

**City of Minneapolis
2014 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.

➤ Five-year Financial Direction 2015-2019	C2
➤ Special Revenue Funds	C16
- Convention Center Special Revenue Fund	C16
- Arena Reserve Fund	C22
- Community Planning and Economic Development	C25
- Neighborhood and Community Relations	C28
- Regulatory Services	C29
➤ Enterprise Funds	C31
- Municipal Parking Fund	C31
- Solid Waste and Recycling Fund	C36
- Sanitary Sewer Fund	C40
- Stormwater Fund	C44
- Water Fund	C48
➤ Internal Service Funds	C54
- Public Works Stores Fund	C54
- Engineering Materials and Testing Fund	C57
- Intergovernmental Services Fund	C60
- Fleet Services Fund	C65
- Property Services Fund	C69
- Self-Insurance Fund	C73

City of Minneapolis 2014 Budget

Five-year Financial Direction 2015-2019 (Including detailed information on the City's General Fund)

Introduction

This plan reflects the City's ongoing commitment to long-term financial planning. The purpose of recommending a 2015-2019 financial direction is to provide guidance for departments on available planned resources in the City's General Fund.

The financial direction provides detailed projections for property tax supported services: the City's General Fund, pensions, capital and contributions to the internal service funds, Convention Center and the Park Board. Of the \$522.4 million in the financial direction, \$465.9 million is in the City's General Fund, which is the primary funding source for public safety, street paving, snow plowing and other general government services.

General Fund

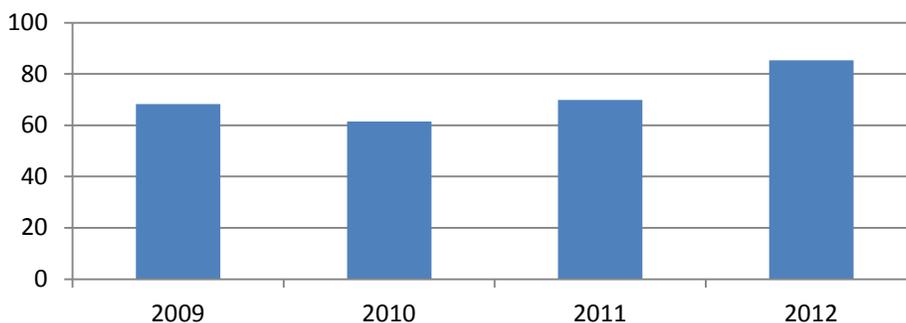
The General Fund is the general operating fund of the City. Combined, the two largest revenues (state aids and property tax) have historically accounted for approximately 60-70% of total financial resources for the General Fund. The top four sources of revenue account for more than 70% of the General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

Historical Financial Performance

The results of the General Fund's annual operations at the end of the year reflect the fund's "fund balance," or the amount of available, spendable resources contained within the fund. The balance provides the City a reserve to cushion adverse economic shocks and to meet a portion of the City's cash flow needs. The City's policy is to maintain a minimum fund balance of 15% of the following year's revenue, which is consistent with best practices for local governments. Further, the City's financial policies place a priority on using fund balance for one-time items or expenditures that are short term in nature, such as capital purchases and debt buy-down.

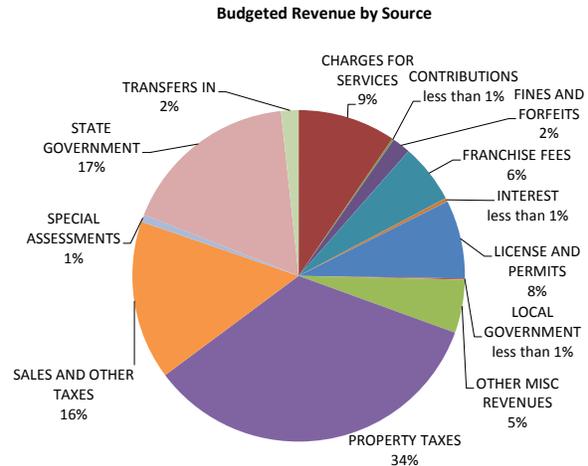
The General Fund began 2012 with a fund balance of \$69.9 million. The 2012 year-end fund balance in the General Fund was \$85.4 million, which is above the stated fund balance requirement of 15% of the following year's revenue budget.

Fund Balance
(in millions of dollars)



2014 General Fund Revenue Budget

The 2014 recommended budget includes a total of \$465.9 million of revenues for services incorporated in the financial direction, including \$2.3 million in transfers from other funds. Budgeted revenues are expected to increase by 22% over than the 2013 budget from a combination of LGA, local sales taxes being recognized in the General Fund previously attributed to the Convention Center Fund, and other revenues associated with economic growth.



Revenue Source	2012 Actual	2013 Adopted	2014 Recommended	% Chg from 2013 Adopted	2013 Adopted % of Total	2014 Adopted % of Total
Property Tax	181.5	170.9	159.5	-6.7%	44.7%	34.2%
Sales Tax	12.9	13.7	72.2	100.0%	3.6%	15.5%
Franchise Fees	26.1	27.4	26.9	-1.8%	7.2%	5.8%
License and Permits	36.1	32.6	35.7	9.6%	8.5%	7.7%
State Government	68.1	69.0	80.5	16.7%	18.0%	17.3%
Charges for Services	44.5	39.7	44.2	11.3%	10.4%	9.5%
Fines and Forfeits	8.2	8.8	8.3	-6.0%	2.3%	1.8%
Fund Transfers	8.8	13.9	2.3	-83.5%	3.6%	0.5%
Misc. Revenues	6.7	6.5	36.3	462.7%	1.7%	7.8%
Total	392.9	382.6	465.9	21.8%	100.0%	100.0%

State Aids (including Local Government Aid):

The City's local government aid (LGA) allocation in 2014 is certified at \$76 million. This is based on legislative actions during the 2013 session and reflects an increase of \$12 million over the 2013 allocation.

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

- The franchise agreement with Xcel Energy for electricity requires payment of 5% of gross revenues for residential service customers, 3% of gross revenues for commercial and industrial customers, and 5% of gross revenues on small commercial and industrial customers. The residential rate drops to 4.5% of gross revenues beginning in January 2014. This franchise agreement expires on December 31, 2014. For 2014, the City is anticipating \$17 million in revenues from this franchise agreement.
- The franchise agreement with Center Point Energy/Minnegasco requires payment of 4.25% of gross revenues for residential buildings with four units or less, 5% for small commercial/industrial or interruptible customers, and 3% for large-volume interruptible

customers. This franchise agreement expires on December 31, 2015. For 2014, the City is anticipating \$6.5 million in revenues from this franchise agreement.

- The City anticipates \$3.4 million in revenue from the cable franchise in 2014:

The 2014 budget anticipates the total franchise fee revenue to be \$26.9 million.

Licenses and Permits: issued by the City for a wide variety of regulated activities. Building permits and business licenses are a major component of this revenue category. The 2014 budget anticipates a 9.6% increase in licenses and permit revenue.

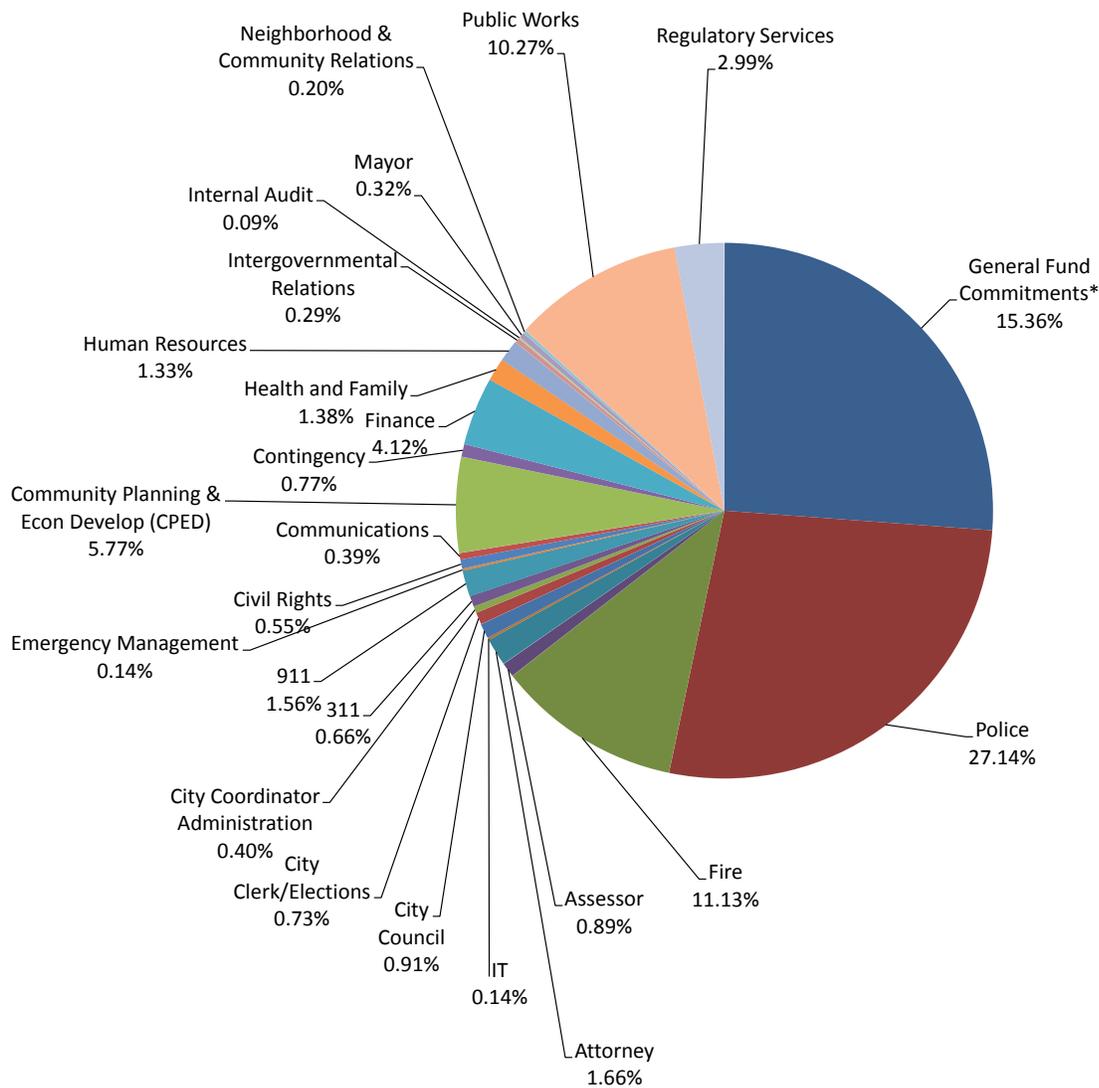
Fines and Forfeiture: (traffic fines, administrative citations, and forfeitures related to certain state and federal crimes) Citywide collections from are anticipated to decline by 6% in 2014, continuing a recent trend.

2014 General Fund Expenditure Budget

The 2014 recommended budget for services included in the financial direction is \$522.4 million, which includes \$67.4 million in transfers to other funds.

Approximately 58% of the overall expenditure budget is related to personnel costs. In the General Fund, salary and wage expenditures increased from \$175.6 million in 2013 to \$190.7 million in 2014. The salary and wages expense category also includes overtime costs, contractually-obligated payments, and one-time funding.

The General Fund provides funding in some shape or form for most City functions. A breakdown of the allocation of the \$522.4 million in the 2014 General Fund budget is reflected in the chart



*General Fund Commitments include: transfers to the internal service funds, pension obligations, payment to Hennepin County related to the library system, Capital Improvement projects, debt service, and other miscellaneous transfers.

Five-Year Financial Direction

The Mayor recommends a tax policy of -1% in 2014, 2% in 2015, 2.5% in 2016, and 3.0% in 2017 through 2018. These percentages reflect statutorily-required costs and provide for a current service level cost escalator for departments.

The 2014 budget is the basis for future projections: In other words, what is included in the 2014 budget is the starting place for the 2015-2019 department budget estimates. One-time 2014 supplemental items are removed from department budgets in 2015 and beyond.

The financial direction from 2015 to 2019 contains updates to departmental resources: The financial direction includes the most updated assumptions about contract settlements and other commitments. As well as projected changes in revenue.

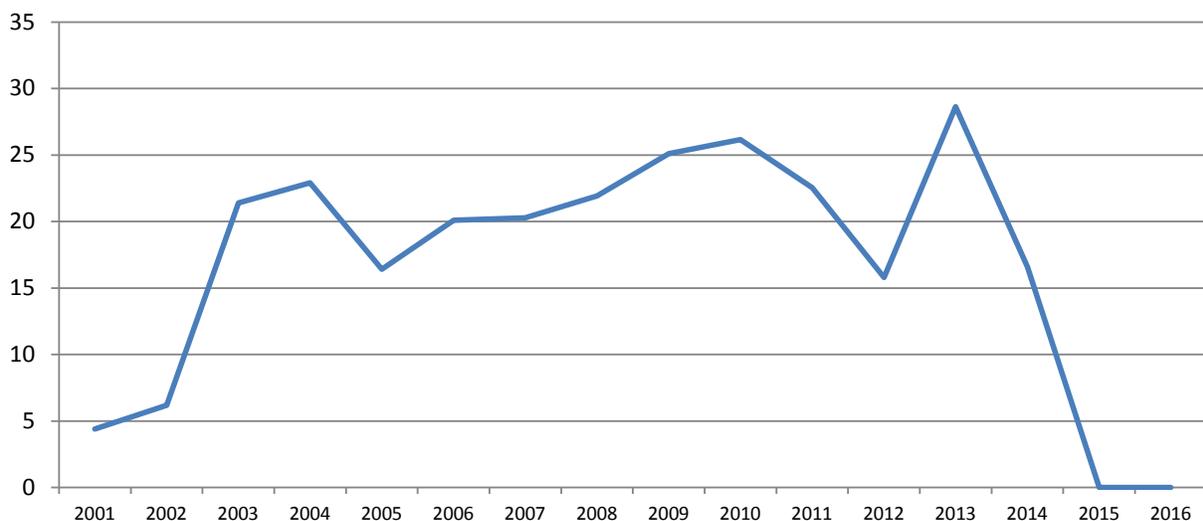
Salary Assumption -- The City adopted a compensation philosophy during 2007. The philosophy does not specify a salary policy. It is anticipated that salary settlements will vary within and between bargaining units. Assumptions are updated annually as contracts are settled.

Capital and Debt Service (including pensions)

As part of last year’s budget and in response to critical infrastructure needs and reduced support from the State of Minnesota, the amount of property tax supported resources for capital improvements was expanded from the previous five-year plan. For 2014 and future years, the intent is to sustain this higher level of property tax supported (net debt bond) funding to continue the increased infrastructure acceleration program. There is a large backlog of infrastructure needs that still must be addressed and the current emphasis for these funds is primarily on improving street paving and water infrastructure.

The Net Debt Bond (NDB) program is paid for with property tax collections. The five-year financial direction for the bond redemption levy includes increases in 2014 and more significant increases in 2015 and beyond for capital improvements. These increases are possible due to improvements in the internal service fund financial plans which reduce the demand for property tax resources as well as growth in non-property tax revenues.

Internal Service Fund obligations. The 2008 adopted long-term financial plans began accelerating the General Fund’s contribution to the adopted workout plans for the internal service funds to create capacity to hold down out-year property tax levy increases. Over the last few years the General Fund has accelerated the workout plan schedule to move forward the full completion date from 2019 to 2014. The Mayor’s recommended budget for 2014 continues support for this course of action.



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

Funding for pension liabilities. The property tax levy required to support closed pension fund-related obligations is \$27.3 million in 2014 and will remain near that level through 2031. The five-year financial direction includes obligations for three closed pension funds that have since been merged into the statewide retirement system, the Public Employees Retirement Association (PERA) of Minnesota. The former closed funds that were merged are the Minneapolis Police Relief Association (MPRA), the Minneapolis Firefighters' Relief Association (MFRA), and the Minneapolis Employees Retirement Fund (MERF). All three funds are administered by PERA. The City has ongoing obligations funded from within departmental budgets to PERA to support current employees' retirement plans.

Change in Contingency for Adverse Circumstances

Contingency exists for adverse circumstances. Examples of adverse circumstances the City has encountered include winter seasons with heavy snowfall, reductions in LGA, unemployment costs and increased pension obligations.

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

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

- *Property taxes:* Future projections plan on the Mayor recommended property tax increases to support future services. Reducing the growth in property taxes in the face of declining LGA and other factors will require more department reductions.
- *Park Board:* Like other participants in the City's capital funding pool, the Park Board faces significant capital pressures to maintain the facilities it operates.
- *Performance Information:* As the City continues to gain experience with using results information for performance discussions, it will need to undertake benchmark development in using this information for financial decision making.
- *Department Increases:* The City will continue to see issues related to the ability to keep up with enterprise demands while subject to increased costs.
- *Aging Facilities and Infrastructure:* The City is responsible for facilities and infrastructure that is not contemplated in its existing capital processes. As these facilities need major repairs and maintenance, there will be a need to recognize large out-year commitments to fund these projects.

Property Tax Revenue Distribution. In 2010, the City adopted a "shared revenue" approach based on the sum of the following: total property tax revenue, total Local Government Aid revenue, and total General Fund revenues. From this total, shared costs are deducted, including: pension obligations, previously approved internal service fund workout plans, the Bond Redemption Fund levy, the Permanent Improvement Fund levy, the Teacher's Retirement Association special levy, the Library Market Value Referendum levy, the levy for the Board of Estimate and Taxation, General Fund Overhead associated with the Park Board and Municipal Building Commission (MBC), General Fund Overhead for others, General Fund transfers to other funds, General Fund support of the Wi-Fi commitment, Target Center, graffiti removal, election transition costs, property tax stabilization account, Mayor initiatives for 2013, and City

Support of the Affordable Housing Trust Fund. The remaining revenues are then identified as being available for “activities.”

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

Aside from the policy decisions listed above, the annual percentage change in revenue available for activities of the City, Park Board and MBC are the same for each entity beginning in 2014.

Assumptions for 2014-2019

- The tax policy for 2014-2019 is as follows: -1% in 2014; 2% in 2015; 2.5% in 2016, 3.0% in 2017, 2018 and 2019. These percentages reflect statutorily-required costs and provide for the following current service level cost escalator for departments.
- Out-year projections will be adjusted over time as new information becomes available.
- Contingency increased to provide cushion for uncertainty related to seasonal and economic conditions.
- Health increases are assumed at 10% in 2014; 12% thereafter.
- The Mayor recommended an increase of \$25 million in the capital program in 2013 for Public Works capital projects.
- Revenues in the General Fund are NOT assumed to increase, except for licenses and permits and local taxes which are anticipated to increase by 3.0% annually, the cost allocation model for internal City departments, and the government service fee, include cost escalators.
- Full funding of internal service fund debts are included.
- Local tax revenue is no longer treated as a transfer into the General Fund. It is recorded as direct revenue into the General Fund.

2014 Property Tax Supported Budgets

General Fund	Mayor's Recommended Funding	Direct Revenue (USED BY the department)	Allocated Revenues for Presentation Purposes <i>These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes ONLY.</i>			Total Revenues
			Other General City Revenues	Local Government Aid	Property Tax Revenue	
General Fund Commitments						
Internal Service Funds Financial Plans	16.591	0.000	0.000	0.000	16.591	16.591
Transfer to the Park Board (Trees)	0.200	0.000	0.000	0.000	0.200	0.200
Capital Asset Replacement System (CARS)	8.900	0.000	8.900	0.000	0.000	8.900
Transfers to IT for WIFI from Gen Fd Depts	0.505	0.000	0.000	0.000	0.505	0.505
Post Election Transition Costs Mayor & Council	0.200	0.000	0.000	0.000	0.200	0.200
Graffiti Removal	0.820	0.000	0.000	0.000	0.820	0.820
Transfer to the Convention Center	46.593	0.000	46.593	0.000	0.000	46.593
Payment to County for Library System	3.238	0.000	0.000	3.238	0.000	3.238
Transfers for City Hall rent (non GFd)	0.731	0.000	0.000	0.000	0.731	0.731
Other Internal Service Funds	0.560	0.000	0.000	0.000	0.560	0.560
Transfer to Fund 4100 Permanent Improvement	0.500	0.000	0.000	0.000	0.500	0.500
Transfer to Pension Management Plan	1.500	0.000	0.000	0.000	1.500	1.500
Total General Fund Commitments	80.338	0.000	55.493	3.238	21.607	80.338
General Fund Departments						
Police	141.799	10.557	46.475	27.520	57.248	141.799
Fire	58.160	2.131	19.986	11.835	24.209	58.160
Subtotal for Police & Fire	199.960	12.688	66.461	39.354	81.457	199.960
Assessor	4.629	0.063	1.631	0.966	1.968	4.629
Attorney	8.675	0.020	3.005	1.779	3.872	8.675
IT	0.725	0.000	0.259	0.153	0.313	0.725
City Council	4.730	0.105	1.579	0.935	2.111	4.730
City Clerk/Elections	3.812	0.000	1.172	0.694	1.946	3.812
City Coordinator Administration	2.086	0.000	0.716	0.424	0.946	2.086
311	3.465	0.000	1.238	0.733	1.494	3.465
911	8.132	0.000	2.798	1.657	3.676	8.132
Emergency Management	0.709	0.000	0.253	0.150	0.306	0.709
Civil Rights	2.857	0.000	0.985	0.584	1.288	2.857
Communications	2.059	1.955	0.000	0.000	0.104	2.059
Community Planning & Econ Develop (CPED)	30.162	29.046	0.000	0.000	1.116	30.162
Contingency	4.000	0.000	0.000	0.000	4.000	4.000
Finance	21.497	0.000	7.516	4.450	9.531	21.497
Health and Family	7.234	2.342	1.748	1.035	2.109	7.234
Human Resources	6.936	0.000	2.478	1.468	2.990	6.936
Intergovernmental Relations	1.533	0.000	0.528	0.313	0.692	1.533
Internal Audit	0.491	0.000	0.167	0.099	0.226	0.491
Mayor	1.696	0.000	0.559	0.331	0.806	1.696
Neighborhood & Community Relations	1.039	0.000	0.373	0.221	0.446	1.039
Public Works	53.546	16.478	13.396	7.932	15.740	53.546
Regulatory Services	15.620	12.993	0.938	0.556	1.132	15.620
Subtotal for all other departments	185.633	63.002	41.340	24.479	56.811	185.633
Total General Fund Departments	385.593	75.690	107.801	63.834	138.268	385.592
Total General Fund	465.931	75.690	163.294	67.072	159.875	465.931
Other Property Tax-Supported Commitments						
Capital - Permanent Improvement	0.980	0.000	0.000	0.000	0.980	0.980
Debt Service	28.714	0.000	0.000	0.000	28.714	28.714
Pensions - Direct Levies MPRA, MFRA, MERF	26.764	0.000	0.000	0.000	26.764	26.764
Subtotal Other Prop Tax Spt	56.458	0.000	0.000	0.000	56.458	56.458
Total Property Tax Supported Commitments	522.389	75.690	163.294	67.072	216.353	522.388

