

**NEW AND REFUNDING ISSUE \$97,185,000  
NOT BANK-QUALIFIED**

**RATINGS:  
Fitch Ratings: 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  
\$97,185,000  
General Obligation Bonds, Series 2020**

**Dated Date of Bonds:** Date of Delivery

**Interest Payment Dates:** Each June 1 and December 1, commencing June 1, 2021

The General Obligation Bonds, Series 2020 (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, Chapters 429, 444, and 475, as amended, including Section 475.67, subdivision 3, Minnesota Statutes, Sections 410.32 and 412.301, as amended, and Section 9.4 of Article IX of the City's Charter to finance and refinance the construction of various assessable public improvements, utility system improvements, parking projects, and capital projects, refinance the construction of the Central Library and improvements to community libraries in the City, finance the acquisition of capital equipment, and refund certain outstanding general obligations of the City.

The City may elect on December 1, 2025, and on any date thereafter, to redeem the Bonds due on or after December 1, 2026, 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 E 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 October 2, 2020.*

The date of this Final Official Statement is September 24, 2020.

**CITY OF MINNEAPOLIS, MINNESOTA**  
**\$97,185,000**  
**General Obligation Bonds**  
**Series 2020**

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

<b>Maturity (December 1)</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP* 60375B</b>
2021	\$20,600,000	3.000%	0.150%	103.312%	HZ2
2022	11,710,000	3.000	0.180	106.087	JA5
2023	11,720,000	3.000	0.220	108.760	JB3
2024	9,495,000	3.000	0.270	111.295	JC1
2025	8,740,000	3.000	0.350	113.549	JD9
2026	6,525,000	2.000	0.560	107.319**	JE7
2027	8,140,000	2.000	0.760	106.267**	JF4
2028	7,895,000	2.000	0.930	105.382**	JG2
2029	11,460,000	2.000	1.100	104.505**	JH0
2030	900,000	2.000	1.250	103.738**	JJ6

\*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, 2025.

All maturities of the Bonds have been sold with original issue premium.

J.P. Morgan Securities LLC, with syndicate members, has agreed to purchase the Bonds from the City for an aggregate price of \$103,680,386.26, plus accrued interest, if any, to the date of delivery. It is expected that the Bonds will be available for delivery on or about October 2, 2020.

# 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)

Jamal Osman (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

Carol Becker, President

David Wheeler, Vice President

Jacob Frey, Mayor

Lisa Bender, Council President

Steve Fletcher, Vice Chair of Budget Committee

Jono Cowgill, President of Minneapolis Park and Recreation Board

### Administration

Mark Ruff, City Coordinator

Dushani Dye, Finance Officer

### Municipal Advisor

Ehlers and Associates, Inc.

Roseville, Minnesota

### Bond Counsel

Kennedy & Graven, Chartered

Minneapolis, Minnesota

The Final Official Statement, dated September 24, 2020, is a final official statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

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**  
**\$97,185,000**  
**General Obligation Bonds**  
**Series 2020**

**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, Series 2020 (the “Bonds”), in the original aggregate principal amount of \$97,185,000.

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. Portions of the debt service on the Bonds are payable primarily from dedicated revenue sources. 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 E – 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, 2019, are set forth in APPENDIX D attached hereto. The City’s 2019 Comprehensive Annual Financial Report and the Financial Status Report for the fiscal quarter ended December 31, 2019 can be viewed at the following websites:

[http://www2.minneapolismn.gov/finance/reports/CAFR/financial-reports\\_cafr-home](http://www2.minneapolismn.gov/finance/reports/CAFR/financial-reports_cafr-home)  
[http://www2.minneapolismn.gov/finance/reports/financial-reports\\_special-reports\\_index](http://www2.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 B 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 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) 673-3241, Fax (612) 673-2042.

## **THE BONDS**

### **Description of the Bonds**

The Bonds will be dated October 2, 2020, as the date of original issue, and will bear interest payable on June 1 and December 1 of each year, commencing June 1, 2021. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature or be subject to mandatory redemption 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**

A portion of the Bonds in the principal amount of \$13,145,000 (the "Improvement Bonds") will be used to finance the construction of various assessable public improvement projects within the City. A portion of the Bonds in the principal amount of \$34,855,000 (the "Utility Revenue Bonds") will be used to finance the construction of various improvements to the municipal water system, the municipal storm sewer system, and the municipal sanitary sewer system. A portion of the Bonds in the principal amount of \$3,720,000 (the "Parking Revenue Bonds") will be used to finance the construction of parking projects in the City. A portion of the Bonds in the principal amount of \$29,270,000 (the "Various Purpose Bonds") will be used to finance the construction of various capital projects within the City. A portion of the Bonds in the principal amount of \$2,050,000 (the "Equipment Certificates") will be used to finance the acquisition of capital equipment. A portion of the Bonds in the principal amount of \$14,145,000 (the "Refunding Bonds") will be used to redeem and prepay certain outstanding general obligation bonds of the City described below.

#### *Improvement Bonds*

The Improvement Bonds are issued pursuant to the Constitution and laws of the State, including Minnesota Statutes, Chapters 429 and 475, as amended, and the Minneapolis City Charter, which permit the City to authorize, sell and issue general obligation bonds for improvement projects.

A listing of the projects to be financed with the proceeds of the Improvement Bonds is provided herein under "SOURCES AND USES OF FUNDS."

### *Utility Revenue Bonds*

The Utility Revenue Bonds are issued pursuant to the Constitution and laws of the State, including Minnesota Statutes, Chapters 444 and 475, as amended, and the Minneapolis City Charter, which permit the City to authorize, sell and issue general obligation bonds for municipal utility system purposes.

A listing of the municipal utility system projects to be financed with the proceeds of the Utility Revenue Bonds is provided herein under “SOURCES AND USES OF FUNDS.”

### *Parking Revenue Bonds*

The Parking Revenue Bonds are issued pursuant to the Constitution and laws of the State, including Minnesota Statutes, Chapter 475, as amended, and the Minneapolis City Charter, which permit the City to authorize, sell and issue general obligation bonds to finance parking projects in the City.

A listing of the parking projects to be financed with the proceeds of the Parking Revenue Bonds is provided herein under “SOURCES AND USES OF FUNDS.”

### *Various Purpose Bonds*

The Various Purpose Bonds are issued pursuant to the Constitution and laws of the State, including Minnesota Statutes, Chapter 475, as amended, and the Minneapolis City Charter, which permit the City to authorize, sell and issue general obligation bonds for various purposes.

A listing of the capital and enterprise projects to be financed with the proceeds of the Various Purpose Bonds is provided 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, 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 2020.

A listing of the capital equipment to be acquired with the proceeds of the Equipment Certificates is provided herein under “SOURCES AND USES OF FUNDS.”

### *Refunding Bonds*

The Refunding Bonds are issued pursuant to the Constitution and laws of the State, including Minnesota Statutes, Chapters 429, 444, and 475, as amended, specifically Section 475.67, subdivision 3, Minnesota Statutes, Sections 410.32 and 412.301, as amended, and the Minneapolis City Charter, which permit the City to authorize, sell and issue general obligation bonds to refund outstanding general obligation bonds of the City.

Proceeds of the Refunding Bonds will be used to refund the City’s following outstanding general obligations (collectively, the “Refunded Bonds”) on or about December 1, 2020 (the “Redemption Date”):



(a) General Obligation Various Purpose Bonds, Series 2012 (the “Series 2012 Various Purpose Bonds”), issued by the City on October 30, 2012, in the original aggregate principal amount of \$37,500,000. The Series 2012 Various Purpose Bonds were issued pursuant to Minnesota Statutes, Chapters 429, 444, and 475, as amended, including Section 475.67, subdivision 3, Minnesota Statutes, Sections 410.32 and 412.301, as amended, and the Minneapolis City Charter and are currently outstanding in the principal amount of \$1,300,000, of which \$1,040,000 in principal amount is subject to optional redemption on or after December 1, 2020. Proceeds of the Series 2012 Various Purpose Bonds were used to finance and refinance various municipal projects in the City. The Series 2012 Various Purpose Bonds will be called for redemption at a price of par plus accrued interest to the Redemption Date.

The table below sets forth the maturities of the Series 2012 Various Purpose Bonds to be refunded with a portion of the proceeds of the Refunding Bonds and additional funds of the City:

<b>Maturities to Be Refunded (December 1)</b>	<b>Interest Rates</b>	<b>Principal to Be Refunded</b>	<b>CUSIP Numbers</b>
2021	2.000%	\$260,000	60374Y 3F2
2022	2.000	260,000	60374Y 3G0
2023	2.000	260,000	60374Y 3H8
2024	2.000	260,000	60374Y 3J4

(b) General Obligation Library Referendum Refunding Bonds, Series 2012 (the “Series 2012 Library Refunding Bonds”), issued by the City on October 30, 2012, in the original aggregate principal amount of \$28,860,000. The Series 2012 Library Refunding Bonds were issued pursuant to Minnesota Statutes, Chapter 475, as amended, specifically Section 475.67, subdivision 3, and the Minneapolis City Charter and are currently outstanding in the principal amount of \$17,760,000, of which \$15,060,000 in principal amount is subject to optional redemption on or after December 1, 2020. Proceeds of the Series 2012 Library Refunding Bonds were used to refinance the construction of the Central Library and improvements to community libraries, as authorized by approval of voters in the City. The Series 2012 Library Refunding Bonds will be called for redemption at a price of par plus accrued interest to the Redemption Date.

The table below sets forth the maturities of the Series 2012 Library Refunding Bonds to be refunded with a portion of the proceeds of the Refunding Bonds:

<b>Maturities to Be Refunded (December 1)</b>	<b>Interest Rates</b>	<b>Principal to Be Refunded</b>	<b>CUSIP Numbers</b>
2021	2.000%	\$2,800,000	60374Y 2S5
2022	2.000	2,800,000	60374Y 2T3
2023	2.125	3,100,000	60374Y 2U0

(c) General Obligation Various Purpose Bonds, Series 2013 (the “Series 2013 Various Purpose Bonds”), issued by the City on December 3, 2013, in the original aggregate principal amount of \$37,680,000. The Series 2013 Various Purpose Bonds were issued pursuant to Minnesota Statutes, Chapters 429, 444, and 475, as amended, Minnesota Statutes, Sections 410.32 and 412.301, as amended, and the Minneapolis City Charter and are currently outstanding in the principal amount of \$2,800,000 and subject to optional redemption on or after December 1, 2019. Proceeds of the Series 2013 Various Purpose Bonds were used to finance various municipal projects in the City. The Series 2013 Various Purpose Bonds will be called for redemption at a price of par plus accrued interest to the Redemption Date.

The table below sets forth the maturity of the Series 2013 Various Purpose Bonds to be refunded with a portion of the proceeds of the Refunding Bonds:

<b>Maturity to Be Refunded (December 1)</b>	<b>Interest Rate</b>	<b>Principal to Be Refunded</b>	<b>CUSIP Number</b>
2020	2.000%	\$2,800,000	60374Y 7L5

(d) General Obligation Improvement Bonds, Series 2013 (the “Series 2013 Improvement Bonds”), issued by the City on December 3, 2013, in the original aggregate principal amount of \$13,035,000. The Series Improvement Bonds were issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, including Section 475.67, subdivision 3, and the Minneapolis City Charter and are currently outstanding in the principal amount of \$3,485,000, of which \$3,185,000 in principal amount is subject to optional redemption on or after December 1, 2020. Proceeds of the Series 2013 Improvement Bonds were used to finance and refinance various assessable public improvements in the City. The Series 2013 Improvement Bonds will be called for redemption at a price of par plus accrued interest to the Redemption Date.

The table below sets forth the maturities of the Series 2013 Improvement Bonds to be refunded with a portion of the proceeds of the Refunding Bonds and additional funds of the City:

<b>Maturities to Be Refunded (December 1)</b>	<b>Interest Rates</b>	<b>Principal to Be Refunded</b>	<b>CUSIP Numbers</b>
2021	2.500%	\$245,000	60374Y 6L6
2022	2.500	245,000	60374Y 6M4
2023	3.000	245,000	60374Y 6N2
2024	3.000	245,000	60374Y 6P7
2025	3.000	245,000	60374Y 6Q5
2026	3.200	245,000	60374Y 6R3
2027	3.375	245,000	60374Y 6S1
2028	3.500	245,000	60374Y 6T9
2029	3.500	245,000	60374Y 6U6
2030	3.750	245,000	60374Y 6V4
2032†	4.000	490,000	60374Y 6X0
2033	4.000	245,000	60374Y 6Y8

† *Term Bond*

### **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.

### *Improvement Bonds*

The Improvement Bonds are general obligations of the City payable primarily from special assessments levied by the City. Pursuant to the City Charter and the Bond Resolutions approving the issuance and sale

of the Improvement Bonds, the full faith and credit of the City will be pledged to the payment of the principal of and interest on the Improvement Bonds and the City has bound itself to levy ad valorem taxes if there are any deficiencies in the collection of the special assessments.

#### *Utility Revenue Bonds*

The Utility Revenue Bonds are general obligations of the City payable from net revenues of the water, sanitary sewer, and stormwater systems of the City.

#### *Parking Revenue Bonds*

The Parking Revenue Bonds are general obligations of the City payable from revenues of the parking system of the City.

#### *Various Purpose Bonds*

The Various Purpose Bonds are general obligations of the City payable from ad valorem taxes.

#### *Equipment Certificates*

The Equipment Certificates are general obligations of the City payable primarily from ad valorem taxes.

#### *Refunding Bonds*

The Refunding Bonds are general obligations of the City payable from special assessments levied by the City, net revenues of the sanitary sewer and stormwater systems of the City, revenues of the parking system of the City, and ad valorem taxes.

#### *Tax Levy*

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, 2026 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, 2025, 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.

**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 E – THE DEPOSITORY TRUST COMPANY” attached hereto.

(The remainder of this page is intentionally left blank.)

## SOURCES AND USES OF FUNDS

### SOURCES

Principal Amount of Improvement Bonds	\$ 13,145,000.00
Principal Amount of Utility Revenue Bonds	34,855,000.00
Principal Amount of Parking Revenue Bonds	3,720,000.00
Principal Amount of Various Purpose Bonds	29,270,000.00
Principal Amount of Equipment Certificates	2,050,000.00
Principal Amount of Refunding Bonds	14,145,000.00
Original Issue Premium	6,640,897.00
Estimated City Funds	<u>995,000.00</u>
<b>Total Sources</b>	<b>\$104,820,897.00</b>

### USES

#### Improvement Projects

Alley Renovation	\$34,290.31
Alley Construction	26,368.25
Streetscape Construction	72,000.00
Street Reconstruction	9,162,972.62
Areaway Abandonment	6,081.25
Street Repairs	68,781.00
Street Resurfacing	5,947,407.67
Diseased Tree Removal Program	300,000.00
Rounding	2,098.90
Prepayments of Assessments	<u>(1,675,000.00)</u>
<b>Subtotal Improvement Projects</b>	<b>\$13,945,000.00</b>

#### Utility Projects

Municipal Water System Improvements	\$20,000,000.00
Municipal Storm Sewer System Improvements	1,500,000.00
Municipal Sanitary Sewer System Improvements	<u>16,000,000.00</u>
<b>Subtotal Utility Projects</b>	<b>\$37,500,000.00</b>

#### Parking Projects

Impound Lot Facility	<u>\$4,000,000.00</u>
<b>Subtotal Utility Projects</b>	<b>\$4,000,000.00</b>

#### Various Capital Projects

Fire Station No. 1 Renovation	\$50,000.00
Fire Station No. 11	25,000.00
Police Station First Precinct	100,000.00
Farmers Market Improvements	100,000.00
Art in Public Places	160,000.00
Major Bridge Repair and Rehabilitation	4,800,000.00
Playgrounds and Athletic Fields	1,316,000.00
Park Improvements	7,348,000.00
Cooperative Road Projects with CSAH and Minnesota DOT	575,000.00
Concrete Street Rehabilitation	2,049,000.00

Residential Neighborhood Reconstruction Program	2,662,000.00
Alley Construction and Renovation Programs	270,000.00
Pavement Resurfacing and Maintenance Programs	5,239,000.00
Parkway Street Light Replacement	550,000.00
Traffic Signals and Pedestrian Safety Improvements	1,941,000.00
Protected Bikeways Program	1,070,000.00
Sign Replacement Program	530,000.00
Pedestrian Safety Programs	1,000,000.00
Pedestrian Street Lighting Corridors	800,000.00
Municipal Building Improvements	150,000.00
Public Safety Radio System Replacement	<u>500,000.00</u>
<b>Subtotal Various Capital Projects</b>	<b>\$31,235,000.00</b>
<b>Equipment</b>	
City Street Light Renovation Program	<u>\$2,195,000.00</u>
<b>Subtotal Equipment</b>	<b>\$2,195,000.00</b>
<b>Refunding Bonds</b>	
Refunding of Series 2012 Various Purpose Bonds	\$1,040,000.00
Refunding of Series 2012 Library Bonds	8,700,000.00
Refunding of Series 2013 Various Purpose Bonds	2,800,000.00
Refunding of Series 2013 Improvement Bonds	<u>3,185,000.00</u>
<b>Subtotal Refunding of Bonds</b>	<b>\$15,725,000.00</b>
<b>Total Cost of Projects and Refundings</b>	<b>\$104,600,000.00</b>
<b>OTHER USES</b>	
Costs of Issuance, including Underwriter's Discount	<u>\$ 220,897.00</u>
<b>Total Uses</b>	<b>\$104,820,897.00</b>

### 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 C. 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 C – 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 June 2, 2020, the total principal amount of the three separate series of bonds issued and outstanding under the CBF Program was \$42,335,000.

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.

Other than what is disclosed herein, to the best of its knowledge, during the last five years, the City has fully complied in all material respects with its continuing disclosure undertakings with respect to the CBF Program.

## **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 B of this Final Official Statement, will be delivered on the date of issuance and delivery of the Bonds.

## **ORIGINAL ISSUE PREMIUM**

All maturities of the Bonds 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.

## 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.

### **Potential Impacts Due to Coronavirus (COVID-19)**

On March 11, 2020, the World Health Organization proclaimed the novel strain of Coronavirus (COVID-19) to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state governments, local governments, and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19, affecting business activities and impacting global, state and local commerce and financial markets. The emergence of COVID-19 and the spread thereof is an emerging and evolving issue.

The City of Minneapolis estimates a loss of approximately \$156,000,000 in 2020 due to the economic impacts of the COVID-19, and the resulting recession caused by it. This amount represents approximately 11.2% of City own-source revenues (excluding internal service charges and transfers). Losses are projected across a number of revenue sources, with the largest impacts being to local option sales taxes (\$55,400,000), on-street and off-street parking revenues (\$28,100,000), property taxes (\$18,600,000), and Convention Center revenues (\$13,200,000).

The City has deployed a number of cost containment measures to mitigate the effects of the reduced revenues described above. A hiring freeze has been in effect since April and will be in place through the end of the year, which is anticipated to save approximately \$23,000,000. A partial wage freeze is in effect for the same time period, saving an additional \$6,100,000. IT projects and fleet replacements have been delayed or deferred completely, saving \$10,100,000. Spending has been cut by \$2,900,000 by eliminating all non-essential discretionary spending on items such as training and travel. Professional Services contracting budgets have been reduced by 15%, reducing expenditures by \$16,200,000. One-time programmatic investments and cosmetic-type capital repairs have been scaled back, reducing expenditures by \$23,600,000. Limited furlough and layoffs is expected to result in additional savings of \$4,300,000. In total, these cost saving strategies are expected to reduce the City's expenditures by \$86,200,000 in 2020.

In addition, the City plans to issue debt for \$12,300,000 of capital programming that had previously been planned to be paid for with cash resources. The City will also utilize \$57,500,000 of unobligated cash reserves (\$32,500,000 coming from the Downtown Assets Funds associated with our local option sales taxes and Convention Center sales) to mitigate the impacts of decreased revenues. None of the utilization of accumulated cash will put any funds below the reserves required by financial policies.

As the federal, state, and local governments, including the City, continue efforts to contain and limit the spread of COVID-19, future tax and other revenue collections may continue to deviate from historical or anticipated collections and may have an adverse impact on the financial position and operations of the City and its ability to fund debt obligations, including the Bonds, in accordance with their terms. The City is not able to predict and makes no representations as to future economic impacts of COVID-19 on the City or its financial position.

## **Liabilities Related to Civil Unrest**

The City is facing potential liabilities from lawsuits and from City employee's worker compensation claims that are higher than historical averages due to the death of George Floyd and the ensuing civil unrest. The City Attorney's Office is quantifying potential claims on a regular basis. The City's Finance and Property Services department is also quantifying potential worker compensation claims. The estimates will inform the City's third-party actuarial projections performed each year. Based upon these calculations, the City anticipates increasing annual department budget allocations for the City's self insurance funds. Additionally, the City's five year financial direction/financial plan incorporates increased cash contributions from the general fund to the self-insurance fund in order to cover expected liabilities.

## **Reorganization of City's Police Department**

Earlier in 2020, the City Council forwarded a ballot proposal to the City's Charter Commission that would replace the police department with a department of community safety with a division of the new department to continue existing core services involving licensed peace officers as required under state law. This new department would report to both the City Council and the Mayor. The proposed ballot language contained a provision striking the minimum number of sworn peace officers of .0017 per resident from the charter (currently 722 officers minimum staffing under the City's Charter). Currently, the City's Police Chief and the Police Department report only to the Mayor. In August, 2020, the Charter Commission voted to take an additional 90 days to study the Council ballot proposal. Therefore, the earliest the City voters could consider a ballot question on this issue would be February, 2021. The City's Police Department structurally continues to function as it has historically with a funded maximum of approximately 890 sworn officers. The Council did reduce funding in 2020 for the police department, which resulted in approximately 30 employees being laid off or transferred to other departments. These layoffs did not include sworn officers. Current staffing of sworn officers is lower than the maximum funded amount by approximately 100 officers due to retirements, worker compensation claims, involuntary separation, and voluntary separation. Historically, this number has been between 40 and 50 officers.

## **Continuity of City Operations**

The Mayor of Minneapolis, with endorsement of the City Council, declared a local public health emergency on March 16, 2020. The public health emergency continues, as its duration is tied to the Governor of Minnesota's public health emergency declaration. The local public health emergency gives the Mayor certain powers including suspending certain City rules and imposing restrictions on public gatherings and business practices. The list of previous and current emergency regulations issued by the Mayor can be found here. <http://www2.minneapolismn.gov/coronavirus/notices/index.htm>

The City adapted quickly to working remotely for many of its government functions in March and April of 2020. The City Council consolidated its committee structure at that time to reduce the number of regular public meetings. Public meetings continue to operate with Council members participating electronically. Public hearings are also conducted via electronic participation. City advisory boards and commissions resumed operations by June, again primarily meeting electronically.

Basic operations of the City including public safety services, building inspections, water and trash services, have been provided continuously since March. Public and private construction projects have continued throughout the pandemic as well.

The primary impacts of the pandemic on municipal operations have been related to the City's convention center. Most employees at the convention center have been on budgetary leave for the past five months.

## **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.

Redundancy is built into City systems in the event of an attach or breach. 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.

The City of Minneapolis has cyber security insurance in place.

During the civil unrest that occurred in the City this past Spring, the City experienced IT attacks. No data breaches occurred. Two attacks interrupted City systems (Denial of Service Attacks, overloading online traffic); however, systems were running within an hour in both cases. Additional security was put in place to further protect the City's systems, including DDOS protections added from Internet Service Provider (Century Link) and another Palo Alto firewall was added for better monitoring. There has been no ongoing disruptions to date. City data is in some cases shared with other entities. The City is not aware of any City data being compromised or breached at those entities.

## **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>.

### **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.

### **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.

### **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.

### **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.

### **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.

### **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.

## **CONCURRENT FINANCING**

Concurrently with the issuance of the Bonds, the City will issue its (a) Taxable General Obligation Convention Center Refunding Bonds, Series 2020 (the "Taxable Convention Center Refunding Bonds"), in the original aggregate principal amount of \$26,000,000; and (b) General Obligation Parking Assessment Refunding Bonds, Series 2020 (the "Parking Assessment Refunding Bonds"), in the original aggregate principal amount of \$12,975,000. The City will use the proceeds of the Taxable Convention Center Refunding Bonds to restructure the final maturity of the City's Taxable General Obligation Convention Center Refunding Bonds, Series 2011, the proceeds of which were used to refinance the acquisition, construction, and equipping of the City's convention center, in order to extend the payments of the remaining principal amount over time. The City will use the proceeds of the Parking Assessment Refunding Bonds to redeem and prepay the City's outstanding General Obligation Parking Assessment Refunding Bonds, Series 2012, the proceeds of which refinanced the acquisition, construction, and equipping of the parking ramp next to the Walker Art Center.

## **FUTURE FINANCING**

The City does not anticipate issuing 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. Due to the recent civil unrest, the City has a larger than normal number of pending cases and claims that may result in larger than normal claims for money damages. 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 or its ability to make Bond payments.

## **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 B 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 this Official Statement in accordance with accounting standards.

## **UNDERWRITING**

J.P. Morgan Securities LLC, with syndicate members Estrada Hinojosa and Academy Securities (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 \$103,680,386.26 (par amount of \$97,185,000.00, plus original issue premium of \$6,640,897.00, less an Underwriter's discount of \$145,510.74). 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.

## **RATINGS**

Fitch Ratings has assigned the Bonds a rating of AA+. S&P Global Ratings has assigned the Bonds a rating of AAA. 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 this 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 2019 population was 435,885.

### 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. The temporary committee structure during the declared local public health emergency includes the following committees: Audit; Executive; Budget; Business, Inspections, Housing & Zoning; Policy & Government Oversight; Public Health & Safety; and Transportation & Public Works.

### 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**

<b>Year of Value</b>	<b>Year of Tax Collection</b>	<b>Economic Market Value<sup>(1)</sup></b>	<b>Assessor's Estimated Market Value</b>	<b>Unadjusted Net Tax Capacity Total</b>	<b>Value Capture and Tax Increment<sup>(2)</sup></b>	<b>Fiscal Disparity Contribution</b>	<b>Fiscal Disparity Distribution</b>	<b>Net Tax Capacity</b>
2019	2020	N/A	\$56,339,969,336	\$707,901,886	(\$59,366,690)	(\$83,291,299)	\$59,918,256	625,162,153
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

(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**

<b>Year of Value</b>	<b>Year of Tax Collection</b>	<b>Tax Increment</b>	<b>Value Capture</b>	<b>Value Capture &amp; Tax Increment</b>	<b>\$ Change</b>	<b>% Change</b>
2019	2020	\$53,494,443	\$5,872,247	\$59,366,690	\$2,938,541	5.21%
2018	2019	50,540,375	5,887,774	56,428,149	3,977,250	7.58
2017	2018	46,870,228	5,580,671	52,450,899	5,734,101	12.27
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

**TAXABLE MARKET VALUES**

<b>Year of Collection</b>	<b>Personal Property</b>	<b>Real Estate</b>	<b>Total</b>	<b>\$ Change</b>	<b>% Change</b>
2020	\$552,632,536	\$55,787,336,800	\$56,339,969,336	\$4,675,943,442	9.05%
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

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

Valuation Year Collection Year	2019	2018	2017	2016	2015
	2020	2019	2018	2017	2016
Commercial & Industrial	\$213,547	\$206,139	\$194,215	\$182,713	\$170,090
Residential	337,197	317,646	285,311	262,809	244,599
Apartment	122,896	108,593	96,174	85,311	72,226
Other	357	340	312	288	269
Total Real Property	673,997	632,718	576,012	531,121	487,184
Personal Property	10,531	10,494	9,975	9,075	7,965
Total Real and Personal Property	684,528	643,212	585,987	540,196	495,149
Less Tax Increment	(53,494)	(50,540)	(46,870)	(41,292)	(36,870)
Less Value Capture	(5,872)	(5,888)	(5,581)	(5,425)	(3,638)
Net Tax Capacity	\$625,162	\$586,784	\$533,536	\$493,479	\$454,641

**TAX RATES FOR TAX CAPACITY**

Governmental Unit	Tax Collection Year					
	2020	2019	2018	2017	2016	2015
City	57.918%	57.31%	59.56%	61.13%	62.44%	66.33%
Special School District 1	21.102	22.190	22.291	20.410	21.165	22.176
County	40.913	41.690	42.654	43.925	45.203	46.112
Other	5.726	5.978	6.240	6.416	6.430	6.796
Totals	125.659	127.17%	130.74%	131.88%	135.24%	141.42%

**TAX RATES FOR MARKET VALUE LEVIES**

Governmental Unit	Tax Collection Year					
	2020	2019	2018	2017	2016	2015
City	0.01844%	0.01970%	0.02165%	0.02127%	0.02325%	0.02563%
Special School District 1	0.15857	0.18496	0.15531	0.18045	0.19399	0.20704
Totals	0.17701%	0.20466%	0.17696%	0.20172%	0.21724%	0.23267%

**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		
2020	\$372,009			In Process		
2019	349,971	345,887	98.833	0	345,887 98.833%	
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	

**LARGEST TAXPAYERS WITHIN THE CITY**  
**Based on Net Tax Capacity (Assessed in 2019 for Taxes Payable in 2020)**

<b>Rank</b>	<b>Taxpayer</b>	<b>Assessor's Estimated Market Value</b>	<b>Net Tax Capacity</b>	<b>Percentage of Total Net Tax Capacity</b>
1	Wells Fargo Bank NA & Home Mortgage	\$599,342,700	\$11,968,324	1.91%
2	Shorestein Realty Services	448,760,000	8,535,483	1.37
3	Bri 1855 IDS Center LLC	304,340,000	6,086,050	0.97
4	Target Corporation	302,180,000	6,011,001	0.96
5	City Center 33 South Property LLC	246,640,000	4,932,050	0.79
6	US Bank N A	203,252,000	4,055,822	0.65
7	Wells Operating Partnership LP	200,000,000	3,999,250	0.64
8	Northern States Power Co	212,496,800	4,239,469	0.68
9	KBS Capital Advisors LLC	183,380,000	3,666,100	0.59
10	South Sixth Office LLC	170,570,000	3,410,650	0.55
Subtotal Top Ten Taxpayers:		\$2,870,961,500	\$56,904,199	9.10%
City Total Adjusted Net Tax Capacity			\$625,162,153	

Source: City Assessor

**INDEBTEDNESS OF THE CITY**

**Debt Management Policies**

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.* The debt 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*	2019	2018	2017	2016	2015
<b>General Obligation (GO) Debt:</b>		<b>(Dollar Amounts Expressed in Thousands)</b>				
<b>Enterprise Fund GO Debt</b>						
Stormwater Sewer	User Fees	\$4,515	\$--	\$--	\$--	\$ 2,500
Sanitary Sewer Fund	User Fees	34,070	23,330	27,810	24,550	5,800
Water Fund Bonds	User Fees	40,820	25,960	32,775	27,690	21,475
Water Fund Notes -- MN/Public Facilities Authority	User Fees	86,195	83,945	64,990	71,520	75,870
Parking Fund	User Fees	58,605	69,795	87,435	95,679	106,032
<b>Total Enterprise Fund GO Debt</b>		<b>224,205</b>	<b>203,030</b>	<b>213,010</b>	<b>219,439</b>	<b>211,677</b>
<b>Self-Supporting GO Debt</b>						
Convention Center	Local Sales Tax	26,000	51,000	73,250	94,900	116,050
Target Center Renovation Bonds	Local Sales Tax	66,875	69,900	39,915	--	--
Target Center Renovation Notes	Tax Increment			29,000	27,982	--
Tax Increment Supported	Tax Increment	1,710	52,380	60,515	65,890	80,005
Development Supported	Ryan Co/Stadium Authority	60,940	61,515	61,825	61,905	61,905
Assessment Bonds	Special Assessment	49,940	51,440	54,485	43,676	39,293
Housing Improvement Area Bonds	Fees	5,925	2,170	1,070	1,120	1,170
Park Board	User Fees	8,875	8,180	10,120	10,930	11,650
<b>Total Self-Supporting GO Debt</b>		<b>220,265</b>	<b>296,585</b>	<b>330,180</b>	<b>306,403</b>	<b>310,073</b>
<b>Internal Service Fund GO Debt</b>						
Equipment Fund	Internal User Fees	--	--	8,990	11,330	13,545
Property Services Fund	Internal Use Fees	--	--	820	1,640	2,460
<b>Total Internal Service Fund GO Debt</b>		<b>--</b>	<b>--</b>	<b>9,810</b>	<b>12,970</b>	<b>16,005</b>
<b>Property Tax GO Debt</b>						
General Infrastructure Bonds and Notes	Property Tax	69,455	48,600	55,120	48,375	31,420
Information Technology Systems	Property Tax	--	--	1,375	--	--
Capital Improvement Bonds	Property Tax/User Fees	207,860	96,220	--	--	--
Library System Referendum Bonds	Property Tax/State of MN	26,430	35,275	54,425	66,940	73,745
<b>Total Property Tax Supported GO Debt</b>		<b>303,745</b>	<b>180,095</b>	<b>110,920</b>	<b>115,315</b>	<b>105,165</b>
<b>Total GO Debt</b>		<b>\$748,215</b>	<b>\$679,710</b>	<b>\$663,920</b>	<b>\$654,127</b>	<b>\$642,920</b>

\*Source of repayment pledged in debt documents.

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

Classification/Business Line	Source of Repayment*	2019	2018	2017	2016	2015
<b>Non-GO Debt</b>		<b>(Dollar Amounts Expressed in Thousands)</b>				
Economic Development Revenue Bonds	Tax Increment	\$17,520	\$18,940	\$20,305	\$21,625	\$22,710
Economic Development Revenue Notes	Tax Increment	2,805	3,270	3,705	4,115	13,695
Community Dev General Agency Reserve Fund	Business Leaders	58,835	61,565	64,300	76,315	84,790
<b>Total Non-GO Debt</b>		<u>\$79,160</u>	<u>\$83,775</u>	<u>\$88,310</u>	<u>\$102,055</u>	<u>\$121,195</u>
<b>Grand Total GO and Non GO Debt</b>		<u><b>\$827,375</b></u>	<u><b>\$763,485</b></u>	<u><b>\$752,230</b></u>	<u><b>\$756,182</b></u>	<u><b>\$764,115</b></u>

\*Source of repayment pledged in debt documents.

