



Third Quarter 2020 Financial Status Report

Finance & Property Services Department
November 10, 2020

**City of Minneapolis
Interim Financial Report Table of Contents
for the Third Quarter of 2020**

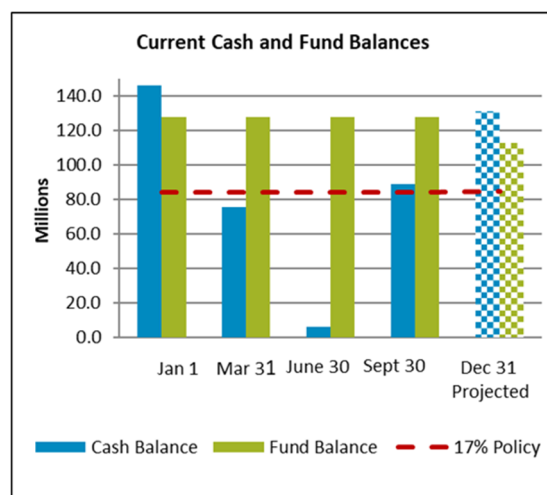
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Overview

This quarterly report presents the complex nature of financial operations for Minneapolis in 2020. The City started the year in a very strong financial position, and the first quarter was showing signs of the continued growth we’ve enjoyed for several years. However, the onset and continuation of the COVID-19 pandemic has impacted nearly all aspects of operations. Significant steps were taken to preserve resources in response to projected revenue losses of approximately \$156.0 million as forecasted in mid-2020. A temporary spending freeze, a wage and hiring freeze, and budgetary reductions have been enacted to help curb spending. While it remains to be seen how impactful the final revenue losses and spending reductions will be, the projections and information provided in this report show preliminary projections. Activity through year-end 2020 is projected to decrease the total cash balance in many funds as compared to the 2019 ending balances, however, all but two major funds are expected to meet targeted balances. The Sanitary Sewer Fund will be below target cash due to delayed bond sales for capital projects. The Municipal Parking Fund is also projected to be under the target cash as a result of significant parking revenue losses due to decreased parking demand as a result of telecommuting and COVID-19 related venue closures. As indicated in the Cash and Investments Report Appendix, the overall book value of cash and investments for the City at September 30, 2020 is \$897.6 million, a decrease of \$90.1 million or 9.1% compared to 2019 year-end balance of \$987.7 million. In late July, the City received just under \$32.3 million in federal CARES Act funding through the State of Minnesota. We anticipate some costs incurred through the third quarter will be offset by this funding as well as some future costs for specific responses to the pandemic. We will continue to review eligibility guidelines to identify any and all costs that may be applied to this funding source, relieving some budgetary pressure in the funds that originally incurred the expense. Eligible expenses must be incurred and paid for by November 15th, 2020.

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for or reported in another fund. The 2020 Original Budget included a planned use of fund balance of \$10.0 million, however, current projections are for a loss of approximately \$16.1 million. The 2020 projected ending fund balance is \$111.9 million, compared to the ending 2019 fund balance of \$128.0. The General Fund cash balance at year-end 2019 was \$146.3 million and is projected to end 2020 at \$131.2 million. Over one-half of the revenue in the General Fund comes from sources received only two or three times per year. Because of this, there can be a large variation in the cash balance at any point in the year. The September 30, 2020 cash balance is \$89.1 million which is a significant increase over the June 30 balance due to property tax receipts in July.



As shown in the Financial Strength Analysis on pages A-3 and A-4 of this report, from 2016 through 2019, the General Fund’s cash balance and fund balance have increased steadily with a cumulative cash increase of \$24.7 million and an increase in fund balance of \$20.5 million. This consistent fund balance and cash position was made possible by rising revenues and strategic use of funds to maintain sustainable operations. Growth from economic development activity pushed revenue from local taxes, licenses and permits, and charges for services consistently over the budgeted amount, yet expenditures were consistently held in line with, or below budget. While that growth will not continue into 2020, cost reduction measures and use of funds in other areas of the city will preserve much of the accumulated fund balance in the General Fund.

The City's financial policy for the General Fund balance is to maintain 17% of the following year's expenditure budget. For 2020, this equates to a required ending fund balance of \$80.8 million which is 17% of the Mayor's Recommended 2021 General Fund budget of \$475.4 million (excluding transfers and contingency). Based on current projected revenues and expenditures, the General Fund is projected to end the year with a fund balance of \$111.9 million.

Special Revenue Funds

The Special Revenue Funds (SRF) are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes and include the Convention Center, Arena (Target Center) Fund, Downtown Assets Fund, the Police SRF, the Neighborhood and Community Relations (NCR) SRF, the Regulatory Services SRF, Grant Funds, the Employee Retirement Funds, and the Community Planning & Economic Development (CPED) SRFs.

At year-end 2020, the total cash balance for the Special Revenue Funds is projected to be \$274.6 million, a decrease of \$14.2 million or 4.9% compared to 2019 ending balance. The fund balance for the Special Revenue Funds is also expected to decrease to \$324.9 million, a decrease of \$17.8 million or 5.2%, compared to 2019. These decreases in both cash and fund balance are due either directly or indirectly to revenue lost from local taxes deposited into the Downtown Assets Funds. The sudden and prolonged shutdown of businesses throughout downtown and the City overall greatly impacted the sales, liquor, lodging and other local taxes that would typically be collected on sales at those establishments. These tax revenues were originally budgeted to be transferred into the Convention Center and other Downtown Asset Funds to support operations. The net cash reduction in the Convention Center, Arena Fund, and Downtown Assets is projected to be \$14.0 million. From 2014 to 2018, the Convention Center received a large transfer in from the General Fund's local tax revenue to support debt payments and facility operations. Starting in 2018, the local tax revenue is deposited into the Downtown Assets fund and allocated out to the various related funds including Arena Fund, Convention Center Fund, and Peavey Plaza fund.

Internal Service Funds

Internal Service Funds are used to account for goods and services provided internally to other government divisions. The Internal Service Funds include: Engineering Materials and Testing Lab; Equipment (Fleet) Services; Property Services; the Public Works Stores, Intergovernmental Services (primarily IT), and the Self-Insurance Fund.

The total cash balance for the Internal Service Funds at year-end 2020 is projected to be \$159.1 million, a slight increase of \$3.9 million or 2.5% versus 2019 ending cash of \$155.2 million. At the same time, the total net position for all the Internal Service Funds is projected to be \$154.2 million, an increase of \$10.0 million or 6.9% from 2019. Because these funds have no debt burden and spending is tied to demand from other City funds, they are able to more easily delay major project outlay to help preserve cash. The overall increase in net position is due to gains in the Self Insurance fund from savings on medical and dental payments, offset by planned losses in the Intergovernmental and Property Services Funds.

Enterprise Funds

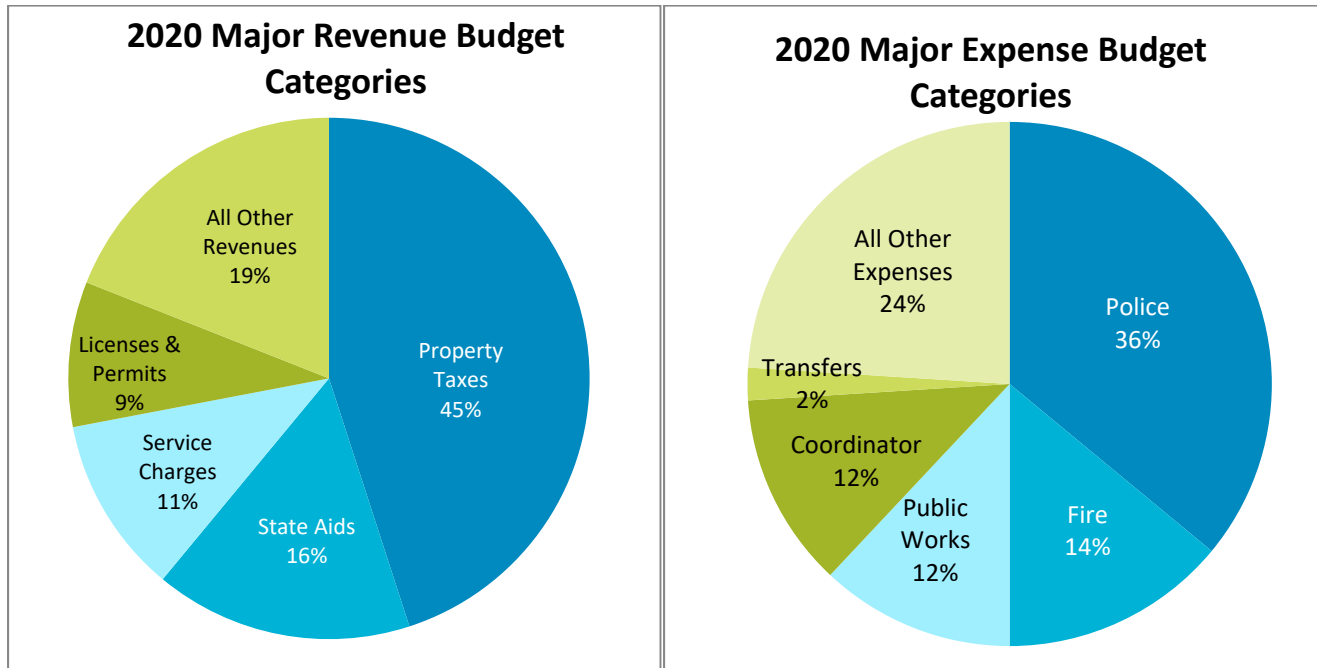
The Enterprise Funds are used to account for operations that sell goods and services to external third parties. Enterprise Funds include the Utility Operations – Sanitary Sewer, Stormwater, and Water Utilities; Solid Waste & Recycling; the Parking Fund; and the CPED Enterprise Funds.

The total cash balance for the Enterprise Funds is projected to be \$102.1 million, a decrease of \$32.7 million or 24.3% compared to 2019. Total net position for the Enterprise Funds is projected to decrease by \$44.1 million or 4.3% to \$985.1 million at year-end 2020. Operating losses in the utility funds coupled with a planned use of cash to finance projects will result in these projected losses. Depending on the timing of bond sales and capital outlays, the final ending cash and net position may vary significantly from these initial projections.

**City of Minneapolis
General Fund
For the Third Quarter Ending September 30, 2020**

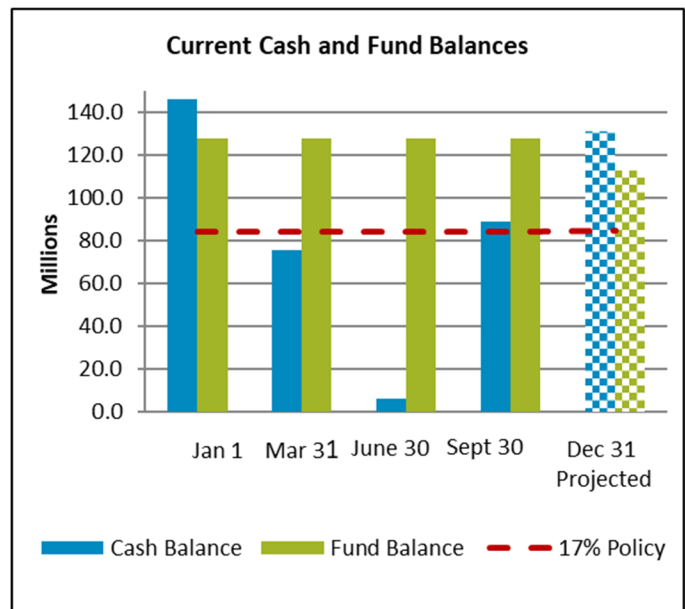
Fund Description

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required by law or administrative action to be accounted for in another fund. The Fund's 2020 current revenue budget is \$523.0 million, while the Fund's 2020 current expense budget is \$493.9 million, including transfers.



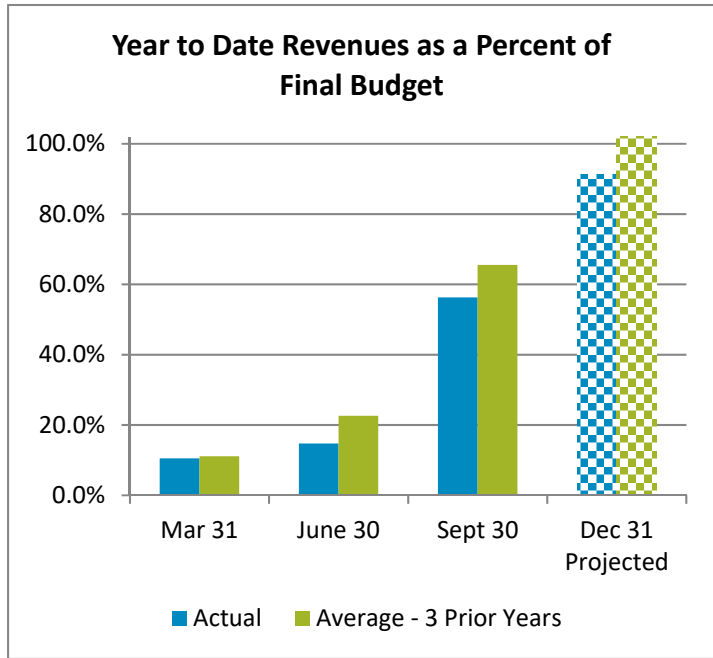
Cash and Fund Balance

The fund balance for the General Fund at fiscal year-end 2019 was \$128.0 million. The 2020 Original Budget included a \$10 million planned use of fund balance, which was changed to a \$12.2 million gain through budgetary adjustments. Current projections place the change in fund balance at a loss of (\$16.1 million). The City's financial policy is to maintain 17% of the General Fund's fund balance for the following year's expenditure budget. The 17% fund balance target for the 2021 General Fund budget of \$475.4 million is \$80.8 million. The projected ending fund balance of \$111.9 million exceeds the target by \$31.1 million. The cash balance at year-end 2019 was \$146.3 million. Over one-half of the revenue in the General Fund comes from sources received only two times per year, such as property taxes, special assessments, and state aids. As such, the cash balance fluctuates significantly during the year. As of September 30, the cash balance was \$89.1 million. This increased significantly with the receipt of the first half property tax settlement in early July. Ending cash for 2020 is projected to be \$131.2 million.



Revenue

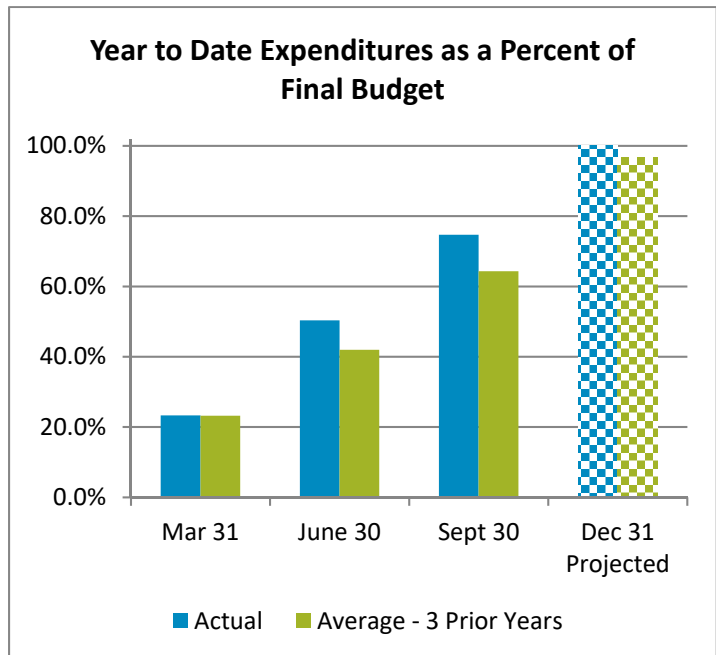
As noted above, more than one-half of General fund revenue is related to property taxes, special assessments, and state aids. The first installments of these payments are received in July with the remainder received in November. Since such a large portion of General Fund revenue is received after the second quarter of the year, the average revenue through the first half of the past three years is only 22.6% of the budget. Actual revenue through the third quarter 2020 totals \$294.4 million or 43.7% of the total budget. Economic impacts from COVID-19 have decreased the City’s revenues in some areas during 2020. These reductions are projected to continue through year-end, resulting in a projected year-end revenue shortfall of \$44.9 million, 8.6% less than budgeted. Nearly all revenue categories are currently forecast to be less than budgeted with the biggest shortfalls seen in Property Taxes at \$18.7 million under budget, Franchise Fees at \$4.3 million, and Licenses and Permits at \$2.9 million under budget. In addition to these revenue sources, transfers from other funds to the General Fund were decreased by \$22.0 million to preserve the cash balance in the Downtown Assets fund where a significant drop in local sales taxes is putting pressure on cash reserves.



