

**City of Minneapolis
2020 Budget**

Table of Contents

Financial Plans	
Five Year Financial Direction 2021 - 2025	91
Demands on the Property Tax: 10 Year Projection	98
Special Revenue Funds	
Arena Reserve Fund	101
Convention Center Fund	107
Downtown Assets Fund	112
Neighborhood & Community Relations Fund	116
Police Special Revenue Fund	120
Regulatory Services Fund	127
Enterprise Funds	
Municipal Parking Fund	132
Sanitary Sewer Fund	138
Solid Waste and Recycling Fund	143
Stormwater Fund	148
Water Fund	153
Internal Service Funds	
Engineering Materials & Testing Fund	159
Fleet Services Fund	164
Intergovernmental Services Fund	169
Property Services Fund	174
Public Works Stores Fund	179
Self-Insurance Fund	184

City of Minneapolis 2020 Budget

Five-year Financial Direction 2021-2025 (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 2021-2025 financial direction is to provide guidance for decision making on available planned resources in the City's General Fund.

General Fund

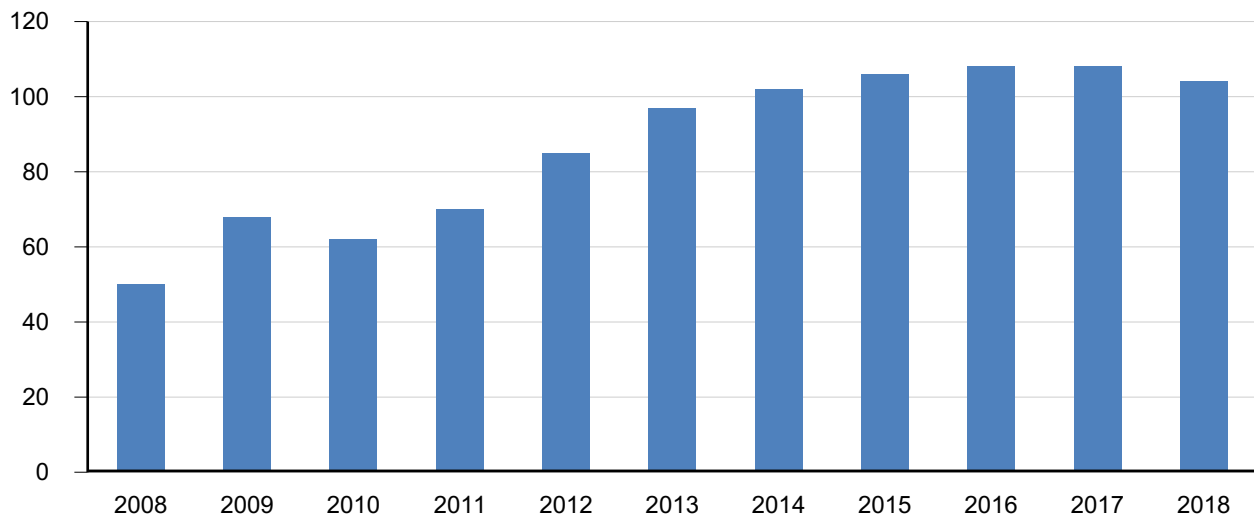
The General Fund is the general operating fund of the City and is the primary funding source for public safety, street paving, snow plowing and other general government services. In 2020 the General Fund expense and revenue, including use of fund balance, is \$532.3 million.

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 2019 with a fund balance of \$104.2 million. The 2019 year-end fund balance in the General Fund is expected to be at \$112.2 million, which is greater than the stated fund balance requirement of 17%, or \$89.6 million, of the following year's expenditure budget.

Fund Balance
(in millions of dollars)



2020 General Fund Revenue Budget

The 2020 Council Adopted budget includes a total of \$532.3 million of revenues for services incorporated in the financial direction, including transfers from other funds and use of fund balance. Budgeted Revenues are expected to increase by 3.9% largely because of a shift of \$8.5 million from the closed pension levies to the General Fund levy, and a \$2 million increase in Local Government Aid.

General Fund Revenue Budget - Source of Funds

2020 Council Adopted Budget: \$532.3 million
(includes transfers)

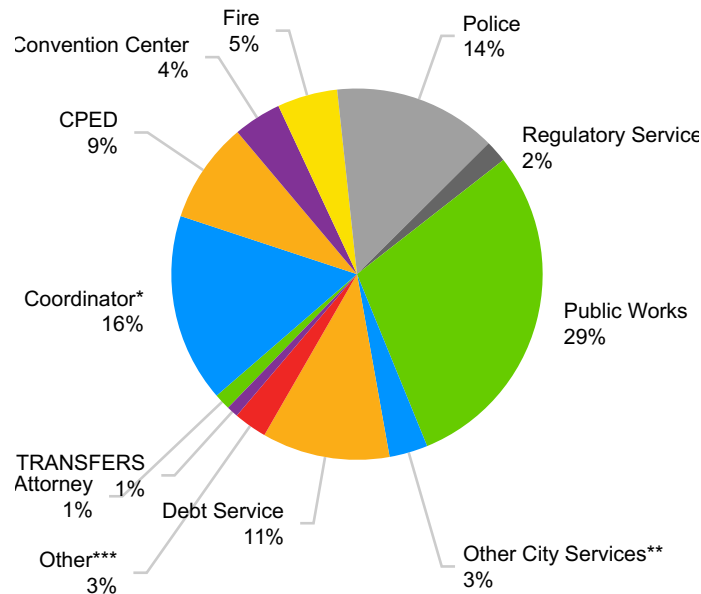
Revenue Source	2018 Actual	2019 Adopted	2020 Council Adopted	% Chg from 2019 Adopted	2019 Adopted % of Total	2020 Adopted % of Total
BUSINESS LICENSES AND PERMITS	11.8	13.8	13.6	-1.4%	2.7%	2.6%
CHARGES FOR SALES	0.1	0.1	0.1	0.0%	0.0%	0.0%
CHARGES FOR SERVICES	53.5	53.6	52.5	-2.1%	10.5%	9.9%
FINES AND FORFEITS	7.1	6.6	6.7	1.5%	1.3%	1.3%
FRANCHISE FEES	33.8	34.1	34.4	0.9%	6.7%	6.5%
INTEREST REVENUE	7.2	6.1	6.3	3.3%	1.2%	1.2%
LOCAL GRANTS & AIDS	0.9	0.9	0.9	0.0%	0.2%	0.2%
MISCELLANEOUS	3.3	3.0	2.9	-3.3%	0.6%	0.5%
NON-BUSINESS LICENSES AND PERMITS	35.5	33.7	33.4	-0.9%	6.6%	6.3%
OTHER TAXES	0.1	—	—	0.0%	0.0%	0.0%
PROPERTY TAXES	193.2	206.6	233.6	13.1%	40.3%	43.9%
RENTS	0.8	0.4	0.7	75.0%	0.1%	0.1%
SPECIAL ASSESSMENTS	2.9	3.4	3.6	5.9%	0.7%	0.7%
STATE GRANTS & AIDS	86.8	85.0	86.5	1.8%	16.6%	16.3%
TRANSFERS	39.4	59.9	47.9	-20.0%	11.7%	9.0%
USE OF FUND BALANCE	—	5.0	10.1	102.0%	1.0%	1.9%
Total	476.4	512.2	532.3	3.9%	100.0%	100.0%

2020 General Fund Expenditure Budget

The 2020 Council Adopted budget for City services included in the financial direction is \$532.3 million, which includes \$13.8 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 increased from \$243.1 million in 2019 to \$252.9 million in 2020. 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 \$532.3 million in the 2020 General Fund budget is reflected in the chart at below.

General Fund Expense Budget - Expenditure by Service
 2020 Council Adopted Budget: 532.3 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 6.11% in 2021, 4.82% in 2022, 5.04% in 2023, 5.44% in 2024, and 4.20% in 2025. 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 2020 budget is the basis for future projections: In other words, services and activities included in the 2020 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 2021 to 2025 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 2021-2025

- 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.
- Contingency is maintained to provide cushion for uncertainty related to seasonal and economic conditions proportional to overall anticipate budget increases.
- Health insurance is assumed to increase by 5.0% in 2021 through 2025.
- 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	2020	2021	2022	2023	2024	2025
Franchise Fees	34,379,000	33,823,000	34,179,000	34,539,000	34,902,000	35,268,000
Licenses & Permits	46,979,000	46,874,000	47,313,000	45,756,000	45,204,000	45,656,000
Charges for Services	52,546,000	53,071,000	53,602,000	54,138,000	54,680,000	55,226,000
Fines & Forfeits	6,670,000	6,737,000	6,804,000	6,872,000	6,941,000	7,010,000
Special Assessments	3,272,000	3,304,000	3,337,000	3,371,000	3,404,000	3,438,000
State Aids	86,537,000	86,537,000	86,537,000	86,537,000	86,537,000	86,537,000
Interest Earnings	6,250,000	4,250,000	4,250,000	4,250,000	4,250,000	4,250,000
Other Misc. Revenues	4,545,000	4,581,000	4,618,000	4,656,000	4,694,000	4,732,000
Transfers In	47,586,000	41,847,000	42,310,000	42,986,000	43,676,000	44,379,000
Use of Fund Balance	9,955,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Property Taxes (General Fund + MBC)	233,563,000	251,486,000	265,372,000	280,930,000	299,219,000	312,984,000
Total Sources*	532,282,000	537,510,000	553,322,000	569,035,000	588,507,000	604,480,000

Uses	2020	2021	2022	2023	2024	2025
Base Costs	481,540,000	495,801,000	510,004,000	524,669,000	539,813,000	555,450,000
Additional PERA Contributions	909,000	936,000	964,000	993,000	1,023,000	1,054,000
One-Time Change Items & Transfers Out	25,882,000	4,300,000	8,000,000	8,000,000	8,000,000	8,000,000
Stable Homes, Stable Schools	3,000,000	3,700,000	—	—	—	—
NPP 20 / Parks & Streets Capital	4,952,000	11,287,000	11,690,000	11,701,000	11,711,000	11,722,000
Neighborhoods / NCR Engagement Services	2,000,000	3,000,000	3,000,000	3,000,000	7,000,000	7,000,000
Affordable Housing (City Programming)	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Contingency + Other Ongoing Commitments	9,995,000	10,019,000	10,044,000	10,069,000	10,095,000	10,122,000
Council Adopted Ongoing Change Items	5,503,000	5,118,000	5,272,000	5,430,000	5,593,000	5,761,000
Future Investments						
Public Safety		750,000	1,523,000	2,318,000	2,388,000	2,459,000
Elections Base Increase		200,000	400,000	400,000	400,000	400,000
Regulatory Services Revolving Fund		900,000	927,000	955,000	983,000	1,013,000
Total Uses*	535,281,000	537,511,000	553,324,000	569,035,000	588,506,000	604,481,000

*Total Sources and Total Uses may not

Property Tax	2019	2020	Change	2021	2022	2023	2024	2025
General Fund	201,345,000	228,149,000	13.31%	245,990,000	259,711,000	275,099,000	293,213,000	306,798,000
Minneapolis Park Board	65,740,000	69,506,000	5.73%	72,286,000	75,178,000	78,185,000	81,312,000	84,565,000
Bond Redemption	41,510,000	43,830,000	5.59%	45,880,000	48,250,000	50,650,000	53,030,000	55,390,000
Pensions	23,310,000	14,810,000	-36.47%	14,810,000	14,810,000	14,810,000	14,810,000	14,810,000
Municipal Building Commission	5,256,000	5,414,000	3.01%	5,496,000	5,661,000	5,831,000	6,006,000	6,186,000
Board of Estimate and Taxation	210,000	—	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	349,971,000	374,309,000	6.95%	397,172,000	416,320,000	437,285,000	461,081,000	480,459,000
				6.11%	4.82%	5.04%	5.44%	4.20%

City of Minneapolis 2020 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 Recommendation Factors and Out Year Impacts - 6.95% Levy Increase**

Property Tax	Current Budget			Year									
	2019	2020	% Chg	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
General Fund	201,345,000	228,149,000	13.31 %	245,910,000	259,629,000	275,015,000	293,127,000	306,709,000	321,394,000	336,696,000	352,533,000	368,921,000	385,869,000
Minneapolis Park Board	65,740,000	69,506,000	5.73 %	72,286,000	75,178,000	78,185,000	81,312,000	84,565,000	87,947,000	91,465,000	95,124,000	98,929,000	102,886,000
Debt Service	41,510,000	43,830,000	5.59 %	45,880,000	48,250,000	50,650,000	53,030,000	55,390,000	57,720,000	60,000,000	60,000,000	60,000,000	60,000,000
Pensions	23,310,000	14,810,000	(36.47)%	14,810,000	14,810,000	14,810,000	14,810,000	14,810,000	14,810,000	14,810,000	14,810,000	14,810,000	14,810,000
MBC	5,256,000	5,414,000	3.01 %	5,576,000	5,743,000	5,915,000	6,092,000	6,275,000	6,463,000	6,657,000	6,857,000	7,063,000	7,275,000
BET	210,000	0	-	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000
TRA	2,300,000	2,300,000	— %	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Library Debt Service / New Building Debt Service	10,300,000	10,300,000	— %	10,300,000	10,300,000	10,300,000	10,300,000	10,300,000	10,300,000	10,300,000	10,300,000	10,300,000	10,300,000
Total Property Tax	349,971,000	374,309,000	6.95 %	397,172,000	416,320,000	437,285,000	461,081,000	480,459,000	501,044,000	522,338,000	542,034,000	562,433,000	583,550,000
% Change Property Tax				6.11%	4.82%	5.04%	5.44%	4.20%	4.28%	4.25%	3.77%	3.76%	3.75%

**City of Minneapolis
2020 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, 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 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 Downtown Assets Fund from 2020 - 2024 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. 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 is accounted for in separate debt service funds. The first bond issue is the \$57,480,000 Taxable G.O. Refunding Bonds, Series 2009D, which had an outstanding balance of \$23,580,000 as of December 31, 2018. 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.

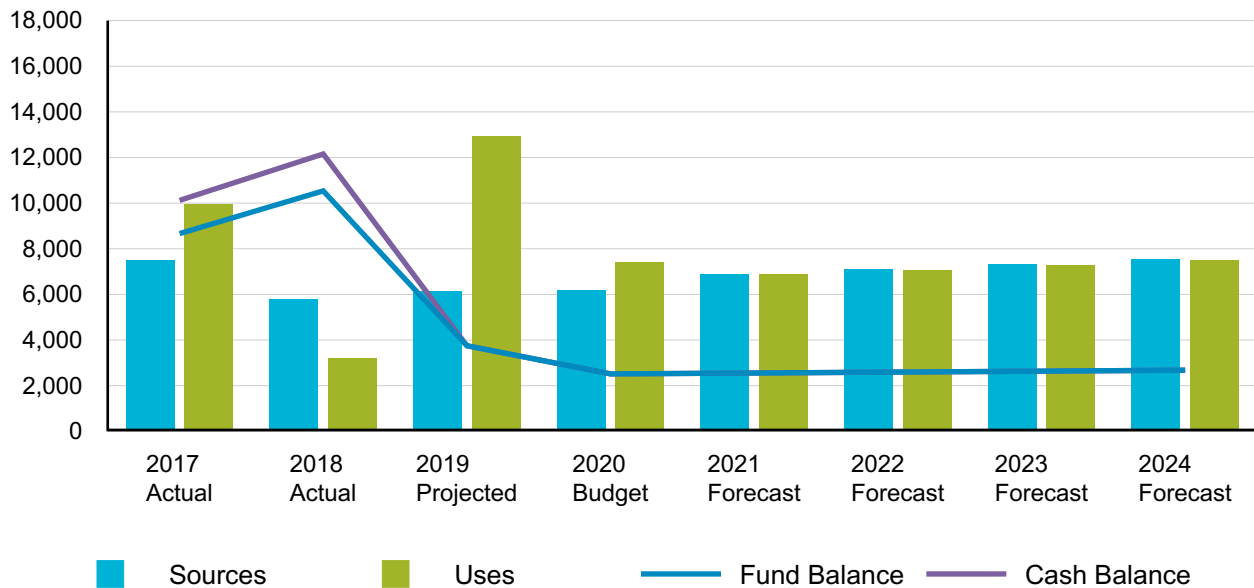
Beginning in 2016 and continuing through 2017, the Target Center underwent major renovation. The City's share of the total cost of this renovation was approximately \$74.0 million. In the first half of 2017 the City issued \$39,915,000 Taxable G.O. Sales Tax Refunding Bonds, Series 2017 to finance a 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 has 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 2016, the fund balance was \$11.1 million. This balance dropped approximately \$2.4 million in 2017, but increased \$1.9 million in 2018. The increase can be largely attributed to unspent capital improvements funds for projects that were in process and unfinished at year-end. \$4.8 million of the unspent 2018 capital improvements budget was rolled over

to 2019 to complete the projects. The 2018 year-ending fund balance was \$10.5 million which 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 2019 will exceed the 2019 source of funds by \$6.8 million. With the new Downtown Assets structure, the Arena Fund is no longer receiving entertainment tax revenue generated by Target Center events which has been a revenue source in prior years. Based on the most current projections, the 2019 sources of funds are expected to finish approximately \$200,000 over budget as the result of interest earnings on cash balances doing better than expected. Sources are projected to fall below uses in 2019 - 2020 before remaining relatively flat from 2021 - 2024 in a deliberate strategy to reduce and maintain targeted fund and cash balance 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 2019 will finish 2019 approximately \$1.0 million under the budgeted amount as the result of the capital improvements projected to finish \$1.0 million under 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 2019 to 2020 rollover request may be submitted for any unspent capital improvements funds for 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 new one-time transfer of \$2.8 million was added to transfer funds 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 2019 change in net position and corresponding reduction in 2019 fund balance is projected to be negative \$6.8 million. Ending fund balance is projected to be \$3.8 million.

2020 Budget

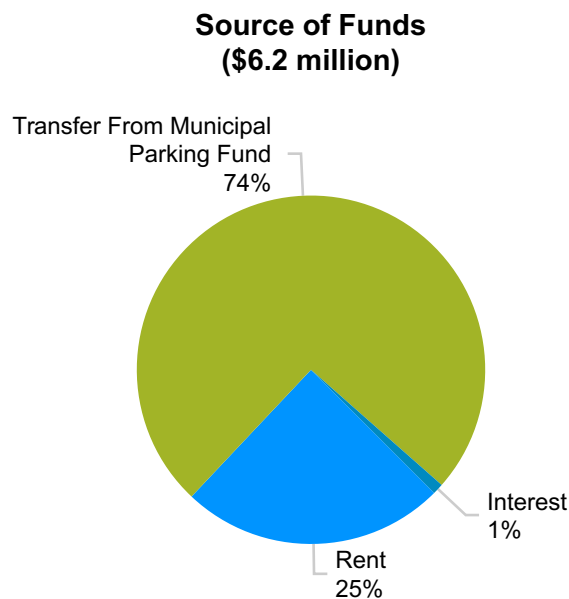
Beginning in 2018, the Arena Special Revenue Fund is being managed as part of the Downtown Assets umbrella fund. The Downtown Assets Fund is intended to help the City provide a coordinated management and funding structure for the physical infrastructure assets in Downtown Minneapolis which help generate 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 2020 are budgeted at \$6.2 million, and the total uses of funds are budgeted at \$7.4 million. The 2020 budgeted change in net position is negative \$1.2 million, and the budgeted ending fund balance is \$2.5 million.

Revenue

Total sources of funds in 2020 are budgeted at \$6.2 million, which is \$33,000 or 0.5% higher than the total projected sources in 2019 of \$6.2 million. Sources of funds include rent, transfers from the Municipal Parking Fund, and interest earnings. The pie chart shows the percentage that each of these sources represents of the total.

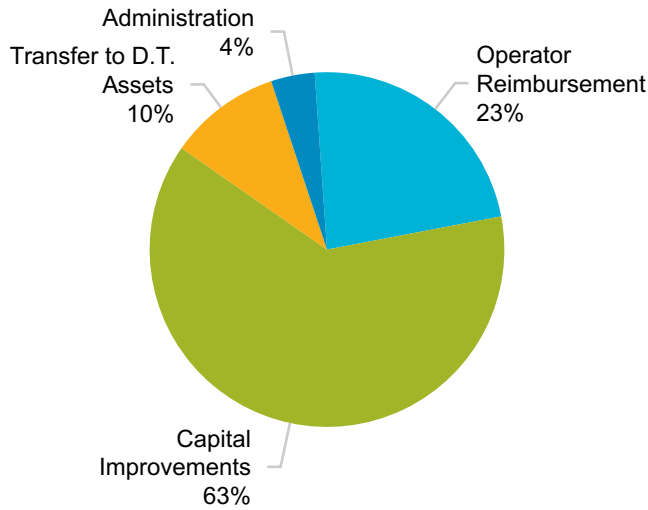
The budgeted amounts for rent and the parking fund transfer show increases when compared to their corresponding projected 2019 figures. This includes \$4.6 million in transfers from the Municipal Parking Fund (an increase of \$232,000 or 5.3%), and \$1.5 million in rent (an increase of \$29,000 or 1.9%), and interest earnings budgeted at \$62,000 which is a decrease of \$228,000 or 78.6% from the 2019 projected amount based on cash inflows and outflows within the fund, and the alignment of the Arena Special Revenue Fund within the Downtown Assets umbrella.



Expense

Total uses of funds in 2020 are budgeted at \$7.4 million, which is \$5.5 million or 42.6% lower than the total projected uses in 2019 of \$13.0 million. This is primarily due to the 2019 transfer of \$2.8 million from the Arena Special Revenue Fund to the Downtown Assets Fund being reduced by \$2.0 million to \$759,000 in 2020, in addition to the 2020 capital improvements budgeted at \$4.7 million which is a reduction of \$3.6 million or 43.5% under the most recent 2019 projection.

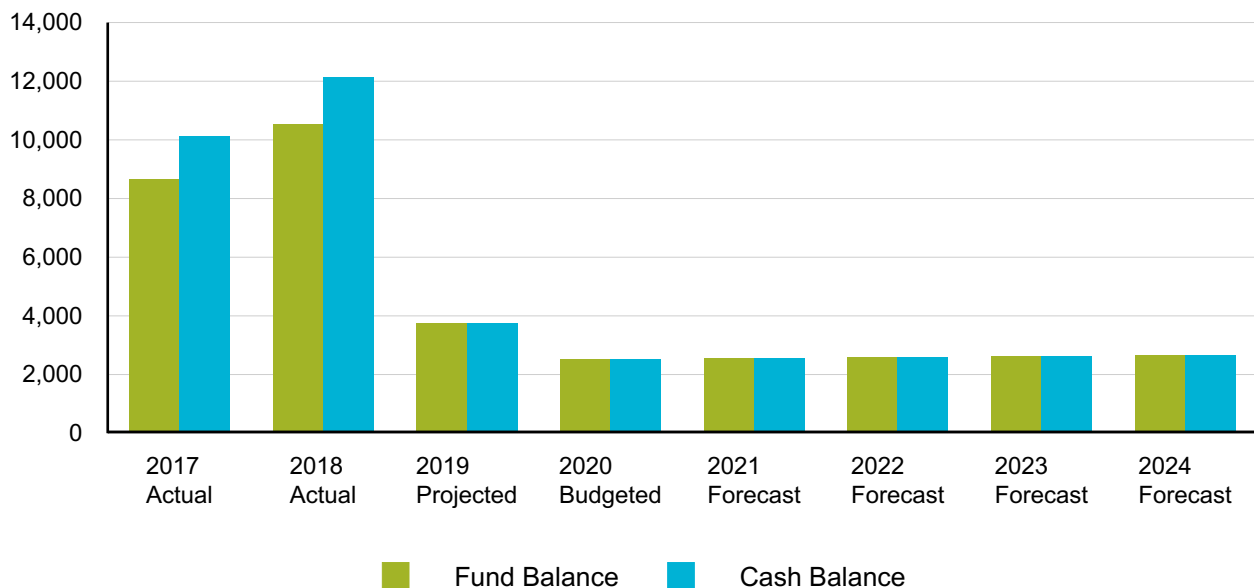
**Use of Funds
(\$7.4 million)**



Fund Balance & Cash Balance

The 2020 net change in fund balance is projected to be negative \$1.2 million which is \$5.6 million or 81.8% less than 2019. This comes after a negative net change in 2017, a positive net change in 2018, and a projected negative net change in 2019 which significantly reduces fund balance from \$8.7 million at the end of 2017 to a projected balance of \$2.5 million at the end of 2020 with the fund balance remaining relatively flat from 2021 - 2024. The reduction in fund and cash balances are attributed to the loss of entertainment tax as a funding source along with increased operator reimbursements and payments (Unamortized Improvements) to reimburse AEG for construction related losses associated with the renovation, in addition to the new transfer of \$2.8 million in 2019 and \$759,000 in 2020 from the Arena Special Revenue Fund to the Downtown Assets Fund. In 2021 - 2024, a transfer to the Arena Special Revenue Fund from the Downtown Assets Fund was added to maintain relatively flat cash and fund balances.

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



There is currently no prescribed minimum fund balance or cash balance for the Arena Special Revenue Fund, however, at the end of 2020 it is anticipated that the cash and fund balances will be \$2.5 million which is 32.9% lower than the 2019 projected cash and fund balances of \$3.8 million.

**City of Minneapolis
2020 Council Adopted Budget**

Arena Special Revenue Fund

	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Projected	2020 Budget	% Chg From 2019 Projected	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Source of Funds:												
Rent	1,433	1,433	1,461	1,461	1,491	1,491	1,520	1.9%	1,551	1,582	1,613	1,646
Transfer from Municipal Parking Fund	3,940	3,940	4,158	4,158	4,383	4,383	4,615	5.3%	4,853	5,000	5,000	5,000
Transfer from Downtown Assets Fund	—	—	—	—	—	—	—	—	454	478	655	837
Entertainment Taxes (a)	1,270	1,293	—	—	—	—	—	—	—	—	—	—
Interest Earnings	156	123	159	192	90	290	62	-78.6%	50	51	51	52
Rental Income Land/Buildings	—	737	—	—	—	—	—	—	—	—	—	—
Total	6,799	7,526	5,778	5,811	5,964	6,164	6,197	0.5%	6,908	7,111	7,319	7,535
Use of Funds:												
Operator Reimbursement	2,000	2,000	1,627	1,627	1,672	1,672	1,718	2.8%	1,765	1,814	1,864	1,915
Capital Improvements (c)	7,745	5,324	6,975	1,317	9,244	8,244	4,659	-43.5%	4,799	4,943	5,091	5,244
Administration	274	272	283	258	278	278	296	6.5%	305	314	323	333
Transfer to Downtown Assets Fund	—	—	—	—	2,757	2,757	759	-72.5%	—	—	—	—
Unamortized Improvements (b)	2,179	2,272	—	—	—	—	—	—	—	—	—	—
Financing Fees & Bond Interest	—	83	—	—	—	—	—	—	—	—	—	—
Total	12,198	9,951	8,885	3,202	13,951	12,951	7,432	-42.6%	6,869	7,071	7,278	7,492
Net Change in Fund Balance	(5,399)	(2,425)	(3,107)	2,609	(7,987)	(6,787)	(1,235)	-81.8%	39	40	41	43
Fund Balance	5,689	8,664	5,557	10,537	2,550	3,750	2,515	-32.9%	2,554	2,595	2,635	2,678
Total Cash Balance	9,811	10,121	7,014	12,155	4,168	3,750	2,515	-32.9%	2,554	2,595	2,635	2,678

Notes

- (a) Minneapolis entertainment taxes from Target Center events only.
 - (b) Includes reimbursement to Target Center operator (AEG) for unamortized improvement costs.
 - (c) 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.
 - (d) The 2019 projected ending cash balance assumes that the outstanding accounts payable (A/P) at the end of 2018 (\$1,618) is fully paid in 2019.
- 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.

