

**NEW ISSUE \$114,400,000
NOT BANK-QUALIFIED**

**RATINGS
Fitch: AA+
S&P Global Ratings: AAA
See "RATINGS" herein.**

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants set forth in the resolutions approving the issuance of the Bonds, interest on the Bonds is not includable in gross income for federal income tax purposes and, to the same extent, is not includable in the taxable net income of individuals, estates, and trusts for Minnesota income purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, estates, and trusts. Such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "TAX EXEMPTION" herein.



**CITY OF MINNEAPOLIS, MINNESOTA
\$114,400,000
General Obligation Bonds (Green Bonds)
Series 2019**

Dated Date of Bonds: Date of Delivery

Interest Payment Dates: Each June 1 and December 1, commencing June 1, 2020

The General Obligation Bonds (Green Bonds), Series 2019 (the "Bonds"), of the City of Minneapolis (the "City") will mature as shown on the inside front cover of this Final Official Statement.

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, including Section 475.521, Minnesota Statutes, Sections 410.32 and 412.301, as amended, and Section 9.4 of Article IX of the City's Charter to finance the construction, furnishing, and equipping of the new Public Service Center.

The City may elect on December 1, 2026, and on any date thereafter, to redeem the Bonds due on or after December 1, 2027, in whole or in part, at a price of par, plus accrued interest to the date of redemption as discussed herein. See "THE BONDS – Redemption Provisions."

The Bonds are being issued only as fully registered bonds, and initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds and purchases of beneficial interests in the Bonds initially will be made in book-entry-only form in denominations of \$5,000 and any integral multiple thereof. Investors will not receive physical certificates representing their interest in the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly to Cede & Co. See the caption "THE BONDS – Book-Entry System" in this Final Official Statement and APPENDIX F attached hereto.

The City will act as the paying agent, registrar, and transfer agent for the Bonds.

The Bonds are offered when, as and if issued by the City and accepted by the underwriters, subject to the legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota, as bond counsel. It is expected that delivery will be made on or about December 5, 2019.

The date of this Final Official Statement is November 27, 2019.

CITY OF MINNEAPOLIS, MINNESOTA
\$114,400,000
General Obligation Bonds (Green Bonds)
Series 2019

Maturities, Amounts, Interest Rates, Yields, Prices, and CUSIPs

Maturity (December 1)	Amount	Interest Rate	Yield	Price	CUSIP* 60375B
2022	\$4,745,000	3.000%	1.190%	105.299%	GP5
2023	3,235,000	3.000	1.230	106.869	GQ3
2024	3,325,000	3.000	1.320	108.085	GR1
2025	3,430,000	3.000	1.420	109.040	GS9
2026	3,530,000	3.000	1.520	109.777	GT7
2027	3,640,000	3.000	1.600	109.222**	GU4
2028	3,750,000	3.000	1.750	108.189**	GV2
2029	3,865,000	2.000	2.000	100.000	GW0
2030	3,940,000	2.000	2.102	99.000	GX8
2031	4,020,000	3.000	2.050	106.156**	GY6
2032	4,135,000	3.000	2.230	104.957**	GZ3
2033	4,260,000	3.000	2.360	104.101**	HA7
2034	4,390,000	3.000	2.440	103.578**	HB5
2035	4,520,000	3.000	2.520	103.058**	HC3
2036	4,660,000	3.000	2.560	102.799**	HD1
2037	4,800,000	3.000	2.600	102.541**	HE9
2038	4,945,000	3.000	2.650	102.219**	HF6
2039	5,095,000	2.750	2.766	99.750	HG4
2040	5,235,000	3.000	2.710	101.834**	HH2
2041	5,390,000	3.000	2.750	101.579**	HJ8
2042	5,555,000	3.000	2.790	101.324**	HK5
2043	5,720,000	3.000	2.870	100.817**	HL3
2044	5,890,000	3.000	2.880	100.754**	HM1
2045	6,065,000	3.000	2.890	100.691**	HN9
2046	6,260,000	3.000	2.900	100.628**	HP4

*Copyright 2018, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds. Neither the City nor the Underwriters make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**Priced to first optional redemption date of December 1, 2026.

The Bonds maturing on December 1 of the years 2022 through 2028, 2031 through 2038, and 2040 through 2046 have been sold with original issue premium.

The Bonds maturing on December 1 of the years 2030 and 2039 have been sold with original issue discount.

Morgan Stanley & Co., LLC, with syndicate members, has agreed to purchase the Bonds from the City for an aggregate price of \$117,926,157.61, plus accrued interest, if any, to the date of delivery. It is expected that the Bonds will be available for delivery on or about December 5, 2019.

CITY OF MINNEAPOLIS



Mayor and City Council

Mayor

Jacob Frey

Council Members

Kevin Reich (Ward 1)

Cam Gordon (Ward 2)

Steve Fletcher (Ward 3)

Phillipe M. Cunningham (Ward 4)

Jeremiah Ellison (Ward 5)

Abdi Warsame (Ward 6)

Lisa R. Goodman (Ward 7)

Andrea Jenkins, Council, Vice President (Ward 8)

Alondra Cano (Ward 9)

Lisa Bender, Council, President (Ward 10)

Jeremy Schroeder (Ward 11)

Andrew Johnson (Ward 12)

Linea Palmisano (Ward 13)

Board of Estimate and Taxation

David Wheeler, President

Carol Becker, Vice President

Jacob Frey, Mayor

Lisa Bender, Council President

Abdi Warsame, Chair of Ways and Means Committee

Brad Bourn, President of Minneapolis Park and Recreation Board

Administration

Mark Ruff, Interim City Coordinator

Lori Johnson, Interim Finance Officer

Municipal Advisor

Ehlers and Associates, Inc.

Roseville, Minnesota

Bond Counsel

Kennedy & Graven, Chartered

Minneapolis, Minnesota

Green Bonds External Reviewer

Kestrel Verifiers

Hood River, Oregon

The Final Official Statement, dated November 27, 2019, is a final official statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

The City designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each participating underwriter. By delivering an offer with respect to the purchase of the Bonds, the senior managing underwriter has agreed that (i) it accepts such designation and (ii) it shall enter into a contractual relationship with all participating underwriters of the Bonds for purposes of assuring the receipt by each such participating underwriter of the Final Official Statement.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE PRELIMINARY OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATE THEREOF.

Any CUSIP numbers for the Bonds included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Bonds are assigned by an organization unaffiliated with the City. The City is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Bonds or as set forth in the Final Official Statement. No assurance can be given by the City that the CUSIP numbers for the Bonds will remain the same after the delivery of the Final Official Statement or the date of issuance and delivery of the Bonds.

This Final Official Statement contains forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Final Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Final Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the City’s expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Final Official Statement for purposes of, and as that term is defined in, the Rule. Please note these website addresses are provided for the convenience of the reader. No representation is made by the City as to the privacy practices of other websites, nor is the City liable for the content or availability of any listed sites.

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CITY OF MINNEAPOLIS, MINNESOTA
\$114,400,000
General Obligation Bonds (Green Bonds)
Series 2019

INTRODUCTORY STATEMENT

This Final Official Statement presents certain information relating to the City of Minneapolis, Hennepin County, and State of Minnesota (the “City,” the “County,” and the “State,” respectively), in connection with the sale of the City’s General Obligation Bonds (Green Bonds), Series 2019 (the “Bonds”), in the original aggregate principal amount of \$114,400,000.

This Introductory Statement is only a brief description of the Bonds and certain other matters. Such description is qualified by reference to the entire Final Official Statement and the documents summarized or described herein. This Final Official Statement should be reviewed in its entirety.

The Bonds are general obligations of the City, and the City is required to levy general ad valorem taxes on all taxable property within the City without limitation as to rate or amount to pay principal and interest when due. See “THE BONDS — Security for the Bonds” herein.

The Bonds will be issued pursuant to resolutions adopted by the City Council and the Board of Estimate and Taxation (the “Bond Resolutions”).

The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as security depository for the Bonds. Individual purchases will be made in book-entry form only, in the denomination of \$5,000 and integral multiples thereof. No certificates will be available to purchasers. For a description of the method of transfer and payment, see “APPENDIX F – The Depository Trust Company” attached hereto.

Information relating to the City, including certain financial and demographic data, is set forth in APPENDIX A attached hereto. Selected portions of the financial statements of the City for the fiscal year ended December 31, 2018, are set forth in APPENDIX E attached hereto. The City’s 2018 Comprehensive Annual Financial Report and the Financial Status Report for the fiscal quarter ended June 30, 2019 can be viewed at the following websites:

www.minneapolismn.gov/finance/reports/CAFR/index.htm

www.minneapolismn.gov/finance/reports/financial-reports_special-reports_index

Upon issuance of the Bonds, Kennedy & Graven, Chartered, Bond Counsel, will provide an unqualified opinion regarding the tax-exempt nature of the interest on the Bonds for federal income tax purposes and State of Minnesota income tax purposes. See “TAX EXEMPTION” herein. The form of the opinion of Bond Counsel is set forth in APPENDIX C hereto.

Ehlers and Associates, Inc., Roseville, Minnesota, is serving as municipal advisor to the City in connection with the sale of the Bonds.

This Final Official Statement speaks only as of its date, and the information herein is subject to change. This Final Official Statement contains descriptions of the Bonds and other matters. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Bonds are qualified in their entirety by reference to the Bond Resolutions setting forth the terms thereof. Until the

issuance and delivery of the Bonds, copies of the Bond Resolutions and other documents referred to herein may be obtained from the City upon request.

All statements made in this Final Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The City official able to furnish basic documents and answer questions about this Final Official Statement or who can direct inquiries to the appropriate responsible parties is the Finance Officer, Room 325M City Hall, Minneapolis, Minnesota 55415, Telephone (612) 673-2918, Fax (612) 673-2042.

THE BONDS

Description of the Bonds

The Bonds will be dated December 5, 2019, as the date of original issue, and will bear interest payable on June 1 and December 1 of each year, commencing June 1, 2020. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature on December 1 in the years and amounts set forth on the inside front cover of this Final Official Statement.

Authorization and Purpose for Issuance of the Bonds

Principal of the Bonds in the amount of \$18,270,000 will be used to finance capital improvements and projects within the City as authorized under the City's 2018 through 2022 Five-Year Capital Improvement Plan for the City of Minneapolis and Minnesota Statutes, Section 475.521, including the construction, furnishing, and equipping of the new Public Service Center. This portion of the Bonds is referred to herein as the "Capital Improvement Plan Bonds."

Principal of the Bonds in the amount of \$82,580,000 will be used to finance capital improvements associated with the construction of the new Public Service Center that are authorized under Section 9.4 of Article IX of the City's Charter. This portion of the Bonds is referred to herein as the "Charter Bonds."

Principal of the Bonds in the amount of \$13,550,000 will be used to finance equipment associated with the construction of the new Public Service Center under Minnesota Statutes, Chapter 475, as amended and Minnesota Statutes, Sections 410.32 and 412.301, as amended. This portion of the Bonds is referred to herein as the "Equipment Certificates."

Capital Improvement Plan Bonds

The Capital Improvement Plan Bonds are issued pursuant to the Constitution and laws of the State, including Minnesota Statutes, Chapter 475, as amended, specifically Section 475.521, and the City's Charter, which permit the City to authorize, sell, and issue general obligation bonds for capital improvements and projects. On March 23, 2018, the City Council approved the Capital Improvement Plan for the purpose of financing certain capital improvements and projects, including the construction, furnishing, and equipping of the Public Service Center.

Proceeds of the Capital Improvement Plan Bonds will be used to finance the construction of the new Public Service Center, as described herein under "SOURCES AND USES OF FUNDS."

Charter Bonds

The Charter Bonds are issued pursuant to the Constitution and laws of the State, including Minnesota Statutes, Chapter 475, as amended, and Section 9.4 of Article IX of the City's Charter, which permit the City to authorize, sell and issue general obligation bonds in the maximum amount of \$15,000,000 (as adjusted for inflation) to finance capital improvements. The City has determined that the Charter Bonds may be issued in the maximum principal amount of \$82,580,000 (which amount is based on the maximum bonding amount of \$15,000,000 set forth in Section 9.4(d) of the City's Charter, as adjusted for inflation since January 1, 1974, based on the federal consumer price index for all urban consumers as of August 31, 2019).

Proceeds of the Charter Bonds will be used to finance a portion of the construction of the new Public Service Center in the City, as described herein under "SOURCES AND USES OF FUNDS."

Equipment Certificates

The Equipment Certificates are issued pursuant to the Constitution and laws of the State, including Minnesota Statutes, Chapter 475, as amended, Minnesota Statutes, Sections 410.32 and 412.301, as amended, and Section 9.4 of Article IX of the City's Charter, which permit the City to authorize, sell and issue general obligation certificates of indebtedness. The City has determined that the expected useful life of all equipment to be financed with the proceeds of the Equipment Certificates is at least as long as the term of the Equipment Certificates. Furthermore, the principal amount of the Equipment Certificates does not exceed one-quarter of one percent (0.25%) of the estimated market value of taxable property in the City for the calendar year 2019.

Proceeds of the Equipment Certificates will be used to finance equipment in connection with the construction of the new Public Service Center in the City, as described herein under "SOURCES AND USES OF FUNDS."

Security for the Bonds

The Bonds are general obligations of the City for which the full faith and credit of the City have been irrevocably pledged. The City is obligated to levy a tax on all taxable property in the City, if necessary, to pay principal and interest on the Bonds when due.

As required by State law, an initial levy of general ad valorem taxes will be made and filed with the County, prior to the delivery of the Bonds, for each year in amounts which, together with other revenues expected to be available, will be equal to 105% of the amounts required to pay the principal of and interest on the Bonds in each year. Any revenues obtained from other sources and available for debt service on the Bonds may be used to offset required tax levies.

Redemption Provisions

Redemption Option

All of the Bonds maturing on or after December 1, 2027, are subject to redemption and prior payment in whole or in part at the option of the City at a redemption price of par plus accrued interest on December 1, 2026, and any date thereafter.

Notice of Redemption

Thirty days prior to the redemption date of the Bonds, notice of any such redemption shall be delivered to DTC, as the registered owner. In the case of partial redemption, the City will determine the principal amount of Bonds to be redeemed from each maturity of Bonds. DTC will determine by lot the amount of each participant's interest in such maturity of such series to be called for redemption, and each participant will then select by lot the ownership interests in such maturity to be redeemed.

Green Bond Designation

The green bonds designation and the second party opinion from Kestrel Verifiers as described herein under "DESIGNATION OF BONDS AS GREEN BONDS" is applicable to the Capital Improvement Bonds, the Charter Bonds, and the Equipment Certificates.

Book-Entry System

The Bonds will be initially issued in the form of a separate single typewritten fully registered Bond for each maturity of the Bonds. Upon initial issuance, the ownership of each Bond will be registered in the name of Cede & Co., as nominee for The Depository Trust Company. See "APPENDIX F – THE DEPOSITORY TRUST COMPANY" attached hereto.

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SOURCES AND USES OF FUNDS

SOURCES

Capital Improvement Plan Bonds	\$ 18,270,000.00
Charter Bonds	82,580,000.00
Equipment Certificates	13,550,000.00
Original Issue Premium	3,752,048.00
Original Issue Discount	<u>(52,137.50)</u>
Total Sources	\$118,099,910.50

USES

Construction and Equipping of Public Service Center	\$114,492,069.69
Capitalized Interest	3,304,087.92
Costs of Issuance including Underwriter's Discount	<u>303,752.89</u>
Total Uses	\$118,099,910.50

DESIGNATION OF BONDS AS GREEN BONDS

City's Sustainability Initiatives

The City has adopted sustainability indicators to measure progress toward achieving environmental goals. These indicators are tracked annually to measure progress towards the City's goals and identify areas that may not be meeting the City's stated objectives or within the desired timeframe.

The City's Climate Action Plan documents the City's strategies to reduce resource use and greenhouse gas emissions. Managers of City-owned buildings are required by City ordinance to track and report energy and water use. Reporting requirements prompt energy efficiency improvements and demonstrate progress toward the City's Climate Action Plan goals.

In 2018, the City Council adopted a plan to achieve 100% of its enterprise electricity to be produced by renewable resources by December 31, 2022.

Minneapolis is truly a sustainability leader. In 2014, Minneapolis was one of 165 communities chosen as a Climate Action Champion by the White House and U.S. Department of Energy for its commitment to clean energy. In 2015, Mayor Betsy Hodges signed the Compact of Mayors, the world's largest cooperative effort among mayors and city officials to reduce greenhouse gas emissions, track progress, and prepare for the impacts of climate change. In 2017, Mayor Jacob Frey signed the Mayors National Climate Action Agenda as a demonstration of the city's ongoing commitment to accelerate climate progress. Minneapolis is one of 17 cities across nine nations that joined to launch the Carbon Neutral Cities Alliance, a collaboration of global cities committed to reducing greenhouse gas pollution by 80 percent or more by 2050. In 2017, the City of Minneapolis was one of 25 cities across the US to be accepted into the Bloomberg American Cities Climate Challenge, which is a two-year acceleration program with powerful new resources and cutting-edge technical support to help cities meet their near-term carbon reduction goals.

Green Bond Designation

The City is designating the Bonds as “Green Bonds” based on the green and sustainable elements of the projects to be financed with the proceeds of the Bonds discussed herein. The City has created a Green Bond Framework in accordance with the Green Bond Principles as promulgated by the International Capital Market Association in June 2018 (the “Green Bond Principles”) and obtained a second party opinion from Kestrel Verifiers, which is attached hereto as APPENDIX B.

Use of Proceeds

The Bonds are being issued to finance the construction, furnishing, and equipping of a new Public Service Center, which will provide accommodations for a portion of the police department and other departments or portions of departments that interact directly with the public. The City has committed to complying with the requirements for LEED certification at the Gold level for the Public Service Center. The project is completely aligned with the strategies set forth in the City’s adopted Climate Action Plan.

The City will deposit the proceeds of the Bonds in an account and will track the proceeds, and the investment earning thereon, of the Bonds as they are expended for the Public Service Center . Proceeds of the Bonds will be expended within a reasonable period after issuance, in order to achieve a timely green impact. The City has appropriate policies and procedures in place to track the proceeds of the Bonds and report on the use of those proceeds.

Environmental Objectives

The location and design of the Public Service Center conform to the City’s General Plan and have been approved by the City Planning Commission.

The Public Service Center will allow the City to consolidate office space for employees that are currently working in seven different buildings into a single, modern, energy-efficient facility that is accessible by mass transit. The consolidated location will reduce the number of trips associated with City employees traveling to different locations throughout the day and will improve service to the public. In its Climate Action Plan, the City identified a strategy to demonstrate leadership in green buildings. As part of that strategy, the City intends for this highly visible Public Service Center project to catalyze other public entities and private developers to meet similar green building standards. The Public Service Center is on track to attain a LEED Gold or higher certification with a design that emphasizes natural sources of light, energy efficiency, green roof elements, and solar energy arrays on the structure. In addition, the City demolished a parking ramp in connection with the construction of the Public Service Center and estimates that 99% of the materials associated with the demolition were recycled.

Process for Evaluation of Projects

The City has created a Green Bond Framework in accordance with the Green Bond Principles. The City intends to monitor, evaluate, and report key metrics related to the performance of environmental and energy measures related to the Public Service Center.

Approved Verifier for Independent Second Party Opinion on Green Bond Designation

The City has engaged Kestrel Verifiers to provide an independent, second party opinion on the Bonds’ conformance with the Green Bond Principles. Kestrel Verifiers has determined that the project to be financed with the proceeds of the Bonds satisfies the Green Bond Principles.

Kestrel Verifiers is a division of Kestrel Consulting, an advisor to state and local government organizations for over 19 years. Accredited as an “Approved Verifier” by the Climate Bonds Initiative, Kestrel Verifiers is qualified to evaluate bonds against the Green Bonds Principles, Climate Bonds Initiative, and Social Bonds Principles. Kestrel Verifiers is a Woman-Owned Small Business and a certified Women’s Business Enterprise based in the United States.

Kestrel Verifiers has provided the following information for inclusion in the Final Official Statement:

The second party opinion issued by Kestrel Verifiers is based on the ICMA Green Bond Principles 2018 and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Bonds. The “Green Bond” designation by Kestrel Verifiers is not a recommendation to any person to purchase, hold, or sell the Bonds and such labeling does not address the market price or suitability of the Bonds for a particular investor. In issuing its opinion, Kestrel Verifiers has assumed and relied upon the accuracy and completeness of the information supplied by the City or that was otherwise made available to Kestrel Verifiers. The Green Bond designation does not and is not in any way intended to address the likelihood of timely payment of interest or principal when due on the Bonds.

Tracking Expenditures of Proceeds and Reporting

The City is currently required to post its annual audited financial statements and certain other information (together, the “Disclosure Information”) on the Electronic Municipal Market Access system (“EMMA”) of the Municipal Securities Rulemaking Board, which can be accessed at www.emma.msrb.org. These reports are required to be made within 270 days after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2019. See “CONTINUING DISCLOSURE COVENANTS” in this Final Official Statement. The City will post annual updates on EMMA regarding the use of proceeds of the Bonds, and any earnings thereon, until such time as all the proceeds of the Bonds are expended. These updates shall be posted when the City posts its Disclosure Information on EMMA, and the City will no longer post such updates once all proceeds of the Bonds have been expended and such expenditures have been reported on EMMA. Furthermore, the reporting related to the expenditures of the Bonds will be provided on a voluntary basis and is not considered a part of the required Disclosure Information.

CONTINUING DISCLOSURE

In order to assist the underwriters in complying with SEC Rule 15c2-12 (the “Rule”), pursuant to the Bond Resolutions and Continuing Disclosure Certificate (the “Certificate”) to be executed on behalf of the City on the date of issuance of the Bonds, the City has and will covenant for the benefit of holders of the Bonds to annually provide certain financial information and operating data relating to the City to the Municipal Securities Rulemaking Board (“MSRB”) in an electronic format prescribed by the MSRB, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB. The specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events is set forth in the Certificate in substantially the form attached hereto as APPENDIX D. A failure by the City to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. See “APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE” herein for additional information.

To the best of its knowledge, the City has fully complied in all material respects with its continuing disclosure undertakings with respect to its governmental obligations, including all general obligation and

revenue bonds issued by the City for which the City is an obligor. The City satisfies its continuing disclosure undertakings with the assistance of Digital Assurance Certification, LLC (“DAC”).

The City operates a Common Bond Fund Program (the “CBF Program”). The CBF Program was created in 1982 to provide conduit revenue bond financing for industrial, manufacturing, and commercial projects to promote economic development. The CBF Program has provided financing for companies located in Minneapolis and the greater Hennepin County area that are unable to borrow funds in the capital markets without a bond rating. The City has established reserves to secure the private activity bonds issued under the CBF Program and has pledged to levy an ad valorem tax at the rate of up to one-half of one percent of its tax capacity to fund deficiencies in the reserves established under the CBF Program for the limited, tax-supported revenue bonds issued under the CBF Program. The reserves are drawn upon if the City is notified by the trustee for the bonds that a deficiency will occur with respect to principal and interest payments on obligations issued through the CBF Program. The reserves do not need to be funded from the limited tax levy until and to the extent of such a deficiency. No property tax levies have been required in the past and none are anticipated to be required to fund the pledged reserve for bonds issued under the CBF Program. As a result of the funded reserves and the limited tax pledge by the City, the bonds issued under the CBF Program are currently rated “A+” by S&P Global Ratings. As of October 31, 2019, the total principal amount of the five separate series of bonds issued and outstanding under the CBF Program was \$61,385,000.

The continuing disclosure agreements entered into by the City and the trustee for the CBF Program require the City to provide: (i) updates to certain information set forth in the CBF Program official statements including schedules showing Tax Rates, Tax Levies and Collections, and Tax Capacity of the City; (ii) annual financial statements of the CBF Program; and (iii) with respect to CBF Program bond issues for which the City is an obligated person in excess of 10 percent of the outstanding principal amount thereof, annual audited financial statements of the City. With respect to clause (i), on occasion the City has been late in filing with EMMA the updated financial information described in clause (i). With respect to clause (ii), the City has always been timely in filing the annual financial statements of the CBF Program. With respect to clause (iii), to date, the City is required to file its annual audited financial statements for only one series of CBF Program bonds which were issued in 2005. On occasion the City has been late in filing with EMMA the information described in clause (iii). All other information required to be filed annually and all material event notices have been timely filed with EMMA.

Certain final official statements distributed by the City with respect to the bonds issued under the CBF Program did not include references to all instances, in the prior five years, in which there was a failure to comply with previous continuing disclosure undertakings. Nevertheless, the City has concluded, under the circumstances, that the omission of such compliance failures was not “material” because the omitted information was otherwise available to the public in the official statements and in the annual audited financial statements filed each year by the City with EMMA in connection with the general obligation bond issues of the City.

Notwithstanding the City’s conclusion as to the materiality of omissions described above, on December 1, 2014, the City self-reported under the Municipalities Continuing Disclosure Cooperation Initiative (the “MCDC”) because it is not clear whether the omissions in certain official statements related to the sale of bonds under the CBF Program regarding the failures to file certain continuing disclosure information would be considered material under the MCDC. Given such uncertainty, the City self-reported while asserting that it believes such omissions are not material.

TAX EXEMPTION

On the date of closing on the Bonds, Kennedy & Graven, Chartered, Minneapolis, Minnesota (“Bond Counsel”), will render an opinion that, at the time of their issuance and delivery to the original purchaser, based on present federal and State laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants set forth in the Bond Resolutions, interest on the Bonds is not includable in gross income for federal income tax purposes and, to the same extent, is not includable in the taxable net income of individuals, estates, and trusts for Minnesota income purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, estates, and trusts. Such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. No opinion will be expressed by Kennedy & Graven, Chartered regarding other federal or State of Minnesota tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and covenants of the Bond Resolutions may result in the inclusion of interest on the Bonds in gross income of the owners thereof for federal income tax purposes and in net taxable income of individuals, estates, and trusts for Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds if interest on the Bonds becomes subject to federal or State of Minnesota income taxation.

The City will covenant to comply with the requirements of the Code to establish and maintain the interest on the Bonds as tax exempt under Section 103 of the Code, including, without limitation, requirements related to temporary periods for investments and limitations on amounts invested at a yield greater than the yield on the Bonds.

OTHER FEDERAL AND STATE TAX CONSIDERATIONS

Certain provisions of the Code and related State tax law provisions may affect the tax treatment of interest on the Bonds for certain taxpayers. The status of interest on the Bonds under those provisions is described below:

Property and Casualty Insurance Companies

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as “losses incurred” under Section 832(b)(5) shall be reduced by an amount equal to the applicable percentage of the interest on the Bonds that is received or accrued during the taxable year. For purposes hereof, the applicable percentage is 5.25 percent divided by the highest rate in effect under Section 11(b) of the Code.

Branch Profits Tax and Foreign Insurance Companies

Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code.

Passive Investment of S Corporations

Under certain circumstances, interest on the Bonds may be subject to the tax on “excess net passive income” of Subchapter S corporations imposed by Section 1375 of the Code.

Not Bank-Qualified Tax-Exempt Obligations

The Bonds are not “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code and, therefore, financial institutions may not utilize the provisions of Section 265(b)(3) or Section 291(e)(1)(B) of the Code to limit the deduction of their interest expenses allocable to the interest received from the Bonds.

Future Law Changes

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

The preceding information is not a comprehensive list of all federal tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such tax consequences. Purchasers of the Bonds are encouraged to consult with their personal tax advisors regarding the impact of the foregoing on their individual tax liabilities.

The legal opinion of Kennedy & Graven, Chartered, as Bond Counsel, in substantially the form that is shown in APPENDIX C of this Final Official Statement, will be delivered on the date of issuance and delivery of the Bonds.

ORIGINAL ISSUE PREMIUM AND ORIGINAL ISSUE DISCOUNT

Original Issue Premium

The Bonds maturing on December 1 of the years 2022 through 2028, 2031 through 2038, and 2040 through 2046 have been sold to the public at an amount in excess of their stated redemption price at maturity (the “Premium Bonds”). Such excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes an original issue premium with respect to such Premium Bonds. An owner of a Premium Bond must amortize the premium over the term of the Premium Bond using constant yield principles, based on the owner’s yield to maturity. As original issue premium is amortized, the basis in the Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or other disposition of such Bond prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Holders of any Premium Bonds, whether purchased at the time of initial issuance or subsequent thereto, should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning Premium Bonds.

Original Issue Discount

The Bonds maturing on December 1 of the years 2030 and 2039 have been sold at a discount from the principal amount payable on such Bonds at maturity (the “Discount Bonds”). The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the “Issue Price”) and the principal amount payable at maturity constitutes “original issue.” The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period and will increase the owner’s tax basis in such Discount Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Discount Bond will be treated as gain from the sale or exchange of such Discount Bond. Holders of Discount Bonds should consult their tax advisors with respect to computation and accrual of original issue discount and with respect to the state and local tax consequences of owning Discount Bonds.

INVESTMENT CONSIDERATIONS

The following is a description of possible risks to holders of the Bonds and is not intended to be an all-inclusive list.

Dependence on Property Tax Payments

The Bonds are general obligations of the City, the ultimate payment of which rests in the City’s ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions

Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the State may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Maintenance of Ratings

In the future, the City’s credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Economy

A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Tax Exemption

If the federal government or the State taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Bond Resolutions may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State income taxation, retroactive to the date of issuance.

Secondary Market

No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Cybersecurity

The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact. To reduce the risk of a cyberattack, the City employs five people who have implemented the following programs and controls to help prevent breaches such as those that have occurred in other cities.

Security controls are in place to safeguard office and email activities. In addition to new employee onboarding security training, the City also performs internal email phishing campaigns to identify risks and educate employees. Vulnerability management controls include procedures to detect and remediate system and network vulnerabilities, as well as advanced end-point protection to detect and prevent malware and ransomware. Identity and access management controls include complex passwords and two factor authentication for external access to City resources such as email and network.

Network security controls include network segmentation, controlled third party and vendor access to restrict access to required resources only, and network access controls to prevent unauthorized devices from connecting to the network. In addition to in-house forensics tools and capabilities for investigating incidents, the City leverages security event and incident management for log correlation, analysis, and investigations. Additionally, the City's security staff has been trained and certified in information security and the department has developed and cultivated relationships with public and private sector security resources to stay abreast of threats and countermeasures.

Bankruptcy

The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local

governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Climate Change and Resiliency

Minnesota is susceptible to significant seasonal weather shifts during the course of a calendar year, including weather events such as flooding, tornadoes, blizzards, and drought. Future changes to the climate in Minnesota may produce ecological, environmental, and economic impacts on the State and the City. Climate change as a result of emissions of greenhouse gases may also produce ecological, environmental, and economic impacts on the State and the City and additional federal and State regulations to fight climate change.

The City has adopted sustainability indicators to measure progress toward achieving environmental goals. These indicators are tracked annually to measure progress towards the City's goals and identify areas that may not be meeting the City's stated objectives or within the desired timeframe. The City's Climate Action Plan documents the City's strategies to reduce resource use and greenhouse gas emissions. Managers of City-owned buildings are required by City ordinance to track and report energy and water use. Reporting requirements prompt energy efficiency improvements and demonstrate progress toward the City's Climate Action Plan goals. In 2018, the City Council adopted a plan to achieve 100 percent of its enterprise electricity to be produced by renewable resources by December 31, 2022.

To learn more about the City's plans for climate change resiliency, please see the following website: <http://www.minneapolismn.gov/health/preparedness/climate>.

Future Changes in Law

Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Continuing Disclosure

A failure by the City to comply with the Certificate setting forth the City's continuing disclosure obligations (see "CONTINUING DISCLOSURE" in this Final Official Statement) will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

FUTURE FINANCING

The City does not plan to issue general obligation bonds in the next ninety (90) days.

LITIGATION

There are no legal or governmental proceedings pending or, to the best of the City's knowledge, threatened, to restrain or enjoin the issuance, sale or delivery of the Bonds, or in any way contesting or affecting the authority for or the validity of the Bonds.

Various cases and claims are pending against the City involving claims for money damages. These pending cases and claims are not unusual in number and amount. Based on the City's past experience, resolution of these cases and claims should not have a material adverse effect on the financial position of the City.

LEGAL MATTERS

Legal matters incident to the issuance, sale, and validity of the Bonds are subject to the approving opinion of Kennedy & Graven, Chartered, of Minneapolis, Minnesota, Bond Counsel. The form of the Bond Counsel opinion is set forth in APPENDIX C attached hereto. The opinion will state that the Bonds are valid and binding general obligations of the City and that the City is required to levy ad valorem taxes on all taxable property within the City without limitation as to rate or amount, if necessary, to pay the principal of and interest on the Bonds when due.

MUNICIPAL ADVISOR

The City has retained Ehlers and Associates, Inc., Roseville, Minnesota, as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. The Municipal Advisor is registered as a municipal advisor with both the Securities and Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB"). The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Final Official Statement in accordance with accounting standards.

UNDERWRITING

Morgan Stanley & Co., LLC, New York, New York, with syndicate members Raymond James & Associates, Inc., UBS Financial Services Inc., FHN Financial Capital Markets, KeyBanc Capital Markets, Ziegler, R. Seelaus & Co., LLC WMBE, and American Veterans Group, PBC SDVOB (collectively, the "Underwriter"), has agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds from the City for a purchase price of \$117,926,157.61 (par amount plus an original issue premium of \$3,752,048.00, less an original issue discount of \$52,137.50, less an Underwriter's discount of \$173,752.89). The Underwriter for the Bonds will be obligated to purchase all the Bonds if any are purchased. The initial public offering prices of the Bonds may be changed from time to time by the underwriter for the Bonds.

Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution agreement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this agreement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

RATINGS

Ratings have been assigned to the Bonds from S&P Global Ratings and Fitch Ratings, as set forth on the front cover of this Final Official Statement. Such ratings reflect only the views of such rating agencies, and an explanation of the significance of such ratings may be obtained only from the respective rating agencies. Generally, rating agencies base their ratings on the information and materials furnished to them and on investigation, studies and assumptions by the rating agencies. A securities rating is not a recommendation to buy, sell, or hold securities. The ratings of the Bonds represent judgments as to the likelihood of timely payment of the Bonds according to their terms, but do not address the likelihood of redemption or acceleration prior to maturity. There is no assurance that such ratings will remain in effect for any given period or that they may not be lowered, suspended or withdrawn entirely if, in the judgment of the rating

agencies, circumstances so warrant. Any such downward change in or suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the Bonds.

OFFICIAL STATEMENT CERTIFICATION

The City has authorized the distribution of this Final Official Statement for use in connection with the initial sale of the Bonds. As of the date of the delivery of the Bonds, the City will deliver to the underwriter a certificate signed by the authorized representative of the City stating that the information contained in the Final Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

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APPENDIX A

GENERAL INFORMATION CONCERNING THE CITY

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This APPENDIX A refers to various website addresses for further information. Please note these website addresses are provided for the convenience of the reader. No representation is made by the City as to the privacy practices of other websites, nor is the City liable for the content or availability of any listed sites.

THE CITY

The City is a political subdivision of the State incorporated in 1867, organized and existing under the Constitution and laws of the State and the City Charter, as amended. The corporate limits of the City encompass approximately 58.7 square miles and U.S. Census figures indicated the 2010 population of the City to be 382,578. The Metropolitan Council's estimate of the City's 2018 population was 428,483.

City Officers

The City is a municipal corporation governed by a Mayor-Council form of government. The Mayor and 13 City Council Members from individual geographic-based wards are elected for terms of four years, without limit on the number of terms which may be served. The Mayor and City Council are jointly responsible for the adoption of an annual budget and a five-year capital improvement program. As required by the City Charter, the Mayor is responsible for preparing an annual operating and capital budget recommendation to the City Council for its consideration. The terms of the Mayor and all City Council members expire on January 1, 2022.

The City Council operates through committees which typically meet during the two weeks preceding the City Council's meeting. Committees include Audit; Budget*; Committee of the Whole; Economic Development & Regulatory Services; Elections & Rules*; Enterprise; Public Health, Environment, Civil Rights and Engagement; Executive; Housing Policy & Development; Intergovernmental Relations; Public Safety & Emergency Management; Transportation & Public Works; Ways & Means; and Zoning & Planning. (*These committees meet at the call of the chair.)

City Departments

Under the City Charter, the operating departments of the City include Public Works, Police, Fire, Health and Family Support, Community Planning and Economic Development, Civil Rights, City Attorney, City Assessor, City Clerk, Regulatory Services, and City Coordinator. The City Coordinator is the principal administrative officer for the City and is responsible for providing support in the areas of finance, technology, human resources, communications, intergovernmental relations and neighborhood and community relations. The City Coordinator also oversees the operating activities of the Minneapolis Convention Center, as well as the City's 311, 911 and Emergency Management activities.

Related Boards

The Minneapolis Park and Recreation Board (the "Park Board") is a nine-member board elected by the voters of the City and is responsible for developing and maintaining parklands, park facilities and parkways.

The Board of Estimate and Taxation (the "Board") is comprised of six members, two of whom are elected by the voters of the City. The Mayor, the President of the City Council, and the Chair of the City's Ways & Means Committee are ex-officio members of the Board, and the Minneapolis Park and Recreation Board selects one member from its board to serve on the Board. The Board authorizes certain City indebtedness and establishes the maximum property tax levies each year.

The Municipal Building Commission (the "MBC") is comprised of the Chair of the Hennepin County Board of Commissioners, the Mayor of the City, one appointee of the Hennepin County Board of Commissioners and an appointee of the City Council. The MBC operates and maintains the Minneapolis City Hall/Hennepin County Court House building.

**CITY PROPERTY VALUES AND TAXES
VALUATIONS OF TAXABLE PROPERTY LOCATED IN THE CITY**

Year of Value	Year of Tax Collection	Economic Market Value⁽¹⁾	Assessor's Estimated Market Value	Unadjusted Net Tax Capacity Total	Value Capture and Tax Increment⁽²⁾	Fiscal Disparity Contribution	Fiscal Disparity Distribution	Net Tax Capacity
2019 est.	2020	NA	\$56,446,632,900	\$709,976,139	\$(60,474,943)	\$(83,291,299)	\$59,918,256	\$626,128,153
2018	2019	\$55,385,305,984	52,725,405,700	662,230,493	(56,428,149)	(76,704,603)	57,332,401	586,430,142
2017	2018	52,332,573,256	47,947,932,200	601,211,854	(52,450,899)	(70,076,963)	54,851,682	533,535,674
2016	2017	47,235,357,618	44,067,523,400	549,921,260	(46,716,798)	(62,272,973)	52,548,027	493,479,516
2015	2016	43,273,456,995	40,296,679,900	498,459,518	(40,508,195)	(54,435,694)	51,125,630	454,641,259
2014	2015	39,219,439,185	36,544,531,600	447,314,106	(34,876,078)	(51,741,779)	49,817,942	410,514,191

(1) The economic market values are from the Minnesota Department of Revenue.

(2) Value capture district captures 1% of market value for streetcar district. First year of tax collection was 2014.

VALUE CAPTURE AND TAX INCREMENT

Year of Value	Year of Tax Collection	Tax Increment	Value Capture	Value Capture & Tax Increment	\$ Change	% Change
2019 est.	2020	\$54,585,076	\$5,889,867	\$60,474,943	\$4,046,794	7.17%
2018	2019	50,540,375	5,887,774	56,428,149	3,997,250	7.58
2017	2018	46,870,228	5,580,671	52,450,899	5,734,101	12.74
2016	2017	41,292,027	5,424,771	46,716,798	6,208,603	15.33
2015	2016	36,869,936	3,638,259	40,508,195	5,632,117	16.15
2014	2015	32,975,507	1,900,571	34,876,078	3,691,672	11.84

TAXABLE MARKET VALUES

Year of Collection	Personal Property	Real Estate	Total	\$ Change	% Change
2020 est.	\$565,336,450	\$54,902,786,779	\$55,468,123,229	\$3,804,097,335	7.36%
2019	530,279,546	51,133,746,348	51,664,025,894	4,889,795,854	10.45
2018	520,854,555	46,253,375,485	46,774,230,040	3,961,641,997	9.25
2017	475,142,935	42,337,445,108	42,812,588,043	3,859,866,882	9.91
2016	414,683,134	38,538,038,027	38,952,721,161	3,816,473,513	10.86
2015	409,105,104	34,727,142,544	35,136,247,648	3,429,949,076	10.82
2014	411,052,551	31,295,246,021	31,706,298,572	686,602,752	2.21

TOTAL TAX CAPACITY OF REAL AND PERSONAL PROPERTY
(in Thousands)

Valuation Year Collection Year	2018	2017	2016	2015	2014
	2019	2018	2017	2016	2015
Commercial & Industrial	\$206,154	\$194,215	\$182,713	\$170,090	\$152,748
Residential	317,646	285,311	262,809	244,599	228,630
Apartment	108,593	96,174	85,311	72,226	55,968
Other	325	312	288	269	253
Total Real Property	632,718	576,012	531,121	487,184	437,599
Personal Property	10,140	9,975	9,075	7,965	7,792
Total Real and Personal Property	642,858	585,987	540,196	495,149	445,391
Less Tax Increment	(50,540)	(46,870)	(41,292)	(36,870)	(32,976)
Less Value Capture	(5,888)	(5,581)	(5,425)	(3,638)	(1,901)
Net Tax Capacity	\$586,430	\$533,536	\$493,479	\$454,641	\$410,514

TAX RATES IN TAX CAPACITY

Governmental Unit	Tax Collection Year					
	2019	2018	2017	2016	2015	2014
City	57.312%	59.556%	61.129%	62.437%	66.333%	71.804%
Special School District 1	22.190	22.291	20.410	21.165	22.176	25.621
County	41.690	42.654	43.925	45.203	46.112	49.400
Other	5.978	6.240	6.416	6.430	6.796	7.270
Totals	127.170%	130.741%	131.880%	135.235%	141.417%	154.059%

TAX RATES FOR MARKET VALUE LEVIES

Governmental Unit	Tax Collection Year					
	2019	2018	2017	2016	2015	2014
City	0.01970%	0.02165%	0.02127%	0.02325%	0.02563%	0.02817%
Special School District 1	0.18496	0.15531	0.18045	0.19399	0.20704	0.19798
Totals	0.20466%	0.17696%	0.20172%	0.21724%	0.23267%	0.26615%

TAX LEVIES AND COLLECTIONS
(in Thousands)

Collection Year	Certified Tax Levy	Current Year			Total Collections	Total Collections % of Levy
		Current Year \$ Collections	% of Levy	Delinquent Collections		
2019	\$349,971					
2018	331,208	\$328,160	99.080%	\$1,043	\$329,203 99.395%	
2017	313,941	311,012	99.067	1,548	312,559 99.560	
2016	297,580	297,329	99.916	2,116	299,445 100.627	
2015	287,630	287,787	100.055	3,164	290,951 101.155	
2014	281,874	282,180	100.109	3,020	285,200 101.180	

LARGEST TAXPAYERS WITHIN THE CITY
Based on Net Tax Capacity

Rank	Taxpayer	Assessor's Estimated Market Value	Net Tax Capacity	Percentage of Total Net Tax Capacity
1	Bri 1855 IDS Center LLC	\$ 295,640,000	\$ 5,912,050	1.01%
2	Target Corporation	269,010,000	5,377,200	0.92
3	NWC Limited Partnership	267,590,000	5,351,050	0.91
4	SRI Eleven Minneapolis 225 L	262,170,000	5,242,650	0.89
5	33 City Center 33 South Property LLC	238,590,000	4,771,050	0.81
6	Wells Fargo Bank	211,040,000	4,219,300	0.72
7	Mpls City Property	269,977,900	4,425,629	0.75
8	Northern States Power Co.	214,357,500	4,280,436	0.73
9	Wells Operating Partnership LP	202,800,000	4,055,250	0.69
10	First Minneapolis Hines Co.	191,000,000	3,819,250	0.65
	Subtotal Top Ten Taxpayers	\$2,422,175,400	\$47,453,865	8.09%
	City Total Adjusted Net Tax Capacity		\$586,430,142	

Source: City Assessor

INDEBTEDNESS OF THE CITY

Debt Management Policy

The objective of the debt management policies is to maintain the City's ability to incur present and future debt at minimal interest rates without putting essential City services at risk.

General Obligation Bonds, Property Tax Supported. The City utilizes general obligation, property tax supported bonding to finance only those capital improvements and long-term assets that have been determined to be essential to the maintenance or development of the City.

Tax Increment Bonds. The City uses tax increment bonds only where projects can be shown to be self-liquidating from tax increments arising in sufficient amounts, or where secured guarantees are provided for potential shortfalls, and with appropriate timing to avoid, to the maximum extent possible, the use of City-wide property tax revenues and where maximum allowable guarantees are obtained.

Special Obligation Revenue Bonds. Special obligation revenue bonds, those bonds for which the City incurs no financial or moral obligation, are issued only if the associated development projects can be shown to be financially feasible and contributing substantially to the welfare and/or economic development of the City and its inhabitants.

Variable Rate Debt. The City may elect to issue bonds as variable rate instruments to provide flexibility and/or attempt to achieve interest savings.

Debt Management. City Financial Management Policies are designed to maintain a balanced relationship between debt service requirements and current operating costs, encourage growth of the tax base, actively seek alternative funding sources, minimize interest costs and maximize investment returns. The City limits the issuance of new bonded debt to maintain or make improvements in key financial trend lines over time.

Bond Term. The City shall issue bonds with terms no longer than the economic useful life of the project. For self-supporting bonds, maturities and associated debt service shall not exceed projected revenue streams.

General Obligation Indebtedness

The following tables set forth the general obligation indebtedness of the City estimated to be outstanding as of the dates noted including the amount of such bonds considered to be self-supporting from revenue sources other than general property taxes. Bonds have not been classified as self-supporting unless it could be reasonably assumed that under existing and anticipated conditions, they would not require any general property tax for debt service. The City has chosen to issue general obligation bonds for its enterprise funds to obtain a lower interest rate on the bonds. These bonds have historically not required general property tax support and are not projected to require it in the future.

To indicate the City's intent as to future debt service payments on water works and parking facility bonds, the City Council adopted a resolution on April 6, 1979 which states that (1) the City intends to raise water rates as necessary to provide sufficient revenue to meet all water works debt service requirements and operating expenses; and (2) the City intends to raise parking meter and ramp rates as necessary to meet all parking facilities debt service requirements and operating requirements. The City has consistently complied with this resolution.

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CITY OF MINNEAPOLIS
Historical Outstanding Debt for Years Ending December 31, by Business Line & Source of Repayment

Classification/Business Line	Source of Repayment*	2018	2017	2016	2015	2014
General Obligation (GO) Debt:		(Dollar Amounts Expressed in Thousands)				
Enterprise Fund GO Debt						
Stormwater Sewer	User Fees	\$ --	\$ --	\$ --	\$ 2,500	\$ 4,736
Sanitary Sewer Fund	User Fees	23,330	27,810	24,550	5,800	9,300
Water Fund Bonds	User Fees	25,960	32,775	27,690	21,475	25,769
Water Fund Notes -- MN/Public Facilities Authority	User Fees	83,945	64,990	71,520	75,870	80,230
Parking Fund	User Fees	69,795	87,435	95,679	106,032	111,472
Total Enterprise Fund GO Debt		203,030	213,010	219,439	211,677	231,507
Self-Supporting GO Debt						
Convention Center	Local Sales Tax	51,000	73,250	94,900	116,050	136,300
Target Center Renovation Bonds	Local Sales Tax	69,900	39,915	--	--	--
Target Center Renovation Notes	Tax Increment		29,000	27,982	--	--
Tax Increment Supported	Tax Increment	52,380	60,515	65,890	80,005	88,240
Development Supported	Ryan Co/Stadium Authority	61,515	61,825	61,905	61,905	61,905
Assessment Bonds	Special Assessment	51,440	54,485	43,676	39,293	49,213
Housing Improvement Area Bonds	Fees	2,170	1,070	1,120	1,170	1,215
Park Board	User Fees	8,180	10,120	10,930	11,650	12,350
Total Self-Supporting GO Debt		296,585	330,180	306,403	310,073	349,223
Internal Service Fund GO Debt						
Equipment Fund	Internal User Fees	--	8,990	11,330	13,545	15,645
Property Services Fund	Internal Use Fees	--	820	1,640	2,460	3,280
Total Internal Service Fund GO Debt		--	9,810	12,970	16,005	18,925
Property Tax GO Debt						
General Infrastructure Bonds and Notes	Property Tax	48,600	55,120	48,375	31,420	48,125
Information Technology Systems	Property Tax		1,375			2,705
Capital Improvement Bonds	Property Tax/User Fees	96,220				
Library System Referendum Bonds	Property Tax/State of MN	35,275	54,425	66,940	73,745	80,405
Total Property Tax Supported GO Debt		180,095	110,920	115,315	105,165	131,235
Total GO Debt		\$679,710	663,920	\$654,127	\$642,920	\$730,890

CITY OF MINNEAPOLIS
Historical Outstanding Debt for Years Ending December 31, by Business Line & Source of Repayment
(continued)

Classification/Business Line	Source of Repayment*	2018	2017	2016	2015	2014
Non-GO Debt		(Dollar Amounts Expressed in Thousands)				
Economic Development Revenue Bonds	Tax Increment	\$18,940	\$20,305	\$21,625	\$22,710	\$23,500
Economic Development Revenue Notes	Tax Increment	3,270	3,705	4,115	13,695	14,055
Community Dev General Agency Reserve Fund	Business Leaders	61,565	64,300	76,315	84,790	90,100
Total Non-GO Debt		<u>\$83,775</u>	<u>\$88,310</u>	<u>\$102,055</u>	<u>\$121,195</u>	<u>\$127,655</u>
Grand Total GO and Non GO Debt		<u>\$763,485</u>	<u>\$752,230</u>	<u>\$756,182</u>	<u>\$764,115</u>	<u>\$858,545</u>

*Source of repayment pledged in debt documents.

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HISTORY OF DEBT

Total General Obligation Debt

As of December 31	Fixed Rate	Variable Rate	Total	Variable Rate as % of Total
2018	\$648,915,000	\$ 30,795,000	\$679,710,000	11.83%
2017	585,375,000	78,545,000	663,920,000	12.82
2016	570,265,000	83,861,985	654,126,985	9.67
2015	580,725,000	62,195,000	642,920,000	5.84
2014	688,180,474	42,710,000	730,890,474	5.89

Property Tax Supported General Obligation Debt

As of December 31	Fixed Rate	Variable Rate	Total	Variable Rate as of % of Total
2018	\$180,095,000	\$ 0	\$180,095,000	0.00%
2017	110,920,000	0	110,920,000	0.00
2016	114,615,000	700,000	115,315,000	0.61
2015	90,165,000	15,000,000	105,165,000	14.26
2014	131,235,000	0	131,235,000	0.00

Non-Property Tax Supported General Obligation Debt

As of December 31	Fixed Rate	Variable Rate	Total	Variable Rate as of % of Total
2018	\$468,820,000	\$30,795,000	\$499,615,000	6.16%
2017	474,455,000	78,545,000	553,000,000	14.20
2016	455,650,000	83,161,985	538,811,985	15.43
2015	490,560,000	47,195,000	537,755,000	8.78
2014	556,945,474	42,710,000	599,655,474	7.12

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General Obligation Notes

General Obligation Minnesota Public Facilities Authority (PFA) Notes (All are fixed rate)

The City has issued eight general obligation notes (the “PFA Notes”) purchased by the Minnesota Public Facilities Authority (the “PFA”) to finance the City’s drinking water ultra-filtration project and new filter presses project. The PFA Notes are part of a federally sponsored financing program related to the Drinking Water Act and the City receives below-market interest rates by participating in the program. Through November 2019, the City has drawn down proceeds of the PFA Notes in the amount of \$142,585,585 and has the ability to draw down an additional \$17,801,630 under the PFA Note dated December 14, 2018. The amortization of the PFA Notes associated with this program provided under “GENERAL OBLIGATION DEBT – Water Fund Supported” in this Appendix reflects the full utilization and estimated payment obligations of the PFA Note dated December 14, 2018.

Amount Issued	Issue Date	Final Maturity	November 27, 2019	
			Outstanding	Interest Rate
\$27,400,000	17-Dec-02	20-Aug-22	\$8,000,000	2.819%
\$25,000,000	21-Feb-04	20-Aug-23	15,050,000	2.800
\$12,500,000	23-Mar-05	20-Aug-19	-0-	2.530
\$13,500,000	23-Aug-06	20-Aug-26	6,465,000	2.600
\$19,557,660	9-Dec-09	20-Aug-27	18,020,000	2.688
\$6,229,555	2-Mar-10	20-Aug-21	1,505,000	1.000
\$28,900,000	14-May-18	20-Aug-33	28,550,000	1.008
\$27,300,000	14-Dec-18	20-Aug-35	8,148,370	1.470
<u>\$160,387,215</u>			<u>\$85,738,370</u>	

General Obligation Bank Term Notes (all are variable rate)

On January 3, 2012, the City issued a \$27,980,000 General Obligation Term Loan Note, Series 2011B (the “Series 2011B Note”) which was purchased by U.S. Bank National Association (“U.S. Bank”) and is presently outstanding in the amount of \$27,400,000. The proceeds of the Series 2011B Note were used to refund and redeem all remaining principal of a general obligation variable rate bond issue of the City. Currently the Series 2011B Note accrues interest at a variable rate of interest equal to the sum of 80% of the one-week LIBOR rate, plus a spread based on the current rating of the City’s long-term general obligation debt. The Series 2011B Note is payable from available tax increment revenues from various tax increment districts located in the City and certain revenues derived from the operation of the City’s parking system.

On December 18, 2015, the City issued a \$25,000,000 General Obligation Note, Series 2015A (the “Series 2015A Note”), which was purchased by U.S. Bank and is presently outstanding in the amount of \$2,100,000. The Series 2015A Note financed a portion of the costs of a complete renovation of the Nicollet Mall roadway and streetscape in downtown Minneapolis. Currently the Series 2015A Note accrues interest at a variable rate of interest equal to 80% of the one-week LIBOR rate, plus a spread based on the current rating of the City’s long-term general obligation debt. The Series 2015A Note is payable from special assessments levied against properties benefitted by the improvement project.

Summary of Bank Notes

Note	Bank Notes Authorized Amount*	Amount Outstanding**	Mandatory Prepayment Date	Maturity Date
2011B	\$27,980,000	\$27,400,000	17-Jun-2020	1-Dec-2033
2015A	25,000,000	2,100,000	17-Jun-2021	17-Jun-2022
Total:	\$52,980,000	\$29,500,000		

* Both Bank Notes are fully drawn down.