Expenditures

Six departments comprise 75.3% of the General Fund’s total current budget: Police, Fire, Public Works, the City Coordinator, Community Planning and Economic Development (CPED), and Regulatory Services. Small percentage variances in any of these large departments can have a significant effect on the amount of surplus or deficit in the General Fund expenditure budget.

Primarily due to significant overtime and personnel costs related to the response to civil unrest in late May and early June, the Police Department is projected to be \$6.0 million over the reduced 2020 budget. Public Works expects to be over budget by \$1.8 million. With budgetary reductions across all general fund departments in mid-2020, the projected spending in many departments is at or just below budget. This reflects the effectiveness of spending reductions, hiring and wage freezes, and other measures intended to curb spending in accordance with projected revenue shortfalls. Overall spending in the General Fund is projected to be \$0.3 million more than the reduced budget, and \$38.8 million under the original budget.



**City of Minneapolis
General Fund Quarterly Report Comparisons
September 30, 2020**

	Original Budget	Revised Budget	Year-to-Date	Percent of Revised Budget Remaining	Year End Projection	Surplus (Deficit) Budget Versus Projected	Projected Year End as a Percent of Revised Budget
Revenues							
Property Taxes	\$ 233,563,093	\$ 233,563,093	\$ 120,974,614	48.2%	\$ 214,878,046	\$ (18,685,047)	92.0%
Local Taxes	-	-	8,725	0.0%	16,874	16,874	100.0%
State Aids	86,198,149	86,198,149	41,152,262	52.3%	86,725,801	527,652	100.6%
Charges for Services	55,400,445	55,437,945	41,407,408	25.3%	57,612,765	2,174,820	103.9%
Franchise Fees	34,379,000	34,379,000	20,989,144	38.9%	30,010,491	(4,368,509)	87.3%
Licenses & Permits	47,079,159	47,079,159	35,749,151	24.1%	44,207,201	(2,871,958)	93.9%
Fines & Forfeits	6,670,000	6,670,000	3,301,159	50.5%	4,302,831	(2,367,169)	64.5%
Special Assessments	3,570,320	3,570,320	1,700,277	52.4%	3,294,983	(275,337)	92.3%
Investment Income	6,250,000	6,250,000	4,263,862	31.8%	8,000,000	1,750,000	128.0%
Other Intergovernmental	1,214,381	1,214,381	1,161,496	4.4%	1,263,321	48,940	104.0%
Other Miscellaneous	715,000	715,000	1,631,815	-128.2%	1,858,898	1,143,898	260.0%
Contributions	-	-	260	0.0%	260	260	100.0%
Total Revenues	475,039,547	475,077,047	272,340,172	42.7%	452,171,471	(22,905,576)	95.2%
Transfers In	47,889,000	47,889,000	22,094,500	53.9%	25,889,000	(22,000,000)	54.1%
Revenues and Other Sources	\$ 522,928,547	\$ 522,966,047	\$ 294,434,672	43.7%	\$ 478,060,471	\$ (44,905,576)	91.4%
Expenditures							
Police	188,550,933	178,406,075	139,029,494	22.1%	184,404,000	(5,997,925)	103.4%
Fire	71,193,472	69,314,213	52,460,987	24.3%	69,314,213	-	100.0%
Human Resources	10,072,551	7,179,420	5,162,689	28.1%	6,807,338	372,082	94.8%
Finance and Property Services	24,876,671	24,692,415	17,695,698	28.3%	23,501,880	1,190,535	95.2%
911	10,098,481	9,729,098	6,974,874	28.3%	9,729,098	-	100.0%
311	4,326,426	4,218,292	3,057,805	27.5%	4,218,292	-	100.0%
City Coordinator	10,019,710	8,508,922	4,404,523	48.2%	8,508,922	-	100.0%
Intergovernmental Relations	1,547,116	1,491,481	1,079,645	27.6%	1,407,655	83,826	94.4%
Communications	2,264,561	2,292,405	1,820,052	20.6%	2,284,125	8,280	99.6%
Emergency Management	1,165,431	1,140,694	1,706,243	-49.6%	1,937,101	(796,407)	169.8%
Neighborhood & Community Relations	2,577,745	832,296	587,255	29.4%	832,296	-	100.0%
City Coordinator - Total	66,948,692	60,085,021	42,488,786	29.3%	59,226,705	858,316	98.6%
Transportation Planning & Design	2,194,689	2,115,688	1,867,677	11.7%	2,463,539	(347,851)	116.4%
Transportation Plan Programming	2,881,729	2,960,440	1,920,254	35.1%	2,785,440	175,000	94.1%
Transportation Maintenance & Repair	37,357,337	33,218,074	27,762,058	16.4%	35,211,809	(1,993,735)	106.0%
Public Works Administration	3,875,567	4,127,028	2,847,211	31.0%	3,683,375	443,653	89.3%
Traffic & Parking Services	18,933,582	16,687,709	12,643,975	24.2%	16,829,134	(141,425)	100.8%
Public Works - Total	65,242,903	59,108,939	47,041,175	20.4%	60,973,297	(1,864,358)	103.2%
Regulatory Services	22,363,800	20,649,225	15,369,090	25.6%	20,532,225	117,000	99.4%
Attorney	10,857,704	10,382,040	6,960,483	33.0%	9,373,637	1,008,403	90.3%
City Council & City Clerk	9,579,222	9,595,941	6,961,815	27.5%	9,303,796	292,146	97.0%
City Clerk Elections	6,400,367	6,617,639	4,308,539	34.9%	6,617,639	-	100.0%
Contingency	5,100,000	5,100,000	-	100.0%	-	5,100,000	0.0%
Assessor	6,265,541	6,088,706	4,183,358	31.3%	5,943,357	145,349	97.6%
CPED	45,408,317	37,116,342	25,451,025	31.4%	37,116,342	-	100.0%
Health	13,080,364	15,245,453	8,360,464	45.2%	15,328,189	(82,736)	100.5%
Civil Rights	5,057,186	4,697,715	3,169,560	32.5%	4,658,851	38,864	99.2%
Mayor	2,483,669	2,378,371	1,762,318	25.9%	2,320,017	58,354	97.5%
Internal Audit	812,665	762,186	554,892	27.2%	694,487	67,699	91.1%
Total Expenditures	519,344,834	485,547,866	358,101,986	26.2%	485,806,755	(258,889)	100.1%
Transfers Out Total	13,647,217	8,394,217	10,236,044	-21.9%	8,394,217	-	100.0%
Expenditures and Other Uses	\$ 532,992,051	\$ 493,942,083	\$ 368,338,030	25.4%	\$ 494,200,972	\$ (258,889)	100.1%
Change in Fund Balance					(16,140,500)		
Fund Balance - January 1, 2020					128,040,017		
Fund Balance - December 31, 2020 (Projected)					111,899,516		

City of Minneapolis
Convention Center Special Revenue Fund Report
For the Third Quarter Ending September 30, 2020

The Convention Center Special Revenue Fund is used to account for the maintenance, operation, and marketing of the City-owned Convention Center and related facilities. 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 of Minneapolis, the metropolitan region, and the State of Minnesota.

Revenue

Tax Revenue

The Convention Center Special Revenue Fund activity was historically funded from local sales and hospitality tax receipts in addition to Convention Center operating revenue. Beginning in 2014, the local taxes were deposited directly to the General Fund, and a transfer was made from the General Fund to the Convention Center to fully fund Convention Center operating and non-operating expenditures. Beginning in 2018, the Convention Center Special Revenue Fund is being managed as part of the Downtown Assets umbrella fund. The Downtown Assets Fund is intended to help the City provide a coordinated management and funding structure for the physical infrastructure assets in Downtown Minneapolis which help generate sales, liquor, lodging, restaurant, and entertainment taxes that support City spending. The Downtown Assets “umbrella” Fund includes the Minneapolis Convention Center, the Arena Special Revenue Fund (Target Center), Peavey Plaza, and the Commons. Beginning in 2018, as part of the new Downtown Assets funding structure, the local taxes were receipted directly to the Downtown Assets Fund, and a transfer is being made from the Downtown Assets Fund to the Convention Center Fund to fund Convention Center operations and building debt service.

Operating Revenue

Through September 30, 2020, Convention Center operating revenue ended at nearly \$5.9 million or 31% of the \$18.8 million budget. Rents and Commissions had the strongest finish at \$2.7 million or 36% of budget followed by Charges for Services and Sales at \$2.2 million or 31% of budget, and finally Catering Commissions which came in at \$958,000 or 22% of budget.

The Convention Center September 30, 2020 operating revenue of \$5.9 million finished \$12.4 million under the September 30, 2019 operating revenue of \$18.3 million. The reason for the decline was that the Convention Center was heavily impacted by event cancellations related to the COVID-19 pandemic. The Convention Center projects 2020 operating revenue to finish at \$6.5 million or nearly \$12.3 million under budget, and \$14.7 million under 2019.

Non-Operating Revenue

In 2019, the Tallmadge building experienced significant damage from a burst water pipe. The Minneapolis Convention Center has received nearly \$2.4 million in 2020 from insurance claims.

Expenditures

Operating Expenditures

As the result of the COVID-19 pandemic and damages within the City, the City reduced 2020 budgets citywide, and the Convention Center’s 2020 operating budget was reduced by \$3.7 million which includes \$1.6 million for Meet Minneapolis. The Convention Center’s 2020 capital budget was also decreased by \$10.0 million for a total 2020 decrease of \$13.7 million.

Through the second quarter of 2020, Convention Center operating expenditures, not including Ongoing Equipment and Improvement, General Fund Overhead, and IT operating expenditures finished at \$14.0 million or 58% of budget which was based on event levels and normal day-to-day operations. The Convention Center continues to

work on its 'no waste' initiative as well as further enhancements to the energy efficiency practices that were put in place in 2009. The ongoing management of operating expenses includes a variety of cost containment activities:

- Reduction in energy and water consumption
- Identifying and implementing operating efficiencies
- Recycling "waste" initiative

Based on the most current figures available earlier this year, the Convention Center recycled 62% of building waste meeting the goal of 60% for an overall 2019 - 2020 recycling rate. The Convention Center expects 2020 operating expenses to finish the year 784,000 under the reduced budget.

In Ongoing Equipment and Improvements, the Convention Center finished the second quarter at nearly \$3.9 million or 47% of the \$8.2 million budget. During the second quarter of 2020, work was done on the Plaza renovation project, the Tallmadge building, steam room renovation, building public space lighting renovation, LED lights retrofit, exterior lights, HVAC upgrades, Terrazzo floor refinishing, chilled water valve replacement, building/security equipment, exhibitor services/back of house remodeling, and the relocation of the command center. These projects allow the Convention Center to remain competitive in the national market. The Convention Center expects Ongoing Equipment and Improvements to finish at \$7.2 million or \$982,000 under the reduced budget.

Transfers

The Convention Center Fund annually transfers funds for debt service, in addition to receiving a transfer from the Downtown Assets Fund. In 2020, transfers to debt service for debt issued on the building is budgeted at nearly \$26.8 million which was the final year of building debt. With the significant financial pressure due to Covid-19, the building debt was refinanced to 2025 which reduced the 2020 debt service to \$856,624. The budgeted transfer from the DT Assets Fund has been decreased from the 2020 budget of \$53.5 million to \$6.1 million.

Meet Minneapolis

Beginning in 2004, Meet Minneapolis entered into a series of loan agreements with the City for its joint venture Internet Destination Sales System (iDSS). A total of three loans were consolidated into one \$10.0 million loan in 2007. The consolidated loan had a 10-year amortization of principal (2008-2017) to be repaid in full in 2017 at a 5% interest rate. In November 2014, Meet Minneapolis sold iDSS, but the principal and interest payments to the City continued. In late 2017, there was a contract amendment which extended Meet Minneapolis' final \$500,000 payment of loan principal with \$15,000 interest to January 2019. Meet Minneapolis' quarterly sales and marketing payment from the City was reduced by the amount of the interest and principal payments due for that period. The principal was accounted for on the balance sheet as a loan receivable while the interest received was classified as revenue in the period in which it was due. The loan interest with principal was paid in full in 2019. With the 2020 budget reductions, Meet Minneapolis was budgeted at \$10.6 million in 2020, but due to the City's 2020 budget reductions, Meet Minneapolis's budget was reduced \$1.6 million to \$9.0 million. Meet Minneapolis is projected to finish 2020 at the original budgeted amount of \$10.6 million.

Fund and Cash Balance

The September 30th, 2020 fund and cash balances were \$49.1 and \$50.3 million respectively, and the 2020 ending fund and cash balances are projected to be \$4.8 million and a negative \$8.6 million which are decreases of \$28.6 from 2019. The decreases are related to the reduction to the transfer from the DT Assets to the Convention Center from a budgeted \$53.5 million to \$6.1 million.

**CONVENTION CENTER SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the second quarter ending September 30, 2020**

CITY OF MINNEAPOLIS, MINNESOTA

	2020				2019 Actual
	Budget	Actual	Percent of Total	Year End Projection	
REVENUE					
Operating Revenue:					
Charges for Services and Sales	6,900,000	2,164,960	31%	2,153,000	8,541,896
Rents and Commissions	7,600,000	2,745,972	36%	2,898,000	8,371,262
Catering Commissions	4,275,000	957,778	22%	1,449,000	4,312,679
Total Operating Revenue	18,775,000	5,868,711	31%	6,500,000	21,225,838
Other Non Operating Revenue:					
Investment Management Services Interest	761,514	380,392	50%	500,000	1,163,294
Meet Minneapolis (iDSS) Loan Interest	-	-	-	-	15,000
Interest on Capital Advance	-	616,044	-	616,044	214,492
Other	-	2,381,893	-	2,382,000	250,262
Total Other Non Operating Revenue	761,514	3,378,328	444%	3,498,044	1,643,048
Total Non Operating Revenue	761,514	3,378,328	444%	3,498,044	1,643,048
Total Revenue	19,536,514	9,247,039	47%	9,998,044	22,868,885
EXPENDITURES					
Convention Center Operations	24,021,580	14,013,260	58%	23,237,520	25,207,851
Ongoing Equipment and Improvement	8,182,449	4,666,048	57%	7,200,000	13,812,296
General Fund Overhead/IT Operating	2,760,045	2,070,034	75%	2,760,045	2,678,932
Meet Minneapolis	9,041,218	8,052,545	89%	10,636,727	10,241,889
Total Expenditures	44,005,292	28,801,886	65%	43,834,292	51,940,968
Excess of Revenues Over (Under) Expenditures	(24,468,778)	(19,554,847)	80%	(33,836,248)	(29,072,083)
OTHER FINANCING SOURCES (USES)					
Transfer from Downtown Assets	53,530,732	35,687,155	67%	6,088,512	59,520,000
Convention Ctr Debt Service Transfer	(26,806,618)	(403,323)	2%	(856,624)	(26,681,616)
Total Other Financing Sources (Uses)	26,724,114	35,283,832	132%	5,231,888	32,838,385
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,255,336	15,728,985		(28,604,360)	3,766,302
Fund Balance - January 1	33,374,795	33,374,795		33,374,795	29,608,494
Ending Fund Balance	35,630,131	49,103,780		4,770,435	33,374,795
Ending Cash Balance (a)		50,297,874		(8,580,224)	20,024,136

Arena Special Revenue Fund For the Third Quarter Ending September 30, 2020

The Arena Special Revenue Fund is used to account for the revenues and on-going equipment and improvements, maintenance, operating support, and other specific expenditures of the Target Center. The Target Center is home to the Minnesota Timberwolves, the Minnesota Lynx, and also hosts a wide variety of events such as concerts; high school, college and professional athletic events; and motor sports and ice skating events. These activities showcase the City of Minneapolis, the metropolitan region, and the State of Minnesota. The operator of the Target Center is AEG Management TWN, LLC (AEG).

