

**NEW ISSUE \$112,480,000
NOT BANK-QUALIFIED**

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

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



**CITY OF MINNEAPOLIS, MINNESOTA
\$112,480,000
General Obligation Bonds, Series 2021**

Dated Date of Bonds: Date of Delivery

Interest Payment Dates: Each June 1 and December 1, commencing June 1, 2022

The General Obligation Bonds, Series 2021 (the "Bonds"), of the City of Minneapolis, Minnesota (the "City") will mature as shown on the inside front cover of this Final Official Statement.

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444, and 475, as amended, including Section 475.521, and Section 9.4 of Article IX of the City Charter to finance the construction of various assessable public improvements, utility system improvements, parking projects, capital projects, and capital improvements.

The City may elect on December 1, 2029, and on any date thereafter, to redeem the Bonds due on or after December 1, 2030, in whole or in part, at a price of par, plus accrued interest to the date of redemption as discussed herein. See "THE BONDS – Redemption Provisions."

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

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

The Bonds are offered when, as and if issued by the City and accepted by the underwriter, subject to the legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota, as bond counsel. It is expected that delivery will be made on or about November 18, 2021.

The date of this Final Official Statement is November 5, 2021.

CITY OF MINNEAPOLIS, MINNESOTA
\$112,480,000
General Obligation Bonds
Series 2021

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

Maturity	Amount	Interest Rate	Yield	Price	CUSIP* 60375B
June 1, 2022	\$ 370,000	4.000%	0.160%	102.056%	KE5
December 1, 2022	13,065,000	4.000	0.180	103.952	KF2
December 1, 2023	12,980,000	4.000	0.280	107.547	KG0
December 1, 2024	13,005,000	4.000	0.370	110.949	KH8
December 1, 2025	13,040,000	4.000	0.550	113.752	KJ4
December 1, 2026	12,235,000	4.000	0.710	116.247	KK1
December 1, 2027	6,190,000	4.000	0.890	118.237	KL9
December 1, 2028	6,190,000	4.000	1.010	120.258	KM7
December 1, 2029	6,195,000	4.000	1.140	121.902	KN5
December 1, 2030**	6,200,000	3.000	1.380	112.282	KP0
December 1, 2031**	6,205,000	3.000	1.550	110.915	KQ8
December 1, 2032**	2,760,000	3.000	1.630	110.279	KR6
December 1, 2033**	2,765,000	3.000	1.710	109.646	KS4
December 1, 2034**	2,765,000	3.000	1.840	108.628	KT2
December 1, 2035**	2,770,000	3.000	1.860	108.472	KU9
December 1, 2036	2,780,000	2.125	2.240	98.538	KV7
December 1, 2037	735,000	2.125	2.250	98.324	KW5
December 1, 2038	740,000	2.125	2.258	98.125	KX3
December 1, 2039	745,000	2.125	2.304	97.375	KY1
December 1, 2040	745,000	2.250	2.332	98.750	KZ8

*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 underwriter make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**Priced to first optional redemption date of December 1, 2029.

The Bonds maturing on June 1, 2022 and on December 1 in the years 2022 through 2035 have been sold with original issue premium. The Bonds maturing on December 1 in the years 2036 through 2040 have been sold with original issue discount.

BofA Securities has agreed to purchase the Bonds from the City for an aggregate price of \$125,014,899.88, plus accrued interest, if any, to the date of delivery. It is expected that the Bonds will be available for delivery on or about November 18, 2021.

CITY OF MINNEAPOLIS



Mayor and City Council

Mayor

Jacob Frey

Council Members

Kevin Reich (Ward 1)

Cam Gordon (Ward 2)

Steve Fletcher (Ward 3)

Phillipe M. Cunningham (Ward 4)

Jeremiah Ellison (Ward 5)

Jamal Osman (Ward 6)

Lisa R. Goodman (Ward 7)

Andrea Jenkins, Council Vice President (Ward 8)

Alondra Cano (Ward 9)

Lisa Bender, Council President (Ward 10)

Jeremy Schroeder (Ward 11)

Andrew Johnson (Ward 12)

Linea Palmisano (Ward 13)

Board of Estimate and Taxation

David Wheeler, President

Carol Becker, Vice President

Jacob Frey, Mayor

Lisa Bender, Council President

Steve Fletcher, Vice Chair of Budget Committee

Londel French, Minneapolis Park and Recreation Board Commissioner At Large

Administration

Heather Johnston, Interim City Coordinator

Dushani Dye, Finance Officer

Municipal Advisor

Ehlers and Associates, Inc.

Roseville, Minnesota

Bond Counsel

Kennedy & Graven, Chartered

Minneapolis, Minnesota

This Final Official Statement, dated November 5, 2021, is a final official statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

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

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

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

This Final Official Statement contains forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Preliminary 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 Preliminary Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the City’s expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

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

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CITY OF MINNEAPOLIS, MINNESOTA
\$112,480,000
General Obligation Bonds
Series 2021

INTRODUCTORY STATEMENT

This Final Official Statement presents certain information relating to the City of Minneapolis, Hennepin County, and State of Minnesota (the “City,” the “County,” and the “State,” respectively), in connection with the sale of the City’s General Obligation Bonds, Series 2021 (the “Bonds”), in the original aggregate principal amount of \$112,480,000.

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

The Bonds are general obligations of the City, and the City is required to levy general ad valorem taxes on all taxable property within the City without limitation as to rate or amount to pay principal and interest when due. Portions of the debt service on the Bonds are payable primarily from dedicated revenue sources. See “THE BONDS – Security for the Bonds” herein.

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

The Bonds will bear interest at fixed rates based on the competitive sale thereof described herein.

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

Information relating to the City, including certain financial and demographic data, is set forth in APPENDIX A attached hereto. Selected portions of the financial statements of the City for the fiscal year ended December 31, 2020, are set forth in APPENDIX D attached hereto. The City’s 2020 Annual Comprehensive Financial Report and the Financial Status Report for the fiscal quarter ended June 30, 2021 can be viewed at the following websites:

<https://www2.minneapolismn.gov/government/departments/finance/financial-reports/comprehensive-annual-financial-report/>
<https://www2.minneapolismn.gov/government/departments/finance/financial-reports/financial-status-reports/>

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

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

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

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

The City official able to furnish basic documents and answer questions about this Final Official Statement or who can direct inquiries to the appropriate responsible parties is the Finance Officer, Room 325M City Hall, Minneapolis, Minnesota 55415, Telephone (612) 673-3241, Fax (612) 673-2042.

THE BONDS

Description of the Bonds

The Bonds will be dated November 18, 2021, as the date of original issue, and will bear interest payable on June 1 and December 1 of each year, commencing June 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the immediately preceding month. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

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

Authorization and Purpose for Issuance of the Bonds

A portion of the Bonds in the principal amount of \$7,005,000 (the "Assessment Bonds") will be used to finance the construction of various assessable public improvement projects within the City. A portion of the Bonds in the principal amount of \$46,210,000 (the "Utility Revenue Bonds") will be used to finance the construction of various improvements to the municipal water system, the municipal storm water system, the municipal sanitary sewer system, and the municipal solid waste system. A portion of the Bonds in the principal amount of \$9,000,000 (the "Parking Revenue Bonds") will be used to finance the construction of parking projects in the City. A portion of the Bonds in the principal amount of \$46,345,000 (the "Various Purpose Bonds") will be used to finance the construction of various capital projects within the City. A portion of the Bonds in the principal amount of \$3,920,000 (the "CIP Bonds") will be used to finance the construction of capital improvements.

Assessment Bonds

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

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

Utility Revenue Bonds

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

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

Parking Revenue Bonds

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

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

Various Purpose Bonds

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

A listing of the capital and enterprise projects to be financed with the proceeds of the Various Purpose Bonds is provided herein under “SOURCES AND USES OF FUNDS.”

CIP Bonds

The CIP Bonds are issued pursuant to the Constitution and laws of the State, including Minnesota Statutes, Chapter 475, as amended, including Section 475.521, and the City Charter, which permit the City to authorize, sell and issue general obligation bonds for capital improvements and projects. Principal of the CIP Bonds will be used to finance capital improvements and projects within the City as authorized under the City’s 2018 through 2022 Five-Year Capital Improvement Plan.

In accordance with Minnesota Statutes, Section 475.521, the amount of principal and interest due in any year on all outstanding capital improvement plan bonds of the City may not be equal to or exceed 0.16% of the estimated market value of property in the City for taxes payable in the year in which the CIP Bonds are issued or sold. The estimated market value of taxable property in the City for taxes payable year 2021 is \$57,835,851,178. This results in a maximum annual debt service on all capital improvement plan bonds, including the CIP Bonds, outstanding at any time of \$92,537,362.

A listing of the capital improvements and projects to be financed with the proceeds of the CIP Bonds is provided herein under “SOURCES AND USES OF FUNDS.”

Security for the Bonds

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

Assessment Bonds

The Assessment Bonds are general obligations of the City payable primarily from special assessments levied by the City. Pursuant to the City Charter and the Bond Resolutions approving the issuance and sale of the Assessment Bonds, the full faith and credit of the City will be pledged to the payment of the principal of and interest on the Assessment Bonds and the City has bound itself to levy ad valorem taxes if there are any deficiencies in the collection of the special assessments.

Utility Revenue Bonds

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

Parking Revenue Bonds

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

Various Purpose Bonds

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

CIP Bonds

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

Tax Levy

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

Redemption Provisions

Redemption Option

The Bonds maturing on or after December 1, 2030 are subject to redemption and prior payment in whole or in part at the option of the City at a redemption price of par plus accrued interest on December 1, 2029, and any date thereafter.

Notice of Redemption

At least 30 days prior to the redemption date of the Bonds, notice of any such redemption shall be delivered to DTC, as the registered owner. In the case of partial redemption, the City will determine the principal amount of Bonds to be redeemed from each maturity of Bonds. DTC will determine by lot the amount of each participant's interest in such maturity of such series to be called for redemption, and each participant will then select by lot the ownership interests in such maturity to be redeemed.

Book-Entry System

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

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SOURCES AND USES OF FUNDS

SOURCES

Principal Amount of Assessment Bonds	\$ 7,005,000.00
Principal Amount of Utility Revenue Bonds	46,210,000.00
Principal Amount of Parking Revenue Bonds	9,000,000.00
Principal Amount of Various Purpose Bonds	46,345,000.00
Principal Amount of CIP Bonds	3,920,000.00
Net Reoffering Premium	<u>12,814,909.40</u>
Total Sources	\$125,294,909.40

USES

Improvement Projects

Abandonment/Removal	\$ 98,733.55
Street Concrete Rehabilitation	869,490.45
Street Improvements	1,352,884.82
Street Lighting	192,803.58
Street Reconstruction	1,938,315.14
Street Resurfacing	<u>3,087,598.48</u>
Subtotal Improvement Projects	\$7,539,826.02

Utility Projects

Municipal Water System Improvements	\$17,725,391.00
Municipal Storm Water System Improvements	10,375,000.00
Municipal Sanitary Sewer System Improvements	16,675,000.00
Municipal Solid Waste Improvements	<u>6,779,000.00</u>
Subtotal Utility Projects	\$51,554,391.00

Parking Projects

Impound Lot Facility	\$4,400,000.00
Meter Replacement	<u>5,508,187.00</u>
Subtotal Utility Projects	\$9,908,187.00

Various Capital Projects

Art in Public Places	\$ 656,000.00
Protected Bikeways Program	1,870,000.00
Bridge Programs, Repair, and Rehabilitation	3,175,074.00
Diseased Tree Removal Program	300,000.00
Municipal Building Improvements and Elevators	1,005,000.00
Fire Station No. 1 Renovation and Expansion	12,848,000.00
Park Improvements	7,018,856.00
Pedestrian Improvements and Programs	2,858,000.00
Public Safety Radio System Improvements	2,200,000.00
Sidewalk Improvements	760,000.00
Street and Alley Improvements, Resurfacing, Paving, and Reconstruction	12,844,340.00
Traffic Management, Signals, Signs, Lights, and Safety Improvements	5,274,000.00
Vision Zero Program	<u>700,000.00</u>
Subtotal Various Capital Projects	\$51,509,270.00

Capital Improvements	
Renovation of City Hall	\$4,353,225.86
Subtotal Capital Improvements	\$4,353,225.86
Total Cost of Projects	\$124,864,899.88

OTHER USES

Costs of Issuance, including Underwriter’s Discount	\$ 430,009.52
Total Uses	\$125,294,909.40

CONTINUING DISCLOSURE

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

To the best of its knowledge, the City has fully complied in all material respects with its continuing disclosure undertakings with respect to its governmental obligations, including all general obligation and revenue bonds issued by the City for which the City is an obligor. The City satisfies its continuing disclosure undertakings with the assistance of Digital Assurance Certification, LLC (“DAC”).

The City operates a Common Bond Fund Program (the “CBF Program”). The CBF Program was created in 1982 to provide conduit revenue bond financing for industrial, manufacturing, and commercial projects to promote economic development. The CBF Program has provided financing for companies located in Minneapolis and the greater Hennepin County area that are unable to borrow funds in the capital markets without a bond rating. The City has established reserves to secure the private activity bonds issued under the CBF Program and has pledged to levy an ad valorem tax at the rate of up to one-half of one percent of its tax capacity to fund deficiencies in the reserves established under the CBF Program for the limited, tax-supported revenue bonds issued under the CBF Program. The reserves are drawn upon if the City is notified by the trustee for the bonds that a deficiency will occur with respect to principal and interest payments on obligations issued through the CBF Program. The reserves do not need to be funded from the limited tax levy until and to the extent of such a deficiency. No property tax levies have been required in the past and none are anticipated to be required to fund the pledged reserve for bonds issued under the CBF Program. As a result of the funded reserves and the limited tax pledge by the City, the bonds issued under the CBF Program are currently rated “A+” by S&P Global Ratings. As of October 1, 2021, the total principal amount of the three series of bonds issued and outstanding under the CBF Program was \$40,170,000.

The continuing disclosure agreements entered into by the City and the trustee for the CBF Program require the City to provide: (i) updates to certain information set forth in the CBF Program official statements including

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

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

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

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

TAX EXEMPTION

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

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

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

OTHER FEDERAL AND STATE TAX CONSIDERATIONS

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

Property and Casualty Insurance Companies

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

Branch Profits Tax and Foreign Insurance Companies

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

Passive Investment of S Corporations

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

Not Bank-Qualified Tax-Exempt Obligations

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

Future Law Changes

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond

Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

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

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

ORIGINAL ISSUE PREMIUM AND ORIGINAL ISSUE DISCOUNT

Original Issue Premium

The Bonds maturing on June 1, 2022 and on December 1 of the years 2022 through 2035 have been sold to the public at an amount in excess of their stated redemption price at maturity (the “Premium Bonds”). Such excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes an original issue premium with respect to such Premium Bonds. An owner of a Premium Bond must amortize the premium over the term of the Premium Bond using constant yield principles, based on the owner’s yield to maturity. As original issue premium is amortized, the basis in the Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or other disposition of such Bond prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Holders of any Premium Bonds, whether purchased at the time of initial issuance or subsequent thereto, should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning Premium Bonds.

Original Issue Discount

The Bonds maturing on December 1 of the years 2036 through 2040 have been sold at a discount from the principal amount payable on such Bonds at maturity (the “Discount Bonds”). The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the “Issue Price”) and the principal amount payable at maturity constitutes “original issue discount. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period and will increase the owner’s tax basis in such Discount Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Discount Bond will be treated as gain from the sale or exchange of such Discount Bond. Holders of Discount Bonds should consult their tax advisors with respect to computation and accrual of original issue discount and with respect to the state and local tax consequences of owning Discount Bonds.

INVESTMENT CONSIDERATIONS

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

Impacts Due to Coronavirus (COVID-19)

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

Due to the economic impacts of COVID-19, and the resulting recession, City of Minneapolis sales tax revenues were affected. Losses were across a number of revenue sources, with the largest impacts being to local option sales taxes (\$44,400,000) in 2020. The City deployed a number of cost containment measures to mitigate the effects of the reduced revenues. As a result, the General Fund ended 2020 with a fund balance of \$167,700,000, an increase of \$39,600,000 over the beginning balance of \$128,100,00. Special revenue funds finished 2020 with a total increase to fund balance of \$16,000,000.

As the federal, state, and local governments, including the City, continue efforts to contain and limit the spread of COVID-19, tax and other revenue collections continue to deviate from historical or anticipated collections. The 2021 adopted budget and the 2022 budget were prepared with the reduced revenue collections and planning for sustained service delivery including funding for debt obligations.

Liabilities Related to Civil Unrest

The City is facing potential liabilities from lawsuits and from City workers' compensation claims that are higher than historical averages. The City Attorney's Office is quantifying potential liability claims on a regular basis. The City's Finance and Property Services department is also quantifying workers' compensation claims. The estimates inform the City's third-party actuarial projections performed each year. Based upon these calculations, the City is increasing annual department budget allocations for the City's self-insurance funds and making transfers of \$12,000,000 to both the workers' compensation fund and the liability self-insurance fund in 2022. Additionally, the City will continue to monitor claims exposure and will adjust budget allocations and the five-year financial direction/financial plan based on current claims data at least annually.

Reorganization of City's Police Department

In 2020, the City Council forwarded a ballot proposal to the City's Charter Commission that would create a department of community safety with a division of the new department to continue existing core services involving licensed peace officers as required under state law. Currently, the City's Police Chief and the Police Department report to the Mayor. The City's Police Department in 2021 continues to function as it has historically but with fewer officers. Currently the Police Department has a force of 770 sworn officers, down from 888 officers in 2020. In the 2021 Budget, many departments held open vacant positions to achieve savings and eliminate the need for layoffs. The Police Department experienced higher than typical attrition in 2020 and 2021. This made it possible to achieve savings without the need for layoffs in the police department by funding the department at the level of officers remaining on staff in 2021.

In addition to the vacancy savings in the 2021 budget, City Council moved two divisions out of MPD and into other departments: Crime Prevention Specialists were moved to the Neighborhood and Community Relations Department and the Community Navigators were moved to the Office of Violence Prevention.

The City referred three questions to voters this November. The proposed charter amendment which would have replaced the Police Department with a Department of Public Safety failed. The charter amendments to change the current government structure to an Executive Mayor form of government and to authorize the development of an ordinance limiting rent increases were passed by the voters.

Continuity of City Operations

The Mayor of Minneapolis, with the endorsement of the City Council, declared a local public health emergency on March 16, 2020. The public health emergency continues, as its duration is tied to the Governor of Minnesota's public health emergency declaration. The local public health emergency gives the Mayor certain powers including suspending certain City rules and imposing restrictions on public gatherings and business practices. The current emergency declaration expires on November 7, 2021, at which time, the Council may extend the emergency declaration. Meetings of the City Council and its Committees, and of the boards and commissions of the City, will continue to be conducted by telephonic or other interactive technology pending a transition plan and an effective date for the resumption of in-person meetings that is approved by City Council.

The list of previous and current emergency regulations issued by the Mayor can be found on the City's website at <https://www.minneapolismn.gov/government/mayor/official-notice/>.

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

Basic operations of the City such as public safety services, building inspections, water, and trash services, have been provided continuously since March 2020. Public and private construction projects have continued throughout the pandemic as well.

The primary impacts of the pandemic on municipal operations have been related to the City's convention center and parking operations. With an increase in events at the convention center, employees who were on budgetary leave have returned to work.

The convention center was also used as a site for COVID testing, vaccinations, and elections during the last 18 months.

City employees who have been working remotely during the pandemic have begun returning to office gradually as vaccination rates have increased in the City.

Cybersecurity

The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact. To reduce the risk of a cyberattack, the

City employs five people who have implemented programs and controls to help prevent breaches such as those that have occurred in other cities.

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

Redundancy is built into City systems in the event of an attach or breach. Network security controls include network segmentation, controlled third party and vendor access to restrict access to required resources only, and network access controls to prevent unauthorized devices from connecting to the network. In addition to in-house forensics tools and capabilities for investigating incidents, the City leverages security event and incident management for log correlation, analysis, and investigations. Additionally, the City's security staff has been trained and certified in information security and the department has developed and cultivated relationships with public and private sector security resources to stay abreast of threats and countermeasures. During 2021, the City upgraded its internal and external firewall infrastructure.

The City of Minneapolis has cybersecurity insurance in place. Additional security was put in place after the unrest of 2020 to further protect the City's systems, including distributed denial-of-service protections and another firewall was added for better monitoring. There have been no ongoing disruptions to date. City data is in some cases shared with other entities. The City is not aware of any City data being compromised or breached.

Climate Change and Resiliency

Minnesota is a cold weather state that has been experiencing a rapid change in the number and severity of localized weather events as a result of increasing global temperatures. In 2021, Minneapolis experienced twice as many days above 90 degrees as it does on average. Future changes to the climate in Minnesota will produce ecological, environmental, and economic impacts on the State and the City.

To address climate change, the City has adopted the City's Climate Action Plan which documents the City's strategies to reduce resource use and greenhouse gas emissions and includes strategies to achieve a just energy transition and reduce the impacts of pollution on frontline communities of color. These strategies include a policy to achieve 100% renewable electricity for all city operations by 2023 and a blueprint for achieving 100% community-wide renewable electricity by 2030. New city facilities will be on a glide path to net zero buildings by 2030 showing the way for all commercial buildings to be net zero by 2036. These changes are tracked and monitored to measure progress toward achieving the City's environmental goals. Over the last several years, the city implemented a full suite of energy transparency requirements for commercial and residential properties such as the Building Benchmarking Program and Truth in Sale of Housing energy reports that drive energy efficiency improvements and demonstrate progress toward the City's Climate Action Plan goals.

To learn more about the City's plans for climate change resiliency, please see the following website: <https://www2.minneapolismn.gov/resident-services/emergency-preparedness/public-health/>.

Dependence on Property Tax Payments

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

State Actions

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

Economy

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

Maintenance of Ratings

In the future, the City's credit rating(s) may be reduced or withdrawn, which may result in a reduction in the value of the Bonds for resale prior to maturity.

Secondary Market

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

Bankruptcy

The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Future Changes in Law

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

Continuing Disclosure

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

CONCURRENT FINANCING

Concurrently with the issuance of the Bonds, the City will issue its Taxable General Obligation Housing Improvement Area Bonds, Series 2021 (the "Taxable HIA Bonds"), in the original aggregate principal amount of \$15,860,000. The City will use the proceeds of the Taxable HIA Bonds to finance repairs and improvements to housing units within the Summit House Housing Improvement Area in the City.

FUTURE FINANCING

The City does not anticipate issuing bonds within the next 90 days.

LITIGATION

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

Various cases and claims are pending against the City involving claims for money damages. Due to the recent civil unrest, the City has a larger than normal number of pending cases and claims that may result in larger than normal claims for money damages. Based on the City's past experience, resolution of these cases and claims should not have a material adverse effect on the financial position of the City or its ability to make Bond payments.

LEGAL MATTERS

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

MUNICIPAL ADVISOR

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

UNDERWRITING

BofA Securities (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 \$125,014,899.88 (par amount of \$112,480,000.00, plus original issue premium of \$12,910,615.35, less original issue discount of \$95,705.95, less Underwriter’s discount of \$280,009.52). The Underwriter for the Bonds will be obligated to purchase all the Bonds if any are purchased. The initial public offering prices of the Bonds may be changed from time to time by the Underwriter for the Bonds.

RATINGS

S&P Global Ratings has assigned the Bonds a rating of AAA. Fitch Ratings has assigned the Bonds a rating of AA+. Such ratings reflect only the views of such rating agencies, and an explanation of the significance of such ratings may be obtained only from the respective rating agencies. Generally, rating agencies base their ratings on the information and materials furnished to them and on investigation, studies and assumptions by the rating agencies. A securities rating is not a recommendation to buy, sell, or hold securities. The ratings of the Bonds represent judgments as to the likelihood of timely payment of the Bonds according to their terms, but do not address the likelihood of redemption or acceleration prior to maturity. There is no assurance that such ratings will remain in effect for any given period or that they may not be lowered, suspended or withdrawn entirely if, in the judgment of the rating agencies, circumstances so warrant. Any such downward change in or suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the Bonds.

OFFICIAL STATEMENT CERTIFICATION

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

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APPENDIX A

GENERAL INFORMATION CONCERNING THE CITY

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

THE CITY

The City is a political subdivision of the State incorporated in 1867, organized and existing under the Constitution and laws of the State and the City Charter, as amended. The corporate limits of the City encompass approximately 58.7 square miles and U.S. Census figures indicated the 2020 population of the City to be 429,954. The Metropolitan Council's estimate of the City's 2019 population was 435,885.

City Officers

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

The question of whether a change to the City's Charter should be made to change the City's form of government to an Executive Mayor-Legislative Council structure, which would shift certain powers to the Mayor, consolidating administrative authority over all operating departments under the Mayor, was considered by voters in the City on November 2, 2021. This ballot measure was approved by a majority of voters. The change to an Executive Mayor-Legislative Council structure will likely result in changes in the administration of the various city departments described below

The City Council operates through committees which typically meet during the two weeks preceding the City Council's meeting. Committees include the Audit Committee; the Budget Committee; the Business, Inspections, Housing & Zoning Committee; the Committee of the Whole; the Executive Committee; the Policy & Government Oversight Committee; the Public Health & Safety Committee; and the Transportation & Public Works Committee.

City Departments

Under the City Charter, the operating departments of the City include City Coordinator, City Clerk, City Assessor, Finance & Property Services, City Attorney, Civil Rights, Community Planning and Economic Development, Fire, Health, Police, Public Works, Regulatory Services, Communications, Human Resources, Information & Technology, Intergovernmental Relations, Neighborhood and Community Relations, and Emergency Management. 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 service, 911 service, and Emergency Management activities.

Related Boards

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

The Board of Estimate and Taxation (the "Board") is comprised of six members, two of whom are elected by the voters of the City. The Mayor, the President of the City Council, and the Chair of the City Council committee whose charge includes the budget are ex-officio members of the Board, and the Minneapolis

Park and Recreation Board selects one member from its board to serve on the Board. The Board authorizes certain City indebtedness and establishes the maximum property tax levies each year.

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

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

Year of Value	Year of Tax Collection	Economic Market Value⁽¹⁾	Assessor's Estimated Market Value	Unadjusted Net Tax Capacity Total	Value Capture and Tax Increment⁽²⁾	Fiscal Disparity Contribution	Fiscal Disparity Distribution	Net Tax Capacity
2020	2021	\$62,526,634,624	\$59,353,035,536	\$749,489,246	(\$27,994,628)	(\$88,352,397)	\$63,956,743	697,098,964
2019	2020	58,139,145,870	56,339,969,336	707,901,886	(59,366,690)	(83,291,299)	59,918,256	625,162,153
2018	2019	55,385,305,984	52,725,405,700	662,230,493	(56,428,149)	(76,704,603)	57,332,401	586,430,142
2017	2018	52,332,573,256	47,947,932,200	601,211,854	(52,450,899)	(70,076,963)	54,851,682	533,535,674
2016	2017	47,235,357,618	44,067,523,400	549,921,260	(46,716,798)	(62,272,973)	52,548,027	493,479,516

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

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

VALUE CAPTURE AND TAX INCREMENT

Year of Value	Year of Tax Collection	Tax Increment	Value Capture	Value Capture & Tax Increment	\$ Change	% Change
2020	2021	\$21,942,238	\$6,052,390	\$27,994,628	(\$31,372,062)	-52.84%
2019	2020	53,494,443	5,872,247	59,366,690	2,938,541	0.05
2018	2019	50,540,375	5,887,774	56,428,149	3,977,250	7.58
2017	2018	46,870,228	5,580,671	52,450,899	5,734,101	12.27
2016	2017	41,292,027	5,424,771	46,716,798	6,208,603	15.33

TAXABLE MARKET VALUES

Year of Collection	Personal Property	Real Estate	Total	\$ Change	% Change
2021	\$555,939,206	\$57,835,851,178	\$58,391,790,384	\$3,042,822,538	5.50%
2020	552,053,486	54,796,914,360	55,348,967,846	3,684,941,952	7.13
2019	530,279,546	51,133,746,348	51,664,025,894	4,889,795,854	10.45
2018	520,854,555	46,253,375,485	46,774,230,040	3,961,641,997	9.25
2017	475,142,935	42,337,445,108	42,812,588,043	3,859,866,882	9.91

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

Valuation Year Collection Year	2020	2019	2018	2017	2016
	2021	2020	2019	2018	2017
Commercial & Industrial	\$229,622	\$213,547	\$206,139	\$194,215	\$182,713
Residential	346,968	337,197	317,646	285,311	262,809
Apartment	137,506	122,896	108,593	96,174	85,311
Other	342	357	340	312	288
Total Real Property	714,438	673,997	632,718	576,012	531,121
Personal Property	10,615	10,531	10,494	9,975	9,075
Total Real and Personal Property	725,053	684,528	643,212	585,987	540,196
Less Tax Increment	(21,942)	(53,494)	(50,540)	(46,870)	(41,292)
Less Value Capture	(6,052)	(5,872)	(5,888)	(5,581)	(5,425)
Net Tax Capacity	\$697,059	\$625,162	\$586,430	\$533,536	\$493,479

TAX RATES FOR TAX CAPACITY

Governmental Unit	Tax Collection Year					
	2021	2020	2019	2018	2017	2016
City	54.880%	57.920%	57.312%	59.556%	61.129%	62.437%
Special School District 1	18.692	21.102	22.190	22.291	20.410	21.165
County	38.081	40.913	41.690	42.654	43.925	45.203
Other	5.759	5.726	5.978	6.240	6.416	6.430
Totals	117.412%	125.66%	127.17%	130.74%	131.88%	135.24%

TAX RATES FOR MARKET VALUE LEVIES

Governmental Unit	Tax Collection Year					
	2021	2020	2019	2018	2017	2016
City	0.01535%	0.01844%	0.01970%	0.02165%	0.02127%	0.02325%
Special School District 1	0.13811	0.15857	0.18496	0.15531	0.18045	0.19399
Totals	0.15346%	0.17701%	0.20466%	0.17696%	0.20172%	0.21724%

TAX LEVIES AND COLLECTIONS
(in Thousands)

Collection Year	Certified Tax Levy	Current Year			Total Collections	Total Collections % of Levy
		Current Year \$ Collections	% of Levy	Delinquent Collections		
2021		----- In Process -----				
2020	\$374,309	\$368,655	98.489%	\$0	\$368,655	98.489%
2019	349,971	345,887	98.833	1,425	347,312	99.240
2018	331,208	328,160	99.080	1,043	329,203	99.395
2017	313,941	311,012	99.067	1,547	312,559	99.560
2016	297,580	297,329	99.916	2,116	299,445	100.627

LARGEST TAXPAYERS WITHIN THE CITY
Based on Net Tax Capacity (Assessed in 2020 for Taxes Payable in 2021)

Rank	Taxpayer	Assessor's Estimated Market Value	Net Tax Capacity	Percentage of Total Net Tax Capacity
1	Bri 1855 IDS Center LLC	\$319,380,000	\$6,386,850	0.92%
2	WFM Office Owner LLC	294,160,000	5,882,450	0.84
3	SRI Eleven Minneapolis 225 L	267,940,000	5,358,050	0.77
4	33 City Center 33 South Property LLC	262,450,000	5,248,250	0.75
5	Wells REIT-800 Nicollet	222,270,000	4,444,650	0.64
6	US Bank Corp RE Tax Department	213,380,000	4,266,850	0.61
7	South Sixth Office LLC	180,310,000	3,605,450	0.52
8	BAM 701 LLC	171,590,000	3,431,050	0.49
9	Target Corporation	154,000,000	3,080,000	0.44
10	Riversource Life Insurance Company	134,000,000	2,679,250	0.38
Subtotal Top Ten Taxpayers:		\$2,219,480,000	\$44,382,850	6.36%

City Total Adjusted Net Tax Capacity \$697,058,626

Source: City Assessor

INDEBTEDNESS OF THE CITY

Debt Management Policies

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

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

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

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

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

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

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

General Obligation Indebtedness

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

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

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

Classification/Business Line	Source of Repayment*	2020	2019	2018	2017	2016
General Obligation (GO) Debt:		(Dollar Amounts Expressed in Thousands)				
Enterprise Fund GO Debt						
Stormwater Sewer	User Fees	\$5,340	4,515	\$--	\$--	\$--
Sanitary Sewer Fund	User Fees	43,235	34,070	23,330	27,810	24,550
Water Fund Bonds	User Fees	54,260	40,820	25,960	32,775	27,690
Water Fund Notes -- MN/Public Facilities Authority	User Fees	81,877	86,195	83,945	64,990	71,520
Parking Fund	User Fees	58,050	58,605	69,795	87,435	95,679
Total Enterprise Fund GO Debt		\$242,762	\$224,205	\$203,030	\$213,010	\$219,439
Self-Supporting GO Debt						
Convention Center	Local Sales Tax	\$26,000	\$26,000	\$51,000	\$73,250	\$94,900
Target Center Renovation Bonds	Local Sales Tax	63,710	66,875	69,900	39,915	--
Target Center Renovation Notes	Tax Increment	--	--	--	29,000	27,982
Tax Increment Supported	Tax Increment	1,495	1,710	52,380	60,515	65,890
Development Supported	Ryan Co/Stadium Authority	60,155	60,940	61,515	61,825	61,905
Assessment Bonds	Special Assessment	53,955	49,940	51,440	54,485	43,676
Housing Improvement Area Bonds	Fees	5,675	5,925	2,170	1,070	1,120
Park Board	User Fees	8,500	8,875	8,180	10,120	10,930
Total Self-Supporting GO Debt		\$219,490	\$220,265	\$296,585	\$330,180	\$306,403
Internal Service Fund GO Debt						
Equipment Fund	Internal User Fees	\$--	\$--	\$--	\$8,990	\$11,330
Property Services Fund	Internal Use Fees	--	--	--	820	1,640
Total Internal Service Fund GO Debt		\$--	\$--	\$--	\$9,810	\$12,970
Property Tax GO Debt						
General Infrastructure Bonds and Notes	Property Tax	\$68,400	\$69,455	\$48,600	\$55,120	\$48,375
Information Technology Systems	Property Tax	--	--	--	1,375	--
Capital Improvement Bonds	Property Tax/User Fees	204,025	207,860	96,220	--	--
Library System Referendum Bonds	Property Tax/State of MN	8,435	26,430	35,275	54,425	66,940
Total Property Tax Supported GO Debt		\$280,860	\$303,745	\$180,095	\$110,920	\$115,315
Total GO Debt		\$743,112	\$748,215	\$679,710	663,920	\$654,127

*Source of repayment pledged in debt documents.

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

Classification/Business Line	Source of Repayment*	2020	2019	2018	2017	2016
Non-GO Debt		(Dollar Amounts Expressed in Thousands)				
Economic Development Revenue Bonds	Tax Increment	\$16,040	\$17,520	\$18,940	\$20,305	\$21,625
Economic Development Revenue Notes	Tax Increment	2,310	2,805	3,270	3,705	4,115
Community Dev General Agency Reserve Fund	Business Leases	40,550	58,835	61,565	64,300	76,315
Total Non-GO Debt		\$58,900	\$79,160	\$83,775	\$88,310	\$102,055
Grand Total GO and Non GO Debt		\$802,012	\$827,375	\$763,485	\$752,230	\$756,182

*Source of repayment pledged in debt documents.

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HISTORY OF DEBT

Total General Obligation Debt

As of December 31	Fixed Rate	Variable Rate	Total	Variable Rate as % of Total
2020	\$714,907,000	\$28,205,000	\$743,112,000	3.80%
2019	718,715,000	29,500,000	748,215,000	3.94
2018	648,915,000	30,795,000	679,710,000	11.83
2017	585,375,000	78,545,000	663,920,000	12.82
2016	570,265,000	83,861,985	654,126,985	9.67

Property Tax Supported General Obligation Debt

As of December 31	Fixed Rate	Variable Rate	Total	Variable Rate as of % of Total
2020	\$280,860,000	\$--	\$280,860,000	0.00%
2019	303,745,000	--	303,745,000	0.00
2018	180,095,000	--	180,095,000	0.00
2017	110,920,000	--	110,920,000	0.61
2016	114,615,000	700,000	115,315,000	14.26

Non-Property Tax Supported General Obligation Debt

As of December 31	Fixed Rate	Variable Rate	Total	Variable Rate as of % of Total
2020	\$434,047,000	\$28,205,000	\$462,252,000	6.10%
2019	414,970,000	29,500,000	444,470,000	6.16
2018	468,820,000	30,795,000	499,615,000	14.20
2017	474,455,000	78,545,000	553,000,000	15.43
2016	455,650,000	83,161,985	538,811,985	8.78

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General Obligation Minnesota Public Facilities Authority (PFA) Notes (Fixed Rate)

The City has issued eight general obligation notes (the “PFA Notes”) purchased by the Minnesota Public Facilities Authority (the “PFA”) to finance the City’s drinking water ultra-filtration project and new filter presses project. The PFA Notes are part of a federally sponsored financing program related to the Drinking Water Act and the City receives below-market interest rates by participating in the program. Through August 2021, the City has drawn down proceeds of the PFA Notes in the amount of \$153,014,825 and has the ability to draw down an additional \$8,697,964 under the PFA Note dated December 14, 2018. The amortization of the PFA Notes associated with this program provided under “GENERAL OBLIGATION DEBT – Water Fund Supported” in this Appendix reflects the full utilization and estimated payment obligations of the PFA Note dated December 14, 2018.

Amount Issued	Issue Date	Final Maturity	August 31, 2021	
			Outstanding	Interest Rate
\$27,400,000	17-Dec-02	20-Aug-22	\$3,000,000	2.819%
25,000,000	21-Feb-04	20-Aug-23	9,100,000	2.800
13,500,000	23-Aug-06	20-Aug-26	2,500,000	2.600
19,557,660	9-Dec-09	20-Aug-27	17,875,000	2.688
28,900,000	14-May-18	20-Aug-33	25,350,000	1.008
27,300,000	14-Dec-18	20-Aug-35	14,462,036	1.470
<u>\$141,657,660</u>			<u>\$72,287,036</u>	

General Obligation Bank Term Note (Variable Rate)

On January 3, 2012, the City issued a \$27,980,000 General Obligation Term Loan Note, Series 2011B (the “Series 2011B Note”), which was purchased by U.S. Bank National Association and is presently outstanding in the amount of \$27,205,000. The proceeds of the Series 2011B Note were used to refund and redeem all remaining principal of a general obligation variable rate bond issue of the City. Currently the Series 2011B Note accrues interest at a variable rate of interest equal to the weekly SIFMA rate, plus a spread based on the current rating of the City’s long-term general obligation debt. The Series 2011B Note is payable from revenues derived from the operation of the City’s parking system.

Summary of Series 2011B Note

Authorized Amount*	Amount Outstanding**	Mandatory Prepayment Date	Maturity Date
\$27,980,000	\$27,205,000	14-Jun-2024	1-Dec-2033

* The Series 2011B Note is fully drawn down.

** As of the dated date of the Bonds.

Adopted Series 2011B Note Amortization Schedule

Year (December 1)	Principal Amount	Year (December 1)	Principal Amount
2021	\$290,000	2028	\$3,785,000
2022	290,000	2029	2,180,000
2023	290,000	2030	2,370,000
2024	290,000	2031	2,565,000
2025	2,825,000	2032	2,760,000
2026	3,115,000	2033	3,000,000
2027	3,445,000		

Other Financial Obligations

Sales and Use Taxes Contribution to Football Stadium

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

In 2013 the City received approximately \$56,000,000 in City’s sales and use taxes from the State (excluding City entertainment taxes). Beginning in 2014 the State began retaining a portion of the City’s sales and use taxes for the benefit of the MSFA. From 2014 through 2020 the State has retained approximately \$1.0 million to \$2,360,000 each year for this purpose. From 2021 through 2046, the State will also retain a portion of the City’s sales and use taxes for four additional purposes. These purposes include State bond debt service, deposits to the MSFA capital improvement reserve, MSFA operating expenses, and reimbursement of various related costs that the State incurred from 2016 through 2021. For 2021, it is projected that the State will retain approximately \$23,600,000 for these purposes. The portion of the sales and use taxes to be retained by the State will vary each year depending principally on the annual rates of inflation. At the present time, the City projects that in 2022 the State will collect approximately \$60,000,000 in the City’s sales and use taxes, retain approximately \$25,000,000 for the five purposes noted above, and distribute the remaining \$35,000,000 to the City.

