ADDENDUM DATED DECEMBER 10, 2009
TO OFFICIAL STATEMENT DATED NOVEMBER 30, 2009

REFUNDING ISSUE $57,480,000

Moody's Rating: Aa1
Standard & Poor's Rating: AAA
Fitch's Rating: AAA

CITY OF MINNEAPOLIS, MINNESOTA

$57,480,000
Taxable General Obligation
Tax Increment Refunding Bonds
(Target Center Project), Series 2009D

(Book-Entry Only)

Schedule of Maturity Dates, Principal Amounts, Interest Rates, Yields and CUSIP Numbers

Maturity (March 1)	Amount	Interest Rate	Yield	CUSIP 60374Y
2011	$1,355,000	2.500%	1.000%	F28
2012	2,675,000	2.500%	1.580%	F36
2013	3,065,000	2.625%	1.980%	F44
2014	2,115,000	3.000%	2.600%	F51
2015	2,425,000	3.000%	2.850%	F69
2016	2,755,000	3.350%	3.350%	F77
2017	3,125,000	3.850%	3.850%	F85
2018	3,500,000	4.000%	4.000%	F93
2019	3,870,000	4.150%	4.170%	G27
2020	4,265,000	4.300%	4.320%	G35
2021	4,685,000	4.450%	4.470%	G43
2022	5,140,000	4.600%	4.600%	G50
2023	5,630,000	4.700%	4.700%	G68
2024	6,155,000	4.800%	4.800%	G76
2025	6,720,000	4.900%	4.900%	G84

Piper Jaffray & Co., Inc. has agreed to purchase the Bonds from the City for an aggregate price of $57,506,072.27, plus accrued interest, if any, to the date of delivery. It is expected that the Bonds will be available for delivery on or about December 30, 2009.

Original Issue Premium and Original Issue Discount

The Bonds maturing in 2011 through 2015 have been sold with original issue premium and Bonds maturing in 2019 through 2021 have been sold with original issue discount. Bondholders should consult their tax advisors regarding the tax consequences related to Bonds sold with original issue discount or original issue premium.

THIS ADDENDUM IS INCORPORATED BY REFERENCE AS OF THE DATE HEREOF INTO THE OFFICIAL STATEMENT OF THE CITY DATED NOVEMBER 30, 2009, WITH RESPECT TO THE BONDS. TAKEN IN CONJUNCTION WITH SAID OFFICIAL STATEMENT, THIS ADDENDUM SHALL CONSTITUTE A "FINAL OFFICIAL STATEMENT" OF THE CITY WITH RESPECT TO THE BONDS AS THAT TERM IS DEFINED IN RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

REFUNDING ISSUE $57,480,000** *Ratings: Moody's Rating: applied for
S & P Rating: applied for
Fitch Rating: applied for

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, interest on the Bonds is subject to federal and Minnesota income taxation. See "TAX EXEMPTION" herein.

CITY OF MINNEAPOLIS, MINNESOTA

$57,480,000**
Taxable General Obligation
Tax Increment Refunding Bonds
(Target Center Project), Series 2009D

(referred to as the "Bonds") (Book-Entry Only)

Competitive proposals for these Bonds will be considered December 8, 2009 as described herein. See "TERMS OF PROPOSAL."

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

THE TAXABLE GENERAL OBLIGATION TAX INCREMENT REFUNDING BONDS (TARGET CENTER PROJECT), SERIES 2009D

Dated Date: December 30, 2009 Interest Due: Each March 1 and
Maturity Dates: March 1, 2011 – 2025 September 1, commencing September 1, 2010

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

The Bonds are subject to prior redemption as described herein.

The Bonds are being issued subject to certain conditions described herein, including an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota, as bond counsel. It is expected that the Bonds will be delivered to The Depository Trust Company in New York, New York on or about December 30, 2009, against payment therefor.

The Date of this Official Statement is November 30, 2009.

*See "Ratings" herein.

**Preliminary; subject to change.

DAC Bond©

MATURITY SCHEDULE

TAXABLE GENERAL OBLIGATION TAX INCREMENT REFUNDING BONDS (TARGET CENTER PROJECT), SERIES 2009D — $57,480,000*

March 1 Year	Amount	March 1 Year	Amount
2011	$1,355,000	2019	$3,870,000
2012	2,675,000	2020	4,265,000
2013	3,065,000	2021	4,685,000
2014	2,115,000	2022	5,140,000
2015	2,425,000	2023	5,630,000
2016	2,755,000	2024	6,155,000
2017	3,125,000	2025	6,720,000
2018	3,500,000		

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

Callable on March 1, 2019 and any date thereafter at par plus accrued interest

*Preliminary; subject to change.

TABLE OF CONTENTS

Copies of the Official Statement and the official form of proposal may be downloaded from Muni-Source.com on the Internet.

TERMS OF PROPOSAL

$57,480,000*
CITY OF MINNEAPOLIS, MINNESOTA

TAXABLE GENERAL OBLIGATION TAX INCREMENT REFUNDING BONDS (TARGET CENTER PROJECT), SERIES 2009D

(BOOK ENTRY ONLY)

Proposals for the Taxable General Obligation Tax Increment Refunding Bonds (Target Center Project), Series 2009D (the "Bonds") and the Good Faith Deposit ("Deposit") will be received on Tuesday, December 8, 2009, until 10:00 A.M., Central Time, at the offices of Ehlers & Associates, 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, after which time they will be opened and tabulated. Consideration for award of the Bonds will be by the City of Minneapolis, Minnesota at 1:00 P.M., Central Time, the same day.

SUBMISSION OF PROPOSALS

Ehlers & Associates will assume no liability for the inability of the bidder to reach Ehlers & Associates prior to the time of sale specified above. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the Proposal is submitted.

(a) ***Sealed Bidding.*** Proposals may be submitted in a sealed envelope to the Ehlers & Associates address listed above or by fax (651) 697-8555 to Ehlers & Associates. Signed Proposals, without final price or coupons, may be submitted to Ehlers & Associates prior to the time of sale. The bidder shall be responsible for submitting to Ehlers & Associates the final Proposal price and coupons, by telephone (651) 697-8500 or fax (651) 697-8555 for inclusion in the submitted Proposal.

OR (b) ***Electronic Bidding.*** Notice is hereby given that electronic proposals will be received via PARITY®. For purposes of the electronic bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all Bids submitted to PARITY®. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic Bid in a timely manner and in compliance with the requirements of the Notice of Sale.* Neither the City, its agents nor PARITY® shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents nor PARITY® shall be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY®. The City is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY® is not an agent of the City.

If any provisions of this Notice of Sale conflict with information provided by PARITY®, this Notice of Sale shall control. Further information about PARITY®, including any fee charges, may be obtained from:

PARITY®, 1359 Broadway, 2nd Floor, New York City, New York 10018,
Customer Support, (212) 849-5000.

*Preliminary; subject to change.

DETAILS OF THE BONDS

The Bonds will be dated as of the date of closing, as the date of original issue, and will bear interest payable on March 1 and September 1 of each year, commencing September 1, 2010. Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB.

The Bonds will mature on March 1 in the years and amounts as follows:

TAXABLE GENERAL OBLIGATION TAX INCREMENT REFUNDING BONDS (TARGET CENTER PROJECT), SERIES 2009D — $57,480,000**

March 1 Year	Amount	March 1 Year	Amount
2011	$1,355,000	2019	$3,870,000
2012	2,675,000	2020	4,265,000
2013	3,065,000	2021	4,685,000
2014	2,115,000	2022	5,140,000
2015	2,425,000	2023	5,630,000
2016	2,755,000	2024	6,155,000
2017	3,125,000	2025	6,720,000
2018	3,500,000		

**The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above. In order to designate term bonds, the proposal must specify term maturities in the spaces provided on the Proposal Form.

The principal amounts of the Bonds due on any term date set by the successful underwriter required to be redeemed on each mandatory redemption date as set forth above may be reduced through earlier optional redemption. In case a Bond subject to sinking fund redemption is of a denomination larger than $5,000, a portion of such Bond ($5,000 or any multiple thereof) may be redeemed, but Bonds shall be redeemed only in the principal amount of $5,000 each or any integral multiple thereof.

On or prior to the 60th day preceding any mandatory redemption date, the City may purchase Bonds of the applicable maturity in an amount not exceeding the amount of Bonds of such maturity required to be redeemed on such date and at a price not exceeding the principal amount thereof plus accrued interest. Any Bonds so purchased shall be cancelled and the redemption thereof shall be credited against the principal amount of Bonds of such maturity required to be redeemed on the next mandatory redemption date.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

REGISTRAR AND PAYING AGENT

The City will serve as Registrar and Paying Agent for the Bonds. In the event a successor registrar and paying agent is named for the Bonds, the City will pay for the services of such registrar and paying agent.

OPTIONAL REDEMPTION

The City may elect on March 1, 2019, and on any day thereafter, to prepay Bonds due on or after March 1, 2020. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be sold by the City and will be issued pursuant to the Constitution and Laws of the State of Minnesota, including Minnesota Statutes, Chapter 475, and Chapter 469, as amended, the City Charter, a resolution adopted by the City Council, and other proceedings and determinations related thereto.

The Bonds are general obligations of the City and the full faith and credit of the City are pledged to the payment of the principal of and interest on the Bonds as the same shall become due.

BIDDING PARAMETERS

Proposals shall be for not less than $57,480,000 (Par), and accrued interest on the total principal amount of the Bonds. No proposal can be withdrawn or amended after the time set for receiving proposals unless award of the Bonds is not made by authorized City representatives on December 8, 2009. The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2016 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

GOOD FAITH DEPOSIT

Proposals, regardless of method of submission, shall be accompanied by a Deposit in the amount of $1,150,000, in the form of a certified or cashier's check, a wire transfer, or Financial Surety Bond and delivered to Ehlers & Associates prior to the time proposals will be opened. Each bidder shall be solely responsible for the timely delivery of their Deposit whether by check, wire transfer or Financial Surety Bond. Neither the City nor Ehlers & Associates have any liability for delays in the transmission of the Deposit.

Any Deposit made by **certified or cashier's check** should be made payable to the City and delivered to Ehlers & Associates, 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105.

Any Deposit sent via **wire transfer** should be sent to Ehlers & Associates as the City's agent according to the following instructions:

Klein Bank, 1550 Audubon Road, Chaska, MN 55318
ABA #091915654
For credit to Ehlers & Associates, Account #3183661

Contemporaneously with such wire transfer, the bidder shall send an e-mail to www.dehlers@ehlers-inc.com, including the following information; (i) indication that a wire transfer has been made, (ii) the amount of the wire transfer, (iii) the issue to which it applies and (iv) the return wire instructions if such bidder is not awarded the Bonds.

Any Deposit made by the successful bidder by check or wire transfer will be delivered to Wells Fargo Bank, National Association, as trustee with respect to the bonds to be refunded with the proceeds of the Bonds, following the award of the Bonds. Any Deposit made by check or wire transfer by an unsuccessful bidder will be returned to such bidder following an award of the Bonds.

If a **Financial Surety Bond** is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota and pre-approved by the City. Such bond must be submitted to Ehlers & Associates prior to the opening of the proposals. The Financial Surety Bond must identify each underwriter whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to an underwriter using a Financial Surety Bond, then that underwriter is required to submit its Deposit in the form of a certified or cashier's check or wire transfer as instructed by Ehlers & Associates not later than 3:00 p.m., Central Time on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the City to satisfy the Deposit requirement.

The Deposit received from the purchaser, the amount of which will be deducted at settlement, will be deposited as described herein and no interest will accrue to the purchaser. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the City.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The Finance Officer's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The Finance Officer reserves the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals without cause, and, (iii) reject any proposal which the Finance Officer determines to have failed to comply with the terms herein.

BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the purchaser, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the purchaser.

Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers, such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the purchaser.

SETTLEMENT

The Bonds will be delivered without cost to the purchaser through DTC in New York, New York on or about December 30, 2009. Delivery will be subject to receipt by the purchaser of an approving legal opinion of Kennedy & Graven, Chartered of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the designated location not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the City, or its agents, the purchaser shall be liable to the City for any loss suffered by the City by reason of the purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

On the date of actual issuance and delivery of the Bonds, the City will execute and deliver a Continuing Disclosure Certificate whereunder the City will covenant for the benefit of the owners of the Bonds to provide certain financial and other information about the City and notices of certain occurrences to the information repository as specified in and required by Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

OFFICIAL STATEMENT

The City has prepared an Official Statement containing pertinent information relative to the Bonds, and said Official Statement is deemed to be a final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide, without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded, 200 copies of the Official Statement and the addendum or addenda described above. The City designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each participating underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the City (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all participating underwriters of the Bonds for purposes of assuring the receipt by each such participating underwriter of the Final Official Statement.

Copies of the Official Statement and the official form of proposal may be downloaded from Muni-Source.com on the Internet. For any additional information prior to sale, any prospective purchaser is referred to the Financial Advisor to the City, Ehlers & Associates, 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, telephone (651) 697-8500.

Dated: November 30, 2009

BY ORDER OF THE FINANCE OFFICER
OF THE CITY OF MINNEAPOLIS

/s/

CITY OF MINNEAPOLIS
MINNESOTA

INTRODUCTORY STATEMENT

This Official Statement presents certain information relating to the City of Minneapolis, Hennepin County, Minnesota (the "City," the "County," and the "State," respectively), in connection with the sale of the City's $57,480,000* Taxable General Obligation Tax Increment Refunding Bonds (Target Center Project), Series 2009D (the "Bonds"). The Bonds will bear interest at fixed rates based on the competitive sale thereof described herein.

This Official Statement is deemed to be a final official statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission, except for the omission of certain pricing and other information which is to be made available through an Addendum.

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

The Bonds are general obligations of the City, and the City is required to levy general ad valorem taxes on all taxable property within the City without limitation as to rate or amount, if necessary, to pay principal and interest when due. The debt service on the Bonds is expected to be paid from certain dedicated revenue sources. See "THE BONDS — Security for the Bonds" herein.

The Bonds will be issued pursuant to a resolution adopted by the City Council of the City (the "Bond Resolution").

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

In the opinion of Kennedy & Graven, Chartered, bond counsel, the interest on the Bonds is includable in gross income for federal income tax purposes, and is includable in the taxable net income of individuals, trusts, and estates for State of Minnesota income tax purposes. See "TAXABILITY OF INTEREST ON THE BONDS" herein.

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

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

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

The City official able to furnish basic documents and answer questions about this Official Statement or who can direct inquiries to the appropriate responsible parties is Mr. Jack A. Qvale, Executive Secretary, Minneapolis Board of Estimate and Taxation, Room 315M City Hall, Minneapolis, Minnesota 55415, Telephone (612) 673-2029, Fax (612) 673-3250.

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*Preliminary; subject to change.

DESCRIPTION OF THE BONDS

The Bonds will be dated December 30, 2009, as the date of original issue, and will bear interest payable March 1 and September 1 of each year, commencing September 1, 2010. Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB.

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

March 1 Year	Amount	March 1 Year	Amount
2011	$1,355,000	2019	$3,870,000
2012	2,675,000	2020	4,265,000
2013	3,065,000	2021	4,685,000
2014	2,115,000	2022	5,140,000
2015	2,425,000	2023	5,630,000
2016	2,755,000	2024	6,155,000
2017	3,125,000	2025	6,720,000
2018	3,500,000		

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

Redemption Provisions

All Bonds maturing on or after March 1, 2020 are subject to redemption and prior payment in whole or in part at the option of the City at a redemption price of par plus accrued interest on March 1, 2019 and any date thereafter.

Authorization for Issuance

The Bonds are being issued to redeem and prepay bonds previously issued by the City to finance the acquisition of the Target Center, a multipurpose sports facility located in downtown Minneapolis. These bonds are authorized to be issued by the Constitution and Laws of the State, including Minnesota Statutes, Chapter 475, as amended, and Chapter 469, as amended, and the Minneapolis City Charter.

Security for the Bonds

The Bonds are general obligations of the City for which the full faith and credit of the City have been irrevocably pledged.

The Bonds are additionally secured by certain tax increment revenues and other revenues that the City has pledged to the payment of the principal of and interest on the Bonds, subject to certain conditions and limitations.

It is anticipated that sufficient revenues will be derived from such tax increment revenues and other revenues to pay the principal and interest on the Bonds. If such revenues are insufficient to pay principal of and interest on the Bonds, the City is obligated to levy taxes on all taxable property in the City without limitation as to rate or amount to the extent necessary to pay such principal and interest when due.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the principal amount of Bonds maturing on that date, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal, interest, and redemption premium, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee) or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

SOURCES AND USES OF FUNDS

SOURCES		
Par Amount of Bonds		$57,480,000
Transfer from Prior Issue Funds		2,050,000
TOTAL SOURCES		**$59,530,000**
USES		
Deposit to Current Refunding Accounts		$59,268,555
Revenue Bonds (Arena Acquisition Project), Series 1995-A	4,150,162	
Revenue Bonds (Arena Acquisition Project), Series 1995-B	4,536,470	
General Obligation Bonds (Arena Acquisition Project), Series 1995	50,581,923	
Underwriter's Discount (0.30%)		172,440
Cost of Issuance		85,000
Rounding		4,005
TOTAL USES		**$59,530,000**

The amounts in the preceding table are preliminary and are subject to change.

HISTORY OF THE PROJECT

The Project. On December 20, 1985, the City Council of the City approved the development program (the "Development Program") for a development district then designated as Development District No. 58 (Laurel Village). Amendment No. 1 to the Development Program, approved by the City Council of the City on October 24, 1986, changed the designation of the district to Development District No. 58 (Greater Hennepin Avenue) (the "Development District") and expanded the boundaries of the development District. The Development District was established under Minnesota Statutes, Sections 469.124-469.134, as amended (the "Development District Act").

Tax Increment Financing District. By Resolution No. 87R-255, adopted by the City Council of the City on June 12, 1987, the City approved: (i) the creation by the Minneapolis Community Development Agency (the "MCDA") of a tax increment financing district, designated NBA Arena Tax Increment Financing District (the "Tax Increment District"); (ii) the adoption of Amendment No. 2 to the Development Program; and (iii) the adoption of the NBA Arena Tax Increment Finance Plan (the "Tax Increment Plan"). The Tax Increment District was created and the Tax Increment Plan was adopted pursuant to the provisions of Minnesota Statutes, Section 469.174-469.179, as amended (the "Tax Increment Act").

Series 1988-A Bonds and Series 1989-A Bonds. On April 1, 1988, the City Council of the City adopted Resolution No. 88R-123 authorizing the issuance of its Taxable General Obligation Redevelopment Bonds (NBA Arena), Series 1988-A (the "Series 1988-A Bonds"), in the original aggregate principal amount of $14,800,000. On July 1, 1989, the City Council of the City adopted Resolution No. 89R-303 authorizing the issuance of its Taxable General Obligation Redevelopment Bonds (NBA Arena), Series 1989-A (the "Series 1989-A Bonds"), in the original aggregate principal amount of $5,200,000. Tax increment revenues to be derived from the Tax Increment District were pledged on a parity basis to the Series 1988-A Bonds and the Series 1989-A Bonds.

The Development Agreement. The proceeds derived from the sale of the Series 1988-A Bonds and the Series 1989-A Bonds were provided to the MCDA to finance the acquisition and clearance by the MCDA of the land located within the Tax Increment District (the "Land"). Prior to the acquisition of the Land, the MCDA entered into a Second Amended and Restated Development Agreement dated as of August 5, 1988 (the "Development Agreement"), among the MCDA, Northwest Racquet Swim & Health Clubs, Inc., a Minnesota corporation ("Northwest Racquet"), and the City. Pursuant to the terms of the Development Agreement, Northwest Racquet agreed to lease the Land from the MCDA under a ground lease, construct on the Land a multipurpose sports facility, and secure the payment of the principal of and interest on the Tax Increment Bonds through base rent on the ground lease equal to the amount by which the debt service on the Tax Increment Bonds exceeds the tax increment revenues derived from the Tax Increment District.

Land Development. The Land was leased to Northwest Racquet under a Ground Lease, dated August 5, 1988 (the "Ground Lease"), between the MCDA and Northwest Racquet. Northwest Racquet transferred its interest in the Ground Lease and its rights and obligations under the Development Agreement to Minnesota Arena Limited Partnership, a Minnesota limited partnership (the "Arena Partnership"). The Arena Partnership constructed a multipurpose sports facility (designated the "Target Center") on the Land principally to provide an arena for the National Basketball Association team and franchise, commonly known as the Minnesota Timberwolves, initially owned by Minnesota Professional Basketball Limited Partnership, a Minnesota limited partnership (the "Basketball Partnership").

Target Center Acquisition. In conjunction with the proposed sale of the Minnesota Timberwolves from the Basketball Partnership to Minnesota Timberwolves Basketball Limited Partnership, a Minnesota limited partnership (the "Team Owner"), the MCDA entered into a Target Center Purchase Agreement, dated as of March 1, 1995 (the "Purchase Agreement"), between the MCDA and the Arena Partnership, pursuant to which the MCDA acquired the Target Center from the Arena Partnership for a purchase price of $54,600,000. (Certain private business interests transferred an additional $1,400,000 to the Arena Partnership to induce the sale of the Target Center to the MCDA. Under the terms of the Purchase Agreement, this transfer of $1,400,000 to the Arena Partnership was a condition to the sale of the Target Center to the MCDA.) The City and the MCDA financed the acquisition of the Target Center from the Arena Partnership through the sale of tax-exempt bonds. The City financed a portion of the cost of acquiring the Target Center through the issuance of its

General Obligation Bonds (Arena Acquisition Project), Series 1995 (the "Series 1995 City Bonds"), in the original aggregate principal amount of $72,000,000. The Series 1995 City Bonds were issued on March 23, 1995, pursuant to Resolution No. 95R-058, adopted by the City Council of the City and approved by the Mayor of the City on March 10, 1995, and a Trust Indenture, dated as of March 1, 1995 (the "Series 1995 City Indenture"), between the City and Wells Fargo Bank, National Association (formerly known as Norwest Bank Minnesota, National Association), as trustee (the "Trustee"). In addition, the MCDA financed a portion of the cost of acquiring the Target Center through the issuance of its Revenue Bonds (Arena Acquisition Project), Series 1995 (the "MCDA Bonds"), in the original aggregate principal amount of $12,650,000, which are currently outstanding in the principal amount of $8,595,000. The MCDA Bonds were issued on March 23, 1995, pursuant to Resolution No. 95-1282M, adopted by the Board of Commissioners of the MCDA and approved by the Mayor of the City on March 10, 1995, and an Indenture of Trust, dated as of March 1, 1995 (the "MCDA Indenture"), between the MCDA and the Trustee.

Refunding Series 1988-A Bonds and Series 1989-A Bonds. In conjunction with the acquisition of the Target Center, the City applied a portion of the proceeds of the Series 1995 City Bonds to the redemption and prepayment of the Series 1988-A Bonds and the Series 1989-A Bonds.

Target Center Use Agreements. The Target Center has been subdivided as follows: (i) a portion of the Land and the Target Center constituting the arena (the "Arena"); and (ii) a portion of the Land and the Target Center constituting the sports and health club (the "Health Club"). The MCDA entered into a Basketball Playing Agreement, dated as of March 1, 1995 (the "Playing Agreement"), between the MCDA and the Team Owner, under which the Team Owner agreed to play the home games of the Minnesota Timberwolves in the Arena during the thirty-year term of the Playing Agreement.

The MCDA also entered into an operating agreement in which an operator has agreed to operate and manage the Arena, subject to the rights of the Team Owner under the Playing Agreement. The current operator of the Arena is AEG Management MN, LLC which operates the Arena under an Amended and Restated Arena Lease, Operating, Management, Use and Assurances Agreement, dated and effective as of May 2, 2007, by and between the MCDA and AEG Management MN, LLC (the "Operating Agreement").

The MCDA entered into a Health Club Lease, dated as of March 1, 1995 (the "Health Club Lease"), between the MCDA and Arena Health Club Limited Partnership, under which Arena Health Club Limited Partnership agreed to operate the Health Club for the thirty-year term of the Health Club Lease. The operator of the Health Club has changed on several occasions since 1995. The current Health Club operator is LTF Club Operations Company, Inc., a Minnesota corporation.

The MCDA entered into a Commission Use and Occupancy Agreement, dated as of March 1, 1995 (the "Commission Use Agreement"), between the Agency and the Metropolitan Sports Facilities Commission (the "Commission"), under which the MCDA granted to the Commission the right to use the Arena for the conduct of amateur sports events for up to fifty event days per year. The Commission entered into a MASC Use Agreement, dated as of March 1, 1995, between the Commission, the Minnesota Amateur Sports Commission ("MASC"), and the Operator, under which the Commission granted to MASC the rights and obligations granted to the Commission under the Commission Use Agreement.

Assignment of MCDA Interests. Pursuant to an Assignment and Assumption Agreement, effective as of August 1, 2009 (the "Assignment Agreement"), between the MCDA and the City, the MCDA has assigned all of its right, title, and interest in the Playing Agreement, the Operating Agreement, the Health Club Lease, and the Commission Use Agreement (collectively, the "Assigned Agreements") to the City and the City has accepted and assumed the Assigned Agreements. In addition, pursuant to the terms of a quitclaim deed and a bill of sale, the MCDA has conveyed all of its interests in the real property and personal property comprising the Target Center to the City.

Series 1996 City Bonds. On February 1, 1996, the City issued its General Obligation Refunding Bonds (Sports Arena Project), Series 1996 (the "Series 1996 City Bonds"), in the original aggregate principal amount of $67,555,000. The Series 1996 City Bonds are currently outstanding in the principal amount of $49,735,000. The Series 1996 City Bonds were issued pursuant to: (i) Resolution No. 95R-408, adopted by the City Council of the City on December 29, 1995, and approved by the Mayor of the City on January 4, 1995; and (ii) a Trust Indenture, dated as of January 1, 1996 (the

“Series 1996 City Indenture”), between the City and the Trustee. The proceeds derived from the sale of the Series 1996 City Bonds were applied to the current refunding of the Series 1995 City Bonds on February 1, 1996.

LITIGATION

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

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

LEGAL MATTERS

Legal matters incident to the issuance, sale and validity of the Bonds are subject to the unqualified approving opinion of Kennedy & Graven, Chartered, of Minneapolis, Minnesota, Bond Counsel. The form of the Bond Counsel opinion is shown on page 69. The opinion will state that the Bonds are valid and binding general obligations of the City and that the City is required to levy ad valorem taxes on all taxable property within the City without limitation as to rate or amount, if necessary, to pay the principal of and interest on the Bonds when due.

FINANCIAL ADVISOR

The City has retained Ehlers & Associates, Roseville, Minnesota, as financial advisor (the “Financial Advisor”) in connection with the issuance of the Bonds. The Financial Advisor has participated in the preparation of certain portions of this Official Statement, but is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

RATINGS

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

OFFICIAL STATEMENT CERTIFICATION

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

CONTINUING DISCLOSURE COVENANTS

In order to permit the underwriter of the Bonds to comply with the continuing disclosure requirements of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (as in effect and interpreted from time to time, the "Rule"), the City will covenant in a Continuing Disclosure Certificate, for the benefit of the Owners (as hereinafter defined) from time to time of any Bonds which are outstanding, to provide annual reports of specified information and notice of the occurrence of certain events as hereinafter described (the "Disclosure Covenants"). The City is the only "obligated person" in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. The City has complied in all material respects with any undertaking previously entered into by it under the Rule.

As used herein, "Owner" or "Bondowner" means, in respect of a Bond, the registered holder or holders thereof or any beneficial owner thereof if such beneficial owner provides evidence of such beneficial ownership.

Information To Be Disclosed

The City will provide, in the manner set forth under "Manner of Disclosure" below, either directly or indirectly through an agent designated by the City, the following information at the following times:

(i) Annual Information

On or before 270 days after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2009, the following financial information and operating data (the "Disclosure Information"):

(A) The audited financial statements of the City for such fiscal year, which financial statements shall contain balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the fiscal year then ended, showing in comparative form such figures for the preceding fiscal year of the City, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof and certified as to accuracy and completeness in all material respects by the Finance Officer of the City; and

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

The following general categories of information of the type contained in this Official Statement:

(1) City Property Values and Taxes

(2) Indebtedness of the City

(3) Financial Information

Any or all of the Disclosure Information may be incorporated, if it is updated as required by the Disclosure Covenants, by reference from other documents, including official statements. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board (the "MSRB").

If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be material, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or the Disclosure Covenants are amended as permitted by the Continuing Disclosure Certificate, then the City is to include in the next Disclosure Information to be delivered under the Disclosure Covenants, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(ii) Certain Material Events

In a timely manner, notice of the occurrence of any of the following events, if material (the "Material Events"):

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit liquidity providers, or their failure to perform;

(6) Adverse tax opinions or events affecting the tax-exempt status of the security;

(7) Modifications to rights to security holders;

(8) Unscheduled Bond calls;

(9) Defeasances;

(10) Release, substitution, or sale of property security repayment of the securities; and

(11) Rating changes.

(iii) Certain Other Information

In a timely manner, notice of the occurrence of any of the following events or conditions:

(A) the failure of the City to provide the Disclosure Information at the time specified under "Annual Information" above;

(B) the amendment or supplementing of the Disclosure Covenants pursuant to the Continuing Disclosure Certificate, together with a copy of such amendment or supplement and any explanation provided by the City under the Disclosure Covenants;

(C) the termination of the obligations of the City under the Disclosure Covenants pursuant to the Continuing Disclosure Certificate;

(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and

(E) any change in the fiscal year of the City.

Manner of Disclosure

The City shall deliver the information described under "Information To Be Disclosed" above to the following entities by fax, overnight delivery, first-class mail or other means, as appropriate:

(1) the information described under "Annual Information" and "Audited Financial Statements" above, to each then nationally recognized municipal securities information repository under the Rule; and

(2) the information described under "Certain Material Events" and "Certain Other Information" above, to the Municipal Securities Rulemaking Board.

Electronic Municipal Market Access System

The MSRB established an electronic information service for municipal securities known as the Electronic Municipal Market Access system ("EMMA"). EMMA became operational on July 1, 2009, and established, as a component of EMMA, a continuing disclosure service for the receipt and public availability of continuing disclosure documents and related information to be submitted by issuers, obligated persons, and their agents pursuant to continuing disclosure undertakings entered into consistent with the Rule. The City shall conform its continuing disclosure obligations to the requirements of the continuing disclosure service component of EMMA.

Term

The Disclosure Covenants shall remain in effect until all Bonds have been paid or defeased. Notwithstanding the preceding sentence, however, the Disclosure Covenants shall terminate and be without further effect as of any date on which the City receives an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the Disclosure Covenants will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

Amendments; Interpretation

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

The Disclosure Covenants are to be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

Default; Remedies

If the City fails to comply with any of the Disclosure Covenants, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any such covenant. Direct, indirect, consequential and punitive damages shall not be recoverable, however, for any default thereunder to the extent permitted by law. In no event shall a default under the Disclosure Covenants constitute a default under the Bonds or under any other provisions of the Bond Resolutions.

Disclosure Dissemination Agent

The City has entered into a Disclosure Dissemination Agreement with Digital Assurance Certification (DAC), an Ernst & Young LLP company under which DAC agrees to act as the City's disclosure dissemination agent ("Disclosure Dissemination Agent"). DAC's web site can be reached at "www.dac-ey.com."

The Disclosure Dissemination Agent has only the duties specifically set forth in the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described in the Disclosure Dissemination Agreement is limited to the extent the City has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty or obligation to review or verify any information in the Annual Report, Audited Financial Statements, notice of Notice Event or Voluntary Report, or any other information, disclosures or notices provided to it by the City and shall not be deemed to be acting in any fiduciary capacity for the City, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent has no responsibility for the City's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the City has complied with the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the City at all times.

TAXABILITY OF INTEREST ON THE BONDS

In the opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel, under existing laws as presently enacted and constructed, interest on the Bonds is includable in gross income for purposes of federal income taxation and is includable in taxable net income of individuals, estates or trusts for purposes of Minnesota income taxation.

Purchasers of the Bonds are encouraged to consult with their personal tax advisors regarding the impact of the foregoing on their individual tax liabilities.

ORIGINAL ISSUE PREMIUM AND ORIGINAL ISSUE DISCOUNT

Original Issue Premium

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

Original Issue Discount

The Bonds may be sold at a discount from the principal amount payable on such Bonds at maturity (the "Discount Bonds"). Under Section 1272 of the Code, original issue discount on debt obligations accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period and will increase the owner's tax basis in such Discount Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Discount Bond will be treated as gain from the sale or exchange of such Discount Bond. Holders of Discount Bonds should consult their tax advisors with respect to computation and accrual of original issue discount and with respect to the state and local tax consequences of owning Discount Bonds.

CITY PROPERTY VALUES AND TAXES

Recent Property Tax Law Changes

Reductions in taxable valuations resulting from the limited market value law (LMV) were to be phased-out over a period of six years, beginning with assessment year 2002 (for taxes payable in 2003). The limited market value law applies to agricultural homestead or nonhomestead property, residential homestead or nonhomestead property, timber, or noncommercial seasonal residential recreational property. The table below summarizes the original phase-out.

	Growth in Taxable Value is Limited to the Greater of:	
Assessment Year/ Payable Year	**Percent of Previous Year Taxable Value**	**Percent Difference Between Prior Year & Current Year Taxable Value**
2001/2002*	8%	15%
2002/2003	10	15
2003/2004	12	20
2004/2005	15	25
2005/2006	15	33
2006/2007	15	50
2007/2008	Property Taxed at Full Estimated Market Value (LMV Eliminated)	

*Same as previous law.

The Minnesota Legislature during the First Special Session in 2005 extended the phase-out schedule for Limited Market Value (LMV) for two years (through assessment year 2008) as shown below:

	Growth in Taxable Value is Limited to the Greater of:	
Assessment Year/ Payable Year	**Percent of Previous Year Taxable Value**	**Percent Difference Between Prior Year & Current Year Taxable Value**
2005/2006	15%	25%
2006/2007	15	25
2007/2008	15	33
2008/2009	15	50
2009/2010	Property Taxed at Full Estimated Market Value (LMV Eliminated)	

Tax Capacity and Estimated Market Valuations

The City Assessor, pursuant to State law and the City Charter, is responsible for the assessment of all taxable property located within the City. State law provides, with certain exceptions, that all taxable property is to be valued at its market value. All real property subject to taxation must be listed and may be revalued each year with reference to its market value as of January 2. The assessor's appraisal staff views and reappraises all parcels at maximum intervals of four years. Personal property subject to taxation must also be listed and assessed annually as of January 2.

Property is appraised at *Market Value,* defined as the usual selling price of the property which could be obtained at a private sale or an auction sale (if the assessor determines that the auction sale price represents an arm's-length transaction) and not at a forced sale. The market value of property is the price the assessor believes the property to be fairly worth in money.

The taxable value of property, upon which taxes are levied, extended and collected, is a percentage of the Market Value. Taxable value is referred to as *Net Tax Capacity*. The mechanics of the computation are Net Tax Capacity equals Market Value multiplied by a given percentage for the particular classification of property. The following table compares selected Net Tax Capacity formulas for previous years.

TABLE A

TAXABLE VALUATION AS PERCENTAGE OF MARKET VALUE

	Payable Net Tax Capacity					
Type of Property	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Residential Homestead:						
First $500,000	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Over $500,000	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Residential Non-Homestead:						
Three or fewer units	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Four or more units	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Commercial and Industrial:						
First $150,000	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Over $150,000	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

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

Set forth in Table B are the estimated full market value adjusted by sales ratio and assessed value/tax capacity of taxable property located in the City for the years payable 1997 through 2009 with an estimate for 2010.

TABLE B

VALUATIONS OF TAXABLE PROPERTY LOCATED IN THE CITY

Year of Value	Year of Tax Coll	Estimated Full Market Value	Sales Ratio(d)	Assessor's Estimated Market Value Total	Unadjusted Net Tax Capacity Total	Tax Increment	Fiscal Disparity Contribution	Fiscal Disparity Distribution	Net Tax Capacity
2009	2010	$41,214,267,256	90.0%	$37,092,840,530	$469,990,682	$(35,757,947)	$(55,162,961)	$60,483,575	$439,553,349
2008	2009	42,346,425,167	90.0%	38,111,782,650	482,224,534	(73,308,233)	(51,148,718)	56,767,749	436,987,551
2007	2008	42,934,752,000	90.0%	38,641,276,800	476,003,270	(70,210,276)	(45,264,934)	50,007,587	410,535,647
2006	2007	41,218,406,444	90.0%	37,096,565,800	435,584,275	(64,601,171)	(39,466,684)	43,325,307	374,841,727
2005	2006	38,657,611,702	90.0%	34,791,850,532	386,078,398	(56,836,388)	(32,778,714)	39,578,215	336,041,511
2004	2005	34,544,630,889	90.0%	31,090,167,800	340,112,825	(49,625,522)	(33,529,899)	38,504,608	295,462,012
2003	2004	31,693,744,667	90.0%	28,524,370,200	310,267,571	(47,011,477)	(34,107,481)	37,893,509	267,042,122
2002	2003	28,747,031,778	90.0%	25,872,328,600	295,253,837	(46,237,759)	(33,998,625)	35,676,707	250,694,160
2001	2002	25,735,886,819	90.0%	23,162,298,137	279,978,473(a)	(42,735,702)(a)	(30,803,272)	34,127,401	240,566,900
2000	2001	21,537,097,097	90.0%	19,383,387,387	363,286,876	(54,740,800)	(46,883,893)	46,401,909	308,064,092
1999	2000	19,930,479,629	85.2%	16,980,768,644	328,288,519	(47,706,42)	(42,056,299)	42,635,417	281,161,210
1998	1999	17,704,304,935	88.1%	15,597,492,648	311,475,246(b)	(43,739,300)	(40,068,353)	40,202,550	267,870,143
1997	1998	16,034,089,112	90.2%	14,462,748,379	322,579,450(c)	(43,874,054)	(43,033,711)	42,715,738	278,387,423
1996	1997	15,018,782,474	90.1%	13,531,923,009	342,717,501	(43,781,776)	(40,590,512)	45,040,624	303,385,837

(a) The decrease in the 2001 net tax capacity is due to a reduction of the capacity rates for classes of property.
(b) The decrease in the 1998 net tax capacity was due to a reduction of the capacity rates for classes of property.
(c) The decrease in the 1997 net tax capacity was due to a reduction of the capacity rates for classes of property.
(d) These ratios are estimated.