Revenue

The Arena Special Revenue Fund activity was historically funded from entertainment tax, and a transfer from the Parking Fund. In 2014, rent from the Timberwolves organization was added as a new revenue source. The rent payments are based on a rent schedule, and the 2020 rent payment was approximately \$1.5 million. Beginning in 2018, entertainment tax was removed as a revenue source with the Arena Fund now being managed as part of the Downtown Assets Funds “umbrella”. The Downtown Assets Funds are intended to help the City provide coordinated management and funding structure for the physical infrastructure assets in downtown Minneapolis which help to generate sales, liquor, lodging, restaurant, and entertainment taxes that support City spending. The Arena Special Revenue Fund also receives interest revenue from investments on cash balances within the fund. The 2020 interest revenue budget is \$61,834, and 2020 interest revenue is projected to finish at \$115,000 which is well over budget as the result investment rates and the fund retaining much of its cash throughout the year.

Expenditures

The Arena Special Revenue Fund has a 2020 ongoing equipment and improvements budget of \$6.6 million which includes the reduction of \$1.2 million as the result of coordinated 2020 Citywide budget reductions related to the COVID-19 pandemic and property damage within the City. In 2020, work is being undertaken on much needed projects including a building automation system, chilled water pumps, escalator renovation, sanitary sewer, escalator lobby lighting, seat covers, kitchen equipment, sprinkler system, and doors. Based on the most recent projection, capital expenses are projected to finish 2020 at \$5.5 million which is \$2.1 million under 2019 and \$1.1 million under the 2020 budget. Arena Special Revenue Fund operations are expected to finish 2020 near budget. As of September 30, 2020, AEG has been paid \$1.5 million of the \$1.7 million budget. The City pays required reimbursements to AEG to support Target Center operating costs.

Transfers

The Arena Special Revenue Fund receives an annual transfer from the Parking Fund. The 2020 budgeted transfer is \$4.6 million. In a planned effort to reduce fund balance while maintaining the Arena Special Revenue Fund as part of the Downtown Assets funds, a transfer of \$759,000 was added to transfer funds from the Arena Special Revenue Fund to the Downtown Assets Fund to further reduce fund and cash balances. As part of the Citywide 2020 budget subtractions/additions, the \$759,000 transfer was increased to \$4.8 million to further reduce cash and fund balances.

Fund/Cash Balance

The 2019 ending fund balance was \$7.5 million, and is projected to decrease to \$1.4 million in 2020. The primary reason for the decrease is a \$1.1 million increase in projected capital expenses in 2020, a \$4.0 million increase in the transfer to the DT Assets Fund, and normal operating expenses of the building. With the Downtown Assets management structure, the Arena Fund will receive a transfer from the Downtown Assets Fund to fund operations and capital as necessary in future years. The 2020 ending and cash balance is projected to decline to \$3.3 million.

ARENA SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal quarter ending September 30, 2020

	2020				
	Budget	Actual	Percent of Total	Year End Projection	2019 Actual
REVENUES:					
Rents & Commissions	1,520,319	1,520,319	100%	1,520,319	1,490,509
Interest	61,834	88,625	143%	115,000	358,003
Total revenues	1,582,153	1,608,944	102%	1,635,319	1,848,512
OTHER FINANCING SOURCES (USES):					
Target Center Operations	(2,014,052)	(1,725,279)	86%	(2,014,052)	(1,922,326)
Target Center Capital	(6,632,198)	(2,193,613)	33%	(5,632,198)	(4,566,924)
Transfer to Downtown Assets	(759,094)	(759,094)	0%	(4,764,929)	(2,757,000)
Transfer From Municipal Parking Enterprise Fund	4,614,684	3,461,013	75%	4,614,684	4,383,188
Total other financing sources (uses)	(4,790,660)	(1,216,973)	25%	(7,796,495)	(4,863,062)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(3,208,507)	391,971		(6,161,176)	(3,014,550)
Fund Balance - January 1	7,522,097	7,522,097		7,522,097	10,536,647
Ending Fund Balance	4,313,590	7,914,068		1,360,921	7,522,097
Ending Cash Balance		7,974,128		3,317,954	9,479,130

Downtown Assets Special Revenue Including the Downtown Assets, Peavey Plaza, and Commons Funds For the Third Quarter Ending September 30, 2020

The Downtown Assets Special Revenue Fund created in 2018. The purpose of this fund is to:

- clearly delineate the uses of local sales, liquor, lodging, restaurant, and entertainment taxes;
- provide stable, predictable ongoing support from these taxes to the General Fund; and,
- support the comprehensive management of the City's four primary downtown revenue-generating capital assets.

This collection of funds holds the operating and capital funds which support the Minneapolis Convention Center, the Arena Special Revenue Fund (Target Center), the Downtown Commons, and Peavey Plaza. Though each of these funds holds a cash balance to its own, all cash balances are available to support any expense within the funds. Receipts to the fund are largely made up of local taxes, but may also include contributions from private donations or State funding to support capital improvements. The Convention Center department is responsible for management of operations within the fund. Revenues and expenditures for the Convention Center and Target Center are discussed in those funds' respective quarterly reports.

Revenue

The 2020 Downtown Assets Special Revenue Fund revenues are budgeted at approximately \$93.7 million. Local taxes (including sales, liquor, lodging, restaurant and entertainment) make up \$93.4 million of that amount. Minneapolis local taxes are projected to finish at \$40.7 million, or \$52.7 million under budget based on 2020 collection trends and impacts from the COVID-19 pandemic. Based on investment yields and cashflows within the funds, interest revenues are projected to be \$20,000 which is \$223,000 under budget. The reduction from budget is the result for very soft 2020 local tax collections related to COVID-19 pandemic and economic slowdown.

Expenditures

Capital expenditures within the Peavey Plaza fund include a \$474,000 rollover from 2019 to complete the renovation of Peavey Plaza. Also included are operating budgets for the Downtown Assets, Peavey Plaza, and the Downtown Commons. The \$25,000 Downtown Assets Fund operating budget isn't expected to be spent due to cancelled events related to the COVID-19 pandemic. The Peavey Plaza operating budget of \$424,000 is projected to be fully spent. Peavey Plaza's operating budget is related to the operations and maintenance of Peavey Plaza, in addition to \$18,000 for special assessments. The \$820,000 Commons operating budget is fully spent with scheduled payments made to the Parks Department for the maintenance and operations of the Downtown Commons, in addition to \$67,000 to cover payments for special assessments.

Transfers

Budgeted transfers include \$32.7 million to the General Fund, \$53.4 million to the Convention Center to fund debt service, capital, and operating expenses; and nearly \$5.7 million to the Arena Special Revenue Fund (Target Center) for building debt service. In addition, there is a transfer of \$759,000 from the Arena Special Revenue Fund to the Downtown Assets Fund. This transfer was made to reduce cash within the Arena Special Revenue Fund with the Arena Special Revenue Fund being managed under the Downtown Assets funds. As part of a cash and fund balance management strategy, the \$32.7 million transfer from the DT Assets to the GF was reduced and capped at \$10.7 million. The \$53.4 million transfer from the DT Assets to the Convention Center was reduced to \$6.6 million, and the \$759,000 transfer from the Arena Special Revenue Fund to the DT Assets was increased to \$4.8 million.

As of September 30, 2020, all transfers were on schedule, but there may need to be future adjustments made to transfers if cash is insufficient to cover transfers.

Fund/Cash Balances

At the end of 2019, the Downtown Assets Funds had a fund balance of nearly \$16.1 million, and a cash balance of \$8.8 million. The 2020 Downtown Assets Funds, fund and cash balances are projected to finish 2020 at \$36.9 million and \$29.6 million respectively. The \$20.8 million increase from 2019 is the result of the reduced 2020 transfer amounts to the Convention Center and the General Fund.

**DOWNTOWN ASSETS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the third quarter ending September 30, 2020**

	2020				
	Budget	Actual	Percent of Total	Year End Projection	2019 Actual
REVENUES:					
Local Taxes	93,445,722	32,589,480	35%	40,725,590	89,181,551
Interest Revenue	235,801	13,026	6%	20,000	430,768
Total Revenues	93,681,523	32,602,506	35%	40,745,590	89,612,319
EXPENDITURES					
Downtown Assets Operating	25,000	-	0%	-	887,412
Peavey Plaza Operating	424,000	199,862	47%	424,000	344,111
Peavey Plaza Capital	473,754	249,496	53%	473,754	3,518,481
Commons Operating	820,000	820,000	100%	820,000	814,098
Total Expenditures	1,742,754	1,269,358	73%	1,717,754	5,564,101
Excess of Revenues Over (Under) Expenditures	91,938,769	31,333,148	34%	39,027,836	84,048,218
OTHER FINANCING SOURCES (USES)					
Transfer From Other Special Revenue Fund	759,094	759,094	100%	4,764,929	2,757,000
Transfer to City General 00100	(32,711,000)	(10,711,000)	33%	(10,711,000)	(31,462,000)
Transfer to Downtown Assets 01700	-	-	-	-	(5,696,585)
Transfer to Convention Center	(53,380,732)	(35,687,155)	67%	(6,616,377)	(59,520,000)
Transfer to Other Debt Service Funds	(5,697,635)	(1,266,318)	22%	(5,697,210)	-
Total other financing sources (uses)	(91,030,273)	(46,905,378)	52%	(18,259,658)	(93,921,585)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	908,496	(15,572,230)	-1714%	20,768,178	(9,873,367)
Fund Balance - January 1	16,083,942	16,083,942		16,083,942	25,957,309
Ending Fund Balance	16,992,438	511,712		36,852,120	16,083,942
Ending Cash Balance		511,712		29,580,992	8,812,814

City of Minneapolis
Police Special Revenue Fund
For the Third Quarter Ending September 30th, 2020

Background

The Police Special Revenue Fund accounts for the City's revenues and expenses related to federal and state administrative forfeitures, lawful gambling, non-emergency service contracts, Automated Property System, and the Workforce Director scheduling and payroll system. The Automated Property and Workforce Director (WFD) systems are proprietary software systems that are owned and managed by the City of Minneapolis and recovers expenses from user agreements with other governmental and non-governmental entities. MPD discontinued APS due to lack of competencies, competition and lack of upgrades over the years. MPD also is in the process of exiting the WFD and effective January 1, 2020, financial activities associated with APS (if any) and WFD has been transferred to the General fund.

The non-emergency service contracts are typically entered into by the City of Minneapolis Police Department and an external entity usually located within the City of Minneapolis. The Police provide non-emergency services for sporting events, concerts, or extra presence at designated facilities or geographic areas.

Periodically, City departments (frequently Public Works) contract with Police to provide additional services at a desired location(s). The Police Special Revenue Fund is also used to account for revenues and expenses associated with these types of contracts.

Historical Financial Performance

The accumulated fund balance for year end 2019 was \$2.9 million compared to 2018 fund balance of \$2.4 million. The increase in 2019 was mainly due to an increase in federal forfeiture revenue of \$315,000; excess APS revenue over expenditures of \$80,000; and excess Vikings/US Bank revenue over expenditures of \$72,000. Fund balance has increased from \$1.1 million in 2014 to \$2.9 million in 2019.

Revenues

Revenues for the Police Special Revenue Fund decreased from \$2.7 million in 2018 to \$2.3 million in 2019. The decrease was primarily due to decrease in Vikings/US Bank service revenue of almost \$300,000 as there was no Super Bowl in 2019; Discontinuation of Detox van contract with Hennepin County, resulting decrease in revenue from \$200,000 in 2018 to \$0 in 2019; Decrease in APS revenue of \$140,000 due to loss of APS customers as MPD discontinued APS at the end of 2019; and decrease in Workforce Director revenue by \$140,000 as there was no additional configuration work in 2019 whereas in 2018, additional work was done on behalf of MPD, resulting increase in revenue. These decreases were offset by increase in forfeiture revenue from \$281,000 in 2018 to \$614,000 in 2019. Forfeiture revenue is unpredictable and depends on amount forfeited and number of cases settled /resolved each year.

The total revenue budgeted for 2020 is \$1.4 million compared to \$2.6 million in 2019. The decrease was predominately due to MPD exiting the intellectual properties businesses (APS & WFD), resulting decrease in budgeted APS and WFD revenue from almost \$900,000 in 2019 to \$0 in 2020. Through the third quarter of 2020, revenue received is \$700,000 compared to the \$1.8 million received through the third quarter of 2019. The decrease is due to decreased APS & WFD revenue and the impact of the Pandemic, leading to a significant drop across the board in 2020. The projected 2020 year-end revenue is just under \$900,000

compared to the budgeted revenue of \$1.4 million. Again, the decrease is due to decreased APS & WFD revenue and the impact of the Pandemic, leading to a significant drop in revenues in 2020.

Expenditures

Overall expenditures for the Police Special Revenue Fund was \$1.8 million in 2019 compared to \$2.8 million in 2018. Decrease in 2019 was due to decrease of just under \$350,000 in personnel & fringe expenses associated with US Bank Stadium/Vikings non-emergency services as there was no Super Bowl held in Minneapolis in 2019; Transfer of \$350,000 Workforce expenditures to the general fund in 2019 compared to \$0 in 2018; discontinuation of Detox van contract with Hennepin county, resulting decrease in salaries & benefits from \$200,000 in 2018 to \$0 in 2019; and decrease of charitable gambling expenditures from \$475,000 in 2018 to \$180,000 as there was a refund in 2019 to charitable organizations. In 2018, a refund totaling over \$200,000 was paid out of the accumulated charitable gambling fund balance to charitable gambling organizations as required by the state of Minnesota. These decreases were offset by increase in forfeiture expenditures of \$200,000 and increase in personnel and fringe expenses associated with snow emergency services contract of \$100,000.

Through the third quarter of 2020, approximately \$0.5 million has been expended compared to almost \$1.8 million through the third quarter of 2019. The decrease in spending is predominately due to discontinuation of APS and transfer of WFD expenditures to general fund and decrease in overtime cost associated with non-emergency services contracts. Many of the non-emergency services has been suspended due to the pandemic. The projected 2020 year-end expenditures are \$0.9 million compared to budgeted expenditures of \$1.4 million. Due to the ongoing pandemic, State authorities have suspended large gatherings including sporting events and concerts held at various stadiums and as a result, limited non-emergency service contracts are expected to be performed for the remainder of 2020.

Cash and Fund Balance

The accumulated fund balance for year ending 2019 is \$2.9 million compared to 2018 fund balance of \$2.4 million. The increase in fund balance from 2018 to 2019 was predominately due to a transfer of \$350,000 of Workforce Director expenditures to general fund along with excess revenue associated with APS and Forfeiture of \$70,000 and \$80,000, respectively.

The cash balance for year end 2019 was \$2.8 million compared to \$2.2 million in 2018. Increase in 2019 was mainly due to increase in federal forfeiture revenue of \$315,000; excess APS revenue over expenditures of \$80,000; and excess Vikings/US Bank revenue over expenditures of \$72,000. Remaining differences is mainly due to rounding.

The cash balance as of September 30, 2020 is \$2.9 million compared to cash balance of \$2.4 million as of September 30, 2019. The differences are predominately due to excess revenue over expenditures in 2019 and 2020.

City of Minneapolis
Police Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For Third Quarter/Years 2020, 2019 and 2018

	Budget Current Year 2020	Projected Year Ending 2020	For Period Ending 9/30/2020	For Year Ending 2019	For Period Ending 9/30/2019	For Year Ending 2018	For Period Ending 9/30/2018
Revenue							
Charges for Services and Sales	977,500	256,069	172,543	1,414,050	965,719	2,175,449	1,415,633
Fines and Forfeits	237,362	451,874	439,325	614,458	653,403	281,224	284,204
Miscellaneous	-	-	-	-	-	-	-
Taxes	226,779	168,126	112,084	262,501	182,461	255,846	163,571
Total Revenue	1,441,641	876,070	723,952	2,291,010	1,801,582	2,712,519	1,863,408
Expenditures							
Capital Outlay	-	49,455	49,455	161,431	161,431	40,246	40,246
Contractual Services	62,947	243,250	18,018	345,400	534,814	1,008,648	727,118
Fringes	214,075	87,376	69,663	246,412	198,687	309,487	264,258
Materials / Other	199,304	236,699	147,253	158,681	189,245	250,984	166,162
Personal Services	965,315	311,048	210,749	903,762	674,188	1,241,315	971,996
Total Expenditures	1,441,641	927,828	495,139	1,815,686	1,758,366	2,850,681	2,169,780
Excess of Revenues Over (Under)							
Expenditures	-	(51,758)	228,813	475,324	43,216	(138,162)	(306,372)
Significant Balance Sheet Items							
Cash Balance	2,783,520	2,731,762	2,856,703	2,783,520	2,404,704	2,237,746	2,061,066
Fund Balance	2,923,273	2,871,515	3,152,086	2,923,273	2,491,165	2,447,949	2,279,739

City of Minneapolis
NCR Special Revenue Fund: 01800
For the 3rd Quarter Ended September 30, 2020

Neighborhood and Community Relations Special Revenue Fund

The Neighborhood & Community Relations (NCR) Special Revenue Fund accounts for neighborhood revitalization efforts within the City and is funded by the revenues of the 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 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 the NCR administrative costs.