**City of Minneapolis
2020 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. 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

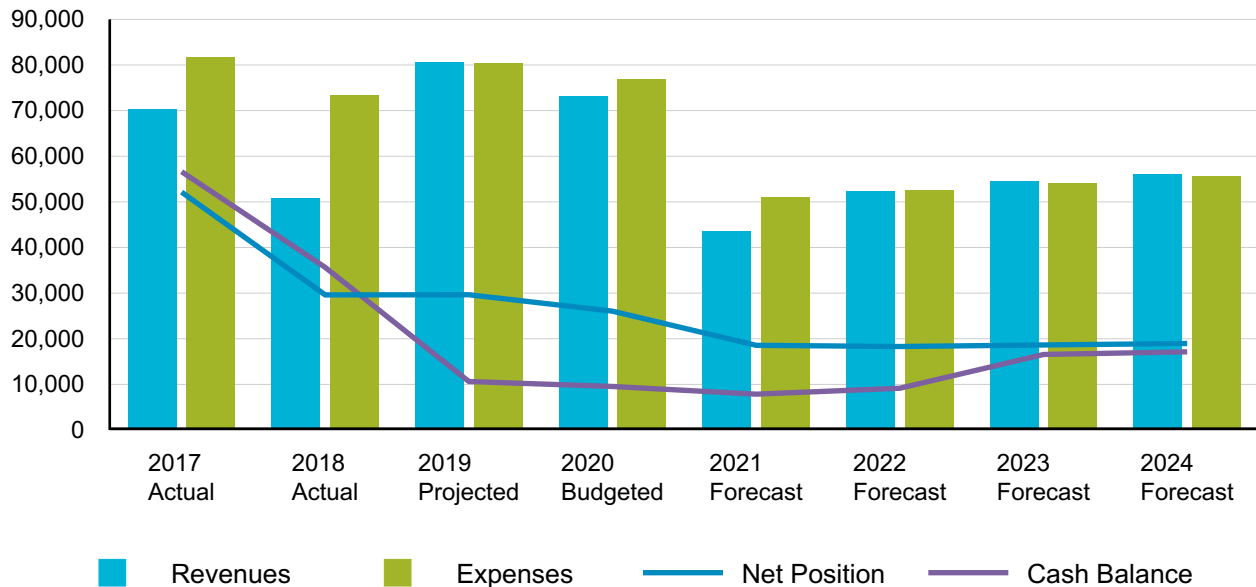
The Convention Center's 2016 operating revenues reached \$18.3 million or 110% of the \$16.7 million budget. The 2017 operating revenue ended at approximately \$19.8 million which was \$1.4 million over 2016, and finished at 105% or \$1.0 million over the \$18.8 million budget. 2018 operating revenue set a record at \$22.9 million and finished \$2.9 million over budget and \$3.2 million over 2017.

Beginning in 2018, the Convention Center Special Revenue Fund is 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. In 2018, the Convention Center is no longer receiving a transfer of the local taxes from the General Fund, but is 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.

The Convention Center's operating expenses were \$25.6 million in 2016, \$25.7 million in 2017, and \$28.6 million in 2018 which were the results of the normal day to day operations of the building. Capital expense over the same period was \$13.0 million, \$10.9 million, and \$9.6 million, and were budgeted based on building facility needs and the Convention Center's long-term capital plan. Actual year-end capital expenses often finish under budget as the result of projects in process at year-end. The unspent funds were rolled over to the following year to complete the projects. Meet Minneapolis expenses were \$9.9 million in 2016, \$10.5 million in 2017, \$10.5 million in 2018, 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 2019 operating revenues are projected to finish approximately at \$19.7 million or \$1.2 million over budget based on the composition of 2019 events. The Convention Center also receives interest revenue on the cash balances within the fund and is projected to be \$1.0 million in 2019. In addition, the budgeted transfer from the Downtown Assets Fund to the Convention Center is \$59.5 million. 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 2019. Principal and interest payments are scheduled from 2020 - 2027 at an annual interest rate of 3.5%. The annual interest payments are reflected on the Interest on Capital Advance line on the corresponding statement.

Expense

The 2019 operating expenses are projected to finish at \$28.0 million which is at the 2019 adopted budget amount. Ongoing equipment/improvements expenses are projected to finish \$6.0 million under budget. Not included in the original budget is a rollover of \$10.1 million for unspent 2018 budgeted capital improvements. The majority of the \$10.1 million is to continue the plaza redesign project with a lesser amount for the Tallmadge building renovation. Construction work on the plaza project has begun, and the plaza project is expected to be complete during the summer of 2020. The Tallmadge building renovation is currently on hold pending use decisions by the City. The Convention Center may request a 2020 rollover of a portion or all of the unspent 2019 ongoing equipment/improvements budget to complete projects in process but uncompleted at year-end. Meet Minneapolis and debt service are expected to finish at budget.

Net Income, Cash Balance, Fund Balance

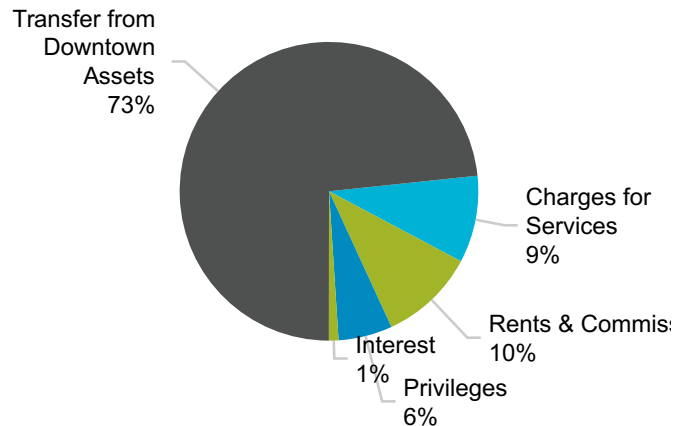
The Convention Center has had a planned use of fund balance resulting in a nearly break-even year with \$37,000 in net income. The 2019 fund balance is expected to remain relatively flat with a \$29.7 million in 2018 to \$29.6 million in 2019. With the \$19.0 million loan, 2019 cash was reduced significantly from \$35.6 million in 2018 to a projected \$10.6 million in 2019.

2020 Budget

Revenues

Total operating revenue for 2020 is expected to be approximately \$18.8 million which is a decrease of approximately \$955,000 over the most recent 2019 projection. The decrease is based on the number and composition of Convention Center events.

**Source of Funds
(\$73.2 million)**



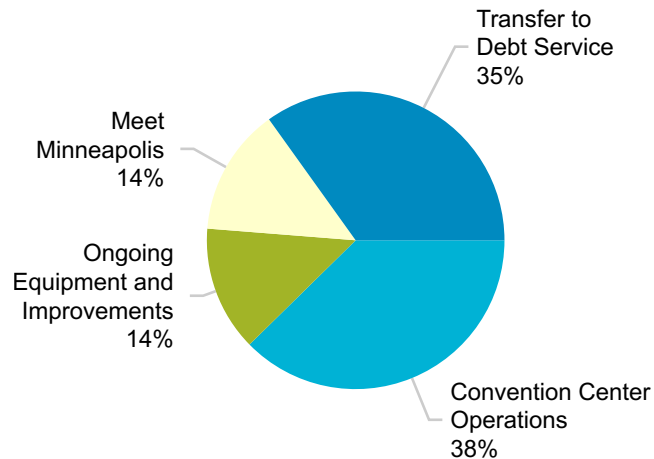
Expenditures

The 2020 operating expenses are expected to be approximately \$28.9 million which is an increase of \$901,000 or 3.2% over the most recent 2019 projection.

Transfers/Debt Service

There is a budgeted transfer of \$26.8 million to debt service for building related debt. Convention Center debt service transfers began in 1993, and transfers are made annually. Debt service is expected to be paid off in 2020.

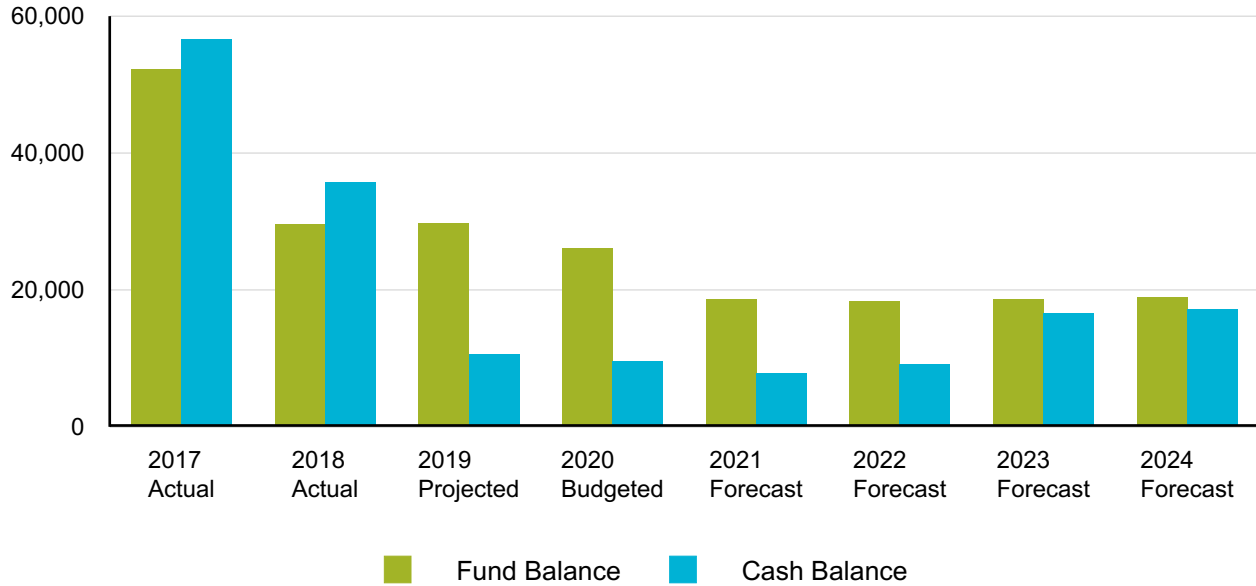
**Use of Funds
(\$77.0 million)**



Net Income, Cash, and Fund Balances

2020 net income is budgeted to finish at a \$3.7 million net loss. This comes after net losses from 2016 - 2018 and a nearly break-even year projected in 2019. There has been a planned use of fund balance within the Convention Center Fund to reduce fund and cash balances. This intentional draw down of cash 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 2020 ending fund and cash balances are projected to be \$25.9 and \$9.4 million, respectively.

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



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

Minneapolis Convention Center Special Revenue Fund

	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Projected	2020 Budget	% Chg From 2019 Projected	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Source of Funds:												
Charges for Services	6,700	6,614	7,300	8,977	6,700	7,600	6,900	-9.2 %	7,107	7,320	7,540	7,766
Rents and Commissions	7,836	9,100	8,196	9,297	7,830	7,830	7,600	-2.9 %	7,828	8,063	8,305	8,554
Privileges	4,222	4,049	4,514	4,669	4,000	4,300	4,275	(0.6)%	4,403	4,535	4,671	4,812
Interest on Cash Investments	595	667	612	967	457	1,000	140	-86.0 %	50	15	101	180
Interest on Capital Advance	—	—	—	—	—	214	622	190.7 %	476	347	197	68
Other Misc Non Operating	76	142	—	17	—	30	—		—	—	—	—
Transfer from General Fund	49,786	49,786	—	—	—	—	—	0.0 %	—	—	—	—
Transfer from Downtown Assets	—	—	26,811	26,811	59,520	59,520	53,531	-10.1 %	23,673	31,993	33,624	34,555
Total	69,215	70,358	47,433	50,738	78,507	80,494	73,068	-9.2 %	43,537	52,273	54,438	55,935
Use of Funds:												
Convention Center Operations	26,826	25,696	28,113	28,613	28,018	28,018	28,919	3.2 %	29,786	30,680	31,601	32,549
Ongoing Equipment/Improvement	22,433	10,909	19,356	9,579	21,515	15,515	10,453	-32.6 %	10,767	11,090	11,422	11,765
Meet Minneapolis	10,613	10,489	10,451	10,451	10,242	10,242	10,637	3.9 %	10,646	10,859	11,076	11,297
Transfer to DID	250	250	—	—	—	—	—		—	—	—	—
Transfer to Debt Service	24,669	24,488	24,811	24,630	26,682	26,682	26,807	0.5 %	(181)	(91)	—	—
Transfer to General Fund	3,860	3,860	—	—	—	—	—		—	—	—	—
Transfer to City Capital	6,000	6,000	—	—	—	—	—		—	—	—	—
Total	94,651	81,692	82,731	73,273	86,457	80,457	76,816	-4.5 %	51,018	52,538	54,099	55,611
Net Income	(25,436)	(11,334)	(35,298)	(22,535)	(7,950)	(1,470)	(3,748)	155.0 %	(7,481)	(265)	339	324
Ending Fund Balance	38,041	52,143	16,845	29,608	21,658	29,645	26,047	-12.1 %	18,566	18,302	18,645	18,965
Ending Cash Balance	40,099	56,623	21,325	35,640	27,690	10,636	9,543	-10.3 %	7,862	9,158	16,558	17,141
Notes												

(a) The 2019 projected ongoing equipment/imp. includes [2019 budget of \$11,437] plus [2018 to 2019 capital rollover of \$10,078] less [\$6,000 to be spent in later years].

(b) The 2019 projected ending cash balance assumes that the outstanding accounts payable (A/P) at the end of 2019 (\$6,031) is fully paid in 2019.

In 2019 cash in this fund was used to make a \$19,010 capital advance to prepay City G.O. bonds. This capital advance will be paid back with TI revenue from four (4) City TIF Districts

**City of Minneapolis
2020 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 2018 Source of Funds reached \$90.3 million or \$2.5 million over budget. The primary reason for the increase was the local taxes finishing better than expected, and interest earnings revenue from investments of cash balances within the fund finishing at \$87,000.

Use of Funds finished 2018 at \$64.3 million which was \$4.1 million under budget. The primary reason for finishing under budget was because only \$8,000 of the \$4.0 million Peavey Plaza renovation project managed by public works was expended in 2018. The unspent project funds have been rolled over to 2019 to complete the project which was incomplete at year-end but is in process in 2019.

Current Year Projections

Revenue

Downtown Assets Fund sources of funds are projected to be approximately \$91.6 million in 2019. The overwhelming majority of revenues come from local taxes (including sales, restaurant, entertainment, liquor, and lodging). Minneapolis local taxes are projected to finish slightly above budget at \$88.5 million which is \$1.3 million under 2018. The decrease from 2018 is primarily due to the City hosting Super Bowl LII which brought in an estimated \$2.4 million of local tax revenue in 2018. In 2019, there is also a budgeted transfer of \$2.8 million from the Arena Special Revenue Fund to the Downtown Assets Fund of excess cash. The transfer is being made to manage cash and fund balances within the Downtown Assets umbrella. The Downtown Assets is also seeing interest earnings through IMS (Investment Management Services) revenue from cash balances within the fund. 2019 interest earnings are projected to be \$350,000 which is \$64,000 under budget due to a reduction in cash from 2018.

Expense

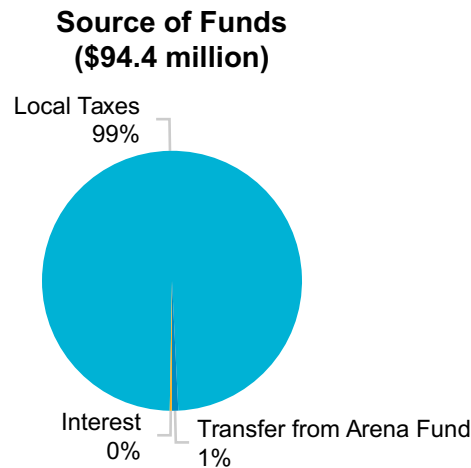
Non-transfer 2019 expenses of \$6.0 million are small in this fund compared to total projected revenues of \$91.6 million. Projected expenses within the fund include a \$4.0 million rollover for the renovation of Peavey Plaza, \$424,000 for special assessments and operation of Peavey Plaza, \$827,000 for one-time operating expenses for the Final Four and X-Games, and \$814,000 for special assessments and maintenance of the Downtown Commons. Budgeted transfers include \$31.5 million to the General Fund, \$59.5 million to the Convention Center, and \$5.7 million to the Arena Special Revenue Fund for building debt service.

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

2020 Budget

Revenue

Local taxes (including sales, restaurant, entertainment, liquor, and lodging) make up the majority of the Downtown Assets Fund revenue. In 2020, local taxes are projected to be \$93.4 million which is an increase of \$4.9 million over the latest 2019 projection of \$88.5 million. The 2020 budget also includes IMS (Investment Management Services) revenue which is projected to be \$236,000, and is a decrease of \$109,000 from the latest 2019 projection. Interest revenue is projected based on cash inflows and within the fund.



Expense

In 2020, non-transfer expenses are budgeted at \$1.3 million which includes a one-time budget \$100,000 in the Downtown Assets Fund for the X-Games, a one-time \$820,000 budget for Commons Operations, and \$424,000 for Peavey Plaza’s ongoing operating expenses. The 2020 Use of Funds budget is \$93.2 million or 9.3% under 2019 based on the most current 2019 projection. The primary reason for the reduction is the \$4.0 million 2019 Peavey Plaza capital budget to complete the Peavey Plaza renovation. There isn’t a Peavey Plaza capital budget in 2020.

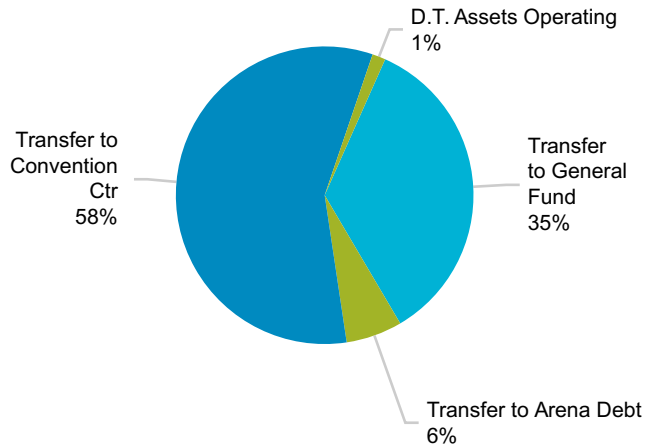
Expenses for the Convention Center and Target Center are discussed separately in the financial plans found in this document.

Transfers

The majority of the Use of Funds is made up of transfers. Budgeted transfers include \$32.7 million to the General Fund which is planned to occur on an ongoing basis; a transfer of \$5.7 million to the Arena Special Revenue Fund debt service to pay debt obligations related to the recent renovation of the Target

Center, and \$53.5 million to the Convention Center Fund to support operations and debt service of that facility. The Arena Fund debt service transfer will recur until the debt is paid. Debt payments are currently scheduled through 2035. The transfer to the Convention Center will decrease significantly after the building debt is paid off in 2020.

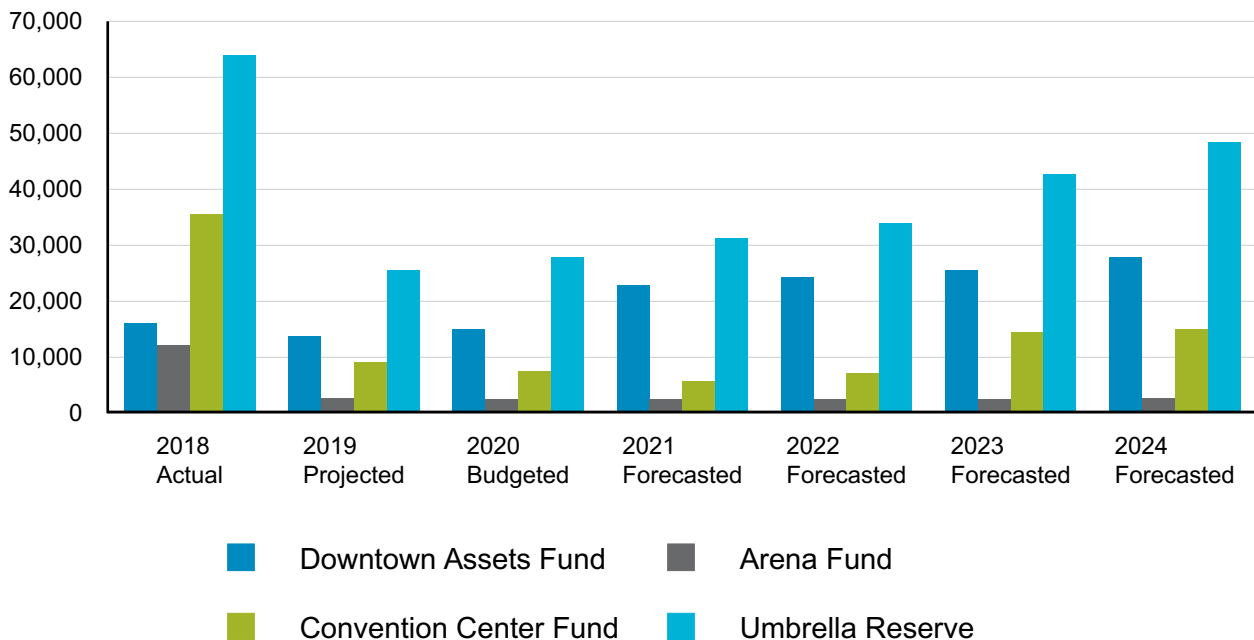
**Use of Funds
(\$93.2 million)**



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 budgeted at \$27.9 million in 2020, and is planned to increase to \$48.5 million in 2024. 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)**



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

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

	2018	2018	2019	2019	2020	% Chg	2021	2022	2023	2024
	Budget	Actual	Budget	Projected	Budget	From 2019	Forecast	Forecast	Forecast	Forecast
						Projected				
Source of Funds:										
Local Taxes	87,349	89,794	88,400	88,500	93,446	5.6	70,841	73,298	75,825	78,427
Transfer from Arena Special Revenue Fund	—	—	2,757	2,757	759	0	0	0	0	0
Transfer from Commons Bond Proceeds	420	420	—	—	—	0	0	0	0	0
Downtown Assets, Peavey Plaza, and Commons Funds Interest Earnings	—	87	414	350	236	-32.6	326	417	444	480
Total	87,769	90,301	91,571	91,607	94,441	3.1 %	71,167	73,715	76,269	78,907
Use of Funds:										
Transfer out to City General Fund	30,850	30,850	31,462	31,462	32,711	4	33,286	33,949	34,625	35,315
Transfer out to Arena Fund Debt Service	5,661	5,661	5,697	5,697	5,698	—	5,697	5,695	5,696	5,700
Transfer out to Convention Center	26,811	26,811	59,520	59,520	53,531	-10.1	23,565	31,961	33,596	34,532
Transfer out to Arena Special Rev Fund	—	—	—	—	—	—	454	478	655	837
Downtown Assets - Operating	—	—	350	827	25	-97	0	0	0	0
Commons - Operating	750	839	814	814	820	0	0	0	0	0
Peavey Plaza - Capital	4,000	8	3,992	3,992	—	(100)%	—	—	—	—
Peavey Plaza - Operating	400	174	574	424	424	0	437	450	463	477
Total	68,472	64,343	102,409	102,698	93,209	-9.3%	63,439	72,533	75,035	76,861
Net Change in Fund Balance	19,297	25,958	(10,838)	(11,129)	1,232	-111.1%	7,728	1,182	1,234	2,046
Downtown Assets-Ending Fund Balance	19,297	25,957	15,119	14,828	16,060	8.3%	23,788	24,970	26,204	28,250
Downtown Assets - Ending Cash Balance	19,297	16,162	5,324	14,785	16,017	8.3 %	23,745	24,927	26,161	28,207
Arena Special Revenue Fund - Ending Cash Balance	7,014	12,155	4,168	3,750	2,515	(33)%	2,554	2,595	2,635	2,678
Convention Center Fund - Ending Cash Balance	21,325	35,640	27,690	10,636	9,393	(12)%	7,712	9,008	16,408	16,991
Downtown Assets Umbrella-Combined Ending Cash Balance	47,636	63,957	37,182	29,171	27,925	(4)%	34,011	36,530	45,204	47,876

**City of Minneapolis
2020 Budget
Financial Plan**

Neighborhood & Community Relations Special Revenue Fund

Introduction

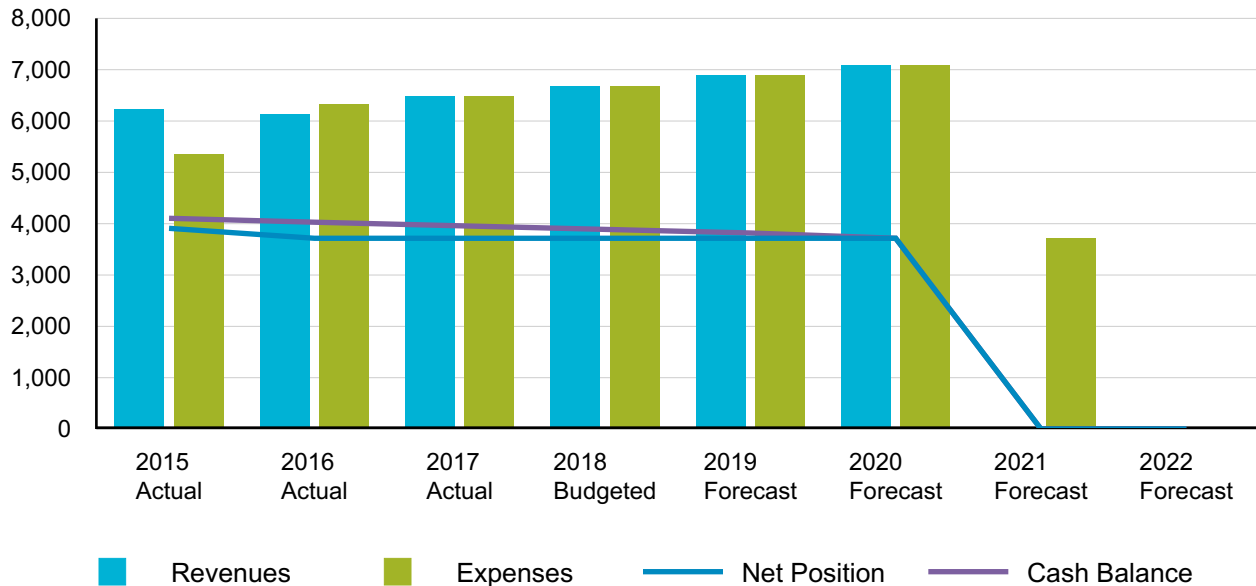
The Neighborhood & Community Relations (NCR) Special Revenue Fund accounts for neighborhood revitalization efforts within the City and is funded by revenues of the Consolidated Redevelopment Tax Increment Financing District. This district was established pursuant to special legislation adopted in 2008, 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

The NCR Special Revenue Fund will receive a transfer in of \$6.9 million from the Consolidated Redevelopment Tax Increment Financing District Fund in 2019.

Expense

Expenditures for 2019 are projected to be \$6.9 million, the same as the budget.

Net Position & Cash Balance

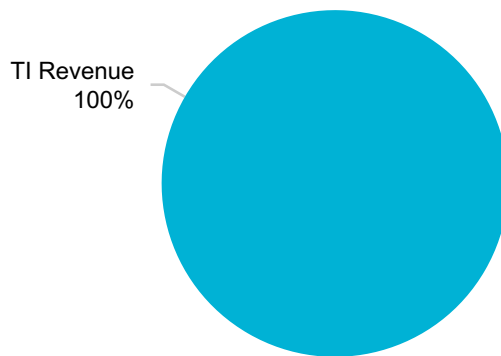
Current year revenue and projected expenditures are for \$6.9 million and no major variances are expected, resulting in no change in fund

2020 Budget

Revenues

\$7.1 million will be transferred to the NCR Special Revenue Fund in 2020 from the Consolidated Redevelopment Tax Increment Financing District Fund. This will reflect a 3% increase from the FY2019 revenue amount.

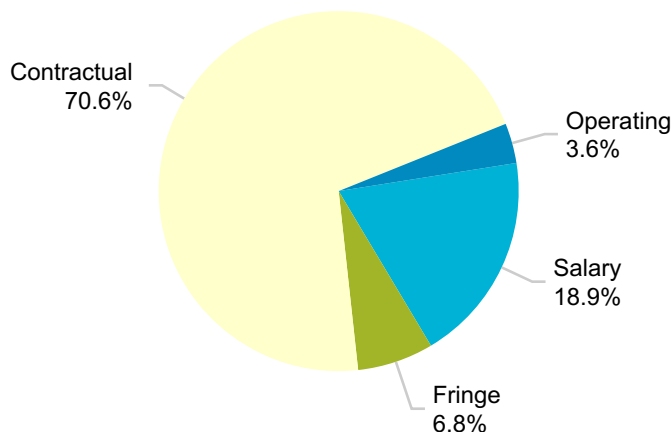
**Source of Funds
(\$7.1 million)**



Expense

There are no significant changes to prior years Programs. NCR Special Revenue Fund expenditures are planned for \$7.3 million.