Set forth in Table C is a schedule of the assessed valuation/tax capacity of categories of real and personal property located within the City for the payable years 2005 through 2009.

TABLE C

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

Assessment Year	2008	2007	2006	2005	2004
Payable Year	2009	2008	2007	2006	2005
Commercial & Industrial*	$176,171	$165,896	$149,764	$137,267	$121,812
Residential	261,673	265,803	241,598	206,888	175,899
Apartment	41,897	41,397	40,102	40,888	39,845
Other	322	316	345	323	278
Total Real Property	480,063	473,412	431,809	385,366	337,834
Personal Property	7,180	7,334	7,634	7,512	7,254
Total Real and Personal Property	487,243	480,746	439,443	392,878	345,088
Less Tax Increment	(73,308)	(70,210)	(64,601)	(56,836)	(49,626)
Net Tax Capacity	$413,935	$410,536	$374,842	$336,042	$295,462

*includes net effect of Fiscal Disparities

Limitation on City Tax Levy

From time to time the City has been subject to levy limits by state law. Levy limits were in effect for property taxes payable in 1998 through 2000 and were re-imposed for taxes payable in 2002 and 2003. Levy limits in the past have allowed the City to adjust annual levies by a factor for (1) household growth, (2) inflation, (3) tax base growth, and (4) special levies as defined by statute. The adopted state tax bill will allow cities to replace up to 60-percent of the local government aid loss, but excludes the traditional levy growth adjustments for inflation and household growth or commercial/industrial growth. In addition, cities that had not used all of their levy authority in 2003 lost all of that unused levy authority for taxes payable in 2004. The 2004 levy authority for lost aid was computed as 60-percent of the difference between the original certified 2003 LGA and market value homestead credit reimbursement and the reduced 2004 LGA and market value homestead credit reimbursement. State law allowed the City to levy back 60% of the loss of LGA, or a $19.98 million increase in property tax levy above the payable 2003 level. These levy limits have not in the past and are not expected in the future to adversely affect the City's ability to operate. Debt service levies have always been excluded from the levy limitations.

The 2008 Legislature enacted provisions to establish levy limitations for taxes levied for collection in 2009, 2010 and 2011. Basically, levy increases for cities over 2,500 population and for counties are limited to its levy aid base or levy limit base for collection in the prior year, (1) plus the lesser of 3.9 percent or the percentage growth in the implicit price deflator, (2) plus an adjustment for population increases and (3) plus increases in taxable market value due to new construction of certain class 3 property (commercial/industrial).

Certain property tax levies are authorized outside of the new overall levy limitations ("special levies"). Special levies can be made outside of levy limits for multiple purposes including, but not limited to, bonded indebtedness, certificates of indebtedness, tax or aid anticipation certificates of indebtedness. In order to receive approval for any special levy claims outside of the overall levy limitation, requests for such special levies must be submitted to the Commissioner of Revenue by the date specified in the year in which the levy is to be made for collection in the following year. The Commissioner of Revenue has the authority to approve, reduce, or deny a special levy request. Final adjustments to all levies must be made by the Department of Revenue on or before December 10.

Metropolitan Fiscal Disparities Act

The Metropolitan Fiscal Disparities Act, (Minnesota Statutes, Chapter 473F) was adopted by the State Legislature in 1971 and was implemented in 1974 following a ruling by the State Supreme Court that the Act was constitutional. Generally, the objective of the Metropolitan Fiscal Disparities Act is to prevent competition among the various municipalities in the seven-county metropolitan area in which the City is located for industrial and commercial development to improve their respective tax bases. The following discussion summarizes the operation of the Metropolitan Fiscal Disparities Act.

Contribution to Metropolitan Pool. Pursuant to the provisions of the Metropolitan Fiscal Disparities Act, each municipality in the seven-county area is to "pool" (i.e., contribute to an areawide tax base) 40 percent of the amount by which the net tax capacity of commercial-industrial property subject to taxation therein exceeds the 1971 net tax capacity of commercial-industrial property subject to taxation therein. The total areawide tax base (the "Metropolitan Pool") is determined by aggregating the contribution of each municipality within the seven-county area.

Distribution of Metropolitan Pool. The Metropolitan Pool is then reallocated among all municipalities in the seven-county area basically in direct proportion to population and in inverse proportion to fiscal capacity, where fiscal capacity is measured by the market value of real property within the municipality divided by its population. Municipalities with large populations and low fiscal capacity are thus favored in the reallocation over those municipalities with small populations and large fiscal capacity.

Net Tax Capacities, Tax Levies and Tax Rates. Each municipality's official net tax capacity for purposes of levying taxes is determined by adding (1) all residential net tax capacity and all commercial-industrial net tax capacity therein, exclusive of the contribution to the Metropolitan Pool (collectively, the "local net tax capacity"), and (2) the municipality's share of the Metropolitan Pool. The tax levy of the municipality is similarly divided by the County Auditor into two components: (a) that portion which will be raised on the local net tax capacity; and (b) that portion which will be raised on the Metropolitan Pool. The tax levy of the municipality is basically divided in the same proportion as the municipality's share of the Metropolitan Pool bears to the local net tax capacity. The municipality's local tax rate is determined by dividing the local levy by the local net tax capacity.

The other portion of the municipality's tax levy, i.e., the levy which will be raised on the Metropolitan Pool, is added with the comparative levies for every other municipality in the seven-county area to arrive at the total dollar levy on the Metropolitan Pool. The areawide tax rate is then determined by dividing the total levy on the Metropolitan Pool by the total net tax capacity of the Metropolitan Pool.

The tax rates determined above are applied to all taxable property in the municipality. All residential property and the "local" portion of commercial-industrial property are subject to the local rate. The portion of the commercial-industrial property in the municipality contributed to the Metropolitan Pool is subject to the areawide tax rate. When the areawide tax levies have been collected, they are channeled through each county to the State Treasurer and distributed to the municipalities. (For information with respect to the tax rates levied against the "local net tax capacity" in the City and the tax rates levied on the Metropolitan Pool for the years 2004 through 2009, see "CITY PROPERTY VALUES AND TAXES — Tax Levies, Rates and Collections.")

Tax Levies, Rates and Collections

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

Property taxes for the City (and other political subdivisions within the County) are collected by the County Director of Property Taxation. In the months of February, July and December, the County Treasurer settles accounts with the appropriate political subdivisions, based upon their respective tax rates and assessed valuations. Taxes levied on both real and personal property which are delinquent constitute, pursuant to State law, first and perpetual liens thereon (with certain exceptions for personal property). Delinquent property taxes are withheld from the political subdivisions in which such property is located in proportion to the tax rate and levy of each and the County retains the responsibility of enforcing the collection of such delinquent taxes.

Penalties on unpaid taxes occur as follows: on May 16, unpaid property taxes (first one-half) are penalized at a rate of 3% on property classified as homestead and 7% on property classified as non-homestead. Thereafter, an additional 1% is charged on the 16th day of each month up to and including October 16 for both homestead and non-homestead property. On October 16 unpaid property taxes (second one-half) are penalized at a rate of 4% for both homestead and non-homestead property. Thereafter, an additional 2% on homestead property and 4% on non-homestead property is charged on the 16th day of each month up to and including December 16. An additional 2% penalty is charged on the first business day in January following the year in which the taxes were due and interest is charged based on variable rates per annum, on the full amount of the taxes, penalties, and costs unpaid. Personal property tax not paid when due is penalized at a rate of 8%.

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

Set forth in Table D are the net tax capacity rates established by the governmental units taxing real and personal property located within the City for 2004 through 2009. Certain governmental units, including the Metropolitan Council, the Metropolitan Mosquito Control District, Park Museum Fund, Hennepin County Regional Railroad Authority and Minneapolis Public Housing Authority have been aggregated into the category designated "Other" in Table D.

The tax rates shown are those levied against the tax capacities of residential property in the City and the major portion (72.36% for 2004, 72.92% for 2005, 76.20% for 2006, 74.24% for 2007, 73.10% for 2008 and 71.37% for 2009) of the tax capacities of commercial-industrial property in the City. Areawide tax rates of 137.107% for 2004, 129.863% for 2005, 121.802% for 2006, 119.530% for 2007, 115.782% for 2008 and 115.921% for 2009 were levied against the remainder of the assessed valuation or tax capacities of commercial-industrial property in the City. (See "CITY PROPERTY VALUES AND TAXES — Metropolitan Fiscal Disparities Act — Net Tax Capacity, Tax Levies and Tax Rates.")

TABLE D

TAX RATES IN TAX CAPACITY

Governmental Unit	2009	2008	2007	2006	2005	2004
City	57.049%	56.286%	56.685%	58.433%	61.932%	64.538%
Special School District No. 1	24.583	21.918	24.193	25.592	26.833	32.389
County	39.697	34.463	34.774	36.407	39.152	41.943
Other	6.173	5.109	5.157	5.172	5.844	6.124
Totals	127.502%	117.776%	120.809%	125.604%	133.761%	144.994%

Set forth in Table E are the City's ad valorem tax levies and collections for the years 1996 through 2009.

TABLE E

TAX LEVIES AND COLLECTIONS
(In Thousands)

Collection Year	Total Tax Levy	Current Tax Collections(1)	Percent of Levy Collected	Delinquent Tax(2)(3) Collections	Total Tax Collections	Total Collections as Percent of Current Levy
2009	$245,003			In Process		
2008	240,554	$234,707	97.569%	$3,548	$238,225	99.032%
2007	222,523	216,384	97.241	2,904	219,288	98.546
2006	205,830	201,794	98.039	1,562	203,356	98.798
2005	190,375	187,271	98.370	1,408	188,679	99.109
2004	172,666	170,229	98.589	358	170,587	98.796
2003	158,819	156,550	98.571	680	157,231	99.000
2002	146,852	144,386	98.321	(102)	144,284	98.251
2001	163,751	161,188	98.435	19	161,207	98.446
2000	153,438	151,872	98.979	232	152,104	99.131
1999	144,339	142,815	98.944	841	143,656	99.527
1998	139,189	137,700	98.930	789	138,489	99.497
1997	137,535	135,340	98.404	1,433	136,773	99.446
1996	129,017	126,623	98.144	381	127,004	98.440

(1) Includes Market Value tax levy.

(2) Includes reduction in homestead property taxes reimbursed by the State. (See "CITY PROPERTY VALUES AND TAXES — Tax Capacity and Estimated Market Valuations".)

(3) The negative Delinquent Tax Collections are a result of cancellations and abatements of prior taxes.

Largest Taxpayers in the City

Table F sets forth the net tax capacities of the largest taxpayers located within the City for the year 2008, applicable to taxes payable in 2009.

TABLE F

LARGEST TAXPAYERS WITHIN THE CITY*

Rank	Taxpayer	Assessor's Estimated Market Value	2008 Net Tax Capacity	Tax	Percentage of Total Net Tax Capacity
1	Northern States Power Co.	$ 311,619,800	$ 6,212,799	$10,591,665	1.29%
2	Target Corporation	271,341,900	5,423,088	9,949,021	1.12%
3	MB Mpls 8th Street LLC	234,000,000	4,679,250	8,600,575	0.97%
4	Minneapolis 225 Holdings LLC	215,500,000	4,309,250	7,787,133	0.89%
5	NWC Limited Partnership	207,400,000	4,147,250	7,560,435	0.86%
6	First Minneapolis-Hines Co.	180,600,000	3,611,250	6,526,715	0.75%
7	Wells Operating Partnership LP	172,700,000	3,453,250	6,336,062	0.72%
8	City Center Associates	160,000,000	3,199,250	5,959,596	0.66%
9	Fifth Street Owner Corp.	145,900,000	2,916,500	5,285,121	0.60%
10	American Express Financial Corp.	147,174,400	2,904,241	5,238,500	0.60%
	Subtotal Top Ten Taxpayers	$2,046,236,100	$40,856,128	$73,834,823	8.47%
11	Byte Investment Ptnrshp I	143,500,000	2,869,250	5,185,543	0.60%
12	Kan Am Grund Kapitalanlagegesellshaft MBH	136,200,000	2,723,250	4,987,698	0.56%
13	Wells Fargo Properties	128,649,200	2,560,154	4,638,886	0.53%
14	DB Holdings Inc.	103,900,000	2,077,250	3,837,659	0.43%
15	Hilton Hotels Corp.	98,900,000	1,977,250	3,580,504	0.41%
16	CSM Investors Inc.	101,320,800	1,990,566	3,569,147	0.41%
17	Broadway Corporate Centers	98,000,000	1,957,000	3,523,857	0.41%
18	Federal Reserve Bank of Mpls.	94,932,900	1,897,908	3,424,270	0.39%
19	222 South Ninth Street LLC	91,200,000	1,823,250	3,294,060	0.38%
20	Aurora-LaSalle Plaza LLC	88,300,000	1,765,250	3,241,015	0.37%
21	Cygnus-LaSalle LLC	88,300,000	1,765,250	3,241,015	0.37%
22	Heritage Investment CP LLC	88,300,000	1,765,250	3,241,015	0.37%
23	JPG-LaSalle Plaza LLC	88,300,000	1,765,250	3,241,015	0.37%
24	Zeller-LaSalle Plaza LLC	88,300,000	1,765,250	3,241,015	0.37%
25	FSP 50 South Tenth Street Corp.	84,600,000	1,691,250	3,093,071	0.35%
26	CSDV-MN LLP	82,900,000	1,657,250	2,988,129	0.34%
27	Minneapolis Venture LLC	81,946,900	1,631,438	2,954,719	0.34%
28	Ryan Companies US, Inc.	79,400,000	1,585,750	2,886,670	0.33%
29	Carlson Real Estate Co.	78,820,900	1,572,668	2,878,109	0.33%
30	PCCP NNN Northstar LLC	61,350,000	1,226,250	2,245,020	0.25%
31	Intercen Partners LLC	60,400,000	1,206,500	2,192,983	0.25%
32	NRG Energy Center Minneapolis LLC	58,362,900	1,164,097	2,100,964	0.24%
33	St. Paul Properties Inc.	54,800,000	1,095,250	2,012,665	0.23%
34	Reliant Energy Minnegasco	53,737,000	1,066,938	1,914,002	0.22%
35	NOP 100 Washington LLC	50,700,000	1,013,250	1,830,302	0.21%
36	ERP Stinson Assoc. LLC	48,511,200	968,724	1,746,584	0.20%
37	Lutheran Brotherhood	48,102,800	959,056	1,731,564	0.20%
38	FRM Associates LLC	45,600,000	911,250	1,702,202	0.19%
39	Burlington Northern Santa Fe RR Co.	46,419,100	916,429	1,671,827	0.19%
40	Midtown Exchange Commons LLC	45,877,600	896,412	1,662,698	0.19%
	Total Top Forty Taxpayers	$4,465,867,400	$ 89,120,768	$161,693,030	18.48%
	City Total Gross Tax Capacity		$482,224,534		

*Source: City Assessor

INDEBTEDNESS OF THE CITY

General Obligation Indebtedness

The following tables set forth the general obligation indebtedness of the City estimated to be outstanding as of various dates including the amount of such bonds considered to be self-supporting from revenue sources other than general property taxes. Bonds have not been classified as self-supporting unless it could be reasonably assumed that under existing and anticipated conditions they would not require any general property tax for debt service. The City has generally chosen not to issue enterprise revenue bonds for the capital costs of governmental functions. Where some cities issue enterprise revenue bonds (i.e. water works, parking facilities) the City has chosen to issue general obligation bonds to obtain a lower interest rate on the bonds. These bonds have historically not required general property tax support and are not projected to require it in the future.

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

The following tables detail the debt of the City.

Table	Table Titles
	Outstanding Bonded Debt
G	by Business Line & Source of Repayment
	General Obligation Indebtedness
H	as of December 30, 2009 before this sale
H	the Bonds of this sale
H	as of December 30, 2009 after this sale
	Sources of Debt Service Support
I	as of December 30, 2009 before issuance of the Bonds
J	as of December 30, 2009 after issuance of the Bonds
	History of Debt
K	Total General Obligation Debt
L	Levy-Supported General Obligation Debt
M	Self-Supported General Obligation Debt
	Property Tax Supported General Obligation Debt
N	as of December 30, 2009 before and after this sale
	Self-Supported General Obligation Debt
O	as of December 30, 2009 before this sale
O	the Bonds of this sale
O	as of December 30, 2009 after this sale
	Total General Obligation Debt
P	as of December 30, 2009 before this sale
P	the Bonds of this sale
P	as of December 30, 2009 after this sale
	Total General Obligation Variable Rate Debt
Q	as of December 30, 2009 before and after this sale
	Total General Obligation Fixed Rate Debt
R	as of December 30, 2009 before this sale
R	the Bonds of this sale
R	as of December 30, 2009 after this sale
S	**Computation of Legal Debt Margins**
T	**Percent of Legal Debt Incurred**
U	**Overlapping General Obligation Indebtedness of the City**
	as of December 31, 2008.
V	**Statistical Summary Relating to General Obligation Indebtedness of the City**

TABLE G

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

Classification/Business Line	Source of Repayment	Estimated[A] 2009	2008	2007	2006	2005
		(Dollar Amounts Expressed in Thousands)				
General Obligation Bonds:						
Enterprise Fund Bonds:						
Stormwater Sewer	User Fees	$ 21,176	$ 28,635	$ 33,620	$ 35,113	$ 36,526
Sanitary Sewer	User Fees	13,700	10,336	6,036	553	
Water	User Fees	28,646	28,797	24,177	28,189	34,165
Water Notes (B)	User Fees	71,675	68,294	66,351	63,789	58,373
Parking	User Fees	103,320	119,110	148,786	172,710	179,684
Parking	User Fees/Tax Incr/Assessments	72,040	83,015	89,365	95,665	101,165
MCDA — Home Ownership & Renovation	Individuals					350
Total Enterprise Fund Bonds		$ 310,557	$ 338.187	$ 368,335	$ 396,019	$ 410,263
Self Supporting Bonds:						
Minneapolis Convention Center Bonds	Sales Tax	$ 203,885	$ 213,805	$ 221,605	$ 229,050	$ 236,450
Economic Development	Tax Increment	200,865	155,970	166,210	178,325	189,360
Special Assessments	Property Assessments	50,530	46,810	44,435	44,571	45,406
Miscellaneous Self Supporting	Various Sources	15,655	20,170	20,795	21,295	21,890
Total Other Self Supporting Bonds		$ 470,935	$ 436,755	$ 453,045	$ 473,241	$ 493,106
Internal Service Fund Bonds:						
Equipment Division	User Fees	$ 27,780	$ 29,835	$ 32,245	$ 37,875	$ 43,615
Property Services Division	User Fees & Transfers	6,825	7,415	8,070	8,685	9,340
Information & Technology Systems	User Fees & Transfers	26,240	34,415	34,660	35,775	42,575
Self Insurance (including Judgements)	User Fees & Transfers			1,060	1,380	5,395
Total Internal Service Fund Bonds		$ 60,845	$ 71,665	$ 76,035	$ 83,715	$ 100,925
Property Tax Supported Bonds:						
General Infrastructure Bonds	Property Tax	$ 37,595	$ 36,150	$ 40,470	$ 47,680	$ 46,275
Library Referendum Bonds	Property Tax	115,150	121,125	115,475	119,575	118,275
Pension Obligation Bonds	Property Tax	88,810	90,250	92,360	93,560	106,430
Total Property Tax Supported Bonds		$ 241,155	$ 247,525	$ 248,305	$ 260,815	$ 270,980
Total General Obligation Bonds Outstanding		**$1,083,492**	**$1,094,132**	**$1,145,720**	**$1,213,790**	**$1,275,274**
Non-General Obligation Bonds:						
MCDA Related Bonds:						
Economic Development Revenue Bonds	Tax Increment	$ 27,385	$ 36,667	$46,951	$56,046	$57,040
Arena Acquisition	TI/Prop Tax/Ent Tax/Event Pkg	8,595	8,980	9,355	9,710	10,045
Community Dev — General Agency Reserve Fund	Business/Non-Profits	57,485	60,730	63,695	57,985	61,240
Mortgage Revenue Bonds — Home Ownership Pgm	Individuals				391	
Total Non-General Obligation Bonds Outstanding		**$ 93,465**	**$ 106,377**	**$ 120,001**	**$ 123,741**	**$ 128,716**
Grand Total Outstanding Bonded Debt		**$1,176,837**	**$1,200,509**	**$1,265,721**	**$1,337,531**	**$1,403,990**

Notes:

(A) Amounts include all bonds issued in 2009 through December 8, including the Bonds.

(B) The City is participating in a federally sponsored interest rate subsidy program through the State of Minnesota's Drinking Water Revolving Fund. In lieu of issuing general obligation bonds, the City has issued four general obligation notes to the State of Minnesota totalling $78,400,000 to finance two ultrafiltration plants. The amount outstanding represents construction draws less principal paid on the notes. The subsidy reduces the City's average financing cost by 1.5%.

TABLE H

GENERAL OBLIGATION INDEBTEDNESS OF THE CITY(1)

	Total Outstanding as of 12/30/2009 Before Sale		The Bonds of 12/30/2009		Outstanding as of 12/30/2009 After Sale	
Direct Debt	Property Tax Levy-Supported	Self-Supporting(2)	Property Tax Levy-Supported	Self-Supporting(2)	Property Tax Levy-Supported	Self-Supporting(2)
Libraries	$115,150,000				$115,150,000	
Park Improvements		$5,795,000				$5,795,000
Public Buildings	31,990,000	17,760,000			31,990,000	17,760,000
Street & Bridge Improvements	12,030,000				12,030,000	
Pension MERF	61,000,000				61,000,000	
Pension MPRA	27,810,000				27,810,000	
Information Technology Related	2,900,000	23,340,000			2,900,000	23,340,000
Vehicle Fleet		10,020,000				10,020,000
Flood Mitigation, Storm Water & CSO**		21,175,910				21,175,910
Sanitary Sewers		13,700,000				13,700,000
Water Works**		100,321,399				100,321,399
Public Parking Facility**		120,895,442				120,895,442
Park Board Diseased Tree Assessment Bonds		1,040,000				1,040,000
Street & Skyway Assessment		48,105,400				48,105,400
Parking Assessment Bonds		23,959,600				23,959,600
Nicollet Mall Assessment		1,385,000				1,385,000
Convention Center		203,885,000				203,885,000
Convention Center Related Facilities Bonds CC Rel		22,830,000				22,830,000
Nicollet Mall Tax Increment		165,000				165,000
Mill Quarter Tax Increment		3,860,000				3,860,000
900 Nicollet Tax Increment		13,675,000				13,675,000
Arena Acquisition Bonds of 1996		49,735,000		57,480,000		107,215,000(3)
Block E Tax Increment		19,695,000				19,695,000
Hennepin Avenue Tax Increment Refunding Bonds		18,505,000				18,505,000
Midtown Exchange Tax Increment		2,715,000				2,715,000
Milwaukee Depot Tax Increment		5,400,000				5,400,000
West Side Milling District		17,070,000				17,070,000
Humboldt Greenway Tax Increment		4,330,000				4,330,000
Tax Increment Refunding Bonds 2005		19,245,000				19,245,000
Heritage Park Tax Increment		6,525,000				6,525,000
Subtotals	$250,880,000	$775,132,751	$0	$57,480,000	$250,880,000	$832,612,751
Plus Self-Supporting	775,132,751		57,480,000		832,612,751	
Total GO Debt	$1,026,012,751		$57,480,000		$1,083,492,751	

**Capital appreciation bonds included in this amount

(1) Does not include advance refunded general obligation debt payable as to principal and interest from United States Treasury obligations deposited in irrevocable escrow accounts which are sufficient to pay such principal and interest when due.

(2) Includes all bonds considered to be self-supporting from revenues other than general property taxes.

(3) Although the Arena Acquisition Bonds of 1996 will remain outstanding after the issuance of the Bonds on 12/30/2009, the proceeds of the Bonds are to be applied to the redemption of the Arena Acquisition Bonds of 1996 on February 1, 2010. As a result, on February 2, 2010, no Arena Acquisition Bonds of 1996 will remain outstanding and only the $57,480,000 of the Bonds will remain outstanding.

TABLE I

CITY OF MINNEAPOLIS, MINNESOTA
SUPPORT SOURCES FOR G.O. DEBT
Before the Sale
As of December 30, 2009

Projects	Levy	Self-Supporting Debt: Internal User Charges	Assess-ments	Utilities	Parking Revenue	Sales Tax	Tax Increment	Outside Sources	Self-SPT Subtotal	Total
Libraries	$115,150,000									$115,150,000
Park Improvements								$5,795,000	$5,795,000	5,795,000
Public Buildings	31,990,000	$17,760,000							17,760,000	49,750,000
Street & Bridge Improvements	12,030,000									12,030,000
Pension MERF	61,000,000									61,000,000
Pension MPRA	27,810,000									27,810,000
Information Technology Related	2,900,000	23,340,000							23,340,000	26,240,000
Vehicle Fleet		10,020,000							10,020,000	10,020,000
Flood Mitigation, Storm Water & CSO**				$21,175,910					21,175,910	21,175,910
Sanitary Sewers				13,700,000					13,700,000	13,700,000
Water Works**				100,321,399					100,321,399	100,321,399
Public Parking Facility**					$120,895,442				120,895,442	120,895,442
Park Board Diseased Tree Assessment Bonds			$1,040,000						1,040,000	1,040,000
Street & Skyway Assessment			48,105,400						48,105,400	48,105,400
Parking Assessment Bonds			23,959,600						23,959,600	23,959,600
Nicollet Mall Assessment			1,385,000						1,385,000	1,385,000
Convention Center						$203,885,000			203,885,000	203,885,000
Convention Center Related Facilities Bonds CC Rel					16,000,000	4,830,000	$2,000,000		22,830,000	22,830,000
Nicollet Mall Tax Increment							165,000		165,000	165,000
Mill Quarter Tax Increment								$3,860,000	3,860,000	3,860,000
900 Nicollet Tax Increment							13,675,000		13,675,000	13,675,000
Arena Acquisition Bonds of 1996					15,000,000	19,000,000	13,735,000	2,000,000	49,735,000	49,735,000
Block E Tax Increment							19,695,000		19,695,000	19,695,000
Hennepin Avenue Tax Increment Refunding Bonds							6,625,000	11,880,000	18,505,000	18,505,000
Midtown Exchange Tax Increment							2,715,000		2,715,000	2,715,000
Milwaukee Depot Tax Increment							5,400,000		5,400,000	5,400,000
West Side Milling District							17,070,000		17,070,000	17,070,000
Humboldt Greenway Tax Increment							4,330,000		4,330,000	4,330,000
Tax Increment Refunding Bonds of 2005							19,245,000		19,245,000	19,245,000
Heritage Park Tax Increment							6,525,000		6,525,000	6,525,000
Subtotals	$250,880,000	$51,120,000	$74,490,000	$135,197,309	$151,895,442	$227,715,000	$111,180,000	$23,535,000	$775,132,751	$1,026,012,751
% of Total GO Debt	24.5%	5.0%	7.3%	13.2%	14.8%	22.2%	10.8%	2.3%	75.5%	100.0%

**Capital appreciation bonds included in this amount

TABLE J

CITY OF MINNEAPOLIS, MINNESOTA
SUPPORT SOURCES FOR G.O. DEBT
After Issuance of the Bonds
As of December 30, 2009

Projects	Levy	Self-Supporting Debt: Internal User Charges	Assess-ments	Utilities	Parking Revenue	Sales Tax	Tax Increment	Outside Sources	Self-SPT Subtotal	Total
Libraries	$115,150,000									$115,150, 000
Park Improvements								$5,795,000	$5,795,000	$5,795,000
Public Buildings	$31,990,000	$17,760,000							17,760,000	49,750,000
Street & Bridge Improvements	12,030,000									12,030,000
Pension MERF	61,000,000									61,000,000
Pension MPRA	27,810,000									27,810,000
Information Technology Related	2,900,000	23,340,000							23,340,000	26,240,000
Vehicle Fleet		10,020,000							10,020,000	10,020,000
Flood Mitigation, Storm Water & CSO**				$21,175,910					21,175,910	21,175,910
Sanitary Sewers				13,700,000					13,700,000	13,700,000
Water Works**				100,321,399					100,321,399	100,321,399
Public Parking Facility**					$120,895,442				120,895,442	120,895,442
Park Board Diseased Tree Assessment Bonds			$1,040,000						1,040,000	1,040,000
Street & Skyway Assessment			48,105,400						48,105,400	48,105,400
Parking Assessment Bonds			23,959,600						23,959,600	23,959,600
Nicollet Mall Assessment			1,385,000						1,385,000	1,385,000
Convention Center						$203,885,000			203,885,000	203,885,000
Convention Center Related Facilities Bonds CC Rel					16,000,000	4,830,000	$2,000,000		22,830,000	22,830,000
Nicollet Mall Tax Increment							165,000		165,000	165,000
Mill Quarter Tax Increment								3,860,000	3,860,000	3,860,000
900 Nicollet Tax Increment							13,675,000		13,675,000	13,675,000
Arena Acquisition Bonds of 1996					15,000,000	19,000,000	13,735,000	59,480,000	107,215,000	107,215,000
Block E Tax Increment							19,695,000		19,695,000	19,695,000
Hennepin Avenue Tax Increment Refunding Bonds							6,625,000	11,880,000	18,505,000	18,505,000
Midtown Exchange Tax Increment							2,715,000		2,715,000	2,715,000
Milwaukee Depot Tax Increment							5,400,000		5,400,000	5,400,000
West Side Milling District							17,070,000		17,070,000	17,070,000
Humboldt Greenway Tax Increment							4,330,000		4,330,000	4,330,000
Tax Increment Refunding Bonds of 2005							19,245,000		19,245,000	19,245,000
Heritage Park Tax Increment							6,525,000		6,525,000	6,525,000
Subtotals	$250,880,000	$51,120,000	$74,490,000	$135,197,309	$151,895,442	$227,715,000	$111,180,000	$81,015,000	$832,612,751	$1,083,492,751
% of Total GO Debt	23.2%	4.7%	6.9%	12.5%	14.0%	21.0%	10.3%	7.5%	76.8%	100.0%

**Capital appreciation bonds included in this amount

TABLE K

Total General Obligation Debt

As of 12/31	Fixed Rate	Variable Rate	Total	Variable Rate as % of Total
2008	$ 900,768,619	$198,670,000	$1,099,438,619	18.07%
2007	925,680,409	220,040,000	1,145,720,409	19.21
2006	972,255,157	241,535,000	1,213,790,157	19.90
2005	1,048,499,328	226,775,000	1,275,274,328	17.78
2004	1,051,289,526	247,670,000	1,298,959,526	19.07
2003	1,004,165,235	241,435,000	1,245,600,235	19.38
2002	972,173,594	146,640,000	1,118,813,594	13.11
2001	878,241,819	295,930,000	1,174,171,819	25.20
2000	829,531,438	334,500,000	1,164,031,438	28.74
1999	741,132,220	227,985,000	969,117,220	23.53
1998	692,026,288	122,230,000	814,256,288	15.01
1997	666,277,694	94,155,000	760,432,694	12.38

TABLE L

Levy-Supported General Obligation Debt

As of 12/31	Fixed Rate	Variable Rate	Total	Variable Rate as % of Total
2008	$206,040,000	$ 53,000,000	$259,040,000	20.46%
2007	196,725,000	64,360,000	261,085,000	24.65
2006	195,625,000	79,355,000	274,980,000	28.86
2005	219,395,000	70,520,000	289,915,000	24.32
2004	194,860,000	91,920,000	286,780,000	32.05
2003	137,960,000	103,185,000	241,145,000	42.79
2002	83,730,000	33,910,000	117,640,000	28.83
2001	32,725,000	43,610,000	76,335,000	57.13
2000	35,755,000	51,355,000	87,110,000	58.95
1999	36,370,000	57,160,000	93,530,000	61.11
1998	29,860,000	59,526,000	89,386,000	66.59
1997	37,895,000	50,590,000	88,485,000	57.17

TABLE M

Self-Supported General Obligation Debt

As of 12/31	Fixed Rate	Variable Rate	Total	Variable Rate as % of Total
2008	$694,728,619	$145,670,000	$ 840,398,619	17.33%
2007	728,955,409	155,680,000	884,635,409	17.60
2006	776,630,157	162,180,000	938,810,157	17.28
2005	829,104,328	156,255,000	985,359,328	15.86
2004	856,429,536	155,750,000	1,012,179,526	15.39
2003	866,205,235	138,250,000	1,004,455,235	13.76
2002	888,443,594	112,730,000	1,001,173,594	11.26
2001	845,516,819	252,320,000	1,097,836,819	22.98
2000	793,776,438	283,145,000	1,076,921,438	26.29
1999	704,762,220	170,825,000	875,587,220	19.51
1998	662,166,288	62,704,000	724,870,288	8.65
1997	628,382,694	43,565,000	671,947,694	6.48

TABLE N

PROPERTY TAX SUPPORTED GENERAL OBLIGATION DEBT
As of December 30, 2009

	Before & After Sale		
	Principal	**Interest**	**Debt Service**
2010	$ 13,995,000	$ 10,703,006	$ 24,698,006
2011	10,110,000	10,805,131	20,915,131
2012	8,790,000	10,376,431	19,166,431
2013	13,225,000	10,026,769	23,251,769
2014	11,710,000	9,492,426	21,202,426
2015	5,625,000	9,017,419	14,642,419
2016	5,850,000	8,792,519	14,642,519
2017	6,600,000	8,557,119	15,157,119
2018	10,525,000	8,258,244	18,783,244
2019	14,300,000	7,760,519	22,060,519
2020	15,800,000	7,081,719	22,881,719
2021	16,350,000	6,330,181	22,680,181
2022	18,275,000	5,545,119	23,820,119
2023	16,050,000	4,641,276	20,691,276
2024	16,825,000	3,841,875	20,666,875
2025	17,625,000	2,993,438	20,618,438
2026	16,800,000	2,108,000	18,908,000
2027	7,200,000	1,297,000	8,497,000
2028	7,600,000	1,009,000	8,609,000
2029	7,900,000	705,000	8,605,000
2030	6,725,000	389,000	7,114,000
2031	3,000,000	120,000	3,120,000
2032	0	0	0
2033	0	0	0
	$250,880,000	$129,851,187	$380,731,187

% due 5 years (through 12/31/2014)	23.1%	39.6%	28.7%
% due 10 years (through 12/31/2019)	40.2%	72.2%	51.1%
Approximate average life	11.28 years		

TABLE O

SELF-SUPPORTED GENERAL OBLIGATION DEBT
As of December 30, 2009

	Before Sale			The Bonds			After Issuance of the Bonds			
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service	
2010	$62,695,397	$33,180,549	$95,875,946		$1,561,972	$1,561,973	$62,695,397	$34,742,522	$ 97,437,919	2010
2011	66,180,518	32,325,573	98,506,091	$1,355,000	2,323,075	3,678,075	67,535,518	34,648,648	102,184,166	2011
2012	69,429,801	29,842,801	99,272,602	2,675,000	2,286,162	4,961,163	72,104,801	32,128,963	104,233,764	2012
2013	55,496,024	27,068,482	82,564,506	3,065,000	2,224,931	5,289,931	58,561,024	29,293,413	87,854,437	2013
2014	48,550,538	24,778,608	73,329,147	2,115,000	2,161,368	4,276,369	50,665,538	26,939,977	77,605,515	2014
2015	46,765,473	21,963,960	68,729,433	2,425,000	2,092,881	4,517,881	49,190,473	24,056,841	73,247,314	2015
2016	50,215,000	18,477,666	68,692,666	2,755,000	2,001,818	4,756,819	52,970,000	20,479,485	73,449,485	2016
2017	50,460,000	16,333,440	66,793,440	3,125,000	1,889,225	5,014,225	53,585,000	18,222,665	71,807,665	2017
2018	53,965,000	14,050,112	68,015,112	3,500,000	1,758,287	5,258,288	57,465,000	15,808,400	73,273,400	2018
2019	51,335,000	11,902,783	63,237,783	3,870,000	1,608,952	5,478,953	55,205,000	13,511,735	68,716,735	2019
2020	53,430,000	9,520,582	62,950,582	4,265,000	1,440,052	5,705,053	57,695,000	10,960,635	68,655,635	2020
2021	28,395,000	7,043,797	35,438,797	4,685,000	1,246,246	5,931,246	33,080,000	8,290,043	41,370,043	2021
2022	26,080,000	5,735,969	31,815,969	5,140,000	1,023,785	6,163,785	31,220,000	6,759,754	37,979,754	2022
2023	26,755,000	4,741,435	31,496,435	5,630,000	773,260	6,403,260	32,385,000	5,514,695	37,899,695	2023
2024	24,030,000	3,590,888	27,620,888	6,155,000	490,157	6,645,158	30,185,000	4,081,045	34,266,045	2024
2025	18,660,000	2,524,598	21,184,598	6,720,000	169,680	6,889,680	25,380,000	2,694,278	28,074,278	2025
2026	13,655,000	1,680,687	15,335,687				13,655,000	1,680,687	15,335,687	2026
2027	6,875,000	1,150,225	8,025,225				6,875,000	1,150,225	8,025,225	2027
2028	6,555,000	875,825	7,430,825				6,555,000	875,825	7,430,825	2028
2029	2,945,000	618,650	3,563,650				2,945,000	618,650	3,563,650	2029
2030	2,955,000	498,200	3,453,200				2,955,000	498,200	3,453,200	2030
2031	3,185,000	377,250	3,562,250				3,185,000	377,250	3,562,250	2031
2032	3,420,000	246,850	3,666,850				3,420,000	246,850	3,666,850	2032
2033	3,100,000	124,000	3,224,000				3,100,000	124,000	3,224,000	2033
	$775,132,751	$268,652,929	$1,043,785,680	$57,480,000	$25,051,856.63	$82,531,856.63	$832,612,751	$293,704,786	$1,126,317,537	
% due 5 years (thru 12/31/2014)	39.0%	54.8%	43.1%	16.0%	42.1%	24.0%	37.4%	53.7%	41.7%	
% due 10 years (thru 12/31/2019)	71.6%	85.6%	75.2%	43.3%	79.5%	54.3%	69.7%	85.1%	73.7%	
Approximate average life	7.78 years			9.80 years			7.90 years			

