

**City of Minneapolis
2021 Adopted Budget**

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City of Minneapolis 2021 Adopted Budget

Five-year Financial Direction 2022-2026 (Including Information on the City's General Fund)

Introduction

The Five-year Financial Direction reflects the City's ongoing commitment to long-term financial planning. The financial direction provides projections for property tax supported services, including the City's General Fund, pensions, capital and debt. The purpose of recommending a 2022-2026 financial direction is to provide guidance for decision making on available planned resources in the City's General Fund.

General Fund

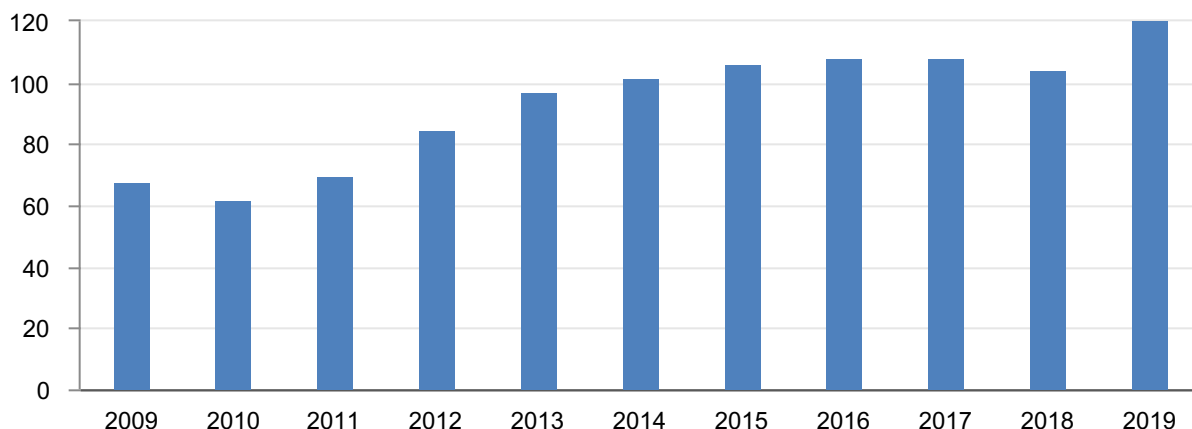
The General Fund is the general operating fund of the City and is the primary funding source for public safety, street paving, snow plowing and other general government services. In 2021 the General Fund revenue, including levying for anticipated delinquencies, is \$503.2 million.

Historical Financial Performance

The results of the General Fund's annual operations at the end of the year reflect the fund's "fund balance," or the amount of available, spendable resources contained within the fund. The balance provides the City a reserve to cushion adverse economic shocks and to meet a portion of the City's cash flow needs. The City's policy is to maintain a minimum unrestricted fund balance of 17% of the following year's budgeted expenditures.

The General Fund began 2020 with a fund balance of \$128 million. The 2019 year-end fund balance in the General Fund is expected to be at \$110 million, which reflects a use of \$10 million included in the 2020 Council Adopted Budget and an additional use of \$8 million included in the 2020 Revised Budget. The expected year-end total is greater than the stated fund balance requirement of 17%, or \$85.4 million, of the following year's expenditure budget.

Fund Balance
(in millions of dollars)



2021 General Fund Revenue Budget

The 2021 Council Adopted budget includes a total of \$503.2 million of revenues for services incorporated in the financial direction, excluding transfers from other funds and use of fund balance. This change of (5.5)% to budgeted revenues is largely because of a \$22 million reduction to the transfer of funds in to the General Fund from the Downtown Assets fund, and a \$4 million decrease in Local Government Aid. Revenues exceed expenses in the General Fund in 2021 in order to account for likely increased delinquency in property taxes paid next year.

General Fund Revenue Budget - Source of Funds

2021 Council Adopted Budget: \$503.2 million
(includes transfers)

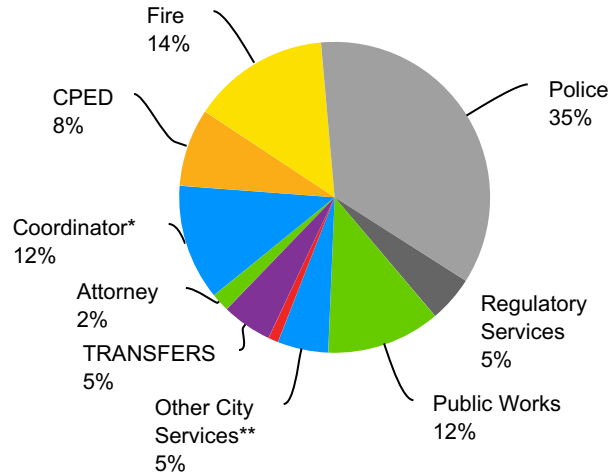
| Revenue Source | 2019 Actual | 2020 Adopted | 2021 Adopted | % Chg from 2020 Adopted | 2020 Adopted % of Total | 2021 Mayor Rec. % of Total |
|-----------------------------------|--------------------|---------------------|---------------------|------------------------------------|------------------------------------|---------------------------------------|
| BUSINESS LICENSES AND PERMITS | 13.2 | 13.6 | 12.6 | -7.2 % | 2.6% | 2.5% |
| CHARGES FOR SALES | 0.1 | 0.1 | 0.1 | -10.7 % | 0.0% | 0.0% |
| CHARGES FOR SERVICES | 58.5 | 52.1 | 55.5 | 6.4 % | 9.8% | 11.0% |
| FINES AND FORFEITS | 7.2 | 6.7 | 5.2 | -22.6 % | 1.3% | 1.0% |
| FRANCHISE FEES | 32.4 | 34.4 | 33.9 | -1.3 % | 6.5% | 6.7% |
| INTEREST REVENUE | (12.5) | 6.3 | 3.9 | -38.4 % | 1.2% | 0.8% |
| LOCAL GRANTS & AIDS | 1.0 | 0.9 | 0.8 | -11.5 % | 0.2% | 0.2% |
| MISCELLANEOUS | 2.6 | 2.9 | 1.8 | -38.0 % | 0.5% | 0.4% |
| NON-BUSINESS LICENSES AND PERMITS | 42.5 | 33.1 | 30.9 | -6.9 % | 6.2% | 6.1% |
| OTHER TAXES | — | — | — | 0.0 % | 0.0% | 0.0% |
| PROPERTY TAXES | 205.5 | 233.6 | 250.9 | 7.4 % | 43.9% | 49.9% |
| RENTS | 0.5 | 0.7 | 0.7 | 0.0 % | 0.1% | 0.1% |
| SPECIAL ASSESSMENTS | 3.4 | 3.6 | 4.7 | 32.5 % | 0.7% | 0.9% |
| STATE GRANTS & AIDS | 87.4 | 86.5 | 82.7 | -4.4 % | 16.3% | 16.4% |
| TRANSFERS | 59.9 | 47.9 | 19.7 | -58.9 % | 9.0% | 3.9% |
| USE OF FUND BALANCE | — | 10.1 | — | -100.0 % | 1.9% | 0.0% |
| Total | \$501.7 | \$532.3 | \$503.2 | (5.5)% | 100.0% | 100.0% |

2021 General Fund Expenditure Budget

The 2021 Council Adopted Budget for City services included in the financial direction is 510.3 million, which includes \$25.7 million in transfers to other funds.

Approximately 66.8% of the overall expenditure budget is related to salaries and benefits. In the General Fund, budgeted salary and wage expenditures decrease from \$251.8 million in 2020 to \$233.0 million in 2021. The salary and wages expense category also includes overtime costs, contractually-obligated payments, and one-time funding for positions that are not permanent. The General Fund provides funding in some shape or form for most City functions. A breakdown of the allocation of the \$498.5 million in the 2021 General Fund budget is reflected in the chart at below.

General Fund Expense Budget - Expenditure by Service
 2021 Council Adopted Budget: 510.3 million
 (includes transfers)



* Other Departments: Assessor, Attorney, Civil Rights, Council/Clerk/Elections, Health, Internal Audit, Mayor, and Regulatory Services

** City Coordinator: 311, 911, Communications, Emergency Management, Finance and Property Services, Intergovernmental Relations, IT, Neighborhood and Community Relations

Five-Year Financial Direction

The Five-year Financial Direction includes property tax levy increases of 5.35% in 2022, 5.73% in 2023, 4.77% in 2024, 4.04% in 2025, and 3.76% in 2026. These percentages reflect funding for statutorily-required costs, the 20 year program for additional investments in streets and parks, and a current service level cost escalator for departments and support services.

The 2021 Recommended Budget is the basis for future projections: In other words, services and activities included in the 2021 Recommended Budget provide the starting point for the 2021-2025 department budget estimates. One-time 2020 supplemental items are removed from department budgets in 2021 and beyond.

The financial direction from 2022 to 2026 contains updates to departmental resources: The financial direction includes the most updated assumptions about contract settlements and other commitments, as well as projected changes in revenue.

Salary Assumption: The City adopted a compensation philosophy in 2007, rather than a specific salary policy. It is anticipated that salary settlements will vary within and between bargaining units. Assumptions are updated annually as contracts are settled.

Capital and Debt Service

As part of the 2018 budget, the amount of property tax supported resources for capital improvements was again increased due to the historic twenty year Street Infrastructure and Neighborhood Park Funding Plan which was approved in April of 2016. For 2019 and future years, the intent is to provide a higher

level of property tax supported (net debt bond) funding along with other resources to improve the overall condition of City streets and neighborhood park infrastructure. As a result of this new plan and base increases, property tax supported bond funding in the 2018 - 2022 five-year plan will be increasing from \$240.7 million to \$251.8 million. The additional resources will improve all types of capital infrastructure with a distinct emphasis on improving street paving, protected bikeways and pedestrian improvements, lighting and traffic related safety improvements and major improvements to neighborhood parks. More detail about the total resources dedicated for the Street Infrastructure and Neighborhood Park Funding Plan can be found in the Capital Budget Narrative Overview later in this document. The City's Water infrastructure is also an area of emphasis in this budget.

The Net Debt Bond (NDB) program is paid for with property tax collections. The five-year financial direction for the bond redemption levy will be increasing in 2018 and beyond to support the new street infrastructure and neighborhood parks funding plan. The increases are possible due in part to lower pension funding costs beginning in 2017, lower current debt levels and the decertification of the consolidated tax increment district in 2020 which will increase the City's tax capacity starting in 2021.

Funding for Pension Liabilities

The five-year financial direction includes obligations for three closed pension funds that have since been merged into the statewide retirement system, the Public Employees Retirement Association (PERA) of Minnesota. The former closed funds that were merged are the Minneapolis Police Relief Association (MPRA), the Minneapolis Firefighters' Relief Association (MFRA), and the Minneapolis Employees Retirement Fund (MERF). The City has ongoing obligations funded from within departmental budgets to PERA to support current and former employees' retirement plans. The City maintains minimal cash balances to respond to policy changes relating to these closed pensions.

Contingency for Adverse Circumstances

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

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

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

- *Property taxes:* Future projections plan on property tax increases to support future services. Reducing the growth in property taxes in the face of additional budget needs will require the City to continue monitoring other revenue sources and expenditures, as well as looking at creative ways in which to reallocated existing resources.
- *Performance Information:* As the City continues to gain experience with using results information for performance discussions, it will need to undertake benchmark development in using this information for financial decision making.
- *Internal Service Costs:* The City continues to see increasing costs to internal services, particularly in fleet - as vehicle replacement costs are rising; and, in information technology (IT) – as increasing demand for new systems create additional future obligations that must be recognized. The City will need to be mindful of containing these costs while continuing to provide current service levels.
- *Department Increases:* The City will continue to see challenges related to the ability to keep up with increased workloads across the enterprise while mitigating the impact on property tax payers.

- *Aging Facilities:* The City is responsible for facilities, including City Hall, Police Stations, and Fire Stations, that are not contemplated in its existing capital processes. As these facilities need major repairs and maintenance, there will be a need to recognize large out-year commitments to fund these projects.

Assumptions for 2022-2026

- The tax policy is managed in the aggregate, with consideration for allocation by use.
- Out-year projections will be adjusted over time as new information becomes available. In particular, the speed of the economic recovery and subscription to the early retirement incentive program will have significant impact on spending in future years.
- Contingency is maintained to provide cushion for uncertainty related to seasonal and economic conditions proportional to overall anticipate budget increases.
- Personnel costs, inclusive of Health Insurance, are projected to increase 3% annually from 2022 through 2026.
- Staffing reductions borne in the 2021 budget will be brought back over time, as needed, but are not projected to return fully.
- Non Property Tax Revenues in the General Fund are assumed to increase by between 1.0 and 1.5% annually.
- Expenditures for the cost allocation model for internal City departments and the government service fee also include cost escalators.
- Local tax revenue is recorded as direct revenue into the Downtown Assets Fund, and a portion, generated primarily from entertainment taxes, is transferred to the General Fund. Sales tax revenues in the General Fund are used for capital projects, and economic development.

Five Year Financial Direction

| Sources | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Franchise Fees | 33,929,000 | 34,268,000 | 34,611,000 | 34,957,000 | 35,307,000 | 35,660,000 |
| Licenses & Permits | 43,477,000 | 43,576,000 | 43,982,000 | 42,392,000 | 41,806,000 | 42,224,000 |
| Charges for Services | 55,462,000 | 55,466,000 | 56,021,000 | 56,581,000 | 57,147,000 | 57,719,000 |
| Fines & Forfeits | 5,161,000 | 5,213,000 | 5,265,000 | 5,318,000 | 5,371,000 | 5,424,000 |
| Special Assessments | 4,732,000 | 4,779,000 | 4,827,000 | 4,875,000 | 4,924,000 | 4,973,000 |
| State Aids | 82,695,000 | 82,695,000 | 82,695,000 | 82,695,000 | 82,695,000 | 82,695,000 |
| Interest Earnings | 3,850,000 | 1,850,000 | 1,850,000 | 1,850,000 | 1,850,000 | 1,850,000 |
| Other Misc. Revenues | 3,344,000 | 3,067,000 | 3,090,000 | 3,113,000 | 3,136,000 | 3,160,000 |
| Transfers In | 19,668,000 | 28,295,000 | 32,608,000 | 39,125,000 | 41,546,000 | 42,972,000 |
| Use of Fund Balance | 11,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Property Taxes (General Fund + MBC) | 250,901,000 | 269,278,000 | 287,877,000 | 303,480,000 | 316,613,000 | 330,251,000 |
| Total Sources* | 514,219,000 | 533,487,000 | 557,826,000 | 579,386,000 | 595,395,000 | 611,928,000 |

| Uses | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Base Costs | 501,596,000 | 511,677,000 | 526,216,000 | 541,230,000 | 556,734,000 | 572,744,000 |
| One-Time Change Items & Transfers | 11,682,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| NPP 20 / Parks & Streets Capital | 11,287,000 | 11,690,000 | 11,701,000 | 11,711,000 | 11,722,000 | 11,733,000 |
| Neighborhoods / NCR Engagement | — | — | — | 4,000,000 | 4,000,000 | 4,000,000 |
| Contingency + Other Ongoing | 12,275,000 | 12,534,000 | 12,750,000 | 12,974,000 | 13,205,000 | 13,445,000 |
| Ongoing Change Items | (26,625,000) | — | — | — | — | — |
| Future Investments | | | | | | |
| Continued Hiring Freeze, Phasing Out in 2024 | | (13,000,000) | (4,000,000) | (2,000,000) | (2,000,000) | (2,000,000) |
| Elections Base Increase | | 200,000 | 400,000 | 400,000 | 400,000 | 400,000 |
| Total Uses* | 510,215,000 | 528,101,000 | 552,067,000 | 573,315,000 | 589,061,000 | 605,322,000 |

*Total Sources and Total Uses do not match due to anticipated delinquencies in property tax collections.

| Property Tax | 2020 | 2021 | Change | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|--------------------|--------------------|---------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General Fund | 228,149,000 | 247,405,000 | 8.44 % | 263,700,000 | 282,215,000 | 297,733,000 | 310,780,000 | 324,331,000 |
| Minneapolis Park Board | 69,506,000 | 70,326,000 | 1.18 % | 73,139,000 | 76,065,000 | 79,107,000 | 82,271,000 | 85,562,000 |
| Bond Redemption | 43,830,000 | 47,080,000 | 7.42 % | 47,080,000 | 49,450,000 | 51,850,000 | 54,230,000 | 55,390,000 |
| Pensions | 14,810,000 | 14,810,000 | 0.00 % | 14,810,000 | 14,810,000 | 14,810,000 | 14,810,000 | 14,810,000 |
| Municipal Building Commission | 5,414,000 | 3,496,000 | -35.43 % | 5,578,000 | 5,662,000 | 5,747,000 | 5,833,000 | 5,920,000 |
| Board of Estimate and Taxation | — | 110,000 | 0.00 % | 110,000 | 110,000 | 110,000 | 110,000 | 110,000 |
| Teacher's Retirement Association | 2,300,000 | 2,300,000 | 0.00 % | 2,300,000 | 2,300,000 | 2,300,000 | 2,300,000 | 2,300,000 |
| Library / Downtown Office Debt Service | 10,300,000 | 10,300,000 | 0.00 % | 10,300,000 | 10,300,000 | 10,300,000 | 10,300,000 | 10,300,000 |
| Total Property Taxes | 374,309,000 | 395,827,000 | 5.75 % | 417,017,000 | 440,912,000 | 461,957,000 | 480,634,000 | 498,723,000 |

| | | | | | |
|--|--------|--------|--------|--------|--------|
| Estimated Change to Total Property Taxes | 5.35 % | 5.73 % | 4.77 % | 4.04 % | 3.76 % |
|--|--------|--------|--------|--------|--------|

City of Minneapolis 2021 Adopted Budget

Ten-Year Projection of Demands on the Property Tax

Background

Longer term financial planning is integral to the City's budget process. In order to identify and plan for demands on the property tax levy, the City implemented a ten-year property tax projection initiative. The ten-year projection was first produced in the spring of 2002 to surface all the demands on the property tax to which the City had committed. This projection led to the adoption of the 8% maximum property tax policy in the summer of 2002 by both the City Council and the Board of Estimate and Taxation. In January 2003, the City Council and Mayor adopted a five-year financial direction to set resource parameters for department business plans. This policy was subsequently amended in 2010 to fund shared costs and provide consistent levels of operating resources for the City and independent boards. Projections now serve as general guidance for departmental resource planning as the City adopted the Program Budgeting Process.

Assumptions in the Ten-Year Projection

For details on the financial outlook for the City, please refer to the schedule of projected demands on the property tax.

Property Tax Levy Assumptions

- Department expenditure budgets will continue to be refined.
- Known obligations will be recognized and incorporated into the Plan.
- Non-property tax revenue sources will be maximized to the extent possible.
- Out-year projections will be adjusted over time as new information becomes available.
- The overall property tax levy is considered in total as well as by intended use.

General Fund Operations Assumptions

- It is anticipated that salary settlements will vary within and between bargaining units. Assumptions are updated annually as contracts are settled.
- Cost allocation model for internal city departments and government service fee includes cost escalators.
- Revenues are expected to increase by 1.0 to 1.5 percent annually.
- Out-year projections will be adjusted over time as new information becomes available.

Capital and Debt Assumptions

- Beginning in 2018, the bond levy shows increases to correspond with planned increases in net debt bond allocations as part of the 20-year Street Infrastructure and Neighborhood Park Plan. These increases are possible due to reduced pension costs, lower current debt levels and the decertification of the consolidated tax increment district in 2020 which will increase tax capacity in 2021. As a result of this new plan and base increases, property tax supported bond funding in the 2020-2024 five-year plan increases from \$339.8 million (2019-2023 levels) to \$381.9 million, or by about 12.4%. This capital infusion improves all classes of City infrastructure with a greater

emphasis on paving projects, pedestrian safety, protected bikeways and lighting improvements, traffic safety and signage improvements, bridge improvements and neighborhood park improvements, and includes the impacts of the investment in the new Public Service Center building. These additional resources are supplemented with municipal state aid, special assessments and grant funds to deliver these projects.

- Assumptions for future years are to maintain a robust capital improvement program; and, to be able to retire the bond funded portion of the 20 year Street Infrastructure and Neighborhood Park Plan at its conclusion.

**City of Minneapolis - Details of Annual Demand (changes) in Property Tax Revenue
2020 Budget Factors and Out Year Impacts - 5.75% Levy Increase**

Figures shown in \$000s

| Property Tax | Current Budget | | | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|----------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2020 | 2021 | Change | | | | | | | | | | |
| GF Levy (less MBC) | 228,149 | 247,405 | 8.44 % | 263,700 | 282,215 | 297,733 | 310,780 | 324,331 | 339,425 | 355,501 | 372,140 | 389,348 | 394,998 |
| MPRB Operating (Tree levy goes away 2022) | 69,506 | 70,326 | 1.18 % | 73,139 | 76,065 | 79,107 | 82,271 | 85,562 | 88,985 | 92,544 | 96,246 | 100,096 | 104,100 |
| Debt Levy | 43,830 | 47,080 | 7.42 % | 47,080 | 49,450 | 51,850 | 54,230 | 55,390 | 57,720 | 60,000 | 60,000 | 60,000 | 60,000 |
| Pensions | 14,810 | 14,810 | — % | 14,810 | 14,810 | 14,810 | 14,810 | 14,810 | 14,810 | 14,810 | 14,810 | 14,810 | 14,810 |
| MBC | 5,414 | 3,496 | (35.43)% | 5,578 | 5,662 | 5,747 | 5,833 | 5,920 | 6,009 | 6,099 | 6,190 | 6,283 | 6,377 |
| BET | — | 110 | — | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 |
| TRA | 2,300 | 2,300 | — % | 2,300 | 2,300 | 2,300 | 2,300 | 2,300 | 2,300 | 2,300 | 2,300 | 2,300 | 2,300 |
| New Building Debt Service | 10,300 | 10,300 | — % | 10,300 | 10,300 | 10,300 | 10,300 | 10,300 | 10,300 | 10,300 | 10,300 | 10,300 | 10,300 |
| Total Property Tax Levy | 374,309 | 395,827 | 5.75 % | 417,017 | 440,912 | 461,957 | 480,634 | 498,723 | 519,659 | 541,664 | 562,096 | 583,247 | 592,995 |
| | | | | | | | | | | | | | |
| % Change Property Tax | | | | 5.35 % | 5.73 % | 4.77 % | 4.04 % | 3.76 % | 4.2 % | 4.23 % | 3.77 % | 3.76 % | 1.67 % |

**City of Minneapolis
2021 Adopted Budget
Financial Plan**

Arena Special Revenue Fund

Introduction

The Arena Special Revenue Fund (also known as the Target Center Operations Fund) accounts for the maintenance and operation of the City-funded portion of the Target Center. Convention Center staff are responsible for managing operations within this fund. The City contracts with AEG (Anschutz Entertainment Group), which is one of the leading sports and entertainment presenters in the world, to manage the day-to-day operations of the facility. AEG is paid a management fee for its services based on a revenue sharing formula contained in the management agreement between the City and AEG. Additionally, the City reimbursed AEG for certain expenditures and losses that they incurred during the building renovation.

Sources of funds include rent that is paid by the Minnesota Timberwolves, transfers from the Municipal Parking Fund, and interest earnings. Entertainment tax generated by the facility has historically been a revenue source for the Arena Special Revenue Fund, but that revenue source ended at the beginning of 2018 with the creation of the Downtown Assets umbrella structure. With the Downtown Assets umbrella structure, a transfer was added from the Arena Fund to the Downtown Assets Fund from 2019 - 2025 to maintain fund and cash balances at a targeted level. The transfers from the Municipal Parking Fund are specific pledged amounts that were authorized by the City Council back in 1995 and continue through 2021. With the financial challenges from the COVID-19 pandemic and social unrest within the City, the 2021 transfer from the Parking Fund was reduced by \$1.0 million to \$3.9 million. After 2021 it is assumed that transfers from the Parking Fund will continue at \$5.0 million per year.

There are currently several outstanding bond issues and loans associated with the Target Center. Debt service payments on this debt is not accounted for in the Arena Special Revenue Fund but are accounted for in separate debt service funds. The first bond issue is Taxable G.O. Refunding Bonds, Series 2009D. These bonds refunded older bonds that were issued to acquire the Target Center back in 1995. Starting in 2017, semi-annual debt service on the 2009D bonds are 100% paid with tax increment revenues generated by the City's Consolidated TIF District.

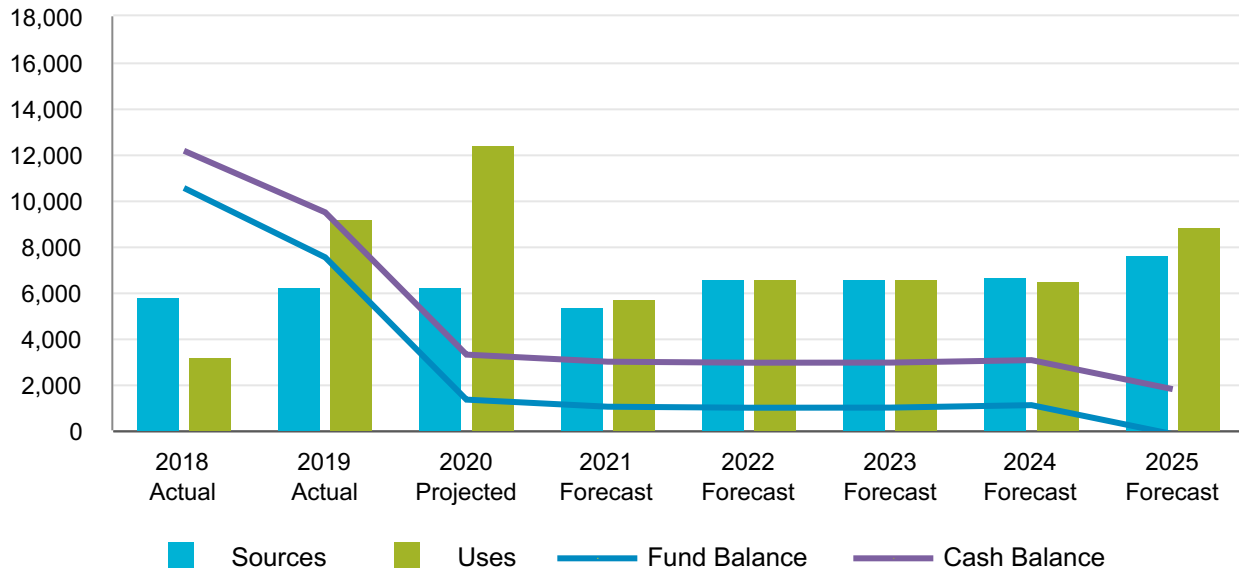
Beginning in 2016 and continuing through 2017, the Target Center underwent a major building renovation. The City's share of the total cost of this renovation was approximately \$74.0 million. In the first half of 2017 the City issued \$39,915,000 Taxable G.O. Sales Tax Refunding Bonds, Series 2017 to finance a portion of these costs. In May 2018 the City issued \$31,560,000 Taxable G.O Bonds, Series 2018 to finance the remaining portion of the renovation costs that were not paid with other City resources. All of the debt associated with the Target Center renovation will be paid with Minneapolis local sales taxes.

Historical Financial Performance

From 2016 - 2017, the financial performance of this fund changed significantly in comparison to prior years. This was predominantly due to the renovation of the Target Center, which resulted in a significant increase in capital improvements, bond financing fees, and operator reimbursement payments which were coupled with a corresponding decrease in fund balance. At the end of 2017, the fund balance was \$8.7 million. This balance increased approximately \$1.9 million to \$10.5 million in 2018 but decreased \$3.0 million in 2019 to \$7.5 million. The decrease can be largely attributed to the new \$2.8 million 2019

transfer from the Arena Fund to the Downtown Assets Fund. The transfer was added to transfer excess cash from the Arena Fund as part of the management structure under the Downtown Assets Umbrella. Capital improvements finished 2019 \$4.7 million under budget. The 2019 budget includes \$4.8 million of the unspent 2018 capital improvements budget which was rolled over to 2019 to continue the work on projects that were in process but unfinished at year end. The 2019 year-ending fund balance of \$7.5 million includes the reduction of \$737,315 for an outstanding accounts receivable which is over one year old and may not be collected.

Financial Snapshot Arena Special Revenue Fund (in thousands of Dollars)



Current Year Projections

Revenue

Based on the most current projections, total uses of funds in 2020 will exceed the 2020 source of funds by \$6.2 million. With the new Downtown Assets structure, the Arena Fund is no longer receiving entertainment tax revenue generated by Target Center events which has historically been a revenue source. The entertainment tax ended in 2017. Based on the most current projections, the 2020 sources of funds are expected to finish approximately \$27,000 over budget as the result of interest earnings on cash balances doing better than expected. Sources are projected to fall below uses by \$6.2 million in 2020 which resulted primarily from a \$4.8 million transfer from the Arena Fund to the DT Asset Fund. The 2021 uses of funds are projected to finish \$308,000 greater than the sources of funds before finishing in the 107,000 to a negative \$1,261 from 2022 - 2025 in a deliberate strategy to reduce and maintain targeted fund and cash balances in this fund while maintaining the fund as part of the larger Downtown Assets umbrella fund.

Expense

It is assumed that total uses of funds in 2020 will finish the year approximately \$27,000 over the budgeted amount as the result of 2020 interest earnings projected to finish \$27,000 over budget. The Target Center has a number of capital improvement projects in process, and some of which may be in process but incomplete at year-end. A 2020 to 2021 rollover request may be submitted for any unspent capital improvements funds to complete projects that are underway but incomplete at year-end. In a planned effort to reduce fund balance while maintaining the Arena Special Revenue Fund as part of the

Downtown Assets umbrella fund, a transfer of \$4.8 million was added to transfer cash from the Arena Special Revenue Fund to the Downtown Assets Fund to further reduce fund and cash balances.

Change in Net Position & Fund Balance

The projected 2020 change in net position and corresponding reduction in 2020 fund balance is projected to be \$6.2, and the ending fund and cash balances are projected to be \$1.3 and \$3.3 million respectively.

2021 Adopted Budget

Beginning in 2018, the Arena Special Revenue Fund is being managed as part of the Downtown Assets umbrella fund. The Downtown Assets Fund is intended to help the City provide a coordinated management and funding structure for the physical infrastructure assets in Downtown Minneapolis which help generate sales and entertainment taxes that support City spending. For more information on the Downtown Assets Fund, see the corresponding financial plan in this section of the budget book.

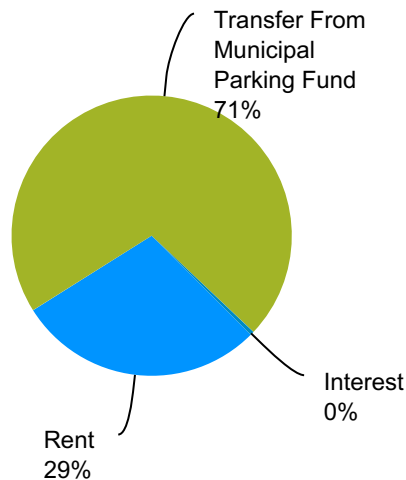
Total sources of funds in 2021 are budgeted at \$5.4 million, and the total uses of funds are budgeted at \$5.7 million. The 2021 projected change in net position is negative \$308,000 and the projected ending fund balance is \$1.0 million.

Revenue

Total sources of funds in 2021 are budgeted at \$5.4 million, which is \$796,000 or 12.8% lower than the total 2020 projected sources of \$6.2 million. Sources of funds include rent, transfers from the Municipal Parking Fund, and interest earnings on cash balances. The pie-chart shows the percentage that each of these sources represents of the total.

The 2021 budgeted amount for rent shows an increase compared to the corresponding projected 2020 figure, while the municipal Parking Fund transfer and interest show decreases. The revenue includes a \$3.9 million in transfers from the Municipal Parking Fund (a decrease of \$762,000 or 16.5%) from 2020, and \$1.6 million in rent (an increase of \$31,000 or 2.0%) from projected 2020, and interest earnings budgeted at \$24,000 which is a decrease of \$65,000 or 73.0% from the 2020 projected amount. Interest earnings are based on cash inflows and outflows within the fund, and the alignment of the Arena Special Revenue Fund within the Downtown Assets umbrella.

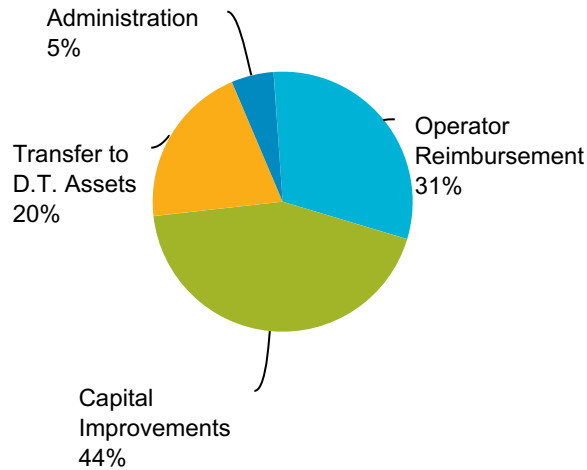
**Source of Funds
(\$6.2 million)**



Expense

Total uses of funds in 2021 are budgeted at \$5.7 million, which is \$6.7 million or 53.8% lower than the total projected uses in 2020 of \$12.4 million. This is primarily due to a \$3.1 million or 55.6% 2021 reduction in capital improvements compared to the 2020 projection along with a \$3.6 million or 75.5% 2021 reduction in the transfer from the Area fund. The 2021 budgeted transfer from the Arena Fund to the DT Assets Fund is \$1.2 million.

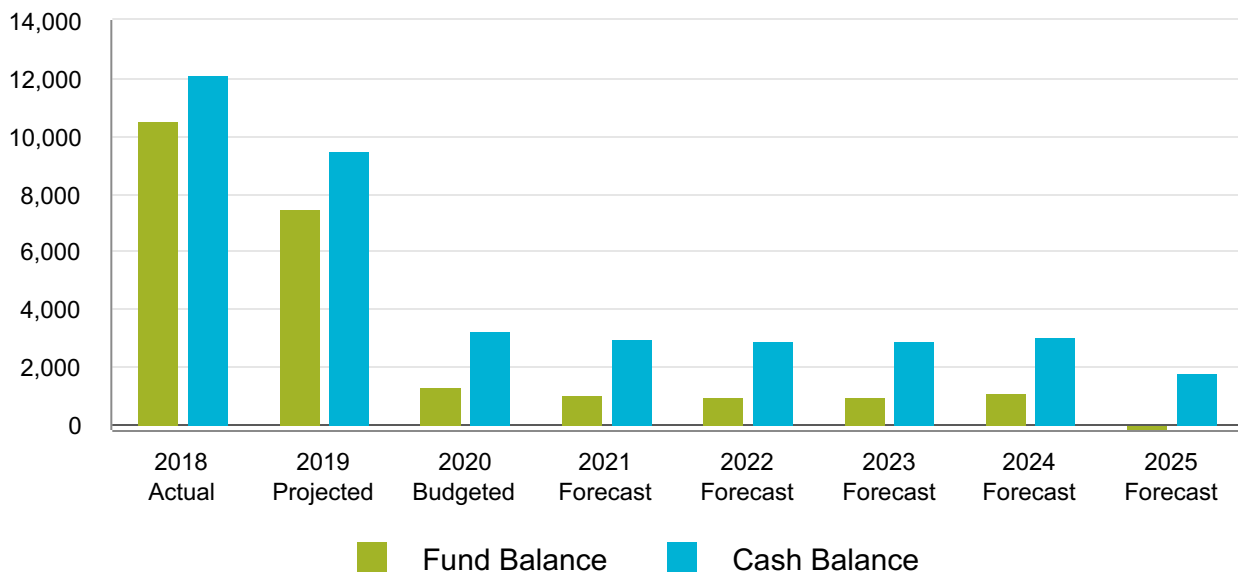
**Use of Funds
(\$5.7 million)**



Fund Balance & Cash Balance

The 2021 net change in fund balance is projected to be a negative \$308,000 which is \$5.9 million higher than projected 2020 of negative \$6.2 million. This comes after a positive net change in 2018 of \$2.6 million, a negative net change in 2019 of \$3.0 million, and a projected negative net change in 2020 of a negative \$6.2 million which significantly reduces fund balance from \$10.5 million at the end of 2018 to a projected balance of \$1.0 million at the end of 2021. The reduction in fund and cash balances are attributed to the addition of a new \$2.8 million 2019 transfer from the Arena Special Revenue Fund to the Downtown Assets Fund, and a \$4.8 million 2020 transfer from the Arena Special Revenue Fund to the Downtown Assets Fund coupled with normal operating and capital expenses needed to operate and maintain the building. In 2025, a transfer of \$911,000 to the Arena Special Revenue Fund from the Downtown Assets Fund was added to increase fund and cash balances to maintain targeted cash and fund balances.