The sales and use taxes are currently pledged to the City’s (i) Taxable General Sales Tax Refunding Bonds, Series 2017, which are currently outstanding in the principal amount of \$34,990,000 and mature on December 1, 2035; (ii) Taxable General Obligation Bonds, Series 2018, which, with respect to the portion of the bonds payable from sales and use taxes, are currently outstanding in the principal amount of \$28,720,000 and mature on December 1, 2030; and (iii) Taxable General Obligation Convention Center Refunding Bonds, Series 2020, which are currently outstanding in the principal amount of \$26,000,000 and mature on December 1, 2025.

Interfund Loans

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

2019 Interfund Loan. On May 1, 2019, the City established an interfund loan in the amount of \$19,010,000, the proceeds of which were used to redeem all or a portion of four series of the City’s general obligation bonds. The proceeds of the interfund loan were used to: (i) pay principal of the City’s General Obligation Tax Increment Refunding Bonds (Milwaukee Depot), Series 2009A (the “Series 2009A Milwaukee Depot Bonds”), in the amount of \$3,225,000; (ii) pay principal of the City’s General Obligation Tax Increment Refunding Bonds, Series 2010 (the “Series 2010 Humboldt Greenway Bonds”), in the amount of \$3,010,000; (iii) pay principal of the City’s Taxable General Obligation Tax Increment Refunding Bonds

(West Side Milling), Series 2010 (the “Series 2010 West Side Milling Bonds”), in the amount of \$5,975,000; and (iv) pay principal of the City’s General Obligation Refunding Bonds, Series 2010 (the “Series 2010 Refunding Bonds”), in the amount of \$6,800,000. This interfund loan will accrue interest at a rate of 3.50% per annum and is expected to be repaid with revenues derived from certain tax increment financing districts within the City and originally pledged to the payment of the Series 2009A Milwaukee Depot Bonds, the Series 2010 Humboldt Greenway Bonds, the Series 2010 West Side Milling Bonds, and the Series 2010 Refunding Bonds and from parking facilities revenues and other revenues originally pledged to the Series 2010 Refunding Bonds. Principal and interest payments are made March 1 and September 1, commencing on September 1, 2019, and this interfund loan matures on March 1, 2030. The remaining amortization of this interfund loan is set forth below:

Date	Principal	Interest	Principal and Interest
03/01/22	\$1,560,000.00	\$ 242,462.50	\$ 1,802,462.50
09/01/22	-	188,475.00	188,475.00
03/01/23	1,590,000.00	188,475.00	1,778,475.00
09/01/23	-	132,212.50	132,212.50
03/01/24	1,610,000.00	132,212.50	1,742,212.50
09/01/24	-	104,037.50	104,037.50
03/01/25	1,640,000.00	104,037.50	1,744,037.50
09/01/25	-	75,337.50	75,337.50
03/01/26	1,680,000.00	75,337.50	1,755,337.50
09/01/26	-	45,937.50	45,937.50
03/01/27	1,215,000.00	45,937.50	1,260,937.50
09/01/27	-	24,675.00	24,675.00
03/01/28	740,000.00	24,675.00	764,675.00
09/01/28	-	11,725.00	11,725.00
03/01/29	325,000.00	11,725.00	336,725.00
09/01/29	-	6,037.50	6,037.50
03/01/30	345,000.00	6,037.50	351,037.50
Total:	\$10,705,000.00	\$1,419,337.50	\$12,124,337.50

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

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SUMMARY OF GENERAL OBLIGATION DEBT OUTSTANDING

Pledged Revenues	See Page	Current GO Bonds	Current GO Notes	Debt Before Sale of the Bonds	This Sale of Bonds	Debt After Sale of the Bonds*
Park Board Revenues	A-14	\$8,500,000	\$--	\$8,500,000	\$--	\$8,500,000
Tax Increment Revenues	A-14	--	--	--	--	--
Developer Revenues	A-15	59,240,000	--	59,240,000	--	59,240,000
Sales Tax Revenues	A-15	89,710,000	--	89,710,000	--	89,710,000
Housing Improvement Area Fees	A-16	5,675,000	--	5,675,000	15,860,000	21,535,000
Special Assessments	A-17	52,955,000	--	52,955,000	7,005,000	59,960,000
Property Tax Revenues	A-18	259,450,000	--	259,450,000	50,265,000	309,715,000
Parking Fund Revenues	A-19	30,845,000	27,205,000	58,050,000	9,000,000	67,050,000
Sanitary Sewer Fund Revenues	A-21	43,235,000	--	43,235,000	14,730,000	57,965,000
Storm Water Fund Revenues	A-22	5,340,000	--	5,340,000	9,420,000	14,760,000
Water Fund Revenues	A-23	54,260,000	80,985,000	135,245,000	15,960,000	151,205,000
Solid Waste Fund Revenues	A-25	21,410,000	--	21,410,000	6,100,000	27,510,000
Total General Obligation Debt:	A-26	\$630,620,000	\$108,190,000	\$738,810,000	\$128,340,000	\$867,150,000

This Sale (the "Bonds")	Sale Amount
General Obligation Bonds, Series 2021	\$112,480,000
Taxable General Obligation Housing Improvement Area Bonds, Series 2021	15,860,000

Notes:

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

The debt tables set forth on the following pages of this APPENDIX A reflect the City's debt service requirements as of the anticipated dated date of the Bonds (November 18, 2021).

GENERAL OBLIGATION DEBT

	Park Board Supported				Tax Increment Supported		
	Principal	Interest	Debt Service		Principal	Interest	Debt Service
2021	\$900,000	\$124,769	\$1,024,769	2021	\$--	\$--	\$--
2022	925,000	222,538	1,147,538	2022	--	--	--
2023	950,000	194,325	1,144,325	2023	--	--	--
2024	975,000	163,450	1,138,450	2024	--	--	--
2025	1,025,000	130,300	1,155,300	2025	--	--	--
2026	1,050,000	93,400	1,143,400	2026	--	--	--
2027	665,000	53,500	718,500	2027	--	--	--
2028	670,000	40,200	710,200	2028	--	--	--
2029	670,000	26,800	696,800	2029	--	--	--
2030	670,000	13,400	683,400	2030	--	--	--
	<u>\$8,500,000</u>	<u>\$1,062,681</u>	<u>\$9,562,681</u>		<u>\$--</u>	<u>\$--</u>	<u>\$--</u>

GENERAL OBLIGATION DEBT

Development Supported				Sales Tax Supported			
	Principal	Interest	Debt Service		Principal	Interest	Debt Service
2021	\$--	\$--	\$--	2021	\$3,310,000	\$1,284,388	\$4,594,388
2022	1,025,000	2,593,493	3,618,493	2022	3,460,000	2,391,098	5,851,098
2023	1,065,000	2,561,857	3,626,857	2023	3,620,000	2,232,048	5,852,048
2024	1,175,000	2,525,990	3,700,990	2024	3,790,000	2,065,598	5,855,598
2025	1,290,000	2,484,256	3,774,256	2025	29,945,000	1,891,248	31,836,248
2026	1,395,000	2,435,740	3,830,740	2026	4,075,000	1,574,835	5,649,835
2027	1,425,000	2,382,716	3,807,716	2027	4,210,000	1,439,548	5,649,548
2028	1,550,000	2,324,461	3,874,461	2028	4,350,000	1,298,793	5,648,793
2029	1,690,000	2,258,590	3,948,590	2029	4,500,000	1,152,343	5,652,343
2030	1,830,000	2,183,758	4,013,758	2030	14,780,000	999,778	15,779,778
2031	1,990,000	2,100,120	4,090,120	2031	2,555,000	476,360	3,031,360
2032	2,155,000	2,009,365	4,164,365	2032	2,635,000	392,045	3,027,045
2033	2,325,000	1,911,275	4,236,275	2033	2,730,000	301,138	3,031,138
2034	2,510,000	1,805,413	4,315,413	2034	2,825,000	205,588	3,030,588
2035	2,700,000	1,687,965	4,387,965	2035	2,925,000	105,300	3,030,300
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	--	--	--
	\$59,240,000	\$39,310,548	\$98,550,548		\$89,710,000	\$17,810,104	\$107,520,104

GENERAL OBLIGATION DEBT

	HIA Fee Supported			HIA Fee Supported			HIA Fee Supported		
	Current Principal	Current Interest	Current Debt Service	This Sale Principal	This Sale Interest	This Sale Debt Service	After This Sale Principal	After This Sale Interest	After This Sale Total Debt Service
2021	\$255,000	\$96,785	\$351,785	\$--	\$--	\$--	\$255,000	\$96,785	\$351,785
2022	265,000	184,470	449,470	670,000	315,861	985,861	935,000	500,331	1,435,331
2023	275,000	175,020	450,020	690,000	298,153	988,153	965,000	473,173	1,438,173
2024	280,000	165,170	445,170	695,000	291,253	986,253	975,000	456,423	1,431,423
2025	295,000	155,170	450,170	705,000	284,303	989,303	1,000,000	439,473	1,439,473
2026	300,000	144,570	444,570	710,000	276,548	986,548	1,010,000	421,118	1,431,118
2027	310,000	134,700	444,700	720,000	267,318	987,318	1,030,000	402,018	1,432,018
2028	325,000	124,453	449,453	730,000	256,878	986,878	1,055,000	381,330	1,436,330
2029	335,000	113,703	448,703	740,000	245,198	985,198	1,075,000	358,900	1,433,900
2030	880,000	102,348	982,348	755,000	232,618	987,618	1,635,000	334,965	1,969,965
2031	290,000	71,338	361,338	770,000	219,028	989,028	1,060,000	290,365	1,350,365
2032	390,000	61,598	451,598	780,000	204,783	984,783	1,170,000	266,380	1,436,380
2033	225,000	47,515	272,515	800,000	189,573	989,573	1,025,000	237,088	1,262,088
2034	230,000	40,540	270,540	815,000	173,173	988,173	1,045,000	213,713	1,258,713
2035	240,000	33,295	273,295	830,000	155,650	985,650	1,070,000	188,945	1,258,945
2036	250,000	25,615	275,615	850,000	136,975	986,975	1,100,000	162,590	1,262,590
2037	530,000	17,490	547,490	870,000	117,425	987,425	1,400,000	134,915	1,534,915
2038	--	--	--	890,000	96,980	986,980	890,000	96,980	986,980
2039	--	--	--	915,000	73,840	988,840	915,000	73,840	988,840
2040	--	--	--	1,925,000	50,050	1,975,050	1,925,000	50,050	1,975,050
	<u>\$5,675,000</u>	<u>\$1,693,778</u>	<u>\$7,368,778</u>	<u>\$15,860,000</u>	<u>\$3,885,601</u>	<u>\$19,745,601</u>	<u>\$21,535,000</u>	<u>\$5,579,379</u>	<u>\$27,114,379</u>

GENERAL OBLIGATION DEBT

	Assessment Supported			Assessment Supported			Assessment Supported		
	Current Principal	Current Interest	Current Debt Service	This Sale Principal	This Sale Interest	This Sale Debt Service	After This Sale Principal	After This Sale Interest	After This Sale Total Debt Service
2021	\$7,405,000	\$837,277	\$8,242,277	\$--	\$--	\$--	\$7,405,000	\$837,277	\$8,242,277
2022	6,420,000	1,335,425	7,755,425	1,330,000	249,491	1,579,491	7,750,000	1,584,916	9,334,916
2023	5,990,000	1,111,150	7,101,150	880,000	194,738	1,074,738	6,870,000	1,305,888	8,175,888
2024	4,045,000	898,550	4,943,550	915,000	159,538	1,074,538	4,960,000	1,058,088	6,018,088
2025	3,040,000	771,400	3,811,400	950,000	122,938	1,072,938	3,990,000	894,338	4,884,338
2026	4,040,000	682,950	4,722,950	155,000	84,938	239,938	4,195,000	767,888	4,962,888
2027	12,975,000	585,300	13,560,300	160,000	78,738	238,738	13,135,000	664,038	13,799,038
2028	880,000	204,550	1,084,550	165,000	72,338	237,338	1,045,000	276,888	1,321,888
2029	5,510,000	186,650	5,696,650	175,000	65,738	240,738	5,685,000	252,388	5,937,388
2030	505,000	76,038	581,038	180,000	58,738	238,738	685,000	134,775	819,775
2031	275,000	64,913	339,913	185,000	53,338	238,338	460,000	118,250	578,250
2032	275,000	56,550	331,550	190,000	47,788	237,788	465,000	104,338	569,338
2033	1,565,000	48,150	1,613,150	195,000	42,088	237,088	1,760,000	90,238	1,850,238
2034	30,000	1,050	31,050	200,000	36,238	236,238	230,000	37,288	267,288
2035	--	--	--	205,000	30,238	235,238	205,000	30,238	235,238
2036	--	--	--	215,000	24,088	239,088	215,000	24,088	239,088
2037	--	--	--	220,000	19,519	239,519	220,000	19,519	239,519
2038	--	--	--	225,000	14,844	239,844	225,000	14,844	239,844
2039	--	--	--	230,000	10,063	240,063	230,000	10,063	240,063
2040	--	--	--	230,000	5,175	235,175	230,000	5,175	235,175
	\$52,955,000	\$6,859,952	\$59,814,952	\$7,005,000	\$1,370,566	\$8,375,566	\$59,960,000	\$8,230,518	\$68,190,518

GENERAL OBLIGATION DEBT

	Property Tax Supported			Property Tax Supported			Property Tax Supported		
	Current Principal	Current Interest	Current Debt Service	This Sale Principal	This Sale Interest	This Sale Debt Service	After This Sale Principal	After This Sale Interest	After This Sale Total Debt Service
2021	\$29,170,000	\$4,410,281	\$33,580,281	\$--	\$--	\$--	\$29,170,000	\$4,410,281	\$33,580,281
2022	23,025,000	7,814,513	30,839,513	5,470,000	422,942	5,892,942	28,495,000	8,237,455	36,732,455
2023	16,595,000	6,998,863	23,593,863	5,465,000	399,020	5,864,020	22,060,000	7,397,882	29,457,882
2024	10,490,000	6,400,613	16,890,613	5,455,000	389,853	5,844,853	15,945,000	6,790,466	22,735,466
2025	10,825,000	6,001,763	16,826,763	5,455,000	374,574	5,829,574	16,280,000	6,376,337	22,656,337
2026	9,115,000	5,633,163	14,748,163	5,450,000	350,165	5,800,165	14,565,000	5,983,328	20,548,328
2027	7,125,000	5,337,963	12,462,963	3,085,000	316,670	3,401,670	10,210,000	5,654,633	15,864,633
2028	7,025,000	5,098,613	12,123,613	3,085,000	292,376	3,377,376	10,110,000	5,390,988	15,500,988
2029	6,475,000	4,857,163	11,332,163	3,080,000	264,615	3,344,615	9,555,000	5,121,777	14,676,777
2030	6,250,000	4,683,263	10,933,263	3,080,000	231,649	3,311,649	9,330,000	4,914,912	14,244,912
2031	6,420,000	4,512,063	10,932,063	3,080,000	195,212	3,275,212	9,500,000	4,707,275	14,207,275
2032	6,635,000	4,295,463	10,930,463	1,100,000	153,570	1,253,570	7,735,000	4,449,033	12,184,033
2033	6,860,000	4,071,413	10,931,413	1,100,000	134,814	1,234,814	7,960,000	4,206,226	12,166,226
2034	7,090,000	3,839,613	10,929,613	1,100,000	114,847	1,214,847	8,190,000	3,954,460	12,144,460
2035	7,330,000	3,599,913	10,929,913	1,100,000	93,066	1,193,066	8,430,000	3,692,979	12,122,979
2036	7,580,000	3,351,913	10,931,913	1,100,000	70,076	1,170,076	8,680,000	3,421,989	12,101,989
2037	7,840,000	3,095,313	10,935,313	515,000	46,481	561,481	8,355,000	3,141,793	11,496,793
2038	8,105,000	2,829,713	10,934,713	515,000	35,281	550,281	8,620,000	2,864,993	11,484,993
2039	8,380,000	2,554,963	10,934,963	515,000	23,801	538,801	8,895,000	2,578,763	11,473,763
2040	8,655,000	2,283,450	10,938,450	515,000	12,040	527,040	9,170,000	2,295,490	11,465,490
2041	8,945,000	1,989,600	10,934,600	--	--	--	8,945,000	1,989,600	10,934,600
2042	9,250,000	1,685,700	10,935,700	--	--	--	9,250,000	1,685,700	10,935,700
2043	9,565,000	1,371,250	10,936,250	--	--	--	9,565,000	1,371,250	10,936,250
2044	9,890,000	1,045,850	10,935,850	--	--	--	9,890,000	1,045,850	10,935,850
2045	10,225,000	709,150	10,934,150	--	--	--	10,225,000	709,150	10,934,150
2046	10,585,000	360,800	10,945,800	--	--	--	10,585,000	360,800	10,945,800
	\$259,450,000	\$98,832,356	\$358,282,356	\$50,265,000	\$3,921,053	\$54,186,053	\$309,715,000	\$102,753,409	\$412,468,409

GENERAL OBLIGATION DEBT

	Parking Fund Supported			Parking Fund Supported			Parking Fund Supported		
	Current Bonds Principal	Current Bonds Interest	Current Bonds Debt Service	Current Notes Principal	Current Notes Interest	Current Notes Debt Service	Current Total Principal	Current Total Interest	Current Total Debt Service
2021	\$1,770,000	\$728,158	\$2,498,158	\$290,000	\$816,150	\$1,106,150	\$2,060,000	\$1,544,308	\$3,604,308
2022	3,245,000	629,375	3,874,375	290,000	807,450	1,097,450	3,535,000	1,436,825	4,971,825
2023	5,325,000	561,200	5,886,200	290,000	798,750	1,088,750	5,615,000	1,359,950	6,974,950
2024	5,960,000	440,775	6,400,775	290,000	790,050	1,080,050	6,250,000	1,230,825	7,480,825
2025	3,555,000	303,475	3,858,475	2,825,000	781,350	3,606,350	6,380,000	1,084,825	7,464,825
2026	3,495,000	222,300	3,717,300	3,115,000	696,600	3,811,600	6,610,000	918,900	7,528,900
2027	3,295,000	144,425	3,439,425	3,445,000	603,150	4,048,150	6,740,000	747,575	7,487,575
2028	3,105,000	67,800	3,172,800	3,785,000	499,800	4,284,800	6,890,000	567,600	7,457,600
2029	1,095,000	16,425	1,111,425	2,180,000	386,250	2,566,250	3,275,000	402,675	3,677,675
2030	--	--	--	2,370,000	320,850	2,690,850	2,370,000	320,850	2,690,850
2031	--	--	--	2,565,000	249,750	2,814,750	2,565,000	249,750	2,814,750
2032	--	--	--	2,760,000	172,800	2,932,800	2,760,000	172,800	2,932,800
2033	--	--	--	3,000,000	90,000	3,090,000	3,000,000	90,000	3,090,000
	<u>\$30,845,000</u>	<u>\$3,113,933</u>	<u>\$33,958,933</u>	<u>\$27,205,000</u>	<u>\$7,012,950</u>	<u>\$34,217,950</u>	<u>\$58,050,000</u>	<u>\$10,126,883</u>	<u>\$68,176,883</u>

GENERAL OBLIGATION DEBT

	Parking Fund Supported			Parking Fund Supported		
	This Sale Principal	This Sale Interest	This Sale Debt Service	After This Sale Principal	After This Sale Interest	After This Sale Debt Service
2021	\$--	\$--	\$--	\$2,060,000	\$1,544,308	\$3,604,308
2022	1,800,000	373,000	2,173,000	5,335,000	1,809,825	7,144,825
2023	1,800,000	288,000	2,088,000	7,415,000	1,647,950	9,062,950
2024	1,800,000	216,000	2,016,000	8,050,000	1,446,825	9,496,825
2025	1,800,000	144,000	1,944,000	8,180,000	1,228,825	9,408,825
2026	1,800,000	72,000	1,872,000	8,410,000	990,900	9,400,900
2027	--	--	--	6,740,000	747,575	7,487,575
2028	--	--	--	6,890,000	567,600	7,457,600
2029	--	--	--	3,275,000	402,675	3,677,675
2030	--	--	--	2,370,000	320,850	2,690,850
2031	--	--	--	2,565,000	249,750	2,814,750
2032	--	--	--	2,760,000	172,800	2,932,800
2033	--	--	--	3,000,000	90,000	3,090,000
	\$9,000,000	\$1,093,000	\$10,093,000	\$67,050,000	\$11,219,883	\$78,269,883

GENERAL OBLIGATION DEBT

	Sanitary Sewer Fund Supported			Sanitary Sewer Fund Supported			Sanitary Sewer Fund Supported		
	Current Principal	Current Interest	Current Debt Service	This Sale Principal	This Sale Interest	This Sale Debt Service	After This Sale Principal	After This Sale Interest	After This Sale Debt Service
2021	\$6,355,000	\$591,325	\$6,946,325	\$--	\$--	\$--	\$6,355,000	\$591,325	\$6,946,325
2022	8,030,000	989,950	9,019,950	1,475,000	580,015	2,055,015	9,505,000	1,569,965	11,074,965
2023	7,465,000	745,100	8,210,100	1,475,000	500,800	1,975,800	8,940,000	1,245,900	10,185,900
2024	3,765,000	541,100	4,306,100	1,475,000	441,800	1,916,800	5,240,000	982,900	6,222,900
2025	3,765,000	409,100	4,174,100	1,475,000	382,800	1,857,800	5,240,000	791,900	6,031,900
2026	3,865,000	277,100	4,142,100	1,475,000	323,800	1,798,800	5,340,000	600,900	5,940,900
2027	3,865,000	199,800	4,064,800	1,475,000	264,800	1,739,800	5,340,000	464,600	5,804,600
2028	3,965,000	122,500	4,087,500	1,470,000	205,800	1,675,800	5,435,000	328,300	5,763,300
2029	2,160,000	43,200	2,203,200	1,470,000	147,000	1,617,000	3,630,000	190,200	3,820,200
2030	--	--	--	1,470,000	88,200	1,558,200	1,470,000	88,200	1,558,200
2031	--	--	--	1,470,000	44,100	1,514,100	1,470,000	44,100	1,514,100
	<u>\$43,235,000</u>	<u>\$3,919,175</u>	<u>\$47,154,175</u>	<u>\$14,730,000</u>	<u>\$2,979,115</u>	<u>\$17,709,115</u>	<u>\$57,965,000</u>	<u>\$6,898,290</u>	<u>\$64,863,290</u>

GENERAL OBLIGATION DEBT

	Storm Water Fund Supported			Storm Water Fund Supported			Storm Water Fund Supported		
	Current Principal	Current Interest	Current Debt Service	This Sale Principal	This Sale Interest	This Sale Debt Service	After This Sale Principal	After This Sale Interest	After This Sale Debt Service
2021	\$1,725,000	\$206,356	\$1,931,356	\$--	\$--	\$--	\$1,725,000	\$206,356	\$1,931,356
2022	1,785,000	136,600	1,921,600	1,885,000	390,407	2,275,407	3,670,000	527,007	4,197,007
2023	1,830,000	69,200	1,899,200	1,885,000	301,400	2,186,400	3,715,000	370,600	4,085,600
2024	--	--	--	1,885,000	226,000	2,111,000	1,885,000	226,000	2,111,000
2025	--	--	--	1,885,000	150,600	2,035,600	1,885,000	150,600	2,035,600
2026	--	--	--	1,880,000	75,200	1,955,200	1,880,000	75,200	1,955,200
	<u>\$5,340,000</u>	<u>\$412,156</u>	<u>\$5,752,156</u>	<u>\$9,420,000</u>	<u>\$1,143,607</u>	<u>\$10,563,607</u>	<u>\$14,760,000</u>	<u>\$1,555,763</u>	<u>\$16,315,763</u>

GENERAL OBLIGATION DEBT

	Water Fund Supported Bonds			Water Fund Supported – State PFA Notes			Water Fund Supported		
	Current Bonds Principal	Current Bonds Interest	Current Bonds Debt Service	Current State PFA Notes Principal*	Current Notes Interest	Current Notes Debt Service	Current Total Principal	Current Total Interest	Current Total Debt Service
2021	\$5,065,000	\$1,504,367	\$6,569,367	\$--	\$--	\$--	\$5,065,000	\$1,504,367	\$6,569,367
2022	5,955,000	1,274,100	7,229,100	10,295,000	1,480,830	11,775,830	16,250,000	2,754,930	19,004,930
2023	4,770,000	1,091,950	5,861,950	10,450,000	1,251,506	11,701,506	15,220,000	2,343,456	17,563,456
2024	6,710,000	971,250	7,681,250	6,890,000	1,018,608	7,908,608	13,600,000	1,989,858	15,589,858
2025	5,715,000	759,050	6,474,050	8,610,000	888,630	9,498,630	14,325,000	1,647,680	15,972,680
2026	5,665,000	561,150	6,226,150	8,770,000	737,723	9,507,723	14,435,000	1,298,873	15,733,873
2027	5,665,000	447,850	6,112,850	8,980,000	524,861	9,504,861	14,645,000	972,711	15,617,711
2028	4,815,000	334,550	5,149,550	4,130,000	336,323	4,466,323	8,945,000	670,873	9,615,873
2029	4,645,000	238,250	4,883,250	4,190,000	287,393	4,477,393	8,835,000	525,643	9,360,643
2030	1,640,000	145,350	1,785,350	4,240,000	237,767	4,477,767	5,880,000	383,117	6,263,117
2031	1,640,000	108,450	1,748,450	4,300,000	187,543	4,487,543	5,940,000	295,993	6,235,993
2032	1,640,000	59,250	1,699,250	4,350,000	136,576	4,486,576	5,990,000	195,826	6,185,826
2033	335,000	10,050	345,050	1,900,000	84,966	1,984,966	2,235,000	95,016	2,330,016
2034	--	--	--	1,930,000	57,036	1,987,036	1,930,000	57,036	1,987,036
2035	--	--	--	1,950,000	28,665	1,978,665	1,950,000	28,665	1,978,665
2036	--	--	--	--	--	--	--	--	--
	<u>\$54,260,000</u>	<u>\$7,505,617</u>	<u>\$61,765,617</u>	<u>\$80,985,000</u>	<u>\$7,258,427</u>	<u>\$88,243,427</u>	<u>\$135,245,000</u>	<u>\$14,764,044</u>	<u>\$150,009,044</u>

*State PFA Note principal reflects the full amortization of all PFA Notes as of the dated date of the Bonds. See page A-10 for PFA Note balances drawn and the remaining amount of principal that may be drawn down on the PFA Notes in 2022.

GENERAL OBLIGATION DEBT

	Water Fund Supported			Water Fund Supported		
	This Sale Principal	This Sale Interest	This Sale Debt Service	After This Sale Principal	After This Sale Interest	After This Sale Total Debt Service
2021	\$--	\$--	\$--	\$5,065,000	\$1,504,367	\$6,569,367
2022	1,065,000	574,757	1,639,757	17,315,000	3,329,687	20,644,687
2023	1,065,000	512,125	1,577,125	16,285,000	2,855,581	19,140,581
2024	1,065,000	469,524	1,534,524	14,665,000	2,459,382	17,124,382
2025	1,065,000	426,925	1,491,925	15,390,000	2,074,605	17,464,605
2026	1,065,000	384,325	1,449,325	15,500,000	1,683,198	17,183,198
2027	1,065,000	341,725	1,406,725	15,710,000	1,314,436	17,024,436
2028	1,065,000	299,125	1,364,125	10,010,000	969,998	10,979,998
2029	1,065,000	256,525	1,321,525	9,900,000	782,168	10,682,168
2030	1,065,000	213,925	1,278,925	6,945,000	597,042	7,542,042
2031	1,065,000	181,975	1,246,975	7,005,000	477,968	7,482,968
2032	1,065,000	150,025	1,215,025	7,055,000	345,851	7,400,851
2033	1,065,000	118,075	1,183,075	3,300,000	213,091	3,513,091
2034	1,060,000	86,125	1,146,125	2,990,000	143,161	3,133,161
2035	1,060,000	54,325	1,114,325	3,010,000	82,989	3,092,990
2036	1,060,000	22,525	1,082,525	1,060,000	22,525	1,082,525
	<u>\$15,960,000</u>	<u>\$4,092,006</u>	<u>\$20,052,006</u>	<u>\$151,205,000</u>	<u>\$18,856,049</u>	<u>\$170,061,050</u>

GENERAL OBLIGATION DEBT

	Solid Waste Fund Supported			Solid Waste Fund Supported			Solid Waste Fund Supported		
	Current Principal	Current Interest	Current Debt Service	This Sale Principal	This Sale Interest	This Sale Debt Service	After This Sale Principal	After This Sale Interest	After This Sale Total Debt Service
2021	\$3,860,000	\$970,050	\$4,830,050	\$--	\$--	\$--	\$3,860,000	\$970,050	\$4,830,050
2022	3,900,000	777,050	4,677,050	410,000	219,768	629,768	4,310,000	996,818	5,306,818
2023	160,000	582,050	742,050	410,000	195,706	605,706	570,000	777,756	1,347,756
2024	185,000	574,050	759,050	410,000	179,310	589,310	595,000	753,360	1,348,360
2025	275,000	564,800	839,800	410,000	162,906	572,906	685,000	727,706	1,412,706
2026	945,000	551,050	1,496,050	410,000	146,506	556,506	1,355,000	697,556	2,052,556
2027	995,000	503,800	1,498,800	405,000	130,106	535,106	1,400,000	633,906	2,033,906
2028	1,045,000	454,050	1,499,050	405,000	113,906	518,906	1,450,000	567,956	2,017,956
2029	1,095,000	401,800	1,496,800	405,000	97,706	502,706	1,500,000	499,506	1,999,506
2030	1,140,000	358,000	1,498,000	405,000	81,506	486,506	1,545,000	439,506	1,984,506
2031	1,185,000	312,400	1,497,400	405,000	69,356	474,356	1,590,000	381,756	1,971,756
2032	1,235,000	265,000	1,500,000	405,000	57,206	462,206	1,640,000	322,206	1,962,206
2033	1,280,000	215,600	1,495,600	405,000	45,056	450,056	1,685,000	260,656	1,945,656
2034	1,335,000	164,400	1,499,400	405,000	32,906	437,906	1,740,000	197,306	1,937,306
2035	1,385,000	111,000	1,496,000	405,000	20,756	425,756	1,790,000	131,756	1,921,756
2036	1,390,000	55,600	1,445,600	405,000	8,606	413,606	1,795,000	64,206	1,859,206
	<u>\$21,410,000</u>	<u>\$6,860,700</u>	<u>\$28,270,700</u>	<u>\$6,100,000</u>	<u>\$1,561,309</u>	<u>\$7,661,309</u>	<u>\$27,510,000</u>	<u>\$8,422,009</u>	<u>\$35,932,009</u>

GENERAL OBLIGATION DEBT

	Total General Obligation Debt			Total General Obligation Debt			Total General Obligation Debt		
	Current Bonds Principal	Current Bonds Interest	Current Bonds Debt Service	Current Notes Principal	Current Notes Interest	Current Notes Debt Service	Total Current Principal	Total Current Interest	Total Current Debt Service
2021	\$59,815,000	\$10,753,757	\$70,568,757	\$290,000	\$816,150	\$1,106,150	\$60,105,000	\$11,569,907	\$71,674,907
2022	58,035,000	18,348,611	76,383,611	10,585,000	2,288,280	12,873,280	68,620,000	20,636,891	89,256,891
2023	48,045,000	16,322,762	64,367,762	10,740,000	2,050,256	12,790,256	58,785,000	18,373,018	77,158,018
2024	37,375,000	14,746,545	52,121,545	7,180,000	1,808,658	8,988,658	44,555,000	16,555,203	61,110,203
2025	59,730,000	13,470,561	73,200,561	11,435,000	1,669,980	13,104,980	71,165,000	15,140,541	86,305,541
2026	33,945,000	12,176,257	46,121,257	11,885,000	1,434,323	13,319,323	45,830,000	13,610,580	59,440,580
2027	40,530,000	11,229,601	51,759,601	12,425,000	1,128,011	13,553,011	52,955,000	12,357,612	65,312,612
2028	27,730,000	10,069,969	37,799,969	7,915,000	836,123	8,751,123	35,645,000	10,906,092	46,551,092
2029	28,175,000	9,294,922	37,469,922	6,370,000	673,643	7,043,643	34,545,000	9,968,565	44,513,565
2030	27,695,000	8,561,934	36,256,934	6,610,000	558,617	7,168,617	34,305,000	9,120,551	43,425,551
2031	14,355,000	7,645,642	22,000,642	6,865,000	437,293	7,302,293	21,220,000	8,082,935	29,302,935
2032	14,965,000	7,139,270	22,104,270	7,110,000	309,376	7,419,376	22,075,000	7,448,646	29,523,646
2033	15,320,000	6,605,140	21,925,140	4,900,000	174,966	5,074,966	20,220,000	6,780,106	27,000,106
2034	14,020,000	6,056,603	20,076,603	1,930,000	57,036	1,987,036	15,950,000	6,113,639	22,063,639
2035	14,580,000	5,537,472	20,117,472	1,950,000	28,665	1,978,665	16,530,000	5,566,137	22,096,137
2036	12,130,000	4,991,249	17,121,249	--	--	--	12,130,000	4,991,249	17,121,249
2037	11,500,000	4,531,128	16,031,128	--	--	--	11,500,000	4,531,128	16,031,128
2038	11,465,000	4,097,827	15,562,827	--	--	--	11,465,000	4,097,827	15,562,827
2039	11,980,000	3,661,988	15,641,988	--	--	--	11,980,000	3,661,988	15,641,988
2040	12,510,000	3,217,929	15,727,929	--	--	--	12,510,000	3,217,929	15,727,929
2041	13,070,000	2,739,382	15,809,382	--	--	--	13,070,000	2,739,382	15,809,382
2042	13,660,000	2,237,940	15,897,940	--	--	--	13,660,000	2,237,940	15,897,940
2043	14,270,000	1,712,523	15,982,523	--	--	--	14,270,000	1,712,523	15,982,523
2044	14,910,000	1,162,038	16,072,038	--	--	--	14,910,000	1,162,038	16,072,038
2045	10,225,000	709,150	10,934,150	--	--	--	10,225,000	709,150	10,934,150
2046	10,585,000	360,800	10,945,800	--	--	--	10,585,000	360,800	10,945,800
	\$630,620,000	\$187,381,001	\$818,001,001	\$108,190,000	\$14,271,377	\$122,461,377	\$738,810,000	\$201,652,378	\$940,462,378

GENERAL OBLIGATION DEBT

	Total General Obligation Debt			Total General Obligation Debt		
	This Sale Principal	This Sale Interest	This Sale Debt Service	Total After This Sale Principal	Total After This Sale Interest	Total After This Sale Debt Service
2021	\$--	\$--	\$--	\$60,105,000	\$11,569,907	\$71,674,907
2022	14,105,000	3,126,240	17,231,240	82,725,000	23,763,131	106,488,131
2023	13,670,000	2,689,941	16,359,941	72,455,000	21,062,959	93,517,959
2024	13,700,000	2,373,278	16,073,278	58,255,000	18,928,480	77,183,480
2025	13,745,000	2,049,045	15,794,045	84,910,000	17,189,587	102,099,587
2026	12,945,000	1,713,482	14,658,482	58,775,000	15,324,062	74,099,062
2027	6,910,000	1,399,356	8,309,356	59,865,000	13,756,969	73,621,969
2028	6,920,000	1,240,422	8,160,422	42,565,000	12,146,514	54,711,514
2029	6,935,000	1,076,781	8,011,781	41,480,000	11,045,346	52,525,346
2030	6,955,000	906,635	7,861,635	41,260,000	10,027,186	51,287,186
2031	6,975,000	763,008	7,738,008	28,195,000	8,845,943	37,040,943
2032	3,540,000	613,371	4,153,371	25,615,000	8,062,017	33,677,017
2033	3,565,000	529,605	4,094,605	23,785,000	7,309,711	31,094,711
2034	3,580,000	443,289	4,023,289	19,530,000	6,556,928	26,086,928
2035	3,600,000	354,035	3,954,035	20,130,000	5,920,172	26,050,172
2036	3,630,000	262,270	3,892,270	15,760,000	5,253,519	21,013,519
2037	1,605,000	183,425	1,788,425	13,105,000	4,714,553	17,819,553
2038	1,630,000	147,105	1,777,105	13,095,000	4,244,932	17,339,932
2039	1,660,000	107,703	1,767,703	13,640,000	3,769,691	17,409,691
2040	2,670,000	67,265	2,737,265	15,180,000	3,285,195	18,465,195
2041	--	--	--	13,070,000	2,739,382	15,809,382
2042	--	--	--	13,660,000	2,237,940	15,897,940
2043	--	--	--	14,270,000	1,712,523	15,982,523
2044	--	--	--	14,910,000	1,162,038	16,072,038
2045	--	--	--	10,225,000	709,150	10,934,150
2046	--	--	--	10,585,000	360,800	10,945,800
	\$128,340,000	\$20,046,256	\$148,386,256	\$867,150,000	\$221,698,634	\$1,088,848,634

Principal and Interest Due through 12/31/26	\$417,225,000	\$107,838,126
Percentage of Debt Due	48.11%	48.64%
Principal and Interest Due through 12/31/31	\$630,590,000	\$163,660,084
Percentage of Debt Due	72.72%	73.82%

CERTAIN OTHER INDEBTEDNESS

Common Bond Fund (CBF) Obligations

The City has pledged to levy an ad valorem tax at the rate of up to 0.5% of the tax capacity of the City as a reserve for limited tax supported revenue bonds issued through its Common Bond Fund program. The reserve is drawn on if the City is notified by the trustee for the bonds that a deficiency will occur with respect to principal and interest payments on obligations issued through the Common Bond Fund program. The reserve does not need to be funded until and to the extent of such a deficiency. As of September 1, 2021, the Common Bond Fund program had \$40,170,000 of bonds outstanding. No property tax levies have been required in the past to fund the pledged reserve for Common Bond Fund obligations.

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

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

The following table shows the Common Bond Fund bond issues outstanding as of October 1, 2021:

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued (in Thousands)	Retired (in Thousands)	Outstanding (in Thousands)
Hennepin Theatre Trust	5.23-6.30%	12/20/05	12/01/35	\$21,055	\$6,150	\$14,905
Open Access Technology Intl., Inc.*	3.25-6.25%	12/29/10	12/01/40	23,070	8,170	14,900
Life Source Project	3.00-4.00%	10/17/13	06/01/39	12,595	2,230	10,365
Total:				\$56,720	\$16,550	\$40,170

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

Conduit Debt

As of December 31, 2020, the City had \$2,091,704,577 outstanding of conduit revenue bonds for commercial, industrial, housing, education and health care purposes which are payable solely from payments required to be made by borrowers. The bonds are payable solely from revenues of the respective borrowers and do not constitute a charge against the City's general credit or taxing power. All such indebtedness has been excluded from the descriptions of indebtedness herein.

LEGAL DEBT CONSIDERATIONS

Statutory Debt Limit

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

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

	December 31, 2020 Actual
Total Market Value of Taxable Property Located within the City	
Applicable to Debt Limit Computation	\$56,159,222,000
Legal Debt Percentage Allowed	3.33%
Legal Debt Limit	\$1,871,974,067
General Obligation Bonds Outstanding Subject to Debt Limit (Net Debt)*	\$268,815,000
Unused Margin of Indebtedness	\$1,603,159,067
Percentage of Legal Debt Incurred	14.36%

* From the aggregate principal amount of general obligation bonds subject to the debt limit outstanding as of December 31, 2020, there has been subtracted the estimated moneys in the sinking fund for such bonds.

