



Fourth Quarter 2022 Financial Status Report

Finance & Property Services Department
April 10, 2023

City of Minneapolis
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for the Fourth Quarter of 2022

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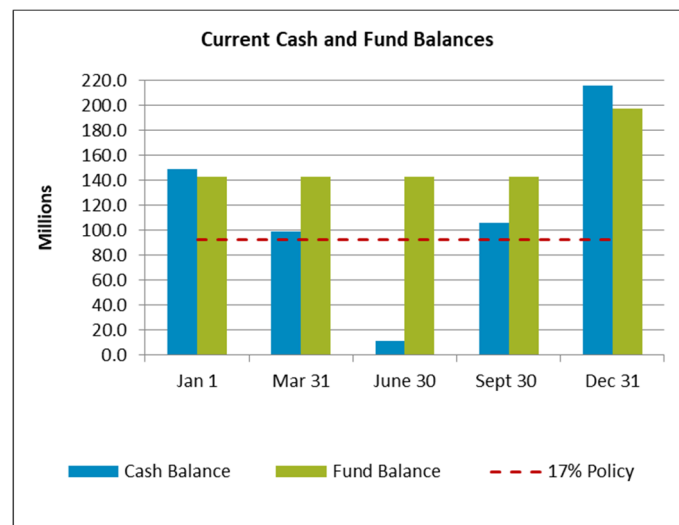
Overview

While the City continues to see the impacts of the COVID-19 pandemic, the financial position continues to improve with planful spending and revenue recovery. The City received the second half of its \$271.2 million allocation of Federal funding through the American Rescue Plan Act (ARPA) in June 2022. The first half of our allocation was received in 2021 and the Council approved spending plans for all allocated funds through 2024. Revenue losses continue to impact the Parking Fund where collections aren't expected to return to pre-pandemic rates until 2025. Using ARPA funds, the City's General Fund will replace a portion of reduced local sales tax transfers with federal funding with a plan to cease reliance on that funding after 2024. The Sanitary Sewer and Parking funds fell below minimum cash balance amounts as required by financial policy. The cash shortfall in Parking is due to significant revenue reductions with both on-street and off-street parking revenue. For the 2022 Budget, the transfer to the General Fund is reduced from the 2021 amount of \$7.6 million to \$4.0 million and the actual transfer was reduced by another \$2.6 million to preserve cash in the Parking Fund. Sanitary Sewer spent down cash on capital projects with planned spending over the past few years but intends to replenish cash reserves back to compliance with policy by 2024. All numbers reported in this report are pre-audit, and changes to ending cash, fund balance, or net position by fund will be reflected in the audited financial statements.

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 original 2022 budget included a planned use of fund balance of \$17.0 million. Subsequent adjustments for rollovers increased the planned use of fund balance to \$33.5 million. At year end, actual fund balance increased by \$54.8 million, resulting in an ending balance of \$197.7 million.

The General Fund cash balance at the beginning of 2022 was \$159.4 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 throughout the year. As shown in the graph to the right, the cash balance at mid-year fell to \$11.4 million before rebounding back to the ending balance of \$215.9 million.



As shown in the Financial Strength Analysis on pages A-2 and A-3 of this report, from 2018 through 2022, the General Fund's cash balance and fund balance have increased with a cumulative cash increase of \$94.6 million and an increase in fund balance of \$93.5 million. The strong fund balance and cash position were made possible by rising revenues and strategic use of funds helping maintain sustainable operations even considering the losses experienced from 2020 to 2021.

The City's financial policies require a minimum fund balance equal to 17% of the next year's General Fund expenditure budget, less transfers. The 2023 budget less transfers equals \$574.6 million, resulting in a minimum fund balance target of \$97.7 million. The year-end fund balance of \$197.7 million, is \$100.0 million above the minimum fund balance policy amount. This equates to 34.4% of the 2023 General Fund budget.

While the City implemented a reorganization during 2022, these statements are presented in the organization structure that was in place during the majority of 2022. The newly reorganized department and reporting structure will be reflected in the financial statements beginning in 2023. In addition, certain amounts will need to be dedicated to the City's response to the pending consent decree for the police department.

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, Police, the Neighborhood and Community Relations (NCR), Regulatory Services, Grant Funds, Employee Retirement Funds, and the Community Planning & Economic Development (CPED)s funds.

Year-end cash for 2022 is \$487.1 million which is an increase of \$47.0 million over the year-end 2021 cash balance of \$440.1 million. The fund balance for the Special Revenue Funds finished 2022 at \$357.7 million, an increase of \$7.3 million compared to year-end 2021. The increase in cash is due primarily to an infusion of federal grant money. As previously mentioned, the City received the second half of the ARPA funding totaling \$135.6 million in the second quarter of 2022. There are budgets in place to spend all ARPA funds by the end of 2024, however, the large prepayment means there was a substantial cash balance at the end of 2022. Of the \$271.2 million allocation, approximately \$107.7 million has been spent to date. Also adding to the increase in cash and fund balance was revenue from local taxes deposited into the Downtown Assets fund. This revenue source saw a sharp increase over 2021. Local taxes increased 95.0% from 2021 to 2022, rising from \$33.1 million to \$64.6 million. The 2022 revenue was 50.5% over the budgeted amount of \$42.9 million.

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; Public Works Stores, Intergovernmental Services (primarily IT), and Self-Insurance Funds.

The total cash balance for the Internal Service Funds at year-end 2022 is \$193.7 million, an increase of \$26.9 million from the 2021 ending balance of \$166.8 million. At the same time, the total net position for all the Internal Service Funds increased by \$16.7 million from \$57.7 million to \$74.4 million. Because these funds have no debt burden and spending is tied to demand from other City funds, spending can be influenced by the needs of other funds. In 2022, Fleet Services fund nearly doubled the spending on new vehicle purchases over 2021, but were still \$2.9 million under budget. The Self-Insurance funds saw a total decrease in spending of \$9.8 million led by reductions in liability payments for legal settlements that was offset by an increase in workers' compensation and medical claims payments. The cash position of the self-insurance fund increased by \$28.1 million, ending the year at \$139.9 million. The net position of the Self-Insurance funds continues to be negative with a 2022 un-audited ending balance of negative \$78.9 million. This negative net position is reflective of the actuarially accrued liabilities for long-term settlements and is not reflective of a lack of resources for short term operations of the funds.

Enterprise Funds

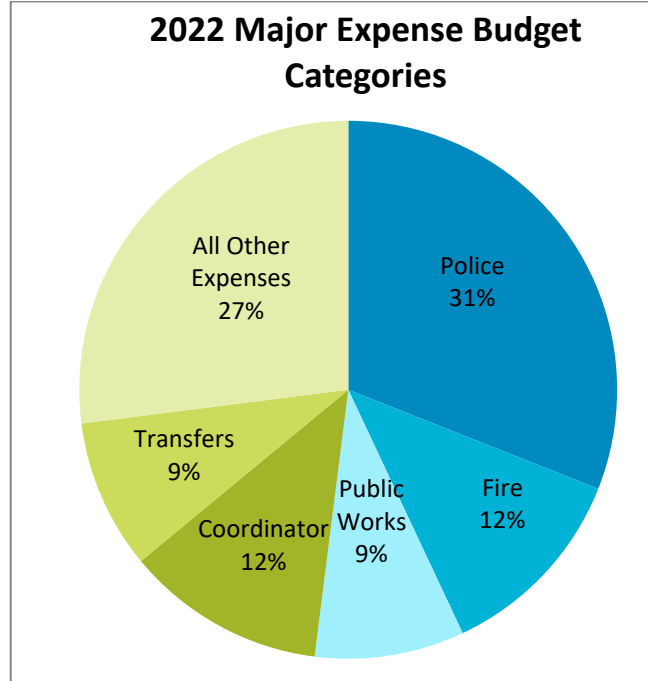
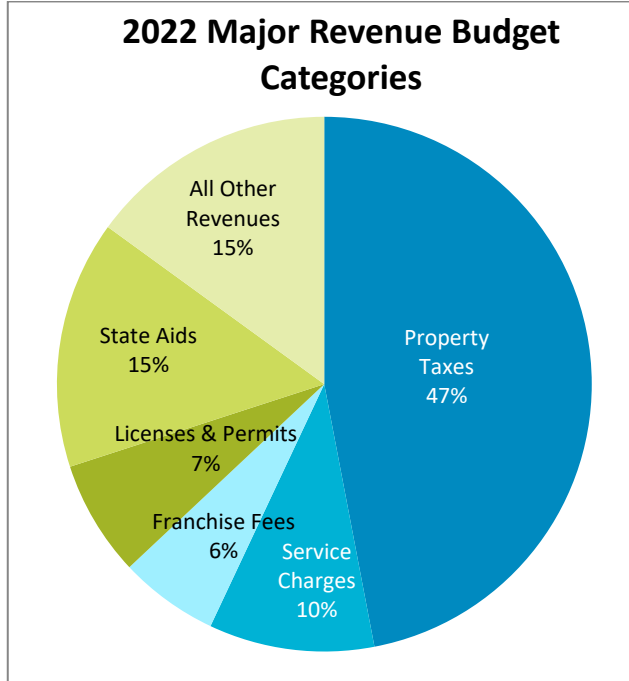
The Enterprise Funds are used to account for operations that sell goods and services to external third parties. Enterprise Funds include the Utility Operations – Sanitary Sewer, Stormwater, and Water Utilities; Solid Waste & Recycling; the Parking Fund; and the CPED Enterprise Funds.

The total cash balance for the Enterprise Funds was \$105.3 million which is an increase of \$2.5 million over the 2021 ending balance of \$102.8 million. Total net position for the Enterprise Funds increased by \$18.8 million from \$1,069.7 million at year end 2021 to \$1,088.5 million at year end 2022. The Parking and Sanitary sewer funds' cash positions are both under financial policy targets at this point. The Parking fund is seeing an increase in revenue in 2022, but activity has not returned to pre-pandemic levels and further monitoring will be required. The Sanitary sewer fund is projecting to return to compliance with cash policies by 2024.

**City of Minneapolis
General Fund
For the Fourth Quarter Ending December 31, 2022**

Fund Description

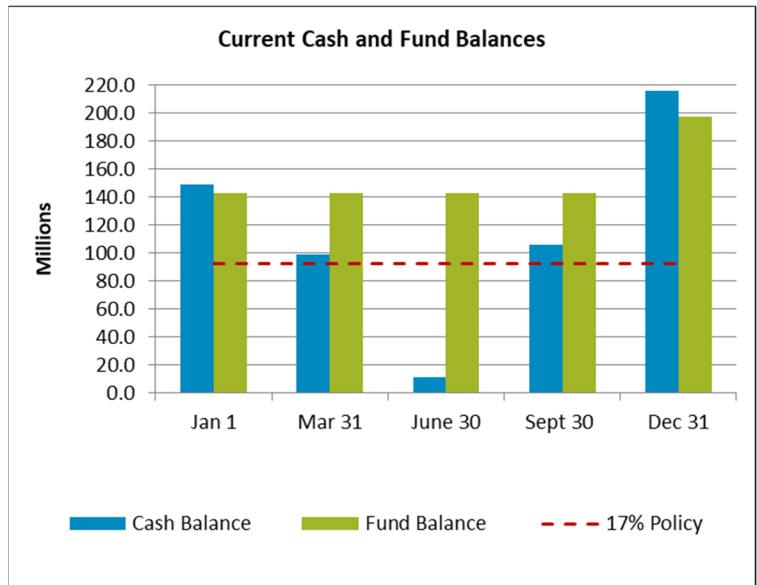
The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required by law or administrative action to be accounted for in another fund. The Fund's 2022 current revenue budget is \$587.5 million, while the Fund's 2022 current expense budget is \$607.1 million, including transfers.



Cash and Fund Balance

The 2021 year-end cash balance was \$159.4 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 shown in the graph to the right. The year-end 2022 cash balance was \$215.9 million.

Fund balance for the General Fund was \$142.8 million at the beginning of 2022 and the original budget included a planned use of fund balance of \$17.0 million. The 2022 revised budget increased the use of fund balance to \$32.5 million. The increased use of fund balance is primarily a result of rollovers of prior year unspent appropriations. The actual 2022 fund balance increased by \$54.8 million, ending the year at \$197.7 million.

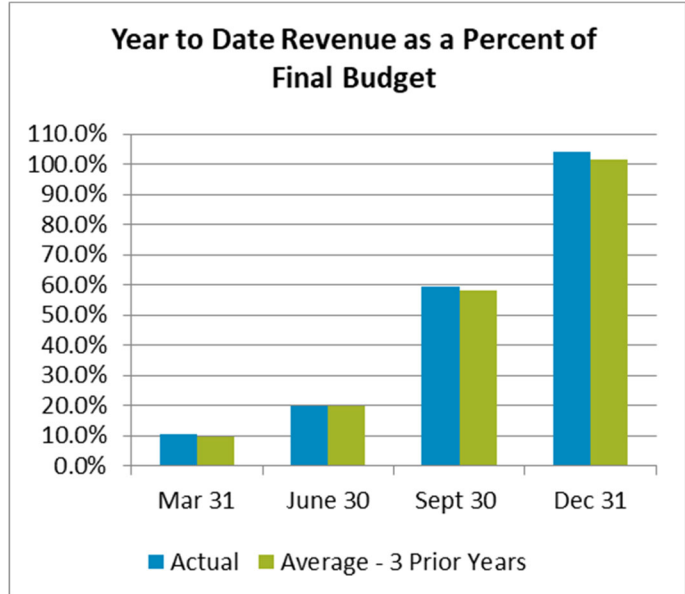


The City's financial policies require a minimum fund balance equal to 17% of the next year's General Fund expenditure budget, less transfers. The 2023 budget less transfers equals \$574.6 million, resulting in a minimum fund balance target of \$97.7 million. The year-end fund balance, \$197.7 million, is \$100.0 million above the minimum fund balance policy amount.

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 were received in July with the remainder received in December. Although the negative economic impacts of COVID-19 continue, the replacement of lost revenue with ARPA funds has brought revenue in line with previous years. Actual year-end revenue for 2022 is \$612.2 million, or 104.2% of the total budget. The average revenue for the past three years was 101.4% of the budget.

