



Third Quarter 2019 Financial Status Report

Finance & Property Services Department
November 19, 2019

**City of Minneapolis
Interim Financial Report Table of Contents
for the Third Quarter of 2019**

EXECUTIVE SUMMARY	1-2
GENERAL FUND.....	3-5
SPECIAL REVENUE & GRANT FUNDS	
Convention Center Special Revenue Fund.....	6-8
Arena Special Revenue Fund.....	9-10
Downtown Assets Special Revenue Fund.....	11-13
Police Special Revenue Fund.....	14-16
NCR Special Revenue Fund.....	17-18
Regulatory Services Special Revenue Fund.....	19-20
Federal, CDBG and other State and Local Grants.....	21-23
CPED Special Revenue Funds.....	24-26
INTERNAL SERVICE FUNDS	
Engineering Materials and Testing Fund.....	27-28
Fleet Services Fund.....	29-30
Property Services Fund.....	31-32
Public Works Stores Fund.....	33-34
Intergovernmental Service Fund.....	35-36
Self-Insurance Fund.....	37-38
ENTERPRISE FUNDS	
Sanitary Sewer Fund.....	39-40
Storm Water Fund.....	41-42
Water Enterprise Fund.....	43-44
Municipal Parking Fund.....	45
Solid Waste and Recycling.....	46-47
CPED Enterprise Fund.....	48
APPENDIX	
Cash and Investment Report.....	A-1
General Fund Historical Analysis.....	A-2
Financial Strength Analysis.....	A-3,A-4

Executive Summary

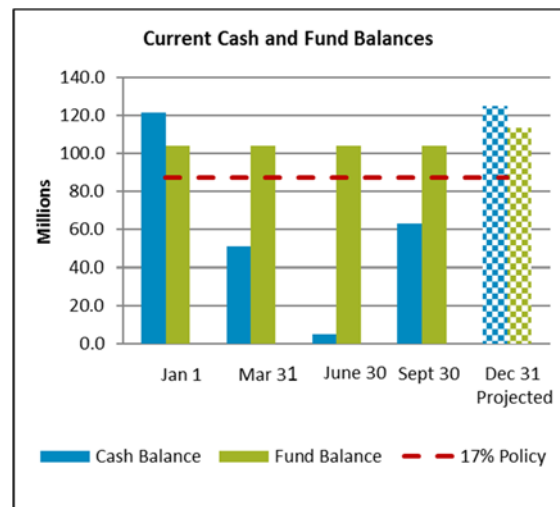


Overview

The financial picture of the City continues to remain positive and stable. As indicated in the Cash and Investments Report on page A-1, the overall cash and investment position for the City at September 30, 2019 is \$965.1 million, a slight decrease of \$7.1 million or 0.7% compared to 2018 year-end balance of \$972.2 million. While activity through year-end 2019 is projected to decrease the total cash balance, targeted balances in all but one major fund are expected to be met. The Sanitary Sewer fund projects an ending cash balance less than target due to the timing of bond issuances that would have provided cash for ongoing capital projects. Future bond issuances and operations are expected to restore cash back to the target level. Fund balances and net positions for all funds also reflect continued investment in the growth and economic stability of the City and its infrastructure. The City continues to meet the minimum fund balance/net position reserve requirements in all major funds, while at the same time increasing its investment in the City including its infrastructure, development, and technology capital assets. Most of the balances in the various funds within the City are classified as non-spendable, restricted, committed or assigned.

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for or reported in another fund. The 2019 budget included a planned use of fund balance of \$5.0 million, however, fund balance at year-end 2019 is currently projected to increase by \$9.1 million. The 2019 projected ending fund balance is \$113.3 million, compared to the ending 2018 fund balance of \$104.2 million. The General Fund cash balance at year-end 2018 was \$121.3 million, and is projected to end 2019 at \$124.9 million. Over one-half of the revenue in the General Fund comes from sources received only two or three times per year. Because of this, there can be a large variation in the cash balance at any point in the year as shown in the graph to the left. The September 30, 2019 cash balance is \$62.8 million, but will increase significantly once the December property tax revenue is realized.



As shown in the Financial Strength Analysis on pages A-3 and A-4 of this report, from 2015 through 2018, the General Fund’s cash balance and fund balance have remained steady with a slight overall increase in cash of \$3.7 million and minor decrease in fund balance of \$1.8 million. This consistent fund balance and cash position was made possible by rising revenues and strategic use of funds to maintain sustainable operations. Growth from economic development activity pushed revenue from local taxes, licenses and permits, and charges for services consistently over the budgeted amount, yet expenditures were consistently held in line with, or below budget.

The City’s financial policy for the General Fund balance is to maintain 17% of the following year’s expenditure budget. For 2019, this equates to a required ending fund balance of \$87.3 million, or 17% of the Mayor’s 2020 Recommended Budget of \$513.3 million excluding transfers and contingency funding.

Based on current projected revenues and expenditures, the General Fund is projected to end the year with a fund balance of \$113.3 million or 22.1% of the 2020 recommended budget.

Special Revenue Funds

The Special Revenue Funds (SRF) are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes and include the Convention Center, Arena (Target Center) Fund, Downtown Assets Fund, the Police SRF, the Neighborhood and Community Relations (NCR) SRF, the Regulatory Services SRF, Grant Funds, the Employee Retirement Funds, and the Community Planning & Economic Development (CPED) SRFs.

At year-end 2019, the total cash balance for the Special Revenue Funds is projected to be \$278.4 million, a decrease of \$35.8 million or 11.4% compared to 2018. The fund balance for the Special Revenue Funds is also expected to decrease to \$329.0 million, a decrease of \$27.2 million or 7.6%, compared to 2018. These decreases in both cash and fund balance are due primarily to planned spending on capital projects for the Convention Center, Target Center, and Peavey Plaza as part of the Downtown Assets Fund. In addition, a \$19.0 million interfund loan was made to facilitate the prepayment of general obligation debt. This loan will be paid back over the next several years to the Convention Center. From 2014 to 2018, the Convention Center received a large transfer in from the General Fund's local tax revenue to support debt payments and facility operations. Starting in 2018, the local tax revenue is deposited into the Downtown Assets fund and allocated out to the various related funds including Arena Fund, Convention Center Fund, and Peavey Plaza fund.

Internal Service Funds

Internal Service Funds are used to account for goods and services provided internally to other government divisions. The Internal Service Funds include: Engineering Materials and Testing Lab; Equipment (Fleet) Services; Property Services; the Public Works Stores, Intergovernmental Services (primarily IT), and the Self-Insurance Fund.

The total cash balance for the Internal Service Funds at year-end 2019 is projected to be \$136.8 million, a decrease of \$28.4 million or 17.2% versus 2018 ending cash of \$165.2 million. At the same time, the total net position for all the Internal Service Funds is projected to be \$157.2 million, a decrease of \$20.6 million or 11.6% from 2018. Cash is decreasing more than net position because much of the outlay of cash in the Internal Service Funds goes toward capitalizable expense. While cash is decreasing, the resulting assets created from purchasing fleet vehicles, improving buildings, or creating technological assets, results in an offsetting increase to net position. Transfers from the General Fund have not been necessary to insure the financial stability of these funds for several years. There are no outstanding debt obligations in any of the internal service funds.

Enterprise Funds

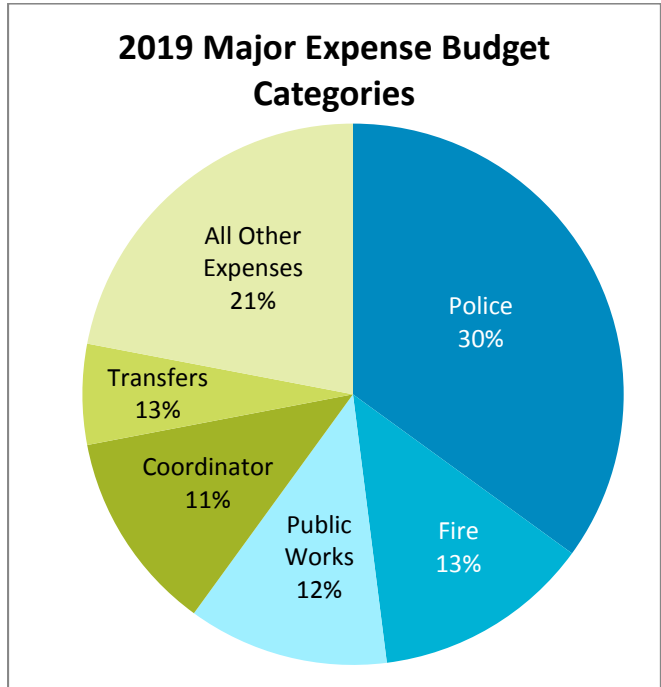
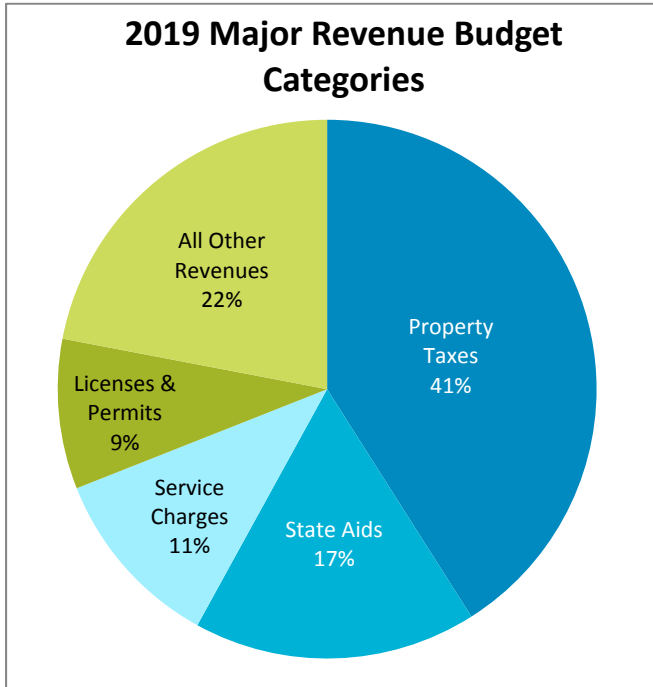
The Enterprise Funds are used to account for operations that sell goods and services to external third parties. Enterprise Funds include the Utility Operations – Sanitary Sewer, Stormwater, and Water Utilities; Solid Waste & Recycling; the Parking Fund; and the CPED Enterprise Funds.

The total cash balance for the Enterprise Funds is projected to be \$106.1 million, a decrease of \$17.8 million or 14.4% compared to 2018. Total net position for the Enterprise Funds is projected to increase by \$0.3 million or less than 0.1% to \$999.4 million at year-end 2019. These numbers reflect the continued use of cash rather than borrowing for planned major maintenance of and additions to infrastructure assets.

**City of Minneapolis
General Fund
For the Third Quarter Ending September 30, 2019**

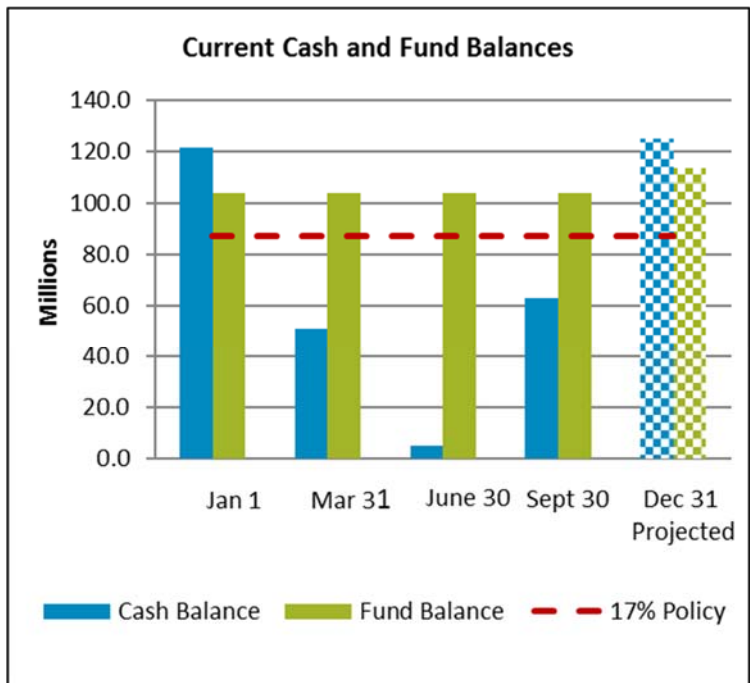
Fund Description

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required by law or administrative action to be accounted for in another fund. The Fund's 2019 current revenue budget is \$507.0 million, while the Fund's 2019 current expense budget is \$520.4 million, including transfers.



Cash and Fund Balance

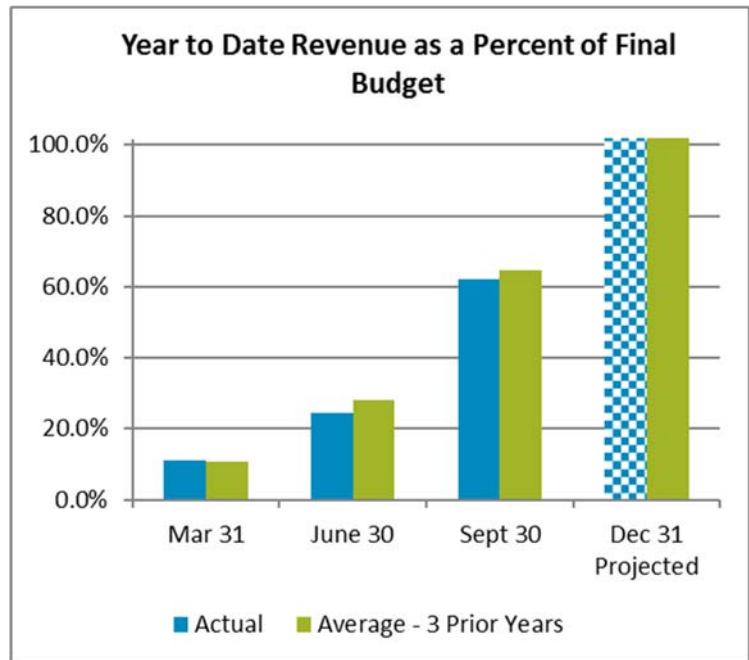
The fund balance for the General Fund at fiscal year-end 2018 was \$104.2 million. The original budget for 2019 included a planned use of fund balance totaling \$5.0 million. The City's financial policy for General Fund balance is to maintain 17% of the following year's expenditure budget. The fund balance target for 2019 is \$87.3 million or 17% of the 2020 General Fund Mayor's Recommended budget of \$513.3 million, excluding transfers and contingency. For 2019, fund balance is projected to be within the policy guidelines, with a year-end projected balance of \$113.3 million. As is standard practice, it is expected that departments with unspent appropriation at year end will request some portion be rolled over for use in 2020, effectively reducing available fund balance. The cash balance at year-end 2018 was \$121.3 million.



Over one-half of the revenue in the General Fund comes from sources that are received only two times per year such as property taxes, special assessments, and state aids. As such, the cash balance fluctuates significantly during the year. As of September 30, the cash balance is \$62.8 million. This will increase significantly with the receipt of the second half property tax settlement in early December.

Revenue

Year-end revenue is projected to be \$14.3 million, or 2.8%, more than budgeted. In 2018, property taxes came in at 99.3% of the budgeted amount, reflecting a delinquency rate of 0.7%. Projecting the same delinquency rate for 2019, property taxes are expected to end the year \$1.4 million under budget. The following categories of revenue are projected to be over budget at year end: state aids by \$1.8 million, charges for services by \$4.3 million, licenses and permits by \$7.6 million, and investment income by \$1.4 million, for a total of \$15.3 million over budget. Charges for services and licenses and permits increases are due to the continued construction growth in downtown and throughout the City.

