

**City of Minneapolis  
2015 Budget**

**Financial Plans**

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The section that follows contains the Financial Plans for the major funds of the City. Detailed financial plans are included for the following major funds, listed below. For the other funds of the City, financial information (expenditure and revenue) is included in the *Financial Schedules Section* of this report.

**Special Revenue Funds**

Convention Center Special Revenue Fund .....	E2
Arena Reserve Fund .....	E7
Community Planning and Economic Development Fund .....	E10
Neighborhood and Community Relations Fund .....	E14
Regulatory Services Fund .....	E16

**Enterprise Funds**

Municipal Parking Fund .....	E18
Solid Waste and Recycling Fund .....	E23
Sanitary Sewer Fund .....	E27
Stormwater Fund .....	E31
Water Fund .....	E35

**Internal Service Funds**

Public Works Stores Fund .....	E41
Engineering Materials and Testing Fund .....	E44
Intergovernmental Services Fund .....	E47
Fleet Services Fund .....	E53
Property Services Fund .....	E57
Self-Insurance Fund .....	E61

**City of Minneapolis  
FY 2015 Budget  
Financial Plan**

**Convention Center Special Revenue Fund**

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**Background**

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

**Historical Financial Performance**

The fiscal year-end 2013 fund balance for the Convention Center Special Revenue Fund was \$60.1 million, an increase of \$6.9 million from 2012. The cash balance in the fund grew by approximately \$10.5 million. In addition, the Convention Center Facilities Reserve Fund had a 2013 year-end fund balance of nearly \$5.4 million. The 2013 increase in the Convention Center fund balance can be largely attributed to an increase in operating and local tax revenue, coupled with lower debt service payments for the building and parking fund.

For 2013, the operating deficit (operating revenue less operating expenses) dropped to \$(7.6) million from \$(8.2) million in 2012.

Operating revenues are generated directly from the Convention Center operating activities. Exhibit space rental is the largest source of revenue for the Convention Center. Also included in operating revenues 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 the other miscellaneous operating revenue.

In 2013, total operating revenue was \$16.2 million, which was an increase of nearly \$1.2 million from 2012 and \$1.5 million over the 2013 budget.

**2014 Projections**

Operating revenue is currently projected to come in at \$16.0 million, which is slightly below the 2013 all-time record results. With operating expenses projected to be \$25.9 million, the operating deficit is projected to be \$(9.9) million. The ongoing management of operating expenses includes a variety of cost containment activities:

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

Capital investments for equipment, maintenance and improvements are projected at \$14.4 million which includes nearly a \$5.4 million rollover for obligated, but unspent funds.

City funding of Meet Minneapolis is projected to be approximately \$9.5 million, \$125,000 under budget and approximately \$694,000 above 2013. Meet Minneapolis is projected to finish \$125,000 under budget as a result of receiving only \$375,000 of their \$500,000 budgeted incentive.

*Local Sales Tax Revenue*

Beginning in 2014, local tax revenue credited directly to the General Fund, and the General Fund is transferring sufficient funds to the Convention Center to fund Convention Center operating and non-operating expenditures.

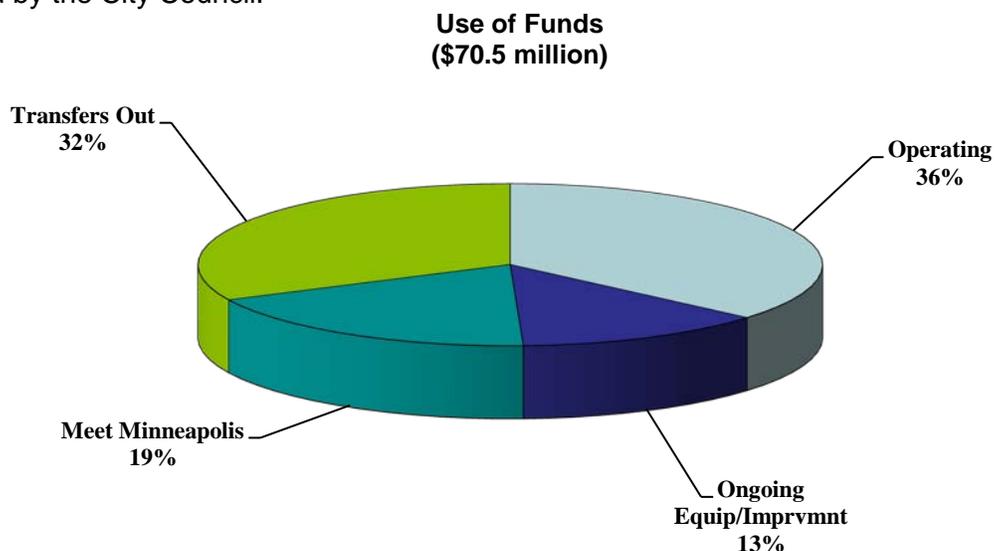
**2015 Budget**

*Operating Revenues*

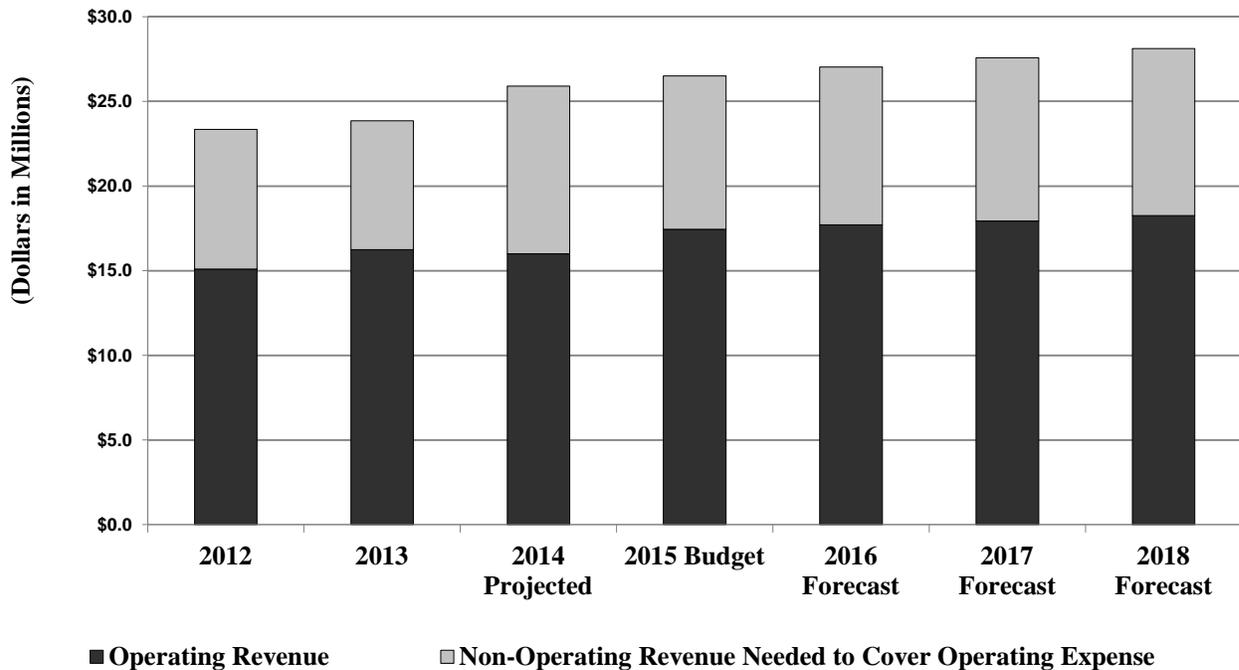
The 2015 revenues for the Convention Center have been adjusted to reflect the actual historical receipts and anticipated event activity. Total operating revenue for 2015 is expected to be \$17.4 million which is an increase of approximately \$1.4 million over the most recent 2014 projection. The Convention Center continues to discount rents heavily to compete nationally. Operational changes made in 2012 are showing positive results, particularly with increases in sales of services and equipment, while also reducing overall labor costs. Meet Minneapolis sales and marketing initiatives include new digital advertising, as well as a new print advertising campaign for the Convention Center along with continued efforts to bring people downtown with events such as the Creative City Challenge and the Balancing Ground display on the plaza. Although the economy is rebounding, the convention and meeting industry continues to face challenges in controlling costs as centers discount heavily to remain competitive.

*Expenditures*

Operating expenses are budgeted at \$26.5 million, up from the projected \$25.9 million in 2014. At this level, the operating deficit is budgeted to be approximately \$(9.1) million. The budget for Meet Minneapolis is \$10.0 million, up \$0.6 million from projected 2014. This increase supports several new initiatives including Sports Minneapolis, an expanded welcome program, a new visitor information center, awareness building and the Convention Support Fund. Capital investments for 2015 are budgeted at \$9.5 million, per the long-term capital plan previously adopted by the City Council.



### Operating Revenue and Expense (Excludes Ongoing Equipment & Improvement)



#### Cash/Fund Balance

Beginning in 2015, the Facility Reserve Fund cash and fund balance of \$5.4 million are being reported under the Convention Center Fund to reflect the current reporting in the Comprehensive Annual Financial Report (CAFR). The 2015 combined balance of the Convention Center Special Revenue Fund and Facility Reserve Fund is projected at approximately \$47.7 million.

#### Debt Service

The 2014 budget includes full funding for transfers out of the Convention Center Fund including debt service payments of both \$23.5 million in outstanding building related debt and \$1 million in debt for the dome replacement.

#### Forecast for 2016-2018

Operating revenues are currently forecast to range between \$17.7 million and \$18.3 million based on already booked events and projections for additional bookings. In 2016, the Convention Center expects operating revenues to increase approximately \$260,000 or 2% from 2015, and for planning purposes are forecast to increase by 1% - 2% annually thereafter. In 2016 operating expenses are forecast to increase approximately 530,000 or 2% from 2015 and for planning purposes 2% thereafter though cost containment efforts could lead to lower actual operating costs. The 2016 forecast for Meet Minneapolis is approximately \$200,000 or 2% higher than 2015 with 2% inflators thereafter.

Capital investments are forecasted to be \$10.6 million, \$9.5 million, and \$9.6 million over this period as aligned with the long-term capital plan.

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

The General Fund will be transferring sufficient funds to fully fund the Convention Center to meet the Convention Center's operating and non-operating expenditures in 2015.

## **Convention Center Programs**

The Convention Center has four programs associated with the Fund:

### *Minneapolis Convention Center Events Program*

Convention Centers exist to provide economic impact to their communities.

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

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

### *Minneapolis Convention Center Facilities Program*

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

### *Minneapolis Convention Center Tallmadge Program*

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

### *Target Center Program*

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

**City of Minneapolis**  
**FY 2015 Mayor Recommended Budget**  
**Financial Plan (in thousands of dollars)**

**Convention Center Special Revenue Fund - 1760**

	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Chg From 2014 Projected	2016 Forecast	2017 Forecast	2018 Forecast
<b>Source of Funds:</b>									
<i>Operating Revenues:</i>									
Charges for Services	5,405	5,788	5,720	5,710	6,200	8.6%	6,324	6,387	6,515
Rents and Commissions	7,005	7,238	6,980	6,890	7,597	10.3%	7,625	7,575	7,651
Other Miscellaneous Operating	2,689	3,223	3,300	3,400	3,650	7.4%	3,760	3,972	4,091
Sub-Total	15,099	16,249	16,000	16,000	17,447	9.0%	17,709	17,934	18,257
<i>Non-Operating Revenues:</i>									
Sales Tax	31,731	32,598	-	-	-	0.0%	-	-	-
Restaurant Tax	11,465	11,874	-	-	-	0.0%	-	-	-
Liquor Tax	5,427	5,087	-	-	-	0.0%	-	-	-
Lodging Tax	6,432	6,749	-	-	-	0.0%	-	-	-
Interest	259	(64)	361	390	396	1.5%	404	412	420
Other Misc Non Operating	880	457	215	460	164	-64.3%	114	63	13
Bonds Issued - Domes	4,200	-	-	-	-	0.0%	-	-	-
Premium on Bonds	111	-	-	-	-	0.0%	-	-	-
Transfer from Convention Facilities Reserve	1,500	-	-	-	-	0.0%	-	-	-
Sub-Total	62,005	56,701	576	850	560	-34.1%	518	475	433
Total	77,104	72,952	16,576	16,850	18,007	6.9%	18,227	18,409	18,690
Entertainment Tax	-	-	-	-	-	-	-	-	-
<b>Use of Funds:</b>									
Convention Center Operations	23,345	23,856	25,904	25,900	26,502	2.3%	27,032	27,573	28,124
Ongoing Equipment/Improvement	5,099	5,720	14,468	14,400	9,480	-34.2%	10,628	9,453	9,642
Meet Minneapolis	8,138	8,767	9,586	9,461	10,040	6.1%	10,241	10,446	10,655
Capital Improvements - Domes	3,905	376	-	-	-	0.0%	-	-	-
Transfers Out	27,325	27,331	18,861	18,861	24,502	29.9%	24,612	24,669	24,811
Total	67,812	66,050	68,819	68,622	70,524	2.8%	72,513	72,140	73,232
Transfer from General Fund	-	-	46,593	46,593	50,500	0.0%	50,500	50,500	50,500
Net Income	9,292	6,902	(5,650)	(5,179)	(2,017)	-61.1%	(3,786)	(3,231)	(4,041)
<b>Fund Balance/Retained Earnings:</b>									
Beginning Balance	43,933	53,225	60,128	60,128	54,949	-8.6%	58,332	54,546	51,315
Ending Balance	53,225	60,128	54,478	54,949	58,332	6.2%	54,546	51,315	47,274
Ending Cash Balance	39,021	49,516	43,866	44,337	47,720	7.6%	43,934	40,703	36,662
Convention Center Facility Reserve Fund Balance	5,750	5,400	5,400	5,400	-	-100.0%	-	-	-

**Notes:**

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

Beginning in 2011, IT will transfer \$1.5 million annually to the MCC with a final payment of \$1.75 million in 2016 to repay their loan from the MCC.

The loan is being accounted for on the balance sheet.

**City of Minneapolis  
2015 Budget  
Financial Plan**

**Arena Special Revenue Fund**

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**Background**

The Arena Special Revenue Fund (Arena Fund) accounts for the maintenance and operation of the City-funded portion of the Target Center. The day to day operations are managed by AEG, one of the leading sports and entertainment presenters in the world. The City provides support for the operation of the Arena and pays AEG a fee based upon a revenue sharing formula, if certain criteria are met, for contracted services associated with operating and promoting the Target Center.

The entertainment tax directed to the Arena Fund reflects entertainment tax proceeds generated directly from Target Center activities. The Arena Fund also receives a transfer from the Parking Fund per Council action and the long-term Target Center finance plan. The transfer reflects the estimated parking revenue received from events at the Target Center.

The Arena Fund also receives financing from three Tax Incremental Financing (TIF) sources: the NBA Arena TIF District (now decertified), the Consolidated TIF District, and the Common Project. These revenues are segregated and restricted to specific purposes, including debt service and capital expenses.

**2014 Projections**

In 2014, the unrestricted Arena revenue, before the balance of the \$2.0 million capital contribution from AEG, is projected to be \$5.967 million which is slightly below the \$6.011 million budget. This is mainly the result of the projected reduction in interest earnings. In 2013, the Target Center had less activity than was expected, mainly due to the cancellation and rescheduling of some concerts. For 2014, it is projected that entertainment tax collections could be closer to the collections of 2012, which would exceed the 2014 budgeted amount of \$1.275 million. For the year, total capital investments are projected to be \$5.908 million, including the balance of the capital contribution from AEG, as well as the \$0.4 million that was carried forward from 2013 for completion in 2014.

**2015 Budget**

*Revenues*

Revenues from the TIF sources are budgeted to be \$7.819 million, an increase of \$1.030 million over the 2014 projections. This is mainly a result of increased market valuations of properties within the Consolidated TIF District. Entertainment tax revenues are budgeted at \$1.3 million, slightly more than 2014 budgeted levels, and the parking revenue transfer is budgeted at \$3.5 million, which is consistent with prior years. As of 2014, the Arena is tax exempt with respect to the primary tenant. In lieu of property taxes, the primary tenant now makes an annual rent payment. It is anticipated that debt will be issued in mid-2015 to finance costs relating to the proposed renovation of the Arena. It is estimated that \$2 million in public resources, along with \$2 million from private sources will be used to pay debt service on these bonds in 2015. It is anticipated that the public payments will be made from local option taxes.

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

#### *Expenditures*

The only expenditure funded with the TIF revenue in the 2015 budget is \$4.5 million of existing debt service. Budgeted expenditures funded with non-TIF sources include \$5.0 million in capital improvements, \$264,000 in administrative costs and a \$1.5 million operator reimbursement. The 2015 budget anticipates a debt service payment of \$8 million on new debt to finance the renovation project.

#### *Renovation project*

The 2015 budget contemplates a significant renovation project for the Arena and the public realm surrounding it. To finance the City's share of the project, it is likely that the City will issue taxable general obligation bonds, with local sales tax revenues being the primary revenue source for repayment of debt service on these bonds. A renovation agreement with AEG, the Timberwolves/Lynx and the City is currently being drafted. As a result of the agreement, it is possible that certain of the financial inter-relationships among the parties may change. The proposed 2015 budget includes a placeholder to reflect the financial impact of the renovation within the Arena Fund. In 2015, \$2 million in annual local sales tax revenues has been identified, along with \$2 million in private payments, to fund an estimated \$4 million in new debt service. It is currently projected that \$4 million in annual local sales tax revenues and \$4 million in private payments will be used to finance \$8 million in debt service on an ongoing basis for the term of the renovation bonds. As negotiations progress, and the sizing and timing of any new debt issuance and revised financial ramifications become more certain, the information in the financial schedule for the Arena Fund will be revised. The renovation agreement includes the repayment of extraordinary costs incurred by AEG as a result of the renovation as well as the prepayment of the unamortized value of the capital improvement undertaken by AEG. As the final agreement is reached, the financial schedule for the Arena Fund will be revised.

#### **Mayor's Recommended Budget**

The Mayor recommended no changes to this fund.

#### **Council Adopted Budget**

The Council adopted the Mayor's recommendation.

**City of Minneapolis**  
**2015 Budget**  
**Financial Plan (in thousands of dollars)**

**Arena Special Revenue Fund - 1260**

	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Chg From 2014 Projected	2016 Forecast	2017 Forecast	2018 Forecast
<b>Source of Tax Increment Funds:</b>									
Common Project TIF Contribution (01CPK)	2,073	1,438	1,474	1,474	1,515	2.8%	1,556	1,586	1,586
Arena Tax Increment (01CPK)	930	907	-	-	-	0.0%	-	-	-
Consolidated TIF District (01CON)	4,981	5,044	5,149	5,247	6,231	18.8%	6,892	7,422	7,866
Interest Earnings (01CPK & 01CON)	51	(15)	10	68	73	7.4%	89	108	129
Sub-Total	8,035	7,374	6,757	6,789	7,819	15.2%	8,537	9,116	9,581
<b>Use of Tax Increment Funds:</b>									
Transfer to Debt Service (01CPK)	0	-	-	-	1,515	0.0%	1,556	1,586	1,586
Transfer to Debt Service (01CON)	4,956	5,272	4,250	4,250	2,977	-30.0%	3,184	3,417	3,662
Capital Improvements/Admin	2,038	3,864	-	-	-	0.0%	-	-	-
Sub-Total	6,994	9,136	4,250	4,250	4,492	5.7%	4,740	5,003	5,248
<b>Net Available After 2009 Debt</b>	1,041	(1,762)	2,507	2,539	3,327		3,797	4,113	4,333
<b>Cumulative TI Balance for 2009 Bonds (see note)</b>	11,991	10,229	12,909	14,530	17,857		21,654	25,767	30,100
<b>Source of Non-Restricted Funds:</b>									
Estimated Local Option Taxes	-	-	3,700	-	2,000	0.0%	4,000	4,000	4,000
Estimated Private Debt Payments	-	-	3,700	-	2,000	0.0%	4,000	4,000	4,000
Event Parking	2,941	3,129	3,323	3,323	3,523	6.0%	3,728	3,940	4,158
Rent	-	-	1,350	1,350	1,350	0.0%	1,350	1,433	1,462
Entertainment Tax (Arena Events Only)	1,295	1,226	1,275	1,385	1,300	-6.1%	1,300	1,375	1,403
Arena Base Tax	92	89	-	-	-	-	-	-	-
Miscellaneous Equipment Sales	-	3	-	-	-	-	-	-	-
AEG Capital Investment	1,681	82	-	237	-	-	-	-	-
Interest Earnings (01260)	35	2	63	19	41	115.8%	42	42	43
Sub-Total	6,044	4,531	13,411	6,314	10,214	61.8%	14,420	14,790	15,065
<b>Use of Non-Restricted Funds:</b>									
Estimated New Debt Service	-	-	7,400	-	4,000	0.0%	8,000	8,000	8,000
Capital Improvements	3,181	1,873	5,234	5,908	5,005	-15.3%	4,620	4,622	4,727
Administration	23	22	259	259	260	0.4%	265	271	276
Operator Reimbursement	1,483	1,476	1,441	1,452	1,500	3.3%	1,500	1,500	1,500
Sub-Total	4,687	3,371	14,334	7,619	10,765	41.3%	14,385	14,393	14,503
<b>Net Income for Operations</b>	1,357	1,160	(923)	(1,305)	(551)	-57.8%	1,294	397	562
<b>Cumulative Operations Fund Balance</b>	2,610	3,770	2,847	1,542	991		2,285	2,682	3,245
<b>Total Anticipated Capital Expenditures</b>	5,074	5,639	5,234	5,908	5,005		4,620	4,622	4,727

**Notes:**

Cumulative TI Balance for 2009 Bonds, balance to be maintained and reserved to pay debt service on the 2009 Bonds.  
Assumes bonds for renovation will be issued mid-year 2015.  
Finance Plan will be updated as renovation agreement is finalized.