**Arena Fund Cash and Fund Balances
(in thousands of Dollars)**



There are currently is no prescribed minimum fund balance or cash balance amounts for the Arena Special Revenue Fund, however, at the end of 2021 it is anticipated that the fund balance will be \$308,000 or 23.1% lower than the 2020 projected amount, and the cash balance is anticipated to have a corresponding decrease of \$308,000 or 9.4% lower than the projected 2020 amount.

Mayor Recommended Budget

The Mayor recommends \$2.3 million in 2021 budget reductions in this Fund.

**City of Minneapolis
2021 Adopted Budget**

Arena Special Revenue Fund

| | 2018 Budget | 2018 Actual | 2019 Budget | 2019 Actual | 2020 Budget | 2020 Projected | 2021 Budget | % Chg From 2020 Projected | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|-------------------|----------------|---------------------------------|------------------|------------------|------------------|------------------|
| Source of Funds: | | | | | | | | | | | | |
| Rent | 1,461 | 1,461 | 1,491 | 1,491 | 1,520 | 1,520 | 1,551 | 2.0% | 1,582 | 1,613 | 1,646 | 1,679 |
| Transfer from Municipal Parking Fund | 4,158 | 4,158 | 4,383 | 4,383 | 4,615 | 4,615 | 3,853 | -16.5% | 5,000 | 5,000 | 5,000 | 5,000 |
| Transfer from Arena Reserve Fund | — | — | — | — | — | — | — | — | — | — | — | 911 |
| Interest Earnings | 159 | 192 | 90 | 358 | 62 | 89 | 24 | -73.0% | 21 | 20 | 20 | 23 |
| Total | 159 | 5,811 | 5,964 | 6,232 | 6,197 | 6,224 | 5,428 | -12.8% | 6,603 | 6,633 | 6,666 | 7,613 |
| Use of Funds: | | | | | | | | | | | | |
| Operator Reimbursement | 1,627 | 1,627 | 1,672 | 1,672 | 1,718 | 1,718 | 1,765 | 2.7% | 1,814 | 1,864 | 1,915 | 1,967 |
| Capital Improvements (a) | 6,975 | 1,317 | 9,244 | 4,567 | 6,632 | 5,632 | 2,500 | -55.6% | 2,000 | 2,000 | 2,000 | 5,000 |
| Administration | 283 | 258 | 278 | 250 | 296 | 296 | 303 | 2.4% | 312 | 321 | 331 | 341 |
| Transfer to Downtown Assets Fund | — | — | 2,757 | 2,757 | 759 | 4,765 | 1,168 | -75.5% | 2,521 | 2,442 | 2,313 | 1,566 |
| Total | 8,885 | 3,202 | 13,951 | 9,246 | 9,405 | 12,411 | 5,736 | -53.8% | 6,647 | 6,627 | 6,559 | 8,874 |
| Net Change in Fund Balance | (8,726) | 2,609 | (7,987) | (3,014) | (3,208) | (6,187) | (308) | -95.0% | (44) | 6 | 107 | (1,261) |
| Fund Balance | 5,557 | 10,537 | 2,550 | 7,522 | 4,314 | 1,335 | 1,027 | -23.1% | 983 | 988 | 1,095 | (166) |
| Total Cash Balance | 7,014 | 12,155 | 4,168 | 9,479 | 6,271 | 3,292 | 2,984 | -9.4% | 2,940 | 2,945 | 3,052 | 1,791 |

Notes

(a) The 2019 projected capital improvements includes the 2019 budget (\$4,412) plus the 2018 to 2019 capital rollover (\$4,832) less \$1,000 that will not be spent. Debt service on the 2009 Target Center bonds is paid from Debt Service Fund 05350. Beginning in 2017, semi-annual transfers of tax increment revenues are made from Fund 01CON (Consolidated TIF District) to pay 100% of these expenses. Beginning in 2018, transfers of local sales taxes are made from the Downtown Assets Fund to pay 100% of those expenses. tax increment revenues are made from Fund 01CON (Consolidated TIF District) to pay 100% of these expenses.

**City of Minneapolis
2021 Adopted Budget
Financial Plan**

Minneapolis Convention Center Fund

Introduction

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, and meetings, as well as cultural, religious, and sporting events, all of which benefit and showcase the City, the metropolitan region, and the State of Minnesota. The marketing of the Convention Center, as well as the City overall, is supported by providing funding to Meet Minneapolis, an independent, non-profit organization contracted by the City of Minneapolis to market Minneapolis and the Twin Cities as a convention and tourist destination.

Operating revenues are generated directly from Convention Center operating activities. Exhibit space rent is the largest source of revenue for the Convention Center. Also included in operating revenues is space rental of the Tallmadge Building. Tallmadge Building Space rental revenue ended in 2019 while the City makes decisions on how the building will be used in the future. Charges for services are earned in support of space rent and consist primarily of utility and labor services and ramp parking. Food and beverage commission sales account for privileges. The Convention Center is also supported by local sales & entertainment taxes.

Historical Financial Performance

The Convention Center's 2017 operating revenues reached \$19.8 million or 105% of the \$18.8 million budget. 2018 operating revenue finished at approximately \$22.9 million which was \$3.2 million over 2017, and 115% or \$2.9 million over the \$20.0 million 2018 budget. 2018 operating revenue set a record with the City of Minneapolis hosting Super Bowl XXVI. 2019 operating revenue finished at \$21.2 million which was 115% or \$2.7 million over the \$18.5 million budget, but \$1.7 million under 2018. The City of Minneapolis hosted the NCAA Final Four in 2019.

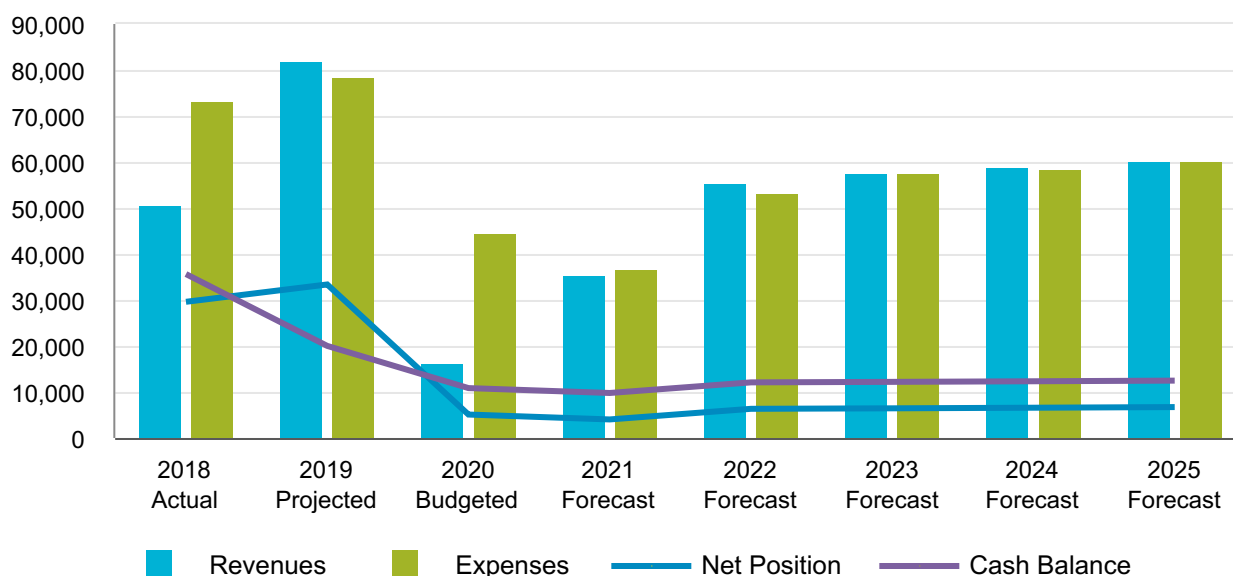
Beginning in 2018, the Convention Center Special Revenue Fund is being managed as part of the Downtown Assets umbrella fund. The Downtown Assets Fund is intended to help the City provide a coordinated management and funding structure for the physical infrastructure assets in Downtown Minneapolis which help to generate sales, liquor, lodging, restaurant, and entertainment taxes that support City spending. For more information on the Downtown Assets Fund, see the corresponding financial plan in this section of the budget book. Beginning in 2018, the Convention Center no longer received a transfer of the local taxes from the General Fund and instead receiving a transfer from the Downtown Assets Fund where the local tax revenues are being receipted. The 2018 transfer from the downtown Assets Fund to the Convention Center was \$26.8 million and was increased to \$59.5 million in 2019. Transfer amounts are adjusted annually based on building needs and debt service.

In 2019, the Convention Center Special Revenue Fund made a capital advance to debt service funds of \$19.0 million and received an interest payment of \$214,000 in the same year. Principal and interest payments will also be made in 2020. The annual interest payments are reflected on the Interest on Capital Advance line on the corresponding statement.

The Convention Center’s operating expenses were \$25.7 million in 2017, \$28.6 million in 2018, and \$27.9 million in 2019 which were the results of the normal day to day operations of the building. Capital expense over the same periods were \$10.9 million, \$9.6 million, and \$13.8 million, and were budgeted based on building facility needs and the Convention Center’s capital budget plan. Actual year-end capital expenses often finish under budget as the result of projects in process, but were incomplete at year-end. The unspent funds were rolled over to the following year to continue the work to complete the projects. Meet Minneapolis expenses were \$10.5 million in 2017, \$10.5 million in 2018, and \$10.2 million in 2019, and were based on annual contractual increases, as well as one-time sales and marketing initiatives.

Current Year Projections

**Financial Snapshot
Convention Center Fund
(in thousands of Dollars)**



Revenues

The 2020 operating revenues are projected to finish approximately at \$6.5 million or \$12.3 million under budget based on the composition of 2020 events. The Convention Center has had numerous event cancellations which were the result of the COVID-19 pandemic. In addition to operating revenue, the Convention Center also receives interest revenue on the cash balances within the fund. The interest revenue is projected to be \$303,000 in 2020. In 2020, there is also a budgeted loan interest payment of \$616,000 from debt service to the Convention Center. The interest payment is annual interest earned on a \$19.1 million loan from the Convention Center to debt service funds. The loan principal and interest was paid off in full in 2020. The annual interest payments are reflected on the Interest on Capital Advance line on the corresponding statement. In addition, there is a budgeted transfer from the Downtown Assets Fund to the Convention Center of \$53.5 million to fund building operations, capital, and the transfer to debt service for building debt. The 2020 transfer was reduced to \$6.1 million to maintain cash in the DT Assets Fund.

Expense

The 2020 operating expenses are projected to finish at \$26.0 million which is \$784,000 below the 2020 adopted budget amount. Ongoing equipment/improvements expenses are projected to finish at \$7.2 million which is \$784,000 under budget. The \$784,000 reduction is a planned reduction coinciding with revenue reductions related to the COVID-19 pandemic. Not included in the original budget is a rollover of

\$7.7 million for unspent 2019 budgeted capital improvements that were in process at the end of 2019 with the majority of the funds being used to complete the Plaza renovation Project. Construction work on the plaza project is underway, and the project is currently complete. The Tallmadge building renovation is currently on hold pending use decisions by the City. The Tallmadge building was heavily damaged from a ruptured water line within the building this past winter and had undergoing demolition and remediation. Meet Minneapolis’s budget was reduced as part of the City’s Phase 1 and 2 budget reductions, but Meet Minneapolis is expected to finish at the \$10.6 million original budget. The Convention Center’s final debt service payment of \$26.8 million was expected to be made in 2020, but the final debt payment was refinanced through 2025 to take pressure off the fund heavily impacted by the COVID-19 pandemic.

Net Income, Cash Balance, Fund Balance

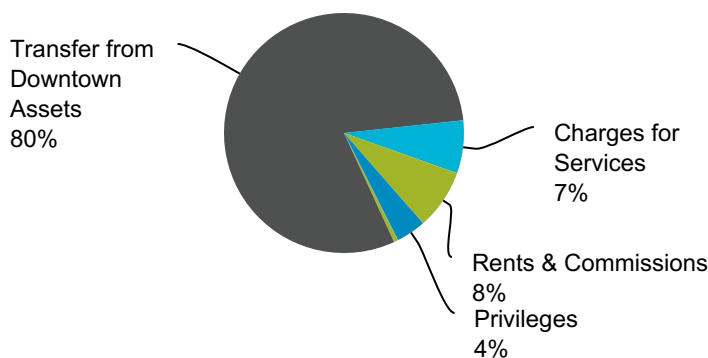
The Convention Center has had a planned use of fund balance to reduce fund and cash balances as part of the management within the Downtown Assets umbrella. With the unexpected revenue loss which resulted from the COVID-19 pandemic, the Convention Center is projected to have a 2020 net loss of \$28.8 million and a corresponding drop in fund balance from \$33.4 million in 2019 to \$4.6 million in 2020. The 2020 cash balance is projected to be \$10.3 million which is \$9.7 million under 2019. In 2020, there was a \$19.1 million loan made from the MCC to debt service. The loan was repaid in 2020, and \$19.1 million was added to the MCC’s 2020 cash. Cash is projected to be \$10.9 million in 2020 and \$9.4 million in 2021 before remaining relatively flat from \$11.7 to \$12.1 million from 2022 - 2025.

2021 Budget

Revenues

2021 is expected to be a difficult year for the Convention Center, and total operating revenue for 2021 is expected to be approximately \$6.9 million which is an increase of \$400,000 over the most recent 2020 projection. The increase is based on 2021 events levels after a very difficult 2020 event year due to the COVID-19 pandemic.

**Source of Funds
(\$35.8 million)**



Expenditures

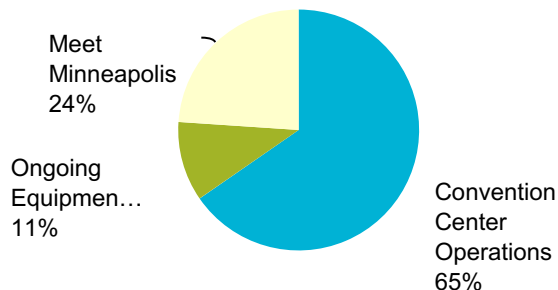
2021 operating expenses are expected to be approximately \$24.0 million which is a decrease of \$2.0 million or 7.7% over the most recent 2020 projection.

Transfers/Debt Service

Beginning in 1993, the Convention Center had a transfer to debt service for building related debt, and transfers were made annually. The final 2020 debt service payment of \$26.8 million was refinanced ,and

is expected to be paid off in 2025. The refinancing was done to take financial pressure off the fund which was heavily impacted by the COVID-19 Pandemic.

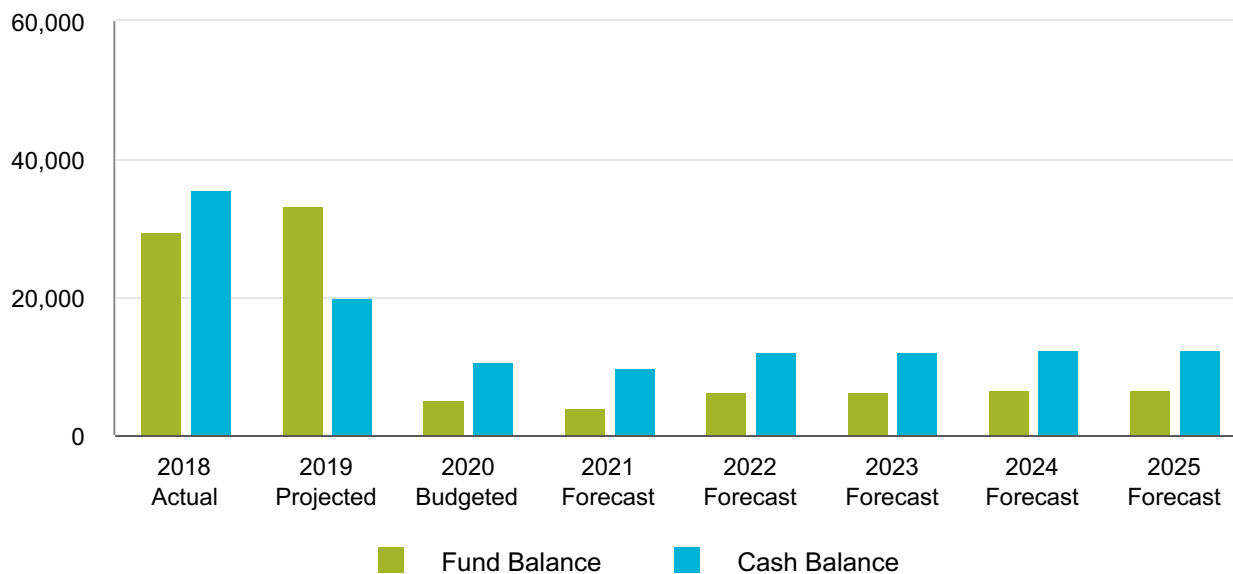
**Use of Funds
(\$36.7 million)**



Net Income, Cash, and Fund Balances

2021 net income is budgeted to finish at a \$883,000 net loss. This comes after a net loss of \$28.3 million in 2020. There has been a planned use of fund and cash balances within the Convention Center Fund to reduce fund and cash balances. This intentional draw down of cash and fund reserves will help build a reserve in the Downtown Assets umbrella fund, of which the Convention Center Fund is a part. Having the Convention Center in the umbrella fund will help provide flexibility in managing all of the City’s major revenue-generating downtown assets. The 2021 ending fund and cash balances are projected to be \$3.7 million and \$9.4 million which are \$883,000 decreases from the most current 2020 projection.

**Convention Center Fund Net Income, Fund, and Cash Balances
(in thousands of Dollars)**



Mayor Recommended Budget

The Mayor recommends \$7.0 million in 2021 reductions to the Minneapolis Convention Center Special Revenue Fund.

City of Minneapolis
2020 Council Adopted Budget
Financial Plan (in thousands of dollars)

Minneapolis Convention Center Special Revenue Fund

| | 2018 Budget | 2018 Actual | 2019 Budget | 2019 Actual | 2020 Budget | 2020 Projected | 2021 Budget | % Chg From 2020 Projected | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast |
|-------------------------------|-----------------|-----------------|----------------|----------------|----------------|-------------------|----------------|---------------------------------|------------------|------------------|------------------|------------------|
| Source of Funds: | | | | | | | | | | | | |
| Charges for Services | 7,300 | 8,977 | 6,700 | 8,543 | 6,900 | 2,153 | 2,553 | 18.6 % | 8,542 | 8,798 | 9,062 | 9,334 |
| Rents and Commissions | 8,196 | 9,297 | 7,830 | 8,371 | 7,600 | 2,898 | 2,898 | 0.0 % | 8,371 | 8,622 | 8,881 | 9,148 |
| Privileges | 4,514 | 4,669 | 4,000 | 4,313 | 4,275 | 1,449 | 1,449 | 0.0 % | 4,313 | 4,442 | 4,575 | 4,713 |
| Interest on Cash Investments | 612 | 967 | 457 | 1,163 | 762 | 303 | 196 | (35.3)% | 210 | 237 | 243 | 245 |
| Interest on Capital Advance | — | — | — | 214 | — | 616 | — | (100.0)% | — | — | — | — |
| Other Misc Non Operating | — | 17 | — | 265 | — | 2,382 | — | (100.0)% | — | — | — | — |
| Transfer from Downtown Assets | 26,811 | 26,811 | 59,520 | 59,520 | 53,531 | 6,616 | 28,734 | 334.3 % | 34,200 | 35,756 | 36,178 | 36,918 |
| Total | 47,433 | 50,738 | 78,507 | 82,389 | 73,068 | 16,417 | 35,830 | 118.2 % | 55,636 | 57,855 | 58,939 | 60,358 |
| Use of Funds: | | | | | | | | | | | | |
| Convention Center Operations | 28,113 | 28,613 | 28,018 | 27,887 | 26,782 | 25,998 | 24,003 | -7.7 % | 28,724 | 29,586 | 30,473 | 31,387 |
| Ongoing Equipment/Improvement | 19,356 | 9,579 | 21,515 | 13,812 | 8,182 | 7,200 | 3,925 | -45.5 % | 7,000 | 10,300 | 10,300 | 10,609 |
| Meet Minneapolis | 10,451 | 10,451 | 10,242 | 10,242 | 9,041 | 10,637 | 8,785 | -17.4 % | 11,038 | 11,245 | 11,456 | 11,685 |
| Transfer to Debt Service | 24,811 | 24,630 | 26,682 | 26,682 | 26,807 | 857 | — | -100.0 % | 6,565 | 6,617 | 6,578 | 6,539 |
| Total | 82,731 | 73,273 | 86,457 | 78,623 | 70,812 | 44,692 | 36,713 | -17.9 % | 53,327 | 57,748 | 58,807 | 60,220 |
| Net Income | (35,298) | (22,535) | (7,950) | 3,766 | 2,256 | (1,470) | (883) | -39.9 % | 2,309 | 107 | 132 | 138 |
| Ending Fund Balance | 16,845 | 29,608 | 21,658 | 33,375 | 35,630 | 4,572 | 3,689 | -19.3 % | 5,998 | 6,106 | 6,237 | 6,376 |
| Ending Cash Balance | 21,325 | 35,640 | 27,690 | 20,024 | 22,279 | 10,850 | 16,240 | 49.7 % | 19,570 | 22,692 | 26,595 | 24,747 |
| Notes | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |

**City of Minneapolis
2021 Adopted Budget
Financial Plan**

Downtown Assets Fund

Presented with Downtown East Commons Fund & Peavey Plaza Fund

Introduction

The Downtown Assets Fund was created in 2018. The purpose of this fund is threefold:

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

This umbrella fund holds the operating and debt service funds which support the Minneapolis Convention Center, the Arena Reserve Fund (Target Center), the Downtown Commons, and Peavey Plaza. Though each of these funds holds a cash balance to its own, all cash balances are available to support any expense within the fund. Receipts to the fund are largely made up of local taxes, but may also include transfers and funds from private donations or the State to support capital improvements.

The Convention Center department is responsible for management of operations within the fund.

Historical Financial Performance

The Downtown Assets Fund's 2019 Source of Funds reached \$92.4 million or \$800,000 over budget, and \$2.1 million over 2020. The primary reason for the increase over budget was the 2019 local taxes finishing better than expected, and to a much lesser extent, interest earnings revenue from investments of cash balances within the fund finishing at \$432,000 or \$18,000 over budget.

Use of Funds finished 2019 at \$102.2 million which was \$166,000 under budget. The primary reason for finishing under budget was Peavey Plaza operations finishing \$230,000 under budget, and Peavey Plaza capital finishing \$474,000 under budget which were partially offset by the Downtown Assets operating finishing \$537,000 over budget. The Peavey Plaza capital and operating budgets supported the Peavey Plaza renovation project managed by public works. The 2019 unspent project funds have been rolled over to 2020 to complete the project which was incomplete and in process at year-end 2019. The Downtown Assets operating budget supported the X-Games, and the NCAA Final Four which were both hosted by the City of Minneapolis in 2019.

Current Year Projections

Revenue

Downtown Assets Fund sources of funds are projected to be approximately \$46.5 million in 2020. The overwhelming majority of revenues come from the local taxes (including sales, restaurant, entertainment, liquor, and lodging). Minneapolis local taxes are projected to finish well under budget at \$40.7 million which is \$52.7 million under budget and \$48.5 million under 2019. The decrease from 2019 is due to the impacts of the COVID-19 virus which impacted the city's ability to host large events as well local, and regional, residents ability to access restaurants, bars and stadiums.

There was also a 2019 budgeted transfer of \$2.8 million from the Arena Special Revenue Fund to the Downtown Assets Fund of excess cash. The transfer was increased to \$4.8 million in 2020. The transfer is being made to manage cash and fund balances within the Downtown Assets umbrella. The Downtown Assets are also seeing interest earnings through IMS (Investment Management Services) revenue from cash balances within the fund. 2020 interest earnings are projected to be \$962,000 which is \$726,000 over budget and \$530,000 more than 2019. The increases are due to cash investment yields and cash inflows and outflows within the Fund.

Expense

The projected non-transfer 2020 expenses of \$1.7 million are small in this fund compared to total projected expenses of \$24.7 million. Projected expenses within the fund include a \$474,000 rollover from 2019 to 2020 to continue work on the renovation of Peavey Plaza, \$424,000 for special assessments and operation of Peavey Plaza, and \$820,000 for special assessments and maintenance of the Downtown Commons. The \$820,000 DT Commons budget has been transferred to the Parks Department in 2020.

Budgeted transfers include \$32.7 million to the General Fund, \$53.4 million to the Convention Center, and \$5.7 million to the Arena Special Revenue Fund for building debt service. With the significant financial pressures related to COVID-19 and civil unrest around the City, the \$32.7 million transfer to the GF has been capped at \$10.7 million in 2020, and the transfer from the DT Assets to the Convention Center was reduced to \$6.1 million.

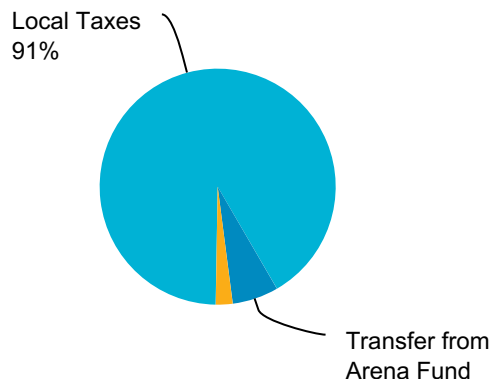
Expenses for the Convention Center and Target Center are discussed separately in the financial plans found in this document.

2021 Budget

Revenue

Local taxes (including sales, restaurant, entertainment, liquor, and lodging) make up the vast majority of the Downtown Assets Fund revenue. In 2021, local taxes are projected to be \$16.8 million which is a decrease of \$23.9 million from the latest 2020 projection of \$40.7 million. In 2020, the Convention Center’s building debt service was going to be paid off in 2020, but the City refinanced the final 2020 payment of \$26.8 million to 2025. It is assumed the local taxes for the City’s portion of the U.S. Bank Stadium debt issued by the state will increase significantly to approximately \$25.0 million in 2021 and beyond. The 2021 IMS (Investment Management Services) interest revenue is projected to be \$429,000 which is \$533,000 under the 2020 projection. Interest revenue projections are based on cash inflows and outflows within the fund, in addition to investment yields.

**Source of Funds
(\$18.4 million)**



Expense

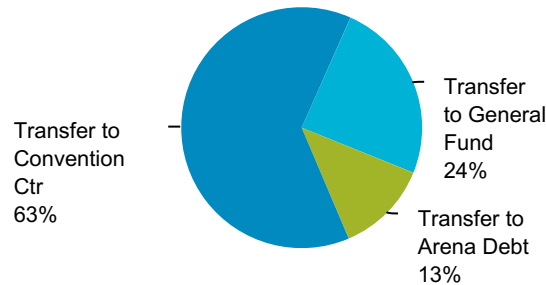
In 2021, non-transfer expenses are budgeted at \$437,000 for Peavey Plaza’s ongoing operating expenses and special assessments. The 2021 Peavey Plaza operating budget is \$13,000 higher than the 2020 budget. Overall, 2021 use of funds is \$18.1 or 73.1% higher than the most recent 2020 use of funds Projection. The increase is primarily from the transfer from the DT Assets to the MCC increasing 334.3% or from \$6.6 million in 2020 to \$28.7 million in 2021.

Expenses for the Convention Center and Target Center are discussed separately in the financial plans found in this document.

Transfers

With the exception of the \$437,000 Peavey Plaza operations budget, the entire 2021 use of funds category is made up of transfers. Budgeted transfers include \$11.1 million to the General Fund which is planned to occur on an ongoing basis; a transfer of \$5.7 million to Arena Fund debt service to pay debt obligations related to the recent renovation of the Target Center, and \$28.7 million to the Convention Center Fund to support operations of that facility. The Arena Fund debt service transfer will recur until the debt is paid, and the debt payments are currently scheduled through 2035. The transfer to the Convention Center increased significantly in 2021. The 2020 transfer was reduced to \$6.1 million from a budgeted \$53.4 million to draw down fund and cash balances within the fund.

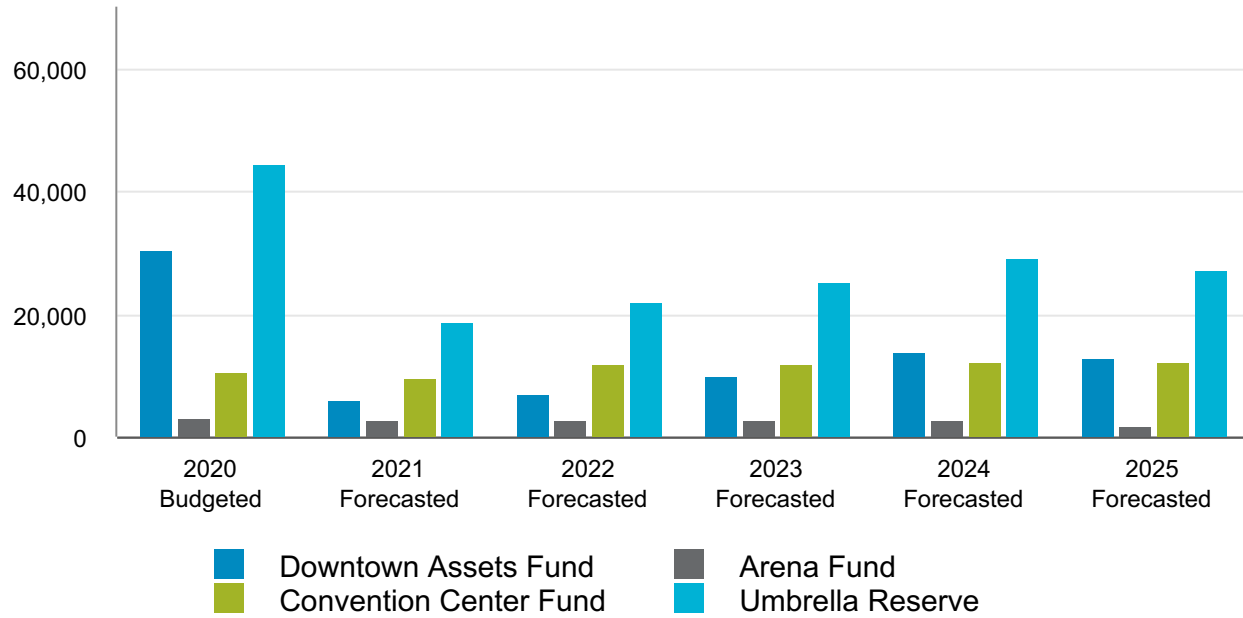
**Use of Funds
(\$46.0 million)**



Cash Balance

The Downtown Assets Fund is designed to provide for a cash reserve which any of the funds can access. The combined reserve, shown as the “umbrella reserve” below is projected to be \$45.1 million in 2020, and a planned use of that reserve will draw it down to \$16.2 million in 2021 and to \$24.7 million in 2025. There is no minimum cash reserve policy for this fund, but the reserve is held to provide a cushion against potential unexpected dips in sales tax receipts, or to provide for emergency repairs to the Downtown Assets.

**Downtown Assets Fund Umbrella Cash Reserve
(in thousands of dollars)**



Mayor Recommended Budget

The Mayor recommends \$12.3 million in 2021 reductions to the DT Assets, Commons, and Peavey Plaza Funds.

