City of Minneapolis
FY 2007 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
2007 Budget

Five-year Financial Direction 2008-2012

Introduction
In keeping with the January 2003 resolution five-year financial direction and commitment to business planning resolution, this document reflects the Council's adopted the five-year financial direction. The purpose of adopting a 2008-2012 financial direction is to provide guidance for departments in updating their business plans and to provide a long-term view of financial pressures.

New Conditions Reflected in the Budget
The financial schedules and summary tables in this document take into account new circumstances that the City faces during the 2008-2012 timeframe:

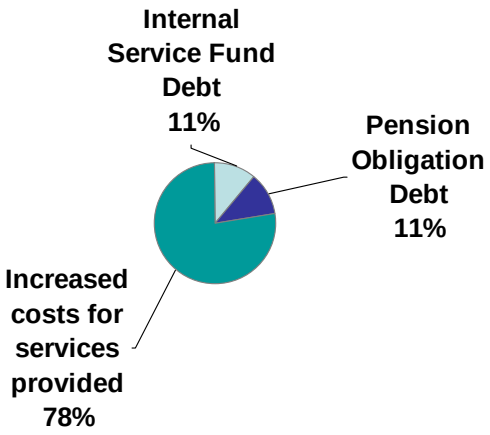
❑ ***Local Government Aid:*** The City is assumed to receive a reduction in LGA of $1.6 million each year as a result of how the City's need factors compare to the need factors of other cities in the state. This equates to $1.3 million fewer resources in the general fund annually. This amount is in line with the reduction reflected in the City's certified LGA for 2007. The impact of the decertification of tax increment financing districts on the amount of the LGA received by the City is included in 2011 and 2012. This amount is estimated at $6.1 million.

❑ ***The 2007 budget is the basis for future projections****:* In other words, the starting place for the 2008-2012 department budget estimates is what is included in the 2007 adopted budget. One-time 2007 supplemental items are removed from department budgets in 2008 and beyond.

	Summary of the Five-Year Financial Direction 2008-2012 (dollars in millions)	
Department	**2012 Resources**	**Reductions 2008-2012**
Police	$137.2	$0
Fire	58.8	0
Public Works	43.2	(4.6)
Regulatory Services	28.8	0
Health and Family Support (HFS)	4.6	0
Civil Rights	3.0	0
Capital Plan (pay-go and debt)	21.9	(3.2)
Pensions	31.0	0
All Other Spending	104.0	(3.1)
Total	$ 432.5	($10.9)

❑ ***The financial direction from 2008 to 2012 contains updates to department resources****:* The financial direction includes the most updated assumptions about contract settlements and other commitments. In general, wage growth is limited to 2%. The health care contract entered into in 2006 has rate increases of 12%, 15%, and 15% in 2007, 2008, and 2009. The out years of the plan assume a 20% increase.

❑ ***Property tax estimates are based upon adopted tax policy***. No changes to the maximum revenue increase of 8% are included. Over 5 years, these increases go for the following purposes:



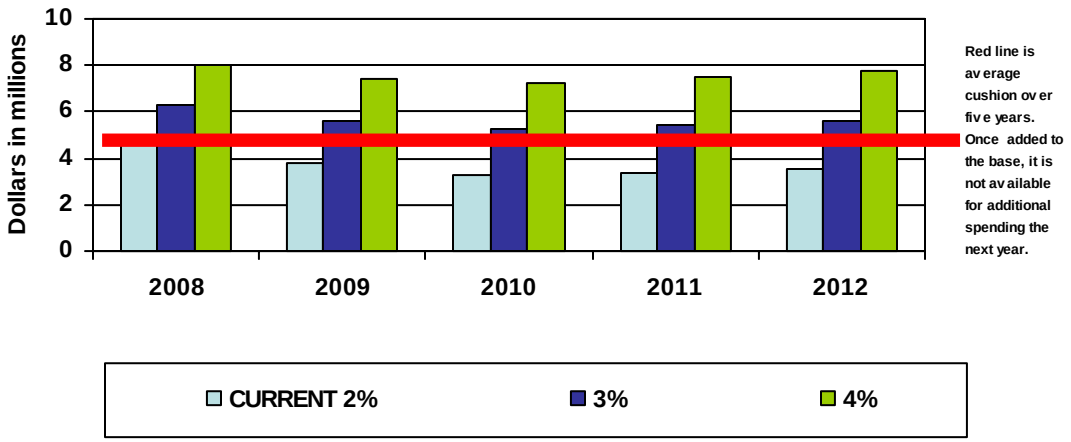
❑ ***No relief from reductions nor any growth is planned in the Capital or Debt Service Levies for the Capital plan until 2010.*** Pressure on the capital project budgets will continue. Any new projects will need to be offset by reductions in projects in the current plan. A 2% growth factor is included beyond 2010 in order to begin planning for expanded capital needs.

❑ ***Change in Cushion for Adverse Circumstances.*** The original financial direction in January 2003 was based upon a 4% salary increase. Subsequent updates assumed the 2% salary cap. Assuming the 2% cap, the 8% tax policy and department reductions, a cushion exists for adverse circumstances. Examples of adverse circumstances the City has encountered include reductions in LGA and increased pension obligations.

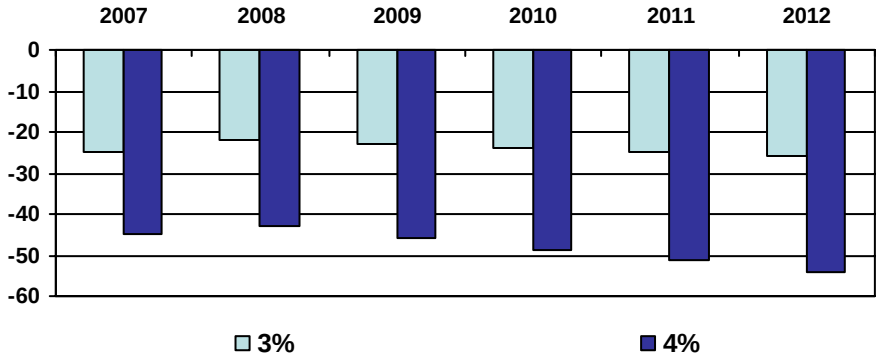
Year	2005-2009 Forecasted Cushion	2006-2010 Adopted Cushion	2007-2011 Adopted Cushion	2008-2012 Adopted Cushion
2005 (estimate)	4.5			
2006 (estimate)	12.5	4.6	n/a	n/a
2007 (estimate)	20.5	9.2	0.3	n/a
2008 (estimate)	27.5	11.8	0.3	2.3
2009 (estimate)	37.1	17.4	1.4	2.1
2010 (estimate)	n/a	23.9	4.8	5.7
2011 (estimate)	n/a	n/a	4.9	2.2
2012 (estimate)	n/a	n/a	n/a	4.0

❑ **Salary Assumption is at 2%** - The financial projections follow the current adopted wage policy. The Council and Executive Committee have directed the finance and human resources department to return during 2007 to present an analysis of the City's compensation package and options for a compensation philosophy. As the following graphs demonstrate, the impact of these decisions will significantly impact the financial direction.

Cost of different wage policies:
Total funding increase required
(General fund only)



Cost of different wage policies:
Number of positions that would need to be eliminated in general fund if no other actions taken



These effects are similar to those anticipated in 2003 when the wage policy was adopted. The wage policy helped the City handle state aid reductions and financial conditions it would have faced regardless of external conditions (please see the chronology in the background section for further information).

What changes have been made to the financial plan over the years?

As policy decisions have been made several departments have been exempted from taking budget cuts, mainly in departments related to public safety. A history of these exemptions follows.

Who	When	Why (generically)
Regulatory Services	2003	Overall net contributor to general fund
Assessor, Council, Coordinator Administration, IGR, Communications, Mayor, Clerk	2003	Too small to withstand additional cuts
Internal Service Fund Workout Plans	2003	Financial progress
Police, Fire	2006	Prioritize Public Safety
Health and Family Support	2006	Maintain funding above match requirements; preserve senior ombudsman and external contracts
Civil Rights	2007	Smallest department still taking reductions
Elections	2007	No additional cuts – trying to match election cycles; had $50,000 in reductions to date; also changed phase in of cuts
Public Works	2007 (one year only)	Provide some maintenance funding
BIS, 911/311	2006, 2004	Changed phase in of cuts

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 important decisions in this regard:

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
One-time LGA, general fund resources (2005 for 2006)	$10
2007 one-time resources	$3
Total	$40.5

What pressures does the City face in future planning efforts?
In addition to the implementation of replacement for the 2% wage policy, the City faces several pressures for which a policy decision has yet to be reached:

- **Property Taxes**: Future projections plan on the 8% property tax increases of today to support future services – with less than an 8% increase in 2007 or any other year, more department reductions will be needed in the future or an additional property tax increase over 8% policy will be necessary. Increasingly, the 8% policy has become unsustainable in with taxpayers.
- **Park and Library Boards:** The library board faces significant operating pressures which have led to the closure or 3 libraries at least for 2007. 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, largely related to increasing debt loads related to approved capital projects.
- **Capital Spending:** Only minimal increases of 2% are included in the out years of the financial direction for the capital program. This level of increase does not keep up with inflation. Further, considerable pent up demand for public works infrastructure exists. Similarly,

pent up demand for technology infrastructure also exists.

- **Public Works Operating Budget** – The department will undertake a major reassessment of services and how they are provided in light of planned reductions. Further, the City will be seeking authority for new Public Works revenue sources in the 2007 legislative session.

- **Performance Information –** As the City continues to gain experience with using results information for performance discussions, it will need to plow a new path in using this information for financial decision making.

- **Benefit Costs** – Despite the very good news on this front during 2006, this category of expenditure will continue to put pressure on the City's finances:

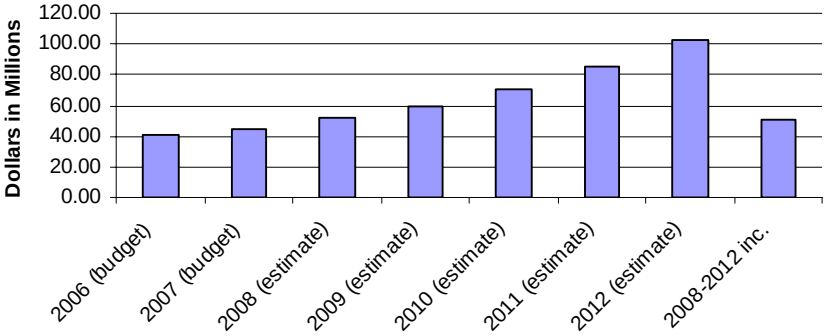
  - **Funding for Internal Services Funds workout plans**. The budget includes $2.2 million in additional funding for internal city services (self insurance and information technology services). In 2007, 13% of property tax increase will go to fund workout plans for these funds. To meet the goals of the adopted workout plans, these expenditures will continue to make up a substantial portion of the City's budget.

  - **Funding for increasing pension liabilities.** We anticipate having to issue a minimum of $151 million in bonds before pension obligations to the three closed pensions are met. The property

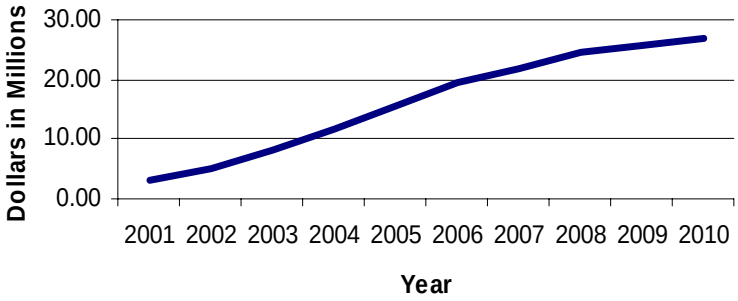
- **Department reductions** – The City will continue to see issues with management services ability to keep up with enterprise demands while subject to reductions.

- **Regulatory services** - The department will become a net drawer on the general fund in 2010 based on current revenue and expense assumptions. Further, Regulatory Fees do not fully cover costs in each individual business line.

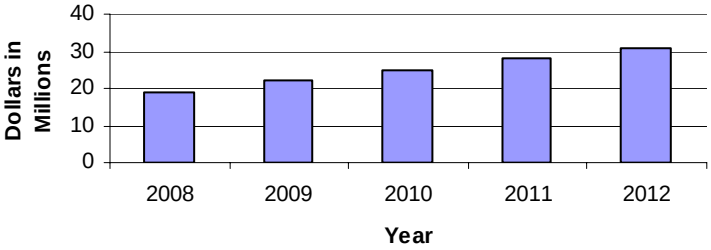
Projected Health Benefit Spending



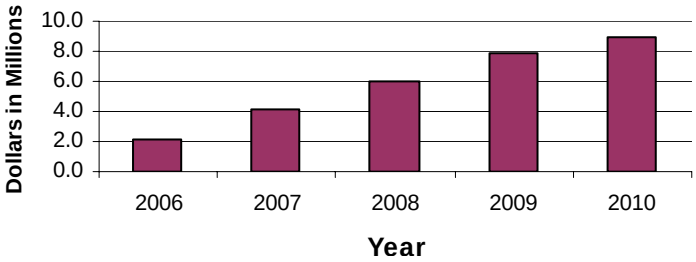
Internal Service Workout Plan Support



Closed Pension Obligations:
MERF, MFRA, MPRA



PERA pension obligations



tax needed to support closed pensions will be $7 million debt service and $9 million direct payments in 2007 and is estimated to grow to $9 million in debt service and $22 million direct payments in 2012. In addition, the City also has increasing obligations for the pension plan most City employees are in – the Public Employees Retirement Association (PERA).

Assumptions

- Decreased need for property taxes to support library referendum bonds are shifted to pension bonds.
- Increased pension costs are offset by general fund reductions.
- The 2% wage cap is maintained over the five years.
- 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.
- Departments that did not receive a reduction in the adopted financial direction do not receive one in this update
- Reductions of $1.3 million annually (excluding independent boards) are reflected in 2008-2012.
- 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.
- Full funding of pension and internal service fund debts are included. Constraints in internal service funds are maintained. Reductions to growth as infrastructure gap funding are reflected for public works, capital and debt service.
- The level of revenue from the parking fund is reduced according to the Council adopted financial work-out plan for that fund.
- Entertainment tax from the Convention Center fund flows at the same rate as in the past (about $8 million annually).
- No changes to state tax law regarding property taxes (including levy limits, classification rates, phase out of limited market value).
- No new revenue from decertification of tax increment financing districts. However, the estimated reduction to LGA resulting from the decertification is included.

Five-Year Summary of Property Tax Supported Budgets

	2007 Expense	5-Year Projected Growth in Spending	5-Year Reduction to Growth in Spending	2012 Expense	Avg Annual % Incr over 5-yr period	2012 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.* 2012 General City Revenues (Non-Direct)	2012 Local Government Aid	2012 Property Tax Revenue	2012 Total Revenues
Mayor	1.330	0.272	-	1.602	4.1%	-	0.385	0.296	0.922	1.602
City Clerk/Elections/City Council	6.170	1.783	-	7.953	5.8%	0.095	1.886	1.452	4.519	7.953
CPED	3.800	0.764	(0.175)	4.389	3.1%	1.737	0.645	0.497	1.511	4.389
Contingency	3.009	(0.492)	-	2.517	-3.3%	-	0.604	0.465	1.448	2.517
City Coord Admin, Comm, IGR	5.009	0.647	-	5.656	2.6%	2.827	0.679	0.523	1.627	5.656
Civil Rights	2.461	0.504	-	2.965	4.1%	-	0.712	0.548	1.705	2.965
Assessor	3.574	0.732	-	4.306	4.1%	0.066	1.018	0.784	2.439	4.306
Health and Family	4.076	0.538	-	4.614	2.6%	0.650	-	-	3.964	4.614
Human Resources	6.093	1.206	(0.500)	6.799	2.3%	0.005	1.655	1.274	3.865	6.799
Attorney	7.036	1.391	(0.550)	7.877	2.4%	0.108	1.889	1.455	4.426	7.877
911/311	9.328	1.750	(0.800)	10.278	2.0%	0.050	-	-	10.228	10.278
Internal Service Funds	20.286	11.635	-	31.921	11.5%	-	7.661	5.900	18.359	31.921
Finance	18.126	3.636	(0.850)	20.912	3.1%	0.006	5.053	3.892	11.960	20.912
Regulatory Services	23.937	4.904	-	28.841	4.1%	28.306	-	-	0.535	28.841
Business Information Services	-	-	(0.200)	(0.200)	n/a	-	-	-	(0.200)	(0.200)
Public Works	41.141	6.617	(4.575)	43.183	1.0%	13.426	7.342	5.655	16.760	43.183
Fire	48.380	10.386	-	58.766	4.3%	3.639	13.231	10.190	31.706	58.766
Police	113.096	24.081	-	137.177	4.3%	14.555	29.430	22.666	70.526	137.177
Total General Fund	316.852	70.353	(7.650)	379.555	4.0%	65.470	72.189	55.597	186.299	379.555
									-	
Capital - Permanent Improvement	1.619	1.350	(0.900)	2.069	5.6%	-	-	-	2.069	2.069
Debt Service	18.677	3.500	(2.322)	19.855	1.3%	-	-	-	19.855	19.855
Subtotal	20.296	4.850	(3.222)	21.924	1.6%	-	-	-	21.924	21.924
Total City (not incl special levies)	337.148	75.203	(10.872)	401.479	3.8%	65.470	72.189	55.597	208.223	401.479
Libraries	1.205	(1.205)	-	-	-20.0%	-	-	-	-	-
Pensions	19.000	12.000	-	31.000	12.6%	-	-	-	31.000	31.000
Total	357.353	87.203	(10.872)	432.479	4.2%	65.470	72.189	55.597	239.223	432.479

2007 Max	140.000
2012 Max	243.174
Difference between maximum and needed amount to balance	(3.951)
-	

2008 Property Tax Supported Budgets

	Prior Year Total Expense	Projected Growth in Spending	Reduction to Growth in Spending	Current Year Total Expense	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.* General City Revenues (Non-Direct)	Local Government Aid	Property Tax Revenue	Total Revenues
Mayor	1.330	0.044	-	1.374	-	0.393	0.349	0.631	1.374
City Clerk/Elections/City Council	6.170	0.602	-	6.772	0.095	1.910	1.699	3.068	6.772
CPED	3.800	0.124	(0.035)	3.889	1.543	0.681	0.606	1.059	3.889
Contingency	3.009	(0.851)	-	2.158	-	0.617	0.549	0.991	2.158
City Coord Admin, Comm, IGR	5.009	(0.161)	-	4.848	2.827	0.578	0.514	0.929	4.848
Civil Rights	2.461	0.081	-	2.542	-	0.727	0.647	1.168	2.542
Assessor	3.574	0.117	-	3.691	0.066	1.037	0.922	1.666	3.691
Health and Family	4.076	(0.122)	-	3.954	0.650	0.945	0.841	1.518	3.954
Human Resources	6.093	0.200	(0.100)	6.193	0.005	1.799	1.600	2.789	6.193
Attorney	7.036	0.230	(0.150)	7.116	0.108	2.048	1.821	3.139	7.116
911/311	9.328	0.225	(0.160)	9.393	0.050	-	-	9.343	9.393
Internal Service Funds	20.286	2.864	-	23.150	-	6.623	5.890	10.638	23.150
Finance	18.126	0.594	(0.200)	18.520	0.006	5.354	4.761	8.399	18.520
Regulatory Services	23.937	0.784	-	24.721	25.150	-	-	(0.429)	24.721
Business Information Services	-	-	(0.200)	(0.200)	-	-	-	(0.200)	(0.200)
Public Works	41.141	0.452	(1.035)	40.558	13.426	8.058	7.166	11.908	40.558
Fire	48.380	2.384	-	50.764	3.639	13.482	11.989	21.655	50.764
Police	113.096	5.404		118.500	14.555	29.737	26.444	47.764	118.500
Total General Fund	316.852	12.971	(1.880)	327.943	62.119	73.989	65.797	126.038	327.943
									-
Capital - Permanent Improvement	1.619	0.440	(0.440)	1.619				1.619	1.619
Debt Service	18.677	1.000	(1.322)	18.355				18.355	18.355
Subtotal	20.296	1.440	(1.762)	19.974				19.974	19.974
Total City (not incl special levies)	337.148	14.411	(3.642)	347.917	62.119	73.989	65.797	146.012	347.917
Libraries	1.205	(1.205)		-					
Pensions	19.000	-		19.000				19.000	19.000
Total	357.353	13.206	(3.642)	366.917	62.119	73.989	65.797	165.012	366.917
									-
							2007 Max	152.136	
							2008 Max	167.350	
							Additional cuts needed/(Cushion for adverse circumstances)	(2.338)	

2009 Property Tax Supported Budgets

	Prior Year Total Expense	Projected Growth in Spending	Reduction to Growth in Spending	Current Year Total Expense	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.* General City Revenues (Non-Direct)	Local Government Aid	Property Tax Revenue	Total Revenues
Mayor	1.374	0.046	-	1.420	-	0.384	0.340	0.696	1.420
City Clerk/Elections/City Council	6.772	1.729	-	8.501	0.095	2.275	2.010	4.121	8.501
CPED	3.889	0.132	(0.035)	3.986	1.589	0.658	0.582	1.157	3.986
Contingency	2.158	0.073	-	2.231	-	0.604	0.533	1.094	2.231
City Coord Admin, Comm, IGR	4.848	0.164	-	5.012	2.827	0.591	0.523	1.071	5.012
Civil Rights	2.542	0.086	-	2.628	-	0.711	0.628	1.288	2.628
Assessor	3.691	0.125	-	3.816	0.066	1.015	0.897	1.838	3.816
Health and Family	3.954	0.134	-	4.088	0.650	0.930	0.822	1.686	4.088
Human Resources	6.193	0.210	(0.100)	6.302	0.005	1.731	1.530	3.036	6.302
Attorney	7.116	0.241	(0.100)	7.257	0.108	1.962	1.734	3.454	7.257
911/311	9.393	0.318	(0.160)	9.551	0.050	-	-	9.501	9.551
Internal Service Funds	23.150	2.184	-	25.334	-	6.856	6.058	12.420	25.334
Finance	18.520	0.627	(0.200)	18.946	0.006	5.180	4.577	9.183	18.946
Regulatory Services	24.721	0.837	-	25.558	25.904	-	-	(0.346)	25.558
Business Information Services	(0.200)		-	(0.200)	-			(0.200)	(0.200)
Public Works	40.558	1.373	(1.035)	40.896	13.426	7.714	6.817	12.939	40.896
Fire	50.764	1.718	-	52.483	3.639	13.218	11.680	23.945	52.483
Police	118.500	4.011	-	122.511	14.555	29.215	25.816	52.924	122.511
Total General Fund	327.943	14.007	(1.630)	340.320	62.920	73.045	64.546	139.809	340.320
									-
Capital - Permanent Improvemen	1.619	0.460	(0.460)	1.619				1.619	1.619
Debt Service	18.355	1.000	(1.000)	18.355				18.355	18.355
Subtotal	19.974	1.460	(1.460)	19.974				19.974	19.974
Total City (not incl special levies)	347.917	15.467	(3.090)	360.294	62.920	73.045	64.546	159.783	360.294
Libraries	-								
Pensions	19.000	3.000		22.000				22.000	22.000
Total	366.917	18.467	(3.090)	382.294	62.920	73.045	64.546	181.783	382.294
									-

2008 Max	167.350
2009 Max	183.881
Additional cuts needed/(Cushion for adverse circumstances)	(2.098)

2010 Property Tax Supported Budgets

	Prior Year Total Expense	Projected Growth in Spending	Reduction to Growth in Spending	Current Year Total Expense	Direct Revenue	General City Revenues (Non-Direct)	Local Government Aid	Property Tax Revenue	Total Revenues
						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.			
Mayor	1.420	0.056	-	1.476	-	0.391	0.339	0.746	1.476
City Clerk/Elections/City Council	8.501	(1.065)	-	7.437	0.095	1.947	1.686	3.709	7.437
CPED	3.986	0.157	(0.035)	4.108	1.637	0.665	0.576	1.231	4.108
Contingency	2.231	0.088	-	2.319	-	0.615	0.532	1.171	2.319
City Coord Admin, Comm, IGR	5.012	0.198	-	5.210	2.827	0.632	0.547	1.204	5.210
Civil Rights	2.628	0.104	-	2.731	-	0.724	0.627	1.380	2.731
Assessor	3.816	0.151	-	3.967	0.066	1.034	0.896	1.971	3.967
Health and Family	4.088	0.161	-	4.250	0.650	-	-	3.600	4.250
Human Resources	6.302	0.249	(0.100)	6.451	0.005	1.736	1.503	3.207	6.451
Attorney	7.257	0.286	(0.100)	7.444	0.108	1.972	1.707	3.657	7.444
911/311	9.551	0.377	(0.160)	9.768	0.050	-	-	9.718	9.768
Internal Service Funds	25.334	2.000	-	27.334	-	7.248	6.276	13.809	27.334
Finance	18.946	0.748	(0.150)	19.544	0.006	5.221	4.521	9.797	19.544
Regulatory Services	25.558	1.009	-	26.566	26.681	-	-	(0.115)	26.566
Business Information Services	(0.200)	-	-	(0.200)	-	-	-	(0.200)	(0.200)
Public Works	40.896	1.384	(0.835)	41.445	13.426	7.652	6.625	13.742	41.445
Fire	52.483	1.776	-	54.259	3.639	13.424	11.623	25.574	54.259
Police	122.511	4.147	-	126.658	14.555	29.728	25.740	56.635	126.658
Total General Fund	340.320	11.826	(1.380)	350.766	63.745	72.989	63.197	150.835	350.766
									-
Capital - Permanent Improvemer	1.619	0.100		1.719				1.719	1.719
Debt Service	18.355	0.400		18.755				18.755	18.755
Subtotal	19.974	0.500	-	20.474				20.474	20.474
Total City (not incl special levies)	360.294	12.326	(1.380)	371.240	63.745	72.989	63.197	171.309	371.240
Libraries	-								
Pensions	22.000	3.000		25.000				25.000	25.000
Total	382.294	15.326	(1.380)	396.240	63.745	72.989	63.197	196.309	396.240
									-
							2009 Max	183.881	
							2010 Max	202.049	
							Additional cuts needed/(Cushion for adverse circumstances)	(5.740)	

2011 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.