2015 Property Tax Supported Budgets

General Fund	Mayor's Recommended Funding	Direct Revenue (USED BY the department)	Allocated Revenues for Presentation Purposes <i>These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes ONLY.</i>			Total Revenues
			Other General City Revenues	Local Government Aid	Property Tax Revenue	
General Fund Commitments						
Capital Asset Replacement System (CARS)	5.000	0.000	5.000		0.000	5.000
Transfers to BIS for WIFI from Gen Fd Depts	0.512	0.000			0.512	0.512
Graffiti Removal	0.825	0.000			0.825	0.825
Transfer to Arena Reserve	3.700	0.000	3.700		0.000	3.700
Transfer to the Convention Center	52.180	0.000	52.180		0.000	52.180
Payment to County for Library System	2.363	0.000		2.363	0.000	2.363
Transfers for City Hall rent (non GFd)	0.819	0.000	0.000	0.000	0.819	0.819
Property tax stabilization account	1.471	0.000			1.471	1.471
Transfer to Pension Management Plan	1.500	0.000			1.500	1.500
Total General Fund Commitments	68.370	0.000	60.880	2.363	5.127	68.370
General Fund Departments						
Police	144.014	11.057	42.402	28.026	62.529	144.014
Fire	58.973	2.131	18.273	12.077	26.492	58.973
Subtotal for Police & Fire	202.987	13.188	60.675	40.103	89.021	202.987
Assessor	4.793	0.063	1.523	1.007	2.200	4.793
Attorney	8.788	0.020	2.736	1.808	4.224	8.788
IT	0.000	0.000	0.000	0.000	0.000	0.000
City Council	4.916	0.000	1.509	0.997	2.410	4.916
City Clerk/Elections	3.895	0.105	1.032	0.682	2.076	3.895
City Coordinator Administration	1.986	0.000	0.610	0.403	0.973	1.986
311	3.606	0.000	1.161	0.768	1.677	3.606
911	8.457	0.000	2.617	1.730	4.110	8.457
Emergency Management	0.734	0.000	0.236	0.156	0.341	0.734
Civil Rights	2.963	0.000	0.919	0.607	1.437	2.963
Communications	2.135	2.021	0.000	0.000	0.115	2.135
Community Planning & Econ Develop (CPED)	30.836	29.708	0.000	0.000	1.128	30.836
Contingency	4.000	0.000	0.000	0.000	4.000	4.000
Convention Center	0.000	0.000	0.000	0.000	0.000	0.000
Finance	22.329	0.000	7.027	4.644	10.659	22.329
Health and Family	7.125	2.412	1.518	1.003	2.192	7.125
Human Resources	7.041	0.000	2.268	1.499	3.275	7.041
Intergovernmental Relations	1.583	0.000	0.490	0.324	0.769	1.583
Internal Audit	0.511	0.000	0.156	0.103	0.252	0.511
Mayor	1.764	0.000	0.521	0.345	0.898	1.764
Neighborhood & Community Relations	1.043	0.000	0.336	0.222	0.485	1.043
Public Works	52.860	16.478	11.668	7.712	17.001	52.860
Regulatory Services	16.179	13.383	0.901	0.595	1.301	16.179
Subtotal for all other departments	187.544	64.189	37.228	24.606	61.520	187.544
Total General Fund Departments	390.531	77.377	97.903	64.709	150.542	390.532
Total General Fund	458.901	77.377	158.783	67.072	155.669	458.902
Other Property Tax-Supported Commitments						
Capital - Permanent Improvement	0.980	0.000	0.000	0.000	0.980	0.980
Debt Service	36.064	0.000	0.000	0.000	36.064	36.064
Pensions - Direct Levies MPRA, MFRA, MERF	26.764	0.000	0.000	0.000	26.764	26.764
Subtotal Other Prop Tax Spt	63.808	0.000	0.000	0.000	63.808	63.808
Total Property Tax Supported Commitments	522.709	77.377	158.783	67.072	219.476	522.709

2016 Property Tax Supported Budgets

General Fund	Mayor's Recommended Funding	Direct Revenue (USED BY the department)	Allocated Revenues for Presentation Purposes <i>These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes ONLY.</i>			Total Revenues
			Other General City Revenues	Local Government Aid	Property Tax Revenue	
General Fund Commitments						
Capital Asset Replacement System (CARS)	5.000	0.000	5.000		0.000	5.000
Transfers to BIS for WIFI from Gen Fd Depts	0.489	0.000			0.489	0.489
Post Election Transition Costs Mayor & Council	0.000	0.000			0.000	0.000
Graffiti Removal	0.825	0.000			0.825	0.825
Transfer to Arena Reserve	3.700	0.000	3.700		0.000	3.700
Transfer to the Convention Center	54.083	0.000	54.083		0.000	54.083
Payment to County for Library System	1.560	0.000		1.560	0.000	1.560
Transfers for City Hall rent (non GFd)	0.847	0.000	0.000	0.000	0.847	0.847
Transfer to Pension Management Plan	1.500	0.000			1.500	1.500
Total General Fund Commitments	68.004	0.000	62.783	1.560	3.661	68.004
General Fund Departments						
Police	148.915	11.057	44.750	28.339	64.770	148.916
Fire	60.971	2.131	19.252	12.192	27.397	60.972
Subtotal for Police & Fire	209.886	13.188	64.002	40.531	92.167	209.888
Assessor	4.967	0.063	1.607	1.018	2.279	4.967
Attorney	9.098	0.020	2.883	1.826	4.368	9.098
IT	0.000	0.000	0.000	0.000	0.000	0.000
City Council	5.096	0.000	1.593	1.009	2.495	5.096
City Clerk/Elections	4.031	0.105	1.089	0.689	2.148	4.031
City Coordinator Administration	2.049	0.000	0.641	0.406	1.003	2.049
311	3.757	0.000	1.231	0.780	1.746	3.757
911	8.783	0.000	2.767	1.752	4.264	8.783
Emergency Management	0.759	0.000	0.249	0.158	0.353	0.759
Civil Rights	3.069	0.000	0.969	0.614	1.486	3.069
Communications	2.209	2.090	0.000	0.000	0.119	2.209
Community Planning & Econ Develop (CPED)	31.862	30.730	0.000	0.000	1.132	31.862
Contingency	4.050	0.000	0.000	0.000	4.050	4.050
Convention Center	0.000	0.000	0.000	0.000	0.000	0.000
Finance	23.182	0.000	7.425	4.702	11.054	23.182
Health and Family	7.380	2.484	1.605	1.016	2.275	7.380
Human Resources	7.278	0.000	2.386	1.511	3.382	7.278
Intergovernmental Relations	1.632	0.000	0.514	0.326	0.792	1.632
Internal Audit	0.530	0.000	0.164	0.104	0.261	0.530
Mayor	1.826	0.000	0.549	0.348	0.928	1.826
Neighborhood & Community Relations	1.078	0.000	0.353	0.224	0.501	1.078
Public Works	54.560	16.478	12.432	7.873	17.778	54.561
Regulatory Services	16.776	13.784	0.981	0.621	1.390	16.776
Subtotal for all other departments	193.971	65.755	39.439	24.976	63.804	193.972
Total General Fund Departments	403.857	78.943	103.441	65.507	155.970	403.861
Total General Fund	471.862	78.943	166.224	67.067	159.631	471.865
Other Property Tax-Supported Commitments						
Capital - Permanent Improvement	0.980	0.000	0.000	0.000	0.980	0.980
Debt Service	37.044	0.000	0.000	0.000	37.044	37.044
Pensions - Direct Levies MPRA, MFRA, MERF	26.764	0.000	0.000	0.000	26.764	26.764
Subtotal Other Prop Tax Spt	64.788	0.000	0.000	0.000	64.788	64.788
Total Property Tax Supported Commitments	536.649	78.943	166.224	67.067	224.419	536.653

2017 Property Tax Supported Budgets

General Fund	Mayor's Recommended Funding	Direct Revenue (USED BY the department)	Allocated Revenues for Presentation Purposes <i>These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes ONLY.</i>			Total Revenues
			Other General City Revenues	Local Government Aid	Property Tax Revenue	
General Fund Commitments						
Capital Asset Replacement System (CARS)	5.000	0.000	5.000		0.000	5.000
Transfers to BIS for WIFI from Gen Fd Depts	0.469	0.000			0.469	0.469
Post Election Transition Costs Mayor & Council	0.221	0.000			0.221	0.221
Graffiti Removal	0.825	0.000			0.825	0.825
Transfer to Arena Reserve	3.700	0.000	3.700		0.000	3.700
Transfer to the Convention Center	53.635	0.000	53.635		0.000	53.635
Payment to County for Library System	0.780	0.000		0.780	0.000	0.780
Transfers for City Hall rent (non GFd)	0.874	0.000	0.000	0.000	0.874	0.874
Transfer to Pension Management Plan	1.500	0.000			1.500	1.500
Total General Fund Commitments	67.004	0.000	62.335	0.780	3.889	67.004
General Fund Departments						
Police	153.756	11.057	46.669	28.656	67.402	153.784
Fire	62.939	2.131	20.045	12.308	28.467	62.951
Subtotal for Police & Fire	216.694500	13.188	66.714	40.964	95.869	216.734
Assessor	5.140	0.063	1.677	1.029	2.372	5.141
Attorney	9.403	0.020	3.003	1.844	4.538	9.405
IT	0.000	0.000	0.000	0.000	0.000	0.000
City Council	5.274	0.000	1.660	1.020	2.595	5.275
City Clerk/Elections	4.166	0.105	1.135	0.697	2.230	4.167
City Coordinator Administration	2.112	0.000	0.665	0.408	1.039	2.113
311	3.907	0.000	1.290	0.792	1.825	3.908
911	9.101	0.000	2.889	1.774	4.440	9.102
Emergency Management	0.784	0.000	0.259	0.159	0.366	0.784
Civil Rights	3.174	0.000	1.010	0.620	1.545	3.175
Communications	2.282	2.160	0.000	0.000	0.123	2.282
Community Planning & Econ Develop (CPED)	32.876	31.740	0.000	0.000	1.136	32.876
Contingency	4.200	0.000	0.000	0.000	4.200	4.200
Convention Center	0.000	0.000	0.000	0.000	0.000	0.000
Finance	24.026	0.000	7.754	4.761	11.515	24.031
Health and Family	7.504	2.559	1.633	1.003	2.310	7.505
Human Resources	7.516	0.000	2.482	1.524	3.511	7.517
Intergovernmental Relations	1.681	0.000	0.534	0.328	0.820	1.682
Internal Audit	0.547	0.000	0.171	0.105	0.271	0.547
Mayor	1.887	0.000	0.572	0.351	0.964	1.887
Neighborhood & Community Relations	1.112	0.000	0.367	0.226	0.520	1.112
Public Works	56.264	16.478	13.086	8.035	18.673	56.272
Regulatory Services	17.364	14.198	1.046	0.642	1.479	17.365
Subtotal for all other departments	200.321	67.323	41.233	25.318	66.472	200.345
Total General Fund Departments	417.015	80.511	107.946	66.282	162.341	417.080
Total General Fund	484.019	80.511	170.281	67.062	166.230	484.084
Other Property Tax-Supported Commitments						
Capital - Permanent Improvement	0.980	0.000	0.000	0.000	0.980	0.980
Debt Service	37.044	0.000	0.000	0.000	37.044	37.044
Pensions - Direct Levies MPRA, MFRA, MERF	26.764	0.000	0.000	0.000	26.764	26.764
Subtotal Other Prop Tax Spt	64.788	0.000	0.000	0.000	64.788	64.788
Total Property Tax Supported Commitments	548.807	80.511	170.281	67.062	231.018	548.872

2018 Property Tax Supported Budgets

General Fund	Mayor's Recommended Funding	Direct Revenue (USED BY the department)	Allocated Revenues for Presentation Purposes <i>These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes ONLY.</i>			Total Revenues
			Other General City Revenues	Local Government Aid	Property Tax Revenue	
General Fund Commitments						
Capital Asset Replacement System (CARS)	5.000	0.000	5.000		0.000	5.000
Transfers to BIS for WiFi from Gen Fd Depts	0.199	0.000			0.199	0.199
Post Election Transition Costs Mayor & Council	0.400	0.000			0.400	0.400
Graffiti Removal	0.825	0.000			0.825	0.825
Transfer to Arena Reserve	3.700	0.000	3.700		0.000	3.700
Transfer to the Convention Center	55.244	0.000	55.244		0.000	55.244
Payment to County for Library System	0.000	0.000		0.000	0.000	0.000
Transfers for City Hall rent (non GFd)	0.903	0.000	0.000	0.000	0.903	0.903
Transfer to Pension Management Plan	1.500	0.000			1.500	1.500
Total General Fund Commitments	67.771	0.000	63.944	0.000	3.827	67.771
General Fund Departments						
Police	158.858	11.057	48.674	28.961	70.169	158.861
Fire	65.014	2.131	20.873	12.419	29.593	65.015
Subtotal for Police & Fire	223.872	13.188	69.547	41.380	99.762	223.877
Assessor	5.322	0.063	1.749	1.041	2.470	5.322
Attorney	9.726	0.020	3.128	1.861	4.718	9.726
IT	0.000	0.000	0.000	0.000	0.000	0.000
City Council	5.461	0.000	1.732	1.030	2.699	5.461
City Clerk/Elections	4.308	0.105	1.183	0.704	2.316	4.308
City Coordinator Administration	2.178	0.000	0.691	0.411	1.077	2.178
311	4.065	0.000	1.352	0.804	1.909	4.065
911	9.439	0.000	3.017	1.795	4.627	9.439
Emergency Management	0.810	0.000	0.269	0.160	0.380	0.810
Civil Rights	3.285	0.000	1.052	0.626	1.607	3.285
Communications	2.359	2.232	0.000	0.000	0.127	2.359
Community Planning & Econ Develop (CPED)	33.947	32.806	0.000	0.000	1.141	33.947
Contingency	4.400	0.000	0.000	0.000	4.400	4.400
Convention Center	0.000	0.000	0.000	0.000	0.000	0.000
Finance	24.919	0.000	8.099	4.819	12.002	24.919
Health and Family	7.766	2.636	1.706	1.015	2.409	7.766
Human Resources	7.765	0.000	2.582	1.536	3.647	7.765
Intergovernmental Relations	1.733	0.000	0.554	0.330	0.849	1.733
Internal Audit	0.566	0.000	0.178	0.106	0.282	0.566
Mayor	1.952	0.000	0.596	0.355	1.001	1.952
Neighborhood & Community Relations	1.148	0.000	0.382	0.227	0.539	1.148
Public Works	58.046	16.478	13.767	8.192	19.610	58.047
Regulatory Services	17.987	14.624	1.118	0.665	1.579	17.987
Subtotal for all other departments	207.181	68.964	43.155	25.677	69.388	207.184
Total General Fund Departments	431.053	82.152	112.702	67.057	169.149	431.061
Total General Fund	498.824	82.152	176.646	67.057	172.976	498.832
Other Property Tax-Supported Commitments						
Capital - Permanent Improvement	0.980	0.000	0.000	0.000	0.980	0.980
Debt Service	37.044	0.000	0.000	0.000	37.044	37.044
Pensions - Direct Levies MPRA, MFRA, MERF	26.764	0.000	0.000	0.000	26.764	26.764
Subtotal Other Prop Tax Spt	64.788	0.000	0.000	0.000	64.788	64.788
Total Property Tax Supported Commitments	563.612	82.152	176.646	67.057	237.764	563.619

2019 Property Tax Supported Budgets

General Fund	Mayor's Recommended Funding	Direct Revenue (USED BY the department)	Allocated Revenues for Presentation Purposes <i>These revenues are receipted at the Fund Level, but have been allocated to departments in this table for presentation purposes ONLY.</i>			Total Revenues
			Other General City Revenues	Local Government Aid	Property Tax Revenue	
General Fund Commitments						
Capital Asset Replacement System (CARS)	5.000	0.000	5.000		0.000	5.000
Transfers to BIS for WIFI from Gen Fd Depts	0.000	0.000			0.000	0.000
Post Election Transition Costs Mayor & Council	0.000	0.000			0.000	0.000
Graffiti Removal	0.825	0.000			0.825	0.825
Transfer to Arena Reserve	3.700	0.000	3.700		0.000	3.700
Transfer to the Convention Center	56.901	0.000	56.901		0.000	56.901
Payment to County for Library System	0.000	0.000		0.000	0.000	0.000
Transfers for City Hall rent (non GFd)	0.933	0.000	0.000	0.000	0.933	0.933
Transfer to Pension Management Plan	1.500	0.000			1.500	1.500
Total General Fund Commitments	68.859	0.000	65.601	0.000	3.258	68.859
General Fund Departments						
Police	164.242	11.057	51.424	28.928	72.835	164.244
Fire	67.206	2.131	22.018	12.386	30.672	67.206
Subtotal for Police & Fire	231.448	13.188	73.442	41.313	103.507	231.450
Assessor	5.515	0.063	1.848	1.040	2.564	5.515
Attorney	10.067	0.020	3.300	1.856	4.890	10.067
IT	0.000	0.000	0.000	0.000	0.000	0.000
City Council	5.660	0.000	1.830	1.029	2.801	5.660
City Clerk/Elections	4.457	0.105	1.249	0.703	2.400	4.457
City Coordinator Administration	2.248	0.000	0.726	0.409	1.113	2.248
311	4.234	0.000	1.435	0.807	1.991	4.234
911	9.799	0.000	3.194	1.796	4.809	9.799
Emergency Management	0.837	0.000	0.284	0.160	0.394	0.837
Civil Rights	3.402	0.000	1.111	0.625	1.666	3.402
Communications	2.440	2.309	0.000	0.000	0.131	2.440
Community Planning & Econ Develop (CPED)	35.078	33.932	0.000	0.000	1.145	35.078
Contingency	4.500	0.000	0.000	0.000	4.500	4.500
Convention Center	0.000	0.000	0.000	0.000	0.000	0.000
Finance	25.863	0.000	8.569	4.821	12.474	25.864
Health and Family	8.042	2.715	1.806	1.016	2.506	8.042
Human Resources	8.027	0.000	2.721	1.530	3.775	8.027
Intergovernmental Relations	1.787	0.000	0.582	0.327	0.877	1.787
Internal Audit	0.586	0.000	0.188	0.106	0.292	0.586
Mayor	2.021	0.000	0.629	0.354	1.038	2.021
Neighborhood & Community Relations	1.187	0.000	0.402	0.226	0.558	1.187
Public Works	59.909	16.478	14.663	8.249	20.519	59.909
Regulatory Services	18.645	15.063	1.214	0.683	1.685	18.645
Subtotal for all other departments	214.302	70.685	45.752	25.737	72.130	214.303
Total General Fund Departments	445.749	83.873	119.193	67.050	175.637	445.753
Total General Fund	514.608	83.873	184.794	67.050	178.895	514.612
Other Property Tax-Supported Commitments						
Capital - Permanent Improvement	0.980	0.000	0.000	0.000	0.980	0.980
Debt Service	38.024	0.000	0.000	0.000	38.024	38.024
Pensions - Direct Levies MPRA, MFRA, MERF	26.764	0.000	0.000	0.000	26.764	26.764
Subtotal Other Prop Tax Spt	65.768	0.000	0.000	0.000	65.768	65.768
Total Property Tax Supported Commitments	580.376	83.873	184.794	67.050	244.662	580.380

Five-Year Summary of Property Tax Supported Budgets					
	2014 Expense	5-Year Projected Change in Spending	2019 Expense	% Change over 5-yr period	Avg Annual % Change over 5- yr period
General Fund Commitments					
Internal Service Funds Financial Plans	16.591	(16.591)	0.000	-100.0%	-20.0%
Transfer to the Park Board (Trees)	0.200	(0.200)	0.000	-100.0%	-20.0%
Capital Asset Replacement System (CARS)	8.900	(3.900)	5.000	-43.8%	-8.8%
Transfers to IT for WiFi from Gen Fd Depts	0.505	(0.505)	0.000	-100.0%	-20.0%
Post Election Transition Costs Mayor & Council	0.200	(0.200)	0.000	-100.0%	-20.0%
Graffiti Removal	0.820	0.005	0.825	0.6%	0.1%
Transfer to Arena Reserve	0.000	3.700	3.700	0.0%	0.0%
Transfer to the Convention Center	46.593	10.308	56.901	22.1%	4.4%
Payment to County for Library System	3.238	(3.238)	0.000	-100.0%	-20.0%
Transfers for City Hall rent (non GFd)	0.731	0.202	0.933	27.6%	5.5%
Misc Department Internal Service Funds	0.560	(0.560)	0.000	-100.0%	-20.0%
Transfer to Fund 4100 Permanent Improvement	0.500	(0.500)	0.000	-100.0%	-20.0%
Transfer to Pension Management Plan	1.500	0.000	1.500	0.0%	0.0%
Total General Fund Commitments	63.547	5.312	68.859	8.4%	1.7%
General Fund Departments					
Police	141.799	22.443	164.242	15.8%	3.2%
Fire	58.160	9.045	67.206	15.6%	3.1%
Subtotal for Police & Fire	199.960	31.488	231.448	15.7%	3.1%
Assessor	4.629	0.886	5.515	19.1%	3.8%
Attorney	8.675	1.391	10.067	16.0%	3.2%
IT	0.725	(0.725)	0.000	-100.0%	-20.0%
City Council	4.730	0.931	5.660	19.7%	3.9%
City Clerk/Elections	3.812	0.645	4.457	16.9%	3.4%
City Coordinator Administration	2.086	0.162	2.248	7.8%	1.6%
311	3.465	0.768	4.234	22.2%	4.4%
911	8.132	1.667	9.799	20.5%	4.1%
Emergency Management	0.709	0.127	0.837	18.0%	3.6%
Civil Rights	2.857	0.545	3.402	19.1%	3.8%
Communications	2.059	0.381	2.440	18.5%	3.7%
Community Planning & Econ Develop (CPED)	30.162	4.916	35.078	16.3%	3.3%
Contingency	4.000	0.500	4.500	12.5%	2.5%
Finance	0.000	0.000	0.000	0.0%	0.0%
Health and Family	21.497	4.366	25.863	20.3%	4.1%
Human Resources	7.234	0.809	8.042	11.2%	2.2%
Intergovernmental Relations	6.936	1.090	8.027	15.7%	3.1%
Internal Audit	1.533	0.253	1.787	16.5%	3.3%
Mayor	0.491	0.095	0.586	19.3%	3.9%
Neighborhood & Community Relations	1.696	0.325	2.021	19.1%	3.8%
Public Works	1.039	0.148	1.187	14.2%	2.8%
Regulatory Services	53.546	6.363	59.909	11.9%	2.4%
Subtotal for all other departments	170.013	25.644	195.657	15.1%	3.0%
Total General Fund Departments	369.973	57.131	427.104	15.4%	3.1%
Total General Fund	433.520	62.443	495.963	14.4%	2.9%
Other Property Tax-Supported Commitments					
Capital - Permanent Improvement	0.980	0.000	0.980	0.0%	0.0%
Debt Service	28.714	9.310	38.024	32.4%	6.5%
Pensions - Direct Levies MPRA, MFRA, MERF	26.764	0.000	26.764	0.0%	0.0%
Subtotal Other Prop Tax Spt	56.458	9.310	65.768	16.5%	3.3%
Total Property Tax Supported Commitments	489.978	71.753	561.731	14.6%	2.9%

**City of Minneapolis
FY 2014 Budget
Financial Plan**

Convention Center Special Revenue Fund

Background

The Convention Center Special Revenue Fund and related Facilities Reserve Fund are used to account for the maintenance, operation and marketing of the City-owned Convention Center and related facilities, as well as various local 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, and cultural, religious, and sporting events, all of which benefit and showcase the City, the metropolitan region, and the State of Minnesota. The marketing of the Convention Center, as well as the City overall, is supported by providing funding to Meet Minneapolis, an independent, non-profit organization contracted by the City of Minneapolis to market Minneapolis and the Twin Cities as a convention and tourist destination.

Historical Financial Performance

The fiscal year-end 2012 fund balance for the Convention Center Special Revenue Fund was \$53.2 million, an increase of \$9.3 million from 2011. The cash balance in the fund grew by approximately \$13.7 million. In addition, the Convention Center Facilities Reserve Fund had a 2012 year-end fund balance of nearly \$5.4 million. The 2012 increase in fund balance can be largely attributed to an increase in operating and local tax revenue, coupled with lower operating expenses.

For 2012, the operating deficit (operating revenue less operating expenses) dropped to \$(8.2) million from \$(9.7) million in 2011.

Details of recent history for the local sales taxes are provided below:

Comparative amounts collected:

<u>Local Sales Taxes (in millions)</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>% chg.</u>
0.5% Citywide Sales tax	\$27.3	\$29.9	\$31.7	6.0%
3.0% Downtown Restaurant Tax	\$10.5	\$11.0	\$11.5	4.5%
3.0% Downtown Liquor Tax	\$4.6	\$4.6	\$5.4	17.4%
<u>2.625% Lodging Tax *</u>	<u>\$5.8</u>	<u>\$6.3</u>	<u>\$6.4</u>	<u>1.6%</u>
Total Tax Collection	\$48.2	\$51.8	\$55.0	6.2%

* Lodging Tax was reduced to 2.625% from 3.0% effective 07/01/2009

Until 2012, the entertainment tax of 3.0% flowed through the Convention Center Fund, though it was ultimately transferred to the Arena Reserve Fund (Target Center) to credit the fund for entertainment tax proceeds generated from Target Center activities, and to the General Fund to offset additional public safety costs associated with City-wide entertainment activities. Starting in 2012, the entertainment tax revenue was booked directly in the Target Center Arena Reserve Fund and the General Fund. A recent history of entertainment tax is shown at the top of the next page.

<u>Entertainment Taxes (in millions)</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>% chg.</u>
3.0% Entertainment Tax	\$13.2	\$14.1	\$14.2	1.0%

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 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. Food and beverage commission sales account for the other miscellaneous operating revenue.

In 2012, total operating revenue was \$15.1 million, which was an increase of \$428 thousand from 2011 and nearly \$958 thousand over the 2012 budget.

