

TAX EXEMPT REFUNDING ISSUE \$15,715,000

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

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants set forth in the resolutions approving the issuance of the Bonds, interest on the Bonds is not includable in gross income for federal income tax purposes and, to the same extent, is not includable in the taxable net income of individuals, estates, and trusts for Minnesota income purposes, and is not a preference item for purposes of computing the federal alternative minimum tax (although interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018) 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 OF THE BONDS" herein.



CITY OF MINNEAPOLIS, MINNESOTA
\$15,715,000 General Obligation
Library Referendum Refunding Bonds, Series 2018
(referred to as the "Refunding Bonds" or the "Bonds")
(Book-Entry Only)

Dated Date: Date of Delivery
Maturity Dates:
December 1, 2019–2020

Interest Due: Each June 1 and
December 1, commencing June 1, 2019

This Official Statement contains information relating to the City of Minneapolis, Minnesota (the "City") and the City's General Obligation Library Referendum Refunding Bonds, Series 2018 (the "Refunding Bonds" or the "Bonds").

The Bonds will mature on the dates and in the amounts and bear interest at the rates shown on the inside of this front cover.

The Refunding Bonds are not subject to prior optional redemption.

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 (without certificates) in denominations of \$5,000 and any integral multiple thereof. 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 Only System" in this Official Statement.

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 opinions of Kennedy & Graven, Chartered, Minneapolis, Minnesota, as bond counsel. It is expected that delivery will be made on or about October 31, 2018.

TD Securities (USA) LLC

The date of this Official Statement is October 22, 2018.

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CITY OF MINNEAPOLIS, MINNESOTA

\$15,715,000

General Obligation Library Referendum Refunding Bonds, Series 2018

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

December 1 Maturity	Amount	Interest Rate	Yield	Price	CUSIP* 60375B
2019	\$7,045,000	5.000%	1.920%	103.284%	DX1
2020	8,670,000	5.250%	2.060%	106.470%	DY9

Original Issue Premium

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

*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.

THE UNDERWRITERS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE OR MAINTAIN THE PRICE OF THE SECURITIES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, OR OTHERWISE AFFECT THE PRICE OF THE SECURITIES OFFERED HEREBY, INCLUDING OVER-ALLOTMENT AND STABILIZING TRANSACTIONS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON IS AUTHORIZED BY THE CITY OR THE UNDERWRITERS IN CONNECTION WITH ANY OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITERS. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE A SALE OF ANY OF THE SECURITIES OFFERED HEREBY BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER, SOLICITATION OR SALE.

This Official Statement contains information furnished by the City and other sources, all of which are believed to be reliable. The City has not independently verified the information contained in "TAX EXEMPTION OF THE BONDS" and cannot and does not warrant the accuracy or completeness of this information.

The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof or that the information contained herein is correct as of any date subsequent to the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other person or relied on by any other party. See "CONTINUING DISCLOSURE COVENANTS."

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all materials in this Official Statement, including its appendices, must be considered in their entirety.

This 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 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 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.

THE BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

References to web site 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 web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

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**CITY OF MINNEAPOLIS,
MINNESOTA**

INTRODUCTORY STATEMENT

This 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 \$15,715,000 General Obligation Library Referendum Refunding Bonds, Series 2018 (the “Refunding Bonds” or the “Bonds”). The Bonds will bear interest at fixed rates based on the competitive sale thereof described herein.

This Introductory Statement is only a brief description of the Bonds and certain other matters. Such description is qualified by reference to the entire Official Statement and the documents summarized or described herein. This 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, if necessary, to pay principal and interest when due. See “THE BONDS — Security for the Bonds” herein.

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

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

Information relating to the City, including certain financial and demographic data, is set forth in Appendix A hereto. Selected portions of the financial statements of the City for the fiscal year ended December 31, 2017, are set forth in Appendix D hereto. The City’s 2017 Comprehensive Annual Financial Report and the Financial Status Report for the fiscal quarter ended June 30, 2018, can be viewed at the following links:

www.minneapolismn.gov/finance/reports/CAFR/financial-reports-cafr-home
www.minneapolismn.gov/finance/reports/financial-reports-special-reports-index

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

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

This Official Statement speaks only as of its date, and the information herein is subject to change. This 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 Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The City official able to furnish basic documents and answer questions about this 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) 673-3554, Fax (612) 673-2042.

THE BONDS

Description of the Refunding Bonds

The Refunding Bonds will be dated October 31, 2018, as the date of original issue, and will bear interest payable on June 1 and December 1 of each year, commencing June 1, 2019. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Refunding Bonds will mature or be subject to mandatory sinking fund redemption on December 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>
2019	\$7,045,000
2020	8,670,000

Redemption Provisions

Refunding Bonds Redemption Option

The Refunding Bonds are not subject to redemption and prior payment in whole or in part at the option of the City.

Authorization and Purpose for Issuance of Bonds

Refunding Bonds. The Constitution and Laws of the State, including Laws of Minnesota 1986, Chapter 396, as amended, Minnesota Statutes, Chapter 475, as amended, and the Minneapolis City Charter, authorize the City to issue and sell bonds for various purposes, including those purposes for which the Refunding Bonds are being issued.

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.

Refunding Bonds. 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 Refunding Bonds, for each year in amounts equal to 105 percent of the amounts required to pay the principal of and interest on the Refunding Bonds in each year. Any revenue obtained from other sources and available for debt service on the Refunding Bonds may be used to offset required tax levies.

SOURCES AND USES OF FUNDS

SOURCES

Refunding Bonds	\$ 15,715,000.00
Reoffering Premium	792,306.80
Cash on Hand	<u>5,673,028.70</u>
Total Sources	\$22,180,335.50

USES

To Redeem the General Obligation Library Referendum Refunding Bonds, Series 2011	\$ 22,100,100.00
Underwriter's Discount	15,335.50
Costs of Issuance	<u>65,000.00</u>
Total Uses	\$22,180,335.50

**BOND REDEMPTIONS AS A RESULT OF THE OCTOBER 16, 2018
REFUNDING & ASSOCIATED ACTIONS**

Bond Series to be redeemed

General Obligation Library Referendum Refunding Bonds, Series 2011*

Dated date of issue to be redeemed

dated November 22, 2011

Refunded maturity

December 1, 2019 with CUSIP 60374Y X28 \$22,100,000

*Redemption date expected to be December 3, 2018.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, 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 Bond certificate will be issued for each maturity of each series of the Bonds in the principal amount of Bonds maturing on that date, and will be deposited with DTC.

DTC, the world’s largest 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.

Purchases of 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 Bond (“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.

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 the 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.

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 Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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).

Principal and interest 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 the City on the 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 (nor its nominee) or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Official Statement under the caption "THE BONDS — Book-Entry Only System" concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The City cannot and does not give any assurances that DTC, or a successor securities depository, or Participants will distribute to the Beneficial Owners of the Bonds: (i) payments of principal of or interest and premium, if any, on the Bonds; (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in the Bonds; or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, or a successor securities depository, as the registered owner of the Bonds, or that they will do so on a timely basis, or that DTC or the Participants will serve and act in the manner described in this Official Statement.

The City will have no responsibility or obligation to any Participant, or any Beneficial Owner or any other person with respect to: (i) the Bonds; (ii) the accuracy of any records maintained by DTC, or a successor securities depository, or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Bonds; (iii) the payment by DTC, or a successor securities depository, or any Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Bonds; (iv) the delivery by DTC, or a successor securities depository, or any Participant of any notice to any Beneficial Owner which is required or permitted to be given to owners of the Bonds; (v) the selection of which Beneficial Owners will receive payment in the event of any partial redemption of the Bonds; (vi) any consent given or other action taken by DTC, or a successor securities depository as a Bondholder; or, (vii) the performance by DTC, or any successor securities depository, of any other duties as securities depository.

LITIGATION

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

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

LEGAL MATTERS

Legal matters incident to the issuance, sale and validity of the Bonds are subject to the approving opinion of Kennedy & Graven, Chartered, of Minneapolis, Minnesota, Bond Counsel. The form of the Bond Counsel opinion with respect to the Bonds is shown in Appendix B. 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 & 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 has participated in the preparation of certain portions of this Official Statement, but is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

CONCURRENT FINANCING

Concurrently with the sale of the Bonds, the City has sold its General Obligation Capital Improvement Bonds, Series 2018 (the "CIP Bonds") in the principal amount of \$96,220,000. The CIP Bonds have been designated as Green Bonds. The CIP Bonds are for two projects described below:

New Public Service Center \$ 30,000,000: The New Public Service Center will allow the City to consolidate several departments into a single, modern, energy efficient facility that is accessible by mass transit. This will reduce the trips associated with City employees traveling to different locations throughout the day, and will improve service to the public. In its Climate Action Plan, the City identified a strategy to demonstrate leadership in green buildings. This highly-visible Public Service Center is expected to catalyze other developers to meet similar energy efficiency standards. The building is expected to attain a LEED Gold or higher certification. The design emphasizes natural daylight, energy efficiency, green roof elements, and solar energy arrays on the structure.

Eastside Storage and Maintenance Facility \$65,000,000: With this project, the City will construct a modern, state-of-the-art recycling and waste facility. The East Side Facility is needed to assist the solid waste and recycling division with increased responsibilities due to population growth, expanded recycling efforts, and composting efforts. The East Side Facility will replace two outdated City facilities, combining operations into one location. This will greatly improve operational efficiency. The facility is designed to attain a LEED Gold or higher certification. It has the additional environmental benefit of allowing the City to expand composting operations and recycling, and convert the vehicle fleet to compressed natural gas.

FUTURE FINANCING

The City is currently in the process of issuing a General Obligation Note to the Minnesota Public Facilities Authority (PFA) as part of the PFA's Drinking Water Revolving Fund Program. Proceeds of the \$27,300,000 note will be used to reimburse expenses for two Public Works water enterprise fund projects currently under construction. The anticipated closing date of this note is expected to occur in late October or early November of 2018.

UNDERWRITING

TD Securities (USA) LLC, New York, NY (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 \$16,491,971.30 (par amount plus a reoffering premium of \$792,306.80 less an underwriter’s discount of \$15,335.50). The Underwriter for the Bonds will be obligated to purchase all of 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

Ratings have been assigned to the Bonds by S&P Global Ratings and Fitch Ratings. Such ratings will 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 of time 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 Official Statement for use in connection with the initial sale of the Bonds. As of the date of the settlement of the Bonds, the City will deliver to each underwriter a certificate signed by the authorized representative of the City stating that the information contained in the 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.

CONTINUING DISCLOSURE COVENANTS

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 — 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 December 31, 2017, the total principal amount of the seven separate series of bonds issued and outstanding under the CBF Program was \$64,300,000.

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 ten percent (10%) 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 (5) years, in which there was a failure to comply with previous continuing disclosure undertakings. Nevertheless, the City has concluded, under the circumstances, that the omission of such compliance failures was not “material” because the omitted information was otherwise available to the public in the official statements and in the annual audited financial statements filed each year by the City with EMMA in connection with the general obligation bond issues of the City.

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

TAX EXEMPTION OF THE BONDS

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 Bond Resolutions for 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 (although interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018) 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.

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 for the Bonds 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 in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation.

Certain provisions of the Code and related Minnesota 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:

1. *Bank Qualification.* 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.
2. *Property and Casualty Insurance Companies.* Certain deductions for underwriting losses of property and casualty insurance companies are disallowed by an amount equal to the applicable percentage of tax exempt income received or accrued on obligations such as interest on the Bonds. For purposes hereof, the applicable percentage is 5.25% divided by the highest rate in effect under Section 11(b) of the Code.
3. *Branch Profits Tax and Foreign Insurance Companies.* Interest on the Bonds is subject to federal income taxation to the extent it is included in “effectively connected” U.S. earning and profits of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code.
4. *Social Security.* Interest on the Bonds is includable in the calculation of modified adjusted gross income in determining whether Social Security or railroad retirement benefits are to be included in taxable income of individuals.
5. *Passive Investment Income of S Corporations.* Passive investment income, including interest on the Bonds may be subject to federal income taxation under Section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent (25%) of its gross receipts is passive investment income.

The above 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 Official Statement, will be delivered on the date of issuance and delivery of the Bonds.

ORIGINAL ISSUE PREMIUM

Original Issue Premium

The Bonds were 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 Bond over its stated redemption price at maturity constitutes a premium with respect to such Bonds. An owner of a Premium Bond must amortize the premium over the term of the Bond using constant yield principles, based on the owner's yield to maturity. As 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.

CHANGES IN FEDERAL AND STATE TAX LAW

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 particular 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.

APPENDIX A

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**APPENDIX A
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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 2017 population was 423,990.

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 present Mayor and members of the City Council, whose terms expire on January 1, 2022, are as follows:

Mayor: Jacob Frey

Council Members:

Ward 1 — Kevin Reich

Ward 2 — Cam Gordon

Ward 3 — Steve Fletcher

Ward 4 — Phillipe M. Cunningham

Ward 5 — Jeremiah Ellison

Ward 6 — Abdi Warsame

Ward 7 — Lisa R. Goodman

Ward 8 — Andrea Jenkins, Council Vice President

Ward 9 — Alondra Cano

Ward 10 — Lisa Bender, Council President

Ward 11 — Jeremy Schroeder

Ward 12 — Andrew Johnson

Ward 13 — Linea Palmisano

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

City Departments

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

Independent Boards

The Minneapolis Park and Recreation 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 and 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 (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

Tax Capacity and Estimated Market Valuations

The City Assessor, pursuant to State law and the City Charter, is responsible for the assessment of all taxable property located within the City. State law provides, with certain exceptions, that all taxable property is to be valued at its market value at maximum intervals of five years. Personal property subject to taxation must also be listed and assessed annually as of January 2.

Property is appraised at Estimated Market Value, defined as the usual selling price of the property. The estimated market value of property is the monetary price the assessor believes that property is fairly worth.

Taxable Market Value is the estimated market value of a property less any credits or exclusions available for that property. The amount of value upon which taxes are levied, extended and collected, is calculated as a percentage of the Taxable Market Value. This percentage is referred to as Net Tax Capacity. The mechanics of the computation are Net Tax Capacity equals Taxable Market Value multiplied by a given percentage for that particular classification of property. The following table shows selected Net Tax Capacity formulas that are in place for collection years 2015 forward.

TAXABLE VALUATION AS PERCENTAGE OF TAXABLE MARKET VALUE

<u>Type of Property</u>	<u>Payable Net Tax Capacity</u>
Residential Homestead and Residential Non-Homestead single unit:	
First \$500,000	1.00%
Over \$500,000	1.25%
Residential Non-Homestead:	
Two or more units	1.25%
Seasonal Recreational Residential:	
First \$500,000	1.00%
Over \$500,000	1.25%
Apartment	1.25%
Commercial and Industrial:	
First \$150,000	1.50%
Over \$150,000	2.00%

The estimated market value of utility property is determined by the Minnesota Department of Revenue.

Statewide Property Tax: A State general property tax is levied on commercial and industrial property, public utility property, unmined iron ore property, and seasonal recreational property, including cabins. The tax is levied at a uniform rate across the State. The levy amount is adjusted annually for the increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the U.S. Bureau of Economic Analysis.

Neither the tax capacity nor the estimated market value may accurately represent what a property’s actual market value would be in the market place. By dividing the estimated market value used for tax purposes by the State Equalization Aid Review Committee’s (EARC) “Sales Ratio” for any particular year, an Economic Market Value can be calculated which approximates actual market value. Sales ratios represent the relationship between the market value used for tax purposes and actual selling prices which were obtained in real estate transactions within a governmental unit in any particular year.

Set forth in the table below are the Assessor's Estimated Market Value and the Economic Market Value for property located in the City for the collection years 2008 through 2018.

VALUATIONS OF TAXABLE PROPERTY LOCATED IN THE CITY

Year of Value	Year of Tax Collection	Economic ^(1,2) Market Value	Assessor's Estimated Market Value Total	Unadjusted Net Tax Capacity Total	Value Capture & Tax Increment ⁽³⁾	Fiscal Disparity Contribution	Fiscal Disparity Distribution	Net Tax Capacity
2018 est	2019	NA	\$52,944,474,600	\$667,919,277	\$(57,253,420)	\$(76,704,603)	\$57,332,401	\$591,293,655
2017	2018	\$52,336,992,341	47,947,932,200	601,211,854	(52,450,899)	(70,076,963)	54,851,682	533,535,674
2016	2017	47,235,357,618	44,067,523,400	549,921,260	(46,716,798)	(62,272,973)	52,548,027	493,479,516
2015	2016	43,273,456,995	40,296,679,900	498,459,518	(40,508,195)	(54,435,694)	51,125,630	454,641,259
2014	2015	39,219,439,185	36,544,531,600	447,314,106	(34,876,078)	(51,741,779)	49,817,942	410,514,191
2013	2014	35,630,314,950	33,236,865,300	405,819,753	(31,184,406)	(49,148,074)	48,686,974	374,174,247
2012	2013	33,383,021,233	32,569,114,445	395,982,655	(26,241,688)	(47,101,081)	51,075,667	373,715,553
2011	2012	33,851,161,508	33,599,252,600	406,976,849	(36,037,843)	(52,179,586)	52,856,334	371,615,754
2010	2011	35,516,441,416	34,955,675,900	439,869,867	(44,078,216)	(58,331,426)	57,452,116	394,912,341
2009	2010	39,252,902,318	37,057,503,700	469,492,521	(35,671,594)	(55,162,961)	60,483,575	439,141,541
2008	2009	41,386,667,127	38,111,782,650	482,224,534	(73,308,233)	(51,148,718)	56,767,749	413,935,332
2007	2008	43,099,734,689	38,641,276,800	476,003,270	(70,210,276)	(45,264,934)	50,007,587	410,535,647

(1) In 2011, the State Legislature eliminated the Homestead Market Value Credit for homestead residential property and replaced it with "Homestead Market Value Exclusion." Beginning with taxes payable in 2012, this results in a reduction in the Taxable Market Value of residential homestead property.

(2) The Economic Market Values are from the Minnesota Department of Revenue.

(3) Value Capture district first year for tax collection was 2014.

Year of Value	Year of Tax Collection	Tax Increment	Value Capture	Value Capture & Tax Increment	\$ Change	% Change
2018 est	2019	\$51,365,646	\$5,887,774	\$57,253,420	\$4,802,521	9.16%
2017	2018	46,870,228	5,580,671	52,450,899	5,734,101	12.74%
2016	2017	41,292,027	5,424,771	46,716,798	6,208,603	15.33%
2015	2016	36,869,936	3,638,259	40,508,195	5,632,117	16.15%
2014	2015	32,975,507	1,900,571	34,876,078	3,691,672	11.84%
2013	2014	31,177,354	7,052	31,184,406	4,942,718	18.84%

TAXABLE MARKET VALUES

Year of Collection	Personal Property	Real Estate	Total	\$ Change	% Change
2019 est	\$546,993,346	\$51,351,948,356	\$51,898,941,702	\$5,124,711,662	10.96%
2018	520,854,555	46,253,375,485	46,774,230,040	3,961,641,997	9.25%
2017	475,142,935	42,337,445,108	42,812,588,043	3,859,866,882	9.91%
2016	414,683,134	38,538,038,027	38,952,721,161	3,816,473,513	10.86%
2015	409,105,104	34,727,142,544	35,136,247,648	3,429,949,076	10.82%
2014	411,052,551	31,295,246,021	31,706,298,572	686,602,752	2.21%
2013	406,585,079	30,613,110,741	31,019,695,820	(1,045,053,761)	-3.26%
2012	383,349,718	31,681,399,863	32,064,749,581	(2,795,950,699)	-8.02%
2011	379,463,600	34,481,236,680	34,860,700,280	(2,092,574,850)	-5.66%
2010	368,909,800	36,584,364,830	36,953,274,630	(977,141,210)	-2.58%
2009	378,717,950	37,551,697,890	37,930,415,840	78,902,035	0.21%
2008	387,027,200	37,464,486,605	37,851,513,805	3,136,882,400	9.04%

Set forth in the table below is a schedule of the assessed valuation/tax capacity of categories of real and personal property located within the City for the taxes payable years 2014 through 2018.

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

<u>Valuation Year</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Collection Year</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Commercial & Industrial*	\$194,215	\$182,713	\$170,090	\$152,748	\$146,319
Residential	285,311	262,809	244,599	228,630	207,299
Apartment	96,174	85,311	72,226	55,968	43,628
Other	312	288	269	253	235
Total Real Property	<u>576,012</u>	<u>531,121</u>	<u>487,184</u>	<u>437,599</u>	<u>397,481</u>
Personal Property	<u>9,975</u>	<u>9,075</u>	<u>7,965</u>	<u>7,792</u>	<u>7,877</u>
Total Real and Personal Property	585,987	540,196	495,149	445,391	405,358
Less Tax Increment	(46,870)	(41,292)	(36,870)	(32,976)	(31,177)
Less Value Capture	(5,581)	(5,425)	(3,638)	(1,901)	(7)
Net Tax Capacity	<u>\$533,536</u>	<u>\$493,479</u>	<u>\$454,641</u>	<u>\$410,514</u>	<u>\$374,174</u>

*includes net effect of Fiscal Disparities

Limitation on City Tax Levy

From time to time the City has been subject to levy limits by state law. **Historically these limitations have not applied to taxes levied to pay debt service.** The potential exists for future legislation to limit the ability of local governments to levy property taxes.

Metropolitan Fiscal Disparities Act

The Metropolitan Fiscal Disparities Act (Minnesota Statutes, Chapter 473F) 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.

Tax Levies, Rates and Collections

In December of each year the City Council and the other City tax-levying authorities are required to certify their levies to the County Director of Property Taxation on all taxable property in the City which, if collected in the ensuing year, will be sufficient, in addition to other revenues of the City available therefor, to defray the expenses of the City for the next fiscal year. Taxes on real property and personal property become due on the first Monday in January. If in any year a taxpayer elects, as is his right, to pay his annual taxes in two installments, the first real property installment becomes due on May 15 and delinquent on May 16 and the second real property installment becomes due on October 15 and delinquent on October 16. Personal property taxes become delinquent after February 28 for the first half and on July 1 for the second half.

Applicable tax rates are calculated by dividing each taxing district's levy by its corresponding net tax capacity (taxable value). The tax rates are called net tax capacity rates and are expressed in the form of a percentage.

The tax rates shown are those levied against the tax capacities of residential property in the City and the major portion (68.60% for 2013, 68.16% for 2014, 68.09% for 2015, 69.95% for 2016, 69.05% for 2017 and 68.03% for 2018) of the tax capacities of commercial-industrial property in the City. Areawide tax rates of 153.491% for 2013, 163.121% for 2014, 161.625% for 2015, 150.262% for 2016, 150.049% for 2017 and 145.095% for 2018 were levied against the remainder of the assessed valuation or tax capacities of commercial-industrial property in the City.

TAX RATES IN TAX CAPACITY

<u>Governmental Unit</u>	<u>Tax Collection Year</u>					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City	59.556%	61.129%	62.437%	66.333%	71.804%	72.717%
Special School District No. 1	22.291	20.410	21.165	22.176	25,621	27.161
County	42.654	43.925	45.203	46.112	49.400	48.884
Other	6.240	6.416	6.430	6.796	7.270	6.992
Totals	<u>130.741%</u>	<u>131.880%</u>	<u>135.235%</u>	<u>141.417%</u>	<u>154.059%</u>	<u>155.754%</u>

TAX RATES FOR MARKET VALUE LEVIES

<u>Governmental Unit</u>	<u>Tax Collection Year</u>					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City	0.02165%	0.02127%	0.02325%	0.02563%	0.02817%	0.02875%
Special School District No. 1	0.15531	0.18045	0.19399	0.20704	0.19798	0.18913
Totals	<u>0.17696%</u>	<u>0.20172%</u>	<u>0.21724%</u>	<u>0.23267%</u>	<u>0.22615%</u>	<u>0.21788%</u>

Set forth in the table below are the City's ad valorem tax levies and collections for the years 2010 through 2018.

**TAX LEVIES AND COLLECTIONS
(In Thousands)**

<u>Collection Year</u>	<u>Certified Tax Levy</u>	<u>Current Year \$\$ Collections</u>	<u>Current Year Collections % of Levy</u>	<u>Delinquent Collections</u>	<u>Total Collections</u>	<u>Total Collections % of Levy</u>
2018	\$331,208			In Process		
2017	313,941	\$311,012	99.067%	\$1,548	\$312,559	99.560%
2016	297,580	297,329	99.916	2,116	299,445	100.627%
2015	287,630	287,787	100.055	3,164	290,951	101.155
2014	281,874	282,180	100.109	3,020	285,200	101.180
2013	284,409	284,038	99.870	3,557	287,595	101.120
2012	279,607	277,424	99.219	2,982	280,406	100.286
2011	277,357	267,097	96.301	1,967	269,064	97.010
2010	264,805	252,586	95.386	4,973	257,559	97.264

Largest Taxpayers in the City

The table below sets forth the net tax capacities of the largest taxpayers located within the City for the year 2017 applicable to taxes payable in 2018.

LARGEST TAXPAYERS WITHIN THE CITY*

<u>Rank</u>	<u>Taxpayer</u>	<u>Assessor's Estimated Market Value</u>	<u>Net Tax Capacity</u>	<u>Percentage of Total Net Tax Capacity</u>
1	BRI 1855 IDS CENTER LLC	\$ 274,390,000	\$ 5,489,450	1.03%
2	NWC LIMITED PARTNERSHIP	253,970,000	5,082,250	0.95%
3	MINNEAPOLIS 225 HOLDINGS LLC	244,450,000	4,891,850	0.92%
4	33 CITY CENTER HOLDING LLC	216,410,000	4,329,850	0.81%
5	WELLS FARGO BANK NA	206,000,000	4,118,500	0.77%
6	TARGET CORPORATION	197,439,400	3,948,038	0.74%
7	US BANK CORP RE TAX DEPT	194,410,000	3,889,850	0.73%
8	WELLS REIT-800 NICOLLETT	180,810,000	3,615,450	0.68%
9	HILTON HOTELS CORP	153,500,000	3,069,250	0.58%
10	SOUTH SIXTH OFFICE LLC	145,440,000	2,908,050	0.55%
	Subtotal Top Ten Taxpayers	\$2,066,819,400	\$41,342,538	7.75%
	City Total Adjusted Net Tax Capacity		\$533,535,674	

*Source: City Assessor

INDEBTEDNESS OF THE CITY

Debt Management Policy

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

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

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

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

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

Debt Management. City Financial Management Policies shall be 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 so as 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 various dates 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.

CITY OF MINNEAPOLIS
Historical Outstanding Debt for Years Ending December 31,
By Source of Repayment

Classification/Business Line	2017	2016	2015	2014	2013
Source of Repayment	(Dollar Amounts Expressed in Thousands)				
General Obligation (GO) Debt:					
Enterprise Fund GO Debt:					
Stormwater Sewer	\$ 27,810		\$ 2,500	\$ 4,736	\$ 7,971
Sanitary Sewer Fund		\$ 24,550	5,800	9,300	14,450
Water Fund Bonds	32,775	27,690	21,475	25,769	22,070
Water Fund Notes – MN PFA*	64,990	71,520	75,870	80,230	84,075
Parking Fund	87,435	95,679	106,032	111,472	122,356
Total Enterprise Fund GO Debt	213,010	219,439	211,677	231,507	250,922
Self-Supporting GO Debt:					
Sales Tax Supported (A)	142,165	122,882	116,050	136,300	150,500
Tax Increment Supported	60,515	65,890	80,005	88,240	101,995
Development Supported	61,825	61,905	61,905	61,905	
Housing Improvement Fee Supported	1,070	1,120	1,170	1,215	1,260
Assessment Supported	53,415	42,556	38,123	47,998	52,514
Park Board	11,190	12,050	12,820	13,565	14,120
Total Self-Supporting GO Debt	330,180	306,403	310,073	349,223	320,389
Internal Service Fund GO Debt:					
Equipment Fund	8,990	11,330	13,545	15,645	17,635
Property Services Fund	820	1,640	2,460	3,280	4,045
Total Internal Service Fund GO Debt	9,810	12,970	16,005	18,925	21,680
Property Tax Supported GO Debt:					
Property Tax Supported	110,920	115,315	105,165	131,235	138,655
Total Property Tax Supported GO Debt	119,920	115,315	105,165	131,235	138,655
Total GO Debt Outstanding	\$663,920	\$654,127	\$642,920	\$730,890	\$731,646
Non-General Obligation Debt:					
Economic & Business Development Debt:					
Economic Development Revenue Bonds	20,305	21,625	22,710	23,500	24,385
Economic Development Revenue Notes	3,705	4,115	13,695	14,055	14,426
Community Dev – General Agency Reserve Fund ..	64,300	76,315	84,790	90,100	94,100
Total Non-GO Debt Outstanding	\$ 88,310	\$102,055	\$121,195	\$127,655	\$132,911
Grand Total GO and Non-GO Debt Outstanding	\$752,230	\$756,182	\$764,115	\$858,545	\$864,557

Notes:

(A) Amounts include all bonds/notes outstanding historically for the Minneapolis Convention Center and for the Target Center Renovation project

* PFA Public Facilities Authority

HISTORY OF DEBT

Total General Obligation Debt

<u>As of 12/31</u>	<u>Fixed Rate</u>	<u>Variable Rate</u>	<u>Total</u>	<u>Variable Rate as % of Total</u>
2017	\$585,375,000	\$ 78,545,000	\$ 663,920,000	13.42%
2016	570,265,000	83,861,985	654,126,985	12.82
2015	580,725,000	62,195,000	642,920,000	9.67
2014	688,180,474	42,710,000	730,890,474	5.84
2013	688,546,012	43,100,000	731,646,012	5.89
2012	724,865,035	43,470,000	768,335,035	5.66
2011	837,657,771	45,700,000	883,357,771	5.17
2010	835,698,690	146,610,000	982,308,690	14.93
2009	931,152,751	152,390,000	1,083,542,751	14.06
2008	895,461,619	198,670,000	1,094,131,619	18.16
2007	925,680,409	220,040,000	1,145,720,409	19.21

Property Tax Supported General Obligation Debt

<u>As of 12/31</u>	<u>Fixed Rate</u>	<u>Variable Rate</u>	<u>Total</u>	<u>Variable Rate as % of Total</u>
2017	\$110,920,000	\$ 0	\$110,920,000	0.00%
2016	114,615,000	700,000	115,315,000	0.61
2015	90,165,000	15,000,000	105,165,000	14.26
2014	131,235,000	0	131,235,000	0.00
2013	138,655,000	0	138,655,000	0.00
2012	140,590,000	0	140,590,000	0.00
2011	188,340,000	0	191,160,000	0.00
2010	196,195,000	44,475,000	240,670,000	18.48
2009	196,455,000	47,600,000	244,055,000	19.50
2008	206,040,000	53,000,000	259,040,000	20.46
2007	196,725,000	64,360,000	261,085,000	24.65

Non Property Tax Supported General Obligation Debt

<u>As of 12/31</u>	<u>Fixed Rate</u>	<u>Variable Rate</u>	<u>Total</u>	<u>Variable Rate as % of Total</u>
2017	\$474,455,000	\$ 78,545,000	\$553,000,000	16.56%
2016	455,650,000	83,161,985	538,811,985	15.43
2015	490,560,000	47,195,000	537,755,000	8.78
2014	556,945,474	42,710,000	599,655,474	7.12
2013	549,891,012	43,100,000	592,991,012	7.26
2012	584,275,035	43,470,000	627,745,035	6.92
2011	646,497,771	45,700,000	692,197,771	6.60
2010	639,503,690	102,135,000	741,638,690	13.77
2009	734,697,751	104,790,000	839,487,751	12.48
2008	689,421,619	145,670,000	835,091,619	17.44
2007	728,955,409	155,680,000	884,635,409	17.60

General Obligation Notes

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

The City has issued seven general obligation notes purchased by the Minnesota Public Facilities Authority (PFA) to finance the City's drinking water ultra-filtration project and new filter presses project. The notes are part of a federally sponsored below market financing program related to the Drinking Water Act and the City saves interest initially by participating in the program. The interest rates on the six notes range from 1.00 to 2.83% and the final maturity dates range from August of 2019 to August of 2033. The City received proceeds totaling \$133,087,215 over the years and on December 31, 2018, the outstanding debt balance of the general obligation notes in this program for debt currently issued is estimated at \$85,915,000.

<u>\$\$ Issued</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Estimated December 31, 2018 Outstanding</u>	<u>Interest Rate</u>
\$ 27,400,000	17-Dec-02	20-Aug-22	\$10,500,000	2.830%
\$ 25,000,000	21-Feb-04	20-Aug-23	\$16,950,000	2.800%
\$ 12,500,000	23-Mar-05	20-Aug-19	\$ 1,975,000	2.530%
\$ 13,500,000	23-Aug-06	20-Aug-26	\$ 7,275,000	2.600%
\$ 19,557,660	9-Dec-09	20-Aug-27	\$18,125,000	2.600%
\$ 6,229,555	2-Mar-10	20-Aug-21	\$ 2,290,000	1.000%
\$ 28,900,000	14-May-18	20-Aug-33	\$28,800,000	1.008%
<u>\$133,087,215</u>			<u>\$85,915,000</u>	

General Obligation Bank Term Notes (all are variable rate)

On January 3, 2012, the City issued a \$15,840,000 General Obligation Term Loan Note, Series 2011A and a \$27,980,000 General Obligation Term Loan Note, Series 2011B (the "Term Loan Notes") and both were purchased by U.S. Bank National Association. The proceeds of the Term Loan Notes were used to refund and redeem all of the remaining principal amounts of five general obligation variable rate bond issues of the City. Each of the Term Loan Notes accrued interest at a variable rate which was reset monthly and was equal to the sum of 70% of the one-month LIBOR rate, plus a spread based on the current rating of the City's long-term general obligation debt. Both Term Loan Notes had a mandatory prepayment date of July 1, 2016. In December of 2015 both notes were amended and restated to extend the mandatory prepayment date to December 18, 2018. Upon extension, the Series 2011A Note balance was \$14,215,000 and the Series 2011B Note balance remained at \$27,980,000.

In December 2015, the City issued a \$25,000,000 General Obligation Note, Series 2015A (the "Series 2015A Note"), which was purchased by U.S. Bank National Association ("U.S. Bank") to finance a portion of the costs of a complete renovation of the Nicollet Mall roadway and streetscape in downtown Minneapolis. The Series 2015A Note was issued on December 18, 2015 and provided up to 24 months of drawdown flexibility for the project to reimburse expenses on a monthly basis during construction. In May of 2017, the balance of funds drawn totaling \$17,000,000 was refunded with a general obligation fixed rate bond financing leaving a balance of \$0 and \$8,000,000 of remaining capacity. The City has since drawn the full \$8,000,000 and has prepaid \$4,800,000 with special assessments collected in advance from property owners, leaving a \$3,200,000 balance currently. The original tax-exempt Series 2015A Note was in variable rate mode and accrued interest based on the weekly SIFMA index plus a bank spread based on the City's credit ratings. In December of 2017, the City and U.S. Bank National Association entered into a first amendment to the December 2015 loan agreement which extended the mandatory prepayment date to June 17, 2021 and the maturity date to June 17, 2022. The amended and restated Series 2015A Note accrues interest based on 70% of the weekly LIBOR rate plus a bank spread based on the City's credit ratings and is also subject to a margin rate factor associated with the revised maximum federal corporate tax rate which currently adds approximately 30 basis points to the resulting interest rate. The fixed rate bonds and the amended and restated Series 2015A Note will be paid with special assessments levied against properties benefitted by the improvement project. The City began collecting special assessments in 2017.

All of the City's General Obligation Bank Notes have been filed with the Electronic Municipal Market Access (EMMA) system.

Summary of Bank Notes

<u>Note</u>	<u>Bank Note Amount For</u>	<u>Amount Drawn</u>	<u>Amount Retired</u>	<u>Amount Outstanding on Amount Drawn</u>
2011A	\$15,840,000	\$15,840,000	\$13,790,000	\$ 2,050,000
2011B	27,980,000	27,980,000	190,000	27,790,000
2015A	25,000,000	25,000,000	21,800,000	3,200,000
	<u>\$68,820,000</u>	<u>\$68,820,000</u>	<u>\$35,780,000</u>	<u>\$33,040,000</u>

<u>Note</u>	<u>Amount Available on Note but Not Yet Drawn</u>	<u>Mandatory Prepayment Date</u>	<u>Maturity Date</u>	
2011A	\$ 0	18-Dec-2018	1-Dec-2032	Adopted Amortization Schedule
2011B	0	18-Dec-2018	1-Dec-2033	Adopted Amortization Schedule
2015A	0	17-Jun-2021	17-Jun-2022	
	<u>\$ 0</u>			

Adopted Note Amortization Schedules

<u>Dec 1st of</u>	<u>Note 2011A</u>	<u>Note 2011B</u>
2018	\$ 490,000	\$ 195,000
2019	520,000	195,000
2020	550,000	195,000
2021	490,000	290,000
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
	<u>\$2,050,000</u>	<u>\$27,790,000</u>

GENERAL OBLIGATION DEBT

General Obligation Debt (see schedules following)	See Page	GO Bonds*	GO Notes*	Total GO Debt Before This Sale	This Sale GO Bonds	Total GO Debt After This Sale
Pledged Revenue for the debt payment						
Equipment Fund Revenues	A-13	\$ 8,990,000		\$ 8,990,000		\$ 8,990,000
Property Service Fund Revenues	A-13	820,000		820,000		820,000
Park Board Revenues	A-13	11,190,000		11,190,000		11,190,000
Sanitary Sewer Fund Revenues	A-13	27,810,000		27,810,000		27,810,000
Developer Revenues	A-14	61,825,000		61,825,000		61,825,000
Housing Area Improvement Fees	A-14	\$2,280,000		2,280,000		\$2,280,000
Sales Tax Revenues	A-15	144,725,000		144,725,000		144,725,000
Tax Increment Revenues	A-16	52,380,000	2,050,000	54,430,000		54,430,000
Property Tax Revenues	A-17	137,870,000		137,870,000	111,935,000	227,705,000**
Parking Fund Revenues	A-18	45,440,000	\$27,790,000	73,230,000		73,230,000
Special Assesments	A-19	57,460,000	3,200,000	60,660,000		60,660,000
Water Fund Revenues	A-20	32,775,000	85,915,000	118,690,000		118,690,000
Total General Obligation Debt	A-21 & A-22	\$583,565,000	\$118,955,000	\$702,520,000	\$111,935,000	\$792,355,000**

Oct 2018 Sales	Property Tax Revenues	Property Tax Revenues Bonds Called	Net Effect of Oct Sales
The Capital Improvement Bonds, Series 2018	\$ 96,220,000		\$96,220,000
The Library Referendum Refunding Bonds, Series 2018	\$ 15,715,000	(\$22,100,000)	(\$6,385,000)
	\$111,935,000	(\$22,100,000)	\$89,835,000

*Outstanding debt is as of the dated date of the Bonds.

**This amount reflects the retirement of the \$22,100,000 being called by the Refunding Bonds, as do the tables on pages A-17 and A-22.

