

**City of Minneapolis  
2013 Budget  
Financial Plan**

**Property Services Fund**

**Background**

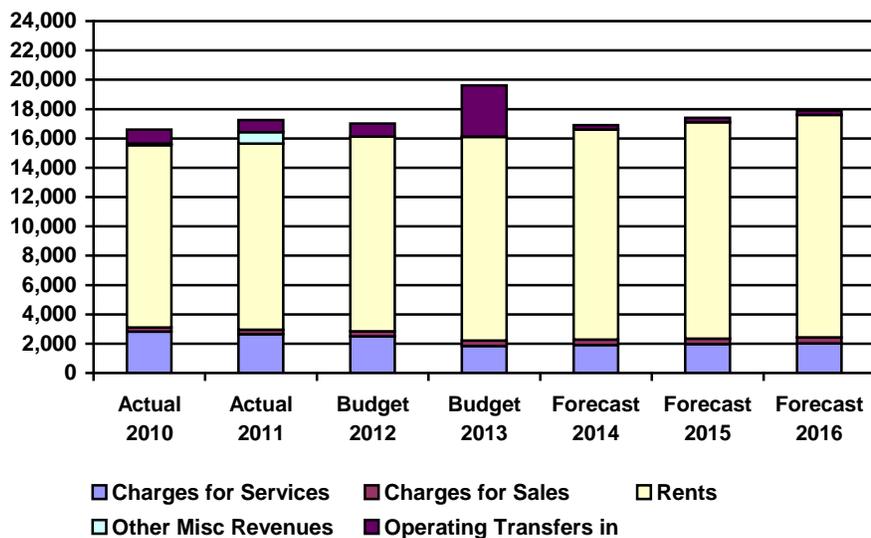
The Property Services Fund is an internal service fund responsible for the operations and maintenance for the majority of the City owned buildings including police precincts, fire stations, public works buildings, parking structures and specialty facilities. At this time, the fund does not provide any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

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

**Historical Financial Performance**

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

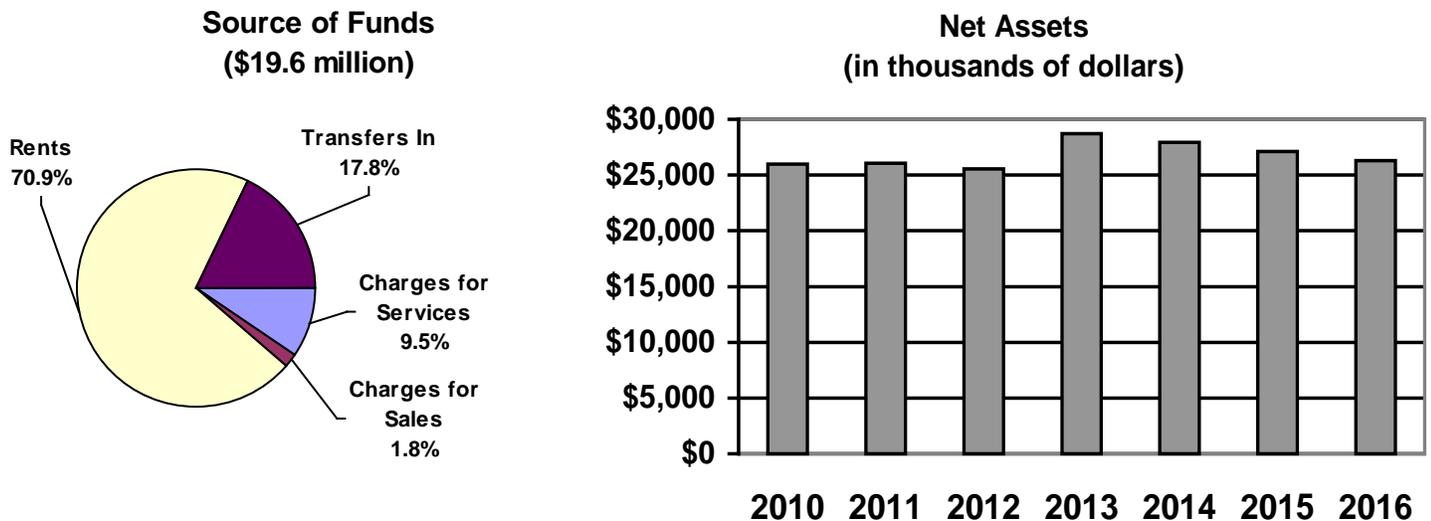
**Property Services Revenues**  
(in thousands of dollars)



## 2013 Budget

### Revenues

The 2013 revenue budget for this fund is \$19.6 million, or an increase of 14.7% from projected 2012 revenue of \$17.1 million. The increase in revenue is primarily related to an increase in the transfer from the general fund from \$0.9 million in 2012 to \$3.5 million in 2013. In addition, there is a \$0.3 million increase in revenue related to pass-through rent revenue collected from City departments that occupy City Hall and paid to the Municipal Building Commission for maintenance services. The Radio Shop charges for sales are expected to increase as mobile phone and data usage increase across City departments.