2013 Projections

Operating revenue is currently projected to come in at approximately \$15.3 million, which would be up from 2012 results. With operating expenses projected to be approximately \$24.5 million, the operating deficit is projected to be \$(9.2) million. The ongoing management of operating expenses includes a variety of cost containment activities:

- Reduction in energy and water consumption
- Identifying and implementing operating efficiencies
- Realignment of the workforce
- Managing overtime

Capital investments for equipment, maintenance and improvements are projected at \$11.1 million which includes a \$2.3 million rollover for obligated, but unspent funds.

City funding of Meet Minneapolis is projected to be approximately \$8.8 million, \$250,000 under budget and approximately \$700,000 above 2012. Meet Minneapolis is projected to finish \$250,000 under budget as a result of receiving \$250,000 of their \$500,000 budgeted incentive. The Convention Center was the recipient of a \$174,357 rebate for an LED lighting installation in Hall A through Xcel Energy.

Local sales taxes are projected to be \$56.1 million in 2013, a 2% increase from 2012 actuals.

2014 Budget

Operating Revenues

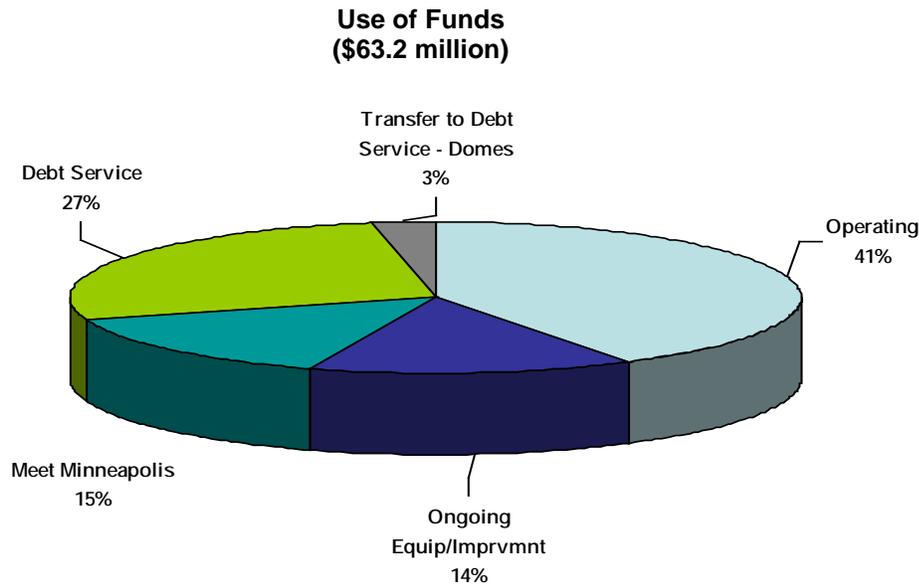
The 2014 revenues for the Convention Center have been adjusted to reflect the actual historical receipts and anticipated event activity. Total operating revenue for 2014 is expected to be \$16 million which is an increase of approximately \$750,000 over the most recent 2013 projection. The Convention Center continues to discount rents heavily to be competitive. Operational changes made in 2012 are showing positive results, particularly in charges for services and equipment while also reducing labor costs. Meet Minneapolis sales and marketing initiatives include a rebranding of the Convention Center and Convention Center website along with continued efforts to bring people downtown with events such as the Secret City Festival and the Minneapolis Interactive Macro-Mood Installation (MIMMI) display on the plaza. Although the economy is rebounding, the convention and meeting industry continues to face challenges in controlling costs as centers discount heavily to remain competitive.

Local Sales Tax Revenue

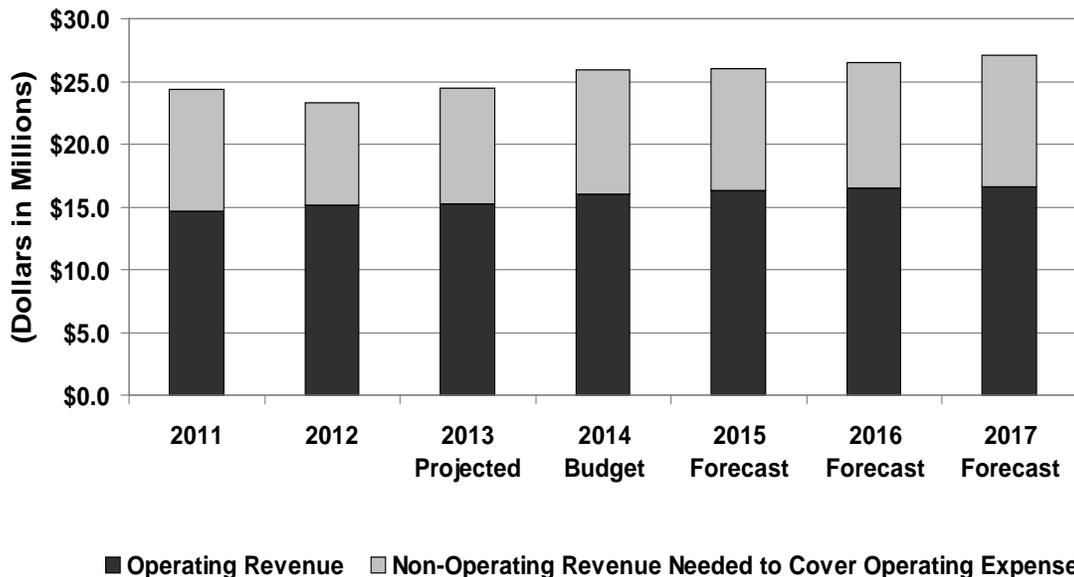
Beginning in 2014, local tax revenue will be receipted directly to the General Fund. The General Fund will transfer sufficient funds to the Convention Center for the Convention Center to break even.

Expenditures

Operating expenses are budgeted at \$25.9 million, up from the projected \$24.5 million in 2013. At this level, the operating deficit is budgeted to be \$(9.9) million. The budget for Meet Minneapolis is \$9.3 million, up \$500,000 from projected 2013. Capital investments for 2014 are budgeted at \$9.1 million, per the long-term capital plan previously adopted by the City Council. The Convention Center Fund will no longer be transferring sales tax to the General Fund. In 2013, the transfer to the General Fund was \$5.3 million.



Operating Revenue and Expense (Excludes Ongoing Equipment & Improvement)



Cash Fund Balance

Between the Convention Center Special Revenue Fund and Facility Reserve Fund, the ending 2014 cash balance is projected at approximately \$39.3 million.

Debt Service

The 2014 budget includes full funding to meet the debt service payments of both \$17.1 million in outstanding building related debt and \$1.8 million in debt for the dome replacement.

Forecast for 2015-2017

Operating revenue is currently forecast to range between \$16.3 million and \$16.6 million based on already booked events and projections for additional bookings. In 2015, the Convention Center expects operating expenses to increase approximately \$500,000 or 2% from 2014, and for planning purposes operating expenses are forecast to increase by 2% annually, though cost containment efforts could lead to lower actual operating costs. The 2015 forecast for Meet Minneapolis is approximately \$250,000 lower than 2014 with the 2014 budget including a one-time increase of \$500,000 for Meeting Professionals of America with 2.8% inflators thereafter.

Capital investments are forecasted to be \$9.5 million, \$10.6 million, and \$9.5 million over this period as aligned with the long-range capital plan.

No new debt service is forecast and all existing debt service including the projected debt service from dome replacement is fully funded.

The General Fund will be transferring sufficient funds to fully fund the Convention Center to break even in each of these years.

Convention Center Related Programs

The Convention Center has four programs associated with the Fund:

Minneapolis Convention Center Events Program

Convention Centers exist to provide economic impact to their communities.

The Convention Center Events Program provides sales, event coordination, delivery of audio visual, utility, security and guest services to international, national, regional, state and local clients and their attendees. This program also includes the City's contract with Meet Minneapolis, which provides sales services for the convention center as well as destination marketing for the City of Minneapolis.

Convention Center events drive economic impact to the City as these clients and attendees purchase goods and services from the convention center as well as local businesses contributing to a vibrant downtown. Meet Minneapolis also pursues leisure travelers and sponsorship opportunities.

Minneapolis Convention Center Facilities Program

The Convention Center Facility Program provides the physical building and grounds of the Convention Center as well as the staff to maintain this City asset. The Events Program utilizes the facility to sell and host events. The Facilities Program includes repair and maintenance expenditures.

Minneapolis Convention Center Tallmadge Program

The Convention Center Tallmadge Building is currently operated as an office building that is leased to local businesses. Within the next several years, as lease contracts expire, we will implement our long-term competitive strategy to repurpose this building into a visitor center and restaurant to provide amenities and access to cultural and recreational activities to visitors. This will assist in attracting national business and economic impact to our City.

Target Center

The Target Center program provides an operating subsidy and capital funds for this City-owned facility through a contractual agreement with its operator, AEG.

City of Minneapolis
FY 2014 Mayor Recommended Budget
Financial Plan (in thousands of dollars)

Convention Center Special Revenue Fund

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Budget	% Chg From 2013 Projected	2015 Forecast	2016 Forecast	2017 Forecast
Source of Funds:									
<i>Operating Revenues:</i>									
Charges for Services	5,347	5,405	5,339	5,400	5,720	5.9%	5,834	5,892	5,951
Rents and Commissions	6,580	7,005	6,400	6,900	6,980	1.2%	7,120	7,189	7,261
Other Miscellaneous Operating	2,744	2,689	3,044	2,950	3,300	11.9%	3,366	3,399	3,433
Sub-Total	14,671	15,099	14,783	15,250	16,000	4.9%	16,320	16,480	16,645
<i>Non-Operating Revenues:</i>									
Local Taxes	29,922	31,731	31,500	32,000	-	-100.0%	-	-	-
Restaurant Tax	11,032	11,465	12,000	11,900	-	-100.0%	-	-	-
Liquor Tax	4,599	5,427	5,700	5,600	-	-100.0%	-	-	-
Lodging Tax	6,300	6,432	6,800	6,600	-	-100.0%	-	-	-
Interest	162	259	200	355	361	1.7%	368	376	383
Other Misc Non Operating	624	880	265	452	215	-52.4%	164	114	63
Bonds Issued - Domes	-	4,200	-	-	-	0.0%	-	-	-
Premium on Bonds	-	111	-	-	-	0.0%	-	-	-
Transfer from Convention Facilities Reserve	1,500	1,500	-	-	-	0.0%	-	-	-
Sub-Total	54,139	62,005	56,465	56,907	576	-99.0%	532	490	446
Total	68,810	77,104	71,248	72,157	16,576	-77.0%	16,852	16,970	17,091
Entertainment Tax	14,077	-	-	-	-	-	-	-	-
Use of Funds:									
Convention Center Operations	24,392	23,345	25,092	24,500	25,904	5.7%	26,014	26,524	27,055
Ongoing Equipment/Improvement	1,612	5,099	11,073	11,073	9,115	-17.7%	9,480	10,628	9,453
Meet Minneapolis	7,525	8,138	9,017	8,767	9,289	6.0%	9,036	9,289	9,549
Capital Improvements - Domes	-	3,905	-	-	-	0.0%	-	-	-
Transfer to Gen Fund	250	250	5,250	5,250	-	-100.0%	-	-	-
Transfer to Conv Facilities Reserve	1,150	1,150	-	-	-	0.0%	-	-	-
Transfer to Debt Service	22,214	19,834	16,959	16,947	17,087	0.8%	23,462	24,092	24,159
Transfer to Debt Service - Domes	-	111	586	586	1,774	202.7%	1,040	520	510
Transfer to Other Debt Service Fund	153	400	-	-	-	0.0%	-	-	-
Transfer to Parking Fund for Debt Service	6,589	4,580	3,729	3,729	-	-100.0%	-	-	-
Transfer to Parking Fund - Operating Subsidy	1,000	1,000	1,000	1,000	-	-100.0%	-	-	-
Total	64,885	67,812	72,706	71,852	63,169	-12.1%	69,032	71,053	70,726
Transfer to General Fund - Ent. Tax	13,997	-	-	-	-	-	-	-	-
Transfer to Target Center - Ent. Tax	80	-	-	-	-	-	-	-	-
Transfer from General Fund	-	-	-	-	46,593	0.0%	52,180	54,083	53,635
Net Income	3,925	9,292	(1,458)	305	-	-100.0%	-	-	-
Fund Balance/Retained Earnings:									
Beginning Balance	40,009	43,933	53,225	53,225	53,530	0.6%	53,530	53,530	53,530
Ending Balance	43,933	53,225	51,767	53,530	53,530	0.0%	53,530	53,530	53,530
Ending Cash Balance	25,362	39,021	37,563	39,326	39,326	0.0%	39,326	39,326	39,326
Convention Center Facility Reserve Fund Balance	5,750	5,400	5,400	5,400	5,400	0.0%	5,400	5,400	5,400

Notes:

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

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

**City of Minneapolis
2014 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 provides support for the operation of the Arena and pays AEG a revenue sharing fee, if certain criteria are met, for contracted services for operating and promoting the Target Center.

The entertainment tax directed to the Arena Reserve Fund reflects entertainment tax proceeds generated directly from Target Center activities. Also, the Arena Reserve 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 the 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 segregated and restricted to specific purposes, including debt service and capital expenses.

2013 Projections

In 2013, the unrestricted Arena revenue, before the balance of the \$2.0 million capital contribution from AEG, is projected to finish at \$4.484 million which is slightly below the \$4.577 million budget. In 2012, the Target Center had a positive year with a large increase in Timberwolves event attendance and several large concerts and events. As a result, the entertainment tax came in higher than was budgeted. For 2013, it is projected that entertainment tax collections will be closer to prior years. For the year, total capital investments are projected at \$5.88 million, including the balance of the capital contribution from AEG, as well as \$1.6 million that was carried forward for completion in 2013.

2014 Budget

Revenues

Revenues from the TIF sources are budgeted to be \$6.757 million, a reduction of \$670,000 from 2013 projections. Entertainment tax revenues are budgeted at \$1.275 million, slightly less than 2013 budgeted levels and the parking revenue transfer is budgeted at \$3.323 million. The property taxes paid by the primary tenant of the Arena have not been included and are being replaced by a rent payment from the primary tenant. In addition \$3.700 million has been identified from local option taxes, along with \$3.700 million from private payments that will be used to pay debt on bonds issued to finance the renovation project

The Cumulative TI Balance for 2009 Bonds is to be maintained solely to pay future debt service on the 2009 Bonds. Based on current tax increment projections, when combined with the cumulative balance, sufficient revenue will be available from the tax increment sources to make principal and interest payments on the 2009 Bonds as they are due. Any residual TI Balance available after the 2009 Bonds have been paid in full may be used to finance capital improvements of the Arena.

Expenditures

The only expenditure funded with the TIF revenue in the 2014 budget is \$4.250 million of existing debt service. Budgeted expenditures funded with non-TIF sources include \$5.234 million in capital improvements, \$259,000 in administrative costs and a \$1.441 million operator reimbursement, as well as an anticipated debt service payment of \$7.400 million on new debt to finance the renovation project

Renovation project

The 2014 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 2014 budget includes a placeholder to reflect the financial impact of the renovation within the Arena Reserve Fund. Currently, \$3.700 million in annual local sales tax revenues has been identified to fund an estimated \$7.400 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.

Mayor's Recommended Budget

The Mayor recommended no changes to this fund.

**City of Minneapolis
2014 Budget
Financial Plan (in thousands of dollars)**

Arena Reserve Special Revenue Fund

	2011	2012	2013	2013	2014	% Chg	2015	2016	2017
	Actual	Actual	Budget	Projected	Budget	From 2013 Projected	Forecast	Forecast	Forecast
Source of Tax Increment Funds:									
Common Project TIF Contribution (01CPK)	1,989	2,073	1,438	1,438	1,474	2.5%	1,515	1,556	1,586
Arena Tax Increment (01CPK)	953	930	949	907	-	-100.0%	-	-	-
Consolidated TIF District (01CON)	5,282	5,064	4,955	5,018	5,149	2.6%	5,265	5,396	5,539
Interest Earnings (01CPK & 01CON)	80	51	101	101	134	32.7%	168	200	231
Sub-Total	8,304	8,118	7,443	7,464	6,757	-9.5%	6,948	7,152	7,356
Use of Tax Increment Funds:									
Transfer to Debt Service (01CPK)	1,157	0	-	-	-	-100.0%	-	-	-
Transfer to Debt Service (01CON)	2,529	4,956	5,272	5,272	4,250	-19.4%	4,492	4,740	5,003
Capital Improvements/Admin	1,759	2,038	3,864	3,864	-	-100.0%	-	-	-
Sub-Total	5,445	6,994	9,136	9,136	4,250	-40.4%	4,492	4,740	5,003
Net Available After 2009 Debt	2,859	1,124	(1,693)	(1,672)	2,507		2,456	2,412	2,353
Cumulative TI Balance for 2009 Bonds (see note)	10,950	12,074	10,381	10,402	12,909		15,365	17,777	20,130
Source of Non-Restricted Funds:									
Estimated Local Option Taxes	-	-	-	-	3,700*	0.0%	3,700	3,700	3,700
Estimated Private Debt Payments	-	-	-	-	3,700*	0.0%	3,700	3,700	3,700
Event Parking	2,758	2,941	3,129	3,129	3,323	6.2%	3,523	3,728	3,940
Rent	-	-	-	-	1,350	0.0%	1,377	1,405	1,433
Entertainment Tax (Arena Events Only)	80	1,295	1,300	1,200	1,275	6.3%	1,300	1,339	1,379
Arena Base Tax	89	92	92	92	-	-100.0%	-	-	-
AEI Capital Investment	-	1,681	-	319	-	-	-	-	-
Interest Earnings (01260)	13	35	56	63	63	0.0%	67	62	66
Sub-Total	2,940	6,044	4,577	4,803	13,411	205.0%	13,667	13,934	14,218
Use of Non-Restricted Funds:									
Estimated New Debt Service	-	-	-	-	7,400	0.0%	7,400	7,400	7,400
Capital Improvements	1,312	3,181	1,791	2,110	5,234	148.1%	2,605	2,220	2,222
Administration	228	23	22	22	259	1077.3%	264	269	275
Operator Reimbursement (see note)	1,563	1,483	1,470	1,470	1,441	-2.0%	1,412	1,384	1,356
Sub-Total	3,103	4,687	3,283	4,055	14,334	253.5%	11,681	11,273	11,253
Net Income for Operations	(163)	1,357	1,294	748	(923)	-223.4%	1,986	2,660	2,965
Cumulative Operations Fund Balance	2,772	2,610	3,904	4,844	2,532		4,518	7,178	10,143
Total Anticipated Capital Expenditures	3,071	5,074	5,557	5,876	5,234		2,605	2,220	2,222

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

Cumulative TI Balance for 2009 Bonds, beginning in 2014 this balance is being maintained and reserved to pay debt service on the 2009 Bonds.

Operator Reimbursement shows maximum amount, except in 2012 which was the actual reimbursement.

2012 Maximum Operator Reimbursement was \$1,500,000.

*Revenue source in 2014 for new debt service is from capitalized bond proceeds

**City of Minneapolis
2014 Budget
Financial Plan**

Community and Economic Development Funds

Background

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

2014 Budget

Revenues

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

- The increase in General Fund is primarily a result of the bond fee income being treated as General Fund, plus projected increases in direct revenues related to regulatory activities.
- Revenues from federal grant programs are reduced as a result of federal actions.
- There will be annual variations in program income. These are shown as declining at a 5 percent rate.
- Revenue from the Consolidated TIF District will be used to pay existing Target Center debt in 2014 and beyond for Target Center debt and neighborhood revitalization activities. The financial plan does not include any assumptions regarding this district, since currently none of the revenues will be directly available for CPED activities.

Expenditures

The expenditure projections contain assumptions that also must be revisited annually in the context of revised revenues and department performance measures. The tax increment revenues will continue to be restricted to existing debt and contractual obligations.

Debt Service

Bonded debt payable from tax increment revenues will remain outstanding beyond 2014. It is anticipated that tax increment revenue will be sufficient to pay debt service on these obligations.

CDBG Program Income

Resources have been identified and are being appropriated to repay the balance of the CDBG Letter of Credit relating to Block E, therefore the policy of redirecting 50% of the CDBG Program Income to pay down the letter of credit is no longer needed and 100% of that revenue would be available for reprogramming purposes.

General Fund Resources

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

Finance Plan - Table 1

Projected CPED Revenues & Expenditures 2014 - 2017

City of Minneapolis
2014 Budget
Financial Plan (in thousands of dollars)

Projected CPED Revenues & Expenditures

	2012 Adopted	2013 Adopted	% Chg from 2012	2014 Mayor's Recommended	2015 Forecast	2016 Forecast	2017 Forecast
Local Funds							
General Fund Total	3.505	24.780	607.0%	34.410	35.412	36.444	37.507
GF Property Tax & Non-Direct Revenue	1.647	1.001		1.001	1.001	1.001	1.001
General Fund LGA	0.406	-		-	-	-	-
General Fund Direct Revenues	1.452	23.780		33.409	34.411	35.444	36.507
Capital Bonding (CIP) (Public Arts Proj)	0.346	0.605	74.9%	0.445	0.435	0.375	0.375
Tax Increment	44.972	30.387	-32.4%	30.257	27.641	25.371	25.080
Affordable Housing TI	2.000	2.000	0.0%	2.000	-	-	-
Interest Earnings all Funds	2.080	1.248	-40.0%	1.225	1.225	1.225	1.225
Housing Program Fees & Revenues*	1.090	1.393	27.8%	-	-	-	-
Economic Dev Program Fees & Revenues*	4.930	4.777	-3.1%	-	-	-	-
Other Project & Program Income	14.341	15.247	6.3%	14.838	9.598	9.118	8.662
							-
Federal Funds							
CDBG & NSP	9.198	8.041	-12.6%	8.924	7.056	7.056	7.056
ESG	0.939	0.830	-11.6%	0.773	0.773	0.773	0.773
HOME	2.058	2.153	4.6%	2.153	2.153	2.153	2.153
							-
Other State/Local Grants	4.500	4.500	0.0%	4.500	4.500	4.500	4.500
Adjustment to cover Transfers and Debt Service	(45.245)	(35.651)		(36.401)	(26.259)	(24.102)	(23.826)
Total Projected Revenues	44.713	60.311	34.9%	63.124	62.534	62.913	63.506
Appropriated							
<u>Business Lines:</u>							
Economic Policy & Development	10.544	10.181	-3.4%	11.035	11.256	11.481	11.710
Workforce Development	8.874	8.796	-0.9%	6.631	6.763	6.898	7.036
Housing & Policy Development	14.484	14.090	-2.7%	15.980	16.300	16.626	16.959
Long Range Planning	1.487	2.160	45.2%	2.536	2.586	2.638	2.691
Development Services	2.401	13.199	449.7%	12.314	12.560	12.811	13.068
<u>CPED Support:</u>							
Executive & Support Services	5.074	4.784	-5.7%	9.941	10.140	10.343	10.550
Total Projected Uses	92.110	53.210	0.8%	58.436	59.605	60.797	62.013
Transfer & Debt Service	49.245	39.651	-19.5%	36.401	26.259	24.102	23.826
Difference	1.848	7.101		4.688	2.929	2.116	1.493

* Beginning in 2014, Housing and Economic Development bond fees are being treated as General Fund Direct Revenue

** Includes CDBG Program Income

City of Minneapolis
2014 Budget
 Financial Plan

Neighborhood & Community Relations Special Revenue Fund

Background

The Neighborhood & Community Relations (NCR) Special Revenue Fund 01800 accounts for neighborhood revitalization efforts funded by the revenues of Consolidated Redevelopment Tax Increment Financing District. The district was established pursuant to special legislation adopted in 2008, and must be decertified no later than December 31, 2020. The tax increment revenue generated by the Consolidated TIF District; for neighborhood revitalization purposes; may be spent anywhere within the City of Minneapolis. The Fund is used primarily for community engagement and neighborhood-based initiatives, as well as a portion of NCR administrative costs.

Historical Financial Performance

In 2011, the City established this Fund. The City decided to reduce property tax levies in 2012-2013 by using reprogrammed NRP resources (\$10 million) to fund neighborhood revitalization services for these two years.

2014 Budget

Revenues and Expenditures

The total revenue budgeted and projected expenditures for 2014 is \$5.1 million

NCR Special Revenue Fund: 01800							
(in thousands of dollars)							
	2011 Actual	2012 Actual	2013 Projected	2014 Budget	2015 Forecast	2016 Forecast	2017 Forecast
Source of funds (revenue)	5,133	1,539	1,200	5,149	5,265	5,396	5,540
Uses of funds (expenditures)	2,689	3,036	1,304	5,149	5,373	5,211	5,851
Cumulative Total	2,444	947	843	843	735	920	609

**City of Minneapolis
2014 Budget
Financial Plan**

Regulatory Services Special Revenue Fund

Background

The Regulatory Services Special Revenue Fund accounts for the City's nuisance building abatement efforts and is primarily managed by the Regulatory Services Department with the assistance of the Finance & Property Services Department. The Fund is used not only for the abatement of buildings that have been deemed to be in nuisance condition pursuant to Chapter 249 but also removal of nuisance conditions. Property owners are charged to recover the costs of these activities and all recovered costs are credited back to this fund. In 2013 the Construction Code Services department of Regulatory Services was transferred to Community Planning and Economic Development (CPED). A portion of the activities in the Regulatory Services Special Revenue Fund are now managed by CPED.