** As of the dated date of the Bonds.

Adopted Note Amortization Schedules

	December 1	2011B	2015A
2020		\$195,000	
2021		290,000	\$2,100,000
2022		290,000	--
2023		290,000	--
2024		290,000	--
2025		2,825,000	--
2026		3,115,000	--
2027		3,445,000	--
2028		3,785,000	--
2029		2,180,000	--
2030		2,370,000	--
2031		2,565,000	--
2032		2,760,000	--
2033		3,000,000	--
Total:		\$27,400,000	\$2,100,000

Other Financial Obligations

Sales and Use Taxes Contribution to Football Stadium

In 2014, the State issued its State General Fund Appropriation Bonds, Tax-Exempt Series 2014A, in the principal amount of \$391,785,000 and its State General Fund Appropriation Bonds, Taxable Series 2014B, in the principal amount of \$70,280,000 (together, the “State Bonds”) to finance a portion of the cost of a National Football League football stadium in the City, and the Metropolitan Sports Facility Authority (“MSFA”) commenced construction of the stadium. The Minnesota Vikings home games and other events are held at the stadium. Minn. Stat. Section 473J.11 requires the State to pay debt service on the State Bonds in an amount up to \$348,000,000 and the City to pay debt service on the State Bonds in an amount up to \$150,000,000. Minn. Stat. Section 297A.994 requires the City to also contribute to capital improvement reserves, operating expenses, and state advances for capital improvements and operating expenses. The City’s contributions for these costs are payable from the State withholding a portion of the proceeds of the City’s sales and uses taxes authorized by the Laws of Minnesota 1986, Chapter 396, Sections 4 and 5, as amended by Laws of Minnesota 2001, First Special Session, Chapter 5, Article 12, Section 87.

In 2013 the City received approximately \$56 million in City’s sales and use taxes from the State (excluding City entertainment taxes). Beginning in 2014 the State began retaining a portion of the City’s sales and use taxes for the benefit of the MSFA. From 2014 through 2018 the State has retained approximately \$1.0

million to \$1.9 million each year for this purpose. From 2021 through 2046, the State will also retain a portion of the City’s sales and use taxes for four additional purposes. These purposes include State bond debt service, deposits to the MSFA capital improvement reserve, MSFA operating expenses, and reimbursement of various related costs that the State incurred from 2016 through 2020. The portion of the sales and use taxes to be retained by the State will vary each year depending principally on the annual rates of inflation. At the present time, the City projects that in 2021 the State will collect approximately \$71 million in the City’s sales and use taxes, retain approximately \$26 million for the five purposes noted above, and distribute the remaining \$45 million to the City.

The sales and use taxes are currently pledged to the City’s (i) Taxable General Obligation Convention Center Refunding Bonds, Series 2011 which are currently outstanding in the principal amount of \$51,000,000 and mature on December 1, 2020; (ii) Taxable General Sales Tax Refunding Bonds, Series 2017, which are currently outstanding in the principal amount of \$38,340,000 and mature on December 1, 2035; and (iii) Taxable General Obligation Bonds, Series 2018, which are currently outstanding in the principal amount of \$31,560,000 and mature on December 1, 2030.

Interfund Loans

The City may borrow and lend funds internally to redeem bonds or otherwise finance capital costs and pay the internal loan back over time. The City has five such interfund loans outstanding.

Midtown Exchange Project Interfund Loan. On December 1, 2016, the City established an interfund loan in the amount of \$995,000, the proceeds of which were used to redeem the City’s General Obligation Tax Increment Bonds (Midtown Exchange), Series 2008 issued on March 11, 2008. This interfund loan accrues interest at a rate of 2.00% per annum and is expected to be repaid from tax increment derived from the Lake Street Center Redevelopment Tax Increment Finance District. Principal and interest payments are made March 1 and September 1 and the interfund loan matures on March 1, 2020. The remaining amortization of this interfund loan is set forth below.

Date	Principal	Interest	Principal and Interest
03/01/20	\$110,000.00	\$2,720.00	\$112,720.00
09/01/20	162,000.00	1,620.00	163,620.00
Total:	\$272,000.00	\$4,340.00	\$276,340.00

2019 Interfund Loan. On May 1, 2019, the City established an interfund loan in the amount of \$19,010,000, the proceeds of which were used to redeem all or a portion of four series of the City’s general obligation bonds. The proceeds of the interfund loan were used to: (i) pay principal of the City’s General Obligation Tax Increment Refunding Bonds (Milwaukee Depot), Series 2009A (the “Series 2009A Milwaukee Depot Bonds”), in the amount of \$3,225,000; (ii) pay principal of the City’s General Obligation Tax Increment Refunding Bonds, Series 2010 (the “Series 2010 Humboldt Greenway Bonds”), in the amount of \$3,010,000; (iii) pay principal of the City’s Taxable General Obligation Tax Increment Refunding Bonds (West Side Milling), Series 2010 (the “Series 2010 West Side Milling Bonds”), in the amount of \$5,975,000; and (iv) pay principal of the City’s General Obligation Refunding Bonds, Series 2010 (the “Series 2010 Refunding Bonds”), in the amount of \$6,800,000. This interfund loan will accrue interest at a rate of 3.50% per annum and is expected to be repaid with revenues derived from certain tax increment financing districts within the City and originally pledged to the payment of the Series 2009A Milwaukee Depot Bonds, the Series 2010 Humboldt Greenway Bonds, the Series 2010 West Side Milling Bonds, and the Series 2010 Refunding Bonds and from parking facilities revenues and other revenues originally pledged to the Series 2010 Refunding Bonds. Principal and interest payments are made March 1 and September 1, commencing on September 1, 2019, and this interfund loan matures on March 1, 2030. The amortization of this interfund loan is as follows:

Date	Principal	Interest	Principal and Interest
03/01/20	\$2,505,000.00	\$327,206.25	\$2,832,206.25
09/01/20		288,837.50	288,837.50
03/01/21	2,650,000.00	288,837.50	2,938,837.50
09/01/21		242,462.50	242,462.50
03/01/22	3,085,000.00	242,462.50	3,327,462.50
09/01/22		188,475.00	188,475.00
03/01/23	3,215,000.00	188,475.00	3,403,475.00
09/01/23		132,212.50	132,212.50
03/01/24	1,610,000.00	132,212.50	1,742,212.50
09/01/24		104,037.50	104,037.50
03/01/25	1,640,000.00	104,037.50	1,744,037.50
09/01/25		75,337.50	75,337.50
03/01/26	1,680,000.00	75,337.50	1,755,337.50
09/01/26		45,937.50	45,937.50
03/01/27	1,215,000.00	45,937.50	1,260,937.50
09/01/27		24,675.00	24,675.00
03/01/28	740,000.00	24,675.00	764,675.00
09/01/28		11,725.00	11,725.00
03/01/29	325,000.00	11,725.00	336,725.00
09/01/29		6,037.50	6,037.50
03/01/30	345,000.00	6,037.50	351,037.50
Total:	\$19,010,000.00	\$2,566,681.25	\$21,576,681.25

The debt tables in APPENDIX A reflect the City's debt service requirements as of the anticipated dated date of the Bonds and do not include the interfund loans.

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SUMMARY OF GENERAL OBLIGATION DEBT OUTSTANDING

Pledged Revenues	See Page	Current GO Bonds	Current GO Notes*	Debt Before Sale of Bonds*	This Sale of Bonds	Debt After Sale of Bonds†
Park Board Revenues	A-14	\$ 8,875,000		\$ 8,875,000		\$ 8,875,000
Tax Increment Revenues	A-14	21,430,000		21,430,000		21,430,000
Developer Revenues	A-15	60,940,000		60,940,000		60,940,000
Sales Tax Revenues	A-15	92,875,000		92,875,000		92,875,000
Housing Improvement Area Fees	A-16	5,925,000		5,925,000		5,925,000
Special Assessments	A-17	47,840,000	\$ 2,100,000	49,940,000		49,940,000
Property Tax Revenues	A-18	189,345,000		189,345,000	\$114,400,000	303,745,000
Parking Fund Revenues	A-19	31,205,000	27,400,000	58,605,000		58,605,000
Sanitary Sewer Fund Revenues	A-20	34,070,000		34,070,000		34,070,000
Storm Water Fund Revenues	A-20	4,515,000		4,515,000		4,515,000
Water Fund Revenues	A-21	40,820,000	103,540,000	144,360,000		144,360,000
Total General Obligation Debt:		\$537,840,000	\$133,040,000	\$670,880,000	\$114,400,000	\$785,280,000

General Obligation November Sale	Sale Amounts
General Obligation Bonds (Green Bonds), Series 2019	\$114,400,000

Notes:

*Current outstanding debt and/or debt service on this and the following schedules is as of the dated date of the Bonds.

†Total debt and debt service are as of the dated date of the Bonds.

The debt tables set forth in the next pages of this APPENDIX A reflect the City’s debt service requirements as of the anticipated dated date of the Bonds (December 5, 2019).

GENERAL OBLIGATION DEBT

	Park Board Supported		
	Principal	Interest	Debt Service
2020	\$3,050,000	\$259,538	\$3,309,538
2021	900,000	196,038	1,096,038
2022	925,000	169,038	1,094,038
2023	950,000	140,825	1,090,825
2024	975,000	109,950	1,084,950
2025	1,025,000	76,800	1,101,800
2026	1,050,000	39,90	1,089,900
	<hr/>	<hr/>	<hr/>
	\$8,875,000	\$992,088	\$9,867,088

GENERAL OBLIGATION DEBT

	Tax Increment Supported		
	Principal	Interest	Debt Service
2020	\$4,480,000	\$840,443	\$5,320,443
2021	4,910,000	640,104	5,550,104
2022	5,375,000	412,749	5,787,749
2023	5,875,000	156,671	6,031,671
2024	250,000	18,331	268,331
2025	265,000	11,728	276,728
2026	275,000	4,125	279,125
	<hr/>	<hr/>	<hr/>
	\$21,430,000	\$2,084,150	\$23,514,150

GENERAL OBLIGATION DEBT

	Development Supported		
	Principal	Interest	Debt Service
2020	\$785,000	\$2,640,781	\$3,425,781
2021	915,000	2,620,251	3,535,251
2022	1,025,000	2,593,493	3,618,493
2023	1,065,000	2,561,857	3,626,857
2024	1,175,000	2,525,990	3,700,990
2025	1,290,000	2,484,256	3,774,256
2026	1,395,000	2,435,740	3,830,740
2027	1,425,000	2,382,716	3,807,716
2028	1,550,000	2,324,461	3,874,461
2029	1,690,000	2,258,590	3,948,590
2030	1,830,000	2,183,758	4,013,758
2031	1,990,000	2,100,120	4,090,120
2032	2,155,000	2,009,365	4,164,365
2033	2,325,000	1,911,275	4,236,275
2034	2,510,000	1,805,413	4,315,413
2035	2,700,000	1,687,965	4,387,965
2036	2,910,000	1,558,121	4,468,121
2037	3,130,000	1,418,326	4,548,326
2038	3,360,000	1,268,115	4,628,115
2039	3,600,000	1,107,025	4,707,025
2040	3,855,000	934,479	4,789,479
2041	4,125,000	749,782	4,874,782
2042	4,410,000	552,240	4,962,240
2043	4,705,000	341,273	5,046,273
2044	5,020,000	116,188	5,136,188
	\$60,940,000	\$44,571,579	\$105,511,579

GENERAL OBLIGATION DEBT

	Sales Tax Supported		
	Principal	Interest	Debt Service
2020	\$29,165,000	\$3,520,635	\$32,685,635
2021	3,310,000	2,387,210	5,697,210
2022	3,460,000	2,235,098	5,695,098
2023	3,620,000	2,076,048	5,696,048
2024	3,790,000	1,909,598	5,699,598
2025	3,945,000	1,735,248	5,680,248
2026	4,075,000	1,574,835	5,649,835
2027	4,210,000	1,439,548	5,649,548
2028	4,350,000	1,298,793	5,648,793
2029	4,500,000	1,152,343	5,652,343
2030	14,780,000	999,778	15,779,778
2031	2,555,000	476,360	3,031,360
2032	2,635,000	392,045	3,027,045
2033	2,730,000	301,138	3,031,138
2034	2,825,000	205,588	3,030,588
2035	2,925,000	105,300	3,030,300
2036	--	--	--
2037	--	--	--
2038	--	--	--
2039	--	--	--
2040	--	--	--
2041	--	--	--
2042	--	--	--
2043	--	--	--
2044	--	--	--
	\$92,875,000	\$21,809,561	\$114,684,561

GENERAL OBLIGATION DEBT

	HIA Fee Supported		
	Principal	Interest	Debt Service
2020	\$250,000	\$201,870	\$451,870
2021	255,000	193,570	448,570
2022	265,000	184,470	449,470
2023	275,000	175,020	450,020
2024	280,000	165,170	445,170
2025	295,000	155,170	450,170
2026	300,000	144,570	444,570
2027	310,000	134,700	444,700
2028	325,000	124,453	449,453
2029	335,000	113,703	448,703
2030	880,000	102,348	982,348
2031	290,000	71,338	361,338
2032	390,000	61,598	451,598
2033	225,000	47,515	272,515
2034	230,000	40,540	270,540
2035	240,000	33,295	273,295
2036	250,000	25,615	275,615
2037	530,000	17,490	547,490
	\$5,925,000	\$1,992,433	\$7,917,433

GENERAL OBLIGATION DEBT

	Assessment Supported			Assessment Supported			Assessment Supported		
	Bonds Principal	Bonds Interest	Bonds Debt Service	Notes Principal	Notes Interest	Notes Debt Service	Total Principal	Total Interest	Total Debt Service
2020	\$6,840,000	\$1,559,021	\$8,399,021	\$0	\$63,000	\$63,000	\$6,840,000	\$1,622,021	\$8,462,021
2021	5,740,000	1,256,171	6,996,171	2,100,000	34,475	2,134,475	7,840,000	1,290,646	9,130,646
2022	4,815,000	1,103,796	5,918,796	--	--	--	4,815,000	1,103,796	5,918,796
2023	4,380,000	931,496	5,311,496	--	--	--	4,380,000	931,496	5,311,496
2024	2,685,000	769,796	3,454,796	--	--	--	2,685,000	769,796	3,454,796
2025	2,670,000	686,046	3,356,046	--	--	--	2,670,000	686,046	3,356,046
2026	3,670,000	608,720	4,278,720	--	--	--	3,670,000	608,720	4,278,720
2027	12,610,000	515,506	13,125,506	--	--	--	12,610,000	515,506	13,125,506
2028	515,000	138,688	653,688	--	--	--	515,000	138,688	653,688
2029	515,000	124,413	639,413	--	--	--	515,000	124,413	639,413
2030	520,000	110,025	630,025	--	--	--	520,000	110,025	630,025
2031	520,000	94,313	614,313	--	--	--	520,000	94,313	614,313
2032	520,000	76,150	596,150	--	--	--	520,000	76,150	596,150
2033	1,810,000	57,950	1,867,950	--	--	--	1,810,000	57,950	1,867,950
2034	30,000	1,050	31,050	--	--	--	30,000	1,050	31,050
	<u>\$47,840,000</u>	<u>\$8,033,142</u>	<u>\$55,873,142</u>	<u>\$2,100,000</u>	<u>\$97,475</u>	<u>\$2,197,475</u>	<u>\$49,940,000</u>	<u>\$8,130,617</u>	<u>\$58,070,617</u>

GENERAL OBLIGATION DEBT

	Property Tax Supported			Property Tax Supported			Property Tax Supported		
	Current Principal	Interest	Debt Service	This Sale Principal	This Sale Interest	This Sale Debt Service	After This Sale Principal	After This Sale Interest	After This Sale Total Debt Service
2020	\$47,580,000	\$7,688,275	\$55,268,275	\$0	\$3,304,088	\$3,304,088	\$47,580,000	\$10,992,363	\$58,572,363
2021	18,095,000	5,606,350	23,701,350	0	3,341,213	3,341,213	18,095,000	8,947,563	27,042,563
2022	17,530,000	4,883,350	22,413,350	4,745,000	3,341,213	8,086,213	22,275,000	8,224,563	30,499,563
2023	9,955,000	4,182,550	14,137,550	3,235,000	3,198,863	6,433,863	13,190,000	7,381,413	20,571,413
2024	8,060,000	3,807,425	11,867,425	3,325,000	3,101,813	6,426,813	11,385,000	6,909,238	18,294,238
2025	7,895,000	3,502,525	11,397,525	3,430,000	3,002,063	6,432,063	11,325,000	6,504,588	17,829,588
2026	5,600,000	3,235,450	8,835,450	3,530,000	2,899,163	6,429,163	9,130,000	6,134,613	15,264,613
2027	3,745,000	3,017,500	6,762,500	3,640,000	2,793,263	6,433,263	7,385,000	5,810,763	13,195,763
2028	3,895,000	2,852,300	6,747,300	3,750,000	2,684,063	6,434,063	7,645,000	5,536,363	13,181,363
2029	3,315,000	2,679,600	5,994,600	3,865,000	2,571,563	6,436,563	7,180,000	5,251,163	12,431,163
2030	3,450,000	2,547,000	5,997,000	3,940,000	2,494,263	6,434,263	7,390,000	5,041,263	12,431,263
2031	3,585,000	2,409,000	5,994,000	4,020,000	2,415,463	6,435,463	7,605,000	4,824,463	12,429,463
2032	3,735,000	2,265,600	6,000,600	4,135,000	2,294,863	6,429,863	7,870,000	4,560,463	12,430,463
2033	3,880,000	2,116,200	5,996,200	4,260,000	2,170,813	6,430,813	8,140,000	4,287,013	12,427,013
2034	4,035,000	1,961,000	5,996,000	4,390,000	2,043,013	6,433,013	8,425,000	4,004,013	12,429,013
2035	4,195,000	1,799,600	5,994,600	4,520,000	1,911,313	6,431,313	8,715,000	3,710,913	12,425,913
2036	4,310,000	1,631,800	5,941,800	4,660,000	1,775,713	6,435,713	8,970,000	3,407,513	12,377,513
2037	3,040,000	1,459,400	4,499,400	4,800,000	1,635,913	6,435,913	7,840,000	3,095,313	10,935,313
2038	3,160,000	1,337,800	4,497,800	4,945,000	1,491,913	6,436,913	8,105,000	2,829,713	10,934,713
2039	3,285,000	1,211,400	4,496,400	5,095,000	1,343,563	6,438,563	8,380,000	2,554,963	10,934,963
2040	3,420,000	1,080,000	4,500,000	5,235,000	1,203,450	6,438,450	8,655,000	2,283,450	10,938,450
2041	3,555,000	943,200	4,498,200	5,390,000	1,046,400	6,436,400	8,945,000	1,989,600	10,934,600
2042	3,695,000	801,000	4,496,000	5,555,000	884,700	6,439,700	9,250,000	1,685,700	10,935,700
2043	3,845,000	653,200	4,498,200	5,720,000	718,050	6,438,050	9,565,000	1,371,250	10,936,250
2044	4,000,000	499,400	4,499,400	5,890,000	546,450	6,436,450	9,890,000	1,045,850	10,935,850
2045	4,160,000	339,400	4,499,400	6,065,000	369,750	6,434,750	10,225,000	709,150	10,934,150
2046	4,325,000	173,000	4,498,000	6,260,000	187,800	6,447,800	10,585,000	360,800	10,945,800
	\$189,345,000	\$64,683,325	\$254,028,325	\$114,400,000	\$54,770,725	\$169,170,725	\$303,745,000	\$119,454,050	\$423,199,050

GENERAL OBLIGATION DEBT

	Parking Fund Supported			Parking Fund Supported			Parking Fund Supported		
	Bonds Principal	Bonds Interest	Bonds Debt Service	Notes Principal	Notes Interest	Notes Debt Service	Total Principal	Total Interest	Total Debt Service
2020	\$3,250,000	\$651,363	\$3,901,363	\$195,000	\$822,000	\$1,017,000	\$3,445,000	\$1,473,363	\$4,918,363
2021	3,425,000	586,363	4,011,363	290,000	816,150	1,106,150	3,715,000	1,402,513	5,117,513
2022	4,685,000	517,863	5,202,863	290,000	807,450	1,097,450	4,975,000	1,325,313	6,300,313
2023	5,065,000	424,163	5,489,163	290,000	798,750	1,088,750	5,355,000	1,222,913	6,577,913
2024	5,405,000	322,863	5,727,863	290,000	790,050	1,080,050	5,695,000	1,112,913	6,807,913
2025	4,550,000	208,750	4,758,750	2,825,000	781,350	3,606,350	7,375,000	990,100	8,365,100
2026	4,825,000	111,125	4,936,125	3,115,000	696,600	3,811,600	7,940,000	807,725	8,747,725
2027	--	--	--	3,445,000	603,150	4,048,150	3,445,000	603,150	4,048,150
2028	--	--	--	3,785,000	499,800	4,284,800	3,785,000	499,800	4,284,800
2029	--	--	--	2,180,000	386,250	2,566,250	2,180,000	386,250	2,566,250
2030	--	--	--	2,370,000	320,850	2,690,850	2,370,000	320,850	2,690,850
2031	--	--	--	2,565,000	249,750	2,814,750	2,565,000	249,750	2,814,750
2032	--	--	--	2,760,000	172,800	2,932,800	2,760,000	172,800	2,932,800
2033	--	--	--	3,000,000	90,000	3,090,000	3,000,000	90,000	3,090,000
	<u>\$31,205,000</u>	<u>\$2,822,488</u>	<u>\$34,027,488</u>	<u>\$27,400,000</u>	<u>\$7,834,950</u>	<u>\$35,234,950</u>	<u>\$58,605,000</u>	<u>\$10,657,438</u>	<u>\$69,262,438</u>

GENERAL OBLIGATION DEBT

	Sanitary Sewer Fund Supported				Storm Water Fund Supported		
	Principal	Interest	Debt Service		Principal	Interest	Debt Service
2020	\$5,700,000	\$986,000	\$6,686,000	2020	\$600,000	\$180,600	\$780,600
2021	6,355,000	818,100	7,173,100	2021	1,100,000	156,600	1,256,600
2022	6,685,000	625,400	7,310,400	2022	1,385,000	112,600	1,497,600
2023	5,805,000	420,900	6,225,900	2023	1,430,000	57,200	1,487,200
2024	1,905,000	266,700	2,171,700	2024	--	--	--
2025	1,905,000	190,500	2,095,500	2025	--	--	--
2026	1,905,000	114,300	2,019,300	2026	--	--	--
2027	1,905,000	76,200	1,981,200	2027	--	--	--
2028	1,905,000	38,100	1,943,100	2028	--	--	--
	<u>\$34,070,000</u>	<u>\$3,536,200</u>	<u>\$37,606,200</u>		<u>\$4,515,000</u>	<u>\$507,000</u>	<u>\$5,022,000</u>

GENERAL OBLIGATION DEBT

	Water Fund Supported Bonds			Water Fund Supported – State PFA Notes			Water Fund Supported		
	Bonds Principal	Bonds Interest	Bonds Debt Service	State PFA Notes Principal*	Notes Interest	Notes Debt Service	Total Principal	Total Interest	Total Debt Service
2020	5,125,000	\$1,160,250	\$6,285,250	\$11,050,000	\$1,983,687	\$13,033,687	\$16,175,000	\$3,143,937	\$19,318,937
2021	5,065,000	998,250	6,063,250	11,505,000	1,735,452	13,240,452	16,570,000	2,733,701	19,303,702
2022	5,710,000	839,250	6,549,250	10,295,000	1,480,830	11,775,830	16,005,000	2,320,000	18,325,080
2023	4,250,000	664,450	4,914,450	10,450,000	1,251,506	11,701,506	14,700,000	1,915,956	16,615,956
2024	4,190,000	559,350	4,749,350	6,890,000	1,018,608	7,908,608	11,080,000	1,577,958	12,657,958
2025	2,645,000	422,750	3,067,750	8,610,000	888,630	9,498,630	11,255,000	1,311,380	12,566,380
2026	2,645,000	316,950	2,961,950	8,770,000	737,723	9,507,723	11,415,000	1,054,673	12,469,673
2027	2,645,000	264,050	2,909,050	8,980,000	524,861	9,504,861	11,625,000	788,911	12,413,911
2028	1,645,000	211,150	1,856,150	4,130,000	336,323	4,466,323	5,775,000	547,473	6,322,473
2029	1,645,000	178,250	1,823,250	4,190,000	287,393	4,477,393	5,835,000	465,643	6,300,643
2030	1,640,000	145,350	1,785,350	4,240,000	237,767	4,477,767	5,880,000	383,117	6,263,117
2031	1,640,000	108,450	1,748,450	4,300,000	187,543	4,487,543	5,940,000	295,993	6,235,993
2032	1,640,000	59,250	1,699,250	4,350,000	136,576	4,486,576	5,990,000	195,826	6,185,826
2033	335,000	10,050	345,050	1,900,000	84,966	1,984,966	2,235,000	95,016	2,330,016
2034	--	--	--	1,930,000	57,036	1,987,036	1,930,000	57,036	1,987,036
2035	--	--	--	1,950,000	28,665	1,978,665	1,950,000	28,665	1,978,665
	<u>\$40,820,000</u>	<u>\$5,937,800</u>	<u>\$46,757,800</u>	<u>\$103,540,000</u>	<u>\$10,977,566</u>	<u>\$114,517,566</u>	<u>\$144,360,000</u>	<u>\$16,915,366</u>	<u>\$161,275,366</u>

*State PFA Note principal reflects the full amortization of all PFA Notes as of the dated date of the Bonds. See page A-9 for PFA Note balances drawn and the remaining amount of principal that may be drawn down on the PFA Notes as of November 27, 2019.

GENERAL OBLIGATION DEBT

	Total General Obligation Debt			Total General Obligation Debt			Total General Obligation Debt		
	Bonds			Notes			Total	Total	Total Current
	Current	Bonds	Bonds	Current	Notes	Notes	Current	Current	Total Current
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service
2020	\$106,825,000	\$19,688,775	\$126,513,775	\$11,245,000	\$2,868,687	\$14,113,687	\$118,070,000	\$22,557,462	\$140,627,462
2021	50,070,000	15,459,006	65,529,006	13,895,000	2,586,077	16,481,077	63,965,000	18,045,083	82,010,083
2022	51,860,000	13,677,106	65,537,106	10,585,000	2,288,280	12,873,280	62,445,000	15,965,386	78,410,386
2023	42,670,000	11,791,179	54,461,179	10,740,000	2,050,256	12,790,256	53,410,000	13,841,435	67,251,435
2024	28,715,000	10,455,172	39,170,172	7,180,000	1,808,658	8,988,658	35,895,000	12,263,830	48,158,830
2025	26,485,000	9,473,773	35,958,773	11,435,000	1,669,980	13,104,980	37,920,000	11,143,753	49,063,753
2026	25,740,000	8,585,715	34,325,715	11,885,000	1,434,323	13,319,323	37,625,000	10,020,038	47,645,038
2027	26,850,000	7,830,220	34,680,220	12,425,000	1,128,011	13,553,011	39,275,000	8,958,231	48,233,231
2028	14,185,000	6,987,944	21,172,944	7,915,000	836,123	8,751,123	22,100,000	7,824,067	29,924,067
2029	12,000,000	6,506,897	18,506,897	6,370,000	673,643	7,043,643	18,370,000	7,180,540	25,550,540
2030	23,100,000	6,088,259	29,188,259	6,610,000	558,617	7,168,617	29,710,000	6,646,876	36,356,876
2031	10,580,000	5,259,580	15,839,580	6,865,000	437,293	7,302,293	17,445,000	5,696,873	23,141,873
2032	11,075,000	4,864,007	15,939,007	7,110,000	309,376	7,419,376	18,185,000	5,173,383	23,358,383
2033	11,305,000	4,444,128	15,749,128	4,900,000	174,966	5,074,966	16,205,000	4,619,094	20,824,094
2034	9,630,000	4,013,590	13,643,590	1,930,000	57,036	1,987,036	11,560,000	4,070,626	15,630,626
2035	10,060,000	3,626,160	13,686,160	1,950,000	28,665	1,978,665	12,010,000	3,654,825	15,664,825
2036	7,470,000	3,215,536	10,685,536	--	--	--	7,470,000	3,215,536	10,685,536
2037	6,700,000	2,895,216	9,595,216	--	--	--	6,700,000	2,895,216	9,595,216
2038	6,520,000	2,605,915	9,125,915	--	--	--	6,520,000	2,605,915	9,125,915
2039	6,885,000	2,318,425	9,203,425	--	--	--	6,885,000	2,318,425	9,203,425
2040	7,275,000	2,014,479	9,289,479	--	--	--	7,275,000	2,014,479	9,289,479
2041	7,680,000	1,692,982	9,372,982	--	--	--	7,680,000	1,692,982	9,372,982
2042	8,105,000	1,353,240	9,458,240	--	--	--	8,105,000	1,353,240	9,458,240
2043	8,550,000	994,473	9,544,473	--	--	--	8,550,000	994,473	9,544,473
2044	9,020,000	615,588	9,635,588	--	--	--	9,020,000	615,588	9,635,588
2045	4,160,000	339,400	4,499,400	--	--	--	4,160,000	339,400	4,499,400
2046	4,325,000	173,000	4,498,000	--	--	--	4,325,000	173,000	4,498,000
	<u>\$537,840,000</u>	<u>\$156,969,764</u>	<u>\$694,809,764</u>	<u>\$133,040,000</u>	<u>\$18,909,991</u>	<u>\$151,949,991</u>	<u>\$670,880,000</u>	<u>\$175,879,755</u>	<u>\$846,759,755</u>

GENERAL OBLIGATION DEBT

	Total General Obligation Debt			Total General Obligation Debt			Total General Obligation Debt		
	Bonds This Sale Principal	Bonds This Sale Interest	Bonds This Sale Debt Service	After This Sale Bond Principal	After This Sale Bond Interest	After This Sale Bond Debt Service	Total Bonds & Notes Principal	Total Bonds & Notes Interest	Total Bonds & Notes Debt Service
2020	\$0	\$3,304,088	\$3,304,088	\$106,825,000	\$22,992,863	\$129,817,863	\$118,070,000	\$25,861,550	\$143,931,550
2021	0	3,341,213	3,341,213	50,070,000	18,800,218	68,870,218	63,965,000	21,386,295	85,351,295
2022	4,745,000	3,341,213	8,086,213	56,605,000	17,018,318	73,623,318	67,190,000	19,306,598	86,496,598
2023	3,235,000	3,198,863	6,433,863	45,905,000	14,990,042	60,895,042	56,645,000	17,040,298	73,685,298
2024	3,325,000	3,101,813	6,426,813	32,040,000	13,556,985	45,596,985	39,220,000	15,365,643	54,585,643
2025	3,430,000	3,002,063	6,432,063	29,915,000	12,475,836	42,390,836	41,350,000	14,145,816	55,495,816
2026	3,530,000	2,899,163	6,429,163	29,270,000	11,484,877	40,754,877	41,155,000	12,919,200	54,074,200
2027	3,640,000	2,793,263	6,433,263	30,490,000	10,623,482	41,113,482	42,915,000	11,751,493	54,666,493
2028	3,750,000	2,684,063	6,434,063	17,935,000	9,672,006	27,607,006	25,850,000	10,508,129	36,358,129
2029	3,865,000	2,571,563	6,436,563	15,865,000	9,078,460	24,943,460	22,235,000	9,752,103	31,987,103
2030	3,940,000	2,494,263	6,434,263	27,040,000	8,582,521	35,622,521	33,650,000	9,141,138	42,791,138
2031	4,020,000	2,415,463	6,435,463	14,600,000	7,675,042	22,275,042	21,465,000	8,112,335	29,577,335
2032	4,135,000	2,294,863	6,429,863	15,210,000	7,158,870	22,368,870	22,320,000	7,468,246	29,788,246
2033	4,260,000	2,170,813	6,430,813	15,565,000	6,614,940	22,179,940	20,465,000	6,789,906	27,254,906
2034	4,390,000	2,043,013	6,433,013	14,020,000	6,056,603	20,076,603	15,950,000	6,113,639	22,063,639
2035	4,520,000	1,911,313	6,431,313	14,580,000	5,537,472	20,117,472	16,530,000	5,568,137	22,098,137
2036	4,660,000	1,775,713	6,435,713	12,130,000	4,991,249	17,121,249	12,130,000	4,991,249	17,121,249
2037	4,800,000	1,635,913	6,435,913	11,500,000	4,531,128	16,031,128	11,500,000	4,531,128	16,031,128
2038	4,945,000	1,491,913	6,436,913	11,465,000	4,097,827	15,562,827	11,465,000	4,097,827	15,562,827
2039	5,095,000	1,343,563	6,438,563	11,980,000	3,661,988	15,641,988	11,980,000	3,661,988	15,641,988
2040	5,235,000	1,203,450	6,438,450	12,510,000	3,217,929	15,727,929	12,510,000	3,217,929	15,727,929
2041	5,390,000	1,046,400	6,436,400	13,070,000	2,739,382	15,809,382	13,070,000	2,739,382	15,809,382
2042	5,555,000	884,700	6,439,700	13,660,000	2,237,940	15,897,940	13,660,000	2,237,940	15,897,940
2043	5,720,000	718,050	6,438,050	14,270,000	1,712,523	15,982,523	14,270,000	1,712,523	15,982,523
2044	5,890,000	546,450	6,436,450	14,910,000	1,162,038	16,072,038	14,910,000	1,162,038	16,072,038
2045	6,065,000	369,750	6,434,750	10,225,000	709,150	10,934,150	10,225,000	709,150	10,934,150
2046	6,260,000	187,800	6,447,800	10,585,000	360,800	10,945,800	10,585,000	360,800	10,945,800
	\$114,400,000	\$54,770,725	\$169,170,725	\$652,240,000	\$211,740,490	\$863,980,490	\$785,280,000	\$230,650,481	\$1,015,930,481
							\$345,090,000	\$98,960,383	\$444,050,383
							43.94%	42.90%	43.71%
							\$518,595,000	\$158,037,125	\$676,632,125
							66.04%	68.25%	66.60%

CERTAIN OTHER INDEBTEDNESS

Common Bond Fund (CBF) Obligations

The City has pledged to levy an ad valorem tax at the rate of up to 0.5% of the tax capacity of the City as a reserve for limited tax supported revenue bonds issued through its Common Bond Fund program. The reserve is drawn on if the City is notified by the trustee for the bonds that a deficiency will occur with respect to principal and interest payments on obligations issued through the Common Bond Fund program. The reserve does not need to be funded until and to the extent of such a deficiency. As of October 31, 2019, the Common Bond Fund program had \$61,385,000 of bonds outstanding. No property tax levies have been required in the past to fund the pledged reserve for Common Bond Fund obligations.

The Common Bond Fund was created in 1982 to provide revenue bond financing for industrial, manufacturing and commercial projects in the City to promote economic development. In 2004 the program was expanded to all of the County. The Common Bond Fund has typically provided financing for companies with businesses located in the City and the greater County area that are unable to borrow funds in the capital markets without a bond rating.

The City and the County have executed a joint powers agreement for Common Bond Fund projects that occur outside the borders of the City and within the borders of the County. The joint powers agreement authorizes a process for a County reimbursement to the Common Bond Fund reserves for shortfalls related to those financings that occur outside of the City. The County is subject to an annual appropriation consideration by the County Board.

The following table shows the Common Bond Fund bond issues outstanding as of October 31, 2019:

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued (in Thousands)	Retired (in Thousands)	Outstanding (in Thousands)
Kristol Properties	2.45-5.12%	11/20/03	12/01/23	\$ 3,300	\$ 2,535	\$ 765
Hennepin Theatres Trust Open Systems	5.23-6.30%	12/20/05	12/01/35	21,055	4,995	16,060
International, Inc.*	2.29-6.60%	06/01/10	06/01/40	18,000	2,130	15,870
Open Access Technology Intl., Inc.	3.25-6.25%	12/29/10	12/01/40	23,070	5,845	17,225
Life Source Project	3.00-4.00%	10/17/13	06/01/39	12,595	1,130	11,465
Total:				\$78,020	\$16,635	\$61,385

* This project was financed under the joint powers agreement referenced above.

Conduit Debt

The City has outstanding in excess of \$2,179,411,000 of conduit revenue bonds for commercial, industrial, housing, education and health care purposes which are payable solely from payments required to be made by borrowers. The bonds are payable solely from revenues of the respective borrowers and do not constitute a charge against the City's general credit or taxing power. All such indebtedness has been excluded from the descriptions of indebtedness herein.

LEGAL DEBT CONSIDERATIONS

Statutory Debt Limit

The City has the power to incur indebtedness for purposes specified by statute and the City Charter so long as the net debt of the City does not exceed 3-1/3% of the market value of taxable property located therein. The “net debt” of the City is defined by state law to mean the gross debt less the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and less the aggregate of the principal of certain obligations, including: (1) obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including general obligations of the City, if the City is entitled to reimbursement in whole or in part from the proceeds of the special assessments; (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income from revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued for the acquisition and betterment of public water works systems and public lighting, heating or power systems and any combination thereof or for any other public convenience from which a revenue is or may be derived; (6) certain debt service loans and capital loans made to a school district; (7) obligations issued to pay pension fund obligations; (8) obligations to pay judgments against the City; (9) the amount of all money and the face value of all securities held as a sinking fund for the extinguishment of obligations other than those listed in this paragraph; and (10) all other obligations which, under the provisions of law authorizing their issuance, are not to be included in computing the “net debt” of the City.

Shown below is the calculation of the City’s debt capacity and unused debt margin.

	December 31, 2018 Actual
Total Market Value of Taxable Property Located within the City	
Applicable to Debt Limit Computation	\$47,945,533,000
Legal Debt Percentage Allowed	3-1/3%
Legal Debt Limit	\$ 1,598,184,000
General Obligation Bonds Outstanding Subject to Debt Limit (Net Debt)*	\$141,957,000
Unused Margin of Indebtedness	\$ 1,456,227,000
Percentage of Legal Debt Incurred	8.88%

* From the aggregate principal amount of general obligation bonds subject to the debt limit outstanding as of December 31, 2018, there has been subtracted the estimated moneys in the sinking fund for such bonds.

Future Issuances

At this time the City does not anticipate issuing additional debt within the next 90 days.

Overlapping Indebtedness of the City

Set forth in the table that follows is information relating to the outstanding overlapping general obligation indebtedness of the City as of December 31, 2018.

	Net General Obligation Bonded Debt	Applicable Percent of Debt*	Direct Overlapping Share of Debt
Special School District 1	\$467,720,000	100.00%	\$467,720,000
Hennepin County ⁽¹⁾	1,056,890,798	31.38	331,652,332
Hennepin County Regional Railroad Authority	24,600,380	31.38	7,719,599
Met Council	75,902,689	14.91	11,317,091
Total	\$1,625,113,867		\$818,409,022

(1) Excludes Hennepin County Suburban Library Bonds for which the taxpayers in the City are not obligated.

* Source Hennepin County

Set forth below is the outstanding overlapping general obligation indebtedness of the City on December 31, 2015 through 2018.

	2018	2017	2016	2015
Special School District 1	\$467,720,000	\$402,975,000	\$362,225,000	\$289,107,000
Hennepin County	331,652,332	258,656,000	227,428,660	205,406,816
Hennepin County Regional Railroad Authority	7,719,599	7,648,989	9,207,352	10,244,483
Metropolitan Council	11,317,091	13,055,014	13,222,000	14,851,484
Total	\$818,409,022	\$682,335,612	\$612,083,012	\$519,609,783

**STATISTICAL SUMMARY RELATING TO GENERAL OBLIGATION
INDEBTEDNESS OF THE CITY**

	Actual 2018	Actual 2017	Actual 2016	Actual 2015
Assessor's Estimated Market Value of Taxable Property in the City ⁽¹⁾	\$46,774,230,040	\$42,812,588,043	\$38,952,721,161	\$35,136,247,648
Direct Indebtedness ⁽²⁾	651,691,949	630,163,898	617,075,880	618,485,131
Adjusted Direct Indebtedness ⁽³⁾	132,426,872	86,780,771	86,364,729	85,794,552
Direct Indebtedness and Direct Overlapping Indebtedness Chargeable to the City	1,470,100,971	1,312,499,510	1,229,158,892	1,138,094,914
Adjusted Direct Indebtedness and Adjusted Overlapping Indebtedness Chargeable to the City	950,835,894	769,116,383	698,447,741	605,404,335
Direct Indebtedness as a Percentage of Estimated Full Market Value of Taxable Property	1.39%	1.47%	1.58%	1.76%
Adjusted Direct Indebtedness as a Percentage of Estimated Market Value of Taxable Property ⁽³⁾	0.28%	0.20%	0.22%	0.24%
Direct Indebtedness and Direct Overlapping Indebtedness as a Percentage of Estimated Full Market Value	3.14%	3.07%	3.16%	3.24%
Adjusted Direct Indebtedness and Direct Overlapping Indebtedness as a Percentage of Estimated Full Market Value	2.03%	1.80%	1.79%	1.72%
Estimated Population of the City	423,990	423,990	419,952	412,517
Direct Indebtedness Per Capita	\$1,537.05	\$1,486.27	\$1,469.40	\$1,499.30
Adjusted Direct Indebtedness Per Capita	\$312.33	\$ 204.68	\$ 205.65	\$ 207.98
Direct Indebtedness and Overlapping per Capita	\$3,467.30	\$3,095.59	\$2,926.90	\$2,758.90
Adjusted Direct Indebtedness and Overlapping	\$2,242.59	\$1,814.00	\$1,663.16	\$1,467.59

(1) Net tax capacity values do not include (i) valuation increases allocated to tax increment project financing, or (ii) net contributions to or distributions from an area tax base pursuant to the Metropolitan Fiscal Disparities Act (see APPENDIX G – “SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS AND MINNESOTA REAL PROPERTY VALUATION — “Metropolitan Fiscal Disparities Act”).

(2) Direct indebtedness is total General Obligation debt less related sinking funds. Includes the Bonds and all expected principal payments and redemptions.

(3) The Adjusted Direct Indebtedness represents the total general obligation indebtedness of the City less that indebtedness supported by revenues other than general property taxes less revenue present in the sinking fund as of December 31, 2018.

INVESTMENT POLICY

The Investment Policy of the City defines the parameters within which funds are invested. The policy establishes the framework for the City’s investment program to ensure effective and judicious investment of the City’s funds. The policy is intended to be broad enough to allow investment officer(s) to function properly within the parameters of responsibility and authority, flexible enough to address changing market conditions, and specific enough to safeguard investment assets. The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. The earnings from investments will be used in a manner that best serves the interests of the City and its various specialized funds. The Finance Officer is charged with oversight of the investment function and establishment of internal controls and procedures for effective cash management. The internal controls and procedures are to be reviewed by the internal auditor and state auditor for their ability to prevent potential losses from fraud, error, misrepresentation by third parties, or imprudent actions. The City’s current Investment Policy was last amended by the Mayor and City Council in April of 2019.

It is the policy of the City to diversify its investment portfolio. The portfolio shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in any specific maturity, specific issuer, or specific market sector. Diversification strategies shall be determined and revised periodically in accordance with varying market conditions.

Derivative securities shall only be used after careful evaluation by knowledgeable, professional investment advisors regarding the benefits of the instruments as well as all of the associated risks including counterparty credit risk, market risk, settlement risk and operating risk.

The City pools the cash balances from its various funds into the investment portfolio. A summary of the portfolio’s holdings by sector as of September 30, 2019 is as shown in the table below.

Market Value	September 2019 (in Millions)	% of Portfolio
Cash and Equivalents ⁽¹⁾	\$359.5	37.3%
Commercial Paper	75.4	7.8
Federal Agency	69.7	7.2
Mortgage Backed	194.3	20.1
Municipals	80.5	8.3
US Treasuries ⁽²⁾	186.1	19.3
Total	\$965.5	

(1) Net of checks outstanding

(2) Total cash and investments include \$41.6 million of debt service reserves held by a trustee for the General Agency Reserve Fund (debt associated with the Common Bond Fund) and \$3.1 million in other development debt service reserves.

FINANCIAL INFORMATION

Accounting Information

In accordance with the City Charter, the various accounts of the City are maintained on a fund basis representing a series of independent fiscal and accounting entities with self-balancing sets of accounts into which funds are appropriated, revenues collected, or taxes levied and collected from which related expenditures are made.

The City maintains its financial records on a calendar year basis. Copies of the City’s complete financial statements for the year ended December 31, 2018 are available upon request from the office of the Finance Officer, 325M City Hall, Minneapolis, Minnesota. The report can be requested by phone 612-673-2079 or email “finance@minneapolismn.gov”.

The complete report is available for viewing at the following website:

<http://www.minneapolismn.gov/finance/reports/CAFR/index.htm>

APPENDIX E contains certain information from the Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018.

A financial status report for the interim period ending June 30, 2019 can be viewed at:

http://www.minneapolismn.gov/finance/reports/financial-reports_special-reports_index

Schedule of Cash, Cash Equivalents and Fund Investments

A comparison of combined cash and cash equivalents as of December 31 for the years 2015, 2016, 2017 and 2018 follows:

Schedule of Cash and Cash Equivalents by Fund Type (Amounts in Thousands)

Fund Type	2018	2017	2016	2015
Government Funds				
General	\$121,327	\$131,776	\$121,693	\$117,626
Community Planning and Economic Development Special Revenue Fund	210,413	177,824	166,270	165,674
Permanent Improvement Capital Projects	103,082	43,881	27,927	16,116
Special Assessment Debt Service	8,380	9,611	8,095	5,055
Non-Major Governmental	127,000	138,195	152,096	140,978
Proprietary Funds				
Enterprise Funds	183,284	176,148	178,238	155,269
Internal Service Funds	165,339	155,542	149,161	144,239
Fiduciary Funds	1,767	1,200	1,271	1,267
Discrete Component Units				
Minneapolis Park and Recreation Board	49,122	35,154	31,975	22,063
Municipal Building Commission	1,787	3,564	2,496	1,977
Meet Minneapolis	2,458	2,595	2,557	1,951
Minneapolis Telecommunications Network	--	--	104	127
Total	\$973,959	\$875,490	\$841,883	\$772,342

PENSION OBLIGATIONS

Overview

The City of Minneapolis annually contributes to three pension plans. They are:

- Minnesota Teachers Retirement Association (TRA).
- Minneapolis Community Development Agency plan at The Union Life Insurance Company.
- Public Employee Retirement Association (PERA).

Minnesota state statutes govern each fund's contribution rates, benefit levels and auxiliary benefits. Each pension plan has a board that governs the day-to-day operations of the fund and are subject to fiduciary standards established in state law. Local government representatives, together with representatives of active and retired employees, are appointed or elected to each of the boards of these funds. TRA and PERA are audited annually by the Office of the Legislative Auditor. A joint legislative pension commission oversees each public pension fund.

Below are the City's contributions to pension funds, some of which are non-employer contributions. The City's closed pension funds have been fully merged with PERA.

	2019 Actual	2018 Actual	2017 Actual	2016 Actual
Minneapolis Employees Retirement Fund (MERF)				
Supplemental Contribution	\$14,265,300	\$14,265,300	\$14,265,300	\$21,058,300
Minneapolis Firefighters Relief Association (MFRA)	\$3,188,735	\$4,757,457	\$4,757,457	\$4,757,457
Minneapolis Police Relief Association (MPRA)	4,489,837	8,890,272	8,890,272	8,890,272
Total Closed Funds	\$21,943,872	\$27,913,029	\$27,913,029	\$34,706,029

The City's contributions to PERA for the closed pension funds listed in the table above are set in State statute to end in 2031. The annual amount of the City's contributions listed above are fixed unless the State of Minnesota changes State pension aids or if the statutory discount rate is altered by the Legislature.

The City's open pension funds are administered by PERA.

	2018 Actual	2017 Actual	2016 Actual	2015 Actual
General Employees Retirement Fund Coordinated (GERF)	\$17,852,401	\$15,637,240	\$15,848,115	\$12,474,745
Public Employees Police and Fire Fund (PEPFF)	19,825,041	18,543,991	18,750,775	16,972,377
Total Open Funds	\$37,677,442	\$34,181,171	\$34,598,890	\$29,447,122

The contributions made to the open pension funds are based on payroll.

Beginning in 2017, the City began using an alternative methodology to calculate the Net Pension Liability as permitted by GASB 68. This alternative calculation more accurately reflects the City's Net Pension Liability because it employs a methodology (encouraged by GASB) of measuring the net present value of

the City's additional (non-payroll related) contributions and combining that amount with the remaining proportional share of the City's payroll related contributions.

City's Net Pension Liability at December 31 of the following years:

	2018	2017	2016	2015
General Employees Retirement Fund Coordinated (GERF)	\$313,578,451	\$333,720,449	\$532,789,673	\$354,821,163
Public Employees Police & Fire Fund (PEPFF)	\$240,167,434	\$281,291,393	\$796,093,326	\$220,679,367
Minnesota Teachers Retirement Association	\$26,573,369	\$29,295,408	\$137,556,710	\$36,565,429

Minnesota Teachers Retirement Association — The City has no employees or retirees in the Minnesota Teachers Retirement Association (TRA) pension plan. Minneapolis annually levies a property tax to provide its annual contributions to the TRA as a result of the 2006 State legislation which consolidated the Minneapolis Teachers Retirement Fund Association (MTRFA) with TRA. As part of the 2006 consolidation all MTRFA State aid was redirected to TRA as was the City's annual fixed \$2,250,000 contribution until the TRA plan is fully funded. Further information on TRA can be found at its website: <http://www.minnesotatra.org>.

Minneapolis Community Development Agency Plan at Union Life Insurance Company — Qualified employees of the MCDA belonged to a defined contribution pension plan administered by Union Central Life Insurance Company. Benefits and contribution requirements were established and amended by the MCDA's board of commissioners. All provisions are within limitations established by Minnesota Statutes. This is a closed plan and the City contributes 5.3% and the employee participants contribute 5.1% of the participants' annual compensation to an Investment Fund administered by Union Central Life Insurance Company which will provide retirement benefits under a Money Purchase Plan. Participants are vested at the rate of 20% per year for the employer's share of the contribution and are 100% vested immediately as to their individual contributions.

The City has contributed the following amounts for the MCDA pension plan years ending September 30 of:

2019	\$107,636
2018	111,683
2017	112,358
2016	114,853
2015	103,410

General Information Regarding State Pension Plans

The State has three major state-wide retirement systems that cover most of the public employees of the State and its counties, municipalities and school districts. These systems are the Minnesota State Retirement System ("MSRS"), the Public Employees Retirement Association ("PERA") and the State Teachers' Retirement Association ("TRA," and collectively, the "Retirement Systems"). The Retirement Systems were established by the Legislature in 1929 through 1931 to collect the contributions of employees and employers and to pay benefits to retired public employees and their beneficiaries.

MSRS, PERA and TRA each prepare and publish their own comprehensive annual financial report, consisting of financial statements and required supplementary information and containing detailed financial

and actuarial information. These comprehensive annual financial reports for the Fiscal Year ended June 30, 2018 are available from the following public websites:

MSRS: <http://www.msrs.state.mn.us/annual-reports>
PERA: <http://www.mnpera.org/about/financial/cafr/>
TRA: <http://www.minnesotatra.org/financial/annual-reports/>

For more information regarding the pension plans the City contributes to, the plan descriptions, the benefits provided, the City's contributions, actuarial assumptions, and the City's defined contribution plan, please see Note 11 and Note 12 of the City's Comprehensive Annual Financial Report (CAFR) set forth in APPENDIX E or at the website below.

http://www.ci.minneapolis.mn.us/finance/reports/CAFR/financial-reports_cafr-home

2019 Pension Legislation Modification

During the 2019 legislative session, the statute that provides for the City's payments to the Public Employees Police and Fire Retirement Plan (PEPFF), was modified to provide for decreased payments by the City each year commencing July 15, 2019 through July 15, 2031. These changes were made after a review of the calculations used to determine the City's liability and a determination that the earnings in the fund were higher than originally expected. The City's annual contribution of \$3,188,735 is attributable to the former Minneapolis Firefighters Relief Association. The city's annual contribution of \$4,489,837 is attributable to the former Minneapolis Police Relieve Association.

During the 2019 legislative session, the statutes that provide for the City's employer contributions to the Minneapolis Employees' Retirement Fund (MERF) was modified to provide for decreased payments by the City each year commencing July 1, 2019 through December 31, 2031. The City's contribution was decreased to \$21,000,000 from \$31,000,000 and the State's contribution to MERF was increased by \$10,000,000.

POST-EMPLOYMENT BENEFITS PLAN AND HEALTHCARE PLAN

The City, the Park Board, and MBC provide a single employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical and dental coverage. Information regarding this plan and the contributions required and made by the City, the Park Board, and MBC in the fiscal year ending December 31, 2018 can be found in Note 13 of the City's Comprehensive Annual Financial Report ("CAFR"). A link to the CAFR is set forth below.

http://www.ci.minneapolis.mn.us/finance/reports/CAFR/financial-reports_cafr-home

ANNUAL BUDGET PROCESS

Capital Improvement Budget Development (April-July)

The City has a five-year capital improvement plan. Annually, departments prepare and modify capital improvement proposals. Capital Long Range Improvement Committee (CLIC) is the citizen advisory committee to the Mayor and City Council on capital programming. The 33 members are appointed by the Mayor and City Council.

Mayor's Budget Recommendation (May-August)

The Mayor interacts with the departments to develop the recommended budget and review additional policy changes, alternative funding choices and other requests. In addition to reviewing operating budgets, the Mayor meets with representatives from CLIC in preparation of finalizing the capital budget recommendations. Following the departmental budget interaction and meetings with CLIC, the Mayor prepares a final budget recommendation with the assistance of the Finance Department. The Mayor presents a final budget recommendation to the City Council in August.

Maximum Proposed Property Tax Levy (September)

As required by State law, the maximum proposed property tax levies must be certified to the County on or before September 30. The maximum property tax levies are set by the Board of Estimate and Taxation. The Board of Estimate and Taxation must by individual tax levy set maximum property tax levies for the City, Municipal Building Commission, Public Housing Authority and the Minneapolis Park and Recreation Board.

City Council Budget Review and Development (September-November)

The City Council holds public hearings on the budget. Departments present their budgets to the Ways and Means/Budget Committee. Following departmental budget hearings, the Ways and Means/Budget Committee approves and recommends a final budget to the City Council. The recommended budget includes any and all changes that are made to the Mayor's Recommended Budget.

Truth in Taxation (November)

Truth in Taxation (or "TNT") property tax statements are mailed by the County to property owners indicating the maximum amount of property taxes that the property owner will be required to pay from all taxing jurisdictions. These statements also indicate the dates when truth in taxation public hearings will be held. The City's TNT public hearings are held in December before adoption of the budget.