Future Issuances

The City does not anticipate issuing bonds in the next ninety (90) days.

Overlapping Indebtedness of the City

Set forth in the table that follows is information relating to the outstanding overlapping general obligation indebtedness of the City as of December 31, 2020.

	Net General Obligation Bonded Debt	Applicable Percent of Debt*	Direct Overlapping Share of Debt
Special School District 1	\$528,127,000	100.00%	\$528,127,000
Hennepin County ⁽¹⁾	998,790,000	30.43	303,931,797
Hennepin County Regional Railroad Authority	93,859,000	30.43	28,561,294
Met Council	103,225,000	15.45	15,948,263
Total	\$1,724,001,000		\$876,568,354

(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, 2017 through 2020.

	2020	2019	2018	2017
Special School District 1	\$528,127,000	\$495,460,000	\$467,720,000	\$402,975,000
Hennepin County	303,931,797	286,219,126	331,652,332	258,656,000
Hennepin County Regional Railroad Authority	28,561,294	26,664,469	7,719,599	7,648,989
Metropolitan Council	15,948,263	21,088,174	11,317,091	13,055,014
Total	\$876,568,354	\$829,431,769	\$818,409,022	\$682,335,612

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

	Actual 2020	Actual 2019	Actual 2018	Actual 2017
Assessor's Estimated Market Value of Taxable Property in the City ⁽¹⁾	\$55,348,967,846	\$51,664,025,894	\$46,774,230,040	\$42,812,588,043
Direct Indebtedness ⁽²⁾	706,466,345	713,377,844	651,691,949	630,163,898
Adjusted Direct Indebtedness ⁽³⁾	255,452,279	252,699,318	132,426,872	86,780,771
Direct Indebtedness and Direct Overlapping Indebtedness Chargeable to the City	1,535,898,114	1,542,808,844	1,470,100,971	1,312,499,510
Adjusted Direct Indebtedness and Adjusted Overlapping Indebtedness Chargeable to the City	1,084,884,048	1,082,130,318	950,835,894	769,116,383
Direct Indebtedness as a Percentage of Estimated Full Market Value of Taxable Property	1.28%	1.38%	1.39%	1.47%
Adjusted Direct Indebtedness as a Percentage of Estimated Market Value of Taxable Property ⁽³⁾	0.46%	0.49%	0.28%	0.20%
Direct Indebtedness and Direct Overlapping Indebtedness as a Percentage of Estimated Full Market Value	2.77%	2.99%	3.14%	3.07%
Adjusted Direct Indebtedness and Direct Overlapping Indebtedness as a Percentage of Estimated Full Market Value	1.96%	2.09%	2.03%	1.80%
Estimated Population of the City	429,956	435,885	428,483	423,990
Direct Indebtedness Per Capita	\$1,643.11	\$1,636.62	\$1,520.93	\$1,486.27
Adjusted Direct Indebtedness Per Capita	\$594.14	\$579.74	\$309.06	\$204.68
Direct Indebtedness and Overlapping per Capita	\$3,572.22	\$3,539.49	\$3,430.94	\$3,095.59
Adjusted Direct Indebtedness and Overlapping	\$2,523.24	\$2,482.61	\$2,219.07	\$1,814.00

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

(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, 2020.

INVESTMENT POLICY

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

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

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

The City pools the cash balances from its various funds into the investment portfolio. A summary of the portfolio’s holdings (unaudited) by sector as of June 30, 2021 is as shown in the table below.

Market Value	June 30, 2021 (in Millions)*	% of Portfolio
Cash and Equivalents	\$533.44	51.14%
Commercial Paper	29.99	2.88%
Federal Agency	89.70	8.60%
Mortgage Backed	190.09	18.22%
Municipals	99.70	9.56%
US Treasuries	100.19	9.60%
Total	\$1,043.12	

*Total cash and investments include \$26.2 million of debt service reserves held by a trustee for the General Agency Reserve Fund (debt associated with the Common Bond Fund) and \$2.1 million in other development debt service reserves.

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FINANCIAL INFORMATION

Accounting Information

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

The City maintains its financial records on a calendar year basis. Copies of the City’s complete financial statements for the year ended December 31, 2020 are available upon request from the office of the Finance Officer, 325M City Hall, Minneapolis, Minnesota. The report can be requested by phone at 612-673-2079 or email at “finance@minneapolismn.gov”.

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

<https://www2.minneapolismn.gov/government/departments/finance/financial-reports/comprehensive-annual-financial-report/>

APPENDIX D contains certain information from the Annual Comprehensive Financial Report for the fiscal year ended December 31, 2020.

A financial status report for the interim period ending June 30, 2021 can be viewed at:

<https://www2.minneapolismn.gov/government/departments/finance/financial-reports/financial-status-reports/>

Schedule of Cash, Cash Equivalents and Fund Investments

A comparison of combined cash and cash equivalents as of December 31 for the years 2017, 2018, 2019 and 2020 follows:

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

Fund Type	2020	2019	2018	2017
Government Funds				
General	\$184,462	\$146,255	\$121,327	\$131,776
Community Planning and Economic Development	212,832	199,942	210,413	177,824
Special Revenue Fund				
Permanent Improvement Capital Projects	101,162	207,607	103,082	43,881
Special Assessment Debt Service	11,285	9,030	8,380	9,611
Non-Major Governmental	120,848	118,026	127,000	138,195
Proprietary Funds				
Enterprise Funds	105,269	166,959	183,284	176,148
Internal Service Funds	154,966	155,243	165,339	155,542
Fiduciary Funds	1,708	1,407	1,767	1,200
Discrete Component Units				
Minneapolis Park and Recreation Board	74,632	62,849	49,122	35,154
Municipal Building Commission	603	3,018	1,787	3,564
Meet Minneapolis	5,135	3,438	2,458	2,595
Minneapolis Telecommunications Network	--	--	--	--
Total	\$972,902	\$1,073,774	\$973,959	\$875,490

PENSION OBLIGATIONS

Overview

The City of Minneapolis annually contributes to the following three pension plans:

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

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

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

	2020	2019	2018	2017
	Actual	Actual	Actual	Actual
Minneapolis Employees Retirement Fund (MERF)				
Supplemental Contribution	\$14,265,300	\$14,265,300	\$14,265,300	\$14,265,300
Minneapolis Firefighters Relief Association (MFRA)	3,188,734	3,188,735	4,757,457	4,757,457
Minneapolis Police Relief Association (MPRA)	4,489,837	4,489,837	8,890,272	8,890,272
Total Closed Funds	\$21,943,871	\$21,943,872	\$27,913,029	\$27,913,029

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

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

	2020	2019	2018	2017
	Actual	Actual	Actual	Actual
General Employees Retirement Fund Coordinated (GERF)	\$16,304,692	\$15,618,438	\$17,852,401	\$15,637,240
Public Employees Police and Fire Fund (PEPFF)	21,481,479	21,481,479	19,825,041	18,543,991
Total Open Funds	\$37,786,171	\$37,099,917	\$37,677,442	\$34,181,171

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

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

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

City’s Net Pension Liability as of December 31 of the following years:

	2020	2019	2018	2017
General Employees Retirement Fund Coordinated (GERF)	\$283,265,679	\$261,477,685	\$313,578,451	\$333,720,449
Public Employees Police & Fire Fund (PEPFF)	\$218,459,926	\$187,191,792	\$240,167,434	\$281,291,393
Minnesota Teachers Retirement Association	\$27,248,395	\$26,316,372	\$26,573,369	\$29,295,408

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

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

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

2020	\$ 86,419
2019	107,636
2018	111,683
2017	112,358
2016	114,853

General Information Regarding State Pension Plans

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

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

and actuarial information. These Annual Comprehensive financial reports for the Fiscal Year ended June 30, 2020 are available from the following public websites:

MSRS: <http://www.msrs.state.mn.us/annual-reports>

PERA: <https://mnpera.org/financial/>

TRA: <http://www.minnesotatra.org/financial/annual-reports/>

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

<https://www2.minneapolismn.gov/government/departments/finance/financial-reports/comprehensive-annual-financial-report/>

2019 Pension Legislation Modification

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

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

POST-EMPLOYMENT BENEFITS PLAN AND HEALTHCARE PLAN

The City, the Park Board, and MBC provide a single employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical and dental coverage. Information regarding this plan and the contributions required and made by the City, the Park Board, and MBC in the fiscal year ending December 31, 2020 can be found in Note 13 of the City's Annual Comprehensive Financial Report ("CAFR"). A link to the CAFR is set forth below.

<https://www2.minneapolismn.gov/government/departments/finance/financial-reports/comprehensive-annual-financial-report/>

ANNUAL BUDGET PROCESS

Capital Improvement Budget Development (April-July)

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

Mayor's Budget Recommendation (May-August)

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

Maximum Proposed Property Tax Levy (September)

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

City Council Budget Review and Development (September-November)

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

Truth in Taxation (November)

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

City Council Budget Adoption (December)

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

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

City Sources of Revenue

For 2021, 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.

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

Below is a summary of the 2021 Council Adopted Budget revenues by major category with a comparison to the 2020 Revised Budget.

**Revenue by Category
(in Millions)**

Revenue Category	2021 Adopted vs 2020 Revised			
	2020 Revised	2021 Adopted	\$ Change	% Change
Charges for Services/Sales	\$639.7	\$657.8	\$18.1	1.1%
Federal Government	33.7	29.9	-3.8	-0.2
Fines and Forfeits	7.2	5.8	-1.4	-0.1
Franchise Fees	32.4	33.9	1.5	0.1
License and Permits	40.4	44.8	4.4	0.3
Local Government	6.2	12.3	6.1	0.4
Long Term Liabilities Proceeds	151.6	107.8	-43.8	-2.8
Other Miscellaneous Revenues	31.2	27.6	-3.6	-0.2
Property Taxes/General	369.7	360.6	-9.1	-0.6
Property Taxes/Other	73.7	82.6	8.9	0.6
Sales and Other User Taxes	38.5	17.4	-21.1	-1.3
Special Assessments	36.0	34.6	-1.4	-0.1
Local Government Aid	81.6	64.8	-16.8	-1.1
Other State Government	48.2	58.8	10.6	0.7
Total Revenue	\$1,590.1	\$1,538.7	\$-51.4	-3.2%

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City Spending

For 2021, the budget includes expenditure appropriations corresponding to priorities outlined in the Council Adopted Budget as well as ongoing projects and current City-provided services.

Below is a summary of the 2021 Council Adopted Budget by departmental activity, excluding transfers, with a comparison to the 2020 Revised Budget.

Expenditures by Service (in Millions)

Expense Category	2021 Adopted vs 2020 Revised			
	2020 Revised	2021 Adopted	\$ Change	% Change
Attorney	\$18.2	\$17.3	\$-0.9	-4.9%
Coordinator*	205.2	237.8	32.6	15.9
CPED	114.9	103.4	-11.5	-10.0
Convention Center	41.8	41.7	-0.1	-0.2
Fire	69.2	70.1	0.9	1.3
Health	24.6	28.3	3.7	15.0
Police	183.1	164.3	-18.8	-10.3
Regulatory Services	23.9	24.8	0.9	3.8
Public Works	370.0	387.6	17.6	4.8
Other City Services**	79.6	40.8	-38.8	-48.7
Debt Service	150.9	118.9	-32.0	-21.2
Capital Improvement	169.4	172.9	3.5	2.1
Other***	151.5	213.2	61.7	40.7
Total Spending	\$1,602.3	\$1,621.1	\$18.8	1.2%

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

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

***Includes Non-Departmental, Health and Welfare, Liability, Contingency, Pensions, and Independent Boards.

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

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Expense and Revenue by Fund Type (in Millions)

Expense	2021 Adopted vs 2020 Revised			
	2020 Revised	2021 Adopted	\$ Change	% Change
General	\$478.0	\$484.6	\$6.6	1.4%
Special Revenue	298.0	282.6	-15.4	-5.2
Capital Project	129.6	154.4	24.8	19.2
Debt Service	112.1	82.4	-29.7	-26.5
Internal Service	213.2	233.9	20.7	9.7
Enterprise	371.3	383.3	12.0	3.2
Total	\$1,602.2	\$1,621.1	\$19.0	1.2%

Revenues				
General	2020 Revised	2021 Adopted	\$ Change	% Change
General	\$460.4	\$483.6	\$32.9	7.3%
Special Revenue	331.8	248.6	-35.2	-8.5
Capital Project	115.4	126.8	-97.4	-45.8
Debt Service	72.0	71.9	1.7	2.4
Internal Service	229.6	232.7	71.7	45.4
Enterprise	380.9	406.2	12.6	3.2
Total	\$1,590.1	\$1,569.7	\$-20.4	-1.3%

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

The largest portion of the City's budget is spent on Personnel, which comprises \$470.2 million or 32.4% of the total budget.

Expense by Category (in Millions)

Expense	2021 Adopted vs 2020 Revised			
	2020 Revised	2021 Adopted	\$ Change	% Change
Salaries and Wages	\$390.1	\$371.5	\$-18.6	-4.8%
Fringe Benefits	161.9	154.3	-7.6	-4.7
Contractual Services	462.9	517.3	54.4	11.7
Operating Costs	164.6	178.2	13.6	8.3
Capital*	422.8	399.8	-23.0	-5.4
Total Expense	\$1,602.3	\$1,621.1	\$18.8	1.2%

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

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CITY EMPLOYEES AND LABOR RELATIONS

Twenty-three bargaining units represent approximately 90% of the employees in the City. Listed below is the current contract status of the largest bargaining units as of October 19, 2021.

Employee Group	Approximate Number of Employees	Contract Expiration Date*
Professional Engineers	70	12/31/2021
Fire Fighters (Non-Supervisory)	373	12/31/2021
Clerical & Technical	623	12/31/2019
Police Officers	702	12/31/2019
Convention Center Teamsters	74	12/31/2021
Laborers	456	12/31/2020
Professional Employees	525	12/31/2022
City Supervisors	123	12/31/2019

*The City is negotiating settlement of the four contracts that expired December 31, 2019 and December 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 2013 is set forth below.

Population

Year	City	Seven-County Metropolitan Area
2020 (U.S. Census Bureau)	429,956	3,163,104
2019 (Metropolitan Council)	435,885	3,152,317
2018 (Metropolitan Council)	428,483	3,113,338
2017 (Metropolitan Council)	423,990	3,075,563
2016 (Metropolitan Council)	419,952	3,041,526

Household Size

Year	City	Seven-County Metropolitan Area
2020 (U.S. Census Bureau)	2.19	2.50
2019 (State Demographic Center)	2.25	2.52
2018 (State Demographic Center)	2.25	2.52
2017 (State Demographic Center)	2.35	2.56
2016 (State Demographic Center)	2.34	2.55

Labor Force

The Minneapolis labor force totaled 243,264 in June 2021, showing a decrease of 10,325 (4.07%) from the June 2020 total of 253,589. The labor force is made up of City residents who are working or seeking employment.

The June 2021 labor force was composed of 230,248 employed residents and, based on a 5.4% unemployment rate, approximately 13,016 unemployed persons.

Minneapolis Resident Labor Force and Population June 2015-2021

Year	Population	Labor Force	Number Employed	Percent Employed
2021	N/A	243,264	230,248	94.6%
2020	429,956	253,589	224,572	88.6
2019	435,885	245,792	237,601	96.7
2018	428,483	244,423	237,396	97.1
2017	423,990	240,544	231,642	96.3
2016	419,952	234,157	225,357	96.2
2015	412,517	231,816	223,044	96.2

Source: Minnesota Department of Employment and Economic Development

A summary of the average number and percent of City residents who are members of the civilian labor force who were unemployed for the years 2017 through 2020 is set forth below.

Monthly Averages	2020	2019	2018	2017
Total Labor Force	244,872	244,223	241,477	237,367
Total Employment	227,579	237,209	235,351	229,692
Unemployment	17,293	7,014	6,126	7,675
Percent of Civilian Labor Force Unemployed	7.06%	2.90%	2.50%	3.20%

Source: Minnesota Department of Employment and Economic Development

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Unemployment

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

Year	Month	Minneapolis				Comparative	
		Labor Force	Employment	Unemployment Number	Unemployment Rate	Unemployment Rates MN	US
2021	8	241,957	232,061	9,896	4.1%	3.4%	5.3%
2021	7	243,065	232,766	10,299	4.2%	3.4%	5.7%
2021	6	243,264	230,248	13,016	5.4%	4.4%	6.1%
2021	5	242,901	231,803	11,098	2.6%	3.7%	5.5%
2021	4	241,154	229,699	11,455	4.8%	4.2%	5.7%
2021	3	238,386	227,789	10,597	4.4%	4.5%	6.2%
2021	2	237,699	226,675	11,024	4.6%	4.9%	6.6%
2021	1	235,662	224,031	11,631	4.9%	5.0%	6.8%
2020	Ann Avg	244,872	227,579	17,293	7.1%	6.2%	8.1%
2019	Ann Avg	244,223	237,209	7,014	2.9%	3.2%	3.7%
2018	Ann Avg	241,477	235,351	6,126	2.5%	2.9%	3.9%
2017	Ann Avg	237,367	229,692	7,675	3.2%	3.5%	4.4%
2016	Ann Avg	232,240	224,193	8,047	3.5%	3.9%	4.9%

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Average Number of Jobs by Industry in Minneapolis

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

	2020	2019	2018	2017
Total, all industries	308,860	339,649	336,775	331,493
Construction	7,503	7,795	7,607	7,323
Manufacturing	12,261	13,425	13,757	13,274
Utilities	2,857	2,887	2,842	2,783
Wholesale Trade	7,013	7,879	8,190	8,518
Retail Trade	13,472	15,194	15,626	15,172
Transportation and Warehousing	8,769	10,179	8,499	8,106
Information	10,497	10,819	10,656	10,819
Finance and Insurance	36,224	34,958	33,413	32,338
Real Estate and Rental Leasing	5,373	5,671	5,314	4,824
Professional and Technical Services	35,578	38,341	38,966	38,372
Management of Companies & Enterprises	20,526	18,055	17,697	17,084
Administrative and Waste Services	12,658	15,170	15,108	14,915
Educational Services	33,539	35,859	36,015	36,658
Health Care and Social Assistance	61,566	61,786	62,165	61,547
Leisure and Hospitality	17,558	35,830	35,224	34,219
Other Services	8,583	10,410	10,248	10,138
Public Administration	14,734	15,216	15,302	15,248

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

Source: Minnesota Department of Employment and Economic Development

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Occupational Employment Statistics Wage Data

**Minneapolis-St. Paul-Bloomington, MN-WI Metro
As of May 2020**

	Median Hourly Wage			Employment		
	MSA	MN	US	MSA	MN	US
All Occupations	\$23.90	\$22.41	\$20.17	1,848,960	2,708,760	139,099,570
Management Occupations	57.72	53.61	\$52.77	125,780	164,530	7,947,300
Business and Financial Operations Occupations	36.07	34.84	\$34.73	146,620	179,670	8,387,490
Computer and Mathematical Occupations	39.52	44.00	\$43.92	85,650	98,240	4,587,700
Architecture and Engineering Occupations	42.40	38.13	\$39.98	42,260	54,880	2,515,040
Life, Physical and Social Science Occupations	37.00	34.77	\$33.54	19,210	26,120	1,296,060
Community and Social Services Occupations	24.24	24.15	\$22.85	35,360	55,630	2,231,070
Legal Occupations	43.10	40.20	\$40.82	16,290	19,760	1,154,740
Education, Training and Library Occupations	24.74	24.15	\$25.18	103,190	159,060	8,446,910
Arts, Design, Entertainment, Sports, and Media Occupations	26.98	25.21	\$25.55	28,200	36,260	1,857,500
Healthcare Practitioners and Technical Operations Healthcare Support Occupations	37.72	36.17	\$33.59	111,370	188,210	8,579,180
Protective Services Occupations	15.09	14.98	\$14.40	101,150	157,140	6,440,880
Food Preparation and Serving Related Occupations	23.32	23.34	\$21.02	28,770	42,520	3,351,180
Building and Grounds Cleaning and Maintenance Occupations	13.33	12.88	\$12.26	129,500	195,120	11,262,850
Personal Care and Service Occupations	16.10	15.58	\$14.39	47,150	74,550	4,090,370
Sales and Related Occupations	14.33	14.07	\$13.52	35,680	51,660	2,696,340
Office and Administrative Support Occupations	17.66	15.93	\$15.15	171,060	250,430	13,120,320
Farming, Fishing and Forestry Occupations	21.34	20.45	\$18.62	236,550	338,050	18,548,360
Construction and Extraction Occupations	16.47	17.77	\$14.27	1,350	4,230	478,770
Installation, Maintenance and Repair Occupations	32.13	29.23	\$23.37	64,020	102,390	5,937,830
Production Occupations	25.97	24.83	\$23.44	60,850	98,840	5,486,930
Transportation and Material Moving Occupation	19.89	19.30	\$18.00	122,310	202,240	8,519,410
	18.61	18.29	\$16.38	136,640	209,210	12,163,360

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

Largest Companies

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

Companies in Fortune Directory of the Largest 500 Companies for 2021 Headquartered in this MSA*

Company	Revenues	Rank	Industry Grouping	Industry Rank
United Health Group	257.1	5	Health Care Insurance and Managed Care	1 of 6
Target	93.6	30	General Merchandisers	3 of 7
Best Buy	47.3	66	Specialty Retailers	3 of 18
3M	32.2	96	Chemicals	2 of 14
CHS	28.4	103	Food Production	3 of 7
U.S. Bancorp	25.2	113	Commercial Banks	8 of 19
General Mills	17.6	169	Food and Consumer Products	4 of 13
C.H. Robinson Worldwide	16.2	191	Transportation and Logistics	2 of 3
Land O'Lakes	13.9	219	Chemicals	6 of 13
Ecolab	12.7	237	Food and Consumer Products	6 of 14
Ameriprise Financial	11.5	253	Diversified Financials	8 of 14
Xcel Energy	11.5	272	Gas and Electric	12 of 22
Hormel Foods	9.6	317	Food and Consumer Products	8 of 13
Thrivent Financial For Lutherans	8.2	369	Insurance Life and Health(Mutual)	6 of 7
Polaris Industries	7.1	407	Transportation Equipment	1 of 1

*Source: Fortune June 1, 2021

Educational Institutions

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

Colleges/Universities	Enrollment	Colleges/Universities	Enrollment
1. University of Minnesota – Twin Cities	50,734	7. St. Catherine University	4,859
2. Walden University*	48,420	8. Bethel University	3,692
3. Capella University*	37,171	9. University of Northwestern	3,623
4. University of St. Thomas	10,035	10. Hamline University	3,526
5. Metropolitan State University	7,861	11. Augsburg University	3,419
6. Concordia University	5,054	12. Macalester College	2,174

*Online universities.

Source: Niche.com

**Major Development Projects Permitted in Minneapolis as of September 30, 2021
(\$5.0 million+)**

Quarter Permitted	Estimated Construction Cost*	Project Description	Neighborhood/Area
3rd	59,075,160	Full Const (Mixed Use 240 Res Units)	Elliot Park
2nd	52,991,000	Full Construction	Midtown Phillips
1st	43,214,831	Gateway-Floors 12,12-21 Build Out For RBC	Downtown West
3rd	25,885,526	Interior Const Of New Condos On 31-35 th Flrs	Downtown West
3rd	25,467,366	New Mixed Use 143 Units	Lowry Hill East
1st	22,722,942	New 7 story, 132 unit apt bldg	Whittier
1st	20,571,312	West Lake Quarter Ramp	West Maka Ska
2nd	19,518,000	5 th and 6 th Floors Patient Rooms/Stair Tower	Cedar Riverside
3rd	17,309,000	The Falls-New Apt Bdg/mixed use	Hiawatha
2nd	17,128,250	Full Cons Alden Smith (122 New Units)	Loring Park
2nd	16,885,334	Full Const -w Broadway Curve Apts 72 units	Jordan
3rd	16,162,978	Full Construction	Mid - City Industrial
2nd	15,662,404	Full Const W lake Quarter Bldg-98 Units	West Maka Ska
3rd	15,208,000	Floors 5-7 of new construction - offices, restroom	Downtown West
1st	15,078,000	Const 6 story, 112 guest room hotel	Prospect Park - East River Road
3rd	13,598,378	Full Const-79 Unit Apt Bldg	King Field
2nd	13,175,000	Full Const 38th & Hiawatha Mixed Use (102 Units)	Howe
3rd	12,325,600	Full Const-Harrison Housing 100 Units	Harrison
3rd	10,048,540	Full Const-42 Res Unit Bldg	Powderhorn Park
2nd	8,711,000	M E P Upgrades	Lyndale
2nd	8,505,291	Demo and Buildout of Floors 1-8	Cedar Riverside
1st	8,135,467	Construct 77 unit apartment	South Uptown
2nd	8,023,114	Lydia Apts 6 Story Addn (40 New Units)	Steven's Square - Loring Heights
2nd	7,800,000	F&F-143 Unit Mixed Use Bldg	Lowry Hill East
3rd	7,300,000	F&F-New Mixed Use	Marcy Holmes
3rd	7,287,400	Build out 724 Apartments	North Loop
2nd	6,854,889	Mn Transition Charter Schl Interior Rmdl	Longfellow
3rd	6,618,000	4222 Nicollet Apts	King Field
1st	6,506,063	Int remodel of 3rd/4th and 7 th Floors	Downtown West
3rd	6,000,491	F&F per PDR PLAN5630	North Loop
2nd	5,995,723	Addition and Remodeling of 3 Story Mixed Use Blding	Near - North
1st	5,357,000	Repair Work/ADA Upgrades/Interior remodel	Loring Park
3rd	5,224,560	F/F Conc wrk to 4th lvl-801 15th-Stu Hsg	Marcy Holmes
1st	5,190,000	Construct Holiday Station/Store	Hiawatha
1st	5,073,000	Full Construction 2 story clinic	Stevens Square - Loring Heights
2nd	5,026,000	New Mixed-use-38 unit bldg	East Phillips
2nd	5,000,000	F&F – New Mixed Use (240 Res Unit)	Elliot Park

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

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**Major Development Projects Permitted in Minneapolis in 2020
(\$5.0 million+)**

Quarter Permitted	Estimated Construction Cost*	Project Description	Neighborhood/Area
2nd	105,925,845	Gateway 36 story Core and Shell (36 Res & 222 Hotel)	Downtown West
3rd	104,115,915	Full Const (R) Met Transit Bus Facility	North Loop
1st	81,154,893	FULL CONST for mixed use bldg-346 units	Downtown West
1st	73,591,547	Larken-New Mixed use-plan7467	Elliot Park
4th	65,864,510	Hotel Interior Finishes	Downtown West
4th	54,290,600	Full Construction-225 Dwelling Units	Downtown East
3rd	33,464,045	Duffy Remodel & Addition	North Loop
2nd	30,147,480	Full Const-Nokomis Mixed Use (130 Res Units)	Ericsson
1st	29,600,000	TradeMark Apts - 14th Ave Apts- 175 Units	Logan Park
4th	28,385,479	Change from nursing home to res units / ofc space	Elliot Park
3rd	27,000,000	Salvation Army dock addtn/and site work	North Loop
2nd	23,571,693	ELEC - Elliot Towers Link Addition	Elliot Park
2nd	22,273,732	ELEC- Multi-bay Maintenance addition to O&M LRT	Ventura Village
4th	21,568,453	Full Const-The Bessemer @ Seward Commons (128 units)	Seward
2nd	21,115,508	Full Const-Main Street East (175 Units)	St. Anthony West
1st	20,862,333	Northside Artspace-100 Unit Apts	Harrison
3rd	20,117,557	ELEC-Full Construction - 147 Units	Corcoran
4th	20,100,000	Full Const, 5 story, 92 Unit Apt	Harrison
1st	19,775,956	Enhance Exterior Envelope around Stadium	Downtown East
1st	19,752,820	Full Const-Midtown Corner Mixed Use (189 Res Units)	Longfellow
2nd	14,716,730	Full Const-Hiawatha Ave Apts (80 Units)	Hiawatha
2nd	14,368,415	Full Const-Oshaughnessy Distilling 22,879 sf Addtn & Rmdl	Prospect Park - East River Road
2nd	14,241,000	ELEC-Full Const For Lake Street Transit Station	Lyndale
4th	13,766,639	Full Const-(R)Main Street Apts West (113 Units) Park Ded	St. Anthony West
2nd	13,347,300	Full Construction - 112 Unit Apt	Holland
4th	12,138,934	Full Construction 81 unit Workforce Housing Site	Hiawatha
1st	11,867,072	Full Const-Family Partnership Addition	Powderhorn Park
2nd	10,996,000	Full Construction- 86 units	Lowry Hill East
1st	9,778,000	Full Const-Fairfield Inn (111 Hotel Rooms)	Downtown West
4th	9,517,648	Sabathani-3 story, 48 Unit new const	Central
1st	9,000,000	F&F-Mpls Bus Garage	North Loop
1st	8,128,650	Floors 11 - 13	Downtown West
4th	8,029,445	Construct 76 unit Apt	Lowry Hill East
4th	7,567,990	ELEC-1720 Washington Self Storage	Near - North
1st	7,500,000	Full Const-Cambria Hotel (121 Rooms)	Downtown West
3rd	7,500,000	ELEC-Full Const-New Mpls Impound Lot Bldg	Bryn - Mawr
4th	7,357,600	Anishinabe III-40 Bed Supportive Hsng	Ventura Village
1st	7,332,286	Full Construction - 56 unit mixed use building	Downtown West
1st	7,193,880	67 units 28th & Garfield Apt bldg	Whittier
1st	7,157,161	63 unit Apt. 7862 38th S	Standish
4th	7,050,000	Food/Remodel Café refresh	Downtown West
1st	7,048,816	Construct 49 unit Apt Blding (Greenway31)	West Maka Ska
3rd	7,033,100	Full Const Peris Hill Mixed Use (45 Units)	Lowry Hill
2nd	6,922,265	Full Const-1 st Ave Flats (51 unit) apt bldg-plan7420	Whittier
4th	6,815,500	Islamic Cntr Addtn	Midtown Phillips
3rd	6,706,817	Interior Remodel – Target Plaza Elevators and Lobby	Downtown West
1st	6,645,000	North Regional Library Interior Remodel	Audubon Park
1st	6,500,000	Common Space Modifications, Unit Rehab & Sitework	Longfellow
3rd	6,041,823	Constr. 44 unit Apt.	Ventura Village
1st	5,926,522	F&F- Nokomis Mixed Use Bldg (130 Res Units)	Ericsson
4th	5,892,818	Full Const-PDR10874/BLDG843856 -49 units	St. Anthony West
2nd	5,776,814	HCMC addition PDR Plan 863 l	Elliot Park
4th	5,511,183	Full Const-HiLake Shopping Ctr	East Phillips
2nd	5,500,000	Elec-remodel of skyway and ground flr level	Downtown West

2nd	5,432,000	ELEC(R) - HCGC-Bathrm & Juror Room Rmdl On Most Floors	Downtown West
1st	5,431,850	Full Const-LH Beard (41 Res Units)	Linden Hills
1st	5,036,372	NorthStar @ Sibert Field, Add 20 units, for 43 Tot	University of Minnesota

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

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APPENDIX B

FORM OF BOND COUNSEL OPINION

\$112,480,000
City of Minneapolis, Minnesota
General Obligation Bonds
Series 2021

We have acted as bond counsel in conjunction with the issuance by the City of Minneapolis, Minnesota (the “City”), of its fully registered General Obligation Bonds, Series 2021 (the “Bonds”), issued by the City in the aggregate principal amount of \$112,480,000, dated November 18, 2021.

The Bonds mature on June 1, 2022 and on December 1 in the years 2022 through 2040 and bear interest at fixed rates payable on each June 1 and December 1, commencing June 1, 2022. The Bonds maturing on and after December 1, 2030, are subject to optional redemption by the City, in whole or in part, on December 1, 2029, and any date thereafter for which proper notice can be given at the redemption price of par plus accrued interest to the date of redemption.

The Bonds are issued pursuant to resolutions of the Board of Estimate and Taxation of the City adopted on October 13, 2021, a resolution of the City Council of the City adopted on March 23, 2018, and various resolutions of the City Council of the City (collectively, the “Resolutions”), for the purposes set forth in the Resolutions.

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

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

1. The Bonds are valid and binding general obligations of the City issued under authority of the City Charter and Minnesota Statutes, Chapters 429, 444, and 475, as amended, including Section 475.521.
2. The Bonds are payable in part from special assessments pledged to the Bonds, net revenues of the water, sanitary sewer, storm water, and solid waste systems of the City, net revenues of the parking system of the City, and ad valorem taxes imposed on all taxable property in the City, but the City is required to levy additional general ad valorem taxes on all taxable property within the City without limitation as to rate or amount, if necessary, to pay the principal of and interest on the Bonds when due.
3. Based on present federal and Minnesota laws, regulations, rulings, and decisions (which excludes any pending legislation which may have a retroactive effect), interest on the Bonds (including any original issue discount allocable to an owner thereof) is not includable in gross income of the recipient for federal income tax purposes and, to the same extent, is not includable in taxable net income of individuals, estates, and trusts for State of Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the State of Minnesota alternative minimum tax imposed on individuals, estates, and trusts. Interest on the Bonds is subject to State of Minnesota franchise taxes imposed on corporations (including financial institutions) measured by income. The opinion set forth in

this paragraph is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

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

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

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

Dated at Minneapolis, Minnesota, on November 18, 2021.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$112,480,000
City of Minneapolis, Minnesota
General Obligation Bonds
Series 2021

CONTINUING DISCLOSURE CERTIFICATE

November 18, 2021

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Minneapolis, Minnesota (the “City”), in connection with the issuance of its General Obligation Bonds, Series 2021 (the “Bonds”), in the original aggregate principal amount of \$112,480,000. 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 BofA Securities (the “Purchaser”) on the date hereof.

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

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

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

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

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

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

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

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

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

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

“Final Official Statement” means the deemed final Official Statement, dated November 5, 2021, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

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

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

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

“GASB” means the Governmental Accounting Standards Board.

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

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

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

“Repository” means EMMA.

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

“SEC” means Securities and Exchange Commission.

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

(a) On or before 270 days after the end of each Fiscal Year of the City, commencing with the Fiscal Year ending December 31, 2021, the City shall provide to the Repository the following financial information and operating data (the “Disclosure Information”):

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 5. Reporting of Material Events.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF MINNEAPOLIS, MINNESOTA

Finance Officer

APPENDIX D

EXCERPTS OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020*

*Copies of the City's complete audited financial statements for the fiscal year ended December 31, 2020 are available upon request from the office of the Finance Officer, 325M City Hall, Minneapolis, Minnesota. The report can be requested by phone 612-673-2079 or email "finance@minneapolismn.gov".

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

<https://www2.minneapolismn.gov/government/departments/finance/financial-reports/comprehensive-annual-financial-report/>

ANNUAL COMPREHENSIVE FINANCIAL REPORT



CITY OF
MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2020

FINANCE AND PROPERTY SERVICES DEPARTMENT

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June 29, 2021

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

TRANSMITTAL

We are pleased to present the Annual Comprehensive Financial Report (the report) for the City of Minneapolis (the City) for the year ended December 31, 2020. 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 report. To the best of our knowledge, the report 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, 2020. The State Auditor's opinion is included as page one through three in the financial section of this report.

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

STEWARDSHIP

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

INTERNAL CONTROLS

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

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

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

THE REPORTING ENTITY

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

THE CITY AND ITS SERVICES

City Profile

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

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

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

There are 87 residential neighborhoods within the City offering a broad range of housing to more than 176,000 households. The City is well known for its concerned and active citizenry which has engaged in partnerships with government and business to improve neighborhoods and create economic opportunities. Minneapolis is second only to New York City in per capita attendance at theater and arts events. Minneapolis has more than thirty theaters; the Guthrie Theater and the Children's Theatre Company are recognized as two of the country's best. The City boasts two world-class art museums and is home to the internationally acclaimed Minnesota Orchestra.

Minneapolis' population continues to grow. As of 2019, Minneapolis is home to an estimated 429,606 people. From 2010 to 2019, the population within the City grew at a rate of 12.9%. Children, youth under 18, and seniors aged 65 and above make up 6.5 percent and 19.8 percent, and 9.6 percent of the population respectively. African Americans comprise 19.2 percent of the population, and Hispanic Americans make up 9.6 percent of the population. People of American Indian and Alaska Native descent comprise 1.4 percent of the population, and Asian Americans make up 6.0 percent of the population. People of two or more races make up 5.9 percent of the total population

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

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

Form of Government and Organization

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

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

City Council

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

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

Mayor

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

Departments

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

FINANCIAL POLICES

Each year during the budget process, the Council adopts a comprehensive set of financial policies. Of particular relevance to the City budget process is the policy to maintain a minimum unassigned fund balance in the General Fund equal to 17% of the following year's General Fund budgeted expenditures. This balance is to be used for cash flow purposes, unanticipated expenditures of a non-recurring nature, unexpected increases in service delivery costs, or unexpected revenue shortfalls. The unassigned fund balance of the General Fund at December 31, 2020 was \$167.6 million, which is \$86.1 million more than policy requires. Additional information regarding the 2020 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 \$5.1 million in both 2020 and 2021.

ECONOMIC CONDITION AND OUTLOOK

Prior to the emergence of the COVID-19 pandemic in early 2020, the City's financial projection was on a continued upward trend. In response to the pandemic, the City engaged in two rounds of budgetary reductions, temporary spending and hiring freezes and employee furloughs. Going into 2021, the City is prepared to continuously monitor and adjust our activity to ensure an appropriate response to the ongoing pandemic. A detailed discussion and analysis of the City's overall financial condition during the fiscal year ended 2020 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 Annual Comprehensive Financial Report for the fiscal year ended December 31, 2019. A Certificate of Achievement is valid for a period of one year only. The City has received this prestigious award for 46 years.

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

The City also received the GFOA's Distinguished Budget Presentation Award for its 2019 annual budget document. To qualify for the distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,

Dushani Dye
Chief Financial Officer

Lori Johnson
Deputy Chief Financial Officer

Lyle Hodges
Controller

RESIDENTS OF MINNEAPOLIS

BOARD OF ESTIMATE & TAXATION

MAYOR

CITY COUNCIL

City Clerk

PARK & RECREATION BOARD

Executive Committee

Audit Committee

Internal Auditor

CHARTER DEPARTMENTS

Civil Rights | Police | Attorney | Assessor | Coordinator | Health | Regulatory Services | Fire | Public Works | Community Planning & Economic Development

Civil Rights Commission

Police Conduct Oversight Commission

CITY COORDINATOR DEPARTMENTS

Planning Commission

Civil Service Commission

Meet Minneapolis

Human Resources

Information Technology

Finance & Property Services

Communications

Neighborhood & Community Relations

Convention Center

Intergovernmental Relations

Emergency Management

311

911

MAYOR AND COUNCIL

CITY OF MINNEAPOLIS, MINNESOTA

2020

Mayor.....JACOB FREY

CITY COUNCIL

Ward 1.....KEVIN REICH

Ward 2.....CAM GORDON

Ward 3.....STEVE FLETCHER

Ward 4.....PHILLIPE CUNNINGHAM

Ward 5.....JEREMIAH ELLISON

Ward 6.....JAMAL OSMAN

Ward 7.....LISA GOODMAN

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

Ward 9.....ALONDRA CANO

Ward 10.....President.....LISA BENDER

Ward 11.....JEREMY SCHROEDER

Ward 12.....ANDREW JOHNSON

Ward 13.....LINEA PALMISANO



Government Finance Officers Association

Certificate of
Achievement
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Reporting

Presented to

**City of Minneapolis
Minnesota**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill

Executive Director/CEO

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

This section of the Annual Comprehensive Financial Report (ACFR) for the City of Minneapolis presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2020. Please read it in conjunction with the transmittal letter at the front of this report and the City's basic financial statements following this section. **All dollar amounts are expressed in thousands unless otherwise indicated.**

FINANCIAL HIGHLIGHTS

- At the close of the 2020 fiscal year, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$2,491,269 (net position). Of this amount, \$2,348,876 is the City's net investment in capital assets and \$344,050 is restricted for specific purposes (restricted net position) leaving a deficit of \$(201,657) 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, as well as legal obligations arising from lawsuits and worker's compensation claims.
- The City's total net position increased by \$67,233 in 2020. Governmental activities increased the City's net position by \$57,379 and business-type activities increased the net position by \$9,854.
- As of December 31, 2020, total fund balance in the General Fund was \$167,654, all of which was unassigned.
- The City's total long-term bond and note liability decreased by \$25,363 from the prior year. Total bonds and notes issued in 2020 was \$142,892. Total debt retirement was \$168,255. Major new debt issuances included notes of \$97,185 for a variety of special assessment improvements, general infrastructure, sanitary and storm sewer, water, and parking projects and \$26,000 to refinance Convention Center debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

The City of Minneapolis maintains 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Community Planning and Economic Development Special Revenue Fund, the HUD Consolidated Plan 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 121.

