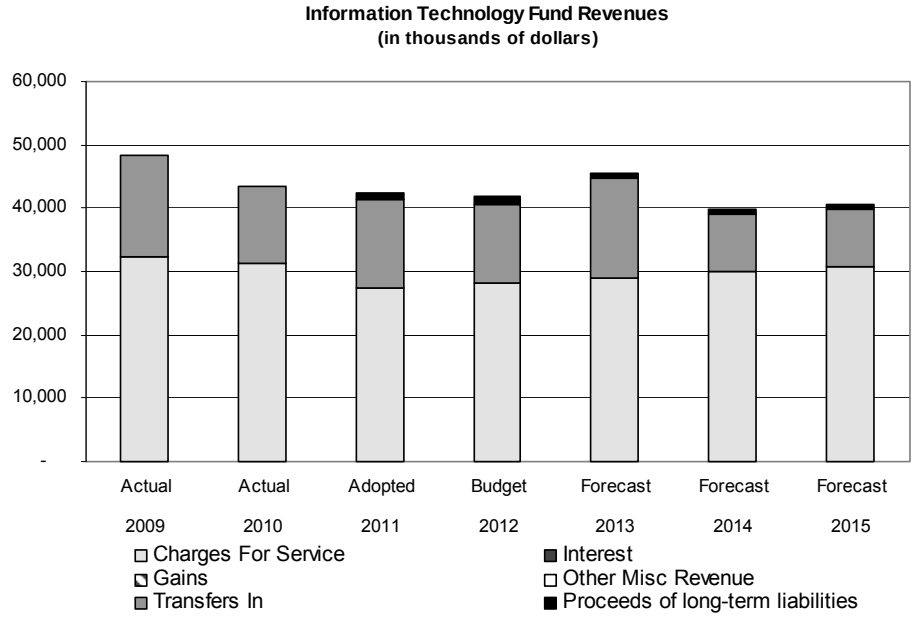
- **City-Wide***: First-of-a-Kind,* The City is participating in the IBM First-of-a-Kind project to create solutions for cross department coordination leveraging analytics and optimization, business process modeling and asset management technologies. These advanced technology solutions will leverage the citywide wireless network, Strategic Information Center, and camera infrastructure already in place at the City of Minneapolis.
- **Department Specific:** *Enterprise Land Management*, The City will acquire and implement a system that will provide workflow automation and transaction processing for the City's emergency response resource management, regulatory enforcement, inspections,

permitting, development, planning, and constituent self-service and other land management and reporting processes, among many other department-specific projects.

The net asset position in this fund will increase as it continues to provide services to City departments with charges determined through its allocation model and collect fees for service with PMD. The allocation model assigns costs to customers on a “level of effort” basis and began charging customer departments the allocated rates in 2005.

Historical Financial Performance
Net assets were affected by the realignment 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 caused fund net assets to have a balance of negative $40.8 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 financial plan. This trend has been reversed: at year-end 2010, net assets improved to $16.9 million.

The long-term financial plan projected the net asset balance at year-end 2010 to increase $8.9 million from $800,000 at year end 2009 to $9.7 million. The actual net asset balance at year-end 2010, $16.9 million, represents an increase of $12.0 million from the 2008 ending balance. The fund's cash balance has also increased as projected in the long-term financial plan. From 2003 to 2010 the cash balance increased by $11.7 million from a deficit of $3.2 million to a positive of $8.4 million at year-end 2010.



2012 Budget

Revenues
The 2012 revenue budget is $41.9 million. To fund the cost of providing information technology services, the financial plan required that the annual transfer from the general fund receive an increase of $0.9 million each year from 2005 through 2008, minus the reductions to growth in

those years. In 2009, the fund received $13.6 million from the general fund and $2.5 million from the bond redemption fund. The budget for 2010 includes a decrease of $4.0 million to the transfer from the General Fund. Total transfer to the fund in 2012 is $12.4 million including $9.5 million from the general fund, $1.1 million from the bond redemption fund and $1.0 million from the Self Insurance fund.

Charges for service are increased in 2012 reflected by the additional revenue received by City Departments through the allocation model and charges directly to City departments for additional BIS services.

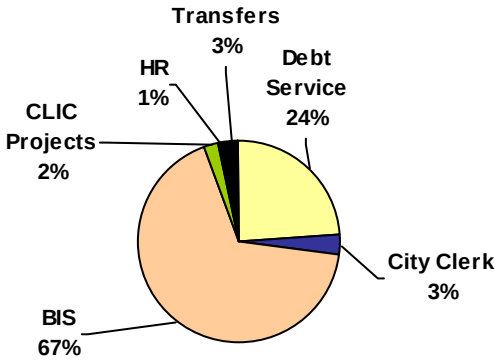
Allocation Model Implications
The allocation model has five components on the customer expense side: BIS application support; BIS operating; telecommunications; data connectivity; and special customer specific services. Revenues generated through the allocation model will recover the following:

- BIS operating costs at a level that conforms to the Council-adopted financial plan.
- Debt service resulting from phone system purchase.
- A small portion for City Clerk data center operations and Human Resources operations.

Revenue Assumptions (2012)	
Number of PC's	2,678
Number of telephones	2,902

Expenses
Expenses in the Intergovernmental Services Fund are comprised of the operating expenses (salaries/benefits, contractual, operating, equipment) of BIS, the City Clerk's office, and Human Resources. Capital expenditures for information technology investments were budgeted in the City's Permanent Improvement Fund, but now are budgeted in the Intergovernmental Services Fund. Capitalized assets are reported in this fund as is the depreciation expense. The 2012 expense budget of $40.2 million, a decrease of 8% from 2011 projected. In 2011, the fund began to pay $1.5 million annually as loan repayment to the Convention Center, with final payment of $1.75 million in 2016.