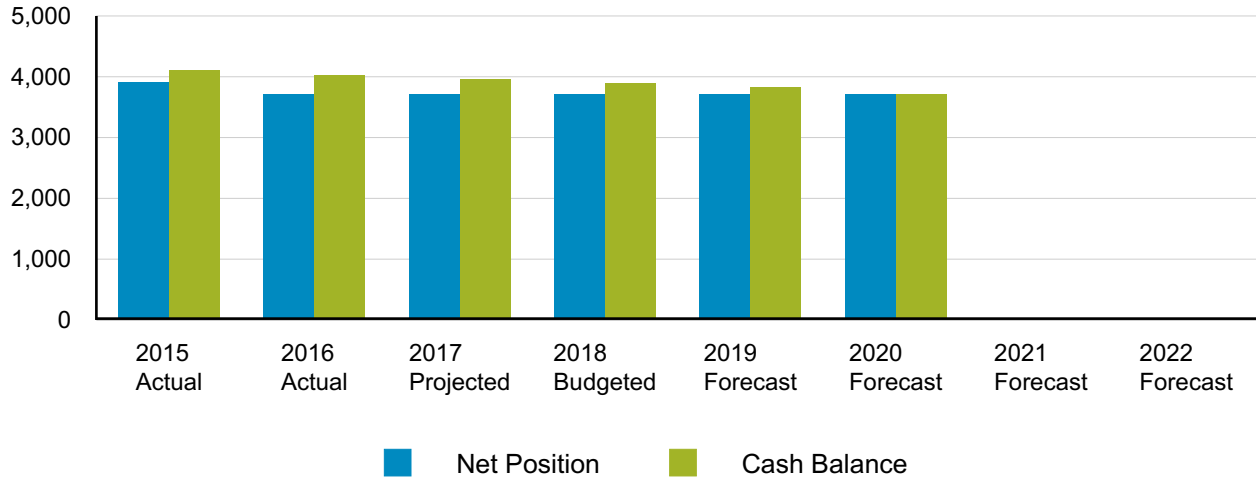
**Use of Funds
(\$7.3 million)**



Net Position & Cash Balance

As of December 31, 2018, the fund net position was \$3.3 million and the cash balance was \$3.5 million. At the end of 2019 the projected fund net position is \$3.3 million and the projected cash balance is \$3.5 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
2020 Council Adopted Budget
Financial Plan (in thousands of dollars)

Neighborhood and Community Relations Special Revenue Fund

	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Projected	2020 Budget	% Chg From 2019 Projected	2021 Forecast	2022 Forecast	2023 Forecast
Source of Funds:											
Transfer from Tax Increment Funds	6,488	6,488	6,682	6,682	6,883	6,883	7,089	3.0%			
Loan recapture	—	—	—	2	—	—	—				
Total	6,488	6,488	6,682	6,684	6,883	6,883	7,089	3.0%	—	—	—
Use of Funds:											
Personnel Services	1,241	1,156	1,265	1,136	1,285	1,126	1,345	19.4%	1,385		
Fringes	442	406	457	388	478	418	507	21.3%	522		
Contractual Services	4,978	5,103	4,757	4,969	5,016	5,180	5,331	2.9%	1,380		
Materials/Other	237	233	230	216	104	152	106	-30.3%			
Total	6,898	6,898	6,709	6,709	6,883	6,876	7,289	6.0%	3,287	—	—
Net Change in Fund Balance	(410)	(410)	(27)	(25)	—	7	(200)	—%	(3,287)	—	—
Fund Balance	3,306	3,306	3,279	3,281	3,281	3,288	3,088	6.1%			—
Total Cash Balance		3,507	3,480	3,545	3,545	3,552	3,552				—

**City of Minneapolis
2020 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. Prior to 2020, the Fund included the Automated Property System, and the Workforce Director scheduling and payroll system. The Automated Property and Workforce Director systems 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. The 2020 Budget authorized the Minneapolis Police Department (MPD) to decommission both programs as both software neared end of life and were no longer sustainable.

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

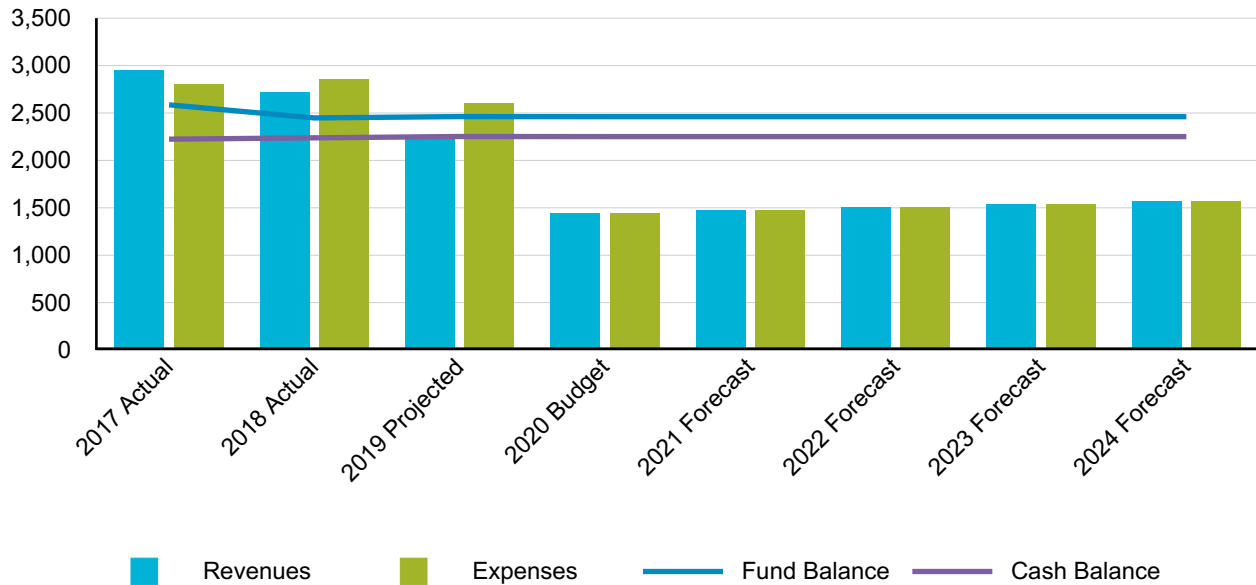
Historical Financial Performance

The projected accumulated fund balance for 2019 is \$2.4 million compared to \$2.6 million in 2017. Over the past five years, the fund balance has increased from \$1.1 million in 2014 to \$2.4 million in 2019. The increase in fund balance over the past six years is primarily due to the following:

- Decrease in 2018 due to a refund issued to charitable gambling organizations, \$224,000.
- Increase due to transfer of Workforce Director expenditures to the general fund of \$250,000 and \$300,000 in 2015 and 2016, 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.
- Increase due to reduction of personnel expenditures in 2015 of approximately \$140,000 due to vacancies.
- Increase due to forfeiture revenue of \$567,000 from 2014 to 2018.

Current Year Projections

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



Revenues

Total projected revenue for 2019 is \$2.3 million compared to 2019 budget of \$2.6 million. This decrease is predominately due to loss of the \$200,000 Detox van contract; anticipated \$300,000 decrease due to loss of the US Bank perimeter contract; and a decrease in APS revenue of \$200,000. It is offset by an increase in forfeiture revenue and snow emergency buyback revenue of \$300,000 and \$100,000, respectively. Remaining differences are mainly due to rounding.

Expenditures

Total projected expenditures for 2019 are \$2.2 million compared to the 2019 budgeted expenditures of \$2.6 million. This decrease is proximately due to loss of the \$200,000 Detox van contract; an anticipated \$300,000 decrease in the US Bank security service contract mainly due to loss of the perimeter contract; and decrease in DID buyback expenses of \$50,000. The decrease in expenses is offset by an increase in forfeiture expenditures of \$150,000 for the purchase of equipment, an increase in snow emergency service expenses of \$100,000 and a decrease in APS expenditures of \$100,000. Remaining differences are mainly due to rounding.

Net Position & Cash Balance

Projected current year Fund Balance of \$2.5 million and Cash Balance of \$2.3 million is are slightly more than the budgeted fund balance of \$2.4 million and budgeted Cash Balance of \$2.2 million. The difference is mainly due to rounding and slight increase in forfeiture revenue and offset by decrease is charges for services and sales.

2020 Budget

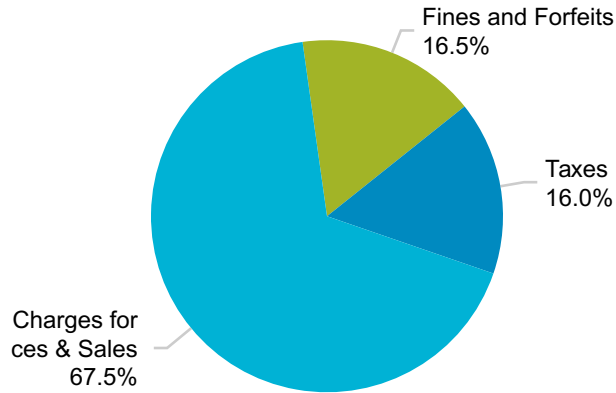
Fiscal Year 2020 budgeted revenue and expense are expected to decrease as the Detox Van service contract with Hennepin County was discontinued after the end of Fiscal 2018 and SMG terminated US Bank Perimeter contract. Decommissioning the current intellectual property systems also leads to a reduction in both revenues and expenses for 2020.

Revenues

Budgeted Fiscal Year 2020 revenue is expected to decrease by 44% from 2019 to 2020 due to termination of Detox Van service contract and US Bank Perimeter contract and the replacement of Automated Pawn System (APS) and Workforce Director System. Fines and forfeiture revenue fluctuate from year to year as number of forfeiture cases settled in each year fluctuate from year to year.

Charges for services and sales makes up 68% of anticipated revenue in 2020 compared to 61% in 2019 projected amount. In 2018, charges for services and sales made up 80% of actual revenue compared to 76% in 2017.

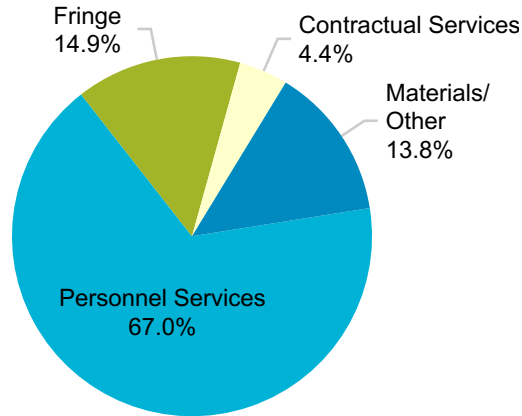
**Source of Funds
\$1.4 million**



Expenditures

Salaries and fringe benefits make 58% of anticipated 2020 expenditures compared to 52% in 2019 projected expenditures. In 2018, actual salaries and fringe benefits made up of 54% of actual expenditures compared to 67% in 2017. The decrease from 2017 to 2018 was predominately due to reduction in overtime cost associated with termination of US Bank Stadium perimeter contract coupled with refunding of accumulated gambling fund balance to charitable organization as mandated by the State of Minnesota which resulted increase in expenditures other than salaries and benefits.

**Use of Funds
\$1.4 million**

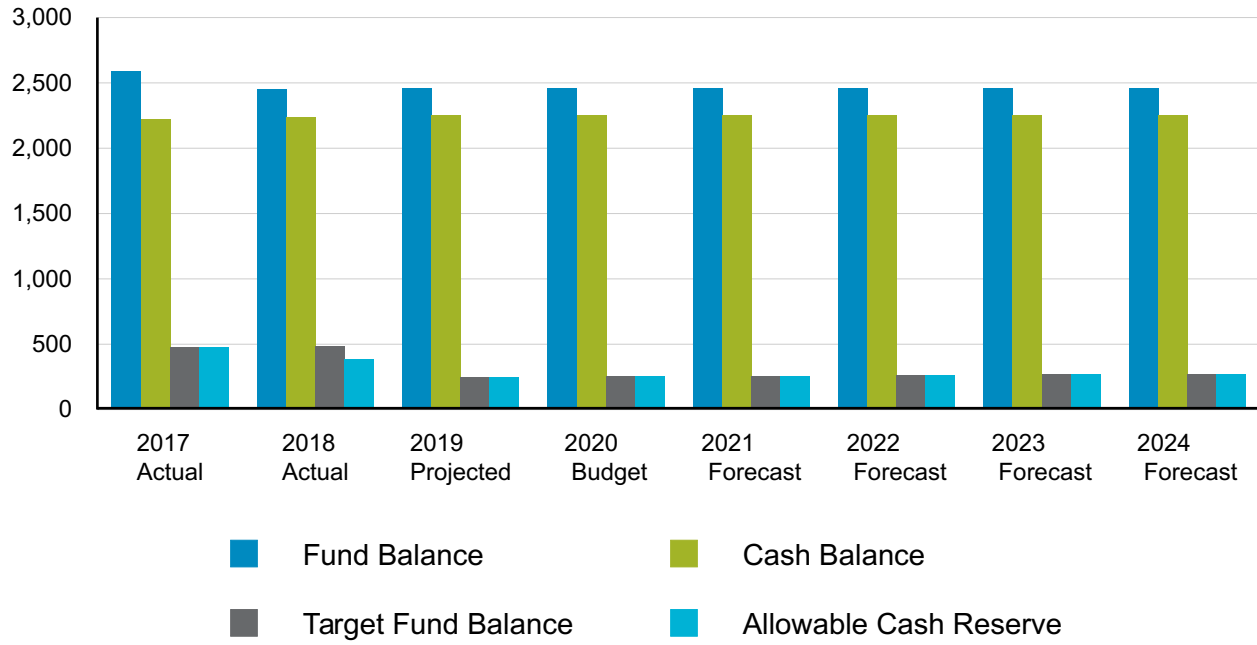


Fund Balance & Cash Balance

The fund and cash balance as of December 31, 2018 and 2017 were \$2.4 million and \$2.6 million, respectively. Both the fund balance and cash balance have significantly increased over the past five years. The fund balance increased from \$1.1 million in 2014 to \$2.4 million in 2018. The decrease in fund balance from 2017 to 2018 was predominately due to refunding of accumulated gambling fund balance to charitable organizations mandated by the State of Minnesota. The projected fund balance is \$2.54 million in 2019. The fund balance is expected to decrease by \$609,000 in 2020 due to changes with APS and Workforce Director System. The fund's cash balance increased from \$1 million in 2014 to \$2.2 million in 2018. Projected cash balance in 2019 is \$2.3 million but cash balance is expected to decrease by \$609,000 in 2020 due to changes to APS and Workforce Director System.

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

Police Special Revenue Fund

	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Projected	2020 Budget	% Chg 2019 Projected	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Source of Funds:												
Charges for Services and Sales	2,455	2,227	2,074	2,175	2,033	1,372	976	-28.9%	1,007	1,037	1,068	1,100
Fines and Forfeits	400	493	338	281	338	631	239	-62.1%	239	239	239	239
Miscellaneous	—	3	—	—	—	—	—	0.0%	—	—	—	—
Taxes	185	224	200	256	231	260	231	-11.2%	231	231	231	231
Total	3,040	2,947	2,612	2,712	2,602	2,263	1,446	-36.1%	1,477	1,507	1,538	1,570
Use of Funds:												
Capital Outlay	—	—	—	40	14	232	—	0.0%	—	—	—	—
Personnel Services	1,620	1,503	1,800	1,241	1,472	910	969	6.5%	998	1,028	1,059	1,090
Fringes	369	365	357	309	342	257	215	-16.3%	221	228	235	242
Contractual Services	649	676	780	1,009	487	567	63	-88.9%	6	7	7	7
Materials/Other	401	255	275	251	287	283	199	-29.7%	252	245	238	231
Total	3,039	2,799	3,212	2,850	2,602	2,249	1,446	-35.7%	1,477	1,508	1,539	1,570
Net Change in Fund Balance ¹	1	148	(600)	(138)	—	14	—		—	(1)	(1)	—
Fund Balance ¹	2,439	2,586	1,986	2,448	2,448	2,462	2,462	0.0%	2,462	2,461	2,460	2,460
Cash Balance	2,106	2,224	1,624	2,238	2,238	2,252	2,251	0.0%	2,251	2,251	2,251	2,251
Target Cash Reserve ²	517	476	546	485	442	382	246	-35.6%	251	256	262	267
Variance Cash to Target Cash	1,589	1,748	1,078	1,754	1,796	1,870	2,005	7.2%	2,000	1,995	1,989	1,984

¹ The Net Change in Fund Balance and fund balance for 2017 and 2018 are the amounts recorded in the CAFR.

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

**City of Minneapolis
2020 Budget
Financial Plan**

Regulatory Services Special Revenue Fund

Introduction

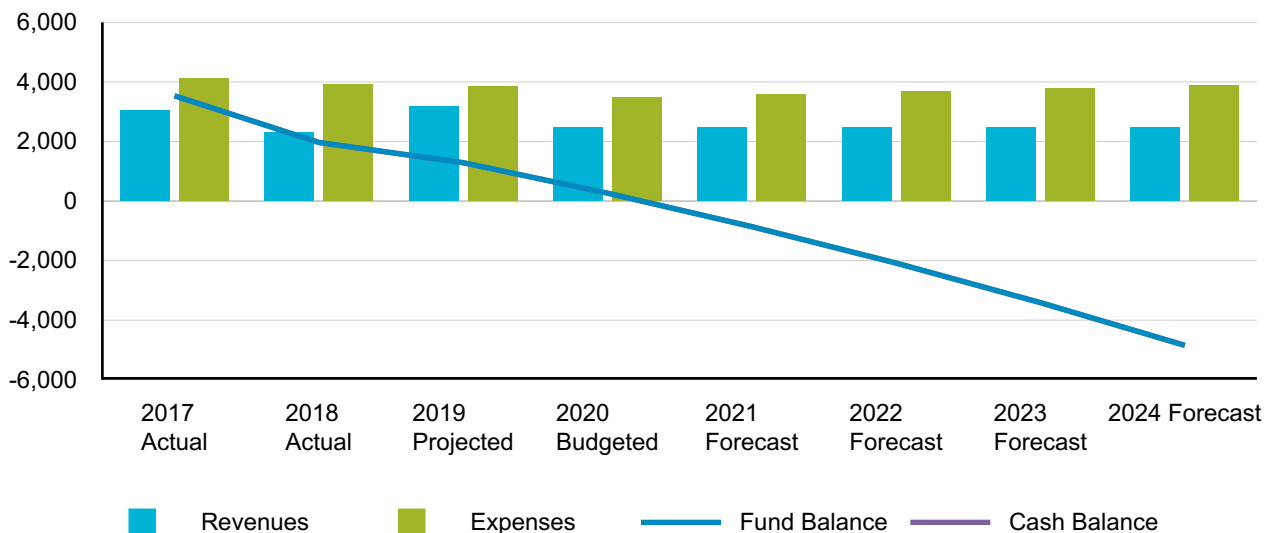
The Regulatory Services Special Revenue Fund accounts for the City’s nuisance building abatement efforts, and operations within the fund are primarily managed by the Regulatory Services Department. The Fund is used for the abatement of buildings that have been deemed to be in nuisance condition pursuant 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. In 2013 the Construction Code Services division of Regulatory Services was transferred to Community Planning and Economic Development (CPED). A portion of the activities in the Regulatory Services Special Revenue Fund are now managed by CPED.

Historical Financial Performance

The City established this fund in 2008, and through 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. The anticipation going forward is for revenue to continue to contract, thereby reducing fund balance.

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 is projected to experience a significant decline in 2018 due to a calendaring change in the billing procedure for the Vacant Building Registrations in 2017. Revenue for 2019 is projected to be \$2.8 million.

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 from budgeted figures although expenses are projected to be slightly higher than in 2017. Expenditures in this fund are projected to end the year under budget. That is consistent with prior year expenses as a percent of the adopted budget. Based on this information, this fund is projected to finish 2019 under the adopted budget by approximately \$300,000 or 7%.

Fund Balance & Cash Balance

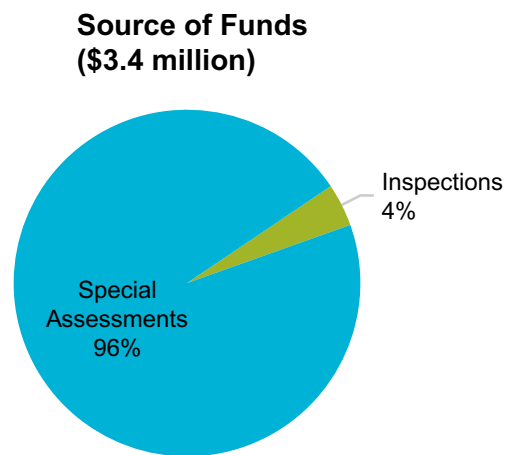
Current year revenue is projected to fall short of the adopted budget, while expenses are projected to be less than budget. The result is that the fund balance is projected to be reduced by \$1,100,000. The cash balance is projected to decline by \$1,100,000.

2020 Budget

There are no significant planned or anticipated changes from prior years for the fund. That being said, both revenue and expenditures are expected to go down approximately 6% and 18% respectively from the 2019 adopted budget. The revenue decrease is from the continued decrease in citations being written, as well as a change in the procedure used to bill Vacant Building Registrations. As fewer citations are written, there is less need for contractors to complete the nuisance abatement repairs.

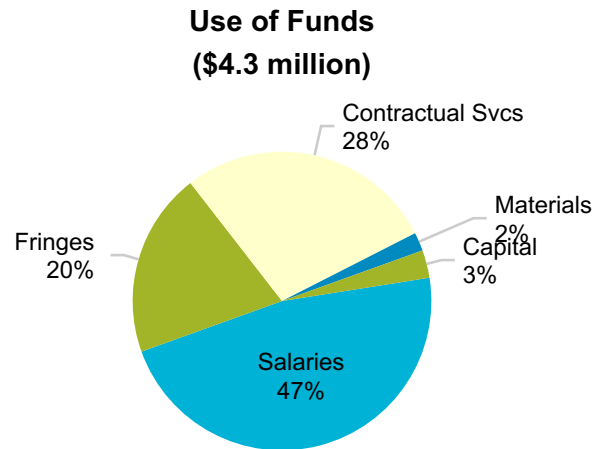
Revenues

Revenue budgeted for the Regulatory Services Special Revenue Fund for 2020 is slightly lower than the 2019 Adopted Budget by 6%. This is a result of less revenue anticipated primarily from Inspections. As previously discussed, revenue is declining due to fewer citations. Focus has shifted from enforcement (citations) to a proactive engagement strategy to manage problem properties and educate homeowners, which has led to a reduction in code.



Expenditures

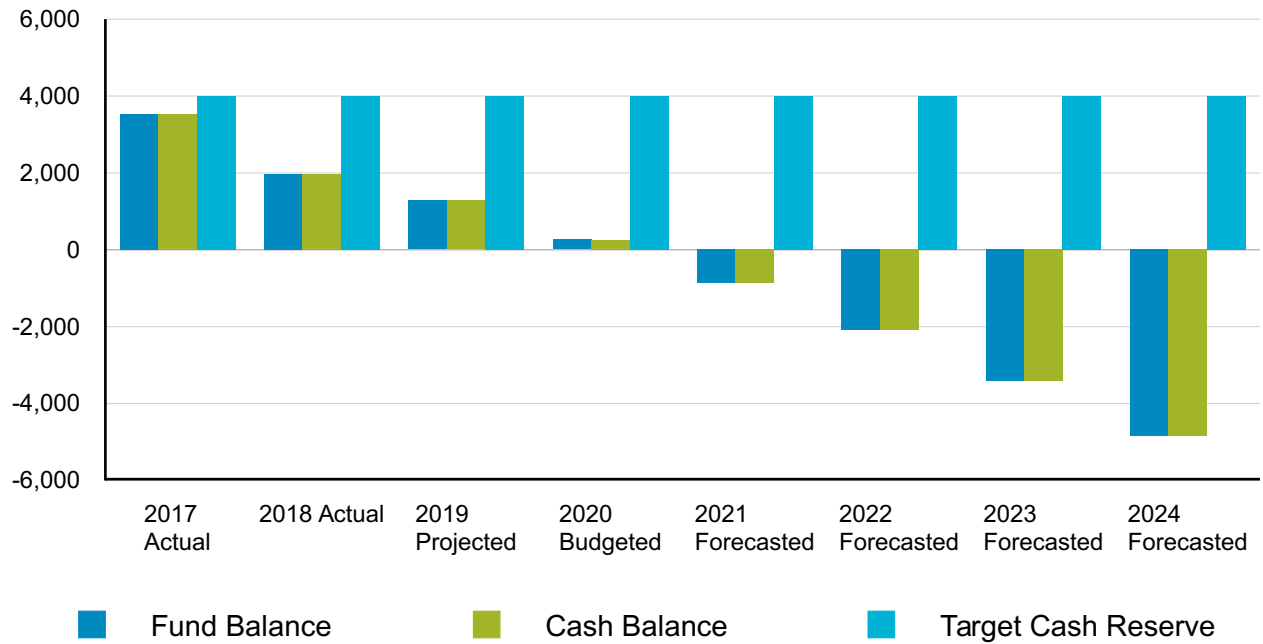
No new program changes are anticipated for 2020. Staff will continue to focus on rehabilitation and education rather than strict enforcement. Expenditures are expected to decrease by 11% from the 2019 projection, and are 18% less than the 2019 adopted budget. Expenditures are projected to increase with the cost of living over the next several years.



Fund Balance & Cash Balance

The fund balance and cash balance for the Regulatory Services Special Revenue Fund was \$2.0 million as of December 31, 2018. The fund balance and cash balance have been declining for several years and are projected to both be less than \$850,000 at the end of 2019. These figures are based on a deficiency of revenue over expenditures of \$1,100,000 in 2019. 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.

Regulatory Services Special Revenue Fund Net Position & Cash Balance (in thousands of dollars)



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

Regulatory Services Special Revenue Fund

	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Projected	2020 Budget	% Chg From 2019 Projected	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Source of Funds:												
Special Assessments	3,300	2,921	3,116	2,047	2,348	1,924	2,370	23.2%	2,370	2,370	2,370	2,370
Inspections/Miscellaneous	125	150	248	330	279	102	100	-2.0%	100	100	100	100
Transfer In					800	800						
Total	3,425	3,071	3,364	2,377	3,427	2,826	2,470	-12.6%	2,470	2,470	2,470	2,470
Use of Funds:												
Capital Outlay	425	177	425	79	100	161	115	-28.6%	115	115	115	115
Personnel Services	2,527	2,152	2,308	2,101	2,195	1,968	1,648	-16.3%	1,697	1,748	1,801	1,855
Fringes	1,014	827	962	844	883	759	687	-9.5%	723	752	782	813
Contractual Services	1,243	958	1,301	869	1,045	1,022	989	-3.2%	1,005	1,022	1,040	1,058
Materials/Other	45	29	49	51	43	42	53	26.2%	55	57	60	63
Total	5,254	4,143	5,045	3,944	4,266	3,952	3,492	-11.6%	3,595	3,694	3,798	3,904
Net Change in Fund Balance	(1,829)	(1,072)	(1,681)	(1,567)	(839)	(1,126)	(1,022)	-9.2%	(1,125)	(1,224)	(1,328)	(1,434)
Fund Balance	2,778	3,536	1,855	1,969	1,005	843	(179)	-121.2%	(1,304)	(2,528)	(3,856)	(5,290)
Total Cash Balance	2,859	3,532	1,851	1,965	1,001	839	(183)	-121.8%	(1,308)	(2,532)	(3,860)	(5,294)

**City of Minneapolis
2020 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

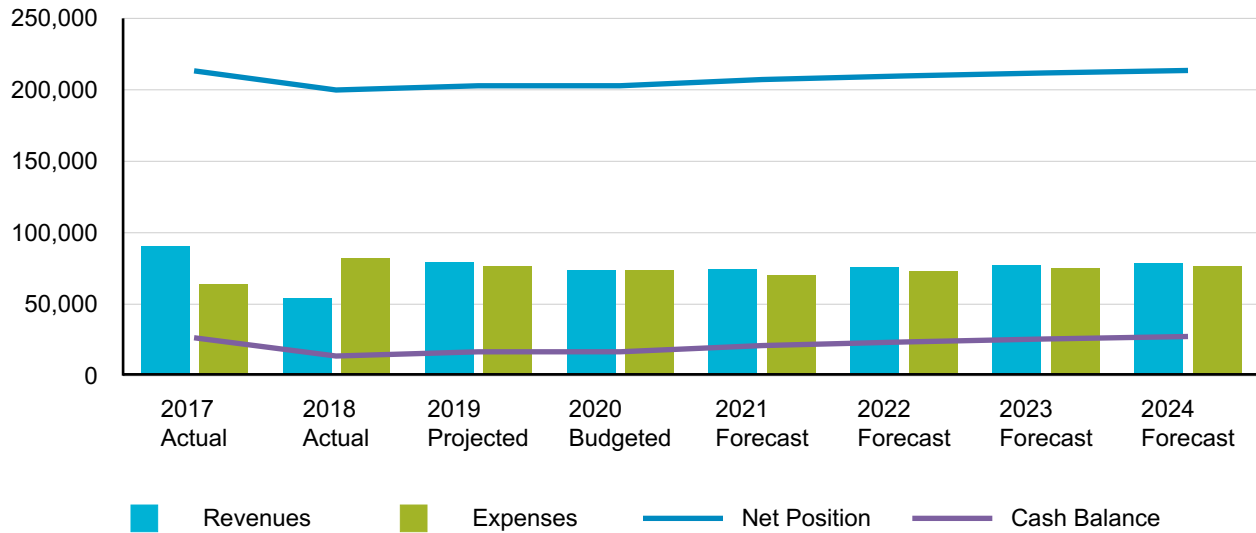
For the most recent five years (2014 to 2018) the Parking Fund's financial condition has historically been stable and positive. The Fund continues to experience financial demands related to remaining debt levels and funding needs of other City functions, with transfers or dividend payments resulting in 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 2018 year-end was \$13.8 million.