**City of Minneapolis  
2015 Budget  
Financial Plan**

**Community and Economic Development Funds**

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**Background**

Community and Economic Development Funds support the City's development efforts and are primarily managed by the Community Planning and Economic Development (CPED) department with the assistance of the Development Finance section of the Enterprise Finance Management & Budget Division of the Finance and Property Services Department. The resources used to fund these activities have faced several challenges in past years, including lower than expected tax increment and non-tax increment revenues, reductions in federal grant allocations, and limited flexible resources. The Financial Plan schedule is inclusive of both CPED's operating budget and transfer and debt service payments. Transfer and debt services payments are reflected in separate lines for ease in comparing operational activities from year-to-year.

**2015 Budget**

*Revenues*

Overall, operating revenues in CPED have increased by 17.9% for the 2015 adopted budget, an increase of \$11.6 million as compared to the 2014 adopted budget. Included within this 17.9% increase, is the projected increase in permit revenues associated with the current boom in new construction, including the Vikings stadium and associated developments.

Tax increment revenues for 2015 are budgeted at an amount similar to the 2014 adopted budget, although the 2015 budget includes an estimate for Consolidated Tax Increment Financing District. This results in a 41% increase from 2014. Future years' tax increment revenue is projected to decline slightly on an annual basis. The 2015 contemplates utilizing \$2.0 million in TIF for affordable housing, and is anticipated to be reduced in future years as accumulated funds are depleted. Program income varies on an annual basis and is projected to increase at a rate of 2% following a 7.3% reduction from the 2014 adopted budget.

Federal funds are dependent upon the availability of federal grants and allocations. These resources have generally been declining in recent years. Future amounts are based upon current projections.

Revenue from the Consolidated TIF District will be used to pay existing Target Center debt in 2015 and neighborhood revitalization activities. The financial plan does not include any assumptions regarding this district, since currently none of the revenues will be directly available for CPED activities.

*Expenditures*

The 2015 adopted operating budget of \$58.7 million reflects a \$3.8 million, or 16.1% decrease compared to the revised 2014 adopted operating budget including 2014 HUD allocations. The 2015 operating budget includes funding for 2 new FTEs, and one-time funding for 2 FTEs to expand CPED's regulatory capacity in response to the current building boom. Other on-going operating cost adjustments include \$400,000 for housing initiatives, \$75,000 for enhancing

Youth Programs and \$200,000 for various economic development activities. The Mayor also approved one-time additional funding of \$1.0 million for the Affordable Housing Trust Fund, \$125,000 for Homeownership Counselling and Outreach program, \$100,000 for policy issues addressing land capacity and \$250,000 for Upper Harbor Terminal planning. The future expenditure projections contain assumptions that must be revisited annually in the context of revised revenues and department performance measures. The tax increment revenues will continue to be restricted to existing debt and contractual obligations.

*Debt*

Bonded debt payable from tax increment revenues remains outstanding beyond 2015. It is anticipated that tax increment revenue will be sufficient to pay debt service on these obligations.

*General Fund Resources*

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

Finance Plan - Table 1

Projected CPED Revenues & Expenditures 2015 - 2018

City of Minneapolis 2015 Budget Financial Plan (in thousands of dollars)								
Projected CPED Revenues & Expenditures								
	2012 Actuals	2013 Actuals	2014 Adopted <sup>1</sup>	2015 Mayor's Recommended	% Chg from 2014	2016 Forecast	2017 Forecast	2018 Forecast
<b>Local Funds</b>								
General Fund Total	28.394	29.894	34.525	35.629	3.2%	36.698	37.799	38.933
GF Property Tax & Non-Direct Revenue	-	-	1.116	-		-	-	-
General Fund LGA	-	-	-	-		-	-	-
General Fund Direct Revenues	28.394	29.894	33.409	35.629		36.698	37.799	38.933
HRA Levy <sup>2</sup>		1.001		1.000	100.0%	1.000	1.000	1.000
Capital Bonding (CIP) (Public Arts Proj)	0.175	0.528	0.480	-	-100.0%	0.405	0.425	0.465
Tax Increment <sup>3</sup>	50.834	38.246	30.257	42.650	41.0%	41.283	42.756	43.817
Affordable Housing TI	-	-	2.000	2.000	0.0%	2.000	2.000	1.075
Interest Earnings all Funds	1.599	(0.070)	1.225	0.511	-58.3%	0.511	0.511	0.511
Housing Program Fees & Revenues <sup>4</sup>	1.696	1.313	-	-		-	-	-
Economic Dev Program Fees & Revenues <sup>4</sup>	3.308	3.571	-	-		-	-	-
Other Project & Program Income	21.879	25.682	14.838	13.750	-7.3%	14.025	14.306	14.592
<b>Federal Funds</b>								
CDBG, ESG & NSP <sup>5</sup>	14.813	9.869	11.143	9.630	-13.6%	9.525	9.525	9.525
HOME	4.019	2.512	2.248	2.248	0.0%	2.248	2.248	2.248
<b>Other State/Local Grants</b>	32.830	27.523	4.500	4.708	4.6%	4.708	4.708	4.708
<b>Adjustment to cover Transfers and Debt Service</b>	(42.874)	(37.042)	(36.401)	(35.855)	-1.5%	(37.155)	(38.480)	(39.435)
<b>Total Projected Revenues</b>	<b>116.672</b>	<b>103.027</b>	<b>64.816</b>	<b>76.271</b>	<b>17.7%</b>	<b>74.248</b>	<b>75.797</b>	<b>76.438</b>
<b>Appropriated</b>								
<b>Business Lines:</b>								
Economic Policy & Development	17.125	21.214	11.856	9.614	-18.9%	9.806	10.002	10.202
Workforce Development	10.186	9.511	8.331	8.403	0.9%	8.571	8.742	8.917
Housing & Policy Development	38.126	26.450	17.535	16.981	-3.2%	17.320	17.667	18.020
Long Range Planning	1.563	1.878	2.574	1.831	-28.9%	1.867	1.905	1.943
Development Services	2.267	13.120	12.314	12.728	3.4%	12.983	13.242	13.507
<b>CPED Support:</b>								
Executive & Support Services	5.202	5.567	9.881	9.164	-7.3%	9.347	9.534	9.724
<b>Total Projected Uses</b>	<b>74.470</b>	<b>77.741</b>	<b>62.489</b>	<b>58.720</b>	<b>-16.1%</b>	<b>59.894</b>	<b>61.092</b>	<b>62.314</b>
Transfer & Debt Service <sup>3</sup>	46.874	37.042	35.651	35.855	0.6%	37.155	38.480	39.435
<b>Difference</b>	<b>42.202</b>	<b>25.286</b>	<b>2.326</b>	<b>17.551</b>		<b>14.354</b>	<b>14.705</b>	<b>14.124</b>
1 - Includes final 2014 HUD Consolidated Allocations 2 - Included in General Fund numbers in prior years 3 - 2015 projections include Consolidated TIF Dist adjustments 4 - Beginning in 2014, Housing and Economic Development bond fees are being treated as General Fund Direct Revenue 5 - Includes CDBG Program Income								

**City of Minneapolis  
2015 Budget  
Financial Plan**

**Neighborhood and Community Relations Special Revenue Fund**

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**Background**

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

**Historical Financial Performance**

This fund was established in 2011. Growth in the fund was impacted by the two year hiatus on tax increment collection. The City decided to reduce property tax levies in 2012-2013 by using reprogrammed NRP resources (\$10 million) to fund neighborhood revitalization services for these two years.

**2015 Budget Revenues and Expenditures**

The total revenue budgeted for 2015 is \$5.8 million with budgeted expenditures also totaling \$5.8 million.

**City of Minneapolis**  
**FY 2015 Mayor Recommended Budget**  
**Financial Plan (in thousands of dollars)**

**NCR Special Revenue Fund - 1800**

	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Change from 2014 Proj	2016 Forecast	2017 Forecast	2018 Forecast
<b>Source of Funds</b>									
<i>Operating Revenues:</i>									
Charge for services	40	19	-	-	-	-	-	-	-
Other Misc.	-	-	-	-	-	-	-	-	-
<i>Non-Operating Revenues:</i>									
Interest	-	-	-	-	-	-	-	-	-
Transfer from TI funds	1,500	1,200	5,149	5,149	5,807	12.8%	6,892	7,421	7,866
<b>Total source of funds</b>	<b>1,540</b>	<b>1,219</b>	<b>5,149</b>	<b>5,149</b>	<b>5,807</b>	<b>0</b>	<b>6,892</b>	<b>7,421</b>	<b>7,866</b>
<b>Use of Funds</b>									
Community Services	3,036	1,517	5,100	5,100	5,801	13.7%	6,800	7,400	7,700
Transfers Out	-	-	-	-	-	-	-	-	-
<b>Total Use of funds</b>	<b>3,036</b>	<b>1,517</b>	<b>5,100</b>	<b>5,100</b>	<b>5,801</b>	<b>13.7%</b>	<b>6,800</b>	<b>7,400</b>	<b>7,700</b>
<b>Net Income for Operations</b>									
	(1,496)	(298)	49	49	6	-87.8%	92	21	166
<b>Beginning Fund Balance</b>	<b>2,444</b>	<b>948</b>	<b>650</b>	<b>650</b>	<b>699</b>	<b>7.5%</b>	<b>705</b>	<b>797</b>	<b>818</b>
<b>Ending Fund Balance</b>	<b>948</b>	<b>650</b>	<b>699</b>	<b>699</b>	<b>705</b>	<b>0.9%</b>	<b>797</b>	<b>818</b>	<b>984</b>
<b>Ending Cash Balance</b>	<b>962</b>	<b>681</b>	<b>730</b>	<b>730</b>	<b>736</b>	<b>0.8%</b>	<b>828</b>	<b>849</b>	<b>1,015</b>

**Note:** Neighborhood & Community Relations (NCR) Special revenue fund 01800 accounts for neighborhood vitalization efforts funded by the revenues of the Consolidated Redevelopment Tax Increment Financing District. This Fund is used primarily for community engagement and neighborhood -based initiatives.

**City of Minneapolis  
2015 Budget  
Financial Plan**

**Regulatory Services Special Revenue Fund**

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**Background**

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

**Historical Financial Performance**

The City established this fund in 2008, and through 2013, it accumulated a fund balance of \$5.5 million. This balance is the result of various initiatives in previous years and the availability of grant funds to pay for certain eligible expenses. Both of these revenue sources are not projected to continue leaving special assessments and direct property owner charges as the only sources of revenue for this fund. These resources will face challenges in 2014 and beyond, including lower than expected assessment collections and reductions in grant allocations.

**2015 Budget**

*Revenues*

Revenues for the Regulatory Services Special Revenue Fund have been declining since 2011. The total revenue budgeted for 2015 is \$3.8 million; \$3.7 million of this is from special assessments. In 2015 Regulatory Services' share of these revenues is \$3.5 million and CPED's share is \$300,000. Revenue in future years is projected to decline by 10% annually.

*Expenditures*

Expenditures for the Regulatory Services Special Revenue Fund include services such as demolitions, board-ups, nuisance grass cutting, nuisance tree removals, and nuisance rubbish removal. In order to continue to spend down fund balance, total budgeted expenditures for 2015 are \$5.2 million or \$1.4 million in excess of revenue. Regulatory Services' appropriation is \$4.9 million, and CPED's appropriation is \$300,000.

**City of Minneapolis  
2015 Budget  
Financial Plan (in thousands of dollars)**

**Regulatory Services Special Revenue Fund - 1900**

	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Chg From 2014 Projected	2016 Forecast	2017 Forecast	2018 Forecast
<b>Source of Funds:</b>									
<i>Operating Revenues</i>	4,574	3,906	4,235	4,135	3,821	-7.6%	3,439	3,095	2,786
<b>Use of Funds:</b>									
<i>Operating Expenses</i>	4,845	3,642	5,104	4,383	5,234	19.4%	4,400	3,960	3,564
Net Income	(271)	264	(869)	(248)	(1,413)		(961)	(865)	(778)
<b>Fund Balance:</b>									
Beginning Balance	5,478	5,207	5,471	5,471	5,223	-4.5%	3,810	2,849	1,984
Ending Balance	5,207	5,471	4,602	5,223	3,810	-27.1%	2,849	1,984	1,206
Ending Cash Balance	5,141	5,495	4,626	5,247	3,834	-26.9%	2,873	2,008	1,230

**City of Minneapolis  
2015 Budget  
Financial Plan**

**Municipal Parking Fund**

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**Background**

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

**Historical Financial Performance**

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

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

- Off-street parking
- On-street parking
- Impound Lot operations

The fund received local sales tax transfers of \$4.7 million in 2013 from the Minneapolis Convention Center to pay debt service and operating costs for Convention Center related parking facilities. The fund also received tax increment transfers of \$6.9 million in 2013 to pay part of major development projects in the downtown area. For 2014 and beyond there will be significantly less debt service owed for these functions and therefore only a small amount of tax increment revenue will be received by the Parking Fund. In addition, sales tax revenue will be deposited into the general fund in 2014 instead of the Convention Center fund. Thus the operations and maintenance costs for the Convention Center ramps will be managed by reducing the transfers out of the Parking Fund that would have otherwise gone to the general fund.

For historical trends, the 2012 and 2013 operating revenues and expenses are presented in the 2015 Parking Fund budget chart (see following pages). Increases in revenues and expenses for 2013 can be attributed to newly installed parking meters.

The Parking Fund cash balance at year-end 2013 was \$13.3 million. The parking system creates a positive cash flow from parking operations. Based on current and proposed budgets, the Parking Fund cash balance will remain positive while decreasing slightly from current levels.

## 2015 Budget

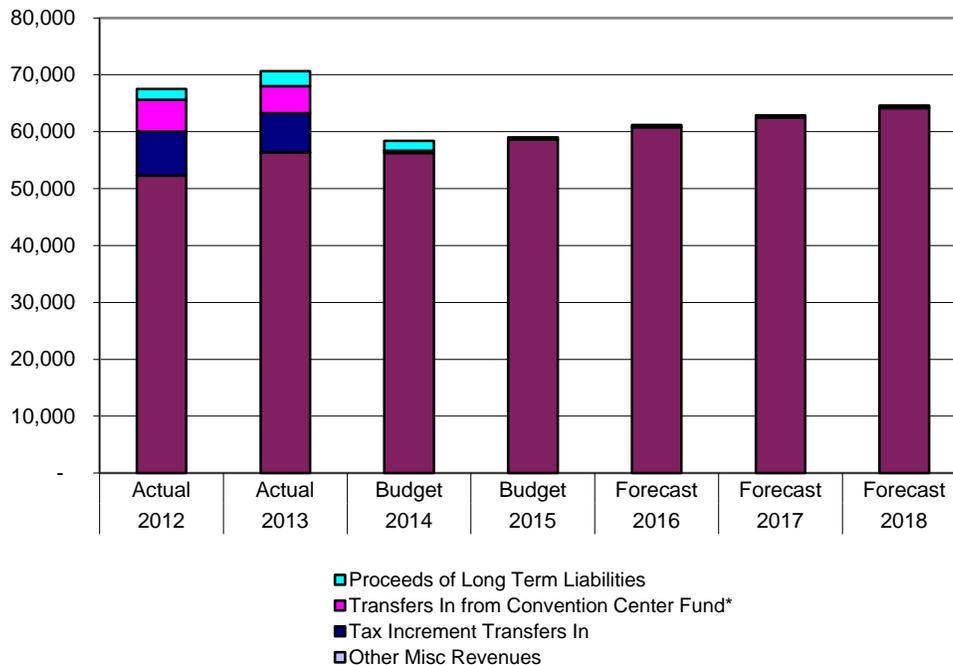
### Revenues

The parking system operating revenue budget for 2015 increased 3.1% to \$60.4 million from \$58.6 million budgeted for 2014. The 2015 revenue budget incorporates an increase in on-street revenues due to implementation of new smart-meters and associated operational changes, a decrease in impounding revenues due to a decline in day-to-day tows, a decrease in auction revenues due to a decline in scrap metal prices, and a slight increase in off-street revenues.

Off-Street System Revenue Assumptions (2015)	
Utilization Percentage in 2014	81%
Number of Parking Stalls in the system	20,238
Forecasted Revenue increase	2014 1.0% 2015 1.0% 2016 2.0%
Assumed rate increases (if any)	1.0%
System-wide average event rate	\$ 10.00
System-wide average daily rate	\$ 8.75
System wide average monthly rate	\$ 150.00
Number of new stalls in the system	2014 0 2015 0 2016 0

For assumptions regarding sales tax revenue, please see the Convention Center Finance Plan.

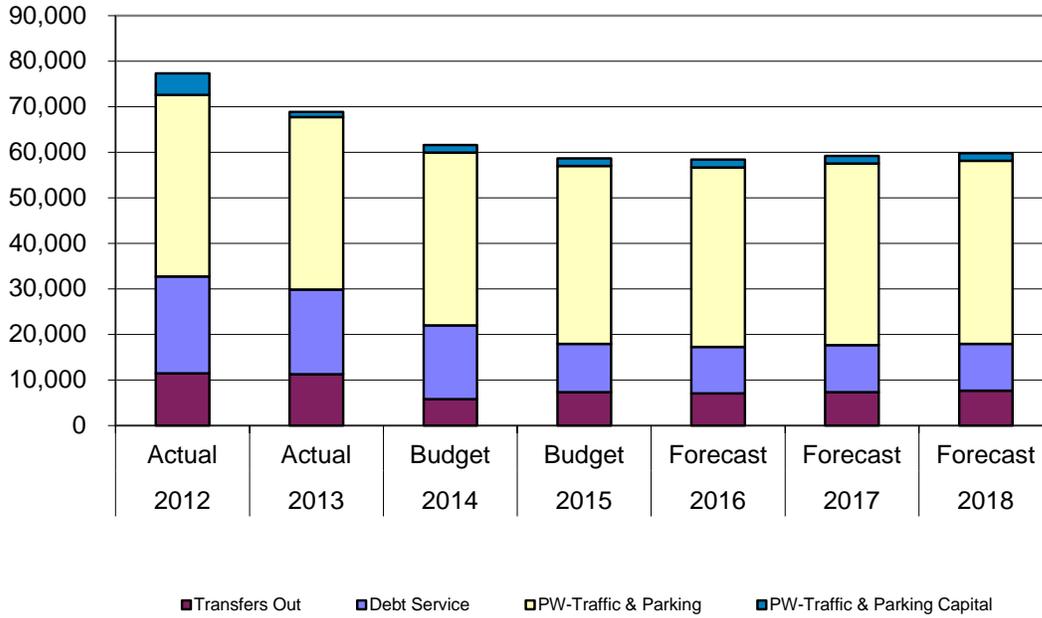
**Parking Fund Revenues**  
(in thousands of dollars)



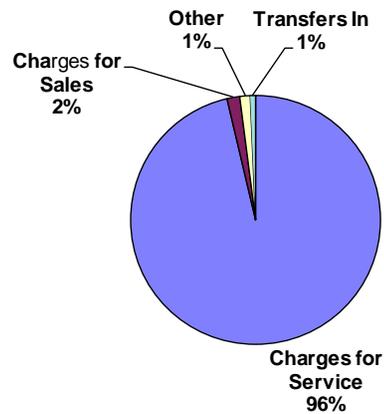
*Expenditures*

The parking system operating budget for 2015 stands at \$39.0 million which is an increase of 2.9% from 2014 budgeted expenditures. The increase for 2015 is due to alignment with historical actuals. The capital budget for 2015 is set at \$1.7 million, the same level as 2014, due to on-going repair and improvement work in the City-owned parking facilities.

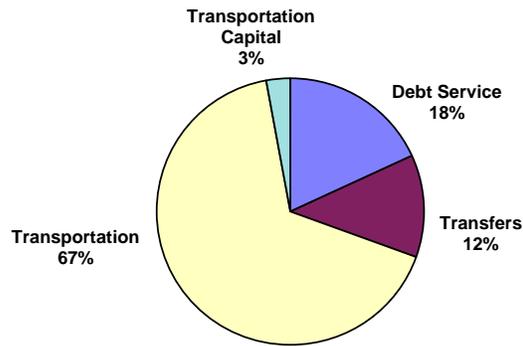
**Parking Fund Expenditures**  
(in thousands of dollars)



**Source of Funds**  
(**\$60.8 million**)



**Use of Funds  
(\$59.2 million)**



*Debt Service*

Total debt service, which includes principal and interest on bonds issued for construction of municipal parking ramps, is \$10.6 million for 2015. A portion of this debt service cost will be funded by a \$0.42 million transfer in from tax increment. For 2014 and beyond, only tax increment transfers will be received by the Parking Fund. The final Convention Center related parking ramp debt (other than major maintenance repairs) were paid off in 2014.