Intergovernmental Services Fund Use of Funds by Department ($40.2 million)



Transfers
Transfers-in for 2012 relates to a transfer from the general fund of $9.5 million to subsidize BIS debt service payments, $0.5 million for the general fund wireless allocation, a $1.1 million transfer from the general debt service fund, and $1.0 million transfer from the Self Insurance Fund. BIS also has a transfer out (expense) of $1.1 million for debt service related to the Minneapolis Employees Retirement Fund's (MERF) unfunded pension liability. The City will retire bonds related to this debt service in 2012 resulting in substantial savings, while creating a large one-time increase to this debt payment for the proprietary funds. The BIS Department will use fund balance as a revenue source for this payment and recover this cost through the allocation model.

Debt Service
In 2012, the fund will have a beginning bond liability of $11.1 million. A debt service payment of $9.2 in 2012 including $389,000 of interest will leave an ending balance of bonds payable of $1.9 million at year-end.

Net Assets and Cash Balance
The financial policy related to the net asset balance for the Intergovernmental Services Fund determines that the net asset balance should not fall below two times the fund's annual depreciation. The annual depreciation for 2010 is $11.0 million and the year-end net asset balance is $16.9 million which brings the fund within $5.0 million of benchmark amount of $22.0 million. The financial policy for cash balance states that the minimum cash balance should be equal to 15.0% of the operating budget. The year end cash balance for 2010 is $8.4 million and the fund had a 2010 operating budget of $37.7 million resulting benchmark amount of $5.7 million. At year-end 2010, the fund's cash balance exceeded the benchmark by $2.7 million.

Mayor's Recommended Budget
The Mayor recommends an acceleration of the General Fund transfers to the Intergovernmental Services Fund from the adopted plan as well as an overall reduction of $3.6 million over the life of the transfers based on the performance of the fund. The proposed transfer schedule is $9.495M in 2012; $13.280M in 2013; $6.582M in 2014 and $6.780 in 2015. By accelerating the transfer schedule, capacity is created in the near future to hold down property tax levy increases, while maintaining the financial integrity of the fund.

City of Minneapolis
2012 Budget
Financial Plan (in thousands of dollars)

Intergovernmental Services Fund

	2009 Actual	2010 Actual	2011 Budget	2011 Projected	2012 Budget	% Chg From 2011 Projected	2013 Forecast	2014 Forecast	2015 Forecast
Source of Funds:									
Charges For Service	32,258	31,275	27,510	31,188	28,187	-9.6%	29,033	29,904	30,801
Other Miscellaneous Revenue	(99)	(78)	-	-	-		-	-	-
Operating Transfers In	16,115	12,245	13,974	14,539	12,407	-14.7%	15,745	9,028	9,007
Proceeds of Long term Liabilities	-	-	1,000	1,000	1,275	27.5%	800	850	900
Total	48,274	43,442	42,484	46,727	41,869	-10.4%	45,578	39,782	40,708
Use of Funds:									
Transfers	277	395	423	423	1,072	153.4%	-	-	-
Debt Service	10,816	9,438	9,703	10,703	9,604	-10.3%	768	736	504
City Clerk	1,157	1,342	1,133	1,174	1,303	11.0%	1,342	1,382	1,424
Human Resources	145	153	256	340	261	-23.4%	268	276	285
Business Information Services	26,777	26,443	26,396	30,061	26,674	-11.3%	27,524	28,326	29,150
Capital Projects	1,202	(39)	1,000	1,000	1,275	27.5%	800	850	900
Total	40,374	37,732	38,911	43,701	40,188	-8.0%	30,702	31,570	32,263
Change in Net Assets	8,810	3,225	3,573	3,026	1,681		14,875	8,211	8,445
Net Assets	13,678	16,903	20,476	19,929	21,610		36,485	44,696	53,142
Cash Balance[1]	1,699	8,438	10,511	9,964	10,145		20,620	24,431	28,477
Long Term Financial Plan Target Cash[2]	16	1,693	2,566	2,566	3,503		9,653	13,889	16,144
Variance Cash to Financial Plan	1,683	6,745	7,945	7,398	6,642		10,967	10,542	12,333

[1] The cash balance for years 2011 through 2015 is reduced by $1.5 million for repayment of Minneapolis Convention Center loan, Convention Center; 2012 onward is reduced by $9.4 million for unearned revenue and increased by $6.5 million for notes receivable.

[2] The cash projections for 2009 onward are based on the updated long-term financial plan for this fund, adopted by Council in 2008.

City of Minneapolis
2012 Budget
Financial Plan

Fleet Services Division Fund

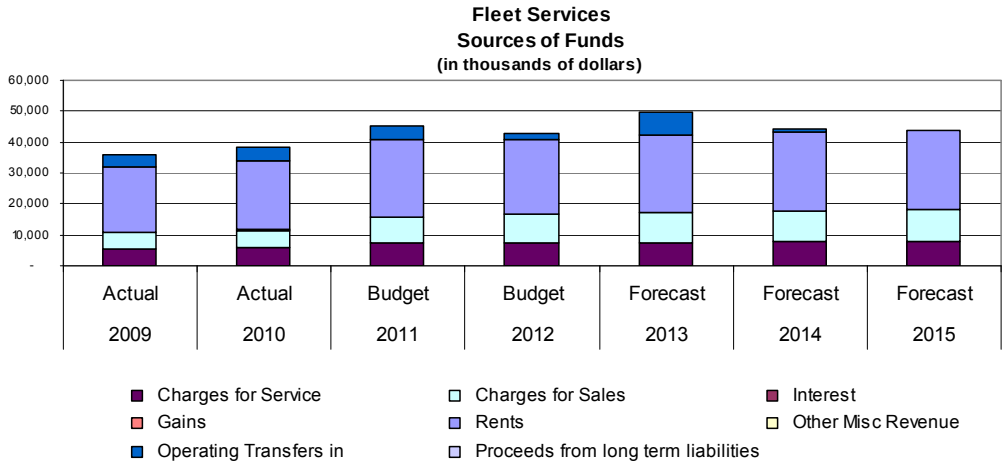
Background

The Fleet Services Division Fund manages the acquisition, maintenance and disposal of 1300 units of equipment; primarily the City's fleet of vehicles, including police cars, fire trucks, snow plows, sedans and pickup trucks along with off road equipment. This fund provides technicians to maintain the equipment as well as the drivers and operators for the equipment that is used in construction and snow removal. In addition, the fund manages the dispatch of City-owned and contractual equipment. The City's fleet of vehicles and equipment has an acquisition value of $65.5 million and accounts for 48.3% of the net value of the long-term assets in this fund.