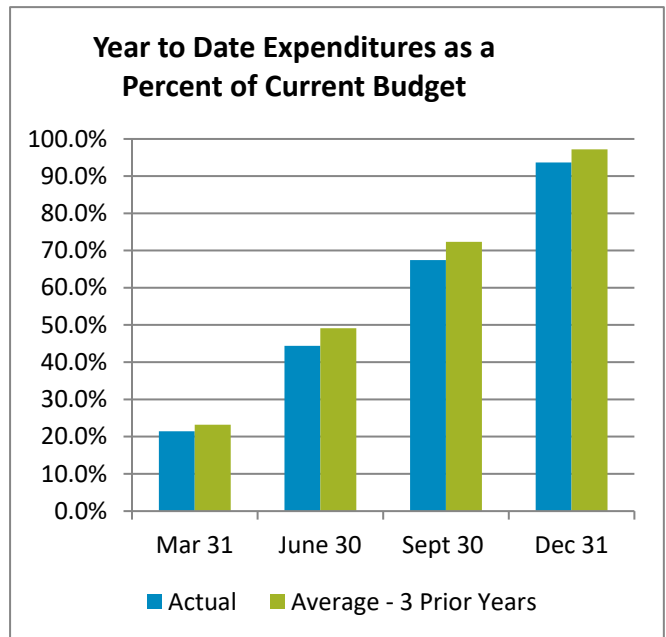
Most revenue categories collected more than was budgeted. Charges for Services exceeded budget by \$3.8 million largely due to excess revenue from work performed by Public Works for other funds. Franchise Fees finished the year \$6.9 million over budget. These fees are a percentage of revenue collected by utility and cable television companies, so as the cost of those services increases so does the City’s portion of franchise fee revenue. Non-business Licenses and Permits finished 2022 \$11.3 million over budget due to continued development activity throughout the City.



Expenditures

Six departments comprise 76.6% 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.

Although Public Works was over budget by \$5.5 million, revenue from utility cuts, lane closures and reimbursements for work completed for other funds exceeded budget by \$7.0 million. The Fire department experienced overtime costs beyond what was budgeted pushing the department \$4.7 million over budget. The Police department underspending of \$11.1 million was due to lower-than-expected hiring of sworn officers offset by increased overtime needed to compensate for the reduced staffing. Additionally, \$5.0 million of equipment, services and supplies were ordered but not received by year-end. CPED’s long range projects account for another \$18.7 million of the underspending. Contingency funding of \$0.6 million was used in 2022 to fund new positions created in the government reorganization and rent stabilization, leaving \$13.2 million of Contingency unspent. A combined underspending of \$16.9 million in other departments was due to vacancy savings, and delayed projects and initiatives. Overall, the General Fund was \$49.6 million under budget. Of this amount, \$32.6 million was requested to be rolled over into 2023.



**City of Minneapolis
General Fund
December 31, 2022**

	Original Budget	Final Budget	Year-to-Date Actual	Variance Budget to Actual	Percent of Actual to Revised Budget
Revenues					
Business Licenses And Permits	\$ 11,475,000	\$ 11,475,000	\$ 12,061,018	\$ 586,018	105%
Charges For Sales	12,350	12,350	51,533	39,183	417%
Charges For Services	55,464,199	55,464,199	59,307,613	3,843,414	107%
Contributions	-	2,250	2,882	632	128%
Fines And Forfeits	5,026,550	5,026,550	4,851,537	(175,013)	97%
Franchise Fees	33,875,300	33,875,300	40,757,582	6,882,282	120%
Interest Revenue	4,100,000	4,100,000	9,158,182	5,058,182	223%
Local Grants & Aids	1,014,384	1,014,384	814,033	(200,351)	80%
Miscellaneous	1,585,000	1,585,000	2,141,245	556,245	135%
Non-Business Licenses And Permits	31,280,348	31,280,348	42,575,506	11,295,158	136%
Property Taxes	268,110,275	268,110,275	267,542,677	(567,598)	100%
Rents	767,000	767,000	939,328	172,328	122%
Sales and Other Taxes	-	-	12,484	12,484	0%
Special Assessments	4,730,980	4,730,980	4,875,000	144,020	103%
State Grants & Aids	86,008,234	86,008,234	85,704,804	(303,430)	100%
Total Revenues	503,449,620	503,451,870	530,795,424	27,343,554	105%
Transfers In	62,310,242	84,038,358	81,453,358	(2,585,000)	97%
Revenues and Other Sources	\$ 565,759,862	\$ 587,490,228	\$ 612,248,782	\$ 24,758,554	104%
Expenditures					
Police	186,979,596	186,685,219	175,560,563	11,124,656	94%
Fire	72,066,346	72,066,346	76,780,246	(4,713,900)	107%
Human Resources	8,671,604	9,051,604	8,548,452	503,152	94%
Finance and Property Services	26,156,101	27,175,476	26,029,661	1,145,815	96%
911	9,751,782	9,751,782	9,418,566	333,216	97%
311	5,040,264	5,040,264	4,203,382	836,883	83%
City Coordinator	12,125,344	11,123,877	9,959,930	1,163,946	90%
Intergovernmental Relations	1,379,501	1,379,501	1,149,983	229,518	83%
Communications	2,709,863	2,709,863	2,600,105	109,757	96%
Emergency Management	992,037	1,215,037	1,206,480	8,557	99%
Neighborhood & Community Relations	4,477,021	4,477,021	3,150,939	1,326,082	70%
City Coordinator - Total	71,303,517	71,924,425	66,267,498	5,656,926	92%
Transportation Planning & Design	1,885,431	1,885,431	1,948,608	(63,177)	103%
Transportation Plan Programming	2,886,492	2,886,492	2,482,055	404,437	86%
Transportation Maintenance & Repair	33,349,236	33,349,236	37,595,220	(4,245,984)	113%
Public Works Administration	3,030,540	3,030,540	3,240,564	(210,024)	107%
Traffic & Parking Services	16,414,939	16,414,939	17,824,240	(1,409,301)	109%
Public Works - Total	57,566,638	57,566,638	63,090,686	(5,524,048)	110%
Regulatory Services	24,812,866	24,882,302	23,184,951	1,697,351	93%
Attorney	18,751,183	18,751,183	17,764,470	986,712	95%
City Council & City Clerk	10,238,137	11,180,387	9,129,018	2,051,369	82%
City Clerk Elections	7,408,940	7,208,940	6,316,606	892,334	88%
Contingency	13,828,608	13,223,608	-	13,223,608	0%
Assessor	8,127,843	8,162,843	6,675,833	1,487,010	82%
Information Technology	-	2,000,000	-	2,000,000	0%
CPED	32,031,959	51,934,993	33,213,247	18,721,746	64%
Health	18,811,396	20,555,396	18,179,095	2,376,301	88%
Civil Rights	5,580,449	5,580,449	5,219,498	360,951	94%
Mayor	2,366,997	2,366,997	2,235,359	131,637	94%
Internal Audit	875,957	950,957	785,418	165,539	83%
Total Expenditures	530,750,433	555,040,684	504,402,491	50,638,193	91%
Transfers Out Total	52,019,428	52,019,428	53,019,429	(1,000,000)	102%
Expenditures and Other Uses	\$ 582,769,861	\$ 607,060,112	\$ 557,421,919	\$ 49,638,193	92%
Change in Fund Balance			54,826,863		
Fund Balance - January 1			142,828,350		
Fund Balance - December 31 (Unaudited)			197,655,212		

City of Minneapolis
Convention Center Special Revenue Fund Report
For the Fourth Quarter Ending December 31, 2022

Fund Description:

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.

The Convention Center Special Revenue Fund activity was historically funded from local sales and hospitality tax receipts in addition to Convention Center operating revenue. Since 2018, the Convention Center Special Revenue Fund is being managed as part of the new 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. 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, capital, and building debt service.

Revenue:

Through the December 31, 2022, Convention Center operating revenue ended at \$16.3 million or 3% over the \$15.8 million budget. Rents and Commissions had the strongest finish at \$7.2 million or 5% over the \$6.8 budget followed by Charges for Services and Sales at \$6.3 million which was 10% over the budget of \$5.7 million, and finally Catering Commissions which finished at \$2.7 million or 15% under the \$3.2 million budget. With the strong impact of the pandemic, the Kelber Catering commission structure was changed in 2021 to a tiered revenue structure where specific amounts of revenue need to be realized before the MCC receives a commission. The new structure was implemented to take financial pressure off Kelber Catering.

Through December 31, 2022, the Convention Center operating revenue of \$15.8 million finished \$9 million over December 31, 2021 operating revenue of \$6.8 million. The reason for the increase was that in 2021 the Convention Center was still being impacted by event cancellations and low event numbers related to the COVID-19 pandemic. In 2022, the Convention Center is seeing a strong recovery, as events in the building increase. The Convention Center also received revenue from interest on cash balances, and the 2022 budget was \$68,000. The 2022 interest revenue finished with a net loss of \$0.4 million.

Through December 2022, the Convention Center also received miscellaneous revenue of \$221,000 for scrap sales, breakage related to building damage related to events, HVAC rebates, missing cart charges, contributions, and cell phone reimbursements. Most of that revenue is unpredictable and is dependent on if the building had scrap to sell, building damage, or other events that that lead to the revenue which can vary greatly.

Expenses:

Through the fourth quarter of 2022, Convention Center operating expenditures not including Ongoing Equipment and Improvements and Meet Minneapolis finished at \$24.0 million or 92% of the budget which was \$2.0 million under the \$24.0 million budget, but \$6.0 million over the 2021 results. Operating expenses are based on event levels and normal day-to-day operations. When event activity goes up, operating expenses needed to support those events also go up. In 2022, the Convention Center is seeing a solid rebound from the prior two years which were heavily impacted by the pandemic.

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

The Convention Center also started a "Green Team" which is a group of Convention Center employees who work on the reduction and disposal of building waste, in addition to recycling initiatives. In 2022, the Convention Center's overall recycling rate was 61% surpassing the goal of 60%. The items recycled were pallets, kitchen grease, construction debris, plastic wrap, cardboard/paper, cans/bottles, and organics.

In Ongoing Equipment and Improvements, the Convention Center finished 2022 at \$9.0 million or 82% of the \$11.0 million budget. This is \$7.7 million more than in 2021 which reflects an increase in spending to catch up on projects that were delayed or suspended in the past couple years. The Convention Center needs to continually improve the building to remain competitive with other venues. Some of the unspent 2022 funds will be requested to be rolled over to 2023 to finish working on projects that were in process but unfinished at the 2022-year end.

The 2022 Meet Minneapolis budget was \$11 million which is \$1.8 million over the 2021, while actual spending was \$0.5 million under budget. This line item finished under budget as the result of them not receiving their 2022 incentive which is based on 2022 metrics which weren't fully met due to the economic downturn.

Transfers:

The Convention Center Fund annually transfers funds for debt service (see below), in addition to receiving a transfer from the Downtown Assets Fund. The Convention Center's 2022 transfer from the Downtown Assets Fund was budgeted at \$31.2 million, finishing at budget.

Debt Service:

Debt service was originally scheduled to be completed in 2020 for this fund. To take pressure of the fund at the start of the pandemic, the final 2020 debt service payment was refinanced and spread out from 2022 - 2025. In 2022, transfers to debt service for debt issued on the building is budgeted at \$6.5 million. Debt service was refinanced into four annual payments of approximately 25% of the \$25 million which will be interest only with principal due in 2025.

Fund and Cash Balance:

The December 31, 2022, fund and cash balances were \$17.6 and \$20.5 million respectively. Fund balance decreased by \$2.9 million and cash decreased by \$0.6 million from 2021. The decrease was budgeted at a loss of \$7.5 million due to projected revenues less than expenditures. However, better than expected revenue and less than expected spending led to a smaller decrease.

City of Minneapolis
For the Fourth Quarter Ending December 31, 2022
Financial Status Report (in thousands of dollars)
Minneapolis Convention Center - Special Revenue Fund

	2021 Final Budget	2021 Year End Actual	2022 Current Budget	2022 Year End Actual
Source of Funds:				
Charges for Services	2,553	1,996	5,743	6,329
Rents and Commissions	2,898	4,799	6,847	7,184
Privileges	1,449	1	3,231	2,737
MN Depart. of Trade & Economic Development	500	500	-	-
Interest on Cash Investments	196	190	68	(367)
Other Misc Non Operating	-	381	-	65
Transfer from Downtown Assets	28,734	28,734	31,159	31,159
Total	36,330	36,600	47,048	47,107
Use of Funds:				
Convention Center Operations	24,446	17,927	26,000	23,964
Ongoing Equipment/Improvement	4,333	1,288	11,045	9,003
Meet Minneapolis	8,785	8,785	11,038	10,538
Transfer to Debt Service	-	99	6,465	6,465
Total	37,564	28,099	54,548	49,970
Net Change in Fund Balance	(1,234)	8,501	(7,500)	(2,863)
Ending Fund Balance	11,195	20,482	12,982	17,619
Ending Cash Balance	13,253	23,416	15,916	22,817

City of Minneapolis
Arena Special Revenue Fund
For the Fourth Quarter Ending December 31, 2022

Fund Description:

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). AEG is the world's leading sports and live entertainment company with over 300 venues owned/operated.

Revenue:

The Arena Special Revenue Fund activity was historically funded from entertainment tax, and a transfer from the Parking Fund. The 2022 budgeted transfer from the parking Fund was \$5 million. 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 2022 rent payment was nearly \$1.6 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 City investments on cash balances within the fund. The 2022 interest revenue budget was \$45,000, and 2022 interest revenue finished 2022 significantly lower than budget at a negative \$(409,000). The reason behind the reduction is as follows. Interest rates moved up drastically in 2022 due to an unprecedented restrictive monetary policy by the Federal Reserve to contain inflation. As interest rates moved up, prices of the investments we held moved down in the secondary market creating the temporary unrealized losses. While temporary unrealized losses are momentarily high, our realized permanent income received is also high and will stay high for a few years to come. The City creates an adjusting entry to account for temporary unrealized losses which is reversed in January of the flowing year which in this case is January 2023.

Expenses:

The Arena Special Revenue Fund had a 2022 ongoing equipment and improvements budget of nearly \$6.2 million which includes nearly \$500,000 in unspent 2021 funds that were rolled over to 2022 to continue work on projects that were in process but unfinished at year end. Through the fourth quarter of 2022, \$1.2 million or 20.1% of the \$6.2 million ongoing equipment and improvements budget has been expended. While 2022 ongoing capital and equipment finished at \$1.2 million, it is expected that most of the unspent 2022 budget will be included in the 2022 to 2023 budget rollover request, and included in the City's annual rollover process. With the 2020 pandemic and social unrest within the City, there was a deliberate effort taken to reduce expenses in 2020 and 2021, so some projects were deferred and will be started in the following years. There is also a \$1.8 million 2022 budget for AEG, (the Target Center's operator), and as of December 31, 2022, the entire \$1.8 million 2022 AEG budget has been expended. In 2022, AEG spread out the payment requests throughout the year whereas they historically requested most of it at year end. The City pays required reimbursements to AEG to support Target Center operating expenses and invoice at regular intervals. 2022 administration was budgeted at \$306,000, and includes salaries, special assessments/DID fees, and a \$1,000 operating budget for micellaneous expenses. Administration finished 2022 at \$267,000 which was \$39,999 under the 2022 budget. That is primarily due to salaries and fringes finishing under budget. 100% of the project manager's salary and fringe is expensed to the

Target Center while only the salaries and fringes for the hours actually worked by the department head were expensed.