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 technology services, central and traffic stores inventories, engineering lab testing and asphalt and cement services, city attorney, workers' compensation, unemployment benefits and other payroll and self-insurance related services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

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

The custodial fund financial statements can be found on page 41-42 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 121.

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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, 2020 with a comparison to 2019.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,101,732	\$ 1,142,068	\$ 173,321	\$ 233,895	\$ 1,275,053	\$ 1,375,963
Capital assets	1,760,799	1,631,885	1,248,683	1,184,415	3,009,482	2,816,300
Total assets	<u>\$ 2,862,531</u>	<u>\$ 2,773,953</u>	<u>\$ 1,422,004</u>	<u>\$ 1,418,310</u>	<u>\$ 4,284,535</u>	<u>\$ 4,192,263</u>
Deferred outflows of resources	\$ 113,136	\$ 166,811	\$ 5,373	\$ 3,935	\$ 118,509	\$ 170,746
Current and other liabilities	\$ 204,940	\$ 241,111	\$ 56,864	\$ 62,955	\$ 261,804	\$ 304,066
Long-term liabilities	1,122,922	979,836	346,023	338,102	1,468,945	1,317,938
Total liabilities	<u>\$ 1,327,862</u>	<u>\$ 1,220,947</u>	<u>\$ 402,887</u>	<u>\$ 401,057</u>	<u>\$ 1,730,749</u>	<u>\$ 1,622,004</u>
Deferred inflows of resources	\$ 174,218	\$ 303,609	\$ 6,808	\$ 13,360	\$ 181,026	\$ 316,969
Net position						
Net investment in capital assets	\$ 1,365,745	\$ 1,203,135	\$ 983,131	\$ 930,589	\$ 2,348,876	\$ 2,133,724
Restricted net position	318,948	390,189	25,102	30,598	344,050	420,787
Unrestricted net position	(211,106)	(177,116)	9,449	46,641	(201,657)	(130,475)
Total net position	<u>\$ 1,473,587</u>	<u>\$ 1,416,208</u>	<u>\$ 1,017,682</u>	<u>\$ 1,007,828</u>	<u>\$ 2,491,269</u>	<u>\$ 2,424,036</u>

The largest portion of the City’s net position reflects its \$2,348,876 investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. As a result, these assets are not available for future spending. Although the City’s investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position decreased \$76,737 to \$344,050 in 2020 in part due to the \$104,763 decrease in capital improvement restrictions related to capital project activity, offset with an increase of \$22,566 in community and economic development restrictions. Net position is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation (City ordinances).

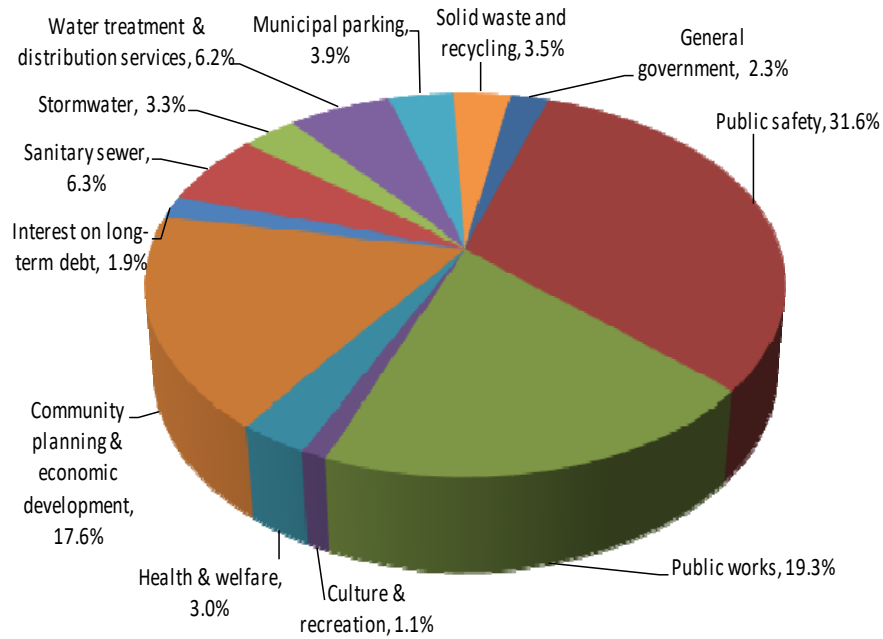
The remaining deficit of \$(201,657) represents the unrestricted portion of the City’s net position. This is a decrease of \$71,182 from the 2019 unrestricted net position. The decrease in unrestricted net position is the result of a multitude of factors, including additional restrictions to net position as noted above. As noted in the following section, overall net position of the City increased by \$67,233 in 2020.

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 \$57,379 while the business-type activities net position increased by \$9,854.

Statement of Activities						
For the Years Ended December 31, 2020, and 2019						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 121,725	\$ 184,718	\$ 298,753	\$ 322,126	\$ 420,478	\$ 506,844
Operating grants and contributions	124,193	122,641	4,573	3,996	128,766	126,637
Capital grants and contributions	37,366	15,529	1,664	-	39,030	15,529
General revenues:						
General property tax and fiscal disparities	308,146	287,049	-	-	308,146	287,049
Property tax increment	69,418	66,303	-	-	69,418	66,303
Franchise taxes	31,181	32,370	-	-	31,181	32,370
Local taxes	49,290	89,182	-	-	49,290	89,182
Other taxes	262	329	-	-	262	329
Local government aid - unrestricted	71,821	69,754	-	-	71,821	69,754
Grants and contributions not restricted to programs	3,436	2,728	168	151	3,604	2,879
Unrestricted interest and investment earnings	23,478	30,539	887	981	24,365	31,520
Other	-	6,422	154	153	154	6,575
Gain on sale of capital assets	910	1,102	-	-	910	1,102
Total revenues	841,226	908,666	306,199	327,407	1,147,425	1,236,073
Expenses						
General government	25,088	31,300	-	-	25,088	31,300
Public safety	341,681	295,247	-	-	341,681	295,247
Public works	208,981	154,329	-	-	208,981	154,329
Culture and recreation	11,901	9,531	-	-	11,901	9,531
Health and welfare	32,211	26,592	-	-	32,211	26,592
Community planning and economic development	186,579	196,477	3,887	4,716	190,466	201,193
Interest on long-term debt	20,555	18,958	-	-	20,555	18,958
Sanitary sewer	-	-	67,919	63,066	67,919	63,066
Stormwater	-	-	36,138	34,524	36,138	34,524
Water treatment and distribution services	-	-	67,124	68,792	67,124	68,792
Municipal parking	-	-	41,976	50,532	41,976	50,532
Solid waste and recycling	-	-	36,152	33,295	36,152	33,295
Total expenses	826,996	732,434	253,196	254,925	1,080,192	987,359
Excess (deficiency) before transfers	14,230	176,232	53,003	72,482	67,233	248,714
Transfers	43,149	46,850	(43,149)	(46,850)	-	-
Change in net position	57,379	223,082	9,854	25,632	67,233	248,714
Net position - Beginning (Restated)	1,416,208	1,193,126	1,007,828	982,196	2,424,036	2,175,322
Net position - Ending	\$ 1,473,587	\$ 1,416,208	\$ 1,017,682	\$ 1,007,828	\$ 2,491,269	\$ 2,424,036

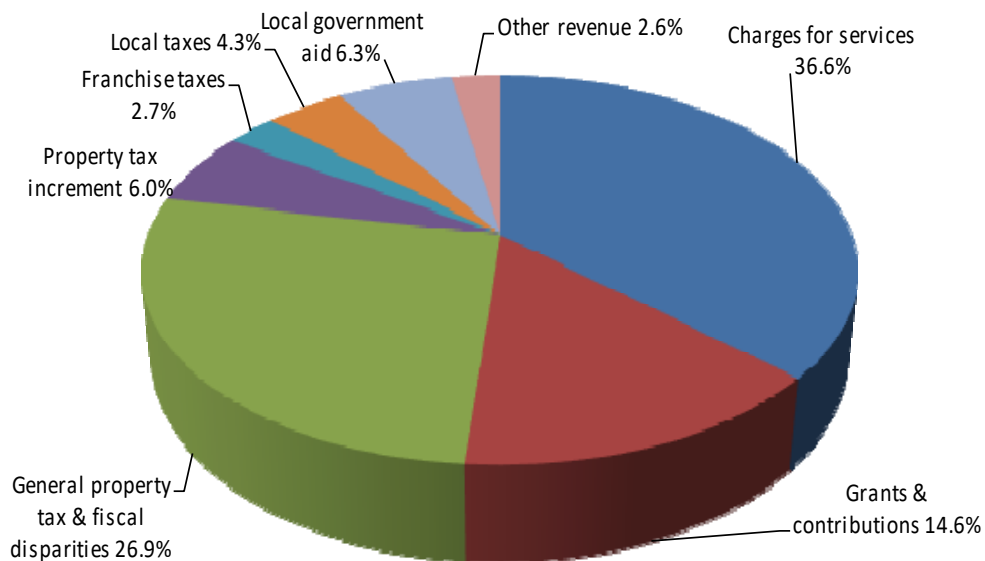
Governmental Activities—Governmental activities increased the City’s net position by \$57,379 compared to an increase of \$223,082 in 2019. Total governmental revenue decreased by 7.4% from 2019 to 2020 while total expenses increased by 12.9% over that same period. The increase in expenses is attributable mainly to capital outlays for large projects and development costs for community planning and economic development activities. A significant expense in the statement of activities, compared to fund statements, is depreciation. Current year depreciation for governmental activities is \$80,262.

Government-wide Expenses



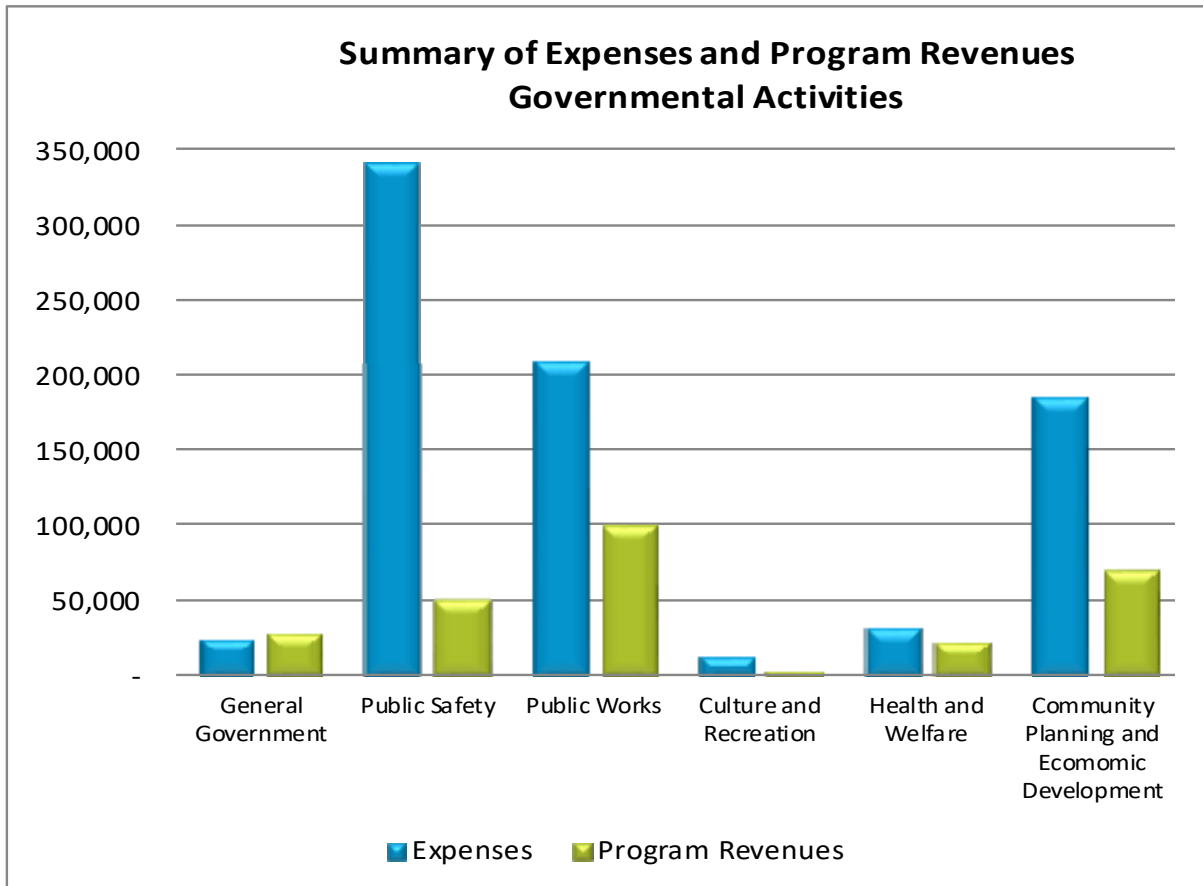
Program revenue increased in two of the three categories, led by an increase in Capital grants and contributions. The City had a challenging year as the entire world reacted to the COVID-19 pandemic. Charges for services decreased by \$86,366 or 17.0% during 2020. General revenues cover any net expense after program specific revenues are applied. General revenues were down \$27,912 in total. Increased property tax revenues were offset by large reductions in local tax collections due to business closures related to COVID-19.

Government-wide Revenues



**Summary of expenses and program revenues - Governmental Activities
For the Year ended December 31, 2020**

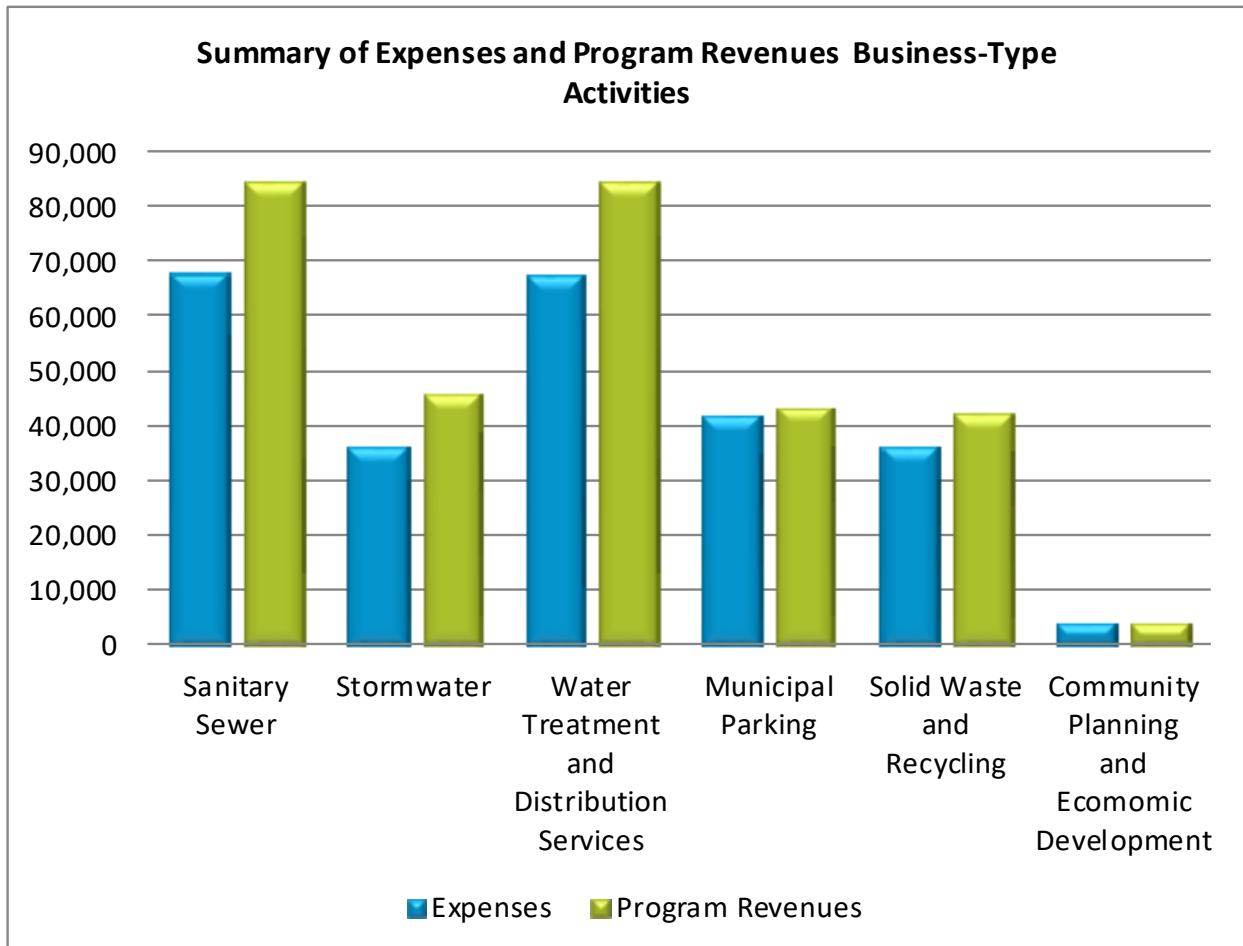
Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue by Program
General government	\$ 25,088	\$ 30,433	\$ 5,345
Public safety	341,681	52,315	(289,366)
Public works	208,981	101,927	(107,054)
Culture and recreation	11,901	3,892	(8,009)
Health and welfare	32,211	23,887	(8,324)
Community planning and economic development	186,579	70,830	(115,749)
Interest on long-term debt	20,555	-	(20,555)
	<u>\$ 826,996</u>	<u>\$ 283,284</u>	\$ (543,712)
General revenues and transfers supporting governmental activities			<u>601,091</u>
Change in net position			57,379
Net position - January 1, 2020			<u>1,416,208</u>
Net position - December 31, 2020			<u>\$ 1,473,587</u>



Business-Type Activities—Business-type activities increased the City’s net position by \$9,854 compared with an increase of \$25,632 in 2019.

**Summary of expenses and program revenues - Business-Type Activities
For the Year ended December 31, 2020**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	Net (Expense) Revenue by Program
Sanitary sewer	\$ 67,919	\$ 84,619	\$ 16,700
Stormwater	36,138	45,958	9,820
Water treatment and distribution services	67,124	84,753	17,629
Municipal parking	41,976	43,524	1,548
Solid waste and recycling	36,152	42,246	6,094
Community planning and economic development	<u>3,887</u>	<u>3,890</u>	<u>3</u>
	<u><u>\$ 253,196</u></u>	<u><u>\$ 304,990</u></u>	<u>\$ 51,794</u>
General revenues and transfers supporting business-type activities			<u>(41,940)</u>
Change in net position			9,854
Net position - January 1, 2020			<u>1,007,828</u>
Net position - December 31, 2020			<u><u>\$ 1,017,682</u></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 2020, five governmental funds, including the General Fund, are presented as major funds. These funds include the Community Planning and Economic Development Fund, HUD Consolidated Plan Fund, the Permanent Improvement Capital Project Fund, and the Special Assessment Debt Service Fund. At December 31, 2020, the City’s governmental funds reported a combined ending fund balance of \$664,829, a decrease of \$21,419 compared with the prior year. Approximately 23.9% of this total amount, or \$159,175, constitutes unassigned fund balance, which is available for spending at the City’s discretion.

The remainder of the fund balance is classified as follows: \$318,948 is restricted for debt service, community planning and economic development, capital improvements, grants, and law enforcement legal requirements; and

\$186,706 is assigned for specific purposes not meeting a more restricted criteria for general government, community planning and economic development programs, neighborhood and community relations, public safety programs, pension obligations, and capital improvements. Additional details on fund balance can be found in Note 10.

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

<u>Revenues by Source</u>	<u>2020</u>		<u>2019</u>		<u>Increase/ (Decrease)</u>
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
		<u>of Total</u>		<u>of Total</u>	
Taxes	\$ 458,154	50.71 %	\$ 475,364	51.86 %	\$(17,210)
Licenses and permits	46,403	5.14	56,547	6.17	(10,144)
Intergovernmental revenues	233,867	25.89	187,273	20.44	46,594
Charges for services and sales	70,614	7.82	92,324	10.08	(21,710)
Fines and forfeits	4,701	0.52	7,573	0.83	(2,872)
Special assessments	29,744	3.29	30,853	3.37	(1,109)
Investment earnings	24,715	2.74	30,287	3.31	(5,572)
Miscellaneous revenue	35,104	3.89	36,131	3.94	(1,027)
Total revenues	<u>\$ 903,302</u>	<u>100.00 %</u>	<u>\$ 916,352</u>	<u>100.00 %</u>	<u>\$(13,050)</u>

<u>Expenditures by Function</u>	<u>2020</u>		<u>2019</u>		<u>Increase/ (Decrease)</u>
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
		<u>of Total</u>		<u>of Total</u>	
Current:					
General government	\$ 112,397	10.90 %	\$ 108,097	10.34 %	\$ 4,300
Public safety	299,229	29.05	296,996	28.40	2,233
Public works	71,092	6.90	68,567	6.56	2,525
Health and welfare	31,689	3.08	26,106	2.50	5,583
Community planning and economic development	182,016	17.67	198,316	18.96	(16,300)
Capital outlay	191,240	18.56	174,674	16.70	16,566
Intergovernmental:					
General government	4,182	0.41	2,229	0.21	1,953
Public safety	48	-	126	0.01	(78)
Community planning and economic development	400	0.04	-	-	400
Culture and recreation	11,901	1.16	9,531	0.91	2,370
Debt service:					
Principal retirement	106,410	10.33	140,725	13.46	(34,315)
Interest and fiscal charges	19,542	1.90	20,437	1.95	(895)
Total expenditures	<u>\$ 1,030,146</u>	<u>100.00 %</u>	<u>\$ 1,045,804</u>	<u>100.00 %</u>	<u>\$(15,658)</u>

General Fund—The General Fund is the general operating fund of the City. As of December 31, 2020, the entire fund balance was classified as unassigned and totaled \$167,654. Total fund balance increased by \$39,614 during 2020.

The following table provides changes in revenues by source from 2019 to 2020.

General Fund					
Revenues By Source					
Revenues by Source	2020		2019		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
Taxes	\$ 263,438	48.92 %	\$ 237,929	44.76 %	\$ 25,509
Licenses and permits	45,795	8.50	55,642	10.46	(9,847)
Intergovernmental revenues	126,111	23.42	91,153	17.14	34,958
Charges for services and sales	53,178	9.87	58,586	11.02	(5,408)
Fines and forfeits	4,490	0.83	7,246	1.36	(2,756)
Special assessments	3,183	0.59	3,417	0.64	(234)
Investment earnings	12,144	2.26	14,184	2.67	(2,040)
Miscellaneous revenues	4,287	0.80	3,374	0.63	913
Total revenues	<u>\$ 512,626</u>	<u>95.19</u>	<u>\$ 471,531</u>	<u>88.68</u>	<u>\$ 41,095</u>
Transfers in	<u>25,889</u>	<u>4.81</u>	<u>60,182</u>	<u>11.32</u>	<u>(34,293)</u>
Total revenues and other financing sources	<u><u>\$ 538,515</u></u>	<u><u>100.00 %</u></u>	<u><u>\$ 531,713</u></u>	<u><u>100.00 %</u></u>	<u><u>\$ 6,802</u></u>

In 2020, General Fund revenues and transfers increased by about 1.3% from the previous year. Some highlights include:

- Tax collections were higher in 2020 than 2019 due to an increase in the levy amount in the General Fund.
- Licenses and permits along with charges for services both decreased for the first time in several years. The effects of business closures and the general economic slow-down related to the COVID-19 pandemic impacted economic development within the City.
- Intergovernmental revenues increased by \$34,958 because the City deposited the \$32,282 of Coronavirus Relief Funds into the General Fund.
- Transfers in decreased by \$34,293. The City chose to halt \$22,000 of transfers in from the Downtown Assets fund to preserve the cash in that fund as it experienced significant revenue shortfalls due to decreased local tax revenues.

The following table provides the changes in expenditures by function from 2019 to 2020:

Expenditures by Function	General Fund Expenditures by Function				Increase/ (Decrease)
	2020		2019		Amount
	Amount	Percent of Total	Amount	Percent of Total	
Current and Intergovernmental:					
General government	\$ 81,877	16.41 %	\$ 80,139	15.78 %	\$ 1,738
Public safety	282,817	56.69	279,265	54.99	3,552
Public works	62,441	12.52	68,527	13.49	(6,086)
Health and welfare	18,629	3.73	13,995	2.76	4,634
Community planning and economic development	36,188	7.25	36,784	7.24	(596)
Culture and recreation	2,000	0.40	-	-	2,000
Total expenditures	483,952	97.00	478,710	94.26	5,242
Transfers out	14,949	3.00	29,154	5.74	(14,205)
Total expenditures and other financing uses	<u>\$ 498,901</u>	<u>100.00 %</u>	<u>\$ 507,864</u>	<u>100.00 %</u>	<u>\$ (8,963)</u>

Overall, General Fund expenditures and transfers out decreased by 1.8% from the previous year. Two rounds of budgetary reductions in response to the COVID-19 pandemic resulted in a reduced budget, and still spending was under the reduced budget amount. The General Fund finished the year in a positive financial position, exceeding minimum fund balance requirements and showing strong cash and fund balances despite the financial impacts of the COVID-19 pandemic.

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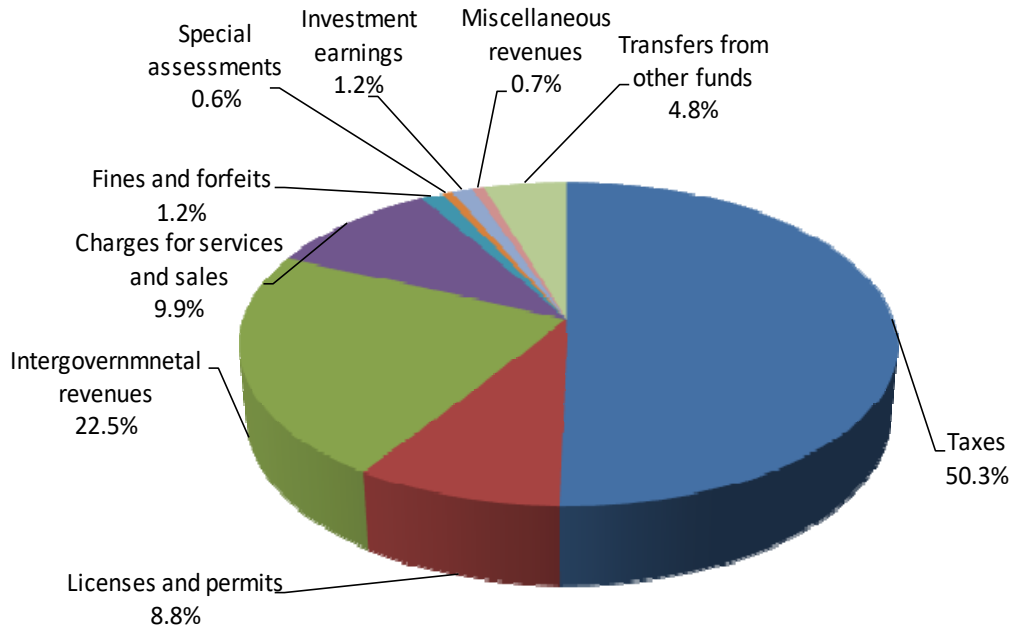
General Fund Budgetary Highlights—The final budget for the City’s General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments), and any additional supplemental appropriations that may occur during the fiscal year. In 2020, the following were significant budget actions:

- The original General Fund appropriation for fiscal year 2020 was \$532,992, which included projected transfers out of \$13,650. The final appropriation was \$505,285 including transfers of \$14,949. General revenues and other resources were originally estimated at \$522,928, which included projected transfers in of \$47,889. The final revenue estimate was \$533,248 including transfers of \$25,889, and Federal CARES funding of \$32,282.
- Budgetary variances between the final amended budget and the actual results include:
 - 1) Overall, Public Works finished the year \$3,523 over budget due to significantly reduced budgets and expenses incurred for projects that billed other funds for revenues.
 - 2) The City Coordinator departments in total ended the year \$2,809 under budget due mainly to salary savings related to personnel vacancies and delayed spending on initiatives and projects
 - 3) The Police and Fire departments were under budget by a net total of \$111. Fire was over budget due to overtime and costs related to the pandemic and civil unrest response. Police was slightly under budget due to personnel savings from reduced staffing.
 - 4) Transfers of \$25,889 were made to support CPED special revenue fund projects, costs of the new Public Service Center, and the neighborhood parks funding plan.
 - 5) Community Planning and Economic Development (CPED) has several projects that are expected to require ongoing funding resulting in current year budget savings of \$1,799.
 - 6) Unspent contingency funding of \$4,493 and the underspending identified above offset the overspending, resulting in an overall underspending in the General Fund of \$11,651.

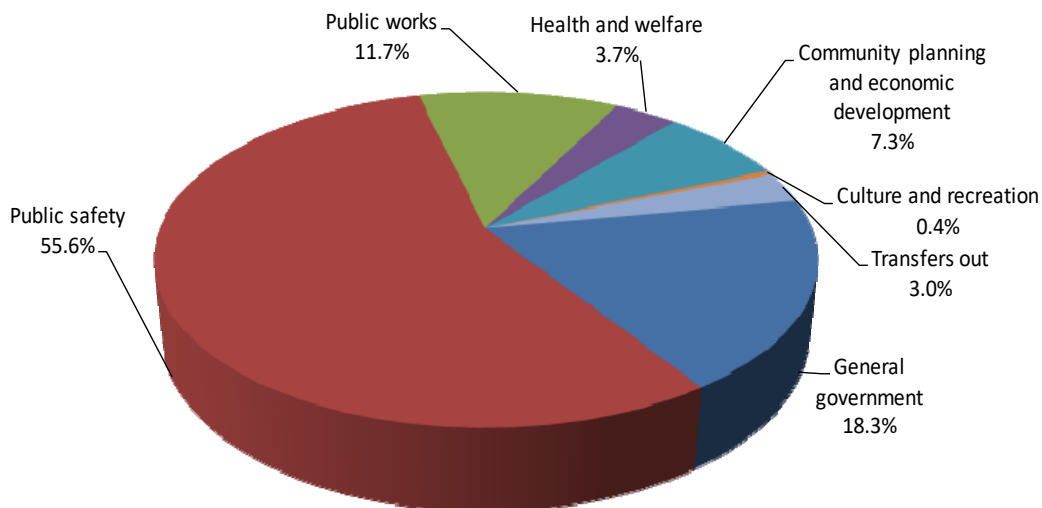
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Current fiscal year revenue and expenditure budgets for the General Fund by major category or function are as follows:

General Fund Revenue Budget by Source



General Fund Expenditure Budget by Function



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

The total revenues of the CPED Special Revenue fund in 2020 were \$78,448, 10% less than the prior year. A majority, approximately 86%, of the fund’s revenue was derived from property tax increment, and 14% 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 2020 were \$55,053. 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 decreased in 2020 due to refocused efforts to address community needs resulting from the pandemic and recent unrests. The expenditures in this fund will vary depending on the project activity in any given year.

The fund’s transfers to other funds of \$18,097 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 \$7,089 to the City’s Neighborhood and Community Relations Special Revenue Fund to support ongoing activities.

At year-end, the fund balance in the CPED Special Revenue Fund was \$245,011. This included \$198,635 restricted for specific programs by State law; and the remaining \$46,376 assigned to provide for community planning and economic development activities.

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

Total revenue in 2020 was \$18,070, an increase of \$6,857 or 61% over the 2019 revenue of \$11,213. This increase is primarily due to COVID funding and increased programmatic activity in community planning and economic development (CPED) programs including multi-family and affordable housing. Expenditures in 2020 totaled \$18,096, an increase of \$3,504 or 24% over the 2019 expenditures of \$14,592. Again, COVID funding and activity in CPED programs increased the expenditures, similar to the revenues. Total fund balance at year end 2020 was \$6,295, a decrease of \$26 over the 2019 year end fund balance of \$6,321.

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 2020, \$191,240 of capital outlay occurred which is an increase of 9.5% from outlay of \$174,674 in 2019.

The key assets constructed with these funds include:

- Bridges - \$35,436
- Streets - \$43,134
- Traffic Signals and Street Lighting - \$8,295
- Bike Trails - \$2,593
- Property Service - \$3,798
- Consolidated Office Building - \$84,362

The fund balance decreased from \$190,624 in 2019 to \$103,744 in 2020. The decrease is mostly due to work on Capital Projects that utilized funds already on hand. Other than bond sales and transfers, revenues for the fund were also slightly higher from \$71,345 in 2019 to \$73,634 in 2020 due mainly to an increase from State sources for a variety of capital projects.

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

At the end of 2020 the City had \$59,630 of debt outstanding for special assessment improvements. During 2020, the City received debt related assessment collections and interest earnings of \$13,347 and paid total principal of \$12,415 on special assessment bonds and notes.

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

The enterprise funds had a positive net position of \$1,051,404 at December 31, 2020, an increase of \$22,200 over the 2019 balance of \$1,029,204.

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 2019 and 2020:

Enterprise Funds
Key Balance Sheet Account Balances and Operating Activities
December 31, 2020, and 2019

	Sanitary		Water	Municipal	Solid	Community	Total	
	Sewer	Stormwater	Treatment and Distribution Services	Parking	Waste and Recycling	Planning and Economic Development	2020	2019
Cash	\$ 13,506	\$ 28,667	\$ 40,840	\$ 6,153	\$ 16,081	\$ 25,738	\$ 130,985	\$ 166,959
Assets	194,304	377,759	476,738	267,203	75,588	70,309	1,461,901	1,445,861
Deferred outflows of resources	588	1,161	1,931	509	1,184	-	5,373	3,935
Liabilities	54,784	22,051	172,910	75,559	40,411	43,347	409,062	407,232
Deferred inflows of resources	740	1,454	2,509	652	1,453	-	6,808	13,360
Operating income (loss)	9,878	8,658	20,155	(888)	(1,876)	2,970	38,897	49,041
Change in net position	9,924	8,201	19,983	(14,548)	4,253	(5,613)	22,200	30,136
Net position	139,368	355,415	303,250	191,501	34,908	29,962	1,051,404	1,029,204

Sanitary Sewer Fund—The Sanitary Sewer Fund pays 95% of the contractual payments to Metropolitan Council Environmental Services (MCES) for wastewater 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, 2020 was \$139,368 compared to \$129,444 for 2019, an increase of \$9,924. The operating revenues of \$83,554 for 2020 compared to \$82,491 for 2019 reflects an increase of \$1,063. The sanitary utility sales and service revenues account for \$4,171 of the increase due to increase in rates. These increases were offset by a \$3,108 decrease in SAC revenues. Increase in SAC revenues is offset by equivalent increase in SAC expenses.

The operating expense totaled \$73,676 compared to \$74,175 for 2019 resulting in a decrease of \$499. The decrease in operating expenses reflect an increase in Met Council charges of \$1,800 and depreciation increases of \$1,279. These increases were offset by a decrease in SAC charges of \$3,000 and various personal cost reductions compared to 2019. Met Council increased rates for MCES by 3.6% resulting in an increased expense. These MCES rates are set by the Metropolitan Council on a yearly basis and are based on an allocation of overall costs incurred by MCES for waste processing for customer communities.

Stormwater Fund— The Stormwater Fund pays 5% of the contractual payments to Metropolitan Council Environmental Services (MCES) for wastewater 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, 2020 was \$355,415 which was an increase of \$8,201 from the beginning balance of \$347,214.

The 2020 operating revenues of \$44,686 compared to \$42,718 for 2019 reflected an increase of \$1,968. The increase is due mainly to a 2.5% increase in rates coupled with an increase in County grants.

The operating expenses totaled \$36,028 compared to \$34,442 reported for 2019. This was an increase of \$1,586 and reflects adjustments made during financial statement preparation. Operations during the year actually resulted in a decrease from 2019 due mainly to decreases in design and water resource costs. Final expenses were increased \$2,506 through the adjustments of pension expenses and other post-employment expenses.

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 \$19,983 for the year, resulting in a net position at December 31, 2020 of \$303,250. This planned increase allowed for net increases to long-term assets in the amount of \$44,390 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 \$2,598, when compared to 2019, due in large part to increased water sales due to higher demand and rates from both retail and wholesale customers. Operating expenses decreased by \$5,086, when compared to 2019. This decrease is made up of significant decreases in personal, fleet, chemical and contractual services costs.

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, 2020 was \$191,502 which is a decrease of \$14,547 from the beginning balance.

Off-street parking revenues were down \$17,460 from 2019 and On-street revenues decreased by \$8,132 from 2019 due to the COVID-19 pandemic severely restricting both business and employment activity downtown. Impound lot revenue was also lower than 2019 due to less snow emergencies in 2020. These revenue shortfalls were partially offset by \$9,302 less in operating expenses due to proactive reductions in fixed expenses, as well as some variable expenses being lower such as credit card fees.

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

Net position through December 31, 2020 totaled \$34,908, an increase of \$4,253 compared to the beginning balance of \$30,655. Operating revenues totaled \$40,200, an increase of \$628 over 2019. This increase can be attributed to a rate increase of \$0.55 per dwelling unit in utility billing and increase in number of dwelling units served, resulting in increased revenue from sales.

Operating expenses increased to \$42,076 compared to \$41,165 for 2019. This increase of \$911 reflects an increase in vehicle equipment replacements and increased volume of disposals due to COVID-19 pandemic and people working from home.

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

Net position decreased by \$5,613 during the year. Operating income was down from 2019 operating income of \$3,543 to \$2,970. The overall decrease in net position was due primarily to a \$6,500 transfer out to the capital projects fund for funding of the streets and parks program.

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

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

Internal Service Funds
Key Balance Sheet Account Balances and Operating Activities
December 31, 2020, and 2019

	Engineering Materials and Testing	Intergovern- mental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total	
							2020	2019
Cash	\$ 1,955	\$ 10,736	\$ 6,323	\$ 26,695	\$ 1,126	\$ 108,131	\$ 154,966	\$ 155,243
Assets	2,151	42,862	44,582	104,212	7,646	108,381	309,834	306,578
Deferred outflows of resources	114	1,131	579	713	110	693	3,340	2,587
Liabilities	1,599	19,883	8,132	10,470	1,700	205,997	247,781	155,936
Deferred inflows of resources	151	1,521	752	894	140	917	4,375	9,071
Operating income (loss)	15	(8,908)	2,995	644	321	(78,764)	(83,697)	(33,835)
Change in net position	5	(8,079)	2,393	(284)	351	(77,526)	(83,140)	(33,626)
Net position	\$ 515	\$ 22,589	\$ 36,277	\$ 93,561	\$ 5,916	\$ (97,840)	\$ 61,018	\$ 144,158

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 2020, the net position is \$515 representing an increase of \$5 from the 2019 beginning net position of \$510. The increase in net position is primarily due to more construction projects resulting in more demand for testing services and materials. The fund maintains a positive cash balance at \$1,955 at year-end 2020 which is a decrease of \$177 from the 2019 ending balance of \$2,132.