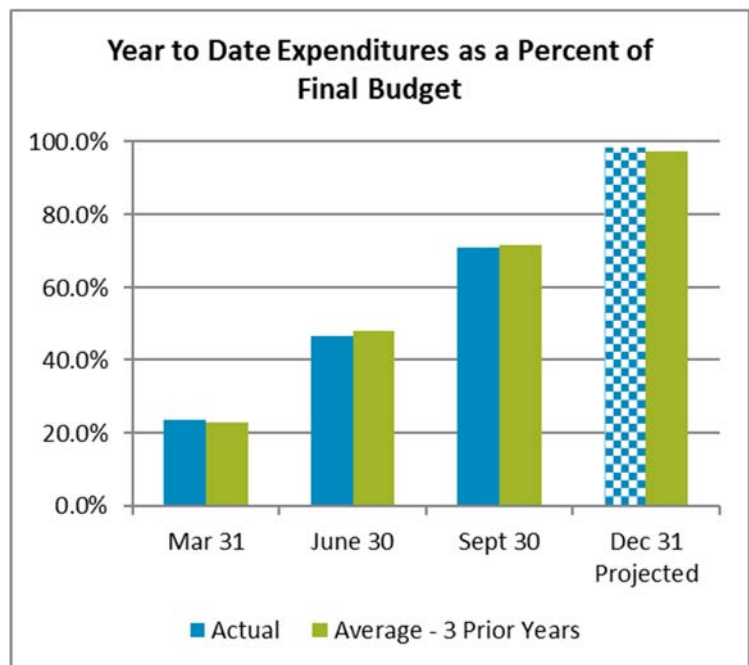


Expenditures

Six departments comprise 75.5% of the total General Fund budget: Police, Fire, Public Works, the City Coordinator, Community Planning and Economic Development (CPED), and Regulatory Services. Small percentage variances in any of these large departments can have a significant effect on the amount of surplus or deficit in the General Fund expenditure budget.

The Police Department is projecting to be slightly over budget, less than 0.5%, due to costs associated with large events held in downtown Minneapolis in 2019. Public Works expects to be over budget by a total of \$3.7 million, or 5.9%, primarily due the number of snow emergencies this spring as well as costs associated with projects that are reimbursed by other funds.

Contingency funding of \$5.7 million will be used to offset a majority of the overspending.



The City Coordinator and several other smaller departments are expected to be under budget for a variety of factors. Personnel vacancies, delayed spending on projects and initiatives, and other cost saving measures help these departments meet the budgeted appropriation levels.

City of Minneapolis
Convention Center Special Revenue Fund Report
For the Third Quarter Ending September 30, 2019

The Convention Center Special Revenue Fund is used to account for the maintenance, operation, and marketing of the City-owned Convention Center and related facilities. The Convention Center was created to foster and generate economic growth and vitality by providing facilities and services for conventions, trade shows, exhibits, meetings, and cultural, religious, and sporting events, all of which benefit and showcase the City of Minneapolis, the metropolitan region, and the State of Minnesota.

Revenue

Tax Revenue

The Convention Center Special Revenue Fund activity was historically funded from local sales and hospitality tax receipts in addition to Convention Center operating revenue. Beginning in 2014, the local taxes were receipted directly to the General Fund, and a transfer was made from the General Fund to the Convention Center to fully fund Convention Center operating and non-operating expenditures. Beginning in 2018, the Convention Center Special Revenue Fund is being managed as part of the Downtown Assets umbrella fund. The Downtown Assets Fund is intended to help the City provide a coordinated management and funding structure for the physical infrastructure assets in Downtown Minneapolis which help generate sales, liquor, lodging, restaurant, and entertainment taxes that support City spending. The Downtown Assets umbrella fund includes the Minneapolis Convention Center, the Arena Fund (Target Center), Peavey Plaza, and the Commons. As part of the new Downtown Assets funding structure, the 2018 local taxes were receipted directly to the Downtown Assets Fund, and a transfer was made from the Downtown Assets Fund to the Convention Center Fund to fund Convention Center operations and building debt service. The same process is being continued in 2019.

Operating Revenue

Through the third quarter of 2019, operating revenue ended at \$17.2 million or 93% of the \$18.5 million budget. Charges for Services and Sales had the strongest finish at nearly \$7.1 million or 106% of budget followed by Rents and Commissions at \$6.9 million or 88% of budget, and finally Catering Commissions which came in at \$3.3 million or 83% of budget.

Through September 30, 2019, the Convention Center hosted 271 events with 705,801 attendees. The \$17.2 million in operating revenue finished under September 30, 2018 operating revenue of \$17.6 million by \$348,000. The reason for the decline was the Convention Center hosting the Super Bowl in early 2018. The Convention Center projects operating revenue to finish at \$19.7 million which is \$1.2 million over budget, but \$3.2 million under 2018.

Expenditures

Operating Expenditures

Through the third quarter of 2019, Convention Center operating expenses, not including Ongoing Equipment and Improvement, General Fund Overhead, and IT Operating expenses finished at nearly \$18.5 million or 73% of budget which is based on event levels and normal day-to-day operations. The Convention Center expects 2019 operating expenses to finish the year close to budget.

The Convention Center continues to work on its 'no waste' initiative as well as further enhancements to the energy efficiency practices that were put in place in 2009. The ongoing management of operating expenses includes a variety of cost containment activities:

- Reduction in energy and water consumption
- Identifying and implementing operating efficiencies
- Recycling "waste" initiative

The third quarter Convention Center recycling rate was 63% of building waste with a 2019 year-to-date rate of 62% surpassing the goal for an overall 2019 - 2020 recycling rate of 60%.

In Ongoing Equipment and Improvements, the Convention Center finished the third quarter at \$8.7 million or 40% of the \$21.5 million budget which includes a nearly \$10.1 million rollover of obligated and unspent 2018 funds into the 2019 budget. The funds were rolled over to continue the Plaza and Tallmadge building renovation projects. Construction work began on the Plaza, and the Convention Center expects the work to be finished during the summer of 2020. The Tallmadge building renovation is currently on hold pending building use decisions by the City. Also included in the \$21.5 million is work on much needed projects such as supplemental signage, steam room renovation, restroom remodel, building public space lighting renovation, exterior lights, exterior concrete work, supplemental signage, meeting and ballroom wall sconce replacement, HVAC upgrades, Terrazzo floor refinishing, building/security equipment, relocation of security command center, and boardroom remodel. These projects allow the Convention Center to remain competitive in the national market. The Convention Center expects Ongoing Equipment and Improvements to finish at \$15.5 million or \$6.0 million under budget. The Convention Center will request a rollover of a portion or all of the unspent 2019 funds to complete projects that are in process but incomplete at year end.

Transfers

The Convention Center Fund annually transfers funds for debt service, in addition to receiving a transfer from the Downtown Assets Fund. In 2019, transfers to debt service for debt issued on the building is budgeted at \$26.7 million, and is projected to finish 2019 at budget. The building debt is expected to be paid off in 2020. The transfer in from the Downtown Assets fund is budgeted at \$59.5 million and is being made to fund Convention Center operating, capital, and building debt. The budgeted transfer from the Downtown Assets Fund is also expected to finish 2019 at budget.

Meet Minneapolis

Beginning in 2004, Meet Minneapolis entered into a series of loan agreements with the City for its joint venture Internet Destination Sales System (iDSS). A total of three loans were consolidated into one \$10.0 million loan in 2007. The consolidated loan had a 10-year amortization of principal (2008-2017) to be repaid in full in 2017 at a 5% interest rate. In November 2014, Meet Minneapolis sold iDSS, but the principal and interest payments to the City continued. In late 2017, there was a contract amendment which extended Meet Minneapolis' final \$500,000 payment of loan principal with \$15,000 interest to January 2019. Meet Minneapolis' quarterly sales and marketing payment from the City was reduced by the amount of the interest and principal payments due for that period. The principal is accounted for on the balance sheet as a loan receivable while the interest received is classified as revenue in the period in which it was due. Meet Minneapolis is budgeted at nearly \$10.2 million in 2019 which includes \$9.7 million for contractual sales and marketing payments from the City, in addition to \$500,000 in incentive funding. Meet Minneapolis is projected to finish 2019 at budget.

Cash and Fund Balance

Beginning in 2018, with the new Downtown Assets Fund and related fund management structure, the local taxes are being receipted directly to the Downtown Assets Fund, and a transfer of local taxes to the Convention Center Fund is being made from the Downtown Assets Fund. The 2018 ending fund balance was \$29.6 million which was a decrease of \$22.5 million from 2017. As part of the Convention Center's inclusion in the Downtown Assets "umbrella", the 2018 transfer from the Downtown Assets Fund was reduced to \$26.8 million in 2018 from \$49.8 million in 2017. Cash made a similar decrease from \$56.1 million in 2017 to \$35.6 million in 2018. The reduced 2018 transfer amount was done as a planned drawdown of the Convention Center fund and cash balances.

The 2019 Convention Center fund balance is projected to finish at \$29.6 million which slightly above the projected 2019 level.

The Convention Center Fund cash balance is projected to finish 2019 at \$16.7 million which is a decline of \$19 million from 2018. The reduction is primarily due to a loan of \$19 million from the Convention Center to debt service to pay off some City debt before maturity to save on City interest expense.

**CONVENTION CENTER SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal quarter ending September 30, 2019**

CITY OF MINNEAPOLIS, MINNESOTA

	2019				2018 Actual
	Budget	Actual	Percent of Total	Year End Projection	
REVENUE					
Operating Revenue:					
Charges for Services and Sales	6,700,000	7,074,793	106%	7,600,000	8,977,067
Rents and Commissions	7,830,000	6,856,730	88%	7,830,000	9,268,937
Catering Commissions	4,000,000	3,315,044	83%	4,300,000	4,669,470
Total Operating Revenue	18,530,000	17,246,567	93%	19,730,000	22,915,474
Other Non Operating Revenue:					
Investment Management Services Interest	442,035	801,067	181%	1,000,000	967,121
Meet Minneapolis (IDSS) Loan Interest	15,000	15,000	100%	15,000	-
Interest on Capital Advance	-	214,491	-	214,491	-
Other	-	13,714	-	15,000	44,906
Total Other Non Operating Revenue	457,035	1,044,272	228%	1,244,491	1,012,027
Total Non Operating Revenue	457,035	1,044,272	228%	1,244,491	1,012,027
Total Revenue	18,987,035	18,290,840	96%	20,974,491	23,927,501
EXPENDITURES					
Convention Center Operations	25,339,632	18,478,972	73%	25,339,000	25,933,398
Ongoing Equipment and Improvement	21,515,199	8,650,262	40%	15,515,199	9,578,844
General Fund Overhead/IT Operating	2,678,932	2,470,192	92%	2,678,932	2,680,063
Meet Minneapolis	10,241,889	7,806,416	76%	10,241,889	10,450,872
Total Expenditures	59,775,652	37,405,842	63%	53,775,020	48,643,177
Excess of Revenues Over (Under) Expenditures	(40,788,617)	(19,115,002)	47%	(32,800,529)	(24,715,676)
OTHER FINANCING SOURCES (USES)					
Transfer from Downtown Assets	59,520,000	44,640,000	75%	59,520,000	26,811,000
Convention Ctr Debt Service Transfer	(26,681,616)	(840,808)	3%	(26,681,616)	(24,629,741)
Total Other Financing Sources (Uses)	32,838,384	43,799,192	133%	32,838,384	2,181,260
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7,950,233)	24,684,190		37,855	(22,534,416)
Fund Balance - January 1	29,607,521	29,607,521		29,607,521	52,141,937
Ending Fund Balance	21,657,288	54,291,712		29,645,376	29,607,521
Ending Cash Balance (a)		36,338,322		16,667,368	35,639,513

Arena Special Revenue Fund For the Third Quarter Ending September 30, 2019

The Arena Special Revenue Fund is used to account for the revenues and on-going equipment and improvements, maintenance, operating support, and other specific expenditures of the Target Center. The Target Center is home to the Minnesota Timberwolves, the Minnesota Lynx, and also hosts a wide variety of events such as concerts; high school, college and professional athletic events; and motor sports and ice skating events. These activities showcase the City of Minneapolis, the metropolitan region, and the State of Minnesota. The operator of the Target Center is AEG Management MN, LLC (AEG).

Revenue

The Arena Special Revenue Fund activity was historically funded from entertainment tax, and a transfer from the Parking Fund. In 2014, rent from the Timberwolves organization was added as a new revenue source. The rent payments are based on a rent schedule, and the 2019 rent payment is approximately \$1.5 million. Beginning in 2018, entertainment tax was removed as a revenue source with the Arena Fund being managed under the new Downtown Assets Fund umbrella. The new Downtown Assets Fund umbrella is intended to help the City provide a coordinated management and funding structure for the physical infrastructure assets in downtown Minneapolis which help to generate sales, liquor, lodging, restaurant, and entertainment taxes that support City spending. The Arena Fund also receives interest revenue from investments on cash balances within the fund. The 2019 interest revenue budget is \$90,000, and 2019 projected interest revenue is \$290,000. This results from a higher than normal \$10.3 million cash balance as of September 30, and favorable investment rates.

Expenditures

The Arena Special Revenue Fund has a 2019 ongoing equipment and improvements budget of \$9.2 million which includes a \$4.8 million 2019 rollover of obligated and unspent 2018 funds for projects that were in process but incomplete at year end. In 2019, work is being undertaken on much needed projects including an ice floor, half house curtain, fall protection, high speed rollup doors, skyway doors, escalator renovation, sanitary sewer, escalator lobby lighting, office cubes and furniture, lighting relamping to LED lighting, and a production intercom. Based on the most recent projection, capital expenses are projected to finish 2019 at \$8.2 million, or \$1.0 million under budget. Arena Special Revenue Fund operations are expected to finish 2019 near budget. As of September 30, 2019, AEG has been paid \$881,000 leaving a balance of \$791,000. It is anticipated that AEG will invoice the City for the balance before the 2019 year-end close. The City pays required reimbursements to AEG to support Target Center operating costs, and the 2019 budget for AEG is \$1.7 million.

Transfers

The Arena Special Revenue Fund receives an annual transfer from the Parking Fund. The 2019 budgeted transfer is nearly \$4.4 million. In addition, in a planned effort to reduce fund and cash balances while maintaining the Arena Special Revenue Fund as part of the Downtown Assets umbrella fund, a new one-time transfer of \$2.8 million was added in 2019 to transfer funds from the Arena Special Revenue Fund to the Downtown Assets Fund to further reduce fund and cash balances. Transfers are underway, and it is expected that transfers will meet the 2019 budget.

Fund/Cash Balance

The 2018 ending fund balance was \$10.5 million, and is projected to decrease to \$3.7 million in 2019. The primary reason for the \$6.8 million decrease is the addition of the \$2.8 million transfer out of the Arena Fund, and significantly higher projected 2019 capital expenses compared to 2018. With the Downtown Assets management structure, the Arena Fund will receive a transfer from the Downtown Assets Fund to fund operations and capital as necessary in future years. The 2019 cash balance is also projected to have a similar decline of \$6.8 million from \$12.2 million in 2018 to a projected \$5.4 million in 2019.