For the most recent five years (2014 to 2018) 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 2018, 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 2017 and 2018. Overall in 2018, the parking system revenue increased about 2.8% 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 2018 overall debt principal was \$69.8 million. The future debt is scheduled over the next 15 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 2019 revenues are performing well and Parking Fund revenues are projected to increase by about 47.0% from \$53.8 million in 2018 to \$79.2 million in 2019 due to the meter telephone app, proceeds from long term debt and transfer of the Government Center Parking Ramp completed in 2018.

Expenses

The current 2019 expenses are on-track and the projected Parking Fund expenses are decreasing by 7%. The decrease in expenses in 2019 is due to the buy down of bonded debt.

In addition to operating expenses, the 2019 budget includes \$1.0 million for impound lot capital improvements and \$2.0 million in capital for renovation, replacements or major repairs of parking assets.

Net Position & Cash Balance

The Parking Fund net position includes all the assets held by the Fund. The Net Position was \$199.9 million at year-end 2018.

The 2019 Parking Fund expects an increase in net position, which is primarily due to additional On Street Revenues.

The Parking Fund cash balance at year-end 2018 was \$13.8 million. Based on the 2019 projections, the Parking Fund cash balance will increase in 2019 due to additional On Street Revenues.

2020 Budget

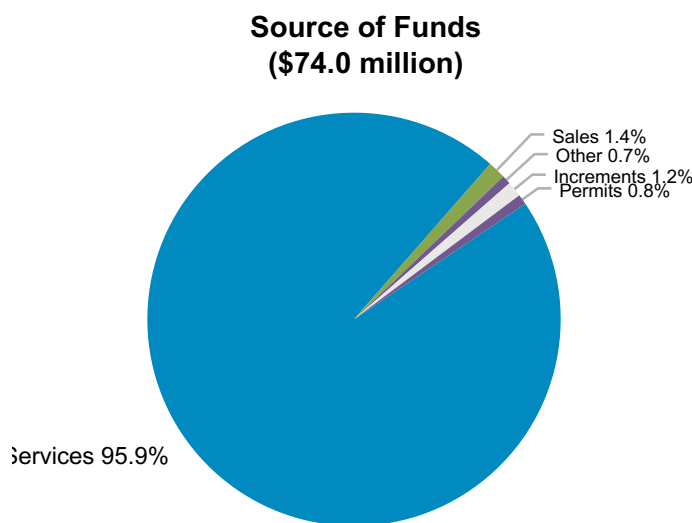
In 2018 the Government Center Parking ramp was discontinued as a City asset as part of the exchange for the new city office building construction. Since this ramp no longer exists as a city asset both the revenue and expenses for 2019 and future years have been removed from the Parking Fund forecasts.

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 2020 Parking Fund revenue budget is expected to decrease by 6.5% to \$74.0 million from the \$79.2 million projected 2019 revenue. The 2020 revenue budget incorporates an overall parking system increase that includes continued on-street usage growth of the parking meters with their associated smartphone app, plus one-time ABC ramp revenues to offset expenses noted below and interfund borrowing for capital projects but is decreased because of lost revenue from the Government Center Ramp.

The Fund also receives special assessments and tax increment revenues. These revenues will remain the same with approximately \$0.9 million in 2019 to \$0.9 million in 2020, primarily due to tax increment. These revenues are expected to slightly increase in 2021 but then decrease in future years.

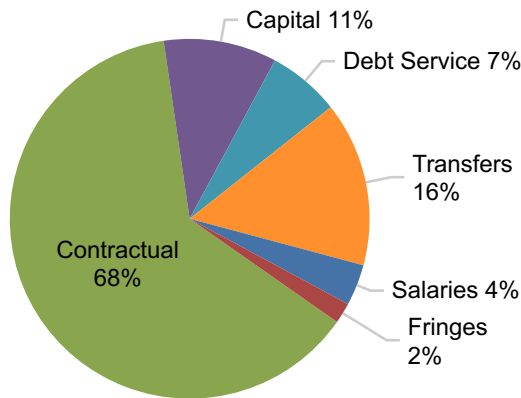


Expenses

The 2020 proposed Parking Fund expense budget is \$74.0 million which is a 2.9% decrease from 2019 projected expenses of \$76.2 million. This 2020 decrease is due to alignment with historical actuals, and reflects anticipated decrease in Government Center Ramp expenses.

The 2020 capital budget increases from \$3.0 to \$8.5 million. Both 2019 and 2020 capital budgets include planned Impound Lot improvements, with an additional \$6.0 million in one-time maintenance spending in 2020. After 2020, the annual capital budget decreases to \$2.0 million

**2020 Use of Funds
(\$74.0 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 forecasted at 4.0 to 5.0% annual increases. This transfer out increases by \$0.2 million in 2020 to \$4.6 million.
- General Fund transfers increase in 2020 and are forecasted to remain flat thereafter. In 2020 this transfer out will be \$8.0 million.
- Solid Waste and Recycling annual transfer out of \$146,000 remains constant to support service for bus shelter litter containers.

Debt Service

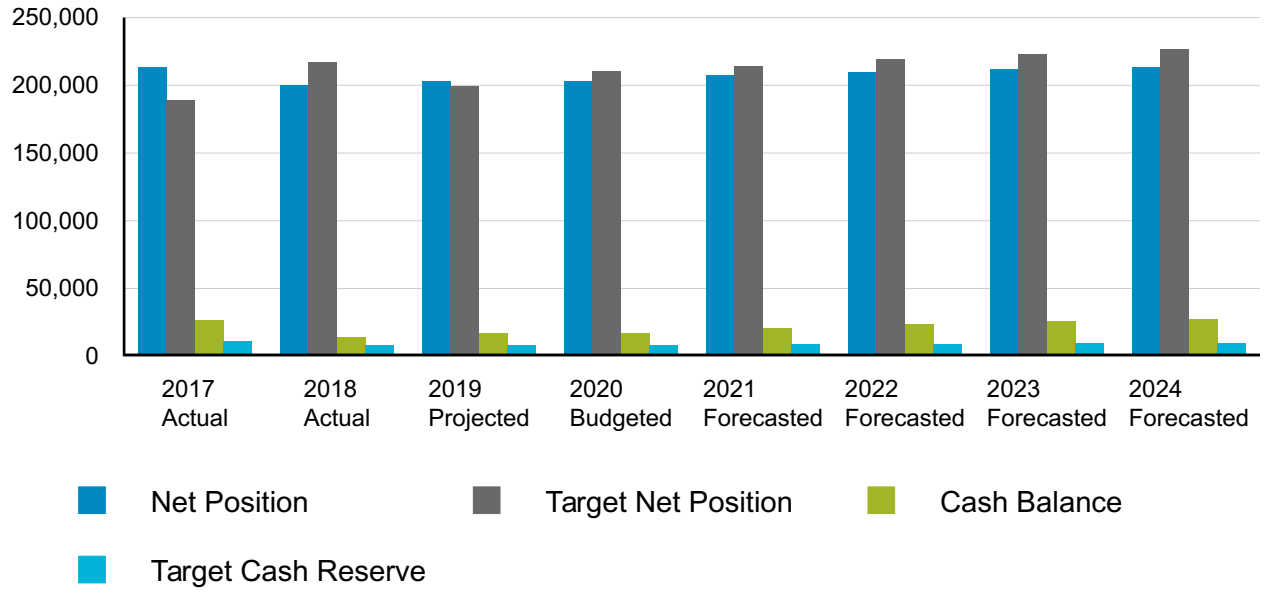
Total debt service, which includes principal and interest on bonds and notes issued for the Parking System is \$5.1 million for 2020. Total debt service payments are forecasted to increase in future years. Opportunities to reduce debt continue to be examined.

Net Position & Cash Balance

The Parking Fund expects net position to remain flat at \$203.0 million in 2020, due to increasing On-Street revenues offset by increased spending.

The Parking Fund cash balance at year-end 2020 is anticipated to be approximately \$16.7 million, which is almost identical to the projected cash balance for 2019. The city financial policy sets the Target Cash Reserve at 25% of operating expenses of \$34.1 million, which equates to \$8.5 million.

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



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

	2017	2017	2018	2018	2019	2019	2020	% Chg	2021	2022	2023	2024
	Budget	Actual	Budget	Actual	Budget	Projected	Budget	From 2019	Forecast	Forecast	Forecast	Forecast
								Projected				
Source of Funds:												
License and Permits	300	487	450	782	495	526	600	14.1 %	612	624	637	649
Charges for Service, Sales/Permits	60,042	67,950	61,139	69,100	64,191	69,516	71,020	2.2 %	71,243	72,529	73,840	75,176
Charges for Sales	1,100	735	1,100	1,230	1,000	1,527	1,000	(34.5)%	1,020	1,040	1,061	1,082
Special Assessments	543	—	543	—	543	—	543	— %	543	543	543	543
Exchange of Gov't Center Ramp	—	20,557	6,000	(18,121)	—	—	—	— %	—	—	—	—
Other Miscellaneous Revenues	—	13	—	90	—	47	—	— %	—	—	—	—
Tax Increment Transfers In	704	814	1,137	749	929	855	883	3.3 %	1,158	1,123	1,088	1,053
Proceeds of Long Term Liabilities	5,400	—	3,700	—	1,000	6,683	—	— %	—	—	—	—
Total	68,089	90,556	74,069	53,830	68,158	79,154	74,046	(6.5)%	74,576	75,860	77,169	78,504
Use of Funds:												
Debt Service	7,674	4,814	7,674	19,289	7,143	13,076	5,135	(60.7)%	6,793	8,271	8,514	8,709
General Fund Transfer Out	7,000	7,000	7,000	8,000	7,000	7,000	7,990	14.1 %	7,640	7,840	7,840	7,840
Target Arena Transfer Out	3,940	3,940	4,158	4,158	4,383	4,383	4,615	5.3 %	4,853	5,099	5,352	5,612
Debt Service Transfer Out	—	3	—	—	—	—	—	— %	—	—	—	—
Sanitation Transfer Out	146	146	146	146	146	146	146	— %	146	146	146	146
PW-Traffic & Parking	40,973	44,777	44,160	47,365	45,962	44,793	47,639	6.4 %	48,798	49,988	51,211	52,469
PW-Traffic & Parking Capital	7,600	3,088	7,200	2,965	3,000	6,808	8,500	24.9 %	2,000	2,000	2,000	2,000
Total	67,333	63,768	70,338	81,923	67,634	76,206	74,025	(2.9)%	70,230	73,344	75,063	76,776
Change in Net Position	756	26,788	3,731	(28,093)	524	2,948	21	(99.3)%	4,346	2,516	2,106	1,728
Net Position*	188,929	213,280	217,011	199,883	200,407	202,831	202,852	0.0%	207,198	209,714	211,820	213,548
Total Cash Balance**		26,540	30,271	13,759	14,283	16,707	16,728		21,074	23,590	25,696	27,424
Operating Cash balance		26,540	30,271	13,759	14,283	16,707	16,728		21,074	23,590	25,696	27,424
Target Cash Reserve		11,194	7,930	8,121	8,455	8,455	8,524		8,781	9,045	9,315	9,594
Variance Operating to Target Cash		15,346	22,341	5,638	5,828	8,252	8,204		12,293	14,545	16,381	17,830

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

**Cash Balance does not include depreciation.

The Projected 2019 is from the May 2019 Statement of Revenues and Expenses. Revenue and expense forecast are based on anticipated increases.

**City of Minneapolis
2020 Budget
Financial Plan**

Sanitary Sewer Fund

Introduction

The Sanitary Sewer Fund accounts for the activities related to wastewater collection and treatment. Approximately 55.5% of the expense in the Sanitary Sewer Fund's 2020 budget are 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

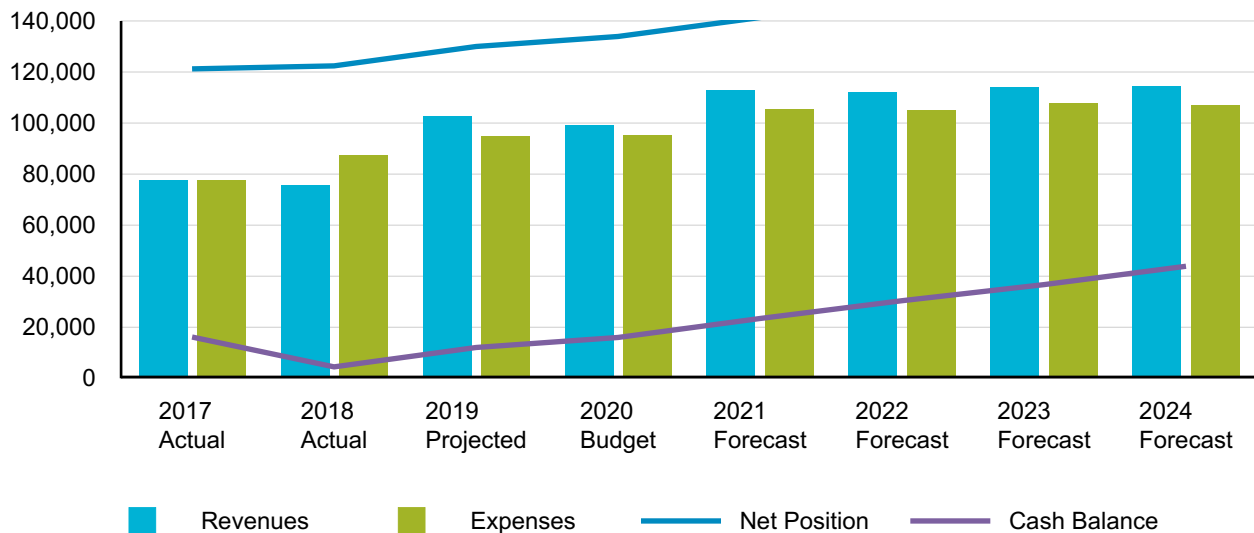
The Sanitary fund has performed consistently over the last five years up until 2018. In 2018, there were no bonds issued, thus contributing to lower than normal cash balance. In 2019, the cash balance improved somewhat to \$12.0 million. However, it is projected to gradually climb back up again starting 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 \$16.0-\$21.0 million range starting in 2020 and future years. As a result, the department has been able to use the cash balance to:

- fund operations and construction;
- (i) meet obligations for shared costs and services with other City departments;
- (ii) appropriately time the sales of bonds to keep debt financing low;
- (iii) structure and restructure the debt schedule for lower interest and payments; and
- (iv) 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, when accounting for \$6 million in mid-year appropriations, by \$3.2 million due to lower reimbursements for design activities. Proceeds from prior years' bond sales are available in the arbitrage fund to cover infrastructure related costs. This balance has been projected to increase \$18.1 million from additional bond sales in 2019. Sewer Availability Charges, or SAC, are one-time fee 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 expense for 2019 is projected at \$72.6 million compared to the adopted budget of \$69.9 million. As activities for major repair, rehab, cleaning, and upgrades pickup during the second half of the year, the projection for the year is \$2.7 million over the budgeted amount due largely to increased Met Council contractual obligation. Salaries and fringe at the current rate are projected to fall within the budgeted amount as personnel budgets have been modified to reflect work requirements and needs. The debt services are expected to stay level as the bond sales in 2019 were in line with budget.

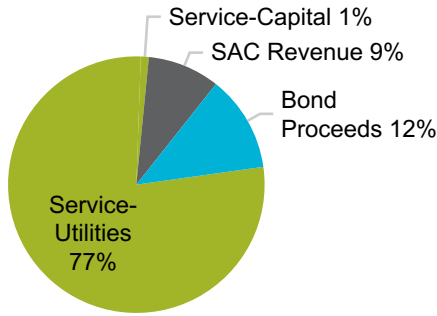
Net Position & Cash Balance

The Sewer fund net position and cash balance are projected to total \$130.0 million and \$12.1 million respectively by the end of 2019. The cash balance is \$860,000 more than the budgeted amounts due to lower sewer maintenance costs.

2020 Budget

Revenues from operations account for 85.8% of the budget with the remaining 14.2% coming from capital programs which are consistent with prior years. For 2020, use of funds is estimated to increase by 0.3% over 2019's projections.

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



Revenues

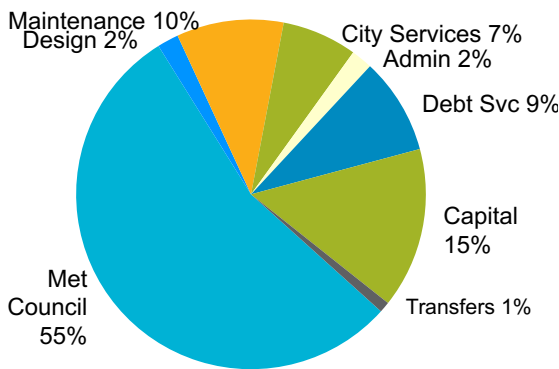
The total revenue budget for the Sanitary Sewer Fund for 2020 is \$99.3 million compared to the 2019 projected revenues of \$102.6 million, a decrease of \$2.4 million, or 3.3%. The majority of the change is a result of a combined: (i) decrease in SAC revenues of \$5.0 million due to a significant increase in city development in 2019 that was not budgeted for in 2020; (ii) increase in service revenues of \$7.3 million, reflecting increases in monthly utility rates; and a decrease in (iii) proceeds from long-term liabilities of \$6.1 million due to 2018 bonds were issued in 2019 and therefore increased bond proceeds in 2019.

Sanitary Utility Rates

Sanitary sewer rates are comprised of variable and fixed rates. For 2020, the variable sewer rate is proposed to increase to \$4.54 per one hundred cubic feet (one *unit*, or 748 gallons) compared to \$4.21 for 2019, while the fixed rate is set at \$6.30 compared to \$5.80. 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
2019	\$4.21	8.5%	\$25.26	\$61.4 million
2020	\$4.54	7.8%	\$27.24	\$66.5 million
2021	\$4.76	4.9%	\$28.56	\$69.7 million
2022	\$4.93	3.57%	\$29.58	\$72.1 million
2023	\$5.09	3.3%	\$30.54	\$74.4 million

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



Expense

The total expense budget for 2020 is \$95.3 million compared to the 2019 budget of \$95.7 million, an overall decrease of \$355,000, and reflects the following changes from the 2019 adopted budget: (i) increase in Met Council charges of \$1.8 million due to a rate increase; (ii) decrease in professional services, upgrades, rehab, repairs, and maintenance work by \$48,000 in the Sewer Maintenance section; (iii) increase in City services, as established by the allocation model of \$10,000; (iv) increase of \$244,000 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 (vii) decrease in capital programs by \$4.4 million. Capital expenses for 2020 total \$14.1 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 2020 is \$46.0 million, a 4.4% increase over 2019. The Sanitary Sewer Fund bears \$43.7 million of this cost with the remaining \$2.3 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 2020, the transfer amount is estimated at \$879,000 with future year amounts jointly decided in cooperation with Water department.

Debt Service

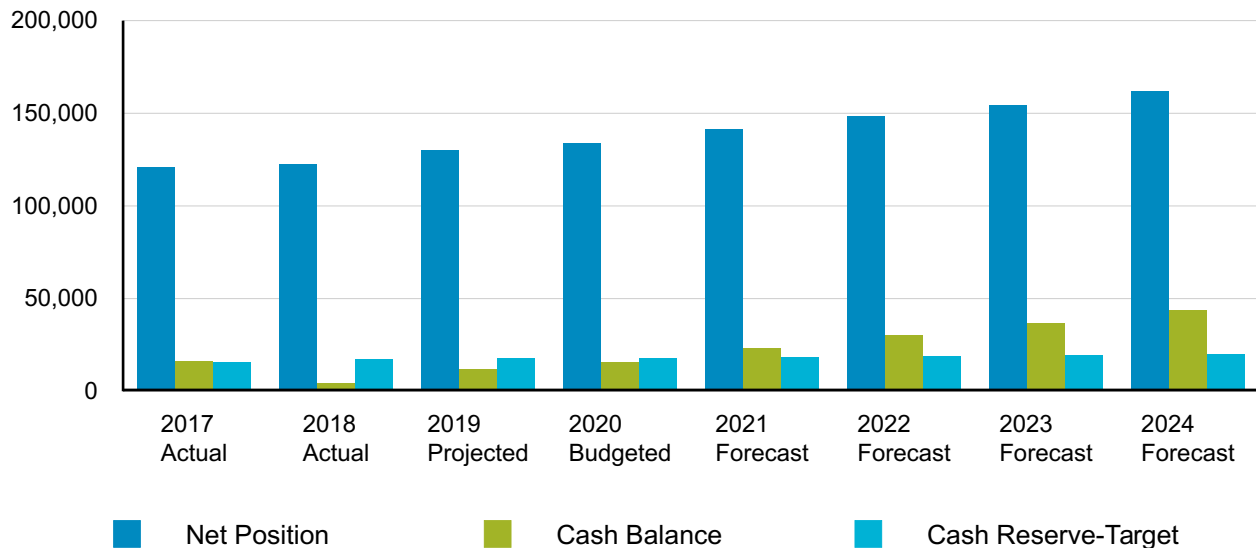
To date, the Fund’s outstanding debt arising from bond financing stands at \$39.1 million, of which \$15.7 million was added in 2019. The bonds were sold to finance capital infiltration and inflow programs and upgrade the City’s sewer system. For 2020, \$8.4 million is set aside for debt service payments. 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 2019 rate.

Net Position & Cash Balance

At the start of the year, cash balance was \$4.5 million, with the Fund’s net position at \$122.4 million. Based on 2019 projections, the cash balance and net position will increase to \$12.1 million and \$130.0 million respectively by the start of 2020. The five years plan forecasts a continual 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 2020 is \$18.0 million, leaving the fund below the target reserve by \$2 million.

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



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

	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Projected	2020 Budget	% Chg 2019 Projected	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Source of Funds:												
Charges for Service	60,581	58,837	65,738	63,929	70,890	69,541	76,855	10.5 %	80,840	84,106	87,228	90,493
SAC Revenues	8,000	9,200	8,000	9,968	9,000	14,000	9,000	(35.7)%	15,000	15,000	15,000	15,000
Other Misc Revenues	785	705	1,060	167	1,045	200	400	100 %	400	400	400	400
Charges for Service - Capital	1,000	843	1,000	46	1,000	800	1,000		1,000	1,000	1,000	1,000
Proceeds from Long Term Liabilities	7,250	8,126	11,000	1,752	14,500	18,087	12,000	(33.7)%	15,500	11,500	10,500	7,500
Total	77,616	77,711	86,798	75,862	96,435	102,628	99,255	(3.3)%	112,740	112,006	114,128	114,393
Use of Funds:												
PW-Sewer Design	1,553	1,068	1,586	1,439	1,538	1,538	1,518	(1.3)%	1,548	1,579	1,612	1,644
PW-Sewer Maintenance	7,662	8,673	9,648	10,121	9,669	8,703	9,601	10.3 %	9,890	10,211	10,292	10,530
MERF Debt Service -New Plan	210	210	210	210	210	210	210		210	210	210	210
Met Council Environment Svcs	46,796	47,909	49,398	51,437	51,036	55,036	52,885	(3.9)%	54,634	56,453	58,344	60,311
Payment for City Services	5,052	4,846	5,454	5,186	6,041	5,916	6,051	2.3 %	6,152	6,254	6,358	6,465
PW - Sewer Admin	599	556	1,154	1,125	1,429	1,186	1,673	41.1 %	1,635	1,638	1,672	1,710
Debt Service	3,238	3,027	5,153	4,980	5,193	5,193	5,700	9.8 %	5,306	5,330	3,978	
Future Debt Service	—	—	—	—	1,494	—	2,711	100 %	5,316	7,651	9,572	11,438
Transfers												
To MERF/Gen Debt Service	—	—	—	—	—	—	—		—	—	—	—
To Water Fund	1,213	1,225	684	684	593	593	879	48.2 %	1,116	1,209	1,287	1,396
PW- Capital Programs	9,250	10,226	13,600	12,328	18,500	16,660	14,100	(15.4)%	19,500	14,500	14,500	13,500
Total	75,573	77,740	86,887	87,510	95,703	95,035	95,328	0.3 %	105,307	105,035	107,825	107,204
Change in Net Position	2,043	(29)	(89)	(11,648)	732	7,593	3,927		7,433	6,971	6,303	7,189
Net Position Balance	121,399	121,224	121,135	122,400	123,132	129,993	133,920		141,353	148,324	154,627	161,816
Cash Balances												
Operating Cash	20,353	16,165	16,076	4,474	5,207	12,067	15,995		23,428	30,399	36,702	43,892
Construction Cash	—	—	—	—	—	—	—		—	—	—	—
Total Cash Balance	20,353	16,165	16,076	4,474	5,207	12,067	15,995		23,428	30,399	36,702	43,892
Target Cash Reserve	15,468	15,816	16,863	17,380	17,481	18,147	17,985		18,517	19,086	19,622	20,218
Variance Cash Balance to Target	4,885	350	(787)	(12,906)	(12,274)	(6,080)	(1,990)		4,911	11,313	17,080	23,674

**City of Minneapolis
2020 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

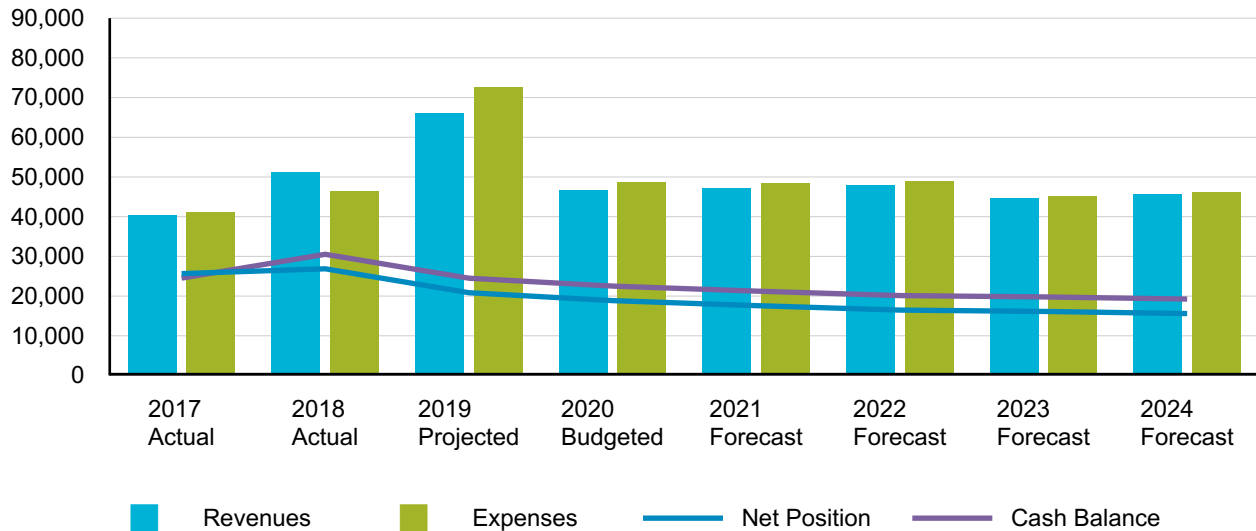
The overall financial condition of the Solid Waste and Recycling Fund has remained stable over the last five years, despite implementing one-sort and organic programs at an additional cost of \$8.9 million. The Fund has been continuously maintaining its cash balance above \$25.3 million, keeping the three-month cash reserve of \$9.4 million, and leaving \$15.1 million as unrestricted. This will change in 2019 and 2020 as some of the cash balance above the reserve requirement is being used to fund part of the new facility. Total revenues for 2018 were at \$51.2 million compared to \$46.4 million in 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;
- (vii) postpone debt financing; and
- (viii) control utility rate increases.