GENERAL OBLIGATION DEBT

Park Board Supported

	<u>Current Principal</u>	<u>Interest</u>	<u>Debt Service</u>	
2018	\$840,000	\$163,244	\$1,003,244	2018
2019	850,000	303,788	1,153,788	2019
2020	3,675,000	278,288	3,953,288	2020
2021	900,000	196,038	1,096,038	2021
2022	925,000	169,038	1,094,038	2022
2023	950,000	140,825	1,090,825	2023
2024	975,000	109,950	1,084,950	2024
2025	1,025,000	76,800	1,101,800	2025
2026	1,050,000	39,900	1,089,900	2026
2027				2027
	<u>\$11,190,000</u>	<u>\$1,477,869</u>	<u>\$12,667,869</u>	
% due	\$8,140,000	\$1,251,219	\$9,391,219	
5+ years	72.74%	84.66%	74.13%	
(thru				
12/31/23)				

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GENERAL OBLIGATION DEBT

Equipment Fund Supported

	<u>Current Principal</u>	<u>Interest</u>	<u>Debt Service</u>	
2018	\$8,990,000	\$134,850	\$9,124,850	2018
2019				2019
	<u>\$8,990,000</u>	<u>\$134,850</u>	<u>\$9,124,850</u>	
% due	\$8,990,000	\$134,850	\$9,124,850	
5+ years	100.00%	100.00%	100.00%	
(thru				
12/31/23)				
Approx	0.08			
Avg Life	Years			

GENERAL OBLIGATION DEBT

Sanitary Sewer Fund Supported

	<u>Current Principal</u>	<u>Interest</u>	<u>Debt Service</u>	
2018	4,480,000	582,689	5,062,689	2018
2019	4,580,000	613,000	5,193,000	2019
2020	4,790,000	487,500	5,277,500	2020
2021	4,950,000	356,000	5,306,000	2021
2022	5,110,000	219,500	5,329,500	2022
2023	3,900,000	78,000	3,978,000	2023
2024				2024
	<u>\$27,810,000</u>	<u>\$2,336,689</u>	<u>\$30,146,689</u>	
% due	\$27,810,000	\$2,336,689	\$30,146,689	
5+ years	100.00%	100.00%	100.00%	
(thru				
12/31/23)				
Approx	2.56			
Avg Life	Years			

GENERAL OBLIGATION DEBT

Property Services Fund Supported

	<u>Current Principal</u>	<u>Interest</u>	<u>Debt Service</u>	
2018	\$820,000	\$24,600	\$844,600	2018
2019				2019
	<u>\$820,000</u>	<u>\$24,600</u>	<u>\$844,600</u>	
% due	\$820,000	\$24,600	\$844,600	
5+ years	100.00%	100.00%	100.00%	
(thru				
12/31/23)				
Approx	0.08			
Avg Life	Years			

GENERAL OBLIGATION DEBT

Housing Improvement Fee Supported

Development Supported		Bonds		Bonds		Bonds	
Current Principal	Interest	Debt Service	Current Principal	Interest	Debt Service	Current Principal	Debt Service
\$ 310,000	\$ 1,330,027	\$ 1,640,027	\$ 110,000	\$ 45,709	\$ 155,709		
2018			2018			2018	
2019	575,000	2,654,735	90,000	86,648	176,648	2019	176,648
2020	785,000	2,640,781	95,000	83,148	178,148	2020	178,148
2021	915,000	2,620,251	100,000	79,498	179,498	2021	179,498
2022	1,025,000	2,593,493	105,000	75,048	180,048	2022	180,048
2023	1,065,000	2,561,857	110,000	70,398	180,398	2023	180,398
2024	1,175,000	2,525,990	110,000	65,498	175,498	2024	175,498
2025	1,290,000	2,484,256	120,000	60,598	180,598	2025	180,598
2026	1,395,000	2,435,740	120,000	55,248	175,248	2026	175,248
2027	1,425,000	2,382,716	125,000	50,778	175,778	2027	175,778
2028	1,550,000	2,324,461	130,000	46,080	176,080	2028	176,080
2029	1,690,000	2,258,590	135,000	41,180	176,180	2029	176,180
2030	1,830,000	2,183,758	675,000	35,825	710,825	2030	710,825
2031	1,990,000	2,100,120	80,000	10,965	90,965	2031	90,965
2032	2,155,000	2,009,365	175,000	7,525	182,525	2032	182,525
2033	2,325,000	1,911,275				2033	
2034	2,510,000	1,805,413				2034	
2035	2,700,000	1,687,965				2035	
2036	2,910,000	1,558,121				2036	
2037	3,130,000	1,418,326				2037	
2038	3,360,000	1,268,115				2038	
2039	3,600,000	1,107,025				2039	
2040	3,855,000	934,479				2040	
2041	4,125,000	749,782				2041	
2042	4,410,000	552,240				2042	
2043	4,705,000	341,273				2043	
2044	5,020,000	116,188				2044	
2045						2045	
\$61,825,000		\$48,556,341	\$110,381,341	\$814,141	\$3,094,141		
% due	\$ 4,675,000	\$ 14,401,143	\$ 19,076,143	\$ 440,446	\$ 1,050,446		
5+ years	7.56%	29.66%	17.28%	54.10%	33.95%		
(thru							
12/31/23)							
% due	11,510,000	\$26,554,307	\$ 38,064,307	\$ 718,646	\$ 1,933,646		
10+ years	18.62%	54.69%	34.48%	88.27%	62.49%		
(thru							
12/31/28)							
Approx	17.48						
Avg Life	Years						
						8.64	Years

GENERAL OBLIGATION DEBT

Sales Tax Supported

	Bonds Current Principal	Bonds Interest	Bonds Debt Service	
2018	\$ 23,825,000	\$ 2,007,874	\$ 25,832,874	2018
2019	28,025,000	4,534,585	32,559,585	2019
2020	29,165,000	3,520,635	32,685,635	2020
2021	3,310,000	2,387,210	5,697,210	2021
2022	3,460,000	2,235,098	5,695,098	2022
2023	3,620,000	2,076,048	5,696,048	2023
2024	3,790,000	1,909,598	5,699,598	2024
2025	3,945,000	1,735,248	5,680,248	2025
2026	4,075,000	1,574,835	5,649,835	2026
2027	4,210,000	1,439,548	5,649,548	2027
2028	4,350,000	1,298,793	5,648,793	2028
2029	4,500,000	1,152,343	5,652,343	2029
2030	14,780,000	999,778	15,779,778	2030
2031	2,555,000	476,360	3,031,360	2031
2032	2,635,000	392,045	3,027,045	2032
2033	2,730,000	301,138	3,031,138	2033
2034	2,825,000	205,588	3,030,588	2034
2035	2,925,000	105,300	3,030,300	2035
2036	\$144,725,000	\$28,352,019	\$173,077,019	2036
% due	\$ 91,405,000	\$16,761,449	\$108,166,449	
5+ years (thru 12/31/23)	63.16%	59.12%	62.50%	
% due	\$111,775,000	\$24,719,469	\$136,494,469	
10+ years (thru 12/31/28)	77.23%	87.19%	78.86%	
Approx Avg Life	5.10 Years			

GENERAL OBLIGATION DEBT

	Tax Increment Supported				Tax Increment Supported				Tax Increment Supported				
	Bonds Current Principal	Bonds Interest	Bonds Debt Service	Notes Current Principal	Notes Interest	Notes Debt Service	Totals Current Principal	Totals Interest	Totals Debt Service	Totals Current Principal	Totals Interest	Totals Debt Service	
2018	\$ 0	\$ 1,125,989	\$ 1,125,989	\$ 490,000	\$ 38,100	\$ 528,100	\$ 490,000	\$ 1,164,089	\$ 1,654,089	\$ 490,000	\$ 1,164,089	\$ 1,654,089	2018
2019	5,865,000	2,137,600	8,002,600	520,000	23,400	543,400	6,385,000	2,161,000	8,546,000	6,385,000	2,161,000	8,546,000	2019
2020	6,360,000	1,894,300	8,254,300	550,000	31,200	581,200	6,910,000	1,925,500	8,835,500	6,910,000	1,925,500	8,835,500	2020
2021	6,885,000	1,620,549	8,505,549	490,000	14,700	504,700	7,375,000	1,635,249	9,010,249	7,375,000	1,635,249	9,010,249	2021
2022	7,460,000	1,313,263	8,773,263				7,460,000	1,313,263	8,773,263	7,460,000	1,313,263	8,773,263	2022
2023	8,090,000	970,409	9,060,409				8,090,000	970,409	9,060,409	8,090,000	970,409	9,060,409	2023
2024	7,015,000	629,256	7,644,256				7,015,000	629,256	7,644,256	7,015,000	629,256	7,644,256	2024
2025	7,625,000	289,349	7,914,349				7,625,000	289,349	7,914,349	7,625,000	289,349	7,914,349	2025
2026	955,000	94,350	1,049,350				955,000	94,350	1,049,350	955,000	94,350	1,049,350	2026
2027	715,000	65,988	780,988				715,000	65,988	780,988	715,000	65,988	780,988	2027
2028	740,000	40,138	780,138				740,000	40,138	780,138	740,000	40,138	780,138	2028
2029	325,000	20,300	345,300				325,000	20,300	345,300	325,000	20,300	345,300	2029
2030	345,000	6,900	351,900				345,000	6,900	351,900	345,000	6,900	351,900	2030
2031													2031
	\$52,380,000	\$10,208,390	\$62,588,390	\$2,050,000	\$107,400	\$2,157,400	\$54,430,000	\$10,315,790	\$64,745,790	\$54,430,000	\$10,315,790	\$64,745,790	
% due	\$34,660,000	\$ 9,062,109	\$43,722,109	\$2,050,000	\$107,400	\$2,157,400	\$36,710,000	\$ 9,169,509	\$45,879,509	\$36,710,000	\$ 9,169,509	\$45,879,509	% due
5+ years (thru 12/31/23)	66.17%	88.77%	69.86%	100.00%	100.00%	100.00%	67.44%	88.89%	70.86%	67.44%	88.89%	70.86%	5+ years (thru 12/31/23)
% due	\$51,710,000	\$10,181,190	\$61,891,190	\$2,050,000	\$107,400	\$2,157,400	\$53,760,000	\$10,288,590	\$64,048,590	\$53,760,000	\$10,288,590	\$64,048,590	% due
10+ years (thru 12/31/28)	98.72%	99.73%	98.89%	100.00%	100.00%	100.00%	98.77%	99.74%	98.92%	98.77%	99.74%	98.92%	10+ years (thru 12/31/28)
Approx Avg Life	4.80			1.59			4.68			4.68			Approx Avg Life
Years	Years			Years			Years			Years			Years

GENERAL OBLIGATION DEBT

Property Tax Supported

Bonds Current Principal		Bonds Interest		Bonds Debt Service		Bonds After October Sales Principal		Bonds Interest		Bonds Debt Service	
2018	\$ 49,640,000	\$2,465,358	\$ 52,105,358	2018	0	\$ 0	\$ 49,640,000	\$ 2,465,358	\$ 52,105,358	2018	
2019	52,790,000	3,174,200	55,964,200	2019	9,805,000	5,374,648	40,495,000	8,106,848	71,143,848	2019	
2020	11,300,000	1,284,300	12,584,300	2020	12,505,000	4,458,275	23,805,000	5,742,575	29,547,575	2020	
2021	4,460,000	800,300	5,260,300	2021	3,860,000	3,811,350	8,320,000	4,611,650	12,931,650	2021	
2022	4,460,000	661,300	5,121,300	2022	3,900,000	3,618,350	8,360,000	4,279,650	12,639,650	2022	
2023	4,760,000	522,300	5,282,300	2023	1,815,000	3,423,350	6,575,000	3,945,650	10,520,650	2023	
2024	5,400,000	371,925	5,771,925	2024	1,925,000	3,332,600	7,325,000	3,704,525	11,029,525	2024	
2025	5,060,000	192,675	5,252,675	2025	2,100,000	3,236,350	7,160,000	3,429,025	10,589,025	2025	
2026				2026	2,865,000	3,131,350	2,865,000	3,131,350	5,996,350	2026	
2027				2027	3,010,000	2,988,100	3,010,000	2,988,100	5,998,100	2027	
2028				2028	3,160,000	2,837,600	3,160,000	2,837,600	5,997,600	2028	
2029				2029	3,315,000	2,679,600	3,315,000	2,679,600	5,994,600	2029	
2030				2030	3,450,000	2,547,000	3,450,000	2,547,000	5,997,000	2030	
2031				2031	3,585,000	2,409,000	3,585,000	2,409,000	5,994,000	2031	
2032				2032	3,735,000	2,265,600	3,735,000	2,265,600	6,000,600	2032	
2033				2033	3,880,000	2,116,200	3,880,000	2,116,200	5,996,200	2033	
2034				2034	4,035,000	1,961,000	4,035,000	1,961,000	5,996,000	2034	
2035				2035	4,195,000	1,799,600	4,195,000	1,799,600	5,994,600	2035	
2036				2036	4,310,000	1,631,800	4,310,000	1,631,800	5,941,800	2036	
2037				2037	3,040,000	1,459,400	3,040,000	1,459,400	4,499,400	2037	
2038				2038	3,160,000	1,337,800	3,160,000	1,337,800	4,497,800	2038	
2039				2039	3,285,000	1,211,400	3,285,000	1,211,400	4,496,400	2039	
2040				2040	3,420,000	1,080,000	3,420,000	1,080,000	4,500,000	2040	
2041				2041	3,555,000	943,200	3,555,000	943,200	4,498,200	2041	
2042				2042	3,695,000	801,000	3,695,000	801,000	4,496,000	2042	
2043				2043	3,845,000	653,200	3,845,000	653,200	4,498,200	2043	
2044				2044	4,000,000	499,400	4,000,000	499,400	4,499,400	2044	
2045				2045	4,160,000	339,400	4,160,000	339,400	4,499,400	2045	
2046				2046	4,325,000	173,000	4,325,000	173,000	4,498,000	2046	
	\$137,870,000	\$9,472,358	\$147,342,358		\$111,935,000	\$62,119,573	\$174,054,573		\$71,149,931		\$321,396,931
% due 5+ years (thru 12/31/23)	\$127,410,000	\$8,907,758	\$136,317,758	% due 5+ years (thru 12/31/23)	\$31,885,000	\$20,685,973	\$52,570,973	% due 5+ years (thru 12/31/23)	\$29,151,731	\$188,888,731	58.77%
% due 10+ years (thru 12/31/28)	\$137,870,000	\$9,472,358	\$147,342,358	% due 10+ years (thru 12/31/28)	\$44,945,000			% due 10+ years (thru 12/31/28)	\$45,242,331	\$228,499,331	71.10%
Approx Avg Life	1.52 Years			Approx Avg Life	13.46 Years			Approx Avg Life	6.87 Years		

GENERAL OBLIGATION DEBT

Parking Fund Supported

	Bonds		Bonds		Bonds	
	Current Principal	Interest	Debt Service	Notes Current Principal	Notes Interest	Notes Debt Service
2018	\$ 3,240,000	\$ 545,598	\$ 3,785,598	\$ 195,000	\$ 833,700	\$ 1,028,700
2019	4,820,000	992,513	5,812,513	195,000	827,850	1,022,850
2020	3,925,000	859,113	4,784,113	195,000	822,000	1,017,000
2021	4,425,000	773,863	5,198,863	290,000	816,150	1,106,150
2022	5,685,000	674,113	6,359,113	290,000	807,450	1,097,450
2023	6,065,000	547,913	6,612,913	290,000	798,750	1,088,750
2024	6,405,000	412,863	6,817,863	290,000	790,050	1,080,050
2025	5,550,000	263,750	5,813,750	2,825,000	781,350	3,606,350
2026	5,325,000	131,125	5,456,125	3,115,000	696,600	3,811,600
2027				3,445,000	603,150	4,048,150
2028				3,785,000	499,800	4,284,800
2029				2,180,000	386,250	2,566,250
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
2034						
	\$45,440,000	\$5,200,848	\$50,640,848	\$27,790,000	\$9,496,500	\$37,286,500
% due	\$28,160,000	\$4,393,110	\$32,553,110	\$1,455,000	\$4,905,900	\$6,360,900
5+ years (thru 12/31/23)	61.97%	84.47%	64.28%	5.24%	51.66%	17.06%
% due	\$45,440,000	\$5,200,848	\$50,640,848	\$14,915,000	\$8,276,850	\$23,191,850
10+ years (thru 12/31/28)	100.00%	100.00%	100.00%	53.67%	87.16%	62.20%
Approx Avg Life	5.37 Years			10.47 Years		7.30 Years

Parking Fund Supported

	Totals		Totals		Totals	
	Current Principal	Interest	Debt Service	Current Principal	Interest	Debt Service
2018	\$ 3,435,000	\$ 1,379,298	\$ 4,814,298	\$ 3,435,000	\$ 1,379,298	\$ 4,814,298
2019	5,015,000	1,820,363	6,835,363	5,015,000	1,820,363	6,835,363
2020	4,120,000	1,681,113	5,801,113	4,120,000	1,681,113	5,801,113
2021	4,715,000	1,590,013	6,305,013	4,715,000	1,590,013	6,305,013
2022	5,975,000	1,481,563	7,456,563	5,975,000	1,481,563	7,456,563
2023	6,355,000	1,346,663	7,701,663	6,355,000	1,346,663	7,701,663
2024	6,695,000	1,202,913	7,897,913	6,695,000	1,202,913	7,897,913
2025	8,375,000	1,045,100	9,420,100	8,375,000	1,045,100	9,420,100
2026	8,440,000	827,725	9,267,725	8,440,000	827,725	9,267,725
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
2034						
	\$73,230,000	\$14,697,348	\$87,927,348	\$73,230,000	\$14,697,348	\$87,927,348
% due	\$29,615,000	\$9,299,010	\$38,914,010	\$29,615,000	\$9,299,010	\$38,914,010
5+ years (thru 12/31/23)	40.44%	63.27%	44.26%	40.44%	63.27%	44.26%
% due	\$60,355,000	\$13,477,698	\$73,832,698	\$60,355,000	\$13,477,698	\$73,832,698
10+ years (thru 12/31/28)	82.42%	91.70%	83.97%	82.42%	91.70%	83.97%
Approx Avg Life	7.30 Years			7.30 Years		

Parking Fund Supported

	Totals		Totals		Totals	
	Current Principal	Interest	Debt Service	Current Principal	Interest	Debt Service
2018	\$ 3,435,000	\$ 1,379,298	\$ 4,814,298	\$ 3,435,000	\$ 1,379,298	\$ 4,814,298
2019	5,015,000	1,820,363	6,835,363	5,015,000	1,820,363	6,835,363
2020	4,120,000	1,681,113	5,801,113	4,120,000	1,681,113	5,801,113
2021	4,715,000	1,590,013	6,305,013	4,715,000	1,590,013	6,305,013
2022	5,975,000	1,481,563	7,456,563	5,975,000	1,481,563	7,456,563
2023	6,355,000	1,346,663	7,701,663	6,355,000	1,346,663	7,701,663
2024	6,695,000	1,202,913	7,897,913	6,695,000	1,202,913	7,897,913
2025	8,375,000	1,045,100	9,420,100	8,375,000	1,045,100	9,420,100
2026	8,440,000	827,725	9,267,725	8,440,000	827,725	9,267,725
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
2034						
	\$73,230,000	\$14,697,348	\$87,927,348	\$73,230,000	\$14,697,348	\$87,927,348
% due	\$29,615,000	\$9,299,010	\$38,914,010	\$29,615,000	\$9,299,010	\$38,914,010
5+ years (thru 12/31/23)	40.44%	63.27%	44.26%	40.44%	63.27%	44.26%
% due	\$60,355,000	\$13,477,698	\$73,832,698	\$60,355,000	\$13,477,698	\$73,832,698
10+ years (thru 12/31/28)	82.42%	91.70%	83.97%	82.42%	91.70%	83.97%
Approx Avg Life	7.30 Years			7.30 Years		

GENERAL OBLIGATION DEBT

Assessment Supported

	Bonds	Bond	Bond	
	Current	Interest	Debt Service	
	Principal			
2018	\$11,390,000	\$1,577,049	\$12,967,049	2018
2019	6,640,000	1,439,440	8,079,440	2019
2020	5,385,000	1,237,790	6,622,790	2020
2021	4,225,000	1,061,240	5,286,240	2021
2022	3,235,000	906,765	4,141,765	2022
2023	2,730,000	800,365	3,530,365	2023
2024	2,620,000	707,253	3,327,253	2024
2025	2,610,000	628,690	3,238,690	2025
2026	3,610,000	556,328	4,166,328	2026
2027	12,550,000	463,100	13,013,100	2027
2028	455,000	86,131	541,131	2028
2029	455,000	71,594	526,594	2029
2030	455,000	56,494	511,494	2030
2031	455,000	40,781	495,781	2031
2032	340,000	24,456	364,456	2032
2033	275,000	11,900	286,900	2033
2034	30,000	1,050	31,050	2034
2035				2035
2036				2036
	\$57,460,000	\$9,670,426	\$67,130,426	
% due 5+ years (thru 12/31/23)	\$33,605,000 58.48%	\$7,022,649 72.62%	\$40,627,649 60.52%	% due 5+ years (thru 12/31/23)
% due 10+ years (thru 12/31/28)	\$55,450,000 96.50%	\$9,464,150 97.87%	\$64,914,150 96.70%	% due 10+ years (thru 12/31/28)
Approx Avg Life	4.66 Years			Approx Avg Life

Assessment Supported

	Notes	Notes	Notes	
	Current	Interest	Debt Service	
	Principal			
		\$ 48,000	\$ 48,000	2018
		96,000	96,000	2019
		96,000	96,000	2020
	\$3,200,000	52,533	3,252,533	2021
				2022
				2023
				2024
				2025
				2026
				2027
				2028
				2029
				2030
				2031
				2032
				2033
				2034
				2035
				2036
	\$3,200,000	\$292,533	\$3,492,533	
	\$3,200,000 100.00%	\$292,533 100.00%	\$3,492,533 100.00%	% due 5+ years (thru 12/31/23)
	\$3,200,000 100.00%	\$292,533 100.00%	\$3,492,533 100.00%	% due 10+ years (thru 12/31/28)
	2.73 Years			Approx Avg Life

Assessment Supported

	Totals	Totals	Totals	
	Current	Interest	Debt Service	
	Principal			
	\$11,390,000	\$1,625,049	\$13,015,049	2018
	6,640,000	1,535,440	8,175,440	2019
	5,385,000	1,333,790	6,718,790	2020
	7,425,000	1,113,773	5,538,773	2021
	3,235,000	906,765	4,141,765	2022
	2,730,000	800,365	3,530,365	2023
	2,620,000	707,253	3,327,253	2024
	2,610,000	628,690	3,238,690	2025
	3,610,000	556,328	4,166,328	2026
	12,550,000	463,100	13,013,100	2027
	455,000	86,131	541,131	2028
	455,000	71,594	526,594	2029
	455,000	56,494	511,494	2030
	455,000	40,781	495,781	2031
	340,000	24,456	364,456	2032
	275,000	11,900	286,900	2033
	30,000	1,050	31,050	2034
				2035
				2036
	\$60,000,000	\$9,962,959	\$70,622,959	
	\$36,805,000 60.67%	\$8,315,192 73.42%	\$44,120,182 62.47%	% due 5+ years (thru 12/31/23)
	\$58,650,000 96.69%	\$9,756,684 97.98%	\$68,406,684 96.86%	% due 10+ years (thru 12/31/28)
	4.56 Years			Approx Avg Life

GENERAL OBLIGATION DEBT

Water Fund Supported				Water Fund Supported				Water Fund Supported																	
Bonds Current Principal	Bonds Interest	Bonds Debt Service	State Notes Current Principal	State Notes Interest	State Notes Debt Service	Totals Current Principal	Totals Interest	Totals Debt Service	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
6,815,000	382,136	\$7,197,136	\$8,325,000	\$1,810,117	\$10,135,117	\$6,815,000	\$382,136	\$7,197,136	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
6,685,000	604,500	7,289,500	9,670,000	1,602,222	11,272,222	15,010,000	2,414,617	17,424,617	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033		
4,700,000	449,900	5,149,900	10,095,000	1,374,273	11,469,273	14,370,000	2,052,122	16,422,122	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033			
4,640,000	225,900	4,865,900	8,875,000	1,140,378	10,015,378	14,735,000	1,600,173	16,335,173	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033				
5,140,000	247,900	5,387,900	8,950,000	931,928	9,881,928	14,015,000	1,388,278	15,403,278	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033					
3,245,000	95,900	3,340,900	5,330,000	721,080	6,051,080	12,195,000	1,027,828	13,222,828	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033						
1,550,000	31,000	1,581,000	7,000,000	614,034	7,614,034	6,880,000	752,080	7,632,080	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033							
			7,000,000	614,034	7,614,034	7,000,000	614,034	7,614,034	2025	2026	2027	2028	2029	2030	2031	2032	2033								
			7,190,000	486,794	7,676,794	7,190,000	486,794	7,676,794	2026	2027	2028	2029	2030	2031	2032	2033									
			7,400,000	297,158	7,697,158	7,400,000	297,158	7,697,158	2027	2028	2029	2030	2031	2032	2033										
			2,550,000	131,846	2,681,846	2,550,000	131,846	2,681,846	2028	2029	2030	2031	2032	2033											
			2,590,000	106,142	2,696,142	2,590,000	106,142	2,696,142	2029	2030	2031	2032	2033												
			2,620,000	80,036	2,700,036	2,620,000	80,036	2,700,036	2030	2031	2032	2033													
			2,650,000	53,626	2,703,626	2,650,000	53,626	2,703,626	2031	2032	2033														
			2,670,000	26,914	2,696,914	2,670,000	26,914	2,696,914	2032	2033															
			\$85,915,000	\$9,376,548	\$95,291,548	\$118,690,000	\$11,413,784	\$130,103,784																	
% due			\$45,915,000	\$6,858,918	\$52,773,918	\$77,140,000	\$8,865,154	\$86,005,154	% due																
5+ years			53.44%	73.15%	55.38%	64.99%	77.67%	66.11%	5+ years																
(thru									(thru																
12/31/23)									12/31/23)																
% due			\$75,385,000	\$9,109,830	\$84,494,830	\$108,160,000	\$11,147,066	\$119,307,066	% due																
10+ years			87.74%	97.16%	88.67%	91.13%	97.66%	91.70%	10+ years																
(thru									(thru																
12/31/28)									12/31/28)																
Approx	2.41		Approx	5.64		Approx	4.75		Approx																
Avg Life	Years		Avg Life	Years		Avg Life	Years		Avg Life																

GENERAL OBLIGATION DEBT

Total General Obligation Debt

	Bonds		Bonds	
	Current Principal	Interest	Debt Service	
2018	\$110,460,000	\$10,385,122	\$120,845,122	
2019	110,920,000	16,541,007	127,461,007	
2020	70,180,000	12,735,753	82,915,753	
2021	34,810,000	10,120,847	44,930,847	
2022	36,605,000	9,095,516	45,700,516	
2023	34,535,000	7,864,014	42,399,014	
2024	29,040,000	6,763,331	35,803,331	
2025	27,225,000	5,731,366	32,956,366	
2026	16,530,000	4,887,525	21,417,525	
2027	19,025,000	4,402,129	23,427,129	
2028	7,225,000	3,795,603	11,020,603	
2029	7,105,000	3,544,006	10,649,006	
2030	18,085,000	3,282,755	21,367,755	
2031	5,080,000	2,628,226	7,708,226	
2032	5,305,000	2,433,391	7,738,391	
2033	5,330,000	2,224,313	7,554,313	
2034	5,365,000	2,012,050	7,377,050	
2035	5,625,000	1,793,265	7,418,265	
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	
2045				
2046				
<hr/>				
% due	\$583,565,000	\$118,285,767	\$701,850,767	
5+ years (thru 12/31/23)	\$397,510,000	\$66,742,260	\$464,252,260	
	68.12%	56.42%	66.15%	
% due 10+ years (thru 12/31/28)	\$496,555,000	\$92,322,212	\$588,877,212	
	85.09%	78.05%	83.90%	
Approx Avg Life	3.85 Years			

Total General Obligation Debt

	Notes		Notes	
	Current Principal	Interest	Debt Service	
2018	\$685,000	\$919,800	\$1,604,800	
2019	9,040,000	2,757,367	11,797,367	
2020	10,415,000	2,551,422	12,966,422	
2021	14,075,000	2,257,656	16,332,656	
2022	9,165,000	1,947,828	11,112,828	
2023	9,240,000	1,730,678	10,970,678	
2024	5,620,000	1,511,130	7,131,130	
2025	9,825,000	1,395,384	11,220,384	
2026	10,305,000	1,183,394	11,488,394	
2027	10,845,000	900,308	11,745,308	
2028	6,335,000	631,646	6,966,646	
2029	4,770,000	492,392	5,262,392	
2030	4,990,000	400,886	5,390,886	
2031	5,215,000	303,376	5,518,376	
2032	5,430,000	199,714	5,629,714	
2033	3,000,000	90,000	3,090,000	
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
<hr/>				
% due	\$118,955,000	\$19,272,981	\$138,227,981	
5+ years (thru 12/31/23)	\$52,620,000	\$12,164,751	\$64,784,751	
	44.24%	63.12%	46.87%	
% due 10+ years (thru 12/31/28)	\$95,550,000	\$17,786,613	\$113,336,613	
	80.32%	92.29%	81.99%	
Approx Avg Life	6.62 Years			

Total General Obligation Debt

	Totals		Totals	
	Current Principal	Interest	Debt Service	
2018	\$111,145,000	\$11,304,922	\$122,449,922	2018
2019	119,960,000	19,298,374	139,258,374	2019
2020	80,595,000	15,287,175	95,882,175	2020
2021	48,885,000	12,378,503	61,263,503	2021
2022	45,770,000	11,043,344	56,813,344	2022
2023	43,775,000	9,594,692	53,369,692	2023
2024	34,660,000	8,274,461	42,934,461	2024
2025	37,050,000	7,126,750	44,176,750	2025
2026	26,835,000	6,070,919	32,905,919	2026
2027	29,870,000	5,302,437	35,172,437	2027
2028	13,560,000	4,427,249	17,987,249	2028
2029	11,875,000	4,036,398	15,911,398	2029
2030	23,075,000	3,683,641	26,758,641	2030
2031	10,295,000	2,931,602	13,226,602	2031
2032	10,735,000	2,633,105	13,368,105	2032
2033	8,330,000	2,314,313	10,644,313	2033
2034	5,365,000	2,012,050	7,377,050	2034
2035	5,625,000	1,793,265	7,418,265	2035
2036	2,910,000	1,558,121	4,468,121	2036
2037	3,130,000	1,418,326	4,548,326	2037
2038	3,360,000	1,268,115	4,628,115	2038
2039	3,600,000	1,107,025	4,707,025	2039
2040	3,855,000	934,479	4,789,479	2040
2041	4,125,000	749,782	4,874,782	2041
2042	4,410,000	552,240	4,962,240	2042
2043	4,705,000	341,273	5,046,273	2043
2044	5,020,000	116,188	5,136,188	2044
2045				2045
2046				2046
<hr/>				
% due	\$702,520,000	\$137,558,748	\$840,078,748	
5+ years (thru 12/31/23)	\$450,130,000	\$78,907,011	\$529,037,011	
	64.07%	57.36%	62.97%	
% due 10+ years (thru 12/31/28)	\$592,105,000	\$110,108,826	\$702,213,826	
	84.28%	80.04%	83.59%	
Approx Avg Life	4.32 Years			

GENERAL OBLIGATION DEBT

Total General Obligation Debt

	Bonds October Sale Principal	Bonds Interest	Bonds Debt Service		Bonds After October Sales Principal	Bonds Interest	Bonds Debt Service	
2018	\$ 0	\$ 0	\$ 0	2018	\$110,460,000	\$ 10,385,122	\$120,845,122	2018
2019	9,805,000	5,374,648	15,179,648	2019	98,625,000	21,473,655	120,098,655	2019
2020	12,505,000	4,458,275	16,963,275	2020	82,685,000	17,194,028	99,879,028	2020
2021	3,860,000	3,811,350	7,671,350	2021	38,670,000	13,932,197	52,602,197	2021
2022	3,900,000	3,618,350	7,518,350	2022	40,505,000	12,713,866	53,218,866	2022
2023	1,815,000	3,423,350	5,238,350	2023	36,350,000	11,287,364	47,637,364	2023
2024	1,925,000	3,332,600	5,257,600	2024	30,965,000	10,095,931	41,060,931	2024
2025	2,100,000	3,236,350	5,336,350	2025	29,325,000	8,967,716	38,292,716	2025
2026	2,865,000	3,131,350	5,996,350	2026	19,395,000	8,018,875	27,413,875	2026
2027	3,010,000	2,988,100	5,998,100	2027	22,035,000	7,390,229	29,425,229	2027
2028	3,160,000	2,837,600	5,997,600	2028	10,385,000	6,633,203	17,018,203	2028
2029	3,315,000	2,679,600	5,994,600	2029	10,420,000	6,223,606	16,643,606	2029
2030	3,450,000	2,547,000	5,997,000	2030	21,535,000	5,829,755	27,364,755	2030
2031	3,585,000	2,409,000	5,994,000	2031	8,665,000	5,037,226	13,702,226	2031
2032	3,735,000	2,265,600	6,000,600	2032	9,040,000	4,698,991	13,738,991	2032
2033	3,880,000	2,116,200	5,996,200	2033	9,210,000	4,340,513	13,550,513	2033
2034	4,035,000	1,961,000	5,996,000	2034	9,400,000	3,973,050	13,373,050	2034
2035	4,195,000	1,799,600	5,994,600	2035	9,820,000	3,592,865	13,412,865	2035
2036	4,310,000	1,631,800	5,941,800	2036	7,220,000	3,189,921	10,409,921	2036
2037	3,040,000	1,459,400	4,499,400	2037	6,170,000	2,877,726	9,047,726	2037
2038	3,160,000	1,337,800	4,497,800	2038	6,520,000	2,605,915	9,125,915	2038
2039	3,285,000	1,211,400	4,496,400	2039	6,885,000	2,318,425	9,203,425	2039
2040	3,420,000	1,080,000	4,500,000	2040	7,275,000	2,014,479	9,289,479	2040
2041	3,555,000	943,200	4,498,200	2041	7,680,000	1,692,982	9,372,982	2041
2042	3,695,000	801,000	4,496,000	2042	8,105,000	1,363,240	9,458,240	2042
2043	3,845,000	653,200	4,498,200	2043	8,550,000	994,473	9,544,473	2043
2044	4,000,000	499,400	4,499,400	2044	9,020,000	615,588	9,635,588	2044
2045	4,160,000	339,400	4,499,400	2045	4,160,000	339,400	4,499,400	2045
2046	4,325,000	173,000	4,498,000	2046	4,325,000	173,000	4,498,000	2046
	\$111,935,000	\$62,119,573	\$174,054,573		\$673,400,000	\$179,963,340	\$853,363,340	
% due	\$31,885,000	\$20,685,973	\$52,570,973	% due	\$407,295,000	\$86,986,233	\$494,281,233	% due
5+ years	28.49%	33.30%	30.20%	5+ years	60.48%	48.34%	57.92%	5+ years
(thru 12/31/23)				(thru 12/31/23)				(thru 12/31/23)
% due	\$44,945,000	\$36,211,973	\$81,156,973	% due	\$519,400,000	\$128,092,185	\$647,492,185	% due
10+ years	40.15%	58.29%	46.63%	10+ years	77.13%	71.18%	75.88%	10+ years
(thru 12/31/28)				(thru 12/31/28)				(thru 12/31/28)
Approx	3.45			Approx	3.79			Approx
Avg Life	Years			Avg Life	Years			Avg Life

Total General Obligation Debt

	Totals After October Sales Principal	Totals Bonds & Notes Interest	Totals Debt Service	
2018	\$111,145,000	\$ 11,304,922	\$122,449,922	2018
2019	107,665,000	24,231,022	131,896,022	2019
2020	93,100,000	19,745,450	112,845,450	2020
2021	52,745,000	16,189,853	68,934,853	2021
2022	49,670,000	14,661,694	64,331,694	2022
2023	45,590,000	13,018,042	58,608,042	2023
2024	36,585,000	11,607,061	48,192,061	2024
2025	39,150,000	10,363,100	49,513,100	2025
2026	29,700,000	9,202,269	38,902,269	2026
2027	32,880,000	8,290,537	41,170,537	2027
2028	16,720,000	7,264,849	23,984,849	2028
2029	15,190,000	6,715,998	21,905,998	2029
2030	26,525,000	6,230,641	32,755,641	2030
2031	13,880,000	5,340,602	19,220,602	2031
2032	14,470,000	4,898,705	19,368,705	2032
2033	12,210,000	4,430,513	16,640,513	2033
2034	9,400,000	3,973,050	13,373,050	2034
2035	9,820,000	3,592,865	13,412,865	2035
2036	7,220,000	3,189,921	10,409,921	2036
2037	6,170,000	2,877,726	9,047,726	2037
2038	6,520,000	2,605,915	9,125,915	2038
2039	6,885,000	2,318,425	9,203,425	2039
2040	7,275,000	2,014,479	9,289,479	2040
2041	7,680,000	1,692,982	9,372,982	2041
2042	8,105,000	1,363,240	9,458,240	2042
2043	8,550,000	994,473	9,544,473	2043
2044	9,020,000	615,588	9,635,588	2044
2045	4,160,000	339,400	4,499,400	2045
2046	4,325,000	173,000	4,498,000	2046
	\$792,355,000	\$199,236,321	\$991,591,321	
% due	\$459,915,000	\$99,150,984	\$559,065,984	% due
5+ years	58.04%	49.77%	56.38%	5+ years
(thru 12/31/23)				(thru 12/31/23)
% due	\$614,950,000	\$145,878,799	\$760,828,799	% due
10+ years	77.61%	73.22%	76.73%	10+ years
(thru 12/31/28)				(thru 12/31/28)
Approx	4.20			Approx
Avg Life	Years			Avg Life

CERTAIN OTHER INDEBTEDNESS

Common Bond Fund (CBF) Obligations

The City has pledged to levy an ad valorem tax at the rate of up to one-half of one percent 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 August 31, 2018, the Common Bond Fund program had \$63,305,000 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 Hennepin County. The Common Bond Fund has typically provided financing for companies with businesses 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 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 August 31, 2018:

<u>Issues Outstanding as of August 31, 2018</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u>
					(In Thousands)	
Discount Steel –A	5.00% to 5.25%	12/01/99	06/01/19	1,900	1,720	180
Kristol Properties	2.45% to 5.12%	11/20/03	12/01/23	3,300	2,405	895
Hennepin Theatres Trust	5.23% to 6.30%	12/20/05	12/01/35	21,055	4,470	16,585
Open Systems International, Inc.*	2.29% to 6.60%	06/01/10	06/01/40	18,000	2,130	15,870
Open Access Technology Intl., Inc.	3.25% to 6.25%	12/29/10	12/01/40	25,000	6,690	18,310
Life Source Project	3.00% to 4.00%	10/17/13	06/01/39	12,595	1,130	11,465
Total CBF				<u>\$81,850</u>	<u>\$18,545</u>	<u>\$63,305</u>

* This project has been executed under the joint powers agreement referenced above.

Conduit Debt

The City has outstanding in excess of \$2.3 billion 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 Considerations and Limitations

Certificates of Indebtedness and Promissory Notes. In addition to being authorized by State law and the City Charter to issue bonds, the City is authorized by the City Charter to borrow money using promissory notes or certificates of indebtedness in anticipation of the collection of taxes levied for any fund, department or board of the City for the purpose of raising money for such fund, department or board. Such certificates or notes may be issued upon the written recommendation of the Finance Officer specifying the funds, departments or boards of the City for whom and the purposes for which the moneys are desired, and the amount of each, and by the affirmative vote of at least five of the six members of the Board of Estimate and Taxation. The aggregate principal amount of such notes and certificates remaining unpaid at any time may not exceed 50 percent of the amount of taxes previously levied for such fund, department or board remaining uncollected and as to which no penalty for nonpayment or delinquency has attached and such certificates and notes shall mature no later than the anticipated date of receipt by the City of the taxes so anticipated. Such certificates and notes constitute general obligations of the City. The City has managed its financial affairs so that it has had no need to issue any such certificates or notes since 1959.

Debt Limit. The City has the power to contract 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 percent of the market value of taxable property located therein.

Statutory Debt Limit

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

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

	December 31, 2017 Actual
Total Market Value of Taxable Property Located within the City Applicable to Debt	
Limit Computation	\$44,173,902,000
Legal Debt	
Percentage Allowed	3-1/3%
Legal Debt Limit	\$ 1,472,463,400
General Obligation Bonds Outstanding Subject to Debt	
Limit (“Net Debt”)*	\$ 107,511,000
Unused Margin of Indebtedness	\$ 1,364,952,400
Percent of Legal Debt Incurred	7.30%

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

Future Issuances 2018

The City is currently in the process of issuing a General Obligation Note to the Minnesota Public Facilities Authority (PFA) as part of their Drinking Water Revolving Fund Program. Proceeds of the \$27,300,000 note will be used to reimburse expenses for a Public Works water enterprise fund project currently under construction. The issuance date of this note is expected to occur in late October or early November of 2018.

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, 2017.

	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percent of Debt Applicable*</u>	<u>Amount of Debt Applicable</u>
Special School District No. 1	\$ 402,975,000	100.00%	\$402,975,000
Hennepin County ⁽¹⁾	911,083,511	28.39%	258,656,609
Hennepin County Regional Railroad Authority	26,942,546	28.39%	7,648,989
Metropolitan Council	84,608,000	15.43%	13,055,014
Total	<u>\$1,425,609,057</u>		<u>\$682,335,612</u>

(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, 2013 through 2016.

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Special School District No. 1	\$362,225,000	\$289,107,000	\$270,415,000	\$197,989,000
Hennepin County	227,428,660	205,406,816	200,595,002	190,797,307
Hennepin County Regional Railroad Authority	9,207,352	10,244,483	9,373,760	9,852,930
Metropolitan Council	13,222,000	14,851,484	17,656,445	19,134,999
Total	<u>\$612,083,012</u>	<u>\$519,609,783</u>	<u>\$498,040,207</u>	<u>\$417,774,236</u>

Statistical Summary Relating to Indebtedness of the City

Set forth in the table below is a summary relating to indebtedness of the City as of December 31 for the years 2014 through 2017.

STATISTICAL SUMMARY RELATING TO GENERAL OBLIGATION INDEBTEDNESS OF THE CITY

	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Assessor's Estimated Market Value of ⁽¹⁾ Taxable Property in the City	\$42,812,588,043	\$38,952,721,161	\$35,136,247,648	\$31,706,296,572
Direct Indebtedness ⁽²⁾	630,163,898	617,075,880	618,485,131	703,624,580
Adjusted Direct Indebtedness ⁽³⁾	86,780,771	86,364,729	85,794,552	114,114,552
Direct Indebtedness and Direct Overlapping Indebtedness Chargeable to the City	1,312,499,510	1,229,158,892	1,138,094,914	1,201,664,787
Adjusted Direct Indebtedness and Adjusted Overlapping Indebtedness Chargeable to the City	769,116,383	698,447,741	605,404,335	612,154,759
Direct Indebtedness as a Percentage of Estimated Full Market Value of Taxable Property	1.47%	1.58%	1.76%	2.22%
Adjusted Direct Indebtedness as a Percentage of Estimated Full Market Value of Taxable Property ⁽³⁾	0.20%	0.22%	0.24%	0.36%
Direct Indebtedness and Direct Overlapping Indebtedness as a Percentage of Estimated Full Market Value	3.07%	3.16%	3.24%	3.79%
Adjusted Direct Indebtedness and Direct Overlapping Indebtedness as a Percentage of Estimated Full Market Value	1.80%	1.79%	1.72%	1.93%
Estimated Population of the City	423,990	419,952	412,517	407,207
Direct Indebtedness Per Capita	\$1,486.27	\$1,469.40	\$1,499.30	\$1,727.93
Adjusted Direct Indebtedness Per Capita	\$ 204.68	\$ 205.65	\$ 207.98	\$ 280.24
Direct Indebtedness and Over- lapping Indebtedness Per Capita	\$3,095.59	\$2,926.90	\$2,758.90	\$2,950.99
Adjusted Direct Indebtedness and Adjusted Overlapping	\$1,814.00	\$1,663.16	\$1,467.59	\$1,503.30

- (1) Net tax capacity values do not include (i) valuation increases allocated to tax increment project financing, or (ii) net contributions to or distributions from an area tax base pursuant to the Metropolitan Fiscal Disparities Act (see the caption "CITY PROPERTY VALUES AND TAXES — Metropolitan Fiscal Disparities Act").
- (2) Direct indebtedness is total General Obligation debt less related sinking funds. Includes the Bonds and all expected principal payments and redemptions.
- (3) The Adjusted Direct Indebtedness represents the total general obligation indebtedness of the City less that indebtedness supported by revenues other than general property taxes less revenue present in the sinking fund as of December 31, 2017.

