

**City of Minneapolis  
2016 Budget**

**Financial Plans**

---

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.

**Five Year Financial Direction 2017-2021** ..... E2

**Special Revenue Funds**

Convention Center Special Revenue Fund .....	E7
Arena Reserve Fund.....	E12
Neighborhood and Community Relations Fund.....	E15
Regulatory Services Fund.....	E17
Police Special Revenue Fund .....	E19

**Enterprise Funds**

Municipal Parking Fund.....	E21
Solid Waste and Recycling Fund.....	E26
Sanitary Sewer Fund.....	E31
Stormwater Fund .....	E36
Water Fund .....	E40

**Internal Service Funds**

Public Works Stores Fund.....	E46
Engineering Materials and Testing Fund.....	E50
Intergovernmental Services Fund.....	E54
Fleet Services Fund .....	E60
Property Services Fund.....	E64
Self-Insurance Fund.....	E69

# City of Minneapolis 2016 Budget

## Five-year Financial Direction 2017-2021 (Including information on the City's General Fund)

---

### Introduction

The Five-year Financial Direction reflects the City's ongoing commitment to long-term financial planning. The financial direction provides projections for property tax supported services, including the City's General Fund, pensions, capital and debt. The purpose of recommending a 2017-2021 financial direction is to provide guidance for decision making on available planned resources in the City's General Fund.

### General Fund

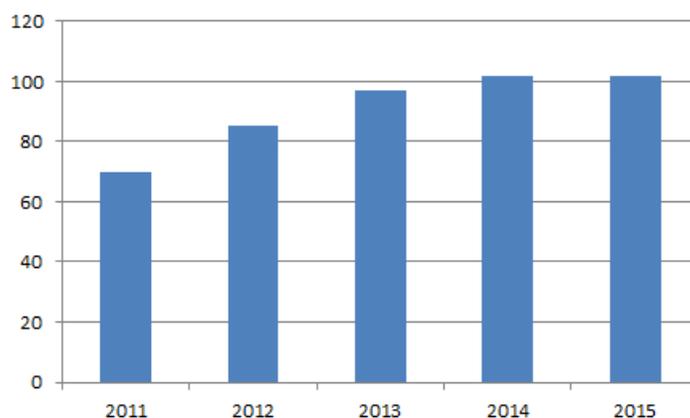
The General Fund is the general operating fund of the City and is the primary funding source for public safety, street paving, snow plowing and other general government services. In 2016, the General Fund expenses and revenues, including use of fund balance is \$488.0 million.

### Historical Financial Performance

The results of the General Fund's annual operations at the end of the year reflect the fund's "fund balance," or the amount of available, spendable resources contained within the fund. The balance provides the City a reserve to cushion adverse economic shocks and to meet a portion of the City's cash flow needs. The City's policy is to maintain a minimum unrestricted fund balance of 17 percent of the following year's budgeted expenditures amount to be used for cash flow purposes, unanticipated expenditures of a non-recurring nature, and to meet unexpected increases in service delivery costs or unexpected revenue shortfalls.

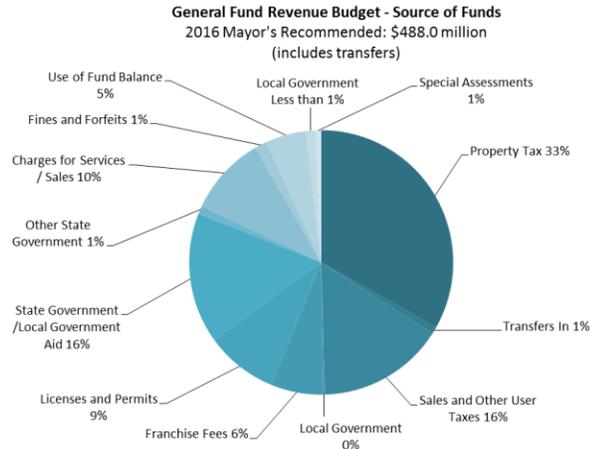
The General Fund began 2015 with a fund balance of \$102.0 million. The 2015 year-end fund balance in the General Fund as of December 2015 is expected to remain stable at \$102.0 million, which is above the stated fund balance requirement of 17 percent of the following year's expenditure budget.

**Fund Balance**  
(in millions of dollars)



## 2016 General Fund Revenue Budget

The 2016 Mayor's Recommended budget includes a total of \$488.0 million of revenues for services incorporated in the financial direction, including transfers from other funds and use of fund balance. Budgeted revenues are expected to increase by 5.8 percent from the 2015 budget from a combination of increased property taxes and use of fund balances increasing. The increase in these sources is mitigated by the increases in local sales and other user taxes, local government aid and other non-tax revenues.



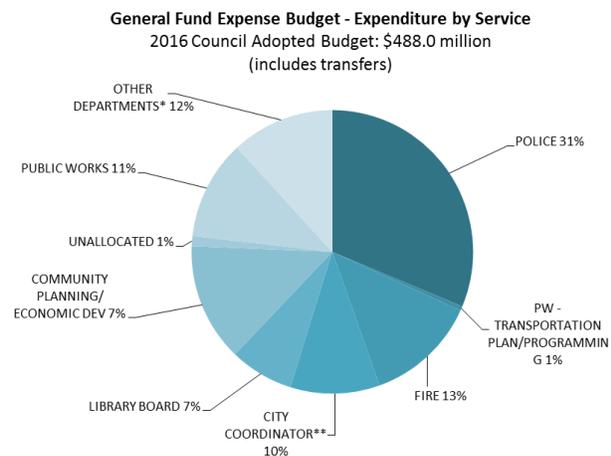
Revenue Source	2014 Actual	2015 Adopted	2016 Mayor's Recommended	% Chg from 2015 Adopted	2015 Adopted % of Total	2016 Recommended % of Total
Property Tax	163.6	156.5	162.0	3.5%	33.9%	33.2%
Sales and Other User Taxes	74.3	73.6	76.0	3.2%	16.0%	15.6%
Franchise Fees	33.5	29.0	31.5	8.5%	6.3%	6.4%
Licenses and Permits	49.3	39.0	43.4	11.2%	8.5%	8.9%
State Government /Local Government Aid	80.7	76.1	77.8	2.2%	16.5%	15.9%
Other State Government		4.7	4.8	2.1%	1.0%	1.0%
Charges for Services / Sales	46.5	44.3	47.3	6.9%	9.6%	9.7%
Local Government	0.7	0.5	0.7	39.8%	0.1%	0.1%
Special Assessments	3.5	3.3	3.3	1.4%	0.7%	0.7%
Fines and Forfeits	7.2	7.2	7.3	0.9%	1.6%	1.5%
Transfers In	2.3	4.7	4.0	-15.6%	1.0%	0.8%
Use of Fund Balance		13.5	24.0	77.7%	2.9%	4.9%
Misc. Revenues	5.2	9.0	5.9	-34.3%	1.9%	1.2%
<b>Total</b>	<b>466.8</b>	<b>461.4</b>	<b>488.0</b>	<b>5.8%</b>	<b>100.0%</b>	<b>100.0%</b>

**State Aids (including Local Government Aid):** The City's local government aid (LGA) allocation in 2016 is certified at \$77.8 million. This is based on legislative actions during the 2015 session and reflects an increase of \$0.4 million over the 2015 allocation.

## 2016 General Fund Expenditure Budget

The 2016 recommended budget for City services included in the financial direction is \$488 million, which includes \$65.9 million in transfers to other funds.

Approximately 59% of the overall expenditure budget is related to salaries and benefits. In the General Fund, salary and wage expenditures increased from \$196.8 million in 2015 to \$203.2 million in 2016. The salary and wages expense category also includes overtime costs, contractually-obligated payments, and one-time funding for positions that are not permanent.



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

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

The General Fund provides funding in some shape or form for most City functions. A breakdown of the allocation of the \$488.0 million in the 2016 General Fund budget is reflected in the chart above.

### **Five-Year Financial Direction**

The Five-year Financial Direction includes a tax policy of 3.4 percent in 2016, 3.8 percent in 2017, 3.9 percent in 2018, 3.7 percent in 2019, 3.3 percent in 2020, and 3.3 percent in 2021. These percentages reflect funding for statutorily-required costs and provide for a current service level cost escalator for departments and support services.

*The 2016 budget is the basis for future projections:* In other words, services and activities included in the 2016 budget provide the starting point for the 2017-2021 department budget estimates. One-time 2016 supplemental items are removed from department budgets in 2017 and beyond.

*The financial direction from 2017 to 2021 contains updates to departmental resources:* The financial direction includes the most updated assumptions about contract settlements and other commitments, as well as projected changes in revenue.

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

### **Capital and Debt Service (including pensions)**

As part of the 2015 budget, the amount of property-tax-supported resources for capital improvements was expanded from the previous five-year plan. For 2016 and future years, the intent is to sustain this higher level of property-tax-supported (net debt bond) funding to continue to make significant improvements to the City's infrastructure. This amount remains insufficient to fully meet the needs that still must be addressed over time and the current emphasis for these funds is primarily on improving street paving, protected bikeways and pedestrian, lighting and traffic related safety improvements. Water infrastructure is also an area of emphasis in this budget.

The Net Debt Bond (NDB) program is funded for with property tax collections in the City's bond redemption levy. The five-year financial direction for the bond redemption levy includes a base increase in 2016 and beyond for capital improvements. These increases are possible due to improvements in the internal service fund financial plans which reduce the demand for property tax resources as well as growth in non-property tax revenues.

*Funding for pension liabilities:* The property tax levy required to support closed pension fund-related obligations remains level at \$27.3 million in 2016 and is projected to remain near that level through 2031. The five-year financial direction includes obligations for three closed pension funds that have since been merged into the statewide retirement system, the Public Employees Retirement Association (PERA) of Minnesota. The former closed funds that were merged are the Minneapolis Police Relief Association (MPRA), the Minneapolis Firefighters' Relief Association (MFRA), and the Minneapolis Employees Retirement Fund (MERF). All three funds are administered by PERA. The City has ongoing obligations funded from within departmental budgets to PERA to support current employees' retirement plans.

### **Change in Contingency for Adverse Circumstances**

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

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

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

- *Property taxes:* Future projections plan on property tax increases to support future services. Reducing the growth in property taxes in the face of additional budget needs will require the City to continue monitoring other revenue sources and expenditures.
- *Park Board:* Like other participants in the City's capital funding pool, the Park Board faces significant capital pressures to maintain the facilities it operates.
- *Performance Information:* As the City continues to gain experience with using results information for performance discussions, it will need to undertake benchmark development in using this information for financial decision making.
- *Department Increases:* The City will continue to see challenges related to the ability to keep up with increased workloads across the enterprise while mitigating the impact on property tax payers.
- *Aging Facilities and Infrastructure:* The City is responsible for facilities and infrastructure that is not contemplated in its existing capital processes. As these facilities need major repairs and maintenance, there will be a need to recognize large out-year commitments to fund these projects.

### **Assumptions for 2016-2021**

- The tax policy for 2016-2021 is as follows: 3.4 percent in 2016, 3.8 percent in 2017, 3.9 percent in 2018, 3.7 percent in 2019, 3.3 percent in 2020, and 3.3 percent in 2021. These changes reflect statutorily-required cost adjustments and provide for current service level cost escalator for departments.
- Out-year projections will be adjusted over time as new information becomes available.
- Contingency is maintained to provide cushion for uncertainty related to seasonal and economic conditions proportional to overall anticipate budget increases.
- Health insurance is assumed to be increase by 1.9% in 2016 and increase by 5 percent through 2021.
- Revenues in the General Fund are assumed to increase by 3.0 percent annually. Expenditures for the cost allocation model for internal City departments and the government service fee also include cost escalators.
- Local tax revenue is recorded as direct revenue into the General Fund.

## Five Year Financial Direction

	2016		2017	2018	2019	2020	2021
<b>Uses:</b>							
General Fund Base Cost	398,878,775	408,993,461	421,121,433	435,377,916	450,144,767	465,441,911	481,287,960
General Fund One-times	13,521,347	24,072,384	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
General Fund Commitments	51,081,669	54,978,570	55,723,877	57,469,943	58,746,792	59,024,445	59,302,929
<b>Total Uses</b>	<b>463,481,791</b>	<b>488,044,415</b>	<b>486,845,310</b>	<b>502,847,859</b>	<b>518,891,559</b>	<b>534,466,356</b>	<b>550,590,889</b>

<b>Sources:</b>							
Non-Property Tax Resources General Fund	296,031,444	303,526,140	307,421,985	314,393,018	321,528,153	328,831,345	336,306,464
Use of Fund Balance	13,521,347	24,072,384	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Property Tax Resources General Fund	153,929,000	160,445,891	169,423,325	178,454,842	187,363,406	195,634,531	204,284,425
<b>Total Sources</b>	<b>463,481,791</b>	<b>488,044,415</b>	<b>486,845,310</b>	<b>502,847,860</b>	<b>518,891,559</b>	<b>534,465,876</b>	<b>550,590,889</b>

<b>Property Tax</b>	<b>2015</b>	<b>2016</b>	<b>% chg</b>		<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
General Fund*	154,950,000	160,445,891	3.55%		169,423,325	178,454,842	187,363,406	195,634,531	204,284,425
Minneapolis Park Board	52,035,000	54,314,400	4.38%		56,486,976	58,746,455	61,096,313	63,540,166	66,081,772
Bond Redemption	35,900,000	37,800,000	5.29%		37,800,000	38,300,000	38,800,000	38,800,000	38,800,000
Permanent Improvement	1,000,000	1,000,000	0.00%		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Pensions	27,310,000	27,310,000	0.00%		27,310,000	27,310,000	27,310,000	27,310,000	27,310,000
Municipal Building Commission	4,675,000	4,815,250	3.00%		4,959,708	5,108,499	5,261,754	5,419,606	5,582,194
Board of Estimate and Taxation	160,000	164,800	3.00%		164,800	169,744	174,836	180,081	185,484
Teacher's Retirement Association	2,300,000	2,300,000	0.00%		2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Library Debt Service	9,300,000	9,300,000	0.00%		9,300,000	9,300,000	9,300,000	9,300,000	9,300,000
<b>Total</b>	<b>287,630,000</b>	<b>297,450,341</b>	<b>3.41%</b>		<b>308,744,809</b>	<b>320,689,540</b>	<b>332,606,309</b>	<b>343,484,384</b>	<b>354,843,875</b>

Percentage Change from Prior Year	3.80%	3.87%	3.72%	3.27%	3.31%
-----------------------------------	-------	-------	-------	-------	-------

\* Includes the Housing and Redevelopment Authority levy in 2015

**City of Minneapolis  
FY 2016 Budget  
Financial Plan**

**Convention Center Special Revenue Fund**

---

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

**Historical Financial Performance**

The fiscal year-end 2014 fund balance for the Convention Center Special Revenue Fund was nearly \$60.5 million, an increase of \$326,000 from 2013. The cash balance in the fund grew by approximately \$8.1 million. In addition, the Convention Center Facilities Reserve Fund had a 2014 year-end fund balance of approximately \$5.4 million. For 2014, the operating deficit (operating revenue less operating expenses) increased to \$8.9 million from \$7.6 million in 2013. This increase can be largely attributed to an increase in operating expenses generated from a busy event year at the Convention Center.

Operating revenues are generated directly from Convention Center operating activities. Exhibit space rent is the largest source of revenue for the Convention Center. Also included in operating revenues is space rental of the Tallmadge Building. Charges for services are earned in support of space rent and consist primarily of utility and labor services and ramp parking. Food and beverage commission sales account for the other miscellaneous operating revenue.

In 2014, total operating revenue was nearly \$16.6 million, which was an increase of \$344,000 from 2013 and \$593,000 over the 2014 budget.

**2015 Projections**

Operating revenue is currently projected to come in at approximately \$17.4 million, which is \$854,000 over 2014. With operating expenses projected to be approximately \$26.5 million, the operating deficit is projected to be nearly \$9.1 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 to be nearly \$13.9 million, which includes a nearly \$4.4 million rollover to 2015 for obligated, but unspent 2014 funds.

City funding of Meet Minneapolis is projected to be approximately \$10.0 million which will be \$40,000 under budget and approximately \$570,000 above 2014. Meet Minneapolis is projected to finish \$40,000 under budget as a result of a new contract which sets their base funding at \$9.0 million.

*Local Sales Tax Revenue*

Beginning in 2014, local tax revenue is being deposited 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.

**2016 Budget**

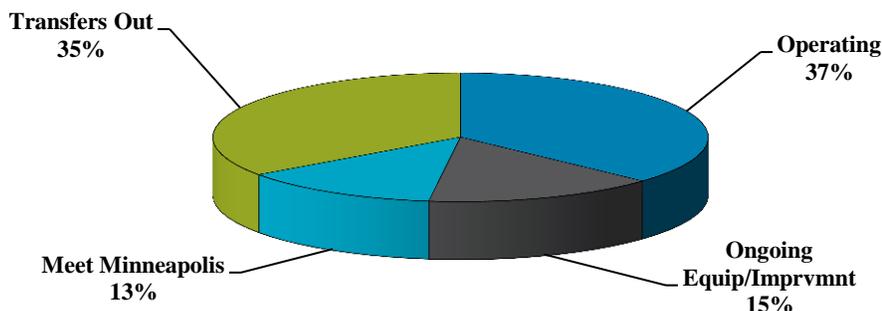
*Operating Revenues*

The 2016 revenues for the Convention Center have been adjusted to reflect the actual historical receipts and anticipated event activity. Total operating revenue for 2016 is expected to be nearly \$16.7 million which is a decrease of approximately \$750,000 under the most recent 2015 projection. The Convention Center continues to discount rents heavily to compete nationally. Operational changes made in 2012 continue to show 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 Mini\_polis display, a scale model of downtown Minneapolis built in collaboration with community participants. Although the economy is rebounding, the convention and meeting industry continues to face challenges in controlling costs as centers discount heavily to remain competitive.

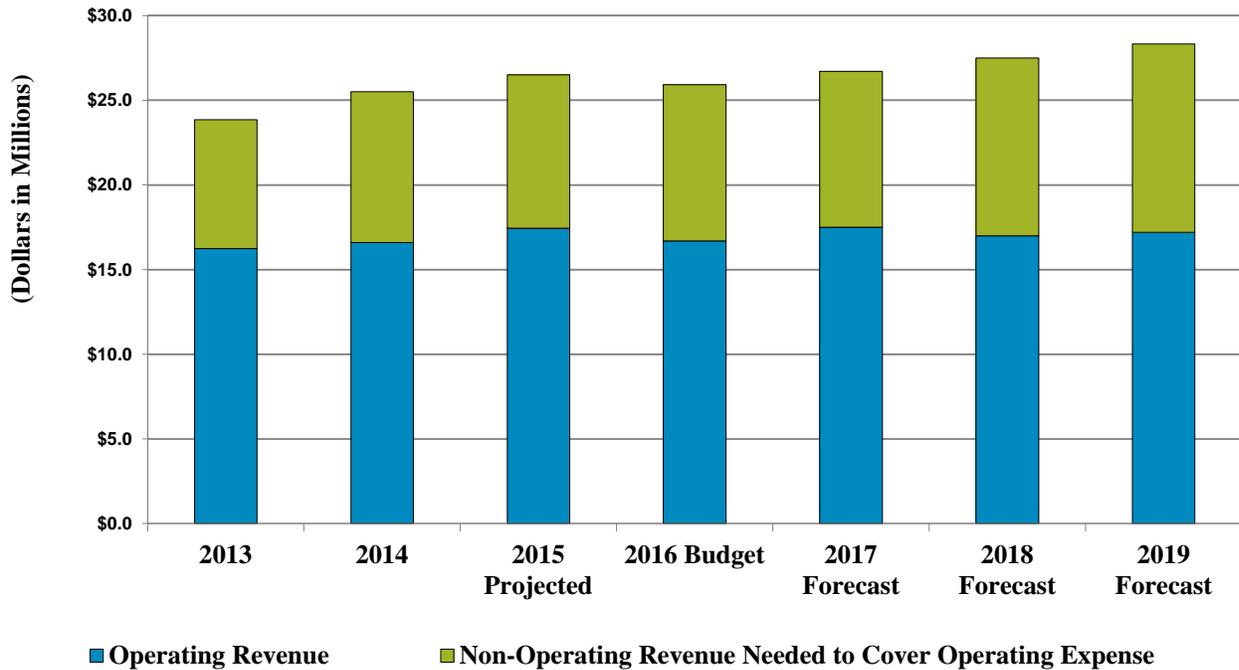
*Expenditures*

Operating expenses are budgeted at \$25.9 million, down \$579,000 from the projected \$26.5 million in 2015. At this level, the operating deficit is budgeted to be approximately \$9.2 million. The budget for Meet Minneapolis is approximately \$9.4 million, down \$626,000 from projected 2015. Some of this funding will be used to support several initiatives including Sports Minneapolis, an expanded welcome program, the new visitor information center, awareness building, sister city, and the Convention Support Fund. Capital investments for 2016 are budgeted at \$10.6 million, per the long-term capital plan previously adopted by the City Council.

**Use of Funds  
(\$70.6 million)**



## 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 is being reported under the Convention Center Fund to reflect the current reporting in the Comprehensive Annual Financial Report (CAFR). The 2016 combined fund balance of the Convention Center Special Revenue Fund and Facility Reserve Fund is projected to be approximately \$55.5 million, and the cash balance is projected to be approximately \$52.7 million. The Convention Center expects fund balance to decrease approximately \$3.5 million as the result of a planned use of fund balance.

### *Debt Service*

The 2016 budget includes funding for transfers out of the Convention Center Fund for debt service payments of \$24.1 million in outstanding building related debt and \$520,000 in debt for the dome replacement.

### **Forecast for 2017-2019**

Operating revenues are currently forecast to range between \$17 million and \$17.5 million based on booked events and event projections.

Operating expenses are forecast to range between \$26.7 million and \$28.3 million, based on a 3% inflation factor for planning purposes, which could actually finish lower as a result of on-going cost containment efforts.

Meet Minneapolis is forecast to increase 2% per annum over this period based on a contractual increase to their base funding.

Capital investments are forecast to be \$9.5 million, \$7.8 million, and \$11.4 million over this period of time as aligned with the Convention Center's 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 the Convention Center to meet the Convention Center's operating and non-operating expenditure needs.

### **Convention Center Related Programs**

The Convention Center has four programs associated with the Fund:

#### *Minneapolis Convention Center Events Program*

Convention centers exist to provide an economic impact on the community.

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 have an economic impact on 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. The future of the Tallmadge Building will be evaluated and decided upon.