Historical Financial Performance

The City established this fund in 2008, and through 2012, it has established a fund balance of \$5.2 million. This balance is the result of various initiatives in previous years and the availability of grant funds to pay for certain eligible expenses. Both of these revenue sources are not projected to continue leaving special assessments and direct property owner charges as the only sources of revenue for this fund. These resources will face challenges in 2013 and beyond, including lower than expected assessment collections and reductions in grant allocations.

2014 Budget

Revenues

Revenues for the Regulatory Services Special Revenue Fund have been declining since 2011. The total revenue budgeted for 2014 is \$ 4.4 million; \$3.6 million of this is from special assessments. In 2014 Regulatory Services share of these revenues is \$3.7 million and CPED's share is \$630,000. Revenue in future years revenue is expected to decline by 6% annually.

Expenditures

Expenditures from the Regulatory Services Special Revenue Fund include services such as demolitions, board-ups, nuisance grass cutting, nuisance tree removals, and nuisance rubbish removal. In order to continue to spend down fund balance, total budgeted expenditures for 2014 are \$5.2M or \$869,000 in excess of revenue. Regulatory Services appropriation is \$4.6 million, and CPED's appropriation is \$630,000.

Mayor's Recommended Budget

The Mayor recommends no changes.

Regulatory Services Special Revenue Financial Plan (in thousands of dollars)

Special Revenue Fund	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Budget	% Chg from 2013 Projected	2015 Forecast	2016 Forecast	2017 Forecast
Revenues									
Special Revenue Fund (Revolving) Revenues	5,944	4,574	4,326	4,568	4,365	96%	4,103	3,857	3,625
Expenses									
Special Revenue Fund (Revolving) Expenses	7,241	4,831	4,959	5,212	5,234	100%	4,920	4,625	4,348
Fund Balance at start of year	6,775	5,478	5,221	5,221	4,577		3,707	2,890	2,122
Fund Balance at end of year	5,478	5,221	4,587	4,577	3,707		2,890	2,122	1,400

**City of Minneapolis
2014 Budget
Financial Plan**

Municipal Parking Fund

Background

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

Historical Financial Performance

The financial condition of the Parking Fund has historically been stable, but it continues to experience financial challenges due to remaining debt levels and funding commitments to other City functions. The fund generates positive retained earnings and is capable of satisfying its debt service while restoring its productive assets. The Parking Fund has benefitted from local sales tax revenues and tax increment and abatement revenues in the past to supplement debt service on ramps tied to the Convention Center and other development projects, but these sources will be reduced in the future because the corresponding debts have been paid off. The fund still retains financial commitments to other funds in the form of transfers or dividend payments which may lead to cash balances being lower than financial policy goals.

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

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

The fund received local sales tax transfers of \$5.6 million in 2012 from the Minneapolis Convention Center to pay debt service and operating costs for Convention Center related parking facilities. The fund also received tax increment transfers of \$7.7 million in 2012 to pay part of major development projects in the downtown area. For 2014 and beyond there will be significantly less debt service owed for these functions and therefore only a small amount of tax increment revenue will be received by the Parking Fund. Sales tax revenue will be deposited into the General Fund in 2014 instead of the Convention Center fund. Operations and maintenance costs for the Convention Center ramps will be managed by reducing the transfers from the Parking Fund to the General Fund to offset the loss of revenue transferred from the Convention Center.

For historical trends, the 2011 and 2012 operating revenues and expenses are presented in the 2014 Parking Fund budget chart (see following pages). Increases in revenues and expenses for 2012 can be attributed to newly installed parking meters

The Parking Fund cash balance for year 2012 was \$7.7 million. The parking system creates a positive cash flow from parking operations. Based on current and proposed budgets, the Parking Fund cash balance will remain positive while decreasing slightly from current levels. Commitments for fund transfers out of the Parking Fund may result in a negative cash position in future years.

2014 Budget

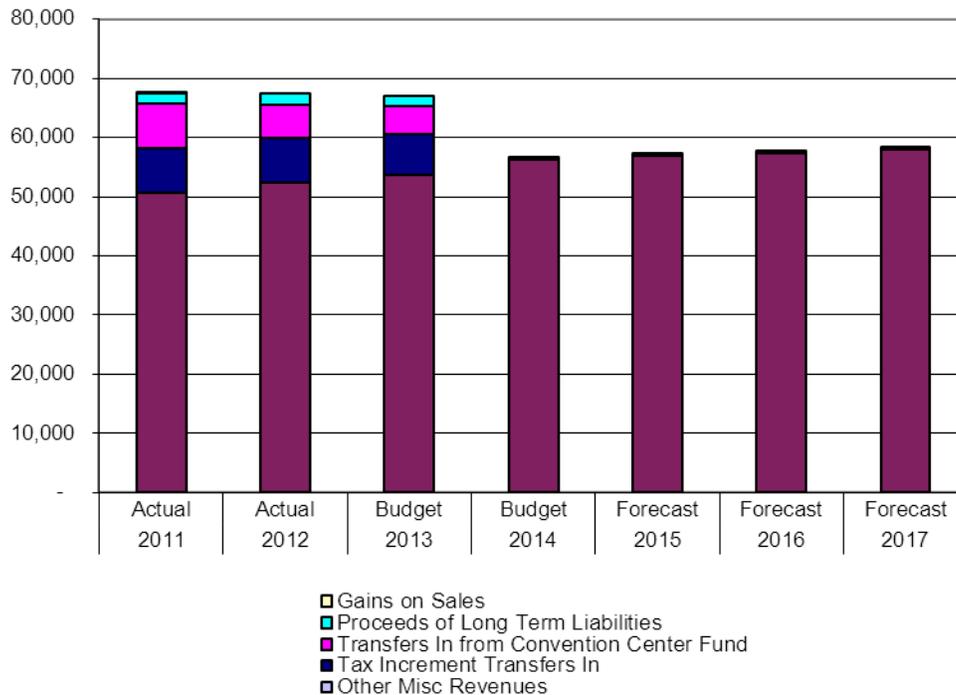
Revenues

The parking system operating revenue budget for 2014 increased 2.1% to \$58.6 million from \$55.9 million budgeted for 2013. The 2014 revenue budget incorporates an increase in on-street revenues due to implementation of new smart-meters and associated operational changes, a decrease in impounding revenues due to a decline in day-to-day tows, a decrease in auction revenues due to a decline in scrap metal prices, and a slight increase in off-street revenues.

Off-Street System Revenue Assumptions (2014)	
Utilization Percentage in 2012	79%
Number of Parking Stalls in the system	20,238
Forecasted Revenue increase	2013 4.4%
	2014 1.0%
	2015 1.0%
Assumed rate increases (if any)	0.05%
System-wide average event rate	\$ 10.00
System-wide average daily rate	\$ 7.25
System wide average monthly rate	\$ 135.00
Number of new stalls in the system	2013 0
	2014 0
	2015 0

For assumptions regarding sales tax revenue, please see the Convention Center Finance Plan and the Financial Overview Section.

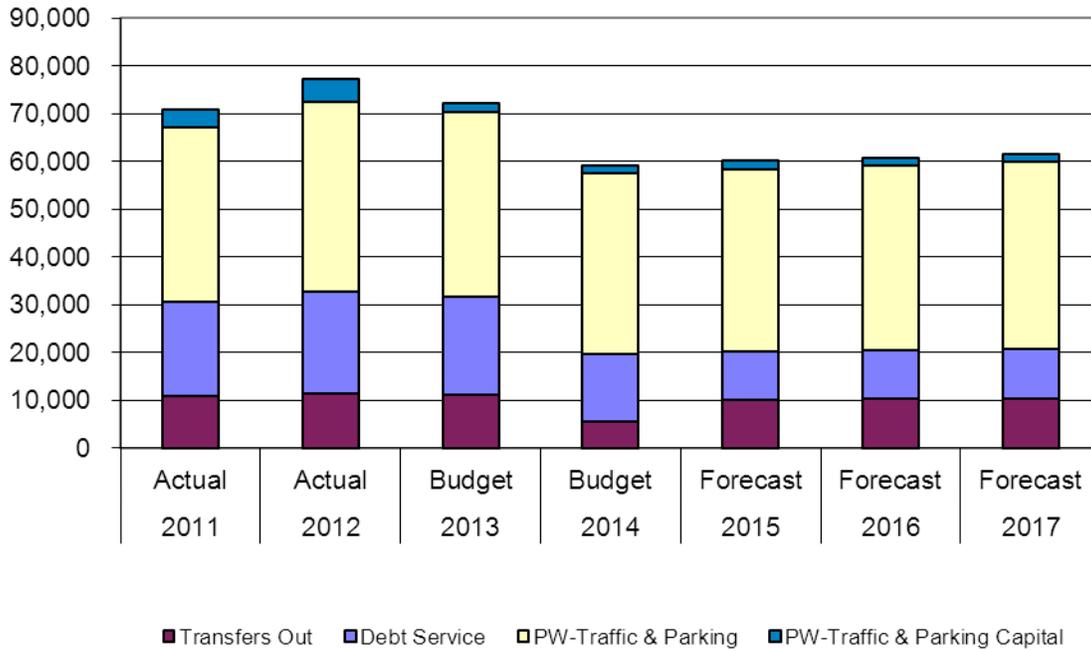
Parking Fund Revenues
(in thousands of dollars)



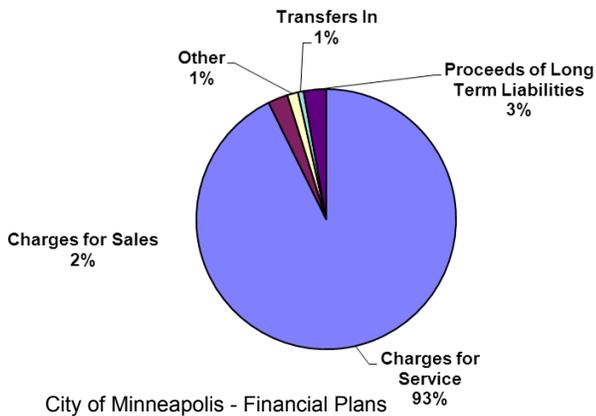
Expenditures

The parking system operating budget for 2014 stands at \$37.9 million which is a decrease of 2.2% from 2013 budgeted expenditures. The decrease for 2014 is due to a combination of operational efficiencies attained through automation and centralization, removal of one time charges associated with automation initiatives, completion of on-street meter implementation and declining costs of towing due to a decrease in day-to-day tows. The capital budget for 2014 is set at \$1.7 million, the same level as 2013, due to on-going repair and improvement work in the City-owned parking facilities.

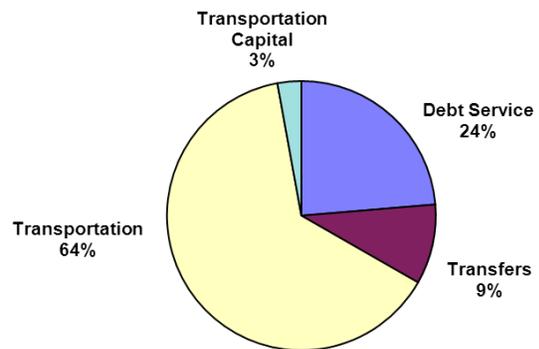
Parking Fund Expenditures
(in thousands of dollars)



Source of Funds
(\$65.9 million)



Use of Funds
(\$65.0 million)



Total debt service, which includes principal and interest on bonds issued for construction of municipal parking ramps, is \$14.0 million for 2014. A portion (\$5.6 million) of this debt service cost will be funded by a \$0.42 million transfer from tax increment and by savings resulting from a reduction in the amount of transfers out to the general fund of \$5.2 million versus 2013. For 2014 and beyond, only tax increment transfers will be received by the Parking Fund. The final Convention Center related parking ramp debt (other than major maintenance repairs) will be retired in 2014.

Transfers

Beginning in 2014, local sales tax revenues are no longer deposited directly to the Convention Center, but rather to the General Fund. Subsequently, the transfer of funds from the Convention Center to the Parking Fund is eliminated, along with a corresponding reduction in the transfer of funds from the Parking Fund to the General Fund. The result is no net impact to the Parking Fund. The transfer to the Target Center Arena Fund increases in 2014 to \$3.3 million compared to at \$3.1 million, and is scheduled to increase in future years. Revenues from State-owned garages continue to be transferred to the State on a daily basis. An annual transfer of \$146,000 to the Solid Waste and Recycling fund supports service for bus shelter litter containers.

City of Minneapolis
2014 Budget
Financial Plan (in thousands of dollars)

Municipal Parking Fund - 7500

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Budget	% Chg From 2013 Budget	2015 Forecast	2016 Forecast	2017 Forecast
Source of Funds:									
Licenses and Permits	268	317	240	272	275	12.9%	278	281	283
Charges for Service, Sales/Permits	50,572	52,285	53,627	53,719	56,257	4.9%	56,820	57,388	57,962
Charges for Sales	1,779	1,411	1,500	1,500	1,500		1,515	1,530	1,545
Special Assessments	57	57	543	1,875	543		543	543	543
Interest			-	-	-		-	-	-
Rents (Transportation)	2	2	-	-	-		-	-	-
Other Misc Revenues	9	10	-	-	-		-	-	-
<i>Total Operating Revenue</i>	<i>52,687</i>	<i>54,082</i>	<i>55,910</i>	<i>57,366</i>	<i>58,575</i>	<i>2.1%</i>	<i>59,155</i>	<i>59,741</i>	<i>60,333</i>
Tax Increment Transfers In	7,607	7,703	6,901	6,901	423	-93.9%	423	423	423
Transfers In from Convention Center Fund*	7,589	5,580	4,727	4,727		-100.0%	-	-	-
Other Transfers In		886					-	-	-
<i>Total Transfers In</i>	<i>15,196</i>	<i>14,169</i>	<i>11,628</i>	<i>11,628</i>	<i>423</i>	<i>-96.4%</i>	<i>423</i>	<i>423</i>	<i>423</i>
Proceeds of Long Term Liabilities	1,700	1,900	1,700	3,400	-	-50.0%	-	-	-
Total	69,583	70,151	69,238	72,394	58,998	-14.1%	59,578	60,164	60,756
Use of Funds:									
Debt Service	19,665	21,267	20,539	20,539	14,039	-31.6%	10,118	10,172	10,335
General Fund Transfer Out*	7,818	7,818	7,918	7,918	2,214	-72.0%	2,214	2,214	2,214
Target Arena Transfer Out	2,758	2,941	3,129	3,129	3,323	6.2%	3,523	3,728	3,940
Debt Service Transfer Out	42	47	-	-	-		-	-	-
MERF Liability Transfer Out	198	477	-	-	-		-	-	-
Sanitation Transfer Out	146	146	146	146	146		146	146	146
<i>Total Transfers Out</i>	<i>10,962</i>	<i>11,429</i>	<i>11,193</i>	<i>11,193</i>	<i>5,683</i>	<i>-49.2%</i>	<i>5,883</i>	<i>6,088</i>	<i>6,300</i>
PW-Traffic & Parking	36,450	39,861	38,742	38,195	37,883	-2.2%	38,262	38,644	39,031
PW-Traffic & Parking Capital	3,905	4,737	1,700	3,400	1,700		1,700	1,700	1,700
Total	70,982	77,294	72,174	73,327	59,305	-17.6%	55,963	56,604	57,366
Change in Net Assets	8,891	5,559	4,788	6,791	1,517	-48.2%	1,650	2,624	2,850
Net Assets	157,198	162,757	167,545	163,989	165,506	-1.2%	167,156	169,780	172,630
Modified Change in Net Assets (Net Income Est)									
(-) Depreciation	6,735	6,905	6,905	6,905	6,905		6,905	6,905	6,905
(-) Proceeds of LTD	1,700	1,900	1,700	3,400	-	-50.0%	-	-	-
(+) Traffic & Park Capital	3,905	4,737	1,700	3,400	1,700		1,700	1,700	1,700
(+) Principal Paid	14,820	16,770	14,629	14,629	8,729	-40.3%	4,940	5,969	6,364
Total	27,160	30,312	24,934	28,334	17,334	-38.8%	13,545	14,574	14,969
CAFR Cash Balances									
Cash Balances	11,649	7,729	4,793	6,796	6,489	-4.5%	10,104	13,664	17,055

Notes:

* Beginning in 2014, local sales taxes previously credited to the Convention Center and transferred to the General Fund and Parking Fund are credited to the General Fund. Subsequently, transfers to the Parking Fund from the Convention Center are eliminated beginning in 2014. Transfers from the Parking Fund to the General Fund are netted with the former transfer from the Convention Center to reduce the overall transfer from the Parking Fund to the General Fund - reduced from \$7.9 million in 2013 to \$2.2 million for 2014

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

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

Revenue and expense forecast are based on 1.0% increases respectively

Construction cash not included in current year and projected years

**City of Minneapolis
2014 Budget
Financial Plan**

Solid Waste and Recycling Fund

Background

The Solid Waste and Recycling Fund provides services related to collection, disposal, and recycling of household waste, yard waste, and problem materials. Graffiti removal and the organics program are additional activities. There are nine programs that are budgeted for 2014 within the Solid Waste fund. The Solid Waste Division provides weekly and bi-weekly services for trash, yard-waste, and recycling materials pickups. It also operates a solid waste transfer station providing service to over 105,000 households. City crews provide approximately one-half of the solid waste collection service in the City with the other half being provided through a contract with a consortium of companies specializing in waste collection.

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

Historical Financial Performance

The overall financial condition of the Solid Waste and Recycling Fund has remained stable over the years despite a planned decrease in net position for 2013. Total revenues for year 2012 were at \$32.5 million compared to \$33.0 million in 2011, a decrease of \$500,000, or 2%. The increase in revenues of \$400,000 from monthly collection services and micro-grants was off-set by a decrease in revenues of \$900,000 in scrap metal sales, local government grants, miscellaneous services and special assessments. Total expenditures for 2012 were \$33.6 million compared to \$32.1 million for 2011, an increase of \$1.5 million or 5%. Approximately \$1 million of this increase is due to purchases related to the one-sort recycling program. The additional increase of \$500,000 is due to the mattress recycling program, fringe benefits, and the MERF pension plan. The 2012 year-end cash balance for this fund was \$23.9 million compared to \$22.4 million at the end of 2011.

For 2013, year-end revenues from collections are projected to reach \$28.9 million, and the total revenues for the fund are projected to exceed \$31.6 million. Expenses for the Solid Waste and Recycling Fund are projected at \$36.3 million. This projected deficit of \$(4.8) million is mainly due to the planned capital outlay in 2013 for the purchase of carts and containers relating to the one-sort recycling program. With a cash balance in excess of \$23.8 million at the end of 2012, the Solid Waste and Recycling Fund is able to absorb these costs.

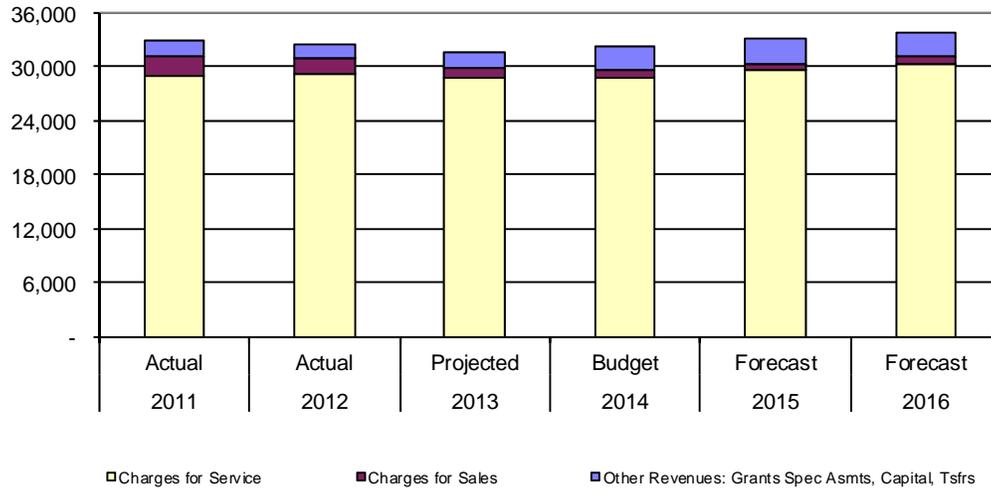
2014 Budget

Revenues

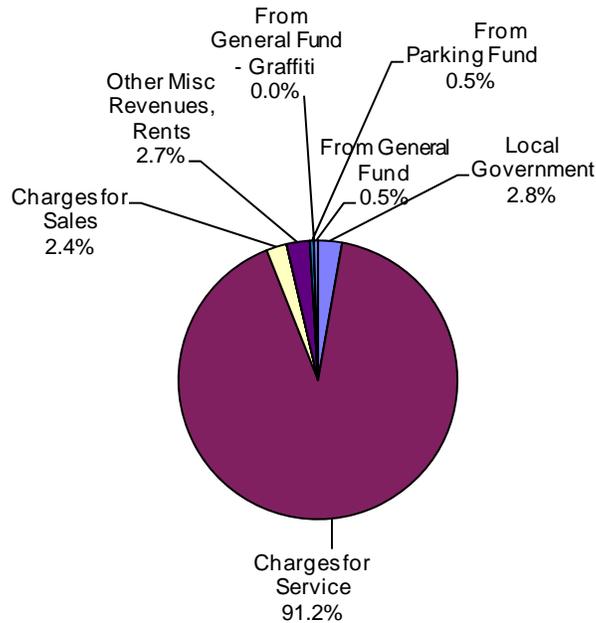
The total revenue budget for the Fund for 2014 amounts to \$32.3 million compared to \$31.6 million projected for 2013. This is an increase of about \$800,000 over the 2013 projection. Service revenue has been estimated at \$28.9 million which is the same as the projection for 2013. For 2014, the collection fee has been proposed at \$17.60 per dwelling unit. Monthly charges for large and small disposal carts are set at \$5 and \$2, respectively. Due to the decreasing market for scrap metals, recyclable sales for 2014 are expected to be \$750,000, which is approximately \$150,000 less than the projected amount of \$892,000 for 2013. Funds

from local governments include a Hennepin County recycling grant of \$880,000. Revenues generated from debris removal, special district maintenance, and various miscellaneous sources are estimated at \$500,000. An additional \$852,000 is expected to be generated from other sources and City departments for graffiti related work done on streets, bridges and other City properties.

Solid Waste Fund Revenues (in thousands of dollars)



Source of Funds (\$31.7 million)

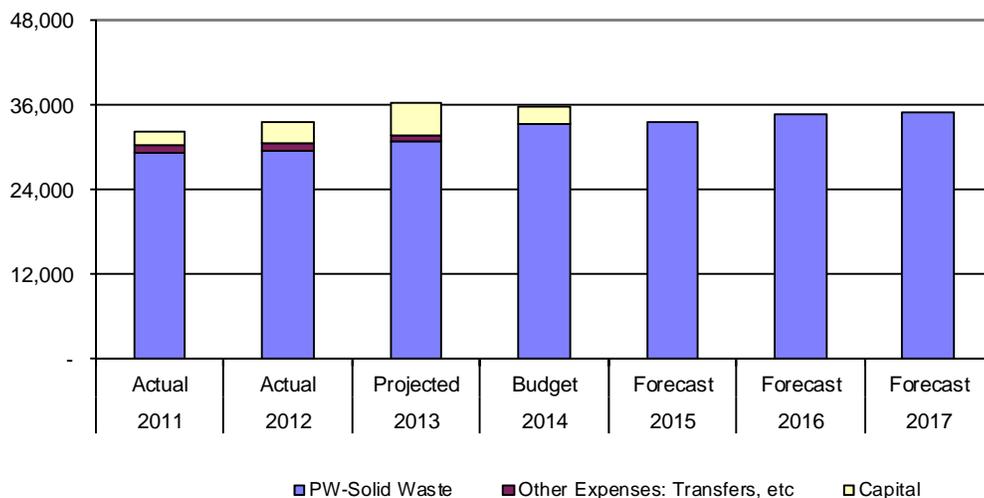


Revenue Assumptions (2014)	
Number of dwelling units	105,529

Expenditures

The total expenditure budget for 2014 amounts to \$33.4 million compared to \$36.3 million projected for 2013, a decrease of \$2.9 million. The operating budget at \$33.4 million accounts for 93% of the total budget. For facility maintenance, \$2.5 million has been proposed under capital improvement works. An increase of \$2.5 million in the operating budget has been off-set by a decrease in the capital budget of \$2.3 million. For 2013, the capital budget included \$4.8 million for the one-sort program. The Department's 2014 expenditures and changes include: (i) reclassification of the public service worker position and increase in the personnel budget of approximately \$500,000; (ii) an additional increase of \$300,000 in new vendor contracts for collection and yard waste for 2014; (iii) \$600,000 in higher costs for internal transfers required by the 2014 rate model plan; and (iv) facility improvement program replacing the 2013 one-sort recycling program.