Transfers:

The Arena Special Revenue Fund receives an annual transfer from the Parking Fund. The 2022 budgeted transfer was \$5 million, and the transfer finished at budget. The 2021 budgeted transfer was \$3.9 million which was \$1.1 million lower than 2022. The Parking Fund has been heavily impacted by the pandemic and social unrest, and the parking revenue had been soft. The 2020 and 2021 transfers from Parking were deliberately reduced to take pressure off the Parking Fund. In a planned effort to reduce fund and cash balances while maintaining the Arena Special Revenue Fund as part of the Downtown Assets funds, a 2021 and 2022 transfer was added to transfer funds from the Arena Special Revenue Fund to the Downtown Assets Fund to further reduce fund and cash balances. The 2022 budgeted transfer was \$1.5 million, and the transfer finished at budget. The 2021 transfer from the Arena Fund to the DT Assets Fund was \$1.2 million which was \$312,000 lower than 2022. Transfers are completed, and the 2022 transfers all met the 2022 budget. This transfer to the Downtown Assets Fund is adjusted annually to assist in maintaining targeted fund and cash balances.

Fund and Cash Balances:

The December 31, 2022 ending fund and cash balances were \$6.5 and \$6.4 million respectively. The fund balance increase was \$4.6 million over budget and a \$1.4 million increase over 2021. The 2022 cash balances increase was \$4.6 million over budget and \$1.4 million over 2021. The primary reason for the increases was the 2022 on-going equipment and improvements finishing \$4.9 million under budget coupled with a \$1.1 million 2021 to 2022 increase in the transfer from the parking fund to the Arena Reserve fund.

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City of Minneapolis
For the Fourth Quarter Ending December 31, 2022
Financial Status Report (in thousands of dollars)

Arena (Target Center) - Special Revenue Fund

	2021 Final Budget	2021 Year End Actual	2022 Current Budget	2022 Year End Actual
Source of Funds:				
Rent	1,551	1,551	1,582	1,582
Transfer from Municipal Parking Fund	3,853	3,853	5,000	5,000
Other Misc Revenue	-	33	-	33
Interest Earnings	24	56	45	(409)
Total	5,428	5,493	6,627	6,206
Use of Funds:				
Operator Reimbursement	1,765	1,765	1,814	1,814
Ongoing Equipment/Improvements	3,000	1,487	6,183	1,240
Administration	303	260	306	267
Transfer to Downtown Assets Fund	1,168	1,168	1,480	1,480
Total	6,236	4,679	9,783	4,800
Net Change in Fund Balance	(808)	814	(3,156)	1,406
Ending Fund Balance	2,723	5,082	1,926	6,488
Ending Cash Balance	3,230	4,971	1,815	6,402

**Downtown Assets Special Revenue
Including the Downtown Assets, Peavey Plaza, and Commons Funds
For the Fourth Quarter Ending December 31, 2022**

Fund Description:

The Downtown Assets Special Revenue Fund was 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. In 2020, the \$820,000 Downtown Commons operating budget was transferred to the Minneapolis Parks & Recreation Board, and in 2021 and 2022 the City didn't budget for the Downtown Commons as it was being managed/operated by the Minneapolis Parks & Recreation Board. 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 2022 Downtown Assets Special Revenue Fund revenues are budgeted at approximately \$45.2 million. The overwhelming majority of revenues come from local taxes (including sales, liquor, lodging, restaurant and entertainment). Minneapolis local taxes finished December 31, 2022 at \$64.6 million which was \$21.7 million over the 2022 budget. The pandemic had a severely negative impact on the local tax collections in 2020 and 2021, and to a much lesser extent 2022. The \$64.6 million 2022 local tax collections was \$31.5 million over the actual 2021 collections.

Interest revenue which is based on City investments of cash balances within the City funds, was budgeting in 2022 at \$818,000 and finished 2022 at a \$335,000 which was \$483,000 under budget. Interest rates moved up drastically in 2022 due to an unprecedented restrictive monetary policy by the Federal Reserve to contain inflation. As interest rates moved up, prices of the investments we held moved down in the secondary market creating the temporary unrealized losses. While temporary unrealized losses are momentarily high, our realized permanent income received is also high and will stay high for a few years to come. The City creates an adjusting entry to account for temporary unrealized losses which is reversed in January of the flowing year which in this case is January 2023.

Expenses:

The 2022 Downtown Assets Special Revenue Fund expenses are budgeted at \$48.4 million, and are primarily made up of transfers out of the fund. Transfers make up \$48 million of the \$48.4 million 2022 budget which included a \$449,822 thousand transfer from the DT Assets Fund to Peavey Plaza. Of the \$48.4 million, the \$449,822 transfer to Peavey Plaza is allocated to operating expenses which include payments to Green Minneapolis to maintain Peavey Plaza, Peavey Plaza Special Assessments/DID Fees, and electricity. There is also a relatively small \$54,000 2022 Peavey Plaza capital budget to help upkeep the Plaza. Expenses (Use of Funds) finished very close to budget at \$48.4 million, which was \$2.4 million over 2021 primarily due to a \$2.4 million increase in the 2022 transfers out of the Downtown Assets Special Revenue Fund to the Convention Center Fund.

Transfers:

In 2022, there were \$48. million in budgeted transfers out of the DT Assets Fund. Transfers include \$11.1 million to the General Fund, \$31.2 million to the Convention Center to fund debt service, capital, and operating expenses; nearly \$5.7 million to the Arena Special Revenue Fund (Target Center) building debt service, and \$449,822 to Peavey Plaza to fund operations. In addition, there was a 2022 budgeted transfer of \$1.5 million from the Arena Special Revenue Fund to the Downtown Assets Fund. This transfer was made to reduce fund and cash balances within the Arena Special Revenue Fund with the Arena Special Revenue Fund being managed under the Downtown Assets funds umbrella. As of December 31, 2022, all transfers were completed and finished at budget.

Fund/Cash Balances:

At the end of 2022, the Downtown Assets Funds had a fund balance of \$53.1 million, and a cash balance of \$47.3 million. The 2022 Fund balance increased \$18 million from 2021, and increased 21.2 million over the 2022 budget, The 2022 cash balance increased 17.7 million over 2021 which was \$20.9 million over budget. The increases in fund balance and cash were primarily due to the significant increase in the 2022 revenue over 2021, and the 2022 budget which was driven by the very significant \$31.5 million increase in in the local tax revenue over 2021.

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City of Minneapolis
For the Fourth Quarter Ending December 31, 2022
Financial Status Report (in thousands of dollars)

Downtown Assets - Special Revenue Funds

	2021 Final Budget	2021 Year End Actual	2022 Current Budget	2022 Year End Actual
Source of Funds:				
Local Taxes	11,850	33,133	42,917	64,597
Transfer from Arena Special Revenue Fund	1,168	1,168	1,480	1,480
Interest Earnings	429	349	818	335
Total	13,447	34,650	45,215	66,412
Use of Funds:				
Transfer out to City General Fund	11,136	11,136	11,136	11,136
Transfer out to Arena Fund Debt Service	5,697	5,697	5,695	5,695
Transfer out to Convention Center	28,734	28,734	31,159	31,159
Peavey Plaza - Capital	-	119	54	-
Peavey Plaza - Operating	437	348	395	416
Total	46,004	46,034	48,439	48,406
Net Change in Fund Balance	(32,557)	(11,384)	(3,224)	18,006
Downtown Assets Fund - Ending Fund Balance	13,895	35,066	31,842	53,072
Downtown Assets Fund - Ending Cash Balance	7,355	29,642	26,418	47,311

City of Minneapolis
Police Special Revenue Fund
For the Fourth Quarter Ending December 31, 2022

Fund Description:

The Police Special Revenue Fund accounts for revenues and expenses related to federal and state administrative forfeitures, lawful gambling, and non-emergency service contracts. Historically, the Police Special Revenue Fund had also been used to account for revenues and expenses related to the Automated Property System (APS), and the Workforce Director scheduling and payroll system (WFD). These programs were phased out over the last several years.

The fund revenues and expenses are associated with the following purposes:

- Federal and state administrative forfeiture programs are restricted to law enforcement and are designed to supplement and enhance, not supplant, agency resources. Revenue is used to account for a variety of law-enforcement needs, including some types of equipment, investigative expenditures, DWI-related enforcement, training, and others.
- The Automated Property (APS) and Workforce Director (WFD) systems are proprietary software systems owned and managed by the Police department. APS and WFD previously recovered expenses from user agreements with other governmental and non-governmental entities. They were decommissioned for external use in 2020 due to outdated technology and the inability to upgrade the software cost-effectively. Minimal activity with other entities continued into the first quarter of 2021. WFD consultant work continued through June 30, 2021. WFD, currently supported by the City's IT Department, continues to be used internally, and expenses have been transferred to the General Fund as of December 31, 2021.
- The non-emergency service contracts are typically entered by the City of Minneapolis Police Department and an external entity usually located within Minneapolis. The Police provide non-emergency services for sporting events, concerts, or extra presence at designated facilities or geographic areas. City departments (Public Works, others) periodically contract with Police to provide additional services at the desired location(s). The Police Special Revenue Fund is also used to account for revenues and expenses associated with these types of contracts.
- Lawful Gambling regulatory tax revenue and expenses are restricted to regulating lawful gambling, including site inspections, compliance reviews, and corrective action.

Revenues:

Revenue for the Police Special Revenue Fund earned through the fourth quarter ending December 31, 2022, is \$1.3 million, or 77% of the budgeted \$1.7 million. The revenue earned through the fourth quarter ending December 31, 2022, is consistent and slightly increased by \$0.1 million, with the 2021 revenue earned through the fourth quarter of \$1.3 million. The forfeiture revenue for 2022 was consistent with the prior year revenue. Forfeiture revenue is unpredictable and depends on the amount forfeited and the number of cases settled each year. The revenue slightly increased in non-emergency services contracts as the Lowry Hill neighborhood requested additional safety increases.

Expenditures:

Expenditure for the Police Special Revenue through the fourth quarter ending December 31, 2022, is \$0.9 million, or 54% of the budgeted \$1.7 million. Expenses through the fourth quarter ending December 31, 2022, increased by \$0.3 million, or 41%, from the expenditure through the fourth quarter ending December 31, 2021, of \$0.7 million. The cost increases in non-emergency services contracts are due to Lowry Hill neighborhood requests for additional safety increases.

Cash and Fund Balances:

The fund has maintained a positive cash balance with the fourth quarter of 2022 ending balance of \$3.6 million, an increase of \$0.4 million or 12% from the 2021 fourth quarter ending balance of \$3.2 million. The increase is predominately due to excess revenue over expenditures in 2022 of almost \$0.4 million.

The fund balance for the fourth quarter of 2022 is \$3.7 million, an increase of \$0.4 million, or 12%, over the fourth quarter of 2021, ending with a balance of \$3.3 million. The increase in fund balance was primarily due to excess revenue over expenditures associated with the forfeiture fund of \$0.4 million.

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City of Minneapolis
Fourth Quarter Ending December 31, 2022
Financial Status Report (in thousands of dollars)

Police Special Revenue Fund

	2021 Budget	2021 Actual	2022 Final Budget	2022 Year End Actual
Source of Funds:				
Charges for Services and Sales	466	509	1,074	725
Fines and Forfeits	243	432	400	427
Miscellaneous				
Taxes	204	314	270	191
Total	913	1,255	1,744	1,343
Use of Funds:				
Personnel Services	530	490	1,259	555
Fringes	137	102	85	134
Contractual Services	57	39	25	1
Capital Outlay	-	-		70
Materials/Other	189	39	375	183
Total	913	670	1,744	943
Change in Fund Balance	-	585	-	400
Fund Balance	2,760	3,344	3,344	3,744
Total Cash Balance	2,564	3,221	3,221	3,603

City of Minneapolis
NCR Special Revenue Fund: 01800
For the Fourth Quarter Ended December 31, 2022

Program Fund Description:

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, which was decertified on 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.

Revenues:

Through the fourth quarter of 2022, there have been transfers totaling \$5.1 million from the Consolidated Redevelopment Tax Increment Financing District Fund to the NCR Special Revenue Fund. This is a decrease of \$3.1 million compared to the total transfers in from 2021 of \$8.2 million.

Expenditures:

The expenditures from this fund through the fourth quarter of 2022 are \$6.3 million for the community engagement and neighborhood-based activities. This is a decrease of \$2.0 million compared to 2021 total spending of \$8.3 million.

Fund and Cash Balances:

The Fund balance at the end of 2022 is \$1.8 million, a decrease of \$1.2 million from 2021. As noted above, expenditures exceeded revenues for the year resulting in the decrease. Likewise, the cash balance in the fund decreased from \$3.3 million at the end of 2021 to \$2.2 million at the end of 2022.

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City of Minneapolis
Fourth Quarter ending December 31, 2022
Financial Status Report in thousands of dollars

Fund 01800 NCR Special Revenue

	2021 Final Budget	2021 Year End Actual	2022 Current Budget	2022 Year End Actual
Source of Funds:				
Transfer from other Spec Rev fund	8,221	8,221	5,534	5,134
Loan recapture				
Total	8,221	8,221	5,534	5,134
Use of Funds				
Personal Services	1,574	1,520	500	541
Fringes	543	474	250	209
Contractual services	8,972	6,280	8,184	5,577
Materials/Other	133	70	-	-
Total	11,222	8,344	8,934	6,327
Change in Net Position	(3,001)	(123)	(3,400)	(1,193)
Net Position		2,956		1,763
Total Cash Balance		3,301		2,184

City of Minneapolis
Regulatory Services Special Revenue Fund
For the Fourth Quarter Ending December 31, 2022

Fund Description:

The Regulatory Services Special Revenue fund manages the Renter Relocation funds, and special projects related to downtown traffic management for years 2020-2022, now extended through mid-2023 due to a project delay. Renter relocation funds are used to assist renters with moving costs if a rental license is revoked due to a property owner who is unable or unwilling to make life-safety repairs. The fund also holds project funds for traffic management for downtown traffic projects. In years 2020-2022, the State and City sought additional traffic management services for major construction projects in downtown Minneapolis. Regulatory Services did not have staff capacity for these projects, so hired staff for the duration of the projects. The project will now extend into 2023.