City Council Budget Adoption (December)

The City Council adopts a final budget that reflects any changes made to the Mayor's Recommended Budget. Two public hearings are held in late November/early December for the formal adoption of the budget and tax levies. Once the final budget resolutions are adopted, all requests from City departments for additional funds made throughout the year are brought before the Ways and Means/Budget Committee and City Council for approval as amendments to the original budget resolutions.

The independent boards and commissions adopt their own operating budgets and property tax levies. The property tax levies may not be higher than the maximum set by the Board of Estimate and Taxation.

City Sources of Revenue

For 2019, the City forecasts \$1.70 billion in revenue from a variety of sources. Many of the City's revenue sources are restricted, meaning they are required to be spent in defined areas or on specific programs or projects. These restrictions limit the City's ability to raise additional funds and to apply the revenue to other departments or programs.

Grants and allocations from the Federal Government and other units of government are usually designated for specific needs and purposes. If the City does not spend these resources for their designated purpose, the City will not receive the grants. Bond proceeds must go to purposes for which the debt was incurred.

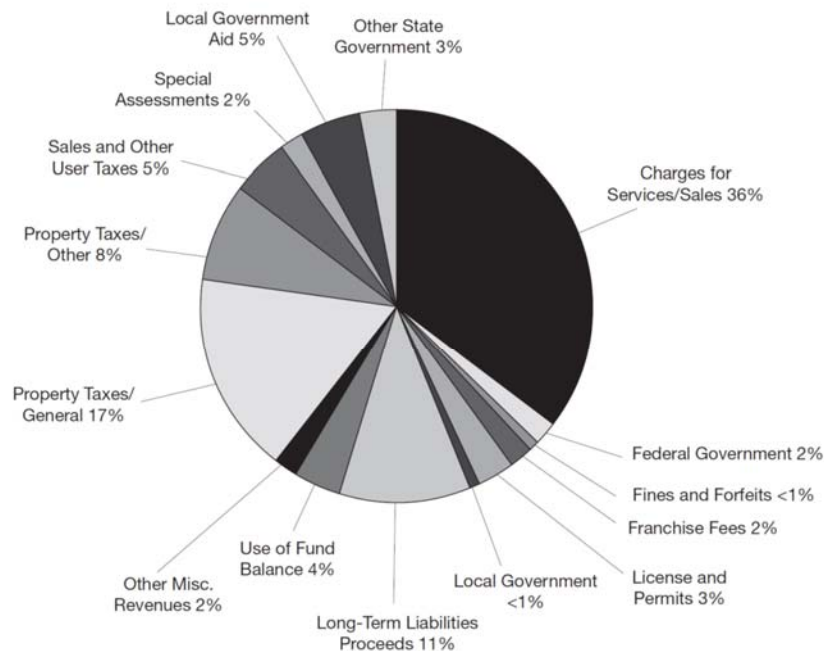
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Below is a summary of the 2019 Council Adopted Budget revenues by major category with a comparison to the 2018 Adopted Budget.

**Revenue by Category
(in Millions)**

Revenue Category	2019 Council		2018 Adopted	% Change	\$ Change
	Adopted				
Charges for Services/Sales	\$613.6		\$583.1	5.2%	\$30.5
Federal Government	34.6		32.3	7.0	2.3
Fines and Forfeits	7.3		7.3	0.6	0.0
Franchise Fees	34.1		33.5	1.8	0.6
License and Permits	48.8		44.8	8.9	4.0
Local Government	8.0		13.6	-40.8	-5.5
Long Term Liabilities					
Proceeds	185.0		90.0	105.5	94.9
Use of Fund Balance	63.0		32.7	92.6	30.3
Other Miscellaneous					
Revenues	26.4		38.3	-31.1	-11.9
Property Taxes/General	284.0		268.8	5.7	15.2
Property Taxes/Other	142.3		136.3	4.4	5.9
Sales and Other User					
Taxes	88.9		87.9	1.2	1.1
Special Assessments	41.3		52.6	-21.5	-11.3
Local Government Aid	78.0		77.8	0.3	0.2
Other State Government	43.9		41.3	6.1	2.5
Total Revenue	\$1,699.1		\$1,540.2	10.3%	\$158.9

Total Revenue Budget – Source of Funds 2019 Council Adopted Budget: \$1.7 Billion



City Spending

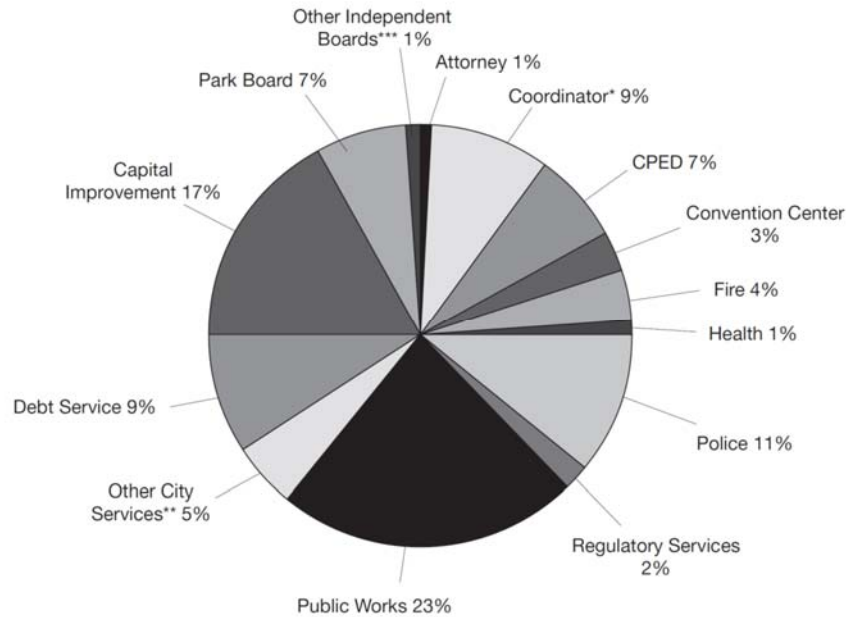
For 2019, the budget includes expenditure appropriations corresponding to priorities outlined in the Council Adopted Budget as well as ongoing projects and current City-provided services.

Below is a summary of the 2019 Council Adopted Budget by departmental activity, excluding transfers with a comparison to the 2018 Adopted Budget.

Expenditures by Service (in Millions)

Expense Category	2019 Council		% Change	\$ Change
	Adopted	2018 Adopted		
Attorney	\$19.0	\$18.4	3.2%	\$0.6
Coordinator	144.5	144.1	0.3	0.4
CPED	119.9	97.1	23.5	22.9
Convention Center	56.1	53.0	5.7	3.0
Fire	69.3	66.5	4.3	2.8
Health	24.0	22.7	5.9	1.3
Police	184.9	179.4	3.1	5.5
Regulatory Services	27.3	25.1	8.7	2.2
Public Works	387.4	370.7	4.5	16.7
Other City Services	87.6	83.8	4.4	3.7
Debt Service	159.9	148.6	7.6	11.3
Capital Improvement	287.0	204.3	40.5	82.7
Park Board	122.0	116.3	5.0	5.8
Other Independent Boards	10.0	10.0	0.5	0.0
Total Spending	\$1,699.0	\$1,540.0	10.3%	\$158.9

Total Expenditure Budget-Use of Funds 2019B Council Adopted Budget: \$1.7 Billion



*Includes 311, 911, Communications, Emergency Preparedness, Finance and Property Services, Human Resources, IT, Intergovernmental Relations, and Neighborhood and Community Relations.

**Includes Assessor, Benefits, City Clerk/Elections/Council, Civil Rights, Contingency, Internal Audit, Mayor, Pensions and Workers Compensation.

***Includes Non-departmental, Health and Welfare, Liability, Contingency and Pensions

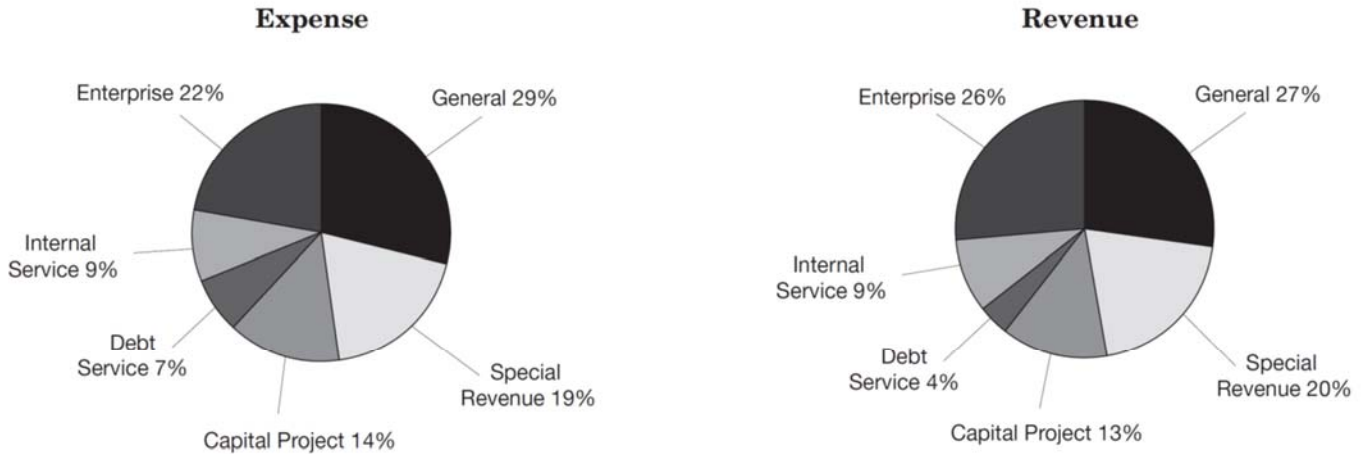
Note: See “City Council Operating Departments” and section in the budget document for further explanation of changes between years.

Expense and Revenue by Fund Type (in Millions)

Expense	2019 Council			
	Adopted	2018 Adopted	% Change	\$ Change
General	\$482.7	\$471.4	2.4%	\$ 11.3
Special Revenue	329.7	294.9	11.8	34.8
Capital Project	230.0	145.9	57.6	84.1
Debt Service	124.4	111.4	11.7	13.1
Internal Service	154.0	156.6	-1.7	-2.6
Enterprise	378.2	360.0	5.1	18.3
Total	\$1,699.1	\$1,540.2	10.3%	\$158.9
General	\$452.2	\$442.2	2.3%	\$ 10.0
Special Revenue	412.0	363.6	13.3	48.4
Capital Project	212.8	130.5	63.0	82.3
Debt Service	70.3	70.3	-0.1	-0.1
Internal Service	157.9	162.3	-2.7	-4.4
Enterprise	394.0	371.3	6.1	22.7
Total	\$1,699.1	\$1,540.2	10.3%	\$158.9

Note: The chart above shows different levels of revenue and expense by fund type due to the removal of transfers and use of fund balance.

Expense and Revenue by Fund Type



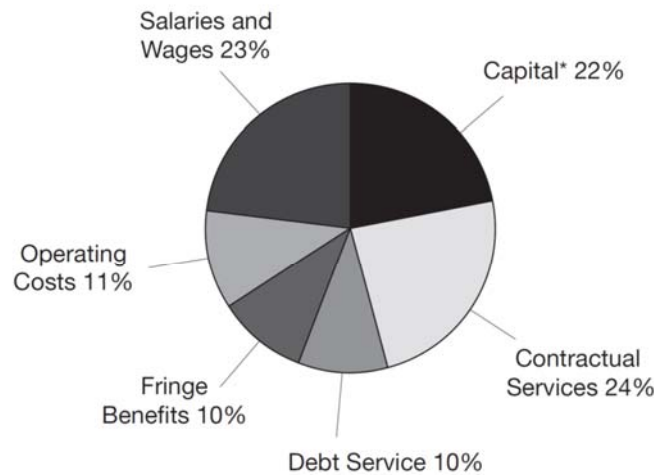
The largest portion of the City’s budget is spent on Personnel, which comprises \$563.7 million or 33.2% of the total budget.

Expense by Category (in Millions)

Expense	2019 Council Adopted	2018 Adopted	% Change	\$ Change
Capital*	\$381.1	\$282.3	35.0%	\$ 98.8
Contractual Services	413.5	387.7	6.7	25.8
Debt Service	162.2	150.8	7.6	11.5
Fringe Benefits	164.7	159.0	3.6	5.7
Operating Costs	178.6	175.0	2.1	3.6
Salaries and Wages	399.0	385.4	3.5	13.6
Total Expense	\$1,699.1	\$1,540.0	10.3%	\$158.9

*The capital category includes capital improvements in the City’s Capital Program as well as capital expenditures within operating departments

Total City Budget – Expenditure by Categories 2019 Council Adopted Budget \$1.7 Billion



CITY EMPLOYEES AND LABOR RELATIONS

Twenty-three bargaining units represent approximately 93% of the employees in the City. Listed below is the current contract status of the largest bargaining units as of October 10, 2019.

Employee Group	Approximate Number of Employees	Contract Expiration Date
Professional Engineers	61	12/31/2021
Fire Fighters (Non-Supervisory)	397	12/31/2021
Clerical & Technical	670	12/31/2019
Police Officers	882	12/31/2019
Convention Center Teamsters	104	12/31/2019
Laborers	444	12/31/2020
Field Supervisors	470	12/31/2020
Professional Employees	531	12/31/2019
City Supervisors	142	12/31/2019

STATISTICAL INFORMATION RELATING TO THE CITY

Population Overview

The Minneapolis-St. Paul seven-county metropolitan area consists of Hennepin, Anoka, Carver, Dakota, Ramsey, Scott and Washington Counties.

The population and household size of the City and the Minneapolis-St. Paul seven-county area since 2013 is set forth below.

Population

Year	City	Seven-County Metropolitan Area
2018 (Metropolitan Council)	428,483	3,113,338
2017 (Metropolitan Council)	423,990	3,075,563
2016 (Metropolitan Council)	419,952	3,041,526
2015 (Metropolitan Council)	412,517	3,005,419
2014 (Metropolitan Council)	411,273	2,973,455
2013 (Metropolitan Council)	400,938	2,950,885

Household Size

Year	City	Seven-County Metropolitan Area
2018 (State Demographic Center)	2.25	2.52
2017 (State Demographic Center)	2.35	2.56
2016 (State Demographic Center)	2.34	2.55
2015 (State Demographic Center)	2.22	2.55
2014 (State Demographic Center)	2.23	2.56
2013 (State Demographic Center)	2.24	2.51

Labor Force

The Minneapolis labor force totaled 242,019 in March 2019, showing an increase of 1,876 (0.78%) from the March 2018 total of 240,143. The labor force is made up of City residents who are working or seeking employment.

The March 2019 labor force was composed of 234,392 employed residents and, based on a 3.2% unemployment rate, approximately 7,627 unemployed persons.

Minneapolis Resident Labor Force and Population March, 2014-2019

Year	Population	Labor Force	Number Employed	Percent Employed
2019	N/A	242,019	234,392	96.8%
2018	428,483	240,143	233,280	97.1
2017	423,990	232,901	225,009	96.6
2016	419,952	230,096	221,843	96.4
2015	412,517	227,551	219,049	96.3
2014	407,207	228,004	217,763	95.5

Source: Minnesota Department of Employment and Economic Development

A summary of the average number and percent of City residents who are members of the civilian labor force who were unemployed for the years 2015 through 2018 is set forth below.

Monthly Averages	2018	2017	2016	2015
Total Labor Force	241,477	237,367	232,240	232,315
Total Employment	235,351	229,692	224,276	224,547
Unemployment	6,126	7,675	7,964	7,768
Percent of Civilian Labor Force Unemployed	2.5%	3.2%	3.4%	3.3%

Source: Minnesota Department of Employment and Economic Development

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Unemployment

Information released by the Minnesota Department of Employment and Economic Development:

Year	Month	Minneapolis				Comparative Unemployment Rates	
		Labor Force	Employment	Unemployment Number	Unemployment Rate	MN	US
2019	8	247,171	239,722	7,449	3.0%	3.0%	3.8%
2019	7	248,214	240,171	8,043	3.2	3.3	4.0
2019	6	245,792	237,601	8,191	3.3	3.4	3.8
2019	5	242,327	235,660	6,667	2.8	2.8	3.4
2019	4	241,434	235,063	6,371	2.6	3.3	3.3
2019	3	242,019	234,392	7,627	3.2	4.1	3.9
2019	2	241,678	234,613	7,065	2.9	4.0	4.1
2019	1	241,065	233,615	7,450	3.1	4.3	4.4
2018	Ann Avg	241,477	235,351	6,126	2.5%	2.9%	3.9%
2017	Ann Avg	237,367	229,692	7,675	3.2%	3.5%	4.4%
2016	Ann Avg	232,240	224,193	8,047	3.5%	3.9%	4.9%
2015	Ann Avg	229,707	221,907	7,800	3.4%	3.7%	5.3%
2014	Ann Avg	230,612	221,802	8,810	3.8%	4.2%	6.2%

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Average Number of Jobs by Industry in Minneapolis

All Jobs Without Regards to Residence (as of the second quarter of each year)

	2019	2018	2017	2016	2015
Total, all industries	334,574	333,003	323,986	321,880	318,540
Construction	7,737	7,498	7,188	6,780	6,456
Manufacturing	13,493	13,521	13,250	13,562	13,503
Utilities	2,796	2,818	2,811	2,818	2,911
Wholesale Trade	7,633	8,197	8,355	8,340	8,466
Retail Trade	15,306	15,397	16,167	16,340	15,590
Transportation and Warehousing	8,990	8,039	7,711	6,654	6,457
Information	10,454	10,668	10,643	11,054	11,683
Finance and Insurance	34,185	33,258	32,137	31,435	27,630
Real Estate and Rental Leasing	5,394	5,077	4,500	4,284	8,693
Professional and Technical Services	37,770	38,319	37,706	37,399	36,563
Management of Companies & Enterprises	18,044	17,117	17,023	17,344	18,202
Administrative and Waste Services	15,267	15,030	14,014	16,195	16,306
Educational Services	33,894	34,077	31,334	31,853	32,334
Health Care and Social Assistance	61,141	61,602	60,641	59,254	56,906
Arts, Entertainment and Recreation	7,332	7,538	6,931	6,114	5,895
Accommodation and Food Services	29,297	29,029	28,164	27,643	27,324
Other Services	10,287	10,263	10,076	9,957	10,403
Public Administration	15,336	15,359	15,125	14,636	12,987

Note: Natural resources and agriculture, fishing and forestry employment are not counted. Some industry numbers may not be disclosed because of privacy issues.

Source: Minnesota Department of Employment and Economic Development

Occupational Employment Statistics Wage Data

**Minneapolis-St. Paul-Bloomington, MN-WI Metro
As of May 2018**

	Median Hourly Wage			Employment		
	MSA	MN	US	MSA	MN	US
All Occupations	\$21.89	\$20.49	\$18.58	1,956,300	2,867,700	144,733,270
Management Occupations	54.26	50.29	50.11	129,190	171,250	7,616,650
Business and Financial Operations Occupations	33.56	32.40	32.86	134,600	164,510	7,721,300
Computer and Mathematical Occupations	41.42	40.26	41.51	82,240	96,020	4,384,300
Architecture and Engineering Occupations	38.18	36.89	38.55	43,470	56,070	2,556,220
Life, Physical and Social Science Occupations	34.49	32.97	31.77	20,060	26,210	1,171,910
Community and Social Services Occupations	22.75	22.34	21.62	36,680	57,870	2,171,820
Legal Occupations	37.40	35.89	38.85	16,550	19,870	1,127,900
Education, Training and Library Occupations	24.50	23.81	23.89	109,310	166,300	8,779,780
Arts, Design, Entertainment, Sports, and Media Occupations	25.13	23.93	23.70	31,600	39,670	1,951,170
Healthcare Practitioners and Technical Operations Healthcare Support Occupations	36.70	35.19	31.94	112,530	190,720	8,646,730
Protective Services Occupations	17.10	16.31	14.30	48,720	83,380	4,117,450
Food Preparation and Serving Related Occupations	20.20	20.85	19.54	30,730	44,390	3,437,410
Building and Grounds Cleaning and Maintenance Occupations	11.67	11.53	11.09	161,790	242,170	13,374,620
Personal Care and Service Occupations	15.20	14.51	12.91	53,930	85,820	4,421,980
Sales and Related Occupations	12.61	12.50	11.74	103,180	144,070	5,451,330
Office and Administrative Support Occupations	15.51	14.51	13.55	189,260	277,070	14,542,290
Farming, Fishing and Forestry Occupations	19.56	18.65	17.19	280,040	405,970	21,828,990
Construction and Extraction Occupations	14.75	16.23	12.20	1,240	3,980	480,130
Installation, Maintenance and Repair Occupations	30.39	27.59	22.12	63,730	100,510	5,962,640
Production Occupations	23.87	22.84	21.89	60,260	100,030	5,628,880
Transportation and Material Moving Occupation	18.60	18.26	16.86	131,820	214,230	9,115,530
	18.14	17.82	15.74	115,380	177,580	10,244,260

Source: Bureau of Labor Statistics, Department of Labor, Occupational Employment Statistics

Largest Companies

Listed are the largest companies headquartered in the Minneapolis-St. Paul metropolitan area. The listing combines the industrial and non-industrial companies. The industry grouping and rank within is also shown. Revenues are shown in billions.

Companies in Fortune Directory of the Largest 500 Companies for 2019 Headquartered in this MSA*

Company	Revenues	Rank	Industry Grouping	Industry Rank
United Health Group	226.2	6	Health Care Insurance and Managed Care	1 of 8
Target	75.4	39	General Merchandisers	3 of 9
Best Buy	42.9	74	Specialty Retailers, Other	3 of 18
3M	32.8	95	Miscellaneous	1 of 2
CHS	32.7	97	Food Production	3 of 5
U.S. Bancorp	25.8	117	Commercial Banks	8 of 20
C.H. Robinson				
Worldwide	16.6	185	Transportation and Logistics	2 of 3
General Mills	15.7	200	Food and Consumer Products	4 of 14
Supervalu	15.7	201	Food and Drug Stores	6 of 6
Land O'Lakes	14.9	212	Food Consumer Products	5 of 14
Ecolab	14.7	215	Chemicals	4 of 12
Ameriprise Financial	12.9	249	Diversified Financials	8 of 15
Xcel Energy	11.5	274	Utilities, Gas and Electric	13 of 22
Mosaic	9.6	325	Chemicals	7 of 12
Hormel Foods	9.5	328	Food Consumer Products	7 of 14
Thrivent Financial For Lutherans	8.6	351	Insurance Life and Health (Mutual)	6 of 7
Polaris Industries	6.2	476	Transportation Equipment	1 of 2

*Source: Fortune June 1, 2019

Educational Institutions

The largest four-year Colleges and Universities located within the Minneapolis – St. Paul metropolitan area, based on enrollment are as follows:

Colleges/Universities	Enrollment	Colleges/Universities	Enrollment
1. University of Minnesota – Twin Cities	50,943	7. St. Catherine University	4,859
2. Walden University*	49,680	8. Bethel University	4,454
3. Capella University*	37,786	9. University of Northwestern	3,623
4. University of St. Thomas	10,035	10. Hamline University	3,526
5. Metropolitan State University	8,655	11. Augsburg University	3,467
6. Concordia University	5,038	12. Macalester College	2,174

Source: 2019 Higher Education Directory

*Online universities.

Major Development Projects Permitted in Minneapolis in 2019
(\$5.0 million+)

Quarter Permitted	Estimated Construction Cost*	Project Description	Neighborhood/Area
2nd	\$120,458,601	New Public Service Center	Downtown West
2nd	84,485,672	Odin - 335 unit apartments (rental) + 7000 sq. ft. Comm.	Nicollet Island - East Bank
3rd	66,352,211	240 Park Mixed Use	Downtown East
1st	62,842,981	Thrivent interior finishes including coffee shop	Elliot Park
1st	48,000,000	Full Construction 6 Story 240 Units Mixed Use	Elliot Park
1st	47,604,071	Full Construction Lake Haus 200 unit Apartment	Cedar-Isles-Dean
2nd	38,029,826	River Loop Apartments (218 units)	North Loop
2nd	37,010,500	Convert to Hotel	Downtown West
1st	35,910,894	Full Construction 600 5 th Ave Mixed Use (122 Res Units)	Downtown West
3rd	28,602,488	Full Construction Bassett Creek East Mixed Use (139units)	North Loop
1st	28,396,404	Full Construction 1400 Loring Mixed Use (231Units)	Loring Park
1st	26,921,268	Full Construction East Town Apartments (169Units)	Elliot Park
2nd	25,981,923	Full Construction New Mixed Use (175ResUnits)	Lowry Hill East
1st	24,134,902	CORE & SHELL-Thrivent Corp Headquarters	Elliot Park
3rd	22,349,861	Full Construction Central Ave Apartment (7Story&159Units)	Nicollet Island - East Bank
3rd	21,916,119	Uncommon Apartments -new construction	Marcy Holmes
3rd	21,728,169	F&F-Gateway Mixed Use Building	Downtown West
3rd	20,618,499	OX-OP Gallery- new construction	Downtown East
2nd	19,327,049	New 169 unit Apt Building, 4th St Lofts	Prospect Park - East River Road
2nd	18,800,000	Hotel Addition and conversion (201 Rooms)	Downtown West
3rd	18,560,000	410 Lake St Apartment - new construction	Whittier
1st	17,000,000	build out of 6th floor - schulze center	Midtown Phillips
3rd	16,391,669	NICO Apartments - 147 units	Steven's Square - Loring Heights
1st	16,301,100	Full Construction Oaks Minnehaha (109 Units)	Minnehaha
3rd	15,458,805	New 109 unit apartment building	North Loop
3rd	13,815,000	Levels 22-27 Interior remodel	Downtown West
2nd	12,832,749	remodeling related to elevator upgrades	Downtown West
3rd	11,678,955	Full Construction Penn Ave Union Mixed Use (65Units)	Willard - Hay
3rd	11,500,000	Daytons-Additional Work & value For Base Building Permit	Downtown West
2nd	11,222,000	Full Construction Oaks Longfellow Mixed Use (68units)	Minnehaha
2nd	10,240,000	Full Construction Good Grocer Mixed Use(80Units)	Whittier
1st	10,153,762	Riverside Apartments, 85 Units, New Const	Cedar Riverside
1st	10,000,000	DaytonsBulletin4-ExteriorBrick&Windows	Downtown West
3rd	10,000,000	Eleven- Footing/foundation mixed use PDR plan7 174	Downtown East
3rd	9,800,000	remodel guestrooms and corridor	Downtown West
2nd	9,100,000	Full Construction for New Planned Parenthood Building	Lowry Hill East
1st	8,450,000	FY18 March Open School Addition and Improvements	Marcy Holmes
1st	8,106,219	Loring Elem School Addition to include kitchen upgrade	Victory
3rd	8,077,562	Full Construction Park 7 House Of Charity (61Units)	Elliot Park
3rd	8,000,000	Maya Commons Apartment Building (50 Units) PPL phase II	Como
2nd	7,285,845	Earth Ret-Gateway Mixed Use	Downtown West
3rd	7,283,000	Southwest LRT Station - West Lake Street Station	West Calhoun
2nd	7,129,156	Marshall St Apartments new 93 unit apartment building	Sheridan
4th	7,024,000	Water Works New Park Building w/Restaurant	Downtown West
3rd	7,000,000	Full Construction Capri Theater 2 Story Addition	Willard-Hay
2nd	6,396,560	Lake & Chicago Apartments 48 Dwellings	Powderhorn Park
3rd	6,376,570	Full Construction New 51 unit apartment building	Marcy Holmes
1st	6,302,228	Tenant buildout 3 floors (5, 6, and 7)	North Loop
2nd	6,273,252	Renovations of falls plaza, pinnacle and north plaza	Nicollet Island - East Bank
1st	6,250,000	Daytons - Bulletin #5	Downtown West
3rd	6,247,000	Southwest LRT Bassett Creek Valley Station	Bryn-Mawr
3rd	6,000,000	F&F – Midtown Corner Mixed Use	Longfellow
1st	5,883,216	Emerson School Gym & Kitchen Addition (9,500sqft)	Loring Park
1st	5,724,929	2019 façade restoration project, windows, repairs	Downtown West
1st	5,597,000	Interior remodel/common space, new windows	Bryn-Mawr

Major Development Projects Permitted in Minneapolis in 2019
(\$5.0 million+)
(continued)

Quarter Permitted	Estimated Construction Cost*	Project Description	Neighborhood/Area
1st	5,559,799	F&F-1125LagoonMixedUse	Lowry Hill East
3rd	5,500,000	F&F for new mixed use building- see Building 795932	Downtown West
4th	5,414,236	Interior Remodel of Apt & Townhomes and Site Work- Madison Apartments	Elliot Park
4th	5,335,034	Interior remodel, roof, windows	Near-North
1st	5,200,000	Jackson Street Apartments, new construction, 65 units	Holland
3rd	5,110,000	Southwest LRT Bryn Mawr Station	Bryn-Mawr
4th	5,100,000	Renovate/reposition building for offices & retail	Logan Park
2nd	5,020,740	Windom School - Cafeteria/ Mech Hsg Addition & Remodel	Windom
1st	5,000,000	Bulletin #3 / retail floors, winter lounge, landscape	Downtown West

*The listed amount only reflects projected construction cost and does not include land acquisition or soft costs.
Source: City of Minneapolis CPED staff.

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Major Development Projects Permitted in Minneapolis in 2018
(\$5.0 million+)

Quarter Permitted	Estimated Construction Cost*	Project Description	Neighborhood/Area
4th	\$98,300,000	New 370 unit apartment building with parking & retail	Marcy Holmes
1st	75,692,982	New 26 story 283 unit apartment building & first floor retail	Nicollet Island–East Bank
1st	71,921,972	New 14 story building 149 hotel rooms & 171 apartments above commercial space	Downtown East
1st	52,290,000	New 16 story 307 unit apartment building	Downtown West
4th	50,937,018	New 283 unit structure. including I-1 and R-2 dwelling units	Prospect Park–E River Road
1st	44,000,000	New eleven story office building with 57 apartments	North Loop
3rd	43,800,000	Interior core & shell renovation in preparation for future tenant improvements	Downtown West
3rd	38,725,341	North Loop Office Bldg	North Loop
1st	38,280,000	New five story 243 unit apartment building	Prospect Park–E River Road
2nd	36,128,135	New building including theater, hotel, and restaurant	North Loop
4th	35,868,201	New 6 story apartment building 174 units & first floor commercial	ECCO
4th	35,000,000	Bul#2-OldDaytonsRmdl-Flr LL, 1 & 2	Downtown West
4th	33,104,360	New 2 story office building with attached 4 level parking structure	Holland
3rd	32,955,000	New 6 Story Mixed Use 158 Dwellings with 1st floor Comm & Parking	North Loop
4th	27,000,000	5 story multi-family residential 144 units with parking	ECCO
1st	25,386,416	New four story 148 unit apartment building with ground floor commercial space	Hiawatha
3rd	24,500,000	New 6 Story 122 unit apartment building with 137 parking spaces	Downtown East
1st	23,680,000	Renovation of existing school building and addition of new entry	Webber–Camden
4th	21,896,453	Minnehaha Academy N. Campus Addition	Cooper
3rd	21,047,725	Apartment complex two 59 unit structures	Holland
4th	18,243,368	New 6 story 113 unit apartment building with enclosed parking	Whittier
2nd	18,157,959	Six level addition to existing open parking garage	Phillips West
1st	15,934,000	New five story 69 unit independent living facility	St. Anthony West
1st	14,442,000	Remodel of existing school building	Midtown Phillips
3rd	13,121,550	New 5 story 70 unit apartment	Prospect Park–E River Road
2nd	13,065,000	New 48 unit supportive housing building	North Loop
3rd	12,993,253	5 Story apartment building 95 units	Como
1st	12,421,517	New 98 unit apartment building	St. Anthony West
2nd	11,815,828	New 88 Unit Apartment Building with commercial space on the ground floor	Whittier
4th	10,884,000	Alteration levels 2, 3 & 5 of U of M, West Bank Children’s Masonic Hospital	Cedar Riverside
4th	9,189,490	Heywood Business Facility Addition of 22,502 sq ft	North Loop
1st	8,742,390	Tenant improvement remodel for seven floors of existing office building	Downtown West
2nd	8,630,115	Remodel & addition to existing school building	North Loop
1st	7,929,646	New Brewery & Taproom	Elliot Park
4th	7,281,366	New 3 story 44 unit apartment building	Longfellow
1st	7,208,993	New six story 110 unit apartment building	Sheridan
3rd	7,201,000	Construct 265’ X 85’ 3 story shell office building	Harrison
4th	7,190,224	1400 Loring Apartments- Footing Foundation	Loring Park
2nd	7,000,000	Footing and foundation for new mixed use building	North Loop
1st	6,766,000	2nd floor addition to existing school building	Tangletown
1st	6,568,405	New five story 74 unit apartment building	Whittier
1st	6,500,000	Remodel of existing gym into office	Lowry Hill

Major Development Projects Permitted in Minneapolis in 2018
(\$5.0 million+)
(continued)

Quarter Permitted	Estimated Construction Cost*	Project Description	Neighborhood/Area
3rd	6,387,192	Expanding existing mini storage and adding an additional 2 stories	Near-North
3rd	6,067,613	Hope Academy Phase 2 addition	Phillips West
1st	5,898,000	New 25 unit apartment building with first floor commercial space	CARAG
3rd	5,742,762	New 5 story apartment building 43 units and 43 parking	Marcy Holmes
4th	5,500,000	alterations to 30th and 31st floors of US Bancorp Center	Downtown West
1st	5,360,150	HVAC renovation for existing school building	Webber-Camden
4th	5,073,000	Target Field entrance plaza alterations	North Loop
2nd	5,000,000	Expansion of Banquet Center	Downtown West

*The listed amount only reflects projected construction cost and does not include land acquisition or soft costs.
Source: City of Minneapolis CPED staff.

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APPENDIX B

SECOND PARTY OPINION FROM KESTREL VERIFIERS



SECOND PARTY OPINION

General Obligation Bonds (Green Bonds) Series 2019
("Series 2019 GO Green Bonds")



Prepared for: The City of Minneapolis

November 4, 2019

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2700 Wells Drive, Hood River, OR 97031

SECOND PARTY OPINION

General Obligation Bonds (Green Bonds) Series 2019 (“Series 2019 GO Green Bonds”)

Issuer: The City of Minneapolis
Project: Public Service Center
Green Category: Green Buildings
Location: Minneapolis, Minnesota, USA
Financing value: \$114,420,000
Evaluation date: November 4, 2019

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Alignment to Green Standards 5
Second Party Opinion 6

TRANSACTION OVERVIEW

The City of Minneapolis (“the City”) plans to issue \$114,420,000 in General Obligation Bonds (Green Bonds) Series 2019 (“Series 2019 GO Green Bonds”) to finance construction of the City’s new Public Service Center.

The goal of this project is to construct a new office building to strategically collocate approximately 1300 City employees who currently work in several leased and City-owned buildings scattered around downtown Minneapolis. This is a multi-benefit project designed to prioritize environmental sustainability while providing a modern, new workspace to better serve residents and businesses. Expected outcomes from this project include a reduction in the City’s carbon footprint, greater efficiencies and improved access to public transit for the City’s employees, and a higher quality of service to the public.

This Second Party Opinion reflects Kestrel Verifiers’ view of the City’s project and financing, allocation and oversight, and conformance of the Series 2019 GO Green Bonds with the Green Bond Principles and the United Nations Sustainable Development Goals.

In our opinion, the Series 2019 GO Green Bonds to be issued by the City is aligned with the Green Bond Principles in the eligible category of Green Buildings.

ABOUT THE CITY OF MINNEAPOLIS

The City of Minneapolis (“the City” or “Minneapolis”) is the largest city in Minnesota by population. The City is committed to environmental sustainability, as demonstrated by the City’s mission to take “strategic action to address climate change, dismantle institutional injustice and close disparities in health, housing, public safety and economic opportunities.” The City prides itself on enacting environmentally progressive policies, which can provide examples of more sustainable practices for other municipalities that are striving toward the same goal. Minneapolis began integrating sustainability principles into City decision-making in 2003. Many of the early initiatives, such as developing and tracking Sustainability Indicators, are now integrated into *Results Minneapolis*, a performance management and monitoring tool used by City leaders to monitor progress and offer strategic counsel toward achieving the City’s adopted goals and vision.

In 2014, Minneapolis was one of 165 communities chosen as a Climate Action Champion by the White House and US Department of Energy for its commitment to clean energy, including leveraging energy utility franchise agreements to establish a first-in-the-nation City-utility, Minneapolis Clean Energy Partnership. In 2015, Mayor Betsy Hodges signed the Compact of Mayors, the world’s largest cooperative effort among mayors and City officials to reduce greenhouse gas emissions, track progress, and prepare for impacts of climate change. In 2017, Mayor Jacob Frey signed the Mayors National Climate Action Agenda as a demonstration of the City’s ongoing commitment to accelerate climate progress. Minneapolis is one of 17 cities across nine nations that joined to launch the Carbon Neutral Cities Alliance, a collaboration of global cities committed to reducing greenhouse gas pollution by 80 percent or more by 2050. In 2017, the City of Minneapolis was one of 25 cities across the US to be accepted into the Bloomberg American Cities Climate Challenge, which is a two-year acceleration program with powerful new resources and cutting-edge technical support to help cities meet their near-term carbon reduction goals.

THE BOND-FINANCED PROJECT

The City of Minneapolis will use proceeds from the green bond for the continued construction of the new Public Service Center. The City developed the project with the aim of collocating downtown City employees that are currently spread between City Hall and surrounding office buildings. The Public Service Center will offer a higher quality of service to the public, reduce the City’s overall real estate footprint, and provide effective space for the diverse needs of employees. The building faces Government Plaza, City Hall and a light rail station.

The project is aligned with strategies in the City’s adopted Climate Action Plan and the building is designed to align with LEED v4 Gold Certification requirements. LEED, or Leadership in Energy and Environmental Design, is the most widely used green building rating system. Green features include natural daylighting, low emitting materials, improved indoor air quality, indoor and outdoor water use reduction, water metering, minimal wind exposure, and energy efficiency. The City expects a minimum of 10% additional energy savings when passive daylighting, heat exchange and recovery, and ventilation are taken into consideration. This includes strategies for the “building envelope”—the physical separator between the conditioned and unconditioned environment of a building—and other efficiencies related to lighting, HVAC and control systems. Additional features that contribute to environmental sustainability include proximity to mass transit, and the efficiencies created by consolidating several City departments under one roof. The building will also incorporate bird-safe glass to reduce mortality in migrating birds.

Additionally, the building is designed to meet Minnesota's Sustainable Building 2030 Energy Standard with alternate compliance. The B3 Sustainable Building 2030 Energy Standard is a progressive energy conservation program designed to significantly reduce the energy use and carbon impacts in Minnesota commercial, institutional and industrial buildings. The City will accomplish compliance with photovoltaic solar panels on the roof to produce energy and through the purchase of 100% renewable energy.

The City is also demonstrating leadership by incorporating features related to employee health, public art and diversity. The City has committed to meeting the Fitwel goals based around employee health. The Fitwel Certification System provides a standard for the building industry to support widespread adoption of health promoting strategies. Related project features include connection to the Minneapolis Skyway system (promoting walking), abundant natural lighting, and improved air quality. The City is incorporating public and local art by committing over \$2 million to more than 20 local artists. Additionally, the City aims to achieve a diverse construction workforce comprised of 20% women and 32% minorities.

LEED Details

Projects pursuing LEED certification earn points across several categories: Location & Transportation, Sustainable Sites, Water Efficiency, Energy & Atmosphere, Materials & Resources, Indoor Environmental Quality, Innovation and more. Based on the number of points achieved, a project then earns one of four LEED rating levels: Certified, Silver, Gold or Platinum. The process is designed to inspire project teams to seek innovative solutions that support public health and the environment, while saving building owners money over a building's life cycle.

The City's new Public Service Center is registered under LEED version 4 (v4), 2013 and designed to align with LEED Gold requirements. The LEED v4 scorecard provided shows:

- 8 "yes" points for Optimize Energy Performance,
- 5 "yes" points for Indoor and Outdoor Water Use Reduction,
- 5 "yes" points for Access to Quality Transit, and
- 7 "yes" points in categories relating to air quality.

To increase the efficiency of cooling the building in summer months, the City incorporated unique design features including active chilled beams and a heat recovery chiller. Active chilled beams involve a heat exchanger contained within a housing that is suspended from the ceiling. Chilled water passes through the tubes and an integrated air supply moves air up past the cooling coil. Warm air from the space rises toward the ceiling, and the air surrounding the chilled beam is cooled, causing it to descend back toward the floor, creating convective air motion to cool the space. In cold weather, the heat recovery chiller takes heat out of spaces that require cooling (computer rooms, telecommunications closets, etc.) and transfers that recovered energy into the heating loop for the building, improving energy efficiency and reducing energy use.

Construction Status


The City of Minneapolis began construction on the new Public Service Center in 2018, and the project is 30% complete at the time of this report.

The City has made a concerted effort to recycle demolished materials and construction debris. The building site was previously occupied by a large parking garage, which was demolished. The City was able to recycle 99.1% of demolished materials, diverting 19,307 tons of waste from landfills. Additionally, 75% of all construction waste to date has been recycled. Furthermore, the City has taken steps to remediate contaminated soil on site and has abided by the Minnesota Pollution Control Agency dust requirements, making sure soil is watered to reduce air contaminants associated with construction.

ALIGNMENT TO GREEN STANDARDS

Use of Proceeds


The Series 2019 GO Green Bonds will be used exclusively to finance costs related to the new Public Service Center. Proceeds are 100% dedicated towards environmental sustainably oriented activities consistent with the International Capital Market Association’s Green Bond Principles, under the Green Buildings category.

GREEN CATEGORY	ELIGIBILITY CRITERIA
Green Bond Principles: Green Buildings 	Buildings which meet regional, national or internationally recognized standards or certifications.

The new Public Service Center meets the Green Buildings eligibility criteria by meeting an internationally recognized standard, Leadership in Energy and Environmental Design (LEED). Building ratings systems such as LEED attest to the “Energy & Atmosphere and Innovation” attributes of projects. Energy efficient building projects built to LEED standards can positively impact carbon emissions, ozone depletion, mineral extraction, air quality, human health and infrastructure needs.

The City of Minneapolis has established a low carbon trajectory, and the energy efficient building financed with the Series 2019 GO Green Bonds is aligned with this trajectory.

Additionally, the City’s operations, including those financed with the Series 2019 GO Green Bonds, align squarely with two of the 17 United Nations Sustainable Development Goals, as shown below. These goals are part of the 2030 Agenda for Sustainable Development adopted by all United Nations Member States in 2015 and provide a “blueprint to achieve a better and more sustainable future for all.”

RELATED GOALS	ELIGIBILITY CRITERIA
United Nations Sustainable Development Goals 	<p>SDG 7: Affordable and Clean Energy, a goal to ensure access to affordable, reliable, sustainable and modern energy for all. This includes targets to increase substantially the share of renewable energy in the global energy mix and to double the global rate of improvement in energy efficiency.</p> <p>SDG 9: Industry, Innovation and Infrastructure, which includes targets to upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.</p>

Process for Project Evaluation and Selection

Minneapolis believes in transparency to investors regarding the process for project evaluation and selection. It is part of the City’s approval process to ensure that all its financed activities comply with internal environmental and social directives. The City utilizes a robust and transparent annual process to prioritize capital improvement projects for financing. Capital projects are developed and identified by City staff and are considered for adoption in the Capital Improvement Plan by the City Council at an open public meeting that is properly noticed in accordance with the State’s Bagley-Keene Act. The Public Service Center was identified as a priority for bond financing in the Five-Year Capital Improvement Plan for the City of Minneapolis dated March 23, 2018. The City previously issued green bonds in 2018 that included a portion of financing for the Public Service Center. Minneapolis also established a Green Bond Framework

in 2018 that covers the Public Service Center. Green Buildings, also known as low carbon buildings, are an eligible project type under the Green Bond Principles.

The Minneapolis Climate Action Plan sets a goal of achieving a 1.5 percent annual reduction in greenhouse gas emissions from City facilities including buildings. The City has established climate goals in the Climate Action Plan, including “ensuring that City facilities and infrastructure, across all neighborhoods, are models of energy efficiency and renewable energy technology.”

Management of Proceeds

The Series 2019 GO Green Bonds proceeds are required to be 100% allocated to the new Public Service Center. Proceeds will be expended as needed at bond closing, based on the decisions made in accordance with the process described above. Any major changes in the use of proceeds, while not likely, would require a similar approval process.

Bond proceeds received will be invested in permitted investments according to the City’s investment policy by internal management of the City. Accounting staff will periodically request reimbursement of construction expenses as determined by project cost accounting records, which will be maintained throughout the life of the project.

Kestrel Verifiers considers this to be in conformance with the Green Bond Principles.

Reporting

The City of Minneapolis intends to show the progress of expenditures from the Series 2019 GO Green Bonds proceeds and report any changes in the allocation of proceeds. This report will be made available on EMMA, as required by the MSRB. The City also intends to make and keep readily available a voluntary Green Bonds Update Report approximately one-year post-issuance, to be renewed annually until full expenditure of the proceeds. Building performance (impact) will also be tracked through the Energy Design Assistance Program, a statewide program funded by utilities. The City will be benchmarking against the Minnesota Energy Code and the SB 2030 alternate compliance standard. A final report on building performance will be publicly available.

SECOND PARTY OPINION

Based on our independent verification, the City of Minneapolis’s Series 2019 GO Green Bonds conform, in all material respects, with the Green Bond Principles. Furthermore, they are aligned with United Nations Sustainable Development Goals 7 and 9.

Kestrel Verifiers is of the opinion that the green activities funded by the proceeds of the Green Bonds will provide a meaningful contribution to the City of Minneapolis’s greenhouse gas reduction targets and positively contribute to the transition into a carbon-neutral city. Based on the statement above, Kestrel is of the opinion that the green activities are also aligned with the United Nations Sustainable Development Goals 7 “Affordable and Clean Energy” and 9 “Industry, Innovation and Infrastructure.”

It is the opinion of Kestrel Verifiers that the City of Minneapolis’s Series 2019 GO Green Bonds are in complete alignment with the Green Buildings category of the Green Bond Principles. The City of Minneapolis is demonstrating leadership toward a zero-carbon future with the new Public Service Center.

Independence and Quality Control

Kestrel Verifiers is providing an independent opinion on the conformance of the Series 2019 GO Green Bonds with the Green Buildings category of the Green Bond Principles. For almost twenty years, Kestrel has worked at the intersection of finance and sustainability, helping clients to advance environmental and infrastructure projects. Kestrel relies on our experienced team of dedicated professionals, our qualified judgment and our attention to detail to ensure the highest quality assessment and verification. Our assurance process incorporates the robust knowledge and skills of our technical team, financial team and assurance team operating together to deliver the required competencies to assess how the activities and financing conform to accepted standards including the Green Bond Principles.

Assurance Approach

Kestrel Verifiers' responsibility was to conduct an independent opinion to determine whether the City of Minneapolis's Series 2019 GO Green Bonds met, in all material respects, the requirements of the Green Bond Principles. Our assurance was conducted in accordance with the Green Bond Principles and the *International Standard on Assurance Engagements (ISAE) 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

Kestrel Verifiers has relied on information provided by the City of Minneapolis. There are inherent limitations in performing assurance, and fraud, error or non-compliance may occur and not be detected. Kestrel Verifiers is not responsible or liable for any opinions, findings or conclusions that are incorrect. Our assurance is limited to City of Minneapolis policies and procedures in place as of November 4, 2019, ahead of the issuance of the Series 2019 GO Green Bonds. The distribution and use of this assurance report are at the discretion of the City of Minneapolis. Kestrel Verifiers does not accept or assume any responsibility for distribution to any other person or organization.

About Kestrel Verifiers

To public and corporate finance teams who are preparing green bonds, Kestrel is a US-based Approved Verifier with experience in many sectors: green buildings, renewable energy, water, energy efficiency, pollution prevention and control, climate change adaptation, natural resources and land uses. As bespoke US municipal specialists, we strive to provide a personal, focused approach and dedicated support. We bring real-world experience, relationships and tools to efficiently verify and report on green bonds. Kestrel is a Woman-Owned Small Business and a certified Women's Business Enterprise.

For more information, visit www.kestrerverifiers.com

Green Bond

Independent External Review Form

General Obligation Bonds (Green Bonds) Series 2019

City of Minneapolis

Section 1. Basic Information

Issuer name: City of Minneapolis, Minnesota

Independent External Review provider's name: Kestrel Verifiers

Completion date of this form: November 4, 2019

Section 2. Review overview

SCOPE OF REVIEW

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|---|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

EXECUTIVE SUMMARY OF REVIEW

The City of Minneapolis ("the City") plans to issue \$114,420,000 in General Obligation Bonds (Green Bonds) Series 2019 ("Series 2019 GO Green Bonds") to finance construction of the City's new Public Service Center.

The goal of this project is to construct a new office building to strategically collocate approximately 1300 City employees who currently work in several leased and City-owned buildings scattered around downtown Minneapolis. This is a multi-benefit project designed to prioritize environmental sustainability while providing a modern, new workspace to better serve residents and businesses. Expected outcomes from this project include a reduction in the City's carbon footprint, greater efficiencies and improved access to public transit for the City's employees, and a higher quality of service to the public.

This Second Party Opinion reflects Kestrel Verifiers' view of the City's project and financing, allocation and oversight, and conformance of the Series 2019 GO Green Bonds with the Green Bond Principles and the United Nations Sustainable Development Goals.

In our opinion, the Series 2019 GO Green Bonds to be issued by the City is aligned with the Green Bond Principles in the eligible category of Green Buildings.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section:

The Series 2019 GO Green Bonds will be used exclusively to finance costs related to the new Public Service Center. Proceeds are 100% dedicated towards environmental sustainably oriented activities consistent with the International Capital Market Association's Green Bond Principles, under the Green Buildings category.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Minneapolis believes in transparency to investors regarding the process for project evaluation and selection. It is part of the City's approval process to ensure that all its financed activities comply with internal environmental and social directives. The City utilizes a robust and transparent annual process to prioritize capital improvement projects for financing. Capital projects are developed and identified by City staff and are considered for adoption in the Capital Improvement Plan by the City Council at an open public meeting

that is properly noticed in accordance with the State’s Bagley-Keene Act. The Public Service Center was identified as a priority for bond financing in the Five-Year Capital Improvement Plan for the City of

Minneapolis dated March 23, 2018. The City previously issued green bonds in 2018 that included a portion of financing for the Public Service Center. Minneapolis also established a Green Bond Framework in 2018 that covers the Public Service Center. Green Buildings, also known as low carbon buildings, are an eligible project type under the Green Bond Principles.

The Minneapolis Climate Action Plan sets a goal of achieving a 1.5 percent annual reduction in greenhouse gas emissions from City facilities including buildings. The City has established climate goals in the Climate Action Plan, including “ensuring that City facilities and infrastructure, across all neighborhoods, are models of energy efficiency and renewable energy technology.”

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer’s environmental sustainability objectives | <input type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

The Series 2019 GO Green Bonds proceeds are required to be 100% allocated to the new Public Service Center. Proceeds will be expended as needed at bond closing, based on the decisions made in accordance with the process described above. Any major changes in the use of proceeds, while not likely, would require a similar approval process.

Bond proceeds received will be invested in permitted investments according to the City’s investment policy by internal management of the City. Accounting staff will periodically request reimbursement of construction expenses as determined by project cost accounting records, which will be maintained throughout the life of the project.

Kestrel Verifiers considers this to be in conformance with the Green Bond Principles.

Tracking of proceeds:

- | |
|--|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other <i>(please specify)</i> : |

Additional disclosure:

- Allocations to future investments only
- Allocation to individual disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Allocations to both existing and future investments
- Allocation to a portfolio of disbursements
- Other *(please specify)*:

4. REPORTING

Overall comment on section *(if applicable)*:

The City of Minneapolis intends to show the progress of expenditures from the Series 2019 GO Green Bonds proceeds and report any changes in the allocation of proceeds. This report will be made available on EMMA, as required by the MSRB. The City also intends to make and keep readily available a voluntary Green Bonds Update Report approximately one-year post-issuance, to be renewed annually until full expenditure of the proceeds. Building performance (impact) will also be tracked through the Energy Design Assistance Program, a statewide program funded by utilities. The City will be benchmarking against the Minnesota Energy Code and the SB 2030 alternate compliance standard. A final report on building performance will be publicly available.

Use of proceeds reporting:

- Project-by-project
- Linkage to individual bond(s)
- On a project portfolio basis
- Other *(please specify)*:

Information reported:

- Allocated amounts
- Other *(please specify)*:
- Green Bond financed share of total investment

Frequency:

- Annual
- Other *(please specify)*:
- Semi-annual

Impact reporting:

- Project-by-project
- Linkage to individual bond(s)
- On a project portfolio basis
- Other *(please specify)*:

Frequency:

- Annual
- Other *(please specify)*:
- Semi-annual

Information reported (expected or ex-post):

- GHG Emissions / Savings
- Decrease in water use
- Energy Savings
- Other ESG indicators *(please specify)*:

Means of Disclosure

- | | |
|---|--|
| <input checked="" type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

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SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Date of publication: November 4, 2019

Monica Reid, Verification Team Leader
Evan Smith, Lead Technical Verifier
Kestrel Verifiers

About Kestrel Verifiers

To public and corporate finance teams who are preparing green bonds, Kestrel is an Approved Verifier with direct and varied project experience in many sectors: green buildings, water, renewable energy, energy efficiency, pollution prevention and control, sustainable water and wastewater management, climate change adaptation and natural resources management. As bespoke US municipal specialists, we strive to provide a personal, focused approach and dedicated support. We bring real-world experience, relationships and tools to efficiently verify and report on green bonds and Climate Bonds. Kestrel is a Woman-Owned Small Business and a certified Women's Business Enterprise.

For more information, visit www.kestrelverifiers.com

APPENDIX C
FORM OF BOND COUNSEL OPINION

\$114,400,000
City of Minneapolis, Minnesota
General Obligation Bonds (Green Bonds)
Series 2019

We have acted as bond counsel in conjunction with the issuance by the City of Minneapolis, Minnesota (the “City”), of its fully registered General Obligation Bonds (Green Bonds), Series 2019 (the “Bonds”), issued by the City in the original aggregate principal amount of \$114,400,000, dated December 5, 2019.