Solid Waste Fund Expenditures (in thousands of dollars)



Transfers

Prior year budgets included a \$700,000 transfer from Solid Waste and Recycling to the General Fund to pay for snow plowing, which enabled delivery of solid waste and recycling services in the alleys. This transfer is discontinued starting 2014. Pension obligations related to the Minneapolis Employees Retirement Fund (MERF) have been eliminated from the Transfers Out category. Starting in 2013, this obligation is included and paid out of the operating budget

The Solid Waste and Recycling Fund will continue to receive \$146,000 from the Parking Fund for litter container pick-ups in the downtown area. Since 2004, the Fund has been receiving an annual transfer from the General Fund for graffiti removal and micro grants. For 2014, this amount is \$120,000. An additional transfer of \$700K for graffiti is scheduled to go into effect for 2014 and similar amounts are anticipated for coming years.

Debt Service

This fund does not have any capital debt service payments.

Cash Balance

The Solid Waste and Recycling Fund is projected to have a \$ \$15.6 million cash balance at the end of 2014.

**City of Minneapolis
2014 Budget
Financial Plan (in thousands of dollars)**

Solid Waste Fund - 7700

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Budget	% Chg From 2013 Projected	2015 Forecast	2016 Forecast	2017 Forecast
Sources of Funds:									
Local Government	890	864	891	891	880	-1.2%	880	880	880
Charges for Service	28,938	29,251	28,226	28,877	28,890	0.0%	29,604	30,363	31,147
Charges for Sales	2,173	1,611	1,251	892	750	-15.9%	750	750	750
Special Assessments	256	98	-	-	-		-	-	-
Other Misc Revenues, Rents	585	335	945	650	852	31.1%	852	852	852
Operating Transfers In:									
From Parking Fund	146	146	146	146	146		146	146	146
From General Fund - Graffiti					695		661	678	695
From General Fund	50	150	150	150	150		150	150	150
Total	33,038	32,455	31,608	31,606	32,364	2.4%	33,043	33,819	34,620
Use of Funds:									
PW-Solid Waste	29,282	29,440	32,055	30,869	33,378	8.1%	33,556	34,691	34,860
Transfers									
To General Fund	700	700	700	700	-	-100.0%	-	-	-
To MERF Fund	236	571	-	-					
General Services Capital									
Capital	1,908	2,938	4,775	4,775	2,500	-47.6%	-	-	-
Human Resources									
Total	32,126	33,649	37,530	36,344	35,878	-1.3%	33,556	34,691	34,860
Change in Net Position	912	(1,193)	(5,922)	(4,738)	(3,514)		(513)	(872)	(240)
Net Position Balance	30,539	30,319	24,397	25,581	22,067		21,554	20,682	20,442
Cash Balance	22,372	23,856	17,934	19,118	15,604		15,091	14,219	13,979

**City of Minneapolis
2014 Budget
Financial Plan**

Sanitary Sewer Fund

Background

The Sanitary Sewer Fund accounts for the enterprise activity of wastewater collection and treatment. Approximately 81% of the operating expenditures in the Sanitary Sewer Fund are comprised of contractual payments made to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. In addition to charges to the Sanitary Sewer Fund, the Stormwater Fund also provides payments to MCES. The Sanitary Sewer Fund portion is approximately 95% of the total paid by the City to MCES. The fund also accounts for maintenance and design work, capital programs and long-term debt services associated with the sanitary sewer system.

Historical Financial Performance

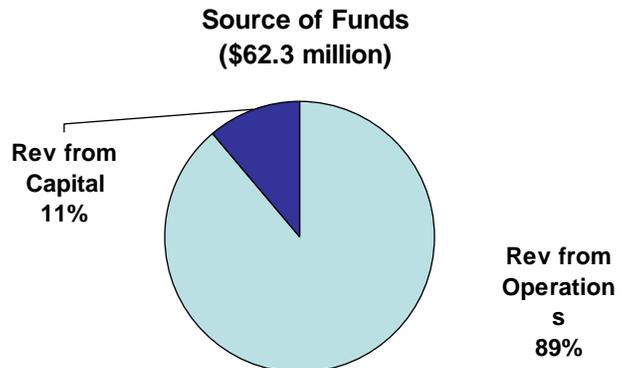
Total 2012 revenues were \$68.6 million compared to \$52.5 million in 2011, reflecting an increase of 16.1 million, or 31%, over 2011. Sewer Access Charges (SAC) revenues account for \$7 million of this increase which is off-set by a corresponding \$7 million increase in SAC expenditures as the SAC charges are passed through to property owners and developers as a direct charge. Monthly service revenues and capital programs account for the additional \$9 million increase over 2011. Sanitary service revenue totaled \$50.8 million, compared to the 2011 total of \$44.9 million. This increase of \$5.9 million is due to fixed rate component incorporated in monthly utility billings and, to lesser extent, the increase in usage. Usage charges are based upon the amount of water used by the account holder.

The expenditures for 2012 totaled \$64.1 million compared to \$51.1 million over 2011. This is an increase of \$13 million of which \$7 million is SAC related. Maintenance and design expenditures increased by \$600,000. An additional \$1.8 million increase in expenditures is associated with new (higher) rates from MCES. Other increases include transfers to MERF and the Water department which together account for \$1.5 million. Capital programs and debt services comprise the remaining \$2.1 million increase in 2012 expenditures over 2011.

2014 Budget

Revenues

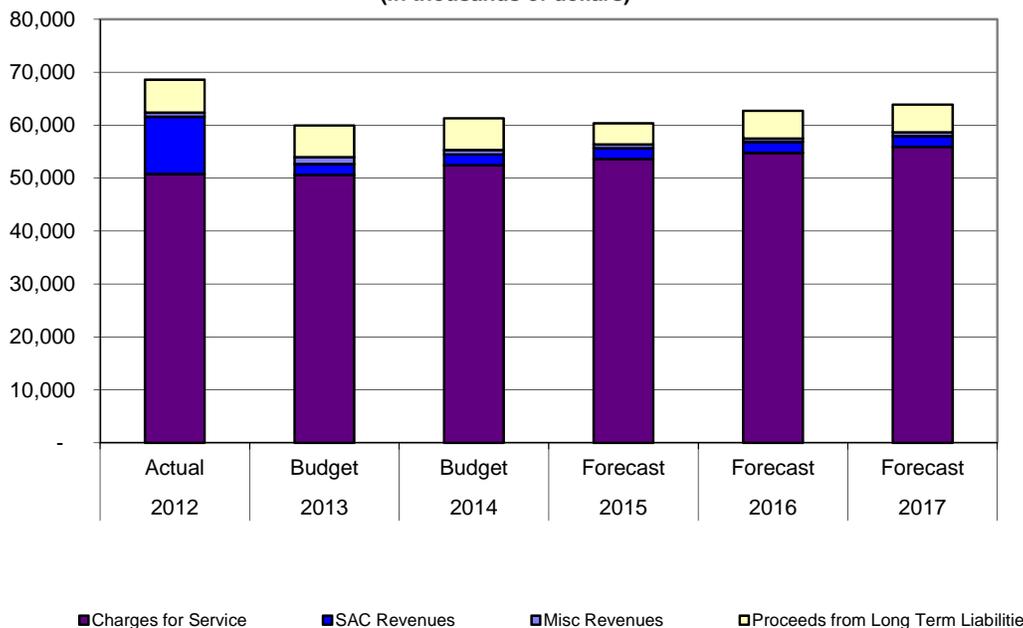
The total revenue budget for the Sanitary Sewer Fund for 2014 amounts to \$62.3 million compared to \$61.0 million compared to the 2013 projected revenues, a decrease of \$1.3 million, or 2%. Monthly utility billings, Sewer Access Charge (SAC) permits, design and miscellaneous activities, along with proceeds from capital programs provide the revenue sources for Sanitary Sewer Fund. Revenues from operations account for 89% of the budget with remaining 11% received from bond proceeds and reimbursements from capital



programs. Sanitary sewer rates are comprised of variable and fixed rates. For 2014, the variable sewer rate is proposed at \$3.21 per one hundred cubic feet (one *unit*, or 748 gallons) compared to \$3.14 for 2013, while fixed rates are \$3.40. Revenue estimates were increased to fund sanitary collection and treatment programs, retirements (MERF program), capital programs, debt payments and shared meter costs.

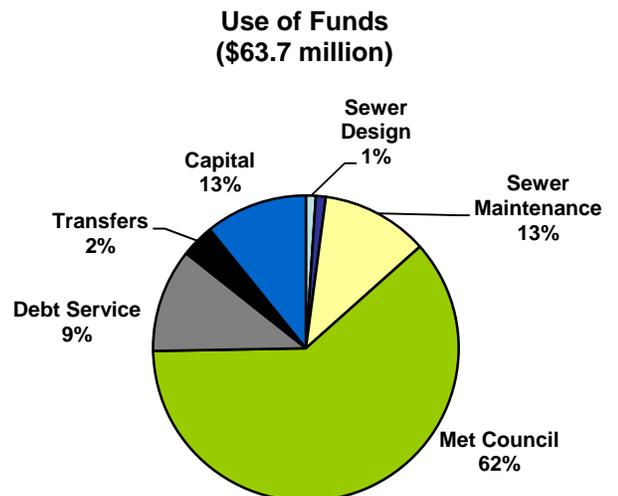
Year	Rate (cost per 100 per cubic feet)	% Increase	Average Monthly Bill	Total Planned Revenue from Utility Fee
2014	\$3.21	2.20%	\$19.26	\$52.4 million
2015	\$3.28	2.20%	\$19.68	\$53.6 million
2016	\$3.35	2.10%	\$20.10	\$54.8 million
2017	\$3.42	2.10%	\$20.52	\$55.9 million
2018	\$3.49	2.00%	\$20.94	\$57.0 million

Sanitary Sewer Fund Revenues
(in thousands of dollars)



Expenditures

The total expenditure budget for 2014 amounts to \$63.7 million compared to \$59.9 million projected for 2013. This is an increase of \$3.9 million, or 6.4%, over 2013 projections. Maintenance and design activities, treatment facility charges from MCES, capital programs, and long-term debt are included in these expenditures. An increase of \$1.5 million in MCES charges over 2013 is mainly due to rate increase for treatment services which is allocated regionally to all users of the system



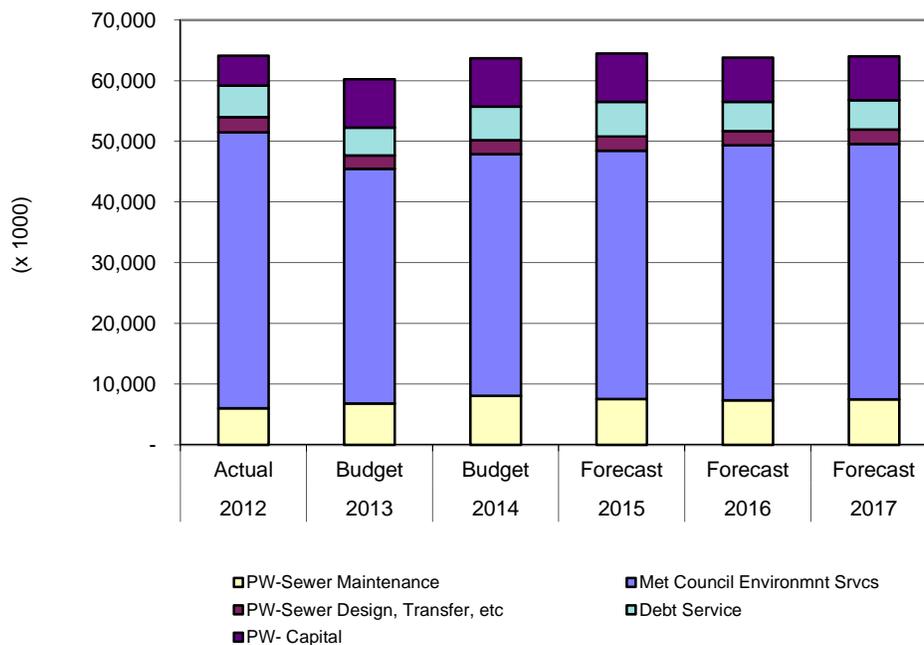
based upon their proportionate use. Design and maintenance budgets increased by \$1.5 million due to the realignment of personnel, planned implementation of televised sanitary system, and maintenance work and modifications relating to equipment gap and combo machines. An increase in debt services account for the remaining \$900,000 increase.

Capital expenditures for 2014 total \$8 million, the same as 2013 for the continued sanitary tunnel, sewer rehab, and reimbursable work completed. The largest expense in the Sanitary Sewer Fund is the service charge paid to Met Council Environmental Services (MCES). The estimated payment to MCES for 2014 is \$35.9 million, a 3% increase over 2013. The Sanitary Sewer Fund bears 95%, or \$34.2 million, of this cost with the remaining \$1.7 million paid from the Storm Water Fund. Minneapolis is the largest customer in MCES system. (Please note, this payment is only a portion of the Met Council Environmental Services line as shown on the plan as the SAC payments are included in the plan total).

Debt Service & Transfers

Capital programs for 2014 include the inflow/infiltration and tunnel sewer rehab programs. An additional component of capital program includes repair work on existing infrastructures. For 2014, \$5.5 million is set aside as debt service payments for bonds sold in current and previous years to fund these projects. A transfer from this fund is made to the Water fund to cover shared meter expenses. For 2014, the transfer is estimated at \$1.2 million.

Sanitary Sewer Fund Expenditures
(in thousands of dollars)



Mayor’s Recommended Budget

The division increased FTE’s by 5.50 as result of reorganizing employees between sanitary sewer, storm water, and capital departments to reflect actual staffing patterns based on current jobs and responsibilities. The increase is funded with existing resources.

City of Minneapolis
2014 Budget
Financial Plan (in thousands of dollars)

Sanitary Sewer Fund - 07100

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Budget	% Chg 2013 Projected	2015 Forecast	2016 Forecast	2017 Forecast
Source of Funds:									
Charges for Service	44,900	50,779	50,585	50,585	52,405	3.6%	53,589	54,757	55,911
SAC Revenues	3,592	10,813	2,060	2,060	2,060		2,060	2,060	2,060
Other Misc Revenues	990	754	1,319	1,319	820	-37.8%	720	655	655
Charges for Service - Capital	-	-	1,000	1,000	1,000		1,000	1,000	1,000
Proceeds from Long Term Liabilities	3,020	6,252	6,000	6,000	6,000		4,000	5,250	5,250
Total	52,501	68,597	60,964	60,964	62,285	2.2%	61,369	63,722	64,876
Use of Funds:									
PW-Sewer Design	366	453	738	655	860	31.3%	909	929	950
PW-Sewer Maintenance	5,510	6,004	6,830	6,801	8,055	18.4%	7,528	7,315	7,475
MERF Debt Service -New Plan	-	-	292	292	292		292	292	292
Met Council Environment Svcs	36,731	45,463	38,656	38,360	39,818	3.8%	40,908	42,029	42,096
Debt Service	4,618	5,157	4,594	4,594	5,532	20.4%	4,125	2,506	1,549
Future Debt Service	-	-	-	-	-		1,579	2,306	3,259
Transfers	-	-	-	-	-		-	-	-
To MERF Debt Service	577	1,112	-	-	-		-	-	-
To Water Fund	-	994	1,149	1,157	1,157		1,157	1,157	1,157
PW- Capital	3,309	4,915	8,000	8,000	8,000		8,000	7,250	7,250
Total	51,111	64,098	60,261	59,859	63,713	6.4%	64,498	63,784	64,027
Change in Net Position	1,390	4,499	704	1,105	(1,428)		(3,129)	(61)	848
Net Position Balance	100,839	107,462	108,165	108,567	107,139		104,010	103,949	104,797
Cash Balances									
Operating Cash	15,430	19,181	19,886	20,287	18,858		15,730	15,668	16,517
Construction Cash	5,338	837	-	-	-		-	-	-

City of Minneapolis

2014 Budget Financial Plan

Storm Water Fund

Background

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

Historical Financial Performance

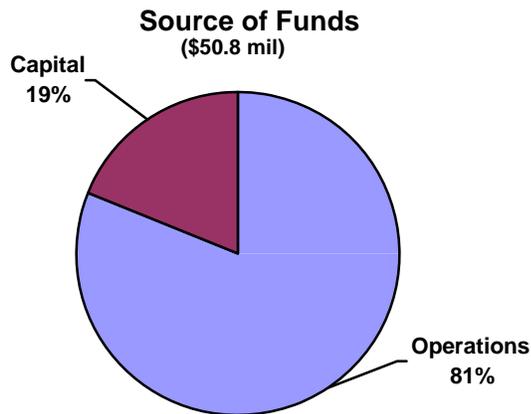
In 2012 total revenues decreased to \$45.9 million compared to \$53.7 million in 2011. This decrease amounts to \$7.8 million, or 15%. Most of this decrease is the result of a reduction in bond revenues from capital programs which decreased by \$7.1 million between 2011 and 2012. Design revenues, along with revenues from maintenance agreements, and capital reimbursements account for an additional \$1.9 million of the decrease. These were off-set by an increase in service revenue of \$1.3 million resulting from a rate increase of \$0.28 per Equivalent Storm water Unit (ESU) in utility billings. The \$37.8 million in expenditures in 2012 represents a decrease of \$12.6 million, or 25%, compared to \$50.4 million in 2011. Of this decrease, \$9.6 million is attributable to Capital programs, \$5.2 million from debt service payments, and \$500K from design activities. These decreases were off-set by increases in maintenance expenditures and MCES processing costs, as well as transfers of \$2.7 million.

2014 Budget

Revenues

The 2014 revenue budget totals \$50.8 million, compared to \$50.9 million projected for 2013, reflecting a decrease of less than 1%. An increase of \$400K in 2014 operating revenues from 2013 are off-set by decreases in revenues of \$500K associated with design works and Capital programs. The Storm water utility rate or the rate per ESU for 2014 is proposed at \$11.94. This rate increase of \$0.12 in storm water billings is estimated result in service revenue of \$38.3 million, \$400K more than the projected \$37.9 million for 2013. Revenues from County/State maintenance agreements are increased to \$1.6 million, which is \$600K more than the 2013 budgeted amount of \$900K; conversely, design revenues are estimated at \$1.2 million which reflects a decrease of \$400K as compared to 2013.

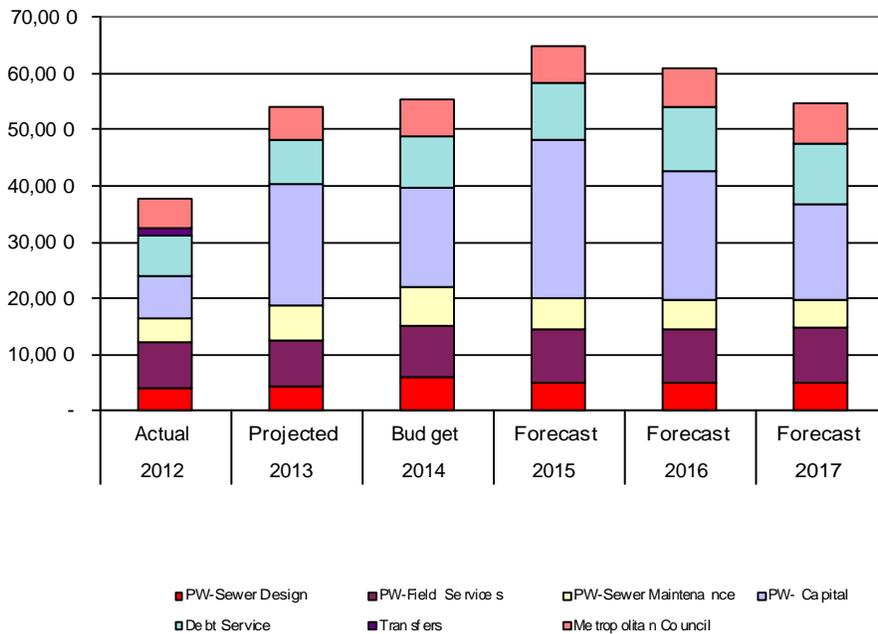
Year	Rate per ESU (Equivalent Storm Water Unit)	% Increase	Total Planned Revenue from Utility Fee
2014	\$11.94	1.0%	\$38.3 million
2015	\$12.06	1.0%	\$38.7 million
2016	\$12.18	1.0%	\$39.1 million
2017	\$12.30	1.0%	\$39.5 million
2018	\$12.52	1.8%	\$40.2 million



Expenditures

The 2014 total expenditure budget for the Storm Water Fund amounts to \$54.0 million compared to \$54.1 million projected for 2013, a marginal decrease of 0.2%. The fund's operating budget is used for design, maintenance, overflow programs, Met Council payments, and street cleaning. The operating budget for 2014 totals \$28.7 million which is \$3.9 million more than the \$24.8 million projected for 2013. The increase is the result of expenditures related to televised upgrades, relocation to the Hiawatha facility, the Linden Yard clean up, pond dredging activities, and an increase in street sweep contracts. Capital programs are estimated at \$16.0 million compared to \$21.4 million projected for 2013. For 2014, \$7.7 million of capital projects are bond funded, \$6.3 million of capital projects are Storm revenue funded and the remaining \$2.0 million are pay as you go. The 2014 budget contemplates a reduction in net position of \$3.5 million as part of the funding plan.

Stormwater Fund Expenditures (in thousands of dollars)



Combined Sewer Overflow (CSO)

The Combined Sewer Overflow project started in 2004. Working with property owners, this project aims to identify and disconnect roof drain overflow from the sanitary system. This is an on-going program. For 2014, \$700,000 has been allotted from the operating budget with additional funding available from the Capital programs.

Debt Service & Transfers

The 2014 budget includes funding for debt service payments that are primarily for bonds that have been previously sold to finance the Combined Sewer Overflow (CSO) and flood mitigation programs. For 2014, debt service payments are estimated at \$9.4 million compared to \$7.9 million projected for 2013.

Transfers relating to the MERF pension plan are now part of the operating budget. Starting in 2013 and future years, MERF will be paid out of the fund's operating budget. The current estimate for 2014 is approximately \$300k. Both the debt service and transfers are funded through fund balance generated by Storm Water revenues.

Mayor's Recommended Budget

The Storm Water Division has proposed a rate of \$11.94 ESU in 2014, an increase of \$0.12 over 2013.