Revenue:

Operating revenue earned through fourth quarter 2022 is \$0.3 million.

Expenses:

Operating expense through fourth quarter 2022 totaled \$0.5 million.

Debt Service:

This fund has no debt obligations in 2022.

Cash and Fund Balance:

The fund has maintained a positive cash balance and net position with a fourth quarter 2022 ending balance of \$0.1 million.

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City of Minneapolis
Fourth Quarter ending December 31, 2022
Financial Status Report (in thousands of dollars)

Regulatory Services Special Revenue Fund

	2021 Final Budget	2021 Year End Actual	2022 Current Budget	2022 Year End Actual
Source of Funds:				
Project revenue	-	722		314
Transfer In	100	100	-	-
Total	100	822	-	314
Use of Funds Housing related				
Contractual services			-	13
Housing Related total	-	-	-	13
Use of Funds Traffic related				
Personnel Services	-	536	-	353
Fringes	-	129	-	83
Contractual Services	-	33	-	26
Materials/Other	-	39	-	52
Traffic related total	-	737	-	514
Change in Fund Balance	100.00	85	-	(213)
Fund Balance	289	274	274	61
Total Cash Balance		274	274	61

SPECIAL REVENUE FUNDS
Federal, CDBG, and Other State and Local Grants
For the Fourth Quarter Ending December 31, 2022

Fund Description:

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. Beginning in 2021, the City established a new special revenue fund to account for the American Rescue Plan Act State and Local Fiscal Recovery Funds. In 2022, the City established a separate special revenue fund to account for payments received from the national opioid lawsuit settlements. This new fund is separate for accounting purposes, but reports as part of the Grants Other (01600) fund group.

Grants are received both on a cost reimbursement and an advance basis. For the City's audited financial statements, advanced but not yet expended grant awards are shown as unearned revenue. Amounts 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.

Federal Grants Fund:

The City accounts for its general federal grant activity in a single special revenue fund. As of December 31, 2022, expenditures were \$29.5 million compared to the 2021 expenditures through December of \$23.6 million. The increase in federal expenditures of \$5.9 million is the result of spending across various grant programs. Within the Community Planning and Economic Development (CPED) Department, the U.S. Treasury Emergency Rental Assistance (ERA) grant accounts for \$1.8 million of the increase. In addition, various health, jobs, and training grants have seen an increase over 2021.

The ERA funds are part of the Consolidated Appropriations Act, 2021 which was enacted on December 27, 2020. The U.S. Treasury is responsible for administering the program. The City received its allocation of \$12.9 million in January 2021. The American Rescue Plan Act of 2021 enacted on March 11, 2021, also managed through the U.S. Treasury, provided the City with an additional allocation of \$10.2 million in ERA2 funding of which \$4.1 million has been released by U.S. Treasury. ERA funds are used to help eligible households through existing or newly created rental assistance programs.

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.

American Rescue Plan Act (ARPA)

On May 19, 2021, the City received \$135.6 million of the U.S. Treasury ARPA funds and in June 2022, the City received the second half allocation for a total of \$271.2 million. ARPA funds are available to cover costs incurred between March 3, 2021 and December 31, 2024 at which time all funds must be obligated. Department project proposals for 2021 totaling \$90.2 million were approved by the Council on July 2. An additional \$8.0 million of funding was approved by City Council on November 17, 2021. In April 2022, a final round of budget proposals were approved which obligated the remaining ARPA funds through 2024.

As of December 31, 2022, a total of \$107.7 million of the City's ARPA funding has been spent. This includes \$101.9 million spent in 2022.

HUD Consolidated Plan Funds:

The Community Development Block Grant (CDBG) is the City's largest single non-ARPA 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 a separate fund 01500. The HUD Consolidated Plan program year is from June 1 to May 31. The CDBG awards have ranged between \$10.0 to \$11.0 million in recent years, pre-pandemic. HUD grant expenditures as of December 31, 2022 total \$ million compared to \$13.6 million through June 2021 which reflects an increase of \$5.8 million.

During 2020 the City was awarded approximately \$22.9 million in HUD COVID-19 Supplemental funds for the CDBG, ESG, and HOPWA programs which continue to be expended in 2022 and future years which will result in higher than usual expenditures in the fund. The Community Planning and Economic Development (CPED) Department spending increased \$6.7 million through the fourth quarter of 2022 because of the new funding and is the major contributor to the increase in expenditures.

Grants Other Fund:

The fund is used to account for non-federal grants and other restricted revenue sources. The expenditures as of December 31, 2022 are \$27.0 million compared to the 2021 expenditures through year-end of \$29.4 million. The \$2.6 million decrease in expenditures is due to a variety of spending variations, but one significant difference is a decrease of \$2.4 million for CPED Affordable Family Housing projects.

Cash and Fund Balance:

The grant funds typically carry a small cash and fund balance position. Due to the accounting treatment of both reimbursement and prepaid grants, the funds typically match expenditures and revenues in the same period and prepaid grants result in unearned revenue. The ARPA funding resulted in a large cash balance for year end 2021 and continues to be a large amount through the end 2022. However, accounting principles dictate that we don't recognize revenue until we incur expenditures, so the fund balance remains relatively small in comparison to the cash balance.

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City of Minneapolis
Financial Status Report (in thousands of dollars)
For the Fourth Quarter Ending December 31, 2022

Grants Special Revenue Funds - Federal, State and Local

	2021 Final Budget	2021 Year End Actual	2022 Current Budget	2022 Year End Actual
Source of Funds:				
Grants - Federal	58,452	27,302	38,089	29,736
APR Local Fiscal Recovery	135,596	6,315	135,000	101,905
CDBG & UDAG Funds	14,870	17,283	28,017	24,303
HOME Grants	6,860	6,969	6,018	5,897
Grants - Other	38,860	30,916	31,424	28,662
Total	254,639	88,785	238,548	190,504
Use of Funds:				
Grants - Federal	60,336	23,558	38,376	29,515
APR Local Fiscal Recovery	98,493	5,775	180,415	101,905
CDBG & UDAG Funds	23,312	21,306	28,068	27,576
HOME Grants	7,158	4,883	5,825	9,172
Grants - Other	40,911	29,384	33,287	27,007
Total	230,211	84,905	285,971	195,175
Net Change in Fund Balance		(1,117)		(4,671)
Ending Fund Balance		9,022		4,351
Ending Cash Balance		141,823		174,912

City of Minneapolis
Community Planning & Economic Development (CPED)
Special Revenue Funds
For the Fourth Quarter Ending December 31, 2022

Operating Snapshot (in thousands of dollars):

<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	33,389	87,793	45,791	42,002	112,090	137,406
Housing & Econ Dev	13,246	30,936	7,090	23,847	27,054	27,716
General Development	5,378	19,408	6,619	12,789	29,334	35,645
Neighborhood Revitalization	6,334	6,334	3,304	3,030	28,141	28,189
CPED Operating	1,612	1,612	1,009	603	637	634
Total	59,959	146,083	63,813	82,270	197,256	229,590

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 CPED Special Revenue Funds at the end of the fourth quarter 2022 was \$229.6 million. Fund balances are considered either “restricted” or “assigned.” The combined fund balance of the NRP and TIF programs was \$165.6 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 \$64.0 million.

Cash Balance. The combined cash balance of CPED Special Revenue Funds at the end of the fourth quarter 2022 was \$197.3 million. This was \$12.4 million less than at the end of fourth quarter 2021. The combined cash balance in the TIF and NRP programs at the end of fourth quarter 2022 was \$140.2 million (71.0% 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 fourth quarter 2022 was \$112.1 million, which was \$14.9 million less than cash at the end of fourth quarter 2021. Fourth quarter 2022 revenues were \$21.4 million, which were \$5.0 million less than in 2021. Fourth quarter 2022 expenditures were \$27.7 million, which was \$11.3 million more than in 2021. In the fourth quarter of 2022, total expenditures exceeded revenues by \$6.3 million. With the additional net transfer out of \$9.5 million, overall fund balance decreased by \$15.9 million from \$153.3 million to \$137.4 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 fourth quarter 2022 was \$27.1 million, which was \$8.0 million more than cash at the end of fourth quarter 2021. Fourth quarter 2022 revenue was \$1.0 million, which was approximately \$0.7 million more than 2021. Fourth quarter 2022 expenditures were \$7.1 million, which was \$15.1 million less than in 2021. With the additional net transfer in from other funds, overall fund balance increased by \$6.9 million from \$20.8 million to \$27.7 million in fourth quarter 2022.

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 fourth quarter 2022 was \$29.3 million, which was \$2.5 million less than cash at the end of fourth quarter 2021. Fourth quarter 2022 revenues were \$3.5 million, which was \$2.8 million less than in 2021. Fourth quarter 2022 expenditures were \$6.6 million, which was \$0.3 million higher than in 2021. With no transfers, the net impact on current fund balance reduced by \$3.1 million from \$38.7 million to \$35.6 million.

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 fourth quarter 2022 was \$28.1 million, which was \$2.0 million less than cash in the fourth quarter 2021. Fourth quarter 2022 revenues were \$0.9 million, which was \$1.0 million less than in 2021. Fourth quarter 2022 expenditures were \$3.0 million, which was \$0.4 million higher than in 2021. With additional transfer to other fund, the net impact on current fund balance reduced by \$2.4 million from \$30.6 million to \$28.2 million in fourth quarter 2022.

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 fourth quarter 2022, this program had a fund balance of \$0.6 million and cash balance of \$0.6 million. During this period revenue exceeded expenditures by \$1.7 million. However, this was due to adjustments made to Investment Gain/Loss.

City of Minneapolis
Fourth Quarter ending December 31, 2022
Financial Status Report (in thousands of dollars)

CPED Special Revenue Funds

	TIF	Housing & Econ Development	General Development	NRP	CPED Operating	Spec Rev Fund Comparison	
						Q4 2022 Total	Q4 2021 Total
Assets							
Cash	112,090	27,054	29,334	28,141	637	197,256	209,654
Misc. receivables	987	85	118	82	8	1,280	9,674
Loans receivable	-	5,112	-	-	-	5,112	4,805
Advances to other funds	390	-	-	-	-	390	390
Properties held for resale	25,330	2,127	7,137	226	-	34,820	34,865
Total Assets	138,797	34,378	36,589	28,449	645	238,858	259,388
Liabilities							
Payables	1,001	837	625	260	11	2,734	10,746
Advances from other funds	390	-	-	-	-	390	390
Deposits held for others	-	713	319	-	-	1,032	1,050
Deferred inflow of resources	-	5,112	-	-	-	5,112	4,805
Total Liabilities	1,391	6,662	944	260	11	9,268	16,991
Total Fund Balance	137,406	27,716	35,645	28,189	634	229,590	242,397
Total Liabilities & Fund Balance	138,797	34,378	36,589	28,449	645	238,858	259,388
Revenue							
Property tax increment	21,259	-	-	-	-	21,259	25,680
Fees & charges for services	-	1,387	521	-	503	2,411	2,179
Inclusionary Zoning - in Lieu	-	-	3,312	-	-	3,312	3,447.00
Interest revenue	(3,846)	(713)	(1,041)	(1,017)	2,210	(4,407)	(353)
Rent	204	1	239	-	-	444	439
Sale of land & buildings	48	60	(1)	-	-	107	1,591
Loan recapture	3,694	250	516	1,888	-	6,348	3,094
Total revenue	21,359	985	3,546	871	2,713	29,474	36,077
Expenditures							
Personal services	119	9	957	-	-	1,085	1,372
Contractual services	15,911	808	2,428	2,932	1,009	23,088	19,493
Other operating costs	-	46	595	13	-	654	725
Program capital outlay	11,719	6,227	2,639	25	-	20,610	27,590
Total expenditures	27,749	7,090	6,619	2,970	1,009	45,437	49,180
Transfers							
Transfers from other funds	8,531	13,046	-	-	-	21,577	40,120
Transfers to other funds(-)	(18,042)	-	-	(334)	-	(18,376)	(29,434)
Total transfers	(9,511)	13,046	-	(334)	-	3,201	10,686
Change in fund balance	(15,901)	6,941	(3,073)	(2,433)	1,704	(12,762)	(2,417)
Beginning fund balance	153,307	20,775	38,718	30,622	(1,070)	242,352	244,814
Ending fund balance	137,406	27,716	35,645	28,189	634	229,590	242,397

City of Minneapolis
Engineering, Materials, and Testing
For the Fourth Quarter Ending December 31, 2022

Operating Snapshot (in thousands of dollars):

Fund 06000	2022 Budget	2022 Actual	2021 Actual
Operating Revenue	8,783	10,107	8,563
Operating Expense	8,783	10,071	8,542
Operating Margin	-	35	21
Change in Net Position		35	21
Net Position		640	605
Cash Balance		2,062	2,027

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 fourth quarter 2022 is \$10.1 million, or 115.1% of the budgeted amount of \$8.8 million. The 2022 fourth quarter revenue of \$10.1 million represents an increase of 18.0% over the fourth quarter 2021 revenue of \$8.6 million. Revenue (and expense) throughout 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 fourth quarter from year to year.

Expense:

Operating expense through fourth quarter 2022 is \$10.1 million, or 114.7% of the budgeted amount of \$8.8 million. The 2022 fourth quarter expense reflects an increase of 17.9% over the 2021 expense of \$8.5 million incurred through the same period. As noted above, expenses

throughout 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 2022.

Debt Service:

This fund does not have any debt obligations.

Cash and Net Position

The 2022 fourth quarter cash balance is \$2.1 million, an increase of \$35,389 from the 2021 year-end balance of \$2.0 million. The increase in cash through fourth 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. 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 \$0.4 million.

The 2022 year-end net position was \$0.6 million, which is slightly higher than the 2021 ending balance of \$0.6 million. The slight increase is due to a positive net margin in 2022 because of more concrete and asphalt sales. 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 \$0.4 million for the 2022.