The outlook for the Fund for the next five years looks just as stable as the past five. A new \$25.0 million facility construction is in the works, which is currently being paid out of fund balance, but will eventually be replaced partially with bond proceeds, as we purposely use up the cash reserve excess to alleviate the need for additional debt.

Current Year Projections

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



Revenue

For the current year, revenue is projected to reach \$66.2 million compared to \$51.2 million earned in 2018 reflecting an increase of \$15.0 million mainly due to projected bond sales in 2019. Solid waste utility revenue is projected to increase by \$53,000 compared to 2018 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

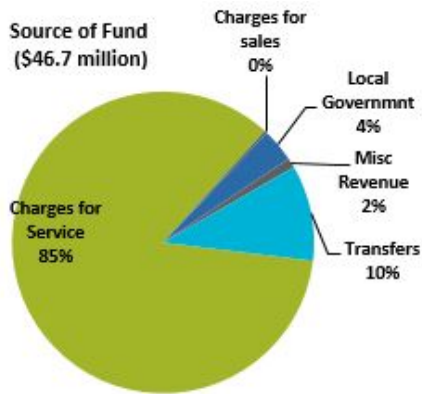
Operating expense for 2019 is projected to equal \$41.1 million compared to \$39.8 million spent in 2018, due to increase in estimates regarding personnel, contractual services, equipment, and SWIS replacement projects. The capital program is projected to incur \$26.9 million in expense compared to \$6.3 million spent, as construction picked up momentum in 2019.

Net Position and Cash Balance

Since both the projected revenues and expense are estimated to surpass actual amounts of 2019, the change in net position and cash balance will be more than anticipated. For 2019 year end, net position and cash balance will total \$20.9 million and \$24.5 million respectively.

2020 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 is expected to be substantially completed in 2019, although the interior of the building will not be ready until Spring of 2020. In 2020 the use of funds is expected to decrease by 38.9% primarily due to a decrease in capital spending from the fund.



Revenues

The total revenue budget for 2020 stands at \$46.7 million compared to \$66.2 million in revenue projected for 2019. This is a decrease of \$19.5 million, or 29.5% over the 2019 projection and is a result of: (i) decrease in bond proceeds estimated at \$20.1 million related to capital funding; (ii) decrease in service revenue, estimated at \$38.7 million, which is \$53,000 higher than the budget for 2019, due to lower recycling revenue expected.

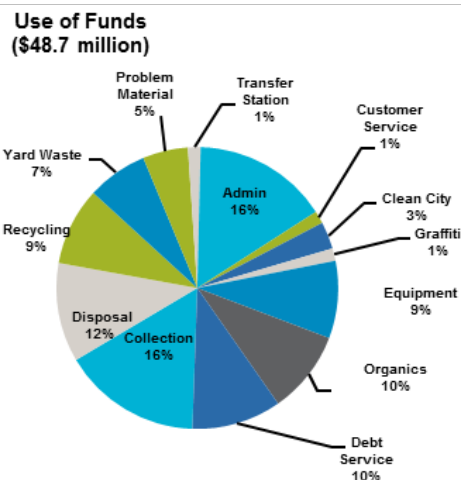
Solid Waste Utility Rates

The Department proposes to increase the base rate for collection and hauling to \$25.08 per dwelling unit, an increase of \$0.55 over the 2019 utility rate, in order to fund increases in salaries, fringe, contractual services, operating supplies, carts, vehicle replacements, and debt services. This increase is based on the estimated number of dwelling units in 2020 of 107,118.

Revenue Assumptions (2020)	
Number of dwelling units	107,118

Expense

The total expenditure budget for 2020 amounts to \$48.7 million compared to \$72.2 million projected for 2019, a decrease of \$23.6 million, or 32.6%. The operating budget totals \$43.7 million and the remaining \$5.0 million is for facility related debt service. The 2020 operating budget, compared to 2019, reflects the following changes: (i) an increase in yard waste, garbage, TV, and mattress collecting, hauling, disposing, and recycling costs of \$845,000 due to new vendor contracts; (ii) an increase in equipment, carts, roof repairs, and operating supplies by \$1.7 million; (iii) an overall decrease of \$203,000 in payment for City services, as set by the 2020 allocation model; (iv) a decrease in IT projects by \$107,000; (v) increase in debt services by \$1.7 million.



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 into the future with variations in programs and amounts.

Debt Service

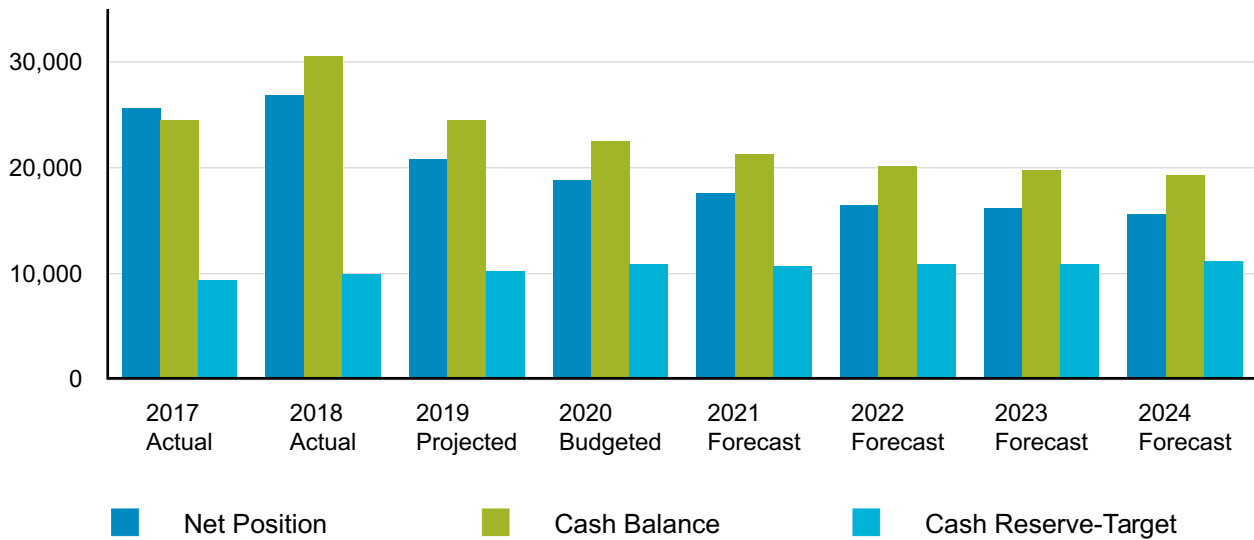
The Fund anticipates \$1.7 million increase in debt service payments for principal and interest in 2020. The increase relates to the additional debt issued in 2019 for the facility.

Net Position & Cash Balance

The Solid Waste Fund started the year with a cash balance of \$30.5 million and a net position total of \$26.9 million. Based on the 2019 estimates, the cash balance and net position will decrease to \$24.5 million and \$20.9 million, respectively. The five year plan forecasts a gradual decline due to debt service payments.

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 2020 is \$10.9 million making \$10.8 million available for debt services.

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



City of Minneapolis
2020 Mayor Recommended Budget
Financial Plan (in thousands of dollars)
Solid Waste Fund

	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Projected	2020 Budget	% Chg From 2019 Projected	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Sources of Funds:												
Local Government	1,080	1,526	1,701	1,682	1,768	1,854	1,659	(10.5)%	1,659	1,659	1,659	1,659
Charges for Service	37,065	36,993	37,705	37,861	38,598	38,651	39,578	2.4 %	40,034	40,859	41,704	42,570
Charges for Sales	45	609	350	182	350	203	150	(26.1)%	150	150	150	150
Special Assessments	—	121	—	93	—	—	—	— %	—	—	—	—
Other Misc Revenues, Rents	920	731	758	1,029	758	1,363	488	(64.2)%	758	758	758	758
Long Term Proceeds - Capital	15,000	—	3,710	9,919	—	20,124	—	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	— %	4,136	3,953	—	—
Total	54,581	40,451	44,696	51,237	45,468	66,189	46,670	(29.5)%	47,208	47,850	44,742	45,608
Use of Funds:												
Collection	7,638	7,647	7,709	7,553	7,734	7,925	7,750	(2.2)%	7,942	8,094	8,248	8,406
Disposal	4,814	4,894	5,346	5,114	5,221	5,221	5,541	6.1 %	5,672	5,678	5,848	5,854
Recycle	3,992	3,603	4,064	3,712	4,191	3,950	4,348	10.1 %	4,374	4,453	4,533	4,614
Yard Waste	3,320	2,961	3,336	3,093	3,468	3,150	3,378	7.2 %	3,428	3,480	3,532	3,586
Problem Material	2,000	2,247	2,343	2,341	2,519	2,450	2,525	3.1 %	2,640	2,761	2,890	3,027
Transfer Stations	459	436	470	591	820	762	701	(8)%	484	491	499	506
Admin	7,542	6,708	7,176	7,353	7,668	7,625	7,557	(0.9)%	7,353	7,488	7,625	7,765
Customer Service	649	527	652	528	665	625	699	11.9 %	712	725	738	751
Clean City	1,340	1,089	1,557	1,359	1,567	1,300	1,515	16.6 %	1,541	1,568	1,595	1,623
Graffiti	862	540	749	643	837	588	699	18.9 %	710	723	736	749
Equipment	3,666	2,930	3,367	3,285	3,814	3,329	4,320	29.8 %	3,276	3,273	2,471	2,824
Organics	4,063	4,099	4,078	4,260	4,851	4,175	4,631	10.9 %	4,707	4,784	4,862	4,942
Capital Program	15,000	3,527	3,710	6,266	—	26,939	—	(100)%	—	—	—	—
Debt Service	1,646	—	—	310	4,172	4,172	4,997	19.8 %	5,636	5,453	1,500	1,500
Total	56,991	41,207	44,557	46,408	47,527	72,211	48,660	(32.6)%	48,475	48,971	45,079	46,149
Change in Net Position	(2,410)	(756)	139	4,829	(2,059)	(6,022)	(1,990)		(1,268)	(1,121)	(337)	(541)
Net Position Balance	23,112	25,659	25,529	26,873	24,814	20,851	18,861		17,593	16,472	16,135	15,595
Cash Balance	22,915	24,524	24,663	30,529	28,470	24,507	22,517		21,249	20,128	19,791	19,251
Target Cash Reserve	10,086	9,420	10,212	9,958	10,839	10,275	10,916		10,710	10,879	10,895	11,162
Variance Cash Balance to Target	12,829	15,104	14,451	20,571	17,631	14,232	11,600		10,539	9,249	8,897	8,089

**City of Minneapolis
2020 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

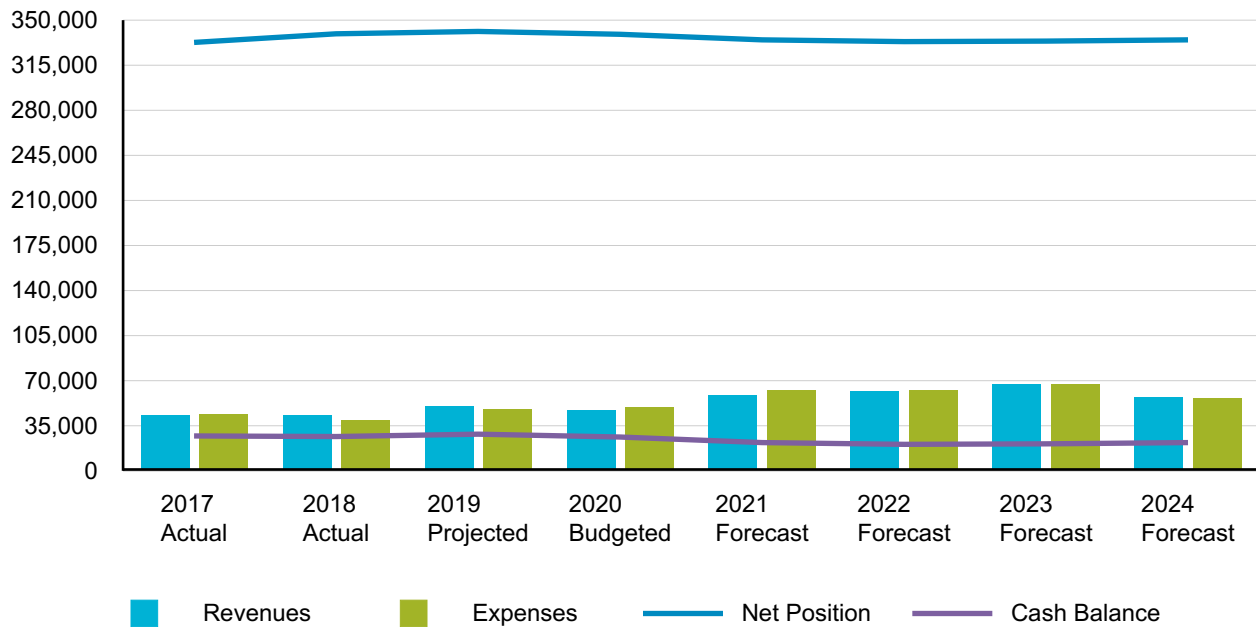
The Storm Water Fund has performed well in the last five years, maintaining a cash balance above \$26 million, and on average, keeping the three-month operating cash reserve to \$8.0 million, restricting an additional \$2.0 million for at-risk-tunnels, and posting an unreserved balance of \$18.4 million. 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;
- (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 \$44.0 million, \$200,000 higher than budgeted. The utility rate for the current year is \$13.42 per equivalent storm units (ESU) compared to \$13.09 for 2018. 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 expense for 2019 is projected at \$29.6 million for the year. In capital programs, \$16.9 million is projected to be spent in the current year which is \$1.7 million less than budgeted. Transfer for shared costs, estimated at \$1.6 million, will be expended as budgeted.

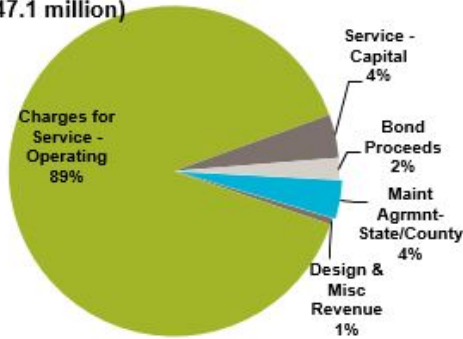
Net Position and Cash Balance

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 \$341.2 million, and \$28.5 million respectively. These are slight increases from 2018 actual amounts due to a decrease in capital expenditures.

2020 Budget

Revenues from operations account for 99.0% of the budget with remaining 1.0% 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 positive cash balance. Expenses from operations account for 63.5% of the total budget with 29.7% allocated for capital, 3.3% for transfers, and 3.4% for debt services. The combined sewer flow program has been discontinued from the operating budget, but will continue in the capital program.

Source of Funds
(\$47.1 million)



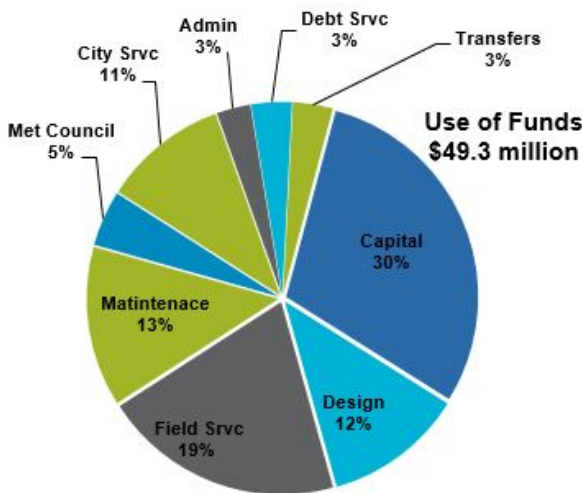
Revenues

The 2020 revenue budget is \$47.1 million, compared to \$49.8 million projected for 2019, reflecting a decrease of \$2.8 million. This is due to combined increases in: (i) service revenues by \$722,000, due to increases in monthly utility rates; (ii) maintenance revenues by \$47,000 as per State and County schedule; (iii) decrease in capital revenues by \$4.8 million, due to decreases in long term financing; and (iv) a decrease in design revenues of \$700,000 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 of \$13.42 per ESU for 2020, which is an increase of \$0.33 over the 2019 rate. It was increased to fund operations, transfers, debt services, and capital programs.

Year	Rate per ESU (Equivalent Storm Water Unit)	% Increase	Total Planned Revenue from Utility Fee
2020	\$13.42	2.7%	\$42.0 million
2021	\$13.77	2.5%	\$43.1 million
2022	\$14.13	2.6%	\$44.2 million
2023	\$14.50	2.6%	\$45.4 million
2024	\$14.88	2.6%	\$46.6 million



Expenses

The 2020 total expense budget for the Storm Water Fund is \$49.3 million, a decrease of \$3.6 million from the 2019 budget with the following changes: (i) increases in salaries and fringe of \$136,000 due to step increase; (ii) increases in City services of \$441,000, as established by the allocation model; (iii) increases in fleet and equipment by \$185,000; (iv) an increase in operations and contractual services by \$127,000; (v) increase in debt services and transfers by \$1.3 million; (vi) increase in professional services, storm tunnel cleaning, televising, catch basin repairs, maintenance work of \$800,000; and (vii) decrease in capital programs by \$4.1 million. Capital expenses for 2020 total \$14.6 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.

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

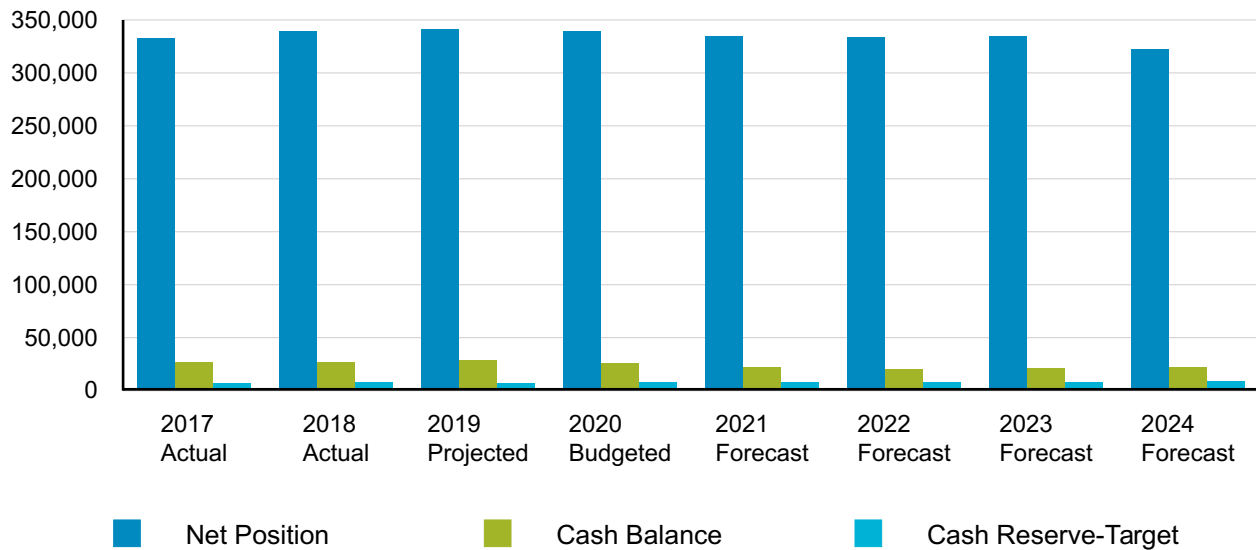
The Fund paid off all of its previous debt service obligations in 2016. Bond funded programs were planned for 2019 and an additional \$1.0 million has been added in 2020. As a result, debt service payments of \$1.7 million are estimated for 2020.

Net Position and Cash Balance

The Storm Water Fund started the year with a cash balance at \$26.6 million and a net position total of \$339.4 million. Both the cash balance and net position are projected to decrease in 2020 due to continual increase in capital expenditures. 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 \$7.8 million making \$18.4 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
2020 Mayor Recommended Budget
Financial Plan (in thousands of dollars)

Storm Water Fund

	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Projected	2020 Budget	% Chg From 2019 Projected	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Source of Funds:												
Federal Government	—	—	—	—	—	—	—		—	—	—	—
State Government	1,327	1,249	1,196	1,315	1,346	1,346	1,403	4.2 %	1,491	1,525	1,525	1,561
Local Government	318	416	335	356	375	375	365	(2.7)%	374	384	384	393
Charges for Service-Operating	38,578	39,751	39,679	38,822	40,735	41,273	41,995	1.7 %	43,092	44,221	45,380	46,572
Design & Misc Revenues	1,318	920	2,045	1,846	1,352	1,000	300	(70)%	300	300	300	300
Special Assessments	—	76	—	81	—	—	—		—	—	—	—
Grants Proceeds/Others - Capital	—	—	2,388	375	—	—	—	100 %	—	—	—	—
Charges for Service-Capital	2,000	652	2,000	2	2,000	—	2,000	100 %	2,000	2,000	2,000	2,000
Proceeds of Long Term Liabilities	—	—	2,500	—	6,500	5,847	1,000	100 %	11,000	13,000	17,500	6,000
Total	43,541	43,063	50,143	42,797	52,308	49,841	47,063	(5.6)%	58,257	61,430	67,089	56,825
Use of Funds:												
PW-Storm Design	5,757	5,822	5,038	4,726	5,575	5,356	5,790	8.1 %	5,858	5,937	6,018	6,102
PW-Field Services	9,148	9,514	9,866	9,825	9,945	9,833	9,985	1.5 %	10,294	10,602	10,921	11,251
PW-Storm Maintenance	6,149	6,784	8,099	7,940	7,620	6,120	6,628	8.3 %	6,759	6,894	7,034	7,178
Metropolitan Council	2,034	2,034	2,171	2,172	2,205	2,205	2,301	4.4 %	2,393	2,489	2,588	2,692
Payment for City Services	4,858	4,241	5,081	4,758	5,237	4,937	5,181	4.9 %	5,261	5,344	5,427	5,512
PW-Admin	893	639	1,254	1,046	1,527	1,149	1,405	22.3 %	1,335	1,316	1,347	1,380
Debt Service	—	—	—	—	—	—	1,688		—	—	—	—
Future Debt Service	—	—	—	—	401	247	—	100 %	2,059	3,273	4,411	4,470
Transfers	1,610	1,610	1,625	1,625	1,640	1,640	1,655	0.9 %	1,671	1,687	1,702	1,718
PW- Capital	14,965	13,309	19,768	6,794	18,735	16,515	14,645	(11.3)%	26,950	25,250	27,250	15,550
Total	45,414	43,953	52,902	38,886	52,885	48,002	49,278	2.7 %	62,580	62,792	66,698	55,853
Def.Capital Proj - Rev Funded	14,808	5,433	5,680	3,806	—	—	—		—	—	—	—
Change in Net Position	(16,681)	(6,323)	(8,439)	105	(577)	1,839	(2,215)		(4,323)	(1,362)	391	973
Net Position	310,489	332,711	324,272	339,403	338,826	341,242	339,027		334,705	333,343	333,734	334,707
Cash Balances	19,182	27,087	18,648	26,629	26,052	28,648	26,252		21,928	20,567	20,957	21,931
Construction Cash	—	—	—	—	—	—	—		—	—	—	—
Total Cash Balance	19,182	27,087	18,648	26,629	18,070	28,648	26,252		21,928	20,567	20,957	21,931
Target Cash Reserve	7,210	7,259	7,877	7,877	8,027	7,400	7,823		7,975	8,146	8,334	8,529
Variance Cash Balance to Target	11,972	19,829	10,771	10,771	10,043	21,068	18,429		13,953	12,421	12,623	13,402

**City of Minneapolis
2020 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, as well as 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.

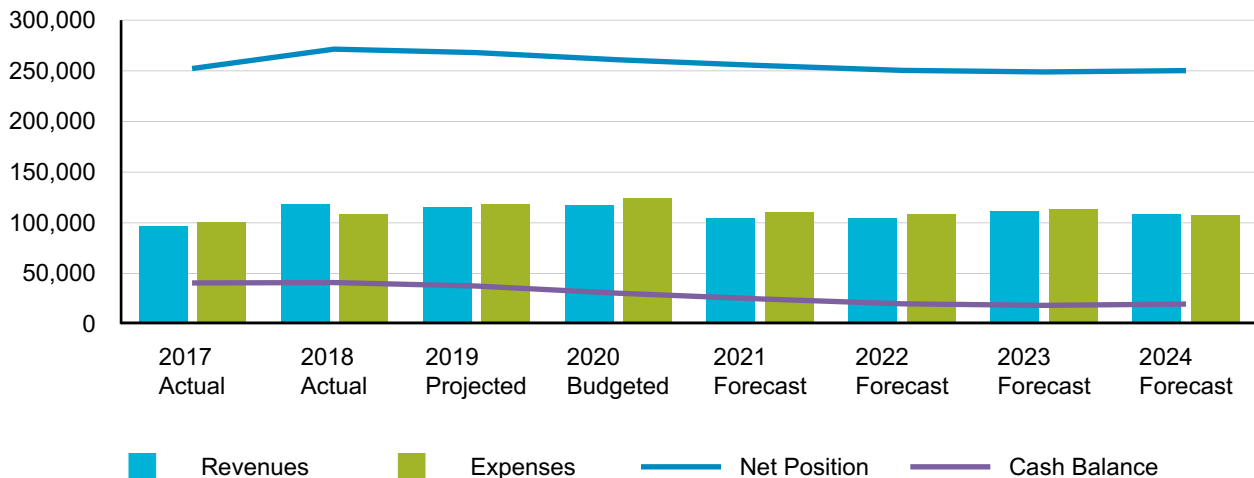
Historical Financial Performance

The net position of the Water Fund has increased over the past several years due primarily to scheduled rate increases and deferrals of some major capital improvements and investments to 2018 and beyond. The fund has performed consistently over the previous five years with its cash balance increasing in four of those years and has continuously maintained 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 that 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 2019 operating revenues are projected to total \$81.4 million or 70.6% of the budget. The decrease in revenue is mainly due to decrease in usage from retail sale customers. Proceeds from bond sales are another significant revenue source and are expected to surpass the budgeted amount due to the completion of deferred capital projects.

Expenses

The 2019 operating expenses are projected to total \$55.5 million which is lower than the budgeted amount of \$61.3 million. The decrease in expenditure mainly reflects decrease in energy bills, contractual, and professional services related to repairs, maintenance, and upgrades. Capital expenses are expected to be higher than originally budgeted for 2019 as a result of the completion of deferred capital projects.

Net Position & Cash Balance

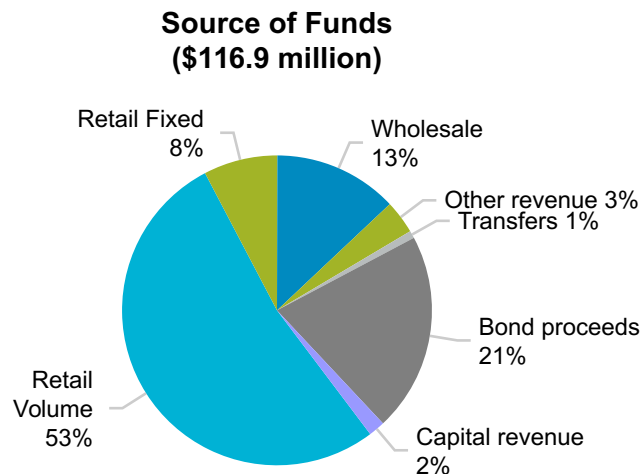
The Water Fund net position is projected to decrease by \$3.4 million in 2019 to a total of \$268.0 million. The cash balance is projected to be \$37.6 million at year end which is sufficient to cover the three-month operating reserve requirement of \$15.3 million and will be used to partially fund capital projects scheduled for the next few years.

2020 Budget

Operating revenues and expenses for the next few years are anticipated to be steady with small percentage increases each year. Due to planned improvements to both water treatment related infrastructure and the distribution system during 2020-2024, capital expenses and the related bond sale proceeds are expected to remain higher during this period.