*Transfers*

The transfer to the General Fund increases in 2015 by \$1.8 million over 2014 to fund CARS projects. The transfer to the Target Center Arena Fund increases in 2015 by \$0.2 million to \$3.5 million, up from 2014 at \$3.3 million, and is scheduled to increase in future years. Revenues from State-owned garages continue to be transferred to the State on a daily basis. An annual transfer of \$146,000 to the Solid Waste and Recycling fund supports service for bus shelter litter containers.

**City of Minneapolis**  
**2015 Budget**  
**Financial Plan (in thousands of dollars)**  
**Municipal Parking Fund - 7500**

	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Chg From 2014 Projected	2016 Forecast	2017 Forecast	2018 Forecast
<b>Source of Funds:</b>									
Licenses and Permits	317	331	275	350	275	-21.4%	283	292	298
Charges for Service, Sales/Permits	52,285	56,348	56,257	58,511	58,607	0.2%	60,773	62,449	64,171
Charges for Sales	1,411	1,290	1,500	1,500	1,000	-33.3%	1,000	1,000	1,000
Special Assessments	57	25	543	543	543		543	543	543
Federal Grant		177	-	-	-		-	-	-
Rents (Transportation)	2	2	-	2	-	-100.0%	-	-	-
Other Misc Revenues	10	12	-	30	-	-100.0%	-	-	-
<b>Total Operating Revenue</b>	<b>54,082</b>	<b>58,185</b>	<b>58,575</b>	<b>60,936</b>	<b>60,425</b>	<b>-0.8%</b>	<b>62,599</b>	<b>64,284</b>	<b>66,012</b>
Tax Increment Transfers In	7,703	6,893	423	423	423		432	441	450
Transfers In from Convention Center Fund*	5,580	4,729	-	-	-		-	-	-
Other Transfers In	886								
<b>Total Transfers In</b>	<b>14,169</b>	<b>11,622</b>	<b>423</b>	<b>423</b>	<b>423</b>		<b>432</b>	<b>441</b>	<b>450</b>
Proceeds of Long Term Liabilities	1,900	2,655	1,700	1,700	-	-100.0%	-	-	-
<b>Total</b>	<b>70,151</b>	<b>72,462</b>	<b>60,698</b>	<b>63,059</b>	<b>60,848</b>	<b>-3.5%</b>	<b>63,031</b>	<b>64,725</b>	<b>66,462</b>
<b>Use of Funds:</b>									
Debt Service	21,267	18,631	16,214	16,214	10,628	-34.5%	10,172	10,335	10,267
General Fund Transfer Out*	7,818	7,918	2,323	2,323	4,148	78.6%	3,187	3,253	3,320
Target Arena Transfer Out	2,941	3,129	3,323	3,323	3,523	6.0%	3,728	3,940	4,158
Debt Service Transfer Out	47	41	-	-	-		-	-	-
MERF Liability Transfer Out	477		-	-	-		-	-	-
Sanitation Transfer Out	146	146	146	146	146		146	146	146
<b>Total Transfers Out</b>	<b>11,429</b>	<b>11,234</b>	<b>5,792</b>	<b>5,792</b>	<b>7,817</b>	<b>35.0%</b>	<b>7,061</b>	<b>7,339</b>	<b>7,624</b>
PW-Traffic & Parking	39,861	37,838	37,883	37,118	39,032	5.2%	39,422	39,817	40,215
PW-Traffic & Parking Capital Outlay	4,737	1,124	1,700	1,700	1,700		1,700	1,700	1,700
<b>Total</b>	<b>77,294</b>	<b>68,827</b>	<b>61,589</b>	<b>60,824</b>	<b>59,177</b>	<b>-2.7%</b>	<b>58,355</b>	<b>59,191</b>	<b>59,806</b>
<b>Change in Net Position</b>	<b>5,559</b>	<b>9,778</b>	<b>3,038</b>	<b>6,164</b>	<b>156</b>	<b>-97.5%</b>	<b>3,690</b>	<b>4,943</b>	<b>6,255</b>
<b>Net Position</b>	<b>5,559</b>	<b>15,337</b>	<b>18,375</b>	<b>21,501</b>	<b>21,657</b>	<b>0.7%</b>	<b>25,347</b>	<b>30,290</b>	<b>36,545</b>
<b>Cash Balances</b>	<b>7,729</b>	<b>13,304</b>	<b>12,413</b>	<b>15,539</b>	<b>17,210</b>	<b>10.8%</b>	<b>21,886</b>	<b>27,420</b>	<b>34,076</b>

**Notes:**

\* Beginning in 2014, local sales taxes previously credited to the Convention Center and transferred to the General Fund and Parking Fund are credited to the General Fund. Subsequently, transfers to the Parking Fund from the Convention Center are eliminated beginning in 2014. Transfers from the Parking Fund to the General Fund are netted with the former transfer from the Convention Center to reduce the overall transfer from the Parking Fund to the General Fund - increased from \$2.3 million in 2014 to \$3.6 million for 2015.

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

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

Revenue and expense forecast are based on 1.0% increases respectively.

Construction cash not included in current year and projected years.

Cash balances above are actual for 2012 and 2013.

**City of Minneapolis  
2015 Budget  
Financial Plan**

**Solid Waste and Recycling Fund**

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**Background**

The Solid Waste and Recycling Fund provides services related to collection, disposal, and recycling of household waste, yard waste, and problem materials. Graffiti removal and the organics program are additional activities. There are nine programs that are budgeted for in 2015 under the Solid Waste fund. The Solid Waste Division provides weekly and bi-weekly services for trash, yard-waste, and recycling materials pickups. It also operates a solid waste transfer station providing service to over 105,000 households. City crews provide approximately one-half of the solid waste collection service in the City with the other half provided through a contract with a consortium of companies specializing in waste collection.

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

**Historical Financial Performance**

The overall financial condition of the Solid Waste and Recycling Fund has remained stable over the years despite a projected decrease in net position for 2014. Total revenues for year 2013 were at \$31.9 million compared to \$32.5 million in 2012, a decrease of \$600,000, or 2%. The increase in revenues of \$700,000 from miscellaneous services, special assessments, graffiti, and local government grants was off-set by a decrease in revenues of \$800,000 in scrap metal sales. The monthly utility revenues also decreased by \$500,000 due to implementation of a flat rate charge and elimination of recycling credits. Total expenditures for 2013 came to \$35.9 million compared to \$33.6 million for 2012, an increase of \$2.3 million or 7%. Approximately \$2.4 million of this increase is due to purchases of equipment related to the one-sort recycling program. The additional increase of \$500,000 is due to the mattress recycling program and garbage carts replacement which were off-set by a decrease or absence of \$600,000 in MERF pension plan costs. The 2013 year-end cash balance for this fund was \$17.8 million compared to \$23.9 million in 2012.

For 2014, utility revenues from collection services are projected to reach \$29.6 million, and the total revenues for the fund are projected at \$32.6 million. Expenses for the Solid Waste and Recycling Fund are projected to be \$33.0 million. This amounts to a projected deficit of \$(400,000). With a cash balance in excess of \$17.7 million at the end of 2013, the Solid Waste and Recycling Fund is able to absorb these costs.

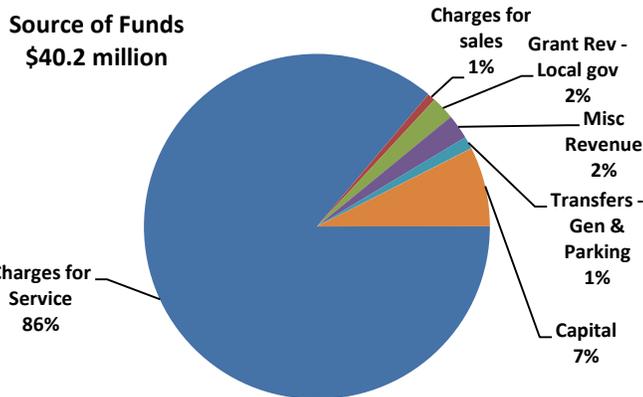
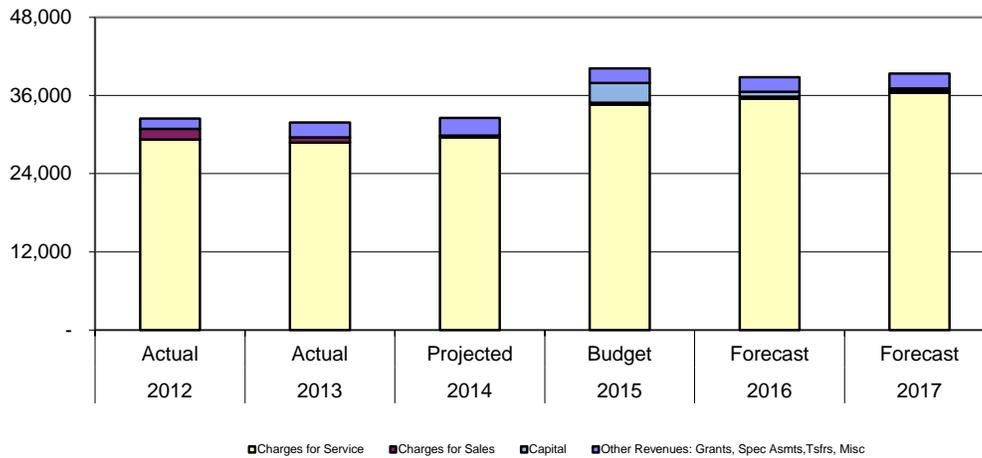
**2015 Budget**

*Revenues*

The total revenue budget for the Fund for 2015 amounts to \$40.2 million compared to \$32.6 million projected for 2014. This is an increase of \$7.6 million over the 2014 projection. Service revenue has been estimated at \$34.6 million which is \$5.0 million more than the projection for 2014. Bond proceeds are estimated at \$3.0 million to fund capital program scheduled for the

year. For 2015, the collection fee has been proposed at \$21.60 per dwelling unit. Monthly charges for large and small disposal carts are the same as 2014 which were set at \$5 and \$2, respectively. Due to the decreasing market for scrap metals, recyclable sales for 2015 are expected to be \$300,000, the same as projected for 2014. Funds from local governments include a Hennepin County recycling grant of \$880,000. Revenues generated from debris removal, special district maintenance, and various miscellaneous sources are estimated at \$500,000. An additional \$400,000 is expected to be generated from other City departments for graffiti related work done on streets, bridges and other City properties.

### Solid Waste Fund Revenues (in thousands of dollars)



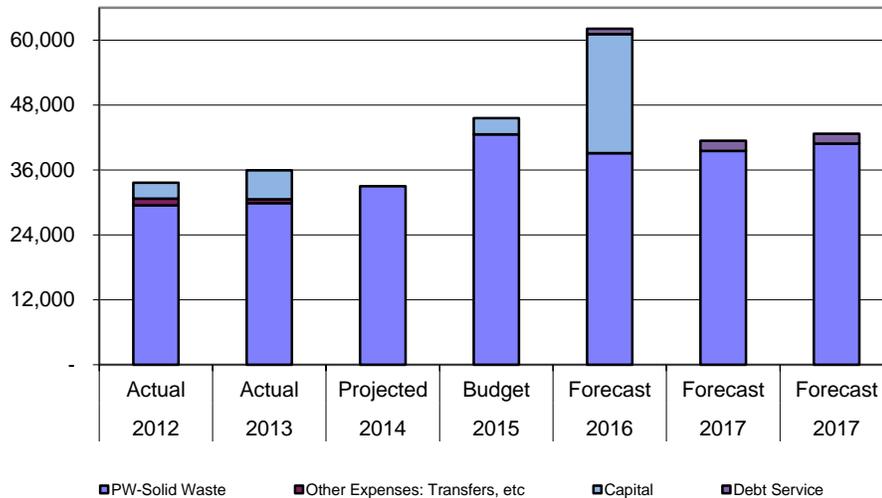
Revenue Assumptions (2015)	
Number of dwelling units	105,635

### Expenditures

The total expenditure budget for 2015 amounts to \$45.6 million compared to \$33.0 million projected for 2014, an increase of \$12.6 million, or 38.1%. The operating budget at \$42.6 million accounts for 93% of the total budget. The remaining 7% is for a land purchase for which \$3.0 million is proposed under capital improvements. The increase of \$9.6 million in the operating budget, compared to the 2014 projection, reflects the following changes: (i) the implementation

of a planned City-wide Source Separated Organics program estimated at \$8.3 million; (ii) an extended yard waste season which is expected to result in additional cost increases of \$100,000 in time, labor, and contractual services; (iii) the replacement of 10,000 small garbage carts, trucks and vehicles costing \$700,000; and (iv) increased costs from as a result of the graffiti abatement program and SWIS software system upgrade amounting to \$200,000.

### Solid Waste Fund Expenditures (in thousands of dollars)



#### *Transfers*

The Solid Waste and Recycling Fund will continue to receive \$146,000 from the Parking Fund for litter container pick-ups in the downtown area. The Fund has been receiving an annual transfer from the General Fund for graffiti removal and micro grants. For 2015, this amount is \$325,000 and is expected continue at the same rate through 2020.

#### *Debt Service*

This fund does not have any capital debt service payments in 2015. However, with a capital program funded through bond sales, the Fund anticipates these payments on a yearly basis in the future.

#### *Cash Balance*

The Solid Waste and Recycling Fund is projected to have a \$12.0 million cash balance at the end of 2015.

### **Mayor's Recommended Budget**

The Mayor has proposed a base rate of \$21.60 per dwelling unit for 2015, an increase \$4.0 over 2014, to fund the Citywide organics program.

**City of Minneapolis  
2015 Budget  
Financial Plan (in thousands of dollars)  
Solid Waste Fund - 7700**

	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Chg From 2014 Projected	2016 Forecast	2017 Forecast	2018 Forecast
<b>Sources of Funds:</b>									
Local Government	864	890	880	880	880		880	880	880
Charges for Service	29,251	28,802	28,890	29,575	34,617	17.0%	35,520	36,454	37,418
Charges for Sales	1,611	794	750	300	300		300	300	300
Special Assessments	98	142	-	-	-		-	-	-
Other Misc Revenues, Rents	335	940	852	852	920	8.0%	920	920	920
Long Term Proceeds - Capital	-	-	-	-	3,000	100.0%	750	350	-
Operating Transfers In:									
From Parking Fund	146	146	146	146	146		146	146	146
From General Fund - Graffiti	-	-	695	695	325		325	325	325
From General Fund	150	150	125	125	-	-100.0%	-	-	-
<b>Total</b>	<b>32,455</b>	<b>31,864</b>	<b>32,338</b>	<b>32,573</b>	<b>40,188</b>	<b>23.4%</b>	<b>38,841</b>	<b>39,375</b>	<b>39,989</b>
<b>Use of Funds:</b>									
PW-Solid Waste	29,440	29,879	33,378	32,974	42,551	29.0%	39,120	39,538	40,864
Transfers									
To General Fund	700	700	-	-	-		-	-	-
To MERF Fund	571	-	-	-	-		-	-	-
General Services Capital									
Capital	2,938	5,328	2,500	-	3,000	100.0%	750	350	-
Debt Service							-	-	-
<b>Total</b>	<b>33,649</b>	<b>35,907</b>	<b>35,878</b>	<b>32,974</b>	<b>45,551</b>	<b>38.1%</b>	<b>39,870</b>	<b>39,888</b>	<b>40,864</b>
<b>Change in Net Position</b>	<b>(1,194)</b>	<b>(4,043)</b>	<b>(3,540)</b>	<b>(401)</b>	<b>(5,364)</b>		<b>(1,028)</b>	<b>(513)</b>	<b>(874)</b>
<b>Net Position Balance</b>	<b>30,319</b>	<b>26,844</b>	<b>23,304</b>	<b>26,443</b>	<b>21,079</b>		<b>20,051</b>	<b>19,538</b>	<b>18,664</b>
<b>Cash Balance</b>	<b>23,856</b>	<b>17,794</b>	<b>14,254</b>	<b>17,393</b>	<b>12,029</b>		<b>11,001</b>	<b>10,488</b>	<b>9,614</b>

**City of Minneapolis  
2015 Budget  
Financial Plan**

**Sanitary Sewer Fund**

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**Background**

The Sanitary Sewer Fund accounts for the enterprise activity of wastewater collection and treatment. Approximately 62% of the operating expenditures in the Sanitary Sewer Fund are comprised of contractual payments made to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. The Sanitary Sewer Fund portion is approximately 95% of the total paid by the City to MCES. In addition to charges to the Sanitary Sewer Fund, the Storm Water Fund also provides 5% of the payments to MCES. The fund also accounts for the operation, maintenance and design work, capital programs, transfers, and long-term debt services associated with the sanitary sewer system.

**Historical Financial Performance**

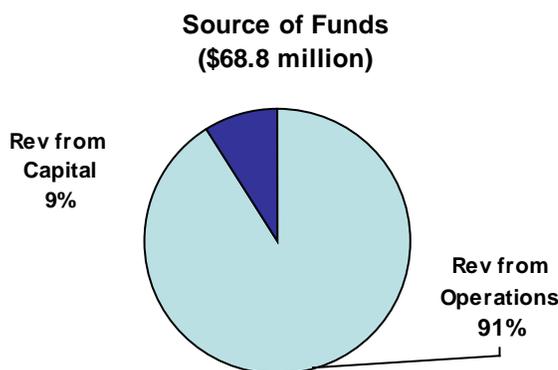
Total 2013 revenues were \$68.2 million compared to \$68.6 million in 2012, a decrease of \$400,000, or 1%, over 2012. Sewer Availability Charges (SAC) revenues account for \$2 million of this decrease which is off-set by an increase of \$1.8 million from monthly service revenues and capital programs. Reduced activities in the design area account for an additional decrease of \$200,000. Sanitary service revenue totaled \$51.4 million, compared to the 2012 total of \$50.8 million. This increase of \$600,000 is due to an increase in the variable rate component of the monthly utility billings which for 2013 was set at \$3.14 compared to \$3.05 for 2012. Usage charges are based upon the amount of water used by the account holder. Any increase or decrease in SAC revenues corresponds to a similar increase or decrease in SAC expenditures as the SAC charges are passed through to property owners and developers as a direct charge.

The expenditures for 2013 totaled \$62.5 million compared to \$64.1 million over 2012. This is a decrease of \$1.6 million, or 3%, of which \$2 million is SAC related. Debt services and MERF contributed an additional \$2 million decrease in 2013 expenses. This decrease is off-set by increases in Met Council payments of \$1.9 million due to higher rates from MCES. Maintenance and design expenditures increased by \$400,000 due to equipment and software purchases and upgrades. Other increases include transfers to the Water department and capital programs which together account for \$178,000.

**2015 Budget**

*Revenues*

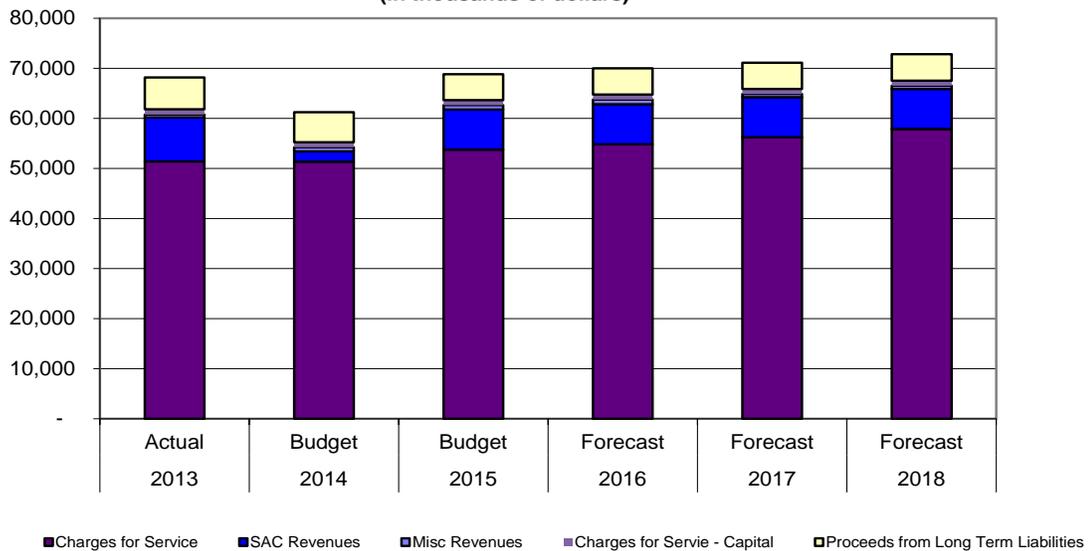
The total revenue budget for the Sanitary Sewer Fund for 2015 amounts to \$68.8 million compared to the 2014 projected revenues of \$61.2 million, an increase of \$7.6 million, or 12%. Monthly utility billings, Sewer Access Charge (SAC) permits, design and miscellaneous activities, along with proceeds from capital programs provide the revenue sources for the Sanitary Sewer Fund.