### Expense

The 2013 expense budget is \$17.2 million, an increase of 1.6% from projected 2012 expense of \$16.9 million. The increase in expense is primarily related to expected increases in costs for Facilities Management services. Approximately 40% of the expenses of the fund are related to labor costs for services provided throughout the City. The 2013 budget includes an increase in labor and fringe costs across the division. Also included in this fund's expense budget is \$4.5 million of pass-through cost for services provided by the Municipal Building Commission for maintaining the City's space in City Hall. This is an increase of \$300,000 from the pass through cost in 2012.

### Transfers

The 2013 expense budget does not include transfers to other City funds. The 2012 budget included a transfer out of \$598,000 for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded pension liability. This payment retired bonds related to this debt service in 2012 resulting in substantial savings to the City. The cash balance in the Property Disposition Fund, which is included in the Property Services Fund, provided payment for this debt. The Property Disposition fund will be reimbursed for this payment through revenue generated by increasing the rents for City buildings as determined by the rent allocation model for years 2013 through 2015.

The fund receives a transfer of \$3.5 million in 2013 from the general fund which includes \$3.2 million for the general fund's portion of the debt service related to the 800MHz emergency communications project for years 2013 through 2018. In addition, the 2013 transfer includes \$308,324 to cover the cost of City Hall rent that Property Services pays for space it occupies in

City Hall. Beginning in 2014, the fund will only receive a transfer from the general fund for the cost of City Hall rent.

*Debt Service*

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

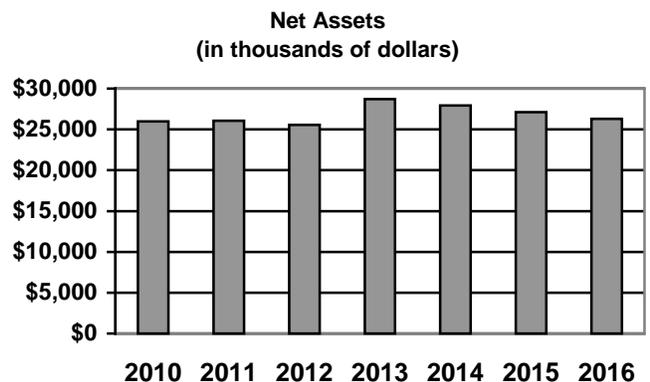
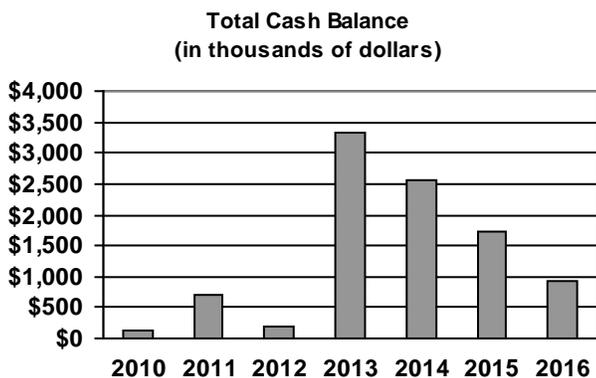
The debt service for 800 MHz radio system is funded as follows in 2013:

\$523,250	Portion covered by transfer from the general fund
<u>\$350,000</u>	Property services portion of debt
\$873,250	Total debt service (Year 2013)

*Net Assets and Cash Balance*

The Property Services Fund has a positive net asset balance of \$26.1 million at year-end 2011, an increase of \$71,000 from the 2010 ending balance of \$26.0 million. The fund does not recover the cost of depreciation of the buildings or equipment that are included as assets of the fund. Because this cost is not recovered, the fund balance will continue to decline even though the fund recovers its operating costs through a rent allocation model. The fund is also experiencing a decline in net assets due to the loss of income resulting from vacant space in the downtown campus City buildings. The financial policy for the net asset balance for the Property Services Fund determines that the value of net assets should not fall below two times the annual depreciation amount. The depreciation for Property Services in 2011 is \$1.1 million. The 2011 net asset balance of \$26.1 million is \$23.9 million greater than the benchmark amount.