City of Minneapolis
2021 Adopted Budget
Financial Plan (in thousands of dollars)

Downtown Assets Fund (including Downtown East Commons Fund & Peavey Plaza Fund)

| | 2019 Budget | 2019 Actual | 2020 Budget | 2020 Projected | 2021 Budget | % Chg From 2019 Projected | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast |
|--|-----------------|----------------|----------------|-------------------|-----------------|---------------------------------|------------------|------------------|------------------|------------------|
| Source of Funds: | | | | | | | | | | |
| Local Taxes | 88,400 | 89,182 | 93,446 | 40,726 | 16,817 | -58.7% | 51,910 | 62,433 | 71,600 | 73,257 |
| Transfer from Arena Special Revenue Fund | 2,757 | 2,757 | 759 | 4,765 | 1,168 | -75.5% | 2,521 | 2,442 | 2,413 | — |
| Transfer from Commons Bond Proceeds | — | — | — | — | — | 0.0% | — | — | — | — |
| Downtown Assets, Peavey Plaza, and Commons Funds Interest Earnings | 414 | 432 | 236 | 962 | 429 | 0.0% | 492 | 459 | 633 | 585 |
| Total | 91,571 | 92,371 | 94,441 | 46,453 | 18,414 | (60.4)% | 54,923 | 65,334 | 74,646 | 73,842 |
| Use of Funds: | | | | | | | | | | |
| Transfer out to City General Fund | 31,462 | 31,462 | 32,711 | 10,711 | 11,136 | 4 | 10,333 | 20,410 | 28,656 | 30,567 |
| Transfer out to Arena Fund Debt Service | 5,697 | 5,697 | 5,688 | 5,688 | 5,697 | — | 8,875 | 5,696 | 5,670 | 5,680 |
| Transfer out to Convention Center | 59,520 | 59,520 | 53,381 | 6,088 | 28,734 | -10.1 | 34,200 | 35,756 | 36,178 | 36,918 |
| Transfer out to Arena Special Rev Fund | — | — | — | — | — | — | — | — | — | 911 |
| Downtown Assets - Operating | 350 | 887 | — | — | — | -97 | — | — | — | — |
| Commons - Operating | 814 | 814 | 820 | 820 | — | 0 | — | — | — | — |
| Peavey Plaza - Capital | 3,992 | 3,518 | 474 | 474 | — | (100)% | — | — | — | — |
| Peavey Plaza - Operating | 574 | 344 | 424 | 424 | 437 | 0 | 450 | 463 | 477 | 492 |
| Total | 102,409 | 102,242 | 93,498 | 24,205 | 46,004 | -9.3% | 53,858 | 62,325 | 70,981 | 74,568 |
| Net Change in Fund Balance | (10,838) | (9,872) | 944 | 22,248 | (27,590) | -224.0% | 1,065 | 3,009 | 3,665 | (726) |
| Downtown Assets-Ending Fund Balance | 15,119 | 16,084 | 17,028 | 38,332 | 10,742 | -72.0% | 11,807 | 14,816 | 18,481 | 17,755 |
| Downtown Assets - Ending Cash Balance | 5,324 | 8,813 | 9,757 | 31,061 | 2,939 | (88.8)% | 4,004 | 7,013 | 10,678 | 9,952 |
| Arena Special Revenue Fund - Ending Cash Balance | 4,168 | 9,479 | 6,271 | 3,232 | 2,984 | (7.7)% | 2,940 | 2,945 | 3,052 | 1,791 |
| Convention Center Fund - Ending Cash Balance | 27,690 | 20,024 | 22,279 | 10,850 | 9,785 | (9.8)% | 12,094 | 12,202 | 12,333 | 12,472 |
| Downtown Assets Umbrella-Combined Ending Cash Balance | 37,182 | 38,316 | 38,307 | 45,143 | 15,708 | (64)% | 19,038 | 22,160 | 26,063 | 24,215 |

Note: (a) Due to negative forecasted cash balances from 2020 - 2025 forecasted interest earnings are zero

**City of Minneapolis
2021 Adopted Budget
Financial Plan**

Neighborhood & Community Relations Special Revenue Fund

Introduction

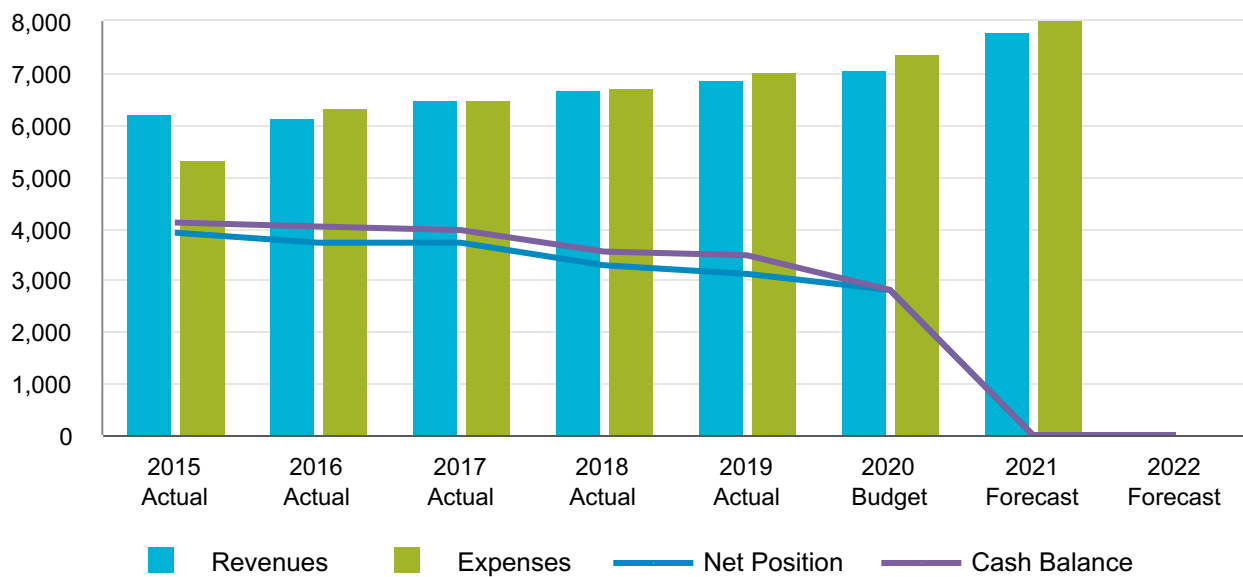
The Neighborhood & Community Relations (NCR) Special Revenue Fund accounts for neighborhood revitalization efforts within the City and is funded by revenues of the Consolidated Redevelopment Tax Increment Financing District. This district was established pursuant to special legislation adopted in 2008, and must be decertified no later than December 31, 2020. This Fund is used for Minneapolis neighborhood-based initiatives and NCR administrative costs.

Historical Financial Performance

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

Current Year Projections

**Financial Snapshot
NCR Special Revenue Fund
(in thousands of Dollars)**



Revenues

\$7.1 million will be transferred to the NCR Special Revenue Fund in FY 2020 from the Consolidated Redevelopment Tax Increment Financing District Fund.

Expense

FY 2020 expenditures is projected for \$7.4 million.

Net Position & Cash Balance

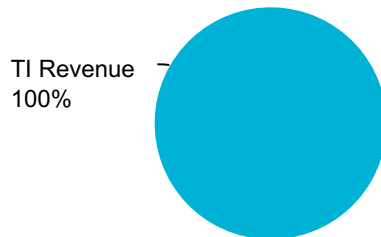
Current year revenue and projected expenditures will result in a \$300,000 reduction in fund balance.

2021 Budget

Revenues

\$7.8 million of TI funds and \$2.8 million of available NCR Special Fund balance will be used in FY 2021. . This will reflect a 10% increase from the FY2020 revenue amount.

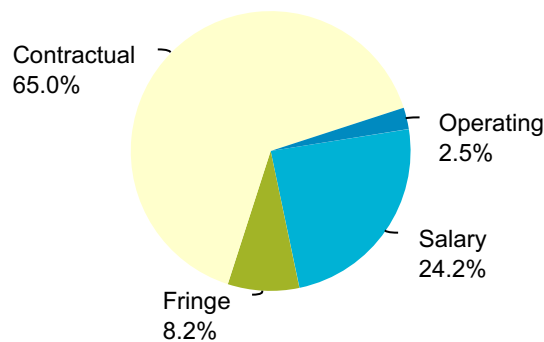
**Source of Funds
(\$7.8 million)**



Expense

There are no significant changes to prior years Programs. NCR Special Revenue 01800 fund \$11 million of expenditures are planned for operations and contractual services.

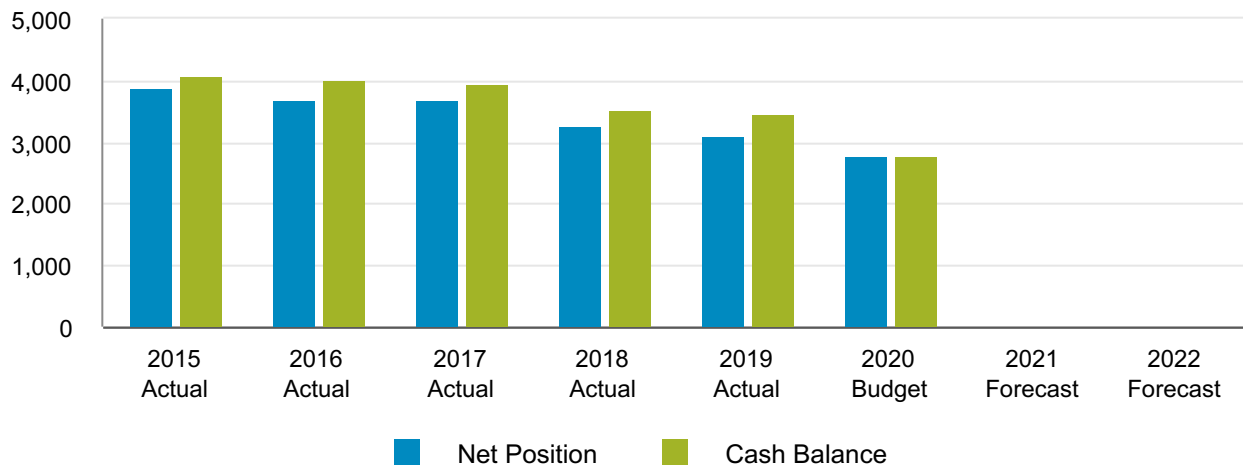
**Use of Funds
(\$10.6 million)**



Net Position & Cash Balance

As of December 31, 2019, the fund net position was \$3.1 million, and the cash balance was \$3.4 million. At the end of 2020 the projected fund net position is \$2.8 million, and the projected cash balance is \$2.8 million. These balances are comparable to the prior year. No significant variance in net position or cash balance is anticipated prior to 2021.

NCR Special Revenue Fund Net Position & Cash Balance (in thousands of Dollars)



**City of Minneapolis
2021 Adopted Budget
Financial Plan (in thousands of dollars)**

Neighborhood and Community Relations Special Revenue Fund

| | 2018 Budget | 2018 Actual | 2019 Budget | 2019 Projected | 2020 Budget | 2020 Projected | 2021 Budget | % Chg 2020 Projected | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast |
|-----------------------------------|----------------|----------------|----------------|-------------------|----------------|-------------------|----------------|----------------------------|------------------|------------------|------------------|------------------|
| Source of Funds: | | | | | | | | | | | | |
| Transfer from Tax Increment Funds | 6,682 | 6,682 | 6,883 | 6,883 | 7,089 | 7,089 | 8,221 | | 3,195 | | | |
| Loan recapture | — | 2 | — | — | — | — | — | | | | | |
| Total | 6,682 | 6,684 | 6,883 | 6,883 | 7,089 | 7,089 | 8,221 | 16.0% | 3,195 | — | — | |
| Use of Funds: | | | | | | | | | | | | |
| Personnel Services | 1,265 | 1,136 | 1,285 | 1,165 | 1,345 | 1,364 | 1,574 | 15.4% | — | | | |
| Fringes | 457 | 388 | 478 | 409 | 503 | 482 | 536 | 11.2% | — | | | |
| Contractual Services | 4,757 | 4,969 | 5,016 | 5,345 | 5,331 | 5,400 | 8,752 | 62.1% | 3,195 | | | |
| Materials/Other | 230 | 216 | 104 | 132 | 106 | 152 | 163 | 7.2% | | | | |
| Total | 6,709 | 6,709 | 6,883 | 7,051 | 7,285 | 7,398 | 11,025 | 49.0% | 3,195 | — | — | |
| Net Change in Fund Balance | (27) | (25) | — | (168) | — | (309) | (2,804) | | — | — | — | |
| Fund Balance | 3,279 | 3,281 | 3,281 | 3,113 | 3,113 | 2,804 | — | -100.0% | | | | |
| Total Cash Balance | | 3,545 | | 3,473 | | 2,804 | | | | | | |

**City of Minneapolis
2020 Adopted Budget
Financial Plan**

Police Special Revenue Fund

Introduction

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 has been used to account for revenues and expenses related to the Automated Property System (APS), and the Workforce Director scheduling and payroll system (WFD) as well through December 31, 2019. APS and WFD are proprietary software systems that are owned and managed by the City of Minneapolis and recover expenses from user agreements with other governmental and non-governmental entities. MPD discontinued APS due to lack of competencies, competition and lack of upgrades over the years. MPD also is in the process of exiting the WFD and effective January 1, 2020, financial activities associated with APS (if any) and WFD has been transferred to the General fund.

The non-emergency service contracts are typically entered by the City of Minneapolis Police Department and an external entity, usually located within the City of Minneapolis. The Police provide non-emergency services for sporting events, concerts, or extra presence at designated facilities or geographic areas. In addition, City departments (frequently Public Works) contract with the Police Department to provide additional services at a desired location. The Police Special Revenue Fund is also used to account for revenues and expenses associated with these types of contracts.

The City of Minneapolis Police Department manages the operation of the fund and use of the funds is generally restricted to public safety.

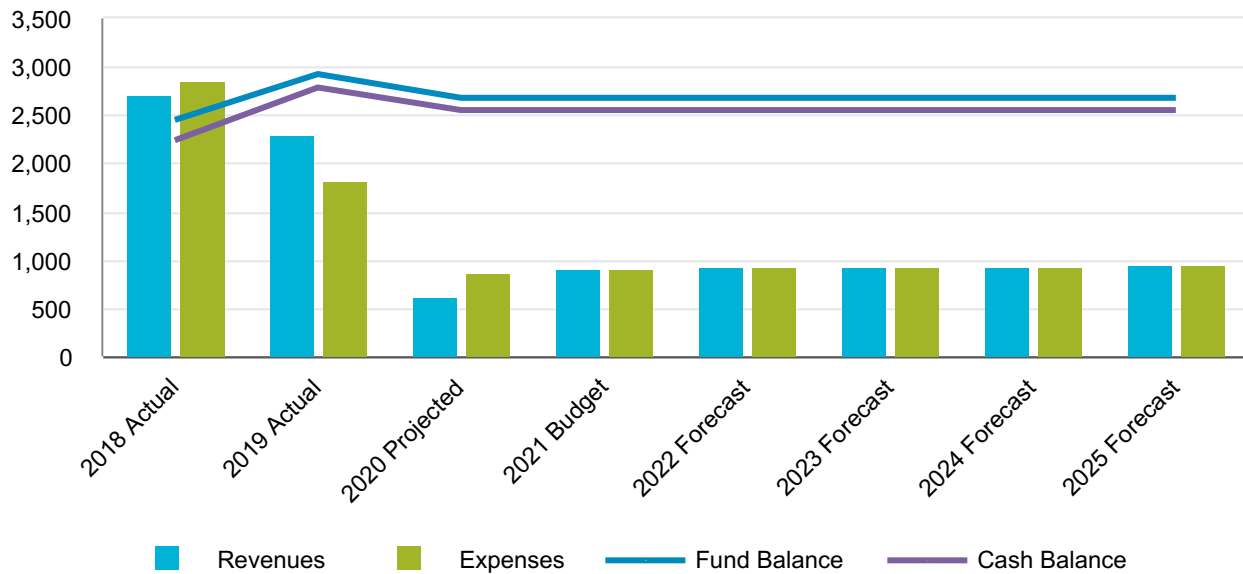
Historical Financial Performance

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

- Transfer of Workforce Director expenditures to the general fund of \$250,000, \$300,000, and \$350,000 in 2015, 2016 and 2019, respectively. In addition, Workforce Director received additional revenue of \$150,000 in 2018 from MPD to offset programming/configuration cost incurred on behalf of MPD.
- Excess revenue associated with US Bank Stadium/SMG overtime reimbursement contract of \$217,000 in 2016; \$51,000 in 2017; \$77,000 in 2018; and \$72,000 in 2019.
- Decrease in personnel expenditures in 2015 of approximately \$140,000 due to vacancies.
- Excess forfeiture revenue of \$900,000 from 2014 to 2019.

Current Year Projections

Financial Snapshot Police Special Revenue Fund (in thousands of Dollars)



Revenues

Total projected revenue for 2020 is just over \$600,000 compared with 2020 budget of \$1.4 million. The decrease is predominately due to a decrease in non-emergency service contract revenue from \$800,000 to projected revenue of \$50,000. Due to the ongoing pandemic, state authorities have suspended large gatherings including sporting events and concerts held at various stadiums and as a result, no additional non-emergency service contracts are expected to be performed in the remainder of 2020.

Expenditures

Total projected expenditures for 2020 are approximately \$900,000 compared to 2020 budgeted expenditures of \$1.4 million. The decrease is predominately due to a decrease in salaries/wages and benefits associated with non-emergency services from \$800,000 to \$50,000. The decrease is offset by anticipated spending of \$200,000 on DNA kits. As aforementioned, State authorities have suspended large gatherings including sporting events and concerts held at various stadiums due to the ongoing pandemic and as a result, no additional non-emergency service contracts are expected to be performed in the remainder of 2020. The remaining differences are due to rounding.

Net Position & Cash Balance

The projected current year Fund Balance of \$2.7 million is compared with the budgeted fund balance of \$2.9 million. The decrease is mainly due to anticipated spending of \$200,000 on DNA kits.

The projected current year Cash Balance is \$2.6 million compared with budgeted Cash balance of \$2.8 million. The decrease is mainly due to anticipated spending of \$200,000 on DNA kits.

2021 Budget

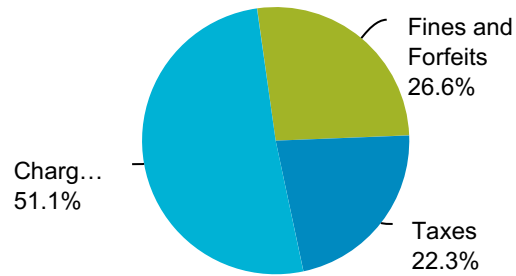
Fiscal Year 2021 budgeted revenue and expense are expected to decrease as the number of large events such as concerts and athletic events including professional sports held at various stadiums within the City of Minneapolis requiring presence or services of law enforcement personnel are expected to decrease due to the pandemic.

Revenues

Budgeted Fiscal Year 2021 revenue is expected to decrease by 37% from 2020 to 2021 due to the fact that number of large events such as concerts and athletic events including professional sports held at various stadiums within the City of Minneapolis requiring presence or services of law enforcement personnel are expected to decrease due to the pandemic. Also, fines and forfeiture revenue fluctuate from year to year as number of forfeiture cases settled in each year fluctuates.

Charges for services and sales makes up 51% of anticipated revenue in 2021 compared to 38% in 2020 projected amount. In 2019, charges for services and sales made up 62% of actual revenue compared to 80% in 2018.

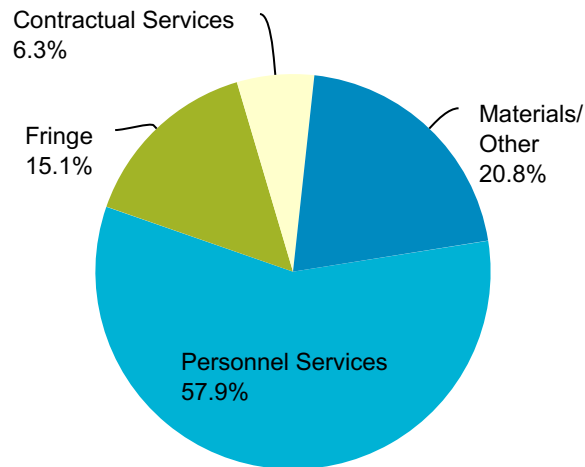
Source of Funds
\$913,000



Expenditures

Salaries and Fringe benefits make 73% of anticipated 2021 expenditures compared to 42% in 2020 projected expenditures. In 2019, actual salaries and fringe benefits made up of 63% of actual expenditures compared to 54% in 2018. The percentage increase from 2018 to 2019 was predominately due to refunding of accumulated gambling fund balance to charitable organization as mandated by the State of Minnesota in 2018 and transfer of contractual service expenditures associated with Workforce Director in 2019 to the General fund which resulted in increased expenditures other than salaries and benefits in 2018 and a decrease in 2019.

Use of Funds
\$913,000



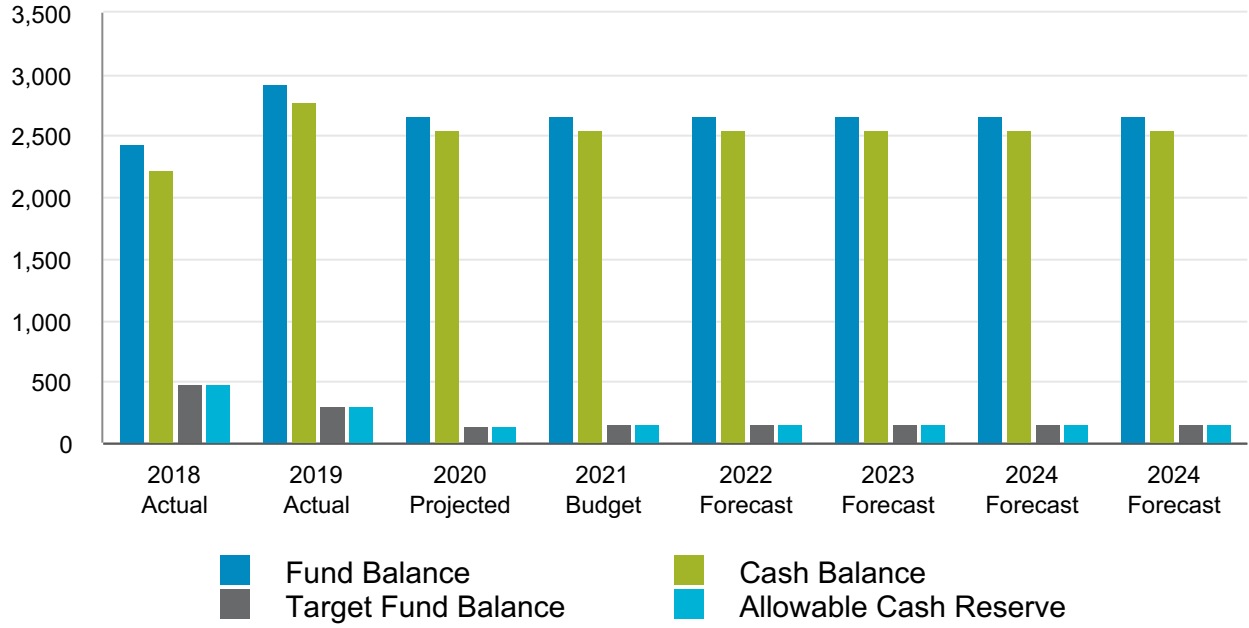
Fund Balance & Cash Balance

Fund balance as of December 31, 2019 and 2018 were \$2.9 million and \$2.4 million respectively. Both the fund balance and cash balance have significantly increased over the past five years. Fund balance increased from \$1.6 million in 2015 to \$2.9 million in 2019. Increase in fund balance from 2018 to 2019 was predominately due to transfer of \$350,000 Workforce Director expenditures to general fund along with excess revenue associated with APS and Forfeiture of \$70,000 and 80,000, respectively.

Cash balance increased from \$1.6 million in 2015 to \$2.8 million in 2019. Projected cash balance in 2020 is \$2.6 million and the projected decrease is predominately due to purchase of DNA kits.

In accordance with the financial reserve policy, target cash reserve is 17% of the following year's budgeted expenditures.

**Police Special Revenue Fund
Fund Balance & Cash Balance
(in thousands of dollars)**



City of Minneapolis
2021 Adopted Budget
Financial Plan (in thousands of dollars)

Police Special Revenue Fund

| | 2018 | 2018 | 2019 | 2019 | 2020 | 2020 | 2021 | % Chg | 2022 | 2023 | 2024 | 2025 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------------------|--------------|--------------|--------------|--------------|
| | Budget | Actual | Budget | Actual | Budget | Projected | Budget | From 2020 Projected | Forecast | Forecast | Forecast | Forecast |
| Source of Funds: | | | | | | | | | | | | |
| Charges for Services and Sales | 2,074 | 2,175 | 2,033 | 1,414 | 978 | 241 | 466 | 93.4% | 475 | 485 | 495 | 505 |
| Fines and Forfeits | 338 | 281 | 338 | 614 | 237 | 237 | 243 | 2.5% | 243 | 243 | 243 | 243 |
| Miscellaneous | — | — | — | — | — | — | — | 0.0% | — | — | — | — |
| Taxes | 200 | 256 | 231 | 263 | 227 | 148 | 204 | 37.8% | 204 | 204 | 204 | 204 |
| Total | 2,612 | 2,712 | 2,602 | 2,291 | 1,442 | 626 | 913 | 45.8% | 922 | 932 | 942 | 952 |
| Use of Funds: | | | | | | | | | | | | |
| Capital Outlay | — | 40 | 14 | 161 | — | 49 | — | 0.0% | — | — | — | — |
| Personnel Services | 1,800 | 1,241 | 1,472 | 904 | 966 | 283 | 526 | 85.9% | 537 | 553 | 570 | 587 |
| Fringes | 357 | 309 | 342 | 246 | 214 | 81 | 137 | 69.1% | 140 | 144 | 148 | 152 |
| Contractual Services | 780 | 1,009 | 487 | 345 | 63 | 245 | 57 | -76.7% | 58 | 61 | 64 | 67 |
| Materials/Other | 275 | 251 | 287 | 159 | 199 | 216 | 189 | -12.5% | 187 | 174 | 160 | 146 |
| Total | 3,212 | 2,850 | 2,602 | 1,815 | 1,442 | 874 | 909 | 4.0% | 922 | 932 | 942 | 952 |
| Net Change in Fund Balance ¹ | (600) | (138) | — | 476 | — | (248) | 4 | | — | — | — | — |
| Fund Balance ¹ | 1,986 | 2,448 | 2,448 | 2,924 | 2,924 | 2,676 | 2,676 | 0.0% | 2,676 | 2,676 | 2,676 | 2,676 |
| Cash Balance | 1,624 | 2,238 | 2,238 | 2,784 | 2,784 | 2,550 | 2,550 | 0.0% | 2,550 | 2,550 | 2,550 | 2,550 |
| Target Cash Reserve ² | 546 | 485 | 442 | 309 | 245 | 149 | 155 | 4.0% | 157 | 158 | 160 | 162 |
| Variance Cash to Target Cash | 1,078 | 1,753 | 1,796 | 2,475 | 2,539 | 2,401 | 2,395 | -0.2% | 2,393 | 2,392 | 2,390 | 2,388 |

¹ The Net Change in Fund Balance and fund balance for 2018 and 2019 are the amounts recorded in the CAFR.

² In accordance with the financial reserve policy, target cash reserve is 17%.

**City of Minneapolis
2021 Adopted Budget
Financial Plan**

Regulatory Services Special Revenue Fund

Introduction

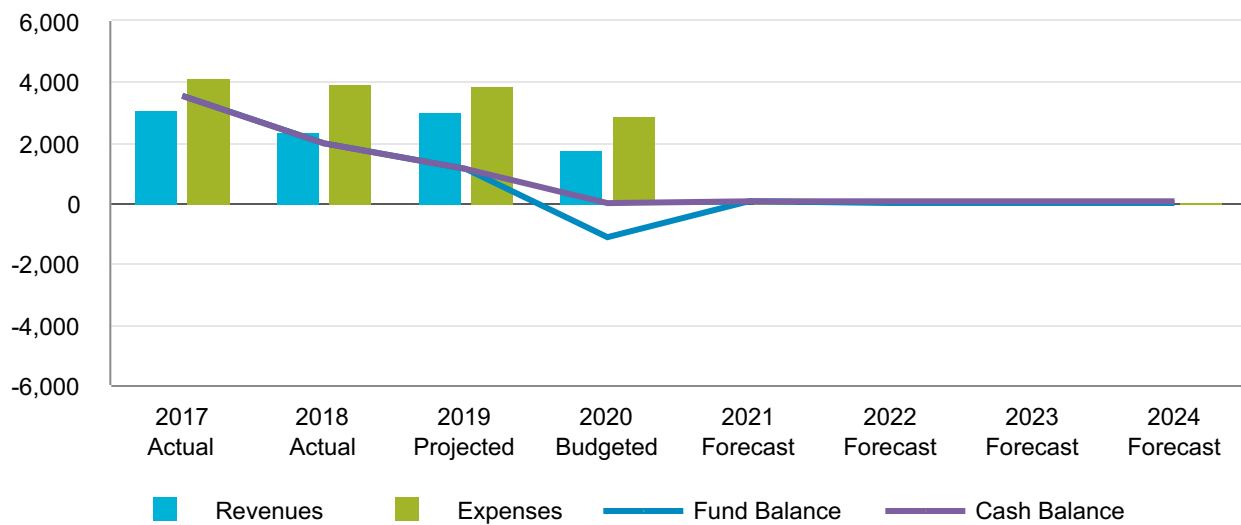
The Regulatory Services Special Revenue Fund accounts for the City’s nuisance building abatement efforts, and operations within the fund are primarily managed by the Regulatory Services Department. The Fund is used for the abatement of buildings that have been deemed to be in nuisance condition pursuant to Chapter 249 for removal of nuisance conditions. Property owners are charged to recover the costs of these activities and all recovered costs are credited back to this fund. The majority of revenue in the fund is received from Special Assessments paid with property taxes twice annually.

Historical Financial Performance

The City established this fund in 2008, and through 2013 it accumulated a fund balance of \$5.5 million. This balance grew as a result of various initiatives in previous years and the availability of grant funds to pay for certain eligible expenditures. These two revenue sources did not continue, leaving special assessments and direct property owner charges as the only sources of revenue for this fund. These resources are facing challenges as assessments and property charges are diminishing primarily due to an improved economy where residents have the resources to proactively make property repairs and improvements.

Current Year Projections

**Financial Snapshot
Regulatory Services Special Revenue Fund
(in thousands of Dollars)**



Revenues

The majority of the revenue in this fund comes from Vacant Building Registrations. Homeowner citations, paid directly or through Special Assessments is another source. Special Assessment revenue has declined to the point that it cannot sustain current expenses in the fund. 2020 fund revenue is projected to be \$2.08M, or \$393,000 under budget due to lower than anticipated special assessment collection.

Expenses

Expenditures for the Regulatory Services Special Revenue Fund include services such as demolitions, board-ups, nuisance grass cutting, nuisance tree removals and nuisance rubbish removal. As fewer citations are written, fewer contractors are required to perform nuisance abatements, thereby reducing expenditures. Additionally, fewer demolitions are being performed and that has reduced Capital Outlay spending. The 2020 expense budget was reduced by \$263,000, 8%, in the 2020 revised budget. Spending is projected to come in at the revised budget, or \$3.2M. Savings is achieved by holding vacancies open and reducing spending to abating non-emergency nuisance conditions.

Fund Balance & Cash Balance

In 2019, revenue and expense fell short of the adopted budget. The result is that the fund balance was reduced by \$842 thousand. The cash balance was \$1.12 million at the end of 2019. 2020 year end cash balance is expected to decrease by \$1.054M, resulting in an end balance of \$73,000.

2021 Budget

For several years, expenditures relating to nuisance abatement in this fund have outpaced revenues, even with measures in place to contain spending. Because those expenditures are consistently higher than expense, the decision has been made to move all expenses of this fund into the general fund. Sunsetting the fund, for nuisance abatement, in 2021 is part of a multi-year plan to ensure stability of service while transitioning expenses and revenue to the general fund. For 2021, revenue and expense have been moved into the general fund. However, in the council adoption phase of the budget, a change item directed staff to transfer \$100K to a fund for tenant relocation services which will act as a revolving fund.

Revenues

The Council approves a \$100K transfer for tenant relocation services, which will be recorded in the 01900 fund. All nuisance abatement related 2021 revenues will be recorded in the general fund.

Expenditures

The council approves spending on tenant relocation services out of the 01900. All nuisance abatement related expenditures will now be recorded in the general fund as this was part of a long term plan.

Fund Balance & Cash Balance

The fund balance and cash balance for the Regulatory Services Special Revenue Fund was \$1.13 million and \$1.12 million, respectively, as of December 31, 2019. The fund balance and cash balance have been declining for several years. The result of these figures is that there are insufficient operating reserves in this fund to carry it past 2020 without a transfer from other funds. With the new change item, \$100K will be transferred to the fund with an anticipated \$40K in spending for a fund balance of \$60K.

City of Minneapolis
2021 Council Adopted Budget
Financial Plan (in thousands of dollars)

Regulatory Services Special Revenue Fund

| | 2018 Budget | 2018 Actual | 2019 Budget | 2019 Actual | 2020 Budget | 2020 Projected | 2021 Budget | % Chg From 2020 Projected | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|-------------------|----------------|---------------------------------|------------------|------------------|------------------|------------------|
| Source of Funds: | | | | | | | | | | | | |
| Special Assessments | 3,116 | 2,047 | 2,348 | 1,956 | 2,370 | 1,700 | — | -100.0% | 40 | 40 | 40 | 40 |
| Inspections/Miscellaneous | 248 | 330 | 279 | 286 | 100 | 103 | — | -100.0% | — | — | — | — |
| Transfer In | | | 800 | 800 | | | 100 | | | | | |
| Total | 3,364 | 2,377 | 3,427 | 3,042 | 2,470 | 1,803 | 100 | -94.5% | 40 | 40 | 40 | 40 |
| Use of Funds: | | | | | | | | | | | | |
| Capital Outlay | 425 | 79 | 100 | 14 | 115 | — | — | —% | — | — | — | — |
| Personnel Services | 2,308 | 2,101 | 2,195 | 2,100 | 1,512 | 1,429 | — | -100.0% | — | — | — | — |
| Fringes | 962 | 844 | 883 | 856 | 645 | 670 | — | -100.0% | — | — | — | — |
| Contractual Services | 1,301 | 869 | 1,045 | 888 | 887 | 798 | 40 | -95.0% | 40 | 40 | 40 | 40 |
| Transfer Out | — | — | — | — | — | — | — | | | | | |
| Materials/Other | 49 | 51 | 43 | 26 | 47 | 33 | — | -100.0% | — | — | — | — |
| Total | 5,045 | 3,944 | 4,266 | 3,884 | 3,206 | 2,930 | 40 | -98.6% | 40 | 40 | 40 | 40 |
| Net Change in Fund Balance | (1,681) | (1,567) | (839) | (842) | (736) | (1,127) | 60 | -105.3% | — | — | — | — |
| Fund Balance | 1,855 | 1,969 | 1,130 | 1,127 | 392 | — | 60 | -100.0% | 60 | 60 | 60 | 60 |
| Total Cash Balance | 1,851 | 1,965 | 1,126 | 1,123 | 388 | (4) | 161 | -4,125.0% | 161 | 161 | 161 | 161 |

**City of Minneapolis
2021 Adopted Budget
Financial Plan**

Municipal Parking Fund

Introduction

The Municipal Parking Fund, managed by the Public Works Department, accounts for the operation and maintenance of the City parking system. In addition, major parking capital construction, repairs and replacement activities occur in this fund.

Parking Fund revenues and expenses are generated daily from these three system programs:

- Off-street parking (ramps and surface lots)
- On-street parking (parking meters and parking zones)
- Impound Lot (tow operations and vehicle auctions)

Historical Financial Performance

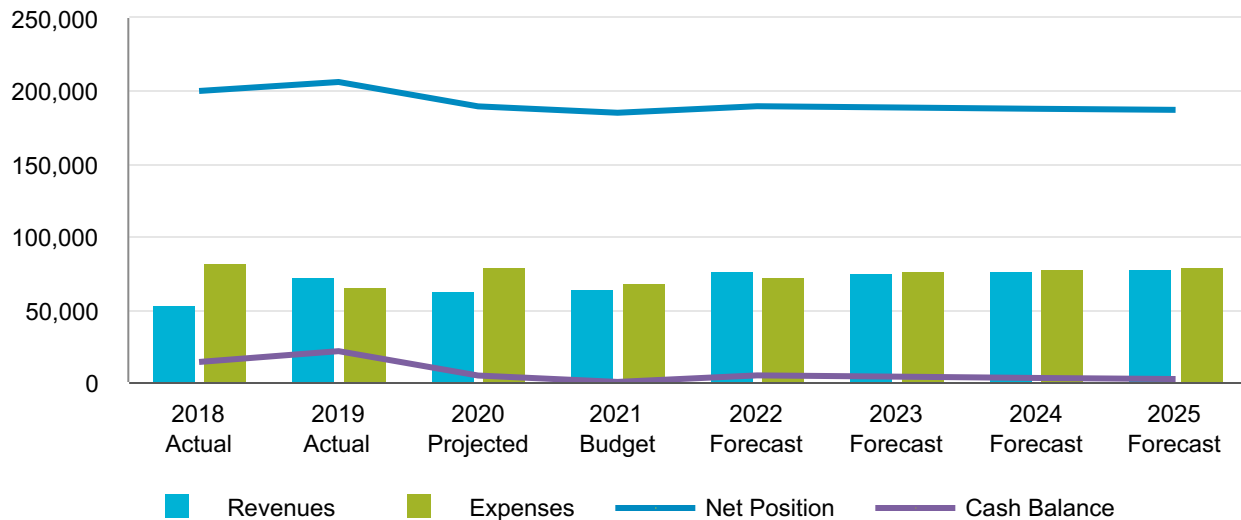
For the most recent five years (2015 to 2019) the Parking Fund's financial condition has historically been stable and positive. The Fund continues to experience financial challenges due to remaining debt levels and funding needs of other City functions. The Fund has transfers out that lead to lower Fund net income. The cash balance has fluctuated yearly based on unique one-time expenses, mostly capital and transfers. The Fund Operating Cash Balance remains positive and at 2019 year-end was \$21.1 million.