Historical Financial Performance

In 2000, the fund had a deficit cash position of $17.8 million due to costs of operation exceeding revenues collected from City departments. A long-term financial plan was developed in 2001 to generate sufficient revenue to cover the full cost of operations. The fund maintained a positive cash balance through 2010 with the exception of the year ending 2008 when the cash balance was a deficit of $49,000. The fund's 2010 year-end net asset balance of $30.6 million represents an increase of $4.1 million in net assets from the 2009 balance of $26.5 million. The long-term financial plan projected a 2010 net asset balance of $30.2 million. In 2010, a cash reserve policy was established for internal service funds directing the funds to maintain a minimum cash balance of 15% of the operating budget. The target cash reserve balance for this fund is $4.3 million to be attained by year end 2013.

The original long-term financial plan financed fleet purchases by issuing general obligation bonds. Upgrading the fleet reduced the average age of the fleet, reducing maintenance costs in the fund. The fund continues to follow the plan to maintain a positive cash balance, increase net assets, and to end its reliance on bonds to fund the fleet purchases. In 2006, the practice of issuing bonds to finance fleet replacement was discontinued.

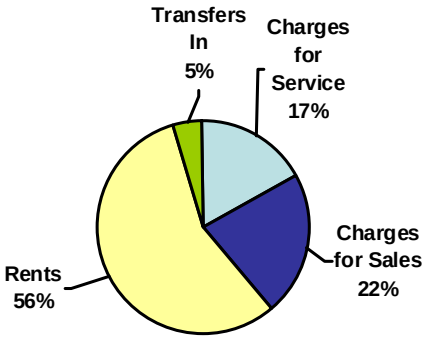


2012 Budget

Revenue

The Fleet Services Division uses activity-based costing to bill internal customers for use of vehicles. This method establishes a fleet rental rate that covers the replacement cost of the vehicles after the useful life. Maintenance, repairs and fuel costs of the fleet are charged separately. These charges are billed at a rate that allows the Fleet Services Division to match revenue to expense. Total revenues for 2012 are budgeted at $43.0 million, a decrease of 6.7% from the 2011 projected revenue of $46 million. The decrease in projected revenue is due primarily to a decrease in the general fund transfer from $4.3 million in 2011 to $1.9 million in 2012. An increase of 13.8% in revenue earned from sales, primarily from the sale of fuel, is projected in 2012.

Source of Revenue ($43.0 million)

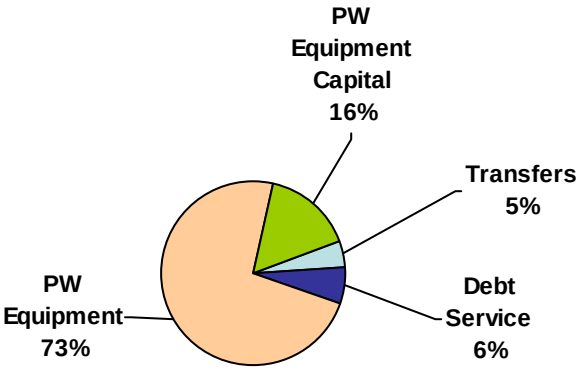


Expense

The 2012 expense budget is $48.9 million which represents an increase of 15.2% from the 2011 projected expense of $42.4 million. The increase in expense is primarily due to an increase in capital spending for fleet replacement, from $4.5 million in 2011 to $7.9 million in 2012.

Revenue Assumptions (2012)	
Number of vehicles serviced	1200
Number of vehicles purchased	60

Use of Funds ($48.9 million)



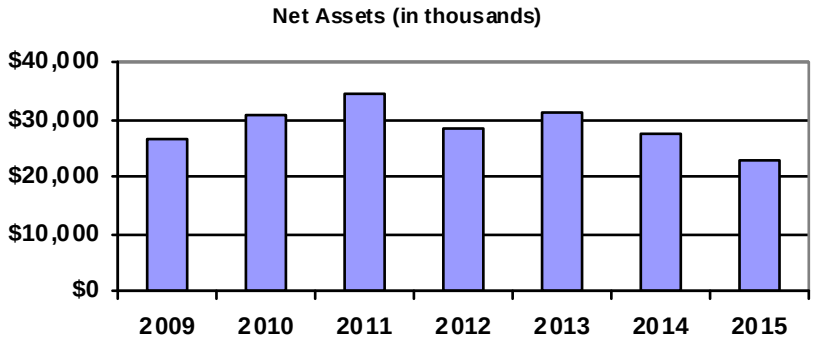
Transfers

The 2012 budget includes a transfer out of $2.2 million for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability to retire bonds related to this debt service in 2012. This one-time large increase to this debt payment for the proprietary funds results in substantial savings to the City and eliminates the need for future payments. The Fleet Services Division will use fund balance as a revenue source for this payment and will recover the cost of the payment through the Fleet allocation model for years 2012 through 2014.