The 2011 year-end cash balance is \$699,000, an increase of \$573,000 from the 2010 year-end balance of \$126,000. The Property Services Fund cash balance includes operating cash and the cash balance in the Property Disposition, a fund that receives proceeds from the sale of City property. The cash balance in the Property Disposition Fund at year end 2011 was \$1.4 million, leaving a deficit balance of \$0.7 million in operating cash. Financial reserve policies for the internal service funds determine that the cash reserve for the Property Services fund should not be less than 15% of the operating budget, or \$1.4 million for 2011.



**Mayor’s Recommended Budget**

The Mayor recommended no changes to this fund.

**Council Adopted Budget**

Council adopted the Mayor’s recommendations.

**City of Minneapolis**  
**2013 Budget**  
**Financial Plan (in thousand of dollars)**  
**Property Services Fund - 06200**

	2010	2011	2012	2012	% Chg		2014	2015	2016
	Actual	Actual	Budget	Projected	2013	From 2012	Forecast	Forecast	Forecast
					Budget	Projected			
<b>Source of Funds:</b>									
Charges for Services	2,818	2,657	2,486	2,600	1,855	-28.7%	1,911	1,968	2,027
Charges for Sales	284	298	355	380	360	-5.2%	371	382	394
Rents	12,428	12,700	13,281	13,200	13,896	5.3%	14,313	14,742	15,178
Other Misc Revenues	122	781	3	23	4	-82.6%	4	4	4
Transfers In	951	821	894	894	3,493	290.7%	300	300	300
<b>Total</b>	<b>16,603</b>	<b>17,257</b>	<b>17,019</b>	<b>17,097</b>	<b>19,608</b>	<b>14.7%</b>	<b>16,899</b>	<b>17,396</b>	<b>17,903</b>
<b>Use of Funds:</b>									
Property Services Administration	1,508	1,538	1,267	1,300	1,387	6.7%	1,428	1,470	1,514
Radio Equipment	1,409	1,459	1,793	1,600	1,770	10.6%	1,823	1,878	1,934
Municipal Market	16	26	40	40	41	1.5%	42	43	44
Facilities Management	13,082	12,988	12,971	12,500	13,105	4.8%	13,498	13,903	14,320
Debt Service	838	880	864	864	873	1.1%	886	918	894
Transfers Out	925	421	598	598	-	-100.0%	-	-	-
<b>Total</b>	<b>16,855</b>	<b>16,892</b>	<b>17,533</b>	<b>16,902</b>	<b>17,175</b>	<b>1.6%</b>	<b>17,677</b>	<b>18,212</b>	<b>18,706</b>
<b>Change in Net Assets</b>	<b>(1,219)</b>	<b>71</b>	<b>(514)</b>	<b>195</b>	<b>2,433</b>		<b>(778)</b>	<b>(816)</b>	<b>(802)</b>
<b>Net Assets</b>	<b>25,991</b>	<b>26,062</b>	<b>25,548</b>	<b>26,257</b>	<b>28,690</b>		<b>27,912</b>	<b>27,096</b>	<b>26,294</b>
<b>Total Cash Balance</b>	<b>126</b>	<b>699</b>	<b>185</b>	<b>894</b>	<b>3,327</b>		<b>2,549</b>	<b>1,733</b>	<b>931</b>
<b>Operating Cash balance<sup>1</sup></b>	<b>(944)</b>	<b>(699)</b>	<b>(1,213)</b>	<b>(504)</b>	<b>1,929</b>		<b>1,151</b>	<b>335</b>	<b>(467)</b>
<b>Target Cash Reserve<sup>2</sup></b>	<b>890</b>	<b>1,426</b>	<b>1,920</b>	<b>1,920</b>	<b>1,900</b>		<b>1,942</b>	<b>2,018</b>	<b>2,096</b>
<b>Variance Operating Cash to Target</b>	<b>(1,834)</b>	<b>(2,125)</b>	<b>(3,133)</b>	<b>(2,424)</b>	<b>29</b>		<b>(791)</b>	<b>(1,683)</b>	<b>(2,563)</b>

**Cash Reserve**

1 Total cash balance is the sum of cash recorded to the Property Disposition fund and to the Property Services fund. Operating cash is the cash balance generated from Property Service fund operations and recorded in the Property Services fund.

2 The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Property Services Fund should be equal to 15% of the operating budget at a minimum. For years 2010 and 2011, the target cash is a phase-in amount.

Note: The 2014-2016 forecasts for source and use of funds are calculated using a factor of 3.0% to capture increases in revenues and expense.