INVESTMENT POLICY

It is the policy of the City that the administration of its funds and the investment of those funds shall be regarded as its highest public trust. 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 City 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 December of 2017.

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

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

The City pools the cash balances from its various funds into the investment portfolio. A summary of the portfolio's holdings by sector as of September 30, 2018, is as shown in the table below.

Portfolio Holdings By Sector (Amounts in Millions)

<u>Market Value in millions</u>	<u>August 2018</u>	<u>% of Portfolio</u>
Cash and equivalents ⁽¹⁾	\$155.2	18%
Commercial Paper	101.5	12%
Federal Agency	142.1	17%
Mortgage Backed	149.3	17%
Municipals	77.8	9%
US Treasuries	<u>227.4</u>	<u>27%</u>
Total Cash & Investments ⁽²⁾	<u>\$853.3</u>	<u>100%</u>

(1) Net of checks outstanding

(2) Total cash and investments include \$40.6 million of debt service reserves held by a trustee for the General Agency Reserve Fund (debt associated with the Common Bond Fund) and \$3.4 million in other development debt service reserves.

FINANCIAL INFORMATION

Accounting Information

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

The City maintains its financial records on a calendar year basis. Copies of the City's complete financial statements for the year ended December 31, 2017 are available upon request from the office of the Finance Officer, 325M City Hall, Minneapolis, Minnesota. The report can be requested by phone 612-673-2079 or email "finance@minneapolismn.gov".

The complete report is available for viewing on the following web site:

http://www.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, 2017.

A financial status report for the interim period ending June 30, 2018 can be viewed at:

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

Schedule of Cash, Cash Equivalents and Fund Investments

A comparison of combined cash and cash equivalents as of December 31 for the years 2014, 2015, 2016 and 2017 follows:

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

Fund Type	2014	2015	2016	2017
Governmental Funds:				
General	\$ 99,989	\$ 117,626	\$121,693	\$131,776
Community Planning and Economic Development Special Revenue Fund	164,100	165,674	166,270	177,824
Permanent Improvement Capital Projects	36,028	16,116	27,927	43,881
Special Assessment Debt Service	10,136	5,055	8,095	9,611
Non-Major Governmental	130,836	140,978	152,096	138,195
Proprietary Funds:				
Enterprise Funds	151,436	155,269	178,238	176,148
Internal Service Funds	149,353	144,239	149,161	155,542
Fiduciary Funds	5,933	1,267	1,271	1,200
Discrete Component Units				
Park and Recreation Board	25,572	22,063	31,975	35,154
Municipal Building Commission	2,079	1,977	2,496	3,564
Meet Minneapolis	1,270	1,951	2,557	2,595
Minneapolis Telecommunications Network ...	—	127	104	
Total	\$776,732	\$772,342	\$841,883	\$875,490

Note: Minneapolis Telecommunications Network was first considered a component unit in 2015.

PENSION PLANS

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 all of which have been fully merged into PERA.

	<u>2015 Actual</u>	<u>2016* Actual</u>	<u>2017 Actual</u>	<u>2018 Estimated</u>
Minneapolis Employees Retirement Fund (MERF)				
Supplemental contribution	\$21,058,300	\$21,058,300	\$14,265,300	\$14,265,300
Additional contribution*	<u>2,763,437</u>	na	na	na
Subtotal MERF	\$23,821,737	\$21,058,300	\$14,265,300	\$14,265,300
Minneapolis Firefighters' Relief Association (MFRA)	\$ 3,921,787	\$ 4,757,457	\$ 4,757,457	\$ 4,757,457
Minneapolis Police Relief Association (MPRA)	<u>7,612,423</u>	<u>8,890,272</u>	<u>8,890,272</u>	<u>8,890,272</u>
Total Closed Funds	<u>\$35,355,947</u>	<u>\$34,706,029</u>	<u>\$27,913,029</u>	<u>\$27,913,029</u>

* The MERF additional contribution was eliminated as a result of the 2015 Legislative changes.

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 administered by PERA.

	<u>2015 Actual</u>	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2018 Estimated</u>
General Employees Retirement Fund Coordinated (GERF)	\$12,474,745	\$15,848,115	\$15,637,240	\$17,852,401
Public Employees Police & Fire Fund (PEPFF)	<u>16,972,377</u>	<u>18,750,775</u>	<u>18,543,931</u>	<u>19,825,041</u>
Total Open Funds	<u>\$29,447,122</u>	<u>\$34,598,890</u>	<u>\$34,181,171</u>	<u>\$37,677,442</u>

Minnesota Teachers Retirement Association (TRA) — The City has no employees or retirees in the TRA pension plan. Minneapolis annually levies a property tax to provide its annual contributions to the Minnesota Teachers Retirement Association (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 web site: [http:// www.minnesotatra.org](http://www.minnesotatra.org).

Minneapolis Community Development Agency Plan at The 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 plan years ending September 30 of:

2003	\$331,265	2008	\$120,865	2013	\$118,914
2004	157,889	2009	140,002	2014	123,690
2005	127,573	2010	137,259	2015	103,410
2006	118,986	2011	135,525	2016	114,853
2007	139,320	2012	129,139	2017	112,358

MINNESOTA DEFINED BENEFIT PENSION PLANS

General Information

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. Much of the information that is contained in this section “MINNESOTA DEFINED BENEFIT PENSION PLANS” (i) relies on information produced by the administrators of the Retirement Systems or their accounting and actuary agents, (ii) depends upon future events, which may or may not be consistent with any of the assumptions, may deviate significantly from those assumptions and may alter the outcomes of the plans and the obligations of the State and other employers as a result. The State has implemented or intends to implement the three new GASB pension-related statements (Statement 67 — Financial Reporting for Pension Plans, Statement 68 — Accounting and Financial Reporting for Pensions and Statement 71 — Pension Transition for Contributions Made Subsequent to the Measurement Date) on or before their effective dates. These comprehensive annual financial reports for the Fiscal Year ended June 30, 2017 are available from the following public web sites:

MSRS: [http:// www.msrs.state.mn.us/financial-information](http://www.msrs.state.mn.us/financial-information)

PERA: [http:// www.mnpera.org/index.asp](http://www.mnpera.org/index.asp)

TRA: [http:// www.minnesotatra.org/formspub/2017annualrpt.html](http://www.minnesotatra.org/formspub/2017annualrpt.html)

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.

Each plan administrator accounts for one or more pension plans as part of their system. For some of these plans, the State contributes as an employer, and performs only a fiduciary role for other plans. These pension plans are categorized as either defined benefit or defined contribution or investment trust funds. The State is the primary employer for MSRS, and is only a minor employer in the PERA and TRA plans. The State also makes non-employer contributions to certain plans and makes contributions to certain local governments to assist them with their pension funding obligations, as described herein. In addition, the State has historically appropriated general (non-pension related) State aid payments to certain local governments and school districts that are contributing employers in these plans.

In a defined benefit pension plan (“DB”), a periodic (usually monthly) benefit is paid to retired, disabled and survivors of deceased employees in an amount determined at the time of retirement. The amount of the periodic benefit is generally determined on the basis of service credits and salary. The benefit is payable to the retiree for life and, if applicable, a survivor’s benefit is provided to the designated beneficiary of the retiree. To fund the benefits paid by the defined benefit pension plan, both the employee and employer make a contribution to the plan based on a percentage of the plan member’s salary. The contribution percentage is specified in State statute. Actuarially required contributions to the plans are calculated annually by an independent actuary pursuant to State statutes.

Overview — PERA

Public Employees Retirement Association (“PERA”) administers pension funds that serve active county, school and local public employees, benefit recipients, their survivors and dependents. PERA serves more than 2,000 separate governmental entities. These participating employers include cities, counties, townships, and school districts located throughout the state. At June 30, 2017, PERA’s membership included 168,231 current, active employees and 109,865 benefit recipients in the three cost-sharing multi-employer defined benefit plans and another approximate 7,900 members with money in the defined contribution plan. The four cost-sharing plans include the General Employees Retirement Fund (GERF), the Public Employees Police and Fire Fund (PEPFF), the Public Employees Correctional Fund (PECF). Information for the year ending June 30, 2017 is available on the PERA web site.

The PERA Board of Trustees is responsible for administering these funds in accordance with statutes passed by the Minnesota Legislature and has a fiduciary obligation to PERA’s members, the governmental employers, the State, and its taxpayers. The PERA Board of Trustees is composed of 11 members. The State Auditor is a member by statute. Five trustees are appointed by the Governor. Serving four-year terms, these five trustees represent cities, counties, school boards, retired annuitants, and the general public, respectively. The remaining five board members are elected by the PERA membership at large to serve four-year terms. Three represent the general active membership, one trustee represents Police and Fire Fund members, and one trustee represents annuitants and benefit recipients.

The board appoints an executive director to serve as chief administrative officer of PERA. With approval of the board, the director develops the annual administrative budget, determines staffing requirements, contracts for actuarial and other services, and directs the day-to-day operation of the association.

PERA administers three separate defined benefit pension funds and one defined contribution plan. Each has specific membership, contribution, benefit, and pension provisions.

The General Employees Retirement Fund (GERF) encompasses two retirement plans — the PERA Coordinated Plan and the PERA Basic plan. The Coordinated Plan, created in 1968, provides retirement and other benefits in addition to those supplied by Social Security. Established in 1931, the Basic Plan was PERA’s original retirement plan and is not coordinated with the federal program. The Minneapolis Employees Retirement Fund (MERF) was made part of the General Fund in June 2010 as a separate division and was merged into the plan January 1, 2015. A traditional defined benefit plan, MERF was closed to new membership in 1979. It encompasses employees of the City of Minneapolis, the Metropolitan Airports Commission, Minnesota State Colleges and Universities, and non-teaching personnel at Minneapolis schools. PERA’s Basic Plan was closed to new membership in 1968 with the creation of the Coordinated Plan. The Minneapolis Employees Retirement Fund was merged into the General Fund January 1, 2015. Therefore, the remainder of references to the General Plan in this plan summary only address the Coordinated Plan.

The Public Employees Police and Fire Fund (PEPFF), originally established in 1959 for police officers and firefighters not covered by a local relief association, now encompasses all Minnesota police officers and firefighters hired since 1980. As of July 1, 1999, this fund also includes the members of 44 previously local police and fire relief associations that elected to have PERA administer their plan. In 2011 and 2012 respectively, legislation was enacted to merge the Minneapolis Police and Minneapolis Firefighters Relief Associations effective December 30, 2011, and the Virginia Fire and Fairmont Police Relief Associations effective June 29, 2011 with PERA Police and Fire.

The Local Government Correctional Service Retirement Fund (called the Public Employees Correctional Fund or PECF) was created in 1999 to cover local government correctional service employees who spend most of their time in direct contact with inmates. The majority of these employees were formerly part of the Coordinated Plan. The City has no employees in this fund.

Membership statistics for each of the funds, as of June 30, 2017, follow:

	General Employees Retirement Fund	Public Employees Police & Fire Fund	Public Employees Correctional Fund*	Volunteer Firefighter Fund*	TOTAL
Retirees.	87,965	7,695	907	67	96,634
Beneficiaries	8,598	1,766	54	8	10,426
Disabilitants	1,638	1,118	124		2,880
Terminated Members:					
Vested, no benefits	52,274	1,506	2,933	560	57,273
Non Vested	138,335	1,134	2,624	0	142,093
Active Members:					
Vested	94,845	9,114	2,169	1,744	107,872
Non Vested	58,022	2,408	1,673	1,009	63,112
Totals	<u>441,677</u>	<u>24,741</u>	<u>10,484</u>	<u>3,388</u>	<u>480,290</u>
Valuation Payroll in millions . . .	<u>\$6,156,985</u>	<u>\$944,296</u>	<u>\$200,103</u>		<u>\$7,301,384</u>

*The City has approximately 2.33% of the active members in the GERF and approximately 10.78% of the active members in the PEPFF

*Minneapolis has no members in these two funds.

Statutory Funding Requirements

Minnesota's defined benefit retirement plans are financed in several ways, including employee contributions, contributions from State agencies for their covered employees, contributions from local political subdivisions, and direct State appropriations. For substantially all of the defined benefit plans, both the employee and employer make a contribution to the plan based on a percentage of the plan member's salary. Each fund's financing requirement is determined by a specific formula established in State law.

The statutory funding formulas are not always consistent with the calculated actuarial requirements as described below. No assurance can be provided that the formulas will not change in the future. A brief description is provided below of the existing formula for the State System Plans and the local defined contribution plans that are governed by State statutes:

PERA: The State does not make employer contributions to PERA other than covered individuals employed by PERA, and a small number of employees from the Minnesota State Colleges and University system ("MnSCU"), the Public Defense Board, Department of Military Affairs and the court system which were grandfathered in. For each of the defined benefit funds in PERA (except as noted below), both the employee and employer make a contribution to the plan based on a percentage of the plan member's salary. The contribution percentage is specified in statute.

a. **Minneapolis Employees' Retirement Fund (MERF).** This fund was closed to new members. In July 2008 the MERF Board of Trustees voted to transfer the management of their assets to the Minnesota State Board of Investment. On June 30, 2010, the administration of MERF was transferred to the PERA. All assets, service credit, benefits liabilities transferred to a separate MERF division account administered by PERA on June 30, 2010. In January of 2015 based on MERF's funding level exceeding 80% it was fully merged into PERA's General Employees Retirement Fund.

b. **Local Police and Fire Amortization Aid.** This aid program is specified in statute. As originally designed, it funded the State's share of amortizing unfunded liabilities of local police or fire relief associations that were being merged into a centralized fund (PERA). In more recent years, part of the money has been redirected to the Minneapolis (now part of the Teacher's Retirement Association), St. Paul, and Duluth teacher retirement plans. The State's contribution remains at the Fiscal Year 1992 appropriation level, or less, until St. Paul Teachers' Plan becomes fully funded.

Pension Legislation Modification

The 2014 Legislature made several modifications to contribution rates and benefit formulas:

- PERA General Plan contribution stabilizer changes the provision that requires contribution adjustments to the PERA General Plan to make any future automatic PERA contribution stabilizer rate increases or decreases effective on January 1 of the following calendar year. Under previous law, the PERA Board of Trustees was required to make a recommendation on a contribution increase if the total required actuarial contributions are deficient by at least 0.5% of salary for two consecutive years. The deficiency measured on July 1, 2012, was 0.96% and on July 1, 2013, was 1.65%. Based on these deficiencies, the PERA Board recommended that the employer and the employee contributions each be increased by 0.25% of salary. Had the Legislature taken no action, the PERA Board recommended increases would have gone into effect on July 1, 2014. The Legislature delayed the contribution increases until January 1, 2015, in order to avoid a mid-year change that cannot be fully incorporated into an employer's budget.
- PERA General Plan — member contribution rate increase by 0.25% of salary beginning with the first paycheck issued after January 1, 2015. With this increase, the total employee contribution will increase to 6.5% of salary.
- PERA General Plan — employer contribution rate increase by 0.25% of salary beginning with the first paycheck issued on or after January 1, 2015. With this increase, the total employer contribution will increase to 7.5% of salary.
- All Plans — Joint and survivor optional annuity computation discount rate was adjusted by setting it at 6.5% for all statewide plans, including PERA, which is expected to reduce system costs and administration for each plan.

The 2015 Legislature made several modifications to contribution rates and benefit formulas:

- Completed the merger of the Minneapolis Employees Retirement Fund (MERF) with PERA's General Fund based on the actuarial report complete in April of 2015. Annual appropriations of \$37 million from the State, Minneapolis, and other MERF employers was established. The "Additional Employer Contribution" of \$3.9 million per year was repealed as was the Employers 2031 "True Up" provision. For calendar years 2015 and 2016 the State contribution is \$6 million with the Employers providing \$31 million. From 2017 forward the State will provide \$16 million and the Employers \$21 million with all contributions ending in 2031.
- If the Police and Fire Fund achieves 90 percent funding for two consecutive years, annual benefit increases will be 2.5 percent. Previous law called for a match of inflation, capped at 2.5 percent, each year.
- The Statewide Volunteer Firefighter Retirement Plan will provide for benefit levels ranging from \$500 to \$7,500 in \$100 increments for each year of public service. The plan previously had 20 benefit levels between the two limits.
- The assumed investment rate of return (otherwise known as the statutory discount rate) was lowered from 8.5% to 8.0% resulting in a recalculation of the annual amortization payments for each of PERA's funds.

The 2016 Legislature made no modifications that had a material effect on PERA's plans.

The 2017 Legislature in special session adopted SF 1 which reduced by \$10 million the State's annual funding from the State's general fund to PERA on behalf of the former MERF division account beginning in 2019.

The 2018 Legislature made several modifications to contribution rates and COLA related changes. The assumed investment rate of return (otherwise known as the statutory discount rate) was lowered from 8.0% to 7.5% resulting in a recalculation of the annual amortization payments for each of PERA's funds. The bill also re-set the amortization period for all plans to a new 30-year period, extending the period until 2048.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City of Minneapolis has complied with the Government Accounting Standards Board's Rule 45, Other Post-Employment Benefits (OPEB), for the comprehensive annual financial report (CAFR) of the City starting with the year ending December 31, 2008. The City engaged a consulting actuary who has conducted a review of liabilities to be reported as required by GASB 45. 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 45.

POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

The City provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical and dental coverage. Medical coverage is administered through Medica. Dental coverage is administered through the Delta Dental Plan of Minnesota. The City is self-insured for both medical and dental coverage. Retirees pay 100 percent of the blended active/retiree premium rate, in accordance with Minnesota Statutes Section 471.61, subd. 2b.

Funding Policy

Contribution requirements are established by the City, based on the contract terms with Medica and Delta Dental. The required contributions are based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the healthcare plan at the same rate as the City employees. This results in the retirees receiving an implicit rate subsidy. The actual cost for early retirees is higher than the average per-person premium for the active group. Retirees pay the average active rate (the apparent cost) which gives rise to an implicit rate subsidiary: the City pays the difference between the actual and apparent cost. For fiscal year 2017, the City contributed \$1,871,000. As of January 1, 2017, the City's most recent actuarial valuation, there were 279 retirees receiving health benefits under the City of Minneapolis Medical plan. An additional 85 individuals were covered under the medical plan because they qualified under Minnesota Continuation/COBRA laws.

Funded Status and Funding Program

As of January 1, 2017, the most recent actuarial valuation study date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$34,806,659 and the actuarial value of assets was \$0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 34,806,659. The covered payroll (annual payroll of active employees covered by the plan) was \$312,773,194, and the ratio of the UAAL to the covered payroll was 11.1%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

On the January 1, 2015, the actuarial valuation date, the entry age normal cost method was used. The actuarial assumptions included a 3.0% discount rate, which is based on a blend of the long-term expected return on (1) plan assets to the extent they are projected to be sufficient to pay plan benefits, and (2) employer general assets to the extent that projected plan assets are insufficient to pay plan benefits. The City currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual healthcare cost trend rate was calculated to be 7.2% initially, reduced incrementally to an ultimate rate of 5.0% after seven years. Both rates included a 2.75% inflation assumption. The UAAL is being amortized as a percentage of projected payroll on an open basis. The original amortization period was 30 years, as of January 1, 2015.

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 Improvement Committee (CLIC) is the citizen advisory committee to the Mayor and City Council on capital programming. The 33 members are appointed by the Mayor and City Council.

Mayor's Budget Recommendation (May-August)

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

Maximum Proposed Property Tax Levy (September)

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

City Council Budget Review and Development (September-November)

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

Truth in Taxation (November)

Truth in Taxation (or "TNT") property tax statements are mailed by Hennepin 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 2018

For 2018, the City forecasts \$1.5 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. For example, the City charges fees for services such as water, sewer and trash pickup, but State law requires that these fees be no higher than the cost of providing the services, including both operating and capital costs. Because these revenues are restricted, the City cannot raise water bills to pay for citywide police services.

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. Like many Minnesota cities, Minneapolis pays for core City services (police, fire, streets, parks, etc.) primarily with property taxes and local government aid, as well as other general governmental revenues such as licenses and permits as well as fees and interest income.

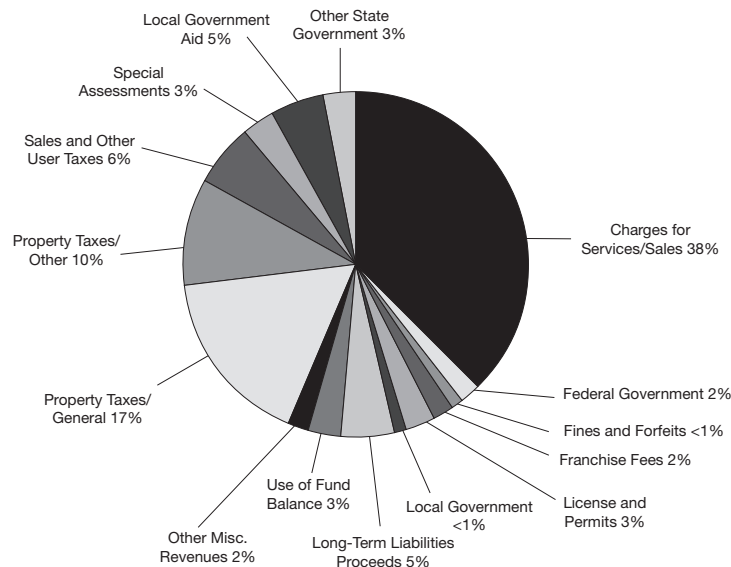
Below is a summary of the 2018 Council Adopted Budget revenues by major category.

Revenue by Category (In Millions of Dollars)

Revenue Category	2017 Adopted*	2018 Adopted	% Change	\$ Change
Charges For Services/Sales	536.5	583.1	8.7%	46.5
Federal Government	27.7	32.3	16.4%	4.6
Fines And Forfeits	7.3	7.3	-0.3%	0.0
Franchise Fees	30.9	33.5	8.3%	2.6
License And Permits	44.0	44.8	1.7%	0.7
Local Government	8.7	13.6	56.8%	4.9
Long Term Liabilities Proceeds	102.8	80.4	-21.8%	-22.4
Use Of Fund Balance	53.0	42.3	-20.2%	-10.7
Other Misc. Revenues	29.7	38.3	29.0%	8.6
Property Taxes/General	243.1	254.0	4.5%	10.9
Property Taxes/Other	134.0	151.1	12.7%	17.1
Sales And Other User Taxes	84.1	87.9	4.5%	3.8
Special Assessments	41.0	52.6	28.3%	11.6
Local Government Aid	77.8	78.0	0.3%	0.2
Other State Government	33.3	41.1	23.7%	7.9
Total Revenue	\$1,453.9	\$1,540.2	5.9%	\$86.3

*Revenues have been adjusted by use of fund balances

Total Revenue Budget – Source of Funds 2018 Adopted Budget: \$1.5 Billion



City Spending 2018

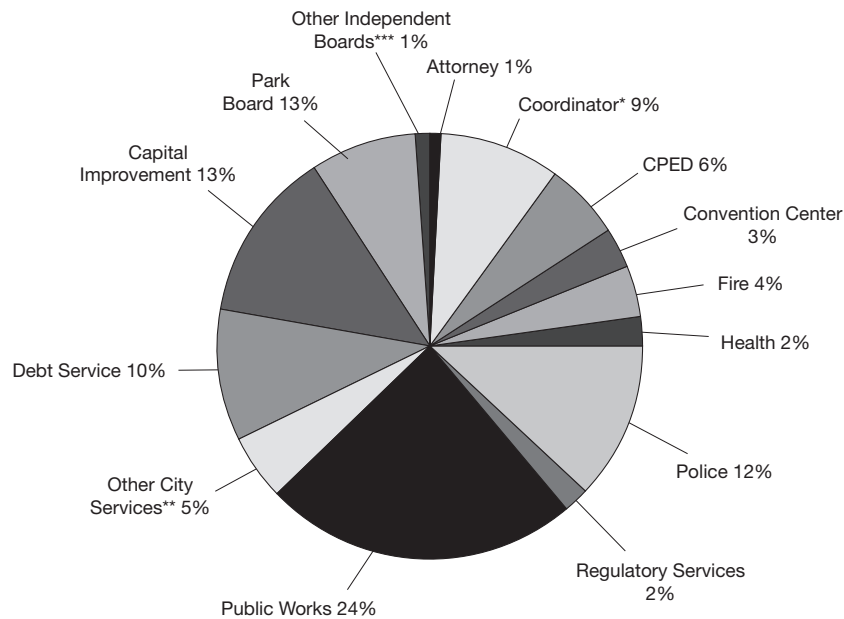
For 2018, the budget includes expenditure appropriations corresponding to priorities outlined in the Council Adopted Budget as well as ongoing projects and current City-provided services. Details of the individual expenditure appropriations within the departments and other categories identified in the pie chart below are available in the Operating Departments and Capital Programs sections of this document.

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

Expenditures by Service (In Millions of Dollars)

	2017 Adopted*	2018 Adopted	% Change	\$ Change
Attorney	18.1	18.4	1.9%	0.3
Coordinator*	136.9	144.1	5.3%	7.2
CPED	91.2	97.1	6.4%	5.8
Convention Center	53.8	53.0	-1.4%	-0.8
Fire	65.1	66.5	2.2%	1.4
Health	21.3	22.7	6.8%	1.4
Police	163.2	179.4	10.0%	16.3
Regulatory Services	24.2	25.1	3.7%	0.9
Public Works	342.2	370.7	8.3%	28.5
Other City Services**	83.3	83.8	0.6%	0.5
Debt Service	135.6	148.6	9.6%	13.0
Capital Improvement	198.3	204.3	3.0%	6.0
Park Board	111.0	116.3	4.7%	5.3
Other Independent Boards***	9.7	10.0	3.9%	0.4
Total City Spending	<u>\$1,453.9</u>	<u>\$1,540.2</u>	<u>5.9%</u>	<u>\$86.3</u>

Total Expenditure Budget – Use of Funds 2018 Adopted Budget: \$1.5 Billion



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

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

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

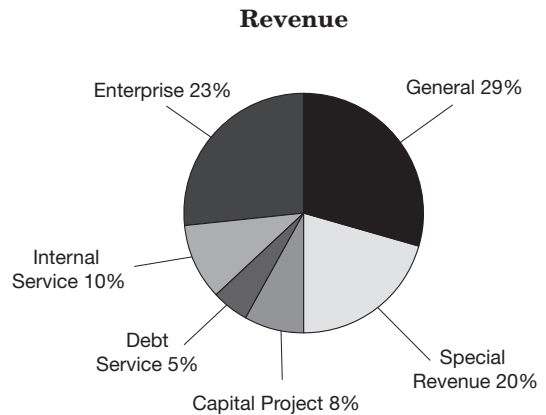
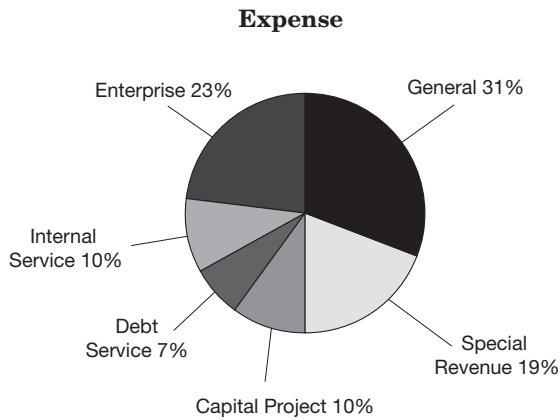
**Expense and Revenue By Fund Type
In Millions**

	<u>2017 Adopted</u>	<u>2018 Adopted</u>	<u>% Change</u>	<u>\$ Change</u>
Expense:				
General	\$ 438.4	\$ 471.4	7.5%	\$33.1
Special Revenue	294.2	294.9	0.3%	-0.7
Capital Project	106.3	145.9	37.2%	39.6
Debt Service	107.3	111.4	3.8%	4.1
Internal Service	142.0	156.6	10.2%	14.6
Enterprise	365.7	360.0	-1.6%	-5.7
Total	<u>\$1,453.9</u>	<u>\$1,540.2</u>	<u>5.9%</u>	<u>\$86.3</u>

	<u>2017 Adopted</u>	<u>2018 Adopted</u>	<u>% Change</u>	<u>\$ Change</u>
Revenue:				
General	\$ 485.3	\$ 442.2	-8.9%	-\$43.1
Special Revenue	288.2	303.6	26.2%	75.4
Capital Project	90.3	130.5	44.4%	40.2
Debt Service	70.1	70.3	0.4%	0.3
Internal Service	142.8	162.3	13.6%	19.5
Enterprise	377.2	371.3	-1.6%	-5.9
Total	<u>\$1,453.9</u>	<u>\$1,540.2</u>	<u>5.9%</u>	<u>\$86.3</u>

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

Expense and Revenue By Fund Type



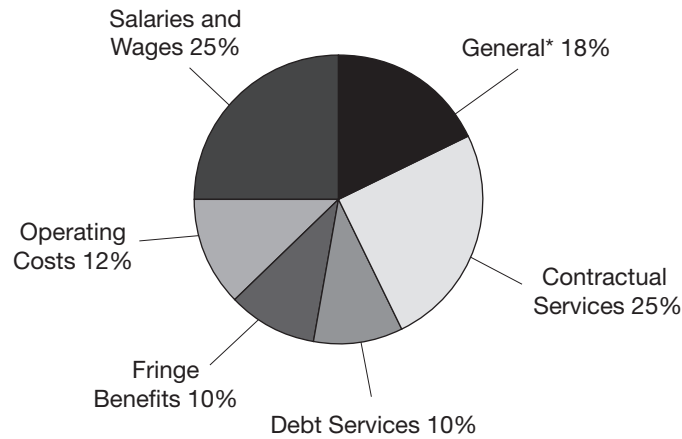
The largest portion of the City’s budget is spent on personnel, which comprises \$544.4 million or 35.3 percent of the total budget.

Expense by Category

Expense Category	2017 Adopted	2018 Adopted	% Change	\$ Change
Capital*	270.9	282.3	4.2%	11.5
Contractual Services	360.2	387.7	7.6%	27.5
Debt Service	139.6	150.8	8.0%	11.2
Fringe Benefits	147.9	159.0	7.5%	11.1
Operating Costs	177.5	175.0	-1.4%	-2.5
Salaries And Wages	357.8	385.4	7.7%	27.5
Total Expense	\$1,453.9	\$1,540.2	5.9%	\$86.3

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

**Total City Budget – Expenditure by Categories
2018 Adopted Budget: \$1.5 Billion**



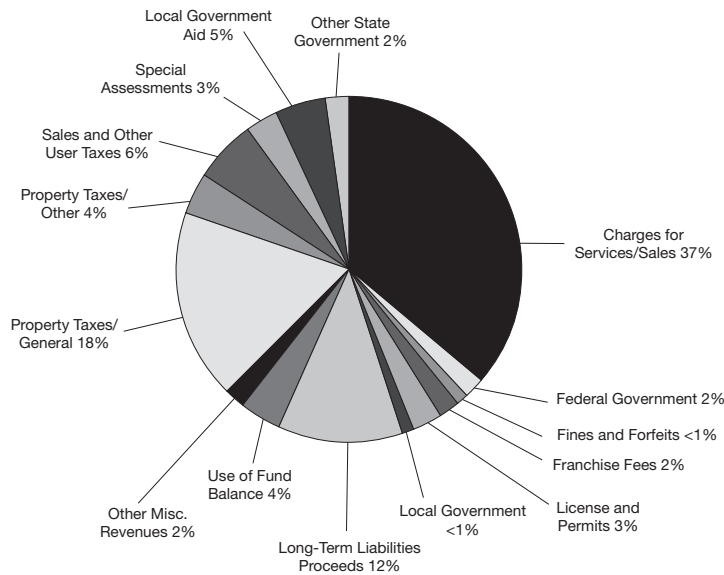
Below is a summary of the Mayor's Recommended 2019 budget revenues by major category.

**Revenue by Category
(In Millions of Dollars)**

Revenue Category	2018 Adopted*	2019 Mayor's Recommended	% Change	\$ Change
Charges For Services/Sales	544.1	572.4	5.2%	28.3
Federal Government	32.3	34.6	7.0%	2.3
Fines And Forfeits	6.9	7.0	0.6%	0.0
Franchise Fees	33.5	34.1	1.8%	0.6
License And Permits	44.5	48.2	8.3%	3.7
Local Government	12.2	5.5	-55.2%	-6.7
Long Term Liabilities Proceeds	93.3	188.2	101.6%	94.9
Use Of Fund Balance	31.4	58.2	85.0%	26.7
Other Misc. Revenues	36.1	22.7	-37.2%	-13.4
Property Taxes/General	268.8	284.0	5.7%	15.2
Property Taxes/Other	61.8	58.8	-4.8%	-3.0
Sales And Other User Taxes	87.6	88.6	1.2%	1.1
Special Assessments	52.6	39.3	-25.3%	-13.3
Local Government Aid	79.3	79.3	0.1%	0.1
Other State Government	29.5	32.2	8.9%	2.6
Total Revenue	<u>\$1,413.9</u>	<u>\$1,552.9</u>	<u>9.8%</u>	<u>\$139.1</u>

*Revenues have been adjusted by use of fund balances

**Total Revenue Budget - Source of Funds
2019 Mayor's Recommended Budget: \$1.6 Billion**

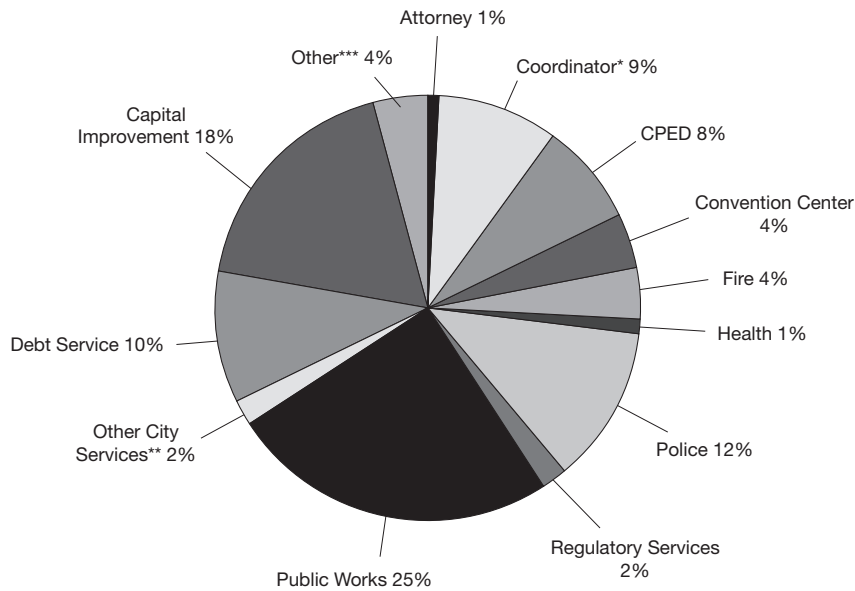


Below is a summary of the Mayor's Recommended 2019 budget by department activity, excluding transfers.

**Expenditures by Service
(In Millions of Dollars)**

	<u>2018 Adopted*</u>	<u>2019 Mayor's Recommended</u>	<u>% Change</u>	<u>\$ Change</u>
Attorney	18.4	19.0	3.2%	0.6
Coordinator*	138.9	142.3	2.4%	3.4
CPED	97.1	117.7	21.3%	20.7
Convention Center	53.0	56.1	5.7%	3.0
Fire	66.5	69.3	4.2%	2.8
Health	22.7	23.1	2.0%	0.4
Police	179.4	184.5	2.8%	5.1
Regulatory Services	25.1	25.5	1.5%	0.4
Public Works	370.7	387.3	4.5%	16.6
Other City Services**	32.7	29.0	-11.4%	-3.7
Debt Service	148.6	155.3	4.5%	6.6
Capital Improvement	204.3	284.6	39.3%	80.3
Other***	56.3	59.1	5.1%	2.9
Total City Spending	<u>\$1,413.9</u>	<u>\$1,552.9</u>	<u>9.8%</u>	<u>\$139.1</u>

**Total Expenditure Budget – Use of Funds
2019 Mayor's Recommended Budget: \$1.6 Billion**



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

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

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

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

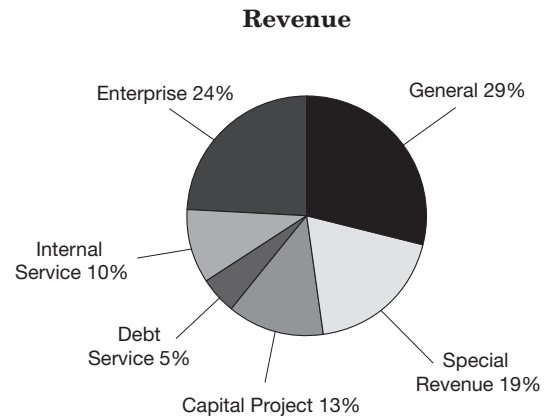
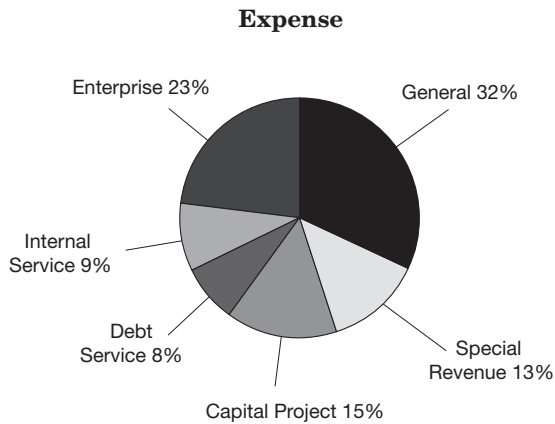
**Expense and Revenue By Fund Type
In Millions**

	<u>2018 Adopted</u>	<u>2019 Mayor's Recommended</u>	<u>% Change</u>	<u>\$ Change</u>
Expense:				
General	\$ 471.4	\$ 497.6	5.6%	\$ 26.2
Special Revenue	189.8	198.1	4.4%	8.4
Capital Project	145.9	227.6	56.0%	81.7
Debt Service	111.4	122.0	9.5%	10.6
Internal Service	146.6	143.4	-2.2%	-3.2
Enterprise	348.7	364.1	4.4%	15.3
Total	<u>\$1,413.9</u>	<u>\$1,552.9</u>	<u>9.8%</u>	<u>\$139.1</u>

	<u>2018 Adopted</u>	<u>2019 Mayor's Recommended</u>	<u>% Change</u>	<u>\$ Change</u>
Revenue:				
General	\$ 442.2	\$ 451.1	2.0%	\$ 8.9
Special Revenue	258.5	284.8	10.2%	26.3
Capital Project	130.5	206.4	58.2%	75.9
Debt Service	70.3	80.6	14.7%	10.3
Internal Service	152.3	154.1	1.2%	1.8
Enterprise	360.0	375.8	4.4%	15.8
Total	<u>\$1,413.9</u>	<u>\$1,552.9</u>	<u>9.8%</u>	<u>\$139.1</u>

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

Expense and Revenue By Fund Type



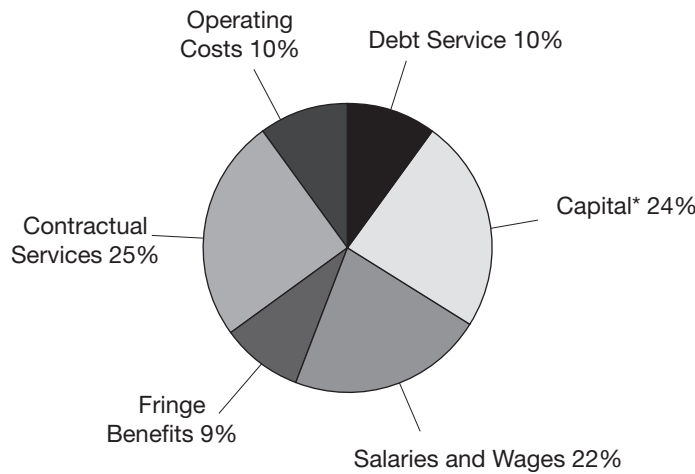
The largest portion of the City’s budget is spent on personnel, which comprises \$487.8 million or 31.4% percent of the total 2019 budget.

Expense by Category

Expense Category	2018 Adopted	2019 Mayor's Recommended	% Change	\$ Change
Debt Service	\$ 150.8	\$ 157.4	4.4%	\$ 6.7
Capital*	274.8	371.6	35.2%	96.8
Salaries And Wages	335.3	346.0	3.2%	10.7
Fringe Benefits	137.4	141.9	3.3%	4.5
Contractual Services	362.3	381.3	5.2%	19.0
Operating Costs	153.4	154.8	0.9%	1.4
Total Expense	<u>\$1,413.9</u>	<u>\$1,552.9</u>	<u>9.8%</u>	<u>\$139.1</u>

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

**Total City Budget – Expenditure by Categories
2019 Mayor’s Recommended Budget: \$1.6 Billion**



CITY EMPLOYEES AND LABOR RELATIONS

Twenty-three bargaining units represent approximately 93% of the employees in the City of Minneapolis. Listed below is the current contract status of the largest.

<u>Employee Group</u>	<u>Approximate Number of Employees</u>	<u>Contract Expiration Date</u>
Professional Engineers	50	12/31/2017
Water Works Maintenance	60	12/31/2018
Fire Fighters (Non Supervisory)	380	12/31/2018
Clerical & Technical	612	12/31/2019
Police Officers	860	12/31/2019
Professional Employees	474	12/31/2019
9-1-1 Dispatchers	68	12/31/2019
Convention Center Teamsters	105	12/31/2019
Laborers	470	12/31/2020
Field Supervisors	141	12/31/2020

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 2008 is set forth below.