#### *Target Center Program*

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

**City of Minneapolis**  
**FY 2016 Council Adopted Budget**  
**Financial Plan (in thousands of dollars)**

**Convention Center Special Revenue Fund**

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget	% Chg From 2015 Projected	2017 Forecast	2018 Forecast	2019 Forecast
<b>Source of Funds:</b>									
<i>Operating Revenues:</i>									
Charges for Services	5,788	6,048	6,200	6,200	6,000	-3.2%	6,350	6,100	6,200
Rents and Commissions	7,238	6,819	7,597	7,597	7,197	-5.3%	7,650	7,500	7,500
Other Miscellaneous Operating	3,223	3,726	3,650	3,650	3,500	-4.1%	3,500	3,400	3,500
Sub-Total	16,249	16,593	17,447	17,447	16,697	-4.3%	17,500	17,000	17,200
<i>Non-Operating Revenues:</i>									
Sales Tax	32,598	-	-	-	-	0.0%	-	-	-
Restaurant Tax	11,874	-	-	-	-	0.0%	-	-	-
Liquor Tax	5,087	-	-	-	-	0.0%	-	-	-
Lodging Tax	6,749	-	-	-	-	0.0%	-	-	-
Interest	(64)	345	396	180	184	2.2%	187	191	195
Other Misc Non Operating	457	496	164	164	114	-30.5%	63	13	-
Sub-Total	56,701	841	560	344	298	-13.4%	250	204	195
<b>Total</b>	<b>72,952</b>	<b>17,434</b>	<b>18,007</b>	<b>17,791</b>	<b>16,995</b>	<b>-4.5%</b>	<b>17,750</b>	<b>17,204</b>	<b>17,395</b>
<b>Use of Funds:</b>									
Convention Center Operations	23,856	25,506	26,503	26,503	25,924	-2.2%	26,702	27,503	28,328
Ongoing Equipment/Improvement	5,720	10,054	13,894	13,894	10,628	-23.5%	9,453	7,833	11,436
Meet Minneapolis	8,767	9,461	10,071	10,031	9,405	-6.2%	9,593	9,785	9,981
Capital Improvements - Domes	376	-	-	-	-	0.0%	-	-	-
Transfer to Gen Fund	5,250	-	-	-	-	0.0%	-	-	-
Transfer to Debt Service	16,766	16,906	23,462	23,462	24,092	38.8%	24,159	24,811	26,863
Transfer to Debt Service - Domes	586	1,774	1,040	1,040	520	-41.4%	510	-	-
Transfer to Other Debt Service Fund	-	-	-	-	-	0.0%	-	-	-
Transfer to Parking Fund for Debt Service	3,729	-	-	-	-	0.0%	-	-	-
Transfer to Parking Fund - Operating Subsidy	1,000	-	-	-	-	0.0%	-	-	-
Total Transfers Out	27,331	18,680	24,502	24,502	24,612	0.4%	24,669	24,811	26,863
<b>Total</b>	<b>66,050</b>	<b>63,701</b>	<b>74,970</b>	<b>74,930</b>	<b>70,569</b>	<b>-5.8%</b>	<b>70,417</b>	<b>69,932</b>	<b>76,608</b>
Transfer from General Fund	-	46,593	50,340	50,340	50,050	-0.6%	50,500	50,500	50,500
Net Income	6,902	326	(6,623)	(6,799)	(3,524)	-48.2%	(2,167)	(2,228)	(8,713)
<b>Fund Balance/Retained Earnings:</b>									
Beginning Balance	53,225	60,128	60,454	60,454	59,055	-2.3%	55,531	53,364	51,136
Ending Balance	60,128	60,454	59,231	59,055	55,531	-6.0%	53,364	51,136	42,424
Ending Cash Balance	49,516	57,618	56,395	56,219	52,695	-6.3%	50,528	48,300	39,588
Convention Center Facility Reserve Fund Balance	5,400	5,400	-	-	-	-	-	-	-
<b>Notes:</b>									
<p>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. In November 2014, Meet Minneapolis sold the iDSS, but the loan payments will continue to be made to the City.</p> <p>In 2011, IT began transferring \$1.5 million annually to the MCC with a final payment of \$1.75 million in 2016 to repay its loan from the MCC. The loan is being accounted for on the balance sheet.</p>									

**City of Minneapolis  
2016 Budget  
Financial Plan**

**Arena Special Revenue Fund**

---

**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.

**2015 Projections**

In 2015, the unrestricted Arena revenue, before the \$5,000 balance of the \$2.0 million capital contribution from AEG, is projected to be \$6.3 million which is consistent with the 2015 budget. In 2014, the Target Center had record levels of concerts and activities, mainly due to an extended run of Garth Brooks' concerts, resulting in entertainment tax collections of \$2.0 million. For 2015, entertainment tax collections will be \$0.1 million greater than the budgeted amount of \$1.3 million. For the year, total capital investments are projected to be \$8.9 million, including the balance of the capital contribution from AEG and the \$3.9 million that was carried forward from 2014 for completion in 2015.

**2016 Budget**

*Revenues*

Revenues from the tax increment (TI) sources are budgeted to be \$7.8 million, a slight decrease from the 2015 projections. This is primarily a result of a decrease in revenues from the Consolidated TIF District and an offsetting increase in interest earnings. Entertainment tax revenues are budgeted at \$1.4 million, a 2 percent increase over the 2015 projected revenues. The parking revenue transfer is budgeted at \$3.7 million, a slight increase from prior years. As of 2014, the Arena became 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 2016 to finance costs relating to the proposed renovation of the Arena. It is currently estimated that one half the 2017 debt service will be capitalized and \$2.9 million in public resources will be used to pay debt service on these bonds in 2017. Local option taxes will be pledged to the

payment of this debt.

The cumulative TI balance is reserved to pay future debt service on the 2009 Bonds. Based on current 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 to the Arena.

The Arena Fund expects fund balance/net position on non-TI sources to decrease as a result of a planned usage of cash reserves to fund planned capital improvements to the Arena.

#### *Expenditures*

The only expenditure funded with TI revenue in the 2016 budget is \$4.7 million of existing debt service. Budgeted expenditures to be paid from non-TI sources include \$4.6 million in capital improvements, \$0.3 million in administrative costs, \$1.7 million for the reimbursement of the unamortized capital improvements previously undertaken by the operator, and a potential operator reimbursement that is currently projected at \$1.5 million.

#### *Renovation project*

The 2016 budget contemplates some renovation activities to commence in 2016 with the most significant renovations occurring in 2017. To finance the City's share of the project, it is likely that the City will issue taxable general obligation bonds sometime in 2016, 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 has been negotiated and signed. As the planning for the renovation project is completed, 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.

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

The Mayor recommended no changes to this fund.

**City of Minneapolis  
2016 Budget  
Financial Plan (in thousands of dollars)**

**Arena Special Revenue Fund**

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget	% Chg From 2015 Projected	2017 Forecast	2018 Forecast	2019 Forecast
<b>Source of Tax Increment Funds:</b>									
Common Project TIF Contribution (01CPK)	1,438	1,474	1,515	1,515	1,556	2.7%	1,586	1,586	1,586
Arena Tax Increment (01CPK)	907	-	-	-	-	0.0%	-	-	-
Consolidated TIF District (01CON)	5,044	5,324	6,231	6,231	6,152	-1.3%	6,531	6,899	7,216
Interest Earnings (01CPK & 01CON)	(15)	51	73	68	81	18.8%	96	112	129
Sub-Total	7,374	6,849	7,819	7,814	7,789	-0.3%	8,213	8,597	8,931
<b>Use of Tax Increment Funds:</b>									
Transfer to Debt Service (01CPK)	-	-	1,515	1,515	1,556	0.0%	1,586	1,586	1,586
Transfer to Debt Service (01CON)	5,272	4,250	2,977	2,977	3,184	7.0%	3,417	3,662	3,882
Capital Improvements/Admin	3,864	-	-	-	-	0.0%	-	-	-
Sub-Total	9,136	4,250	4,492	4,492	4,740	5.5%	5,003	5,248	5,468
<b>Net Available After 2009 Debt</b>	(1,762)	2,599	3,327	3,322	3,049		3,210	3,349	3,463
<b>Cumulative TI Balance for 2009 Bonds (see note)</b>	10,229	12,828	16,155	16,150	19,199		22,409	25,758	29,221
<b>Source of Non-Restricted Funds:</b>									
Estimated Local Option Taxes	-	-	-	-	-	0.0%	2,850	5,700	5,700
Event Parking	3,129	3,323	3,523	3,523	3,728	5.8%	3,940	4,158	4,383
Rent	-	1,350	1,350	1,350	1,350	0.0%	1,350	1,433	1,462
Entertainment Tax (Arena Events Only)	1,226	1,976	1,300	1,367	1,394	2.0%	939	1,600	1,632
Arena Base Tax	89	-	-	-	-	-	-	-	-
Miscellaneous Equipment Sales	3	-	-	-	-	-	-	-	-
AEG Capital Investment	82	232	5	5	-	-	-	-	-
Interest Earnings (01260)	2	34	41	41	34	-17.1%	7	13	16
Sub-Total	4,531	6,915	6,219	6,286	6,506	3.5%	9,085	12,904	13,193
<b>Use of Non-Restricted Funds:</b>									
Estimated New Debt Service	-	-	-	-	-	0.0%	2,850	5,700	5,700
Capital Improvements	1,873	2,020	8,892	8,892	4,622	-48.0%	4,620	4,727	4,412
Administration	22	244	260	260	254	-2.3%	259	264	270
Reimbursement of Unamortized Improvements	-	-	-	-	1,736				
Net Operator Reimbursement / Profit Share	1,476	1,265	1,500	1,441	1,541	6.9%	3,000	1,627	1,672
Sub-Total	3,371	3,529	10,652	10,593	8,153	-23.0%	10,729	12,318	12,053
<b>Net Income for Operations</b>	1,160	3,386	(4,433)	(4,307)	(1,647)	-61.8%	1,294	586	1,140
<b>Cumulative Operations Fund Balance</b>	3,932	7,318	2,885	3,011	1,364		2,658	3,244	4,384
<b>Total Anticipated Capital Expenditures</b>	5,639	2,020	8,892	8,892	4,622		4,620	4,727	4,412
<b>Notes:</b>									
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 in 2016, first debt service payment in 2017.									
Finance Plan will be updated as renovation agreement is finalized.									

**City of Minneapolis  
2016 Budget  
Financial Plan**

**Neighborhood and Community Relations Special Revenue Fund**

---

**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 (TIF) 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 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 (\$10.0 million) to fund neighborhood revitalization services for these two years. Projected revenue in 2015 is about 9% more than the budgeted revenue due to a growth in property values within the TIF district. General Fund contribution to NCR has become minimal in 2015, as this special revenue fund now provides the resources for NCR operations.

**2016 Budget**

*Revenues*

Revenues for the Neighborhood and Community Relations Special Revenue Fund are budgeted in 2016 at \$6.1 million in transfer-in TIF revenues based on the consolidated tax increment plan allocation for the district. The 2015 revenue budget is \$6.2 million and 2014 revenue realized was \$5.5 million.

*Expenditures*

Expenditures for the Neighborhood and Community Relations special revenue fund include access and outreach support, coordinated engagement services and neighborhood engagement and support programs. The total expenditures budgeted for 2016 is \$6.1 million and it is comparable to the 2015 expenditure budget of \$6.2 million.

**City of Minneapolis  
FY 2016 Council Adopted Budget  
Financial Plan (in thousands of dollars)**

**NCR Special Revenue Fund**

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget	% Change from 2015 Proj	2017 Forecast	2018 Forecast	2019 Forecast
<b>Source of Funds</b>									
<i>Operating Revenues:</i>									
Charge for services	19	6	-	-	-	-	-	-	-
Other Misc.	-	-	-	-	-	-	-	-	-
<i>Non-Operating Revenues:</i>									
Interest	-	-	-	-	-	-	-	-	-
Transfer from TI funds	1,200	5,520	6,225	6,800	6,127	-9.9%	6,188	6,250	6,313
<b>Total source of funds</b>	<b>1,219</b>	<b>5,526</b>	<b>6,225</b>	<b>6,800</b>	<b>6,127</b>	<b>(0)</b>	<b>6,188</b>	<b>6,250</b>	<b>6,313</b>
<b>Use of Funds</b>									
Community Services			-						
Personal Services	539	502	811	811	1,185	46.1%	1,200	1,300	1,400
Fringes	181	156	360	360	460	27.8%	468	507	546
Contractual Services	730	2,381	4,910	4,685	4,348	-7.2%	4,297	4,258	4,219
Materials / Other	67	99	144	144	134	-6.9%	135	135	135
<b>Total Use of funds</b>	<b>1,517</b>	<b>3,138</b>	<b>6,225</b>	<b>6,000</b>	<b>6,127</b>	<b>2.1%</b>	<b>6,100</b>	<b>6,200</b>	<b>6,300</b>
<b>Net Income for Operations</b>	<b>(298)</b>	<b>2,388</b>	<b>-</b>	<b>800</b>	<b>-</b>	<b>-100.0%</b>	<b>88</b>	<b>50</b>	<b>13</b>
<b>Beginning Fund Balance</b>	<b>948</b>	<b>649</b>	<b>3,037</b>	<b>3,037</b>	<b>3,037</b>	<b>0.0%</b>	<b>3,037</b>	<b>3,125</b>	<b>3,175</b>
<b>Ending Fund Balance</b>	<b>649</b>	<b>3,037</b>	<b>3,037</b>	<b>3,837</b>	<b>3,037</b>	<b>-20.8%</b>	<b>3,125</b>	<b>3,175</b>	<b>3,188</b>
<b>Ending Cash Balance</b>	<b>681</b>	<b>3,064</b>	<b>4,043</b>	<b>4,043</b>	<b>4,043</b>	<b>0.0%</b>	<b>4,131</b>	<b>4,181</b>	<b>4,194</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  
2016 Budget  
Financial Plan**

**Regulatory Services Special Revenue Fund**

---

**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 the Community Planning and Economic Development (CPED) Department. 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. Neither of these revenue sources is 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 2016 and beyond, including lower than expected assessment collections and reductions in grant allocations.

**2016 Budget**

*Revenues*

Revenues for the Regulatory Services Special Revenue Fund have been declining since 2011. The total revenue budgeted for 2016 is \$3.1 million; \$3.0 million of this is from special assessments. In 2016 Regulatory Services' share of these revenues is \$2.8 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 2016 are \$5.1 million or \$2.0 million in excess of revenue. Regulatory Services' appropriation is \$4.9 million, and CPED's appropriation is \$217,648.

**Mayor's Recommended Budget**

The Mayor recommended no changes to this fund.

**City of Minneapolis  
2016 Budget  
Financial Plan (in thousands of dollars)**

**Regulatory Services Special Revenue Fund**

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget	% Chg From 2015 Projected	2017 Forecast	2018 Forecast	2019 Forecast
<b>Source of Funds:</b>									
Charges for Services and Sales	102	105	97	235	96	-59%	175	175	175
Licenses and Permits	198	197	-	-	-	-	-	-	-
Fines and Forfeits	29	33	5	8	3	-63%	3	3	3
Special Assessments	3,571	3,044	3,719	3,531	2,984	-15%	2,821	2,671	2,529
Other Misc. Revenue	7	35	-	6	-	-	-	-	-
Total	3,907	3,414	3,821	3,780	3,083	-18%	2,999	2,849	2,707
<b>Use of Funds:</b>									
Personal Services	1,781	1,795	2,435	2,444	2,394	-2%	2,200	2,100	1,800
Fringes	623	645	713	892	792	-11%	750	675	575
Contractual Services	937	1,126	1,536	1,126	1,463	30%	800	675	650
Materials/Other	173	32	103	95	29	-69%	28	25	25
Capital	128	249	547	475	425	-11%	0	0	0
Total	3,642	3,847	5,334	5,032	5,103	1%	3,778	3,475	3,050
Net Change in Fund Balance	265	(433)	(1,513)	(1,252)	(2,020)	-27%	(779)	(626)	(343)
<b>Fund Balance:</b>									
Beginning Balance	5,207	5,471	5,038	5,038	3,786		1,766	987	361
Ending Balance	5,471	5,038	3,525	3,786	1,766		987	361	18
Ending Cash Balance	5,495	5,135	3,622	3,883	1,863		1,084	458	115

**City of Minneapolis  
2016 Budget  
Financial Plan**

**Police Special Revenue Fund**

---

**Background**

The Police Special Revenue Fund accounts for the City's revenues and expenses related to federal and state administrative forfeitures, lawful gambling, automated pawn system, and the Workforce Director scheduling and payroll system. The automated pawn and Workforce Director systems are proprietary software systems that are owned and managed by the City of Minneapolis and recover expenses from use agreements with other governmental entities.

**Historical Financial Performance**

The accumulated fund balance for year ending 2014 was \$1.1 million. This was an increase from the 2013 fund balance of \$1.0 million. Prior to 2013 the fund balance had been decreasing primarily due to expenses exceeding revenues related to the automated pawn and Workforce Director systems. The rates related to the automated pawn system have since been increased to cover costs. This has helped to stabilize the cash balance at \$1.1 million.

**2016 Budget**

*Revenues*

The total revenue budgeted for 2016 is \$2.2 million, which is slightly higher than the \$2.1 million in total revenue budgeted for 2015. Revenues for the Police Special Revenue Fund have increased from \$2.0 million in 2013 to \$2.3 million in 2014.

*Expenditures*

The total expenditures budgeted for 2016 is \$2.2 million, which is slightly higher than the total budgeted for 2015 at \$2.1 million. Expenditures for the Police Special Revenue Fund increased from \$1.8 million in 2013 to \$2.2 million in 2014. Consistent with citywide budget assumptions, future personnel expenses are projected to increase by 2.5% annually; this expense will be covered by corresponding rate increases in the services charged to other jurisdictions.

**Mayor's Recommended Budget**

The Mayor recommended no changes to this fund.

**City of Minneapolis  
FY 2016 Council Adopted Budget  
Financial Plan (in thousands of dollars)**

**Police Special Revenue Fund**

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget	% Chg From 2015 Projected	2017 Forecast	2018 Forecast	2019 Forecast
<b>Source of Funds:</b>									
Charges for Services and Sales	1,479	1,660	1,555	1,555	1,565	0.6%	1,591	1,618	1,646
Fines and Forfeits	362	464	400	400	400	0.0%	400	400	400
Licences and Permits	-	-	-	-	-		-	-	-
Miscellaneous	-	-	-	-	-		-	-	-
Taxes	157	131	177	177	182	2.7%	182	182	182
<b>Total</b>	<b>1,997</b>	<b>2,255</b>	<b>2,132</b>	<b>2,132</b>	<b>2,147</b>	<b>0.7%</b>	<b>2,173</b>	<b>2,200</b>	<b>2,228</b>
<b>Use of Funds:</b>									
Personal Services	741	782	726	726	829	14.1%	849	870	892
Fringes	201	213	194	194	223	14.7%	229	234	240
Contractual Services	740	815	880	880	716	-18.7%	716	716	716
Materials / Other	155	352	332	332	380	0.0%	380	380	380
<b>Total</b>	<b>1,836</b>	<b>2,161</b>	<b>2,132</b>	<b>2,132</b>	<b>2,147</b>	<b>0.7%</b>	<b>2,173</b>	<b>2,200</b>	<b>2,228</b>
<b>Net Change in Fund Balance<sup>1</sup></b>	<b>161</b>	<b>94</b>	<b>0</b>	<b>0</b>	<b>(0)</b>		<b>(0)</b>	<b>(0)</b>	<b>0</b>
<b>Fund Balance<sup>1</sup></b>	<b>1,002</b>	<b>1,096</b>	<b>1,096</b>	<b>1,096</b>	<b>1,096</b>		<b>1,096</b>	<b>1,095</b>	<b>1,096</b>
<b>Cash Balance</b>	<b>1,074</b>	<b>978</b>	<b>978</b>	<b>978</b>	<b>978</b>		<b>978</b>	<b>977</b>	<b>978</b>
<b>Target Cash Reserve<sup>2</sup></b>	<b>275</b>	<b>324</b>	<b>320</b>	<b>320</b>	<b>265</b>		<b>269</b>	<b>273</b>	<b>277</b>
<b>Variance Cash to Target Reserve</b>	<b>799</b>	<b>654</b>	<b>658</b>	<b>658</b>	<b>713</b>		<b>709</b>	<b>704</b>	<b>700</b>

\* Assumed 2.5% wage and fringe expense increases for 2017 to 2019 and revenue balanced by increases in Sales.

<sup>1</sup> The Net Change in Fund Balance and fund balance for 2013 and 2014 are the amounts recorded in the CAFR.

<sup>2</sup> The target cash reserve is in accordance with the financial reserve policy of 15% of the operating budget.

**City of Minneapolis  
2016 Budget  
Financial Plan**

**Municipal Parking Fund**

---

**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 needs by other City functions. The fund generates positive retained earnings and is capable of satisfying its debt service while restoring its productive assets. The fund still has transfers or dividend payments leading to cash balances being lower than financial policy goals.

Parking Fund revenues and expenses are generated from these three lines of activities:

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

For historical trends, the 2013 and 2014 operating revenues and expenses are presented in the 2016 Parking Fund budget chart (see following pages). The parking system creates a positive cash flow from parking operations.

Nearly all of the capital costs of the ramps have been financed by debt. Future capital costs are anticipated to be paid for from the cash balance rather than additional debt.

The fund also receives tax increment transfers to pay part of major development projects in the downtown area. For 2016 and beyond there will be \$0.5 million collected.

The Parking Fund cash balance at year-end 2014 was \$10.5 million. Based on current, proposed, and projected budgets, the Parking Fund cash balance will remain positive and continue to increase from current levels.