Historical Financial Performance

This fund was established in 2011. Growth in the fund was impacted by the two year hiatus on tax increment collection. The City decided to reduce property tax levies in 2012-2013 by using reprogrammed NRP resources to fund neighborhood revitalization services for these two years and reduce the captured value of the Consolidated TIF District. As of 2014, the captured value of the district was restored to the amount provided in the original plan.

Revenues

\$3.5 million has been transferred from the Consolidated Redevelopment Tax Increment Financing District Fund to the NCR Special Revenue Fund for the first half of FY 2020, and \$3.5 million more is projected for the second half of FY 2020.

Expenditures

The expenditures from this fund through the third quarter of FY 2020 is \$5.2 million for the community engagement and neighborhood-based activities and total projected expenditures are expected to be \$7 million in FY 2020.

Fund Balance

The Fund balance projection for 2020 year-end is \$3.1 million based on the current activities.

City of Minneapolis
NCR Special Revenue Fund : 01800
Statement of Revenues, Expenditures and Changes in Fund Balance
For Years, 2020, 2019, and 2018

	Budget Current Year 2020	Projected Year Ending 2020	For Period Ending 9/30/2020	For Year Ending 2019	For Period Ending 9/30/2019	For Year Ending 2018
Revenue						
Loan Recapture		-	-	-	-	1,662
Total Revenue	-	-	-	-	-	1,662
Expenditures						
Neighborhood Community Relations	7,217,684	7,089,083	5,198,975	7,051,052	5,173,584	6,708,537
Excess of Revenues Over (Under) Expenditures	(7,217,684)	(7,089,083)	(5,198,975)	(7,051,052)	(5,173,584)	(6,706,875)
Other Financing Sources (Uses)						
Net transfers in from other funds	7,089,083	7,089,083	3,544,542	6,882,605	3,441,303	6,682,141
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(128,601)	-	(1,654,433)	(168,447)	(1,732,281)	(24,734)
Significant Balance Sheet Items:						
Cash Balance		3,473,070	1,567,285	3,473,070	1,646,584	3,544,785
Fund Balance		3,112,775	1,458,340	3,112,775	1,548,941	3,281,222

City of Minneapolis
Regulatory Services Special Revenue Fund
For the Third Quarter Ending September 30, 2020

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 for the abatement of buildings that have been deemed to be in nuisance condition pursuant to Chapter 249 for 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. The majority of revenue in the fund is received from Special Assessments paid with property taxes twice annually. In 2013 the Construction Code Services division of Regulatory Services was transferred to Community Planning and Economic Development (CPED). In 2019, CPED transferred their spending to the General Fund, and Regulatory Services is responsible for spending and revenue in this fund.

Historical Financial Performance

The City established this fund in 2008. Through 2013 it accumulated a fund balance of \$5.5 million. This balance was the result of various initiatives in previous years and the availability of grant funds to pay for eligible expenses. These two revenue sources were not ongoing, leaving special assessments and direct property owner charges as the only sources of revenue for this fund. Additionally, the department followed a Council directive to reduce the fund balance, and moved permanent expense into the fund. Fund balance has been declining in recent years. Anticipation going forward is for revenue to continue to contract and expenses to increase, thereby reducing fund balance.

Revenue

The majority of revenue in this fund comes from Vacant Building Registration fees. Homeowner citations, paid directly or through Special Assessments is another source of revenue. The total revenue budgeted for 2020 is \$2.5 million; \$2.4 million of this is from special assessments. Through the third quarter of 2020 \$1.0 million in revenue had been received compared to \$1.2 million through the third quarter of 2019, a 12% decrease from the previous year. The 2020 year-end revenue projection is \$2.1 million, or approximately \$0.4 million under budget.

Expenditures

Expenditures for the Regulatory Services Special Revenue Fund include services such as demolitions, board-ups, nuisance grass cutting, nuisance tree removals, and nuisance rubbish removal. Through the third quarter of 2020, \$2.4 million had been expended as compared to \$2.9 million in 2019. The projected 2020 year-end expenditures are \$3.1 million, which is \$75,000 under budget.

Cash and Fund Balance

Fund balance projections depend upon revenue receipts. The Fund Balance for 2020 is budgeted to decrease by \$736,000. Fund balance and cash balance, which mirrors fund balance are projected to decrease by \$1,054,000 in 2020, resulting in ending balances of \$73,000 and \$148,000 respectively.

City of Minneapolis
Regulatory Services Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For Third Quarter/Years 2020, 2019, and 2018

	Budget Current Year 2020	Projected Year Ending 2020	For Period Ending 9/30/2020	For Year Ending 2019	For Period Ending 9/30/2019	For Year Ending 2018	For Period Ending 9/30/2018
Revenue							
Permits and Charges for Services	100,000	102,684	94,151	286,489	88,604	282,486	178,794
Special Assessments	2,370,000	1,974,084	923,239	1,955,759	1,073,788	2,046,964	1,236,995
Other	-	-	-	-	-	48,188	52,678
Total Revenue	2,470,000	2,076,768	1,017,390	2,242,248	1,162,392	2,377,638	1,468,466
Expenditures							
Regulatory Services	3,205,689	3,130,689	2,341,618	3,883,579	2,935,402	3,835,768	2,875,588
Community & Economic Development	-	-	6,717	-	-	108,044	98,820
Total Expenditures	3,205,689	3,130,689	2,348,336	3,883,579	2,935,402	3,943,812	2,974,408
Excess of Revenues Over (Under) Expenditures	(735,689)	(1,053,921)	(1,330,946)	(1,641,331)	(1,773,010)	(1,566,174)	(1,505,942)
Other Financing Sources (Uses)							
Net transfers in from other funds	-	-	-	800,000	400,000	-	-
Net transfers out to other funds	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	800,000	400,000	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing U	(735,689)	(1,053,921)	(1,330,946)	(841,331)	(1,373,010)	(1,566,174)	(1,505,942)
Significant Balance Sheet Items:							
Cash Balance	466,571	148,339	(128,686)	1,202,259	670,580	2,043,590	2,025,719
Fund Balance	391,710	73,478	(203,547)	1,127,398	595,719	1,968,729	2,028,961

SPECIAL REVENUE FUNDS
Federal, CDBG, and Other State and Local Grants
Quarter Ending September 30, 2020

The City receives a number of federal and state grants that are recorded in the Federal (01300), HUD Consolidated Plan (01400 & 01500), and Grants Other (01600) funds. These grants have varying grant periods and are used for a broad range of purposes. Since the City records its financial information on a modified accrual basis, the timing of cash receipts can result in grant funds reflecting a deficit cash balance throughout the year. For annual reporting purposes, cash deficits are eliminated through inter-fund borrowing.

Federal Grants Fund (01300)

The City accounts for its federal grant activity in fund 01300. As of September 30, 2020, expenditures were \$8,909,881 compared to the 2019 expenditures of \$7,944,915. The increase in federal expenditures of \$964,966 is primarily a result of the federal awards received through the Coronavirus Aid, Relief, and Economic Security (CARES) Act in response to the pandemic.

We anticipate further increases in spending in fund 01300 later in the year to reflect the expenditure of federal grants and financial assistance awards received in the second and third quarters but not yet expended and associated with coronavirus pandemic response. The City received approximately \$32.2 million of Corona Relief Funds (CRF) from the U.S. Treasury Department through State of Minnesota. These funds need to be expended by November 15 and it is unlikely there will be an extension to the award. The City received other CARES Act funding totaling \$2,589,025 for public health, public safety and elections.

The federal grants fund includes other sources of federal revenue in support of the Police Department task force activities. Police receive reimbursement from the Alcohol Tobacco and Firearms (ATF), Drug Enforcement Administration (DEA), Federal Bureau of Investigations (FBI), and other task forces to reimburse the City for some of the overtime costs associated with officers that work on specific task forces.

HUD Consolidated Plan Funds (01400 & 01500)

The Community Development Block Grant (CDBG) is the City's largest single grant and is accounted for in fund 01400 along with two other Housing and Urban Development (HUD) Programs, the Emergency Solutions Grant Program (ESG) and Housing Opportunities for Persons with AIDS (HOPWA). HOME Investment Partnerships Program (HOME) program is accounted for in fund 01500 and the combined amounts are presented in the schedule. The HUD Consolidated Plan program year is from June 1 to May 31. The CDBG awards had declined until 2012 and since has remained around \$10 million until 2020 where the CDBG award increased to \$11 million. The combined HUD Consolidated Plan allocation for 2020 was over \$16 million approximately equivalent to the 2019 allocation. HUD grant expenditures as of September 30 were \$8,885,567 compared to \$10,638,204 for 2019. Variances in expenditures between years are not uncommon due to the nature and timing of larger CPED projects. We anticipate an increase in the

expenditures later in 2020 for COVID related expenditures for the CDBG, ESG and HOPWA programs from the HUD COVID supplemental grants of \$22,860,339.

Grants Other Fund (01600)

The fund is used to account for non-federal grants and other restricted revenue sources.

The expenditures as of September 30, 2020 are \$15,842,358 compared to the 2019 expenditures of \$17,270,363. The decline in 2020 expenditures primarily relates to a slowdown in spending of local funds in Community Planning and Economic Development Department resulting from the pandemic and other economic impacts due to the current social environment.

The revenue in the fund as of September 30, 2020 and 2019 is \$24,863,606 and \$20,321,909, respectively. The increase between 2020 and 2019 is primarily due to an increase in private grants and contributions. Grants in fund 01600 are both on a cost reimbursement and advance basis. At the end of the year amounts advanced and not expended are shown in the financial statements as unearned revenue, and amounts that are due to the City are recorded as intergovernmental receivables. Some amounts are earned and reserved for a restricted purpose and those amounts remain as restricted fund balance.

Capital Grants

In addition to the grants that are recorded in the funds reflected above, the City's Department of Public Works receives various grants through the Federal Government, Minnesota Department of Transportation, Metropolitan Council, and Hennepin County. These grants are generally recorded in Fund 04100, the Permanent Improvement Capital Projects fund.

Special Revenue Funds
Grant Funds
Quarter Ending September 30, 2020

	Federal Grants 01300	HUD Grants 01400 & 01500	Grants Other 01600	Total
Assets				
Cash and Cash Equivalents	\$ (1,413,136)	\$ 2,550,510	\$ 11,734,918	\$ 12,872,292
Accounts - net	-	6,983	44,030	51,013
Intergovernmental Receivables	-	-	14,566	14,566
Properties Held for Resale	666,309	6,320,766	1,199,750	8,186,825
Total Assets	\$ (746,827)	\$ 8,878,259	\$ 12,993,264	\$ 21,124,696
Liabilities				
Salaries Payable	\$ 58,803	\$ 20,126	\$ 92,776	\$ 171,705
Accounts Payable	286,658	279,410	249,937	816,005
Inter Governmental Payables	-	147,630	-	147,630
Use Taxes Payable	12	-	-	12
Unearned Revenue and Contracts	354,150	-	76,076	430,226
Total Liabilities	\$ 699,623	\$ 447,166	\$ 418,789	\$ 1,565,578
Fund Balance	\$ (1,446,450)	\$ 8,431,093	\$ 12,574,475	\$ 19,559,118
Total Liabilities and Fund Balance	\$ (746,827)	\$ 8,878,259	\$ 12,993,264	\$ 21,124,696
Revenue				
Taxes-Charitable Gambling	\$ -	\$ -	\$ 170,149	\$ 170,149
Grants and Shared Revenues	6,365,341	7,771,294	16,302,167	30,438,802
Special Assessments	-	1,787	-	1,787
Private Grants and Contributions	-	-	7,038,170	7,038,170
Charges for Services	-	-	724,260	724,260
Fines and forfeits	-	-	74,506	74,506
Interest	-	68,383	-	68,383
Rent & Commissions	-	32,642	-	32,642
Sale of Lands & Buildings	3,188	496,495	-	499,683
Loan Recapture	273,114	2,625,293	-	2,898,407
Miscellaneous Revenue	20,000	-	553,854	573,854
Transfer within Special Revenue Fund	-	-	500	500
Total Revenue	\$ 6,661,643	\$ 10,995,894	\$ 24,863,606	\$ 42,521,143
Expenditures	\$ 8,909,881	\$ 8,885,567	\$ 15,842,358	\$ 33,637,806
Revenues Over (Under) Expenditures	\$ (2,248,238)	\$ 2,110,327	\$ 9,021,248	\$ 8,883,337

City of Minneapolis
Community Planning & Economic Development (CPED)
Special Revenue Funds
For the Third Quarter Ending September 30, 2020

<i>Programs</i>	<i>Original Budget</i>	<i>Current Budget</i>	<i>Expended</i>	<i>Budget v. Exp</i>	<i>Cash</i>	<i>Fund Balance</i>
Tax Increment Financing	53,903,390	80,270,479	35,076,439	45,194,040	113,999,172	139,317,944
Housing & Econ Dev	4,271,000	21,769,938	8,091,118	13,678,820	10,725,218	16,473,426
General Development	7339,003	23,867,670	4,880,712	18,986,958	33,737,040	37,054,799
Neighborhood Revitalization	5,800,000	4,975,000	2,459,024	2,515,976	31,869,730	32,133,183
CPED Operating	1,536,313	1,536,313	1,350,684	185,629	1,999,446	1,323,330
Total	72,849,706	132,419,400	51,857,977	80,561,423	192,330,606	226,302,682

CPED Special Revenue Funds account for governmental funds that are legally restricted to expenditures for specific purposes in a number of housing and economic development programs. The programs that are operated within these funds were established to increase the City’s economic competitiveness, ensure an array of attractive housing choices, support strong and diverse neighborhoods, and preserve historic structures. These programs are funded primarily through state and local grants, tax increment financing (TIF), and administrative fees collected from the issuance of housing and economic development revenue bonds. All special revenue funds are restricted to the legal purposes of the special revenue they contain.

Fund Balance. The combined fund balance of the CPED Special Revenue Funds at the end of the third quarter 2020 was \$226.3 million. Fund balances are considered either “restricted” or “assigned.” The combined fund balance of the NRP and TIF programs was \$171.4 million, and all of this fund balance is considered restricted. The combined fund balance of the Housing & Economic Development, General Development, and CPED Operating programs was \$54.9 million.

Cash Balance. The combined cash balance of the CPED Special Revenue Funds at the end of the third quarter 2020 was \$192.3 million. This was \$6.7 million less than at the end of the third quarter 2019. The combined cash balance in the TIF and NRP programs at the end of the third quarter 2020 was \$145.9 million (75.84% of the total).

Tax Increment Financing. This program accounts for financial resources that are used for the acquisition and improvement of land and buildings in designated areas of the City. Authorized under the TIF Act (Minnesota Statutes, Section 469.174–469.1799, as amended), this is a major financing tool available to the City to assist with the development and redevelopment of property within the City that would not occur “but for” the use of this tool.

The primary source of revenue for this program is tax increment, which is comprised of property taxes generated from the new incremental value of specific development. Generally, this revenue is used to pay outstanding TIF bonds, notes and loans. Tax increment revenues of the program are segregated by TIF district and must be spent according to the provisions of the TIF Act.

Cash at the end of the third quarter 2020 was \$114 million, which was \$1.1 million higher than cash at the end of third quarter 2019. Third quarter 2020 revenues came in at \$37.5 million, which was \$825,935 higher than in 2019. Third quarter 2020 expenditures were \$19.8 million, which was \$758,536 higher than in 2019. In the third

quarter of 2020, total revenue exceeded expenditures by \$17.7 million, net transfers out were \$12.5 million, and fund balance increased by \$5.2 million from \$134.1 million to \$139.3 million.

Housing & Economic Development. Prior to 2014, Housing and Economic Development program activities were generally funded by administrative fees generated through the City's issuance of conduit debt (e.g. housing revenue bonds, industrial development revenue bonds, etc.). Since 2014, these activities have been largely funded through the City's General Fund where these administrative fees are now deposited.

Cash at the end of the third quarter 2020 was \$10.7 million, which was \$2.8 million less than cash at the end of third quarter 2019. Third quarter 2020 revenues were \$691,085, which was approximately \$606,789 less than in 2019. Third quarter 2020 expenditures were \$8.1 million, which was \$0.7 million higher than in 2019.