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

The fund’s 2020 ending net position is \$22,589, representing a decrease of \$8,079 from the year-end 2019 net position of \$30,668. The cash balance at year-end 2020 is \$10,736, representing a decrease of \$4,379 from the 2019 year-end cash balance of \$15,115. The decrease to net position in 2020 is due depreciation expense on high cost, short-life software projects.

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

Several of the City’s properties are recorded as assets of this fund resulting in an annual depreciation expense. The Property Services Fund does not have rental and maintenance rates sufficient to fully recover depreciation related to City buildings recorded in this fund. This generally results in an operating loss each year and a decrease to net position. In 2020, the fund experienced an increase of \$2,393 to net position resulting in an ending balance of \$36,277 compared to the 2019 ending net position of \$33,884. The increase to net position in 2020 is primarily due to the timing of asset preservation projects budgeted for 2020 that will be completed in 2021 or future years. The cash balance decreased from \$8,148 at year-end 2019 to \$6,323 at year-end 2020.

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 2020, the fund reported a decrease to net position of \$284, decreasing the net position from a 2019 ending balance of \$93,845 to a 2020 ending balance of \$93,561. The 2020 ending cash balance is \$26,695, a decrease of \$7,032 from the ending balance of \$33,727 in 2019. The decrease to cash balance and net position is a result of the elimination of rental income for the last half of the year as a cost containment measure.

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 2020, the fund reported an increase to net position of \$351, increasing the net position from a 2019 ending balance of \$5,565 to a 2020 ending balance of \$5,916. The fund’s ending cash balance is \$1,126 for 2020, a decrease of \$1,412 from the 2019 ending cash balance of \$2,538. The decrease in cash balance is primarily the result of an increase in inventory balances.

Self-Insurance Fund—The Self-Insurance Fund accounts for tort liability, workers’ compensation, employee accrued sick leave benefits, medical and dental self-insured plans, 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 2020 was negative \$97,840, a decrease of \$77,526 from the 2019 ending net position of negative \$20,314. The cash balance increased by \$14,548, from \$93,583 in 2019 to \$108,131 at year-end 2020. As noted, an actuarial 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, 2020 the City’s investment in capital assets for its governmental and business-type activities was \$3,009,482 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, roads, highways, and bridges. The increase in the City’s investment in capital assets for the current fiscal year included a 7.9% increase in governmental activities and a 5.4% increase in business-type activities.

The following table summarizes capital assets for governmental and business-type activities for 2020 and 2019:

	Capital Assets (Net of depreciation)					
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	2020	2019	2020	2019	2020	2019
Land and easements	\$ 114,788	\$ 114,788	\$ 130,321	\$ 129,591	\$ 245,109	\$ 244,379
Construction in progress	629,614	561,540	142,419	214,633	772,033	776,173
Infrastructure	540,369	479,349	-	-	540,369	479,349
Buildings and structures	375,778	371,638	305,602	273,251	681,380	644,889
Public improvements	20,327	21,948	597,610	526,370	617,937	548,318
Machinery and equipment	66,851	62,185	70,111	38,839	136,962	101,024
Computer equipment	3,422	2,855	2,102	1,137	5,524	3,992
Software	9,650	17,582	13	20	9,663	17,602
Other capital outlay	-	-	505	574	505	574
Total	<u>\$ 1,760,799</u>	<u>\$ 1,631,885</u>	<u>\$ 1,248,683</u>	<u>\$ 1,184,415</u>	<u>\$ 3,009,482</u>	<u>\$ 2,816,300</u>

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

- Major renovation projects completed at the Convention Center included new public space flooring, plaza renovations, and building HVAC upgrades.
- Construction of the new City Office Building began in 2018 including demolishing a parking ramp and transferring the land beneath it from the Business-type activities to the Governmental activities. In 2020 an additional \$83,928 was spent on the project, bringing the total cost to date to \$161,462.
- Completion of major projects related to lighting and traffic signals, paving of City streets, and bridges, combined to reduce construction in progress by a net of \$130,114. Some of these projects are associated with the City’s 20-year Parks and Streets infrastructure plan which will total approximately \$400,000 in investments over the life of the plan.
- Water distribution assets including pipes, mains, and hydrant infrastructure with a combined value of \$73,964 was added in 2020.

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

Long-term debt—As of December 31, 2020, the City had total long-term bonds and notes outstanding of \$802,012 compared to \$827,375 in the prior year. Of this amount, \$497,290 is related to governmental activities and \$304,722 is related to business-type activities. The City had \$28,205 or approximately 3.5% of the long-term debt in variable rate mode at year-end. Long-term notes of \$112,392 are included in the above total, of which \$3,310 is for governmental activities and \$109,082 is for business-type activities.

The following table shows various classifications of the City’s long-term debt at December 31, 2020 and the amount of principal due in 2021.

<u>Summary of Outstanding Bonds and Notes</u>	<u>Balance 1/1/2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2020</u>	<u>Due in 2021</u>
General Obligation (GO) Bonds and Notes:					
Property Tax Supported GO Bonds	\$ 278,500	\$ 39,755	\$ (58,805)	\$ 259,450	\$ 29,170
Self-Supporting GO Bonds	162,690	28,675	(33,000)	158,365	5,125
Special Assessment GO Bonds	53,765	16,180	(11,315)	58,630	7,660
Special Assessment GO Notes	2,100	-	(1,100)	1,000	1,000
Tax Increment GO Bonds	1,710	-	(215)	1,495	225
Enterprise Fund Related GO Bonds	135,855	51,550	(32,315)	155,090	18,775
Enterprise Fund Related GO Notes	<u>113,595</u>	<u>6,732</u>	<u>(11,245)</u>	<u>109,082</u>	<u>11,795</u>
Total General Obligation Bonds and Notes	748,215	142,892	(147,995)	743,112	73,750
Revenue Bonds and Notes:					
Economic Development Revenue Bonds	17,520	-	(1,480)	16,040	1,540
Other Community Development Related Bonds	58,835	-	(18,285)	40,550	1,405
Revenue Notes	<u>2,805</u>	<u>-</u>	<u>(495)</u>	<u>2,310</u>	<u>525</u>
Total Revenue Bonds and Notes	79,160	-	(20,260)	58,900	3,470
Total Outstanding Bonds and Notes	<u>\$ 827,375</u>	<u>\$ 142,892</u>	<u>\$ (168,255)</u>	<u>\$ 802,012</u>	<u>\$ 77,220</u>

The City maintained an “AAA” rating from Standard & Poor’s and an “AA+” from Fitch Ratings for its general obligation debt in 2019. Additional information on the City’s Long-term debt can be found in Note 5 starting on page 72 of this report.

HISTORICAL AND LONG-TERM FINANCIAL PLANNING

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

- During the 1990s, due to other external demands, the revenue to support the internal services did not keep pace with the growth in expenses. Significant negative cash balances resulted because annual expenses exceeded revenues. Today, the individual balances are no longer negative. This is a significant improvement over the position of the funds since 2000 when the net position deficit was \$(61.7) million.
- The City adopted long-term financial plans for three of the internal service funds (Intergovernmental Services, Equipment Services, and Self-Insurance) to increase net position and to achieve and maintain a positive cash balance. To meet the goals of the adopted long-term financial plans, transfers from the General Fund to all three funds are necessary. By year-end 2015, all three internal service funds had positive net position and cash balances.

- Similar to other jurisdictions, employee wages and benefits make up over 65.2% of the City’s General Fund 2019 expenditure budget, increases to which are driven by rapid growth in healthcare and overtime costs.
- In 2000, Minneapolis voters approved a levy to build a new Central Library and fund improvements to community libraries. Effective January 1, 2008, the Minneapolis Public Library System merged into the Hennepin County Library System. Though the County will be responsible for the operating costs for the libraries in future years, under a financial agreement, the City will continue to issue debt as defined in the City’s adopted capital plan and will be responsible for a declining share of operations through 2017.
- In June of 2009, the Governor exercised his authority to “unallot” or unilaterally reduce various state appropriations. The appropriation directly impacting the City of Minneapolis was Local Government Aid (LGA). Following several years of uncertainty in funding from the State of Minnesota in the form of LGA, including the loss of over \$70 million from 2008-2011, the State has increased the amount of LGA appropriated to the City of Minneapolis from \$76.1 million in 2014 to \$79.3 million in 2019. A portion of LGA is passed through to the Minneapolis Park and Recreation Board and the Municipal Building Commission component units.
- The City adopts a five-year capital improvement program (CIP) that is updated annually. Each year, City departments and independent boards and commissions prepare new and/or modify existing capital budget requests (CBRs). The CBRs are then reviewed by the Capital Long-Range Improvement Committee (CLIC) which is a citizen advisory committee to the Mayor and City Council.
- Since 2000, the City continues to lay foundation for a wave of development including large projects associated with building a new stadium in partnership with the State and the Minnesota Vikings and adjacent areas. For 2020, the City marked its ninth consecutive year in which more than \$1.0 billion in permitted construction projects based on the value of permits issued for the year.
- The City continues to proactively manage its pension liabilities. Due to legislative changes in 2019, the 2020 budget does not project any growth in the cost of closed pension obligations from the prior year. For 2020, the City will levy \$8.5 million less for pension obligations than 2018. This is related to a decrease in the City’s obligation on closed pension funds.

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 such as a construction boom, the reliance on tenuous intergovernmental funding; a shrinking workforce and increased demands; workforce turnover; increased demand for technological solutions; regulatory complexity and unfunded mandates; emergency and security management needs; stadium and hospitality facilities; aging facilities and other capital investments; and appropriate levels of fund reserves versus funding.

Budget Outlook:

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

- For 2021, the Council Adopted Budget for all City funds was \$1.45 billion which represents a \$77.6 million or 5.1% decrease from the 2020 Council Adopted Budget of \$1.52 billion.
- At the same time, the Council adopted a 2021 property tax levy of \$395.8 million, which results in a 5.7%, or \$21.5 million increase, from the 2020 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 2021, in response to the ongoing financial effects of the COVID-19 pandemic, the City chose to temporarily freeze over 300 positions. These positions are unfunded in 2020 but could be added back in future years as the financial condition of the City allows. Budgeted salaries and wages decreased by \$27.3 million. Overall fringe benefits decreased by \$11.8 million.
- A primary feature of the 20201 budget is continued planning for ongoing effects of the COVID-19 pandemic.
- The City's levies for its closed pension funds that merged into the Minnesota State Public Employees' Retirement Association (PERA) remained the same as 2020 at \$14.8 million.

- For 2021 – 2026, the six-year capital program totals \$1.3 billion including all funding sources. The 2021 portion of the six-year capital program is \$196.4 million which funds accelerated improvements to the City’s infrastructure by continuing support for the expanded net debt bond program put in place in 2012.

Economic Outlook and Tax Trends

Minneapolis has the highest concentration of commercial office buildings in the State of Minnesota and therefore is the largest contributor of revenue to the state general tax on a per city basis. Minneapolis’ commercial/industrial tax base is \$12.1 billion dollars. From 2019 to 2020, the City-wide commercial tax base saw an increase in value of approximately 1.7%.

Even with the significant economic impacts of the COVID-19 pandemic, developers were able to continue with significant construction projects throughout downtown. A number of notable projects were permitted or submitted in 2020, including the Gateway condo and hotel project and several multi-hundred-unit housing and mixed use buildings. Although the number of easily developed sites for major construction in Minneapolis is shrinking, development continues at a notable pace established in recent years.

Downtown Office Space – Vacancy Rate

Because of the importance of real estate taxes as a source of local government revenue, real estate statistics are an important gauge for municipalities. Based on a the first quarter 2021 *U.S. Office Marketbeat Report* published by Cushman & Wakefield, the office space vacancy rate for the Minneapolis/St. Paul metro area is up to 19.9% at the end of 2020 as compared to a vacancy rate of 17.9% at the end of 2019.

Employment

The City of Minneapolis typically experiences an unemployment level less than that of the State of Minnesota and the national average. However, as we continue to see unprecedented employment conditions because of the COVID-19 pandemic, the specific unemployment rates for all areas are creating significant variations on a monthly basis. At the end of the first quarter of 2021, the Minnesota unemployment rate was 4.2% while the City of Minneapolis was at 4.1%.

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, 2020

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

	Primary Government			Discrete Component	
	Governmental	Business-type	Total	Units	Total
	Activities	Activities		Units	
ASSETS					
Cash and pooled investments	\$ 785,879	\$ 105,269	\$ 891,148	\$ 80,370	\$ 971,518
Investments with trustees	2,985	25,716	28,701	-	28,701
Receivables - net	158,037	31,505	189,542	6,602	196,144
Due from other governmental agencies	42,911	2,067	44,978	4,659	49,637
Capital leases	-	1,405	1,405	-	1,405
Prepays and other assets	5,130	4,207	9,337	414	9,751
Inventories	7,764	3,904	11,668	58	11,726
Internal balances	39,897	(39,897)	-	-	-
Long-term portion of capital lease receivable	-	39,145	39,145	-	39,145
Properties held for resale	59,129	-	59,129	-	59,129
Capital assets:					
Nondepreciable	744,402	272,740	1,017,142	180,964	1,198,106
Depreciable, net	1,016,397	975,943	1,992,340	257,208	2,249,548
Total assets	<u>\$ 2,862,531</u>	<u>\$ 1,422,004</u>	<u>\$ 4,284,535</u>	<u>\$ 530,275</u>	<u>\$ 4,814,810</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - other postemployment benefits	\$ 5,900	\$ 1,029	\$ 6,929	\$ 287	\$ 7,216
Deferred outflows - pensions	107,236	4,344	111,580	7,255	118,835
Total deferred outflows of resources	<u>\$ 113,136</u>	<u>\$ 5,373</u>	<u>\$ 118,509</u>	<u>\$ 7,542</u>	<u>\$ 126,051</u>
LIABILITIES					
Accrued salaries and benefits	\$ 10,976	\$ 1,490	\$ 12,466	\$ 2,137	\$ 14,603
Accounts payable	42,397	14,917	57,314	9,092	66,406
Retainage payable	4,543	-	4,543	-	4,543
Interest payable	2,530	1,436	3,966	-	3,966
Unpaid claims payable	-	-	-	5,677	5,677
Due to other governmental agencies	187	201	388	-	388
Unearned revenue	13,847	381	14,228	367	14,595
Deposits held for others	6,594	3,935	10,529	-	10,529
Compensated absences:					
Due within one year	23,497	2,529	26,026	3,198	29,224
Due beyond one year	20,116	1,582	21,698	2,913	24,611
Long-term liabilities:					
Due within one year	100,369	31,975	132,344	479	132,823
Due beyond one year	595,503	281,489	876,992	2,312	879,304
Other postemployment benefits	35,157	6,124	41,281	1,851	43,132
Net pension liability	472,146	56,828	528,974	60,567	589,541
Total liabilities	<u>\$ 1,327,862</u>	<u>\$ 402,887</u>	<u>\$ 1,730,749</u>	<u>\$ 88,593</u>	<u>\$ 1,819,342</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - service concession arrangement	\$ -	\$ -	\$ -	\$ 4,205	\$ 4,205
Deferred inflows - other postemployment benefits	254	44	298	8	306
Deferred inflows - pensions	173,964	6,764	180,728	10,058	190,786
Total deferred inflows of resources	<u>\$ 174,218</u>	<u>\$ 6,808</u>	<u>\$ 181,026</u>	<u>\$ 14,271</u>	<u>\$ 195,297</u>
NET POSITION					
Net investment in capital assets	\$ 1,365,745	\$ 983,131	\$ 2,348,876	\$ 436,782	\$ 2,785,658
Restricted:					
Debt service	41,111	25,102	66,213	-	66,213
Community & economic development	163,574	-	163,574	-	163,574
Law enforcement	2,107	-	2,107	-	2,107
Grants	2,321	-	2,321	-	2,321
Properties held for resale	59,129	-	59,129	-	59,129
Capital improvements	50,706	-	50,706	4,913	55,619
Project and grant programs	-	-	-	23,300	23,300
Special trust	-	-	-	178	178
Special reserves	-	-	-	7,709	7,709
Donor restrictions	-	-	-	70	70
Unrestricted	(211,106)	9,449	(201,657)	(37,999)	(239,656)
Total net position	<u>\$ 1,473,587</u>	<u>\$ 1,017,682</u>	<u>\$ 2,491,269</u>	<u>\$ 434,953</u>	<u>\$ 2,926,222</u>

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2020

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Discrete Component Units	Total
					Governmental Activities	Business-type Activities	Total		
Primary government									
Governmental Activities:									
General government	\$ 25,088	\$ 13,731	\$ 15,581	\$ 1,121	\$ 5,345	\$ -	\$ 5,345	\$ -	\$ 5,345
Public safety	341,681	15,902	36,413	-	(289,366)	-	(289,366)	-	(289,366)
Public works	208,981	32,971	32,711	36,245	(107,054)	-	(107,054)	-	(107,054)
Culture and recreation	11,901	-	3,892	-	(8,009)	-	(8,009)	-	(8,009)
Health and welfare	32,211	2,541	21,346	-	(8,324)	-	(8,324)	-	(8,324)
Community planning & economic development	186,579	56,580	14,250	-	(115,749)	-	(115,749)	-	(115,749)
Interest on long-term debt	20,555	-	-	-	(20,555)	-	(20,555)	-	(20,555)
Total governmental activities	826,996	121,725	124,193	37,366	(543,712)	-	(543,712)	-	(543,712)
Business-type Activities:									
Sanitary sewer	67,919	82,955	-	1,664	-	16,700	16,700	-	16,700
Stormwater	36,138	43,464	2,494	-	-	9,820	9,820	-	9,820
Water treatment and distribution services	67,124	84,753	-	-	-	17,629	17,629	-	17,629
Municipal parking	41,976	43,524	-	-	-	1,548	1,548	-	1,548
Solid waste and recycling	36,152	40,167	2,079	-	-	6,094	6,094	-	6,094
Community planning & economic development	3,887	3,890	-	-	-	3	3	-	3
Total business-type activities	253,196	298,753	4,573	1,664	-	51,794	51,794	-	51,794
Total primary government	\$ 1,080,192	\$ 420,478	\$ 128,766	\$ 39,030	(543,712)	51,794	(491,918)	-	(491,918)
Component units:									
Discrete component units	\$ 145,082	\$ 45,543	\$ 6,492	\$ 35,342				(57,705)	(57,705)
General Revenues:									
Taxes:									
General property tax and fiscal disparities					308,146	-	308,146	68,862	377,008
Property tax increment					69,418	-	69,418	190	69,608
Museum (county-wide levy)					-	-	-	15,009	15,009
Franchise taxes					31,181	-	31,181	-	31,181
Local taxes					49,290	-	49,290	-	49,290
Other taxes					262	-	262	-	262
Local government aid - unrestricted					71,821	-	71,821	9,603	81,424
Grants and contributions not restricted to programs					3,436	168	3,604	260	3,864
Unrestricted interest and investment earnings					23,478	887	24,365	694	25,059
Other					-	154	154	-	154
Gain on sale of capital assets					910	-	910	132	1,042
Transfers					43,149	(43,149)	-	-	-
Total general revenues and transfers					601,091	(41,940)	559,151	94,750	653,901
Change in net position					57,379	9,854	67,233	37,045	104,278
Net position - January 1					1,416,208	1,007,828	2,424,036	397,908	2,821,944
Net position - December 31					\$ 1,473,587	\$ 1,017,682	\$ 2,491,269	\$ 434,953	\$ 2,926,222

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

**GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2020**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General	Community Planning and Economic Development	HUD Consolidated Plan	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
ASSETS							
Cash and cash equivalents	\$ 184,462	\$ 212,832	\$ 324	\$ 101,162	\$ 11,285	\$ 120,848	\$ 630,913
Investments with trustees	-	-	-	-	-	2,985	2,985
Receivables:							
Accounts - net	4,639	48	32	1,884	-	1,326	7,929
Taxes	3,049	44	-	2	-	1,232	4,327
Special assessments	295	7,157	-	1,608	65,670	622	75,352
Intergovernmental	1,205	542	831	23,805	-	16,282	42,665
Loans - net	-	39,604	28,861	-	-	-	68,465
Accrued interest	1,037	437	-	92	20	210	1,796
Due from other funds	-	-	-	-	-	3,050	3,050
Advances to other funds	-	-	-	-	-	13,355	13,355
Properties held for resale	-	35,061	6,295	16,312	-	1,461	59,129
Total assets	\$ 194,687	\$ 295,725	\$ 36,343	\$ 144,865	\$ 76,975	\$ 161,371	\$ 909,966
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Salaries payable	\$ 9,225	\$ 47	\$ 48	\$ 265	\$ -	\$ 513	\$ 10,098
Accounts payable	10,775	2,516	991	13,554	13	6,416	34,265
Retainage payable	-	-	-	4,543	-	-	4,543
Due to other governmental agencies	39	-	148	-	-	-	187
Due to other funds	-	-	-	-	-	3,050	3,050
Deposits held for others	4,148	1,132	-	601	-	711	6,592
Advances from other funds	-	-	-	-	-	7,180	7,180
Unearned revenue	345	-	-	1,500	-	10,410	12,255
Total liabilities	24,532	3,695	1,187	20,463	13	28,280	78,170
Deferred Inflows of Resources:							
Unavailable revenue	2,501	47,019	28,861	20,658	65,982	1,946	166,967
Fund balances:							
Restricted	-	198,635	6,295	67,018	10,980	36,020	318,948
Assigned	-	46,376	-	36,726	-	103,604	186,706
Unassigned	167,654	-	-	-	-	(8,479)	159,175
Total fund balances	167,654	245,011	6,295	103,744	10,980	131,145	664,829
Total liabilities, deferred inflows of resources, and fund balances	\$ 194,687	\$ 295,725	\$ 36,343	\$ 144,865	\$ 76,975	\$ 161,371	\$ 909,966

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, 2020**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Fund balances - total governmental funds		\$	664,829
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	695,959		
Depreciable	1,833,774		
Accumulated depreciation	<u>(910,494)</u>		<u>1,619,239</u>
Deferred inflows are not available to pay for current-period expenditures and, therefore, in the governmental funds, are unavailable revenue.			166,967
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.			61,018
Receivable from business-type funds for internal service fund activity.			33,722
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	(516,524)		
Other postemployment benefits payable	(31,903)		
Net pension liability	(435,594)		
Operating and capital leases payable	(301)		
Bond interest payable	(2,530)		
Compensated absences	<u>(25,289)</u>		<u>(1,012,141)</u>
Deferred inflows and deferred outflows resulting from pension obligations and other postemployment benefits obligations are recorded only on the government-wide statement of net position. Balances at year end are:			
Deferred outflows - other postemployment benefits	5,355		
Deferred inflows - other postemployment benefits	(230)		
Deferred outflows - pensions	104,441		
Deferred inflows - pensions	<u>(169,613)</u>		<u>(60,047)</u>
Net position of governmental activities		\$	<u>1,473,587</u>

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

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended December 31, 2020**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General	Community Planning and Economic Development	HUD Consolidated Plan	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
REVENUES:							
Taxes	\$ 263,438	\$ 67,182	\$ -	\$ 7,223	\$ -	\$ 120,311	\$ 458,154
Licenses and permits	45,795	-	-	209	-	399	46,403
Intergovernmental revenues	126,111	519	11,635	47,281	-	48,321	233,867
Charges for services and sales	53,178	1,111	744	11,583	-	3,998	70,614
Fines and forfeits	4,490	-	-	-	-	211	4,701
Special assessments	3,183	528	2	3,760	13,039	9,232	29,744
Investment earnings	12,144	5,244	802	2,642	308	3,575	24,715
Miscellaneous revenues	4,287	3,864	4,887	936	-	21,130	35,104
Total revenues	<u>512,626</u>	<u>78,448</u>	<u>18,070</u>	<u>73,634</u>	<u>13,347</u>	<u>207,177</u>	<u>903,302</u>
EXPENDITURES:							
Current:							
General government	81,877	-	1,865	-	-	28,655	112,397
Public safety	282,817	-	1,001	-	-	15,411	299,229
Public works	62,441	-	-	7,729	-	922	71,092
Health and welfare	18,629	-	1,171	-	-	11,889	31,689
Community planning & economic development	35,788	54,702	14,059	-	-	77,467	182,016
Capital outlay	-	-	-	191,240	-	-	191,240
Intergovernmental:							
General government	-	-	-	4,182	-	-	4,182
Public safety	-	-	-	-	-	48	48
Community planning & economic development	400	-	-	-	-	-	400
Culture and recreation	2,000	351	-	9,550	-	-	11,901
Debt Service:							
Principal retirement	-	-	-	-	12,415	93,995	106,410
Interest and fiscal charges	-	-	-	-	1,881	17,661	19,542
Total expenditures	<u>483,952</u>	<u>55,053</u>	<u>18,096</u>	<u>212,701</u>	<u>14,296</u>	<u>246,048</u>	<u>1,030,146</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,674</u>	<u>23,395</u>	<u>(26)</u>	<u>(139,067)</u>	<u>(949)</u>	<u>(38,871)</u>	<u>(126,844)</u>
OTHER FINANCING SOURCES (USES):							
Transfers from other funds	25,889	9,238	-	13,737	8	49,046	97,918
Transfers to other funds	(14,949)	(18,097)	-	(9,025)	-	(38,710)	(80,781)
Premium (discount)	-	-	-	3,010	206	462	3,678
Bonds issued	-	-	-	44,465	3,035	37,110	84,610
Total other financing sources (uses)	<u>10,940</u>	<u>(8,859)</u>	<u>-</u>	<u>52,187</u>	<u>3,249</u>	<u>47,908</u>	<u>105,425</u>
Net change in fund balances	39,614	14,536	(26)	(86,880)	2,300	9,037	(21,419)
Fund balances - January 1	<u>128,040</u>	<u>230,475</u>	<u>6,321</u>	<u>190,624</u>	<u>8,680</u>	<u>122,108</u>	<u>686,248</u>
Fund balances - December 31	<u>\$ 167,654</u>	<u>\$ 245,011</u>	<u>\$ 6,295</u>	<u>\$ 103,744</u>	<u>\$ 10,980</u>	<u>\$ 131,145</u>	<u>\$ 664,829</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, 2020**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Net increase (decrease) in fund balances - total governmental funds \$ (21,419)

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.

(83,140)

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

12,346

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:

191,240

Less loss on retirement of capital assets

(3,205)

Less current year depreciation

(61,140)

126,895

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

166,967

Deferred inflows of resources - January 1

(185,204)

(18,237)

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

106,410

Bond proceeds

(84,610)

Premium/discount

(3,678)

18,122

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

(1,013)

Change in other postemployment benefits payable and related deferred outflows and inflows

(951)

Change in compensated absences

(2,602)

Change in net pension liability and related deferred outflows and inflows

24,469

Change in other long-term liabilities

2,909

22,812

Increase (decrease) in net position of governmental activities

\$ 57,379

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2020

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer	Stormwater	Water	Municipal Parking	Solid Waste and Recycling	Community		Internal Service Funds
			Treatment and Distribution Services			Planning and Economic Development		
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 13,506	\$ 28,667	\$ 40,840	\$ 6,153	\$ 16,081	\$ 22	\$ 105,269	\$ 154,966
Investments with trustees	-	-	-	-	-	25,716	25,716	-
Receivables:								
Accounts - net	7,447	5,082	6,322	818	4,611	11	24,291	168
Special assessments:								
Current	125	144	1,355	544	155	-	2,323	-
Delinquent	15	13	69	-	17	-	114	-
Noncurrent	-	-	1,898	2,717	-	-	4,615	-
Intergovernmental	-	285	-	1,779	3	-	2,067	246
Accrued interest	-	-	-	-	-	162	162	-
Capital leases	-	-	-	-	-	1,405	1,405	-
Inventories	-	-	2,548	-	1,356	-	3,904	7,764
Prepaid items	3,997	210	-	-	-	-	4,207	5,130
Total current assets	<u>25,090</u>	<u>34,401</u>	<u>53,032</u>	<u>12,011</u>	<u>22,223</u>	<u>27,316</u>	<u>174,073</u>	<u>168,274</u>
Long-term assets:								
Capital leases	-	-	-	-	-	39,145	39,145	-
Capital assets:								
Nondepreciable:								
Land and easements	1	7,211	5,347	109,735	4,179	3,848	130,321	23,007
Construction in progress	30,022	34,028	62,599	13,295	2,475	-	142,419	25,436
Depreciable:								
Buildings and structures	-	-	253,015	276,458	35,957	12,743	578,173	55,649
Less accumulated depreciation	-	-	(106,092)	(151,294)	(2,442)	(12,743)	(272,571)	(35,178)
Public improvements	210,182	439,128	241,387	8,089	3,663	-	902,449	10,517
Less accumulated depreciation	(71,084)	(137,085)	(93,011)	(3,574)	(85)	-	(304,839)	(5,725)
Machinery and equipment	1,614	1,749	83,449	8,394	23,361	347	118,914	136,885
Less accumulated depreciation	(1,521)	(1,673)	(25,586)	(5,933)	(13,743)	(347)	(48,803)	(81,413)
Computer equipment	10	193	2,601	1,041	178	-	4,023	33,266
Less accumulated depreciation	(10)	(193)	(499)	(1,041)	(178)	-	(1,921)	(30,498)
Software	-	1,494	302	130	955	-	2,881	63,422
Less accumulated depreciation	-	(1,494)	(289)	(130)	(955)	-	(2,868)	(53,808)
Other capital outlay	-	-	693	38	-	-	731	36
Less accumulated depreciation	-	-	(210)	(16)	-	-	(226)	(36)
Total long - term assets	<u>169,214</u>	<u>343,358</u>	<u>423,706</u>	<u>255,192</u>	<u>53,365</u>	<u>42,993</u>	<u>1,287,828</u>	<u>141,560</u>
Total assets	<u>\$ 194,304</u>	<u>\$ 377,759</u>	<u>\$ 476,738</u>	<u>\$ 267,203</u>	<u>\$ 75,588</u>	<u>\$ 70,309</u>	<u>\$ 1,461,901</u>	<u>\$ 309,834</u>
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows - other postemployment benefits	\$ 116	\$ 233	\$ 329	\$ 93	\$ 258	\$ -	\$ 1,029	\$ 545
Deferred outflows - pensions	472	928	1,602	416	926	-	4,344	2,795
Total deferred outflows of resources	<u>\$ 588</u>	<u>\$ 1,161</u>	<u>\$ 1,931</u>	<u>\$ 509</u>	<u>\$ 1,184</u>	<u>\$ -</u>	<u>\$ 5,373</u>	<u>\$ 3,340</u>

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2020

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

	Business-type Activities - Enterprise Funds						Governmental
	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Internal Service Funds
LIABILITIES							
Current liabilities:							
Salaries payable	\$ 178	\$ 374	\$ 545	\$ 130	\$ 263	\$ -	\$ 878
Accounts payable	1,469	1,542	7,738	1,516	2,582	70	8,132
Intergovernmental payable	-	-	14	17	170	-	-
Deposits held for others	-	-	34	1,748	-	2,153	2
Interest payable	159	24	829	150	81	193	-
Unearned revenue	-	-	-	-	-	381	1,592
Bonds payable - current portion	6,355	1,725	5,065	1,770	3,860	1,405	-
Notes payable - current portion	-	-	11,505	290	-	-	-
Compensated absences payable - current portion	259	569	956	269	476	-	4,418
Medical claims payable - current portion	-	-	-	-	-	-	6,496
Unpaid claims payable - current portion	-	-	-	-	-	-	48,628
Total current liabilities	<u>8,420</u>	<u>4,234</u>	<u>26,686</u>	<u>5,890</u>	<u>7,432</u>	<u>4,202</u>	<u>70,146</u>
Long-term liabilities:							
Bonds payable	39,327	3,924	52,313	30,476	19,017	39,145	-
Notes payable	-	-	70,372	26,915	-	-	-
Advances from other funds	-	-	-	6,175	-	-	-
Compensated absences payable	169	372	625	105	311	-	13,906
Other postemployment benefits	690	1,387	1,958	555	1,534	-	3,254
Net pension liability	6,178	12,134	20,956	5,443	12,117	-	36,552
Unpaid claims payable	-	-	-	-	-	-	123,923
Total long-term liabilities	<u>46,364</u>	<u>17,817</u>	<u>146,224</u>	<u>69,669</u>	<u>32,979</u>	<u>39,145</u>	<u>177,635</u>
Total liabilities	<u>\$ 54,784</u>	<u>\$ 22,051</u>	<u>\$ 172,910</u>	<u>\$ 75,559</u>	<u>\$ 40,411</u>	<u>\$ 43,347</u>	<u>\$ 247,781</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows - other postemployment benefits	\$ 5	\$ 10	\$ 14	\$ 4	\$ 11	\$ -	\$ 24
Deferred inflows - pensions	735	1,444	2,495	648	1,442	-	4,351
Total deferred inflows of resources	<u>\$ 740</u>	<u>\$ 1,454</u>	<u>\$ 2,509</u>	<u>\$ 652</u>	<u>\$ 1,453</u>	<u>\$ -</u>	<u>\$ 4,375</u>
NET POSITION							
Net investment in capital assets	\$ 123,371	\$ 337,157	\$ 291,802	\$ 196,646	\$ 30,307	\$ 3,848	\$ 141,560
Restricted - debt service	-	-	-	-	-	25,102	-
Unrestricted	15,997	18,258	11,448	(5,145)	4,601	(1,988)	(80,542)
Total net position	<u>\$ 139,368</u>	<u>\$ 355,415</u>	<u>\$ 303,250</u>	<u>\$ 191,501</u>	<u>\$ 34,908</u>	<u>\$ 26,962</u>	<u>\$ 61,018</u>
Net position - total enterprise funds						\$ 1,051,404	
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.						(33,722)	
Net position of business-type activities						<u>\$ 1,017,682</u>	

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

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the Fiscal Year Ended December 31, 2020

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	\$ -	\$ -	\$ 93	\$ 648	\$ -	\$ -	\$ 741	\$ -
Intergovernmental revenues	-	1,222	-	-	11	-	1,233	-
Charges for services and sales	83,430	43,329	83,656	42,821	39,990	913	294,139	179,318
Fines and forfeits	-	-	-	-	-	-	-	16
Special assessments	124	135	162	-	199	-	620	-
Investment earnings	-	-	-	-	-	2,950	2,950	-
Rents and commissions	-	-	-	52	-	27	79	38,420
Total operating revenues	83,554	44,686	83,911	43,521	40,200	3,890	299,762	217,754
Operating expenses:								
Personnel costs	5,602	13,193	20,887	5,464	13,108	-	58,254	52,886
Contractual services	19,978	13,528	19,659	30,033	24,798	920	108,916	122,155
Materials, supplies, services and other	45,062	4,324	10,708	1,949	2,242	-	64,285	107,288
Depreciation	3,034	4,983	12,502	6,963	1,928	-	29,410	19,122
Total operating expenses	73,676	36,028	63,756	44,409	42,076	920	260,865	301,451
Operating income (loss)	9,878	8,658	20,155	(888)	(1,876)	2,970	38,897	(83,697)
Nonoperating revenues (expenses):								
Intergovernmental	1,682	1,308	62	16	2,104	-	5,172	109
Investment earnings	-	-	-	3	-	884	887	4
Interest expense	(757)	(110)	(2,595)	(1,110)	(832)	(2,967)	(8,371)	-
Gain (loss) on disposal of capital assets	-	-	-	-	-	-	-	718
Gain (loss) on disposal of properties held for resale	-	-	-	-	-	-	-	(433)
Special assessments	-	-	1,362	10	-	-	1,372	-
Other revenues	-	-	91	1	62	-	154	1,385
Total nonoperating revenues (expenses)	925	1,198	(1,080)	(1,080)	1,334	(2,083)	(786)	1,783
Income (loss) before transfers	10,803	9,856	19,075	(1,968)	(542)	887	38,111	(81,914)
Transfers in (out):								
Transfers from other funds	-	-	908	216	4,795	-	5,919	2,669
Transfers to other funds	(879)	(1,655)	-	(12,796)	-	(6,500)	(21,830)	(3,895)
Total transfers	(879)	(1,655)	908	(12,580)	4,795	(6,500)	(15,911)	(1,226)
Change in net position	9,924	8,201	19,983	(14,548)	4,253	(5,613)	22,200	(83,140)
Net position - January 1	129,444	347,214	283,267	206,049	30,655	32,575	1,029,204	144,158
Net position - December 31	\$ 139,368	\$ 355,415	\$ 303,250	\$ 191,501	\$ 34,908	\$ 26,962	\$ 1,051,404	\$ 61,018

Change in net position - total enterprise funds \$ 22,200

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. (12,346)

Change in net position of business-type activities \$ 9,854

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, 2020

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds							Governmental
	Sanitary Sewer	Stormwater	Water	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	Internal
			Treatment and Distribution Services					Service Funds
Cash flows from operating activities:								
Cash received from customers	\$ 80,964	\$ 41,526	\$ 80,503	\$ 44,042	\$ 39,080	\$ 21,471	\$ 307,586	\$ 3,440
Intergovernmental receipts	-	1,219	-	-	85	-	1,304	-
Cash received from interfund activities	25	541	510	1,065	22	-	2,163	219,767
Payments to suppliers	(59,021)	(11,566)	(16,414)	(26,763)	(21,720)	(922)	(136,406)	(133,800)
Payments to employees	(5,732)	(9,931)	(21,142)	(5,973)	(12,991)	-	(55,769)	(56,429)
Payments for interfund activities	(7,672)	(6,690)	(15,037)	(7,049)	(6,835)	-	(43,283)	(13,374)
Other nonoperating revenues	-	-	91	1	62	-	154	1,385
Net cash provided (used) by operating activities	8,564	15,099	28,511	5,323	(2,297)	20,549	75,749	20,989
Cash flows from non-capital financing activities:								
Transfers from other funds	-	-	908	216	4,795	-	5,919	2,669
Repayment of advance from other funds	-	-	-	-	-	-	-	272
Interest paid on advance from other funds	-	-	-	-	-	-	-	4
Principal paid on bonds and notes	-	-	-	-	-	(18,285)	(18,285)	-
Interest paid on bonds and notes	-	-	-	-	-	(3,060)	(3,060)	-
Transfers to other funds	(879)	(1,655)	-	(12,796)	-	(6,500)	(21,830)	(3,895)
Intergovernmental receipts	18	1,308	62	16	2,104	-	3,508	109
Net cash provided (used) by non-capital financing activities	(861)	(347)	970	(12,564)	6,899	(27,845)	(33,748)	(841)
Cash Flows from capital and related financing activities:								
Bonds issued	16,029	1,505	20,042	17,913	-	-	55,489	-
Notes issued	-	-	6,732	-	-	-	6,732	-
Principal paid on bonds	(5,700)	(600)	(5,125)	(17,055)	(3,835)	-	(32,315)	-
Interest paid on bonds	(1,015)	(186)	(1,202)	(714)	(1,162)	-	(4,279)	-
Principal paid on notes	-	-	(11,050)	(195)	-	-	(11,245)	-
Interest paid on notes	-	-	(1,736)	(337)	-	-	(2,073)	-
Interest paid on advance from other funds	-	-	-	(216)	-	-	(216)	-
Intergovernmental receipts	1,664	-	-	-	-	-	1,664	-
Special assessments	-	-	1,362	554	-	-	1,916	-
Acquisition and construction of capital assets	(12,606)	(19,881)	(43,731)	(8,093)	(10,186)	-	(94,497)	(21,157)
Proceeds from sale of capital assets	-	-	-	-	-	-	-	732
Net cash provided (used) by capital and related financing activities	(1,628)	(19,162)	(34,708)	(8,143)	(15,183)	-	(78,824)	(20,425)
Cash flows from investing activities:								
Purchase of investments	-	-	-	-	-	(16,994)	(16,994)	-
Sale of investments	-	-	-	-	-	23,466	23,466	-
Interest	-	-	-	3	-	846	849	-
Net cash provided (used) by investing activities	-	-	-	3	-	7,318	7,321	-
Net increase (decrease) in cash and cash equivalents	6,075	(4,410)	(5,227)	(15,381)	(10,581)	22	(29,502)	(277)
Cash and cash equivalents, beginning of year	7,431	33,077	46,067	21,534	26,662	-	134,771	155,243
Cash and cash equivalents, end of year	\$ 13,506	\$ 28,667	\$ 40,840	\$ 6,153	\$ 16,081	\$ 22	\$ 105,269	\$ 154,966
Reconciliation of operating income to net cash provided (used) by operating activities								
Operating income (loss)	\$ 9,878	\$ 8,658	\$ 20,155	\$ (888)	\$ (1,876)	\$ 2,970	\$ 38,897	\$ (83,697)
Adjustment to reconcile change in net position to net cash provided (used) by operating activities:								
Depreciation	3,034	4,983	12,502	6,963	1,928	-	29,410	19,122
Accounts receivable	(2,533)	(1,339)	(2,556)	3	(1,028)	(11)	(7,464)	(24)
Intergovernmental receivable	-	(3)	-	1,669	74	-	1,740	(246)
Special assessments receivable	(32)	(58)	(321)	-	(60)	-	(471)	-
Capital leases receivable	-	-	-	-	-	18,285	18,285	-
Inventories	-	-	45	-	(16)	-	29	(1,566)
Prepaid items	(354)	(19)	-	-	-	-	(373)	(383)
Deferred outflows - other postemployment benefits	(35)	(97)	(96)	(28)	(77)	-	(333)	(160)
Deferred outflows - pensions	(104)	(363)	(354)	(83)	(200)	-	(1,104)	(592)
Salaries payable	(36)	(50)	(318)	(94)	(137)	-	(635)	(529)
Accounts payable	(1,008)	191	(86)	(1,825)	(754)	(2)	(3,484)	(3,939)
Intergovernmental payable	-	-	8	(6)	122	-	124	(77)
Deposits held for others	-	-	(21)	(86)	-	(421)	(528)	2
Unearned revenue	-	-	-	-	-	(272)	(272)	111
Compensated absences payable	(62)	264	130	33	96	-	461	22
Other postemployment benefits	82	363	197	61	168	-	871	345
Net pension liability	513	3,445	1,769	323	945	-	6,995	2,696
Unpaid claims payable	-	-	-	-	-	-	-	93,843
Medical claims payable	-	-	-	-	-	-	-	(628)
Deferred inflows - other postemployment benefits	(1)	1	(2)	-	(2)	-	(4)	(3)
Deferred inflows - pensions	(778)	(877)	(2,632)	(720)	(1,542)	-	(6,549)	(4,693)
Other nonoperating revenues	-	-	91	1	62	-	154	1,385
Net cash provided (used) by operating activities	\$ 8,564	\$ 15,099	\$ 28,511	\$ 5,323	\$ (2,297)	\$ 20,549	\$ 75,749	\$ 20,989
Non-cash investing, capital and financing activities:								
Increase (decrease) in the value of investments reported at fair value	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 470	\$ 470	\$ -
Loss on disposal of capital assets	-	-	-	-	-	-	-	(192)
Loss on disposal of property held for resale	-	-	-	-	-	-	-	(433)
Capital assets purchased on account	369	552	3,098	-	182	-	4,201	-