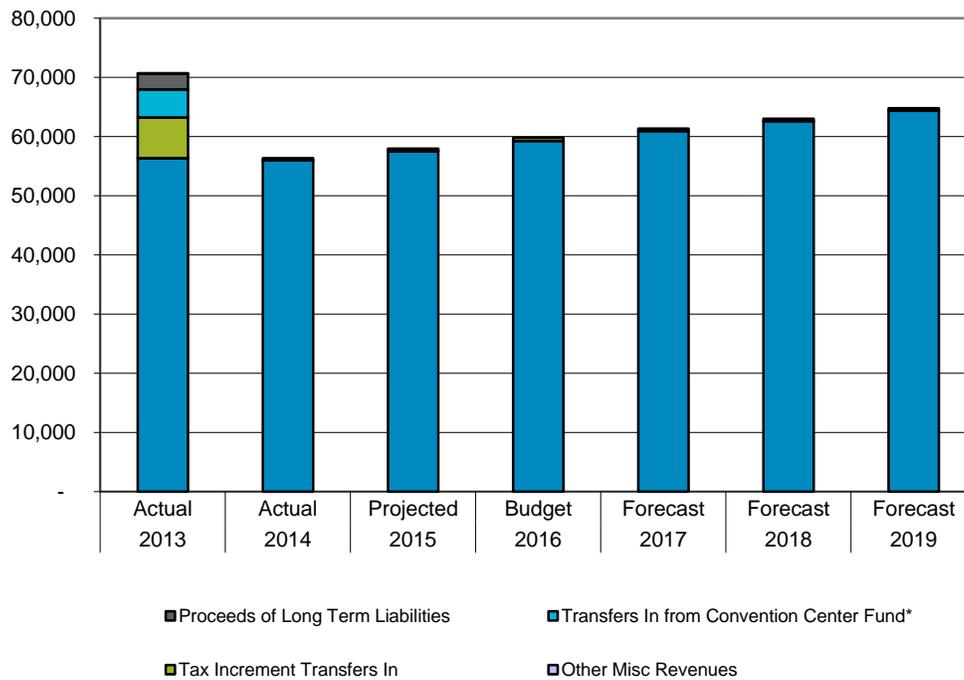
**2016 Budget**

*Revenues*

The parking system operating revenue budget for 2016 increased by 3.8% to \$61.1 million from \$59.3 million projected revenue for 2015. The 2016 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.

<b>Off-Street System Revenue Assumptions (2016)</b>	
Utilization Percentage in 2014	83%
Number of Parking Stalls in the system	20,238
Forecasted Revenue increase	2015 1.0% 2016 1.5% 2017 1.5%
Assumed rate increases (if any)	1.0%
System-wide average event rate	\$ 10.00
System-wide average daily rate	\$ 9.00
System wide average monthly rate	\$ 150.00
Number of new stalls in the system	2015 (175) 2016 0 2017 0

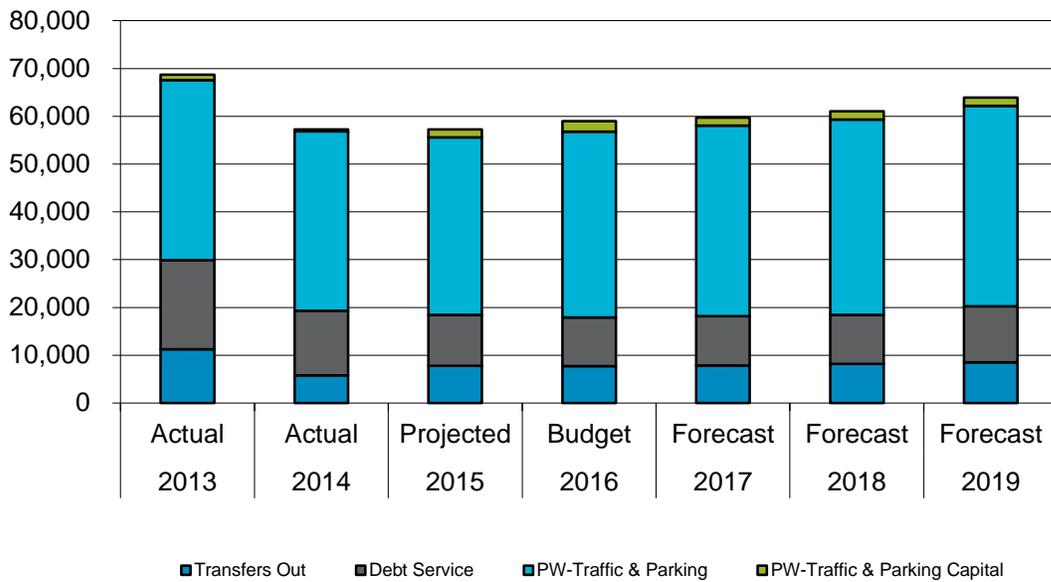
**Parking Fund Revenues**  
(in thousands of dollars)



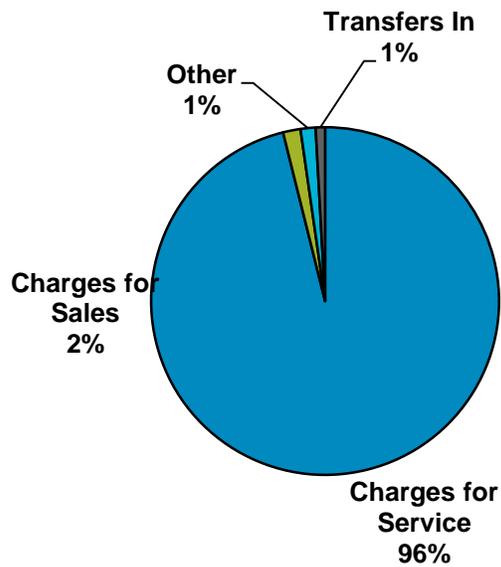
**Expenditures**

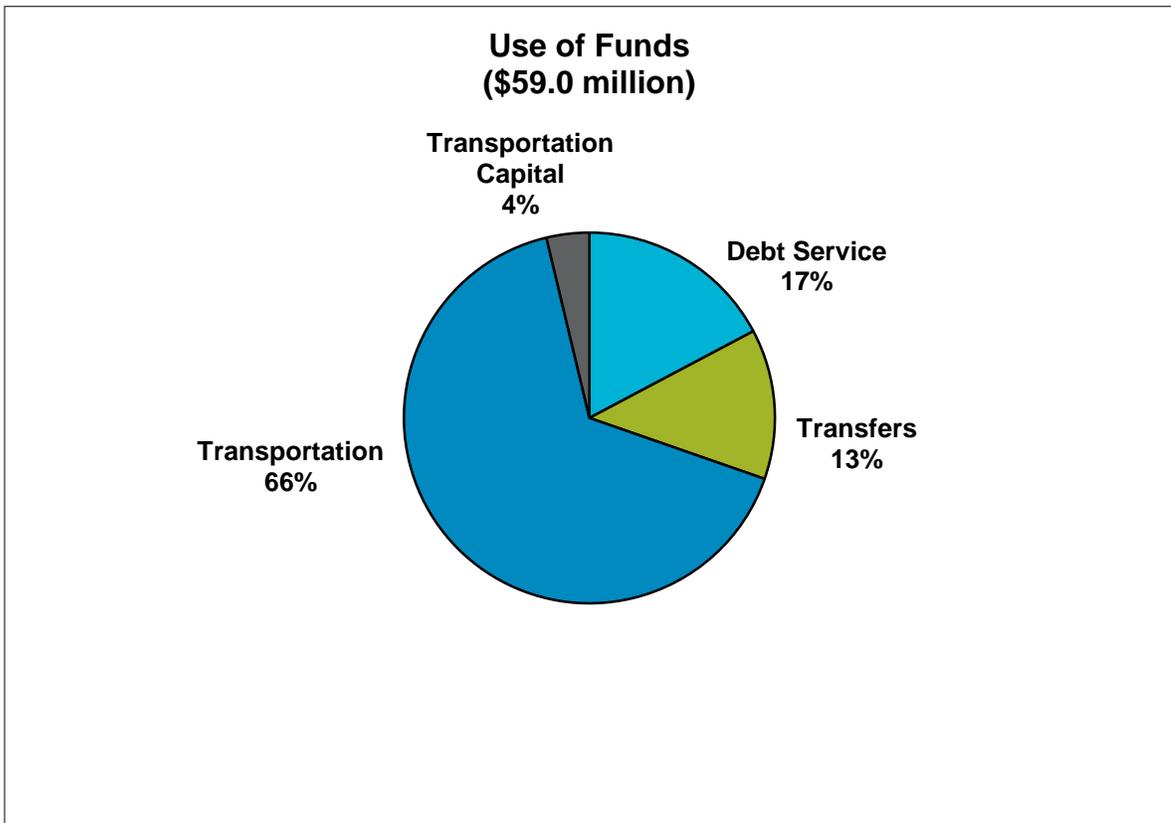
The parking system operating budget for 2016 stands at \$38.9 million which is a 4.8% increase from 2015 projected expenditures. The decrease for 2016 is due to alignment with historical actuals. The capital budget for 2016 is set at \$2.2 million which is an increase due to planned repair and improvement work in the City-owned parking facilities.

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



### Source of Funds (\$61.6 million)





*Debt Service*

Total debt service, which includes principal and interest on bonds issued for construction of municipal parking ramps, is \$10.2 million for 2016. Opportunities to reduce debt continue to be examined.

*Transfers*

In 2016 the General Fund transfer decreases by \$0.3 million and the Target Center Arena Fund transfer increases by \$0.2 million from 2015. An annual transfer of \$146,000 to the Solid Waste and Recycling fund supports service for bus shelter litter containers.

*Net Position*

The Parking Fund expects net position to increase in 2016.

**City of Minneapolis**  
**2016 Budget**  
**Financial Plan (in thousands of dollars)**  
**Municipal Parking Fund**

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget	% Chg From 2015 Budget	2017 Forecast	2018 Forecast	2019 Forecast
<b>Source of Funds:</b>									
Licenses and Permits	331	349	275	350	316	11.7%	326	336	346
Charges for Service, Sales/Permits	56,348	55,982	58,607	57,524	59,250	1.1%	60,896	62,594	64,341
Charges for Sales	1,290	1,462	1,000	1,000	1,000		1,000	1,000	1,000
Special Assessments	25	13	543	-	543		543	543	543
Federal Grant	177	37	-	-	-		-	-	-
Rents (Transportation)	2	2	-	2	-		-	-	-
Other Misc Revenues	12	20	-	10	-		-	-	-
<i>Total Operating Revenue</i>	<i>58,185</i>	<i>57,865</i>	<i>60,425</i>	<i>58,886</i>	<i>61,109</i>	<i>3.8%</i>	<i>62,765</i>	<i>64,473</i>	<i>66,230</i>
Tax Increment Transfers In	6,893	373	424	424	536	26.4%	547	558	569
Transfers In from Convention Center Fund*	4,729	-	-	-	-		-	-	-
Other Transfers In	-	-	-	-	-		-	-	-
<i>Total Transfers In</i>	<i>11,622</i>	<i>373</i>	<i>424</i>	<i>424</i>	<i>536</i>	<i>26.4%</i>	<i>547</i>	<i>558</i>	<i>569</i>
Proceeds of Long Term Liabilities	2,655	-	-	-	-		-	-	-
<b>Total</b>	<b>72,462</b>	<b>58,238</b>	<b>60,849</b>	<b>59,310</b>	<b>61,645</b>	<b>1.3%</b>	<b>63,312</b>	<b>65,031</b>	<b>66,799</b>
<b>Use of Funds:</b>									
Debt Service	18,631	13,479	10,628	10,628	10,172	-4.3%	10,335	10,267	11,716
General Fund Transfer Out*	7,918	2,323	4,148	4,148	3,844	-7.3%	3,959	4,078	4,200
Target Arena Transfer Out	3,129	3,323	3,523	3,523	3,728	5.8%	3,728	3,940	4,158
Debt Service Transfer Out	41	-	-	-	-		-	-	-
MERF Liability Transfer Out	-	-	-	-	-		-	-	-
Sanitation Transfer Out	146	146	146	146	146		146	146	146
<i>Total Transfers Out</i>	<i>11,234</i>	<i>5,792</i>	<i>7,817</i>	<i>7,817</i>	<i>7,718</i>	<i>-1.3%</i>	<i>7,833</i>	<i>8,164</i>	<i>8,504</i>
PW-Traffic & Parking	37,745	37,588	37,883	37,118	38,888	2.7%	39,885	40,909	41,962
PW-Traffic & Parking Capital	1,124	415	1,700	1,700	2,200	29.4%	1,700	1,700	1,700
<b>Total</b>	<b>68,734</b>	<b>57,274</b>	<b>58,028</b>	<b>57,263</b>	<b>58,978</b>	<b>1.7%</b>	<b>59,753</b>	<b>61,040</b>	<b>63,882</b>
<b>Change in Net Position</b>	<b>9,871</b>	<b>5,636</b>	<b>3,411</b>	<b>937</b>	<b>2,667</b>	<b>-79.4%</b>	<b>3,373</b>	<b>3,995</b>	<b>4,612</b>
<b>Net Position</b>	<b>172,628</b>	<b>178,263</b>	<b>181,674</b>	<b>179,200</b>	<b>181,867</b>	<b>0.1%</b>	<b>185,240</b>	<b>189,235</b>	<b>193,847</b>
<b>Cash Balances</b>	<b>13,304</b>	<b>10,498</b>	<b>15,019</b>	<b>12,545</b>	<b>15,793</b>	<b>25.9%</b>	<b>19,352</b>	<b>23,343</b>	<b>26,260</b>

**City of Minneapolis  
2016 Budget  
Financial Plan**

**Solid Waste and Recycling Fund**

---

**Background**

The Solid Waste and Recycling Fund provides services related to collection, disposal, and recycling of household waste, yard waste, and problem materials. Graffiti removal and the organics program are additional activities. The Solid Waste Division provides weekly and bi-weekly services for trash, yard-waste, and recycling materials pickups. It also operates a solid waste transfer station providing service to over 106,000 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 implementing one sort program at a cost of \$5.3 million and an organic program set for 2015 which is projected to cost an additional \$3.6 million. Total revenues for year 2014 were at \$32.9 million compared to \$31.9 million in 2013. The increase in revenues of \$800,000 from monthly solid waste collection fees and miscellaneous services was off-set by a decrease in revenues of \$500,000 in scrap metal sales. However, graffiti revenues, amounting to \$700,000, transferred in from the General Fund, put the year's increase to \$1.0 million. The monthly utility revenues increased due to increase in base rates from \$17.00 per dwelling units, in 2013 to \$17.60 for 2014.

Total expenditures for 2014 came to \$31.7 million compared to \$35.9 million for 2013, decrease of \$4.2 million, or 12%. Approximately \$5.3 million of this decrease is related to implementation and purchases of equipment for one-sort recycling program completed in 2013. The additional decrease of \$700,000 is due to the removal of transfer to General Fund for alley plowing. These decreases were off-set by an increase of \$1.8 million related to equipment and vehicle purchases, City services, and various operating costs. The 2014 year-end cash balance for this fund was \$19.7 million compared to \$17.8 million in 2013.

For 2015, utility revenues from collection services are projected to reach \$35.2 million, and the total revenues for the fund are projected at \$37.7 million. Expenses for the Solid Waste and Recycling Fund are projected to be \$36.6 million. This amounts to a projected surplus of \$1.1 million.

**2016 Budget**

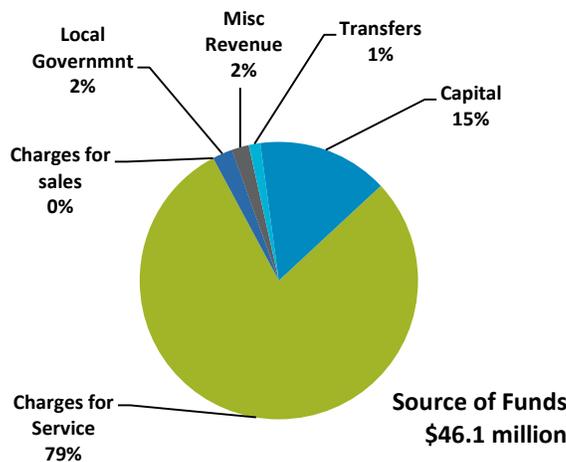
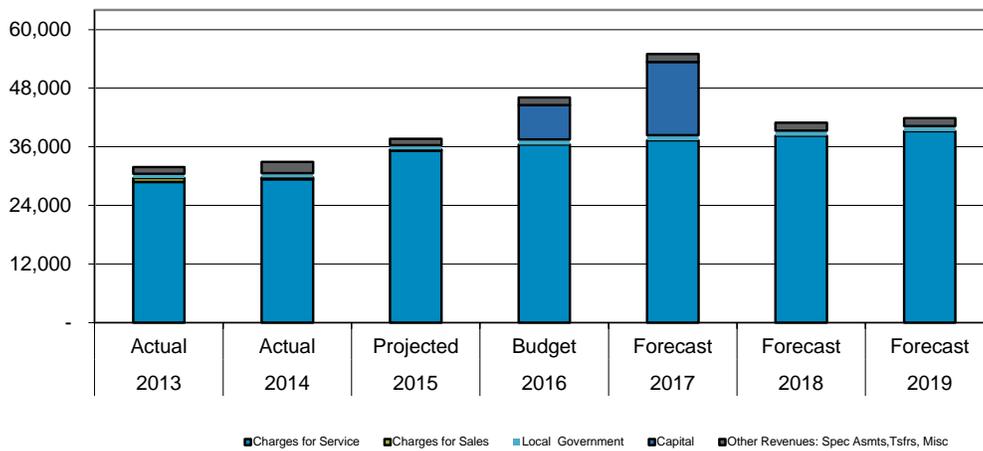
*Revenues*

The total revenue budget for the Fund for 2016 amounts to \$46.1 million compared to \$37.7 million projected for 2015. This is an increase of \$8.4 million over the 2015 projection. Service

revenue has been estimated at \$36.5 million which is \$1.2 million more than the projection for 2015. Bond proceeds are estimated at \$7.0 million to fund capital program scheduled for the year.

For 2016, the utility rate for solid waste and recycling has been proposed at \$22.89 per dwelling unit per month as a base fee. Monthly charges for large and small disposal carts are the same as 2015 which were set at \$5 and \$2, respectively. Funds from local governments include a Hennepin County recycling grant of \$1.1 million. Revenues generated from debris removals, 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)

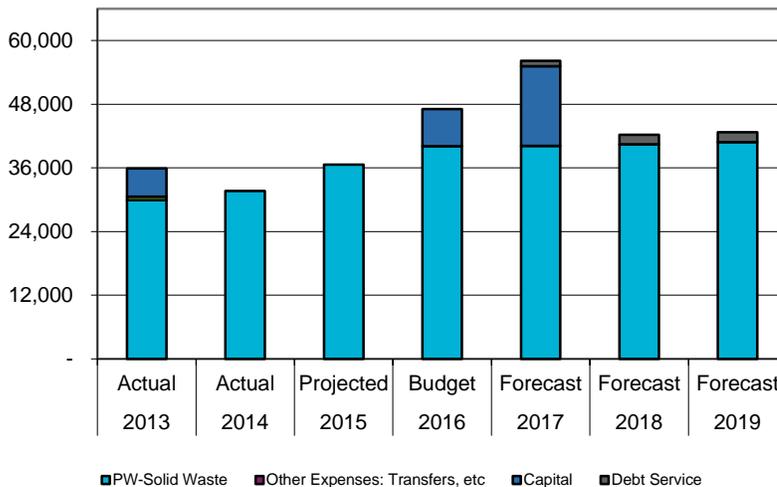


Revenue Assumptions (2016)	
Number of dwelling units	106,300

*Expenditures*

The total expenditure budget for 2016 amounts to \$47.1 million compared to \$36.6 million projected for 2015, an increase of \$10.5 million, or 28.7%. The operating budget at \$40.1 million accounts for 85% of the total budget. The remaining 15% is for facility construction for which \$7.0 million is proposed under capital improvements. The increase of \$3.5 million in the operating budget, compared to the 2015 projection, reflects the following changes: (i) continued implementation of a planned City-wide Organics program with 18 full time employees with estimated increase in salaries and fringes by \$1.1 million; (ii) step-up and outreach programs along with zero-waste and other recycling studies which are expected to result in additional cost increases of \$200,000 in time, labor, and contractual services; (iii) the replacement of trucks and vehicles costing \$400,000; (iv) increased costs from SWIS software system upgrade amounting to \$1.0 million; and (v) increase in garbage, TV, and mattress collection and hauling contracts by \$800,000.

**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 2016, General Fund transfers include \$423,000 for graffiti and \$50,000 for a zero-waste study program. These transfers are expected to continue into the future with variations in programs and amounts.

*Debt Service*

This fund does not have any capital debt service payments in 2015. However, with a capital program funded through bond sales set for 2016, the Fund anticipates \$1.0 million in payments, which would include principal and interest starting in 2017. These payments will continue on a yearly basis based on the debt service schedule.

*Fund Balance*

In 2016 the Solid Waste and Recycling Fund plans to use some of their excess cash reserve to fund capital improvements in the amount of \$1.03 million.

*Mayor's Recommended Budget*

The Department has proposed to increase the base fee for collection and hauling to \$22.89 per dwelling unit, an increase of \$1.30 over the 2015 utility rate in order to fund increase in salaries, fringes, contractual and operating services.

**City of Minneapolis  
2016 Budget  
Financial Plan (in thousands of dollars)  
Solid Waste Fund**

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget	% Chg From 2015 Projected	2017 Forecast	2018 Forecast	2019 Forecast
<b>Sources of Funds:</b>									
Local Government	890	872	880	880	1,080	22.7%	1,080	1,080	1,080
Charges for Service	28,802	29,380	34,617	35,223	36,452	3.5%	37,328	38,231	39,160
Charges for Sales	794	338	300	226	-	-100.0%	-	-	-
Special Assessments	142	106	-	-	-	-	-	-	-
Other Misc Revenues, Rents	940	1,231	920	860	920	7.0%	920	920	920
Long Term Proceeds - Capital	-	-	3,000	-	7,000	100.0%	15,000	-	-
Operating Transfers In:									
From Parking Fund	146	146	146	146	146		146	146	146
From General Fund - Graffiti	-	695	325	325	423	30.2%	438	453	468
From General Fund	150	125	-	-	50	100.0%	75	75	75
<b>Total</b>	<b>31,864</b>	<b>32,893</b>	<b>40,188</b>	<b>37,660</b>	<b>46,071</b>	<b>22.3%</b>	<b>54,987</b>	<b>40,905</b>	<b>41,849</b>
<b>Use of Funds:</b>									
PW-Solid Waste	29,879	31,656	40,527	36,594	40,101	9.6%	40,146	40,408	40,863
Transfers									
To General Fund	700	-	-	-	-		-	-	-
To MERF Fund	-	-	-	-	-		-	-	-
General Services Capital									
Capital	5,328	-	3,000	-	7,000	100.0%	15,000	-	-
Debt Service	-	-	-	-	-	100.0%	1,000	1,841	1,841
<b>Total</b>	<b>35,907</b>	<b>31,656</b>	<b>43,527</b>	<b>36,594</b>	<b>47,101</b>	<b>28.7%</b>	<b>56,146</b>	<b>42,249</b>	<b>42,704</b>
<b>Change in Net Position</b>	<b>(4,043)</b>	<b>1,237</b>	<b>(3,339)</b>	<b>1,066</b>	<b>(1,029)</b>		<b>(1,159)</b>	<b>(1,345)</b>	<b>(855)</b>
<b>Net Position Balance</b>	<b>26,874</b>	<b>28,111</b>	<b>24,772</b>	<b>29,177</b>	<b>28,147</b>		<b>26,988</b>	<b>25,643</b>	<b>24,788</b>
<b>Cash Balance</b>	<b>17,794</b>	<b>19,729</b>	<b>16,390</b>	<b>20,795</b>	<b>19,766</b>		<b>18,607</b>	<b>17,262</b>	<b>16,407</b>

**City of Minneapolis  
2016 Budget  
Financial Plan**

**Sanitary Sewer Fund**

---

**Background**

The Sanitary Sewer Fund accounts for the enterprise activity of wastewater collection and treatment. Approximately 60% 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 with the remaining 5% being provided by the Storm Water Fund. The fund also accounts for the operation, maintenance, City services, design work, capital programs, transfers, and long-term debt services associated with the sanitary sewer system.