Revenues from operations account for 91% of the budget with the remaining 9% received from bond proceeds and reimbursements from capital programs. Sanitary sewer rates are comprised of variable and fixed rates. For 2015, the variable sewer rate is proposed at \$3.21 per one hundred cubic feet (one *unit*, or 748 gallons) compared to \$3.14 for 2014, while the fixed rate is set at \$3.80 compared to \$3.40. Revenue estimates were increased to fund sanitary collection and treatment programs, upgrade the Hiawatha facility, televise and rehab the sanitary system, capital programs, debt payments, and shared meter costs.

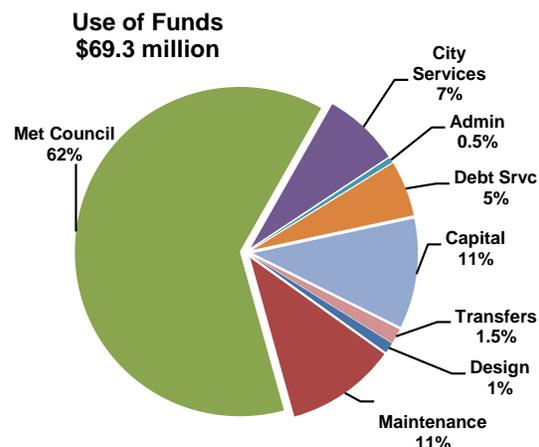
Year	Rate (cost per 100 per cubic feet)	% Increase	Average Monthly Bill	Utility Revenue from variable rates
2015	\$3.21	2.23%	\$19.26	\$47.7 million
2016	\$3.26	1.56 %	\$19.56	\$48.1 million
2017	\$3.31	1.53%	\$19.86	\$48.9 million
2018	\$3.38	2.11%	\$20.28	\$49.9 million
2019	\$3.45	2.07%	\$20.70	\$50.9 million

### Sanitary Sewer Fund Revenues (in thousands of dollars)



### Expenditures

The total expense budget for 2015 amounts to \$69.3 million compared to \$67.6 million projected for 2014. This is an increase of \$1.7 million, or 2.5%, over 2014 projections. Maintenance and design activities, treatment facility charges from MCES, transfers, capital programs, and long-term debt are included in these expenses. An increase of \$2.6 million in Met Council department is due to a 6.9% increase in MCES charges over 2014. Met Council sets the rate for treatment services,



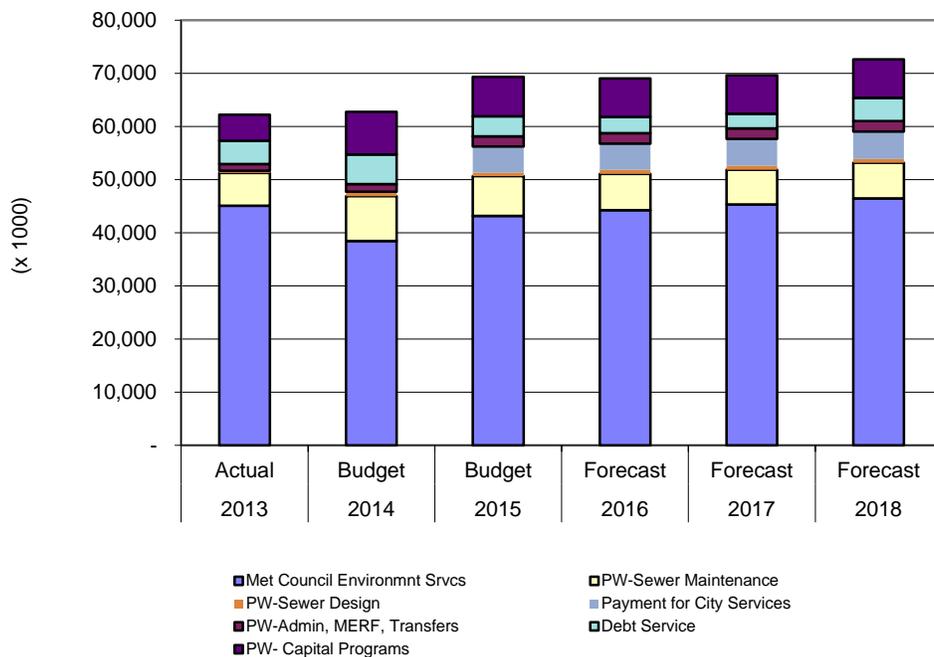
referred to as Municipal Water Charges (MWC), which is allocated regionally to all users of the system based upon their proportionate use. Design and maintenance budgets increased by \$500,000 due to the upgrades to the Hiawatha facility, televising pipes, and maintenance work. An additional increase of \$600,000 is the result of increases in the personnel, rate model charges, and transfers in Admin and City service departments. However, the decrease in debt services and capital programs by \$2.1 million reduces the overall increase in the 2015 expense budget.

Capital expenses for 2015 total \$7.4 million which is \$300,000 less than the projected total of \$7.7 million for 2014. 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 2015 is \$36.8 million, a 6.9% increase over 2014. The Sanitary Sewer Fund bears 95%, or \$35.0 million, of this cost with the remaining \$1.8 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).

**Debt Service & Transfers**

Capital programs for 2015 include the inflow/infiltration and sewer rehab programs. An additional component of capital program includes repair work on existing infrastructures. For 2015, \$3.8 million is set aside as debt service payments for bonds sold in current and previous years to fund these projects. A transfer from this fund is made to the Water fund to cover shared meter expenses. For 2015, the transfer is estimated at \$1.3 million.

**Sanitary Sewer Fund Expenditures**  
(in thousands of dollars)



**Mayor’s Recommended Budget**

The Mayor recommended an increase in the variable rate from \$3.14 to \$3.21 per unit and a fixed rate increase from \$3.40 to \$3.80 to pay for Metropolitan Council SAC fees, as described above under the *Expenditures* subheading.

**City of Minneapolis  
2015 Budget  
Financial Plan (in thousands of dollars)**

**Sanitary Sewer Fund - 7100**

	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Chg 2014 Projected	2016 Forecast	2017 Forecast	2018 Forecast
<b>Source of Funds:</b>									
Charges for Service	50,779	51,420	51,384	51,384	53,754	4.6%	54,851	56,229	57,901
SAC Revenues	10,813	8,769	2,060	8,000	8,000		8,000	8,000	8,000
Other Misc Revenues	754	563	820	820	879	7.2%	915	655	655
Charges for Service - Capital	-	1,100	1,000	1,000	1,000		1,000	1,000	1,000
Proceeds from Long Term Liabilities	6,252	6,300	6,000		5,200		5,250	5,250	5,250
<b>Total</b>	<b>68,597</b>	<b>68,151</b>	<b>61,264</b>	<b>61,204</b>	<b>68,833</b>	<b>12.5%</b>	<b>70,016</b>	<b>71,134</b>	<b>72,806</b>
<b>Use of Funds:</b>									
PW-Sewer Design	453	413	860	685	709	3.4%	727	745	764
PW-Sewer Maintenance	6,004	6,197	8,426	6,952	7,431	6.9%	6,854	6,549	6,707
MERF Debt Service -New Plan	-	292	292	292	292		292	292	292
Met Council Environment Svcs	45,463	45,069	38,425	40,548	43,177	6.5%	44,229	45,311	46,427
Payment for City Services				4,611	4,882		4,965	5,049	5,135
PW - Sewer Admin				117	342		350	359	368
Debt Service	5,157	4,320	5,564	5,564	3,761	-32.4%	2,136	876	1,560
Future Debt Service	-	-	-	-	-		944	1,897	2,850
Transfers	-	-	-	-	-		-	-	-
To MERF/Gen Debt Service	1,112	109	-	-	-		-	-	-
To Water Fund	994	1,149	1,157	1,157	1,285	11.1%	1,285	1,285	1,285
PW- Capital Programs	4,915	4,937	8,000	7,700	7,425	-3.6%	7,250	7,250	7,250
<b>Total</b>	<b>64,098</b>	<b>62,485</b>	<b>62,724</b>	<b>67,625</b>	<b>69,305</b>	<b>2.5%</b>	<b>69,031</b>	<b>69,613</b>	<b>72,637</b>
Deferred Capital Projects-Rev Funded					2,000	100.0%	2,000	-	-
<b>Change in Net Position</b>	<b>4,499</b>	<b>5,666</b>	<b>(1,460)</b>	<b>(6,421)</b>	<b>(2,471)</b>		<b>(1,015)</b>	<b>1,521</b>	<b>169</b>
<b>Net Position Balance</b>	<b>107,462</b>	<b>114,438</b>	<b>112,978</b>	<b>108,017</b>	<b>105,546</b>		<b>104,531</b>	<b>106,051</b>	<b>106,220</b>
<b>Cash Balances</b>									
Operating Cash	19,181	23,640	23,859	18,898	16,427		15,412	16,932	17,101
Construction Cash	837	1,679							

**City of Minneapolis  
2015 Budget  
Financial Plan**

**Stormwater Fund**

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**Background**

The Stormwater Collection and Street Cleaning programs make up the budget for the Stormwater 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 Stormwater Fund is used for sanitary water interceptor and treatment services, a function carried out through the Metropolitan Council Environmental Services (MCES). The Fund also accounts for the Combined Sewer Overflow (CSO) program, which separates stormwater from the sanitary sewer lines.

**Historical Financial Performance**

In 2013 total revenues decreased to \$45.1 million compared to \$45.9 million in 2012. Design revenues, along with revenues from maintenance agreements and capital reimbursements, account for \$1.0 million of the decrease. This was off-set by an increase of \$900,000 in bond revenues from capital programs. However, the decrease of \$700,000 in assessment revenue put the total decrease in revenue for 2013 at \$0.8 million. The \$41.5 million in expenditures in 2013 represents an increase of \$3.7 million, or 9.7%, compared to \$37.8 million in 2012. Of this increase, \$2.5 million is attributable to Capital programs, \$1.5 million to maintenance and tunnel rehab, and \$1.0 million to Met Council, debt services, and design activities. These increases were reduced by \$1.4 million in decreases to street maintenance and transfers.

**2015 Budget**

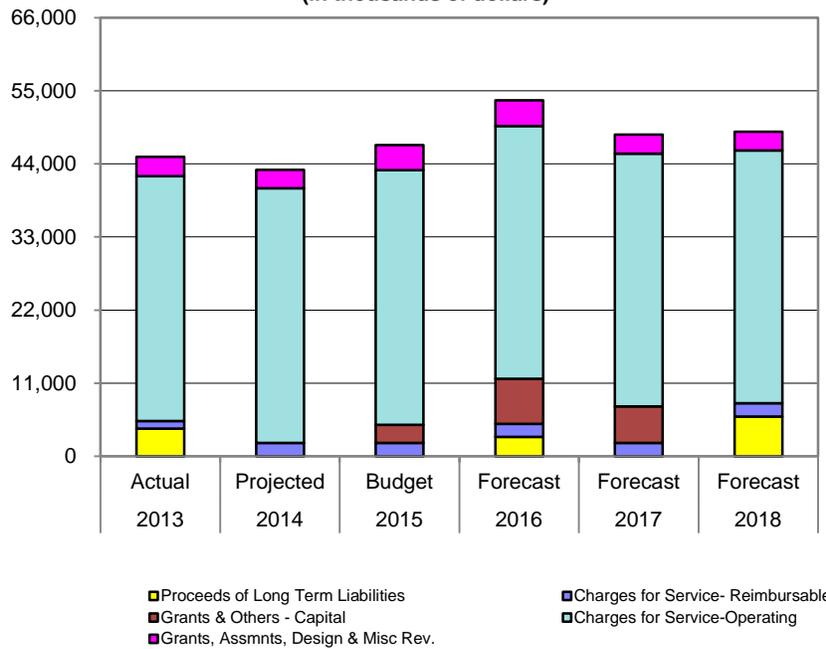
*Revenues*

The 2015 revenue budget totals \$46.8 million, compared to \$43.1 million projected for 2014, reflecting an increase of \$3.7 million, or 8.7%. Design revenues increased by \$1.1 million while revenues from County/State maintenance agreements decreased by \$100,000. The service revenue, estimated at \$38.3 million, is the same as the 2014 projection since the utility rate was continued at \$11.94 per ESU without a change from 2014. Capital programs funded by watershed districts are estimated to generate an additional \$2.7 million in revenue.

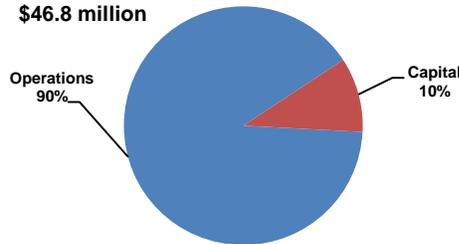
Planned rates:

<b>Year</b>	<b>Rate per ESU (Equivalent Stormwater Unit)</b>	<b>% Increase</b>	<b>Total Planned Revenue from Utility Fee</b>
2015	\$11.94	0.0%	\$38.3 million
2016	\$11.94	0.0%	\$38.0 million
2017	\$11.94	0.0%	\$38.0 million
2018	\$11.94	0.0%	\$38.0 million
2019	\$11.94	0.0%	\$38.0 million

**Stormwater Fund Revenues**  
(in thousands of dollars)



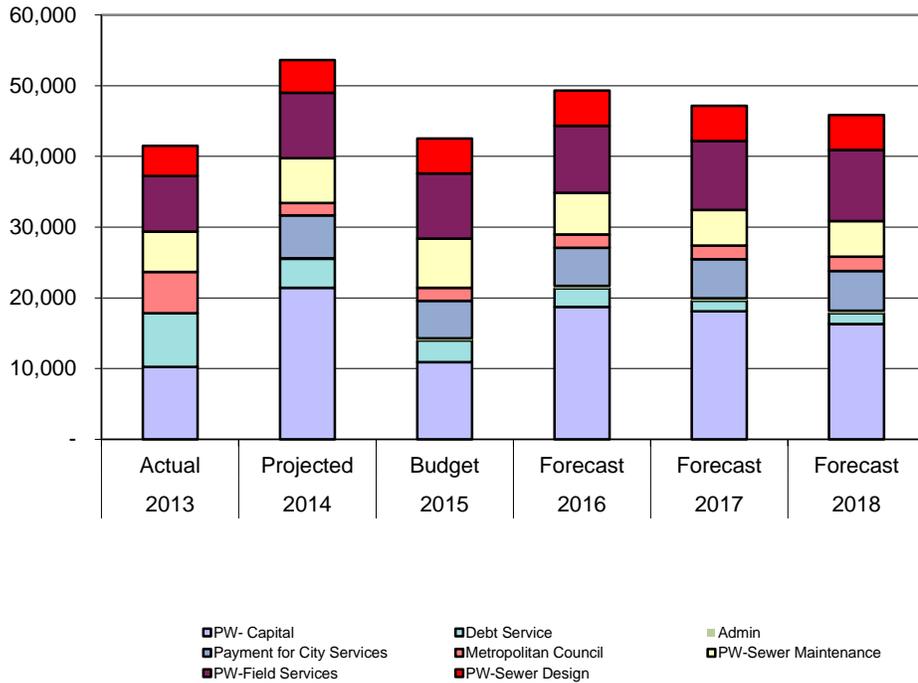
**Source of Funds**  
**\$46.8 million**



**Expenditures**

The 2015 total expenditure budget for the Stormwater Fund amounts to \$43.0 million compared to \$53.6 million projected for 2014, a decrease of \$10.6 million, or 19.8%. The fund's operating budget is used for design, maintenance, overflow programs, Met Council payments, and street cleaning. The operating budget for 2015 totals \$28.9 million which is \$700,000 more than the \$28.2 million projected for 2014. The increase is the result of expenditures related to Hiawatha facility improvement, Maximo project, additional personnel and FTE adjustments. Capital programs are estimated at \$10.9 million compared to \$21.4 million projected for 2014. For 2015, \$6.2 million of capital projects are Storm revenue funded, \$2.7 million of capital projects are funded by watershed districts, and the remaining \$2.0 million are pay-as-you go. The 2015 budget anticipates a decrease in net position of \$5.1 million due to an additional \$8.9 million in deferred capital expenditures approved in prior years.

### Stormwater Fund Expenditures (in thousands of dollars)



#### *Combined Sewer Overflow (CSO)*

The Combined Sewer Overflow project started in 2004. Working with property owners, this project aims to identify and disconnect roof drain overflow from the sanitary system. This is an on-going program. For 2015, \$500,000 has been allotted in the operating budget with additional funding coming from the Capital programs.

#### *Debt Service & Transfers*

The 2015 budget includes funding for debt service payments that are primarily for bonds that have been previously sold to finance the Combined Sewer Overflow (CSO) and flood mitigation programs. For 2015, debt service payments are estimated at \$3.0 million compared to \$4.1 million projected for 2014. Transfers out of this fund cover environmental services programming and CARS funding.

#### **Mayor’s Recommended Budget**

The Mayor has proposed a stormwater rate of \$11.94 per ESU for 2015, unchanged from 2014.

**City of Minneapolis  
2015 Budget  
Financial Plan (in thousands of dollars)**

**Storm Water Sewer Fund - 7300**

	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Chg From 2014 Projected	2016 Forecast	2017 Forecast	2018 Forecast
<b>Source of Funds:</b>									
Federal Government	210	49							
State Government	1,115	1,157	1,158	1,158	1,168	0.8%	1,168	1,168	1,168
Local Government	400	291	400	400	312	-22.0%	312	312	312
Charges for Service-Operating	36,694	36,830	38,319	38,319	38,313	0.0%	38,013	38,013	38,013
Design & Misc Revenues	1,834	1,146	1,230	1,230	2,319	88.6%	2,397	1,374	1,341
Special Assessments	966	279	-	-	-		-	-	-
Grants Proceeds/Others - Capital					2,735	100.0%	6,783	5,525	-
Charges for Service-Capital	1,382	1,120	2,000	2,000	2,000		2,000	2,000	2,000
Proceeds of Long Term Liabilities	3,272	4,180	7,700	-	-		2,900	-	6,000
<b>Total</b>	<b>45,873</b>	<b>45,051</b>	<b>50,807</b>	<b>43,107</b>	<b>46,847</b>	<b>8.7%</b>	<b>53,573</b>	<b>48,392</b>	<b>48,835</b>
<b>Use of Funds:</b>									
PW-Sewer Design	4,076	4,249	5,859	4,656	4,923	5.7%	4,993	4,975	4,959
PW-Field Services	7,994	7,868	9,264	9,264	9,490	2.4%	9,469	9,757	10,054
PW-Sewer Maintenance	4,191	5,703	7,009	6,336	6,965	9.9%	5,866	5,032	5,043
Metropolitan Council	5,329	5,829	6,536	1,725	1,844	6.9%	1,899	1,956	2,015
Payment for City Services				6,053	5,298	-12.5%	5,380	5,493	5,609
Admin				117	342	100.0%	350	359	368
Debt Service	7,265	7,602	4,085	4,085	3,030	-25.8%	2,600	-	-
Future Debt Service	-	-	-	-	-		-	1,505	1,505
Transfers	1,245	-	-	-	231		-	-	-
PW- Capital	7,734	10,240	17,505	21,408	10,920	-49.0%	18,738	18,080	16,315
<b>Total</b>	<b>37,834</b>	<b>41,491</b>	<b>50,259</b>	<b>53,643</b>	<b>43,042</b>	<b>-19.8%</b>	<b>49,296</b>	<b>47,157</b>	<b>45,866</b>
Def.Capital Proj - Rev Funded					8,920		7,700	40	-
<b>Change in Net Assets</b>	<b>8,039</b>	<b>3,560</b>	<b>548</b>	<b>(10,537)</b>	<b>(5,115)</b>		<b>(3,423)</b>	<b>1,195</b>	<b>2,968</b>
<b>Net Asset Balance</b>	<b>299,594</b>	<b>311,577</b>	<b>312,125</b>	<b>301,040</b>	<b>295,924</b>		<b>292,502</b>	<b>293,697</b>	<b>296,666</b>
<b>Cash Balances</b>	<b>33,223</b>	<b>36,354</b>	<b>36,908</b>	<b>25,822</b>	<b>20,707</b>		<b>17,284</b>	<b>18,479</b>	<b>21,447</b>
Construction Cash	4,185	6							
<b>Total Cash Balance</b>	<b>37,409</b>	<b>36,360</b>	<b>36,908</b>	<b>25,822</b>	<b>20,707</b>		<b>17,284</b>	<b>18,479</b>	<b>21,447</b>

**City of Minneapolis  
2015 Budget  
Financial Plan**

**Water Treatment and Distribution Services Fund**

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**Background**

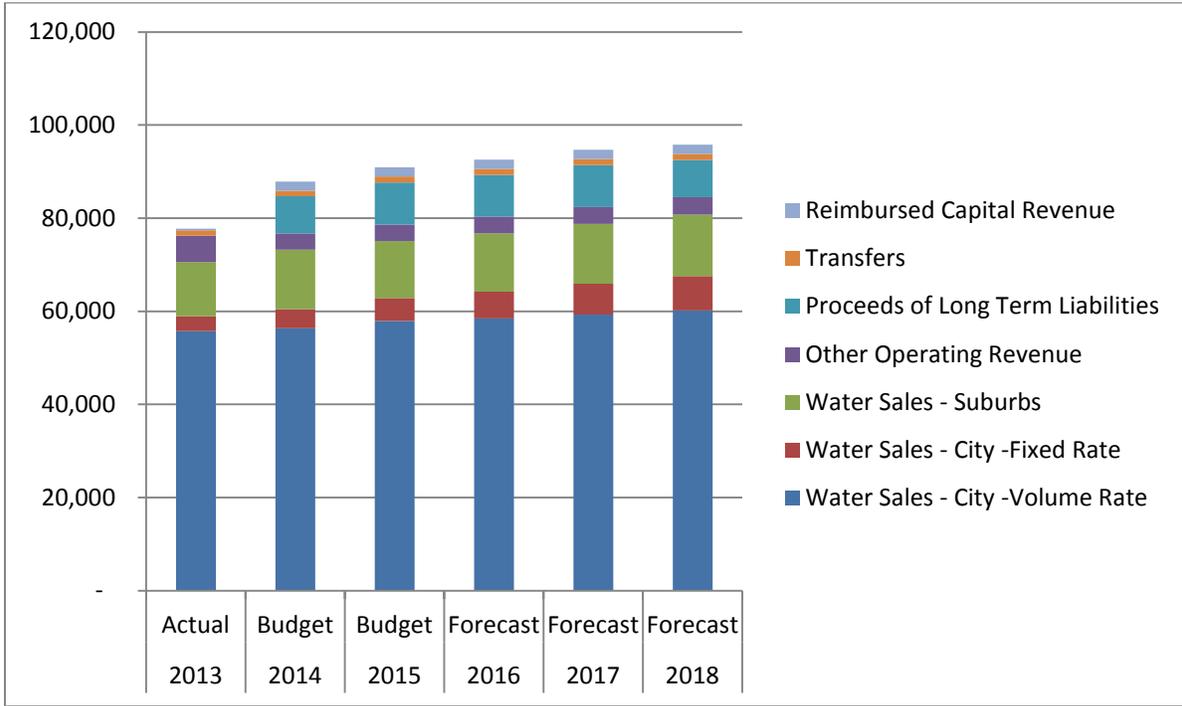
The Water Treatment and Distribution Services Fund accounts for water production and distribution costs for the City of Minneapolis and several suburban customers, as well as for the related capital improvement program. The City currently sells water to seven suburbs including Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, Edina, and the Metropolitan Airport Commission.