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## HISTORY OF DEBT

### Total General Obligation Debt

<b>As of December 31</b>	<b>Fixed Rate</b>	<b>Variable Rate</b>	<b>Total</b>	<b>Variable Rate as % of Total</b>
2019	\$718,715,000	\$29,500,000	\$748,215,000	3.94%
2018	648,915,000	30,795,000	679,710,000	4.53
2017	585,375,000	78,545,000	663,920,000	11.83
2016	570,265,000	83,861,985	654,126,985	12.82
2015	580,725,000	62,195,000	642,920,000	9.67

### Property Tax Supported General Obligation Debt

<b>As of December 31</b>	<b>Fixed Rate</b>	<b>Variable Rate</b>	<b>Total</b>	<b>Variable Rate as of % of Total</b>
2019	\$303,745,000	\$--	\$303,745,000	0.00%
2018	180,095,000	--	180,095,000	0.00
2017	110,920,000	--	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

### Non-Property Tax Supported General Obligation Debt

<b>As of December 31</b>	<b>Fixed Rate</b>	<b>Variable Rate</b>	<b>Total</b>	<b>Variable Rate as of % of Total</b>
2019	\$414,970,000	\$29,500,000	\$444,470,000	6.64%
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

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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 July 2020, the City has drawn down proceeds of the PFA Notes in the amount of \$134,246,414 and has the ability to draw down an additional \$13,640,801 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	August 21, 2020	
			Outstanding	Interest Rate
\$27,400,000	17-Dec-02	20-Aug-22	\$5,500,000	2.819%
\$25,000,000	21-Feb-04	20-Aug-23	\$12,150,000	2.800
\$13,500,000	23-Aug-06	20-Aug-26	\$4,495,000	2.600
\$19,557,660	9-Dec-09	20-Aug-27	\$17,905,000	2.688
\$6,229,555	2-Mar-10	20-Aug-21	\$720,000	1.000
\$28,900,000	14-May-18	20-Aug-33	\$27,150,000	1.008
\$27,300,000	14-Dec-18	20-Aug-35	\$10,929,199	1.470
<u>\$147,887,215</u>			<u>\$78,849,199</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-month 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 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

<b>Note</b>	<b>Bank Notes Authorized Amount*</b>	<b>Amount Outstanding**</b>	<b>Mandatory Prepayment Date</b>	<b>Maturity Date</b>
2011B	\$27,980,000	\$27,400,000	15-Jun-2021	1-Dec-2033
2015A	25,000,000	2,100,000	17-Jun-2021	17-Jun-2022
<b>Total:</b>	<b>\$52,980,000</b>	<b>\$29,500,000</b>		

\* Both Bank Notes are fully drawn down.

\*\* As of the dated date of the Bonds.

## Adopted Note Amortization Schedules

	<b>December 1</b>	<b>2011B</b>	<b>2015A</b>
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	--
<b>Total:</b>		<b>\$27,400,000</b>	<b>\$2,100,000</b>

## 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 2019 the State has retained approximately \$1.0

million to \$2.36 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 \$45 million in the City's sales and use taxes, retain approximately \$19 million for the five purposes noted above, and distribute the remaining \$26 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 (the "Series 2011 Bonds"), which are currently outstanding in the principal amount of \$26,000,000 and mature on December 1, 2020; (ii) Taxable General Sales Tax Refunding Bonds, Series 2017, which are currently outstanding in the principal amount of \$36,700,000 and mature on December 1, 2035; and (iii) Taxable General Obligation Bonds, Series 2018, which are currently outstanding in the principal amount of \$30,175,000 and mature on December 1, 2030. The City is issuing its Taxable General Obligation Convention Center Refunding Bonds, Series 2020 (the "Taxable Convention Center Refunding Bonds"), in the estimated principal amount of \$26,000,000 in order to restructure the final maturity of the Series 2011 Bonds to extend the payments of the remaining principal amount over time. The sales and use taxes will be pledged to the Taxable Convention Center Refunding Bonds.

### **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.

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 remaining amortization of this interfund loan is set forth below:

<b>Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal and Interest</b>
03/01/21	\$2,650,000.00	\$233,712.50	\$2,883,712.50
09/01/21	-	187,337.50	187,337.50
03/01/22	1,560,000.00	187,337.50	1,747,337.50
09/01/22	-	160,037.50	160,037.50
03/01/23	1,590,000.00	160,037.50	1,750,037.50
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
<b>Total:</b>	<b>\$13,355,000.00</b>	<b>\$1,728,387.50</b>	<b>\$15,083,387.50</b>

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**

<b>Pledged Revenues</b>	<b>See Page</b>	<b>Current GO Bonds</b>	<b>Current GO Notes</b>	<b>Debt Before Sale of Bonds*</b>	<b>This Sale of Bonds</b>	<b>Less Principal to Be Refunded**</b>	<b>Debt After Sale of Bonds†</b>
Park Board Revenues	A-14	\$8,875,000	\$--	\$8,875,000	\$2,675,000	(\$2,800,000)	\$8,750,000
Tax Increment Revenues	A-15	1,495,000	--	1,495,000	--	--	\$1,495,000
Developer Revenues	A-15	60,155,000	--	60,155,000	--	--	\$60,155,000
Sales Tax Revenues	A-16	92,875,000	--	92,875,000	26,000,000	(26,000,000)	\$92,875,000
Housing Improvement Area Fees	A-17	5,925,000	--	5,925,000	--	--	\$5,925,000
Special Assessments	A-18	47,840,000	2,100,000	49,940,000	16,180,000	(3,230,000)	\$62,890,000
Property Tax Revenues	A-20	303,745,000	--	303,745,000	39,755,000	(8,700,000)	\$334,800,000
Parking Fund Revenues	A-21	31,205,000	27,400,000	58,605,000	16,695,000	(13,805,000)	\$61,495,000
Sanitary Sewer Fund Revenues	A-23	34,070,000	--	34,070,000	14,865,000	--	\$48,935,000
Storm Water Fund Revenues	A-24	\$4,515,000	--	4,515,000	1,425,000	--	\$5,940,000
Water Fund Revenues	A-25	40,820,000	92,490,000	133,310,000	18,565,000	--	151,875,000
<b>Total General Obligation Debt:</b>		<b>\$631,520,000</b>	<b>\$121,990,000</b>	<b>\$753,510,000</b>	<b>\$136,160,000</b>	<b>(\$54,535,000)</b>	<b>\$835,135,000</b>

<b>General Obligation Fall Sale (the "Bonds")</b>	<b>Sale Amount</b>
General Obligation Bonds, Series 2020	\$97,185,000
General Obligation Parking Assessment Refunding Bonds, Series 2020	12,975,000
Taxable General Obligation Convention Center Refunding Bonds, Series 2020	26,000,000

Notes:

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

\*\*Refundings and restructurings are expected to occur on December 1, 2020.

†Total debt and debt service are as of December 1, 2020, following the refundings and restructurings described in the "less principal to be refunded" column.

**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 (October 2, 2020).**



**GENERAL OBLIGATION DEBT**

	<b>Park Board Supported</b>			<b>Park Board Supported</b>			<b>Park Board Supported</b>		
	<b>Current Principal</b>	<b>Current Interest</b>	<b>Current Debt Service</b>	<b>This Sale Principal</b>	<b>This Sale Interest</b>	<b>This Sale Debt Service</b>	<b>After This Sale Principal</b>	<b>After This Sale Interest</b>	<b>After This Sale Total Debt Service</b>
2020	\$3,050,000	\$129,769	\$3,179,769	\$--	\$--	\$--	\$250,000	\$129,769	\$379,769
2021	900,000	196,038	1,096,038	-	62,268	62,268	900,000	258,306	1,158,306
2022	925,000	169,038	1,094,038	-	53,500	53,500	925,000	222,538	1,147,538
2023	950,000	140,825	1,090,825	-	53,500	53,500	950,000	194,325	1,144,325
2024	975,000	109,950	1,084,950	-	53,500	53,500	975,000	163,450	1,138,450
2025	1,025,000	76,800	1,101,800	-	53,500	53,500	1,025,000	130,300	1,155,300
2026	1,050,000	39,900	1,089,900	-	53,500	53,500	1,050,000	93,400	1,143,400
2027	--	--	--	665,000	53,500	718,500	665,000	53,500	718,500
2028	--	--	--	670,000	40,200	710,200	670,000	40,200	710,200
2029	--	--	--	670,000	26,800	696,800	670,000	26,800	696,800
2030	--	--	--	670,000	13,400	683,400	670,000	13,400	683,400
	<u>\$8,875,000</u>	<u>\$862,320</u>	<u>\$9,737,320</u>	<u>\$2,675,000</u>	<u>\$463,668</u>	<u>\$3,138,668</u>	<u>\$8,750,000</u>	<u>\$1,325,988</u>	<u>\$10,075,988</u>

<b>GENERAL OBLIGATION DEBT</b>			
<b>Tax Increment Supported</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
2020	\$--	\$--	\$--
2021	225,000	34,813	259,813
2022	235,000	29,919	264,919
2023	245,000	24,366	269,366
2024	250,000	18,331	268,331
2025	265,000	11,728	276,728
2026	275,000	4,125	279,125
2027	--	--	--
2028	--	--	--
2029	--	--	--
2030	--	--	--
2031	--	--	--
2032	--	--	--
2033	--	--	--
2034	--	--	--
2035	--	--	--
2036	--	--	--
2037	--	--	--
2038	--	--	--
2039	--	--	--
2040	--	--	--
2041	--	--	--
2042	--	--	--
2043	--	--	--
2044	--	--	--
	<b>\$1,495,000</b>	<b>\$123,282</b>	<b>\$1,618,282</b>

<b>GENERAL OBLIGATION DEBT</b>			
<b>Development Supported</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
2020	\$--	\$1,316,073	\$1,316,073
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
	<b>\$60,155,000</b>	<b>\$43,246,872</b>	<b>\$103,401,872</b>

**GENERAL OBLIGATION DEBT**

	Sales Tax Supported			Sales Tax Supported			Sales Tax Supported		
	Current Principal	Current Interest	Current 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	\$29,165,000	\$1,760,318	\$30,925,318	\$--	\$--	\$--	\$3,165,000	\$1,760,318	\$4,925,318
2021	3,310,000	2,387,210	5,697,210	--	181,567	181,567	3,310,000	2,568,777	5,878,777
2022	3,460,000	2,235,098	5,695,098	-	156,000	156,000	3,460,000	2,391,098	5,851,098
2023	3,620,000	2,076,048	5,696,048	--	156,000	156,000	3,620,000	2,232,048	5,852,048
2024	3,790,000	1,909,598	5,699,598	--	156,000	156,000	3,790,000	2,065,598	5,855,598
2025	3,945,000	1,735,248	5,680,248	26,000,000	156,000	26,156,000	29,945,000	1,891,248	31,836,248
2026	4,075,000	1,574,835	5,649,835	--	--	--	4,075,000	1,574,835	5,649,835
2027	4,210,000	1,439,548	5,649,548	--	--	--	4,210,000	1,439,548	5,649,548
2028	4,350,000	1,298,793	5,648,793	--	--	--	4,350,000	1,298,793	5,648,793
2029	4,500,000	1,152,343	5,652,343	--	--	--	4,500,000	1,152,343	5,652,343
2030	14,780,000	999,778	15,779,778	--	--	--	14,780,000	999,778	15,779,778
2031	2,555,000	476,360	3,031,360	--	--	--	2,555,000	476,360	3,031,360
2032	2,635,000	392,045	3,027,045	--	--	--	2,635,000	392,045	3,027,045
2033	2,730,000	301,138	3,031,138	--	--	--	2,730,000	301,138	3,031,138
2034	2,825,000	205,588	3,030,588	--	--	--	2,825,000	205,588	3,030,588
2035	2,925,000	105,300	3,030,300	--	--	--	2,925,000	105,300	3,030,300
	<u>\$92,875,000</u>	<u>\$20,049,248</u>	<u>\$112,924,248</u>	<u>\$26,000,000</u>	<u>\$805,567</u>	<u>\$26,805,567</u>	<u>\$92,875,000</u>	<u>\$20,854,815</u>	<u>\$113,729,815</u>

**GENERAL OBLIGATION DEBT**

	<b>HIA Fee Supported</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
2020	\$250,000	\$100,935	\$350,935
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
	<u>\$5,925,000</u>	<u>\$1,891,500</u>	<u>\$7,816,500</u>

**GENERAL OBLIGATION DEBT**

	<b>Assessment Supported</b>			<b>Assessment Supported</b>			<b>Assessment Supported</b>		
	<b>Current Bonds Principal</b>	<b>Current Bonds Interest</b>	<b>Current Bonds Debt Service</b>	<b>Current Notes Principal</b>	<b>Current Notes Interest</b>	<b>Current Notes Debt Service</b>	<b>Current Total Principal</b>	<b>Current Total Interest</b>	<b>Current Total Debt Service</b>
2020	\$6,840,000	\$779,512	\$7,619,512	\$--	\$31,500	\$31,500	\$6,840,000	\$811,012	\$7,651,012
2021	5,740,000	1,321,571	7,061,571	2,100,000	34,475	2,134,475	7,840,000	1,356,046	9,196,046
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	608,696	4,278,696	--	--	--	3,670,000	608,696	4,278,696
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>\$7,319,008</u>	<u>\$55,159,008</u>	<u>\$2,100,000</u>	<u>\$65,975</u>	<u>\$2,165,975</u>	<u>\$49,940,000</u>	<u>\$7,384,983</u>	<u>\$57,324,983</u>

**GENERAL OBLIGATION DEBT**

	<b>Assessment Supported</b>			<b>Assessment Supported</b>		
	<b>This Sale Principal</b>	<b>This Sale Interest</b>	<b>This Sale Debt Service</b>	<b>After This Sale Principal</b>	<b>After This Sale Interest</b>	<b>After This Sale Total Debt Service</b>
2020	\$--	\$--	\$--	\$6,840,000	\$811,012	\$7,651,012
2021	2,170,000	479,930	2,649,930	10,010,000	1,733,829	11,743,829
2022	2,110,000	347,250	2,457,250	6,665,000	1,348,900	8,013,900
2023	2,115,000	283,950	2,398,950	6,235,000	1,118,500	7,353,500
2024	1,865,000	220,500	2,085,500	4,045,000	898,550	4,943,550
2025	615,000	164,550	779,550	3,040,000	771,400	3,811,400
2026	615,000	146,100	761,100	4,040,000	682,950	4,722,950
2027	610,000	133,800	743,800	12,975,000	585,300	13,560,300
2028	610,000	121,600	731,600	880,000	204,551	1,084,551
2029	5,240,000	109,400	5,349,400	5,510,000	186,651	5,696,651
2030	230,000	4,600	234,600	505,000	76,038	581,038
2031	--	--	--	275,000	64,913	339,913
2032	--	--	--	275,000	56,550	331,550
2033	--	--	--	1,565,000	48,150	1,613,150
2034	--	--	--	30,000	1,050	31,050
	<b>\$16,180,000</b>	<b>\$2,011,680</b>	<b>\$18,191,680</b>	<b>\$62,890,000</b>	<b>\$8,588,341</b>	<b>\$71,478,341</b>

**GENERAL OBLIGATION DEBT**

	<b>Property Tax Supported</b>			<b>Property Tax Supported</b>			<b>Property Tax Supported</b>		
	<b>Current Principal</b>	<b>Current Interest</b>	<b>Current Debt Service</b>	<b>This Sale Principal</b>	<b>This Sale Interest</b>	<b>This Sale Debt Service</b>	<b>After This Sale Principal</b>	<b>After This Sale Interest</b>	<b>After This Sale Total Debt Service</b>
2020	\$47,580,000	\$5,514,744	\$53,094,744	\$--	\$--	\$--	\$47,580,000	\$5,514,744	\$53,094,744
2021	18,095,000	8,947,562	27,042,562	17,735,000	1,359,248	19,094,248	33,030,000	10,128,935	43,158,935
2022	22,275,000	8,224,563	30,499,563	7,450,000	635,800	8,085,800	26,925,000	8,738,488	35,663,488
2023	13,190,000	7,381,412	20,571,412	6,665,000	412,300	7,077,300	16,755,000	7,727,837	24,482,837
2024	11,385,000	6,908,738	18,293,738	2,590,000	212,350	2,802,350	13,975,000	7,121,088	21,096,088
2025	11,325,000	6,504,587	17,829,587	2,835,000	134,650	2,969,650	14,160,000	6,639,237	20,799,237
2026	9,130,000	6,134,613	15,264,613	930,000	49,600	979,600	10,060,000	6,184,213	16,244,213
2027	7,385,000	5,810,762	13,195,762	735,000	31,000	766,000	8,120,000	5,841,762	13,961,762
2028	7,645,000	5,536,363	13,181,363	425,000	16,300	441,300	8,070,000	5,552,663	13,622,663
2029	7,180,000	5,251,162	12,431,162	390,000	7,800	397,800	7,570,000	5,258,962	12,828,962
2030	7,390,000	5,041,263	12,431,263	--	--	--	7,390,000	5,041,263	12,431,263
2031	7,605,000	4,824,462	12,429,462	--	--	--	7,605,000	4,824,462	12,429,462
2032	7,870,000	4,560,463	12,430,463	--	--	--	7,870,000	4,560,463	12,430,463
2033	8,140,000	4,287,012	12,427,012	--	--	--	8,140,000	4,287,012	12,427,012
2034	8,425,000	4,004,013	12,429,013	--	--	--	8,425,000	4,004,013	12,429,013
2035	8,715,000	3,710,912	12,425,912	--	--	--	8,715,000	3,710,912	12,425,912
2036	8,970,000	3,407,513	12,377,513	--	--	--	8,970,000	3,407,513	12,377,513
2037	7,840,000	3,095,312	10,935,312	--	--	--	7,840,000	3,095,312	10,935,312
2038	8,105,000	2,829,713	10,934,713	--	--	--	8,105,000	2,829,713	10,934,713
2039	8,380,000	2,554,962	10,934,962	--	--	--	8,380,000	2,554,962	10,934,962
2040	8,655,000	2,283,450	10,938,450	--	--	--	8,655,000	2,283,450	10,938,450
2041	8,945,000	1,989,600	10,934,600	--	--	--	8,945,000	1,989,600	10,934,600
2042	9,250,000	1,685,700	10,935,700	--	--	--	9,250,000	1,685,700	10,935,700
2043	9,565,000	1,371,250	10,936,250	--	--	--	9,565,000	1,371,250	10,936,250
2044	9,890,000	1,045,850	10,935,850	--	--	--	9,890,000	1,045,850	10,935,850
2045	10,225,000	709,150	10,934,150	--	--	--	10,225,000	709,150	10,934,150
2046	10,585,000	360,800	10,945,800	--	--	--	10,585,000	360,800	10,945,800
	<b>\$303,745,000</b>	<b>\$113,975,931</b>	<b>\$417,720,931</b>	<b>\$39,755,000</b>	<b>\$2,859,048</b>	<b>\$42,614,048</b>	<b>\$334,800,000</b>	<b>\$116,469,354</b>	<b>\$451,269,354</b>

**GENERAL OBLIGATION DEBT**

	Parking Fund Supported			Parking Fund Supported			Parking Fund Supported		
	Current Bonds Principal	Current Bonds Interest	Current Bonds Debt Service	Current Notes Principal	Current Notes Interest	Current Notes Debt Service	Current Total Principal	Current Total Interest	Current Total Debt Service
2020	\$3,250,000	\$325,680	\$3,575,680	\$195,000	\$411,000	\$606,000	\$3,445,000	\$736,680	\$4,181,680
2021	3,425,000	586,362	4,011,362	290,000	816,150	1,106,150	3,715,000	1,402,512	5,117,512
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>\$2,496,806</u>	<u>\$33,701,806</u>	<u>\$27,400,000</u>	<u>\$7,423,950</u>	<u>\$34,823,950</u>	<u>\$58,605,000</u>	<u>\$9,920,756</u>	<u>\$68,525,756</u>



**GENERAL OBLIGATION DEBT**

	<b>Parking Fund Supported</b>			<b>Parking Fund Supported</b>		
	<b>This Sale Principal</b>	<b>This Sale Interest</b>	<b>This Sale Debt Service</b>	<b>After This Sale Principal</b>	<b>After This Sale Interest</b>	<b>After This Sale Debt Service</b>
2020	\$--	\$--	\$--	\$3,445,000	\$736,680	\$4,181,680
2021	70,000	445,158	515,158	2,060,000	1,544,308	3,604,308
2022	495,000	380,375	875,375	3,535,000	1,436,826	4,971,826
2023	2,425,000	367,200	2,792,200	5,615,000	1,359,951	6,974,951
2024	2,960,000	304,775	3,264,775	6,250,000	1,230,826	7,480,826
2025	1,655,000	227,475	1,882,475	6,380,000	1,084,825	7,464,825
2026	1,595,000	184,300	1,779,300	6,610,000	918,900	7,528,900
2027	3,295,000	144,425	3,439,425	6,740,000	747,575	7,487,575
2028	3,105,000	67,800	3,172,800	6,890,000	567,600	7,457,600
2029	1,095,000	16,425	1,111,425	3,275,000	402,675	3,677,675
2030	--	--	--	2,370,000	320,850	2,690,850
2031	--	--	--	2,565,000	249,750	2,814,750
2032	--	--	--	2,760,000	172,800	2,932,800
2033	--	--	--	3,000,000	90,000	3,090,000
	<b>\$16,695,000</b>	<b>\$2,137,933</b>	<b>\$18,832,933</b>	<b>\$61,495,000</b>	<b>\$10,863,564</b>	<b>\$72,358,564</b>

**GENERAL OBLIGATION DEBT**

	<b>Sanitary Sewer Fund Supported</b>			<b>Sanitary Sewer Fund Supported</b>			<b>Sanitary Sewer Fund Supported</b>		
	<b>Current Principal</b>	<b>Current Interest</b>	<b>Current Debt Service</b>	<b>This Sale Principal</b>	<b>This Sale Interest</b>	<b>This Sale Debt Service</b>	<b>After This Sale Principal</b>	<b>After This Sale Interest</b>	<b>After This Sale Debt Service</b>
2020	\$5,700,000	\$493,000	\$6,193,000	\$--	\$--	\$--	\$5,700,000	\$493,000	\$6,193,000
2021	6,355,000	818,100	7,173,100	--	424,296	424,296	6,355,000	1,242,396	7,597,396
2022	6,685,000	625,400	7,310,400	1,345,000	364,550	1,709,550	8,030,000	989,950	9,019,950
2023	5,805,000	420,900	6,225,900	1,660,000	324,200	1,984,200	7,465,000	745,100	8,210,100
2024	1,905,000	266,700	2,171,700	1,860,000	274,400	2,134,400	3,765,000	541,100	4,306,100
2025	1,905,000	190,500	2,095,500	1,860,000	218,600	2,078,600	3,765,000	409,100	4,174,100
2026	1,905,000	114,300	2,019,300	1,960,000	162,800	2,122,800	3,865,000	277,100	4,142,100
2027	1,905,000	76,200	1,981,200	1,960,000	123,600	2,083,600	3,865,000	199,800	4,064,800
2028	1,905,000	38,100	1,943,100	2,060,000	84,400	2,144,400	3,965,000	122,500	4,087,500
2029	--	--	--	2,160,000	43,200	2,203,200	2,160,000	43,200	2,203,200
	<u>\$34,070,000</u>	<u>\$3,043,200</u>	<u>\$37,113,200</u>	<u>\$14,865,000</u>	<u>\$2,020,046</u>	<u>\$16,885,046</u>	<u>\$48,935,000</u>	<u>\$5,063,246</u>	<u>\$53,998,246</u>

**GENERAL OBLIGATION DEBT**

	<b>Storm Water Fund Supported</b>			<b>Storm Water Fund Supported</b>			<b>Storm Water Fund Supported</b>		
	<b>Current Principal</b>	<b>Current Interest</b>	<b>Current Debt Service</b>	<b>This Sale Principal</b>	<b>This Sale Interest</b>	<b>This Sale Debt Service</b>	<b>After This Sale Principal</b>	<b>After This Sale Interest</b>	<b>After This Sale Total Debt Service</b>
2020	\$600,000	\$90,300	\$690,300	\$--	\$--	\$--	\$600,000	\$90,300	\$690,300
2021	1,100,000	156,600	1,256,600	625,000	49,756	674,756	1,725,000	206,356	1,931,356
2022	1,385,000	112,600	1,497,600	400,000	24,000	424,000	1,785,000	136,600	1,921,600
2023	1,430,000	57,200	1,487,200	400,000	12,000	412,000	1,830,000	69,200	1,899,200
	<u>\$4,515,000</u>	<u>\$416,700</u>	<u>\$4,931,700</u>	<u>\$1,425,000</u>	<u>\$85,756</u>	<u>\$1,510,756</u>	<u>\$5,940,000</u>	<u>\$502,456</u>	<u>\$6,442,456</u>

**GENERAL OBLIGATION DEBT**

	<b>Water Fund Supported Bonds</b>			<b>Water Fund Supported – State PFA Notes</b>			<b>Water Fund Supported</b>		
	<b>Current Bonds Principal</b>	<b>Current Bonds Interest</b>	<b>Current Bonds Debt Service</b>	<b>Current State PFA Notes Principal*</b>	<b>Current Notes Interest</b>	<b>Current Notes Debt Service</b>	<b>Current Total Principal</b>	<b>Current Total Interest</b>	<b>Current Total Debt Service</b>
2020	\$5,125,000	\$580,125	\$5,705,125	\$--	\$--	\$--	\$5,125,000	\$580,125	\$5,705,125
2021	5,065,000	998,250	6,063,250	11,505,000	1,735,452	13,240,452	16,570,000	2,733,702	19,303,702
2022	5,710,000	839,250	6,549,250	10,295,000	1,480,830	11,775,830	16,005,000	2,320,080	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>\$5,357,675</u>	<u>\$46,177,675</u>	<u>\$92,490,000</u>	<u>\$8,993,879</u>	<u>\$101,483,879</u>	<u>\$133,310,000</u>	<u>\$14,351,554</u>	<u>\$147,661,554</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 through August 21, 2020.

**GENERAL OBLIGATION DEBT**

	<b>Water Fund Supported</b>			<b>Water Fund Supported</b>		
	<b>This Sale Principal</b>	<b>This Sale Interest</b>	<b>This Sale Debt Service</b>	<b>After This Sale Principal</b>	<b>After This Sale Interest</b>	<b>After This Sale Total Debt Service</b>
2020	\$--	\$--	\$--	\$5,125,000	\$580,125	\$5,705,125
2021	--	506,117	506,117	16,570,000	3,239,819	19,809,819
2022	245,000	434,850	679,850	16,250,000	2,754,930	19,004,930
2023	520,000	427,500	947,500	15,220,000	2,343,456	17,563,456
2024	2,520,000	411,900	2,931,900	13,600,000	1,989,858	15,589,858
2025	3,070,000	336,300	3,406,300	14,325,000	1,647,680	15,972,680
2026	3,020,000	244,200	3,264,200	14,435,000	1,298,873	15,733,873
2027	3,020,000	183,800	3,203,800	14,645,000	972,711	15,617,711
2028	3,170,000	123,400	3,293,400	8,945,000	670,873	9,615,873
2029	3,000,000	60,000	3,060,000	8,835,000	525,643	9,360,643
2030	--	--	--	5,880,000	383,117	6,263,117
2031	--	--	--	5,940,000	295,993	6,235,993
2032	--	--	--	5,990,000	195,826	6,185,826
2033	--	--	--	2,235,000	95,016	2,330,016
2034	--	--	--	1,930,000	57,036	1,987,036
2035	--	--	--	1,950,000	28,665	1,978,665
	<u>\$18,565,000</u>	<u>\$2,728,067</u>	<u>\$21,293,067</u>	<u>\$151,875,000</u>	<u>\$17,079,621</u>	<u>\$168,954,621</u>

**GENERAL OBLIGATION DEBT**

	<b>Total General Obligation Debt</b>			<b>Total General Obligation Debt</b>			<b>Total General Obligation Debt</b>		
	<b>Current Bonds Principal</b>	<b>Current Bonds Interest</b>	<b>Current Bonds Debt Service</b>	<b>Current Notes Principal</b>	<b>Current Notes Interest</b>	<b>Current Notes Debt Service</b>	<b>Total Current Principal</b>	<b>Total Current Interest</b>	<b>Total Current Debt Service</b>
2020	\$101,560,000	\$11,108,987	\$112,668,987	\$195,000	\$442,500	\$637,500	\$101,755,000	\$11,551,487	\$113,306,487
2021	45,385,000	18,260,327	63,645,327	13,895,000	2,586,077	16,481,077	59,280,000	20,846,404	80,126,404
2022	51,465,000	16,635,490	68,100,490	10,585,000	2,288,280	12,873,280	62,050,000	18,923,770	80,973,770
2023	40,275,000	14,857,737	55,132,737	10,740,000	2,050,256	12,790,256	51,015,000	16,907,993	67,922,993
2024	32,040,000	13,556,486	45,596,486	7,180,000	1,808,658	8,988,658	39,220,000	15,365,144	54,585,144
2025	29,915,000	12,475,835	42,390,835	11,435,000	1,669,980	13,104,980	41,350,000	14,145,815	55,495,815
2026	29,270,000	11,484,854	40,754,854	11,885,000	1,434,323	13,319,323	41,155,000	12,919,177	54,074,177
2027	30,490,000	10,623,482	41,113,482	12,425,000	1,128,011	13,553,011	42,915,000	11,751,493	54,666,493
2028	17,935,000	9,672,008	27,607,008	7,915,000	836,123	8,751,123	25,850,000	10,508,131	36,358,131
2029	15,865,000	9,078,461	24,943,461	6,370,000	673,643	7,043,643	22,235,000	9,752,104	31,987,104
2030	27,040,000	8,582,522	35,622,522	6,610,000	558,617	7,168,617	33,650,000	9,141,139	42,791,139
2031	14,600,000	7,675,043	22,275,043	6,865,000	437,293	7,302,293	21,465,000	8,112,336	29,577,336
2032	15,210,000	7,158,871	22,368,871	7,110,000	309,376	7,419,376	22,320,000	7,468,247	29,788,247
2033	15,565,000	6,614,940	22,179,940	4,900,000	174,966	5,074,966	20,465,000	6,789,906	27,254,906
2034	14,020,000	6,056,604	20,076,604	1,930,000	57,036	1,987,036	15,950,000	6,113,640	22,063,640
2035	14,580,000	5,537,472	20,117,472	1,950,000	28,665	1,978,665	16,530,000	5,566,137	22,096,137
2036	12,130,000	4,991,249	17,121,249	--	--	--	12,130,000	4,991,249	17,121,249
2037	11,500,000	4,531,128	16,031,128	--	--	--	11,500,000	4,531,128	16,031,128
2038	11,465,000	4,097,828	15,562,828	--	--	--	11,465,000	4,097,828	15,562,828
2039	11,980,000	3,661,987	15,641,987	--	--	--	11,980,000	3,661,987	15,641,987
2040	12,510,000	3,217,929	15,727,929	--	--	--	12,510,000	3,217,929	15,727,929
2041	13,070,000	2,739,382	15,809,382	--	--	--	13,070,000	2,739,382	15,809,382
2042	13,660,000	2,237,940	15,897,940	--	--	--	13,660,000	2,237,940	15,897,940
2043	14,270,000	1,712,523	15,982,523	--	--	--	14,270,000	1,712,523	15,982,523
2044	14,910,000	1,162,038	16,072,038	--	--	--	14,910,000	1,162,038	16,072,038
2045	10,225,000	709,150	10,934,150	--	--	--	10,225,000	709,150	10,934,150
2046	10,585,000	360,800	10,945,800	--	--	--	10,585,000	360,800	10,945,800
	<b>\$631,520,000</b>	<b>\$198,801,073</b>	<b>\$830,321,073</b>	<b>\$121,990,000</b>	<b>\$16,483,804</b>	<b>\$138,473,804</b>	<b>\$753,510,000</b>	<b>\$215,284,877</b>	<b>\$968,794,877</b>

## GENERAL OBLIGATION DEBT

	Total General Obligation Debt			Total General Obligation Debt		
	This Sale Principal	This Sale Interest	This Sale Debt Service	Total After This Sale Principal	Total After This Sale Interest	Total After This Sale Debt Service
2020	\$--	\$--	\$--	\$72,955,000	\$11,029,487	\$83,984,487
2021	20,600,000	3,546,789	24,146,789	75,355,000	23,873,506	99,228,506
2022	12,045,000	2,396,325	14,441,325	69,100,000	20,827,211	89,927,211
2023	13,785,000	2,036,650	15,821,650	59,275,000	18,551,659	77,826,659
2024	11,795,000	1,633,425	13,428,425	48,105,000	16,719,960	64,824,960
2025	36,035,000	1,291,075	37,326,075	74,490,000	15,224,944	89,714,944
2026	8,120,000	840,500	8,960,500	46,105,000	13,614,706	59,719,706
2027	10,285,000	670,125	10,955,125	52,955,000	12,357,612	65,312,612
2028	10,040,000	453,700	10,493,700	35,645,000	10,906,094	46,551,094
2029	12,555,000	263,625	12,818,625	34,545,000	9,968,567	44,513,567
2030	900,000	18,000	918,000	34,305,000	9,120,552	43,425,552
2031	--	--	--	21,220,000	8,082,936	29,302,936
2032	--	--	--	22,075,000	7,448,647	29,523,647
2033	--	--	--	20,220,000	6,780,106	27,000,106
2034	--	--	--	15,950,000	6,113,640	22,063,640
2035	--	--	--	16,530,000	5,566,137	22,096,137
2036	--	--	--	12,130,000	4,991,249	17,121,249
2037	--	--	--	11,500,000	4,531,128	16,031,128
2038	--	--	--	11,465,000	4,097,828	15,562,828
2039	--	--	--	11,980,000	3,661,987	15,641,987
2040	--	--	--	12,510,000	3,217,929	15,727,929
2041	--	--	--	13,070,000	2,739,382	15,809,382
2042	--	--	--	13,660,000	2,237,940	15,897,940
2043	--	--	--	14,270,000	1,712,523	15,982,523
2044	--	--	--	14,910,000	1,162,038	16,072,038
2045	--	--	--	10,225,000	709,150	10,934,150
2046	--	--	--	10,585,000	360,800	10,945,800
	<b>\$136,160,000</b>	<b>\$13,150,214</b>	<b>\$149,310,214</b>	<b>\$835,135,000</b>	<b>\$225,607,717</b>	<b>\$1,060,742,717</b>

Principal and Interest Due through 12/31/25	\$399,280,000	\$106,226,768
Percentage of Debt Due	47.81%	47.08%
Principal and Interest Due through 12/31/30	\$602,835,000	\$162,194,297
Percentage of Debt Due	72.18%	71.89%

## 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 June 2, 2020, the Common Bond Fund program had \$42,335,000 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 June 2, 2020:

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued (in Thousands)	Retired (in Thousands)	Outstanding (in Thousands)
Hennepin Theatre Trust	5.23-6.30%	12/20/05	12/01/35	\$21,055	\$5,555	\$15,500
Open Access Technology Intl., Inc.*	3.25-6.25%	12/29/10	12/01/40	23,070	6,980	16,090
Life Source Project	3.00-4.00%	10/17/13	06/01/39	12,595	1,850	10,745
<b>Total:</b>				\$56,720	\$9,385	\$42,335

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

### Conduit Debt

The City has outstanding in excess of \$1,906,126,000 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.

