

**City of Minneapolis
2013 Budget
Financial Plan**

Arena Reserve Special Revenue Fund

Background

The Arena Reserve Special Revenue Fund accounts for the maintenance and operation of the City-funded portion of the Target Center. The day to day operations are managed by AEG, one of the leading sports and entertainment presenters in the world. The City pays AEG an annual operator reimbursement for contracted services for operating and promoting the Target Center.

The entertainment tax directed to the Arena Fund reflects entertainment tax proceeds generated from Target Center activities. Also, the Arena Fund is credited with a transfer from the Parking Fund, per Council action and the long-term Target Center finance plan. This transfer reflects the estimated parking revenue received from events at Target Center.

The Arena Reserve Fund also receives financing from three Tax Incremental Financing (TIF) sources: The Arena TIF District, the Consolidated TIF District and the Common Project. These revenues are restricted for specific purposes, such as debt service, capital expenses, and certain administrative costs.

2012 Projections

In 2012, Arena revenue, before the \$2.0 million capital contribution from AEG, is projected to finish at \$4.289 million which is slightly above the \$3.933 million budget. The Target Center is having a good year with a large increase in Timberwolves event attendance and several large concerts and events. Due to this increased activity, entertainment tax is projected to be \$1.2 million, \$300,000 over budget. In addition, the increased activity leads to a projection that the operator reimbursement will be \$1.25 million, \$250,000 under the budgeted maximum operator reimbursement of \$1.5 million. For the year, total capital investments are projected at \$6.33 million, including the \$2.0 million capital contribution from AEG.

2013 Budget

Revenues

Revenues from the TIF sources are budgeted to be \$7.4 million, a reduction of \$700,000 from 2012 projections. Entertainment tax revenues are budgeted at \$1.3 million, \$100,000 above projected 2012 levels and the parking revenue transfer is budgeted at \$3.1 million. In addition, \$92,000 is budgeted for base property taxes paid by the primary tenant of the Arena.

Expenditures

The major expenditure funded with the TIF revenue in the 2013 budget is \$5.3 million of existing debt service. In addition, TIF revenue is budgeted to fund \$2.25 million in capital improvements in 2013 as well as \$100,000 in administrative costs. Budgeted expenditures funded with other non-TIF sources include an additional \$1.8 million in capital improvements, \$20,000 in administrative costs and a \$1.47 million operator reimbursement.

Renovation project

The 2013 budget contemplates a significant renovation project for the Arena and the public realm surrounding it. To finance the City's share of the project, it is likely that the City will issue taxable general obligation bonds, with local sales tax revenues being the primary revenue source for debt service on these bonds. Negotiations have commenced with AEG, the Timberwolves/Lynx and LifeTime Fitness to discuss each party's contribution to the overall project. As a result of these negotiations, it is possible that certain of the financial inter-relationships among the parties may change. The current 2013 budget includes a placeholder to reflect the financial impact of the renovation within the Arena Reserve Fund. \$2.5 million in annual local sales tax revenues has been identified to fund an estimated \$2.5 million in new debt service obligations on an annual basis which is reflected in the budget as an expense. As negotiations progress, and the sizing and timing of any new debt issuance and revised financial ramifications become more certain, the information in the financial schedule for the Arena Reserve Fund will be revised.

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	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg From 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
Source of Tax Increment Funds:									
Common Project TIF Contribution (01CPK)	1,909	1,989	2,073	2,073	1,438	-30.6%	1,474	1,515	1,556
Arena Tax Increment (01CPK)	795	953	972	930	949	2.0%	-	-	-
Consolidated TIF District (01CON)	0	5,282	5,000	4,925	4,955	-1.1%	5,120	5,310	5,360
Interest Earnings (01CPK & 01CON)	54	80	11	106	101	-4.7%	99	123	149
Sub-Total	2,758	8,304	8,056	8,034	7,443	-7.4%	6,693	6,948	7,065
Use of Tax Increment Funds:									
Transfer to Debt Service (01CPK)	1,488	1,157	-	-	-	0.0%	-	-	-
Transfer to Debt Service (01CON)	-	2,529	4,956	4,956	5,272	6.4%	4,250	4,492	4,740
Capital Improvements/Admin	-	1,759	3,676	3,676	2,348	-36.1%	-	-	-
Sub-Total	1,488	5,445	8,632	8,632	7,620	-11.7%	4,250	4,492	4,740
Net Available After Current Debt	1,270	2,859	(576)	(598)	(177)		2,443	2,456	2,325
Cumulative TI Balance for Current Debt	7,850	10,709		10,111	9,934		12,377	14,833	17,158
Source of Non-Restricted Funds:									
Estimated Local Taxes	-	-	-	-	2,500	0.0%	2,500	2,500	2,500
Event Parking	2,241	2,758	2,941	2,941	3,129	6.4%	3,323	3,523	3,728
Entertainment Tax	706	80	900	1,200	1,300	8.3%	1,340	1,380	1,420
Arena Base Tax	92	89	92	92	89	-3.3%	545	555	562
AEG Capital Investment				2,000					
Interest Earnings (01260)	14	13	-	56	56	0.0%	59	64	84
Sub-Total	3,053	2,940	3,933	6,289	7,074	12.5%	7,767	8,022	8,294
Use of Non-Restricted Funds:									
Estimated New Debt Service	-	-	-	-	2,500	0.0%	2,500	2,500	2,500
Capital Improvements	36	1,312	2,036	2,750	1,791	-34.9%	2,905	2,520	2,522
Administration	105	228	237	55	98	78.2%	122	124	127
Operator Reimbursement	1,367	1,563	1,500	1,250	1,470	17.6%	1,440	1,410	1,385
Sub-Total	1,508	3,103	3,773	4,055	5,859	44.5%	6,967	6,554	6,534
Net Income for Operations	1,545	(163)	160	2,234	1,215	-45.6%	800	1,468	1,760
Cumulative Operations Fund Balance	2,772	2,610		4,844	6,059		6,859	8,327	10,087
Total Anticipated Capital Expenditures	36	3,071		6,331	3,936		2,905	2,520	2,522

Notes:

Common Project Tax Increment (01CPK)

May only be used for debt service and capital costs

Arena Tax Increment (01CPK)

May only be used for debt service, certain administrative costs, and capital costs

Consolidated TIF District (01CON)

May only be used for debt service

2013 expense includes \$2.5M placeholder for new debt service to be funded by annual sales tax revenues. Amount may be revised as negotiations progress.