TABLE P

TOTAL GENERAL OBLIGATION DEBT
As of December 30, 2009

	Before Sale			The Bonds			After Issuance of the Bonds			
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service	
2010	$76,690,397	$43,883,555	$120,573,952		$1,561,972	$1,561,973	$76,690,397	$45,445,528	$122,135,925	2010
2011	76,290,518	43,130,704	119,421,222	$1,355,000	2,323,075	3,678,075	77,645,518	45,453,779	123,099,297	2011
2012	78,219,801	40,219,232	118,439,033	2,675,000	2,286,162	4,961,163	80,894,801	42,505,394	123,400,195	2012
2013	68,721,024	37,095,250	105,816,274	3,065,000	2,224,931	5,289,931	71,786,024	39,320,182	111,106,206	2013
2014	60,260,538	34,271,034	94,531,573	2,115,000	2,161,368	4,276,369	62,375,538	36,432,403	98,807,941	2014
2015	52,390,473	30,981,379	83,371,851	2,425,000	2,092,881	4,517,881	54,815,473	33,074,260	87,889,732	2015
2016	56,065,000	27,270,184	83,335,184	2,755,000	2,001,818	4,756,819	58,820,000	29,272,003	88,092,003	2016
2017	57,060,000	24,890,559	81,950,559	3,125,000	1,889,225	5,014,225	60,185,000	26,779,784	86,964,784	2017
2018	64,490,000	22,308,356	86,798,356	3,500,000	1,758,287	5,258,288	67,990,000	24,066,643	92,056,643	2018
2019	65,635,000	19,663,301	85,298,301	3,870,000	1,608,952	5,478,953	69,505,000	21,272,254	90,777,254	2019
2020	69,230,000	16,602,301	85,832,301	4,265,000	1,440,052	5,705,053	73,495,000	18,042,353	91,537,353	2020
2021	44,745,000	13,373,978	58,118,978	4,685,000	1,246,246	5,931,246	49,430,000	14,620,224	64,050,224	2021
2022	44,355,000	11,281,088	55,636,088	5,140,000	1,023,785	6,163,785	49,495,000	12,304,873	61,799,873	2022
2023	42,805,000	9,382,711	52,187,711	5,630,000	773,260	6,403,260	48,435,000	10,155,971	58,590,971	2023
2024	40,855,000	7,432,763	48,287,763	6,155,000	490,157	6,645,158	47,010,000	7,922,920	54,932,920	2024
2025	36,285,000	5,518,036	41,803,036	6,720,000	169,680	6,889,680	43,005,000	5,687,716	48,692,716	2025
2026	30,455,000	3,788,687	34,243,687				30,455,000	3,788,687	34,243,687	2026
2027	14,075,000	2,447,225	16,522,225				14,075,000	2,447,225	16,522,225	2027
2028	14,155,000	1,884,825	16,039,825				14,155,000	1,884,825	16,039,825	2028
2029	10,845,000	1,323,650	12,168,650				10,845,000	1,323,650	12,168,650	2029
2030	9,680,000	887,200	10,567,200				9,680,000	887,200	10,567,200	2030
2031	6,185,000	497,250	6,682,250				6,185,000	497,250	6,682,250	2031
2032	3,420,000	246,850	3,666,850				3,420,000	246,850	3,666,850	2032
2033	3,100,000	124,000	3,224,000				3,100,000	124,000	3,224,000	2033
	$1,026,012,751	$398,504,116	$1,424,516,866	$57,480,000	$25,051,856.63	$82,531,856.63	$1,083,492,751	$423,555,972	$1,507,048,723	
% due 5 years (thru 12/31/2014) . .	35.1%	49.8%	39.2%	16.0%	42.1%	24.0%	34.1%	49.4%	38.4%	
% due 10 years (thru 12/31/2019) . .	63.9%	81.2%	68.8%	43.3%	79.5%	54.3%	62.8%	81.1%	68.0%	
Approximate average life . .	8.63 years			9.80 years			8.74 years			

TABLE Q

TOTAL GENERAL OBLIGATION VARIABLE RATE DEBT As of December 30, 2009

	Before & After Sale		
	Principal	Interest	Debt Service
2010	$ 590,000	$ 3,792,156	$ 4,382,156
2011	735,000	6,042,100	6,777,100
2012	900,000	6,019,350	6,919,350
2013	595,000	5,990,100	6,585,100
2014	1,780,000	5,965,350	7,745,350
2015	2,170,000	5,890,050	8,060,050
2016	21,225,000	5,801,650	27,026,650
2017	21,540,000	4,951,300	26,491,300
2018	21,590,000	4,091,850	25,681,850
2019	1,590,000	3,230,650	4,820,650
2020	1,360,000	3,165,700	4,525,700
2021	1,750,000	3,110,100	4,860,100
2022	2,095,000	3,038,750	5,133,750
2023	1,920,000	2,953,450	4,873,450
2024	1,700,000	2,875,000	4,575,000
2025	4,675,000	2,805,350	7,480,350
2026	11,135,000	2,616,550	13,751,550
2027	11,020,000	2,193,800	13,213,800
2028	11,790,000	1,752,400	13,542,400
2029	10,445,000	1,280,350	11,725,350
2030	9,490,000	861,950	10,351,950
2031	5,985,000	481,750	6,466,750
2032	3,210,000	241,600	3,451,600
2033	3,100,000	124,000	3,224,000
	$152,390,000	$79,275,306	$231,665,306
% due 5 years (thru 12/31/2014)	3.0%	35.1%	14.0%
% due 10 years (thru 12/31/2019)	47.7%	65.3%	53.7%
Approximate average life	13.45 years		

TABLE R

TOTAL GENERAL OBLIGATION
FIXED RATE DEBT
As of December 30, 2009

	Before Sale			The Bonds			After Issuance of the Bonds			
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service	
2010	$76,100,397	$40,091,399	$116,191,796		$1,561,972	$1,561,973	$76,100,397	$41,653,372	$117,753,769	2010
2011	75,555,518	37,088,604	112,644,122	$1,355,000	2,323,075	3,678,075	76,910,518	39,411,679	116,322,197	2011
2012	77,319,801	34,199,882	111,519,683	2,675,000	2,286,162	4,961,163	79,994,801	36,486,044	116,480,845	2012
2013	68,126,024	31,105,150	99,231,174	3,065,000	2,224,931	5,289,931	71,191,024	33,330,082	104,521,106	2013
2014	58,480,538	28,305,684	86,786,223	2,115,000	2,161,368	4,276,369	60,595,538	30,467,053	91,062,591	2014
2015	50,220,473	25,091,329	75,311,801	2,425,000	2,092,881	4,517,881	52,645,473	27,184,210	79,829,682	2015
2016	34,840,000	21,468,534	56,308,534	2,755,000	2,001,818	4,756,819	37,595,000	23,470,353	61,065,353	2016
2017	35,520,000	19,939,259	55,459,259	3,125,000	1,889,225	5,014,225	38,645,000	21,828,484	60,473,484	2017
2018	42,900,000	18,216,506	61,116,506	3,500,000	1,758,287	5,258,288	46,400,000	19,974,793	66,374,793	2018
2019	64,045,000	16,432,651	80,477,651	3,870,000	1,608,952	5,478,953	67,915,000	18,041,604	85,956,604	2019
2020	67,870,000	13,436,601	81,306,601	4,265,000	1,440,052	5,705,053	72,135,000	14,876,653	87,011,653	2020
2021	42,995,000	10,263,878	53,258,878	4,685,000	1,246,246	5,931,246	47,680,000	11,510,124	59,190,124	2021
2022	42,260,000	8,242,338	50,502,338	5,140,000	1,023,785	6,163,785	47,400,000	9,266,123	56,666,123	2022
2023	40,885,000	6,429,261	47,314,261	5,630,000	773,260	6,403,260	46,515,000	7,202,521	53,717,521	2023
2024	39,155,000	4,557,763	43,712,763	6,155,000	490,157	6,645,158	45,310,000	5,047,920	50,357,920	2024
2025	31,610,000	2,712,686	34,322,686	6,720,000	169,680	6,889,680	38,330,000	2,882,366	41,212,366	2025
2026	19,320,000	1,172,137	20,492,137				19,320,000	1,172,137	20,492,137	2026
2027	3,055,000	253,425	3,308,425				3,055,000	253,425	3,308,425	2027
2028	2,365,000	132,425	2,497,425				2,365,000	132,425	2,497,425	2028
2029	400,000	43,300	443,300				400,000	43,300	443,300	2029
2030	190,000	25,250	215,250				190,000	25,250	215,250	2030
2031	200,000	15,500	215,500				200,000	15,500	215,500	2031
2032	210,000	5,250	215,250				210,000	5,250	215,250	2032
2033										2033
	$873,622,751	$319,228,809	$1,192,851,560	$57,480,000	$25,051,856.63	$82,531,856.63	$931,102,751	$344,280,666	$1,275,383,417	
% due 5 years (thru 12/31/2014) . .	40.7%	53.5%	44.1%	16.0%	42.1%	24.0%	39.2%	52.7%	42.8%	
% due 10 years (thru 12/31/2019) . .	66.7%	85.2%	71.7%	43.3%	79.5%	54.3%	65.3%	84.8%	70.6%	
Approximate average life	7.79 years			9.80 years			7.97 years			

Certain Other Indebtedness

The City has issued approximately $1 billion of industrial development bonds for commercial, industrial, housing and health care purposes which are payable solely from payments required to be made by private borrowers and two issues of assessment bonds payable from special assessments against specific properties. While defaults exist with respect to certain of such issues, the City has no obligation or expectation that it will contribute any funds in connection therewith. All such obligations have been excluded from the descriptions of indebtedness herein.

In addition, the City has pledged to levy a tax at the rate of up to one-half of one percent of tax capacity as a back-up guaranty for industrial revenue bonds issued by the MCDA under its Common Bond Fund Program. As of December 31, 2008, the Common Bond Fund Program had $60,730,000 of bonds outstanding. No levies have been requested or are presently expected to be required under the pledge.

Computation of Legal Debt Margin

Set forth in Table S is a schedule of general obligation indebtedness of the City outstanding as of December 31, 2008 applicable to the legal debt margin and its calculation.

TABLE S

COMPUTATION OF LEGAL DEBT MARGIN
General Obligation Net Debt Bonds

December 31, 2008	(Dollar Amounts Expressed in Thousands)
Real Property (2008 Market Value)	$37,733,065
Personal Property (2008 Market Value)	375,788
	38,108,853
Add: Exempt Personal Property (1966 Market Value)	298,030
Plus: Fiscal Disparities Valuation Adjustment*	255,467
Total Market Value Applicable to Debt Limit	$38,662,350
Debt Limit (3-1/3% of Market Value Applicable to Debt Limit)	$ 1,288,745
General Obligation Bonds Subject to Debt Limit:	
Supported by Property Tax Levy	247,525
Supported by Special Assessments:	
Park Diseased Trees	1,180
Self-Supporting (Supported by Internal User Charges):	
Management Information Systems	34,415
Park Board — Land acquisitions and athletic field development	10,170
Public Works Fleet and Equipment	29,835
Property Fund	7,415
Total General Obligation Bonds Subject to Debt Limit	$ 330,540
Less: Assets in Debt Service Fund	(27,668)
Total Debt Applicable to Debt Limit	$ 302,872
Legal Margin for New Bonds Subject to Debt Limit	$ 985,873

Statutory Debt Limit

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

Set forth in Table T is a comparison of the outstanding "net debt" of the City as a percentage of the applicable debt limit as of December 31, 2004-2008 to the "net debt" of the City as a percentage of the applicable debt limit. For purposes of the 2008 debt limit computation, the total market value of taxable property located in the City was determined by adding three components: (1) the 2008 estimated market value of real estate ($37,733,065,000) and personal property ($375,788,000) in the City; (2) the 1966 market value of certain personal property, which property was exempted from taxation by Chapter 32, Minnesota Laws 1967, pursuant to Section 275.49 of the Minnesota Statutes ($298,030,000); and (3) plus an estimated fiscal disparities valuation adjustment ($255,467,000) representing the estimated market value of the amount by which the City's contribution to the Metropolitan Pool exceeded the portion of the areawide tax base allocated to the City pursuant to the Metropolitan Fiscal Disparities Act (see the caption "CITY PROPERTY VALUES AND TAXES — Metropolitan Fiscal Disparities Act").

TABLE T

PERCENT OF LEGAL DEBT INCURRED

	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004
Total Market Value of Taxable Property Located within the City Applicable to Debt Limit Computation	$38,662,350,000	$39,185,806,000	$37,591,540,000	$35,437,748,000	$31,643,405,000
Legal Debt Percentage Allowed	3-1/3%	3-1/3%	3-1/3%	3-1/3%	3-1/3%
Legal Debt Limit	$ 1,288,745,000	$ 1,306,194,000	$ 1,253,051,000	$ 1,181,258,000	$ 1,054,780,000
General Obligation Bonds Outstanding Subject to Debt Limit ("Net Debt")(1)	$ 302,872,000	$ 313,476,000	$ 349,957,000	$ 369,842,000	$ 362,739,000
Unused Margin of Indebtedness	$ 985,873,000	$ 992,718,000	$ 903,094,000	$ 811,416,000	$ 692,041,000
Percent of Legal Debt Incurred	23.50%	24.00%	27.93%	31.31%	34.39%

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

Statutory Considerations and Limitations; Procedure for Issuance of Obligations

Payment and Maturity. Obligations issued by the City for which the full faith and credit of the City is pledged and subject to the provisions of Chapter 475, Minnesota Statutes, must mature serially in annual or semiannual installments. The first installment must mature not later than three years from the date of the obligations and the last installment must mature not later than 30 years from such date.

No amount of principal of any obligation payable in any calendar year shall exceed five times the amount of the smallest amounts payable in any preceding calendar year ending three years or more after the date of issue. However, a new issue of obligations may be combined with any other designated issue or issues so that the combined maturities will conform to the above maturity requirements. The City is required, prior to delivery of obligations subject to the provisions of Chapter 475, Minnesota Statutes, to levy by resolution an irrevocable direct general ad valorem tax upon all taxable property in the City for the life of the obligations in amounts sufficient, together with other revenues pledged therefor, to produce at least 105 percent of the principal of and interest on such obligations in each year as the same shall become due.

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

Debt Limit. The City has the power to contract indebtedness for purposes specified by statute and the City Charter so long as the net debt of the City does not exceed 3-1/3 percent of the market value of taxable property located therein. For information with respect to the City's percent of legal debt incurred, see the caption "INDEBTEDNESS OF THE CITY — Statutory Debt Limit."

Issuance of Bonds. In addition to the statutory requirements referred to above, the City must comply with certain statutory procedures before it may borrow money and incur bonded indebtedness. All proceedings for the issuance of bonds by any municipality must be initiated by a resolution of the governing body thereof stating the amount proposed to be borrowed and the purpose for which the debt is to be incurred. Obligations authorized by law or charter may be issued by any municipality obtaining the approval of the majority of the electors therein, except that an election is not required to authorize certain obligations issued by the Board of Estimate and Taxation pursuant to the City Charter and obligations issued under statutory provisions which permit the issuance of obligations of a municipality without an election. (See "THE CITY — Board of Estimate and Taxation.") The Board of Estimate and Taxation has broad authority under State law and the City Charter to issue bonds when requested by the City Council. Pursuant to certain State statutes and subject to the limitations contained therein, the City Council has authority to issue bonds without an election for certain purposes, including the financing of special assessment projects, development and redevelopment districts, and housing loans. Pursuant to certain State statutes and subject to the limitations contained therein, the Minneapolis Park and Recreation Board has authority to issue bonds for certain purposes, including special assessment projects. (Also see "THE CITY — Capital Improvement Budget.")

Tax Increment Bond Procedure. The City has a number of tax increment financing districts created under various laws.

Any new tax increment districts must be created and financed under the Minnesota Tax Increment Financing Act, Sections 469.174 to 469.179 Minnesota Statutes, which establishes uniform procedures for tax increment financing. Tax increment districts may be created for certain qualified redevelopment, housing and economic development projects. Creation of a new district involves preparation of a tax increment financing plan, consultations with affected taxing jurisdictions, public hearings and municipal approval.

Anticipated Issuances for 2010

The City monitors market conditions and may convert its variable rate debt to fixed rate or refund other fixed rate issues.

Overlapping Indebtedness of the City

Set forth in Table U is information relating to the outstanding overlapping general obligation indebtedness of the City as of December 31, 2008.

TABLE U

OVERLAPPING GENERAL OBLIGATION INDEBTEDNESS OF THE CITY
(as of December 31, 2008)

	Net General Obligation Bonded Debt Outstanding	Percent of Debt Applicable	Amount of Debt Applicable
Special School District No. 1	$232,800,000	100.00%	$232,800,000
Hennepin County(1)	501,975,000	24.44%	122,682,690
Hennepin County Regional Railroad Authority	43,487,000	24.44%	10,628,223
Metropolitan Council	137,905,000	11.02%	15,197,131
Total	$916,167,000		$381,308,044

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

Statistical Summary Relating to Indebtedness of the City

Set forth in Table V is a summary relating to indebtedness of the City as of December 31 for the years 2004 through 2008.

TABLE V

STATISTICAL SUMMARY RELATING TO GENERAL OBLIGATION INDEBTEDNESS OF THE CITY

	Actual 2008	Actual 2007	Actual 2006	Actual 2005	Actual 2004
Assessor's Estimated Market Value of[1] Taxable Property in the City	$38,108,852,950	$38,641,276,800	$37,096,565,800	$34,791,850,532	$31,090,167,800
Tax Capacity of Taxable Property[2]	413,935,332	410,536,647	374,841,727	336,041,511	295,462,012
Direct Indebtedness[3]	1,061,524,619	1,111,656,409	1,182,812,157	1,248,068,328	1,263,711,730
Adjusted Direct Indebtedness[4]	231,372,000	238,055,000	256,098,000	273,199,000	265,170,000
Direct Indebtedness and Direct Overlapping Indebtedness Chargeable to the City[5]	1,442,832,663	1,593,747,870	1,667,636,512	1,750,176,879	1,759,977,637
Adjusted Direct Indebtedness and Adjusted Overlapping Indebtedness Chargeable to the City[5]	713,463,461	720,146,461	740,922,355	775,307,551	761,435,907
Direct Indebtedness as a Percentage of Estimated Full Market Value of Taxable Property	2.79%	2.88%	3.19%	3.59%	4.06%
Adjusted Direct Indebtedness as a Percentage of Estimated Full Market Value of Taxable Property[1][4]	0.61%	0.62%	0.69%	0.79%	0.85%
Direct Indebtedness as a Percentage of Tax Capacity[2][3]	256.45%	270.78%	315.55%	371.40%	427.71%
Adjusted Direct Indebtedness as a Percentage of Tax Capacity[2][4]	55.90%	57.99%	68.32%	81.30%	89.75%
Direct Indebtedness and Direct Overlapping Indebtedness as a Percentage of Estimated Full Market Value[1][5]	3.79%	4.12%	4.50%	5.03%	5.66%
Adjusted Direct Indebtedness and Direct Overlapping Indebtedness as a Percentage of Estimated Full Market Value	1.87%	1.86%	2.00%	2.23%	2.45%
Direct Indebtedness and Overlapping Indebtedness as a Percentage of Tax Capacity[2][5]	348.56%	388.21%	444.89%	520.82%	595.67%
Adjusted Direct Indebtedness and Adjusted Overlapping Indebtedness as a Percentage of Tax Capacity[2][5]	172.36%	175.42%	197.66%	230.72%	257.71%
Estimated Population of the City	382,618	382,618	382,618	382,618	382,618
Direct Indebtedness Per Capita	$ 2,774.37	$ 2,905.39	$ 3,091.37	$ 3,261.92	$ 3,302.80
Adjusted Direct Indebtedness Per Capita	$ 604.71	$ 622.17	$ 669.33	$ 714.03	$ 693.04
Direct Indebtedness and Overlapping Indebtedness Per Capita	$ 3,770.95	$ 4,165.38	$ 4,358.49	$ 4,574.21	$ 4,599.83
Adjusted Direct Indebtedness and Adjusted Overlapping Indebtedness Per Capita	$ 1,864.69	$ 1,882.16	$ 1,936.45	$ 2,026.32	$ 1,990.07

(1) Assessor's estimated market value not adjusted by the sales ratio.

(2) Tax capacity values do not include (i) valuation increases allocated to tax increment project financing, or (ii) net contributions to or distributions from an area tax base pursuant to the Metropolitan Fiscal Disparities Act (see the caption "CITY PROPERTY VALUES AND TAXES — Metropolitan Fiscal Disparities Act").

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

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

(5) December 31, 2008 overlapping indebtedness is assumed to equal Table U.

FINANCIAL INFORMATION

Accounting Information

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

The City maintains its financial records on a calendar year basis. Copies of the City's complete financial statements for the year ended December 31, 2008 are available upon request from the office of the Finance Officer, 325M City Hall, Minneapolis, Minnesota. The report can be requested by phone 612-673-3504 or email "finance@ci.minneapolis.mn.us".

The City follows a modified accrual basis of accounting with respect to all funds except the internal service funds and the enterprise funds, which utilize the full accrual method of accounting. Under the modified accrual basis of accounting, expenditures are recorded when liabilities are incurred and revenues are recorded when received in cash except for material and available revenues which are accrued to reflect earned value.

Appendix A contains the information listed below from the Comprehensive Annual Financial Report, City of Minneapolis, Minnesota for the fiscal year ended December 31, 2008;

Introductory Section
Management's Discussion and Analysis
Basic Financial Statements
Notes to the Financial Statements
Required Supplementary Information Other Than Management's Discussion and Analysis
Other Supplementary Information

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

www.ci.minneapolis.mn.us/city-coordinator/finance/service-budget/cafr.html.

Schedule of Cash, Cash Equivalents and Fund Investments

A comparison of combined cash and cash equivalents as of December 31 for the years 2007 and 2008 follows:

TABLE W

Schedule of Cash and Cash Equivalents, and Fund Investments
(Amounts in Thousands)

Fund Type	2007	2008
Governmental Funds:		
General	$ 64,347	$ 65,736
Community Planning and Economic Development	183,043	180,766
Convention Center	27,226	27,418
Permanent Improvement Capital Projects	NA	45,022
Special Assessment Debt Service	10,721	11,080
Non-Major Governmental	82,050	59,621
Proprietary Funds:		
Enterprise Funds	109,019	97,479
Internal Service Funds	8,883	17,053
Fiduciary Fund	897	10,120
Discrete Component Units		
Park and Recreation Board	9,429	11,879
Municipal Building Commission	446	806
Meet Minneapolis	394	789
Total	**$496,455**	**$527,769**

INVESTMENT POLICY

The City's original Financial Investment Policy was implemented in 1987 and revised in March 2001 to establish fundamental rules for managing cash and investments. A goal of the Investment Policy is to ensure that all revenues received by the City are promptly recorded, deposited, and invested if not immediately needed to meet obligations.

The City's Investment Policy seeks to ensure the preservation of capital in the overall portfolio. Safety of principal is the foremost objective and all investments are made in accordance with Minnesota Statutes, Chapter 118 and Sections 471.56, 475.66 and 475.76.

The Minneapolis Community Development Agency (MCDA) Hilton Trust investments are made in accordance with Minnesota Statutes, Chapters 50 and 595, and Section 469.012. Other investment objectives include diversification, prudence, internal controls, safekeeping, financial institutions, eligible depositories, brokers and dealers, maintaining public trust, and investment limitations determined by the City Council including policies prohibiting investing in business related to South Africa, Northern Ireland, and Burma.

The City Finance Officer is charged with the organization and establishment of procedures for effective cash management, of which, the internal controls are to be reviewed by the internal auditor, risk manager, and state auditor for their ability to prevent potential losses from fraud, error, misrepresentation by third parties, or imprudent actions.

The City's investment portfolio as well as the Hilton Trust Funds are currently invested in securities that mature or are expected to mature in less than 5 years. Both the City and the external investment managers are required to exercise extreme caution in the use of derivatives instruments, keeping abreast of all future information on risk management issues and considering derivatives use only when a sufficient understanding of the product and expertise to manage them have been developed and maintained.

PORTFOLIO

The City financial system and integrated Investment Management System (IMS) utilize the pooling of funds concept. The ***Pool Portfolio*** is a pool of investments covering cash and cash equivalents at the City as well as at the MCDA. The pool portfolio contains moneys related to debt obligations and their reserves, and all other moneys. A summary of the pool portfolio holdings by type as of September 30, 2009, is as shown on Table X.

TABLE X

Portfolio Holdings By Sector

Market Value in thousands	September 30, 2009	% of port.
Cash and equivalents*	$ 4,309	1%
Commercial Paper	68,940	16%
Federal Agency	254,218	59%
Mortgage Backed	34,470	8%
Municipals	30,161	7%
US Treasuries	38,779	9%
Total Market Value	$430,877	100%

*Net of checks outstanding.

Pension Plans — Overview

Employees of the City of Minneapolis are covered under various contributory pension plans. Except for employees of the Minneapolis Community Development Agency, all employees hired since 1980 are members of one of the funds of the Public Employees Retirement Fund (PERA). PERA is a multi-employer government pension plan that covers approximately 2,000 separate units of local government, but does not cover state government employees or licensed teachers, who are covered by two other multi-employer government funds.

The PERA fund administers four separate funds, each of which has specific membership, contribution, benefit, and pension provisions. The Public Employees Police and Fire Fund covers police officers and firefighters. The Public Employees Retirement Fund covers the non-police and fire employees hired since 1980.

Employees of the Minneapolis Community Development Agency are covered by a defined contribution plan that is administered by the Union Central Life Insurance Company.

The City also contributes to three closed funds. Minneapolis Employees Retirement Fund (MERF) is a multiple employer fund that has been closed to new members since July 1, 1978. Employees of the City of Minneapolis represent approximately 70% of the covered employees in the fund. The Minneapolis Firefighters Relief Association (MFRA) and the Minneapolis Police Relief Association (MPRA) cover police and fire employees hired by the City prior to June 15, 1980. City employees represent 100% of the covered employees in these latter two funds.

Minnesota state statutes govern the actuarial standards for each fund. The coverage, contribution rates, benefit levels and auxiliary benefits are all governed by state statute. Boards govern the day-to-day operations of the funds and are subject to fiduciary standards established in state law. Local government representatives, together with representatives of active and retired employees are appointed or elected to each of boards of these funds.

PERA is audited annually by the Office of the Legislative Auditor. MERF, MFRA, and MPRA are audited annually by the Office of the State Auditor. A joint legislative pension commission oversees each public pension fund.

The valuation of assets held by the funds is mandated by state law and is based on market value spread over five years. This valuation methodology was effective for the valuations on July 1, 2000 and thereafter.

Pension Plans — Specific Fund Information

Minneapolis Community Development Agency — Union Life Insurance Company. Qualified employees of the MCDA belonged to a defined contribution pension plan administered by Union Central Life Insurance Company. A permanent employee became a participant in the plan on April 1 or October 1, following completion of his or her probationary period and after attaining age 20.5.

Benefits and contribution requirements were established and amended by the MCDA' s board of commissioners. All provisions are within limitations established by Minnesota Statutes.

On September 30, 2008, there were 104 members with vested deferred benefits participating in this defined contribution pension plan.

The MCDA employees were transferred to the new City department, Community Planning and Economic Development (CPED), which merged planning and development functions.

The payroll for employees covered by the defined contribution plan for the year ended September 30, 2008 was $2,069,665 and the City contributed $120,865 to the plan.

The City and employee participants each contribute 5% of the participants annual compensation to an Investment Fund administered by Union Central Life Insurance Company which will provide retirement benefits under a Money Purchase Plan. Participants are vested at the rate 20% per year for the employer's share of the contribution and are 100% vested immediately as to their individual contribution.

Public Employees Retirement Association (PERA). PERA provides retirement coverage for non-public safety personnel employed by over 2,000 separate governmental entities. Cities, counties, school districts and townships provide retirement benefit coverage through PERA. As of June 30, 2008 PERA's membership included approximately 159,909 current, active employees and 3,278 retirees and beneficiaries. PERA administers three defined benefit plans: the Public Employees Retirement Fund (PERF), the Public Employees Police and Fire Fund (PEPFF), and the Public Employees Correctional Fund (PECF).

Public Employees Correctional Fund (PECF). The City of Minneapolis has no employees in this plan.

Public Employees Retirement Fund (PERF). As of June 30, 2008 PERF membership included 143,562 active employees and 63,880 retired employees. The City of Minneapolis had a total of 3,278 employees covered by PERF on June 30, 2008. The fund coordinates benefits with social security coverage, so the employer pays a percent of covered wages into PERF plus applicable social security contributions. Employees pay a percent on covered wages into the fund.

The 2005 Minnesota Legislature passed legislation that increased both employer and employee contribution rates as follows:

	Employee	Employer
in 2005	5.10%	5.53%
Jan. 1, 2006	5.50%	6.00%
Jan. 1, 2007	5.75%	6.25%
Jan. 1, 2008	6.00%	6.50%
Jan. 1, 2009	6.00%	6.75%
Jan. 1, 2010	6.00%	7.00%

The legislation includes a provision to halt implementation of the 2009 and/or the 2010 rate increases if actuarial valuations determine they are not necessary. The law also allows the PERA Board to increase or decrease the employee and employer contribution rates by up to one-quarter percent beginning in 2012. Determination of any rate adjustments after 2010 will depend upon the actuarial valuations for two consecutive years. State law requires all public pension funds to be fully funded by the year 2031 and contributions include amounts to liquidate unfunded liabilities. A comprehensive annual report is available directly from PERF at "www.mnpera.org".

TABLE Y

Schedule of Funding Progress
Public Employees Retirement Fund (PERF)
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/96	$ 5,786,398	$ 7,270,073	$1,483,675	79.6%	$2,814,126	52.7%
6/30/97	6,658,410	8,049,666	1,391,256	82.7	2,979,260	46.7
6/30/98	7,636,668	8,769,303	1,132,635	87.1	3,271,737	34.6
6/30/99	8,489,177	9,443,678	954,501	89.9	3,302,808	28.9
6/30/00	9,609,367	11,133,682	1,524,315	86.3	3,437,954	44.3
6/30/01	10,527,270	12,105,337	1,578,067	87.0	3,466,587	45.5
6/30/02	11,017,414	12,958,105	1,940,691	85.0	3,809,864	50.9
6/30/03	11,195,902	13,776,198	2,580,296	81.3	4,387,649	58.8
6/30/04	11,477,961	14,959,465	3,481,504	76.7	3,968,034	87.7
6/30/05	11,843,936	15,892,555	4,048,619	74.5	4,096,138	98.8
6/30/06	12,495,207	16,737,757	4,242,550	74.7	4,247,109	99.9
6/30/07	12,985,324	17,705,627	4,720,303	73.3	4,448,954	106.1
6/30/08	13,048,970	17,729,847	4,680,877	73.6	4,722,432	99.1

Public Employees Police and Fire Fund (PEPFF). PEPFF provides requirement coverage for public safety personnel employed by over 500 separate governmental entities. As of June 30, 2008 PEPFF membership included 10,961 active employees and 7,194 retired employees. The City of Minneapolis has a total of 1,303 employees covered by PEPFF on June 30, 2008. The fund's employer contribution rate is a percent of covered wages and the employee's contribution rate is a percent of wages.

The 2005 Minnesota Legislature passed legislation that increased both employer and employee contribution rates as follows:

	Employee	Employer
in 2005	6.20%	9.30%
Jan. 1, 2006	7.00%	10.50%
Jan. 1, 2007	7.80%	11.70%
Jan. 1, 2008	8.60%	12.90%
Jan. 1, 2009	9.40%	14.10%
Jan. 1, 2010	9.40%	14.10%

City employees in PBPFF are coordinated with social security coverage and the employer also makes these contributions. The PEPFF is fully funded. A comprehensive annual report is available directly from PERA at "www.mnpera.org".

TABLE Z

Schedule of Funding Progress
Public Employees Police and Fire Fund (PEPFF)
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/96	$1,633,010	$1,334,202	$(298,808)	122%	$316,189	–95%
6/30/97	1,974,635	1,556,483	(418,152)	127	346,319	–121
6/30/98	2,337,313	1,741,344	(595,969)	134	375,131	–159
6/30/99	2,626,817	1,956,263	(670,554)	134	352,066	–191
6/30/00	4,145,351	3,383,187	(762,164)	123	392,796	–194
6/30/01	4,510,134	3,712,360	(797,774)	122	500,839	–159
6/30/02	4,707,255	3,886,311	(820,944)	121	522,153	–157
6/30/03	4,713,606	4,390,953	(322,653)	107.3	560.503	–58
6/30/04	4,746,834	4,692,190	(54,644)	101.2	551,266	–10
6/30/05	4,814,961	4,956,340	141,379	97.2	580,723	24
6/30/06	5,017,951	5,260,564	242,613	95.4	618,435	39
6/30/07	5,198,922	5,669,347	470,425	91.7	648,342	73
6/30/08	5,233,015	5,918,061	685,046	88.4	703,701	97.4

Minneapolis Employees Retirement Fund (MERF). MERF provides retirement coverage for six employer groups, the largest of which is the City of Minneapolis. MERF has been closed to new members since 1978. Coverage is not coordinated with social security. All members can retire at age 60 or with thirty years of covered service. As of June 30, 2008, there were 211 active employees and the city employed 155 of these active employees. The Minneapolis Public School District is the next largest employer with 51 employees. Each employer contributes based on a contribution rate, plus an amount to liquidate their unfunded liability balance. The fund is not a cost sharing fund as are PERA and PEPFF. Rather, each employee has an independent account and direct actuarial experience is charged to the specific employer. State law provides that the MERF fund must be fully funded by 2020. The City of Minneapolis portion of the unfunded liability is 54% of the total. The City paid an additional contribution of $29,063,505 to the fund which was not part of the actuarial requirement to fund the costs of new retirements for the year ended June 30, 2003, and $25,000,000 for the year ended June 30, 2004. For the year starting July 1, 2009 the employer's contribution rate is 12.46% of payroll. Employees contribute 9.25% of payroll to the deposit accumulation reserve and 0.50% of salary to the survivor benefit reserve.

TABLE AA

Schedule of Funding Progress
Minneapolis Employees Retirement Fund (MERF)
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/96	$1,018,540	$1,266,324	$247,784	80%	$72,458	342%
7/1/97	1,081,106	1,283,763	202,657	84	70,538	287
7/1/98	1,297,065	1,350,683	143,618	89	67,434	213
7/1/99	1,327,660	1,434,147	106,487	93	64,075	166
7/1/00	1,416,491	1,515,963	99,472	93	54,223	183
7/1/01	1,507,159	1,615,972	108,813	93	46,812	232
7/1/02	1,540,221	1,667,871	127,650	92	43,461	294
7/1/03	1,519,421	1,645,921	126,500	92	40,537	312
7/1/04	1,513,389	1,643,140	129,751	92	33,266	390
7/1/05	1,489,713	1,624,355	134,642	92	27,479	490
7/1/06	1,490,280	1,617,653	127,373	92	21,669	588
7/1/07	1,383,742	1,610,881	227,139*	86**	17,296	1,313
7/1/08	1,214,305	1,576,855	374,685	76	13,957	2,685

*Effective July 1, 2007, assets allocated to the Retirement Benefit Fund must equal the Market Value of Assets on the valuation date. This change resulted in a decrease to the Actuarial Value of Assets and increase to the Unfunded Actuarial Accrued Liability of $110,339,307. The Supplemental Contribution increased by $12,467,718, which directly impacted the Contribution Deficiency resulting in a total deficiency of 78.64% of payroll.

**The funded ratio based on the actuarial value of assets, under the actuarial accrued liability as of July 1, 2007 is 85.90%, compared to 92.13% as of July 1, 2006. The funded ratio based on this calculation under the old asset valuation method would have increased to 92.75% as of July 1, 2007, hence the decrease in the funded ratio from 92.75% to 85.90% is entirely attributable to the asset valuation method change. This ratio is a measure of funding status, and its history is a measure of funding progress.

Minneapolis Police Relief Association (MPRA). MPRA provides retirement coverage for police officers hired by the City before June 15, 1980. All members can retire with full pension at age 50 with 25 years of service. As of December 31, 2008 the fund had 14 active members and 846 retirants and beneficiaries. In 2009, the City bi-weekly transfers the employee's contribution of $291.47 and the employer's contribution of $433.15. State law requires the fund to be 100% funded by 2020.

The City is the financial guarantor and is responsible indefinitely for the unfunded liabilities of MPRA.

MPRA is funded through a combination of employee contributions, City (employer) contributions and state aids. The City and State contributions vary, depending on the funding level of the plan.

The City contributes the normal costs associated with the active MPRA employees plus an amount necessary to fully fund the plan's liabilities by 2020. There are four state aids that the MPRA receives: Police State Aid, Amortization State Aid, Supplemental Police Amortization State Aid and Additional Amortization State Aid. These four aids are calculated annually according to provisions in state law and vary from year to year. These aids total approximately $9 million annually.

The City receives approximately $6.2 million in Police State Aid and redirects a portion of this aid, approximately $4.1 million annually, to offset PERA Police costs in the City's General Fund. In years in which post-retirement benefit payments are made, state aid — either Amortization State Aid or Supplemental Police Amortization Aid — is reduced by the total amount of any 13th check payments.

The City is currently involved in litigation regarding how the City's liabilities with respect to MPRA are calculated. If such litigation is successful, it would result in financial relief to the City in the form of either a lower property tax burden or restoration of City services that have been reduced due to financial pressures. If the litigation is not successful, no financial impact to the City is expected.