	<b>December 31, 2019 Actual</b>
Total Market Value of Taxable Property Located within the City	
Applicable to Debt Limit Computation	\$52,640,722,000
Legal Debt Percentage Allowed	3.33%
Legal Debt Limit	\$1,754,690,733
General Obligation Bonds Outstanding Subject to Debt Limit (Net Debt)*	\$261,336,000
Unused Margin of Indebtedness	\$1,493,354,733
Percentage of Legal Debt Incurred	14.89%

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\* From the aggregate principal amount of general obligation bonds subject to the debt limit outstanding as of December 31, 2019, there has been subtracted the estimated moneys in the sinking fund for such bonds.

### Future Issuances

The City does not anticipate issuing bonds in the next ninety (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, 2019.

	<b>Net General Obligation Bonded Debt</b>	<b>Applicable Percent of Debt*</b>	<b>Direct Overlapping Share of Debt</b>
Special School District 1	\$495,460,000	100.00%	\$495,460,000
Hennepin County <sup>(1)</sup>	983,233,000	29.11%	286,219,126
Hennepin County Regional Railroad Authority	91,599,000	29.11%	26,664,469
Met Council	142,584,000	14.79%	21,088,174
<b>Total</b>	<b>\$1,712,876,000</b>		<b>\$829,431,769</b>

(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, 2016 through 2019.

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Special School District 1	\$495,460,000	\$467,720,000	\$402,975,000	\$362,225,000
Hennepin County	286,219,126	331,652,332	258,656,000	227,428,660
Hennepin County Regional Railroad Authority	26,664,469	7,719,599	7,648,989	9,207,352
Metropolitan Council	21,088,174	11,317,091	13,055,014	13,222,000
<b>Total</b>	<b>\$829,431,769</b>	<b>\$818,409,022</b>	<b>\$682,335,612</b>	<b>\$612,083,012</b>

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

	<b>Actual 2019</b>	<b>Actual 2018</b>	<b>Actual 2017</b>	<b>Actual 2016</b>
Assessor's Estimated Market Value of Taxable Property in the City	\$51,664,025,894	\$46,774,230,040	\$42,812,588,043	\$38,952,721,161
Direct Indebtedness <sup>(1)</sup>	713,377,844	651,691,949	630,163,898	617,075,880
Adjusted Direct Indebtedness <sup>(2)</sup>	252,699,318	132,426,872	86,780,771	86,364,729
Direct Indebtedness and Direct Overlapping Indebtedness Chargeable to the City	1,542,809,613	1,470,100,971	1,312,499,510	1,229,158,892
Adjusted Direct Indebtedness and Adjusted Overlapping Indebtedness Chargeable to the City	1,082,131,087	950,835,894	769,116,383	698,447,741
Direct Indebtedness as a Percentage of Estimated Full Market Value of Taxable Property	1.38%	1.39%	1.47%	1.58%
Adjusted Direct Indebtedness as a Percentage of Estimated Market Value of Taxable Property <sup>(3)</sup>	0.49%	0.28%	0.20%	0.22%
Direct Indebtedness and Direct Overlapping Indebtedness as a Percentage of Estimated Full Market Value	2.99%	3.14%	3.07%	3.16%
Adjusted Direct Indebtedness and Direct Overlapping Indebtedness as a Percentage of Estimated Full Market Value	2.09%	2.03%	1.80%	1.79%
Estimated Population of the City	435,885	428,483	423,990	419,952
Direct Indebtedness Per Capita	\$1,636.62	\$1,520.93	\$1,486.27	\$1,469.40
Adjusted Direct Indebtedness Per Capita	\$579.74	\$309.06	\$204.68	\$205.65
Direct Indebtedness and Overlapping per Capita	\$3,539.49	\$3,430.94	\$3,095.59	\$2,926.90
Adjusted Direct Indebtedness and Overlapping	\$2,482.61	\$2,219.07	\$1,814.00	\$1,663.16

(1) Direct indebtedness is total General Obligation debt less related sinking funds.

(2) 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, 2019.

**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 understanding all 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 (unaudited) by sector as of June 30, 2020 is as shown in the table below.

<b>Market Value</b>	<b>June 30, 2020 (in Millions)</b>	<b>% of Portfolio</b>
Cash and Equivalents	\$349.6	38%
Commercial Paper	36.9	4
Federal Agency	84.4	9
Mortgage Backed	217.3	24
Municipals	101.9	11
US Treasuries	126.7	14
<b>Total</b>	<b>\$916.8</b>	

Total cash and investments include \$34.8 million of debt service reserves held by a trustee for the General Agency Reserve Fund (debt associated with the Common Bond Fund) and \$5.1 million in other development debt service reserves.

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## 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, 2019 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](mailto:finance@minneapolismn.gov)”.

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

[http://www2.minneapolismn.gov/finance/reports/CAFR/financial-reports\\_cafr-home](http://www2.minneapolismn.gov/finance/reports/CAFR/financial-reports_cafr-home)

APPENDIX D contains certain information from the Comprehensive Annual Financial Report for the fiscal year ended December 31, 2019.

A financial status report for the interim period ending December 31, 2019 can be viewed at:

[http://www2.minneapolismn.gov/finance/reports/financial-reports\\_special-reports\\_index](http://www2.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 2016, 2017, 2018 and 2019 follows:

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

Fund Type	2019	2018	2017	2016
<b>Government Funds</b>				
General	\$ 146,255	\$121,327	\$131,776	\$121,693
Community Planning and Economic Development Special Revenue Fund	199,942	210,413	177,824	166,270
Permanent Improvement Capital Projects	207,607	103,082	43,881	27,927
Special Assessment Debt Service	9,030	8,380	9,611	8,095
Non-Major Governmental	118,026	127,000	138,195	152,096
<b>Proprietary Funds</b>				
Enterprise Funds	166,959	183,284	176,148	178,238
Internal Service Funds	155,243	165,339	155,542	149,161
<b>Fiduciary Funds</b>	1,407	1,767	1,200	1,271
<b>Discrete Component Units</b>				
Minneapolis Park and Recreation Board	62,849	49,122	35,154	31,975
Municipal Building Commission	3,018	1,787	3,564	2,496
Meet Minneapolis	3,438	2,458	2,595	2,557
Minneapolis Telecommunications Network	--	--	--	104
<b>Total</b>	<b>\$1,073,774</b>	<b>\$973,959</b>	<b>\$875,490</b>	<b>\$841,883</b>

## 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.

	<b>2019 Actual</b>	<b>2018 Actual</b>	<b>2017 Actual</b>	<b>2016 Actual</b>
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
<b>Total Closed Funds</b>	<b>\$21,943,872</b>	<b>\$27,913,029</b>	<b>\$27,913,029</b>	<b>\$34,706,029</b>

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.

	<b>2019 Actual</b>	<b>2018 Actual</b>	<b>2017 Actual</b>	<b>2016 Actual</b>
General Employees Retirement Fund Coordinated (GERF)	\$15,618,438	\$17,852,401	\$15,637,240	\$15,848,115
Public Employees Police and Fire Fund (PEPFF)	21,481,479	19,825,041	18,543,991	18,750,775
<b>Total Open Funds</b>	<b>\$37,099,917</b>	<b>\$37,677,442</b>	<b>\$34,181,171</b>	<b>\$34,598,890</b>

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:

	2019	2018	2017	2016
General Employees Retirement Fund Coordinated (GERF)	\$261,477,685	\$313,578,451	\$333,720,449	\$532,789,673
Public Employees Police & Fire Fund (PEPFF)	\$187,191,792	\$240,167,434	\$281,291,393	\$796,093,326
Minnesota Teachers Retirement Association	\$26,316,372	\$26,573,369	\$29,295,408	\$137,556,710

**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, 2019 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 D or at the website below.

[http://www2.minneapolismn.gov/finance/reports/CAFR/financial-reports\\_cafr-home](http://www2.minneapolismn.gov/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, 2019 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://www2.minneapolismn.gov/finance/reports/CAFR/financial-reports\\_cafr-home](http://www2.minneapolismn.gov/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. CLIC may have up to 33 members who 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 2020, the City forecasts \$1.6 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.

Below is a summary of the 2020 Council Adopted Budget revenues by major category with a comparison to the 2019 Adopted Budget. Also included is a comparison of revenues in the 2020 Council Adopted Budget to those in the 2020 Council Adopted Budget, as revised.

**Revenue by Category  
(in Millions)**

Revenue Category	2020 Adopted vs 2019 Adopted				2020 Revised vs 2020 Adopted		
	2019 Adopted	2020 Adopted	\$ Change	% Change	2020 Revised	\$ Change	% Change
Charges for Services/Sales	\$617.7	\$694.9	\$77.2	12.5%	\$639.70	-\$55.20	-7.9%
Federal Government	34.6	33.7	-0.9	-2.6%	33.7	0.0	0.0
Fines and Forfeits	7.3	7.2	-0.1	-1.4%	7.2	0.0	0.0
Franchise Fees	34.1	34.4	0.3	0.9%	32.4	-2.0	-5.8
License and Permits	48.8	48.4	-0.4	-0.8%	40.4	-8.0	-16.5
Local Government	8.0	6.2	-1.8	-22.5%	6.2	0.0	0.0
Long Term Liabilities Proceeds	188.2	84.7	-103.5	-55.0%	81.5	-3.2	-3.8
Use of Fund Balance	62.3	24.9	-37.4	-60.0%	70.1	45.2	181.5
Other Miscellaneous Revenues	23.1	32.3	9.2	39.8%	31.2	-1.1	-3.4
Property Taxes/General	358.7	388.3	29.6	8.3%	369.7	-18.6	-4.8
Property Taxes/Other	67.6	73.7	6.1	9.0%	73.7	0.0	0.0
Sales and Other User Taxes	88.9	93.9	5	5.6%	38.5	-55.4	-59.0
Special Assessments	41.3	36.3	-5	-12.1%	36.0	-0.3	-0.8
Local Government Aid	79.3	81.6	2.3	2.9%	81.6	0.0	0.0
Other State Government	42.5	48.2	5.7	13.4%	48.2	0.0	0.0
<b>Total Revenue</b>	<b>\$1,702.4</b>	<b>\$1,688.7</b>	<b>-\$13.7</b>	<b>-0.8%</b>	<b>\$1,590.1</b>	<b>-\$98.6</b>	<b>-5.8%</b>

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## City Spending

For 2020, 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 2020 Council Adopted Budget by departmental activity, excluding transfers, with a comparison to the 2019 Adopted Budget. Also included is a comparison of the 2020 Council Adopted Budget to the 2020 Council Adopted Budget, as revised.

### Expenditures by Service (in Millions)

Expense Category	2020 Adopted vs 2019 Adopted				2020 Revised vs 2020 Adopted		
	2019 Adopted	2020 Adopted	\$ Change	% Change	2020 Revised	\$ Change	% Change
Attorney	\$19.0	\$19.4	\$0.4	2.1%	\$18.20	-\$1.20	-6.2%
Coordinator*	144.5	221.4	76.9	53.2%	205.2	-16.2	-7.3%
CPED	119.9	119.3	-0.6	-0.5%	114.9	-4.4	-3.7%
Convention Center	56.1	56.7	0.6	1.1%	41.8	-14.9	-26.3%
Fire	69.3	71.2	1.9	2.7%	69.2	-2.0	-2.8%
Health	24.0	24.1	0.1	0.4%	24.6	0.5	2.1%
Police	184.9	193.3	8.4	4.5%	183.1	-10.2	-5.3%
Regulatory Services	27.3	25.9	-1.4	-5.1%	23.9	-2.0	-7.7%
Public Works	387.4	398.5	11.1	2.9%	370	-28.5	-7.2%
Other City Services**	87.6	86.9	-0.7	-0.8%	79.6	-7.3	-8.4%
Debt Service	159.9	150.9	-9	-5.6%	150.9	0.0	0.0%
Capital Improvement	287.0	169.4	-117.6	-41.0%	169.4	0.0	0.0%
Other***	132.2	151.5	19.3	14.6%	151.5	0.0	0.0%
<b>Total Spending</b>	<b>\$1,699.1</b>	<b>\$1,688.5</b>	<b>-\$10.6</b>	<b>-0.6%</b>	<b>\$1,602.3</b>	<b>-\$86.2</b>	<b>-5.1%</b>

\*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, Pensions, and Independent Boards.

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

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### Expense and Revenue by Fund Type (in Millions)

Expense	2020 Adopted vs 2019 Adopted				2020 Revised vs 2020 Adopted		
	2019 Adopted	2020 Adopted	\$ Change	% Change	2020 Revised	\$ Change	% Change
General	\$482.7	\$519.4	\$36.7	7.60%	\$478.0	-\$41.4	-8.0%
Special Revenue	329.7	312.8	-16.9	-5.1%	298.0	-14.8	-4.7%
Capital Project	230.0	129.6	-100.4	-43.7%	129.6	0	0.0%
Debt Service	124.4	112.1	-12.3	-9.9%	112.1	0	0.0%
Internal Service	154.0	224.6	70.6	45.8%	213.2	-11.4	-5.1%
Enterprise	378.2	390.0	11.8	3.1%	371.3	-18.7	-4.8%
<b>Total</b>	<b>\$1,699.0</b>	<b>\$1,688.5</b>	<b>-\$10.5</b>	<b>-0.6%</b>	<b>\$1,602.2</b>	<b>-\$86.3</b>	<b>-5.1%</b>
<b>Revenues</b>							
General	\$452.2	\$485.1	\$32.9	7.3%	\$460.4	-\$24.7	-5.1%
Special Revenue	415.0	379.8	-35.2	-8.5%	331.8	-48.0	-12.6%
Capital Project	212.8	115.4	-97.4	-45.8%	115.4	0	0.0%
Debt Service	70.3	72.0	1.7	2.4%	72	0	0.0%
Internal Service	157.9	229.6	71.7	45.4%	229.6	0	0.0%
Enterprise	394.0	406.6	12.6	3.2%	380.9	-25.7	-6.3%
<b>Total</b>	<b>\$1,702.2</b>	<b>\$1,688.5</b>	<b>-\$13.7</b>	<b>-0.8%</b>	<b>\$1,590.1</b>	<b>-\$98.4</b>	<b>-5.8%</b>

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

The largest portion of the City's budget is spent on Personnel, which comprises \$506.5 million or 31.2% of the total budget.

### Expense by Category (in Millions)

Expense	2020 Adopted vs 2019 Adopted				2020 Revised vs 2020 Adopted		
	2019 Adopted	2020 Adopted	\$ Change	% Change	2020 Revised	\$ Change	% Change
Salaries and Wages	\$399.0	\$413.5	\$14.5	3.6%	\$390.1	-\$23.4	-5.7%
Fringe Benefits	164.7	171.9	7.2	4.4%	161.9	-10.0	-5.8%
Contractual Services	413.5	488.5	75.0	18.1%	462.9	-25.6	-5.2%
Operating Costs	178.6	177.6	-1.0	-0.6%	164.6	-13	-7.3%
Capital*	543.4	437.0	-106.4	-19.6%	422.8	-14.2	-3.2%
<b>Total Expense</b>	<b>\$1,699.2</b>	<b>\$1,688.5</b>	<b>-\$10.7</b>	<b>-0.6%</b>	<b>\$1,602.3</b>	<b>-\$86.2</b>	<b>-5.1%</b>

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

## 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 June 29, 2020.

<b>Employee Group</b>	<b>Approximate Number of Employees</b>	<b>Contract Expiration Date*</b>
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	12/31/2021
Laborers	444	12/31/2020
Professional Employees	531	12/31/2022
City Supervisors	142	12/31/2019

\*The City is working on settling the three contracts that expired December 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

<b>Year</b>	<b>City</b>	<b>Seven-County Metropolitan Area</b>
2019 (Metropolitan Council)	435,885	3,152,317
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

<b>Year</b>	<b>City</b>	<b>Seven-County Metropolitan Area</b>
2019 (State Demographic Center)	2.25	2.52
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 253,806 in June 2020, showing an increase of 8,014 (3.26%) from the June 2019 total of 245,792. The labor force is made up of City residents who are working or seeking employment.

The June 2020 labor force was composed of 224,798 employed residents and, based on a 11.4% unemployment rate, approximately 29,008 unemployed persons.

**Minneapolis Resident Labor Force and Population June 2014-2020**

<b>Year</b>	<b>Population</b>	<b>Labor Force</b>	<b>Number Employed</b>	<b>Percent Employed</b>
2020	N/A	253,806	224,798	88.6%
2019	435,885	245,792	237,601	96.7
2018	428,483	244,423	237,396	97.1
2017	423,990	240,544	231,642	96.3
2016	419,952	234,157	225,357	96.2
2015	412,517	231,816	223,044	96.2
2014	407,207	231,086	221,615	95.9

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 2016 through 2019 is set forth below.

<b>Monthly Averages</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total Labor Force	244,223	241,477	237,367	232,240
Total Employment	237,209	235,351	229,692	224,276
Unemployment	7,014	6,126	7,675	7,964
Percent of Civilian Labor Force Unemployed	2.90%	2.50%	3.20%	3.40%

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	
		Labor Force	Employment	Unemployment Number	Unemployment Rate	Unemployment Rates MN	US
2020	7	251,593	225,084	26,509	10.5%	7.4%	10.5%
2020	6	253,806	224,798	29,008	11.4	8.5	11.2
2020	5	246,221	217,554	28,667	11.6	9.4	13.0
2020	4	243,013	218,679	24,334	10.0	8.6	14.4
2020	3	243,349	236,576	6,773	2.8	3.9	4.5
2020	2	244,522	238,254	6,284	2.6	3.6	3.8
2020	1	243,699	237,684	6,015	2.5	3.7	4.0
<b>2019</b>	<b>Ann Avg</b>	<b>244,230</b>	<b>237,218</b>	<b>7,012</b>	<b>2.9%</b>	<b>3.3%</b>	<b>3.7%</b>
<b>2018</b>	<b>Ann Avg</b>	<b>241,477</b>	<b>235,351</b>	<b>6,126</b>	<b>2.5%</b>	<b>2.9%</b>	<b>3.9%</b>
<b>2017</b>	<b>Ann Avg</b>	<b>237,367</b>	<b>229,692</b>	<b>7,675</b>	<b>3.2%</b>	<b>3.5%</b>	<b>4.4%</b>
<b>2016</b>	<b>Ann Avg</b>	<b>232,240</b>	<b>224,193</b>	<b>8,047</b>	<b>3.5%</b>	<b>3.9%</b>	<b>4.9%</b>
<b>2015</b>	<b>Ann Avg</b>	<b>229,707</b>	<b>221,907</b>	<b>7,800</b>	<b>3.4%</b>	<b>3.7%</b>	<b>5.3%</b>

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**Average Number of Jobs by Industry in Minneapolis**

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total, all industries	334,290.00	330,140.00	329,626.00	321,744.00	315,467.00
Construction	7,398.00	6,947.00	7,019.00	6,428.00	6,138.00
Manufacturing	13,125.00	13,265.00	13,223.00	13,108.00	13,372.00
Utilities	2,867.00	2,816.00	2,745.00	2,759.00	2,850.00
Wholesale Trade	7,265.00	7,653.00	8,099.00	8,226.00	8,277.00
Retail Trade	14,333.00	14,824.00	14,935.00	15,127.00	14,888.00
Transportation and Warehousing	8,581.00	9,031.00	7,993.00	7,702.00	6,629.00
Information	10,655.00	10,374.00	10,851.00	10,744.00	11,094.00
Finance and Insurance	35,138.00	33,952.00	33,024.00	31,968.00	31,298.00
Real Estate and Rental Leasing	5,468.00	5,191.00	4,873.00	4,333.00	4,093.00
Professional and Technical Services	37,640.00	37,838.00	38,560.00	37,617.00	37,362.00
Management of Companies & Enterprises	20,433.00	17,975.00	16,776.00	16,943.00	16,798.00
Administrative and Waste Services	13,931.00	15,041.00	14,520.00	13,798.00	15,666.00
Educational Services	35,257.00	35,157.00	36,271.00	35,259.00	32,862.00
Health Care and Social Assistance	63,106.00	60,957.00	61,301.00	60,441.00	58,468.00
Arts, Entertainment and Recreation	6,508.00	6,600.00	6,592.00	6,001.00	5,121.00
Accommodation and Food Services	27,024.00	27,372.00	27,622.00	26,677.00	26,034.00
Other Services	10,326.00	10,068.00	10,028.00	9,770.00	10,140.00
Public Administration	15,059.00	14,923.00	15,032.00	14,673.00	14,187.00

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

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**Occupational Employment Statistics Wage Data-**  
**Minneapolis-St. Paul-Bloomington, MN-WI Metro**  
**As of May 2019**

	Median Hourly Wage			Employment		
	MSA	MN	US	MSA	MN	US
All Occupations	\$22.60	\$21.21	\$19.14	1,971,370	2,880,650	146,875,480
Management Occupations	56.15	52.21	50.80	130,260	170,650	8,054,120
Business and Financial Operations Occupations	34.66	33.55	33.57	140,990	171,550	8,183,750
Computer and Mathematical Occupations	43.41	42.27	42.47	85,590	97,960	4,552,880
Architecture and Engineering Occupations	39.07	37.61	39.15	42,960	55,520	2,592,680
Life, Physical and Social Science Occupations	35.49	34.00	32.77	20,440	27,070	1,288,920
Community and Social Services Occupations	23.49	23.10	22.16	36,090	57,200	2,244,310
Legal Occupations	38.28	36.97	39.34	16,610	20,050	1,150,780
Education, Training and Library Occupations	24.75	24.13	24.42	107,470	165,310	8,886,600
Arts, Design, Entertainment, Sports, and Media Occupations	25.90	24.27	24.59	29,520	38,540	2,017,810
Healthcare Practitioners and Technical Operations Healthcare Support Occupations	37.01	35.70	32.78	113,620	190,800	8,673,140
Protective Services Occupations	14.65	14.55	13.69	106,180	163,160	6,521,790
Food Preparation and Serving Related Occupations	21.51	22.06	19.99	31,100	45,030	3,498,800
Building and Grounds Cleaning and Maintenance Occupations	12.44	12.21	11.65	163,360	244,300	13,494,590
Personal Care and Service Occupations	15.48	14.96	13.62	52,760	83,860	4,429,100
Sales and Related Occupations	13.62	13.41	12.61	49,700	70,290	3,303,200
Office and Administrative Support Occupations	16.18	15.06	14.24	190,810	277,000	14,371,410
Farming, Fishing and Forestry Occupations	20.72	19.79	18.07	254,470	363,800	19,528,250
Construction and Extraction Occupations	16.49	17.46	13.07	1,350	4,060	484,750
Installation, Maintenance and Repair Occupations	31.41	28.55	22.80	65,890	104,900	6,194,140
Production Occupations	25.13	23.95	22.42	60,960	100,060	5,713,450
Transportation and Material Moving Occupation	19.17	18.75	17.31	129,290	212,650	9,158,980
	17.89	17.66	15.60	141,940	216,890	12,532,030

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 2020 Headquartered in this MSA\*

Company	Revenues	Rank	Industry Grouping	Industry Rank
United Health Group	\$242.2	7	Health Care Insurance and Managed Care	1 of 6
Target	78.1	37	General Merchandisers	3 of 9
Best Buy	43.6	75	Specialty Retailers	3 of 18
3M	32.1	103	Chemicals	2 of 13
CHS	31.9	105	Food Production	3 of 7
U.S. Bancorp	27.3	113	Commercial Banks	8 of 20
General Mills	16.9	192	Food and Consumer Products	4 of 13
C.H. Robinson Worldwide	15.3	208	Transportation and Logistics	2 of 3
Ecolab	14.9	213	Chemicals	6 of 13
Land O'Lakes	13.9	232	Food and Consumer Products	5 of 13
Ameriprise Financial	13.1	245	Diversified Financials	7 of 12
Xcel Energy	11.5	276	Gas and Electric	13 of 22
Hormel Foods	9.5	337	Chemicals	9 of 13
Thrivent Financial For Lutherans	8.6	368	Insurance Life and Health(Mutual)	6 of 7
Polaris Industries	6.9	442	Transportation Equipment	1 of 1

\*Source: Fortune June 1, 2020

## 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	51,327	7. St. Catherine University	4,401
2. Walden University*	50,360	8. Bethel University	4,383
3. Capella University*	38,392	9. University of Northwestern	3,531
4. University of St. Thomas	9,871	10. Hamline University	3,404
5. Metropolitan State University	7,555	11. Augsburg University	3,382
6. Concordia University	5,135	12. Macalester College	2,098

\*Online universities.

Source: 2020 Higher Education Directory

**Major Development Projects Permitted in Minneapolis as of June 30, 2020  
(\$5.0 million+)**

<b>Quarter Permitted</b>	<b>Estimated Construction Cost*</b>	<b>Project Description</b>	<b>Neighborhood/Area</b>
2nd	\$105,925,845	Gateway 36 story Core and Shell (36 Res & 222 Hotel)	Downtown West
1st	81,154,893	FULL CONST for mixed use bldg. (346 units)	Downtown West
1st	73,591,547	Larken-New Mixed use-plan7467	Elliot Park
2nd	30,147,480	Full Construction Nokomis Mixed Use (130 Res Units)	Ericsson
1st	29,600,000	TradeMark Apts - 14th Ave Apts- 175 Units PLAN7186	Logan Park
2nd	23,571,693	Elliot Towers Link Addition - PDR PLAN9692	Elliot Park
2nd	22,273,732	Multi-bay Maintenance addition to O&M LRT	Ventura Village
2nd	21,115,508	Full Construction Main Street East(175 Units)	St. Anthony West
1st	20,862,333	Northside Artspace-100 Unit Apts	Harrison
1st	19,775,956	Enhance exterior envelope around stadium	Downtown East
1st	19,752,820	Full Construction Midtown Corner Mixed Use (189 Res Units)	Longfellow
2nd	14,716,730	Full Construction Hiawatha Ave Apts (80 Units)	Hiawatha
2nd	14,368,415	Full Construction O'Shaughnessy Distilling 22,879 sf addition and remodel	Prospect Park - East River Road
2nd	14,241,000	ELEC-Full Construction for Lake Street Transit Station	East Phillips
2nd	13,347,300	Full Construction - 112 Unit Apt. See PDR PLAN9244	Holland
1st	11,867,072	Full Construction Family Partnership Addition	Powderhorn Park
2nd	10,996,000	Full Construction86Units- See PDR PLAN9188	Lowry Hill East
1st	9,778,000	Full Construction Fairfield Inn (111 Hotel Rooms)	Downtown West
1st	9,000,000	F&F Mpls Bus Garage	North Loop
1st	8,128,650	FLOORS 11 - 13	Downtown West
1st	7,500,000	Full Construction Cambria Hotel (121 Rooms)	Downtown West
1st	7,332,286	Full Construction - 56 unit mixed use building	Downtown West
1st	7,193,880	67 units 28th & Garfield Apt building	Whittier
1st	7,157,161	63 unit apartment per PDR PLAN7862 38th Street Apts	Standish
1st	7,048,816	Construction 49 Unit Apt Bldg (Greenway 31)	West Calhoun
2nd	6,922,265	Full Construction 1 <sup>st</sup> Ave Flats (51 Unit) apt bldg-plan7420	Whittier
1st	6,645,000	North Regional Library Interior Remodel	Audubon Park
1st	6,645,000	North Regional Library Interior Remodel	Jordan
1st	6,500,000	Common Space Modifications, Unit Rehab & Sitework	Longfellow
1st	5,926,522	F&F Nokomis Mixed Use Bldg (130 Res Units)	Ericsson
2nd	5,776,814	HCMC addition PDR Plan 8631	Elliot Park
2nd	5,500,000	ELEC – remodel of skyway & ground floor level	Downtown West
2nd	5,432,000	ELEC(R) - HCGC- bathroom and juror room remodel on most floors	Downtown West
1st	5,431,850	Full Construction LH Beard (41 Res Units)	Linden Hills
1st	5,036,372	NorthStar @ Sibert Field, Add 20 units, for 43 Tot	University of Minnesota

\*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 2019**  
**(\$5.0 million+)**

<b>Quarter Permitted</b>	<b>Estimated Construction Cost*</b>	<b>Project Description</b>	<b>Neighborhood/Area</b>
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 <sup>th</sup> Ave Mixed Use (122 Res Units)	Downtown West
3rd	28,602,488	Full Construction Bassett Creek East Mixed Use (139 Units)	North Loop
1st	28,396,404	Full Construction 1400 Loring Mixed Use (231 Units)	Loring Park
1st	26,921,268	Full Construction East Town Apartments (169 Units)	Elliot Park
2nd	25,981,923	Full Construction New Mixed Use (175 Res Units)	Lowry Hill East
1st	24,134,902	CORE & SHELL-Thrivent Corp Headquarters	Elliot Park
3rd	22,349,861	Full Construction Central Ave Apt (7 Story&159 Units)	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 (65 Units)	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 (68 units)	Minnehaha
2nd	10,240,000	Full Construction Good Grocer Mixed Use(80 Units)	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 (61 Units)	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 (9,500 sq ft)	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+)**

<b>Quarter Permitted</b>	<b>Estimated Construction Cost*</b>	<b>Project Description</b>	<b>Neighborhood/Area</b>
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

### FORM OF BOND COUNSEL OPINION

**\$97,185,000**  
**City of Minneapolis, Minnesota**  
**General Obligation Bonds**  
**Series 2020**

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, Series 2020 (the “Bonds”), issued by the City in the aggregate principal amount of \$97,185,000, dated October 2, 2020.

The Bonds mature on December 1 in the years 2021 through 2030 and bear interest at fixed rates payable on each June 1 and December 1, commencing June 1, 2021. The Bonds maturing on and after December 1, 2026, are subject to optional redemption by the City, in whole or in part, on December 1, 2025, 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 resolutions of the Board of Estimate and Taxation of the City adopted on May 13, 2020 and August 26, 2020, and various resolutions of the City Council of the City (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, Chapters 429, 444, and 475, as amended, including Section 475.67, subdivision 3, and Minnesota Statutes, Sections 410.32 and 412.301, as amended.
2. The Bonds are payable in part from special assessments pledged to the Bonds, net revenues of the water, sanitary sewer, and stormwater systems of the City, and 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 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 October 2, 2020.

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

**\$97,185,000**  
**City of Minneapolis, Minnesota**  
**General Obligation Bonds**  
**Series 2020**

### CONTINUING DISCLOSURE CERTIFICATE

**October 2, 2020**

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, Series 2020 (the “Bonds”), in the original aggregate principal amount of \$97,185,000. 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 J.P. Morgan Securities LLC, as syndicate manager (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 September 24, 2020, 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, 2020, 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**

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Finance Officer

## **APPENDIX D**

### **EXCERPTS OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019\***

\*Copies of the City’s complete audited financial statements for the fiscal year ended December 31, 2019 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://www2.minneapolismn.gov/finance/reports/CAFR/financial-reports\\_cafre-home](http://www2.minneapolismn.gov/finance/reports/CAFR/financial-reports_cafre-home)



COMPREHENSIVE  
ANNUAL FINANCIAL REPORT



CITY OF  
MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2019

**FINANCE AND PROPERTY SERVICES DEPARTMENT**

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August 13, 2020

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, 2019. 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, 2019. 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 2018, Minneapolis is home to an estimated 424,403 people. From 2011 to 2019, the population within the City grew by 36,530 people, an eight-year growth rate of 9.4%. Children, youth under 18, and seniors aged 65 and above make up 6.7 percent and 19.9 percent, and 9.2 percent of the population respectively. African Americans comprise 18.9 percent of the population, and Hispanic Americans make up 9.8 percent of the population. People of American Indian and Alaska Native descent comprise 1.2 percent of the population, and Asian Americans make up 6.0 percent of the population. People of two or more races make up 4.9 percent of the total population

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, 2019 was \$128.0 million, which is \$40.6 million more than policy requires. Additional information regarding the 2019 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 \$4.7 million in 2019, and is \$5.2 million in 2020.

## **ECONOMIC CONDITION AND OUTLOOK**

A detailed discussion and analysis of the City's overall financial condition during the fiscal year ended 2019 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, 2018. A Certificate of Achievement is valid for a period of one year only. The City has received this prestigious award for 45 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 2019 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,



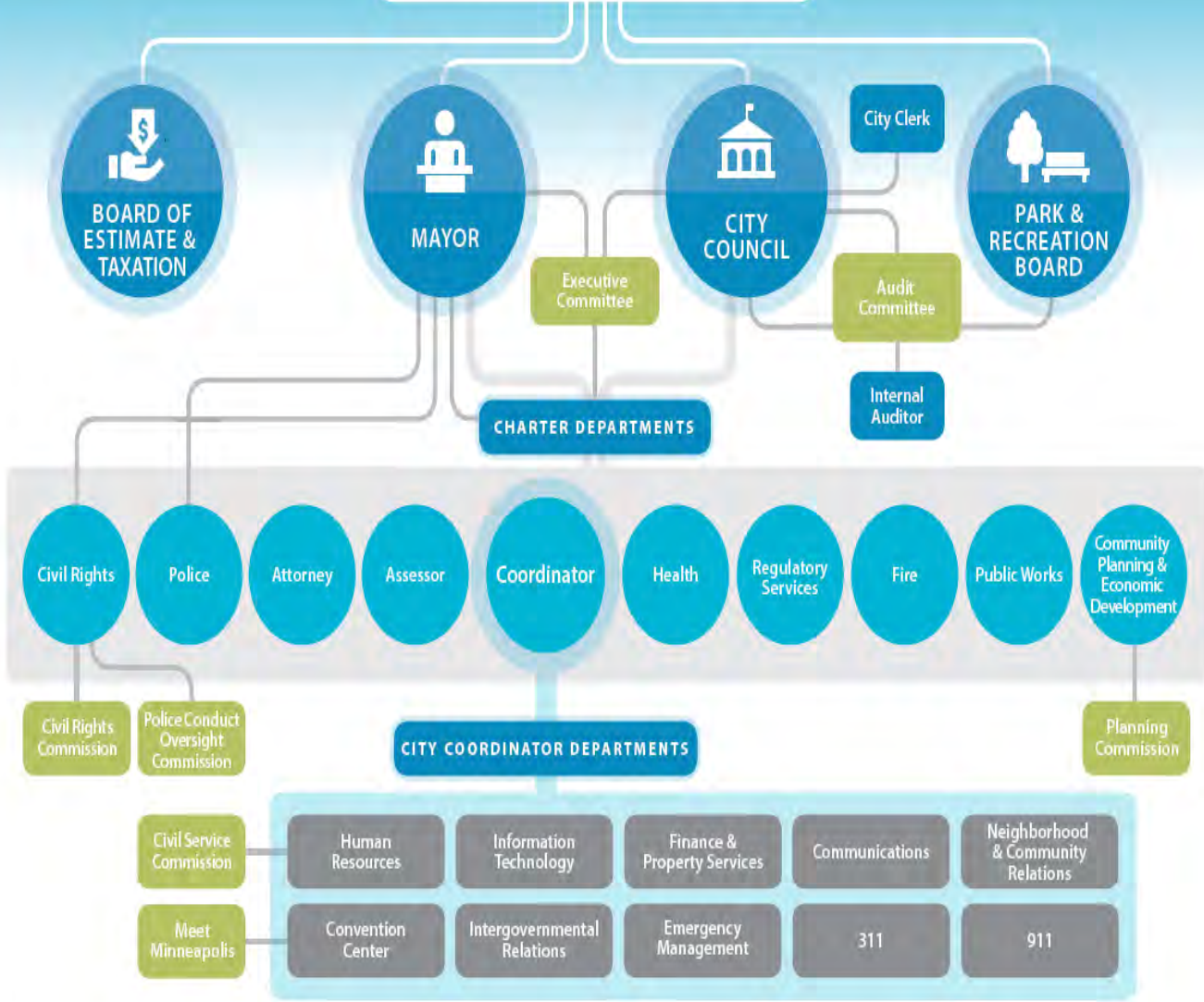
Lori Johnson  
Interim Finance Officer



Lyle Hodges  
Controller



RESIDENTS OF MINNEAPOLIS



# MAYOR AND COUNCIL

## CITY OF MINNEAPOLIS, MINNESOTA

# 2019

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

In 2020, the following change occurred:

Ward 6.....Vacant



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, 2018**

*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, 2019. 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**

- At the close of the 2019 fiscal year, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$2,424,036 (net position). Of this amount, \$2,133,724 is the City's net investment in capital assets and \$420,787 is restricted for specific purposes (restricted net position) leaving a deficit of \$(130,475) 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 \$248,714 in 2019. Governmental activities increased the City's net position by \$223,082 and business-type activities increased the net position by \$25,632.
- As of December 31, 2019, total fund balance in the General Fund was \$128,040, all of which was unassigned.
- The City's total long-term bond and note liability increased by \$63,890 from the prior year. Total bonds and notes issued in 2019 was \$242,800. Total debt retirement was \$178,910. Major new debt issuances included notes of \$112,420 for a variety of special assessment improvements, general infrastructure, sanitary and storm sewer and water projects and \$114,400 for the new downtown Public Service Building.