Population

<u>Year</u>	<u>Population of City</u>	<u>Population of Seven-County Metropolitan Area</u>
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
2012 (Metropolitan Council)	392,008	2,909,001
2011 (Metropolitan Council)	387,873	2,873,444
2010 (U.S. Census)	382,578	2,849,567
2009 (Metropolitan Council)	386,691	2,881,812
2008 (Metropolitan Council)	390,000	2,870,000

Household Size

<u>Year</u>	<u>City</u>	<u>Seven-County Metropolitan Area</u>
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
2012 (State Demographic Center)	2.24	2.51
2011 (State Demographic Center)	2.22	2.55
2010 (U.S. Census)	2.23	2.55

Labor Force

The Minneapolis labor force totaled 240,103 in March 2018, showing an increase of 7,242 (3.11%) from the March 2017 total of 232,901. The labor force is made up of City residents who are working or seeking employment.

The March 2018 labor force was composed of 233,280 employed residents and, based on a 2.9 percent unemployment rate, approximately 6,863 unemployed persons.

**Minneapolis Resident Labor Force and Population
March, 2008-2018**

<u>Year (March)</u>	<u>Population</u>	<u>Labor Force (March)</u>	<u>Number Employed</u>	<u>Percent Employed</u>
2018	NA	240,143	233,280	97.1%
2017	423,990	232,901	225,009	96.6%
2016	419,952	230,096	221,843	96.4%
2015	412,517	227,551	219,049	96.3%
2014	407,207	228,004	217,763	95.5%
2013	400,936	224,333	213,466	95.2%
2012	392,008	220,539	208,243	94.4%
2011	387,873	218,297	204,618	93.7%
2010	382,578	215,815	200,171	92.8%
2009	386,691	213,300	197,964	92.8%
2008	390,131	213,818	204,369	95.6%

Source: Minnesota Department of Employment and Economic Development

A summary of the average number and percent of the residents of the City who are members of the civilian labor force who were unemployed for the years 2013 through 2017 is set forth below.

NA – not available until July of 2019 from Metropolitan Council.

<u>Monthly Averages</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Labor Force	237,367	232,240	232,315	230,612	227,441
Total Employment	229,692	224,276	224,547	221,802	216,969
Unemployment	7,675	7,964	7,768	8,810	10,472
Percent of Civilian Labor Force Unemployed	3.2%	3.4%	3.3%	3.8%	4.6%

Source: Minnesota Department of Employment and Economic Development

Unemployment

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

Year	Month	Minneapolis				Comparative Rates	
		Labor Force	Employment	Unemployment Number	Unemployment Rate	MN	US
2018	7	245,628	238,988	6,640	2.7%	2.7%	4.1%
2018	6	244,423	237,396	7,027	2.9%	2.9%	4.2%
2018	5	241,563	235,992	5,571	2.3%	2.5%	3.6%
2018	4	240,526	234,536	5,990	2.5%	3.1%	3.7%
2018	3	240,143	233,280	6,863	2.9%	3.8%	4.1%
2018	2	240,825	233,755	7,070	2.9%	3.9%	4.4%
2018	1	239,331	232,250	7,081	3.0%	4.0%	4.5%
2017	Ann Avg	237,367	229,692	7,675	3.2%	3.5%	4.4%
2017	12	238,256	231,987	6,269	2.6%	3.4%	3.9%
2017	11	239,227	233,522	5,705	2.4%	2.8%	3.9%
2017	10	238,959	233,098	5,861	2.5%	2.4%	3.9%
2017	9	241,463	234,271	7,192	3.0%	2.9%	4.1%
2017	8	241,928	233,039	8,889	3.7%	3.4%	4.5%
2017	7	242,326	233,739	8,587	3.5%	3.3%	4.6%
2017	6	240,544	231,642	8,902	3.7%	3.5%	4.5%
2017	5	236,410	228,516	7,894	3.3%	3.1%	4.1%
2017	4	234,505	226,826	7,679	3.3%	3.4%	4.1%
2017	3	232,901	225,009	7,892	3.4%	4.1%	4.6%
2017	2	231,871	223,318	8,553	3.7%	4.5%	4.9%
2017	1	230,012	221,340	8,672	3.8%	4.7%	5.1%
2016	Ann Avg	232,240	224,193	8,047	3.5%	3.9%	4.9%
2016	12	230,952	223,326	7,626	3.3%	4.0%	4.5%
2016	11	231,841	224,585	7,256	3.1%	3.3%	4.4%
2016	10	232,372	224,550	7,822	3.4%	3.4%	4.7%
2016	9	234,167	225,704	8,463	3.6%	3.6%	4.8%
2016	8	235,255	226,708	8,547	3.6%	3.8%	5.0%
2016	7	236,357	227,907	8,450	3.6%	3.8%	5.1%
2016	6	234,157	225,357	8,800	3.8%	4.0%	5.1%
2016	5	232,394	225,348	7,046	3.0%	3.2%	4.5%
2016	4	231,282	223,953	7,329	3.2%	3.7%	4.7%
2016	3	230,096	221,843	8,253	3.6%	4.6%	5.1%
2016	2	230,228	222,195	8,033	3.5%	4.5%	5.2%
2016	1	227,780	219,841	7,939	3.5%	4.5%	5.3%
2015	Ann Avg	229,707	221,907	7,800	3.4%	3.7%	5.3%
2014	Ann Avg	230,612	221,802	8,810	3.8%	4.2%	6.2%
2013	Ann Avg	227,441	216,969	10,472	4.6%	4.9%	7.4%
2012	Ann Avg	223,600	211,802	11,799	5.3%	5.6%	8.1%
2011	Ann Avg	221,041	207,524	13,516	6.1%	6.5%	8.9%
2010	Ann Avg	219,324	204,264	15,060	6.9%	7.4%	9.6%

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

All Jobs Without Regards to Residence

	<u>3Q-2017</u>	<u>3Q-2016</u>	<u>3Q-2015</u>	<u>3Q-2014</u>	<u>3Q-2013</u>
Total, all industries	327,355	324,620	320,353	312,151	305,496
Construction	7,683	7,210	6,991	6,414	6,194
Manufacturing	13,318	13,626	13,521	13,240	13,143
Utilities	2,830	2,858	2,832	2,857	2,913
Wholesale Trade	8,365	8,364	8,603	8,479	8,851
Retail Trade	15,895	16,215	15,695	15,247	15,175
Transportation and Warehousing	7,678	6,560	6,300	6,497	6,458
Information	10,593	10,994	11,797	11,398	10,748
Finance and Insurance	32,321	31,646	28,121	26,810	26,605
Real Estate and Rental and Leasing	4,727	4,289	9,004	8,721	9,245
Professional and Technical Services	37,827	37,674	37,122	35,611	33,782
Management of Companies & Enterprises	17,080	17,597	17,001	18,330	20,296
Administrative and Waste Services	14,693	16,853	16,548	16,244	15,103
Educational Services	30,800	30,602	31,551	30,076	29,359
Health Care and Social Assistance	61,467	59,705	57,300	55,898	54,358
Arts, Entertainment and Recreation	7,420	6,581	6,075	5,977	5,362
Accommodation and Food Services	28,799	28,288	27,924	26,856	24,885
Other Services	10,036	10,080	10,304	10,138	9,792
<u>Public Administration</u>	<u>15,653</u>	<u>15,300</u>	<u>13,488</u>	<u>13,166</u>	<u>13,031</u>

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

**Minneapolis-St. Paul-Bloomington, MN-WI MetroSA
Data as of May of 2017**

	Median Hourly Wage			Employment		
	MSA	MN	US	MSA	MN	US
All Occupations	\$21.26	\$19.84	\$18.12	1,932,310	2,838,270	142,549,250
Management Occupations	\$53.36	\$49.50	\$49.32	126,670	168,930	7,280,330
Chief Executives	\$32.73	\$31.66	\$32.55	131,000	161,080	7,472,750
General and Operations Managers	\$40.74	\$39.72	\$40.66	79,230	94,290	4,261,460
Legislators	\$37.50	\$36.36	\$38.07	41,850	53,780	2,516,780
Advertising and Promotions Managers	\$32.18	\$31.05	\$31.01	19,150	26,220	1,148,300
Marketing Managers	\$22.13	\$21.73	\$21.08	34,840	55,430	2,096,740
Sales Managers	\$38.79	\$37.08	\$38.50	16,640	19,750	1,095,770
Public Relations and Fundraising Managers	\$23.96	\$23.49	\$23.43	107,460	163,850	8,727,710
Administrative Services Managers	\$24.84	\$23.28	\$23.19	28,320	36,910	1,925,140
Computer and Information Systems Managers	\$35.82	\$34.20	\$31.14	110,540	182,500	8,506,630
Financial Managers	\$16.22	\$15.57	\$13.80	51,950	85,940	4,113,410
Industrial Production Managers	\$19.03	\$19.96	\$19.01	29,990	43,150	3,408,680
Purchasing Managers	\$11.14	\$10.95	\$10.53	160,910	239,950	13,193,090
Transportation, Storage, and Distribution Managers	\$14.37	\$13.86	\$12.32	52,640	84,300	4,424,440
Compensation and Benefits Managers	\$12.06	\$11.94	\$11.35	97,210	139,210	5,159,100
Human Resources Managers	\$15.02	\$13.90	\$12.99	190,580	277,720	14,522,580
Training and Development Managers	\$19.09	\$18.24	\$16.70	281,730	409,820	21,965,480
Construction Managers	\$13.95	\$15.26	\$11.73	1,200	3,540	470,920
Education Administrators, Preschool and Childcare Center/Program	\$29.53	\$26.77	\$21.51	62,590	99,900	5,728,460
Education Administrators, Elementary and Secondary School	\$24.04	\$22.92	\$21.40	58,010	95,660	5,528,390
Education Administrators, Postsecondary	\$18.03	\$17.63	\$16.34	133,220	217,610	9,024,560
Education Administrators, All Other	\$17.56	\$17.30	\$15.19	116,440	178,720	9,978,390

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.

Companies in Fortune Directory of the Largest 500 Companies for 2017 Headquartered in this MSA

<u>Company</u>	<u>Revenues (\$Billion)</u>	<u>Rank</u>	<u>Industry Grouping</u>	<u>Industry Rank</u>
UnitedHealth Group	201.2	5	Health Care: Insurance and Managed Care	1 of 9
Target	71.9	39	General Merchandisers	3 of 9
Best Buy	42.2	72	Specialty Retailers, Other	3 of 18
CHS Inc	31.9	96	Food Production	3 of 5
3M	31.7	97	Miscellaneous	1 of 6
U.S. Bancorp	24.0	122	Commercial Banks	8 of 20
Supervalu	16.0	180	Food and Drug Stores	6 of 6
General Mills	15.6	182	Food Consumer Products	4 of 13
C. H. Robinson Worldwide	14.9	193	Transportation and Logistics	2 of 3
Ecolab	13.8	215	Chemicals	5 of 14
Land O'Lakes	13.7	216	Food Consumer Products	5 of 13
Ameriprise Financial	12.1	252	Diversified Financials	9 of 13
Xcel Energy	11.4	266	Utilities: Gas and Electric	13 of 22
Thrivent Financial for Lutherans	8.5	343	Insurance: Life and Health (mutual)	6 of 7
Mosaic	7.4	382	Chemicals	11 of 14
Patterson	5.6	490	Wholesalers – Health Care	6 of 6
Securian Financial Group	5.6	490	Insurance: Life and Health (stock)	11 of 11
Polaris Industries	5.5	496	Transportation Equipment	2 of 2

Source: Fortune June 1, 2018

Educational Institutions

The largest four year Colleges and Universities located within the metropolitan area, based on enrollment are as follows:

	<u>Enrollment</u>		<u>Enrollment</u>
1 University of Minnesota — Twin Cities	51,147	8 Bethel University	3,979
2 Walden University*	52,188	9 Hamline University	4,469
3 Capella University*	35,061	10 Concordia University	4,081
4 University of St. Thomas	10,140	11 Augsburg College	3,548
5 Century College	9,478	12 University of Northwestern	3,427
6 Metropolitan State University ...	8,355	13 Macalester	2,073
7 St. Catherine University	5,055	14 Crown College	1,278
		15 North Central University	1,191

Source: 2017 Higher Education Directory

*These are on-line universities.

**Major Development Projects Permitted in Minneapolis in 2016
(\$5.0 million+)**

Quarter Permitted	Estimated Construction Cost*	Project Description	
4th	\$106,600,000	New 370-unit Apartment Building	Downtown West
2nd	78,479,458	HCMC Ambulatory Care Facility	Elliot Park
3rd	74,935,127	New 86- and 194-unit Apartment Buildings & Parking	Nicollet Island/East Bank
4th	64,827,623	New 336-unit Apartment Building & Parking & Retail	Prospect Park/East River Road
1st	56,379,444	HCMC Expansion	Elliot Park
2nd	49,367,746	Hospital Expansion	Hiawatha
3rd	46,723,653	New Apartment Building	Elliot Park
2nd	42,196,846	Target Center Remodel	Downtown West
3rd	36,530,024	Target Center Remodel	Downtown West
2nd	32,790,614	New Office Building	Corcoran
1st	31,925,920	New 6-story, 156-unit Apartment Building	North Loop
4th	25,915,327	New 198-unit Apartment Building & Parking	Prospect Park/East River Road
3rd	24,525,833	Build Out College Educational/Office Building	Cedar Riverside/West Bank
3rd	23,780,234	Care Center Addition	Windom
2nd	22,084,768	Below Grade Parking Structure	Elliot Park
2nd	19,648,461	Office Remodel	Downtown West
4th	19,572,264	New 144-unit Apartment Building	North Loop
3rd	19,360,132	New Apartment Building	Hiawatha
3rd	18,452,641	New Office Building	Downtown West
3rd	17,724,889	New Office Building	Elliot Park
2nd	17,322,433	New 125-unit Apartment Building	Lowry Hill East
1st	17,174,535	Apartment Building Renovation	Seward
3rd	17,000,000	New College Educational/Office Building	Cedar Riverside/West Bank
4th	16,600,090	Abbott NW Hospital Renovation	Midtown Phillips
1st	14,591,092	Apartment Building Renovation	Seward
4th	14,158,749	New 72-unit Apartment Building & Parking	Nicollet Island/East Bank
3rd	13,334,383	Church Expansion & Parking	Loring Park
2nd	13,276,455	New 71-unit Apartment Building	Hawthorne
1st	13,247,357	New 140-room Hotel	Prospect Park/East River Road
1st	12,647,490	Addition for education facility	East Isles
3rd	11,537,315	Office Build-out	Downtown West
2nd	9,942,538	Office Remodel	Downtown West
4th	9,517,270	New Academic Building	University of Minnesota
1st	9,448,151	Office Remodel	Downtown West
4th	9,035,184	New Apartment Building	Marcy-Holmes
1st	8,890,000	New 5-story, 70-unit Apartment Building	Whittier
4th	8,220,200	New Mixed Use Building	Linden Hills
2nd	7,801,805	Vikings Stadium Internal Build-out	Downtown East
1st	6,636,083	New Climate Controlled Storage Facility	North Loop
4th	6,500,000	New Academic Building	Cedar Riverside/West Bank
1st	6,127,519	Residential addition	Phillips
3rd	6,000,000	New 36-unit Apartment Building	Marshall Terrace
1st	5,855,523	Office Remodel	Downtown West
2nd	5,700,000	New Library	Webber-Camden
3rd	5,525,161	New Apartment Building	Ecco
4th	5,317,233	School Remodeling	Midtown Phillips
4th	5,275,000	Conversion to Hotel	Downtown West
4th	5,250,000	New Apartment Building	Downtown East
4th	5,013,194	Conversion to Apartments	Downtown West

*The listed amount only reflects projected construction cost and does not include land acquisition or soft costs.

Source: Minneapolis Trends Reports by CPED 1st and 2nd Quarter
www.ci.minneapolis.mn.us/CPED/trends_reports_home.asp
 CPED Staff provided 3rd and 4th Quarter.

**Major Development Projects Permitted in Minneapolis in 2017
(\$5.0 million+)**

Quarter Permitted	Estimated Construction Cost*	Project Description	
1st	\$123,425,731	New 17 story 374 unit condominium building	Downtown East
1st	48,282,730	New 26 story 407 unit apartment building & parking structure	University of Minnesota
4th	38,188,700	New 184 units apartment and prking structure	Loring Park
2nd	32,621,424	New 180 unit apartment building & underground parking garage	Downtown East
4th	30,500,000	Conversion of office building to 183 room high-rise hotel	Downtown East
4th	28,893,000	Mozaic East - new 8 story high-rise office building w/underground parking	Lowry Hill East
3rd	25,924,185	New 306-unit residential building & 161-room hotel with restaurant & office	Elliot Park
1st	25,799,117	Two story church addition & 2 below grade parking levels	Loring Park
3rd	21,600,000	New MPLS Adult Education/Transition Plus building	Corcoran
2nd	20,156,283	Remodel existing building for new YMCA downtown	Downtown West
4th	20,098,168	New 6 story 111 unit apartment building with 1st floor retail space	Lowry Hill East
2nd	19,377,000	Addition & renovation of Bancroft Elementary School	Bancroft
2nd	19,342,136	New Headquarter for Jack Link Beef Jerky	Marcy Holmes
2nd	19,098,037	Tenant remodel (Sleep Number)	Downtown West
1st	17,551,521	New 6 story 124 unit apartment building & 2 below grade parking levels	North Loop
3rd	16,996,000	Metro transit police office addition with basement	North Loop
4th	16,463,244	Hiawatha Collegiate High School	Longfellow
3rd	15,447,590	Cosco Business Center Store	Mid-City Industrial
2nd	14,718,252	New mixed use building (Thor Construction Company)	Near - North
2nd	14,184,000	Interior buildout of offices (Amazon)	North Loop
4th	13,000,000	New 123 unit apartment building	Corcoran
1st	10,537,083	Interior remodeling	Downtown West
2nd	10,441,310	New 111 unit apartment & 2 below grade parking levels	Whittier
1st	10,296,751	New 125 unit 6 story hotel & restaurant	CARAG
4th	9,957,740	Remodel club/concourse/concession	North Loop
1st	9,850,000	Footing and foundation	Near - North
1st	9,805,586	Interior remodeling	Downtown West
2nd	9,427,000	Remodel of 270 unit apartment	Cedar - Isles - Dean
4th	8,700,000	17 story apartment building renovation	Phillips West
3rd	8,278,000	Central Lutheran Church addition	Loring Park
4th	8,265,378	New 6 story, 75 unit apartment building	Whittier
4th	8,176,000	Spero Academy - new 2 story school	Marshall Terrace
3rd	7,929,646	New 4-story brewery: brewery space, eating & drinking establishment	Elliot Park
3rd	7,500,000	Footing and foundation for future office/parking/apartment building	North Loop
2nd	7,200,000	Construct 47 unit residential building with mixed-used	North Loop
2nd	7,143,548	The Aberdeen - new 50 unit, 5 story, apartment building	Elliot Park
3rd	6,966,032	Renovation of Detox and Mental Health Center - Hennepin County	Ventura Village
2nd	6,681,196	Mt. Olivet Church - addition	Lynnhurst
2nd	6,676,487	New 71 unit apartment & parking garage	ECCO
2nd	6,500,000	New heating, vent and air conditioning for commercial kitchen	Downtown West
3rd	6,425,000	Brickhouse Lofts; converting 4-story factory/warehouse to apartments with additional 3 floors	Prospect Park - East River Road
1st	6,298,138	Replacement of windows	Loring Park
3rd	6,242,804	Conversion of office space to 80-unit high rise senior care living	Downtown West
4th	6,098,919	Footing and Foundation	Whittier
3rd	6,000,000	Macy's Nicollet Mall selective interior removal	Downtown West
4th	5,807,933	Finishes/Upgrades Re-work Courtyard Area	Downtown West
1st	5,664,000	Remodel existing pool at Phillips Community Aquatics Center	Ventura Village
4th	5,601,850	NorthLoop Parking - 6 Story Parking with 1st floor commercial space	North Loop
3rd	5,564,873	Interior remodel of office building	Downtown West
3rd	5,525,065	New 5-story Harlo apartment with 75 units	Loring Park
3rd	5,247,000	Construct 4-level open parking garage	Central
1st	5,100,454	Construct 53 unit 4 story apartment building with main level retail	Standish
4th	5,075,488	Conversion historical building to 21 dwellings and parking	North Loop
1st	5,058,730	Remodel IT Data Center at Hennepin County Government Center	Downtown West
2nd	5,020,119	Tenant Improvements	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.

**Major Development Projects Permitted in Minneapolis in 2018
in the First and Second Quarter of 2018
(\$5.0 million+)**

Quarter Permitted	Estimated Construction Cost*	Project Description	
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
1st	44,000,000	New eleven story office building with 57 apartments	North Loop
1st	38,280,000	New five story 243 unit apartment building	Prospect Park – East River Road
2nd	36,128,135	New building including theater, hotel, and restaurant	North Loop
1st	25,386,416	New four story 148 unit apartment building with ground floor commercial space	Hiawatha
1st	23,680,000	Renovation of existing school building and addition of new entry	Webber – Camden
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
2nd	13,065,000	New 48 unit supportive housing building	North Loop
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
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
1st	7,208,993	New six story 110 unit apartment building	Sheridan
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
1st	5,898,000	New 25 unit apartment building with first floor commercial space	CARAG
1st	5,360,150	HVAC renovation for existing school building	Webber – Camden
2nd	5,000,000	Expansion of Banquet Center	Downtown West

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APPENDIX B

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PROPOSED FORM OF BOND COUNSEL OPINION
\$15,715,000
General Obligation Library Referendum Refunding Bonds, Series 2018
City of Minneapolis, Minnesota

We have acted as bond counsel in connection with the issuance by the City of Minneapolis, Minnesota (the “City”), of its General Obligation Library Referendum Refunding Bonds, Series 2018 (the “Bonds”) in the aggregate principal amount of \$15,715,000, dated October 31, 2018.

The Bonds mature on December 1 in the years 2019 through 2020, and bear interest at fixed rates payable on each June and December 1, commencing June 1, 2019. The Bonds are not subject to optional redemption by the City.

The Bonds are issued pursuant to resolutions of the City Council of the City and a resolution of the Board of Estimate and Taxation of the City adopted on August 22, 2018 (the “Resolutions”), for the purposes set forth in the Resolutions.

We have examined such certified proceedings, documents and certificates of public officials as we deem 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 certifications 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 and Laws of Minnesota 1986, Chapter 396, as amended, and Minnesota Statutes, Chapter 475, as amended.

2. The Bonds are payable from general ad valorem taxes imposed on all taxable property in the City, but the City is required to levy 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 (although interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018) or the computation of Minnesota alternative minimum tax imposed on individuals, estates, and trusts. However, such interest is subject to 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, October 31, 2018.

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APPENDIX C

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\$15,715,000
City of Minneapolis, Minnesota General Obligation
Library Referendum Refunding Bonds, Series 2018

CONTINUING DISCLOSURE CERTIFICATE

October 31, 2018

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 Library Referendum Refunding Bonds, Series 2018 (the “Bonds”), in the original aggregate principal amount of \$15,715,000. 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 TD Securities (USA) LLC (the “Purchaser”) on October 31, 2018.

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 (defined herein) of the Bonds in order to assist the Participating Underwriters (defined herein) in complying with the Rule (defined herein). 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 Official Statement, dated October 22, 2018, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

“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 the 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, 2018, 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 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 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; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(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 of 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 of the City, as of the date and year first written above.

CITY OF MINNEAPOLIS, MINNESOTA

By: Finance Officer

APPENDIX D

SELECTED PORTIONS OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDING DECEMBER 31, 2017

*Copies of the City's complete audited financial statements for the year 2017 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 web site:

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

Excerpts of the 2017 Certified Annual Financial Report of the City of Minneapolis

The City is independently audited each year by the Minnesota Office of the State Auditor. Data on the following pages was extracted from the City's Certified Annual Financial Report (CAFR) for the fiscal year ended December 31, 2017. Financial statements for the governmental funds were prepared using the modified accrual basis of accounting. The proprietary funds are prepared using the accrual basis. The reader should be aware the City's CAFR contains additional information not presented here, including the Auditor's report.

The City's 2017 CAFR is available online at
<http://www.minneapolismn.gov/finance/reports/CAFR/>
The Auditor's Report is on page 1.

The City has received the Certificate of Achievement of Excellence in Financial Reporting, which is awarded by the Government Finance Officers Association of the United States and Canada (GFOA), for each of the last 48 years.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

COMPREHENSIVE
ANNUAL FINANCIAL REPORT



CITY OF
MINNEAPOLIS, MINNESOTA

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

FINANCE AND PROPERTY SERVICES DEPARTMENT

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July 9, 2018

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, 2017. 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, 2017. 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 #2 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 nearly 1,800 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 181,000

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 2016, Minneapolis is home to an estimated 413,645 people. From 2011 to 2016, the population within the City grew by a little over 25,772 people, a five year growth rate of 6.7%. Males and females each make up approximately 50% of the population as do renters and homeowners. Children and youth under 18 make up 20% of the population with seniors aged 65 and above comprising 9% of the population. Following national and regional trends, an increasing percentage of the City's population is persons of color: as of the 2010 Census, 40% of the City's population is non-white or Hispanic, with a majority of the population 19 and younger being non-white. Approximately 15% of residents are immigrants and 21% routinely speak a language other than English at home.

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

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

Form of Government and Organization

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

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

City Council

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

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

Mayor

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

Departments

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

FINANCIAL POLICES

Each year during the budget process, the Council adopts a comprehensive set of financial policies. Of particular relevance to the City budget process is the policy to maintain a minimum unassigned fund balance in the General Fund equal to 17% of the following year's General Fund budgeted expenditures. This balance is to be used for cash flow purposes, unanticipated expenditures of a non-recurring nature, unexpected increases in service delivery costs, or unexpected revenue shortfalls. The unassigned fund balance of the General Fund at December, 31, 2017, was \$105.8 million, which is \$23.9 million more than policy requires. Additional information regarding the 2017 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 \$4.0 million in 2017, and is \$4.5 million in 2018.

ECONOMIC CONDITION AND OUTLOOK

A detailed discussion and analysis of the City's overall financial condition during the fiscal year ended 2017 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, 2016. A Certificate of Achievement is valid for a period of one year only. The City has received this prestigious award for 43 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 2017 annual budget document. To qualify for the distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,



Mark T. Ruff
Finance Officer



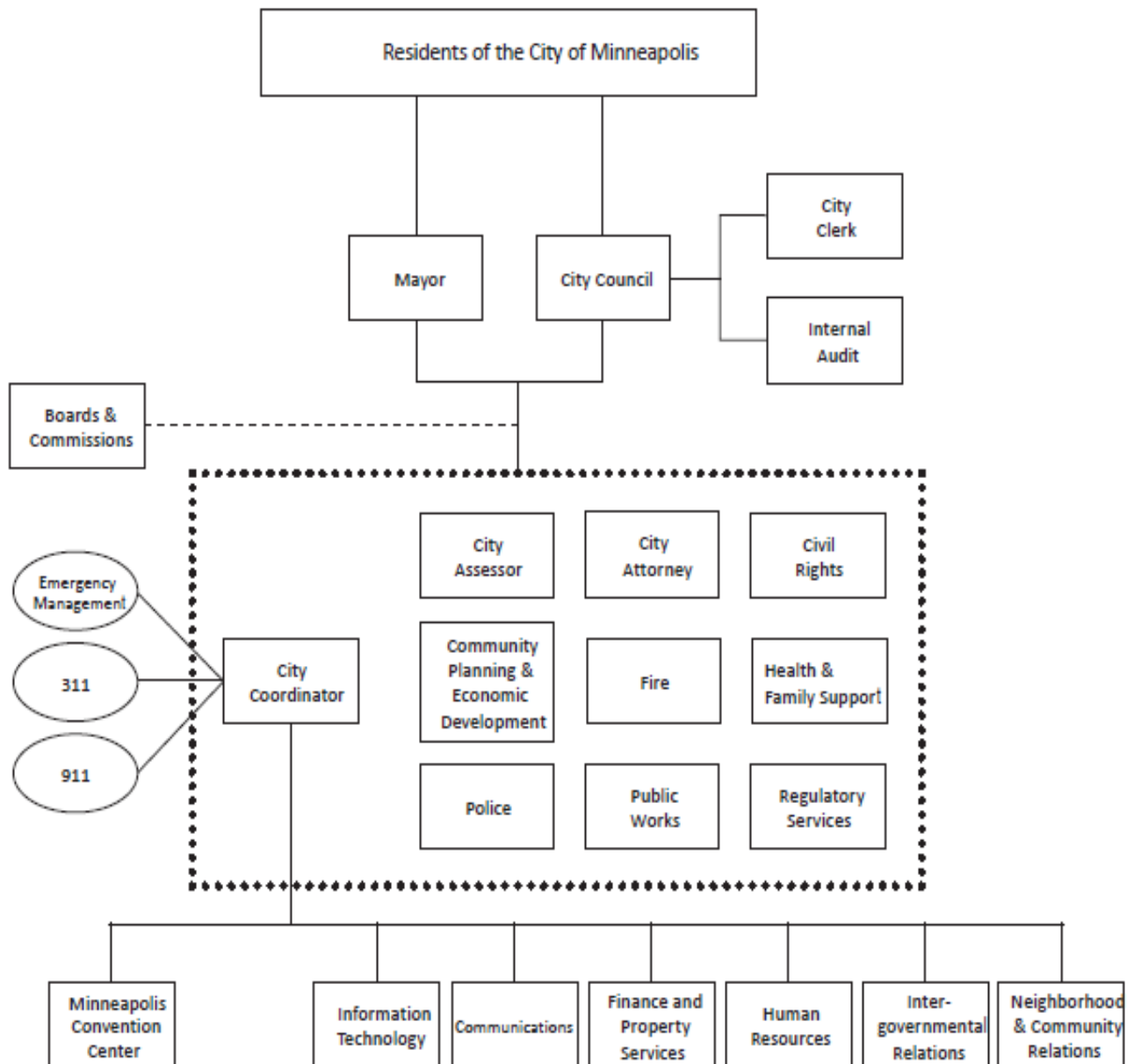
Lori Johnson
Deputy Finance Officer



Mary Dunning
Controller

City of Minneapolis

Organizational Chart



MAYOR AND COUNCIL

CITY OF MINNEAPOLIS, MINNESOTA

2017

Mayor.....BETSY HODGES

CITY COUNCIL

Ward 1.....KEVIN REICH

Ward 2.....CAM GORDON

Ward 3.....JACOB FREY

Ward 4.....President.....BARBARA JOHNSON

Ward 5.....BLONG YANG

Ward 6.....ABDI WARSAME

Ward 7.....LISA GOODMAN

Ward 8.....Vice-President.....ELIZABETH GLIDDEN

Ward 9.....ALONDRA CANO

Ward 10.....LISA BENDER

Ward 11.....JOHN QUINCY

Ward 12.....ANDREW JOHNSON

Ward 13.....LINEA PALMISANO

In 2018, the following changes occurred:

Mayor.....JACOB FREY

Ward 3.....STEVE FLETCHER

Ward 4.....PHILLIPE CUNNINGHAM

Ward 5.....JEREMIAH ELLISON

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

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

Ward 11.....JEREMY SCHROEDER



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, 2016

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, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the City's basic financial statements following this section. **All dollar amounts are expressed in thousands unless otherwise indicated.**

FINANCIAL HIGHLIGHTS

- For the year ended December, 31 2017, the City implemented specific guidance from Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27*, related to the calculation of the City's proportionate share of net pension liability. The City's statutorily required contributions to pensions include both payroll related amounts and additional, fixed amounts. The fixed contributions have either known or expected end dates, and as a result, the total obligation related to them can be calculated. Rather than taking a proportionate share of the net pension liability of each pension plan as calculated by the City's total contributions during a single year, the City followed GASB guidance to calculate a liability based on our projected long-term contribution effort. This lowered the City's beginning net pension liability, requiring a restatement of our beginning net position to adjust for the newly calculated balances. Following this methodology as encouraged by GASB provides a better representation of the City's pension obligations.
- At the close of the 2017 fiscal year, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$2,083,583 (net position). Of this amount, \$2,066,953 is the City's net investment in capital assets and \$291,049 is restricted for specific purposes (restricted net position) leaving a deficit of \$(274,419) 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 \$231,308 in 2017. Governmental activities increased the City's net position by \$176,100 and business-type activities increased the net position by \$55,208.
- As of December 31, 2017, total fund balance in the General Fund was \$117,098, of which \$105,835 was unassigned.
- The City's total long-term bond and note liability decreased by \$3,952 from the prior year. Total bonds and notes issued in 2017 was \$191,638. Total debt retirement was \$195,590. Major new debt issuances included notes of \$1,995 for parking facility improvements, \$5,960 for sanitary sewer projects, and \$11,320 for water projects. In 2017, \$56,010 of the debt issuances were refunding previously issued debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

The City of Minneapolis maintains 18 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 14 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 115.

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

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

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

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

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

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

The notes to the financial statements can be found on pages 45-102 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 103-111 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 115.

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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, 2017 with a comparison to 2016.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 906,290	\$ 858,327	\$ 259,677	\$ 273,491	\$ 1,165,967	\$ 1,131,818
Capital assets	1,493,112	1,333,254	1,078,109	1,018,328	2,571,221	2,351,582
Total assets	\$ 2,399,402	\$ 2,191,581	\$ 1,337,786	\$ 1,291,819	\$ 3,737,188	\$ 3,483,400
Deferred outflows of resources	\$ 332,891	\$ 963,145	\$ 13,491	\$ 67,928	\$ 346,382	\$ 1,031,073
Current and other liabilities	\$ 221,292	\$ 224,521	\$ 54,950	\$ 50,135	\$ 276,242	\$ 274,656
Long-term liabilities	1,059,964	1,829,112	319,196	377,040	1,379,160	2,206,152
Total liabilities	\$ 1,281,256	\$ 2,053,633	\$ 374,146	\$ 427,175	\$ 1,655,402	\$ 2,480,808
Deferred inflows of resources	\$ 336,677	\$ 166,039	\$ 7,908	\$ 16,217	\$ 344,585	\$ 182,256
Net position						
Net investment in capital assets	\$ 1,190,812	\$ 1,057,445	\$ 876,141	\$ 800,274	\$ 2,066,953	\$ 1,857,719
Restricted net position	254,967	215,143	36,082	35,336	291,049	250,479
Unrestricted net position	(331,419)	(337,534)	57,000	80,745	(274,419)	(256,789)
Total net position	\$ 1,114,360	\$ 935,054	\$ 969,223	\$ 916,355	\$ 2,083,583	\$ 1,851,409
Restatement (see Note 1Q)		3,206		(2,340)		866
Total net position, as restated		\$ 938,260		\$ 914,015		\$ 1,852,275

The largest portion of the City’s net position reflects its \$2,066,953 investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City continues to invest significantly in its infrastructure assets, which is reflected in the \$209,234 increase in this portion of the City’s net position. The City uses these capital assets to provide services to citizens. As a result, these assets are not available for future spending. Although the City’s investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position increased \$40,570 to \$291,049 in 2017 largely due to the \$41,109 increase in properties held for resale 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).

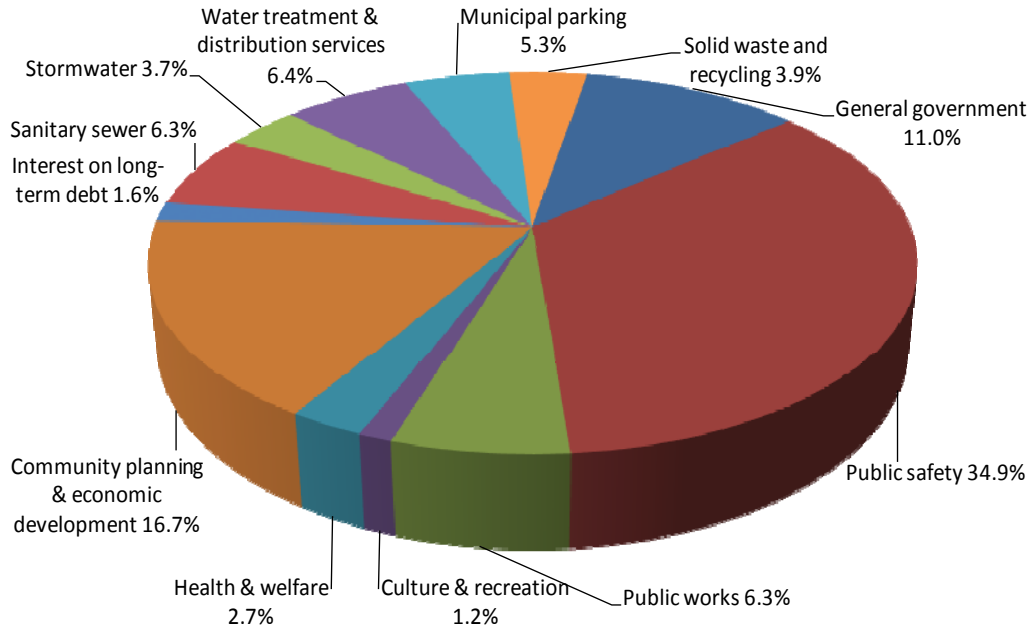
The remaining deficit of \$(274,419) represents the unrestricted portion of the City’s net position. This is a decrease of \$17,630 from the 2016 unrestricted net position. The decrease is due to increases in other net position categories. Net investment in capital assets increased \$209,234. Restrictions for other purposes increased \$40,570. Both of these increases result in a lower unrestricted net position.

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 \$176,100 while the business-type activities net position increased by \$55,208.

	Statement of Activities For the Years Ended December 31, 2017, and 2016					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 152,312	\$ 140,041	\$ 301,332	\$ 286,610	\$ 453,644	\$ 426,651
Operating grants and contributions	137,377	132,535	6,988	5,089	144,365	137,624
Capital grants and contributions	11,356	14,255	-	-	11,356	14,255
General revenues:						
General property tax and fiscal disparities	278,088	247,708	-	-	278,088	247,708
Property tax increment	55,666	49,616	-	-	55,666	49,616
Franchise taxes	32,143	29,515	-	-	32,143	29,515
Local taxes	83,266	80,851	-	-	83,266	80,851
Other taxes	267	212	-	-	267	212
Local government aid - unrestricted	68,543	68,391	-	-	68,543	68,391
Grants and contributions not restricted to programs	1,879	3,371	16	-	1,895	3,371
Unrestricted interest and investment earnings	6,651	7,754	364	205	7,015	7,959
Other	2,003	181	20	910	2,023	1,091
Gain on sale of capital assets	291	526	20,660	1,856	20,951	2,382
Total revenues	<u>829,842</u>	<u>774,956</u>	<u>329,380</u>	<u>294,670</u>	<u>1,159,222</u>	<u>1,069,626</u>
Expenses						
General government	102,171	128,137	-	-	102,171	128,137
Public safety	323,498	390,053	-	-	323,498	390,053
Public works	58,174	106,705	-	-	58,174	106,705
Culture and recreation	11,252	7,544	-	-	11,252	7,544
Health and welfare	25,483	25,494	-	-	25,483	25,494
Community planning and economic development	149,145	181,537	5,921	6,330	155,066	187,867
Interest on long-term debt	15,121	13,611	-	-	15,121	13,611
Sanitary sewer	-	-	58,250	54,030	58,250	54,030
Stormwater	-	-	34,518	36,009	34,518	36,009
Water treatment and distribution services	-	-	59,536	67,826	59,536	67,826
Municipal parking	-	-	48,758	50,020	48,758	50,020
Solid waste and recycling	-	-	36,087	33,312	36,087	33,312
Total expenses	<u>684,844</u>	<u>853,081</u>	<u>243,070</u>	<u>247,527</u>	<u>927,914</u>	<u>1,100,608</u>
Excess (deficiency) before transfers	144,998	(78,125)	86,310	47,143	231,308	(30,982)
Transfers	31,102	22,753	(31,102)	(22,753)	-	-
Change in net position	176,100	(55,372)	55,208	24,390	231,308	(30,982)
Net position - Beginning (2017 Restated)	938,260	990,426	914,015	891,965	1,852,275	1,882,391
Net position - Ending	<u>\$1,114,360</u>	<u>\$ 935,054</u>	<u>\$ 969,223</u>	<u>\$ 916,355</u>	<u>\$2,083,583</u>	<u>\$1,851,409</u>

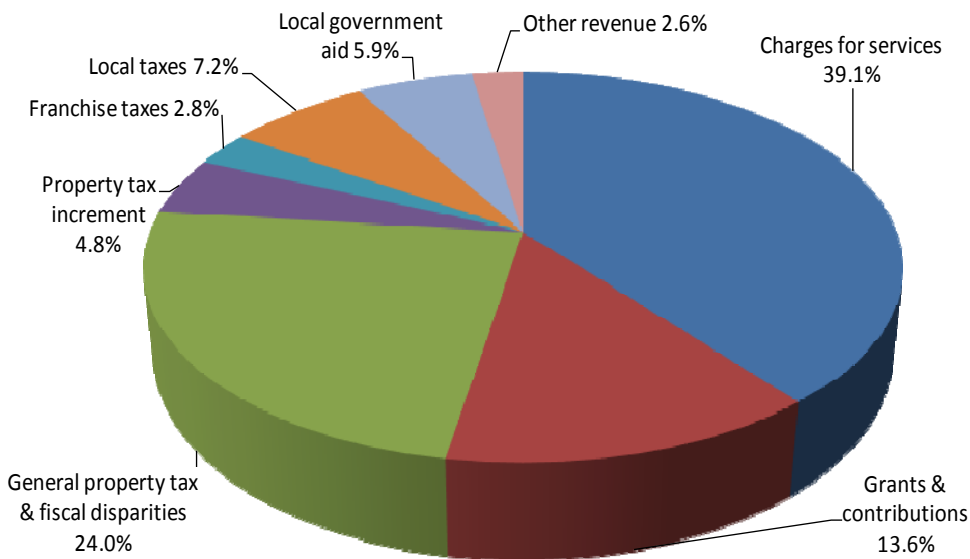
Governmental Activities—Governmental activities increased the City’s net position by \$176,100 compared to a decrease of \$55,372 in 2016. Total governmental revenue increased by 7.1% from 2016 to 2017 while total expenses decreased by 19.7% over that same period. The decrease in expenses is attributable mainly to the decrease in pension expense related to the decreased net pension liability. Pension expense booked to the governmental activities as a result of pension activity decreased by \$138,852 between 2016 and 2017. A significant expense in the statement of activities, compared to fund statements, is depreciation. Current year depreciation for governmental activities was \$59,209.