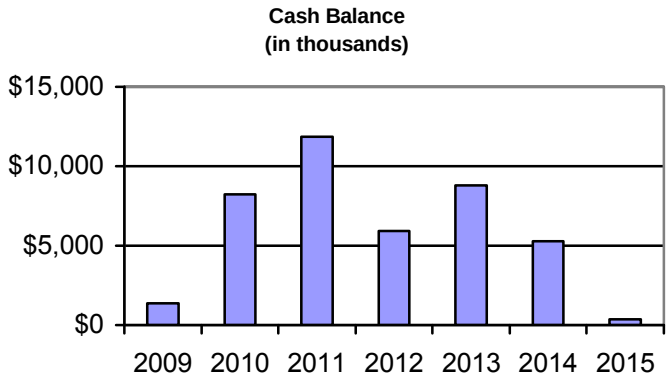
Debt Service

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. In 2010, the City issued $22.3 million of refunding bonds to refinance current debt at a lower interest rate. Principal and interest payments totaling $3.0 million are due in 2012 related to these bonds.

Net Assets
A primary objective of the long-term financial plan is to increase the fund's net assets and the cash balance. The fund has steadily increased its net asset balance since 2003 when the financial plan was first implemented. The net asset balance at year-end 2010 was $30.6 million, an increase of $4.1 million from the 2009 ending balance of $26.5 million. The financial policy for the Fleet Services Division net asset balance states that the value of net assets should not fall below two times the annual depreciation amount. The annual depreciation for Fleet Services in 2010 was $6.5 million. The 2010 balance of $30.6 million is $17.6 million greater than the benchmark amount. The 2011 projected balance is $34.2 million.



The 2010 ending cash balance of $8.2 million is an increase of $6.8 million from the 2009 ending balance of $1.4 million. The target cash balance for 2010 as determined by the cash reserve policy is $2.1 million. The 2011 projected balance is $11.8 million. The following chart illustrates the historical and projected cash performance of the fund:



Mayor's Recommended Budget
The Mayor recommends a modification to the 2013 and 2014 transfer amount from the General Fund in order to create capacity in those years which will keep property tax levy increases lower. The Mayor proposes the 2013 transfer to be $7.186 million and the 2014 transfer to be $1.129 million. The total General Fund obligations will be transferred to the fund at an accelerated schedule from the adopted plan.

City of Minneapolis
2012 Budget
Financial Plan (in thousand of dollars)

Fleet Services Divison - 06100

	2009 Actual	2010 Actual	2011 Budget	2011 Projected	2012 Budget	% Chg From 2011 Projected	2013 Forecast	2014 Forecast	2015 Forecast
Source of Funds:									
Charges for Service	5,608	5,850	7,446	7,500	7,346	-2.1%	7,566	7,793	8,027
Charges for Sales	5,274	5,586	8,252	8,100	9,218	13.8%	9,495	9,779	10,073
Gains	59	169	200	125	200	60.0%	200	200	200
Rents	20,781	22,378	24,789	25,900	24,254	-6.4%	24,982	25,731	25,603
Other Misc Revenue	119	136	30	100	10	-90.0%	10	10	10
Operating Transfers in	4,180	4,180	4,299	4,299	1,926	-55.2%	7,186	1,129	-
Total	36,021	38,299	45,016	46,024	42,954	-6.7%	49,439	44,643	43,913
Use of Funds:									
Debt Service	3,367	3,590	2,996	2,996	3,010	0.5%	3,011	2,911	2,752
Transfers	502	581	923	923	2,222	140.7%	-	-	-
PW Equipment	25,280	25,687	35,886	33,000	35,744	8.3%	36,841	37,943	39,078
PW Equipment Capital	5,454	1,687	4,500	5,500	7,910	43.8%	7,000	7,000	7,000
Total	34,603	31,545	44,305	42,419	48,886	15.2%	46,852	47,854	48,830
Change in Net Assets	2,764	4,060	711	3,605	(5,932)		2,586	(3,211)	(4,917)
Net Assets	26,548	30,608	31,319	34,213	28,281		30,867	27,657	22,740
Cash Balance	1,377	8,235	8,946	11,840	5,908		8,494	5,284	367
Target Cash Reserve[1]	1,377	2,108	2,838	2,838	3,569		4,300	4,300	4,300
Variance Cash to Target Cash Reserve	-	6,127	6,108	9,002	2,339		4,194	984	(3,933)

[1] The target cash reserve policy for internal services establishes a minimum cash balance at 15% of the operating budget. The reserve amounts were determined April 2010.