The Bonds mature on December 1 in the years 2022 through 2046 and bear interest at fixed rates payable on each June 1 and December 1, commencing June 1, 2020. The Bonds maturing on and after December 1, 2027, are subject to optional redemption by the City, in whole or in part, on December 1, 2026, and any date thereafter for which proper notice can be given at the redemption price of par plus accrued interest to the date of redemption.

The Bonds are issued pursuant to a resolution of the Board of Estimate and Taxation of the City adopted on October 23, 2019, and resolutions of the City Council of the City adopted on March 23, 2018 and October 25, 2019 (collectively, the “Resolutions”), for the purposes set forth in the Resolutions.

We have examined such certified proceedings, documents, and certificates of public officials as we deemed necessary to render this opinion, including the form of the Bonds. As to questions of fact material to our opinion we have relied upon such certified proceedings, documents, and certificates furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds are valid and binding general obligations of the City issued under authority of the City Charter, Minnesota Statutes, Chapter 475, as amended, and Minnesota Statutes, Sections 410.32 and 412.301, as amended.

2. The Bonds are payable primarily from ad valorem taxes imposed on all taxable property in the City, but the City is required to levy additional general ad valorem taxes on all taxable property within the City without limitation as to rate or amount, if necessary, to pay the principal of and interest on the Bonds when due.

3. Based on present federal and Minnesota laws, regulations, rulings, and decisions (which excludes any pending legislation which may have a retroactive effect), interest on the Bonds (including any original issue discount allocable to an owner thereof) is not includable in gross income of the recipient for federal income tax purposes and, to the same extent, is not includable in taxable net income of individuals, estates, and trusts for State of Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the State of Minnesota alternative minimum tax imposed on individuals, estates, and trusts. Interest on the Bonds is subject to State of Minnesota franchise taxes imposed on corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that

interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

It is to be understood that the rights of the registered owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of law.

We have not been asked and have not undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Bonds, and accordingly we express no opinion with respect thereto.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated at Minneapolis, Minnesota, on December 5, 2019.

APPENDIX D
FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$114,400,000
City of Minneapolis, Minnesota
General Obligation Bonds (Green Bonds)
Series 2019

CONTINUING DISCLOSURE CERTIFICATE

December 5, 2019

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Minneapolis, Minnesota (the “City”), in connection with the issuance of its General Obligation Bonds (Green Bonds), Series 2019 (the “Bonds”), in the original aggregate principal amount of \$114,400,000. The Bonds are being issued pursuant to resolutions adopted by the City Council and the Board of Estimate and Taxation of the City (the “Resolutions”). The Bonds are being delivered to Morgan Stanley & Co., LLC, as syndicate manager (collectively, the “Purchaser”), on the date hereof.

Pursuant to the Resolutions, the City has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders of the Bonds in order to assist the Participating Underwriters in complying with the Rule. This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings:

“Annual Report” means any annual report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means the City’s annual financial statements, prepared in accordance with GAAP as prescribed by GASB.

“Bondholder” or “Holder” means the person in whose name a security is registered or a beneficial owner of such a security.

“City” means the City of Minneapolis, Minnesota, which is the obligated person with respect to the Bonds.

“Disclosure Covenants” means the continuing disclosure obligations of the City under this Disclosure Certificate.

“Disclosure Information” means the financial information and operating data referred to in Section 3(a) of this Disclosure Certificate.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB as the primary portal for complying with the continuing disclosure requirements of the Rule.

“Final Official Statement” means the deemed final Official Statement, dated November 27, 2019, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a Financial Obligation as described in clause (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the City.

“GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

“GASB” means the Governmental Accounting Standards Board.

“Material Event” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” means any of the original underwriters of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

“Repository” means EMMA.

“Rule” means SEC Regulation, 17 C.F.R. Section 240.15c2-12, promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means Securities and Exchange Commission.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) On or before 270 days after the end of each Fiscal Year of the City, commencing with the Fiscal Year ending December 31, 2019, the City shall provide to the Repository the following financial information and operating data (the “Disclosure Information”):

(i) The Audited Financial Statement of the City for such Fiscal Year, which financial statements shall contain balance sheets as of the end of such Fiscal Year and a statement of operations, changes in fund balances and cash flows for the Fiscal Year then ended, showing in comparative form such figures for the preceding Fiscal Year of the City, prepared in accordance with GAAP or as otherwise provided under Minnesota law, as in effect from time to time, or, if to the extent such financial statements have not been prepared in accordance with such GAAP for reasons beyond the reasonable control of the

City, noting the discrepancies therefrom and the effect thereof and certified as to accuracy and completeness in all material respects by the Finance Officer of the City; and

(ii) To the extent not included in the financial statements referred to in clause (i) above, information of the type set forth below, which information may be unaudited, but is to be certified as to accuracy and completeness in all material respects by the Finance Officer to the best of the Finance Officer's knowledge, which certification may be based on the reliability of information obtained from governmental or other third party sources.

The Annual Report and Disclosure Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the City may be submitted separately from the balance of the Annual Report.

Any or all of the Disclosure Information may be incorporated, if it is updated as required by the Disclosure Covenants, by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

(b) If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data are not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be material, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or the Disclosure Covenants are amended as permitted by this Disclosure Certificate, then the City is to include in the next Disclosure Information to be delivered under the Disclosure Covenants, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(c) If the City is unable or fails to provide to the Repository an Annual Report and Disclosure Information by the date required in subsection (a), the City shall send a notice of that fact in a timely manner to the Repository.

(d) The City shall determine each year prior to the date for providing the Annual Report and Disclosure Information the name and address of the Repository.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. City Property Values and Taxes
2. Indebtedness of the City
3. Financial Information

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated, if it is updated as required by the Disclosure Covenants, by reference from other documents, including official statements of debt issues of

the City or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events (“Material Events”) with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The City shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the City shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the City's information.

Section 6. EMMA. The SEC has designated the Electronic Municipal Market Access ("EMMA") system operated by the MSRB as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the City shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The City's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption or payment in full, of all the Bonds. The City shall file a notice with EMMA in the event of the termination of the obligations of the City under the Disclosure Covenants pursuant to this Disclosure Certificate.

Section 8. Agent. The City may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendments; Interpretation. The Disclosure Covenants (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to or the consent of the Holders of the Bonds, by a resolution of the governing body of the City accompanied by an opinion of nationally recognized bond counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature, or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of the Rule; (ii) the Disclosure Covenants as so amended or supplemented would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Holders under the Rule. If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder. The Disclosure Covenants are to be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure

Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the City to comply with any Disclosure Covenants of this Disclosure Certificate, any person aggrieved thereby including the Holders of the Bonds may take whatever action at law or in equity as may appear necessary or appropriate to enforce performance and observance of any such Disclosure Covenant, including seeking mandamus or specific performance by court order. Direct, indirect, consequential and punitive damages shall not be recoverable, however, for any default under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds or under any other provisions of the Resolutions.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriters, and the Holders from time to time of the Bonds, and, except as expressly set forth herein, shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the undersigned officer has executed this Disclosure Certificate as of the date and year first written above.

CITY OF MINNEAPOLIS, MINNESOTA

Finance Officer

APPENDIX E

EXCERPTS OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018*

*Copies of the City’s complete audited financial statements for the fiscal year ended December 31, 2018 are available upon request from the office of the Finance Officer, 325M City Hall, Minneapolis, Minnesota. The report can be requested by phone 612-673-2079 or email “finance@minneapolismn.gov”.

The report is also available for viewing on the following website:

<http://www.minneapolismn.gov/finance/reports/CAFR>

COMPREHENSIVE
ANNUAL FINANCIAL REPORT



CITY OF
MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2018

FINANCE AND PROPERTY SERVICES DEPARTMENT

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June 24, 2019

The Honorable Mayor and Members of the City Council and Citizens of the City of Minneapolis:

TRANSMITTAL

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Minneapolis (the City) for the year ended December 31, 2018. The purpose of the report is to present the financial position of the City and the results of its operations for the year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA) and other rule-making bodies, and audited in accordance with generally accepted auditing standards by the Office of the State Auditor (OSA).

The City's management is responsible for the accuracy of the financial statements and the completeness and fairness of their presentation in the CAFR. To the best of our knowledge, the CAFR is accurate in all material respects and fairly sets forth the financial position and results of City operations as measured by the financial activity of its various funds. We believe the report contains all disclosures necessary for the reader to understand the City's financial affairs.

This transmittal letter is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A provides a narrative introduction, overview, and analysis to accompany the basic financial statements and can be found immediately following the independent auditor's report.

INDEPENDENT AUDIT

Minnesota law requires that the Office of the State Auditor perform the City's annual audit. The OSA's report on the City's financial statements is based on its audit in accordance with generally accepted auditing standards. The State Auditor issued an unmodified or "clean" opinion on the City's financial statements for the year ended December 31, 2018. The State Auditor's opinion is included as page one through three in the financial section of this report.

The independent audit of the financial statements of the City is part of a broader, federally mandated audit designed to meet the requirements of the Federal Single Audit Act. The State Auditor is required to report not only on the fair presentation of the financial statements, but also on the City's internal controls over financial reporting, and compliance with legal requirements, with special emphasis on internal controls and compliance requirements involving the administration of Federal awards. These reports are included in the Office of the State Auditor's separate Management and Compliance Report.

STEWARDSHIP

The City prepares financial reports to promote accountability. The City's elected officials are accountable to the citizens, and City management is accountable to the elected officials. This report provides citizens and other interested parties one mechanism to assess whether the elected and appointed officials in the City have faithfully carried out their role as good stewards of the City's resources.

INTERNAL CONTROLS

The City's management is responsible for establishing a comprehensive framework of internal controls. Because the cost of internal controls should not exceed anticipated benefits, and because the costs and benefits of internal controls are subject to estimates and judgments by management, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

We believe that the City's internal controls reasonably safeguard assets, assure that financial transactions are properly recorded and reported, and ensure compliance with applicable federal and state laws and regulations.

To ensure independence, the Office of the State Auditor has full and free access to meet with the City Council to discuss the results of their assessment of the adequacy of internal accounting controls and the quality of the City's financial reporting.

THE REPORTING ENTITY

The City organizes its financial activities into a variety of funds. In accordance with GASB Statement No. 61, the City's financial statements include all funds of the City ("primary government") as well as its component units. The primary government represents all funds under the ultimate control of the Mayor and City Council. Component units are separate legal entities. While legally separate, component units are in substance a part of City government. The City's financial statements would be misleading without incorporating component unit information. Some component units are reported in a separate column of the City's financial statements set apart from the rest of the primary government. These component units are discretely presented in the financial statements because, while the City is financially accountable for them, they do not meet the criteria for a blended component unit. The Minneapolis Parks and Recreation Board, the Municipal Building Commission (MBC), and Meet Minneapolis are discretely presented component units in the City's financial statements. Only the Board of Estimate and Taxation (BET) meets the criteria to be reported as a blended component unit.

THE CITY AND ITS SERVICES

City Profile

The City of Minneapolis is located in Hennepin County. It is the largest city in Minnesota and serves as the center of finance, industry, trade, and transportation for the Upper Midwest region of the United States.

Minneapolis encompasses 57.4 square miles, including five square miles of inland water. The City rests along the banks of the nation's largest river, the Mississippi. Minneapolis is known as "The City of Lakes," featuring 22 lakes and 170 city parks. The Minneapolis Park System is one of the City's most prized assets and considered one of the premier park systems in the United States. Properties of the Minneapolis Parks & Recreation Board total nearly 6,732 acres of land and water and include full-service neighborhood recreation centers.

Riding a bicycle is one of the more popular ways of getting around Minneapolis year round. The City is ranked as one of the best bicycling cities in the nation including being named the #3 bicycling commuting city by the U.S. Census Bureau. The city has also been awarded with the Gold Level Bicycle Friendly Community Award from the League of American Bicyclists. Minneapolis is also home to such popular walking destinations as the newly renovated Nicollet Mall, the Stone Arch Bridge, the Grand Rounds, and Milwaukee Avenue. In addition to the 57 miles of parkways, nearly 92% of the City's streets have sidewalks on both sides of the street providing over 1,900 miles of sidewalks. The City has developed both a Bicycle Master Plan and Pedestrian Master Plan for long range planning to both grow and support these low-polluting, cost effective and healthy ways to travel around the City. In 2016, the City Council approved a 20-year plan to provide \$30 million each year to ensure funding of the City's streets and neighborhood parks including its bikeways and pedestrian programs.

There are 81 residential neighborhoods within the City offering a broad range of housing to more than 176,000

households. The City is well known for its concerned and active citizenry which has engaged in partnerships with government and business to improve neighborhoods and create economic opportunities. Minneapolis is second only to New York City in per capita attendance at theater and arts events. Minneapolis has more than thirty theaters; the Guthrie Theater and the Children's Theatre Company are recognized as two of the country's best. The City boasts two world-class art museums and is home to the internationally acclaimed Minnesota Orchestra.

Minneapolis' population continues to grow. As of 2017, Minneapolis is home to an estimated 422,326 people. From 2011 to 2017, the population within the City grew by 34,453 people, a six-year growth rate of 8.9%. Males and females each make up approximately 50% of the population as do renters and homeowners. Children and youth under 18 make up 27% of the population with seniors aged 65 and above comprising 9% of the population. Following national and regional trends, an increasing percentage of the City's population is persons of color: as of the 2017 American Community Survey, 36% of the City's population is non-white or Hispanic. Approximately 16% of residents are immigrants and 21% of adults routinely speak a language other than English at home.

As the major city within the larger metropolitan area, Minneapolis enjoys a strong and highly diverse business foundation of companies involved in manufacturing supercomputers, electronics, medical instruments, milling, machine manufacturing, food processing and graphic arts. In addition, with seven hospitals and the University of Minnesota, Minneapolis is a nationally known medical center that produces many high technology medical products.

Most of the preceding, and additional information, is available from the Metropolitan Council and the US Census Bureau.

Form of Government and Organization

The City is a municipal corporation governed by a Mayor-Council form of government. The Mayor and 13 City Council Members from individual wards are elected for terms of four years, without limit on the number of terms that may be served. Elections in the City of Minneapolis are held in odd-numbered years. The next City election is scheduled for November 2021.

City leaders set new goals every four years, resulting in clear priorities that provide long-term direction and clarify the core function of City government.

City Council

As provided in the City Charter, the City Council governs Minneapolis through its legislative, administrative, and financial power over City functions. The Council levies taxes, enacts ordinances and resolutions, licenses businesses, and exercises budgetary and policy control over City departments.

Council members represent the interests of their constituents. They respond to inquiries, suggestions and complaints regarding City programs and services and meet regularly with constituents to discuss developments affecting the ward they represent, and the City as a whole.

Mayor

The Mayor is responsible for a variety of leadership duties, including: appointing representatives to a variety of agencies and commissions; nominating department head candidates for Executive Committee and Council approval; proposing the annual operating and capital budgets; and reviewing, approving, or vetoing all Council actions. The Mayor, however, does not vote on Council actions.

Departments

The City organizes itself by departments, which are managed by department heads (see the City of Minneapolis organization chart at the end of this transmittal letter). These City departments provide a broad range of services including: police; fire; health services; public works; assessment of property; attorney services; civil rights; planning; regulatory services; economic development; and management support services.

FINANCIAL POLICES

Each year during the budget process, the Council adopts a comprehensive set of financial policies. Of particular relevance to the City budget process is the policy to maintain a minimum unassigned fund balance in the General Fund equal to 17% of the following year's General Fund budgeted expenditures. This balance is to be used for cash flow purposes, unanticipated expenditures of a non-recurring nature, unexpected increases in service delivery costs, or unexpected revenue shortfalls. The unassigned fund balance of the General Fund at December 31, 2018, was \$102.9 million, which is \$21.8 million more than policy requires. Additional information regarding the 2018 fund balance in the General Fund is available in the MD&A.

Separate from the unassigned General Fund reserve balance, the City also has a policy to budget an operating budget contingency in the General Fund of not less than 1% of all budgeted General Fund expenditures in each of the applicable years planned for in the City's Five-Year Financial Direction. The contingency reserve was \$4.5 million in 2018, and is \$4.7 million in 2019.

ECONOMIC CONDITION AND OUTLOOK

A detailed discussion and analysis of the City's overall financial condition during the fiscal year ended 2018 is included as part of the MD&A.

LONG-TERM FINANCIAL PLANNING

The City takes a pro-active, long-term perspective in planning for the future. The City's approach and policies regarding long-term financial planning are discussed in detail in the MD&A section of this report.

DEBT MANAGEMENT

The primary goal of the City's debt management practices is to maintain its ability to access capital markets at the lowest possible cost (interest rate) without endangering its ability to finance essential services. The City's conservative financial practices have earned its general obligation debt some of the highest ratings available from national bond rating services as follows:

Fitch – AA+
S&P Global Ratings – AAA

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2017. A Certificate of Achievement is valid for a period of one year only. The City has received this prestigious award for 44 years.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for review.

The City also received the GFOA's Distinguished Budget Presentation Award for its 2018 annual budget document. To qualify for the distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the City's Finance & Property Services Department. In addition, we would like to thank the Office of the State Auditor for its thoroughness and professionalism in conducting the City's audit. Finally, we would like to thank the Mayor, members of the City Council, and the City Coordinator for their interest in conducting the financial operations of this City in a responsible and progressive manner.

Respectfully submitted,



Mark T. Ruff
Finance Officer



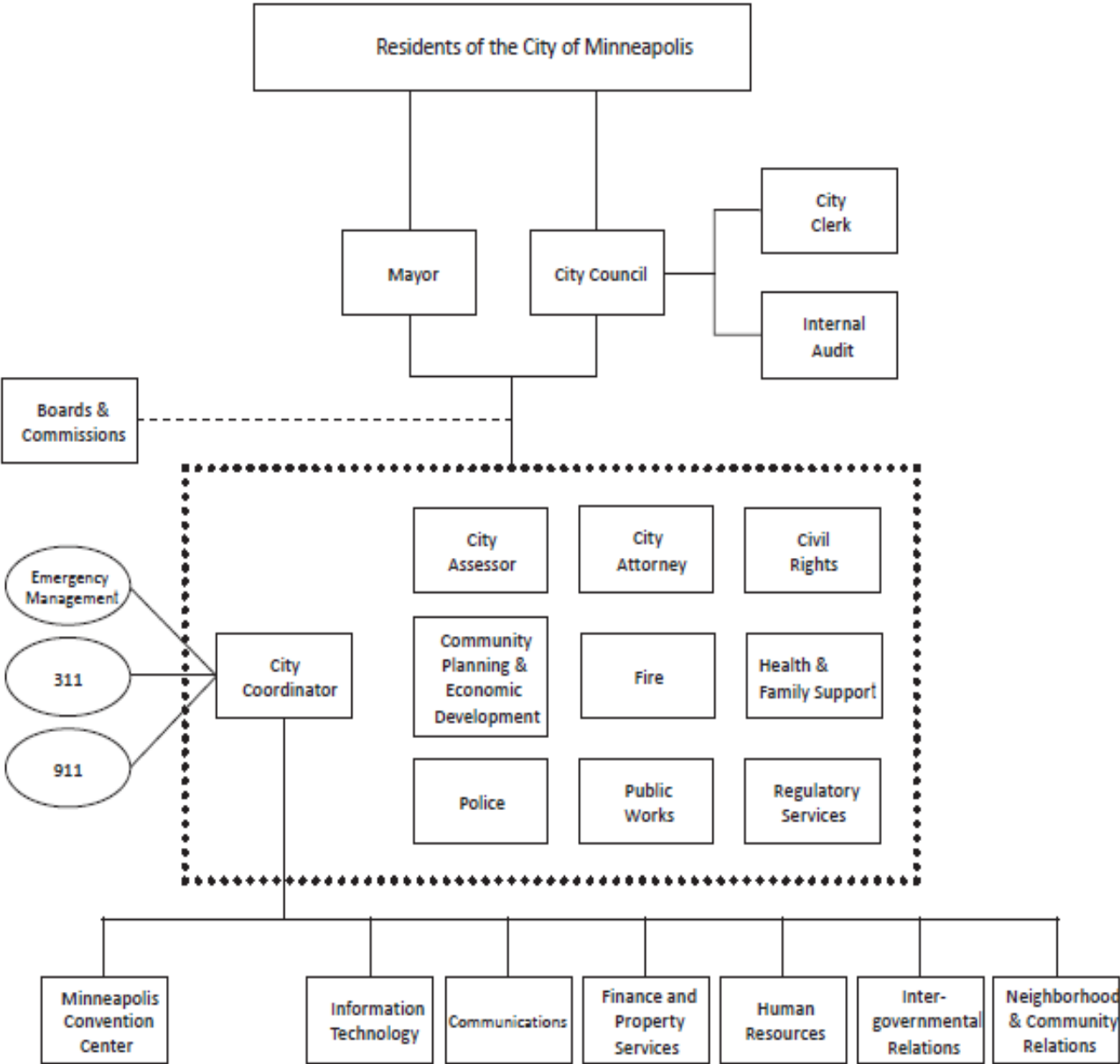
Lori Johnson
Deputy Finance Officer



Lyle Hodges
Controller

City of Minneapolis

Organizational Chart



MAYOR AND COUNCIL

CITY OF MINNEAPOLIS, MINNESOTA

2018

Mayor.....JACOB FREY

CITY COUNCIL

Ward 1.....KEVIN REICH

Ward 2.....CAM GORDON

Ward 3.....STEVE FLETCHER

Ward 4.....President.....LISA BENDER

Ward 5.....JEREMIAH ELLISON

Ward 6.....ABDI WARSAME

Ward 7.....LISA GOODMAN

Ward 8.....Vice-President.....ANDREA JENKINS

Ward 9.....ALONDRA CANO

Ward 10.....LISA BENDER

Ward 11.....JEREMY SCHROEDER

Ward 12.....ANDREW JOHNSON

Ward 13.....LINEA PALMISANO



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Minneapolis
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

**CITY OF MINNEAPOLIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

This section of the Comprehensive Annual Financial Report (CAFR) for the City of Minneapolis presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the City's basic financial statements following this section. **All dollar amounts are expressed in thousands unless otherwise indicated.**

FINANCIAL HIGHLIGHTS

- For the year ended December 31 2018, the City implemented specific guidance from Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, related to accounting for the City's implicit rate subsidy related to providing health insurance to retirees at a blended rate. See details of the updated disclosures in Note 13 starting on page 93 of this report.
- At the close of the 2018 fiscal year, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$2,257,802 (net position). Of this amount, \$2,206,348 is the City's net investment in capital assets and \$366,308 is restricted for specific purposes (restricted net position) leaving a deficit of \$(314,854) in unrestricted net position. The deficit balance is not an indication that the City lacks the resources to satisfy its financial obligations in the near future. Rather, the deficit is the result of long-term, actuarially determined liabilities associated with pensions which are managed by the respective retirement systems and the State Legislature. The City will continue to contribute the statutorily required amounts to the retirement plans.
- The City's total net position increased by \$168,772 in 2018. Governmental activities increased the City's net position by \$156,009 and business-type activities increased the net position by \$12,763.
- As of December 31, 2018, total fund balance in the General Fund was \$104,196, of which \$102,946 was unassigned.
- The City's total long-term bond and note liability increased by \$11,255 from the prior year. Total bonds and notes issued in 2018 was \$214,460. Total debt retirement was \$203,205. Major new debt issuances included notes of \$30,000 for the East Side Maintenance Facility and \$71,150 for the new downtown Public Service Building. In 2018, \$47,275 of the debt issuances were refunding previously issued debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the basic financial statements. This report also contains required and other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements—Government-wide financial statements are designed to provide readers with a broad overview of City finances, in a manner similar to a private-sector business.

The statement of net position presents information on all City assets, deferred outflows, liabilities, and deferred inflows. The difference between assets plus deferred outflows and liabilities plus deferred inflows is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of these costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, health and welfare, and community planning and economic development. The business-type activities of the City include sanitary sewer, stormwater, solid waste and recycling, water treatment and distribution services, municipal parking, and community planning and economic development.

The government-wide financial statements include not only the City of Minneapolis (known as the primary government), but also legally separate entities for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City's basic financial statements to be misleading or incomplete. For the City of Minneapolis, component units are included in the basic financial statements of the City and consist of legally separate entities which provide services almost entirely to the primary government (blended component units) or for which the City is financially accountable as defined by Generally Accepted Accounting Principles (GAAP) (discretely presented component units). The City's blended component unit is the Board of Estimate and Taxation (BET). The City's discretely presented component units include the Minneapolis Park and Recreation Board (Park Board), the Municipal Building Commission (MBC), and Meet Minneapolis.

The government-wide financial statements can be found on pages 31-32 of this report.

Fund Financial Statements—A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds in the City can be divided into three categories – governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds—These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Minneapolis maintains 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Community Planning and Economic Development Special Revenue Fund, the Downtown Assets Special Revenue Fund, the HUD Consolidated Special Revenue Fund, the Permanent Improvement Capital Projects Fund, and the Special Assessment Debt Service Fund, all of which are considered to be major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation.

Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the Other Supplemental Information section of this report beginning on page 117.

The governmental funds' financial statements can be found on pages 33-36 of this report.

Proprietary Funds—The City of Minneapolis maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Minneapolis uses the enterprise funds to account for its sanitary sewer, stormwater, water treatment and distribution services, municipal parking, solid waste and recycling, and community planning and economic development (CPED) activities. The City uses internal service funds to account for its property management services, fleet services, business information services, central stores, engineering lab, outside purchases of asphalt and cement services, city attorney, workers' compensation, unemployment benefits and other payroll related services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The proprietary funds' financial statements can be found on pages 37-40 of this report.

Fiduciary Funds—Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the City.

The fiduciary fund financial statements can be found on page 41 of this report.

Notes to the Financial Statements—The notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the government-wide financial statements.

The notes to the financial statements can be found on pages 45-99 of this report.

Required Supplemental Information—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

The required supplemental information can be found on pages 101-110 of this report.

The combining statements referred to earlier, in connection with non-major governmental funds and internal service funds, are presented immediately following the required supplemental information beginning on page 117.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position—The following table presents the primary government’s net position as of December 31, 2018 with a comparison to 2017.

Statement of Net Position December 31, 2018, and 2017

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 1,016,199	\$ 906,290	\$ 264,132	\$ 259,677	\$ 1,280,331	\$ 1,165,967
Capital assets	1,565,295	1,493,112	1,102,995	1,078,109	2,668,290	2,571,221
Total assets	<u>\$ 2,581,494</u>	<u>\$ 2,399,402</u>	<u>\$ 1,367,127</u>	<u>\$ 1,337,786</u>	<u>\$ 3,948,621</u>	<u>\$ 3,737,188</u>
Deferred outflows of resources	<u>\$ 250,290</u>	<u>\$ 332,891</u>	<u>\$ 8,570</u>	<u>\$ 13,491</u>	<u>\$ 258,860</u>	<u>\$ 346,382</u>
Current and other liabilities	\$ 219,158	\$ 221,292	\$ 56,294	\$ 54,950	\$ 275,452	\$ 276,242
Long-term liabilities	1,027,067	1,059,964	329,103	319,196	1,356,170	1,379,160
Total liabilities	<u>\$ 1,246,225</u>	<u>\$ 1,281,256</u>	<u>\$ 385,397</u>	<u>\$ 374,146</u>	<u>\$ 1,631,622</u>	<u>\$ 1,655,402</u>
Deferred inflows of resources	<u>\$ 309,953</u>	<u>\$ 336,677</u>	<u>\$ 8,104</u>	<u>\$ 7,908</u>	<u>\$ 318,057</u>	<u>\$ 344,585</u>
Net position						
Net investment in capital assets	\$ 1,311,190	\$ 1,190,812	\$ 895,158	\$ 876,141	\$ 2,206,348	\$ 2,066,953
Restricted net position	329,487	254,967	36,821	36,082	366,308	291,049
Unrestricted net position	(365,071)	(331,419)	50,217	57,000	(314,854)	(274,419)
Total net position	<u>\$ 1,275,606</u>	<u>\$ 1,114,360</u>	<u>\$ 982,196</u>	<u>\$ 969,223</u>	<u>\$ 2,257,802</u>	<u>\$ 2,083,583</u>
Restatement (see Note 1Q)		5,237		210		5,447
Total net position, as restated		<u>\$ 1,119,597</u>		<u>\$ 969,433</u>		<u>\$ 2,089,030</u>

The largest portion of the City’s net position reflects its \$2,206,348 investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City continues to invest significantly in its infrastructure assets, which is reflected in the \$139,395 increase in this portion of the City’s net position. The City uses these capital assets to provide services to citizens. As a result, these assets are not available for future spending. Although the City’s investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position increased \$75,259 to \$366,308 in 2018 in part due to the \$24,896 increase in capital improvement restrictions, along with an increase in \$24,235 in community and economic development restrictions. Net position is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation (City ordinances).

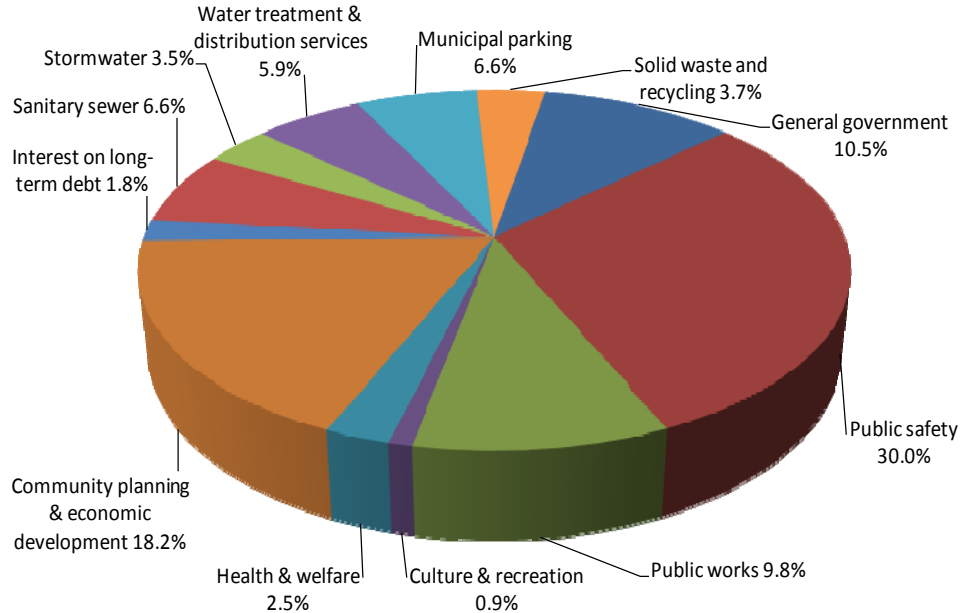
The remaining deficit of \$(314,854) represents the unrestricted portion of the City’s net position. This is a decrease of \$40,435 from the 2017 unrestricted net position. The decrease in unrestricted net position is the result of a multitude of factors, including additional restrictions to net position as noted above. As noted in the following section, overall net position of the City increased in 2018.

Statement of Activities—The following table presents the changes in net position for governmental and business-type activities. The governmental activities net position increased by \$156,009 while the business-type activities net position increased by \$12,763.

Statement of Activities						
For the Years Ended December 31, 2018, and 2017						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 149,256	\$ 152,312	\$ 309,717	\$ 301,332	\$ 458,973	\$ 453,644
Operating grants and contributions	130,724	137,377	5,771	6,988	136,495	144,365
Capital grants and contributions	9,054	11,356	-	-	9,054	11,356
General revenues:						
General property tax and fiscal disparities	271,192	278,088	-	-	271,192	278,088
Property tax increment	62,129	55,666	-	-	62,129	55,666
Franchise taxes	34,772	32,143	-	-	34,772	32,143
Local taxes	89,794	83,266	-	-	89,794	83,266
Other taxes	298	267	-	-	298	267
Local government aid - unrestricted	69,683	68,543	-	-	69,683	68,543
Grants and contributions not restricted to programs	3,291	1,879	425	16	3,716	1,895
Unrestricted interest and investment earnings	14,764	6,651	636	364	15,400	7,015
Other	989	2,003	155	20	1,144	2,023
Gain on sale of capital assets	1,100	291	212	20,660	1,312	20,951
Total revenues	837,046	829,842	316,916	329,380	1,153,962	1,159,222
Expenses						
General government	103,781	102,171	-	-	103,781	102,171
Public safety	294,822	323,498	-	-	294,822	323,498
Public works	96,934	58,174	-	-	96,934	58,174
Culture and recreation	9,103	11,252	-	-	9,103	11,252
Health and welfare	24,983	25,483	-	-	24,983	25,483
Community planning and economic development	173,362	149,145	5,437	5,921	178,799	155,066
Interest on long-term debt	18,054	15,121	-	-	18,054	15,121
Sanitary sewer	-	-	65,209	58,250	65,209	58,250
Stormwater	-	-	34,182	34,518	34,182	34,518
Water treatment and distribution services	-	-	58,068	59,536	58,068	59,536
Municipal parking	-	-	64,727	48,758	64,727	48,758
Solid waste and recycling	-	-	36,528	36,087	36,528	36,087
Total expenses	721,039	684,844	264,151	243,070	985,190	927,914
Excess (deficiency) before transfers	116,007	144,998	52,765	86,310	168,772	231,308
Transfers	40,002	31,102	(40,002)	(31,102)	-	-
Change in net position	156,009	176,100	12,763	55,208	168,772	231,308
Net position - Beginning (2017 & 2018 Restated)	1,119,597	938,260	969,433	914,015	2,089,030	1,852,275
Net position - Ending	\$1,275,606	\$1,114,360	\$ 982,196	\$ 969,223	\$2,257,802	\$ 2,083,583

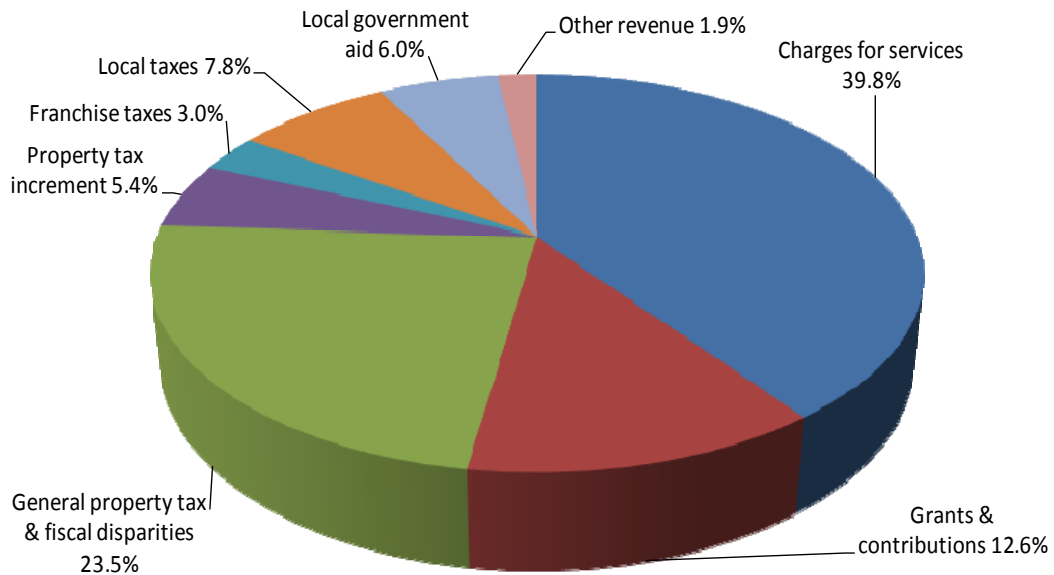
Governmental Activities—Governmental activities increased the City's net position by \$156,009 compared to an increase of \$176,100 in 2017. Total governmental revenue increased by 0.9% from 2017 to 2018 while total expenses increased by 5.3% over that same period. The increase in expenses is attributable mainly to capital outlays for large projects and development costs for community planning and economic development activities. A significant expense in the statement of activities, compared to fund statements, is depreciation. Current year depreciation for governmental activities was \$70,452.

Government-wide Expenses



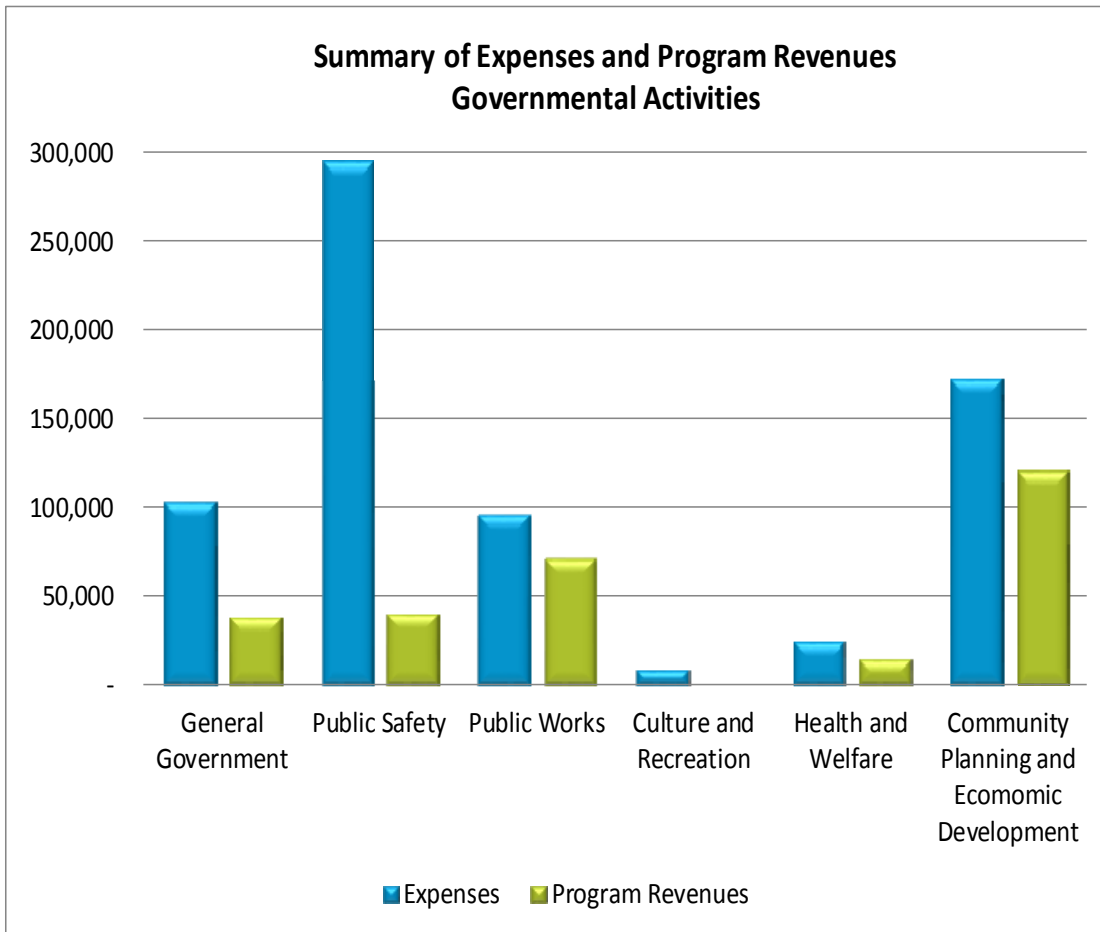
Program revenue decreased primarily due to a decrease in operating grants in the public works function. This revenue is used in conjunction with other funding sources for public works and variations in one type of revenue may be offset by another revenue source. General revenues cover any net expense after program specific revenues are applied. General revenues were up slightly due to better interest earnings in 2018 and an increase in local tax revenue. Local taxes are collected on lodging, restaurant, and entertainment activities. Increased local taxes are attributable to several large events held in Minneapolis in 2018 including Super Bowl 52.

Government-wide Revenues



**Summary of expenses and program revenues - Governmental Activities
For the Year ended December 31, 2018**

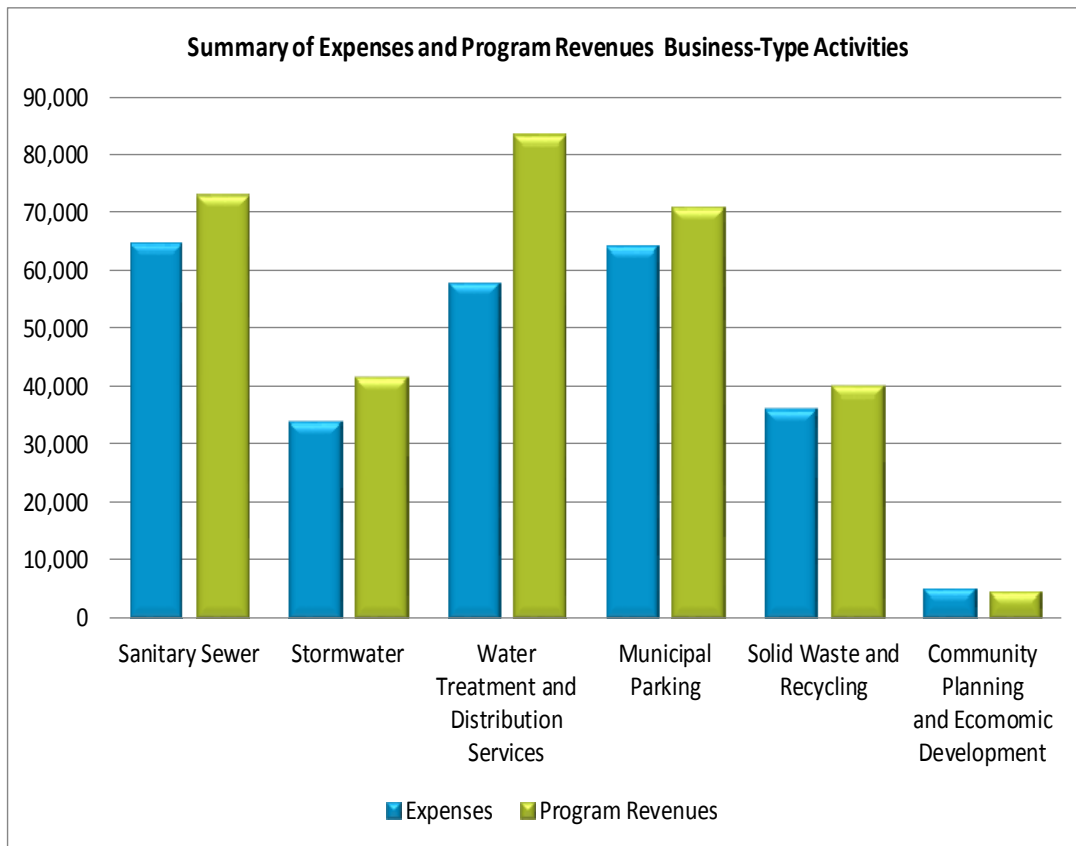
Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue by Program
General government	\$ 103,781	\$ 39,366	\$ (64,415)
Public safety	294,822	41,620	(253,202)
Public works	96,934	71,367	(25,567)
Culture and recreation	9,103	-	(9,103)
Health and welfare	24,983	15,327	(9,656)
Community planning and economic development	173,362	121,354	(52,008)
Interest on long-term debt	18,054	-	(18,054)
	<u>\$ 721,039</u>	<u>\$ 289,034</u>	<u>\$ (432,005)</u>
General revenues and transfers supporting governmental activities			<u>588,014</u>
Change in net position			<u>156,009</u>
Net position - January 1, 2018, restated (see Note 1Q)			<u>1,119,597</u>
Net position - December 31, 2018			<u>\$ 1,275,606</u>



Business-Type Activities—Business-type activities increased the City’s net position by \$12,763 compared with an increase of \$55,208 in 2017.

**Summary of expenses and program revenues - Business-Type Activities
For the Year ended December 31, 2018**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue by Program
Sanitary sewer	\$ 65,209	\$ 73,502	\$ 8,293
Stormwater	34,182	41,880	7,698
Water treatment and distribution services	58,068	83,719	25,651
Municipal parking	64,727	71,128	6,401
Solid waste and recycling	36,528	40,467	3,939
Community planning and economic development	5,437	4,792	(645)
	<u>\$ 264,151</u>	<u>\$ 315,488</u>	<u>\$ 51,337</u>
General revenues and transfers supporting business-type activities			(38,574)
Change in net position			12,763
Net position - January 1, 2018, restated (see Note 1Q)			969,433
Net position - December 31, 2018			<u>\$ 982,196</u>



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Minneapolis uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds—The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Project Funds. The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For 2018, six governmental funds, including the General Fund, are presented as major funds. These funds include the Community Planning and Economic Development, Downtown Assets, and HUD Consolidated Plan Special Revenue Funds, the Permanent Improvement Capital Project Fund, and the Special Assessment Debt Service Fund. At December 31, 2018, the City's governmental funds reported a combined ending fund balance of \$600,705, an increase of \$84,008 compared with the prior year. Approximately 16.8% of this total amount, or \$101,128, constitutes unassigned fund balance, which is available for spending at the City's discretion.

The remainder of the fund balance is classified as follows: nonspendable (\$1,513) for land development, advances to other funds, prepaid items, and properties held for resale; restricted (\$329,487) for debt service, community planning and economic development, capital improvements, grants, and law enforcement legal requirements; and assigned (\$168,577) for specific purposes not meeting a more restricted criteria for general government, community planning and economic development programs, neighborhood and community relations, public safety programs, pension obligations, and capital improvements. Additional details on fund balance can be found in Note 10.

The following tables provide an overview of revenues by source and expenditures by function for all governmental funds:

Revenues by Source	2018		2017		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
	Amount	Total	Amount	Total	Amount
Taxes	\$ 458,711	53.47 %	\$ 428,271	50.57 %	\$ 30,440
Licenses and permits	48,658	5.67	46,398	5.48	2,260
Intergovernmental revenues	165,366	19.27	183,797	21.70	(18,431)
Charges for services and sales	80,785	9.41	110,799	13.08	(30,014)
Fines and forfeits	7,417	0.86	7,783	0.92	(366)
Special assessments	28,279	3.30	29,516	3.49	(1,237)
Investment earnings	14,776	1.72	6,679	0.79	8,097
Miscellaneous revenue	54,092	6.30	33,609	3.97	20,483
Total revenues	<u>\$ 858,084</u>	<u>100.00 %</u>	<u>\$ 846,852</u>	<u>100.00 %</u>	<u>\$ 11,232</u>

**Expenditures by Function
Governmental Funds**

Expenditures by Function	2018		2017		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
Current:					
General government	\$107,988	11.28 %	\$100,772	10.08 %	\$ 7,216
Public safety	298,052	31.13	284,155	28.42	13,897
Public works	65,648	6.86	59,804	5.98	5,844
Culture and recreation	-	-	780	0.08	(780)
Health and welfare	24,104	2.52	23,797	2.38	307
Community planning and economic development	172,556	18.03	155,783	15.58	16,773
Capital outlay	107,091	11.19	193,489	19.35	(86,398)
Intergovernmental:					
General government	1,000	0.10	968	0.10	32
Public safety	132	0.01	111	0.01	21
Culture and recreation	9,103	0.95	10,472	1.05	(1,369)
Debt service:					
Principal retirement	153,750	16.06	154,711	15.47	(961)
Interest and fiscal charges	17,882	1.87	15,104	1.50	2,778
Total expenditures	\$957,306	100.00 %	\$999,946	100.00 %	\$ (42,640)

General Fund—The General Fund is the general operating fund of the City. As of December 31, 2018, unassigned fund balance in the General Fund was \$102,946, and nonspendable fund balance was \$1,250. Total fund balance decreased by \$12,902 during 2018.

The following table provides changes in revenues by source from 2017 to 2018.

Revenues by Source	General Fund Revenues By Source				Increase/ (Decrease)
	2018		2017		Amount
	Amount	Percent of Total	Amount	Percent of Total	
Taxes	\$ 228,086	47.17 %	\$ 295,004	58.29 %	\$ (66,918)
Licenses and permits	47,380	9.80	45,091	8.91	2,289
Intergovernmental revenues	87,762	18.15	85,131	16.82	2,631
Charges for services and sales	53,736	11.11	51,007	10.08	2,729
Fines and forfeits	7,138	1.48	7,556	1.49	(418)
Special assessments	2,981	0.62	3,152	0.62	(171)
Investment earnings	6,956	1.44	3,186	0.63	3,770
Miscellaneous revenues	9,576	1.98	3,493	0.69	6,083
Total revenues	\$ 443,615	91.75	\$ 493,620	97.53	\$ (50,005)
Transfers in	39,887	8.25	12,499	2.47	27,388
Total revenues and other financing sources	\$ 483,502	100.00 %	\$ 506,119	100.00 %	\$ (22,617)

In 2018, General Fund revenues and transfers decreased by about 4.5% from the previous year. Some highlights include:

- Tax collections were lower in 2018 than 2017 due to a change in where the City’s local taxes are accounted for. Local taxes include local sales, lodging and entertainment taxes. Prior to 2018, these taxes were deposited directly into the General Fund and then transferred out to support the Minneapolis Convention Center and other activities. Beginning in 2018, these local taxes were collected in the newly created Downtown Assets Special Revenue Fund. This fund will be used to better manage the City’s major downtown assets including the Minneapolis Convention Center, Target Center, Peavey Plaza, and the Downtown Commons park.
- Licenses and permits along with charges for services continue to increase. Both revenue sources are associated with higher than usual development activities and the City continues to see elevated development both in the downtown core as well as throughout the City.
- Other revenues were similar to 2017 amounts. Some other notable changes came from investment revenue that increased from \$3,186 in 2017 to \$6,956 in 2018.

The following table provides the changes in expenditures by function from 2017 to 2018:

Expenditures by Function	General Fund Expenditures by Function				Increase/ (Decrease)
	2018		2017		
	Amount	Percent of Total	Amount	Percent of Total	Amount
Current:					
General government	\$ 79,686	16.06 %	\$ 73,765	14.86 %	\$ 5,921
Public safety	273,954	55.19	258,885	52.14	15,069
Public works	65,300	13.15	59,550	11.99	5,750
Culture and recreation	-	-	780	0.16	(780)
Health and welfare	11,676	2.35	10,426	2.10	1,250
Community planning and economic development	36,775	7.41	33,724	6.79	3,051
Total expenditures	467,391	94.16	437,130	88.04	30,261
Transfers out	29,013	5.84	59,388	11.96	(30,375)
Total expenditures and other financing uses	<u>\$496,404</u>	<u>100.00 %</u>	<u>\$496,518</u>	<u>100.00 %</u>	<u>\$ (114)</u>

Overall, General Fund expenditures and transfers out decreased by 0.6% from the previous year, although appropriations were underspent by approximately \$4,484. An increase in public safety costs related to budgeted increases in overall costs was offset by a decrease in transfers out. In prior years, the general fund collected local tax revenue and made a transfer out to fund the Convention Center Special Revenue Fund. Beginning in 2018, those local taxes were collected in the newly created Downtown Assets Special Revenue Fund. This fund will be used to better manage the City’s major downtown assets including the Minneapolis Convention Center, Target Center, Peavey Plaza, and the Downtown Commons park.

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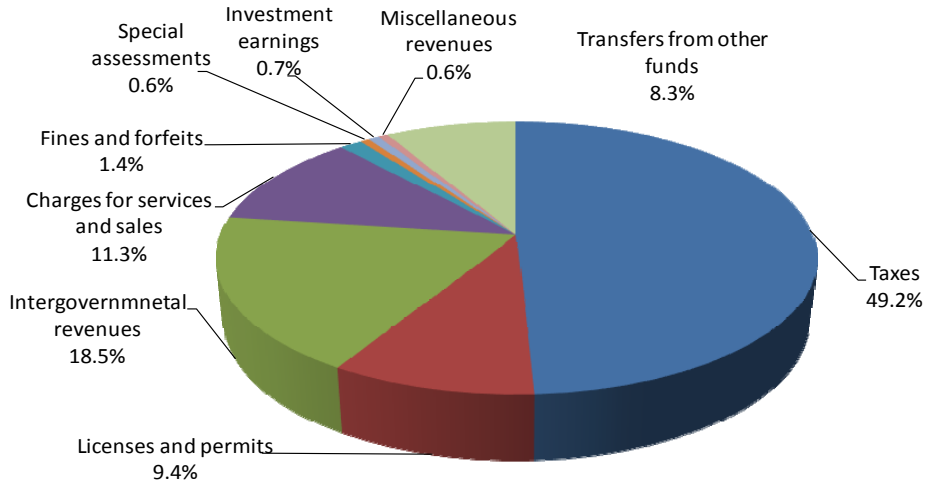
General Fund Budgetary Highlights—The final budget for the City’s General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments), and any additional supplemental appropriations that may occur during the fiscal year. In 2018, the following were significant budget actions:

- The original General Fund appropriation for fiscal year 2018 was \$480,579, which included projected transfers out of \$9,136. The final appropriation was \$500,888 including transfers of \$29,013. General revenues and other resources were originally estimated at \$463,258, which included projected transfers in of \$38,387. The final revenue estimate was \$463,324 including transfers of \$38,387.
- Budgetary variances between the final amended budget and the actual results include:
 - 1) Overall, Public Works finished the year \$2,032 over budget due to an abnormally high number of snow emergency and plowing costs.
 - 2) The City Coordinator departments in total ended the year \$1,914 under budget due mainly to salary savings related to personnel vacancies and delayed spending on projects and initiatives.
 - 3) A \$10,000 transfer to the capital project fund that was delayed for two years was completed in 2018 because State funding for the project was secured.
 - 4) Community Planning and Economic Development (CPED) has a number projects that are expected to require ongoing funding resulting in current year budget savings. A number of development projects were moved into the CPED special revenue fund resulting in a transfer of \$9,875 out of the General Fund.
 - 5) Contingency funding of \$4,500 and the underspending identified above offset the overspending, resulting in an overall underspending in the General Fund of \$4,484.