Revenues

The total revenue budget for 2020 is \$116.9 million compared to the 2019 projected revenues of \$115.2 million, an increase of \$1.7 million, or 1.5%. This is due to increase in operating revenues and transfers which is offset by decrease in debt proceeds as compared to 2019 due to capital projects that carried over to into 2019 from prior years.



Water Utility Rates

The budget includes a fixed rate charge based on meter size as well as 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.

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
2020	\$5.50	\$3.68	\$31.26	2.8%	\$0.85	\$70.5 Million
2021	\$6.00	\$3.77	\$32.39	3.6%	\$1.13	\$72.9 Million
2022	\$6.50	\$3.86	\$33.52	3.5%	\$1.13	\$75.2 Million
2023	\$7.00	\$3.95	\$34.65	3.4%	\$1.13	\$77.5 Million
2024	\$7.50	\$4.04	\$35.78	3.3%	\$1.13	\$79.8 Million

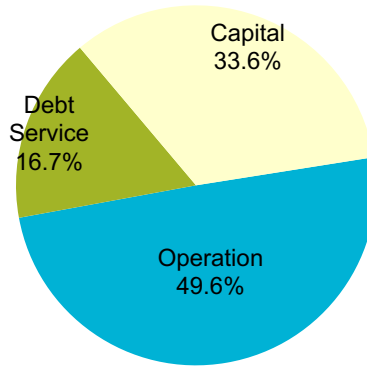
Projected Revenue from Wholesale Water Sales

Year	% Change	Total Revenue Earned from Utility Fee - Wholesale
2020	5.7%	\$15.1 Million
2021	3.3%	\$15.6 Million
2022	3.3%	\$16.1 Million
2022	3.3%	\$16.7 Million
2024	3.2%	\$17.2 Million

Expenses

The 2020 expense budget is \$124.0 million, a 4.6% increase from 2019 projected expenses of \$118.6 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 2020 capital budget of \$41.7 million represents a 4.7% decrease from the 2019 projected capital expenses which include carried over projects from prior years to 2019.

**Use of Funds
(\$124.0 million)**



Transfers

For 2020, the transfer amount of \$908,121 consists primarily of a \$879,121 operating transfer from the Sanitary Sewer Fund for their share of the cost of the meter shop. This is an ongoing transfer that is adjusted annually based on actual meter shop expenses incurred.

Debt Service

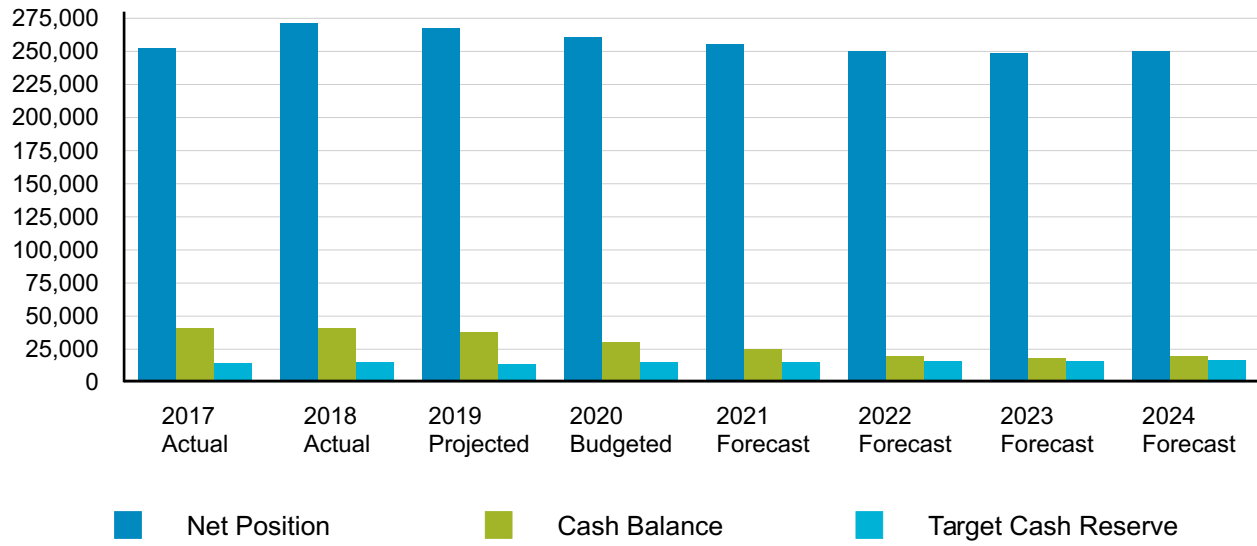
The debt service total of \$20.8 million relates to bonds and notes sold to finance the Water Fund’s capital construction program. As of November 2019, the fund’s total outstanding debt was \$122.9 million with current debt service running through 2033. Future debt issuances will increase the amount owed and lengthen the payoff schedule.

Net Position & Cash Balance

The 2018 cash balance was \$41.0 million and the Water Fund’s net position totaled \$271.4 million. Based on projections, the cash balance and net position will decrease to \$37.6 million and \$268.0 million respectively in 2019.

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 2020 is \$15.2 million, leaving \$15.4 million available as an unrestricted amount to fund capital programs and debt service payments. The five-year plan shows the projected cash balance dropping through 2023 but continuing to remain above the three-month operating reserve requirement.

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



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

Water Fund

	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Projected	2020 Budget	% Chg From 2019 Projected	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Source of Funds:												
Water Sales - Retail												
Volume Rate	59,262	55,906	60,500	57,017	60,664	55,312	61,501	11.2 %	63,005	64,509	66,013	67,517
Fixed Rate	6,573	6,635	7,395	7,521	8,217	8,468	9,038	6.7 %	9,860	10,682	11,503	12,325
Water Sales - Wholesale	17,090	15,605	15,915	15,536	14,310	13,713	15,127	10.3 %	15,629	16,139	16,678	17,215
Other Operating Revenue	4,239	4,293	6,542	6,452	5,760	3,886	4,085	5.1 %	4,146	4,208	4,283	4,367
Proceeds of Long Term Liabilities *	58,820	12,320	13,635	30,490	17,890	32,019	24,285	(24.2)%	8,720	5,350	10,100	3,875
Transfers												
From Sewer Fund for Meter Shop	1,213	1,213	684	684	593	593	879	48.2%	1,116	1,209	1,287	1,396
From General Fund	25	25	27	27	29	29	29	0.0%	29	29	29	29
Reimbursed Capital Revenue	2,000	1,004	2,000	533	2,000	1,200	2,000	66.7 %	2,000	2,000	2,000	2,000
Total	149,222	97,001	106,698	118,260	109,463	115,220	116,944	1.5 %	104,505	104,126	111,893	108,724
Use of Funds:												
Operating Expense	57,917	50,482	60,406	56,237	61,315	55,515	61,533	10.8 %	62,310	63,847	65,426	67,048
Debt Service	15,269	15,269	16,509	17,606	17,045	19,314	19,319	0.0%	19,304	18,325	16,616	12,658
Future Debt Service					2,547		1,444	100.0%	3,152	4,174	4,802	5,986
Capital*	79,100	34,480	29,390	34,228	34,340	43,802	41,735	(4.7)%	25,370	22,600	26,600	21,725
Total	152,286	100,231	106,305	108,071	115,247	118,631	124,031	4.6 %	110,136	108,946	113,444	107,417
Change in Net Position	(3,064)	(3,230)	393	10,189	(5,784)	(3,411)	(7,087)		(5,631)	(4,821)	(1,550)	1,307
Net Position	230,238	252,260	252,653	271,402	265,618	267,991	260,904		255,273	250,452	248,902	250,209
Total Cash Balance		40,663		41,041	35,257	37,630	30,543		24,912	20,091	18,541	19,848
Target Cash Reserve		14,479		15,102	15,329	13,689	15,172		15,364	15,743	16,132	16,532
Variance Operating Cash to Target		26,184		25,940	19,928	23,941	15,371		9,548	4,348	2,409	3,316

Notes:

* The unused 2017 & 2018 Budgeted Capital amount has been carried forward to 2019 and beyond.

**City of Minneapolis
2020 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.

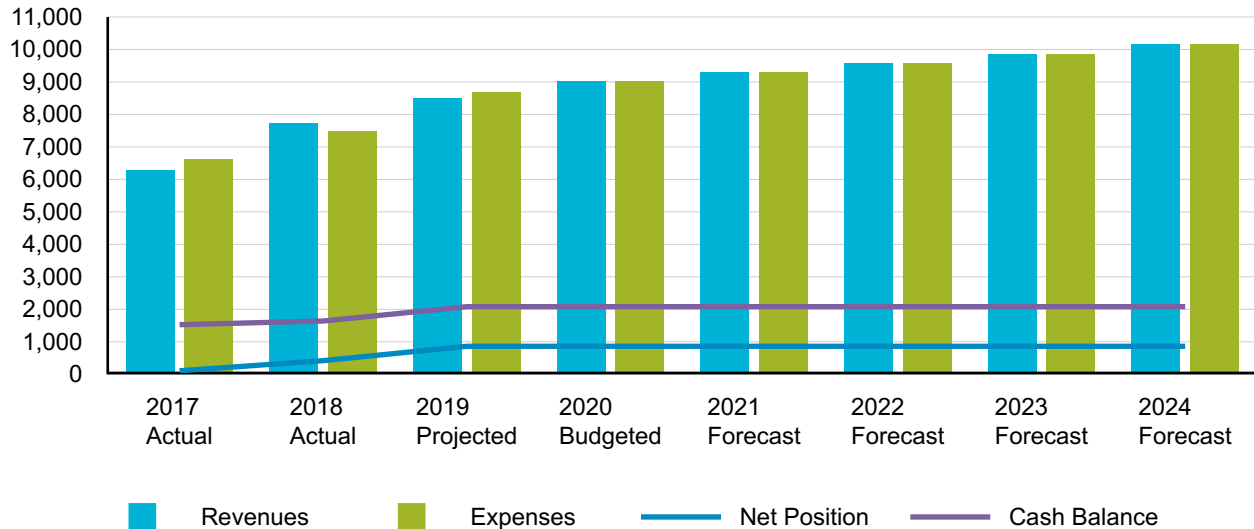
Historical Financial Performance

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 2018, the fund's net position decreased from \$2 million to \$420,000. The most significant factor in this decrease was the implementation GASB No. 68 in 2015 to record pension liabilities, which reduced the fund's net position significantly. The reduction to net position was offset by operating gains of \$416,000 in 2013 and \$309,000 in 2018. From year-end 2013 to year-end 2018, the cash balance decreased from \$2.1 million to \$1.6 million as a result of both operating losses as well as the aforementioned gains in 2013 and 2018.

Current Year Projections

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



Revenues

The 2019 revenues are projected to be \$9.1 million, which is an increase of 7.5% compared to the 2019 budgeted revenue of \$8.5 million. Revenue throughout the year is dependent upon several factors such as weather and the timing of construction projects. These variables can result in substantial variances in the amount of revenue (and expenses) recorded throughout the year. Prior to 2017, the sale of concrete and asphalt were offset against the expense. Starting in 2017, the purchases and sale of concrete and asphalt were no longer offset, and the full amount of expense and revenue was reported on the financial statements.

Expense

The 2019 expense budget is projected to be \$8.7 million, which is a 2.4% increase from the 2019 budgeted expense of \$8.5 million. As noted above, expenses throughout the year are dependent upon several factors such as weather and the timing of construction projects. As stated earlier, starting in 2017 the purchase of concrete and asphalt is reported at cost instead of being offset by sales.

Net Position & Cash Balance

The fund's projected net position at the end of 2019 is \$862,000, which is a 100.6% increase compared to the budgeted ending net position of \$430,000. This increase is mainly due to the above stated reasons that resulted in a higher margin. The fund's projected cash balance at the end of 2019 is \$2.1 million, which is 26.2% higher than the budgeted 2019 ending cash balance, also due to higher projected margin.

2020 Budget

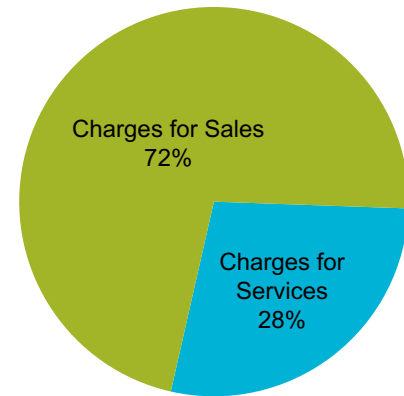
The 2020 budget reflects an increase in revenue and expense from providing services to other divisions of Public Works. The budget for 2020 does not anticipate an increase in the purchase and subsequent reselling of asphalt and concrete.

Revenues

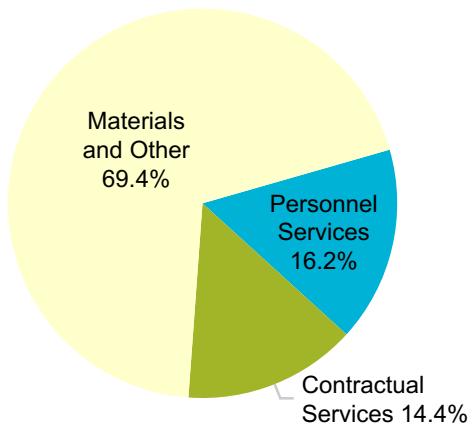
The 2020 revenue budget is \$9.0 million, a slight decrease of 1.1% from the 2019 projected revenue of \$9.1 million due to projected increases in City projects and maintenance activities in 2019.

The 2020 revenue budget of \$9.0 million is an increase of \$529,000 compared to the 2019 revenue budget of \$8.5 million. This increase is due to projected increases in City projects and maintenance activities.

Source of Funds (\$9.0 million)



Use of Funds (\$9.0 million)



Expense

The 2020 expense budget is \$9.0 million, an increase of 3.9% from the 2019 projected expense of \$8.7 million. This increase in the 2020 budgeted expense is due to projected increases in City projects and maintenance activities.

The 2020 expense budget of \$9.0 million is an increase of \$539,000 compared to the 2019 expense budget of \$8.5 million. This increase is due to projected increases in City projects and maintenance activities.

Transfers

There are no transfers scheduled in 2020 for this fund.

Debt Service

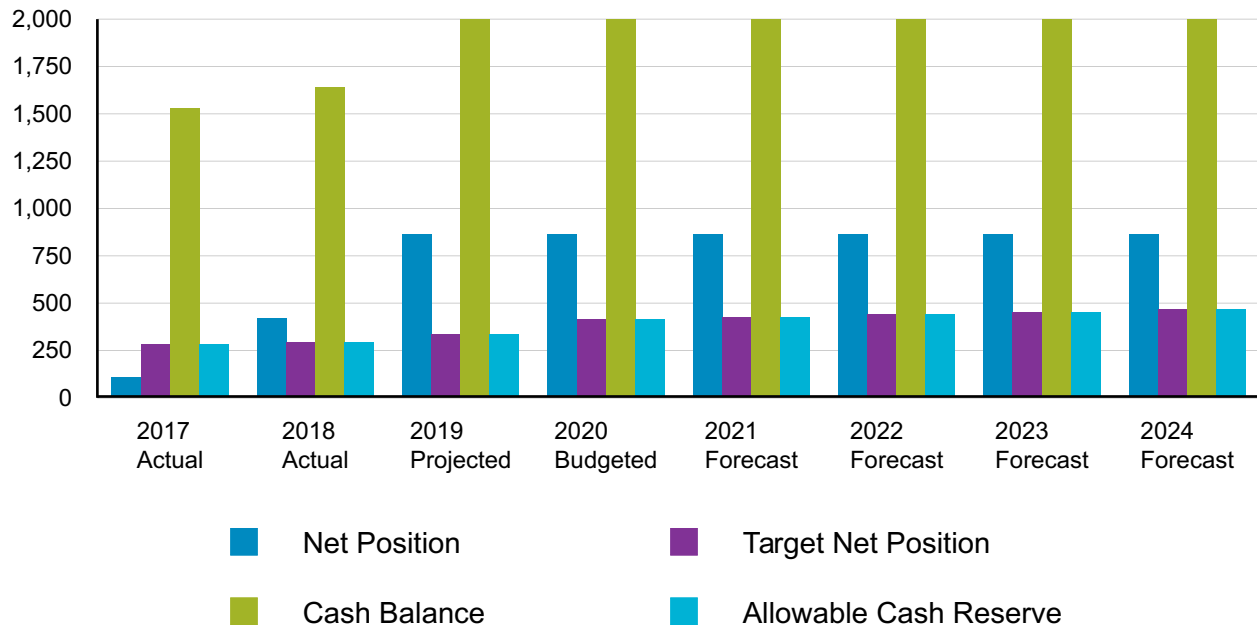
This fund does not have any debt service liabilities.

Net Position & Cash Balance

The net position is projected to be \$862,000 at the end of 2019 and 2020. The financial policy requires that the fund maintain a net position at least equal to 15.0% of the operating budget, exclusive of materials and related costs. For the year ending 2020, the projected net position is \$447,000 above the benchmark of \$0.4million.

The cash balance is projected to be \$2.1 million at the end of 2019 and 2020. 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, exclusive of materials and related costs, or \$0.4 million for 2020. The fund is expected to exceed the benchmark by \$1.7 million in 2020.

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



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

Engineering, Materials and Testing

	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Projected	2020 Budget	% Chg From 2019 Projected	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Source of Funds:												
Charges for Services	1,657	1,651	1,755	2,199	2,007	2,614	2,536	(3)%	2,613	2,691	2,772	2,855
Charges for Sales	320	4,647	5,618	5,524	6,489	6,516	6,489	(0.4)%	6,684	6,884	7,091	7,303
Total	1,977	6,298	7,373	7,723	8,496	9,130	9,025	(1.1)%	9,296	9,575	9,862	10,158
Use of Funds:												
Personnel Services	1,280	1,308	1,326	1,079	1,410	1,301	1,464	12.5 %	1,508	1,553	1,600	1,648
Contractual Services	606	773	613	1,066	808	1,091	1,299	19.1 %	1,338	1,378	1,420	1,462
Materials and Other	80	4,538	5,434	5,344	6,269	6,296	6,262	(0.5)%	6,450	6,643	6,843	7,048
Total	1,966	6,619	7,373	7,488	8,487	8,688	9,025	3.9 %	9,296	9,575	9,862	10,158
Change in Net Position¹	10	(321)	—	309	10	442	—	— %	—	—	—	—
Net Position¹	439	108	108	420	430	862	430	— %	430	430	430	430
Total Cash Balance	1,555	1,527	1,527	1,640	1,650	2,082	2,082		2,082	2,082	2,082	2,082
Target Cash Reserve²	283	283	291	291	333	333	415		427	440	453	467
Variance Operating Cash to Target	1,273	1,244	1,236	1,349	1,317	1,749	1,235		1,655	1,642	1,629	1,615

¹Change in net position and net position for 2017 & 2018 are CAFR values.

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

**City of Minneapolis
2020 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, snow plows, 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 assigns nearly all its fleet (as base units) to City departments. The City departments are allocated a rental rate for these units that is calculated through an activity based cost allocation model and designed to capture the replacement cost of the vehicle. The City's fleet of vehicles and equipment has an acquisition value of \$100.1 million and accounts for 64.2% of the net value of the long-term assets in this fund.

Historical Financial Performance

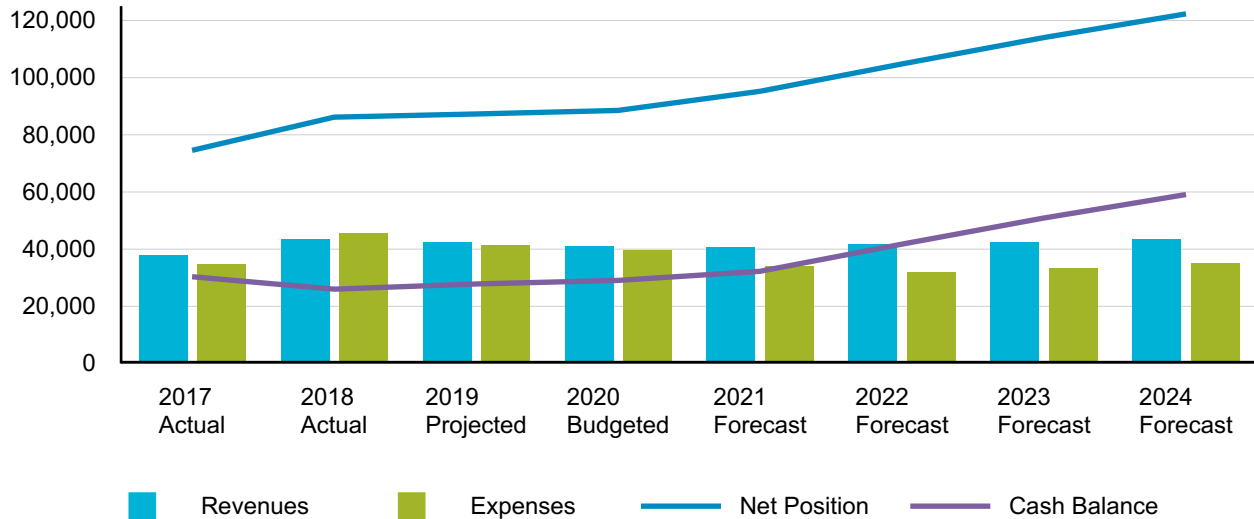
From year-end 2013 through year-end 2018, the Fleet Services fund had an increase in net position of \$36.1 million. Several factors affect the net position, but the increase is primarily due to the increasing net investment in capital assets. Since 2013, the net book value of the Fleet Services Fund's capital assets has increased by \$16.8 million, while the debt related to those assets has decreased by \$15.6 million. The combination of increasing asset value and decreasing liabilities has resulted in an increase to net investment in capital assets of \$35.0 million.

The 2018 ending cash balance of \$26.0 million was an increase of \$7.1 million from the 2013 ending balance of \$18.9 million. The 2018 target cash reserve was \$3.3 million, a decrease of \$1.8 million from 2013. The fund exceeded the target by \$22.7 million in 2018, an increase of \$8.9 million from 2013 of \$13.8 million.

In 2013, the fund received a transfer from the General Fund of \$8.3 million as determined by the long term financial plan to assist with debt service payments. The fund also received transfers from the General Fund from 2014 to 2018 totaling \$7.5 million as part of the Capital Asset Request System (CARS) program to help supplement the cost of replacing vehicles as identified in the lifecycle replacement schedule for fleet capital assets.

Current Year Projections

Financial Snapshot Fleet Services Fund (in thousands of Dollars)



Revenues

The 2019 revenue for the Fleet Services fund is projected to be \$42.4 million which is 9.0% more than the budgeted amount of \$38.9 million. The projected revenue is more than budgeted primarily due to an increase of \$2.6 million, or 12.7%, in rent income and an increase of \$1 million, or 9% in contract services and apprentice revenue. The increase in rent income is due to increased use of contractual equipment and the purchase of additional vehicles to the Fleet. The increase in charges for services revenue is the result of higher than budgeted billable hours as significant snow in early 2019 required more maintenance of equipment. Charges for sales revenue is projected to be \$242,000 under budget due to a decrease in fuel costs which result in lower revenue from the sale of fuel.

Expense

The 2019 expenses are projected to be \$41.3 million or 2.2% more than the budgeted amount of \$40.4 million. This is mainly due to Fleet operating costs such as apprentice labor and contractual rentals increasing while other costs such as fuel are decreasing.

Net Position & Cash Balance

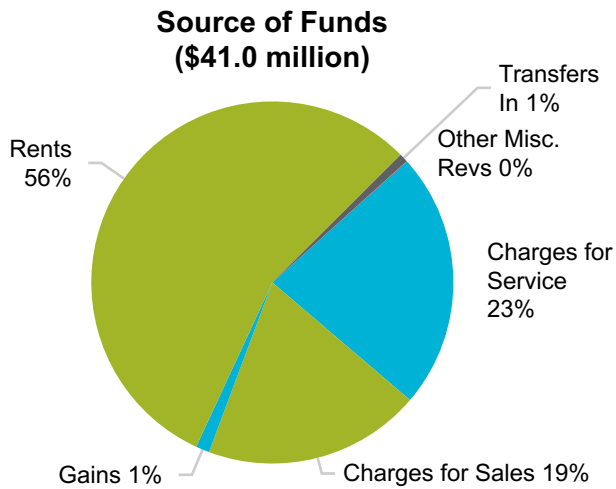
The Fleet Services Division Fund projects net position to be \$87.3 million at the end of 2019, an increase of 3.1% from the budgeted amount of \$84.7 million. The reason for the increase is because revenue is projected to be \$42.4 million which is \$3.5 million more than the budgeted amount of \$38.9 million.

The year-end 2019 cash balance is projected to be \$27.8 million, an increase of 13.5% from the budgeted amount of \$24.5 million. The 2019 target cash reserve is projected to be \$3.4 million and the fund is projected to exceed the target by \$24.5 million.

2020 Budget

There are no significant planned or anticipated changes from prior years for the Fleet Services Fund.

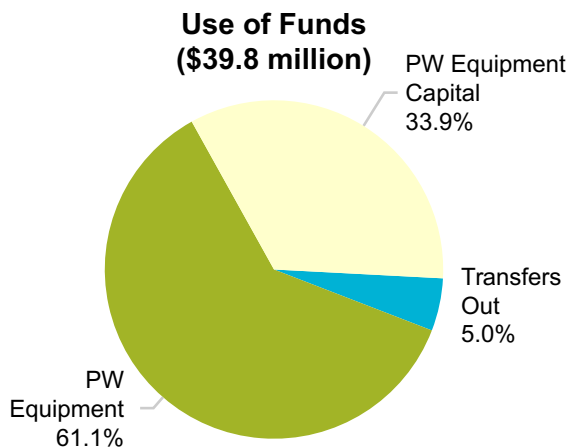
Revenues



Total revenues for 2020 are budgeted at \$41.0 million, a 3.2% decrease from the 2019 projected amount of \$42.4 million and a 5.5% increase from the 2019 budgeted amount of \$38.9 million. The increase in 2020 budgeted revenue over the 2019 budgeted amount is primarily due to an increase in fleet rental rates used to bill internal customers to cover the replacement cost of vehicles. The increase from the 2019 projected amount is also due to rental revenue.

Expense

The 2020 expense budget is \$39.8 million, a decrease of 3.6% from the 2019 projected expense of \$41.3 million and a 1.5% decrease from the 2019 budgeted amount of \$40.4 million. The decrease in 2020 budgeted expense over the 2019 projected expense is mostly due to a decrease of \$2.5 million in equipment purchases. This is offset slightly by an increase in the amount budgeted for other operating costs. 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.



Transfers

In 2020, the Fleet Services Fund will receive a 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 2019.

Debt Service

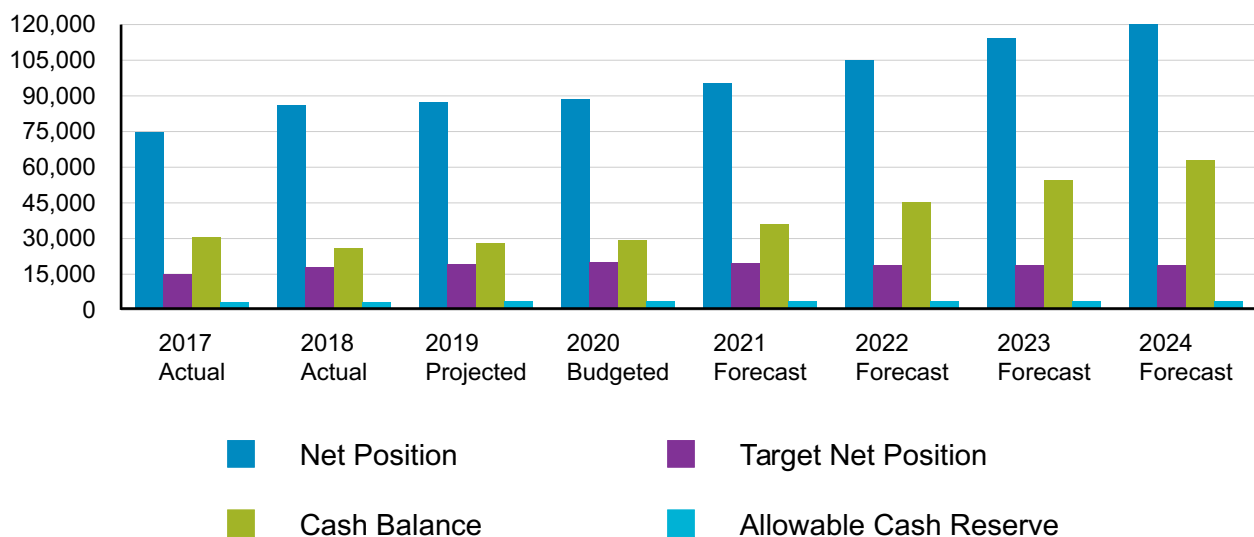
As part of the fleet modernization effort that began in 1997, the City issued bonds to finance fleet upgrades and to build new maintenance facilities. In 2018, the fund paid off the remaining debt obligation of \$9.1 million. There are no further debt obligations in this fund at this time.