Government-wide Expenses



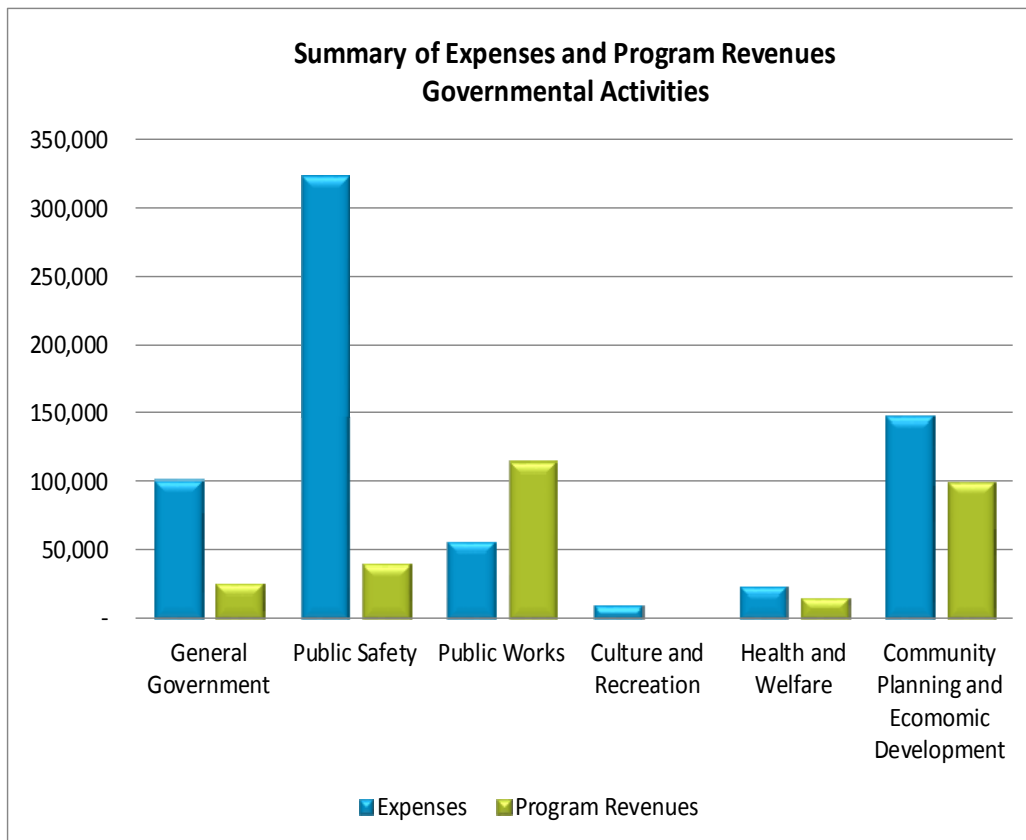
Program revenue increased primarily due to an increase in charges for services. This increase is generally due to the increased licensing, permitting and related activities the City continues to experience as the high rate of development and growth continued in 2017. Additionally, general revenues cover any net expense after program specific revenues are applied. The property tax levy increased as budgeted and several other categories of revenue such as franchise fees and local taxes saw a slight increase over 2016.

Government-wide Revenues



**Summary of expenses and program revenues - Governmental Activities
For the Year ended December 31, 2017**

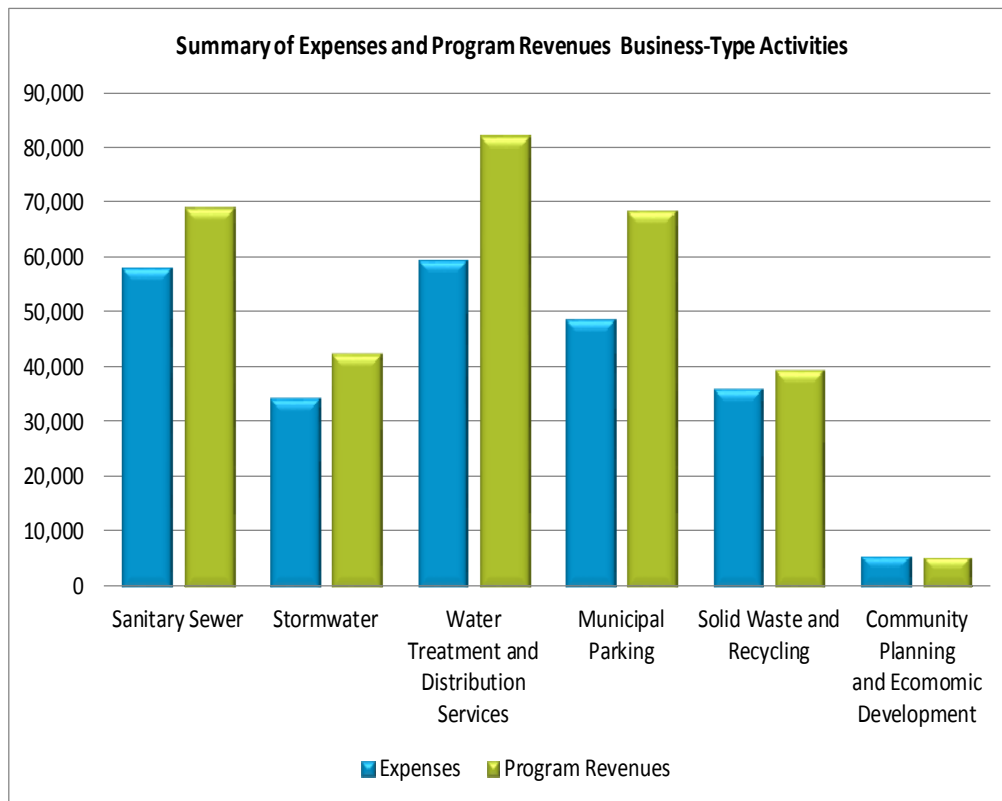
Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue by Program
General government	\$ 102,171	\$ 27,628	\$ (74,543)
Public safety	323,498	40,899	(282,599)
Public works	58,174	115,871	57,697
Culture and recreation	11,252	-	(11,252)
Health and welfare	25,483	16,371	(9,112)
Community planning and economic development	149,145	100,276	(48,869)
Interest on long-term debt	15,121	-	(15,121)
	<u>\$ 684,844</u>	<u>\$ 301,045</u>	<u>\$ (383,799)</u>
General revenues and transfers supporting governmental activities			<u>559,899</u>
Change in net position			176,100
Net position - January 1, 2017, restated (see Note 1Q)			938,260
Net position - December 31, 2017			<u>\$ 1,114,360</u>



Business-Type Activities—Business-type activities increased the City’s net position by \$55,208 compared with an increase of \$24,390 in 2016.

**Summary of expenses and program revenues - Business-Type Activities
For the Year ended December 31, 2017**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue by Program
Sanitary sewer	\$ 58,250	\$ 69,210	\$ 10,960
Stormwater	34,518	42,778	8,260
Water treatment and distribution services	59,536	82,263	22,727
Municipal parking	48,758	68,472	19,714
Solid waste and recycling	36,087	39,862	3,775
Community planning and economic development	5,921	5,735	(186)
	<u>\$ 243,070</u>	<u>\$ 308,320</u>	<u>\$ 65,250</u>
General revenues and transfers supporting business-type activities			<u>(10,042)</u>
Change in net position			55,208
Net position - January 1, 2017, restated (see Note 1Q)			<u>914,015</u>
Net position - December 31, 2017			<u>\$ 969,223</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 2017, four governmental funds, including the General Fund, are presented as major funds. These funds include the Community Planning and Economic Development Special Revenue Fund, the Permanent Improvement Capital Project Fund, and the Special Assessment Debt Service Fund. At December 31, 2017, the City's governmental funds reported a combined ending fund balance of \$516,697, an increase of \$36,138 compared with the prior year. Approximately 20.1% of this total amount, or \$103,796, constitutes unassigned fund balance, which is available for spending at the City's discretion.

The remainder of the fund balance is classified as follows: nonspendable (\$1,263) for land development, advances to other funds, prepaid items, and properties held for resale; restricted (\$254,967) for debt service, community planning and economic development, capital improvements, grants, and law enforcement legal requirements; and assigned (\$156,671) for specific purposes not meeting a more restricted criteria for general government, community planning and economic development programs, neighborhood and community relations, public safety programs, pension obligations, and capital improvements. Additional details on fund balance can be found in Note 10.

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

Revenues by Source Governmental Funds					
Revenues by Source	2017		2016		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
Taxes	\$ 428,271	50.57 %	\$ 408,195	50.55 %	\$ 20,076
Licenses and permits	46,398	5.48	48,267	5.98	(1,869)
Intergovernmental revenues	183,797	21.70	181,477	22.48	2,320
Charges for services and sales	110,799	13.08	90,626	11.22	20,173
Fines and forfeits	7,783	0.92	6,705	0.83	1,078
Special assessments	29,516	3.49	28,220	3.49	1,296
Investment earnings	6,679	0.79	7,916	0.98	(1,237)
Miscellaneous revenue	33,609	3.97	36,054	4.47	(2,445)
Total revenues	<u>\$ 846,852</u>	<u>100.00 %</u>	<u>\$ 807,460</u>	<u>100.00 %</u>	<u>\$ 39,392</u>

**Expenditures by Function
Governmental Funds**

Expenditures by Function	2017		2016		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
Current:					
General government	\$100,772	10.08 %	\$106,212	11.92 %	\$ (5,440)
Public safety	284,155	28.42	269,020	30.18	15,135
Public works	59,804	5.98	56,978	6.40	2,826
Culture and recreation	780	0.08	1,560	0.18	(780)
Health and welfare	23,797	2.38	21,705	2.44	2,092
Community planning and economic development	155,783	15.58	174,858	19.63	(19,075)
Capital outlay	193,489	19.35	151,681	17.02	41,808
Intergovernmental:					
General government	968	0.10	616	0.07	352
Public safety	111	0.01	154	0.02	(43)
Culture and recreation	10,472	1.05	5,984	0.67	4,488
Debt service:					
Principal retirement	154,711	15.47	84,027	9.43	70,684
Interest and fiscal charges	15,104	1.50	13,711	1.54	1,393
Bond issuance costs	-	-	4	-	(4)
Payments to refunded bond escrow agents	-	-	4,440	0.50	(4,440)
Total expenditures	\$999,946	100.00 %	\$890,950	100.00 %	\$ 108,996

General Fund—The General Fund is the general operating fund of the City. As of December 31, 2017, unassigned fund balance in the General Fund was \$105,835, nonspendable fund balance was \$1,263, and assigned fund balance is \$10,000. Total fund balance increased by \$9,601 during 2017.

The following table provides changes in revenues by source from 2016 to 2017.

Revenues by Source	2017		2016		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
Taxes	\$ 295,004	58.29 %	\$ 274,925	57.66 %	\$ 20,079
Licenses and permits	45,091	8.91	47,030	9.87	(1,939)
Intergovernmental revenues	85,131	16.82	85,212	17.88	(81)
Charges for services and sales	51,007	10.08	48,813	10.24	2,194
Fines and forfeits	7,556	1.49	6,313	1.32	1,243
Special assessments	3,152	0.62	3,450	0.72	(298)
Investment earnings	3,186	0.63	3,460	0.73	(274)
Miscellaneous revenues	3,493	0.69	3,473	0.73	20
Total revenues	\$ 493,620	97.53	\$ 472,676	99.15	\$ 20,944
Transfers in	12,499	2.47	4,029	0.85	8,470
Total revenues and other financing sources	\$ 506,119	100.00 %	\$ 476,705	100.00 %	\$ 29,414

In 2017, General Fund revenues and transfers increased by about 6.2% from the previous year. Some highlights include:

- Tax collections were higher in 2017 than 2016. Overall tax collections increased 7.3% or \$20,079 over 2016 amounts. Taxes include both property taxes and local sales, lodging and entertainment taxes. The general fund property tax levy increased \$16,406 from 2016 to 2017. In addition to the increased property taxes, local taxes increased \$2,816 over the 2016 collections.
- Charges for services increased \$2,194 as a result of a continued elevation of construction and related activity in the City.
- Other revenues were similar to 2016 levels. License and permit revenue decreased by \$1,939 from 2016 to 2017, however it was still \$2,156 over budget. In 2017, the city had its sixth consecutive year exceeding \$1.0 billion dollars in construction projects. Permits were issued for \$1.5 billion in projects in 2017 as compared to \$1.8 billion in 2016.

The following table provides the changes in expenditures by function from 2016 to 2017:

Expenditures by Function	General Fund Expenditures by Function				Increase/ (Decrease) Amount
	2017		2016		
	Amount	Percent of Total	Amount	Percent of Total	
Current:					
General government	\$ 73,765	14.86 %	\$ 73,353	15.43 %	\$ 412
Public safety	258,885	52.14	245,143	51.59	13,742
Public works	59,550	11.99	56,911	11.98	2,639
Culture and recreation	780	0.16	1,560	0.32	(780)
Health and welfare	10,426	2.10	9,062	1.91	1,364
Community planning and economic development	33,724	6.79	33,008	6.95	716
Total expenditures	437,130	88.04	419,037	88.18	18,093
Transfers out	59,388	11.96	56,162	11.82	3,226
Total expenditures and other financing uses	<u>\$ 496,518</u>	<u>100.00 %</u>	<u>\$ 475,199</u>	<u>100.00 %</u>	<u>\$ 21,319</u>

Overall, general fund expenditures and transfers out increased by 4.5% from the previous year, although appropriations were underspent by approximately \$18,632.

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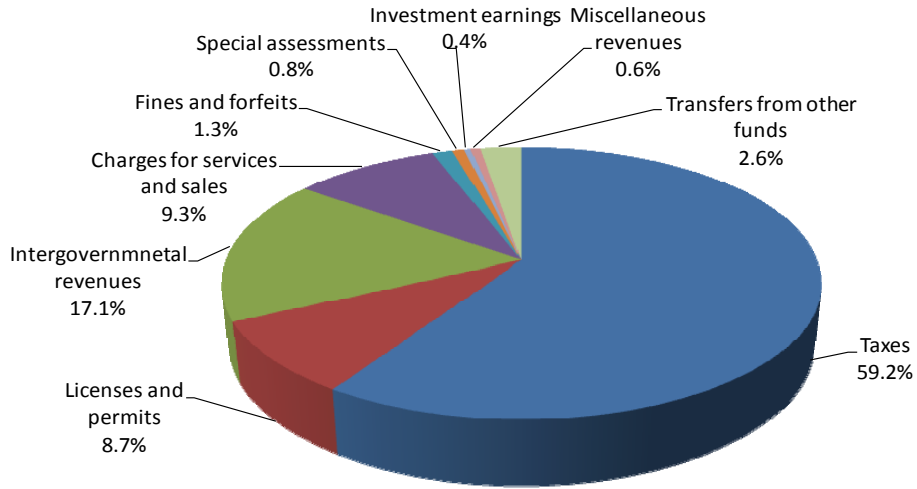
General Fund Budgetary Highlights—The final budget for the City’s General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments), and any additional supplemental appropriations that may occur during the fiscal year. In 2017, the following were significant budget actions:

- The original General Fund appropriation for fiscal year 2017 was \$497,775, which included projected transfers out of \$59,387. The final appropriation was \$515,150 including transfers of \$69,388. General revenues and other resources were originally estimated at \$492,242, which included projected transfers in of \$12,470. The final revenue estimate was \$492,314 including transfers of \$12,499.
- Significant budgetary variances between the final amended budget and the actual results include:
 - 1) The Police Department finished the year \$5,235 over budget due to higher than expected personnel costs coupled with special event expenses related to the X Games and preparation for the 2018 Super Bowl.
 - 2) The Fire Department finished the year \$1,080 over budget related to vehicle costs and personnel expense related to injured firefighters’ insurance costs.
 - 3) The Clerk – Elections Department finished the year \$754 over budget due to the City-wide elections for Council and Mayor which had high voter turnout requiring additional resources.
 - 4) Overall, Public Works finished the year \$195 over budget due to a busy summer construction season and ongoing preparations for the 2018 Super Bowl.
 - 5) The City Coordinator and several smaller departments underspent their budgets for a variety of factors. Personnel vacancies, delayed spending on projects and initiatives, and other cost saving measures helped these departments meet the budgeted appropriation levels.
 - 6) A \$10,000 transfer to the capital project fund will be delayed until State funding for the project is secured.
 - 7) Community Planning and Economic Development (CPED) has a number projects that are expected to require ongoing funding resulting in current year budget savings.
 - 8) Contingency funding of \$4,000 and the underspending identified above offset the overspending, resulting in an overall underspending in the General Fund of \$18,632.

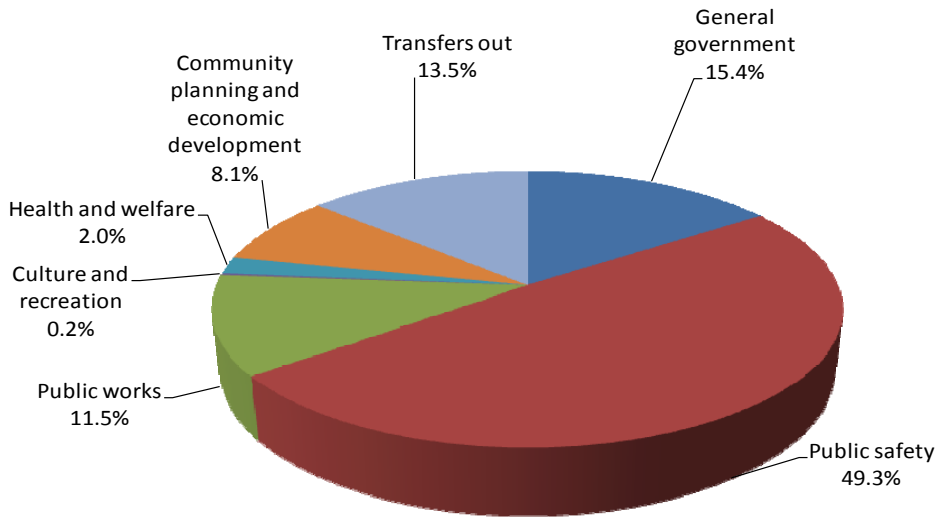
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Current fiscal year revenue and expenditure budgets for the General Fund by major category or function are as follows:

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 outside 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 2017 were \$61,295, a less than 1% increase from the prior year. A majority, approximately 86%, of the fund’s revenue was derived from property tax increment, and 8% 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 2017 were \$27,647. 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 declined in 2017 due to certain projects in the prior year that did not recur.

The fund’s transfers to other funds of \$22,523 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 \$6,488 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 \$215,158. This included \$177,455 restricted for specific programs by State law; and the remaining \$37,703 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 2017, \$193,489 of capital outlay occurred which is an increase of 28% from \$151,681 in 2016.

The key assets constructed with these funds include:

- Bridges - \$10,229
- Streets - \$62,247
- Traffic Signals and Street Lighting - \$23,249
- Bike Trails - \$1,782
- Property Service - \$6,465
- Target Center Renovation - \$80,477

The fund balance increased from \$10,223 in 2016 to \$38,003 in 2017. The increase was due to escalation of State Grants, City and other funding proceeds. Additionally, revenues for the fund were higher from \$75,162 in 2016 to \$101,151 in 2017 due to increase from State, City and local sources. Two of the larger components of revenue funding were a State DEED Grant for the Nicollet Mall renovation and payments from Timberwolves and AEG for the Target Center renovation.

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 2017 the City had \$54,485 of debt outstanding for special assessment improvements. During 2017, the City received debt related assessment collections and interest earnings of \$14,267 and paid total principal of \$14,811, net of \$16,095 of refunding bonds issued 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 \$986,196 at December 31, 2017, an increase of \$54,918 over the restated 2016 balance.

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 2016 to 2017:

Enterprise Funds Key Balance Sheet Account Balances and Operating Activities December 31, 2017, and 2016								
	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	
							2017	2016
Cash	\$ 17,761	\$ 27,087	\$ 40,663	\$ 26,540	\$ 24,523	\$ 1,453	\$ 138,027	\$ 140,143
Assets	158,676	347,767	382,556	314,269	43,028	108,463	1,354,759	1,309,082
Deferred outflows of resources	1,578	2,535	5,017	1,202	3,159	-	13,491	67,928
Liabilities	38,125	15,592	132,373	101,181	18,677	68,198	374,146	427,175
Deferred inflows of resources	925	1,486	2,941	705	1,851	-	7,908	16,217
Operating income (loss)	3,243	7,130	18,692	16,580	(1,174)	3,889	48,360	33,695
Change in net position	2,415	6,656	19,217	25,516	945	169	54,918	24,730
Restatement	-	-	-	-	-	-	-	(2,340)
Net position	121,204	333,224	252,259	213,585	25,659	40,265	986,196	\$ 931,278

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, 2017 was \$121,204 compared to \$118,789 for the 2016 restatement for an increase of \$2,415.

The operating revenues of \$68,509 for 2017 compared to \$66,903 for 2016 reflects an increase of \$1,606. The sanitary utility sales and service revenues account for \$1,136 of the increase due to increase in rates. These

increases were further inflated by \$480 in Sewer Availability Charge (SAC) revenues. Increase in SAC revenues is off-set by equivalent increase in SAC expenses.

The operating expense totaled \$65,266 compared to \$63,452 for 2016 resulting in an increase of \$1,814. The increase in operating expenses reflects an increase in contractual and professional services by \$2,053 due to work on sewer cleaning, rehab work, and SAC payments. Finally, Met Council increased rates for MCES by 4% resulting in an increased expense of \$1,421. 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, 2017 was \$333,224 which was an increase of \$6,656 from the restated beginning balance of \$326,568.

The 2017 operating revenues of \$41,648 compared to \$38,306 for 2016 reflected an increase of \$3,342. The increase in revenue is due to an increase in rates, and an increase in reimbursements from the State of Minnesota for maintenance work done by the street cleaning and storm maintenance departments. These reimbursements are based on agreements with the State and Hennepin County.

The operating expenses total \$34,518 compared to \$35,971 reported for 2016. This was a decrease of \$1,453. The decrease overall reflects an increased effort being focused on Capital projects in the year. The increase in capital was offset by additional expense spent in the Street Cleaning department of \$927.

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

Net position increased by \$19,217 for the year, resulting in a net position at December 31, 2017 of \$252,259. This planned increase allowed for net increases to long-term assets in the amount of \$23,047 for improvements to the City's water distribution system and the Fridley Filter Plant rehabilitation and other water treatment infrastructure improvements.

Operating revenue increased by \$2,391, when compared to 2016, due in large part to increased water sales. Operating expenses decreased by \$4,631, when compared to 2016. This decrease was in large part due to a decrease from 2016 in pension expenses required by GASB Statement No. 68.

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, 2017 was \$213,585 which is an increase of \$25,516 from the restated beginning balance.

There are four main reasons for the change in net position. There were continued operational efficiencies attained through off-street parking; the largest contributor was a reduction in operator expenses due to the new pay machines in most of the ramps reducing the number of staff hired. The City implemented new, multi-space parking meters which continue to provide increased revenues in on-street parking. In December 2017 the Government Center Ramp was exchanged for the Downtown Parking Ramp which was a gain of \$20,557 in the net position.

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 107,000 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 as of December 31, 2017 totaled \$25,659, an increase of \$945 compared to the restated beginning balance of \$24,714. Operating revenues totaled \$38,338, an increase of \$1,103 over 2016. This increase can be attributed to a rate increase of \$0.57 per dwelling unit in utility billing, resulting in increased revenue from sales.

Operating expenses decreased to \$39,512 compared to \$40,974 for 2016. This decrease of \$1,462 is due in part to a decrease in salaries and fringes due to an increase in personnel turnover and the related periods of vacancy in the positions related to this.

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 increased by \$169 during the year. The increase resulted primarily from interest revenue earned on various reserve investments within the fund. The barge related activities of the River Terminal facility have been discontinued. The facility is currently used primarily as leased space for commodity storage. The City intends to develop the site for park and jobs-intensive business uses.

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

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

Internal Service Funds
Key Balance Sheet Account Balances and Operating Activities
December 31, 2017, and 2016

	Engineering Materials and Testing	Intergovern- mental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total	
							2017	2016
Cash	\$ 1,527	\$ 23,572	\$ 8,098	\$ 30,350	\$ 1,988	\$ 90,007	\$ 155,542	\$ 149,161
Assets	1,715	66,847	38,543	95,433	7,032	91,297	300,867	296,695
Deferred outflows of resources	293	3,209	1,513	1,948	322	2,065	9,350	46,331
Liabilities	1,728	21,787	9,989	21,682	2,053	67,121	124,360	148,878
Deferred inflows of resources	172	1,881	888	1,141	189	1,211	5,482	11,113
Operating income (loss)	(322)	(9,699)	(400)	5,653	615	745	(3,408)	(3,234)
Change in net position	(321)	(11,324)	(951)	8,048	785	3,312	(451)	6,984
Restatement	-	-	-	-	-	-	-	(2,209)
Net position	\$ 108	\$ 46,388	\$ 29,179	\$ 74,558	\$ 5,112	\$ 25,030	\$ 180,375	\$ 180,826

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 2017, the net position is \$108 representing a decrease of \$321 from the 2017 restated beginning net position of \$429. The decrease in net position is primarily to the planned decrease in rates charged for laboratory services and to the overhead rates applied to asphalt and concrete sales. The fund maintains a positive cash balance at \$1,527 at year-end 2017 which is a decrease of \$18 from the 2016 ending balance of \$1,545.

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.

The fund’s 2017 ending net position is \$46,388, representing a decrease of \$11,324 from the restated year-end 2016 net position of \$57,712. The cash balance at year-end 2017 is \$23,572, representing a decrease of \$7,296 from the 2016 year-end cash balance of \$30,868. The decrease to net position in 2017 is partly due to the transfer out of \$3,000 to the Capital Improvements Fund for street infrastructure and the neighborhood funding plan. The decrease is also partly due to a \$3,731 decrease in long-term assets due to depreciation of capital assets.

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. The fund experienced a decrease of \$951 to net position resulting in an ending balance of \$29,179 compared to the 2017 restated beginning net position of \$30,130. In 2013, the fund received a one-time transfer from the General Fund of \$3,282 to assist with the remaining debt service payments of \$4,412 obligated through 2018. At year-end 2017, the remaining debt obligation is \$853. The cash balance decreased from \$8,604 at year-end 2016 to \$8,098 at year-end 2017.

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 2017, the fund reported an increase to net position of \$8,048, increasing the net position from a 2017 restated beginning balance of \$66,510 to an ending balance of \$74,558. The 2017 ending cash balance is \$30,350, an increase of \$3,437 from the ending balance of \$26,913 in 2016. The increases to both cash balance and net position are largely the result of timing differences between when revenue is collected for replacement of vehicles and the delay in the delivery of those vehicles.

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 2017, the fund reported an increase to net position of \$785, increasing the net position from a 2017 restated beginning balance of \$4,327 to an ending balance of \$5,112. The fund's ending cash balance is \$1,988 for 2017, an increase of \$770 from the ending 2016 cash balance of \$1,218. The increase in cash balance is primarily the result of increased overhead charges to inventory from the Central Stores and Traffic Stores.

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 2017 was \$25,030, an increase of \$3,312 from the 2017 restated beginning net position of \$21,718. The cash balance increased by \$9,994 from \$80,013 in 2016 to \$90,007 at year-end 2017. 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, 2017 the City’s investment in capital assets for its governmental and business-type activities was \$2,571,221 (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 an 12.0% increase in governmental activities and a 5.9% increase in business-type activities.

The following table summarizes capital assets for governmental and business-type activities for 2017 and 2016:

Capital Assets (Net of depreciation)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land and easements	\$ 110,788	\$ 110,788	\$ 132,162	\$ 130,879	\$ 242,950	\$ 241,667
Construction in progress	389,702	333,988	99,808	85,960	489,510	419,948
Infrastructure	519,406	420,819	-	-	519,406	420,819
Buildings and structures	372,410	364,185	304,128	300,160	676,538	664,345
Public improvements	18,337	19,531	510,607	468,838	528,944	488,369
Machinery and equipment	51,691	50,842	31,147	32,235	82,838	83,077
Computer equipment	3,281	4,436	243	237	3,524	4,673
Software	27,497	28,665	14	19	27,511	28,684
Total	<u>\$ 1,493,112</u>	<u>\$ 1,333,254</u>	<u>\$ 1,078,109</u>	<u>\$ 1,018,328</u>	<u>\$ 2,571,221</u>	<u>\$ 2,351,582</u>

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

- Major renovation projects continue at the Convention Center including new lighting controls, and various interior improvements.
- The Target Center renovation project budgeted for \$150,000 is nearing completion as of December 31, 2017.
- The Nicollet Mall renovation project is included in construction in progress at year end, totaling over \$45,322.
- Several large infrastructure projects were put into service in 2017 including a major paving project on Penn Avenue, and the Van White Bridge.

Additional information on the City’s capital assets can be found in Note 4 on pages 71-73 of this report.

Long-term debt—As of December 31, 2017, the City had total long-term bonds and notes outstanding of \$752,230 compared to \$756,182 in the prior year. Of this amount, \$474,920 is related to governmental activities and \$277,310 is related to business-type activities. The City had \$82,250 or approximately 10.9% of the long-term debt in variable rate mode at year-end. Long-term notes of \$147,240 are included in the above total, of which \$40,255 is for governmental activities and \$106,985 is for business-type activities.

The following table shows various classifications of the City's long-term debt at December 31, 2017 and the amount of principal due in 2018.

<u>Summary of Outstanding Bonds and Notes</u>	<u>Balance 1/1/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2017</u>	<u>Due in 2018</u>
General Obligation (GO) Bonds and Notes:					
Property Tax Supported GO Bonds	\$ 114,615	\$ 49,715	\$ (53,410)	\$ 110,920	\$ 49,090
Property Tax Supported GO Notes	700	-	(700)	-	-
Self-Supporting GO Bonds	168,855	39,915	(22,590)	186,180	24,975
Self-Supporting GO Notes	27,982	41,018	(40,000)	29,000	2,000
GO Improvement Bonds	35,176	25,215	(10,706)	49,685	10,575
GO Improvement Notes	8,500	16,500	(20,200)	4,800	300
Tax Increment GO Bonds	62,680	-	(4,915)	57,765	5,385
Tax Increment GO Notes	3,210	-	(460)	2,750	490
Internal Service Fund Related GO Bonds	12,970	-	(3,160)	9,810	9,810
Enterprise Fund Related GO Bonds	104,449	19,275	(17,699)	106,025	14,535
Enterprise Fund Related GO Notes	114,990	-	(8,005)	106,985	11,050
Total General Obligation Bonds and Notes	<u>654,127</u>	<u>191,638</u>	<u>(181,845)</u>	<u>663,920</u>	<u>128,210</u>
Revenue Bonds and Notes:					
Economic Development Revenue Bonds	21,625	-	(1,320)	20,305	1,365
Other Community Development Related Bonds	76,315	-	(12,015)	64,300	2,735
Revenue Notes	4,115	-	(410)	3,705	435
Total Revenue Bonds and Notes	<u>102,055</u>	<u>-</u>	<u>(13,745)</u>	<u>88,310</u>	<u>4,535</u>
Total Outstanding Bonds and Notes	<u>\$ 756,182</u>	<u>\$ 191,638</u>	<u>\$ (195,590)</u>	<u>\$ 752,230</u>	<u>\$ 132,745</u>

The City maintained an "AAA" rating from Standard & Poor's but was downgraded one rating level to "AA+" from Fitch Ratings for its general obligation debt in 2017. Additional information on the City's Long-term debt can be found in Note 5 starting on page 74 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.
- Like other jurisdictions, employee wages and benefits make up over 62.0% of the City's General Fund expenses, increases to which are driven by rapid growth in healthcare and overtime costs.

- In 2000, Minneapolis voters approved a levy to build a new Central Library and fund improvements to community libraries. Effective January 1, 2008, the Minneapolis Public Library System merged into the Hennepin County Library System. Though the County will be responsible for the operating costs for the libraries in future years, under a financial agreement, the City will continue to issue debt as defined in the City's adopted capital plan and will be responsible for a declining share of operations through 2017.
- In June of 2009, the Governor exercised his authority to "unallot" or unilaterally reduce various state appropriations. The appropriation directly impacting the City of Minneapolis was Local Government Aid (LGA). Following several years of uncertainty in funding from the State of Minnesota in the form of LGA, including the loss of over \$70 million from 2008-2011, the State increased the amount of LGA appropriated to the City of Minneapolis from \$76.1 million in 2014 to \$78.0 million in 2017. A portion of LGA was passed through to the Minneapolis Park and Recreation Board and the Municipal Building Commission component units.
- The City adopts a five-year capital improvement program (CIP) that is updated annually. Each year, City departments and independent boards and commissions prepare new and/or modify existing capital budget requests (CBRs). The CBRs are then reviewed by the Capital Long-Range Improvement Committee (CLIC) which is a citizen advisory committee to the Mayor and City Council.
- Since 2000, the City continues to lay foundation for a wave of development including large projects associated with building a new stadium in partnership with the State and the Minnesota Vikings and adjacent areas. For 2017, the City marked its sixth consecutive year in which more than \$1.0 billion in permitted construction projects based on the value of permits issued for the year.
- The City continues to proactively manage its pension liabilities. The City issued bonds in 2002-04 and used one-time funds to meet its pension obligations during those years. The 2017 budget does not project any growth in the cost of closed pension obligations from the prior year. For 2017, the City will levy \$5.0 million less for pension obligations than 2016. This is related to an increase in the long-term funding plan for the streets and parks program. Funding for pensions is expected to grow back to the 2016 amounts over the next five years.
- Beginning with the 2014 budget cycle, the City implemented the Capital Asset Request System (CARS) to allow departments to submit budget requests for the replacement of capital equipment items greater than five-thousand dollars, such as enterprise software upgrades, vehicles and construction equipment purchases and/or other large dollar items necessary to provide services. The CARS process uses a five-year planning horizon with the intent of establishing normal replacement cycles for all long-term assets used by the City Departments. In the fifth year of this program, approximately \$22.3 million will be dedicated to fund items through this process. The majority of items funded reflect deferred maintenance and replacement costs for existing operating capital including technology upgrades. Of this total, \$6.6 million is funded from existing General Fund resources.

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

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

Those entities receiving Local Government Aid (LGA) will move to an activity-based approach with an annual adjustment after the base year equal to the projected percentage increase in the Current Service Level. The dollars available for the activities will be based on the sum of the LGA, total tax collections, and total General Fund revenues. The activities will exclude dollars transferred to other entities, including the following:

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

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

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

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

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

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

Budget Outlook:

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

- For 2018, 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 \$1.54 billion which represents a \$86.3 million or 5.9% increase from the 2017 Council Adopted Budget of \$1.45 billion.
- At the same time, the Council adopted a 2018 property tax levy of \$331.2 million, which results in a 5.5%, or \$17.3 million increase, from the 2017 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 2018, budgeted City positions grew by 83.55 FTEs and budgeted salaries and wages increased by \$27.5 million. Health and dental insurance expenditures are budgeted to increase from \$70.9 million in 2017 to \$75.3 million in 2018. This increase is reflective of a move towards self-insurance, and the need to build up a reserve from which to pay claims as they accrue.
- The 2018 budget bolsters public safety by raising the authorized number of sworn police officers from 877 to 888, providing funding for four new civilian Community Safety Liaisons within the Police department. Funding is also included for three additional firefighters bringing the total sworn firefighters up to 414.
- The City's levies for its closed pension funds that merged into the Minnesota State Public Employees' Retirement Association (PERA) remain constant from 2017 to 2018 at \$22.3 million.
- For 2018 – 2022, the five year capital program totals \$909.6 million including all funding sources. The 2017 portion of the five-year capital program is \$201.5 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.

In the 2018 budget, approximately \$22.3 million has been dedicated to fund items through the CARS process. The majority of items funded reflect deferred maintenance and replacement costs for existing operating capital including technology upgrades.

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 \$10.9 billion dollars, of which \$7 billion resides in the Minneapolis Central Business District (CBD).

From 2017 to 2018, the City-wide commercial tax base saw an increase in value of 5.9%. CBD values grew by 5.8% in the same period.

A significant amount of this growth is attributable to a number of high-profile office and hotel developments. The area surrounding US Bank stadium in the East Downtown neighborhood, in particular, has been an epicenter of new construction. Recently completed projects in this area include a new corporate headquarters for Kraus-Anderson Construction and a destination attraction from local brewer Finnegan's are both nearing completion as well. Projects currently under construction include an apartment building at 205 Park Avenue, an apartment and hotel redevelopment with a Trader Joe's grocery at 405 Chicago Avenue, and a boutique hotel at 247 Chicago Avenue.

In addition to these and a variety of other projects planned or underway across the City, a few large redevelopment areas in the planning stage will present major new commercial development opportunities on the near horizon. Planning continues for the Upper Harbor Terminal port facility in North Minneapolis, which will be redeveloped to low-intensity commercial and industrial uses, with a large entertainment venue also included in current plans. The City continues to pursue acquisition and redevelopment of the large K-mart site at Lake Street and Nicollet Avenue in South Minneapolis. Development intensity is also strong throughout the North Loop and Near Northeast districts abutting the CBD.

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 economic 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 an increase in vacancy rates in the Minneapolis CBD. Vacancy held stable in Q4 2017, at 17.6%. Despite relatively high vacancy,

industry experts are optimistic, with several large suburban employers purportedly ready to occupy larger blocks of space as more favorable configurations become available.

Employment:

The unemployment rate for the City of Minneapolis as of March 2018 is 2.9% according to the Minnesota Department of Employment and Economic Development. This economic indicator compares favorably to the State of Minnesota (3.1%) and the national unemployment rate (3.7%).