ARENA SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal quarter ending September 30, 2019

	2019				2018 Actual
	Budget	Actual	Percent of Total	Year End Projection	
REVENUES					
Rents & Commissions	1,490,509	1,490,509	100%	1,490,509	1,461,284
Interest	89,768	229,720	256%	290,000	191,574
Total revenues	1,580,277	1,720,229	109%	1,780,509	1,652,858
EXPENDITURES					
Target Center Operations	1,949,985	1,099,847	56%	1,949,985	1,884,522
Target Center Capital	9,244,083	2,391,891	26%	8,244,083	1,316,786
Total Expenditures	11,194,068	3,491,738	31%	10,194,068	3,201,309
Excess of Revenues Over (Under) Expenditures	(9,613,791)	(1,771,509)	18%	(8,413,559)	(1,548,451)
OTHER FINANCING SOURCES (USES):					
Transfer to Downtown Assets	(2,757,000)	(2,757,000)	100%	(2,757,000)	-
Transfer From Municipal Parking Enterprise Fund	4,383,188	3,287,250	75%	4,383,188	4,158,435
Total other financing sources (uses)	1,626,188	530,250	33%	1,626,188	4,158,435
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(7,987,603)	(1,241,259)		(6,787,371)	2,609,984
Fund Balance - January 1	10,536,647	10,536,647		10,536,647	8,663,978
Ending Fund Balance	2,549,045	9,295,388		3,749,276	10,536,647
Ending Cash Balance		10,345,935		5,367,965	12,155,336

Downtown Assets Special Revenue
Including the Downtown Assets, Peavey Plaza, and Commons Funds
For the Third Quarter Ending September 30, 2019

The Downtown Assets Fund is a new special revenue fund created in 2018. The purpose of this fund is to:

- clearly delineate the uses of local sales, liquor, lodging, restaurant, and entertainment taxes;
- provide stable, predictable ongoing support from these taxes to the General Fund; and,
- support the comprehensive management of the City's four primary downtown revenue-generating capital assets.

This umbrella fund holds the operating and debt service funds which support the Minneapolis Convention Center, the Arena Reserve Fund (Target Center), the Downtown Commons, and Peavey Plaza. Though each of these funds holds a cash balance to its own, all cash balances are available to support any expense within the fund. Receipts to the fund are largely made up of local taxes, but may also include funds from private donations or the State to support capital improvements. The Convention Center department is responsible for management of operations within the fund. Revenues and expenditures for the Convention Center and Target Center are discussed in those funds' respective quarterly reports.

Revenue

Downtown Assets Fund revenues are budgeted at approximately \$88.8 million in 2019. The overwhelming majority of revenues come from local taxes (including sales, liquor, lodging, restaurant, and entertainment). Minneapolis local taxes are expected to finish at \$88.5 million which is \$100,000 over budget based on 2019 tax collection trends. The 2019 local taxes have been rebounding from trending under budget in Q1 and Q2. The projected \$88.5 million is \$1.3 million under 2018 which was the year the City hosted Super Bowl LII. Legislation was recently passed which increases the City's logging tax from 2.125% to 3.0%. This change is effective October 1st 2019. The Downtown Assets Funds are also earning interest revenue from cash balances within the funds. Interest earnings are projected to be \$345,000 which is \$69,000 under budget based on interest earnings on cash investments and cash inflows and outflows through 2019.

Expenditures

Capital expenditures within the fund include a \$4.0 million rollover from 2018 of obligated and unspent funds to complete the renovation of Peavey Plaza. There hasn't been any expenses through September 30, 2019 against the \$4.0 million Peavey Plaza renovation budget, but it is anticipated that nearly \$3.3 million will be expensed in October with the completion of the project. Public Works accounting will determine before the 2019 year-end close how much more is needed, potentially up to the full budget amount. Also included are operating budgets for the Downtown Assets, Peavey Plaza, and the Commons. The \$350,000 Downtown Assets Fund operating budget is expected to go \$289,000 over budget as the result of NCAA Final Four expenses, and the Peavey Plaza operating budget of \$574,000 is projected to finish at \$374,000 which is \$200,000 under budget. Peavey Plaza's operating budget includes operating expenses related to the renovation, maintenance of Peavey Plaza, monthly electricity bills, in addition to \$17,000 for special assessments. The \$814,000 Commons operating budget is also projected to finish at budget and includes \$750,000 related to the maintenance of the Downtown Commons, in addition to \$64,000 to cover payments for special assessments.

Transfers

Budgeted transfers include nearly \$31.5 million to the General Fund, \$59.5 million to the Convention Center Fund to fund debt service, capital, and operating expenses; and nearly \$5.7 million to the Arena Special Revenue Fund (Target Center) for building debt service. In addition, there is a new one-time 2019 transfer of \$2.8 million from the Arena Special Revenue Fund to the Downtown Assets Fund. This transfer was made to reduce cash within the Arena Special Revenue Fund as it is managed under the Downtown Assets “umbrella.”

Fund and Cash Balances

The Downtown Assets Funds were new in 2018 and began the year with no fund or cash balances. At the end of 2018, the Downtown Assets Funds had a fund balance of nearly \$26.0 million, and a cash balance of nearly \$16.2 million which were primarily generated from the City’s local taxes (sales, liquor, lodging, restaurant, and entertainment). The 2019 Downtown Assets Funds, fund and cash balances are projected to finish at \$15.0 million and \$5.3 million respectively. The \$10.9 million reduction of both fund and cash balances from 2018 are primarily the result of a significantly higher 2019 transfer from the Downtown Assets Special Revenue Fund to the Convention Center Special Revenue Fund.

DOWNTOWN ASSETS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the fiscal quarter ending September 30, 2019

	2019				
	Budget	Actual	Percent of Total	Year End Projection	2018 Actual
REVENUES					
Local Taxes	88,399,682	55,882,152	63%	88,500,000	89,794,208
Interest Revenue	414,066	276,461	67%	345,000	86,197
Total Revenues	88,813,748	56,158,613	63%	88,845,000	89,880,405
EXPENDITURES					
Downtown Assets Operating	350,000	639,262	183%	639,262	-
Peavey Plaza Operating	573,769	148,409	26%	374,000	174,133
Peavey Plaza Capital	3,992,235	-	-	3,992,235	7,765
Commons Operating	814,098	814,098	100%	814,098	839,199
Total Expenditures	5,730,102	1,601,769	28%	5,819,595	1,021,096
Excess of Revenues Over (Under) Expenditures	83,083,646	54,556,844	66%	83,025,405	88,859,309
OTHER FINANCING SOURCES (USES)					
Transfer From Other Special Revenue Fund	2,757,000	2,757,000	100%	2,757,000	-
Transfer from Downtown Assets 01700	-	-	-	-	5,150,000
Transfer from Capital Arbitrage Net Debt Bonds	-	-	-	-	420,000
Transfer to City General 00100	(31,462,000)	(23,596,497)	75%	(31,462,000)	(30,850,000)
Transfer to Downtown Assets 01700	-	-	-	-	(5,150,000)
Transfer to Convention Center	(59,520,000)	(44,640,000)	75%	(59,520,000)	(26,811,000)
Transfer to Other Debt Service Funds	(5,696,585)	(1,335,793)	23%	(5,696,585)	-
Transfer to Other Debt Service Funds	-	-	-	-	(5,661,000)
Total other financing sources (uses)	(93,921,585)	(66,815,290)	71%	(93,921,585)	(62,902,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(10,837,939)	(12,258,446)	113%	(10,896,180)	25,957,309
Fund Balance - January 1	25,957,309	25,957,309		25,957,309	-
Ending Fund Balance	15,119,370	13,698,863		15,061,129	25,957,309
Ending Cash Balance		13,726,371		5,264,849	16,161,029

City of Minneapolis
Police Special Revenue Fund
For the Third Quarter Ending September 30, 2019

Background

The Police Special Revenue Fund accounts for the City's revenues and expenses related to federal and state administrative forfeitures, lawful gambling, non-emergency service contracts, Automated Property System, and the Workforce Director scheduling and payroll system. The Automated Property and Workforce Director systems are proprietary software systems that are owned and managed by the City of Minneapolis and recovers expenses from user agreements with other governmental and non-governmental entities.

The non-emergency service contracts are typically entered into by the City of Minneapolis Police Department and an external entity usually located within the City of Minneapolis. The Police provide non-emergency services for sporting events, concerts, or extra presence at designated facilities or geographic areas.

Periodically, City departments (frequently Public Works) contract with Police to provide additional services at a desired location(s). The Police Special Revenue Fund is also used to account for revenues and expenses associated with these types of contracts.

Historical Financial Performance

The accumulated fund balance for year end 2018 is \$2.4 million compared to 2017 fund balance of \$2.6 million. The decrease in fund balance was primarily due to refund of accumulated charitable gambling fund balance of \$224,000 to charitable gambling organizations as required by the state

Revenues

Revenues for the Police Special Revenue Fund decreased from \$2.9 million in 2017 to \$2.7 million in 2018. Decrease was primarily due to decrease in forfeiture revenue from \$493,000 in 2017 to \$281,000 in 2018. Forfeiture revenue is erratic and receipt of proceeds is contingent on settlement of cases which could take years to settle.

The total revenue budgeted for 2019 remained flat at \$2.6 million compared to 2018. Through the second quarter of 2019, revenue received of \$1.8 million is slightly less than the \$1.9 million received through the third quarter of 2018. The projected 2019 year-end revenue is \$2.7 million compared to budgeted revenue of \$2.6 million. Increase is predominately due to receipt of federal forfeiture funds of \$296,000. Federal forfeiture proceeds received fluctuate from year to year, is contingent on settlement of cases which take years and isn't budgeted for as required by federal forfeiture guidelines. The increase in forfeiture revenue is offset by decrease in APS revenue.

Expenditures

Overall expenditures for the Police Special Revenue Fund remained flat at \$2.8 Million in 2018 compared to 2017. However, contractual services increased by \$355,000 from 2017 to 2018 primarily due to refund of accumulated charitable gambling fund balance of \$224,000 to charitable gambling organizations as required by the state of Minnesota. The increase was offset by decrease of \$261,000 in personnel services and \$58,000 in fringe expenses primarily due to conversion of non-emergency service perimeter contract at US Bank Stadium (Vikings) to Officer off-duty work.

Through the third quarter of 2019, \$1.8 million has been expended compared to \$2.2 million through the third quarter of 2018. The decrease in spending is predominately due to overtime cost associated with Super Bowl which was held in Minneapolis in 2018. The projected 2019 year-end expenditures are \$2.6 million compared to budgeted expenditures of \$2.6 million. However, purchase of equipment (capital outlay) is expected to increase by \$220,000 and contractual services associated with the Automated Property and Workforce Director systems are expected to increase by \$226,000. These increases are offset by decrease in personnel and fringe expenditures due to discontinuation of the Detox van contract (\$198,000) and decrease in number of hours worked at various stadium including the US Bank Stadium by \$156,000. Remaining differences is due to rounding.

Cash and Fund Balance

The accumulated fund balance for year ending 2018 is \$2.4 million compared to 2017 fund balance of \$2.6 million. The decrease was predominately due to refunding of accumulated charitable gambling fund balance of \$224,000 to charitable gambling organizations as required by the state.

The cash balance for year end 2018 remained flat at \$2.2 million compared to 2017. However, Accounts Receivable balance decreased from \$600,000 in 2017 to \$400,000 in 2018 and the decrease was offset by net excess expenditures over revenue of \$138,000. Remaining differences is due to rounding.

The cash balance as of September 30th, 2019 is \$2.4 million compared to cash balance of \$2.1 million as of September 30th, 2018. The increase is predominately due to decrease of accounts receivable balance from \$354,000 as of September 30th, 2018 to \$274,000 as of September 30th, 2019. The remaining differences is due to excess revenue over expenditures in 2019 of \$40,000; increase in accounts payable liability from \$111,000 as of September 30th, 2018 to \$164,000 as of September 30th, 2019; and excess revenue over expenditures of \$168,00 in 4th quarter of 2018 which resulted in a reduction of overall 2018 shortage revenue over expenditures to \$138,000 in 2018. Remaining differences due to rounding.

City of Minneapolis
Police Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For Third Quarter/Years 2019, 2018 and 2017

	Budget Current Year 2019	Projected Year Ending 2019	For Period Ending 9/30/2019	For Year Ending 2018	For Period Ending 9/30/2018	For Year Ending 2017	For Period Ending 9/30/2017
Revenue							
Charges for Services and Sales	2,032,743	1,782,487	965,719	2,175,449	1,415,633	2,226,795	1,639,186
Fines and Forfeits	338,000	653,403	653,403	281,224	284,204	492,508	500,074
Miscellaneous	-	-	-	-	-	2,636	-
Taxes	231,000	243,280	182,461	255,846	163,571	223,746	145,701
Total Revenue	2,601,743	2,679,170	1,801,582	2,712,519	1,863,408	2,945,685	2,284,960
Expenditures							
Capital Outlay	14,000	233,931	161,431	40,246	40,246	21,748	83,822
Contractual Services	487,267	713,086	534,814	1,008,648	727,118	654,036	484,131
Fringes	341,940	323,416	198,687	309,487	264,258	365,230	235,263
Materials / Other	286,726	274,813	189,245	250,984	166,162	254,646	173,969
Personal Services	1,471,810	1,096,717	674,188	1,241,315	971,996	1,502,765	1,056,505
Total Expenditures	2,601,743	2,641,963	1,758,366	2,850,681	2,169,780	2,798,425	1,949,869
Excess of Revenues Over (Under)							
Expenditures	-	37,207	43,216	(138,162)	(306,372)	147,260	335,092
Significant Balance Sheet Items							
Cash Balance	2,223,773	2,274,952	2,404,704	2,237,746	2,061,066	2,223,773	2,287,404
Fund Balance	2,586,111	2,485,156	2,491,165	2,447,949	2,279,739	2,586,111	2,773,943

City of Minneapolis
NCR Special Revenue Fund
For the Third Quarter Ended September 30, 2019

Neighborhood and Community Relations Special Revenue Fund

The Neighborhood & Community Relations (NCR) Special Revenue Fund accounts for neighborhood revitalization efforts within the City and is funded by the revenues of the Consolidated Redevelopment Tax Increment Financing District. The district was established pursuant to special legislation adopted in 2008, and must be decertified no later than December 31, 2020. The tax increment revenue generated by the district, for neighborhood revitalization purposes, may be spent anywhere within the City of Minneapolis. The Fund is used primarily for community engagement and neighborhood-based initiatives, as well as a portion of the NCR administrative costs.

Historical Financial Performance

This fund was established in 2011. Growth in the fund was impacted by the two year hiatus on tax increment collection. The City decided to reduce property tax levies in 2012-2013 by using reprogrammed NRP resources to fund neighborhood revitalization services for these two years and reduce the captured value of the Consolidated TIF District. As of 2014, the captured value of the district was restored to the amount provided in the original plan.

Revenues

The Consolidated Redevelopment Tax Increment Financing District Fund will transfer \$3.4 million to the NCR Special Revenue Fund for the first half of 2019, and \$3.4 million more in the second half of 2019. No variance from this schedule is projected and the total \$6.8 million transfer will occur as budgeted.

Expenditures

The expenditures from this fund through the third quarter of 2019 are approximately \$5.2 million for the community engagement and neighborhood based activities and total projected expenditures are \$6.9 million in 2019. The total budget is also \$6.9 million.

Fund Balance

The Fund balance projection for 2019 year-end is \$3.3 million based on the current activities.