**City of Minneapolis
2014 Budget
Financial Plan (in thousands of dollars)**

Storm Water Sewer Fund - 7300

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Budget	% Chg From 2013 Projected	2015 Forecast	2016 Forecast	2017 Forecast
Source of Funds:									
Federal Government	421	210							
State Government	1,938	1,115	670	1,158	1,158		1,158	1,158	1,158
Local Government	400	400	245	400	400		400	400	400
Charges for Service-Operating	35,621	36,694	37,835	37,931	38,319	1.0%	38,707	39,096	39,484
Design & Misc Revenues	2,580	1,834	1,629	1,426	898	-37.1%	2,221	1,505	962
Charges for Sales	-	-	-	-	-		-	-	-
Special Assessments	744	966	60	-	-		-	-	-
Interest	-	-	-	-	-		-	-	-
Charges for Service-Capital	1,581	1,382	2,000	2,000	2,000		2,000	2,000	2,000
Proceeds of Long Term Liabilities	10,415	3,272	8,000	8,000	7,700	-3.8%	17,018	14,480	8,600
Total	53,700	45,873	50,439	50,915	50,474	-0.9%	61,505	58,639	52,604
Use of Funds:									
PW-Sewer Design	4,615	4,076	5,034	4,444	5,859	31.9%	4,875	4,977	5,112
PW-Field Services	7,798	7,994	8,158	8,149	9,264	13.7%	9,440	9,620	9,803
PW-Sewer Maintenance	2,811	4,191	6,081	6,171	7,009	13.6%	5,793	5,175	4,760
Metropolitan Council	4,707	5,329	6,174	6,054	6,536	8.0%	6,692	6,851	7,014
Debt Service	12,443	7,265	7,927	7,888	4,085	-48.2%	3,030	2,600	-
Future Debt Service	-	-	(3,604)	-	5,288		6,926	8,881	10,759
Transfers	700	1,245	-	-	-		-	-	-
PW- Capital	17,363	7,734	17,700	21,413	15,950	-25.5%	28,188	22,980	17,190
Total	50,437	37,834	47,470	54,117	53,992	-0.2%	64,943	61,085	54,638
Change in Net Position	3,264	8,039	2,969	(3,203)	(3,517)		(3,440)	(2,446)	(2,034)
Net Position Balance	284,557	299,594	302,563	296,391	292,874		289,435	286,989	284,955
Cash Balances	24,531	33,223	36,192	30,019	25,502		22,064	19,617	17,583
Construction Cash	2,057	4,185							
Total Cash Balance	26,588	37,409	36,192	30,019	25,502		22,064	19,617	17,583

**City of Minneapolis
2014 Budget
Financial Plan**

Water Fund

Background

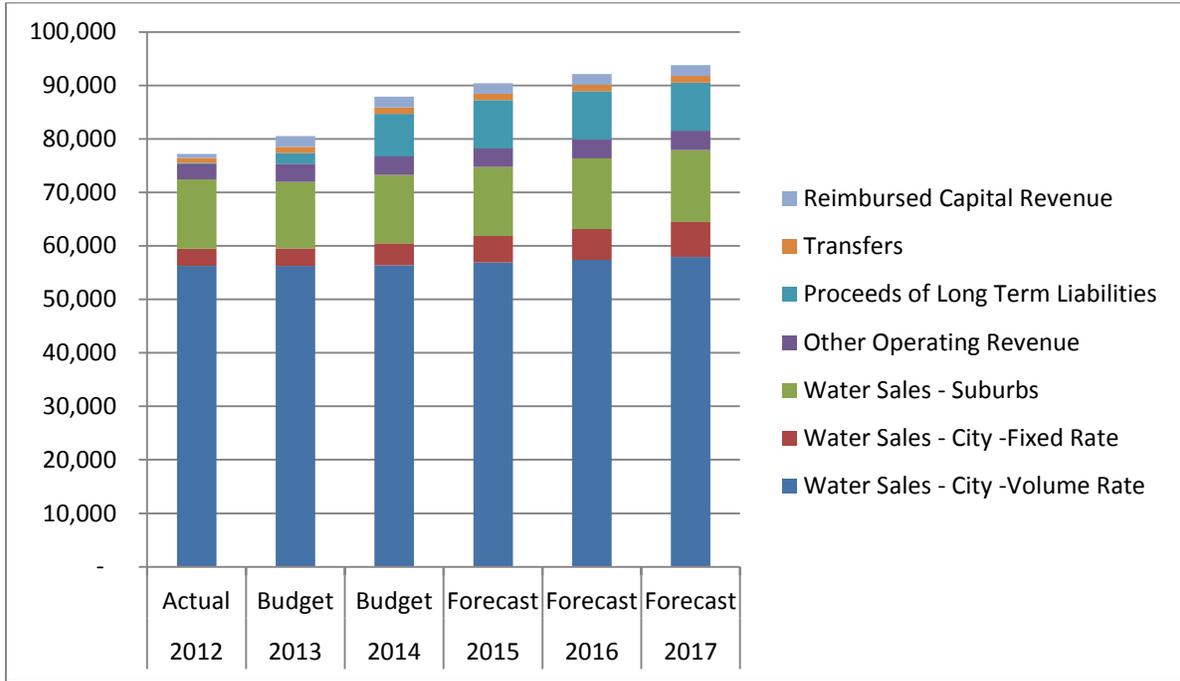
The Water Fund accounts for the operation, maintenance, and capital program of the water treatment and distribution system for the City of Minneapolis and several suburban customers. The City currently sells water to seven suburbs including Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope,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

Historical Financial Performance

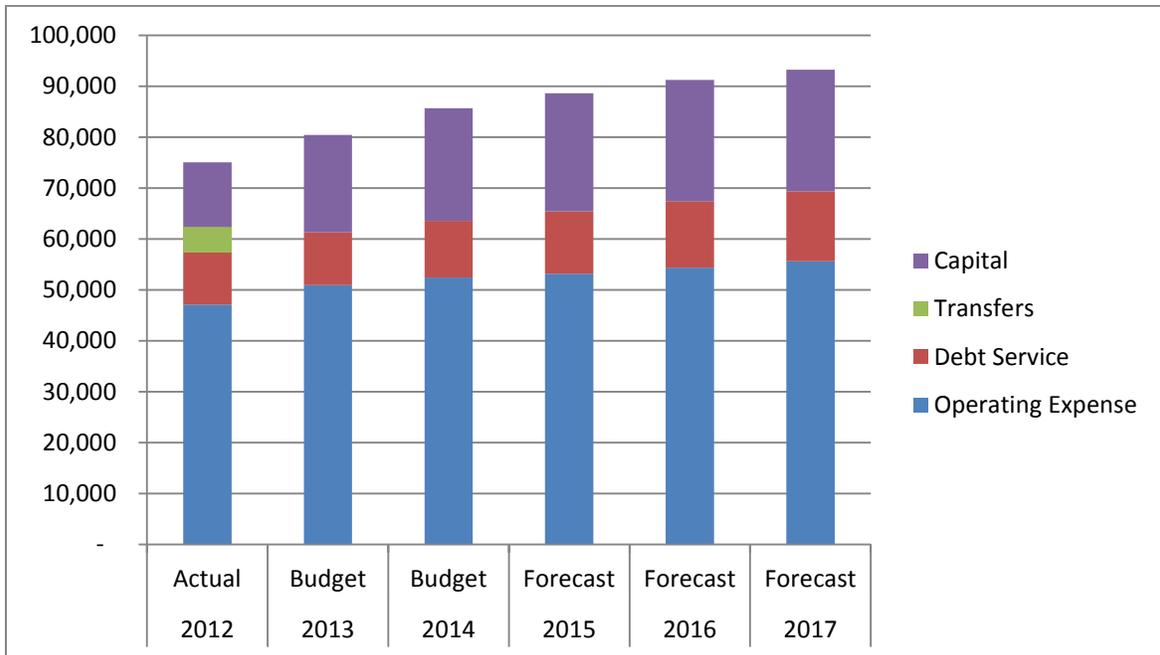
The net assets of the Water Fund have increased over the past several years due primarily to scheduled rate increases and major capital improvements. The following table shows the revenue earned from Minneapolis and suburban sales for years 2011 – 2012, the projected 2013 revenue, and the 2014 budgeted revenue:

Source of Revenue	2011	2012	2013 Projected	2014 Budget
Bloomington	\$3,628,081	\$3,649,480	\$3,460,369	\$3,668,680
Columbia Heights	1,266,464	1,273,934	1,207,920	1,262,916
Hilltop	76,363	76,813	72,833	70,963
Joint Water Commission	6,809,363	6,849,525	6,494,593	6,717,857
Edina	245,088	246,533	233,758	233,848
MAC	875,492	880,656	835,022	824,607
Total Suburban	\$12,900,850	\$12,976,941	\$12,304,495	\$12,778,871
Volume Rate	\$53,338,098	\$56,249,333	\$55,833,259	\$56,365,647
Fixed Rate	N/A	3,216,611	3,219,319.00	4,108,365
Total Minneapolis	\$53,338,098	\$59,465,944	\$59,052,578	\$60,474,012
Total Revenue	\$66,238,948	\$72,442,885	\$71,357,073	\$73,252,883

Water Fund Revenues (In thousands of dollars)



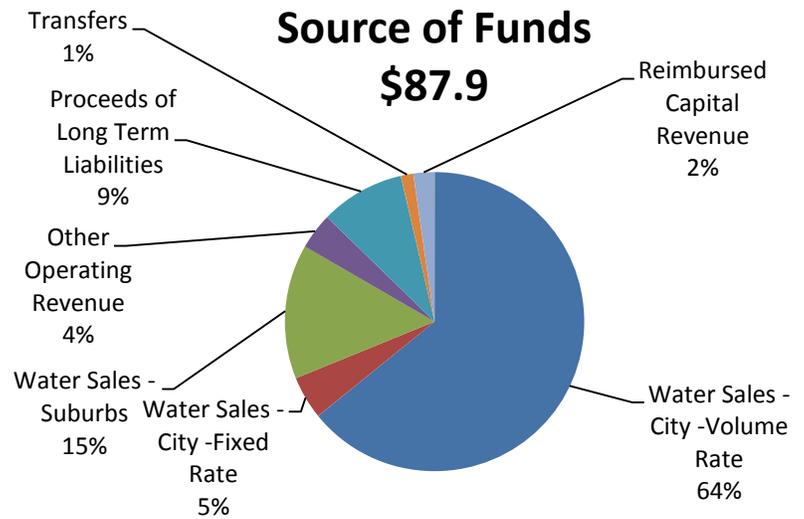
Water Fund Expenses (In thousands of dollars)



2014 Budget

Revenues

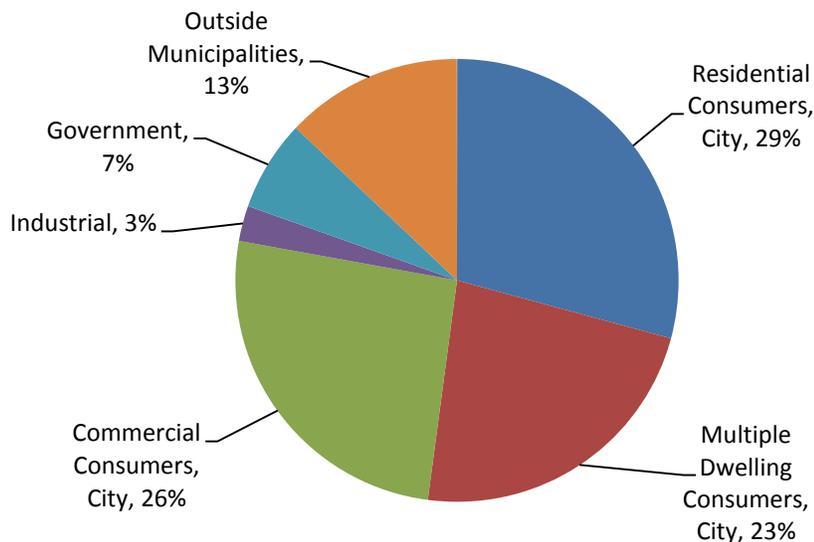
The 2014 revenue budget of \$87.9 million is 10% higher than the 2013 projected revenue of \$80.3 million. \$6 million or 7% of this increase is related to bond proceeds that will be used to finance the maintenance facility for the distribution division and for rehabilitation of the Fridley filter plant. There are also projected rate increases for the years 2014 – 2017 to fund debt service for the capital expenses, as well as to cover anticipated growth in operating expenses and to repair infrastructure.



Water Utility Rates

The budget includes a fixed rate charge based on meter size as well as a variable rate charge of \$3.32/unit. The fixed rate charge helps to cover the high fixed costs of operating the utility which increases the utility's financial stability as it continues to operate in an environment of declining consumption due to conservation efforts.

Charges for Services by Customer Consumption (Based on 2012 Consumption)



Projected Revenue Earned from City Water Sales

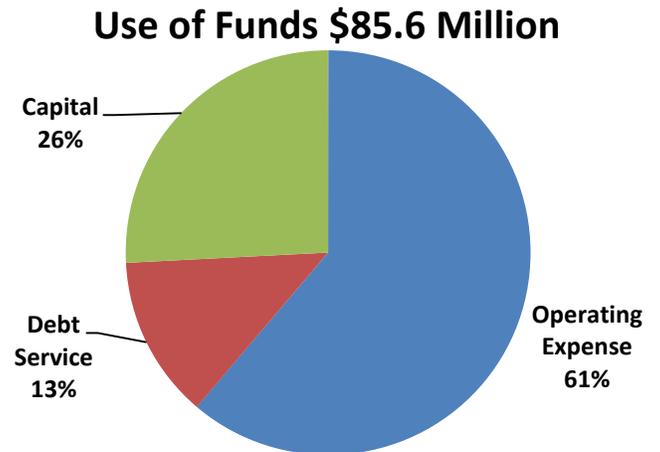
Year	Fixed Rate (5/8" Meter)	Rate (cost per 100 cubic feet)	Total Cost Per Month for Average Consumer ¹	Total % Increase	Total Monthly Cost Increase per Household	Total Planned Revenue from Utility Fee ²
2013	\$2.00	\$3.29	\$25.03	2.58%	\$0.63	\$59.1 Million
2014	\$2.50	\$3.32	\$25.74	2.84%	\$0.71	\$60.5 Million
2015	\$3.00	\$3.37	\$26.59	3.30%	\$0.85	\$61.8 Million
2016	\$3.50	\$3.42	\$27.44	3.20%	\$0.85	\$63.2 Million
2017	\$4.00	\$3.47	\$28.29	3.10%	\$0.85	\$64.5 Million
2018	\$4.50	\$3.52	\$29.14	3.00%	\$0.85	\$65.8 Million

Projected Revenue Earned from Suburban Water Sales

Year	% Increase	Total Revenue Earned from Utility Fee - Suburbs
2013	2.81%	\$12.3 Million
2014	2.84%	\$12.8 Million
2015	3.30%	\$12.9 Million
2016	3.20%	\$13.2 Million
2017	3.10%	\$13.4 Million
2018	3.00%	\$13.7 Million

Expenses

The 2014 expense budget is \$85.6 million, a 6.3% increase over the 2013 projected expense of \$80.5 million. The budget provides funding for water treatment and distribution and the capital improvement program. Current capital projects include improvements to the water distribution network, treatment infrastructure improvements, rehabilitation of the Fridley filter facility and replacement of the distribution maintenance facility. The 2014 capital budget of \$22.1 million represents a 15.4% increase from the 2013 capital budget of \$19.2 million.



¹ Rate is based on cost per 100 cubic feet and assumes 7 units of water are consumed per month for a 5/8" meter. The fixed rate increases as the meter size increases.

² Increase in total planned revenue is not equal to total % increase due to declining projected volumes.

Pension Obligations

The Water Fund incurs expenses related to its share of the Minneapolis Employee Retirement Fund (MERF) pension obligations. There will be \$2.3 million transferred to the bond redemption fund to cover the liability obligations related to Water Fund employees that have retired under the MERF pension plan.

Debt Service

The debt service total of \$11.1 million is primarily for bonds and notes (existing and future) sold to finance the Water Fund's Capital Construction program.

Mayor's Recommended Budget

The Mayor recommends no changes.

City of Minneapolis

2014 Budget

Financial Plan (In thousands of dollars)

Water Fund - 7400

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Budget	% Chg from 2013 Budget	2015 Forecast	2016 Forecast	2017 Forecast
Source of Funds:									
Water Sales - City									
Volume Rate	53,338	56,249	56,243	55,833	56,366	0.2%	56,893	57,410	57,916
Fixed Rate		3,217	3,258	3,219	4,108	26.1%	4,930	5,752	6,573
Water Sales - Suburbs	12,901	12,977	12,480	12,304	12,779	2.4%	12,902	13,175	13,444
Other Operating Revenue	3,452	2,779	3,358	3,731	3,446	2.6%	3,498	3,550	3,603
Proceeds of Long Term Liabilities	9,732	215	2,000	2,000	8,000	300.0%	9,000	9,000	9,000
Transfers									
From Sewer Fund for Meter Shop		994	1,149	1,149	1,157	0.7%	1,174	1,192	1,210
From General Fund			22	22	27	22.7%	27	27	27
Reimbursed Capital Revenue	247	759	2,000	2,000	2,000		2,000	2,000	2,000
Total	79,670	77,190	80,510	80,258	87,883	9.5%	90,424	92,106	93,773
Use of Funds:									
Operating Expense	45,017	47,085	50,901	50,977	52,424	3.0%	53,177	54,371	55,598
Debt Service	10,038	10,273	10,383	10,383	10,454	0.7%	10,691	10,906	10,928
Future Debt Service					670		1,532	2,165	2,798
Transfers									
To Debt Service for MERF Liability	2,042	4,992							
Capital	15,546	12,683	19,150	19,150	22,100	15.4%	23,200	23,800	23,900
Total	72,643	75,033	80,434	80,510	85,648	6.5%	88,600	91,242	93,224
Water Fund Margin	7,027	2,157	76	(252)	2,235		1,824	864	549
Water Net Position	185,959	197,186	197,262	196,934	199,169	1.0%	200,993	201,857	202,406
Cash Balance	15,158	19,067	19,142	18,815	21,377	11.7%	23,201	24,064	24,614

**City of Minneapolis
2014 Budget
Financial Plan**

Public Works Stores Fund

Background

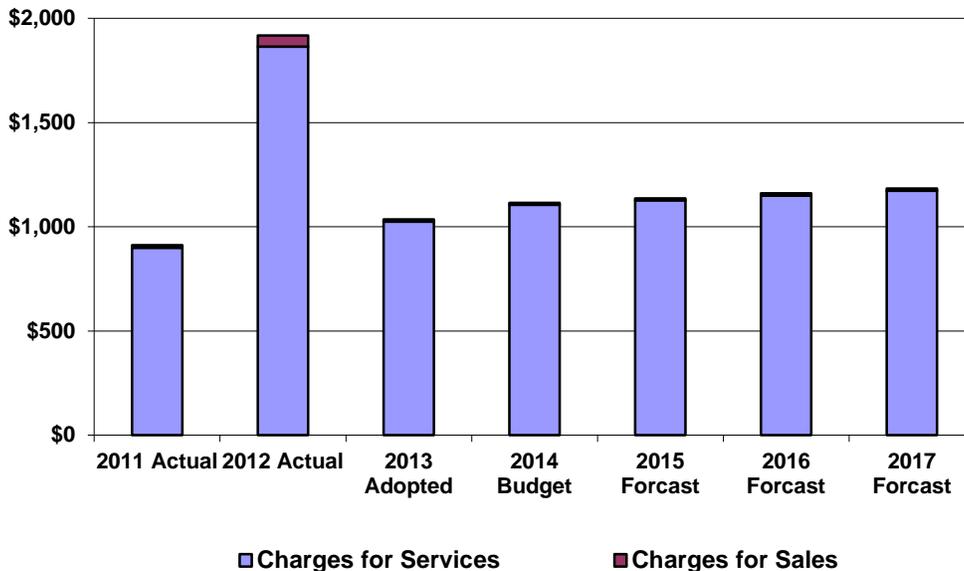
The Public Works Stores Fund accounts for the centralized procurement, receiving, warehousing, and distribution of stocked inventory items and the purchase of special goods and services through Central Stores and Public Works Traffic Stores.

Historical Financial Information

Public Works operated Central Stores beginning January 1965. At that time, the stockrooms of property services, bridge maintenance, paving construction, and sewer construction and maintenance were combined to establish a central stores operation. In 1980, Central Stores began purchasing the City's office supplies and non-specialty items. In April 2011, Central Stores was transitioned from the Public Works department to become a cost center within the department of Finance & Property Services. Central Stores remains an internal service division and transactions are recorded to the Public Works Stores Fund. Public Works Traffic Stores purchases components for traffic signals, controllers, and street lights.

A revised overhead structure was implemented in 1998 which resulted in positive net income for years 2000 through 2007. For year ending 2011, PW Stores recorded a net loss of \$(196,000). The net income for 2012 was \$667,000.

Public Works Stores Revenue
(in thousands of dollars)



2014 Budget

Revenues

Revenues for 2014 are budgeted at \$1.1 million, an increase of 2.3% from the 2013 projected revenue of \$1.09 million. Revenues for 2013 are projected to be higher than budgeted due to an increase in inventory transactions processed by both Central Stores and Traffic Stores. The 2013 revenue budget was calculated using historical levels of inventory sales.

Expense

The 2014 expense budget of \$985,000 is a 6.2% decrease from the 2013 projected expense of \$1.05 million. There are no significant planned changes for expenses.

Transfers

Beginning in 2013, this fund no longer plans for a transfer out for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability. The City retired the bonds related to this debt service in 2012 resulting in substantial savings to the City and creating a large increase to this debt payment for the proprietary funds. The Public Works Stores Fund used fund balance as the source of funding for this payment.

Debt Service

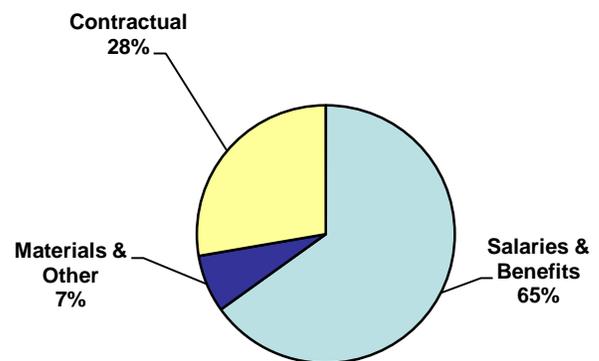
This fund does not have long-term debt.

Net Assets and Cash Balance

The year-end net asset balance for 2012 was \$3.7 million, an increase of \$667,000 from the ending net assets of \$3.0 million in 2011. The financial policy for the net position for this fund determines that the fund should maintain a net position, at a minimum, equal to 15% of the operating budget. For the year ending 2012, the benchmark for net assets is \$0.2 million and the fund exceeded the benchmark by \$3.5 million.

The fund has experienced a negative cash balance since year-end 2006 when the balance was a deficit of \$(900,000). By 2011, the deficit had increased to \$(1,027,000). In 2012 the deficit cash balance decreased to \$(163,000) and is projected to continue to improve and achieve a positive balance in 2016.

**Public Works Stores Funds
Use of Funds
(\$985,000)**



City of Minneapolis
2014 Budget
Financial Plan (in thousand of dollars)
PW Stores Fund - 06300*

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Budget	% Chg From 2013 Projected	2015 Forecast	2016 Forecast	2017 Forecast
Source of Funds:									
Charges for Services	899	1,865	1,025	1,075	1,105	2.8%	1,127	1,150	1,173
Charges for Sales	13	54	10	15	10	-33.3%	10	10	11
Total	912	1,920	1,035	1,090	1,115	2.3%	1,137	1,160	1,183
Use of Funds:									
Salaries and Fringes	666	727	662	700	641	-8.4%	654	667	680
Contractual Services	299	310	308	310	273	-11.9%	279	284	290
Materials and Other	92	99	70	40	71	77.0%	72	74	75
Transfers	51	117	-	-	-	0.0%	-	-	-
Total	1,108	1,253	1,040	1,050	985	-6.2%	1,005	1,025	1,045
Change in Net Assets	(196)	667	(5)	40	130		133	135	138
Net Assets	3,026	3,692	3,687	3,732	3,862		3,995	4,130	4,268
Cash Balance	(1,027)	(163)	(168)	(123)	7		139	274	412
Target Cash Reserve¹	158	159	156	156	148		151	154	157
Variance Cash to Target Reserve	(1,185)	(322)	(325)	(279)	(141)		(12)	121	255

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

¹The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve the PW Stores Fund should be maintained at a minimum of 15% of the operating budget.

Note: The 2015-2017 forecasts for source and use of funds are calculated using a factor of 2.0% to capture increases in revenues and expense.

**City of Minneapolis
2014 Budget
Financial Plan**

Engineering Materials and Testing Fund

Background

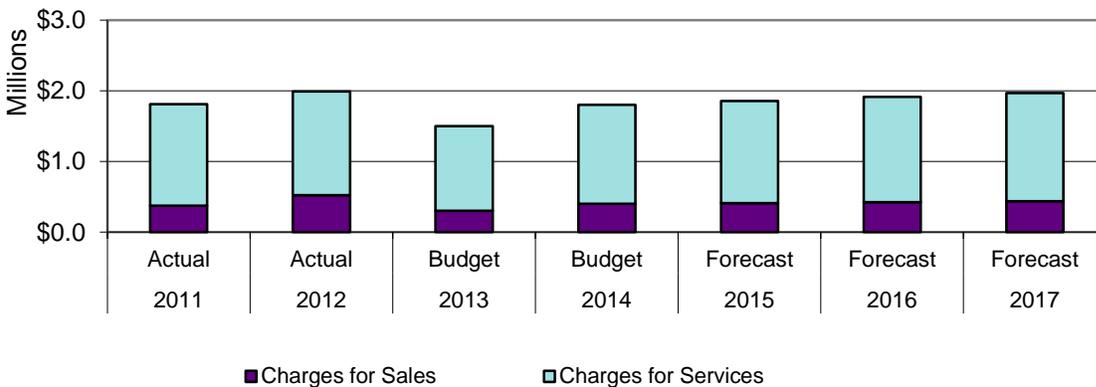
The Engineering Materials and Testing Fund accounts for City purchases of hot-mix asphalt and ready-mix concrete in order to ensure compliance with State and Federal standards and specifications, and to provide quality control of these materials. The Engineering Laboratory is a component of this fund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

Historical Financial Performance

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

The decision to suspend operations at the asphalt plant at the end of 2003 resulted in a \$777,000 loss on the disposal of this asset and a decrease in net assets of \$709,000. From 2003 through 2008, this fund had a decrease in net assets of \$1.5 million of which \$777,000 is due to the loss on the disposal of the asphalt plant. In 2012, the net assets increased \$455,000 bringing the ending balance from \$1.1 million in 2011 to \$1.6 million in 2012. The cash balance increased from a balance of \$1.1 million in 2011 to a balance of \$1.7 million in 2012.