TABLE AB

Schedule of Funding Progress
Minneapolis Police Relief Association (MPRA)
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/95	$294,692	$358,657	$ 63,965	82.2%	$13,938	459%
12/31/96	320,686	382,957	62,271	83.7	13,003	479
12/31/97	362,683	398,728	36,045	91.0	10,818	333
12/31/98	387,530	414,694	27,164	93.4	8,857	307
12/31/99	427,122	447,596	20,474	95.4	7,504	273
12/31/00	391,083	447,086	56,003	87.5	6,583	851
12/31/01	349,170	464,649	115,479	75.1	5,238	2,204
12/31/02	309,667	463,487	153,820	66.8	3,955	3,889
12/31/03	300,154	465,276	165,122	64.5	1,860	8,878
12/31/04	322,278	469,557	147,279	68.6	1,429	10,306
12/31/05	359,012	464,222	105,190	77.3	1,404	7,361
12/31/06	377,013	439,992	62,979	85.7	1,236	5,096
12/31/07	376,466	428,281	51,815	87.9	1,186	4,369
12/31/08	324,723	506,949	182,226	64.1	1,249	14,590

Minneapolis Firefighters Relief Association (MFRA). MFRA provides retirement coverage for firefighters hired by the City before June 15, 1980. All members can retire with full pension at age 50 with 25 years of service. As of December 31, 2008 the fund had 27 active members and 563 retirants and beneficiaries. In 2009, the City bi-weekly transfers the employee's contribution of $260.07 and the employer's contribution of $385.62.

The City is the financial guarantor and is responsible indefinitely for the unfunded liabilities of MPRA.

MPRA is funded through a combination of employee contributions, City (employer) contributions and state aids. The City and State contributions vary, depending on the funding level of the plan.

The City contributes the normal costs associated with the active MFRA employees and an amount that amortizes the fund's unfunded liability over 15 years. There are three state aids that the MFRA receives: Fire State Aid, First Class City Fire Insurance Premium Tax Surcharge and Additional Amortization State Aid. These three aids are calculated annually according to provisions in state laws and vary from year to year. These aids total approximately $2.5 million annually.

The MFRA was not eligible to receive Amortization State Aid because the fund was previously 100 percent funded, meaning that at a previous time the fund had sufficient assets to pay its liabilities. Once a fund reaches 100 percent funding it was no longer eligible to receive Amortization State Aid, even if, as with the MFRA, it subsequently becomes unfunded. In addition, the MFRA was not eligible to receive Supplemental Amortization State Aid because that aid is distributed to only those associations which receive Amortization State Aid. The above restrictions were removed by the 2009 Legislation so that these aids are reinstated when a fund drops below the 100% funding level. This will provide an estimated additional $1.0 million dollars annually to MFRA.

The City receives approximately $1.8 million in Fire State Aid and redirects a portion of this aid, around $1.6 million annually, to offset PERA Fire costs in the City's General Fund. In years in which post-retirement benefit payments are made, Supplemental Amortization Aid is reduced by the total amount of any 13th check payments.

The City is currently involved in litigation regarding how the City's liabilities with respect to MFRA are calculated. If such litigation is successful, it would result in financial relief to the City in the form of either a lower property tax burden or restoration of City services that have been reduced due to financial pressures. If the litigation is not successful, no financial impact to the City is expected.

TABLE AC

Schedule of Funding Progress
Minneapolis Firefighters Relief Association (MFRA)
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/95	$194,611	$234,386	$39,775	83.0%	$11,839	336%
12/31/96	208,969	252,540	43,571	82.7	12,298	354
12/31/97	245,306	274,030	28,724	89.5	12,079	238
12/31/98	300,150	284,874	(15,276)	105.4	11,357	(135)
12/31/99	318,043	291,168	(26,875)	109.2	10,040	(268)
12/31/00	315,900	293,802	(22,098)	107.5	7,054	(313)
12/31/01	304,887	293,396	(11,491)	103.9	5,888	(195)
12/31/02	255,194	292,678	37,484	87.2	5,540	677
12/31/03	236,991	293,955	56,964	80.6	4,228	1,347
12/31/04	248,546	275,513	26,967	90.2	3,142	858
12/31/05	269,426	312,563	43,137	86.2	2,933	1,471
12/31/06	263,276	300,926	37,650	87.5	2,489	1,513
12/31/07	270,096	291,078	20,982	92.8	2,236	938
12/31/08	237,401	280,312	42,911	84.7	2,325	1,846

Bonding for Pension Liability

Minneapolis Employees Retirement Fund (MERF). The fund was closed to new members in 1978 and hires after that date are members of the statewide Public Employees Retirement Fund. The remaining active member base of MERF was 211 members as of June 30, 2008. All active members are currently eligible to retire with full benefits. The remaining members are expected to retire over the next five years.

The fund is structured with four sub funds. The active fund holds the employer and employee contributions. The disabled, survivor and retired fund hold the assets for the liabilities of members in benefit payment status. At the time of retirement the present value of the member's total lifetime pension is transferred from the active to retired fund. The employers only on-going liability for retired status members is then limited to an annual mortality adjustment based on experience from the prior year, which is funded once each year with a transfer between the active and retired fund. These adjustments are normally small and not significant from a financial perspective.

The active fund has an interest earnings assumption of 6% which is below the average of 8% for other public funds. This more conservative assumption is due to the recognition that the investment horizon for these funds is more limited as all of the assets will be transferred as the last members retire.

State law prior to 2007 required that the employer provide funds to make the transfer of assets from the active to the retired fund to cover 100% of the present value of the retirement benefit. For many years normal actuarial contributions were sufficient to make these transfers. As the number of active members declined and the age of retirement declined, these contributions were not sufficient to make the transfer. State law then required the local employers to make up these shortfalls. As a result in December of 2002 taxable general obligation bonds in the amount of $25,000,000 related to MERF were issued. In June of 2003, $35,000,000 of taxable general obligation bonds related to MERF were issued.

The Minnesota state legislature changed MERF's statutory funding requirements during the 2007 legislative session. Under the new provisions the remaining liability of the fund will be paid on a level dollar basis between 2007 and 2020. The majority of the contribution for the unfunded liability will come from a mandatory State of Minnesota appropriation of $9 million per year. The remainder will be the responsibility of the local employers and this amount will come from the local employer tax levy. No additional bonds related to MERF are anticipated to be issued unless there is a legislative change which places a new obligation on former employers.

Minneapolis Police Relief Association (MPRA). In December of 2002 taxable general obligation bonds in the amount of $10,600,000 related to MPRA were issued. In October of 2003 $17,900,000 of taxable general obligation bonds related to MPRA were issued. In November of 2004 $24,970,000 of taxable general obligation bonds related to MPRA were issued. The City's long-term financing plan for the association is updated annually and currently projects no additional bonding for the City's 2010 or 2011 obligations. For MPRA the estimated total funding amount is expected to change and is highly dependent on the performance and value of the fund's investment portfolio.

Minneapolis Fire Relief Association (MFRA). In November of 2004 $4,740,000 of taxable general obligation bonds related to MFDRA were issued. The City's long-term financing plan for the association is updated annually and currently projects no bonding for the City's obligations. For MFRA the estimated total funding amount is expected to change and is highly dependent on the performance and value of the fund's investment portfolio.

Other Post-Employment Benefits (OPEB). The City of Minneapolis has complied with the Government Accounting Standards Board's Rule 45, Other Post-Employment Benefits (OPEB), for the comprehensive annual financial report (CAFR) of the City for the year ending December 31, 2008. The City engaged a consulting actuary who has conducted a review of liabilities to be reported as required by GASB 45. In general, the City does not pay the cost of health insurance for retired employees, except in limited circumstances. Retired City employees, however, may purchase health insurance offered to City employees at the retired employee's expense. Including retired employees with current employees causes health insurance premiums for current employees to be more than if retired employees were not in the same pool of insureds. The City and current employees share the cost of health insurance for current employees. The increased cost of health insurance premiums for current employees is considered an implicit subsidy for the retired employees and is disclosed as required by GASB 45.

Postemployment Healthcare Plan

Plan Description

The City provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical and dental coverage. Medical coverage is administered by Medica. Dental coverage is administered through the Delta Dental Plan of Minnesota. The City is self-insured for dental coverage. Retirees pay 100 percent of the blended active/retiree premium rate, in accordance with Minnesota Statutes Chapt. 471.61, subd. 2b. It is the City's policy to periodically review its medical and dental coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees.

Funding Policy

Retirees and their spouses contribute to the healthcare plan at the same rate as the City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Medica and Delta Dental. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2008, the City contributed $3,411,000 to the plan. As of January 1, 2008, there were approximately 1,089 retirees receiving health benefits from the City's health plan.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$6,028,000
Interest on net OPEB Obligation	–
Adjustment to annual required contribution	–
Annual OPEB cost (expense)	6,028,000
Contributions made	3,411,000
Increase in net OPEB obligation	2,617,000
Net OPEB obligation — beginning of year	–
Net OPEB obligation — end of year	$4,830,000

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and 2007 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	$6,028,000	56.6%	$4,830,000
12/31/2007	5,497,000	59.7%	2,213,000

Funded Status and Funding Program

As of January 1, 2007, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was $61,198,000 and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of $61,198,000. The covered payroll (annual payroll of active employees covered by the plan) was $383,114,000, and the ratio of the UAAL to the covered payroll was 16.0 percent.

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

Actuarial Methods and Assumptions

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

In the January 1, 2007, the actuarial valuation date, the entry age normal cost method was used. The actuarial assumptions included a 4.0% discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (about 7% to 8.5%, long-term, similar to a pension plan) or unfunded (3.5% to 5%, shorter term, based on City's general assets). The City current does not plan to prefund for this benefit. At the actuarial valuation date, the annual healthcare cost trend rate was calculated to be 11 percent initially, reduced incrementally to an ultimate rate of 5 percent after ten years. As of January 1, 2008, it was 10.5%. Both rates included a 3 percent inflation assumption. The UAAL is being amortized as a percentage of projected payroll on an open basis. The original amortization period was 30 years, as of January 1, 2008. 29 years remain.

THE CITY

The City is a political subdivision of the State incorporated in 1867, organized and existing under the Constitution and laws of the State and the City Charter, as amended. The corporate limits of the City encompass approximately 58.7 square miles and U.S. Census figures indicated the 2000 population of the City to be 382,618. The population of the Minneapolis-St. Paul Seven County Metropolitan Area from the 2000 U.S. Census is 2,608,990.

City Officers

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

The present Mayor and members of the City Council, whose terms expire on January 1, 2010, are as follows:

Mayor: R. T. Rybak*

Council Members:

Ward 1 — Paul Ostrow
Ward 2 — Cam Gordon*
Ward 3 — Diane Hofstede
Ward 4 — Barbara Johnson, Council President*
Ward 5 — Don Samuels
Ward 6 — Robert Lilligren, Council Vice President*
Ward 7 — Lisa R. Goodman
Ward 8 — Elizabeth Glidden
Ward 9 — Gary Schiff
Ward 10 — Ralph Remington
Ward 11 — Scotty Benson*
Ward 12 — Sandy Colvin Roy
Ward 13 — Betsy Hodges

*Executive Committee member

The City Council operates through 8 standing committees: Claims, Community Development, Health and Human Services, Intergovernmental Relations, Public Safety and Regulatory Services, Transportation and Public Works, Ways and Means/Budget, and Zoning and Planning. The Council also has 3 special committees: Claims, Elections, Rules and Taxes.

The Executive Committee consists of the Mayor, the President of the City Council, and up to three additional members of the City Council to be chosen by the Council. At least one of the Council Members who serve on the Executive Committee must be from a different political party than the other two Council Members, unless the Council is all from the same party. The Executive Committee appoints and evaluates the performance of department heads, directs the labor negotiations of the City, recommends to the City Council management policies and administrative procedures, and coordinates interagency issues.

The City Finance Officer is charged with maintaining and supervising the various accounts and funds of the City, including all City departments, the Board of Estimate and Taxation and the Park and Recreation Board.

City Departments

The City Coordinator is nominated by the Mayor and appointed by the Executive Committee. The City Coordinator serves at the pleasure of the Mayor and City Council. The City Coordinator appoints the City Finance Officer. The City Coordinator is the principal administrative officer for the City. The City Coordinator's office is responsible for providing management support services for the City, including financial management, intergovernmental relations, human resources, communication, and information technology services. The City Coordinator also has management responsibility for inspections and licensing services and the Minneapolis Convention Center, and other activities as directed by the Mayor and City Council.

The Public Works Department, led by the City Engineer, is generally responsible for the construction and maintenance of streets, highways, bridges, sidewalks, parking, water works, and sewers within the City's jurisdiction.

The Fire Department, led by the Chief of Fire, is responsible for fire prevention and suppression, as well as emergency response.

The Police Department, led by the Chief of Police, is responsible for public safety in the city.

The City also has established a *City Attorney's Office, Civil Rights Department, Health and Family Support Department, City Clerk's Office,* and the *City Assessor's Office.* Each of these functions performs duties customarily associated with these offices and departments.

The Community Planning and Economic Development (CPED) Department, led by the CPED Director, is responsible for community planning, economic policy and development, workforce development, housing policy and development, and planning development services.

Independent Boards

The Board of Estimate and Taxation (BET) is composed of seven members, two of whom are elected by voters of the City for four-year terms. The Mayor or the Mayor's appointee, the President of the City Council and the Chair of the City Council's Ways and Means/Budget Committee are ex-officio members of the Board. The Minneapolis Park and Recreation Board and Minneapolis Library Board annually select one member from each respective board to serve on the Board of Estimate and Taxation.

The Board of Estimate and Taxation holds public hearings on proposed City Budgets and establishes maximum levies for most City funds. It also reviews progress reports on various capital improvement projects and may by a vote of at least five of its members approve or terminate certain special assessment project proceedings.

By action of the City Council, or such other governing board of a department requesting the sale of bonds, the Board of Estimate and Taxation may vote to incur indebtedness and issue and sell bonds and pledge the full faith and credit of the City for payment of principal and interest. The Board of Estimate and Taxation also establishes the maximum property tax levies for most City funds and maintains responsibility for the internal audit function for the City, including boards and commissions that are component units of the City. The approval of a majority of the voters of the City is required to issue bonds involving the issuance of obligations of more than $15,000,000 for a single project.

The *Minneapolis Library System.* In December of 2007 the County, City and the Library Board adopted all agreements to consolidate the Minneapolis Public Library system into the Hennepin County Library system this consolidation took place in January of 2008.

The *Minneapolis Park and Recreation Board* is a nine-member board elected by the voters of the City and is responsible for developing and maintaining parkland and parkways, as well as planting and maintaining the City's boulevard trees. The Mayor recommends the tax levies and budget for the Park Board, and the City Council and Mayor approve the allocations of local government aid from the state for Park Board operations. All Park Board actions are submitted to the Mayor, and a mayoral veto may be overridden by a vote of two-thirds of the members of the Park Board. The Board of Estimate and Taxation approves the maximum property tax levy for the Park Board, and the full faith and credit of the City secure debt issued for Park Board projects.

The *Minneapolis Public Housing Authority* (MPHA) is the public agency responsible for administering public housing and Section 8 rental assistance programs for eligible individuals and families in Minneapolis. A nine-member Board of Commissioners governs MPHA. The Mayor of Minneapolis appoints the Board Chairperson and four Commissioners; four Commissioners (one of whom must be a public housing family-development resident) are appointed by the City Council. The mission of the MPHA is to provide well-managed, high-quality housing for eligible families and individuals; to increase the supply of affordable rental housing; and to assist public housing residents in realizing goals of economic independence and self-sufficiency.

Summary of Local Government Aid (LGA) Changes

The 2003 Legislature reformed the local government aid (LGA) program by enacting a new formula which distributed $437 million to cities in 2003 and 2004 instead of $608 million under the old LGA law. The legislature also eliminated the automatic inflationary increase in the program that had been in place since 1993. As a result of LGA reduction, in April 2003 the City Council adopted general fund cuts for 2003. The City avoided deeper cuts in both 2004 and 2005 by recommending budget on the assumption that labor contracts will continue to settle at 2% and property tax increases at 8%. With the close of State legislative session in 2006, the City's LGA increased by $15.4 million over the anticipated levels and $7.3 million of this amount was anticipated to continue beyond 2006. In late December of 2008, two weeks before the close of the City's fiscal year, the Governor through the unallotment process reduced the City's 2008 LGA final payment by $13,173,545. The General Fund's reduction amounted to $11,579,151. The City Council was forced to use funds for the General Fund Reserve account at that time. In March of 2009 the Mayor and City Council adjusted the 2009 budget and the five year financial direction. Several of the actions restored the majority of the December 2008 draw down of the General Fund Reserve account. On July 2, 2009 the Governor used his power of unallotment which resulted in an $8.5 million cut in LGA to Minneapolis. The City's five year financial direction during 2011-2015 indicates that, the City is assumed to receive $60.6 million in 2010, $55.0 million in 2011, $54.8 million in 2012, $54.5 million in 2013, $54.3 million in 2014 and $54.0 million in 2015. The following chart details the 2009 LGA cuts expected from the Governor's FY 2010-2011 proposed budget:

Dollars in Thousands	**2009 Adopted LGA**	**2009 LGA Gov's Reduction**	**2009 Expected LGA**	**% Change from 2009 Adopted**
Park	$10,479	($1,008)	$ 9,471	-9.62%
City***	78,311	(7,532)	70,779	-9.62%
Total	$88,790	($8,540)	$80,250	-9.62%

CHANGES AND ALLOCATION OF LOCAL GOVERNMENT AID TO MINNEAPOLIS FROM STATE OF MINNESOTA

Dollars in Thousands	**2003 Revised***	**2004 Adopted**	**2005 Adopted**	**2006 Adopted**	**2007 Adopted**	**2008 Adopted**	**2009 Adopted**	**2009 July 1**
Park	$10,837	$ 9,739	$ 9,482	$11,088	$ 9,912	$ 9,705	$10,479	$ 9,471
Library	7,398	6,648	6,473	7,570	6,767	**	**	**
City***	73,586	66,127	64,384	75,290	67,302	72,526	78,311	70,779
Total	$91,821	$82,514	$80,339	$93,948	$83,981	$82,231	$88,790	$80,250
	% Chg 2002-03	**% Chg 2003-04**	**% Chg 2004-05**	**% Chg 2005-06**	**% Chg 2006-07**	**% Chg 2007-08**	**% Chg 2008-09**	**% Chg 2008-09**
	-18.0%	-10.1%	-2.6%	16.9%	-10.6%	-2.1%	8.0%	-2.4%

*The 2003 LGA original allocation was $117.6 million.

**In December of 2007 the County, City and the Library Board adopted all agreements to consolidate the Minneapolis Public Library system into the Hennepin County Library system.

***City includes the Municipal Building Commission.

Annual Budget Process

The City of Minneapolis annual budget process integrates information from the City's annual Enterprise Priority-Setting Process, Capital Long-Range Improvement Committee process and departmental performance review processes to establish annual resource allocations. The City's fiscal year begins January 1.

Departmental Performance Information (January-February)

City department heads bring their annual work plan and accomplishments to the Executive Committee, which then refers the work plan to the relevant Policy Committee for review.

Capital Improvement Budget Development (April-July)

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

Mayor's Budget Recommendation (June-August)

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

Maximum Proposed Property Tax Levy (September)

As required by State law, the maximum proposed property tax levy increase is set by September 15. The maximum property tax levy is set by the Board of Estimate and Taxation. The Board of Estimate and Taxation must set a maximum property tax levy for the City, Municipal Building Commission, Public Housing Authority and the Minneapolis Park and Recreation Board.

City Council Budget Review and Development (October-November)

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

City Council Budget Adoption (December)

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

The independent boards and commissions adopt their own operating budgets.

Adopted 2009 Budget Highlights

The 2009 adopted budget for all City funds remains at $1.4 billion, a constant spending level from the 2008 adopted budget. Without transfers, the budget remains at $1.3 billion, reflecting a slight decrease of $5.6 million from 2008. The 2009 budget reflects a continued willingness to make the difficult decisions needed to address the City's financial challenges. The budget recommends a property tax revenue increase of 8% over 2008 levels.

The 2009 budget adopted in December was revised in March to reflect proposed cuts to local government aid, which will not be finalized until May. The State Legislature certified an increase to the City's Local Government Aid (LGA) allocation for 2009 to $88.8 million, a $6.6 million increase from last year. In response to the State's budget deficit, the Governor proposed reductions of $16.9 million to the City's certified funding levels. The City also took action to restore its budget reserves, which were drawn down by $13.2 million in December of 2008 by the Governor's "unallotment" authority to unilaterally reduce certain state appropriations.

As a result of state aid cuts, the adopted budget reduces budgets of general fund departments by a total of $14.8 million. Reductions in the police department will be partially offset by the receipt of federal grant resources in 2009. The remaining reduction will be met through the reduction of non-personnel expenditures, including overtime. Reductions in the Fire department will be mitigated by the implementation of a commercial inspections program. Other department reductions will be met through a combination of personnel and non-personnel reductions.

The five-year financial direction adopted in December 2008 was balanced in all five years. Due to the extraordinary circumstances and short timeline for consideration of solutions, expenditures for 2010-2014 have not yet been adjusted for shortfalls related to additional pension costs and proposed reductions in local government aid pending final legislative action. Estimated changes related to revenue loss from the decertification of TIF districts are included in 2011 and beyond.

In addition to the property tax supported funding, the 2009 budget includes an expanded capital program of $31.85 million over the five years to provide additional investment in paving projects, street lighting, parkway paving, parkway lighting, pavement and bikeway maintenance and park infrastructure improvements. Funding for this expansion is coming from the use of Hilton Trust funds, net debt bonds and related.

The 2009 Adopted Budget includes full funding of the City's commitment for the integration of the City library system with Hennepin County, sustainability initiatives, youth violence preventions, and neighborhood programming. This budget also includes funding required to meet the City's pension obligations, as well as to continue progress on the City's internal service fund financial plans.

The 2009 budget was adopted by the City Council on December 12, 2009, and can be viewed at the following website: www.ci.minneapolis.mn.us/city-budget.

CITY OF MINNEAPOLIS REVENUES BY MAJOR CATEGORY
(in millions of dollars)

	2009 Council Revised
Charges for Sales	$ 28.8
Charges for Service	447.0
Federal Government	41.4
Fines and Forfeits	12.1
Franchise Fees	28.1
Interest	3.3
License and Permits	28.2
Local Government	8.6
Other Misc. Revenues	86.5
Property Taxes	252.3
Rents	60.9
Sales and Other Taxes	59.5
Special Assessments	17.9
State Government	118.1
Tax Increment Property Taxes	70.8
Transfers from Other Funds	158.1
Total Revenues	**$1,421.5**

LGA is reflected in the State Government line. Please note that a technical correction in other State Government items offsets the LGA loss.

CITY OF MINNEAPOLIS EXPENDITURES BY MAJOR CATEGORY
(in millions of dollars)

	2009 Revised Budget
Attorney	$ 13.5
City Coordinator*	72.2
CPED	125.3
Convention Center	45.7
Fire	51.3
Health and Family Support	13.4
Library (Transfer to Hennepin County)	7.5
Police	128.4
Regulatory Services	32.7
Public Works	301.1
Other City Services**	17.0
Other***	107.0
Debt Service****	138.3
Total Capital Improvement	119.2
Independent Boards*****	102.5
Transfers to Other funds	128.1
Total Expenditures with Transfers	**$1,404.6**

* Includes Human Resources, Finance, 911/311, Intergovernmental Relations, Communications and BIS

** Includes Assessor, City Clerk/Elections/Council, Civil Rights & Mayor

*** Includes Non-departmental, Health and Welfare, Workers' Compensation, Liability, Contingency and pensions

**** Does not include debt service paid directly from proprietary funds or by independent boards

***** Includes Neighborhood Revitalization Program, Board of Estimate and Taxation, Municipal Building Commission, Youth Coordinating Board and Park Board

CITY OF MINNEAPOLIS
FIVE-YEAR CAPITAL INVESTMENT ALLOCATION
COUNCIL REVISED BUDGET

Commission/Board/Department	2009-2013 Total* (in thousands)	Percent of Total
Municipal Building Commission	$ 4,283	0.8%
Library Commitments to Hennepin County	11,905	2.3%
Park Board	13,391	2.6%
Public Works Department		
Facility Improvements	6,909	1.3%
Street Paving	140,155	26.9%
Sidewalk Program	14,400	2.8%
Heritage Park Infrastructure	700	0.1%
Bridges	32,074	6.1%
Traffic Control & Street Lighting	35,042	6.7%
Bike Trails	9,144	1.8%
Stormwater Sewers	70,774	13.6%
Sanitary Sewers	36,976	7.1%
Water	118,850	22.8%
Parking	6,800	1.3%
Public Works Department Total	$471,824	90.4%
Technology Projects	$ 4,772	0.9%
Miscellaneous Projects	15,539	3.0%
Total Council Revised Capital Program	**$521,714**	**100.0%**

*Represents the total Five-Year Council Revised Capital Budget from all City funding sources for projects where the City is the lead agency.

Debt Management Policy

The objective of the debt management policies is to maintain the City's ability to incur present and future debt at minimal interest rates for infrastructure and economic development, without endangering essential City services.

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

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

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

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

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

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

Feasibility. The City shall obtain secured guarantees for self-supporting and tax increment supported bonds to the extent possible. The City shall also obtain assurances of project viability and guarantees of completion prior to the issuance of bonds.

City Employees and Labor Relations

Twenty-four bargaining units represent approximately 93% of the employees in the City of Minneapolis.

Employee Group	Approximate Number of Employees	Contract Expiration Date
Fire Fighters (Non Supervisory)	499	12/31/10
Truck Drivers & Equipment	88	12/31/10
Clerical & Technical	795	12/31/10
Construction Equipment Operators/Mechanics & Helpers	107	12/31/10
Field Supervisors	151	12/31/10
Laborers	428	12/31/10
Professional Employees	423	12/31/10
9-1-1	73	12/31/10
Convention Center Janitors	115	12/31/10
Police Officers	881	12/31/11
Various with less than 75 employees	396	Various

Regional and County Government

Metropolitan Council. The Metropolitan Council was created in 1967 by the State Legislature (Laws of Minnesota 1967, Chapter 896, and Minnesota Statutes, Chapter 473) as a governmental and unit responsible for the coordination of planning and development of the seven-county Minneapolis-St. Paul Metropolitan Area (the "Area"). The Council has 17 members appointed by the Governor after consultation with the Legislative representatives from the appointee's district with the advice and consent of the State Senate. Sixteen of the members are appointed to four-year terms from districts of equal population size within the seven-county Area.

The 1994 Session of the State Legislature passed legislation (the Metropolitan Government Reorganization Act or the "Reorganization Act") which made substantial changes in the metropolitan regional government structure directly affecting the Council and related regional agencies. Most fundamentally, the Council was established as a public corporation and political subdivision of the State, and the three regional agencies, the Metropolitan Waste Control Commission (the "MWCC"), the Metropolitan Transit Commission (the "MTC" and the Regional Transit Board (the "RTB"), were scheduled for dissolution and the functions (and staffs) of all three were transferred to the Council upon that dissolution. In the case of the MWCC and the MTC, those events took place on July 1, 1994. For the RTB, the effective date was October 1, 1994.

The Reorganization Act created a new position of Regional Administrator, to serve at the Council's pleasure as the principal administrative officer of the Council. The Regional Administrator is responsible to ensure that policy decisions of the Council are carried out, to organize and direct work of the Council Staff, to prepare and submit an annual budget and to keep the Council fully apprised of the financial condition of the Council, among other duties.

The Reorganization Act further provided that the Council would have four divisions, for transportation, environment, community development and administration. It further provides for establishment of standing committees of the Council to oversee transportation, environment and community development activities and to recommend policy to the Council with respect to the divisions. The Act also establishes an Office of Transit Operations within the Transportation Division and an Office of Wastewater Services within the Environment Division.

Duties and responsibilities of the former MWCC were transferred to the Council; policies with respect to those activities must be recommended by the Environment Committee to the full Council. MWCC operations were transferred to the Office of Wastewater Services within the Environment Division.

Duties and responsibilities of the former MTC were transferred to the Council; policies with respect to those activities must be recommended by the Transportation Committee to the full Council. MTC operations were transferred to the Office of Transit Operations within the Transportation Division.

As of October 1, 1994, duties and responsibilities of the RTB were transferred to the Council and policies with respect to those activities must be recommended by the Transportation Committee to the full Council.

The former MTC and RTB activities continued to operate through year end 1994 under the previously adopted 1994 budget for RTB and MTC, and the Office of Wastewater Services continued to operate through year end 1994 under the previously adopted 1994 budget for MWCC.

The council is required to adopt long-range comprehensive policy plans for transportation, airports and wastewater treatment. For information relating to the outstanding indebtedness of the Metropolitan Council, see "INDEBTEDNESS OF THE CITY — Overlapping Indebtedness of the City."

Metropolitan Airports Commission. The Metropolitan Airports Commission plans, constructs and operates regional airports in the Minneapolis/St. Paul Metropolitan area. The Metropolitan Airports Commission has the power to levy a tax upon taxable property over a seven-county area (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties), but has not currently levied such a tax.

Metropolitan Sports Facilities Commission. The Metropolitan Sports Facilities Commission owns, constructs and operates public sports facilities in the Minneapolis/St. Paul metropolitan area. The Commission is authorized to enter into agreements with municipalities in which sports facilities are located to provide supplemental sales tax revenues to the Commission on sales of liquor and lodging in the municipalities.

Metropolitan Mosquito Control District. The Metropolitan Mosquito Control District was created to control mosquitoes and other insects and is governed by a Commission consisting of county commissioners from each county in the Minneapolis/St. Paul metropolitan area. The Commission may cause the member counties to levy a tax on all taxable property in the District.

Metropolitan Parks and Open Space Commission. The Metropolitan Parks and Open Space Commission oversees recreational open space acquisition, preservation and development in the Minneapolis/St. Paul metropolitan area. The Commission receives its funding from the Metropolitan Council, which may levy a tax of up to 0.01209 percent of market value of all taxable property in the metropolitan area to repay bonds issued for the acquisition and betterment of regional recreation open space.

Hennepin County. Hennepin County, which is located in east-central Minnesota, was organized as a unit of government in 1852. The County covers an area of 609 square miles, and consists of 46 municipalities, including the City of Minneapolis, which is the county seat. The governing body of the County is a Board of County Commissioners consisting of seven members who are elected by districts for staggered four-year terms of office. For information relating to the outstanding indebtedness of Hennepin County, see "INDEBTEDNESS OF THE CITY — Overlapping Indebtedness of the City."

Special School District No. 1

Special School District No. 1 is an independent political subdivision of the State coterminous with the City of Minneapolis. The general control of the District is vested in the seven-member Board of Education whose members are elected to four-year terms. The Superintendent of Schools is the chief executive officer and is appointed by the Board of Education. Among other responsibilities of the position, the Superintendent makes recommendations to the Board concerning policy matters and gives direction to the administration on the long-range planning for the entire school system.

For the 2008/09 school year, 34,683 students are enrolled in the District's schools in its K-12 programs. The District currently conducts programs at elementary schools, middle schools, high schools, special education schools, alternative schools, contract alternative schools and charter schools. In order to meet the educational needs of as many students as possible, the school system offers a variety of educational programs through a system of magnet and community schools. Parents can elect to enroll their children in one of these schools in their area. High school students with particular skills or interests can attend classes at magnet schools throughout the District each of which offers specialized courses while meeting the graduation standards of the state and district.

TABLE AD

Enrollment in the District's Schools in the Last Six School Years

	Pre-K & K	1-6	7-12	Total
2008/2009	3,892	15,697	15,094	34,683
2007/2008	3,730	15,641	15,679	35,050
2006/2007	3,900	16,150	15,800	35,850
2005/2006	3,881	16,997	18,004	38,882
2004/2005	3,865	17,852	18,793	40,510
2003/2004	4,514	19,141	19,774	43,429

STATISTICAL INFORMATION RELATING TO THE CITY

Population Overview

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

The population of the City and the Minneapolis-St. Paul seven-county area since 1960 is set forth below:

TABLE AE

Year	Population of City	Population of Seven-County Metropolitan Area
1960 (U.S. Census)	482,872	1,525,297
1970 (U.S. Census)	434,400	1,874,612
1980 (U.S. Census)	370,951	1,985,705
1990 (U.S. Census)	368,383	2,288,721
2000 (U.S. Census)	382,618	2,642,056
2001 (Metropolitan Council)	382,446	2,674,838
2002 (Metropolitan Council)	382,700	2,708,916
2003 (Metropolitan Council)	382,295	2,740,985
2004 (Metropolitan Council)	382,400	2,771,030
2005 (Metropolitan Council)	387,711	2,810,179
2006 (Metropolitan Council)	387,970	2,821,779
2007 (Metropolitan Council)	388,020	2,849,003
2008 (Metropolitan Council)	390,000	2,870,000

The decline in population of the City during the 20 years prior to 1980 is attributable to several factors. During the 1960's, the City experienced a substantial decline in population as a result of freeway and slum clearance projects. During the 1970's the City's population loss appears attributable to decline in family population resulting from the out-migration of families with children (primarily pre-schoolers and elementary-age children), decreasing birth rates (combined with a general trend toward later marriages and smaller families), and generally increased divorce rates.

In 2000, Minneapolis had about 14,000 or 3.9 percent more people than in 1990. The seven-county metropolitan area, population increased by more than 353,000, nearly the total population of the City of Minneapolis itself.

Household Size

Year	City	Seven-County Metropolitan Area
1990 (U.S. Census)	2.19	2.61
2000 (U.S. Census)	2.24	2.59
2001 (State Demographic Center)	2.24	2.58
2002 (State Demographic Center)	2.23	2.57
2003 (State Demographic Center)	2.23	2.57
2004 (State Demographic Center)	2.23	2.56
2005 (State Demographic Center)	2.21	2.56
2006 (State Demographic Center)	2.20	2.54
2007 (State Demographic Center)	2.20	2.54
2008 (State Demographic Center)	2.19	2.49

Labor Force

The Minneapolis labor force totaled 211,144 in March 2009, showing a decrease of 1,734 from the March 2008 total of 212,878. The labor force is made up of City residents who are working or seeking employment.

The March 2009 labor force was composed of 195,454 employed residents and, based on a 7.4 percent unemployment rate, approximately 15,690 unemployed persons.

TABLE AF

Minneapolis Resident Labor Force and Population
March, 1998-2009
(Revised Data)

Year (March)	Population	Labor Force (March)	Number Employed	Percent Employed
1998	364,382	205,083	198,962	97.0%
1999	364,382	205,748	200,653	97.5%
2000	382,618	222,160	215,272	96.9%
2001	382,446	223,885	215,938	96.5%
2002	382,700	219,202	207,645	94.7%
2003	382,295	217,053	206,407	95.1%
2004	382,400	215,434	204,108	94.7%
2005	387,711	211,420	202,122	95.6%
2006	387,970	210,739	202,404	96.0%
2007	388,020	212,389	203,875	96.0%
2008	390,000	212,878	203,442	95.6%
2009	390,000	211,144	195,454	92.6%

Source: Minnesota Department of Employment and Economic Development

A summary of the average number and percent of the residents of the City who are members of the civilian labor force who were unemployed for the years 2004 through 2008 is set forth below.