	Prior Year Total Expense	Projected Growth in Spending	Reduction to Growth in Spending	Current Year Total Expense	Direct Revenue	General City Revenues (Non-Direct)	Local Government Aid	Property Tax Revenue	Total Revenues
Mayor	1.476	0.062	-	1.538	-	0.387	0.305	0.846	1.538
City Clerk/Elections/City Council	7.437	(0.188)	-	7.249	0.095	1.799	1.418	3.936	7.249
CPED	4.108	0.172	(0.035)	4.246	1.686	0.653	0.514	1.393	4.246
Contingency	2.319	0.097	-	2.416	-	0.608	0.479	1.329	2.416
City Coord Admin, Comm, IGR	5.210	0.218	-	5.428	2.827	0.654	0.516	1.432	5.428
Civil Rights	2.731	0.115	-	2.846	-	0.716	0.564	1.566	2.846
Assessor	3.967	0.166	-	4.133	0.066	1.023	0.806	2.238	4.133
Health and Family	4.250	0.178	-	4.428	0.650	-	-	3.778	4.428
Human Resources	6.451	0.271	(0.100)	6.621	0.005	1.689	1.331	3.596	6.621
Attorney	7.444	0.312	(0.100)	7.656	0.108	1.923	1.516	4.108	7.656
911/311	9.768	0.410	(0.160)	10.018	0.050	-	-	9.968	10.018
Internal Service Funds	27.334	2.246	-	29.580	-	7.439	5.863	16.277	29.580
Finance	19.544	0.820	(0.150)	20.214	0.006	5.120	4.035	11.052	20.214
Regulatory Services	26.566	1.114	-	27.680	27.482	-	-	0.199	27.680
Business Information Services	(0.200)	-	-	(0.200)	-	-	-	(0.200)	(0.200)
Public Works	41.445	1.636	(0.835)	42.246	13.426	7.458	5.878	15.483	42.246
Fire	54.259	2.141	-	56.400	3.639	13.269	10.459	29.033	56.400
Police	126.658	4.998	-	131.656	14.555	29.451	23.212	64.438	131.656
Total General Fund	350.766	14.768	(1.380)	364.155	64.595	72.189	56.897	170.474	364.155
									-
Capital - Permanent Improvement	1.719	0.150		1.869				1.869	1.869
Debt Service	18.755	0.500		19.255				19.255	19.255
Subtotal	20.474	0.650	-	21.124				21.124	21.124
Total City (not incl special levies)	371.240	15.418	(1.380)	385.279	64.595	72.189	56.897	191.598	385.279
Libraries	-								
Pensions	25.000	3.000		28.000				28.000	28.000
Total	396.240	18.418	(1.380)	413.279	64.595	72.189	56.897	219.598	413.279
									-

2010 Max	202.05
2011 Max	221.77
Additional cuts needed/(Cushion for adverse circumstances)	(2.173)

City of Minneapolis
2007 Budget

Ten Year Projection of Demands on the Property Tax

Background
The ten year projection was first produced in spring of 2002. The intent was to surface all the demands on the property tax to which the City had committed. This projection led to the work to adopt the 8% maximum property tax policy in summer of 2002. The maximum property tax 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 parameters for department business plans.

Assumptions in the Ten Year Projection
These listed assumptions build on the original work from spring 2002. For complete details on the financial challenges which the City faces, please refer to the original narrative on the "Projected Demands on the Property Tax."

General Fund Operations
- 2% Wage Policy is in effect through 2014
- 20% annual increases in health insurance premiums, except for short term relief, resulting from current plan data and competitive procurement experience
- No increase in departmental and City-wide revenue (except for regulatory services revenues which are expected to increase by 3%). Please see the discussion in the 2008-2012 five-year financial direction document earlier under this same tab for more information by department
- Reductions in revenue related to the parking fund financial plan
- Internal Service Funds work out plan increases continue:
    - Self Insurance $0.5 million in 2006, $1 million annually in 2008-2014
    - Intergovernmental Service Fund (BIS) $1.2 million annually in 2008

  The projection includes slight cost of living increases for these operations
- Reductions to general fund operations are needed in each year of the plan

Capital and Debt
- Reductions to both the pay-as-you capital levy and the debt service levies continue in 2008 and 2009. These reductions were included in the five-year financial direction
- A slight (2%) increase is included for both of these levies for 2010-2014

Independent Boards and Special Levies
- Parameters remain the same for independent board operating levy increases – Park, Library, Municipal Building Commission, Public Housing Authority and the Board of Estimate and Taxation all receive a 4% levy increase to deal with increased costs of providing services
- Pension obligations are funded in each year of the projection.

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

	Adopted			Future Projected Demands on the Property Tax							
(In millions of dollars)	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
City General Fund Operations											
Salary and non-personnel increase	14.3	(0.3)	8.2	13.5	10.9	9.4	9.6	9.8	10.7	11.4	11.2
New Programs/Initiatives		6.0	5.2								
Target Center - Property tax contribution									1.0		
Health Insurance	1.8	4.0	1.8	3.3	3.8	5.9	7.1	8.5	10.2	12.2	14.7
Internal Service Funds	3.9	3.8	2.3	2.2	1.4	1.0	1.1	1.0	1.0	1.0	1.0
Strategies Needed to Balance Budget	**(7.0)**	**(1.4)**	**(0.6)**	**(1.8)**	**(1.7)**	**(1.4)**	**(1.4)**	**(1.4)**	**(1.4)**	**(1.4)**	**(1.4)**
Subtotal	13.0	12.1	16.9	17.3	14.4	14.9	16.4	17.9	21.5	23.2	25.5
City Capital/Debt:											
Permanent Improvement Fund	(0.2)	(0.5)	(0.7)	(0.5)	(0.5)	0.1	0.1	0.1	0.2	0.2	0.2
Debt structuring changes	(3.9)	(4.0)	(2.1)	(1.3)	(1.0)	0.4	0.5	0.6	0.7	0.8	0.8
Subtotal	(4.1)	(4.5)	(2.8)	(1.8)	(1.5)	0.5	0.6	0.7	0.9	1.0	1.0
City Total	**8.9**	**7.6**	**14.1**	**15.5**	**12.9**	**15.4**	**17.0**	**18.6**	**22.4**	**24.2**	**26.5**
Independent Boards and Special Levies											
Park Board Base Levy	1.6	1.7	1.7	1.8	1.9	1.7	1.8	1.8	1.9	1.9	1.9
Subtotal Park Board	1.6	1.7	1.7	1.8	1.9	1.7	1.8	1.8	1.9	1.9	1.9
Library Board Base Levy	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.8	0.8
Library Board - Referendum Levy	3.0	1.7	1.2	-	-	-	-				
Subtotal Library	3.5	2.2	1.7	0.5	0.6	0.6	0.6	0.7	0.7	0.8	0.8
Municipal Bldg Commission	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Community Development Levy	(2.0)	-	-	-	-	-	-				
Minneapolis Public Housing Authority	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Pension Funds	2.3	3.9	(1.0)	-	3.0	3.0	3.0	3.0	1.0	1.0	1.0
Total Independent Boards and Special Levies	**5.5**	**8.0**	**2.7**	**2.5**	**5.7**	**5.5**	**5.6**	**5.8**	**3.9**	**4.1**	**4.1**
Total Increase in Property Tax Revenue	**14.4**	**15.6**	**16.8**	**18.0**	**18.6**	**20.9**	**22.6**	**24.4**	**26.3**	**28.3**	**30.6**
Total Property Tax Revenue	193.7	209.2	226.0	244.0	262.6	283.5	306.1	330.5	356.8	385.1	415.7
Annual Percent Increase	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%

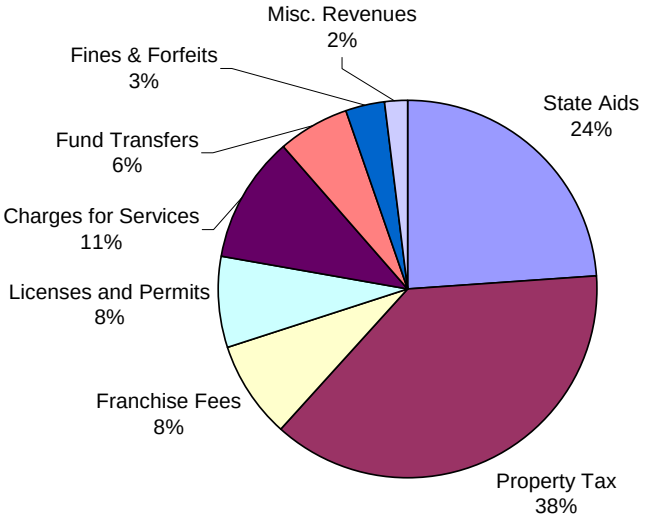
City of Minneapolis
FY 2007 Budget
Financial Plan

General Fund

Background

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

Budgeted Revenue by Source
$328 million



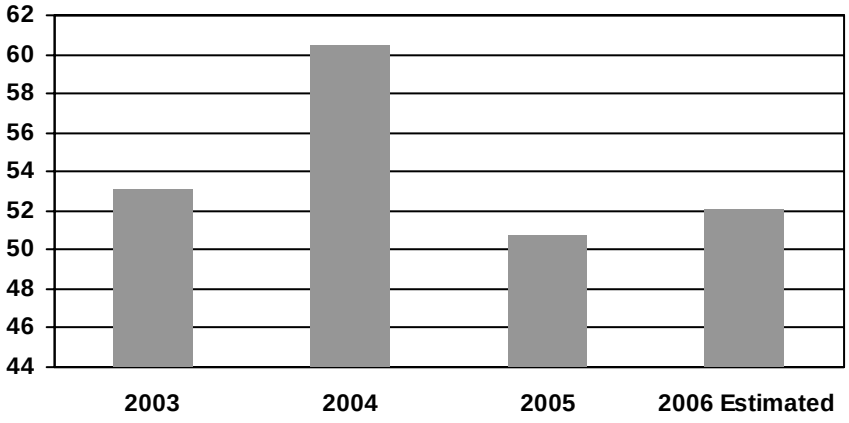
Combined, the two largest revenues (State Aids and Property Tax) have historically accounted for approximately 60-65% of total sources of funds for the General Fund. The top four sources of funds account for more than 80% of the General Fund's annual financial inflows.

Historical Financial Performance

The results of the General Fund's annual operations are closed annually into the fund's "fund balance." The General Fund's balance measures the amount of available, spendable resources owned by the fund. The balance provides the City a reserve to cushion adverse economic shocks and to meet a portion of the City's liquidity needs. The City's policy is to maintain a minimum fund balance of 15% due to the deficits in the internal service funds. Further, the City's financial policies place a priority on debt buy-down or debt avoidance for spending of excess fund balance.

The General Fund began 2005 with a fund balance of $61.4 million. As of December 31, 2005, the fund balance in the General Fund was $53.6 million, which is above the stated fund balance requirement of 15% of the following years' revenue budget. The City anticipates that it will again meet its reserve requirement at year-end 2006.

Fund Balance
(in millions of dollars)



2007 Budget

Revenues
The General Fund 2007 budget includes a total of $328 million of revenues and other sources, including $20 million in transfers from other funds. Budgeted General Fund revenues for the 2007 budget are 3% higher than 2006 budget. The 2007 budgeted revenues represent a 10% increase over 2006 actual revenues.

As the chart below shows, the distribution of total revenue among the General Fund's revenue categories has continued to change. Property taxes and franchise fees have increased as a percent of the total revenue picture. The 2006 budget includes $6.5 million in one-time Local Government Aid which skews the annual percentage change and the comparisons of each revenue source as a percent of total between years.

Revenue Source	2006 Adopted Budget	2007 Adopted Budget	% Chg from 2006 Adopted	2006 Budget as % of Total	2007 Budget as % of Total
State Aids	86.4	78.1	-9.6%	27.1%	23.8%
Property Tax	112.7	123.9	10.0%	35.4%	37.8%
Franchise Fees	22.3	27.1	21.5%	7.0%	8.3%
Licenses and Permits	24.9	26.0	4.6%	7.8%	7.9%
Charges for Services	36.5	35.6	-2.4%	11.5%	10.9%
Fund Transfers	18.9	20.2	7.4%	5.9%	5.7%
Fines & Forfeits	10.4	10.2	-2.0%	3.3%	3.1%
Misc. Revenues	6.5	6.8	4.6%	2.0%	2.1%
Total	318.5	327.9	3.0%	100.0%	100.0%

- *State Aids (including Local Government Aid):* The City faced significant pressure in 2003 and 2004 when the State Legislature reduced the Local Government Aid (LGA) to the City by $35 million. Of this reduction, $29.3 million was allocated to the General Fund with the remaining $5.7 million allocated to the Park and Library Boards. This reduction represented an 8% decrease to the General Fund's revenue.

  The City's Local Government Aid allocation shrunk between 2006 and 2007. Of this decrease, $6.5 million was one-time funding which ended in 2007. The other $1.5 million reduction results from the application of the LGA formula – Minneapolis tends to see declines of this magnitude each year. The major factors in the formula which lead to these reductions are the City's property wealth and reduced motor vehicle accidents. With these changes, total state aids are estimated at $78 million including $67 million of LGA.

- *Franchise fees* are paid by various utility companies for their use of City rights-of-way. Franchise fees are a percentage of total utility revenues. Therefore, the City's collections vary directly with the paying utility's gross revenues. The City has seen a significant increase in franchise fee revenues (especially on electricity and natural gas) due to recent increases in energy prices. There are four franchise agreements that provide revenue for the City:

  - The twenty year 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. This franchise agreement expires on December 31, 2014. For 2007, the City is anticipating $13.5 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/fir or interruptible customers, and 3% for large volume interruptible customers. This franchise agreement expires on December 31, 2015. For 2007, the City is anticipating $11 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 $2.5 million in 2007.

The 2007 budget anticipates the total franchise fee revenue to significantly increase from the 2006 adopted budget level of $22.3 million to $27.1 million. This increase reflects the increased cost of natural gas and electricity.

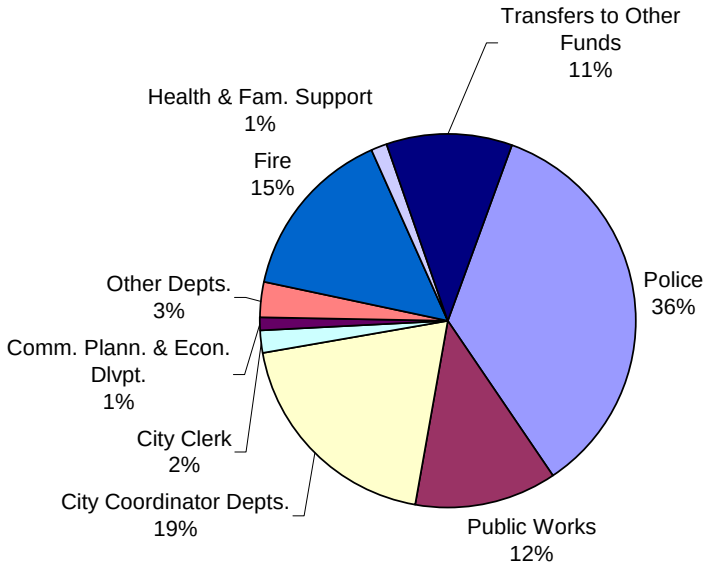
- *Licenses and Permits* create significant revenue for the City's General Fund. The City issues licenses and permits for a wide variety of regulated activities. Building permits are a major component of this revenue category. The 2007 budget anticipates a slight increase in the overall level of activity, with some increases in the actual fees paid, for a 5% increase in licenses and permit revenue. The City also conducted a fee study in 2005, with redistribution of revenue across several departments that contribute to generation of development related fee revenue. During 2006, the City turned over the electrical inspections responsibility (and revenue) to the State.

- *Fines and Forfeitures* are anticipated to decrease slightly in 2007. Although the Council added additional Traffic Officers and Traffic Control Agents in the Police Department during the last several years, the fine revenue has not met expectations.

Expenditures

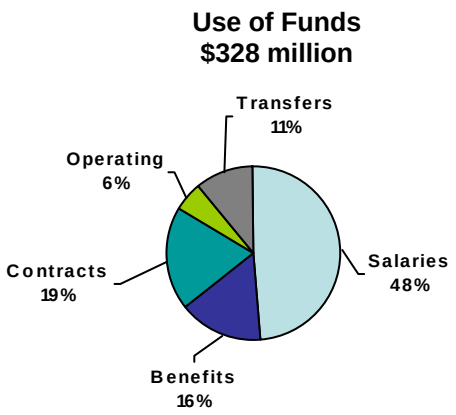
The 2007 Budget for the General Fund is $328 million, which includes $35 million in transfers to other funds. After adjusting for transfers, the budget increased from $283 million as adopted in 2006, to $293 million in 2007, a 3.8% increase.

Expenditures by Service Area
$328 Million



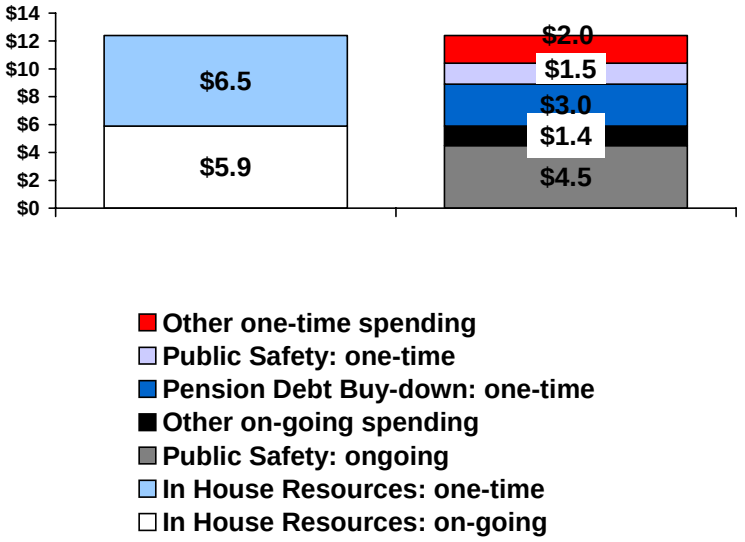
Several cost increases are anticipated in the 2007 budget. These include:

- Salary and wage expenditures increased 3%, from $154.5 million to $158.5 million.
- Employer health insurance costs increased about 8%, or $1.8 million. The budget is based on an anticipated 12% increase to employer costs.
- Addition of positions in general fund supported departments.
- Non-personnel line items increased by 3.5%.



General Fund Budget Decisions

As the City matures in using long-term planning for financial decisions, each annual budget is framed by the ability to make one-time expenditures while remaining prepared for future cost impacts. The graph below shows how these decisions were balanced in the 2007 budget (dollars in millions):



In this context, the 2007 budget includes the following major General Fund changes:

- *Pensions* – As a result of reducing and paying down pension debt, an additional $7.6 million in property tax revenue is available in the general fund. Further, the budget commits $3 million in pension debt avoidance by using one-time general fund resources.

- *Financial Direction Reductions - The budget includes reductions as proposed by the following departments: Human Resources ($100,000), Finance ($200,000), Business Information Services ($200,000), Community Planning and Economic Development ($35,000 offset by revenue) and Attorney ($150,000). The current service level budgets for 911/311 and*

City Clerk met the financial direction estimate and did not require further reductions. Reductions from the current service level are not included for Public Works in 2007.

- *Assessor* - Two additional positions are added to the department in the adopted budget ($150,000).

- *Attorney* - An attorney position is added to back fill grant funds ($75,000). The Council added $35,000 for a restorative justice program.

- *City Coordinator: 911/311* - $80,000 in one-time training money for the implementation of the CAD system is included in the department budget. The Council reallocated funds for weekend 311 hours to Library operating costs.

- *City Coordinator: Administration* - An additional position is added for Results Minneapolis efforts ($75,000). The budget includes one-time funding for the Tree Trust of $100,000. Also included is one-time funding focused on external environmental efforts ($125,000).

- *City Coordinator: Business Information Services* - An increase to the telecom rate model is included in the budget ($410,000) funded by increased charges to other departments.

- *City Coordinator: Communications* - The budget includes $700,000 annual draw downs of the cable franchise settlement over the next five years. This decision results in level funding for cable-related items until an increase to Public, Educational and Governmental (PEG) programming fees comes on line in 2012. The fee will go from 37 cents to 50 cents per subscriber per month in 2008, and from 50 cents to $1 in 2012.

- *City Coordinator: Intergovernmental Relations* – One-time funding for homelessness outreach is included in the department's budget ($100,000).

- *City Coordinator: Regulatory Services* - The adopted budget adds $530,000 to fund boarded and vacant building efforts on an ongoing basis. The budget counts on the department's revenue proposals ($719,000) to support additional spending in the department. Eight positions are added to the department – 4 for one stop/development review services and 4 for business licensing ($500,000). Positions related to the business licensing initiative are not to be filled until a related ordinance is approved by the City Council.

- *City Council* - The budget includes one position ($50,000) for the City Council. The Council's budget is also combined with the Clerk/Elections budget beginning in 2007.

- *Community Planning and Economic Development* - A portion ($150,000) of the department's budget is moved from the community development block grant fund to the general fund.

- *Fire* - An additional $200,000 in general fund support is allocated to the department to ensure the implementation of the Standard of Coverage. The department's budget grows by an additional $90,000 to fund fuel cost increases.

- *Health and Family Support* - Additional one-time funding is added in 2007 for: domestic violence efforts ($50,000); $125,000 for Youth Violence Prevention efforts; $80,000 in for safe routes to school efforts, with the department working with Public Works on a related capital project.

- *Mayor* - An additional position ($50,000) is added to the Mayor's budget.

- *Police* - An additional 43 police officers are added to the department's budget ($3.4 million). This increases the department's staffing level to the same level of police officers as in 2002. The department's budget to grows by an additional $250,000 to fund fuel increases.

  One-time funding for the department's technology road map ($1 million) is included in the budget, contingent on receipt by the Council of a long-term, performance measurement-based plan by the end of February 2007.

  Funding to allow the department to add a Police finance officer is in the budget; the Council specified specific duties for this position (please see the police department section later in this book for more detail).

- *Public Works: Field Services* - The adopted budget allows the department's budget to grow by an additional $100,000 to fund electricity cost increases. Further, the department is directed to ask for preventive street maintenance funding during the 2006 to 2007 reappropriation process.

- *Library* - The Council provided additional $1.2M one-time funding to the Library Board. The use of these funds is at the discretion of the Library Board pending the following outcomes:

  (1) The Minneapolis Public Library Board or its designee shall report a capital and operating budget plan and priorities to the Ways and Means Committee as follows:

  Given the Library Board's financial resources, determined in part by the budget passed by the City Council on December 11, 2006, report by January 30, 2007, how many of the system's fifteen libraries can be open at the standard of five days a week, eight hours a day.

  - If fewer than fifteen, report which libraries can meet that standard.
  - Direct the Minneapolis City Coordinator, in conjunction with the Executive Director of the Minneapolis Public Library, to create a timeline of important deadlines in the decision making process for the continued operation of the Minneapolis Public Library system; including but not limited to the discussions with:
    - Hennepin County
    - The Minnesota Legislature
    - The Library Board Advisory Committee
    - The Capital Long-Range Improvement Committee
    - The Minneapolis Library Board
    - The Minneapolis City Council, and
    - Any other decision making body with input on this issue.

  - The Minneapolis City Coordinator and the Executive Director of the Minneapolis Library Board shall report back to the Ways and Means/Budget Committee of the Minneapolis City Council before the end of January, 2007.

    Within two weeks of the closing of the 2007 State of Minnesota legislative session, report the impact of any policy or fiscal decisions made by the state legislature on the short- and long-term functioning of the Minneapolis Public Library system. This should include a reassessment, if applicable, of the capacity to keep libraries open at five days a week for eight hours a day.