REQUESTS FOR INFORMATION

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

STATEMENT OF NET POSITION
December 31, 2017

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

	Primary Government			Discrete Component	
	Governmental Activities	Business-type Activities	Total	Units	Total
ASSETS					
Cash and pooled investments	\$ 654,007	\$ 138,027	\$ 792,034	\$ 41,313	\$ 833,347
Investments with trustees	2,822	38,121	40,943	-	40,943
Receivables - net	126,646	26,906	153,552	25,677	179,229
Loans receivable from component unit	510	-	510	-	510
Due from other governmental agencies	45,945	1,677	47,622	1,061	48,683
Capital leases	-	2,735	2,735	-	2,735
Prepays and other assets	2,193	3,620	5,813	321	6,134
Inventories	6,299	3,766	10,065	46	10,111
Internal balances	16,973	(16,973)	-	-	-
Long-term portion of loans and notes receivable	-	233	233	-	233
Long-term portion of loans due from component unit	500	-	500	-	500
Long-term portion of capital lease receivable	-	61,565	61,565	-	61,565
Properties held for resale	50,395	-	50,395	-	50,395
Capital assets:					
Nondepreciable	500,490	231,970	732,460	183,607	916,067
Depreciable, net	992,622	846,139	1,838,761	211,312	2,050,073
Total assets	<u>\$ 2,399,402</u>	<u>\$ 1,337,786</u>	<u>\$ 3,737,188</u>	<u>\$ 463,337</u>	<u>\$ 4,200,525</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	<u>\$ 332,891</u>	<u>\$ 13,491</u>	<u>\$ 346,382</u>	<u>\$ 22,114</u>	<u>\$ 368,496</u>
LIABILITIES					
Accrued salaries and benefits	\$ 10,765	\$ 1,372	\$ 12,137	\$ 2,323	\$ 14,460
Accounts payable	50,634	15,928	66,562	20,764	87,326
Interest payable	2,848	1,229	4,077	7	4,084
Unpaid claims payable	-	-	-	4,141	4,141
Loans payable to primary government	-	-	-	510	510
Due to other governmental agencies	-	280	280	-	280
Unearned revenue	10,965	803	11,768	672	12,440
Deposits held for others	9,949	4,631	14,580	-	14,580
Compensated absences:					
Due within one year	20,217	2,387	22,604	1,101	23,705
Due beyond one year	19,259	948	20,207	3,966	24,173
Other postemployment benefits - due beyond one year	36,963	1,470	38,433	4,197	42,630
Net pension liability	579,964	64,342	644,306	69,354	713,660
Long-term portion of loan payable due to primary government	-	-	-	500	500
Long-term liabilities:					
Due within one year	115,914	28,320	144,234	436	144,670
Due beyond one year	423,778	252,436	676,214	4,409	680,623
Total liabilities	<u>\$ 1,281,256</u>	<u>\$ 374,146</u>	<u>\$ 1,655,402</u>	<u>\$ 112,380</u>	<u>\$ 1,767,782</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	<u>\$ 336,677</u>	<u>\$ 7,908</u>	<u>\$ 344,585</u>	<u>\$ 15,680</u>	<u>\$ 360,265</u>
NET POSITION					
Net investment in capital assets	\$ 1,190,812	\$ 876,141	\$ 2,066,953	\$ 390,690	\$ 2,457,643
Restricted:					
Debt service	38,114	36,082	74,196	-	74,196
Community & economic development	143,037	-	143,037	-	143,037
Law enforcement	1,887	-	1,887	-	1,887
Grants	2,590	-	2,590	-	2,590
Properties held for resale	49,962	-	49,962	-	49,962
Capital improvements	19,377	-	19,377	116	19,493
Project and grant programs	-	-	-	8,556	8,556
Special trust	-	-	-	144	144
Special reserves	-	-	-	6,702	6,702
Unrestricted	(331,419)	57,000	(274,419)	(48,817)	(323,236)
Total net position	<u>\$ 1,114,360</u>	<u>\$ 969,223</u>	<u>\$ 2,083,583</u>	<u>\$ 357,391</u>	<u>\$ 2,440,974</u>

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2017

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

FUNCTIONS/PROGRAMS	Net (Expenses) Revenues and Changes in Net Position									
	Program Revenues				Primary Government					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Discrete Component Units	Total	
Primary government										
Governmental Activities:										
General government	\$ 102,171	\$ 1,215	\$ 15,057	\$ 11,356	\$ (74,543)	\$ -	\$ (74,543)	\$ -	\$ (74,543)	
Public safety	323,498	17,681	23,218	-	(282,599)	-	(282,599)	-	(282,599)	
Public works	58,174	60,640	55,231	-	57,697	-	57,697	-	57,697	
Culture and recreation	11,252	-	-	-	(11,252)	-	(11,252)	-	(11,252)	
Health and welfare	25,483	2,830	13,541	-	(9,112)	-	(9,112)	-	(9,112)	
Community planning & economic development	149,145	69,946	30,330	-	(48,869)	-	(48,869)	-	(48,869)	
Interest on long-term debt	15,121	-	-	-	(15,121)	-	(15,121)	-	(15,121)	
Total governmental activities	<u>684,844</u>	<u>152,312</u>	<u>137,377</u>	<u>11,356</u>	<u>(383,799)</u>	<u>-</u>	<u>(383,799)</u>	<u>-</u>	<u>(383,799)</u>	
Business-type Activities:										
Sanitary sewer	58,250	67,978	1,232	-	-	10,960	10,960	-	10,960	
Stormwater	34,518	39,974	2,804	-	-	8,260	8,260	-	8,260	
Water treatment and distribution services	59,536	81,070	1,193	-	-	22,727	22,727	-	22,727	
Municipal parking	48,758	68,472	-	-	-	19,714	19,714	-	19,714	
Solid waste and recycling	36,087	38,103	1,759	-	-	3,775	3,775	-	3,775	
Community planning & economic development	5,921	5,735	-	-	-	(186)	(186)	-	(186)	
Total business-type activities	<u>243,070</u>	<u>301,332</u>	<u>6,988</u>	<u>-</u>	<u>-</u>	<u>65,250</u>	<u>65,250</u>	<u>-</u>	<u>65,250</u>	
Total primary government	<u>\$ 927,914</u>	<u>\$ 453,644</u>	<u>\$ 144,365</u>	<u>\$ 11,356</u>	<u>(383,799)</u>	<u>65,250</u>	<u>(318,549)</u>	<u>-</u>	<u>(318,549)</u>	
Component units:										
Discrete component units	<u>\$ 148,157</u>	<u>\$ 46,289</u>	<u>\$ 3,903</u>	<u>\$ 49,041</u>				<u>(48,924)</u>	<u>(48,924)</u>	
General Revenues:										
Taxes:										
General property tax and fiscal disparities					278,088	-	278,088	71,419	349,507	
Property tax increment					55,666	-	55,666	-	55,666	
Franchise taxes					32,143	-	32,143	-	32,143	
Local taxes					83,266	-	83,266	-	83,266	
Other taxes					267	-	267	-	267	
Local government aid - unrestricted					68,543	-	68,543	314	68,857	
Grants and contributions not restricted to programs					1,879	16	1,895	9,255	11,150	
Unrestricted interest and investment earnings					6,651	364	7,015	72	7,087	
Other					2,003	20	2,023	73	2,096	
Gain on sale of capital assets					291	20,660	20,951	62	21,013	
Transfers					31,102	(31,102)	-	-	-	
Total general revenues and transfers					<u>559,899</u>	<u>(10,042)</u>	<u>549,857</u>	<u>81,195</u>	<u>631,052</u>	
Change in net position					<u>176,100</u>	<u>55,208</u>	<u>231,308</u>	<u>32,271</u>	<u>263,579</u>	
Net position - January 1, restated (see Note 1Q)					<u>938,260</u>	<u>914,015</u>	<u>1,852,275</u>	<u>325,120</u>	<u>2,177,395</u>	
Net position - December 31	<u>\$ 1,114,360</u>	<u>\$ 969,223</u>	<u>\$ 2,083,583</u>	<u>\$ 357,391</u>	<u>\$ 2,440,974</u>					

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

**GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General	Community Planning and Economic Development	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
<u>ASSETS</u>						
Cash and cash equivalents	\$ 131,776	\$ 177,824	\$ 43,881	\$ 9,611	\$ 135,373	\$ 498,465
Investments with trustees	-	-	-	-	2,822	2,822
Receivables:						
Accounts - net	5,974	70	3,076	15	2,356	11,491
Taxes	2,341	222	12	-	1,302	3,877
Special assessments	435	1,397	2,492	55,034	849	60,207
Intergovernmental	9,481	396	28,990	-	7,078	45,945
Loans - net	-	24,160	-	-	24,413	48,573
Loans due from component unit	-	-	-	-	1,010	1,010
Accrued interest	1,239	534	158	24	322	2,277
Due from other funds	-	-	-	-	2,832	2,832
Advances to other funds	1,250	2,750	-	-	-	4,000
Prepaid items	13	-	-	-	-	13
Properties held for resale	-	34,418	7,200	-	8,344	49,962
Total assets	<u>\$ 152,509</u>	<u>\$ 241,771</u>	<u>\$ 85,809</u>	<u>\$ 64,684</u>	<u>\$ 186,701</u>	<u>\$ 731,474</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>						
Liabilities:						
Salaries payable	\$ 8,634	\$ 42	\$ 234	\$ -	\$ 920	\$ 9,830
Accounts payable	17,698	180	13,922	13	10,307	42,120
Due to other funds	-	-	-	-	2,832	2,832
Deposits held for others	5,348	509	1,813	-	2,277	9,947
Advances from other funds	-	-	4,000	-	849	4,849
Unearned revenue	1,850	-	1,271	-	5,505	8,626
Total liabilities	<u>33,530</u>	<u>731</u>	<u>21,240</u>	<u>13</u>	<u>22,690</u>	<u>78,204</u>
Deferred Inflows of Resources:						
Unavailable revenue	<u>1,881</u>	<u>25,882</u>	<u>26,566</u>	<u>55,418</u>	<u>26,826</u>	<u>136,573</u>
Fund balances:						
Nonspendable	1,263	-	-	-	-	1,263
Restricted	-	177,455	26,577	9,253	41,682	254,967
Assigned	10,000	37,703	11,426	-	97,542	156,671
Unassigned	105,835	-	-	-	(2,039)	103,796
Total fund balances	<u>117,098</u>	<u>215,158</u>	<u>38,003</u>	<u>9,253</u>	<u>137,185</u>	<u>516,697</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 152,509</u>	<u>\$ 241,771</u>	<u>\$ 85,809</u>	<u>\$ 64,684</u>	<u>\$ 186,701</u>	<u>\$ 731,474</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, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Fund balances - total governmental funds \$ 516,697

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Non-depreciable	463,405	
Depreciable	1,661,610	
Accumulated depreciation	(767,246)	<u>1,357,769</u>

Deferred inflows are not available to pay for current-period expenditures and, therefore, in the governmental funds, are unavailable revenue. 136,573

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. 180,375

Receivable from business-type funds for internal service fund activity. 16,973

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Bonds and notes payable and any related unamortized premiums/discounts	(474,192)	
Other postemployment benefits payable	(36,189)	
Operating and capital leases payable	(474)	
Bond interest payable	(2,824)	
Compensated absences	(37,321)	<u>(551,000)</u>

The City's net pension liability and related deferred inflows and deferred outflows are recorded only on the government-wide statement of net position. Balances at year end are:

Deferred outflows - pensions	323,541	
Net pension liability	(535,373)	
Deferred inflows - pensions	(331,195)	<u>(543,027)</u>

Net position of governmental activities \$ 1,114,360

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, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General	Community Planning and Economic Development	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
REVENUES:						
Taxes	\$ 295,004	\$ 52,974	\$ 7,319	\$ -	\$ 72,974	\$ 428,271
Licenses and permits	45,091	-	337	-	970	46,398
Intergovernmental revenues	85,131	1	43,058	-	55,607	183,797
Charges for services and sales	51,007	1,507	46,652	-	11,633	110,799
Fines and forfeits	7,556	-	-	-	227	7,783
Special assessments	3,152	204	2,424	14,164	9,572	29,516
Investment earnings	3,186	1,517	359	103	1,514	6,679
Miscellaneous revenues	3,493	5,092	1,002	-	24,022	33,609
Total revenues	<u>493,620</u>	<u>61,295</u>	<u>101,151</u>	<u>14,267</u>	<u>176,519</u>	<u>846,852</u>
EXPENDITURES:						
Current:						
General government	73,765	-	-	-	27,007	100,772
Public safety	258,885	-	-	-	25,270	284,155
Public works	59,550	-	-	-	254	59,804
Culture and recreation	780	-	-	-	-	780
Health and welfare	10,426	-	-	-	13,371	23,797
Community planning & economic development	33,724	27,647	-	-	94,412	155,783
Capital outlay	-	-	193,489	-	-	193,489
Intergovernmental:						
General government	-	-	968	-	-	968
Public safety	-	-	-	-	111	111
Culture and recreation	-	-	10,472	-	-	10,472
Debt Service:						
Principal retirement	-	-	-	30,906	123,805	154,711
Interest and fiscal charges	-	-	-	1,539	13,565	15,104
Total expenditures	<u>437,130</u>	<u>27,647</u>	<u>204,929</u>	<u>32,445</u>	<u>297,795</u>	<u>999,946</u>
Excess (deficiency) of revenues over (under) expenditures	<u>56,490</u>	<u>33,648</u>	<u>(103,778)</u>	<u>(18,178)</u>	<u>(121,276)</u>	<u>(153,094)</u>
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	12,499	1,904	16,078	201	100,707	131,389
Transfers to other funds	(59,388)	(22,523)	(1,788)	(29)	(36,572)	(120,300)
Premium (discount)	-	-	3,364	989	1,427	5,780
Bonds issued	-	-	58,835	-	-	58,835
Refunding bonds issued	-	-	-	16,095	39,915	56,010
Refunding notes issued	-	-	-	2,449	-	2,449
Loans and notes issued	-	-	55,069	-	-	55,069
Total other financing sources (uses)	<u>(46,889)</u>	<u>(20,619)</u>	<u>131,558</u>	<u>19,705</u>	<u>105,477</u>	<u>189,232</u>
Net change in fund balances	9,601	13,029	27,780	1,527	(15,799)	36,138
Fund balances - January 1	<u>107,497</u>	<u>202,129</u>	<u>10,223</u>	<u>7,726</u>	<u>152,984</u>	<u>480,559</u>
Fund balances - December 31	<u>\$ 117,098</u>	<u>\$ 215,158</u>	<u>\$ 38,003</u>	<u>\$ 9,253</u>	<u>\$ 137,185</u>	<u>\$ 516,697</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, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Net increase (decrease) in fund balances - total governmental funds \$ 36,138

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

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities with amounts related to business type activities shown as an internal balance. (451)

Transfers from business-type funds for internal service fund activity. (290)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets, infrastructure, and other related capital assets:	242,964	
Less loss on retirement of capital assets	(439)	
Less current year depreciation	<u>(41,126)</u>	<u>201,399</u>

Revenues not collected for several months after the City's fiscal year ends are not considered "available" revenues and are deferred in the governmental funds. The adjustment between the fund statements and the statement of activities is the increase or decrease in revenue deferred as available.

Deferred inflows of resources - December 31	136,573	
Deferred inflows of resources - January 1	<u>(116,292)</u>	<u>20,281</u>

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

Bonds principal payments	154,711	
Bond proceeds	(114,845)	
Loans and notes proceeds	(57,518)	
Premium/discount	<u>(5,780)</u>	<u>(23,432)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in accrued interest payable	(17)	
Change in other postemployment benefits payable	(643)	
Change in compensated absences	(2,738)	
Change in net pension liability	(55,737)	
Change in other long-term liabilities	<u>1,590</u>	<u>(57,545)</u>

Increase (decrease) in net position of governmental activities \$ 176,100

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2017

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 17,761	\$ 27,087	\$ 40,663	\$ 26,540	\$ 24,523	\$ 1,453	\$ 138,027	\$ 155,542
Investments with trustees	-	-	-	-	-	38,121	38,121	-
Receivables:								
Accounts - net	4,025	4,654	5,018	1,728	3,538	-	18,963	221
Special assessments:								
Current	63	63	1,065	-	103	-	1,294	-
Delinquent	20	21	94	-	29	-	164	-
Deferred	-	-	1,289	4,891	-	-	6,180	-
Intergovernmental	-	473	-	1,202	2	-	1,677	-
Loans - net	-	-	-	-	-	50	50	-
Accrued interest	-	-	-	-	-	255	255	-
Capital leases	-	-	-	-	-	2,735	2,735	-
Inventories	-	-	2,499	-	1,267	-	3,766	6,299
Properties held for resale	-	-	-	-	-	-	-	433
Prepaid items	3,439	181	-	-	-	-	3,620	2,180
Total current assets	25,308	32,479	50,628	34,361	29,462	42,614	214,852	164,675
Long-term assets:								
Receivables:								
Loans	-	-	-	-	-	233	233	-
Capital leases	-	-	-	-	-	61,565	61,565	-
Advances to other funds	-	-	-	-	-	-	-	849
Capital assets:								
Nondepreciable:								
Land and easements	1	7,211	5,347	113,735	2,020	3,848	132,162	23,007
Construction in progress	17,086	21,990	50,363	5,832	4,537	-	99,808	14,078
Depreciable:								
Buildings and structures	-	-	239,328	288,307	2,047	12,743	542,425	55,649
Less accumulated depreciation	-	-	(89,872)	(133,841)	(2,044)	(12,540)	(238,297)	(32,856)
Public improvements	180,768	408,374	186,257	7,963	-	-	783,362	9,641
Less accumulated depreciation	(64,663)	(122,458)	(83,327)	(2,307)	-	-	(272,755)	(4,597)
Machinery and equipment	1,551	1,743	41,802	5,003	17,409	347	67,855	108,509
Less accumulated depreciation	(1,375)	(1,576)	(18,223)	(4,784)	(10,403)	(347)	(36,708)	(68,797)
Computer equipment	10	193	446	1,041	178	-	1,868	47,338
Less accumulated depreciation	(10)	(193)	(203)	(1,041)	(178)	-	(1,625)	(44,126)
Software	-	1,494	285	130	955	-	2,864	58,206
Less accumulated depreciation	-	(1,490)	(275)	(130)	(955)	-	(2,850)	(30,709)
Other capital outlay	-	-	19	15	-	-	34	36
Less accumulated depreciation	-	-	(19)	(15)	-	-	(34)	(36)
Total long - term assets	133,368	315,288	331,928	279,908	13,566	65,849	1,139,907	136,192
Total assets	\$ 158,676	\$ 347,767	\$ 382,556	\$ 314,269	\$ 43,028	\$ 108,463	\$ 1,354,759	\$ 300,867
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows - pensions	\$ 1,578	\$ 2,535	\$ 5,017	\$ 1,202	\$ 3,159	\$ -	\$ 13,491	\$ 9,350

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2017

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

	Business-type Activities - Enterprise Funds						Governmental Activities	
	Water						Total	Internal Service Funds
	Sanitary Sewer	Stormwater	Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		
LIABILITIES								
Current liabilities:								
Salaries payable	\$ 140	\$ 257	\$ 551	\$ 128	\$ 291	\$ 5	\$ 1,372	\$ 935
Accounts payable	962	2,421	5,853	4,575	1,979	138	15,928	8,514
Intergovernmental payable	-	-	-	14	266	-	280	-
Deposits held for others	-	-	114	1,881	-	2,636	4,631	2
Interest payable	66	-	713	141	-	309	1,229	24
Unearned revenue	-	-	-	-	-	803	803	2,339
Bonds payable - current portion	4,480	-	6,815	3,240	-	2,735	17,270	9,934
Notes payable - current portion	-	-	7,875	3,175	-	-	11,050	-
Compensated absences payable - current portion	275	448	950	194	515	5	2,387	1,543
Unpaid claims payable - current portion	-	-	-	-	-	-	-	11,365
Total current liabilities	5,923	3,126	22,871	13,348	3,051	6,631	54,950	34,656
Long-term liabilities:								
Bonds payable	24,424	-	27,464	43,048	-	61,565	156,501	-
Notes payable	-	-	57,115	38,820	-	-	95,935	-
Compensated absences payable	109	178	377	77	205	2	948	612
Other postemployment benefits	141	197	619	152	361	-	1,470	774
Net pension liability	7,528	12,091	23,927	5,736	15,060	-	64,342	44,591
Unpaid claims payable	-	-	-	-	-	-	-	43,727
Total long-term liabilities	32,202	12,466	109,502	87,833	15,626	61,567	319,196	89,704
Total liabilities	\$ 38,125	\$ 15,592	\$ 132,373	\$ 101,181	\$ 18,677	\$ 68,198	\$ 374,146	\$ 124,360
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows - pensions	\$ 925	\$ 1,486	\$ 2,941	\$ 705	\$ 1,851	\$ -	\$ 7,908	\$ 5,482
NET POSITION								
Net investment in capital assets	\$ 106,058	\$ 315,288	\$ 243,453	\$ 193,725	\$ 13,566	\$ 4,051	\$ 876,141	\$ 125,408
Restricted - debt service	-	-	-	-	-	36,082	36,082	-
Unrestricted	15,146	17,936	8,806	19,860	12,093	132	73,973	54,967
Total net position	\$ 121,204	\$ 333,224	\$ 252,259	\$ 213,585	\$ 25,659	\$ 40,265	\$ 986,196	\$ 180,375
Net position - total enterprise funds							\$ 986,196	
Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.							(16,973)	
Net position of business-type activities							\$ 969,223	

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, 2017

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	\$ 24	\$ -	\$ 54	\$ 487	\$ -	\$ -	\$ 565	\$ -
Intergovernmental revenues	311	1,598	-	-	-	-	1,909	-
Charges for services and sales	68,098	39,974	81,959	67,273	38,116	1,338	296,758	99,573
Fines and forfeits	-	-	-	-	-	-	-	10
Special assessments	76	76	218	-	222	-	592	-
Investment earnings	-	-	-	-	-	4,397	4,397	-
Rents and commissions	-	-	-	717	-	-	717	38,575
Total operating revenues	68,509	41,648	82,231	68,477	38,338	5,735	304,938	138,158
Operating expenses:								
Personnel costs	6,341	10,490	21,657	5,232	14,332	117	58,169	48,002
Contractual services	17,851	15,649	19,441	35,517	21,492	1,382	111,332	52,832
Materials, supplies, services and other	39,482	3,796	11,488	4,636	2,507	-	61,909	22,649
Depreciation	1,592	4,583	10,953	6,512	1,181	347	25,168	18,083
Total operating expenses	65,266	34,518	63,539	51,897	39,512	1,846	256,578	141,566
Operating income (loss)	3,243	7,130	18,692	16,580	(1,174)	3,889	48,360	(3,408)
Nonoperating revenues (expenses):								
Intergovernmental	845	1,130	-	-	1,538	-	3,513	-
Investment earnings	-	-	-	-	-	355	355	31
Interest expense	(451)	-	(1,686)	(1,357)	-	(4,075)	(7,569)	(231)
Gain (loss) on disposal of capital assets	-	-	-	20,557	103	-	20,660	277
Special assessments	-	-	975	-	-	-	975	-
Other revenues	3	6	16	12	7	-	44	2,549
Total nonoperating revenues (expenses)	397	1,136	(695)	19,212	1,648	(3,720)	17,978	2,626
Income (loss) before transfers	3,640	8,266	17,997	35,792	474	169	66,338	(782)
Transfers in (out):								
Transfers from other funds	-	-	1,238	814	471	-	2,523	5,284
Transfers to other funds	(1,225)	(1,610)	(18)	(11,090)	-	-	(13,943)	(4,953)
Total transfers	(1,225)	(1,610)	1,220	(10,276)	471	-	(11,420)	331
Change in net position	2,415	6,656	19,217	25,516	945	169	54,918	(451)
Net position - January 1, restated (see Note 1Q)	118,789	326,568	233,042	188,069	24,714	40,096	931,278	180,826
Net position - December 31	\$ 121,204	\$ 333,224	\$ 252,259	\$ 213,585	\$ 25,659	\$ 40,265	\$ 986,196	\$ 180,375

Change in net position - total enterprise funds \$ 54,918

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

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Change in net position of business-type activities \$ 55,208

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, 2017

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
Cash flows from operating activities:								
Cash received from customers	\$ 69,465	\$ 38,627	\$ 80,636	\$ 67,653	\$ 37,980	\$ 17,236	\$ 311,597	\$ 833
Intergovernmental receipts	-	1,490	-	-	-	-	1,490	-
Cash received from interfund activities	184	185	912	1,072	273	-	2,626	142,594
Developer construction funds used	-	-	-	-	-	(5)	(5)	-
Payments to suppliers	(50,039)	(5,190)	(16,237)	(32,788)	(18,354)	(1,262)	(123,870)	(65,913)
Payments to employees	(5,551)	(9,205)	(19,133)	(4,637)	(12,703)	(117)	(51,346)	(43,268)
Payments for interfund activities	(7,322)	(14,170)	(13,525)	(5,746)	(5,655)	-	(46,418)	(12,421)
Other nonoperating revenues	3	6	16	12	7	-	44	2,549
Net cash provided (used) by operating activities	6,740	11,743	32,669	25,566	1,548	15,852	94,118	24,374
Cash flows from non-capital financing activities:								
Transfers from other funds	-	-	1,238	814	471	-	2,523	5,284
Repayment of advance from other funds	-	-	-	-	-	-	-	2,646
Interest paid on advance from other funds	-	-	-	-	-	-	-	31
Principal paid on bonds and notes	-	-	-	-	-	(12,015)	(12,015)	-
Interest paid on bonds and notes	-	-	-	-	-	(4,125)	(4,125)	-
Transfers to other funds	(1,225)	(1,610)	(18)	(11,090)	-	-	(13,943)	(4,953)
Intergovernmental	845	1,130	-	-	1,538	-	3,513	-
Net cash provided (used) by non-capital financing activities	(380)	(480)	1,220	(10,276)	2,009	(16,140)	(24,047)	3,008
Cash Flows from capital and related financing activities:								
Bonds issued	6,596	-	12,346	1,995	-	-	20,937	-
Principal paid on bonds	(2,700)	-	(6,235)	(8,654)	-	-	(17,589)	(3,160)
Interest paid on bonds	(662)	-	(629)	(1,277)	-	-	(2,568)	(386)
Principal paid on notes	-	-	(6,530)	(1,475)	-	-	(8,005)	-
Interest paid on notes	-	-	(1,883)	(494)	-	-	(2,377)	-
Special assessments	-	-	975	723	-	-	1,698	-
Acquisition and construction of capital assets	(10,139)	(20,039)	(33,356)	(3,174)	(4,495)	-	(71,203)	(17,789)
Bond issuance costs	(4)	-	-	-	-	-	(4)	-
Proceeds from sale of capital assets	-	-	-	6,405	137	-	6,542	334
Net cash provided (used) by capital and related financing activities	(6,909)	(20,039)	(35,312)	(5,951)	(4,358)	-	(72,569)	(21,001)
Cash flows from investing activities:								
Purchase of investments	-	-	-	-	-	(24,953)	(24,953)	-
Sale of investments	-	-	-	-	-	24,839	24,839	-
Interest	-	-	-	-	-	496	496	-
Net cash provided (used) by investing activities	-	-	-	-	-	382	382	-
Net increase (decrease) in cash and cash equivalents	(549)	(8,776)	(1,423)	9,339	(801)	94	(2,116)	6,381
Cash and cash equivalents, beginning of year	18,310	35,863	42,086	17,201	25,324	1,359	140,143	149,161
Cash and cash equivalents, end of year	\$ 17,761	\$ 27,087	\$ 40,663	\$ 26,540	\$ 24,523	\$ 1,453	\$ 138,027	\$ 155,542
Reconciliation of operating income to net cash provided (used) by operating activities								
Operating income (loss)	\$ 3,243	\$ 7,130	\$ 18,692	\$ 16,580	\$ (1,174)	\$ 3,889	\$ 48,360	\$ (3,408)
Adjustment to reconcile change in net position to net cash provided (used) by operating activities:								
Depreciation	1,592	4,583	10,953	6,512	1,181	347	25,168	18,083
Accounts receivable	1,093	(1,358)	(673)	(1,384)	(156)	67	(2,411)	42
Intergovernmental receivable	-	(107)	-	1,644	25	-	1,562	41
Loans receivable	-	-	-	-	-	32	32	-
Special assessments receivable	46	120	(39)	-	47	-	174	-
Capital leases receivable	-	-	-	-	-	12,010	12,010	-
Inventories	-	-	(10)	-	76	-	66	(300)
Prepaid items	(218)	(11)	-	-	-	-	(229)	(570)
Deferred outflows - pensions	1,885	3,028	5,992	1,436	3,771	-	16,112	11,167
Salaries payable	(11)	28	(21)	(13)	17	1	1	(11)
Accounts payable	190	97	1,177	1,645	(37)	119	3,191	165
Intergovernmental payable	-	-	-	(25)	(50)	-	(75)	-
Deposits held for others	-	-	27	(13)	-	(341)	(327)	-
Unearned revenue	-	-	-	-	-	(271)	(271)	(185)
Compensated absences payable	29	16	89	19	67	(1)	219	169
Other postemployment benefits	3	4	11	3	6	-	27	13
Net pension liability	(1,244)	(1,998)	(3,953)	(948)	(2,488)	-	(10,631)	(7,366)
Unpaid claims payable	-	-	-	-	-	-	-	3,224
Deferred inflows - pensions	129	205	408	98	256	-	1,096	761
Other nonoperating revenues	3	6	16	12	7	-	44	2,549
Net cash provided (used) by operating activities	\$ 6,740	\$ 11,743	\$ 32,669	\$ 25,566	\$ 1,548	\$ 15,852	\$ 94,118	\$ 24,374
Non-cash investing, capital and financing activities:								
Capitalization of interest on construction in progress	\$ 123	\$ -	\$ 646	\$ 82	\$ -	\$ -	\$ 851	\$ -
Increase (decrease) in the value of investments reported at fair value	-	-	-	-	-	88	88	-
Loss on disposal of capital assets	-	-	-	(4,217)	-	-	(4,217)	(86)
Capital assets purchased on account	-	1,035	-	-	-	-	1,035	-
Sale of capital assets on account	-	-	-	-	103	-	103	116
Net value of capital asset trade-in	-	-	-	14,153	-	-	14,153	-

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

**STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,200
Receivables:	
Accounts	120
Total assets	<u>\$ 1,320</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 1,093
Intergovernmental payable	227
Total liabilities	<u>\$ 1,320</u>

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

**COMBINING STATEMENT OF NET POSITION
DISCRETE COMPONENT UNITS
December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Minneapolis Park and Recreation Board	Municipal Building Commission	Meet Minneapolis	Total Discrete Component Units
<u>ASSETS</u>				
Cash and cash equivalents	\$ 35,154	\$ 3,564	\$ 2,595	\$ 41,313
Receivables	24,287	-	1,390	25,677
Due from other governmental agencies	-	1,061	-	1,061
Prepays and other assets	97	-	224	321
Inventories	46	-	-	46
Capital assets:				
Nondepreciable	167,636	15,971	-	183,607
Depreciable, net	202,856	7,190	1,266	211,312
Total assets	\$ 430,076	\$ 27,786	\$ 5,475	\$ 463,337
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows - pensions	\$ 20,799	\$ 1,315	\$ -	\$ 22,114
<u>LIABILITIES</u>				
Accrued salaries and benefits	\$ 1,414	\$ 255	\$ 654	\$ 2,323
Accounts payable	18,137	1,885	742	20,764
Interest payable	7	-	-	7
Unpaid claims payable	4,141	-	-	4,141
Loans payable to primary government	-	-	510	510
Unearned revenue	150	-	522	672
Compensated absences:				
Due within one year	951	150	-	1,101
Due beyond one year	3,952	14	-	3,966
Other postemployment benefits - due beyond one year	3,913	284	-	4,197
Net pension liability	63,885	5,469	-	69,354
Long-term portion of loan payable due to primary government	-	-	500	500
Long-term liabilities:				
Due within one year	233	-	203	436
Due beyond one year	3,799	-	610	4,409
Total liabilities	\$ 100,582	\$ 8,057	\$ 3,741	\$ 112,380
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows - pensions	\$ 15,085	\$ 595	\$ -	\$ 15,680
<u>NET POSITION</u>				
Net investment in capital assets	\$ 366,460	\$ 23,161	\$ 1,069	\$ 390,690
Restricted				
Capital improvements	116	-	-	116
Project and grant programs	8,556	-	-	8,556
Special trust	144	-	-	144
Special reserves	6,702	-	-	6,702
Unrestricted	(46,770)	(2,712)	665	(48,817)
Total net position	\$ 335,208	\$ 20,449	\$ 1,734	\$ 357,391

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, 2017**

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	Minneapolis Park and Recreation Board	Municipal Building Commission	Meet Minneapolis	Total Discrete Component Units
Minneapolis Park and Recreation Board	\$ 125,521	\$ 24,277	\$ 3,903	\$ 46,922	\$ (50,419)	\$ -	\$ -	\$ (50,419)
Municipal Building Commission	10,543	8,613	-	2,119	-	189	-	189
Meet Minneapolis	12,093	13,399	-	-	-	-	1,306	1,306
Total discrete component unit activities	<u>\$ 148,157</u>	<u>\$ 46,289</u>	<u>\$ 3,903</u>	<u>\$ 49,041</u>	<u>(50,419)</u>	<u>189</u>	<u>1,306</u>	<u>(48,924)</u>
General Revenues:								
Taxes:								
General property tax and fiscal disparities					71,419	-	-	71,419
Local government aid - unrestricted					-	314	-	314
Grants and contributions not restricted to specific programs					9,253	2	-	9,255
Unrestricted interest and investment earnings					72	-	-	72
Other					-	73	-	73
Gain on sale of capital assets					62	-	-	62
Total general revenues					<u>80,806</u>	<u>389</u>	<u>-</u>	<u>81,195</u>
Change in net position					30,387	578	1,306	32,271
Net position - January 1, restated (see Note 1Q)					<u>304,821</u>	<u>19,871</u>	<u>428</u>	<u>325,120</u>
Net position - December 31					<u>\$ 335,208</u>	<u>\$ 20,449</u>	<u>\$ 1,734</u>	<u>\$ 357,391</u>

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

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A – Reporting Entity

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

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

Blended Component Unit

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

▪ Board of Estimate and Taxation

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

Discretely Presented Component Units

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

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

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

▪ Municipal Building Commission

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

▪ Meet Minneapolis

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

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

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

▪ Minnesota Sports Facilities Authority

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

▪ Minneapolis Public Housing Authority

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

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

Joint Ventures

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

▪ Minneapolis-Duluth/Superior Passenger Rail Alliance

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

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

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

▪ Minneapolis/Saint Paul Housing Finance Board

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

▪ Minneapolis Youth Coordinating Board

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

▪ Metropolitan Emergency Services Board

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

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

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

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

▪ Shingle Creek Watershed Management Commission

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

▪ Basset Creek Watershed Management Commission

The City is one of nine member cities of the Basset 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 Basset Creek Watershed Management Commission are available on its website at www.bassetcreekwmo.org

For the fiscal year ended December 31, 2017

(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, 2017

(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, 2017

(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.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred during the construction phase of capital assets against interest earned on invested proceeds over the same period.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

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

Enterprise Funds

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

The City reports the following major enterprise funds:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B – Basis of Presentation (continued)

Non-Major Funds

The City reports the following non-major governmental funds:

Special Revenue Funds:

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

Debt Service Funds:

- Community Development Agency
- Development
- General Debt Service

Additionally, the City reports the following fund types:

▪ **Internal Service Funds**

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

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

▪ **Agency Funds**

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

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

For the fiscal year ended December 31, 2017

(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 2016 process for the 2017 budget involved the following:

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

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

March*Preliminary prior year-end budget status report*

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

March – April*Capital Improvement Budget Development*

The City has a five-year capital improvement plan. The departments prepare and modify capital improvement proposals on an annual basis. Finance, 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.

April – June*Operating Budget Development*

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

Capital Asset Request System (CARS) Plan and Budget Development

Departments work in coordination with Finance and Property Services to prepare five-year plans for the replacement of assets for operational effectiveness. Each request requires a justification and estimate of the impact on operating budgets, as well as identifying funding sources.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

The 2017 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, Council Members, the Coordinator's Office and Finance 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.

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

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C – Budgets (continued)

Department. Budgetary amendments at the department/fund level must be approved by the City Council. Appropriations lapse at year-end.

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

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

	Expenditure Budget at Beginning of Year	Changes During Year	Expenditure Budget at End of Year
General	\$ 438,388	\$ 7,374	\$ 445,762
CPED Special Revenue	35,887	32,733	68,620
Arena Reserve Special Revenue	6,894	5,304	12,198
Convention Center Special Revenue	57,392	2,480	59,872
HUD Consolidated Plan Special Revenue	15,680	2,174	17,854
Self-Managed Special Service Districts Special Revenue	6,470	425	6,895
Grants – Federal Special Revenue	11,636	9,574	21,210
Grants – Other Special Revenue	9,423	20,427	29,850
Police Special Revenue	3,024	115	3,139
Neighborhood and Community Relations Special Revenue	6,488	410	6,898
Total	<u>\$ 591,282</u>	<u>\$ 81,016</u>	<u>\$ 672,298</u>

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 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.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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. Governmental fund inventories are recorded as expenditures at the time the inventory is consumed. Reported inventories of governmental funds are equally offset by nonspendable fund balance, to indicate the portion of fund balance not available for future appropriation. 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.

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 deferred 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets 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.

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.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 related to properties held for resale is classified as restricted in those funds.

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.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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. Currently, the only item qualifying for reporting in this category is the deferred outflows of resources due to pension obligations as prescribed in GASB Statement Number 68 – *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

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 second item is deferred outflows arising from pension obligation accounting standards as prescribed in GASB Statement Number 68 – *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

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.

P – Change in Accounting Principle

During the year ended December 31, 2017, the City adopted accounting guidance by implementing specific provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 as it relates to the calculation of the City's proportionate share of net pension liability and related deferred outflows/inflows of resources, and pension expense. Specifically, the City implemented guidance from paragraph 48(a) of GASB Statement No. 68. In that paragraph, GASB encourages the use of the employer's projected long-term contribution effort to the pension plan as compared to the total projected long-term contribution effort of all employers and nonemployer contributing entities to determine the employer's proportionate share.

The City contributes to the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans. In practice, both of these plans consider only current year contributions from each employer or nonemployer contributing entity when allocating the proportionate share of the plan's net pension liability and related deferrals. The City contributes additional amounts above the required payroll-related contributions to PERA, as required by Minnesota State Statute. This results in a higher proportion allocated to the City as compared to contributing entities that contribute only the payroll-related required contribution. The City's statutorily required additional contributions have fixed end dates, and as such, the net present value of those additional contributions can be calculated. For TRA, the City is a non-employer contributing entity and contributes a fixed amount each year as required under Minnesota State Statute. These statutorily required contributions also have an expected end date, allowing for the calculation of the City's full obligation to TRA over the life of those contributions.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

P – Change in Accounting Principle (continued)

The resulting recalculation of the City’s proportionate share altered the beginning balance of net pension liability, deferred outflows, and deferred inflows/inflows of resources. This resulted in the restatement of the City’s January 1, 2017 net position as noted in Section Q of Note 1.

Q – Restatement of Net Position

Due to the change in accounting principle for the implementation of an alternate proportionate share calculation of GASB Statement No. 68 net pension liability and related deferrals, the City restated the beginning net position of the governmental and business-type activities as well as the discrete component units. Also for the year ended December 31, 2017, the City’s relationship with Minneapolis Telecommunications Network (MTN) changed. The City no longer appoints MTN’s board. As a result of this change, MTN no longer meets the criteria for presentation as a discretely presented component unit. Finally, there was a prior period adjustment required for governmental activities related to capital assets. It was determined that several assets were accounted for in both the governmental and business-type activities of the City, when they should have been only in the business-type activities. The effects of these changes are illustrated in the table below.

	Primary Government		Discrete Component Units
	Governmental Activities	Business-Type Activities	
Net Position January 1, 2017	\$ 935,054	\$ 916,355	\$ 320,655
GASB Statement No. 68	\$ 44,328	\$ (2,340)	\$ 3,240
Change in reporting entity	-	-	1,225
Prior period adjustment	(41,122)	-	-
Balance January 1, 2017, restated	\$ 938,260	\$ 914,015	\$ 325,120

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For the fiscal year ended December 31, 2017

(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	\$ 13,471
Investments	861,999
Imprest cash held by City	<u>20</u>
Total	<u>\$ 875,490</u>
Primary Government:	
Cash and cash equivalents	\$ 792,034
Cash and cash equivalents in Agency Funds	1,200
Investments with trustees	<u>40,943</u>
Total primary government	<u>\$ 834,177</u>
Discretely Presented Component Units:	
Park and Recreation Board:	
Cash and cash equivalents	<u>35,154</u>
Municipal Building Commission:	
Cash and cash equivalents	<u>3,564</u>
Meet Minneapolis:	
Cash and cash equivalents	<u>2,595</u>
Total discretely presented component units	<u>\$ 41,313</u>
Total reporting entity	<u>\$ 875,490</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, 2017, totaled \$17,716.

Reconciliation of bank cash balances to book cash balance:	
Bank balance, per December 31, 2017 bank statement	\$ 17,716
Reconciling items and outstanding checks	<u>(4,245)</u>
Deposits, per book	<u>\$ 13,471</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City’s deposits may be delayed or not be returned. The City’s policy is to have its designated depositories comply with Minnesota Statutes Chapter 118A to pledge allowable securities to collateralize the City’s deposits. At December 31, 2017, the City was not exposed to custodial credit risk since all deposits are either FDIC insured (where applicable) or are collateralized through securities pledged to the City of Minneapolis by the financial institution and held in safekeeping at the Federal Reserve Bank at 110% of deposit value.

For the fiscal year ended December 31, 2017

(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, 2017, 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, 2017, and information relating to interest rate risks:

Investment Type	Weighted Average Maturity (Years)	Carrying (Fair) Value
U.S. Treasury obligations	1.7	\$ 241,441
U.S. Federal agency obligations	1.6	180,630
U.S. Mortgage obligations	2.6	160,085
Municipal bonds	1.4	88,602
Commercial paper	0.2	10,241
Money market mutual funds	0.1	179,751
Negotiable certificates of deposit	0.1	1,249
Portfolio weighted average maturity	1.5	
Total investments		\$ 861,999
Deposits per book		13,471
Imprest cash		20
Total cash and investments		\$ 875,490

For the fiscal year ended December 31, 2017

(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, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS

B – Investments (continued)

At December 31, 2017, 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+	\$ 241,441	Aaa	\$ 241,441
U.S. Federal agency obligations	AAA	\$ -	Aaa	\$ 180,630
	AA+	180,630	Aa1	-
Total federal agency obligations		\$ 180,630		\$ 180,630
U.S. Mortgage obligations	AA+	\$ 160,085	Aaa	\$ 160,085
Municipal bonds				
	AAA	\$ 31,547	Aaa	\$ 28,361
	AA+	21,827	Aa1	22,530
	AA	12,859	Aa2	8,900
	AA-	3,826	Aa3	6,197
	A+	7,524	A1	7,649
	Not Available	5,173	Not Available	9,258
	Not rated	5,846	Not rated	5,707
Total municipal bonds		\$ 88,602		\$ 88,602
Commercial paper	A-1+	\$ 2,492	P-1	\$ 10,241
	A-1	7,749	P-1	-
Total commercial paper		\$ 10,241		\$ 10,241
Mutual funds	AAAmG	\$ 179,751	Aaa-mf	\$ 179,751
Negotiable certificates of deposit	FDIC Insured	\$ 1,249	FDIC Insured	\$ 1,249
Total		\$ 861,999		\$ 861,999

For the fiscal year ended December 31, 2017

(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, 2017.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the City’s investment in a single issuer. It is the City’s policy to diversify its investment portfolio. Assets held shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity.

Fair Value Measurement

The City categorizes its fair value measurements in accordance with guidelines established by generally accepted accounting principles. These guidelines establish a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management’s assumption of the default rate among underlying mortgages of a mortgage-backed security.

At December 31, 2017, the City had the following recurring fair value measurements:

	December 31, 2017	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury securities	\$ 241,441	\$ -	\$ 241,441	\$ -
U.S. Federal agency obligations	180,630	16,356	164,274	-
U.S. Mortgage obligations	160,085	153	159,932	-
Municipal bonds	88,602	-	88,602	-
Commercial paper	10,241	-	10,241	-
Total investments by fair value level	\$ 680,999	\$ 16,509	\$ 664,490	\$ -
Investments measured at net asset value (NAV)				
Government money market mutual funds	\$ 179,751			
Negotiable certificates of deposit	1,249			
Total investments measured at the NAV	\$ 181,000			
Total investments measured at fair value and NAV	\$ 861,999			

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS

B – Investments (continued)

Debt securities classified in Level 1 are valued using a market approach quoted in active markets for those securities and consist of Federal discount notes. Debt securities classified in Level 2 are valued using the following approaches:

- U.S. Treasury obligations and U.S. Federal agency obligations are valued using a market approach by utilizing quoted prices for identical securities in markets that are not active;
- U.S. Mortgage obligations and Commercial paper are valued using matrix pricing based on the securities relationship to benchmark quoted prices; and
- Municipal bonds are valued using a market approach using quoted prices for similar securities in active markets.