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

**CUSTODIAL FUNDS
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2020**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

		Total Custodial Funds
	<u>ASSETS</u>	
Cash and cash equivalents		\$ 1,708
Receivables:		
Accounts - net		88
Accrued interest		3
Intergovernmental		75
Prepaid items		<u>2</u>
Total assets		<u>\$ 1,876</u>
	<u>LIABILITIES</u>	
Salaries payable		\$ 15
Intergovernmental payable		138
Unearned revenue		<u>895</u>
Total liabilities		<u>\$ 1,048</u>
	<u>NET POSITION</u>	
Restricted for:		
Other governments		<u>\$ 828</u>

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

CUSTODIAL FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended December 31, 2020

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Total Custodial Funds</u>
<u>ADDITIONS</u>	
Intergovernmental revenues	\$ 1,315
Development fees	48
Investment earnings	33
Miscellaaneous revenues	<u>274</u>
Total additions	<u>1,670</u>
<u>DEDUCTIONS</u>	
General government	1,245
Legal services	<u>52</u>
Total deductions	<u>1,297</u>
Net increase (decrease) in fiduciary net position	373
Net Position - January 1	<u>455</u>
Net Position - December 31	<u><u>\$ 828</u></u>

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

**COMBINING STATEMENT OF NET POSITION
DISCRETE COMPONENT UNITS
December 31, 2020**

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	\$ 74,632	\$ 603	\$ 5,135	\$ 80,370
Receivables	6,529	-	73	6,602
Due from other governmental agencies		4,659	-	4,659
Prepays and other assets	177	-	237	414
Inventories	58	-	-	58
Capital assets:				
Nondepreciable	147,785	33,179	-	180,964
Depreciable, net	250,858	4,089	2,261	257,208
Total assets	<u>\$ 480,039</u>	<u>\$ 42,530</u>	<u>\$ 7,706</u>	<u>\$ 530,275</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows - other postemployment benefits	\$ 166	\$ 121	\$ -	\$ 287
Deferred outflows - pensions	7,064	191	-	7,255
Total deferred outflows of resources	<u>\$ 7,230</u>	<u>\$ 312</u>	<u>\$ -</u>	<u>\$ 7,542</u>
<u>LIABILITIES</u>				
Accrued salaries and benefits	\$ 1,448	\$ 17	\$ 672	\$ 2,137
Accounts payable	7,541	1,422	129	9,092
Unpaid claims payable	5,677	-	-	5,677
Unearned revenue	69	-	298	367
Compensated absences:				
Due within one year	3,066	132	-	3,198
Due beyond one year	2,851	62	-	2,913
Long-term liabilities:				
Due within one year	296	-	183	479
Due beyond one year	910	-	1,402	2,312
Other postemployment benefits	976	875	-	1,851
Net pension liability	56,337	4,230	-	60,567
Total liabilities	<u>\$ 79,171</u>	<u>\$ 6,738</u>	<u>\$ 2,684</u>	<u>\$ 88,593</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows - service concession arrangement	\$ 4,205	\$ -	\$ -	\$ 4,205
Deferred inflows - other postemployment benefits	7	1	-	8
Deferred inflows - pensions	9,392	666	-	10,058
Total deferred inflows of resources	<u>\$ 13,604</u>	<u>\$ 667</u>	<u>\$ -</u>	<u>\$ 14,271</u>
<u>NET POSITION</u>				
Net investment in capital assets	\$ 397,364	\$ 37,268	\$ 2,150	\$ 436,782
Capital improvements	4,913	-	-	4,913
Project and grant programs	23,300	-	-	23,300
Special trust	178	-	-	178
Special reserves	7,709	-	-	7,709
Restricted - Donor restrictions	-	-	70	70
Unrestricted	(38,970)	(1,831)	2,802	(37,999)
Total net position	<u>\$ 394,494</u>	<u>\$ 35,437</u>	<u>\$ 5,022</u>	<u>\$ 434,953</u>

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

**COMBINING STATEMENT OF ACTIVITIES
DISCRETE COMPONENT UNITS
For the Fiscal Year Ended December 31, 2020**

CITY OF MINNEAPOLIS , MINNESOTA

(In Thousands)

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Minneapolis Park and Recreation Board	Municipal Building Commission	Meet Minneapolis	Total Discrete Component Units
FUNCTIONS/PROGRAMS								
Minneapolis Park and Recreation Board	\$ 126,792	\$ 24,344	\$ 6,492	\$ 25,489	\$ (70,467)	\$ -	\$ -	\$ (70,467)
Municipal Building Commission	8,744	9,953	-	9,853	-	11,062	-	11,062
Meet Minneapolis	9,546	11,246	-	-	-	-	1,700	1,700
Total discrete component unit activities	<u>\$ 145,082</u>	<u>\$ 45,543</u>	<u>\$ 6,492</u>	<u>\$ 35,342</u>	<u>(70,467)</u>	<u>11,062</u>	<u>1,700</u>	<u>(57,705)</u>
General Revenues:								
Taxes:								
General property tax and fiscal disparities					68,862	-	-	68,862
Property tax increment					190	-	-	190
Museum (county-wide levy)					15,009	-	-	15,009
Local government aid - unrestricted					9,603	-	-	9,603
Grants and contributions not restricted to specific programs					247	13	-	260
Unrestricted interest and investment earnings					682	12	-	694
Other					-	-	-	-
Gain on sale of capital assets					132	-	-	132
Total general revenues					<u>94,725</u>	<u>25</u>	<u>-</u>	<u>94,750</u>
Change in net position					24,258	11,087	1,700	37,045
Net position - January 1					<u>370,236</u>	<u>24,350</u>	<u>3,322</u>	<u>397,908</u>
Net position - December 31					<u>\$ 394,494</u>	<u>\$ 35,437</u>	<u>\$ 5,022</u>	<u>\$ 434,953</u>

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

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A – Reporting Entity

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

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

Blended Component Unit

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

▪ Board of Estimate and Taxation

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

Discretely Presented Component Units

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

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

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

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

▪ Municipal Building Commission

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

▪ Meet Minneapolis

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

Related Organizations

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

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A – Reporting Entity****Related Organizations (continued)****▪ Minnesota Sports Facilities Authority**

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

▪ Minneapolis Public Housing Authority

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

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

Joint Ventures

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

▪ Minneapolis-Duluth/Superior Passenger Rail Alliance

The Minneapolis-Duluth/Superior Passenger Rail Alliance (also known as the “Northern Lights Express”) was established under a joint powers agreement between Anoka County, Hennepin County, Isanti County, Pine County, St. Louis and Lakes Counties Regional Railroad Authority, City of Duluth, City of Minneapolis, and Douglas County (Wisconsin) to explore options for the development of rail transportation between the Twin Cities and Duluth Superior metropolitan areas. The City of Superior, Wisconsin joined the Alliance in 2016. The Board consists of one elected official selected by each party in the Alliance as well as a member of the Mille Lacs Band of Ojibwe. Each party also appoints an alternate member. The City of Minneapolis pays an annual membership fee to the Alliance to cover the costs of activities. The percentage share of the City in the Alliance’s assets, liabilities, and equity cannot be determined at fiscal year-end. St. Louis and Lake Counties Regional Railroad Authority serves as the fiscal agent. Complete financial statements for the Minneapolis-Duluth/Superior Passenger Rail Alliance can be obtained from the St. Louis and Lakes Counties Regional Railroad Authority at 111 Station 44 Road, Eveleth, Minnesota 55734.

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A – Reporting Entity****Joint Ventures (continued)****▪ Minneapolis/Saint Paul Housing Finance Board**

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

▪ Minneapolis Youth Coordinating Board

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

▪ Metropolitan Emergency Services Board

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

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

▪ Mississippi Watershed Management Organization

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

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

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

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

▪ Bassett Creek Watershed Management Commission

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

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For the fiscal year ended December 31, 2020

(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, 2020

(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, 2020

(Dollar Amounts Expressed in Thousands)

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

The City reports the following major governmental funds:

▪ General Fund

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

▪ Special Revenue Fund – Community Planning and Economic Development

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

▪ Special Revenue Fund – HUD Consolidated Plan

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

▪ Capital Project Fund – Permanent Improvement

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

▪ Debt Service Fund – Special Assessment

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

Proprietary Funds

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

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

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

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

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

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

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

The City reports the following major enterprise funds:

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

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B – Basis of Presentation (continued)

Non-Major Funds

The City reports the following non-major governmental funds:

Special Revenue Funds:

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

Debt Service Funds:

- Community Development Agency
- Development
- General Debt Service

Additionally, the City reports the following fund types:

▪ **Internal Service Funds**

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

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

▪ **Custodial Funds**

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

- Minneapolis Youth Coordinating Board
- Joint Board

For the fiscal year ended December 31, 2020

(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 2019 process for the 2020 budget involved the following:

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

Analysis of what a department accomplished over the past year leads it to assess its work and make appropriate changes to the plan for the next year. Featured elements are reported and the reports made public. This analysis and reporting is the Department Results Minneapolis program.

March*Preliminary prior year-end budget status report*

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

March – April*Capital Improvement Budget Development*

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

April – June*Operating Budget Development*

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

Capital Long-Range Improvement Committee (CLIC) Process

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

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

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

The 2020 Mayor's Recommended Budget was based on program proposals submitted by departments. These program proposals are reviewed and discussed by the submitting department, the Mayor's Office, and staff from the Coordinator's Office and Finance and Property Services for priority-setting. In addition to reviewing operating budgets, the Mayor meets with representatives from CLIC before finalizing the capital budget recommendation. By City Charter, the Mayor must make recommendations to the City Council on the budget no later than August 15 of each year.

September*Maximum Proposed Property Tax Levy*

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

September – November*City Council Budget Review and Development*

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

Truth in Taxation

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

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For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C – Budgets (continued)

December

City Council Budget Adoption

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

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

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

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

	Expenditure Budget at Beginning of Year	Changes During Year	Expenditure Budget at End of Year
General	\$ 519,343	\$ (29,007)	\$ 490,336
CPED Special Revenue	57,541	59,286	116,827
HUD Consolidated Plan Special Revenue	17,280	24,084	41,364
Arena Reserve Special Revenue	6,673	1,969	8,642
Downtown Assets	1,743	1,743	3,486
Convention Center Special Revenue	50,008	(4,653)	45,355
Grants – Federal Special Revenue	11,075	11,216	22,291
Grants – Other Special Revenue	9,607	42,439	52,046
Police	1,446	(5)	1,441
Neighborhood and Community Relations	7,285	(111)	7,174
Regulatory Services	3,492	4,280	7,772
Total	<u>\$ 685,493</u>	<u>\$ 111,241</u>	<u>\$ 796,734</u>

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For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

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

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

E – Deposits and Investments

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

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

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

F – Inventories of Materials and Supplies and Prepaid Items

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

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

G – Receivables

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G – Receivables (continued)

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

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

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

H – Capital Assets

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

The estimated useful lives are as follows:

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

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

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

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

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

J – Pensions

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

K – Interfund Transactions

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

L – Properties Held for Resale

Properties held for resale in the Community Planning and Economic Development, the HUD Consolidated Plan, the Grants - Federal, the Grants - Other Special Revenue funds, and the Permanent Improvement Capital Projects 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, and the Permanent Improvement Capital Projects Fund are classified as restricted. As a result, fund balance/net position related to properties held for resale is classified as restricted in those funds.

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

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

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

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

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

N – Deferred Outflows/Inflows of Resources

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

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

O – Estimates

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

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P – Stewardship, Accountability and Compliance

The Development Debt Service Fund currently has a deficit fund balance of \$8,466 due to loans and advances from other funds. The Police Special Revenue Fund’s expenditures exceeded budget by \$72. This fund is supported by federal and state forfeitures, lawful gambling, and the automated pawn system. Any overspending was covered by the \$2,924 January 1, 2020 fund balance. The Internal Service Self-Insurance Fund has a deficit fund balance of \$97,840. Actuarially determined values are in two categories. One relates to pending and anticipated litigation against the City, and the other is projected workers’ compensation settlement costs. The City is monitoring and managing fund inflows to ensure sufficient resources to pay liabilities as they come due.

NOTE 2 – DEPOSITS AND INVESTMENTS

A – Deposits

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

Deposits, per book	\$ 305,733
Investments	696,174
Imprest cash held by City	20
Total	<u><u>\$ 1,001,927</u></u>
 Primary Government:	
Cash and pooled investments	\$ 891,148
Cash and pooled investments in custodial funds	1,708
Investments with trustees	28,701
Total primary government	<u><u>\$ 921,557</u></u>
 Discretely Presented Component Units:	
Park and Recreation Board:	
Cash and pooled investments	<u>74,632</u>
Municipal Building Commission:	
Cash and pooled investments	<u>603</u>
Meet Minneapolis:	
Cash and pooled investments	<u>5,135</u>
Total discretely presented component units	<u><u>\$ 80,370</u></u>
 Total reporting entity	 <u><u>\$ 1,001,927</u></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, 2020, totaled \$14,303. The City also had bank deposits in several banks through the investment program totaling \$301,630.

Reconciliation of bank cash balances to book cash balance:	
Bank balance, per December 31, 2020 bank statement	\$ 315,933
Reconciling items and outstanding checks	<u>(10,200)</u>
Deposits, per book	<u><u>\$ 305,733</u></u>

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

B – Investments

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City’s deposits may be delayed or not be returned. The City’s policy is to have its designated depositories comply with Minnesota Statutes Chapter 118A to pledge allowable securities or a letter of credit (LOC) from the Federal Home Loan Bank (FHLB) to collateralize the City’s deposits. At December 31, 2020, the City was not exposed to custodial credit risk since all deposits are either FDIC insured (where applicable) or are collateralized through securities pledged to the City of Minneapolis by the financial institution and held in safekeeping at the Federal Reserve Bank at 110% of deposit value or collateralized by a FHLB LOC.

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, 2020, 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, 2020, and information relating to interest rate risks:

<u>Investment Type</u>	<u>Average Maturity (Years)</u>	<u>(Fair) Value</u>
U.S. Treasury obligations	0.0	\$ 95,912
U.S. Federal agency obligations	3.4	120,252
U.S. Mortgage obligations	18.7	197,062
Municipal bonds	4.2	106,813
Money market mutual funds	0.0	143,635
Negotiable certificates of deposit	0.6	32,500
Portfolio weighted average maturity	4.6	
Total investments		<u>\$ 696,174</u>
Deposits per book		305,733
Imprest cash		<u>20</u>
Total cash and investments		<u>\$ 1,001,927</u>

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, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS

B – Investments (continued)

At December 31, 2020, 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+	\$ 95,912	Aaa	\$ 95,912
U.S. Federal agency obligations	AAA	\$ -	Aaa	\$ 120,252
	AA+	120,252	Aa1	-
Total U.S. Federal agency obligations		<u>\$ 120,252</u>		<u>\$ 120,252</u>
U.S. Mortgage obligations	AAA	\$ 2,792	Aaa	\$ 196,055
	AA+	193,263	Aa1	-
	Not Available	1,007	Not Available	1,007
Total U.S. Mortgage obligations		<u>\$ 197,062</u>		<u>\$ 197,062</u>
Municipal bonds				
	AAA	\$ 36,388	Aaa	\$ 30,344
	AA+	12,771	Aa1	20,664
	AA	23,000	Aa2	30,622
	AA-	8,681	Aa3	10,737
	A+	705	A1	469
	A	321	A2	527
	Not Available	24,947	Not Available	13,450
Total municipal bonds		<u>\$ 106,813</u>		<u>\$ 106,813</u>
Mutual funds	AAAmG	\$ 141,149	Aaa-mf	\$ 143,635
	Not Available	2,486	Not Available	-
Total Mutual funds		<u>\$ 143,635</u>		<u>\$ 143,635</u>
Negotiable certificates of deposit	FDIC Insured	\$ 32,500	FDIC Insured	\$ 32,500
Total		<u><u>\$ 696,174</u></u>		<u><u>\$ 696,174</u></u>

For the fiscal year ended December 31, 2020

(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, 2020.

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, 2020 the City had the following recurring fair value measurements:

		<u>Fair Value Measurements Using:</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
		<u>December 31, 2020</u>		
Investments by fair value level				
Debt securities				
U.S. Treasury securities	\$ 95,912	\$ -	\$ 95,912	\$ -
U.S. Federal agency obligations	120,252	-	120,252	-
U.S. Mortgage obligations	197,062	-	197,062	-
Municipal bonds	106,813	-	106,813	-
Total investments by fair value level	<u>\$ 520,039</u>	<u>\$ -</u>	<u>\$ 520,039</u>	<u>\$ -</u>
Investments measured at net asset value (NAV)				
Government money market mutual funds	\$ 143,635			
Negotiable certificates of deposit	32,500			
Total investments measured at the NAV	<u>\$ 176,135</u>			
Total investments measured at fair value and NAV	<u><u>\$ 696,174</u></u>			

For the fiscal year ended December 31, 2020

(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. 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 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 \$143,635 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 \$32,500 in negotiable certificates of deposit, which will mature and be redeemed in less than one year from issuance. The fair value is measured based on current market conditions. The City invests in these certificates of deposit in order to diversify the portfolio.

NOTE 3 – RECEIVABLES

A – Receivables Detail

Receivables at year-end for the City’s major individual governmental and enterprise funds and non-major and internal service funds in the aggregate, including applicable allowances for uncollectible amounts are as follows:

	Community Planning		HUD		Special Assessment	Non-Major Governmental Funds	Internal Service Funds	Total Governmental
	General Fund	and Economic Development	Consolidated Plan	Permanent Improvement				
Governmental Activities								
Accounts	\$ 4,722	\$ 48	\$ 32	\$ 1,884	\$ -	\$ 1,326	\$ 170	\$ 8,182
Taxes	3,049	44	-	2	-	1,232	-	4,327
Special assessments	295	7,157	-	1,608	65,670	622	-	75,352
Intergovernmental	1,205	542	831	23,805	-	16,282	246	42,911
Loans	-	205,015	130,418	-	-	-	-	335,433
Accrued interest	1,037	437	-	92	20	210	-	1,796
Gross receivables	10,308	213,243	131,281	27,391	65,690	19,672	416	468,001
Less: Allowance for uncollectibles	(83)	(165,411)	(101,557)	-	-	-	(2)	(267,053)
Total receivables (due within one year)	\$ 10,225	\$ 47,832	\$ 29,724	\$ 27,391	\$ 65,690	\$ 19,672	\$ 414	\$ 200,948

	Water Treatment and Distribution		Municipal Parking	Solid Waste and Recycling	Community Planning		Total Business-type
	Sanitary Sewer	Stormwater			Distribution Services	and Economic Development	
Business-type Activities							
Accounts	\$ 7,447	\$ 5,082	\$ 6,332	\$ 833	\$ 4,611	\$ 11	\$ 24,316
Special assessments	140	157	3,322	3,261	172	-	7,052
Intergovernmental	-	285	-	1,779	3	-	2,067
Accrued interest	-	-	-	-	-	162	162
Gross receivables	7,587	5,524	9,654	5,873	4,786	173	33,597
Less: Allowance for uncollectibles	-	-	(10)	(15)	-	-	(25)
Total receivables (due within one year)	\$ 7,587	\$ 5,524	\$ 9,644	\$ 5,858	\$ 4,786	\$ 173	\$ 33,572

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 3 – RECEIVABLES (continued)

B – Business-type Activities – Leases

According to the Basic Resolution and Indenture of the General Agency Reserve Fund System (GARFS) within the CPED Enterprise Fund, agreements are to be formed with developers receiving funds for construction. Such agreements are in the form of capitalized leases or notes receivable.

The annual lease and loan payments approximate the principal and interest requirements on the outstanding bonds. The leases are capitalized in an amount equal to the principal of the related bonds, net of any unexpended construction fund proceeds. Each lease agreement includes a bargain purchase option exercisable at the end of the lease term. In addition, the leased property may be purchased at various anniversaries during the lease term at amounts at least equal to the outstanding principal amount of the underlying bonds. In the event developers are unable to continue with lease and loan payments, the City takes possession of the developed property.

The future payment requirements for these agreements are as follows:

<u>Scheduled Lease Payments</u>	<u>Capitalized Leases</u>
2021	\$ 3,723
2022	3,729
2023	3,726
2024	3,723
2025	3,724
2026-2030	18,631
2031-2035	18,625
2036-2040	9,954
Subtotal	<u>65,835</u>
Less: Interest over lease term	<u>(25,285)</u>
Total Principal	40,550
Less: Current Portion	<u>(1,405)</u>
Noncurrent Portion	<u>\$ 39,145</u>

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For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS

A – Current Year Activity

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Balance January 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2020</u>
Governmental activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 114,788	\$ -	\$ -	\$ 114,788
Construction in progress	561,540	186,827	(118,753)	629,614
Total capital assets, not being depreciated	<u>676,328</u>	<u>186,827</u>	<u>(118,753)</u>	<u>744,402</u>
<i>Capital assets, being depreciated</i>				
Infrastructure	1,044,815	103,994	-	1,148,809
Buildings and structures	648,458	22,284	(3,445)	667,297
Public improvements	36,281	-	-	36,281
Machinery and equipment	167,027	16,362	(1,886)	181,503
Computer equipment	33,913	1,720	(50)	35,583
Software	63,978	62	-	64,040
Other capital outlay	37	-	(1)	36
Total capital assets, being depreciated	<u>1,994,509</u>	<u>144,422</u>	<u>(5,382)</u>	<u>2,133,549</u>
Less accumulated depreciation for:				
Infrastructure	(565,466)	(42,974)	-	(608,440)
Buildings and structures	(276,820)	(15,252)	553	(291,519)
Public improvements	(14,333)	(1,621)	-	(15,954)
Machinery and equipment	(104,842)	(11,268)	1,458	(114,652)
Computer equipment	(31,058)	(1,153)	50	(32,161)
Software	(46,396)	(7,994)	-	(54,390)
Other capital outlay	(37)	-	1	(36)
Total accumulated depreciation	<u>(1,038,952)</u>	<u>(80,262)</u>	<u>2,062</u>	<u>(1,117,152)</u>
Total capital assets, being depreciated, net	<u>955,557</u>	<u>64,160</u>	<u>(3,320)</u>	<u>1,016,397</u>
Governmental activities capital assets, net	<u>\$ 1,631,885</u>	<u>\$ 250,987</u>	<u>\$ (122,073)</u>	<u>\$ 1,760,799</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 20,761
Public safety	1,408
Public works	44,955
Health and welfare	1
Community planning and economic development	13,137
Total depreciation expense - governmental functions	<u>\$ 80,262</u>

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS

A – Current Year Activity (continued)

	<u>Balance January 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2020</u>
Business-type activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 129,591	\$ 730	\$ -	\$ 130,321
Construction in progress	214,633	93,578	(165,792)	142,419
Total capital assets, not being depreciated	344,224	94,308	(165,792)	272,740
<i>Capital assets, being depreciated</i>				
Buildings and structures	534,048	44,125	-	578,173
Public improvements	819,170	83,279	-	902,449
Machinery and equipment	82,249	36,665	-	118,914
Computer equipment	2,930	1,093	-	4,023
Software	2,881	-	-	2,881
Other capital outlay	731	-	-	731
Total capital assets, being depreciated	1,442,009	165,162	-	1,607,171
Less accumulated depreciation for:				
Buildings and structures	(260,797)	(11,774)	-	(272,571)
Public improvements	(292,800)	(12,039)	-	(304,839)
Machinery and equipment	(43,410)	(5,393)	-	(48,803)
Computer equipment	(1,793)	(128)	-	(1,921)
Software	(2,861)	(7)	-	(2,868)
Other capital outlay	(157)	(69)	-	(226)
Total accumulated depreciation	(601,818)	(29,410)	-	(631,228)
Total capital assets, being depreciated, net	840,191	135,752	-	975,943
Business-type activities capital assets, net	\$ 1,184,415	\$ 230,060	\$ (165,792)	\$ 1,248,683
Depreciation expense was charged to business-type functions as follows:				
Sanitary sewer				\$ 3,034
Stormwater				4,983
Water treatment and distribution services				12,502
Municipal parking				6,963
Solid waste and recycling				1,928
Total depreciation expense - business-type functions				\$ 29,410

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS (continued)

B – Capital Project Commitments

For the year ended December 31, 2020, the City of Minneapolis made capital project commitments for the following:

Property services	\$ 20,178
Parking	4,000
Sewer construction	43,500
Street construction	51,462
Bridge construction	2,100
Sidewalk construction	2,760
Street lighting & traffic signals	9,070
Bicycle trails	7,005
Non-departmental	747
Water	<u>33,356</u>
Total capital project commitments	<u>\$ 174,178</u>

C – Discretely Presented Component Units

Activity for the discretely presented component units for the year ended December 31, 2020, was as follows:

	Balance			Balance
<u>Minneapolis Park and Recreation Board</u>	<u>January 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2020</u>
Capital assets, not being depreciated	\$ 132,324	\$ 28,335	\$ (12,874)	\$ 147,785
Capital assets, being depreciated, net	254,977	(4,107)	(12)	250,858
	<u>\$ 387,301</u>	<u>\$ 24,228</u>	<u>\$ (12,886)</u>	<u>\$ 398,643</u>
Depreciation expense charged	\$ 18,645			
	Balance			Balance
<u>Municipal Building Commission</u>	<u>January 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2020</u>
Capital assets, not being depreciated	\$ 22,205	\$ 10,809	\$ -	\$ 33,014
Capital assets, being depreciated, net	5,026	(937)	-	4,089
	<u>\$ 27,231</u>	<u>\$ 9,872</u>	<u>\$ -</u>	<u>\$ 37,103</u>
Depreciation expense charged	\$ 937			

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT

The City's full faith, credit and taxing power are pledged to pay general obligation debt principal and interest.

Property Tax Supported General Obligation Bonds

Various issues of general obligation (GO) bonds are recorded in the Governmental Funds and are backed by the full faith and credit of the City. Annual property tax levies are used to pay debt service on these bonds.

Self-Supporting General Obligation Bonds and Notes

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

General Obligation Improvement Bonds and Notes

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

Tax Increment General Obligation Bonds and Notes

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

Revenue Bonds and Notes

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

Sinking Fund Provisions

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

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

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)**2020 Bond and Note Sales**

In 2020, the City of Minneapolis issued general obligation bonds and notes totaling \$142,892. Below are details of the 2020 debt issuances.

In October 2020, the City issued \$12,975 of General Obligation Parking Assessment Refunding Bonds, Series 2020. The City received net bond proceeds of \$13,850 including an original issue premium of \$927 offset by a \$52 underwriter's discount. The proceeds were used on December 1, 2020 to redeem the remaining \$13,805 of General Obligation Refunding Bonds, Series 2012 and to pay cost of issuance expenses. The refunding bonds were issued in fixed rate mode and had interest rates ranging from 1.50% to 2.50% and a final maturity date of December 1, 2029. The refunded bond series from 2012 had a final maturity date of December 1, 2026. The City realized an aggregate debt service savings of \$394 and an economic gain of \$621. This refunding was performed to restructure the refunded bonds to align better with future debt service revenues.

In October 2020, the City issued \$26,000 of Taxable General Obligation Convention Center Refunding Bonds, Series 2020. The proceeds from these refunding bonds along with funds on hand were used to complete current refunding of Taxable General Obligation Convention Center Refunding Bonds, Series 2011. The Bonds will restructure the final maturity of the Series 2011 Bonds in order to extend the payments of the remaining principal amount over time. From the sale of the \$26,000 of Taxable General Obligation Convention Center Refunding Bonds, Series 2020, the City received proceeds of \$26,000 including a bond premium of \$50 offset by a net underwriter discount of \$50. On December 1, 2020, these proceeds along with \$544 of cash on hand were used to refund the 2020 final maturity and interest of the Series 2011 Bonds and to pay cost of issuance expenses. The City realized aggregate debt service cost of -\$312 and an economic loss of -\$28. The bonds, had an interest rate of .60% and a final maturity date of December 1, 2025.

In October 2020, the City issued \$97,185 of General Obligation Bonds, Series 2020 to fund a variety of special assessment improvement projects, general infrastructure projects, sanitary and storm sewer projects, water enterprise projects, and parking enterprise projects. The bonds were also used to refund various General Obligation Various Purpose, General Obligation Improvement, and General Obligation Library Referendum Bonds. The City received bond proceeds of \$103,680 including an original issue premium of \$6,641 offset by a \$146 underwriter's discount. The proceeds were used to reimburse design and construction costs of \$13,645 for special assessment projects related to street reconstruction and resurfacing, \$75,230 for a variety of other capital infrastructure and enterprise fund improvements, and \$14,730 for refunding four bond issues. With the net premium received, the par amount of bonds required for the purposes described above was reduced to \$12,245, \$70,180 and \$14,145 respectively. \$75 of the proceeds not required for projects were used to pay cost of issuance expenses. The bonds were dated October 02, 2020 and were issued with fixed interest rates ranging from 2.00% to 3.00% and a final maturity date of December 1, 2030. Details of the \$14,145 refunding portions of this bond sale follow.

\$8,435 of refunding bonds were issued associated with General Obligation Library Referendum Refunding Bonds, Series 2012 and generated a bond premium of \$279. These proceeds after paying an underwriter discount were used on December 1, 2020 to pay off \$8,700 of refunded bonds. The City realized aggregate debt service savings of \$336 and an economic gain of \$308 or 3.44% net present value savings on the refunded bonds debt service.

\$2,675 of refunding bonds were issued associated with General Obligation Various Purpose Bonds, Series 2013 and generated a bond premium of \$133. These proceeds after paying an underwriter discount were used on December 1, 2020 to pay off \$2,800 of refunded bonds. This refunding resulted in a 10 year longer maturity structure. The City realized aggregate debt service loss of \$339 and an economic loss of \$7 or .233% net present value expenditure on the refunded bonds debt service. The City realized aggregate debt service cost of \$336 and an economic loss of \$308 or 3.44% net present value loss on the refunded bonds debt service.

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT**2020 Bond and Note Sales (continued)**

\$2,295 of refunding bonds were issued associated with General Obligation Improvement Bonds, Series 2013 and generated a bond premium of \$161. These proceeds along with a \$735 planned equity contribution and after paying an underwriter discount were used on December 1, 2020 to pay off \$3,185 of refunded bonds. The City realized aggregate debt service savings of \$1,269 and an economic gain of \$534 or 13.92% net present value savings on the refunded bonds debt service.

\$740 of refunding bonds were issued associated with General Obligation Various Purpose Bonds, Series 2012 and generated a bond premium of \$45. These proceeds along with a \$260 planned equity contribution and after paying an underwriter discount were used on December 1, 2020 to pay off \$1,040 of refunded bonds. The City realized aggregate debt service savings of \$298 and an economic gain of \$38 or 3.54% net present value savings on the refunded bonds debt service.

Minnesota Public Facilities Authority Notes

The City has entered into eight general obligation notes with the Minnesota Public Facilities Authority (PFA) to finance the City's drinking water ultra-filtration project, new filter presses project and a major rehabilitation of the Fridley water treatment plant. The notes are part of a federally sponsored below market financing program related to the Safe Drinking Water Act and the City saves up to 1.5% on interest costs by participating in the program. The interest rates on the eight notes range from 1.00% - 2.82% and the final maturity dates range from August 20, 2019 to August 20, 2035.

During 2018, the City entered into two of the eight notes in this program to assist with financing of the improvements to the Fridley water treatment plant. The first note of \$28,900 million was issued on April 11, 2018 at a 1.01% interest rate and has a final maturity date of August 20, 2032. This note was fully utilized in 2019. The second note of \$27,300 was issued on November 9, 2018 at a 1.47% interest rate and has a final maturity date of August 20, 2035. The second note provided funding for expenses beginning in 2019 and \$16,688 was drawn as of December 31, 2020. The City received proceeds totaling \$149,722 on these notes in total and at December 31, 2020, the outstanding debt balance of the notes in this program is \$81,877.

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, 2020, \$40,372 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, \$8,435 is related to library improvements transferred to the Hennepin County Library System. The capital assets purchased with funds obtained from this debt issuance are held by the respective discrete component units and are reported with their capital assets on the Statement of Net Position, except for the library assets now held by Hennepin County.

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

Long-term liabilities at December 31, 2020 (in thousands) are detailed below.

	<u>Balance</u> <u>1/1/2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2020</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
<u>Bonds and Notes</u>					
Property Tax Supported GO Bonds	\$ 278,500	\$ 39,755	\$ (58,805)	\$ 259,450	\$ 29,170
Self Supporting GO Bonds	162,690	28,675	(33,000)	158,365	5,125
GO Improvement Bonds	53,765	16,180	(11,315)	58,630	7,660
GO Improvement Notes	2,100	-	(1,100)	1,000	1,000
Tax Increment GO Bonds	1,710	-	(215)	1,495	225
Tax Increment Revenue Bonds	17,520	-	(1,480)	16,040	1,540
Tax Increment Revenue Notes	2,805	-	(495)	2,310	525
Total Governmental Bonds and Notes	<u>519,090</u>	<u>84,610</u>	<u>(106,410)</u>	<u>497,290</u>	<u>45,245</u>
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	<u>18,470</u>	<u>3,679</u>	<u>(2,915)</u>	<u>19,234</u>	<u>-</u>
Total Long-term Liabilities Governmental	<u>537,560</u>	<u>88,289</u>	<u>(109,325)</u>	<u>516,524</u>	<u>45,245</u>
Business-type activities:					
<u>Bonds and Notes</u>					
Sanitary Sewer Fund GO Bonds	34,070	14,865	(5,700)	43,235	6,355
Stormwater Fund GO Bonds	4,515	1,425	(600)	5,340	1,725
Water Treatment and Distribution Services Fund GO Bonds	40,820	18,565	(5,125)	54,260	5,065
Water Treatment and Distribution Services Fund GO Notes	86,195	6,732	(11,050)	81,877	11,505
Municipal Parking Fund GO Bonds	31,205	16,695	(17,055)	30,845	1,770
Municipal Parking Fund GO Notes	27,400	-	(195)	27,205	290
Solid Waste and Recycling Fund GO Bonds	25,245	-	(3,835)	21,410	3,860
CPED Related Non GO Fund	-	-	-	-	-
General Agency Reserve Fund System Bonds	58,835	-	(18,285)	40,550	1,405
Total Business-type Bonds and Notes	<u>308,285</u>	<u>58,282</u>	<u>(61,845)</u>	<u>304,722</u>	<u>31,975</u>
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	<u>6,129</u>	<u>3,939</u>	<u>(1,326)</u>	<u>8,742</u>	<u>-</u>
Total Long-term Liabilities Business-type	<u>314,414</u>	<u>62,221</u>	<u>(63,171)</u>	<u>313,464</u>	<u>31,975</u>

For the fiscal year ended December 31, 2020

(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, 2020, annual debt service requirements for Governmental activities to maturity are as follows:

Year Ending December 31:	Governmental Activities				Total Governmental	
	Bonds		Notes		Activities Bonds and Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 43,720	\$ 16,980	\$ 1,525	\$ 111	\$ 45,245	\$ 17,091
2022	36,975	15,135	560	62	37,535	15,197
2023	30,430	13,799	595	43	31,025	13,842
2024	22,785	12,671	630	22	23,415	12,693
2025	48,605	11,807	-	-	48,605	11,807
2026 - 2030	113,345	46,929	-	-	113,345	46,929
2031 - 2035	63,205	31,738	-	-	63,205	31,738
2036 - 2040	58,195	20,445	-	-	58,195	20,445
2041 - 2045	66,135	8,561	-	-	66,135	8,561
2046	10,585	361	-	-	10,585	361
	<u>\$ 493,980</u>	<u>\$ 178,426</u>	<u>\$ 3,310</u>	<u>\$ 238</u>	<u>\$ 497,290</u>	<u>\$ 178,664</u>

Amortization of Outstanding Business-type Activities City Debt

As of December 31, 2020, annual debt service requirements for Business-type Activities to maturity are as follows:

Year Ending December 31:	Business-type Activities				Total Business-type	
	Bonds		Notes		Activities Bonds and Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 20,180	\$ 6,969	\$ 11,795	\$ 2,552	\$ 31,975	\$ 9,521
2022	24,405	6,046	10,585	2,288	34,990	8,334
2023	21,120	5,205	10,740	2,050	31,860	7,255
2024	18,275	4,595	7,180	1,809	25,455	6,404
2025	15,060	4,011	11,160	1,670	26,220	5,681
2026 - 2030	62,870	13,346	43,977	4,479	106,847	17,825
2031 - 2035	23,785	6,121	13,645	593	37,430	6,714
2036 - 2040	9,945	1,454	-	-	9,945	1,454
	<u>\$ 195,640</u>	<u>\$ 47,747</u>	<u>\$ 109,082</u>	<u>\$ 15,441</u>	<u>\$ 304,722</u>	<u>\$ 63,188</u>

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

Discretely Presented Component Unit

Activity for the Minneapolis Park and Recreation Board for the year ended December 31, 2019 was as follows:

	Balance January 1, 2020	Additions	Retirements	Balance December 31, 2020	Amounts Due Within One Year
Notes payable	\$ 3,539	\$ -	\$ (2,333)	\$ 1,206	\$ 296

Year Ending December 31:	Principal	Interest
2021	296	40
2022	253	30
2023	116	20
2024	120	16
2025	125	12
2024-2028	296	12
Total	\$ 1,206	\$ 130

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

As of December 31, 2020, outstanding industrial, commercial, and housing revenue bonds and notes approximated \$2,091,705. 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	HUD Consolidated Plan	Permanent Improvement	Special Assessment	Non-Major Governmental Funds	Total Governmental
Deferred Inflows of Resources							
Property taxes	\$ 931	\$ 44	\$ -	\$ -	\$ -	\$ 606	\$ 1,581
Special assessments	166	7,157	-	1,592	65,972	501	75,388
Intergovernmental	896	-	-	19,021	-	-	19,917
Loans receivable	-	39,604	28,861	-	-	-	68,465
Interest	508	214	-	45	10	102	879
Other unavailable revenue	-	-	-	-	-	737	737
Total deferred inflows of resources	\$ 2,501	\$ 47,019	\$ 28,861	\$ 20,658	\$ 65,982	\$ 1,946	\$ 166,967

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 8 – LEASES

A – Operating Leases

The City of Minneapolis leases office space for several departments. The future minimum lease payments for operating leases are as follows:

<u>Year Ending December 31</u>	Governmental Activities Amount
2021	\$2,433
2022	2,153
2023	2,033
2024	1,981
2025	1,767
2026-2030	8,664
2031-2035	5,423
Total	<u>\$24,454</u>

B – Operating Leases with Scheduled Rent Increases

The City leases office space for various operations. The leases contain scheduled rent increases with terms varying from three to fifteen years. The operating lease transactions are measured on a straight-line basis over the lease term per GASB Statement No. 13 – *Accounting for Operating Leases with Scheduled Rent Increases*. During 2020, the lease expense on these leases totaled \$274. Application of the straight-line basis to the future minimum lease expenditures of \$1,852 over the lease terms results in a total annual lease amount of \$301.