Request that the Library Board of Trustees report to the Ways & Means and Intergovernmental Relations Committees of the City Council with a strategic plan for the future of the Minneapolis Libraries within two months following the later of:

- Issuance of recommendations by the Library Advisory Committee;
- Issuance of recommendations by the City/County Task Force; or
- The end of the 2007 Minnesota Legislative Session (85th Legislature; Request that the Library Board of Trustees incorporate a community engagement process, including community meetings, in 2007 for its strategic plan and related decisions.

(2) And further Direct that the CPED Department assign staff experienced in public building use, mixed-use development, and business development to work with the Library Board of Trustees and Library staff as they develop a strategic plan and explore creative options for a sustainable library system and report back to the Community Development Committee by May 1, 2007.

(3) City Finance staff, in conjunction with work already underway in the City Attorney's office, are directed to examine the financial impact of making the Library Board a department of the City. That report should be transmitted to the Ways & Means/Budget Committee, the Intergovernmental Relations Committee, the Library Advisory Committee, and the Minneapolis Library Board by March 1, 2007.

Transfers

The 2007 General Fund budget includes a $0.6 million decrease in transfer expense, from $35.6 million to $35 million. This decrease is related to the savings in debt service funds.

Summary of Transfers to Other Funds

(In millions of dollars)	2006 Adopted Budget	2007 Adopted Budget	Change
Internal Service Funds[1]	$20.1	$20.2	$0.1
Debt Service	$15.1	$11.5	($3.6)
Capital	$ 0.0	$1.9	$1.9
Library Board	$ 0.0	$1.2	$1.2
Other transfers	$ 0.4	$ 0.1	($0.3)
Total	$35.6	$35.0	($0.6)

Summary of Transfers from Other Funds

(In millions of dollars)	2006 Adopted Budget	2007 Adopted Budget	Change
Enterprise Funds	$ 11.3	$10.3	($1.0)
Entertainment Tax	$ 7.5	$ 8.3	$ 0.8
Library Board	$ 0.0	$ 0.9	$ 0.9
Other transfers	$ 0.0	$ 0.8	$ 0.8
Total	$18.8	$20.3	$ 1.5

[1]The implementation of the self insurance fund rate model led to a decline of $400,000 in this transfer. More of these costs now appear in departmental budgets for worker's compensation and liability. Despite changes, Internal Service Funds increased payments for Information Technology Service operating costs and debt by $2.2 million.

City of Minneapolis
FY 2007 Budget
Financial Plan (in thousands of dollars)

General Fund - 0100

	2004 Actual	2005 Actual	2006 Adopted Budget	2007 Adopted Budget	% Chg From 2006 Budget	2008 Forecast	2009 Forecast	2010 Forecast
Source of Funds:								
Property Taxes	85,998	97,493	112,689	123,909	10.0%	136,038	151,809	166,309
Subtotal - Property Taxes	85,998	97,493	112,689	123,909	10.0%	136,038	151,809	166,309
Local Government Aid	73,447	64,190	75,054	67,097	-10.6%	65,797	64,546	63,197
Subtotal	73,447	64,190	75,054	67,097	-10.6%	65,797	64,546	63,197
Other State Aids	3,311	15,276	11,366	11,022	-3.0%	11,022	11,022	11,022
Franchise Fees	25,121	27,702	22,310	27,110	21.5%	27,110	27,110	27,110
Licenses and Permits	24,148	25,044	24,864	25,999	4.6%	26,779	27,582	28,410
Charges for Services and Sales	28,182	33,977	36,499	35,631	-2.4%	35,631	35,631	35,631
Fines and Forfeits	8,910	10,016	10,385	10,173	-2.0%	10,173	10,173	10,173
Special Assessments	2,628	2,839	2,763	2,783	0.7%	2,783	2,783	2,783
Interest	1,159	1,952	1,860	1,860	0.0%	1,860	1,860	1,860
Other Miscellaneous Revenues	1,131	1,525	1,834	2,109	15.0%	2,109	2,109	2,109
Transfers from other funds	12,698	17,981	18,850	20,241	7.4%	19,241	18,241	18,241
Total	266,732	297,995	318,473	327,934	3.0%	338,543	352,866	366,845
Expenditures:								
Police	87,604	95,977	107,526	112,096	4.3%	118,500	122,511	126,658
Fire	39,495	47,186	47,162	48,380	2.6%	50,764	52,483	54,259
Public Works	35,686	38,753	38,245	39,539	3.4%	40,558	40,896	41,445
City Coordinator Departments	41,758	54,267	61,617	62,494	1.4%	63,474	65,169	64,448
City Attorney	4,631	6,422	6,790	7,036	3.6%	7,116	7,257	7,444
City Clerk	2,090	2,947	3,153	6,170	95.7%	6,772	8,501	7,437
Health and Family Support	3,446	3,649	3,701	4,076	10.1%	3,954	4,088	4,250
Community Planning & Economic Dev	2,179	3,366	3,671	3,708	1.0%	3,889	3,986	4,108
Other Departments	9,349	8,441	11,025	9,424	-14.5%	9,765	10,095	10,493
Transfers to other funds	32,690	44,777	35,582	35,011	-1.6%	33,150	38,420	44,450
Total	258,928	305,785	318,473	327,934	3.0%	337,942	353,406	364,992
Net Change in Balance	7,805	(7,790)				601	(540)	1,853
Fund Balance:								
Beginning Balance	53,547	61,352	53,562	53,562		53,562	54,163	53,623
Ending Balance	61,352	53,562	53,562	53,562		54,163	53,623	55,476
Fifteen % Reserve Requirement (15% of following year's budget)	45,868	47,771	49,190	50,691		53,011	54,749	57,339

City of Minneapolis
FY 2007 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 of Minneapolis, the metropolitan region, and the State of Minnesota. The fund also supports an operating transfer to Meet Minneapolis, formerly called the Greater Minneapolis Convention and Visitors Association (GMCVA). Meet Minneapolis is 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 2005 fund balance for the Convention Center Special Revenue Fund was $36.5 million, an increase of over $6 million from 2004. Local taxes support the Convention Center with approximately $55.1 million being collected in 2005. Due to improved economic conditions, the 2005 local tax revenue was nearly $4.2 million greater than budget and nearly $2.9 million greater than 2004. Approximately $17.5 million was transferred for debt service obligations or enterprise related debt. The debt service transfer was $3.8 million more than 2004.

Comparative amounts collected:

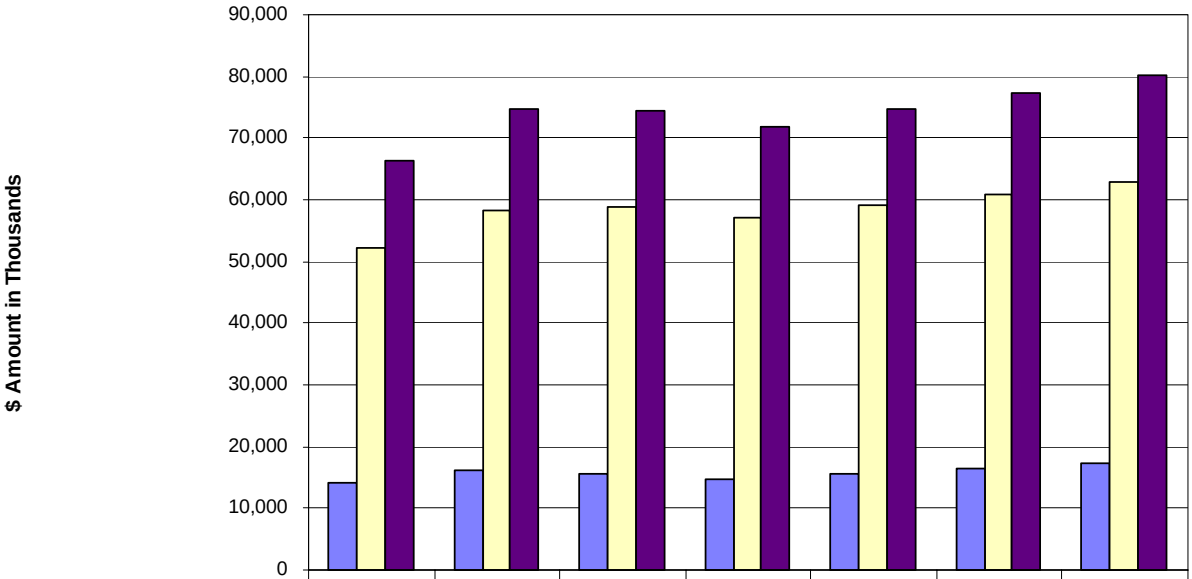
Local Taxes (in millions)	2003	2004	2005
0.5% Citywide Sales tax	$25.6	$26.4	$27.4
3.0% Entertainment Tax	$7.8	$8.7	$9.2
3.0% Downtown Restaurant Tax	$7.9	$8.8	$9.5
3.0% Downtown Liquor Tax	$3.0	$3.4	$3.5
3.0% Lodging Tax	$4.6	$4.9	$5.5
Total Tax Collection	$48.9	$52.2	$55.1

Funds are transferred annually to the Convention Center Reserve Fund for major repair or equipment replacement for the Convention Center facility. Due to the age of the building, it is anticipated that the amount of this transfer will increase in future years as specific needs are identified. However, the plan keeps the amount flat until an analysis is completed and needs are identified. In 2005, nearly $1.2 million was transferred to the Convention Center Reserve Fund.

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 of food and beverage account for most of the other miscellaneous operating revenue.

In 2005, the Convention Center opened a business service center to better meet customer needs and began offering wireless and internet services. Wireless and internet services revenue came in 235% better than expected. In 2005, total operating revenue generated by the business service center was $16.2 million - a gain of 14% from 2004 and nearly 10% better than expected for 2005.

Convention Center Fund - Revenue



	2004	2005	2006	2007	2008	2009	2010
Operating Revenue	14,162	16,208	15,645	14,676	15,561	16,324	17,219
Non-Operating Revenue	52,301	58,413	58,802	57,239	59,274	60,852	62,974
Total Revenue	66,463	74,621	74,447	71,915	74,835	77,176	80,193

Years (2004-2010)

2006 Financial Projections

Event operating revenues are projected to decline from 2005 as a result of not hosting large revenue producing events of the same size and caliber as some of the events in 2005, such as the Microsoft World Partners Conference. Operating revenues are not expected to meet 2006 budgetary goals primarily as a result of lower rents. Tax proceeds are projected to be higher than budgetary goals and slightly above 2005 actual totals. Operating expenditures for the Convention Center in 2006 were budgeted slightly higher than they were in 2005; primarily as a result of higher personnel related costs, capital, and contractual services. In 2006, operating expenditures are projected to be under budget by over $5 million. The decrease is primarily the result of $4 million budgeted for a new Terrazzo floor that will not be completed in 2006. Request For Proposals are currently underway and expenditures will continue into 2007.

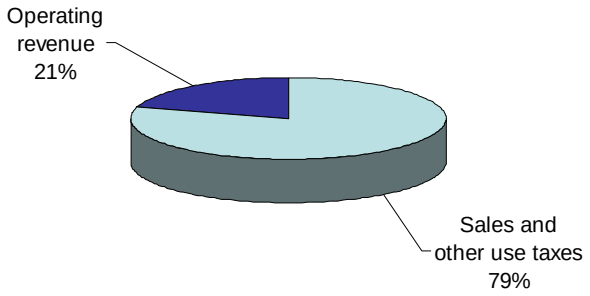
2007 Budget

Revenues

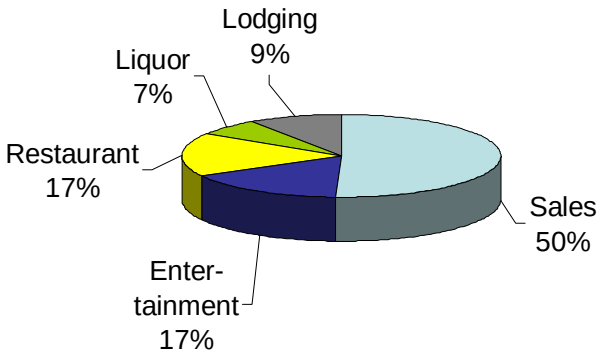
The revenues for the Convention Center have been brought in line with the actual receipts from previous years. Total revenue is expected to trend upward through 2010.The 2007 Convention

Center operating revenue is expected to decrease $969,000 or 6% below 2006 budgeted revenue. The decline can be directly attributed to under-utilization of the facility by corporate events. The Meet Minneapolis sales staff has a variety of targeted efforts planned to address the corporate market.

Convention Center Revenues



Sales and Other Taxes



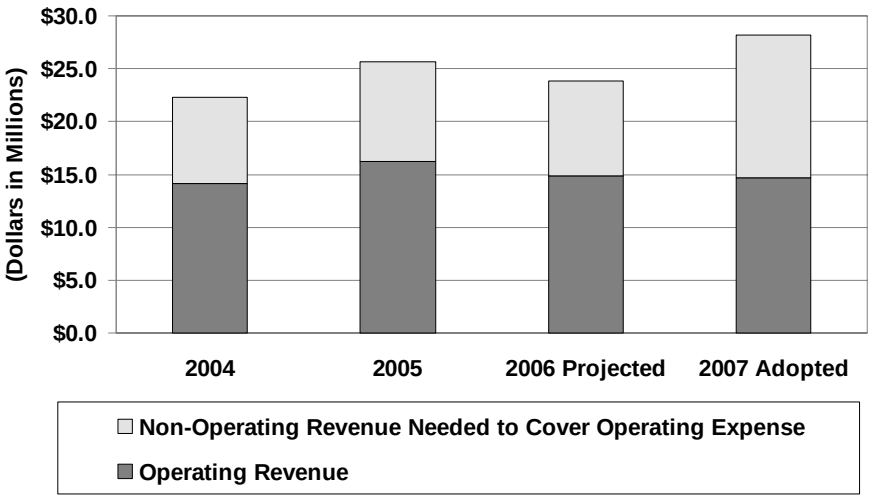
Convention Center - Predicted Revenue Growth

Tax Type	Current Growth Assumption '07-'10*
0.5% Sales	2.5%
3% Entertainment Tax	3%
3% Other Tax	3%

Last year's assumption was 4%

The Convention Center management is addressing declining operating revenue by bringing in new revenue producing services, particularly though the new Technology Services Department which began in June of 2006. In the second quarter of 2006, the Convention Center, in partnership with Meet Minneapolis, began selling video signage advertising at the Convention Center. Specifics of the deal are still under discussion between the Convention Center and Meet Minneapolis. Operating revenue is projected to increase by 6% per annum in 2008 and 5% in 2009 and nearly 5.5% in 2010. The 2007 budget's operating expenses are $28.2 million and $14.7 million in operating revenue, resulting in a $13.5 million shortfall. Additionally, operating revenues are expected to decline in 2007 resulting from a change in mix of shows in the facility.

Convention Center
Operating Revenue and Expense

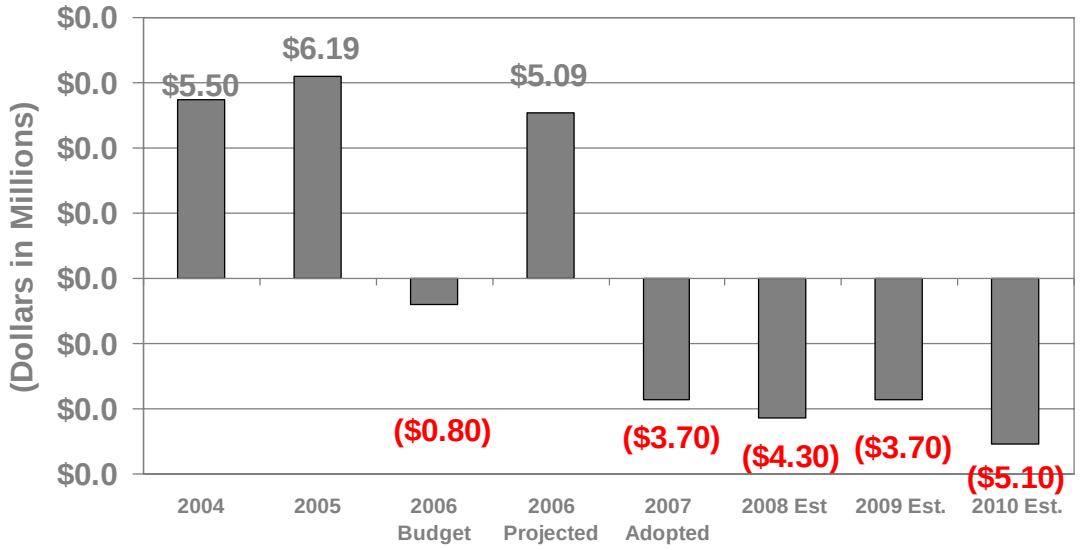


Expenditures
In 2007, the Convention Center operations expenditure budget is anticipated to decrease $1.4 million from the 2006 current budget. The budgeted decrease is primarily the result of lower budgeted capital expenditures. Factoring out capital, operating expenditures are expected to increase approximately $1.3 million as a result of higher personnel and contractual related expenditures. Cost containment is an important and ongoing initiative at the Convention Center, and the Convention Center is working on a number of cost containment strategies which include: efficient operations; improved risk management; managing client expectations; proper training; development of the Convention Center workforce; tracking client damage; and expense recovery.

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 consolidated together and a promissory note was issued for up to $5 million. In April of 2006, the City entered into a 3rd loan agreement of up to $5 million for additional iDSS start up capital. The three loans were consolidated for a total of up to $10 million. The $10 million consolidated loan will have a 10-year amortization of principal (2008-2017) at a 5% interest rate. The loan is secured by all of iDSS assets, future appropriation from the City funding, and profits from the iDSS.

In 2006, $7.1 million in sales and marketing fees were transferred to Meet Minneapolis. In 2007, Meet Minneapolis sales and marketing fees increased to nearly $7.4 million. Meet Minneapolis functions as the primary sales and booking agent of the Convention Center. The 2004 to 2005 reduction in the ending fund balance is due primarily to spending increases. The increases are due to additional capital outlays to replace aging and obsolete parts and systems of the facility. The ending fund balance is expected to remain relatively unchanged from 2005 to 2006 as a result of offsetting increases and decreases in revenues and expenditures. The ending fund balance for 2006 to 2007 is expected to decrease as a result of lower budgeted revenue and higher budgeted 2007 expenditures.

Convention Center Project Net Income (Loss) (in millions)



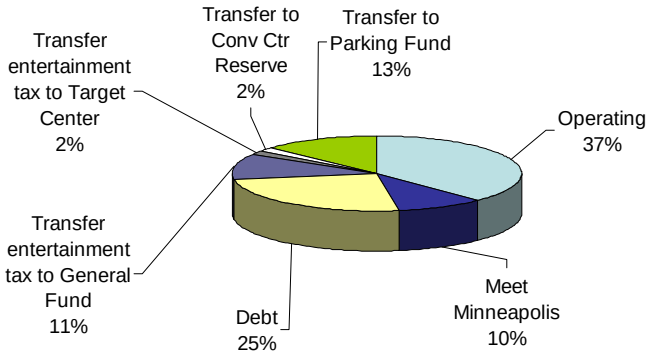
The convention center financial plan anticipated losses as debt service is paid back. The fund currently has sufficient reserves to cover these losses. Further, debt service is budgeted assuming a 5% interest rate on variable bonds. The City's actual experience has been significantly less in the past few years. However, to the degree that interest rates increase, operating revenues decline, and/or expenses increase, the fund will have difficulty staying within the original financial plan.

Cash Position Changes
The Convention Center Special Revenue Funds 2006 projected cash balance, exclusive of loans to other funds, is expected to fluctuate relative to the fund equity. Most operating revenues and expenditure transactions are cash transactions. The Convention Center has a policy of requiring exhibitors to pay in advance for space rent and services, which contributes to a healthy cash position. The 2005 year ending client advances, sometimes received over two years in advance of the event, were $835,000 and outstanding client receivables were $1.3 million.

Transfers
Total transfers to other funds in 2007, excluding Meet Minneapolis, are budgeted at $39.4 million:

- General Fund - $8.3 million, funded by entertainment tax proceeds; a revenue source to the General Fund since 1969.
- Arena Reserve - $1.2 million, the portion of the entertainment tax estimated to be derived by Target Center activities.
- Convention Center Reserve - $1.2 million, for future major Convention Center repairs or replacement.

Convention Center Fund Transfers ($39 million



- Convention Center Debt Service - $18.8 million, current year debt service liability for the Convention Center bond issue. Part of the Convention Center debt is in variable rate mode, and it is likely that total debt service payments will be less than the budgeted $18.8 million due to the difference between actual interest on variable rate and the assumed 5%.
- Parking Fund - $9.9 million, funding for the current year debt service obligation for the Convention Center related parking ramps and facilities and Parking Fund Workout Plan.

The City of Minneapolis deposits all of its local tax proceeds (*i.e.*, sales tax, entertainment tax, food tax, liquor tax, and lodging tax) in the Convention Center Special Revenue Funds. 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 police and fire department costs associated with citywide entertainment activities. A portion of the tax is redirected to the (Target Center) Arena Reserve Fund to fully credit the fund

for entertainment tax proceeds generated from Target Center activities, as required by the (Target Center) Arena finance plan. The entertainment tax is not deposited directly into the General Fund because it is pledged revenue on the outstanding Convention Center bonds in the event other revenue sources pledged to meet Convention Center debt service are insufficient.

For 2007, there is a decrease in facility reserve transfer to $500,000. These fund transfers are from the facility reserve to cover the reserve funding requirement for the Convention Center scheduled yearly capital projects.

Debt Service
The 2007 budget includes full funding to meet the annual debt service payments. Outstanding debt for the Convention Center was approximately $229 million in total at the 2006 year end. In 2004, the Convention Center debt was restructured allowing for substantial long-term savings to the fund. $77 million is variable rate debt, and $152 million is fixed.

City of Minneapolis
FY 2007 Budget
Financial Plan (in thousands of dollars)

Convention Center Special Revenue Fund - 0760

	2004 Actual	2005 Actual	2006 Current Budget	2006 Projected	2007 Budget	% Chg From 2006 Budget	2008 Forecast	2009 Forecast	2010 Forecast
Source of Funds:									
Operating Revenues:									
Charges For Services	5,000	6,220	5,660	5,276	5,925	4.7%	6,221	6,532	6,859
Rents	6,468	6,867	7,415	6,893	6,290	-15.2%	6,707	7,028	7,430
Other Miscellaneous Operating	2,694	3,121	2,570	2,650	2,461	-4.2%	2,633	2,764	2,930
Sub-Total	14,162	16,208	15,645	14,819	14,676	-6.2%	15,561	16,324	17,219
Non-Operating Revenues:									
Sales Tax	26,366	27,404	27,701	27,954	28,394	2.5%	29,103	29,831	30,577
Entertainment Tax	8,670	9,193	9,109	10,190	9,382	3.0%	9,664	9,954	10,252
Restaurant Tax	8,802	9,474	9,248	9,896	9,525	3.0%	9,811	10,106	10,409
Liquor Tax	3,432	3,486	3,606	3,588	3,714	3.0%	3,826	3,940	4,059
Lodging Tax	4,899	5,506	5,147	5,806	5,301	3.0%	5,460	5,624	5,793
Meet Mpls Donations	-	-	538	538	-	0.0%	-	-	-
Interest	132	819	422	800	422	0.0%	409	397	385
Transfer From Facility Reserve	-	2,531	3,031	3,031	500	-83.5%	1,000	1,000	1,500
Sub-Total	52,301	58,413	58,802	61,803	57,239	-2.7%	59,274	60,852	62,974
Total	66,463	74,621	74,447	76,622	71,915	-3.4%	74,835	77,176	80,193
Use of Funds:									
Convention Center Operations	20,939	22,685	24,638	22,877	25,903	5.1%	26,939	28,017	29,137
Ongoing Equipment/Improvement	1,028	2,933	4,948	900	2,260	-54.3%	5,270	5,480	8,376
Finance	302	-	-	-	-	0.0%	-	-	-
Human Resources	58	44	44	47	66	50.0%	-	-	-
Meet Minneapolis	6,655	7,239	7,080	7,664	7,380	4.2%	7,528	7,678	7,832
Transfer To Gen Fund - Ent. Tax	7,164	7,249	7,482	8,990	8,319	11.2%	8,164	8,454	8,752
Transfer To Target Ctr Reserve	1,506	1,433	1,200	1,200	1,200	0.0%	1,500	1,500	1,500
Transfer To Conv Ctr Reserve	1,150	1,150	1,150	1,150	1,150	0.0%	1,150	1,150	1,150
Transfer To Debt Service	13,687	17,456	19,142	19,142	18,846	-1.5%	18,796	18,728	20,150
Transfer To Parking Fund	8,365	8,244	9,565	9,565	9,856	3.0%	9,832	9,858	8,435
Transfer To BIS	66	-	-	-	-	0.0%	-	-	-
Transfer To Self Insurance	19	-	-	-	-	0.0%	-	-	-
Total	60,939	68,433	75,249	71,535	74,980	-0.4%	79,178	80,864	85,332
Net Income	5,524	6,188	(802)	5,087	(3,065)	282.2%	(4,344)	(3,689)	(5,139)
Fund Balance/Retained Earnings:									
Beginning Balance	24,805	30,329	36,517	36,517	35,715	-2.2%	32,650	28,306	24,618
Ending Balance	30,329	36,517	35,715	36,275	32,650	-8.6%	28,306	24,618	19,478

Notes: Beginning in 2005, the transfer to BIS is reflected in the Convention Center's Operating Budget based on the BIS Rate Model. 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.