City of Minneapolis
NCR Special Revenue Fund : 01800
Statement of Revenues, Expenditures and Changes in Fund Balance
For Years, 2019, 2018, and 2017

	Budget Current Year 2019	Projected Year Ending 2019	For Period Ending 9/30/2019	For Year Ending 2018	For Period Ending 9/30/2018	For Year Ending 2017
Revenue						
Special Assessments						
Loan Recapture		-	-	1,662	1,662	-
Other						
Total Revenue	-	-	-	1,662	1,662	-
Expenditures						
Neighborhood Community Relations	6,882,605	6,898,112	5,173,584	6,708,537	4,912,307	6,897,239
Total Expenditures	6,882,605	6,898,112	5,173,584	6,708,537	4,912,307	6,897,239
Excess of Revenues Over (Under) Expenditures	(6,882,605)	(6,898,112)	(5,173,584)	(6,706,875)	(4,910,645)	(6,897,239)
Other Financing Sources (Uses)						
Net transfers in from other funds	6,882,605	6,882,605	3,441,303	6,682,141	3,341,071	6,487,516
Net transfers out to other funds						
Total Other Financing Sources (Uses)	6,882,605	6,882,605	3,441,303	6,682,141	3,341,071	6,487,516
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(15,507)	(1,732,282)	(24,734)	(1,569,574)	(409,723)
Significant Balance Sheet Items:						
Cash Balance		3,529,278	1,646,584	3,544,785	1,778,586	3,507,408
Fund Balance		3,265,715	1,548,940	3,281,222	1,736,382	3,305,956

City of Minneapolis
Regulatory Services Special Revenue Fund
For the Third Quarter Ending September 30, 2019

Background

The Regulatory Services Special Revenue Fund accounts for the City's nuisance building abatement efforts, and is primarily managed by the Regulatory Services Department with the assistance of the Finance & Property Services Department. The Fund is used for the abatement of buildings that have been deemed to be in nuisance condition pursuant to Chapter 249 for removal of nuisance conditions. Property owners are charged to recover the costs of these activities and all recovered costs are credited back to this fund. The majority of revenue in the fund is received from Special Assessments paid with property taxes twice annually. In 2013 the Construction Code Services division of Regulatory Services was transferred to Community Planning and Economic Development (CPED). However, for 2019, CPED transferred their spending to the General Fund, and Regulatory Services is responsible for spending and revenue in this fund.

Historical Financial Performance

The City established this fund in 2008. Through 2013 it accumulated a fund balance of \$5.5 million. This balance was the result of various initiatives in previous years and the availability of grant funds to pay for certain eligible expenses. These two revenue sources were not ongoing, leaving special assessments and direct property owner charges as the only sources of revenue for this fund. Fund balance has been declining in recent years. Anticipation going forward is for revenue to continue to contract, thereby reducing fund balance.

Revenue

The majority of revenue in this fund comes from homeowner citations, paid directly or through Special Assessments. Vacant building registration fees is another source of income for the fund. The total revenue budgeted for 2019 is \$2.6 million; \$2.3 million of this is from special assessments. Through the third quarter of 2019 \$1,162,000 in revenue had been received compared to \$1,468,000 in September of 2018, a small decrease. A change to a billing cycle for Vacant Building Registrations in 2018 had a one-time negative impact on that revenue source. The 2019 year-end revenue projection is \$2 million, or approximately \$600,000 under budget.

Expenditures

Expenditures for the Regulatory Services Special Revenue Fund include services such as demolitions, board-ups, nuisance grass cutting, nuisance tree removals, and nuisance rubbish removal. Through the third quarter of 2019, \$2.9 million had been expended as compared to \$3.0 million in 2018. The projected 2019 year-end expenditures are \$4.0 million, which is \$439,000 under budget.

Transfers

In 2019, a one-time budget transfer of \$800,000 from the general fund is a new funding source.

Cash and Fund Balance

Fund balance projections depend upon revenue receipts. The Fund Balance for 2019 was budgeted to decrease by \$964,000. Cash balance and fund balance are both projected to decrease by \$1.1 million in 2019, resulting in ending balances of \$0.9 million and \$0.8 million respectively.

City of Minneapolis
Regulatory Services Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For Third Quarter/Years 2019, 2018, and 2017

	Budget Current Year 2019	Projected Year Ending 2019	For Period Ending 9/30/2019	For Year Ending 2018	For Period Ending 9/30/2018	For Year Ending 2017	For Period Ending 9/30/2017
Revenue							
Permits and Charges for Services	279,174	101,999	88,604	282,486	178,794	116,935	80,975
Special Assessments	2,348,000	1,924,000	1,073,788	2,046,964	1,236,995	2,848,293	1,890,591
Other	-	-	-	48,188	52,678	106,151	31,150
Total Revenue	2,627,174	2,025,999	1,162,392	2,377,638	1,468,466	3,071,379	2,002,716
Expenditures							
Regulatory Services	4,391,052	3,952,088	2,935,402	3,835,768	2,875,588	3,904,228	3,075,226
Community & Economic Development	-	-	-	108,044	98,820	238,641	207,239
Total Expenditures	4,391,052	3,952,088	2,935,402	3,943,812	2,974,408	4,142,869	3,282,465
Excess of Revenues Over (Under) Expenditures	(1,763,878)	(1,926,089)	(1,773,010)	(1,566,174)	(1,505,942)	(1,071,490)	(1,279,749)
Other Financing Sources (Uses)							
Net transfers in from other funds	800,000	800,000	400,000	-	-	-	-
Net transfers out to other funds	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	800,000	800,000	400,000	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing	(963,878)	(1,126,089)	(1,373,010)	(1,566,174)	(1,505,942)	(1,071,490)	(1,279,749)
Significant Balance Sheet Items:							
Cash Balance	1,079,712	917,501	670,580	2,043,590	2,025,719	3,531,661	2,975,294
Fund Balance	1,004,851	842,640	595,719	1,968,729	2,028,961	3,534,903	2,895,036

SPECIAL REVENUE FUNDS
Federal, CDBG, and Other State and Local Grants
Quarter Ending September 30, 2019

The City receives a number of federal and state grants that are recorded in the Federal (01300), HUD Consolidated Plan (01400 & 01500), and Grants Other (01600) funds. These grants have varying grant periods and are used for a broad range of purposes. Since the City records its financial information on a modified accrual basis, the timing of cash receipts can result in grant funds reflecting a deficit cash balance throughout the year. For annual reporting purposes, cash deficits are eliminated through inter-fund borrowing.

Federal Grants Fund (01300)

The City accounts for its federal grant activity in fund 01300. As of September 30, 2019, expenditures were \$7,944,915 compared to the 2018 expenditures of \$9,170,621. The decline in federal expenditures of \$1,225,706 has a few contributing factors. Health Department spending decreased \$675,914 which is primarily related to a decline in CDC and Lead Hazard Control grants from the prior years. CPED spending decrease of \$957,483 is primarily related to a rearrangement of grant expenditures between funds 01300 and 01400. Police and Emergency Management had experienced increase grant activity that helped to partially offset the decrease.

The federal grants fund includes other sources of federal revenue in support of the Police Department task force activities. Police receive reimbursement from the Alcohol Tobacco and Firearms (ATF), Drug Enforcement Administration (DEA), Federal Bureau of Investigations (FBI), and other task forces to reimburse the City for some of the overtime costs associated with officers that work on specific task forces.

HUD Consolidated Plan Funds (01400 & 01500)

The Community Development Block Grant (CDBG) is the City's largest single grant and is accounted for in fund 01400 along with two other Housing and Urban Development (HUD) Programs, the Emergency Solutions Grant Program (ESG) and Housing Opportunities for Persons with AIDS (HOPWA). HOME Investment Partnerships Program, HOME program is accounted for in fund 01500 and the combined amounts are presented in the schedule. The HUD Consolidated Plan program year is from June 1 to May 31. The CDBG awards had declined until 2012 and since has remained around \$10 million. The combined HUD Consolidated Plan allocation for 2019 was over \$16 million approximately equivalent to the 2018 allocation. HUD grant expenditures as of September 30 were \$10,638,204 compared to \$11,707,259 for 2018. Variances in expenditures between years are not uncommon due to the nature and timing of larger CPED projects.

In 1990, the Council committed \$7,791,856 of CDBG funds for the redevelopment of Block E. As this commitment was not offset with reductions in other CDBG funded projects, the City over-committed its CDBG Allocation. The City has been able to remain within its cumulative allocation because it continues to receive CDBG funding each year. However, should the CDBG funding cease, the over-commitment of funds will become apparent and other sources will be required to cover the funding shortfall. The City has previously reprogrammed unspent CDBG project

balances to offset the Block E deficit. Through City Council approved reprogramming and in accordance with the 2008 reprogramming policy \$3,554,403 was applied to reduce the deficit. During the 2014 budget process, eligible tax increment revenues were identified to pay down this remaining deficit in 2015 and future years. Through December 31, \$750,000 of eligible tax increment revenues had been transferred into fund 01400 to reduce the deficit to a remaining balance at year-end of \$3,487,453. In the first quarter of 2019, \$3,487,453 was transferred to the CDBG fund 01400, to eliminate the balance of the Block E deficit.

Grants Other Fund (01600)

The fund is used to account for non-federal grants and other restricted revenue sources. The expenditures as of September 30, 2019 are \$17,270,363 compared to the 2018 expenditures of \$12,930,842. The increase in 2019 expenditures is \$4,339,521 and primarily relates to an increase in CPED spending related to affordable housing development costs of \$3,146,579 and employment and training costs of \$304,942. The Health Department program spending also increased by \$582,606.

The revenue in the fund as of September 30, 2019 and 2018 is \$20,321,909 and \$16,750,365, respectively. As most grants in fund 01600 are on a cost reimbursement basis, when there is an increase in expenditures there is a related increase in grant revenues. The increase in revenue of \$3,571,544 is lower than the change in expenditures of \$4,339,521 and primarily relates to the timing differences between when the expenditures are incurred and the receipt of revenue on cost reimbursement grants.

Capital Grants

In addition to the grants that are recorded in the funds reflected above, the City's Department of Public Works receives various grants through the Federal Government, Minnesota Department of Transportation, Metropolitan Council, and Hennepin County. These grants are generally recorded in Fund 04100, the Permanent Improvement Capital Projects fund.

**Special Revenue Funds
Grant Funds
Quarter Ending September 30, 2019**

	Federal Grants 01300	HUD Grants 01400 & 01500	Grants Other 01600	Total
Assets				
Cash and Cash Equivalents	\$ (1,529,192)	\$ (1,661,341)	\$ 5,939,649	\$ 2,749,116
Accounts - net	14,238	7,308	200	21,746
Intergovernmental Receivables	29,884	-	-	29,884
Properties Held for Resale	872,600	6,213,060	1,199,750	8,285,410
Total Assets	\$ (612,470)	\$ 4,559,027	\$ 7,139,599	\$ 11,086,156
Liabilities				
Salaries Payable	\$ 50,549	\$ 20,470	\$ 70,745	\$ 141,764
Accounts Payable	138,890	100,756	100,896	340,542
Use Taxes Payable	11	-	(148)	(137)
Deferred Revenue and Contracts	354,150	-	76,076	430,226
Deferred Special Assessments	-	-	-	-
Total Liabilities	\$ 543,600	\$ 121,226	\$ 247,569	\$ 912,395
Fund Balance	\$ (1,156,070)	\$ 4,437,801	\$ 6,892,030	\$ 10,173,761
Total Liabilities and Fund Balance	\$ (612,470)	\$ 4,559,027	\$ 7,139,599	\$ 11,086,156
Revenue				
Taxes-Charitable Gambling	\$ -	\$ -	\$ 170,462	\$ 170,462
Grants and Shared Revenues	5,217,610	3,597,995	14,707,408	23,523,013
Special Assessments	-	-	5,141	5,141
Private Grants and Contributions	-	-	3,962,267	3,962,267
Charges for Services	7,868	29,395	864,711	901,974
Interest	-	188,567	-	188,567
Rent & Commissions	-	81,571	-	81,571
Sale of Lands & Buildings	142,193	921,761	-	1,063,954
Loan Recapture	298,574	1,073,507	-	1,372,081
Miscellaneous Revenue	-	(517,302)	607,420	90,118
Transfer to Special Revenue Fund	-	3,487,453	4,500	3,491,953
Total Revenue	\$ 5,666,245	\$ 8,862,947	\$ 20,321,909	\$ 34,851,101
Expenditures	\$ 7,944,915	\$ 10,638,204	\$ 17,270,363	\$ 35,853,482
Revenues Over (Under) Expenditures	\$ (2,278,670)	\$ (1,775,257)	\$ 3,051,546	\$ (1,002,381)

City of Minneapolis
Community Planning & Economic Development (CPED)
Special Revenue Funds
For the Third Quarter Ending September 30, 2019

<u>Programs</u>	<u>Current Budget</u>	<u>Expended to Date</u>	<u>Remaining Budget</u>	<u>Cash</u>	<u>Fund Balance</u>
Tax Increment Financing	\$ 89,146,632	\$ 52,322,915	\$ 36,823,717	\$ 112,894,743	\$ 137,984,756
Housing & Economic Development	23,513,149	7,706,643	15,806,506	13,483,465	19,413,861
General Development	33,794,698	11,532,246	22,262,452	38,181,969	44,418,650
Neighborhood Development	4,150,000	3,661,085	488,915	31,497,768	31,749,391
CPED Operating	1,447,666	1,447,517	149	2,933,065	2,067,439
Total	\$152,052,145	\$ 76,670,406	\$ 75,381,739	\$ 198,991,010	\$ 235,634,097

CPED Special Revenue Funds account for governmental funds that are legally restricted to expenditures for specific purposes in a number of housing and economic development programs. The programs that are operated within these funds were established to increase the City’s economic competitiveness, ensure an array of attractive housing choices, support strong and diverse neighborhoods, and preserve historic structures. These programs are funded primarily through state and local grants, tax increment financing (TIF), and administrative fees collected from the issuance of housing and economic development revenue bonds. All special revenue funds are restricted to the legal purposes of the special revenue they contain.

Fund Balance. The combined fund balance of the CPED Special Revenue Funds at the end of the third quarter 2019 was \$235.6 million. Fund balances are considered either “restricted” or “assigned”. The combined fund balance of the NRP and TIF programs was \$169.7 million, and all of this fund balance is considered restricted. The combined fund balance of the Housing & Economic Development, General Development, and CPED Operating programs was \$65.9 million.

Cash Balance. The combined cash balance of the CPED Special Revenue Funds at the end of the third quarter 2019 was \$199.0 million. This was \$4.6 million higher than at the end of the third quarter 2018. The combined cash balance in the TIF and NRP programs at the end of the third quarter 2019 was \$144.4 million (72.56% of the total).

Tax Increment Financing. This program accounts for financial resources that are used for the acquisition and improvement of land and buildings in designated areas of the City. Authorized under the TIF Act (Minnesota Statutes, Section 469.174–469.1799, as amended), this is a major financing tool available to the City to assist with the development and redevelopment of property within the City that would not occur “but for” the use of this tool.

The primary source of revenue for this program is tax increment, which is comprised of property taxes generated from the new incremental value of specific development. Generally, this revenue is used to pay outstanding TIF bonds, notes and loans. Tax increment revenues of the program are segregated by TIF district and must be spent according to the provisions of the TIF Act.

Cash at the end of the third quarter 2019 was \$112.9 million, which was \$2.8 million less than cash at the end of third quarter 2018. Third quarter 2019 revenues came in at \$36.7 million, which was \$1.6 million higher than in 2018. Third quarter 2019 expenditures were \$19.1 million, which was \$4.3 million higher than in 2018. In the third quarter of 2019 revenue exceeded expenditures by \$17.6 million, net transfers out were \$32.8 million, and fund balance decreased by \$15.2 million from \$153.1 million to \$138.0 million.

Housing & Economic Development. Prior to 2014, Housing and Economic Development program activities were generally funded by administrative fees generated through the City’s issuance of conduit debt (e.g.

housing revenue bonds, industrial development revenue bonds, etc.). Since 2014, these activities have been largely funded through the City's General Fund where these administrative fees are now deposited.

Cash at the end of the third quarter 2019 was \$13.5 million, which was \$3.9 million higher than cash at the end of third quarter 2018. Third quarter 2019 revenues were \$1.3 million, which was approximately \$0.8 million higher than in 2018. Third quarter 2019 expenditures were \$7.4 million, which was \$5.2 million higher than in 2018.

General Development. This program provides loans and grants to outside organizations to assist with housing and economic development activities within the City, as well as providing interim loans to specific CPED projects. This program is capitalized with land sale proceeds, parking revenues, rental income from development projects, and loan payments that are not part of the Housing and Economic Development program.