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

<u>Year Ending December 31</u>	Governmental Activities Amount
2021	\$ 282
2022	292
2023	301
2024	311
2025	139
2026-2030	527
Total	<u>\$ 1,852</u>

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of December 31, 2020 are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-Major Governmental Funds	Non-Major Governmental Funds	\$ 3,050

Interfund balances are either due to timing differences or to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid within one year.

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-Major Governmental Funds	Non-Major Governmental Funds	\$ 7,180
Non-Major Governmental Funds	Municipal Parking Fund	6,175
		<u>\$ 13,355</u>

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

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For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 9 – INTERFUND TRANSACTIONS (continued)

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	Permanent Improvement Fund	\$ 2,000
	Non-Major Governmental Funds	12,711
	Internal Service Funds	3,078
	Municipal Parking Fund	7,990
	Stormwater Fund	<u>110</u>
		<u>25,889</u>
CPED Special Revenue Fund	General Fund	7,003
	Non-Major Governmental Funds	<u>2,235</u>
		<u>9,238</u>
Permanent Improvement Fund	General Fund	3,800
	Non-Major Governmental Funds	1,892
	Stormwater Fund	1,545
	CPED Enterprise Fund	<u>6,500</u>
		<u>13,737</u>
Special Assessment Debt Service Fund	Permanent Improvement Fund	<u>8</u>
		<u>8</u>
Non-Major Governmental Funds	General Fund	1,440
	CPED Special Revenue Fund	17,881
	Permanent Improvement Fund	7,017
	Non-Major Governmental Funds	17,548
	Internal Service Fund	500
	Municipal Parking Fund	<u>4,660</u>
		<u>49,046</u>
	Total Governmental Funds	<u>\$ 97,918</u>

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For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 9 – INTERFUND TRANSACTIONS

Transfers (continued)

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Total Transfers In</u>
Proprietary Funds:		
Business-type Activities		
Water Treatment and Distribution Services Fund	General Fund	\$ 29
	Sanitary Sewer Fund	<u>879</u>
		<u>908</u>
Municipal Parking Fund	CPED Special Revenue Fund	<u>216</u>
		<u>216</u>
Solid Waste & Recycling Fund	General Fund	325
	Non-Major Governmental Funds	4,324
	Municipal Parking Fund	<u>146</u>
		<u>4,795</u>
	Total Business-type Activities	<u>\$ 5,919</u>
Governmental Activities		
Internal Service Funds	General Fund	\$ 2,352
	Internal Service Funds	<u>317</u>
		<u>2,669</u>
	Total Governmental Activities	<u>\$ 2,669</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.

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.

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 10 – NET POSITION/FUND BALANCES (continued)

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 the City Council. Those committed amounts cannot be used for any other purpose unless the 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 the 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, committed 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.

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For the fiscal year ended December 31, 2020

(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	HUD Consolidated Fund	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
Restricted for							
Debt service:							
Community development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,051	\$ 3,051
General debt service	-	-	-	-	-	27,080	27,080
Special assessment	-	-	-	-	10,980	-	10,980
Community and economic development	-	163,574	-	-	-	-	163,574
Law enforcement:							
Gambling compliance	-	-	-	-	-	40	40
Forfeitures	-	-	-	-	-	2,067	2,067
Grants	-	-	-	-	-	2,321	2,321
Properties held for resale	-	35,061	6,295	16,312	-	1,461	59,129
Capital improvements	-	-	-	50,706	-	-	50,706
Total restricted	-	198,635	6,295	67,018	10,980	36,020	318,948
Assigned to							
General government	-	-	-	-	-	612	612
Grants	-	-	-	-	-	75	75
Public safety:							
Police	-	-	-	-	-	653	653
Compliance and regulation	-	-	-	-	-	24	24
Community and economic development	-	46,376	-	-	-	62,577	108,953
Neighborhood and community relations	-	-	-	-	-	3,079	3,079
Pension obligations	-	-	-	-	-	36,584	36,584
Capital improvements	-	-	-	36,726	-	-	36,726
Total assigned	-	46,376	-	36,726	-	103,604	186,706
Unassigned	167,654	-	-	-	-	(8,479)	159,175
Total fund balances	\$ 167,654	\$ 245,011	\$ 6,295	\$ 103,744	\$ 10,980	\$ 131,145	\$ 664,829

The City’s net position that is restricted by enabling legislation include the following:

Governmental Activities: Law Enforcement \$2,107

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS**A – Plan Description**

All full-time and certain part-time employees of the City, Park Board, and MBC are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan) and the Public Employees Police and Fire Plan (the Police and Fire Plan), which are cost sharing, multiple employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code. The City participates as a non-employer contributing entity in the Teachers' Retirement Association (TRA) which is administered on a statewide basis.

1. General Employees Retirement Plan (GERP)

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and the Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

2. Public Employees Police and Fire Plan (PEFPF)

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing five percent for each year of service until fully vested after 20 years.

3. Teacher Retirement Association Fund (TRA)

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

B – Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

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

Police and Fire Plan benefit recipients will receive a 1.00 percent post retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

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

1. PERA Benefits

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated 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 Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service.

For General Employees 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 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 604 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, 2020

(Dollar Amounts Expressed in Thousands)

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

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

1. GERP Contributions

Basic Plan members, Coordinated Plan members, and Minneapolis Employee Retirement Fund members, were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent respectively, of their annual covered salary in calendar year 2020. 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 2020. The City, Park Board, and MBC contributions related to payroll to the GERP for the year ended December 31, 2020, were \$16,305, \$3,141, and \$217, respectively. The City, Park Board, and MBC fixed contributions to the GERP for the year ended December 31, 2020, were \$11,869, \$2,169, and \$227 respectively. Total contributions were equal to the required contractual contribution as set by state statute.

2. PEPFP Contributions

Plan members were required to contribute 11.80 percent of their annual covered salary in calendar year 2020. Employers were required to contribute 17.70 percent of pay for PEPFP members in calendar year 2020. Contributions to the PEPFP related to payroll for the year ended December 31, 2020, were \$23,887 for the City and \$605 for the Park Board. The City also made fixed contributions to PEPFP, non-payroll related, of \$7,679 for the year ended December 31, 2020. 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, 2020, were \$2,250. The City's contributions were equal to the required contractual contributions as set by state statute.

D – Pension Costs**1. GERP Pension Costs**

At December 31, 2020, the City, Park Board, and MBC reported a liability of \$186,475, \$34,635, and \$2,380 respectively for the proportionate share of the GERP's net pension liability related to payroll contributions. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer payroll related contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share related to payroll contributions was 3.2751 percent, which was an increase of 0.1243 percent from its proportion measured as of June 30, 2019. At June 30, 2020 the Park Board's proportionate share related to payroll contributions was 0.6083 percent, which was an increase of 0.0178 percent from its proportion measured as of June 30, 2020. At June 30, 2020, MBC's proportionate share related to payroll contributions was 0.0418 percent, which was a decrease of 0.0010 percent from its proportion measured as of June 30, 2019.

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

1. GERP Pension Costs (continued)

In addition to the payroll contributions, the City, Park Board, and MBC contribute statutorily fixed amounts related to closed pension plans now merged into PERA. The City, Park Board, and MBC will continue to make these contributions through 2031, and the net present values of these fixed contributions are \$96,791, \$17,690, and \$1,850 respectively as of the June 30, 2020 measurement date. The resulting combined net pension liability reported by the City, Park Board, and MBC as of December 31, 2020 is \$283,266, \$52,325, and \$4,230, respectively. The combined liability represents a proportionate share of the Plan’s net pension liability equal to 4.7247 percent for the City, 0.8779 percent for Park Board, and 0.0705 percent for MBC.

For the year ended December 31, 2020, the City, Park Board, and MBC recognized pension expense of (\$18,160), (\$3,336), and (\$385), respectively for the proportionate share of the GERP’s pension expense.

In addition, the City, Park Board, and MBC also recognized \$837, \$156, and \$13, respectively as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031.

The table below shows the share of each category of pension liability for the City and Park Board and the total by entity.

	<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	\$ 149,068	\$ 37,407	\$ 186,475	\$ 34,635	\$ 2,380
Net present value of fixed pension contributions	77,375	19,416	96,791	17,690	1,850
State of Minnesota’s proportionate share of the net pension liability associated with the entity	7,688	1,929	9,617	1,796	150
Total	<u>\$ 234,131</u>	<u>\$ 58,752</u>	<u>\$ 292,883</u>	<u>\$ 54,121</u>	<u>\$ 4,380</u>

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

1. GERP Pension Costs (continued)

At December 31, 2020, the City, Park Board, and MBC reported proportionate shares of the GERP’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	City	Park Board	MBC	City	Park Board	MBC
Differences between expected and actual economic experiences	\$ 1,722	\$ 322	\$ 23	\$ 743	\$ 138	\$ 9
Changes in actuarial assumptions	-	-	-	7,107	1,313	95
Difference between projected and actual investment earnings	4,410	931	37	-	-	-
Changes in proportion	7,211	1,856	20	25,871	4,729	562
Contributions paid to PERA subsequent to the measurement date	8,313	1,639	111	-	-	-
Total	\$ 21,656	\$ 4,748	\$ 191	\$ 33,721	\$ 6,180	\$ 666

Contributions subsequent to the measurement date are shown as deferred outflows in the above table and will be recognized as a reduction to net pension liability for the year ended December 31, 2020. These contributions total \$8,313 for the City, \$1,639 for the Park Board, and \$111 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
2021	\$ (19,468)	\$ (3,094)	\$ (403)
2022	(11,000)	(1,782)	(279)
2023	5,346	924	35
2024	4,744	881	61

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS**D – Pension Costs (continued)****2. PEPFP Pension Costs**

At December 31, 2020, the City reported a liability of \$154,801 for the proportionate share of the PEPFP's net pension liability related to payroll contributions. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer payroll related contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share related to payroll contributions was 12.3402 percent, which was a decrease of 0.0015 percent from its proportion measured as of June 30, 2019. In addition to the payroll contributions, the City contributes statutorily fixed amounts related to closed pension plans now merged into PERA. The City will continue to make these contributions through 2031, and the net present value of these fixed contributions is \$63,659 as of the June 30, 2020 measurement date. The resulting combined net pension liability reported by the City as of December 31, 2020 is \$218,460. The combined liability represents a proportionate share of the Plan's net pension liability equal to 16.5738 percent for the City.

At December 31, 2020, the Park Board reported a liability of \$4,012 for the proportionate share of the PEPFP's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the Park Board's proportion share was 0.3198 percent, which was a decrease of 0.0074 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the City and Park Board recognized pension expense of (\$7,633) and (\$135) respectively for the proportionate share of the PEPFP's pension expense.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation required the State of Minnesota to pay direct state aid of \$4.5 million on October 1, 2019, and to pay \$9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The City and Park Board also recognized \$1,480 and \$29 respectively as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The City and Park Board also recognized \$1,394 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 Police and Fire Plan.

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

2. PEPFP Pension Costs (continued)

The table below shows the share of each category of pension liability for the City and Park Board and the total by entity.

	City	
	Governmental	
	Activities	Park Board
Payroll related proportionate share of the net pension liability	\$ 154,801	\$ 4,012
Net present value of fixed pension contributions	63,659	-
State of Minnesota’s proportionate share of the net pension liability associated with the entity	<u>4,811</u>	<u>93</u>
Total	<u>\$ 223,271</u>	<u>\$ 4,105</u>

At December 31, 2020, the City and Park Board reported proportionate shares of the PEPFP’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Outflows of Resources</u>	
	<u>City</u>	<u>Park Board</u>	<u>City</u>	<u>Park Board</u>
Differences between expected and actual economic experiences	\$ 7,299	\$ 194	\$ 7,623	\$ 210
Changes in actuarial assumptions	56,276	1,465	108,436	2,666
Difference between projected and actual investment earnings	3,999	75	-	-
Changes in proportion	8,870	271	29,543	336
Contributions paid to PERA subsequent to the measurement date	<u>12,145</u>	<u>311</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 88,589</u>	<u>\$ 2,316</u>	<u>\$ 145,602</u>	<u>\$ 3,212</u>

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

2. PEPFP Pension Costs (continued)

Contributions subsequent to the measurement date are shown as deferred outflows in the above table and will be recognized as a reduction to net pension liability for the year ended December 31, 2020. These contributions total \$12,145 for the City and \$311 for the Park Board. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>	
	<u>City</u>	<u>Park Board</u>
2021	\$ (17,444)	\$ (319)
2022	(51,927)	(1,224)
2023	34	217
2024	65	128
2025	114	(9)

3. TRA Pension Costs

At December 31, 2030, the City reported a liability of \$27,248 for its share of the TRA’s net pension liability. The net pension liability for TRA is equivalent to the net present value of the City’s statutorily required contributions for the life of the obligation. The City is statutorily obligated to contribute \$2,250 each year to TRA until the plan is fully funded as determined by the plan’s actuary. It is currently expected that the plan will be fully funded, ending the City’s obligation, in the year 2039. The net present value of the City’s obligation was determined using the expected remaining years of contributions, discounted at the plan’s discount rate of 7.50 percent.

For the year ended December 31, 2020, the City recognized pension expense of \$1,790 for its share of the TRA’s pension expense.

At December 31, 2020, 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	\$ 1,335	\$ 1,405

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

3. TRA Pension Costs (continued)

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, 2020. 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>
2021	\$ 798
2022	(539)
2023	(329)

4. Total Pension Costs

Total pension expense for year ended December 31, 2020 is as shown in the chart below:

	<u>City</u>	<u>Park Board</u>	<u>MBC</u>
GERP	\$ (18,160)	\$ (3,336)	\$ (385)
PEPFF	(7,633)	(135)	-
TRA	1,790	-	-
	<u>\$ (24,003)</u>	<u>\$ (3,471)</u>	<u>\$ (385)</u>

E – Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

<u>Assumption</u>	<u>GERP</u>	<u>PEPFF</u>	<u>TRA</u>
Inflation	2.25% per year	2.50% per year	2.50%
Active Member Payroll Growth	3.00% per year	3.25% per year	3.00%
Investment Rate of Return	7.50%	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and debilitants were based on the Pub-2010 General Employee Mortality Table for the General Employees Plan and the RP 2014 mortality tables for the Police and Fire Plan, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute. Cost of living increases for TRA are 1.00 percent for January 2019 through January 2023, then increasing by 0.1 percent each year up to 1.5 percent annually.

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated August 30, 2016. Inflation and investment assumptions for all plans were reviewed in the experience study report

NOTE 11 – DEFINED BENEFIT PENSION PLANS

E – Actuarial Assumptions (continued)

for the General Employees Plan. A four-year experience study was completed in June 2019 for TRA, but it contained no significant recommended changes to the assumptions.

The long-term expected rate of return on pension plan investments is 7.50 percent. 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 geometric 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>
U.S. Equities	35.50%	5.10%
Broad International Stock Pool	17.50	5.30
Bond pool	20.00	0.75
Alternatives	25.00	5.90
Cash equivalents	2.00	0.00

F – Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2020, which remained consistent with 2019. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan and the Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

G – Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2020:

General Employees Retirement Plan

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS**G – Changes in Actuarial Assumptions (continued)**

- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Public Employees Police and Fire Plan

- The mortality projection scale was changed from MP-2018 to MP-2019.

Teachers Retirement Association

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projections uses the MP-2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect experience for female retirees.

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

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	405,736	283,266	181,823
Park Board	75,058	52,325	33,496
MBC	5,822	4,229	2,908
PEPFF Discount Rate	6.5%	7.5%	8.5%
City	382,532	218,460	82,467
Park Board	8,189	4,012	557
TRA Discount Rate	6.5%	7.5%	8.5%
City	29,617	27,248	25,191

I – Pension Plan Fiduciary Net Position

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

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

NOTE 12 - DEFINED CONTRIBUTION PLAN – CPED

A – Plan Description

Qualified CPED employees belong to a defined contribution pension plan administered by Union Central Life Insurance Company. A permanent employee becomes a participant in the plan on April 1 or October 1, following completion of his or her probationary period and after attaining age 20 1/2.

Benefits and contribution requirements are established and can be amended by the City of Minneapolis City Council. All provisions are within limitations established by Minnesota Statutes.

The payroll for employees covered by the CPED's defined contribution plan for the year ended December 31, 2020, was \$1,563 and the CPED’s total payroll was \$21,050.

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 12 - DEFINED CONTRIBUTION PLAN – CPED (continued)

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 \$86 and \$80 respectively to the plan during the year, which amounts represented 5.53 percent and 5.10 percent respectively of the covered payroll.

NOTE 13 – POSTEMPLOYMENT BENEFITS PLAN

The City engaged a consulting actuary who has conducted a review of liabilities to be reported as required by Governmental Accounting Standards Board (GASB) Statement number 75. In general, the City does not pay the cost of health insurance for retired employees, except in limited circumstances. Retired City employees, however, may purchase health insurance offered to City employees at the retired employee's expense. Including retired employees with current employees causes health insurance premiums for current employees to be more than if retired employees were not in the same pool of insureds. The City and current employees share the cost of health insurance for current employees. The increased cost of health insurance premiums for current employees is considered an implicit subsidy for the retired employees and is disclosed as required by GASB 75.

Plan Description

The City, Park Board and MBC provide a single employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical and dental coverage. Medical coverage is administered by Medica. Dental coverage is administered through the Delta Dental Plan of Minnesota. The City and Park Board are self-insured for both medical and dental coverage. Beginning in 2018, MBC was no longer under the City's insurance plan. Results below reflect the results of the January 1, 2020 actuarial valuation. Retirees pay 100 percent of the blended active/retiree premium rate, in accordance with Minnesota Statutes Chapt. 471.61, subd. 2b.

No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. The other postemployment benefit plan (OPEB) does not issue a stand-alone financial report.

As of the December 31, 2018 and January 1, 2019 actuarial valuations, the following employees were covered by the benefit terms:

<u>Category</u>	<u>City</u>	<u>Park Board</u>	<u>MBC</u>
Inactive employees or beneficiaries currently receiving benefit payments	328	18	12
Active plan participants	4,088	438	43
Total	<u>4,416</u>	<u>456</u>	<u>55</u>

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 13 – POSTEMPLOYMENT BENEFITS PLAN (continued)

Total OPEB Liability

The City’s and Park Board’s total OPEB liability of \$41,281 and \$976 respectively, was measured as of December 31, 2019, with an actuarial valuation as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2020. MBC’s total OPEB liability of \$875 was measured as of January 1, 2020 and was determined by an actuarial valuation as of January 1, 2019.

The total OPEB liability in the fiscal year-end December 31, 2020, actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods and entities included in the measurement, unless otherwise specified:

Inflation	2.50 %
Salary increases	2.90 %
Health care cost trend	6.40 % in 2019, gradually decreasing over several decades to an ultimate rate of 4.00% in 2075 and later years for City and Park Board. 6.25 %, grading to 5.00 % over 5 years for MBC
Discount Rate	2.75% for City and Park Board; 2.90% for MBC
Mortality Rate	PERA General employees and MERF – From the July 1, 2019 PERA of Minnesota General Employees Retirement Plan actuarial valuation, mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2018, and other adjustments, for the City and Park Board PERA Police & Fire, MPRA, and MFRA – From the July 1, 2019 PERA of Minnesota Public Employees' Police & Fire Plan actuarial valuation, mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2018, and other adjustments, for the City and Park Board Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale for MBC
Actuarial Cost Method	Entry age, level percentage of pay

Changes in the Total OPEB liability

	<u>City</u>	<u>Park Board</u>	<u>MBC</u>
Balance at January 1, 2020	\$ 37,614	\$ 913	\$ 881
Changes for the year			
Service cost	1,900	49	36
Interest cost	1,424	34	33
Changes of assumptions	2,648	63	28
Benefit payments	<u>(2,305)</u>	<u>(83)</u>	<u>(103)</u>
Total net change	<u>3,667</u>	<u>63</u>	<u>(6)</u>
Balance at December 31, 2020	<u>\$ 41,281</u>	<u>\$ 976</u>	<u>\$ 875</u>

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

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 13 – POSTEMPLOYMENT BENEFITS PLAN (continued)

OPEB Liability Sensitivity

The following presents the total OPEB liability of the City, Park Board, and MBC, calculated using the discount rate previously disclosed, as well as what each entity’s total OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease	Current	1% Increase
Discount Rate	1.75%	2.75%	3.75%
City total OPEB liability	\$ 44,234	\$ 41,281	\$ 38,530
Park Board total OPEB liability	\$ 1,041	\$ 976	\$ 907
Discount Rate	1.90%	2.90%	3.90%
MBC total OPEB liability	\$ 914	\$ 875	\$ 840

The following presents the total OPEB liability of the City, Park Board, and MBC, calculated using the health care cost trend previously disclosed, as well as what the City’s, Park Board’s, and MBC’s total OPEB liability would be if it were calculated using health care cost trend rates that are 1.0 percentage point lower or 1.0 percentage point higher than the current health care cost trend rate:

	1% Decrease	Current	1% Increase
Medical Trend Rate	5.40% Decreasing to 3.00% by 2075	6.40% Decreasing to 4.00% by 2075	7.40% Decreasing to 5.00% by 2075
City total OPEB liability	\$ 37,122	\$ 41,281	\$ 46,089
Park Board total OPEB liability	\$ 874	\$ 976	\$ 1,085
Medical Trend Rate	5.25% Decreasing to 4.00% over 5 years	6.25% Decreasing to 5.00% over 5 years	7.25% Decreasing to 6.00% over 5 years
MBC total OPEB liability	\$ 821	\$ 875	\$ 937

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

For the year ended December 31, 2020, the City, Park Board, and MBC recognized OPEB expense of \$1,663, \$18, and \$2, respectively. The City, Park Board, and MBC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	City	Park Board	MBC	City	Park Board	MBC
Liability experience (gains) and losses	\$ 2,353	\$ 55	\$ 15	\$ -	\$ -	\$ -
Changes in actuarial assumptions	2,319	55	19	298	7	1
Contributions paid subsequent to the measurement date	2,257	56	87	-	-	-
Total	6,929	166	121	298	7	1

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 13 – POSTEMPLOYMENT BENEFITS PLAN (continued)

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

Contributions subsequent to the measurement date are shown as deferred outflows in the above table and will be recognized as a reduction to OPEB liability for the year ended December 31, 2020. These contributions total \$2,257 for the City, \$56 for the Park Board, and \$87 for MBC. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ended December 31:	OPEB Expense Amount		
	City	Park Board	MBC
2021	\$ 667	\$ 16	\$ 22
2022	667	16	9
2023	667	16	-
2024	667	16	-
2025	667	16	-
Thereafter	1,039	23	-

Total OPEB expense recognized by the City, Park Board and MBC is \$1,663, \$18, and \$2 respectively for the year ended December 31, 2020.

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2020 for the City and Park Board:

- The discount rate was changed from 3.71% to 2.75% based on updated 20-year municipal bond rates.

The following changes in actuarial assumptions occurred in 2020 for MBC:

- The discount rate was changed from 3.80% to 2.90%.

NOTE 14 – VACATION, SEVERANCE, SICK AND COMPENSATORY TIME PAY

Depending on the terms of their collective bargaining contract, or the policies applicable to their classification, employees may accumulate up to 400 hours of vacation.

Sick leave may be accumulated indefinitely by employees. Also, employees have the option of being paid once a year for current unused sick leave accumulated over a minimum base of 480 hours or, under certain circumstances, CPED employees may be allowed to have unused sick leave converted to vacation and added to their vacation balance. Payments are based on a sliding scale ranging from 50 percent to 100 percent depending on the base level attained. In addition, under certain circumstances, employees leaving City employment may qualify to receive payment for 50 percent of their unused sick leave at their current rate of pay.

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

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

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 14 – VACATION, SEVERANCE, SICK AND COMPENSATORY TIME PAY (continued)

Primary Government

Activity for the primary government for the year ended December 31, 2020, was as follows:

	<u>Balance 1/1/2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2020</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable:					
Governmental activities	\$ 40,990	\$ 26,162	\$ (23,539)	\$ 43,613	\$ 23,497
Business-type activities	3,658	2,954	(2,501)	4,111	2,529
Total	<u>\$ 44,648</u>	<u>\$ 29,116</u>	<u>\$ (26,040)</u>	<u>\$ 47,724</u>	<u>\$ 26,026</u>

Discretely Presented Component Units

Activity for the discretely presented component units for the year ended December 31, 2020, was as follows:

	<u>Balance 1/1/2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2019</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable:					
Minneapolis Park and Recreation Board	\$ 5,319	\$ 3,664	\$ (3,066)	\$ 5,917	\$ 3,066
Municipal Building Commission	199	194	(199)	194	132
Total	<u>\$ 5,518</u>	<u>\$ 3,858</u>	<u>\$ (3,265)</u>	<u>\$ 6,111</u>	<u>\$ 3,198</u>

NOTE 15 – SELF-INSURED EMPLOYEE HEALTH PLANS

Employee health claims are accounted for in the Self-Insurance internal service fund. The City makes premium payments to the fund that include both employer and employee contributions. A liability was recorded at year-end for estimated open and IBNR claims which are evaluated through a review of current year claims paid as well as claims paid subsequent to year-end. Changes in the employee health plan liability during fiscal 2019 and 2020 are as follows:

	<u>2019</u>	<u>2020</u>
Incurred but not Received Claims (IBNR)	\$ 6,533	\$ 6,203
Claims Adjustment Expense	455	156
Provision for Adverse Deviation	138	137
Total Estimated Actuarial Liabilities	<u>\$ 7,126</u>	<u>\$ 6,496</u>

NOTE 16 – RISK MANAGEMENT AND CLAIMS

The City is self-insured and exposed to a variety of risks related to liability claims; property, personal injury and accidents. The City is self-insured for workers' compensation, general liability, and re-employment. Liability claims under \$25 and unrepresented are managed by Risk Management and Claims. Liability claims that are represented and over \$25 are managed by the City Attorneys' Office. The City, CPED and the BET are self-insured for general liability. The workers' compensation program includes the BET and all City departments. The Park Board and MBC maintain their own workers' compensation and liability programs. The claims liability of \$172,551 reported in the Self-Insurance Internal Service Fund at December 31, 2020, is based on the requirements of GASB Statement No. 10 - *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* and covers the exposures of workers' compensation and liability. An actuarial study completed in March of 2020 for claim exposure and settlements payments, calculated that the claims liability at December 31, 2020 is \$172,551, an increase of \$93,843 from the liability amount of \$78,708 at December 31, 2019.

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 16 – RISK MANAGEMENT AND CLAIMS (continued)

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

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

Changes in the claim's liabilities during fiscal 2019 and 2020 are:

	<u>2019</u>	<u>2020</u>
Liability balance – January 1	\$ 71,442	\$ 78,708
Current year claims and changes in estimates	24,486	107,892
Claim payments	<u>(17,220)</u>	<u>(14,049)</u>
Liability balance – December 31	<u>\$ 78,708</u>	<u>\$ 172,551</u>

NOTE 17 – CLEANUP OF HAZARDOUS MATERIALS

Properties owned by the City of Minneapolis may have certain contingent liabilities associated with them due to potential contamination from hazardous material or difficulty in securing vacant structures located on them. It is not expected that these contingencies will have a material effect on the financial statements of the City.

Any of these related costs that are incurred during City project construction are charged to the project that incurs them and are capitalized when the project is completed.

NOTE 18 – TAX ABATEMENTS

Tax Increment Financing Notes

The City is a party to tax abatements created by tax increment finance (TIF) agreements for development within City. TIF authorities are defined in Minn. Stat. § 469.174 and can include cities, housing redevelopment authorities, economic development authorities and port authorities. TIF captures the increased property taxes (increment) that a new real estate development generates to pay qualifying expenses related to the development. In many instances, the developer agrees to provide financing for the qualifying expenses. In exchange, the TIF authority agrees to annually pay a portion of the increment to the developer. These TIF agreements affect the property tax revenues of all governments that levy property tax on the property subject to the TIF agreement.

In the case of the City, TIF agreements with various developers have effectively reduced the property tax revenues for the year ended December 31, 2020 as shown below:

<u>Tax Abatement Program</u>	<u>Taxes Abated</u>
Tax Increment Financing	\$ 9,573

For the fiscal year ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 19 – OTHER COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the grantor agencies. Any disallowed claims, including amounts previously recognized by the City as revenue, would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time. City officials expect such amounts, if any, to be immaterial.

In connection with the normal conduct of its affairs, the City is involved in various claims and litigations pending against the City involving claims for monetary damages. Except as follows, these pending cases are not unusual in number and amount.

- The City is a defendant in four cases that allege injury or wrongful death, as a result of police misconduct
- In March of 2021, the City settled a wrongful death claim related to police misconduct. The total settlement was \$27,000. Cash reserves in the Self Insurance Fund will be used to pay this settlement.

NOTE 20 – SUBSEQUENT EVENT**American Rescue Plan Act**

In March of 2021, Congress passed the American Recovery Plan Act which authorized \$350 billion in aid for eligible state, local, territorial, and Tribal governments to respond to the COVID-19 emergency. Funding under the Act was provided directly to the City of Minneapolis as a local government with a population of more than 250,000. In May of 2021, the City received a disbursement of \$135,596 for our first half of allocated funds. The City is planning to prioritize spending these funds on communities most heavily impacted by the pandemic. The City expects to receive another disbursement of \$135,596 in 2021 to complete our total allocation of \$271,192. These funds must be obligated by December 31, 2024 and fully expended by December 31, 2026.

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
REQUIRED SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended December 31, 2020**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 267,942	\$ 267,942	\$ 263,438	\$ (4,504)
Licenses and permits	46,979	46,979	45,795	(1,184)
Intergovernmental revenues	87,413	119,695	126,111	6,416
Charges for services and sales	52,630	52,668	53,178	510
Fines and forfeits	6,670	6,670	4,490	(2,180)
Special assessments	3,570	3,570	3,183	(387)
Investment earnings	6,250	6,250	12,144	5,894
Miscellaneous revenues	3,585	3,585	4,287	702
Total revenues	<u>475,039</u>	<u>507,359</u>	<u>512,626</u>	<u>5,267</u>
CURRENT EXPENDITURES:				
Current:				
General government:				
Mayor	2,484	2,369	2,283	86
Council & Clerk	15,980	16,100	13,854	2,246
Assessor	6,266	6,020	5,600	420
Attorney	10,858	10,200	9,113	1,087
Civil rights	5,057	4,631	4,568	63
Coordinator	53,105	47,639	45,173	2,466
Internal audit	813	753	725	28
Contingency	5,100	4,493	-	4,493
General government pensions	-	-	561	(561)
Total general government	<u>99,663</u>	<u>92,205</u>	<u>81,877</u>	<u>10,328</u>
Public safety:				
Regulatory services	22,364	20,384	20,214	170
Coordinator	11,263	11,990	11,647	343
Fire	71,193	69,277	69,385	(108)
Police	188,551	178,915	178,696	219
Public safety pensions	-	-	2,875	(2,875)
Total public safety	<u>293,371</u>	<u>280,566</u>	<u>282,817</u>	<u>(2,251)</u>
Public works	<u>65,243</u>	<u>58,918</u>	<u>62,441</u>	<u>(3,523)</u>
Health and welfare - Health and family support	<u>13,080</u>	<u>18,660</u>	<u>18,629</u>	<u>31</u>
Community planning & economic development	<u>47,986</u>	<u>37,587</u>	<u>35,788</u>	<u>1,799</u>
Intergovernmental:				
Community planning and economic development				
Public housing	-	400	400	-
Culture and recreation				
Parks	-	2,000	2,000	-
Total expenditures	<u>519,343</u>	<u>490,336</u>	<u>483,952</u>	<u>6,384</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(44,304)</u>	<u>17,023</u>	<u>28,674</u>	<u>11,651</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	47,889	25,889	25,889	-
Transfers to other funds	(13,650)	(14,949)	(14,949)	-
Total other financing sources (uses)	<u>34,239</u>	<u>10,940</u>	<u>10,940</u>	<u>-</u>
Net change in fund balance	(10,065)	27,963	39,614	11,651
Fund balance - January 1	<u>128,040</u>	<u>128,040</u>	<u>128,040</u>	<u>-</u>
Fund balance - December 31	<u>\$ 117,975</u>	<u>\$ 156,003</u>	<u>\$ 167,654</u>	<u>\$ 11,651</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
REQUIRED SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended December 31, 2020**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 66,886	\$ 66,886	\$ 67,182	\$ 296
Intergovernmental revenues	-	-	519	519
Charges for services and sales	-	-	1,111	1,111
Special assessments	-	-	528	528
Investment earnings	2,382	2,382	5,244	2,862
Miscellaneous revenues	5,700	5,700	3,864	(1,836)
Total revenues	<u>74,968</u>	<u>74,968</u>	<u>78,448</u>	<u>3,480</u>
EXPENDITURES:				
Current:				
Community planning & economic development	57,541	116,827	54,702	62,125
Intergovernmental:				
Culture and recreation	-	-	351	(351)
Total expenditures	<u>57,541</u>	<u>116,827</u>	<u>55,053</u>	<u>61,774</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,427</u>	<u>(41,859)</u>	<u>23,395</u>	<u>65,254</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	5,835	8,733	9,238	505
Transfers to other funds	(15,309)	(15,309)	(18,097)	(2,788)
Total other financing sources (uses)	<u>(9,474)</u>	<u>(6,576)</u>	<u>(8,859)</u>	<u>(2,283)</u>
Net change in fund balance	7,953	(48,435)	14,536	62,971
Fund balance - January 1	<u>230,475</u>	<u>230,475</u>	<u>230,475</u>	-
Fund balance - December 31	<u>\$ 238,428</u>	<u>\$ 182,040</u>	<u>\$ 245,011</u>	<u>\$ 62,971</u>

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

**HUD CONSOLIDATED PLAN
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
REQUIRED SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended December 31, 2020**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 15,603	\$ 27,686	\$ 11,635	\$ (16,051)
Charges for services and sales	-	-	744	744
Special assessments	-	-	2	2
Investment earnings	-	-	802	802
Miscellaneous revenues	1,677	1,677	4,887	3,210
Total revenues	<u>17,280</u>	<u>29,363</u>	<u>18,070</u>	<u>(11,293)</u>
EXPENDITURES:				
Current:				
General government	2,521	2,636	1,865	771
Public safety	977	1,805	1,001	804
Health and welfare	714	1,493	1,171	322
Community planning & economic development	13,068	35,430	14,059	21,371
Total expenditures	<u>17,280</u>	<u>41,364</u>	<u>18,096</u>	<u>23,268</u>
Net change in fund balances	-	(12,001)	(26)	11,975
Fund balances - January 1	<u>6,321</u>	<u>6,321</u>	<u>6,321</u>	<u>-</u>
Fund balances - December 31	<u>\$ 6,321</u>	<u>\$ (5,680)</u>	<u>\$ 6,295</u>	<u>\$ 11,975</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, 2020 (Dollar Amounts Expressed In Thousands)

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

Fiscal Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Actual Contributions as a Percentage of Covered Payroll*** (b/d)
December 31, 2015	\$ 32,333	\$ 32,333	\$ -	\$167,834	19.3%
December 31, 2016	30,921	30,921	-	178,002	17.4%
December 31, 2017	25,977	25,977	-	187,351	13.9%
December 31, 2018	26,798	26,798	-	198,557	13.5%
December 31, 2019	27,487	27,487	-	208,180	13.2%
December 31, 2020	28,174	28,174	-	217,363	13.0%

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

Fiscal Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Actual Contributions as a Percentage of Covered Payroll*** (b/d)
December 31, 2015	\$ 518	\$ 518	\$ -	\$ 2,447	21.2%
December 31, 2016	527	527	-	2,392	22.0%
December 31, 2017	538	538	-	2,706	19.9%
December 31, 2018	436	436	-	2,814	15.5%
December 31, 2019	430	430	-	2,708	15.9%
December 31, 2020	444	444	-	2,887	15.4%

* 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, 2020

(Dollar Amounts Expressed In Thousands)

Schedule of City of Minneapolis' Proportionate Share of Net Pension Liability
 PERA General Employees Retirement Plan
 Required Supplemental Information (Last Ten Years*)

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with City of Minneapolis (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a + b)	Employer's Covered Payroll** (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/c)	Plan Fiduciary Net Position of the Total Pension Liability
June 30, 2015	6.8465%	\$ 354,821	N/A	\$ 354,821	\$ 160,155	221.5%	78.2%
June 30, 2016	6.5619%	532,790	6,959	539,749	172,446	309.0%	68.9%
June 30, 2017	5.2275%	333,721	4,254	337,975	182,342	183.0%	75.9%
June 30, 2018	5.6525%	313,579	9,555	323,134	193,999	161.6%	79.5%
June 30, 2019	4.7294%	261,478	10,610	272,088	202,835	128.9%	80.2%
June 30, 2020	4.7247%	283,266	9,617	292,883	212,140	133.5%	79.1%

Schedule of Municipal Building Commission's Proportionate Share of Net Pension Liability
 PERA General Employees Retirement Plan
 Required Supplemental Information (Last Ten Years*)

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Municipal Building Commission (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a + b)	Employer's Covered Payroll** (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/c)	Plan Fiduciary Net Position of the Total Pension Liability
June 30, 2015	0.0870%	\$ 4,509	N/A	\$ 4,509	\$ 2,365	190.7%	78.2%
June 30, 2016	0.1116%	9,061	118	9,179	2,398	377.9%	68.9%
June 30, 2017	0.0857%	5,469	70	5,539	2,499	218.8%	75.9%
June 30, 2018	0.0931%	5,164	156	5,320	2,750	187.8%	79.5%
June 30, 2019	0.0739%	4,086	175	4,261	2,753	148.4%	80.2%
June 30, 2020	0.0705%	4,230	150	4,380	2,772	152.6%	79.1%

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

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

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

For the Fiscal Year Ended December 31, 2020

(Dollar Amounts Expressed In Thousands)

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

Fiscal Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Actual Contributions as a Percentage of Covered Payroll*** (b/d)
December 31, 2015	\$ 28,504	\$ 28,504	\$ -	\$ 104,749	27.2%
December 31, 2016	31,460	31,460	-	109,924	28.6%
December 31, 2017	33,652	33,652	-	123,464	27.3%
December 31, 2018	33,814	33,814	-	124,135	27.2%
December 31, 2019	29,160	29,160	-	126,780	23.0%
December 31, 2020	31,566	31,566	-	134,819	23.4%

Schedule of City of Minneapolis' Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
Required Supplemental Information (Last Ten Years*)

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	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 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 Position of the Total Pension Liability
June 30, 2015	19.4220%	\$ 220,680	N/A	\$ 220,680	\$ 101,015	218.5%	86.6%
June 30, 2016	19.8370%	796,093	N/A	796,093	106,039	750.8%	63.9%
June 30, 2017	20.8345%	281,291	N/A	281,291	120,133	234.1%	85.4%
June 30, 2018	22.5320%	240,167	N/A	240,167	123,917	193.8%	88.8%
June 30, 2019	17.5833%	187,192	N/A	187,192	124,200	150.7%	89.3%
June 30, 2020	16.5738%	218,460	4,812	223,272	130,203	167.8%	87.2%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.
 ** For purposes of this schedule, covered payroll is defined as "pensionable wages."
 *** 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, 2020

(Dollar Amounts Expressed In Thousands)

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

Fiscal Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Actual Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2015	\$ 2,250	\$ 2,250	\$ -	\$ -	N/A
December 31, 2016	2,250	2,250	-	-	N/A
December 31, 2017	2,250	2,250	-	-	N/A
December 31, 2018	2,250	2,250	-	-	N/A
December 31, 2019	2,250	2,250	-	-	N/A
December 31, 2020	2,250	2,250	-	-	N/A

**Schedule of City of Minneapolis' Proportionate Share of Net Pension Liability
Teachers Retirement Association (Special Funding Situation)
Required Supplemental Information (Last Ten Years*)**

Measurement Date	City's Proportion (Percentage) of the Net Pension Liability (Asset)	City's Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll** (b)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position of the Total Pension Liability
June 30, 2015	0.5911%	\$ 36,365	\$ -	N/A	76.8%
June 30, 2016	0.5767%	137,557	-	N/A	44.9%
June 30, 2017	N/A	29,294	-	N/A	51.6%
June 30, 2018	N/A	26,573	-	N/A	78.1%
June 30, 2019	N/A	26,316	-	N/A	78.2%
June 30, 2020	N/A	27,248	-	N/A	75.5%

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

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

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

For the Fiscal Year Ended December 31, 2020

(Dollar Amounts Expressed In Thousands)

Schedule of Changes in the City of Minneapolis'
Total OPEB Liability and Related Ratios
Required Supplemental Information (Last Ten Years*)

Fiscal Year Ending	Service Cost	Interest	Differences Between Expected and Actual Experience	Changes of Assumptions	Benefit Payments	Net Change in Total OPEB Liability	Total OPEB Liability - Beginning	Total OPEB Liability - Ending	Covered Payroll	Total OPEB Liability as a Percentage of Covered Payroll
December 31, 2018	\$ 1,453	\$ 1,106	\$ -	\$ -	\$ (1,871)	\$ 688	\$ 32,986	\$ 33,674	\$ 288,517	11.67%
December 31, 2019	1,531	1,147	3,124	186	(2,048)	3,940	33,674	37,614	315,652	11.92%
December 31, 2020	1,900	1,424	-	2,648	(2,305)	3,667	37,614	41,281	354,304	11.65%

Schedule of Changes in the Municipal Building Commission's
Total OPEB Liability and Related Ratios
Required Supplemental Information (Last Ten Years*)

Fiscal Year Ending	Service Cost	Interest	Differences Between Expected and Actual Experience	Changes of Assumptions	Benefit Payments	Net Change in Total OPEB Liability	Total OPEB Liability - Beginning	Total OPEB Liability - Ending	Covered Payroll	Total OPEB Liability as a Percentage of Covered Payroll
December 31, 2018	\$ 35	\$ 30	\$ -	\$ -	\$ (108)	\$ (43)	\$ 937	\$ 894	\$ 2,489	35.92%
December 31, 2019	31	29	46	(4)	(115)	(13)	894	881	2,596	33.94%
December 31, 2020	36	33	-	28	(103)	(6)	881	875	2,674	32.72%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2018

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

For the Fiscal Year Ended December 31, 2020

(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, 2020.