City of Minneapolis
FY 2007
Financial Plan

Community and Economic Development Funds

Background

These funds provide support to the City's development efforts. The main department with allocations in these funds is the Community Planning and Economic Development Department. Funds for the City's activities in these areas have faced numerous challenges over the past several years since the State significantly changed the property tax system.

The City Council adopted a policy in August of 2003 on how these funds were to be prioritized between City-wide discretionary development, the Neighborhood Revitalization Program (NRP) and the City's obligations as owner of the Target Center Arena, the home of the National Basketball Association's Minnesota Franchise. The financial projections in this plan rest upon the assumptions in these policy decisions. (Please see the "Financial Policies" section of the budget book for the policy detail.)

The projections show the following conditions, for the first time shown in the planning horizon of the City's financial plans:

1) the decertification of the pre-1979 tax increment financing (TIF) districts; and
2) the final year of the City's statutory obligation to provide funding to the NRP.

2007 Budget

Revenues

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

Revenues from federal grant programs, including the annual disbursement rate for the Empowerment Zone, will remain close to constant;

Although revenues from state and local grants vary in relation to project need and availability, for projection purposes they are shown as constant;

There will be continuing modest increases in bond related fee income from housing and economic development activities;

There will be annual variations in overall project income but these are shown as constant from 2007 for projection purposes;

There is no change to the scheduled 2009 Brookfield payment;

There will be no further legislative actions or assessment adjustments that have a significant negative impact on tax increment or General Fund collections; and

Inflationary growth in Planning's fee revenue.

Expenditures

The expenditure projections contain assumptions that also need to be revisited annually in the context of revised revenues and department outcome measures:

- CPED staff levels will generally remain constant or reduce slightly with personnel costs increasing 2 percent per annum while non-personnel expenditures increase approximately 1 percent per annum.
- The Development Account and TIF revenues of the Common Project continue to be restricted to existing debt obligations and the capitalization of the NRP through 2009.
- Consistent with the Discretionary Development resolution, $3.697 million from the Legacy Fund is being provided annually through 2009.

The projected CPED revenues and expenditures for 2007-2011 show somewhat level revenues through 2008 increasing in 2009 with the receipt of a Brookfield-Dain payment of $27.87 million. However, the total revenue received each year from 2007 to 2009 is smaller than anticipated in the 2003-2009 projections prepared last year, largely due to smaller than anticipated tax increment revenues as a result of recent reductions to market valuations of various properties within the Common Project.

Debt Service

Debt service on the post-1979 Common Project TIF districts continues past 2010. Taken together with other projected costs, the forecast for that year is break-even. There is no assumption of a source for discretionary development activity beyond 2009, although the availability of new tax capacity created by the decertification of the pre-1979 districts could allow, as one policy option, the re-use of Chapter 595 levy authority with little or no increase of residential property taxes.

Under current policy direction the Hilton Legacy Fund will also have been repaid in 2009 for the $22 million cumulatively lent for discretionary development activity, and will provide another option for development support in 2010 and beyond. To avoid or pay down debt, the City will use $12.5 million of the proceeds from the sale of City's share of the downtown Hilton Hotel.

General Fund Resources

Projected General Fund revenues and expenditures are displayed consistent with the Five-Year Financial Direction. The direct revenue to the General Fund attributed to CPED increased substantially in 2006 (line 5) as a result of the multi-department fee study completed in 2005. The additional revenues allocated as a result of this study have increased annually at an annual rate of 3 percent.

Neighborhood Revitalization Program

The reduction of development resources that started in 2001 has been the reduced level of funding (from $20 million per annum in Phase I) available to capitalize the NRP. As noted, the lowering of market value of several properties within the Common Project appears to have exacerbated this reduction. Table 1, Line 34 displays the last (October 2005) projections.

Update projections are due to be released early in 2007 (see the financial policies section of this document for further information).

Finance Plan - Table 1

Projected CPED Revenues & Expenditures 2007 - 2011

		2006 Budget	2007	2008	2009	2010	2011
1	Local Funds						
2	General Fund Total	3,745,973	3,795,000	3,889,000	3,998,000	4,124,000	4,263,000
3	GF Property Tax & Non-Direct Revenue	1,720,594	1,695,000	1,737,000	1,822,000	1,909,000	2,061,000
4	General Fund LGA	680,848	602,000	609,000	587,000	578,000	516,000
5	General Fund Direct Revenues	1,343,478	1,498,000	1,543,000	1,589,000	1,637,000	1,686,000
6	Tax/Increment/Abatement	71,085,947	76,664,332	78,035,163	56,879,199	32,487,622	32,487,622
7	Capital Bonding (CIP)	3,547,000	808,000	804,000	1,067,000	382,000	389,000
8	Dev Acct (Non-TI)	2,199,272	2,025,432	2,002,705	28,302,997	300,000	300,000
9	Interest Earnings all Funds	5,298,000	5,054,000	4,801,300	4,561,235	4,333,173	4,116,515
10	Bond Fees						
11	Housing Program Fees & Revenues	1,199,000	1,244,970	1,292,719	1,342,317	1,342,317	1,393,835
12	Economic Dev Program Fees & Revenues	3,639,500	3,651,500	3,663,620	3,675,861	3,675,861	3,688,225
13	Legacy Fund	3,679,000	3,679,000	3,679,000	3,679,000	-	-
14	Other Project & Program Income	16,811,915	16,307,558	16,199,000	15,818,331	15,713,030	15,343,781
15	Transfers & Reserves	50,548,980	52,050,000	37,549,128	46,374,667	45,674,667	43,674,667
16	Federal Funds						
17	CDBG*	17,583,662	12,317,000	12,317,000	12,317,000	12,317,000	12,317,000
18	ESG	597,000	597,000	597,000	597,000	597,000	597,000
19	HOME	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000
20	Other State/Local Grants	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
21	**Total Projected Revenues**	188,234,196	186,493,792	173,129,635	186,912,607	129,246,670	126,870,645
22	Appropriated						
23	Business Lines:						
24	Economic Policy & Development	15,726,643	18,067,452	15,171,756	15,399,332	15,630,322	15,864,777
25	Housing & Policy Development	26,730,137	21,395,008	21,715,933	22,041,672	22,372,297	22,707,882
26	Community Planning	1,985,293	1,962,523	2,001,773	2,041,809	2,082,645	2,124,298
27	Development Services	2,006,327	1,792,814	1,828,670	1,865,244	1,902,549	1,940,600
28	Workforce Development	10,842,414	9,094,566	9,185,512	9,277,367	9,370,140	9,463,842
29	CPED Support:						
30	Executive & Support Services	6,319,452	7,004,956	7,145,055	7,287,956	7,433,715	7,582,390
31	Transfer & Debt Service	117,208,947	118,269,359	105,215,723	101,144,413	71,037,756	66,966,446
32	Total Appropriated	180,819,213	176,203,622	162,264,422	159,057,793	129,829,425	126,650,234
33	To be appropriated						
34	Potential NRP Capitalization	4,363,989	4,512,724	2,139,122	15,397,784	-	-
35	Brookfield repayment to Legacy	1,769,000	1,769,000	1,769,000	11,386,000	-	-
36	**Total Projected Uses**	186,952,202	182,485,346	166,172,544	185,841,577	129,829,425	126,650,234
37	**Difference**	1,281,994	4,008,446	6,957,091	1,071,030	(582,755)	220,411

* entitlement, program income and federal workforce grants

City of Minneapolis
FY 2007 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 had historically been stable, but continues to present a future financial challenge to the City due to cash flows. While the fund continues to generate a positive retained earnings, it is insufficient to pay debt service, make General Fund transfers, and restore its productive assets (ramps).

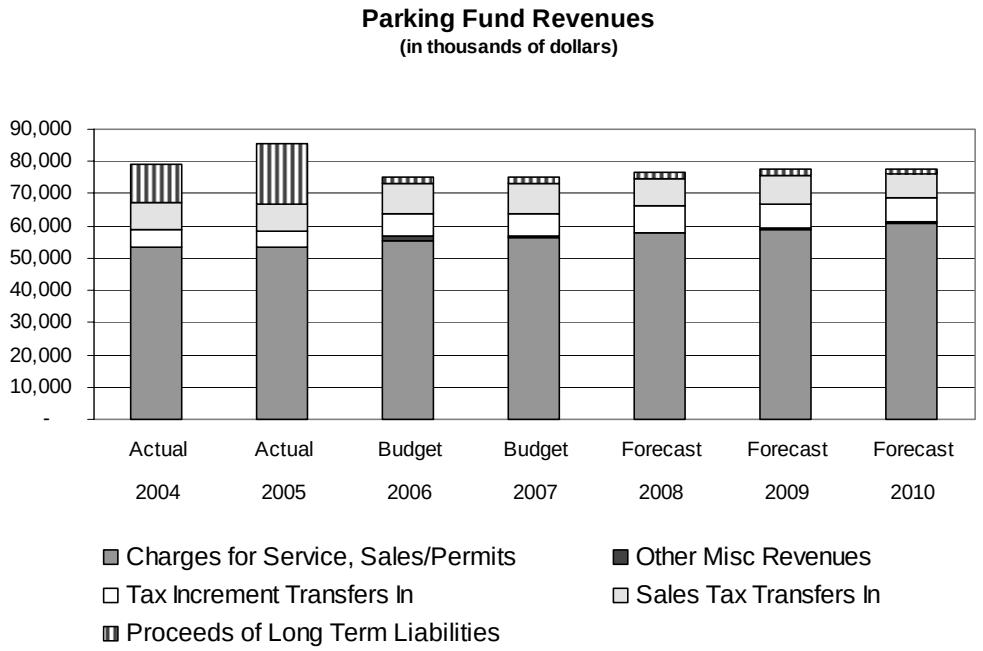
Nearly all of the capital costs of ramps have been financed by debt. Revenues for the fund are generated from these three lines of activities: off-street parking; on-street parking; and the impound-lot. The fund receives transfers ($9.6 million in year 2006) from the Minneapolis Convention Center to pay its share of debt service on the Convention Center-related parking facilities. The fund also receives transfers ($6.9 million in 2006) from tax increment and abatement revenue to pay part of major development projects in downtown area.

The Parking Fund and its operations reflect a financial workout plan that was adopted by the council in 2004. The plan addresses strategies for managing and responding to growing financial concerns regarding the municipal parking system, with annual updates on the performance of the workout plan.

Revenues

Operating revenues for 2005 remained at 2004 level. $55.2 million in revenue for the year saw a decrease in off-street parking by $800,000; however, this was off set by $800,000 increase in impound lot and on-street revenues. Additional meter installations and rate adjustments, as part of new meter management plan, contributed to $600,000 increase over 2004 in on-street parking revenues. Changes in rates and the number of vehicles towed account for the revenue growth experienced in impound lot revenues.

Operating revenue budget for 2006 is $60 million and the projection for year-end is currently $58 million, which reflects adjustments as to the workout plan – some lines of activity are foreseen to produce less revenue than anticipated. Revenue for the first quarter increased by $800,000, or 7%, to $12.9 million in 2006 in comparison to $12.1 million for the first quarter of 2005. Revenues from off-street parking increased $500,000, meanwhile, on-street parking and impound lot each account for $150,000. Increase in revenues can be attributed to initiatives listed in the workout plan.



Expenditures

In 2005, operating expenses (without debt service, transfers or capital) increased by $1 million, or 3%, to $39.5 million, from $38.5 million of 2004. This increase is mainly due to increased major maintenance work in the ramps. To a lesser extent, increase in expenditures was due to changes in towing rates which took effect in the fourth quarter of 2005. However, this increase in rates is offset by increase in rates charged to customers.

The operating expense budget for 2006 is $40 million and the projection for the year is $37.5 million. Expenditures for the first quarter increased by $500,000, or 8%, to $7.4 million compared to $6.9 million for the first quarter of 2005. This increase is the net of all increases and decreases in various business lines of the Parking Fund. While off-street parking and other operating expenses showed increase for the quarter, expenditures related to towing and on-street parking registered decrease compared to 2005. With ongoing maintenance work and addition of the Mill Quarter and Riverfront ramps, expenses were expected to increase. It is anticipated that continued efforts to automate and centralize operations will have its impact in expense reduction in the current and future years. As in 2005, all expenses related to State-owned facilities, including major maintenance, will be fully reimbursed by the State.

Cash Position

The Parking Fund cash balance for year 2005 was negative $13.9 million. The transfer of TAD revenues to the State in excess of $16 million over two-year period was a significant factor for this continued negative balance. The parking system is creating a positive cash flow from its operations, but with transfers and interest payments on debt service, the City-owned facilities have a negative cash flow. Based on current and proposed budgets, operating cash balances are going to continue to decrease, especially cash related to the City system.

2007 Budget

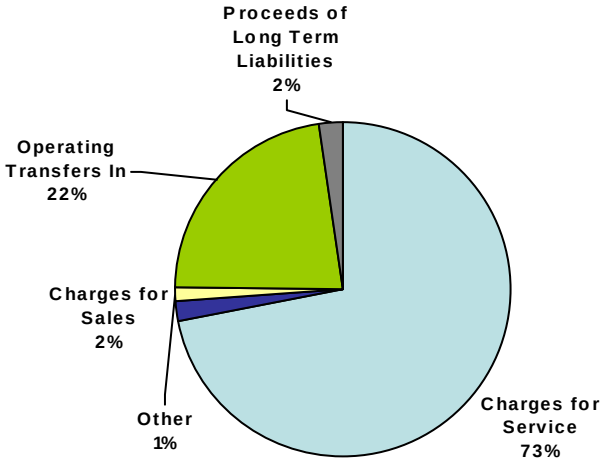
Revenues

The operating revenue budget for 2007 was decreased by $1 million to $59 million compared to $60 million for 2006. The decrease is due to a revised towing and impound lot collection

recovery budget for unpaid tows and abandoned vehicles. Furthermore, assessment revenue for the Vineland ramp has been reduced to its actual amount of $543,000, down from 2006 of $1.6 million.

Non-operating revenues consist of interest revenue that is generated by investment earnings, which shows up as revenue but is transferred to the General Fund. Special assessment revenue is from payments that are made by businesses to reimburse part of the capital expenses for the construction of the Lyn-Lake parking lots that helped them meet their minimum parking requirements.

Source of Funds
Parking Fund
($84.4 million)

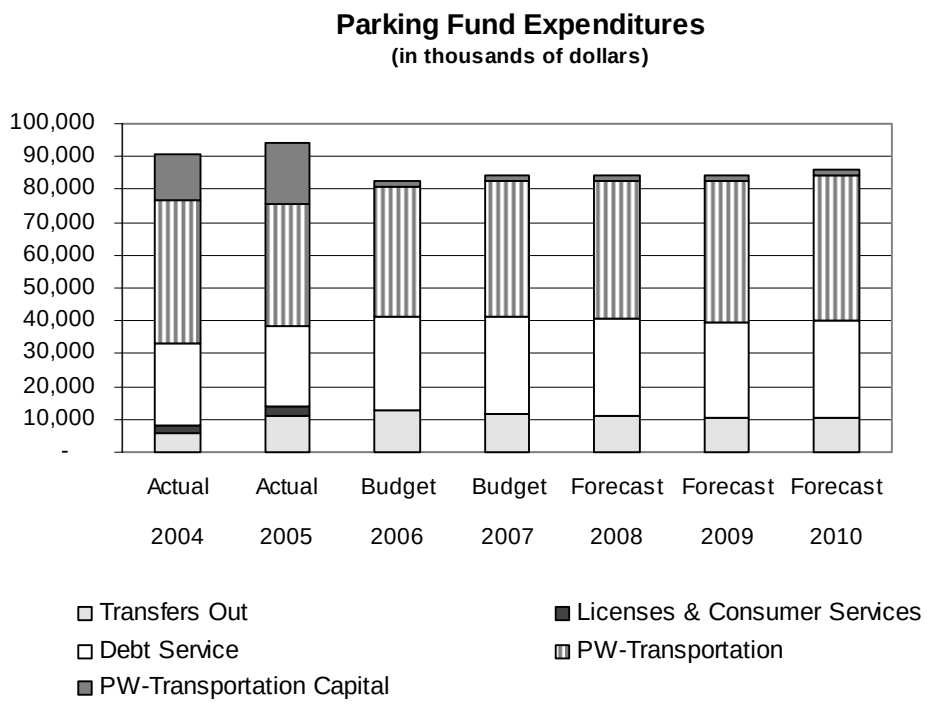


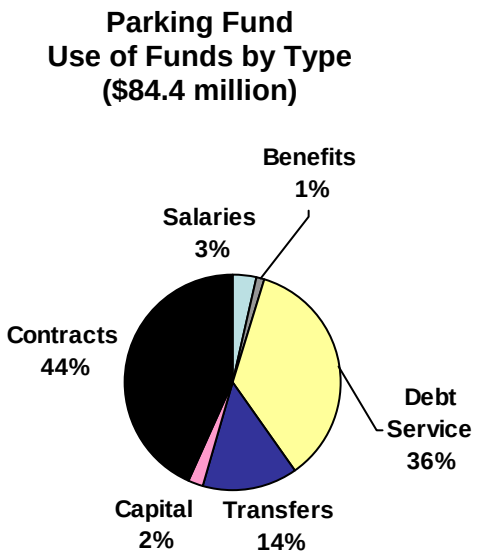
Revenue Assumptions (2007)	
Utilization Percentage in 2006	77%
Number of Parking Stalls in the system	21,176 as of 12/31/2006
Forecasted Revenue increase	2008 2.5% 2009 1.8% 2010 2%
Assumed rate increases (if any)	2%
System-wide average event rate	$8.29
System-wide average daily rate	$5.64
System wide average monthly rate	$108.03
Number of new stalls in the system	2008 0 2009 0 2010 0

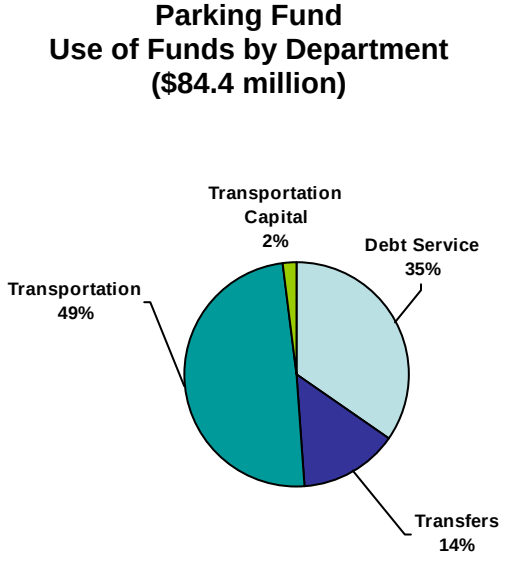
For assumptions regarding sales tax revenue, please see the Convention Center Finance Plan.

Expenditures

The operating budget for 2007 stands at $41.4 million compared to $40 million for 2006. This increase of 4% over 2006 can be attributed, in part, to two additional ramps, Mill Quarter and Riverfront. To a larger extent, increase in operating expenditure comes from scheduled maintenance work in the State-owned ramps. In addition, prior to 2006, the adopted budget included operating expenditures for Public Works-Transportation and the traffic control cost center, which as managed by Licenses and Consumer Services. The Licenses and Consumer Services segment however has been discontinued in the Parking Fund. As in 2006, $2.8 million for Licenses and Consumer Services was transferred to the Police Department. The decrease in Licenses and Consumer Services is offset by an increase in transfer out from Parking Fund to General Fund. The capital budget for 2007 has been set at 2006 level which is $1.7 million. The capital budget has been maintained at this level due to on-going repair and improvement works in the City-owned parking facilities.







Transfers

The transfer to the General Fund decreased to $9.6 million in 2007 compared to $10.6 million in 2006. This transfer includes $2.8 million for traffic enforcement from Licenses and Consumer Services to the Police Department. It also includes yearly transfers to General Fund, $6.8 million for 2007, and Target Center Arena. Transfer to the Target Center Arena Fund increased in 2006 to $2.1 million from $1.9 million in 2005 as per the revised finance plan which was approved in 2000. This transfer comes out of net assets generated by City parking revenues. Revenues from State-owned garages continue to be transferred to the State on a daily basis. A transfer of $146,000 a year to the Solid Waste and Recycling fund is also done for bus shelter litter containers.

Transfers to the parking fund include revenues from sales tax along with revenues from tax increment and abatement. Tax increment and abatement revenues are transferred from CPED and the sales tax revenue is transferred from Convention Center. These transfer revenues are used for debt service payments. Transfer from sales tax funds increased by $300,000, from $9.6 million in 2006 to $9.9 million in 2007. The transfers from tax increment and abatement are budgeted to increase $1.1 million, from $6.9 million in 2006 to $8 million in 2007. The following is a breakdown of the $8 million in transfers by facility: $6.8 million for LaSalle at10th Ramp; $500,000 for East LRT Ramp; $600,000 for the Hennepin at 10th Ramp; and $100,000 for 10th and Washington Ramp.

Debt Service

The debt service includes principal and interest on bonds issued for construction of municipal parking ramps. Debt service for 2007 is a $1.1 million increase, from 2006 levels. This increase is due to Guthrie and Mill Quarter bonds sold in 2005. A part of the debt service payments is reimbursed from tax increment and sales tax revenues; these reimbursements are the transfers to the Parking Fund from the Convention Center and Tax Increment Funds, which total $16.8 million for 2007.

City of Minneapolis
FY 2007 Budget
Financial Plan (in thousands of dollars)

Municipal Parking Fund - 7500

	2004 Actual	2005 Actual	2006 Current Budget	2006 Projected	2007 Budget	% Chg From 2006 Budget	2008 Forecast	2009 Forecast	2010 Forecast
Source of Funds:									
Licenses and Permits	207	245	218	218	218		220	222	225
State Government	83	56	-	-	-		-	-	-
Charges for Service, Sales/Permits	53,264	53,170	55,575	53,360	56,522	1.7%	57,956	59,054	60,979
Charges for Sales	1,575	1,620	1,301	1,301	1,551	19.2%	1,567	1,582	1,598
Special Assessments	165	108	1,763	1,763	676	-61.7%	543	543	543
Interest	29	73	1	1	1		1	1	1
Gains	-	2	-	-	-		-	-	-
Rents (Transportation)	107	144	113	113	113		113	113	113
Other Misc Revenues	61	47	1,201	1,201	138	-88.5%	139	141	142
Tax Increment Transfers In	5,628	5,230	6,915	6,915	7,752	12.1%	7,936	7,759	7,481
Sales Tax Transfers In	8,365	8,244	9,565	9,565	9,856	3.0%	8,832	8,858	7,435
Other Transfers In	1,812	2,467	-	-	-		-	-	-
Total Transfers In	*15,805*	*15,941*	*16,481*	*16,481*	*17,609*	*6.8%*	*16,768*	*16,617*	*14,916*
Proceeds of Long Term Liabilities	11,736	18,937	1,700	1,700	1,700		1,700	1,700	1,700
Total	83,033	90,341	78,352	76,137	78,526	0.2%	79,007	79,973	80,217
Use of Funds:									
Debt Service	24,690	24,892	28,333	28,333	29,401	3.8%	29,349	29,275	29,620
General Fund Transfer Out	3,400	8,800	10,618	10,618	9,618	-9.4%	8,618	7,818	7,818
Target Arena Transfer Out	1,620	1,768	1,921	1,921	2,078	8.2%	2,241	2,408	2,581
Debt Service Transfer Out	430	391	-	-	-		-	-	-
Internal Service Funds Tranfers Out	77		-	-	-		-	-	-
MERF Liability Transfer Out	-		39	39	73	89.4%	73	73	73
Sanitation Transfer Out	146	146	146	146	146		146	146	146
Park Board Transfer Out	-		-	-	-		-	-	-
Total Transfers Out	*5,673*	*11,105*	*12,724*	*12,724*	*11,915*	*88.1%*	*11,078*	*10,445*	*10,618*
PW-Transportation	43,685	36,871	40,023	37,452	41,355	3.3%	42,188	43,024	43,877
Human Resources	228		-	-	-		-	-	-
Finance Department	576		-	-	-		-	-	-
Licenses & Consumer Services	2,575	2,610	-	-	-		-	-	-
PW-Transportation Capital	14,110	18,629	1,735	1,735	1,740	100%	1,735	1,740	1,740
Total	91,537	94,107	82,814	80,244	84,411	1.9%	84,350	84,485	85,855
Fund Margin									
TAD (State-Owned) Ramps	(6,749)	(0)	(249)		-		-	-	-
City Ramps and Lots	(1,755)	(3,765)	(4,213)	(4,107)	(5,885)	39.7%	(5,343)	(4,512)	(5,639)
Total	(8,505)	(3,765)	(4,462)	(4,107)	(5,885)	31.9%	(5,343)	(4,512)	(5,639)
Retained Earnings									
TAD (State-Owned) Ramps	1,000	1,000	750	1,000	1,000	33.4%	1,000	1,000	1,000
City Parking System	(12,761)	(13,708)	(10,134)	(10,658)	(7,513)	-25.9%	(3,183)	2,769	8,724
Total	(11,761)	(12,708)	(9,384)	(9,657)	(6,513)	-30.6%	(2,182)	3,769	9,725
Cash Balances									
TAD (State Owned) Ramps	1,000	1,000	750	1,000	1,000	33.4%	1,000	1,000	1,000
City System Construction Cash (2)	4,591	1,643	-	-	-		-	-	-
City System Op Cash	(8,857)	(13,986)	(18,198)	(12,964)	(18,849)	3.6%	(24,192)	(28,704)	(34,343)
Total	(3,266)	(11,344)	(17,448)	(11,964)	(17,849)	2.3%	(23,192)	(27,704)	(33,343)

City of Minneapolis
FY 2007
Financial Plan

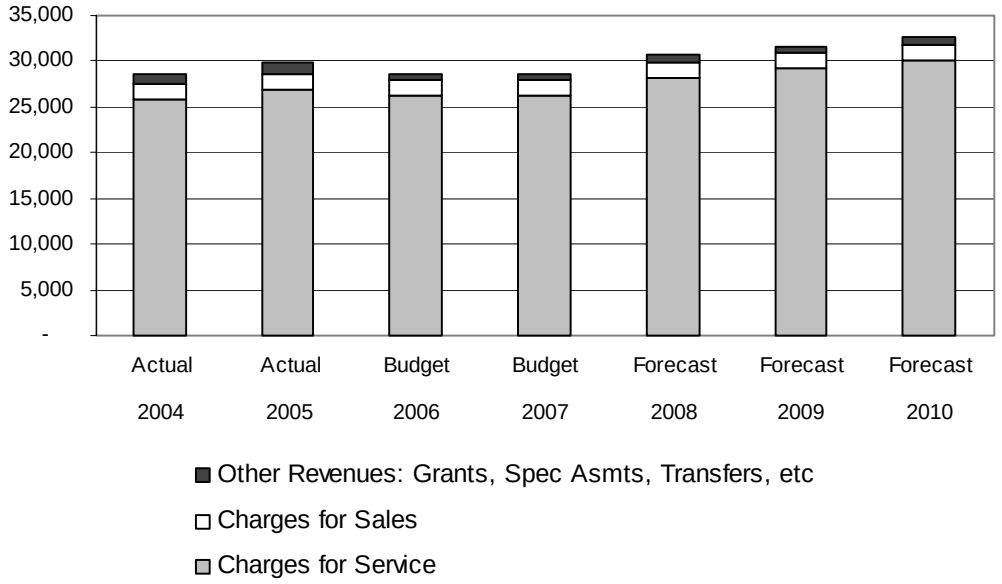
Solid Waste and Recycling Fund

Background
The Solid Waste and Recycling Fund accounts for solid waste collection, graffiti removal as part of the clean city operation as well as disposal/recycling activities for the City. The Solid Waste Division of the Public Works Department provides weekly trash and yard-waste pickup, bi-weekly recycling pickup, and operates a solid waste transfer station providing service to over 100,000 households. City crews provide approximately one-half of the solid waste collection service and the other half of the service is provided through a contract with a consortium of companies specializing in waste collection.