City of Minneapolis
2012 Budget
Financial Plan

Property Services Fund

Background

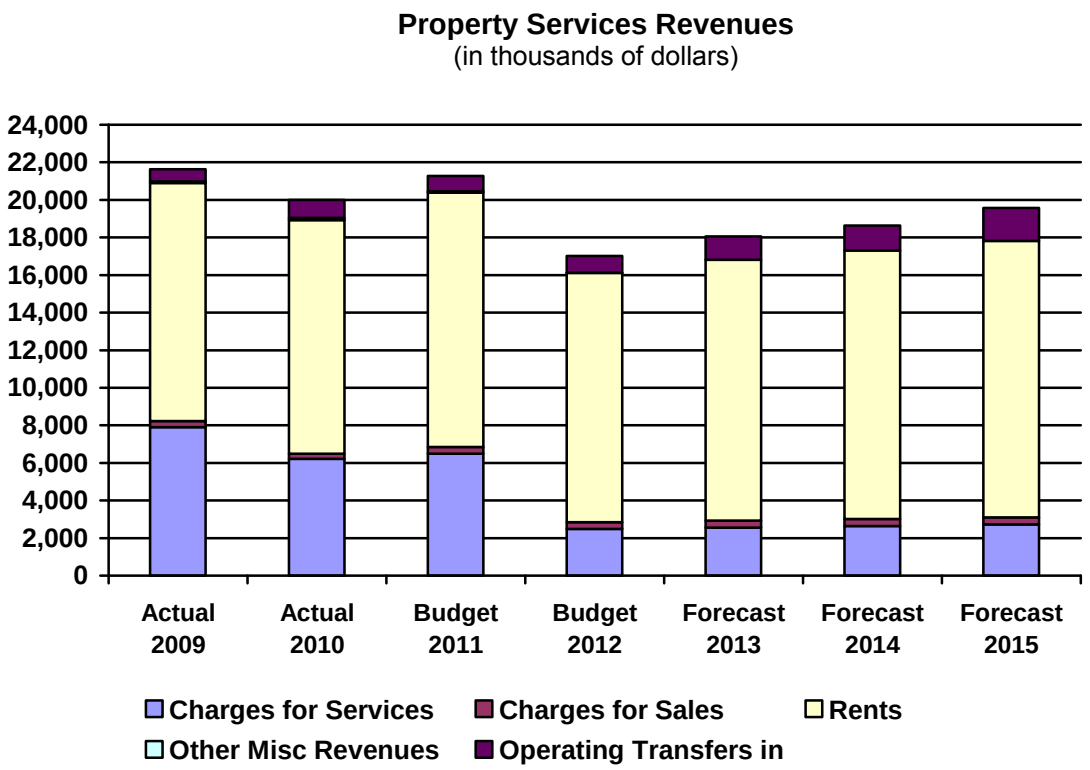
The Property Services Fund is an internal service fund responsible for the operations and maintenance for the majority of the City owned buildings including police precincts, fire stations, public works buildings, parking structures and specialty facilities. At this time, the fund does not provide any services to the Convention Center, City Hall, or the Minneapolis Park and Recreation Board facilities. The fund is also responsible for the Radio Shop which maintains the City's emergency communications network and accounts for the coordination and management of special property projects. In 2004, the Property Services division assumed the responsibility for space and asset management and security management. In 2007, the division provided energy management for City properties.

In April 2011, the Property Services Fund was transitioned from the Public Works department to the City Coordinator. The activities in this fund will remain in an internal service fund and will be managed by the Chief Financial Officer.

Historical Financial Performance

This fund collects revenue from the City departments that use its goods and services (building space, operational maintenance, security, space and asset management, energy management, janitorial and radio services). The proposed building and equipment rental rates charged to City departments are calculated through allocation models using historical and anticipated operational costs. The rate structure is configured to enable the fund to charge the amount required to recover the cost of the goods and services provided to City departments and the cost of the fund's overhead.

The 2010 year-end cash balance is $126,000, a decrease of 64.3% from the 2009 year-end balance of $353,000. In 2010, a target cash balance reserve was established for the internal service funds. The minimum balance is equal to 15% of the operating budget.

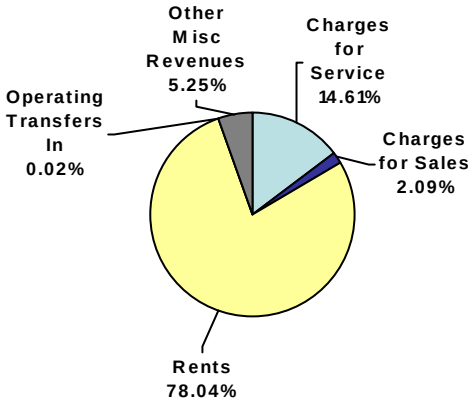


2012 Budget

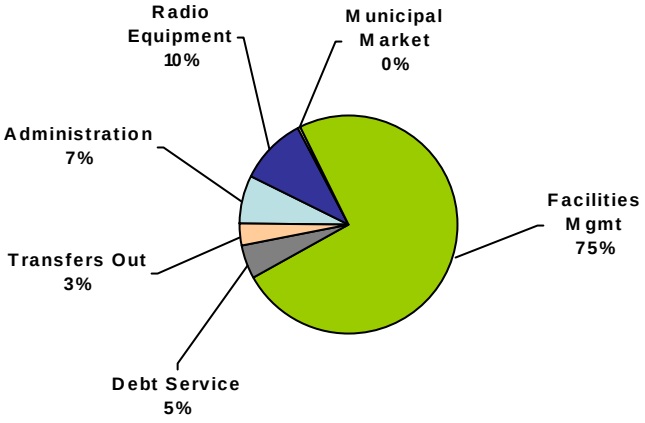
Revenues

The 2012 revenue budget for this fund is $17 million, or a decrease of 13.5% from projected 2011 of $19.7 million. The decrease in revenue is primarily related to the transition of two departments within this fund, Development Properties and Parking Facilities, to other City departments, resulting in a loss of revenue to Property Services for the services that this fund previously provided. In addition, the fund expects a decline in the demand for additional elective services provided to City departments. Included in this division's revenue budget is $4.2 million of pass-through rent revenue collected from City departments that occupy City Hall and is remitted to the Municipal Building Commission, a charge that began in 2009.

Property Service Fund Source of Funds ($17.5 million)



Property Service Fund Use of Funds ($17.5 million)



Expense
The 2012 expense budget is $17.5 million, a decrease of 9.2% from projected 2011 of $19.3 million. The decrease in expense is primarily related to the transition of two departments within the fund, Development Properties and Parking Facilities, to other City funds resulting in the elimination of costs related to maintaining these properties. In addition, operating expense are expected to decrease related to an anticipated decline in the demand for elective reimbursable services provided to other City departments. Included in this division's expense budget is $4.2 million of pass-through cost for services provided by the Municipal Building Commission for maintaining the City's space in City Hall.

Transfers
The 2012 budget includes a transfer out of $598,000 for debt service relate to the Minneapolis Employees Retirement Fund (MERF) unfunded pension liability. This payment will retire bonds related to this debt service in 2012 resulting in substantial savings to the City and creating a large increase in this debt payment for the proprietary funds. The Property Service Fund will fund this payment using cash that is recorded in the Property Disposition Fund, a fund that is included within the Property Services Fund. The Property Disposition fund will be reimbursed for this payment through revenue generated by the increasing the rents for City buildings as determined by the rent allocation model for years 2013 through 2015.