**Historical Financial Performance**

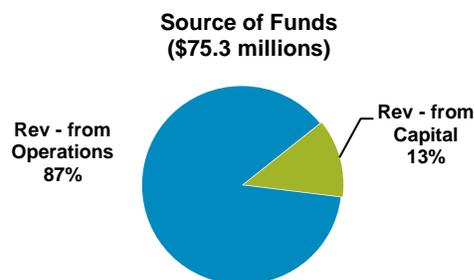
Total 2014 revenues were \$62.3 million compared to \$68.2 million in 2013, a decrease of \$5.9 million, or 9%, over 2013. Monthly service revenues and Sewer Availability Charges (SAC) revenues account for \$1.6 million of this decrease which is off-set slightly by an increase of \$400,000 in design revenues from capital programs. Additional decrease of \$4.7 million is due to reduction in bond proceeds that were used to fund capital projects in prior years. Sanitary service revenue totaled \$50.5 million, compared to the 2013 total of \$51.4 million. This decrease of \$1 million is due to decrease in volume (usage). 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 SAC charges are passed through to property owners and developers as a direct charge.

The expenditures for 2014 totaled \$66.5 million compared to \$62.5 million over 2013. This is an increase of \$4.0 million, or 6%, of which \$2.2 million is due to increase in design and maintenance work. Debt services contributed an additional \$1.2 million increase along with capital programs contributing \$1.6 million in 2014 expenses; however, these were slightly off-set by a decrease in transfers of \$100,000 and \$1.1 million in Met Council payments. Maintenance and design expenditures reflect payments made to vendors and other City departments for fleet services, supplies, repairs, and contractual services.

**2016 Budget**

*Revenues*

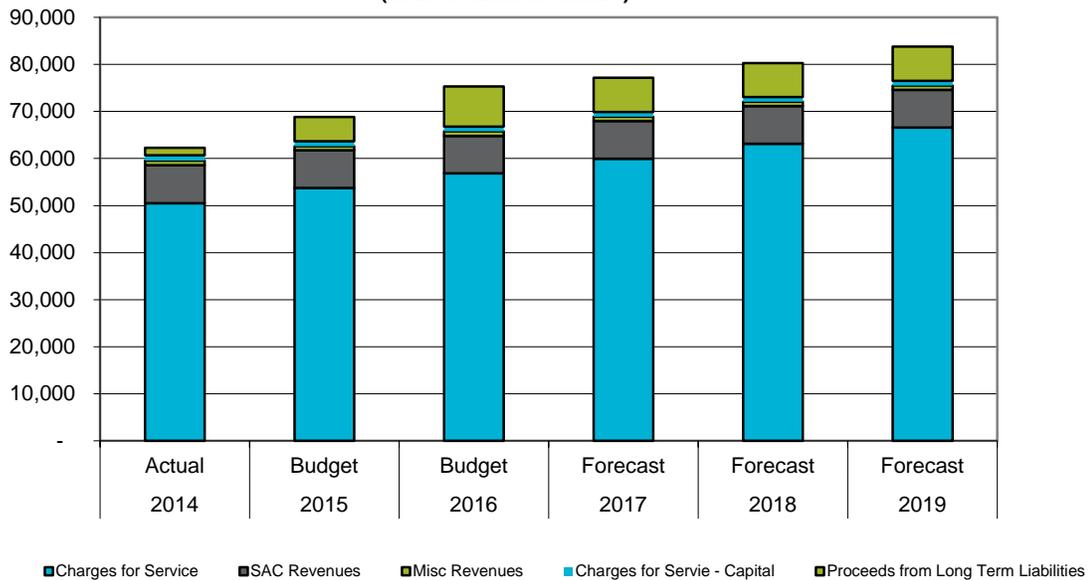
The total revenue budget for the Sanitary Sewer Fund for 2016 amounts to \$75.3 million compared to the 2015 projected revenues of \$73.3 million, an increase of \$2.0 million, or 3%. Monthly utility billings, Sewer Access Charge (SAC) permits, design and miscellaneous activities, along with proceeds from capital programs are the revenue sources for the Sanitary Sewer Fund. Revenues from operations account for 87% of the budget with the remaining 13% coming from bond proceeds and



reimbursements from capital programs. Sanitary sewer rates are comprised of variable and fixed rates. For 2016, the variable sewer rate is proposed at \$3.39 per one hundred cubic feet (one *unit*, or 748 gallons) compared to \$3.21 for 2015, while the fixed rate is set at \$4.30 compared to \$3.80. Revenue estimates were increased to fund sanitary treatment programs, upgrade Hiawatha facility, televise and rehab the sanitary system, develop Nicollet Mall, and pay for debt services and shared meter costs.

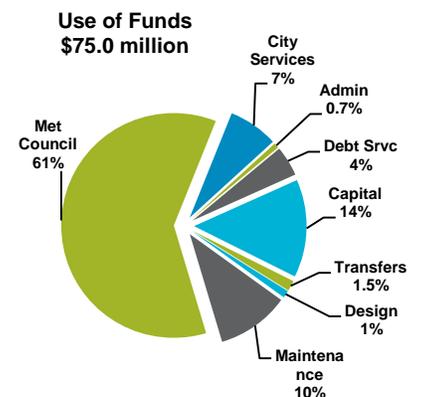
Year	Rate (cost per 100 per cubic feet)	% Increase	Average Monthly Bill	Utility Revenue from variable rates
2016	\$3.39	5.61%	\$20.34	\$49.9 million
2017	\$3.55	4.72%	\$21.30	\$52.2 million
2018	\$3.71	4.51%	\$22.26	\$54.6 million
2019	\$3.89	4.85%	\$23.34	\$57.2 million
2020	\$4.07	4.63%	\$24.42	\$59.9 million

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



### Expenditures

The total expense budget for 2016 amounts to \$75.0 million compared to \$72.6 million projected for 2015. This is an increase of \$2.4 million, or 3%, over 2015 projections. Admin, maintenance and design activities, interdepartmental City services, waste treatment charges, transfers, capital programs, and long-term debt are included in these expenses. An increase of \$1.9 million in Met Council expenditures is due to an increase in MCES rates over 2015. 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. Upgrades



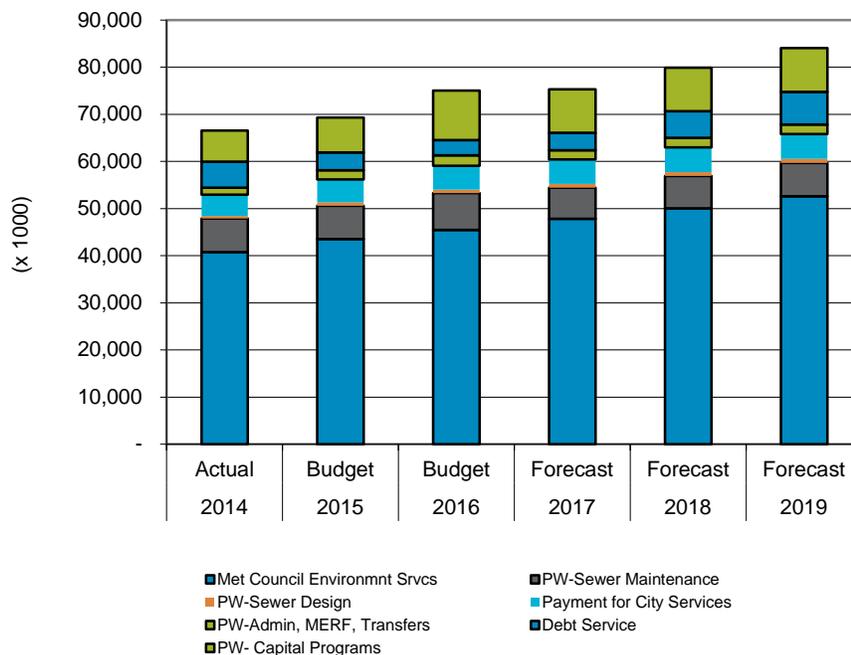
to the Hiawatha facility, purchase of the Maximo license, and supplemental cleaning work increased the maintenance budget by \$700,000. An additional increase of \$700,000 is the result of increases in personnel, overheads, rent, and MERF retirement expenses in Admin and City service departments. However, the decrease of \$(800,000) in debt service and capital programs provides for an overall decrease in the 2016 expense budget.

Capital programs for 2016 include inflow/infiltration and sewer tunnel rehab programs. An additional component of capital program includes repair work on existing infrastructures. Capital expenses for 2016 total \$10.6 million which is \$300,000 less than the projected total of \$10.9 million for 2015. 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 2016 is \$39.3 million, a 5% increase over 2015. The Sanitary Sewer Fund bears 95%, or \$37.3 million, of this cost with the remaining \$2.0 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**

For 2016, \$2.1 million is set aside as debt service payments for bonds that were sold in prior years to fund capital programs. An additional \$1.1 million is estimated to be incurred as debt service arising from the current year’s capital programs. A transfer from this fund is made to the Water fund to cover shared meter expenses. For 2016, the transfer is estimated at \$1.3 million.

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



**Fund Balance**

The Sanitary Sewer Fund plans to use \$1.8 million from its cash reserve to fund future and deferred capital programs and debt service payments.

## **Mayor Recommended Budget**

The Department has proposed an increase in the 2016 utility rates with a variable rate increase from \$3.21 to \$3.39 per unit and a fixed rate increase from \$3.80 to \$4.30 to pay for expenses as described above under the *Expenditures* subheading.

**City of Minneapolis  
2016 Budget  
Financial Plan (in thousands of dollars)**

**Storm Water Sewer Fund**

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget	% Chg From 2015 Projected	2017 Forecast	2018 Forecast	2019 Forecast
<b>Source of Funds:</b>									
Federal Government	49	58							
State Government	1,157	1,168	1,168	1,471	1,505	2.3%	1,542	1,574	1,610
Local Government	291	312	312	248	253	2.0%	256	259	266
Charges for Service-Operating	36,830	36,895	38,313	37,624	37,257	-1.0%	37,257	37,257	37,257
Design & Misc Revenues	1,146	3,095	2,319	2,319	2,147	-7.4%	2,086	2,865	2,022
Special Assessments	279	288	-	-	-		-	-	-
Grants Proceeds/Others - Capital			2,735	2,735	-	100.0%	6,783	5,525	-
Charges for Service-Capital	1,120	1,930	2,000	2,000	2,000		2,000	2,000	2,000
Proceeds of Long Term Liabilities	4,180	-	-	-	-		-	2,500	3,500
<b>Total</b>	<b>45,051</b>	<b>43,746</b>	<b>46,847</b>	<b>46,397</b>	<b>43,162</b>	<b>-7.0%</b>	<b>49,924</b>	<b>51,980</b>	<b>46,656</b>
<b>Use of Funds:</b>									
PW-Sewer Design	3,600	3,463	4,923	4,458	5,270	18.2%	4,998	4,970	4,955
PW-Field Services	7,868	7,173	9,190	8,329	8,334	0.1%	8,587	8,847	9,116
PW-Sewer Maintenance	4,679	5,156	6,965	6,529	7,458	14.2%	5,198	4,984	4,924
Metropolitan Council	1,745	1,725	1,844	1,862	1,992	7.0%	2,052	2,113	2,177
Payment for City Services	5,757	5,559	5,298	5,156	5,173	0.3%	5,152	5,232	5,315
Admin			342	229	886	100.0%	801	815	829
Debt Service	7,602	4,085	3,030	3,030	2,600	-14.2%	-	-	-
Future Debt Service	-	-	-	-	-		-	-	530
Transfers	-	6	110	110	110		110	110	110
PW- Capital	10,240	18,231	10,920	10,920	14,500	32.8%	21,733	24,040	17,550
<b>Total</b>	<b>41,491</b>	<b>45,398</b>	<b>42,621</b>	<b>40,622</b>	<b>46,323</b>	<b>14.0%</b>	<b>48,631</b>	<b>51,111</b>	<b>45,506</b>
Def.Capital Proj - Rev Funded			8,920	11,182	6,518		40	-	-
<b>Change in Net Assets</b>	<b>3,560</b>	<b>(1,652)</b>	<b>(4,694)</b>	<b>(5,407)</b>	<b>(9,679)</b>		<b>1,252</b>	<b>868</b>	<b>1,150</b>
<b>Net Asset Balance</b>	<b>311,719</b>	<b>326,461</b>	<b>321,767</b>	<b>321,054</b>	<b>311,375</b>		<b>312,628</b>	<b>313,496</b>	<b>314,646</b>
<b>Cash Balances</b>	<b>36,354</b>	<b>34,961</b>	<b>30,266</b>	<b>29,553</b>	<b>19,874</b>		<b>21,126</b>	<b>21,994</b>	<b>23,145</b>
Construction Cash	6								
<b>Total Cash Balance</b>	<b>36,360</b>	<b>34,961</b>	<b>30,266</b>	<b>29,553</b>	<b>19,874</b>		<b>21,126</b>	<b>21,994</b>	<b>23,145</b>

**City of Minneapolis  
2016 Budget  
Financial Plan**

**Stormwater Fund**

---

**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 2014 total revenues decreased to \$43.7 million compared to \$45.1 million in 2013. Bond revenues account for \$4.2 million of the decrease. This was off-set by an increase of \$2.9 million in operating and capital revenues bringing the net decrease to \$1.3 million. Capital projects in 2014 were paid out of fund balance, replacing bond sales as a source of funding. Total expenditures in 2014 amounted to \$45.4 million compared to \$41.5 million for 2013, an increase of \$3.9 million, or 9.4%. Capital programs account for \$8.0 million of this increase. This increase was reduced by \$4.1 million due to decreases in maintenance, tunnel rehab, debt services, and design activities.

**2016 Budget**

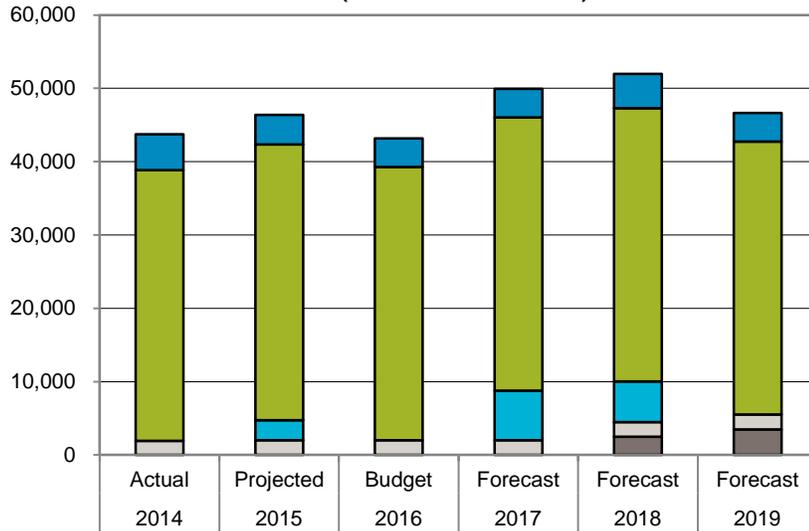
*Revenues*

The 2016 revenue budget totals \$43.2 million, compared to \$46.4 million projected for 2015, reflecting a decrease of \$3.2 million, 7.0%. The charges for service revenue, estimated at \$37.3 million, is \$400,000 less than the 2015 projection due to anticipated decline in usage (ESU unit) even though utility rate is continued at \$11.94 per ESU without a change over 2015. Design and miscellaneous revenues are estimated to decline by \$170,000 due to a decline in design activity. Capital programs are estimated to lose \$2.7 million in revenue since all funding is aimed to be furnished from reserves.

Planned rates:

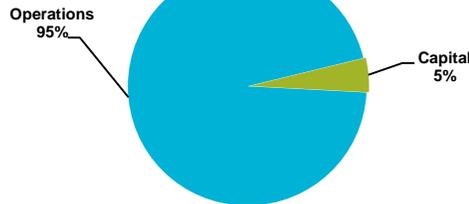
<b>Year</b>	<b>Rate per ESU (Equivalent Stormwater Unit)</b>	<b>% Increase</b>	<b>Total Planned Revenue from Utility Fee</b>
2016	\$11.94	0.0%	\$37.3 million
2017	\$11.94	0.0%	\$37.3 million
2018	\$11.94	0.0%	\$37.3 million
2019	\$11.94	0.0%	\$37.3 million
2020	\$11.94	0.0%	\$37.3 million

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



- Proceeds of Long Term Liabilities
- Grants & Others - Capital
- Grants, Assmnts, Design & Misc Rev.
- Charges for Service- Reimbursable
- Charges for Service-Operating

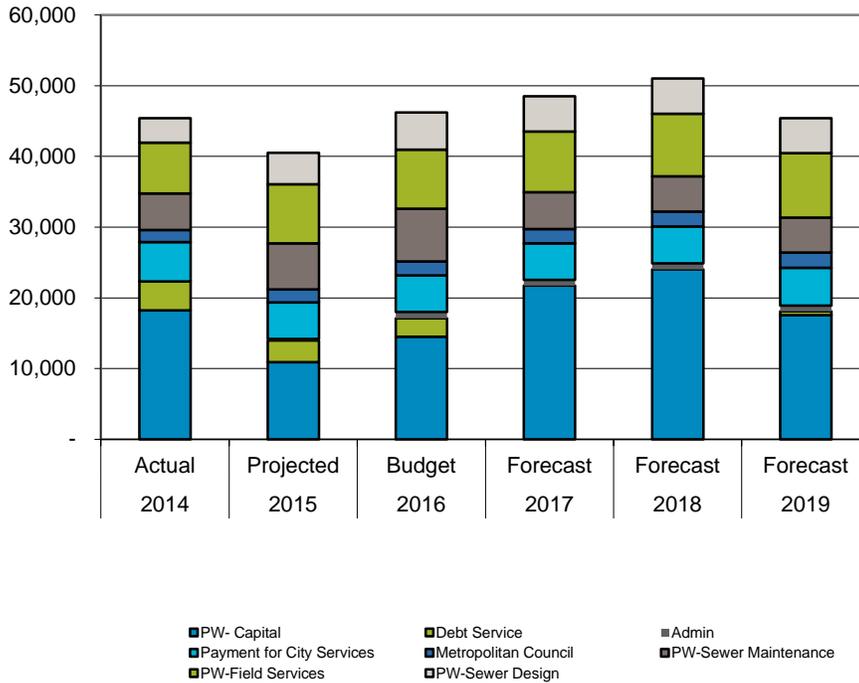
**Source of Funds**  
\$43.2 million



**Expenditures**

The 2016 total expenditure budget for the Stormwater Fund amounts to \$46.3 million compared to \$40.6 million projected for 2015, an increase of \$5.7 million, or 14.0%. The fund's operating budget is used for design, maintenance, overflow programs, Met Council payments, City services, and street cleaning. The operating budget for 2016 totals \$29.1 million which is \$2.6 million more than the \$26.5 million projected for 2015. The increase is the result of expenditures related to consultants, professional services, surveys, shared expenses with Park Board, Maximo license, fleet services, maintenance, and clean-up works. Capital programs are estimated at \$14.5 million compared to \$10.9 million projected for 2015. For 2016, \$12.5 million of capital projects are Storm revenue funded and the remaining \$2.0 million are pay-as-you go. The 2016 budget anticipates a decrease in net position of \$9.7 million due to an additional \$6.5 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 2016, \$350,000 has been allotted in the operating budget with additional funding coming from the Capital programs.

#### *Debt Service & Transfers*

The 2016 budget includes funding for debt service payments that are primarily for bonds that have been sold in prior years to finance the Combined Sewer Overflow (CSO) and flood mitigation programs. For 2016, debt service payments are estimated at \$2.6 million compared to \$3.0 million projected for 2015. Transfers out of this fund covers environmental services programming conducted in the General Fund which is set at \$110,000.

#### *Fund Balance*

In 2016 the Storm Water Fund plans to use some of their excess cash reserve to fund capital programs and reduce bonding as a funding source in the amount of \$9.7 million.

### **Mayor Recommended Budget**

The Department has proposed to continue 2016 storm water utility rate at \$11.94 which is the same for 2015.