Funding for solid waste and recycling activities are funded primarily from solid waste fees, and partly from sources such as Hennepin County grants, recyclable sales, and charges for other services.

Historical Financial Performance
The overall financial condition of the Solid Waste Fund is strong as a result of management practices and increases in recycling activities and revenues from the past few years. The cash balance for this fund increased from $12.8 million from the year ending 2004 to $15.7 million at the end of the second quarter of 2006.

Solid Waste Fund Revenues
(in thousands of dollars)

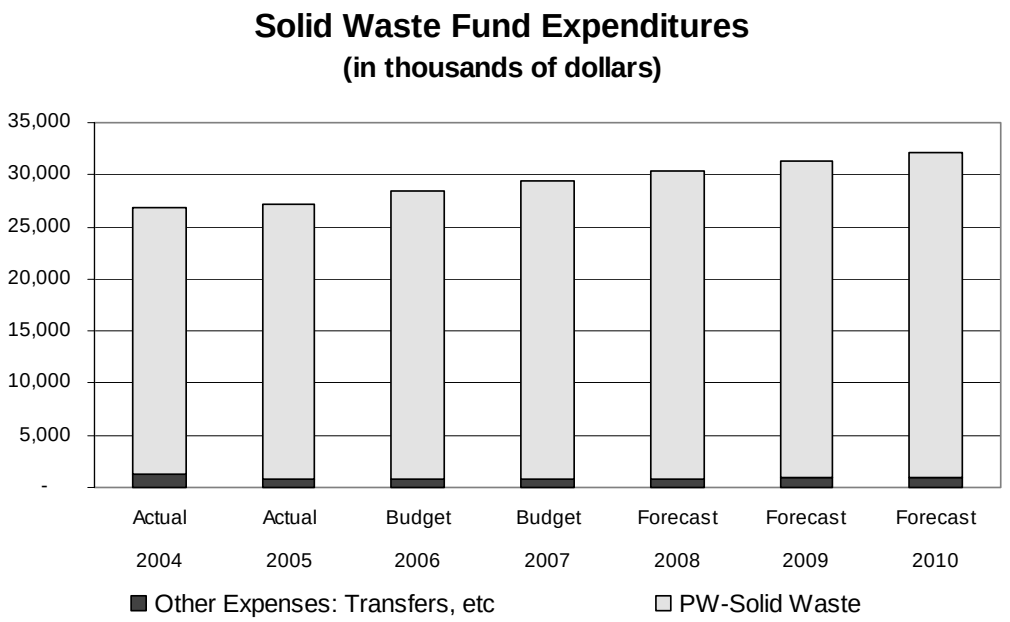


The Solid Waste Fund has been partially updating its fleet on a yearly basis. In 2006, three recycling trailers, one front loading packer, seven packer bodies, seven zoeller lifters, three

recycling cab chassis's, three recycling bodies, and seven garbage collection cab chassis were purchased.

In 2006, year-end revenues from charges for services are projected to be $26.3 million, which is the total revenue that was budgeted. The actual revenue received in 2005 from charges for services was $26.9 million.

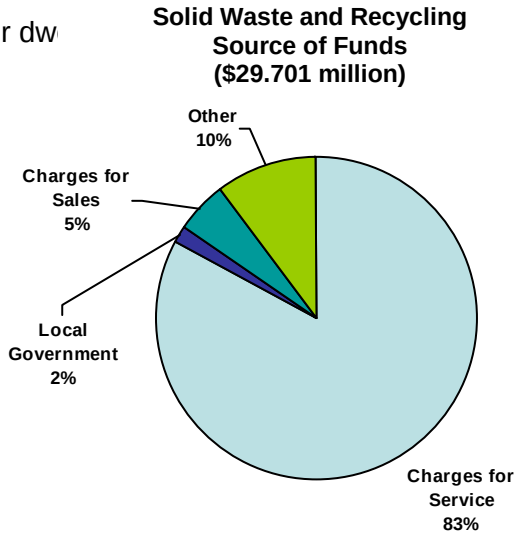
Expenses for the Solid Waste and Recycling cost center are projected to be as budgeted at $27.8 million.



2007 Budget

Revenues
The budget includes a rate increase of $.75 per month per dw Recycling in 2007. The monthly rate will increase from $22.25 to $23.00 per month per dwelling unit. This is projected to increase revenue for 2007 by $964,000. The last rate increase of $ 0.75 occurred in 2003.

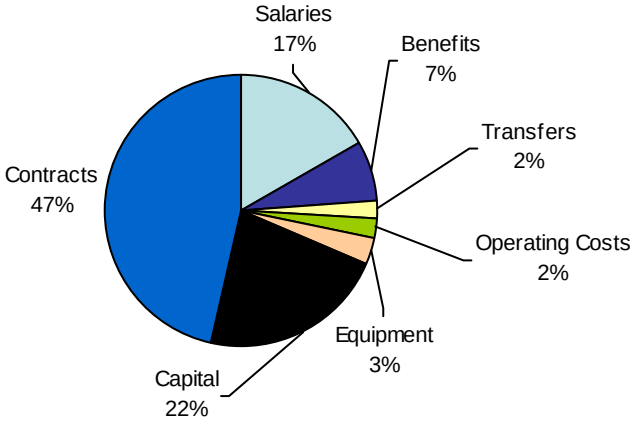
The 2007 Hennepin County Recycling Grant is estimated to remain at its 2006 level of $544,000. The proposed capital revenue estimate of $4.2 million is for the City/Cty Solid Waste Management Facility.



Revenue Assumptions (2006)	
Number of garbage collection customers	108,000
Number of recycling customers	102,000

Expenditures
Overall operating expenditures are budgeted to increase by 3.1% from $27.8 million in 2006 to $28.6 million in 2007. There are many demands in and beyond 2007 that will impact the Solid Waste and Recycling fund that we have yet to determine what the financial implications are. This includes an increase in the solid waste tipping fees by Hennepin County and a potential increase in the MRI (Minneapolis Refuse Inc.) contract. The replacement of the south transfer station and Pacific Street facility, along with the need to replace carts that are reaching the end of their useful life could also affect demands on resources. There is a proposed capital project of $8.4 million for a City/County Solid Waste Management Facility.

Solid Waste and Recycling
Use of Funds
($37.813 million)



Transfers
The 2007 budget includes the continuation of a $700,000 transfer from Solid Waste and Recycling to the General Fund to pay for snow alley plowing, which will ensure delivery of solid waste and recycling services in the alleys; this transfer is projected to remain at $700,000 in coming years.

A transfer of $78,000 to the Debt Service Fund for pension obligations related to the Minneapolis Employees Retirement Fund (MERF) is also reflected.

The Solid Waste and Recycling Fund receives an annual transfer of $146,000 from the Parking Fund to pay for litter container pick-up (downtown). In 2004, an annual transfer of $50,000 from the general fund was established for graffiti removal.

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

City of Minneapolis
FY 2007 Budget
Financial Plan (in thousands of dollars)

Solid Waste Fund - 7700

	2004 Actual	2005 Actual	2006 Current Budget	2006 Projected	2007 Budget	% Chg From 2006 Budget	2008 Forecast	2009 Forecast	2010 Forecast
Sources of Funds:									
Local Government	828	813	544	544	544		544	544	544
Charges for Service	25,892	26,818	26,298	26,298	27,262	3.7%	28,226	29,190	30,154
Charges for Sales	1,605	1858	1,619	1,619	1,699	4.9%	1,699	1,699	1,699
Special Assessments	73	76							
Other Misc Revenues, Rents		16			4,195				
Operating Transfers In:				-					
From Grants		3							
From Parking Fund	146	146	146	146	146		146	146	146
From General Fund	50	50	50	50	50		50	50	50
Total	28,594	29,780	28,657	28,657	33,896	18.3%	30,665	31,629	32,593
Use of Funds:									
PW-Solid Waste	25,483	26,411	27,786	27,786	28,645	3.1%	29,504	30,389	31,301
Transfers				-			-	-	
To General Fund	700	700	700	700	700		700	700	700
To BIS Fund	70			-			-		
To Self Insuance Fund	11			-			-		
To MERF Fund	103	58	35	35	78	122.9%	122	181	185
General Services Capital					8,390				
Finance Department	196								
Human Resources	228								
Total	26,791	27,169	28,521	28,521	37,813	32.6%	30,326	31,270	32,186
Fund Margin	1,803	2,611	136	136	(3,917)	-2980.3%	339	359	407
Fund Balance	17,841	20,248	20,384	20,384	16,467	-19.2%	16,805	17,164	17,571
Cash Balance	12,785	13,947	14,083	14,083	10,166	-27.8%	10,504	10,863	11,270

City of Minneapolis
FY 2007 Budget
Financial Plan

Sanitary Sewer Fund

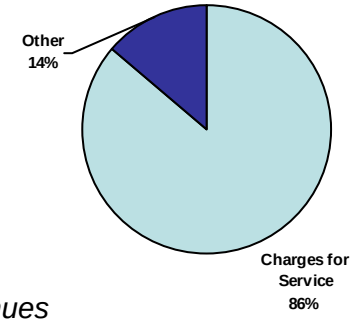
Background
The Sewer fund which had consisted of a combination of Stormwater and Sanitary Sewer was split into two separate funds, Stormwater and Sanitary Sewer, beginning in 2005.

The Sanitary Sewer Fund accounts for maintenance of the sanitary sewer system and contractual payments to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. It also accounts for sanitary sewer maintenance and design.

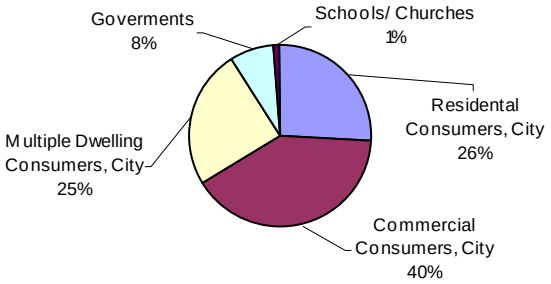
Historical Financial Performance
The Sanitary Sewer Fund has had positive retained earning experience the last several years. This is due to the combination of rate increases being implemented as planned and actual expenses that were less than budgeted.

2007 Budget

Sanitary Sewer Source of Funds ($45.165 million)



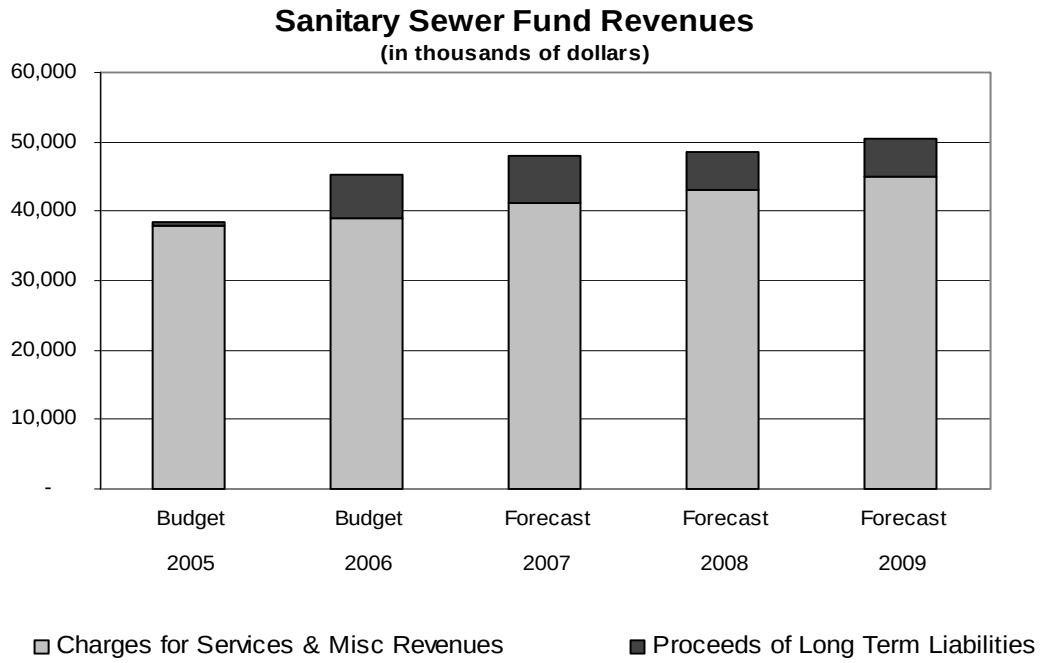
Usage by Customer Type based on revenue generated



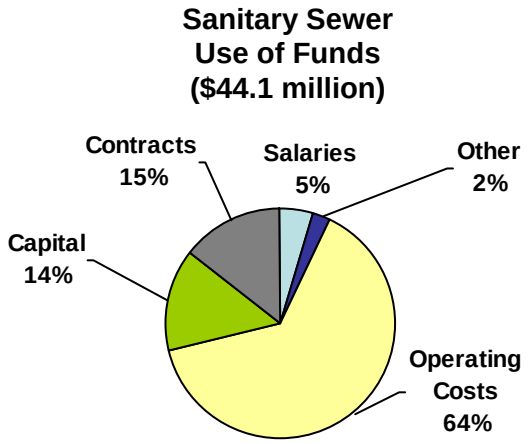
Revenues
The Sanitary Sewer Fund has a per-unit price of $2.30 (cost per 100 cubic feet), an increase of $.20 over 2006. The fee will be used to pay for ongoing operating expenses and related capital projects. Services Availability Charges (SAC) are included in the Sanitary Sewer revenues.

Year	Rate (cost per 100 cubic feet)	% Increase	Average Monthly Bill	Total Planned Revenue from Utility Fee
2007	$2.30	9.5%	$13.83	$35.9 Million
2008	$2.45	6.5%	$14.70	$38.3 Million
2009	$2.57	4.9%	$15.42	$40.1 Million
2010	$2.69	4.7%	$16.14	$42.0 Million
2011	$2.81	4.5%		$44.0 Million

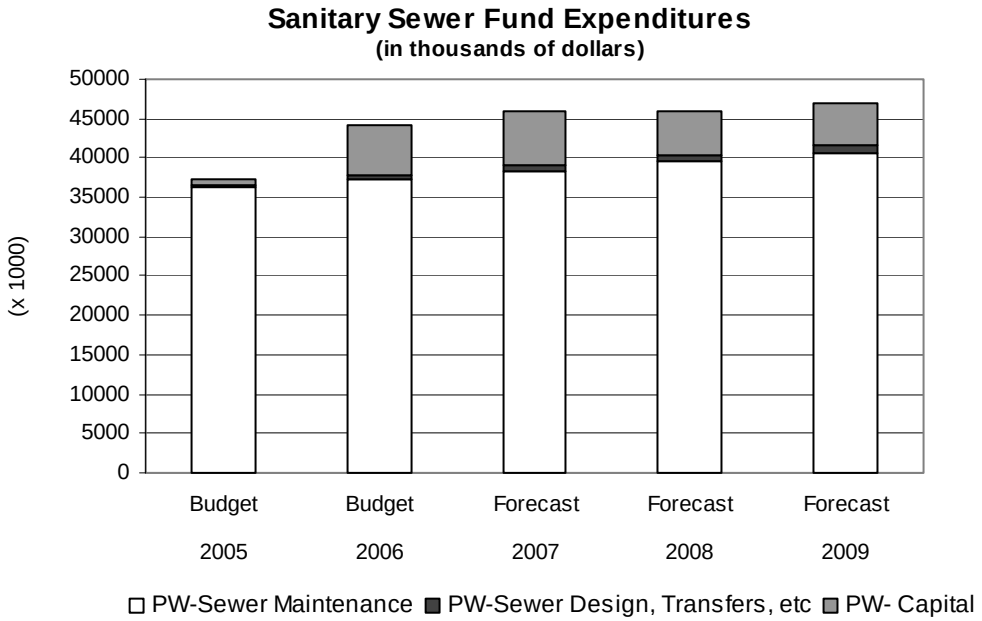
Note: Total revenue from charges for services in the financial plan exceeds the amount generated by the utility fee because revenue is also deposited in the Sanitary Sewer Fund from sources other than utility fees, such as SAC (sewer availability charges).



Expenditures
The largest expense category in the Sanitary Sewer Fund is the sanitary sewer charge paid to the Metropolitan Council Environmental Services (MCES). This expense will increase by 3% in 2007. The fund also includes $6.1 million for maintaining the sanitary sewer system. Minneapolis is the largest customer in MCES' system.



Debt Service
When the Sewer Fund was split, it was determined the majority of the debt service was used to construct infrastructure related to storm water. Therefore, all debt service prior to 2007 has been allocated to the Stormwater Fund. For 2007, a Capital Program will be instituted to address the inflow/infiltration issue in Minneapolis. Components of the program will include the expansion of the existing system and major repairs to current infrastructure.



City of Minneapolis
FY 2007 Budget
Financial Plan (in thousands of dollars)

Sanitary Sewer Fund - 7100

	2005 Actual	2006 Current Budget	2006 Projected	2007 Budget	% Chg From 2006 Budget	2008 Forecast	2009 Forecast	2010 Forecast
Source of Funds:								
Charges for Service	36,904	37,773	35,518	38,864	2.9%	41,198	43,071	44,956
Other Misc Revenues	14	51	51	51		53	54	56
Proceeds of Long Term Liabilities		625	625	6,250	900.0%	6,850	5,500	5,500
Total	36,918	38,449	36,194	45,165	17.5%	48,100	48,625	50,511
Use of Funds:								
PW-Sewer Design	248	396	396	397	0.3%	409	421	434
PW-Sewer Maintenance	35,926	36,200	36,200	37,260	2.9%	38,378	39,529	40,715
Future Debt Service		-	-		-	1,697	2,409	3,121
Transfers for MERF Liability	203		-	171	-	270	401	410
PW- Capital	191	682	682	6,250	816%	6,850	5,500	5,500
Total	36,568	37,278	37,278	44,078	18.2%	47,603	48,260	50,180
Fund Margin	350	1,171	(1,084)	1,087	-7.2%	497	365	331
Fund Balance	86,307	87,478	85,223	86,310	-1.3%	86,807	87,172	87,503
Cash Balance								
Operating Cash	6,181	7,352	5,097	6,184	-15.9%	6,681	7,046	7,377

City of Minneapolis
FY 2007 Budget
Financial Plan

Stormwater Fund

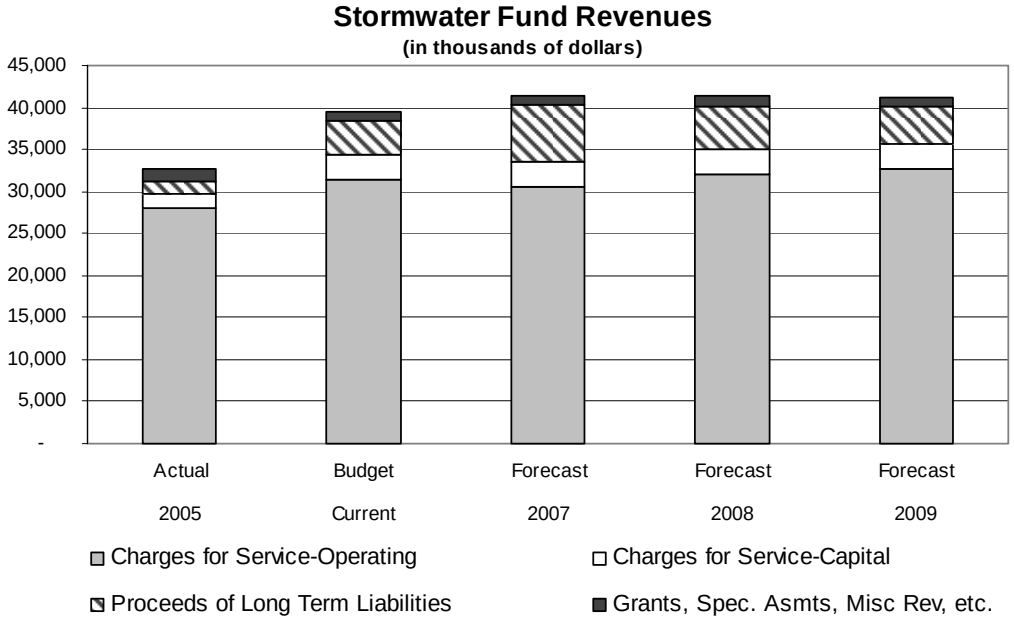
Background
The Sewer Fund which consisted of a combination of Stormwater and Sanitary Sewer was split into two separate funds, Stormwater and Sanitary Sewer, effective for 2005.

The Stormwater Fund accounts for a portion of contractual payments to the Metropolitan Council Environmental Services (MCES) for stormwater interceptor and treatment services. This fund also accounts for the Combined Sewer Overflow (CSO) Program, which separates the remaining storm sewer lines that are connected to sanitary sewer lines. This fund also accounts for the cost of street sweeping as a related cost activity.

Historical Financial Performance
In 2005, year end revenues were at 87% of the budget and expenses were at 91% of budget. The resulted in a negative contribution margin that decreased the cash balance. Revenues were less than anticipated to policy changes that expanded the current credit program and gave adjustments to duplexes.