**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 29-30 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 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 15 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 118.

The governmental funds' financial statements can be found on pages 31-34 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 technology services, central and traffic stores inventories, engineering lab testing and asphalt and cement services, city attorney, workers' compensation, unemployment benefits and other payroll and self-insurance 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 35-38 of this report.

**Custodial Funds**—Custodial funds are used to account for resources held for the benefit of parties outside of the government. Custodial 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 custodial fund financial statements can be found on page 39 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 43-101 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 103-110 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 118.

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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, 2019 with a comparison to 2018.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Current and other assets	\$ 1,142,068	\$ 1,016,199	\$ 233,895	\$ 264,132	\$ 1,375,963	\$ 1,280,331
Capital assets	<u>1,631,885</u>	<u>1,565,295</u>	<u>1,184,415</u>	<u>1,102,995</u>	<u>2,816,300</u>	<u>2,668,290</u>
Total assets	<u>\$ 2,773,953</u>	<u>\$ 2,581,494</u>	<u>\$ 1,418,310</u>	<u>\$ 1,367,127</u>	<u>\$ 4,192,263</u>	<u>\$ 3,948,621</u>
Deferred outflows of resources	<u>\$ 166,811</u>	<u>\$ 250,290</u>	<u>\$ 3,935</u>	<u>\$ 8,570</u>	<u>\$ 170,746</u>	<u>\$ 258,860</u>
Current and other liabilities	\$ 241,111	\$ 219,158	\$ 62,955	\$ 56,294	\$ 304,066	\$ 275,452
Long-term liabilities	<u>979,836</u>	<u>1,027,067</u>	<u>338,102</u>	<u>329,103</u>	<u>1,317,938</u>	<u>1,356,170</u>
Total liabilities	<u>\$ 1,220,947</u>	<u>\$ 1,246,225</u>	<u>\$ 401,057</u>	<u>\$ 385,397</u>	<u>\$ 1,622,004</u>	<u>\$ 1,631,622</u>
Deferred inflows of resources	<u>\$ 303,609</u>	<u>\$ 309,953</u>	<u>\$ 13,360</u>	<u>\$ 8,104</u>	<u>\$ 316,969</u>	<u>\$ 318,057</u>
Net position						
Net investment in capital assets	\$ 1,203,135	\$ 1,311,190	\$ 930,589	\$ 895,158	\$ 2,133,724	\$ 2,206,348
Restricted net position	390,189	329,487	30,598	36,821	420,787	366,308
Unrestricted net position	<u>(177,116)</u>	<u>(365,071)</u>	<u>46,641</u>	<u>50,217</u>	<u>(130,475)</u>	<u>(314,854)</u>
Total net position	<u>\$ 1,416,208</u>	<u>\$ 1,275,606</u>	<u>\$ 1,007,828</u>	<u>\$ 982,196</u>	<u>\$ 2,424,036</u>	<u>\$ 2,257,802</u>

The largest portion of the City’s net position reflects its \$2,133,724 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 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 \$54,479 to \$420,787 in 2019 in part due to the \$80,611 increase in capital improvement restrictions related to capital project activity, offset with a decrease of \$26,264 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 \$(130,475) represents the unrestricted portion of the City’s net position. This is a decrease of \$184,379 from the 2018 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 by \$248,714 in 2019.

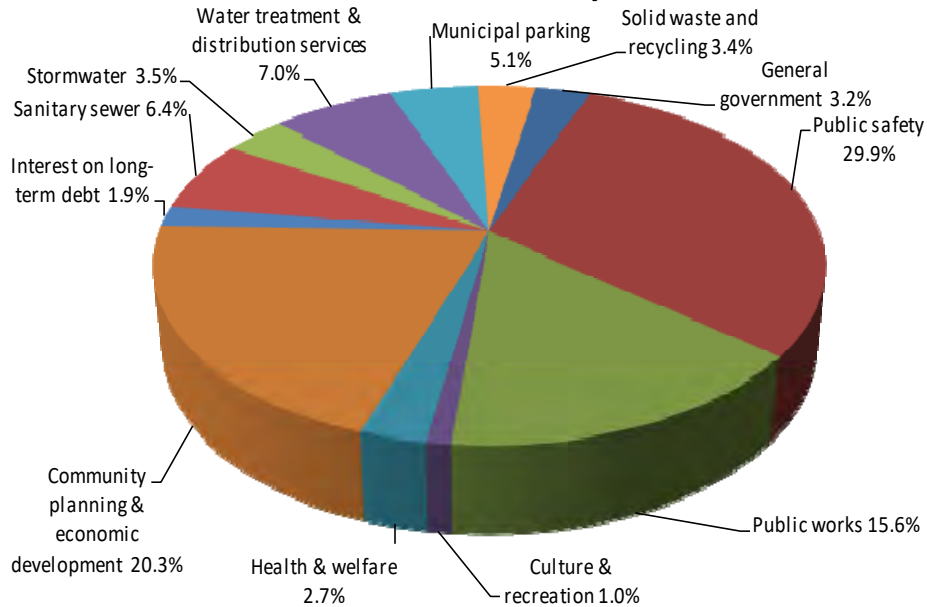
**Statement of Activities**—The following table presents the changes in net position for governmental and business-type activities. The governmental activities net position increased by \$223,082 while the business-type activities net position increased by \$25,632.

<b>Statement of Activities</b>						
<b>For the Years Ended December 31, 2019, and 2018</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 184,718	\$ 149,256	\$ 322,126	\$309,717	\$ 506,844	\$ 458,973
Operating grants and contributions	122,641	130,724	3,996	5,771	126,637	136,495
Capital grants and contributions	15,529	9,054	-	-	15,529	9,054
<b>General revenues:</b>						
General property tax and fiscal disparities	287,049	271,192	-	-	287,049	271,192
Property tax increment	66,303	62,129	-	-	66,303	62,129
Franchise taxes	32,370	34,772	-	-	32,370	34,772
Local taxes	89,182	89,794	-	-	89,182	89,794
Other taxes	329	298	-	-	329	298
Local government aid - unrestricted	69,754	69,683	-	-	69,754	69,683
Grants and contributions not restricted to programs	2,728	3,291	151	425	2,879	3,716
Unrestricted interest and investment earnings	30,539	14,764	981	636	31,520	15,400
Other	6,422	989	153	155	6,575	1,144
Gain on sale of capital assets	1,102	1,100	-	212	1,102	1,312
<b>Total revenues</b>	<b>908,666</b>	<b>837,046</b>	<b>327,407</b>	<b>316,916</b>	<b>1,236,073</b>	<b>1,153,962</b>
<b>Expenses</b>						
General government	31,300	103,781	-	-	31,300	103,781
Public safety	295,247	294,822	-	-	295,247	294,822
Public works	154,329	96,934	-	-	154,329	96,934
Culture and recreation	9,531	9,103	-	-	9,531	9,103
Health and welfare	26,592	24,983	-	-	26,592	24,983
Community planning and economic development	196,477	173,362	4,716	5,437	201,193	178,799
Interest on long-term debt	18,958	18,054	-	-	18,958	18,054
Sanitary sewer	-	-	63,066	65,209	63,066	65,209
Stormwater	-	-	34,524	34,182	34,524	34,182
Water treatment and distribution services	-	-	68,792	58,068	68,792	58,068
Municipal parking	-	-	50,532	64,727	50,532	64,727
Solid waste and recycling	-	-	33,295	36,528	33,295	36,528
<b>Total expenses</b>	<b>732,434</b>	<b>721,039</b>	<b>254,925</b>	<b>264,151</b>	<b>987,359</b>	<b>985,190</b>
Excess (deficiency) before transfers	176,232	116,007	72,482	52,765	248,714	168,772
Transfers	46,850	40,002	(46,850)	(40,002)	-	-
Change in net position	223,082	156,009	25,632	12,763	248,714	168,772
Net position - Beginning (Restated)	1,193,126	1,119,597	982,196	969,433	2,175,322	2,089,030
<b>Net position - Ending</b>	<b>\$ 1,416,208</b>	<b>\$ 1,275,606</b>	<b>\$ 1,007,828</b>	<b>\$982,196</b>	<b>\$ 2,424,036</b>	<b>\$ 2,257,802</b>

**Governmental Activities**—Governmental activities increased the City's net position by \$223,082 compared to an increase of \$156,009 in 2018. Total governmental revenue increased by 7.1% from 2018 to 2019 while total expenses increased by 0.2% 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 is \$59,121.

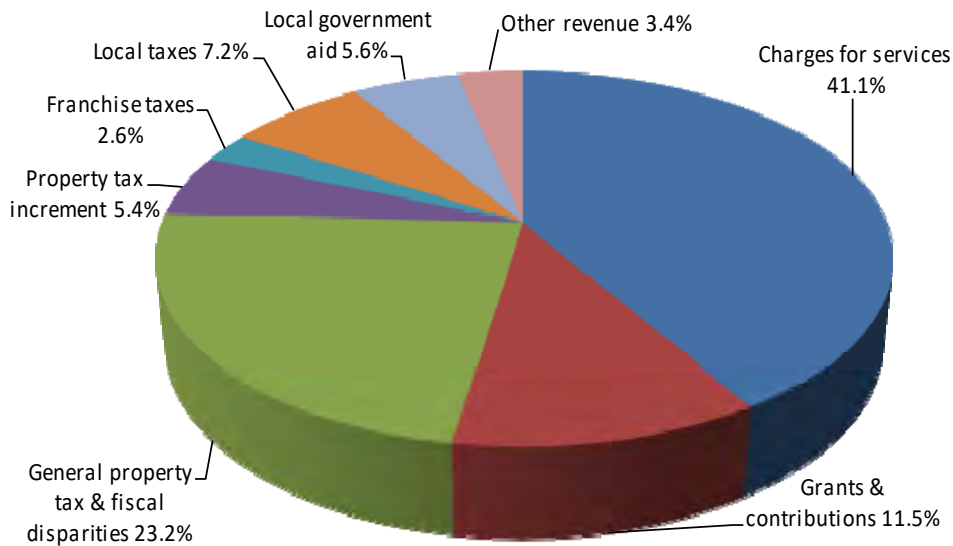


## Government-wide Expenses



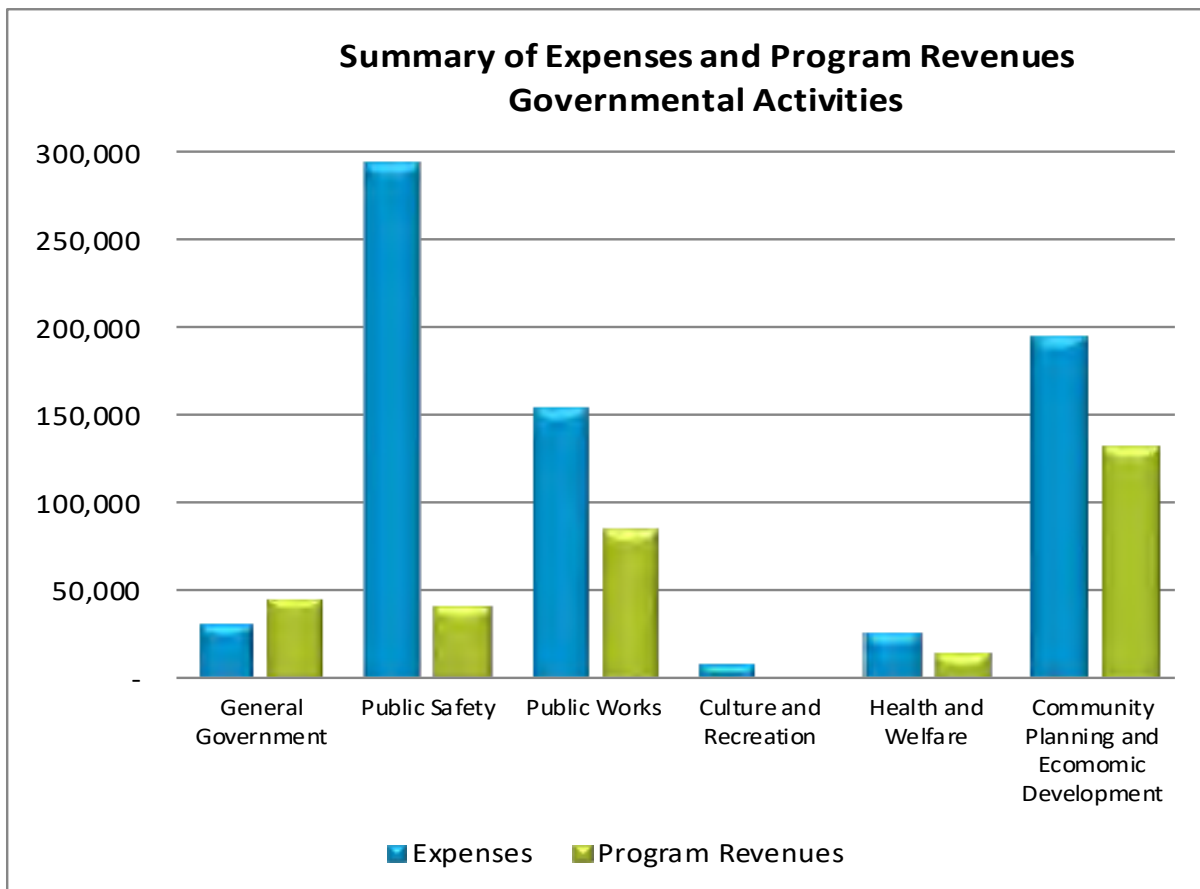
Program revenue increased in two of the three categories, led by an increase in Charges for Services. The City continued to experience economic growth and record permitting for building and residential construction throughout 2019. General revenues cover any net expense after program specific revenues are applied. General revenues were up due to better interest earnings in 2019 and an increase in property tax levies increasing property tax collections. Local taxes are collected on lodging, restaurant, and entertainment activities. Local taxes saw a slight decrease after a higher than usual collection in 2018 due to the City hosting Super Bowl 52.

## Government-wide Revenues



**Summary of expenses and program revenues - Governmental Activities  
For the Year ended December 31, 2019**

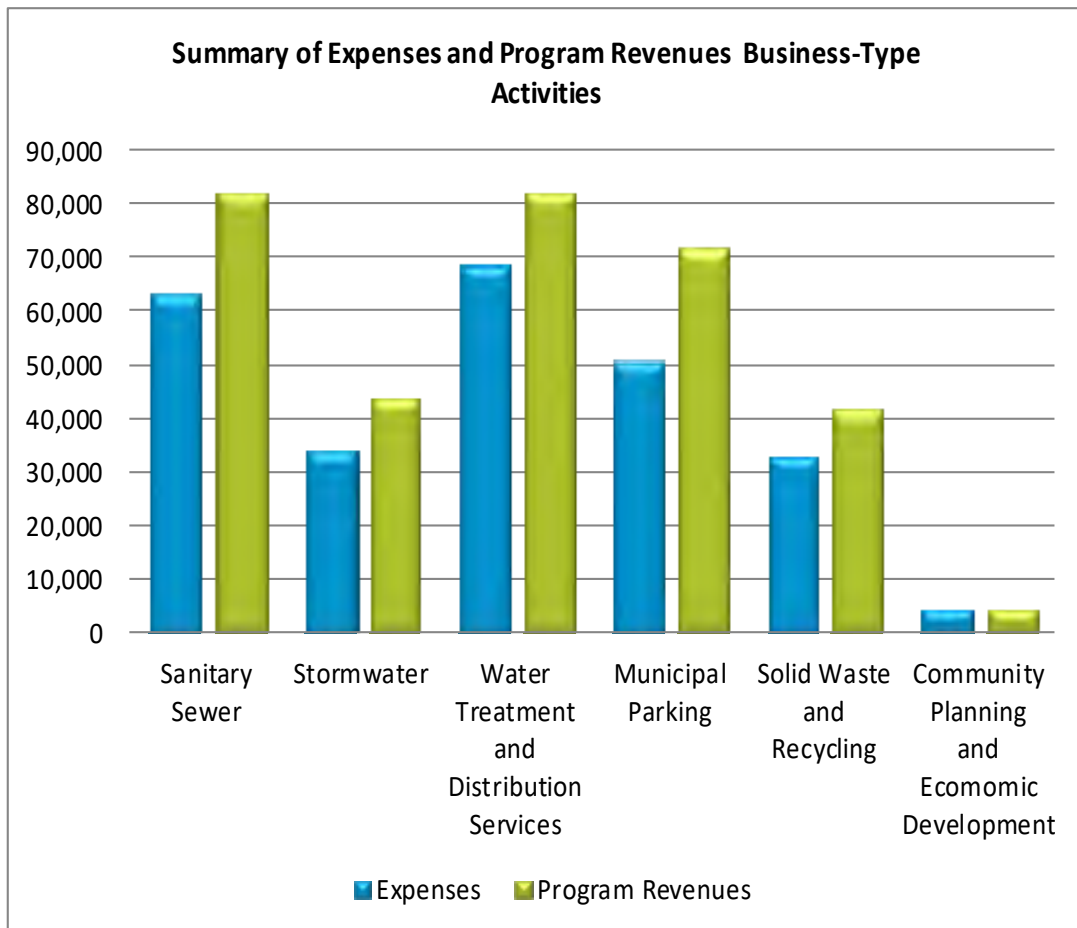
<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net (Expense) Revenue by Program</b>
General government	\$ 31,300	\$ 47,049	\$ 15,749
Public safety	295,247	42,152	(253,095)
Public works	154,329	86,018	(68,311)
Culture and recreation	9,531	-	(9,531)
Health and welfare	26,592	14,968	(11,624)
Community planning and economic development	196,477	132,701	(63,776)
Interest on long-term debt	18,958	-	(18,958)
	<u>\$ 732,434</u>	<u>\$ 322,888</u>	\$ (409,546)
General revenues and transfers supporting governmental activities			<u>632,628</u>
Change in net position			<u>223,082</u>
Net position - January 1, 2019, restated (see note 1.Q)			<u>1,193,126</u>
Net position - December 31, 2019			<u>\$ 1,416,208</u>



**Business-Type Activities**—Business-type activities increased the City’s net position by \$25,632 compared with an increase of \$12,763 in 2018.

**Summary of expenses and program revenues - Business-Type Activities  
For the Year ended December 31, 2019**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net (Expense) Revenue by Program</b>
Sanitary sewer	\$ 63,066	\$ 81,944	\$ 18,878
Stormwater	34,524	43,957	9,433
Water treatment and distribution services	68,792	81,940	13,148
Municipal parking	50,532	71,755	21,223
Solid waste and recycling	33,295	41,823	8,528
Community planning and economic development	4,716	4,703	(13)
	<u>\$ 254,925</u>	<u>\$ 326,122</u>	\$ 71,197
General revenues and transfers supporting business-type activities			(45,565)
Change in net position			25,632
Net position - January 1, 2019			982,196
Net position - December 31, 2019			<u>\$1,007,828</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 2019, four governmental funds, including the General Fund, are presented as major funds. These funds include the Community Planning and Economic Development, the Permanent Improvement Capital Project Fund, and the Special Assessment Debt Service Fund. At December 31, 2019, the City's governmental funds reported a combined ending fund balance of \$686,248, an increase of \$85,548 compared with the prior year. Approximately 16.6% of this total amount, or \$114,218, constitutes unassigned fund balance, which is available for spending at the City's discretion.

The remainder of the fund balance is classified as follows: \$390,189 is restricted for debt service, community planning and economic development, capital improvements, grants, and law enforcement legal requirements; and \$181,841 is assigned 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:

<u>Revenues by Source</u>	<u>2019</u>		<u>2018</u>		<u>Increase/ (Decrease)</u>
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>
Taxes	\$ 475,364	51.86 %	\$ 458,711	53.47 %	\$ 16,653
Licenses and permits	56,547	6.17	48,658	5.67	7,889
Intergovernmental revenues	187,273	20.44	165,366	19.27	21,907
Charges for services and sales	92,324	10.08	80,785	9.41	11,539
Fines and forfeits	7,573	0.83	7,417	0.86	156
Special assessments	30,853	3.37	28,279	3.30	2,574
Investment earnings	30,287	3.31	14,776	1.72	15,511
Miscellaneous revenue	36,131	3.94	54,092	6.30	(17,961)
Total revenues	<u>\$ 916,352</u>	<u>100.00 %</u>	<u>\$ 858,084</u>	<u>100.00 %</u>	<u>\$ 58,268</u>

**Expenditures by Function  
Governmental Funds**

<b>Expenditures by Function</b>	<b>2019</b>		<b>2018</b>		<b>Increase/ (Decrease)</b>
	<b>Amount</b>	<b>Percent of Total</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>Amount</b>
Current:					
General government	\$ 108,097	10.34 %	\$107,988	11.28 %	\$ 109
Public safety	296,996	28.40	298,052	31.13	(1,056)
Public works	68,567	6.56	65,648	6.86	2,919
Health and welfare	26,106	2.50	24,104	2.52	2,002
Community planning and economic development	198,316	18.96	172,556	18.03	25,760
Capital outlay	174,674	16.70	107,091	11.19	67,583
Intergovernmental:					
General government	2,229	0.21	1,000	0.10	1,229
Public safety	126	0.01	132	0.01	(6)
Culture and recreation	9,531	0.91	9,103	0.95	428
Debt service:					
Principal retirement	140,725	13.46	153,750	16.06	(13,025)
Interest and fiscal charges	20,437	1.95	17,882	1.87	2,555
<b>Total expenditures</b>	<b>\$ 1,045,804</b>	<b>100.00 %</b>	<b>\$957,306</b>	<b>100.00 %</b>	<b>\$ 88,498</b>

**General Fund**—The General Fund is the general operating fund of the City. As of December 31, 2019, the entire fund balance was classified as unassigned and totaled \$128,040. Total fund balance increased by \$23,849 during 2019.

The following table provides changes in revenues by source from 2018 to 2019.

<b>Revenues by Source</b>	<b>2019</b>		<b>2018</b>		<b>Increase/ (Decrease)</b>
	<b>Amount</b>	<b>Percent of Total</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>Amount</b>
Taxes	\$ 237,929	44.76 %	\$ 228,086	47.17 %	\$ 9,843
Licenses and permits	55,642	10.46	47,380	9.80	8,262
Intergovernmental revenues	91,153	17.14	87,762	18.15	3,391
Charges for services and sales	58,586	11.02	53,736	11.11	4,850
Fines and forfeits	7,246	1.36	7,138	1.48	108
Special assessments	3,417	0.64	2,981	0.62	436
Investment earnings	14,184	2.67	6,956	1.44	7,228
Miscellaneous revenues	3,374	0.63	9,576	1.98	(6,202)
<b>Total revenues</b>	<b>\$ 471,531</b>	<b>88.68</b>	<b>\$ 443,615</b>	<b>91.75</b>	<b>\$ 27,916</b>
Transfers in	60,182	11.32	39,887	8.25	20,295
<b>Total revenues and other financing sources</b>	<b>\$ 531,713</b>	<b>100.00 %</b>	<b>\$ 483,502</b>	<b>100.00 %</b>	<b>\$ 48,211</b>

In 2019, General Fund revenues and transfers increased by about 10.0% from the previous year. Some highlights include:

- Tax collections were higher in 2019 than 2018 due to an increase in the levy amount in the General Fund.
- 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.
- Investment earnings more than doubled from 2018 to 2019 due to higher cash balances throughout the year coupled with higher than expected returns for the types of low-risk investments the City is allowed to invest in.
- Other revenues were up over 2018 amounts as well due to continued positive economic activity through the end of 2019.

The following table provides the changes in expenditures by function from 2018 to 2019:

Expenditures by Function	General Fund Expenditures by Function				Increase/ (Decrease)
	2019		2018		Amount
	Amount	Percent of Total	Amount	Percent of Total	
Current and Intergovernmental:					
General government	\$ 80,139	15.78 %	\$ 79,686	16.06 %	\$ 453
Public safety	279,265	54.99	273,954	55.19	5,311
Public works	68,527	13.49	65,300	13.15	3,227
Health and welfare	13,995	2.76	11,676	2.35	2,319
Community planning and economic development	36,784	7.24	36,775	7.41	9
Total expenditures	478,710	94.26	467,391	94.16	11,319
Transfers out	29,154	5.74	29,013	5.84	141
Total expenditures and other financing uses	<u>\$ 507,864</u>	<u>100.00 %</u>	<u>\$ 496,404</u>	<u>100.00 %</u>	<u>\$ 11,460</u>

Overall, General Fund expenditures and transfers out increased by 2.3% from the previous year, although appropriations were underspent by approximately \$14,435. Expenditures in every functional category increased over 2018 in accordance with budgetary increases. The General Fund finished the year in a positive financial position, exceeding minimum fund balance requirements and showing strong cash and fund balances.

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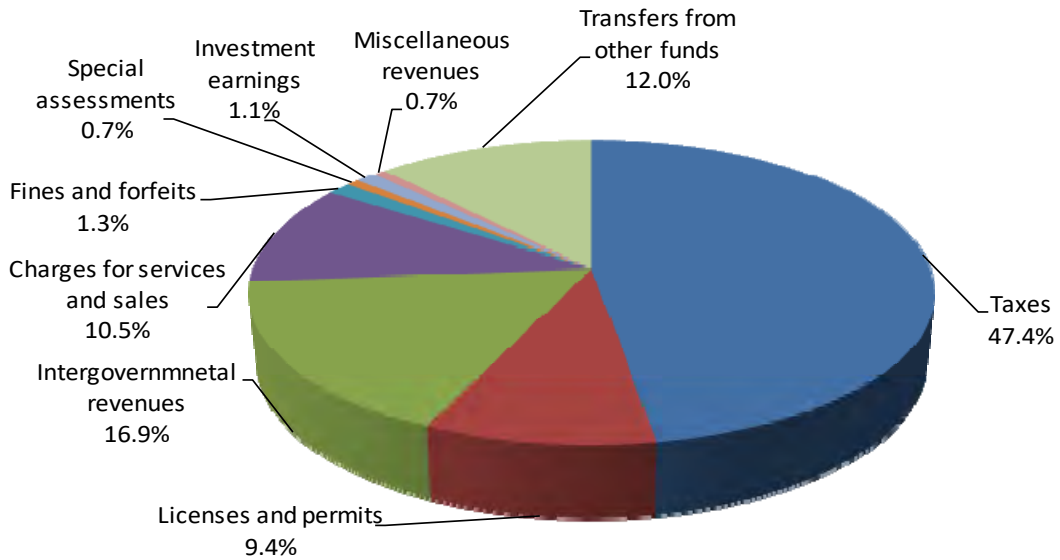
**General Fund Budgetary Highlights**—The final budget for the City’s General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments), and any additional supplemental appropriations that may occur during the fiscal year. In 2019, the following were significant budget actions:

- The original General Fund appropriation for fiscal year 2019 was \$512,052, which included projected transfers out of \$29,149. The final appropriation was \$522,290 including transfers of \$29,145. General revenues and other resources were originally estimated at \$507,005, which included projected transfers in of \$59,852. The final revenue estimate was \$507,550 including transfers of \$60,197.
- Budgetary variances between the final amended budget and the actual results include:
  - 1) Overall, Public Works finished the year \$422 under budget after adjustment for several unbudgeted snow emergencies and additional revenues collected for work for others
  - 2) The City Coordinator departments in total ended the year \$3,810 under budget due mainly to salary savings related to personnel vacancies and delayed spending on technology projects and other initiatives.
  - 3) The Police and Fire departments were under budget by a total of \$3,367 due to savings in salaries and fringes.
  - 4) Transfers of \$29,145 were made to support CPED special revenue fund projects, costs of the new Public Service Center, and the neighborhood parks funding plan.
  - 5) Community Planning and Economic Development (CPED) has several projects that are expected to require ongoing funding resulting in current year budget savings of \$2,974.
  - 6) Unspent contingency funding of \$1,761 and the underspending identified above offset the overspending, resulting in an overall underspending in the General Fund of \$14,426.

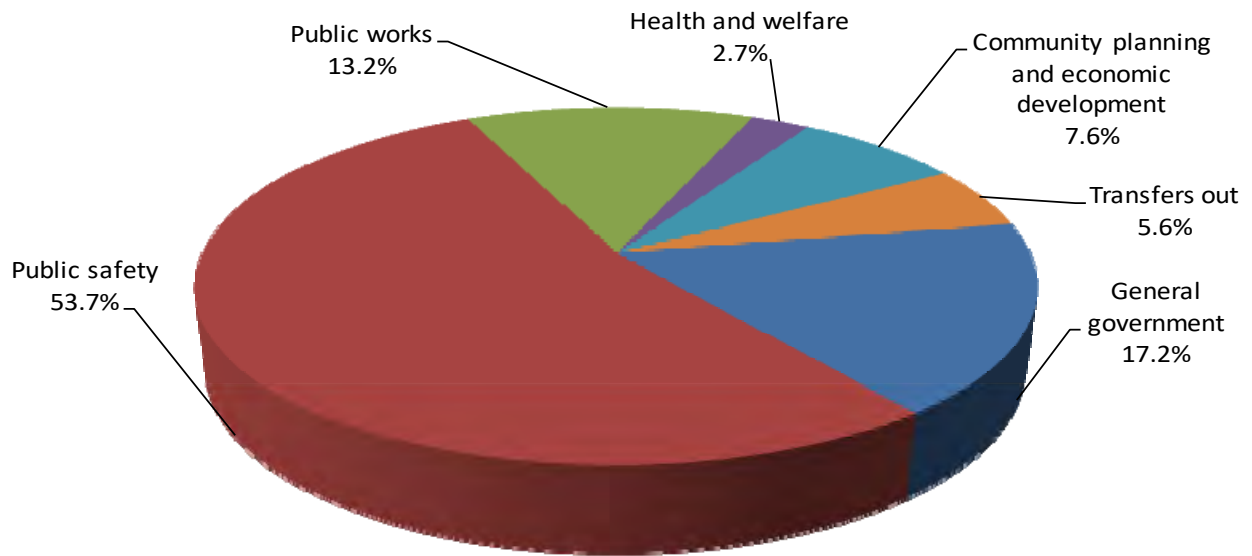
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Current fiscal year revenue and expenditure budgets for the General Fund by major category or function are as follows:

**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 2019 were \$87,218, a 6% increase from the prior year. A majority, approximately 73%, of the fund’s revenue was derived from property tax increment, and 18% 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 2019 were \$57,932. 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 2019 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 \$66,910 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 \$6,883 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 \$230,475. This included \$176,261 restricted for specific programs by State law; and the remaining \$54,214 assigned to provide for community planning and economic development activities.

**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 2019, \$174,674 of capital outlay occurred which is an increase of 63.1% from outlay of \$107,091 in 2018.

The key assets constructed with these funds include:

- Bridges - \$8,435
- Streets - \$66,979
- Traffic Signals and Street Lighting - \$11,990
- Bike Trails - \$2,807
- Property Service - \$4,327
- Consolidated Office Building - \$64,113
- Peavey Plaza Renovation - \$3,220

The fund balance increased from \$103,024 in 2018 to \$190,624 in 2019. 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 also higher from \$44,884 in 2018 to \$71,345 in 2019 due to an increase from State, City and local sources for a variety of capital projects.

**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 2019 the City had \$55,865 of debt outstanding for special assessment improvements. During 2019, the City received debt related assessment collections and interest earnings of \$14,437 and paid total principal of \$12,175 on special assessment bonds and notes.

**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 \$1,029,204 at December 31, 2019, an increase of \$30,136 over the 2018 balance of \$999,068

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 2018 and 2019:

	<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>	
							<b>2019</b>	<b>2018</b>
Cash	\$ 7,431	\$ 33,077	\$ 46,067	\$ 21,534	\$ 26,662	\$ 32,188	\$ 166,959	\$ 183,284
Assets	176,378	365,385	447,146	283,669	78,287	94,996	1,445,861	1,383,999
Deferred outflows of resource:	448	700	1,481	398	908	-	3,935	8,570
Liabilities	45,863	16,541	160,218	76,646	45,543	62,421	407,232	385,397
Deferred inflows of resources	1,519	2,330	5,142	1,372	2,997	-	13,360	8,104
Operating income (loss)	8,316	8,276	12,471	18,028	(1,593)	3,543	49,041	47,590
Change in net position	7,044	7,811	11,865	6,165	3,782	(6,531)	30,136	12,662
Net position	129,444	347,214	283,267	206,049	30,655	32,575	1,029,204	999,068

**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, 2019 was \$129,444 compared to \$122,400 for 2018, an increase of \$7,044.

The operating revenues of \$82,491 for 2019 compared to \$74,111 for 2018 reflects an increase of \$8,380. The sanitary utility sales and service revenues account for \$4,700 of the increase due to increase in rates. These increases were further inflated by \$3,700 in SAC revenues which were off-set by decrease in miscellaneous and design revenues by \$683. Increase in SAC revenues is off-set by equivalent increase in SAC expenses.