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City of Minneapolis
Fourth Quarter Ending December 31, 2022
Financial Status Report in thousands of dollars

Engineering, Materials and Testing Fund 06000 - Internal Service Fund

	2021 Final Budget	2021 Year End Actual	2022 Year End Actual	2022 Year End Actual
Source of Funds:				
Asphalt / Concrete	6,489	6,356	6,309	7,883
Inspection revenue	2,557	2,207	2,475	2,224
Total	9,046	8,563	8,783	10,107
Use of Funds				
Personnel Services	1,062	989	1,104	1,071
Fringes	383	337	401	354
Contractual services	1,313	1,100	1,164	1,029
Materials/Other	6,256	6,085	6,091	7,593
Rent	32	32	24	24
Total	9,046	8,542	8,783	10,071
Change in Net Position	0	21	(0)	35
Net Position	515	605	605	640
Total Cash Balance	1,955	2,027	2,027	2,062

City of Minneapolis
Fleet Services Internal Service Fund
For the Fourth Quarter Ending December 31, 2022

Operating Snapshot (in thousands of dollars):

Fund 06100	2022 Budget	12/31/2022 Actual	Year Ending 2021
Operating Revenue	28,064	26,544	38,459
Operating Expense	44,023	37,044	30,546
Change in Net Position	(15,959)	(10,500)	7,913
Net Position		88,113	98,613
Cash Balance		21,952	34,701

Program Description:

The Fleet Services Internal Service 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 the services of 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 Public Works Department is responsible for management of the operations within the fund.

The Fleet Services Division develops fleet replacement programs for all vehicles and equipment to meet the needs of 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. Fleet Management also monitors and reports on fleet utilization, and registers licenses all City vehicles. The City’s fleet of vehicles and equipment has an acquisition value of \$160 million.

Revenue:

Operating revenue earned through fourth quarter 2022 is \$26.5 million or 94.6% of the budgeted amount of \$28.1 million. The revenue earned through fourth quarter 2022 decreased by \$11.9 million, or 31.0%, from the revenue earned through fourth quarter 2021. For 2022 the replacement fees were not collected causing rent revenue to drop 62.9% from 23.4 million in 2021 to 8.7 million in 2022. This was in efforts to reduce costs in customer funds such as the general fund.

Expenses:

Operating expense through fourth quarter 2022 totaled \$37.0 million representing 84.1% of the annual budget of \$44.0 million. Expenses through the fourth quarter of 2022 increased \$6.5 million or 21.3% from the total expense of \$30.5 million through the same period in 2021. The difference is driven by two primary factors. There was a new transfer out of \$2.9 million to help fund costs for the Hiawatha Campus capital project. In addition, capital spending was \$4.9 million or 90.3% higher than the same period in 2021. This increase was partially due to increased availability of units for purchase after a slow year with supply chain issues in the automotive industry in 2021.

Transfers:

For 2022 there is a transfer out of the fund in the amount of \$2.9 million. As noted above, this transfer went to the capital project fund, specifically to help with costs for the Hiawatha Campus project.

Debt Service:

This fund has no debt obligations in 2022.

Cash and Net Position:

The fund has maintained a positive cash balance with fourth quarter 2022 ending balance of \$21.9 million a decrease of \$12.7 million from the 2021 fourth quarter ending balance of \$34.7 million. Reserve policies for internal service funds determine that the minimum cash balance should be 15.0% of the fund's operating budget plus 1.5 x next year's capital or \$21.3 million.

The net position for year ending in 2022 is \$88.1 million, a decrease of \$10.5 million, or 10.6% under the 2021 ending balance of \$98.6 million. The decrease in net position was planned and due to the decision not to collect base lease or rent fees on vehicles in 2022.

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 \$19.3 million.

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City of Minneapolis
Fourth Quarter ending December 31, 2022
Financial Status Report (in thousands of dollars)

Fleet Services Internal Services Fund

	Budget Year 2021	Actual Year Ending 2021	Budget Year 2022	Actual Year Ending 2022
Source of Funds:				
Charges for Services	9,378	7,910	9,999	8,870
Charges for Sales	7,628	6,166	8,458	8,153
Gains	500	832	500	521
Rent	20,705	23,448	9,107	8,696
Other Misc Revenue	-	103	-	304
Total	38,211	38,459	28,064	26,544
Use of Funds:				
Transfers out	-	-	2,920	2,920
PW Equipment Operations	24,917	25,087	27,818	23,735
PW Equipment Capital	13,949	5,459	13,285	10,389
Total	38,866	30,546	44,023	37,044
Change in Net Position		7,913	(15,959)	(10,500)
Net Position		98,613		88,113
Cash Balance		34,701		21,952

City of Minneapolis
Property Services – Internal Service Fund
For the Fourth Quarter Ending December 31, 2022

Operating Snapshot (in thousands of dollars):

Fund 06200	2022 Budget	2022 Actual	2021 Actual
Operating Revenue	29,994	28,493	26,226
Operating Expense	30,835	27,682	23,879
Operating Margin	(841)	811	2,347
Change in Net Position		811	2,347
Net Position		40,816	40,005
Cash Balance		9,836	8,926

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. The Cell Phone activity, which was part of the Radio Shop has been transferred to IT Department starting from 2022. 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 2022 revenue and expense budgets for the fund were increased by \$5.6 million 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 (06210) and Asset Preservation Fund (06220). The Property Disposition 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. The Asset Preservation Fund was created since 2020 for the purpose of recording the activities related to the capital repairs and upgrades.

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 \$4.0 million.

Operating revenue recorded through fourth quarter 2022 is \$28.5 million, or 95.0% of the budgeted amount of \$30.0 million. The 2022 fourth quarter revenue is increased by \$2.3 million, or 8.6%, from the revenue earned through fourth quarter 2021. This is mainly because through the

fourth quarter of 2022, the fund collected \$24.0 million in rent, which is \$1.7 million higher than the \$22.3 million rent collected through the fourth quarter of 2021. 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 fourth quarter of 2022 is \$27.7 million, or 89.8% of the total budgeted amount of \$30.8 million. The 2022 fourth quarter expense increased \$3.8 million, or 15.9%, from the operating expense recorded through fourth quarter 2021. The variance is primarily due to the \$2 million MBC Rent added back to the 2022 budget year that was reduced in 2021. Expenses also fluctuate based on the amount of discretionary spending available to other departments and the timing of work done.

Transfers:

For 2022, this fund receives a transfer in from the General Fund totaling \$1.1 million to support the City Hall rent expense. The fund will not have any transfer out in 2022.

Debt Service:

There is no outstanding debt service for 2022.

Cash and Net Position:

The cash balance at the end of fourth quarter 2022 was \$9.8 million compared to a cash balance of \$8.9 million at the end of fourth quarter 2021. The cash through the fourth quarter of 2022 consists of a balance of \$1.9 million in the Property Disposition fund and a balance of \$7.9 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 \$4.6 million for the Property Services fund in 2022.

The net position for the year ending 2021 was \$40.0 million, an increase of \$3.7 million from the net position of \$36.3 million for year ending 2020. This increase is due to the delay of the capital improvement projects in 2021, which were planned to be completed in 2022. 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 2022 is \$1.8 million and the net position in 2022 is \$37.2 million greater than the benchmark, which is \$3.6 million.

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City of Minneapolis
Fourth Quarter ending December 31, 2022
Financial Status Report (in thousands of dollars)

Property Services Internal Service Fund

	2021 Budget	2021 Actual	2022 Budget	2022 Actual
Source of Funds:				
Charges for Services and Sales	3,066	2,983	4,580	3,333
Rents Public Works and Other	22,450	22,301	23,928	24,048
Miscellaneous Revenue	3	170	381	8
Transfer-In from other funds	772	772	1,104	1,104
Total	26,291	26,226	29,994	28,493
Use of Funds				
Personnel Services	6,530	6,381	6,562	6,838
Fringes	2,541	2,704	2,563	2,950
Contractual services	18,202	11,717	18,445	13,885
Materials/Other	1,632	1,889	1,886	2,631
Rent	977	976	1,379	1,379
Transfer-Out to other funds	212	212	-	-
Total	30,094	23,879	30,835	27,682
Change in Net Position	(3,803)	2,347	(841)	811
Net Position	32,474	40,005	39,164	40,816
Total Cash Balance	2,520	8,926	8,085	9,836

**City of Minneapolis
Public Works Stores
For the Fourth Quarter Ending December 31, 2022**

Operating snapshot (in thousands of dollars):

Fund 06300	2022 Budget	Year Ending Actual 2022	Year Ending Actual 2021
Operating Revenue	1,614	2,069	2,378
Operating Expense	1,614	1,813	1,617
Operating Margin	0	256	879
Change in Net Position		256	879
Net Position		7,050	6,794
Cash Balance		821	1,219

Fund 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 fourth quarter of 2022 is \$2.1 million, or 128.2% of the budgeted amount of \$1.6 million. The revenue earned through fourth quarter of 2022 decreased by \$0.3 million, or 13.0%, from the \$2.4 million revenue earned through fourth quarter of 2021. Revenue for this fund is earned by applying overhead charges to inventory sales and transaction processing. The decrease in revenue is due to a \$41,970 decrease in Traffic stores overhead charges which offset with an increase \$38,023 in Central stores overhead charges. In addition, the decrease in revenue is because the system uses perpetual average for inventory. The result in 2021 was a \$0.3 million difference between what was paid and what ended up in inventory. It was adjusted to other miscellaneous revenue.

Expenses:

Operating expense through the fourth quarter of 2022 is \$1.8 million, or 112.3% of the budgeted amount of \$1.6 million. The amount expended through fourth quarter of 2022 increased by \$0.2 million, or 12.1%, from the \$1.6 million expended through the same period in 2021. The increase is due to increase materials \$0.2 million. This expense increase is partially offset by a decrease in fringes of \$22,267.

Transfers:

There are no transfers in or out of this fund in 2022.

Debt Service:

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

Cash and Net Position:

The fund has maintained a positive cash balance at the end of fourth quarter 2022 is \$0.8 million, a decrease \$0.4 million from 2021 year-end balance of \$1.2 million. The decrease in cash is primarily due to a \$1.1 million, or 15.2% 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 \$0.2 million. The cash balance is \$0.6 million more than its target.

The fund continues to maintain a positive net position with a 2022 ending balance of \$7.1 million, an increase of \$3 million from the 2021 ending balance of \$6.8 million. 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 \$0.2 million.

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City of Minneapolis
Fourth Quarter ending December 31, 2022
Financial Status Report (in thousands of dollars)

06300 PW Stores Funds - Internal Service Fund

	2021 Final Budget	2021 Year End Actual	2022 Current Budget	2022 Year End Actual
Source of Funds:				
Charges for Services	1,558	1,909	1,564	1,974
Charges for Sales on merchandise	25	38	20	68
Charges for Sales on scrap (Recycling)	25	50	30	-
Other Misc rev (Inventory adjustments)	-	381	-	28
Total	1,608	2,378	1,614	2,069
Use of Funds				
Personal Services	873	821	876	831
Fringes	381	378	380	356
Contractual services	275	366	274	385
Materials/Other	79	53	85	242
Total	1,608	1,617	1,614	1,813
Change in Net Position	0	879	0	256
Net Position¹	5,916	6,794	6,794	7,050
Total Cash Balance	1,126	1,219	1,219	821
Target Cash Reserve²	241	241	242	242
Variance Operating Cash to Target Cash Reserve	885	978	977	579

City of Minneapolis
Intergovernmental Services Fund 06400
For the Fourth Quarter Ending December 31, 2022

Operating Snapshot (in thousands of dollars):

Fund 06400	2022 Budget	12/31/2022 Actual	2021 Actual
Operating Revenue	37,986	45,709	42,696
Operating Expense	40,996	47,687	44,949
Change in Net Position		(1,978)	(2,253)
Net Position		9,693	11,671
Cash Balance		7,404	10,033

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 fourth quarter of 2022 is \$45.7 million, or 20.3% over annual budgeted amount of \$38.0 million. This is an increase of \$3.0 million, or 7.1%, compared to revenue of \$42.7 million earned through fourth quarter of 2021. This is due to increases in the work for other category where products and services are billed to other funds and departments in the City.

Expenses:

Operating expenses through the fourth quarter of 2022 is \$47.7 million or 16.3% of the annual budgeted amount of \$40.9 million. The operating expense through fourth quarter increased \$2.7 million, or 6.1%, from the 2021 expense of \$44.9 million.

Administration expenses of \$15.8 million through the fourth quarter increased 9.0% over the 2021 amount of \$14.5 million through the same period. The increase is for license and maintenance agreements.

PMO- Work for others department expenses increased \$1.8 million over previous year.

Infrastructure Services expenses of \$7.0 million decreased by \$1.2 million, or 14.6% through the fourth quarter over the 2021 amount of \$8.2 million through the same period. The decrease is due to less purchasing of computer stock than in prior year.

Debt:

The fund does not have any outstanding debt service obligations.

Transfers:

In 2022 this fund received transfers in from the general fund totaling \$0.4 million. The general fund transfer is for City Hall rent. In 2022, the fund had no transfers out.

Cash and Net Position:

The cash balance at the end of fourth quarter is \$7.4 million, representing a decrease of \$1.8 million from 2021 year-end balance of \$9.2 million. Financial reserve policies for the internal service funds determine that the minimum cash balance for the Intergovernmental Services Fund should be 15% of the fund's total budget or \$6.0 million.

The net position at year-end 2022 is projected to be \$9.7 million, a decrease of \$1.9 million from the year-end 2021 net position of \$11.7 million. This decrease to net position is partly due to the use of the fund balance to cover expenses.

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 \$6.0 million. 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.

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City of Minneapolis
Fourth Quarter ending December 31, 2022
Financial Status Report (in thousands of dollars)

Fund 06400 Intergovernmental Services Internal Service Fund

	2021 Beginning Budget	2021 Year End Actual	2022 Beginning Budget	2022 Year End Actual
Source of Funds:				
Charges for Service - IT	36,942	37,222	35,574	36,383
Charges for Service - City Clerk	1,385	1,596	1,655	1,602
Work for Others	4,306	3,764	457	7,310
Operating Transfers In	114	114	300	414
Total	42,747	42,696	37,986	45,709
Use of Funds:				
City Clerk	1,470	1,450	1,518	1,900
Information Technology	41,612	38,106	37,398	38,708
Work for Others	4,583	5,293	2,080	7,079
COVID	-	100	-	-
Total	47,665	44,949	40,996	47,687
Change in Net Position		(2,253)	(3,010)	(1,978)
Net Position		11,671		9,693
Total Cash Balance	16,205	10,033	10,033	6,299

City of Minneapolis
Self-Insurance Fund (06900-06950)
For the Fourth Quarter Ending December 31, 2022

Operating snapshot (in thousands of dollars):

Fund 06900-06950	2022 Budget	Actual YE 2022	Actual YE 2021
Operating Revenue	143,247	147,862	132,171
Operating Expense	118,499	119,670	129,492
Operating Margin	24,748	28,192	2,679
Change in Net Position		28,192	2,679
Net Position		(71,775)	(99,967)
Cash Balance		138,853	110,754

Program Description:

The Self-Insurance Fund accounts for accrued sick leave benefit, tort liability, workers' compensation, civil attorney, 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 2021, HR employee benefit administration is recorded to the General Fund instead of the Self-insurance fund.