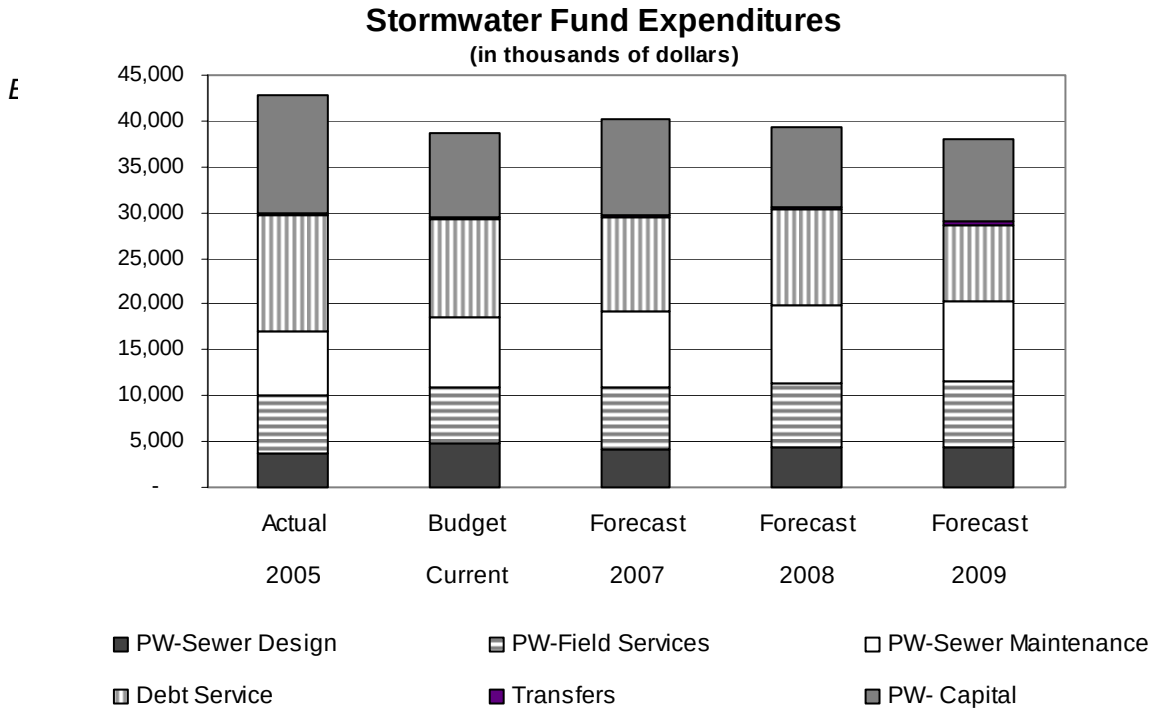
2007 Budget

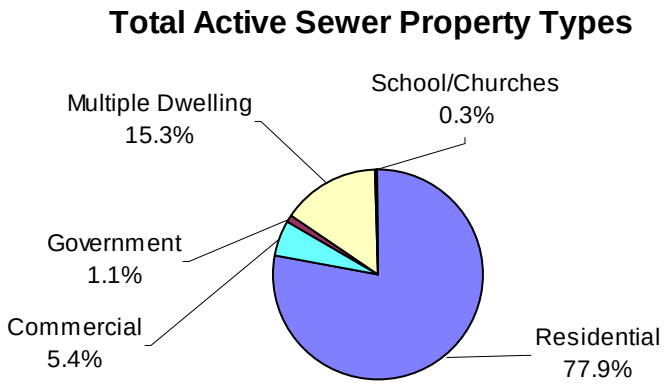
Revenues
The Stormwater Fund has a rate increase of 60-cents per ESU (Equivalent Stormwater Unit) for 2007. The rate increase will be used to pay for ongoing operating expenses as well as debt service related to the CSO and flood mitigation programs.

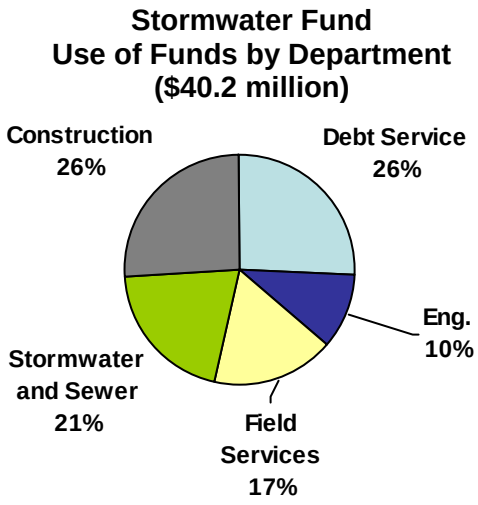


Year	Rate per ESU (Equivalent Stormwater Unit)	% Increase	Total Planned Revenue from Utility Fee
2007	$ 9.77	6%	$29.3 Million
2008	$10.26	5%	$30.8 Million
2009	$10.47	2%	$31.4 Million
2010	$10.68	2%	$32.0 Million
2011	$10.89	2%	$32.6 Million

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

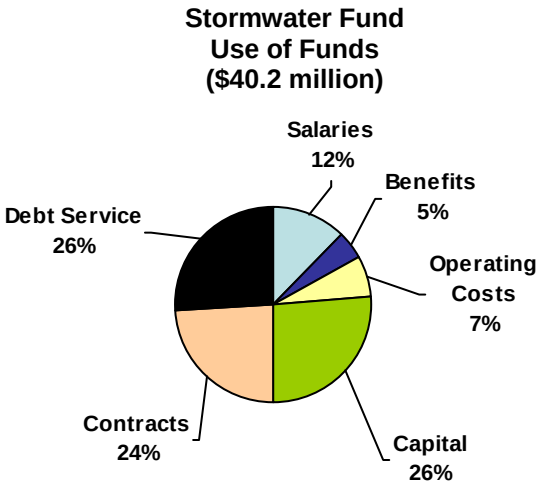






For 2007, the capital expenditures will increase as more sewer designs are ready for construction. The Stormwater Fund expenditures include $6.8 million for street cleaning and $8.7 million for sewer maintenance, which includes $1.5 million for a Metropolitan Council Environmental Services (MCES) payment. The recommended budget includes $1.4 million in ongoing operating reductions in the Stormwater Fund.

Combined Sewer Overflow (CSO)
In 2001, a study was done by the City of Minneapolis and Metropolitan Council, which indicated there were as many as 5,000 buildings and properties with rainwater connection to the sanitary system. To resolve this issue, both parties needed to identify these properties and work on an alternative for rainwater connection. Once this task was completed, the Public Works Department was required to hire additional staff to redesign and reconstruct the stormwater drainage system. The project started in 2004 and is estimated to take three to five years to complete.



Transfers
A total transfer of $171,000 for the unfunded portion of the Minneapolis Employees Retirement Fund (MERF) pension liability is budgeted in 2007.

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

City of Minneapolis
FY 2007 Budget
Financial Plan (in thousands of dollars)

Stormwater Fund - 7300

	2005 Actual	2006 Current Budget	2006 Projected	2007 Budget	% Chg From 2005 Budget	2008 Forecast	2009 Forecast	2010 Forecast
Source of Funds:								
Federal Government	11							
State Government	582	644	644	671	4.2%	671	671	671
Local Government	320	320	320	288	-10.0%	288	288	288
Charges for Service-Operating	27,914	31,389	28,889	30,523	-2.8%	31,995	32,613	33,243
Charges for Service-Capital	1,784	3,000	3,000	3,000		3,000	3,000	3,000
Charges for Sales	21	1	1	1		1	1	1
Special Assessments	261	115	115	115		115	115	115
Interest			-	-		-	-	-
Other Misc Revenues	391	2	2	2		2	2	2
Proceeds of Long Term Liabilities	1,413	4,072	4,072	6,798	66.9%	5,228	4,500	3,500
Total	32,697	39,543	37,043	41,398	4.7%	41,300	41,190	40,821
Use of Funds:								
PW-Sewer Design	3,634	4,741	4,408	4,180	-11.8%	4,305	4,435	4,568
PW-Field Services	6,355	6,148	5,815	6,796	10.5%	7,000	7,210	7,426
PW-Sewer Maintenance	6,946	7,706	7,373	8,218	6.6%	8,465	8,718	8,980
Debt Service	12,681	10,741	11,002	10,382	-3.3%	10,511	8,235	3,351
Future Debt Service						1,768	2,546	3,354
Transfers	262	148	148	171	15.5%	270	401	410
PW- Capital	12,960	9,260	9,317	10,418	12.5%	8,848	8,984	9,151
Total	42,838	38,744	38,063	40,165	3.7%	41,167	40,529	37,240
Fund Margin	(10,141)	799	(1,020)	1,233	54.3%	133	661	3,580
Fund Balance	216,404	217,203	215,384	216,617	-0.3%	216,750	217,411	220,991
Cash Balances								
Operating Cash	3,517	4,316	2,497	3,730	-13.6%	3,863	4,524	8,104
Construction Cash								
Total	3,517	4,316	2,497	3,730	-13.6%	3,863	4,524	8,104

City of Minneapolis
FY 2007 Budget
Financial Plan

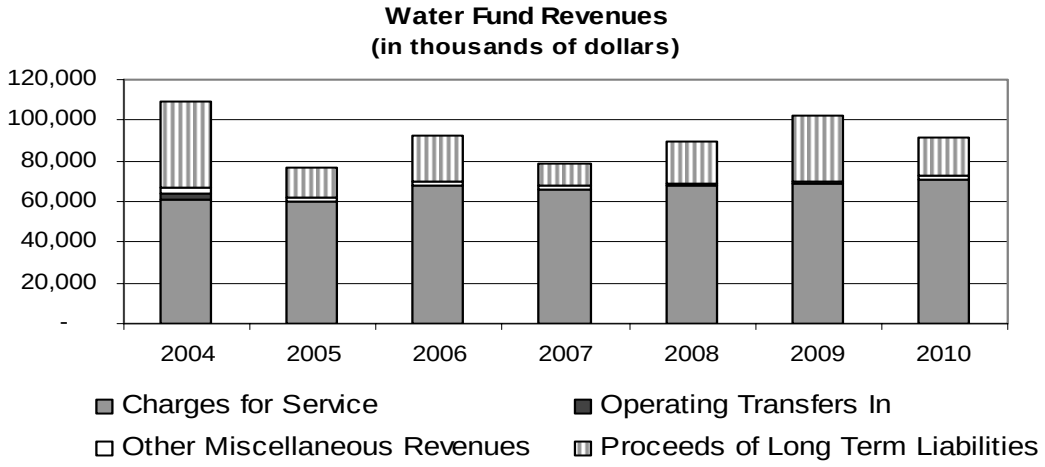
Water Fund

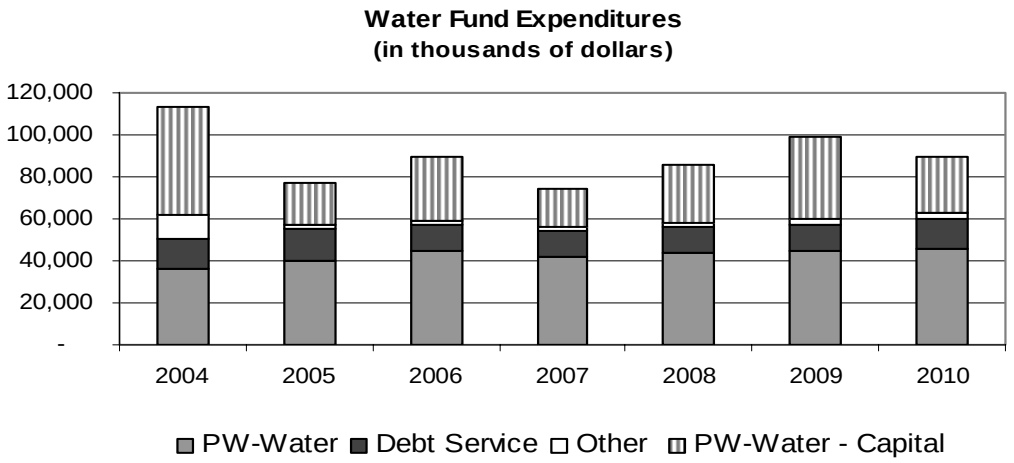
Background
The Water Fund accounts for the operation and maintenance of a water distribution system for the City and several suburban city customers. The City currently sells water to seven cities including Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal and Edina.

Historical Financial Performance
The financial condition of this fund has been stable. The Water Fund balance, or net assets, has increased over the past several years, due primarily to the timing of scheduled rate increases for major capital improvements. The following table shows the revenue earned from Minneapolis and suburban sales for years 2004-2006.

Source of Revenue	2004	2005	2006 Projected
Bloomington	2,547,000	2,686,000	2,819,000
Columbia Heights	999,000	976,000	936,000
Edina	213,000	219,000	231,000
Joint Water Commission[1]	4,749,000	4,788,000	5,389,000
Hilltop	93,000	94,000	104,000
Total Suburban	**8,601,000**	**8,763,000**	**9,479,000**
Minneapolis	46,339,000	47,745,000	50,524,000
Total Revenue	**54,940,000**	**56,508,000**	**60,003,000**

[1] Joint Water Commission revenue in 2004 and 2005 is adjusted for a refund due to rate adjustments.

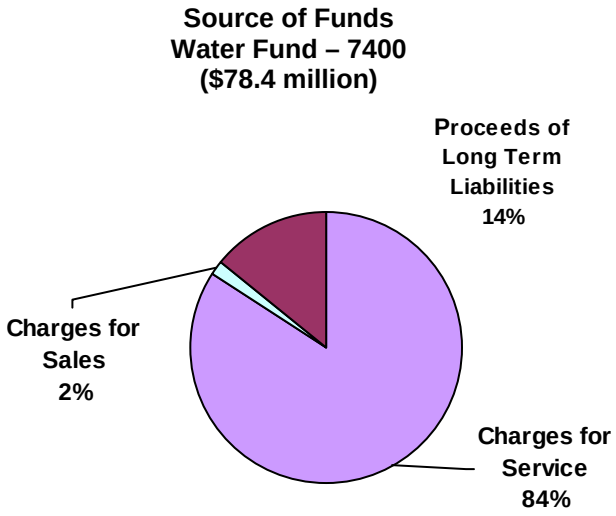




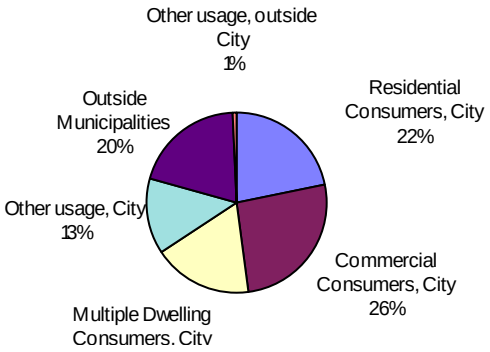
2007 Budget

Revenues
The projected rate increases for years 2007-2011 are to pay debt service for the capital expenditures, as well as to cover anticipated growth in operating expenditures. Rate increases may not result in increased revenue due to variable water consumption. Minneapolis water consumption has decreased steadily over the past few years. As a result, the 2006 budgeted revenue of $67.5 million from charges for service is projected to decrease by $3.6 million to $63.9 million.

Water Utility Rates
The budget includes a rate increase for water from $2.62/unit in 2006 to $2.67/unit in 2007. The rate increase will provide funding for the multi-year capital projects and water distribution improvements.



Charges for Service by Customer Usage



Based on 2005 Consumption

Year	Rate (cost per 100 cubic feet) City of Minneapolis	Cost Per Month for Average Consumer[1]	% Increase	Total Planned Revenue from Utility Fee
2007	$2.67	21.36	1.9%	$61.2 Million
2008	$2.75	22.00	3.0%	$63.0 Million
2009	$2.80	22.40	1.8%	$64.3 Million
2010	$2.90	23.20	3.6%	$66.6 Million
2011	$2.95	23.60	1.7%	$67.8 Million

[1] Rate is based on cost per 100 cubic feet and assumes 8 units of water are consumed per month. Note: Total revenue from charges for services in the financial plan exceeds the amount generated by the utility fee because revenue is also deposited in the Water Fund from sources other than utility fees such as water service line repairs and permit fees.

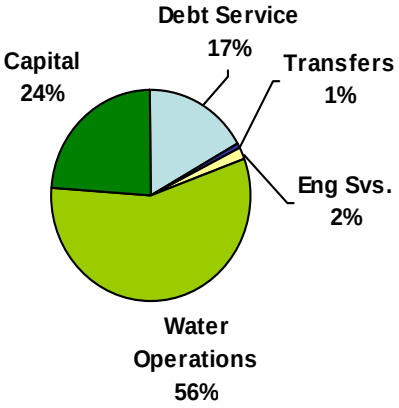
The following table shows the projected revenue earned from suburban utility sales.

Year	Combined Average Rate	% Increase	Total Revenue Earned from Utility Fee - Suburbs
2007	1.78	2.3%	$ 9.7 Million
2008	1.84	3.1%	$10.0 Million
2009	1.89	2.6%	$10.3 Million
2010	1.96	3.6%	$10.6 Million
2011	2.00	2.4%	$10.9 Million

Expenditures

The budget provides funding for the capital improvement program. Current capital projects include SCADA (Supervisor Control and Data Acquisition for the water treatment process), two Ultrafiltration Membrane Plants, and the rehabilitation of Pump Station #4. The 2007 capital budget is $17.8 million, a decrease of approximately $13.5 million, or 43.2%, from the 2006 capital budget of $31.3 million. The decrease is largely due to the timing of funding for the Ultrafiltration program.

Use of Funds
Water Fund – 7400
($74.563 million)



The 2007 operating budget includes $200,000 for marketing expenditures to promote public awareness of the improved quality of Minneapolis water processed at the new Ultrafiltration Membrane Plant. The budget includes an ongoing reduction to public works water in the amount of $3 million to take advantage of technology investments.

Transfers to Other Funds

The Water Fund incurs a transfer expense related to its share of the Minneapolis Employee Retirement Fund (MERF) pension obligations. The $0.7 million will be transferred to the bond redemption fund to cover the liability obligations related to Water Fund employees that have retired under the MERF pension plan.

Debt Service

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

City of Minneapolis
FY 2007 Budget
Financial Plan (in thousands of dollars)

Water Fund - 7400

	2005 Actual	2006 Current Budget	2006 Projected	2007 Budget	% Chg from 2005 Budget	2008 Forecast	2009 Forecast	2010 Forecast
Source of Funds:								
Property Taxes								
Licenses and Permits	1	1	1	1		1	1	1
Federal Government	-	-	-	-		-	-	-
State Government[1]	-	750	-	-		-	-	-
Charges for Service	60,186	67,472	63,929	66,085	-2%	67,500	68,738	71,054
Charges for Sales	830	1,780	1,780	1,315	-26%	1,354	1,395	1,437
Special Assessments	825	-	-	-		-	-	-
Interest	1	-	-	-		-	-	-
Rents	-	1	1	-		-	-	-
Other Misc Revenues	50	19	19	20	5%	21	21	22
Operating Transfers In	-	-	-	-		-	-	-
Proceeds of Long Term Liabilities	14,451	22,250	22,250	11,000	-51%	21,000	32,500	18,550
Total	76,343	92,273	87,980	78,421	-15.0%	89,876	102,656	91,064
Use of Funds:								
PW-Engineering	658	1,128	1,128	1,178	4.4%	1,213	1,250	1,287
PW-Water	40,352	44,529	44,529	42,129	-5.4%	43,393	44,695	46,035
Debt Service	14,907	12,763	12,763	12,559	-1.6%	12,748	12,615	14,016
Transfers								
To General Fund	-	-	-	-		-	-	-
To Capital Improvement Fund	19	-	-	-		-	-	-
To Debt Service for MERF Liability	670	275	275	664	141.5%	1,048	1,557	1,592
To BIS Fund	-	-	-	-		-	-	-
To Self Insurance Fund	-	-	-	-		-	-	-
Police Department	962	-	-	-		-	-	-
Human Resources	-	-	-	-		-	-	-
Finance Department	-	-	-	-		-	-	-
PW-Water - Capital	19,341	31,250	30,500	17,750	-43.2%	27,750	39,250	26,625
Total	76,909	89,945	89,195	74,280	-17.4%	86,152	99,366	89,555
Water Works Fund Margin	-566	2,328	-1,215	4,142	77.9%	3,724	3,290	1,509
Water Fund Balance	137,562	139,890	136,347	140,488	0.4%	144,213	147,503	149,011
Cash Balances								
Operating Cash	1,556	3,884	341	4,482	15.4%	8,207	11,497	13,005
Construction Cash	436							
Total Cash Balance	1,992	3,884	341	4,482	15.4%	8,207	11,497	13,005

[1]2006 Projected: The City will not begin the Minneapolis St Paul Interconnect project in 2006 and will not receive a state grant of $750,000 in 2006 as orignally budgeted.

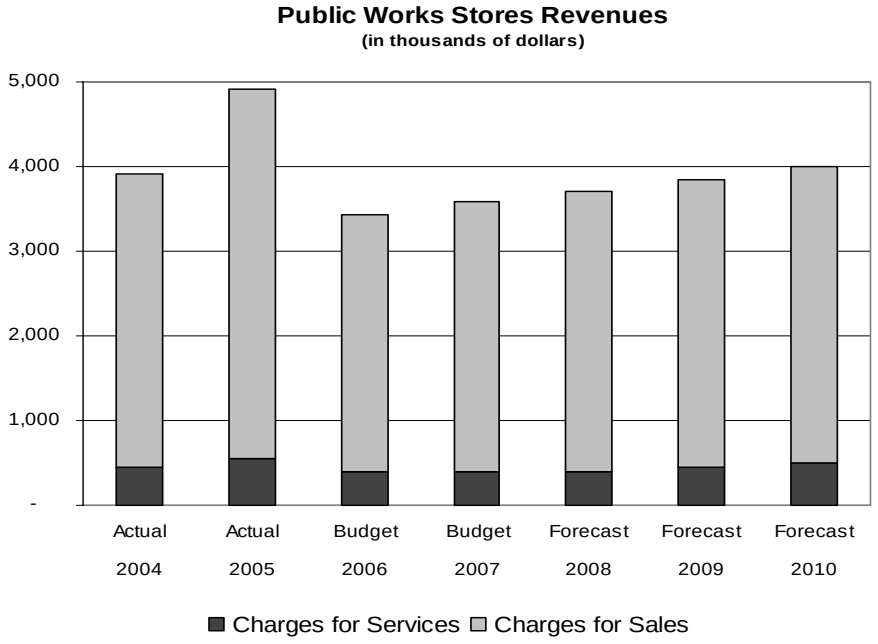
City of Minneapolis
FY 2007 Budget
Financial Plan

Public Works Stores Fund

Background
This fund is used to account for the centralized procurement, receiving, warehousing, and distribution of stocked inventory items, and the purchase of special goods and services through Public Works Central and Traffic Stores.

Historical Financial Information
Public Works has operated Central Stores since it was established by the City Council in January 1965. At that time the stockrooms of Property Services, Bridge Maintenance, Paving Construction, and Sewer Construction and Maintenance were combined to establish a Central Stores operation. In 1980, it was decided that Central Stores would handle all of the City's needs for office supplies and non-specialty items.

A study was completed in June 1998, which included a recommended redesign of the Central Stores function to include a revamped overhead structure with new directives to utilize the Central Stores. This has resulted in the fund showing positive net income for years 2000 through 2005. Projections for 2006 also indicate a profit. In 2004, the fund needed $667,000 to cover its cash shortages.



2007 Budget

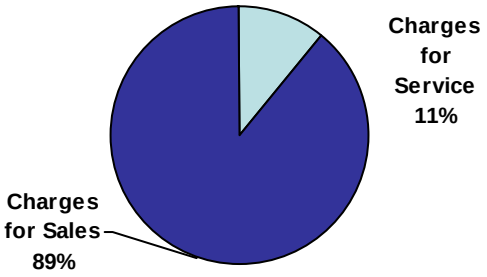
Revenues
Revenues are expected to be sufficient in 2007 to cover expenses. Pricing structure is being looked at in order to lower overhead rates that were needed to create a positive cash flow for a fund that has needed to borrow at year end. Unless inventories can be reduced this fund will continue to need to borrow in order to maintain a positive cash position with its modest projected profits.

Expenditures
Expenditures in the fund are primarily for replenishing the fund's approximate $3.0 million inventory, which has resulted in the fund continuing to have a negative cash balance. The Public Works and Finance Departments need to review the carrying cost of this inventory level and determine what adjustments may be needed. This may impact future financial plans for this fund. The budget also includes a change in accounting for the General Fund overhead charge that replaces various separate charges for indirect costs that were previously budgeted in separate agencies.

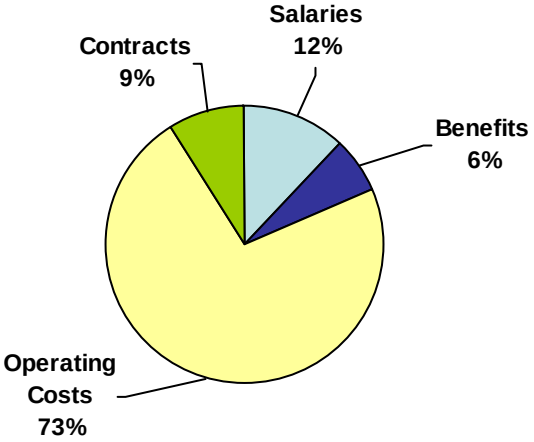
Transfers
There is a transfer out in 2007 for $11,000 related to the debt service for the Minneapolis Employees Retirement Fund (MERF) unfunded liability.