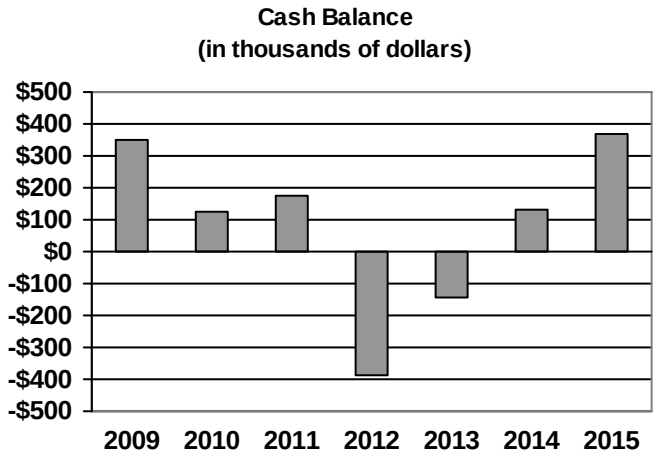
The fund receives a transfer of $514,000 in 2012 from the general fund which includes the cost of the general fund's portion of the debt service related to the 800MHz emergency communications project. In addition, the fund receives a transfer of $380,000 from the general fund to cover the cost of City Hall rent.

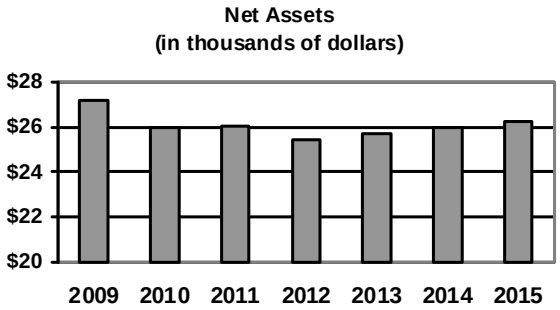
Debt Service
The radio shop, a division of the Property Services, has management responsibility for the $14.0 million 800 MHz radio system. The Property Services Fund recognizes the fixed asset, along with the debt related to this project. The radio shop is funding a portion of the City's public safety initiative through a contribution of $350,000 a year.

The debt service for 800 MHz radio system is funded as follows in 2012:

$514,250	Transfer from the general fund
$350,000	Property services portion of debt
$864,250	Total debt service (Year 2012)

Net Assets
The Property Services Fund has a positive net asset balance of $26.0 million at year-end 2010, a decrease of $1.2 million from the 2009 ending balance of $27.2 million. The fund does not recover the cost of depreciation of the buildings or equipment which is included as assets of the fund. Because this cost is not recovered, the fund balance will continue to decline even though the fund recovers its operating costs through a rent allocation model. The financial policy for the net asset balance for the Property Services Fund determines that the value of net assets should not fall below two times the annual depreciation amount. The depreciation for Property Services in 2010 is $1.1 million. The 2010 net asset balance of $26.0 million is $23.8 million greater than the benchmark amount.





Mayor's Recommended Budget

The Mayor recommends an acceleration of the General Fund transfers to the Property Services Fund from the 2011 Adopted plan. The proposed transfer schedule is $514,000 in 2012; $872,000 in 2013; $939,000 in 2014; and $1.374M in 2015. By accelerating the transfer schedule, capacity is created in the near future to hold down property tax levy increases, while maintaining the financial integrity of the fund.

City of Minneapolis
2012 Budget
Financial Plan (in thousand of dollars)
Property Services Fund - 06200

	2009 Actual	2010 Actual	2011 Budget	2011 Projected	2012 Budget	% Chg From 2011 Projected	2013 Forecast	2014 Forecast	2015 Forecast
Source of Funds:									
Charges for Services	7,904	6,209	6,493	5,200	2,486	-52.2%	2,561	2,637	2,717
Charges for Sales	323	284	355	300	355	18.3%	366	377	388
Rents	12,669	12,428	13,548	13,300	13,281	-0.1%	13,879	14,290	14,713
Other Misc Revenues	83	122	61	50	3	-94.0%	3	3	3
Transfers In	655	951	821	821	894	8.9%	1,252	1,319	1,754
Total	21,634	19,994	21,278	19,671	17,019	-13.5%	18,061	18,626	19,574
Use of Funds:									
Property Services Administration	1,357	1,508	1,852	1,700	1,267	-25.5%	1,308	1,347	1,387
Radio Equipment	1,550	1,409	1,804	1,800	1,793	-0.4%	1,847	1,902	1,959
Municipal Market	6	16	21	21	40	90.5%	41	42	44
Facilities Management	17,514	16,031	16,446	14,679	12,971	-11.6%	13,360	13,761	14,173
Debt Service	877	838	880	880	864	-1.8%	873	886	918
Transfers Out	97	925	228	228	598	162.3%	-	-	-
Total	21,401	19,803	21,231	19,308	17,533	-9.2%	17,430	17,939	18,482
Change in Net Assets	(226)	(1,219)	47	363	(514)		631	687	1,092
Net Assets	27,210	25,991	26,038	26,354	25,524		26,155	26,842	27,934
Cash Balance	353	126	173	489	(341)		290	977	2,069
Target Cash Reserve[1]	353	890	1,426	1,426	1,963		2,500	2,500	2,500
Variance Cash to Target Cash Reserve	-	(764)	(1,253)	(937)	(2,304)		(2,210)	(1,523)	(431)

[1] The target cash reserve policy for internal services establishes a minimum cash balance at 15% of the operating budget. The reserve amounts were determined April 2010.

Note: Source and use of funds forecasts were calculated using a factor of 3.0% to capture increases in costs and revenues.