For the most recent five years (2015 to 2019) the parking system performance has increased cash flow from operations. The parking system is generally reflective of economic and employment conditions. Steady off-street parking use along with recent economic upturn and employment gains in downtown have resulted in additional off-street parking business. Between 2010 and 2019, the parking meter technology with credit card capability, event rates, additional meter coverage, and improved economic conditions have resulted in strong revenue growth. The recent addition of the parking smartphone app has resulted in on-street revenue growth in both 2018 and 2019. Overall in 2019, the parking system revenue increased about 1% due mainly to the continued increase in parking meter revenue for the above reasons and higher performing parking facilities around US Bank Stadium.

The year-end 2019 overall debt principal was \$58.6 million. The future debt is scheduled over the next 13 years with payments that are relatively constant but fluctuate slightly over those years. The Fund's parking system generates positive earnings and is capable of satisfying its debt service while maintaining its capital assets.

Current Year Projections

Financial Snapshot – Parking Fund (in thousands of Dollars)



Revenues

The current 2020 revenues are underperforming, with the Parking Funds projected operating revenues expected to decrease from 2019 totals by 42.8% from \$71.7 million to \$41.1 million. This is due to the COVID-19 pandemic and its related economic down turn, which has impacted parking volume since March and it's anticipated it will last into 2021.

Expenses

The projected 2020 operating expenses of \$37.9 million are expected to be \$4.6 million under budget and \$7.6 million less than 2019. This would be a 16.7% decrease from 2019 and is mainly related to decreased operations caused by the COVID-19 pandemic.

In addition to operating expenses, the 2020 budget includes \$4.0 million for impound lot capital improvements and \$3.0 million for on-street meter upgrades.

Net Position & Cash Balance

The Parking Fund net position includes all the assets held by the Fund. The Net Position was \$206 million at year-end 2019 and is expected to drop to \$189.3 million by the end of 2020.

The Parking Fund cash balance at year-end 2019 was \$21.1 million. Based on the 2020 projections, the Parking Fund cash balance will decrease to \$4.4 million by year end.

2021 Budget

In 2018 the Government Center Parking ramp was discontinued as a City asset as part of the exchange for the new city office building construction. Since this ramp no longer exists as a city asset both the revenue and expenses for 2019 and future years have been removed from the Parking Fund forecasts.

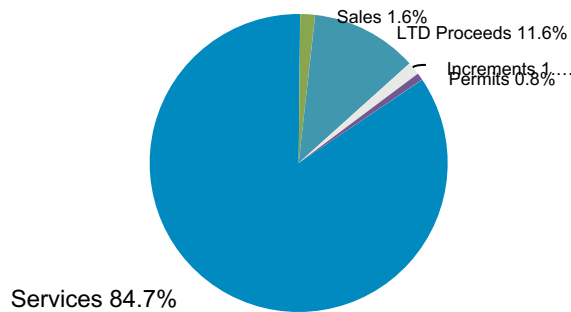
The Parking Fund budget assumed the new Impound Lot construction would start in 2017 and be completed in 2018. The exact timing of the construction is still underway, but it appears the majority of construction may occur in 2020.

Revenues

The 2021 Parking Fund operating revenue budget is expected to increase by 35.4% to \$55.6 million from the \$41.1 million projected 2020 revenue. The 2021 revenue budget is anticipated to project higher than 2020 as a result of a partial recovery from the COVID-19 pandemic and economic downturn.

The Fund also receives special assessments and tax increment revenues. These revenues will remain the same with approximately \$0.9 million in 2020 to \$0.9 million in 2021, primarily due to tax increment. These revenues are expected to slightly increase in 2022 but then remain flat in future years.

**2021 Source of Funds
(\$63.9 million)**

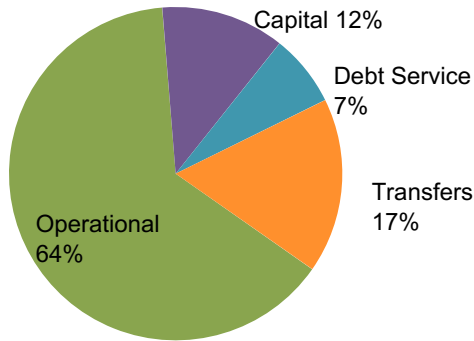


Expenses

The 2021 proposed Parking Fund expense budget is \$68.3 million which is a 14.2% decrease from 2020 projected expenses of \$79.7 million.

The 2021 capital budget decrease from \$10.3 projected in 2020 to \$8.4 million. Both 2020 and 2021 capital increases are due to planned Impound Lot and on-street meter improvements. After these two years, the capital budget returns to a \$5.0 million per year average for future years.

**2021 Use of Funds
(\$68.3 million)**



Transfers

The Fund transfers in and out are reflected in the above revenues and expenses. More specifically, the key transfers out include:

- Target Center Arena Fund transfers are forecast at \$3.9 million in 2021. This transfer out increases to \$5 million in 2022 and beyond.
- General Fund transfers are forecast to remain constant. In 2021, this transfer out will be about \$7.6 million.
- Solid Waste and Recycling annual transfer out of \$146,000 remains constant to support service for bus shelter litter containers.

Debt Service

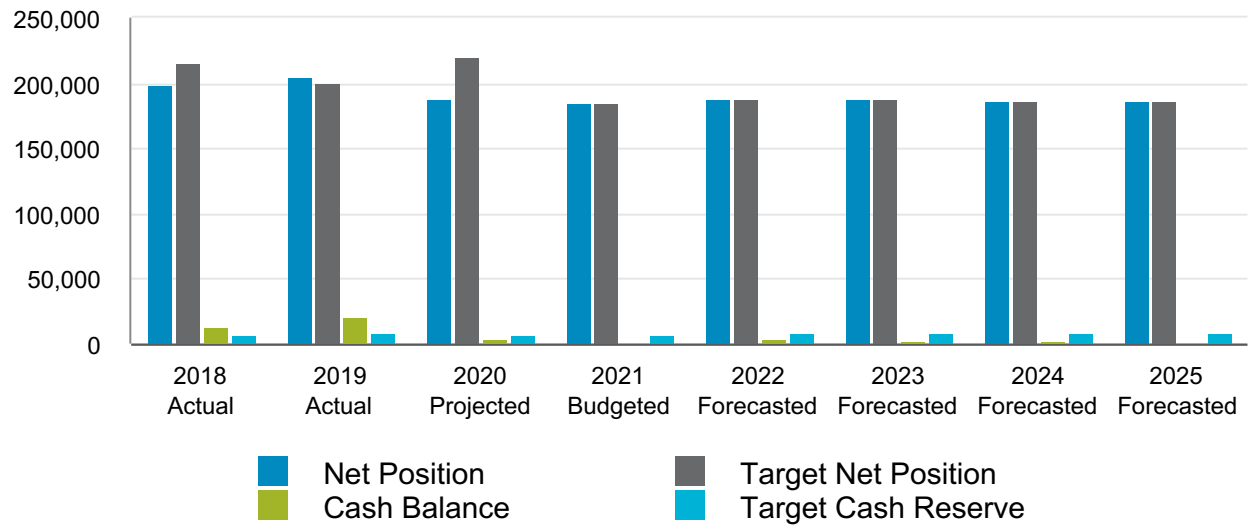
Total debt service, which includes principal and interest on bonds and notes issued for the Parking System is \$4.8 million for 2021. Total debt service payments are forecasted to increase in future years. Opportunities to reduce debt payments are continually monitored and the 2020 projections and out years reflect a 2020 refinancing of existing debt to lower annual and total payments in future years.

Net Position & Cash Balance

The Parking Fund expects net position to decrease from \$206 million at the end of 2019 to \$184.9 million in 2021, due to the COVID-19 pandemic and related loses in revenue.

The City’s financial policy requires the fund to carry a cash balance equal to or greater than three month’s operating expenses, excluding the ABC Ramps. The target cash balance at the end of 2021 is \$7.6 million, with a projected cash balance then of \$50 thousand, it leaves the Fund \$7.5 million under the requirement. The Department will continue to monitor the fund as 2020 progresses to ensure the fund returns to a stable state. Additional revenue options, if needed, are being considered along with further reducing operating and capital expenses.

**Parking Fund
Net Position & Cash Balance
(in thousands of dollars)**



City of Minneapolis
2021 Adopted Budget
Financial Plan (in thousands of dollars)
Municipal Parking Fund

| | 2018 Budget | 2018 Actual | 2019 Budget | 2019 Actual | 2020 Budget | 2020 Projected | 2021 Budget | % Chg From 2020 Projected | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast |
|--|----------------|-----------------|----------------|----------------|----------------|-------------------|----------------|---------------------------------|------------------|------------------|------------------|------------------|
| Source of Funds: | | | | | | | | | | | | |
| License and Permits | 450 | 782 | 495 | 570 | 695 | 695 | 500 | (28.1)% | 510 | 520 | 531 | 541 |
| Charges for Service, Sales/Permits | 61,139 | 69,100 | 64,191 | 69,426 | 71,125 | 39,374 | 54,117 | 37.4 % | 72,234 | 73,535 | 74,859 | 76,209 |
| Charges for Sales | 1,100 | 1,230 | 1,000 | 1,713 | 1,000 | 1,000 | 1,000 | — % | 1,020 | 1,040 | 1,061 | 1,082 |
| Special Assessments | 543 | — | 543 | — | 543 | — | — | — % | — | — | — | — |
| Exchange of Gov't Center Ramp | 6,000 | (18,121) | — | — | — | — | — | — % | — | — | — | — |
| Other Miscellaneous Revenues | — | 90 | — | 49 | — | — | — | — % | — | — | — | — |
| Tax Increment Transfers In | 1,137 | 749 | 929 | 724 | 883 | 883 | 879 | (0.5)% | 1,175 | 1,140 | 1,105 | 1,107 |
| Proceeds of Long Term Liabilities | 3,700 | — | 1,000 | — | 7,000 | 20,957 | 7,400 | — % | 2,000 | — | — | — |
| Total | 74,069 | 53,830 | 68,158 | 72,482 | 81,246 | 62,909 | 63,896 | 1.6 % | 76,939 | 76,235 | 77,556 | 78,939 |
| Use of Funds: | | | | | | | | | | | | |
| Debt Service | 7,674 | 19,289 | 7,143 | 6,650 | 5,135 | 18,739 | 4,518 | (75.9)% | 6,186 | 8,152 | 8,607 | 8,579 |
| Future Debt Service | — | — | — | — | — | — | 300 | — % | 1,173 | 1,536 | 1,536 | 1,536 |
| General Fund Transfer Out | 7,000 | 8,000 | 7,000 | 7,000 | 7,990 | 7,990 | 7,640 | (4.4)% | 7,640 | 7,640 | 7,640 | 7,640 |
| Target Arena Transfer Out | 4,158 | 4,158 | 4,383 | 4,383 | 4,615 | 4,615 | 3,853 | (16.5)% | 5,000 | 5,000 | 5,000 | 5,000 |
| Debt Service Transfer Out | — | — | — | — | — | — | — | — % | — | — | — | — |
| Sanitation Transfer Out | 146 | 146 | 146 | 146 | 146 | 146 | 146 | — % | 146 | 146 | 146 | 146 |
| PW-Traffic & Parking | 44,160 | 47,365 | 45,962 | 45,495 | 42,526 | 37,908 | 43,429 | 14.6 % | 48,006 | 49,181 | 50,389 | 51,630 |
| PW-Traffic & Parking Capital | 7,200 | 2,965 | 3,000 | 2,309 | 5,500 | 10,252 | 8,400 | (18.1)% | 4,300 | 5,440 | 5,140 | 5,140 |
| Total | 70,338 | 81,923 | 67,634 | 65,983 | 65,912 | 79,650 | 68,286 | (14.3)% | 72,451 | 77,095 | 78,458 | 79,671 |
| Change in Net Position | 3,731 | (28,093) | 524 | 6,499 | 15,334 | (16,741) | (4,390) | (73.8)% | 4,488 | (860) | (902) | (732) |
| Net Position* | 217,011 | 199,883 | 200,407 | 206,049 | 221,383 | 189,308 | 184,918 | (2.3)% | 189,406 | 188,546 | 187,644 | 186,913 |
| Total Cash Balance** | 30,271 | 13,759 | 14,283 | 21,182 | 36,516 | 4,441 | 51 | | 4,539 | 3,679 | 2,777 | 2,046 |
| Operating Cash balance | 30,271 | 13,759 | 14,283 | 21,182 | 36,516 | 4,441 | 51 | | 4,539 | 3,679 | 2,777 | 2,046 |
| Target Cash Reserve | 7,930 | 8,121 | 8,455 | 8,460 | 7,631 | 7,631 | 7,575 | | 8,686 | 8,947 | 9,214 | 9,491 |
| Variance Operating to Target Cash | 22,341 | 5,638 | 5,828 | 12,722 | 28,885 | (3,190) | (7,524) | | (4,147) | (5,268) | (6,437) | (7,445) |

*Change in Net Position does not include any changes in Balance Sheet items

** 2021 totals include \$3M bond and capital appropriation rollovers.

**City of Minneapolis
2021 Adopted Budget
Financial Plan**

Sanitary Sewer Fund

Introduction

The Sanitary Sewer Fund accounts for the activities related to wastewater collection and treatment. Approximately 53.1% of the expense in the Sanitary Sewer Fund's 2021 budget is comprised of contractual payments made to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment related services. The Sanitary Sewer Fund portion is approximately 95.0% of the total paid by the City to MCES with the remaining 5.0% being provided by the Storm Water Fund. The fund also accounts for City services, operations, maintenance, design work, capital programs, transfers, and long-term debt service associated with the sanitary sewer system.

Sanitary sewer source of fund includes: monthly billing for sewer services, proceeds from sales of bond used for capital programs, SAC fees and miscellaneous activities. Monthly billing for sewer services is the major source of revenue for sanitary sewer follow by bond sales and SAC fees. SAC fees are off-set by expenditures related to the design activities and SAC charges. The Surface Water & Sewer division of the Public Works Department is responsible for the management of operations within this fund.

Historical Financial Performance

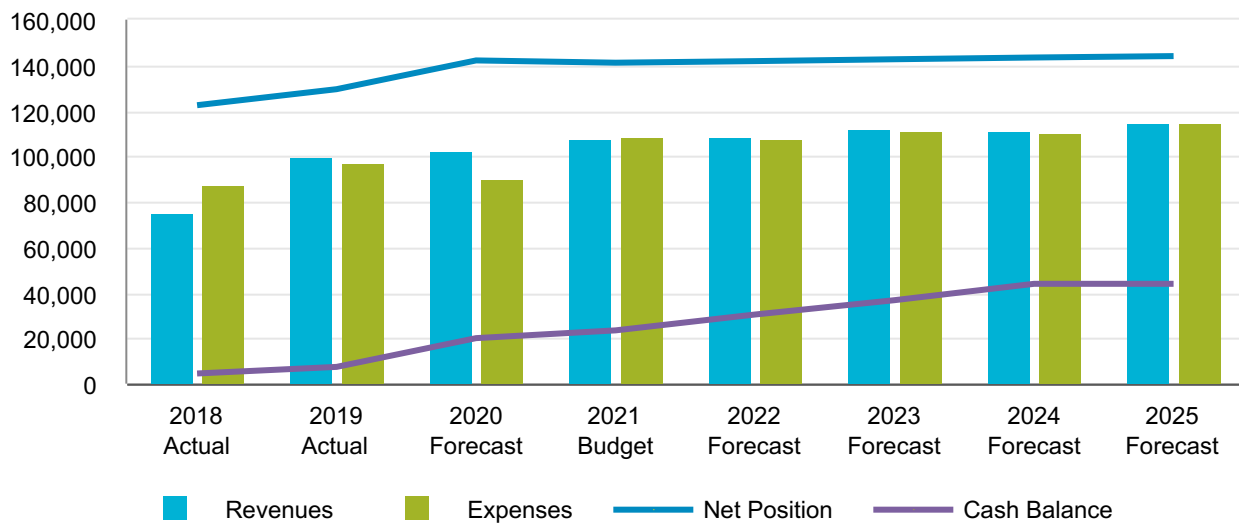
The Sanitary fund has performed consistently over the last five years up until 2018. In 2018, there were very few bonds issued, thus contributing to lower than normal cash balance. Bond issuance increased in 2019 but not enough to bring cash balance up to a more normal historic level. In 2019, the cash balance improved somewhat to \$7.0 million from \$4.5 million in 2018. However, it is projected to gradually climb back up again starting in 2020 and future years. Other than 2018 and 2019, the fund has regularly posted cash balances in the \$16.0 million range and has also maintained its cash reserve above the three months operating threshold. Both the cash balances and cash reserve are projected to be up in the \$17.0-\$22.0 million range starting in 2020 and future years. As a result, the department has been able to use the cash balance to:

- (i) fund operations and construction;
- (ii) meet obligations for shared costs and services with other City departments;
- (iii) appropriately time the sales of bonds to keep debt financing low;
- (iv) structure and restructure the debt schedule for lower interest and payments; and
- (v) control utility rate increases.

The Sewer division will continue its major repairs, upgrades, rehabilitation and cleaning work paying these out of its operating and capital appropriations. The goal has been to maintain, and build upon, unrestricted cash reserve, and fall upon debt financing only as needed. The outlook for the fund for the next five years looks stable with increasing cash and unrestricted reserve balances.

Current Year Projections

Financial Snapshot Sanitary Sewer Fund (in thousands of Dollars)



Revenues

The current operating revenue is projected to be under the budgeted amount of \$86.3 million, by \$1.4 million due to lower operating revenues because of less activities in Minneapolis due to COVID-19. A MET Council grant of \$1.7 million came in May of 2020 to reimburse for 2019 expenses, leading to Other Revenues being higher in 2020.

Proceeds from prior years' bond sales are available in the arbitrage fund to cover infrastructure related costs. This balance has been projected to increase to \$9.6 million from additional bond sales in 2020 compared to \$9.2 million in 2019. Sewer Availability Charges, or SAC, are one-time fees collected from residents or businesses for initial connection to the wastewater system. These fee revenues are collected from property owners and developers and passed on to the Metropolitan Council. Therefore, any increase or decrease in SAC revenues corresponds to similar increase or decrease in SAC expenditures.

Expense

Operating expenses for 2020 are projected at \$70.9 million compared to the revised 2020 budget of \$70.3 million. The projected expenses of \$0.6 million over the budgeted amount is due to SAC charges projected at \$1.0 million over budget, but these higher SAC charges are off-set by higher SAC revenues.

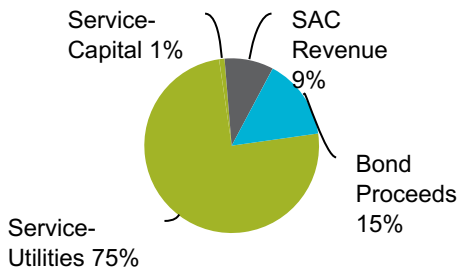
Net Position & Cash Balance

The Sewer fund net position and cash balance are projected to total \$142.1 million and \$20.0 million respectively by the end of 2020. The cash balance is \$7.1 million more than the budgeted amount due to capital projects pushed forward to future years.

2021 Budget

Revenues from operations account for 87.2% of the budget with the remaining 12.8% coming from capital programs which is consistent with prior years. For 2021, use of funds is estimated to increase by 10.4% over 2020's projections.

**Source of Funds
(\$99.3 million)**



Revenues

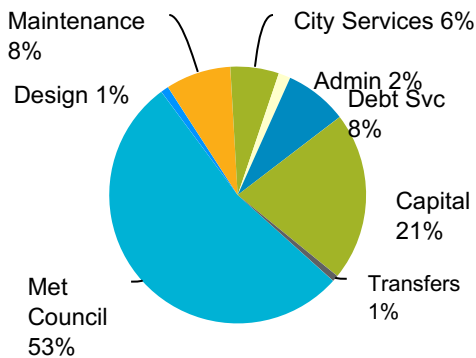
The total revenue budget for the Sanitary Sewer Fund for 2021 is \$108.4 million compared to the 2020 projected revenues of \$103.2 million, an increase of \$5.2 million, or 5.0%. The majority of the change is a result of a combined: (i) increase in service revenues of \$8.3 million, reflecting increases in monthly utility rates; and a decrease in (ii) proceeds from long-term liabilities of \$2.7 million due to more prior year bonds being issued in 2020 than in 2021.

Sanitary Utility Rates

Sanitary sewer rates are comprised of variable and fixed rates. For 2021, the variable sewer rate is proposed to increase to \$4.84 per one hundred cubic feet (one *unit*, or 748 gallons) compared to \$4.54 for 2020, while the fixed rate is set at \$6.80 for 2021 compared to \$6.30 for 2020. Rates were increased to fund sanitary treatment programs, design, maintain, upgrade and rehab sanitary tunnels, and to pay for debt service and shared meter costs.

| Year | Rate (cost per 100 per cubic feet) | % Increase | Average Monthly Bill | Utility Revenue from variable rates |
|------|------------------------------------|------------|----------------------|-------------------------------------|
| 2020 | \$4.54 | 7.8% | \$27.24 | \$62.4 million |
| 2021 | \$4.84 | 6.6% | \$29.04 | \$69.8 million |
| 2022 | \$5.01 | 3.5% | \$30.06 | \$72.2 million |
| 2023 | \$5.17 | 3.2% | \$31.02 | \$74.5 million |
| 2024 | \$5.34 | 3.3% | \$32.04 | \$76.9 million |

**Use of Funds
(\$95.3 million)**



Expense

The total expense budget for 2021 is \$109.4 million compared to the 2020 projected of \$90.6 million, an overall increase of \$18.8 million, and reflects the following changes from the 2020 projection: (i) increase in Met Council charges of \$4.2 million due to a rate increase; (ii) decrease in professional services, upgrades, rehab, repairs, and maintenance work by \$681,000 in the Sewer Maintenance section; (iii) increase in City services, as established by the allocation model of \$422,000; (iv) increase of \$199,000 in Sewer administration largely due to adding sewer service line repairs previously handled in the water fund ; (v) increase in debt services and transfers by \$2.0 million; and (vi) increase in capital programs by \$11.3 million. Capital expenses for 2021 total \$23.2 million, and include a building facility, along with the ongoing inflow/infiltration, sanitary tunnel, and sewer rehab programs.

Met Council sets the rate for treatment services, referred to as Municipal Water Charges (MWC), which are allocated regionally to all users of the system, based upon their proportionate use. The largest expense in the Sanitary Sewer Fund is the service charge paid to Metropolitan Council Environmental Services (MCES) for the treatment of waste water. The estimated payment to MCES for 2021 is \$50.5 million, a 9.8% increase over 2020. The Sanitary Sewer Fund bears \$48.0 million of this cost with the remaining \$2.5 million paid from the Storm Water Fund. Minneapolis is the largest customer in the MCES

system. (Please note this payment is only a portion of the Met Council Environmental Services line as shown on the plan; the SAC payments are included in the plan total).

Transfers

A transfer from this fund is made to the Water Fund to cover shared meter expenses. The transfer was initiated in 2012 and will remain a yearly budget item. For 2021, the transfer amount is estimated at \$1.1 million with future year amounts jointly decided in cooperation with Water department.

Debt Service

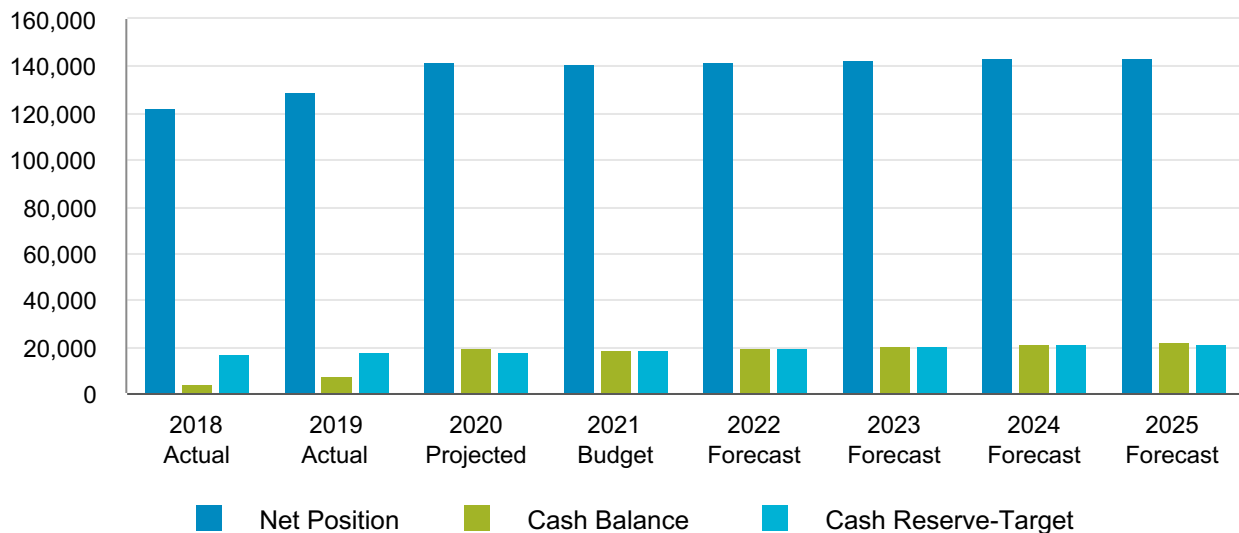
To date, the Fund’s outstanding debt arising from bond financing stands at \$34.1 million, of which nothing has been added yet in 2020. The bonds were sold to finance capital infiltration and inflow programs and upgrade the City’s sewer system. For 2021, \$8.6 million is set aside for debt service payments. For the next five years, bond proceeds will be the major source of funding for capital programs. Yearly payments for interest and principal will continue at or above the 2021 rate.

Net Position & Cash Balance

At the start of the year, cash balance was \$7.4 million, with the Fund’s net position at \$129.4 million. Based on 2020 projections, the cash balance and net position will increase to \$20.0 million and \$142.1 million respectively by the start of 2021. The five years plan forecasts a slight increase, due to increases in utility rates and proceeds from long term liabilities.

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 2021 is \$19.1 million, leaving the fund slightly below the target reserve by \$108,000.

Fund Net Position & Cash Balance
(in thousands of dollars)



City of Minneapolis
2021 Adopted Budget
Financial Plan (in thousands of dollars)
Sanitary Sewer Fund

| | 2018 Budget | 2018 Actual | 2019 Budget | 2019 Projected | 2020 Budget | 2020 Projected | 2021 Budget | % Chg | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast |
|--|----------------|-----------------|----------------|-------------------|----------------|-------------------|----------------|---------------|------------------|------------------|------------------|------------------|
| Source of Funds: | | | | | | | | | | | | |
| Charges for Service | 70,890 | 68,603 | 76,855 | 72,766 | 81,105 | 11.5 % | 84,568 | 4.3 % | 90,939 | 94,479 | 70,890 | 68,603 |
| SAC Revenues | 15,000 | 13,682 | 9,000 | 10,000 | 10,000 | | 10,000 | — % | 10,000 | 10,000 | 15,000 | 13,682 |
| Other Misc Revenues | 1,045 | 852 | 400 | 2,072 | 606 | (70.8)% | 400 | (34.0)% | 400 | 400 | 1,045 | 852 |
| Charges for Service - Capital | 1,000 | 1,009 | 1,000 | | 1,000 | | 1,000 | — % | 1,000 | 1,000 | 1,000 | 1,009 |
| Proceeds from Long Term Liabilities | 14,500 | 15,730 | 12,000 | 18,377 | 15,679 | (14.7)% | 13,122 | (16.3)% | 9,000 | 9,500 | 14,500 | 15,730 |
| Total | 102,435 | 99,876 | 99,255 | 103,215 | 108,390 | 5 % | 109,090 | 0.6 % | 111,339 | 115,379 | 102,435 | 99,876 |
| Use of Funds: | | | | | | | | | | | | |
| PW-Sewer Design | 1,586 | 1,439 | 1,538 | 1,510 | 1,420 | 1,216 | 1,053 | (25.8)% | 1,081 | 1,109 | 1,138 | 1,168 |
| PW-Sewer Maintenance | 9,648 | 10,121 | 9,669 | 8,950 | 8,266 | 8,116 | 9,001 | 8.9 % | 10,196 | 10,413 | 10,636 | 10,866 |
| MERF Debt Service -New Plan | 210 | 210 | 210 | 210 | 210 | 210 | 210 | — % | 210 | 210 | 210 | 210 |
| Met Council Environment Svcs | 49,398 | 51,437 | 51,036 | 55,766 | 52,866 | 53,910 | 58,137 | 10.0 % | 60,054 | 62,047 | 64,120 | 66,275 |
| Payment for City Services | 5,454 | 5,186 | 6,041 | 5,831 | 6,051 | 6,051 | 6,474 | 7.0 % | 6,582 | 6,692 | 6,804 | 6,919 |
| PW - Sewer Admin | 1,154 | 1,125 | 1,429 | 1,151 | 1,519 | 1,407 | 1,606 | 5.7 % | 1,619 | 1,652 | 1,690 | 1,728 |
| Debt Service | 5,153 | 4,980 | 5,193 | 5,666 | 6,686 | 6,809 | 7,419 | 11.0 % | 9,057 | 8,250 | 4,370 | 4,265 |
| Future Debt Service | — | — | 1,494 | — | 1,725 | — | 1,182 | (31.5)% | 2,262 | 4,101 | 5,708 | 7,404 |
| Transfers | | | | | | | | | | | | |
| To MERF/Gen Debt Service | — | — | — | — | — | — | — | | — | — | — | — |
| To Water Fund | 684 | 684 | 593 | 614 | 879 | 879 | 1,072 | 22.0 % | 1,209 | 1,287 | 1,396 | 1,425 |
| PW- Capital Programs | 13,600 | 12,328 | 18,500 | 18,102 | 14,100 | 11,978 | 23,237 | 64.8 % | 16,122 | 16,122 | 14,500 | 14,500 |
| Total | 86,887 | 87,510 | 95,703 | 97,800 | 93,722 | 90,576 | 109,391 | 16.7 % | 108,392 | 111,883 | 110,572 | 114,760 |
| Change in Net Position | (89) | (11,648) | 6,732 | 7,043 | 5,533 | 12,639 | (1,001) | | 698 | 822 | 767 | 619 |
| Net Position Balance | 121,135 | 122,400 | 129,132 | 129,444 | 134,977 | 142,083 | 141,082 | | 141,780 | 142,602 | 143,369 | 143,988 |
| Cash Balances | 16,076 | 4,474 | 11,207 | 7,375 | 12,908 | 20,013 | 19,012 | | 19,711 | 20,533 | 21,301 | 21,921 |
| Target Cash Reserve | 16,863 | 17,380 | 17,481 | 18,355 | 17,583 | 17,728 | 19,120 | | 19,936 | 20,531 | 21,150 | 21,792 |
| Variance Cash Balance to Target | (787) | (12,906) | (6,274) | (10,980) | (4,675) | 2,286 | (108) | | (225) | 2 | 152 | 130 |

**City of Minneapolis
2021 Adopted Budget
Financial Plan**

Solid Waste and Recycling Fund

Background

The Solid Waste and Recycling Fund provides services related to collection, disposal, and recycling of household waste, yard waste, and problem materials. Graffiti removal and the organics program are additional activities. The Solid Waste Division provides weekly and bi-weekly services for trash, yard-waste, organics, and recycling material pickups. It also operates a solid waste transfer station providing service to over 107,000 households. City crews provide approximately one-half of the solid waste collection service in the City with the other half provided through a contract with a consortium of companies specializing in waste collection.

Funding for Solid Waste and Recycling activities is primarily generated from solid waste collection fees through monthly utility bills. The Fund also receives yearly grants from Hennepin County. Additional revenue is generated through recyclable sales, miscellaneous services, graffiti abatement, and organic programs. The division of Solid Waste & Recycling is responsible for the management of the operations within this fund.

Historical Financial Performance

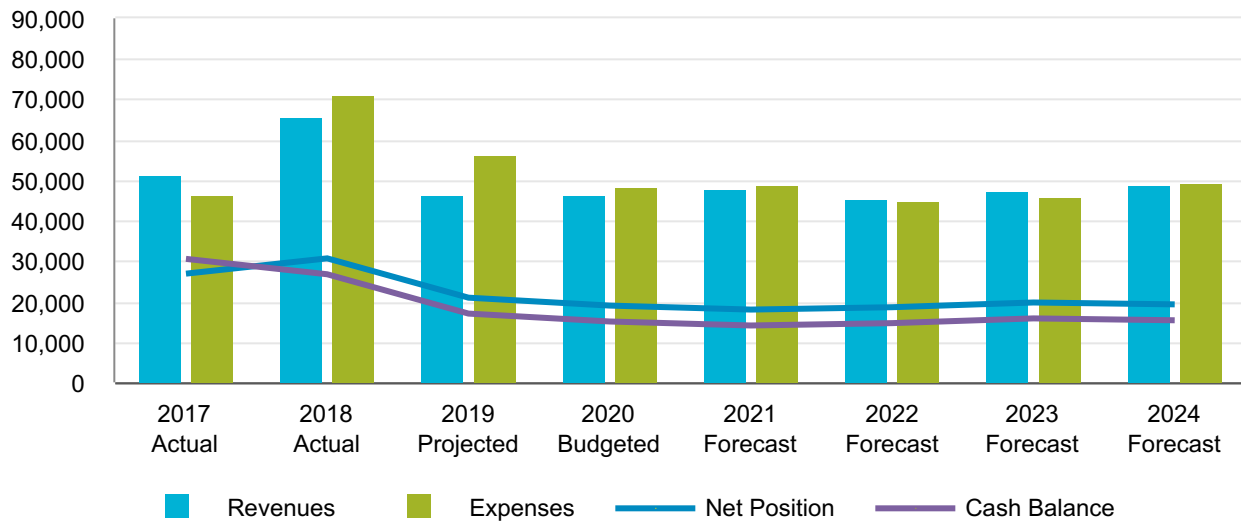
The overall financial condition of the Solid Waste and Recycling Fund has remained stable over the last five years, despite implementing one-sort and organic programs at an additional cost of \$8.9 million. The Fund has been continuously maintaining its cash balance above \$22.6 million, keeping the three-month cash reserve of at least \$9.4 million, and leaving at least \$15.1 million as unrestricted. This changed in 2019 and 2020 as some of the cash balance above the reserve requirement was used to fund part of the new facility. Total revenues for 2019 were at \$66.0 million compared to \$71.1 million in total expenses. Increase in the year's expenditures was expected due to Capital program which will continue for the next few years. Even with this ongoing facility construction, the fund has been able to:

- (i) fund new programs - mattress and electronics hauling and recycling;
- (ii) start new initiatives - zero waste studies, litter prevention, step-up interns, and graffiti abatement programs;
- (iii) meet its obligations for shared costs and services with other City departments;
- (iv) finance the Solid Waste Information System (SWIS) replacement project, and upgrade its software support system;
- (v) replace vehicle, trucks, carts, and other business line equipment on a yearly basis;
- (vi) maintain staffing levels; and
- (vii) control utility rate increases.