General Development. This program provides loans and grants to outside organizations to assist with housing and economic development activities within the City, as well as providing interim loans to specific CPED projects. This program is capitalized with land sale proceeds, parking revenues, rental income from development projects, and loan payments that are not part of the Housing and Economic Development program.

Cash at the end of the third quarter 2020 was \$33.7 million, which was \$4.5 million less than cash at the end of third quarter 2019. Third quarter 2020 revenues were \$1.5 million, which was \$10.8 million less than in 2019. Third quarter 2020 expenditures were \$4.9 million, which was \$0.9 million higher than in 2019.

Neighborhood Revitalization Program. This program was established in 1990 and focuses on the delivery of City services, including housing and economic development loans and grants to individual neighborhoods based on the priorities set by the people who live and work in those neighborhoods.

The program is funded from tax increment and other revenues of the City's Common Project. From 1990 through 2011 this program was administered by the NRP Policy Board. This board was established under State law, and operated pursuant to a joint powers agreement between the City, County, School District, Park Board and Library Board. After the joint powers agreement expired in 2012 the program came under the management of the City's Neighborhood and Community Relations (NCR) Department. The revenues remaining in this program are restricted in their use by State law.

Cash at the end of the third quarter 2020 was \$31.9 million, which was \$0.4 million higher than the cash in third quarter 2019. Third quarter 2020 revenues were \$1.5 million, which was \$0.6 million less than in 2019. Third quarter 2020 expenditures were \$2.1 million, which was \$1.1 million less than in 2019.

CPED Operating. This program provides the working capital for CPED's administrative costs. The program also provides financing for projects that are not eligible for CPED's restrictive revenue sources.

At the end of the third quarter 2020, this program had a fund balance of \$1.3 million and a cash balance of \$2 million. Expenditures during this period exceeded revenues by nearly \$1.0 million, and there were no transfers from/to other funds.

CPED Special Revenue Fund Component Programs
Financial Statement Summaries
3rd Quarter 2020

CPED Special Revenue Fund	TIF	Housing & Econ Development	General Development	NRP	CPED Operating	Spec Rev Fund Comparison	
						Q3 2020 Total	Q3 2019 Total
Assets							
Cash	113,999,172	10,725,218	33,737,040	31,869,730	1,999,446	192,330,606	198,991,010
Misc receivables	96,151	-	31,398	12,772	4,265	144,586	75,282
Loans receivable	-	6,227,182	-	-	-	6,227,182	6,227,182
Advances to other funds	389,471	-	-	-	-	389,471	3,272,782
Properties held for resale	25,438,329	5,888,782	3,674,770	251,202	-	35,253,083	34,754,185
Total Assets	139,923,123	22,841,182	37,443,208	32,133,704	2,003,711	234,344,928	243,320,441
Liabilities							
Payables	161,886	9,309	68,939	521	10,476	251,131	21,942
Advances from other funds	389,471	-	-	-	-	389,471	522,782
Deposits held for others	-	131,265	319,470	-	657,306	1,108,041	908,503
Deferred inflow of resources	53,822	6,227,182	-	-	-	6,281,004	6,233,116
General Ledger Suspense	-	-	-	-	12,599	12,599	0
Total Liabilities	605,179	6,367,756	388,409	521	680,381	8,042,246	7,686,343
Total Fund Balance	139,317,944	16,473,426	37,054,799	32,133,183	1,323,330	226,302,682	235,634,098
Total Liabilities & FB	139,923,123	22,841,182	37,443,208	32,133,704	2,003,711	234,344,928	243,320,441
Revenue							
Property tax increment	36,016,154	-	-	-	-	36,016,154	33,640,738
Fees & charges for services	12,952	325,308	543,850	-	84,265	966,374	1,267,280
Interest revenue	994,133	106,904	400,504	330,573	33,182	1,865,296	4,252,494
Special Assessments	-	-	-	-	243,098	243,098	0
Rent	106,773	2,287	32,583	-	-	141,642	241,822
Sale of land & buildings	52,830	42,096	32,057	12,467	-	139,451	10,424,149
Loan recapture	224,782	214,290	507,724	1,156,553	-	2,103,350	3,292,529
Refund	90,000	200	-	-	-	90,200	0
Total revenue	37,497,624	691,085	1,516,718	1,499,593	360,545	41,565,565	53,119,011
Expenditures							
Personal services	130,066	17,751	650,863	-	-	798,679	1,595,442
Contractual services	15,246,806	2,525,134	2,507,612	1,980,558	1,350,684	23,610,793	6,423,633
Other operating costs	-	38,000	396,312	-	-	434,312	555,461
Program capital outlay	4,460,019	5,510,234	1,325,926	111,687	-	11,407,865	26,551,345
Total expenditures	19,836,890	8,091,118	4,880,712	2,092,245	1,350,684	36,251,649	35,125,880
Transfers							
Transfers from other funds	2,758,154	2,828,250	-	690,523	-	6,276,927	13,537,024
Transfers to other funds(-)	(15,239,547)	-	-	(523,318)	-	(15,762,865)	(41,544,527)
Total transfers	(12,481,393)	2,828,250	-	167,205	-	(9,485,938)	(28,007,502)
Change in fund balance	5,179,341	(4,571,782)	(3,363,995)	(425,446)	(990,139)	(4,172,021)	(10,014,372)
Beginning fund balance	134,138,603	21,045,208	40,418,793	32,558,630	2,313,469	230,474,704	245,648,469
Ending fund balance	139,317,944	16,473,426	37,054,799	32,133,183	1,323,330	226,302,682	235,634,098

City of Minneapolis
Engineering, Materials, and Testing
For the Third Quarter Ending September 30, 2020

Fund 06000	2020 Budget	09/30/2020 Actual	Projected YE 2020	2019 Actual
Operating Revenue	9,025,424	6,500,243	8,329,509	9,242,251
Operating Expense	8,626,578	6,474,641	8,175,574	8,839,512
Operating Margin	398,846	25,603	153,936	402,739
Change in Net Position	-	25,603	153,936	402,779
Net Position		535,302	663,635	509,699
Cash Balance		2,616,835	2,286,267	2,132,331

Program Description:

The Engineering, Materials and Testing Fund records transactions related to City purchases of hot-mix asphalt and ready-mix Concrete. This fund also accounts for the transactions associated with the quality control activities for the placement of these materials and assures compliance with State and Federal standards and specifications. The Engineering Laboratory, a component of this fund, provides these quality control activities. In addition, the Engineering Laboratory is responsible for construction inspection and testing services, maintaining a laboratory for testing construction materials, performing geotechnical evaluations, and coordinating related environmental field services.

This fund generates revenue from testing and inspection services provided by the Engineering Laboratory and the sale of concrete and asphalt from outside vendors to other City departments. A cost allocation model determines product costs to allow the fund to generate revenues that match operating expenses. The Engineering Laboratory continually compares its rates with those of the private sector that provides comparable services. Historically, the Laboratory's hourly rate has been significantly lower than that of the private sector and generates adequate revenue to cover the fund's direct and indirect expenses.

Revenue:

Operating revenue earned through third quarter 2020 is \$6,500,243, or 72.0% of the budgeted amount of \$9,025,424. The 2020 third quarter revenue represents a decrease of 3.1% over the third quarter 2019 revenue of \$6,706,883. Revenues (and expenses) throughout the third quarter of the year is dependent upon several factors such as weather as well as the timing of construction projects. These variables can result in substantial variances in the amount of revenue (and expenses) recorded through third quarter from year to year.

Expense:

Operating expense through third quarter 2020 is \$6,474,641, or 75.1% of the budgeted amount of \$8,626,578. The 2020 3rd Quarter expense reflects an increase of 16.2% over the 2019 expense of \$5,571,036 incurred through the same period. As noted above, expenses throughout the third quarter of the year are dependent upon several factors such as weather as well as the timing of construction projects.

Transfers:

This fund does not have any transfers in or out in 2020.

Debt Service:

This fund does not have any debt obligations.

Forecast:

The 2020 Operating revenue is projected to be \$8,329,509 or 92.3% of the budgeted amount of \$9,025,424. Operating expense is projected to be \$8,175,574 or 94.8% of the budgeted amount of \$8,626,578. The Projected amounts are expected to be lower than the budgeted amounts due to COVID19 which resulted in the hiring and wage freeze, which in turn is expected to lower the Revenue and Expense for the 2020. The 2020 projections result in an increase of \$153,936 from the 2019 ending net position of \$509,699. The 2020 year-end cash balance is projected to be \$2,286,267, which is higher than the 2019 ending balance of \$2,132,331 due to the expected increase in the 2020 projected Operating Margin.

Cash and Net Position

The 2020 third quarter cash balance is \$2,616,835, an increase of \$153,936 from the 2019 year-end balance of \$2,132,331. The increase in cash through third quarter is due to timing differences between the receipt and payment of invoices for asphalt and concrete and billing these purchases to other City departments. At September 30, 2020, the fund had an accrual of \$591,728 for September invoices for asphalt and concrete that was paid in October. Had these invoices been paid in September, the cash balance would be reduced to \$2,025,107. Financial policies for the cash reserve for the Engineering, Materials, and Testing Fund determine that the cash balance should not be less than 15.0% of the operating budget excluding materials and related costs or \$356,070 for 2020.

The 2019 year-end net position was \$509,699 which represents an increase of \$89,699 from the 2018 ending balance of \$420,000. The primary reason for this increase was due to the 2019 higher Operating Margin as a result of more concrete and asphalt sales and more consulting services. The financial policy for the net position for this fund determines that net position should not be less than 15.0% of the annual operating budget excluding materials and related costs, or \$332,700 for year-end 2019.

City of Minneapolis
Fleet Services Internal Service Fund
For the Third Quarter Ending September 30, 2020

Fund 06100	2020 Budget	09/30/2020 Actual	Projected YE 2020	2019 Actual
Operating Revenue	40,202,817	26,209,545	32,940,705	41,584,609
Operating Expense	23,758,249	17,729,807	24,757,184	25,351,313
Operating Margin	16,444,568	8,479,738	8,183,521	16,233,296
Change in Net Position		3,134,596	(1,986,216)	7,673,891
Net Position		96,979,287	91,858,475	93,844,691
Cash Balance		30,557,154	22,894,933	33,727,402

Program Description:

The Fleet Services Fund manages the acquisition, maintenance and disposal of approximately 1,700 units of equipment; primarily the City’s fleet of vehicles, including police cars, fire trucks, snowplows, sedans and pickup trucks along with off road equipment. This fund provides technicians to maintain the equipment. In addition, the fund manages the field coordination of City-owned and contractual equipment and operators as well as the procurement and sale of fuel for these vehicles.

The Fleet Services Division assigns nearly all its fleet (base units) to City departments. The City departments are allocated a rental rate for these units that is calculated through an activity-based cost allocation model and designed to capture the replacement cost of the vehicle. The City’s fleet of vehicles and equipment has an acquisition value of \$100.1 million and accounts for 64.2% of the net value of the long-term assets in this fund.

Revenue:

Operating revenue earned through third quarter 2020 is \$26,209,545 or 35% of the budgeted amount of \$40,202,817. The revenue earned through third quarter 2020 decreased by \$2,984,932, or 11.4%, from the revenue earned through third quarter 2019. This decrease is due reduced usage of equipment and lower fuel costs because of the COVID-19 pandemic. Also, to help the City contain costs, Fleet Services has suspended the billing for equipment rentals for the remainder of the year which lowered expected revenue to \$7,736,901 of the \$15,585,613 budgeted for this line item.

Expenses:

Operating expense through third quarter 2020 totaled \$17,729,807 representing 75% of the annual budget of \$23,758,249. Expenses through the third quarter of 2020 increased \$729,144 or 4%, over the total expense through the same period in 2019. The primary reason for this increase is because of \$92,454 of unbudgeted expenses relating to repair of Fleet office space rented through Property Services. And normal increases in costs for expenses.

Transfers:

This fund receives a transfer in of \$317,000 from the Property Services Fund to pay a portion of the debt expense related to the Currie Maintenance Facility. Property Services included a portion of the debt expense in its rent cost allocation model to charge other City departments that are housed in the Currie facility for a portion of the debt. This fund also has a transfer of \$2,000,000 that will be going to the general fund in order to balance cash reserves for the fund.

Debt Service:

This fund has no debt obligations in 2020. All debt obligations were repaid in full in 2018.

Forecast:

Operating revenue is projected to be \$32,940,705 which is \$7,262,111 or 18.1% less than the budgeted amount of \$40,202,817. Projected revenue is less than budgeted primarily due to a decrease in usage and lower fuel charges. Also budgeted revenue for equipment rental was suspended for the remainder of the year which will cut the revenue in half. Operating expense is projected to be \$24,757,184, or 4.2 % more than the budgeted amount of \$23,758,249. After transfers are complete and non-operating revenue is recorded, a decrease to net position of \$1,986,216 is projected compared to the budgeted increase of \$6,283,568, resulting in a projected ending net position of \$91,858,475. Ending cash is projected to be \$22,894,933 a decrease of \$10,832,469 from the 2019 ending cash balance of \$33,727,402. The decrease in cash is due to the timing of capital purchases, which vary from year to year based on a long-term replacement schedule which requires higher amounts of replacement in some years compared to others. Also because of the COVID 19 Epidemic there were reductions to the budget and spending efforts to contain costs.

Cash and Net Position:

The fund has maintained a positive cash balance with a third quarter 2020 ending balance of \$30,557,154, a decrease of \$918,761 from the 2019 third quarter ending balance of \$31,475,915. Reserve policies for internal service funds determine that the minimum cash balance should be 15.0% of the fund's operating budget or \$3,409,087.

The net position for year ending 2019 was \$93,844,891, an increase of \$7,673,891, or 8.2% over the 2018 ending balance of \$86,170,800. The increase in net position is due to timing differences between the receipt of revenue collected to pay for replacement vehicles and the delivery and subsequent payment for the vehicles. Net position consists of a net investment in capital assets of \$70,489,442 along with \$23,355,262 of unrestricted net position. Financial reserve policies for the internal service funds determine that the minimum net position for the Fleet Services Division Fund should be twice the depreciation amount or \$17,976,000.

City of Minneapolis
Property Services Division
For the Third Quarter Ending September 30, 2020

Fund 06200	2020 Budget	09/30/2020 Actual	Projected YE 2020	2019 Actual
Operating Revenue	23,801,117	20,254,116	27,180,581	25,353,270
Operating Expense	26,585,748	21,598,142	31,807,171	27,600,136
Operating Margin	(2,784,631)	(1,344,026)	(4,626,590)	(2,246,865)
Change in Net Position		(1,810,571)	(5,257,122)	1,903,552
Net Position		32,073,588	28,627,037	33,884,159
Cash Balance		6,225,696	2,891,129	8,148,251

Program Description:

The Property Services Fund is responsible for the maintenance and upkeep of City-owned buildings including police precinct structures, fire stations, and public works buildings. The fund does not include the Convention Center, Water facilities, or Park Board buildings. The fund is also responsible for the Radio Shop which maintains the City's emergency communications network. Beginning in 2009, the Council approved a City-wide charge for City Hall rent. The Property Service fund collects the rental charge and remits it to the Municipal Building Commission (MBC) to reimburse MBC for maintenance and property management services. The 2020 revenue and expense budgets for this activity is \$5,413,000 to account for this flow-through rental charge. The City departments located in City Hall receive a General Fund appropriation to fund the charge for the rent.

Included in the Property Services Division is the Property Disposition Fund. This fund was created in section 14.120 of City Ordinance for the purpose of recording proceeds from the sale of City property. The ordinance did not specify the use of proceeds. Some of the proceeds were expended on capital projects upon City Council approval.

Revenue:

Property Services earns revenue through rent charged to departments housed in City owned buildings for property maintenance and by performing facility repairs and upgrades. Beginning in 2016, funding for City building capital repairs and upgrades is also managed through the rent allocation model. City departments that occupy City buildings are charged additional rent to fund these projects. Previously, capital repairs and upgrades were funded through net debt bonds. The amount allocated annually for this purpose is \$4,000,000.

Operating revenue recorded through third quarter 2020 is \$20.3 million, or 85.1% of the budgeted amount of \$23.8 million. The 2020 third quarter revenue increased by \$1.5 million, or 7.9%, from the revenue earned through the third quarter 2019. This is mainly because through the third quarter of 2020, the revenue earned from charges for services at City Hall increased by \$941 thousand, or 28.2% from the same period in 2019. Revenue received from charges for services, including operating repairs and upgrades, also fluctuates based on the amount of discretionary spending available to departments and the timing of work done.