Cash at the end of the third quarter 2019 was \$38.2 million, which was \$2.8 million higher than cash at the end of third quarter 2018. Third quarter 2019 revenues were \$12.3 million, which was \$7.3 million higher than in 2018. Third quarter 2019 expenditures were \$4.0 million, which was \$0.4 million less than in 2018.

Neighborhood Revitalization Program. This program was established in 1990 and focuses on the delivery of City services, including housing and economic development loans and grants to individual neighborhoods based on the priorities set by the people who live and work in those neighborhoods.

The program is funded from tax increment and other revenues of the City's Common Project. From 1990 through 2011 this program was administered by the NRP Policy Board. This board was established under State law, and operated pursuant to a joint powers agreement between the City, County, School District, Park Board and Library Board. After the joint powers agreement expired in 2012 the program came under the management of the City's Neighborhood and Community Relations (NCR) Department. The revenues remaining in this program are restricted in their use by State law.

Cash at the end of the third quarter 2019 was \$31.5 million, which was \$0.8 million less than the cash in third quarter 2018. Third quarter 2019 revenues were \$2.1 million, which was \$1.5 million less than in 2018. Third quarter 2019 expenditures were \$3.2 million, which was \$0.2 higher than in 2018.

CPED Operating. This program provides the working capital for CPED's administrative costs. The program also provides financing for projects that are not eligible for CPED's restrictive revenue sources.

At the end of 2011, a large negative fund balance existed in this program. As part of the 2012 budget process, CPED directors developed and approved a five-year deficit work-out plan. The negative fund balance was to be eliminated over a five-year work-out period (2012-2017). In each year, available unrestricted CPED revenues are used to pay 20 percent of the original negative fund balance plus the actual deficit (expenditures over revenues) from the prior year.

As an example, a \$5.0 million negative fund balance in the program would be eliminated by paying \$1.0 million (20%) each year plus the actual deficit from the prior year. So if the prior year deficit was \$350,000, the annual deficit reduction payment would be \$1,350,000. After the five-year period, the only deficits remaining would be from the current year. In the second quarter of 2017 the final payment was made under this work-out plan.

At the end of the third quarter 2019, this program had a fund balance of \$2.1 million and a cash balance of \$2.9 million. Expenditures during this period exceeded revenues by \$0.8 million, and there were no transfers from/to other funds.

CPED Special Revenue Fund Component Programs
Financial Statement Summaries
3rd Quarter 2019

CPED Special Revenue Fund	TIF	Housing & Econ Development	General Development	NRP	CPED Operating	Spec Rev Fund Comparison	
						Q3 2019 Total	Q3 2018 Total
Assets							
Cash	112,894,743	13,483,465	38,181,969	31,497,768	2,933,065	198,991,010	194,403,547
Misc receivables	53,808	-	16,462	422	4,590	75,282	274,345
Loans receivable	-	6,227,182	-	-	-	6,227,182	6,227,182
Advances to other funds	522,782	-	2,750,000	-	-	3,272,782	3,308,527
Properties held for resale	25,083,932	5,932,281	3,486,770	251,202	-	34,754,185	33,618,399
Total Assets	138,555,265	25,642,928	44,435,201	31,749,391	2,937,655	243,320,441	237,832,000
Liabilities							
Payables	4,196	1,053	16,551	-	142	21,942	62,185
Advances from other funds	522,782	-	-	-	-	522,782	558,527
Deposits held for others	-	832	-	-	907,671	908,503	765,116
Deferred inflow of resources	43,531	6,227,182	-	-	(37,597)	6,233,116	6,449,901
Total Liabilities	570,509	6,229,067	16,551	-	870,216	7,686,343	7,835,729
Total Fund Balance	137,984,756	19,413,861	44,418,650	31,749,391	2,067,439	235,634,098	229,996,271
Total Liabilities & FB	138,555,265	25,642,928	44,435,201	31,749,391	2,937,655	243,320,441	237,832,000
Revenue							
Property tax increment	33,640,738	-	-	-	-	33,640,738	32,139,729
Fees & charges for services	2,524	365,159	336,427	-	563,169	1,267,280	968,614
Interest revenue	2,305,647	261,988	882,453	670,017	132,389	4,252,494	2,713,101
Rent	220,963	4,639	16,220	-	-	241,822	1,590,980
Sale of land & buildings	107,876	169,101	10,147,171	-	-	10,424,149	3,507,078
Loan recapture	393,940	496,987	945,718	1,455,885	-	3,292,529	3,972,718
Total revenue	36,671,689	1,297,874	12,327,989	2,125,901	695,558	53,119,011	44,892,220
Expenditures							
Personal services	547,880	-	1,046,363	-	1,199	1,595,442	960,960
Contractual services	719,195	547,575	1,020,344	2,690,200	1,446,318	6,423,633	4,494,333
Other operating costs	24,089	46,110	485,262	-	-	555,461	651,911
Program capital outlay	17,787,189	6,782,958	1,480,280	500,916	-	26,551,345	19,588,146
Total expenditures	19,078,354	7,376,644	4,032,249	3,191,117	1,447,517	35,125,880	25,695,350
Transfers							
Transfers from other funds	493,251	12,353,250	-	690,524	-	13,537,024	22,999,801
Transfers to other funds(-)	(33,244,560)	(330,000)	(7,499,997)	(469,970)	-	(41,544,527)	(26,558,918)
Total transfers	(32,751,309)	12,023,250	(7,499,997)	220,554	-	(28,007,502)	(3,559,117)
Change in fund balance	(15,157,975)	5,944,480	795,743	(844,661)	(751,959)	(10,014,372)	15,637,753
Beginning fund balance	153,142,731	13,469,381	43,622,907	32,594,052	2,819,398	245,648,469	214,358,518
Ending fund balance	137,984,756	19,413,861	44,418,650	31,749,391	2,067,439	235,634,098	229,996,271

City of Minneapolis
Engineering, Materials, and Testing Fund
For the Third Quarter Ending September 30, 2019

Fund 06000	2019 Budget	09/30/2019 Actual	Projected YE 2019	2018 Actual
Operating Revenue	8,496,328	6,706,883	8,496,328	7,722,917
Operating Expense	8,486,528	5,571,036	8,486,528	7,526,985
Operating Margin	9,800	1,135,847	9,800	195,933
Change in Net Position	-	1,135,847	9,800	195,933
Net Position		1,555,847	429,800	420,000
Cash Balance		2,641,215	1,649,965	1,640,165

Program Description:

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, maintaining a laboratory for testing construction materials, performing geotechnical evaluations, and coordinating related environmental field services.

This fund generates revenue from testing and inspection services provided by the Engineering Laboratory and the sale of concrete and asphalt from outside vendors to other City departments. A cost allocation model determines product costs to allow the fund to generate revenues that match operating expenses. The Engineering Laboratory continually compares its rates with those of the private sector that provides comparable services. Historically, the Laboratory's hourly rate has been significantly lower than that of the private sector and generates adequate revenue to cover the fund's direct and indirect expenses.

Revenue:

Operating revenue earned through third quarter 2019 is \$6,706,883, or 78.9% of the budgeted amount of \$8,496,328. The 2019 third quarter revenue represents an increase of 13.9% over the third quarter 2018 revenue of \$5,890,377. Revenue (and expenses) for the year is dependent upon several factors such as weather as well as the timing of construction projects. These variables can result in substantial variances in the amount of revenue (and expenses) recorded through third quarter from year to year.

Expense:

Operating expense through third quarter 2019 is \$5,571,036, or 65.7% of the budgeted amount of \$8,486,528. The 2019 expense reflects a decrease of 1.4% over the 2018 expense of \$5,648,808 incurred through the same period. As noted above, expenses for the year are dependent upon several factors such as weather as well as the timing of construction projects.

Transfers:

This fund does not have any transfers in or out in 2019.

Debt Service:

This fund does not have any debt obligations.

Forecast:

The 2019 Operating revenue is projected to be the budgeted amount of \$8,496,328. Operating expense is projected to be the budgeted amount of \$8,486,528. These projections result in an increase of \$9,800 from the 2018 ending net position of \$420,000. The 2019 year-end cash balance is projected to be \$1,649,965, which is higher than the 2018 ending balance of \$1,640,165 due to revenues exceeding expenses.

Cash and Net Position

The 2019 third quarter cash balance is \$2,641,215, an increase of \$1,001,050 from the 2018 year-end balance of \$1,640,165. The increase in cash through third quarter is due to timing differences between the receipt and payment of invoices for asphalt and concrete and billing these purchases to other City departments. At September 30, 2019, the fund had an accrual of \$849,108 for September invoices for asphalt and concrete that was paid in October. Had these invoices been paid in September, the cash balance would be reduced to \$1,792,106. Financial policies for the cash reserve for the Engineering, Materials, and Testing Fund determine that the cash balance should not be less than 15.0% of the operating budget or \$1,272,979.

The 2018 year-end net position was \$420,000 which represents an increase of \$311,862 from the 2017 ending balance of \$108,138. The primary reason for this increase was due to the 2018 higher Operating Margin and due to the adjusting entry of 2018 GASB 68-pension expense. The financial policy for the net position for this fund determines that net position not be less than 15.0% of the annual operating budget or \$1,105,934 for the 2018.

City of Minneapolis
Fleet Services Internal Service Fund
For the Third Quarter Ending September 30, 2019

Fund 06100	2019 Budget	9/30/2019 Actual	Projected YE 2019	2018 Actual
Operating Revenue	38,203,822	30,352,107	40,452,399	38,212,203
Operating Expense	39,369,520	24,422,419	39,242,494	23,310,673
Operating Margin	(1,165,698)	5,929,688	1,209,905	14,921,530
Change in Net Position		5,948,782	8,850,218	7,708,723
Net Position		92,119,582	93,548,691	86,170,800
Cash Balance		31,475,915	27,068,387	26,006,698

Program Description:

The Fleet Services Fund manages the acquisition, maintenance and disposal of approximately 1,700 units of equipment; primarily the City's fleet of vehicles, including police cars, fire trucks, snow plows, sedans and pickup trucks along with off road equipment. This fund provides 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 Fleet Services Division assigns nearly all its fleet (base units) to City departments. The City departments are allocated a rental rate for these units that is calculated through an activity based cost allocation model and designed to capture the replacement cost of the vehicle. As of December 31, 2018, this fund's fleet of vehicles and equipment had an acquisition value of \$100.1 million and accounts for 64.2% of the net value of the long-term assets in this fund.

Revenue:

Operating revenue earned through third quarter 2019 is \$30,352,107 or 79.4% of the budgeted amount of \$38,203,822. The revenue earned through third quarter 2019 increased by \$193,247 or 0.6%, from the revenue earned through third quarter 2018. This increase is primarily due to an increase in rent expense offset by a decrease in maintenance operations revenue.

Expenses:

Operating expense through third quarter 2019 totaled 24,422,419 representing 62.0% of the annual budget of \$39,369,520. Expenses through the third quarter of 2019 increased \$1,742 or 0.1%, over the expense through the same period in 2018.

Transfers:

This fund receives a transfer in of \$316,893 from the Property Services Fund to pay a portion of the debt expense related to the Currie Maintenance Facility. Property Services included a portion of the debt expense in its rent cost allocation model to charge other City departments that are housed in the Currie facility for a portion of the debt.

For 2019 this fund also had a transfer out of \$1 million to the General Fund.

Debt Service:

This fund has no debt obligations in 2019. All debt obligations were repaid in full in 2018. Principal payments related to the general obligation bonds sold to finance the upgrade of fleet vehicles and the new maintenance facility totaled \$8,990,000 in 2018. Interest payments related to the 2018 debt were \$269,700.

Forecast:

Operating revenue is projected to be \$40,452,399 which is \$2,248,577 or 5.9% more than the budgeted amount of \$38,203,822. Projected revenue is more than budgeted primarily due to an increase in charges for contractual hired fleet and for rents related to owned fleet. Operating expense is projected to be \$39,242,494 which is \$127,026 or 0.3% less than the budgeted amount of \$39,369,520. After transfers are complete and non-operating revenue is recorded, an increase to net position of \$8,850,218 is projected compared to the budgeted increase of \$5,474,255 resulting in a projected ending net position of \$93,548,691. Ending cash is projected to be \$27,068,387, an increase of \$1,061,689 from the 2018 ending cash balance of \$26,006,698. The increase in cash is due to the timing of capital purchases, which vary from year to year based on a long-term replacement schedule which requires higher amounts of replacement in some years compared to others.

Cash and Net Position:

The fund has maintained a positive cash balance with a third quarter 2019 ending balance of \$31,475,915, a decrease of \$4,455,059 from the 2018 third quarter ending balance of \$35,930,974. Reserve policies for internal service funds determine that the minimum cash balance should be 15.0% of the fund's operating budget or \$3,589,459.

The projected net position for year ending 2019 is \$93,548,691 an increase of \$7,377,891, or 8.6% over the 2018 ending balance of \$86,170,800. The increase in net position is due to timing differences between the receipt of revenue collected to pay for replacement vehicles and the delivery and subsequent payment for the vehicles. Financial reserve policies for the internal service funds determine that the minimum net position for the Fleet Services Division Fund should be twice the estimated annual depreciation amount or \$17,600,000.

City of Minneapolis
Property Services Division
For the Third Quarter Ending September 30, 2019

Fund 06200	2019 Budget	09/30/2019 Actual	Projected YE 2019	2018 Actual
Operating Revenue	22,772,171	18,778,193	24,336,002	24,089,604
Operating Expense	23,153,697	19,178,059	31,134,000	21,809,075
Operating Margin	(381,526)	(399,866)	(6,797,998)	2,280,530
Change in Net Position		(733,405)	(7,789,082)	1,761,838
Net Position		31,247,203	24,191,526	31,980,607
Cash Balance		9,070,167	3,060,416	9,627,665

Program Description:

The Property Services Fund is responsible for the maintenance and upkeep of City-owned buildings including police precinct structures, fire stations, and public works buildings. The fund does not include the Convention Center, Water facilities, or Park Board buildings. The fund is also responsible for the Radio Shop which maintains the City's emergency communications network. Beginning in 2009, the Council approved a City-wide charge for City Hall rent. The Property Service fund collects the rental charge and remits it to the Municipal Building Commission (MBC) to reimburse MBC for maintenance and property management services. The 2019 revenue and expense budgets for the fund include \$5,256,017 to account for this flow-through rental charge. The City departments located in City Hall receive a General Fund appropriation to fund the charge for the rent.

Included in the Property Services Division is the Property Disposition Fund. This fund was created in section 14.120 of City Ordinance for the purpose of recording proceeds from the sale of City property. The ordinance did not specify the use of proceeds. Some of the proceeds were expended on capital projects upon City Council approval.

Revenue:

Property Services earns revenue through rent charged to departments housed in City owned buildings for property maintenance and by performing facility repairs and upgrades. Beginning in 2016, funding for City building capital repairs and upgrades is also managed through the rent allocation model. City departments that occupy City buildings are charged an additional rent to fund these projects. Previously, capital repairs and upgrades were funded through net debt bonds. The amount allocated annually for this purpose is \$4,000,000.

Operating revenue recorded through third quarter 2019 is \$18,778,193, or 82.5% of the budgeted amount of \$22,772,171. The 2019 third quarter revenue increases by \$732,975, or 4.1%, from the revenue earned through third quarter 2018. Through the third quarter of 2019, the revenue earned from charges for services at City Hall increased \$260,426, or 1.4% from the same period in 2018. Revenue received from charges for services, including operating repairs and upgrades, fluctuates based on the amount of discretionary spending available to departments and the timing of work done.

Expenses:

Operating expense through third quarter 2019 is \$19,178,059, or 82.83% of the total base budget amount of \$23,153,697. The 2019 third quarter expense increased \$3.2 million, or 19.9%, from the operating expense recorded through third quarter 2018. The 2019 increase is primarily due to increased expenses related to 2018 delayed projects which were rolled over to 2019. Expenses also fluctuate based on the amount of discretionary spending available to other departments and the timing of work done.