The outlook for the Fund for the next five years looks just as stable as the past five. A new \$44.3 million facility was completed in May of 2020 and paid out of fund balance and debt proceeds.

Current Year Projections

Financial Snapshot Solid Waste & Recycling Fund (in thousands of Dollars)



Revenue

For the current year, revenue is projected to reach \$46.6 million compared to \$66.0 million earned in 2019 reflecting an decrease of \$19.4 million mainly due to \$20.5 million in bond sales in 2019 and no bond sales in 2020. Solid waste utility revenue is projected to increase by \$682,000 compared to 2019 due to increase in rates and dwelling units. County recycling grants and miscellaneous revenues are projected to be realized as budgeted in the current year.

Expense

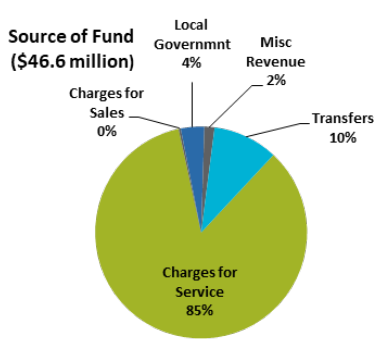
Operating expense for 2020 is projected to equal \$43.3 million compared to \$40.5 million spent in 2019, due to a 10% increase in volume in waste collection and disposal from April, 2020, and forward since more people working from home due to COVID-19. The capital program is projected to incur \$8.0 million in expense in 2020 compared to \$26.8 million spent in 2019. The new building was ready in May of 2020.

Net Position and Cash Balance

Since incurring \$8.0 million of capital expenditures in 2020 without issuing any bonds, cash balance is expected to decrease. For 2020 year-end, net position and cash balance are expected to total \$20.9 million and \$17.0 million respectively.

2021 Budget

Over the last four years, a total of \$28.7 million has been earmarked for a facility improvement to be funded through bonds. The facility was completed in May of 2020 and the Solid Waste personnel moved in to the new facilities. For the 2021 budget, there are no more construction costs budgeted for this project.



Revenues

The total revenue budget for 2021 stands at \$46.6 million compared to \$46.6 million in revenue projected for 2020. This is no change over the 2020 projection and is a result of; (i) increase in service revenue, estimated at \$39.4 million, which is \$116,000 higher than the projection for 2020, due to an increased number of households serviced; (ii) increase in Transfer Station sales by \$56,000.

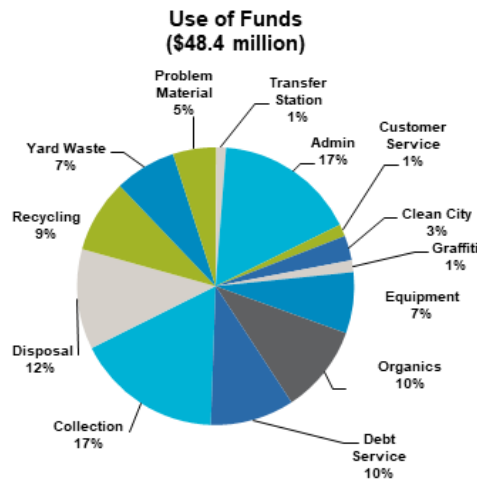
Solid Waste Utility Rates

The Department proposes no increase to the base rate for collection and hauling and remain at \$25.08 per dwelling unit, no increase over the 2020 utility rate, during the COVID-19 pandemic since financial hardship is expected to last through 2021. The estimated number of dwelling units in 2021 is 107,391, an increase of 273 units compared to 2020. The fixed rate for small and large carts remains the same at \$2.00 and \$5.00 for the foreseeable future.

| Year | Base Rate | % Increase | Dwelling Units | Total Planned Revenue from Utility Fee |
|------|-----------|------------|----------------|--|
| 2020 | \$25.08 | 2.3% | 107,118 | \$38.7 million |
| 2021 | \$25.08 | —% | 107,391 | \$38.8 million |
| 2022 | \$26.29 | 4.8% | 107,391 | \$40.3 million |
| 2023 | \$27.55 | 4.8% | 107,391 | \$42.0 million |
| 2024 | \$28.87 | 4.8% | 107,391 | \$43.7 million |
| 2025 | \$30.26 | 4.8% | 107,391 | \$45.4 million |

Expense

The total expenditure budget for 2021 amounts to \$48.4 million compared to \$56.3 million projected for 2020, a decrease of \$7.9 million, or 14.0%. The operating budget totals \$43.6 million and the remaining \$4.8 million is for facility related debt service. The 2021 operating budget, compared to 2020 projections, reflects the following changes: (i) an increase in admin, organics, collection, yard waste, recycling, customer service, and graffiti of \$1.3 million due to new vendor contracts; (ii) a decrease in equipment, transfer stations, disposal and problem materials by \$1.1 million due to less equipment purchases and lower volumes; (iii) a decrease of \$8.0 million in capital spending due to new facility done in 2020; (iv) a decrease in IT projects by \$174,000; (v) decrease in debt services by \$167,000.



Transfers

The Solid Waste and Recycling Fund will continue to receive a \$146,000 transfer from the Parking Fund for litter container pick-ups in the downtown area. The Fund has also been receiving an annual transfer from the General Fund for graffiti removal since 2014. For 2020, General Fund transfers total \$325,000. These transfers are expected to continue with variations in programs and amounts.

Debt Service

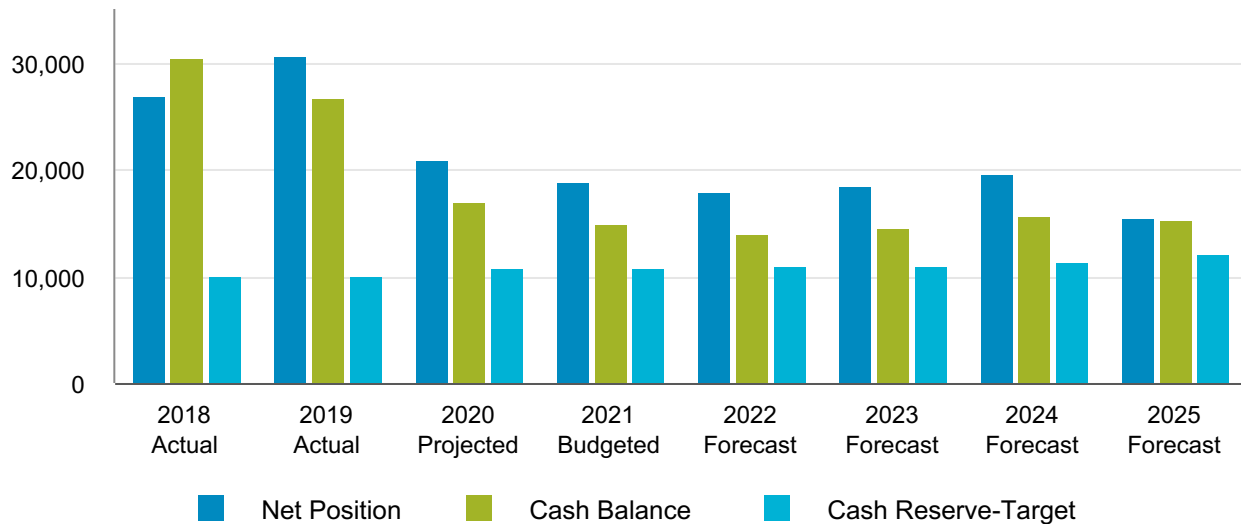
The Fund anticipates \$167,000 decrease in debt service payments for principal and interest in 2021. The decrease is due to no new bonds being issued in 2020 but principal was paid off.

Net Position & Cash Balance

The Solid Waste Fund started the year with a cash balance of \$26.7 million and a net position total of \$30.7 million. Based on the 2020 estimates, the cash balance and net position will decrease to \$17.0 million and \$20.9 million, respectively. The five-year plan forecasts a level net position of \$18.1-18.9 million and a level cash balance of \$14.1 - \$15.9 million, through 2025.

The City's financial policy requires a fund to maintain a cash balance equal to or greater than three months' operating expense. Therefore, the target cash balance throughout 2021 is \$10.9 million making \$4.3 million available for debt services.

Solid Waste Fund Net Position & Cash Balance
(in thousands of dollars)



City of Minneapolis
2021 Adopted Budget
Financial Plan (in thousands of dollars)
Solid Waste Fund

| | 2018 Budget | 2018 Actual | 2019 Budget | 2019 Actual | 2020 Budget | 2020 Projected | 2021 Budget | % Chg From 2020 Projected | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast |
|--|----------------|----------------|----------------|----------------|----------------|-------------------|----------------|---------------------------------|------------------|------------------|------------------|------------------|
| Sources of Funds: | | | | | | | | | | | | |
| Local Government | 1,701 | 1,682 | 1,768 | 1,854 | 1,659 | 1,659 | 1,671 | 0.7 % | 1,671 | 1,671 | 1,671 | 1,671 |
| Charges for Service | 37,705 | 37,861 | 38,598 | 38,626 | 39,308 | 39,308 | 39,424 | 0.3 % | 40,975 | 42,602 | 44,306 | 46,092 |
| Charges for Sales | 350 | 182 | 350 | 175 | 150 | 150 | 150 | — % | 150 | 150 | 150 | 45 |
| Special Assessments | — | 93 | — | 91 | — | — | — | — % | — | — | — | — |
| Other Misc Revenues, Rents | 758 | 1,029 | 758 | 695 | 758 | 668 | 724 | 8.4 % | 724 | 724 | 724 | 748 |
| Long Term Proceeds - Capital | 3,710 | 9,919 | — | 20,543 | — | — | — | 100 % | — | — | — | — |
| Operating Transfers In: | | | | | | | | | | | | |
| Parking Fund | 146 | 146 | 146 | 146 | 146 | 146 | 146 | — % | 146 | 146 | 146 | 146 |
| General Fund - Graffiti | 325 | 325 | 325 | 325 | 325 | 325 | 325 | — % | 325 | 325 | 325 | 325 |
| Bond Redemption Fund | — | — | 3,523 | 3,523 | 4,324 | 4,324 | 4,136 | — % | 3,953 | — | — | — |
| Total | 44,696 | 51,237 | 45,468 | 65,978 | 46,670 | 46,580 | 46,576 | — % | 47,944 | 45,618 | 47,322 | 49,027 |
| Use of Funds: | | | | | | | | | | | | |
| Collection | 7,709 | 7,553 | 7,734 | 7,955 | 7,223 | 7,800 | 7,951 | 1.9 % | 8,111 | 8,271 | 8,434 | 8,601 |
| Disposal | 5,346 | 5,114 | 5,221 | 5,131 | 4,710 | 5,800 | 5,758 | (0.7)% | 5,812 | 5,930 | 6,051 | 6,174 |
| Recycle | 4,064 | 3,712 | 4,191 | 3,949 | 3,731 | 4,072 | 4,222 | 3.7 % | 4,405 | 4,436 | 4,517 | 4,601 |
| Yard Waste | 3,336 | 3,093 | 3,468 | 3,080 | 3,046 | 3,374 | 3,540 | 4.9 % | 3,605 | 3,671 | 3,738 | 3,806 |
| Problem Material | 2,343 | 2,341 | 2,519 | 2,407 | 2,258 | 2,523 | 2,500 | (0.9)% | 2,615 | 2,682 | 2,750 | 2,821 |
| Transfer Stations | 470 | 591 | 820 | 770 | 658 | 701 | 560 | (20.1)% | 568 | 577 | 586 | 595 |
| Admin | 7,176 | 7,353 | 7,668 | 7,603 | 7,505 | 7,300 | 7,784 | 6.6 % | 7,753 | 7,911 | 8,072 | 8,236 |
| Customer Service | 652 | 528 | 665 | 633 | 680 | 670 | 690 | 3 % | 705 | 720 | 735 | 751 |
| Clean City | 1,557 | 1,359 | 1,567 | 1,213 | 1,500 | 1,350 | 1,424 | 5.5 % | 1,453 | 1,482 | 1,512 | 1,542 |
| Graffiti | 749 | 643 | 837 | 586 | 622 | 680 | 691 | 1.6 % | 705 | 719 | 733 | 748 |
| Equipment | 3,367 | 3,285 | 3,814 | 3,066 | 4,263 | 4,367 | 3,510 | (19.6)% | 3,363 | 2,642 | 2,919 | 5,337 |
| Organics | 4,078 | 4,260 | 4,851 | 4,104 | 4,126 | 4,667 | 5,072 | 8.7 % | 5,161 | 5,252 | 5,345 | 5,440 |
| Capital Program | 3,710 | 6,266 | — | 26,823 | — | 8,000 | — | (100)% | — | — | — | — |
| Debt Service | — | 310 | 4,172 | 3,744 | 4,997 | 4,997 | 4,830 | (3.3)% | 4,677 | 742 | 759 | 840 |
| Total | 44,557 | 46,408 | 47,527 | 71,064 | 45,319 | 56,301 | 48,532 | (13.8)% | 48,933 | 45,035 | 46,151 | 49,492 |
| Change in Net Position | 139 | 4,829 | (2,059) | 3,782 | 1,351 | (9,721) | (1,956) | | (989) | 583 | 1,171 | (465) |
| Net Position Balance | 25,529 | 26,873 | 24,814 | 30,655 | 32,006 | 20,934 | 18,978 | | 17,989 | 18,572 | 19,743 | 19,278 |
| Cash Balance | 24,663 | 30,529 | 28,470 | 26,720 | 28,071 | 16,999 | 15,043 | | 14,054 | 14,638 | 15,809 | 15,344 |
| Target Cash Reserve | 10,212 | 9,958 | 10,839 | 10,124 | 10,081 | 10,826 | 10,926 | | 11,064 | 11,073 | 11,348 | 12,163 |
| Variance Cash Balance to Target | 14,451 | 20,571 | 17,631 | 16,596 | 17,989 | 6,173 | 4,117 | | 2,990 | 3,565 | 4,461 | 3,181 |

**City of Minneapolis
2021 Adopted Budget
Financial Plan**

Storm Water Fund

Background

The storm water collection and street cleaning programs make up the budget for the Storm Water Fund. The Fund accounts for the design, construction, and maintenance of the City's storm drain system and street cleaning activities. A portion of the Storm Water Fund is used for sanitary water interceptor and treatment services, a function carried out through the Metropolitan Council Environmental Services (MCES). Street cleaning is a function of the Transportation Maintenance and Repair division of the Public Works department, with funds provided by Storm Water.

Fund resources include monthly utility billing for storm drainage services, quarterly reimbursement for maintenance services provided to the State and County, reimbursement for design work, services provided to other City departments and outside parties; and proceeds from long term liabilities and grants. The Surface Water & Sewer division is responsible for the management of operations within this fund.

Historical Financial Performance

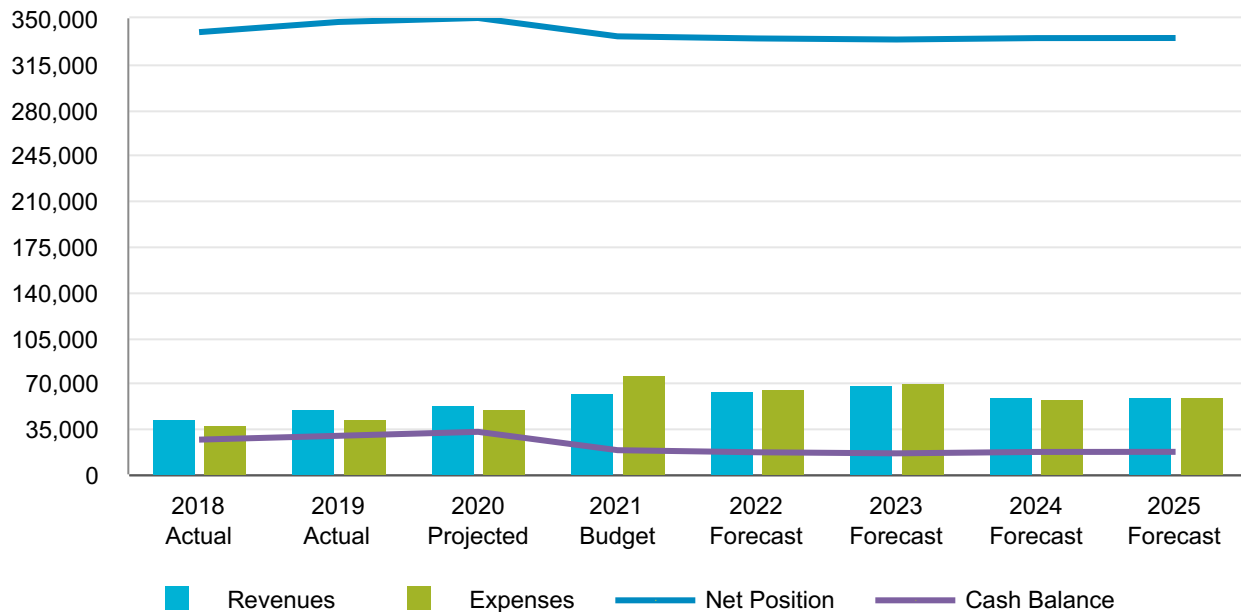
The Storm Water Fund has performed well in the last five years, maintaining a cash balance above \$26 million, and on average, keeping the three-month operating cash reserve to \$7.5 million, restricting an additional \$1.0 million for at-risk-tunnels, and posting an unreserved balance of \$22.2 million at the end of 2019. It has consistently generated operating revenues in excess of operating expenses by \$10 million. As a result, the Fund has been able to:

- (i) Pay off all outstanding bonds and debts issued prior to 2019;
- (ii) Increase personnel for infrastructure and construction programs;
- (iii) Increase capital expenditures for the future years;
- (iv) Meet its obligations for shared costs and services with other City departments;
- (v) Restructure future debt financing; and
- (vi) Control utility rates.

The Fund will continue with design, storm tunnel repair, rehab, televising, cleaning, in addition to flood mitigation and various vegetation maintenance work, using both operating and capital appropriations. The goal has been to maintain, and build upon, unrestricted cash reserves, and continue to use fund balance, and to use debt financing only as needed. With a substantial unrestricted reserve, the fund plans to spend increasingly on capital programs, infrastructure, and major repairs over the next five years.

Current Year Projections

Financial Snapshot Solid Waste and Recycling Fund (in thousands of Dollars)



Revenues

For the current year, operating revenue is projected to come in at \$44.9 million, \$700,000 higher than budgeted. The utility rate for the current year is \$13.42 per equivalent storm units (ESU) compared to \$13.09 for 2019. As per a signed agreement, the maintenance revenue from the State and County will be realized in full as budgeted. Design and capital related revenues reflect and are dependent on capital activities; so as capital expenditures increase, bond revenues and reimbursement increase.

Expense

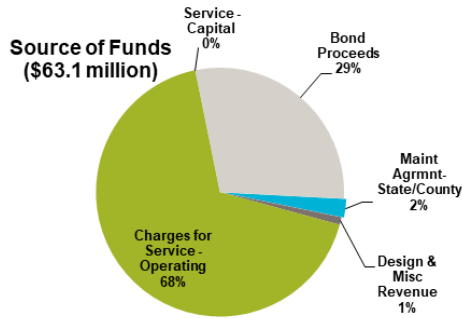
Operating expenses for 2020 are projected at \$29.2 million for the year. In capital programs, \$19.3 million is projected to be spent in the current year which is \$4.7 million more than budgeted. Transfer for shared costs, estimated at \$1.7 million, will be expended as budgeted.

Net Position and Cash Balance

The Storm Fund cash balance and net position have continuously grown in the past five years. For the current year, net position and cash balance are projected to total \$350.3 million, and \$32.6 million respectively. These are slight increases from 2019 actual amounts due to an increase in long term debt related to capital expenditures.

2021 Budget

Revenues from operations account for 71.9% of the budget with the remaining 28.1% coming from the capital program as bond proceeds and service charges. With significant increases in capital expenditures planned for next five years, funds from bond sales are in the plan in order to maintain a positive cash balance. Expenses from operations account for 49.1% of the total budget with 43.0% allocated for capital, 2.6% for transfers, and 5.3% for debt services. The combined sewer flow program has been discontinued from the operating budget but will continue in the capital program.



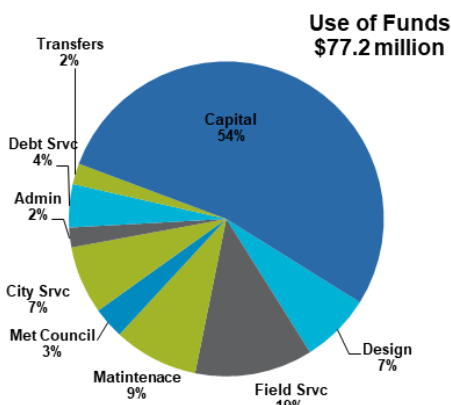
Revenues

The 2021 revenue budget is \$63.1 million, compared to \$54.4 million projected for 2020, reflecting an increase of \$8.7 million. This is due to combined increases in: (i) service revenues by \$329,000, due to increases in monthly utility rates; (ii) decrease in maintenance revenues by \$256,000 as per State and County schedule; (iii) increase in capital revenues by \$8.7 million, due to increases in long term financing; and (iv) a decrease in design revenues of \$173,000 due to planned change of coding design costs directly to the capital projects, thus reducing the intra-fund billing of charges.

Storm Water Utilities Rates

The Department proposed a storm water utility rate operations, transfers, debt services, and capital of \$13.62 per ESU for 2021, which is an increase of programs. \$0.20 over the 2020 rate. It was increased to fund

| Year | Rate per ESU (Equivalent Storm Water Unit) | % Increase | Total Planned Revenue from Utility Fee |
|------|--|------------|--|
| 2020 | \$13.42 | 2.5% | \$42.2 million |
| 2021 | \$13.62 | 1.5% | \$42.5 million |
| 2022 | \$14.03 | 3% | \$43.9 million |
| 2023 | \$14.45 | 3% | \$45.2 million |
| 2024 | \$14.88 | 3% | \$46.6 million |



Expenses

The 2021 total expense budget for the Storm Water Fund is \$77.2 million, an increase of \$25.8 million from the 2020 projection with the following changes: (i) increases in City services of \$258,000, as established by the allocation model; (ii) decreases in fleet and equipment by \$22,000; (iii) an increase in operations and contractual services by \$137,000; (iv) increase in debt services and transfers by \$2.2 million; (v) increase in professional services, storm tunnel cleaning, televising, catch basin repairs, maintenance work of \$158,000; and (vi) increase in capital programs by \$21.4 million. Capital expenses for 2021 total \$40.7 million and include combined sewer overflow, storm tunnel rehab, flood mitigation, and storm-paving programs. These are designated to be funded from cash reserves and bond proceeds. The tunnel rehab program is seeing a significant increase in 2021.

Transfers

Transfers-out of this fund are for an environmental services program in the General Fund which is fixed at \$110,000. An additional \$1.5 million transfer is the Storm Water Fund’s contribution to the Paving program. These transfers will remain a yearly budget item on an ongoing basis.

Debt Service

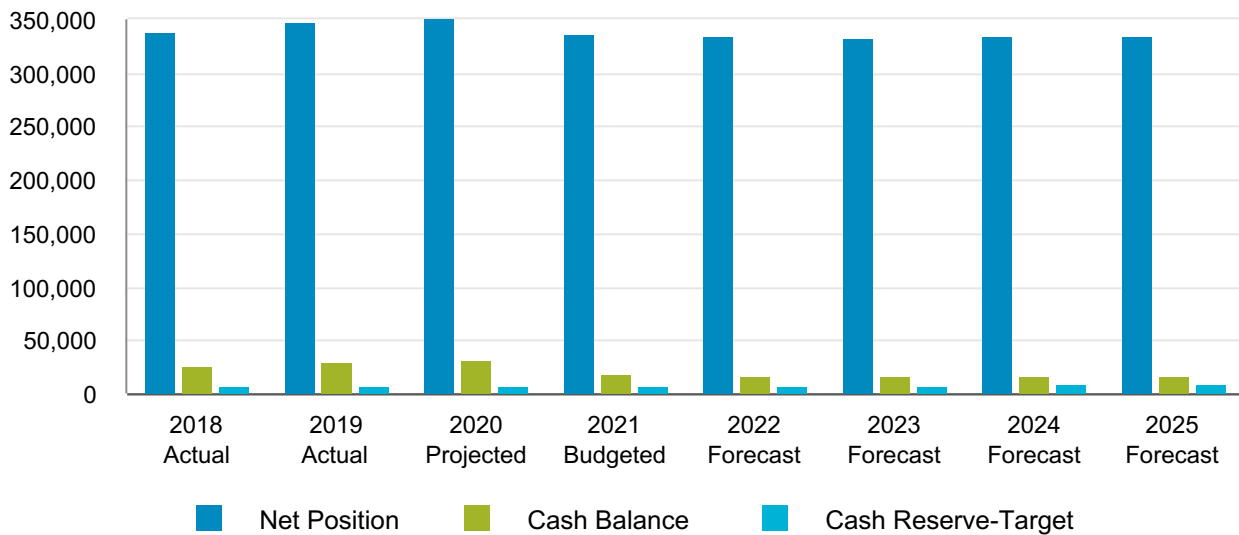
The Fund paid off all of its previous debt service obligations in 2016. Bond funded programs started again in 2019 and an additional \$1.0 million has been added in 2020. As a result, debt service payments of \$1.2 million are estimated for 2020. For 2021, debt service payments of \$3.5 million are budgeted.

Net Position and Cash Balance

The Storm Water Fund started the year with a cash balance at \$29.6 million and a net position total of \$347.2 million. Both the cash balance and net position are projected to increase slightly in 2020 due to bond issuance increased more than capital expenditures for the year. The five-year plan projects a gradual decline in both cash balance and net position as a result of an increase in capital expenditures.

The City’s financial policy requires the fund to carry a cash balance equal to or greater than three month’s operating expense. The target cash balance through 2020 is \$7.2 million making \$22.8 million available as an unrestricted amount to fund capital programs, debt services, and transfers.

**Storm Water Fund Net Position & Cash Balance
(in thousands of dollars)**



City of Minneapolis
2021 Adopted Budget
Financial Plan (in thousands of dollars)

Storm Water Fund

| | 2,018 | 2,018 | 2,019 | 2,019 | 2,020 | 2,020 | 2,021 | % Chg | 2,022 | 2,023 | 2,024 | 2,025 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|------------------------|----------------|----------------|----------------|----------------|
| | Budget | Actual | Budget | Actual | Budget | Projected | Budget | From 2020 Projected | Forecast | Forecast | Forecast | Forecast |
| Source of Funds: | | | | | | | | | | | | |
| State Government | 1,196 | 1,315 | 1,346 | 1,312 | 1,403 | 1,403 | 1,155 | (17.7)% | 1,450 | 1,450 | 1,450 | 1,450 |
| Local Government | 335 | 356 | 375 | 356 | 365 | 365 | 357 | (2.2)% | 355 | 355 | 355 | 355 |
| Charges for Service-Operating | 39,679 | 38,822 | 40,735 | 41,213 | 42,220 | 42,220 | 42,549 | 0.8 % | 43,910 | 45,226 | 46,574 | 48,299 |
| Design & Misc Revenues | 2,045 | 1,846 | 1,352 | 1,435 | 166 | 799 | 626 | (21.7)% | 300 | 300 | 300 | 300 |
| Special Assessments | — | 81 | — | 82 | 75 | 75 | 75 | | — | — | — | — |
| Grants Proceeds/Others - Capital | 2,388 | 375 | — | 1,500 | — | — | — | 100 % | — | — | — | — |
| Charges for Service-Capital | 2,000 | 2 | 2,000 | 353 | 2,000 | 1,060 | — | 100 % | — | — | — | — |
| Proceeds of Long Term Liabilities | 2,500 | — | 6,500 | 4,670 | 1,000 | 8,500 | 18,310 | 100 % | 19,022 | 22,022 | 10,500 | 10,000 |
| Total | 50,143 | 42,797 | 52,308 | 50,921 | 47,229 | 54,422 | 63,072 | 15.9 % | 65,037 | 69,353 | 59,179 | 60,404 |
| Use of Funds: | | | | | | | | | | | | |
| PW-Storm Design | 5,038 | 4,726 | 5,575 | 5,526 | 4,936 | 4,754 | 5,606 | 17.9 % | 5,570 | 5,647 | 5,727 | 5,809 |
| PW-Field Services | 9,866 | 9,825 | 9,945 | 9,574 | 9,136 | 9,393 | 9,429 | 0.4 % | 10,036 | 10,339 | 10,651 | 10,973 |
| PW-Storm Maintenance | 8,099 | 7,940 | 7,620 | 6,164 | 6,167 | 6,413 | 6,772 | 5.6 % | 7,171 | 7,299 | 7,431 | 7,568 |
| Metropolitan Council | 2,171 | 2,172 | 2,205 | 2,221 | 2,301 | 2,301 | 2,525 | 9.7 % | 2,625 | 2,731 | 2,840 | 2,954 |
| Payment for City Services | 5,081 | 4,758 | 5,237 | 4,955 | 5,181 | 5,181 | 5,439 | 5 % | 5,525 | 5,612 | 5,700 | 5,790 |
| PW-Admin | 1,254 | 1,046 | 1,527 | 1,047 | 1,111 | 1,111 | 1,585 | 42.7 % | 1,627 | 1,669 | 1,711 | 1,755 |
| Debt Service | — | — | — | 237 | 781 | 791 | 1,928 | 143.7 % | 1,930 | 1,923 | — | — |
| Future Debt Service | — | — | 401 | — | 908 | 454 | 1,528 | 100 % | 3,150 | 5,029 | 6,524 | 7,949 |
| Transfers | 1,625 | 1,625 | 1,640 | 1,648 | 1,655 | 1,655 | 1,671 | 1 % | 1,687 | 1,702 | 1,718 | 1,734 |
| PW- Capital | 19,768 | 6,794 | 18,735 | 11,840 | 14,645 | 19,325 | 40,676 | 110.5 % | 27,322 | 28,222 | 15,800 | 15,800 |
| Total | 52,902 | 38,886 | 52,885 | 43,212 | 46,821 | 51,378 | 77,159 | 50.2 % | 66,643 | 70,173 | 58,102 | 60,332 |
| Def.Capital Proj - Rev Funded | 5,680 | 3,806 | — | — | — | — | — | | — | — | — | — |
| Change in Net Position | (8,439) | 105 | (577) | 7,811 | 408 | 3,044 | (14,087) | | (1,606) | (820) | 1,077 | 73 |
| Net Position | 324,272 | 339,403 | 338,826 | 347,214 | 347,622 | 350,258 | 336,171 | | 334,566 | 333,746 | 334,823 | 334,896 |
| Total Cash Balance | 18,648 | 26,629 | 26,052 | 29,577 | 29,985 | 32,621 | 18,534 | | 16,928 | 16,109 | 17,186 | 17,260 |
| Target Cash Reserve | 7,877 | 7,877 | 8,027 | 7,372 | 7,208 | 7,288 | 7,839 | | 8,139 | 8,324 | 8,515 | 8,712 |
| Target | 10,771 | 18,752 | 18,025 | 22,205 | 22,777 | 25,333 | 10,695 | | 8,790 | 7,785 | 8,671 | 8,548 |

**City of Minneapolis
2021 Adopted Budget
Financial Plan**

Water Treatment and Distribution Services Fund

Introduction

The Public Works Water Treatment and Distribution Services Fund accounts for the administration, operation, maintenance, and capital investments of the water treatment and distribution system of the City of Minneapolis. The Water Treatment and Distribution Services Division sells water to retail customers in the City as well as wholesale customers (i.e. the Cities of Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, and Edina, along with the Metropolitan Airports Commission). Between 2016 and 2018, the City of New Brighton also purchased water wholesale from the City.

Monthly billing for water sales is the main source of revenue for this fund. The City’s Public Works Water Treatment and Distribution Services Division is responsible for the management of operations within this enterprise fund.

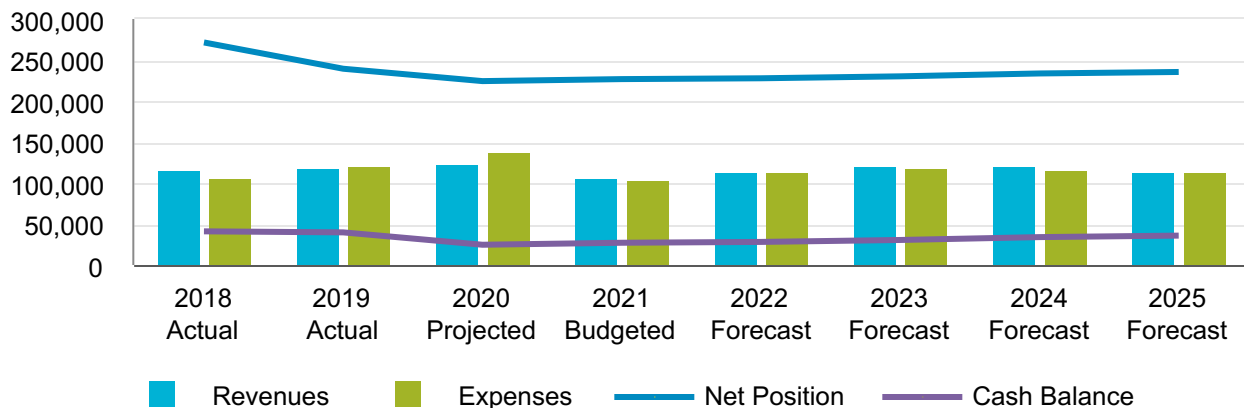
Historical Financial Performance

The net position of the Water Fund increased over the past several years due primarily to scheduled rate increases and deferrals of some major capital improvements and investments. The Water fund reported a decrease in its net position in 2019 due to increase in catch-up work on the past deferred capital programs and debt payments. The fund has performed consistently over the previous five years with its cash balance of those years continuously maintained well above its three-month operating cash reserve requirement.

The long-term health of the fund is stable with significant capital projects planned over the next three to four years which will be funded with a combination of cash reserves and debt financing. This will be accomplished while still keeping the increase to the average monthly residential bill under four percent annually.

Current Year Projections

**Financial Snapshot
Water Fund
(in thousands of Dollars)**



Revenues

The 2020 operating revenues are projected to total \$84.5 million based on current estimate which includes impact of COVID-19. Proceeds from bond sales are another significant revenue source and are expected to surpass the budgeted amount due to deferred capital projects.

Expenses

The 2020 operating expenses are expected to total \$55.5 million which is \$2.8 million lower than budgeted amount of \$58.3 million. The decrease reflects planned savings on salaries, fringes, contractual services. Capital expenses are expected to be higher than originally budgeted for 2020 as a result of work on delayed projects.