Expenses:

Operating expense through third quarter of 2020 is \$21.6 million, or 81.2% of the total budgeted amount of \$26.6 million. The 2020 third quarter expense increased \$2.4 million, or 12.6%, from the operating expense recorded through third quarter 2019. The 2020 increase is primarily due to increased expenses related to 2019 delayed projects which were rolled over to 2020. Expenses also fluctuate based on the amount of discretionary spending available to other departments and the timing of work done.

Transfers:

For 2020, this fund receives a transfer in from the General Fund totaling \$237,000 to support the City Hall rent expense. The fund will also transfer out \$317,000 to the Fleet Services Division fund to assist with the debt related to the Currie Maintenance Facility, and \$500,000 for the financing of the new Public Service Center (PSC) Loan. Property Services collects the Fleet Services payment of \$317,000 through the rent allocation model from City departments housed in Currie; and it collects \$500,000 from CPED through the rent model to finance the PSC Loan.

Debt Service:

There is no outstanding debt service for 2020.

Forecast:

2020 Operating revenue is projected to be \$27.2 million or 14.2% more than the budgeted amount of \$23.8 million. The operating expense is projected to be \$31.8 million or 19.6% higher than the budgeted amount of \$26.6 million. The projected expenses are more than the budgeted expenses due to the timing of capital repairs/upgrades and work for others' projects. The result is a projected operating margin loss of \$4.6 million, compared to the budgeted operating margin loss of \$2.8 million. The loss is due primarily to a planned catch-up in spending on preservation projects.

The 2020 ending cash balance is projected to be \$2.9 million, a decrease of \$5.2 million from the 2019 year-end balance of \$8.1 million. The decrease in cash is due to timing; some of the capital repairs and upgrade projects, originally budgeted in 2019, are expected to be completed in 2020.

Cash and Net Position:

The cash balance at the end of third quarter 2020 was \$6.2 million compared to a cash balance of \$9.1 million at the end of third quarter 2019. The cash through the third quarter of 2020 consists of a balance of \$1.6 million in the Property Disposition fund and a balance of \$4.6 million in the Property Services operating fund. Financial reserve policies for the internal service funds determine that the minimum cash balance should be 15.0% of the fund's operating budget or \$2.8 million for the Property Services fund in 2020. The projected ending cash balance is \$2.9 million.

The net position for the year ending 2019 was \$33.9 million, an increase of \$1.9 million from the net position of \$32.0 million for year ending 2018. This increase is due to the delay of the capital improvement projects in 2019, which are planned to be completed in 2020. The financial policy for the net position for the Property Services Fund determines that net position should not fall below two times the annual depreciation. The depreciation in 2019 was \$814,443 and the projected net position in 2020 is \$27.0 million greater than the benchmark, which is \$1.6 million.

**City of Minneapolis
Public Works Stores
For the Third Quarter Ending September 30, 2020**

Fund 06300	2020 Budget	09/30/2020 Actual	Projected YE 2020	2019 Actual
Operating Revenue	1,543,038	1,378,689	1,818,189	1,617,080
Operating Expense	1,528,906	1,291,725	1,682,150	1,704,715
Operating Margin	14,131	86,964	136,039	(87,634)
Change in Net Position		86,964	136,039	(15,577)
Net Position		5,651,575	5,700,649	5,564,611
Cash Balance		548,019	2,673,714	2,537,676

Program Description:

The Public Works Stores Fund, established in 1965, accounts for the centralized procurement, receiving, warehousing and distribution of stocked inventory items and the purchase of special goods and services. The fund's mission is to provide goods in a cost-effective manner to City departments through the Central Stores and Traffic Stores. In 2016, Central Stores added a new storeroom located at the Royalston Maintenance Facility. The Royalston storeroom will provide the same services as the Hiawatha location.

Revenue:

Operating revenue through the third quarter of 2020 is \$1,378,689, or 89.3% of the budgeted amount of \$1,543,038. This is an increase of \$263,527, or 23.6%, compared to revenue of \$1,115,162 earned through third quarter of 2019. Revenue for this fund is earned by applying overhead charges to inventory sales and transaction processing. The increase in revenue is due a \$51,247 increase in Traffic Stores overhead charges and a \$51,276 increase in selling scrap and merchandise to outside customer. The increase is also due to a \$161,003 increase in Central stores overhead charges and transactions processing.

Expenses:

Operating expense through the third quarter of 2020 is \$1,291,725, or 84.5% of the budgeted amount of \$1,528,906. The amount expended through third quarter of 2020 decreased by \$2,631, or 0.2%, from the \$1,294,356 expended through the same period in 2019. The decrease is due to a reduction of \$110,145 in personnel, which is driven by the COVID-19 pandemic. These decreases are partially offset by an increased \$31,700 in Contractual services and \$75,814 in material and supplies.

Transfers:

There are no transfers in or out of this fund in 2020.

Debt Service:

The Public Works Stores Fund does not have any debt obligations.

Forecast:

Operating revenue is projected to total \$1,818,189 at year-end, exceeding the budgeted revenue of \$1,543,038 by \$275,151, or 17.8%. This increase is mostly due to increased overhead charges to inventory sales and transaction processing. Operating expense is projected to be \$1,682,150, representing a 10.0%, or \$153,244 increase from the budgeted amount of \$1,528,906. The cost of inventory that is resold to City departments is excluded from the total expense of the Public Works Stores Fund. As a result, increased inventory purchases do not increase the overall expense of the fund. These year-end projections result in

an increase to net position of \$136,039 compared to a budgeted increase of \$14,131, and a projected ending net position of \$5,700,649.

Cash and Net Position:

The cash balance at the end of third quarter 2020 is \$548,019, a decrease of \$1,989,657 from the 2019 year-end balance of \$2,537,676. The decrease in cash is primarily due to a \$2,613,116, or 53.2% increase in inventory purchases. The financial policy for the cash balance for the Public Works Stores Fund determines that the cash balance should be maintained equal to 15.0% of the annual operating budget, or \$229,336.

The fund continues to maintain a positive net position with a 2019 ending balance of \$5,564,611, a decrease of \$15,577 from the 2018 ending balance of \$5,580,188. The financial policy for the net position for the Public Works Stores Fund determines that a net position should be maintained equal to 15% of the annual operating budget, or \$221,089.

**City of Minneapolis
Intergovernmental Services Fund
For the Third Quarter Ending September 30, 2020**

Fund 06400	2020 Budget	09/30/2020 Actual	Projected YE 2020	2019 Actual
Operating Revenue	38,482,018	32,650,071	45,836,801	41,503,334
Operating Expense	46,812,265	34,489,141	45,488,717	50,063,434
Operating Margin	(8,330,247)	(1,839,070)	348,084	(8,560,100)
Change in Net Position		(8,829,062)	(9,716,690)	(20,320,997)
Net Position		27,881,119	25,854,747	30,668,000
Cash Balance		10,333,148	15,305,318	15,115,705

Program Description:

The Intergovernmental Services Fund accounts for operations of Information Technology (IT) and the City Clerk's printing and central mailing services. IT is comprised of telecommunications services, network services, application support, internet and intranet services, convenience copier function, broadband wireless, and deployment of software and hardware.

Revenue:

Operating revenue through the third quarter of 2020 is \$32,650,071, or 85% of the annual budgeted amount of \$38,482,018. This is an increase of \$1,625,375, or 5%, compared to revenue of \$31,024,695 earned through third quarter of 2019.

Expenses:

Operating expenses through the third quarter are \$34,489,141 or 73.7% of the annual budgeted amount of \$46,812,265. The operating expense through third quarter increased \$2,096,936, or 6.1%, from the 2019 expense of \$32,392,205.

Administration expenses of \$12,309,035 through the third quarter increased 3.5% over the 2019 amount of \$11,877,489 through the same period. This increase is partly due to filling the vacant CIO position.

Collaboration Services expenses of \$1,082,120 through the third quarter decreased 33% under the 2019 amount of \$1,624,152 through the same period. This decrease is due to the less use of contracted positions until regular full-time positions were filled.

Central Mailing/Copy Center expenses of \$1,308,742 through the third quarter decreased 27.5% under the 2019 amount of \$1,804,148 through the same period. This decrease is due to the decrease in City Departments needing the services of the Copy Center as a result of COVID-19 pandemic and shifts in work needs.

Debt:

The fund does not have any outstanding debt service obligations.

Transfers:

In 2020 this fund will receive transfers in from the general fund totaling \$353,287. The general fund transfers include \$209,184 for City Hall rent.

In 2020, the fund includes a transfer out of \$1 million for Capital Improvement fund for costs of the new downtown campus, planned on a one-time basis.

Forecast:

Operating revenue is projected to be \$45,836,801 or \$7,354,783 more than the budgeted amount of \$38,482,018. Operating expenses are expected to be \$45,488,717 or \$1,323,547 more than the budgeted amount of \$46,812,265. These projections result in an expected operating margin gain of \$348,084 as compared to a budgeted operating margin deficit of \$8,330,247. The budgeted operating margin gain is mostly due decrease in expense spending due to the COVID-19 epidemic.

The fund is projecting a decrease to net position of \$9,716,690 compared to a budgeted decrease of \$18,395,021. The projected decrease to net position is less than budgeted primarily due to cost containment deductions to original budget due to COVID-19. The 2020 projected year-end net position of \$25,854,747 represents a decrease of 18.6% from the 2019 net position of \$30,668,000.

The year-end cash balance is projected to be \$15,305,318 which represents a decrease of 1.2% from the cash balance at year-end 2019 of \$15,115,705. The decrease is mostly due to the City Council approved reductions to the budget for 2020.

Cash and Net Position:

The cash balance at the end of third quarter is \$10,333,148, representing a decrease of \$4,782,557 from the 2019 year-end balance of \$15,115,705. Financial reserve policies for the internal service funds determine that the minimum cash balance for the Intergovernmental Services Fund should be 15.0% of the fund's total budget or \$7,431,301.

The net position at year-end 2020 is projected to be \$25,854,747, a decrease of \$4,813,253, from the year-end 2019 net position of \$30,668,000. This decrease to net position is partly due to the transfer out of \$1 million to the Capital Improvements Fund in 2020 and a decrease to the original budget because of the City's need to contain costs due to lost revenue due to COVID-19.

Financial reserve policies for the internal service funds determine that the minimum net position for the Intergovernmental Services Fund should be twice the depreciation amount or \$18,836,122. The cost allocation model for this fund does not recover depreciation related to capital assets. This fund records the acquisition value of customer funded IT project assets and it is expected that the fund will continue to exceed the target net position in future years.

**City of Minneapolis
Self-Insurance Fund
For the Third Quarter Ending September 30, 2020**

Fund 06900	2020 Budget	09/30/2020 Actual	Projected YE 2020	Actual YE 2019
Operating Revenue	108,494,200	82,336,267	109,495,348	106,257,549
Operating Expense	103,213,451	64,527,188	88,079,859	116,088,906
Operating Margin	5,280,749	17,809,079	21,415,489	(9,831,357)
Change in Net Position		18,057,065	21,747,508	(32,721,426)
Net Position		(2,257,389)	1,433,053	(20,314,455)
Cash Balance		109,359,246	113,049,688	93,582,733

Program Description:

The Self-Insurance Fund accounts for accrued sick leave benefit, tort liability, workers' compensation, civil attorney and risk management services, and the administrative functions to support these activities. An activity-based cost allocation model determines the charge allocated to City departments to provide for self-insurance related to tort liability and workers compensation. The annual charges are calculated using data determined by an actuarial study based on each City department's responsibility for liability and worker compensation expense. The cost allocation model also assigns a charge for HR employee benefit administration and attorney and risk management services. Beginning in 2018, the City is self-insured and will use its own fund to pay for employees' medical expenses and contracts with Medica for administrative services. Dental Insurance is also recorded to the Self-insurance fund.

Revenue:

Operating revenue through the third quarter of 2020 is \$82,336,267 or 75.9% of the annual budgeted amount of \$108,494,200. This is an increase of \$2,966,148, or 3.7%, compared to \$79,370,119 earned through the third quarter of 2019. The increase is due to medical insurance premiums received of \$1,251,845 and an increase in tort liability premiums received of \$1,134,684. The increase in revenue is also related to a \$794,174 increase in the revenue received for workers compensation premiums and a \$431,103 increase in the administrative functions. These revenue increases are partially offset by a decrease in payments received from the State as refunds for medical and indemnity payments and subrogation claims of \$310,700 and a \$228,494 decrease in the employment services.

Expenses:

Operating expenses through the third quarter of 2020 are \$64,527,188 or 62.5% of the annual budgeted amount of \$103,213,451. This is a decrease of \$23,727,795, or 26.9%, compared to \$88,254,983 expended through the third quarter of 2019. The decrease in operating expense is due to a higher than expected tort liability settlement paid out for a wrongful death case in 2019 of \$20,000,000. The decreases are also related to a \$1,666,256 decrease in medical insurance claims, a \$311,909 decrease in dental insurance claims, a \$479,514 decrease in workers compensation claims, and a \$473,380 decrease in the amount paid out for sick leave at retirement, which is due to the economic crisis induced by the coronavirus pandemic.

Debt Service:

The Self-Insurance Fund does not have outstanding debt obligations.

Transfers:

In 2020, the fund receives a transfer in from the general fund totaling \$324,127 to assist with the cost of City Hall rent for the City Attorney's Office. The fund receives a transfer in on an annual basis and expects this transfer to continue in future years. The fund also transfers in and out within the self-insurance fund of \$13,411,938 from 06900 self-insurance fund to 06950 sick leave severance fund.

Forecast:

Operating revenue is projected to be \$109,495,345 or \$1,001,148 more than the budgeted amount of \$108,494,200. The source of this increase is due to a \$1,177,030 projected increase in payments received for medical insurance premiums, a \$335,214 projected increase in the revenue received from City departments to fund the unused sick leave program, and a \$281,356 increase in State revenue for refunds for medical and indemnity payments. These projected increases are offset by a decrease in dental insurance premiums of \$621,801 and a \$198,914 decrease in employment services. Operating expense is projected to be \$88,079,859, or \$15,133,592 less than the budgeted amount of \$103,213,451. The primary reason that operating expense is projected to be less than budgeted is due to a \$8,000,425 decrease in medical insurance claims, a \$1,245,340 decrease in dental insurance claims, a \$3,911,085 decrease in liability settlement payments, and a \$1,520,033 decrease in the amount paid out for sick leave at retirement. These decreases are mostly driven by the economic crisis induced by the coronavirus pandemic. The projections will result in a projected operating margin gain of \$21,415,489 as compared to the budgeted operating margin gain of \$5,280,749.

The net position in 2020 is projected to increase by \$21,747,508, compared to the budgeted increase of \$5,604,876 resulting in a projected year-end net position of \$1,433,053. The projected ending cash balance for 2020 is \$113,049,688 compared to \$93,582,733 at year-end 2019. The increase in cash and net position in 2020 is driven by the coronavirus pandemic savings in 2020 as described above.

Cash Balance and Net Position:

The cash balance at end of third quarter is \$109,359,246, or a 18.8% increase, compared to a cash balance of \$92,033,805 at the end of third quarter 2019. Financial reserve policies for the internal service funds determine the minimum cash balance for the Self-Insurance Fund should be equal to the unpaid claims liability plus 10.0% of the fund's operating budget and 35.0% of medical self-insurance claims or \$107,576,458. The unpaid claims liability at year-end 2020 is \$85,419,779, an increase of \$6,712,296 from the year-end 2019 unpaid claims liability of \$78,707,483. The cash balance is \$1,782,788 above its target.

The net position at year-end 2019 was a negative amount of \$20,314,455, which is a decrease of \$32,721,426 from the 2018 year-end net position of \$12,406,971. The decrease in net position is primarily due the result of a \$20,000,000 settlement paid out as described above coupled with recording the full sick leave severance liability in the employee benefits fund. Historically, the sick leave severance liability was allocated out to the proprietary fund departments, however the payments are collected and made from the employee benefits fund, so the liability is now recorded in that fund alone. The financial reserve policy relating to the internal service funds states that the net position for the Self Insurance Fund should not fall below zero. The projected year-end 2020 net position for the fund is a positive \$1,433,053. There are several projected worker's compensation and liability claims that are projected to negatively impact net position in future years in this fund.