TABLE AG

	2004	2005	2006	2007	2008
Total Labor Force	219,286	216,990	214,155	215,673	196,897
Total Employment	208,751	208,167	205,874	204,704	188,317
Unemployment	10,535	8,823	8,281	10,969	8,579
Percent of Civilian Labor Force Unemployed	4.8%	4.1%	3.9%	4.4%	5.1%

Source: Minnesota Department of Employment and Economic Development

Unemployment

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

TABLE AH

		Minneapolis				Comparative Rates	
Year	Month	Labor Force	Employment	Unemployment Number	Unemployment Rate	MN	US
2009	09	215,949	199,973	15,976	7.4%	7.1%	9.5%
2009	08	217,911	28,740	17,171	7.9%	7.6%	9.6%
2009	07	219,620	202,239	17,381	7.9%	7.8%	9.7%
2009	06	216,572	198,402	18,170	8.4%	8.4%	9.7%
2009	05	213,959	198,045	15,914	7.4%	7.8%	9.1%
2009	04	212,668	197,918	14,750	6.9%	8.1%	8.6%
2009	03	211,144	195,454	15,690	7.4%	8.9%	9.0%
2009	02	210,309	195,346	14,963	7.1%	8.7%	8.9%
2009	01	209,942	195,489	14,453	6.9%	8.5%	8.5%
2008	**Ann Avg**	**215,673**	**204,704**	**10,969**	**5.1%**	**5.5%**	**5.6%**
2008	12	213,381	200,706	12,675	5.9%	6.8%	7.1%
2008	11	215,943	204,001	11,942	5.5%	5.8%	6.5%
2008	10	217,763	206,162	11,601	5.3%	5.1%	6.1%
2008	09	217,598	205,159	12,439	5.7%	5.4%	6.0%
2008	08	219,558	207,027	12,531	5.7%	5.4%	6.1%
2008	07	219,952	207,703	12,249	5.6%	5.6%	6.0%
2008	06	217,368	205,719	11,649	5.4%	5.3%	5.7%
2008	05	215,105	204,907	10,198	4.7%	5.0%	5.2%
2008	04	213,972	205,180	8,792	4.1%	4.9%	4.8%
2008	03	212,878	203,442	9,436	4.4%	5.3%	5.2%
2008	02	212,119	203,436	8,683	4.1%	5.2%	5.2%
2008	01	212,436	203,008	9,428	4.4%	5.3%	5.4%
2007	**Ann Avg**	**196,897**	**188,317**	**8,579**	**4.4%**	**4.9%**	**4.8%**
2007	12	214,357	205,114	9,243	4.3%	4.9%	4.8%
2007	11	215,663	206,919	8,744	4.1%	4.0%	4.5%
2007	10	214,731	205,668	9,063	4.2%	4.1%	4.4%
2007	09	215,185	204,767	10,418	4.8%	4.7%	4.5%
2007	08	215,964	206,023	9,941	4.6%	4.2%	4.6%
2007	07	217,830	207,682	10,148	4.7%	4.3%	4.9%
2007	06	216,501	206,292	10,209	4.7%	4.5%	4.7%
2007	05	213,854	205,014	8,840	4.1%	4.2%	4.3%
2007	04	213,083	204,572	8,511	4.0%	4.6%	4.3%
2007	03	213,374	204,952	8,422	3.9%	4.9%	4.5%
2007	02	212,287	203,768	8,519	4.0%	5.1%	4.9%
2007	01	213,304	203,987	9,317	4.4%	5.4%	5.0%
2006	**Ann Avg**	**214,155**	**205,874**	**8,281**	**3.9%**	**4.0%**	**4.6%**
2005	**Ann Avg**	**216,990**	**208,167**	**8,823**	**4.1%**	**4.1%**	**5.1%**
2004	**Ann Avg**	**219,286**	**208,751**	**10,535**	**4.8%**	**4.6%**	**5.6%**
2003	**Ann Avg**	**221,253**	**210,043**	**11,210**	**5.1%**	**4.8%**	**6.0%**
2002	**Ann Avg**	**220,471**	**210,526**	**9,945**	**4.5%**	**4.5%**	**5.8%**

TABLE AI

Minneapolis

	Average Number of Jobs by Industry — Minneapolis				Average Weekly Wage — Minneapolis			
	3Q-2005	3Q-2006	3Q-2007	3Q-2008	3Q-2005	3Q-2006	3Q-2007	3Q-2008
Total, all industries[1]	288,744	295,985	293,379	291,658	$1,002	$1,027	$1,071	$1,086
Manufacturing	16,688	16,544	16,396	16,630	940	939	990	1,042
Utilities*	3,114	3,092	2,656	2,736	1,634	1,684	1,464	1,556
Wholesale trade	9,829	9,775	9,838	9,383	1,076	1,071	1,276	1,163
Retail trade	16,622	14,756	14,969	14,805	623	510	526	569
Transportation and warehousing*	4,311	4,155	3,987	3,787	699	653	696	702
Information	11,637	10,970	10,630	10,367	1,071	1,104	1,220	1,183
Finance and insurance*	27,948	30,558	27,613	27,405	1,502	1,552	1,634	1,660
Real estate and rental and leasing	6,433	6,274	6,364	6,182	988	1,048	1,083	1,263
Professional and technical services*	29,299	30,442	31,014	30,808	1,409	1,439	1,500	1,605
Management of companies & enterprises	14,589	15,629	16,360	17,486	1,617	1,564	1,795	1,554
Administrative and waste services*	14,694	15,644	15,926	15,403	591	564	639	672
Educational services	25,182	26,864	25,853	26,133	1,026	1,047	1,126	1,110
Health care and social assistance	42,656	45,153	46,362	46,110	873	945	940	939
Arts, entertainment and recreation*	4,899	4,893	4,859	5,389	1,298	1,320	1,280	1,256
Accommodation and food services	22,689	23,393	24,432	24,087	342	343	352	365
Other services*	10,654	10,569	10,458	10,274	554	555	589	583
Public administration	13,293	13,063	13,213	13,072	987	1,008	1,044	1,112

* Only private wages and jobs.
1 Natural resources and agriculture, fishing and forestry employment are not counted. Some industry numbers may not be disclosed because of privacy issues.
Source: Minnesota Department of Employment and Economic Development

Occupational Employment Statistics (OES) Wage Data
Wages Updated to Fourth Quarter, 2008

	Employment	Emp SE*	$/hr. Mean	$/hr. Mean SE*
Minneapolis-Saint Paul MN-WI MSA	**1,766,020**	**10,301**	**$23.22**	**$0.21**
Minnesota	2,687,740	12,364	$21.43	$0.14
US	134,354,250	134,354	$20.36	$0.02

*SE = Standard error, a measure of the statistical reliability of the estimate.

	10th	25th	$/hr. Percentiles Median	75th	90th
Minneapolis-Saint Paul MN-WI MSA	**$9.27**	**$12.56**	**$18.67**	**$28.58**	**$41.78**
Minnesota	$8.74	$11.71	$17.25	$25.98	$38.51
US	$8.04	$10.47	$15.72	$24.85	$37.98

Industry	OES Employment	OES Median Wage $/hr.
Trade, Transportation and Utilities	362,840	$15.80
Education and Health Services	350,470	$18.71
Professional and Business Services	274,360	$21.94
Manufacturing	205,480	$20.82
Leisure and Hospitality	161,000	$ 9.85
Financial Activities	142,290	$21.74
Public Administration	97,440	$24.28
Construction	81,380	$25.94
Other Services	56,780	$14.57
Information	43,040	$24.23
Natural Resources and Mining	950	$19.98

Largest Companies

Listed are the largest companies headquartered in this MSA. The listing combines the industrial and non-industrial companies. The industry grouping and rank within is also shown.

TABLE AJ

Companies in Fortune Directory of the Largest 500 Companies for 2008 Headquartered in this MSA

Company	Revenues ($Million)	Rank	Industry Grouping	Industry Rank
UnitedHealth Group	81,186	21	Health Care: Insurance and Managed Care	1 of 9
Target	64,948	28	General Merchandisers	2 of 10
Super Valu	44,048	51	Food and Drug Stores	5 of 10
Best Buy	40,023	56	Specialty Retailers	4 of 26
CHS	32,168	72	Wholesalers: Food and Grocery	2 of 3
3M	25,269	95	Miscellaneous	1 of 5
U.S. Bancorp	19,229	129	Commercial Banks	9 of 20
General Mills	13,652	193	Food Consumer Products	4 of 13
Medtronic	13,515	196	Medical Products and Equipment	1 of 5
Land O'Lakes	12,039	224	Food Consumer Products	8 of 13
Xcel Energy	11,203	242	Utilities: Gas and Electric	13 of 24
Mosaic	9,813	276	Chemicals	8 of 17
C. H. Robinson Worldwide	8,579	300	Transportation and Logistics	1 of 3
Ameriprise Financial	7,149	348	Diversified Financials	8 of 8
Ecolab	6,138	403	Chemicals	15 of 17
Thrivent Financial for Lutherans	6,061	409	Insurance: Life and Health (mutual)	6 of 7
Pepsi Americas	4,937	478	Beverages	5 of 6
Nash-Finch	4,704	492	Wholesale: Food and Grocery	3 of 3

Source: *Fortune May 4, 2009*

Educational Institutions

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

TABLE AK

		Enrollment
1	University of Minnesota — Twin Cities	50,402
2	Walden University	27,472
3	Capella University	17,203
4	University of St. Thomas	10,712
5	Metropolitan State University	8,943
6	College of St. Catherine	5,246
7	Bethel University	5,228
8	Hamline University	4,579
9	Augsburg College	3,785
10	Northwestern College	2,978
11	Macalester	1,918
12	Concordia University	1,820
13	Brown College	1,810

Source: *2008 Higher Education Directory*

TABLE AL

Major Development Projects Permitted in Minneapolis in 2008
($5.0 million+)

Quarter Permitted	Estimated Construction Cost	Project Description
4th	$107,303,646	Fairview Hospital addition
3rd	37,981,366	Phoenix on the River: new 80-condo units with retail
1st	37,981,000	Phoenix on the River: 80 units, 18 story condo
2nd	26,778,000	Children's Hospital and Clinic: a new five-story office building with open ramp
2nd	23,097,449	Fifty South Sixth: alteration & remodeling
1st	22,752,000	Hilton Garden Inn: 210 unit, 10 story hotel
2nd	18,745,139	Coloplast: Interior build-out
1st	18,095,000	Hennepin County Medical Center: trauma center remodel
3rd	16,606,352	Fairview Data Center Addition
3rd	13,542,412	Coloplast: New five-story office building
4th	8,862,375	Midwestern Machinery Co: 4 story addition
2nd	8,209,242	Hotel Uptown: New 60-unit apartment building with retail
3rd	7,571,338	Van Cleve Apartments West: New 50 unit apartments
1st	7,290,000	Hiawatha Flats: 70 unit, 3 story apartment building
1st	5,473,000	Quarry Center: addition to store
2nd	5,287,135	New 21-unit apartment building
2nd	5,224,500	300 South Ten: Tenant build-out
2nd	5,102,816	28 apartment units, three story building addition
3rd	5,101,367	Capella Tower – Various office remodels*
2nd	5,000,000	Children's Hospital: addition

*Multiple building permits

Source: 2008 Minneapolis Trends Reports by CPED
www.ci.minneapolis.mn.us/CPED/trends_reports_home.asp

Minneapolis Central Business District (CBD)[(a)]

The largest submarket of the Twin Cities is the Minneapolis Central Business District (CBD) at 24,422,181 SF. Absorption in the CBD was 389,660 SF for 2008 and vacancy fell in the downtown office market from 16.4% to 14.8%.

Class A and B buildings registered positive absorption with Class A absorbing 208,446 SF, Class B absorbing 270,385 SF. Class C had negative absorption of 89,171 SF.

Vacancy also fell in Class A and B. Class A continues to have the lowest vacancy, falling from 14.4% to 12.8% in 2008. Class B space has the largest decrease in vacancy from 19.7% to 16.7%. Class C space rose from 15.2% to 19.7%.

Stated Office Rental Rates and Expenses[(a)]

Market Sector	Net Rent Min	Net Rent Max	Average Rental Rates	Average Property Tax	Average Operating Expenses	Average Total Expenses
Minneapolis CBD						
Class A	$11.00	$30.00	$15.06	$4.59	$7.50	$12.09
Class B	$ 8.00	$25.00	$11.65	$2.33	$7.11	$ 9.44
Class C	$ 6.00	$12.00	$ 9.97	$2.36	$6.32	$ 8.68
Total	$ 6.00	$30.00	$12.90	$3.93	$7.36	$11.29

(a) Source: "Collier's International Turley Martin Tucker Market Report 2009."

OFFICE MARKET

Vacancy and Absorption 2003-2008[a]

Market Sector	Study Date[b]	Number of Buildings	Total Rentable Area	Total Amount Vacant	Percent Vacant	Net Absorption
Minneapolis CBD						
Class A	4th Qtr. 2003	17	13,240,484	2,447,280	14.1%	368,711
	2nd Qtr. 2004	17	13,240,484	2,343,713	14.3%	103,567
	4th Qtr. 2004	17	13,240,484	2,296,721	13.5%	46,992
	4th Qtr. 2004	17	13,240,484	2,296,721	17.3%	46,992
	2nd Qtr. 2005	17	13,240,484	2,187,587	16.5%	109,134
	4th Qtr. 2005	17	13,240,484	1,812,810	13.7%	374,777
	2nd Qtr. 2006	17	13,240,484	1,802,174	13.6%	10,636
	4th Qtr. 2006	17	13,240,484	1,975,551	14.9%	(173,377)
	2nd Qtr. 2007	17	13,240,484	1,842,478	13.9%	133,073
	4th Qtr. 2007	17	13,240,484	1,901,612	14.4%	(59,134)
	2nd Qtr. 2008	17	13,240,484	1,784,796	13.5%	116,816
	4th Qtr. 2008	17	13,240,484	1,693,166	12.8%	91,630
Class B	4th Qtr. 2003	33	7,459,140	1,909,654	23.2%	267,871
	2nd Qtr. 2004	33	7,459,140	2,389,267	30.0%	(479,613)
	4th Qtr. 2004	33	7,459,140	2,235,177	28.9%	154,090
	4th Qtr. 2004	51	9,702,013	3,017,016	31.1%	(b)
	2nd Qtr. 2005	51	9,702,013	2,948,167	30.4%	68,849
	4th Qtr. 2005	52	9,702,013	3,128,876	32.2%	(180,709)
	2nd Qtr. 2006	51	9,549,541	2,658,397	27.8%	470,479
	4th Qtr. 2006	52	9,432,593	2,219,243	23.5%	439,154
	2nd Qtr. 2007	52	9,203,853	1,807,235	19.6%	412,008
	4th Qtr. 2007	52	9,207,853	1,811,982	19.7%	(4,747)
	2nd Qtr. 2008	52	9,207,853	1,929,547	21.0%	(117,565)
	4th Qtr. 2008	52	9,207,853	1,541,597	16.7%	387,950
Class C	4th Qtr. 2003	12	1,714,338	253,193	14.8%	45,257
	2nd Qtr. 2004	12	1,714,338	262,227	15.3%	(9,034)
	4th Qtr. 2004	12	1,714,338	223,777	12.8%	38,450
	4th Qtr. 2004	13	1,961,503	302,766	15.4%	(b)
	2nd Qtr. 2005	13	1,961,503	398,345	20.3%	(95,579)
	4th Qtr. 2005	16	1,961,503	399,576	20.4%	(1,231)
	2nd Qtr. 2006	15	1,931,503	269,227	13.9%	130,349
	4th Qtr. 2006	15	1,973,844	309,406	15.7%	(40,179)
	2nd Qtr. 2007	15	1,973,844	301,868	15.3%	7,538
	4th Qtr. 2007	15	1,973,844	299,807	15.2%	2,061
	2nd Qtr. 2008	15	1,973,844	383,728	19.4%	(83,921)
	4th Qtr. 2008	15	1,973,844	388,978	19.7%	(5,250)
Renovated	4th Qtr. 2003	23	3,033,168	448,431	14.8%	(42,408)
	2nd Qtr. 2004	23	3,033,168	552,053	17.9%	(103,622)
	4th Qtr. 2004	23	3,033,168	628,527	20.5%	(76,474)
	2nd Qtr. 2005	see note (b) renovated category reclassified as A, B, or C				
	4th Qtr. 2005	see note (b) renovated category reclassified as A, B, or C				
Subtotal	4th Qtr. 2003	85	25,447,130	5,058,558	16.7%	639,431
	2nd Qtr. 2004	85	25,447,130	5,547,260	19.4%	(488,702)
	4th Qtr. 2004	85	25,447,130	5,384,202	18.9%	163,058
	4th Qtr. 2004	81	24,904,000	5,616,503	22.6%	(b)
	2nd Qtr. 2005	81	24,904,000	5,534,099	22.2%	82,404
	4th Qtr. 2005	85	24,904,000	5,341,262	21.4%	192,837
	2nd Qtr. 2006	83	24,721,528	4,729,798	19.1%	611,464
	4th Qtr. 2006	84	24,646,921	4,504,200	18.3%	225,598
	2nd Qtr. 2007	84	24,418,181	3,951,581	16.2%	552,619
	4th Qtr. 2007	84	24,422,181	4,013,401	16.4%	(61,820)
	2nd Qtr. 2008	84	24,422,181	4,098,071	16.8%	(84,670)
	4th Qtr. 2008	84	24,422,181	3,623,741	14.8%	474,330

(a) Source: "Collier's International Turley Martin Tucker Market Report 2009."

(b) The renovated category for the Minneapolis CBD was eliminated and all properties therein were reclassified as A, B, or C.

Minneapolis Non-CBD

The Minneapolis non-CBD sector consists of 20 buildings and 2,185,497 SF. This is 3% of the available office market. The Minneapolis market had overall absorption of 53,751 SF, lowering vacancy from 12.9% to 10.4% in 2008.

Class A had absorption of 27,410 SF and Class B had absorption of 26,341 SF.

Vacancy in the Class A market fell from 16.6% in the end of 2007 to 11.8%. Class B saw vacancy decline from 13.5% to 11.6%. Class C space remained full and unchanged.

Minneapolis Office Vacancy and Absorption Non CBD[a]

....	# of Buildings	Total Rentable Area	Total Vacancy	Direct Vacancy Rate	6 month Absorption	Sublease Vacant	Total Vacancy Rate
Qtr. 4, 2004	20	2,219,415	466,825	20.9%		2,850	21.0%
Qtr. 2, 2005	20	2,219,415	422,719	18.9%	44,106	0	19.0%
Qtr. 4, 2005	19	2,015,497	432,089	21.3%	215,051	2,850	21.4%
Qtr. 2, 2006	19	2,015,497	373,825	16.7%	58,264	37,000	18.5%
Qtr. 4, 2006	19	2,015,497	338,272	14.9%	191,676	37,000	16.8%
Qtr. 2, 2007	20	2,185,997	275,590	10.9%	72,791	37,000	12.6%
Qtr. 4, 2007	20	2,185,497	281,156	11.2%	(5,566)	37,000	12.9%
Qtr. 2, 2008	20	2,185,497	277,396	11.0%	3,760	37,000	12.7%
Qtr. 4, 2008	20	2,185,497	227,405	10.4%	49,991	0	10.4%

(a) Source: "Collier's International Turley Martin Tucker Market Report 2009."

Stated Office Rental Rates and Expenses[a]

Market Sector	Net Rent Min	Net Rent Max	Average Rental Rates	Average Property Tax	Average Operating Expenses	Average Total Expenses
Minneapolis CBD						
Class A	$13.00	$15.00	$14.00	$3.22	$6.59	$9.81
Class B	$ 6.00	$18.00	$11.53	$2.62	$6.86	$9.48
Class C	$16.00	$16.00	$16.00	$1.78	$1.02	$2.80
Total	$ 6.00	$18.00	$12.56	$2.51	$6.05	$8.56

(a) Source: "Collier's International Turley Martin Tucker Market Report 2009."

Minneapolis Industrial Market[a]

The Minneapolis industrial market inventory includes 12,881,284 SF and had negative absorption of 32,800 SF. Vacancy in the submarket fell from 7.9% to 7.4% in 2008. Office Showroom space recorded positive absorption of 6,572 SF. Vacancy in Office Showroom fell from 9.1% to 7.7%. Office Warehouse also had positive absorption of 1,466 SF and vacancy dropped from 5.8% to 4.9% due to the Ragstock Building being removed from the multi-tenant universe. Bulk Warehouse recorded negative absorption of 40,838 SF and vacancy rose from 19.6% to 21.8%.

TABLE I-1

Minneapolis Industrial Vacancy and Absorption

Market Sector	# of Buildings	Total Rentable Area	Total Vacancy	Direct Vacancy Rate	6 month Absorption	Sublease Vacant	Total Vacancy Rate
Bulk Warehouse (BW)							
Qtr. 4, 2006	7	1,255,000	144,021	5.9%		70,000	11.5%
Qtr. 2, 2007	7	1,255,000	142,241	5.8%	1,780	70,000	11.3%
Qtr. 4, 2007	9	1,859,012	364,063	15.8%	(221,822)	70,000	
Qtr. 2, 2008	9	1,859,012	393,862	17.4%	(29,799)	70,000	
Qtr. 4, 2008	9	1,859,012	404,901	15.7%	(11,039)	113,677	
Office Showroom (OS)							
Qtr. 4, 2006	6	458,753	50,623	9.9%		5,368	11.0%
Qtr. 2, 2007	6	458,753	58,582	11.6%	(7,959)	5,368	12.8%
Qtr. 4, 2007	6	467,753	42,719	4.4%	7,904	22,368	
Qtr. 2, 2008	6	467,753	35,042	3.9%	7,677	17,000	
Qtr. 4, 2008	6	467,753	36,147	4.1%	(1,105)	17,000	
Office Warehouse (OW)							
Qtr. 4, 2006	107	10,484,813	510,373	4.3%		60,711	4.9%
Qtr. 2, 2007	107	10,484,813	515,410	4.2%	(5,037)	77,405	4.9%
Qtr. 4, 2007	108	10,763,636	621,852	5.0%	(106,442)	78,907	
Qtr. 2, 2008	108	10,763,636	584,756	4.6%	37,096	91,877	
Qtr. 4, 2008	108	10,554,519	518,291	4.3%	(35,630)	66,843	

TABLE I-2

Stated Industrial Net Rental Rates

	Office		Warehouse		Average Net Rent		Weighted Averages		
Market Sector	Min	Max	Min	Max	Office	Warehouse	RE Taxes	Operating Expenses	Total Expenses
Bulk Warehouse (BW)									
Minneapolis Non CBD . . .	$6.50	$ 8.50	$2.50	$4.50	$7.39	$4.05	$1.02	$1.46	$2.48
Office Showroom (OS)									
Minneapolis Non CBD . . .	$8.00	$12.00	$4.00	$5.50	$9.46	$4.63	$1.92	$1.44	$3.36
Office Warehouse (OW)									
Minneapolis Non CBD . . .	$6.00	$10.50	$3.00	$5.00	$8.51	$4.12	$1.06	$1.64	$2.70

(a) Source: "Collier's International Turley Martin Tucker Market Report 2009."

Minneapolis Retail[(a)]

The Minneapolis market consists of 3,986,521 SF, including 1,359,746 SF in the Central Business District (CBD). The Minneapolis market experienced negative absorption of 37,772 SF for the year, lifting vacancies from 5.9% to 6.8%.

The Community Centers in Minneapolis fared the best with negative absorption of 2,000 SF, creating a vacancy in that market of just 0.3%. The CBD had negative absorption of 10,626 SF, causing vacancy to rise from 13.3% to 14.1%. The Neighborhood Centers registered negative absorption of 25,146 SF and vacancies rose to 3.9%, up from 2.7% a year ago.

Downtown has several entertainment developments and redevelopments underway. The new Twins ballpark, now officially named Target Field, is set to open in 2010. Orchestra Hall is planning an expansion to its current facility, and Hennepin County is exploring the possibility of putting a planetarium atop the Central Library. Add to that two new commuters rails coming to downtown from Saint Paul and Big Lake, and you have the potential to bring even more visitors and retailers downtown.

Minneapolis Retail Vacancy and Absorption

Market Sector	# of Buildings	Gross Leasable Space	Total Vacant	Vacancy Rate	Annual Absorption
Community Centers					
Qtr. 4, 2006	2	660,366	0	0.0%	0
Qtr. 4, 2007	2	660,366	0	0.0%	0
Qtr. 4, 2008	2	660,366	2,000	0.3%	(2,000)
Downtown Retail					
Qtr. 4, 2006	13	1,359,746	185,273	13.6%	
Qtr. 4, 2007	13	1,359,746	181,420	13.3%	3,853
Qtr. 4, 2008	13	1,359,746	192,046	14.1%	(10,626)
Neighborhood Centers					
Qtr. 4, 2006	33	1,966,409	129,591	6.6%	8,216
Qtr. 4, 2007	33	1,966,409	52,207	2.7%	77,384
Qtr. 4, 2008	33	1,966,409	77,353	3.9%	(25,146)
Totals					
Qtr. 4, 2006	48	3,986,521	314,864	7.9%	
Qtr. 4, 2007	48	3,986,521	233,627	5.9%	80,758
Qtr. 4, 2008	48	3,986,521	271,399	6.8%	(37,772)

(a) Source: "Collier's International Turley Martin Tucker Market Report 2008."

PROPOSED FORM OF BOND COUNSEL OPINION

Taxable General Obligation Tax Increment Refunding Bonds (Target Center Project), Series 2009D City of Minneapolis, Minnesota

We have acted as bond counsel in connection with the issuance by the City of Minneapolis, Minnesota (the "City"), of its fully registered Taxable General Obligation Tax Increment Refunding Bonds (Target Center Project), Series 2009D (the "Bonds") in the aggregate principal amount of $__________, dated December , 2009.

The Bonds mature on March 1 in the years 2011 through 2025, and bear interest at fixed rates payable on each March 1 and September 1, commencing September 1, 2010. The Bonds maturing on and after March 1, 2020, are subject to optional redemption by the City, in whole or in part, on March 1, 2019, and any date thereafter for which proper notice can be given at the redemption price of par plus accrued interest to the date of redemption.

The Bonds are issued pursuant to a resolution of the City Council of the City adopted on December 4, 2009 (the "Resolution"), for the purposes set forth in the Resolution.

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

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

1. The Bonds are valid and binding general obligations of the City issued under authority of the City Charter and Minnesota Statutes, Sections 469.174–469.179, as amended and Minnesota Statutes, Chapter 475, as amended.

2. The Bonds are payable primarily from tax increment revenues to be derived from the tax increment financing districts specified in the Resolution, certain specified property taxes, entertainment tax revenues, and parking ramp revenues.. The City is required to levy general ad valorem taxes on all taxable property within the City without limitation as to rate or amount, if necessary, to pay the principal of and interest on the Bonds when due.

3. Interest on the Bonds is includable in gross income for purposes of federal income taxation and in taxable net income of individuals, estates and trusts for purposes of Minnesota income taxation.

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

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

Dated at Minneapolis, Minnesota, December , 2009.

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APPENDIX A

SELECTED PORTIONS OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR 2008

*Copies of the City's complete audited financial statements for the year 2008 are available upon request from the office of the Finance Officer, 301M City Hall, Minneapolis, Minnesota. The report can be requested by phone 612-673-2004 or email "finance@ci.minneapolis.mn.us". The report will also be available for viewing on the following web site:

www.ci.minneapolis.mn.us/city-coordinator/finance/service-budget/cafr.html

Excerpts of the 2008 Annual Audited Financial Report of the City of Minneapolis

The City is independently audited each year by the Minnesota Office of the State Auditor. Data on the following pages was extracted from the City's audited financial statements for the fiscal year ended December 31, 2008. Financial statements for governmental funds were prepared on the modified accrual basis of accounting. The accrual basis is followed for proprietary funds. The reader should be aware that the City's Comprehensive Annual Financial Report (CAFR) contains additional information not presented here, including the Auditor's Report.

The City's 2008 CAFR is available online at www.ci.minneapolis.mn.us/financial-reports/
The Auditor's Report is on page 1.

The City has received the Certificate of Achievement for Excellence in Financial Reporting, which is awarded by the Government Finance Officers Association of the United States and Canada (GFOA), for each of the last 39 years. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

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

ANNUAL FINANCIAL REPORT

CITY OF
MINNEAPOLIS, MINNESOTA

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

FINANCE DEPARTMENT

TABLE OF CONTENTS

INTRODUCTORY SECTION

FINANCIAL SECTION

Minneapolis
City of Lakes

Finance Department
Patrick P. Born
City Finance Officer

350 South 5th Street - Room 325M
Minneapolis MN 55415-1315

Office 612-673-3375
Fax 612-673-2042
TTY 612-673-2157

July 28, 2009

Mayor R. T. Rybak,
Council President Barbara Johnson,
City Council Members,
And Citizens of the City of Minneapolis, Minnesota

TRANSMITTAL

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Minneapolis (the City) for the year ended December 31, 2008. The purpose of the report is to provide the Mayor, City Council, City Staff, citizens, bond holders, and other interested parties with useful information concerning the City's operations and financial position. The City is responsible for the accuracy, completeness, and fairness of the data presented in this report.

To the best of our knowledge, the following report is accurate in all material respects. It has been prepared in accordance with standards prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA) and other rule-making bodies. We believe the report contains all disclosures necessary for the reader to understand the City's financial affairs.

The transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

STEWARDSHIP

The City prepares financial reports to promote *accountability*. The City's elected officials are accountable to the citizens; City management is accountable to the elected officials. This report gives citizens and other interested parties one means of assessing whether the elected and appointed officials in the City have faithfully carried out their role of being good stewards of the City's resources.

INTERNAL CONTROLS

The City's management is responsible for establishing a system of internal controls to:

1) Safeguard City assets from loss or unauthorized use or disposal.

www.ci.minneapolis.mn.us
Affirmative Action Employer

2) Provide reliable financial records for preparing internal and external financial reports and for maintaining accountability over City assets.
3) Ensure compliance with applicable Federal and State laws and regulations related to programs for which the City receives assistance.

No system of internal controls can be perfect. Therefore, internal controls are meant to provide "reasonable assurance". Reasonable assurance means:

1) The cost of a control should not exceed the benefits likely to be derived from that control.
2) The costs and benefits of internal controls are subject to estimates and judgments by management.

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

As the City's governing board, the Mayor and City Council are responsible to:

1) Ensure that the City administration fulfills its responsibilities in the preparation of the financial statements;
2) Review the scope of the City's audits and the accounting principles applied in the City's financial reporting.

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

THE CITY AND ITS SERVICES

Physical Description

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

Minneapolis is 59 square miles, including five square miles of inland water. The City drapes along the banks of the nation's largest river, the Mississippi. Minneapolis is known as "The City of Lakes" featuring 22 lakes and 170 city parks. The Minneapolis Park System is one of the City's most prized assets.

There are 81 residential neighborhoods within the City offering a broad range of housing to 169,000 households. Minneapolis has more than thirty theaters; the Guthrie Theater and the Children's Theatre Company are recognized as two of the country's best. The City boasts two world-class art museums and is home to the internationally acclaimed Minnesota Orchestra.

Minneapolis is home to an estimated 382,600 people (2000 Census data). According to 2000 Census data, the population within the City grew by 3.9 *percent* from 1990 to 2000, reversing a trend of declining population that began in 1950.

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

Most of the information above is from the *State of the City*, a publication of the City's Community Planning and Economic Development Department. The *State of the City* contains a wealth of demographic and other data, which paint a detailed and thorough picture of the City. The *State of the City* 2003 can be accessed from City's web site, at http://www.ci.minneapolis.mn.us/planning/soc03/.

Form of Government and Organization

The City is a municipal corporation governed by a Mayor–Council form of government. The Mayor and 13 City Council Members from individual wards are elected for terms of four years, without limit on the number of terms that may be served.

City Council

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

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

Mayor

The Mayor is responsible for a variety of leadership duties, including: appointing representatives to a variety of agencies and commissions, nominating department head candidates for Executive Committee and Council approval, proposing the annual operating and capital budgets, and reviewing, approving, or vetoing all Council actions.

Departments

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

THE REPORTING ENTITY

The City organizes its financial activities in a variety of funds. In accordance with GASB Statement No. 14, the City's financial statements include all funds of the City ("primary government") as well as its component units. The primary government represents all funds under the ultimate control of the Mayor and City Council. Component units are separate legal entities. While legally separate, component units are part of City government in substance. The City's financial statements would be misleading without incorporating component unit information. Some component units are reported in a separate

column of the City's financial statement set apart from the rest of the primary government. Units are discretely presented in the financial statements because, while the City is financially accountable for them, they do not meet the criteria for a blended component unit. The Minneapolis Park and Recreation Board, the Municipal Building Commission (MBC), and Meet Minneapolis are discretely presented components in the City's financial statements.

ECONOMIC CONDITION AND OUTLOOK

A discussion and analysis of City's overall financial condition during the fiscal year ended 2008 is included as part of the MD&A.

CASH MANAGEMENT

During the year cash was invested in certificates of deposit, obligations of the U.S. Treasury, commercial paper, various agency mortgage pools, taxable municipal obligations, and money market funds. The total return on investments during the year was 2.8 percent (source: Finance Department – Treasury Division).

LONG-TERM FINANCIAL PLANNING

The City's approach and policies regarding long-term financial planning are discussed in detail in the Management Discussion & Analysis section of this report.

DEBT MANAGEMENT

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

- Fitch IBCA - AAA
- Standard & Poor's - AAA
- Moody's Investors Service - Aa1

RISK MANAGEMENT

The City accounts for its Risk Management activities in an internal service fund and charges the operating funds annually for the anticipated actuarially projected ultimate incurred claims. The City's risk management program operates under the direction of the Risk Management and Claims Division, within the Finance Department. Various programs have been developed to reduce the City's risk of loss including: a comprehensive employee health and safety program; a strategy to reduce tort liability exposure; a financial plan to minimize losses; and, a strategy to reduce the frequency of injuries and illnesses and the cost of workers' compensation.

INDEPENDENT AUDIT

Minnesota law requires the Office of the State Auditor (OSA) to perform the City's annual audit. The OSA's report on the City's financial statements is based on their audit in accordance with generally accepted auditing standards. The Auditor's unqualified audit opinion is included as page one and two in the financial section of this report.

In addition to meeting the State and City's financial audit requirements, the OSA's audit was designed to meet the requirements of the federal Single Audit Act and the related U.S. Office of Management and Budget's Circular A-133. The OSA prepares a separate report on covered activities.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2007. A Certificate of Achievement is valid for a period of one year only. The City has received this prestigious award for thirty-nine years.

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the year 2008.

ACKNOWLEDGEMENTS

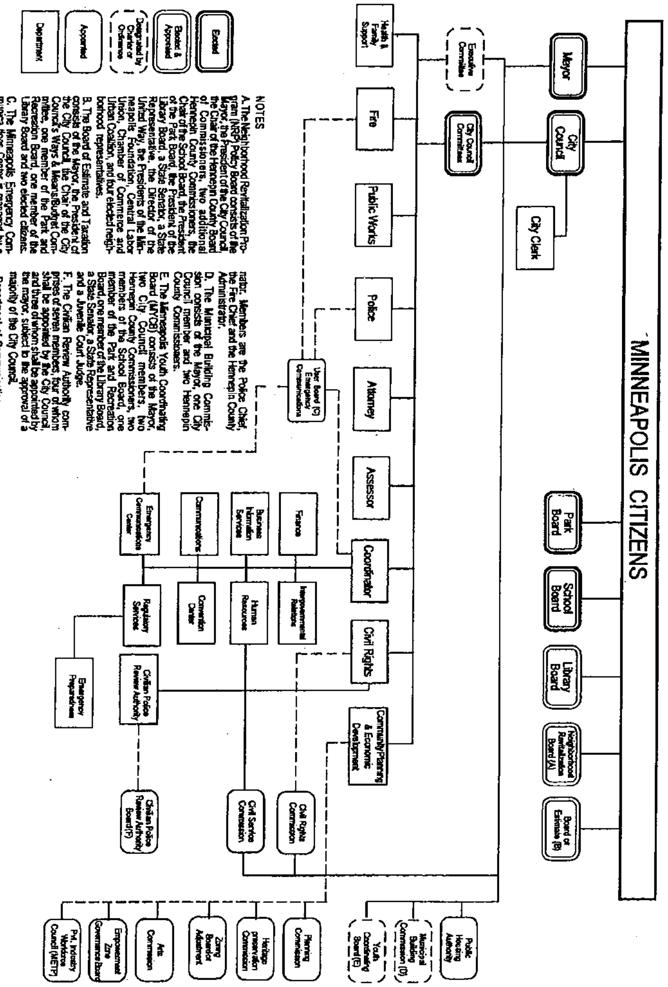
Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the staff of the City's finance department. In addition, we would like to thank the State Auditor's Office for their thoroughness and professionalism in conducting the City's audit. Finally, we would like to thank the Mayor, members of the City Council, and the City Coordinator, Steven Bosacker, for their interest in conducting the financial operations of this City in a responsible and progressive manner.

Respectfully submitted,

Patrick P. Born
Finance Officer

Charles Elliott,
Controller

City of Minneapolis



MAYOR AND COUNCIL

CITY OF MINNEAPOLIS, MINNESOTA

2008

Mayor .... R.T. RYBAK

CITY COUNCIL

Ward 1 .... PAUL OSTROW
Ward 2 .... CAM GORDON
Ward 3 .... DIANE HOFSTEDE
Ward 4 .... President .... BARBARA JOHNSON
Ward 5 .... DON SAMUELS
Ward 6 .... Vice-President .... ROBERT LILLIGREN
Ward 7 .... LISA GOODMAN
Ward 8 .... ELIZABETH GLIDDEN
Ward 9 .... GARY SCHIFF
Ward 10 .... RALPH REMINGTON
Ward 11 .... SCOTT BENSON
Ward 12 .... SANDY COLVIN ROY
Ward 13 .... BETSY HODGES

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Minneapolis Minnesota

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

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CITY OF MINNEAPOLIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION

This section of the City of Minneapolis' comprehensive annual financial report presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2008. Please read it in conjunction with the transmittal letter at the front of this report and the City's basic financial statements following this section. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- Assets of the City of Minneapolis exceeded liabilities at the close of the 2008 fiscal year by $ 1,234,674 (net assets). Of this amount, $94,085 is restricted for specific purposes (restricted net assets) and $1,128,090 is invested in capital assets net of related debt and $12,499 in unrestricted net assets.

- The City's total net assets increased by $141,076. Governmental activities increased the City's net assets by $114,390 and the business type activities by $26,686.

- As of December 31, 2008, unreserved fund balance for the general fund was $48,615.

- The City's total long-term bond and note liability decreased by $65,774 from the prior year. Total bonds and notes issued in 2008 was $76,513 including $12,360 of refunding transactions and total debt retirement was $142,288, including refunding transactions. Major new debt issuances included bonds of $38,810 for various infrastructure improvements in the five-year capital plan, $11,605 for library improvements, $2,770 for an economic development project and $7,725 for special assessment projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements include not only the City of Minneapolis (known as primary government), but also legally separate entities for which the City is accountable. For the City of Minneapolis, component units are included in the basic financial statements of the City, and consist of legally separate entities for which the City is financially accountable (discretely presented component units) and have substantially the same board as the City or provide services almost entirely to the primary government (blended component units). An example of blended funds is the Board of Estimate and Taxation (BET). Examples of discretely presented component units include the Minneapolis Park and Recreation Board (Park Board), the Municipal Building Commission (MBC) and Meet Minneapolis.

The government-wide financial statements can be found on pages 26-27 of this report.

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

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

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

The City of Minneapolis maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, the Community Planning and Economic Development Special Revenue Fund, the Convention Center Special Revenue Fund, Permanent Improvement Capital Project, and the Special Assessment Debt Service Fund, all of which are considered to be major funds. Data from the other 11 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds' financial statements can be found on pages 28-31 of this report.

Proprietary Funds—The City of Minneapolis maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Minneapolis uses the enterprise funds to account for its Sanitary Sewer, Stormwater, Solid Waste and Recycling, Water Works, Community Planning and Economic Development (CPED), and Parking activities. The City uses internal service funds to account for its property management services, fleet services, business information services, central stores, engineering lab, outside purchase of asphalt and cement services, city attorney, workers' compensation, unemployment benefits and other payroll related services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The proprietary funds' financial statements can be found on pages 32-35 of this report.

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

The fiduciary fund financial statements can be found on page 36 of this report.

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

The notes to the financial statements can be found on pages 39-80

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

The required supplementary information can be found on pages 81-84 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets:

The City's assets exceeded liabilities by $1,234,674 at the close of the fiscal year ending December 31, 2008, compared to $1,077,863 at the end of the previous year.