Net Position & Cash Balance

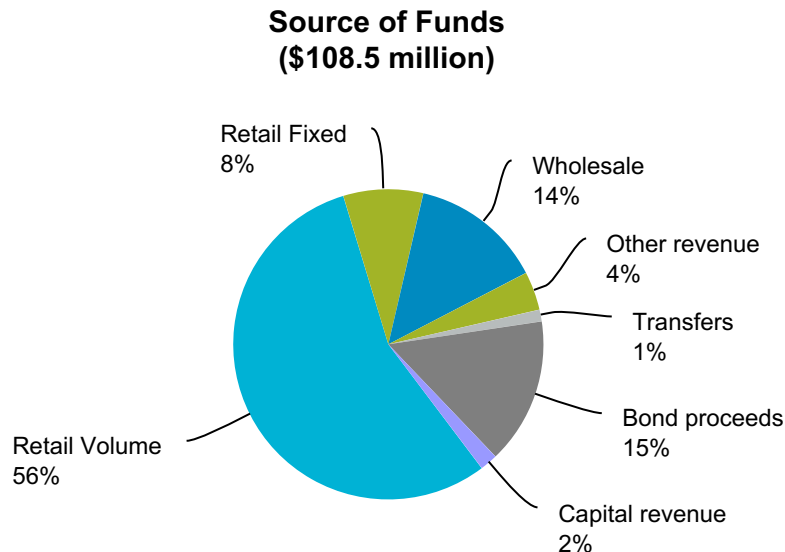
The Water Fund net position is projected to decrease by \$15.1 million in 2020 to a total of \$224.3 million. The cash balance is projected to decrease to \$24.7 million at year end which is still sufficient to cover the three-month operating reserve requirement of \$13.7 million and to partially fund capital projects in the next few years.

2021 Budget

Operating revenues and expenses for the next few years are anticipated to be steady with small percentage increases each year. Due to scheduled improvements to water treatment infrastructure and distribution system, along with a shared cost for bridge construction during 2021-2025, capital expenses and the related bond sale proceeds are expected to increase.

Revenues

The total revenue budget for 2021 is \$108.4 million compared to the 2020 projected revenues of \$124.6 million, a decrease of \$16.1 million, or 12.9%. This is due almost entirely to a \$20.7 million decrease in debt proceeds due to capital projects that carried over from prior years to 2020.



Water Utility Rates

The budget includes a fixed rate charge of \$5.50 based on meter size and a variable rate charge of \$3.68/unit. The fixed rate charge helps to cover the fixed costs of operating the utility which increases the utility's financial stability as it continues to operate in an environment of declining consumption due to conservation efforts. There is no change in rates over 2020.

Projected Revenue from Retail Water Sales

| Year | Fixed Rate (5/8" Meter) | Rate (cost per 100 cubic feet) | Total Cost Per Month for Average Consumer | Total % Change | Total Monthly Cost Increase per Household | Total Planned Revenue from Utility Fee |
|------|-------------------------|--------------------------------|---|----------------|---|--|
| 2021 | \$5.50 | \$3.68 | \$31.26 | —% | \$— | \$69.3 Million |
| 2022 | \$6.50 | \$3.68 | \$32.26 | 3.2% | \$1 | \$70.9 Million |
| 2023 | \$7.50 | \$3.7 | \$33.4 | 3.5% | \$1.14 | \$72.9 Million |
| 2024 | \$8.50 | \$3.72 | \$34.54 | 3.4% | \$1.14 | \$74.9 Million |
| 2025 | \$9.50 | \$3.75 | \$35.75 | 3.5% | \$1.21 | \$77.0 Million |

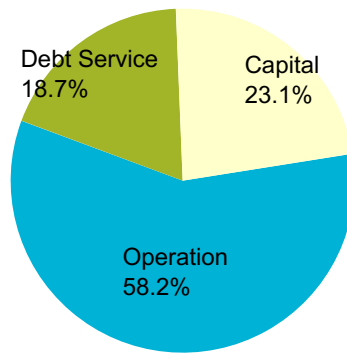
Projected Revenue from Wholesale Water Sales

| Year | % Change | Total Revenue Earned from Utility Fee - Wholesale |
|------|----------|---|
| 2021 | 2.6% | \$14.9 Million |
| 2022 | 2.9% | \$15.4 Million |
| 2023 | 3.5% | \$15.9 Million |
| 2024 | 3.4% | \$16.4 Million |
| 2025 | 3.5% | \$17.0 Million |

Expenses

The 2021 expense budget is \$106.0 million, a 24.1% decrease from 2020 projected expenses of \$139.7 million. The expense budget includes the operating costs of the Division as well as the capital improvement programs. Planned capital projects include improvements to the water distribution network, treatment infrastructure improvements, rehabilitation of the Fridley Filter facility and replacement of the Distribution Maintenance Facility. The 2021 capital budget of \$24.5 million is a decrease from the 2020 projected capital expenses due, in part, to capital projects carried over from prior years to 2020.

**Use of Funds
(\$106.0 million)**



Transfers

For 2021, the transfer-in amount of \$1,325,000 consists mainly of a \$1,072,823 operating transfer from the Sanitary Sewer Fund for its share of the cost of the meter shop. This is an ongoing transfer that is adjusted annually based on actual meter shop expenses incurred. Additional one-time transfer of \$212,000 will be coming in from Property Services for repair works on Kenwood water tower.

Debt Service

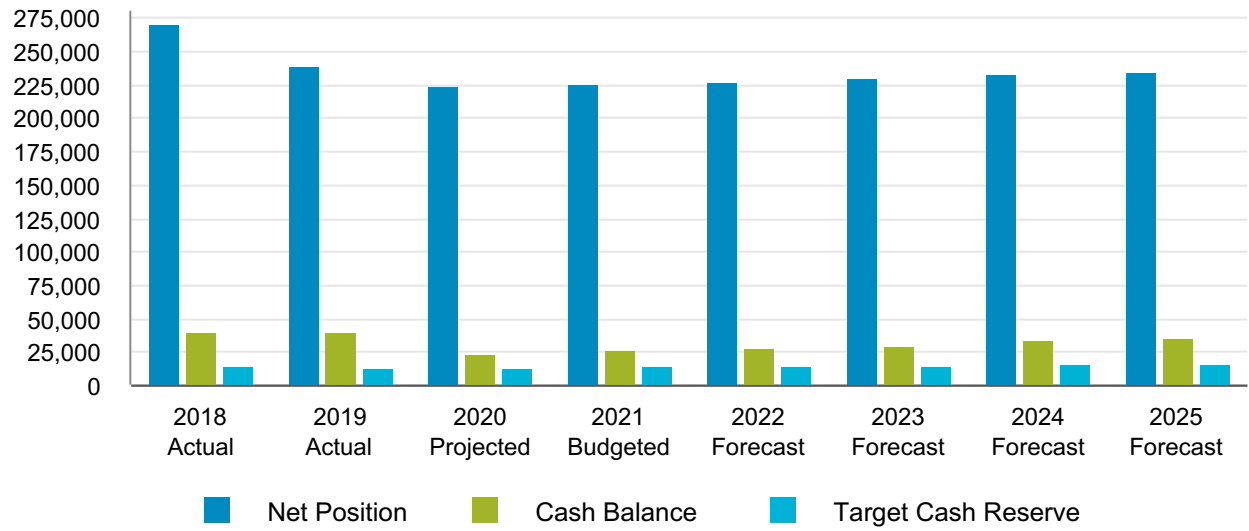
The debt service total of \$19.8 million for 2021 relates to bonds and notes to finance the Water Fund's capital construction program. As of May 2020, the fund's total outstanding debt was \$127.0 million with current debt service running through 2033. Future debt issuance will increase the amount owed and lengthen the payoff schedule.

Net Position & Cash Balance

The 2019 cash balance was \$39.8 million and the Water Fund's net position totaled \$239.3 million. Based on projections, the cash balance and net position will decrease to \$24.7 million and \$224.3 million respectively in 2020.

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 in 2021 is \$15.2 million, leaving \$11.9 million available as an unrestricted amount to fund capital programs and debt service payments. The five-year plan shows the projected cash balance increasing each year with a sufficient three-month operating reserve requirement.

**Water Fund Net Position & Cash Balance
(in thousands of dollars)**



City of Minneapolis
2021 Adopted Budget
Financial Plan (in thousands of dollars)

Water Fund

| | 2018 Budget | 2018 Actual | 2019 Budget | 2019 Actual | Modified Budget | 2020 Projected | 2021 Budget | % Chg From 2020 Projected | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast |
|--|----------------|----------------|----------------|----------------|--------------------|-------------------|----------------|---------------------------------|------------------|------------------|------------------|------------------|
| Source of Funds: | | | | | | | | | | | | |
| Water Sales - Retail | | | | | | | | | | | | |
| Volume Rate | 60,500 | 57,017 | 60,664 | 55,158 | 61,501 | 56,233 | 60,291 | 7.2 % | 60,291 | 60,619 | 60,946 | 61,438 |
| Fixed Rate | 7,395 | 7,521 | 8,217 | 8,446 | 9,038 | 9,323 | 9,038 | (3.1)% | 10,682 | 12,325 | 13,968 | 15,612 |
| Water Sales - Wholesale | 15,915 | 15,536 | 14,310 | 13,683 | 15,127 | 14,541 | 14,919 | 2.6 % | 15,353 | 15,891 | 16,428 | 17,000 |
| Other Operating Revenue | 6,542 | 6,452 | 5,760 | 4,751 | 4,085 | 4,377 | 4,366 | (0.3)% | 4,150 | 4,214 | 4,277 | 4,341 |
| Proceeds of Long Term Liabilities * Transfers | 13,635 | 30,490 | 17,890 | 35,466 | 27,485 | 37,210 | 16,525 | (55.6)% | 21,170 | 24,835 | 22,850 | 13,985 |
| From Sewer Fund for Meter Shop | 684 | 684 | 593 | 879 | 879 | 879 | 1,072 | 22 % | 999 | 1,099 | 1,262 | 1,333 |
| From Property Services | | | | | | | 212 | | | | | |
| From General Fund | 27 | 27 | 29 | 29 | 29 | 29 | 41 | 41.4 % | 29 | 29 | 29 | 29 |
| Reimbursed Capital Revenue | 2,000 | 533 | 2,000 | 1,107 | 2,000 | 2,000 | 2,000 | — % | 2,000 | 2,000 | 2,000 | 2,000 |
| Total | 106,698 | 118,260 | 109,463 | 119,519 | 120,144 | 124,592 | 108,464 | (12.9)% | 114,674 | 121,012 | 121,760 | 115,738 |
| Use of Funds: | | | | | | | | | | | | |
| Operating Expense | 60,406 | 56,237 | 61,315 | 56,490 | 58,339 | 55,472 | 61,685 | 11.2 % | 62,697 | 63,698 | 65,226 | 66,793 |
| Debt Service | 16,509 | 17,606 | 17,045 | 19,306 | 19,319 | 19,474 | 19,615 | 0.7 % | 19,051 | 17,621 | 15,653 | 16,072 |
| Future Debt Service | | | 2,547 | | 1,443 | | 200 | 100 % | 2,745 | 4,487 | 6,530 | 9,073 |
| Capital* | 29,390 | 34,228 | 34,340 | 46,364 | 51,435 | 64,736 | 24,525 | (62.1)% | 29,170 | 32,835 | 30,850 | 21,985 |
| Total | 106,305 | 108,071 | 115,247 | 122,160 | 130,536 | 139,682 | 106,025 | (24.1)% | 113,663 | 118,641 | 118,259 | 113,923 |
| Change in Net Position | 393 | 10,189 | (5,784) | (2,641) | (10,391) | (15,090) | 2,439 | | 1,011 | 2,371 | 3,502 | 1,815 |
| Net Position | 252,653 | 271,402 | 265,618 | 239,349 | 222,571 | 224,259 | 226,698 | | 227,709 | 230,080 | 233,582 | 235,397 |
| Total Cash Balance | | 41,041 | | 39,785 | 29,394 | 24,695 | 27,134 | | 28,145 | 30,516 | 34,018 | 35,833 |
| Target Cash Reserve | | 15,102 | | 14,123 | 14,585 | 13,678 | 15,210 | | 15,460 | 15,706 | 16,083 | 16,470 |
| Target | | 25,940 | | 25,663 | 14,809 | 11,017 | 11,924 | | 12,685 | 14,810 | 17,935 | 19,363 |

Notes:

* The unused 2017, 2018 and 2019 Budgeted Capital amount and proceeds from long term liabilities have been reflected in 2020 projections.

**City of Minneapolis
2021 Adopted Budget
Financial Plan**

Engineering, Materials and Testing Fund

Introduction

The Engineering, Materials and Testing Internal Service Fund accounts for transactions related to City purchases of hot-mix asphalt and ready-mix concrete and the related quality control activities for the placement of these materials to assure 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. The Public Works Department is responsible for management of operations within the fund.

This fund generates revenues from testing and inspection services provided by the Engineering Laboratory and also from 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 while generating adequate revenue to cover the fund's direct and indirect expenses.

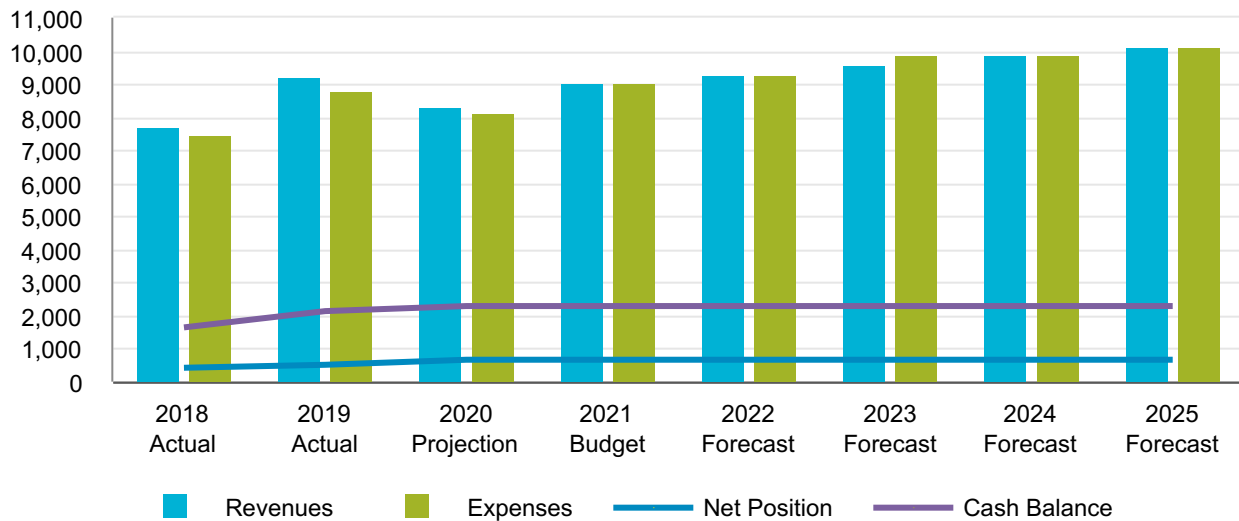
Historical Financial Performance

The rates charged by the fund are reviewed on an annual basis to determine the amount of revenue needed to cover expenses of the fund. In 2013, the overhead rate applied to the procurement and sale of asphalt and concrete was reduced and the fund also reduced the rates charged for inspection services and laboratory testing. The rates were decreased again in 2014 and 2015. In addition to the rates charged, the revenues and expenses fluctuate each year based upon the amount and size of projects.

From year-end 2013 to year-end 2019, the fund's net position has decreased from \$2 million to \$510k. The most significant factor in this decrease is in 2015 the fund implemented GASB No. 68 to record pension liabilities, which reduced the fund's net position significantly. The reduction to net position was also due to the decrease laboratory service fees and the decrease in overhead rates on asphalt and concrete in 2014, which offset by operating gains of \$416,000 in 2013 and \$89,000 in 2019. From year-end 2013 to year-end 2019, the cash balance was \$2.1 million in 2013 and 2018.

Current Year Projections

Financial Snapshot Engineering, Materials and Testing (in thousands of Dollars)



Revenues

The 2020 revenues are projected to be \$8.3 million, which is 7.7% less than the 2020 budgeted revenue of \$9.0 million. This decrease is mainly due to the decrease in Laboratory Service Fee in 2020; and, revenue throughout the year is dependent upon several factors such as weather and the timing of construction projects, which are delayed or cancelled due to the COVID19 pandemic. These variables can result in substantial variances in the amount of revenue (and expenses) recorded throughout the year.

Expense

The 2020 expense is projected to be \$8.2 million, which is 5.2% less than the 2020 budgeted expense of \$8.6 million. As noted above, expenses throughout the year are dependent upon several factors such as weather and the timing of construction projects, which are delayed or canceled due to the COVID19 pandemic situation.

Net Position & Cash Balance

The fund's projected net position at the end of 2020 is \$663k, which is 30% less than the budgeted ending net position of \$909k. This decrease is mainly due to the above stated reasons that resulted in a lower margin. The fund's projected cash balance at the end of 2020 is \$2.3 million, which is 9.7% lower than the budgeted 2020 ending cash balance of \$2.5 million, which is also due to lower projected margin.

2021 Budget

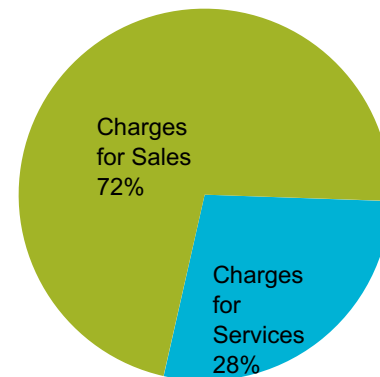
The 2020 budget reflects an increase in revenue and expense from providing services to other divisions of Public Works. The budget for 2020 does not anticipate an increase in the purchase and subsequent reselling of asphalt and concrete.

Revenues

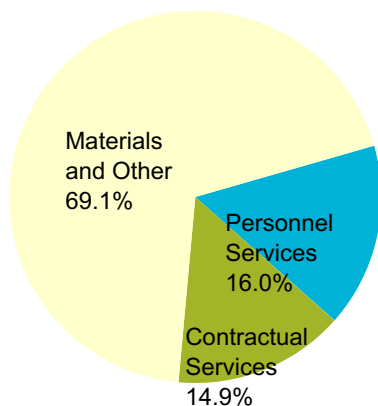
The 2021 revenue budget is \$9.0 million, an increase of 8.6% from the 2020 projected revenue of \$8.3 million due to expected decreases of City projects and maintenance activities in 2020 as a result of the COVID19 pandemic.

The 2021 revenue budget of \$9.0 million shows a slightly increase of \$21 thousand compared to the 2020 revenue budget of \$9.0 million.

Source of Funds (\$9.0 million)



Use of Funds (\$9.0 million)



Expense

The 2021 expense budget is \$9.0 million, an increase of 10.6% from the 2020 projected expense of \$8.2 million. This variance is due to the lower 2020 projected expense as a result of the 2020 budget cut due to COVID19 impacts.

The 2021 expense budget of \$9.0 million is an increase of \$420 thousand compared to the 2020 expense budget of \$8.6 million. This variance is mainly because of the council approved 2020 budget cut/ adjustment due to COVID19.

Transfers

There are no transfers scheduled in 2020 for this fund.

Debt Service

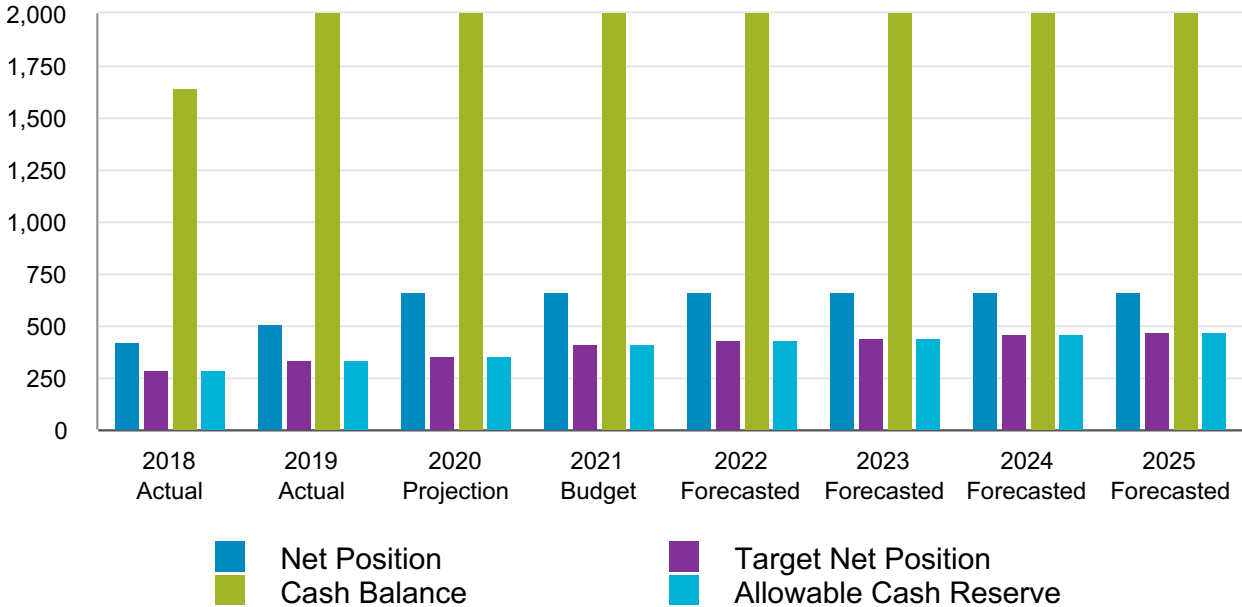
This fund does not have any debt service liabilities.

Net Position & Cash Balance

The net position is projected to be \$663,000 at the end of 2020 and 2021. The financial policy requires that the fund maintains a net position at least equal to 15.0% of the operating budget excluding materials and related costs. For the year ending 2021, the projected net position is \$663,000, which is \$245,000 over the benchmark of \$418,000.

The cash balance is projected to be \$2.3 million at the end of 2020 and 2021. Financial reserve policies for the Engineering, Materials and Testing fund requires that the cash balance should not be less than 15.0% of the operating budget excluding materials and related costs, or \$356,000 for 2020. The fund is expected to exceed the benchmark by \$1.9 million in 2021.

Engineering, Materials and Testing Fund Net Position & Cash Balance (in thousands of dollars)



City of Minneapolis
2021 Adopted Budget
Financial Plan (in thousands of dollars)
Engineering, Materials and Testing (Fund: 06000)

| | 2018 Budget | 2018 Actual | 2019 Budget | 2019 Actual | 2020 Budget | 2020 Projected | 2021 Budget | % Chg From 2020 Projected | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast |
|---|----------------|----------------|----------------|----------------|----------------|-------------------|----------------|---------------------------------|------------------|------------------|------------------|------------------|
| Source of Funds: | | | | | | | | | | | | |
| Charges for Services | 1,755 | 2,199 | 2,007 | 2,650 | 2,536 | 2,271 | 2,557 | 13% | 2,634 | 2,713 | 2,794 | 2,878 |
| Charges for Sales | 5,618 | 5,524 | 6,489 | 6,592 | 6,489 | 6,058 | 6,489 | 7% | 6,684 | 6,885 | 7,092 | 7,305 |
| Total | 7,373 | 7,723 | 8,496 | 9,242 | 9,025 | 8,329 | 9,046 | 9% | 9,318 | 9,598 | 9,886 | 10,183 |
| Use of Funds: | | | | | | | | | | | | |
| Personnel Services | 1,326 | 1,079 | 1,410 | 1,319 | 1,192 | 1,192 | 1,444 | 21% | 1,487 | 1,532 | 1,578 | 1,625 |
| Contractual Services | 613 | 1,072 | 808 | 1,164 | 1,181 | 1,103 | 1,345 | 22% | 1,385 | 1,427 | 1,470 | 1,514 |
| Materials and Other | 5,434 | 5,344 | 6,269 | 6,357 | 6,253 | 5,881 | 6,256 | 6% | 6,444 | 6,637 | 6,837 | 7,043 |
| Total | 7,373 | 7,495 | 8,487 | 8,840 | 8,626 | 8,176 | 9,046 | 11% | 9,318 | 9,598 | 9,886 | 10,183 |
| Change in Net Position¹ | 0 | 309 | 10 | 89 | 399 | 153 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Position¹ | 108 | 420 | 430 | 510 | 909 | 663 | 663 | 0% | 663 | 663 | 663 | 663 |
| Total Cash Balance | 1,527 | 1,640 | 1,650 | 2,132 | 2,531 | 2,285 | 2,285 | | 2,285 | 2,285 | 2,285 | 2,285 |
| Operating Cash balance | 1,527 | 1,640 | 1,650 | 2,132 | 2,531 | 2,285 | 2,285 | | 2,285 | 2,285 | 2,285 | 2,285 |
| Target Cash Reserve³ | 291 | 291 | 333 | 333 | 356 | 356 | 418 | | 431 | 444 | 457 | 471 |
| Variance Operating Cash to Target | 1,236 | 1,349 | 1,317 | 1,799 | 2,175 | 1,929 | 1,867 | | 1,854 | 1,841 | 1,828 | 1,814 |

¹Change in net position, Net Position and Total Cash Balance for 2018 & 2019 actuals are CAFR values.

²The Financial Plan includes the 2020 1st phase budget cut of \$398k.

³The Financial Plan includes the 2021 Mayor's proposed budget reductions.

The target cash reserve and the Target Net Position are in accordance with the financial reserve policy for internal service funds. The cash reserve and the Target Net position for the Engineering, Materials and Testing Fund should be maintained at a minimum of 15% of the operating budget, excluding materials and related costs.

**City of Minneapolis
2021 Adopted Budget
Financial Plan**

Fleet Services Fund

Introduction

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, registers and licenses all City vehicles. The City's fleet of vehicles and equipment has an acquisition value of \$100.1 million and accounts for 64.2% of the net value of the long-term assets in this fund.

Historical Financial Performance

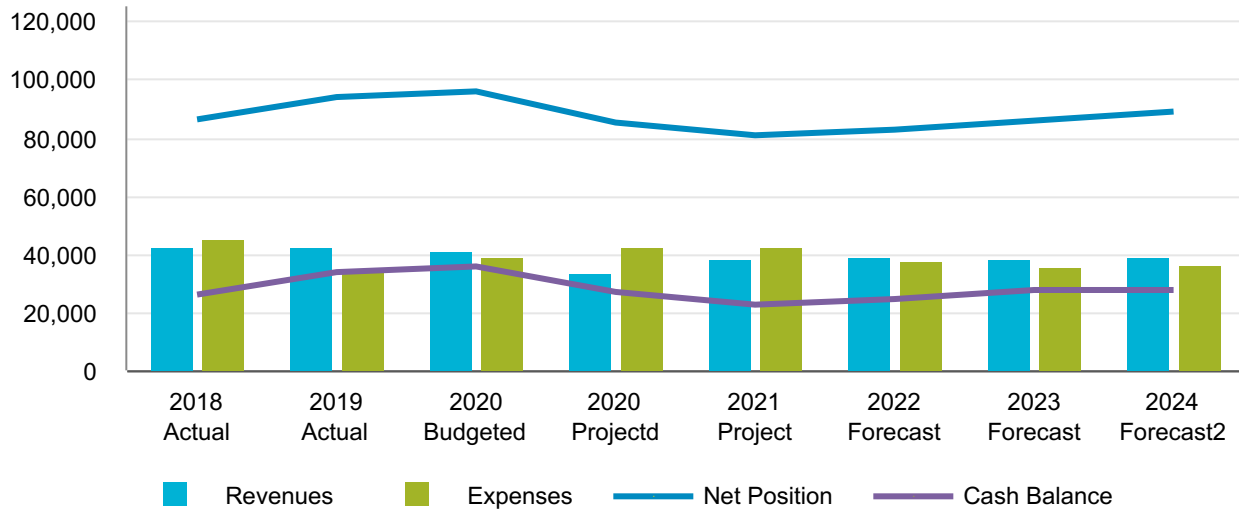
From year-end 2015 through year-end 2019, the Fleet Services fund had an increase in net position of \$31.9 million. Several factors affect the net position, but the increase is primarily due to the increasing net investment in capital assets. Since 2015, the net book value of the Fleet Services Fund's capital assets has increased by \$12.4 million, while the debt related to those assets has also decreased by \$11.6 million due to the payoff of bonds. The combination of increasing asset value and decreasing liabilities has resulted in a decrease to net investment in capital assets of \$26.2 million.

The 2019 ending cash balance of \$33.7 million was an increase of \$10 million from the 2015 ending balance of \$23.7 million. The 2019 target cash reserve was \$3.3 million, an increase of \$532 thousand from 2015. The fund exceeded the target by \$30.4 million in 2019.

In 2015, the fund received a transfer from the General Fund of \$1.9 million as determined by the long-term financial plan to assist with debt service. In addition, Property Services annually collected and transferred a portion of debt service in the rent allocation model for non-Fleet departments that were located at the Currie Maintenance Facility to help offset the debt cost.

Current Year Projections

Financial Snapshot Fleet Services Fund (in thousands of Dollars)



Revenues

The 2020 revenue for the Fleet Services fund is projected to be \$33.6 million which is 18% less than the budgeted amount of \$41.0 million. The projected revenue is less than budgeted primarily due to a decrease of \$15.0 million in rent income. The decrease in rent income is due to cost containment efforts to account for lost revenue of the City in whole, due to COVID-19. Charges for sales revenue is projected to be \$1.6 million under budget due to a decrease in fuel costs which result in lower revenue from the sale of fuel and effects of COVID-19.

Expense

The 2020 expenses are projected to be \$42.3 million or 8% more than the budgeted amount of \$39.1 million. This is mainly due to Fleet capital purchases using procured funds of \$4.9 million from prior year.

Net Position & Cash Balance

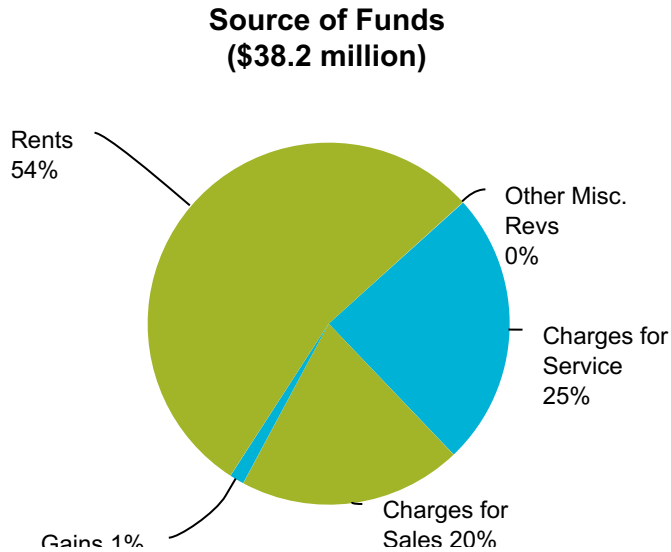
The Fleet Services Division Fund projects net position to be \$85.1 million at the end of 2020, a decrease of 11% from the budgeted amount of \$95.8 million. The reason for this decrease is decrease in revenue is projected to be significantly more than the reduction in expense so the change in net position is forecast as a loss of \$8.8 million.

The year-end 2020 cash balance is projected to be \$26.9 million, a decrease of 24.5% from the budgeted amount of \$35.6 million. The 2020 target cash reserve is projected to be \$3.3 million and the fund is projected to exceed the target by \$23.7 million.

2021 Budget

There are anticipated changes in 2021 for cost containment measure due to COVID19, which will possibly reduce 2021 budgets for the Fleet Services Fund.

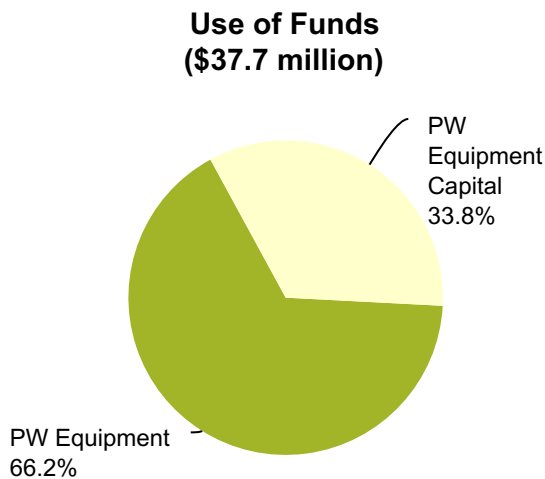
Revenues



Total revenues for 2021 are budgeted at \$38.2 million, a 14% increase from the 2020 projected amount of \$33.6 million and a 7% decrease from the 2020 budgeted amount of \$41.0 million. The decrease in 2021 budgeted revenue over the 2020 budgeted amount is primarily due to a decrease in fleet rental rates used to bill internal customers to cover the replacement cost of vehicles. The increase from the 2020 projected amount is also due to rental and sales revenue.

Expense

The 2021 expense budget is \$37.7 million, a decrease of 11% from the 2020 projected expense of \$42.3 million and a 3.5% decrease from the 2020 budgeted amount of \$39.1 million. The decrease in 2021 budgeted expense over the 2020 projected expense is due to a decrease in equipment purchases. Fleet equipment capital purchases vary from year to year based on a long-term replacement schedule which requires higher amounts of replacement in some years compared to others. The decrease is also offset by a one-time \$2.0 million transfer out to the General Fund in 2020 that is not budgeted in 2021.



Transfers

In 2020, the Fleet Services Fund will receive a final transfer of \$317,000 from Property Services to pay a portion of the debt expense related to the Currie Maintenance Facility. The Fleet Services Fund will also make a \$2.0 million transfer to the General Fund in 2020, which is planned to be a one-time transfer. There are no anticipated transfers for 2021.

Debt Service

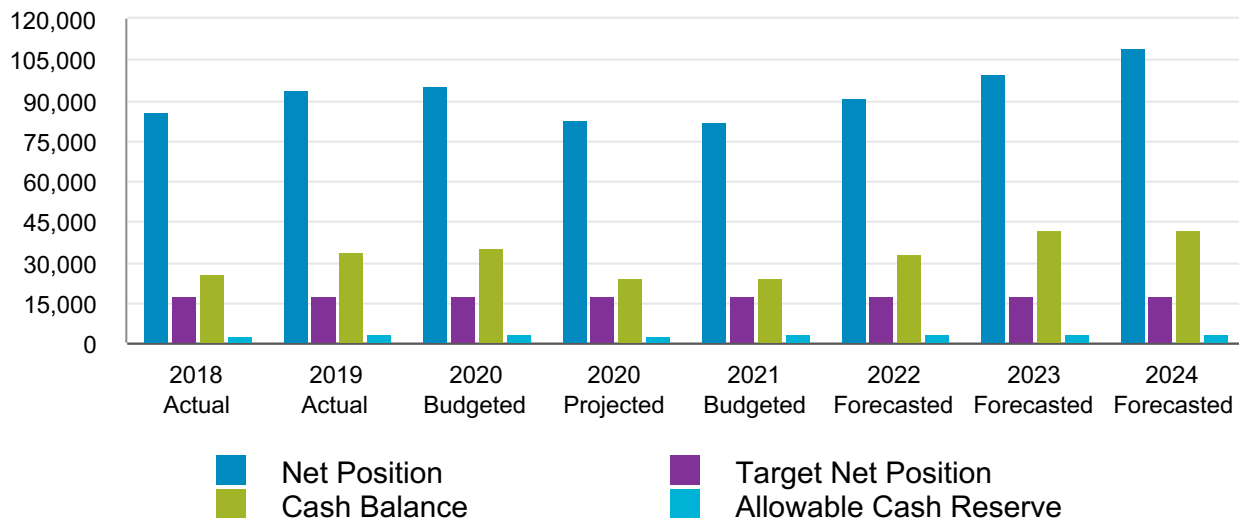
As part of the fleet modernization effort that began in 1997, the City issued bonds to finance fleet upgrades and to build new maintenance facilities. In 2018, the fund paid off the remaining debt obligation of \$9.3 million. There are no further debt obligations in this fund at this time.