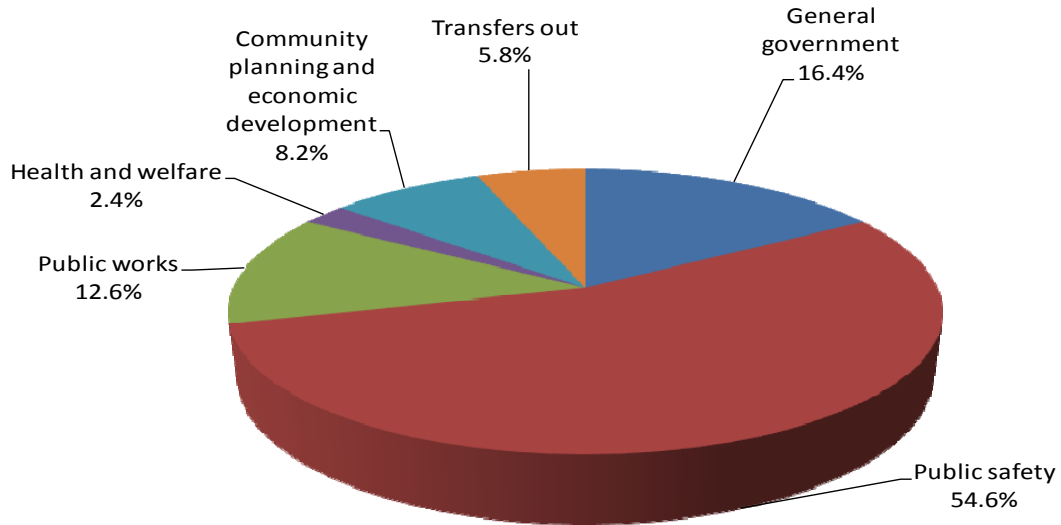
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Current fiscal year revenue and expenditure budgets for the General Fund by major category or function are as follows:

General Fund Revenue Budget by Source



General Fund Expenditure Budget by Function



Community Planning and Economic Development (CPED) Special Revenue Fund—The Community Planning and Economic Development (CPED) Special Revenue Fund accounts for governmental fund proceeds that are legally restricted to expenditures for specific purposes in a series of housing and economic development programs. The range of programs operated within this fund are created to increase the City’s economic competitiveness, to ensure an array of attractive housing choices, to support strong and diverse neighborhoods, and to preserve the City’s historic structures. These programs are financed primarily through tax increment financing, administrative fees, and rents and sales from land held for development. A general development fund program provides loans and grants to organizations within the City to assist commercial and housing development. The program is capitalized with residual equities from development projects, sales from land held for development, and loan repayments.

The total revenues of the CPED Special Revenue fund in 2018 were \$82,173, a 34% increase from the prior year. A majority, approximately 72%, of the fund’s revenue was derived from property tax increment, and 15% of the fund’s revenue was generated from rents collected and the repayment of loans made for the housing and redevelopment activities of the City. The remaining revenue was derived from a variety of miscellaneous sources. The expenditures for the fund in 2018 were \$41,962. The fund’s expenditures are primarily for contractual services for the housing and economic programs operated within the fund and for the staff costs to monitor and deliver these programs. The level of current fund expenditures increased in 2018 due to certain large projects in the current year that did not occur in the previous year. The expenditures in this fund will vary depending on the project activity in any given year.

The fund’s transfers to other funds of \$24,128 were primarily to provide resources for the debt service obligations issued by the City for community development programs. The CPED Special Revenue Fund also transferred \$6,682 to the City’s Neighborhood and Community Relations Special Revenue Fund to support ongoing activities.

At year-end, the fund balance in the CPED Special Revenue Fund was \$245,653. This included \$202,026 restricted for specific programs by State law; and the remaining \$43,627 assigned to provide for community planning and economic development activities.

Downtown Assets Special Revenue Fund – The Downtown Assets Special Revenue Fund is funded through proceeds from local taxes including sales, liquor, lodging, and entertainment. This fund uses those revenues to support the management of the City’s four primary downtown revenue generating assets including the Minneapolis Convention Center, the Target Center, Downtown Commons Park, and Peavey Plaza. Separate funds are used to account for the activities and maintenance of each of these assets and the combined funds constitute the total balance.

As mentioned above, this fund receives all local tax revenues, which for 2018 totaled \$89,794. In addition, the interest revenue from the fund’s cash balance is kept in the fund, totaling \$86 for 2018. The fund transfers out much of the proceeds of the local taxes to other funds. Total transfers out in 2018 were \$63,322. Since 2018 was the first year of operations, the beginning fund balance was \$0, while ending fund balance was \$25,957, all assigned for community and economic development.

HUD Consolidated Plan Special Revenue Fund – This fund is used to account for federal formula-based grants received from the U.S. Department of Housing and Urban Development’s Community Planning and Development Office.

Total revenue in 2018 was \$21,831, an increase of \$4,614 or 27% over the 2017 revenue of \$17,217. This increase is primarily due to increased programmatic activity in community planning and economic development (CPED) programs including multi-family and affordable housing. Expenditures in 2018 totaled \$22,310, an increase of \$4,741 or 27% over the 2017 expenditures of \$17,569. Again, activity in CPED programs increased the expenditures, similar to the revenues. Total fund balance at year end 2018 was \$6,213, an increase of \$21 over the 2017 year end fund balance of \$6,192.

Permanent Improvement Capital Project Fund—Funding for the Permanent Improvement Capital Project Fund is primarily from four sources: bonds that are sold by the City for capital projects; the State of Minnesota; Federal and local funds. State and Federal revenues are primarily used for capital assets including bridges, streets, street lighting, and traffic signals. The Permanent Improvement Capital Project Fund is used to build infrastructure for the City including bridges, streets, traffic signals, street lights, and buildings and to fund other capital projects. During 2018, \$107,091 of capital outlay occurred which is a decrease of 45% from outlay of \$193,489 in 2017.

The key assets constructed with these funds include:

- Bridges - \$3,051
- Streets - \$52,237
- Traffic Signals and Street Lighting - \$11,272
- Bike Trails - \$3,479
- Property Service - \$462
- Target Center Renovation - \$7,832
- Consolidated Office Building - \$13,499
- Peavey Plaza Renovation - \$6,234

The fund balance increased from \$38,003 in 2017 to \$103,024 in 2018. The increase is mostly due to bond sale proceeds and transfers from other funds for Capital Projects. Other than bond sales and transfers, revenues for the fund were lower from \$101,151 in 2017 to \$44,884 in 2018 due to decrease from State, City and local sources. Two of the larger components of revenue funding were a State DEED Grant for the Nicollet Mall renovation and payments from Timberwolves and AEG for the Target Center renovation. Both were lower in 2018, as most of the renovations were completed in 2017.

Special Assessment Debt Service Fund—The City uses the Special Assessment Debt Service Fund to collect special assessments from residents and businesses for public improvements that are wholly or partially paid by the taxpayers. Special assessments are levied and collected each year via Hennepin County property tax statements as well as through voluntary prepayments and title company remittances upon sale of properties. These improvements are typically related to infrastructure items such as roadway, streetscape and street lighting projects, and diseased tree removal on private property.

At the end of 2018 the City had \$51,440 of debt outstanding for special assessment improvements. During 2018, the City received debt related assessment collections and interest earnings of \$13,599 and paid total principal of \$13,100 on special assessment bonds and notes.

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Enterprise Funds—The City operates six enterprise funds: Sanitary Sewer, Stormwater, Water Treatment and Distribution Services, Municipal Parking, Solid Waste and Recycling, and Community Planning and Economic Development (CPED).

The enterprise funds had a positive net position of \$999,068 at December 31, 2018, an increase of \$12,662 over the restated 2017 balance of \$986,406.

The following table summarizes the cash balances, total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, operating income (loss), changes in net position, restatement, and net positions for each of the enterprise funds, for 2017 and 2018:

	<u>Sanitary Sewer</u>	<u>Stormwater</u>	<u>Water Treatment and Distribution Services</u>	<u>Municipal Parking</u>	<u>Solid Waste and Recycling</u>	<u>Community Planning and Economic Development</u>	<u>Total</u>	
							2018	2017
Cash	\$ 4,474	\$ 26,630	\$ 48,405	\$ 14,267	\$ 50,653	\$ 38,855	\$ 183,284	\$ 138,027
Assets	156,359	352,268	414,218	281,021	75,679	104,454	1,383,999	1,354,759
Deferred outflows of resources	1,049	1,566	3,152	797	2,006	-	8,570	13,491
Liabilities	34,014	12,947	142,991	81,181	48,916	65,348	385,397	374,146
Deferred inflows of resources	994	1,484	2,977	753	1,896	-	8,104	7,908
Operating income (loss)	2,153	6,457	19,479	17,264	(1,089)	3,326	47,590	48,360
Change in net position	1,176	6,151	19,054	(13,723)	1,163	(1,159)	12,662	54,918
Restatement	-	-	-	-	-	-	-	210
Net position	122,400	339,403	271,402	199,884	26,873	39,106	999,068	986,406

Sanitary Sewer Fund—The Sanitary Sewer Fund pays 95% of the contractual payments to Metropolitan Council Environmental Services (MCES) for waste water collection and treatment services. This fund also accounts for sanitary sewer maintenance and design work and the related capital programs and debt service payments. Net position as of December 31, 2018 was \$122,400 compared to \$121,224 as restated for 2017 for an increase of \$1,176.

The operating revenues of \$74,111 for 2018 compared to \$68,509 for 2017 reflects an increase of \$5,602. The sanitary utility sales and service revenues account for \$5,093 of the increase due to increase in rates. These increases were further inflated by \$768 in SAC revenues which were off-set by decrease in miscellaneous and design revenues by \$103. Increase in SAC revenues is off-set by equivalent increase in SAC expenses.

The operating expense totaled \$71,958 compared to \$65,266 for 2017 resulting in an increase of \$6,692. The increase in operating expenses reflect increases in salaries and fringes of \$291; contractual and professional services of \$2,032; Met Council and SAC charges of \$3,489; City services of \$341; and fleet and equipment of \$539. Met Council increased rates for MCES by 6.7% resulting in an increased expense. These MCES rates are set by the Metropolitan Council on a yearly basis and are based on an allocation of overall costs incurred by MCES for waste processing for customer communities.

Stormwater Fund— The Stormwater Fund pays 5% of the contractual payments to Metropolitan Council Environmental Services (MCES) for waste water collection and treatment services. This fund also accounts for the combined sewer overflow (CSO) program, street cleaning, storm design, storm water maintenance, and the related capital programs and debt service payments. Net position as of December 31, 2018 was \$339,403 which was an increase of \$6,151 from the beginning balance of \$333,252 as restated.

The 2018 operating revenues of \$40,639 compared to \$41,648 for 2017 reflected a decrease of \$1,009. The decrease in revenue is due to additional utility billings in 2017 to a customer for prior-year adjustments. Revenue was further impacted by a decrease in reimbursements from the State of Minnesota for maintenance work done by the street cleaning and storm maintenance departments. These reimbursements are based on agreements with the State and Hennepin County.

The operating expenses totaled \$34,182 compared to \$34,518 reported for 2017. This was a decrease of \$336 and reflects a decrease in salaries and fringes by \$1,856 due to decrease in personnel, repair, and maintenance work involving City personnel. This was offset by an increase in contractual services by \$1,009 due to increase in modeling, cleaning, catch basin and manhole repairs, and other maintenance works, and an increase in equipment and fleet charges of \$511.

Water Treatment and Distribution Services Fund—The Public Works Water Treatment and Distribution Services Fund accounts for the operation, administration, maintenance and capital investments of a water treatment and delivery system for the City and several wholesale customers. The City sells water directly to the cities of Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, and Edina, as well as the Metropolitan Airports Commission.

Net position increased by \$19,054 for the year, resulting in a net position at December 31, 2018 of \$271,402. This planned increase allowed for net increases to long-term assets in the amount of \$24,075 for improvements to the City's water distribution system and the Fridley Filter Plant rehabilitation and other water treatment infrastructure improvements.

Operating revenue increased by \$1,429, when compared to 2017, due in large part to increased water sales. Operating expenses increased by \$643, when compared to 2017. This increase was mostly due to an increase from 2017 in contracted services and utilities.

Municipal Parking Fund—The Municipal Parking Fund accounts for the operation and maintenance of parking ramps, lots, on-street parking meters, the municipal impound lot, and the traffic/parking control system. Net position at December 31, 2018 was \$199,884 which is a decrease of \$13,723 from the beginning balance, as restated.

There were continued operational efficiencies attained through off-street parking; the largest contributor was a reduction in operator expenses due to the new pay machines in most of the ramps reducing the number of staff hired. The City implemented new, multi-space parking meters which continue to provide increased revenues in on-street parking. These operational changes resulted in operating income of \$17,264. However, the operating gains were offset by net transfers out of \$12,304 and a loss on the disposal of capital assets totaling \$18,120. In December 2018 the Downtown Parking Ramp that was acquired through a trade and cash outlay in 2017, was razed and the land transferred to Property Services which resulted in the loss on disposal of capital assets.

Solid Waste and Recycling Fund—The Solid Waste and Recycling Fund accounts for the City's solid waste and recycling collection and disposal, and a solid waste transfer station that serves over 107,200 dwelling units. Pick-up services for trash, yard waste, and recyclables are provided on a weekly and a biweekly basis. City crews provide approximately one-half of the solid waste collection services and the other half are provided through a consortium of companies specializing in waste collections. Also accounted for in this fund are various initiatives such as clean city neighborhood clean sweeps; city-wide litter and graffiti abatement and removal; and an organics program.

Net position through December 31, 2018 totaled \$26,873, an increase of \$1,163 compared to the restated beginning balance of \$25,710. Operating revenues totaled \$38,855, an increase of \$517 over 2017. This increase can be attributed to a rate increase of \$0.59 per dwelling unit in utility billing and increase in number of dwelling units served, resulting in increased revenue from sales.

Operating expenses increased to \$39,944 compared to \$39,512 for 2017. This increase of \$432 reflects: (i) decrease in salaries and fringes by \$763 due to decrease in pension adjustment and increase in vacant positions; (ii) increase in vendor payments by \$926 due to new contracts with increased rates; and (iii) increase in equipment and software replacements by \$269.

Community Planning and Economic Development Enterprise Fund (CPED)—The CPED Enterprise Fund operates a series of business-type activities designed to enhance housing options and economic development within the City. Within this fund there are programs that provide low interest home mortgages financed through the sale of bonds. There is also a program in which revenue bonds are issued to finance economic development. The program obtains lease or loan agreements from developers to meet the debt service requirements of the financing. This fund also operates a river terminal facility. Substantially all operating revenues are derived from fees charged to the users of the services provided. The river terminal accounts for the investment in capital assets of the fund.

Net position decreased by \$1,159 during the year. The decrease resulted primarily from closing funds and transferring remaining balances to CPED special revenue funds. The barge related activities of the River Terminal facility have been discontinued. The facility is currently used as leased space for commodity storage. The City intends to develop the site for park and jobs-intensive business uses.

Internal Service Funds—The City operates six internal service funds: Engineering Materials and Testing; Intergovernmental Services; Property Services; Equipment Services; Public Works Stores; and Self-Insurance. Internal service funds recover the cost of operations either through an activity-based cost allocation model to charge City departments for services provided or by a direct charge for the goods or services purchased. In addition to recovering the cost of operations, the revenue received must be adequate to maintain a cash balance and net position that meets the minimum balance that is determined by financial policies.

The following table provides a summary of cash balances, total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, operating income, changes in net position, and the net position for each of the internal service funds:

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Internal Service Funds
Key Balance Sheet Account Balances and Operating Activities
December 31, 2018, and 2017

	Engineering Materials and Testing	Intergovern- mental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total	
							2018	2017
Cash	\$ 1,640	\$ 21,983	\$ 9,628	\$ 26,007	\$ 3,143	\$102,938	\$ 165,339	\$ 155,542
Assets	1,887	64,793	40,386	96,848	7,497	103,901	315,312	300,867
Deferred outflows of resources	170	2,063	954	1,229	210	1,293	5,919	9,350
Liabilities	1,476	23,669	8,456	10,748	1,928	91,561	137,837	124,360
Deferred inflows of resources	161	1,961	904	1,158	199	1,226	5,609	5,482
Operating income (loss)	301	(9,623)	2,717	9,906	217	(7,629)	(4,111)	(3,408)
Change in net position	309	(5,182)	2,782	11,571	463	(12,646)	(2,703)	(451)
Restatement	-	-	-	-	-	-	-	112
Net position	\$ 420	\$ 41,226	\$ 31,980	\$ 86,171	\$ 5,580	\$ 12,407	\$ 177,784	\$ 180,487

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

At year-end 2018, the net position is \$420 representing an increase of \$309 from the 2018 restated beginning net position of \$111. The increase in net position is primarily due to more construction projects resulting in more demand for testing services and materials. The fund maintains a positive cash balance at \$1,640 at year-end 2018 which is an increase of \$113 from the 2017 ending balance of \$1,527.

Intergovernmental Services Fund—This fund accounts for operations of Information Technology (IT), the City Clerk’s printing and central mailing services, and the Human Resources technology training services. IT is comprised of telecommunications services, network services, application support, internet and intranet services, convenience copier function, broadband wireless, and deployment of software and hardware. These services are also provided to the Minneapolis Park and Recreation Board, Municipal Building Commission, and the Minneapolis Youth Coordinating Board. In 2016, the fund insourced the services provided by the IT helpdesk and desk side support that were previously outsourced.

The fund’s 2018 ending net position is \$41,226, representing a decrease of \$5,182 from the year-end 2017 restated net position of \$46,408. The cash balance at year-end 2018 is \$21,983, representing a decrease of \$1,589 from the 2017 year-end cash balance of \$23,572. The decrease to net position in 2018 is due to projects rolled over to 2018 from 2017.

Property Services Fund—The Property Services Fund is responsible for the management and maintenance of City-owned buildings including police precinct structures, fire stations, and public works buildings. The fund does not include buildings of the Convention Center, or Water facilities and Park Board. The fund is responsible for energy management and internal security. Included in this fund is the Radio Shop, which maintains the City’s emergency communications network.

Several of the City's properties are recorded as assets of this fund resulting in an annual depreciation expense. The Property Services Fund does not have rental and maintenance rates sufficient to fully recover depreciation related to City buildings recorded in this fund. This generally results in an operating loss each year and a decrease to net position. In 2018, the fund experienced an increase of \$2,782 to net position resulting in an ending balance of \$31,980 compared to the 2018 restated beginning net position of \$29,198. The increase to net position in 2018 is primarily due to the timing of asset preservation projects budgeted for 2018 that will be completed in 2019 or future years. In 2013, the fund received a one-time transfer from the General Fund of \$3,282 to assist with the remaining debt service payments of \$4,412 obligated through 2018. At year-end 2018, the remaining debt obligation is \$0. The cash balance increased from \$8,098 at year-end 2017 to \$9,628 at year-end 2018.

Equipment Services Fund—The Equipment Services Fund manages the acquisition, maintenance and disposal of 1,700 units of equipment, primarily the City's fleet of vehicles. The fund also provides technicians to maintain the equipment. In addition, the fund manages the field coordination of City-owned and contractual equipment and operators as well as the procurement and sale of fuel for these vehicles. The Equipment Services Fund uses an activity based cost recovery model to calculate equipment and labor rates charged to customers based on actual expenses related to the vehicle and the replacement cost of the vehicle.

At year-end 2018, the fund reported an increase to net position of \$11,571, increasing the net position from a 2018 restated beginning balance of \$74,600 to an ending balance of \$86,171. The 2018 ending cash balance is \$26,007, a decrease of \$4,343 from the ending balance of \$30,350 in 2017. The decrease to cash balance and increase to net position is a result of paying off \$9.3 million in debt and an increase in capital assets.

Public Works Stores Fund—This fund accounts for the centralized procurement, receiving, warehousing, and distribution of stocked inventory items, and the purchase of special goods and services for City departments. In addition, this fund stores an inventory of traffic signal components for assembly for Public Works-Transportation. At year-end 2018, the fund reported an increase to net position of \$463, increasing the net position from a 2018 restated beginning balance of \$5,117 to an ending balance of \$5,580. The fund's ending cash balance is \$3,143 for 2018, an increase of \$1,155 from the ending 2017 cash balance of \$1,988. The increase in cash balance is primarily the result of increased overhead charges on inventory from the Central Stores and Traffic Stores operations and also from less material in inventory at year-end.

Self-Insurance Fund—The Self-Insurance Fund accounts for tort liability, workers' compensation, employee accrued sick leave benefits, civil attorney services and the related administrative costs. An activity-based cost allocation model determines the charges allocated to City departments to cover the cost of self-insurance and related services. The expected payout for claims in future years is determined by an actuarial study.

The net position at year-end 2018 was \$12,407, a decrease of \$12,646 from the 2018 restated beginning net position of \$25,053. The cash balance increased by \$12,931 from \$90,007 in 2017 to \$102,938 at year-end 2018. As noted above, an actuary study determines the expected payouts for claims in this fund and the current year revenue is charged based on this information. In any given year, payouts may be more or less than actuarially determined, resulting in an increase or decrease in cash and net position.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—As of December 31, 2018 the City’s investment in capital assets for its governmental and business-type activities was \$2,668,290 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, roads, highways, and bridges. The increase in the City’s investment in capital assets for the current fiscal year included a 4.8% increase in governmental activities and a 2.3% increase in business-type activities.

The following table summarizes capital assets for governmental and business-type activities for 2018 and 2017:

	Capital Assets (Net of depreciation)					
	Governmental		Business-type		Total	
	2018	2017	2018	2017	2018	2017
Land and easements	\$ 114,788	\$ 110,788	\$ 129,590	\$ 132,162	\$ 244,378	\$ 242,950
Construction in progress	465,508	389,702	128,512	99,808	594,020	489,510
Infrastructure	509,987	519,406	-	-	509,987	519,406
Buildings and structures	359,950	372,410	283,624	304,128	643,574	676,538
Public improvements	23,869	18,337	524,835	510,607	548,704	528,944
Machinery and equipment	61,030	51,691	35,634	31,147	96,664	82,838
Computer equipment	3,420	3,281	170	243	3,590	3,524
Software	26,743	27,497	10	14	26,753	27,511
Other capital outlay	-	-	620	-	620	-
Total	\$ 1,565,295	\$ 1,493,112	\$ 1,102,995	\$ 1,078,109	\$ 2,668,290	\$ 2,571,221

Major capital asset transactions and events during the current fiscal year included:

- Major renovation projects continue at the Convention Center including new public space flooring, steam room renovation, and various interior improvements.
- Construction of the new City Office Building began in 2018 including demolishing a parking ramp and transferring the land beneath it from the Business-type activities to the Governmental activities. In addition, \$13,499 was spent on the project in 2018, contributing to increase in the ending construction in progress balance in the governmental activities above.
- Major, ongoing projects related to paving of City streets added \$52,237 in construction in progress (CIP) to the ending balances of governmental CIP above. Some of these projects are associated with the City’s 20 year Parks and Streets infrastructure plan which will total approximately \$400,000 in investments over the life of the plan.
- Water distribution assets including pipes, mains, and hydrant infrastructure with a combined value of \$12,893 was added in 2018.

Additional information on the City’s capital assets can be found in Note 4 on pages 70-72 of this report.

Long-term debt—As of December 31, 2018, the City had total long-term bonds and notes outstanding of \$763,485 compared to \$752,230 in the prior year. Of this amount, \$470,885 is related to governmental activities and \$292,600 is related to business-type activities. The City had \$34,065 or approximately 4.5% of the long-term debt in variable rate mode at year-end. Long-term notes of \$118,010 are included in the above total, of which \$6,470 is for governmental activities and \$111,540 is for business-type activities.

The following table shows various classifications of the City’s long-term debt at December 31, 2018 and the amount of principal due in 2019.

Summary of Outstanding Bonds and Notes	Balance 1/1/2018	Additions	Retirements	Balance 12/31/2018	Due in 2019
General Obligation (GO) Bonds and Notes:					
Property Tax Supported GO Bonds	\$ 110,920	\$ 112,910	\$ (71,740)	\$ 152,090	\$ 37,735
Self-Supporting GO Bonds	186,180	31,560	(24,975)	192,765	29,450
Self-Supporting GO Notes	29,000	5,000	(34,000)	-	-
Special Assessment GO Bonds	49,685	10,055	(11,500)	48,240	6,730
Special Assessment GO Notes	4,800	-	(1,600)	3,200	750
Tax Increment GO Bonds	57,765	-	(5,385)	52,380	5,865
Tax Increment GO Notes	2,750	-	(2,750)	-	-
Internal Service Fund Related GO Bonds	9,810	-	(9,810)	-	-
Enterprise Fund Related GO Bonds	106,025	28,005	(14,535)	119,495	18,845
Enterprise Fund Related GO Notes	106,985	26,930	(22,375)	111,540	8,520
Total General Obligation Bonds and Notes	663,920	214,460	(198,670)	679,710	107,895
Revenue Bonds and Notes:					
Economic Development Revenue Bonds	20,305	-	(1,365)	18,940	1,420
Other Community Development Related Bonds	64,300	-	(2,735)	61,565	2,730
Revenue Notes	3,705	-	(435)	3,270	465
Total Revenue Bonds and Notes	88,310	-	(4,535)	83,775	4,615
Total Outstanding Bonds and Notes	\$ 752,230	\$ 214,460	\$ (203,205)	\$ 763,485	\$ 112,510

The City maintained an “AAA” rating from Standard & Poor’s and an “AA+” from Fitch Ratings for its general obligation debt in 2018. Additional information on the City’s Long-term debt can be found in Note 5 starting on page 73 of this report.

HISTORICAL AND LONG-TERM FINANCIAL PLANNING

The Mayor and City Council continue to take a long-term view of the City’s finances. The following areas are those with the most significant impacts:

- During the 1990s, due to other external demands, the revenue to support the internal services did not keep pace with the growth in expenses. Significant negative cash balances resulted because annual expenses exceeded revenues. Today, the individual balances are no longer negative. This is a significant improvement over the position of the funds since 2000 when the net position deficit was \$(61.7) million.
- The City adopted long-term financial plans for three of the internal service funds (Intergovernmental Services, Equipment Services, and Self-Insurance) to increase net position and to achieve and maintain a positive cash balance. To meet the goals of the adopted long-term financial plans, transfers from the General Fund to all three funds are necessary. By year-end 2015, all three internal service funds had positive net position and cash balances.
- Similar to other jurisdictions, employee wages and benefits make up over 66.4% of the City’s General Fund 2019 expenditure budget, increases to which are driven by rapid growth in healthcare and overtime costs.
- In 2000, Minneapolis voters approved a levy to build a new Central Library and fund improvements to community libraries. Effective January 1, 2008, the Minneapolis Public Library System merged into the Hennepin County Library System. Though the County will be responsible for the operating costs for the

libraries in future years, under a financial agreement, the City will continue to issue debt as defined in the City's adopted capital plan and will be responsible for a declining share of operations through 2017.

- In June of 2009, the Governor exercised his authority to “unallot” or unilaterally reduce various state appropriations. The appropriation directly impacting the City of Minneapolis was Local Government Aid (LGA). Following several years of uncertainty in funding from the State of Minnesota in the form of LGA, including the loss of over \$70 million from 2008-2011, the State increased the amount of LGA appropriated to the City of Minneapolis from \$76.1 million in 2014 to \$78.0 million in 2017. A portion of LGA was passed through to the Minneapolis Park and Recreation Board and the Municipal Building Commission component units.
- The City adopts a five-year capital improvement program (CIP) that is updated annually. Each year, City departments and independent boards and commissions prepare new and/or modify existing capital budget requests (CBRs). The CBRs are then reviewed by the Capital Long-Range Improvement Committee (CLIC) which is a citizen advisory committee to the Mayor and City Council.
- Since 2000, the City continues to lay foundation for a wave of development including large projects associated with building a new stadium in partnership with the State and the Minnesota Vikings and adjacent areas. For 2018, the City marked its seventh consecutive year in which more than \$1.0 billion in permitted construction projects based on the value of permits issued for the year.
- The City continues to proactively manage its pension liabilities. The City issued bonds in 2002-04 and used one-time funds to meet its pension obligations during those years. The 2017 budget does not project any growth in the cost of closed pension obligations from the prior year. For 2017, the City will levy \$5.0 million less for pension obligations than 2016. This is related to an increase in the long-term funding plan for the streets and parks program. Funding for pensions is expected to grow back to the 2016 amounts over the next five years.
- Beginning with the 2014 budget cycle, the City implemented the Capital Asset Request System (CARS) to allow departments to submit budget requests for the replacement of capital equipment items greater than five-thousand dollars, such as enterprise software upgrades, vehicles and construction equipment purchases and/or other large dollar items necessary to provide services. The CARS process uses a five-year planning horizon with the intent of establishing normal replacement cycles for all long-term assets used by the City Departments. In 2018, the fifth year of this program, approximately \$22,254 was planned to fund items through this process. The majority of items funded reflect deferred maintenance and replacement costs for existing operating capital including technology upgrades. Of this total, \$6.6 million is funded from existing General Fund resources.

Budget planning efforts conducted since 2003 collect all demands on the property tax into a ten-year projection. As part of this planning, the Council adopted a property tax revenue policy, effective in 2003, which limited the total annual increases for the City's property tax revenue to a maximum of eight percent. Half of this increase was dedicated to the City's debt payments for increased pension obligations, internal service fund deficits, and increased library capital projects as called for in a voter-approved referendum in 2000. The other half of the increase was for the increasing cost of providing existing services. This policy was also adopted by the City's Board of Estimate and Taxation. Within the overall policy is a provision that limits the annual operating increase for the Minneapolis Park Board to four percent over the prior year.

The 8-percent tax revenue policy was recommended through 2010, but during the 2010 budgeting process, the Mayor and City Council adopted the following replacement policy:

Those entities receiving Local Government Aid (LGA) will move to an activity-based approach with an annual adjustment after the base year equal to the projected percentage increase in the Current Service Level. The dollars

available for the activities will be based on the sum of the LGA, total tax collections, and total General Fund revenues. The activities will exclude dollars transferred to other entities, including the following:

For the Park Board, it will exclude the General Fund Overhead transfer to the City, the General Fund Administration Fee transfer to the City, and the costs of Park Board Capital Improvements funded from the Park Board levy.

For the Municipal Building Commission (MBC), it will exclude the General Fund Overhead transfer to the City.

For the City's General Fund, it will exclude the General Fund Overhead not recovered from the Park Board, MBC, and others. It also excludes transfers to other funds including approved internal service fund workout plans, the Target Center Finance Plan, one-time capital project transfers, transfers to and from the pension management plan, and the transfer to Hennepin County per the Library Agreement.

Under the activity-based approach, the tax revenue percentage change for the City, the Park Board, and MBC may vary from year to year based on adjustments to LGA, total General Fund revenues, and adjustments to those items excluded from activities, as well as adjustments to the projected change in the Current Service Level.

In January of 2003, the Mayor and City Council adopted a five-year financial direction and a commitment to long-term business planning. This direction established resource constraints within which departments were to prepare business plans for providing services with reductions in funding growth. The combination of reduced spending and limited growth in property tax revenue addressed the City's existing challenges. The City adopted a two percent cap on annual wage increases for City contracts, which was replaced with a compensation philosophy in 2007. The compensation philosophy links salary increases to strategic workforce needs and does not anticipate pattern settlements. Prior to the 2% wage policy, pattern settlements at the City took the form of the first contract settlement setting the percent increase for all other contract settlements.

In the course of the City's annual business and strategic planning process, City departments review and document the most significant trends and challenges affecting their work. While some of these issues are specific to department business, several enterprise-wide themes emerge including economic downturn and the reliance on tenuous intergovernmental funding; a shrinking workforce and increased demands; workforce turnover; increased demand for technological solutions; regulatory complexity and unfunded mandates; emergency and security management needs; stadium and hospitality facilities; aging facilities and other capital investments; and appropriate levels of fund reserves versus funding.

Budget Outlook:

The City's future financial outlook is strong. The City has financial policies in place to help address funding pressures including personnel costs, pension obligations, and internal service fund debt. Since 2002, the City has annually adopted a five-year financial direction.

- For 2019, the Council Adopted Budget for all City funds (including the Neighborhood Revitalization Program, Board of Estimate and Taxation, the Municipal Building Commission, and the City's contribution to the Minneapolis Public Housing Authority) of \$1.70 billion which represents a \$158.9 million or 10.3% increase from the 2018 Council Adopted Budget of \$1.54 billion.
- At the same time, the Council adopted a 2019 property tax levy of \$350.0 million, which results in a 5.7%, or \$18.8 million increase, from the 2018 adopted property tax levy. As part of this budget, funds that have accumulated in the various City funds due to a growing economy and fiscal restraint in prior years allows for utilization of fund balances, operating capital items and other one-time items.
- In 2019, budgeted City positions grew by 85.3 FTEs and budgeted salaries and wages increased by \$13.6 million. Health and dental insurance expenditures are budgeted to increase from \$75.3 million in 2018 to \$75.9 million in 2019. This increase is reflective of a move towards self-insurance, and the need to build up a reserve from which to pay claims as they accrue.

- A primary feature of the 2019 budget is an historic investment in affordable housing of over \$40 million in one-time and ongoing funding for a variety of programs and purposes.
- The City's levies for its closed pension funds that merged into the Minnesota State Public Employees' Retirement Association (PERA) increased by \$1.0 million from 2017 to a 2018 total of \$23.3 million.
- For 2019 – 2023, the five-year capital program totals \$1,099.3 million including all funding sources. The 2019 portion of the five-year capital program is \$283.8 million which funds accelerated improvements to the City's infrastructure by continuing support for the expanded net debt bond program put in place in 2012.

Economic Outlook and Tax Trends

Minneapolis has the highest concentration of commercial office buildings in the State of Minnesota and therefore is the largest contributor of revenue to the state general tax on a per city basis. Minneapolis' commercial/industrial tax base is \$11.4 billion dollars. From 2017 to 2018, the City-wide commercial tax base saw an increase in value of 4.6%.

A significant amount of this growth is attributable to the continuation of a trend of large scale multi-family development in Downtown Minneapolis and proximate areas. A number of notable projects were completed in 2018, including the Legacy, East End, 365 Nicollet, and more. Just across the river, the Central-Hennepin area is also seeing major development, with Nordhaus completed in 2018, Rafter slated for completion in 2019, and more projects in various stages of planning and construction. Although the number of easily developed sites for major construction in Minneapolis is shrinking, development continues at a notable pace established in recent years.

Downtown Office Space – Vacancy Rate

Because of the importance of real estate taxes as a source of local government revenue, real estate statistics are an important gauge for municipalities. Several commercial real estate companies compile and report real estate statistics. JLL reports on local real estate conditions quarterly. JLL's statistics indicate a total vacancy rate for the Minneapolis CBD of 16.4% for quarter four of 2018, a decrease from 17.8% in quarter two of 2018.

Employment

The unemployment rate for the City of Minneapolis as of December 2018 was 2.5% according to the Minnesota Department of Employment and Economic Development. This economic indicator compares favorably to the State of Minnesota (3.2%) and the national unemployment rate (3.7%)

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Minneapolis' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Officer at The City of Minneapolis, 350 South Fifth Street, Minneapolis, Minnesota 55415. The annual financial report is also available online at www.minneapolismn.gov.

STATEMENT OF NET POSITION
December 31, 2018

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

	Primary Government			Discrete Component	
	Governmental Activities	Business-type Activities	Total	Units	Total
ASSETS					
Cash and pooled investments	\$ 732,111	\$ 144,461	\$ 876,572	\$ 53,367	\$ 929,939
Investments with trustees	3,430	38,823	42,253	-	42,253
Receivables - net	138,043	24,733	162,776	17,250	180,026
Loans receivable from component unit	500	-	500	-	500
Due from other governmental agencies	64,601	3,992	68,593	746	69,339
Capital leases	-	2,730	2,730	-	2,730
Prepays and other assets	4,213	3,702	7,915	449	8,364
Inventories	5,756	3,728	9,484	57	9,541
Internal balances	16,872	(16,872)	-	-	-
Long-term portion of capital lease receivable	-	58,835	58,835	-	58,835
Properties held for resale	50,673	-	50,673	-	50,673
Capital assets:					
Nondepreciable	580,296	258,102	838,398	185,386	1,023,784
Depreciable, net	984,999	844,893	1,829,892	223,691	2,053,583
Total assets	<u>\$ 2,581,494</u>	<u>\$ 1,367,127</u>	<u>\$ 3,948,621</u>	<u>\$ 480,946</u>	<u>\$ 4,429,567</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - other postemployment benefits	\$ 1,864	\$ 73	\$ 1,937	\$ 230	\$ 2,167
Deferred outflows - pensions	248,426	8,497	256,923	15,567	272,490
Total deferred outflows of resources	<u>\$ 250,290</u>	<u>\$ 8,570</u>	<u>\$ 258,860</u>	<u>\$ 15,797</u>	<u>\$ 274,657</u>
LIABILITIES					
Accrued salaries and benefits	\$ 15,347	\$ 2,038	\$ 17,385	\$ 2,956	\$ 20,341
Accounts payable	49,229	14,325	63,554	15,160	78,714
Interest payable	2,996	1,441	4,437	50	4,487
Unpaid claims payable	-	-	-	4,810	4,810
Loans payable to primary government	-	-	-	500	500
Due to other governmental agencies	-	279	279	-	279
Unearned revenue	12,538	750	13,288	414	13,702
Deposits held for others	8,588	4,618	13,206	-	13,206
Compensated absences:					
Due within one year	23,832	2,748	26,580	1,166	27,746
Due beyond one year	16,385	636	17,021	4,211	21,232
Other postemployment benefits - due beyond one year	32,389	1,285	33,674	2,301	35,975
Net pension liability	520,438	59,881	580,319	65,654	645,973
Long-term liabilities:					
Due within one year	106,628	30,095	136,723	585	137,308
Due beyond one year	457,855	267,301	725,156	5,117	730,273
Total liabilities	<u>\$ 1,246,225</u>	<u>\$ 385,397</u>	<u>\$ 1,631,622</u>	<u>\$ 102,924</u>	<u>\$ 1,734,546</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - service concession arrangement	\$ -	\$ -	\$ -	\$ 4,672	\$ 4,672
Deferred inflows - pensions	309,953	8,104	318,057	16,084	334,141
Total deferred inflows of resources	<u>\$ 309,953</u>	<u>\$ 8,104</u>	<u>\$ 318,057</u>	<u>\$ 20,756</u>	<u>\$ 338,813</u>
NET POSITION					
Net investment in capital assets	\$ 1,311,190	\$ 895,158	\$ 2,206,348	\$ 405,114	\$ 2,611,462
Restricted:					
Debt service	32,835	36,821	69,656	-	69,656
Community & economic development	167,272	-	167,272	-	167,272
Law enforcement	1,642	-	1,642	-	1,642
Grants	2,640	-	2,640	-	2,640
Properties held for resale	50,240	-	50,240	-	50,240
Capital improvements	74,858	-	74,858	34	74,892
Project and grant programs	-	-	-	14,579	14,579
Special trust	-	-	-	161	161
Special reserves	-	-	-	7,460	7,460
Unrestricted	(365,071)	50,217	(314,854)	(54,285)	(369,139)
Total net position	<u>\$ 1,275,606</u>	<u>\$ 982,196</u>	<u>\$ 2,257,802</u>	<u>\$ 373,063</u>	<u>\$ 2,630,865</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2018

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Discrete Component Units	Total
					Governmental Activities	Business-type Activities	Total		
Primary government									
Governmental Activities:									
General government	\$ 103,781	\$ 14,051	\$ 16,261	\$ 9,054	\$ (64,415)	\$ -	\$ (64,415)	\$ -	\$ (64,415)
Public safety	294,822	19,764	21,856	-	(253,202)	-	(253,202)	-	(253,202)
Public works	96,934	25,397	45,970	-	(25,567)	-	(25,567)	-	(25,567)
Culture and recreation	9,103	-	-	-	(9,103)	-	(9,103)	-	(9,103)
Health and welfare	24,983	2,809	12,518	-	(9,656)	-	(9,656)	-	(9,656)
Community planning & economic development	173,362	87,235	34,119	-	(52,008)	-	(52,008)	-	(52,008)
Interest on long-term debt	18,054	-	-	-	(18,054)	-	(18,054)	-	(18,054)
Total governmental activities	721,039	149,256	130,724	9,054	(432,005)	-	(432,005)	-	(432,005)
Business-type Activities:									
Sanitary sewer	65,209	73,387	115	-	-	8,293	8,293	-	8,293
Stormwater	34,182	39,385	2,495	-	-	7,698	7,698	-	7,698
Water treatment and distribution services	58,068	82,500	1,219	-	-	25,651	25,651	-	25,651
Municipal parking	64,727	71,112	16	-	-	6,401	6,401	-	6,401
Solid waste and recycling	36,528	38,541	1,926	-	-	3,939	3,939	-	3,939
Community planning & economic development	5,437	4,792	-	-	-	(645)	(645)	-	(645)
Total business-type activities	264,151	309,717	5,771	-	-	51,337	51,337	-	51,337
Total primary government	\$ 985,190	\$ 458,973	\$ 136,495	\$ 9,054	(432,005)	51,337	(380,668)	-	(380,668)
Component units:									
Discrete component units	\$ 152,518	\$ 51,970	\$ 3,319	\$ 25,425				(71,804)	(71,804)
General Revenues:									
Taxes:									
General property tax and fiscal disparities					271,192	-	271,192	61,537	332,729
Property tax increment					62,129	-	62,129	65	62,194
Franchise taxes					34,772	-	34,772	-	34,772
Local taxes					89,794	-	89,794	-	89,794
Museum (county-wide levy)					-	-	-	12,962	12,962
Other taxes					298	-	298	-	298
Local government aid - unrestricted					69,683	-	69,683	273	69,956
Grants and contributions not restricted to programs					3,291	425	3,716	10,254	13,970
Unrestricted interest and investment earnings					14,764	636	15,400	283	15,683
Other					989	155	1,144	81	1,225
Gain on sale of capital assets					1,100	212	1,312	152	1,464
Transfers					36,002	(36,002)	-	-	-
Transfer of capital asset					4,000	(4,000)	-	-	-
Total general revenues and transfers					588,014	(38,574)	549,440	85,607	635,047
Change in net position					156,009	12,763	168,772	13,803	182,575
Net position - January 1, restated (see Note 1Q)					1,119,597	969,433	2,089,030	359,260	2,448,290
Net position - December 31	\$	\$	\$	\$	\$ 1,275,606	\$ 982,196	\$ 2,257,802	\$ 373,063	\$ 2,630,865

The notes to the financial statements are an integral part of this statement.

**GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General	Community Planning and Economic Development	Downtown Assets	HUD Consolidated Plan	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
<u>ASSETS</u>								
Cash and cash equivalents	\$ 121,327	\$ 210,413	\$ 16,162	\$ 61	\$ 103,082	\$ 8,380	\$ 107,347	\$ 566,772
Investments with trustees	-	-	-	-	-	-	3,430	3,430
Receivables:								
Accounts - net	7,758	49	-	17	1,932	7	2,156	11,919
Taxes	2,529	44	-	-	5	-	1,090	3,668
Special assessments	389	5,562	-	-	2,327	54,750	540	63,568
Intergovernmental	7,267	69	9,752	6,469	33,761	-	7,181	64,499
Loans - net	-	26,672	-	29,100	-	-	-	55,772
Loans due from component unit	-	-	-	-	-	-	500	500
Accrued interest	1,414	729	60	-	195	28	342	2,768
Due from other funds	-	-	-	-	-	-	9,465	9,465
Advances to other funds	1,250	2,750	-	-	-	-	-	4,000
Prepaid items	-	-	-	-	-	-	263	263
Properties held for resale	-	34,754	-	6,213	7,200	-	2,073	50,240
Total assets	\$ 141,934	\$ 281,042	\$ 25,974	\$ 41,860	\$ 148,502	\$ 63,165	\$ 134,387	\$ 836,864
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>								
Liabilities:								
Salaries payable	\$ 12,425	\$ 55	\$ -	\$ 116	\$ 344	\$ -	\$ 1,039	\$ 13,979
Accounts payable	18,437	2,067	-	631	6,398	13	9,687	37,233
Due to other funds	-	-	-	5,800	-	-	3,665	9,465
Deposits held for others	3,937	784	-	-	1,540	-	2,327	8,588
Advances from other funds	-	-	-	-	4,000	-	520	4,520
Unearned revenue	1,236	-	-	-	2,081	-	7,654	10,971
Total liabilities	36,035	2,906	-	6,547	14,363	13	24,892	84,756
Deferred Inflows of Resources:								
Unavailable revenue	1,703	32,483	17	29,100	31,115	55,096	1,889	151,403
Fund balances:								
Nonspendable	1,250	-	-	-	-	-	263	1,513
Restricted	-	202,026	-	6,213	82,058	8,056	31,134	329,487
Assigned	-	43,627	25,957	-	20,966	-	78,027	168,577
Unassigned	102,946	-	-	-	-	-	(1,818)	101,128
Total fund balances	104,196	245,653	25,957	6,213	103,024	8,056	107,606	600,705
Total liabilities, deferred inflows of resources, and fund balances	\$ 141,934	\$ 281,042	\$ 25,974	\$ 41,860	\$ 148,502	\$ 63,165	\$ 134,387	\$ 836,864

The notes to the financial statements are an integral part of this statement.

**Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position - Governmental Activities
December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Fund balances - total governmental funds		\$	600,705
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>			
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>			
Non-depreciable	545,773		
Depreciable	1,697,901		
Accumulated depreciation	<u>(817,243)</u>		<u>1,426,431</u>
Deferred inflows are not available to pay for current-period expenditures and, therefore, in the governmental funds, are unavailable revenue.			151,403
Internal service funds are used by management to charge the costs of engineering materials and testing, intergovernmental services, property services, permanent improvement equipment, public works stores, and, self-insurance.			177,784
Receivable from business-type funds for internal service fund activity.			16,872
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>			
Bonds and notes payable and any related unamortized premiums/discounts	(485,009)		
Other postemployment benefits payable	(31,711)		
Net pension liability	(478,986)		
Operating and capital leases payable	(946)		
Bond interest payable	(2,996)		
Compensated absences	<u>(37,968)</u>		<u>(1,037,616)</u>
<p>Deferred inflows and deferred outflows resulting from pension obligations and other postemployment benefits obligations are recorded only on the government-wide statement of net position. Balances at year end are:</p>			
Deferred outflows - other postemployment benefits	1,826		
Deferred outflows - pensions	242,545		
Deferred inflows - pensions	<u>(304,344)</u>		<u>(59,973)</u>
Net position of governmental activities		\$	<u>1,275,606</u>

The notes to the financial statements are an integral part of this statement.

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General	Community Planning and Economic Development	Downtown Assets	HUD Consolidated Plan	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
REVENUES:								
Taxes	\$ 228,086	\$ 59,359	\$ 89,794	\$ -	\$ 7,363	\$ -	\$ 74,109	\$ 458,711
Licenses and permits	47,380	-	-	-	218	-	1,060	48,658
Intergovernmental revenues	87,762	1	-	18,805	19,284	-	39,514	165,366
Charges for services and sales	53,736	6,457	-	845	8,151	-	11,596	80,785
Fines and forfeits	7,138	-	-	-	-	-	279	7,417
Special assessments	2,981	261	-	3	2,831	13,394	8,809	28,279
Investment earnings	6,956	3,825	86	256	1,160	205	2,288	14,776
Miscellaneous revenues	9,576	12,270	-	1,922	5,877	-	24,447	54,092
Total revenues	<u>443,615</u>	<u>82,173</u>	<u>89,880</u>	<u>21,831</u>	<u>44,884</u>	<u>13,599</u>	<u>162,102</u>	<u>858,084</u>
EXPENDITURES:								
Current:								
General government	79,686	-	-	1,833	-	-	26,469	107,988
Public safety	273,954	-	-	756	-	-	23,342	298,052
Public works	65,300	-	-	-	-	-	348	65,648
Health and welfare	11,676	-	-	721	-	-	11,707	24,104
Community planning & economic development	36,775	41,762	1,021	19,000	-	-	73,998	172,556
Capital outlay	-	-	-	-	107,091	-	-	107,091
Intergovernmental:								
General government	-	-	-	-	1,000	-	-	1,000
Public safety	-	-	-	-	-	-	132	132
Culture and recreation	-	200	-	-	8,903	-	-	9,103
Debt Service:								
Principal retirement	-	-	-	-	-	13,100	140,650	153,750
Interest and fiscal charges	-	-	-	-	-	1,822	16,060	17,882
Total expenditures	<u>467,391</u>	<u>41,962</u>	<u>1,021</u>	<u>22,310</u>	<u>116,994</u>	<u>14,922</u>	<u>292,706</u>	<u>957,306</u>
Excess (deficiency) of revenues over (under) expenditures	(23,776)	40,211	88,859	(479)	(72,110)	(1,323)	(130,604)	(99,222)
OTHER FINANCING SOURCES (USES):								
Transfers from other funds	39,887	14,412	420	500	25,424	60	85,601	166,304
Transfers to other funds	(29,013)	(24,128)	(63,322)	-	(4,826)	(1,171)	(27,349)	(149,809)
Premium (discount)	-	-	-	-	5,493	27	1,690	7,210
Bonds issued	-	-	-	-	106,040	1,210	-	107,250
Refunding bonds issued	-	-	-	-	-	-	47,275	47,275
Loans and notes issued	-	-	-	-	5,000	-	-	5,000
Total other financing sources (uses)	<u>10,874</u>	<u>(9,716)</u>	<u>(62,902)</u>	<u>500</u>	<u>137,131</u>	<u>126</u>	<u>107,217</u>	<u>183,230</u>
Net change in fund balances	(12,902)	30,495	25,957	21	65,021	(1,197)	(23,387)	84,008
Fund balances - January 1	117,098	215,158	-	6,192	38,003	9,253	130,993	516,697
Fund balances - December 31	<u>\$ 104,196</u>	<u>\$ 245,653</u>	<u>\$ 25,957</u>	<u>\$ 6,213</u>	<u>\$ 103,024</u>	<u>\$ 8,056</u>	<u>\$ 107,606</u>	<u>\$ 600,705</u>

The notes to the financial statements are an integral part of this statement.

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities - Governmental Activities
For the Fiscal Year Ended December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Net increase (decrease) in fund balances - total governmental funds \$ 84,008

Amounts reported for governmental activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities with amounts related to business type activities shown as an internal balance. (2,703)

Transfers from business-type funds for internal service fund activity. (101)

Transfers from business-type funds to governmental activities for a capital asset. 4,000

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.
Expenditures for general capital assets, infrastructure, and other related capital assets: 114,843
Less current year depreciation (50,181) 64,662

Revenues not collected for several months after the City's fiscal year ends are not considered "available" revenues and are deferred in the governmental funds. The adjustment between the fund statements and the statement of activities is the increase or decrease in revenue deferred as available.
Deferred inflows of resources - December 31 151,403
Deferred inflows of resources - January 1 (136,573) 14,830

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:
Bonds principal payments 153,750
Bond proceeds (154,525)
Loans and notes proceeds (5,000)
Premium/discount (7,210) (12,985)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:
Change in accrued interest payable (172)
Change in other postemployment benefits payable 1,179
Change in compensated absences (647)
Change in net pension liability 2,242
Change in other long-term liabilities 1,696 4,298

Increase (decrease) in net position of governmental activities \$ 156,009

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2018

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 4,474	\$ 26,630	\$ 48,405	\$ 14,267	\$ 50,653	\$ 32	\$ 144,461	\$ 165,339
Investments with trustees	-	-	-	-	-	38,823	38,823	-
Receivables:								
Accounts - net	4,307	4,048	4,636	429	3,827	15	17,262	348
Special assessments:								
Current	110	75	1,121	-	88	-	1,394	-
Delinquent	16	17	83	-	23	-	139	-
Noncurrent	-	-	1,419	4,348	-	-	5,767	-
Intergovernmental	-	282	-	3,708	2	-	3,992	102
Accrued interest	-	-	-	-	-	171	171	-
Capital leases	-	-	-	-	-	2,730	2,730	-
Inventories	-	-	2,552	-	1,176	-	3,728	5,756
Properties held for resale	-	-	-	-	-	-	-	433
Prepaid items	3,517	185	-	-	-	-	3,702	3,950
Total current assets	<u>12,424</u>	<u>31,237</u>	<u>58,216</u>	<u>22,752</u>	<u>55,769</u>	<u>41,771</u>	<u>222,169</u>	<u>175,928</u>
Long-term assets:								
Capital leases	-	-	-	-	-	58,835	58,835	-
Advances to other funds	-	-	-	-	-	-	-	520
Capital assets:								
Nondepreciable:								
Land and easements	1	7,211	5,347	109,734	3,449	3,848	129,590	23,007
Construction in progress	29,368	21,479	62,929	6,132	8,604	-	128,512	11,516
Depreciable:								
Buildings and structures	-	-	241,960	276,458	2,047	12,743	533,208	55,649
Less accumulated depreciation	-	-	(95,202)	(139,595)	(2,044)	(12,743)	(249,584)	(33,634)
Public improvements	180,767	419,484	199,150	8,089	-	-	807,490	10,517
Less accumulated depreciation	(66,380)	(127,278)	(86,276)	(2,721)	-	-	(282,655)	(4,970)
Machinery and equipment	1,614	1,748	47,456	5,021	18,884	347	75,070	114,962
Less accumulated depreciation	(1,435)	(1,615)	(20,160)	(4,849)	(11,030)	(347)	(39,436)	(67,780)
Computer equipment	10	193	446	1,041	178	-	1,868	31,193
Less accumulated depreciation	(10)	(193)	(276)	(1,041)	(178)	-	(1,698)	(28,264)
Software	-	1,494	286	130	955	-	2,865	63,360
Less accumulated depreciation	-	(1,492)	(278)	(130)	(955)	-	(2,855)	(36,692)
Other capital outlay	-	-	693	14	-	-	707	36
Less accumulated depreciation	-	-	(73)	(14)	-	-	(87)	(36)
Total long - term assets	<u>143,935</u>	<u>321,031</u>	<u>356,002</u>	<u>258,269</u>	<u>19,910</u>	<u>62,683</u>	<u>1,161,830</u>	<u>139,384</u>
Total assets	<u>\$ 156,359</u>	<u>\$ 352,268</u>	<u>\$ 414,218</u>	<u>\$ 281,021</u>	<u>\$ 75,679</u>	<u>\$ 104,454</u>	<u>\$ 1,383,999</u>	<u>\$ 315,312</u>
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows - other postemployment benefits	\$ 7	\$ 10	\$ 31	\$ 7	\$ 18	\$ -	\$ 73	\$ 38
Deferred outflows - pensions	1,042	1,556	3,121	790	1,988	-	8,497	5,881
Total deferred outflows of resources	<u>\$ 1,049</u>	<u>\$ 1,566</u>	<u>\$ 3,152</u>	<u>\$ 797</u>	<u>\$ 2,006</u>	<u>\$ -</u>	<u>\$ 8,570</u>	<u>\$ 5,919</u>

The notes to the financial statements are an integral part of this statement.