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

Public Works Stores Fund Source of Funds ($3.6 million)



Public Works Stores Funds Use of Funds ($3.6 million)



City of Minneapolis
FY 2007 Budget
Financial Plan (in thousands of dollars)

Public Works Stores Fund - 6300

	2004 Actual	2005 Actual	2006 Current Budget	2006 Projected	2007 Budget	% Chg From 2006 Budget	2008 Forecast	2009 Forecast	2010 Forecast
Source of Fund:									
Charges for Services	448	560	400		400		400	450	500
Charges for Sales	3,472	4,346	3,023		3,190	5.5%	3,300	3,400	3,500
Other Misc Revenues			-		-		-	-	-
Total	3,920	4,906	3,423	-	3,590	4.9%	3,700	3,850	4,000
Use of Funds:									
Personal Services	627	577	593		670	13.0%	700	725	750
Contractual Services	34	217	199		314	57.8%	290	300	310
Materials and other	201	99	249		99	-60.2%	250	260	270
Rent	62	65	68		25	-63.2%	26	27	28
Cost of Stores Issuance	2,848	3,520	2,292		2,489	8.6%	2,400	2,500	2,600
Interest			-		-		-	-	-
Capital Outlay					-				
Transfers	14				11	-	11	12	12
Total	3,786	4,478	3,401	-	3,608	6.1%	3,677	3,824	3,971
Change in Cash	(3)	428	22		(18)	-181.8%	23	26	29
Cash Balance	(667)	(239)	(217)		(235)	8.3%	(212)	(186)	(157)
Fund Margin	134	428	22		4	-81.8%	23	26	29
Fund Balance	2,615	3,043	3,065		3,069	0.1%	3,092	3,118	3,147

Note: At year end funds with negative cash balance will be advance cash from other funds. The cash reflected here does not reflect any cash advanced.

City of Minneapolis
FY 2007 Budget
Financial Plan

Engineering Materials and Testing

Background

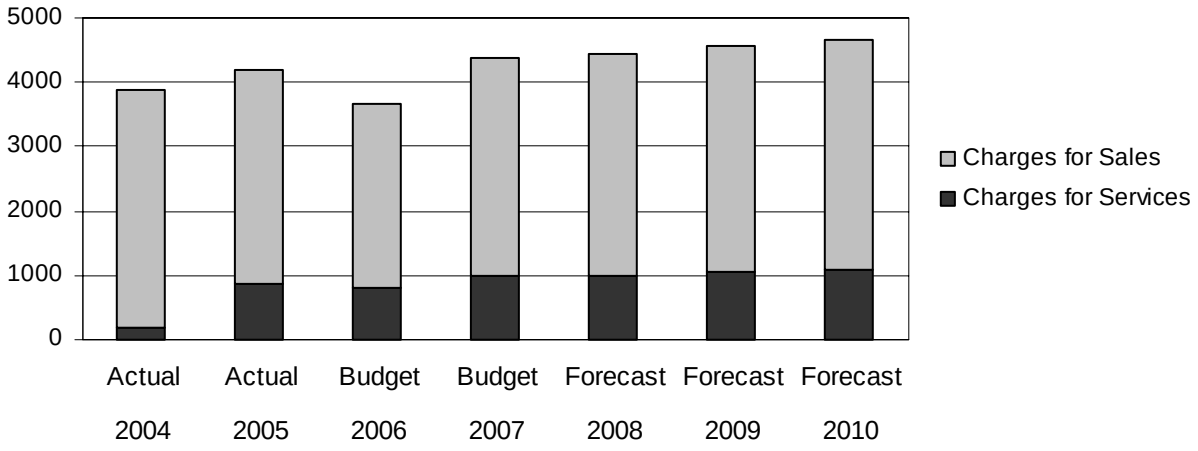
The Engineering Materials and Testing Fund accounts for City purchases of hot-mix asphalt and ready-mix concrete in order to ensure compliance with State and Federal standards and specifications and provide quality control. The Engineering Laboratory is a component of this fund by providing inspection and testing services along with maintaining 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 the procurement of hot-mix asphalt and ready-mix concrete materials along with inspection and testing services by the Engineering Laboratory.

In 2003, the decision to delay the closing of the asphalt plant due to a positive outlook on paving projects and the usage of bituminous resulted in operating income for the fund of $78,000. The decision to suspend operations at the asphalt plant at the end of 2003 resulted in a $777,000 loss with the disposal of this asset. In 2004, net assets were reduced again by $180,000; 2005 reduced by $230,000, 2006 is projecting a $633,000 loss along with a $50,000 loss in 2007. In five years this fund will have lost nearly $1.8 million in its net assets, of which $777,000 was due to the decision to close the asphalt plant as previously mentioned. This fund is tracking to have a deficit net asset position by the end of 2006.

Engineering Materials and Testing Revenue



2007 Budget

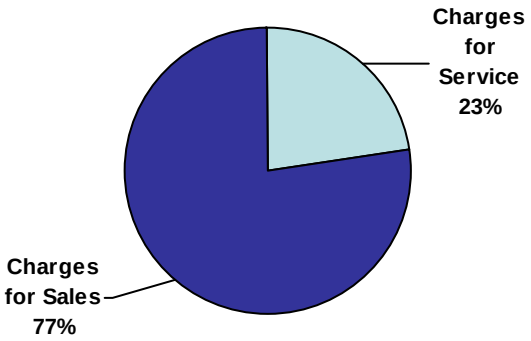
Revenues
This fund now generates revenue from Engineering Services at the lab, and the sales of concrete and asphalt from outside vendors to other City departments. Product types and quantities will be identified for customer departments. This fund will continue to lose money in 2006 and thereafter until expenses recover the costs associated with operations and reflect the change in business.

Expenditures
The expenditures are based on Engineering Laboratory personnel and the anticipated cost of asphalt and ready-mix concrete. The budget also includes a change in accounting for the General Fund overhead charge that replaces various separate charges for indirect costs that were previously budgeted in separate agencies.

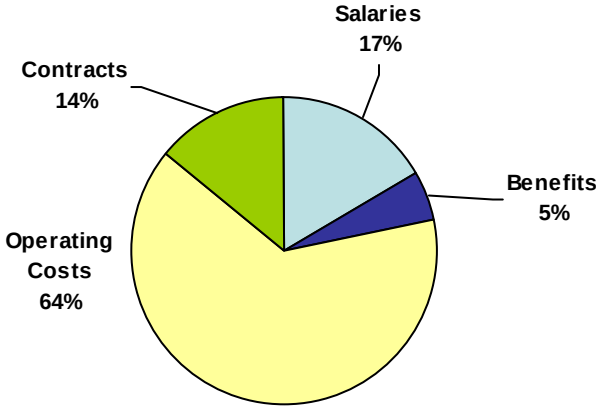
Transfers
The 2007 budget includes a transfer out of $42,000 for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability.

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

Engineering Materials and Testing Source of Funds ($4.4 million)



Engineering Materials and Testing Use of Funds ($4.4 million)



City of Minneapolis
FY 2007 Budget
Financial Plan (in thousands of dollars)

Engineering, Materials and Testing - 6000

	2004 Actual	2005 Actual	2006 Current Budget	2006 Projected	2007 Budget	% Chg From 2006 Budget	2008 Forecast	2009 Forecast	2010 Forecast
Source of Funds:									
Charges for Services	199	868	800	800	1,000	25.0%	1,000	1,050	1,100
Charges for Sales	3,681	3,313	2,850	2,850	3,381	18.6%	3,450	3,500	3,550
Other Misc Revenues			-		-		-	-	-
Total	3,880	4,181	3,650	3,650	4,381	20.0%	4,450	4,550	4,650
Use of Funds:									
Personal Services	846	800	1,045	1,045	971	-7.1%	1,000	1,010	1,020
Contractual Services	299	429	434	434	519	19.5%	520	530	540
Materials and other	2,793	3,111	2,727	2,727	2,795	2.5%	2,800	2,900	2,950
Rent	98	40	55	55	96	74.5%	100	100	100
Interest								-	-
Transfers	10	61	22	22	42	90.9%	40	40	40
Total	4,046	4,441	4,283	4,283	4,422	3.2%	4,460	4,580	4,650
Change in Cash	(302)	(260)	(633)	(633)	(41)		(10)	(30)	-
Cash Balance	633	373	(260)	(893)	(301)		(903)	(933)	(933)
Fund Margin	(180)	(229)	(633)	(633)	(41)		(10)	(30)	-
Fund Balance	600	371	(262)	(895)	(303)		(905)	(935)	(935)

City of Minneapolis
FY 2007 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, managed services with Unisys, the Program Management Division, (PMD), and the telecommunications operations. The fund also accounts for operations within the City Clerk office including central mailing and printing services.

The City Council approved a Financial Workout Plan for the Intergovernmental Services Fund in September 2000 to resolve both the annual operating deficit and accumulated cash deficits for this fund. Since that time the fund has achieved positive changes in Net Assets for 2004, 2005 and projected for 2006. The Workout plan expected the first positive change in Net Assets to occur in 2007. In 2005 the fund also had positive cash at year end which is ahead of schedule for the plan.

The City Council has appropriated an annual average of $1.5 million for technology projects from 2007 through 2011; however, City technology needs exceed that amount. In 2005 alone, BIS incurred nearly $11.0 million in expense toward technology projects. The majority of the funding sources were from Grants and Departmental operating budgets. This spending on technology is projected to continue.

The PMD has been successful in generating revenue for the department along with providing quality, low-cost project management for technology related projects. The financial activity of this division has grown 1000% from 2004.

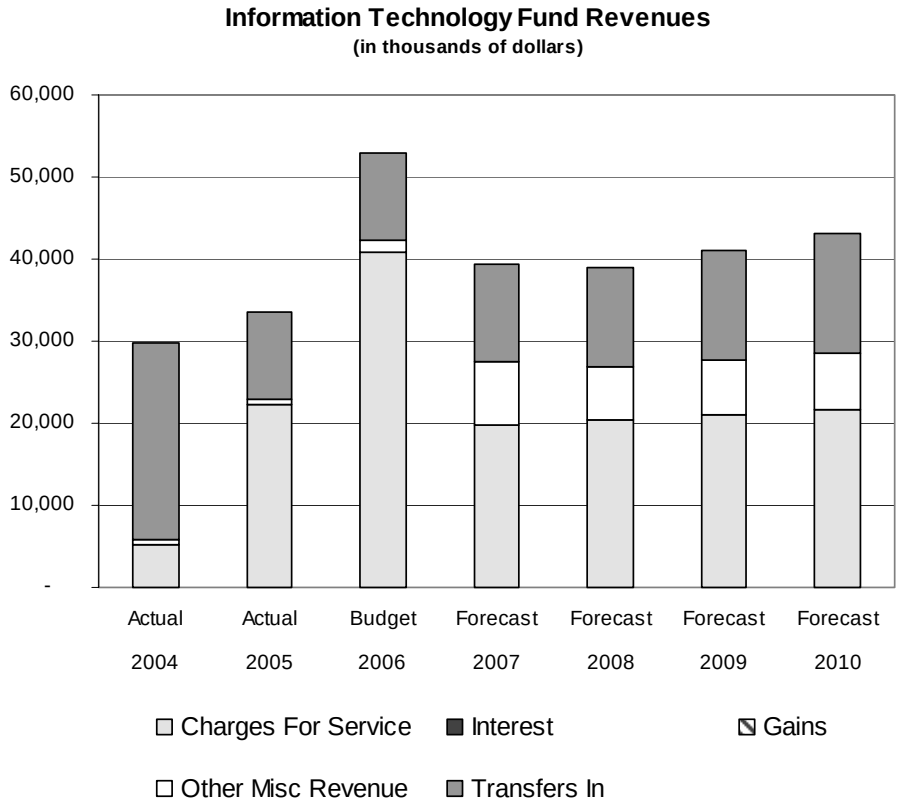
In 2007 the Debt service payments scheduled are low compared to previous years. This coupled with the commitment to use $1.2 million in additional annual General Fund resources compounded annually will give the fund a boost in cash flow. The five-year financial direction has called for a reduction in budget of $200,000 for three years beginning in 2006. In 2007, the budget for contractual services has been decreased.

This fund continues to be active with new initiatives:

- In 2006, the 311 project was fully implemented with all departments supporting this financially on an annual basis. BIS management was heavily involved in this project and will support the ongoing technology needs as the call center is operating.
- A new telephone system has been installed by BIS and budgets have been adjusted to accommodate its needs and revenue increased with the improved rate model as costs associated with new endeavors, systems, and services are being assigned accordingly.
- Call Aided Dispatch (CAD) project will be completed in 2007. The project and future operating costs again will be supported by departments such as Police, Fire, Park Board, Hennepin County Medical Center, and the University of Minnesota.
- Other initiatives include HRIS, a new financial system, MPD CAPRS system, City Attorney's case management system, MPD timekeeping system, Regulatory Services KIVA system, and finance activity based costing software.

The net asset deficit in this fund will decline as it continues to provide services that are being accounted for through our rate model, fee for service with PMD and other ways that the fund collects revenues in order to offset its costs. BIS has developed a rate model for the fund using an accounting industry standard known as activity-based costing. The model assigns costs to customers on a “level of effort” basis. This model was used in charging customer department rates beginning in 2005.

Historical Financial Performance
Net assets were affected by the re-alignment of fixed assets and its related debt to the Intergovernmental Services Fund. This change in accounting caused a one-time adjustment to the fund's net assets of a negative $21.7 million. Although this negative adjustment causes fund assets to have a balance of negative $40 million at year-end 2002 it better represents the financial condition of the fund and the importance of implementing the strategies to meet the guidelines of the workout plan. This trend will be reversed under the plan, if the assumptions hold. At year end 2005, net assets have improved to a negative $34 million and a positive cash balance was achieved.



2007 Budget

Revenues
To fund the cost of providing information technology services, the workout plan required $1.2 million annually from 2002-2008 of increased revenue from the General Fund.

Charges for service were increased to reflect the additional revenue that BIS has been generating by providing services and then direct charging city departments for the services they

received above and beyond the normal service level provided. An increase to the telecom rate model is included on the budget ($410,000) funded by increased charges to other departments.

Rate Model Implications
The rate model has four components on the customer expense side: BIS operating; telephony; data connectivity; and telephone charges. Revenues generated through the rate model will recover:

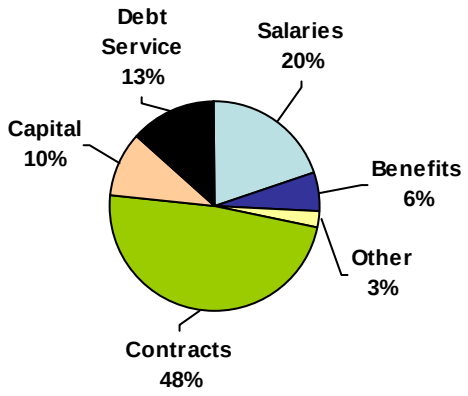
- BIS operating costs at a level that conforms to the Council adopted workout plan.
- Projected operating increases related to the purchase of a new phone system.
- Debt service resulting from phone system purchase.
- Expenses related to Constituent Relationship Management (CRM) software.

Revenue Assumptions (2007)	
Number of PC's	2,427
Number of telephones	3,371

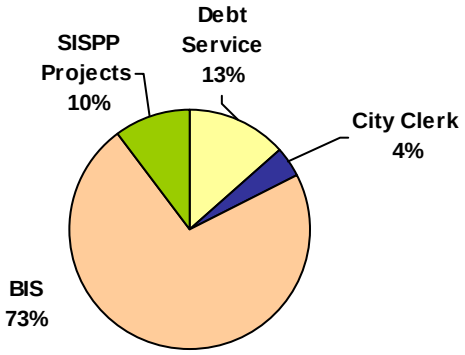
Expenses
Expenses in the Intergovernmental Services Fund are comprised of the operating expenses (salaries/benefits, contractual, operating, equipment) of BIS and City Clerk. Capital expenditures for information technology investments were budgeted in the City's Permanent Improvement Fund (4100), but now are budgeted in the Intergovernmental Services Fund. This has caused an increase in depreciation expense.

The budget also includes a change in accounting for the General Fund overhead charge that replaces various separate charges for indirect costs that were previously budgeted in separate agencies. The budget includes a reduction to the BIS budget of $200,000 – as included in the financial direction. CLIC's recommendation to provide $1.5 million in net debt bond funding for information technology was included in the adopted budget.

Intergovernmental Services Fund Use of Funds ($31.9 million)



Intergovernmental Services Fund Use of Funds by Department ($31.9 million)



Transfers
Transfers-in (revenue) relates to a transfer from the General Fund to subsidize BIS debt service payments. BIS also has a transfer out (expense) in support of the debt service for the unfunded pension liability.

Debt Service
In 2007, the fund will have a bond liability of $40 million, with a debt service of $4.2 million.

City of Minneapolis
FY 2007 Budget
Financial Plan (in thousands of dollars)

Intergovernmental Services Fund - 6400

	2004 Actual	2005 Actual	2006 Current Budget	2006 Projected	2007 Budget	% Chg From 2006 Budget	2008 Forecast	2009 Forecast	2010 Forecast
Source of Funds:									
Charges For Service	5,276	22,306	40,741	30,520	19,866	-51.2%	20,462	21,076	21,708
Interest	1	0	-	-	-		-	-	-
Gains	(3)	(4)	-	-	-		-	-	-
Other Miscellaneous Revenue	563	514	-	-	6,220		6,407	6,599	6,797
Operating Transfers In	24,039	10,781	10,570	10,570	11,823	11.9%	12,166	13,366	14,566
Proceeds of Long term Liabilities	-	-	1,525	1,525	1,450	-4.9%			
Total	29,876	33,597	52,836	42,615	39,359	-25.5%	39,035	41,041	43,071
Use of Funds:									
Transfers	185	219	57	57	136	137.1%	140	144	149
Debt Service	2,129	8,781	10,363	10,363	4,232	-59.2%	3,062	9,296	8,837
City Clerk	1,163	840	1,251	1,263	1,306	4.4%	1,346	1,386	1,428
Human Resources	174	166	195	189	202	3.5%	208	215	221
Finance Department	191	-	-	-	-		-	-	-
Information & Tech Services	26,653	32,110	39,623	28,910	22,817	-42.4%	23,502	24,207	24,933
SISSP Projects	3,168	10,225	3,200	2,045	3,210	0.3%	8,000	8,000	8,000
Total	33,663	52,341	54,690	42,827	31,904	-41.7%	36,258	43,248	43,567
Intergov't Srvcs Fund Margin	(3,787)	(18,744)	(1,854)	(212)	7,455		2,777	(2,207)	(496)
Intergov't Srvcs Fund Balance	(37,487)	(34,256)	(36,110)	(31,808)	(24,353)		(21,576)	(23,784)	(24,280)
Intergov't Srvcs Cash Balance	(15,060)	339	(1,515)	126	7,582		10,358	8,151	7,655

City of Minneapolis
FY 2007 Budget
Financial Plan

Equipment Fund

Background

The Equipment Fund accounts for the ownership and operation of a fleet of approximately 1,200 vehicles and other pieces of motorized equipment, as well as 400 vehicle accessories (*e.g.* plow blades). The City's fleet of vehicles and equipment is the largest portion of the fund's assets and has an estimated replacement value of approximately $75.3 million.

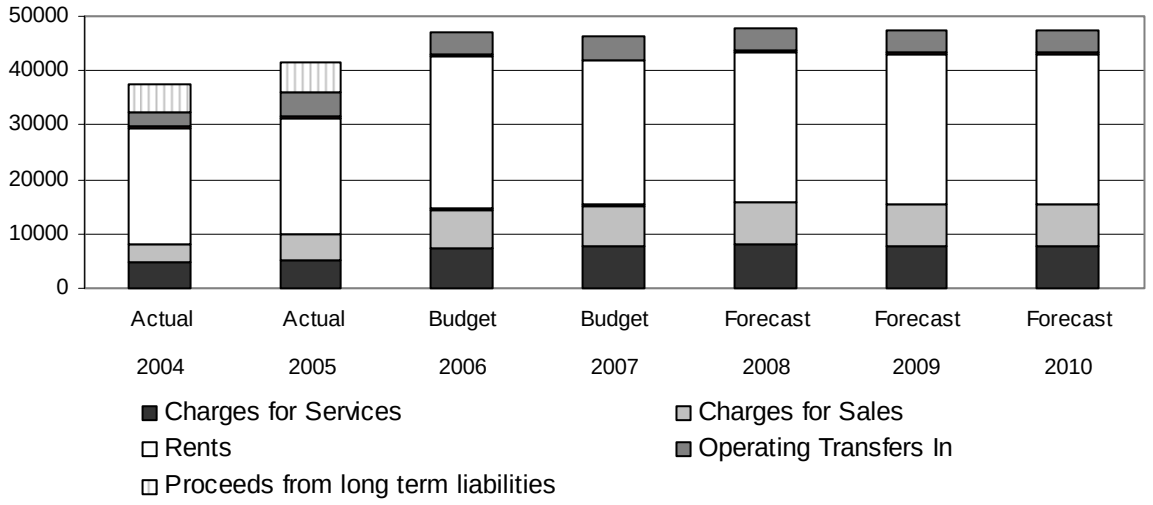
The Equipment Fund rents vehicles and other equipment to City departments. For example, it provides police vehicles, fire trucks, heavy-construction equipment, snowplows and other maintenance equipment to City departments. In addition, the fund provides drivers and operators for equipment as necessary.

Historical Financial Performance

Revenue from Charges for Service
During the 1990s the Equipment Fund was not recovering all of its costs. In 2000, the fund had a deficit cash balance of over $17.8 million. Early in 2001, the Finance Department and the Public Works Department developed a financial workout plan for the fund, which has raised the fund's revenues sufficiently to cover the full cost of operations. As a result of the workout plan, the fund has sufficient revenue to match its expenses. 2005 was the last increase related to the workout plan. The general fund contribution for debt service is to remain level at $4.2 million.

Cash and Net Assets Balances
Under the current workout plan, fleet purchases were financed with bonds through 2005. This strategy, together with other measures in the workout plan, has caused the cash position in the fund to improve. Upgrading the fleet has reduced the average age of the fleet, thereby reducing

Equipment Services Source of Funds

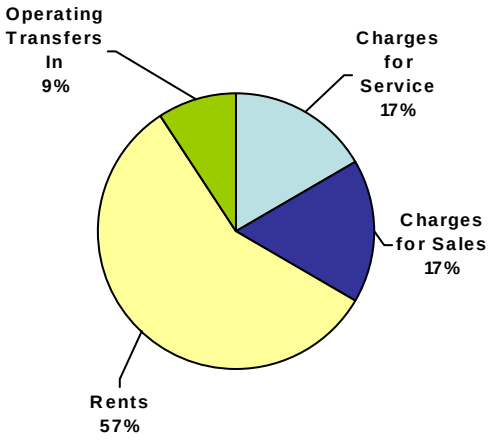


maintenance costs. This fund has positive net assets but continues to follow the workout plan in order to maintain a positive cash balance and end the reliance on bonds to fund the fleet purchases. 2006 was the first year that bonds were not issued, and cash flow is expected to reflect that decision.

2007 Budget

Change in Accounting Practices
Starting in 2005, expenditures and revenues in the Equipment Services Division budget, were increased due to intra-fund charges. These charges are applied between organizations within the fund for services and sales. Since the expenditures and revenues match, this will not have an impact on fund level performance. This change increases the expenses and revenues evenly and allows the managers to manage segments of this fund more effectively.

Equipment Fund Source of Funds ($46.1 million)

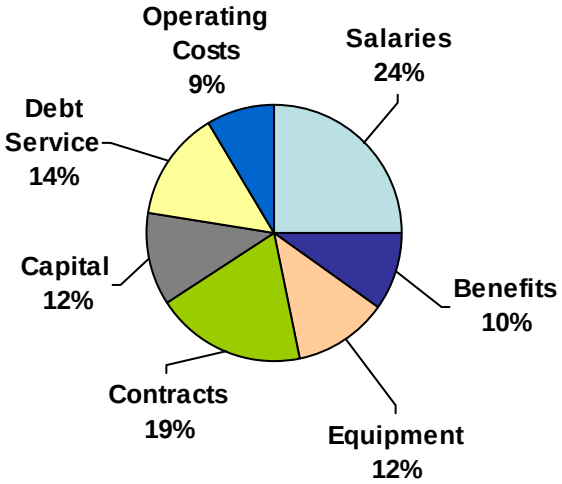


Revenue
Starting in 2004, the Equipment Division began using an activity-based costing approach to bill internal customers. This has resulted in the establishment of a fleet rental rate that covers the replacement cost of the vehicles after the useful life; maintenance, repairs and fuel costs are accounted for separately. All of these charges are billed at a rate that allows the Equipment Division's revenue to match expenses.

Revenue Assumptions (2007)	
Number of vehicles serviced	1200
Number of vehicles purchased	60

Expenditures
Overall expenditures in 2007 are anticipated to decrease by $1.2 million from the 2006 adopted budget; this is primarily due to a decrease in materials that will be purchased.