The City also holds \$179,751 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 \$1,249 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.

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For the fiscal year ended December 31, 2017

(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 and Economic Development				Non-Major Governmental Funds	Internal Service Funds	Total Governmental
	General Fund	Development	Permanent Improvement	Special Assessment			
Accounts	\$ 6,027	\$ 70	\$ 3,076	\$ 15	\$ 2,400	\$ 221	\$ 11,809
Taxes	2,341	222	12	-	1,302	-	3,877
Special assessments	435	1,397	2,492	55,034	849	-	60,207
Intergovernmental	9,481	396	28,990	-	7,078	-	45,945
Loans	-	171,451	-	-	119,253	-	290,704
Loans due from component unit	-	-	-	-	510	-	510
Accrued interest	1,239	534	158	24	322	-	2,277
Gross receivables	19,523	174,070	34,728	55,073	131,714	221	415,329
Less: Allowance for uncollectibles	(53)	(147,291)	-	-	(94,884)	-	(242,228)
Total receivables (due within one year)	\$ 19,470	\$ 26,779	\$ 34,728	\$ 55,073	\$ 36,830	\$ 221	\$ 173,101

Long-term portion of loans due from component units	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ 500
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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	\$ 4,025	\$ 4,654	\$ 5,020	\$ 1,728	\$ 3,538	\$ -	\$ 18,965
Special assessments	83	84	2,448	4,891	132	-	7,638
Intergovernmental	-	473	-	1,202	2	-	1,677
Loans	-	-	-	-	-	1,036	1,036
Accrued interest	-	-	-	-	-	255	255
Gross receivables	4,108	5,211	7,468	7,821	3,672	1,291	29,571
Less: Allowance for uncollectibles	-	-	(2)	-	-	(986)	(988)
Total receivables (due within one year)	\$ 4,108	\$ 5,211	\$ 7,466	\$ 7,821	\$ 3,672	\$ 305	\$ 28,583

Long-term portion of loans and notes receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 233	\$ 233
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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.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 3 – RECEIVABLES

B – Business-type Activities – Leases (continued)

The future payment requirements for these agreements are as follows:

<u>Scheduled Lease Payments</u>	<u>Capitalized Leases</u>
2018	\$ 6,439
2019	6,304
2020	6,117
2021	5,256
2022	5,265
2023-2027	25,583
2028-2032	25,382
2033-2037	22,209
2038-2040	<u>9,626</u>
Subtotal	112,181
Less: Interest over lease term	<u>(47,881)</u>
Total Principal	64,300
Less: Current Portion	<u>(2,735)</u>
Noncurrent Portion	<u>\$ 61,565</u>

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For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS

A – Current Year Activity

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance January 1, 2017 <u>Restated</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, 2017
Governmental Activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 110,788	\$ -	\$ -	\$ 110,788
Construction in progress	333,988	209,123	(153,409)	389,702
Total capital assets, not being depreciated	<u>444,776</u>	<u>209,123</u>	<u>(153,409)</u>	<u>500,490</u>
<i>Capital assets, being depreciated</i>				
Infrastructure	865,434	165,797	-	1,031,231
Buildings and structures	599,875	21,270	-	621,145
Public improvements	30,202	157	(297)	30,062
Machinery and equipment	144,317	10,542	(3,985)	150,874
Computer equipment	48,761	137	(7)	48,891
Software	52,332	7,136	(718)	58,750
Other capital outlay	51	-	(15)	36
Total capital assets, being depreciated	<u>1,740,972</u>	<u>205,039</u>	<u>(5,022)</u>	<u>1,940,989</u>
Less accumulated depreciation for:				
Infrastructure	(485,739)	(26,086)	-	(511,825)
Buildings and structures	(235,690)	(13,045)	-	(248,735)
Public improvements	(10,671)	(1,149)	95	(11,725)
Machinery and equipment	(93,475)	(9,333)	3,625	(99,183)
Computer equipment	(44,325)	(1,292)	7	(45,610)
Software	(23,667)	(8,304)	718	(31,253)
Other capital outlay	(51)	-	15	(36)
Total accumulated depreciation	<u>(893,618)</u>	<u>(59,209)</u>	<u>4,460</u>	<u>(948,367)</u>
Total capital assets, being depreciated, net	<u>847,354</u>	<u>145,830</u>	<u>(562)</u>	<u>992,622</u>
Governmental activities capital assets, net	<u>\$ 1,292,130</u>	<u>\$ 354,953</u>	<u>\$ (153,971)</u>	<u>\$ 1,493,112</u>

The beginning balance of governmental activities was restated to correct infrastructure cost and accumulated depreciation reported in a prior period. This correction was related to assets also capitalized in the business-type activities, resulting in an overstatement of capitalized costs in the governmental activities of \$51,452 and related accumulated depreciation of \$10,330.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS

A – Current Year Activity (continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 286
Public safety	1,596
Public works	26,598
Health and welfare	1
Community planning and economic development	12,645
Depreciation on capital assets held in the City's internal service fund is charged to the various functions based on their usage of assets.	<u>18,083</u>
Total depreciation expense - governmental functions	<u>\$ 59,209</u>

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2017</u>
Business-type activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 130,879	\$ 4,000	\$ (2,717)	\$ 132,162
Construction in progress	<u>85,960</u>	<u>70,242</u>	<u>(56,394)</u>	<u>99,808</u>
Total capital assets, not being depreciated	<u>216,839</u>	<u>74,242</u>	<u>(59,111)</u>	<u>231,970</u>
<i>Capital assets, being depreciated</i>				
Buildings and structures	535,523	17,273	(10,371)	542,425
Public improvements	732,313	51,049	-	783,362
Machinery and equipment	65,275	2,932	(352)	67,855
Computer equipment	1,804	64	-	1,868
Software	2,864	-	-	2,864
Other capital outlay	<u>34</u>	<u>-</u>	<u>-</u>	<u>34</u>
Total capital assets, being depreciated	<u>1,337,813</u>	<u>71,318</u>	<u>(10,723)</u>	<u>1,398,408</u>
Less accumulated depreciation for:				
Buildings and structures	(235,363)	(11,804)	8,870	(238,297)
Public improvements	(263,475)	(9,280)	-	(272,755)
Machinery and equipment	(33,040)	(4,021)	353	(36,708)
Computer equipment	(1,567)	(58)	-	(1,625)
Software	(2,845)	(5)	-	(2,850)
Other capital outlay	<u>(34)</u>	<u>-</u>	<u>-</u>	<u>(34)</u>
Total accumulated depreciation	<u>(536,324)</u>	<u>(25,168)</u>	<u>9,223</u>	<u>(552,269)</u>
Total capital assets, being depreciated, net	<u>801,489</u>	<u>46,150</u>	<u>(1,500)</u>	<u>846,139</u>
Business-type activities capital assets, net	<u>\$ 1,018,328</u>	<u>\$ 120,392</u>	<u>\$ (60,611)</u>	<u>\$ 1,078,109</u>

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS

A – Current Year Activity (continued)

Interest incurred during the construction phase of capital assets is capitalized. Total interest incurred for business-type activities during 2017 was \$4,436. Of this amount, \$942 was capitalized.

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

Sanitary sewer	\$ 1,592
Stormwater	4,583
Water treatment and distribution services	10,953
Municipal parking	6,512
Solid waste and recycling	1,181
Economic development	347
Total depreciation expense - business-type functions	<u>\$ 25,168</u>

B – Capital Project Commitments

For the year 2017, the City of Minneapolis made capital project commitments for the following:

Property services	\$ 25,410
Sewer construction	26,538
Street construction	80,888
Bridge construction	400
Sidewalk construction	4,190
Street lighting	2,086
Traffic signals	7,090
Bicycle trails	2,000
Non-departmental	716
Water	34,235
Total capital project commitments	<u>\$ 183,553</u>

C – Discretely Presented Component Units

Activity for the discretely presented component units for the year ended December 31, 2017, was as follows:

	Restated Balance			Balance
Minneapolis Park and Recreation Board	January 1, 2017 *	Additions	Retirements	December 31, 2017
Capital assets, not being depreciated	\$ 132,115	\$ 56,180	\$ (20,659)	\$ 167,636
Capital assets, being depreciated, net	198,169	4,784	(97)	202,856
	<u>\$ 330,284</u>	<u>\$ 60,964</u>	<u>\$ (20,756)</u>	<u>\$ 370,492</u>
Depreciation expense charged	\$ 14,654			
	Balance			Balance
Municipal Building Commission	January 1, 2017	Additions	Retirements	December 31, 2017
Capital assets, not being depreciated	\$ 13,729	\$ 2,242	\$ -	\$ 15,971
Capital assets, being depreciated, net	8,320	(1,130)	-	7,190
	<u>\$ 22,049</u>	<u>\$ 1,112</u>	<u>\$ -</u>	<u>\$ 23,161</u>
Depreciation expense charged	\$ 1,130			

* Asset beginning balances were restated to reclassify a portion of land to buildings and structures for \$442 and to include a new discrete component unit of the Minneapolis and Recreation Board of \$49.

For the fiscal year ended December 31, 2017

(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 and Notes

Various issues of general obligation (GO) bonds and notes 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 and notes.

Self-Supporting General Obligation Bonds and Notes

Self-supporting bonds and notes issued by the City are recorded in the Enterprise Funds, Internal Service Funds or Governmental Funds. While these bonds and notes are backed by the full faith and credit of the City, they are payable from revenue derived from the function for which they were issued.

General Obligation Improvement Bonds and Notes

Improvement bonds and notes are recorded in the Governmental Funds and are payable from special assessments levied and collected for local improvements and are backed by the full faith and credit of the City. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in special assessment districts are insufficient to retire outstanding bonds and notes.

Tax Increment General Obligation Bonds and Notes

Tax increment bonds and notes are payable primarily from the increase in property taxes resulting from replacing older improvements with new or remodeled improvements. These bonds and notes are recorded in the Governmental Funds and are also backed by the full faith and credit of the City.

Revenue Bonds and Notes

Revenue bonds and notes are recorded in the Governmental Funds. These bonds and notes are payable solely from revenues of the respective Enterprise Funds or tax increment districts. In addition, the City has pledged one-half percent of tax capacity to secure payment of bond principal and interest on all bonds issued after May 22, 1987, for the General Agency Reserve Fund System (GARFS) bonds within the Community Planning and Economic Development (CPED) Enterprise Fund.

Sinking Fund Provisions

Sinking fund provisions on certain general obligation bonds require sufficient deposits on or before October 1st of each year to pay all principal and interest amounts coming due on such bonds for the remainder of the current year, and during all of the following year. If this provision is not met, a general tax levy will be made for the balance required. Minnesota State Laws generally require initial tax levies for general obligation bonds to be at least five percent in excess of the bond and interest maturities less estimated pledged assessments and revenues. The initial tax levies cannot be repealed and can only be modified as they relate to current levies and then only upon certification to the Director of Property Taxation that funds are available to pay current maturities in whole or in part.

For Tax Increment Revenue Refunding Bonds, a separate sinking fund has been provided. These bonds are special limited obligations of the City payable from tax increments and investment earnings in the sinking fund. The City is required to have a reserve in the sinking fund equal to the lesser of maximum principal and interest due on the bonds in any succeeding bond year or 125 percent of average principal and interest due on the bonds in the succeeding bond years. In addition, the Municipal Bond Insurance Association insures payment of principal and interest on the bonds.

2017 Bond and Note Sales

In 2017, the City of Minneapolis issued bonds and notes totaling \$191,638. Of this amount, \$56,010 of bonds were issued to refund existing debt and \$135,628 of general obligation bonds and notes were issued to finance new capital improvements. Below are details of the 2017 debt issuances.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

In December 2015, the City issued a \$25,000 Tax-Exempt General Obligation Note, Series 2015A to US Bank to finance a portion of the costs of a complete renovation of the Nicollet Mall roadway and streetscape in downtown Minneapolis. The note was issued on December 18, 2015 to provide up to 24 months of drawdown flexibility to reimburse expenses during construction. The note was issued in variable rate mode and accrued interest based on the weekly SIFMA index plus a bank spread. During 2015 and 2016, the City completed draws totaling \$8,500 and during 2017 the City completed additional draws totaling \$16,500. In May 2017, the City issued \$37,875 of General Obligation Improvement and Various Purpose Bonds, Series 2017 and \$17,000 of proceeds from this series was used to refund and convert a like amount of the 2015A note to fixed rate bonds. The fixed rate bonds and remaining variable rate note are paid for with special assessments levied on benefitting property owners starting in 2017. In September 2017, the City utilized special assessment prepayments to reduce the outstanding note from \$8,000 to \$4,800 and in December 2017, the City extended the note arrangement to a new mandatory prepayment date of June 17, 2021. The extended note remains tax-exempt in variable rate mode priced at 70 percent of the one-week London Interbank Offered Rate (LIBOR) plus a bank spread. The refunding series is described in more detail below.

In May 2017, the City issued \$37,875 of General Obligation Improvement and Various Purpose Bonds, Series 2017 to fund a variety of capital projects and to refund \$17,000 of the Tax-Exempt General Obligation Note, Series 2015A with US Bank. The City received bond proceeds of \$40,071 including an original issue premium of \$2,324 offset by a \$128 underwriter's discount. The proceeds were used to reimburse construction costs of \$9,355 for special assessment projects related to street reconstruction and resurfacing, \$13,645 for a variety of other capital infrastructure improvements and \$17,000 for refunding a portion of the Series 2015A note. With the net premium received, the par amount of bonds required for the purposes described above was reduced to \$8,820, \$12,960 and \$16,095 respectively and the balance was used for cost of issuance expenses. The bonds were dated May 17, 2017 and were issued with fixed interest rates ranging from 3.00% to 4.00% and a final maturity date of December 1, 2027. The refunding portion of this bond sale was performed to minimize the risk of rising variable rates and to establish a permanent debt structure for a portion of the special assessment debt related to the Nicollet Mall reconstruction project. Aggregate change in debt service and net present value calculations were not able to be calculated since future variable rate information is not available.

In March 2016, the City issued a \$74,000 Taxable General Obligation Sales Tax Note (Target Center Project), Series 2016 to Wells Fargo Bank, National Association to finance the City's share of the re-construction and upgrade of the Target Center Arena in downtown Minneapolis. Other funding partners include an estimated \$57,110 from the Minnesota Timberwolves Basketball Limited Partnership and \$5,900 from AEG Management, the manager of the facility. The note was issued on March 23, 2016 and provided an initial 364 days of drawdown flexibility to reimburse expenses during construction. In December 2016, the City and the bank agreed to extend the mandatory prepayment date of the drawdown facility from March 21, 2017 to March 21, 2018. During 2016, the City completed draws totaling \$27,982 and during 2017 completed additional note draws of \$41,018. The taxable note is in variable rate mode and accrues interest based on the weekly LIBOR index rate plus a bank spread.

In May 2017, the City issued \$39,915 of Taxable General Obligation Sales Tax Refunding Bonds (Target Center Project), Series 2017 to refund a portion of the Taxable General Obligation Sales Tax Note (Target Center Project), Series 2016 to fixed rate bonds. The City received bond proceeds of \$41,146 including an original issue premium of \$1,427 offset by a \$196 underwriter's discount. On May 17, 2017, the City used \$40,000 of the proceeds to prepay a portion of the Series 2016 note and the balance to pay cost of issuance expenses and capitalized interest during the construction period. The refunding bonds were dated May 17, 2017 and were issued with fixed interest rates ranging from 3.25% to 4.25% and a final maturity date of December 1, 2035. Aggregate change in debt service and net present value calculations are not able to be calculated since future variable rate information is not available. This refunding was performed to minimize the risk of rising variable rates and to establish a permanent debt structure for a portion of the Target Center project.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

In December 2017, the City issued \$56,330 of General Obligation Various Purpose Bonds, Series 2017 to fund a variety of capital projects. The City received total proceeds of \$60,093 including an original issue premium of \$3,800 offset by a \$37 underwriter's discount. The proceeds were used to reimburse construction costs of \$2,100 for a parking project, \$6,580 for sanitary sewer projects, \$12,320 for water projects and \$39,000 for a variety of other capital infrastructure improvements. The net premium allowed the City to reduce the par amount of bonds required for the business purposes described above to \$1,995, \$5,960, \$11,320 and \$37,055 respectively. The balance of the proceeds not required for project expenses were used to pay cost of issuance expenses. The bonds were dated December 5, 2017 and were issued with a fixed interest rate of 5.00% and a final maturity date of December 1, 2022.

Minnesota Public Facilities Authority Notes

The City has entered into six general obligation notes with the Minnesota Public Facilities Authority (PFA) to finance the City's drinking water ultra-filtration project and new filter presses project. The notes are part of a federally sponsored below market financing program related to the Safe Drinking Water Act and the City saves 1.5% on interest costs by participating in the program. The interest rates on the six notes range from 1.00% - 2.82% and the final maturity dates range from 8/20/19 to 8/20/27. The City received proceeds totaling \$104,188 over the years and at December 31, 2017, the outstanding debt balance of the six general obligation notes in this program is \$64,990.

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, 2017, \$86,060 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, \$54,425 is related to library improvements transferred to the Hennepin County Library System. The capital assets purchased with funds obtained from this debt issuance are held by the respective discrete component units and are reported with their capital assets on the Statement of Net Position, with the exception of the library assets now held by Hennepin County.

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For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (continued)

Long-term liabilities at December 31, 2017 (in thousands) are detailed below.

	<u>Balance</u> <u>1/1/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
<u>Bonds and Notes</u>					
Property Tax Supported GO Bonds	\$ 114,615	\$ 49,715	\$ (53,410)	\$ 110,920	\$ 49,090
Property Tax Supported GO Notes	700	-	(700)	-	-
Self-Supporting GO Bonds	168,855	39,915	(22,590)	186,180	24,975
Self-Supporting GO Notes	27,982	41,018	(40,000)	29,000	2,000
GO Improvement Bonds	35,176	25,215	(10,706)	49,685	10,575
GO Improvement Notes	8,500	16,500	(20,200)	4,800	300
Tax Increment GO Bonds	62,680	-	(4,915)	57,765	5,385
Tax Increment GO Notes	3,210	-	(460)	2,750	490
Tax Increment Revenue Bonds	21,625	-	(1,320)	20,305	1,365
Tax Increment Revenue Notes	4,115	-	(410)	3,705	435
Internal Service Fund Related GO Bonds	12,970	-	(3,160)	9,810	9,810
Total Governmental Bonds and Notes	<u>460,428</u>	<u>172,363</u>	<u>(157,871)</u>	<u>474,920</u>	<u>104,425</u>
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	<u>5,220</u>	<u>5,780</u>	<u>(1,794)</u>	<u>9,206</u>	<u>124</u>
Total Long-term Liabilities Governmental	<u>465,648</u>	<u>178,143</u>	<u>(159,665)</u>	<u>484,126</u>	<u>104,549</u>
Business-type activities:					
<u>Bonds and Notes</u>					
Sanitary Sewer Fund GO Bonds	24,550	5,960	(2,700)	27,810	4,480
Water Fund Treatment and Distribution Services GO Bonds	27,690	11,320	(6,235)	32,775	6,815
Water Fund Treatment and Distribution Services GO Notes	71,520	-	(6,530)	64,990	7,875
Municipal Parking Fund GO Bonds	52,209	1,995	(8,764)	45,440	3,240
Municipal Parking Fund GO Notes	43,470	-	(1,475)	41,995	3,175
CPED Fund Non-GO Bonds					
General Agency Reserve Fund System	76,315	-	(12,015)	64,300	2,735
Total Business-type Bonds and Notes	<u>295,754</u>	<u>19,275</u>	<u>(37,719)</u>	<u>277,310</u>	<u>28,320</u>
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	<u>2,198</u>	<u>1,772</u>	<u>(524)</u>	<u>3,446</u>	<u>-</u>
Total Long-term Liabilities Business-type	<u>297,952</u>	<u>21,047</u>	<u>(38,243)</u>	<u>280,756</u>	<u>28,320</u>
Total Long-term Liabilities	<u>\$ 763,600</u>	<u>\$ 199,190</u>	<u>\$ (197,908)</u>	<u>\$ 764,882</u>	<u>\$ 132,869</u>

For the fiscal year ended December 31, 2017

(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, 2017, annual debt service requirements for Governmental activities to maturity are as follows:

Year Ending December 31:	Governmental Activity - Non-Proprietary			
	Bonds		Notes	
	Principal	Interest	Principal	Interest
2018	\$ 91,390	\$ 15,113	\$ 3,225	\$ 1,218
2019	81,265	12,007	985	1,174
2020	51,185	9,341	1,045	1,134
2021	18,200	7,472	32,605	1,092
2022	18,080	6,827	1,170	102
2023 - 2027	84,280	24,427	1,225	79
2028 - 2032	29,020	14,266	-	-
2033 - 2037	22,360	9,006	-	-
2038 - 2042	19,350	4,612	-	-
2043 - 2044	9,725	457	-	-
	<u>\$ 424,855</u>	<u>\$ 103,528</u>	<u>\$ 40,255</u>	<u>\$ 4,799</u>

Year Ending December 31:	Internal Service Fund Bonds		Total Governmental Activity Bonds & Notes	
	Principal	Interest	Principal	Interest
	2018	\$ 9,810	\$ 294	\$ 104,425
2019	-	-	82,250	13,181
2020	-	-	52,230	10,475
2021	-	-	50,805	8,564
2022	-	-	19,250	6,929
2023 - 2027	-	-	85,505	24,506
2028 - 2032	-	-	29,020	14,266
2033 - 2037	-	-	22,360	9,006
2038 - 2042	-	-	19,350	4,612
2043 - 2044	-	-	9,725	457
	<u>\$ 9,810</u>	<u>\$ 294</u>	<u>\$ 474,920</u>	<u>\$ 108,621</u>

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

Amortization of Outstanding Business-type Activities City Debt

As of December 31, 2017, 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
2018	\$ 17,270	\$ 6,514	\$ 11,050	\$ 2,975	\$ 28,320	\$ 9,489
2019	18,815	5,944	11,300	2,684	30,115	8,628
2020	16,090	5,323	11,840	2,382	27,930	7,705
2021	15,965	4,826	10,500	2,061	26,465	6,887
2022	18,005	4,337	7,150	1,779	25,155	6,116
2023 - 2027	43,505	15,679	36,900	6,125	80,405	21,804
2028 - 2032	15,055	10,327	15,245	1,778	30,300	12,105
2033 - 2037	16,900	5,309	3,000	90	19,900	5,399
2038 - 2040	8,720	906	-	-	8,720	906
	<u>\$ 170,325</u>	<u>\$ 59,165</u>	<u>\$ 106,985</u>	<u>\$ 19,874</u>	<u>\$ 277,310</u>	<u>\$ 79,039</u>

Discretely Presented Component

Activity for the Minneapolis Park and Recreation Board for the year ended December 31, 2017, was as follows:

	Balance	Additions	Retirements	Balance	Amounts due
	January 1, 2017			December 31, 2017	Within one year
Notes payable	\$ 4,253	\$ -	\$ (221)	\$ 4,032	\$ 233
Contracts payable	106	-	(106)	-	-
Total	<u>\$ 4,359</u>	<u>\$ -</u>	<u>\$ (327)</u>	<u>\$ 4,032</u>	<u>\$ 233</u>

Year Ending December 31:	Principal	Interest
2018	\$ 1,875	\$ 117
2019	60	87
2020	2,064	18
2021	33	-
Total	<u>\$ 4,032</u>	<u>\$ 222</u>

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

As of December 31, 2017, outstanding industrial, commercial, and housing revenue bonds and notes approximated \$2,041 million. 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	\$ 1,231	\$ -	\$ 10	\$ -	\$ 861	\$ 2,102
Special assessments	363	1,375	2,451	55,412	741	60,342
Intergovernmental	-	-	24,068	-	-	24,068
Loans receivable	-	24,160	-	-	24,413	48,573
Interest	287	124	37	6	74	528
Other unavailable revenue	-	223	-	-	737	960
Total Deferred inflows of resources	<u>\$ 1,881</u>	<u>\$ 25,882</u>	<u>\$ 26,566</u>	<u>\$ 55,418</u>	<u>\$ 26,826</u>	<u>\$ 136,573</u>

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:

Year Ending December 31	Governmental Activities Amount
2018	\$ 4,075
2019	2,978
2020	2,284
2021	2,133
2022	1,912
2023-2027	8,957
2028-2032	8,444
2033-2037	1,109
Total	<u>\$ 31,892</u>

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 8 – LEASES (continued)

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 five to seventeen 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 2017, the lease expense on these leases totaled \$444. Application of the straight-line basis to the future minimum lease expenditures of \$1,513 over the lease terms results in a total annual lease amount of \$474.

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

Year Ending December 31	Governmental Activities Amount
2018	\$ 458
2019	337
2020	133
2021	138
2022	143
2023-2026	304
Total	<u>\$ 1,513</u>

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of December 31, 2017 are as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Non-major Governmental Funds	Non-major Governmental Funds	\$ 2,832

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:

Receivable Fund	Payable Fund	Amount
General Fund	Permanent Improvement Fund	\$ 1,250
CPED Special Revenue Fund	Permanent Improvement Fund	2,750
Internal Service Funds	Non-major Governmental Funds	849
	Total	<u>\$ 4,849</u>

Advances to other funds are to provide working capital for general operations of the other fund.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 9 – INTERFUND TRANSACTIONS (continued)

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following schedule briefly summarizes the City’s transfer activity:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Total Transfers In</u>
Governmental Funds:		
General Fund	Municipal Parking Fund	\$ 7,000
	Stormwater Fund	110
	Internal Service Funds	1,529
	Non-major Governmental Funds	<u>3,860</u>
		<u>12,499</u>
CPED Special Revenue Fund	Non-major Governmental Funds	<u>1,904</u>
Permanent Improvement Fund	General Fund	5,500
	Internal Service Funds	3,078
	Non-major Governmental Funds	6,000
	Stormwater Fund	<u>1,500</u>
		<u>16,078</u>
Non-Major Governmental Funds	General Fund	49,791
	Non-major Governmental Funds	24,808
	CPED Special Revenue Fund	21,709
	Permanent Improvement Fund	396
	Special Assessment Debt Service Fund	29
	Sanitary Sewer Fund	12
	Water Treatment and Distribution Services Fund	18
	Municipal Parking Fund	<u>3,944</u>
		<u>100,707</u>
Special Assessment Debt Service Fund	Permanent Improvement Fund	<u>201</u>
		<u>201</u>
	Total Governmental Funds	<u>\$ 131,389</u>
Proprietary Funds:		
Business-type Activities		
Water Treatment and Distribution Services Fund	General Fund	\$ 25
	Sanitary Sewer Fund	<u>1,213</u>
		<u>1,238</u>
Municipal Parking Fund	CPED Special Revenue Fund	<u>814</u>
		<u>814</u>
Solid Waste & Recycling Fund	General Fund	325
	Municipal Parking Fund	<u>146</u>
		<u>471</u>
	Total Business-type Activities	<u>\$ 2,523</u>
Governmental Activities		
Internal Service Funds	General Fund	\$ 3,747
	Permanent Improvement Fund	1,191
	Internal Service Funds	<u>346</u>
		<u>5,284</u>
	Total Governmental Activities	<u>\$ 5,284</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.

For the fiscal year ended December 31, 2017

(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, 2017

(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
<u>Nonspendable</u>						
Advances to other funds	\$ 1,250	\$ -	\$ -	\$ -	\$ -	\$ 1,250
Prepaid items	13	-	-	-	-	13
Total nonspendable	1,263	-	-	-	-	1,263
<u>Restricted for</u>						
Debt service:						
Community development	-	-	-	-	3,044	3,044
General debt service	-	-	-	-	25,817	25,817
Special assessment	-	-	-	9,253	-	9,253
Community and economic development	-	143,037	-	-	-	143,037
Law enforcement:						
Gambling compliance	-	-	-	-	224	224
Forfeitures	-	-	-	-	1,663	1,663
Grants	-	-	-	-	2,590	2,590
Properties held for resale	-	34,418	7,200	-	8,344	49,962
Capital improvements	-	-	19,377	-	-	19,377
Total restricted	-	177,455	26,577	9,253	41,682	254,967
<u>Assigned to</u>						
General government	-	-	-	-	531	531
Grants	-	-	-	-	225	225
Public safety:						
Police	-	-	-	-	699	699
Compliance and regulation	-	-	-	-	3,535	3,535
Community & economic development	-	37,703	-	-	60,069	97,772
Neighborhood & community relations	-	-	-	-	3,306	3,306
Pension obligations	-	-	-	-	29,177	29,177
Capital improvements	10,000	-	11,426	-	-	21,426
Total assigned	10,000	37,703	11,426	-	97,542	156,671
<u>Unassigned</u>	105,835	-	-	-	(2,039)	103,796
Total fund balances	\$ 117,098	\$ 215,158	\$ 38,003	\$ 9,253	\$ 137,185	\$ 516,697

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For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 11 – RESTRICTED NET POSITION – GOVERNMENTAL ACTIVITIES

Certain components of net position are classified on the statement of net position as restricted because their use is limited. The Governmental Activities report restricted amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of December 31, 2017, the Governmental Activities restricted net position is as follows:

<u>Purpose</u>	<u>Amount</u>
Debt service:	
Community development	\$ 3,044
General debt service	25,817
Special assessment	9,253
Community and economic development	143,037
Law enforcement:	
Gambling compliance	224
Forfeitures	1,663
Grants	2,590
Properties held for resale	49,962
Capital improvements	19,377
Total restricted net position	<u>\$ 254,967</u>

NOTE 12 – RESTRICTED NET POSITION – BUSINESS-TYPE ACTIVITIES

Certain components of net position are classified on the statement of net position as restricted because their use is limited. The Business-type Activities report restricted net position amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of December 31, 2017, the Business-type component of restricted net position is as follows:

<u>Purpose</u>	<u>Amount</u>
Debt service	<u>\$ 36,082</u>

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For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – 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 Fund (GERF)

All full-time and certain part-time employees of the City, Park Board, and MBC are covered by the General Employees Retirement Fund (GERF). GERF 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 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 Fund (PEPFF)

The PEPFF, 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 PEPFF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

3. Teacher Retirement Association Fund (TRA)

TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

B – Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent postretirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0 percent. After the TRA Funded ratio exceeds 90 percent for two consecutive years, the annual postretirement benefit will increase to 2.5 percent.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS**B – Benefits Provided (continued)**

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

1. PERA Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high five salary.

2. TRA Benefits

The Teachers Retirement Association (TRA) covers teachers and other related professionals employed by school districts or by the state. Approximately 590 employers participate in this plan. The plan provides retirement, survivor, and disability benefits. Basic membership includes participants who are not covered by the Social Security Act, while coordinated membership includes participants who are covered by the Act. The annuity formula for the coordinated members is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The annuity formula for Tier I basic members is 2.2 percent for the first 10 years and 2.7 percent for each subsequent year and Tier II is 2.7 percent of the member's high-five average salary. The annuity formula for Tier I coordinated members for services prior to July 1, 2006, is 1.2 percent for the first 10 years and 1.7 percent each subsequent year of the member's high-five average salary. The annuity formula for Tier I coordinated members for services subsequent to July 1, 2006, is 1.4 percent for the first 10 years and 1.9 percent each subsequent year of the member's high-five average salary. The annuity formula for Tier II coordinated members is 1.7 percent for services prior to July 1, 2006, and 1.9 percent for each year subsequent of the member's high-five average salary. Annual benefits increase by 2.0 percent each year and 2.5 percent if the plan is funded at least 90 percent of full funding.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)**C – Contributions**

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. The employee and employer contribution rates did not change from the previous year.

1. GERF 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 2017. 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 2017. The City, Park Board, and MBC contributions related to payroll to the GERF for the year ended December 31, 2017, were \$14,108, \$2,510, and \$203, respectively. The City, Park Board, and MBC fixed contributions to the GERF for the year ended December 31, 2017, were \$11,869, \$2,169, and \$335 respectively. Total contributions were equal to the required contractual contribution as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.80 percent of their annual covered salary in calendar year 2017. Employers were required to contribute 16.20 percent of pay for PEPFF members in calendar year 2017. Contributions to the PEPFF related to payroll for the year ended December 31, 2017, were \$20,004 for the City and \$561 for the Park Board. The City also made fixed contributions to PEPFF, non-payroll related, of \$13,648 for the year ended December 31, 2017. Total contributions were equal to the required contractual contributions as set by state statute.

3. TRA Contributions

The City's non-employer contributions to the TRA for the year ended December 31, 2017, were \$2,250. The City's contributions were equal to the required contractual contributions as set by state statute.

D – Pension Costs**1. GERF Pension Costs**

At December 31, 2017, the City, Park Board, and MBC reported a liability of \$182,469, \$32,237 and \$2,579 respectively for the proportionate share of the GERF's net pension liability related to payroll contributions. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer payroll related contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share related to payroll contributions was 3.0146 percent, which was a decrease of 0.0274 percent from its proportion measured as of June 30, 2016. At June 30, 2017, the Park Board's proportionate share related to payroll contributions was 0.5326 percent, which was a decrease of 0.0295 percent from its proportion measured as of June 30, 2016. At June 30, 2017, MBC's proportionate share related to payroll contributions was 0.0426 percent, which was a decrease of 0.0006 percent from its proportion measured as of June 30, 2016. 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

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

1. GERF Pension Costs (continued)

contributions through 2031, and the net present values of these fixed contributions are \$151,252, \$27,644, and \$2,890 respectively as of the June 30, 2017 measurement date. The resulting combined net pension liability reported by the City, Park Board, and MBC as of December 31, 2017 is \$333,721, \$59,881, and \$5,469, respectively. The combined liability represents a proportionate share of the Plan’s net pension liability equal to 5.2275 percent for the City, 0.9380 percent for Park Board, and 0.0857 percent for MBC.

For the year ended December 31, 2017, the City, Park Board, and MBC recognized pension expense of \$34,240, \$7,948, and \$706, respectively for the proportionate share of the GERF’s pension expense.

In addition, the City, Park Board, and MBC also recognized \$123, \$22, and \$2, respectively as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$6 million to the General Employees Fund.

	<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	\$ 147,289	\$ 35,180	\$ 182,469	\$ 32,237	\$ 2,579
Net present value of fixed pension contributions	122,090	29,162	151,252	27,644	2,890
State of Minnesota's proportionate share of the net pension liability associated with the entity	<u>3,434</u>	<u>820</u>	<u>4,254</u>	<u>764</u>	<u>70</u>
Total	<u>\$ 272,812</u>	<u>\$ 65,163</u>	<u>\$ 337,975</u>	<u>\$ 60,645</u>	<u>\$ 5,539</u>

At December 31, 2017, the City, Park Board, and MBC reported proportionate shares of the GERF’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	\$ 6,343	\$ 1,121	\$ 90	\$12,469	\$ 2,252	\$ 169
Changes in actuarial assumptions	54,274	9,984	879	19,293	3,409	273
Difference between projected and actual investment earnings	1,483	392	-	-	-	-
Changes in proportion	672	1,577	239	9,253	1,720	153
Contributions paid to PERA subsequent to the measurement date	<u>7,208</u>	<u>1,301</u>	<u>107</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 69,980</u>	<u>\$ 14,375</u>	<u>\$ 1,315</u>	<u>\$ 41,015</u>	<u>\$ 7,381</u>	<u>\$ 595</u>

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – 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, 2017. These contributions total \$7,208 for the City, \$1,301 for the Park Board, and \$107 for MBC. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount		
	City	Park Board	MBC
2018	\$ 11,871	\$ 3,918	\$ 321
2019	22,152	4,349	469
2020	(4,097)	(1,131)	(61)
2021	(8,169)	(1,443)	(116)

2. PEPFF Pension Costs

At December 31, 2017, the City reported a liability of \$157,119 for the proportionate share of the PEPFF’s net pension liability related to payroll contributions. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer payroll related contributions received from all of PERA’s participating employers. At June 30, 2017, the City’s proportionate share related to payroll contributions was 12.8170 percent, which was an increase of 0.6389 percent from its proportion measured as of June 30, 2016. 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 \$124,172 as of the June 30, 2017 measurement date. The resulting combined net pension liability reported by the City as of December 31, 2017 is \$281,291. The combined liability represents a proportionate share of the Plan’s net pension liability equal to 20.8345 percent for the City.

At December 31, 2017, the Park Board reported a liability of \$4,004 for the proportionate share of the PEPFF’s net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2017, the Park Board’s proportion share was 0.3266 percent, which was a decrease of 0.0072 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City and Park Board recognized pension expense of \$34,132 and \$262 respectively for the proportionate share of the PEPFF’s pension expense.

The City and Park Board also recognized \$1,796 and \$27 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

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

2. PEPFF Pension Costs (continued)

Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9,000 to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90.0 percent funded.

At December 31, 2017, the City and Park Board reported proportionate shares of the PEPFF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	City	Park Board	City	Park Board
Differences between expected and actual economic experiences	\$ 3,983	\$ 101	\$ 44,248	\$ 1,206
Changes in actuarial assumptions	235,230	5,860	256,282	6,259
Difference between projected and actual investment earnings	-	94	218	-
Changes in proportion	21,711	44	1,770	239
Contributions paid to PERA subsequent to the measurement date	9,908	325	-	-
Total	\$ 270,832	\$ 6,424	\$ 302,518	\$ 7,704

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, 2017. These contributions total \$9,908 for the City and \$325 for the Park Board. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Pension Expense Amount	
	City	Park Board
2018	\$ 7,419	\$ 66
2019	7,419	66
2020	1,260	(99)
2021	(11,605)	(367)
2022	(46,087)	(1,271)

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs (continued)

3. TRA Pension Costs

At December 31, 2017, the City reported a liability of \$29,294 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 5.12 percent.

For the year ended December 31, 2017, the City recognized pension expense of \$819 for its share of the TRA’s pension expense.

At December 31, 2017, 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	\$ 5,570	\$ 1,052

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, 2017. 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>
2018	\$ 1,210
2019	1,210
2020	1,188
2021	1,123
2022	(213)

E – Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

<u>Assumption</u>	<u>GERF/PEPFF</u>	<u>TRA</u>
Inflation	2.50% per year	2.50%
Active Member Payroll Growth	3.25% per year	3.00% based on years of service
Investment Rate of Return	7.50%	5.12%

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS

E – Actuarial Assumptions (continued)

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 one percent per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5 percent thereafter for both plans. Cost of living increases for TRA are 2.0 percent.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study in the GERP was completed in 2015. The most recent five-year experience study for PEPFF was completed in 2016. The experience study for TRA was for the period of July 1, 2008, to June 30, 2014.

The long-term expected rate of return on pension plan investments is 7.5 percent for PERA and TRA. The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%

F – Discount Rate

The discount rate used to measure the total pension liability for PERA in 2017 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the TRA Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through 2053. The long-term expected rate of return was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56 percent was applied to period on and after 2053, resulting in a Single Equivalent Interest Rate of 5.12%.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)**G – Changes in Actuarial Assumptions**

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- 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.

Public Employees Police and Fire Plan

- 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.
- 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.

Teachers Retirement Association

- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The cost of living adjustment (COLA) was not assumed to increase to 2.50 percent, but remain at 2.0 percent for all future years.
- The price inflation was lowered from 2.75 percent to 2.50 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years followed by 3.25 percent, thereafter.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS

G – Changes in Actuarial Assumptions

Teachers Retirement Association (continued)

- 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.

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	442,820	333,721	243,567
Park Board	79,208	59,881	43,906
MBC	7,053	5,469	4,156
PEPFF Discount Rate	6.5%	7.5%	8.5%
City	426,573	281,291	160,756
Park Board	7,540	4,004	1,084
TRA Discount Rate	4.12%	5.12%	6.12%
City	32,145	29,294	26,813

I – Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 14 – 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, 2017, was \$2,017 and the CPED's total payroll was \$19,885.

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 \$112 and \$103 respectively to the plan during the year, which amounts represented 5.53 percent and 5.10 percent respectively of the covered payroll.

NOTE 15 – POSTEMPLOYMENT BENEFITS PLAN**A – Plan Description**

The City provides 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 is self-insured for dental coverage. Retirees pay 100 percent of the blended active/retiree premium rate, in accordance with Minnesota Statutes Chapt. 471.61, subd. 2b. It is the City's policy to periodically review its medical and dental coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees.

There is no separate, audited GAAP-basis postemployment benefit plan report available.

B – Funding Policy

Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Medica and Delta Dental. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2017, the City contributed \$1,871 to the plan. As of January 1, 2017, the most recent actuarial valuation date, there were approximately 279 retirees receiving health benefits from the City's health plan.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 15 – POSTEMPLOYMENT BENEFITS PLAN (continued)

C – Annual OPEB Cost and Net OPEB Obligation

The City’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost of the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the plan.

Annual required contribution	\$ 2,625
Interest on net OPEB obligation	1,321
Adjustment to annual required contribution	<u>(1,390)</u>
Annual OPEB cost (expense)	2,556
Contributions made	<u>1,871</u>
Increase in net OPEB obligation	685
Net OPEB obligation – beginning of year	<u>37,748</u>
Net OPEB obligation – end of year	<u>\$ 38,433</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, 2016, and 2015 was as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>Of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/2017	\$ 2,556	73.20%	\$38,433
12/31/2016	\$ 3,046	69.44%	\$37,748
12/31/2015	\$ 2,962	73.19%	\$36,817

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 15 – POSTEMPLOYMENT BENEFITS PLAN (continued)

D – Funded Status and Funding Progress

As of January 1, 2017, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$34,807 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$34,807. The covered payroll (annual payroll of active employees covered by the plan) was \$312,773, and the ratio of the UAAL to the covered payroll was 11.1 percent.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E – Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2017, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 3.5 percent discount rate, which is based on a blend of the long-term expected return on (1) plan assets to the extent they are projected to be sufficient to pay plan benefits, and (2) employer general assets to the extent that projected plan assets are insufficient to pay plan benefits. The City currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual healthcare trend rate was calculated at 6.5 percent initially, reduced incrementally to an ultimate rate of 5.0 percent after 6 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The original amortization period is 30 years, as of January 1, 2017, 30 years remain.