The operating expense totaled \$74,175 compared to \$71,958 for 2018 resulting in an increase of \$2,217. The increase in operating expenses reflect increases contractual and professional services of \$1,987 and Met Council and SAC charges of \$3,400. Met Council increased rates for MCES by 1.5% 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, 2019 was \$347,214 which was an increase of \$7,811 from the beginning balance of \$339,403.

The 2019 operating revenues of \$42,718 compared to \$40,639 for 2018 reflected an increase of \$2,079. The increase is due to increased rates coupled with an unusual revenue adjustment in 2018 that lowered revenue in the prior year.

The operating expenses totaled \$34,442 compared to \$34,182 reported for 2018. This was an increase of \$260 and reflects adjustments made during financial statement preparation. Operations during the year actually resulted in a decrease from 2018 due to a decrease in storm maintenance projects. Final expenses were increased through the adjustment of pension expenses and other post-employment adjustments.

**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 \$11,865 for the year, resulting in a net position at December 31, 2019 of \$283,267. This planned increase allowed for net increases to long-term assets in the amount of \$35,717 for improvements to the City's water distribution system and the Fridley Filter Plant rehabilitation and other water treatment infrastructure improvements.

Operating revenue decreased by \$2,348, when compared to 2018, due in large part to decreased water sales due to lower demand from retail customers. Operating expenses increased by \$4,660, when compared to 2018. This increase was partly due to an increase in the cost this fund pays for City services as well as increased costs from pension and other post-employment benefit adjustments.

**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, 2019 was \$206,049 which is an increase of \$6,165 from the beginning balance.

Impound lot revenues increased due to additional towing from several snow emergency events as well as bringing auto auctions back on site. On-street parking revenue was up as usage and prices both increased during 2019. In

2018 the City implemented new, multi-space parking meters which continue to provide increased revenues in on-street parking. Off street parking revenues were down slightly due to higher than usual revenue in 2018 because of some larger events such as the Super Bowl. These changes resulted in operating income of \$18,028. However, the operating gains were offset by net transfers of \$10,649 and interest expense of \$1,273.

***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, 2019 totaled \$30,655, an increase of \$3,782 compared to the beginning balance of \$26,873. Operating revenues totaled \$39,572, an increase of \$717 over 2018. This increase can be attributed to a rate increase of \$0.54 per dwelling unit in utility billing and increase in number of dwelling units served, resulting in increased revenue from sales.

Operating expenses increased to \$41,165 compared to \$39,944 for 2018. This increase of \$1,221 reflects an increase in salaries and fringes along with an increase in administrative costs related to filling vacant positions during the year.

***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 \$6,531 during the year. Operating income was actually up slightly from 2018 increasing from \$3,326 to \$3,543. The overall decrease in net position was due to a \$7,500 transfer out to the capital projects fund for funding of the streets and parks program.

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**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:

**Internal Service Funds**  
**Key Balance Sheet Account Balances and Operating Activities**  
**December 31, 2019, and 2018**

	Engineering Materials and Testing	Intergovern- mental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total	
							2019	2018
Cash	\$ 2,132	\$ 15,115	\$ 8,148	\$ 33,727	\$ 2,538	\$ 93,583	\$ 155,243	\$ 165,339
Assets	2,348	54,406	42,559	105,503	7,470	94,292	306,578	315,312
Deferred outflows of resources	89	862	425	575	95	541	2,587	5,919
Liabilities	1,617	21,488	7,617	10,298	1,674	113,242	155,936	137,837
Deferred inflows of resources	310	3,112	1,483	1,935	326	1,905	9,071	5,609
Operating income (loss)	86	(8,597)	2,368	7,403	(176)	(34,919)	(33,835)	(4,111)
Change in net position	90	(10,558)	1,904	7,674	(15)	(32,721)	(33,626)	(2,703)
Net position	\$ 510	\$ 30,668	\$ 33,884	\$ 93,845	\$ 5,565	\$ (20,314)	\$ 144,158	\$ 177,784

**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 2019, the net position is \$510 representing an increase of \$90 from the 2019 beginning net position of \$420. 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 \$2,132 at year-end 2019 which is an increase of \$492 from the 2018 ending balance of \$1,640.

**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 2019 ending net position is \$30,668, representing a decrease of \$10,558 from the year-end 2018 net position of \$41,226. The cash balance at year-end 2019 is \$15,115, representing a decrease of \$6,868 from the 2018 year-end cash balance of \$21,983. The decrease to net position in 2019 is due significant depreciation expense on high cost, short-life software projects as well as transfers out to support other funds.

**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 2019, the fund experienced an increase of \$1,904 to net position resulting in an ending balance of \$33,884 compared to the 2019 beginning net position of \$31,980. The increase to net position in 2019 is primarily due to the timing of asset preservation projects budgeted for 2019 that will be completed in 2020 or future years. The cash balance decreased from \$9,628 at year-end 2018 to \$8,148 at year-end 2019.

**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 2019, the fund reported an increase to net position of \$7,674, increasing the net position from a 2019 beginning balance of \$86,171 to an ending balance of \$93,845. The 2019 ending cash balance is \$33,727, an increase of \$7,720 from the ending balance of \$26,007 in 2018. The increase to cash balance and net position is a result of operating income of \$7,403 resulting from a delay in some vehicle purchases while collecting and planning for a number of vehicle purchases in future years.

**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 2019, the fund reported a decrease to net position of \$15, decreasing the net position from a 2019 beginning balance of \$5,580 to an ending balance of \$5,565. The fund's ending cash balance is \$2,538 for 2019, a decrease of \$605 from the ending 2018 cash balance of \$3,143. The decrease in cash balance is primarily the result of increase in inventory balances and a loss of \$176.

**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 2019 was negative \$20,314, a decrease of \$32,721 from the 2019 beginning net position of \$12,407. The cash balance decreased by \$9,355 from \$102,938 in 2018 to \$93,583 at year-end 2019. 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.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets**—As of December 31, 2019 the City’s investment in capital assets for its governmental and business-type activities was \$2,816,300 (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 4.3% increase in governmental activities and a 7.4% increase in business-type activities.

The following table summarizes capital assets for governmental and business-type activities for 2019 and 2018:

	<b>Capital Assets (Net of depreciation)</b>					
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land and easements	\$ 114,788	\$ 114,788	\$ 129,591	\$ 129,590	\$ 244,379	\$ 244,378
Construction in progress	561,540	465,508	214,633	128,512	776,173	594,020
Infrastructure	479,349	509,987	-	-	479,349	509,987
Buildings and structures	371,638	359,950	273,251	283,624	644,889	643,574
Public improvements	21,948	23,869	526,370	524,835	548,318	548,704
Machinery and equipment	62,185	61,030	38,839	35,634	101,024	96,664
Computer equipment	2,855	3,420	1,137	170	3,992	3,590
Software	17,582	26,743	20	10	17,602	26,753
Other capital outlay	-	-	574	620	574	620
<b>Total</b>	<u>\$ 1,631,885</u>	<u>\$ 1,565,295</u>	<u>\$ 1,184,415</u>	<u>\$ 1,102,995</u>	<u>\$ 2,816,300</u>	<u>\$ 2,668,290</u>

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, plaza renovations, and building HVAC upgrades.
- 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, \$64,133 was spent on the project in 2019, 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 \$66,979 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 \$46,438 was added in 2019.

Additional information on the City’s capital assets can be found in Note 4 on pages 69-71 of this report.

**Long-term debt**—As of December 31, 2019, the City had total long-term bonds and notes outstanding of \$827,375 compared to \$763,485 in the prior year. Of this amount, \$519,090 is related to governmental activities and \$308,285 is related to business-type activities. The City had \$32,305 or approximately 3.9% 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 \$4,905 is for governmental activities and \$113,595 is for business-type activities.

The following table shows various classifications of the City’s long-term debt at December 31, 2019 and the amount of principal due in 2020.

<u>Summary of Outstanding Bonds and Notes</u>	<u>Balance</u> <u>1/1/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2019</u>	<u>Due in 2020</u>
General Obligation (GO) Bonds and Notes:					
Property Tax Supported GO Bonds	\$ 152,090	\$ 172,330	\$ (45,920)	\$ 278,500	\$ 43,745
Self-Supporting GO Bonds	192,765	-	(30,075)	162,690	33,000
Special Assessment GO Bonds	48,240	16,600	(11,075)	53,765	7,090
Special Assessment GO Notes	3,200	-	(1,100)	2,100	-
Tax Increment GO Bonds	52,380	-	(50,670)	1,710	215
Enterprise Fund Related GO Bonds	119,495	41,945	(25,585)	135,855	18,510
Enterprise Fund Related GO Notes	111,540	11,925	(9,870)	113,595	11,245
Total General Obligation Bonds and Notes	<u>679,710</u>	<u>242,800</u>	<u>(174,295)</u>	<u>748,215</u>	<u>113,805</u>
Revenue Bonds and Notes:					
Economic Development Revenue Bonds	18,940	-	(1,420)	17,520	1,480
Other Community Development Related Bonds	61,565	-	(2,730)	58,835	2,675
Revenue Notes	3,270	-	(465)	2,805	495
Total Revenue Bonds and Notes	<u>83,775</u>	<u>-</u>	<u>(4,615)</u>	<u>79,160</u>	<u>4,650</u>
Total Outstanding Bonds and Notes	<u>\$ 763,485</u>	<u>\$ 242,800</u>	<u>\$ (178,910)</u>	<u>\$ 827,375</u>	<u>\$ 118,455</u>

The City maintained an “AAA” rating from Standard & Poor’s and an “AA+” from Fitch Ratings for its general obligation debt in 2019. Additional information on the City’s Long-term debt can be found in Note 5 starting on page 72 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 65.2% 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 has increased the amount of LGA appropriated to the City of Minneapolis from \$76.1 million in 2014 to \$79.3 million in 2019. A portion of LGA is 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 2019, the City marked its eighth 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. Due to legislative changes in 2019, the 2020 budget does not project any growth in the cost of closed pension obligations from the prior year. For 2020, the City will levy \$8.5 million less for pension obligations than 2018. This is related to a decrease in the City's obligation on closed pension funds.
- 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 used a five-year planning horizon with the intent of establishing normal replacement cycles for all long-term assets used by the City Departments. In 2019, the CARS process was eliminated, and the City will plan and replace capital items using a managed approach during the budgeting process.

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 a construction boom, 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 stable. 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 2020, 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 \$1.69 billion which represents a \$9.83 million or 6.6% increase from the 2019 Council Adopted Budget of \$1.70 billion.
- At the same time, the Council adopted a 2020 property tax levy of \$374.3 million, which results in a 7.0%, or \$24.3 million increase, from the 2019 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 2020, budgeted City positions grew by 35.6 FTEs and budgeted salaries and wages increased by \$14.5 million. Health and dental insurance expenditures are budgeted to decrease from \$76.6 million in 2019 to \$62.1 million in 2020, exclusive of the City's independent boards. This is a decrease of \$14.5 million or 19.0 percent due to projected better medical insurance rates.

- A primary feature of the 2020 budget is a continued investment in affordable housing of over \$31 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) decreased by \$8.5 million from 2019 to a 2020 total of \$14.8 million.
- For 2020 – 2024, the five-year capital program totals \$923.3 million including all funding sources. The 2020 portion of the five-year capital program is \$174.9 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 \$11.9 billion dollars. From 2018 to 2019, the City-wide commercial tax base saw an increase in value of approximately 4.0%.

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 permitted or submitted in 2019, including the Thrivent Office, 1400 Park, Lake Haus, Gateway, Rand Tower Hotel, and the City of Minneapolis Consolidated Office Building. 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 16.7% for quarter one of 2020, an increase from 17.4% in quarter four of 2019.

### ***Employment***

The City of Minneapolis typically experiences an unemployment level less than that of the State of Minnesota and the national average. However, as 2020 progresses and the COVID-19 pandemic continues to cause record job losses, the specific unemployment rates for all areas are creating incomparable variations on a monthly basis. Due to the volatile nature of the labor market and the measurement of joblessness, specific unemployment rates will not be used at this time.

## **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](http://www.minneapolismn.gov).

**STATEMENT OF NET POSITION**  
**December 31, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA**  
**(In Thousands)**

	Primary Government			Discrete Component	
	Governmental	Business-type	Total	Units	Total
	Activities	Activities		Units	
<b>ASSETS</b>					
Cash and pooled investments	\$ 833,046	\$ 134,771	\$ 967,817	\$ 70,535	\$ 1,038,352
Investments with trustees	3,057	32,188	35,245	-	35,245
Receivables - net	151,900	24,078	175,978	14,082	190,060
Due from other governmental agencies	64,495	3,807	68,302	1,214	69,516
Capital leases	-	2,675	2,675	-	2,675
Prepays and other assets	4,748	3,835	8,583	355	8,938
Inventories	6,199	3,932	10,131	48	10,179
Internal balances	27,551	(27,551)	-	-	-
Long-term portion of capital lease receivable	-	56,160	56,160	-	56,160
Properties held for resale	51,072	-	51,072	-	51,072
Capital assets:					
Nondepreciable	676,328	344,224	1,020,552	154,529	1,175,081
Depreciable, net	955,557	840,191	1,795,748	262,678	2,058,426
Total assets	<u>\$ 2,773,953</u>	<u>\$ 1,418,310</u>	<u>\$ 4,192,263</u>	<u>\$ 503,441</u>	<u>\$ 4,695,704</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows - other postemployment benefits	\$ 4,280	\$ 694	\$ 4,974	\$ 251	\$ 5,225
Deferred outflows - pensions	162,531	3,241	165,772	8,333	174,105
Total deferred outflows of resources	<u>\$ 166,811</u>	<u>\$ 3,935</u>	<u>\$ 170,746</u>	<u>\$ 8,584</u>	<u>\$ 179,330</u>
<b>LIABILITIES</b>					
Accrued salaries and benefits	\$ 15,046	\$ 2,128	\$ 17,174	\$ 3,526	\$ 20,700
Accounts payable	56,974	19,209	76,183	12,658	88,841
Retainage payable	2,494	-	2,494	-	2,494
Interest payable	1,517	1,367	2,884	15	2,899
Unpaid claims payable	-	-	-	4,334	4,334
Due to other governmental agencies	148	77	225	-	225
Unearned revenue	14,192	653	14,845	284	15,129
Deposits held for others	8,387	4,462	12,849	-	12,849
Compensated absences:					
Due within one year	24,718	2,629	27,347	3,263	30,610
Due beyond one year	16,272	1,029	17,301	2,255	19,556
Long-term liabilities:					
Due within one year	117,635	32,430	150,065	2,951	153,016
Due beyond one year	538,412	287,239	825,651	4,598	830,249
Net pension liability	425,152	49,834	474,986	55,916	530,902
Total liabilities	<u>\$ 1,220,947</u>	<u>\$ 401,057</u>	<u>\$ 1,622,004</u>	<u>\$ 89,800</u>	<u>\$ 1,711,804</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows - service concession arrangement	\$ -	\$ -	\$ -	\$ 4,439	\$ 4,439
Deferred inflows - other postemployment benefits	296	47	343	11	354
Deferred inflows - pensions	303,313	13,313	316,626	19,867	336,493
Total deferred inflows of resources	<u>\$ 303,609</u>	<u>\$ 13,360</u>	<u>\$ 316,969</u>	<u>\$ 24,317</u>	<u>\$ 341,286</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 1,203,135	\$ 930,589	\$ 2,133,724	\$ 413,176	\$ 2,546,900
Restricted:					
Debt service	38,701	30,598	69,299	-	69,299
Community & economic development	141,008	-	141,008	-	141,008
Law enforcement	1,985	-	1,985	-	1,985
Grants	2,386	-	2,386	-	2,386
Properties held for resale	50,640	-	50,640	-	50,640
Capital improvements	155,469	-	155,469	5,158	160,627
Project and grant programs	-	-	-	20,577	20,577
Special trust	-	-	-	169	169
Special reserves	-	-	-	7,728	7,728
Unrestricted	(177,116)	46,641	(130,475)	(48,900)	(179,375)
Total net position	<u>\$ 1,416,208</u>	<u>\$ 1,007,828</u>	<u>\$ 2,424,036</u>	<u>\$ 397,908</u>	<u>\$ 2,821,944</u>

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

STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended December 31, 2019

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				
					Governmental Activities	Business-type Activities	Total	Discrete Component Units	Total
<b>Primary government</b>									
Governmental Activities:									
General government	\$ 31,300	\$ 22,147	\$ 9,373	\$ 15,529	\$ 15,749	\$ -	\$ 15,749	\$ -	\$ 15,749
Public safety	295,247	21,300	20,852	-	(253,095)	-	(253,095)	-	(253,095)
Public works	154,329	51,362	34,656	-	(68,311)	-	(68,311)	-	(68,311)
Culture and recreation	9,531	-	-	-	(9,531)	-	(9,531)	-	(9,531)
Health and welfare	26,592	3,119	11,849	-	(11,624)	-	(11,624)	-	(11,624)
Community planning & economic development	196,477	86,790	45,911	-	(63,776)	-	(63,776)	-	(63,776)
Interest on long-term debt	18,958	-	-	-	(18,958)	-	(18,958)	-	(18,958)
Total governmental activities	732,434	184,718	122,641	15,529	(409,546)	-	(409,546)	-	(409,546)
Business-type Activities:									
Sanitary sewer	63,066	81,944	-	-	-	18,878	18,878	-	18,878
Stormwater	34,524	42,287	1,670	-	-	9,433	9,433	-	9,433
Water treatment and distribution services	68,792	81,940	-	-	-	13,148	13,148	-	13,148
Municipal parking	50,532	71,755	-	-	-	21,223	21,223	-	21,223
Solid waste and recycling	33,295	39,497	2,326	-	-	8,528	8,528	-	8,528
Community planning & economic development	4,716	4,703	-	-	-	(13)	(13)	-	(13)
Total business-type activities	254,925	322,126	3,996	-	-	71,197	71,197	-	71,197
Total primary government	\$ 987,359	\$ 506,844	\$ 126,637	\$ 15,529	(409,546)	71,197	(338,349)	-	(338,349)
<b>Component units:</b>									
Discrete component units	\$ 153,674	\$ 54,458	\$ 3,010	\$ 30,823				(65,383)	(65,383)
General Revenues:									
Taxes:									
General property tax and fiscal disparities					287,049	-	287,049	65,291	352,340
Property tax increment					66,303	-	66,303	1	66,304
Museum (county-wide levy)					-	-	-	13,887	13,887
Franchise taxes					32,370	-	32,370	-	32,370
Local taxes					89,182	-	89,182	-	89,182
Other taxes					329	-	329	-	329
Local government aid - unrestricted					69,754	-	69,754	240	69,994
Grants and contributions not restricted to programs					2,728	151	2,879	9,667	12,546
Unrestricted interest and investment earnings					30,539	981	31,520	761	32,281
Other					6,422	153	6,575	44	6,619
Gain (loss) on sale of capital assets					1,102	-	1,102	337	1,439
Transfers					46,850	(46,850)	-	-	-
Total general revenues and transfers					632,628	(45,565)	587,063	90,228	677,291
Change in net position					223,082	25,632	248,714	24,845	273,559
Net position - January 1, restated (see note 1.Q)					1,193,126	982,196	2,175,322	373,063	2,548,385
Net position - December 31					\$ 1,416,208	\$ 1,007,828	\$ 2,424,036	\$ 397,908	\$ 2,821,944

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

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
December 31, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	General	Community Planning and Economic Development	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 146,255	\$ 199,942	\$ 207,607	\$ 9,030	\$ 114,969	\$ 677,803
Investments with trustees	-	-	-	-	3,057	3,057
Receivables:						
Accounts - net	5,578	69	2,400	-	3,448	11,495
Taxes	1,930	54	3	-	956	2,943
Special assessments	340	6,672	1,976	60,851	529	70,368
Intergovernmental	1,560	775	46,474	-	15,686	64,495
Loans - net	-	36,178	-	-	28,102	64,280
Accrued interest	1,419	625	293	25	309	2,671
Due from other funds	-	-	-	-	3,160	3,160
Advances to other funds	-	-	-	-	19,010	19,010
Properties held for resale	-	35,253	7,200	-	8,187	50,640
Total assets	<u>\$ 157,082</u>	<u>\$ 279,568</u>	<u>\$ 265,953</u>	<u>\$ 69,906</u>	<u>\$ 197,413</u>	<u>\$ 969,922</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Salaries payable	\$ 11,985	\$ 16	\$ 411	\$ -	\$ 1,225	\$ 13,637
Accounts payable	10,731	4,656	20,577	13	8,849	44,826
Retainage payable	-	-	2,494	-	-	2,494
Due to other governmental agencies	-	-	-	-	148	148
Due to other funds	-	-	-	-	3,160	3,160
Deposits held for others	4,016	1,214	600	-	2,557	8,387
Advances from other funds	-	-	-	-	13,107	13,107
Unearned revenue	519	-	2,199	-	9,993	12,711
Total liabilities	<u>27,251</u>	<u>5,886</u>	<u>26,281</u>	<u>13</u>	<u>39,039</u>	<u>98,470</u>
Deferred Inflows of Resources:						
Unavailable revenue	<u>1,791</u>	<u>43,207</u>	<u>49,048</u>	<u>61,213</u>	<u>29,945</u>	<u>185,204</u>
Fund balances:						
Restricted	-	176,261	162,669	8,680	42,579	390,189
Assigned	-	54,214	27,955	-	99,672	181,841
Unassigned	<u>128,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,822)</u>	<u>114,218</u>
Total fund balances	<u>128,040</u>	<u>230,475</u>	<u>190,624</u>	<u>8,680</u>	<u>128,429</u>	<u>686,248</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 157,082</u>	<u>\$ 279,568</u>	<u>\$ 265,953</u>	<u>\$ 69,906</u>	<u>\$ 197,413</u>	<u>\$ 969,922</u>

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, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

<b>Fund balances - total governmental funds</b>		\$	686,248
<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	631,871		
Depreciable	1,711,037		
Accumulated depreciation	<u>(850,564)</u>		<u>1,492,344</u>
<p>Deferred inflows are not available to pay for current-period expenditures and, therefore, in the governmental funds, are unavailable revenue.</p>			
			185,204
<p>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.</p>			
			144,158
<p>Receivable from business-type funds for internal service fund activity.</p>			
			21,376
<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	(537,560)		
Other postemployment benefits payable	(29,451)		
Net pension liability	(391,297)		
Operating and capital leases payable	(296)		
Bond interest payable	(1,517)		
Compensated absences	<u>(22,687)</u>		<u>(982,808)</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	3,895		
Deferred inflows - other postemployment benefits	(271)		
Deferred outflows - pensions	160,329		
Deferred inflows - pensions	<u>(294,267)</u>		<u>(130,314)</u>
<b>Net position of governmental activities</b>		<b>\$</b>	<b><u>1,416,208</u></b>

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, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	General	Community Planning and Economic Development	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
<b>REVENUES:</b>						
Taxes	\$ 237,929	\$ 63,736	\$ 7,033	\$ -	\$ 166,666	\$ 475,364
Licenses and permits	55,642	-	161	-	744	56,547
Intergovernmental revenues	91,153	606	42,406	-	53,108	187,273
Charges for services and sales	58,586	11,316	10,768	-	11,654	92,324
Fines and forfeits	7,246	-	-	-	327	7,573
Special assessments	3,417	364	3,852	14,066	9,154	30,853
Investment earnings	14,184	6,779	4,493	371	4,460	30,287
Miscellaneous revenues	3,374	4,417	2,632	-	25,708	36,131
Total revenues	<u>471,531</u>	<u>87,218</u>	<u>71,345</u>	<u>14,437</u>	<u>271,821</u>	<u>916,352</u>
<b>EXPENDITURES:</b>						
Current:						
General government	79,939	-	-	-	28,158	108,097
Public safety	279,265	-	-	-	17,731	296,996
Public works	68,527	-	-	-	40	68,567
Health and welfare	13,995	-	-	-	12,111	26,106
Community planning & economic development	36,784	57,844	-	-	103,688	198,316
Capital outlay	-	-	174,674	-	-	174,674
Intergovernmental:						
General government	200	-	2,029	-	-	2,229
Public safety	-	-	-	-	126	126
Culture and recreation	-	88	9,443	-	-	9,531
Debt Service:						
Principal retirement	-	-	-	12,175	128,550	140,725
Interest and fiscal charges	-	-	-	1,982	18,455	20,437
Total expenditures	<u>478,710</u>	<u>57,932</u>	<u>186,146</u>	<u>14,157</u>	<u>308,859</u>	<u>1,045,804</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,179)</u>	<u>29,286</u>	<u>(114,801)</u>	<u>280</u>	<u>(37,038)</u>	<u>(129,452)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers from other funds	60,182	22,446	19,656	-	162,597	264,881
Transfers to other funds	(29,154)	(66,910)	(9,379)	(3,756)	(136,906)	(246,105)
Premium (discount)	-	-	7,249	45	-	7,294
Bonds issued	-	-	184,875	4,055	-	188,930
Total other financing sources (uses)	<u>31,028</u>	<u>(44,464)</u>	<u>202,401</u>	<u>344</u>	<u>25,691</u>	<u>215,000</u>
Net change in fund balances	23,849	(15,178)	87,600	624	(11,347)	85,548
Fund balances - January 1, restated (see note 1.Q)	<u>104,191</u>	<u>245,653</u>	<u>103,024</u>	<u>8,056</u>	<u>139,776</u>	<u>600,700</u>
Fund balances - December 31	<u>\$ 128,040</u>	<u>\$ 230,475</u>	<u>\$ 190,624</u>	<u>\$ 8,680</u>	<u>\$ 128,429</u>	<u>\$ 686,248</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, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

<b>Net increase (decrease) in fund balances - total governmental funds</b>	\$	85,548
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
		(33,626)
Transfers from business-type funds for internal service fund activity.		4,504
<p>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.</p>		
Expenditures for general capital assets, infrastructure, and other related capital assets:	187,548	
Less loss on retirement of capital assets	(235)	
Less current year depreciation	<u>(38,925)</u>	<u>148,388</u>
<p>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.</p>		
Deferred inflows of resources - December 31	185,204	
Deferred inflows of resources - January 1	<u>(151,403)</u>	<u>33,801</u>
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:</p>		
Bonds principal payments	140,725	
Bond proceeds	(188,930)	
Premium/discount	<u>(7,294)</u>	<u>(55,499)</u>
<p>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:</p>		
Change in accrued interest payable	1,479	
Change in other postemployment benefits payable and related deferred outflows and inflows	4,058	
Change in compensated absences	15,281	
Change in net pension liability and related deferred outflows and inflows	15,550	
Change in other long-term liabilities	<u>3,598</u>	<u>39,966</u>
<b>Increase (decrease) in net position of governmental activities</b>	<b>\$</b>	<b><u>223,082</u></b>

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

**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**December 31, 2019**

**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
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$ 7,431	\$ 33,077	\$ 46,067	\$ 21,534	\$ 26,662	\$ -	\$ 134,771	\$ 155,243
Investments with trustees	-	-	-	-	-	32,188	32,188	-
Receivables:								
Accounts - net	4,914	3,743	3,766	820	3,583	-	16,826	143
Special assessments:								
Current	92	86	1,385	543	95	-	2,201	-
Delinquent	16	14	64	-	18	-	112	-
Noncurrent	-	-	1,553	3,261	-	-	4,814	-
Intergovernmental	-	282	-	3,448	77	-	3,807	-
Accrued interest	-	-	-	-	-	125	125	-
Capital leases	-	-	-	-	-	2,675	2,675	-
Inventories	-	-	2,592	-	1,340	-	3,932	6,199
Properties held for resale	-	-	-	-	-	-	-	432
Prepaid items	3,643	192	-	-	-	-	3,835	4,748
Total current assets	<u>16,096</u>	<u>37,394</u>	<u>55,427</u>	<u>29,606</u>	<u>31,775</u>	<u>34,988</u>	<u>205,286</u>	<u>166,765</u>
Long-term assets:								
Capital leases	-	-	-	-	-	56,160	56,160	-
Advances to other funds	-	-	-	-	-	-	-	272
Capital assets:								
Nondepreciable:								
Land and easements	1	7,211	5,347	109,735	3,449	3,848	129,591	23,007
Construction in progress	47,470	33,322	92,173	5,203	36,465	-	214,633	21,450
Depreciable:								
Buildings and structures	-	-	242,800	276,458	2,047	12,743	534,048	55,649
Less accumulated depreciation	-	-	(100,564)	(145,445)	(2,045)	(12,743)	(260,797)	(34,406)
Public improvements	180,768	419,484	210,829	8,089	-	-	819,170	10,517
Less accumulated depreciation	(68,093)	(132,130)	(89,430)	(3,147)	-	-	(292,800)	(5,348)
Machinery and equipment	1,614	1,749	51,252	8,394	18,893	347	82,249	121,967
Less accumulated depreciation	(1,478)	(1,646)	(22,395)	(5,247)	(12,297)	(347)	(43,410)	(73,279)
Computer equipment	10	193	1,508	1,041	178	-	2,930	31,942
Less accumulated depreciation	(10)	(193)	(371)	(1,041)	(178)	-	(1,793)	(29,486)
Software	-	1,494	302	130	955	-	2,881	63,360
Less accumulated depreciation	-	(1,493)	(283)	(130)	(955)	-	(2,861)	(45,832)
Other capital outlay	-	-	693	38	-	-	731	36
Less accumulated depreciation	-	-	(142)	(15)	-	-	(157)	(36)
Total long - term assets	<u>160,282</u>	<u>327,991</u>	<u>391,719</u>	<u>254,063</u>	<u>46,512</u>	<u>60,008</u>	<u>1,240,575</u>	<u>139,813</u>
Total assets	<u>\$ 176,378</u>	<u>\$ 365,385</u>	<u>\$ 447,146</u>	<u>\$ 283,669</u>	<u>\$ 78,287</u>	<u>\$ 94,996</u>	<u>\$ 1,445,861</u>	<u>\$ 306,578</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Deferred outflows - other postemployment benefits	\$ 80	\$ 135	\$ 233	\$ 65	\$ 181	\$ -	\$ 694	\$ 385
Deferred outflows - pensions	368	565	1,248	333	727	-	3,241	2,202
Total deferred outflows of resources	<u>\$ 448</u>	<u>\$ 700</u>	<u>\$ 1,481</u>	<u>\$ 398</u>	<u>\$ 908</u>	<u>\$ -</u>	<u>\$ 3,935</u>	<u>\$ 2,587</u>

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

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
December 31, 2019

CITY OF MINNEAPOLIS, MINNESOTA  
(Continued)  
(In Thousands)

	Business-type Activities - Enterprise Funds						Governmental
	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Internal Service Funds
<b>LIABILITIES</b>							
Current liabilities:							
Salaries payable	\$ 214	\$ 425	\$ 864	\$ 224	\$ 401	\$ -	\$ 1,409
Accounts payable	3,116	883	7,064	3,340	4,741	65	12,148
Intergovernmental payable	-	-	6	23	48	-	-
Deposits held for others	-	-	54	1,834	-	2,574	-
Interest payable	82	15	780	106	97	287	-
Unearned revenue	-	-	-	-	-	653	1,481
Bonds payable - current portion	5,700	600	5,125	3,250	3,835	2,675	-
Notes payable - current portion	-	-	11,050	195	-	-	-
Compensated absences payable - current portion	352	487	1,042	246	496	6	4,722
Medical claims payable - current portion	-	-	-	-	-	-	7,124
Unpaid claims payable - current portion	-	-	-	-	-	-	24,486
Total current liabilities	<u>9,464</u>	<u>2,410</u>	<u>25,985</u>	<u>9,218</u>	<u>9,618</u>	<u>6,260</u>	<u>51,370</u>
Long-term liabilities:							
Bonds payable	29,987	4,228	37,730	28,338	23,191	56,160	-
Notes payable	-	-	75,145	27,205	-	-	-
Advances from other funds	-	-	-	6,175	-	-	-
Compensated absences payable	138	191	408	96	195	1	13,581
Other postemployment benefits	609	1,024	1,762	494	1,366	-	2,908
Net pension liability	5,665	8,688	19,188	5,120	11,173	-	33,855
Unpaid claims payable	-	-	-	-	-	-	54,222
Total long-term liabilities	<u>36,399</u>	<u>14,131</u>	<u>134,233</u>	<u>67,428</u>	<u>35,925</u>	<u>56,161</u>	<u>104,566</u>
Total liabilities	<u>\$ 45,863</u>	<u>\$ 16,541</u>	<u>\$ 160,218</u>	<u>\$ 76,646</u>	<u>\$ 45,543</u>	<u>\$ 62,421</u>	<u>\$ 155,936</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows - other postemployment benefits	\$ 6	\$ 9	\$ 16	\$ 4	\$ 12	\$ -	\$ 25
Deferred inflows - pensions	1,513	2,321	5,126	1,368	2,985	-	9,046
Total deferred inflows of resources	<u>\$ 1,519</u>	<u>\$ 2,330</u>	<u>\$ 5,142</u>	<u>\$ 1,372</u>	<u>\$ 2,997</u>	<u>\$ -</u>	<u>\$ 9,071</u>
<b>NET POSITION</b>							
Net investment in capital assets	\$ 123,586	\$ 323,080	\$ 266,751	\$ 195,426	\$ 17,898	\$ 3,848	\$ 139,541
Restricted - debt service	-	-	-	-	-	30,598	-
Unrestricted	5,858	24,134	16,516	10,623	12,757	(1,871)	4,617
Total net position	<u>\$ 129,444</u>	<u>\$ 347,214</u>	<u>\$ 283,267</u>	<u>\$ 206,049</u>	<u>\$ 30,655</u>	<u>\$ 32,575</u>	<u>\$ 144,158</u>
Net position - total enterprise funds						\$ 1,029,204	
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.						(21,376)	
Net position of business-type activities						<u>\$ 1,007,828</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, 2019**