**Historical Financial Performance**

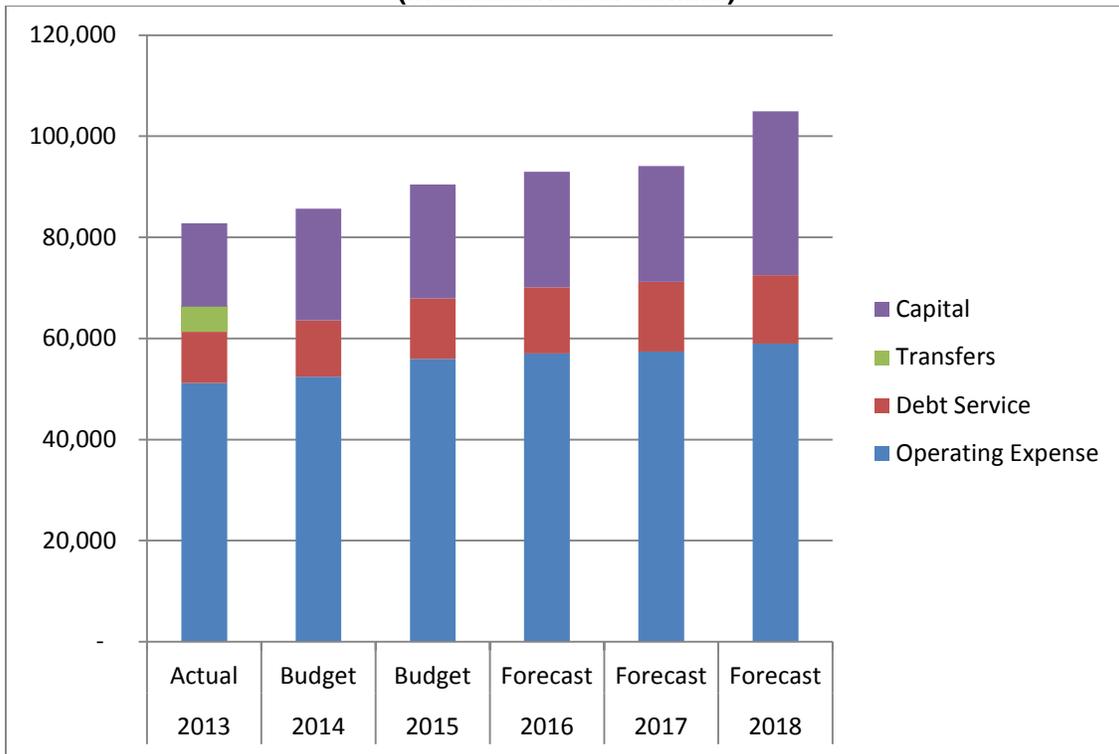
The net position of the Water Fund has increased over the past several years due primarily to scheduled rate increases and major capital improvements. The following table shows the revenue earned from Minneapolis and suburban sales for years 2012 – 2013, the projected 2014 revenue, and the 2015 budgeted revenue:

<b>Source of Revenue</b>	<b>2012</b>	<b>2013</b>	<b>2014 Projected</b>	<b>2015 Budget</b>
Bloomington	\$3,649,480	\$3,385,177	\$3,761,924	\$3,252,444
Columbia Heights	1,273,934	1,168,255	1,298,274	1,296,165
Hilltop	76,813	74,920	83,258	77,479
Joint Water Commission	6,849,525	5,903,381	6,560,387	6,478,860
Edina	246,533	238,592	265,146	253,155
MAC	880,656	836,893	930,034	887,111
<b>Total Suburban</b>	<b>\$12,976,941</b>	<b>\$11,607,219</b>	<b>\$12,899,024</b>	<b>\$12,245,215</b>
Volume Rate	\$56,249,333	\$55,738,712	\$55,499,176	\$57,922,085
Fixed Rate	3,216,611	3,230,251	4,808,995	4,930,038
<b>Total Minneapolis</b>	<b>\$59,465,944</b>	<b>\$58,968,963</b>	<b>\$60,308,171</b>	<b>\$62,852,123</b>
<b>Total Revenue</b>	<b>\$72,442,885</b>	<b>\$70,576,182</b>	<b>\$73,207,195</b>	<b>\$75,097,338</b>

### Water Fund Revenues (In thousands of dollars)



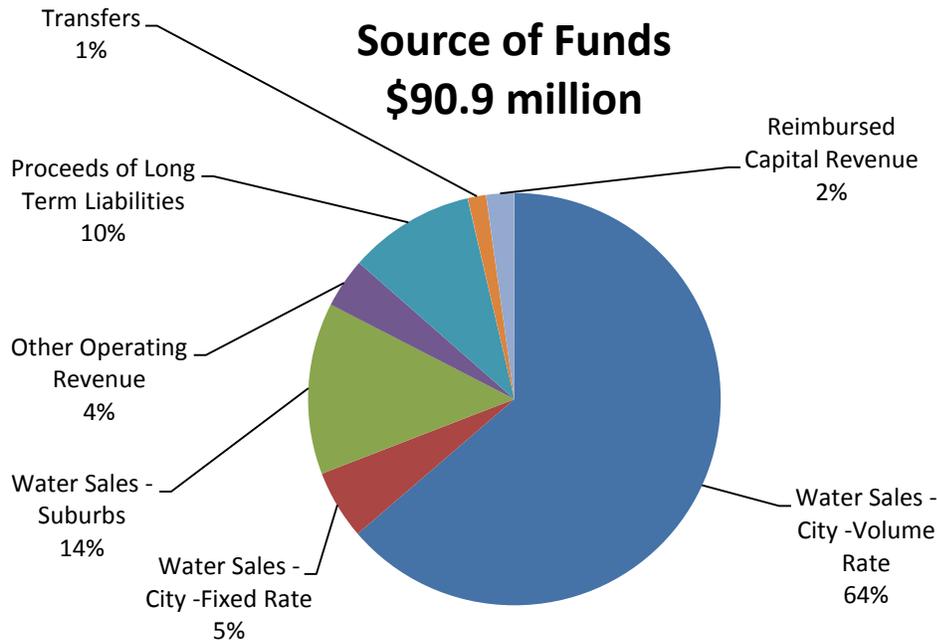
### Water Fund Expenses (In thousands of dollars)



## 2015 Budget

### Revenues

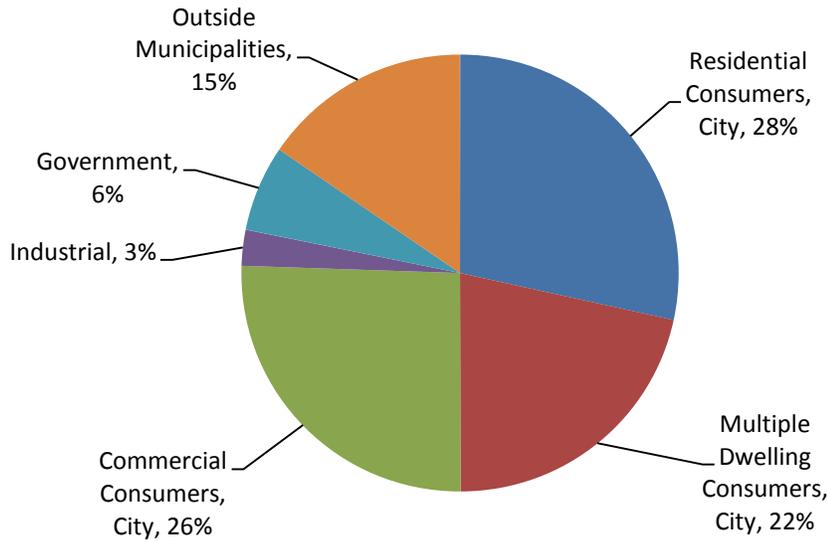
The 2015 revenue budget of \$90.9 million is \$3.0 million higher than the 2014 revenue budget of \$87.9 million. This increase is almost entirely related to bond proceeds that will be used to finance the rehabilitation of the Fridley filter plant and the replacement of the recarbonation system. There are also projected rate increases for the years 2015 – 2018 to pay debt service for the capital program expenses and to repair infrastructure as well as to cover anticipated growth in operating expenses.



### Water Utility Rates

The budget includes a fixed rate charge based on meter size as well as a variable rate charge of \$3.37/unit. The fixed rate charge helps to cover the high fixed costs of operating the utility which increases the utility's financial stability as it continues to operate in an environment of declining consumption due to conservation efforts.

**Charges for Services by Customer Consumption  
(Based on 2013 Consumption)**



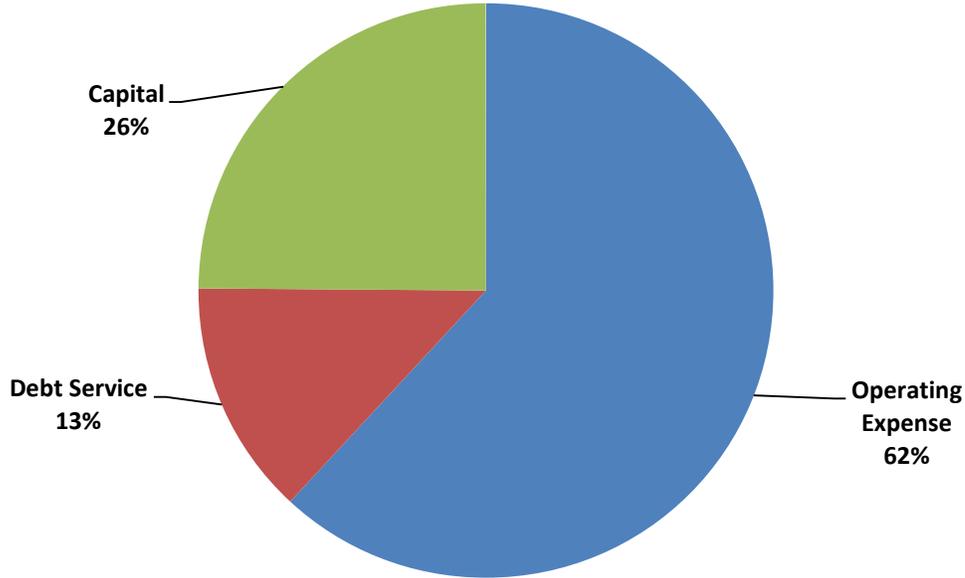
**Projected Revenue from City Water Sales**

Year	Fixed Rate (5/8" Meter)	Rate (cost per 100 cubic feet)	Total Cost Per Month for Average Consumer <sup>1</sup>	Total % Increase	Total Monthly Cost Increase per Household	Total Planned Revenue from Utility Fee
2013	\$2.00	\$3.29	\$25.03	2.58%	\$0.63	\$58.9 Million
2014	\$2.50	\$3.32	\$25.74	2.84%	\$0.71	\$60.5 Million
2015	\$3.00	\$3.37	\$26.59	3.30%	\$0.85	\$62.8 Million
2016	\$3.50	\$3.42	\$27.44	3.20%	\$0.85	\$64.2 Million
2017	\$4.00	\$3.47	\$28.29	3.10%	\$0.85	\$65.9 Million
2018	\$4.50	\$3.52	\$29.14	3.00%	\$0.85	\$67.6 Million

**Projected Revenue from Suburban Water Sales**

Year	% Increase	Total Revenue Earned from Utility Fee - Suburbs
2013	-10.56%	\$11.6 Million
2014	10.09%	\$12.8 Million
2015	-4.18%	\$12.2 Million
2016	2.13%	\$12.5 Million
2017	2.67%	\$12.8 Million
2018	2.60%	\$13.1 Million

## Use of Funds \$90.8 Million



### *Expenditures*

The 2015 expense budget is \$90.8 million, a 6.0% increase over 2014 budgeted expenses of \$85.6 million. The budget provides funding for water production and distribution and the capital improvement program. Current capital projects include improvements to the water distribution network, treatment infrastructure improvements, rehabilitation of the Fridley filter facility and replacement of the distribution maintenance facility. The 2015 capital budget of \$22.5 million represents a 1.8% increase from the 2014 capital budget.

### *Debt Service and Transfers*

The debt service total of \$12 million is for bonds and notes sold to finance the Water Fund's Capital Construction program. Transfers out of this fund cover the cost of CARS funding requests.

**City of Minneapolis**  
**2015 Budget**  
**Financial Plan (In thousands of dollars)**  
**Water Fund - 7400**

	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Chg from 2014 Budget	2016 Forecast	2017 Forecast	2018 Forecast
<b>Source of Funds:</b>									
Water Sales - City									
Volume Rate	56,249	55,739	56,365	55,499	57,922	2.8%	58,449	59,318	60,188
Fixed Rate	3,217	3,230	4,108	4,809	4,930	20.0%	5,752	6,573	7,395
Water Sales - Suburbs	12,977	11,607	12,779	12,899	12,245	-4.2%	12,507	12,840	13,174
Other Operating Revenue	2,779	5,661	3,446	4,238	3,524	2.3%	3,571	3,644	3,718
Proceeds of Long Term Liabilities	215	-	8,000	6,000	9,000	12.5%	9,000	9,000	8,000
Transfers									
From Sewer Fund for Meter Shop	994	1,149	1,157	1,157	1,285	11.1%	1,285	1,285	1,285
From General Fund	-	22	27	27	25	-7.4%	25	25	25
Reimbursed Capital Revenue	759	364	2,000	2,000	2,000		2,000	2,000	2,000
<b>Total</b>	<b>77,190</b>	<b>77,772</b>	<b>87,882</b>	<b>86,629</b>	<b>90,931</b>	<b>3.5%</b>	<b>92,589</b>	<b>94,685</b>	<b>95,785</b>
<b>Use of Funds:</b>									
Operating Expense	47,085	51,206	52,424	50,140	55,962	6.7%	57,018	57,407	59,013
Debt Service	10,273	10,106	10,454	10,454	10,691	2.3%	10,906	10,928	10,015
Future Debt Service	-	-	670	-	1,282	91.3%	2,218	2,865	3,513
Transfers					367				
To Debt Service for MERF Liability	4,992	-	-	-	-		-	-	-
Capital	12,683	16,456	22,100	22,100	22,495	1.8%	22,800	22,900	32,400
<b>Total</b>	<b>75,033</b>	<b>77,768</b>	<b>85,648</b>	<b>82,694</b>	<b>90,797</b>	<b>6.0%</b>	<b>92,942</b>	<b>94,100</b>	<b>104,941</b>
<b>Water Fund Margin</b>	<b>2,157</b>	<b>4</b>	<b>2,234</b>	<b>3,935</b>	<b>134</b>	<b>-94.0%</b>	<b>(353)</b>	<b>585</b>	<b>(9,156)</b>
<b>Water Net Position</b>	<b>197,186</b>	<b>197,186</b>	<b>199,420</b>	<b>201,121</b>	<b>201,255</b>	<b>0.9%</b>	<b>200,902</b>	<b>201,487</b>	<b>192,331</b>
<b>Cash Balance</b>	<b>19,067</b>	<b>18,963</b>	<b>21,197</b>	<b>22,898</b>	<b>24,669</b>	<b>16.4%</b>	<b>24,315</b>	<b>24,900</b>	<b>15,744</b>

**City of Minneapolis  
2015 Budget  
Financial Plan**

**Public Works Stores Fund**

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**Background**

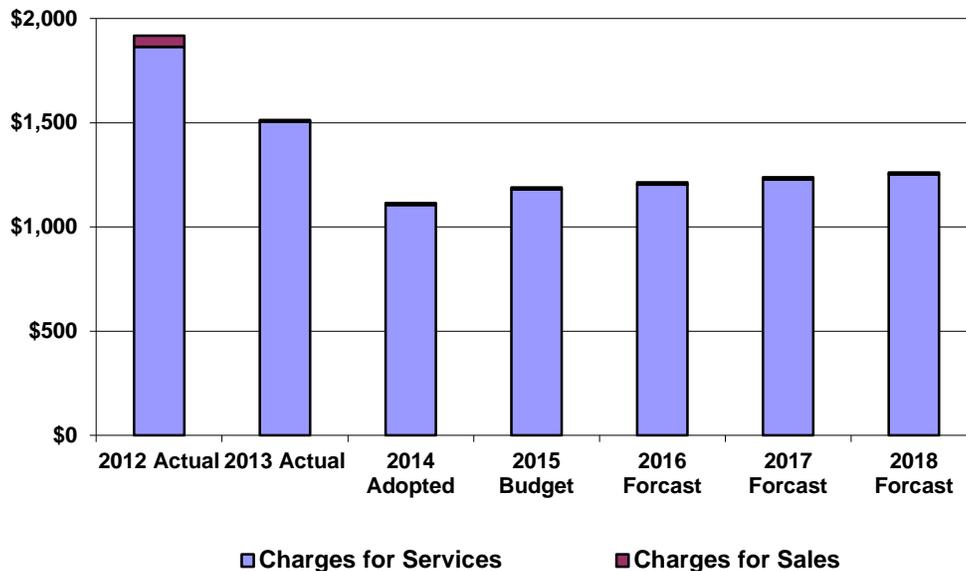
The Public Works Stores Fund accounts for the centralized procurement, receiving, warehousing, and distribution of stocked inventory items and the purchase of special goods and services through Central Stores and Public Works Traffic Stores.

**Historical Financial Information**

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

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

**Public Works Stores Revenue**  
(in thousands of dollars)



## 2015 Budget

### Revenues

Revenues for 2015 are budgeted at \$1.19 million, a decrease of 2.9% from the 2014 projected revenue of \$1.23 million. Revenues for 2014 are projected to be higher than budgeted due to an increase in inventory transactions processed by both Central Stores and Traffic Stores. The 2014 revenue budget was calculated using historical levels of inventory sales.

### Expense

The 2015 expense budget of \$1.05 million is a 1.8% increase from the 2014 projected expense of \$1.04 million. There are no significant planned changes for expenses.

### Transfers

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

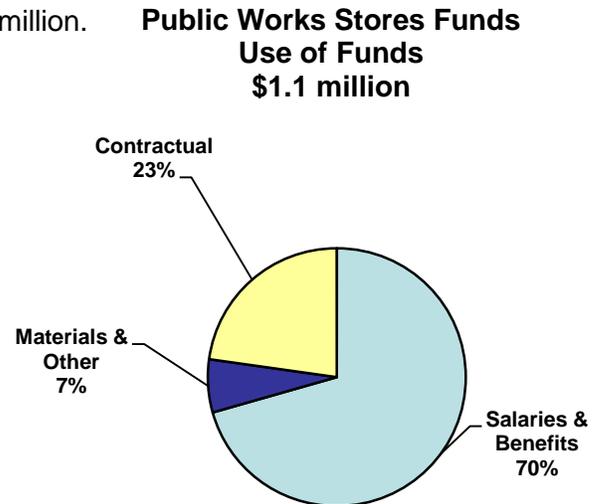
### Debt Service

This fund does not have any long-term debt.