Statement of Net Assets
December 31, 2008

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 588,640	$ 533,912	$ 201,413	$ 213,113	$ 790,053	$ 747,025
Capital assets	978,193	946,799	904,214	896,669	1,882,407	1,843,468
Total assets	1,566,833	1,480,711	1,105,627	1,109,782	2,672,460	2,590,493
Current and other liabilities	181,735	193,454	56,430	65,558	238,165	259,012
Long-term liabilities	823,110	854,889	376,511	398,729	1,199,621	1,253,618
Total liabilities	1,004,845	1,048,343	432,941	464,287	1,437,786	1,512,630
Net assets:						
Invested in capital, net of related c	536,126	492,007	591,964	529,140	1,128,090	1,021,147
Restricted net assets	59,629	54,226	34,456	33,015	94,085	87,241
Unrestricted net assets	(33,767)	(113,865)	46,266	83,340	12,499	(30,525)
Total net assets	561,988	432,368	672,686	645,495	1,234,674	1,077,863
Total liabilities and net assets	$1,566,833	$ 1,480,711	$ 1,105,627	$ 1,109,782	$ 2,672,460	$ 2,590,493

The largest portion of the City's net assets, $1,128,090 reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net assets represents unrestricted net assets of $12,499 of which, $33,767 is a negative balance in the governmental funds. The negative unrestricted net assets balance is a result of prior

period losses within the internal service funds and debt obligations that are not offset with capital assets. The nature of the debt obligations include pension contributions, tax increment issued for the Community Planning and Economic Development Fund ("CPED"), and debt issued on behalf of the City's discrete component units. The City reports the debt, but not the assets related to city's discrete component units in the City's statement of net assets.

The following table presents the net assets of the Primary government, (the City) and its discrete component units (Park Board, Meet Minneapolis, and the Municipal Building Commission):

City and Discrete Component Units
Statement of Net Assets
December 31, 2008

	Primary Government		Discrete Component Units		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 790,053	$ 747,025	$ 22,739	$ 32,254	$ 812,792	$ 779,279
Capital assets	1,882,407	1,843,468	294,018	500,579	2,176,425	2,344,047
Total assets	2,672,460	2,590,493	316,757	532,833	2,989,217	3,123,326
Current and other liabilities	238,165	259,012	17,161	23,629	255,326	282,641
Long-term liabilities	1,199,621	1,253,618	11,091	20,625	1,210,712	1,274,243
Total liabilities	1,437,786	1,512,630	28,252	44,254	1,466,038	1,556,884
Net assets:						
Invested in capital, net of related debt	1,128,090	1,021,147	292,381	488,211	1,420,471	1,509,358
Restricted net assets	94,085	87,241	59	789	94,144	88,030
Unrestricted net assets	12,499	(30,525)	(3,935)	(421)	8,564	(30,946)
Total net assets	1,234,674	1,077,863	288,505	488,579	1,523,179	1,566,442
Total liabilities and net assets	$ 2,672,460	$ 2,590,493	$ 316,757	$ 532,833	$ 2,989,217	$ 3,123,326

Statement of Activities

The following table presents the changes in net assets for governmental and business-type activities:

(All dollar amounts are expressed in thousands unless otherwise indicated.)

Statement of Activities
For the Year Ended December 31, 2008

	Governmental Activities 2008	Governmental Activities 2007	Business-type Activities 2008	Business-type Activities 2007	Total 2008	Total 2007
Revenues						
Program revenues:						
Charges for services	$ 126,071	$ 108,136	$ 226,872	$ 230,461	$ 352,943	$ 338,597
Operating grants and contributions	100,095	84,926	2,641	1,737	102,736	86,663
Capital grants and contributions	13,136	19,174	-	-	13,136	19,174
General revenues:						
Property taxes	184,985	159,878	-	-	184,985	159,878
Property tax increment	82,686	77,979	-	-	82,686	77,979
Franchise fees	31,705	29,548	-	-	31,705	29,548
Convention center taxes	60,480	60,065	-	-	60,480	60,065
Other taxes	183	215	-	-	183	215
Local government aid	60,702	70,712	-	-	60,702	70,712
Grants & contributions not restricted to prgms	7	8	-	-	7	8
Gain on sale of capital assets	-	-	565	30,725	565	30,725
Interest and investment earnings	13,121	17,574	1,487	1,924	14,608	19,498
Miscellaneous	1,287	2,715	1,479	3,187	2,766	5,902
Total revenues	**674,458**	**630,930**	**233,044**	**268,034**	**907,502**	**898,964**

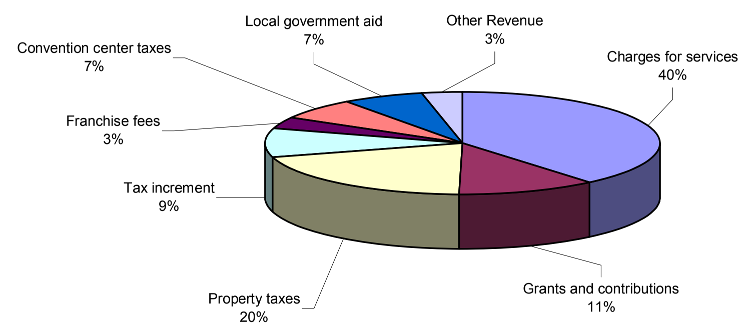
Statement of Activities
For the Year Ended December 31, 2008

	Governmental Activities 2008	Governmental Activities 2007	Business-type Activities 2008	Business-type Activities 2007	Total 2008	Total 2007
Expenses						
General government	79,609	57,519	-	-	79,609	57,519
Public safety	232,210	226,050	-	-	232,210	226,050
Public works	50,523	80,315	-	-	50,523	80,315
Culture and recreation	29,607	5,279	-	-	29,607	5,279
Health and welfare	13,028	14,325	-	-	13,028	14,325
Community & economic development	122,936	118,066	6,367	6,446	129,303	124,512
Interest on long-term debt	36,405	40,691	-	-	36,405	40,691
Sanitary Sewer	-	-	38,057	37,696	38,057	37,696
Storm Water	-	-	24,027	24,459	24,027	24,459
Solid waste and recycling	-	-	26,514	26,570	26,514	26,570
Water works	-	-	56,310	52,983	56,310	52,983
Municipal parking	-	-	50,833	58,714	50,833	58,714
Total expenses	**564,318**	**542,245**	**202,108**	**206,868**	**766,426**	**749,113**
Excess (deficiency) before transfers	110,140	88,685	30,936	61,166	141,076	149,851
Transfers	4,250	5,023	(4,250)	(5,023)	-	-
Change in net assets	114,390	93,708	26,686	56,143	141,076	149,851
Net assets - January 1 -restated (note 1)	447,598	338,660	646,000	589,352	1,093,598	928,012
Net assets - December 31, 2008	**$ 561,988**	**$ 432,368**	**$ 672,686**	**$ 645,495**	**$ 1,234,674**	**$ 1,077,863**

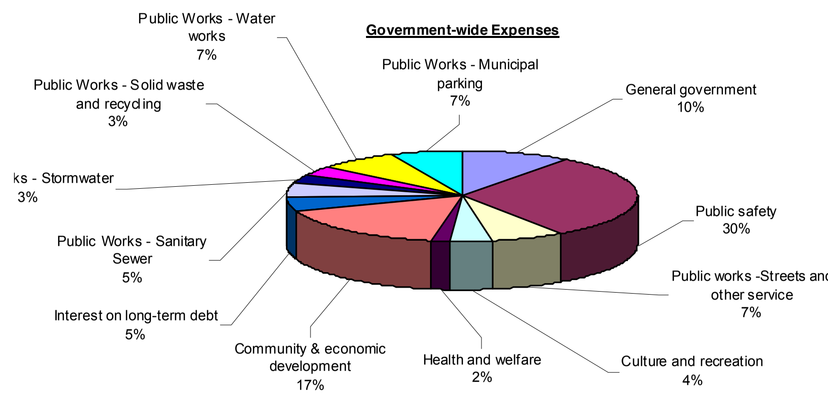
Governmental Activities—Governmental activities increased the City's net assets by $114,390 compared to an increase of $93,708 in 2007. Governmental activities are supported by charges for services, grants, and contributions. Additionally, general revenues cover any net expense after program specific revenues are applied. In 2008, the City relied primarily on taxes, various charges for services, and grants for funding governmental activities. Specifically, property tax increment revenues supported economic development activities.

A significant expense in the statement of activities, compared to fund statements, is depreciation. Current year depreciation for governmental activities was $37,353.

Government-wide Revenues



Government-wide Expenses



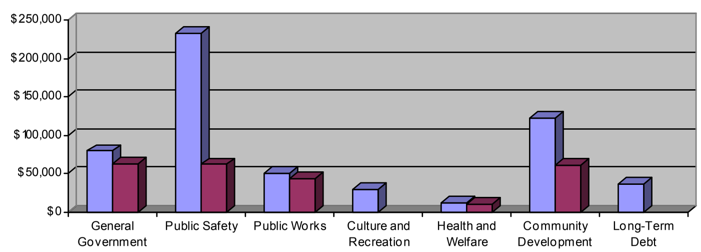
(All dollar amounts are expressed in thousands unless otherwise indicated.)

Summary of expenses and program revenues - Governmental Activities
For the Year ended December 31, 2008

Functions/Programs	Expenses	Program revenues	Net (Expense) Revenue by Program
General government	$ 79,609	$ 62,348	$ (17,261)
Public safety	232,210	62,028	(170,182)
Public works	50,523	43,513	(7,010)
Culture and recreation	29,607	-	(29,607)
Health and welfare	13,028	9,879	(3,149)
Community & economic development	122,936	61,534	(61,402)
Interest on long term debt	36,405	-	(36,405)
	$ 564,318	$ 239,302	$ (325,016)

General revenues and transfers supporting governmental activities	439,406
Change in net assets	114,390
Net assets - January 1 -restated note 1, N	447,598
Net assets - December 31, 2008	$ 561,988

Summary of Expenses and Program Revenues - Governmental Activities



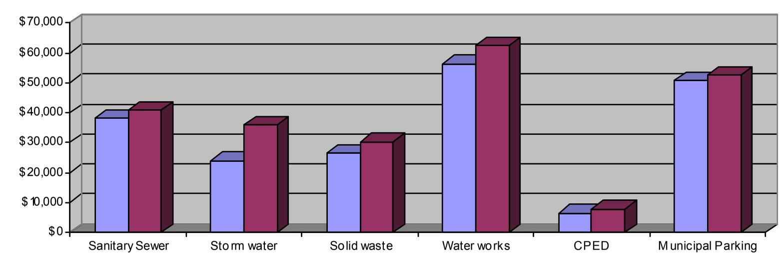
***Business-Type Activities*—**Business-type activities increased the City's net assets by $26,686 compared with an increase of $56,143 in 2007. $30,711 of last year's increase was due to the gain from the sale of the six parking ramps.

Summary of expenses and program revenues - Business-Type Activities
For the Year ended December 31, 2008

Functions/Programs	Expenses	Program revenues	Net (Expense) Revenue by Program
Sanitary sewer	$ 38,057	$ 40,793	$ 2,736
Stormwater	24,027	35,823	11,796
Solid waste and recycling	26,514	30,199	3,685
Water works	56,310	62,322	6,012
Community & economic development	6,367	7,698	1,331
Municipal parking	50,833	52,678	1,845
	$ 202,108	$ 229,513	$ 27,405

General revenues net of transfers out supporting business-type activities	(719)
Change in net assets	26,686
Net assets - January 1, 2008- restated (note 1, N)	646,000
Net assets - December 31, 2008	$ 672,686

Summary of Expenses and Program Revenues - Business-Type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

During 2008, five governmental funds including the General Fund are presented as major funds. These funds include two Special Revenue Funds (Community Planning and Economic Development Fund, and Convention Center Fund), the Permanent Improvement Capital Projects Fund, and the Special Assessment Debt Services Fund. At December 31, 2008, the City's governmental funds reported combined ending fund balances of

(All dollar amounts are expressed in thousands unless otherwise indicated.)

$427,612 an increase of $27,663 compared with the prior year. Approximately 50 percent of this total amount ($213,089) constitutes unreserved fund balance, which is available for spending at the City's discretion. The following presents the amounts of unreserved balances by various fund types:

Fund Type	**Unreserved Balance**
General fund	$ 48,615
Special revenue funds	84,491
Debt service funds	58,989
Capital projects fund	20,994
Total	$ 213,089

The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for land development and specific projects ($160,937), 2) to liquidate contracts and purchase orders of the prior period ($33,755), or 3) for a variety of other restricted purposes ($19,831).

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

Revenues by Source
Governmental Funds

Revenue by Source	FY 2008 Amount	FY 2008 Percent of Total	FY 2007 Amount	FY 2007 Percent of Total	Increase/ (Decrease) Amount
Taxes	$ 362,553	53.79 %	$ 326,187	51.09 %	$ 36,366
Licenses and permits	27,118	4.02	26,407	4.14	711
Intergovernmental revenues	151,308	22.45	160,384	25.12	(9,076)
Charges for services and sales	62,186	9.23	53,778	8.42	8,408
Fines and forfeits	9,700	1.45	9,397	1.48	303
Special assessments	18,018	2.67	13,555	2.12	4,463
Interest	13,660	2.03	19,075	2.99	(5,415)
Miscellaneous revenue	29,420	4.37	29,626	4.64	(206)
Total	$ 673,963	100.00 %	$ 638,409	100.00 %	$ 35,554

Expenditures by Function
Governmental Funds

Expenditures by Function	FY 2008 Amount	FY 2008 Percent of Total	FY 2007 Amount	FY 2007 Percent of Total	Increase/ (Decrease) Amount
General government	$ 59,567	8.90 %	$ 55,581	8.83 %	$ 3,986
Public safety	237,692	35.51	222,823	35.42	14,869
Public works	43,893	6.56	41,892	6.66	2,001
Culture and recreation	29,607	4.42	5,279	0.84	24,328
Health and Welfare	13,309	1.99	14,193	2.26	(884)
Community & economic development	117,396	17.54	116,348	18.49	1,048
Capital Outlay	39,160	5.85	43,846	6.97	(4,686)
Debt service - principal retirement	68,617	10.25	66,744	10.61	1,873
Debt service - interest payment	60,191	8.98	62,424	9.92	(2,233)
Total	$ 669,432	100.00 %	$ 629,130	100.00 %	$ 40,302

General Fund

The General Fund is the general operating fund of the City. As of December 31, 2008, unreserved fund balance in the General Fund was $48,615, while total fund balance reached $49,688. The fund balance of the City's General Fund decreased by $5,557 during the current fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

(All dollar amounts are expressed in thousands unless otherwise indicated.)

The following table provides changes in revenues by source from 2007 to 2008:

General Fund
Revenues By Source

Revenues by Source	FY 2008 Amount	FY 2008 Percent of Total	FY 2007 Amount	FY 2007 Percent of Total	Increase/ (Decrease) Amount
Taxes	$ 181,392	50.52 %	$ 150,886	46.35 %	$ 30,506
Licenses and permits	25,922	7.22	25,202	7.74	720
Intergovernmental revenues	75,605	21.06	84,026	25.81	(8,421)
Charges for services and sales	38,339	10.68	35,902	11.03	2,437
Fines and forfeits	8,670	2.41	8,488	2.61	182
Special assessments	4,869	1.36	4,423	1.36	446
Interest	4,082	1.14	2,780	0.85	1,302
Miscellaneous revenues	1,011	0.28	1,066	0.33	(55)
Total revenues	$ 339,890	94.66 %	$ 312,773	96.09 %	$ 27,117
Transfers in	19,164	5.34	12,736	3.91	6,428
Total revenues and other financing sources	$ 359,054	100.00 %	$ 325,509	100.00 %	$ 33,545

In 2008, General Fund revenues and transfers have increased by about 10% from the previous year. Some highlights included:

- Tax revenues increased by $30,506 or 20.2% of these revenues, $22,009 is related to the former Minneapolis Public Library. The library was merged with Hennepin County at the end of 2007, and the City tax levy had already been set. The related tax revenue was passed through to Hennepin County.
- The Fire Department budget was increased by $999,000. This is due to back pay for unsettled labor agreements, Fair Labor Standards Act (FLSA) overtime, an increase in contractual services expenses, and because attrition has not occurred at the anticipated rate.
- Intergovernmental revenues decreased by $8,421 or 8.3%, primarily due to a decrease in local government aid from the State of Minnesota.

The following table provides the changes in expenditures by function from 2007 to 2008:

General Fund
Expenditures by Function

Expenditures by Function	2008 Amount	2008 Percent of Total	2007 Amount	2007 Percent of Total	Increase/ (Decrease) Amount
General government	$ 52,218	14.32 %	$ 48,048	14.77 %	$ 4,170
Public safety	208,636	57.22	198,652	61.05	9,984
Public works	42,288	11.60	40,569	12.47	1,719
Culture and recreation	22,009	6.04	1,205	0.37	20,804
Health and family support	4,083	1.12	4,047	1.24	36
Community & economic development	3,475	0.95	3,642	1.13	(167)
Total expenditures	332,709	91.25 %	296,163	91.02 %	36,546
Transfers out	31,902	8.75	29,213	8.98	2,689
Total expenditures and other financing uses	$ 364,611	100.00 %	$ 325,376	100.00 %	$ 39,235

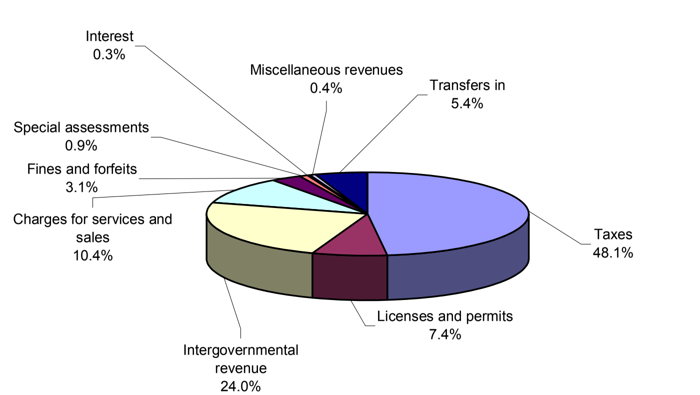
Overall, general fund expenditures increased by $39,235 or 12.1 % from the previous year. This was primarily due to the payments to Hennepin County for the library merger, and to additional funding for public safety.

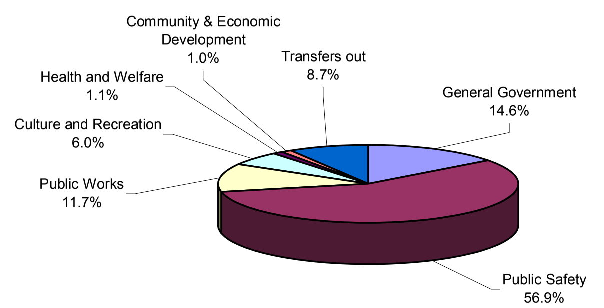
General Fund Budgetary Highlights: The final budget for the City's General Fund represents the original budget, any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments), and any additional supplemental appropriations that may occur during the fiscal year. In 2008, the following were significant budget actions:

- $2,500 of 2007 unspent appropriation was carried forward into 2008.
- A culture and recreation budget was established to fund payments to Hennepin County for contractual amounts related to the merger of the former Minneapolis Public Library into the County library system.
- The original General Fund appropriation for fiscal year 2008 was $360,747, which included projected transfers out of $31,736. The final appropriation was $365,738. General revenues and other resources were originally estimated at $360,747, which included projected transfers of $19,636. The final revenue estimate was $364,501 including transfers of $19,636.

(All dollar amounts are expressed in thousands unless otherwise indicated.)

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





Community Planning and Economic Development (CPED) Special Revenue Fund

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

The total revenues of the CPED Special Revenue fund in 2008 were $104,704, 78% of the fund's revenue was derived from property tax increment. The remaining revenue was derived from a variety of miscellaneous sources. The expenditures for the fund in 2008 were $46,772. The fund's expenditures are primarily for contractual services for the housing and economic programs operated within the fund and for the staff costs to monitor and deliver these programs. The accounting for the federal HOME program was moved to another City fund in 2008. Except for this change, the level of fund revenues and fund expenditures in 2008 was comparable to the prior year.

In 2008 $12,360 of General Obligation (GO) tax increment refunding bonds were issued for the Laurel Village project and $2,770 of GO tax increment bonds were issued for the Midtown Exchange project. The fund's transfers to other funds of $70,299 were to provide resources for the debt service of obligations issued by the City for community development programs, and to transfer funds to pay for neighborhood revitalization projects.

At year-end the fund balance of the fund was $222,163; essentially unchanged from the prior year. The unreserved portion of the fund balance at December 31, 2008 was $42,711. The remaining fund balance was reserved primarily for property held for development, encumbrances, or for specific development projects.

Minneapolis Convention Center Special Revenue Fund

Operations of the Minneapolis Convention Center are reported as a Special Revenue Fund in the fund statements. The Convention Center activity is funded from local taxes and Convention Center operating revenues. Local taxes from Convention Center activities include:

- 0.5% citywide sales tax;
- 3% food tax and liquor tax applied to core downtown establishments;
- 3% citywide entertainment tax;
- 3% citywide lodging tax for motels and hotels with 50 units or more

Overall tax proceeds for 2008 exceeded 2007 levels by nearly 1% and exceeded budget by 5%.

Minneapolis Convention Center Taxes

Taxes	2008 Budget	2008 Actual	2007 Actual
Sales and Use	$ 29,103	$ 29,502	$ 29,535
Entertainment	9,664	9,631	9,880
Food	9,811	10,789	10,319
Liquor	3,826	3,939	3,757
Lodging	5,460	6,619	6,574
Total	$ 57,864	$ 60,480	$ 60,065

(All dollar amounts are expressed in thousands unless otherwise indicated.)

The total revenues of the Convention Center in 2008 were $78,680 and exceeded 2007 levels by nearly 3% and exceeded budget by 5%. Much of the increase can be attributed to increases in tax collections. For operating revenue, Catering Commissions had the strongest gain going 4% over budget. For 2008, the Convention Center's fund expenditures of $39,300 came in nearly 17% over 2007 levels. The increase can be attributed to higher operating expenses including Ongoing Equipment and Improvement.

The 2008 fund balance ended the year at $48,307, which is significantly better than the $36,793 budgeted. The increase can be attributed to better than expected tax revenue; lower than expected expenditures, primarily in Convention Center operations and ongoing equipment and improvement, and lower than expected debt service.

Permanent Improvement Capital Project Fund:

The funding for the Permanent Improvement Fund is primarily from two sources. The first source includes bonds that are sold by the City of Minneapolis for capital projects. The second source is from the State of Minnesota. State revenues are primarily used for capital assets including bridges, streets, street lighting, traffic signals and specific projects.

The Permanent Improvement Fund is used to build infrastructure for the City including bridges, sidewalks, streets, traffic signals, street lights, and fund other capital projects. During 2008, $38,404 of capital outlay occurred which was a 12% decrease from 2007. The key assets constructed with these funds included:

- Bridges - $364
- Streets - $21,574
- Street Lighting - $235
- Traffic Signals - $1,802
- Bike Trails - $3,014
- Heritage Park (Near North) project - $853
- Property Service - $3,675

The fund balance increased from $1,373 in 2007 to $21,368 in 2008. This increase was due to bonds that have been issued but not utilized, and a receivable for $15,230 in State Highway tax revenue. Additionally, revenues for the fund increased from $23,416 in 2007 to $29,235 in 2008 due to increased funding from state and federal sources.

Special Assessment Debt Service funds

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

At the end of 2008, the City had $46,810 of debt outstanding for special assessment improvements, including $8,225 of new bonds issued during 2008. During 2008, the City received debt related assessment collections and interest earnings of $7,911 and paid total debt service of $7,884 on special assessment bonds, of which $6,005 was principal repayment.

Enterprise Funds

The City operates six enterprise funds: Sanitary Sewer, Stormwater, Solid Waste and Recycling, Water Works, Community Planning and Economic Development (CPED), and Municipal Parking.

Overall, the enterprise funds had a positive net asset of $688,798 at December 31, 2008. Total net assets for all enterprise funds increased by $24,097 during 2008.

The following table summarizes the total assets, total liabilities, operating income, changes in net assets, and net asset balances for each of the enterprise funds from 2007 to 2008:

Enterprise Funds
Key Balance Sheet Account Balances and Revenue and Expense Activities
December 31, 2008

	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste & Recycling	CPED	Total 2008	Total 2007
Assets	$ 99,532	$ 276,315	$ 268,027	$ 341,792	$ 28,951	$ 107,832	$ 1,122,449	$ 1,128,493
Liabilities	12,019	32,624	108,387	210,752	2,919	66,950	433,651	464,297
Operating Income(loss)	2,372	12,645	7,176	10,805	1,801	4,952	39,751	42,669
Changes in net assets	1,371	12,432	4,774	4,847	1,911	(1,238)	24,097	57,110
Net Assets	$ 87,513	$ 243,691	$ 159,640	$ 131,040	$ 26,032	$ 40,882	$ 688,798	$ 664,196

Sanitary Sewer Fund
The Sanitary Sewer fund accounts for the majority of the payments to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. It also accounts for the sanitary sewer maintenance and design. Overall, the net asset balance as of December 31, 2008 was $87,513.

Stormwater Fund
The Storm water fund accounts for Storm water activities including the Combined Sewer Overflow (CSO) program. Overall, the net asset balance as of December 31, 2008 was $243,691.

Solid Waste and Recycling Fund
The Solid Waste and Recycling Fund accounts for solid waste collection, disposal and recycling operations. The fund also includes "clean city" activities such as neighborhood clean sweeps, litter and graffiti removal, and litter control in the business districts. City crews provide approximately one-half of the solid waste collection services, while the remaining services are provided through contracts with private operators. The fund reported an increase in net assets of $1,911 for 2008. The fund's net asset balance at December 31, 2008 was $26,032.

Water Works Fund
The Water Works Fund accounts for the operation and maintenance of a water delivery system for the City and several suburban city customers. The City sells water directly to the cities of Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, and Edina. Net assets increased $4,774 for the year, resulting in a net asset balance at December 31, 2008 of $159,640.

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

(All dollar amounts are expressed in thousands unless otherwise indicated.)

revenues are derived from fees charged to the users of the services provided. The river terminal accounts for the investment in capital assets of the fund.

The fund's net assets at year-end were $40,882 which was a decrease of $1,238 from 2007. Transfers in the amount of $4,010 were made from the resources generated by the programs of the CPED Enterprise Fund for the benefit of other economic development activities of the City.

Municipal Parking Fund
The Municipal Parking Fund accounts for the operation and maintenance of parking ramps, lots, on-street parking meters, municipal impound lot, and traffic/parking control system. The net asset balance for December 31, 2008 was $131,040, which is an increase of $4,847 from 2007 balance.

A parking fund financial plan was developed to address declining results of operations and cash deficits within the fund. The plan includes a business strategy to address the diminishing use of City parking facilities; updates to aging revenue control equipment; management practices; maintenance to prevent future capital expense; and a strategy to maximize revenue on the existing programs. There were a total of six parking ramps that were sold in 2007 as part of the plan with the proceeds used to pay off existing debt service, and to restore the fund's cash balance.

Internal Service Funds

The City operates six internal service funds: Engineering Materials and Testing; Intergovernmental Services; Property Services; Fleet Services Division; Public Works Stores; and the Self Insurance fund. Internal service funds charge user fees to recover the cost of operations and accumulate equity for purposes of maintaining the on-going operations provided to the government.

While the financial condition of the internal service funds continues to represent a financial challenge for the City, key measures taken in 2001 have resulted in improved financial performance. The financial condition of these funds had reached a low point at year-end 2000 when the combined net asset deficit had declined to ($54,407). Now at the end of 2008, the combined net assets in the internal service funds have improved to $43,508. The initial improvement resulted from a change in accounting principle and prior period adjustments of $17,555 in 2001, due to the implementation of GASB Statement No. 34. The restatement recognized assets previously unrecorded within the internal service funds. The remaining improvement of $80,360 can be credited to the deficit reduction plans that the managers of their respective funds implemented. Another milestone reached is that the six Internal Service Funds have a positive combined cash balance that continues to increase. If the Internal Service Funds continue on this pace of financial recovery, a positive Net Assets will be achieved by all funds by the end of the year 2011.

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

Internal Service Funds
Key Balance Sheet Account and Operating Activities
12/31/2008

	Eng. Materials & Testing	Intergovern-mental Services	Property Services	Fleet Services	Public Work Stores	Self Insurance	Total 2008	Total 2007
Cash	$ 3	$ 94	$ 592	$ 11	$ 6	$ 16,347	$ 17,053	$ 9,883
Assets	252	60398	36,525	57,426	5,444	18,980	118,627	152,612
Liabilities	224	55530	9,089	33,642	2,559	34,473	79,987	139,247
Operating Income(Loss)	(115)	8,603	(745)	(435)	(615)	(970)	5,723	(11,543)
Changes in net assets	(168)	18,480	(471)	2,070	(646)	10,878	30,143	16,636
Net Assets	$ 28	4,868	$ 27,436	$ 23,784	$ 2,885	(15,493)	$ 43,508	$ 13,365

Engineering Materials and Testing Fund
This fund accounts for operations of the City's Engineering Laboratory testing and inspection services along with the purchases of asphalt and ready-mix concrete. In 2003, the City Council took action to indefinitely discontinue operations of the asphalt plant. As a result, the Fund continues to account for the outside purchases of asphalt and ready-mix concrete.

The fund continues to sustain net operating losses in the years after 2003 and reductions to net assets of $104, $71, and $168 for fiscal years ending 2006, 2007, and 2008 respectively. Net Assets have been reduced from $196 at the end of 2007 to $28 at the end of 2008.

Intergovernmental Services Fund
This fund accounts for information technology services, central mailing and printing services, and telecommunication operations. In 2003, the fund's beginning net asset balance was restated by $7,866 to reflect corrections made to accurately present the fund's capital assets, accumulated depreciation, and related liability amounts. This positive adjustment reduced the beginning net asset deficit from ($40,850) to ($32,984). The fund has recorded a total increase in net assets of $37,852 for years 2003 through 2008. The net asset balance increased $18,480 in 2008 to bring the 2007 ending balance from a deficit of ($13,612) to a positive balance of $4,868. The original long term financial plan forecasted that the fund would increase net assets by $6,999 for fiscal year 2008 with an ending net asset balance of a deficit ($7,871). This fund has performed better than projected the last five years.

Property Services
The Property Service fund is responsible for the management and maintenance of City owned buildings, including parking ramp maintenance, security, and space and asset management. 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 to the Municipal Building Commission. Ownership of some of the City's properties is recorded as assets of this fund resulting in additional depreciation expense incurred. Currently, the Property Services Fund does not have rental and maintenance rates sufficient to fully recover depreciation, which results in the fund recording a net asset decrease each year. The fund has incurred a total decrease of $2,792 from the ending net asset balance of $30,228 in 2003 to $27,436 in 2008. In 2008, the decrease to net assets is $471 which represents a reduction of 1.7% from the 2007 balance of $27,907.

Fleet Services Division
The Fleet Services Division accounts for the City's fleet of vehicles and related equipment and accessories. In addition, the fund manages the dispatch of City-owned and contractual equipment. A long range financial plan was developed for the fund in 2003 and the fund has progressively increased its net asset balance from $13,266 in 2004 to $23,784 in 2008. The fund reported an increase in net assets of $2,070 or 9.5% in 2008 from the ending balance of $21,714 in 2007.

(All dollar amounts are expressed in thousands unless otherwise indicated.)

There is an incentive for the customer to take care of the equipment or vehicles in the newly devised plan implemented in 2004 which charges actual expenses related to their vehicles. A new financial subsystem was implemented in 2008 to account for the multitude of transactions in a more efficient manner. The long range financial plan for this fund eliminated the sale of bonds to support the equipment purchases in 2006.

Public Works Stores
This fund accounts for the centralized procurement, warehousing, and distribution of stocked inventory items, and the purchase of special goods and services. In addition, this fund stores an inventory of traffic signal components for assembly for Public Works-Transportation. For 2008, the fund reported a net asset decrease of ($646) with an ending net asset balance of $2,885. Previous to this year, PW Stores recorded an increase to net assets from a balance in $2,201 in 2002 to an ending balance of $3,531 in 2007. A new inventory system was implemented in 2008 to integrate inventory transactions with the City's new financial system and involved several procedural changes for the recording of inventory. When inventory is received, the system requires that goods are "put-away" with an offsetting transaction that reduces the fund's expenditures for materials. The cost of goods sold is no longer recorded. Revenue is recorded as an overhead charge based on the value of goods sold to each department.

Self Insurance
This fund accounts for employee medical, dental, and life insurance benefits programs, occupational health services, severance payments, tort liability program, workers' compensation program, and the related administrative costs. With the implementation of the new financial system, benefit payments for medical, long term disability and life insurance are paid directly from payroll and no longer pass through this fund. Net assets increased $10,878 in 2008, which benefited the fund's net asset position by reducing the total net asset deficit balance from ($26,371) in 2007 to ($15,493) at year end 2008. The original long range financial plan, adopted in 2003, began with an ending net asset deficit of ($40,983) and forecasted a 2008 ending net asset deficit of ($20,349). The long range financial plan was updated in 2008 and predicted an ending cash balance of $16,678. The ending cash balance for 2008 is $16,347 with a due from other funds of $2,420. The performance of the fund over the past four years compared to the original long range financial plan resulted in a net asset balance that is ahead of plan and a cash balance that is significantly increased over the original forecast. In 2006, the City Council adopted a one-time use of General Fund reserve of $3,082 to assist in the reduction of bond debt. At year end 2008, the total bond debt of $1,060 has been defeased. The liability for unpaid claims at year end 2008 is $31,773, a slight reduction of $1,694 from the ending balance of $33,467 in 2007.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:
The City's investment in capital assets for its governmental and business-type activities, as of December 31, 2008, was $1,882,407 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, roads, highways, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 2.1 % (a 3.3% increase for governmental activities and a 0.8% increase for business-type activities).

The following table summarizes capital assets for governmental and business-type activities for 2008 and 2007:

Capital Assets (Net of depreciation)

	Governmental		Business-Type		Total	
	2008	2007	2008	2007	2008	2007
Land and easements	$ 111,084	$ 111,084	$ 26,521	$ 27,328	$ 37,605	$ 38,412
Infrastructure	100,309	103,593	240,508	247,844	340,817	351,437
Construction in progress	299,384	272,531	122,317	95,029	421,701	367,560
Structures and Improvements	390,051	399,605	409,478	420,652	799,529	820,257
Equipment	77,365	59,986	5,390	5,816	82,755	65,802
Total	$ 978,193	$ 46,799	$ 904,214	$ 896,669	$1,882,407	$1,843,468

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

- The sale of the Saint Anthony Main parking ramp for $ 2,500 in February of 2008.
- The completion of two Bridge Projects for $ 8,346.
- The beginning of a two year project to improve Marquette and 2nd avenues in downtown Minneapolis. This project which is scheduled for completion in 2009 is in excess of $30,000 and will improve bus traffic on both streets.

Additional information on the City's capital assets can be found in Note 4 on pages 58-60 of this report.

Long-term debt. As of December 31, 2008, the City had total long-term bonds outstanding of $1,132,215 compared to $1,199,369 in the prior year. Of this amount, $801,592 related to governmental activities and $330,623 related to business activities. The City had $198,670 or 17.5% of the outstanding bonds in variable rate mode at year-end. In addition to bonded debt, the City had $91,303 of long-term revenue notes outstanding at December 31, 2008, of which $22,291 related to governmental activities and $69,012 related to business activities.

The table below shows various classifications of the City's bonded debt at December 31, 2008 and the amount of principal due in 2009.

Summary of Outstanding Bonded Indebtedness	Balance 1/1/2008	Additions	Retirements	Balance 12/31/2008	Due in 2009
General Obligation (GO) Bonds:					
Property Tax Supported GO Bonds	$ 248,305	$ 28,970	$ 29,750	$ 247,525	$ 17,750
Self Supporting GO Bonds	242,400	-	8,425	233,975	8,810
Special Assessment GO Bonds	44,435	8,225	5,850	46,810	6,120
Tax Increment GO Bonds	166,210	15,130	25,370	155,970	10,555
Internal Service Fund Related GO Bonds	76,035	1,560	5,930	71,665	11,220
Enterprise Fund Related GO Bonds	301,983	19,385	51,475	269,893	29,776
Total General Obligation Bonds	1,079,368	73,270	126,800	1,025,838	84,231
Revenue Bonds:					
Economic Development Revenue Bonds	56,306	-	10,659	45,647	9,667
Other Community Development Related Bonds	63,695	-	2,965	60,730	3,190
Total Outstanding Bonds	1,199,369	73,270	140,424	1,132,215	97,088

The City maintained a "AAA" rating from Standard & Poor's and Fitch Ratings and an "Aa1" rating from Moody's for its general obligation debt throughout 2008.

(All dollar amounts are expressed in thousands unless otherwise indicated.)

Additional information on the City's Long term debt can be found in Note 5 on pages 60-65 of this report.

HISTORICAL AND LONG-TERM FINANCIAL PLANNING

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

- The City's long-term financial plans have been adopted for three of the internal service funds (Fleet Services, Self Insurance, and BIS) to increase net assets and to attain a positive cash balance. Fleet Services has not been updated since 2005 and workout plan has a projected 2009 cash balance of $4.9 million.
- Like other jurisdictions, employee wages and benefits make up over 50 percent of the City's general fund expenses, increases to which are driven by rapid growth in healthcare costs. In 2007, the City adopted a compensation philosophy to develop a strategic approach to compensation.
- In 2000, Minneapolis voters approved a levy to build a new Central Library and fund improvements to community libraries. Effective January 1, 2008, the Minneapolis Public Library System merged into the Hennepin County Library System. The County will be responsible for operating costs for the libraries in future years. Under the financial agreement, the City will issue debt as defined in the City's adopted capital plan and will be responsible for a declining share of operations through 2017.
- In December of 2008, the Governor exercised his authority to "unallot" or unilaterally reduce various state appropriations. The appropriation directly impacting the City of Minneapolis is Local Government Aid (LGA). The City's LGA was reduced by $13.2 million as a result of these actions. Because the action occurred with only one week remaining in the City's fiscal year, the City reduced its budget reserves to address the shortfall. Future reductions to LGA revenue source may result in additional service reductions.