**City of Minneapolis  
2016 Budget  
Financial Plan (in thousands of dollars)**

**Storm Water Sewer Fund**

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget	% Chg From 2015 Projected	2017 Forecast	2018 Forecast	2019 Forecast
<b>Source of Funds:</b>									
Federal Government	49	58							
State Government	1,157	1,168	1,168	1,471	1,505	2.3%	1,542	1,574	1,610
Local Government	291	312	312	248	253	2.0%	256	259	266
Charges for Service-Operating	36,830	36,895	38,313	37,624	37,257	-1.0%	37,257	37,257	37,257
Design & Misc Revenues	1,146	3,095	2,319	2,319	2,147	-7.4%	2,086	2,865	2,022
Special Assessments	279	288	-	-	-		-	-	-
Grants Proceeds/Others - Capital			2,735	2,735	-	100.0%	6,783	5,525	-
Charges for Service-Capital	1,120	1,930	2,000	2,000	2,000		2,000	2,000	2,000
Proceeds of Long Term Liabilities	4,180	-	-	-	-		-	2,500	3,500
<b>Total</b>	<b>45,051</b>	<b>43,746</b>	<b>46,847</b>	<b>46,397</b>	<b>43,162</b>	<b>-7.0%</b>	<b>49,924</b>	<b>51,980</b>	<b>46,656</b>
<b>Use of Funds:</b>									
PW-Sewer Design	3,600	3,463	4,923	4,458	5,270	18.2%	4,998	4,970	4,955
PW-Field Services	7,868	7,173	9,190	8,329	8,334	0.1%	8,587	8,847	9,116
PW-Sewer Maintenance	4,679	5,156	6,965	6,529	7,458	14.2%	5,198	4,984	4,924
Metropolitan Council	1,745	1,725	1,844	1,862	1,992	7.0%	2,052	2,113	2,177
Payment for City Services	5,757	5,559	5,298	5,156	5,173	0.3%	5,152	5,232	5,315
Admin			342	229	886	100.0%	801	815	829
Debt Service	7,602	4,085	3,030	3,030	2,600	-14.2%	-	-	-
Future Debt Service	-	-	-	-	-		-	-	530
Transfers	-	6	110	110	110		110	110	110
PW- Capital	10,240	18,231	10,920	10,920	14,500	32.8%	21,733	24,040	17,550
<b>Total</b>	<b>41,491</b>	<b>45,398</b>	<b>42,621</b>	<b>40,622</b>	<b>46,323</b>	<b>14.0%</b>	<b>48,631</b>	<b>51,111</b>	<b>45,506</b>
Def.Capital Proj - Rev Funded			8,920	11,182	6,518		40	-	-
<b>Change in Net Assets</b>	<b>3,560</b>	<b>(1,652)</b>	<b>(4,694)</b>	<b>(5,407)</b>	<b>(9,679)</b>		<b>1,252</b>	<b>868</b>	<b>1,150</b>
<b>Net Asset Balance</b>	<b>311,719</b>	<b>326,461</b>	<b>321,767</b>	<b>321,054</b>	<b>311,375</b>		<b>312,628</b>	<b>313,496</b>	<b>314,646</b>
<b>Cash Balances</b>	<b>36,354</b>	<b>34,961</b>	<b>30,266</b>	<b>29,553</b>	<b>19,874</b>		<b>21,126</b>	<b>21,994</b>	<b>23,145</b>
Construction Cash	6								
<b>Total Cash Balance</b>	<b>36,360</b>	<b>34,961</b>	<b>30,266</b>	<b>29,553</b>	<b>19,874</b>		<b>21,126</b>	<b>21,994</b>	<b>23,145</b>

**City of Minneapolis  
2016 Budget  
Financial Plan**

**Water Treatment and Distribution Services Fund**

---

**Background**

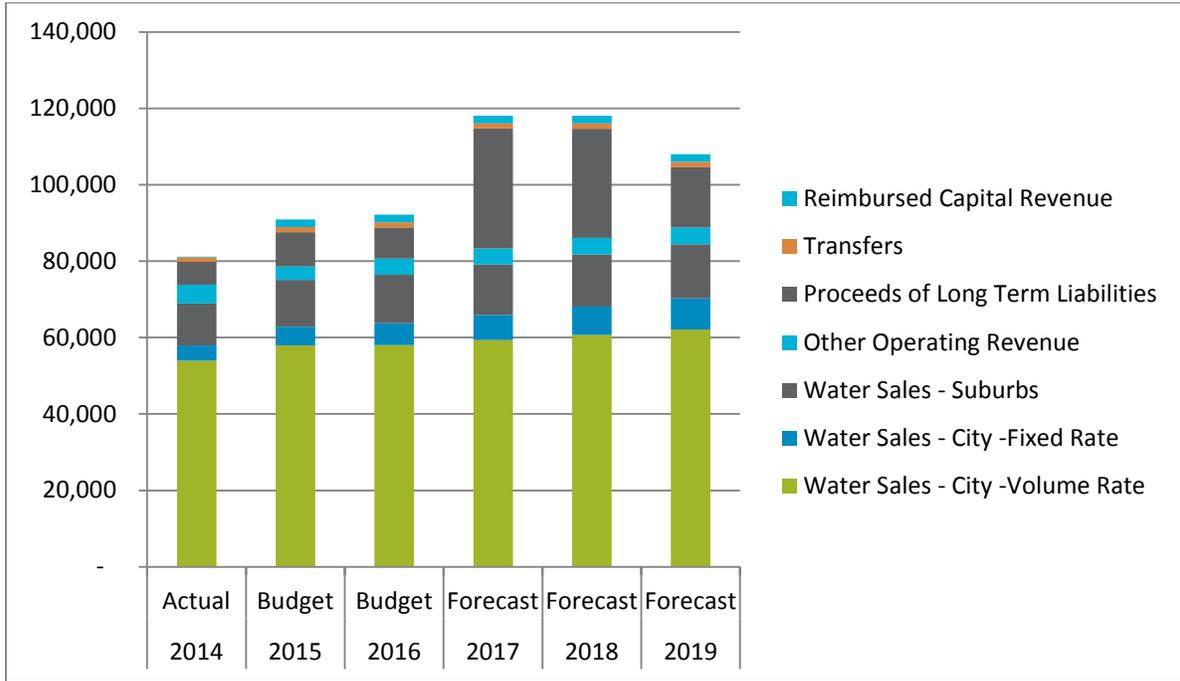
The Public Works Water Treatment and Distribution Services Fund accounts for the administration, operation, maintenance, and capital investments of the water treatment and distribution system of the City of Minneapolis. The City also sells water directly to seven wholesale customers – the cities of Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, and Edina, as well as the Metropolitan Airport.

**Historical Financial Performance**

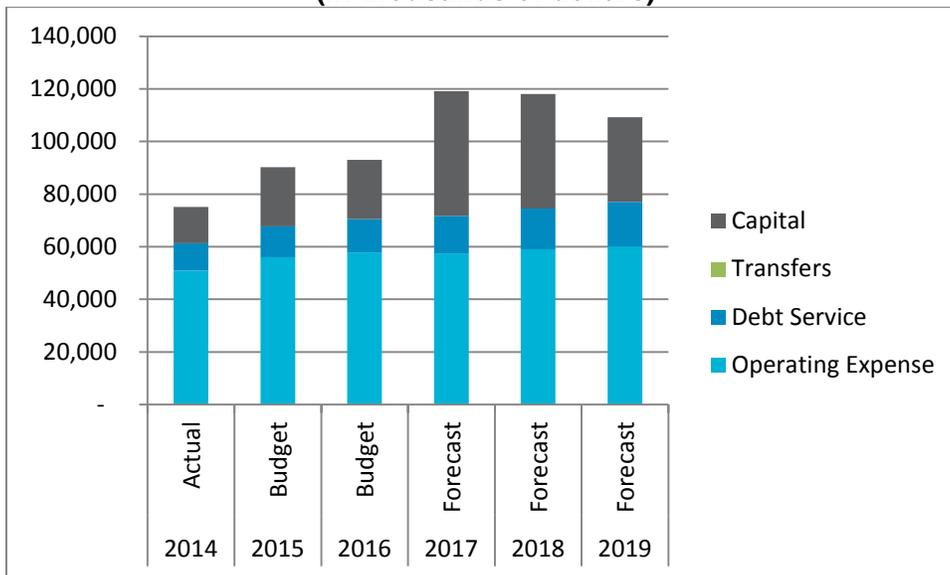
The net position of the Water Fund has increased over the past several years due primarily to scheduled rate increases and deferrals of some major capital improvements and investments to 2015. The following table shows the revenue earned from Minneapolis and suburban sales for years 2013 – 2014, the projected 2015 revenue, and the 2016 budgeted revenue:

<b>Source of Revenue</b>	<b>2013</b>	<b>2014</b>	<b>2015 Projected</b>	<b>2016 Budget</b>
Bloomington	\$3,385,177	\$2,988,555	\$ 3,253,103	\$3,362,770
Columbia Heights	1,168,255	1,198,178	1,271,468	1,314,331
Hilltop	74,920	79,320	75,940	78,501
Joint Water Commission	5,903,381	5,691,483	6,571,439	6,792,972
Edina	238,592	181,090	220,812	228,256
MAC	836,893	857,281	852,453	897,300
<b>Total Suburban</b>	<b>\$11,607,218</b>	<b>\$10,995,907</b>	<b>\$12,245,215</b>	<b>\$12,674,131</b>
Volume Rate	\$55,738,712	\$53,916,478	\$55,370,954	\$58,026,210
Fixed Rate	3,230,251	4,052,437	4,793,070	5,751,711
<b>Total Minneapolis</b>	<b>\$58,968,963</b>	<b>\$57,968,915</b>	<b>\$60,164,024</b>	<b>\$63,777,921</b>
<b>Total Revenue</b>	<b>\$70,576,181</b>	<b>\$68,964,822</b>	<b>\$72,409,239</b>	<b>\$76,452,052</b>

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



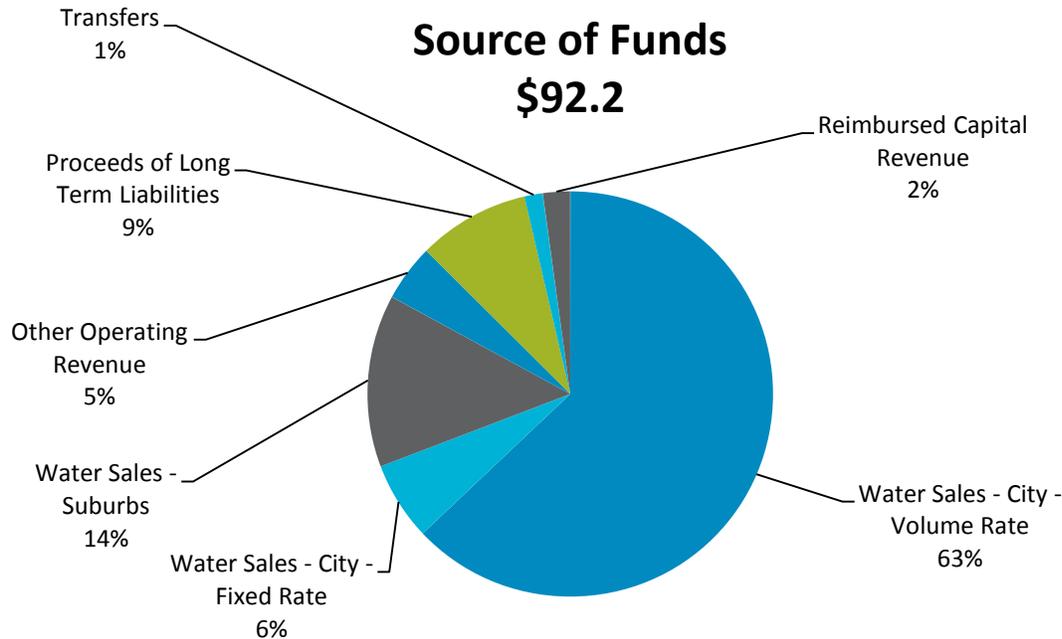
### Water Fund Expenses (In thousands of dollars)



## 2016 Budget

### Revenues

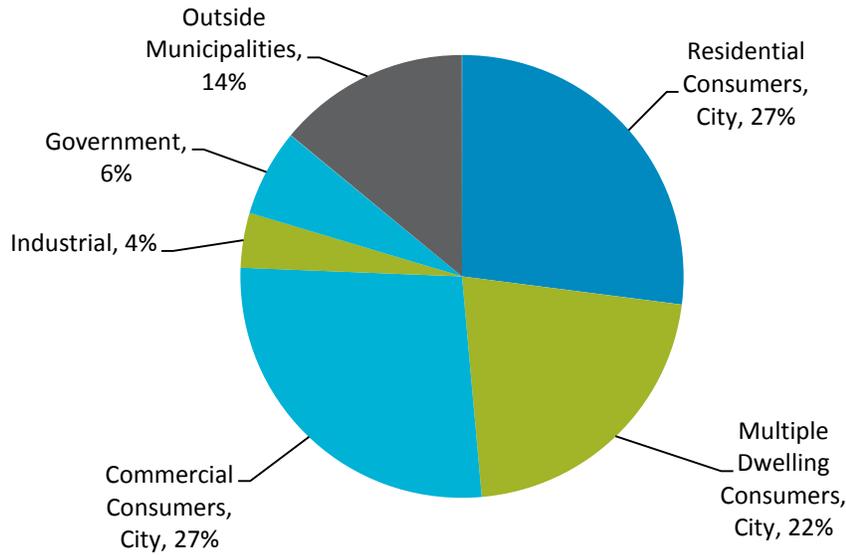
The 2016 revenue budget of \$92.2 million is \$906,000 less than the 2015 projected revenue budget of \$93.1 million. This decrease is mainly due to a \$5 million increase in bond proceeds received in 2015, offset by projected rate increases for the years 2016 – 2022 to pay debt service for the capital 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 \$3.45/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 2014 Consumption)**



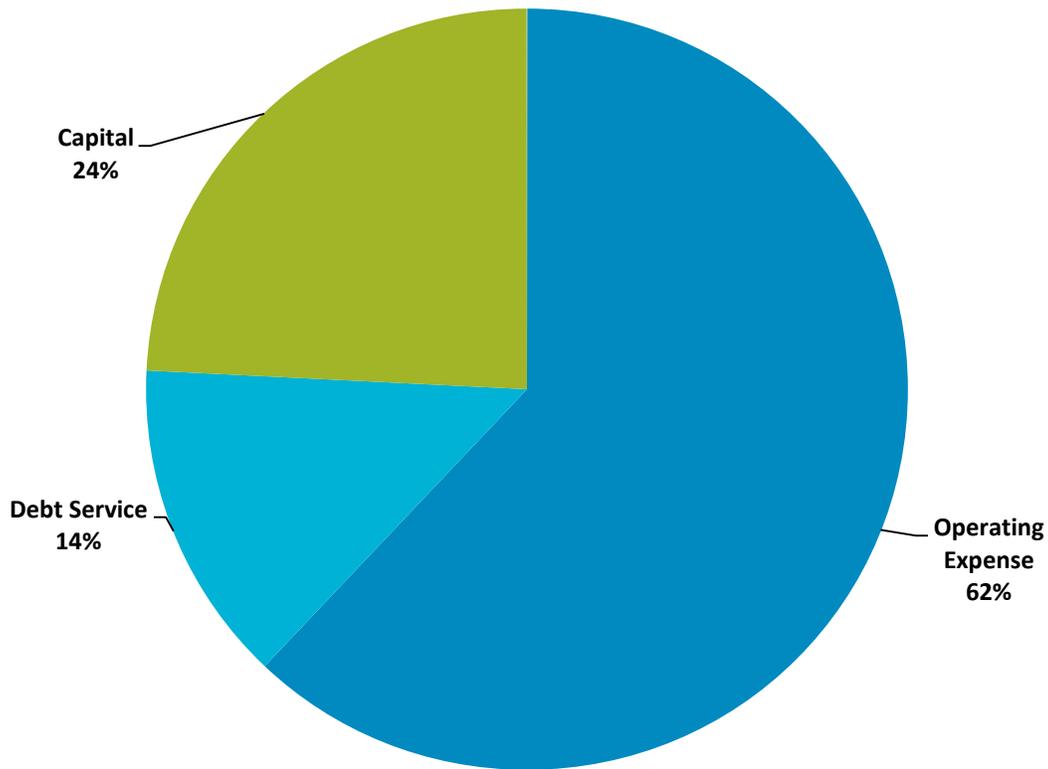
**Projected Revenue from City Water Sales**

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
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	\$3.45	\$27.65	3.99%	\$1.06	\$63.8 Million
2017	\$4.00	\$3.53	\$28.71	3.83%	\$1.06	\$65.9 Million
2018	\$4.50	\$3.61	\$29.77	3.69%	\$1.06	\$68.1 Million
2019	\$5.00	\$3.69	\$30.83	3.56%	\$1.06	\$70.3 Million

**Projected Revenue from Suburban Water Sales**

Year	% Increase	Total Revenue Earned from Utility Fee - Suburbs
2014	10.09%	\$12.8 Million
2015	-4.18%	\$12.2 Million
2016	3.50%	\$12.7 Million
2017	4.06%	\$13.2 Million
2018	3.69%	\$13.7 Million
2019	3.56%	\$14.2 Million

## Use of Funds \$93.1 Million



### *Expenditures*

The 2016 expense budget is \$93.1 million, a 3.5% decrease from 2015 projected expenses of \$96.4 million. The budget provides funding for water treatment 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 2016 capital budget of \$22.5 million represents a 28.6% decrease from the 2015 projected capital expenditures. This decrease is largely due to \$9 million in capital projects rolled over to 2015 from 2014 that inflate the projected 2015 amount.

### *Debt Service and Transfers*

The debt service total of \$12.8 million is for bonds and notes sold to finance the Water Fund's Capital Construction program.

### *Fund Balance*

The Public Works Water Treatment and Distribution Services Fund expects the fund balance to decrease \$.9 million as a result of usage of cash reserves to fund planned infrastructure improvements.

**City of Minneapolis**  
**2016 Budget**  
**Financial Plan (In thousands of dollars)**  
**Water Fund**

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget	% Chg from 2015 Projected	2017 Forecast	2018 Forecast	2019 Forecast
<b>Source of Funds:</b>									
Water Sales - City									
Volume Rate	55,739	53,917	57,922	55,371	58,026	4.8%	59,372	60,717	62,063
Fixed Rate	3,230	4,052	4,930	4,793	5,752	20.0%	6,573	7,395	8,217
Water Sales - Suburbs	11,607	10,996	12,245	12,245	12,674	3.5%	13,188	13,675	14,162
Other Operating Revenue	5,661	4,852	3,524	4,368	4,177	-4.4%	4,239	4,303	4,367
Proceeds of Long Term Liabilities		6,000	9,000	13,000	8,200	-36.9%	31,320	28,580	15,750
Transfers									
From Sewer Fund for Meter S	1,149	1,159	1,285	1,285	1,328	3.3%	1,348	1,368	1,389
From General Fund	22	25	25	25	24	-4.0%	24	24	24
Reimbursed Capital Revenue	364	144	2,000	2,000	2,000		2,000	2,000	2,000
<b>Total</b>	<b>77,772</b>	<b>81,145</b>	<b>90,931</b>	<b>93,087</b>	<b>92,181</b>	<b>-1.0%</b>	<b>118,064</b>	<b>118,062</b>	<b>107,972</b>
<b>Use of Funds:</b>									
Operating Expense	51,206	50,869	55,962	53,058	57,754	8.9%	57,442	59,053	60,050
Debt Service	10,106	10,460	11,775	11,775	12,041	2.3%	12,472	11,536	11,014
Future Debt Service	-	-	-	-	727		1,765	3,969	5,980
Capital	16,456	13,788	22,495	31,559	22,540	-28.6%	47,445	43,430	32,220
<b>Total</b>	<b>77,768</b>	<b>75,117</b>	<b>90,232</b>	<b>96,392</b>	<b>93,062</b>	<b>-3.5%</b>	<b>119,124</b>	<b>117,988</b>	<b>109,264</b>
<b>Water Fund Margin</b>	<b>4</b>	<b>6,028</b>	<b>699</b>	<b>(3,305)</b>	<b>(881)</b>	<b>-73.3%</b>	<b>(1,060)</b>	<b>74</b>	<b>(1,292)</b>
<b>Water Net Position</b>	<b>210,450</b>	<b>221,480</b>	<b>222,179</b>	<b>218,175</b>	<b>217,294</b>	<b>-0.4%</b>	<b>216,234</b>	<b>216,308</b>	<b>215,016</b>
<b>Cash Balance</b>	<b>18,963</b>	<b>25,133</b>	<b>25,832</b>	<b>21,828</b>	<b>20,948</b>	<b>-4.0%</b>	<b>19,886</b>	<b>19,960</b>	<b>18,667</b>

**City of Minneapolis  
2016 Budget  
Financial Plan**

**Public Works Stores Fund**

---

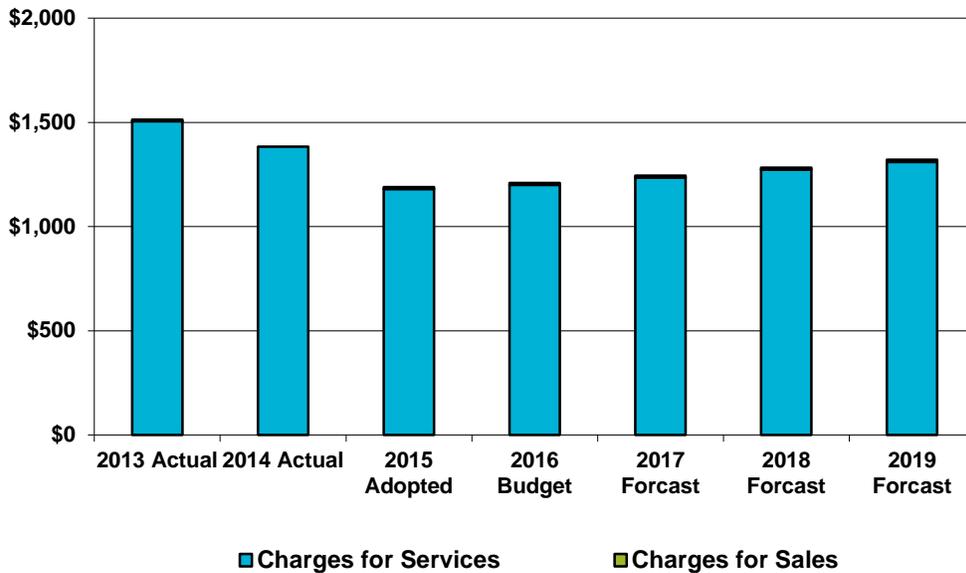
**Background**

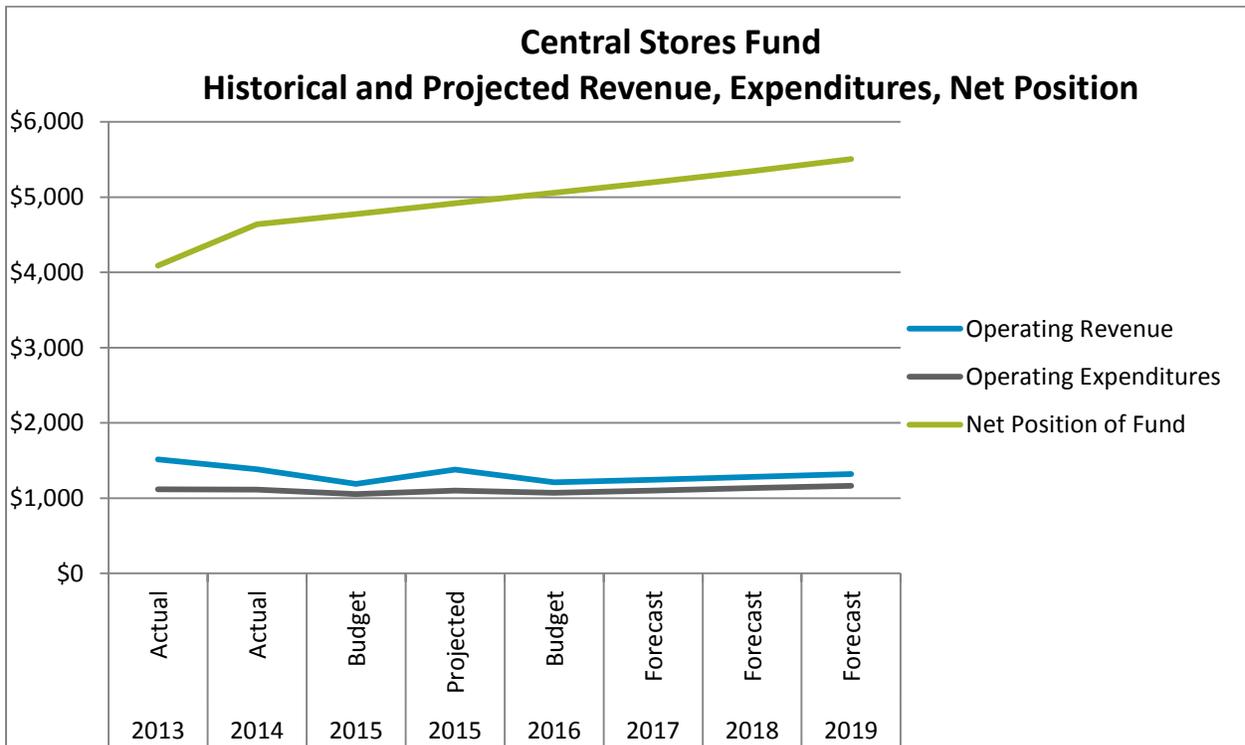
The Public Works Stores Fund accounts for the centralized procurement, receiving, warehousing, and distribution of stocked inventory items and the purchase of special goods and services. The fund's mission is to provide goods in a cost effective manner to City departments through the Central Stores and 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.