### Net Position and Cash Balance

The year-end net position for 2013 was \$4.1 million, an increase of \$394,000 from the ending net assets of \$3.7 million in 2012. The financial policy for the net position for this fund determines that the fund should maintain a net position, at a minimum, equal to 15% of the operating budget. For the year ending 2013, the benchmark for net assets is \$0.2 million and the fund exceeded the benchmark by \$3.9 million.

The fund has experienced a negative cash balance since year-end 2006 when the balance was a deficit of \$(900,000). By 2011, the deficit had increased to \$(1,027,000). In 2013 the deficit cash balance decreased to \$(179,000) and is projected to continue to improve and achieve a positive balance by year-end 2014.



**City of Minneapolis**  
**2015 Budget**  
**Financial Plan (in thousand of dollars)**  
**PW Stores Fund - 6300\***

	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Chg From 2014 Projected	2016 Forecast	2017 Forecast	2018 Forecast
<b>Source of Funds:</b>									
Charges for Services	1,865	1,506	1,105	1,215	1,180	-2.9%	1,200	1,225	1,275
Charges for Sales	54	8	10	10	10	0.0%	10	10	10
<b>Total</b>	<b>1,919</b>	<b>1,514</b>	<b>1,115</b>	<b>1,225</b>	<b>1,190</b>	<b>-2.9%</b>	<b>1,210</b>	<b>1,235</b>	<b>1,285</b>
<b>Use of Funds:</b>									
Salaries and Fringes	727	790	715	730	744	1.9%	759	774	789
Contractual Services	310	313	273	275	240	-12.7%	245	250	255
Materials and Other	99	16	71	70	70	0.7%	72	73	75
Transfers	117	-	-	-	-	0.0%	-	-	-
<b>Total</b>	<b>1,253</b>	<b>1,120</b>	<b>1,059</b>	<b>1,075</b>	<b>1,054</b>	<b>-1.9%</b>	<b>1,075</b>	<b>1,097</b>	<b>1,119</b>
<b>Change in Net Position</b>	<b>667</b>	<b>394</b>	<b>56</b>	<b>150</b>	<b>136</b>		<b>135</b>	<b>139</b>	<b>166</b>
<b>Net Position</b>	<b>3,692</b>	<b>4,089</b>	<b>4,145</b>	<b>4,239</b>	<b>4,375</b>		<b>4,510</b>	<b>4,649</b>	<b>4,815</b>
<b>Cash Balance</b>	<b>(163)</b>	<b>(179)</b>	<b>(123)</b>	<b>(29)</b>	<b>107</b>		<b>242</b>	<b>381</b>	<b>547</b>
<b>Target Cash Reserve<sup>1</sup></b>	<b>158</b>	<b>159</b>	<b>159</b>	<b>156</b>	<b>158</b>		<b>161</b>	<b>165</b>	<b>168</b>
<b>Variance Cash to Target Reserve</b>	<b>(321)</b>	<b>(337)</b>	<b>(282)</b>	<b>(185)</b>	<b>(51)</b>		<b>81</b>	<b>217</b>	<b>380</b>

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

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

Note: The 2015-2018 forecasts for use of funds are calculated using a factor of 2.0% to capture increases in expense.

**City of Minneapolis  
2015 Budget  
Financial Plan**

**Engineering Materials and Testing Special Revenue Fund**

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**Background**

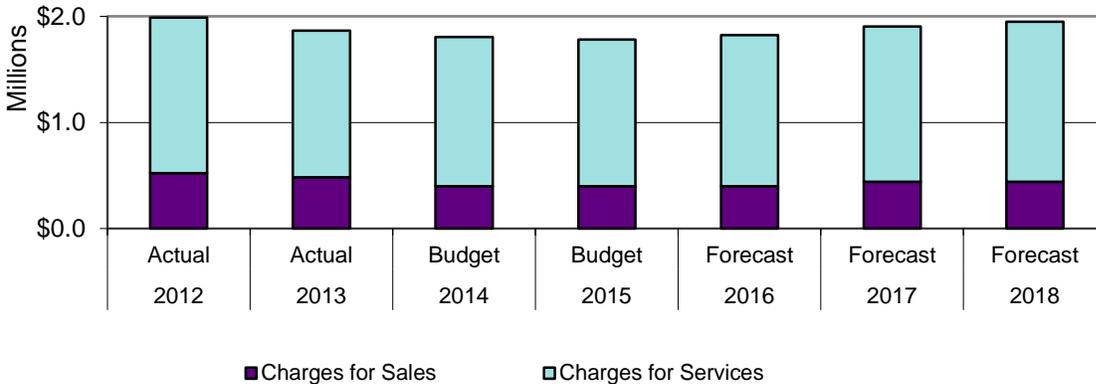
The Engineering Materials and Testing Fund accounts for City purchases of hot-mix asphalt and ready-mix concrete in order to ensure compliance with State and Federal standards and specifications, and to provide quality control of these materials. The Engineering Laboratory is a component of this fund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

**Historical Financial Performance**

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

The decision to suspend operations at the asphalt plant at the end of 2003 resulted in a \$777,000 loss on the disposal of this asset and a decrease in net assets of \$709,000. From 2003 through 2008, this fund had a decrease in net assets of \$1.5 million of which \$777,000 is due to the loss on the disposal of the asphalt plant. In 2013, the net assets increased \$391,000 bringing the ending balance from \$1.6 million in 2012 to \$2.0 million in 2013. The cash balance increased from a balance of \$1.7 million in 2012 to a balance of \$2.1 million in 2013.

**Engineering Materials and Testing Revenues**



**2015 Budget**

*Revenues*

The 2015 revenue budget is \$1.8 million, a slight 3.2% decrease from the 2014 projected revenue of \$1.8 million. In 2014, it is projected that revenue will be consistent with the 2014 budgeted amount due to adjusting both overhead and lab billing rates downward. This

adjustment was made during 2013 and the rates continue to be reviewed to ensure accurate capture of revenue sufficient to cover expenses.

This fund generates revenue from testing and inspection services provided by the Engineering Lab and the sale of

concrete and asphalt from outside vendors to other City departments. Product types and quantities are identified for customer departments. A cost allocation model determines product costs to allow the fund to generate revenues that match operating expenditures. The 2015 revenue budget includes \$1.4 million earned from charges for services provided by the Engineering Lab and \$400,000 as mark up on the sale of asphalt and concrete.

*Expenditures*

The 2015 expense budget is \$1.8 million, a slight increase of 5.4% from the 2014 projected expense of \$1.8 million. The increase is primarily due to plans to hire two additional engineering technicians to work in the lab.

*Transfers*

There are no transfers scheduled in 2015 for this fund.

*Debt Service*

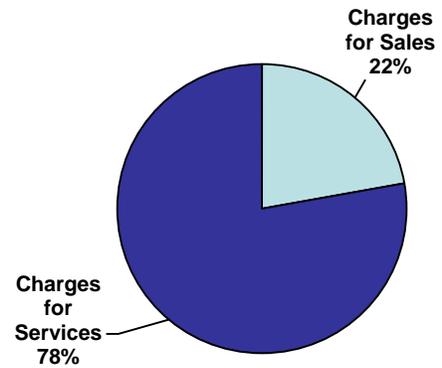
This fund does not have any long-term debt.

*Net Position and Cash Balance*

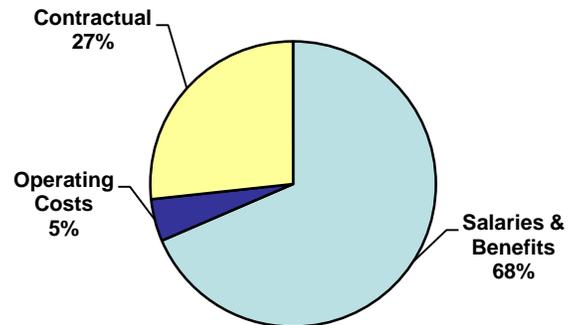
The Engineering, Materials and Testing Fund has a positive net position of \$2.0 million at year-end 2013, an increase of \$391,000 from the 2012 ending position of \$1.6 million. The net position is projected to be \$2.1 million at the end of 2014 and to decrease slightly to \$2.0 million in 2015. The financial policy for the net position for this fund determines that the fund should maintain a net position equal to 15% of the operating budget. For the year ending 2013, the benchmark for net position is \$0.2 million and the fund exceeded the benchmark by \$1.8 million. The net position is projected to exceed the benchmark of \$0.3 million for 2014 and 2015 by \$1.8 million each year.

The 2012 year-end cash balance was \$2.1 million, an increase of \$379,000 from the 2012 year-end balance of \$1.7 million. Financial reserve policies for the internal service funds determine that the cash reserve target for the Engineering, Materials and Testing fund should not be less than 15% of the operating budget, or \$0.2 million for 2013. The fund exceeded the benchmark by \$1.9 million. The cash balance is projected to be \$2.2 million in both 2014 and 2015, exceeding the cash reserve benchmark each year by \$1.9 million.

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



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



**City of Minneapolis**  
**2015 Budget**  
**Financial Plan (in thousands of dollars)**  
**Engineering, Materials and Testing - 6000**

	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Chg From 2014 Projected	2016 Forecast	2017 Forecast	2018 Forecast
<b>Source of Funds:</b>									
Charges for Services	1,468	1,381	1,406	1,450	1,381	-4.7%	1,423	1,465	1,509
Charges for Sales	521	484	400	390	400	2.6%	400	440	440
<b>Total</b>	<b>1,989</b>	<b>1,865</b>	<b>1,806</b>	<b>1,840</b>	<b>1,781</b>	<b>-3.2%</b>	<b>1,823</b>	<b>1,905</b>	<b>1,949</b>
<b>Use of Funds:</b>									
Personnel Services	826	950	1,209	1,210	1,274	5.3%	1,299	1,325	1,352
Contractual Services	454	410	471	458	482	5.3%	492	502	512
Materials and other	56	89	84	80	86	7.4%	88	89	91
Transfers Out	195	-	-	-	-	0.0%	-	-	-
<b>Total</b>	<b>1,530</b>	<b>1,449</b>	<b>1,764</b>	<b>1,748</b>	<b>1,842</b>	<b>5.4%</b>	<b>1,877</b>	<b>1,915</b>	<b>1,953</b>
<b>Change in Net Position</b>	<b>394</b>	<b>391</b>	<b>42</b>	<b>92</b>	<b>(61)</b>		<b>(54)</b>	<b>(10)</b>	<b>(3)</b>
<b>Net Position</b>	<b>1,584</b>	<b>1,975</b>	<b>2,017</b>	<b>2,067</b>	<b>2,006</b>		<b>1,952</b>	<b>1,942</b>	<b>1,939</b>
<b>Cash Balance</b>	<b>1,746</b>	<b>2,125</b>	<b>2,167</b>	<b>2,217</b>	<b>2,156</b>		<b>2,102</b>	<b>2,092</b>	<b>2,089</b>
<b>Target Cash Reserve<sup>1</sup></b>	<b>248</b>	<b>233</b>	<b>265</b>	<b>262</b>	<b>276</b>		<b>282</b>	<b>287</b>	<b>293</b>
<b>Variance Cash to Target Reserve</b>	<b>1,498</b>	<b>1,892</b>	<b>1,902</b>	<b>1,955</b>	<b>1,880</b>		<b>1,820</b>	<b>1,805</b>	<b>1,796</b>

<sup>1</sup>The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Engineering, Materials and Testing Fund should be maintained at a minimum of 15% of the operating budget.

Note: The 2016-2018 forecasts for source and use of funds are calculated using a factor of approximately 2.0% to capture increases in revenues and expense.

**City of Minneapolis  
2015 Budget  
Financial Plan**

**Intergovernmental Services Fund**

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**Background**

The Intergovernmental Services Fund accounts for all of the operations of the Information Technology Department (IT) including information and technology functions, the managed services contract with Unisys, the Project Management Office (PMO), and telecommunications operations. Information Technology activities account for 95.2% 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. A portion of the Human Resources budget that is designated for internal training is included in this fund, representing 0.9% of operating activities.

The City Council approved a long-term financial plan for the Intergovernmental Services Fund in September 2000, to resolve both the annual operating deficit and accumulated cash deficits in this fund. Since year-end 2002, the fund has achieved positive increases to its net position bringing the balance from a deficit of \$(40.8) million in 2002 to a positive net position of \$37.4 million in 2013. For 2014, the fund is projected to increase net position by \$17.9 million for an ending net positions of \$55.3 million.

The deficit in this fund was partially due to debt issued to finance technology purchases. The long-term financial plan addressed this issue by providing cash transfers to pay off the debt. Debt service payments totaling \$10.7 million in 2011 and \$9.6 million in 2012 extinguished all debt related to the past deficits. In 2013 and 2014, an additional \$3.8 million of debt will be retired resulting in a total outstanding debt balance at year-end 2014 of \$0.5 million. This debt will be paid through transfers from the bond redemption fund.

In 2013, IT incurred \$4.8 million of expense for technology projects. The PMO office charges City departments for the cost of purchasing or creating technology enhancements and provides quality, low-cost project management for implementing these technology-related projects. The charges to City departments are calculated to generate enough revenue to cover the overhead expense of the department. In addition, the City Council appropriated \$1.2 million for technology capital projects in 2013 which are funded by net debt bonds. For 2014 and 2015, the City Council approved \$2.1 million and \$2.9 million, respectively, for technology capital projects. The majority of the funding for technology projects is derived from City departments' operating budgets.

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

- *Information Operations Platform*, The City is participating in the IBM First-of-a-Kind project to create solutions for cross department coordination leveraging analytics and optimization, business process modeling and asset management technologies. These advanced technology solutions will leverage the citywide wireless network, Strategic Information Center, and camera infrastructure already in place at the City of Minneapolis.

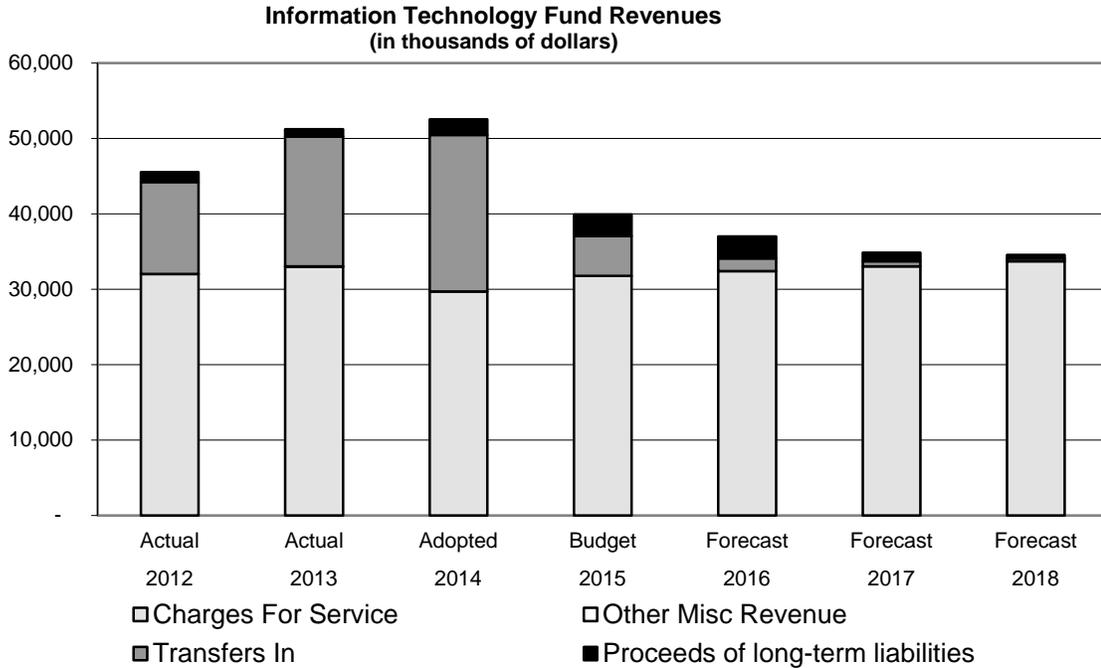
- *Enterprise Land Management*, The City will acquire and implement a system that will provide workflow automation and transaction processing for the City's emergency response resource management, regulatory enforcement, inspections, permitting, development, planning, and constituent self-service and other land management and reporting processes, among many other department-specific projects. The project is expected to be completed in 2016.
- *Enterprise Resource Planning (ERP) Program*: The City will acquire and implement upgrades to the current PeopleSoft systems: financial reporting (Compass), HRIS including HCM (Human Capital Management) and ELM (Enterprise Learning Management), and Business Intelligence (Cognos reporting). The implementation enables more effective integration and collaboration of the components through the ERP perspective resulting in enhanced business processes, better data, and improved financial and HR reports. Hardware and database upgrades were completed in 2013 and the system-wide completion date is June 2015.

The net position in this fund will remain positive as it continues to provide services to City departments with charges determined through its allocation model and collect fees for service with PMO. The allocation model assigns costs to customers based on usage of enterprise-wide applications and customer specific services. The net position of the fund increases primarily as a result of the capitalization of technology projects.

### **Historical Financial Performance**

The net position of the fund was affected by the realignment of fixed assets and its related debt to the Intergovernmental Services Fund. This change in accounting caused a one-time adjustment of a negative \$21.7 million to the fund's net position. Although this negative adjustment caused fund net position to have a balance of negative \$40.8 million at year-end 2002, it better represented the financial condition of the fund and the importance of implementing the strategies to meet the guidelines of the financial plan. This trend has been reversed and at year-end 2013, net position had improved to \$37.4 million.

The updated long-term financial plan projected the net position at year-end 2013 to increase to \$35.9 million. The actual net position at year-end 2013 was \$37.4 million, representing an increase of \$10.0 million from the 2012 ending balance of \$27.4 million. The fund's cash balance has also increased as projected in the long-term financial plan. From 2003 to 2013 the cash balance increased by \$35.5 million from a deficit of \$(3.2) million to a positive of \$32.3 million at year-end 2013. It should be noted that included in the cash balance is \$12.9 million of unearned revenue, or cash received from other City departments as prepayment for future technology projects. In addition, the general fund transfer to the Intergovernmental Services fund increased by \$3.7 million in 2013 contributing to the increase in cash.



## 2015 Budget

### Revenues

The 2015 revenue budget is \$39.9 million, a decrease of 35.5% from the 2014 projected revenue of \$61.8 million. The primary reason for the decrease in revenue is a reduction of \$15.5 million in the amount transferred in from the general fund. The original financial plan required that this fund receive an annual transfer from the general fund to assist in the cost of providing information technology services. Revenue transfers from the general fund in 2013 and 2014 are \$14.2 million and \$19.0 million respectively. The transfer in from the general fund in 2014 includes \$5.2 million of approved funding through the Capital Asset Request System (CARS) Allocation for the Enterprise Resource Management Upgrade project. In addition, the fund will receive transfers from the bond redemption fund of \$0.7 million in 2014 and \$0.5 million in 2015. Beginning in 2015, the fund will not receive a transfer from the general fund to finance the payment for outstanding net debt bonds. The outstanding debt significantly decreased to a year-end balance of \$2.2 million from 2012 to 2013. For fiscal years 2011 through 2016, the Self Insurance Fund transfers \$1.0 million to the Intergovernmental Services Fund annually.

Charges for service are increased in 2015 as compared to the 2014 original budgeted amount due to additional revenue received from City departments through the cost allocation model and from charges directly to City departments for additional customer specific IT services.

### Allocation Model Implications

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

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

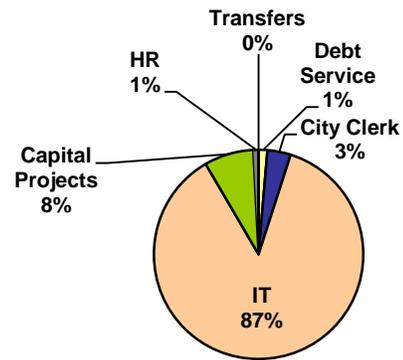
Revenue Assumptions (2015)	
Number of PC's	2,758
Number of telephones	2,883

**Expenses**

The 2015 expense budget is \$38.0 million, a decrease of 13.6% from 2014 projected expense budget. The decrease in the 2015 total expense budget is due to a \$5.6 million decrease in IT operating expense which is offset by a \$0.8 million increase in the capital project budget. The 2014 projected operating expense is \$9.8 million over the 2014 budget primarily due to expenses related to the Enterprise Resource Planning and the Enterprise Land Management projects that are expected to be completed in 2015 and 2016 respectively. The ERP project is partially funded through the CARS program and both projects received funding through department cost savings. Expense related to customer funded PMO projects is not included in the original operating budget. Operating expenses in the Intergovernmental Services Fund are comprised of the following:

salaries/benefits, contractual, operating, equipment. Of the total operating budget for 2015, the IT expense budget comprises 95.2%. A portion of the operating expenses of the City Clerk's office and Human Resources are included in this fund and comprise 3.9% and 0.9%, respectively, of the total operating budget. Capital expense for information technology investments are budgeted in the Intergovernmental Services Fund. Capitalized assets are reported in this fund as is the depreciation expense. For 2015, the capital budget is \$2.9 million, an increase of 39.0% from the 2014 budget primarily due to an additional \$1.0 million appropriated for the Police Report Management System Upgrade. In 2011, the fund began to pay \$1.5 million annually as loan repayment to the Convention Center, with final payment of \$1.75 million in 2016.