Increased pension costs associated with the City's three closed pension plans – the Minneapolis Employee Retirement Fund (MERF), Minneapolis Fire Relief Association (MFRA), and Minneapolis Police Relief Association (MPRA) – continue to have a significant impact on the City's budget. From 2005-2008, property tax supported contributions to three closed funds totaled $60.7 million. For two of the plans, MFRA and MPRA, the City is responsible for making up for stock market underperformance of state law assumptions (6% investment return), increasing the liability by million of dollars during economic downturns. In these 2 plans, the combination of an approximate 2008 market return of (30%), combined with legislatively approved changes, city payments to the funds will increase from $7.8 million in 2009 to $20.8, million (estimated) in 2010. The City is currently exploring merging these three funds into the larger statewide plans, which will stabilize the funding of these plans due to the inclusion of new members and the additional time needed to recover from short-term market losses.

The City issued $61,000 in bonds in 2002-03 due to a provision in state law, called the "liquidity trigger" which, upon an employee's retirement, required the City to transfer enough money from the employee's contributions and City funds from the active fund of MERF into the retired fund to pay the employee's and his or her survivor's entire expected retirement benefits. This provision was removed in 2007, which allowed State aid to function as originally intended – to fully fund the retired fund by 2020 – and to allow more time for investment returns to assist in financing these large payments.

Before removal of the liquidity trigger, the expected City-only contribution from 2007 to 2022 was $101,000 (as calculated by the City's consulting actuary). Eliminating the liquidity trigger decreased the City's overall projected contribution to $56,600 over the same 16-year period – a $44,400 decrease. No additional bonds are expected to be issued for this fund.

The MPRA's pension costs will continue to increase due to the growth in payments made to beneficiaries, negative performance of the stock market as reflected in the actuarial assumptions and changes to the mortality table. Although the City issued a total of $53,300 in bonds in 2002-04 to finance these increases, no additional bonds are expected to be issued for this fund.

The MFRA, although previously 100 percent funded, has experienced a reduction in its funding levels primarily due to negative performance of the stock market as reflected in the actuarial assumptions and changes to the mortality table. In 2005, the City resumed contributions to MFRA. The City issued $4.7 million in bonds in 2004 to cover these shortages. The MFRA's pension costs are also increasing due to growth in payments made to beneficiaries. No additional bonds are expected to be issued for this fund.

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

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

The five-year financial direction adopted in December 2008 was balanced in all five years. Due to the extraordinary circumstances, expenditures for 2010-1024 have not yet been adjusted for shortfalls related to additional pension costs and proposed reductions in local government aid pending final legislative action. Estimated changes related to revenue loss from decertification of Tax Increment Financing districts are included in 2011 and beyond.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budget Outlook:

The City's future financial outlook is strong. The City has financial policies in place to help address funding pressures including personnel costs, pension obligations, and internal service fund debt. With the 2009 budget, the City adopted a revised five-year financial direction. Specifically, growth in salary and wages was budgeted at 2.5%. Health insurance costs increased twelve percent from the 2007 amount to 2008, with costs increasing from $42,200 to $47,100. The 2009 budget for health insurance costs is $52,700. The five-year financial direction includes an average 20% annual health insurance cost increase from 2010 – 2012.

The City continues to proactively manage its pension liabilities. With obligations of approximately $515,700 through 2028, the City issued bonds in 2002-04 and used one-time funds to meet its pension obligations. The 2009 budget includes $7,100 in property tax support for pension expenses. Due to sound financial management, the City does not anticipate a need to bond for pension costs in 2009.

Although the City continues to have a deficit in its internal service funds, future budgets will continue to address these deficits through Council-adopted workout plans. The 2009 budget includes an additional $1,400 in funding for debt obligations in 2012. This amount is in addition to the $1,400 budgeted in the workout plan.

Economic Outlook and Tax Trends

Minneapolis has historically had a strong commercial and industrial tax base. For taxes payable in 1998, Minneapolis commercial and industrial property provided 54% of the total tax revenue for the City with the downtown Central Business District (CBD) alone providing 38%. For taxes payable in 2009, commercial and industrial property declined to 33% of the City total with the CBD providing approximately 20%. Corresponding percentages for residential property (defined as 1-3 dwelling units) show that this class provided 35% of the City's taxes in 1998; it is estimated that this proportion will be 55% of taxes payable in 2009.

The Minneapolis real estate market ending in January of 2009 was down. As a result of sub-prime lending practices and high inventories of available homes for sale, residential values declined 20% in Minneapolis from year-ago levels. The City was shielded from the impact of this due to the phase-out of the limited market value provisions. The commercial/industrial real estate market in the CBD declined by 0.6% from January 2008 to January 2009. Commercial/industrial values outside the CBD were relatively flat. For property taxes payable in 2010, the commercial/industrial share of taxes is projected to increase slightly, which is consistent with the prior year's tax burden trends – a shift from years preceding 2007. This shift reversal from residential to commercial/industrial, while insignificant compared to the shift in tax burden onto residential property from 2001-2006, should provide further relief for residential property owners in 2010. These factors were considered in preparing the City's budget for the 2009 fiscal year.

Downtown Office Space—Vacancy Rate:

Because of the importance of real estate taxes as a source of local government revenue, real estate statistics are an important economic gauge for municipalities. Several commercial real estate companies compile and report real estate statistics. Colliers International reports on local real estate conditions quarterly. Collier's statistics indicate a slight decrease in vacancy rates in the Minneapolis CBD. Compared to the first quarter of 2008, the vacancy rate in the CBD has decreased from 16.4% to 14.8% in the first quarter of 2009.

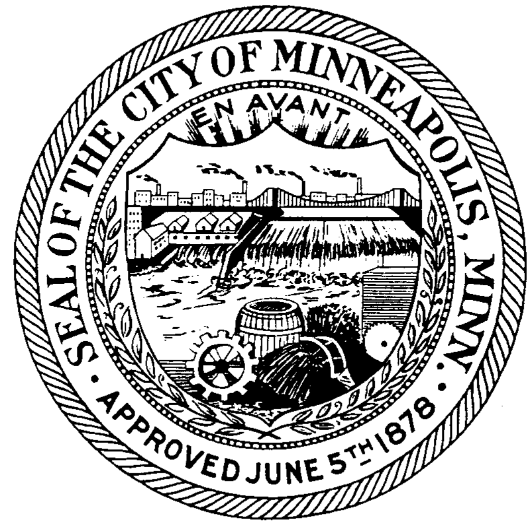
Employment:

The seasonally-adjusted unemployment rate for the City of Minneapolis as of March 2009 is 7.4% according to the Minnesota Department of Employment and Economic Development. This economic indicator compares favorably to the State of Minnesota (8.2%) and the national unemployment rate (8.5%).

REQUEST FOR INFORMATION

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

(All dollar amounts are expressed in thousands unless otherwise indicated.)



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(In Thousands)

	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Discrete Component Units	Total
ASSETS					
Cash and cash equivalents	$ 381,303	$ 59,649	$ 440,952	$ 13,474	$ 454,426
Deposits with fiscal agents	444	-	444	-	444
Fund investments	25,393	-	25,393	-	25,393
Investments with trustees	10,059	37,830	47,889	-	47,889
Receivables (net)	66,167	29,303	95,470	7,919	103,389
Loans receivable from component unit	1,208	-	1,208	-	1,208
Due from other government agencies	36,990	83	37,073	1,205	38,278
Capital leases	140	2,455	2,595	-	2,595
Prepaids and other assets	65	-	65	50	115
Inventories	7,035	3,723	10,758	91	10,849
Internal Balances	(8,619)	8,619	-	-	-
Long-term portion of loans and notes receivable	5,207	2,739	7,946	-	7,946
Long-term portion of loans due from component unit	7,872	-	7,872	-	7,872
Long-term portion of capital lease receivable	9,862	56,167	66,029	-	66,029
Long-term deferred charges	1,783	833	2,616	-	2,616
Properties held for resale	43,731	12	43,743	-	43,743
Capital assets:					
Nondepreciable	410,468	248,838	659,306	90,753	750,059
Depreciable, net	567,725	655,376	1,223,101	203,265	1,426,366
Total assets	$ 1,566,833	$ 1,105,627	$ 2,672,460	$ 316,757	2,989,217
LIABILITIES					
Accrued salaries and benefits	$ 14,751	$ 1,717	$ 16,468	$ 2,290	$ 18,758
Accounts payable	31,113	9,715	40,828	3,446	44,274
Interest payable	30,072	2,260	32,332	113	32,445
Unpaid claims payable	1,241	-	1,241	6,676	7,917
Loans payable to primary government	-	-	-	1,208	1,208
Due to other governmental agencies	165	9	174	-	174
Unearned revenue	20,497	1,345	21,842	269	22,111
Deposits held for others	5,707	5,638	11,345	-	11,345
Long-term interest payable	-	9,318	9,318	-	9,318
Compensated absences:					
Due within one year	13,515	728	14,243	3,004	17,247
Due beyond one year	15,812	1,700	17,512	1,457	18,969
Other post-employment benefits	4,198	632	4,830	797	5,627
Long -term portion of loan payable to primary government	-	-	-	7,872	7,872
Long-term liabilities:					
Due within one year	64,674	35,018	99,692	155	99,847
Due beyond one year	803,100	364,861	1,167,961	965	1,168,926
Total liabilities	1,004,845	432,941	1,437,786	28,252	1,466,038
NET ASSETS					
Invested in capital assets, net of related debt	536,126	591,964	1,128,090	292,381	1,420,471
Restricted:					
Debt service	59,629	34,456	94,085	-	94,085
Culture and recreation	-	-	-	59	59
Unrestricted	(33,767)	46,266	12,499	(3,935)	8,564
Total net assets	561,988	672,686	1,234,674	288,505	1,523,179
Total liabilities and net assets	$ 1,566,833	$ 1,105,627	$ 2,672,460	$ 316,757	$ 2,989,217

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

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Discrete Component Units	Total
Primary government									
Governmental Activities:									
General government	$ 79,609	$ 45,882	$ 16,466	$ -	$ (17,261)	$ -	$ (17,261)	$ -	$ (17,261)
Public safety	232,210	37,525	24,503	-	(170,182)	-	(170,182)	-	(170,182)
Public works	50,523	11,670	18,707	13,136	(7,010)	-	(7,010)	-	(7,010)
Culture and recreation	29,607	-	-	-	(29,607)	-	(29,607)	-	(29,607)
Health and welfare	13,028	524	9,355	-	(3,149)	-	(3,149)	-	(3,149)
Community & economic development	122,936	30,470	31,064	-	(61,402)	-	(61,402)	-	(61,402)
Interest on long-term debt	36,405	-	-	-	(36,405)	-	(36,405)	-	(36,405)
Total governmental activities	564,318	126,071	100,095	13,136	(325,016)	-	(325,016)	-	(325,016)
Business-type activities:									
Sanitary Sewer	38,057	40,787	6	-	-	2,736	2,736	-	2,736
Stormwater	24,027	35,109	714	-	-	11,796	11,796	-	11,796
Solid waste and recycling	26,514	29,626	573	-	-	3,685	3,685	-	3,685
Water works	56,310	61,088	1,234	-	-	6,012	6,012	-	6,012
Community & economic development	6,367	7,698	-	-	-	1,331	1,331	-	1,331
Municipal Parking	50,833	52,564	114	-	-	1,845	1,845	-	1,845
Total business-type activities	202,108	226,872	2,641	-	-	27,405	27,405	-	27,405
Total primary government	$ 766,426	$ 352,943	$ 102,736	$ 13,136	(325,016)	27,405	(297,611)	-	(297,611)
Component units:									
Discrete component units	$ 116,982	$ 25,855	$ 11,924	$ 9,464				(69,739)	(69,739)
General Revenues:									
Taxes:									
General property tax and fiscal disparities					184,985	-	184,985	54,739	239,724
Property tax increment					82,686	-	82,686	6	82,692
Franchise fees					31,705	-	31,705	-	31,705
Convention center taxes					60,480	-	60,480	-	60,480
Other taxes					183	-	183	8	191
Local government aid - unrestricted					60,702	-	60,702	8,470	69,172
Grants and contributions not restricted to programs					7	-	7	-	7
Unrestricted interest and investment earnings					13,121	1,487	14,608	-	14,608
Miscellaneous					-	-	-	784	784
Other					1,287	1,479	2,766	-	2,766
Gain on sale of capital assets					-	565	565	1,008	1,573
Transfers					4,250	(4,250)	-	-	-
Total general revenues and transfers					439,406	(719)	438,687	65,015	503,702
Change in net assets					114,390	26,686	141,076	(4,724)	136,352
Net assets- January 1 - restated (Note 1,N,O)					447,598	646,000	1,093,598	293,229	1,386,827
Net assets- December 31					$ 561,988	$ 672,686	$ 1,234,674	$ 288,505	$ 1,523,179

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

GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2008

(In Thousands)

	General	Community Planning and Economic Development	Convention Center	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
ASSETS							
Cash and cash equivalents	$ 65,736	$ 155,373	$ 27,418	$ 45,022	$ 11,080	$ 59,621	$ 364,250
Deposits with fiscal agents	-	-	-	-	-	444	444
Fund investments	-	25,393	-	-	-	-	25,393
Investments with trustees	-	3,561	-	-	-	6,498	10,059
Receivables:							
Accounts - net	5,143	528	6,328	4,689	-	696	17,384
Taxes	2,590	415	-	43	-	717	3,765
Special assessments	891	-	-	3,229	31,370	1,278	36,768
Intergovernmental	1,727	923	-	18,848	-	15,230	36,728
Loans	-	6,037	-	-	-	5,323	11,360
Loans due from component unit	-	-	9,080	-	-	-	9,080
Accrued interest	407	480	75	132	36	140	1,270
Due from other funds	-	761	-	188	-	4,532	5,481
Advances to other funds	864	10	9,250	-	-	-	10,124
Land held for development	-	38,410	-	-	-	5,321	43,731
Prepaid items	22	-	-	-	-	-	22
Total assets	$ 77,380	$ 231,891	$ 52,151	$ 72,151	$ 42,486	$ 99,800	$ 575,859
LIABILITIES and FUND BALANCES							
Liabilities:							
Salaries payable	$ 11,523	$ 213	$ 564	$ 281	$ -	$ 527	$ 13,108
Accounts payable	11,081	1,391	1,769	4,538	32	3,823	22,634
Intergovernmental payable	11	-	9	3	-	112	135
Due to other funds	25	-	-	26,460	-	4,755	31,240
Deposits held for others	2,739	1,466	1,502	-	-	-	5,707
Deferred Revenue	2,313	6,658	-	19,501	31,301	15,650	75,423
Total liabilities	27,692	9,728	3,844	50,783	31,333	24,867	148,247
Fund balances:							
Reserved for:							
Land held for development	-	38,410	-	-	-	-	38,410
Specific development projects	-	122,527	-	-	-	-	122,527
Street/Highway projects	-	-	-	223	-	-	223
Capital and long-term assets	-	-	-	-	-	5,321	5,321
Encumbrances	187	12,468	259	151	-	7	13,072
Prepaid items	22	-	-	-	-	-	22
Loans	-	6,037	9,080	-	-	-	15,117
Advances	864	10	9,250	-	-	-	10,124
Pension liability	-	-	-	-	-	9,707	9,707
Unreserved, reported in							
General Fund	48,615	-	-	-	-	-	48,615
Special Revenue Fund	-	42,711	29,718	-	-	12,062	84,491
Debt Service Fund	-	-	-	-	11,153	47,836	58,989
Capital Project Fund	-	-	-	20,994	-	-	20,994
Total fund balances	49,688	222,163	48,307	21,368	11,153	74,933	427,612
Total liabilities and fund balances	$ 77,380	$ 231,891	$ 52,151	$ 72,151	$ 42,486	$ 99,800	$ 575,859

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

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets - Governmental Activities
December 31, 2008

(In Thousands)

Fund balances - total governmental funds		$ 427,612
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Non-Depreciable	365,756	
Depreciable	924,469	
Accumulated Depreciation	(455,848)	834,377
Capital Lease Receivable for parking ramp		10,002
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds, primarily deferred special assessments.		59,740
Internal service funds are used by management to charge the costs of engineering materials and testing, intergovernmental services, property services, permanent improvement equipment, public works stores, and, self-insurance.		43,508
Receivable from business-type funds for internal service fund activity.		16,112
Accruals to record an accounts receivable allowance, interest receivable on loans and notes, and an adjustment to loans and notes receivable balances.		(6,415)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and Notes Payable and any related unamortized premiums/discounts	(762,324)	
Other post employment benefits payable	(3,665)	
Operating and Capital leases payable	(82)	
Contracts payable	(51)	
Bond Interest Payable	(29,797)	
Compensated Absences	(27,029)	(822,948)
Net assets of governmental activities		$ 561,988

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

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended December 31, 2008

(In Thousands)

	General	Community Planning and Economic Development	Convention Center	Permanent Improvement	Special Assessment	Nonmajor Governmental	Total
REVENUES:							
Taxes	$ 181,392	$ 82,149	$ 60,480	$ 1,569	$ -	$ 36,963	$ 362,553
Licenses and permits	25,922	-	-	153	-	1,043	27,118
Intergovernmental revenues	75,605	930	-	20,617	-	54,156	151,308
Charges for services and sales	38,339	6,384	6,062	2,808	-	8,593	62,186
Fines and forfeits	8,670	-	-	-	-	1,030	9,700
Special assessments	4,869	-	-	1,205	7,650	4,294	18,018
Interest	4,082	4,605	2,114	1,376	261	1,222	13,660
Miscellaneous revenues	1,011	10,636	10,024	1,507	-	6,242	29,420
Total revenues	339,890	104,704	78,680	29,235	7,911	113,543	673,963
EXPENDITURES:							
Current:							
General government	52,218	-	-	704	-	6,645	59,567
Public safety	208,636	-	-	-	-	29,056	237,692
Public works	42,288	-	-	-	-	1,605	43,893
Culture and recreation	22,009	-	-	7,598	-	-	29,607
Health and welfare	4,083	-	-	-	-	9,226	13,309
Community & economic development	3,475	45,929	39,300	-	-	28,692	117,396
Capital outlay	-	756	-	38,404	-	-	39,160
Debt Service:							
Principal retirement	-	-	-	-	6,005	62,612	68,617
Interest and fiscal charges	-	87	-	-	1,879	58,225	60,191
Total expenditures	332,709	46,772	39,300	46,706	7,884	196,061	669,432
Excess (deficiency) of revenues over (under) expenditures	7,181	57,932	39,380	(17,471)	27	(82,518)	4,531
OTHER FINANCING SOURCES (USES):							
Transfers from other funds	19,164	6,976	1,000	1,777	249	104,469	133,635
Transfers to other funds	(31,902)	(70,299)	(37,991)	(2,974)	-	(8,890)	(152,056)
Bonds issued	-	2,770	-	37,195	-	-	39,965
Premium (Discount)	-	22	-	1,468	-	-	1,490
Refunding bonds issued	-	12,360	-	-	-	-	12,360
Payments to escrow agents	-	(12,262)	-	-	-	-	(12,262)
Total other financing sources (uses)	(12,738)	(60,433)	(36,991)	37,466	249	95,579	23,132
Net change in fund balances	(5,557)	(2,501)	2,389	19,995	276	13,061	27,663
Fund balances - January 1	55,245	224,664	45,918	1,373	10,877	61,872	399,949
Fund balances - December 31	**$ 49,688**	**$ 222,163**	**$ 48,307**	**$ 21,368**	**$ 11,153**	**$ 74,933**	**$ 427,612**

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Governmental Activities
For the Fiscal Year Ended December 31, 2008

(In Thousands)

Net increase (decrease) in fund balances - total governmental funds		27,663
Amounts reported for governmental activities in the statement of activities are different because:		
Interest receivable is not recorded within the fund level statements.		(460)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities with amounts related to business typ		30,143
Transfers from business-type funds for internal service fund activity.		(2,589)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets, infrastructure, and other related capital assets:		42,715
Less loss on retirement of capital assets		(51)
Less current year depreciation		(23,047)
Revenues and expenses in the statement of activities that do not provide current financial resources are not reported as revenues and expenses in the funds.		(5,466)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Bonds Principal Payments	80,879	
Bond Proceeds	(53,815)	27,064
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in accrued interest payable	23,786	
Change in other post employment benefits payable	(1,452)	
Change in compensated absences	(3,916)	18,418
Increase (decrease) in net assets of governmental activities		114,390

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

(In Thousands)

ASSETS	Business-type Activities - Enterprise Funds: Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	Governmental Activities: Internal Service Funds
Current assets:								
Cash and cash equivalents	$ 10,585	$ 3,850	$ 450	$ 24,053	$ 20,667	$ 44	$ 59,649	$ 17,053
Investments with trustees	-	-	-	-	-	37,830	37,830	-
Receivables:								
Accounts - net	3,013	4,134	4,371	2,211	2,883	80	16,692	345
Special assessments:								
Current	2	26	35	1	15	-	79	-
Delinquent	-	175	268	3	109	-	555	-
Deferred	-	107	774	9,782	1	-	10,664	-
Intergovernmental	-	83	-	-	-	-	83	262
Loans	-	-	-	-	-	465	465	-
Notes	-	-	-	-	-	735	735	6,897
Accrued interest	-	-	-	-	-	113	113	-
Capital leases	-	-	-	-	-	2,455	2,455	-
Due from other funds	5,065	11,924	8,119	333	-	-	25,441	3,498
Inventories	-	-	2,561	-	1,162	-	3,723	7,035
Properties held for resale	-	-	-	-	-	12	12	-
Prepaid items	-	-	-	-	-	-	-	43
Total current assets	18,665	20,299	16,578	36,383	24,837	41,734	158,496	35,133
Long-term assets:								
Receivables:								
Loans	-	-	-	-	-	1,554	1,554	-
Notes	-	-	-	-	-	1,185	1,185	-
Capital leases	-	-	-	-	-	56,167	56,167	-
Deferred charges	10	53	68	702	-	-	833	76
Capital assets:								
Nondepreciable								
Land, leaseholds and easements	1	7,211	2,993	112,452	16	3,848	126,521	23,303
Construction in progress	7,392	64,584	47,808	2,533	-	-	122,317	21,409
Depreciable								
Buildings and structures	-	-	169,228	278,199	2,047	12,743	462,217	55,650
Less accumulated depreciation	-	-	(46,948)	(88,928)	(1,997)	(9,411)	(147,284)	(25,196)
Public improvements	125,957	270,545	132,730	53	-	-	529,285	3,056
Less accumulated depreciation	(52,538)	(86,451)	(55,236)	(7)	-	-	(194,232)	(2,660)
Machinery and equipment	1,182	1,374	2,009	1,206	11,416	398	17,585	78,729
Less accumulated depreciation	(1,137)	(1,302)	(1,316)	(859)	(7,369)	(386)	(12,369)	(41,202)
Computer equipment	10	193	316	1,041	178	-	1,738	58,749
Less accumulated depreciation	(10)	(191)	(261)	(988)	(177)	-	(1,627)	(42,202)
Software	-	1,488	1,856	130	955	-	4,429	24,961
Less accumulated depreciation	-	(1,488)	(1,798)	(130)	(955)	-	(4,371)	(10,782)
Other capital outlay	-	-	19	15	-	-	34	50
Less accumulated depreciation	-	-	(19)	(10)	-	-	(29)	(49)
Total long-term assets	80,867	256,016	251,449	305,409	4,114	66,098	963,953	143,892
Total assets	$ 99,532	$ 276,315	$ 268,027	$ 341,792	$ 28,951	$ 107,832	$ 1,122,449	$ 179,025

LIABILITIES	Business-type Activities - Enterprise Funds: Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	Governmental Activities: Internal Service Funds
Current liabilities:								
Salaries payable	$ 135	$ 215	$ 834	$ 207	$ 325	$ 1	$ 1,717	$ 1,643
Accounts payable	549	217	3,188	3,643	1,977	141	9,715	8,479
Intergovernmental payable	-	-	-	9	-	-	9	30
Due to other funds	-	-	-	-	-	700	700	2,480
Deposits held for others	225	434	41	1,405	4	3,529	5,638	-
Advances from other funds	-	-	-	-	-	10	10	-
Interest payable	41	91	750	1,092	-	286	2,260	275
Unearned revenue	-	-	517	-	-	828	1,345	4,814
Bonds payable-current portion	1,689	7,096	4,926	16,065	-	3,190	32,966	11,220
Notes payable-current portion	-	-	1,925	-	-	127	2,052	-
Compensated assets payable-current portio	56	109	352	64	145	2	728	690
Total current liabilities	2,695	8,162	12,533	22,485	2,451	8,814	57,140	29,631
Long-term liabilities:								
Interest payable	-	2,670	3,889	2,759	-	-	9,318	-
Bonds payable	8,647	21,539	23,871	186,060	-	57,540	297,657	60,445
Unamortized premium (discounts)	475	(85)	610	(755)	-	-	245	1,413
Advances from other funds	-	-	-	-	-	-	-	10,114
Notes payable	-	-	66,369	-	-	590	66,959	-
Compensated absences payable	131	255	820	150	338	6	1,700	1,608
Other post-employment benefits	71	83	295	53	130	-	632	533
Unpaid claims payable	-	-	-	-	-	-	-	31,773
Total long-term liabilities	9,324	24,462	95,854	188,267	468	58,136	376,511	105,886
Total liabilities	**12,019**	**32,624**	**108,387**	**210,752**	**2,919**	**66,950**	**433,651**	**135,517**
NET ASSETS								
Invested in capital assets, net of related debt	75,031	239,390	161,866	104,371	4,114	7,192	591,964	70,814
Restricted - debt service	-	-	-	-	-	34,456	34,456	640
Unrestricted	12,482	4,301	(2,226)	26,669	21,918	(766)	62,378	(27,946)
Total net assets	**87,513**	**243,691**	**159,640**	**131,040**	**26,032**	**40,882**	**688,798**	**43,508**
Total liabilities and net assets	**$ 99,532**	**$ 276,315**	**$ 268,027**	**$ 341,792**	**$ 28,951**	**$ 107,832**	**$ 1,122,449**	**$ 179,025**

Net assets - total enterprise funds	$ 688,798
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.	(16,112)
Net assets of business-type activites	$ 672,686

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the Fiscal Year Ended December 31, 2008

(In Thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities
	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	Internal Service Funds
Operating revenues:								
Charges for services and sales	$ 41,609	$ 34,222	$ 61,444	$ 52,556	$ 27,342	$ 4,095	$ 221,268	$ 111,994
Interest	-	-	-	-	-	3,589	3,589	-
Rents and commissions	-	-	-	9	-	-	9	28,776
Other	1	887	1	-	2,284	14	3,187	-
Total operating revenues	41,610	35,109	61,445	52,565	29,626	7,698	228,053	140,770
Operating expenses:								
Personnel costs	2,866	5,982	19,250	3,924	8,965	14	41,001	40,107
Contractual services	6,139	10,571	19,005	30,645	16,172	2,383	84,915	66,254
Materials, supplies, services and other	29,013	2,691	8,875	798	1,829	-	43,206	12,835
Rent	-	-	-	-	-	-	-	1,627
Depreciation	1,220	3,220	7,139	6,393	859	348	19,179	14,224
Other	-	-	-	-	-	1	1	-
Total operating expenses	39,238	22,464	54,269	41,760	27,825	2,746	188,302	135,047
Operating income (loss)	2,372	12,645	7,176	10,805	1,801	4,952	39,751	5,723
Non-operating revenues (expenses):								
Interest revenue	-	-	4	42	-	1,441	1,487	-
Interest expense	(378)	(1,563)	(3,405)	(10,047)	-	(3,621)	(19,014)	(3,344)
Gain (loss) on disposal of capital assets	-	-	(32)	565	-	-	533	164
Special assessments	6	714	1,234	114	573	-	2,641	-
Other revenues	-	2	1,446	31	-	-	1,479	6,399
Total non-operating revenues (expenses)	(372)	(847)	(753)	(9,295)	573	(2,180)	(12,874)	3,219
Income (loss) before transfers	2,000	11,798	6,423	1,510	2,374	2,772	26,877	8,942
Transfers in (out):								
Transfers from other funds	-	1,147	-	17,219	346	-	18,712	22,253
Transfers to other funds	(629)	(513)	(1,649)	(13,882)	(809)	(4,010)	(21,492)	(1,052)
Total transfers	(629)	634	(1,649)	3,337	(463)	(4,010)	(2,780)	21,201
Change in net assets	1,371	12,432	4,774	4,847	1,911	(1,238)	24,097	30,143
Net assets - January 1 restated (Note 1, N)	86,142	231,259	154,866	126,193	24,121	42,120		13,365
Net assets - December 31	$ 87,513	$ 243,691	$ 159,640	$ 131,040	$ 26,032	$ 40,882		$ 43,508

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.	2,589
Change in net assets of business-type activities	$ 26,686

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

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2008

(In Thousands)

	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	Governmental Activities Internal Service Funds
Cash flows from operating activities:								
Cash received from customers and users	$ 41,357	$ 34,492	$ 59,025	$ 58,052	$ 30,382	$ 11,262	$ 234,570	$ 140,476
Payments to suppliers and users	(35,033)	(13,311)	(26,112)	(29,625)	(16,808)	(1,591)	(122,480)	(79,281)
Payments to employees	(2,997)	(6,245)	(20,074)	(4,021)	(9,183)	(9)	(42,529)	(41,624)
Net Cash Provided (used) by operating Activities	3,327	14,936	12,839	24,406	4,391	9,662	69,561	19,571
Cash flows from non-capital financing activities:								
Bonds issued	-	-	-	17,218	-	-	17,218	-
Transfers from other funds	-	1,147	-	-	346	-	1,493	22,253
Principal paid on bonds and notes	-	-	-	-	-	(3,086)	(3,086)	(1,060)
Interest paid on bonds and notes	-	-	-	-	-	(3,631)	(3,631)	(21)
Transfers to other funds	(629)	(513)	(1,649)	(13,882)	(809)	(4,010)	(21,492)	(1,052)
Other non-operating revenues	-	2	-	31	-	-	33	-
Net cash provided (used) by non-capital financing activities	(629)	636	(1,649)	3,367	(463)	(10,727)	(9,465)	20,120
Cash Flows from capital and related financing activities								
Bonds issued	5,500	3,635	10,250	-	-	-	19,385	1,560
Notes issued	-	-	3,243	-	-	-	3,243	-
Principal paid on bonds	(1,200)	(8,620)	(5,630)	(36,026)	-	-	(51,476)	(4,870)
Interest paid on bonds	(443)	(2,244)	(3,997)	(10,415)	-	-	(17,099)	(3,486)
Premium (discount)	372	246	(154)	-	-	-	464	106
Principal paid on notes	-	-	(1,300)	-	-	-	(1,300)	-
Acquisition and construction of capital assets	(4,818)	(5,545)	(15,109)	(2,270)	(896)	-	(28,638)	(26,328)
Bond issuance costs	(7)	(4)	(12)	-	-	-	(23)	7
Proceeds from sale of capital assets	-	-	-	2,288	-	-	2,288	490
Net cash provided (used) by capital and related financing activities	(596)	(12,532)	(12,709)	(46,423)	(896)	-	(73,156)	(32,521)
Cash flows from investing activities:								
Purchase of investments	-	-	-	-	-	(1,552)	(1,552)	-
Sale of investments	-	-	-	-	-	1,141	1,141	-
Interest	-	-	4	42	-	509	555	-
Net cash provided (used) by investing activities	-	-	4	42	-	98	144	-
Net increase (decrease) in cash and cash equivalents	2,102	3,040	(1,515)	(18,608)	3,032	(967)	(12,916)	7,170
Cash and cash equivalents, beginning of year	8,483	810	1,965	42,661	17,635	1,011	72,565	9,883
Cash and cash equivalents, end of year	$ 10,585	$ 3,850	$ 450	$ 24,053	$ 20,667	$ 44	$ 59,649	$ 17,053
Reconciliation of operating income to net cash provided (used) by operating activities								
Operating income (loss)	$ 2,372	$ 12,645	$ 7,176	$ 10,805	$ 1,801	$ 4,952	$ 39,751	$ 5,723
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	1,220	3,220	7,139	6,393	859	348	19,179	14,224
Accounts receivable (net)	380	121	2,886	883	251	(58)	4,463	(7,061)
Intergovernmental receivable	-	(83)	34	-	-	-	(49)	(2)
Loans receivable	-	-	-	-	-	465	465	-
Notes Receivable	-	-	-	2,600	-	690	3,290	-
Interest receivable	-	7	-	-	-	-	7	-
Special assessments receivable	10	(74)	(168)	541	(67)	-	242	-
Capital lease receivable	-	-	-	-	-	2,137	2,137	-
Inventories	-	-	(235)	-	(7)	-	(242)	(420)
Prepaid items	-	-	-	-	-	-	-	(43)
Due from other funds	(752)	(1,383)	(7,623)	1,367	-	20	(8,371)	51
Salaries payable	(145)	(209)	(743)	(97)	(199)	(1)	(1,394)	(1,406)
Accounts payable	102	33	2,004	1,809	1,200	73	5,221	3,605
Due to other funds	-	-	-	-	-	700	700	(90)
Interest payable	17	-	-	-	-	-	17	(6)
Intergovernmental payable	-	-	-	8	-	-	8	29
Deposit held for others	103	(1)	(15)	(17)	-	25	95	-
Unearned revenue	-	-	(215)	-	-	305	90	343
Compensated absences payable	(57)	(137)	(376)	(53)	(150)	6	(767)	(614)
Other post-employment benefits	71	83	295	53	130	-	632	533
Unpaid claims	-	-	-	-	-	-	-	(1,694)
Special assessments	6	714	1,234	114	573	-	2,641	-
Other non-operating revenues	-	-	1,446	-	-	-	1,446	6,399
Net cash provided (used) by operating activities	$ 3,327	$ 14,936	$ 12,839	$ 24,406	$ 4,391	$ 9,662	$ 69,561	$ 19,571

Non-cash investing, capital and financing activities:
None

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2008

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 10,120
Receivables:	
Accounts-net	376
Total assets	10,496
LIABILITIES	
Accounts payable	10,374
Deposits held for others	122
Total liabilities	$ 10,496

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

COMBINING STATEMENT OF NET ASSETS
DISCRETE COMPONENT UNITS
December 31, 2008

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Park Board	Municipal Building Commission	Meet Minneapolis	Total Discrete Component Units
ASSETS				
Cash and investments	$ 11,879	$ 806	$ 789	$ 13,474
Receivables (net)	7,530	90	299	7,919
Due from other government agencies	-	1,205	-	1,205
Prepaids and other assets	-	-	50	50
Inventories	91	-	-	91
Capital assets:				
Nondepreciable	78,098	12,655	-	90,753
Depreciable, net	190,056	12,214	995	203,265
Total assets	287,654	26,970	2,133	316,757
LIABILITIES				
Accrued salaries and benefits	1,747	163	380	2,290
Accounts payable	2,326	826	294	3,446
Interest payable	-	-	113	113
Unpaid claims payable	6,676	-	-	6,676
Loans payable to primary government	-	-	1,208	1,208
Unearned revenue	-	-	269	269
Compensated absences:				
Due within one year	2,828	176	-	3,004
Due beyond one year	1,351	106	-	1,457
Other post-employment benefits	744	53	-	797
Long -term portion of loan payable -				
Due to primary government	-	-	7,872	7,872
Long-term liabilities:				
Due within one year	53	-	102	155
Due beyond one year	588	-	377	965
Total liabilities	16,313	1,324	10,615	28,252
NET ASSETS				
Invested in capital assets, net of related debt	267,512	24,869	-	292,381
Restricted	-	-	59	59
Unrestricted	3,829	777	(8,541)	(3,935)
Total net assets	271,341	25,646	(8,482)	288,505
Total liabilities and net assets	$ 287,654	$ 26,970	$ 2,133	$ 316,757

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

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COMBINING STATEMENT OF ACTIVITIES | **CITY OF MINNEAPOLIS , MINNESOTA**
DISCRETE COMPONENT UNITS
For the Fiscal Year Ended December 31, 2008 | **(In Thousands)**

		Program Revenues						
FUNCTIONS/PROGRAMS	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Park Board**	**Municipal Building Commission**	**Meet Minneapolis**	**Total Discrete Component Units**
Park Board	$ 96,775	$ 17,841	$ 4,032	$ 9,464	$ (65,438)	$ -	$ -	$ (65,438)
Municipal Building Commission	9,605	5,070	117	-	-	(4,418)	-	(4,418)
Meet Minneapolis	10,602	2,944	7,775	-	-	-	117	117
Total discrete component unit activities	$ 116,982	$ 25,855	$ 11,924	$ 9,464	$ (65,438)	$ (4,418)	$ 117	$ (69,739)
General Revenues:								
Taxes:								
General property tax and fiscal disparities					50,715	4,024	-	54,739
Property tax increment					-	6	-	6
Other taxes					8	-	-	8
Local government aid					8,146	324	-	8,470
Miscellaneous					-	784	-	784
Gain on sale of capital assets					1,008	-	-	1,008
Total general revenues					59,877	5,138	-	65,015
Change in net assets					(5,561)	720	117	(4,724)
Net assets- January 1 - restated (Note 1, O)					276,902	24,926	(8,599)	293,229
Net assets- December 31, 2008					$ 271,341	$ 25,646	$ (8,482)	$ 288,505

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A - REPORTING ENTITY

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

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

BLENDED COMPONENT UNIT

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

- **Board of Estimate and Taxation**

  The Board of Estimate and Taxation (BET) is established under Chapter 15 of the City Charter. It is composed of seven members, two of whom are elected by voters of the City. The Mayor, or the Mayor's appointee, the President of the City Council, and the Chair of the City Council's Ways and Means/Budget Committee are ex-officio members of the board. The Minneapolis Park and Recreation Board and Minneapolis Library Board annually select one of its members to serve on the Board of Estimate and Taxation. By action of the City Council, or such other governing board of a department requesting the sale of bonds, the Board of Estimate and Taxation may vote to incur indebtedness and issue and sell bonds and pledge the full faith and credit of the City for payment of principal and interest. The Board of Estimate and Taxation also establishes the maximum property tax levies for most City funds and maintains responsibility for the internal audit function for the City including boards and commissions that are component units of the City.