Engineering Materials and Testing Revenues



2014 Budget

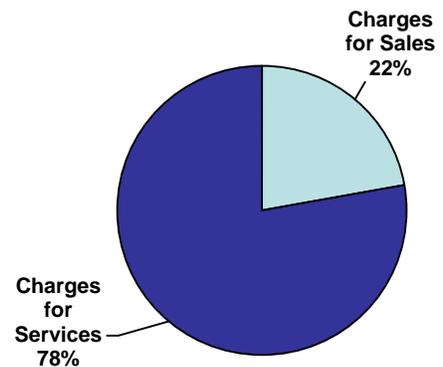
Revenues

The 2014 revenue budget is \$1.8 million, a 5.1% decrease from the 2013 projected revenue of \$1.9 million. In 2013, it is projected that revenue will increase significantly over the budgeted amount due to a significant yearly increase in City road construction/overlay projects and

maintenance activities. There also appears to be an increase in private sector development work being done this year and this adds to the workload with regards to its impact to the City infrastructure.

This fund generates revenue from testing and inspection services provided by the Engineering Lab and the sale of concrete and asphalt from outside vendors to other City departments. Product types and quantities are identified for customer departments. A cost allocation model determines product costs to allow the fund to generate revenues that match operating expenditures. The 2014 revenue budget includes \$1.4 million earned from charges for services provided by the Engineering Lab and \$400,000 as mark up on the sale of asphalt and concrete.

**Source of Funds
(\$1.8 million)**



Expense

The 2014 expense budget is \$1.76 million, an increase of 21.3% from the 2013 projected expense of \$1.55 million. The increase is primarily due to plans to hire two additional engineering technicians to work in the lab.

Transfers

There are no transfers scheduled in 2014 for this fund.

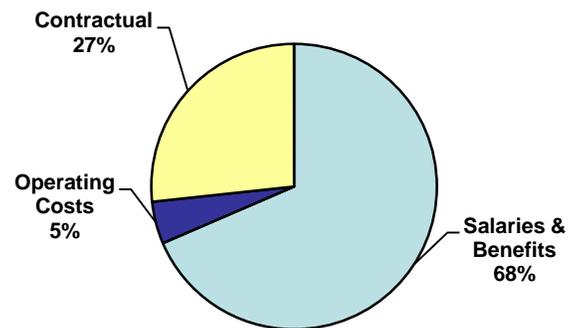
Debt Service

This fund does not have any long-term debt.

Net Assets and Cash Balance

The Engineering, Materials and Testing Fund has a positive net asset balance of \$1.6 million at year-end 2012, an increase of \$455,000 from the 2011 ending balance of \$1.1 million. The net assets are projected to be \$2.03 million at the end of 2013 and to increase slightly to \$2.07 million in 2014. The financial policy for the net assets for this fund determines that the fund should maintain a net asset balance equal to 15% of the operating budget. For the year ending 2012, the benchmark for net assets is \$0.2 million and the fund exceeded the benchmark by \$1.4 million. The net asset balance is projected to exceed the benchmark of \$0.2 million for 2013 and \$0.3 million for 2014 by \$1.8 million each year.

**Use of Funds
(\$1.8 million)**



The 2012 year-end cash balance is \$1.7 million, an increase of \$582,000 from the 2011 year-end balance of \$1.2 million. Financial reserve policies for the internal service funds determine that the cash reserve target for the Engineering, Materials and Testing fund should not be less than 15% of the operating budget, or \$0.2 million for 2012. The fund exceeded the benchmark by \$1.5 million. The cash balance is projected to be \$2.2 million in both 2013 and 2014, exceeding the cash reserve benchmark each year by \$2.0 million.

City of Minneapolis
2014 Budget
Financial Plan (in thousands of dollars)

Engineering, Materials and Testing - 06000

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Budget	% Chg From 2013 Projected	2015 Forecast	2016 Forecast	2017 Forecast
Source of Funds:									
Charges for Services	1,438	1,468	1,200	1,450	1,403	-3.2%	1,431	1,460	1,489
Charges for Sales	373	521	300	450	400	-11.1%	408	416	424
Total	1,811	1,989	1,500	1,900	1,803	-5.1%	1,839	1,876	1,913
Use of Funds:									
Personnel Services	822	826	917	917	1,209	31.9%	1,233	1,257	1,283
Contractual Services	424	454	458	458	471	2.9%	481	490	500
Materials and other	80	56	180	80	84	5.5%	86	88	90
Transfers Out	88	195	-	-	-	0.0%	-	-	-
Total	1,414	1,530	1,554	1,454	1,764	21.3%	1,797	1,834	1,870
Change in Net Position¹	394	455	(54)	446	39		42	41	43
Net Position	1,129	1,584	1,530	2,030	2,069		2,110	2,152	2,195
Cash Balance	1,164	1,746	1,691	2,191	2,230		2,272	2,313	2,356
Target Cash Reserve²	220	248	233	233	265		270	275	281
Variance Cash to Target Reserve	944	1,498	1,458	1,958	1,965		2,002	2,038	2,075

¹The 2013 budget for materials includes \$100,000 for the purchase of capital equipment. The source of funding for capital equipment will be fund balance and not operations. It is expected that the purchase will be delayed until 2014.

²The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Engineering, Materials and Testing Fund should be maintained at a minimum of 15% of the operating budget.

Note: The 2015-2017 forecasts for source and use of funds are calculated using a factor of 2.0% to capture increases in revenues and expense.

**City of Minneapolis
2014 Budget
Financial Plan**

Intergovernmental Services Fund

Background

The Intergovernmental Services Fund accounts for all of the operations of the Information Technology Department (IT) including information and technology functions, the managed services contract with Unisys, the Project Management Office (PMO), and telecommunications operations. Information Technology activities account for 94.8% of the operating activities in the fund. The fund also records transactions for operations within the City Clerk's office related to central mailing and printing services, representing 4.2% of operating activities. A portion of the Human Resources budget that is designated for internal training is included in this fund, representing the remaining 1.0% of operating activities.

The City Council approved a long-term financial plan for the Intergovernmental Services Fund in September 2000, to resolve both the annual operating deficit and accumulated cash deficits for this fund. Since year-end 2002, the fund has achieved positive increases to the net asset balance bringing the balance from a deficit of (\$40.8) million in 2002 to a positive net asset position of \$27.1 million in 2012. For 2013, the fund is projected to increase net assets by \$14.9 million for an ending balance of \$42.3 million.

The former deficit in this fund was partially due to debt issued to finance technology purchases. The long-term financial plan addressed this issue by providing cash transfers to pay off the debt. Debt service payments of \$10.7 million in 2011 and \$9.6 million in 2012 retired all debt related to the past deficits. In 2012, an additional \$1.28 million of net debt bonds were sold to fund technology projects, resulting in a total outstanding debt at year-end of \$3.30 million. The outstanding debt will be paid through transfers from the bond redemption fund.

In 2012, IT incurred \$4.7 million of expense for technology projects. The PMO office charges City departments for the cost of purchasing or creating technology enhancements and provides quality, low-cost project management for implementing these technology-related projects. The charges to City departments are calculated to generate enough revenue to cover the overhead expense of the department. In addition, the City Council appropriated \$1.3 million for technology capital projects in 2012 which are funded by net debt bonds. For 2013 and 2014, the City Council approved \$1.2 million and \$1.9 million, respectively, for technology capital projects. The majority of the funding for technology projects is derived from grants and City departments' operating budgets. Additional projects will be funded through the Capital Asset Request System (CARS) with resources provided by the General Fund.

The Information Technology department continues to be active with new initiatives:

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

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

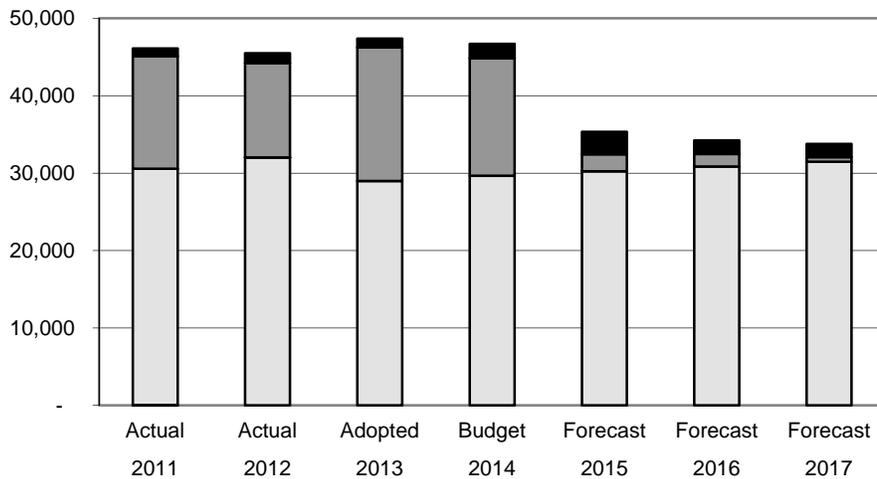
The net asset position in this fund will remain positive as it continues to provide services to City departments with charges determined through its allocation model and collect fees for service with PMO. The allocation model assigns costs to customers on a “level of effort” basis and began charging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

Historical Financial Performance

Net assets were affected by the realignment of fixed assets and its related debt to the Intergovernmental Services Fund. This change in accounting caused a one-time adjustment to the fund's net assets of a negative \$21.7 million. Although this negative adjustment caused fund net assets to have a balance of negative \$40.8 million at year-end 2002, it better represented the financial condition of the fund and the importance of implementing the strategies to meet the guidelines of the financial plan. This trend has been reversed: at year-end 2012, net assets improved to \$27.4 million.

The updated long-term financial plan projected the net asset balance at year-end 2012 to increase to \$25.1 million. The actual net asset balance at year-end 2012 is \$27.4 million, representing an increase of \$2.9 million from the 2011 ending balance of \$24.5 million. The fund's cash balance has also increased as projected in the long-term financial plan. From 2003 to 2012 the cash balance increased by \$19.0 million from a deficit of \$3.2 million to a positive of \$15.8 million at year-end 2012. It should be noted that the cash balance primarily consists of deferred revenue, or cash received from other City departments as prepayment for future technology projects.

Information Technology Fund Revenues
(in thousands of dollars)



Charges For Service
 Other Misc Revenue
 Transfers In
 Proceeds of long-term liabilities

2014 Budget

Revenues

The 2014 revenue budget is \$47.2 million, a decrease of 4.4% from the 2013 projected revenue of \$49.4 million. To fund the cost of providing information technology services, the original financial plan required that this fund receive an annual transfer from the general fund. In 2012, the fund received \$10.3 million from the general fund and \$1.1 million from the bond redemption fund. Revenue transfers from the general fund in 2013 and 2014 are \$14.2 million and \$13.8 million respectively. In addition, the fund will receive transfers from the bond redemption fund of \$2.1 million in 2013 and \$0.7 million in 2014. Beginning in 2015, the fund will not receive a transfer from the general fund to finance the payment for outstanding net debt bonds. The outstanding debt significantly decreased from 2012 to 2013. For fiscal years 2011 through 2016, the Self Insurance Fund transfers \$1.0 million to the Intergovernmental Services Fund annually.

Charges for service are increased in 2014 as compared to the 2013 original budgeted amount due to additional revenue received from City departments through the cost allocation model and from charges directly to City departments for additional IT services in recognition of the full cost of providing these services, including contractually obligated increases in maintenance and other costs.

Allocation Model Implications

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

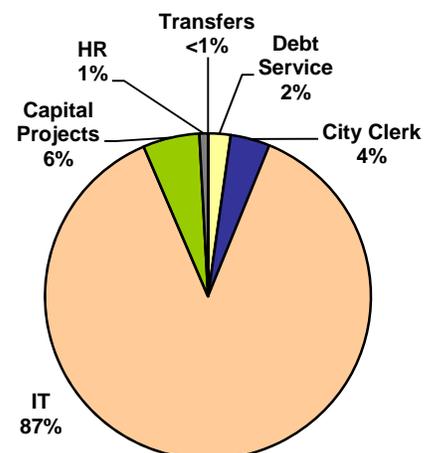
- IT operating costs at a level that conforms to the Council-adopted financial plan.
- Debt service resulting from phone system purchase.
- A small portion for City Clerk data center operations and Human Resources operations.

Revenue Assumptions (2014)	
Number of PC's	2,725
Number of telephones	2,877

Expenses

The 2014 expense budget is \$33.1 million, a decrease of 4.0% from 2013 projected expense amount. The primary reason for the decrease is a reduction in the debt payment from \$2.1 million in 2013 to \$0.7 million in 2014. Operating expenses in the Intergovernmental Services Fund are comprised of the following: salaries/benefits, contractual, operating, equipment. Of the total operating budget for 2014, the IT expense budget comprises 94.8%. A portion of the operating expenses of the City Clerk's office and Human Resources are included in this fund and comprise 4.3% and 0.9%, respectively, of the total operating budget. Capital expense for information technology investments are budgeted in the Intergovernmental Services Fund. Capitalized assets are reported in this fund as is the depreciation expense. For 2014, the capital budget is \$2.1 million, an increase of 60.9% from the 2013 budget primarily due to an additional \$0.65 million

**Intergovernmental Services Fund
Use of Funds by Department
(\$32.9 million)**



appropriated for the Police Report Management System Upgrade. In 2011, the fund began to pay \$1.5 million annually as loan repayment to the Convention Center, with final payment of \$1.75 million in 2016.

Transfers

Transfers into this fund for 2014 include a transfer from the general fund of \$13.1 million in accordance with the long-term financial plan, \$0.2 million to fund City Hall rent, \$0.5 million for the general fund wireless allocation, a \$0.7 million transfer from the general debt service fund, and \$1.0 million transfer from the Self Insurance Fund. Beginning 2013, the City proprietary funds will discontinue transferring payments to the Pension Debt Service fund related to debt service of Minneapolis Employees Retirement Fund's (MERF) unfunded pension liability. In 2012, bonds related to this debt were retired resulting in substantial savings to the City and creating a large one-time debt payment for the various City funds. The Intergovernmental Services Fund will use fund balance as a revenue source for this payment and recover this cost through the cost allocation model in years 2013 through 2015.

Debt Service

In 2014, the fund will have a beginning bond liability of \$1.2 million. A debt service payment of \$.7 million in 2014 including \$56,000 of interest will leave an ending balance of bonds payable of \$0.5 million at year end.

Net Assets and Cash Balance

The financial policy related to the net asset balance for the Intergovernmental Services Fund determines that the net asset balance should not fall below two times the fund's annual depreciation. The annual depreciation for 2012 is \$12.3 million and the year-end net asset balance is \$27.4 million which brings the fund's net asset balance \$2.8 million over the benchmark amount of \$24.6 million. The financial policy for cash balance states that the minimum cash balance should be equal to 15.0% of the fund's total budget. The year-end cash balance for 2012 is \$15.8 million and the fund had a 2012 total budget of \$40.2 million resulting in a benchmark amount of \$6.0 million. At year-end 2012, the fund's cash balance exceeded the benchmark by \$9.8 million.

Mayor's Recommended Budget

The Mayor did not recommend any changes to this fund.

**City of Minneapolis
2014 Budget
Financial Plan (in thousands of dollars)**

Intergovernmental Services Fund

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Budget	% Chg From 2013 Projected	2015 Forecast	2016 Forecast	2017 Forecast
Source of Funds:									
Charges For Service	30,565	32,018	28,983	31,000	29,681	-4.3%	30,275	30,880	31,498
Other Miscellaneous Revenue	(6)	13	-	-	-		-	-	-
Operating Transfers In	14,549	12,185	17,255	17,255	15,514	-10.1%	2,152	1,625	606
Proceeds of Long term Liabilities	1,000	1,275	1,150	1,150	2,050	78.3%	3,150	2,950	1,350
Total	46,108	45,491	47,388	49,405	47,245	-4.4%	35,577	35,455	33,454
Use of Funds:									
Transfers	448	1,103	-	-	-		-	-	-
Debt Service	10,302	9,241	2,057	2,057	736	-64.2%	504	-	-
City Clerk	1,237	1,269	1,286	1,160	1,286	10.9%	1,312	1,338	1,365
Human Resources	179	245	268	340	277	-18.5%	283	288	294
Information Technology	25,619	26,401	27,106	29,800	28,764	-3.5%	29,412	30,052	30,716
Capital Projects	(60)	(23)	1,150	1,150	2,050	78.3%	3,150	2,950	1,350
Total	37,725	38,236	31,866	34,507	33,112	-4.0%	34,660	34,628	33,725
Change in Net Assets	5,321	2,904	15,522	14,898	14,133		917	827	(271)
Net Assets	24,506	27,410	42,932	42,308	56,441		57,358	58,185	57,914
Cash Balance¹	11,860	15,805	29,827	29,203	41,836		41,253	40,330	40,059
Target Cash Reserve	3,800	6,028	4,780	5,176	4,967		5,199	5,194	5,059
Variance Cash to Target Reserve	8,060	9,777	25,047	24,027	36,870		36,054	35,136	35,001

¹ The cash balance for years 2013 through 2016 is reduced by \$1.5 million for repayment of Minneapolis Convention Center loan. At year end 2012, fund 06400 has a liability balance of \$12.2 million in deferred revenue resulting from prepayments by City departments for future IT projects. These prepayments result in an increase to the cash balance.

² The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Intergovernmental Services Fund should be at a minimum equal to 15% of the fund's total budget.

**City of Minneapolis
2014 Budget
Financial Plan**

Fleet Services Division Fund

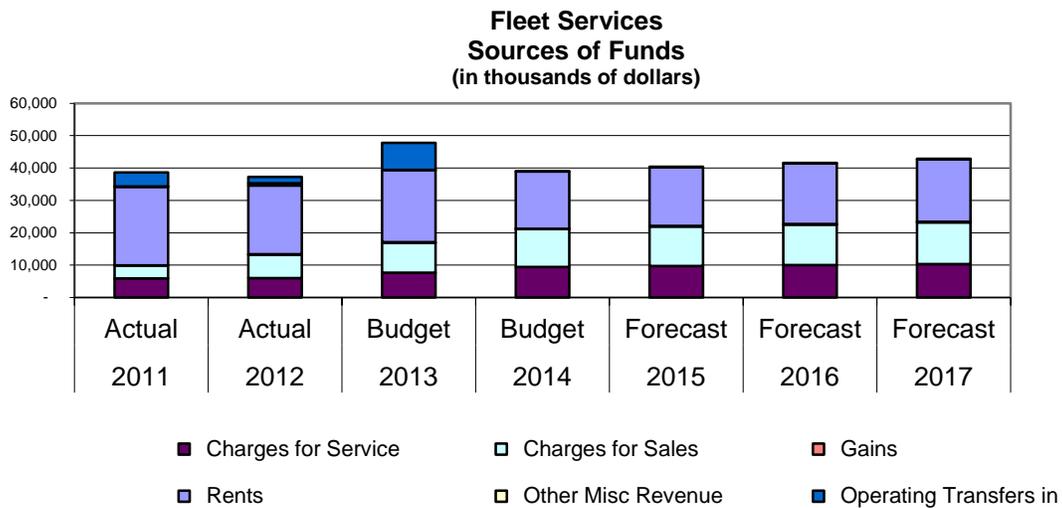
Background

The Fleet Services Division Fund manages the acquisition, maintenance and disposal of approximately 1,300 units of equipment; primarily the City's fleet of vehicles, including police cars, fire trucks, snow plows, sedans and pickup trucks along with off road equipment. This fund provides the services of technicians to maintain the equipment as well as the drivers and operators for the equipment that is used in construction and snow removal. In addition, the fund manages the dispatch of City-owned and contractual equipment. The City's fleet of vehicles and equipment has an acquisition value of \$71.2 million and accounts for 49.0% of the net value of the long-term assets in this fund.

Historical Financial Performance

In 2000, the fund had a deficit cash position of \$17.8 million due to costs of operation exceeding revenues collected from City departments. A long-term financial plan was developed in 2001 to generate sufficient revenue to cover the full cost of operations. The fund maintained a positive cash balance through 2012 with the exception of the year ending 2008 when the cash balance was a deficit of \$49,000. At the end of 2012, the cash balance was \$10.2 million. The target cash reserve balance for this fund is \$4.1 million projected to be attained by year end 2013.

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

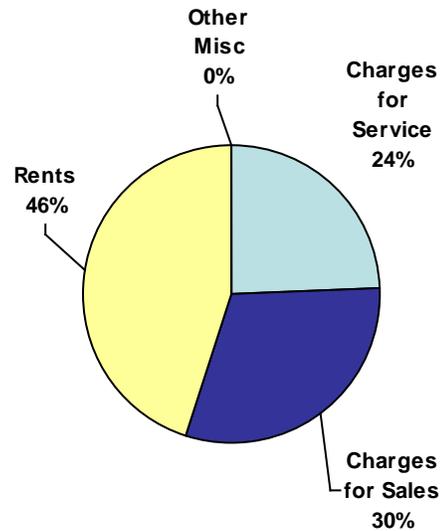


2014 Budget

Revenue

The Fleet Services Division uses activity-based costing to bill internal customers for use of vehicles. This method establishes a fleet rental rate that covers the replacement cost of the vehicles after the useful life. Maintenance, repairs and fuel costs of the fleet are charged separately. These charges are billed at a rate that allows the Fleet Services Division to match revenue to expense. Total revenues for 2014 are budgeted at \$38.7 million, a decrease of 24.4% from the 2013 projected revenue of \$51.2 million. The total decrease in revenue is \$12.2 million which is due to two factors. The fund will not receive a transfer in for 2014 which accounts for a decrease of \$8.3 million. Additionally, Fleet will no longer provide drivers and operators for equipment used by other departments and will not charge customers for them. Instead, the drivers and operators will be directly budgeted in the departments that use them.

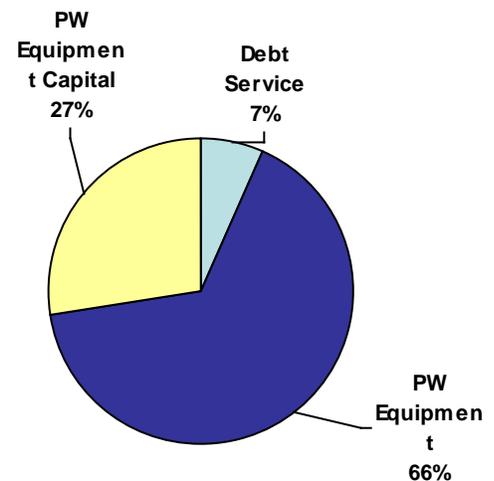
Sources of Revenue (\$38.7 million)



Expense

The 2014 expense budget is \$41.9 million which represents a decrease of 11.6% from the 2013 projected expense of \$47.3 million. The decrease in expense is primarily due to the cost of drivers and operators being assigned to the departments outside of Fleet as noted above.

Use of Funds (\$41.9 million)



Transfers

The prior years' transfers out from this fund for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability which ended with a final payment in 2012. In 2012 the transfer out was \$2.3 million to retire bonds related to this debt service. The Fleet Services Division is using fund balance as a revenue source for this payment and will recover the cost of the payment through the Fleet allocation model for years 2012 through 2014.

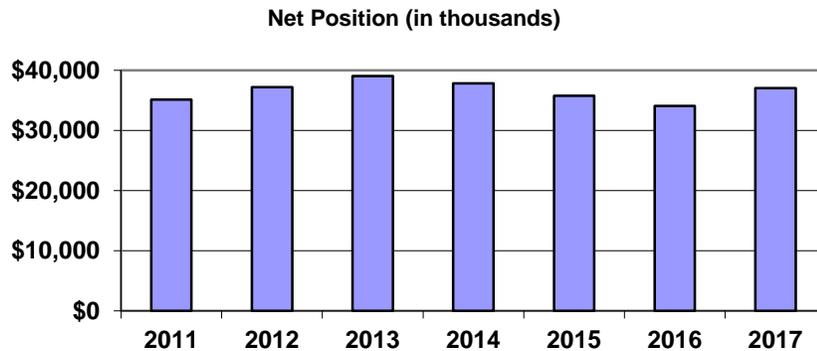
There will be no general fund transfers in or transfers out in 2014 and the years thereafter.