**Intergovernmental Services Fund  
Use of Funds by Department  
(\$38.0 million)**



**Transfers**

As of 2015, the Intergovernmental Services Fund does not receive a transfer in from the general fund to assist with debt payments as the majority of the debt obligations were retired in 2012. The fund does however receive a transfer from the general fund of \$0.2 million to fund City Hall rent as well as additional funding in general fund transfers for CARS projects. In addition, the fund receives a \$0.5 million transfer from the general debt service fund and a \$1.0 million transfer from the Self Insurance Fund. The City proprietary funds no longer transfer payments to the Minneapolis Employees Retirement Fund debt service as bonds related to this obligation were retired in 2012. The Intergovernmental Services Fund used fund balance as a revenue source for this payment and recovers this cost through the cost allocation model in years 2013 through 2015.

### *Debt Service*

In 2015, the fund will have a beginning bond liability of \$0.5 million. A debt service payment of \$1.7 million in 2014 including \$60,795 of interest will leave an ending balance of bonds payable of \$0.5 million at year end.

### *Net Position and Cash Balance*

The financial policy related to the net position for the Intergovernmental Services Fund determines that the net position should not fall below two times the fund's annual depreciation. The annual depreciation for 2014 is \$6.6 million and the projected year-end net position is \$55.3 million which brings the fund's projected net position \$42.1 million over the benchmark amount of \$13.2 million. The financial policy for cash balance states that the minimum cash balance should be equal to 15.0% of the fund's total budget. The year-end cash balance for 2013 was \$32.3 million. The fund had a 2013 total budget of \$31.9 million resulting in a benchmark amount of \$4.7 million. At year-end 2013, the fund's cash balance exceeded the benchmark by \$27.2 million. The cash balance is projected to increase significantly in 2014 due to a transfer in of \$19.0 million from the general fund. In the following years, the fund is projected to maintain a cash balance close to \$41.0 million and a net position that approximates \$56.0 million when operating revenues closely match operating expense and debt obligations are extinguished.

**City of Minneapolis  
2015 Budget  
Financial Plan (in thousands of dollars)**

**Intergovernmental Services Fund - 6400**

	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Chg From 2014 Projected	2016 Forecast	2017 Forecast	2018 Forecast
<b>Source of Funds:</b>									
Charges For Service	32,018	32,971	29,681	39,016	31,752	-18.6%	32,387	33,035	33,696
Other Miscellaneous Revenue	13	35	-	-	-		-	-	-
Operating Transfers In	12,185	17,240	20,771	20,771	5,296	-74.5%	1,674	655	388
Proceeds of Long term Liabilities	1,275	965	2,050	2,050	2,850	39.0%	2,950	1,150	450
<b>Total</b>	<b>45,491</b>	<b>51,211</b>	<b>52,502</b>	<b>61,837</b>	<b>39,899</b>	<b>-35.5%</b>	<b>37,011</b>	<b>34,840</b>	<b>34,534</b>
<b>Use of Funds:</b>									
Transfers	1,103	15	-	-	-		-	-	-
Debt Service	9,241	1,983	1,706	1,706	504	-70.5%	-	-	-
City Clerk	1,269	1,353	1,286	1,312	1,349	2.8%	1,376	1,404	1,432
Human Resources	272	302	277	250	301	20.3%	307	313	319
Information Technology	26,401	32,840	28,811	38,618	32,968	-14.6%	32,827	32,488	32,862
Capital Projects	1,000	1,371	2,050	2,050	2,850	39.0%	2,950	1,150	450
<b>Total</b>	<b>39,287</b>	<b>37,864</b>	<b>34,130</b>	<b>43,936</b>	<b>37,972</b>	<b>-13.6%</b>	<b>37,460</b>	<b>35,354</b>	<b>35,063</b>
<b>Change in Net Position</b>	<b>2,904</b>	<b>9,994</b>	<b>18,371</b>	<b>17,901</b>	<b>1,927</b>		<b>(449)</b>	<b>(514)</b>	<b>(529)</b>
<b>Net Position</b>	<b>27,410</b>	<b>37,404</b>	<b>55,775</b>	<b>55,305</b>	<b>57,231</b>		<b>56,782</b>	<b>56,268</b>	<b>55,739</b>
<b>Cash Balance<sup>1</sup></b>	<b>15,805</b>	<b>32,264</b>	<b>43,885</b>	<b>43,415</b>	<b>43,841</b>		<b>41,642</b>	<b>41,128</b>	<b>40,599</b>
<b>Target Cash Reserve</b>	<b>6,028</b>	<b>4,737</b>	<b>5,074</b>	<b>5,074</b>	<b>5,615</b>		<b>5,611</b>	<b>5,476</b>	<b>5,514</b>
<b>Variance Cash to Target Reserve</b>	<b>9,777</b>	<b>27,527</b>	<b>38,811</b>	<b>38,341</b>	<b>38,227</b>		<b>36,031</b>	<b>35,653</b>	<b>35,084</b>

<sup>1</sup> The cash balance for years 2014 through 2016 is reduced by \$1.5 million and \$1.75 million for repayment of Minneapolis Convention Center loan. At year end 2013, fund 06400 has a liability balance of \$12.9 million in unearned revenue resulting from prepayments by City departments for future IT projects. These prepayments result in an increase to the cash balance.

**City of Minneapolis  
2015 Budget  
Financial Plan**

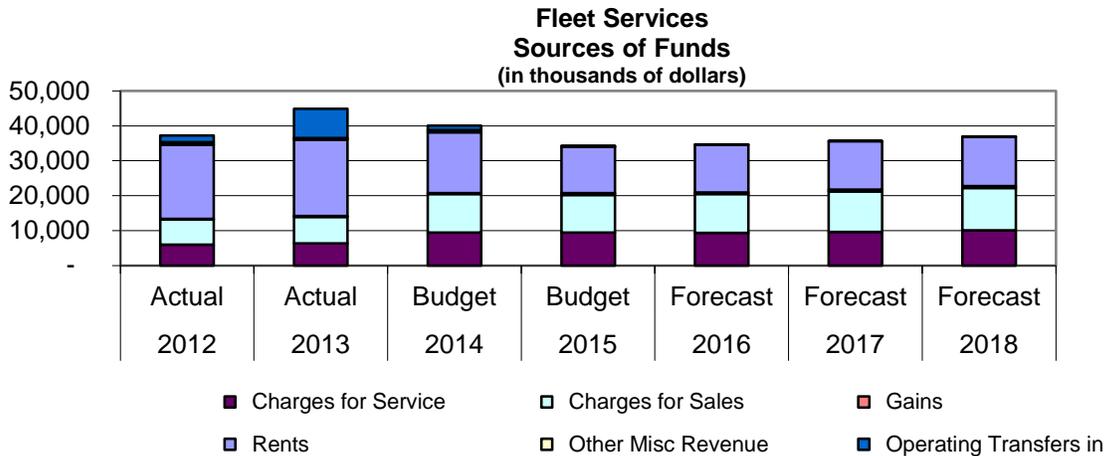
**Fleet Services Division Fund**

**Background**

The Fleet Services Division 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, and the fund manages the dispatch of City-owned and contractual equipment. The City’s fleet of vehicles and equipment has an acquisition value of \$74.7 million and accounts for 49.5% of the net value of the long-term assets in this fund.

**Historical Financial Performance**

In 2000, the fund had a deficit cash position of \$17.8 million due to costs of operation exceeding revenues collected from City departments. A long-term financial plan was developed in 2001 to generate sufficient revenue to cover the full cost of operations. The fund maintained a positive cash balance through 2012 with the exception of 2008 when the cash balance was a deficit of \$(49,000) at year end. At the end of 2013, the cash balance was \$18.9 million. The target cash reserve balance for this fund is \$4.1 million.



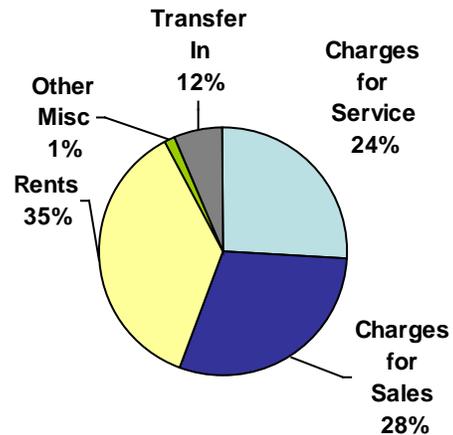
The original long-term financial plan financed fleet purchases by issuing general obligation bonds. Upgrading the fleet reduced the average age of the fleet, thereby reducing maintenance costs in the fund. Historically, the fund continued to follow the plan to maintain a positive cash balance, increase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

## 2015 Budget

### Revenue

The Fleet Services Division uses activity-based costing to bill internal customers for use of vehicles. This method establishes a fleet rental rate that covers the replacement cost of the vehicles after the useful life. Maintenance, repairs and fuel costs of the fleet are charged separately. These charges are billed at a rate that allows the Fleet Services Division to match revenue to expense. Total revenues for 2015 are budgeted at \$36.3 million, a decrease of \$3.1 million or 8.0% from the 2014 projected revenue of \$39.4 million. The decrease in revenue is primarily due to the fact that Fleet will no longer provide short term rental of equipment for department use, but will instead assign units on a permanent basis to the departments.

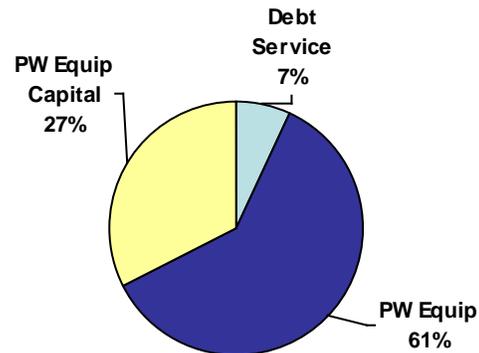
Sources of Revenue (\$36.3 million)



### Expenditures

The 2015 expense budget is \$36.8 million which represents a decrease of \$7.1 million or 16.1% from the 2014 projected expense of \$43.9 million. The decrease in expense is primarily due to planned reduction in capital purchases during 2015. Fleet equipment purchases are based on a long-term replacement schedule with some years having higher amounts of replacement than others. Additionally, four FTEs were removed from the fund as a result of restructuring of the Dispatch Operations.

Use of Funds (\$36.8 million)



### Transfers

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

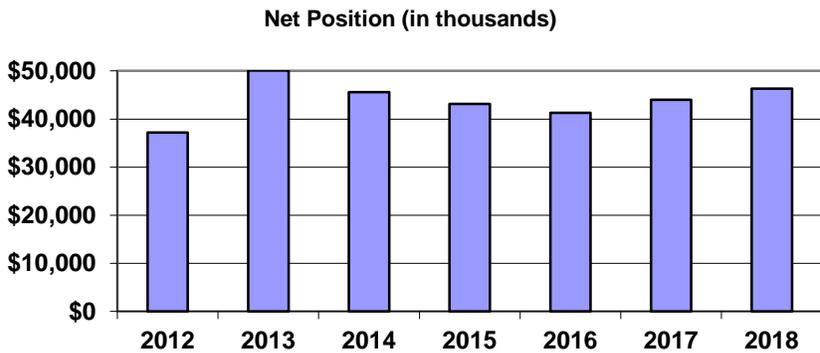
There is a transfer in of \$0.3 million from Property Services to pay a portion of the debt expense related to the Currie Maintenance Facility. Property Services included a portion of the debt expense in its rent cost allocation model to charge other City departments that are housed in the Currie facility for a portion of the debt. There are also \$2.0 million in other transfers in to pay for Capital Asset Request System (CARS) projects funded by this fund as part of the regular lifecycle replacement schedule for fleet capital assets.

### Debt Service

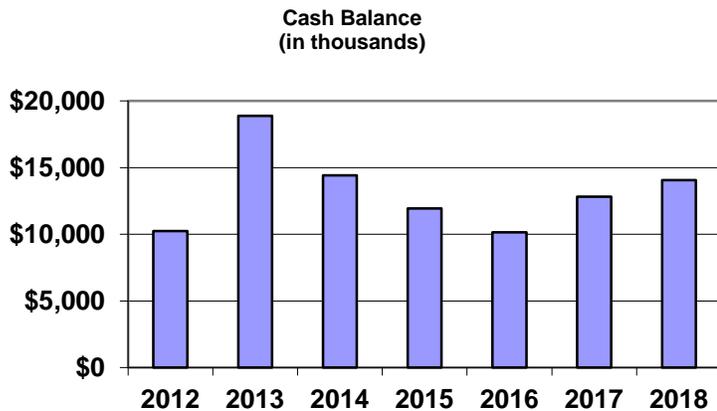
As part of the fleet modernization effort that began in 1997, the City issued bonds to finance fleet upgrades and to build new maintenance facilities. Principal and interest payments totaling \$2.6 million are due in 2015 related to these bonds. The remaining debt obligation after 2015 is \$14.6 million with a payment of \$9.3 million scheduled for 2018 that is expected to be refinanced.

### Net Position

A primary objective of the long-term financial plan is to increase the fund's net position and the cash balance from the deficit balances in 2002. The fund has steadily increased its net position since 2003 when the financial plan was first implemented. The net position at year-end 2013 was \$50.1 million, an increase of \$12.9 million from the 2011 ending position of \$37.2 million. The primary reason for the increase was a transfer in from the general fund of \$8.3 million to assist with debt repayment through 2018. The projected net position is expected to stabilize close to \$45.0 million as operating revenues are matched to expenses and capital outlay follows the fleet replacement plan. 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 annual depreciation for Fleet Services in 2013 was \$6.2 million. The 2013 position of \$50.1 million is \$37.7 million greater than the benchmark amount. The 2014 projected net position is \$45.6 million.



The 2013 ending cash balance of \$18.9 million was an increase of \$8.7 million from the 2012 ending balance of \$10.2 million. A transfer in from the general fund of \$8.3 million was the primary reason for the increase in cash. The cash balance is projected to decrease from 2014 to 2016 as the fund experiences an increase in capital outlay ranging from \$15.6 million to \$10.9 million. Beginning in 2017, the capital outlay is expected to decrease to \$6.5 million followed by an outlay of \$7.3 million in 2018 allowing the cash balance to rebound. The target cash balance for 2013 as determined by the cash reserve policy was \$5.1 million. The 2014 projected balance is \$14.4 million. The chart to the right illustrates the historical and projected cash performance of the fund.



**City of Minneapolis  
2015 Budget  
Financial Plan (in thousand of dollars)**

**Fleet Services Fund - 6100**

	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Chg From 2014 Projected	2016 Forecast	2017 Forecast	2018 Forecast
<b>Source of Funds:</b>									
Charges for Service	5,981	6,353	9,482	8,711	9,491	9.0%	9,390	9,645	10,051
Charges for Sales	7,170	7,534	11,003	9,495	10,721	12.9%	11,042	11,594	12,174
Gains	233	340	300	300	500	66.7%	500	500	500
Rents	21,226	21,786	17,394	19,191	13,287	-30.8%	13,618	13,825	14,143
Other Misc Revenue	680	525	624	450	10	-97.8%	10	10	10
Operating Transfers in	1,926	8,315	1,289	1,289	2,289	77.6%	331	346	408
<b>Total</b>	<b>37,216</b>	<b>44,853</b>	<b>40,091</b>	<b>39,436</b>	<b>36,298</b>	<b>-8.0%</b>	<b>34,892</b>	<b>35,920</b>	<b>37,286</b>
<b>Use of Funds:</b>									
Debt Service	2,775	4,296	2,507	2,507	2,560	2.1%	2,615	2,677	2,704
Transfers	2,284	-	-	-	-	0.0%	-	-	-
PW Equipment	26,832	27,099	27,600	25,794	22,333	-13.4%	23,178	24,057	24,972
PW Equipment Capital	6,381	5,429	15,600	15,600	11,919	-23.6%	10,892	6,516	7,287
<b>Total</b>	<b>38,272</b>	<b>36,823</b>	<b>45,707</b>	<b>43,901</b>	<b>36,812</b>	<b>-16.1%</b>	<b>36,685</b>	<b>33,250</b>	<b>34,962</b>
<b>Change in Net Position</b>	<b>2,844</b>	<b>12,862</b>	<b>(5,616)</b>	<b>(4,465)</b>	<b>(514)</b>		<b>(1,793)</b>	<b>2,670</b>	<b>2,324</b>
<b>Net Position</b>	<b>37,200</b>	<b>50,062</b>	<b>44,446</b>	<b>45,596</b>	<b>45,082</b>		<b>43,289</b>	<b>45,960</b>	<b>48,283</b>
<b>Cash Balance</b>	<b>10,237</b>	<b>18,894</b>	<b>13,278</b>	<b>14,429</b>	<b>13,914</b>		<b>12,121</b>	<b>14,791</b>	<b>17,115</b>
<b>Target Cash Reserve<sup>1</sup></b>	<b>3,569</b>	<b>5,130</b>	<b>4,140</b>	<b>4,061</b>	<b>3,350</b>		<b>3,296</b>	<b>3,381</b>	<b>3,468</b>
<b>Variance Cash to Target Cash Reserve</b>	<b>6,668</b>	<b>13,764</b>	<b>9,138</b>	<b>10,368</b>	<b>10,564</b>		<b>8,825</b>	<b>11,410</b>	<b>13,647</b>
<sup>1</sup> The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Fleet Services Division should be at a minimum equal to 15% of the operating budget. The target cash for 2012 is a phase-in amount.									

**City of Minneapolis  
2015 Budget  
Financial Plan**

**Property Services Fund**

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**Background**

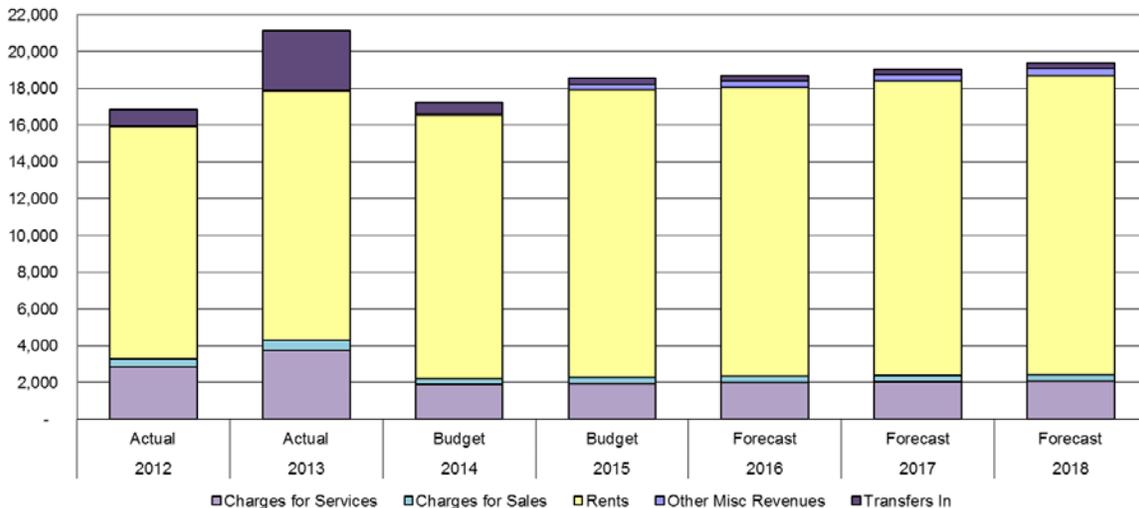
The Property Services Fund is an internal service fund responsible for the operations and maintenance of the majority of the City-owned buildings including police precincts, fire stations, public works buildings, parking structures, and specialty facilities. At this time, the fund does not provide any services to the Convention Center, City Hall, or the Minneapolis Park and Recreation Board facilities. The fund is also responsible for the Radio Shop which maintains the City’s emergency communications network and accounts for the coordination and management of special property projects. In 2004, the Property Services division assumed the responsibility for space and asset management and security management. In 2007, the division began providing energy management services for City properties.

In April 2011, the Property Services Fund was transitioned from the Public Works department to the Finance department within the City Coordinator’s department. The activities in this fund remain an internal service fund and report to the Chief Financial Officer.

**Historical Financial Performance**

This fund collects revenue from the City departments that use its goods and services (building space, operational maintenance, security, space and asset management, energy management, janitorial and radio services). The proposed building and equipment 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.