Net Position & Cash Balance

The net position at year-end 2020 is budgeted to be \$88.5 million, an increase of 1.4% from the 2019 projected amount of \$87.3 million. The primary reason for the increase is the fleet capital purchases vary from year to year based on a long-term replacement schedule. 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 2019 and 2020 as the target net position is projected to be \$19.3 million for 2019 and \$19.8 million for 2020.

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. For the year-ending 2020, the cash balance is budgeted to be \$29.1 million, an increase of 4.5% from the 2019 projected ending balance of \$27.8 million. The increase is due to the timing of capital equipment purchases. The target cash reserve is \$3.4 million for 2019 and \$3.5 million for 2020. The fund is expected to exceed the target by \$24.5 million in 2019 and \$25.6 million in 2020. 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
2020 Council Adopted Budget
Financial Plan (in thousands of dollars)

Fleet Services Fund

	2017	2017	2018	2018	2019	2019	2020	% Chg	2021	2022	2023	2024
	Budget	Actual	Budget	Actual	Budget	Projected	Budget	From 2019 Projected	Forecast	Forecast	Forecast	Forecast
Source of Funds:												
Charges for Service	9,897	9,703	9,225	10,694	9,773	10,780	9,399	(12.8)%	9,406	9,674	9,950	10,235
Charges for Sales	7,564	6,319	8,275	9,406	8,092	7,850	7,975	1.6 %	8,489	8,594	8,703	8,814
Gains	350	290	350	1,100	350	500	500	0.0%	350	350	350	350
Rents	14,755	19,195	19,639	21,789	20,329	22,909	22,818	(0.4)%	22,547	23,007	23,443	23,976
Other Misc Revenue	10	3	10	62	10	10	10	0.0%	10	10	10	10
Operating Transfers in	2,304	2,304	597	597	317	317	317	0.0%	—	—	—	—
Total	34,880	37,814	38,095	43,648	38,871	42,366	41,019	(3.2)%	40,802	41,635	42,456	43,385
Use of Funds:												
Debt Service	2,677	2,560	9,260	9,147	—	—	—	0.0%	—	—	—	—
Transfers out	—	—	—	—	1,000	1,000	2,000	100.0%	—	—	—	—
PW Equipment Operations	21,472	21,321	23,249	23,395	23,418	24,305	24,286	(0.1)%	24,387	24,892	25,414	25,951
PW Equipment Capital	10,139	10,840	12,898	13,097	15,952	15,951	13,489	(15.4)%	9,719	7,167	7,818	9,144
Total	34,288	34,721	45,407	45,639	40,370	41,256	39,775	(3.6)%	34,106	32,059	33,232	35,095
Change in Net Position¹	592	8,048	(7,311)	11,571	(1,499)	1,110	1,244	12 %	6,696	9,576	9,224	8,290
Net Position¹	70,059	74,558	76,237	86,171	84,672	87,281	88,525	1.4%	95,221	104,797	114,021	122,311
Total Cash Balance	21,036	30,350	23,039	26,007	24,508	27,817	29,061	4.5 %	35,757	45,333	54,557	62,847
Target Cash Reserve²	3,041	3,041	3,333	3,333	3,358	3,358	3,488	3.9%	3,503	3,579	3,657	3,738
Variance Operating Cash to Target	17,995	27,309	19,706	22,674	21,150	24,459	25,572	4.6 %	32,253	41,753	50,899	59,109

1 Change in net position and net position are CAFR values for 2017 and 2018

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
2020 Budget
Financial Plan**

Intergovernmental Services Fund

Introduction

The Intergovernmental Services Internal Service Fund accounts for all of 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

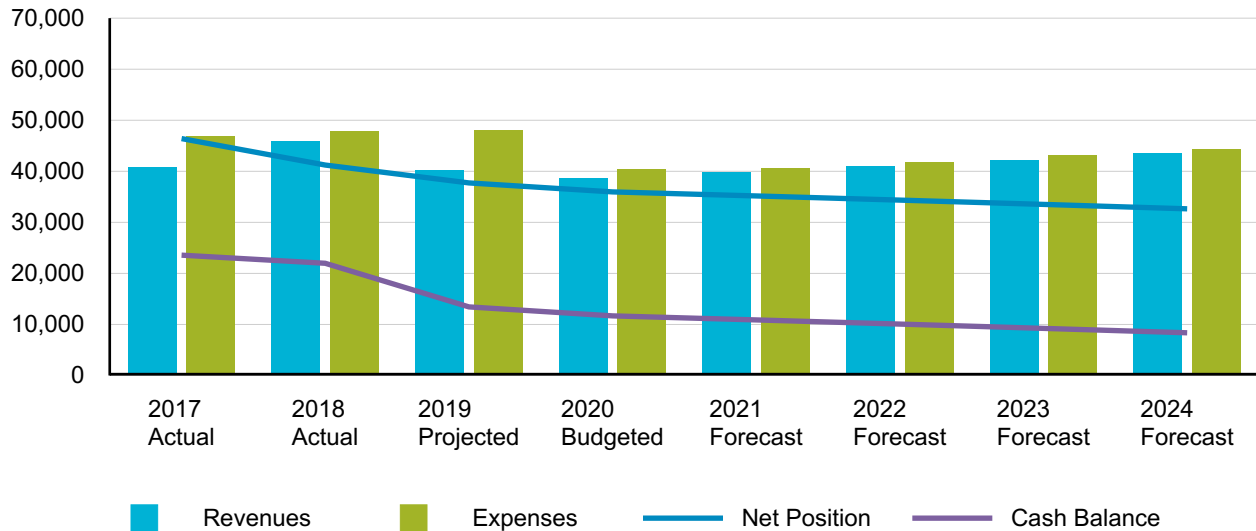
From year-end 2013 to year-end 2017 the fund's net position increased from \$37.4 million to \$46.4 million. The net position decreased to \$41.2 million in 2018. The increase in net position from 2013 to 2017 was primarily due to General Fund transfers of \$28.2 million received from 2013-2014 in accordance with the long-term financial plan for the fund. 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 2017 is partly due to a \$3.0 million transfer out to the Capital Improvement Fund, decrease in long term assets of \$3.7 million due to depreciation of capital assets, and recognition of pension expense and liabilities of \$3.7 million.

Over the last five years the Intergovernmental Services Fund revenue has been between \$39.2 million to \$41.7 million. Expenses have been between \$37.1 million and \$50.6 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 an 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. The majority of these expenses, \$6.4 million, occurred in 2015 with the remainder in 2016 and 2017.

Through 2016, the fund also included a portion of the Human Resources budget designated for internal training. In 2016, the Human Resources budgeted expense for the fund was \$308,000. The Human Resources' training expense is now accounted for in the General Fund.

Current Year Projections

Financial Snapshot Intergovernmental Services Fund (in thousands of Dollars)



Revenues

The 2019 revenues are projected to be \$40.2 million, which is an increase of 8.1% from the 2019 budgeted revenue of \$37.2 million. The 2019 projection includes revenue earned during the current year for PMO projects. The 2019 budget includes a conservative revenue amount for charges for services from PMO projects that is increased as work for others is completed and City departments are billed for the services.

Expense

The 2019 expenses are projected to be \$48.1 million, which is an increase of 16.6% from the 2019 budgeted expense amount of \$41.2 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 2018 funds to 2019 for \$8.7 million, including \$3.2 million for the Enterprise Content Management system (ECMS), \$1.6 million for the Management Information Network System (MINS), \$1.1 million for the Police Information Management System (PIMS), and \$1.0 million for Property Records & CAMA System.

Net Position & Cash Balance

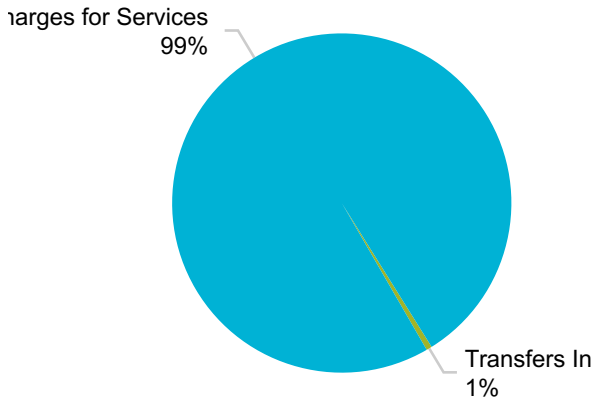
The Intergovernmental Services Fund projects net position to be \$37.7 million at the end of 2019, a decrease of \$4.7 million, or 11.0% from the 2019 budgeted ending net position of \$42.4 million. The fund's cash balance is projected to be \$13.4 million at the end of 2019, a decrease of \$5.9 million, or 30.3%, from the budgeted ending cash balance of \$19.3 million. The primary reason for these decreases are because the expenses are over budget due to expenses relating to PMO project expenses that were not included in budget.

2020 Budget

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

Revenues

Source of Funds (\$38.7 million)



The revenues for 2020 are budgeted at \$38.7 million, an increase of 3.9% from the 2019 budgeted amount of \$37.2 million. Charges for services revenue increased by \$1.6 million in the 2020 budget to align allocation model revenues with the approved expense budget.

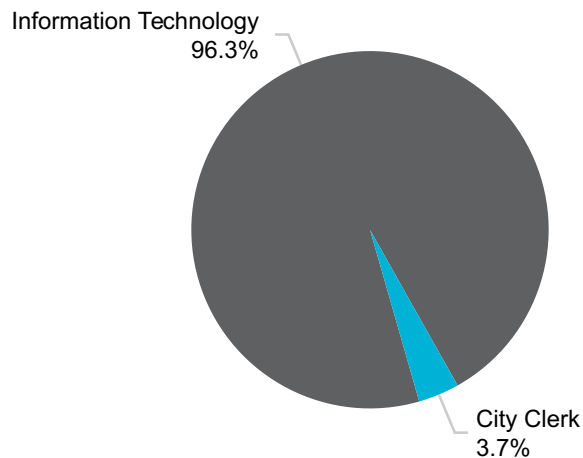
The 2020 revenue budget is a decrease of \$1.6 million, or 3.9%, from the 2019 projected revenue. The 2019 projected revenue includes revenue earned during the year for PMO projects. The budget includes a conservative revenue amount for PMO projects that is increased as work is completed and City departments are billed for the services.

Expense

The expenses for 2020 are budgeted at \$40.5 million, a decrease of \$.7 million, or 1.9%, from the 2019 budgeted expense of \$41.2 million. The decrease is mostly due to maintenance contracts and license expenses.

The 2020 expense budget is \$7.6 million or 16.6% less than the 2019 projected expense of \$47.4 million, primarily due to the \$3.2 million transfer in 2019 that is reduced to \$1 million in 2020 and projected work for others amount of \$4.7 million. The fund also rolled over appropriations totaling \$8 million that were not utilized in 2018.

Use of Funds (\$40.5 million)



Transfers

The 2020 revenue budget includes a \$209,000 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 and expects this transfer to continue in future years. The 2020 expense budget includes a \$1,000,000 transfer to the General Fund on a one-time basis to partly offset costs related to the Human Resources Department's Human Capital Management System.

Debt Service

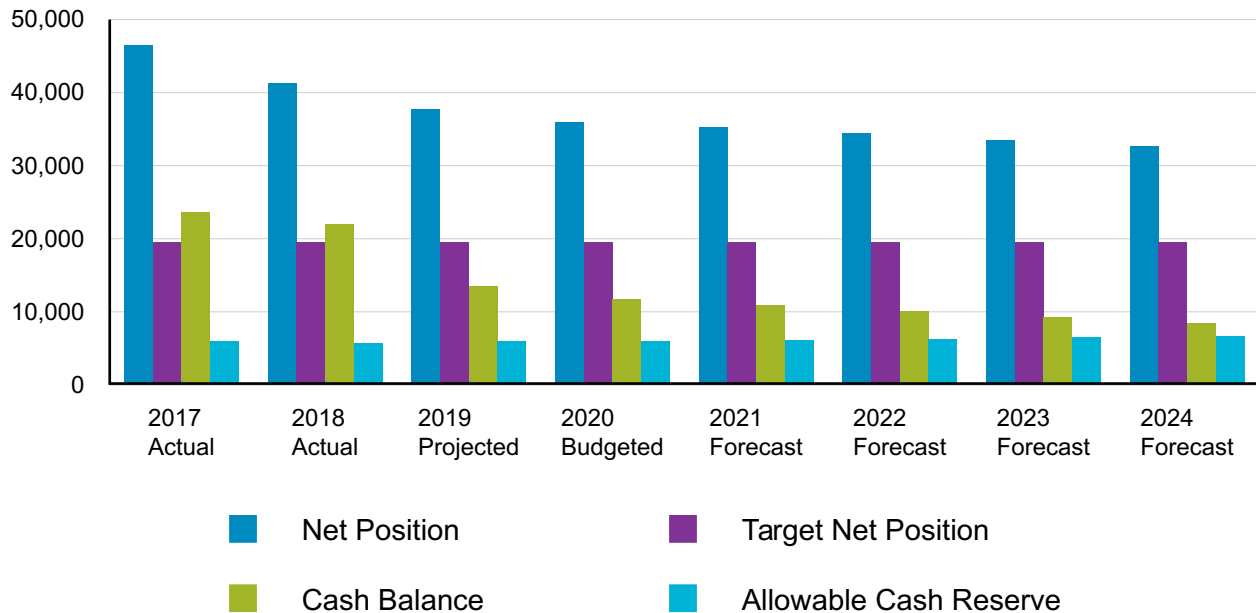
This fund does not have any net debt bonds.

Net Position & Cash Balance

The net position at year-end 2020 is budgeted to be \$36.0 million, a decrease of \$1.8 million, or 4.7%, from the 2019 ending projected amount of \$37.7 million. The cash balance at year-end 2020 is projected to be \$11.7 million, a decrease of \$1.8 million, or 13.1%, from the 2019 projected ending balance of \$13.4 million. The decrease is due to expenses to budgeted exceed revenues.

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 2020 year-end cash balance of \$11.7 million exceeds the target amount of \$5.9 million by \$5.8 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 \$16.5 million.

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



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

Intergovernmental Services Fund

	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Projected	2020 Budget	% Chg From 2019 Projected	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Source of Funds:												
Charges for Service - IT	32,675	31,531	34,079	34,369	35,508	33,761	37,057	11.7 %	38,169	39,314	40,493	41,708
Charges for Service - City Clerk	1,291	1,355	1,326	1,535	1,366	1,500	1,424	(5)%	1,467	1,511	1,556	1,603
Work for Others	—	6,596	—	5,383	—	5,218	—	(100)%	—	—	—	—
Operating Transfers In	192	1,383	1,760	4,623	353	353	209	(40.7)%	208	215	221	228
Total	32,867	40,865	37,165	45,910	37,227	40,241	38,691	(3.9)%	39,844	41,040	42,270	43,539
Use of Funds:												
Transfers	3,000	3,000	—	—	3,220	3,220	1,000	(68.9)%	—	—	—	—
City Clerk	1,376	1,507	1,403	1,804	1,459	1,315	1,502	14.2 %	1,547	1,593	1,641	1,690
Information Technology	38,558	35,870	36,593	41,107	36,565	38,665	37,950	(1.8)%	39,089	40,262	41,470	42,714
Work for Others	—	6,431	—	4,889	—	4,893	—	— %	—	—	—	—
Total	42,934	46,808	37,996	47,800	41,244	48,093	40,452	(13.8)%	40,636	41,855	43,111	44,404
Change in Net Position	(10,067)	(11,324)	(831)	(5,182)	(4,017)	(7,852)	(1,760)		(792)	(815)	(841)	(865)
Net Position	49,775	46,408	45,577	41,226	42,391	37,725	35,965	(4.7)%	35,173	34,357	33,516	32,651
Total Cash Balance	19,801	23,572	21,541	21,983	19,305	13,439	11,679	(13.1)%	10,887	10,071	9,230	8,365
Target Cash Reserve	5,917	5,917	5,660	5,660	5,665	5,958	5,879	(1.3)%	6,056	6,239	6,428	6,622
Variance Operating Cash to Target Cash Reserve	13,884	17,655	15,881	16,323	13,640	7,481	5,800	(22.5)%	4,830	3,832	2,803	1,744

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

2 At year end 2018, fund 06400 has a liability balance of \$1.5 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 2019 projected expenses do not include any potential rollover requests that may be spent in 2019.

**City of Minneapolis
2020 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.

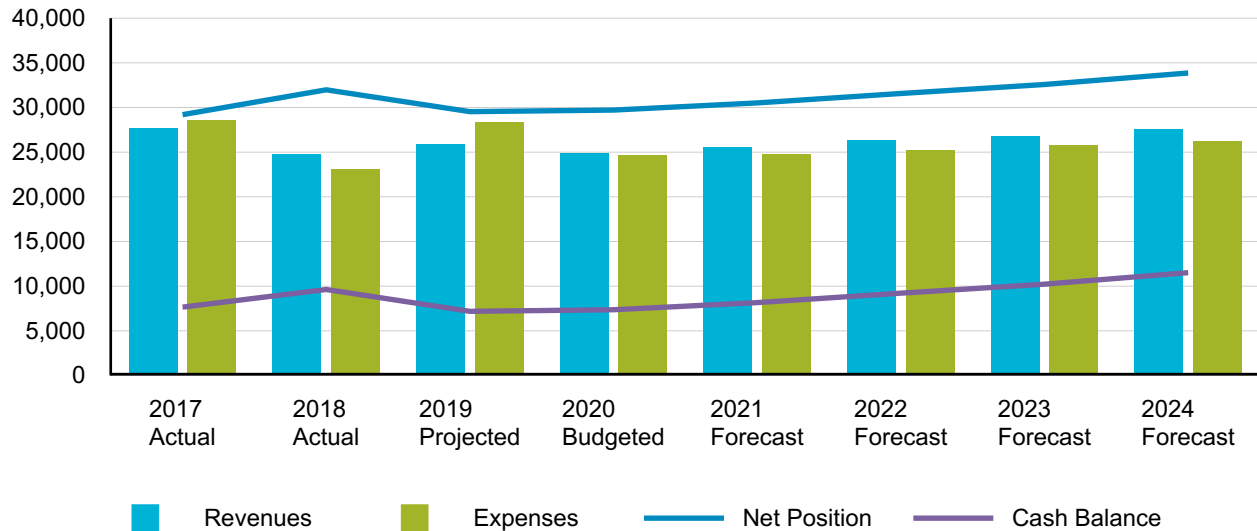
Historical Financial Performance

Over the last five years, the Property Services fund revenue has steadily increased from \$19.8 million in 2014 to \$24.7 million in 2018. 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, who occupy City buildings, to fund improvements for facility repairs and upgrades. This practice replaces funding through net debt bonds.

The Property Services fund decreased its net position by \$1.1 million from \$33.1 million at year-end 2013 to \$32.0 million at year-end 2018. Several factors contribute to changes in net position. Some increases over the years include a \$3.2 million transfer from the General Fund in 2013 to assist with debt service payments which were paid over several years ending in 2018. As previously noted, starting in 2016 the fund has collected \$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-third of this funding has been spent, which is reflected in the net position. Approximately \$4.3 million in appropriation related to these collections is expected to be rolled over to the year 2020 for delayed projects from 2019. These increases to net position were offset by the implementation of GASB 68 to record pension liabilities, which reduced the fund's net position by \$6.1 million.

Current Year Projections

Financial Snapshot Property Services Fund (in thousands of Dollars)



Revenues

The 2019 revenues are projected to be \$25.9 million, representing an increase of 8.8% from the original revenue budget of \$23.8 million. The increase in 2019 projected revenues is mainly due to revenue earned 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. Rents revenues are projected to be \$20.5 million. Included in rent income is the charge to City departments for use of City owned buildings.

Expense

The 2019 expenses are projected to be \$28.4 million, representing an increase of 18.3% from the original budgeted expense of \$24.0 million. Included in the 2019 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 2019 projected work for others expense reflects this increase in expense related to projects completed for other City departments; Also, facilities management expenses are projected to be \$2.8 million more than budgeted due to capital improvement projects that were originally budgeted in 2018 but due to timing will not be completed until 2019. The City Council approved the rollover of 2018 funds to 2019 for \$6.3 million for these capital projects. Out of the \$6.3 million, \$4.3 million is planned to be moved to 2020 due to delayed projects; and this is reflected in the 2019 Facilities Management projections.

The fund has an appropriation of \$5.2 million for pass-through costs for services provided by the Municipal Building Commission for maintaining the City's space in City Hall.

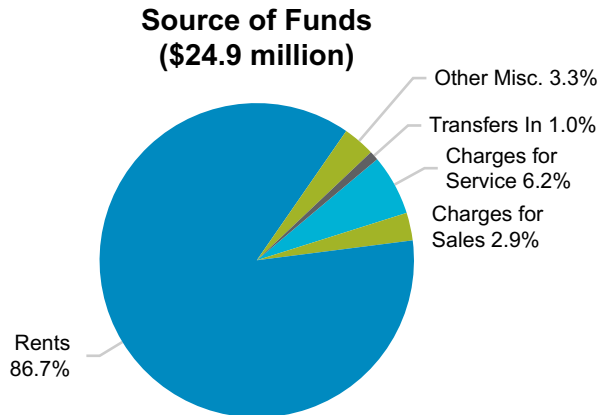
Net Position & Cash Balance

The Property Services Fund’s projected net position at the end of 2019 is \$29.5 million, which is a decrease of \$2.3 million, or 7.2%, from the budgeted ending net position of \$31.8 million. The fund’s projected cash balance at the end of 2019 is \$7.2 million, which is a decrease of \$2.3 million from the budgeted ending cash balance of \$9.5 million. These decreases are primarily due to the rollover of \$6.3 million in budgeted capital improvement projects from 2018, of which \$4.3 million is expected to be rolled to 2020.

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 2018 was \$1.7 million and is projected to remain constant at year-end 2019.

2020 Budget

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

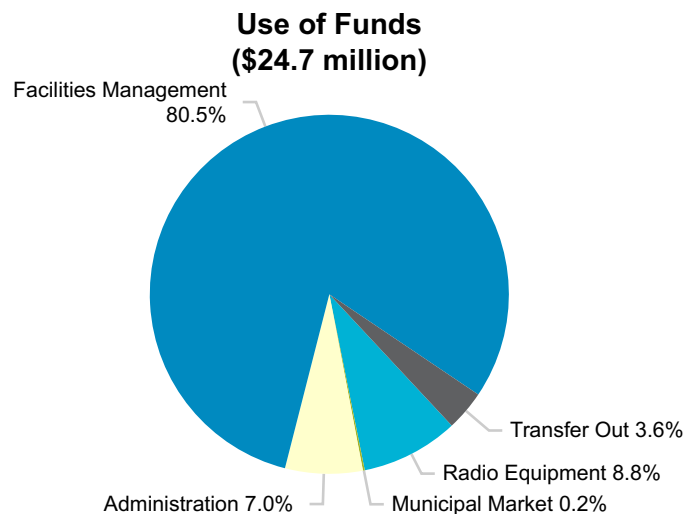


Revenues

The 2020 revenue budget for this fund is \$24.9 million, representing an increase of 4.4% from the original 2019 revenue budget of \$23.8 million. The increase is due to increased rent charged to departments housed in City owned buildings for property maintenance and facility repairs. The 2020 budget is \$1.1 million less than the 2019 projected revenue. As discussed earlier, a base budget is recorded for work for others and adjusted as projects are completed.

Expense

The 2020 Expense Budget is \$24.7 million, representing a \$710,000 increase from the \$24.0 million budgeted in 2019.



Transfers

The 2020 revenue budget includes a General Fund transfer in of \$237,000, which is to cover the cost of City Hall rent for the space occupied by Property Services. The fund has received these transfers on an annual basis and expects the transfers to continue in future years.

The 2020 expense budget includes a transfer out of \$317,000. This payment to the Fleet Services Division assists with the debt payment for the Currie Maintenance Facility. Property Services collects the rent payment through the rent allocation model by charging a portion of debt expense to those departments that occupy space in the facility. The fund has made these transfers on an annual basis. Also, the 2019 expense budget and 2020 proposed expense budget include a transfer of \$500k by collecting it from CPED through rent model for the new capitalized interest on the new Public Service Center debt. In 2021, this will become part of the base model for CPED for their occupancy in the new Building. The 2020 transfer out also includes a Council amendment to the Mayor’s Recommended Budget, adding a \$78,000 rent transfer to the General Fund.

Debt Service

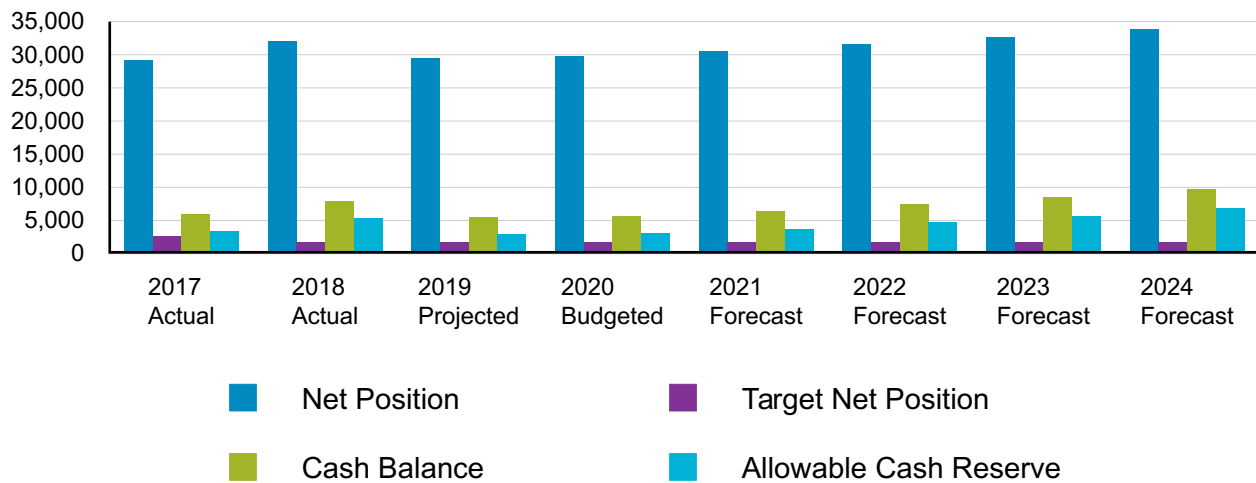
There are no debt service payments planned for 2020. In 2018 the fund paid off its remaining debt obligations.

Net Position & Cash Balance

The Property Services Fund has a 2020 budgeted net position of \$29.7 million and the 2019 projected amount is \$29.5 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 2019 and 2020 as the target net position is projected to be \$2.6 in 2019 and \$2.6 million in 2020.

The 2020 budgeted year-end cash balance is \$5.6 million, and the 2019 year-end projected balance is \$7.7 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 \$1.7 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 \$2.6 million for 2020.