Debt Service

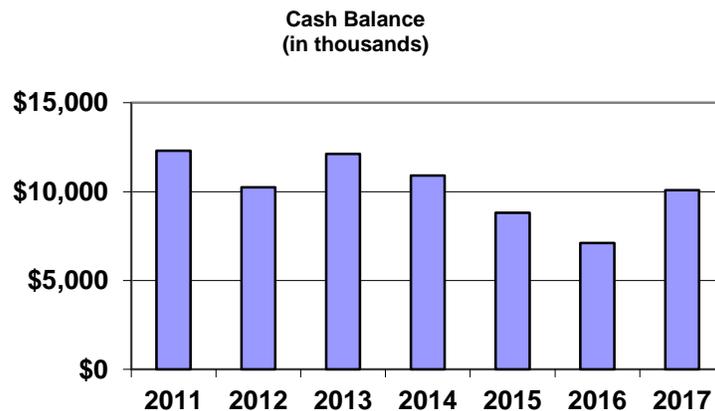
As part of the fleet modernization effort that began in 1997, the City issued bonds to finance fleet upgrades and to build new maintenance facilities. Principal and interest payments totaling \$2.8 million are due in 2014 related to these bonds.

Net Assets

A primary objective of the long-term financial plan is to increase the fund's net position and the cash balance from the deficit balances in 2002. The fund has steadily increased its net assets since 2003 when the financial plan was first implemented. The net assets at year-end 2012 are \$37.2 million, an increase of \$2.8 million from the 2011 ending balance of \$34.4 million. The financial policy related to net assets for the Fleet Services Division states that the net assets should not fall below two times the annual depreciation amount. The annual depreciation for Fleet Services in 2012 was \$6.4 million. The 2012 balance of \$37.2 million is \$24.4 million greater than the benchmark amount. The 2013 projected net asset balance is \$41.0 million.



The 2011 ending cash balance of \$10.2 million is a decrease of \$2.1 million from the 2011 ending balance of \$12.3 million. The target cash balance for 2012 as determined by the cash reserve policy is \$3.6 million. The 2013 projected balance is \$14.0 million. The following chart illustrates the historical and projected cash performance of the fund:



**City of Minneapolis
2014 Budget
Financial Plan (in thousand of dollars)**

Fleet Services Divison - 06100

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Budget	% Chg From 2013 Projected	2015 Forecast	2016 Forecast	2017 Forecast
Source of Funds:									
Charges for Service	5,863	5,981	7,656	8,341	9,482	13.7%	9,671	9,865	10,062
Charges for Sales	4,026	7,170	9,234	9,767	11,768	20.5%	12,004	12,244	12,489
Gains	36	233	200	200	10	-95.0%	200	200	200
Rents	24,250	21,226	22,343	24,499	17,394	-29.0%	17,742	18,097	18,640
Other Misc Revenue	179	680	30	30	35	16.7%	30	30	30
Operating Transfers in	4,299	1,926	8,315	8,315	-	-100.0%	-	-	-
Total	38,653	37,215	47,778	51,152	38,689	-24.4%	39,647	40,435	41,420
Use of Funds:									
Debt Service	2,996	2,775	2,916	2,916	2,827	-3.0%	2,870	2,834	2,889
Transfers	923	2,284	-	-	-	0.0%	-	-	-
PW Equipment	25,982	26,832	33,501	34,333	27,577	-19.7%	28,126	28,687	29,258
PW Equipment Capital	4,912	6,381	9,479	10,100	11,457	13.4%	10,900	10,892	6,516
Total	34,813	38,272	45,895	47,349	41,862	-11.6%	41,896	42,412	38,662
Change in Net Assets	4,549	2,844	1,882	3,803	(3,173)		(2,249)	(1,977)	2,758
Net Assets	34,400	36,443	38,325	40,246	37,073		34,824	32,847	35,605
Cash Balance	12,303	10,237	12,119	14,040	10,867		8,618	6,641	9,399
Target Cash Reserve¹	2,838	3,569	4,061	4,061	3,213		3,296	3,381	3,468
Variance Cash to Target Cash Reserve	9,465	6,668	8,058	9,979	7,654		5,322	3,260	5,931

¹ The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Fleet Services Division should be at a minimum equal to 15% of the operating budget. The target cash for years 2011 and 2012 is a phase-in amount.

Note: The 2015-2017 forecasts for source and use of funds are calculated using a factor of 2.0% to capture increases in revenues and expense.

**City of Minneapolis
2014 Budget
Financial Plan**

Property Services Fund

Background

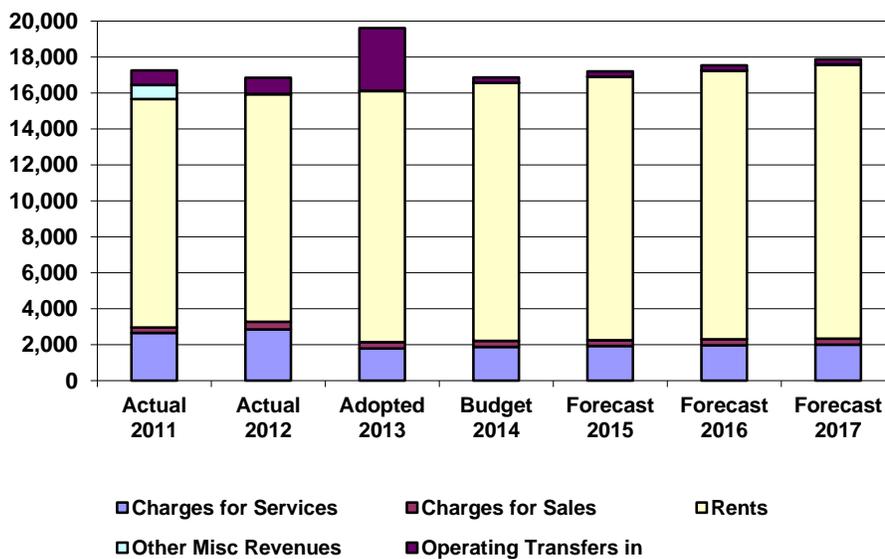
The Property Services Fund is an internal service fund responsible for the operations and maintenance for the majority of the City owned buildings including police precincts, fire stations, public works buildings, parking structures and specialty facilities. At this time, the fund does not provide any 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 services 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 amounts required to recover the cost of the goods and services provided to City departments and the cost of the fund’s overhead.

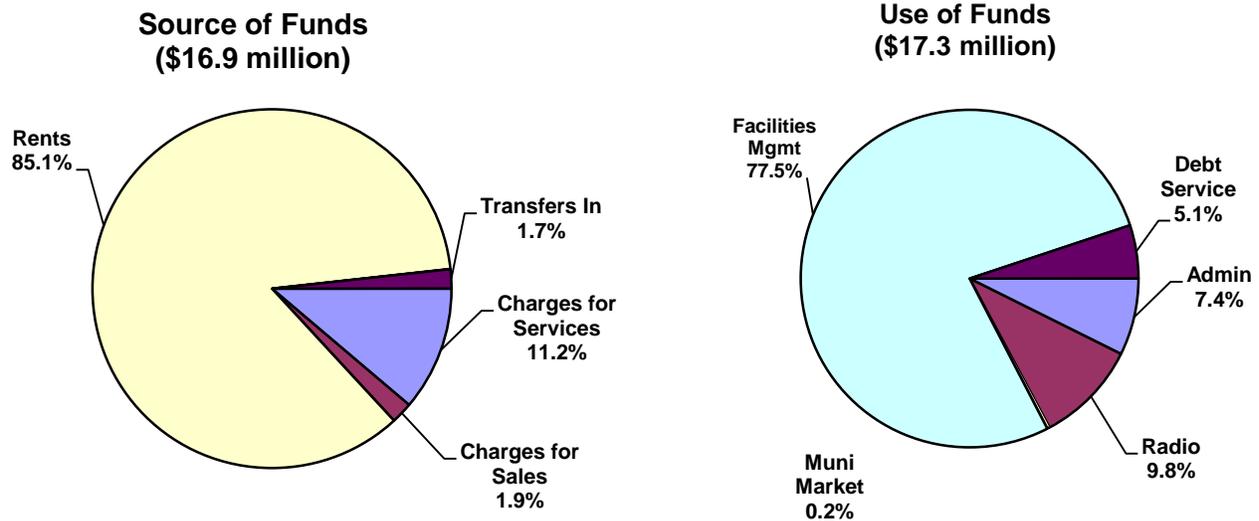
Property Services Revenues
(in thousands of dollars)



2014 Budget

Revenues

The 2014 revenue budget for this fund is \$16.9 million, or a decrease of 15.4% from projected 2013 revenue of \$19.9 million. The decrease in revenue is primarily related to a decrease in non-operating revenue due to a reduction in the transfer from the general fund from \$3.5 million in 2013 to \$0.3 million in 2014.



Expense

The 2014 expense budget is \$17.3 million, an increase of 2.1% from projected 2013 expense of \$17.0 million. The increase in expense is primarily related to expected increases in costs for Facilities Management and planning services. There are additional funds requested for 2.5 additional full-time positions. 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.

Transfers

The 2014 expense budget does not include transfers to other City funds. The final transfer for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded pension liability occurred in 2012 and totaled \$598,000. This payment retired the bonds related to this debt service, 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 cost allocation model for years 2013 through 2015.

The fund received a transfer of \$3.5 million in 2013 from the general fund which included \$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. The 2014 transfer of \$301,206 is intended to cover the cost of City Hall rent that Property Services pays for space it occupies in City Hall.

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

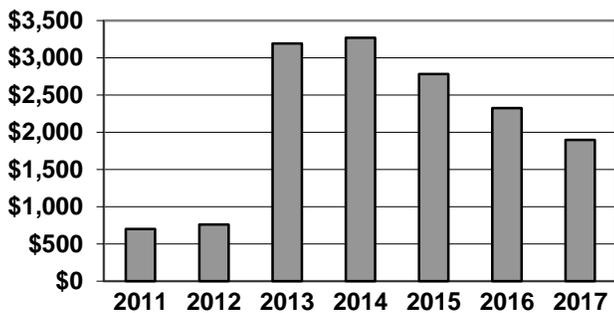
with the debt related to this project. The Radio Shop is funding a portion of the City's public safety initiative through a contribution of \$350,000 a year. As noted above, the general fund transfer for debt service in 2013 covered the years 2014 through 2018 and there will be no further transfers for debt service. Total debt service for 2014 is \$886,350.

Net Assets and Cash Balance

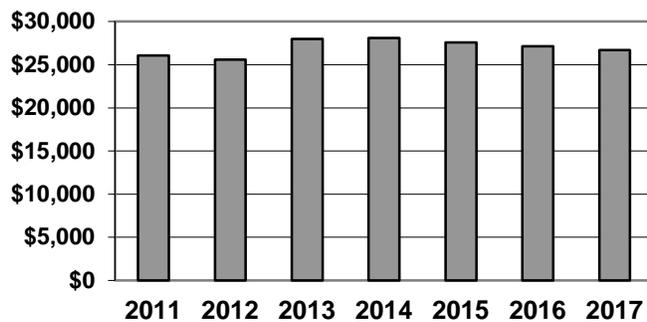
The Property Services Fund has a positive net asset balance of \$25.6 million at year-end 2012, a decrease of \$(491,000) from the 2011 ending balance of \$26.1 million. The fund does not recover the cost of depreciation of the buildings or equipment included as assets of the fund. Because this cost is not recovered, the fund balance will continue to decline even though the fund recovers its operating costs through a rent cost 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. Beginning in 2014, unutilized space will be allocated to the General Fund. The financial policy for the net assets for the Property Services Fund determines that the net assets should not fall below two times the annual depreciation amount. The depreciation for Property Services in 2012 is \$1.1 million. The 2012 net asset balance of \$25.6 million is \$23.4 million greater than the benchmark amount.

The 2012 year-end cash balance is \$762,000, an increase of \$63,000 from the 2011 year-end balance of \$699,000. 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 2012 was \$1.4 million, leaving a deficit balance of \$(0.6 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 \$1.9 million for 2012.

Total Cash Balance
(in thousands of dollars)



Net Assets
(in thousands of dollars)



City of Minneapolis
2014 Budget
Financial Plan (in thousand of dollars)
Property Services Fund - 06200

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Budget	% Chg From 2013 Projected	2015 Forecast	2016 Forecast	2017 Forecast
Source of Funds:									
Charges for Services	2,657	2,857	1,785	2,236	1,889	-15.5%	1,926	1,965	2,004
Charges for Sales	298	427	360	450	324	-28.0%	330	337	344
Rents	12,700	12,637	13,966	13,750	14,351	4.4%	14,638	14,931	15,229
Other Misc Revenues	781	23	3	4	3	-25.0%	3	3	3
Transfers In	821	894	3,493	3,493	301	-91.4%	300	300	300
Total	17,257	16,838	19,607	19,933	16,868	-15.4%	17,198	17,536	17,881
Use of Funds:									
Property Services Administration	1,538	1,286	1,386	1,310	1,276	-2.6%	1,301	1,327	1,353
Radio Equipment	1,459	1,631	1,766	1,730	1,697	-1.9%	1,731	1,766	1,801
Municipal Market	26	33	41	40	41	1.5%	41	42	44
Facilities Management	12,988	12,570	13,109	13,010	13,423	3.2%	13,691	13,965	14,245
Debt Service	880	864	873	873	886	1.5%	918	894	869
Transfers Out	421	598	-	-	-		-	-	-
Total	17,312	16,982	17,175	16,963	17,323	2.1%	17,683	17,994	18,311
Change in Net Position	71	(491)	2,432	2,970	(455)		(485)	(458)	(430)
Net Position	26,062	25,571	28,003	28,541	28,086		27,601	27,143	26,712
Total Cash Balance	699	762	3,194	3,732	3,276		2,791	2,333	1,903
Operating Cash balance¹	(699)	(618)	1,814	2,351	1,896		1,411	953	523
Target Cash Reserve²	1,426	1,920	1,818	1,818	1,904		1,954	2,006	2,059
Variance Operating Cash to Target Cash Reserve	(2,125)	(2,538)	(4)	533	(8)		(543)	(1,053)	(1,536)

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 2.0% to capture increases in revenues and expense.

**City of Minneapolis
2014 Budget
Financial Plan**

Self-Insurance Fund

Background

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

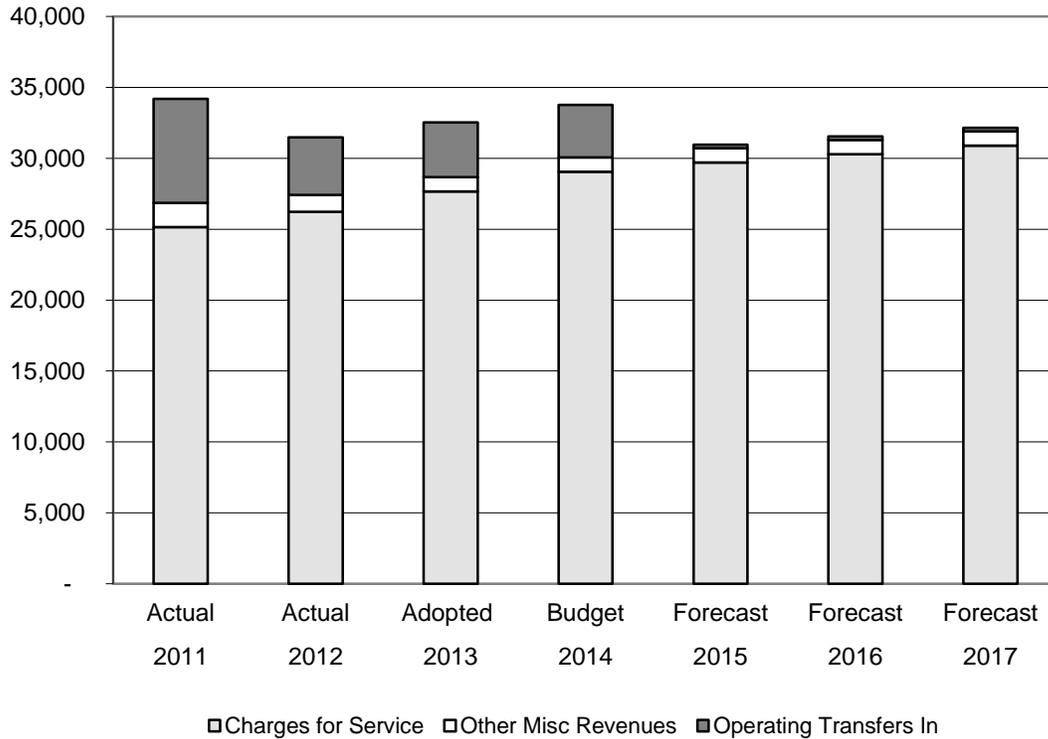
Historical Financial Performance

The net assets of the Self-Insurance Fund reached a positive position of \$1.7 million at year-end 2012, improving \$45.0 million from the 2002 ending balance of a negative \$43.3 million. The fund has historically recorded a negative net asset position primarily because of the required accounting recognition of liability for unpaid claims. The 2012 unpaid claims liability is \$53.0 million representing an increase of \$2.9 million from the 2011 liability of \$50.1 million. An actuarial study completed for year-end 2012 calculated the increase to the unpaid claims liability based on historical paid claims, incurred loss, and estimated reserves for claims unpaid.

In 2003, the City Council adopted a financial plan for the Self-Insurance Fund to increase net assets and attain a positive cash balance by year-end 2006. The financial plan was updated in 2008 and adopted by the City Council. The fund continues to perform above the financial plan cash projections and ended 2012 with a cash balance of \$56.6 million, an increase of \$8.0 million from the 2011 ending balance of \$48.6 million. Financial policies related to the internal service funds determine that a reserve cash balance for the Self Insurance Fund should be maintained equal to the unpaid claims liability amount plus 10% of the annual department operating budgets. The target reserve cash balance for 2012 is \$55.7 million which equals the unpaid claims liability at year-end of \$53.0 million plus 10%, or \$2.7 million, of the total 2012 operating budgets. The ending 2012 cash balance is \$0.9 million greater than the amount determined by the financial policy.

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

Self-Insurance Revenues (in thousands of dollars)

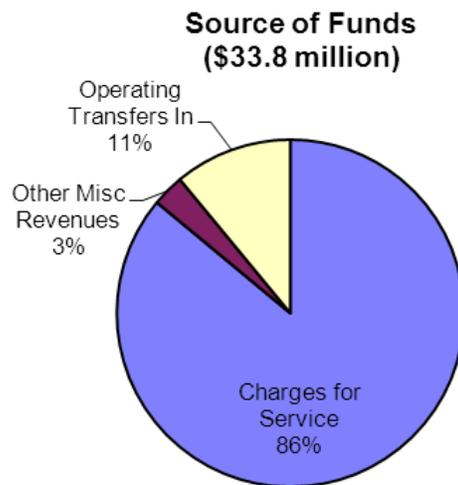


2014 Budget

Revenues

Revenue recorded in this fund primarily consists of funds received from City departments through a cost allocation model for litigation, risk management, and employee benefit services. In addition, the fund collects revenue to provide for payment of liability settlements and for workers compensation costs.

The 2014 budgeted revenue for the Self Insurance Fund is \$33.8 million, an increase of 4.3% from the 2013 projected revenue of \$32.4 million. The transfer in from the general fund is \$3.7 million, slightly decreased from the \$3.9 million transfer in 2012.

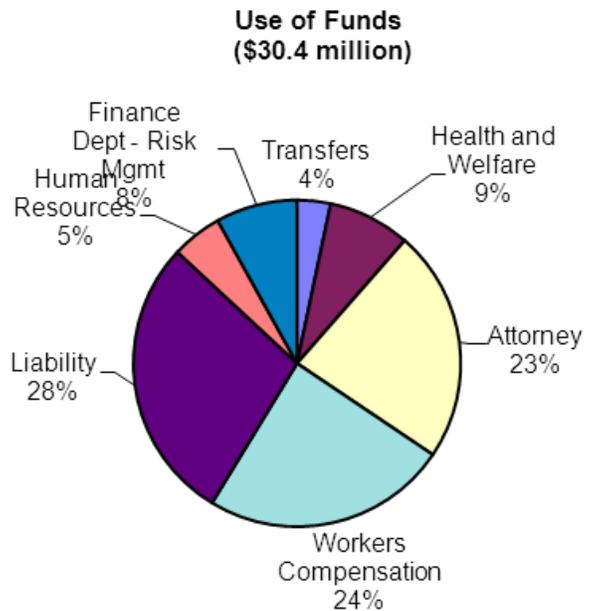


Expense

The expense budget for 2014 is \$30.4 million, a decrease of 3.9% from the projected 2013 expenses of \$31.6 million. The 2013 projected expenses reflect a 10.7% increase over the 2013 adopted budget due to an increase in tort settlement and worker compensation payments paid in 2013.

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

The worker's compensation payments are budgeted at \$7.4 million for 2014. This is a 25.6% decrease from the 2013 projected amount of \$9.9 million. The 2013 projected expenditures, based on actual payments processed through June, are significantly greater than the original 2013 actuarial prediction. The actuarial study predicted an increase in liability payments of 5.2% from 2013 to 2014. Actual liability payments for 2013 are projected to be greater than the amount predicted in the 2013 actuarial study. Differences in these amounts will be reflected in future years' cost allocations as there may be lag in claims' data availability during the budget process.



Transfers

The 2014 revenue budget includes a \$3.5 million transfer from the general fund per the fund's long-term financial plan and a transfer of \$0.2 million as an appropriation for the cost of City Hall rent. The expense budget includes a \$1.0 million transfer to the Intergovernmental Services Fund to assist with payment of debt service as determined by the long-term financial plan. This transfer will not occur after 2016.

Debt Service

This fund does not have long-term debt.

Net Assets

The net asset balance at year end 2012 is \$1.7 million representing an increase of \$6.0 million from the deficit balance of \$4.3 million at year end 2011. The net asset balance has increased from the 2002 deficit of \$43.3 million since the implementation of the long term financial plan. The financial reserve policy relating to the internal service funds states that the net asset balance for the Self Insurance Fund should not fall below zero.

The fund experienced an increase in cash of \$8.0 million in 2010, bringing the cash balance to \$56.6 million. The primary reason for the increase in cash balance was a decrease in the amount paid for tort settlements when compared to the cost allocated to departments in the 2012 cost allocation model. The financial reserve policy relating to the internal service funds states that the Self Insurance Fund should maintain a cash balance equal to the unpaid claims liability plus 10% of the annual operating budgets within the fund. For year ending 2012 the reserve cash balance is \$55.7 million.

Mayor's Recommended Budget

The Mayor's Recommended Budget does not include any changes from the current service level for 2014.

City of Minneapolis
2014 Budget
Financial Plan (in thousands of dollars)

Self Insurance Fund - 6900

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Budget	% Chg From 2013 Projected	2015 Forecast	2016 Forecast	2017 Forecast
Source of Funds:									
Charges for Service	25,149	26,229	27,670	27,921	29,045	4.0%	29,695	30,289	30,894
Other Misc Revenues	1,703	1,178	1,010	610	1,010	65.6%	1,010	1,010	1,010
Operating Transfers In	7,330	4,071	3,855	3,855	3,711	-3.7%	250	250	250
Total	34,182	31,478	32,636	32,386	33,766	4.3%	30,955	31,549	32,154
Use of Funds:									
Transfers	1,217	1,485	1,000	1,000	1,000		1,000	1,000	-
Health and Welfare	794	784	2,420	1,300	2,468	89.8%	2,517	2,568	2,619
Attorney	6,580	6,042	6,263	6,200	6,789	9.5%	6,925	7,063	7,205
Workers Compensation	8,489	9,528	6,876	9,900	7,364	-25.6%	7,699	7,853	8,010
Liability	10,770	3,908	8,031	9,000	8,574	-4.7%	8,791	8,967	9,146
Human Resources	1,598	1,421	1,406	1,700	1,435	-15.6%	1,464	1,493	1,523
Finance Dept - Risk Mgmt	2,244	2,328	2,535	2,500	2,445	-2.2%	2,494	2,544	2,595
Total	31,692	25,496	28,532	31,600	30,075	-4.8%	30,890	31,488	31,098
Change in Net Assets	2,489	5,982	4,104	786	3,691		65	61	1,057
Net Assets	(4,281)	1,701	5,805	2,487	6,178		6,243	6,303	7,360
Cash Balance	48,571	56,564	60,668	57,350	61,041		61,105	61,166	62,223
Target Cash Reserve	51,040	55,668	55,688	55,688	57,952		59,680	61,459	63,291
Variance Cash to Target Reserve	(2,469)	896	4,980	1,662	3,089		1,425	(293)	(1,068)

The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Self Insurance Fund should not be less than the total of the unpaid claims liability balance plus 10% of the annual operating budgets within the fund.