City of Minneapolis
2012 Budget
Financial Plan

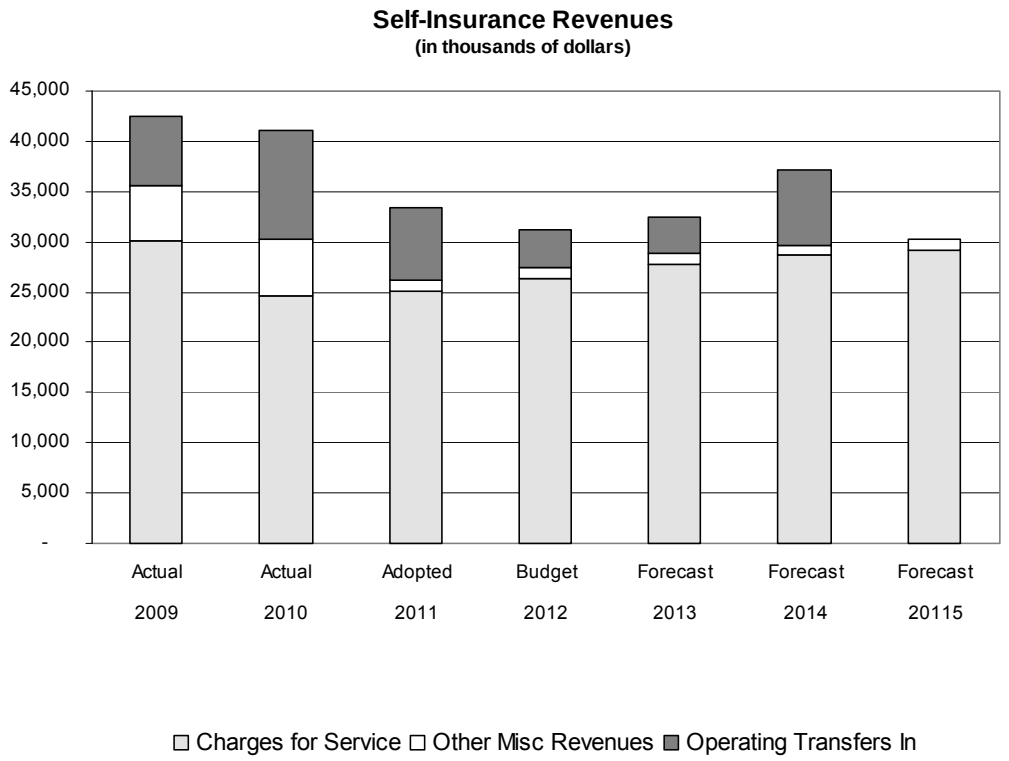
Self-Insurance Fund

Background
The Self-Insurance Fund records tort liability settlements, workers' compensation claims, severance payments to employees who meet eligibility requirements, and the related administrative costs of these services. An activity-based allocation model assigns charges to City departments to cover these expenses.

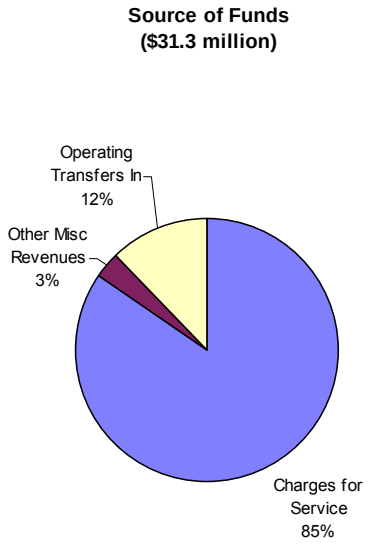
Historical Financial Performance
The net assets of the Self-Insurance Fund reflected a negative position of $6.6 million at year-end 2010, improving $36.7 million from the 2002 ending balance of a negative $43.3 million. One reason for the negative balance is the required accounting recognition of liability for unpaid claims. The 2010 unpaid claims liability is $47.3 million representing an increase of $4.8 million from the 2010 liability of $42.5 million. An actuarial study completed for year-end 2010 calculated the increase to the unpaid claims liability based on historical paid claims, incurred loss, and estimated reserves for claims unpaid.

In 2003, the City Council adopted a financial plan for the Self-Insurance Fund to increase net assets and attain a positive cash balance by year-end 2006. The financial plan was updated in 2008 and adopted by the City Council. The fund continues to perform above the financial plan cash projections and ended 2010 with a cash balance of $42.1 million, an increase of $13.1 million from the 2010 ending balance of $29.0 million. The long-term financial plan projected a 2010 ending cash balance of $30.7 million. Financial policies related to the internal service funds determine that a cash balance for the Self Insurance Fund should be maintained equal to the unpaid claims liability amount plus 10% of the annual department operating budgets. The unpaid claims liability at year end 2010 was $47.3 million and 10% of the total 2010 operating budgets equaled $3.2 million. The ending 2010 cash balance is $8.4 million less than the amount determined by the financial policy.

For 2007, an allocation model was implemented to recover costs associated with all programs in the fund. The allocation model assigns costs to City departments based on a minimum of 5-year claims history for workers compensation and liability. The model was put in place to raise departmental awareness of Self-Insurance costs and increase their ability to control the cost of premiums in the future through loss prevention programs.



2012 Budget

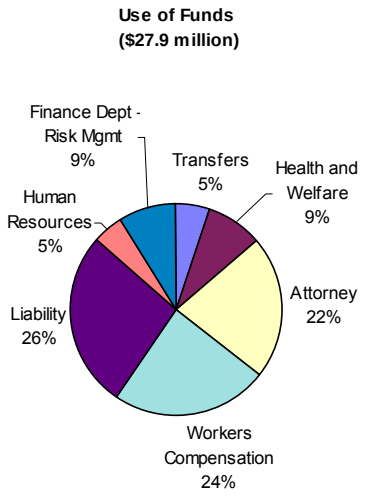


Revenues
Beginning in August 2008, revenues and expenses related to medical and life insurance are processed directly from payroll to the vendors and do not flow through this fund as was previous practice. As of March 2009, revenues and expenses related to dental insurance and flexible spending accounts are recorded in another City fund. In 2010 COBRA medical and dental revenue expense are also recorded in another fund. The result of these changes is an ongoing decrease to the revenue and expense budgets for this fund.