**City Of Minneapolis
Sanitary Sewer Fund
For the Third Quarter Ending September 30, 2020**

Fund 07100	2020 Budget	09/30/20 Actual	Projected Year End 2020	2019 Actual
Operating Revenue	86,255,289	62,640,627	81,986,258	83,136,915
Operating Expense	70,332,607	52,757,388	69,204,809	73,208,089
Operating Margin	15,922,682	9,883,239	12,781,449	9,928,825
Change in Net Position		4,123,936	16,667,246	5,396,487
Net Position		131,920,900	144,464,210	127,796,964
Cash Balance		8,097,155	15,361,139	7,374,818

Program Description:

The Sanitary Sewer Fund accounts for the enterprise activity of wastewater collection and treatment. The Fund pays 95.0% of the contractual payments to Metropolitan Council Environmental Services (MCES) for wastewater collection and treatment services. The fund also accounts for City services, operation, maintenance, design work, capital programs, transfers, and long-term debt services associated with the sanitary sewer system.

Revenues:

Monthly utility billing for sewer services is the main source of revenue. With sewer revenue of \$62,640,627 recognized through the end of third quarter, the Sanitary Sewer Fund earned 72.6% of the 2020 revenue budget. This is an overall decrease of \$1.1 million, or 1.8%, compared to \$63,770,086 earned in 2019. The utility service revenues accounted for a \$1.9 million increase compared to 2019 due to an increase in rates. Design revenues decreased by \$65,000 due to decrease in capital related activities. SAC fees, which fluctuate based on overall economic activities outside of City operations, decreased by \$3.1 million. This decrease is offset by an equivalent decrease in sewer availability charges (or SAC expenses).

The variable rate for utility charges was set at \$4.54 per unit, an increase of \$0.33 over 2019. The fixed rate, which is based on meter size, was increased by \$0.50, from \$5.80 to \$6.30.

Expenses:

The Sanitary Sewer Fund's total operating expenses through the third quarter were \$52,757,388 compared to \$54,448,948 for 2019. This is a decrease of \$1.7 million, or 3.1%, and reflects the following changes from 2019: (i) SAC charges decrease of \$2.8 million due to less activities in third quarter due to Covid-19; (ii) Met Council charges increase of \$1.1 million; (iii) increase in Sewer Maintenance by \$49,000; and (iv) increase in Sewer Admin by \$164,000 due to certain position were vacant in 2019 and not in 2020; and (v) decrease in Sewer Design due to less capital related activities.

The Met Council rate increased by 3.6% for 2020 services. These municipal wastewater discharge rates are set by the Metropolitan Council on a yearly basis and are based on an allocation of overall costs incurred by MCES for waste processing for customer communities.

Transfers:

A transfer is made from this fund to the Water Enterprise Fund to cover shared costs for meter shop expenses. For the current budget year, this cost was estimated at \$879,121 and, through the end of the third quarter, \$659,347 has been transferred to Water Treatment and Distribution Services.

Debt Service:

For 2020, the debt service cost was budgeted at \$8.4 million. Through the third quarter, no principal and \$493,000 in interest payments were made. These debt service payments are primarily for bonds sold to fund capital programs as an alternative to cash financing. The Fund's long-term debt totals \$34,070,000. Additional bonds issued in October together with planned paydown of principal will bring the long-term debt to \$43,235,000 by the end of the year.

Cash and Net Position:

The current cash balance is \$8,097,155 and the Fund's net position stands at \$131,920,900. The City's policy is to have a cash balance equal to or greater than three months of operating expenses. Therefore, the targeted cash balance for 2020 was \$17,583,152. The shortage is due in part to \$7.0 million in bonds for capital construction that were not sold in 2019 but delayed until 2020. \$14,865,000 of bonds were sold in early October, 2020, which will bring the cash balance above the targeted cash balance.

The Net Position at year end 2019 includes recognition of long-term pension liabilities in accordance with GASB Statement No. 68.

**City Of Minneapolis
Storm Water Fund
For the For the Third Quarter Ending September 30, 2020**

Fund 07300	2020 Revised Budget	09/30/2020 Actual	Projected Year End End 2020	2019 Actual
Operating Revenue	44,153,760	33,666,196	45,141,120	44,316,792
Operating Expense	28,832,169	19,939,661	28,537,646	29,487,624
Operating Margin	15,321,591	13,726,534	16,603,474	14,829,167
Change in Net Position		(4,502,768)	(1,468,003)	(2,042,199)
Net Position		332,857,723	335,892,488	337,360,491
Cash Balance		27,563,015	28,148,120	29,616,123

Program Description:

The Storm Water Fund is responsible for the design, construction and maintenance of City's storm drain system, and street cleaning activities. A portion of the Fund is used for sanitary water interceptor and treatment services and pays 5.0% of the contractual payments to Met Council Environmental Services (MCES). This fund also accounts for the combined sewer overflow (CSO) program, capital programs and debt service payments. Fund resources include: monthly utility billing for storm drainage services, reimbursement for maintenance services provided to State and County, reimbursement for services provided to other City departments, outside parties and design activities, and proceeds from long term liabilities and grants.

Revenue:

The \$33,666,196 in revenues earned through the third quarter reflects 76.2% of the operating revenue budget. This is an increase of \$875,224 compared to \$32,790,972 earned for the same period in 2019. Storm utility revenues increased by 0.7% to \$31,166,461, up from \$30,952,644 for the same period in 2019. This is mainly due to the 2.5% increase in rates. Other services provided increased by \$738,329 due to an increase in work done for the Park Board. Reimbursements, with a total of \$1,360,323, based on maintenance agreement with the State and County, made up for the rest of the operating revenue.

Expenses:

Operating expenses through the third quarter were \$19,939,661, or 69.2% of the 2020 expense budget. The expenses were \$127,530 or 0.6%, higher than the \$19,812,132 reported for 2019, due mainly to: (i) \$423,546 more spent on street cleaning after the riots in 2020; (ii) \$69,407 more spent on Admin, and (iii) \$59,848 more spent on MET Council Environmental Services.

Transfers:

A transfer from this fund is made to General Fund to support two environmental service related FTE's relating to Clean Water Act. For 2020, this was \$110,000, and \$91,667 have been transferred through the third quarter. An additional amount of \$1.5 million is planned to be transferred during the fourth quarter to the Capital Paving program as a contribution to help fund the 20-year additional paving plan.

Debt Service:

The debt service payments are primarily for bonds sold to finance the combined sewer overflow, flood mitigation, and storm tunnel programs. The Fund completed paying off all of its debt service obligations by the end 2016. For the last couple of years there have not been any debt service costs. In 2019 new debt was issued. In 2020, payment of interest was \$95,388 for the first nine month. For the remainder of 2020, an additional \$147,712 of interest and \$991,375 in principal are expected to be paid out of the fund.

Cash and Net Positions:

The ending cash balance at the end of the third quarter stands at \$27,563,015 and net position stands at \$332,857,723. The City's policy is to have a cash balance equal to or greater than three months of operating expenses. Therefore, the target amount for 2020 is \$7,134,412. This will leave \$20,428,603 as unrestricted amount to fund capital programs for 2021 and beyond as the department aims to use it cash reserve as the main source of funds.

The Net Position at year end 2019 includes recognition of long-term pension liabilities in accordance with GASB Statement No. 68.

**City of Minneapolis
Water Enterprise Fund
For Third Quarter Ending September 30, 2020**

Fund 07400	2020 Budget	9/30/2020 Actual	Projected Year End 2020	2019 Actual
Operating Revenue	89,751,102	63,707,462	83,542,791	80,847,541
Operating Expense	58,338,700	40,106,263	54,789,485	56,489,657
Operating Margin	31,412,402	23,601,198	28,753,306	24,357,883
Change in Net Position		(4,788,212)	8,795,386	3,532,188
Net Position		280,726,807	283,729,619	274,934,233
Cash Balance		24,012,880	35,328,592	39,784,542

Program Description:

This Fund accounts for the administration, operation, maintenance, and capital investments of the Public Works Water Treatment and Distribution Services Division of the City. The City sells water to retail customers in the City as well as directly to wholesale customers – the cities of Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, Edina, and the Metropolitan Airports Commission.

Revenue:

The operating revenues for the year 2020 are projected to total \$83,542,791 or 93.1% of the 2020 budgeted amount. Through the third quarter, the Water Fund has revenue of \$63,707,462 compared to \$62,113,107 earned in 2019. The revenues are at pace to meet the meet or surpass the amount projected for the year.

Expense:

Projected operating expenses for the year are \$54,789,485 which is 3.0% lower than the 2019 actual amount of \$56,489,657. For the quarter ending in September, the Fund spent \$40,106,263 compared to \$40,675,646 for 2019 and reflects the following changes: (i) increase in salaries and fringes by \$148,295; (ii) increase in City services by \$45,000; (iii) increase in energy and utility bills, and delivery services by \$482,621; (iv) decrease in chemical usage and treatment by \$250,088; (v) decrease in fleet and capital outlay by \$763,075; and (vi) decrease in contractual and professional services relating to repairs, maintenance, upgrades, and construction works by \$232,136.

Transfers:

For 2020 the transfer amount of \$908,121 consists primarily of a \$879,121 operating transfer from the Sanitary Sewer Fund for its share of the cost of the meter shop. Through the end of the quarter, \$681,098 has been realized.

Debt Service:

Debt service payments relate to the bonds and notes sold to finance the Water Division's capital improvement program. The amount of debt service for 2020, including both principal and interest payments, is projected to add up to \$19,474,443. By the end of the third quarter,

payments of \$13,366,161 were made. During 2020, an additional \$20,000,000 in bonds will be issued to finance water main, automated meter, renewable energy, and renovation of the softening plant chemical system along with other capital projects. This additional debt issuance will increase debt service payments in future years.

Cash Balance and Net Position:

The ending cash balance as of September 30, 2020 was \$24,012,880 compared to \$39,784,542 at the end of 2019. City policy requires an operating cash reserve equal to or greater than three months of operating expenses. Based on the current budget, the targeted amount is \$14,584,675. With the projected year end cash balance of \$39,784,542, more than adequate amount will be available to maintain operating cash reserves and fund capital programs, and debt service payments for future years.

**City of Minneapolis
Municipal Parking Fund
For the 3rd Quarter Ended September 30, 2020**

Fund 07500	2020 Budget	09/30/20 Actuals	Projected Year End 2020	2019 Actuals
Revenue	73,363,481	34,930,191	44,270,000	71,758,459
Expenses	42,562,889	28,844,611	39,608,000	45,495,310
Operating Margin	30,800,592	6,085,580	4,662,000	26,263,149
Change in Net Position		(10,123,840)	(18,859,325)	5,379,564
Net Position		195,139,071	186,403,587	205,262,912
Cash Balance		15,107,436	5,942,000	21,181,894

Program Description:

This fund primarily accounts for operation and maintenance of parking ramps, lots, on-street parking meters, and the municipal impound lot. Major parking-related capital construction and development activities occur in this fund.

Revenues:

The 2020 third quarter actual operating revenues are down in comparison to 2019 by 35.4%. The decrease is from:

- On-street parking is down 34.9% compared to 2019.
- Off-street ramps and lots are down 36.4% compared to 2019.
- Impound Lot revenues are down 30.2% compared to 2019.

Overall revenues were down during the first nine months of 2020 mainly due to the COVID-19 pandemic severely restricting both business and employment activity downtown. Impound lot revenue was also lower than 2019 due to fewer snow emergencies in 2020.

Expenses:

The 2020 operating expenses are lower than the 2019 expenses by 12.7%. The variance is from:

- Impound Lot expenses are down by 22.5% compared to 2019.
- On-street meters are down by 13.5% compared to 2019.
- Off-street ramps and lots are down 11.0% compared to 2019.

Overall, expenses were down as compared to 2019 mainly due to the COVID-19 pandemic severely restricting both business and employment activity downtown which lead to some variable expenses being lower such as credit card fees.

Transfers to and from other funds:

The 2020 transfers into and out of the Parking Fund are programmed and planned according to the 2020 budget. During the year of 2020, \$883,000 will be transferred in from Tax Increment Funding and \$12,750,684 of funds will be transferred out (\$7,990,000 to the General Fund, \$4,614,684 to the Target Center and \$146,000 to Solid Waste).

Debt Service:

For 2020, the debt service budget is \$5,134,488. The outstanding balance of bond principal as of September 30, 2020 is \$31,205,000 and the outstanding balance of note principal is \$27,400,000. In 2019, \$6,875,000 of bonds were called and prepaid. The Convention Center has loaned the Parking Fund \$6,175,000 to reduce the debt service being paid by the Parking Fund. During 2020, it is expected that \$7,000,000 in bonds will be sold to fund Capital projects.

Other Financial Items:

The end of the third quarter 2020 cash balance is \$15,107,436 which is a decrease of \$6,074,458 from the 2019 year-end balance. The City's policy is to have a targeted cash balance equal to 25% of the operating budget (excluding non-city owned ramps). Therefore, the target cash balance, excluding the Off-Street Parking: State Owned-Direct Expense Budget is \$7,631,036. The difference is \$7,476,400 which is retained and programmed for future debt service payments and potential future major parking capital projects and continued financial stress caused by COVID-19 pandemic.

City Of Minneapolis
Solid Waste and Recycling Fund
For the Third Quarter Ending September 30, 2020

Fund 07700	2020 Budget	09/30/20 Actual	Projected Year End 2020	2019 Actual
Operating Revenue	41,874,865	30,432,960	41,900,108	41,349,714
Operating Expense	40,322,482	32,064,938	42,625,000	40,497,181
Operating Margin	1,552,383	(1,631,978)	(724,892)	852,533
Change in Net Position		(8,850,484)	(9,850,549)	(3,593,613)
Net Position		14,428,989	13,428,924	23,279,473
Cash Balance		17,546,666	16,869,499	26,720,048

Program Description

The Solid Waste and Recycling Fund account for the City's solid waste and recycling collection, disposal, graffiti removal, and a solid waste transfer station that serves over 107,000 dwelling units. Pick-up services for trash, yard waste, and recyclables are provided on a weekly and a biweekly basis. City crews provide approximately one-half of the solid waste collection services and the other half of the services are provided through a consortium of companies specializing in waste collections. Also accounted for in this fund are various initiatives such as Clean City neighborhood clean sweeps; city-wide litter and graffiti abatement and removals, and an organics program.

Funding for Solid Waste and Recycling activities is primarily generated from solid waste collection fees through the monthly utility bills. The fund also receives yearly grants from Hennepin County. Additional revenue is generated through sales of recyclable materials, graffiti abatement, and miscellaneous services.

Revenue

With operating revenues through the end of the third quarter totaling \$30.4 million, 72.7% of the budgeted revenue has been realized. This is an increase of \$112,400 or 0.4%, compared to \$30.3 million earned through the third quarter of 2019. Utility revenues were \$29,460,000 compared to \$28,757,000 for 2019 for a gain of \$703,000 as a result of an increase in dwelling units and base rate increase of \$0.55 per dwelling unit. Rates were increased in order to fund increases in salaries, fringes, contractual and operating services and vehicle replacements. The Hennepin County recycling grant, budgeted at \$1,659,000, will total \$1,824,000, with the last payment already received in early October.

Expenses:

Operating expenses through the third quarter were \$32.1 million compared to \$29.3 million in 2019. This is an increase of \$2,760,600 or 9.4%. The biggest increase was Equipment expenses that increased by \$1,501,000 due to the timing of vehicle replacements. Due to Covid-19 and people working from home, as well as increases in MRI's and SET's (disposal) rates , volume increased significantly during the third quarter

and therefore Disposal, Organics, Collection, and Large Items increased by \$1,171,000, \$351,000, \$163,000, and \$106,000 respectively, compared the same time period in 2019. Admin expenses decreased by \$545,000 due to less software expenses related to the SWIS Now project.

Transfers:

Transfers into the Solid Waste and Recycling fund of \$635,375 included \$109,500 from the Parking Fund for the Litter Container Program, \$243,750 from the General Fund for graffiti removal and zero waste studies, and a General Fund transfer of \$282,125 to cover a portion of the Debt Service payments related to the new facility.

Debt Service:

Bonds were sold for the new facility prior to 2020. The facility was occupied at the end of May of 2020. There was no bond principal payment through the third quarter of 2020, although \$3,835,000 of principal is expected to be paid by the end of the year. Interest payments were \$580,900 through the third quarter and another \$580,900 of interest will be paid before the end of the year.

Cash and Net Positions:

The Fund's cash balance as of the end of the third quarter was \$17.5 million and the net position amounted to \$14.4 million. The City's policy is to have cash equal to or greater than three months of operating expenses. Based on the projection, the 2020 targeted amount is \$10.7 million, leaving unrestricted cash reserve equivalent to \$3.7 million.