Net Position & Cash Balance

The net position at year-end 2021 is budgeted to be \$80.7 million, a decrease 5% from the 2020 projected amount of \$85.1 million. The primary reason is a projected spend down of net position in 2020. The financial policy related to net position for the Fleet Services Division states that the net position should not fall below two times the annual depreciation amount. The Fleet Services Division Fund is projected to be in compliance with this policy in 2020 and 2021 as the target net position is projected to be \$17.9 million for 2020 and \$18.1 million for 2021.

The financial policy related to cash balance for the Fleet Services Division states that the minimum cash balance should be 15.0% of the operating budget plus 1.5 times the next years capital budget. This policy has been updated for 2021 and further. For the year-ending 2021, the cash balance is budgeted to be \$22.5 million, a decrease 16% from the 2020 projected ending balance of \$26.9 million. The decrease is due to the timing of capital equipment purchases. The target cash reserve is \$3.3 million for 2020 and \$16.2 million for 2021. The fund is expected to exceed the target by \$18.8 million in 2020 and \$6.2 million in 2021. The cash balance includes amounts collected for future vehicle replacements which are not reflected in the target cash reserve amount.

Fleet Services Fund Net Position & Cash Balance
(in thousands of dollars)



City of Minneapolis
2021 Adopted Budget
Financial Plan (in thousands of dollars)

Fleet Services Fund

| | 2018 Budget | 2018 Actual | 2019 Budget | 2019 Actual | 2020 Budget | 2020 Projected | 2021 Budget | % Chg From 2020 Projected | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast |
|---|----------------|----------------|----------------|----------------|----------------|-------------------|----------------|---------------------------------|------------------|------------------|------------------|------------------|
| Source of Funds: | | | | | | | | | | | | |
| Charges for Service | 9,225 | 10,694 | 9,773 | 10,729 | 9,399 | 18,698 | 9,378 | (49.8)% | 10,574 | 9,580 | 9,875 | 10,187 |
| Charges for Sales | 8,275 | 9,406 | 8,092 | 7,544 | 7,975 | 6,316 | 7,628 | 20.8 % | 8,706 | 8,820 | 8,937 | 9,058 |
| Gains | 350 | 213 | 350 | 945 | 500 | 500 | 500 | — % | 500 | 500 | 500 | 500 |
| Rents | 19,639 | 21,789 | 20,329 | 23,312 | 22,818 | 7,761 | 20,705 | 166.8 % | 19,613 | 19,749 | 19,889 | 20,034 |
| Other Misc Revenue | 10 | 62 | 10 | 8 | 10 | — | — | — % | — | — | — | — |
| Operating Transfers in | 597 | 597 | 317 | 317 | 317 | 317 | — | (100)% | — | — | — | — |
| Total | 38,095 | 42,761 | 38,871 | 42,855 | 41,019 | 33,592 | 38,211 | 13.8 % | 39,393 | 38,649 | 39,201 | 39,779 |
| Use of Funds: | | | | | | | | | | | | |
| Debt Service | 9,260 | 9,147 | — | — | — | — | — | — % | 300 | 300 | — | — |
| Transfers out | — | — | 1,000 | 1,000 | 2,000 | 2,000 | — | (100)% | 2,920 | 2,920 | — | — |
| PW Equipment Operations | 23,249 | 23,395 | 23,418 | 25,351 | 23,808 | 22,713 | 24,962 | 9.9 % | 25,893 | 25,149 | 25,701 | 26,278 |
| PW Equipment Capital | 12,898 | 13,097 | 15,952 | 8,830 | 13,258 | 22,534 | 12,724 | (43.5)% | 8,349 | 7,172 | 10,392 | 7,641 |
| Total | 45,407 | 45,639 | 40,370 | 35,181 | 39,066 | 47,247 | 37,686 | (20.2)% | 37,462 | 35,541 | 36,093 | 33,919 |
| Change in Net Position¹ | (7,311) | 11,571 | (1,499) | 7,674 | 1,953 | (13,655) | 525 | (74.6)% | 1,931 | 3,108 | 3,108 | 5,860 |
| Net Position¹ | 76,237 | 86,171 | 84,672 | 93,845 | 95,798 | 80,190 | 80,715 | 2.1 % | 82,646 | 85,754 | 88,862 | 94,722 |
| Total Cash Balance | 23,039 | 26,007 | 24,508 | 33,727 | 35,680 | 22,025 | 22,550 | 5.8 % | 24,481 | 27,589 | 27,589 | 33,449 |
| Target Cash Reserve² | 3,333 | 3,333 | 3,358 | 3,358 | 3,417 | 3,252 | 16,268 | 1.7 % | 14,642 | 19,360 | 15,317 | 25,348 |
| Variance Operating Cash to Target | 19,706 | 22,674 | 21,150 | 30,369 | 32,263 | 18,773 | 6,282 | 6.2 % | 9,839 | 8,229 | 12,272 | 8,101 |

1 Change in net position and net position are CAFR values for 2018 and 2019.

2 The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Fleet Services Fund at a minimum should be equal to 15% of the operating budget adjusted for intrafund revenue and expense.

**City of Minneapolis
2021 Adopted Budget
Financial Plan**

Intergovernmental Services Fund

Introduction

The Intergovernmental Services Internal Service Fund accounts for all the operations of the Information Technology (IT) Department including telecommunications services, network services, application support, internet and intranet services, convenience copier function, broadband wireless, and deployment of software and hardware. Information Technology activities account for 96.1% of the operating activities in the fund. The fund also records transactions for operations within the City Clerk's office related to central mailing and printing services, representing 3.9% of operating activities.

The majority of the fund's revenue is determined by an allocation model, which has four components on the customer expense side: IT application support; IT operations; telecommunications; and special customer specific services. Revenues generated through the allocation model recover the IT operating costs at a level that conforms to the Council-adopted financial plan. The IT Department also earns revenue from the Project Management Office (PMO), which charges City departments for the cost of purchasing or creating technology enhancements and provides quality, low-cost project management for implementing these technology-related projects. The charges to City departments are calculated to generate enough revenue to cover the overhead expense of the department. The City Clerk earns revenue through charges for central mailing and printing services.

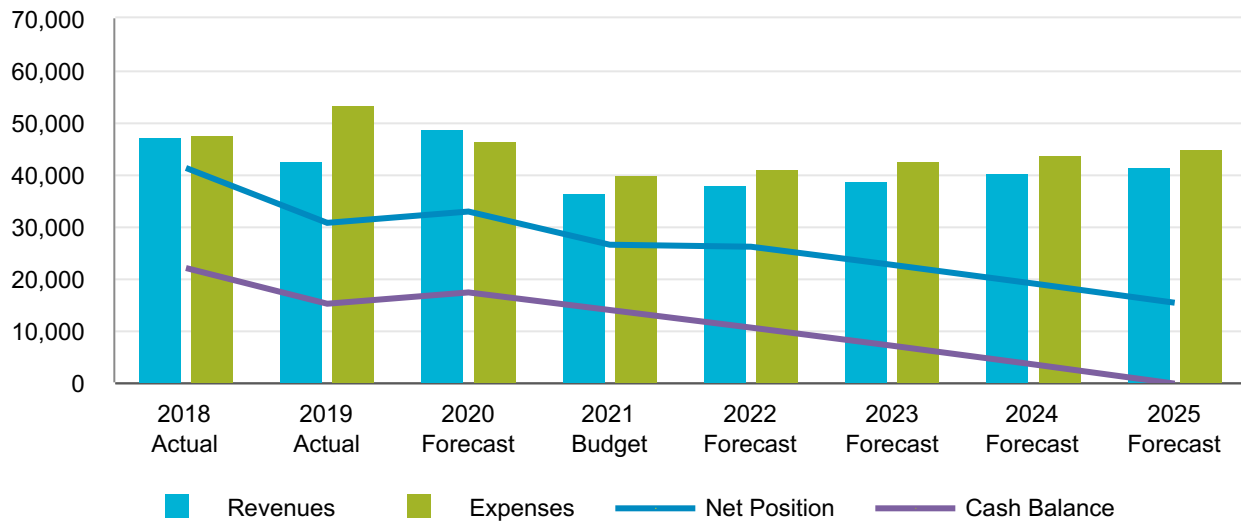
Historical Financial Performance

From year-end 2015 to year-end 2019 the fund's net position decreased from \$62.7 million to \$30.7 million. The decrease in net position from 2015 to 2019 was due to a variety of factors including costs to implement major software projects, planned transfers out to support other funds and the insourcing of support functions. The City Council approved a long-term financial plan for the Intergovernmental Services Fund in September 2000 to ensure sufficient net position and cash balances. By the end of 2014, it was determined that the fund had sufficient net position and cash balances. The decrease in net position during 2019 is partly due to a \$3.0 million transfer out to the Capital Improvement Fund, in 2016.

Over the last five years the Intergovernmental Services Fund revenue has been between \$50.5 million to \$42.7 million. Expenses have been between \$56 million and \$53.3 million. The variances in revenues and expenses from year-to-year are generally the result of PMO activity. In 2015, the City completed the Enterprise Resource Planning program to implement upgrades to the PeopleSoft system. In 2016, the City implemented the Enterprise Land Management System. The implementation of such significant systems causes the fund's revenue and expense to fluctuate as work is completed. In addition, in 2015, the Council approved the use of \$10.0 million of net position to cover one-time costs associated with insourcing the IT helpdesk and desk side support functions, and expenses related to contracting with a new provider for managed services. Most of these expenses, \$6.4 million, occurred in 2015 with the remainder in 2016 and 2017.

Current Year Projections

Financial Snapshot Intergovernmental Services Fund (in thousands of Dollars)



Revenues

The 2020 revenues are projected to be \$48.8 million, which is an increase of 14.3% from 2020 budgeted revenue of \$38.7 million. The 2020 projection includes revenue earned during the current year for PMO projects and work for others that is not budgeted.

Expense

The 2020 expenses are projected to be \$46.6 million, which is an increase of 17.1% from the 2020 budgeted expense amount of \$44.0 million. This is partly due to expenses from customer funded PMO projects not included in the original operating budget but included in the projection as expense is recorded to projects and billed to customers. Also, the City Council approved the rollover of 2019 funds to 2020 for \$6.3 million, including \$1.8 million for the Enterprise Content Management system (ECMS), \$469 thousand for the Management Information Network System (MINS), and \$951 thousand for Property Records & CAMA System.

As a result of the COVID-19 pandemic, the 2020 expense and revenue budgets for the Technology department were decreased by \$2.7 million in an effort to contain costs across the enterprise.

Net Position & Cash Balance

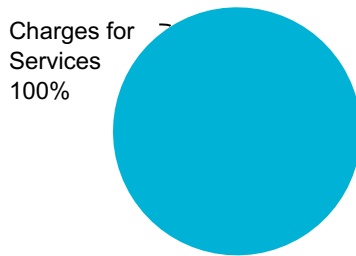
The Intergovernmental Services Fund projects net position to be \$32.8 million at the end of 2020 an increase of \$7.5 million, or 29.6% from the 2020 budgeted ending net position of \$25.3 million. The fund's cash balance is projected to be \$17.3 million at the end of 2020, an increase of \$4.7 million, or 37.3%, from the budgeted ending cash balance of \$12.6 million.

2021 Budget

There are unplanned changes from prior years for the Intergovernmental Services Fund. COVID-19 Cost Containment measures are anticipated and additional expenses for the New Public Service Building are anticipated for 2020 and 2021.

Revenues

Source of Funds (\$37.1 million)



The revenues for 2021 are budgeted at \$37.1 million, a decrease of 4% from the 2020 budgeted amount of \$38.7 million. Charges for services revenue decreased by \$1.9 million in the 2021 budget to align allocation model revenues with the approved expense budget.

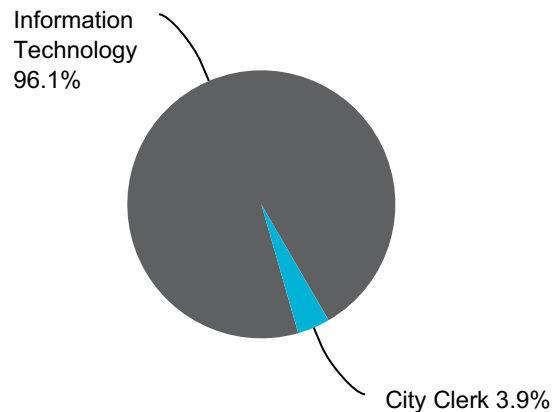
The 2021 revenue budget is a decrease of \$11.6 million, or 23.8%, from the 2020 projected revenue. The 2020 projected revenue includes revenue earned during the year for PMO projects that bill other City Departments as the work is completed. And the budget includes a transfer of funds from the General fund.

Expense

The expenses for 2021 are budgeted at \$38.6 million, a decrease of \$5.4 million, or 12.4%, from the 2020 budgeted expense of \$44.0 million. The decrease is mostly due to cost containment measures for losses due to COVID-19.

The 2021 expense budget is a decrease of \$8.0 million, or 17.3% from the 2020 projected expense of \$46.6 million. The decrease is partly due to expenses related to customer funded PMO projects. The budget includes a conservative expense amount for PMO projects, which is increased as work is completed and City departments are billed for services. In addition, the 2020 projected expenses include Cost Containment efforts approved by City Council because of COVID-19 impacts.

Use of Funds (\$40.5 million)



Transfers

The 2021 revenue budget includes a \$114,000 transfer from the General Fund for the cost of City Hall rent for the Information Technology and City Clerk departments. The fund has received the rent related transfer on an annual basis but expects to move its workforce to the new Public Service Center by the end of 2020.

Debt Service

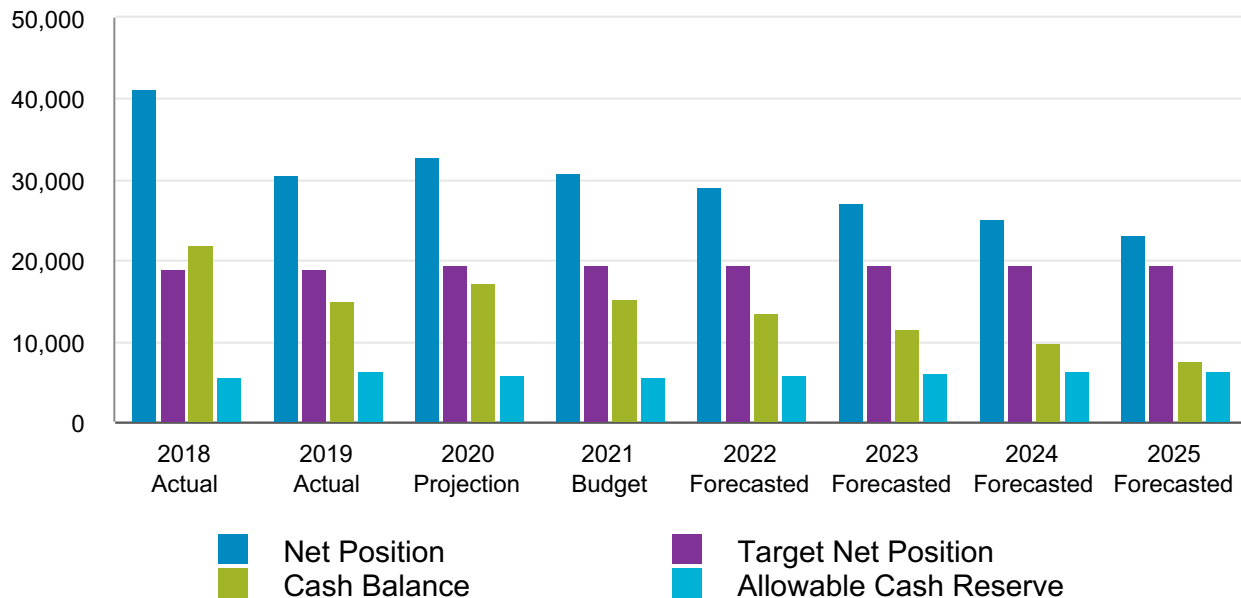
This fund does not have any net debt bonds.

Net Position & Cash Balance

The net position at year-end 2021 is projected to be \$31.0 million, a decrease of \$1.9 million, or 5.7%, from the 2020 ending projected amount of \$32.8 million. The cash balance at year-end 2021 is projected to be \$15.8 million, a decrease of \$1.4 million, or 8.2%, from the 2020 projected ending balance of \$17.3 million. Cash is expected to decrease in 2020 because of the Cost Containment decreases to expense budget.

The financial policy for the Intergovernmental Services fund states that the minimum cash balance should be equal to 15% of the fund’s total budget. The projected 2021 year-end cash balance of \$15.8 million exceeds the target amount of \$5.7 million by \$10.1 million. The financial policy also states that the net position should not fall below two times the fund’s annual depreciation. The estimated target net position for 2020 is \$19.5 million, and the fund is projected to exceed this target by \$13.4 million.

**Intergovernmental Services Fund Net Position & Cash Balance
(in thousands of dollars)**



City of Minneapolis
2021 Adopted Budget
Financial Plan (in thousands of dollars)

Intergovernmental Services Fund

| | 2018 Budget | 2018 Actual | 2019 Budget | 2019 Actual | 2020 Budget | 2020 Projected | 2021 Budget | % Chg From 2020 Projected | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast |
|---|----------------|----------------|----------------|-----------------|----------------|-------------------|----------------|---------------------------------|------------------|------------------|------------------|------------------|
| Source of Funds: | | | | | | | | | | | | |
| Charges for Service - IT | 34,079 | 35,904 | 35,508 | 34,328 | 37,058 | 41,729 | 35,644 | (14.6)% | 36,713 | 37,814 | 38,948 | 40,116 |
| Charges for Service - City Clerk | 1,326 | 1,535 | 1,366 | 1,420 | 1,424 | 1,307 | 1,385 | 6 % | 1,427 | 1,470 | 1,514 | 1,559 |
| Work for Others | — | 5,383 | — | 5,755 | — | 5,544 | — | (100)% | — | — | — | — |
| Operating Transfers In | 1,760 | 4,623 | 353 | 1,224 | 209 | 209 | 114 | (45.5)% | 215 | 222 | 228 | 235 |
| Total | 37,165 | 47,445 | 37,227 | 42,727 | 38,691 | 48,789 | 37,143 | (23.9)% | 38,355 | 39,506 | 40,690 | 41,910 |
| Use of Funds: | | | | | | | | | | | | |
| Transfers | — | — | 3,220 | 3,220 | 1,000 | 1,000 | — | (100)% | — | — | — | — |
| City Clerk | 1,403 | 1,804 | 1,459 | 1,671 | 1,486 | 1,311 | 1,506 | 14.9 % | 1,551 | 1,598 | 1,646 | 1,695 |
| Information Technology | 36,593 | 41,107 | 36,565 | 42,255 | 41,555 | 37,714 | 37,062 | (1.7)% | 38,174 | 39,319 | 40,499 | 41,714 |
| Work for Others | — | 4,889 | — | 6,138 | — | 5,434 | — | (100)% | — | — | — | — |
| COVID Response | | | | | | 604 | | | | | | |
| New Public Service Building | | | | | | 550 | | | | | | |
| Total | 37,996 | 47,800 | 41,244 | 53,284 | 44,041 | 46,613 | 38,568 | (17.3)% | 39,725 | 40,917 | 42,145 | 43,409 |
| Change in Net Position | (831) | (5,182) | (4,017) | (10,557) | (5,350) | 2,176 | (1,425) | (165.5)% | (1,370) | (1,411) | (1,455) | (1,499) |
| Net Position | 45,577 | 41,226 | 37,209 | 30,669 | 25,319 | 32,845 | 31,420 | (4.3)% | 30,050 | 28,639 | 27,184 | 25,686 |
| Total Cash Balance | 21,541 | 21,983 | 17,966 | 15,115 | 12,616 | 17,291 | 15,866 | (8.2)% | 14,496 | 13,085 | 11,630 | 10,132 |
| Target Cash Reserve | 5,660 | 5,660 | 5,665 | 6,550 | 6,421 | 5,819 | 5,750 | (1.2)% | 5,959 | 6,138 | 6,322 | 6,511 |
| Variance Operating Cash to Target Cash Reserve | 15,881 | 16,323 | 12,301 | 8,565 | 6,195 | 11,472 | 10,116 | (11.8)% | 8,538 | 6,947 | 5,309 | 3,620 |

1 Change in net position and net position for 2018 and 2019 are the amounts recorded in the CAFR.

2 At year end 2019, fund 06400 has a liability balance of \$1.4 million in unearned revenue resulting from prepayments by City departments for future IT projects. These prepayments result in an increase to the cash balance.

3 The 2020 projected expenses include any potential rollover requests that may be spent in 2019.

**City of Minneapolis
2021 Adopted Budget
Financial Plan**

Property Services Fund

Introduction

The Property Services Internal Service Fund is responsible for the operations and maintenance of the City-owned buildings including police precinct structures, fire stations, and public works buildings. The Property Services division is responsible for space and asset management, security management, and energy management services for City properties. The fund does not provide services to the Convention Center, Water facilities, or the Minneapolis Park and Recreation Board buildings. The Property Services fund is also responsible for the Radio Shop which maintains the City's emergency communications network. Property Services is part of the Finance and Property Services department within the City Coordinator's department.

The Property Services fund collects revenue from City departments that are either housed in City buildings or use the services provided (building space, operational maintenance, security, space and asset management, energy management, janitorial and radio services). The proposed building and communication equipment charges to City departments are calculated through cost allocation models using historical and anticipated operational costs. The cost recovery structure is configured to enable the fund to charge the amounts required to recover the cost of the goods and services provided to City departments and the cost of the fund's overhead. The Property Services Fund collects revenue for City Hall rent and remits it to the Municipal Building Commission (MBC) to reimburse the MBC for maintenance and property management services.

Included in the Property Services Fund is the Property Disposition Fund. This fund was created in section 14.120 of City Ordinance for the purpose of recording proceeds from the sale of City property. The ordinance did not specify the use of proceeds.

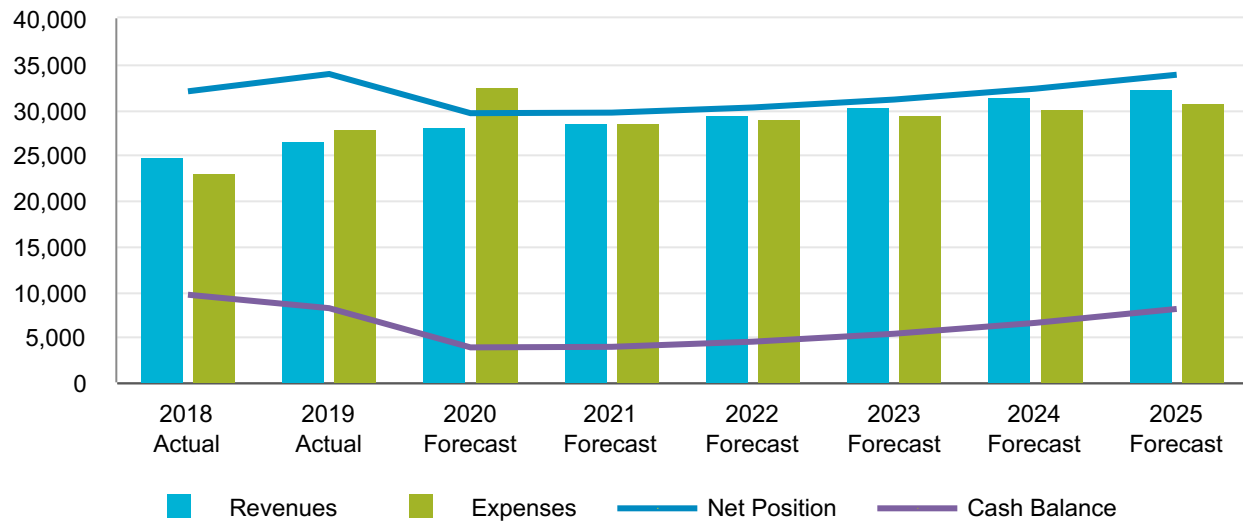
Historical Financial Performance

Over the last five years, the Property Services fund revenue has steadily increased from \$23.3 million in 2015 to \$26.5 million in 2019. The most significant reason for this increase was the collection of \$4.0 million annually in asset preservation rental income beginning in 2016 as part of the allocation model to fund facility repairs and improvements to City owned buildings. The Property Services Fund will continue to collect revenues from City departments that occupy City buildings, to fund improvements for facility repairs and upgrades. This practice replaces funding through net debt bonds.

The Property Services fund increased its net position by \$4.6 million from \$29.3 million at year-end 2015 to \$33.9 million at year-end 2019. As previously noted, starting in 2016 the fund collects an additional \$4.0 million annually in rental income from departments for facility repairs and improvements. Due to the timing of projects over the past three years, less than two-thirds of this funding has been spent, which resulted in increased net position. The council approved a rollover of the 2019 budget of \$4.5 million to 2020 due to delayed asset preservation projects.

Current Year Projections

Financial Snapshot Property Services Fund (in thousands of Dollars)



Revenues

The 2020 revenues are projected to be \$28.2 million, representing an increase of \$3.3 million or 13.4% from the original revenue budget of \$24.9 million. The increase in 2020 projected revenues is mainly due to revenue from work for others. Work for others revenues include discretionary repairs and upgrades which can vary from year to year depending on the available budget of City departments. A base budget is recorded each year and increased as additional projects are completed and billed to other City departments. The 2020 Rent revenues are projected to be \$21.5 million. Included in rent income is the charge to City departments for use of City owned buildings.

Expense

The 2020 expenses are projected to be \$32.5 million, representing an increase of \$5.0 million or 18.3% from the original budgeted expense of \$27.5 million. Included in the 2020 expense budget is a conservative estimate for costs related to projects completed for other City departments. As the projects are requested and expense is realized, the offsetting revenue is collected through the billing process. The 2020 projected work for others expense reflects this increase in expense related to projects completed for other City departments, which shows \$2.1 million projection higher than the 2020 budget. Also, facilities management expenses are projected to be \$2.4 million higher than budget due to higher projected expenses in the Operations and Management and Custodial Operations. The City Council approved \$4.5 million of unspent 2019 appropriation to roll over to 2020. All available funding is expected to be used in 2020 as reflected in the 2020 Facilities Management projections and the 2020 budget.

The fund has an appropriation of \$5.4 million for pass-through costs for the services provided by the Municipal Building Commission for maintaining the City's space in City Hall in 2020.

Net Position & Cash Balance

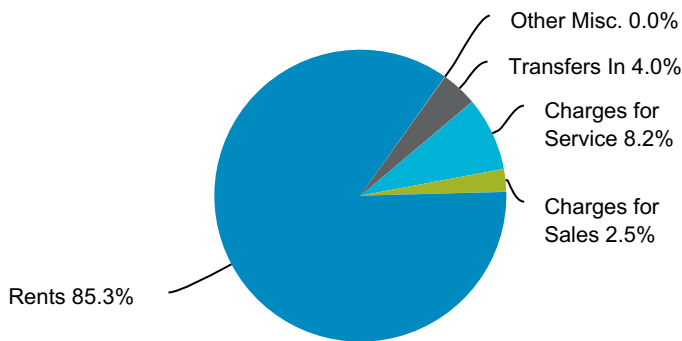
The Property Services Fund’s projected net position at the end of 2020 is \$29.6 million, which is a decrease of \$1.7 million, or 5.4% from the budgeted ending net position of \$31.3 million. This reduction is mainly due to the rollover expenses from prior year to 2020. The fund’s projected cash balance at the end of 2020 is \$3.8 million, which is a decrease of \$1.7 million from the budgeted ending cash balance of \$5.5 million.

The Property Services Fund cash balance includes operating cash, capital preservation project fund and the cash balance in the Property Disposition Fund, a fund that receives proceeds from the sale of City property. The cash balance in the Property Disposition Fund at year-end 2019 was \$1.7 million and is projected to be at \$1.6 million at year-end 2020.

2021 Budget

There are no significant planned or anticipated changes from prior years for the Property Services fund.

**Source of Funds
(\$28.7 million)**



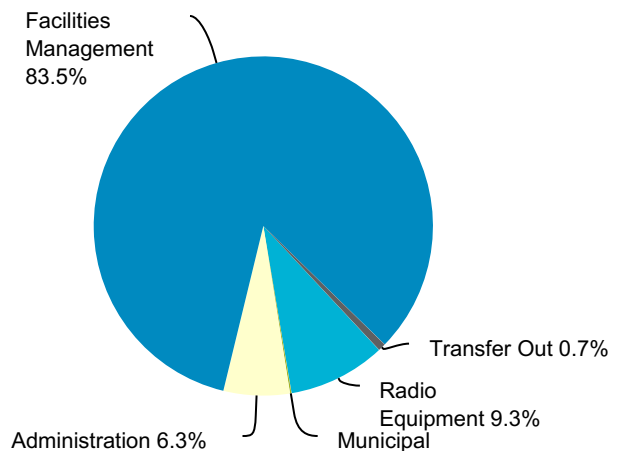
Revenues

The 2021 revenue budget for this fund is \$28.7 million, representing an increase of 15.4%, or \$3.8 million from the original 2020 revenue budget of \$24.9 million. The increase is due to increased rent charged to departments housed in City owned buildings including the New Office Building for property maintenance and facility repairs, which includes vacant spaces until the vacated buildings are transferred or sold. Also, the 2021 revenue budget for the Work for Others department has been calculated based on historical information rather than being set as a minimum amount as in prior years. This approach will more closely reflect actual operations so there will be fewer adjustments necessary to align the budget with actual activities

Expense

The 2021 Expense Budget is \$28.6 million, representing a \$1.1 million increase from the \$27.5 million budgeted in 2020. The 4.1% increase is mainly due to the rent increase as a result of the New Office Building and also due to the larger budget cut in 2020 compared to budget reduction in 2021.

**Use of Funds
(\$28.6 million)**



Transfers

The 2021 revenue budget includes a General Fund transfer-in for \$1.2 million, which is to cover the cost of City Hall rent for the space occupied by Property Services including the City Hall vacant spaces. The fund has received these transfers on an annual basis and expects the transfers to continue in future years.

The 2021 expense budget includes a transfer-out to the Water Fund for \$212,000. This payment to the Water Fund is needed for some maintenance work at the Kenwood Water Tower. This money is coming out of the Property Service Fund Balance as the fund received revenue for many years through 2018 on the cell phone antennae lease payments on the water tower. The antennae lease revenue is now received by the Water Fund starting from 2019. This transfer is based on the actual maintenance cost incurred up to a maximum amount of \$212,000.

Debt Service

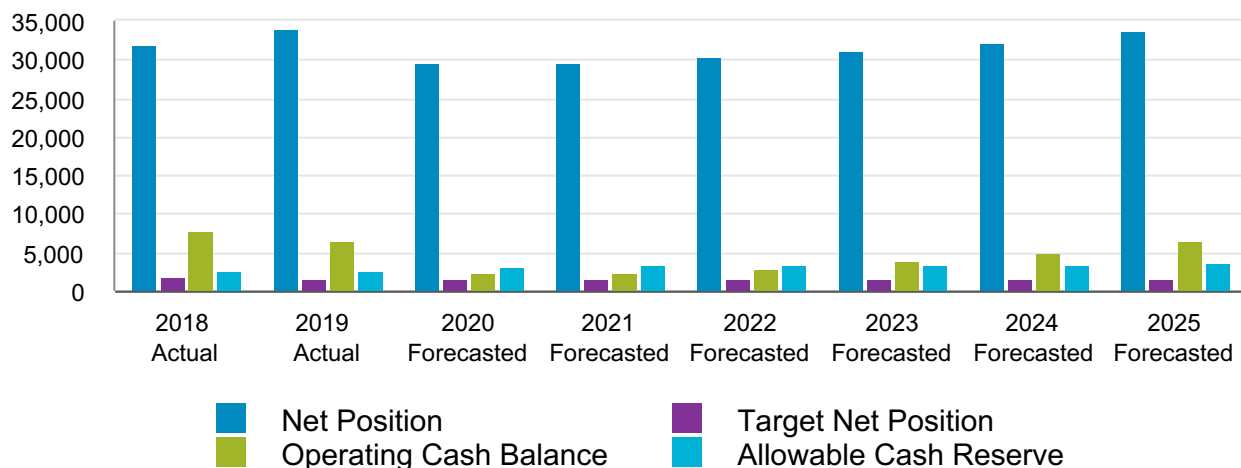
There are no debt service payments planned for 2021. In 2018 the fund paid off its remaining debt obligations.

Net Position & Cash Balance

The Property Services Fund has a 2021 budgeted net position of \$29.6 million. This represents a very slight increase of 0.2% from the 2020 projected amount of \$29.6 million. The financial policy related to net position for the Property Services Fund directs that the net position should not fall below two times the annual depreciation amount. The Property Services Fund is projected to be in compliance with this policy in 2020 and 2021 as the target net position is projected to be \$1.6 in 2020 and \$1.6 million in 2021.

The 2021 budgeted year-end cash balance is \$3.9 million, and the 2020 year-end projected balance is \$3.8 million. The Property Services Fund cash balance includes operating cash and the cash balance in the Property Disposition Fund, a fund that receives proceeds from the sale of City property. The cash balance in the Property Disposition Fund at year-end 2020 is projected at \$1.6 million. Financial reserve policies for the internal service funds determine that the cash reserve for the Property Services Fund should not be less than 15.0% of the operating budget, or \$3.0 million for 2020. It is projected that the fund will not be in compliance with this policy by \$0.9 million.