	Business-type Activities - Enterprise Funds						Governmental Activities	
	Water						Total	Internal Service Funds
	Sanitary Sewer	Stormwater	Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		
LIABILITIES								
Current liabilities:								
Salaries payable	\$ 238	\$ 428	\$ 805	\$ 175	\$ 392	\$ -	\$ 2,038	\$ 1,368
Accounts payable	1,470	907	6,373	2,625	2,892	58	14,325	11,996
Intergovernmental payable	-	-	1	16	262	-	279	-
Deposits held for others	-	-	102	1,839	-	2,677	4,618	-
Interest payable	51	-	703	135	254	298	1,441	-
Unearned revenue	-	-	-	-	-	750	750	1,567
Bonds payable - current portion	4,580	-	6,685	4,820	2,760	2,730	21,575	-
Notes payable - current portion	-	-	8,325	195	-	-	8,520	-
Compensated absences payable - current portion	473	384	1,094	237	560	-	2,748	1,826
Medical claims payable - current portion	-	-	-	-	-	-	-	7,086
Unpaid claims payable - current portion	-	-	-	-	-	-	-	17,127
Total current liabilities	<u>6,812</u>	<u>1,719</u>	<u>24,088</u>	<u>10,042</u>	<u>7,120</u>	<u>6,513</u>	<u>56,294</u>	<u>40,970</u>
Long-term liabilities:								
Bonds payable	19,628	-	20,492	37,986	27,340	58,835	164,281	-
Notes payable	-	-	75,620	27,400	-	-	103,020	-
Compensated absences payable	109	89	253	55	130	-	636	423
Other postemployment benefits	123	172	542	132	316	-	1,285	678
Net pension liability	7,342	10,967	21,996	5,566	14,010	-	59,881	41,452
Unpaid claims payable	-	-	-	-	-	-	-	54,315
Total long-term liabilities	<u>27,202</u>	<u>11,228</u>	<u>118,903</u>	<u>71,139</u>	<u>41,796</u>	<u>58,835</u>	<u>329,103</u>	<u>96,868</u>
Total liabilities	<u>\$ 34,014</u>	<u>\$ 12,947</u>	<u>\$ 142,991</u>	<u>\$ 81,181</u>	<u>\$ 48,916</u>	<u>\$ 65,348</u>	<u>\$ 385,397</u>	<u>\$ 137,838</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows - pensions	<u>\$ 994</u>	<u>\$ 1,484</u>	<u>\$ 2,977</u>	<u>\$ 753</u>	<u>\$ 1,896</u>	<u>\$ -</u>	<u>\$ 8,104</u>	<u>\$ 5,609</u>
NET POSITION								
Net investment in capital assets	\$ 119,727	\$ 321,031	\$ 252,242	\$ 188,376	\$ 9,934	\$ 3,848	\$ 895,158	\$ 138,864
Restricted - debt service	-	-	-	-	-	36,821	36,821	-
Unrestricted	2,673	18,372	19,160	11,508	16,939	(1,563)	67,089	38,920
Total net position	<u>\$ 122,400</u>	<u>\$ 339,403</u>	<u>\$ 271,402</u>	<u>\$ 199,884</u>	<u>\$ 26,873</u>	<u>\$ 39,106</u>	<u>\$ 999,068</u>	<u>\$ 177,784</u>
Net position - total enterprise funds							\$ 999,068	
Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.							(16,872)	
Net position of business-type activities							<u>\$ 982,196</u>	

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the Fiscal Year Ended December 31, 2018

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
Operating revenues:								
Licenses and permits	\$ -	\$ -	\$ 113	\$ 782	\$ -	\$ -	\$ 895	\$ -
Intergovernmental revenues	-	1,173	-	-	-	-	1,173	-
Charges for services and sales	73,996	39,385	83,395	69,364	38,681	1,104	305,925	170,954
Fines and forfeits	-	-	-	-	-	-	-	48
Special assessments	115	81	153	-	174	-	523	-
Investment earnings	-	-	-	-	-	3,687	3,687	-
Rents and commissions	-	-	-	967	-	1	968	41,325
Total operating revenues	74,111	40,639	83,661	71,113	38,855	4,792	313,171	212,327
Operating expenses:								
Personnel costs	6,746	8,634	20,620	5,517	13,569	187	55,273	44,853
Contractual services	21,164	16,658	21,592	37,579	22,418	1,076	120,487	117,348
Materials, supplies, services and other	42,272	4,030	11,626	4,269	2,699	-	64,896	33,966
Depreciation	1,776	4,860	10,344	6,484	1,258	203	24,925	20,271
Total operating expenses	71,958	34,182	64,182	53,849	39,944	1,466	265,581	216,438
Operating income (loss)	2,153	6,457	19,479	17,264	(1,089)	3,326	47,590	(4,111)
Nonoperating revenues (expenses):								
Intergovernmental	-	1,241	-	-	1,752	-	2,993	183
Investment earnings	-	-	-	3	-	633	636	15
Interest expense	(500)	-	(2,454)	(1,402)	(310)	(3,688)	(8,354)	(157)
Gain (loss) on disposal of capital assets	-	-	-	(18,120)	212	-	(17,908)	564
Special assessments	-	-	1,066	16	-	-	1,082	-
Other expense	-	-	-	-	-	(283)	(283)	-
Other revenues	52	78	252	71	127	-	580	3,624
Total nonoperating revenues (expenses)	(448)	1,319	(1,136)	(19,432)	1,781	(3,338)	(21,254)	4,229
Income (loss) before transfers	1,705	7,776	18,343	(2,168)	692	(12)	26,336	118
Transfers in (out):								
Transfers from other funds	155	-	711	749	471	-	2,086	5,801
Transfers to other funds	(684)	(1,625)	-	(12,304)	-	(1,147)	(15,760)	(8,622)
Total transfers	(529)	(1,625)	711	(11,555)	471	(1,147)	(13,674)	(2,821)
Change in net position	1,176	6,151	19,054	(13,723)	1,163	(1,159)	12,662	(2,703)
Net position - January 1, restated (see Note 1Q)	121,224	333,252	252,348	213,607	25,710	40,265	986,406	180,487
Net position - December 31	\$ 122,400	\$ 339,403	\$ 271,402	\$ 199,884	\$ 26,873	\$ 39,106	\$ 999,068	\$ 177,784

Change in net position - total enterprise funds \$ 12,662

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

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Change in net position of business-type activities \$ 12,763

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2018

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds							Governmental
	Water Treatment and Distribution		Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	Internal Service Funds	
	Sanitary Sewer	Stormwater						Services
Cash flows from operating activities:								
Cash received from customers	\$ 73,719	\$ 39,539	\$ 83,036	\$ 68,803	\$ 38,438	\$ 7,500	\$ 311,035	\$ 5,288
Intergovernmental receipts	-	1,364	-	-	-	-	1,364	-
Cash received from interfund activities	68	526	820	1,059	295	-	2,768	212,470
Payments to suppliers	(54,389)	(9,225)	(18,919)	(37,531)	(17,614)	(1,154)	(138,832)	(127,182)
Payments to employees	(5,761)	(8,253)	(20,363)	(5,162)	(12,488)	(200)	(52,227)	(36,806)
Payments for interfund activities	(8,890)	(12,666)	(13,831)	(6,266)	(7,359)	-	(49,012)	(12,076)
Other nonoperating revenues	52	78	252	71	127	-	580	3,624
Net cash provided (used) by operating activities	4,799	11,363	30,995	20,974	1,399	6,146	75,676	45,318
Cash flows from non-capital financing activities:								
Transfers from other funds	155	-	711	749	471	-	2,086	5,801
Repayment of advance from other funds	-	-	-	-	-	-	-	329
Interest paid on advance from other funds	-	-	-	-	-	-	-	15
Principal paid on bonds and notes	-	-	-	-	-	(2,735)	(2,735)	-
Interest paid on bonds and notes	-	-	-	-	-	(3,699)	(3,699)	-
Transfers to other funds	(684)	(1,625)	-	(12,304)	-	(1,147)	(15,760)	(8,622)
Intergovernmental receipts	-	1,241	-	-	1,752	-	2,993	183
Net cash provided (used) by non-capital financing activities	(529)	(384)	711	(11,555)	2,223	(7,581)	(17,115)	(2,294)
Cash Flows from capital and related financing activities:								
Bonds issued	-	-	-	-	30,152	-	30,152	-
Notes issued	-	-	26,930	-	-	-	26,930	-
Principal paid on bonds	(4,480)	-	(6,815)	(3,240)	-	-	(14,535)	(9,810)
Interest paid on bonds	(732)	-	(981)	(1,092)	(109)	-	(2,914)	(305)
Principal paid on notes	-	-	(7,975)	(14,400)	-	-	(22,375)	-
Interest paid on notes	-	-	(1,770)	(558)	-	-	(2,328)	-
Special assessments	-	-	1,066	560	-	-	1,626	-
Acquisition and construction of capital assets	(12,345)	(11,436)	(34,419)	(2,965)	(7,602)	-	(68,767)	(24,348)
Proceeds from sale of capital assets	-	-	-	-	67	-	67	1,236
Net cash provided (used) by capital and related financing activities	(17,557)	(11,436)	(23,964)	(21,695)	22,508	-	(52,144)	(33,227)
Cash flows from investing activities:								
Purchase of investments	-	-	-	-	-	(14,698)	(14,698)	-
Sale of investments	-	-	-	-	-	13,740	13,740	-
Interest	-	-	-	3	-	972	975	-
Net cash provided (used) by investing activities	-	-	-	3	-	14	17	-
Net increase (decrease) in cash and cash equivalents	(13,287)	(457)	7,742	(12,273)	26,130	(1,421)	6,434	9,797
Cash and cash equivalents, beginning of year	17,761	27,087	40,663	26,540	24,523	1,453	138,027	155,542
Cash and cash equivalents, end of year	\$ 4,474	\$ 26,630	\$ 48,405	\$ 14,267	\$ 50,653	\$ 32	\$ 144,461	\$ 165,339
Reconciliation of operating income to net cash provided (used) by operating activities								
Operating income (loss)	\$ 2,153	\$ 6,457	\$ 19,479	\$ 17,264	\$ (1,089)	\$ 3,326	\$ 47,590	\$ (4,111)
Adjustment to reconcile change in net position to net cash provided (used) by operating activities:								
Depreciation	1,776	4,860	10,344	6,484	1,258	203	24,925	20,271
Accounts receivable	(280)	608	382	1,303	(145)	(15)	1,853	(242)
Intergovernmental receivable	-	191	-	(2,507)	-	-	(2,316)	(102)
Special assessments receivable	(43)	(8)	(175)	-	22	-	(204)	-
Capital leases receivable	-	-	-	-	-	2,735	2,735	-
Inventories	-	-	(52)	-	91	-	39	543
Prepaid items	(78)	(4)	-	-	-	-	(82)	(1,770)
Deferred outflows - other postemployment benefits	(7)	(10)	(31)	(7)	(18)	-	(73)	(38)
Deferred outflows - pensions	537	979	1,897	413	1,170	-	4,996	3,473
Salaries payable	98	171	255	47	101	(5)	667	432
Accounts payable	508	(682)	519	(1,950)	913	(79)	(771)	3,481
Intergovernmental payable	-	-	1	2	(4)	-	(1)	-
Deposits held for others	-	-	(12)	(42)	-	41	(13)	(2)
Unearned revenue	-	-	-	-	-	(53)	(53)	(772)
Compensated absences payable	198	(154)	20	21	(29)	(7)	49	93
Other postemployment benefits	3	4	11	(3)	6	-	21	(12)
Net pension liability	(186)	(1,125)	(1,931)	(170)	(1,050)	-	(4,462)	(3,115)
Unpaid claims payable	-	-	-	-	-	-	-	16,350
Medical claims payable	-	-	-	-	-	-	-	7,086
Deferred inflows - pensions	68	(2)	36	48	46	-	196	129
Other nonoperating revenues	52	78	252	71	127	-	580	3,624
Net cash provided (used) by operating activities	\$ 4,799	\$ 11,363	\$ 30,995	\$ 20,974	\$ 1,399	\$ 6,146	\$ 75,676	\$ 45,318
Non-cash investing, capital and financing activities:								
Increase (decrease) in the value of investments reported at fair value	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256	\$ 256	\$ -
Loss on disposal of capital assets	-	-	-	(18,120)	-	-	(18,120)	(536)
Capital assets purchased on account	-	203	-	-	-	-	203	-
Sale of capital assets on account	-	-	-	-	247	-	247	-
Write off of loan receivable	-	-	-	-	-	283	283	-

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,767
Receivables:	
Accounts	217
	<hr/>
Total assets	\$ 1,984
	<hr/> <hr/>
<u>LIABILITIES</u>	
Accounts payable	\$ 1,403
Intergovernmental payable	581
	<hr/>
Total liabilities	\$ 1,984
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

**COMBINING STATEMENT OF NET POSITION
DISCRETE COMPONENT UNITS
December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Minneapolis Park and Recreation Board	Municipal Building Commission	Meet Minneapolis	Total Discrete Component Units
<u>ASSETS</u>				
Cash and cash equivalents	\$ 49,122	\$ 1,787	\$ 2,458	\$ 53,367
Receivables	15,892	-	1,358	17,250
Due from other governmental agencies	-	746	-	746
Prepays and other assets	87	-	362	449
Inventories	57	-	-	57
Capital assets:				
Nondepreciable	166,706	18,680	-	185,386
Depreciable, net	214,632	6,060	2,999	223,691
Total assets	\$ 446,496	\$ 27,273	\$ 7,177	\$ 480,946
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows - other postemployment benefits	\$ 115	\$ 115	\$ -	\$ 230
Deferred outflows - pensions	14,778	789	-	15,567
Total deferred outflows of resources	\$ 14,893	\$ 904	\$ -	\$ 15,797
<u>LIABILITIES</u>				
Accrued salaries and benefits	\$ 2,040	\$ 146	\$ 770	\$ 2,956
Accounts payable	13,695	663	802	15,160
Interest payable	35	-	15	50
Unpaid claims payable	4,810	-	-	4,810
Loans payable to primary government	-	-	500	500
Unearned revenue	-	-	414	414
Compensated absences:				
Due within one year	1,009	157	-	1,166
Due beyond one year	4,162	49	-	4,211
Other postemployment benefits - due beyond one year	1,407	894	-	2,301
Net pension liability	60,490	5,164	-	65,654
Long-term liabilities:				
Due within one year	304	-	281	585
Due beyond one year	3,539	-	1,578	5,117
Total liabilities	\$ 91,491	\$ 7,073	\$ 4,360	\$ 102,924
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows - service concession arrangement	\$ 4,672	\$ -	\$ -	\$ 4,672
Deferred inflows - pensions	15,468	616	-	16,084
Total deferred inflows of resources	\$ 20,140	\$ 616	\$ -	\$ 20,756
<u>NET POSITION</u>				
Net investment in capital assets	\$ 377,495	\$ 24,740	\$ 2,879	\$ 405,114
Capital improvements	34	-	-	34
Project and grant programs	14,579	-	-	14,579
Special trust	161	-	-	161
Special reserves	7,460	-	-	7,460
Unrestricted	(49,971)	(4,252)	(62)	(54,285)
Total net position	\$ 349,758	\$ 20,488	\$ 2,817	\$ 373,063

The notes to the financial statements are an integral part of this statement.

**COMBINING STATEMENT OF ACTIVITIES
DISCRETE COMPONENT UNITS
For the Fiscal Year Ended December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Minneapolis Park and Recreation Board	Municipal Building Commission	Meet Minneapolis	Total Discrete Component Units
FUNCTIONS/PROGRAMS								
Minneapolis Park and Recreation Board	\$ 130,071	\$ 30,473	\$ 3,319	\$ 23,090	\$ (73,189)	\$ -	\$ -	\$ (73,189)
Municipal Building Commission	10,431	8,398	-	2,335	-	302	-	302
Meet Minneapolis	12,016	13,099	-	-	-	-	1,083	1,083
Total discrete component unit activities	<u>\$ 152,518</u>	<u>\$ 51,970</u>	<u>\$ 3,319</u>	<u>\$ 25,425</u>	<u>(73,189)</u>	<u>302</u>	<u>1,083</u>	<u>(71,804)</u>
General Revenues:								
Taxes:								
General property tax and fiscal disparities					61,537	-	-	61,537
Property tax increment					65	-	-	65
Museum (county-wide levy)					12,962	-	-	12,962
Local government aid - unrestricted					-	273	-	273
Grants and contributions not restricted to specific programs					10,218	36	-	10,254
Unrestricted interest and investment earnings					283	-	-	283
Other					-	81	-	81
Gain on sale of capital assets					152	-	-	152
Total general revenues					<u>85,217</u>	<u>390</u>	<u>-</u>	<u>85,607</u>
Change in net position					12,028	692	1,083	13,803
Net position - January 1, restated (see Note 1Q)					<u>337,730</u>	<u>19,796</u>	<u>1,734</u>	<u>359,260</u>
Net position - December 31					<u>\$ 349,758</u>	<u>\$ 20,488</u>	<u>\$ 2,817</u>	<u>\$ 373,063</u>

The notes to the financial statements are an integral part of this statement.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Minneapolis (City) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A – Reporting Entity

The City is a municipal corporation governed by a Mayor-Council form of government. It was incorporated in 1867, and it adopted a Charter on November 2, 1920. The Mayor and 13 City Council Members from individual wards are elected for terms of four years without limit on the number of terms that may be served. The Mayor and City Council are jointly responsible for the annual preparation of a budget and a five-year capital improvement program. The Mayor has veto power, which the Council may override with a vote of nine members. The City employs a Finance Officer who is charged with maintaining and supervising the various accounts and funds of the City as well as several boards and commissions.

As required by GAAP, the basic financial statements present the reporting entity which consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City's basic financial statements to be misleading or incomplete.

Blended Component Unit

The following component unit has been presented as a blended component unit because the component unit's governing body is substantially the same as the governing body of the City, or the component unit provides services almost entirely to the primary government.

▪ Board of Estimate and Taxation

The Board of Estimate and Taxation (BET) is established under Chapter 15 of the City Charter. It is composed of seven members, two of whom are elected by voters of the City. The Mayor, or the Mayor's appointee, the President of the City Council, and the Chair of the City Council's Ways and Means/Budget Committee are ex-officio members of the board. The Minneapolis Park and Recreation Board annually selects one of its members to serve on the Board of Estimate and Taxation. By action of the City Council, or such other governing board of a department requesting the sale of bonds, the Board of Estimate and Taxation may vote to incur indebtedness and issue and sell bonds and pledge the full faith and credit of the City for payment of principal and interest. The Board of Estimate and Taxation also establishes the maximum property tax levies for most City funds. Also, the City has operational responsibility over the BET. It is these criteria that results in the BET being reported as a blended component unit.

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the financial data of the City's other component units. The units are reported in a separate column to emphasize that they are legally separate from the City but are included because the primary government is financially accountable and is able to impose its will on the organizations. These units subscribe to the accounting policies and procedures of the primary government.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A – Reporting Entity****Discretely Presented Component Units (continued)****▪ Minneapolis Park and Recreation Board**

The Minneapolis Park and Recreation Board (Park Board) was established according to Chapter 16 of the City Charter. The nine-member board is elected by the voters of the City and is responsible for developing and maintaining parkland and parkways as well as planting and maintaining the City's boulevard trees. Also, the City has no operational responsibility over the Park Board. It is these criterions that results in the Park Board being reported as a discrete component unit. The Mayor recommends the tax levies and budget for the Park Board, and the City Council and Mayor approve the allocation of the state's local government aid for Park Board operations. All Park Board actions are submitted to the Mayor and a mayoral veto may be overridden by a vote of two thirds of the members of the Park Board. The Board of Estimate and Taxation approves the maximum property tax levy for the Park Board, and the full faith and credit of the City secures debt issued for Park Board projects. The City Finance Officer acts as Treasurer of the Park Board. Complete financial statements for the Park Board can be obtained from the Minneapolis Park and Recreation Board at 2117 West River Road, Minneapolis, Minnesota, 55411.

▪ Municipal Building Commission

The Municipal Building Commission (MBC) is an organization established January 4, 1904, by the State of Minnesota, to operate and maintain the City Hall/County Court House Building, which was erected pursuant to Chapter 395 of the Special Laws of 1887. The four commissioners are, the Chairman of the Hennepin County Board of Commissioners, the Mayor of the City of Minneapolis, an appointee of the Hennepin County Board, and an appointee of the Minneapolis City Council. It is this criterion that results in the MBC being reported as a discretely presented component unit. The Mayor recommends the tax levy and budget for the City's share of the MBC's operations and the City Council and Mayor approve the allocation of the state's local governmental aid to the MBC. The MBC does not issue separate financial statements.

▪ Meet Minneapolis

Greater Minneapolis Convention and Visitors Association (d.b.a. Meet Minneapolis) was incorporated on July 29, 1987. The Association was organized to promote the City of Minneapolis (the City) as a major destination for conventions and visitor travel, and to achieve maximum utilization of the Minneapolis Convention Center. Toward this purpose, the Association receives a majority of its funding through annual contracts with the City and the state of Minnesota. The Association is a nonprofit corporation under Section 501 (c) (6) of the Internal Revenue Code. Management also has no operational responsibility over Meet Minneapolis. Based on its relationship with the City, it would be misleading to exclude Meet Minneapolis as a component unit. It is this criterion that results in Meet Minneapolis being reported as a discretely presented component unit. Complete financial statements for Meet Minneapolis can be obtained from Meet Minneapolis at 250 Marquette Avenue South, Suite 1300, Minneapolis, Minnesota 55401.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A – Reporting Entity (continued)****Related Organizations**

The City's officials are also responsible for appointing members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The following organizations are related organizations, which have not been included in the reporting entity:

▪ Minnesota Sports Facilities Authority

On May 14, 2012 Governor Mark Dayton signed into law a stadium bill which provided for construction and operation of a new National Football League stadium located on the former site of the Metrodome. The bill established a new Minnesota Sports Facilities Authority (MSFA) and required that members be appointed within 30 days. The bill also required the Metropolitan Sports Facilities Commission (MSFC) transfer its assets, liabilities, and obligations to the MSFA within 90 days and then abolish the MFSC. The City was obligated to provide funding to build and maintain the new stadium. The MSFA was charged with the design, construction and operation of the new multi-purpose stadium. The MSFA consists of five members. Three authority members, including the chair, are appointed by the governor. Two authority members are appointed by the City of Minneapolis. Complete financial statements for the MFSFA can be obtained from the Minnesota Sports Facilities Authority at 900 South Fifth Street, Minneapolis, Minnesota, 55415-1903.

▪ Minneapolis Public Housing Authority

The Minneapolis Public Housing Authority (MPHA) is the public agency responsible for administering public housing and Section 8 rental assistance programs for eligible individuals and families in Minneapolis. A nine-member Board of Commissioners governs MPHA. The Mayor of Minneapolis appoints the Board Chairperson and four Commissioners, and the City Council appoints four Commissioners (one of whom must be a public housing family development resident).

The mission of the MPHA is to provide well-managed high-quality housing for eligible families and individuals; to increase the supply of affordable rental housing; and to assist public housing residents in realizing goals of economic independence and self-sufficiency. Complete financial statements for the MPHA can be obtained from the Minneapolis Public Housing Authority at 1001 Washington Avenue North, Minneapolis, Minnesota, 55401-1043.

Joint Ventures

The City is a participant in several joint ventures in which it retains an ongoing financial interest or an ongoing financial responsibility.

▪ Minneapolis-Duluth/Superior Passenger Rail Alliance

The Minneapolis-Duluth/Superior Passenger Rail Alliance (also known as the "Northern Lights Express") was established under a joint powers agreement between Anoka County, Hennepin County, Isanti County, Pine County, St. Louis and Lakes Counties Regional Railroad Authority, City of Duluth, City of Minneapolis, and Douglas County (Wisconsin) to explore options for the development of rail transportation between the Twin Cities and Duluth Superior metropolitan areas. The City of Superior, Wisconsin joined the Alliance in 2016. The Board consists of one elected official selected by each party in the Alliance as well as a member of the Mille Lacs Band of Ojibwe. Each party also appoints an alternate member. The City of Minneapolis pays an annual membership fee to the Alliance

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A – Reporting Entity****Joint Ventures****▪ Minneapolis-Duluth/Superior Passenger Rail Alliance (continued)**

to cover the costs of activities. The percentage share of the City in the Alliance's assets, liabilities, and equity cannot be determined at fiscal year-end. St. Louis and Lake Counties Regional Railroad Authority serves as the fiscal agent. Complete financial statements for the Minneapolis-Duluth/Superior Passenger Rail Alliance can be obtained from the St. Louis and Lakes Counties Regional Railroad Authority at 111 Station 44 Road, Eveleth, Minnesota 55734.

▪ Minneapolis/Saint Paul Housing Finance Board

The Minneapolis/Saint Paul Housing Finance Board was established in accordance with a joint powers agreement entered into between the Housing and Redevelopment Authority of the City of Saint Paul and the City of Minneapolis and accepted by both cities under State of Minnesota laws. The City of Minneapolis oversight responsibility of the Board is limited to its governing body's ability to appoint only three of the six members of the Board. The territorial jurisdiction of the Board extends beyond the corporate limits of the City of Minneapolis. The percentage share of the City in the Board's assets, liabilities and equity cannot be determined at fiscal year-end. Complete financial statements for the Minneapolis/Saint Paul Housing Finance Board can be obtained from the City of Minneapolis CPED office at Suite 700, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota 55401-2534.

▪ Minneapolis Youth Coordinating Board

The Minneapolis Youth Coordinating Board (YCB) was established in accordance with a joint powers agreement entered into between the Hennepin County Board of Commissioners, the Board of Directors of Special School District No. 1, the Park Board, the Mayor and the City Council under authority of State of Minnesota laws. The YCB, which numbers 10 in size, includes the Mayor, two members each from the Hennepin County Board of Commissioners and the Board of Directors of Special School District No. 1, two representatives from the City Council, one member from the Park Board, the Hennepin County Attorney, and a Judge assigned by the Chief Judge of the District Court. The percentage of each jurisdiction's share in the YCB's assets, liabilities and equity cannot be determined at fiscal year-end. Complete financial statements for the YCB can be obtained from the Minneapolis Youth Coordinating Board at 330 2nd Avenue South, Room 540, Minneapolis, Minnesota 55401.

▪ Metropolitan Emergency Services Board

The Metropolitan Emergency Services Board (MESB) was established by a joint powers agreement pursuant to Minn. Stat. sec. 471.59 between the Counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington, and the City of Minneapolis, for the implementation and administration of a regional 911 system. Chisago County entered this agreement effective October 1, 2006. Isanti County joined the joint powers agreement effective January 1, 2010.

There is a financial obligation if MESB incurs any liability for damages arising from any of its activities under the joint powers agreement. There is a formula to assess the participants in the agreement. Current financial statements of the Metropolitan Emergency Services Board are available at the 911 Board Office, 2099 University Avenue, West Saint Paul, Minnesota 55104-3431.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A – Reporting Entity****Joint Ventures (continued)****▪ Mississippi Watershed Management Organization**

The Mississippi Watershed Management Organization (MWMO) encompasses 25,543 acres (39.9 square miles) of fully-developed urban lands and waters within the Minneapolis—Saint Paul metropolitan core area. The original members included the cities of Falcon Heights, Lauderdale, Minneapolis, Saint Anthony Village and Saint Paul, the Minneapolis Park and Recreation Board and the University of Minnesota. The cities of Columbia Heights, Fridley and Hilltop became members of the MWMO in July 2012. These entities entered into a new, revised joint and cooperative agreement (i.e., joint powers agreement under MS Section 471.59) that now form the MWMO. Current financial statements of the Mississippi Watershed Management Organization are available at the MWMO Stormwater Park and Learning Center, 2522 Marshall Street NE, Minneapolis, MN 55418-3329.

▪ Shingle Creek Watershed Management Commission

The City is one of nine member cities of the Shingle Creek Watershed Management Commission (SCWMC), a joint powers organization formed to assist its members' preservation and use of natural water storage and retention systems. The original nine cities with land in the Shingle Creek watershed entered into joint powers agreement to form the Shingle Creek Water Management Organization, governed by a citizen Commission with one representative from each city. In addition to Minneapolis, the other participating cities are Brooklyn Center, Brooklyn Park, Crystal, Maple Grove, New Hope, Osseo, Plymouth, and Robbinsdale. Current financial statements of the Shingle Creek Watershed Management Commission are available by contacting them at 3235 Fernbrook Lane N, Plymouth, Minnesota 55447.

▪ Bassett Creek Watershed Management Commission

The City is one of nine member cities of the Bassett Creek Watershed Management Commission (BCWMC), a joint powers organization formed to assist its members' preservation and use of natural water storage and retention systems. Each member city is entitled to appoint one representative to BCWMC board. The nine-member board develops a budget for the year each July 1. Each member City contributes funds to cover the budgeted costs of operations based half on the assessed valuation of all taxable property, and half on the total area each member city has within the boundaries of the watershed. Any capital costs incurred by the BCWMC are apportioned to the members based half on the real property valuation of each member city within the watershed, and half on the total area each member city has within the boundaries of the watershed. Current financial statements of the Bassett Creek Watershed Management Commission are available on its website at www.bassettcreekwmo.org

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For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**B – Basis of Presentation****Government-Wide Financial Statements**

The *statement of net position* and *statement of activities* display information about the primary government (the City) and its component units using the economic resources measurement focus and the full accrual basis of accounting. Governmental funds recognize revenue in the accounting period in which they become susceptible to accrual. Susceptible to accrual means that revenues are both measurable and available to finance expenditures of the fiscal period. Financial resources are available only to the extent that they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The availability period used for revenue recognition is generally 60 days. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider, if any, have been met. These statements include the financial activities of the overall government, except for fiduciary activities. Generally, interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities, except in those instances where the elimination of activities would distort the direct costs and program revenues reported for the various functions concerned. These statements distinguish between *governmental* and *business-type activities* of the City and between the City and its discretely presented component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees charged to external parties.

The *statement of activities* presents a comparison between direct expenses and program revenues for each segment of the *business-type activities* of the City and for each function of the City's *governmental activities*. Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The fund financial statements provide information about the City's funds. The City's funds include fiduciary funds and a blended component unit; the Board of Estimate and Taxation, a non-major special revenue fund. Funds are classified into three categories: *Governmental*, *Proprietary*, and *Fiduciary*, each category is divided into separate fund types. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**B – Basis of Presentation (continued)****Governmental Funds**

All governmental funds are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Unearned revenue is reported in the governmental funds and government-wide financial statements in connection with resources that have been received but not earned. Tax revenues are recognized in the year for which the taxes are levied. Property tax levies are approved and certified to the County in December prior to the year collectible. The County acts as a collection agency. Such tax levies constitute a lien on the property on January 1st of the year collectible. Taxes are payable to the County in two installments by the fifteenth day of May and the fifteenth day of October. City property taxes are recognized as revenues when they become measurable and available to finance expenditures of the current period.

Major revenues that are determined to be susceptible to accrual include property taxes, special assessments, grants-in-aid, intergovernmental revenues, rentals, and intra-city charges. Interest on investments, short-term notes and loans receivable are accrued; interest on special assessments receivable is not accrued. Major revenues that are determined not to be susceptible to accrual because they are not available soon enough to pay liabilities of the current period or are not objectively measurable include delinquent property taxes and assessments, licenses, permits, fines and forfeitures. Issuances of long-term debt and acquisitions under capital leases are reported as other financing sources in governmental fund financial statements.

Governmental fund expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt which is recognized when due. Compensated absences, which include accumulated unpaid vacation, compensatory time and severance pay, are not payable from expendable available financial resources. Compensated absences are considered expenditures when paid to employees.

The accounting and reporting treatment applied to the assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending, or "financial flow," measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, as defined by GAAP, are generally included on the balance sheets. Reported fund balance (net current assets and deferred outflows of resources) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, governmental funds are said to present a summary of sources and uses of "available spendable resources" during a period.

Special reporting treatments are also applied to governmental fund inventories to indicate that the inventories do not represent "available spendable resources," even though they are a component of net current assets.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the government-wide statement of net position and statement of activities.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**B – Basis of Presentation****Governmental Funds (continued)**

The City reports the following major governmental funds:

▪ General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those accounted for in another fund. For the City, the General Fund includes such activities as general government administration, public safety, public works, health and welfare, and community planning and economic development.

▪ Special Revenue Fund – Community Planning and Economic Development

This fund is used to account for the activities of the Department of Community Planning and Economic Development (CPED). CPED is responsible for promoting the City's planning and community development goals in the areas of housing development, economic development, community planning, development services, workforce development and strategic partnerships. The major source of revenue is property tax increment.

▪ Special Revenue Fund – Downtown Assets

This fund is used to account for local sales, liquor, lodging, restaurant, and entertainment taxes; to provide stable, predictable ongoing support from these taxes to the General Fund; and to support the comprehensive management of the City's four primary downtown revenue-generating capital assets, the Minneapolis Convention Center, the Arena Reserve Fund (Target Center), the Downtown Commons, and Peavey Plaza.

▪ Special Revenue Fund – HUD Consolidated Plan

This fund is used to account for federal formula-based grants received from the U.S. Department of Housing and Urban Development's Community Planning and Development Office.

▪ Capital Project Fund – Permanent Improvement

This fund is used to account for capital acquisition, construction and improvement projects including bridge construction, sidewalk construction, street construction, infrastructure projects and property services capital projects.

▪ Debt Service Fund – Special Assessment

This fund is used to account for debt supported by special assessments including Park Diseased Tree debt.

Proprietary Funds

Proprietary funds are accounted for using the full accrual basis of accounting. Revenues are recognized when they are earned. Unbilled utility service receivables are recorded at year-end. Expenses are recognized when they are incurred. Compensated absences are considered expenses when they are incurred.

All proprietary funds are accounted for on an economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on the balance sheets. Their reported net positions are categorized as net investment in capital assets, restricted and unrestricted. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**B – Basis of Presentation****Proprietary Funds (continued)**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. *Operating* revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing business operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. *Operating* expenses for the City's enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as *nonoperating* revenues and expenses.

Enterprise Funds

Enterprise funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City reports the following major enterprise funds:

- **Sanitary Sewer Fund**
This fund is used to account for sewage fees collected from customers connected to the City's sanitary sewer system and for all expenses of operating this system.
- **Stormwater Fund**
This fund is used to account for stormwater fees collected from customers, and for the City's street cleaning and other stormwater management activities.
- **Water Treatment and Distribution Services Fund**
This fund is used to account for the operation, maintenance and construction projects related to the water delivery system. This fund also accounts for the operations related to the billings for water, sewage and solid waste fees.
- **Municipal Parking Fund**
This fund is used to account for the operation, maintenance and construction of the City's parking facilities as well as on-street parking and the Municipal Impound Lot.
- **Solid Waste and Recycling Fund**
This fund is used to account for the revenues and expenses for solid waste collection, disposal and recycling activities.
- **Community Planning and Economic Development Fund**
This fund is used to account for the enterprise fund activities of the Department of Community Planning and Economic Development.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B – Basis of Presentation (continued)

Non-Major Funds

The City reports the following non-major governmental funds:

Special Revenue Funds:

Arena Reserve
 Board of Estimate and Taxation
 Convention Center
 Self-Managed Special Service Districts
 Employee Retirement
 Grants – Federal
 Grants – Other
 Police
 Neighborhood and Community Relations
 Regulatory Services

Debt Service Funds:

Community Development Agency
 Development
 General Debt Service

Additionally, the City reports the following fund types:

▪ **Internal Service Funds**

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The internal service funds used by the City include:

- Engineering Materials and Testing
- Intergovernmental Services
- Property Services
- Equipment Services
- Public Works Stores
- Self-Insurance

▪ **Agency Funds**

Financial statements of agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds. These statements have no measurement focus, but utilize the accrual basis of accounting. Agency fund assets and liabilities are included in the fiduciary statement of net position.

- Minneapolis Agency
- Minneapolis Youth Coordinating Board Agency
- Joint Board Agency

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For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**C – Budgets**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds.

The 2017 process for the 2018 budget involved the following:

January – early April*Department-level assessment of prior year and planning for current year*

Analysis of what a department accomplished over the past year leads it to assess its business plan and make appropriate changes to the plan for the next year. Featured elements are reported and the reports made public. This analysis and reporting is the Department Results Minneapolis program. Additionally, the City engages in citywide strategic planning every four years to develop strategic policy guidance. The vision, values, city goals and strategic directions serve as guideposts for each department as it develops its business plan.

March*Preliminary prior year-end budget status report*

Finance presents a year-end budget status report for the previous year to the Ways and Means/Budget Committee. This is a preliminary report because the audited Comprehensive Annual Financial Report (CAFR) is not available until the second quarter of the year.

March – April*Capital Improvement Budget Development*

The City has a five-year capital improvement plan. The departments prepare and modify capital improvement proposals on an annual basis. Finance and Property Services, Community Planning and Economic Development (CPED), and the Capital Long-Range Improvements Committee (CLIC) review the capital improvement proposals of the departments. CLIC is the citizen advisory committee to the Mayor and the City Council on capital programming. Capital improvement proposals are due on or around April 1st each year.

April – June*Operating Budget Development*

Departments work in coordination with the Finance and Property Services Department to prepare department operating budgets based on programs. In addition to preparing operating budgets for programs, departments prepare proposals that describe policy and organizational changes with financial implications. The program proposals form the basis for the Mayor's budget meetings with departments held in June and July.

Capital Asset Request System (CARS) Plan and Budget Development

Departments work in coordination with Finance and Property Services to prepare five-year plans for the replacement of smaller capital assets and operating capital. The plans are based upon the need for replacements and the addition of capital assets for operational effectiveness. Each request requires a justification and an estimate of the impact on operating budgets, as well as identification of funding sources.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**C – Budgets (continued)***Capital Long-Range Improvement Committee (CLIC) Process*

From April through June, the CLIC Committee reviews capital requests, hears presentations from submitting departments and rates the capital requests. They prepare comments about projects and summarize their final recommendations in a report called “The CLIC Report” which is provided to the Mayor and City Council in mid-July as the starting point for their decisions on the Five-Year Capital Plan.

June – August*Mayor's Recommended Budget*

The 2018 Mayor's Recommended Budget was based on program proposals submitted by departments. These program proposals are reviewed and discussed by the submitting department, the Mayor's Office, and staff from the Coordinator's Office and Finance and Property Services for priority-setting. In addition to reviewing operating budgets, the Mayor meets with representatives from CLIC before finalizing the capital budget recommendation. By City Charter, the Mayor must make recommendations to the City Council on the budget no later than August 15 of each year.

September*Maximum Proposed Property Tax Levy*

As a requirement of State law, the maximum proposed property tax levy increase is authorized September 30 by the Board of Estimate and Taxation (BET). The BET sets the maximum property tax levies for the City, the Municipal Building Commission, the Public Housing Authority, and the Minneapolis Park and Recreation Board.

September – November*City Council Budget Review and Development*

The City Council budget review and development process begins with a series of public hearings on the budget. Departments present their Mayor's Recommended Budget to the Ways and Means/Budget Committee which is comprised of all Council members. Following departmental budget hearings, the Ways and Means/Budget Committee amends and moves forward final budget recommendations to the full City Council. The Committee-recommended budget includes any and all changes that are recommended by the Committee to the Mayor's Recommended Budget.

Truth in Taxation

Truth in Taxation (TNT) property tax statements are mailed by Hennepin County to property owners indicating the maximum amount of property taxes that the owner will be required to pay based upon the preliminary levies approved in September. These statements also indicate the dates when public hearings will be held to provide opportunities for public input. State law was changed in the 2009 legislative session to eliminate a separate TNT hearing in lieu of a mandate to allow public comments at the meeting at which the final budget adoption occurs. The City Council has maintained a separate hearing however as part of the regularly scheduled budget meetings. According to State law, the meeting at which the budget is adopted must be held after 6:00 p.m., on a date after November 24.

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For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C – Budgets (continued)

December

City Council Budget Adoption

The City Council adopts a final budget that reflects any and all changes made by the full Council to the Mayor's Recommended Budget. Once the final budget resolutions are adopted, requests from departments for additional funds or positions made throughout the year are to be brought as amendments to the original budget resolutions before the Ways and Means/Budget Committee and the City Council for approval. The independent boards and commissions adopt their own operating budgets.

The legal level of budgetary control is at the department level within a fund. The City Coordinator's Office and the Public Works Department are considered to be legal levels of budgetary control within a fund even though budgetary data is presented at the level of the Departments within the Coordinator's Office and the Divisions within the Public Works Department. Budgetary amendments at the department/fund level must be approved by the City Council. Appropriations lapse at year-end.

Purchase orders, contracts and other commitments are recorded as encumbrances, which reserve appropriation authority. This accounting practice is an extension of formal budgetary integration in the general and special revenue funds.

Supplemental budget revisions were made during the course of the year and the effects of these revisions are summarized below:

	Expenditure Budget at Beginning of Year	Changes During Year	Expenditure Budget at End of Year
General	\$ 471,443	\$ 432	\$ 471,875
CPED Special Revenue	38,612	47,134	85,746
HUD Consolidated Plan Special Revenue	16,819	6,369	23,188
Arena Reserve Special Revenue	6,636	2,249	8,885
Convention Center Special Revenue	46,397	11,523	57,920
Self-Managed Special Service Districts Special Revenue	6,920	70	6,990
Grants – Federal Special Revenue	11,235	8,453	19,688
Grants – Other Special Revenue	10,549	24,794	35,343
Police Special Revenue	3,112	100	3,212
Neighborhood and Community Relations Special Revenue	6,676	33	6,709
Total	<u>\$ 618,399</u>	<u>\$ 101,157</u>	<u>\$ 719,556</u>

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For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**D – Non-Current Governmental Assets/Liabilities**

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the *Governmental Activities* column in the government-wide *Statement of Net Position*.

E – Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and investments with original maturities of three months or less from the date of purchase. The City maintains a general portfolio which is a pool of investments covering pooled cash and cash equivalents for the primary government as well as the discretely presented component units of the Municipal Building Commission and the Minneapolis Park and Recreation Board. The City has contracted with investment management firms for management of some of these investments. The City also, from time to time, invests non-pooled cash within individual funds, which are reported as fund investments. All investments are reported at fair value.

Investment earnings in the investment pool, net of daily amortization of premiums and discounts, are calculated monthly and allocated to participating funds based on each fund's share of equity (positive or negative) in the investment pool.

Some funds, such as debt service funds, retain their monthly allocation of investment earnings while other funds, which are not required to retain their allocated interest, pass the interest on to either the City General Fund or to the Community Planning and Economic Development Special Revenue Fund. Also, periodically the City distributes investment earnings from the General Fund to various projects below the fund level, as may be required, on the basis of the calculated average daily cash balance of the project and the average yield of the City's general portfolio.

F – Inventories of Materials and Supplies and Prepaid Items

Depending on the nature of the item, inventories are valued using the moving average valuation method or using the last price of the item purchased. Also, and depending on the nature of the item or the fund in which the inventory is recorded, the costs of inventories are recorded as expenses/expenditures when purchased, or when consumed rather than when purchased. Inventory recorded in the proprietary funds is expensed as the supplies and materials are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide statement of net position and fund financial statements. Prepaid expenditures of governmental funds are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

G – Receivables

Loans receivable recorded in the governmental funds consist of business loans using funds provided through state and federal grants and loan recaptures. The loans have been collateralized and call for periodic payments of principal and interest. Loans receivable recorded in the enterprise funds consist primarily of low interest home improvement and home mortgage loans, which are secured by either a first or second mortgage. Interest on loans is recorded where applicable.

Several developers under various financial arrangements have agreed to pay back development loans only if certain events occur. They are presented net of an estimated allowance for doubtful accounts. These loans include redevelopment agreements, neighborhood economic, commercial, and housing development loans, and second mortgages on rehabilitated homes. Some of these loans may be forgiven for continued owner occupancy, the attainment of certain employment goals, or the continuation of specified services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G – Receivables (continued)

Amounts due from individuals, organizations or other governmental units are recorded as receivables at year end. These amounts include charges for services rendered, or for goods and material provided by the City, including amounts for unbilled services. Receivables are shown net of an allowance for uncollectible accounts where applicable. Receivables are also recognized for property taxes, sales and excise taxes, loans, assessments, accrued interest, and intergovernmental grants.

Taxes and tax increments receivable consist of uncollected taxes levied and payable in prior years, net of allowance for uncollectible taxes. These receivables are deferred to indicate they are not available to finance expenditures of the current fiscal period.

Assessments receivable include current, delinquent and noncurrent assessments for various services including street and utility improvements. City Council approves special assessments throughout the year. These assessments are reported in the General Fund, Community Planning and Economic Development Special Revenue Fund, Permanent Improvement Capital Projects Fund, Special Assessment Debt Service Fund, Non-Major Governmental Funds, and Enterprise Funds (except for the Community Planning and Economic Development Enterprise Fund). The amounts that are approved by City Council are set up as a receivable and not collected at year end are recorded as unavailable revenue.

H – Capital Assets

Capital assets (including infrastructure) are recorded in the government-wide and proprietary fund financial statements at historical cost or at estimated historical cost if actual historical cost is not available. Infrastructure assets acquired prior to December 31, 1980 are included. Contributed and donated capital assets are recorded at acquisition value. Capital assets include infrastructure (e.g. roads, bridges, water/sewer and lighting systems), land, buildings, improvements and equipment. The City defines capital assets as assets with an individual cost of more than \$5; or \$35 per group of assets by year for bike paths, street signage, street lighting and traffic signals; and \$100 per group of assets for parking meters. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds. As of 2008 the City no longer uses salvage values, and depreciates assets to zero.

The estimated useful lives are as follows:

Infrastructure	15 to 100 years
Buildings and structures	25 to 50 years
Equipment	5 to 15 years
Public improvements	20 to 40 years

Major outlays for capital assets and improvements, including land, are capitalized as projects are constructed. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**I – Compensated Absences**

The City accrues compensated absences (vacation, sick leave, and compensatory time benefits) when vested. The current and non-current portions are recorded in the government-wide and proprietary fund financial statements and represent a reconciling item between the governmental funds and government-wide presentation. The City typically liquidates the liability for compensated absences to the fund where employees' salaries were originally charged. In governmental funds, a liability is reported only if they have matured (as a result of employee resignations and retirements). The current portion of the liability is determined based on historical information.

J – Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the Teacher's Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on a basis different than reported by PERA and TRA. The City has reported its long-term projected contribution effort to the pension plan rather than the allocated amounts based on current year contributions of all contributing members. PERA's and TRA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The City typically liquidates the net pension liability to the fund where employees' salaries were originally charged.

K – Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans are reported as receivables or payables where appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances to/from other funds" (i.e. noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Advances to other funds, as reported in the fund financial statements, are included in assigned fund balance in applicable governmental funds and in nonspendable fund balance in the General Fund to indicate they are not available for appropriation and are not available financial resources. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when a fund incurs costs that are eventually repaid through charges to the benefiting fund. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

L – Properties Held for Resale

Properties held for resale in the Community Planning and Economic Development, the HUD Consolidated Plan, the Grants-Federal, the Grants-Other Special Revenue funds, the Permanent Improvement Capital Projects Fund, and the Self-Insurance Internal Service fund have been obtained as a result of repossessions in default situations. Repossessed properties are held solely to be re-marketed as part of the ongoing operations of the programs. They are valued at the outstanding principal balance of the related bonds, which is not in excess of the realizable value; or are valued at the amount of the related loan balance at the time of default plus subsequent improvement costs. The proceeds of any sales related to properties held for resale in the Community Planning and Economic Development, HUD Consolidated Plan, Grants – Federal, and Grants – Other Special Revenue funds, the Permanent Improvement Capital Projects Fund, and the Self-Insurance Internal Service fund are classified as restricted. As a result, fund balance/net position related to properties held for resale is classified as restricted in those funds.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**M – Debt Service and Requirements**

The debt service funds service all long-term obligations with the exception of bonds payable recorded within the proprietary funds. Some general long-term debt obligations are serviced in part by Council approved transfers from enterprise funds. Minnesota State Law requires agencies issuing general obligation bonds to certify an irrevocable tax levy to the County Auditor covering annual principal and interest requirements plus 5% (deducting, in certain cases, estimated tax increments and certain other revenue) at the time bonds are issued. The annual tax levy can be reduced by an amount equal to the issuing agency's annual certification of funds on hand.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. The differences between reacquisition prices and the net carrying amounts of current or advance refunding resulting in the defeasance of debt has been considered immaterial and has not been reported as either a deferred inflow of resources or a deferred outflow of resources on the statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as an other financing source, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N – Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefit (OPEB) and accordingly, are reported in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The first, which arises under a modified accrual basis of accounting, is unavailable revenue reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from primarily six sources: taxes, special assessments, intergovernmental, long-term loan receivables, interest, and other. These amounts are recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting, and, accordingly, are reported only in the statement of net position. For the current year, the City only reported deferred inflows of resources related to pension benefits.

O – Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P – Change in Accounting Principle

During the year ended December 31, 2018, the City adopted new accounting guidance by implementing the provisions of GASB Statement 75. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, changes standards for recognizing and measuring other postemployment benefit (OPEB) liabilities and related deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also requires additional note disclosures and a schedule in the required supplementary information. Beginning net position has been restated to reflect this change.

Q – Restatement of Net Position

Due to the change in accounting principle for the implementation of GASB Statement No. 75 other postemployment benefits, the City restated the beginning net position of the governmental and business-type activities as well as the discrete component units. The effects of this is illustrated in the table below.

	<u>Primary Government</u>		<u>Discrete Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Net Position January 1, 2018	\$ 1,114,360	\$ 969,223	\$ 357,391
Change in accounting principle	5,237	210	1,869
Net Position January 1, 2018, restated	<u>\$ 1,119,597</u>	<u>\$ 969,433</u>	<u>\$ 359,260</u>

R – Stewardship, Accountability and Compliance

The Development Debt Service Fund currently has a deficit fund balance of \$1,818 due to loans and advance from other funds.

The Board of Estimates and Taxation Fund’s expenditures exceeded budget by \$1. Revenues also exceeded budget by \$1, resulting in a net change to fund balance of \$0.

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NOTE 2 – DEPOSITS AND INVESTMENTS

A – Deposits

Deposits and investments appear in the financial statements consistent with the following analysis:

Deposits, per book	\$ 151,724
Investments	822,215
Imprest cash held by City	20
Total	<u>\$ 973,959</u>
Primary Government:	
Cash and cash equivalents	\$ 876,572
Cash and cash equivalents in Agency Funds	1,767
Investments with trustees	42,253
Total primary government	<u>\$ 920,592</u>
Discretely Presented Component Units:	
Park and Recreation Board:	
Cash and cash equivalents	<u>49,122</u>
Municipal Building Commission:	
Cash and cash equivalents	<u>1,787</u>
Meet Minneapolis:	
Cash and cash equivalents	<u>2,458</u>
Total discretely presented component units	<u>\$ 53,367</u>
Total reporting entity	<u>\$ 973,959</u>

The City has executed a Depository Pledge Agreement with its depository bank. The depository bank pledges to secure the deposited funds, to the extent not insured by the Federal Deposit Insurance Corporation (“FDIC”), by pledging securities of any type permitted by the provisions of Chapter 118A of the Minnesota Statutes, which are eligible to be held in a Securities Account at the Federal Reserve Bank. The bank balances at the City’s designated depository as of December 31, 2018, totaled \$7,518. The City also had bank deposits in several banks through the investment program totaling \$149,434.

Reconciliation of bank cash balances to book cash balance:	
Bank balance, per December 31, 2018 bank statement	\$ 156,952
Reconciling items and outstanding checks	<u>(5,228)</u>
Deposits, per book	<u>\$ 151,724</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City’s deposits may be delayed or not be returned. The City’s policy is to have its designated depositories comply with Minnesota Statutes Chapter 118A to pledge allowable securities to collateralize the City’s deposits. At December 31, 2018, the City was not exposed to custodial credit risk since all deposits are either FDIC insured (where applicable) or are collateralized through securities pledged to the City of Minneapolis by the financial institution and held in safekeeping at the Federal Reserve Bank at 110% of deposit value.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS

B – Investments

In accordance with Minnesota Statutes Chapter 118A, and with the City Charter, the City may invest in (1) direct, guaranteed or insured obligations of the U.S. Treasury, (2) shares of an investment company (with restrictions), (3) general obligations of government jurisdictions (with restrictions), (4) bankers acceptances, (5) commercial paper and (6) repurchase agreements (with restrictions).

Investment derivative instruments

The City and its investment management firms will exercise extreme caution in the use of derivative instruments, keeping abreast of future information on risk management issues and will consider derivatives only when a sufficient understanding of the products and expertise to manage them has been developed and analyzed. Any derivative will also be required to pass the stress testing requirements of Minnesota Statutes Chapter 118A.

As of December 31, 2018, there were no derivative instruments held in the City’s Investment Portfolio.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City has no formal policy specifically related to interest rate risk. The City minimizes its exposure to interest rate risk by investing in both shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, taking into account the City’s investment risk constraints, cash flow characteristics of the portfolio and prudent investment principles.

The following table presents the City of Minneapolis’ investment balances (excluding accrued earnings) at December 31, 2018, and information relating to interest rate risks:

Investment Type	Average Maturity (Years)	(Fair) Value
U.S. Treasury obligations	1.8	\$ 236,700
U.S. Federal agency obligations	1.5	127,921
U.S. Mortgage obligations	2.9	187,181
Municipal bonds	1.6	75,118
Commercial paper	0.3	96,770
Money market mutual funds	0.1	79,057
Negotiable certificates of deposit	0.5	19,468
Portfolio weighted average maturity	1.6	
Total investments		\$ 822,215
Deposits per book		151,724
Imprest cash		20
Total cash and investments		\$ 973,959

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS**B – Investments (continued)***Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to invest only in securities that meet the ratings requirements set by state statute Chapter 118A.04 as follows:

"INVESTMENTS.

Subdivision 1. What may be invested. Any public funds, not presently needed for other purposes or restricted for other purposes, may be invested in the manner and subject to the conditions provided for in this section.

Subd. 2. United States securities. Public funds may be invested in governmental bonds, notes, bills, mortgages (excluding high-risk mortgage-backed securities), and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.

Subd. 3. State and local securities. Funds may be invested in the following:

- (1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
- (2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
- (3) a general obligation of the Minnesota housing finance agency which is a moral obligation of the state of Minnesota and is rated "A" or better by a national bond rating agency.

Subd. 4. Commercial papers. Funds may be invested in commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

Subd. 5. Time deposits. Funds may be invested in time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States banks."