The Net Position at year end 2019 includes recognition of long-term pension liabilities in accordance with GASB Statement No. 68

**CPED Enterprise Fund Component Programs
For the Third Quarter Ending September 30, 2020**

The **CPED Enterprise Fund** operated a series of business-type activities designed to enhance housing options and economic development within the City. Of the five program components operating within this fund, three programs have closed with two remaining active.

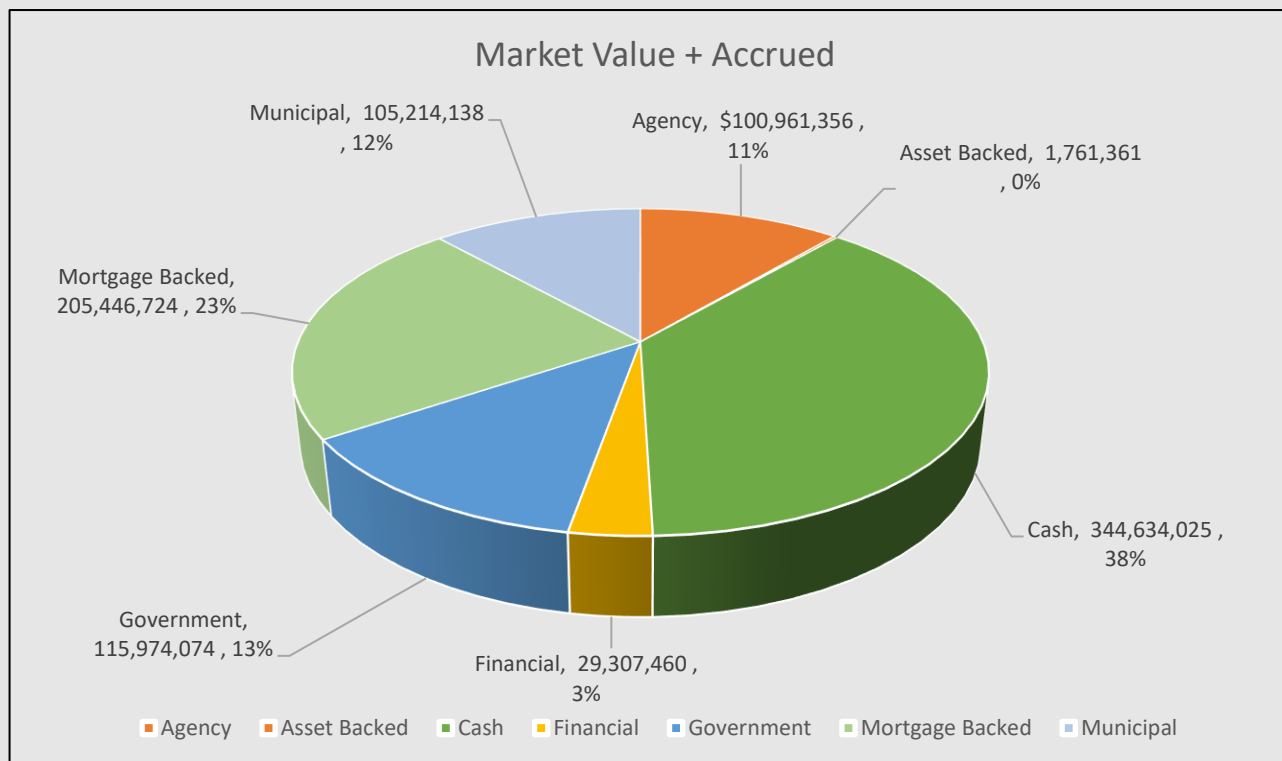
The **General Agency Reserve Fund System (GARFS)** is a program in which revenue bonds are issued to finance economic development. The program obtains lease or loan agreements from developers to meet the debt service requirements of the financing. The funds are restricted by bond covenants and the need of the City to minimize risk in its support of the GARFS. The funds are critical in maintaining the “A+” rating of the fund. Most of the transactions of the fund are maintained in a series of bank trustee accounts. Only the administrative operations portion of the fund is presented at December 31, 2019. Other information is maintained by a trustee and not available for inclusion for third quarter. The net position of the fund at the end of third quarter 2020 was \$1,911,436.

The **River Terminal** component operates a public terminal facility located on the Mississippi River in north Minneapolis. The barge related activities of the terminal have ended. The facility is currently used primarily as leased space for commodity storage. The City intends to redevelop the site for park and jobs-intensive business uses.

Cash and Investment Report

9/30/2020

Account	Book Yield %	Book Value	Accrued	Unrlzd G/(L)	Market Value	Mkt Value + Accrued
Internal Managed	0.6	\$ 307,176,843	\$ 242,890	\$ 3,258	\$ 307,180,101	\$ 307,422,991
Internal Core	2.1	124,330,230	572,096	2,729,045	127,059,275	127,631,371
Core GPA	1.6	105,491,432	362,798	1,828,201	107,319,630	107,682,428
Core RBC	2.1	234,667,307	655,001	6,369,819	241,037,125	241,692,127
Core T. Rose	0.9	25,256,654	75,383	1,453	25,258,107	25,333,490
Bond Proceeds	1.5	65,696,000	89,306	(0)	65,696,000	65,785,306
General Agency Reserve Funds System	1.0	27,135,583	151,285	464,557	27,600,140	27,751,425
Total Portfolio	1.4	\$ 889,754,049	\$ 2,148,760	\$ 11,396,333	\$ 901,150,378	\$ 903,299,138
Development Debt Reserves		\$ 2,989,386			2,989,386	\$ 2,989,386
Cash on hand		4,905,051			4,905,051	4,905,051
Total All Portfolios	1.4	\$ 897,648,485	\$ 2,148,760	\$ 11,396,333	\$ 909,044,815	\$ 911,193,574



Market Sector	Market Value + Accrued	% of Portfolio
Agency	\$ 100,961,356	11.2%
Asset Backed	1,761,361	0.2%
Cash	344,634,025	38.2%
Financial	29,307,460	3.2%
Government	115,974,074	12.8%
Mortgage Backed	205,446,724	22.7%
Municipal	105,214,138	11.6%
	\$ 903,299,138	100.0%

Risk Metric	Value%
Duration	1.6
Convexity	-1.0
WAL	1.5
Years to Final Maturity	4.8
Years to Effective Maturity	1.5
Yield	0.8
Book Yield	1.4
Avg Credit Rating	AAA/Aaa/AAA

City of Minneapolis

Financial Strength Analysis - 2nd Quarter 2020

FINANCIAL STRENGTH ANALYSIS - (in millions)					Increase (Decrease) Compared to 2018		Total Increase (Decrease) 2016 - 2019		Average Annual Increase (Decrease)		2020 ANALYSIS
	2016	2017	2018	2019	\$	%	\$	%	\$	%	PROJECTED YE 2020
General Fund Cash Balance	121.6	131.8	121.3	146.3	25.0	19.0%	24.7	20.3%	8.2	6.8%	131.2
General Fund Total Fund Balance	107.5	117.1	104.2	128.0	23.8	20.3%	20.5	19.1%	6.8	6.4%	111.9
Overall City Cash Position*	762.7	792.0	876.6	967.8	91.2	11.5%	205.1	26.9%	68.4	9.0%	950.0
Overall City Net Assets/Position**	1,851.4	2,083.6	2,257.8	2,424.0	166.2	8.0%	572.6	30.9%	190.9	10.3%	
Overall Unrestricted Net Assets/Position**	(256.8)	(274.4)	(314.9)	(130.5)	184.4	-67.2%	126.3	-49.2%	42.1	-16.4%	
SPECIAL REVENUE FUNDS FINANCIAL STRENGTH ANALYSIS - (in millions)											
Convention Center - Cash	65.5	56.6	35.6	20.0	(15.6)	-27.6%	(45.5)	-69.5%	(15.2)	-23.2%	(8.6)
Convention Center - Fund Balance	63.5	52.1	29.6	33.4	3.8	7.3%	(30.1)	-47.4%	(10.0)	-15.8%	4.8
Arena Fund (Target Center) - Cash	15.2	10.1	12.2	9.5	(2.7)	-26.7%	(5.7)	-37.5%	(1.9)	-12.5%	3.3
Arena Reserve (Target Center) - Fund Balance	11.1	8.7	10.5	7.5	(3.0)	-34.5%	(3.6)	-32.4%	(1.2)	-10.8%	1.4
Downtown Assets Fund - Cash	-	-	16.2	8.8	(7.4)	100.0%	8.8	54.3%			29.6
Downtown Assets Fund - Fund Balance	-	-	26.0	16.2	(9.8)	100.0%	16.2	62.3%			36.9
Police SRF - Cash	2.1	2.2	2.2	2.8	0.6	27.3%	0.7	33.3%	0.2	11.1%	2.7
Police SRF - Fund Balance	2.4	2.6	2.4	2.9	0.5	19.2%	0.5	20.8%	0.2	6.9%	2.9
NCR SRF - Cash	4.0	3.5	3.6	3.5	(0.1)	-2.9%	(0.5)	-12.5%	(0.2)	-4.2%	3.5
NCR SRF - Fund Balance	3.7	3.3	3.3	3.1	(0.2)	-6.1%	(0.6)	-16.2%	(0.2)	-5.4%	3.1
Regulatory Services SRF - Cash	4.7	3.5	2.0	1.2	(0.8)	-22.9%	(3.5)	-74.5%	(1.2)	-24.8%	0.1
Regulatory Services SRF - Fund Balance	4.6	3.5	2.0	1.1	(0.9)	-25.7%	(3.5)	-76.1%	(1.2)	-25.4%	0.1
Grant Funds - Cash	(2.2)	5.3	0.4	6.0	5.6	105.7%	8.2	-372.7%	2.7	-124.2%	5.5
Grant Funds - Fund Balance	11.4	11.2	4.9	4.4	(0.5)	-4.5%	(7.0)	-61.4%	(2.3)	-20.5%	-
Comm Planng & Econ Dev (CPED) - Cash Total	166.2	177.8	210.4	199.9	(10.5)	-5.9%	33.7	20.3%	11.2	6.8%	200.0
Comm Planng & Econ Dev (CPED) - Fund Bal Total	202.1	214.4	245.7	230.5	(15.2)	-7.1%	28.4	14.1%	9.5	4.7%	231.0
Employee Retirement Funds - Cash	26.2	29.0	31.1	36.5	5.4	18.6%	10.3	39.3%	3.4	13.1%	38.0
Employee Retirement Funds - Fund Balance	26.6	29.2	31.3	36.7	5.4	18.5%	10.1	38.0%	3.4	12.7%	38.2
Other Special Revenue Funds - Cash	0.8	0.5	0.5	0.6	0.1	20.0%	(0.2)	-25.0%	(0.1)	-8.3%	0.5
Other Special Revenue Funds - Fund Balance	0.5	0.5	0.5	6.9	6.4	1280.0%	6.4	1280.0%	2.1	426.7%	6.5
Total Special Revenue Funds - Cash	282.5	288.5	314.2	288.8	(25.4)	-8.8%	6.3	2.2%	2.1	0.7%	274.6
Total Special Revenue Funds - Fund Balance	325.9	325.5	356.2	342.7	(13.5)	-4.1%	16.8	5.2%	5.6	1.7%	324.9

* 2019 amount is Market Value of cash and cash equivalents as reported in the City of Minneapolis Comprehensive Annual Financial Report (CAFR); does not include approximately \$35.2M invested for General Agency Reserve Fund Systems (GARFS) and \$67.1M invested for Park Board and MBC.

FINANCIAL STRENGTH ANALYSIS - (in millions)					Increase (Decrease) Compared to 2018		Total Increase (Decrease) 2016 - 2019		Average Annual Increase (Decrease)		2020 ANALYSIS
	2016	2017	2018	2019	\$	%	\$	%	\$	%	PROJECTED YE 2020
INTERNAL SERVICE FUNDS FINANCIAL STRENGTH ANALYSIS - (in millions)											
Engr. Materials & Testing - Cash	1.5	1.5	1.6	2.1	0.5	33.3%	0.6	40.0%	0.2	13.3%	2.3
Engr. Materials & Testing - Net Position	0.3	(0.1)	0.4	0.5	0.1	-100.0%	0.2	66.7%	0.1	22.2%	0.7
Equipment Services - Cash	26.9	30.4	26.0	33.7	7.7	25.3%	6.8	25.3%	2.3	8.4%	22.9
Equipment Services - Net Position	67.1	74.5	86.2	93.8	7.6	10.2%	26.7	39.8%	8.9	13.3%	91.9
Property Services - Cash	10.3	8.1	9.6	8.2	(1.4)	-17.3%	(2.1)	-20.4%	(0.7)	-6.8%	2.9
Property Services - Net Position	29.9	28.4	32.0	33.9	1.9	6.7%	4.0	13.4%	1.3	4.5%	28.6
PW Stores - Cash	1.2	2.0	3.1	2.5	(0.6)	-30.0%	1.3	108.3%	0.4	36.1%	2.7
PW Stores - Net Position	4.6	5.3	5.6	5.6	0.0	0.0%	1.0	21.7%	0.3	7.2%	5.7
Intergovernmental Services - Cash	30.9	23.6	22.0	15.1	(6.9)	-29.2%	(15.8)	-51.1%	(5.3)	-17.0%	15.3
Intergovernmental Services - Net Position	59.8	47.4	41.2	30.7	(10.5)	-22.2%	(29.1)	-48.7%	(9.7)	-16.2%	25.9
Self Insurance Fund - Cash	80.0	90.0	102.9	93.6	(9.3)	-10.3%	13.6	17.0%	4.5	5.7%	113.0
Self Insurance Fund - Net Position	21.2	23.8	12.4	(20.3)	(32.7)	-137.4%	(41.5)	-195.8%	(13.8)	-65.3%	1.4
Total Internal Service Funds - Cash	150.8	155.6	165.2	155.2	(10.0)	-6.4%	4.4	2.9%	1.5	1.0%	159.1
Total Internal Service Funds - Net Position	182.9	179.3	177.8	144.2	(33.6)	-18.7%	(38.7)	-21.2%	(12.9)	-7.1%	154.2
ENTERPRISE FUNDS FINANCIAL STRENGTH ANALYSIS - (in millions)											
Sanitary Sewer - Cash	18.3	17.8	4.5	7.4	2.9	16.3%	(10.9)	-59.6%	(3.6)	-19.9%	15.4
Sanitary Sewer - Net Position	119.3	121.2	122.4	129.4	7.0	5.8%	10.1	8.5%	3.4	2.8%	144.5
Stormwater - Cash	35.9	27.1	26.6	33.1	6.5	24.0%	(2.8)	-7.8%	(0.9)	-2.6%	24.1
Stormwater - Net Position	327.2	333.0	339.4	347.2	7.8	2.3%	20.0	6.1%	6.7	2.0%	335.9
Water Enterprise - Cash	42.1	40.1	48.4	46.1	(2.3)	-5.7%	4.0	9.5%	1.3	3.2%	39.8
Water Enterprise - Net Position	233.3	250.8	271.4	283.3	11.9	4.7%	50.0	21.4%	16.7	7.1%	274.9
Municipal Parking - Cash	17.2	26.5	13.8	21.5	7.7	29.1%	4.3	25.0%	1.4	8.3%	5.9
Municipal Parking - Net Position	188.2	212.2	199.9	206.0	6.1	2.9%	17.8	9.5%	5.9	3.2%	186.4
Solid Waste & Recycling - Cash	25.3	24.5	30.5	26.7	(3.8)	-15.5%	1.4	5.5%	0.5	1.8%	16.9
Solid Waste & Recycling - Net Position	25.5	25.3	26.9	30.7	3.8	15.0%	5.2	20.4%	1.7	6.8%	13.4
Comm Planng & Econ Dev (CPED) - Cash**	1.4	1.5	0.1	0.0	(0.1)	-6.7%	(1.4)	-100.0%	(0.5)	-33.3%	-
Comm Planng & Econ Dev (CPED) - Net Position	40.1	40.3	39.1	32.6	(6.5)	-16.1%	(7.5)	-18.7%	(2.5)	-6.2%	30.0
Total Enterprise Funds - Cash	140.2	137.5	123.9	134.8	10.9	7.9%	(5.4)	-3.9%	(1.8)	-1.3%	102.1
Total Enterprise Funds - Net Position	933.6	982.8	999.1	1,029.2	30.1	3.1%	95.6	10.2%	31.9	3.4%	985.1
**Cash in CPED Enterprise Funds does not include the amount invested with trustees through GARFS and reported in the CPED Enterprise Funds.											