Property Services Fund Net Position & Cash Balance
(in thousands of dollars)



City of Minneapolis
2021 Adopted Budget
Financial Plan (in thousands of dollars)
Property Services Fund (06200, 06210, and 06220)

| | 2018 Budget | 2018 Actual | 2019 Budget | 2019 Actual | 2020 Budget | 2020 Projected | 2021 Budget | % Chg From 2020 Projected | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast |
|---|----------------|----------------|----------------|----------------|----------------|-------------------|----------------|---------------------------------|------------------|------------------|------------------|------------------|
| Source of Funds: | | | | | | | | | | | | |
| Charges for Services | 1,684 | 1,240 | 1,684 | 1,767 | 1,579 | 1,878 | 2,345 | 24.87 % | 2,415 | 2,487 | 2,562 | 2,639 |
| Charges for Sales | 610 | 666 | 625 | 699 | 680 | 700 | 721 | 3 % | 743 | 765 | 788 | 812 |
| Work For Others | — | 2,161 | — | 2,082 | — | 3,055 | — | (100)% | — | — | — | — |
| Rents | 19,910 | 20,022 | 20,464 | 20,806 | 21,543 | 21,488 | 24,450 | 13.78 % | 25,184 | 25,940 | 26,718 | 27,520 |
| Other Misc. Revenues | 320 | 322 | 820 | 822 | 820 | 842 | 3 | (99.64)% | 3 | 3 | 3 | 3 |
| Sale of Land | — | — | — | — | — | — | — | — % | — | — | — | — |
| Transfers In | 319 | 319 | 228 | 331 | 237 | 237 | 1,156 | 387.76 % | 1,191 | 1,227 | 1,264 | 1,302 |
| Total | 22,843 | 24,731 | 23,821 | 26,507 | 24,859 | 28,200 | 28,675 | 1.68 % | 29,536 | 30,422 | 31,335 | 32,276 |
| Use of Funds: | | | | | | | | | | | | |
| Property Services Administration | 1,479 | 1,516 | 1,760 | 1,928 | 1,702 | 1,889 | 1,805 | (4.45)% | 1,841 | 1,878 | 1,916 | 1,954 |
| Radio Equipment | 2,121 | 2,067 | 2,155 | 2,116 | 2,037 | 2,138 | 2,656 | 24.23 % | 2,709 | 2,763 | 2,818 | 2,874 |
| Municipal Market | 41 | 25 | 41 | 38 | 41 | 60 | 41 | (31.67)% | 42 | 43 | 44 | 45 |
| Facilities Management | 18,995 | 16,614 | 19,198 | 21,386 | 22,806 | 25,221 | 23,900 | (5.24)% | 24,378 | 24,866 | 25,363 | 25,870 |
| Work For Others | — | 1,731 | — | 1,564 | — | 2,304 | — | (100)% | — | — | — | — |
| Debt Service | 845 | 843 | — | — | — | — | — | — % | — | — | — | — |
| Transfers Out | 317 | 317 | 817 | 817 | 895 | 895 | 212 | (76.31)% | — | — | — | — |
| Total | 23,798 | 23,111 | 23,971 | 27,849 | 27,481 | 32,507 | 28,614 | (11.98)% | 28,970 | 29,550 | 30,141 | 30,743 |
| Change in Net Position¹ | (955) | 2,782 | (150) | 1,903 | (2,622) | (4,307) | 61 | | 566 | 872 | 1,194 | 1,533 |
| Net Position¹ | 28,242 | 31,979 | 31,828 | 33,884 | 31,262 | 29,577 | 29,638 | | 30,204 | 31,076 | 32,270 | 33,803 |
| Total Cash Balance² | 6,698 | 9,628 | 9,477 | 8,148 | 5,526 | 3,841 | 3,902 | | 4,468 | 5,340 | 6,534 | 8,067 |
| Operating Cash balance² | 4,968 | 7,898 | 7,747 | 6,418 | 3,970 | 2,285 | 2,346 | | 2,912 | 3,784 | 4,978 | 6,511 |
| Target Cash Reserve³ | 2,495 | 2,495 | 2,550 | 2,550 | 3,049 | 3,049 | 3,309 | | 3,369 | 3,431 | 3,493 | 3,557 |
| Variance Operating Cash to Target Cash Reserve | 2,473 | 5,403 | 5,197 | 3,868 | 921 | (764) | (963) | | (457) | 353 | 1,485 | 2,954 |

* The Property Services fund includes transactions of the Property Disposition Fund, a fund that receives proceeds from the sale of City property.

¹The change in net position and the net position for 2017 and 2018 are the amounts recorded in the CAFR.

²Total cash balance is the sum of cash recorded in the Property Disposition fund and the Property Services fund. Operating cash is the cash balance generated from Property Service fund operations and recorded in the Property Services fund.

³The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Property Services Fund should at a minimum be equal to 15.0% of the adjusted operating budget.

**City of Minneapolis
2021 Adopted Budget
Financial Plan**

Public Works Stores Fund

Introduction

The Public Works Stores Internal Service Fund 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. The fund includes the Traffic Stores department, which is managed by Public Works, and the Central Stores department, which is managed by Finance and Property Services. Traffic Stores purchases components for traffic signals, controllers, and street lights. Central Stores purchases the City’s office supplies and non-specialty items. The fund earns revenue by applying overhead charges to inventory sales and transaction processing.

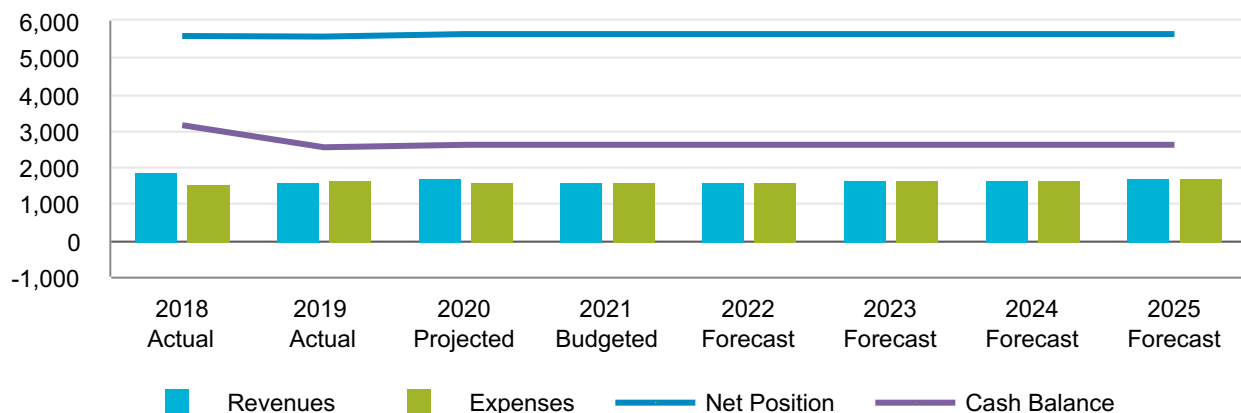
Historical Financial Performance

The fund has steadily increased net position from \$4.4 million at the end of 2015 to \$5.6 million at the end of 2019. The majority of net position is from inventory held by the fund. At the end of 2019, the inventory balance was \$4.9 million. The fund had a negative cash balance in the past and by the end of 2019 the cash balance increased to \$2.5 million. This is an increase of \$2.9 million from the cash balance of negative \$368,680 at the end of 2015. The primary reason for the increase is due to operating gains over several years as well as a reduction in inventory balance.

From year-end 2014 to year-end 2019, the fund’s revenue has remained between \$1.4 million to \$1.6 million. Expenses have remained between \$1.1 million and \$1.8 million. Revenue fluctuates year-to-year based upon the level of inventory purchases by customer departments and requisition processing transactions related to City projects. In addition, starting in 2018, the Traffic Stores department reduced their overhead rate from 22% to 11%, and starting in 2020 Central Stores at the Royalston location has increased their overhead rate from 22% to 26%. This brings them closer to the fund’s break-even point.

Current Year Projections

**Financial Snapshot
Public Works Stores Fund
(in thousands of Dollars)**



Revenues

Revenues for 2020 are projected at \$1.7 million, an increase of 10.7% over the budgeted amount of \$1.5 million. This is primarily due to an increase of \$8,000 in Traffic Stores for selling scrap and a \$157,000 increase in Central Stores, which is the result of additional overhead charges to inventory sales and transactions processing.

Expense

Expenses for 2020 are projected at \$1.6 million, an increase of 7.2% over the budgeted amount of \$1.5 million. This increase is mostly due to higher contractual services of \$97,000, which is primarily from the fencing gate costs at Traffic Stores. These increases are offset by the additional revenue earned through overhead charges.

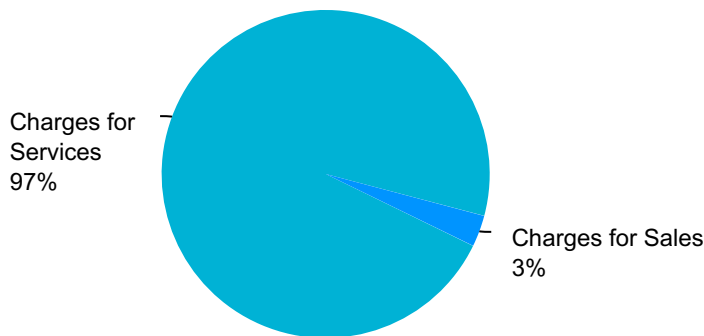
Net Position & Cash Balance

The fund’s projected net position at the end of 2020 is \$5.6 million, which is a slight increase of \$54,000 over the budgeted ending net position of \$5.6 million. This is due to an increase in the Traffic Stores for selling scrap and Central Stores’ overhead charges.

The fund’s projected cash balance at the end of 2020 is \$2.6 million, which is a slight increase of \$54,000 over the budgeted ending cash balance of \$2.6 million. This is due to an increase in the Traffic Stores and Central Stores’ revenues in 2020.

2021 Budget

**Source of Funds
(\$1.6 million)**



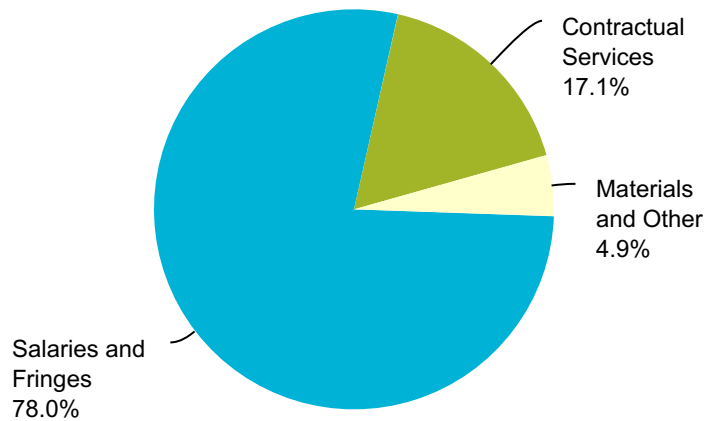
Revenues

Revenues for 2021 are budgeted at \$1.6 million, a slight increase of \$65,000 from the 2020 budget amount of \$1.5 million. The increase in the 2021 budget amount is due to overhead earnings by both Central Stores and Traffic Stores. The 2021 revenue budget reflects a decrease of 5.9% from the 2020 projected amount of \$1.7 million. This decrease from the 2020 projected revenue is due to higher than expected sales in Central Stores overhead earnings in 2020.

Expense

Expenses for 2021 are budgeted at \$1.6 million, a slight increase of \$79,000 from the 2020 budget amount of \$1.5 million, primarily from personnel cost of \$45,000 and contractual services of \$30,000. The 2021 budget reflects a decrease of 1.9% from 2020 projected expenses of \$1.6 million due to higher than expected contractual services in 2020 as described above.

**Use of Funds
(\$1.6 million)**



Transfers

There are no transfers scheduled for this fund in 2021.

Debt Service

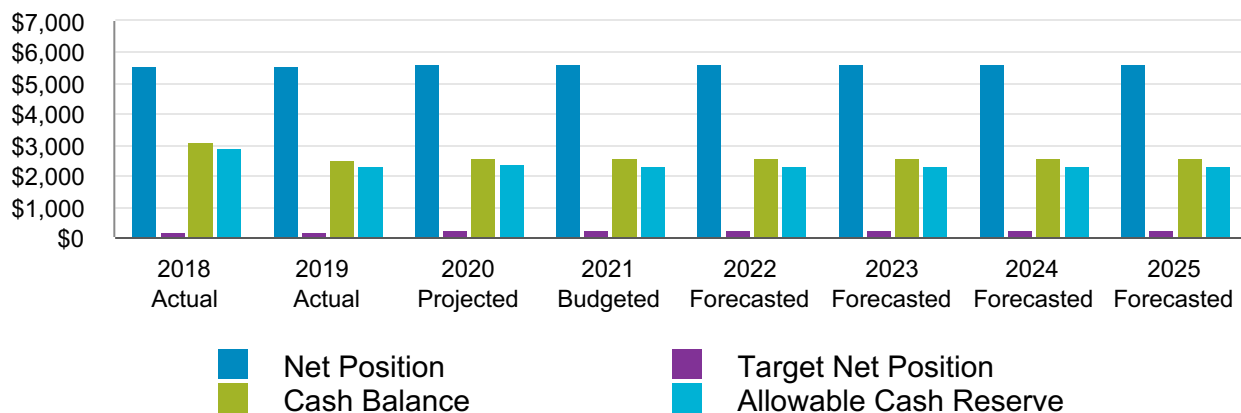
This fund does not have any debt service payments.

Net Position & Cash Balance

The financial policy for this fund states that the fund should maintain a minimum net position equal to 15.0% of the operating budget. The projected year-end net position for both 2020 and 2021 is \$5.6 million. The projected 2020 ending balance exceeds the net position target amount of \$229,000 by \$5.6 million and the projected 2021 ending balance exceeds the net position target amount of \$241,000 by \$5.6 million.

The financial policy for this fund states that the fund should maintain a minimum target cash reserve equal to 15.0% of the operating budget. The projected year-end cash balance for both 2020 and 2021 is \$2.6 million. The projected 2020 ending balance exceeds the cash balance target amount of \$229,000 by \$2.4 million and the projected 2021 ending balance exceeds the cash balance target amount of \$241,000 by \$2.4 million.

**Public Works Stores Fund Net Position & Cash Balance
(in thousands of dollars)**



City of Minneapolis
2021 Adopted Budget
Financial Plan (in thousands of dollars)
Public Works Stores Fund

| | 2018 Budget | 2018 Actual | 2019 Budget | 2019 Actual | 2020 Budget | 2020 Projected | 2021 Budget | % Chg From 2020 Projected | 2022 Forecast | 2023 Forecast | 2024 Forecast | 2025 Forecast |
|---|----------------|----------------|----------------|----------------|----------------|-------------------|----------------|---------------------------------|------------------|------------------|------------------|------------------|
| Source of Funds: | | | | | | | | | | | | |
| Charges for Services | 1,453 | 1,840 | 1,474 | 1,599 | 1,493 | 1,650 | 1,558 | (5.6)% | 1,590 | 1,623 | 1,657 | 1,691 |
| Charges for Sales | — | 49 | — | 18 | 50 | 58 | 50 | (13.9)% | 50 | 50 | 50 | 50 |
| Total | 1,453 | 1,889 | 1,474 | 1,617 | 1,543 | 1,708 | 1,608 | (5.9)% | 1,640 | 1,673 | 1,707 | 1,741 |
| Use of Funds: | | | | | | | | | | | | |
| Salaries and Fringes | 1,150 | 1,258 | 1,138 | 1,343 | 1,209 | 1,217 | 1,254 | 3.0 % | 1,285 | 1,317 | 1,350 | 1,384 |
| Contractual Services | 228 | 277 | 265 | 318 | 244 | 342 | 275 | (19.6)% | 276 | 277 | 278 | 278 |
| Materials and Other | 72 | 60 | 71 | 43 | 76 | 81 | 79 | (1.7)% | 79 | 79 | 79 | 79 |
| Total | 1,451 | 1,595 | 1,474 | 1,705 | 1,529 | 1,640 | 1,608 | (1.9)% | 1,640 | 1,673 | 1,707 | 1,741 |
| Change in Net Position¹ | 2 | 463 | — | 463 | 14 | 68 | — | (100)% | — | — | — | — |
| Net Position¹ | 5,569 | 5,580 | 5,580 | 5,565 | 5,579 | 5,633 | 5,633 | — % | 5,633 | 5,633 | 5,633 | 5,633 |
| Total Cash Balance | 2,144 | 3,142 | 3,142 | 2,538 | 2,552 | 2,606 | 2,606 | — % | 2,606 | 2,606 | 2,606 | 2,606 |
| Operating Cash balance | 2,144 | 3,142 | 3,142 | 2,538 | 2,552 | 2,606 | 2,606 | — % | 2,606 | 2,606 | 2,606 | 2,606 |
| Target Cash Reserve² | 218 | 218 | 221 | 221 | 229 | 229 | 241 | 5.2 % | 246 | 251 | 256 | 261 |
| Variance Operating Cash to Target Cash Reserve | 1,926 | 2,924 | 2,921 | 2,317 | 2,322 | 2,377 | 2,365 | 2.1 % | 2,360 | 2,355 | 2,350 | 2,345 |

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

¹ The change in net position and net position for 2018 and 2019 are the amounts recorded in the CAFR.

²The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve balance for the PW Stores Fund should be maintained at a minimum of 15.0% of the operating budget.

**City of Minneapolis
2021 Adopted Budget
Financial Plan**

Self-Insurance Fund

Introduction

The Self-Insurance Internal Service Fund accounts for accrued sick leave benefit, tort liability, workers' compensation, civil attorney and risk management services, and the administrative functions to support these activities. An activity-based cost allocation model determines the charge allocated to City departments to provide for self-insurance related to tort liability and workers' compensation. The annual charges are calculated using data determined by an actuarial study based on each City department's responsibility for liability and worker compensation expense. The cost allocation model also assigns a charge for HR employee benefit administration and attorney and risk management services. Beginning January 1, 2018, the Medical Plan is no longer insured by Medica. The City is self-insured and will use its own fund to pay for employees' medical expenses and contracts with Medica for administrative services. The Dental Insurance is also recorded to the Self-insurance fund instead of the Agency fund. In addition, beginning in 2021 HR employee benefit administration is transferred from the Self-insurance fund to the General fund.

Historical Financial Performance

Over the last five years, the Self-insurance fund had a decrease in net position of \$37.1 million from 2015 through 2019. The decrease was primarily due to a \$20.0 million settlement paid out in a wrongful death case in 2019. The fund has historically recorded a negative net position primarily because of the required accounting recognition of liability for unpaid claims. The 2019 unpaid claims liability is \$78.7 million representing an increase of \$26.7 million from the 2015 unpaid claims liability of \$52.0 million.

For the year ending 2019 the cash balance was \$93.6 million, an increase of \$17.8 million from the 2015 cash balance of \$75.6 million. The 2019 target cash reserve was \$79.9 million, an increase of \$26.9 million from \$53.0 million in 2015. The fund exceeded the target by \$13.7 million in 2019, a decrease of \$9.3 million from \$23.0 million in 2015.

In 2015, the fund transferred a final payment of \$1.0 million to the Intergovernmental Services Fund to assist with payment of debt service.

In 2016 the Self-Insurance fund advanced \$995,000 in connection with the refunding of General Obligation Tax Increment Bonds (Midtown Exchange) and \$2.5 million in connection with the refunding of General Obligation Taxable Block E Refunding Bonds.

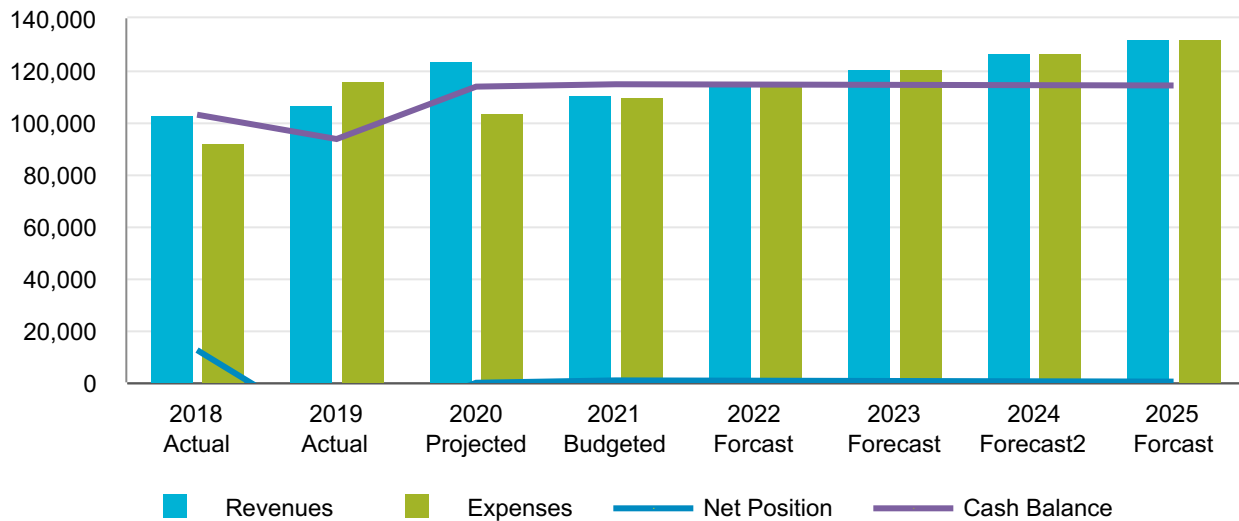
In 2017 the Self-Insurance fund transferred out \$29,000 to the General Fund for costs related to a review of body-worn cameras.

In 2018 the Self-Insurance fund transferred out \$305,000 to the City General fund for body cameras for front line officers and \$8.0 million to the City Capital fund to assist in payment of debt service as determined by the updated 2008 long-term financial plan.

In 2019 the Self- Insurance fund transferred out \$60,000 to the General Fund for costs related to a review of body-worn cameras.

Current Year Projections

Financial Snapshot Self-Insurance Fund (in thousands of Dollars)



Revenues

The 2020 revenues for the Self-Insurance Fund are projected to be \$123.6 million or \$15.3 million more than the budgeted revenue of \$108.3 million. The primary reason for the increase is a \$13.4 million transfer in from 06900 self-insurance fund to 06950 sick leave severance and a \$1.5 million in revenue received for medical insurance premiums. The increase is also related to a \$259,589 increase in revenue received for employee sick leave at retirement and a \$430,716 in revenue received from the State as refunds from medical and indemnity payments and subrogation claims. These increases are partially offset by a decrease of \$599,000 in the revenue received for dental insurance premiums.

Expense

The projected expenses for 2020 are \$103.5 million or \$825,000 more than the budgeted amount of \$102.7 million. The primary reason is due to a \$13.4 million transfer out from 06900 self-insurance fund to 06950 sick leave severance. The increase is partially offset by a \$6.0 million projected decrease in the medical insurance claims, \$4.0 million projected decrease in the amount paid out for tort settlement claims, \$1.4 million projected decrease in the amount paid out for sick leave at retirement, and \$1.2 million projected decrease in the dental insurance claims. These decreases are mostly due to the economic crisis induced by the coronavirus pandemic.

Net Position & Cash Balance

The net position in 2020 is projected to be a negative amount of \$166,000, an increase of \$14.5 million from a negative budgeted amount of \$14.7 million at year end 2019. The increase in net position in 2020 is primarily due to a decrease in medical insurance claims, dental insurance claims, and tort settlement claims during the coronavirus pandemic as describe above.

For the year ending 2020, the cash balance is projected to be \$113.7 million, an increase of \$14.5 million from the budgeted amount of \$99.2 million. The 2020 target cash reserve is projected to be \$107.5 million and the fund is projected to exceed this by \$6.2 million.

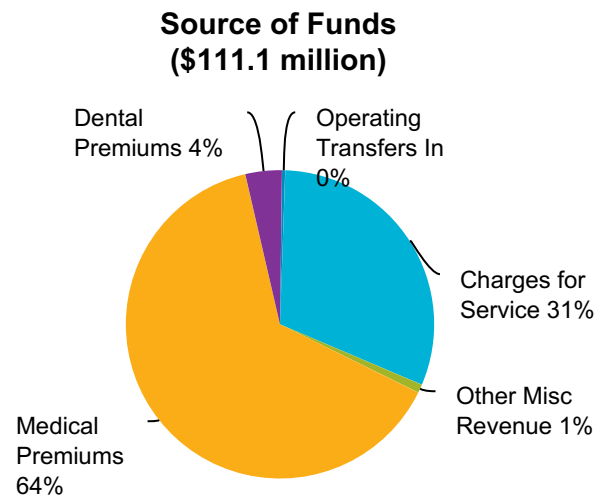
2021 Budget

The 2021 Self-Insurance fund budget includes \$7.5 million of increased expenses compared to the 2020 budget. Liability expenses are increased \$3.0 million per an actuarial study conducted by Aon, which analyzed three large liability claims.

Revenues

The 2021 budgeted revenue is \$111.1 million, a decrease of 10.2% or \$12.5 million from the 2020 projected amount of \$123.6 million. The decrease in the 2021 budget amount is due to a \$13.4 million transfer in from 06900 self-insurance fund to 06950 sick leave severance in 2020, which was not budgeted for 2021. This decrease is partially offset by a \$599,000 increase in revenue received for Dental insurance premiums and a \$430,000 in revenue received for Medical insurance premiums.

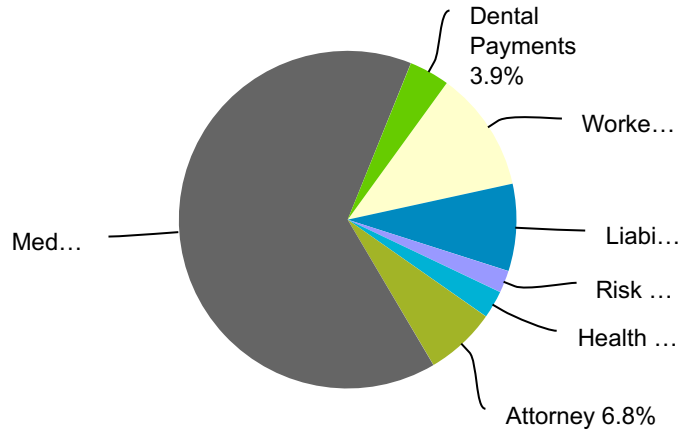
The 2021 revenue budget reflects an increase of 2.6% or \$2.8 million from the 2020 budgeted revenue of \$108.3 million. The primary reason for the increase is due to a \$3.0 million increase in the revenue received for tort liability premiums and a \$1.9 million increase in the revenue received for the medical premiums. These increases are partially offset by a \$2.2 million decrease in revenue received for HR Benefit administration fees, which is no longer in the Self-insurance fund, it consolidates to the General fund.



Expense

The expense budget for 2021 is \$110.2 million, an increase of 6.5% or \$6.7 million from the projected 2020 expenses of \$103.5 million. The primary reason for the increase is due to a \$12.2 million increase in medical claims, a \$1.2 million increase in the dental claims, and a \$7.0 million increase in liability payments. These increases are partially offset by a \$13.4 million transfer out from 06900 self-insurance fund to 06950 sick leave severance in 2020. The 2021 expense budget reflects an increase of 7.3% or \$7.5 million from the 2020 budgeted expense of \$102.70 million due to a \$6.2 million increase in medical claims and a \$3.0 increase in tort settlement claims. These increases are partially offset by a \$2.2 million decrease in HR Benefit administration as described above.

**Use of Funds
(\$111.2 million)**



Transfers

The 2021 revenue budget includes a \$368,000 transfer in from the General Fund for the cost of City Hall rent for the City Attorney’s Office. The fund receives a transfer in on an annual basis and expects this transfer to continue in future years.

Debt Service

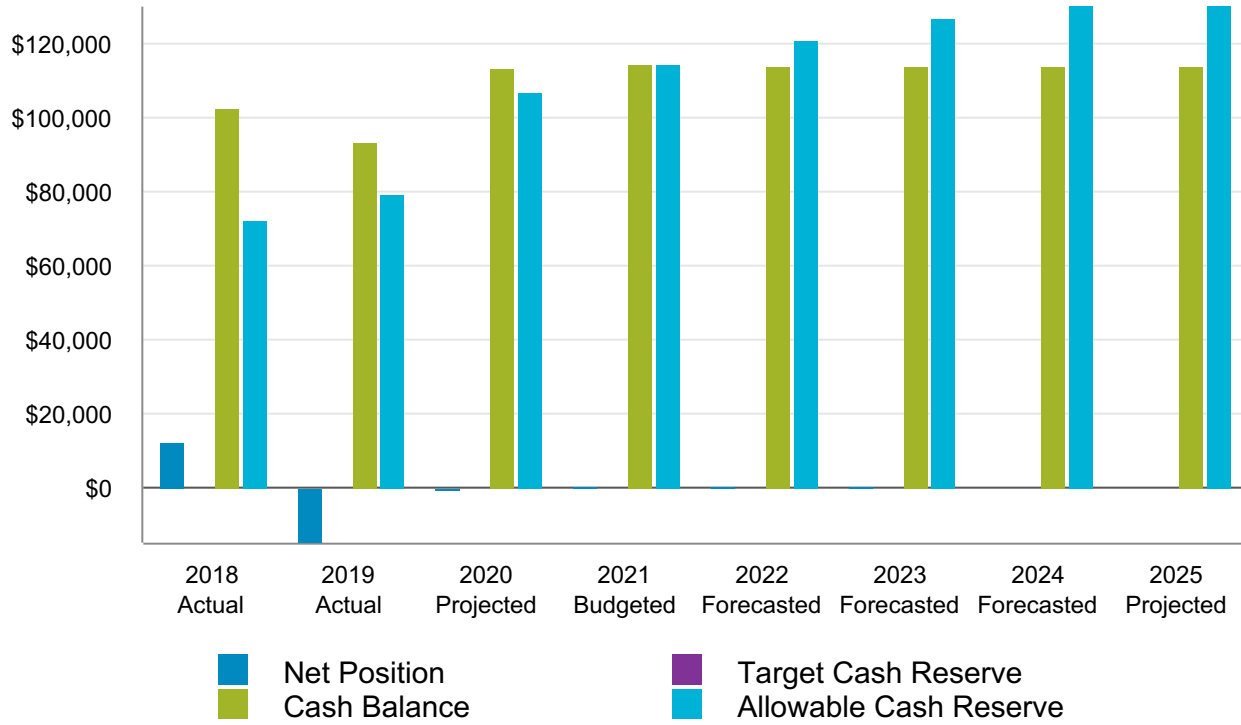
This fund does not have any long-term debt.

Net Position & Cash Balance

The financial reserve policy relating to the internal service funds states that the net position for the Self-Insurance Fund should not fall below zero. The net position at year-end 2021 is projected to be \$748,000, representing an increase of \$914,000 from the 2020 projected a negative net position of \$166,000. The increase in net position is primarily due to the coronavirus pandemic savings in 2020.

The financial reserve policy states that the Self-Insurance Fund should not be less than the total of the unpaid claims liability balance plus 10.0% of the annual operating budgets within the fund. The reserve requirement for Medical-Self Insurance is 35% of claims. For year ending 2021, the cash balance is projected to be \$114.6 million, an increase of 0.8%, or \$914,000 from the 2020 projected amount of \$113.7 million. The 2021 target cash reserve is projected to be \$115.1 million, an increase of 7.0% from the 2020 projected amount of \$107.5 million. The fund is projected to exceed the target by \$6.2 million in 2020 and fall below the target by \$427,000 in 2021.

Self-Insurance Fund Net Position & Cash Balance (in thousands of dollars)



City of Minneapolis
2020 Adopted Budget
Financial Plan (in thousands of dollars)

Self-Insurance Fund

| | 2018 | 2018 | 2019 | 2019 | 2020 | 2020 | 2021 | % Chg | 2022 | 2023 | 2024 | 2025 |
|---|----------------|-----------------|----------------|-----------------|-----------------|----------------|----------------|-----------------|----------------|-----------------|-----------------|-----------------|
| | Budget | Actual | Budget | Actual | Budget | Projected | Budget | From 2020 | Forecast | Forecast | Forecast | Forecast |
| | | | | | | | | Projected | | | | |
| Source of Funds: | | | | | | | | | | | | |
| Charges for Service | 29,654 | 30,273 | 30,181 | 30,560 | 33,444 | 34,004 | 34,275 | 0.8 % | 34,925 | 36,588 | 38,143 | 39,225 |
| Other Misc Revenues | 1,021 | 3,010 | 1,018 | 2,037 | 1,005 | 1,484 | 1,000 | (32.6)% | 1,000 | 1,000 | 1,000 | 1,000 |
| Medical Insurance Premiums | — | 64,771 | — | 70,011 | 69,224 | 70,742 | 71,172 | 0.6 % | 74,731 | 78,467 | 82,391 | 86,510 |
| Dental Premiums | — | 3,429 | — | 3,659 | 4,271 | 3,672 | 4,271 | 16.3 % | 4,399 | 4,531 | 4,667 | 4,807 |
| Operating Transfers In | 262 | 1,393 | 312 | 312 | 324 | 13,736 | 368 | (97.3)% | 383 | 398 | 414 | 431 |
| Total | 30,937 | 102,876 | 31,511 | 106,579 | 108,268 | 123,637 | 111,086 | (10.2)% | 115,437 | 120,984 | 126,614 | 131,973 |
| Use of Funds: | | | | | | | | | | | | |
| Health and Welfare | 2,725 | 1,612 | 2,793 | 1,685 | 2,863 | 1,508 | 2,934 | 94.5 % | 3,008 | 3,083 | 3,160 | 3,239 |
| Attorney | 7,738 | 7,112 | 8,011 | 7,098 | 7,440 | 6,786 | 7,492 | 10.4 % | 7,717 | 7,948 | 8,187 | 8,432 |
| Workers Compensation | 11,438 | 12,246 | 13,242 | 14,330 | 12,827 | 13,308 | 12,756 | (4.1)% | 13,571 | 14,305 | 15,080 | 15,460 |
| Liability | 4,913 | 1,904 | 4,660 | 23,334 | 6,175 | 2,161 | 9,211 | 326.3 % | 9,724 | 10,289 | 10,696 | 11,013 |
| Human Resources | 1,856 | 1,922 | 2,118 | 1,977 | 2,165 | 2,037 | — | (100.0)% | — | — | — | — |
| Finance Dept - Risk Mgmt/Finance Accounting | 2,274 | 2,224 | 2,114 | 2,376 | 1,923 | 2,269 | 2,336 | 3.0 % | 2,406 | 2,478 | 2,552 | 2,629 |
| Medical Claims and Admin Fees | — | 52,232 | — | 62,218 | 64,999 | 58,954 | 71,172 | 20.7 % | 74,731 | 78,467 | 82,391 | 86,510 |
| Delta Dental payments | — | 3,372 | — | 3,069 | 4,271 | 3,053 | 4,271 | 39.9 % | 4,399 | 4,531 | 4,667 | 4,807 |
| Transfers | 8,305 | 9,436 | 60 | 60 | — | 13,412 | — | | — | — | — | — |
| Total | 39,248 | 92,061 | 32,998 | 116,149 | 102,663 | 103,489 | 110,172 | 6.5 % | 115,555 | 121,102 | 126,732 | 132,090 |
| Change in Net Position ¹ | (8,310) | (12,646) | (1,487) | (32,721) | 5,605 | 20,148 | 914 | (95.5)% | (117) | (117) | (117) | (117) |
| Net Position ¹ | 4,097 | 12,407 | 10,920 | (20,314) | (14,710) | (166) | 748 | (549.9)% | 631 | 513 | 396 | 279 |
| Total Cash Balance | 94,628 | 102,938 | 101,451 | 93,583 | 99,188 | 113,731 | 114,645 | 0.8 % | 114,528 | 114,410 | 114,293 | 114,176 |
| Operating Cash balance | 72,629 | 72,629 | 79,932 | 79,932 | 107,521 | 107,521 | 115,072 | 7.0 % | 121,128 | 127,240 | 133,598 | 140,256 |
| Variance Operating Cash to Target | 21,998 | 30,309 | 21,519 | 13,651 | (8,334) | 6,209 | (427) | (106.9)% | (6,600) | (12,830) | (19,305) | (26,080) |
| Cash Reserve | | | | | | | | | | | | |

¹ Change in net position and net position are CAFR values for 2018 and 2019.

² The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Self-Insurance fund should not be less than the total of the unpaid claims liability balance plus 10.0% of the annual operating budgets within the fund. The reserve requirement for Medical -Self Insurance is 35% of claims.