	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General government pensions	\$ -	\$ 561	\$ (561)
Fire	69,277	69,385	(108)
Public safety pensions	-	2,875	(2,875)
Public Works	58,918	62,441	(3,523)

To mitigate the effects of these excess expenditures, the City regularly reviews budgetary performance and makes adjustments as necessary. No budgets are established for general government or public safety pensions. Because the expense recorded here is offset by an equal amount of revenue related to contributions to the pension plans from the State of Minnesota, it is not expected that the City will budget for this activity. Public Works budgetary reductions during 2020 resulted in a budgetary level that could not be met. Fire exceeded budget due to additional costs incurred in response to both the public health crisis of COVID-19 and the civil unrest during the summer of 2020.

NOTE 3 – DEFINED BENEFIT PENSION PLANS

A – Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred:

General Employees Retirement Plan

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.

For the Fiscal Year Ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 3 – DEFINED BENEFIT PENSION PLANS**A – Changes in Actuarial Assumptions**2020 (continued)

- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP- 2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions changed the employer supplemental contribution to \$21,000 in calendar years 2017 and 2018 and returns to \$31,000 through calendar year 2031. The State's required contribution is \$16,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000 annually through calendar year 2031.

For the Fiscal Year Ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

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

General Employees Retirement Plan

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2020

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019

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

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019 and January 1, 2020 from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019 and January 1, 2020 from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

For the Fiscal Year Ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

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

Public Employees Police and Fire Plan

2017 (Continued)

- Assumed 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

2020

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projections uses the MP-2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect experience for female retirees.

2019

- No changes in actuarial assumptions for 2019.

2018

- The investment return assumption was changed from 8.50 percent to 7.50 percent.
- The wage inflation assumption (above price inflation) was reduced from 0.75 percent to 0.35 percent for the next 10 years, and 0.75 percent thereafter.
- The price inflation was lowered from 3.00 percent to 2.50 percent.
- The total salary increase assumption was adjusted by the wage inflation change.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The amortization date for the funding of the Unfunded Actuarial Accrued Liability (UAAL) was reset to June 30, 2048 (30 years).

For the Fiscal Year Ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

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

Teachers Retirement Association Fund

2018 (continued)

- A mechanism in the law that provided the TRA Board with some authority to set contribution rates were eliminated.

2017

- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The cost of living adjustment (COLA) was not assumed to increase to 2.50 percent, but remain at 2.0 percent for all future years.
- The price inflation was lowered from 2.75 percent to 2.50 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years followed by 3.25 percent, thereafter.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The Combined Service Annuity (CSA) loads were reduced from 1.40 percent to 0.00 percent for active load, the vested inactive load increase from 4.00 percent to 7.00 percent and the non-vested inactive load increased from 4.00 percent to 9.00 percent.

2016

- The single discount rate was changed from 8.00 percent to 4.66 percent.
- Other assumption changed pursuant to the experience study dated June 5, 2015. The assumed wage growth, payroll growth and inflation were decreased by 0.25 percent. The assumed wage growth and payroll growth were reduced from 3.75 percent to 3.50 percent. Inflation was reduced from 3.00 percent to 2.75 percent.

NOTE 4 – POSTEMPLOYMENT BENEFITS PLAN**A – Employer Contributions to Postemployment Benefits Plan**

Assets have not been accumulated in a trust that meets the criteria in paragraph four of the Governmental Accounting Standards Board (GASB) Statement No. 75 to pay related benefits.

B – Plan Changes Affecting Actuarial Accrued Liability2020

The following changes in actuarial assumptions occurred in 2020 for the City:

- The discount rate was changed from 3.71% to 2.75% based on updated 20-year municipal bond rates.

The following changes in actuarial assumptions occurred in 2020 for MBC:

- The discount rate was changed from 3.80% to 2.90%.

For the Fiscal Year Ended December 31, 2020

(Dollar Amounts Expressed in Thousands)

NOTE 4 – POSTEMPLOYMENT BENEFITS PLAN**B – Plan Changes Affecting Actuarial Accrued Liability**2019

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

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

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

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

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

2018

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

Non-Major Special Revenue Funds

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

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

Downtown Assets – This fund is used to clearly delineate the uses of local sales, liquor, restaurant, entertainment, and lodging taxes; to provide stable, predictable ongoing support from these taxes to the General Fund; and to support the comprehensive management of the City's four primary downtown revenue-generating capital assets, the Minneapolis Convention Center, the Arena (Target Center), the Downtown Commons, and Peavey Plaza. In addition, payments of the City's portion of U.S. Bank Stadium are being made from the local taxes.

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

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

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

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

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

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

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

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

Non-Major Debt Service Funds

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

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

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

Internal Service Funds

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

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

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

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

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

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

Custodial Funds

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

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

**GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2020**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 95,484	\$ 25,364	\$ 120,848
Investments with trustees	-	2,985	2,985
Receivables:			
Accounts - net	1,326	-	1,326
Taxes	277	955	1,232
Special assessments	622	-	622
Intergovernmental	16,282	-	16,282
Accrued interest	163	47	210
Due from other funds	1,750	1,300	3,050
Advances to other funds	13,355	-	13,355
Properties held for resale	1,461	-	1,461
Total assets	<u>\$ 130,720</u>	<u>\$ 30,651</u>	<u>\$ 161,371</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Salaries payable	\$ 513	\$ -	\$ 513
Accounts payable	6,415	1	6,416
Due to other funds	1,750	1,300	3,050
Deposits held for others	711	-	711
Advances from other funds	-	7,180	7,180
Unearned revenue	10,410	-	10,410
Total liabilities	<u>19,799</u>	<u>8,481</u>	<u>28,280</u>
Deferred Inflows of Resources:			
Unavailable revenue	<u>1,441</u>	<u>505</u>	<u>1,946</u>
Fund balances:			
Restricted	5,889	30,131	36,020
Assigned	103,604	-	103,604
Unassigned	<u>(13)</u>	<u>(8,466)</u>	<u>(8,479)</u>
Total fund balances	<u>109,480</u>	<u>21,665</u>	<u>131,145</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 130,720</u>	<u>\$ 30,651</u>	<u>\$ 161,371</u>

**GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 For the Fiscal Year Ended December 31, 2020**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental</u>
REVENUES:			
Taxes	\$ 66,550	\$ 53,761	\$ 120,311
Licenses and permits	399	-	399
Intergovernmental revenues	44,668	3,653	48,321
Charges for services and sales	3,998	-	3,998
Fines and forfeits	211	-	211
Special assessments	9,232	-	9,232
Investment earnings	2,690	885	3,575
Miscellaneous revenues	16,459	4,671	21,130
Total revenues	<u>144,207</u>	<u>62,970</u>	<u>207,177</u>
EXPENDITURES:			
Current:			
General government	28,655	-	28,655
Public safety	15,411	-	15,411
Public works	922	-	922
Health and welfare	11,889	-	11,889
Community planning & economic development	77,467	-	77,467
Intergovernmental:			
Public safety	48	-	48
Debt Service:			
Principal retirement	-	93,995	93,995
Interest and fiscal charges	-	17,661	17,661
Total expenditures	<u>134,392</u>	<u>111,656</u>	<u>246,048</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,815</u>	<u>(48,686)</u>	<u>(38,871)</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	23,998	25,048	49,046
Transfers to other funds	(30,209)	(8,501)	(38,710)
Premium (discount)	-	462	462
Bonds issued	-	37,110	37,110
Total other financing sources (uses)	<u>(6,211)</u>	<u>54,119</u>	<u>47,908</u>
Net change in fund balances	3,604	5,433	9,037
Fund balances - January 1	<u>105,876</u>	<u>16,232</u>	<u>122,108</u>
Fund balances - December 31	<u>\$ 109,480</u>	<u>\$ 21,665</u>	<u>\$ 131,145</u>

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2020**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Arena Reserve</u>	<u>Board of Estimate and Taxation</u>	<u>Downtown Assets</u>	<u>Convention Center</u>	<u>Self-Managed Special Service Districts</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 4,038	\$ 224	\$ 39,912	\$ 14,487	\$ 368
Receivables:					
Accounts - net	737	-	-	96	-
Taxes	-	1	-	-	-
Special assessments	-	-	-	-	35
Intergovernmental	-	-	6,529	-	-
Accrued interest	18	-	21	84	-
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Properties held for resale	-	-	-	-	-
Total assets	<u>\$ 4,793</u>	<u>\$ 225</u>	<u>\$ 46,462</u>	<u>\$ 14,667</u>	<u>\$ 403</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>					
Liabilities:					
Salaries payable	\$ 4	\$ 14	\$ -	\$ 171	\$ -
Accounts payable	512	1	-	1,315	-
Due to other funds	-	-	-	-	-
Deposits held for others	-	-	-	711	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>516</u>	<u>15</u>	<u>-</u>	<u>2,197</u>	<u>-</u>
Deferred inflows of resources:					
Unavailable revenue	<u>746</u>	<u>1</u>	<u>10</u>	<u>41</u>	<u>-</u>
Fund balances:					
Restricted	-	-	-	-	-
Assigned	3,531	209	46,452	12,429	403
Unassigned	-	-	-	-	-
Total fund balances	<u>3,531</u>	<u>209</u>	<u>46,452</u>	<u>12,429</u>	<u>403</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,793</u>	<u>\$ 225</u>	<u>\$ 46,462</u>	<u>\$ 14,667</u>	<u>\$ 403</u>

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2020**

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

(In Thousands)

<u>Employee Retirement</u>	<u>Grants-Federal</u>	<u>Grants-Other</u>	<u>Police</u>	<u>Neighborhood and Community Relations</u>	<u>Regulatory Services</u>	<u>Total</u>
\$ 23,055	\$ 390	\$ 6,761	\$ 2,564	\$ 3,535	\$ 150	\$ 95,484
-	-	153	302	-	38	1,326
276	-	-	-	-	-	277
-	-	13	-	-	574	622
-	3,558	6,195	-	-	-	16,282
40	-	-	-	-	-	163
-	-	1,750	-	-	-	1,750
13,355	-	-	-	-	-	13,355
-	665	796	-	-	-	1,461
<u>\$ 36,726</u>	<u>\$ 4,613</u>	<u>\$ 15,668</u>	<u>\$ 2,866</u>	<u>\$ 3,535</u>	<u>\$ 762</u>	<u>\$ 130,720</u>
\$ -	\$ 90	\$ 127	\$ 19	\$ 41	\$ 47	\$ 513
-	890	3,184	60	415	38	6,415
-	1,750	-	-	-	-	1,750
-	-	-	-	-	-	711
-	1,143	9,240	27	-	-	10,410
-	3,873	12,551	106	456	85	19,799
142	-	13	-	-	488	1,441
-	665	3,117	2,107	-	-	5,889
36,584	75	-	653	3,079	189	103,604
-	-	(13)	-	-	-	(13)
<u>36,584</u>	<u>740</u>	<u>3,104</u>	<u>2,760</u>	<u>3,079</u>	<u>189</u>	<u>109,480</u>
<u>\$ 36,726</u>	<u>\$ 4,613</u>	<u>\$ 15,668</u>	<u>\$ 2,866</u>	<u>\$ 3,535</u>	<u>\$ 762</u>	<u>\$ 130,720</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, 2020

(In Thousands)

	Arena Reserve	Board of Estimate and Taxation	Downtown Assets	Convention Center	Self-Managed Special Service Districts
REVENUES:					
Taxes	\$ -	\$ -	\$ 49,290	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-
Charges for services and sales	-	-	-	2,394	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	7,254
Investment earnings	229	-	178	1,667	(32)
Miscellaneous revenues	1,520	-	-	6,467	-
Total revenues	<u>1,749</u>	<u>-</u>	<u>49,468</u>	<u>10,528</u>	<u>7,222</u>
EXPENDITURES:					
Current:					
General government	-	72	-	-	7,252
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Community planning & economic development	5,590	-	1,368	38,053	-
Intergovernmental:					
Public safety	-	-	-	-	-
Total expenditures	<u>5,590</u>	<u>72</u>	<u>1,368</u>	<u>38,053</u>	<u>7,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,841)</u>	<u>(72)</u>	<u>48,100</u>	<u>(27,525)</u>	<u>(30)</u>
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	4,615	-	4,765	7,526	-
Transfers to other funds	(4,765)	-	(22,497)	(947)	-
Total other financing sources (uses)	<u>(150)</u>	<u>-</u>	<u>(17,732)</u>	<u>6,579</u>	<u>-</u>
Net change in fund balances	(3,991)	(72)	30,368	(20,946)	(30)
Fund balances - January 1	<u>7,522</u>	<u>281</u>	<u>16,084</u>	<u>33,375</u>	<u>433</u>
Fund balances - December 31	<u>\$ 3,531</u>	<u>\$ 209</u>	<u>\$ 46,452</u>	<u>\$ 12,429</u>	<u>\$ 403</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, 2020

(In Thousands)

<u>Employee Retirement</u>	<u>Grants-Federal</u>	<u>Grants-Other</u>	<u>Police</u>	<u>Neighborhood and Community Relations</u>	<u>Regulatory Services</u>	<u>Total</u>
\$ 16,998	\$ -	\$ 84	\$ 178	\$ -	\$ -	\$ 66,550
-	-	-	338	-	61	399
5,048	13,072	26,284	264	-	-	44,668
-	3	623	354	-	624	3,998
-	-	-	211	-	-	211
-	-	140	-	-	1,838	9,232
603	-	52	-	-	(7)	2,690
3,466	177	4,825	4	-	-	16,459
<u>26,115</u>	<u>13,252</u>	<u>32,008</u>	<u>1,349</u>	<u>-</u>	<u>2,516</u>	<u>144,207</u>
16,515	1,518	3,298	-	-	-	28,655
7,679	2,238	1,087	1,513	-	2,894	15,411
-	-	362	-	-	560	922
-	5,443	6,446	-	-	-	11,889
-	4,066	21,267	-	7,123	-	77,467
-	48	-	-	-	-	48
<u>24,194</u>	<u>13,313</u>	<u>32,460</u>	<u>1,513</u>	<u>7,123</u>	<u>3,454</u>	<u>134,392</u>
1,921	(61)	(452)	(164)	(7,123)	(938)	9,815
-	-	3	-	7,089	-	23,998
(2,000)	-	-	-	-	-	(30,209)
<u>(2,000)</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>7,089</u>	<u>-</u>	<u>(6,211)</u>
(79)	(61)	(449)	(164)	(34)	(938)	3,604
<u>36,663</u>	<u>801</u>	<u>3,553</u>	<u>2,924</u>	<u>3,113</u>	<u>1,127</u>	<u>105,876</u>
<u>\$ 36,584</u>	<u>\$ 740</u>	<u>\$ 3,104</u>	<u>\$ 2,760</u>	<u>\$ 3,079</u>	<u>\$ 189</u>	<u>\$ 109,480</u>

GRANTS - OTHER
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2020

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 7	\$ 7	\$ 84	\$ 77
Intergovernmental revenues	7,522	39,174	26,284	(12,890)
Charges for services and sales	1,012	1,012	623	(389)
Special assessments	-	2,070	140	(1,930)
Investment earnings	-	-	52	52
Miscellaneous revenues	875	7,817	4,825	(2,992)
Total revenues	<u>9,416</u>	<u>50,080</u>	<u>32,008</u>	<u>(18,072)</u>
EXPENDITURES:				
Current:				
General government	757	18,474	3,298	15,176
Public safety	911	4,471	1,087	3,384
Public works	-	382	362	20
Health and welfare	6,139	7,850	6,446	1,404
Community planning & economic development	1,800	20,869	21,267	(398)
Total expenditures	<u>9,607</u>	<u>52,046</u>	<u>32,460</u>	<u>19,586</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(191)</u>	<u>(1,966)</u>	<u>(452)</u>	<u>1,514</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	<u>3</u>	<u>9</u>	<u>3</u>	<u>(6)</u>
Net change in fund balances	(188)	(1,957)	(449)	1,508
Fund balances - January 1	<u>3,553</u>	<u>3,553</u>	<u>3,553</u>	<u>-</u>
Fund balances - December 31	<u>\$ 3,365</u>	<u>\$ 1,596</u>	<u>\$ 3,104</u>	<u>\$ 1,508</u>

DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
For the Fiscal Year Ended December 31, 2020

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Community Development Agency	Development	General Debt Service	Total
REVENUES:				
Taxes	\$ -	\$ -	\$ 53,761	\$ 53,761
Intergovernmental revenues	-	-	3,653	3,653
Investment earnings	12	7	866	885
Miscellaneous revenues	-	3,531	1,140	4,671
Total revenues	<u>12</u>	<u>3,538</u>	<u>59,420</u>	<u>62,970</u>
EXPENDITURES:				
Debt Service:				
Principal retirement	1,480	30,165	62,350	93,995
Interest and fiscal charges	674	6,650	10,337	17,661
Total expenditures	<u>2,154</u>	<u>36,815</u>	<u>72,687</u>	<u>111,656</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,142)</u>	<u>(33,277)</u>	<u>(13,267)</u>	<u>(48,686)</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4,306	12,600	8,142	25,048
Transfers to other funds	(2,235)	(50)	(6,216)	(8,501)
Premium (discount)	-	50	412	462
Bonds issued	-	26,000	11,110	37,110
Total other financing sources (uses)	<u>2,071</u>	<u>38,600</u>	<u>13,448</u>	<u>54,119</u>
Net change in fund balances	(71)	5,323	181	5,433
Fund balances - January 1	<u>3,122</u>	<u>(13,789)</u>	<u>26,899</u>	<u>16,232</u>
Fund balances - December 31	<u>\$ 3,051</u>	<u>\$ (8,466)</u>	<u>\$ 27,080</u>	<u>\$ 21,665</u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2020**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1,955	\$ 10,736	\$ 6,323	\$ 26,695	\$ 1,126	\$ 108,131	\$ 154,966
Receivables:							
Accounts - net	44	49	65	6	-	4	168
Intergovernmental	-	-	-	-	-	246	246
Inventories	-	-	11	1,255	6,498	-	7,764
Prepaid items	-	5,130	-	-	-	-	5,130
Total current assets	<u>1,999</u>	<u>15,915</u>	<u>6,399</u>	<u>27,956</u>	<u>7,624</u>	<u>108,381</u>	<u>168,274</u>
Long-term assets:							
Capital assets:							
Non-depreciable:							
Land and easements	-	-	20,821	2,186	-	-	23,007
Construction in progress	-	14,101	9,431	1,904	-	-	25,436
Depreciable:							
Buildings and structures	-	-	25,587	30,062	-	-	55,649
Less accumulated depreciation	-	-	(22,476)	(12,702)	-	-	(35,178)
Public improvements	-	-	8,813	1,704	-	-	10,517
Less accumulated depreciation	-	-	(4,988)	(737)	-	-	(5,725)
Machinery and equipment	490	1,496	12,894	121,975	30	-	136,885
Less accumulated depreciation	(338)	(1,032)	(11,899)	(68,136)	(8)	-	(81,413)
Computer equipment	61	33,043	162	-	-	-	33,266
Less accumulated depreciation	(61)	(30,275)	(162)	-	-	-	(30,498)
Software	-	63,317	8	97	-	-	63,422
Less accumulated depreciation	-	(53,703)	(8)	(97)	-	-	(53,808)
Other capital outlay	15	-	21	-	-	-	36
Less accumulated depreciation	(15)	-	(21)	-	-	-	(36)
Total long - term assets	<u>152</u>	<u>26,947</u>	<u>38,183</u>	<u>76,256</u>	<u>22</u>	<u>-</u>	<u>141,560</u>
Total assets	<u>\$ 2,151</u>	<u>\$ 42,862</u>	<u>\$ 44,582</u>	<u>\$ 104,212</u>	<u>\$ 7,646</u>	<u>\$ 108,381</u>	<u>\$ 309,834</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows - other postemployment benefits	\$ 17	\$ 159	\$ 98	\$ 143	\$ 21	\$ 107	\$ 545
Deferred outflows - pensions	97	972	481	570	89	586	2,795
Total deferred outflows of resources	<u>\$ 114</u>	<u>\$ 1,131</u>	<u>\$ 579</u>	<u>\$ 713</u>	<u>\$ 110</u>	<u>\$ 693</u>	<u>\$ 3,340</u>
LIABILITIES							
Current liabilities:							
Salaries payable	\$ 30	\$ 302	\$ 175	\$ 169	\$ 28	\$ 174	\$ 878
Accounts payable	118	3,441	569	1,504	306	2,194	8,132
Deposits held for others	-	-	-	2	-	-	2
Unearned revenue	-	1,592	-	-	-	-	1,592
Compensated absences payable - current portion	53	549	327	302	47	3,140	4,418
Medical claims payable - current portion	-	-	-	-	-	6,496	6,496
Unpaid claims payable - current portion	-	-	-	-	-	48,628	48,628
Total current liabilities	<u>201</u>	<u>5,884</u>	<u>1,071</u>	<u>1,977</u>	<u>381</u>	<u>60,632</u>	<u>70,146</u>
Long-term liabilities:							
Compensated absences payable	32	330	197	182	28	13,137	13,906
Other postemployment benefits	104	948	585	854	124	639	3,254
Net pension liability	1,262	12,721	6,279	7,457	1,167	7,666	36,552
Unpaid claims payable	-	-	-	-	-	123,923	123,923
Total long - term liabilities	<u>1,398</u>	<u>13,999</u>	<u>7,061</u>	<u>8,493</u>	<u>1,319</u>	<u>145,365</u>	<u>177,635</u>
Total liabilities	<u>\$ 1,599</u>	<u>\$ 19,883</u>	<u>\$ 8,132</u>	<u>\$ 10,470</u>	<u>\$ 1,700</u>	<u>\$ 205,997</u>	<u>\$ 247,781</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows - other postemployment benefits	\$ 1	\$ 7	\$ 4	\$ 6	\$ 1	\$ 5	\$ 24
Deferred inflows - pensions	150	1,514	748	888	139	912	4,351
Total deferred inflows of resources	<u>\$ 151</u>	<u>\$ 1,521</u>	<u>\$ 752</u>	<u>\$ 894</u>	<u>\$ 140</u>	<u>\$ 917</u>	<u>\$ 4,375</u>
NET POSITION							
Net investment in capital assets	\$ 152	\$ 26,947	\$ 38,183	\$ 76,256	\$ 22	\$ -	\$ 141,560
Unrestricted	363	(4,358)	(1,906)	17,305	5,894	(97,840)	(80,542)
Total net position	<u>\$ 515</u>	<u>\$ 22,589</u>	<u>\$ 36,277</u>	<u>\$ 93,561</u>	<u>\$ 5,916</u>	<u>\$ (97,840)</u>	<u>\$ 61,018</u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
For the Fiscal Year Ended December 31, 2020**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
Operating revenues:							
Charges for services and sales	\$ 8,181	\$ 44,373	\$ 4,958	\$ 14,981	\$ 1,884	\$ 104,941	\$ 179,318
Fines and forfeits	-	-	-	-	-	16	16
Rents and commissions	-	-	21,422	16,998	-	-	38,420
Total operating revenues	8,181	44,373	26,380	31,979	1,884	104,957	217,754
Operating expenses:							
Personnel costs	1,213	11,702	7,680	6,850	985	24,456	52,886
Contractual services	1,185	23,472	13,141	9,170	335	74,852	122,155
Materials, supplies, services and other	5,752	8,915	1,750	6,217	241	84,413	107,288
Depreciation	16	9,192	814	9,098	2	-	19,122
Total operating expenses	8,166	53,281	23,385	31,335	1,563	183,721	301,451
Operating income (loss)	15	(8,908)	2,995	644	321	(78,764)	(83,697)
Nonoperating revenues (expenses):							
Intergovernmental	4	38	19	22	3	23	109
Investment earnings	-	-	-	-	-	4	4
Gain (loss) on disposal of capital assets	(14)	-	-	732	-	-	718
Gain (loss) on disposal of properties held for resale	-	-	-	-	-	(433)	(433)
Other revenues	-	-	37	1	27	1,320	1,385
Total nonoperating revenues (expenses)	(10)	38	56	755	30	914	1,783
Income (loss) before transfers	5	(8,870)	3,051	1,399	351	(77,850)	(81,914)
Transfers in (out):							
Transfers from other funds	-	1,791	237	317	-	324	2,669
Transfers to other funds	-	(1,000)	(895)	(2,000)	-	-	(3,895)
Total transfers	-	791	(658)	(1,683)	-	324	(1,226)
Change in net position	5	(8,079)	2,393	(284)	351	(77,526)	(83,140)
Net position - January 1	510	30,668	33,884	93,845	5,565	(20,314)	144,158
Net position - December 31	\$ 515	\$ 22,589	\$ 36,277	\$ 93,561	\$ 5,916	\$ (97,840)	\$ 61,018

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2020**

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	\$ 223	\$ 384	\$ 301	\$ 8	\$ 87	\$ 2,437	\$ 3,440
Cash received from interfund activities	7,956	44,133	26,048	31,946	7,163	102,521	219,767
Payments to suppliers	(6,380)	(33,608)	(14,090)	(10,541)	(7,110)	(62,071)	(133,800)
Payments to employees	(1,303)	(12,429)	(7,750)	(7,808)	(1,240)	(25,899)	(56,429)
Payments for interfund activities	(670)	(2,087)	(1,048)	(4,844)	(342)	(4,383)	(13,374)
Other nonoperating revenue	-	-	37	1	27	1,320	1,385
Net cash provided (used) by operating activities	(174)	(3,607)	3,498	8,762	(1,415)	13,925	20,989
Cash flows from non-capital financing activities:							
Transfers from other funds	-	1,791	237	317	-	324	2,669
Repayment of advance from other funds	-	-	-	-	-	272	272
Interest paid on advance from other funds	-	-	-	-	-	4	4
Transfers to other funds	-	(1,000)	(895)	(2,000)	-	-	(3,895)
Intergovernmental receipts	4	38	19	22	3	23	109
Net cash provided (used) by non-capital financing activities	4	829	(639)	(1,661)	3	623	(841)
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(7)	(1,601)	(4,684)	(14,865)	-	-	(21,157)
Proceeds from sale of capital assets	-	-	-	732	-	-	732
Net cash provided (used) by capital and related financing activities	(7)	(1,601)	(4,684)	(14,133)	-	-	(20,425)
Net increase (decrease) in cash and cash equivalents	(177)	(4,379)	(1,825)	(7,032)	(1,412)	14,548	(277)
Cash and cash equivalents, beginning of year	2,132	15,115	8,148	33,727	2,538	93,583	155,243
Cash and cash equivalents, end of year	\$ 1,955	\$ 10,736	\$ 6,323	\$ 26,695	\$ 1,126	\$ 108,131	\$ 154,966
Reconciliation of operating income to net cash provided (used) by operating activities							
Operating income (loss)	\$ 15	\$ (8,908)	\$ 2,995	\$ 644	\$ 321	\$ (78,764)	\$ (83,697)
Adjustment to reconcile change in net position to net cash provided (used) by operating activities:							
Depreciation	16	9,192	814	9,098	2	-	19,122
Accounts receivable	(3)	(45)	22	1	-	1	(24)
Intergovernmental receivable	-	-	-	-	-	(246)	(246)
Inventories	-	-	-	24	(1,590)	-	(1,566)
Prepaid items	-	(383)	-	-	-	-	(383)
Deferred outflows - other postemployment benefits	(4)	(52)	(33)	(37)	(5)	(29)	(160)
Deferred outflows - pensions	(21)	(217)	(120)	(101)	(10)	(123)	(592)
Salaries payable	(17)	(211)	(103)	(107)	(12)	(79)	(529)
Accounts payable	(113)	(2,848)	(247)	(25)	81	(787)	(3,939)
Intergovernmental payable	-	(77)	-	-	-	-	(77)
Deposits held for others	-	-	-	2	-	-	2
Unearned revenue	-	189	(53)	(25)	-	-	111
Compensated absences payable	5	101	79	33	2	(198)	22
Other postemployment benefits	1	142	95	53	5	49	345
Net pension liability	106	1,101	743	242	(50)	554	2,696
Unpaid claims payable	-	-	-	-	-	93,843	93,843
Medical claims payable	-	-	-	-	-	(628)	(628)
Deferred inflows - other postemployment benefits	-	(1)	-	(1)	-	(1)	(3)
Deferred inflows - pensions	(159)	(1,590)	(731)	(1,040)	(186)	(987)	(4,693)
Other nonoperating revenue	-	-	37	1	27	1,320	1,385
Net cash provided (used) by operating activities	(174)	(3,607)	3,498	8,762	(1,415)	13,925	20,989
Non-cash investing, capital and financing activities:							
Loss on disposal of capital assets	\$ (14)	\$ -	\$ -	\$ (178)	\$ -	\$ -	\$ (192)
Loss on disposal of properties held for resale	-	-	-	-	-	(433)	(433)

CUSTODIAL FUNDS
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2020

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Minneapolis Youth Coordinating Board	Joint Board	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,569	\$ 139	\$ 1,708
Receivables:			
Accounts - net	88	-	88
Accrued interest	3	-	3
Intergovernmental	75	-	75
Prepaid items	2	-	2
Total assets	<u>\$ 1,737</u>	<u>\$ 139</u>	<u>\$ 1,876</u>
<u>LIABILITIES</u>			
Salaries payable	\$ 15	\$ -	\$ 15
Intergovernmental payable	138	-	138
Unearned revenue	895	-	895
Total liabilities	<u>\$ 1,048</u>	<u>\$ -</u>	<u>\$ 1,048</u>
<u>NET POSITION</u>			
Restricted for:			
Other governments	<u>\$ 689</u>	<u>\$ 139</u>	<u>\$ 828</u>

CUSTODIAL FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended December 31, 2020

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Minneapolis Youth Coordinating Board	Joint Board	Total
<u>ADDITIONS</u>			
Intergovernmental revenues	\$ 1,315	\$ -	\$ 1,315
Development fees	-	48	48
Investment earnings	29	4	33
Miscellaneous revenues	235	39	274
	<hr/>	<hr/>	<hr/>
Total additions	1,579	91	1,670
<u>DEDUCTIONS</u>			
General government	1,245	-	1,245
Legal services	-	52	52
	<hr/>	<hr/>	<hr/>
Total deductions	1,245	52	1,297
Net increase (decrease) in fiduciary net position	334	39	373
Net Position - January 1	355	100	455
	<hr/>	<hr/>	<hr/>
Net Position - December 31	\$ 689	\$ 139	\$ 828
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

APPENDIX E

THE DEPOSITORY TRUST COMPANY

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bonds certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to Agent's DTC account.

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

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

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX F

GENERAL INFORMATION REGARDING MINNESOTA PROPERTY TAX SYSTEM

SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS, AND MINNESOTA REAL PROPERTY VALUATION

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

Property Valuations (Chapter 273, Minnesota Statutes)

Estimated Market Value. The City Assessor is responsible for the assessment of all taxable property located within the City. State law requires, with certain exceptions, that each parcel of real property subject to taxation must be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be fairly worth, and which is referred to as the “Estimated Market Value.”

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

Market Value Homestead Exclusion. Commencing with taxes payable in 2012, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Estimated Market Value up to \$413,800 in order to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a, and causes a decrease in the applicable municipality’s aggregate Taxable Market Value, even if the Estimated Market Value on the same properties did not decline.

Net Tax Capacity. The Net Tax Capacity is the amount of value upon which net taxes are levied, extended and collected, which is a percentage of Taxable Market Value. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State’s property tax relief system and are subject to annual revisions by the State Legislature.

Taxable Market Value. The Taxable Market Value is the Estimated Market Value, less any reductions, limitations, exemptions, and deferrals of tax available to a property. The amount of value upon which property taxes are levied, extended, and collected is calculated as a percentage of Taxable Market Value.

Property Tax Payments and Delinquencies (Minnesota Statutes, Chapters 275, 276, 277, 279-282 and 549)

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on nonhomestead property is assessed at a rate of 4% until May 31 and increased to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes.

In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on nonhomestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for nonhomestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

Property Tax Credits (Minnesota Statutes, Chapter 273)

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

Metropolitan Fiscal Disparities Law (Minnesota Statutes, Chapter 473F)

The Metropolitan Fiscal Disparities Act was adopted by the State Legislature in 1971 and was implemented in 1974 following a ruling by the State Supreme Court that the Metropolitan Fixed Disparities Act was constitutional. Generally, the objective of the Metropolitan Fiscal Disparities Act is to prevent competition among the various municipalities in the seven-county metropolitan area in which the City is located for industrial and commercial development to improve their respective tax bases. The following discussion summarizes the operation of the Metropolitan Fiscal Disparities Act.

Contribution to Metropolitan Pool. Pursuant to the provisions of the Metropolitan Fiscal Disparities Act, each municipality in the seven-county area is to “pool” (i.e., contribute to an areawide tax base) 40 percent of the amount by which the net tax capacity of commercial-industrial property subject to taxation therein exceeds the 1971 net tax capacity of commercial-industrial property subject to taxation therein. The total areawide tax base (the “Metropolitan Pool”) is determined by aggregating the contribution of each municipality within the seven-county area.

Distribution of Metropolitan Pool. The Metropolitan Pool is then reallocated among all municipalities in the seven-county area basically in direct proportion to population and in inverse proportion to fiscal capacity, where fiscal capacity is measured by the market value of real property within the municipality divided by its population. Municipalities with large populations and low fiscal capacity are thus favored in the reallocation over those municipalities with small populations and large fiscal capacity.

Net Tax Capacities, Tax Levies and Tax Rates. Each municipality’s official net tax capacity for purposes of levying taxes is determined by adding (1) all residential net tax capacity and all commercial-industrial net tax capacity therein, exclusive of the contribution to the Metropolitan Pool (collectively, the “local net tax capacity”), and (2) the municipality’s share of the Metropolitan Pool. The tax levy of the municipality is similarly divided by the Hennepin County (County) Auditor into two components: (a) that portion which will be raised on the local net tax capacity; and (b) that portion which will be raised on the Metropolitan Pool. The tax levy of the municipality is basically divided in the same proportion as the municipality’s share of the Metropolitan Pool bears to the local net tax capacity. The municipality’s local tax rate is determined by dividing the local levy by the local net tax capacity.

The other portion of the municipality’s tax levy (i.e., the levy which will be raised on the Metropolitan Pool) is added with the comparative levies for every other municipality in the seven-county area to arrive at the total dollar levy on the Metropolitan Pool. The areawide tax rate is then determined by dividing the total levy on the Metropolitan Pool by the total net tax capacity of the Metropolitan Pool.

The tax rates determined above are applied to all taxable property in the municipality. All residential property and the “local” portion of commercial-industrial property are subject to the local rate. The portion of the commercial-industrial property in the municipality contributed to the Metropolitan Pool is subject to the areawide tax rate. When the areawide tax levies have been collected, they are channeled through each county to the State Treasurer and distributed to the municipalities.

CLASS TAX RATES FOR MAJOR PROPERTY CLASSIFICATIONS

<u>Property Type</u>	Local Tax Payable 2021
Residential Homestead (1a)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
Residential Non-homestead	
Single Unit (4bb)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
2-3 unit and undeveloped land (4b1)	1.25%
Market Rate Apartments	
Regular (4a)	1.25%
Low-Income (4d)	
Up to \$162,000 ^(c)	0.75%
Over \$162,000 ^(c)	0.25%
Commercial/Industrial/Public Utility (3a)	
Up to \$150,000	1.50% ^(a)
Over \$150,000	2.00% ^(a)
Electric Generation Machinery	2.00%
Commercial Seasonal Residential	
Homestead Resorts (1c)	
Up to \$600,000	0.50%
\$600,001 - \$2,300,000	1.00%
Over \$2,300,000	1.25% ^(a)
Seasonal Resorts (4c)	
Up to \$500,000	1.00% ^(a)
Over \$500,000	1.25% ^(a)
Non-Commercial Seasonal Recreational (4c12)	
Up to \$500,000	1.00% ^{(a)(b)}
Over \$500,000	1.25% ^{(a)(b)}

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