Transfers:

In 2019, this fund receives a transfer in from the General Fund totaling \$317,000, and \$500,000 from CPED which both support City Hall rent expense. The fund will also transfer out \$317,000 to the Fleet Services Division fund to assist with the debt related to the Currie Maintenance Facility; and a transfer out \$500,000 for the financing of the new PSC Loan. Property Services collects the Fleet Services payment of \$317,000 through the rent allocation model from City departments housed in Currie. The Fund also collects \$500,000 from CPED through rent model to finance the PSC Loan.

Debt Service:

There is no outstanding debt service for 2019.

Forecast:

2019 Operating revenue is projected to be \$24,336,002 or 6.9% more than the budgeted amount of \$22,772,171. The operating expense is projected to be \$31,134,000 or 34.5% more than the budget of \$23,153,697. The projected expenses are more than budget due to the timing of capital repairs and upgrades. These projections result in a projected operating margin loss of \$6,797,998, compared to the budgeted operating margin loss of \$381,526. The projected operating loss is mostly due to the City Council approved rollover of unspent 2018 asset preservation funds to 2019 for \$6.3 million.

The 2019 ending cash balance is projected to be \$3,060,416, a decrease of \$6,567,249 from the 2018 year-end balance of \$9,627,665. The decrease in cash is due to timing, some of the capital repairs and upgrade projects, originally budgeted in 2018, are expected to be completed in 2019.

Cash and Net Position:

The cash balance at the end of third quarter 2019 was \$9,070,167 compared to a cash balance of \$9,266,731 at the end of third quarter 2018. The cash consists of a balance of \$1,729,635 in the Property Disposition fund and a balance of \$7,340,532 in the Property Services operating fund at the end of third quarter of 2019. Financial reserve policies for the internal service funds determine that the minimum cash balance should be 15.0% of the fund's operating budget or \$3,473,055 for the Property Services fund.

The net position for the year ending 2018 was \$31,980,607, an increase of \$2,076,866 from the net position of \$29,903,741 for year ending 2017. This increase is due to the delay of the capital improvement projects in 2018, which are planned to be completed in 2019. The financial policy for the net position for the Property Services Fund determines that net position should not fall below two times the annual depreciation. The depreciation in 2018 was \$853,529 and the projected net position in 2019 was \$24,191,526 greater than the benchmark.

**City of Minneapolis
Public Works Stores
For the Third Quarter Ending September 30, 2019**

Fund 06300	2019 Budget	09/30/2019 Actual	Projected YE 2019	2018 Actual
Operating Revenue	1,473,928	1,115,162	1,646,162	1,889,153
Operating Expense	1,473,928	1,294,356	1,705,660	1,595,088
Operating Margin	-	(179,194)	(59,498)	294,065
Change in Net Position		(179,194)	(59,498)	463,251
Net Position		5,400,994	5,520,690	5,580,188
Cash Balance		1,920,480	3,082,108	3,141,607

Program Description:

The Public Works Stores Fund, established in 1965, accounts for the centralized procurement, receiving, warehousing and distribution of stocked inventory items and the purchase of special goods and services. The fund's mission is to provide goods in a cost-effective manner to City departments through the Central Stores and Traffic Stores. In 2016, Central Stores added a new storeroom located at the Royalston Maintenance Facility. The Royalston storeroom will provide the same services as the Hiawatha location.

Revenue:

Operating revenue through the third quarter of 2019 is \$1,115,162, or 75.7% of the budgeted amount of \$1,473,928. This is a decrease of \$224,311, or 16.7%, compared to revenue of \$1,339,473 earned through third quarter of 2018. Revenue for this fund is earned by applying overhead charges to inventory sales and transaction processing. The decrease in revenue is due a \$72,678 decrease in Traffic Stores overhead charges and a \$151,633 decrease in Central stores overhead charges, which resulted from delay in requisition processing and issuing purchases.

Expenses:

Operating expense through the third quarter of 2019 is \$1,294,356, or 87.8% of the budgeted amount of \$1,473,928. The amount expended through third quarter of 2019 increased by \$130,726, or 11.2%, from the \$1,163,630 expended through the same period in 2018. The increase is due to a \$117,732 increase in personnel and a \$23,249 increase in Contractual services. The expense increases are partially offset by a \$10,653 decrease in materials, supplies, and other expenses.

Transfers:

There are no transfers in or out of this fund in 2019.

Debt Service:

The Public Works Stores Fund does not have any debt obligations.

Forecast:

Operating revenue is projected to total \$1,646,162 at year-end, exceeding the budgeted revenue of \$1,473,928 by \$172,234, or 11.7%. This increase is mostly due to increased inventory sales. Operating expense is projected to be \$1,705,660, representing an 15.7% increase from the budgeted amount of \$1,473,928. The cost of inventory that is resold to City departments is excluded from the total expense of the Public Works Stores Fund. As a result, increased inventory purchases do not increase the overall expense of the fund. These year-end projections result in a decrease to net position of \$59,498 compared to a budgeted increase of \$0, and a projected ending net position of \$5,520,690.

Cash and Net Position:

The cash balance at the end of third quarter 2019 is \$1,920,480, a decrease of \$1,221,127 from the 2018 year-end balance of \$3,141,607. The decrease in cash is primarily due to a 32% increase in inventory purchases. The financial policy for the cash balance for the Public Works Stores Fund determines that the cash balance should be maintained equal to 15% of the annual operating budget, or \$221,089.

The fund continues to maintain a positive net position with a 2018 ending balance of \$5,580,188, an increase of \$467,223 from the 2017 ending balance of \$5,112,965. The financial policy for the net position for the Public Works Stores Fund determines that a net position should be maintained equal to 15% of the annual operating budget, or \$217,578.

**City of Minneapolis
Intergovernmental Services Fund
For the Third Quarter Ending September 30, 2019**

Fund 06400	2019 Budget	09/30/2019 Actual	Projected YE 2019	2018 Actual
Operating Revenue	39,965,954	31,024,695	41,665,639	40,970,337
Operating Expense	49,774,800	32,392,205	49,081,292	50,592,980
Operating Margin	(9,808,846)	(1,367,510)	(7,415,653)	(9,622,643)
Change in Net Position		(11,265,225)	(10,282,366)	(5,181,575)
Net Position		32,670,015	30,943,839	41,226,205
Cash Balance		15,603,947	10,771,937	21,983,072

Program Description:

The Intergovernmental Services Fund accounts for operations of Information Technology (IT) and the City Clerk's printing and central mailing 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.

Revenue:

Operating revenue through the third quarter of 2019 is \$31,024,695 or 77.6% of the annual budgeted amount of \$39,965,954. This is an increase of \$637,604, or 2.1%, compared to revenue of \$30,387,091 earned through third quarter of 2018.

Expenses:

Operating expenses through the third quarter are \$32,392,205 or 65.1% of the annual budgeted amount of \$49,774,800. The operating expense through third quarter decreased \$347,947, or 1.1%, from the 2018 expense of \$32,740,152. Managed Services operating expenses were \$1,847,616 through the third quarter, a decrease of 40.6% from the 2018 amount of \$3,111,369 through the same period. This decrease is due to less expense for the broadband maintenance fees.

Central Mailing Department expenses of \$247,347 through the third quarter decreased 2.7% under the 2018 amount of \$339,573 through the same period. This decrease is due to less expenses for postage and office supplies.

Debt:

The fund does not have any outstanding debt service obligations.

Transfers:

In 2019 this fund will receive transfers in from the general fund totaling \$353,287. The general fund transfers include \$203,287 for City Hall rent, and \$150,000 to replace and refresh technology at the Strategic Information Center and the Emergency Operations Training Facility.

In 2019, the fund includes a transfer out of \$3.2 million. \$3.0 million will be made to the Capital Improvement fund for costs of the new downtown campus, planned on a one-time basis. In addition, there will be a one-time transfer of \$220,000 to the general fund for costs associated with the development of the Contract Compliance system.

Forecast:

Operating revenue is projected to be \$41,665,639 or \$1,699,685 more than the budgeted amount of \$39,965,954. Operating expenses are expected to be \$49,081,292 or \$693,508 less than the budgeted amount of \$49,774,800. These projections result in an expected operating margin deficit of \$7,415,653 as compared to a budgeted operating margin deficit of \$9,808,846. The budgeted operating margin deficit is mostly due to the City Council approved rollover of 2018 funds to 2019 of \$8,710,458.

The fund is projecting a decrease to net position of \$10,282,366 compared to a budgeted decrease of \$2,866,713. The projected decrease to net position is less than budgeted primarily due to the timing of the technology projects included in the 2019 budget, some of which will be completed in future years. Including an estimated \$3,612,047 in expenses which are expected to be capitalized, these transactions result in a 2019 projected year-end net position of \$30,943,839 which represents a decrease of 24.9% from the 2018 net position of \$41,226,205.

The year-end cash balance is projected to be \$10,771,937 which represents a decrease of 51.0% from the cash balance at year-end 2018 of \$21,983,072. The decrease is mostly due to the City Council approved rollover of 2018 funds to 2019 for \$8,710,458. The decrease in cash is also due to the use of an estimated \$299,145 in unearned revenue to fund PMO projects.

Cash and Net Position:

The cash balance at the end of third quarter is \$15,603,947, representing a decrease of \$6,379,125 from the 2018 year-end balance of \$21,983,072. Financial reserve policies for the internal service funds determine that the minimum cash balance for the Intergovernmental Services Fund should be 15.0% of the fund's total budget or \$5,550,189.

Included in the net position at the end of the second quarter are prepayments of \$1,455,946 for technology projects from other City departments. The net position at year-end 2019 is projected to be \$30,943,839, a decrease of \$10,282,366 from the year-end 2018 net position of \$41,226,205. This decrease to net position is partly due to the transfer out of \$3.2 million to the Capital Improvements Fund in 2019.

Financial reserve policies for the internal service funds determine that the minimum net position for the Intergovernmental Services Fund should be twice the depreciation amount or \$20,700,000. The cost allocation model for this fund does not recover depreciation related to capital assets. This fund records the acquisition value of customer funded IT project assets and it is expected that the fund will continue to exceed the target net position in future years.

**City of Minneapolis
Self-Insurance Fund
For the Third Quarter Ending September 30, 2019**

Fund 06900	2019 Budget	09/30/2019 Actual	Projected YE 2019	Actual YE 2018
Operating Revenue	100,735,876	79,370,119	102,584,820	101,414,681
Operating Expense	94,342,447	88,254,983	112,510,991	82,624,453
Operating Margin	6,393,429	(8,884,864)	(9,926,171)	18,790,228
Change in Net Position		(8,686,471)	(9,660,882)	(12,645,690)
Net Position		3,720,500	2,746,088	12,406,971
Cash Balance		92,033,805	91,059,394	102,937,989

Program Description:

The Self-Insurance Fund accounts for accrued sick leave benefit, tort liability, workers' compensation, civil attorney and risk management services, and the administrative functions to support these activities. An activity-based cost allocation model determines the charge allocated to City departments to provide for self-insurance related to tort liability and workers compensation. The annual charges are calculated using data determined by an actuarial study based on each City department's responsibility for liability and worker compensation expense. The cost allocation model also assigns a charge for HR employee benefit administration and attorney and risk management services. Beginning in 2018, the Medical Plan is no longer insured by Medica. The City is self-insured and will use its own fund to pay for employees' medical expenses and contracts with Medica for administrative services. The Dental Insurance is also recorded to the Self-insurance fund instead of the Agency fund.

Revenue:

Operating revenue through the third quarter of 2019 is \$79,370,119, or 78.8% of the annual budgeted amount of \$100,735,876. This is an increase of \$1,249,667, or 1.6%, compared to \$78,120,452 earned through the third quarter of 2018. The primary reason for the increase is due to an increase of \$1,625,361 in Medical Insurance premiums and Dental Insurance premiums received. The increase in revenue is also related to an increase in workers' compensation premiums received of \$452,911. These revenue increases are partially offset by a decrease in payments received from the State as refunds for medical and indemnity payments and subrogation claims of \$955,444.

Expenses:

Operating expenses through the third quarter of 2019 are \$88,254,983 or 93.5% of the annual budgeted amount of \$94,342,447. This is an increase of \$29,591,408, or 50.4%, compared to \$58,663,575 expended through the third quarter of 2018. The increase in operating expense is due primarily to \$20,000,000 settlement paid out in a wrongful death case. The increase is also related to \$8,285,141 in medical insurance claims and \$268,277 in amount paid out for workers' compensation claims.

Debt Service:

The Self-Insurance Fund does not have outstanding debt obligations.

Transfers:

In 2019, the fund receives a transfer in from the general fund totaling \$311,702 to assist with the cost of City Hall rent for the City Attorney's Office. The expense budget includes a \$60,000 transfer out to the general fund for body cameras for front line officers.

Forecast:

Operating revenue is projected to be \$102,584,820 or \$1,848,944 more than the budgeted amount of \$100,735,876. The source of this increase is due to \$661,899 projected increase in Medical Insurance premiums and Dental Insurance premiums received. The revenue projected increase also related to an increase of \$791,649 in workers' compensation premiums received and \$371,403 in revenue received for employee sick leave at retirement. Operating expense is projected to be \$112,510,991 or \$18,168,544 more than the budgeted amount of \$94,342,447. The primary reason that operating expense is projected to be more than budgeted is \$20,000,000 settlement paid out in a wrongful death case, which is partially offset by a decrease of \$877,473 in the amount paid out for employee sick leave at retirement. These projections will result in a projected operating margin loss of \$9,926,171 as compared to the budgeted operating margin gain of \$6,393,429.

The net position in 2019 is projected to decrease by \$9,660,882, compared to the budgeted increase of \$6,658,421 resulting in a projected year-end net position of \$2,746,088. The projected ending cash balance for 2019 is \$91,059,394 compared to \$102,937,989 at year-end 2018. The decrease in cash and net position in 2019 is primarily the result of a \$20,000,000 settlement paid out as describe above.

Cash Balance and Net Position:

The cash balance at end of third quarter is \$92,033,805, or an 8.7% decrease, compared to a cash balance of \$102,012,519 at end of third quarter 2018. Financial reserve policies for the internal service funds determine the minimum cash balance for the Self-Insurance Fund should be equal to the unpaid claims liability plus 10% of the fund's operating budget, plus 35% of medical claims or \$106,174,000. The projected unpaid claims liability at year-end 2019 is \$76,396,181, an increase of \$4,953,816 from year-end 2018 liability of \$71,442,365. The projected cash balance is \$15,114,606 below its target.

The net position at year-end 2019 is projected to be \$2,746,088, a decrease of \$9,660,882 from the 2018 year-end net position of \$12,406,971. The decrease in net position is primarily due a \$305,000 transfer out to the general fund for body cameras for front line officers and a \$8,000,000 transfer out to the city capital fund to assist in payment of debt service. The financial reserve policy relating to the internal service funds states that the net position for the Self Insurance Fund should not fall below zero.

**City Of Minneapolis
Sanitary Sewer Fund
For the Third Quarter Ending September 30, 2019**

Fund 07100	2019 Budget	09/30/19 Actual	Projected Year End 2019	2018 Actual
Operating Revenue	80,934,800	63,770,086	84,875,002	74,064,847
Operating Expense	69,922,892	54,448,948	74,304,276	69,518,923
Operating Margin	11,011,908	9,321,138	10,570,726	4,545,924
Change in Net Position		14,292,419	9,120,372	(8,944,908)
Net Position		136,692,896	131,520,849	122,400,477
Cash Balance		16,975,876	7,646,780	4,474,385

Program Description:

The Sanitary Sewer Fund accounts for the enterprise activity of wastewater collection and treatment. The Fund pays 95.0% of the contractual payments to Metropolitan Council Environmental Services (MCES) for waste water collection and treatment services. The fund also accounts for City services, operation, maintenance, design work, capital programs, transfers, and long term debt services associated with the sanitary sewer system.