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





## 2016 Budget

### Revenues

Revenues for 2016 are budgeted at \$1.2 million, a decrease of 12.3% from the 2015 projected revenue of \$1.4 million. Revenues for 2015 are projected to be higher than budgeted due to an increase in inventory transactions processed by both Central Stores and Traffic Stores. The 2015 revenue budget was calculated using historical levels of inventory sales.

### Expense

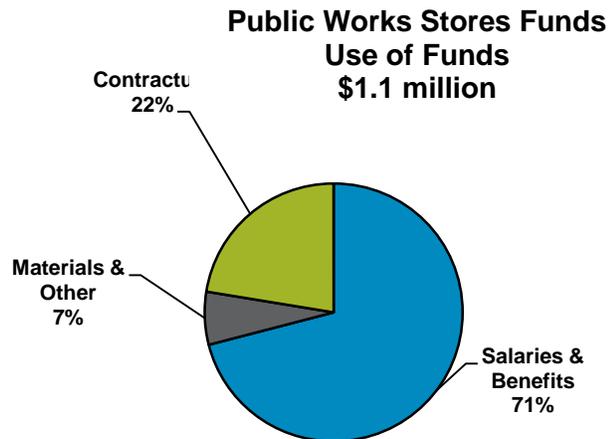
The 2016 expense budget of \$1.07 million is a 2.6% decrease from the 2015 projected expense of \$1.10 million. There are no significant planned changes for expenses.

### Transfers

This fund does not have a transfer out obligation to another fund. The last transfer out occurred in 2012 when the City retired bonds related to the debt service of the Minneapolis Employees Retirement Fund (MERF) unfunded liability.

### Debt Service

This fund does not have any long-term debt.



### *Net Position and Cash Balance*

The financial policy for this fund states that the fund should maintain a minimum net and cash position equal to 15% of the operating budget. The year-end net position for 2014 was \$4.6 million, an increase of \$0.5 million from the ending net position of \$4.1 million in 2013, and well over the policy target of \$0.2 million. However the 2014 YE cash position was negative at (\$0.2 million). The fund has experienced a negative cash balance since 2006 when the balance was a deficit of (\$900,000). By 2011, the deficit had increased to (\$1,027,000). In 2014 the deficit cash balance decreased to (\$200,800). The cash balance varies indirectly with the amount expended for inventory purchases.

The 2015 projected net position is \$4.9 million, and in 2016, the Central Stores Fund expects net position and cash position to increase as a result of planned increase in cash reserves to bring the cash balance from a deficit balance to a positive balance.

**City of Minneapolis**  
**2016 Budget**  
**Financial Plan (In thousands of dollars)**  
**Public Works Stores Fund**

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget	% Chg From 2015 Projected	2017 Forecast	2018 Forecast	2019 Forecast
<b>Source of Funds:</b>									
Charges for Services	1,506	1,384	1,180	1,375	1,200	-12.7%	1,235	1,273	1,311
Charges for Sales	8	-	10	5	10	100.0%	10	10	10
<b>Total</b>	<b>1,514</b>	<b>1,384</b>	<b>1,190</b>	<b>1,380</b>	<b>1,210</b>	<b>-12.3%</b>	<b>1,245</b>	<b>1,283</b>	<b>1,321</b>
<b>Use of Funds:</b>									
Salaries and Fringes	790	775	744	795	760	-4.4%	783	806	830
Contractual Services	313	306	240	275	240	-12.7%	247	255	255
Materials and Other	16	31	70	30	71	136.7%	73	75	78
Transfers	-	-	-	-	-	0.0%	-	-	-
<b>Total</b>	<b>1,120</b>	<b>1,112</b>	<b>1,054</b>	<b>1,100</b>	<b>1,071</b>	<b>-2.6%</b>	<b>1,103</b>	<b>1,136</b>	<b>1,163</b>
<b>Change in Net Position<sup>1</sup></b>	<b>397</b>	<b>549</b>	<b>136</b>	<b>280</b>	<b>139</b>		<b>143</b>	<b>147</b>	<b>158</b>
<b>Net Position<sup>1</sup></b>	<b>4,089</b>	<b>4,638</b>	<b>4,774</b>	<b>4,918</b>	<b>5,057</b>		<b>5,200</b>	<b>5,347</b>	<b>5,505</b>
<b>Cash Balance</b>	<b>(179)</b>	<b>(201)</b>	<b>(65)</b>	<b>79</b>	<b>218</b>		<b>361</b>	<b>508</b>	<b>666</b>
<b>Target Cash Reserve<sup>2</sup></b>	<b>168</b>	<b>167</b>	<b>158</b>	<b>79</b>	<b>161</b>		<b>165</b>	<b>170</b>	<b>174</b>
<b>Variance Cash to Target Reserve</b>	<b>(346)</b>	<b>(368)</b>	<b>(223)</b>	<b>79</b>	<b>58</b>		<b>196</b>	<b>338</b>	<b>492</b>

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

<sup>1</sup> The change in net position and net position for 2013 and 2014 are the amounts recorded in the CAFR.

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

**City of Minneapolis  
2016 Budget  
Financial Plan**

**Engineering Materials and Testing Fund**

---

**Background**

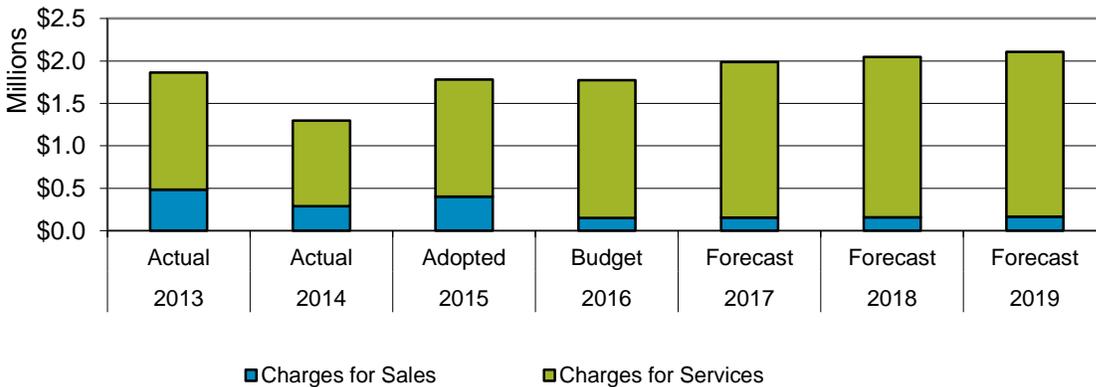
The Engineering, Materials and Testing Fund accounts for transactions related to City purchases of hot-mix asphalt and ready-mix concrete and the related quality control activities for the placement of these materials to assure compliance with State and Federal standards and specifications. The Engineering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

**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.

From 2003 through 2008, this fund had a decrease in net position of \$1.5 million of which \$777,000 was due to the loss on the disposal of the asphalt plant after operations were suspended. Beginning in 2008, with a net position of \$27,758, the fund continued to have positive increases through 2013 ending the year with a balance of \$2.0 million. In 2014, it was determined to decrease laboratory service fees and the overhead rates on asphalt and concrete resulting in a decrease to net position and a year-end balance of \$1.8 million. The cash balance decreased from a balance of \$2.1 million in 2013 to a balance of \$1.9 million in 2014.

**Engineering Materials and Testing Revenues**



## 2016 Budget

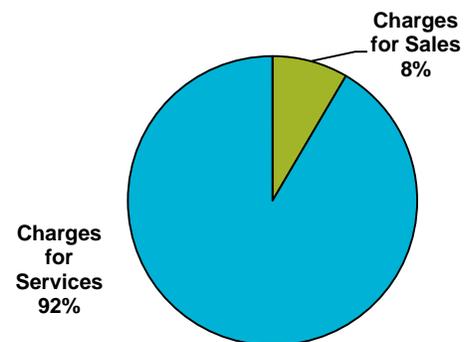
### Revenue

The 2016 revenue budget is \$1.8 million, an increase of 19.5% from the 2015 projected revenue of \$1.5 million. In 2015, projected revenue is less than the 2015 budgeted amount due to a decrease in both the overhead rate on asphalt and concrete sales and in laboratory billing rates which were first implemented mid-2013. 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 Laboratory 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 expenses.

The 2016 revenue budget includes \$1.6 million earned from charges for services provided by the Engineering Laboratory and \$150,000 as mark up on the sale of asphalt and concrete. In 2016, overhead rates on asphalt and concrete sales will be reduced from the rates charged in 2015. Charges for Engineering Laboratory services will be adjusted to compensate for this reduction and to align revenue with expense. The Engineering Laboratory continually compares its rates with those of the private sector that provides comparable services. Historically, the Laboratory's hourly rate has been significantly lower than that of the private sector and generates adequate revenue to cover the fund's direct and indirect expenses.

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



### Expense

The 2016 expense budget is \$1.93 million, a slight decrease from the 2015 projected expense of \$1.95 million. Included in the 2015 budget is the purchase of two new vehicles through the Capital Asset Request System (CARS) at a cost of \$49,000 and the purchase of a drill rig for \$177,000. The use of net position, or equity in the fund, will provide the source of financing for these purchases.

### Transfers

There are no transfers scheduled in 2016 for this fund.

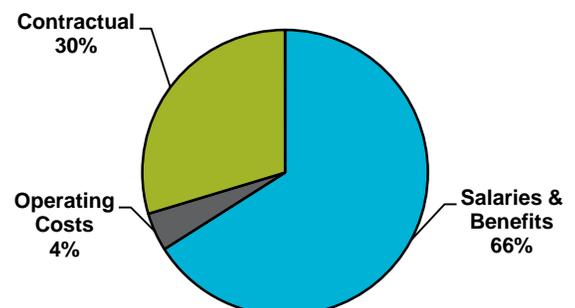
### Debt Service

This fund does not have any long-term debt.

### Net Position and Cash Balance

The Engineering, Materials and Testing fund had a positive net position of \$1.8 million at year-end 2014, a decrease of \$192,000 from the 2013 ending position of \$2.0 million. The net position is projected to be \$1.3 million at the end of 2015 and to decrease to \$1.2 million in 2016. The Engineering, Materials, and Testing Fund expects net position to decrease in 2016 as a result of planned usage of cash reserves to

**Use of Funds  
(\$1.9 million)**



decrease overhead and laboratory testing rates charged to customers. In 2015, the fund was approved to use \$226,000 of net position to fund the purchase of two vehicles for personnel and a drill rig. The financial policy for this fund determines that the fund should maintain a net position at least equal to 15% of the operating budget. For the year ending 2014, the benchmark for net position is \$0.2 million and the fund exceeded the benchmark by \$1.6 million. The net position is projected to exceed the benchmark of \$0.3 million for 2015 and 2016 by \$1.0 million and \$0.9 million respectively each year.

The 2014 year-end cash balance was \$1.9 million, a decrease of \$190,000 from the 2013 year-end balance of \$2.1 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 2014. The fund exceeded the benchmark by \$1.7 million. The cash balance is projected to be \$1.5 million in 2015 and \$1.3 million 2016, exceeding the cash reserve benchmark for each year.

**City of Minneapolis  
2016 Budget  
Financial Plan (in thousands of dollars)**

**Engineering, Materials and Testing**

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget	% Chg From 2015 Projected	2017 Forecast	2018 Forecast	2019 Forecast
<b>Source of Funds:</b>									
Charges for Services	1,381	1,007	1,381	1,180	1,622	37.5%	1,833	1,888	1,944
Charges for Sales	484	290	400	303	150	-50.5%	155	159	164
<b>Total</b>	<b>1,865</b>	<b>1,297</b>	<b>1,781</b>	<b>1,483</b>	<b>1,772</b>	<b>19.5%</b>	<b>1,987</b>	<b>2,047</b>	<b>2,108</b>
<b>Use of Funds:</b>									
Personnel Services	950	1,067	1,274	1,200	1,273	6.1%	1,311	1,351	1,391
Contractual Services	410	383	482	450	572	27.1%	589	607	625
Materials and other	89	68	135	296	84	-71.6%	87	89	92
Transfers Out	-	-	-	-	-		-	-	-
<b>Total</b>	<b>1,449</b>	<b>1,518</b>	<b>1,891</b>	<b>1,946</b>	<b>1,929</b>	<b>-0.9%</b>	<b>1,986</b>	<b>2,044</b>	<b>2,108</b>
<b>Change in Net Position<sup>1</sup></b>	<b>390</b>	<b>(192)</b>	<b>(110)</b>	<b>(463)</b>	<b>(157)</b>		<b>1</b>	<b>4</b>	<b>-</b>
<b>Net Position<sup>1</sup></b>	<b>1,975</b>	<b>1,782</b>	<b>1,672</b>	<b>1,319</b>	<b>1,162</b>		<b>1,163</b>	<b>1,167</b>	<b>1,167</b>
<b>Cash Balance</b>	<b>2,125</b>	<b>1,936</b>	<b>1,826</b>	<b>1,473</b>	<b>1,316</b>		<b>1,317</b>	<b>1,321</b>	<b>1,321</b>
<b>Target Cash Reserve<sup>2</sup></b>	<b>233</b>	<b>228</b>	<b>276</b>	<b>258</b>	<b>289</b>		<b>298</b>	<b>307</b>	<b>316</b>
<b>Variance Cash to Target Reserve</b>	<b>1,892</b>	<b>1,708</b>	<b>1,550</b>	<b>1,215</b>	<b>1,027</b>		<b>1,019</b>	<b>1,014</b>	<b>1,005</b>

<sup>1</sup>Change in net position and net position are CAFR values.

<sup>2</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 2018-2019 forecasts for source and use of funds are calculated using a factor of 3.0% to capture increases in revenues and expense.

**City of Minneapolis  
2016 Budget  
Financial Plan**

**Intergovernmental Services Fund**

---

**Background**

The Intergovernmental Services Fund accounts for all of the operations of the Information Technology Department (IT) including information and technology functions, managed services contracts, the Project Management Office (PMO), and telecommunications operations. Information Technology activities account for 95.0% 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 4.1% of operating activities, and a portion of the Human Resources budget that is designated for internal training, representing 0.9% of operating activities.

The fund is projected to decrease net position in 2015 by \$12.6 million for an ending net position of \$49.5 million. The Council approved the use of \$10.0 million of net position to cover one-time costs associated with insourcing the IT helpdesk and desk side support functions and expenses related to contracting with a new provider for managed services. In addition, \$2.2 million in transfers received in 2014 for the Enterprise Resourcing Planning Project will be used for 2015 project expenses.

The fund receives cash transfers to offset the debt service payments. In 2015, \$2.7 million of debt will be retired and an additional \$2.0 million will be issued, resulting in a total outstanding debt balance at year-end 2015 of \$2.0 million. This debt will be paid through transfers from the bond redemption fund.

In 2014, IT incurred \$13.1 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 \$2.2 million for technology capital projects in 2014 which are funded by net debt bonds. For 2015 and 2016, the City Council approved \$2.9 million and \$3.3 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 August 2015.

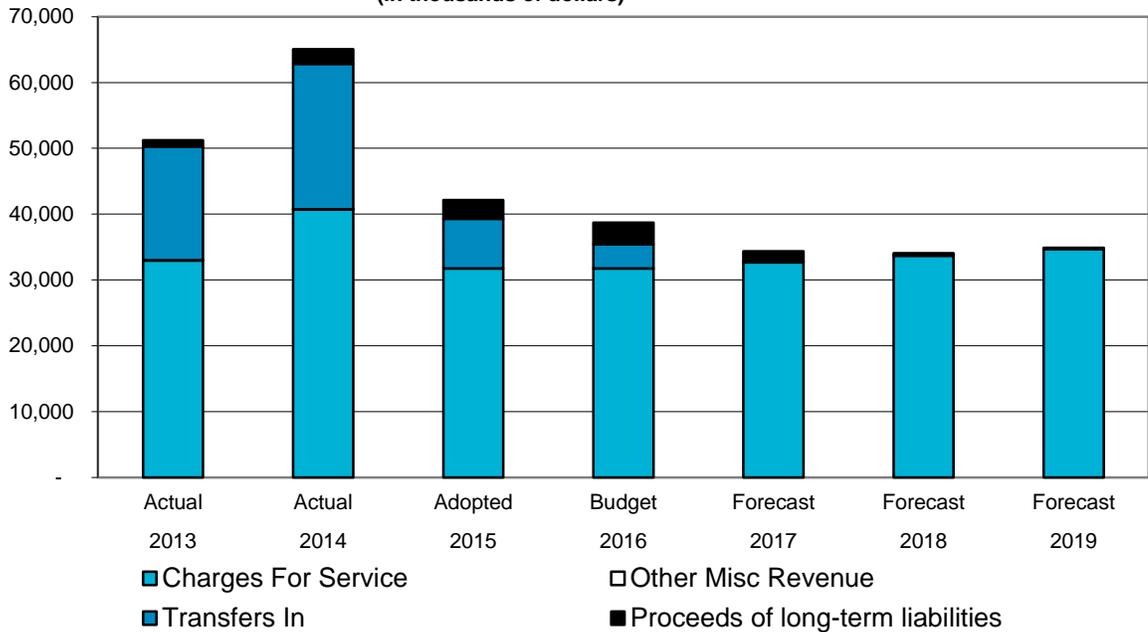
The net position in this fund will remain positive as it continues to provide services to City departments with charges determined through its allocation model and to collect fees for service with PMO. The allocation model assigns costs to customers based on usage of enterprise-wide applications and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

### **Historical Financial Performance**

The 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. At year-end 2014, net position had improved to \$62.1 million. The 2014 net position increased \$24.7 million from the 2013 ending balance of \$37.4 million primarily due to the capitalization of technology projects and transfers from the general fund. As part of the long term financial plan for the fund, the fund received transfers in from the general fund to assist with debt payments. These transfers in ended in 2014 as the majority of the debt obligations were retired in 2012.

The fund's cash balance has also steadily increased as projected in the long-term financial plan. At year-end 2014, the cash balance had improved to \$49.9 million. The 2014 cash position increased \$14.6 million from the 2013 ending balance of \$35.3 million, primarily due to a general fund transfer of \$13.1 million in 2014. In accordance with the long-term financial plan, 2014 is the last year the fund is expected to receive general fund transfers. It should be noted that included in the cash balance is \$9.6 million of unearned revenue, or cash received from other City departments as prepayment for future technology projects.

**Information Technology Fund Revenues**  
(in thousands of dollars)



**2016 Budget**

*Revenues*

The 2016 revenue budget is \$38.7 million, a decrease of 21.9% from the 2015 projected revenue of \$49.5 million. In 2015, the fund received a transfer in of \$3.6 million from the general fund for the ERP project, which will be completed in 2015. In addition, the 2015 projection includes revenue earned during the current year for PMO projects. The 2016 budget includes a conservative revenue amount for PMO projects that is increased as work is completed and City departments billed for the services. 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 for this purpose ended in 2014 with a final transfer of \$13.1 million. The fund will receive a transfer from the bond redemption fund of \$2.8 million in 2015 and \$2.0 million in 2016 to cover the principle and interest payments of current net debt bond obligations. It is projected that the fund will continue to receive this transfer to match obligations generated from the sale of net debt bonds. In addition, the General Fund will transfer in \$1.4 million to fund CARS (Capital Asset Request System) approved projects. Charges for service are slightly decreased in 2016 as compared to the 2015 original budgeted amount due to decreased revenue received from City departments through the cost allocation model.

*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:

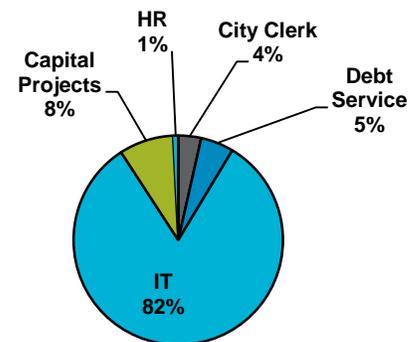
- IT operating costs at a level that conforms to the Council-adopted financial plan.
- Debt service resulting from phone system purchase.
- A small portion for City Clerk data center operations and Human Resources operations.

Revenue Assumptions (2016)	
Number of PC's	2,838
Number of telephones	2,920

*Expenses*

The 2016 expense budget is \$39.3 million, a decrease of 36.8% from 2015 projected expenses. The decrease in the 2016 total expense budget is partially due to a \$4.3 million decrease in IT operating expense. The 2015 operating budget included one-time expenses of \$3.6 million for the Enterprise Resource Planning (ELMS) project and \$2.8 million in approved CARS expense. In 2016, the approved CARS budget is \$1.4 million. Capital projects included in the CARS appropriation are the implementation of a public facing portal to augment the work of ELMS and extension of services related to the Enterprise Content Management System.

**Intergovernmental Services Fund  
Use of Funds by Department  
(\$39.3 million)**



The 2015 projected operating expense is \$18.9 million over the 2015 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. The projected 2015 expense budget also includes one-time transition costs related to insourcing the help desk and desk side support functions. Expense related to customer funded PMO projects is not included in the original operating budget and is included in the projection as expense is recorded to projects and billed to customers.