**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	\$ -	\$ -	\$ 110	\$ 570	\$ -	\$ -	\$ 680	\$ -
Intergovernmental revenues	-	431	-	-	9	-	440	-
Charges for services and sales	82,404	42,205	81,032	71,115	39,358	1,042	317,156	179,255
Fines and forfeits	-	-	-	-	-	-	-	22
Special assessments	87	82	171	-	205	-	545	-
Investment earnings	-	-	-	-	-	3,569	3,569	-
Rents and commissions	-	-	-	54	-	-	54	44,373
Other revenues	-	-	-	-	-	92	92	-
<b>Total operating revenues</b>	<b>82,491</b>	<b>42,718</b>	<b>81,313</b>	<b>71,739</b>	<b>39,572</b>	<b>4,703</b>	<b>322,536</b>	<b>223,650</b>
Operating expenses:								
Personnel costs	5,796	10,141	24,182	6,937	13,853	133	61,042	48,706
Contractual services	23,151	15,493	22,200	36,836	23,029	1,027	121,736	140,991
Materials, supplies, services and other	43,472	3,924	11,539	3,263	3,016	-	65,214	47,592
Depreciation	1,756	4,884	10,921	6,675	1,267	-	25,503	20,196
<b>Total operating expenses</b>	<b>74,175</b>	<b>34,442</b>	<b>68,842</b>	<b>53,711</b>	<b>41,165</b>	<b>1,160</b>	<b>273,495</b>	<b>257,485</b>
<b>Operating income (loss)</b>	<b>8,316</b>	<b>8,276</b>	<b>12,471</b>	<b>18,028</b>	<b>(1,593)</b>	<b>3,543</b>	<b>49,041</b>	<b>(33,835)</b>
Nonoperating revenues (expenses):								
Intergovernmental	17	1,265	58	16	2,351	-	3,707	104
Investment earnings	-	-	-	-	-	981	981	8
Interest expense	(676)	(82)	(2,694)	(1,273)	(941)	(3,556)	(9,222)	-
Gain (loss) on disposal of capital assets	-	-	-	-	-	-	-	924
Special assessments	-	-	1,313	25	-	-	1,338	-
Other revenues	-	-	119	18	15	1	153	2,087
<b>Total nonoperating revenues (expenses)</b>	<b>(659)</b>	<b>1,183</b>	<b>(1,204)</b>	<b>(1,214)</b>	<b>1,425</b>	<b>(2,574)</b>	<b>(3,043)</b>	<b>3,123</b>
<b>Income (loss) before transfers</b>	<b>7,657</b>	<b>9,459</b>	<b>11,267</b>	<b>16,814</b>	<b>(168)</b>	<b>969</b>	<b>45,998</b>	<b>(30,712)</b>
Transfers in (out):								
Transfers from other funds	-	-	622	880	3,994	-	5,496	2,183
Transfers to other funds	(613)	(1,648)	(24)	(11,529)	(44)	(7,500)	(21,358)	(5,097)
<b>Total transfers</b>	<b>(613)</b>	<b>(1,648)</b>	<b>598</b>	<b>(10,649)</b>	<b>3,950</b>	<b>(7,500)</b>	<b>(15,862)</b>	<b>(2,914)</b>
<b>Change in net position</b>	<b>7,044</b>	<b>7,811</b>	<b>11,865</b>	<b>6,165</b>	<b>3,782</b>	<b>(6,531)</b>	<b>30,136</b>	<b>(33,626)</b>
<b>Net position - January 1</b>	<b>122,400</b>	<b>339,403</b>	<b>271,402</b>	<b>199,884</b>	<b>26,873</b>	<b>39,106</b>	<b>999,068</b>	<b>177,784</b>
<b>Net position - December 31</b>	<b>\$ 129,444</b>	<b>\$ 347,214</b>	<b>\$ 283,267</b>	<b>\$ 206,049</b>	<b>\$ 30,655</b>	<b>\$ 32,575</b>	<b>\$ 1,029,204</b>	<b>\$ 144,158</b>

Change in net position - total enterprise funds \$ 30,136

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. (4,504)

Change in net position of business-type activities \$ 25,632

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, 2019**

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
<b>Cash flows from operating activities:</b>								
Cash received from customers	\$ 81,811	\$ 42,118	\$ 81,088	\$ 70,504	\$ 39,426	\$ 7,248	\$ 322,195	\$ 100,738
Intergovernmental receipts	-	431	-	-	-	-	431	-
Cash received from interfund activities	91	466	671	1,097	66	-	2,391	127,623
Payments to suppliers	(56,946)	(4,860)	(17,050)	(32,692)	(19,448)	(1,023)	(132,019)	(174,608)
Payments to employees	(5,705)	(9,131)	(20,839)	(6,684)	(12,613)	(125)	(55,097)	(31,142)
Payments for interfund activities	(9,437)	(14,990)	(16,565)	(5,904)	(7,532)	-	(54,428)	(12,291)
Other nonoperating revenues	-	-	119	18	15	1	153	2,087
Net cash provided (used) by operating activities	9,814	14,034	27,424	26,339	(86)	6,101	83,626	12,407
<b>Cash flows from non-capital financing activities:</b>								
Transfers from other funds	-	-	622	880	3,994	-	5,496	2,183
Repayment of advance from other funds	-	-	-	-	-	-	-	248
Interest paid on advance from other funds	-	-	-	-	-	-	-	8
Principal paid on bonds and notes	-	-	-	-	-	(2,730)	(2,730)	-
Interest paid on bonds and notes	-	-	-	-	-	(3,567)	(3,567)	-
Transfers to other funds	(613)	(1,648)	(24)	(11,529)	(44)	(7,500)	(21,358)	(5,097)
Intergovernmental receipts	17	1,265	58	16	2,351	-	3,707	104
Net cash provided (used) by non-capital financing activities	(596)	(383)	656	(10,633)	6,301	(13,797)	(18,452)	(2,554)
<b>Cash Flows from capital and related financing activities:</b>								
Bonds issued	16,739	5,022	22,690	-	-	-	44,451	-
Notes issued	-	-	11,925	-	-	-	11,925	-
Principal paid on bonds	(4,990)	(155)	(6,685)	(10,995)	(2,760)	-	(25,585)	-
Interest paid on bonds	(916)	(107)	(1,140)	(944)	(1,412)	-	(4,519)	-
Principal paid on notes	-	-	(9,675)	(195)	-	-	(9,870)	-
Interest paid on notes	-	-	(1,807)	(582)	-	-	(2,389)	-
Proceeds from advance from other fund	-	-	-	6,175	-	-	6,175	-
Special assessments	-	-	1,313	569	-	-	1,882	-
Acquisition and construction of capital assets	(17,094)	(11,964)	(47,039)	(2,467)	(26,281)	-	(104,845)	(20,894)
Proceeds from sale of capital assets	-	-	-	-	247	-	247	945
Net cash provided (used) by capital and related financing activities	(6,261)	(7,204)	(30,418)	(8,439)	(30,206)	-	(82,528)	(19,949)
<b>Cash flows from investing activities:</b>								
Purchase of investments	-	-	-	-	-	(6,195)	(6,195)	-
Sale of investments	-	-	-	-	-	12,830	12,830	-
Interest	-	-	-	-	-	1,029	1,029	-
Net cash provided (used) by investing activities	-	-	-	-	-	7,664	7,664	-
Net increase (decrease) in cash and cash equivalents	2,957	6,447	(2,338)	7,267	(23,991)	(32)	(9,690)	(10,096)
Cash and cash equivalents, beginning of year	4,474	26,630	48,405	14,267	50,653	32	144,461	165,339
Cash and cash equivalents, end of year	\$ 7,431	\$ 33,077	\$ 46,067	\$ 21,534	\$ 26,662	\$ -	\$ 134,771	\$ 155,243
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>								
Operating income (loss)	\$ 8,316	\$ 8,276	\$ 12,471	\$ 18,028	\$ (1,593)	\$ 3,543	\$ 49,041	\$ (33,835)
Adjustment to reconcile change in net position to net cash provided (used) by operating activities:								
Depreciation	1,756	4,884	10,921	6,675	1,267	-	25,503	20,196
Accounts receivable	(607)	305	871	(391)	(2)	15	191	205
Intergovernmental receivable	-	-	-	260	(75)	-	185	102
Special assessments receivable	19	(7)	(378)	-	(2)	-	(368)	-
Capital leases receivable	-	-	-	-	-	2,730	2,730	-
Inventories	-	-	(41)	-	(164)	-	(205)	(442)
Prepaid items	(126)	(7)	-	-	-	-	(133)	(798)
Deferred outflows - other postemployment benefits	(73)	(126)	(202)	(58)	(162)	-	(621)	(346)
Deferred outflows - pensions	673	991	1,873	457	1,261	-	5,255	3,679
Salaries payable	(23)	(3)	59	49	9	-	91	41
Accounts payable	638	96	1,094	717	260	4	2,809	153
Intergovernmental payable	-	-	5	6	(215)	-	(204)	-
Deposits held for others	-	-	(47)	(6)	-	(103)	(156)	-
Unearned revenue	-	-	-	-	-	(97)	(97)	(86)
Compensated absences payable	(92)	205	102	49	2	8	274	16,057
Other postemployment benefits	485	852	1,220	361	1,050	-	3,968	2,230
Net pension liability	(1,678)	(2,278)	(2,808)	(446)	(2,837)	-	(10,047)	(7,597)
Unpaid claims payable	-	-	-	-	-	-	-	7,265
Medical claims payable	-	-	-	-	-	-	-	38
Deferred inflows - other postemployment benefits	6	9	16	5	12	-	48	23
Deferred inflows - pensions	520	837	2,149	615	1,088	-	5,209	3,435
Other nonoperating revenues	-	-	119	18	15	1	153	2,087
Net cash provided (used) by operating activities	\$ 9,814	\$ 14,034	\$ 27,424	\$ 26,339	\$ (86)	\$ 6,101	\$ 83,626	\$ 12,407
<b>Non-cash investing, capital and financing activities:</b>								
Increase (decrease) in the value of investments reported at fair value	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 345	\$ 345	\$ -
Loss on disposal of capital assets	-	-	-	-	-	-	-	(178)
Capital assets purchased on account	1,008	83	2,339	-	1,588	-	5,018	-

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

**CUSTODIAL FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
December 31, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

		<b>Total Custodial Funds</b>
	<b><u>ASSETS</u></b>	
Cash and cash equivalents		\$ 1,407
Receivables:		
Accrued interest		4
Intergovernmental		176
Prepaid items		<u>2</u>
Total assets		<u>\$ 1,589</u>
	<b><u>LIABILITIES</u></b>	
Salaries payable		\$ 28
Accounts payable		4
Intergovernmental payable		206
Unearned revenue		<u>894</u>
Total liabilities		<u>\$ 1,132</u>
	<b><u>DEFERRED INFLOW OF RESOURCES</u></b>	
Unavailable revenue		<u>\$ 2</u>
	<b><u>NET POSITION</u></b>	
Restricted for:		
Other governments		<u>\$ 455</u>

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

**CUSTODIAL FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Fiscal Year Ended December 31, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>Total Custodial Funds</u>
<b><u>ADDITIONS</u></b>	
Intergovernmental revenues	\$ 1,349
Development fees	46
Investment earnings	41
Miscellaeneous revenues	264
Total additions	<u>\$ 1,700</u>
<b><u>DEDUCTIONS</u></b>	
General government	\$ 1,537
Legal services	1
Membership and dues	1
Total additions	<u>\$ 1,539</u>
Net increase (decrease) in fiduciary net position	\$ 161
Net Position - January 1, restated (see note 1.Q)	<u>294</u>
Net Position - December 31	<u>\$ 455</u>

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

**COMBINING STATEMENT OF NET POSITION  
DISCRETE COMPONENT UNITS  
December 31, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<b>Minneapolis Park and Recreation Board</b>	<b>Municipal Building Commission</b>	<b>Meet Minneapolis</b>	<b>Total Discrete Component Units</b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 64,079	\$ 3,018	\$ 3,438	\$ 70,535
Receivables	13,268	-	814	14,082
Due from other governmental agencies	-	1,214	-	1,214
Prepays and other assets	123	-	232	355
Inventories	48	-	-	48
Capital assets:				
Nondepreciable	132,324	22,205	-	154,529
Depreciable, net	254,977	5,026	2,675	262,678
Total assets	<u>\$ 464,819</u>	<u>\$ 31,463</u>	<u>\$ 7,159</u>	<u>\$ 503,441</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred outflows - other postemployment benefits	\$ 122	\$ 129	\$ -	\$ 251
Deferred outflows - pensions	8,124	209	-	8,333
Total deferred outflows of resources	<u>\$ 8,246</u>	<u>\$ 338</u>	<u>\$ -</u>	<u>\$ 8,584</u>
<b><u>LIABILITIES</u></b>				
Accrued salaries and benefits	\$ 2,395	\$ 216	\$ 915	\$ 3,526
Accounts payable	11,395	841	422	12,658
Interest payable	15	-	-	15
Unpaid claims payable	4,334	-	-	4,334
Unearned revenue	-	-	284	284
Compensated absences:				
Due within one year	3,099	164	-	3,263
Due beyond one year	2,220	35	-	2,255
Long-term liabilities:				
Due within one year	2,316	-	635	2,951
Due beyond one year	2,136	881	1,581	4,598
Net pension liability	51,830	4,086	-	55,916
Total liabilities	<u>\$ 79,740</u>	<u>\$ 6,223</u>	<u>\$ 3,837</u>	<u>\$ 89,800</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred inflows - service concession arrangement	\$ 4,439	\$ -	\$ -	\$ 4,439
Deferred inflows - other postemployment benefits	8	3	-	11
Deferred inflows - pensions	18,642	1,225	-	19,867
Total deferred inflows of resources	<u>\$ 23,089</u>	<u>\$ 1,228</u>	<u>\$ -</u>	<u>\$ 24,317</u>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	\$ 383,458	\$ 27,231	\$ 2,487	\$ 413,176
Capital improvements	5,158	-	-	5,158
Project and grant programs	20,577	-	-	20,577
Special trust	169	-	-	169
Special reserves	7,728	-	-	7,728
Unrestricted	(46,854)	(2,881)	835	(48,900)
Total net position	<u>\$ 370,236</u>	<u>\$ 24,350</u>	<u>\$ 3,322</u>	<u>\$ 397,908</u>

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, 2019**

**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
<b>FUNCTIONS/PROGRAMS</b>								
Minneapolis Park and Recreation Board	\$ 131,553	\$ 32,283	\$ 3,010	\$ 26,807	\$ (69,453)	\$ -	\$ -	\$ (69,453)
Municipal Building Commission	9,381	8,930	-	4,016	-	3,565	-	3,565
Meet Minneapolis	12,740	13,245	-	-	-	-	505	505
Total discrete component unit activities	<u>\$ 153,674</u>	<u>\$ 54,458</u>	<u>\$ 3,010</u>	<u>\$ 30,823</u>	<u>(69,453)</u>	<u>3,565</u>	<u>505</u>	<u>(65,383)</u>
General Revenues:								
Taxes:								
General property tax and fiscal disparities					65,291	-	-	65,291
Property tax increment					1	-	-	1
Museum (county-wide levy)					13,887	-	-	13,887
Local government aid - unrestricted					-	240	-	240
Grants and contributions not restricted to specific programs					9,654	13	-	9,667
Unrestricted interest and investment earnings					761	-	-	761
Other					-	44	-	44
Gain on sale of capital assets					337	-	-	337
Total general revenues					<u>89,931</u>	<u>297</u>	<u>-</u>	<u>90,228</u>
Change in net position					20,478	3,862	505	24,845
Net position - January 1					<u>349,758</u>	<u>20,488</u>	<u>2,817</u>	<u>373,063</u>
Net position - December 31					<u>\$ 370,236</u>	<u>\$ 24,350</u>	<u>\$ 3,322</u>	<u>\$ 397,908</u>

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

For the fiscal year ended December 31, 2019

(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 six 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, 2019

(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 Article VI 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.

**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:

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

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

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A – Reporting Entity****Joint Ventures (continued)****▪ 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.

**▪ 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 current members include the cities of Lauderdale, Minneapolis, Saint Anthony Village, the Minneapolis Park and Recreation Board, and the University of Minnesota. 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.

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A – Reporting Entity****Joint Ventures (continued)****▪ 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 a 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](http://www.bassettcreekwmo.org)

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For the fiscal year ended December 31, 2019

(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, 2019

(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, 2019

(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.

**▪ 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.

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.

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****B – Basis of Presentation (continued)****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
- Downtown Assets
- HUD Consolidated Plan
- 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

▪ **Custodial Funds**

Financial statements of custodial funds are used to account for assets held by the City for fiduciary activities, for private organizations or other governments. These statements do not present results of operations or have a measurement focus but utilize the full accrual basis of accounting. Custodial funds are included in the Statement of Fiduciary Net Position.

- Minneapolis Youth Coordinating Board
- Joint Board

For the fiscal year ended December 31, 2019

(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 2018 process for the 2019 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 work and make appropriate changes to the plan for the next year. Metrics are reported by budget program area and the reports made public. This analysis and reporting is the Department Results Minneapolis program.

**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 1<sup>st</sup> 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 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.

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****C – Budgets (continued)****June – August***Mayor's Recommended Budget*

The 2019 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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**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:

	<b>Expenditure Budget at Beginning of Year</b>	<b>Changes During Year</b>	<b>Expenditure Budget at End of Year</b>
General	\$ 482,903	\$ 10,242	\$ 493,145
CPED Special Revenue	67,716	53,487	121,203
Arena Reserve Special Revenue	6,362	4,832	11,194
Downtown Assets	1,412	4,318	5,730
HUD Consolidated Plan Special Revenue	16,216	3,151	19,367
Convention Center Special Revenue	49,697	10,078	59,775
Grants – Federal Special Revenue	11,038	7,611	18,649
Grants – Other Special Revenue	13,108	35,296	48,404
Total	<u>\$ 648,452</u>	<u>\$ 129,015</u>	<u>\$ 777,467</u>

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For the fiscal year ended December 31, 2019

(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, 2019

(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, 2019

(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 period 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.

**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, 2019

(Dollar Amounts Expressed in Thousands)

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

**P – Change in Accounting Principle**

During the year ended December 31, 2019, the City adopted new accounting guidance by implementing the provisions of GASB Statement 84. GASB Statement No. 84, Fiduciary Activities, changes the classification of certain funds from Agency Funds to City Funds and Custodial Funds. Beginning fund balance and net position have been restated to reflect these changes.

**Q – Restatement of Net Position**

The City adjusted net position to correct prior period accounting errors. Capital asset additions were entered at incorrect amounts. Due to the change in accounting principle for the implementation of GASB Statement No 84, Fiduciary Activities, the General Fund’s fund balance was restated, which also impacted governmental activities. The impact of these adjustments on net position and fund balance is illustrated in the table below.

	Governmental Activities	General Fund	Custodial Funds
Balance January 1, 2019	\$ 1,275,606	\$ 104,196	\$ -
Capital Assets	(82,475)	-	-
GASB 84	(5)	(5)	294
Balance January 1, 2019 restated	<u>\$ 1,193,126</u>	<u>\$ 104,191</u>	<u>\$ 294</u>

**R – Stewardship, Accountability and Compliance**

The Development Debt Service Fund currently has a deficit fund balance of \$13,789 due to loans and advances from other funds.

The Neighborhood and Community Relations Special Revenue Fund’s expenditures exceeded budget by \$168. This fund is supported entirely by transfers in from a special tax increment financing district which will be decertified and cease transfer activity after 2020. Any overspending will result in a reduction of operating capacity in a future year until the fund is retired.

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For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**A – Deposits**

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

Deposits, per book	\$ 334,819
Investments	740,165
Imprest cash held by City	<u>20</u>
Total	<u>\$ 1,075,004</u>
Primary Government:	
Cash and cash equivalents	\$ 967,817
Investments with trustees	<u>35,245</u>
Total primary government	<u>\$ 1,003,062</u>
Cash and cash equivalents in custodial funds	<u>\$ 1,407</u>
Discretely Presented Component Units:	
Park and Recreation Board:	
Cash and cash equivalents	<u>64,079</u>
Municipal Building Commission:	
Cash and cash equivalents	<u>3,018</u>
Meet Minneapolis:	
Cash and cash equivalents	<u>3,438</u>
Total discretely presented component units	<u>\$ 70,535</u>
Total reporting entity	<u>\$ 1,075,004</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, 2019, totaled \$5,368. The City also had bank deposits in several banks through the investment program totaling \$340,730.

Reconciliation of bank cash balances to book cash balance:	
Bank balance, per December 31, 2019 bank statement	\$ 346,098
Reconciling items and outstanding checks	<u>(11,279)</u>
Deposits, per book	<u>\$ 334,819</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 or a letter of credit (LOC) from the Federal Home Loan Bank (FHLB) to collateralize the City’s deposits. At December 31, 2019, 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 or collateralized by a FHLB LOC.

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

**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, 2019, 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, 2019, and information relating to interest rate risks:

<b>Investment Type</b>	<b>Average Maturity (Years)</b>	<b>(Fair) Value</b>
U.S. Treasury obligations	1.7	\$ 169,868
U.S. Federal agency obligations	7.0	261,835
U.S. Mortgage obligations	12.9	23,310
Municipal bonds	2.3	88,053
Commercial paper	0.5	37,357
Money market mutual funds	0.0	88,142
Negotiable certificates of deposit	0.4	71,600
Portfolio weighted average maturity	2.5	
Total investments		\$ 740,165
Deposits per book		334,819
Imprest cash		20
Total cash and investments		\$ 1,075,004

For the fiscal year ended December 31, 2019

(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, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**B – Investments (continued)**

At December 31, 2019, 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+	\$ 169,868	Aaa	\$ 169,868
U.S. Federal agency obligations	AAA	\$ 1,321	Aaa	\$ 261,835
	AA+	260,514	Aa1	-
Total U.S. Federal agency obligations		<u>\$ 261,835</u>		<u>\$ 261,835</u>
U.S. Mortgage obligations	AAA	\$ 1,763	Aaa	\$ 23,310
	AA+	21,547	Aa1	-
Total U.S. Mortgage obligations		<u>\$ 23,310</u>		<u>\$ 23,310</u>
Municipal bonds				
	AAA	\$ 24,494	Aaa	\$ 20,293
	AA+	14,719	Aa1	26,758
	AA	17,518	Aa2	21,901
	AA-	8,538	Aa3	6,618
	A+	678	A1	4,022
	A	2,007	A2	-
	Not Available	20,099	Not Available	8,461
Total municipal bonds		<u>\$ 88,053</u>		<u>\$ 88,053</u>
Commercial paper	A-1+	\$ 26,295	P-1	\$ 37,357
	Not rated	11,062	Not rated	-
Total commercial paper		<u>\$ 37,357</u>		<u>\$ 37,357</u>
Mutual funds	AAAmG	\$ 85,239	Aaa-mf	\$ 88,142
	Not Available	2,903	Not Available	-
Total Mutual funds		<u>\$ 88,142</u>		<u>\$ 88,142</u>
Negotiable certificates of deposit	FDIC Insured	\$ 71,600	FDIC Insured	\$ 71,600
Total		<u>\$ 740,165</u>		<u>\$ 740,165</u>

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For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 2 – DEPOSITS AND INVESTMENTS****B – Investments (continued)***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, 2019.

*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.

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For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 2 – DEPOSITS AND INVESTMENTS****B – Investments (continued)**

At December 31, 2019, the City had the following recurring fair value measurements:

	December 31, 2019	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)
<b>Investments by fair value level</b>				
Debt securities				
U.S. Treasury securities	\$ 169,868	\$ -	\$ 169,868	\$ -
U.S. Federal agency obligations	261,835	-	261,835	-
U.S. Mortgage obligations	23,310	-	23,310	-
Municipal bonds	88,053	-	88,053	-
Commercial paper	37,357	-	37,357	-
Total investments by fair value level	\$ 580,423	\$ -	\$ 580,423	\$ -
<b>Investments measured at net asset value (NAV)</b>				
Government money market mutual funds	\$ 88,142			
Negotiable certificates of deposit	71,600			
Total investments measured at the NAV	\$ 159,742			
Total investments measured at fair value and NAV	\$ 740,165			

Debt securities classified in Level 1 are valued using a market approach quoted in active markets for those securities. 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.

The City also holds \$88,142 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 \$71,600 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.

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**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:

Governmental Activities	Community Planning				Non-Major Governmental Funds	Internal Service Funds	Total Governmental
	General Fund	and Economic Development	Permanent Improvement	Special Assessment			
	Accounts	\$ 5,698	\$ 69	\$ 2,652			
Taxes	1,930	54	3	-	956	-	2,943
Special assessments	340	6,672	1,976	60,851	529	-	70,368
Intergovernmental	1,560	775	46,474	-	15,686	-	64,495
Loans	-	198,012	-	-	128,742	-	326,754
Accrued interest	1,419	625	293	25	309	-	2,671
Gross receivables	10,947	206,207	51,398	60,876	149,699	149	479,276
Less: Allowance for uncollectibles	(120)	(161,834)	(252)	-	(100,669)	(6)	(262,881)
Total receivables (due within one year)	<u>\$ 10,827</u>	<u>\$ 44,373</u>	<u>\$ 51,146</u>	<u>\$ 60,876</u>	<u>\$ 49,030</u>	<u>\$ 143</u>	<u>\$ 216,395</u>

Business-type Activities	Water Treatment and Distribution				Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total Business-type
	Sanitary Sewer	Stormwater	Distribution Services					
	Accounts	\$ 4,914	\$ 3,747	\$ 3,766				
Special assessments	108	100	3,002	3,804	113	-	7,127	
Intergovernmental	-	282	-	3,448	77	-	3,807	
Accrued interest	-	-	-	-	-	125	125	
Gross receivables	5,022	4,129	6,768	8,083	3,773	125	27,900	
Less: Allowance for uncollectibles	-	(4)	-	(11)	-	-	(15)	
Total receivables (due within one year)	<u>\$ 5,022</u>	<u>\$ 4,125</u>	<u>\$ 6,768</u>	<u>\$ 8,072</u>	<u>\$ 3,773</u>	<u>\$ 125</u>	<u>\$ 27,885</u>	

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For the fiscal year ended December 31, 2019

(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>
2020	\$ 6,117
2021	5,256
2022	5,265
2023	5,262
2024	5,083
2025-2029	25,398
2030-2034	25,363
2035-2039	19,058
2040	<u>2,636</u>
Subtotal	99,438
Less: Interest over lease term	<u>(40,603)</u>
Total Principal	58,835
Less: Current Portion	<u>(2,675)</u>
Noncurrent Portion	<u><u>\$ 56,160</u></u>

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For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 4 – CAPITAL ASSETS**

**A – Current Year Activity**

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Balance January 1, 2019 Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2019</u>
<b>Governmental activities</b>				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 114,788	\$ -	\$ -	\$ 114,788
Construction in progress	458,308	184,965	(81,733)	561,540
<b>Total capital assets, not being depreciated</b>	<u>573,096</u>	<u>184,965</u>	<u>(81,733)</u>	<u>676,328</u>
<i>Capital assets, being depreciated</i>				
Infrastructure	967,923	76,892	-	1,044,815
Buildings and structures	632,199	16,295	(36)	648,458
Public improvements	36,292	56	(67)	36,281
Machinery and equipment	161,436	11,413	(5,822)	167,027
Computer equipment	33,164	749	-	33,913
Software	63,978	-	-	63,978
Other capital outlay	37	-	-	37
<b>Total capital assets, being depreciated</b>	<u>1,895,029</u>	<u>105,405</u>	<u>(5,925)</u>	<u>1,994,509</u>
Less accumulated depreciation for:				
Infrastructure	(540,828)	(24,638)	-	(565,466)
Buildings and structures	(264,499)	(12,332)	11	(276,820)
Public improvements	(12,905)	(1,442)	14	(14,333)
Machinery and equipment	(100,053)	(10,238)	5,449	(104,842)
Computer equipment	(29,744)	(1,314)	-	(31,058)
Software	(37,239)	(9,157)	-	(46,396)
Other capital outlay	(37)	-	-	(37)
<b>Total accumulated depreciation</b>	<u>(985,305)</u>	<u>(59,121)</u>	<u>5,474</u>	<u>(1,038,952)</u>
<b>Total capital assets, being depreciated, net</b>	<u>909,724</u>	<u>46,284</u>	<u>(451)</u>	<u>955,557</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 1,482,820</u>	<u>\$ 231,249</u>	<u>\$ (82,184)</u>	<u>\$ 1,631,885</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 20,474
Public safety	1,379
Public works	24,376
Health and welfare	1
Community planning and economic development	12,891
<b>Total depreciation expense - governmental functions</b>	<u>\$ 59,121</u>

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 4 – CAPITAL ASSETS****A – Current Year Activity (continued)**

Asset beginning balances were restated as follows:

Total capital assets, not being depreciated were restated from \$580,296 to \$573,096. Total capital assets, being depreciated were restated from \$1,973,618 to \$1,895,029. Total accumulated depreciation was restated from \$(988,619) to \$(985,305).

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2019</u>
<b>Business-type activities</b>				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 129,590	\$ 1	\$ -	\$ 129,591
Construction in progress	128,512	106,880	(20,759)	214,633
Total capital assets, not being depreciated	<u>258,102</u>	<u>106,881</u>	<u>(20,759)</u>	<u>344,224</u>
<i>Capital assets, being depreciated</i>				
Buildings and structures	533,208	840	-	534,048
Public improvements	807,490	11,680	-	819,170
Machinery and equipment	75,070	7,179	-	82,249
Computer equipment	1,868	1,062	-	2,930
Software	2,865	16	-	2,881
Other capital outlay	707	24	-	731
Total capital assets, being depreciated	<u>1,421,208</u>	<u>20,801</u>	<u>-</u>	<u>1,442,009</u>
Less accumulated depreciation for:				
Buildings and structures	(249,584)	(11,213)	-	(260,797)
Public improvements	(282,655)	(10,145)	-	(292,800)
Machinery and equipment	(39,436)	(3,974)	-	(43,410)
Computer equipment	(1,698)	(95)	-	(1,793)
Software	(2,855)	(6)	-	(2,861)
Other capital outlay	(87)	(70)	-	(157)
Total accumulated depreciation	<u>(576,315)</u>	<u>(25,503)</u>	<u>-</u>	<u>(601,818)</u>
Total capital assets, being depreciated, net	<u>844,893</u>	<u>(4,702)</u>	<u>-</u>	<u>840,191</u>
Business-type activities capital assets, net	<u>\$ 1,102,995</u>	<u>\$ 102,179</u>	<u>\$ (20,759)</u>	<u>\$ 1,184,415</u>

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 4 – CAPITAL ASSETS**

**A – Current Year Activity (continued)**

Depreciation expense was charged to business-type functions as follows:

Sanitary sewer	\$ 1,756
Stormwater	4,884
Water treatment and distribution services	10,921
Municipal parking	6,675
Solid waste and recycling	<u>1,267</u>
Total depreciation expense - business-type functions	<u>\$ 25,503</u>

**B – Capital Project Commitments**

For the year ended December 31, 2019, the City of Minneapolis made capital project commitments for the following:

Property services	\$ 8,950
Sewer construction	26,750
Street construction	62,152
Bridge construction	6,495
Sidewalk construction	3,505
Street lighting & traffic signals	7,400
Bicycle trails	3,040
Non-departmental	700
Water	42,435
Total capital project commitments	<u>\$ 161,427</u>

**C – Discretely Presented Component Units**

Activity for the discretely presented component units for the year ended December 31, 2019, was as follows:

	<b>Balance</b>			<b>Balance</b>
<b>Minneapolis Park and Recreation Board</b>	<b>January 1, 2019</b>	<b>Additions</b>	<b>Retirements</b>	<b>December 31, 2019</b>
Capital assets, not being depreciated	\$ 166,706	\$ 23,403	\$ (57,785)	\$ 132,324
Capital assets, being depreciated, net	<u>214,632</u>	<u>40,360</u>	<u>(15)</u>	<u>254,977</u>
	<u>\$ 381,338</u>	<u>\$ 63,763</u>	<u>\$ (57,800)</u>	<u>\$ 387,301</u>
Depreciation expense charged	\$ 16,506			
	<b>Balance</b>			<b>Balance</b>
<b>Municipal Building Commission</b>	<b>January 1, 2019</b>	<b>Additions</b>	<b>Retirements</b>	<b>December 31, 2019</b>
Capital assets, not being depreciated	\$ 18,680	\$ 3,525	\$ -	\$ 22,205
Capital assets, being depreciated, net	<u>6,060</u>	<u>(1,034)</u>	<u>-</u>	<u>5,026</u>
	<u>\$ 24,740</u>	<u>\$ 2,491</u>	<u>\$ -</u>	<u>\$ 27,231</u>
Depreciation expense charged	\$ 1,034			

For the fiscal year ended December 31, 2019

(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 1<sup>st</sup> 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.

**2019 Bond and Note Sales**

In 2019, the City of Minneapolis issued general obligation bonds and notes totaling \$242,800. Below are details of the 2019 debt issuances.

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 5 – LONG-TERM DEBT****2019 Bond and Note Sales (continued)**

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 December 9, 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.

In November 2019, the City issued \$114,400 of General Obligation Bonds (Green Bonds), Series 2019 to fund construction of the City's new Public Service Center. The City received bond proceeds of \$117,926 including an original issue premium of \$3,700 offset by a \$174 underwriter's discount. The proceeds will be used to reimburse the design, construction, and furnishings necessary for the new Public Service Center in downtown Minneapolis. A portion of the proceeds totaling \$3,304 will be used for capitalized interest costs during construction and \$130 will be used for costs of issuance. The bonds were dated December 5, 2019 and were issued with fixed interest rates ranging from 2.00% to 3.00% and a final maturity date of December 1, 2046.

**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 assist with financing of the 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 2019, the City completed draw requests of \$1,970 which fully utilized 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 provided funding for expenses beginning in 2019 and \$9,956 was drawn as of December 31, 2019. The City received proceeds totaling \$143,044 on these notes in total and at December 31, 2019, the outstanding debt balance of the notes in this program is \$86,195.



For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

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**NOTE 5 – LONG-TERM DEBT (continued)**

**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, 2019, \$55,250 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, \$26,430 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, except for the library assets now held by Hennepin County.

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For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 5 – LONG-TERM DEBT (continued)**

Long-term liabilities at December 31, 2019 (in thousands) are detailed below.