Revenue:

Operating revenue through the fourth quarter of 2022 is \$147.9 million or 103.2% of the annual budgeted amount of \$143.2 million. This is an increase of \$15.7 million, or 11.9%, compared to \$132.2 million earned through the fourth quarter of 2021. The primary reason for the increase is due to few factors: a \$4.7 million increase in Cost Allocation and Employment Services, \$9.4 million increase in Medical Premium and Sick Leave at Retirement, and an unexpected revenue \$4.5 million received from the Workers' Compensation Reinsurance Association as surplus distribution for the recalculated share of 2022 and other revenues. This revenue increase is partially offset by a \$3.3 million decrease in Operating Transfers In.

Expenses:

Operating expenses through the fourth quarter of 2022 are \$119.7 million or 101.0% of the annual budgeted amount of \$118.5 million. This is a decrease of \$9.8 million, or 7.6%, compared to \$129.5 million expended through the fourth quarter of 2021. The decrease in operating expense is due to a decrease \$15.4 million in Litigation Settlements from General Liability which is partially offset by \$7.6 million increase in funds paid out for workers' compensation claims and \$6.5 million increase in medical insurance claims. The decrease also related to \$1.0 million decrease in the employee sick leave payout at retirement, and a decrease in City Attorney and Finance Department of \$7.4 million

Debt Service:

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

Transfers:

In 2022, the fund receives a transfer in from the General Fund totaling \$24 million to both Workers' Compensation Fund and the General Liability Fund to assist with most ongoing spending increases, and a transfer in from Federal Grant \$75,000 to Medical Fund to assist with COBRA payout.

Cash Balance and Net Position:

Cash balance policies for the Self-Insurance fund vary by individual fund. Below is a summary of cash policy compared to projected balance by fund.

Fund	Policy Minimum Cash Balance	2022 Ending Cash Balance	Over/(Under) Policy
06900 - Self Insurance ¹	\$ 257	\$ 6,918	\$ 6,661
06910 – Medical ²	23,589	31,959	8,370
06920 – Dental ³	880	1,583	703
06930/06940 - Work Comp & Liability ⁴	177,450	75,577	(101,873)
06950 - Severance/Sick Leave ⁵	15,601	22,816	7,215
Total	\$ 217,777	\$ 138,853	\$ (78,924)

¹Self Insurance admin shall maintain a minimum cash balance of 10% of the operating budget of participating departments.

²Medical Self Insurance fund shall maintain a minimum cash balance of 35% of total annual claims.

³Dental Self Insurance fund shall maintain a minimum cash balance of 20% of annual claims.

⁴Workers' Compensation fund shall maintain a cash balance equal to or greater than the current year projected total losses as defined by the most recent annual independent actuarial study.

⁵Sick Leave severance shall maintain a minimum cash balance equal to the combined short and long-term liability set at the end of the most recent audited period.

The net position at year-end 2022 was a negative \$71.8 million which was an increase of \$28.2 million over the 2021 ending balance of negative \$99.9 million. During the completion of the City's annual comprehensive financial report, further adjustments will be entered for updated actuarial reports related to long-term liabilities. These adjustments may materially change the ending fund balance that appears in our audited financial statements. 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.

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City of Minneapolis
Fourth Quarter ending December, 2022
Financial Status Report (in thousands of dollars)

Fund 06900-06950 Self-Insurance Fund

	2021	2021	2022	2022
	Final Budget	Year End Actual	Current Budget	Year End Actual
Source of Funds:				
Charges for Service(Cost allocations+Employment Serv)	31,591	31,524	36,110	36,265
Other Misc Revenues (Refund from State+Other misc)	1,000	1,104	1,000	5,788
Medical Ins Premiums	71,172	65,971	74,731	71,626
Dental Premiums	4,271	3,186	4,399	3,381
Health and Welfare (Severence-Sick leave at retirement)	2,934	3,018	3,008	6,728
Operating Transfers In frm Fed Grants	-	-	-	75
Operating Transfers In	27,368	27,368	24,000	24,000
Total	138,336	132,171	143,247	147,862
Use of Funds:				
Attorney	7,376	7,156	-	(157)
Human Resources	-	(32)	-	-
Finance Dept - Risk Mgmt/Financial Accounting	2,586	2,240	2,568	2,072
Liability	9,211	30,062	15,351	14,646
Workers Compensation	12,756	20,632	18,320	28,253
Medical Claims and Admin Fees	71,172	63,862	74,854	70,412
Delta Dental payments	4,271	3,223	4,399	3,111
Health and Welfare	2,934	2,350	3,008	1,333
Transfers	-	-	-	-
Total	110,306	129,492	118,499	119,670
Change in Net Position	28,030	2,679	24,748	28,192
Net Position	(69,809)	(99,967)	(75,219)	(71,775)
Total Cash Balance	136,162	110,754	135,503	138,853
Target Cash Reserve	203,204	203,204	217,777	217,777
Variance Operating Cash to Target Cash Reserve	(67,043)	(92,450)	(82,274)	(78,924)

**City of Minneapolis
Sanitary Sewer Fund
For the Fourth Quarter Ending December 31, 2022**

Operating Snapshot (in thousands of dollars):

Fund 07100	2022 Budget	2022 Actual	2021 Actual	2020 Actual
Operating Revenue	98,947	95,694	86,723	83,556
Operating Expense	80,418	77,277	73,773	70,959
Operating Margin	18,529	18,417	12,950	12,597
Change in Net Position		4,897	1,995	11,148
Net Position		146,260	141,363	139,368
Cash Balance		15,457	15,038	13,506

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 operating revenue of \$95.7 million through the end of the fourth quarter, the Sanitary Sewer Fund has earned 96.7% of the 2022 operating revenue budget. This is an overall increase of \$9.0 million, or 10.3%, compared to \$86.7 million earned through December 2021. The utility service revenues accounted for \$4.6 million of the increase compared to 2021 due to an increase in rates and increased volume. SAC fees, which fluctuate based on overall economic activities outside of City operations, increased by \$3.9 million. This increase is offset by an equivalent increase in sewer availability charges (or SAC expenses).

The variable rate for utility charges was set at \$5.01 per unit, an increase of \$0.17 over 2021. The fixed rate, which is based on meter size, was increased by \$0.50, from \$6.80 to \$7.30.

Expenses:

The Sanitary Sewer Fund's total operating expenses through the fourth quarter were \$77.3 million compared to \$73.8 million through December 2021. This is an increase of \$3.5 million, or 4.8%. The increase is due to SAC charges increasing by \$3.8 million due to more activity.

The Met Council rate decreased by 2.9% for 2022 services. The Met Council charges are the largest expense of the fund with a monthly expense of \$3.9 million. 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 \$1.0 million and by the end of 2022, all of it was transferred to Water Treatment and Distribution Services.

Debt Service:

For 2022, the debt service cost was budgeted at \$11.1 million. Total debt service payments for 2022 were \$9.5 million in principal and \$1.1 million in interest payments. These debt service payments are primarily for bonds sold to fund capital programs as an alternative to cash financing. The Fund's bonds payable total \$52.9 million on December 31, 2022.

Cash and Net Position:

The 2022 year-end cash balance is \$15.5 million and the Fund's net position stands at \$146.3 million. 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 2022 is \$20.1 million. The \$4.6 million Cash Reserve shortage is in part due to lower revenues during the COVID-19 pandemic. The Department is constantly monitoring and revising the financial position to bring the fund back into compliance. The Fund's cash balance has doubled since 2019 and is projected to be back in compliance by 2024.

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City of Minneapolis
Fourth Quarter ending December 31, 2022
Financial Status Report (in thousands of dollars)

Sanitary Sewer Enterprise Fund

	2021 Final Budget	2021 Year End Actual	2022 Current Budget	2022 Year End Actual
Source of Funds:				
Charges for Service	81,505	76,251	83,547	80,859
SAC Revenues	10,000	8,966	15,000	12,885
Other Misc Revenues	207	1,506	400	1,950
Charges for Service - Capital	1,000	1,000	1,000	9
Proceeds from Long Term Liabilities	13,000	15,381	16,123	11,034
Total	105,711	103,104	116,070	106,738
Use of Funds:				
PW-Sewer Design	1,053	991	1,219	1,056
PW-Sewer Maintenance	9,119	7,596	8,159	7,461
MERF			310	
Met Council Environment Svcs	58,137	57,106	61,808	59,572
Payment for City Services	6,824	6,245	7,086	7,110
PW - Sewer Admin	1,700	1,834	1,836	2,079
Debt Service	7,597	7,214	11,075	10,586
Future Debt Service				
Transfers				
To Water Fund	1,072	1,072	1,017	1,017
PW - Capital Programs	17,000	19,050	21,623	12,960
Total	102,502	101,109	114,133	101,841
Change in Net Position	3,209	1,995	1,937	4,897
Net Position Balance	142,577	141,363	143,300	146,260
Total Cash Balance	16,715	15,038	16,975	15,457
Target Cash Reserve	19,208	19,208	20,105	20,105
Variance Cash Balance to Target	(2,493)	(4,170)	(3,130)	(4,647)

**City Of Minneapolis
Storm Water Fund
For the Fourth Quarter Ending December 31, 2022**

Operating Snapshot (in thousands of dollars):

Fund 07300	2022 Budget	2022 Actual	2021 Actual	2020 Actual
Operating Revenue	46,699	46,477	45,117	45,980
Operating Expense	32,733	28,960	28,276	28,195
Operating Margin	13,966	17,517	16,841	17,785
Change in Net Position		4,106	(3,471)	(3,520)
Net Position		356,054	351,947	355,418
Cash Balance		30,943	29,180	28,667

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 \$46.5 million in operating revenues earned through fourth quarter of 2022 reflects 99.5% of the budgeted amount of \$46.7 million. This is an increase of 3.0%, or \$1.4 million, compared to \$45.1 million earned for the same period in 2021. Storm utility revenues increased by 3.5% to \$44.1 million, up from \$42.6 million for the same period in 2021. This is mainly due to a 3.0% increase in rates.

Expenses:

Operating expenses through the fourth quarter were \$29.0 million, or 88.5% of the 2022 budget. The expenses were \$0.7 million, or 2.4% higher than the \$28.3 million reported for the same period in 2021. The 2022 actual expenses were under budget primarily due to \$1.3 million less spent on storm design costs and \$0.7 million less spent on storm maintenance costs. There are several vacant positions, causing Maintenance, Design and a few other areas to have less costs in 2022.

Transfers:

A transfer from this fund is made to the General Fund to support two environmental service FTE's relating to the Clean Water Act of \$110,000 for 2022. An additional amount of \$1.6 million was transferred 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 its debt service obligations by the end of 2016. In 2019, new debt started to be issued on a regular basis due to additional capital programs needing financing. In 2022, \$4.3 million in principal and interest were paid. Bonds sold in 2022 were \$25.9 million.

Cash and Net Positions:

The ending cash balance at the end of the fourth quarter is \$30.9 million and net position is \$356.1 million. 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 2022 is \$8.2 million. The cash balance at year end will leave \$22.8 million as an unrestricted amount to fund capital programs and debt service for 2023 and beyond as the department aims to use its excess cash reserve as a major source of funds for upcoming projects.

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City of Minneapolis
Fourth Quarter ending December 31, 2022
Financial Status Report (in thousands of dollars)

Storm Water Enterprise Fund

	2021 Final Budget	2021 Year End Actual	2022 Budget	2022 Year End Actual
Source of Funds:				
State Government	1,160	1,250	1,307	1,390
Local Government	356	255	356	243
Charges for Service-Operating	42,549	42,616	44,160	44,092
Design & Misc Revenues	626	288	801	172
Special Assessments	75	709	75	580
Grants Proceeds/Others - Capital	-	-		1,174
Charges for Service-Capital	1,000	218	1,000	703
Proceeds of Long Term Liabilities	13,000	6,144	44,623	18,240
Total	58,767	51,479	92,322	66,594
Use of Funds:				
PW-Storm Design	5,606	4,137	6,047	4,788
PW-Field Services	9,811	9,307	9,488	8,903
PW-Storm Maintenance	6,772	6,135	7,234	6,549
Metropolitan Council	2,525	2,525	2,454	2,454
Payment for City Services	5,579	5,038	5,870	4,990
PW-Admin	1,585	1,135	1,640	1,277
Debt Service	1,931	1,860	4,197	4,345
Transfers	1,671	1,671	1,687	1,687
PW- Capital	26,500	23,143	57,323	27,495
Total	61,981	54,950	95,940	62,487
Change in Net Position	(3,214)	(3,471)	(3,618)	4,106
Net Position	352,201	351,947	348,329	356,054
Total Cash Balance	25,453	29,180	33,622	30,943
Target Cash Reserve	7,970	7,970	8,183	8,183
Variance Cash Balance to Target	17,484	21,211	25,439	22,759

**City of Minneapolis
Water Enterprise Fund
For the Fourth Quarter Ending December 31, 2022**

Operating Snapshot (in thousands of dollars):

Fund 07400	2022 Budget	2022 Actual	2021 Actual
Operating Revenue	88,568	88,770	86,486
Operating Expense	62,189	59,196	55,851
Operating Margin	26,379	29,574	30,635
Change in Net Position		5,405	6,248
Net Position		325,986	309,499
Cash Balance		36,205	34,215

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 Water Treatment and Distribution Services Division sources, treats, and distributes drinking water to retail customers in the City and for fire protection. In addition, the Division sells water to the wholesale customers of the Cities of Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, Edina, and the Metropolitan Airports Commission. Monthly billing for water sales is the main source of revenue for this fund.

Revenue:

Operating revenues for 2022 were \$88.8 million, or 100.2% of the 2022 budgeted amount of \$88.6 million. This is an increase of \$2.3 million compared to the 2021 total of \$86.5 million. The increase in revenue was due to increases in wholesale and retail sales as well as reimbursement for water service line repairs.

Expense:

Operating expenses for 2022 were \$59.2 million, or 95.2%, of the budgeted amount of \$62.2 million. This is \$3.3 million, or 6.0%, higher than the 2021 amount of \$55.9 million. The increase in actual expenses from 2021 to 2022 reflects the following increases in: salaries and fringe benefits of \$1.2 million; City provided services of \$0.3 million; delivery services and utility bills of \$0.6 million; chemical usage of \$0.6 million; water line repairs of \$0.3 million; contractual and professional services relating to repairs, maintenance, upgrades, and construction works of \$1.1 million. There was a decrease in fleet and capital outlay of \$0.8 million.