Of the total operating budget for 2016, the IT expense budget comprises 95.0%. A portion of the operating expenses of the City Clerk's office and Human Resources are included in this fund and comprise 4.1% 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 2016, the capital budget is \$3.3 million, an increase of 15.8% from the 2015 budget primarily due to an additional \$0.8 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.

### *Transfers*

As of 2015, the Intergovernmental Services fund will receive a payment from the bond redemption fund of \$2.7 million to assist with debt payments related to the issuance of net debt bonds for capital projects. In 2016, the fund is expected to receive \$2.0 million from the bond redemption fund to assist with debt payments. It is expected that the fund will receive this transfer going forward as new bonds are issued to fund capital projects. The fund receives a transfer from the general fund of \$0.2 million in 2015 and in 2016 to fund City Hall rent. The fund also receives a transfer of \$1.5 million in 2016 to fund one-time expenses for the CARS program and Service Now Infrastructure Services.

In addition, in 2015 the fund received a final transfer of \$1.0 million 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 net position as a revenue source for this payment and recovered this cost through the cost allocation model in years 2013 through 2015.

### *Debt Service*

In 2016, it is projected that the fund will have a beginning bond liability of \$2.0 million related to the issuance of net debt bonds in 2015 of \$2.0 million. In 2015, debt service payments of \$2.8 million including \$46,188 of interest, retired the current obligation.

### *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 2015 is \$5.0 million and the projected year-end net position is \$49.5 million which brings the fund's projected net position \$39.5 million over the benchmark amount of \$10.0 million. The net position at year-end 2014 was \$62.1 million. The Intergovernmental Services Fund expects net position to decrease \$12.6 million in 2015 due to the Council approved planned use of \$10.0 million of net position to cover transition costs related to insourcing help desk and desk side support functions and contracting for a new managed services provider. Net position is also expected to decrease in 2015 as \$2.2 million in transfers received in 2014 for the ERP project are planned to be expensed in 2015.

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 2014 was \$49.9 million. The fund had a 2014 total budget of \$34.1 million resulting in a benchmark amount of \$5.1 million. At year-end 2014, the fund's cash balance exceeded the benchmark by \$44.8 million. The cash balance is projected to decrease in 2015 to an ending balance of \$29.1 million due to planned use of deferred revenue funds for the ERP and Enterprise Land Management projects and due to planned use of net position as the funding source for transition expenses related to insourcing the IT helpdesk and desk side support functions starting in 2016. In the following years, the fund is projected to decrease its cash balance from \$29.1 million in 2015 to \$24.4 million in 2019.

**City of Minneapolis  
2016 Budget  
Financial Plan (in thousands of dollars)**

**Intergovernmental Services Fund**

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget	% Chg From 2015 Projected	2017 Forecast	2018 Forecast	2019 Forecast
<b>Source of Funds:</b>									
Charges For Service	32,971	40,720	31,752	39,988	31,744	-20.6%	32,696	33,677	34,687
Other Miscellaneous Revenue	35	43	-	-	-		-	-	-
Operating Transfers In	17,240	22,047	7,544	7,544	3,665	-51.4%	185	185	185
Proceeds of Long term Liabilities	965	2,225	2,850	2,000	3,300	65.0%	1,500	200	-
<b>Total</b>	<b>51,211</b>	<b>65,035</b>	<b>42,146</b>	<b>49,532</b>	<b>38,709</b>	<b>-21.9%</b>	<b>34,381</b>	<b>34,062</b>	<b>34,872</b>
<b>Use of Funds:</b>									
Transfers	15	523	-	-	-		-	-	-
Debt Service	1,983	1,645	2,751	2,751	2,000	-27.3%	-	-	-
City Clerk	1,353	1,483	1,349	1,656	1,384	-16.4%	1,426	1,468	1,512
Human Resources	302	257	301	301	308	2.3%	317	327	337
Information Technology	32,840	41,754	36,568	55,454	32,276	-41.8%	31,739	32,428	33,401
Capital Projects	1,371	805	2,850	2,000	3,300	65.0%	1,500	200	-
<b>Total</b>	<b>37,864</b>	<b>46,467</b>	<b>43,819</b>	<b>62,162</b>	<b>39,268</b>	<b>-36.8%</b>	<b>34,982</b>	<b>34,423</b>	<b>35,250</b>
<b>Change in Net Position<sup>1,3</sup></b>	<b>9,994</b>	<b>24,680</b>	<b>(1,673)</b>	<b>(12,630)</b>	<b>(559)</b>		<b>(600)</b>	<b>(361)</b>	<b>(377)</b>
<b>Net Position<sup>1</sup></b>	<b>37,404</b>	<b>62,084</b>	<b>60,411</b>	<b>49,454</b>	<b>48,895</b>		<b>48,295</b>	<b>47,934</b>	<b>47,556</b>
<b>Cash Balance<sup>2</sup></b>	<b>35,263</b>	<b>49,888</b>	<b>40,095</b>	<b>29,138</b>	<b>25,729</b>		<b>25,129</b>	<b>24,768</b>	<b>24,390</b>
<b>Target Cash Reserve</b>	<b>4,737</b>	<b>5,074</b>	<b>5,615</b>	<b>5,615</b>	<b>5,813</b>		<b>5,170</b>	<b>5,087</b>	<b>5,211</b>
<b>Variance Cash to Target Reserve</b>	<b>30,526</b>	<b>44,814</b>	<b>34,480</b>	<b>23,523</b>	<b>19,916</b>		<b>19,958</b>	<b>19,681</b>	<b>19,180</b>

<sup>1</sup> Change in net position and net position for 2013 and 2014 are the amounts recorded in the CAFR.

<sup>2</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 2014, fund 06400 has a liability balance of \$9.6 million in unearned revenue resulting from prepayments by City departments for future IT projects. These prepayments result in an increase to the cash balance.

<sup>3</sup> The 2015 projected change in net position is \$11.0 million more than the budgeted net change. This is due to the Council approved use of an additional \$7.3 million of net position to cover one-time costs associated with insourcing the IT helpdesk and desk side support functions and expenses related to contracting with a new provider for managed services. In addition, \$2.2 million in transfers received in 2014 for the ERP project will be used for 2015 expenses.

**City of Minneapolis  
2016 Budget  
Financial Plan**

**Fleet Services Division Fund**

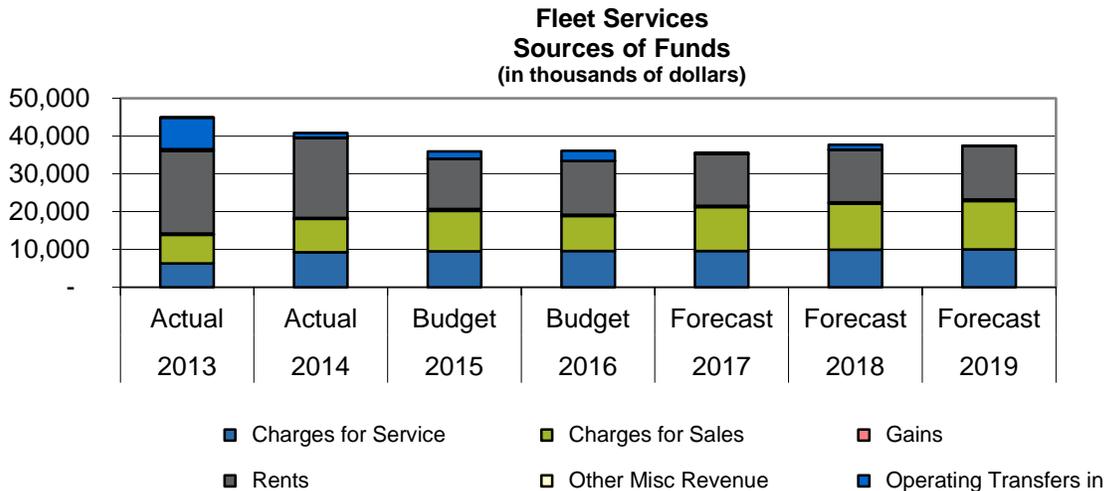
**Background**

The Fleet Services Division Fund manages the acquisition, maintenance and disposal of approximately 1,800 units of equipment, primarily the City’s fleet of vehicles, including police cars, fire trucks, snow plows, sedans and pickup trucks along with off-road equipment. This fund provides the services of technicians to maintain the equipment. In addition, the fund manages the field coordination of City-owned and contractual equipment and operators as well as the procurement and sale of fuel for these vehicles.

Through the end of October 2013, the fund provided the drivers and operators for the equipment that is used in construction and snow removal. Starting in November 2013, these employees were transitioned out of Fleet Services Fund and reassigned to various Public Works departments. In 2015, the Fleet Services Division assigned nearly all of its fleet (base units) to City departments. The City departments are allocated a rental rate for these units that is calculated through an activity based cost allocation model and designed to capture the replacement cost of the vehicle. The City’s fleet of vehicles and equipment has an acquisition value of \$80.4 million and accounts for 53.2% of the net value of the long-term assets in this fund.

**Historical Financial Performance**

A primary objective of the Fleet Services Division long-term financial plan is to maintain the fund’s net position and cash balance according to the financial policies for the internal service funds. Originally, the long-term financial plan financed fleet purchases by issuing general obligation bonds. The fund followed 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.

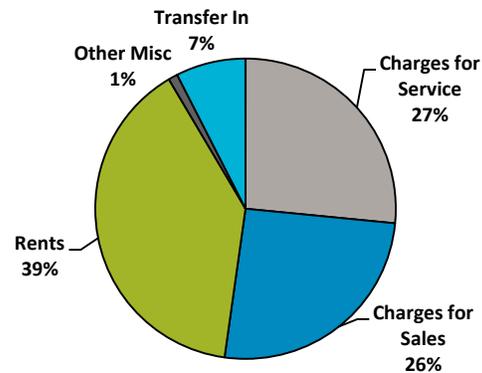


## 2016 Budget

### 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 2016 are budgeted at \$36.1 million, an increase of \$4.1 million or 12.9% from the 2015 projected revenue of \$32.0 million. The increase in 2016 revenue over the 2015 projected is primarily due a projected increase in 2015 revenue received from the sale of parts and fuel and a \$0.7 million increase in the transfer in from the General Fund for approved Capital Asset Request System (CARS) capital expenditures. In addition, rental rates and overhead allocations in 2016 are increased for vehicles assigned on a permanent basis to the departments.

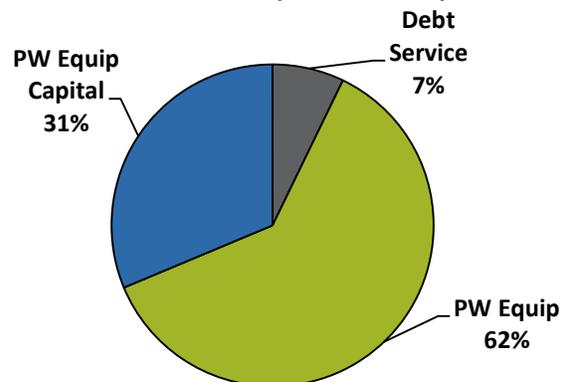
Source of Revenue (36.1 million)



### Expense

The 2016 expense budget is \$36.6 million which represents an increase of \$3.2 million or 9.4% from the 2015 projected expense of \$33.4 million. The increase in 2016 expense over the 2015 projection is primarily due an increase in expense for fuel and materials. The amount expended for fuel and materials in 2015 is less than originally budgeted due to a significant decrease in snowfall in early 2015 resulting in less fuel and maintenance costs. The operating budget received an increase of \$217,500 related to CARS approved capital expenditures to implement vehicle locating capability and to replace the fluid dispensing system. The fund's net position will fund \$107,500 of this expense with the remaining \$110,000 funded by the General Fund. In 2016, a Fleet Manager position will be added increasing personnel cost. Fleet equipment capital purchases vary from year to year based on a long-term replacement schedule which requires higher amounts of replacement in some years compared to others.

Use of Funds (36.6 million)



### Transfers

In 2016, Fleet Services Division will receive \$2.4 million as a transfer in from the General Fund to assist with the funding of approved CARS capital expense. Of this amount, \$2.3 million will contribute to the regular lifecycle replacement of the fleet capital assets and \$100,000 will fund the cost to implement an automatic vehicle locating capability in appropriate City vehicles. In 2016, Property Services will transfer \$0.3 million to Fleet 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.

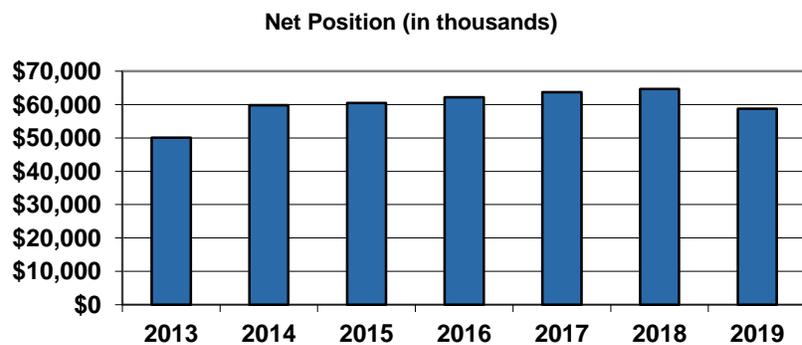
This fund has not had a transfer out since 2012 when a transfer of \$2.3 million occurred to retire bonds related to the unfunded pension liability of the Minneapolis Employees Retirement Fund (MERF). The Fleet Services Division funded the payment using net position as a revenue source and recovered the cost through the Fleet allocation model in years 2012 through 2014.

*Debt Service*

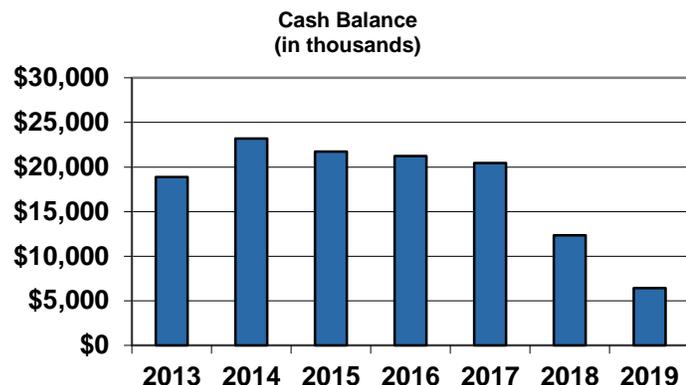
As part of the fleet modernization effort that began in 1997, the City issued bonds to finance fleet upgrades and to build new maintenance facilities. Principal and interest payments totaling \$2.6 million are due in 2016 related to these bonds. The remaining debt obligation after 2016 is \$11.9 million with a payment of \$9.3 million scheduled for 2018.

*Net Position*

The net position at year-end 2014 was \$59.8 million, an increase of \$9.7 million from the 2013 ending position of \$50.1 million. The primary reason for this increase is timing differences between recording rent revenue in 2014 for replacement of vehicles and the delivery of and payment for these vehicles occurring in 2015. In addition, the amount of equipment capitalized in 2014 was \$1.6 million greater than the depreciation recorded. The Fleet Services Division Fund expects net position to decrease in 2016 as a result of a planned usage of cash reserves to pay debt obligations of \$2.6 million. The projected net position is expected to remain close to \$63.0 million through 2018 as operating revenues are matched to expenses and capital outlay follows the fleet replacement plan. In 2018, the fund will pay off the remaining debt of \$9.3 million. 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 2014 was \$6.2 million. The 2014 position of \$59.8 million is \$47.5 million greater than the benchmark amount.



The 2014 ending cash balance of \$23.2 million was an increase of \$4.3 million from the 2013 ending balance of \$18.9 million. Timing differences between the collection of revenue for equipment replacement in 2014 and the delivery of the equipment in 2015 are the primary reasons for the increase in cash. The cash balance is projected to decrease from 2015 through 2019 as the fund experiences an increase in capital outlay and funds the payment of debt. The financial policy related to cash balance for the Fleet Services Division states that the minimum cash balance should be 15.0% of the operating budget or \$2.4 million in 2014. The 2015 projected balance is \$22.8 million. The chart to the right illustrates the historical and projected cash performance of the fund.



**City of Minneapolis  
2016 Budget  
Financial Plan (in thousand of dollars)  
Fleet Services Division**

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget	% Chg From 2015 Projected	2017 Forecast	2018 Forecast	2019 Forecast
<b>Source of Funds:</b>									
Charges for Service	6,353	9,309	9,491	9,100	9,589	5.4%	9,610	9,948	10,063
Charges for Sales	7,534	8,797	10,721	7,600	9,275	22.0%	11,594	12,174	12,783
Gains	340	214	500	275	350	27.3%	350	350	350
Rents	21,786	21,175	13,287	13,093	14,176	8.3%	13,724	13,869	14,153
Other Misc Revenue	525	7	10	10	10	0.0%	10	10	10
Operating Transfers in	8,315	1,289	1,912	1,912	2,712	41.8%	326	1,304	0
<b>Total</b>	<b>44,853</b>	<b>40,791</b>	<b>35,921</b>	<b>31,990</b>	<b>36,113</b>	<b>12.9%</b>	<b>35,614</b>	<b>37,655</b>	<b>37,359</b>
<b>Use of Funds:</b>									
Debt Service	4,296	2,335	2,560	2,560	2,615	2.2%	2,677	9,260	-
Transfers	-	-	-	-	-	0.0%	-	-	-
PW Equipment	27,099	25,818	22,283	18,668	22,595	21.0%	23,118	23,887	24,685
PW Equipment Capital	5,429	7,540	12,069	12,221	11,391	-6.8%	10,628	12,597	18,573
<b>Total</b>	<b>36,823</b>	<b>35,693</b>	<b>36,912</b>	<b>33,448</b>	<b>36,601</b>	<b>9.4%</b>	<b>36,422</b>	<b>45,744</b>	<b>43,258</b>
<b>Change in Net Position<sup>1</sup></b>	<b>12,862</b>	<b>9,760</b>	<b>(992)</b>	<b>(1,458)</b>	<b>(488)</b>		<b>(808)</b>	<b>(8,089)</b>	<b>(5,899)</b>
<b>Net Position<sup>1</sup></b>	<b>50,062</b>	<b>59,822</b>	<b>60,930</b>	<b>60,464</b>	<b>62,191</b>		<b>63,723</b>	<b>64,624</b>	<b>58,726</b>
<b>Cash Balance</b>	<b>18,894</b>	<b>23,187</b>	<b>22,195</b>	<b>21,729</b>	<b>21,241</b>		<b>20,433</b>	<b>12,344</b>	<b>6,446</b>
<b>Target Cash Reserve<sup>2</sup></b>	<b>3,165</b>	<b>2,973</b>	<b>2,442</b>	<b>1,900</b>	<b>2,489</b>		<b>2,568</b>	<b>2,683</b>	<b>2,803</b>
<b>Variance Cash to Target Cash Reserve</b>	<b>15,729</b>	<b>20,214</b>	<b>10,248</b>	<b>19,829</b>	<b>18,752</b>		<b>17,866</b>	<b>9,661</b>	<b>3,643</b>

<sup>1</sup>Change in net position and net position are CAFR values.

<sup>2</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 at a minimum should be equal to 15% of the operating budget adjusted for intrafund revenue and expense.

**City of Minneapolis  
2016 Budget  
Financial Plan**

**Property Services Fund**

---

**Background**

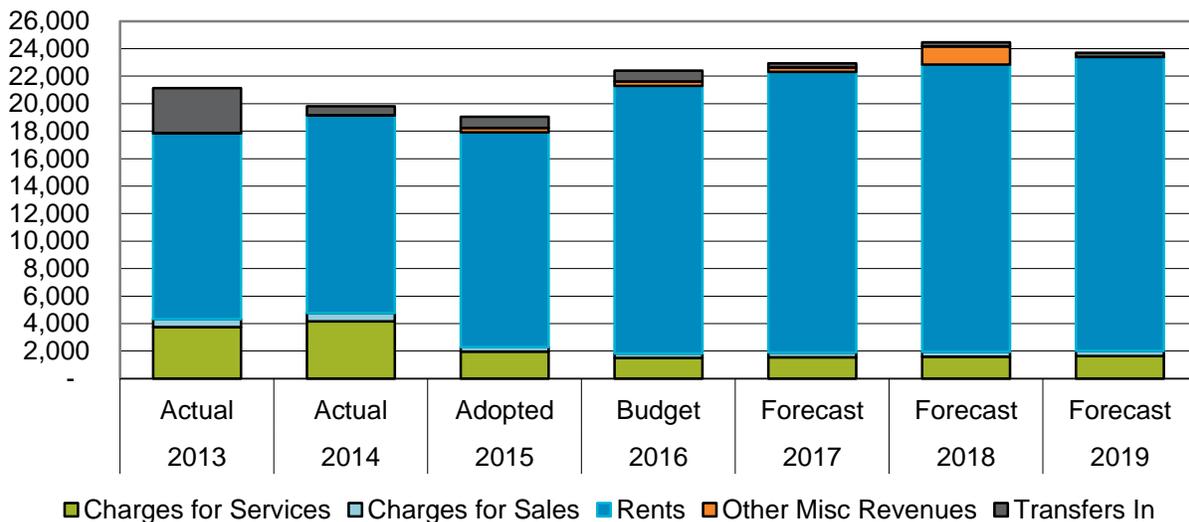
The Property Services Fund is an internal service fund responsible for the operations and maintenance of the City-owned buildings including police precincts, fire stations, and public works buildings. The fund does not provide services to the Convention Center, Water facilities, or the Minneapolis Park and Recreation Board buildings. The fund is also responsible for the Radio Shop which maintains the City’s emergency communications network. 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 and Property Services 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 are either housed in City buildings or use the services provided (building space, operational maintenance, security, space and asset management, energy management, janitorial and radio services). The proposed building and communication equipment charges to City departments are calculated through cost allocation models using historical and anticipated operational costs. The cost recovery structure is configured to enable the fund to charge the amounts required to recover the cost of the goods and services provided to City departments and the cost of the fund’s overhead.