	<u>Balance 1/1/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2019</u>	<u>Due Within One Year</u>
Governmental activities:					
<u>Bonds and Notes</u>					
Property Tax Supported GO Bonds	\$ 152,090	\$ 172,330	\$ (45,920)	\$ 278,500	\$ 43,745
Self-Supporting GO Bonds	192,765	-	(30,075)	162,690	33,000
Special Assessment GO Bonds	48,240	16,600	(11,075)	53,765	7,090
Special Assessment GO Notes	3,200	-	(1,100)	2,100	-
Tax Increment GO Bonds	52,380	-	(50,670)	1,710	215
Tax Increment Revenue Bonds	18,940	-	(1,420)	17,520	1,480
Tax Increment Revenue Notes	3,270	-	(465)	2,805	495
Total Governmental Bonds and Notes	<u>470,885</u>	<u>188,930</u>	<u>(140,725)</u>	<u>519,090</u>	<u>86,025</u>
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	<u>14,124</u>	<u>7,294</u>	<u>(2,948)</u>	<u>18,470</u>	<u>-</u>
Total Long-term Liabilities Governmental	<u>485,009</u>	<u>196,224</u>	<u>(143,673)</u>	<u>537,560</u>	<u>86,025</u>
Business-type activities:					
<u>Bonds and Notes</u>					
Sanitary Sewer Fund GO Bonds	23,330	15,730	(4,990)	34,070	5,700
Stormwater Fund GO Bonds	-	4,670	(155)	4,515	600
Water Treatment and Distribution Services Fund GO Bonds	25,960	21,545	(6,685)	40,820	5,125
Water Treatment and Distribution Services Fund GO Notes	83,945	11,925	(9,675)	86,195	11,050
Municipal Parking Fund GO Bonds	42,200	-	(10,995)	31,205	3,250
Municipal Parking Fund GO Notes	27,595	-	(195)	27,400	195
Solid Waste and Recycling Fund GO Bonds	28,005	-	(2,760)	25,245	3,835
CPED Fund Non-GO Bonds					
General Agency Reserve Fund System	<u>61,565</u>	<u>-</u>	<u>(2,730)</u>	<u>58,835</u>	<u>2,675</u>
Total Business-type Bonds and Notes	<u>292,600</u>	<u>53,870</u>	<u>(38,185)</u>	<u>308,285</u>	<u>32,430</u>
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	<u>4,796</u>	<u>2,507</u>	<u>(1,174)</u>	<u>6,129</u>	<u>-</u>
Total Long-term Liabilities Business-type	<u>297,396</u>	<u>56,377</u>	<u>(39,359)</u>	<u>314,414</u>	<u>32,430</u>
Total Long-term Liabilities	<u>\$ 782,405</u>	<u>\$ 252,601</u>	<u>\$ (183,032)</u>	<u>\$ 851,974</u>	<u>\$ 118,455</u>

For the fiscal year ended December 31, 2019

(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, 2019, 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		
2020	\$ 85,530	\$ 18,704	\$ 495	\$ 161	\$ 86,025	\$ 18,865
2021	27,120	15,335	2,625	144	29,745	15,479
2022	30,720	14,327	560	62	31,280	14,389
2023	25,255	13,210	595	43	25,850	13,253
2024	22,135	12,267	630	22	22,765	12,289
2025 - 2029	99,500	49,754	-	-	99,500	49,754
2030 - 2034	75,815	34,466	-	-	75,815	34,466
2035 - 2039	58,880	22,653	-	-	58,880	22,653
2040 - 2044	68,420	11,070	-	-	68,420	11,070
2045 - 2046	20,810	1,070	-	-	20,810	1,070
	<u>\$ 514,185</u>	<u>\$ 192,856</u>	<u>\$ 4,905</u>	<u>\$ 432</u>	<u>\$ 519,090</u>	<u>\$ 193,288</u>

**Amortization of Outstanding Business-type Activities City Debt**

As of December 31, 2019, 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
2020	\$ 21,185	\$ 7,582	\$ 11,245	\$ 2,806	\$ 32,430	\$ 10,388
2021	21,755	6,835	11,795	2,552	33,550	9,387
2022	24,435	6,067	10,585	2,288	35,020	8,355
2023	18,895	5,226	10,740	2,050	29,635	7,276
2024	13,815	4,676	7,180	1,809	20,995	6,485
2025 - 2029	45,230	17,351	43,415	4,786	88,645	22,137
2030 - 2034	28,335	10,097	18,635	994	46,970	11,091
2035 - 2039	18,520	3,479	-	-	18,520	3,479
2040 - 2044	2,520	116	-	-	2,520	116
	<u>\$ 194,690</u>	<u>\$ 61,429</u>	<u>\$ 113,595</u>	<u>\$ 17,285</u>	<u>\$ 308,285</u>	<u>\$ 78,714</u>

For the fiscal year ended December 31, 2019

(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, 2019 was as follows:

	Balance January 1, 2019	Additions	Retirements	Balance December 31, 2019	Amounts Due Within One Year
Notes payable	\$ 3,843	\$ -	\$ (304)	\$ 3,539	\$ 2,316

Year Ending December 31:	Principal	Interest
2020	\$ 2,316	\$ 67
2021	295	41
2022	272	30
2023	116	20
2024	120	16
2024-2028	420	24
Total	\$ 3,539	\$ 198

**NOTE 6 – INDUSTRIAL, COMMERCIAL, AND HOUSING REVENUE BONDS AND NOTES**

As of December 31, 2019, outstanding industrial, commercial, and housing revenue bonds and notes approximated \$1,906,126. 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:

	General Fund	Community Planning and Economic Development	Permanent Improvement	Special Assessment	Non-Major Governmental Funds	Total Governmental
Deferred Inflows of Resources						
Property taxes	\$ 874	\$ -	\$ 3	\$ -	\$ 563	\$ 1,440
Special assessments	252	6,672	1,960	61,202	398	70,484
Intergovernmental	-	-	45,100	-	-	45,100
Loans receivable	-	36,178	-	-	28,102	64,280
Interest	665	303	137	11	145	1,261
Other unavailable revenue	-	54	1,848	-	737	2,639
Total deferred inflows of resources	\$ 1,791	\$ 43,207	\$ 49,048	\$ 61,213	\$ 29,945	\$ 185,204

For the fiscal year ended December 31, 2019

(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>	<b>Governmental Activities Amount</b>
2020	\$ 4,176
2021	2,433
2022	2,153
2023	2,033
2024	1,981
2025-2029	8,803
2030-2034	7,051
Total	<u>\$ 28,630</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 2019, the lease expense on these leases totaled \$196. Application of the straight-line basis to the future minimum lease expenditures of \$2,011 over the lease terms results in a total annual lease amount of \$296.

The future minimum lease expenditures for operating leases with scheduled rent increases are as follows:

<u>Year Ending December 31</u>	<b>Governmental Activities Amount</b>
2020	\$ 196
2021	274
2022	282
2023	292
2024	301
2025-2029	666
Total	<u>\$ 2,011</u>

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 9 – INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables**

The composition of interfund balances as of December 31, 2019 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	\$ 3,160

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>
Non-Major Governmental Funds	Non-Major Governmental Funds	\$ 13,107
Non-Major Governmental Funds	Municipal Parking Fund	5,903
Internal Service Funds	Municipal Parking Fund	272
	Total	<u>\$ 19,282</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, 2019

(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>
<b>Governmental Funds:</b>		
General Fund	CPED Special Revenue Fund	\$ 10,330
	Permanent Improvement Fund	2,000
	Non-major Governmental Funds	36,462
	Internal Service Funds	4,280
	Stormwater Fund	110
	Municipal Parking Fund	<u>7,000</u>
CPED Special Revenue Fund	General Fund	16,471
	Special Assessment Debt Service Fund	3,710
	Non-major Governmental Funds	<u>2,265</u>
Permanent Improvement Fund	General Fund	10,626
	CPED Enterprise Fund	7,500
	Stormwater Fund	<u>1,530</u>
Non-Major Governmental Funds	General Fund	810
	CPED Special Revenue Fund	55,700
	Special Assessment Debt Service Fund	46
	Permanent Improvement Fund	6,406
	Non-major Governmental Funds	94,656
	Internal Service Fund	500
	Sanitary Sewer Fund	20
	Stormwater Fund	8
	Water Treatment and Distribution Services Fund	24
	Municipal Parking Fund	4,383
Solid Waste and Recycling Fund	<u>44</u>	<u>162,597</u>
Total Governmental Funds		<u>\$ 264,881</u>

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For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 9 – INTERFUND TRANSACTIONS**

**Transfers (continued)**

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Total Transfers In</u>
<b>Proprietary Funds:</b>		
<b>Business-type Activities</b>		
Water Treatment and Distribution Services Fund	General Fund	\$ 29
	Sanitary Sewer Fund	<u>593</u>
		<u>622</u>
Municipal Parking Fund	CPED Special Revenue Fund	<u>880</u>
		<u>880</u>
Solid Waste and Recycling Fund	General Fund	325
	Non-major Governmental Funds	3,523
	Municipal Parking Fund	<u>146</u>
		<u>3,994</u>
	Total Business-type Activities	<u>\$ 5,496</u>
<b>Governmental Activities</b>		
Internal Service Funds	General Fund	\$ 893
	Permanent Improvement Fund	973
	Internal Service Funds	<u>317</u>
		<u>2,183</u>
	Total Governmental Activities	<u>\$ 2,183</u>

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.

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For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**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.

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.

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 10 – NET POSITION/FUND BALANCES (continued)**

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	General	Community Planning and Economic Development	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
<b><u>Restricted for</u></b>						
Debt service:						
Community development	\$ -	\$ -	\$ -	\$ -	\$ 3,122	\$ 3,122
General debt service	-	-	-	-	26,899	26,899
Special assessment	-	-	-	8,680	-	8,680
Community and economic development	-	141,008	-	-	-	141,008
Law enforcement:						
Gambling compliance	-	-	-	-	33	33
Forfeitures	-	-	-	-	1,952	1,952
Grants	-	-	-	-	2,386	2,386
Properties held for resale	-	35,253	7,200	-	8,187	50,640
Capital improvements	-	-	155,469	-	-	155,469
Total restricted	-	176,261	162,669	8,680	42,579	390,189
<b><u>Assigned to</u></b>						
General government	-	-	-	-	714	714
Grants	-	-	-	-	135	135
Public safety:						
Police	-	-	-	-	939	939
Compliance and regulation	-	-	-	-	1,025	1,025
Community & economic development	-	54,214	-	-	57,083	111,297
Neighborhood & community relations	-	-	-	-	3,113	3,113
Pension obligations	-	-	-	-	36,663	36,663
Capital improvements	-	-	27,955	-	-	27,955
Total assigned	-	54,214	27,955	-	99,672	181,841
<b><u>Unassigned</u></b>	128,040	-	-	-	(13,822)	114,218
Total fund balances	\$ 128,040	\$ 230,475	\$ 190,624	\$ 8,680	\$ 128,429	\$ 686,248

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For the fiscal year ended December 31, 2019

(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 (PEPFP)**

The PEPFP, 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 PEPFP also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA. For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent for ten years and increasing five percent for each year of service until fully vested after 20 years.

**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. Beginning January 1, 2019, GERP benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least one percent and maximum of one in a half percent. Recipients that have been receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 11 – DEFINED BENEFIT PENSION PLANS****B – Benefits Provided (continued)**

Beginning January 1, 2019, PEPFP benefit recipients will receive a one percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The increase is 1.0 percent for January 2019 through January 2023. Beginning January 1, 2024, this amount will increase in 0.1 percent step increments until the COLA reaches 1.5 percent.

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.

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For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 11 – DEFINED BENEFIT PENSION PLANS****B – Benefits Provided (continued)****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.

**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 2019. 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 2019. The City, Park Board, and MBC contributions related to payroll to the GERP for the year ended December 31, 2019, were \$15,618, \$2,940, and \$203, respectively. The City, Park Board, and MBC fixed contributions to the GERP for the year ended December 31, 2019, 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 11.30 percent of their annual covered salary in calendar year 2019. Employers were required to contribute 16.95 percent of pay for PEPFP members in calendar year 2019. Contributions to the PEPFP related to payroll for the year ended December 31, 2019, were \$21,481 for the City and \$640 for the Park Board. The City also made fixed contributions to PEPFP, non-payroll related, of \$7,679 for the year ended December 31, 2019. Total contributions were equal to the required contractual contributions as set by state statute.

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 11 – DEFINED BENEFIT PENSION PLANS****C – Contributions (continued)****3. TRA Contributions**

The City's non-employer contributions to the TRA for the year ended December 31, 2019, 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, 2019, the City, Park Board, and MBC reported a liability of \$164,695, \$30,866 and \$2,237 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, 2019, 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, 2018, through June 30, 2019, relative to the total employer payroll related contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share related to payroll contributions was 3.1508 percent, which was an increase of 0.0251 percent from its proportion measured as of June 30, 2018. At June 30, 2019 the Park Board's proportionate share related to payroll contributions was 0.5905 percent, which was an increase of 0.0256 percent from its proportion measured as of June 30, 2018. At June 30, 2019, MBC's proportionate share related to payroll contributions was 0.0428 percent, which was a decrease of 0.0011 percent from its proportion measured as of June 30, 2018. 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 \$96,783, \$17,689, and \$1,849 respectively as of the June 30, 2019 measurement date. The resulting combined net pension liability reported by the City, Park Board, and MBC as of December 31, 2019 is \$261,478, \$48,555, and \$4,086, respectively. The combined liability represents a proportionate share of the Plan's net pension liability equal to 4.7294 percent for the City, 0.8782 percent for Park Board, and 0.0739 percent for MBC.

For the year ended December 31, 2019, the City, Park Board, and MBC recognized pension expense of \$3,595, \$1,325, and \$124, respectively for the proportionate share of the GERP's pension expense.

In addition, the City, Park Board, and MBC also recognized \$795, \$147, and \$13, respectively as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16,000 to the General Employees Fund.

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For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

**D – Pension Costs**

**1. GERP Pension Costs (continued)**

	<u>City Governmental Activities</u>	<u>City Business- type Activities</u>	<u>City Total</u>	<u>Park Board</u>	<u>MBC</u>
Payroll related proportionate share of the net pension liability	\$ 133,306	\$ 31,389	\$ 164,695	\$ 30,866	\$ 2,237
Net present value of fixed pension contributions	78,338	18,445	96,783	17,689	1,849
State of Minnesota’s proportionate share of the net pension liability associated with the entity	8,588	2,022	10,610	1,962	175
<b>Total</b>	<u>\$ 220,232</u>	<u>\$ 51,856</u>	<u>\$ 272,088</u>	<u>\$ 50,517</u>	<u>\$ 4,261</u>

At December 31, 2019, 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	\$ 4,731	\$ 863	\$ 66	\$ -	\$ -	\$ -
Changes in actuarial assumptions	-	-	-	13,369	2,409	187
Difference between projected and actual investment earnings	-	-	-	17,151	2,989	242
Changes in proportion	4,347	1,982	39	39,339	7,668	796
Contributions paid to PERA subsequent to the measurement date	7,929	1,527	104	-	-	-
<b>Total</b>	<u>\$ 17,007</u>	<u>\$ 4,372</u>	<u>\$ 209</u>	<u>\$ 69,859</u>	<u>\$ 13,066</u>	<u>\$ 1,225</u>

For the fiscal year ended December 31, 2019

(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, 2020. These contributions total \$7,929 for the City, \$1,527 for the Park Board, and \$104 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
2020	\$ (20,462)	\$ (3,654)	\$ (380)
2021	(24,534)	(3,966)	(434)
2022	(16,066)	(2,654)	(310)
2023	281	53	4

**2. PEPFP Pension Costs**

At December 31, 2019, the City reported a liability of \$123,533 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, 2019, 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, 2018, through June 30, 2019, relative to the total employer payroll related contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share related to payroll contributions was 12.3417 percent, which was a decrease of 0.4684 percent from its proportion measured as of June 30, 2018. 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 \$63,659 as of the June 30, 2019 measurement date. The resulting combined net pension liability reported by the City as of December 31, 2019 is \$187,192. The combined liability represents a proportionate share of the Plan's net pension liability equal to 17.5833 percent for the City.

At December 31, 2019, the Park Board reported a liability of \$3,275 for the proportionate share of the PEPFP's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Park Board's proportion share was 0.3272 percent, which was a decrease of 0.0436 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the City and Park Board recognized pension expense of (\$16,851) and \$33 respectively for the proportionate share of the PEPFP's pension expense.



For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

**D – Pension Costs**

**2. PEPFP Pension Costs (continued)**

The City and Park Board also recognized \$2,187 and \$42 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. In addition, the

State will pay direct state aid of \$4,500 on October 1, 2018 and October 1, 2019 and \$9,000 by October 1 of each subsequent year until full funding is reached or July 1, 2048, whichever is earlier.

At December 31, 2019, 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:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>City</u>	<u>Park Board</u>	<u>City</u>	<u>Park Board</u>
Differences between expected and actual economic experiences	\$ 5,735	\$ 154	\$ 19,831	\$ 541
Changes in actuarial assumptions	115,928	2,930	158,510	3,890
Difference between projected and actual investment earnings	-	-	29,217	777
Changes in proportion	13,517	376	37,264	368
Contributions paid to PERA subsequent to the measurement date	10,853	292	-	-
Total	<u>\$ 146,033</u>	<u>\$ 3,752</u>	<u>\$ 244,822</u>	<u>\$ 5,576</u>

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, 2020. These contributions total \$10,853 for the City and \$292 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:

<u>Year Ended</u> <u>December 31:</u>	<u>Pension Expense Amount</u>	
	<u>City</u>	<u>Park Board</u>
2020	\$ (11,738)	\$ (225)
2021	(24,602)	(493)
2022	(59,085)	(1,397)
2023	(7,124)	44
2024	(7,093)	(45)

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

**D – Pension Costs (continued)**

**3. TRA Pension Costs**

At December 31, 2019, the City reported a liability of \$26,316 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 year ended December 31, 2019, the City recognized pension expense of \$624 for its share of the TRA’s pension expense.

At December 31, 2019, 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	\$ 2,732	\$ 1,945

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, 2019. 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>
2020	\$ 858
2021	797
2022	(539)
2023	(329)

**4. Total Pension Costs**

Total pension expense for the year ended December 31, 2019 was as shown in the chart below:

	<u>City</u>	<u>Park Board</u>	<u>MBC</u>
GERP	\$ 3,595	\$ 1,325	\$ 124
PEPFF	(16,851)	33	-
TRA	624	-	-
	<u>\$ (12,632)</u>	<u>\$ 1,358</u>	<u>\$ 124</u>

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)**

**E – Actuarial Assumptions**

The total pension liability in the June 30, 2019 actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Assumption	GERP/PEFP	TRA
Inflation	2.50% per year	2.50%
Active Member Payroll Growth	3.25% per year	3.00%
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 1.00 percent for January 2019 through January 2023, then increasing by 0.1 percent each year up to 1.5 percent annually.

The experience study for the General Employees Plan was dated June 30, 2015. The experience study for PEPFP was dated August 30, 2016. Inflation and investment assumptions for both plans were reviewed in the experience study report for the GERP dated June 27, 2019. A four-year experience study was completed in June 2019 for TRA, but it contained no significant recommended changes to the assumptions.

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic stocks	35.50%	5.10%
International equity	17.50%	5.30%
Private markets	25.00%	5.90%
Fixed income	20.00%	0.75%
Unallocated cash	2.00%	0.00%

**F – Discount Rate**

The discount rate used to measure the total pension liability for PERA in 2019 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.

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

**F – Discount Rate (continued)**

In the TRA Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on investments of 7.50% was applied to all periods of projected benefit payments to determine the total pension liability.

**G – Changes in Actuarial Assumptions**

The following changes in actuarial assumptions occurred in 2019:

General Employees Retirement Plan

- The morality projection scale was changed from MP-2017 to MP-2018.

Public Employees Police and Fire Plan

- The morality projection scale was changed from MP-2017 to MP-2018.

Teachers Retirement Association

- No changes in actuarial assumptions for 2019

**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	372,137	261,478	169,644
Park Board	69,272	48,555	31,364
MBC	5,615	4,086	2,816
PEPFF Discount Rate	6.5%	7.5%	8.5%
City	336,565	187,192	63,373
Park Board	7,159	3,275	63
TRA Discount Rate	6.5%	7.5%	8.5%
City	29,042	26,316	23,986

**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](http://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](http://www.MinnesotaTRA.org).

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**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, 2019, was \$1,826 and the CPED's total payroll was \$22,136.

**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 \$101 and \$93 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 engaged a consulting actuary who has conducted a review of liabilities to be reported as required by Governmental Accounting Standards Board (GASB) Statement number 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.

**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, 2019 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.

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 13 – POSTEMPLOYMENT BENEFITS PLAN**

**Plan Description (continued)**

As of the December 31, 2018 and January 1, 2019 actuarial valuations, 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	328	18	12
Active plan participants	4,088	438	43
Total	<u>4,416</u>	<u>456</u>	<u>55</u>

**Total OPEB Liability**

The City’s and Park Board’s total OPEB liability of \$37,614 and \$913 respectively, was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2019. MBC’s total OPEB liability of \$881 was measured as of January 1, 2019 and was determined by an actuarial valuation as of January 1, 2019.

The total OPEB liability in the fiscal year-end December 31, 2019, actuarial valuations were 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	6.40% in 2019, gradually decreasing over several decades to an ultimate rate of 4.00% in 2075 and later years for the City and Park Board 6.5% in 2019, grading to 5.00% over 6 years for MBC.
Discount Rate	3.71% for City and Park Board; 3.80% for MBC .
Mortality Rate	PERA General employees and MERF – From the July 1, 2019 PERA of Minnesota General Employees Retirement Plan actuarial valuation, mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2018, and other adjustments, for the City and Park Board.  PERA Police & Fire, MPRA, and MFRA – From the July 1, 2019 PERA of Minnesota Public Employees' Police & Fire Plan actuarial valuation, mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2018, and other adjustments, for the City and Park Board.  Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale for MBC
Actuarial Cost Method	Entry age, level percentage of pay

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 13 – POSTEMPLOYMENT BENEFITS PLAN (continued)**

**Changes in the Total OPEB liability**

	City	Park Board	MBC
Balance at January 1, 2019	\$ 33,674	\$ 1,407	\$ 894
Changes for the year			
Service cost	1,531	37	31
Interest cost	1,147	28	29
Difference between expected and actual experience	3,124	77	46
Changes of assumptions	186	(586)	(4)
Benefit payments	(2,048)	(50)	(115)
Total net change	<u>3,940</u>	<u>(484)</u>	<u>(13)</u>
Balance at December 31, 2019	<u>\$ 37,614</u>	<u>\$ 913</u>	<u>\$ 881</u>

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	2.71%	3.71%	4.71%
City total OPEB liability	\$ 40,331	\$ 37,614	\$ 35,071
Park Board total OPEB liability	\$ 980	\$ 913	\$ 852
Discount Rate	2.80%	3.80%	4.80%
MBC total OPEB liability	\$ 920	\$ 881	\$ 843

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
<b>Medical Trend Rate</b>	<b>5.40% Decreasing to 3.00% by 2075</b>	<b>6.40% Decreasing to 4.00% by 2075</b>	<b>7.40% Decreasing to 5.00% by 2075</b>
City total OPEB liability	\$ 34,210	\$ 37,614	\$ 41,486
Park Board total OPEB liability	\$ 831	\$ 913	\$ 1,008
<b>Medical Trend Rate</b>	<b>5.50% Decreasing to 4.00% over 6 years</b>	<b>6.50% Decreasing to 5.00% over 6 years</b>	<b>7.50% Decreasing to 6.00% over 6 years</b>
MBC total OPEB liability	\$ 834	\$ 881	\$ 932

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 13 – POSTEMPLOYMENT BENEFITS PLAN (continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2019, the City, Park Board, and MBC recognized OPEB expense of \$1,246, \$(493), and (\$24), respectively. The City, Park Board, and MBC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	City	Park Board	MBC	City	Park Board	MBC
Liability experience (gains) and losses	\$ 2,738	\$ 67	\$ 31	\$ -	\$ -	\$ -
Changes in actuarial assumptions	-	-	-	343	8	3
Contributions paid subsequent to the Measurement date	2,236	55	98	-	-	-
<b>Total</b>	<b>4,974</b>	<b>122</b>	<b>129</b>	<b>343</b>	<b>8</b>	<b>3</b>

**Changes in Actuarial Assumptions**

The following changes in actuarial assumptions occurred in 2019 for the City and Park Board:

- The discount rate was changed from 3.30% to 3.71% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- The increases in explicit subsidy amounts were updated to reflect recent experience and future increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender-based risk scores published by the Society of Actuaries.
- Withdrawal and retirement rates were updated from the rates used in the 7/1/2016 PERA Police & Fire Plan valuation to the rates used in the 7/1/2019 valuation.
- Mortality rates were updated from the RP-2014 White-Collar and Blue-Collar mortality tables with MP-2016 generational improvement scale to the rates used in the 7/1/2019 PERA General Employees Plan and 7/1/2019 PERA Police & Fire Plan valuations.
- The salary scale assumption was updated from a flat 2.90% to the rates used in the 7/1/2019 PERA General Employees Plan and 7/1/2019 PERA Police & Fire Plan valuations.
- 25% percent of future retirees are assumed to elect family coverage at retirement. The prior valuation assumed 85% of future male retirees and 65% of future female retirees would be married. Of these married retirees, 30% would elect family coverage.
- The percent of active ex-spouses assumed to continue coverage under the original member changed from 20% to 25% based on the change in family coverage assumption.
- The percent of future non-Medicare eligible retirees electing each medical plan was updated to reflect recent experience.

The following changes in actuarial assumptions occurred in 2019 for MBC:

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale.
- The discount rate was changed from 3.30% to 3.80%.



For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**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 400 hours 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 480 hours 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, 2019, was as follows:

	<u>Balance 1/1/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2019</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable:					
Governmental activities	\$ 40,217	\$ 26,682	\$ (25,909)	\$ 40,990	\$ 24,718
Business-type activities	3,384	2,927	(2,653)	3,658	2,629
Total	<u>\$ 43,601</u>	<u>\$ 29,609</u>	<u>\$ (28,562)</u>	<u>\$ 44,648</u>	<u>\$ 27,347</u>

**Discretely Presented Component Units**

Activity for the discretely presented component units for the year ended December 31, 2019, was as follows:

	<u>Balance 1/1/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2019</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable:					
Minneapolis Park and Recreation Board	\$ 5,171	\$ 3,492	\$ (3,344)	\$ 5,319	\$ 3,099
Municipal Building Commission	206	198	(205)	199	164
Total	<u>\$ 5,377</u>	<u>\$ 3,690</u>	<u>\$ (3,549)</u>	<u>\$ 5,518</u>	<u>\$ 3,263</u>

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 15 – SELF-INSURED EMPLOYEE HEALTH PLANS**

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 fiscal 2019 are as follows:

	<b>2019</b>
Incurring but not Received Claims (IBNR)	\$ 6,533
Claims Adjustment Expense	455
Provision for Adverse Deviation	<u>136</u>
Total Estimated Actuarial Liabilities	<u>\$ 7,124</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 \$78,708 reported in the Self-Insurance Internal Service Fund at December 31, 2019, 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 March of 2020 for claim exposure and settlements payments, calculated that the claims liability at December 31, 2019 is \$78,708, an increase of \$7,266 from the liability amount of \$71,442 at December 31, 2018.

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 claim's liabilities during fiscal 2018 and 2019 are:

	<b>2018</b>	<b>2019</b>
Liability balance – January 1	\$ 55,092	\$ 71,442
Current year claims and changes in estimates	17,127	24,486
Claim payments	<u>(777)</u>	<u>(17,220)</u>
Liability balance – December 31	<u>\$ 71,442</u>	<u>\$ 78,708</u>

For the fiscal year ended December 31, 2019

(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, 2019 as shown below:

<u>Tax Abatement Program</u>	<u>Taxes Abated</u>
Tax Increment Financing	\$ 9,261

**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.

For the fiscal year ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 20 – SUBSEQUENT EVENTS****A. COVID-19**

In early 2020, the entire world began to feel the impacts of the novel coronavirus disease 2019, or COVID-19 pandemic. There were immediate economic impacts due to the closure of public spaces, shops, restaurants, and many other businesses. The City of Minneapolis, like every public and private entity in the country and around the world, encountered a set of reactions and consequences in response to this unknown and serious public health threat. Along with general guidance from the State of Minnesota, Minneapolis enacted emergency responses that included sending non-essential workers to work remotely, closing public buildings and otherwise attempting to restrict the spread of the virus by limiting in-person interaction between employees and/or the public. Where it was determined that jobs were essential to be carried out, additional precautions were taken to ensure employees had the resources and personal protective equipment needed to continue performing their duties. Beyond the safety of employees, the City also took measures to provide funds and services to business, not-for-profit partners, and individuals most at risk of being negatively impacted by COVID-19. These efforts continue today and will continue to cost the City additional resources. The City will be receiving CARES funds from the State of Minnesota, passed through the Federal government, to help offset the costs of some of this response effort.

In addition to the direct costs of the City's response to COVID-19 there is a significant economic impact to the City in the form of lost revenue. The City has implemented a series of steps including a hiring freeze, wage freeze, and discretionary spending freeze to accomplish a reduction of expenditures equal to the projected loss of revenue. Much of the lost revenue is attributable to the reduction of economic activity within the City which will reduce the collection of local taxes on food, liquor, lodging, and entertainment. The businesses that traditionally provide those services and pay those taxes were shut down for several months and will not return to pre-pandemic status for the foreseeable future. In addition, downtown office workers have switched to remote work, further decreasing the need for parking, utilities, and other services the City provides in the normal course of business, resulting in further lost revenues.

**B. CIVIL UNREST**

In late May of 2020, officers from the Minneapolis Police Department were involved in the death of George Floyd. Protests involving large numbers of citizens throughout the City were held in response to this tragedy. Over the course of several nights in late May and early June, those protests devolved into riots and civil unrest that resulted in property damage to scores of private businesses and seven public buildings. Most financially significant to the City was the fire at the Third Police Precinct that caused extensive damage to the building and contents inside.

Much like COVID-19, the civil unrest had both an immediate response cost and ongoing economic impacts. The direct costs to the City include the personnel costs of Police, Fire, and Public Works employees responding to the unrest, as well as the costs of providing protection and equipment for that response. The Third Precinct building housed both Police and 311 operations and was a total loss from a usability standpoint. The cost of repairing that facility and leasing office space for the displaced City employees will be ongoing until decisions are made on restoring the building. The 311 staff will move to the new Public Service building in November as originally planned and will continue to work remotely until then. There will be ongoing economic development related impacts as the City helps businesses return and rebuild in the coming months and years. Also, like COVID-19, the City will access all available State and Federal funds to assist in the rebuilding efforts.

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended December 31, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 240,651	\$ 240,651	\$ 237,929	\$ (2,722)
Licenses and permits	47,494	47,694	55,642	7,948
Intergovernmental revenues	85,926	85,926	91,153	5,227
Charges for services and sales	53,635	53,635	58,586	4,951
Fines and forfeits	6,602	6,602	7,246	644
Special assessments	3,440	3,440	3,417	(23)
Investment earnings	6,050	6,050	14,184	8,134
Miscellaneous revenues	3,355	3,355	3,374	19
Total revenues	<u>447,153</u>	<u>447,353</u>	<u>471,531</u>	<u>24,178</u>
<b>CURRENT EXPENDITURES:</b>				
Current:				
General government:				
Mayor	2,387	2,439	2,439	-
Council & Clerk	11,649	12,156	11,096	1,060
Assessor	6,148	7,423	5,602	1,821
Attorney	10,691	10,716	9,837	879
Civil rights	4,543	5,205	4,601	604
Coordinator	9,243	7,888	7,264	624
Coordinator - 311	4,145	4,332	4,189	143
Coordinator - Communications	2,309	2,309	2,258	51
Coordinator - Finance	24,896	24,919	22,799	2,120
Coordinator - Human resources	7,710	7,939	7,171	768
Coordinator - Intergovernmental relations	1,523	1,523	1,443	80
Internal audit	858	958	700	258
Contingency	5,730	1,761	-	1,761
General government pensions	-	-	540	(540)
Total general government	<u>91,832</u>	<u>89,568</u>	<u>79,939</u>	<u>9,629</u>
Public safety:				
Regulatory services	20,776	20,865	20,779	86
Coordinator - 911	9,813	9,918	9,918	-
Coordinator - Emergency management	1,124	1,124	1,040	84
Fire	69,331	69,330	69,151	179
Police	179,195	179,378	176,190	3,188
Public safety pensions	-	-	2,187	(2,187)
Total public safety	<u>280,239</u>	<u>280,615</u>	<u>279,265</u>	<u>1,350</u>
Public works:				
Administration	3,934	3,925	3,798	127
Engineering design	2,142	2,300	2,302	(2)
Field services	36,014	41,307	41,632	(325)
Transportation and special projects	20,475	21,417	20,795	622
Total public works	<u>62,565</u>	<u>68,949</u>	<u>68,527</u>	<u>422</u>
Health and welfare - Health and family support	<u>12,306</u>	<u>14,055</u>	<u>13,995</u>	<u>60</u>
Community planning & economic development	<u>35,761</u>	<u>39,758</u>	<u>36,784</u>	<u>2,974</u>
Intergovernmental:				
General government:				
Coordinator	200	200	200	-
Total expenditures	<u>482,903</u>	<u>493,145</u>	<u>478,710</u>	<u>14,435</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,750)</u>	<u>(45,792)</u>	<u>(7,179)</u>	<u>38,613</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	59,852	60,197	60,182	(15)
Transfers to other funds	(29,149)	(29,145)	(29,154)	(9)
Total other financing sources (uses)	<u>30,703</u>	<u>31,052</u>	<u>31,028</u>	<u>(24)</u>
Net change in fund balance	(5,047)	(14,740)	23,849	38,589
Fund balance - January 1, restated (see note 1.Q)	<u>104,191</u>	<u>104,191</u>	<u>104,191</u>	<u>-</u>
Fund balance - December 31	<u>\$ 99,144</u>	<u>\$ 89,451</u>	<u>\$ 128,040</u>	<u>\$ 38,589</u>

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, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 60,793	\$ 60,793	\$ 63,736	\$ 2,943
Intergovernmental revenues	-	-	606	606
Charges for services and sales	10,000	10,000	11,316	1,316
Special assessments	-	-	364	364
Investment earnings	561	561	6,779	6,218
Miscellaneous revenues	4,728	4,728	4,417	(311)
Total revenues	<u>76,082</u>	<u>76,082</u>	<u>87,218</u>	<u>11,136</u>
<b>EXPENDITURES:</b>				
Current:				
Community planning & economic development	67,716	121,203	57,844	63,359
Intergovernmental:				
Culture and recreation	-	-	88	(88)
Total expenditures	<u>67,716</u>	<u>121,203</u>	<u>57,932</u>	<u>63,271</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,366</u>	<u>(45,121)</u>	<u>29,286</u>	<u>74,407</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	16,655	20,365	22,446	2,081
Transfers to other funds	(43,967)	(63,725)	(66,910)	(3,185)
Total other financing sources (uses)	<u>(27,312)</u>	<u>(43,360)</u>	<u>(44,464)</u>	<u>(1,104)</u>
Net change in fund balance	(18,946)	(88,481)	(15,178)	73,303
Fund balance - January 1	<u>245,653</u>	<u>245,653</u>	<u>245,653</u>	-
Fund balance - December 31	<u>\$ 226,707</u>	<u>\$ 157,172</u>	<u>\$ 230,475</u>	<u>\$ 73,303</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, 2019 (Dollar Amounts Expressed In Thousands)**

**Schedule of City of Minneapolis' Contributions  
PERA General Employees Retirement Plan  
Required Supplemental Information (Last Ten Years\*)**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to the Statutorily Required Contributions (b)</b>	<b>Contribution Deficiency (Excess) (a-b)</b>	<b>Covered Payroll** (d)</b>	<b>Actual Contributions as a Percentage of Covered Payroll*** (b/d)</b>
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%
December 31, 2019	27,487	27,487	-	208,180	13.2%

**Schedule of Municipal Building Commission's Contributions  
PERA General Employees Retirement Plan  
Required Supplemental Information (Last Ten Years\*)**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to the Statutorily Required Contributions (b)</b>	<b>Contribution Deficiency (Excess) (a-b)</b>	<b>Covered Payroll** (d)</b>	<b>Actual Contributions as a Percentage of Covered Payroll*** (b/d)</b>
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%
December 31, 2019	430	430	-	2,708	15.9%

\* 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, 2019

(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%
June 30, 2019	4.7294%	261,478	10,610	272,088	202,835	128.9%	80.2%

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%
June 30, 2019	0.0739%	4,086	175	4,261	2,753	148.4%	80.2%

\* 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.