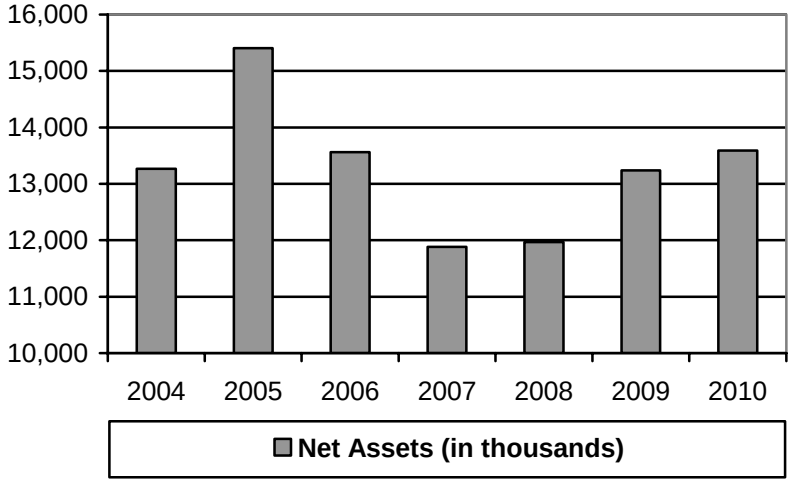
Equipment Fund Use of Funds ($53.9 million)

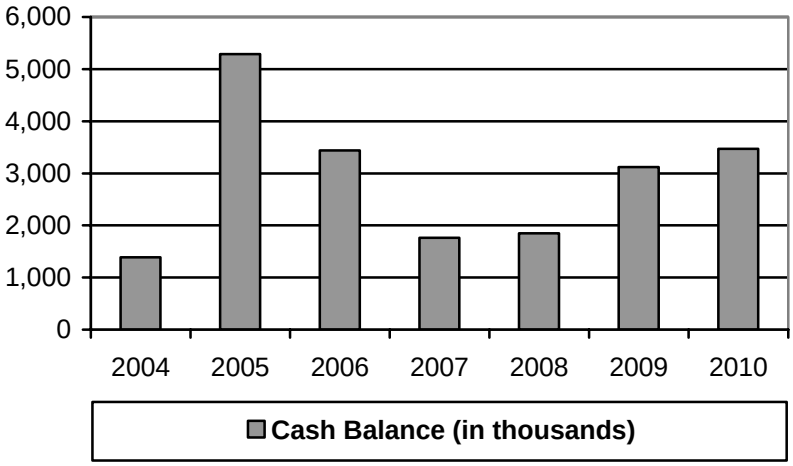


Transfers
The 2007 budget includes a transfer out of $332,000 for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability.

Debt Service
As part of the fleet modernization effort that began in 1997, the City issued bonds to finance fleet upgrades and to build new maintenance facilities. Principal and interest payments totaling $7.4 million will be due on these bonds in 2007.

Fund Balance
Part of the workout plan is to increase the fund balance of net assets and cash. The following charts illustrate the historical and projected performance of the fund:


16,000
15,000
14,000
13,000
12,000
11,000
10,000
2004
2005
2006
2007
2008
2009
2010
Net Assets (in thousands)


6,000
5,000
4,000
3,000
2,000
1,000
0
2004
2005
2006
2007
2008
2009
2010
Cash Balance (in thousands)

City of Minneapolis
FY 2007 Budget
Financial Plan (in thousand of dollars)

Equipment - 6100

	2004 Actual	2005 Actual	2006 Current Budget	2006 Projected	2007 Budget	% Chg From 2006 Budget	2008 Forecast	2009 Forecast	2010 Forecast
Source of Funds:									
Charges for Service	4,686	5,014	7,500	4,766	7,650	2%	8,000	7,900	7,800
Charges for Sales	3,516	4,993	6,934	5,740	7,600	10%	7,700	7,500	7,500
Interest	0	1	1	2	1	0%	1	1	1
Gains	4	96	200	234	200	0%	200	200	200
Rents	21,265	21,324	28,067	19,542	26,500	-6%	27,500	27,500	27,500
Other Misc Revenue	188	307	310	194	10	-97%	315	315	315
Operating Transfers in	2,543	4,180	4,180	4,180	4,180	0%	4,180	4,180	4,180
Proceeds from long term liabilities	5,450	5,540	0	0	0	0%	0	0	0
Total	37,652	41,455	47,192	34,658	46,141	-2%	47,896	47,596	47,496
Use of Funds:									
Debt Service	5,034	6,440	7,690	7,690	7,363	-4%	7,435	3,987	3,598
Transfers	335	376	131	131	332	153%	135	140	145
PW Equipment	27,145	23,275	34,898	20,193	33,423	-4%	34,000	35,000	36,000
Finance	573	0	0	0	0	0%	0	0	0
PW Equipment Capital	10,010	3,794	6,316	6,316	6,423	2%	6,240	7,200	7,400
Total	43,097	33,885	49,035	34,330	47,541	-3%	47,810	46,327	47,143
Fund Margin	(5,445)	3,896	(1,843)		(1,400)		86	1,269	353
Fund Balance	13,266	15,403	13,560		12,160		12,246	13,515	13,868
Cash Balance[1]	1,389	5,285	3,442		2,042		2,128	3,397	3,750

1The cash balance listed is operating cash, excluding bond funds available, and capital appropriations.

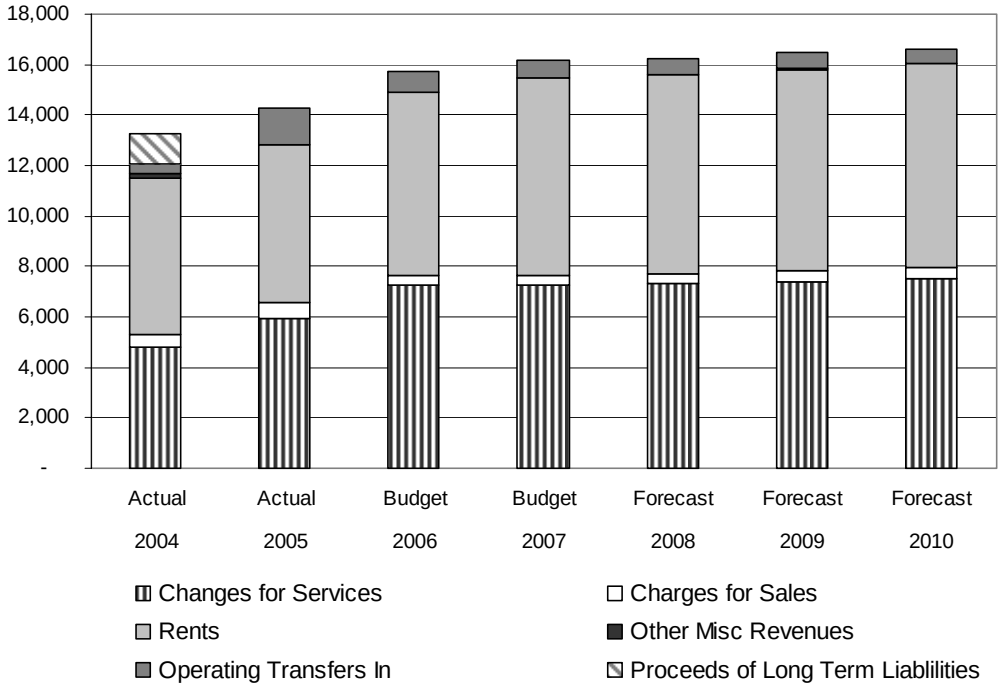
City of Minneapolis
FY 2007 Budget
Financial Plan

Property Services Fund

Background
The Property Services Fund accounts for the physical management and maintenance of fire stations, police precinct buildings, the Public Service Center, parking ramps, and various other office locations. It also accounts for the coordination and management of special projects. Parking ramp maintenance and the radio shop operations were added to this fund in 2002. In 2004, Property Services added two more areas to its list of duties: space and asset management and security management. In 2005, Property Services added CPED Maintenance.

Historical Financial Performance
The proposed building rental rates are based on a three-year actual expenditure average. In 1998 and 1999 rates were not increased to fully cover the expenditures in this fund, in order to reduce pressure on customer budgets. This resulted in negative financial performance during this period and a decline in cash balance. Since 1999, rates to city departments have been allowed to increase annually in order to fully fund the direct and indirect costs in the Property Services Fund. The fund currently has a negative cash balance of $600,000. Revenues are expected to be slightly lower than expenditures in 2007.

Property Services Sources of Funds
(in thousands of dollars)



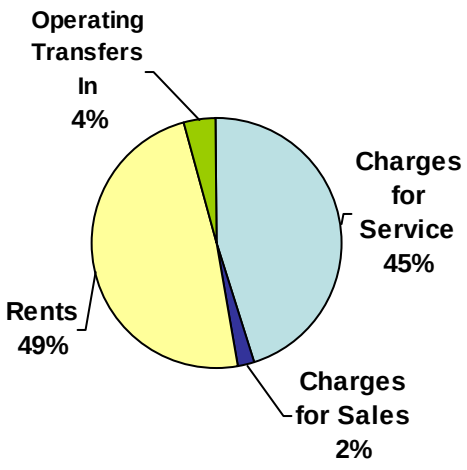
2007 Budget

Revenues

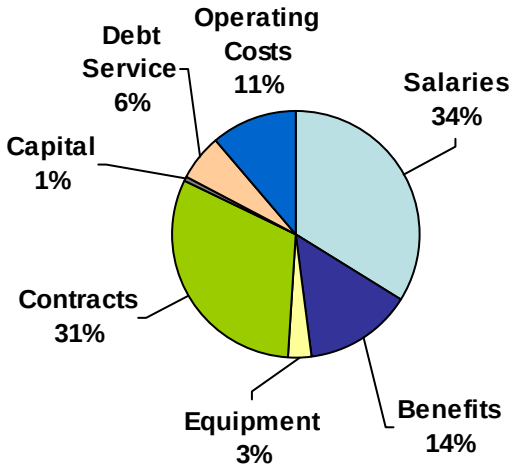
Revenue Assumptions (2007)	
Total Number of Buildings	*121*
Number of Managed Leases	*3*
Number of Radios	*3000*

The increase in revenues from 2006 to 2007 is related to an increase in rents, due to an increase in buildings being rented.

Property Service Fund
Source of Funds
($16.2 million)



Property Service Fund
Use of Funds
($16.3 million)



Expenditures
The increase in expenditures from 2006 to 2007 is related to the cost of living.

Transfers
The 2007 budget includes $569,000 of transfers out to other funds to cover the cost of debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability, and the general fund overhead costs.

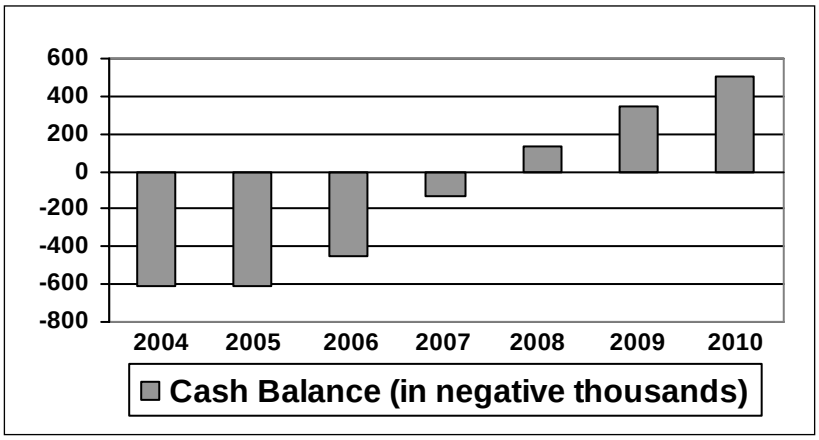
There is also a debt service transfer in for $622,363 to cover the General Fund's portion of the debt service related to the 800MHz emergency communications project. The Property Services fund is responsible for $350,000 a year in debt service for the project, with the remainder transferred in from the General Fund.

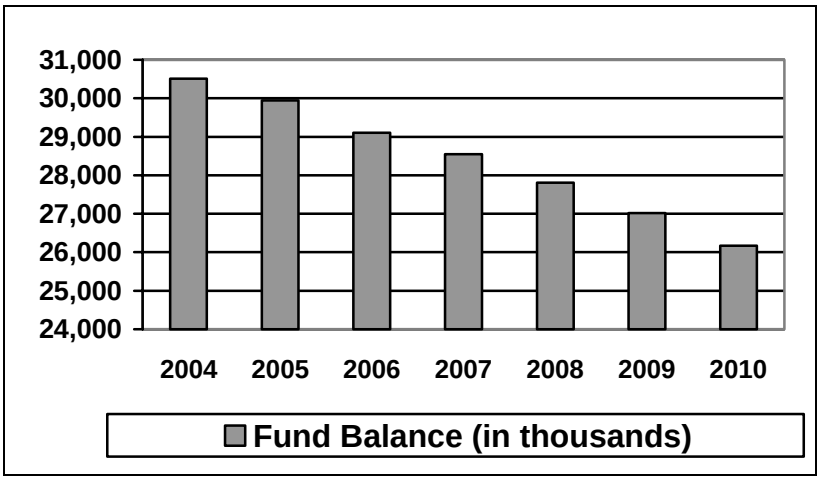
Debt Service
The Radio Shop, a division of the Property Services, has management responsibility for the $14 million 800 MHz Radio System. The Property Services Fund recognizes the fixed assets, along with the debt related to this project. The Radio Shop is funding a portion of the City's Public Safety Initiative through a contribution of $350,000 a year.

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

$622,000	Transfer from the General Fund
$350,000	Property Services portion of debt
$ 972,000	Total Debt Service (Year 2007)

Fund Balance
The Property Services Fund had a positive net asset balance of $30 Million in 2006. However, this fund does not recover the depreciation of the buildings that are assets in the fund. Therefore, the fund balance will continue to decrease every year, even though the fund is breaking even in terms of cash. Cash balance is projected to improve over the next couple of years; this is due to the increase in activity to the fund.





City of Minneapolis
FY 2007 Budget
Financial Plan (in thousand of dollars)

Property Services Fund - 6200

	2004 Actual	2005 Actual	2006 Current Budget	2006 Projected	2007 Budget	% Chg From 2006 Budget	2008 Forecast	2009 Forecast	2010 Forecast
Source of Funds:									
Changes for Services	5,941	7,646	7,248	4,920	7,248	0%	7,300	7,400	7,500
Charges for Sales	617	958	400	570	400	0%	410	420	430
Rents	6,269	6,368	7,256	7,256	7,850	8%	7,900	8,000	8,100
Other Misc Revenues	12	196	3	7	3	0%	4	5	6
Operating Transfers In	1,416	1,112	844	844	653	-23%	612	638	547
Proceeds of Long Term Liablilities	0	0		0		0%	0	0	0
Total	14,255	16,280	15,751	13,597	16,154	3%	16,226	16,463	16,583
Use of Funds:									
Property Services Administration	186	432	775	586	792	2%	800	810	820
Radio Equipment	1,643	1,639	2,350	1,326	2,428	3%	2,500	2,550	2,600
Municipal Market	25	19	32	25	33	3%	34	35	36
Facilities Management	10,923	12,625	11,361	10,473	11,361	0%	11,600	11,800	12,000
Capital Expenditure	581	0	0	0	104	0%	0	0	0
Project Management	0	0	0	0	0	0%	0	0	0
Debt Service	1,162	1,049	1,039	1,039	972	-6%	962	988	897
Transfers	33	86	31	31	569	1735%	70	71	72
Finance			0	0	0	0%	0	0	0
Total	14,553	15,850	15,588	13,480	16,259	4%	15,966	16,254	16,425
Property Services Fund Margin	(298)	430	163	117	(105)		260	209	158
Property Services Fund Balance	29,930	29,360	28,523	28,477	27,418		26,678	25,887	25,045
Property Services Cash Balance	(606)	(612)	(449)	(495)	(554)		(294)	(85)	73

City of Minneapolis
FY 2007 Budget
Financial Plan

Self-Insurance Fund

Background
The Self-Insurance Fund is used to account for employee medical, dental, and life insurance benefit programs and the programs' administrative costs. The fund also accounts for occupational health services, severance payments to employees who have retired or resigned and who meet minimum eligibility requirements, a tort liability program, and a Workers' Compensation Program. In 2007, $84.3 million, an 18% increase from 2006, is the planned spending amount.

Historical Financial Performance
The net assets of the Self-Insurance Fund reflected a negative position of $36 million at year-end 2005, improving $7.2 million the last four years. The majority of this negative balance is due to the required accounting recognition of liability claims that have occurred but are not reported.

In 2000, the negative net asset deficit increased by $17.1 million due to two major factors. The first was an $8.75 million settlement in which bonds were issued to pay off a legal judgment. The second was a $7.7 million accounting adjustment to "unpaid claims" liability due to the financial results of a recent actuarial study.

During 2003, the City Council adopted a financial plan for the Self-Insurance Fund, which will result in the fund reaching positive cash balance by year 2006, from a low of a negative $8.2 million at year-end 2001. At the end of 2005, the fund had a cash balance of $1.8 million achieving a positive cash balance ahead of plan.

2007 Budget

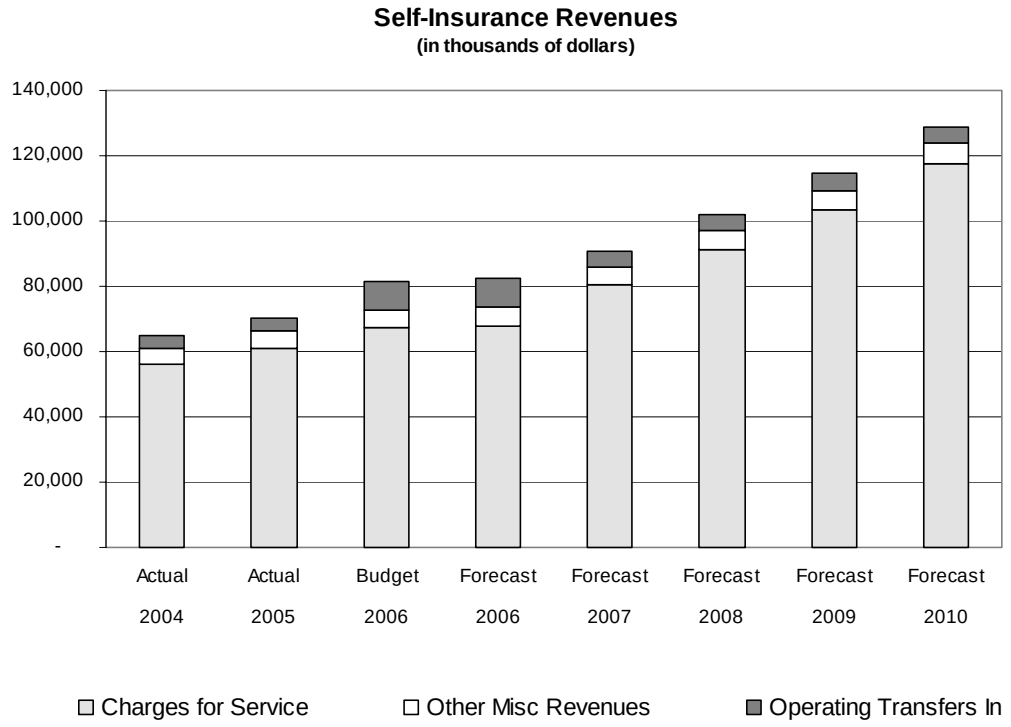
Revenues/Expenditures
Medical and life programs are fully contracted-out so that revenues and expenses should be equal at year-end as premiums are determined by and paid to the contractors. The City's contract with Blue Cross Blue Shield expired at the end of 2006. The City has selected Medica as its health insurance provider for a three year period beginning January 1, 2007. A 12% planned increase in health insurance premiums is reflected in the budget. The Dental and Minneflex Program premiums are estimated and actual costs are expensed.

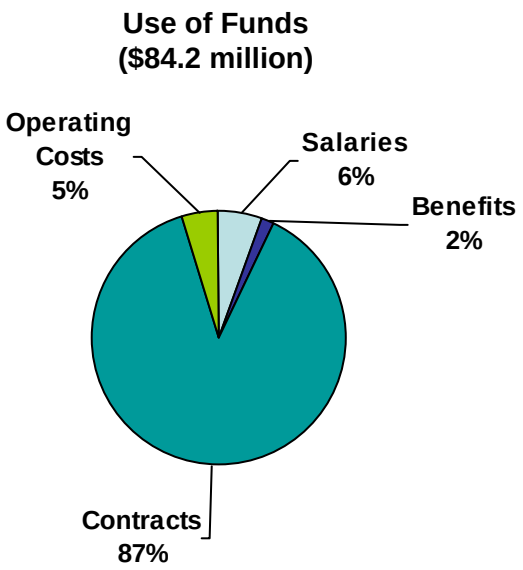
The Unused Sick Leave Program provides a payout of unused sick leave to qualified employees at 50% pay. Payments are funded by 0.7% gross pay contributions from the City, Park Board and Library Board into a severance pool. The rate for City police officers and firefighters is 1.1% of gross pay. This program was reviewed for compliance with IRS guidelines and modified for year 2002.

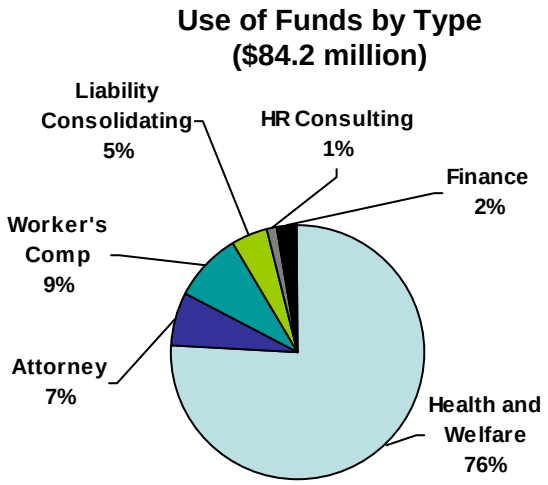
The Alternative Dispute Resolution (ADR) Program was established through funds collected through payroll deductions and direct payment as agreed to in previous labor contracts. Occupational health actual expenses are billed to departments.

The worker's compensation payments are estimated at $7.6 million for 2007. This is a 6.4% decrease over the prior year. The budget also includes a change in accounting for the General Fund overhead charge that replaces various separate charges for indirect costs that were previously budgeted in separate agencies.

For 2007, a rate model was implemented to recover costs associated with all programs in the fund except for medical and dental. The rate model assigns costs to City departments based on a 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.

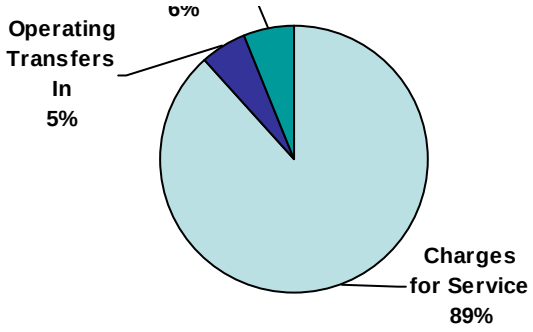






Debt Service
The 2006 budget includes $1.2 million in debt service payments on an outstanding balance of $2.3 million in variable rate debt. The $5.4 million in debt outstanding at year end of 2005 was reduced by a $3 million payment in 2006 due to a Council action to apply excess General Fund appropriations from 2005. Because of this payment the previous debt service payment for 2007 of $1.2 million has been reduced by $0.8 million to $0.4 million.

Self Insurance Fund Source of Funds ($88.7 million)



City of Minneapolis
FY 2007 Budget
Financial Plan (in thousands of dollars)

Self Insurance Fund - 6900

	2004 Actual	2005 Actual	2006 Current Budget	2006 Projected	2007 Budget	% Chg From 2006 Budget	2008 Forecast	2009 Forecast	2010 Forecast
Source of Funds:									
Charges for Service	56,036	61,131	67,158	67,829	80,454	19.8%	91,315	103,642	117,634
Interest	-		-	-	-		-	-	-
Other Misc Revenues	4,922	5,143	5,507	5,791	5,514	0.1%	5,680	5,850	6,025
Operating Transfers In	3,697	3,870	8,745	8,745	4,750	-45.7%	4,893	5,039	5,190
Total	64,655	70,144	81,410	82,365	90,718	11.4%	101,887	114,531	128,850
Use of Funds:									
Debt Service	985	1,045	4,285	4,285	389	-90.9%	35	10	-
Transfers	6	125	45	45	97	115.6%	100	103	106
Health and Welfare	43,508	47,309	54,443	57,956	68,359	25.6%	78,613	90,404	103,965
Attorney	4,249	4,464	5,316	4,987	5,463	2.8%	5,627	5,796	5,970
Workers Compensation	6,470	6,506	8,404	6,709	7,563	-10.0%	7,790	8,023	8,264
Liability	4,931	4,729	5,203	4,544	3,952	-24.1%	4,070	4,192	4,318
Human Resources	467	961	1,165	1,149	1,137	-2.4%	1,171	1,207	1,243
Finance Dept - Risk Mgmt	1,257	1,476	2,013	2,066	2,054	2.0%	2,116	2,179	2,245
Total	61,872	66,615	80,873	81,742	89,014	10.1%	99,521	111,915	126,110
Fund Margin	2,783	3,529	537	623	1,704	217.1%	2,365	2,617	2,740
Fund Balance	(37,980)	(36,040)	(35,503)	(35,417)	(33,713)	5.0%	(31,348)	(28,731)	(25,991)
Cash Balance	(2,148)	1,797	2,335	2,420	4,124	76.7%	6,489	9,106	11,846

Note: The Deficit Reduction Plan for this fund projected cash to be at $2.6 million and net assets at ($28) million at the end of 2007.