Revenue:

Monthly utility billing for sewer services is the main source of revenue. With sewer revenue of \$63,770,086 recognized through the end of third quarter, the Sanitary Sewer Fund earned 78.8% of the 2019 revenue budget. This is an increase of \$8.3 million, or 14.9%, compared to \$55,489,671 earned in 2018. The utility service revenues accounted for \$4.0 million of the increase due to increase in rates. Design revenues increased by \$55,000 due to increase in capital related activities. SAC fees, which fluctuate based on overall economic activities outside of City operations, increased by \$4.2 million. This increase is off-set by an equivalent increase in sewer availability charges (or SAC expenses).

The variable rate for utility charges was set at \$4.21 per unit, an increase of \$0.33 over 2018. The fixed rate, which is based on meter size, was increased by \$0.50, from \$5.30 to \$5.80.

Expenses:

The Sanitary Sewer Fund's total operating expenses through the third quarter were \$54,448,948 compared to \$50,685,522 for 2018. This is an increase of \$3.8 million, or 7.4%, and reflects the following changes from 2018: (i) SAC charges increase of \$3.6 million; (ii) Met Council Charges increase of \$0.7 million; (iii) increase in City services by \$447,000 as set by 2019 allocation model; and (iv) decrease in Sewer Maintenance of \$1.2 million due to a delay in finalization of vendor contracts for work to be performed by external contractors.

The Met Council rate increased by 1.5% for 2019 services. These municipal wastewater discharge 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.

Transfers:

A transfer is made from this fund to the Water Enterprise Fund to cover shared costs for meter shop expenses. For the current budget year, this cost was estimated at \$593,310 and, through the end of the third quarter, \$444,983 has been transferred to Water Treatment and Distribution Services.

Debt Service:

For 2019, the debt service cost was budgeted at \$6.7 million. Through the third quarter, \$355,000 in interest payments were made. These debt service payments are primarily for bonds sold to fund capital programs as an alternative to cash financing. The Fund's long-term debt totals \$39,060,000.

Forecast:

For the next three months, it is estimated that cash outflow will amount to \$32,598,000. This would include operating expenditures, debt services, transfers, and capital programs. The fund also anticipates \$23,269,000 in revenues from operations, thereby reducing the cash balance by approximately \$9.3 million during the last three months of the year. The anticipated Fund Net Position at the end of the year will be \$131,521,000.

Cash and Net Position:

The current cash balance is \$16,976,000 and the Fund's net position stands at \$136,693,000. The City's policy is to have a cash balance equal to or greater than three months of operating expenses. Therefore, the targeted cash balance, based on the projection, is \$17,481,000. With projected revenues and expenditures for the remainder of 2019, it is anticipated that cash balance will fall below the cash balance requirement by the end of the year. The shortage is due in part to \$7.0 million in bonds for capital construction that were not sold in 2019, but delayed until 2020.

The Net Position at year end 2018 includes recognition of long-term pension liabilities in accordance with GASB Statement No. 68.

**City Of Minneapolis
Storm Water Fund
For the Third Quarter Ending September 30, 2019**

Fund 07300	2019 Budget	09/30/2019 Actual	Projected Year End End 2019	2018 Actual
Operating Revenue	43,807,518	32,790,972	43,525,594	42,339,478
Operating Expense	32,109,217	19,812,132	29,600,406	30,467,310
Operating Margin	11,698,301	12,978,839	13,925,188	11,872,167
Change in Net Position		1,292,484	(3,364,888)	(4,755,159)
Net Position		340,695,174	336,037,802	339,402,690
Cash Balance		30,726,289	27,097,922	26,629,779

Program Description:

The Storm Water Fund is responsible for the design, construction and maintenance of City's storm drain system, and street cleaning activities. A portion of the Fund is used for sanitary water interceptor and treatment services and pays 5.0% of the contractual payments to Met Council Environmental Services (MCES). This fund also accounts for the combined sewer overflow (CSO) program, capital programs and debt service payments. Fund resources include: monthly utility billing for storm drainage services, reimbursement for maintenance services provided to State and County, reimbursement for services provided to other City departments, outside parties and design activities, and proceeds from long term liabilities and grants.

Revenue:

The \$32,790,972 in revenues earned through the third quarter reflects 74.9% of the operating revenue budget. This is an increase of \$2.0 million compared to \$30,772,818 earned for the same period in 2018. Storm utility revenues increased by 6.6% to \$30,952,644, up from \$29,030,615 in third quarter, 2018. This is mainly due to the 2.9% increase in rates and an unusual revenue adjustment made in 2018. Reimbursements, with a total of \$1,437,244, based on maintenance agreement with the State and County, make up for the rest of the operating revenue. These reimbursements are projected to be realized fully as budgeted by the end of the year.

Expenses:

Operating expenses through the third quarter were \$19,812,132, or 61.7%, compared to \$32,109,217 budgeted for 2019. The expenses were \$1,026,875 or 4.9%, less than the \$20,839,007 reported for 2018, due mainly to a lower spending on Storm Maintenance during the first nine months of the year, as efforts were increased in the capital projects, and staffing turnover in the Administration department.

Transfers:

A transfer from this fund is made to General Fund to support two environmental service related FTE's relating to Clean Water Act. For 2019, this is estimated at \$110,000, and through the third quarter \$82,503 has been transferred. An additional amount of \$1.5 million was transferred to the Capital Paving program as a contribution to help fund the 20-year additional paving plan. At the end of the September the full \$1.5 million has been transferred to the Capital Projects fund.

Debt Service:

The debt service payments are primarily for bonds sold to finance the combined sewer overflow, flood mitigation, and storm tunnel programs. The Fund completed paying off all of its debt service obligations by the end 2016. For the last couple of years there have not been any debt service costs. In 2019 new debt was issued. Costs related to debt service will be incurred in the last quarter of the year. Estimated payments of principle and interest will be \$401,843.

Forecast:

For the next three months, it is estimated the cash outflow will total \$18,710,385 which include operating expenses, transfers, debt, and capital programs. The fund also anticipates \$15,082,018 in revenues from operations, thereby reducing the cash balance by approximately \$3.6 million during the last three months of the year. The anticipated Fund Net Position at the end of the year will be \$336,037,802.

Cash and Net Positions:

The ending cash balance for the third quarter stands at \$30,726,289 and net position stands at \$340,695,174. The City's policy is to have a cash balance equal to or greater than three months of operating expenses. Based on the year-end projection, the target amount is \$7,400,000. With projected operating revenues of \$15,082,000 for the next three months, the department will have to make use of the Fund's unrestricted cash reserve to fund capital programs and transfers for 2019 as planned.

The Net Position at year end 2018 includes recognition of long-term pension liabilities in accordance with GASB Statement No. 68.

**City of Minneapolis
Water Enterprise Fund
For Third Quarter Ending September 30, 2019**

Fund 07400	2019 Budget	9/30/2019 Actual	Projected Year End 2019	2018 Actual
Operating Revenue	87,217,952	62,113,107	82,166,371	85,307,434
Operating Expense	59,581,752	40,675,646	55,517,337	56,236,815
Operating Margin	27,636,200	21,437,460	26,649,034	29,070,618
Change in Net Position		10,275,534	1,720,605	(11,935,885)
Net Position		281,677,577	273,122,647	271,402,042
Cash Balance		42,641,777	29,867,278	48,404,928

Program Description:

This Fund accounts for the administration, operation, maintenance, and capital investments of the Public Works Water Treatment and Distribution Services Division of the City. The City sells water to retail customers in the City as well as directly to wholesale customers – the cities of Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, Edina, and the Metropolitan Airports Commission.

Revenue:

The operating revenues for the year 2019 are projected to total \$82,166,371 or 94.2% of the 2019 budgeted amount. Through the third quarter, the Water Fund has revenue of \$62,113,107 compared to \$65,387,103 earned through third quarter of 2018. This decrease in revenue is mainly due to a decrease in usage from the retail sale customers.

Expense:

Projected operating expenses for the year are \$55,517,337 which is 1.3% lower than the 2018 actual amount of \$56,236,815. Through the third quarter, the Fund expended \$40,675,646 compared to \$40,310,565 for 2018 and reflects the following changes: (i) increase in salaries and fringes by \$959,078; (ii) increase in fleet and capital outlay by \$112,081; (iii) increase in City services by \$586,772; (iv) decrease in chemical usage, energy bills, and delivery services by \$488,842; and (v) decrease in contractual and professional services relating to repairs, maintenance, upgrades, and construction works by \$804,007.

Transfers:

For 2019, the transfer amount of \$622,310 consists primarily of a \$593,310 operating transfer from the Sanitary Sewer Fund for its share of the cost of the meter shop. Through the end of the quarter, \$466,733 has been realized.

Debt Service:

Debt service payments relate to the bonds and notes sold to finance the Water Division's capital improvement program. The amount of debt service for 2019, including both principal and interest payments, is expected to total \$19,313,533. An additional \$26,690,487 in bonds were issued in the current year to help finance the Fridley Filter Rehabilitation project and renovation

of the Distribution Water Maintenance Facility along with other capital projects. This additional debt issuance will increase debt service payments in future years.

Cash Balance and Net Position:

The ending cash balance as of September 30, 2019 was \$42,641,777 compared to \$48,404,928 at the end of 2018. City policy requires an operating cash reserve equal to or greater than 3 months of operating expenses. Based on the current budget, the targeted amount is \$14,895,437. The Water Fund is anticipating significant capital project needs for the next few years that will require the use of cash reserves, including approximately \$2.1 million in water revenue funded capital projects which were deferred to 2019. With the projected year end cash balance of \$29,867,278 and a projected monthly operating revenue of \$6,847,198, an adequate amount will be available to fund operating cash reserves, capital programs, and debt service payments.

**City of Minneapolis
Municipal Parking Fund
For the third Quarter Ended September 30, 2019**

Fund 07500*	2019 Budget	09/30/19 Actuals	Projected Year End 2019	2018 Actuals
Revenue	66,229,481	54,100,280	72,397,277	71,147,580
Expenses	45,962,066	33,037,238	44,988,296	46,299,580
Operating Margin	20,267,415	21,063,041	27,408,981	24,848,000
Change in Net Position		4,958,781	1,597,306	(16,382,132)
Net Position		204,842,129	201,480,654	199,883,348
Cash Balance		23,810,552	17,293,418	13,759,101

Program Description:

This fund primarily accounts for operation and maintenance of parking ramps, lots, on-street parking meters, and the municipal impound lot. Major parking-related capital construction and development activities occur in this fund.

Revenues:

The 2019 third quarter actual operating revenues are down in comparison to 2018 by 1.2%. The 2019 off-street revenues were 10.3% lower during the first nine months due to high revenues in 2018 related to the Super Bowl. That decline is offset by on-street meter revenues that were up 17.3% during the first nine months of 2019 mainly due to increased hourly rates and usage related to economic development throughout the City. Impound Lot revenues are also higher than 2018 by 17.6% due to the increased amount of snow emergencies and bringing auctions back on-site in 2019.

Expenses:

The 2019 operating expenses are lower than the 2018 expenses by 5.8%. On-street meter expenses are 3.8% lower than 2018 due to a decrease in credit card fees which are associated with the large volume of transactions. Off-street ramps and lots show 7.4% lower expenses in 2019 due primarily to high expenses related to the Super Bowl in 2018. Conversely, Impound Lot expenses are up 3.3% as compared to 2018 due to change in way contracts were established in 2019.

Transfers to and from other funds:

The 2019 transfers into and out of the Parking Fund are programmed and planned according to the 2019 budget. During the year of 2019, \$855,104 will be transferred in from Tax Increment Funding and \$11,529,188 of funds will be transferred out (\$7,000,000 to the General Fund, \$4,383,188 to the Target Center and \$146,000 to Solid Waste).

Debt Service:

For 2019, the debt service budget is \$6,835,363. The outstanding balance of bond principal as of December 31, 2018 is \$42,200,000 and the outstanding balance of note principal is \$27,595,000. In June 2019, \$6,175,000 of bonds were called and prepaid and an additional \$700,000 will be called in December 2019. The Convention Center has loaned the Parking Fund \$6,175,000 to reduce the debt service being paid by the Parking Fund.

Other Financial Items:

The end of the third quarter 2019 cash balance is \$23,810,552 which is an increase of \$10,051,451 from the 2018 year-end balance. The City's policy is to have a targeted cash balance equal to 25% of the operating budget (excluding non-city owned ramps). Therefore, the target cash balance, excluding the Off-Street Parking: State Owned-Direct Expense Budget is \$8,454,602. The difference is \$15,355,950 which is retained and programmed for future debt service payments and potential future major parking capital projects.

City Of Minneapolis
Solid Waste and Recycling Fund
For the Third Quarter Ending September 30, 2019

Fund 07700	2019 Budget	09/30/19 Actual	Projected Year End 2019	2018 Actual
Operating Revenue	41,474,331	30,320,592	41,274,331	40,690,497
Operating Expense	43,355,342	29,304,310	42,368,619	39,831,922
Operating Margin	(1,881,011)	1,016,281	(1,094,288)	858,575
Change in Net Position		(9,713)	(8,708,361)	3,571,523
Net Position		26,863,373	18,164,726	26,873,087
Cash Balance		30,425,882	22,683,639	30,529,140

Program Description

The Solid Waste and Recycling Fund account for the City's solid waste and recycling collection, disposal, graffiti removal, and a solid waste transfer station that serves over 107,000 dwelling units. Pick-up services for trash, yard waste, and recyclables are provided on a weekly and a biweekly basis. City crews provide approximately one-half of the solid waste collection services and the other half of the services 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 removals, and an organics program.

Funding for Solid Waste and Recycling activities is primarily generated from solid waste collection fees through the monthly utility bills. The fund also receives yearly grants from Hennepin County. Additional revenue is generated through sales of recyclable materials, graffiti abatement, and miscellaneous services.

Revenue

With operating revenues through the end of the third quarter totaling \$30,320,592, 73.1% of the budgeted revenue has been realized. This is an increase of \$580,497 or 2.0%, compared to \$29,740,094 earned through third quarter of 2018. Utility revenues were \$28,757,298 compared to \$28,109,066 for 2018 for a gain of \$648,232 as a result of increase in dwelling units and base rate increase of \$0.54 per dwelling unit. Rates were increased in order to fund increases in salaries, fringes, contractual and operating services and vehicle replacements. The Hennepin County recycling grant for the year is projected at \$1.8 million and the department will receive this grant in the fourth quarter.

Expenses:

Operating expenses through the third quarter were \$29,304,310 compared to \$29,428,825 in 2018. This is a decrease of \$124,514 or 0.4%. The operating expenses should have been \$488,767 higher due to September expenses (HERC and Waste Mgmt. invoices) not recorded until October. Hence, the operating expenses should have been \$29,793,077, which would have been an increase of \$364,252, or 1.2%.

Transfers:

Budgeted transfers into the Solid Waste and Recycling fund include \$146,000 from the Parking Fund for the Litter Container Program, \$325,000 from the General Fund for graffiti removal and zero waste studies, and a General Fund transfer of \$3.5 million to cover a portion of the Debt Service payments related to the new facility. As of the end of the third quarter, \$655,347 in transfer revenue has been received.

Debt Service:

Bonds were sold for the new facility. Bond principle payment are expected to be \$2.8 million, and the payment will be made in the fourth quarter. Interest payments of \$1.4 million are anticipated for the year. Through the first nine months of the year interest has been paid in the amount of \$761,827.

Forecast:

Over the next three months, the cash outflow is estimated at \$22.3 million which includes \$13.1 million for operations and \$9.2 million for capital. The fund also anticipates \$11.5 million in revenues from its operations and transfers; and \$3.0 million from capital thereby maintaining the cash balance for year end to an estimated \$22.7 million.