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



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

	2017	2017	2018	2018	2019	2019	2020	% Chg	2021	2022	2023	2024
	Budget	Actual	Budget	Actual	Budget	Projected	Budget	From 2019	Forecast	Forecast	Forecast	Forecast
								Projected				
Source of Funds:												
Charges for Services	1,665	1,542	1,684	1,240	1,684	1,691	1,550	(8.34)%	1,596	1,644	1,693	1,744
Charges for Sales	324	647	610	666	625	546	709	29.9 %	730	752	775	798
Work For Others	—	4,163	—	2,161	—	2,112	—	(100)%	—	—	—	—
Rents	19,949	19,657	19,910	20,022	20,464	20,522	21,542	4.97 %	22,688	23,369	24,070	24,792
Other Misc. Revenues	348	359	320	322	820	820	820	0.01 %	320	320	3	3
Transfers In	1,300	1,300	319	319	228	228	237	4.11 %	228	228	228	228
Total	23,586	27,667	22,843	24,731	23,820	25,918	24,858	(4.09)%	25,563	26,313	26,769	27,565
Use of Funds:												
Property Services Administration	1,558	1,591	1,479	1,516	1,760	1,760	1,722	-2.16%	1,756	1,792	1,827	1,864
Radio Equipment	1,830	2,046	2,121	2,067	2,155	2,155	2,167	0.56%	2,210	2,255	2,300	2,346
Municipal Market	41	11	41	25	41	41	41	-0.98%	41	42	43	44
Facilities Management	19,760	17,687	18,995	16,614	19,199	22,021	19,857	-22.86%	20,754	21,169	21,593	22,024
Work For Others	—	4,489	—	1,731	—	1,568	—	-100.00%	—	—	—	—
Debt Service	869	869	845	843	—	—	—	0.00%	—	—	—	—
Transfers Out	1,846	1,924	317	317	817	817	895	9.55 %	—	—	—	—
Total	25,903	28,618	23,798	23,111	23,971	28,362	24,603	(12.98)%	24,762	25,257	25,762	26,277
Change in Net Position¹	(2,317)	(951)	(955)	2,782	(151)	(2,444)	176		801	1,056	1,007	1,288
Net Position¹	28,632	29,197	28,242	31,979	31,828	29,535	29,711		30,512	31,568	32,575	33,862
Total Cash Balance²	6,287	7,653	6,698	9,628	9,477	7,183	7,360		8,160	9,216	10,223	11,511
Operating Cash balance²	4,592	5,958	4,968	7,898	7,747	5,454	5,630		6,431	7,487	8,494	9,781
Target Cash Reserve³	2,633	2,633	2,495	2,495	2,550	2,550	2,621		2,743	2,792	2,842	2,884
Variance Operating Cash to Target	1,958	3,325	2,473	5,403	5,197	2,904	3,009		3,688	4,695	5,652	6,897
Cash Reserve												

* 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
2020 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.

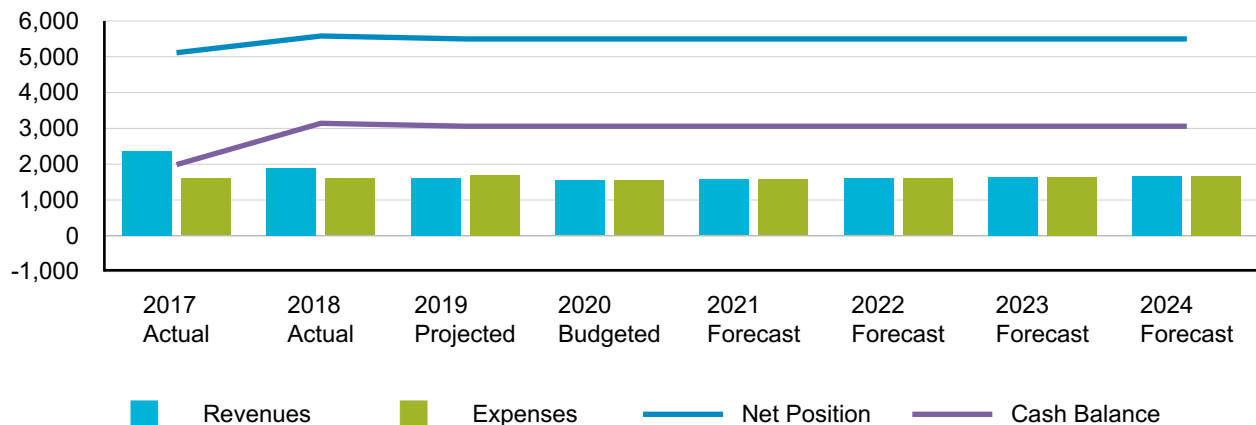
Historical Financial Performance

The fund has steadily increased net position from \$4.6 million at the end of 2014 to \$5.6 million at the end of 2018. The majority of net position is from inventory held by the fund. At the end of 2018, the inventory balance was \$4.3 million. The fund had a negative cash balance in the past and by the end of 2018 cash balance increased to \$3.1 million. This is an increase of \$3.0 million from cash balance of negative \$202,802 at the end of 2014. The primary reason for the increase is due to a reduction in inventory balance.

From year-end 2013 to year-end 2018, the fund’s revenue has remained between \$1.4 million to \$1.9 million. Expenses have remained between \$1.1 million and \$1.6 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%, to be closer to the fund’s break-even point.

Current Year Projections

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



Revenues

Revenues for 2019 are projected at \$1.6 million, an increase of 10.1% over the budgeted amount of \$1.5 million. This is primarily due to an increase of \$83,041 in Traffic Stores and \$45,226 in Central Stores, which is the result of additional overhead charges to inventory sales and transactions processing. The increase is also due to \$20,000 in expected sales to outside customers of Traffic Stores, which had not previously been budgeted.

Expense

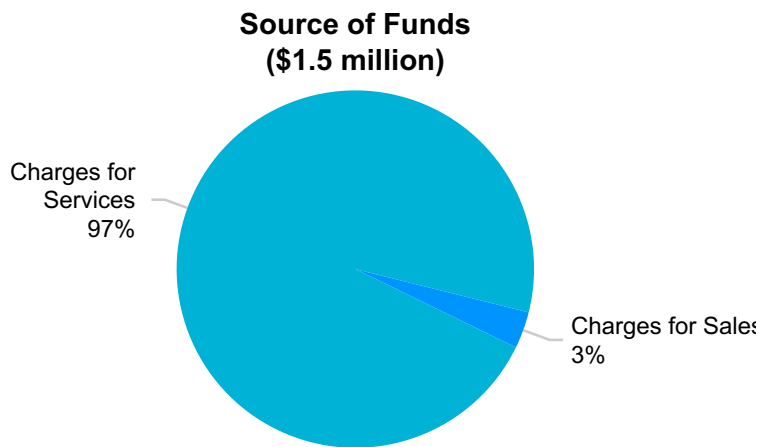
Expenses for 2019 are projected at \$1.7 million, an increase of 15.6% over the budgeted amount of \$1.5 million. This increase is mostly due to higher payroll costs as additional staff were used due to increased sales activity. These increased expenses are offset by the additional revenue earned through overhead charges.

Net Position & Cash Balance

The fund’s projected net position at the end of 2019 is \$5.5 million, which is a slight decrease of \$82,000 over the budgeted ending net position of \$5.6 million. This is due to a decrease in the Traffic Stores and Central Stores’ overhead charges and sales to outside customers.

The fund’s projected cash balance at the end of 2019 is \$3.1 million, which is a slight decrease of \$82,000 over the budgeted ending cash balance of \$3.1 million. This is due to a decrease in the Traffic Stores and Central Stores’ revenues in 2019.

2020 Budget

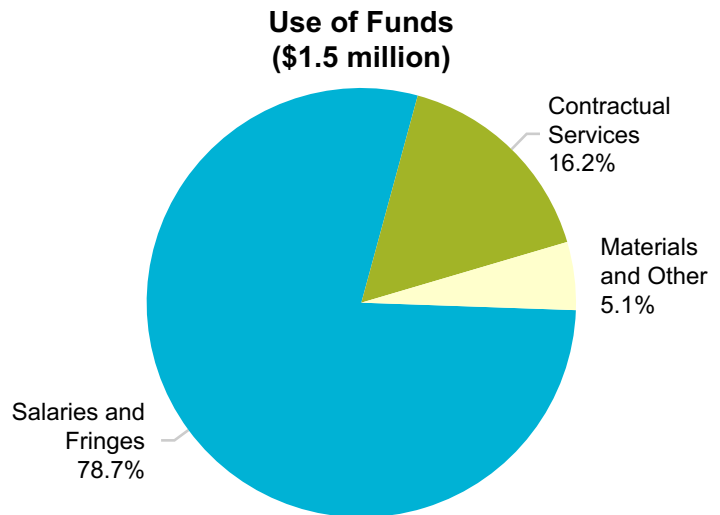


Revenues

Revenues for 2020 are budgeted at \$1.5 million, a slight increase of \$69,000 from the 2019 budget amount of \$1.5 million. The increase in the 2020 budget amount is due to overhead earnings by both Central Stores and Traffic Stores. The 2020 revenue budget reflects a decrease of 4.9% from the 2019 projected amount of \$1.6 million. This decrease from the 2019 projected revenue is due to higher than expected sales in overhead earnings in 2019.

Expense

Expenses for 2020 are budgeted at \$1.5 million, a slight increase of \$69,000 from the 2019 budget amount of \$1.5 million, primarily from salaries and fringes. The 2020 budget reflects a decrease of 9.4% from 2019 projected expenses of \$1.7 million due to higher than expected personnel cost, and contractual services in 2019.



Transfers

There are no transfers scheduled for this fund in 2020.

Debt Service

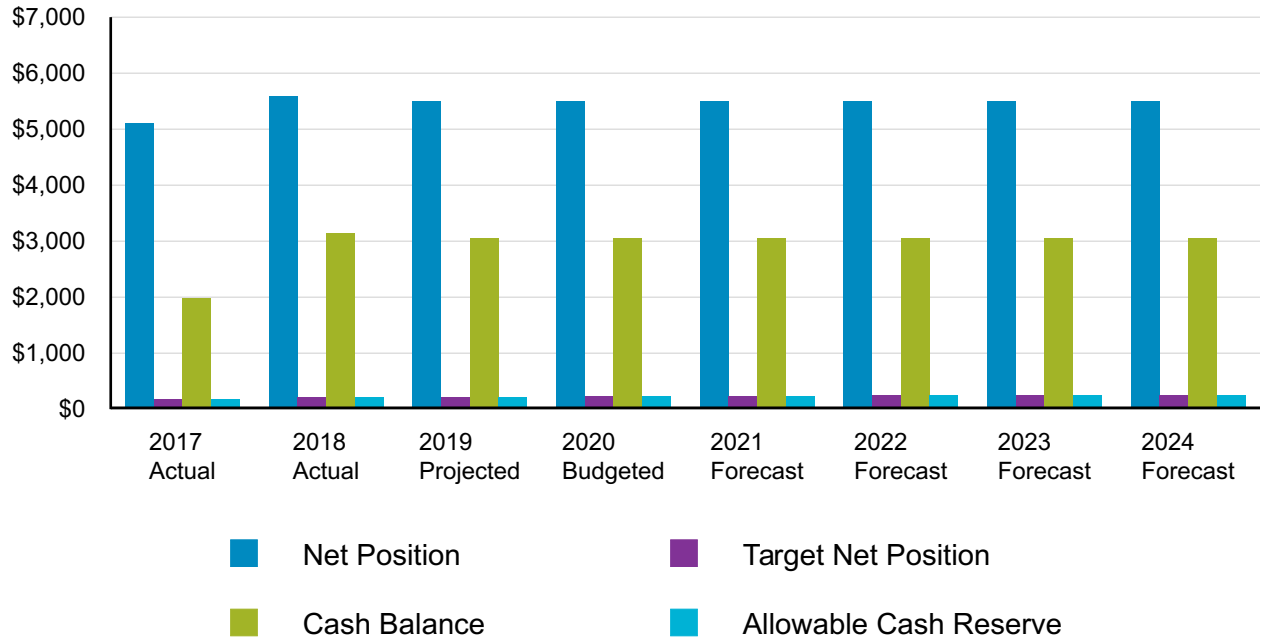
This fund does not have any debt service payments.

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 2019 and 2020 is \$5.5 million. The projected 2019 ending balance exceeds the net position target amount of \$221,000 by \$5.3 million and the projected 2020 ending balance exceeds the net position target amount of \$231,000 by \$5.3 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 2019 and 2020 is \$3.1 million. The projected 2019 ending balance exceeds the cash balance target amount of \$221,000 by \$2.9 million and the projected 2020 ending balance exceeds the cash balance target amount of \$231,000 by \$2.9 million.

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



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

Public Works Stores Fund

	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Projected	2020 Budget	% Chg From 2019 Projected	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Source of Funds:												
Charges for Services	1,225	2,305	1,453	1,840	1,474	1,602	1,493	(6.8)%	1,568	1,646	1,728	1,815
Charges for Sales	—	58	—	49	—	20	50	150.0 %	—	—	—	—
Total	1,225	2,363	1,453	1,889	1,474	1,622	1,543	(4.9)%	1,574	1,606	1,639	1,672
Use of Funds:												
Salaries and Fringes	929	1,159	1,150	1,258	1,138	1,349	1,214	(10.0)%	1,244	1,275	1,307	1,340
Contractual Services	216	270	228	277	265	310	250	(19.4)%	251	252	253	253
Materials and Other	71	174	72	60	71	45	79	75.6 %	79	79	79	79
Total	1,216	1,603	1,451	1,595	1,474	1,661	1,543	(7.1)%	1,574	1,606	1,639	1,672
Change in Net Position¹	9	786	2	463	—	23	—	(100.1)%	—	—	—	—
Net Position¹	4,978	5,113	5,569	5,580	5,580	5,498	5,498	— %	5,498	5,498	5,498	5,498
Total Cash Balance	120	1,988	2,144	3,142	3,142	3,060	3,060	— %	3,060	3,060	3,060	3,060
Operating Cash balance	120	1,988	2,144	3,142	3,142	3,060	3,060	— %	3,060	3,060	3,060	3,060
Target Cash Reserve²	182	182	218	218	221	221	231	4.7 %	236	241	246	251
Variance Operating Cash to Target Cash Reserve	(62)	1,806	1,926	2,924	2,921	2,839	2,828	(0.4)%	2,824	2,819	2,814	2,809

* 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 2017 and 2018 are the amounts recorded in the CAFR.

² The 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
2020 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 in 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.

Historical Financial Performance

Over the last five years, the Self-insurance fund had an increase in net position of \$7.9 million from 2013 through 2018. The increase was primarily due to transfers from the general fund to attain a positive net position as determined by the long term financial plan, which ended in 2015. The increase is also the result of a decrease in actual tort settlement payments compared to the predicted payout as determined by the actuarial study. The fund had historically recorded a negative net position primarily because of the required accounting recognition of liability for unpaid claims. The 2018 unpaid claims liability is \$71.4 million representing an increase of \$16.7 million from the 2013 unpaid claims liability of \$49.9 million.

For the year ending 2018 the cash balance was \$102.9 million, an increase of \$32.3 million from the 2014 cash balance of \$70.6 million. The 2018 target cash reserve was \$72.6 million, an increase of \$19.8 million from \$52.8 million in 2014. The fund exceeded the target by \$30.3 million in 2018, an increase of \$12.5 million from \$17.8 million in 2014.

In 2014, the fund received a final interfund transfer of \$2.8 million from the general fund as determined by the long term financial plan. 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.

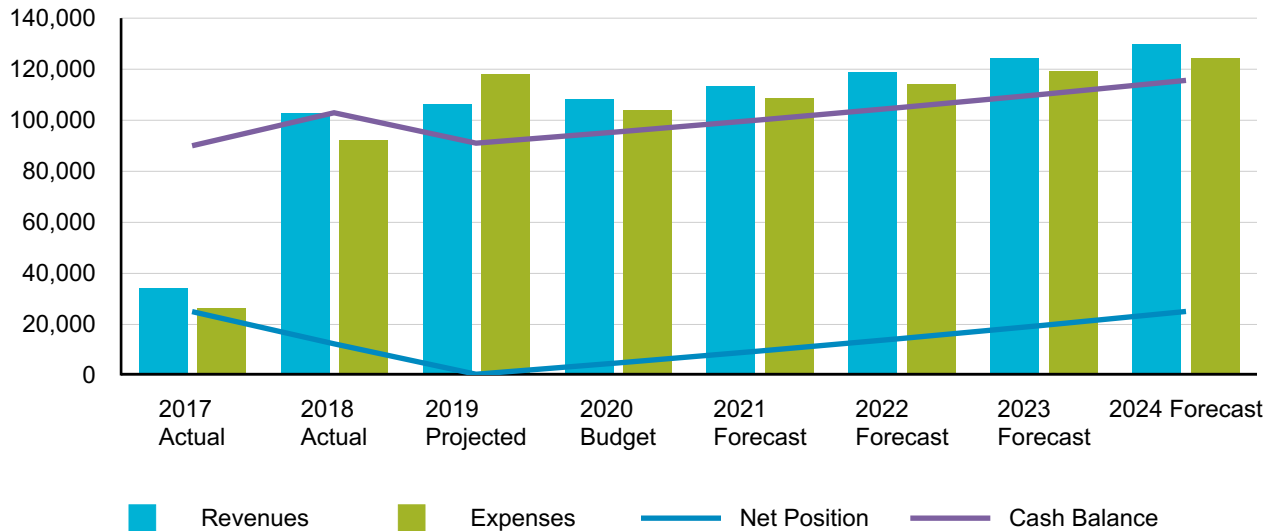
In 2017 the Self-Insurance fund transferred out \$29,000 to the General Fund for costs related to a review of body-worn cameras.

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 2019 revenues for the Self-Insurance Fund are projected to be \$106.2 million or \$74.7 million more than the budgeted revenue of \$31.5 million. The primary reason for the increase is due to the budgeted revenues do not include \$69.3 million in the revenue received for medical insurance premiums and \$3.6 million in the revenue received for dental insurance premiums. The increase is also related to a \$608,193 increase in the revenue received for employee sick leave at retirement and a \$624,584 increase in payments received from the WCRA (Workers Compensation Reinsurance) and the State as refunds from medical and indemnity payments and subrogation claims.

Expense

The projected expenses for 2019 are \$118.1 million or \$85.1 million more than the budgeted amount of \$33.0 million. The primary reason is related to the budgeted expenses do not include \$63.2 million of medical insurance and \$3.3 million of dental insurance. In addition, the increase is related to a \$2.2 million projected increase in the amount paid out for Workers' Compensation claims and a \$18.2 million projected increase in the amount paid out for tort settlement claims. These increases are partially offset by a decrease of \$1.1 million in the amount paid out for sick leave at retirement.

Net Position & Cash Balance

The net position in 2019 is projected to be \$494,000, a decrease of \$10.4 million from the budgeted amount of \$10.9 million. The decrease in net position in 2019 is primarily due to a \$20.0 million settlement paid out in a wrongful death case.

For the year ending 2019, the cash balance is projected to be \$91.0 million, a decrease of \$10.4 million from the budgeted amount of \$101.4 million. The 2019 target cash reserve is projected to be \$77.6 million and the fund is projected to exceed this by \$13.4 million.

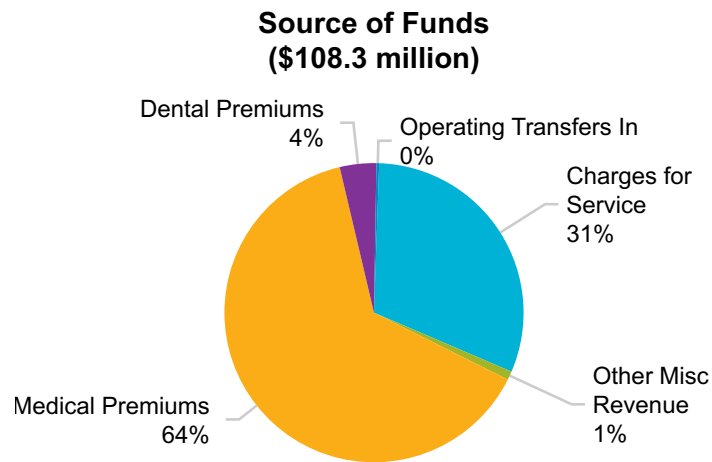
2020 Budget

The 2020 Self-Insurance fund budget includes \$1.5 million additional expenses compared to the 2019 budget. The additional expenses are in the Liability department of \$1.5 million per actuarial study conducted by Aon, which is driven by three large liability claims.

Revenues

The 2020 budgeted revenue is \$108.3 million, an increase of 1.9% or \$2.1 million from the 2019 projected amount of \$106.2 million. The increase in the 2020 budget amount is due to a \$1.5 million increase in the revenue received for tort liability premiums and an increase in workers’ compensation premiums received of \$1.1 million. The increase is also due to a \$616,000 increase in the revenue received for medical insurance premiums. These increases are partially offset by a decrease in payments received from the State as refunds for medical and indemnity payments and subrogation claims of \$624,584 and a \$538,374 decrease in the revenue received for sick leave at retirement.

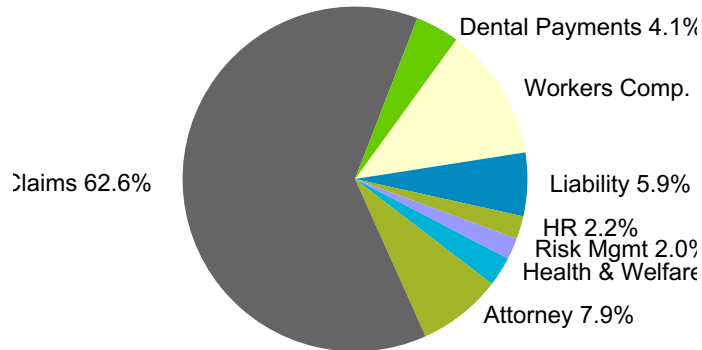
The 2020 revenue budget reflects an increase of \$76.7 million from the 2019 budgeted revenue of \$31.5 million. The primary reason for the increase is because revenues budgeted include \$69.2 million for medical insurance premiums and \$4.3 million for dental insurance premiums, which was not budgeted for 2019. The 2020 revenue budget increase is also due to a \$1.1 million increase in the worker compensation premiums and a \$1.5 million increase in the tort liability premiums.



Expense

The expense budget for 2020 is \$103.8 million, a decrease of 12.1% or \$14.3 million from the projected 2019 expenses of \$118.1 million. The primary reason for the decrease from the 2019 projected expense is the 2019 projected expense includes a \$20.0 million settlement paid out in a wrongful death case. The 2020 expense budget reflects an increase of \$70.8 million from the 2019 budgeted expense of \$33.0 million due to expenses budgeted include \$65.0 million for medical insurance and \$ 4.3 million for dental insurance, which was not budgeted for 2019. In addition, an increase of \$1.5 million in tort settlement claims.

**Use of Funds
(\$103.8 million)**



Transfers

The 2020 revenue budget includes a \$324,000 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

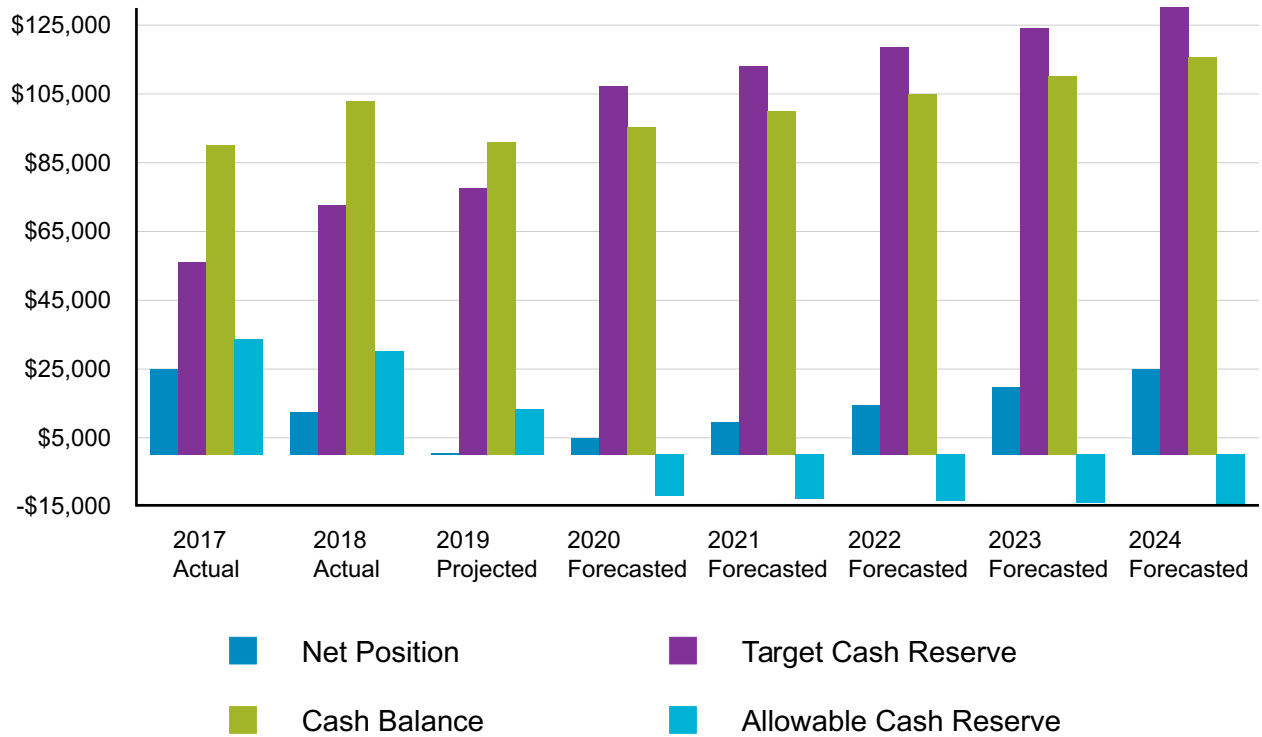
This fund does not have any long-term debt.

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 2020 is projected to be \$4.9 million, representing an increase of \$4.4 million from the 2019 projected net position of \$494,000. The increase in net position is primarily from \$4.2 million net income in medical insurance.

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 2020, the cash balance is projected to be \$95.5 million, an increase of 4.9% from the 2019 projected amount of \$91.0 million. The 2020 target cash reserve is projected to be \$107.4 million, an increase of 38.3% from the 2019 projected amount of \$77.6 million. The fund is projected to exceed the target by \$13.4 million in 2019 and fall short of \$11.9 million in 2020.

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



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

Self-Insurance Fund

	2017	2017	2018	2018	2019	2019	2020	% Chg	2021	2022	2023	2024
	Budget	Actual	Budget	Actual	Budget	Projected	Budget	From 2019	Forecast	Forecast	Forecast	Forecast
								Projected				
Source of Funds:												
Charges for Service	30,172	32,253	29,654	30,273	30,181	31,313	33,445	6.8 %	34,997	36,731	38,332	39,366
Other Misc Revenues	1,005	1,593	1,021	3,010	1,018	1,667	1,004	(39.8)%	1,000	1,000	1,000	1,000
Medical Insurance Premiums			—	64,771	—	69,261	69,224	(0.1)%	72,685	76,319	80,135	84,142
Dental Premiums			—	3,429	—	3,654	4,271	16.9 %	4,399	4,531	4,667	4,807
Operating Transfers In	297	297	262	1,393	312	312	324	3.8 %	337	350	364	379
Total	31,474	34,143	30,937	102,876	31,511	106,207	108,268	1.9 %	113,418	118,931	124,498	129,694
Use of Funds:												
Health and Welfare	2,658	1,175	2,725	1,612	2,793	1,727	2,863	65.8 %	2,935	3,008	3,083	3,160
Attorney	7,585	7,019	7,738	7,112	8,011	7,116	8,184	15.0 %	8,430	8,683	8,943	9,211
Workers Compensation	8,873	12,276	11,438	12,246	13,242	15,471	13,012	(15.9)%	13,681	14,329	14,966	15,281
Liability	7,189	2,151	4,913	1,904	4,660	22,849	6,175	(73.0)%	6,584	7,210	7,701	7,929
Human Resources	1,804	1,679	1,856	1,922	2,118	2,042	2,238	9.6 %	2,305	2,374	2,445	2,522
Finance Dept - Risk Mgmt/Finance Accounting	2,150	2,254	2,274	2,224	2,114	2,362	2,095	(11.3)%	2,158	2,223	2,290	2,359
Medical Claims and Admin Fees			—	52,232	—	63,166	64,999	2.9 %	68,249	71,661	75,244	79,006
Delta Dental payments			—	3,372	—	3,327	4,271	28.4 %	4,399	4,531	4,667	4,807
Transfers	—	29	8,305	9,436	60	60	—	(100.0)%	—	—	—	—
Total	30,259	26,583	39,249	92,060	32,998	118,120	103,837	(12.1)%	108,741	114,019	119,339	124,275
Change in Net Position ¹	1,215	3,313	(8,312)	(12,646)	(1,487)	(11,913)	4,431	(137.2)%	4,677	4,912	5,159	5,419
Net Position ¹	22,433	25,030	16,718	12,407	10,920	494	4,925	897.0 %	9,602	14,514	19,673	25,092
Total Cash Balance	81,228	90,007	81,695	102,938	101,451	91,025	95,456	4.9 %	100,133	105,045	110,204	115,623
Operating Cash balance												
Target Cash Reserve ²	56,198	56,198	72,629	72,629	77,620	77,620	107,359	38.3 %	113,016	118,548	124,127	130,230
Variance Operating Cash to Target Cash Reserve	25,030	33,809	9,066	30,309	23,831	13,405	(11,903)	(188.8)%	(12,883)	(13,503)	(13,923)	(14,607)

¹ Change in net position and net position are CAFR values for 2017 and 2018.

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.