Transfers:

For 2022, the transfer amount of \$1.1 million consisted primarily of a \$1.0 million operating transfer from the Sanitary Sewer Fund for its share of the cost of metering. The Fund also received \$41,000 from the General Fund towards the cost of City Hall rent.

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 2022, which includes both principal and interest payments, was \$20.1 million. During 2022, an additional \$17.9 million in bonds were issued to finance capital projects. This additional debt issuance will increase debt service payments in future years.

Cash Balance and Net Position:

As of December 31, 2022, the ending cash balance was \$36.2 million and net position was \$326.0 million. By comparison, on December 31, 2021, the cash balance was \$34.2 million and net position was \$309.5 million. City policy requires an operating cash reserve equal to or greater than three months of operating expenses. Based on the current budget, the targeted cash reserve is \$15.5 million. The year-end cash balance is adequate to maintain operating reserves, fund capital programs, and make debt service payments.

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City of Minneapolis
Fourth Quarter ending December 31, 2022
Financial Status Report (in thousands of dollars)

Water Enterprise Fund

	2021 Final Budget	2021 Year End Actual	2022 Current Budget	2022 Year End Actual
Source of Funds:				
Water Sales - Retail				
Volume Rate	60,291	57,049	58,359	57,026
Fixed Rate	9,038	9,401	10,973	11,103
Water Sales - Wholesale	14,919	15,645	14,998	15,749
Other Operating & Misc Revenues	4,365	4,391	4,239	4,892
Proceeds from Long Term Liabilities	15,525	22,303	21,995	21,548
Transfers	1,325	1,325	1,058	1,058
Proceeds from Capital	2,000	707	2,000	788
Total	107,464	110,820	113,621	112,164
Use of Funds:				
Payments for City Services	12,116	11,489	12,447	11,737
Administration	3,460	3,317	3,735	3,275
Engineering	1,619	1,408	2,341	1,838
Operations	29,942	27,294	29,887	29,900
Distribution	10,260	9,456	9,816	9,171
Meter Shop	1,444	1,078	1,393	941
Reimbursables	2,825	1,809	2,570	2,335
Debt Services				
Principal	16,570	16,570	17,315	17,315
Interest	3,240	2,492	3,330	2,770
Capital	24,941	29,659	29,995	27,477
Total	106,416	104,572	112,828	106,759
Change in Net Position	1,047	6,248	792	5,405
Net Position	304,298	309,499	310,291	325,986
Total Cash Balance		34,215	35,007	36,205

**City of Minneapolis
Municipal Parking Fund
For the Fourth Quarter Ended December 31, 2022**

Operating Snapshot (in thousands):

Fund 07500	2022 Budget	2022 Actuals	2021 Actuals
Operating Revenue	60,957	55,326	43,221
Operating Expenses	42,051	42,799	34,822
Operating Margin	18,906	12,527	8,399
Change in Net Position		(809)	(1,268)
Net Position		189,424	190,233
Cash Balance		34	1,233

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:

2022 operating revenues are up in comparison to 2021 by 28.0%. Actual operating revenues were 90.8% of budgeted revenues. The increase is from:

- On-street parking is up 22.7% compared to 2021.
- Off-street ramps and lots are up 41.1% compared to 2021.
- Impound Lot revenues decreased 0.5% compared to 2021.

Overall, revenues are up in 2022 mainly due to reduced restrictions related to the COVID-19 pandemic, which allowed an increase in both business and employment activity downtown. These much lower restrictions over the whole year of 2022 have allowed On-Street and Off-Street parking revenues to increase and the fund expects 2023 economic activity to continue to increase.

Expenses:

The 2022 operating expenses are higher than the 2021 expenses by 22.9%. Total actual expenses were 1.8% over budget for the year. The variance is from:

- On-street parking was up by 15.4% compared to 2021.
- Off-street ramps and lots are up 25.0% compared to 2021.
- Impound Lot expenses are up by 20.1% compared to 2021.

Overall, expenses were up as compared to 2021 mainly due to the increased activity in 2022 which causes certain variable expenses to be higher such as credit card fees, utilities and maintenance.

Transfers to and from other funds:

The 2022 transfers into and out of the Parking Fund are programmed and planned according to the 2022 budget. During the year of 2022, \$1.2 million was transferred in from Tax Increment Funding and \$6.5 million of funds were transferred out (\$1.4 million to the General Fund, \$5.0 million to the Target Center and \$146,000 to Solid Waste Fund). The General Fund transfer out was adjusted down by \$2.6 million from the budget to accommodate a shortfall in Parking Fund cash.

Debt Service:

For 2022, the debt service budget was \$8.3 million. The outstanding balance of bond principal as of December 31, 2022, is \$33.0 million and the outstanding balance of note principal is \$26.6 million. The Police Relief Pension Reserve Fund has loaned the Parking Fund \$4.5 million to reduce the debt service being paid by the Parking Fund.

Other Financial Items:

The December 31, 2022, cash balance is \$34,000 which is a decrease of \$1.2 million from the 2021 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 \$7.4 million. The targeted cash reserve balance deficit is \$7.4 million, which is primarily a result of revenues being under budget due to the continued impacts of the COVID-19 pandemic and a slow return of employees downtown which affects city economic activity. This causes the fund to be under financial policy. The Department is constantly monitoring and revising the financial position to bring the fund back into compliance. Continued economic recovery from the pandemic will help increase Fund revenues in 2023 and beyond.

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City of Minneapolis
Fourth Quarter ending December 31, 2022
Financial Status Report (in thousands of dollars)

Fund 07500 Municipal Parking

	2021 Final Budget	2021 Year End Actual	2022 Current Budget	2022 Year to Date Actual
Source of Funds:				
Charges for Service, Sales/Permits:				
<i>Off-Street Parking: City Owned</i>	20,004	11,461	22,385	16,749
<i>Off-Street Parking: State Owned</i>	14,441	9,706	13,680	13,125
<i>Towing</i>	5,434	6,933	5,539	6,901
<i>On-Street Meters</i>	15,738	15,121	19,353	18,552
Tax Increment Transfers In	879	879	879	1,175
Proceeds of Long Term Liabilities	7,400	10,814	-	-
Total	63,896	54,914	61,836	56,501
Use of Funds:				
Debt Service	4,484	951	8,320	6,534
Future Debt Service	300	-	300	-
General Fund Transfer Out	7,640	7,640	4,000	1,400
Target Arena Transfer Out	3,853	3,853	5,000	5,000
Sanitation Transfer Out	146	146	146	146
PW-Traffic & Parking:				
<i>Off-Street Parking: City Owned</i>	20,702	16,131	19,852	19,875
<i>Off-Street Parking: State Owned</i>	13,134	8,125	12,496	10,453
<i>Towing</i>	5,344	5,925	5,273	7,117
<i>On-Street Meters</i>	3,896	4,641	4,430	5,354
PW-Traffic & Parking Capital	10,805	8,770	1,383	1,432
Total	70,304	56,182	61,200	57,311
Change in Net Position	(6,408)	(1,268)	636	(809)
Net Position	185,093	190,233	190,869	189,424
Total Cash Balance	(255)	1,233	1,869	34
Target Cash Reserve	7,485	7,485	7,389	7,389
Variance Total Cash to Target Cash Reserve	(7,740)	(6,252)	(5,520)	(7,355)

City of Minneapolis
Solid Waste and Recycling Fund
For the Fourth Quarter Ending December 31, 2022

Operating Snapshot (in thousands of dollars):

Fund 07700	2022 Budget	2022 Actual	2021 Actual	2020 Actual
Operating Revenue	43,573	45,237	44,274	42,002
Operating Expense	45,711	43,173	42,248	42,743
Operating Margin	(2,138)	2,064	2,026	(741)
Change in Net Position		1,479	8,737	(7,064)
Net Position		45,124	43,645	34,908
Cash Balance		22,611	23,227	16,081

Fund Description

The Solid Waste and Recycling Fund accounts 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

Operating revenues earned through fourth quarter of 2022 were \$45.2 million, or 103.8% of the budgeted amount of \$43.6 million. The revenue earned through the fourth quarter of 2022 increased by \$1.0 million, or 2.2%, from the revenue earned through fourth quarter of 2021. This increase is mainly due to increased utility rates from the previous year. The second half of the Hennepin County recycling grant of \$1.5 million was received in the fourth quarter.

Expenses:

Operating expenses through fourth quarter of 2022 were \$43.2 million, or 94.4% of the budgeted amount of \$45.7 million. Expenses through the fourth quarter of 2022 increased \$0.9 million, or 2.2%, over the expenses through the same period in 2021. The Clean City division saw the largest increase from 2021 of \$0.7 million due to encampment cleanup efforts. Problem materials had a decrease in expenses compared to last year due to lower processing fees. Graffiti along with other areas were lower than budget and 2021 due to open positions and less contractual services. The full Equipment budget was not spent due to manufacturing delays.

Transfers:

Transfers of \$4.4 million into the Solid Waste and Recycling fund for 2022 included \$146,000 from the Parking Fund for the Litter Container Program, \$325,000 from the General Fund for graffiti removal, and a General Debt Service Fund transfer of \$4.0 million 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 and an additional \$6.8 million in bonds were sold the second half of 2021. The facility was occupied at the end of May of 2020. There were \$5.0 million of principal and interest payments made in 2022.

Cash and Net Positions:

The fund's cash balance as of the end of the fourth quarter was \$22.6 million and the net position was \$45.1 million. The City's policy is to have cash equal to or greater than three months of operating expenses. Based on the 2022 budget, the targeted amount is \$11.4 million, leaving an unrestricted cash reserve of \$11.2 million. This amount will provide adequate coverage of future operating cash reserve requirements and debt service payments.

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City of Minneapolis
Fourth Quarter ending December 31,2022
Financial Status Report in thousands of dollars

Solid Waste & Recycling Enterprise Fund

	2021 Current Budget	2021 Year End Actual	2022 Current Budget	2022 Year End Actual
Source of Funds:				
Local Government & Other Grants	1,671	1,842	1,422	1,516
Charges for Service	39,424	38,992	41,202	40,725
Charges for Sales	150	1,652	225	1,161
Special Assessments	-	983	-	1,228
Other Misc Revenues, Rents	724	804	724	608
Long Term Proceeds - Capital	-	6,779	-	-
Operating Transfers In:				
From Capital				
Parking Fund	146	146	146	146
General Fund - Graffiti	325	325	325	325
Bond Redemption Fund	4,136	4,136	3,953	3,953
Total	46,576	55,660	47,997	49,661
Use of Funds:				
Collection	8,051	8,156	8,380	8,203
Disposal	5,758	5,784	6,256	5,982
Recycle	4,322	3,745	4,197	4,038
Yard Waste	3,540	3,066	4,379	3,369
Problem Material	2,500	2,400	2,666	2,112
Transfer Stations	560	627	571	546
Admin	7,784	7,641	8,187	8,078
Customer Service	690	648	713	678
Clean City	1,424	1,218	1,274	1,874
Graffiti	691	689	750	590
Equipment	3,510	3,561	3,441	3,112
Organics	4,872	4,713	4,898	4,592
Capital Program	-	197	-	8
Debt Service	4,830	4,478	5,307	5,001
Total	48,532	46,923	51,019	48,183
Change in Net Position	(1,956)	8,737	(3,022)	1,479
Net Position Balance	32,952	43,645	40,623	45,124
Cash Balance	14,125	23,227	20,206	22,611
Target Cash Reserve	10,926	10,926	11,428	11,428
Variance Cash Balance to Target	3,199	12,302	8,778	11,183

**CPED Enterprise Fund Component Programs
For the Fourth Quarter Ending December 31, 2022**

The **CPED Enterprise Fund** operated a series of business-type activities designed to enhance housing options and economic development within the City.

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. Other information is maintained by a trustee and not available for inclusion for fourth quarter. The net position of the fund at the end of fourth quarter 2022 was \$1.8 million.

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.

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City of Minneapolis
Fourth Quarter ending December 31, 2022
Financial Status Report (in thousands of dollars)

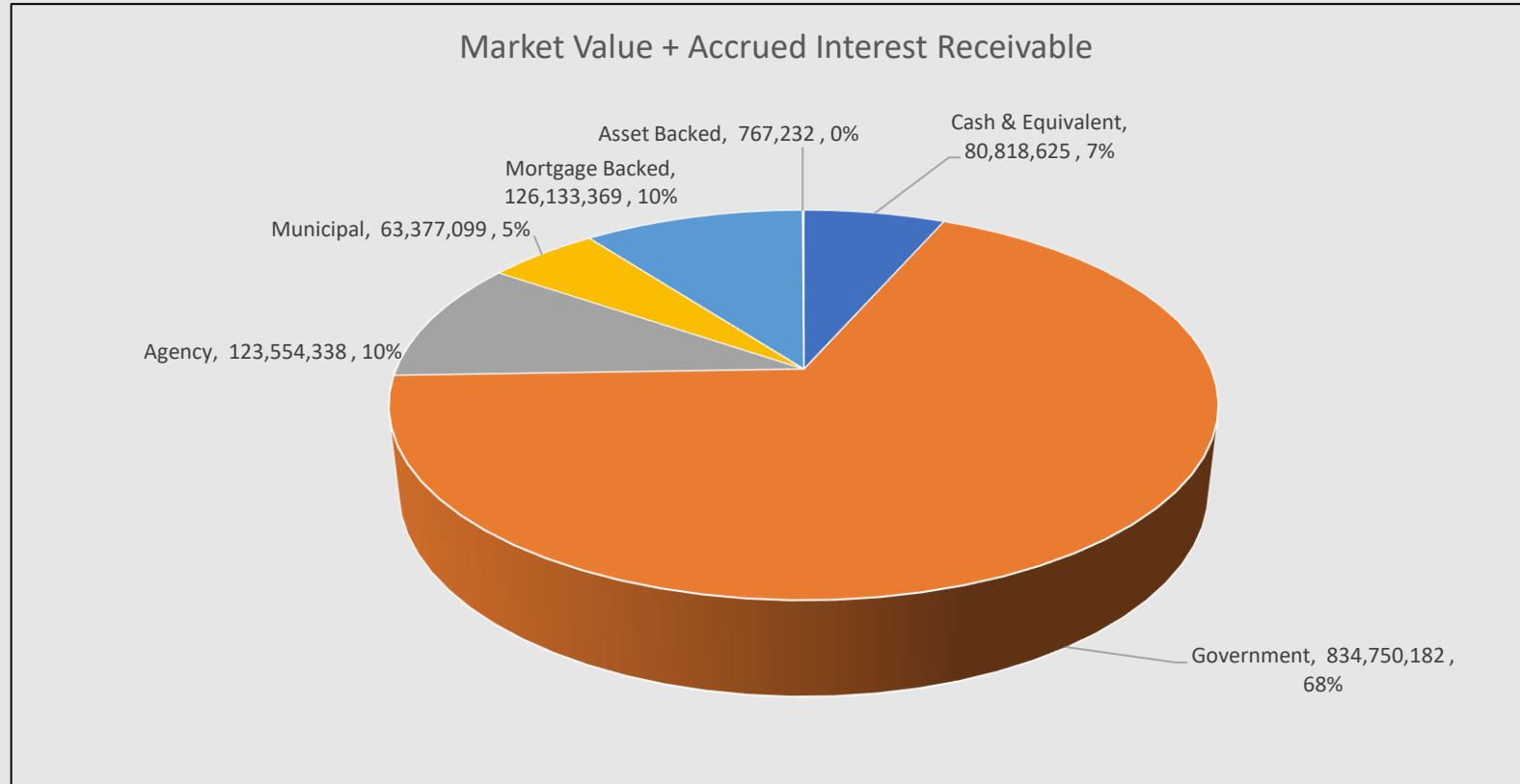
CPED Enterprise Funds

	General Agency Reserve Fund System 2021	General Agency Reserve Fund System 2022	River Terminal 2021	River Terminal 2022
Operating revenues				
Charges for sales and services	185	55	454	109
Total operating revenues	185	55	454	109
Operating expenses:				
Personal services	147	148	-	-
Contractual services	35	16	496	709
Total operating expenses	182	164	496	709
Operating income	3	(109)	(42)	(600)
Nonoperating revenues (expenses)				
Interest on investments	-	-	-	-
Total nonoperating revenue (expenses)	-	-	-	-
Income (loss) before transfers	3	(109)	(42)	(600)
Net transfers from (to) other funds	-	-	-	-
Change in net position	3	(109)	(42)	(600)
Total net position - January 1	1,950	1,954	1,860	1,818
Total net position - December 31	1,953	1,845	1,818	1,218