For the Fiscal Year Ended December 31, 2019

(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)	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	\$ 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%
December 31, 2019	29,160	29,160	-	126,780	23.0%

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%
June 30, 2019	17.5833%	187,192	124,200	150.7%	89.3%

\* 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, 2019

(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)	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	\$ 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
December 31, 2019	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%
June 30, 2019	N/A	26,316	-	N/A	78.2%

\* 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.

For the Fiscal Year Ended December 31, 2019

(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	Differences Between Expected and Actual Experience	Changes of Assumptions	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%
December 31, 2019	1,531	1,147	3,124	186	(2,048)	3,940	33,674	37,614	315,652	11.92%

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	Differences Between Expected and Actual Experience	Changes of Assumptions	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%
December 31, 2019	31	29	46	(4)	(115)	(13)	894	881	2,596	33.94%

\* 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.

**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 department in the General Fund had expenditures in excess of appropriation for the fiscal year ending December 31, 2019.

	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund:</b>			
General government pensions	-	540	(540)
Public safety pensions	-	2,187	(2,187)

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

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The mortality 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, 2019

(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

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The mortality 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, 2019

(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

2019

- No changes in actuarial assumptions for 2019.

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.

For the Fiscal Year Ended December 31, 2019

(Dollar Amounts Expressed in Thousands)

**NOTE 3 – DEFINED BENEFIT PENSION PLANS****A – Changes in Actuarial Assumptions**

Teachers Retirement Association Fund

2017 (continued)

- 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.
- 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**2019

The following changes in actuarial assumptions occurred in 2019 for the City:

- The discount rate was changed from 3.30% to 3.71% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- The increases in explicit subsidy amounts were updated to reflect recent experience and future increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender-based risk scores published by the Society of Actuaries.
- Withdrawal and retirement rates were updated from the rates used in the 7/1/2016 PERA Police & Fire Plan valuation to the rates used in the 7/1/2019 valuation.
- Mortality rates were updated from the RP-2014 White Collar and Blue-Collar mortality tables with MP-2016 generational improvement scale to the rates used in the 7/1/2019 PERA General Employees Plan and 7/1/2019 PERA Police & Fire Plan valuations.
- The salary scale assumption was updated from a flat 2.90% to the rates used in the 7/1/2019 PERA General Employees Plan and 7/1/2019 PERA Police & Fire Plan valuations.
- 25% percent of future retirees are assumed to elect family coverage at retirement. The prior valuation assumed 85% of future male retirees and 65% of future female retirees would be married. Of these married retirees, 30% would elect family coverage.
- The percent of active ex-spouses assumed to continue coverage under the original member changed from 20% to 25% based on the change in family coverage assumption.
- The percent of future non-Medicare eligible retirees electing each medical plan was updated to reflect recent experience.

**NOTE 4 – POSTEMPLOYMENT BENEFITS PLAN**

**B – Plan Changes Affecting Actuarial Accrued Liability**

2019 (continued)

The following changes in actuarial assumptions occurred in 2019 for MBC:

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale.
- The discount rate was changed from 3.30% to 3.80%.

The following changes in actuarial assumptions occurred for all entities in 2018:

2018

- The discount rate used changed from 3.50% percent to 3.30% percent.



## **Non-Major Special Revenue Funds**

**Arena Reserve (Target Center)** – This fund is used to account for the ownership, capital maintenance, and operations of the City owned Arena (Target Center).

**Board of Estimate and Taxation** – This fund is used to account for the operations of the Board of Estimate and Taxation which issues and sells bonds, and establishes the maximum levies for the City, its Boards, and Commissions.

**Downtown Assets** – This fund is used to clearly delineate the uses of local sales, liquor, restaurant, entertainment, and lodging 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 (Target Center), the Downtown Commons, and Peavey Plaza.

**HUD Consolidated Plan** – This fund accounts for federal formula-based grants received from the U.S. Department of Housing and Urban Development's Community Planning and Development Office.

**Convention Center** – This fund is used to account for the ownership, capital maintenance, and operations of the City owned Minneapolis Convention Center.

**Self-Managed Special Service Districts** – This fund accounts for the special assessments that are collected to fund the special service districts.

**Employee Retirement** – This fund is used to account for the activities of the three closed retirement funds of the City including the Minneapolis Employees Retirement Fund, the Minneapolis Firefighter's Relief Association, and the Minneapolis Police Relief Association.

**Grants – Federal** – This fund is used to account for all federal grants, except for those included in the HUD Consolidated Plan Special Revenue Fund, Permanent Improvement Capital Projects Fund, Police Special Revenue Fund, Enterprise, and Internal Service Funds.

**Grants – Other** – This fund is used to account for grants received from the State of Minnesota, Hennepin County, local governmental units, and private sources.

**Police** – This fund is used to account for the revenues and expenditures related to federal and state administrative forfeitures, lawful gambling, and the automated pawn system.

**Neighborhood and Community Relations** – This fund is used to account for the tax increment financing funded expenditures of the Neighborhood and Community Relations Department.

**Regulatory Services** – This fund is used to account for special assessments related to nuisance properties.

## **Non-Major Debt Service Funds**

**Community Development Agency** – This fund is used to account for the debt service activity of the Community Planning and Economic Development Department. It includes various tax increment revenue notes.

**Development** – This fund is used primarily to account for debt of projects supported by property tax increments and transfers of sales tax revenues from the Downtown Assets Special Revenue Fund for related debt.

**General Debt Service** – This fund is used to account for debt service activity related to General Obligation governmental debt supported by property tax levies or transfers to/from other City funds. Bonds paid within this fund include general infrastructure, library referendum, and pension obligation bonds. This fund also is used to record debt service activity for governmental revenue notes including the Section 108 HUD note for the Midtown Exchange.

## **Internal Service Funds**

**Engineering Materials and Testing** – This fund is used to account for operations of the City’s paving products laboratory.

**Intergovernmental Services** – This fund is used to account for information technology service, central mailing and printing services, and telecommunication operations. These services are provided to City departments as well as the Park Board, the Municipal Building Commission, and the Minneapolis Youth Coordinating Board.

**Property Services** – This fund is used to account for the physical management and maintenance of various City buildings, except for the City Hall/County Court House building.

**Equipment Services** – This fund is used to account for the ownership and operation of various equipment and vehicles. The fund operates as a rental agent to various departments to support the construction and maintenance of city infrastructure, fire protection services, and police services.

**Public Works Stores** – This fund is used to account for the centralized procurement, warehousing, and distribution of stocked inventory items, as well as the purchase of special goods and services.

**Self-Insurance** – This fund is used to account for employee benefit programs and administrative costs, occupational health services and severance payments to employees who have retired or resigned, a tort liability program, a workers’ compensation program, and a medical self-insurance program.

## **Custodial Funds**

**Minneapolis Youth Coordinating Board Agency** – This fund is used to account for cash deposited with the City.

**Joint Board Agency** – This fund is used to account for cash deposited with the City.

**GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
NON-MAJOR FUNDS  
December 31, 2019**

**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	\$ 88,985	\$ 25,984	\$ 114,969
Investments with trustees	-	3,057	3,057
Receivables:			
Accounts - net	3,448	-	3,448
Taxes	252	704	956
Special assessments	529	-	529
Intergovernmental	15,686	-	15,686
Loans - net	28,102	-	28,102
Accrued interest	227	82	309
Due from other funds	1,850	1,310	3,160
Advances to other funds	19,010	-	19,010
Properties held for resale	8,187	-	8,187
Total assets	<u>\$ 166,276</u>	<u>\$ 31,137</u>	<u>\$ 197,413</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u></b>			
Liabilities:			
Salaries payable	\$ 1,225	\$ -	\$ 1,225
Accounts payable	8,838	11	8,849
Due to other governmental agencies	148	-	148
Due to other funds	1,850	1,310	3,160
Deposits held for others	2,557	-	2,557
Advances from other funds	-	13,107	13,107
Unearned revenue	9,993	-	9,993
Total liabilities	<u>24,611</u>	<u>14,428</u>	<u>39,039</u>
Deferred Inflows of Resources:			
Unavailable revenue	<u>29,468</u>	<u>477</u>	<u>29,945</u>
Fund balances:			
Restricted	12,558	30,021	42,579
Assigned	99,672	-	99,672
Unassigned	<u>(33)</u>	<u>(13,789)</u>	<u>(13,822)</u>
Total fund balances	<u>112,197</u>	<u>16,232</u>	<u>128,429</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 166,276</u>	<u>\$ 31,137</u>	<u>\$ 197,413</u>

**GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NON-MAJOR FUNDS  
For the Fiscal Year Ended December 31, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental</u>
<b>REVENUES:</b>			
Taxes	\$ 115,189	\$ 51,477	\$ 166,666
Licenses and permits	744	-	744
Intergovernmental revenues	48,938	4,170	53,108
Charges for services and sales	11,654	-	11,654
Fines and forfeits	327	-	327
Special assessments	9,154	-	9,154
Investment earnings	3,365	1,095	4,460
Miscellaneous revenues	21,143	4,565	25,708
Total revenues	<u>210,514</u>	<u>61,307</u>	<u>271,821</u>
<b>EXPENDITURES:</b>			
Current:			
General government	28,158	-	28,158
Public safety	17,731	-	17,731
Public works	40	-	40
Health and welfare	12,111	-	12,111
Community planning & economic development	103,688	-	103,688
Intergovernmental:			
Public safety	126	-	126
Debt Service:			
Principal retirement	-	128,550	128,550
Interest and fiscal charges	-	18,455	18,455
Total expenditures	<u>161,854</u>	<u>147,005</u>	<u>308,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>48,660</u>	<u>(85,698)</u>	<u>(37,038)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers from other funds	77,840	84,757	162,597
Transfers to other funds	(131,118)	(5,788)	(136,906)
Total other financing sources (uses)	<u>(53,278)</u>	<u>78,969</u>	<u>25,691</u>
Net change in fund balances	(4,618)	(6,729)	(11,347)
Fund balances - January 1	<u>116,815</u>	<u>22,961</u>	<u>139,776</u>
Fund balances - December 31	<u>\$ 112,197</u>	<u>\$ 16,232</u>	<u>\$ 128,429</u>

**SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
NON-MAJOR FUNDS  
December 31, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>Arena Reserve</u>	<u>Board of Estimate and Taxation</u>	<u>Downtown Assets</u>	<u>HUD Consolidated Plan</u>	<u>Convention Center</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 9,479	\$ 297	\$ 8,813	\$ 88	\$ 20,024
Receivables:					
Accounts - net	2,258	-	-	-	684
Taxes	-	2	-	-	-
Special assessments	-	-	-	-	-
Intergovernmental	-	-	7,316	642	-
Loans - net	-	-	-	28,102	-
Accrued interest	30	-	28	-	65
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	19,010
Properties held for resale	-	-	-	6,321	-
Total assets	<u>\$ 11,767</u>	<u>\$ 299</u>	<u>\$ 16,157</u>	<u>\$ 35,153</u>	<u>\$ 39,783</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u></b>					
Liabilities:					
Salaries payable	\$ 7	\$ 16	\$ -	\$ 117	\$ 493
Accounts payable	1,967	1	60	464	3,328
Due to other governmental agencies	-	-	-	148	-
Due to other funds	-	-	-	-	-
Deposits held for others	-	-	-	-	2,557
Unearned revenue	1,520	-	-	1	-
Total liabilities	<u>3,494</u>	<u>17</u>	<u>60</u>	<u>730</u>	<u>6,378</u>
Deferred inflows of resources:					
Unavailable revenue	751	1	13	28,102	30
Fund balances:					
Restricted	-	-	-	6,321	-
Assigned	7,522	281	16,084	-	33,375
Unassigned	-	-	-	-	-
Total fund balances	<u>7,522</u>	<u>281</u>	<u>16,084</u>	<u>6,321</u>	<u>33,375</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,767</u>	<u>\$ 299</u>	<u>\$ 16,157</u>	<u>\$ 35,153</u>	<u>\$ 39,783</u>

**SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
NON-MAJOR FUNDS  
December 31, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA  
(Continued)**

**(In Thousands)**

<b>Self-Managed Special Service Districts</b>	<b>Employee Retirement</b>	<b>Grants- Federal</b>	<b>Grants- Other</b>	<b>Police</b>	<b>Neighborhood and Community Relations</b>	<b>Regulatory Services</b>	<b>Total</b>
\$ 402	\$ 36,484	\$ 244	\$ 5,760	\$ 2,784	\$ 3,459	\$ 1,151	\$ 88,985
15	-	-	106	385	-	-	3,448
-	250	-	-	-	-	-	252
20	-	-	-	-	-	509	529
-	-	3,993	3,735	-	-	-	15,686
-	-	-	-	-	-	-	28,102
-	100	-	-	-	-	4	227
-	-	-	1,850	-	-	-	1,850
-	-	-	-	-	-	-	19,010
-	-	666	1,200	-	-	-	8,187
<u>\$ 437</u>	<u>\$ 36,834</u>	<u>\$ 4,903</u>	<u>\$ 12,651</u>	<u>\$ 3,169</u>	<u>\$ 3,459</u>	<u>\$ 1,664</u>	<u>\$ 166,276</u>
\$ -	\$ -	\$ 157	\$ 186	\$ 87	\$ 64	\$ 98	\$ 1,225
-	-	504	2,067	122	282	43	8,838
-	-	-	-	-	-	-	148
-	-	1,850	-	-	-	-	1,850
-	-	-	-	-	-	-	2,557
-	-	1,591	6,845	36	-	-	9,993
-	-	4,102	9,098	245	346	141	24,611
4	171	-	-	-	-	396	29,468
-	-	666	3,586	1,985	-	-	12,558
433	36,663	135	-	939	3,113	1,127	99,672
-	-	-	(33)	-	-	-	(33)
<u>433</u>	<u>36,663</u>	<u>801</u>	<u>3,553</u>	<u>2,924</u>	<u>3,113</u>	<u>1,127</u>	<u>112,197</u>
<u>\$ 437</u>	<u>\$ 36,834</u>	<u>\$ 4,903</u>	<u>\$ 12,651</u>	<u>\$ 3,169</u>	<u>\$ 3,459</u>	<u>\$ 1,664</u>	<u>\$ 166,276</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, 2019**

**(In Thousands)**

	Arena Reserve	Board of Estimate and Taxation	Downtown Assets	HUD Consolidated Plan	Convention Center
<b>REVENUES:</b>					
Taxes	\$ -	\$ 211	\$ 89,182	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	8,875	-
Charges for services and sales	-	-	-	986	8,542
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment earnings	358	-	431	218	1,393
Miscellaneous revenues	1,491	-	-	1,134	12,934
Total revenues	<u>1,849</u>	<u>211</u>	<u>89,613</u>	<u>11,213</u>	<u>22,869</u>
<b>EXPENDITURES:</b>					
Current:					
General government	-	122	-	1,847	-
Public safety	-	-	-	765	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	724	-
Community planning & economic development	6,490	-	5,564	11,256	51,940
Intergovernmental:					
Public safety	-	-	-	-	-
Total expenditures	<u>6,490</u>	<u>122</u>	<u>5,564</u>	<u>14,592</u>	<u>51,940</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,641)</u>	<u>89</u>	<u>84,049</u>	<u>(3,379)</u>	<u>(29,071)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers from other funds	4,383	5	2,757	3,487	59,520
Transfers to other funds	(2,757)	-	(96,679)	-	(26,682)
Total other financing sources (uses)	<u>1,626</u>	<u>5</u>	<u>(93,922)</u>	<u>3,487</u>	<u>32,838</u>
Net change in fund balances	(3,015)	94	(9,873)	108	3,767
Fund balances - January 1	<u>10,537</u>	<u>187</u>	<u>25,957</u>	<u>6,213</u>	<u>29,608</u>
Fund balances - December 31	<u>\$ 7,522</u>	<u>\$ 281</u>	<u>\$ 16,084</u>	<u>\$ 6,321</u>	<u>\$ 33,375</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, 2019**

**(In Thousands)**

<b>Self-Managed Special Service Districts</b>	<b>Employee Retirement</b>	<b>Grants- Federal</b>	<b>Grants- Other</b>	<b>Police</b>	<b>Neighborhood and Community Relations</b>	<b>Regulatory Services</b>	<b>Total</b>
\$ -	\$ 25,467	\$ -	\$ 66	\$ 263	\$ -	\$ -	\$ 115,189
-	-	-	-	658	-	86	744
-	4,822	11,374	23,571	296	-	-	48,938
-	-	207	1,029	756	-	134	11,654
-	-	-	-	318	-	9	327
7,175	-	-	17	-	-	1,962	9,154
(23)	925	-	12	-	-	51	3,365
-	3,318	184	2,082	-	-	-	21,143
<u>7,152</u>	<u>34,532</u>	<u>11,765</u>	<u>26,777</u>	<u>2,291</u>	<u>-</u>	<u>2,242</u>	<u>210,514</u>
7,046	16,515	1,231	1,359	38	-	-	28,158
-	7,679	2,975	651	1,777	-	3,884	17,731
-	-	4	36	-	-	-	40
-	-	4,880	6,507	-	-	-	12,111
-	-	2,871	18,516	-	7,051	-	103,688
-	-	126	-	-	-	-	126
<u>7,046</u>	<u>24,194</u>	<u>12,087</u>	<u>27,069</u>	<u>1,815</u>	<u>7,051</u>	<u>3,884</u>	<u>161,854</u>
106	10,338	(322)	(292)	476	(7,051)	(1,642)	48,660
-	-	-	5	-	6,883	800	77,840
-	(5,000)	-	-	-	-	-	(131,118)
-	(5,000)	-	5	-	6,883	800	(53,278)
106	5,338	(322)	(287)	476	(168)	(842)	(4,618)
<u>327</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>116,815</u>
<u>\$ 433</u>	<u>\$ 36,663</u>	<u>\$ 801</u>	<u>\$ 3,553</u>	<u>\$ 2,924</u>	<u>\$ 3,113</u>	<u>\$ 1,127</u>	<u>\$ 112,197</u>



DEBT SERVICE FUNDS  
 COMBINING BALANCE SHEET  
 NON-MAJOR FUNDS  
 December 31, 2019

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Community Development Agency</u>	<u>Development</u>	<u>General Debt Service</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 63	\$ 5	\$ 25,916	\$ 25,984
Investments with trustees	3,057	-	-	3,057
Receivables:				
Taxes	-	-	704	704
Accrued interest	3	-	79	82
Due from other funds	-	-	1,310	1,310
Total assets	<u>\$ 3,123</u>	<u>\$ 5</u>	<u>\$ 28,009</u>	<u>\$ 31,137</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ -	\$ 2	\$ 9	\$ 11
Due to other funds	-	1,310	-	1,310
Advances from other funds	-	12,482	625	13,107
Total liabilities	<u>-</u>	<u>13,794</u>	<u>634</u>	<u>14,428</u>
Deferred Inflows of Resources:				
Unavailable revenue	<u>1</u>	<u>-</u>	<u>476</u>	<u>477</u>
Fund balances:				
Restricted	3,122	-	26,899	30,021
Unassigned	<u>-</u>	<u>(13,789)</u>	<u>-</u>	<u>(13,789)</u>
Total fund balances	<u>3,122</u>	<u>(13,789)</u>	<u>26,899</u>	<u>16,232</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,123</u>	<u>\$ 5</u>	<u>\$ 28,009</u>	<u>\$ 31,137</u>

**DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR FUNDS**  
**For the Fiscal Year Ended December 31, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>Community Development Agency</u>	<u>Development</u>	<u>General Debt Service</u>	<u>Total</u>
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ 51,477	\$ 51,477
Intergovernmental revenues	-	-	4,170	4,170
Investment earnings	99	(20)	1,016	1,095
Miscellaneous revenues	-	3,421	1,144	4,565
Total revenues	<u>99</u>	<u>3,401</u>	<u>57,807</u>	<u>61,307</u>
<b>EXPENDITURES:</b>				
Current:				
Debt Service:				
Principal retirement	1,420	79,270	47,860	128,550
Interest and fiscal charges	715	9,272	8,468	18,455
Total expenditures	<u>2,135</u>	<u>88,542</u>	<u>56,328</u>	<u>147,005</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,036)</u>	<u>(85,141)</u>	<u>1,479</u>	<u>(85,698)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	3,987	73,170	7,600	84,757
Transfers to other funds	(2,265)	-	(3,523)	(5,788)
Total other financing sources (uses)	<u>1,722</u>	<u>73,170</u>	<u>4,077</u>	<u>78,969</u>
Net change in fund balances	(314)	(11,971)	5,556	(6,729)
Fund balances - January 1	<u>3,436</u>	<u>(1,818)</u>	<u>21,343</u>	<u>22,961</u>
Fund balances - December 31	<u>\$ 3,122</u>	<u>\$ (13,789)</u>	<u>\$ 26,899</u>	<u>\$ 16,232</u>

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
December 31, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<b>Engineering Materials and Testing</b>	<b>Inter- governmental Services</b>	<b>Property Services</b>	<b>Equipment Services</b>	<b>Public Works Stores</b>	<b>Self- Insurance</b>	<b>Total</b>
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 2,132	\$ 15,115	\$ 8,148	\$ 33,727	\$ 2,538	\$ 93,583	\$ 155,243
Receivables:							
Accounts - net	41	3	87	7	-	5	143
Inventories	-	-	11	1,280	4,908	-	6,199
Properties held for resale	-	-	-	-	-	432	432
Prepaid items	-	4,748	-	-	-	-	4,748
Total current assets	<u>2,173</u>	<u>19,866</u>	<u>8,246</u>	<u>35,014</u>	<u>7,446</u>	<u>94,020</u>	<u>166,765</u>
Long-term assets:							
Advances to other funds	-	-	-	-	-	272	272
Capital assets:							
Non-depreciable:							
Land and easements	-	-	20,821	2,186	-	-	23,007
Construction in progress	-	13,888	4,746	2,816	-	-	21,450
Depreciable:							
Buildings and structures	-	-	25,588	30,061	-	-	55,649
Less accumulated depreciation	-	-	(22,306)	(12,100)	-	-	(34,406)
Public improvements	-	-	8,813	1,704	-	-	10,517
Less accumulated depreciation	-	-	(4,662)	(686)	-	-	(5,348)
Machinery and equipment	499	1,496	12,894	107,048	30	-	121,967
Less accumulated depreciation	(324)	(828)	(11,581)	(60,540)	(6)	-	(73,279)
Computer equipment	61	31,719	162	-	-	-	31,942
Less accumulated depreciation	(61)	(29,263)	(162)	-	-	-	(29,486)
Software	-	63,255	8	97	-	-	63,360
Less accumulated depreciation	-	(45,727)	(8)	(97)	-	-	(45,832)
Other capital outlay	15	-	21	-	-	-	36
Less accumulated depreciation	(15)	-	(21)	-	-	-	(36)
Total long - term assets	<u>175</u>	<u>34,540</u>	<u>34,313</u>	<u>70,489</u>	<u>24</u>	<u>272</u>	<u>139,813</u>
Total assets	<u>\$ 2,348</u>	<u>\$ 54,406</u>	<u>\$ 42,559</u>	<u>\$ 105,503</u>	<u>\$ 7,470</u>	<u>\$ 94,292</u>	<u>\$ 306,578</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred outflows - other postemployment benefits	\$ 14	\$ 106	\$ 65	\$ 106	\$ 16	\$ 78	\$ 385
Deferred outflows - pensions	75	756	360	469	79	463	2,202
Total deferred outflows of resources	<u>\$ 89</u>	<u>\$ 862</u>	<u>\$ 425</u>	<u>\$ 575</u>	<u>\$ 95</u>	<u>\$ 541</u>	<u>\$ 2,587</u>
<b>LIABILITIES</b>							
Current liabilities:							
Salaries payable	\$ 47	\$ 514	\$ 277	\$ 277	\$ 41	\$ 253	\$ 1,409
Accounts payable	230	6,366	818	1,530	224	2,980	12,148
Unearned revenue	-	1,403	53	25	-	-	1,481
Compensated absences payable - current portion	69	664	380	385	63	3,161	4,722
Medical claims payable - current portion	-	-	-	-	-	7,124	7,124
Unpaid claims payable - current portion	-	-	-	-	-	24,486	24,486
Total current liabilities	<u>346</u>	<u>8,947</u>	<u>1,528</u>	<u>2,217</u>	<u>328</u>	<u>38,004</u>	<u>51,370</u>
Long-term liabilities:							
Compensated absences payable	12	114	65	65	11	13,314	13,581
Other postemployment benefits	103	806	489	801	119	590	2,908
Net pension liability	1,156	11,621	5,535	7,215	1,216	7,112	33,855
Unpaid claims payable	-	-	-	-	-	54,222	54,222
Total long - term liabilities	<u>1,271</u>	<u>12,541</u>	<u>6,089</u>	<u>8,081</u>	<u>1,346</u>	<u>75,238</u>	<u>104,566</u>
Total liabilities	<u>\$ 1,617</u>	<u>\$ 21,488</u>	<u>\$ 7,617</u>	<u>\$ 10,298</u>	<u>\$ 1,674</u>	<u>\$ 113,242</u>	<u>\$ 155,936</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows - other postemployment benefits	\$ 1	\$ 7	\$ 4	\$ 7	\$ 1	\$ 5	\$ 25
Deferred inflows - pensions	309	3,105	1,479	1,928	325	1,900	9,046
Total deferred inflows of resources	<u>\$ 310</u>	<u>\$ 3,112</u>	<u>\$ 1,483</u>	<u>\$ 1,935</u>	<u>\$ 326</u>	<u>\$ 1,905</u>	<u>\$ 9,071</u>
<b>NET POSITION</b>							
Net investment in capital assets	\$ 175	\$ 34,540	\$ 34,313	\$ 70,489	\$ 24	\$ -	\$ 139,541
Unrestricted	335	(3,872)	(429)	23,356	5,541	(20,314)	4,617
Total net position	<u>\$ 510</u>	<u>\$ 30,668</u>	<u>\$ 33,884</u>	<u>\$ 93,845</u>	<u>\$ 5,565</u>	<u>\$ (20,314)</u>	<u>\$ 144,158</u>

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
For the Fiscal Year Ended December 31, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<b>Engineering Materials and Testing</b>	<b>Inter- governmental Services</b>	<b>Property Services</b>	<b>Equipment Services</b>	<b>Public Works Stores</b>	<b>Self- Insurance</b>	<b>Total</b>
Operating revenues:							
Charges for services and sales	\$ 9,242	\$ 41,468	\$ 4,262	\$ 18,273	\$ 1,617	\$ 104,393	\$ 179,255
Fines and forfeits	-	-	-	-	-	22	22
Rents and commissions	-	-	21,061	23,312	-	-	44,373
<b>Total operating revenues</b>	<b>9,242</b>	<b>41,468</b>	<b>25,323</b>	<b>41,585</b>	<b>1,617</b>	<b>104,415</b>	<b>223,650</b>
Operating expenses:							
Personnel costs	1,617	11,868	7,852	8,695	1,429	17,245	48,706
Contractual services	1,164	23,578	12,330	8,890	318	94,711	140,991
Materials, supplies, services and other	6,356	4,089	1,959	7,767	43	27,378	47,592
Depreciation	19	10,530	814	8,830	3	-	20,196
<b>Total operating expenses</b>	<b>9,156</b>	<b>50,065</b>	<b>22,955</b>	<b>34,182</b>	<b>1,793</b>	<b>139,334</b>	<b>257,485</b>
Operating income (loss)	86	(8,597)	2,368	7,403	(176)	(34,919)	(33,835)
Nonoperating revenues (expenses):							
Intergovernmental	4	35	17	22	4	22	104
Investment earnings	-	-	-	-	-	8	8
Gain (loss) on disposal of capital assets	-	-	-	924	-	-	924
Other revenues	-	-	6	8	157	1,916	2,087
<b>Total nonoperating revenues (expenses)</b>	<b>4</b>	<b>35</b>	<b>23</b>	<b>954</b>	<b>161</b>	<b>1,946</b>	<b>3,123</b>
Income (loss) before transfers	90	(8,562)	2,391	8,357	(15)	(32,973)	(30,712)
Transfers in (out):							
Transfers from other funds	-	1,224	330	317	-	312	2,183
Transfers to other funds	-	(3,220)	(817)	(1,000)	-	(60)	(5,097)
<b>Total transfers</b>	<b>-</b>	<b>(1,996)</b>	<b>(487)</b>	<b>(683)</b>	<b>-</b>	<b>252</b>	<b>(2,914)</b>
Change in net position	90	(10,558)	1,904	7,674	(15)	(32,721)	(33,626)
Net position - January 1	420	41,226	31,980	86,171	5,580	12,407	177,784
Net position - December 31	\$ 510	\$ 30,668	\$ 33,884	\$ 93,845	\$ 5,565	\$ (20,314)	\$ 144,158

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended December 31, 2019**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
<b>Cash flows from operating activities:</b>							
Cash received from customers	\$ 111	\$ 312	\$ 252	\$ 1	\$ 18	\$ 100,044	\$ 100,738
Cash received from interfund activities	9,142	41,353	24,974	41,585	6,193	4,376	127,623
Payments to suppliers	(6,830)	(26,517)	(13,524)	(11,850)	(5,307)	(110,580)	(174,608)
Payments to employees	(1,307)	(11,637)	(7,463)	(8,100)	(1,349)	(1,286)	(31,142)
Payments for interfund activities	(628)	(1,959)	(847)	(4,181)	(321)	(4,355)	(12,291)
Other nonoperating revenue	-	-	6	8	157	1,916	2,087
Net cash provided (used) by operating activities	488	1,552	3,398	17,463	(609)	(9,885)	12,407
<b>Cash flows from non-capital financing activities:</b>							
Transfers from other funds	-	1,224	330	317	-	312	2,183
Repayment of advance from other funds	-	-	-	-	-	248	248
Interest paid on advance from other funds	-	-	-	-	-	8	8
Transfers to other funds	-	(3,220)	(817)	(1,000)	-	(60)	(5,097)
Intergovernmental receipts	4	35	17	22	4	22	104
Net cash provided (used) by non-capital financing activities	4	(1,961)	(470)	(661)	4	530	(2,554)
<b>Cash flows from capital and related financing activities:</b>							
Acquisition and construction of capital assets	-	(6,459)	(4,408)	(10,027)	-	-	(20,894)
Proceeds from sale of capital assets	-	-	-	945	-	-	945
Net cash provided (used) by capital and related financing activities	-	(6,459)	(4,408)	(9,082)	-	-	(19,949)
Net increase (decrease) in cash and cash equivalents	492	(6,868)	(1,480)	7,720	(605)	(9,355)	(10,096)
Cash and cash equivalents, beginning of year	1,640	21,983	9,628	26,007	3,143	102,938	165,339
Cash and cash equivalents, end of year	\$ 2,132	\$ 15,115	\$ 8,148	\$ 33,727	\$ 2,538	\$ 93,583	\$ 155,243
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>							
Operating income (loss)	\$ 86	\$ (8,597)	\$ 2,368	\$ 7,403	\$ (176)	\$ (34,919)	\$ (33,835)
Adjustment to reconcile change in net position to net cash provided (used) by operating activities:							
Depreciation	19	10,530	814	8,830	3	-	20,196
Accounts receivable	13	246	(60)	1	-	5	205
Intergovernmental receivable	-	-	-	102	-	-	102
Inventories	-	-	-	138	(580)	-	(442)
Prepaid items	-	(798)	-	-	-	-	(798)
Deferred outflows - other postemployment benefits	(13)	(100)	(58)	(91)	(14)	(70)	(346)
Deferred outflows - pensions	94	1,300	588	745	129	823	3,679
Salaries payable	15	56	41	(63)	(2)	(6)	41
Accounts payable	62	(11)	(82)	386	(91)	(111)	153
Unearned revenue	-	(49)	(37)	-	-	-	(86)
Compensated absences payable	15	15	7	27	1	15,992	16,057
Other postemployment benefits	84	680	377	543	94	452	2,230
Net pension liability	(34)	(2,870)	(1,145)	(1,342)	(257)	(1,949)	(7,597)
Unpaid claims payable	-	-	-	-	-	7,265	7,265
Medical claims payable	-	-	-	-	-	38	38
Deferred inflows - other postemployment benefits	(1)	7	4	7	1	5	23
Deferred inflows - pensions	148	1,143	575	769	126	674	3,435
Other nonoperating revenue	-	-	6	8	157	1,916	2,087
Net cash provided (used) by operating activities	\$ 488	\$ 1,552	\$ 3,398	\$ 17,463	\$ (609)	\$ (9,885)	\$ 12,407
<b>Non-cash investing, capital and financing activities:</b>							
Loss on disposal of capital assets	\$ -	\$ -	\$ -	\$ (178)	\$ -	\$ -	\$ (178)

## APPENDIX E

### 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](http://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 F

### 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>	<b>Local Tax Payable 2020</b>
<b>Residential Homestead (1a)</b>	
Up to \$500,000	1.00%
Over \$500,000	1.25%
<b>Residential Non-homestead</b>	
Single Unit (4bb)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
2-3 unit and undeveloped land (4b1)	1.25%
<b>Market Rate Apartments</b>	
Regular (4a)	1.25%
Low-Income (4d)	
Up to \$150,000 <sup>(c)</sup>	0.75%
Over \$150,000 <sup>(c)</sup>	0.25%
<b>Commercial/Industrial/Public Utility (3a)</b>	
Up to \$150,000	1.50% <sup>(a)</sup>
Over \$150,000	2.00% <sup>(a)</sup>
Electric Generation Machinery	2.00%
<b>Commercial Seasonal Residential</b>	
Homestead Resorts (1c)	
Up to \$600,000	0.50%
\$600,001 - \$2,300,000	1.00%
Over \$2,300,000	1.25% <sup>(a)</sup>
Seasonal Resorts (4c)	
Up to \$500,000	1.00% <sup>(a)</sup>
Over \$500,000	1.25% <sup>(a)</sup>
<b>Non-Commercial Seasonal Recreational (4c12)</b>	
Up to \$500,000	1.00% <sup>(a)(b)</sup>
Over \$500,000	1.25% <sup>(a)(b)</sup>

- (a) State tax is applicable to this classification.  
 (b) Exempt from referendum market value based taxes.