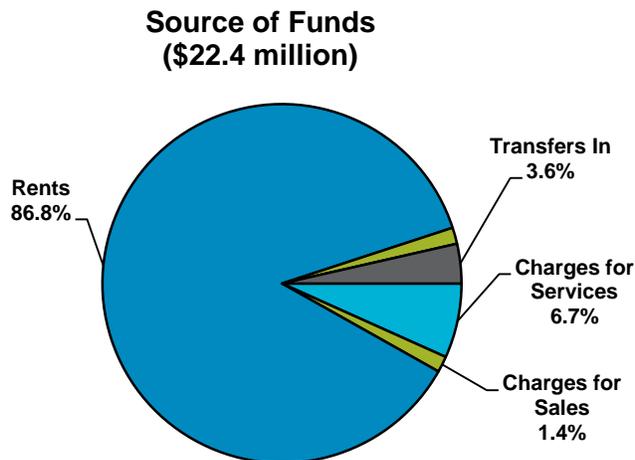
**Property Services Revenues**  
(in thousands of dollars)



## 2016 Budget

### Revenues

The 2016 revenue budget for this fund is \$22.4 million, representing a decrease of 3.1% from the projected 2015 revenue of \$23.1 million. The decrease in 2016, when compared to the 2015 projected is partially due to one-time revenue received in 2015 for the sale of land to the Minnesota Sports Facility Authority for \$1.6 million, as well as a significant increase in charges for services projected in 2015 when compared to the 2016 budgeted amount. Charges for

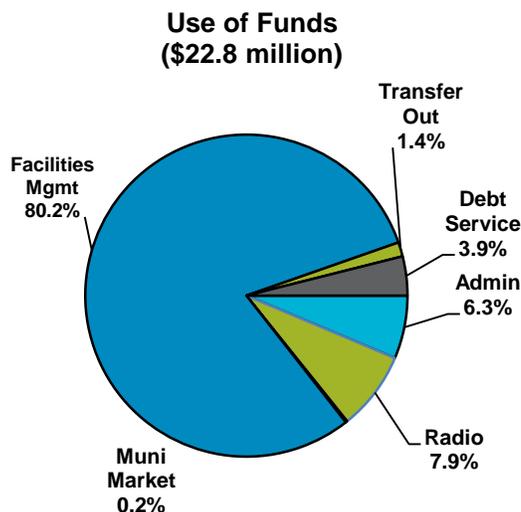


for services include discretionary repairs and upgrades which can vary from year to year depending on the available budget of City departments. A base budget is recorded each year and increased as additional projects are completed and billed to other City departments. Budgeted 2016 revenue received from rents charged to City departments for use of City owned buildings increased 27.2% from the amount charged in 2015. This is largely because beginning in 2016, the Property Services Fund will collect revenues from City departments, who occupy City buildings, to fund capital improvements. The amount collected in 2016 will be \$4.0 million and is allocated

through the rent allocation model. Previously, these facility repairs and upgrades were funded through net debt bonds.

### Expense

The 2016 expense budget is \$22.8 million, representing an increase of 2.0% from the projected 2015 expense of \$22.3 million. The increase in the 2016 budget is primarily related to the addition of \$4.0 million of capital improvement appropriation for facility repair and improvements to City owned buildings. This appropriation increase in 2016 is offset by a decrease in the 2016



budgeted expense for costs related to work for others projects. A conservative estimate of these expenses is included in the 2016 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. The 2015 projected Facilities Management expense reflects this increase in expense related to work for others projects.

Also included in this fund's 2016 expense budget is \$520,000 of approved CARS (Capital Asset Request System) capital expense for replacement of the security

camera surveillance system and City facility access control system. In addition, the fund has an appropriation of \$4.8 million for pass-through costs for services provided by the Municipal Building Commission for maintaining the City's space in City Hall.

#### *Transfers*

The 2016 budget includes a transfer in from the General Fund of \$0.8 million. Of this amount, \$520,000 is approved CARS funding for the 2016 security projects. In addition, the Property Services Fund receives \$279,322 to cover the cost of City Hall rent for that space that Property Services occupies.

The 2016 expense budget includes a transfer out of \$326,162 to the Fleet Services Division Fund to assist with the debt payment for the Currie Maintenance Facility. Property Services collects the rent payment through the rent allocation model by charging a portion of the debt expense to those departments that occupy space in the facility.

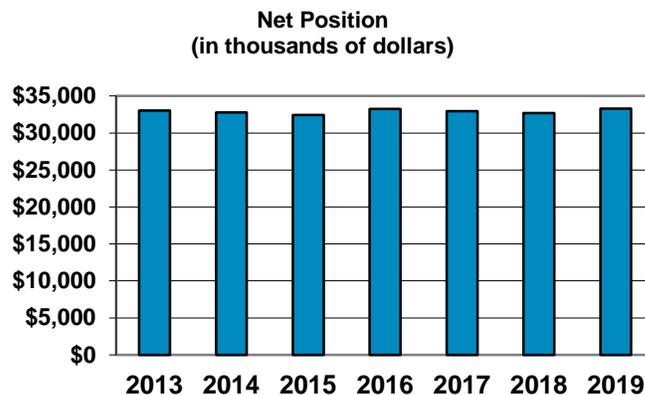
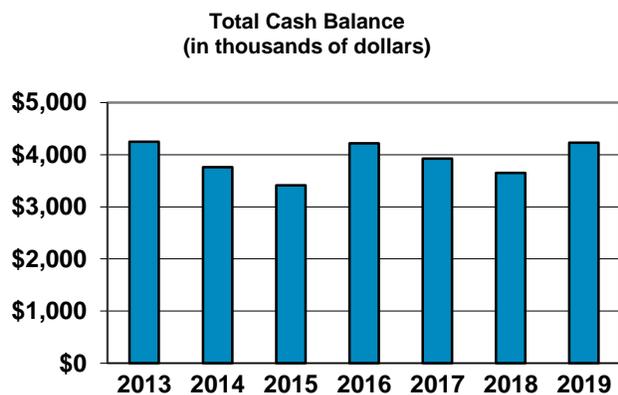
The final transfer out for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded pension liability occurred in 2012 and totaled \$598,000. This payment retired the bonds related to this debt service. The fund's net position was the revenue source for this payment and the fund was reimbursed through the rent allocation model in years 2013-2015.

#### *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 2016 is \$893,800.

#### *Net Position and Cash Balance*

The Property Services Fund has a positive net position of \$32.8 million at year-end 2014, decrease of \$0.3 million from the 2013 ending position of \$33.1 million. In 2016, the Property Services Fund expects net position to decrease as a result of planned usage of cash reserves to pay debt obligations. In 2013, the fund received a transfer in of \$3.3 million from the general fund to cover debt service costs through 2018 and capitalized several large building improvements resulting in an increase to net position of \$7.5 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 financial policy for the net position for the Property Services Fund directs that the net position should not fall below two times the annual depreciation amount. The depreciation for Property Services in 2014 was \$1.3 million. The 2014 net position of \$32.8 million is \$30.1 million greater than the benchmark amount.



The 2014 year-end cash balance was \$3.8 million, a decrease of \$0.4 million from the 2013 year-end balance of \$4.2 million. The Property Services Fund cash balance includes operating cash and the cash balance in the Property Disposition Fund, a fund that receives proceeds from the sale of City property. The cash balance in the Property Disposition Fund at year-end 2014 was \$1.4 million. Financial reserve policies for the internal service funds determine that the cash reserve for the Property Services Fund should not be less than 15% of the operating budget, or \$2.4 million for 2016.

**City of Minneapolis**  
**2016 Budget**  
**Financial Plan (in thousand of dollars)**  
**Property Services Fund**

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget	% Chg From 2015 Projected	2017 Forecast	2018 Forecast	2019 Forecast
<b>Source of Funds:</b>									
Charges for Services	3,754	4,171	1,956	4,500	1,505	-66.6%	1,550	1,597	1,645
Charges for Sales	557	593	324	620	324	-47.7%	334	344	354
Rents	13,536	14,388	15,635	15,300	19,456	27.2%	20,420	20,898	21,390
Other Misc Revenues	11	3	319	320	329	2.8%	336	1,314	10
Sale of Land <sup>1</sup>	-	-	-	1,567	-		-	-	-
Transfers In	3,282	646	819	819	799	-2.4%	300	300	300
<b>Total</b>	<b>21,141</b>	<b>19,802</b>	<b>19,054</b>	<b>23,126</b>	<b>22,414</b>	<b>-3.1%</b>	<b>22,940</b>	<b>24,452</b>	<b>23,698</b>
<b>Use of Funds:</b>									
Property Services Administration	1,394	1,326	1,367	2100	1,444	-31.2%	1,487	1,532	1,578
Radio Equipment	1,675	1,831	2,049	2,100	1,798	-14.4%	1,852	1,907	1,965
Municipal Market	17	42	41	80	41	-49.3%	42	43	44
Facilities Management	15,408	15,985	14,711	16,797	18,263	8.7%	18,661	19,092	19,536
Debt Service	873	848	918	918	894	-2.7%	869	845	-
Transfers Out	-	-	316	316	326	3.2%	326	1,304	-
<b>Total</b>	<b>19,367</b>	<b>20,034</b>	<b>19,402</b>	<b>22,312</b>	<b>22,765</b>	<b>2.0%</b>	<b>23,237</b>	<b>24,722</b>	<b>23,122</b>
<b>Change in Net Position<sup>2</sup></b>	<b>7,487</b>	<b>(257)</b>	<b>(348)</b>	<b>814</b>	<b>(351)</b>		<b>(297)</b>	<b>(270)</b>	<b>576</b>
<b>Net Position<sup>2</sup></b>	<b>33,058</b>	<b>32,801</b>	<b>32,453</b>	<b>33,615</b>	<b>33,264</b>		<b>32,967</b>	<b>32,697</b>	<b>33,273</b>
<b>Total Cash Balance</b>	<b>4,248</b>	<b>3,758</b>	<b>3,410</b>	<b>4,572</b>	<b>4,221</b>		<b>3,923</b>	<b>3,653</b>	<b>4,229</b>
<b>Operating Cash balance<sup>3</sup></b>	<b>2,868</b>	<b>2,377</b>	<b>2,029</b>	<b>2,922</b>	<b>2,571</b>		<b>2,274</b>	<b>2,004</b>	<b>2,580</b>
<b>Target Cash Reserve<sup>4</sup></b>	<b>2,069</b>	<b>2,127</b>	<b>1,901</b>	<b>2,338</b>	<b>2,437</b>		<b>2,511</b>	<b>2,591</b>	<b>2,673</b>
<b>Variance Operating Cash to Target Cash Reserve</b>	<b>799</b>	<b>250</b>	<b>128</b>	<b>585</b>	<b>134</b>		<b>(237)</b>	<b>(587)</b>	<b>(94)</b>

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

<sup>1</sup>The revenue from the sale of land is recorded to the Property Disposition fund.

<sup>2</sup>The change in net position and the net position for 2013 and 2014 are the amounts recorded in the CAFR.

<sup>3</sup>Total cash balance is the sum of cash recorded in the Property Disposition fund and the Property Services fund. Operating cash is the cash balance generated from Property Service fund operations and recorded in the Property Services fund.

<sup>4</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 at a minimum be equal to 15% of the adjusted operating budget.

**City of Minneapolis  
2016 Budget  
Financial Plan**

**Self-Insurance Fund**

---

**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 recover these expenses.

**Historical Financial Performance**

The fund has historically recorded a negative net position primarily because of the required accounting recognition of the liability for unpaid claims. 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 having come from a low in 2002 of a negative \$43.3 million. The net position increased by \$13.8 million in 2014 bringing the fund's year-end balance to \$18.3 million. The 2014 unpaid claims liability is \$49.8 million representing a decrease of \$4.8 million from the 2013 liability of \$54.7 million. An actuarial study completed for year-end 2014 calculated the decrease to the unpaid claims liability based on historical paid claims, incurred loss, and estimated reserves for claims unpaid.

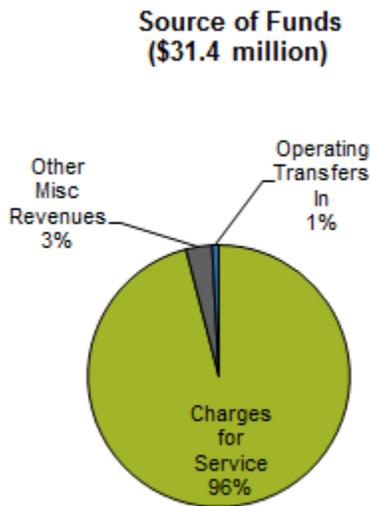
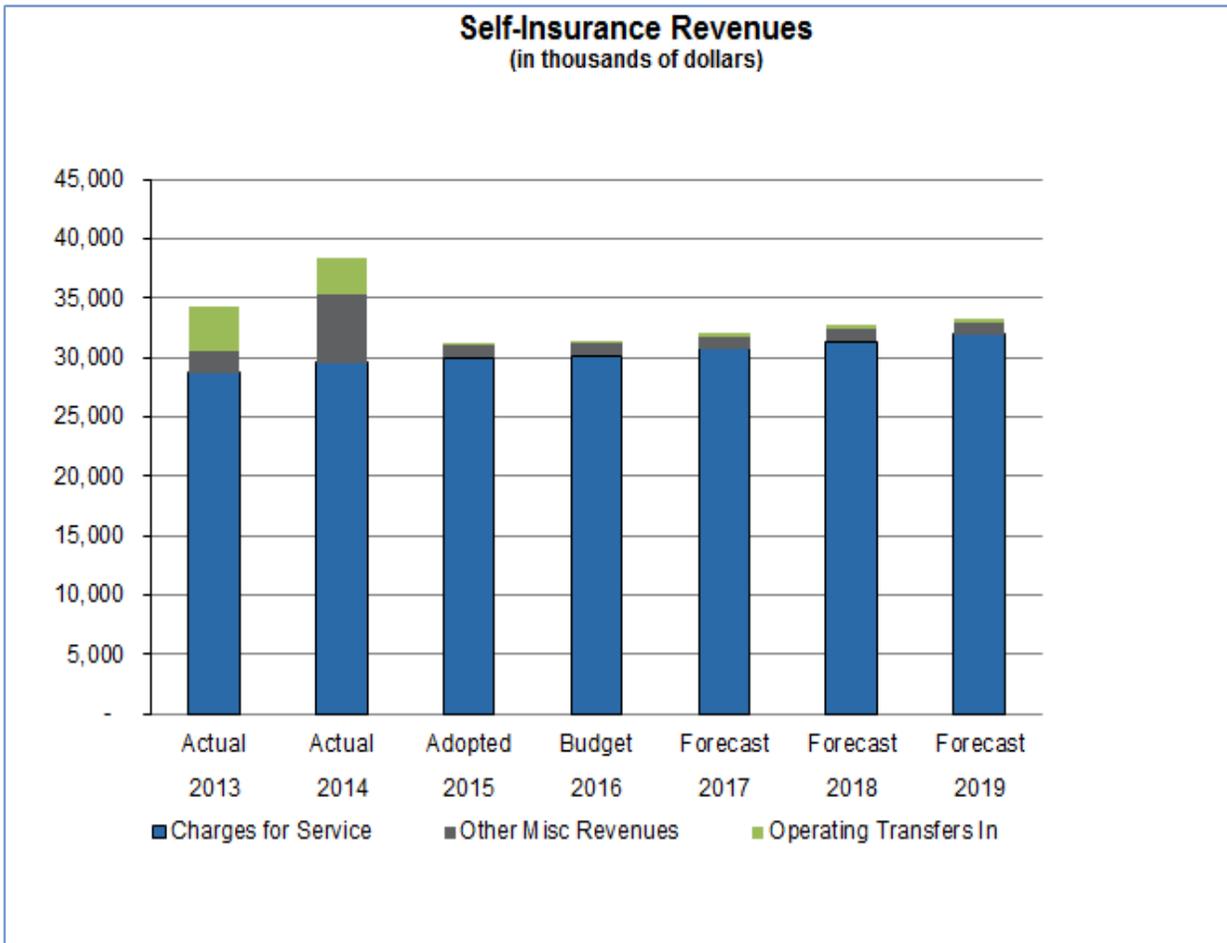
The fund ended 2014 with a cash balance of \$70.8 million, an increase of \$9.4 million from the 2013 ending balance of \$61.4 million. Financial policies related to the internal service funds determine that a reserve cash balance for the Self Insurance Fund should be maintained equal to the unpaid claims liability amount plus 10.0% of the annual department operating budgets. The ending 2014 cash balance is \$19.8 million greater than the amount determined by the financial policy.

Beginning in 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.

**2016 Budget**

*Revenues*

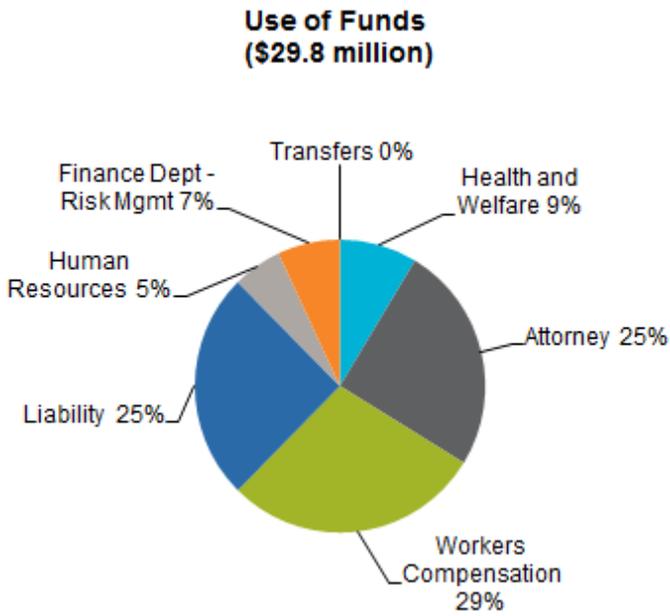
Revenue recorded in this fund primarily consists of funds received from City departments through a cost allocation model for services related to litigation, risk management, and employee benefits. In addition, the fund collects revenue to provide for payment of liability settlements and for workers compensation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



The 2016 budgeted revenue for the Self Insurance fund is \$31.4 million, a decrease of 1.9% from the 2015 projected revenue of \$32.0 million. The decrease is primarily related to a decrease in the liability premium that is allocated to City departments. This decrease follows the 2014 actuarial study that projected that the City's payout for tort settlements in 2016 will be less than the amount projected to be paid in 2015. By contrast, the study predicted that the amount paid out for workers compensation in 2016 will increase compared to the amount paid in 2015. Beginning in 2015, the Self Insurance Fund will no longer 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.

### Expense

The expense budget for 2016 is \$29.8 million, an increase of 15.1% from the projected 2015 expenses of \$25.9 million. The 2015 projected expense budget reflects a 16.6% decrease over the 2015 adopted budget due to a significant decrease in the projected cost of tort settlements. The 2015 projected decrease in tort settlement expense will be offset by an increase in the cost of workers compensation claims in the same year.



The worker's compensation payments are estimated at \$8.6 million for 2016. This is a 10.4% decrease from the 2015 projected amount of \$9.6 million. The actuarial study predicted a decrease in liability payments of 14.1% from 2015 to 2016. Actual liability payments for 2015 are projected to be 60.2% less than the amount predicted in the actuarial study for 2015.

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.

### Transfers

The 2016 revenue budget includes a \$0.3 million transfer from the General Fund for the cost of City Hall rent. However, following the long term plan for the fund, the transfer from the General Fund to assist the Self Insurance fund to attain a positive net position, ended in 2015. In addition, in 2015 the fund received a final transfer of \$1.0 million to assist with payment of debt service.

### Debt Service

This fund does not have any long-term debt.

### Net Position

The net position at year-end 2014 is \$18.3 million representing an increase of \$13.7 million from the 2013 net position of \$4.6 million. In 2016, the Self Insurance fund expects net position to increase as a result of a planned increase in cash reserves due to ending the transfer out of \$1.0 million to the Intergovernmental Services Fund in 2015. 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 \$9.4 million in 2014, bringing the cash balance to \$70.8 million. The primary reason for the increase in cash balance is the decrease in tort settlements paid in 2014 compared to the amount projected for that year. 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 2014, the target cash reserve is \$50.9 million and the fund exceeded the target by \$19.8 million.

**City of Minneapolis**  
**2016 Budget**  
**Financial Plan (in thousands of dollars)**

**Self Insurance Fund**

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget	% Chg From 2015 Projected	2017 Forecast	2018 Forecast	2019 Forecast
<b>Source of Funds:</b>									
Charges for Service	28,732	30,612	29,976	30,304	30,147	-0.5%	31,051	31,983	32,942
Other Misc Revenues	1,782	1,147	1,010	1,420	1,010	-28.9%	1,040	1,072	1,104
Operating Transfers In	3,856	3,086	292	292	261	-10.6%	271	282	294
<b>Total</b>	<b>34,370</b>	<b>34,845</b>	<b>31,278</b>	<b>32,016</b>	<b>31,418</b>	<b>-1.9%</b>	<b>32,363</b>	<b>33,336</b>	<b>34,339</b>
<b>Use of Funds:</b>									
Health and Welfare	1,097	1,244	2,530	965	2,593	168.7%	2,671	2,751	2,834
Attorney	6,132	6,452	7,185	6,847	7,341	7.2%	7,561	7,788	8,021
Workers Compensation	10,461	9,771	7,469	9,610	8,607	-10.4%	9,007	9,447	9,895
Liability	6,026	3,286	8,790	3,500	7,551	115.7%	8,139	8,274	8,473
Human Resources	2,468	1,555	1,630	1,558	1,641	5.3%	1,690	1,741	1,793
Finance Dept - Risk Mgmt	2,535	2,859	2,459	2,426	2,097	-13.6%	2,159	2,224	2,291
Transfers	1,000	1,000	1,000	1,000	-	-	-	-	-
<b>Total</b>	<b>29,718</b>	<b>26,168</b>	<b>31,064</b>	<b>25,906</b>	<b>29,829</b>	<b>15.1%</b>	<b>31,227</b>	<b>32,225</b>	<b>33,307</b>
<b>Change in Net Position<sup>1</sup></b>	<b>2,853</b>	<b>13,756</b>	<b>214</b>	<b>6,110</b>	<b>1,588</b>		<b>1,135</b>	<b>1,112</b>	<b>1,033</b>
<b>Net Position<sup>1</sup></b>	<b>4,554</b>	<b>18,309</b>	<b>18,523</b>	<b>24,420</b>	<b>26,008</b>		<b>27,143</b>	<b>28,255</b>	<b>29,288</b>
<b>Cash Balance</b>	<b>61,419</b>	<b>70,785</b>	<b>70,999</b>	<b>76,896</b>	<b>78,484</b>		<b>79,619</b>	<b>80,731</b>	<b>81,764</b>
<b>Target Cash Reserve</b>	<b>55,688</b>	<b>50,937</b>	<b>53,106</b>	<b>53,056</b>	<b>55,370</b>		<b>57,900</b>	<b>60,679</b>	<b>63,670</b>
<b>Variance Cash to Target Reserve</b>	<b>5,731</b>	<b>19,848</b>	<b>17,893</b>	<b>23,839</b>	<b>23,114</b>		<b>21,719</b>	<b>20,052</b>	<b>18,093</b>

<sup>1</sup>Change in net position and net position are CAFR values for 2013 and 2014

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.