F – Summary of Liabilities

Liabilities arising from postemployment benefits are generally liquidated from the fund where the employee’s salary was originally charged.

Primary Government

	<u>Balance 1/1/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2017</u>
Other postemployment benefits payable:				
Governmental activities	\$ 36,306	\$ 2,528	\$ (1,871)	\$ 36,963
Business-type activities	1,442	28	-	1,470
Total	<u>\$ 37,748</u>	<u>\$ 2,556</u>	<u>\$ (1,871)</u>	<u>\$ 38,433</u>

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 15 – POSTEMPLOYMENT BENEFITS PLAN

F – Summary of Liabilities (continued)

Discretely Presented Component Units

Activity for the discretely presented component units for the year ended December 31, 2017, was as follows:

	<u>Balance 1/1/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2017</u>
Other postemployment benefits payable:				
Minneapolis Park and Recreation Board	\$ 3,901	\$ 116	\$ (104)	\$ 3,913
Municipal Building Commission	319	73	(108)	284
Total	<u>\$ 4,220</u>	<u>\$ 189</u>	<u>\$ (212)</u>	<u>\$ 4,197</u>

NOTE 16 – VACATION, SEVERANCE, SICK AND COMPENSATORY TIME PAY

Depending on the terms of their collective bargaining contract, or the policies applicable to their classification, employees may accumulate up to 50 days of vacation.

Sick leave may be accumulated indefinitely by employees. Also, employees have the option of being paid once a year for current unused sick leave accumulated over a minimum base of 60 days or, under certain circumstances, CPED employees may be allowed to have unused sick leave converted to vacation and added to their vacation balance. Payments are based on a sliding scale ranging from 50 percent to 100 percent depending on the base level attained. In addition, under certain circumstances, employees leaving City employment may qualify to receive payment for 50 percent of their unused sick leave at their current rate of pay.

Employees, depending on their classification, and subject to prior approval of their supervisor, may earn compensatory time in lieu of paid overtime. Policies are in effect which are designed to place constraints on the amount of compensatory time an employee may accumulate.

Liabilities arising from compensated absences are generally liquidated from the fund where the employee’s salary was originally charged.

Primary Government

Activity for the primary government for the year ended December 31, 2017, was as follows:

	<u>Balance 1/1/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2017</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable:					
Governmental activities	\$ 36,566	\$ 24,131	\$ (21,221)	\$ 39,476	\$ 20,217
Business-type activities	3,118	2,982	(2,765)	3,335	2,387
Total	<u>\$ 39,684</u>	<u>\$ 27,113</u>	<u>\$ (23,986)</u>	<u>\$ 42,811</u>	<u>\$ 22,604</u>

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 16 – VACATION, SEVERANCE, SICK AND COMPENSATORY TIME PAY (continued)

Discretely Presented Component Units

Activity for the discretely presented component units for the year ended December 31, 2017, was as follows:

	<u>Balance 1/1/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2017</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable:					
Minneapolis Park and Recreation Board	\$ 4,742	\$ 3,037	\$ (2,876)	\$ 4,903	\$ 951
Municipal Building Commission	214	123	(173)	164	150
Total	<u>\$ 4,956</u>	<u>\$ 3,160</u>	<u>\$ (3,049)</u>	<u>\$ 5,067</u>	<u>\$ 1,101</u>

NOTE 17 – 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 \$55,092 reported in the Self-Insurance Internal Service Fund at December 31, 2017, 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 2017 for claim exposure and settlements payments, calculated that the claims liability at December 31, 2017 is \$55,092, an increase of \$3,224 from the liability amount of \$51,868 at December 31, 2016.

Per State Statute, the City purchases excess insurance for its workers' compensation program from the Workers' Compensation Reinsurance Association (WCRA) and supports the State's regulation authority through payments in the Special Compensation Fund (SCF). The WCRA reimburses members for individual claim losses exceeding the City's retention limit. Reimbursements by the Second Injury Fund come through the SCF. Workers' compensation coverage is governed by State of Minnesota statutes. Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can reasonably be estimated. Liabilities include an amount for estimated claims administration expenses and an amount for claims that have been incurred but are not reported (IBNR).

The City, including all discrete and blended component units of government, also maintains a self-funded dental plan for covered employees. Dental coverage is based on plan design and includes Delta Dental PPO coverage of up to \$1.5 or Delta Dental Premier coverage of up to \$1.0 per person annually.

Changes in the claims liabilities during fiscal 2016 and 2017 are:

	<u>2016</u>	<u>2017</u>
Liability balance – January 1	\$ 51,973	\$ 51,868
Current year claims and changes in estimates	11,543	11,365
Claim payments	<u>(11,648)</u>	<u>(8,141)</u>
Liability balance – December 31	<u>\$ 51,868</u>	<u>\$ 55,092</u>

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 18 – 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 19 – 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, 2017 as shown below:

<u>Tax Abatement Program</u>	<u>Taxes Abated</u>
Tax Increment Financing	\$ 8,872

NOTE 20 – 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.

NOTE 21 – SUBSEQUENT EVENTS

The City issued the following bonds since December 31, 2017.

In May 2018, the City issued \$32,770 of Taxable General Obligation Bonds, Series 2018. Of this amount, \$31,560 was used to refund the remaining portion of the General Obligation Sales Tax Note (Target Center Project), Series 2016 with Wells Fargo Bank, National Association and \$1,210 was used to finance improvements to the Wellington Condominium Housing Improvement Area (HIA). Details regarding the two purposes are further described below.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 21 – SUBSEQUENT EVENTS (continued)

The refunding portion of \$31,560 along with a net bond premium and funds on hand was used to pay off the remaining 2017 outstanding balance and additional 2018 draws totaling \$34,000 of the General Obligation Sales Tax Note (Target Center Project), Series 2016 with Wells Fargo Bank, National Association. This note was originally a \$74,000 taxable variable rate draw facility used as short-term financing for renovation of the Target Center Arena in downtown Minneapolis where the Minnesota Timberwolves and Minnesota Lynx play basketball. The City refunded \$40,000 of this note in May of 2017 as further described in the Long-Term Debt Note. As part of the above series, the City received net proceeds of \$32,202 including an \$898 bond premium offset by a \$256 underwriter discount. On June 1, 2018, the City used the net proceeds and cash on hand to redeem the remaining \$34,000 of the variable rate taxable note with Wells Fargo Bank. Proceeds of \$72 were also used to pay a portion of the costs of issuing the bonds. The refunding bonds were issued in fixed rate mode and had interest rates ranging from 3.40% to 5.00% and a final maturity date of December 1, 2030. The change in aggregate debt service and net present value savings are not able to be calculated since the note being refunded was in variable rate mode and had a significantly shorter duration due to the temporary nature of the financing.

The remaining \$1,210 of this taxable series was used to finance improvements and fund a debt service reserve fund for the Wellington Condominium project. This project included exterior improvements to the stairs, porches, masonry façade and electrical upgrades and qualified for a Housing Improvement Area pursuant to Minnesota Statutes, Section 428A.16 and Chapter 475. Special assessment fees from condominium owners will be used to pay debt service on the bonds. For this portion of the bond series, the City received net proceeds of \$1,227 including a \$27 bond premium offset by a \$10 underwriter discount. On June 1, 2018, the City used \$1,131 of the net proceeds to reimburse itself for a short-term construction loan payoff to a bank and to establish an \$80 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 3.40% to 5.00% and a final maturity date of December 1, 2030.

In May 2018, the City also issued \$37,825 of General Obligation Improvement and Various Purpose Bonds, Series 2018 to fund a variety of special assessment improvement projects and other general infrastructure projects. The City received bond proceeds of \$40,339 including an original issue premium of \$2,614 offset by a \$100 underwriter's discount. The proceeds were used to reimburse construction costs of \$8,970 for special assessment projects related to street reconstruction and resurfacing and \$31,030 for a variety of other capital infrastructure improvements. With the net premium received, the par amount of bonds required for the purposes described above was reduced to \$8,545 and \$29,280 respectively. Of the remaining proceeds, \$65 was used for cost of issuance expenses and the balance will be used for debt service on the bonds. The bonds were dated May 31, 2018 and were issued with fixed interest rates ranging from 3.00% to 5.00% and a final maturity date of December 1, 2027.

In May 2018, the City also issued a \$28,900 General Obligation Water Revenue Note of 2018A, to the Minnesota Public Facilities Authority as part of a federally-sponsored below market financing program related to the Safe Drinking Water Act. The note is being used to finance a portion of construction improvements for the Fridley Filter Plant Rehabilitation and the Recarbonation System Replacement projects. The subsidized interest rate is 1.01% with a final maturity date of August 20, 2032. The City received note proceeds of \$19,739 to reimburse project expenses as of June 25, 2018.

The City prepaid the following variable rate bank notes since December 31, 2017.

In April 2018, the City prepaid \$14,205 of the 2017 outstanding obligation on its general obligation variable rate notes using cash on hand in the Municipal Parking Enterprise Fund. Of this amount, \$7,905 paid down the General Obligation Term Loan Note, Series 2011A held by US Bank National Association, leaving a balance of \$2,750 on the Block E Tax Increment project. The City also used these funds to pay off the remaining balance of \$6,300 on its General Obligation Note, Series 2015C which was also held by US Bank National Association. The 2015C note was associated with several City parking ramps and lots.

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 291,370	\$ 291,370	\$ 295,004	\$ 3,634
Licenses and permits	42,935	42,935	45,091	2,156
Intergovernmental revenues	83,959	83,959	85,131	1,172
Charges for services and sales	45,613	45,656	51,007	5,351
Fines and forfeits	6,545	6,545	7,556	1,011
Special assessments	4,070	4,070	3,152	(918)
Investment earnings	2,200	2,200	3,186	986
Miscellaneous revenues	3,080	3,080	3,493	413
Total revenues	<u>479,772</u>	<u>479,815</u>	<u>493,620</u>	<u>13,805</u>
CURRENT EXPENDITURES:				
Current:				
General government:				
Mayor	2,072	2,072	2,001	71
Council & Clerk	8,361	8,539	8,142	397
Assessor	5,242	5,242	5,189	53
Attorney	10,188	10,188	9,676	512
Civil rights	3,861	4,033	3,728	305
Clerk - Elections	1,421	1,635	2,389	(754)
Coordinator	4,817	4,833	4,740	93
Coordinator - 311	4,101	4,184	4,113	71
Coordinator - Communications	2,254	2,254	2,236	18
Coordinator - Finance	22,464	22,464	22,126	338
Coordinator - Human resources	7,539	7,676	7,293	383
Coordinator - Intergovernmental relations	1,611	1,611	1,537	74
Internal audit	721	750	595	155
Contingency	4,000	4,000	-	4,000
Total general government	<u>78,652</u>	<u>79,481</u>	<u>73,765</u>	<u>5,716</u>
Public safety:				
Regulatory services	19,067	20,376	19,399	977
Coordinator - 911	9,878	9,951	9,714	237
Coordinator - Emergency management	1,205	1,205	1,170	35
Fire	65,086	65,086	66,166	(1,080)
Police	157,120	157,201	162,436	(5,235)
Total public safety	<u>252,356</u>	<u>253,819</u>	<u>258,885</u>	<u>(5,066)</u>
Public works:				
Administration	3,918	3,918	3,850	68
Engineering design	1,911	2,006	1,820	186
Field services	34,135	34,135	34,295	(160)
Transportation and special projects	19,115	19,296	19,585	(289)
Total public works	<u>59,079</u>	<u>59,355</u>	<u>59,550</u>	<u>(195)</u>
Culture and recreation - Library	<u>780</u>	<u>780</u>	<u>780</u>	<u>-</u>
Health and welfare - Health and family support	<u>10,409</u>	<u>10,476</u>	<u>10,426</u>	<u>50</u>
Community planning & economic development:				
Community planning & economic development	36,848	41,587	33,460	8,127
Coordinator - Neighborhood & community relations	264	264	264	-
Total community planning & economic development	<u>37,112</u>	<u>41,851</u>	<u>33,724</u>	<u>8,127</u>
Total expenditures	<u>438,388</u>	<u>445,762</u>	<u>437,130</u>	<u>8,632</u>
Excess (deficiency) of revenues over (under) expenditures	<u>41,384</u>	<u>34,053</u>	<u>56,490</u>	<u>22,437</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	12,470	12,499	12,499	-
Transfers to other funds	(59,387)	(69,388)	(59,388)	10,000
Total other financing sources (uses)	<u>(46,917)</u>	<u>(56,889)</u>	<u>(46,889)</u>	<u>10,000</u>
Net change in fund balance	(5,533)	(22,836)	9,601	32,437
Fund balance - January 1	<u>107,497</u>	<u>107,497</u>	<u>107,497</u>	<u>-</u>
Fund balance - December 31	<u>\$ 101,964</u>	<u>\$ 84,661</u>	<u>\$ 117,098</u>	<u>\$ 32,437</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, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 48,185	\$ 48,185	\$ 52,974	\$ 4,789
Intergovernmental revenues	-	-	1	1
Charges for services and sales	-	-	1,507	1,507
Special assessments	-	-	204	204
Investment earnings	539	539	1,517	978
Miscellaneous revenues	5,963	5,963	5,092	(871)
Total revenues	<u>54,687</u>	<u>54,687</u>	<u>61,295</u>	<u>6,608</u>
EXPENDITURES:				
Current:				
Community planning & economic development	<u>35,887</u>	<u>68,620</u>	<u>27,647</u>	<u>40,973</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,800</u>	<u>(13,933)</u>	<u>33,648</u>	<u>47,581</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	1,591	1,591	1,904	313
Transfers to other funds	<u>(20,669)</u>	<u>(24,183)</u>	<u>(22,523)</u>	<u>1,660</u>
Total other financing sources (uses)	<u>(19,078)</u>	<u>(22,592)</u>	<u>(20,619)</u>	<u>1,973</u>
Net change in fund balance	(278)	(36,525)	13,029	49,554
Fund balance - January 1	<u>202,129</u>	<u>202,129</u>	<u>202,129</u>	<u>-</u>
Fund balance - December 31	<u>\$ 201,851</u>	<u>\$ 165,604</u>	<u>\$ 215,158</u>	<u>\$ 49,554</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, 2017

(Dollar Amounts Expressed In Thousands)

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

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Contributions as a Percentage of Covered Payroll*** (b/d)
December 31, 2015	\$ 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%

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

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Contributions as a Percentage of Covered Payroll*** (b/d)
December 31, 2015	\$ 518	\$ 518	\$ -	\$ 2,447	21.2%
December 31, 2016	527	527	-	2,392	22.0%
December 31, 2017	538	538	-	2,706	19.9%

* 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, 2017

(Dollar Amounts Expressed In Thousands)

Schedule of City of Minneapolis' Proportionate Share of Net Pension Liability
 PERA General Employees Retirement Plan
 Required Supplementary 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 and the State's Related 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%

Schedule of Municipal Building Commission's Proportionate Share of Net Pension Liability
 PERA General Employees Retirement Plan
 Required Supplementary 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 and the State's Related 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%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

The measurement date for this schedule is June 30.

** For purposes of this schedule, covered payroll is defined as "pensionable wages."

The notes to the required supplemental information are an integral part of this schedule.

DEFINED BENEFIT PENSION PLANS

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2017

(Dollar Amounts Expressed In Thousands)

**Schedule of City of Minneapolis' Contributions
PERA Public Employees Police and Fire Plan
Required Supplementary Information (Last Ten Years*)**

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll*** (d)	Contributions as a Percentage of Covered Payroll**** (b/d)
December 31, 2015	\$ 28,504	\$ 28,504	\$ -	\$ 104,749	27.2%
December 31, 2016	31,460	31,460	-	109,924	28.6%
December 31, 2017	33,652	33,652	-	123,464	27.3%

**Schedule of City of Minneapolis' Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
Required Supplementary 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%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

** This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015. The measurement date for this schedule is June 30.

*** For purposes of this schedule, covered payroll is defined as "pensionable wages."

**** Statutorily required contributions include additional contributions as required by statute which affects contributions as a percentage of covered payroll.

The notes to the required supplemental information are an integral part of this schedule.

DEFINED BENEFIT PENSION PLANS

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2017

(Dollar Amounts Expressed In Thousands)

**Schedule of City of Minneapolis' Contributions
Teachers Retirement Association (Special Funding Situation)
Required Supplementary Information (Last Ten Years*)**

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll*** (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2015	\$ 2,250	\$ 2,250	\$ -	\$ -	N/A
December 31, 2016	2,250	2,250	-	-	N/A
December 31, 2017	2,250	2,250	-	-	N/A

**Schedule of City of Minneapolis' Proportionate Share of Net Pension Liability
Teachers Retirement Association (Special Funding Situation)
Required Supplementary 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%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

** This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.
The measurement date for this schedule is June 30.

*** 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, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 1 – BUDGETS

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATION

The legal level of budgetary control is at the department level within a fund. This means all Public Works departments report as one department, all Coordinator departments report as one department, and the Council and Clerk and Clerk – Elections departments report as one. The following departments in the General Fund had expenditures in excess of appropriation for the fiscal year ending December 31, 2017.

	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Clerk - Elections	\$ 1,635	\$ 2,389	\$ (754)
Fire	65,086	66,166	(1,080)
Police	157,201	162,436	(5,235)
Public Works	59,355	59,550	(195)

To mitigate the effects of these excess expenditures, the City regularly reviews budgetary performance and makes adjustments as necessary.

NOTE 3 – DEFINED BENEFIT PENSION PLANS

A – Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred:

General Employees Retirement Plan

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.

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.

For the Fiscal Year Ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

- 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

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.
- 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

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.

NOTE 3 – DEFINED BENEFIT PENSION PLANS

A – Changes in Actuarial Assumptions

Teachers Retirement Association Fund (continued)

- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years followed by 3.25 percent, thereafter.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- 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 – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2013	\$ -	\$ 118,093	\$ 118,093	0.0%	\$ 284,134	41.6%
1/1/2015	-	35,720	35,720	0.0%	329,441	10.8%
1/1/2017	-	34,807	34,807	0.0%	312,773	11.1%

B – Plan Changes Affecting Actuarial Accrued Liability

Changes to actuarial assumptions and plan participation caused a decrease in the actuarial accrued liability (AAL) between the valuations dated 1/1/2013 and 1/1/2015. Management reviewed and approved both the population data and actuarial assumptions used. Changes since prior valuation are explained below.

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from RP 2000 rates to the RP-2014 adjusted to 2006 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel).
- The withdrawal and retirement tables for non-police and fire employees were updated.
- The prior actuary assumed 20% of retirees electing medical coverage would also elect spousal coverage.
- This assumption was updated to assume that 85% of males and 65% of females are married and 30% of married retirees elect spousal coverage.
- The salary increase assumption was updated from 2.5% to 2.9%.
- The discount rate was changed from 3.00% to 3.50%.

**GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2017**

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	\$ 110,869	\$ 24,504	\$ 135,373
Investments with trustees	-	2,822	2,822
Receivables:			
Accounts - net	2,356	-	2,356
Taxes	318	984	1,302
Special assessments	849	-	849
Intergovernmental	7,078	-	7,078
Loans - net	24,413	-	24,413
Loans due from component unit	1,010	-	1,010
Accrued interest	268	54	322
Due from other funds	1,500	1,332	2,832
Properties held for resale	8,344	-	8,344
Total assets	<u>\$ 157,005</u>	<u>\$ 29,696</u>	<u>\$ 186,701</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Salaries payable	\$ 920	\$ -	\$ 920
Accounts payable	10,305	2	10,307
Due to other funds	1,500	1,332	2,832
Deposits held for others	2,277	-	2,277
Advances from other funds	-	849	849
Unearned revenue	5,505	-	5,505
Total liabilities	<u>20,507</u>	<u>2,183</u>	<u>22,690</u>
Deferred inflows of resources:			
Unavailable revenue	26,135	691	26,826
Fund balances:			
Restricted	12,821	28,861	41,682
Assigned	97,542	-	97,542
Unassigned	-	(2,039)	(2,039)
Total fund balances	<u>110,363</u>	<u>26,822</u>	<u>137,185</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 157,005</u>	<u>\$ 29,696</u>	<u>\$ 186,701</u>

**GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 For the Fiscal Year Ended December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental</u>
REVENUES:			
Taxes	\$ 26,196	\$ 46,778	\$ 72,974
Licenses and permits	970	-	970
Intergovernmental revenues	51,433	4,174	55,607
Charges for services and sales	11,633	-	11,633
Fines and forfeits	227	-	227
Special assessments	9,572	-	9,572
Investment earnings	1,080	434	1,514
Miscellaneous revenues	19,873	4,149	24,022
Total revenues	<u>120,984</u>	<u>55,535</u>	<u>176,519</u>
EXPENDITURES:			
Current:			
General government	27,007	-	27,007
Public safety	25,270	-	25,270
Public works	254	-	254
Health and welfare	13,371	-	13,371
Community planning & economic development	94,412	-	94,412
Intergovernmental:			
Public safety	111	-	111
Debt Service:			
Principal retirement	-	123,805	123,805
Interest and fiscal charges	-	13,565	13,565
Total expenditures	<u>160,425</u>	<u>137,370</u>	<u>297,795</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,441)</u>	<u>(81,835)</u>	<u>(121,276)</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	60,469	40,238	100,707
Transfers to other funds	(34,598)	(1,974)	(36,572)
Premium (discount)	-	1,427	1,427
Refunding bonds issued	-	39,915	39,915
Total other financing sources (uses)	<u>25,871</u>	<u>79,606</u>	<u>105,477</u>
Net change in fund balances	(13,570)	(2,229)	(15,799)
Fund balances - January 1	<u>123,933</u>	<u>29,051</u>	<u>152,984</u>
Fund balances - December 31	<u>\$ 110,363</u>	<u>\$ 26,822</u>	<u>\$ 137,185</u>



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**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Arena Reserve</u>	<u>Board of Estimate and Taxation</u>	<u>Convention Center</u>	<u>HUD Consolidated Plan</u>	<u>Self-Managed Special Service Districts</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 10,121	\$ 224	\$ 56,623	\$ 1,171	\$ 318
Receivables:					
Accounts - net	737	-	725	15	-
Taxes	-	2	-	-	-
Special assessments	-	-	-	-	10
Intergovernmental	-	-	-	-	-
Loans - net	-	-	-	24,413	-
Loans due from component unit	-	-	1,010	-	-
Accrued interest	30	-	166	-	1
Due from other funds	-	-	-	-	-
Properties held for resale	-	-	-	6,192	-
Total assets	<u>\$ 10,888</u>	<u>\$ 226</u>	<u>\$ 58,524</u>	<u>\$ 31,791</u>	<u>\$ 329</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>					
Liabilities:					
Salaries payable	\$ 6	\$ 8	\$ 390	\$ 98	\$ -
Accounts payable	2,211	4	3,685	1,017	5
Due to other funds	-	-	-	-	-
Deposits held for others	-	-	2,269	-	-
Unearned revenue	-	-	-	71	1
Total liabilities	<u>2,217</u>	<u>12</u>	<u>6,344</u>	<u>1,186</u>	<u>6</u>
Deferred inflows of resources:					
Unavailable revenue	<u>744</u>	<u>1</u>	<u>38</u>	<u>24,413</u>	<u>5</u>
Fund balances:					
Restricted	-	-	-	6,192	-
Assigned	<u>7,927</u>	<u>213</u>	<u>52,142</u>	<u>-</u>	<u>318</u>
Total fund balances	<u>7,927</u>	<u>213</u>	<u>52,142</u>	<u>6,192</u>	<u>318</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,888</u>	<u>\$ 226</u>	<u>\$ 58,524</u>	<u>\$ 31,791</u>	<u>\$ 329</u>

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2017**

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

(In Thousands)

<u>Employee Retirement</u>	<u>Grants-Federal</u>	<u>Grants-Other</u>	<u>Police</u>	<u>Neighborhood & Community Relations</u>	<u>Regulatory Services</u>	<u>Total</u>
\$ 28,995	\$ 85	\$ 4,069	\$ 2,224	\$ 3,507	\$ 3,532	\$ 110,869
-	66	143	621	-	49	2,356
316	-	-	-	-	-	318
-	-	-	-	-	839	849
-	3,584	3,470	-	-	24	7,078
-	-	-	-	-	-	24,413
-	-	-	-	-	-	1,010
61	-	-	-	-	10	268
-	-	1,500	-	-	-	1,500
-	952	1,200	-	-	-	8,344
<u>\$ 29,372</u>	<u>\$ 4,687</u>	<u>\$ 10,382</u>	<u>\$ 2,845</u>	<u>\$ 3,507</u>	<u>\$ 4,454</u>	<u>\$ 157,005</u>
\$ -	\$ 106	\$ 119	\$ 72	\$ 41	\$ 80	\$ 920
-	1,234	1,730	167	160	92	10,305
-	1,500	-	-	-	-	1,500
-	-	-	-	-	8	2,277
-	670	4,743	20	-	-	5,505
-	3,510	6,592	259	201	180	20,507
195	-	-	-	-	739	26,135
-	952	3,790	1,887	-	-	12,821
29,177	225	-	699	3,306	3,535	97,542
29,177	1,177	3,790	2,586	3,306	3,535	110,363
<u>\$ 29,372</u>	<u>\$ 4,687</u>	<u>\$ 10,382</u>	<u>\$ 2,845</u>	<u>\$ 3,507</u>	<u>\$ 4,454</u>	<u>\$ 157,005</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, 2017

(In Thousands)

	Arena Reserve	Board of Estimate and Taxation	Convention Center	HUD Consolidated Plan	Self-Managed Special Service Districts
REVENUES:					
Taxes	\$ 1,293	\$ 177	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	14,198	-
Charges for services and sales	-	-	6,613	2,289	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	30	6,693
Investment earnings	48	-	743	87	(8)
Miscellaneous revenues	1,433	-	13,215	613	-
Total revenues	<u>2,774</u>	<u>177</u>	<u>20,571</u>	<u>17,217</u>	<u>6,685</u>
EXPENDITURES:					
Current:					
General government	-	211	-	1,758	6,882
Public safety	-	-	-	768	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	715	-
Community planning & economic development	9,875	-	47,094	14,328	-
Intergovernmental:					
Public safety	-	-	-	-	-
Total expenditures	<u>9,875</u>	<u>211</u>	<u>47,094</u>	<u>17,569</u>	<u>6,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,101)</u>	<u>(34)</u>	<u>(26,523)</u>	<u>(352)</u>	<u>(197)</u>
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	3,940	4	49,786	-	250
Transfers to other funds	-	-	(34,598)	-	-
Total other financing sources (uses)	<u>3,940</u>	<u>4</u>	<u>15,188</u>	<u>-</u>	<u>250</u>
Net change in fund balances	(3,161)	(30)	(11,335)	(352)	53
Fund balances - January 1	<u>11,088</u>	<u>243</u>	<u>63,477</u>	<u>6,544</u>	<u>265</u>
Fund balances - December 31	<u>\$ 7,927</u>	<u>\$ 213</u>	<u>\$ 52,142</u>	<u>\$ 6,192</u>	<u>\$ 318</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, 2017

(In Thousands)

Employee Retirement	Grants-Federal	Grants-Other	Police	Neighborhood & Community Relations	Regulatory Services	Total
\$ 24,463	\$ -	\$ 39	\$ 224	\$ -	\$ -	\$ 26,196
-	-	-	892	-	78	970
4,761	14,153	17,983	338	-	-	51,433
-	169	1,189	1,334	-	39	11,633
-	-	-	154	-	73	227
-	-	1	-	-	2,848	9,572
170	-	4	3	-	33	1,080
3,303	118	1,191	-	-	-	19,873
<u>32,697</u>	<u>14,440</u>	<u>20,407</u>	<u>2,945</u>	<u>-</u>	<u>3,071</u>	<u>120,984</u>
16,515	547	1,094	-	-	-	27,007
13,648	3,170	982	2,798	-	3,904	25,270
-	230	24	-	-	-	254
-	7,239	5,417	-	-	-	13,371
-	3,300	12,679	-	6,898	238	94,412
-	111	-	-	-	-	111
<u>30,163</u>	<u>14,597</u>	<u>20,196</u>	<u>2,798</u>	<u>6,898</u>	<u>4,142</u>	<u>160,425</u>
<u>2,534</u>	<u>(157)</u>	<u>211</u>	<u>147</u>	<u>(6,898)</u>	<u>(1,071)</u>	<u>(39,441)</u>
-	-	1	-	6,488	-	60,469
-	-	-	-	-	-	(34,598)
-	-	1	-	6,488	-	25,871
2,534	(157)	212	147	(410)	(1,071)	(13,570)
26,643	1,334	3,578	2,439	3,716	4,606	123,933
<u>\$ 29,177</u>	<u>\$ 1,177</u>	<u>\$ 3,790</u>	<u>\$ 2,586</u>	<u>\$ 3,306</u>	<u>\$ 3,535</u>	<u>\$ 110,363</u>

DEBT SERVICE FUNDS
 COMBINING BALANCE SHEET
 NON-MAJOR FUNDS
 December 31, 2017

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Community Development Agency</u>	<u>Development</u>	<u>General Debt Service</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 221	\$ 144	\$ 24,139	\$ 24,504
Investments with trustees	2,822	-	-	2,822
Receivables:				
Taxes	-	-	984	984
Accrued interest	1	-	53	54
Due from other funds	-	-	1,332	1,332
Total assets	<u>\$ 3,044</u>	<u>\$ 144</u>	<u>\$ 26,508</u>	<u>\$ 29,696</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ 2	\$ -	\$ 2
Due to other funds	-	1,332	-	1,332
Advance from other funds	-	849	-	849
Total liabilities	<u>-</u>	<u>2,183</u>	<u>-</u>	<u>2,183</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	691	691
Fund balances:				
Restricted	3,044	-	25,817	28,861
Unassigned	-	(2,039)	-	(2,039)
Total fund balances:	<u>3,044</u>	<u>(2,039)</u>	<u>25,817</u>	<u>26,822</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,044</u>	<u>\$ 144</u>	<u>\$ 26,508</u>	<u>\$ 29,696</u>

DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
For the Fiscal Year Ended December 31, 2017

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Community Development Agency	Development	General Debt Service	Total
REVENUES:				
Taxes	\$ -	\$ -	\$ 46,778	\$ 46,778
Intergovernmental revenues	-	-	4,174	4,174
Investment earnings	13	26	395	434
Miscellaneous revenues	-	2,931	1,218	4,149
Total revenues	<u>13</u>	<u>2,957</u>	<u>52,565</u>	<u>55,535</u>
EXPENDITURES:				
Debt Service:				
Principal retirement	1,320	67,105	55,380	123,805
Interest and fiscal charges	779	9,455	3,331	13,565
Total expenditures	<u>2,099</u>	<u>76,560</u>	<u>58,711</u>	<u>137,370</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,086)</u>	<u>(73,603)</u>	<u>(6,146)</u>	<u>(81,835)</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4,128	35,116	994	40,238
Transfers to other funds	(1,904)	(70)	-	(1,974)
Premium (discount)	-	1,427	-	1,427
Refunding bonds issued	-	39,915	-	39,915
Total other financing sources (uses)	<u>2,224</u>	<u>76,388</u>	<u>994</u>	<u>79,606</u>
Net change in fund balances	138	2,785	(5,152)	(2,229)
Fund balances - January 1	<u>2,906</u>	<u>(4,824)</u>	<u>30,969</u>	<u>29,051</u>
Fund balances - December 31	<u>\$ 3,044</u>	<u>\$ (2,039)</u>	<u>\$ 25,817</u>	<u>\$ 26,822</u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
<u>ASSETS</u>							
Current assets:							
Cash and cash equivalents	\$ 1,527	\$ 23,572	\$ 8,098	\$ 30,350	\$ 1,988	\$ 90,007	\$ 155,542
Receivables:							
Accounts	10	1	75	127	-	8	221
Inventories	-	-	11	1,273	5,015	-	6,299
Properties held for resale	-	-	-	-	-	433	433
Prepaid items	-	2,180	-	-	-	-	2,180
Total current assets	<u>1,537</u>	<u>25,753</u>	<u>8,184</u>	<u>31,750</u>	<u>7,003</u>	<u>90,448</u>	<u>164,675</u>
Long-term assets:							
Advances to other funds	-	-	-	-	-	849	849
Capital assets:							
Non-depreciable:							
Land and easements	-	-	20,821	2,186	-	-	23,007
Construction in progress	-	9,258	188	4,632	-	-	14,078
Depreciable:							
Buildings and structures	-	-	25,588	30,061	-	-	55,649
Less accumulated depreciation	-	-	(21,961)	(10,895)	-	-	(32,856)
Public improvements	-	-	7,937	1,704	-	-	9,641
Less accumulated depreciation	-	-	(4,014)	(583)	-	-	(4,597)
Machinery and equipment	483	1,791	12,706	93,499	30	-	108,509
Less accumulated depreciation	(305)	(600)	(10,906)	(56,985)	(1)	-	(68,797)
Computer equipment	61	47,115	162	-	-	-	47,338
Less accumulated depreciation	(61)	(43,903)	(162)	-	-	-	(44,126)
Software	-	58,102	8	96	-	-	58,206
Less accumulated depreciation	-	(30,669)	(8)	(32)	-	-	(30,709)
Other capital outlay	15	-	21	-	-	-	36
Less accumulated depreciation	(15)	-	(21)	-	-	-	(36)
Total long - term assets	<u>178</u>	<u>41,094</u>	<u>30,359</u>	<u>63,683</u>	<u>29</u>	<u>849</u>	<u>136,192</u>
Total assets	<u>\$ 1,715</u>	<u>\$ 66,847</u>	<u>\$ 38,543</u>	<u>\$ 95,433</u>	<u>\$ 7,032</u>	<u>\$ 91,297</u>	<u>\$ 300,867</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>							
Deferred outflows - pensions	\$ 293	\$ 3,209	\$ 1,513	\$ 1,948	\$ 322	\$ 2,065	\$ 9,350
<u>LIABILITIES</u>							
Current liabilities:							
Salaries payable	\$ 26	\$ 329	\$ 182	\$ 194	\$ 29	\$ 175	\$ 935
Accounts payable	212	3,290	866	2,369	392	1,385	8,514
Deposits held for others	-	-	-	-	-	2	2
Interest payable	-	-	2	22	-	-	24
Unearned revenue	-	2,028	311	-	-	-	2,339
Bonds payable - current portion	-	-	853	9,081	-	-	9,934
Compensated absences payable - current portion	50	497	308	308	50	330	1,543
Unpaid claims payable - current portion	-	-	-	-	-	11,365	11,365
Total current liabilities	<u>288</u>	<u>6,144</u>	<u>2,522</u>	<u>11,974</u>	<u>471</u>	<u>13,257</u>	<u>34,656</u>
Long-term liabilities:							
Compensated absences payable	20	197	122	122	20	131	612
Other postemployment benefits	22	144	128	295	28	157	774
Net pension liability	1,398	15,302	7,217	9,291	1,534	9,849	44,591
Unpaid claims payable	-	-	-	-	-	43,727	43,727
Total long - term liabilities	<u>1,440</u>	<u>15,643</u>	<u>7,467</u>	<u>9,708</u>	<u>1,582</u>	<u>53,864</u>	<u>89,704</u>
Total liabilities	<u>\$ 1,728</u>	<u>\$ 21,787</u>	<u>\$ 9,989</u>	<u>\$ 21,682</u>	<u>\$ 2,053</u>	<u>\$ 67,121</u>	<u>\$ 124,360</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Deferred inflows - pensions	\$ 172	\$ 1,881	\$ 888	\$ 1,141	\$ 189	\$ 1,211	\$ 5,482
<u>NET POSITION</u>							
Net investment in capital assets	\$ 178	\$ 41,094	\$ 29,505	\$ 54,602	\$ 29	\$ -	\$ 125,408
Unrestricted	(70)	5,294	(326)	19,956	5,083	25,030	54,967
Total net position	<u>\$ 108</u>	<u>\$ 46,388</u>	<u>\$ 29,179</u>	<u>\$ 74,558</u>	<u>\$ 5,112</u>	<u>\$ 25,030</u>	<u>\$ 180,375</u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION**

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2017

(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
Operating revenues:							
Charges for services and sales	\$ 6,297	\$ 39,222	\$ 4,901	\$ 15,260	\$ 2,363	\$ 31,530	\$ 99,573
Fines and forfeits	-	-	-	-	-	10	10
Rents and commissions	-	-	19,657	18,918	-	-	38,575
Total operating revenues	6,297	39,222	24,558	34,178	2,363	31,540	138,158
Operating expenses:							
Personnel costs	1,308	12,313	7,982	8,408	1,335	16,656	48,002
Contractual services	804	22,329	14,364	6,430	269	8,636	52,832
Materials, supplies, services and other	4,498	4,554	1,818	6,133	143	5,503	22,649
Depreciation	9	9,725	794	7,554	1	-	18,083
Total operating expenses	6,619	48,921	24,958	28,525	1,748	30,795	141,566
Operating income (loss)	(322)	(9,699)	(400)	5,653	615	745	(3,408)
Nonoperating revenues (expenses):							
Investment earnings	-	-	-	-	-	31	31
Interest expense	-	-	(11)	(220)	-	-	(231)
Gain (loss) on disposal of capital assets	-	(14)	-	291	-	-	277
Other revenues	1	6	84	20	170	2,268	2,549
Total nonoperating revenues (expenses)	1	(8)	73	91	170	2,299	2,626
Income (loss) before transfers	(321)	(9,707)	(327)	5,744	785	3,044	(782)
Transfers in (out):							
Transfers from other funds	-	1,383	1,300	2,304	-	297	5,284
Transfers to other funds	-	(3,000)	(1,924)	-	-	(29)	(4,953)
Total transfers	-	(1,617)	(624)	2,304	-	268	331
Change in net position	(321)	(11,324)	(951)	8,048	785	3,312	(451)
Net position - January 1, restated (see Note 1Q)	429	57,712	30,130	66,510	4,327	21,718	180,826
Net position - December 31	\$ 108	\$ 46,388	\$ 29,179	\$ 74,558	\$ 5,112	\$ 25,030	\$ 180,375

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
Cash flows from operating activities:							
Cash received from customers	\$ 14	\$ 151	\$ 567	\$ 8	\$ 58	\$ 35	\$ 833
Cash received from interfund activities	6,287	38,574	24,305	34,214	7,674	31,540	142,594
Payments to suppliers	(4,630)	(25,809)	(14,648)	(7,451)	(5,674)	(7,701)	(65,913)
Payments to employees	(1,171)	(10,642)	(7,213)	(7,453)	(1,155)	(15,634)	(43,268)
Payments for interfund activities	(498)	(1,950)	(2,002)	(4,239)	(273)	(3,459)	(12,421)
Other nonoperating revenue	1	6	84	20	170	2,268	2,549
Net cash provided (used) by operating activities	3	330	1,093	15,099	800	7,049	24,374
Cash flows from non-capital financing activities:							
Transfers from other funds	-	1,383	1,300	2,304	-	297	5,284
Repayment of advance from other funds	-	-	-	-	-	2,646	2,646
Interest paid on advance from other funds	-	-	-	-	-	31	31
Transfers to other funds	-	(3,000)	(1,924)	-	-	(29)	(4,953)
Net cash provided (used) by non-capital financing activities	-	(1,617)	(624)	2,304	-	2,945	3,008
Cash flows from capital and related financing activities:							
Principal paid on bonds	-	-	(820)	(2,340)	-	-	(3,160)
Interest paid on bonds	-	-	(49)	(337)	-	-	(386)
Acquisition and construction of capital assets	(21)	(6,009)	(106)	(11,623)	(30)	-	(17,789)
Proceeds from sale of capital assets	-	-	-	334	-	-	334
Net cash provided (used) by capital and related financing activities	(21)	(6,009)	(975)	(13,966)	(30)	-	(21,001)
Net increase (decrease) in cash and cash equivalents	(18)	(7,296)	(506)	3,437	770	9,994	6,381
Cash and cash equivalents, beginning of year	1,545	30,868	8,604	26,913	1,218	80,013	149,161
Cash and cash equivalents, end of year	\$ 1,527	\$ 23,572	\$ 8,098	\$ 30,350	\$ 1,988	\$ 90,007	\$ 155,542
Reconciliation of operating income to net cash provided (used) by operating activities							
Operating income (loss)	\$ (322)	\$ (9,699)	\$ (400)	\$ 5,653	\$ 615	\$ 745	\$ (3,408)
Adjustment to reconcile change in net position to net cash provided (used) by operating activities:							
Depreciation	9	9,725	794	7,554	1	-	18,083
Accounts receivable	4	(1)	3	2	-	34	42
Intergovernmental receivable	-	-	-	41	-	-	41
Inventories	-	-	2	(83)	(219)	-	(300)
Prepaid items	-	(570)	-	-	-	-	(570)
Deferred outflows - pensions	350	3,832	1,807	2,327	384	2,467	11,167
Salaries payable	(2)	20	3	(35)	5	(2)	(11)
Accounts payable	174	(306)	(470)	957	54	(244)	165
Unearned revenue	-	(496)	311	-	-	-	(185)
Compensated absences payable	(4)	84	25	35	16	13	169
Other postemployment benefits	-	3	2	5	-	3	13
Net pension liability	(231)	(2,528)	(1,192)	(1,535)	(253)	(1,627)	(7,366)
Unpaid claims payable	-	-	-	-	-	3,224	3,224
Deferred inflows - pensions	24	260	124	158	27	168	761
Other nonoperating revenue	1	6	84	20	170	2,268	2,549
Net cash provided (used) by operating activities	\$ 3	\$ 330	\$ 1,093	\$ 15,099	\$ 800	\$ 7,049	\$ 24,374
Non-cash investing, capital and financing activities:							
Loss on disposal of capital assets	\$ -	\$ (14)	\$ -	\$ (72)	\$ -	\$ -	\$ (86)
Sale of capital assets on account	-	-	-	116	-	-	116