Cash and Net Positions:

The Fund's cash balance as of the end of the third quarter was \$30.4 million and the net position amounted to \$26.9 million. The City's policy is to have cash equal to or greater than three months of operating expenses. Based on the projection, the targeted amount is \$10.6 million. With the projected operating revenues, and projected expenses for the remainder of the year, the cash balance is estimated to be in excess of \$22 million.

The Net Position at year end 2018 includes recognition of long-term pension liabilities in accordance with GASB Statement No. 68

**CPED Enterprise Fund Component Programs
For the Third Quarter Ending September 30, 2019**

The **CPED Enterprise Fund** operated a series of business-type activities designed to enhance housing options and economic development within the City. Of the five program components operating within this fund, two remain active and three programs have closed.

The **General Agency Reserve Fund System (GARFS)** is 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. The funds are restricted by bond covenants and the need of the City to minimize risk in its support of the GARFS. The funds are critical in maintaining the “A+” rating of the fund. Most of the transactions of the fund are maintained in a series of bank trustee accounts. Only the administrative operations portion of the fund is presented in the City’s operations. Through third quarter, 2019, the GARFS program had net income of \$191,296. Other information is maintained by a trustee and not available for inclusion in the quarterly report, but is presented on an annual basis in the Cities Comprehensive Annual Financial Report. The net position of the fund at year end 2018 was \$36,821,732.

The **River Terminal** component operates a public terminal facility located on the Mississippi River in north Minneapolis. The barge related activities of the terminal have ended. The facility is currently used primarily as leased space for commodity storage. The City intends to redevelop the site for park and jobs-intensive business uses. Through the third quarter of 2019, the operations of this facility generated a net loss of \$90,102.

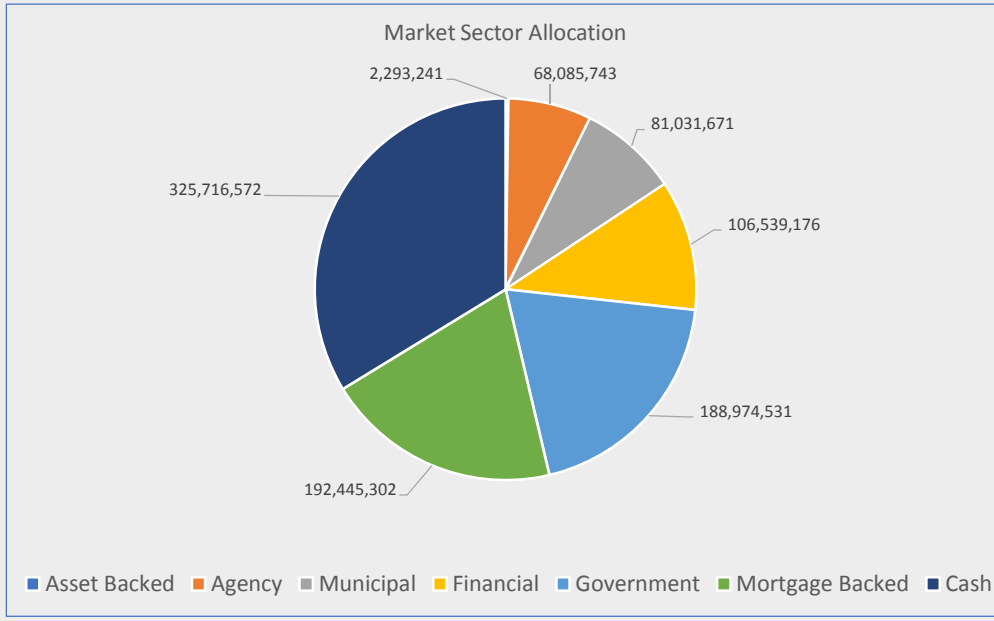
The **Housing Development** component accounts for various home ownership and home improvement loan programs. This fund has closed.

The **Theatres** component was created to account for the operations of the State, Orpheum, and Pantages Theatres. This fund has closed.

The **Economic Development Program** component accounts for certain defaulted properties, and for the Capital Investment Fund Program with the Federal Home Loan Bank, which provided loans to businesses for economic development and the creation of jobs. This fund has closed.

**City of Minneapolis
Cash and Investment Report
09/30/2019**

Aggregate Accounts	Original Cost	Yield%	YTM%	Accrued Balance	Unrealized Gain/Loss	Market Value	Market Value + Accrued
Internal Managed	\$ 298,281,052	2.043	2.204	\$ 194,811	\$ (4,773)	\$ 298,658,268	\$ 298,853,078
External Managed Core Funds	502,673,621	1.888	1.779	2,042,577	4,759,427	506,853,288	508,895,864
Bond Proceeds	115,483,185	1.755	0.725	57,686	26,026	115,554,590	115,612,276
General Agency Reserve Funds System	42,179,977	1.774	1.737	147,376	93,846	41,577,642	41,725,018
Development Debt Reserves cash	3,051,294					3,051,294	3,051,294
Cash on hand net of outstanding checks	2,272,682					2,272,682	2,272,682
Total City of Minneapolis Portfolio	\$ 963,941,812	1.915	1.816	\$ 2,442,449	\$ 4,874,526	\$ 967,967,763	\$ 970,410,212



Market Sector	Base Market Value + Accrued	% of Portfolio
Asset Backed	2,293,241	0.2%
Agency	68,085,743	7.1%
Municipal	81,031,671	8.4%
Financial	106,539,176	11.0%
Government	188,974,531	19.6%
Mortgage Backed	192,445,302	19.9%
Cash	325,716,572	33.7%
Total	\$ 965,086,236	100.0%

City of Minneapolis
Financial Strength Analysis - 3rd Quarter 2019

FINANCIAL STRENGTH ANALYSIS - (in millions)					Increase (Decrease) Compared to 2017		Increase (Decrease) 2015 - 2018		Average Annual Increase (Decrease)		2019 ANALYSIS
	2015	2016	2017	2018	\$	%	\$	%	\$	%	PROJECTED YE 2019
General Fund Cash Balance	117.6	121.6	131.8	121.3	(10.5)	-8.0%	3.7	3.1%	1.2	1.0%	124.9
General Fund Total Fund Balance	106.0	107.5	117.1	104.2	(12.9)	-11.0%	(1.8)	-1.7%	(0.6)	-0.6%	113.3
Overall City Cash Position*	703.2	762.7	792.0	876.6	84.6	10.7%	173.4	24.7%	57.8	8.2%	850.0
Overall City Net Assets/Position**	1,882.4	1,851.4	2,083.6	2,257.8	174.2	8.4%	375.4	19.9%	125.1	6.6%	
Overall Unrestricted Net Assets/Position**	(67.8)	(256.8)	(274.4)	(314.9)	(40.5)	14.8%	(247.1)	364.5%	(82.4)	121.5%	
SPECIAL REVENUE FUNDS FINANCIAL STRENGTH ANALYSIS - (in millions)											
Convention Center - Cash	66.2	65.5	56.6	35.6	(21.0)	-37.1%	(30.6)	-46.2%	(10.2)	-15.4%	16.7
Convention Center - Fund Balance	67.2	63.5	52.1	29.6	(22.5)	-43.2%	(37.6)	-56.0%	(12.5)	-18.7%	29.6
Arena Fund (Target Center) - Cash	16.3	15.2	10.1	12.2	2.1	20.8%	(4.1)	-25.2%	(1.4)	-8.4%	5.4
Arena Reserve (Target Center) - Fund Balance	15.2	11.1	8.7	10.5	1.8	20.7%	(4.7)	-30.9%	(1.6)	-10.3%	3.7
Downtown Assets Fund - Cash	-	-	-	16.2	16.2	100.0%	16.2	100.0%			5.3
Downtown Assets Fund - Fund Balance	-	-	-	26.0	26.0	100.0%	26.0	100.0%			15.1
Police SRF - Cash	1.7	2.1	2.2	2.2	0.0	0.0%	0.5	29.4%	0.2	9.8%	2.3
Police SRF - Fund Balance	1.6	2.4	2.6	2.4	(0.2)	-7.7%	0.8	50.0%	0.3	16.7%	2.5
NCR SRF - Cash	4.1	4.0	3.5	3.6	0.1	2.9%	(0.5)	-12.2%	(0.2)	-4.1%	3.5
NCR SRF - Fund Balance	3.9	3.7	3.3	3.3	0.0	0.0%	(0.6)	-15.4%	(0.2)	-5.1%	3.3
Regulatory Services SRF - Cash	4.5	4.7	3.5	2.0	(1.5)	-42.9%	(2.5)	-55.6%	(0.8)	-18.5%	0.9
Regulatory Services SRF - Fund Balance	4.5	4.6	3.5	2.0	(1.5)	-42.9%	(2.5)	-55.6%	(0.8)	-18.5%	0.8
Grant Funds - Cash	2.0	(2.2)	5.3	0.4	(4.9)	-92.5%	(1.6)	-80.0%	(0.5)	-26.7%	0.5
Grant Funds - Fund Balance	11.2	11.4	11.2	4.9	(6.3)	-56.3%	(6.3)	-56.3%	(2.1)	-18.8%	5.0
Comm Plannng & Econ Dev (CPED) - Cash Total	165.7	166.2	177.8	210.4	32.6	18.3%	44.7	27.0%	14.9	9.0%	210.0
Comm Plannng & Econ Dev (CPED) - Fund Bal Total	201.2	202.1	214.4	245.7	31.3	14.6%	44.5	22.1%	14.8	7.4%	235.0
Employee Retirement Funds - Cash	23.9	26.2	29.0	31.1	2.1	7.2%	7.2	30.1%	2.4	10.0%	33.3
Employee Retirement Funds - Fund Balance	24.2	26.6	29.2	31.3	2.1	7.2%	7.1	29.3%	2.4	9.8%	33.5
Other Special Revenue Funds - Cash	0.5	0.8	0.5	0.5	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.5
Other Special Revenue Funds - Fund Balance	0.5	0.5	0.5	0.5	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.5
Total Special Revenue Funds - Cash	284.9	282.5	288.5	314.2	25.7	8.9%	29.3	10.3%	9.8	3.4%	278.4
Total Special Revenue Funds - Fund Balance	329.5	325.9	325.5	356.2	30.7	9.4%	26.7	8.1%	8.9	2.7%	329.0

* 2018 amount is Market Value of cash and cash equivalents as reported in the City of Minneapolis Comprehensive Annual Financial Report (CAFR); does not include approximately \$42.3 M invested for General Agency Reserve Fund Systems (GARFS) and \$53.4 M invested for Park Board and MBC.

** The City's Net Assets/Position balance change in 2015 reflects a decrease of \$361.5M due to the City's implementation of GASB 68, which requires booking, for reporting purposes only, the City's portion of the Public Employees Retirement Association (PERA) and Teachers Retirements Association (TRA) unfunded pension liability.

FINANCIAL STRENGTH ANALYSIS - (in millions)					Increase (Decrease) Compared to 2017		Increase (Decrease) 2015 - 2018		Average Annual Increase (Decrease)		2019 ANALYSIS
	2015	2016	2017	2018	\$	%	\$	%	\$	%	PROJECTED YE 2019
INTERNAL SERVICE FUNDS FINANCIAL STRENGTH ANALYSIS - (in millions)											
Engr. Materials & Testing - Cash	1.6	1.5	1.5	1.6	0.1	6.7%	0.0	0.0%	0.0	0.0%	1.6
Engr. Materials & Testing - Net Position	0.8	0.3	(0.1)	0.4	0.5	-500.0%	(0.4)	-50.0%	(0.1)	-16.7%	0.4
Equipment Services - Cash	23.7	26.9	30.4	26.0	(4.4)	-14.5%	2.3	9.7%	0.8	3.2%	27.1
Equipment Services - Net Position	61.7	67.1	74.5	86.2	11.7	15.7%	24.5	39.7%	8.2	13.2%	93.5
Property Services - Cash	6.6	10.3	8.1	9.6	1.5	18.5%	3.0	45.5%	1.0	15.2%	3.1
Property Services - Net Position	29.3	29.9	28.4	32.0	3.6	12.7%	2.7	9.2%	0.9	3.1%	24.2
PW Stores - Cash	0.0	1.2	2.0	3.1	1.1	55.0%	3.1	0.0%	1.0	0.0%	3.1
PW Stores - Net Position	4.4	4.6	5.3	5.6	0.3	5.7%	1.2	27.3%	0.4	9.1%	5.5
Intergovernmental Services - Cash	38.4	30.9	23.6	22.0	(1.6)	-6.8%	(16.4)	-42.7%	(5.5)	-14.2%	10.8
Intergovernmental Services - Net Position	62.3	59.8	47.4	41.2	(6.2)	-13.1%	(21.1)	-33.9%	(7.0)	-11.3%	30.9
Self Insurance Fund - Cash	75.7	80.0	90.0	102.9	12.9	14.3%	27.2	35.9%	9.1	12.0%	91.1
Self Insurance Fund - Net Position	16.5	21.2	23.8	12.4	(11.4)	-47.9%	(4.1)	-24.8%	(1.4)	-8.3%	2.7
Total Internal Service Funds - Cash	146.0	150.8	155.6	165.2	9.6	6.2%	19.2	13.2%	6.4	4.4%	136.8
Total Internal Service Funds - Net Position	175.0	182.9	179.3	177.8	(1.5)	-0.8%	2.8	1.6%	0.9	0.5%	157.2
ENTERPRISE FUNDS FINANCIAL STRENGTH ANALYSIS - (in millions)											
Sanitary Sewer - Cash	12.4	18.3	17.8	4.5	(13.3)	-74.7%	(7.9)	-63.7%	(2.6)	-21.2%	7.6
Sanitary Sewer - Net Position	117.5	119.3	121.2	122.4	1.2	1.0%	4.9	4.2%	1.6	1.4%	131.5
Stormwater - Cash	35.9	35.9	27.1	26.6	(0.5)	-1.8%	(9.3)	-25.9%	(3.1)	-8.6%	27.1
Stormwater - Net Position	323.8	327.2	333.0	339.4	6.4	1.9%	15.6	4.8%	5.2	1.6%	336.0
Water Enterprise - Cash	30.1	42.1	40.1	48.4	8.3	20.7%	18.3	60.8%	6.1	20.3%	29.9
Water Enterprise - Net Position	220.4	233.3	250.8	271.4	20.6	8.2%	51.0	23.1%	17.0	7.7%	273.1
Municipal Parking - Cash	14.0	17.2	26.5	13.8	(12.7)	-47.9%	(0.2)	-1.4%	(0.1)	-0.5%	17.3
Municipal Parking - Net Position	180.7	188.2	212.2	199.9	(12.3)	-5.8%	19.2	10.6%	6.4	3.5%	201.5
Solid Waste & Recycling - Cash	22.6	25.3	24.5	30.5	6.0	24.5%	7.9	35.0%	2.6	11.7%	22.7
Solid Waste & Recycling - Net Position	26.7	25.5	25.3	26.9	1.6	6.3%	0.2	0.7%	0.1	0.2%	18.2
Comm Planng & Econ Dev (CPED) - Cash***	0.8	1.4	1.5	0.1	(1.4)	-93.3%	(0.7)	-87.5%	(0.2)	-29.2%	1.5
Comm Planng & Econ Dev (CPED) - Net Position	39.9	40.1	40.3	39.1	(1.2)	-3.0%	(0.8)	-2.0%	(0.3)	-0.7%	39.1
Total Enterprise Funds - Cash	115.8	140.2	137.5	123.9	(13.6)	-9.9%	8.1	7.0%	2.7	2.3%	106.1
Total Enterprise Funds - Net Position	909.0	933.6	982.8	999.1	16.3	1.7%	90.1	9.9%	30.0	3.3%	999.4
***Cash in CPED Enterprise Funds does not include the amount invested with trustees through GARFS and reported in the CPED Enterprise Funds.											