Cash and Investment Report
12/31/2022

Portfolio	Book Yield %	Book Value	Unrlzd G/(L)	Market Value	Accrued Interest Receivable	Market Value + Accrued Interest Receivable
Operating Account*	3.4	\$ 383,402,284	\$ (1,153,531)	\$ 382,248,753	\$ 161,388	\$ 382,410,141
Core City of Minneapolis*	2.8	481,039,651	(19,524,581)	461,515,070	1,666,460	463,181,530
Core Royal Bank of Canada**	2.1	245,097,241	(24,155,298)	220,941,943	643,977	221,585,920
Core Gouvernement Portfolio Advisors**	0.8	108,266,958	(4,348,157)	103,918,802	183,068	104,101,870
Core T. Rose**	0.9	25,593,752	(2,564,327)	23,029,425	50,244	23,079,669
Bond Proceeds*	2.4	5,417,236	-	5,417,236	-	5,417,236
Convention Center Debt Service*	4.0	6,518,924	(40,463)	6,478,462	2,382	6,480,843
General Agency Reserve Funds System**	2.0	23,363,358	(417,915)	22,945,443	198,192	23,143,635
Total Portfolio	2.6	\$ 1,278,699,405	\$ (52,204,272)	\$ 1,226,495,134	\$ 2,905,710	\$ 1,229,400,844
Development Debt Reserves		3,082,678		3,082,678		3,082,678
Cash on hand net of outstanding checks		(3,149,171)		(3,149,171)		(3,149,171)
Total All Portfolios		\$ 1,278,632,913	\$ (52,204,272)	\$ 1,226,428,641	\$ 2,905,710	\$ 1,229,334,351

* Internally managed; ** Externally managed



Market Sector	Market Value + Accrued Interest Receivable	% of Portfolio
Cash & Equivalent	80,818,625	6.6%
Government	834,750,182	67.9%
Agency	123,554,338	10.0%
Municipal	63,377,099	5.2%
Mortgage Backed	126,133,369	10.3%
Asset Backed	767,232	0.1%
Commercial Paper	-	0.0%
Total	\$ 1,229,400,844	100.0%

Metric	Value
Duration	2.4
Convexity	0.21
WAL	2.9
Years to Avg Final Maturity*	4.2
Years to Avg Effective Maturity*	2.9
Book Yield	2.6
Yield to Worst	4.4
Average Credit Rating	AAA/Aaa/AA+

* Weighted by Market Value at period end.

City of Minneapolis
Financial Strength Analysis - Fourth Quarter 2022

FINANCIAL STRENGTH ANALYSIS - (in millions)					Change Compared to 2020		Total Increase (Decrease) 2018 - 2021		Average Annual Increase (Decrease)		2022
	2018	2019	2020	2021	\$	%	\$	%	\$	%	
General Fund Cash Balance	121.3	146.3	184.5	159.4	(25.1)	-13.6%	38.1	31.4%	12.7	10.5%	215.9
General Fund Total Fund Balance	104.2	128.0	167.7	142.8	(24.9)	-14.8%	38.6	37.0%	12.9	12.3%	197.7
Overall City Cash Position*	876.6	967.8	891.1	1,029.8	138.7	15.6%	153.2	17.5%	51.1	5.8%	
Overall City Net Assets/Position	2,257.8	2,424.0	2,491.3	2,589.0	97.7	3.9%	331.2	14.7%	110.4	4.9%	
Overall Unrestricted Net Assets/Position	(314.9)	(130.5)	(201.7)	(141.0)	60.7	-30.1%	173.9	-55.2%	58.0	-18.4%	
SPECIAL REVENUE FUNDS FINANCIAL STRENGTH ANALYSIS - (in millions)											
Convention Center - Cash	35.6	20.0	14.5	23.4	8.9	61.4%	(12.2)	-34.3%	(4.1)	-11.4%	22.8
Convention Center - Fund Balance	29.6	33.4	12.4	20.5	8.1	65.3%	(9.1)	-30.7%	(3.0)	-10.2%	17.6
Arena Fund (Target Center) - Cash	12.2	9.5	4.0	5.0	1.0	25.0%	(7.2)	-59.0%	(2.4)	-19.7%	6.4
Arena Reserve (Target Center) - Fund Balance	10.5	7.5	3.5	4.3	0.8	22.9%	(6.2)	-59.0%	(2.1)	-19.7%	6.5
Downtown Assets Fund - Cash	16.2	8.8	39.9	29.6	(10.3)	-25.8%	13.4	82.7%	4.5	27.6%	47.3
Downtown Assets Fund - Fund Balance	26.0	16.2	46.5	35.1	(11.4)	-24.5%	9.1	35.0%	3.0	11.7%	53.1
Police SRF - Cash	2.2	2.8	2.6	3.2	0.6	23.1%	1.0	45.5%	0.3	15.2%	3.6
Police SRF - Fund Balance	2.4	2.9	2.8	3.3	0.5	17.9%	0.9	37.5%	0.3	12.5%	3.7
NCR SRF - Cash	3.6	3.5	3.5	3.3	(0.2)	-5.7%	(0.3)	-8.3%	(0.1)	-2.8%	2.2
NCR SRF - Fund Balance	3.3	3.1	3.1	3.0	(0.1)	-3.2%	(0.3)	-9.1%	(0.1)	-3.0%	1.8
Regulatory Services SRF - Cash	2.0	1.2	0.2	0.4	0.2	100.0%	(1.6)	-80.0%	(0.5)	-26.7%	0.1
Regulatory Services SRF - Fund Balance	2.0	1.1	0.2	0.3	0.1	50.0%	(1.7)	-85.0%	(0.6)	-28.3%	0.1
Grant Funds - Cash	0.4	6.0	7.5	135.5	128.0	1706.7%	135.1	33775.0%	45.0	11258.3%	174.9
Grant Funds - Fund Balance	4.9	4.4	10.1	0.6	(9.5)	-94.1%	(4.3)	-87.8%	(1.4)	-29.3%	3.4
Comm Plannng & Econ Dev (CPED) - Cash Total	210.4	199.9	212.8	209.7	(3.1)	-1.5%	(0.7)	-0.3%	(0.2)	-0.1%	197.3
Comm Plannng & Econ Dev (CPED) - Fund Bal Total	245.7	230.5	245.0	242.4	(2.6)	-1.1%	(3.3)	-1.3%	(1.1)	-0.4%	229.6
Employee Retirement Funds - Cash	31.1	36.5	23.1	28.1	5.0	21.6%	(3.0)	-9.6%	(1.0)	-3.2%	31.0
Employee Retirement Funds - Fund Balance	31.3	36.7	36.6	39.0	2.4	6.6%	7.7	24.6%	2.6	8.2%	40.4
Other Special Revenue Funds - Cash	0.5	0.6	0.6	1.9	1.3	216.7%	1.4	280.0%	0.5	93.3%	1.5
Other Special Revenue Funds - Fund Balance	0.5	6.9	0.6	1.9	1.3	216.7%	1.4	280.0%	0.5	93.3%	1.5
Total Special Revenue Funds - Cash	314.2	288.8	308.7	440.1	131.4	42.6%	125.9	40.1%	42.0	13.4%	487.1
Total Special Revenue Funds - Fund Balance	356.2	342.7	360.8	350.4	(10.4)	-2.9%	(5.8)	-1.6%	(1.9)	-0.5%	357.7

* 2018-2021 Overall City Cash Position is the Market Value of cash and cash equivalents as reported in the City of Minneapolis Annual Comprehensive Financial Report (ACFR); does not include approximately \$26.8M invested for General Agency Reserve Fund Systems (GARFS) and \$87.9M invested for Park Board and MBC.

FINANCIAL STRENGTH ANALYSIS - (in millions)					Change Compared to 2020		Total Increase (Decrease) 2018 - 2021		Average Annual Increase (Decrease)		
	2018	2019	2020	2021	\$	%	\$	%	\$	%	2022
INTERNAL SERVICE FUNDS FINANCIAL STRENGTH ANALYSIS - (in millions)											
Engr. Materials & Testing - Cash	1.6	2.1	1.9	2.0	0.1	5.3%	0.4	25.0%	0.1	8.3%	2.1
Engr. Materials & Testing - Net Position	0.4	0.5	0.5	0.6	0.1	20.0%	0.2	50.0%	0.1	16.7%	0.6
Equipment Services - Cash	26.0	33.7	26.7	34.7	8.0	30.0%	8.7	33.5%	2.9	11.2%	21.9
Equipment Services - Net Position	86.2	93.8	93.6	98.6	5.0	5.3%	12.4	14.4%	4.1	4.8%	88.1
Property Services - Cash	9.6	8.2	6.3	8.9	2.6	41.3%	(0.7)	-7.3%	(0.2)	-2.4%	9.8
Property Services - Net Position	32.0	33.9	36.3	40.0	3.7	10.2%	8.0	25.0%	2.7	8.3%	40.8
PW Stores - Cash	3.1	2.5	1.1	1.2	0.1	9.1%	(1.9)	-61.3%	(0.6)	-20.4%	0.8
PW Stores - Net Position	5.6	5.6	5.9	6.8	0.9	15.3%	1.2	21.4%	0.4	7.1%	7.0
Intergovernmental Services - Cash	22.0	15.1	10.7	9.2	(1.5)	-14.0%	(12.8)	-58.2%	(4.3)	-19.4%	7.4
Intergovernmental Services - Net Position	41.2	30.7	22.6	11.7	(10.9)	-48.2%	(29.5)	-71.6%	(9.8)	-23.9%	9.7
Self Insurance Fund - Cash	102.9	93.6	108.1	110.8	2.7	2.5%	7.9	7.7%	2.6	2.6%	138.9
Self Insurance Fund - Net Position	12.4	(20.3)	(97.8)	(100.0)	(2.2)	2.2%	(112.4)	-906.5%	(37.5)	-302.2%	(71.8)
Total Internal Service Funds - Cash	165.2	155.2	154.8	166.8	12.0	7.8%	1.6	1.0%	0.5	0.3%	180.9
Total Internal Service Funds - Net Position	177.8	144.2	61.1	57.7	(3.4)	-5.6%	(120.1)	-67.5%	(40.0)	-22.5%	74.4
ENTERPRISE FUNDS FINANCIAL STRENGTH ANALYSIS - (in millions)											
Sanitary Sewer - Cash	4.5	7.4	13.5	15.0	1.5	11.1%	10.5	233.3%	3.5	77.8%	15.5
Sanitary Sewer - Net Position	122.4	129.4	139.4	147.6	8.2	5.9%	25.2	20.6%	8.4	6.9%	146.3
Stormwater - Cash	26.6	33.1	28.7	29.2	0.5	1.7%	2.6	9.8%	0.9	3.3%	30.9
Stormwater - Net Position	339.4	347.2	355.4	351.9	(3.5)	-1.0%	12.5	3.7%	4.2	1.2%	356.1
Water Enterprise - Cash	48.4	46.1	40.8	34.2	(6.6)	-16.2%	(14.2)	-29.3%	(4.7)	-9.8%	36.2
Water Enterprise - Net Position	271.4	283.3	303.3	309.5	6.2	2.0%	38.1	14.0%	12.7	4.7%	326.0
Municipal Parking - Cash	13.8	21.5	6.1	1.2	(4.9)	-80.3%	(12.6)	-91.3%	(4.2)	-30.4%	0.1
Municipal Parking - Net Position	199.9	206.0	191.5	190.2	(1.3)	-0.7%	(9.7)	-4.9%	(3.2)	-1.6%	189.4
Solid Waste & Recycling - Cash	30.5	26.7	16.1	23.2	7.1	44.1%	(7.3)	-23.9%	(2.4)	-8.0%	22.6
Solid Waste & Recycling - Net Position	26.9	30.7	34.9	43.6	8.7	24.9%	16.7	62.1%	5.6	20.7%	45.1
Comm Plannng & Econ Dev (CPED) - Cash**	0.1	-	-	-	-	0.0%	(0)	-100.0%	(0.0)	-33.3%	-
Comm Plannng & Econ Dev (CPED) - Net Position	39.1	32.6	27.0	26.9	(0.1)	-0.4%	(12.2)	-31.2%	(4.1)	-10.4%	25.6
Total Enterprise Funds - Cash	123.9	134.8	105.2	102.8	(2.4)	-2.3%	(21.1)	-17.0%	(7.0)	-5.7%	105.3
Total Enterprise Funds - Net Position	999.1	1,029.2	1,051.5	1,069.7	18.2	1.7%	70.6	7.1%	23.5	2.4%	1,088.5
**Cash in CPED Enterprise Funds does not include the amount invested with trustees through GARFS and reported in the CPED Enterprise Funds.											