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For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS

B – Investments (continued)

At December 31, 2018, the City’s investments were rated by Standard & Poor’s and Moody’s as follows:

Investment Type	Standard & Poor’s		Moody’s	
U.S. Treasury obligations	AA+	\$ 236,700	Aaa	\$ 236,700
U.S. Federal agency obligations	AA+	\$ 127,921	Aaa	\$ 127,921
U.S. Mortgage obligations	AA+	\$ 187,181	Aaa	\$ 187,181
Municipal bonds				
	AAA	\$ 24,733	Aaa	\$ 22,640
	AA+	15,590	Aa1	24,937
	AA	10,670	Aa2	13,725
	AA-	3,490	Aa3	4,340
	A+	2,080	A1	4,058
	A	1,978	A2	-
	Not Available	8,725	Not Available	3,214
	Not rated	7,852	Not rated	2,204
Total municipal bonds		<u>\$ 75,118</u>		<u>\$ 75,118</u>
Commercial paper	A-1	\$ 7,785	P-1	\$ 7,785
	Not rated	88,985	Not rated	88,985
Total commercial paper		<u>\$ 96,770</u>		<u>\$ 96,770</u>
Mutual funds	AAAmG	\$ 79,057	Aaa-mf	\$ 79,057
Negotiable certificates of deposit	FDIC Insured	\$ 19,468	FDIC Insured	\$ 19,468
Total		<u>\$ 822,215</u>		<u>\$ 822,215</u>

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City’s policy is to comply with Minnesota Statutes Chapter 118A and use a third party financial institution for safekeeping of securities which mitigates custodial credit risk. The City’s investments were not exposed to custodial credit risk at December 31, 2018.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS

B – Investments (continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the City’s investment in a single issuer. It is the City’s policy to diversify its investment portfolio. Assets held shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity.

Fair Value Measurement

The City categorizes its fair value measurements in accordance with guidelines established by generally accepted accounting principles. These guidelines establish a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management’s assumption of the default rate among underlying mortgages of a mortgage-backed security.

At December 31, 2018, the City had the following recurring fair value measurements:

Debt

	December 31, 2018	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury obligations	\$ 236,700	\$ -	\$ 236,700	\$ -
U.S. Federal agency obligations	127,921	3,728	124,193	-
U.S. Mortgage obligations	187,181	-	187,181	-
Municipal bonds	75,118	-	75,118	-
Commercial paper	96,770	-	96,770	-
Total investments by fair value level	\$ 723,690	\$ 3,728	\$ 719,962	\$ -
Investments measured at net asset value (NAV)				
Government money market mutual funds	\$ 79,057			
Negotiable certificates of deposit	19,468			
Total investments measured at the NAV	\$ 98,525			
Total investments measured at fair value and NAV	\$ 822,215			

securities classified in Level 1 are valued using a market approach quoted in active markets for those securities and consist of Federal discount notes. Debt securities classified in Level 2 are valued using the following approaches:

- U.S. Treasury obligations and U.S. Federal agency obligations are valued using a market approach by utilizing quoted prices for identical securities in markets that are not active;
- U.S. Mortgage obligations and Commercial paper are valued using matrix pricing based on the securities relationship to benchmark quoted prices; and
- Municipal bonds are valued using a market approach using quoted prices for similar securities in active markets.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS

B – Investments (continued)

The City also holds \$79,057 in Government money market mutual funds. The fair value of the investment is the fair value per share of the underlying portfolio. The City may redeem these funds at any time and for any use the City has designated. The City invests in these funds in order to have a rate of return on cash that is currently “in between” investments. The City also holds \$19,468 in negotiable certificates of deposit, which will mature and be redeemed in less than one year from issuance. The fair value is measured based on current market conditions. The City invests in these certificates of deposit in order to diversify the portfolio.

NOTE 3 – RECEIVABLES

A – Receivables Detail

Receivables at year-end for the City’s major individual governmental and enterprise funds and non-major and internal service funds in the aggregate, including applicable allowances for uncollectible amounts are as follows:

	Community Planning		Downtown Assets	HUD		Special Assessment	Non-Major Governmental Funds	Internal Service Funds	Total Governmental
	General Fund	and Economic Development		Consolidated Plan	Permanent Improvement				
Governmental Activities									
Accounts	\$ 7,831	\$ 49	\$ -	\$ 17	\$ 1,932	\$ 7	\$ 2,202	\$ 1,960	\$ 13,998
Taxes	2,529	44	-	-	5	-	1,090	-	3,668
Special assessments	389	5,562	-	-	2,327	54,750	540	-	63,568
Intergovernmental	7,267	69	9,752	6,469	33,761	-	7,181	102	64,601
Loans	-	180,207	-	131,775	-	-	-	-	311,982
Loans due from component unit	-	-	-	-	-	-	500	-	500
Accrued interest	1,414	729	60	-	195	28	342	-	2,768
Gross receivables	19,430	186,660	9,812	138,261	38,220	54,785	11,855	2,062	461,085
Less: Allowance for uncollectibles	(73)	(153,535)	-	(102,675)	-	-	(46)	(1,612)	(257,941)
Total receivables (due within one year)	\$19,357	\$ 33,125	\$ 9,812	\$ 35,586	\$ 38,220	\$ 54,785	\$ 11,809	\$ 450	\$ 203,144

	Water Treatment and Distribution		Municipal Parking	Solid Waste and Recycling	Community Planning		Total Business-type
	Sanitary Sewer	Stormwater			Distribution Services	and Economic Development	
Business-type Activities							
Accounts	\$ 4,307	\$ 4,048	\$ 4,637	\$ 434	\$ 3,827	\$ 15	\$ 17,268
Special assessments	126	92	2,623	4,348	111	-	7,300
Intergovernmental	-	282	-	3,708	2	-	3,992
Accrued interest	-	-	-	-	-	171	171
Gross receivables	4,433	4,422	7,260	8,490	3,940	186	28,731
Less: Allowance for uncollectibles	-	-	(1)	(5)	-	-	(6)
Total receivables (due within one year)	\$ 4,433	\$ 4,422	\$ 7,259	\$ 8,485	\$ 3,940	\$ 186	\$ 28,725

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For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 3 – RECEIVABLES (continued)

B – Business-type Activities – Leases

According to the Basic Resolution and Indenture of the General Agency Reserve Fund System (GARFS) within the CPED Enterprise Fund, agreements are to be formed with developers receiving funds for construction. Such agreements are in the form of capitalized leases or notes receivable.

The annual lease and loan payments approximate the principal and interest requirements on the outstanding bonds. The leases are capitalized in an amount equal to the principal of the related bonds, net of any unexpended construction fund proceeds. Each lease agreement includes a bargain purchase option exercisable at the end of the lease term. In addition, the leased property may be purchased at various anniversaries during the lease term at amounts at least equal to the outstanding principal amount of the underlying bonds. In the event developers are unable to continue with lease and loan payments, the City takes possession of the developed property.

The future payment requirements for these agreements are as follows:

<u>Scheduled Lease Payments</u>	<u>Capitalized Leases</u>
2019	\$ 6,304
2020	6,117
2021	5,256
2022	5,265
2023	5,262
2024-2028	25,403
2029-2033	25,370
2034-2038	20,633
2039-2040	6,131
Subtotal	<u>105,741</u>
Less: Interest over lease term	<u>(44,176)</u>
Total Principal	61,565
Less: Current Portion	<u>(2,730)</u>
Noncurrent Portion	<u>\$ 58,835</u>

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For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS

A – Current Year Activity

Capital asset activity for the year ended December 31, 2018, including the transfer of \$4,000 in land from the Municipal Parking Fund to Governmental Activities, was as follows:

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2018</u>
Governmental activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 110,788	\$ 4,000	\$ -	\$ 114,788
Construction in progress	389,702	111,849	(36,043)	465,508
Total capital assets, not being depreciated	500,490	115,849	(36,043)	580,296
<i>Capital assets, being depreciated</i>				
Infrastructure	1,031,231	24,724	-	1,055,955
Buildings and structures	621,145	1,193	-	622,338
Public improvements	30,062	6,969	-	37,031
Machinery and equipment	150,874	19,718	(9,522)	161,070
Computer equipment	48,891	2,199	(17,897)	33,193
Software	58,750	8,580	(3,335)	63,995
Other capital outlay	36	-	-	36
Total capital assets, being depreciated	1,940,989	63,383	(30,754)	1,973,618
Less accumulated depreciation for:				
Infrastructure	(511,825)	(34,143)	-	(545,968)
Buildings and structures	(248,735)	(13,653)	-	(262,388)
Public improvements	(11,725)	(1,437)	-	(13,162)
Machinery and equipment	(99,183)	(10,183)	9,326	(100,040)
Computer equipment	(45,610)	(1,963)	17,800	(29,773)
Software	(31,253)	(9,073)	3,074	(37,252)
Other capital outlay	(36)	-	-	(36)
Total accumulated depreciation	(948,367)	(70,452)	30,200	(988,619)
Total capital assets, being depreciated, net	992,622	(7,069)	(554)	984,999
Governmental activities capital assets, net	\$ 1,493,112	\$ 108,780	\$ (36,597)	\$ 1,565,295

Depreciation expense was charged to governmental functions as follows:

General government	\$ 273
Public safety	1,630
Public works	34,521
Health and welfare	1
Community planning and economic development	13,756
Depreciation on capital assets held in the City's internal service fund is charged to the various functions based on their usage of assets.	20,271
Total depreciation expense - governmental functions	\$ 70,452

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS

A – Current Year Activity (continued)

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2018</u>
Business-type activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 132,162	\$ 1,429	\$ (4,001)	\$ 129,590
Construction in progress	99,808	66,348	(37,644)	128,512
Total capital assets, not being depreciated	231,970	67,777	(41,645)	258,102
<i>Capital assets, being depreciated</i>				
Buildings and structures	542,425	5,154	(14,371)	533,208
Public improvements	783,362	24,128	-	807,490
Machinery and equipment	67,855	7,880	(665)	75,070
Computer equipment	1,868	-	-	1,868
Software	2,864	1	-	2,865
Other capital outlay	34	674	(1)	707
Total capital assets, being depreciated	1,398,408	37,837	(15,037)	1,421,208
Less accumulated depreciation for:				
Buildings and structures	(238,297)	(11,532)	245	(249,584)
Public improvements	(272,755)	(9,900)	-	(282,655)
Machinery and equipment	(36,708)	(3,361)	633	(39,436)
Computer equipment	(1,625)	(73)	-	(1,698)
Software	(2,850)	(5)	-	(2,855)
Other capital outlay	(34)	(54)	1	(87)
Total accumulated depreciation	(552,269)	(24,925)	879	(576,315)
Total capital assets, being depreciated, net	846,139	12,912	(14,158)	844,893
Business-type activities capital assets, net	\$ 1,078,109	\$ 80,689	\$ (55,803)	\$ 1,102,995

Depreciation expense was charged to business-type functions as follows:

Sanitary sewer	\$ 1,776
Stormwater	4,860
Water treatment and distribution services	10,344
Municipal parking	6,484
Solid waste and recycling	1,258
Community planning and economic development	203
Total depreciation expense - business-type functions	\$ 24,925

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS (continued)

B – Capital Project Commitments

For the year 2018, the City of Minneapolis made capital project commitments for the following:

Property services	\$ 109,800
Sewer construction	33,250
Street construction	72,287
Bridge construction	2,680
Sidewalk construction	4,400
Street lighting & traffic signals	7,350
Bicycle trails	2,140
Non-departmental	730
Water	34,340
Total capital project commitments	<u>\$ 266,977</u>

C – Discretely Presented Component Units

Activity for the discretely presented component units for the year ended December 31, 2018, was as follows:

	Balance			Balance
Minneapolis Park and Recreation Board	January 1, 2018	Additions	Retirements	December 31, 2018
Capital assets, not being depreciated	\$ 167,636	\$ 27,133	\$ (28,063)	\$ 166,706
Capital assets, being depreciated, net	202,856	11,778	(2)	214,632
	<u>\$ 370,492</u>	<u>\$ 38,911</u>	<u>\$ (28,065)</u>	<u>\$ 381,338</u>
Depreciation expense charged	\$ 15,781			
	Balance			Balance
Municipal Building Commission	January 1, 2018	Additions	Retirements	December 31, 2018
Capital assets, not being depreciated	\$ 15,971	\$ 2,709	\$ -	\$ 18,680
Capital assets, being depreciated, net	7,190	(1,130)	-	6,060
	<u>\$ 23,161</u>	<u>\$ 1,579</u>	<u>\$ -</u>	<u>\$ 24,740</u>
Depreciation expense charged	\$ 1,130			

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For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT

The City's full faith, credit and taxing power are pledged to pay general obligation debt principal and interest.

Property Tax Supported General Obligation Bonds

Various issues of general obligation (GO) bonds are recorded in the Governmental Funds and are backed by the full faith and credit of the City. Annual property tax levies are used to pay debt service on these bonds.

Self-Supporting General Obligation Bonds and Notes

Self-supporting bonds and notes issued by the City are recorded in the Enterprise Funds, Internal Service Funds or Governmental Funds. While these bonds and notes are backed by the full faith and credit of the City, they are payable from revenue derived from the function for which they were issued.

General Obligation Improvement Bonds and Notes

Improvement bonds and notes are recorded in the Governmental Funds and are payable from special assessments levied and collected for local improvements and are backed by the full faith and credit of the City. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in special assessment districts are insufficient to retire outstanding bonds and notes.

Tax Increment General Obligation Bonds and Notes

Tax increment bonds and notes are payable primarily from the increase in property taxes resulting from replacing older improvements with new or remodeled improvements. These bonds and notes are recorded in the Governmental Funds and are also backed by the full faith and credit of the City.

Revenue Bonds and Notes

Revenue bonds and notes are recorded in the Governmental Funds. These bonds and notes are payable solely from revenues of the respective Enterprise Funds or tax increment districts. In addition, the City has pledged one-half percent of tax capacity to secure payment of bond principal and interest on all bonds issued after May 22, 1987, for the General Agency Reserve Fund System (GARFS) bonds within the Community Planning and Economic Development (CPED) Enterprise Fund.

Sinking Fund Provisions

Sinking fund provisions on certain general obligation bonds require sufficient deposits on or before October 1st of each year to pay all principal and interest amounts coming due on such bonds for the remainder of the current year, and during all of the following year. If this provision is not met, a general tax levy will be made for the balance required. Minnesota State Laws generally require initial tax levies for general obligation bonds to be at least five percent in excess of the bond and interest maturities less estimated pledged assessments and revenues. The initial tax levies cannot be repealed and can only be modified as they relate to current levies and then only upon certification to the Director of Property Taxation that funds are available to pay current maturities in whole or in part.

For Tax Increment Revenue Refunding Bonds, a separate sinking fund has been provided. These bonds are special limited obligations of the City payable from tax increments and investment earnings in the sinking fund. The City is required to have a reserve in the sinking fund equal to the lesser of maximum principal and interest due on the bonds in any succeeding bond year or 125 percent of average principal and interest due on the bonds in the succeeding bond years. In addition, the Municipal Bond Insurance Association insures payment of principal and interest on the bonds.

2018 Bond and Note Sales

In 2018, the City of Minneapolis issued general obligation bonds and notes totaling \$214,460. Of this amount, \$47,275 were issued to refund existing debt and \$167,185 were issued to finance new capital improvements. Below are details of the 2018 debt issuances.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

In March 2016, the City issued a \$74,000 Taxable General Obligation Sales Tax Note (Target Center Project), Series 2016 to Wells Fargo Bank, National Association to finance the City's share of the re-construction and upgrade of the Target Center Arena in downtown Minneapolis. Other funding partners included an estimated \$54,900 from the Minnesota Timberwolves Basketball Limited Partnership and \$5,900 from AEG Management, the manager of the facility. The note was issued on March 23, 2016 and provided an initial 364 days of drawdown flexibility to reimburse expenses during construction. In December 2016, the City and the bank agreed to extend the mandatory prepayment date of the drawdown facility from March 21, 2017 to March 21, 2018. From 2016 - 2018, the City completed annual draws totaling \$27,982; \$41,018 and \$5,000 respectively. On May 17, 2017, the City used proceeds of a \$39,915 issue of Taxable General Obligation Sales Tax Refunding Bonds (Target Center Project), Series 2017 to refund and convert \$40,000 of the Taxable General Obligation Sales Tax Note (Target Center Project), Series 2016 to fixed rate bonds. On March 21, 2018, the City and bank agreed to a second extension of the mandatory prepayment date to March 19, 2021. The taxable note was in variable rate mode and accrued interest based on the weekly LIBOR index rate plus a bank spread. On June 1, 2018, the City used funds on hand and a portion of the proceeds from the issuance of the Taxable General Obligation Bonds, Series 2018 to refund the \$34,000 balance remaining on the taxable note. Details of this 2018 refunding follow.

In May 2018, the City issued \$32,770 of Taxable General Obligation Bonds, Series 2018 to refund and convert the remaining portion of the Taxable General Obligation Sales Tax Note (Target Center Project), Series 2016 to fixed rate bonds and to provide \$1,210 of construction reimbursement funds to the Wellington Condominium Housing Improvement Area project. The City received net bond proceeds of \$33,429 including an original issue premium of \$925 offset by a \$266 underwriter's discount. On June 1, 2018, the City used \$32,201 of the net proceeds along with funds on hand to prepay the remaining \$34,000 balance of the Series 2016 note. The refunding bonds were dated May 31, 2018 and were issued with fixed interest rates ranging from 3.40% to 5.00% and have a final maturity date of December 1, 2030. Aggregate change in debt service and net present value calculations are not able to be calculated since future variable rate information is not available. This refunding was performed to minimize the risk of rising variable rates and to establish a permanent debt structure for the Target Center project. The \$1,228 balance of the net proceeds were used to pay off a temporary bank construction loan for the Wellington Condominium project and to pay costs of issuing the bonds.

In May 2018, the City issued \$37,825 of General Obligation Improvement and Various Purpose Bonds, Series 2018. These bonds were issued for a variety of purposes including \$8,970 for special assessment projects related to street reconstruction and resurfacing and \$31,030 for a variety of other capital infrastructure improvements. The City received net bond proceeds of \$40,339 including an original issue premium of \$2,614 offset by a \$100 underwriter's discount. With net premium received, the par amount of bonds required for the purposes described above were reduced to \$8,545 and \$29,280 respectively. The balance of the proceeds not required for project expenses were used to pay cost of issuance expenses and for future debt service on the bonds. The bonds were dated May 31, 2018 and were issued with fixed interest rates ranging from 3.00% to 5.00% and a final maturity date of December 1, 2027.

In October 2018, the City issued \$96,220 of General Obligation Capital Improvement Bonds (Green Bonds), Series 2018 to finance a portion of the City's East Side Storage and Maintenance Facility and the New Public Service Center and associated capitalized interest funds. Both projects are being built to achieve Leadership in Energy and Environmental Design (LEED) Gold Certification for energy efficiency and other sustainable building metrics and represent the first "Green Bonds" issued by the City. These bonds were issued to provide \$30,000 for the East Side facility and \$71,150 for the New Public Service Center and associated capitalized interest and cost of issuance. The City received net bond proceeds of \$100,870 including an original issue premium of \$5,025 offset by a \$374 underwriter's discount. With net premium received, the par amount of bonds required were reduced to \$28,005 and \$68,215 respectively. The bonds were dated October 31, 2018 and were issued with interest rates ranging from 4.00% to 5.00% and a final maturity date of December 1, 2046.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

In October 2018, the City issued \$15,715 of General Obligation Library Referendum Refunding Bonds, Series 2018. The City received net bond proceeds of \$16,490 including an original issue premium of \$792 offset by a \$15 underwriter's discount. The proceeds were used on December 3, 2018 along with \$5,673 of cash on hand to redeem the remaining \$22,100 of General Obligation Library Referendum Refunding Bonds, Series 2011 and to pay cost of issuance expenses. The refunding bonds were issued in fixed rate mode and had interest rates ranging from 5.00% to 5.25% and a final maturity date of December 1, 2020. The refunded bond series from 2011 had a final maturity date of December 1, 2019. As a result of this refunding with a slightly longer maturity structure, the City realized an aggregate debt service savings loss of \$178 and an economic loss of \$124 or .56% net present value loss on the refunded bonds debt service. This refunding was performed to utilize excess cash resources on hand and to restructure the refunded bonds to align better with future debt service revenues.

Minnesota Public Facilities Authority Notes

The City has entered into eight general obligation notes with the Minnesota Public Facilities Authority (PFA) to finance the City's drinking water ultra-filtration project, new filter presses project and a major rehabilitation of the Fridley water treatment plant. The notes are part of a federally sponsored below market financing program related to the Safe Drinking Water Act and the City saves up to 1.5% on interest costs by participating in the program. The interest rates on the eight notes range from 1.00% - 2.82% and the final maturity dates range from August 20, 2019 to August 20, 2035.

During 2018, the City entered into two of the eight notes in this program to finance improvements to the Fridley water treatment plant. The first note of \$28,900 was issued on April 11, 2018 at a 1.01% interest rate and has a final maturity date of August 20, 2032. During 2018, the City completed draw requests of \$26,930 on this note. The second note of \$27,300 was issued on November 9, 2018 at a 1.47% interest rate and has a final maturity date of August 20, 2035. The second note will provide funding for expenses beginning in 2019. Including 2018, the City has received proceeds totaling \$131,118 and at December 31, 2018, the outstanding debt balance of the eight general obligation notes in this program is \$83,945.

Discrete Component Unit Debt

Due to current debt issuance policies, the City issues debt on behalf of the Minneapolis Park & Recreation Board and the Municipal Building Commission and previously issued debt for the Minneapolis Library Board. The Minneapolis Public Library System was merged into the Hennepin County Library System on January 1, 2008. As of December 31, 2018, \$54,885 of the outstanding governmental debt is related to activities of these discretely presented component units and is reported within the debt balances of the primary government. Of this balance, \$35,275 is related to library improvements transferred to the Hennepin County Library System. The capital assets purchased with funds obtained from this debt issuance are held by the respective discrete component units and are reported with their capital assets on the Statement of Net Position, with the exception of the library assets now held by Hennepin County.

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For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

Long-term liabilities at December 31, 2018 (in thousands) are detailed below.

	<u>Balance</u> <u>1/1/2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2018</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
<u>Bonds and Notes</u>					
Property Tax Supported GO Bonds	\$ 110,920	\$ 112,910	\$ (71,740)	\$ 152,090	\$ 37,735
Self-Supporting GO Bonds	186,180	31,560	(24,975)	192,765	29,450
Self-Supporting GO Notes	29,000	5,000	(34,000)	-	-
Special Assessment GO Bonds	49,685	10,055	(11,500)	48,240	6,730
Special Assessment GO Notes	4,800	-	(1,600)	3,200	750
Tax Increment GO Bonds	57,765	-	(5,385)	52,380	5,865
Tax Increment GO Notes	2,750	-	(2,750)	-	-
Tax Increment Revenue Bonds	20,305	-	(1,365)	18,940	1,420
Tax Increment Revenue Notes	3,705	-	(435)	3,270	465
Internal Service Fund Related GO Bonds	<u>9,810</u>	<u>-</u>	<u>(9,810)</u>	<u>-</u>	<u>-</u>
Total Governmental Bonds and Notes	<u>474,920</u>	<u>159,525</u>	<u>(163,560)</u>	<u>470,885</u>	<u>82,415</u>
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	<u>9,206</u>	<u>7,209</u>	<u>(2,291)</u>	<u>14,124</u>	<u>-</u>
Total Long-term Liabilities Governmental	<u>484,126</u>	<u>166,734</u>	<u>(165,851)</u>	<u>485,009</u>	<u>82,415</u>
Business-type activities:					
<u>Bonds and Notes</u>					
Sanitary Sewer Fund GO Bonds	27,810	-	(4,480)	23,330	4,580
Water Treatment and Distribution Services Fund GO Bonds	32,775	-	(6,815)	25,960	6,685
Water Treatment and Distribution Services Fund GO Notes	64,990	26,930	(7,975)	83,945	8,325
Municipal Parking Fund GO Bonds	45,440	-	(3,240)	42,200	4,820
Municipal Parking Fund GO Notes	41,995	-	(14,400)	27,595	195
Solid Waste and Recycling Fund GO Bonds	-	28,005	-	28,005	2,760
CPED Fund Non-GO Bonds					
General Agency Reserve Fund System	<u>64,300</u>	<u>-</u>	<u>(2,735)</u>	<u>61,565</u>	<u>2,730</u>
Total Business-type Bonds and Notes	<u>277,310</u>	<u>54,935</u>	<u>(39,645)</u>	<u>292,600</u>	<u>30,095</u>
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	<u>3,446</u>	<u>2,147</u>	<u>(797)</u>	<u>4,796</u>	<u>-</u>
Total Long-term Liabilities Business-type	<u>280,756</u>	<u>57,082</u>	<u>(40,442)</u>	<u>297,396</u>	<u>30,095</u>
Total Long-term Liabilities	<u>\$ 764,882</u>	<u>\$ 223,816</u>	<u>\$ (206,293)</u>	<u>\$ 782,405</u>	<u>\$ 112,510</u>

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

For governmental activities, debt service is generally paid from Debt Service Funds.

Amortization of Outstanding Governmental City Debt

As of December 31, 2018, annual debt service requirements for Governmental activities to maturity are as follows:

Year Ending December 31:	Governmental Activities				Total Governmental Activities Bonds & Notes	
	Bonds		Notes		Principal	Interest
	Principal	Interest	Principal	Interest		
2019	\$ 81,200	\$ 18,528	\$ 1,215	\$ 210	\$ 82,415	\$ 18,738
2020	66,915	14,888	495	172	67,410	15,060
2021	22,335	12,211	2,975	154	25,310	12,365
2022	22,290	11,359	560	62	22,850	11,421
2023	24,700	10,485	595	43	25,295	10,528
2024 - 2028	100,820	39,075	630	23	101,450	39,098
2029 - 2033	55,135	24,657	-	-	55,135	24,657
2034 - 2038	35,020	15,908	-	-	35,020	15,908
2039 - 2043	38,495	8,374	-	-	38,495	8,374
2044 - 2046	17,505	1,128	-	-	17,505	1,128
	<u>\$ 464,415</u>	<u>\$ 156,613</u>	<u>\$ 6,470</u>	<u>\$ 664</u>	<u>\$ 470,885</u>	<u>\$ 157,277</u>

Amortization of Outstanding Business-type Activities City Debt

As of December 31, 2018, annual debt service requirements for Business-type Activities to maturity are as follows:

Year Ending December 31:	Bonds		Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 21,575	\$ 7,356	\$ 8,520	\$ 2,624	\$ 30,095	\$ 9,980
2020	19,925	6,485	9,865	2,424	29,790	8,909
2021	19,825	5,796	10,385	2,190	30,210	7,986
2022	21,905	5,114	9,165	1,948	31,070	7,062
2023	15,555	4,381	9,240	1,731	24,795	6,112
2024 - 2028	34,230	16,935	42,930	5,622	77,160	22,557
2029 - 2033	21,885	10,973	21,435	1,486	43,320	12,459
2034 - 2038	20,450	4,624	-	-	20,450	4,624
2039 - 2040	5,710	421	-	-	5,710	421
	<u>\$ 181,060</u>	<u>\$ 62,085</u>	<u>\$ 111,540</u>	<u>\$ 18,025</u>	<u>\$ 292,600</u>	<u>\$ 80,110</u>

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

Discretely Presented Component Unit

Activity for the Minneapolis Park and Recreation Board for the year ended December 31, 2018, was as follows:

	Balance			Balance	Amount due
	January 1, 2018	Additions	Retirements	December 31, 2018	within one year
Notes payable	\$ 4,032	\$ 1,760	\$ (1,949)	\$ 3,843	\$ 304

Year Ending		
December 31:	Principal	Interest
2019	\$ 304	\$ 146
2020	2,316	67
2021	295	41
2022	272	30
2023	116	20
2024-2028	540	40
Total	\$ 3,843	\$ 344

NOTE 6 – INDUSTRIAL, COMMERCIAL, AND HOUSING REVENUE BONDS AND NOTES

As of December 31, 2018, outstanding industrial, commercial, and housing revenue bonds and notes approximated \$2,179,411. The bonds are payable solely from revenues of the respective enterprises and do not constitute an indebtedness of the City. They are not a charge against the City’s general credit or taxing power.

NOTE 7 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources for the City’s major individual governmental funds and non-major funds in aggregate include the following unavailable revenue sources:

	Community		HUD			Non-Major		Total
	General	and Economic	Downtown	Consolidated	Permanent	Special	Governmental	
Deferred Inflows of Resources	Fund	Development	Assets	Plan	Improvement	Assessment	Funds	Governmental
Property taxes	\$ 977	\$ -	\$ -	\$ -	\$ 5	\$ -	\$ 589	\$ 1,571
Special assessments	328	5,561	-	-	2,318	55,088	468	63,763
Intergovernmental	-	-	-	-	28,737	-	-	28,737
Loans receivable	-	26,672	-	29,100	-	-	-	55,772
Interest	398	205	17	-	55	8	95	778
Other unavailable revenue	-	45	-	-	-	-	737	782
Total deferred inflows of resources	\$1,703	\$ 32,483	\$ 17	\$ 29,100	\$ 31,115	\$ 55,096	\$ 1,889	\$ 151,403

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For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 8 – LEASES

A – Operating Leases

The City of Minneapolis leases office space for several departments. The future minimum lease payments for operating leases are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities Amount</u>
2019	\$ 4,697
2020	3,510
2021	2,191
2022	1,890
2023	1,855
2024-2028	8,682
2029-2033	7,750
Total	<u>\$ 30,575</u>

B – Operating leases with scheduled rent increases

The City leases office space for various operations. The leases contain scheduled rent increases with terms varying from three to fifteen years. The operating lease transactions are measured on a straight-line basis over the lease term per GASB Statement No. 13 – *Accounting for Operating Leases with Scheduled Rent Increases*. During 2018, the lease expense on these leases totaled \$959. Application of the straight-line basis to the future minimum lease expenditures of \$1,963 over the lease terms results in a total annual lease amount of \$946.

The future minimum lease expenditures for operating leases with scheduled rent increases are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities Amount</u>
2019	\$ 925
2020	389
2021	202
2022	143
2023	149
2024-2028	155
Total	<u>\$ 1,963</u>

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For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of December 31, 2018 are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-Major Governmental Funds	Non-Major Governmental Funds	\$ 5,800
Non-Major Governmental Funds	HUD Consolidated Plan Special Revenue Fund	3,665
	Total	<u>\$ 9,465</u>

Interfund balances are either due to timing differences or to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid within one year.

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Permanent Improvement Fund	\$ 1,250
CPED Special Revenue Fund	Permanent Improvement Fund	2,750
Internal Service Funds	Non-Major Governmental Funds	520
	Total	<u>\$ 4,520</u>

Advances to other funds are to provide working capital for general operations of the other fund.

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For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 9 – INTERFUND TRANSACTIONS (continued)

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following schedule briefly summarizes the City’s transfer activity:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>		<u>Total Transfers In</u>
Governmental Funds:			
General Fund	Municipal Parking Fund	\$ 8,000	
	Stormwater Fund	110	
	Internal Service Funds	305	
	Downtown Assets Fund	30,850	
	Non-major Governmental Funds	500	
	CPED Special Revenue Fund	122	39,887
CPED Special Revenue Fund	General Fund	9,875	
	CPED Enterprise Fund	1,147	
	Special Assessment Debt Service Fund	1,171	
	Non-major Governmental Funds	2,219	14,412
Downtown Assets Fund	Permanent Improvement Fund	420	420
HUD Consolidated Plan Fund	CPED Special Revenue Fund	500	500
Permanent Improvement Fund	General Fund	15,909	
	Internal Service Funds	8,000	
	Stormwater Fund	1,515	25,424
Non-Major Governmental Funds	General Fund	256	
	Non-major Governmental Funds	24,630	
	CPED Special Revenue Fund	22,757	
	Downtown Assets Fund	32,472	
	Permanent Improvement Fund	1,328	
	Municipal Parking Fund	4,158	85,601
Special Assessment Debt Service Fund	Permanent Improvement Fund	60	60
	Total Governmental Funds		\$ 166,304
Proprietary Funds:			
Business-type Activities			
Water Treatment and Distribution Services Fund	General Fund	\$ 27	
	Sanitary Sewer Fund	684	711
Sanitary Sewer Fund	Permanent Improvement Fund	155	155
Municipal Parking Fund	CPED Special Revenue Fund	749	749
Solid Waste and Recycling Fund	General Fund	325	
	Municipal Parking Fund	146	471
	Total Business-type Activities		\$ 2,086
Governmental Activities			
Internal Service Funds	General Fund	\$ 2,621	
	Permanent Improvement Fund	2,863	
	Internal Service Funds	317	5,801
	Total Governmental Activities		\$ 5,801

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 9 – INTERFUND TRANSACTIONS**Transfers (continued)**

Transfers are made throughout the year between various funds. The majority of the transfers are funding the repayment of debt in the Development Debt and the General Debt Service Funds, transfers to Internal Service Funds for intergovernmental services and transfers to pass through grant resources between funds. Other significant transfers are to support economic development projects and capital projects.

NOTE 10 – NET POSITION/FUND BALANCES

The government-wide, proprietary funds, and internal service fund-type financial statements use a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – This category represents net position of the City, not restricted for any project or other purpose.

In the governmental fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted, or committed. The City Council has authorized the Finance Officer to assign fund balances. This authorization is included in the financial policies section of the City’s budget book, and is approved by resolution each year.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 10 – NET POSITION/FUND BALANCES (continued)

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The City Council has formally adopted a fund balance policy for the General Fund. The City’s policy is to maintain a minimum unassigned fund balance of 17% of the following year’s budgeted expenditures for cash-flow timing needs.

Fund Balances	Community Planning and Economic Development		Downtown Assets	HUD Consolidated Plan		Permanent Improvement	Special Assessment	Non-Major Governmental	Total
	General	Development		Plan	Plan				
<u>Nonspendable</u>									
Advances to other funds	\$ 1,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,250
Prepaid items	-	-	-	-	-	-	-	263	263
Total nonspendable	1,250	-	-	-	-	-	-	263	1,513
<u>Restricted for</u>									
Debt service:									
Community development	-	-	-	6,213	-	-	-	3,436	9,649
General debt service	-	-	-	-	-	-	-	21,343	21,343
Special assessment	-	-	-	-	-	-	8,056	-	8,056
Community and economic development	-	167,272	-	-	-	-	-	-	167,272
Law enforcement:									
Gambling compliance	-	-	-	-	-	-	-	5	5
Forfeitures	-	-	-	-	-	-	-	1,637	1,637
Grants	-	-	-	-	-	-	-	2,640	2,640
Properties held for resale	-	34,754	-	-	-	7,200	-	2,073	44,027
Capital improvements	-	-	-	-	-	74,858	-	-	74,858
Total restricted	-	202,026	-	6,213	-	82,058	8,056	31,134	329,487
<u>Assigned to</u>									
General government	-	-	-	-	-	-	-	514	514
Grants	-	-	-	-	-	-	-	250	250
Public safety:									
Police	-	-	-	-	-	-	-	806	806
Compliance and regulation	-	-	-	-	-	-	-	1,969	1,969
Community & economic development	-	43,627	25,957	-	-	-	-	39,882	109,466
Neighborhood & community relations	-	-	-	-	-	-	-	3,281	3,281
Pension obligations	-	-	-	-	-	-	-	31,325	31,325
Capital improvements	-	-	-	-	-	20,966	-	-	20,966
Total assigned	-	43,627	25,957	-	-	20,966	-	78,027	168,577
<u>Unassigned</u>	102,946	-	-	-	-	-	-	(1,818)	101,128
Total fund balances	\$104,196	\$ 245,653	\$ 25,957	\$ 6,213	\$ 103,024	\$ 8,056	\$ 107,606	\$ 600,705	

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS**A – Plan Description**

The City of Minneapolis, along with the discretely presented component units Park Board and MBC, participate in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code. The City participates as a non-employer contributing entity in the Teachers' Retirement Association (TRA) which is administered on a statewide basis.

1. General Employees Retirement Plan (GERP)

All full-time and certain part-time employees of the City, Park Board, and MBC are covered by the General Employees Retirement Plan (GERP), accounted for in the General Employees Fund. GERP members belong to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan and benefits vest after five years of service.

2. Public Employees Police and Fire Plan (PEFPF)

The PEFPF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEFPF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

3. Teacher Retirement Association Fund (TRA)

TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

B – Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent postretirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0 percent. After the TRA Funded ratio exceeds 90 percent for two consecutive years, the annual postretirement benefit will increase to 2.5 percent.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS**B – Benefits Provided (continued)**

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

1. PERA Benefits

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high five salary.

2. TRA Benefits

The Teachers Retirement Association (TRA) covers teachers and other related professionals employed by school districts or by the state. Approximately 590 employers participate in this plan. The plan provides retirement, survivor, and disability benefits. Basic membership includes participants who are not covered by the Social Security Act, while coordinated membership includes participants who are covered by the Act. The annuity formula for the coordinated members is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The annuity formula for Tier I basic members is 2.2 percent for the first 10 years and 2.7 percent for each subsequent year and Tier II is 2.7 percent of the member's high-five average salary. The annuity formula for Tier I coordinated members for services prior to July 1, 2006, is 1.2 percent for the first 10 years and 1.7 percent each subsequent year of the member's high-five average salary. The annuity formula for Tier I coordinated members for services subsequent to July 1, 2006, is 1.4 percent for the first 10 years and 1.9 percent each subsequent year of the member's high-five average salary. The annuity formula for Tier II coordinated members is 1.7 percent for services prior to July 1, 2006, and 1.9 percent for each year subsequent of the member's high-five average salary. Annual benefits increase by 2.0 percent each year and 2.5 percent if the plan is funded at least 90 percent of full funding.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)**C – Contributions**

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. The employee and employer contribution rates did not change from the previous year.

1. GERP Contributions

Basic Plan members, Coordinated Plan members, and Minneapolis Employee Retirement Fund members, were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent respectively, of their annual covered salary in calendar year 2018. Participating employers are required to contribute 11.78 percent of pay for Basic Plan members, 7.50 percent for Coordinated Plan members, and 9.75 percent for Minneapolis Employee Retirement Fund members in calendar year 2018. The City, Park Board, and MBC contributions related to payroll to the GERP for the year ended December 31, 2018, were \$14,929, \$2,789, and \$209, respectively. The City, Park Board, and MBC fixed contributions to the GERP for the year ended December 31, 2018, were \$11,869, \$2,169, and \$227 respectively. Total contributions were equal to the required contractual contribution as set by state statute.

2. PEPFP Contributions

Plan members were required to contribute 10.80 percent of their annual covered salary in calendar year 2018. Employers were required to contribute 16.20 percent of pay for PEPFP members in calendar year 2018. Contributions to the PEPFP related to payroll for the year ended December 31, 2018, were \$20,166 for the City and \$624 for the Park Board. The City also made fixed contributions to PEPFP, non-payroll related, of \$13,648 for the year ended December 31, 2018. Total contributions were equal to the required contractual contributions as set by state statute.

3. TRA Contributions

The City's non-employer contributions to the TRA for the year ended December 31, 2018, were \$2,250. The City's contributions were equal to the required contractual contributions as set by state statute.

D – Pension Costs**1. GERP Pension Costs**

At December 31, 2018, the City, Park Board, and MBC reported a liability of \$163,495, \$29,548 and \$2,296 respectively for the proportionate share of the GERP's net pension liability related to payroll contributions. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City, Park Board, and MBC proportion of the net pension liability was based on each entity's contributions received by PERA during the measurement period for employer payroll paid from July 1, 2017, through June 30, 2018, relative to the total employer payroll related contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share related to payroll contributions was 3.1257 percent, which was an increase of 0.1111 percent from its proportion measured as of June 30, 2017. At June 30, 2018, the Park Board's proportionate share related to payroll contributions was 0.5649 percent, which was an increase of 0.0323 percent from its proportion measured as of June 30, 2017. At June 30, 2018, MBC's proportionate share related to payroll contributions was 0.0439 percent, which was an increase of 0.0013 percent from its proportion measured as of June 30, 2017.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

1. GERP Pension Costs (continued)

In addition to the payroll contributions, the City, Park Board, and MBC contribute statutorily fixed amounts related to closed pension plans now merged into PERA. The City, Park Board, and MBC will continue to make these contributions through 2031, and the net present values of these fixed contributions are \$150,084, \$27,431, and \$2,868 respectively as of the June 30, 2018 measurement date. The resulting combined net pension liability reported by the City, Park Board, and MBC as of December 31, 2018 is \$313,579, \$56,979, and \$5,164, respectively. The combined liability represents a proportionate share of the Plan’s net pension liability equal to 5.6525 percent for the City, 1.0271 percent for Park Board, and 0.0931 percent for MBC.

For the year ended December 31, 2018, the City, Park Board, and MBC recognized pension expense of \$9,001, \$3,589, and \$281, respectively for the proportionate share of the GERP’s pension expense.

In addition, the City, Park Board, and MBC also recognized \$2,228, \$405, and \$36, respectively as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$6 million to the General Employees Fund.

	City Governmental Activities	City Business-type Activities	City Total	Park Board	MBC
Payroll related proportionate share of the net pension liability	\$ 132,268	\$ 31,227	\$ 163,495	\$ 29,548	\$ 2,296
Net present value of fixed pension contributions	121,430	28,654	150,084	27,430	2,868
State of Minnesota’s proportionate share of the net pension liability associated with the entity	7,730	1,825	9,555	1,735	156
Total	\$ 261,428	\$ 61,706	\$ 323,134	\$ 58,713	\$ 5,320

At December 31, 2018, the City, Park Board, and MBC reported proportionate shares of the GERP’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>City</u>	<u>Park Board</u>	<u>MBC</u>	<u>City</u>	<u>Park Board</u>	<u>MBC</u>
Differences between expected and actual economic experiences	\$ 4,434	\$ 785	\$ 63	\$ 4,922	\$ 909	\$ 70
Changes in actuarial assumptions	27,137	4,992	440	19,009	3,383	268
Difference between projected and actual investment earnings	-	-	-	17,443	3,040	255
Changes in proportion	5,379	2,254	179	1,065	1,147	23
Contributions paid to PERA subsequent to the measurement date	7,539	1,355	107	-	-	-
Total	\$ 44,489	\$ 9,386	\$ 789	\$ 42,439	\$ 8,479	\$ 616

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

1. GERP Pension Costs (continued)

Contributions subsequent to the measurement date are shown as deferred outflows in the above table and will be recognized as a reduction to net pension liability for the year ended December 31, 2019. These contributions total \$7,539 for the City, \$1,355 for the Park Board, and \$107 for MBC. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount		
	City	Park Board	MBC
2019	\$ 18,233	\$ 3,826	\$ 410
2020	(8,015)	(1,654)	(120)
2021	(12,088)	(1,966)	(174)
2022	(3,619)	(654)	(50)

2. PEPFP Pension Costs

At December 31, 2018, the City reported a liability of \$121,309 for the proportionate share of the PEPFP’s net pension liability related to payroll contributions. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid from July 1, 2017, through June 30, 2018, relative to the total employer payroll related contributions received from all of PERA’s participating employers. At June 30, 2018, the City’s proportionate share related to payroll contributions was 12.8101 percent, which was a decrease of 0.0069 percent from its proportion measured as of June 30, 2017. In addition to the payroll contributions the City contributes statutorily fixed amounts related to closed pension plans now merged into PERA. The City will continue to make these contributions through 2031, and the net present value of these fixed contributions is \$118,858 as of the June 30, 2018 measurement date. The resulting combined net pension liability reported by the City as of December 31, 2018 is \$240,167. The combined liability represents a proportionate share of the Plan’s net pension liability equal to 22.5320 percent for the City.

At December 31, 2018, the Park Board reported a liability of \$3,511 for the proportionate share of the PEPFP’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer’s proportion of the net pension liability was based on the employer’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2018, the Park Board’s proportion share was 0.3708 percent, which was an increase of 0.0442 percent from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City and Park Board recognized pension expense of (\$6,174) and (\$144) respectively for the proportionate share of the PEPFP’s pension expense.

The City and Park Board also recognized \$1,783 and \$31 respectively as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota’s on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9,000 to the Public Employees Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90.0 percent funded.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

2. PEPFP Pension Costs (continued)

At December 31, 2018, the City and Park Board reported proportionate shares of the PEPFP’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	City	Park Board	City	Park Board
Differences between expected and actual economic experiences	\$ 5,505	\$ 148	\$ 32,039	\$ 874
Changes in actuarial assumptions	175,579	4,395	209,427	5,135
Difference between projected and actual investment earnings	-	-	30,270	789
Changes in proportion	17,221	481	1,398	191
Contributions paid to PERA subsequent to the measurement date	9,977	368	-	-
Total	\$ 208,282	\$ 5,392	\$ 273,134	\$ 6,989

Contributions subsequent to the measurement date are shown as deferred outflows in the above table and will be recognized as a reduction to net pension liability for the year ended December 31, 2019. These contributions total \$9,977 for the City and \$368 for the Park Board. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount	
	City	Park Board
2019	\$ 1,080	\$ (26)
2020	(5,078)	(192)
2021	(17,942)	(459)
2022	(52,425)	(1,365)
2023	(464)	77

3. TRA Pension Costs

At December 31, 2018, the City reported a liability of \$26,573 for its share of the TRA’s net pension liability. The net pension liability for TRA is equivalent to the net present value of the City’s statutorily required contributions for the life of the obligation. The City is statutorily obligated to contribute \$2,250 each year to TRA until the plan is fully funded as determined by the plan’s actuary. It is currently expected that the plan will be fully funded, ending the City’s obligation, in the year 2039. The net present value of the City’s obligation was determined using the expected remaining years of contributions, discounted at the plan’s discount rate of 7.50 percent.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

3. TRA Pension Costs (continued)

For the year ended December 31, 2018, the City recognized pension expense of \$131 for its share of the TRA’s pension expense.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to TRA’s pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ 4,152	\$ 2,484

As mentioned above, the City has a statutory obligation to contribute to the TRA as a non-employer contributing agency. There were no contributions subsequent to the measurement date that would be recognized as a reduction to net pension liability for the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2019	\$ 881
2020	858
2021	796
2022	(539)
2023	(328)

E – Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

<u>Assumption</u>	<u>GERP/PEPFF</u>	<u>TRA</u>
Inflation	2.50% per year	2.50%
Active Member Payroll Growth	3.25% per year	3.00% based on years of service
Investment Rate of Return	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA’s experience. Cost of living benefit increases for retirees are assumed to be 1.25 percent per year for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by statute. Cost of living increases for TRA are 2.00 percent per year, increasing to 2.50 percent per year on July 1, 2045.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study in the GERP was completed in 2015. The most recent five-year experience study for PEPFF was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumption. The experience study for TRA was for the period of July 1, 2008, to June 30, 2014.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS

E – Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments is 7.5 percent for PERA and TRA. The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Private Markets	25%	5.90%
Fixed Income	20%	0.75%
Unallocated Cash	2%	0.00%

F – Discount Rate

The discount rate used to measure the total pension liability for PERA in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Plan and the Police and Fire Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the TRA Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through 2053. The long-term expected rate of return was applied to periods before 2053 and the Municipal Bond Index Rate of 3.89 percent was applied to period on and after 2053, resulting in a Single Equivalent Interest Rate of 7.50%.

G – Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2018:

General Employees Retirement Plan

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS

G – Changes in Actuarial Assumptions (continued)

Public Employees Police and Fire Plan

- The morality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019 and January 1, 2020 from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019 and January 1, 2020 from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

Teachers Retirement Association

- The investment return assumption was changed from 8.50 percent to 7.50 percent.
- The wage inflation assumption (above price inflation) was reduced from 0.75 percent to 0.35 percent for the next 10 years, and 0.75 percent thereafter.
- The price inflation was lowered from 3.00 percent to 2.50 percent.
- The total salary increase assumption was adjusted by the wage inflation change.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The amortization date for the funding of the Unfunded Actuarial Accrued Liability (UAAL) was reset to June 30, 2048 (30 years).
- A mechanism in the law that provided the TRA Board with some authority to set contribution rates were eliminated.

H – Pension Liability Sensitivity

The following presents the City’s, Park Board’s, and MBC’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s, Park Board’s, and MBC’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

<u>Plan and Entity</u>	<u>1% Decrease to Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF Discount Rate	6.5%	7.5%	8.5%
City	423,458	313,579	222,141
Park Board	76,852	56,979	40,439
MBC	6,746	5,164	3,844
PEPFF Discount Rate	6.5%	7.5%	8.5%
City	384,763	240,167	120,039
Park Board	7,529	3,511	189
TRA Discount Rate	6.5%	7.5%	8.5%
City	29,382	26,573	24,180

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)**I – Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org.

NOTE 12 - DEFINED CONTRIBUTION PLAN – CPED**A – Plan Description**

Qualified CPED employees belong to a defined contribution pension plan administered by Union Central Life Insurance Company. A permanent employee becomes a participant in the plan on April 1 or October 1, following completion of his or her probationary period and after attaining age 20 1/2.

Benefits and contribution requirements are established and can be amended by the City of Minneapolis City Council. All provisions are within limitations established by Minnesota Statutes.

The payroll for employees covered by the CPED's defined contribution plan for the year ended December 31, 2018, was \$2,048 and the CPED's total payroll was \$20,504.

B – Contributions Required and Made

The City of Minneapolis and CPED employee participants are each required to contribute five percent of the participants' annual compensation to an investment fund administered by Union Central Life Insurance Company, which will provide retirement benefits under a Money Purchase Plan. Participants are vested at the rate of 20 percent per year, for the employer's share of the contribution, and are 100 percent vested immediately for their individual contribution.

The City and CPED employee participants contributed \$113 and \$104 respectively to the plan during the year, which amounts represented 5.53 percent and 5.10 percent respectively of the covered payroll.

NOTE 13 – POSTEMPLOYMENT BENEFITS PLAN

The City has complied with the Government Accounting Standards Board's (GASB) Statement number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the comprehensive annual financial report (CAFR) of the City starting with the year ending December 31, 2018. The City engaged a consulting actuary who has conducted a review of liabilities to be reported as required by GASB 75. In general, the City does not pay the cost of health insurance for retired employees, except in limited circumstances. Retired City employees, however, may purchase health insurance offered to City employees at the retired employee's expense. Including retired employees with current employees causes health insurance premiums for current employees to be more than if retired employees were not in the same pool of insureds. The City and current employees share the cost of health insurance for current employees. The increased cost of health insurance premiums for current employees is considered an implicit subsidy for the retired employees and is disclosed as required by GASB 75.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 13 – POSTEMPLOYMENT BENEFITS PLAN (continued)

Plan Description

The City, Park Board and MBC provide a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical and dental coverage. Medical coverage is administered by Medica. Dental coverage is administered through the Delta Dental Plan of Minnesota. The City and Park Board are self-insured for both medical and dental coverage. Beginning in 2018, MBC was no longer under the City’s insurance plan. Results below reflect the results of the January 1, 2017 actuarial valuation. Retirees pay 100 percent of the blended active/retiree premium rate, in accordance with Minnesota Statutes Chapt. 471.61, subd. 2b.

No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. The other postemployment benefit plan (OPEB) does not issue a stand-alone financial report.

As of the January 1, 2017 actuarial valuation, the following employees were covered by the benefit terms:

<u>Category</u>	<u>City</u>	<u>Park Board</u>	<u>MBC</u>
Inactive employees or beneficiaries currently receiving benefit payments	319	27	8
Active plan participants	3,819	478	41
Total	<u>4,138</u>	<u>505</u>	<u>49</u>

Total OPEB Liability

The City’s, Park Board’s, and MBC’s total OPEB liability of \$33,674, \$1,407, and \$894, respectively, was measured as of January 1, 2018, and was determined by an actuarial valuation as of January 1, 2017.

The total OPEB liability in the fiscal year-end December 31, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods and entities included in the measurement, unless otherwise specified:

Inflation	2.50 %
Salary increases	2.90 %
Health care cost trend	6.25 % in 2018, grading to 5.00 % over 5 years
Discount Rate	3.30% which is a change from the prior year rate of 3.00%
Mortality Rate	RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with blue collar adjustment for Police and Fire Personnel in the City and Park Board)
Actuarial Cost Method	Entry age, level percentage of pay

Changes in the Total OPEB liability

	<u>City</u>	<u>Park Board</u>	<u>MBC</u>
Balance at January 1, 2018 restated	\$ 32,986	\$ 1,391	\$ 937
Changes for the year			
Service cost	1,453	73	35
Interest cost	1,106	47	30
Benefit payments	<u>(1,871)</u>	<u>(104)</u>	<u>(108)</u>
Total net change	<u>688</u>	<u>16</u>	<u>(43)</u>
Balance at December 31, 2018	<u>\$ 33,674</u>	<u>\$ 1,407</u>	<u>\$ 894</u>

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 13 – POSTEMPLOYMENT BENEFITS PLAN

Changes in the Total OPEB liability (continued)

Liabilities arising from postemployment benefits are generally liquidated from the fund where the employee’s salary was originally charged.

OPEB Liability Sensitivity

The following presents the total OPEB liability of the City, Park Board, and MBC, calculated using the discount rate previously disclosed, as well as what each entity’s total OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease		Current		1% Increase
Discount Rate	2.30%		3.30%		4.30%
City total OPEB liability	\$ 36,387	\$	33,674	\$	31,207
Park Board total OPEB liability	\$ 1,513	\$	1,407	\$	1,309
MBC total OPEB liability	\$ 935	\$	894	\$	855

The following presents the total OPEB liability of the City, Park Board, and MBC, calculated using the health care cost trend previously disclosed, as well as what the City’s, Park Board’s, and MBC’s total OPEB liability would be if it were calculated using health care cost trend rates that are 1.0 percentage point lower or 1.0 percentage point higher than the current health care cost trend rate:

	1% Decrease		Current		1% Increase
Medical Trend Rate	5.25% Decreasing to 4.00% over 5 years		6.25% Decreasing to 5.00% over 5 years		7.25% Decreasing to 6.00% over 5 years
City total OPEB liability	\$ 30,260	\$	33,674	\$	37,612
Park Board total OPEB liability	\$ 1,256	\$	1,407	\$	1,587
MBC total OPEB liability	\$ 836	\$	894	\$	959

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the City, Park Board, and MBC recognized OPEB expense of \$1,251, \$99, and \$149, respectively. The City, Park Board, and MBC reported deferred outflows of resources related to OPEB from the following sources:

Contributions paid subsequent to the measurement date:	Deferred Outflows of Resources
City	\$ 1,937
Park Board	\$ 115
MBC	\$ 115

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 13 – POSTEMPLOYMENT BENEFITS PLAN (continued)

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2018 for all entities:

- The discount rate used changed from 3.50% percent to 3.30% percent.

NOTE 14 – VACATION, SEVERANCE, SICK AND COMPENSATORY TIME PAY

Depending on the terms of their collective bargaining contract, or the policies applicable to their classification, employees may accumulate up to 50 days of vacation.