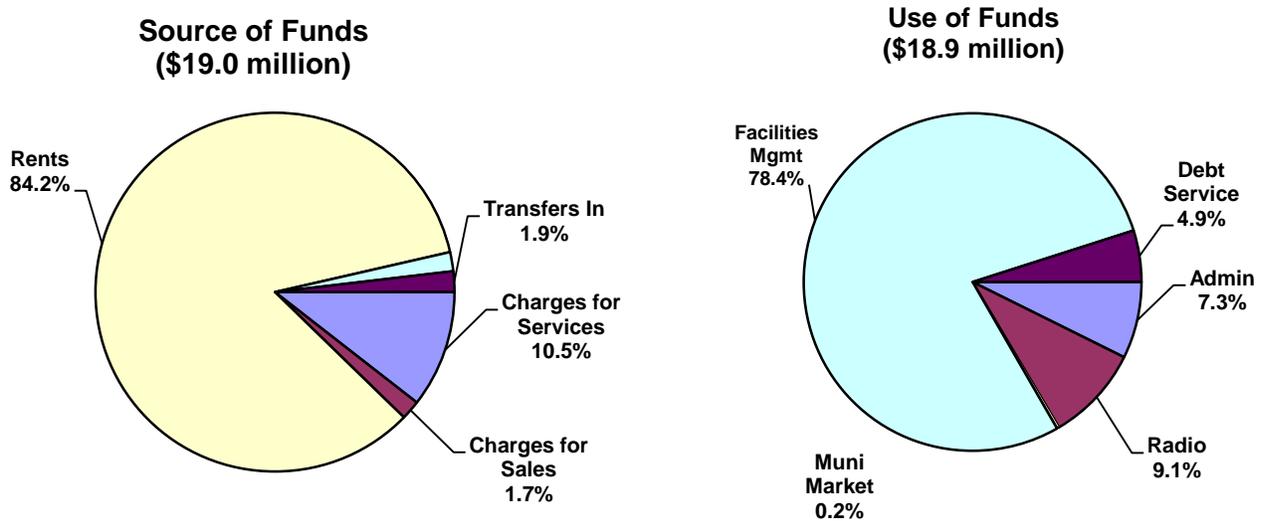
**Property Services Revenues**  
(in thousands of dollars)



## 2015 Budget

### Revenues

The 2015 revenue budget for this fund is \$19.0 million, approximately level from projected 2014 revenue of \$19.0 million. The revenue estimate is primarily due to a reduction in the transfer from the General Fund for operating revenue being offset by an increase in a General Fund transfer in for CARS programs.



### Expense

The 2015 expense budget is \$18.9 million, a decrease of 0.4% from projected 2014 expense of \$19.0 million. The decrease in expense is primarily related to lower expected costs for Facilities Management services. The 2014 projection includes expected contractual services and materials provided for other departments that Property Services will pay for and bill out in projects. A conservative estimate of these expenses is included in the 2015 budget due to the variability of these types of projects. As the projects are requested and expense is realized by Property Services, there is offsetting revenue collected through the billing process. Also included in this fund's expense budget is \$4.5 million of pass-through costs for services provided by the Municipal Building Commission for maintaining the City's space in City Hall.

### Transfers

The 2015 expense budget includes a transfer out of \$316,216. Property Services is using the rent allocation model to charge a portion of the debt expense of the Currie Maintenance Facility to those departments that occupy space in the facility and will transfer that revenue to Fleet Services to pay the debt expense. The final transfer for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded pension liability occurred in 2012 and totaled \$598,000. This payment retired the bonds related to this debt service, resulting in substantial savings to the City. The cash balance in the Property Disposition Fund, which is included in the Property Services Fund, provided payment for this debt. The Property Disposition fund will be reimbursed for this payment through revenue generated by increasing the rents for City buildings as determined by the rent cost allocation model for years 2013 through 2015.

The 2015 transfer in of \$345,407 is intended to cover the cost of City Hall rent that Property Services pays for space it occupies in City Hall and two other transfers in totaling \$465,540 are intended to pay for the costs associated with approved CARS projects.

*Debt Service*

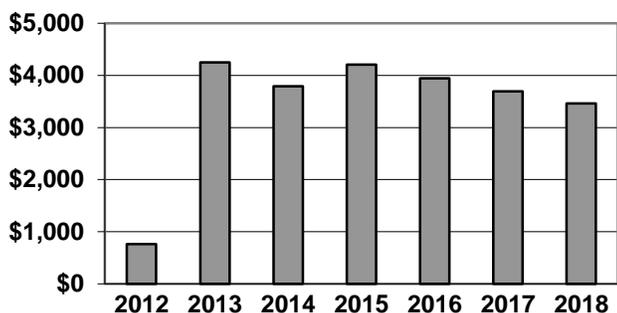
The Radio Shop, a division of Property Services, has management responsibility for the \$14.0 million 800 MHz radio system. The Property Services Fund recognizes the fixed asset, along with the debt related to this project. The Radio Shop is funding a portion of the City’s public safety initiative through a contribution of \$350,000 a year. The general fund completed a transfer for debt service in 2013 of \$3,282,000 to cover the years 2014 through 2018 and there will be no further transfers for debt service. Total debt service for 2015 is \$918,400.

*Net Position and Cash Balance*

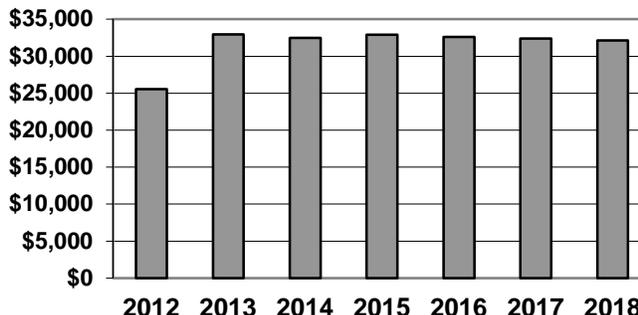
The Property Services Fund has a positive net position of \$32.9 million at year-end 2013, an increase of \$7.4 million from the 2012 ending position of \$25.6 million. The fund does not recover the cost of depreciation of the buildings or equipment included as assets of the fund. Because this cost is not recovered, it is expected that the net position will decline over time even though the fund recovers its operating costs through a rent cost allocation model. The large increase in net position in 2013 was primarily due to the transfer in of general fund to cover debt service costs through 2018 as well as the capitalization of several large building improvement projects. The financial policy for the net position for the Property Services Fund determines that the net position should not fall below two times the annual depreciation amount. The depreciation for Property Services in 2013 was \$1.3 million. The 2013 net asset balance of \$32.9 million is \$30.3 million greater than the benchmark amount.

The 2013 year-end cash balance was \$4.2 million, an increase of \$3.5 million from the 2012 year-end balance of \$762,000. 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 2013 was \$1.4 million, leaving a balance of \$2.8 million in operating cash. Financial reserve policies for the internal service funds determine that the cash reserve for the Property Services Fund should not be less than 15% of the operating budget, or \$2.1 million for 2013.

**Total Cash Balance**  
(in thousands of dollars)



**Net Position**  
(in thousands of dollars)



**City of Minneapolis  
2015 Budget  
Financial Plan (in thousand of dollars)  
Property Services Fund - 6200**

	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Chg From 2014 Projected	2016 Forecast	2017 Forecast	2018 Forecast
<b>Source of Funds:</b>									
Charges for Services	2,857	3,754	1,889	3,381	1,956	-42.1%	1,996	2,035	2,076
Charges for Sales	427	557	324	572	324	-43.3%	331	338	344
Rents	12,637	13,536	14,351	14,413	15,635	8.5%	15,721	16,014	16,265
Other Misc Revenues	23	11	3	5	319	6284.3%	334	349	411
Transfers In	894	3,282	646	646	811	25.5%	300	300	300
<b>Total</b>	<b>16,838</b>	<b>21,141</b>	<b>17,213</b>	<b>19,017</b>	<b>19,046</b>	<b>0.2%</b>	<b>18,682</b>	<b>19,036</b>	<b>19,396</b>
<b>Use of Funds:</b>									
Property Services Administration	1,286	1,394	1,696	1,210	1,367	13.0%	1,394	1,422	1,450
Radio Equipment	1,634	1,675	1,697	1,740	1,699	-2.4%	1,733	1,767	1,803
Municipal Market	33	17	41	45	41	-9.8%	41	42	44
Facilities Management	12,567	15,408	13,348	15,133	14,595	-3.6%	14,887	15,185	15,489
Debt Service	864	873	886	886	918	3.6%	894	869	845
Transfers Out	598	-	-	-	316		-	-	-
<b>Total</b>	<b>16,982</b>	<b>19,367</b>	<b>17,668</b>	<b>19,014</b>	<b>18,936</b>	<b>-0.4%</b>	<b>18,949</b>	<b>19,285</b>	<b>19,629</b>
<b>Change in Net Position</b>	<b>(491)</b>	<b>7,362</b>	<b>(455)</b>	<b>3</b>	<b>110</b>		<b>(268)</b>	<b>(250)</b>	<b>(233)</b>
<b>Net Position</b>	<b>25,571</b>	<b>32,933</b>	<b>32,478</b>	<b>32,937</b>	<b>33,047</b>		<b>32,779</b>	<b>32,530</b>	<b>32,296</b>
<b>Total Cash Balance</b>	<b>762</b>	<b>4,248</b>	<b>3,794</b>	<b>4,252</b>	<b>4,362</b>		<b>4,094</b>	<b>3,845</b>	<b>3,611</b>
<b>Operating Cash balance<sup>1</sup></b>	<b>(618)</b>	<b>2,868</b>	<b>2,413</b>	<b>2,871</b>	<b>2,981</b>		<b>2,714</b>	<b>2,464</b>	<b>2,231</b>
<b>Target Cash Reserve<sup>2</sup></b>	<b>1,920</b>	<b>2,069</b>	<b>1,842</b>	<b>2,044</b>	<b>1,906</b>		<b>1,959</b>	<b>2,013</b>	<b>2,069</b>
<b>Variance of Operating Cash to Target Cash Reserve</b>	<b>(2,538)</b>	<b>799</b>	<b>571</b>	<b>827</b>	<b>1,075</b>		<b>755</b>	<b>451</b>	<b>162</b>

<sup>1</sup> Total cash balance is the sum of cash recorded to the Property Disposition fund and to the Property Services fund. Operating cash is the cash balance generated from Property Service fund operations and recorded in the Property Services fund.

<sup>2</sup> The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Property Services Fund should be equal to 15% of the operating budget at a minimum.

Note: The 2014-2016 forecasts for source and use of funds are calculated using a factor of approximately 2.0% to capture increases in revenues and expense.

**City of Minneapolis  
2015 Budget  
Financial Plan**

**Self-Insurance Fund**

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**Background**

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

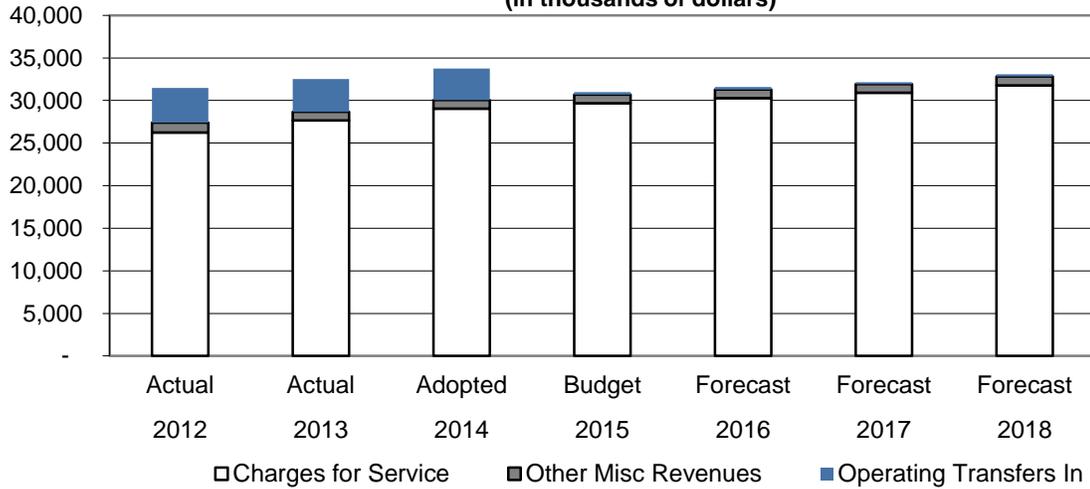
**Historical Financial Performance**

The net position of the Self-Insurance Fund first reached a positive balance at year-end 2012 with a net position of \$1.7 million after recording annual deficit net positions with a 2002 balance of a negative \$43.3 million. The net position increased by \$2.9 million in 2013 bringing the fund's year-end balance to \$4.6 million. The fund has historically recorded a negative net position primarily because of the required accounting recognition of liability for unpaid claims. The 2013 unpaid claims liability is \$54.7 million representing an increase of \$1.7 million from the 2012 liability of \$53.0 million. An actuarial study completed for year-end 2012 calculated the increase to the unpaid claims liability based on historical paid claims, incurred loss, and estimated reserves for claims unpaid.

In 2003, the City Council adopted a financial plan for the Self-Insurance Fund to increase net position and attain a positive cash balance by year-end 2006. The financial plan was updated in 2008 and adopted by the City Council. The fund continues to perform above the financial plan cash projections and ended 2013 with a cash balance of \$61.4 million, an increase of \$4.8 million from the 2012 ending balance of \$56.6 million. Financial policies related to the internal service funds determine that a reserve cash balance for the Self Insurance Fund should be maintained equal to the unpaid claims liability amount plus 10.0% of the annual department operating budgets. The ending 2013 cash balance is \$5.7 million greater than the amount determined by the financial policy.

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

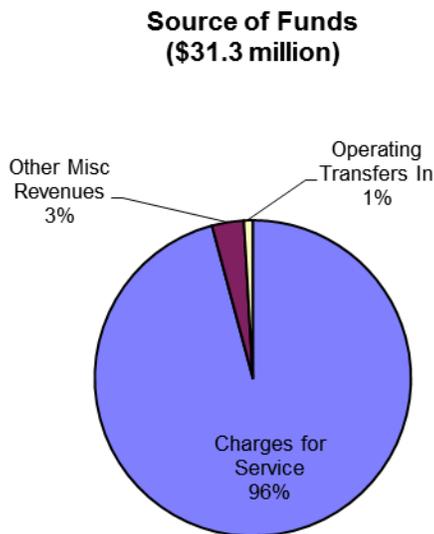
**Self-Insurance Fund Revenues**  
(in thousands of dollars)



**2015 Budget**

*Revenues*

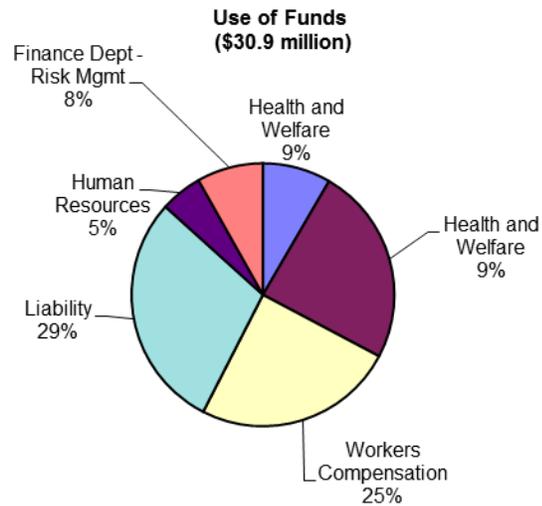
Revenue recorded in this fund primarily consists of funds received from City departments through a cost allocation model for litigation, risk management, and employee benefit services. In addition, the fund collects revenue to provide for payment of liability settlements and for workers compensation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



The 2015 budgeted revenue for the Self Insurance Fund is \$31.3 million, a decrease of 5.7% from the 2014 projected revenue of \$33.1 million. The decrease is primarily due to the transfer in from the general fund which decreased from \$3.1 million in 2014 to \$0.3 million in 2013. Beginning in 2015, the Self Insurance Fund does not receive a transfer from the general fund, as determined by the long-term financial plan, to increase net position. The fund does receive a general fund transfer for City Hall rent. An increase in charges allocated to City departments for the projected increase in the cost of litigation, tort settlements and workers compensation claims results in an increase of 1.5% in the revenue earned from charges for service.

### Expenditures

The expense budget for 2015 is \$30.9 million, an increase of 17.0% from the projected 2014 expenses of \$26.4 million. The 2014 projected expense budget reflects a 12.5% decrease over the 2014 adopted budget due to a significant decrease in the projected cost of tort settlements. The projected decrease in tort settlement expense will be partially offset by a projected 17.5% increase in the cost of workers compensation claims.



The Unused Sick Leave program provides a payout of unused sick leave to qualified employees upon separation from the City. Payments are funded by 0.7% gross salary contributions from the City and Park Board into a severance pool. The rate for City police officers and firefighters is 1.1% of gross pay. In recent years, the amount collected from City departments is greater than the payouts to qualified employees. The unpaid balance is retained in the Self Insurance Fund to provide for future payouts.

The worker's compensation payments are estimated at \$7.5 million for 2015. This is a 13.7% decrease from the 2014 projected amount of \$8.7 million. The 2014 projected payments, based on actual payments processed through June, are 17.5% greater than the original 2014 actuarial prediction. The actuarial study predicted an increase in liability payments of 2.5% from 2014 to 2015. Actual liability payments for 2014 are projected to be 53.4% less than the amount predicted in the actuarial study based. This results in a significant increase in the 2015 budgeted amount when compared to the 2014 projection.

### Transfers

The 2015 revenue budget includes a \$0.3 million transfer from the general fund for the cost of City Hall rent. The transfer from the general fund to assist the Self Insurance Fund to attain a positive net position as determined by the fund's long-term financial plan, ended in 2015. The expense budget includes a \$1.0 million transfer to the Intergovernmental Services Fund to assist with payment of debt service. This transfer will not occur after 2016.

### Debt Service

This fund does not have any long-term debt.

### Net Position

The net position at year-end 2013 is \$4.6 million representing an increase of \$2.9 million from the 2012 net position of \$1.7 million. The net position has increased from the 2002 deficit of \$43.3 million since the implementation of the long term financial plan. The financial reserve policy relating to the internal service funds states that the net position for the Self Insurance Fund should not fall below zero.

The fund experienced an increase in cash of \$4.6 million in 2013, bringing the cash balance to \$61.4 million. The primary reason for the increase in cash balance is the revenue provided from the transfer in from the general fund. The amount paid to retired employees for sick leave payout was \$1.2 million less than the amount collected and contributed to the increase in cash. The financial reserve policy relating to the internal service funds states that the Self Insurance Fund should maintain a cash balance equal to the unpaid claims liability plus 10.0% of the annual operating budgets within the fund. For year ending 2013, the target cash reserve is \$55.7 million or \$5.7 million less than the actual ending cash balance.

**City of Minneapolis**  
**2015 Budget**  
**Financial Plan (in thousands of dollars)**

**Self Insurance Fund - 6900**

	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Chg From 2014 Projected	2016 Forecast	2017 Forecast	2018 Forecast
<b>Source of Funds:</b>									
Charges for Service	26,229	28,732	29,045	29,509	29,956	1.5%	30,555	31,166	31,789
Other Misc Revenues	1,178	1,782	1,010	550	1,010	83.8%	1,010	1,010	1,010
Operating Transfers In	4,071	3,856	3,086	3,086	292	-90.5%	298	304	310
<b>Total</b>	<b>31,478</b>	<b>34,370</b>	<b>33,141</b>	<b>33,144</b>	<b>31,258</b>	<b>-5.7%</b>	<b>31,863</b>	<b>32,480</b>	<b>33,109</b>
<b>Use of Funds:</b>									
Health and Welfare	784	1,097	2,468	1,880	2,530	34.6%	2,581	2,632	2,685
Attorney	6,042	6,132	6,889	6,700	7,115	6.2%	7,257	7,402	7,550
Workers Compensation	9,528	10,461	7,364	8,650	7,469	-13.7%	7,618	7,771	7,926
Liability	3,908	6,026	8,574	4,000	8,790	119.7%	8,965	9,145	9,328
Human Resources	1,421	2,468	1,435	1,300	1,556	19.7%	1,587	1,619	1,651
Finance Dept - Risk Mgmt	2,328	2,535	2,485	2,900	2,459	-15.2%	2,509	2,559	2,610
Transfers	1,485	1,000	1,000	1,000	1,000	-	1,000	-	-
<b>Total</b>	<b>25,496</b>	<b>29,718</b>	<b>30,215</b>	<b>26,430</b>	<b>30,919</b>	<b>17.0%</b>	<b>31,517</b>	<b>31,128</b>	<b>31,750</b>
<b>Change in Net Position</b>	<b>5,982</b>	<b>2,852</b>	<b>2,925</b>	<b>6,714</b>	<b>339</b>		<b>345</b>	<b>1,352</b>	<b>1,359</b>
<b>Net Position</b>	<b>1,701</b>	<b>4,553</b>	<b>7,478</b>	<b>11,267</b>	<b>11,606</b>		<b>11,951</b>	<b>13,304</b>	<b>14,663</b>
<b>Cash Balance</b>	<b>56,564</b>	<b>61,419</b>	<b>64,344</b>	<b>68,133</b>	<b>68,472</b>		<b>68,817</b>	<b>70,169</b>	<b>71,528</b>
<b>Target Cash Reserve</b>	<b>54,019</b>	<b>55,688</b>	<b>57,938</b>	<b>57,938</b>	<b>59,698</b>		<b>61,478</b>	<b>63,311</b>	<b>65,198</b>
<b>Variance Cash to Target Reserve</b>	<b>2,545</b>	<b>5,731</b>	<b>6,406</b>	<b>10,195</b>	<b>8,773</b>		<b>7,339</b>	<b>6,858</b>	<b>6,330</b>

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.