The 2012 budgeted revenue for the Self Insurance Fund is $31.3 million, a decrease of 9.2% from projected 2011 of $34.4 million. The transfer in from the general fund is $3.85 million, a decrease of $3.5 million from 2011.

Expense
The expense budget for 2012 is $27.9 million, a decrease of 6.4% from projected 2011 of $29.8 million.

The Unused Sick Leave program provides a payout of unused sick leave to qualified employees upon separation from the City. Payments are funded by 0.7% gross salary contributions from the City and Park Board into a severance pool. The rate for City police officers and firefighters is 1.1% of gross pay.



The worker's compensation payments are estimated at $6.6 million for 2012. This is a 9.1% increase over the prior year's budgeted amount to bring the 2012 budget in line with an actuarial study completed in 2010. The same study predicted an increase in liability payments of 16.5%, from $6.5 million in 2011 to $7.5 million in 2012.

Transfers
The 2012 expense budget includes a transfer of $485,000 to a pension fund debt service to cover the cost of debt related to the Minneapolis Employees Retirement fund (MERF) unfunded liability. The City will retire bonds related to this debt service in 2012 resulting in substantial savings to the City and creating a large increase to this debt payment for the proprietary funds. The Self Insurance Fund will use fund balance as a revenue source for this payment in 2012 and will recover the cost of the payment through the Self Insurance allocation model for years 2012 through 2014.

The budget includes a $3.85 million transfer from the General Fund per the fund's long-term financial plan. The budget also includes a $1.0 million transfer to the Intergovernmental Services Fund to assist with payment of debt service as determined by the updated 2008 long-term financial plan.

Debt Service
A final debt payment of $1.1 million processed in 2008 satisfied all debt service. The $5.4 million in debt outstanding at year end of 2005 was reduced by a $3.1 million payment in 2006, funded through excess general fund appropriations from 2005.

Net Assets
The net asset balance at year end 2010 is a deficit of $6.6 million representing an increase of $8.8 million from the deficit balance of $15.4 at year end 2009. The long-term financial plan projected a 2010 net asset balance of a deficit of $5.6 million. Although the fund experienced an increase in cash of $13.1 million in 2010, a corresponding increase in net assets did not occur due to the $4.8 million increase in the liability for unpaid claims. The projected increase to net assets in 2011 is $4.6 million. The financial policy relating to the net asset balance for the Self Insurance Fund determines that the net assets should not fall below zero.

Mayor's Recommended Budget
The Mayor recommends an acceleration of the General Fund transfers to the Self Insurance Fund from the 2011 adopted plan. The proposed transfer schedule is $3.85M in 2012; $3.717M in 2013; and $3.463M in 2014. By accelerating the transfer schedule, capacity is created in the near future to hold down property tax levy increases, while maintaining the financial integrity of the fund.

City of Minneapolis
2012 Budget
Financial Plan (in thousands of dollars)

Self Insurance Fund - 6900

	2009 Actual	2010 Actual	2011 Budget	2011 Projected	2012 Budget	% Chg From 2011 Projected	2013 Forecast	2014 Forecast	2015 Forecast
Source of Funds:									
Charges for Service[1]	30,110	24,615	25,119	25,319	26,398	4.3%	27,776	28,640	29,113
Other Misc Revenues	5,542	5,629	1,010	1,764	1,010	-42.7%	1,040	1,072	1,104
Operating Transfers In	6,915	10,810	7,330	7,330	3,850	-47.5%	3,717	7,410	
Total	42,567	41,054	33,459	34,413	31,258	-9.2%	32,534	37,122	30,217
Use of Funds:									
Transfers	145	140	1,217	1,217	1,485	22.0%	1,000	1,000	1,000
Health and Welfare[1]	9,924	5,316	2,164	808	2,414	198.8%	2,486	2,561	2,638
Attorney	5,569	5,488	6,101	6,511	6,052	-7.0%	6,234	6,421	6,613
Workers Compensation	10,820	9,555	6,065	7,749	6,617	-14.6%	6,963	7,165	6,955
Liability	12,067	7,957	6,450	9,303	7,515	-19.2%	7,770	8,033	8,305
Human Resources	1,142	1,294	1,380	1,817	1,369	-24.6%	1,410	1,453	1,496
Finance Dept - Risk Mgmt	2,840	2,459	2,420	2,420	2,466	1.9%	2,539	2,616	2,694
Total	42,507	32,209	25,797	29,825	27,918	-6.4%	28,403	29,248	29,701
Change in Net Assets	60	8,845	7,662	4,588	3,340		4,131	7,874	516
Net Assets	(15,433)	(6,588)	1,074	(2,000)	1,340		5,471	13,345	13,860
Cash Balance	28,995	42,081	49,743	46,669	50,009		54,140	62,014	62,529
Long Range Financial Plan Target Cash[2]	23,412	30,663	37,317	37,317	42,986		47,670	51,370	54,086
Variance Cash to Financial Plan	5,583	11,418	12,426	9,352	7,023		6,470	10,644	8,443

[1] In 2009, medical, dental, and life insurance do not flow through the Self Insurance Fund. In 2010, in addition to medical, dental, and life insurance, COBRA medical and dental no longer flow through the Self Insurance fund.

[2] The cash projections for 2009 onward are based on the updated long-term financial plan for this fund, adopted by Council in 2008, which accelerated the target cash balance.