Sick leave may be accumulated indefinitely by employees. Also, employees have the option of being paid once a year for current unused sick leave accumulated over a minimum base of 60 days or, under certain circumstances, CPED employees may be allowed to have unused sick leave converted to vacation and added to their vacation balance. Payments are based on a sliding scale ranging from 50 percent to 100 percent depending on the base level attained. In addition, under certain circumstances, employees leaving City employment may qualify to receive payment for 50 percent of their unused sick leave at their current rate of pay.

Employees, depending on their classification, and subject to prior approval of their supervisor, may earn compensatory time in lieu of paid overtime. Policies are in effect which are designed to place constraints on the amount of compensatory time an employee may accumulate.

Liabilities arising from compensated absences are generally liquidated from the fund where the employee’s salary was originally charged.

Primary Government

Activity for the primary government for the year ended December 31, 2018, was as follows:

	<u>Balance 1/1/2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2018</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable:					
Governmental activities	\$ 39,476	\$ 25,517	\$ (24,776)	\$ 40,217	\$ 23,832
Business-type activities	3,335	2,756	(2,707)	3,384	2,748
Total	<u>\$ 42,811</u>	<u>\$ 28,273</u>	<u>\$ (27,483)</u>	<u>\$ 43,601</u>	<u>\$ 26,580</u>

Discretely Presented Component Units

Activity for the discretely presented component units for the year ended December 31, 2018, was as follows:

	<u>Balance 1/1/2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2018</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable:					
Minneapolis Park and Recreation Board	\$ 4,903	\$ 3,337	\$ (3,069)	\$ 5,171	\$ 1,009
Municipal Building Commission	164	234	(192)	206	157
Total	<u>\$ 5,067</u>	<u>\$ 3,571</u>	<u>\$ (3,261)</u>	<u>\$ 5,377</u>	<u>\$ 1,166</u>

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

Note 15 – SELF-INSURED EMPLOYEE HEALTH PLANS

The City began self-insuring employee health benefits on January 1, 2018. Employee health claims are accounted for in the Self Insurance internal service fund. The City makes premium payments to the fund that include both employer and employee contributions. A liability was recorded at year-end for estimated open and IBNR claims which are evaluated through a review of current year claims paid as well as claims paid subsequent to year-end. Changes in the employee health plan liability during 2018 are as follows:

	2018
Incurred but not Received Claims (IBNR)	\$ 6,359
Claims Adjustment Expense	605
Provision for Adverse Deviation	122
Total Estimated Actuarial Liabilities	<u>\$ 7,086</u>

NOTE 16 – RISK MANAGEMENT AND CLAIMS

The City is self-insured and exposed to a variety of risks related to liability claims; property, personal injury and accidents. The City is self-insured for workers' compensation, general liability, and re-employment. Liability claims under \$25 and unrepresented are managed by Risk Management and Claims. Liability claims that are represented and over \$25 are managed by the City Attorneys' Office. The City, CPED and the BET are self-insured for general liability. The workers' compensation program includes the BET and all City departments. The Park Board and MBC maintain their own workers' compensation and liability programs. The claims liability of \$71,442 reported in the Self-Insurance Internal Service Fund at December 31, 2018, is based on the requirements of GASB Statement No. 10 - *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and covers the exposures of workers' compensation and liability. An actuarial study completed in April of 2019 for claim exposure and settlements payments, calculated that the claims liability at December 31, 2018 is \$71,442, an increase of \$16,350 from the liability amount of \$55,092 at December 31, 2017.

Per State Statute, the City purchases excess insurance for its workers' compensation program from the Workers' Compensation Reinsurance Association (WCRA) and supports the State's regulation authority through payments in the Special Compensation Fund (SCF). The WCRA reimburses members for individual claim losses exceeding the City's retention limit. Reimbursements by the Second Injury Fund come through the SCF. Workers' compensation coverage is governed by State of Minnesota statutes. Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can reasonably be estimated. Liabilities include an amount for estimated claims administration expenses and an amount for claims that have been incurred but are not reported (IBNR).

The City, including all discrete and blended component units of government, also maintains a self-funded dental plan for covered employees. Dental coverage is based on plan design and includes Delta Dental PPO coverage of up to \$1.5 or Delta Dental Premier coverage of up to \$1.0 per person annually.

Changes in the claims liabilities during fiscal 2017 and 2018 are:

	2017	2018
Liability balance – January 1	\$ 51,868	\$ 55,092
Current year claims and changes in estimates	11,365	17,127
Claim payments	<u>(8,141)</u>	<u>(777)</u>
Liability balance – December 31	<u>\$ 55,092</u>	<u>\$ 71,442</u>

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 17 – CLEANUP OF HAZARDOUS MATERIALS

Properties owned by the City of Minneapolis may have certain contingent liabilities associated with them due to potential contamination from hazardous material or difficulty in securing vacant structures located on them. It is not expected that these contingencies will have a material effect on the financial statements of the City.

Any of these related costs that are incurred during City project construction are charged to the project that incurs them, and are capitalized when the project is completed.

NOTE 18 – TAX ABATEMENTS

Tax Increment Financing Notes

The City is a party to tax abatements created by tax increment finance (TIF) agreements for development within City. TIF authorities are defined in Minn. Stat. § 469.174 and can include cities, housing redevelopment authorities, economic development authorities and port authorities. TIF captures the increased property taxes (increment) that a new real estate development generates to pay qualifying expenses related to the development. In many instances, the developer agrees to provide financing for the qualifying expenses. In exchange, the TIF authority agrees to annually pay a portion of the increment to the developer. These TIF agreements affect the property tax revenues of all governments that levy property tax on the property subject to the TIF agreement.

In the case of the City, TIF agreements with various developers have effectively reduced the property tax revenues for the year ended December 31, 2018 as shown below:

<u>Tax Abatement Program</u>	<u>Taxes Abated</u>
Tax Increment Financing	\$ 8,795

NOTE 19 – OTHER COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the grantor agencies. Any disallowed claims, including amounts previously recognized by the City as revenue, would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time. City officials expect such amounts, if any, to be immaterial.

In connection with the normal conduct of its affairs, the City is involved in various claims and litigations pending against the City involving claims for monetary damages. Except as follows, these pending cases are not unusual in number and amount.

- The City is a defendant in four cases that allege injury or wrongful death, as a result of police misconduct.
- In May 2019, the City settled a wrongful death claim related to police misconduct. The total settlement was \$20,000. Cash reserves in the Self Insurance Internal Service fund will be used to pay this settlement.

For the fiscal year ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 20 – SUBSEQUENT EVENTS

The City issued the following bonds since December 31, 2018.

In May 2019, the City issued \$4,055 of Taxable General Obligation Housing Improvement Area Bonds, Series 2019. The bonds were issued to finance improvements and a debt service reserve fund for the Condos on Blaisdell Housing Improvement Area (HIA) project. The project included rehabilitation of the parking structure, and replacement of windows, frames, masonry, water lines and air conditioning for the 54-unit complex and qualified for a Housing Improvement Area pursuant to Minnesota Statutes, Section 428A.16 and Chapter 475. Debt service for the bonds will be paid for by homeowner improvement area fees assessed against the individual condominium units. The City received net proceeds of \$4,062 including a \$45 bond premium offset by a \$38 underwriter discount. On June 4, 2019, the City used \$3,710 of the proceeds to reimburse itself for a short-term construction loan payoff to a bank and \$276 to establish a debt service reserve fund for the project. The remaining proceeds were used for costs of issuing the bonds and for City processing fees. The bonds were issued in fixed rate mode and had interest rates ranging from 3.00% to 3.30% and a final maturity date of December 1, 2037.

In May 2019, the City also issued \$112,420 of General Obligation Improvement and Various Purpose Bonds, Series 2019 to fund a variety of special assessment improvement projects, general infrastructure projects, sanitary and storm sewer projects and water enterprise projects. The City received bond proceeds of \$118,129 including an original issue premium of \$6,056 offset by a \$347 underwriter's discount. The proceeds were used to reimburse design and construction costs of \$12,860 for special assessment projects related to street reconstruction and resurfacing and \$105,140 for a variety of other capital infrastructure and enterprise fund improvements. With the net premium received, the par amount of bonds required for the purposes described above was reduced to \$12,245 and \$100,175 respectively. Of the remaining proceeds, \$125 was used for cost of issuance expenses and the balance will be used for debt service on the bonds. The bonds were dated June 4, 2019 and were issued with fixed interest rates ranging from 2.00% to 4.00% and a final maturity date of December 1, 2033.

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 228,006	\$ 228,006	\$ 228,086	\$ 80
Licenses and permits	43,570	43,570	47,380	3,810
Intergovernmental revenues	85,445	85,511	87,762	2,251
Charges for services and sales	48,941	52,335	53,736	1,401
Fines and forfeits	6,558	6,558	7,138	580
Special assessments	3,002	3,002	2,981	(21)
Investment earnings	3,050	3,050	6,956	3,906
Miscellaneous revenues	6,299	2,905	9,576	6,671
Total revenues	424,871	424,937	443,615	18,678
CURRENT EXPENDITURES:				
Current:				
General government:				
Mayor	2,132	2,439	2,396	43
Council & Clerk	11,528	12,846	12,313	533
Assessor	6,875	6,875	5,593	1,282
Attorney	10,373	10,412	9,702	710
Civil rights	4,501	4,328	4,021	307
Coordinator	7,162	6,254	6,073	181
Coordinator - 311	4,097	4,168	3,980	188
Coordinator - Communications	2,307	2,315	2,323	(8)
Coordinator - Finance	22,908	22,908	22,221	687
Coordinator - Human resources	7,566	7,727	7,390	337
Coordinator - Intergovernmental relations	1,519	1,519	1,497	22
Internal audit	761	801	669	132
Contingency	4,500	-	-	-
General government pensions	-	-	1,508	(1,508)
Total general government	86,229	82,592	79,686	2,906
Public safety:				
Regulatory services	20,236	20,852	20,293	559
Coordinator - 911	9,974	10,069	9,487	582
Coordinator - Emergency management	1,053	1,053	1,128	(75)
Fire	66,500	67,617	67,586	31
Police	173,668	173,680	173,677	3
Public safety pensions	-	-	1,783	(1,783)
Total public safety	271,431	273,271	273,954	(683)
Public works:				
Administration	3,993	4,053	3,887	166
Engineering design	2,032	2,032	2,013	19
Field services	35,046	36,935	39,466	(2,531)
Transportation and special projects	19,868	20,248	19,934	314
Total public works	60,939	63,268	65,300	(2,032)
Health and welfare - Health and family support	11,072	11,817	11,676	141
Community planning & economic development	41,772	40,927	36,775	4,152
Total expenditures	471,443	471,875	467,391	4,484
Excess (deficiency) of revenues over (under) expenditures	(46,572)	(46,938)	(23,776)	23,162
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	38,387	38,387	39,887	1,500
Transfers to other funds	(9,136)	(29,013)	(29,013)	-
Total other financing sources (uses)	29,251	9,374	10,874	1,500
Net change in fund balance	(17,321)	(37,564)	(12,902)	24,662
Fund balance - January 1	117,098	117,098	117,098	-
Fund balance - December 31	\$ 99,777	\$ 79,534	\$ 104,196	\$ 24,662

The notes to the required supplementary information are an integral part of this schedule.

**COMMUNITY PLANNING AND ECONOMIC DEVELOPMENT
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 54,973	\$ 54,973	\$ 59,359	\$ 4,386
Intergovernmental revenues	-	-	1	1
Charges for services and sales	-	-	6,457	6,457
Special assessments	-	-	261	261
Investment earnings	535	535	3,825	3,290
Miscellaneous revenues	7,415	12,687	12,270	(417)
Total revenues	<u>62,923</u>	<u>68,195</u>	<u>82,173</u>	<u>13,978</u>
EXPENDITURES:				
Current:				
Community planning & economic development	38,612	85,746	41,762	43,984
Intergovernmental:				
Culture and recreation	-	-	200	(200)
Total expenditures	<u>38,612</u>	<u>85,746</u>	<u>41,962</u>	<u>43,784</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,311</u>	<u>(17,551)</u>	<u>40,211</u>	<u>57,762</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	2,538	13,613	14,412	799
Transfers to other funds	(23,254)	(23,254)	(24,128)	(874)
Total other financing sources (uses)	<u>(20,716)</u>	<u>(9,641)</u>	<u>(9,716)</u>	<u>(75)</u>
Net change in fund balance	3,595	(27,192)	30,495	57,687
Fund balance - January 1	<u>215,158</u>	<u>215,158</u>	<u>215,158</u>	<u>-</u>
Fund balance - December 31	<u>\$ 218,753</u>	<u>\$ 187,966</u>	<u>\$ 245,653</u>	<u>\$ 57,687</u>

The notes to the required supplementary information are an integral part of this schedule.

**DOWNTOWN ASSETS
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 87,349	\$ 87,349	\$ 89,794	\$ 2,445
Investment earnings	-	-	86	86
Total revenues	<u>87,349</u>	<u>87,349</u>	<u>89,880</u>	<u>2,531</u>
EXPENDITURES:				
Current:				
Community planning & economic development	<u>5,150</u>	<u>5,150</u>	<u>1,021</u>	<u>4,129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>82,199</u>	<u>82,199</u>	<u>88,859</u>	<u>6,660</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	420	420	420	-
Transfers to other funds	(63,322)	(63,322)	(63,322)	-
Total other financing sources (uses)	<u>(62,902)</u>	<u>(62,902)</u>	<u>(62,902)</u>	<u>-</u>
Net change in fund balances	19,297	19,297	25,957	6,660
Fund balances - January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - December 31	<u>\$ 19,297</u>	<u>\$ 19,297</u>	<u>\$ 25,957</u>	<u>\$ 6,660</u>

The notes to the required supplementary information are an integral part of this schedule.

**HUD CONSOLIDATED PLAN
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 14,463	\$ 20,832	\$ 18,805	\$ (2,027)
Charges for services and sales	-	-	845	845
Special assessments	-	-	3	3
Investment earnings	-	-	256	256
Miscellaneous revenues	2,356	2,356	1,922	(434)
Total revenues	<u>16,819</u>	<u>23,188</u>	<u>21,831</u>	<u>(1,357)</u>
EXPENDITURES:				
Current:				
General government	2,017	2,017	1,833	184
Public safety	912	1,386	756	630
Health and welfare	682	770	721	49
Community planning & economic development	13,208	19,015	19,000	15
Total expenditures	<u>16,819</u>	<u>23,188</u>	<u>22,310</u>	<u>878</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(479)</u>	<u>(479)</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	<u>-</u>	<u>-</u>	<u>500</u>	<u>500</u>
Net change in fund balances	-	-	21	21
Fund balances - January 1	<u>6,192</u>	<u>6,192</u>	<u>6,192</u>	<u>-</u>
Fund balances - December 31	<u>\$ 6,192</u>	<u>\$ 6,192</u>	<u>\$ 6,213</u>	<u>\$ 21</u>

The notes to the required supplementary information are an integral part of this schedule.

DEFINED BENEFIT PENSION PLANS

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2018

(Dollar Amounts Expressed In Thousands)

**Schedule of City of Minneapolis' Contributions
PERA General Employees Retirement Plan
Required Supplemental Information (Last Ten Years*)**

Fiscal Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Actual Contributions as a Percentage of Covered Payroll*** (b/d)
December 31, 2015	\$ 32,333	\$ 32,333	\$ -	\$ 167,834	19.3%
December 31, 2016	30,921	30,921	-	178,002	17.4%
December 31, 2017	25,977	25,977	-	187,351	13.9%
December 31, 2018	26,798	26,798	-	198,557	13.5%

**Schedule of Municipal Building Commission's Contributions
PERA General Employees Retirement Plan
Required Supplemental Information (Last Ten Years*)**

Fiscal Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Actual Contributions as a Percentage of Covered Payroll*** (b/d)
December 31, 2015	\$ 518	\$ 518	\$ -	\$ 2,447	21.2%
December 31, 2016	527	527	-	2,392	22.0%
December 31, 2017	538	538	-	2,706	19.9%
December 31, 2018	436	436	-	2,814	15.5%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

** For purposes of this schedule, covered payroll is defined as "pensionable wages."

*** Statutorily required contributions include additional contributions as required by statute which affects contributions as a percentage of covered payroll.

The notes to the required supplemental information are an integral part of this schedule.

For the Fiscal Year Ended December 31, 2018

(Dollar Amounts Expressed In Thousands)

Schedule of City of Minneapolis' Proportionate Share of Net Pension Liability
 PERA General Employees Retirement Plan
 Required Supplemental Information (Last Ten Years*)

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with City of Minneapolis (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a + b)	Employer's Covered Payroll** (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/c)	Plan Fiduciary Net Position of the Total Pension Liability
June 30, 2015	6.8465%	\$ 354,821	N/A	\$ 354,821	\$ 160,155	221.5%	78.2%
June 30, 2016	6.5619%	532,790	6,959	539,749	172,446	309.0%	68.9%
June 30, 2017	5.2275%	333,721	4,254	337,975	182,342	183.0%	75.9%
June 30, 2018	5.6525%	313,579	9,555	323,134	193,999	161.6%	79.5%

Schedule of Municipal Building Commission's Proportionate Share of Net Pension Liability
 PERA General Employees Retirement Plan
 Required Supplemental Information (Last Ten Years*)

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Municipal Building Commission (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a + b)	Employer's Covered Payroll** (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/c)	Plan Fiduciary Net Position of the Total Pension Liability
June 30, 2015	0.0870%	\$ 4,509	N/A	\$ 4,509	\$ 2,365	190.7%	78.2%
June 30, 2016	0.1116%	9,061	118	9,179	2,398	377.9%	68.9%
June 30, 2017	0.0857%	5,469	70	5,539	2,499	218.8%	75.9%
June 30, 2018	0.0931%	5,164	156	5,320	2,750	187.8%	79.5%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

** For purposes of this schedule, covered payroll is defined as "pensionable wages."

The notes to the required supplemental information are an integral part of this schedule.

DEFINED BENEFIT PENSION PLANS

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2018

(Dollar Amounts Expressed In Thousands)

**Schedule of City of Minneapolis' Contributions
PERA Public Employees Police and Fire Plan
Required Supplemental Information (Last Ten Years*)**

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll*** (d)	Contributions as a Percentage of Covered Payroll**** (b/d)
December 31, 2015	\$ 28,504	\$ 28,504	\$ -	\$ 104,749	27.2%
December 31, 2016	31,460	31,460	-	109,924	28.6%
December 31, 2017	33,652	33,652	-	123,464	27.3%
December 31, 2018	33,814	33,814	-	124,135	27.2%

**Schedule of City of Minneapolis' Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
Required Supplemental Information (Last Ten Years**)**

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll*** (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position of the Total Pension Liability
June 30, 2015	19.4220%	\$ 220,680	\$ 101,015	218.5%	86.6%
June 30, 2016	19.8370%	796,093	106,039	750.8%	63.9%
June 30, 2017	20.8345%	281,291	120,133	234.1%	85.4%
June 30, 2018	22.5320%	240,167	123,917	193.8%	88.8%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

** For purposes of this schedule, covered payroll is defined as "pensionable wages."

*** Statutorily required contributions include additional contributions as required by statute which affects contributions as a percentage of covered payroll.

The notes to the required supplemental information are an integral part of this schedule.

DEFINED BENEFIT PENSION PLANS

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2018

(Dollar Amounts Expressed In Thousands)

**Schedule of City of Minneapolis' Contributions
Teachers Retirement Association (Special Funding Situation)
Required Supplemental Information (Last Ten Years*)**

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll*** (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2015	\$ 2,250	\$ 2,250	\$ -	\$ -	N/A
December 31, 2016	2,250	2,250	-	-	N/A
December 31, 2017	2,250	2,250	-	-	N/A
December 31, 2018	2,250	2,250	-	-	N/A

**Schedule of City of Minneapolis' Proportionate Share of Net Pension Liability
Teachers Retirement Association (Special Funding Situation)
Required Supplemental Information (Last Ten Years**)**

Measurement Date	City's Proportion (Percentage) of the Net Pension Liability (Asset)	City's Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll*** (b)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position of the Total Pension Liability
June 30, 2015	0.5911%	\$ 36,365	\$ -	N/A	76.8%
June 30, 2016	0.5767%	137,557	-	N/A	44.9%
June 30, 2017	N/A	29,294	-	N/A	51.6%
June 30, 2018	N/A	26,573	-	N/A	78.1%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

** For purposes of this schedule, covered payroll is defined as "pensionable wages."

The notes to the required supplemental information are an integral part of this schedule.

OTHER POSTEMPLOYMENT BENEFIT PLAN

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2018

(Dollar Amounts Expressed In Thousands)

Schedule of Changes in the City of Minneapolis'
Total OPEB Liability and Related Ratios
Required Supplemental Information (Last Ten Years*)

Fiscal Year Ending	Service Cost	Interest	Benefit Payments	Net Change in Total OPEB Liability	Total OPEB Liability - Beginning	Total OPEB Liability - Ending	Covered Payroll	Total OPEB Liability as a Percentage of Covered Payroll
December 31, 2018	\$ 1,453	\$ 1,106	\$ (1,871)	\$ 688	\$ 32,986	\$ 33,674	\$ 288,517	11.67%

Schedule of Changes in the Municipal Building Commission's
Total OPEB Liability and Related Ratios
Required Supplemental Information (Last Ten Years*)

Fiscal Year Ending	Service Cost	Interest	Benefit Payments	Net Change in Total OPEB Liability	Total OPEB Liability - Beginning	Total OPEB Liability - Ending	Covered Payroll	Total OPEB Liability as a Percentage of Covered Payroll
December 31, 2018	\$ 35	\$ 30	\$ (108)	\$ (43)	\$ 937	\$ 894	\$ 2,489	35.92%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2018

The notes to the required supplemental information are an integral part of this schedule.

For the Fiscal Year Ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 1 – BUDGETS

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and major special revenue funds.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATION

The legal level of budgetary control is at the department level within a fund. This means all Public Works departments report as one department, all Coordinator departments report as one department, and the Council and Clerk and Clerk – Elections departments report as one. The following departments in the General Fund had expenditures in excess of appropriation for the fiscal year ending December 31, 2018.

	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Public works	\$ 63,268	\$ 65,300	\$ (2,032)
General government pensions	-	1,508	(1,508)
Public safety pensions	-	1,783	(1,783)

To mitigate the effects of these excess expenditures, the City regularly reviews budgetary performance and makes adjustments as necessary. No budgets are established for general government or public safety pensions. Because the expense recorded here is offset by an equal amount of revenue related to contributions to the pension plans from the State of Minnesota, it is not expected that the City will budget for this activity.

NOTE 3 – DEFINED BENEFIT PENSION PLANS

A – Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred:

General Employees Retirement Plan

2018

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions changed the employer supplemental contribution to \$21,000 in calendar years 2017 and 2018 and returns to \$31,000 through calendar year 2031. The State’s required contribution is \$16,000 in PERA’s fiscal years 2018 and 2019 and returns to \$6,000 annually through calendar year 2031.

For the Fiscal Year Ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 3 – DEFINED BENEFIT PENSION PLANS**A – Changes in Actuarial Assumptions**

General Employees Retirement Plan (continued)

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2018

- The morality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019 and January 1, 2020 from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019 and January 1, 2020 from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.

For the Fiscal Year Ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

NOTE 3 – DEFINED BENEFIT PENSION PLANS**A – Changes in Actuarial Assumptions**

Public Employees Police and Fire Plan

2017 (continued)

- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Teachers Retirement Association Fund

2018

- The investment return assumption was changed from 8.50 percent to 7.50 percent.
- The wage inflation assumption (above price inflation) was reduced from 0.75 percent to 0.35 percent for the next 10 years, and 0.75 percent thereafter.
- The price inflation was lowered from 3.00 percent to 2.50 percent.
- The total salary increase assumption was adjusted by the wage inflation change.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The amortization date for the funding of the Unfunded Actuarial Accrued Liability (UAAL) was reset to June 30, 2048 (30 years).
- A mechanism in the law that provided the TRA Board with some authority to set contribution rates were eliminated.

2017

- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The cost of living adjustment (COLA) was not assumed to increase to 2.50 percent, but remain at 2.0 percent for all future years.
- The price inflation was lowered from 2.75 percent to 2.50 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years followed by 3.25 percent, thereafter.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

For the Fiscal Year Ended December 31, 2018

(Dollar Amounts Expressed in Thousands)

A – Changes in Actuarial Assumptions

Teachers Retirement Association Fund

2017 (continued)

- The Combined Service Annuity (CSA) loads were reduced from 1.40 percent to 0.00 percent for active load, the vested inactive load increase from 4.00 percent to 7.00 percent and the non-vested inactive load increased from 4.00 percent to 9.00 percent.

2016

- The single discount rate was changed from 8.00 percent to 4.66 percent.
- Other assumption changed pursuant to the experience study dated June 5, 2015. The assumed wage growth, payroll growth and inflation were decreased by 0.25 percent. The assumed wage growth and payroll growth were reduced from 3.75 percent to 3.50 percent. Inflation was reduced from 3.00 percent to 2.75 percent.

NOTE 4 – POSTEMPLOYMENT BENEFITS PLAN**A – Employer Contributions to Postemployment Benefits Plan**

Assets have not been accumulated in a trust that meets the criteria in paragraph four of the Governmental Accounting Standards Board (GASB) Statement No. 75 to pay related benefits.

B – Plan Changes Affecting Actuarial Accrued Liability

The following changes in actuarial assumptions occurred for all entities:

2018

- The discount rate used changed from 3.50% percent to 3.30% percent.

**GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

<u>ASSETS</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental</u>
Cash and cash equivalents	\$ 87,660	\$ 19,687	\$ 107,347
Investments with trustees	-	3,430	3,430
Receivables:			
Accounts - net	2,156	-	2,156
Taxes	338	752	1,090
Special assessments	540	-	540
Intergovernmental	7,181	-	7,181
Loans due from component unit	500	-	500
Accrued interest	264	78	342
Due from other funds	8,150	1,315	9,465
Prepaid items	263	-	263
Properties held for resale	2,073	-	2,073
	<hr/>	<hr/>	<hr/>
Total assets	\$ 109,125	\$ 25,262	\$ 134,387
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Salaries payable	\$ 1,039	\$ -	\$ 1,039
Accounts payable	9,684	3	9,687
Due to other funds	2,350	1,315	3,665
Deposits held for others	2,327	-	2,327
Advances from other funds	-	520	520
Unearned revenue	7,654	-	7,654
	<hr/>	<hr/>	<hr/>
Total liabilities	23,054	1,838	24,892
	<hr/>	<hr/>	<hr/>
Deferred Inflows of Resources:			
Unavailable revenue	1,426	463	1,889
	<hr/>	<hr/>	<hr/>
Fund balances:			
Nonspendable	263	-	263
Restricted	6,355	24,779	31,134
Assigned	78,027	-	78,027
Unassigned	-	(1,818)	(1,818)
	<hr/>	<hr/>	<hr/>
Total fund balances	84,645	22,961	107,606
	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources, and fund balances	\$ 109,125	\$ 25,262	\$ 134,387
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
For the Fiscal Year Ended December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental</u>
REVENUES:			
Taxes	\$ 24,903	\$ 49,206	\$ 74,109
Licenses and permits	1,060	-	1,060
Intergovernmental revenues	35,339	4,175	39,514
Charges for services and sales	11,596	-	11,596
Fines and forfeits	279	-	279
Special assessments	8,808	1	8,809
Investment earnings	1,589	699	2,288
Miscellaneous revenues	20,119	4,328	24,447
Total revenues	<u>103,693</u>	<u>58,409</u>	<u>162,102</u>
EXPENDITURES:			
Current:			
General government	26,469	-	26,469
Public safety	23,342	-	23,342
Public works	348	-	348
Health and welfare	11,707	-	11,707
Community planning & economic development	73,998	-	73,998
Intergovernmental:			
Public safety	132	-	132
Debt Service:			
Principal retirement	-	140,650	140,650
Interest and fiscal charges	-	16,060	16,060
Total expenditures	<u>135,996</u>	<u>156,710</u>	<u>292,706</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(32,303)</u>	<u>(98,301)</u>	<u>(130,604)</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	37,907	47,694	85,601
Transfers to other funds	(25,130)	(2,219)	(27,349)
Premium (discount)	-	1,690	1,690
Refunding bonds issued	-	47,275	47,275
Total other financing sources (uses)	<u>12,777</u>	<u>94,440</u>	<u>107,217</u>
Net change in fund balances	(19,526)	(3,861)	(23,387)
Fund balances - January 1	<u>104,171</u>	<u>26,822</u>	<u>130,993</u>
Fund balances - December 31	<u>\$ 84,645</u>	<u>\$ 22,961</u>	<u>\$ 107,606</u>

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Arena Reserve</u>	<u>Board of Estimate and Taxation</u>	<u>Convention Center</u>	<u>Self-Managed Special Service Districts</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 12,155	\$ 201	\$ 35,640	\$ 320
Receivables:				
Accounts - net	737	-	776	-
Taxes	-	1	-	-
Special assessments	-	-	-	18
Intergovernmental	-	-	-	-
Loans due from component unit	-	-	500	-
Accrued interest	43	-	125	1
Due from other funds	-	-	-	-
Prepaid Items	-	-	263	-
Properties held for resale	-	-	-	-
Total assets	<u>\$ 12,935</u>	<u>\$ 202</u>	<u>\$ 37,304</u>	<u>\$ 339</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
Liabilities:				
Salaries payable	\$ 6	\$ 7	\$ 530	\$ -
Accounts payable	1,643	8	4,804	-
Due to other funds	-	-	-	-
Deposits held for others	-	-	2,327	-
Unearned revenue	-	-	-	-
Total liabilities	<u>1,649</u>	<u>15</u>	<u>7,661</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenue	749	-	35	12
Fund balances:				
Nonspendable	-	-	263	-
Restricted	-	-	-	-
Assigned	10,537	187	29,345	327
Total fund balances	<u>10,537</u>	<u>187</u>	<u>29,608</u>	<u>327</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,935</u>	<u>\$ 202</u>	<u>\$ 37,304</u>	<u>\$ 339</u>

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2018**

**CITY OF MINNEAPOLIS, MINNESOTA
(Continued)**

(In Thousands)

Employee Retirement	Grants-Federal	Grants-Other	Police	Neighborhood and Community Relations	Regulatory Services	Total
\$ 31,072	\$ 137	\$ 309	\$ 2,238	\$ 3,545	\$ 2,043	\$ 87,660
-	67	114	413	-	49	2,156
337	-	-	-	-	-	338
-	-	-	-	-	522	540
-	4,449	2,732	-	-	-	7,181
-	-	-	-	-	-	500
88	-	-	-	-	7	264
-	-	8,150	-	-	-	8,150
-	-	-	-	-	-	263
-	873	1,200	-	-	-	2,073
<u>\$ 31,497</u>	<u>\$ 5,526</u>	<u>\$ 12,505</u>	<u>\$ 2,651</u>	<u>\$ 3,545</u>	<u>\$ 2,621</u>	<u>\$ 109,125</u>
\$ -	\$ 123	\$ 180	\$ 48	\$ 56	\$ 89	\$ 1,039
-	1,056	1,732	128	208	105	9,684
-	2,350	-	-	-	-	2,350
-	-	-	-	-	-	2,327
-	874	6,753	27	-	-	7,654
-	4,403	8,665	203	264	194	23,054
172	-	-	-	-	458	1,426
-	-	-	-	-	-	263
-	873	3,840	1,642	-	-	6,355
31,325	250	-	806	3,281	1,969	78,027
31,325	1,123	3,840	2,448	3,281	1,969	84,645
<u>\$ 31,497</u>	<u>\$ 5,526</u>	<u>\$ 12,505</u>	<u>\$ 2,651</u>	<u>\$ 3,545</u>	<u>\$ 2,621</u>	<u>\$ 109,125</u>

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS**

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2018

(In Thousands)

	Arena Reserve	Board of Estimate and Taxation	Convention Center	Self-Managed Special Service Districts
REVENUES:				
Taxes	\$ -	\$ 191	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenues	-	-	-	-
Charges for services and sales	-	-	8,978	-
Fines and forfeits	-	-	-	-
Special assessments	-	-	-	6,748
Investment earnings	192	-	967	(6)
Miscellaneous revenues	1,461	-	13,983	-
Total revenues	<u>1,653</u>	<u>191</u>	<u>23,928</u>	<u>6,742</u>
EXPENDITURES:				
Current:				
General government	-	221	-	6,983
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Intergovernmental:				
Community planning & economic development	3,201	-	48,643	-
Public safety	-	-	-	-
Total expenditures	<u>3,201</u>	<u>221</u>	<u>48,643</u>	<u>6,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,548)</u>	<u>(30)</u>	<u>(24,715)</u>	<u>(241)</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4,158	4	26,811	250
Transfers to other funds	-	-	(24,630)	-
Total other financing sources (uses)	<u>4,158</u>	<u>4</u>	<u>2,181</u>	<u>250</u>
Net change in fund balances	2,610	(26)	(22,534)	9
Fund balances - January 1	<u>7,927</u>	<u>213</u>	<u>52,142</u>	<u>318</u>
Fund balances - December 31	<u>\$ 10,537</u>	<u>\$ 187</u>	<u>\$ 29,608</u>	<u>\$ 327</u>

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS**

**CITY OF MINNEAPOLIS, MINNESOTA
(Continued)**

For the Fiscal Year Ended December 31, 2018

(In Thousands)

Employee Retirement	Grants-Federal	Grants-Other	Police	Neighborhood and Community Relations	Regulatory Services	Total
\$ 24,414	\$ -	\$ 42	\$ 256	\$ -	\$ -	\$ 24,903
-	-	-	942	-	118	1,060
4,788	13,581	16,946	24	-	-	35,339
-	159	1,083	1,234	-	142	11,596
-	-	-	257	-	22	279
-	-	13	-	-	2,047	8,808
383	-	5	-	-	48	1,589
3,226	126	1,320	-	2	1	20,119
<u>32,811</u>	<u>13,866</u>	<u>19,409</u>	<u>2,713</u>	<u>2</u>	<u>2,378</u>	<u>103,693</u>
16,515	1,591	1,137	22	-	-	26,469
13,648	1,998	1,031	2,829	-	3,836	23,342
-	322	26	-	-	-	348
-	6,275	5,432	-	-	-	11,707
-	3,602	11,735	-	6,709	108	73,998
-	132	-	-	-	-	132
<u>30,163</u>	<u>13,920</u>	<u>19,361</u>	<u>2,851</u>	<u>6,709</u>	<u>3,944</u>	<u>135,996</u>
<u>2,648</u>	<u>(54)</u>	<u>48</u>	<u>(138)</u>	<u>(6,707)</u>	<u>(1,566)</u>	<u>(32,303)</u>
-	-	2	-	6,682	-	37,907
(500)	-	-	-	-	-	(25,130)
<u>(500)</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>6,682</u>	<u>-</u>	<u>12,777</u>
2,148	(54)	50	(138)	(25)	(1,566)	(19,526)
<u>29,177</u>	<u>1,177</u>	<u>3,790</u>	<u>2,586</u>	<u>3,306</u>	<u>3,535</u>	<u>104,171</u>
<u>\$ 31,325</u>	<u>\$ 1,123</u>	<u>\$ 3,840</u>	<u>\$ 2,448</u>	<u>\$ 3,281</u>	<u>\$ 1,969</u>	<u>\$ 84,645</u>

DEBT SERVICE FUNDS
 COMBINING BALANCE SHEET
 NON-MAJOR FUNDS
 December 31, 2018

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Community Development Agency</u>	<u>Development</u>	<u>General Debt Service</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 5	\$ 20	\$ 19,662	\$ 19,687
Investments with trustees	3,428	-	2	3,430
Receivables:				
Taxes	-	-	752	752
Accrued interest	3	-	75	78
Due from other funds	-	-	1,315	1,315
Total assets	<u>\$ 3,436</u>	<u>\$ 20</u>	<u>\$ 21,806</u>	<u>\$ 25,262</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ 3	\$ -	\$ 3
Due to other funds	-	1,315	-	1,315
Advances from other funds	-	520	-	520
Total liabilities	<u>-</u>	<u>1,838</u>	<u>-</u>	<u>1,838</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	463	463
Fund balances:				
Restricted	3,436	-	21,343	24,779
Unassigned	-	(1,818)	-	(1,818)
Total fund balances	<u>3,436</u>	<u>(1,818)</u>	<u>21,343</u>	<u>22,961</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,436</u>	<u>\$ 20</u>	<u>\$ 21,806</u>	<u>\$ 25,262</u>

DEBT SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 For the Fiscal Year Ended December 31, 2018

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Community Development Agency	Development	General Debt Service	Total
REVENUES:				
Taxes	\$ -	\$ -	\$ 49,206	\$ 49,206
Intergovernmental revenues	-	-	4,175	4,175
Special assessments	-	1	-	1
Investment earnings	43	10	646	699
Miscellaneous revenues	-	3,161	1,167	4,328
Total revenues	<u>43</u>	<u>3,172</u>	<u>55,194</u>	<u>58,409</u>
EXPENDITURES:				
Current:				
Debt Service:				
Principal retirement	1,365	66,270	73,015	140,650
Interest and fiscal charges	750	10,305	5,005	16,060
Total expenditures	<u>2,115</u>	<u>76,575</u>	<u>78,020</u>	<u>156,710</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,072)</u>	<u>(73,403)</u>	<u>(22,826)</u>	<u>(98,301)</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4,683	41,166	1,845	47,694
Transfers to other funds	(2,219)	-	-	(2,219)
Premium (discount)	-	898	792	1,690
Refunding bonds issued	-	31,560	15,715	47,275
Total other financing sources (uses)	<u>2,464</u>	<u>73,624</u>	<u>18,352</u>	<u>94,440</u>
Net change in fund balances	392	221	(4,474)	(3,861)
Fund balances - January 1	<u>3,044</u>	<u>(2,039)</u>	<u>25,817</u>	<u>26,822</u>
Fund balances - December 31	<u>\$ 3,436</u>	<u>\$ (1,818)</u>	<u>\$ 21,343</u>	<u>\$ 22,961</u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
<u>ASSETS</u>							
Current assets:							
Cash and cash equivalents	\$ 1,640	\$ 21,983	\$ 9,628	\$ 26,007	\$ 3,143	\$ 102,938	\$ 165,339
Receivables:							
Accounts - net	54	249	27	8	-	10	348
Intergovernmental	-	-	-	102	-	-	102
Inventories	-	-	11	1,417	4,328	-	5,756
Properties held for resale	-	-	-	-	-	433	433
Prepaid items	-	3,950	-	-	-	-	3,950
Total current assets	<u>1,694</u>	<u>26,182</u>	<u>9,666</u>	<u>27,534</u>	<u>7,471</u>	<u>103,381</u>	<u>175,928</u>
Long-term assets:							
Advances to other funds	-	-	-	-	-	520	520
Capital assets:							
Non-depreciable:							
Land and easements	-	-	20,821	2,186	-	-	23,007
Construction in progress	16	8,194	340	2,966	-	-	11,516
Depreciable:							
Buildings and structures	-	-	25,587	30,062	-	-	55,649
Less accumulated depreciation	-	-	(22,137)	(11,497)	-	-	(33,634)
Public improvements	-	-	8,813	1,704	-	-	10,517
Less accumulated depreciation	-	-	(4,335)	(635)	-	-	(4,970)
Machinery and equipment	483	1,480	12,894	100,075	30	-	114,962
Less accumulated depreciation	(306)	(627)	(11,263)	(55,580)	(4)	-	(67,780)
Computer equipment	61	30,970	162	-	-	-	31,193
Less accumulated depreciation	(61)	(28,041)	(162)	-	-	-	(28,264)
Software	-	63,255	8	97	-	-	63,360
Less accumulated depreciation	-	(36,620)	(8)	(64)	-	-	(36,692)
Other capital outlay	15	-	21	-	-	-	36
Less accumulated depreciation	(15)	-	(21)	-	-	-	(36)
Total long - term assets	<u>193</u>	<u>38,611</u>	<u>30,720</u>	<u>69,314</u>	<u>26</u>	<u>520</u>	<u>139,384</u>
Total assets	<u>\$ 1,887</u>	<u>\$ 64,793</u>	<u>\$ 40,386</u>	<u>\$ 96,848</u>	<u>\$ 7,497</u>	<u>\$ 103,901</u>	<u>\$ 315,312</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>							
Deferred outflows - other postemployment benefits	\$ 1	\$ 7	\$ 6	\$ 15	\$ 1	\$ 8	\$ 38
Deferred outflows - pensions	169	2,056	948	1,214	209	1,285	5,881
Total deferred outflows of resources	<u>\$ 170</u>	<u>\$ 2,063</u>	<u>\$ 954</u>	<u>\$ 1,229</u>	<u>\$ 210</u>	<u>\$ 1,293</u>	<u>\$ 5,919</u>
<u>LIABILITIES</u>							
Current liabilities:							
Salaries payable	\$ 32	\$ 459	\$ 236	\$ 340	\$ 43	\$ 258	\$ 1,368
Accounts payable	169	6,377	899	1,143	316	3,092	11,996
Unearned revenue	-	1,452	90	25	-	-	1,567
Compensated absences payable - current portion	53	620	356	344	60	393	1,826
Medical claims payable - current portion	-	-	-	-	-	7,086	7,086
Unpaid claims payable - current portion	-	-	-	-	-	17,127	17,127
Total current liabilities	<u>254</u>	<u>8,908</u>	<u>1,581</u>	<u>1,852</u>	<u>419</u>	<u>27,956</u>	<u>40,970</u>
Long-term liabilities:							
Compensated absences payable	12	143	83	80	14	91	423
Other postemployment benefits	19	127	112	258	24	138	678
Net pension liability	1,191	14,491	6,680	8,558	1,471	9,061	41,452
Unpaid claims payable	-	-	-	-	-	54,315	54,315
Total long - term liabilities	<u>1,222</u>	<u>14,761</u>	<u>6,875</u>	<u>8,896</u>	<u>1,509</u>	<u>63,605</u>	<u>96,868</u>
Total liabilities	<u>\$ 1,476</u>	<u>\$ 23,669</u>	<u>\$ 8,456</u>	<u>\$ 10,748</u>	<u>\$ 1,928</u>	<u>\$ 91,561</u>	<u>\$ 137,838</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Deferred inflows - pensions	\$ 161	\$ 1,961	\$ 904	\$ 1,158	\$ 199	\$ 1,226	\$ 5,609
<u>NET POSITION</u>							
Net investment in capital assets	\$ 193	\$ 38,611	\$ 30,720	\$ 69,314	\$ 26	\$ -	\$ 138,864
Unrestricted	227	2,615	1,260	16,857	5,554	12,407	38,920
Total net position	<u>\$ 420</u>	<u>\$ 41,226</u>	<u>\$ 31,980</u>	<u>\$ 86,171</u>	<u>\$ 5,580</u>	<u>\$ 12,407</u>	<u>\$ 177,784</u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
For the Fiscal Year Ended December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
Operating revenues:							
Charges for services and sales	\$ 7,723	\$ 40,970	\$ 3,728	\$ 18,172	\$ 1,889	\$ 98,472	\$ 170,954
Fines and forfeits	-	-	-	-	-	48	48
Rents and commissions	-	-	19,780	21,545	-	-	41,325
Total operating revenues	7,723	40,970	23,508	39,717	1,889	98,520	212,327
Operating expenses:							
Personnel costs	988	11,996	7,175	7,692	1,332	15,670	44,853
Contractual services	1,072	22,233	11,571	7,520	277	74,675	117,348
Materials, supplies, services and other	5,349	5,175	1,191	6,387	60	15,804	33,966
Depreciation	13	11,189	854	8,212	3	-	20,271
Total operating expenses	7,422	50,593	20,791	29,811	1,672	106,149	216,438
Operating income (loss)	301	(9,623)	2,717	9,906	217	(7,629)	(4,111)
Nonoperating revenues (expenses):							
Intergovernmental	-	183	-	-	-	-	183
Investment earnings	-	-	-	-	-	15	15
Interest expense	-	-	-	(157)	-	-	(157)
Gain (loss) on disposal of capital assets	-	(468)	-	1,032	-	-	564
Other revenues	8	103	63	193	246	3,011	3,624
Total nonoperating revenues (expenses)	8	(182)	63	1,068	246	3,026	4,229
Income (loss) before transfers	309	(9,805)	2,780	10,974	463	(4,603)	118
Transfers in (out):							
Transfers from other funds	-	4,623	319	597	-	262	5,801
Transfers to other funds	-	-	(317)	-	-	(8,305)	(8,622)
Total transfers	-	4,623	2	597	-	(8,043)	(2,821)
Change in net position	309	(5,182)	2,782	11,571	463	(12,646)	(2,703)
Net position - January 1, restated (see Note 1Q)	111	46,408	29,198	74,600	5,117	25,053	180,487
Net position - December 31	\$ 420	\$ 41,226	\$ 31,980	\$ 86,171	\$ 5,580	\$ 12,407	\$ 177,784

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2018**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
Cash flows from operating activities:							
Cash received from customers	\$ 74	\$ 9	\$ 434	\$ 12	\$ 49	\$ 4,710	\$ 5,288
Cash received from interfund activities	7,605	40,137	22,901	39,734	8,286	93,807	212,470
Payments to suppliers	(5,990)	(24,069)	(11,830)	(11,198)	(5,895)	(68,200)	(127,182)
Payments to employees	(1,082)	(11,379)	(7,071)	(7,544)	(1,254)	(8,476)	(36,806)
Payments for interfund activities	(475)	(2,022)	(899)	(4,181)	(277)	(4,222)	(12,076)
Other nonoperating revenue	8	103	63	193	246	3,011	3,624
Net cash provided (used) by operating activities	140	2,779	3,598	17,016	1,155	20,630	45,318
Cash flows from non-capital financing activities:							
Transfers from other funds	-	4,623	319	597	-	262	5,801
Repayment of advance from other funds	-	-	-	-	-	329	329
Interest paid on advance from other funds	-	-	-	-	-	15	15
Transfers to other funds	-	-	(317)	-	-	(8,305)	(8,622)
Intergovernmental receipts	-	183	-	-	-	-	183
Net cash provided (used) by non-capital financing activities	-	4,806	2	597	-	(7,699)	(2,294)
Cash flows from capital and related financing activities:							
Principal paid on bonds	-	-	(820)	(8,990)	-	-	(9,810)
Interest paid on bonds	-	-	(35)	(270)	-	-	(305)
Acquisition and construction of capital assets	(27)	(9,174)	(1,215)	(13,932)	-	-	(24,348)
Proceeds from sale of capital assets	-	-	-	1,236	-	-	1,236
Net cash provided (used) by capital and related financing activities	(27)	(9,174)	(2,070)	(21,956)	-	-	(33,227)
Net increase (decrease) in cash and cash equivalents	113	(1,589)	1,530	(4,343)	1,155	12,931	9,797
Cash and cash equivalents, beginning of year	1,527	23,572	8,098	30,350	1,988	90,007	155,542
Cash and cash equivalents, end of year	\$ 1,640	\$ 21,983	\$ 9,628	\$ 26,007	\$ 3,143	\$ 102,938	\$ 165,339
Reconciliation of operating income to net cash provided (used) by operating activities							
Operating income (loss)	\$ 301	\$ (9,623)	\$ 2,717	\$ 9,906	\$ 217	\$ (7,629)	\$ (4,111)
Adjustment to reconcile change in net position to net cash provided (used) by operating activities:							
Depreciation	13	11,189	854	8,212	3	-	20,271
Accounts receivable	(44)	(248)	48	4	-	(2)	(242)
Intergovernmental receivable	-	-	-	(102)	-	-	(102)
Inventories	-	-	-	(144)	687	-	543
Prepaid items	-	(1,770)	-	-	-	-	(1,770)
Deferred outflows - other postemployment benefits	(1)	(7)	(6)	(15)	(1)	(8)	(38)
Deferred outflows - pensions	124	1,153	569	734	113	780	3,473
Salaries payable	5	130	54	146	14	83	432
Accounts payable	(43)	3,087	32	(1,226)	(76)	1,707	3,481
Deposits held for others	-	-	-	-	-	(2)	(2)
Unearned revenue	-	(576)	(221)	25	-	-	(772)
Compensated absences payable	(5)	69	8	(6)	4	23	93
Other postemployment benefits	-	3	(2)	5	1	(19)	(12)
Net pension liability	(207)	(811)	(535)	(733)	(63)	(766)	(3,115)
Unpaid claims payable	-	-	-	-	-	16,350	16,350
Medical claims payable	-	-	-	-	-	7,086	7,086
Deferred inflows - pensions	(11)	80	17	17	10	16	129
Other nonoperating revenue	8	103	63	193	246	3,011	3,624
Net cash provided (used) by operating activities	\$ 140	\$ 2,779	\$ 3,598	\$ 17,016	\$ 1,155	\$ 20,630	\$ 45,318
Non-cash investing, capital and financing activities:							
Loss on disposal of capital assets	\$ -	\$ (468)	\$ -	\$ (68)	\$ -	\$ -	\$ (536)

APPENDIX F

THE DEPOSITORY TRUST COMPANY

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bonds certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX G

GENERAL INFORMATION REGARDING MINNESOTA PROPERTY TAX SYSTEM

SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS, AND MINNESOTA REAL PROPERTY VALUATION

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

Property Valuations (Chapter 273, Minnesota Statutes)

Estimated Market Value. The City Assessor is responsible for the assessment of all taxable property located within the City. State law requires, with certain exceptions, that each parcel of real property subject to taxation must be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be fairly worth, and which is referred to as the “Estimated Market Value.”

Economic Market Value. Neither tax capacity nor Estimated Market Value may accurately represent what a property’s actual market value would be in the marketplace. By dividing the estimated market value used for tax purposes by the State Equalization Aid Review Committee’s “Sale Ratio” for any particular year, an Economic Market Value can be calculated which approximates actual market value. The Sales Ratio represents the relationship between the market value used for tax purposes and actual selling prices obtained in real estate transactions within a governmental unit in any particular year.

Market Value Homestead Exclusion. Commencing with taxes payable in 2012, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Estimated Market Value up to \$413,800 in order to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a, and causes a decrease in the applicable municipality’s aggregate Taxable Market Value, even if the Estimated Market Value on the same properties did not decline.

Net Tax Capacity. The Net Tax Capacity is the amount of value upon which net taxes are levied, extended and collected, which is a percentage of Taxable Market Value. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State’s property tax relief system and are subject to annual revisions by the State Legislature.

Taxable Market Value. The Taxable Market Value is the Estimated Market Value, less any reductions, limitations, exemptions, and deferrals of tax available to a property. The amount of value upon which property taxes are levied, extended, and collected is calculated as a percentage of Taxable Market Value.

Property Tax Payments and Delinquencies (Minnesota Statutes, Chapters 275, 276, 277, 279-282 and 549)

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the

county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on nonhomestead property is assessed at a rate of 4% until May 31 and increased to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes.

In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on nonhomestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for nonhomestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

Property Tax Credits (Minnesota Statutes, Chapter 273)

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

Metropolitan Fiscal Disparities Law (Minnesota Statutes, Chapter 473F)

The Metropolitan Fiscal Disparities Act was adopted by the State Legislature in 1971 and was implemented in 1974 following a ruling by the State Supreme Court that the Metropolitan Fixed Disparities Act was constitutional. Generally, the objective of the Metropolitan Fiscal Disparities Act is to prevent competition among the various municipalities in the seven-county metropolitan area in which the City is located for industrial and commercial development to improve their respective tax bases. The following discussion summarizes the operation of the Metropolitan Fiscal Disparities Act.

Contribution to Metropolitan Pool. Pursuant to the provisions of the Metropolitan Fiscal Disparities Act, each municipality in the seven-county area is to “pool” (i.e., contribute to an areawide tax base) 40 percent of the amount by which the net tax capacity of commercial-industrial property subject to taxation therein exceeds the 1971 net tax capacity of commercial-industrial property subject to taxation therein. The total areawide tax base (the “Metropolitan Pool”) is determined by aggregating the contribution of each municipality within the seven-county area.

Distribution of Metropolitan Pool. The Metropolitan Pool is then reallocated among all municipalities in the seven-county area basically in direct proportion to population and in inverse proportion to fiscal capacity, where fiscal capacity is measured by the market value of real property within the municipality divided by its population. Municipalities with large populations and low fiscal capacity are thus favored in the reallocation over those municipalities with small populations and large fiscal capacity.

Net Tax Capacities, Tax Levies and Tax Rates. Each municipality’s official net tax capacity for purposes of levying taxes is determined by adding (1) all residential net tax capacity and all commercial-industrial net tax capacity therein, exclusive of the contribution to the Metropolitan Pool (collectively, the “local net tax capacity”), and (2) the municipality’s share of the Metropolitan Pool. The tax levy of the municipality is similarly divided by the Hennepin County (County) Auditor into two components: (a) that portion which will be raised on the local net tax capacity; and (b) that portion which will be raised on the Metropolitan Pool. The tax levy of the municipality is basically divided in the same proportion as the municipality’s share of the Metropolitan Pool bears to the local net tax capacity. The municipality’s local tax rate is determined by dividing the local levy by the local net tax capacity.

The other portion of the municipality’s tax levy (i.e., the levy which will be raised on the Metropolitan Pool) is added with the comparative levies for every other municipality in the seven-county area to arrive at the total dollar levy on the Metropolitan Pool. The areawide tax rate is then determined by dividing the total levy on the Metropolitan Pool by the total net tax capacity of the Metropolitan Pool.

The tax rates determined above are applied to all taxable property in the municipality. All residential property and the “local” portion of commercial-industrial property are subject to the local rate. The portion of the commercial-industrial property in the municipality contributed to the Metropolitan Pool is subject to the areawide tax rate. When the areawide tax levies have been collected, they are channeled through each county to the State Treasurer and distributed to the municipalities.

CLASS TAX RATES FOR MAJOR PROPERTY CLASSIFICATIONS

<u>Property Type</u>	Local Tax Payable 2019
Residential Homestead (1a)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
Residential Non-homestead	
Single Unit (4bb)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
1-3 unit and undeveloped land (4b1)	1.25%
Market Rate Apartments	
Regular (4a)	1.25%
Low-Income (4d)	
Up to \$139,000	0.75%
Over \$139,000	0.25%
Commercial/Industrial/Public Utility (3a)	
Up to \$150,000	1.50%
Over \$150,000	2.00%
Electric Generation Machinery	2.00%
Commercial Seasonal Residential	
Homestead Resorts (1c)	
Up to \$600,000	0.50%
\$600,001 - \$2,300,000	1.00%
Over \$2,300,000	1.25%
Seasonal Resorts (4c)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
Non-Commercial (4c12)	
Up to \$500,000	1.00%
Over \$500,000	1.25%