DISCRETELY PRESENTED COMPONENT UNITS

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

- **Minneapolis Park and Recreation Board**

  The Minneapolis Park and Recreation Board (Park Board) was established according to Chapter 16 of the City Charter. The nine-member board is elected by the voters of the City and is responsible for developing and maintaining parkland and parkways as well as planting and maintaining the City's boulevard trees.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Minneapolis Park and Recreation Board (continued)**

  The Mayor recommends the tax levies and budget for the Park Board, and the City Council and Mayor approve the allocation of the state's local government aid for Park Board operations. All Park Board actions are submitted to the Mayor and a mayoral veto may be overridden by a vote of two thirds of the members of the Park Board. The Board of Estimate and Taxation approves the maximum property tax levy for the Park Board, and the full faith and credit of the City secure debt issued for Park Board projects. The City Finance Officer acts as Treasurer of the Park Board. Complete financial statements for the Park Board can be obtained from the Minneapolis Park and Recreation Board at 2117 West River Road, Minneapolis, Minnesota, 55411.

- **Municipal Building Commission**

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

- **Meet Minneapolis**

  Greater Minneapolis Convention and Visitors Association was incorporated on July 29, 1987. Greater Minneapolis Convention and Visitors Association (d.b.a. Meet Minneapolis) and its subsidiary, Internet Destination Sales System, Inc. (hereinafter collectively the "Association") comprise the reporting entity for Meet Minneapolis. The Association was organized to promote the City of Minneapolis (the City) as a major destination for conventions and visitor travel, and to achieve maximum utilization of the Minneapolis Convention Center. Toward this purpose, the Association receives funding through annual contracts with the City and the state of Minnesota. The Association is a nonprofit corporation under Section 501 (c) (6) of the Internal Revenue Code. Complete financial statements for Meet Minneapolis and Subsidiary can be obtained from Meet Minneapolis at 250 Marquette Avenue South, Suite 1300, Minneapolis, Minnesota 55401.

RELATED ORGANIZATIONS

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

- **Metropolitan Sports Facilities Commission**

  The Metropolitan Sports Facilities Commission (Commission) is an appointed commission established under 1977 Minnesota laws. Of the seven members of the Commission, the City of Minneapolis appoints six. The Commissioners serve four-year terms and removal is for cause only. The primary responsibility of the Commission is to serve as owners, operators, and landlords of the Hubert H. Humphrey Metrodome Sports Facility in Minneapolis. Major tenants of the Metrodome Sports Facility are the Minnesota Twins and the Minnesota Vikings. Complete financial statements for the Commission can be obtained from the Metropolitan Sports Facilities Commission at 900 South Fifth Street, Minneapolis, Minnesota, 55415-1903.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RELATED ORGANIZATIONS (continued)

- **Minneapolis Public Housing Authority**

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

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

JOINT VENTURES

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

- **Minneapolis/Saint Paul Housing Finance Board**

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

- **Minneapolis Neighborhood Revitalization Program Policy Board**

The Minneapolis Neighborhood Revitalization Program Policy Board (NRP) was established in accordance with a Joint Powers Agreement entered into between the Hennepin County Board of Commissioners, the Board of Directors of Special School District No. 1, the Library Board, the Park Board, and the Mayor and City Council under authority of State of Minnesota laws. The NRP is composed of 20 members and includes public officials as well as representatives of neighborhood and community interest organizations. The majority of members are persons other than the representatives of the jurisdictions, which entered into the Joint Powers Agreement. The percentage of each jurisdiction's share in the NRP's assets, liabilities, and equity cannot be determined at fiscal year-end. Complete financial statements for the NRP can be obtained from the Minneapolis Neighborhood Revitalization Program Policy Board at Suite 425, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota, 55401-2585.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

JOINT VENTURES (continued)

- **Minneapolis Youth Coordinating Board**

The Minneapolis Youth Coordinating Board (YCB) was established in accordance with a Joint Powers Agreement entered into between the Hennepin County Board of Commissioners, the Board of Directors of Special School District No. 1, the Park Board, the Mayor and the City Council under authority of State of Minnesota laws. The YCB, which numbers 12 in size, includes the Mayor, two members each from the Hennepin County Board of Commissioners and the Board of Directors of Special School District No. 1, two representatives from the City Council, one member from the Park Board, one member from the Minneapolis State Legislature House and Senate delegations, the Hennepin County Attorney, and a Judge assigned by the Chief Judge of the District Court. The percentage of each jurisdiction's share in the YCB's assets, liabilities, and equity cannot be determined at fiscal year-end. Complete financial statements for the YCB can be obtained from the Minneapolis Youth Coordinating Board at the Towle Building, 330 2nd Avenue South, Room 540, Minneapolis, Minnesota 55401.

B – BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *statement of net assets* and *statement of activities* display information about the primary government (the City) and its component units using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider, if any, have been met. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between *governmental* and *business-type activities* of the City and between the City and its discretely presented component units. *Governmental* activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely, to a significant extent on fees charged to external parties.

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

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

FUND FINANCIAL STATEMENTS

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FUND FINANCIAL STATEMENTS (continued)

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

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

B – BASIS OF PRESENTATION

GOVERNMENTAL FUNDS

All governmental funds are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Tax revenues are recognized in the year for which the taxes are levied. Property tax levies are approved and certified to the County in December prior to the year collectible. The County acts as a collection agency. Such tax levies constitute a lien on the property on January 1st of the year collectible. Taxes are payable to the County in two installments by the fifteenth day of May and the fifteenth day of October. City property taxes are recognized as revenues when they become measurable and available to finance expenditures of the current period.

Major revenues that are determined to be susceptible to accrual include property taxes, special assessments, grants-in-aid, intergovernmental revenues, rentals, and Intra-city charges. Interest on investments, short-term notes and loans receivable
are accrued; interest on special assessments receivable is not accrued. Major revenues that are determined not to be susceptible to accrual because they are not available soon enough to pay liabilities of the current period or are not objectively measurable include delinquent property taxes and assessments, licenses, permits, fines and forfeitures.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B – BASIS OF PRESENTATION

GOVERNMENTAL FUNDS (continued)

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

The City reports the following major governmental funds:

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

- **Special Revenue Fund - Community Planning and Economic Development**
  This fund is used to account for the activities of the Department of Community Planning and Economic Development (CPED). CPED is responsible for promoting the City's planning and community development goals in the areas of housing development, economic development, community planning, development services, workforce development and strategic partnerships.

- **Special Revenue Fund - Convention Center**
  This fund is used to account for the ownership, maintenance and operations of the Minneapolis Convention Center, along with the proceeds of local sales and use taxes.

- **Capital Project Fund - Permanent Improvement**
  This fund is used to account for capital acquisition, construction and improvement projects including bridge construction, sidewalk construction, street construction, completion of the Heritage Park Project, infrastructure projects, and many information and technology system projects.

- **Debt Service Fund - Special Assessment**
  This fund is used to account for debt supported by special assessments including Park Diseased Tree debt.

PROPRIETARY FUNDS

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

In accordance with GASB Statement No. 20-Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the City has chosen not to apply accounting standards issued by the Financial Accounting Standards Board after November 30, 1989, to its proprietary funds.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B – BASIS OF PRESENTATION

PROPRIETARY FUNDS (continued)

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

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project against interest earned on invested proceeds over the same period.

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

Enterprise Funds

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

The City reports the following major enterprise funds:

- **Sanitary Sewer Fund**
  This fund is used to account for sewage fees collected from customers connected to the City's sanitary sewer system and for all expenses of operating this system.

- **Stormwater Fund**
  This fund is used to account for storm water fees collected from customers, and for City street cleaning and other storm water management activities. This activity was previously reported in the Sewer Rental Fund, which was split into this fund and the Sanitary Sewer Fund as of January 1, 2005.

- **Water Works Fund**
  This fund is used to account for the operation, maintenance, and construction projects related to the water delivery system. This fund also accounts for the operations related to the billings for water, sewage, and solid waste fees.

- **Municipal Parking Fund**
  This fund is used to account for the operation, maintenance, and construction of the City's parking facilities as well as on-street parking and the Municipal Impound Lot.

- **Solid Waste and Recycling Fund**
  This fund is used to account for the revenues and expenses for solid waste collection, disposal and recycling activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B – BASIS OF PRESENTATION

PROPRIETARY FUNDS (continued)

- **Community Planning and Economic Development Fund**
  This fund is used to account for the enterprise fund activities of the Department of Community Planning and Economic Development.

NON-MAJOR FUNDS

The City reports the following non-major governmental funds:

Special Revenue Funds:	**Debt Service Funds:**
Arena Reserve	Community Planning and Economic Development
Board of Estimate and Taxation	Development
Convention Facilities Reserve	General Debt Service
Employee Retirement	
Grants- Federal	
Grants- Other	
Community Development Block Grant	
Police	

Additionally, the City reports the following fund types:

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

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

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

  Intergovernmental Services – This fund is used to account for information technology service, central mailing and printing services, and the City's telecommunication operations.

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

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

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

For the fiscal year ended December 31, 2008 (Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NON-MAJOR FUNDS (continued)

- **Agency Funds**
  Financial statements of agency funds, which are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds, are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds assets, liabilities, and net assets are included in the fiduciary statement of net assets.

  - **The Minneapolis Agency -** Used to account for collection and remittance of funds to other governments and agencies.
  - **The Skyway Debt Service Agency** - Used to account for the collection and payment of funds related to the debt service for the skyway system.
  - **The Youth Coordinating Board Agency** – Used to account for cash deposited with the City.
  - **The Neighborhood Revitalization Policy Agency** – Used to account for cash deposited with the City.
  - **The Minneapolis Public Housing Authority Agency** – Used to account for cash deposited with the City.
  - **The Joint Board Agency** – Used to account for cash deposited with the City.

C – BUDGETS

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. Capital projects funds adopt project-length budgets and budgetary control for debt service funds is achieved through general obligation bond indenture provisions.

The 2007 process for the 2008 budget involved the following:

January - March	City department heads presented annual work plans and accomplishments to Executive Committee; referred then to relevant Policy Committee for review and file. Finance Department presented preliminary year-end budget status report to Ways and Means/Budget Committee.
March - April	Capital Improvement Budget Development – Capital improvement proposals were reviewed by the Budget Coordination Unit, the City Planning Commission and the Capital Long-Range Improvement Committee (CLIC).
April - June	Operating Budget Development – Departments prepared department operating budget requests; "Current Service Level Budgets" reflected current year costs of providing the same level of service as provided in the prior year, and proposals which describe policy and organizational changes with financial implications.
June - August	The Mayor held departmental hearings to review operating budgets and met with representatives from CLIC in preparation of finalizing the capital budget recommendation. The Mayor prepared and submitted a budget framework to the City Council no later than August 15, including a recommendation on annual property tax levy amounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C – BUDGETS (continued)

September – October	The Board of Estimate and Taxation set the maximum property tax levy for the City, Municipal Building Commission, Public Housing Authority, Library Board and Park Board by September 15, as required by state law.
November - December	"Truth in Taxation" property tax statements mailed by the County to property owners indicating the maximum amount of property taxes that the owner will be required to pay.
December	"Truth in Taxation" public hearings held. The City Council adopted a final budget and tax levy.

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

Purchase orders, contracts, and other commitments are recorded as encumbrances, which reserve appropriation authority. This accounting practice is an extension of formal budgetary integration in the general and special revenue funds. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not represent GAAP expenditures.

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

	Expenditure Budget at beginning of year	Changes during year	Expenditure Budget at end of year
General	$ 329,011	$ 4,991	$ 334,002
CPED Special Revenue	43,975	102,700	146,675
Convention Center Special Revenue	40,854	4,207	45,061
Board of Estimate and Taxation Special Revenue	357	-	357
Community Development Block Grant Special Revenue	15,308	10,935	26,243
Employee Retirement Special Revenue	17,569	-	17,569
Grants – Federal Special Revenue	20,546	27,557	48,103
Grants - Other Special Revenue	10,157	13,838	23,995
Police Special Revenue	1,237	1,475	2,712
TOTAL	$ 479,014	$ 165,703	$ 644,717

D – NON-CURRENT GOVERNMENTAL ASSETS/LIABILITIES

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

For the fiscal year ended December 31, 2008 (Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - DEPOSITS AND INVESTMENTS

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

Investment earnings in the investment pool, net of daily amortization of premiums and discounts, are calculated monthly and allocated to participating funds based on each fund's share of equity (positive or negative) in the investment pool. Some funds, such as debt service funds, retain their monthly allocation of investment earnings while other funds, which are not required to retain their allocated interest, pass the interest on to either the City General Fund or to the Community Planning and Economic Development Special Revenue Fund. Also, periodically the City distributes investment earnings from its General Fund to various projects below the fund level, as may be required, on the basis of the calculated average daily cash balance of the project and the average yield of the City's general portfolio.

F - INVENTORIES OF MATERIALS AND SUPPLIES

Depending on the nature of the item, inventories are valued using the moving average valuation method or using the last price of the item purchased. Also, and depending on the nature of the item or the fund in which the inventory is recorded, the costs of inventories are recorded as expenses/expenditures when purchased, or when consumed rather than when purchased. Governmental fund inventories are recorded as expenditures at the time the inventory is consumed. Reported inventories of governmental funds are equally offset by a fund balance reservation to indicate that portion of fund balance not available for future appropriation. Inventory recorded in the proprietary funds is expensed as the supplies and materials are consumed.

G - LOANS RECEIVABLE

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

Several developers under various financial arrangements have agreed to pay back development loans only if certain events occur. Because the likelihood of these events occurring is unknown, these loans are not presented in the accompanying financial statements. These loans include redevelopment agreements, neighborhood economic, commercial, and housing development loans, and second mortgages on rehabilitated homes. Some of these loans may be forgiven for continued owner occupancy, the attainment of certain employment goals, or the continuation of specified services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H – CAPITAL ASSETS

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Infrastructure assets acquired prior to December 31, 1980 are included. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include infrastructure (e.g. roads, bridges, water/sewer, and lighting systems), land, buildings, improvements, and equipment. The City defines capital assets as assets with an individual cost of more than \$5,000; or \$35,000 per group of assets by year for bike paths, street signage, street lighting and traffic signals; and \$100,000 per group of assets for parking meters. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds. As of 2008 the City is no longer using salvage values, and will depreciate assets to zero.

The estimated useful lives are as follows:

Infrastructure	15 to 100 years
Structures and Improvements	25 to 50 years
Equipment	5 to 15 years
Public Improvements	20 to 40 years

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

I – COMPENSATED ABSENCES

The City accrues compensated absences (annual and sick leave benefits) when vested. The current portions of the governmental funds' compensated absences liabilities are recorded as other liabilities in the Self-Insurance Internal Service Fund. The non-current portions are recorded in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. The City typically liquidates the liability for compensated absences to the fund where employees' salaries were originally charged.

J – INTERFUND TRANSACTIONS

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

For the fiscal year ended December 31, 2008 (Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K - PROPERTIES HELD FOR RESALE - ENTERPRISE FUNDS

Properties held for resale in the Community Planning and Economic Development Enterprise Fund have been obtained as a result of repossessions in default situations. Repossessed properties are held solely to be re-marketed as part of the ongoing operations of the programs. They are valued at the outstanding principal balance of the related bonds, which is not in excess of the realizable value; or are valued at the amount of the related loan balance at the time of default plus subsequent improvement costs.

L - DEBT SERVICE AND REQUIREMENTS

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

M - ESTIMATES

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

N – RESTATEMENT OF NET ASSETS

1. **Prior Period Adjustment to Recognize State-Aid Highway Allotment as Revenue.**

Net assets in the governmental activities have been increased by $ 15,230 to recognize the revenues related to the City's allotment of Minnesota highway user tax.

	Amount
Balance January 1, 2008	$ 432,368
Prior period adjustment for State-Aid revenue	15,230
Balance, January 1, 2008 as restated	$ 447,598

2. **Prior Period Adjustment to Recognize sale of land in prior year.**

Net assets in the Municipal Parking Enterprise fund have been increased to reflect the sale of land.

	Amount
Balance January 1, 2008	$ 125,688
Prior period adjustment for gain on sale of land	505
Balance, January 1, 2008 as restated	$ 126,193

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N – RESTATEMENT OF NET ASSETS (continued)

3. **Prior Period Adjustment of the Business-type activities Net Assets Balance in the Statement of Activities.**

Net assets were increased to reflect the sale of land in the Municipal Parking Enterprise fund.

	Amount
Balance January 1, 2008	$ 645,495
Prior period adjustment for land sale	505
Balance, January 1, 2008 as restated	$ 646,000

O – CHANGE IN REPORTING ENTITY

Effective January 1, 2008, the Library Board is no longer a discretely presented component unit of the City. The Minneapolis Public Library was merged into the Hennepin County Library system, resulting in the elimination of the Minneapolis Public Library Board.

The following is the effect o the change to beginning net assets in the discretely presented component unit column in the statement of activities:

Net Assets – January 1, 2008 as previously reported	$ 488,579
Adjustment to beginning net assets to remove the Library Board	195,350
Net Assets – January 1, 2008, as restated	$ 293,229

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits, per book	$ 25,691
Investments	512,312
Imprest cash held by City	269
Total	$ 538,272
Primary Government:	
Cash and cash equivalents	$ 440,952
Cash in Agency Funds	10,120
Deposits with fiscal agents	444
Fund investments	25,393
Investment with trustees	47,889
Total primary government	524,798
Discretely Presented Component Units:	
Park and Recreation Board:	
Cash and cash equivalents	11,879
Municipal Building Commission:	
Cash and cash equivalents	806
Meet Minneapolis	
Cash and cash equivalents	789
Total	$ 538,272

For the fiscal year ended December 31, 2008 (Dollar Amounts Expressed in Thousands)

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

A. Deposits

Minnesota Statutes Chapter 118A and the City Charter require the city to collateralize deposits at designated depositories. The City Finance Officer has arranged for the Federal Reserve Bank of Minneapolis to act as the City's agent in the safekeeping of securities as collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City does not have a specific deposit policy for custodial credit risk. However, the City complies with Minnesota Statutes in establishing authorized collateral for its deposits. At December 31, 2008, the City was not exposed to custodial credit risk.

B. Investments

In accordance with Minnesota Statutes Chapter 118A, and with the City Charter, the City invested in (1) direct, guaranteed or insured obligations of the U.S. Treasury, (2) shares of an investment company (with restrictions), (3) general obligations of government jurisdictions (with restrictions), (4) bankers acceptances, (5) commercial paper, (6) guaranteed investment contracts (with restrictions), and (7) repurchase agreements (with restrictions).

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City has no formal policy specifically related to interest rate risk. The City minimizes its exposure to interest rate risk by investing in both shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, taking into account the City's investment risk constraints, cash flow characteristics of the portfolio, and prudent investment principles.

NOTE 2 - DEPOSITS AND INVESTMENTS

B. Investments

Interest Rate Risk (continued)

The following table presents the City of Minneapolis' investment balances at December 31, 2008, and information relating to interest rate risks:

Investment Type	Weighted Average Maturity (Years)	Carrying (Fair) Value
U.S. Federal Agency obligations	0.7	$ 294,974
U.S. Treasury obligations	1.1	25,586
Municipal bonds	2.1	54,165
Commercial paper	0.1	47,019
Guaranteed investment contracts	2.4	842
Mutual funds	N/A	11,921
Negotiable certificates of deposit	1.1	1,305
Repurchase agreements	0.1	76,500
Total investments		$ 512,312
Deposits , per book		25,691
Imprest cash		269
Total cash and investments		$ 538,272

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to invest only in securities that meet the ratings requirements set by state statute Chapter 118A.04 as follows:

"INVESTMENTS.
Subdivision 1. What may be invested. Any public funds, not presently needed for other purposes or restricted for other purposes, may be invested in the manner and subject to the conditions provided for in this section.
Subd. 2. United States securities. Public funds may be invested in governmental bonds, notes, bills, mortgages (excluding high-risk mortgage-backed securities), and other securities,which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
Subd. 3. State and local securities. Funds may be invested in the following:
(1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
(2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
(3) a general obligation of the Minnesota housing finance agency which is a moral obligation of the state of Minnesota and is rated "A" or better by a national bond rating agency.
Subd. 4. Commercial papers. Funds may be invested in commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.
Subd. 5. Time deposits. Funds may be invested in time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States banks."

For the fiscal year ended December 31, 2008 (Dollar Amounts Expressed in Thousands)

NOTE 2 - DEPOSITS AND INVESTMENTS

B. Investments (continued)

At December 31, 2008, the City's investments were rated by Moody's and Standard & Poor's as follows:

Investment Type	Standard & Poor's		Moody's	
U.S. Federal agency obligations				
	AAA	$ 278,354	Aaa	$ 278,294
	Not available	15,952	Not available	15,917
	Not rated	668	Not rated	763
Total U.S. Federal agency obligatio		$ 294,974		$ 294,974
U.S. Treasury obligations				
	AAA	$ 18,426	Aaa	$ 18,426
	Not available	4,133	Not available	7,160
	Not rated	3,027	Not rated	-
Total U.S. Treasury obligations		$ 25,586		$ 25,586
Municipal bonds				
	AAA	$ 30,263	Aaa	$ 4,823
	AA+	1,341	Aa1	1,365
	AA	11,463	Aa2	6,485
	AA-	2,344	Aa3	13,478
	A+	673	A1	2,507
	A	275	A2	1,400
	BBB+	129	A3	790
	Not available	-	BAA1	374
	Not rated	7,677	Not rated	22,943
Total municipal bonds		$ 54,165		$ 54,165
Commercial Paper	A-1+	$ 13,613	P-1	$ 47,019
	A-1	33,406		
Total Commercial paper		$ 47,019		$ 47,019
Guaranteed investment contracts				
	Not rated	$ 842	Not rated	$ 842
Mutual funds				
	AAAmG	$ 4,911	Aaa	$ 4,911
	Not rated	7,010	Not rated	7,010
Total mutual funds		$ 11,921		$ 11,921
Negotiable certificates of deposit				
	Not rated	$ 1,305	Not rated	$ 1,305
Repurchase agreements	AAA	$ 76,500	AAA	$ 76,500
Total		$ 512,312		$ 512,312

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a policy on custodial credit risk.

NOTE 2 - DEPOSITS AND INVESTMENTS

B. Investments (continued)

Concentration of Credit Risk

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

Investments in any one issuer that represent 5 percent or more of the City's investments are as follows:

Issuer	Reported Amount
U.S. Federal Agency obligations	
Federal National Mortgage Association	$ 37,028
Federal Home Loan Bank	70,704
Federal Home Loan Mortgage Corporation	181,087
U.S. Department of the Treasury	25,586

NOTE 3 – RECEIVABLES

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

Governmental Activities	General Fund	CPED	Convention Center	Permanent Improvement	Special Assessment Debt Service	Non-major Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts	$ 6,200	$ 528	$ 6,808	$ 4,993	$ -	$ 1,065	$ 345	$ 19,939
Taxes	2,590	415	-	43	-	717	-	3,765
Special assessments	891	-	-	3,229	31,370	1,278	-	36,768
Intergovernmental	1,727	923	-	18,848	-	15,230	262	36,990
Loans	-	6,037	-	-	-	116	-	6,153
Loans due from component unit	-	-	1,208	-	-	-	-	1,208
Notes	-	-	-	-	-	-	6,897	6,897
Interest	407	480	75	132	36	140	-	1,270
Gross receivables	11,815	8,383	8,091	27,245	31,406	18,546	7,504	112,990
Less: Allowance for uncollectibles	(1,057)	-	(480)	(304)	-	(369)	-	(2,210)
Total receivables (due within one ye	$ 10,758	$ 8,383	$ 7,611	$ 26,941	$ 31,406	$ 18,177	$ 7,504	$ 110,780
Long-term portion of loans and notes receivable	$ -	$ -	$ 7,872	$ -	$ -	$ 5,207	$ -	$ 13,079

Business-type Activities	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	CPED	Total Business-type Activities
Accounts	$ 3,103	$ 4,134	$ 4,659	$ 2,230	$ 2,883	$ 80	$ 17,089
Special assessments	2	308	1,077	9,786	125	-	11,298
Intergovernmental	-	83	-	-	-	-	83
Loans	-	-	-	-	-	465	465
Notes	-	-	-	-	-	735	735
Interest	-	-	-	-	-	113	113
Gross receivables	3,105	4,525	5,736	12,016	3,008	1,393	29,783
Less: Allowance for uncollectibles	-	-	(288)	(19)	-	-	(307)
Total receivables (due within one year)	$ 3,105	$ 4,525	$ 5,448	$ 11,997	$ 3,008	$ 1,393	$ 29,476
Long-term portion of loans and notes receivable	$ -	$ -	$ -	$ -	$ -	$ 2,739	$ 2,739

For the fiscal year ended December 31, 2008 (Dollar Amounts Expressed in Thousands)

NOTE 3 – RECEIVABLES (continued)

Governmental activities:
In 2002 the City issued $10,100 in Self-Supporting General Obligation bonds to provide funding for the Minneapolis Library Board to build a parking ramp. The City has entered into an agreement with the Minneapolis Library Board. The agreement was in the form of a capitalized lease. The capitalized lease agreement continues under the Minneapolis Library Board's successor, Hennepin County Library.

The annual lease payments approximate the principal and interest requirements on the outstanding bonds. The leases are capitalized in an amount equal to the principal of the related bonds. The lease agreement includes a bargain purchase option exercisable at the end of the lease term.

The future payment requirements for these agreements are as follows:

	Capitalized Lease
Scheduled Lease Payments:	
2009	$ 594
2010	599
2011	624
2012	642
2013	664
2014-2018	3,688
2019-2023	4,378
2024-2028	5,172
Subtotal	16,361
Less: Interest over lease term	(6,359)
Total Principal	10,002
Less: Current Portion	140
Noncurrent Portion	$ 9,862

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

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

NOTE 3 – RECEIVABLES

Business-type activities: (continued)

The future payment requirements for these agreements are as follows:

	Capitalized Leases	Notes Receivable
Scheduled Lease Payments:		
2009	$ 5,782	$ 839
2010	5,788	840
2011	5,784	417
2012	5,635	-
2013	5,479	-
2014-2018	26,378	-
2019-2023	19,482	-
2024-2028	14,977	-
2029-2033	7,816	-
2034-2035	3,127	-
Subtotal	100,248	2,096
Less: Interest over lease term	(41,437)	(176)
Total Principal	58,811	1,920
Less: Unexpended construction funds	(189)	-
Net Capitalized Leases and Notes receivable	58,622	1,920
Less: Current Portion	(2,455)	(735)
Noncurrent Portion	$ 56,167	$ 1,185

For the fiscal year ended December 31, 2008 (Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	Balance January 1, 2008	Additions	Retirements	Transfers & Adjustments	Balance December 31, 2008
Governmental activities					
Capital assets, not being depreciated					
Land and easements	$ 111,084	$ -	$ -	$ -	$ 111,084
Construction in progress	272,531	48,180	(21,327)	-	299,384
Total capital assets, not being depreciated	383,615	48,180	(21,327)	-	410,468
Capital assets, being depreciated					
Infrastructure	405,545	8,346	-	-	413,891
Structures and improvements	540,078	756	-	-	540,834
Equipment	161,814	33,134	(3,328)	-	191,620
Total capital assets, being depreciated	1,107,437	42,236	(3,328)	-	1,146,345
Less accumulated depreciation for:					
Infrastructure	(301,952)	(11,630)	-	-	(313,582)
Structures and improvements	(140,473)	(10,310)	-	-	(150,783)
Equipment	(101,828)	(15,413)	2,986	-	(114,255)
Total accumulated depreciation	(544,253)	(37,353)	2,986	-	(578,620)
Total capital assets, being depreciated, net	563,184	4,883	(342)	-	567,725
Governmental activities capital assets, net	$ 946,799	$ 53,063	$ (21,669)	$ -	$ 978,193

NOTE 4 – CAPITAL ASSETS (continued)

	Balance January 1, 2008	Additions	Retirements	Balance December 31, 2008
Business-type Activities				
Capital assets, not being depreciated				
Land and easements	$ 127,328	$ -	$ (807)	$ 126,521
Construction in progress	95,029	27,579	(291)	122,317
Total capital assets, not being depreciated	222,357	27,579	(1,098)	248,838
Capital assets, being depreciated				
Infrastructure	382,547	-	-	382,547
Structures and improvements	614,320	393	(5,758)	608,955
Equipment	23,057	1,024	(295)	23,786
Total capital assets, being depreciated	1,019,924	1,417	(6,053)	1,015,288
Less accumulated depreciation for:				
Infrastructure	(134,703)	(7,336)	-	(142,039)
Structures and improvements	(193,668)	(10,488)	4,679	(199,477)
Equipment	(17,241)	(1,355)	200	(18,396)
Total accumulated depreciation	(345,612)	(19,179)	4,879	(359,912)
Total capital assets, being depreciated, net	674,312	(17,762)	(1,174)	655,376
Business-type activities capital assets, net	$ 896,669	$ 9,817	$ (2,272)	$ 904,214

Depreciation expense was charged to governmental functions as follows:

General government	$ 188
Public Safety	1,245
Pubic Works	12,307
Health and Welfare	15
Community Development	9,374
Depreciation on capital assets held in the City's internal service fund is charged to the various functions based on their usage of assets.	14,224
Total depreciation expense – governmental functions	$ 37,353

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

Sanitary Sewer	$ 1,220
Stormwater	3,220
Water Works	7,139
Municipal Parking	6,393
Solid Waste and Recycling	859
Economic Development	48
Total depreciation expense – business-type functions	$ 19,179

For the fiscal year ended December 31, 2008 (Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS (continued)

Construction in Progress

Construction in progress for the governmental activities represents work in the following areas:

Property Services	$23,924
Convention Center	2,963
Street Lighting	9,198
Street Signage	1,659
Traffic Signals	15,785
Bicycle Trail	9,796
Street Construction	129,279
Bridge Construction	25,529
Heritage Park	59,843
Equipment	337
Business Information Services	21,071
Total CIP for Governmental Activities	$299,384

Construction in progress for the business-type activities represents work in the following areas:

Sewers – Sanitary	$ 7,392
Sewers – Stormwater	64,584
Water	47,808
Parking	2,533
Total CIP for Business-type Activities	$122,317

Capital Project Commitments

For the year 2009, the City of Minneapolis made Capital Project Commitments for the following:

Property Services	$1,650
Sewer Construction	18,609
Street Construction	30,270
Bridge Construction	300
Sidewalk Construction	2,605
Street Lighting	1,291
Traffic Signals	10,802
Bicycle Trails	150
Non-Departmental	2,553
Information Technology	1,500
Water	27,500
Parking	1,700
Total Capital Project Commitments	$98,930

NOTE 5 - LONG-TERM DEBT

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

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

NOTE 5 - LONG-TERM DEBT (continued)

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

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

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

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

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

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

2008 Bond Sales and Refunding Transactions
In 2008, the City of Minneapolis issued bonds & notes totaling $76,513. Of this amount, $12,360 was issued to refund existing debt. Below are details of the 2008 debt issuances.

In March 2008, the City issued $2,770 of General Obligation Tax Increment Bonds (Midtown Exchange), Series 2008 to finance certain public redevelopment costs associated with Midtown Exchange mixed-use redevelopment project. The bonds were used to provide financial assistance to the developer of the rental housing component of the project. The bonds are tax exempt and were issued in fixed rate mode with interest rates ranging from 4.00% to 5.00% and a final maturity date of March 1, 2032.

NOTE 5 - LONG-TERM DEBT

2008 Bond Sales and Refunding Transactions (continued)

In March 2008, the City also issued $12,360 of Taxable General Obligation Tax Increment Refunding Bonds (Laurel Village), Series 2008. The net proceeds of $12,313 (after deducting $62 in underwriting fees and receipt of a $15 reoffering premium) in conjunction with debt service reserve funds of $2 were used to pay $53 in cost of issuance fees and $12,262 to an escrow agent to fund the purchase of government securities to advance refund $11,880 of principal for the General Obligation Tax Increment Refunding Bonds, Series 2003 (Laurel Village). The $11,880 of bonds are defeased in-substance and all debt service will be paid by the escrow agent to the call date of March 1, 2010. This refunding was not performed for interest savings but rather to convert a portion of the outstanding debt from tax exempt to taxable mode to be in compliance with IRS regulations. Debt service on the remaining $7,100 of 2003 Laurel Village bonds will continue to be paid by the City. As a result of reissuing a portion of the outstanding bonds in taxable mode, this refunding resulted in additional aggregate debt service costs of $2,809 and an economic loss of $852. The taxable bonds were issued in fixed rate mode and had interest rates ranging from 4.00% to 4.85% and a final maturity date of March 1, 2018.

In May 2008, the City issued $38,810 of General Obligation Various Purpose Bonds, Series 2008 to support the five-year capital plan. These bonds were issued for a variety of public works infrastructure improvements, park, library, municipal building commission, technology and sewer, water and parking ramp improvements. The 2008 Series, Various Purpose Bonds were issued in fixed rate mode and had interest rates ranging from 4.00% to 5.00% and a final maturity date of December 1, 2015.

In May 2008, the City also issued $11,605 of General Obligation Library Bonds, Series 2008 to provide resources for improvements to Community Libraries as part of a voter approved referendum in the fall of 2000. With this issuance, the City has completed its commitment of $110 million for the Central Library and $30 million for the community library system. The Minneapolis Public Library system was transferred to Hennepin County effective January 1, 2008. As part of the merger agreement, the city is obligated to provide a prescribed level of funding through 2011 for improvements to the previously city owned libraries. The Library bonds were issued in fixed rate mode and had interest rates ranging from 3.00% to 3.50% and a final maturity date of December 1, 2016.

In November 2008, the City issued $7,725 of General Obligation Improvement Bonds, Series 2008 for construction of various special assessment projects including street reconstruction, renovation and resurfacing, alley improvements, streetscape improvements and areaway removals. The Improvement Bonds were issued in fixed rate mode and had interest rates ranging from 3.25% to 4.75% and a final maturity date of December 1, 2028.

2008 Notes Issued

In December 2006, the City issued a $13,500 General Obligation Water Revenue Note to the Minnesota Public Facilities Authority as part of a federally-sponsored below market financing program related to the Safe Drinking Water Act. The note subsidy program is being used to finance construction of an ultra-filtration water plant. The subsidized interest rate is 2.60% with a final maturity date of August 20, 2026. During 2008, the City received additional note proceeds of $3,243 to reimburse project expenses. With principal payments and new draws, this note had an ending balance at December 31, 2008 of $7,744. At December 31, 2008, the outstanding debt on the four notes in this program was $68,294. These notes are general obligations of the City.

NOTE 5 - LONG-TERM DEBT (continued)

Discrete Component Unit Debt

Due to current debt issuance policies, the City issues debt on behalf of the Park & Recreation Board, and the Municipal Building Commission. As of December 31, 2008, $141,295 of the outstanding governmental debt is related to activities of these discretely presented component units and is reported within the debt balances of the primary government. The capital assets purchased with the funds obtained from this debt issuance are held by the respective discrete component units and are reported with their capital assets on the Statement of Net Assets.

Long-term liabilities at December 31, 2008 (in thousands) are detailed below.

Governmental activities:	Balance 1/1/2008	Additions	Retirements	Balance 12/31/2008	Amounts Due Within One Year
Bonds and Notes					
Property Tax Supported GO Bonds	$ 248,305	$ 28,970	$ 29,750	$ 247,525	$ 17,750
Self Supporting GO Bonds	242,400	-	8,425	233,975	8,810
GO Improvement Bonds	44,435	8,225	5,850	46,810	6,120
Tax Increment GO Bonds	166,210	15,130	25,370	155,970	10,555
Revenue Bonds	56,306	-	10,659	45,647	9,667
Revenue Notes	22,734	-	443	22,291	465
Internal Service Fund Related GO Bonds	76,035	1,560	5,930	71,665	11,220
Total Governmental Bonds and Notes	856,425	53,885	86,427	823,883	64,587
Other Long-term Liabilities					
Operating Lease Payable	131	2	51	82	44
Contracts Payable	91	-	40	51	43
Unpaid Claims Payable	33,467	9,430	11,034	31,773	1,241
Unamortized Premium (Discount)	13,352	1,596	1,722	13,226	-
Compensated Absences	26,025	18,533	15,231	29,327	13,515
Other post-employment benefits	2,213	1,985	-	4,198	-
Total Other Long-term Liabilities	75,279	31,456	28,078	78,657	14,843
Total Long-term Liabilities Governmental	931,704	85,341	114,505	902,540	79,430
Business-type activities:					
Bonds and Notes					
Stormwater Fund GO Bonds	33,620	3,635	8,620	28,635	7,096
Sanitary Sewer GO Bonds	6,036	5,500	1,200	10,336	1,689
Water Fund GO Bonds	24,177	10,250	5,630	28,797	4,926
Water Fund GO Note	66,351	3,243	1,300	68,294	1,925
Municipal Parking Fund GO Bonds	238,150	-	36,025	202,125	16,065
CPED Related Non GO Fund General Agency Reserve Fund System	63,695	-	2,966	60,729	3,190
Revenue Notes	838	-	120	718	127
Total Bonds and Notes	432,867	22,628	55,861	399,634	35,018

NOTE 5 - LONG-TERM DEBT (continued)

Other Long-term Liabilities	Balance 1/1/2008	Additions	Retirements	Balance 12/31/2008	Amounts Due Within One Year
Unamortized Premium (Discount)	(806)	1,311	260	245	-
Compensated Absences	3,195	2,433	3,200	2,428	728
Other post-employment benefits	-	632	-	632	-
Total Other Long-term Liabilities	2,389	4,376	3,460	3,305	728
Total Long-term Liabilities Business-type	435,256	27,004	59,321	402,939	35,746
Total Long-term Liabilities	$1,366,960	$112,345	$173,826	$1,305,479	$115,176

For governmental activities, debt service is generally paid from the Debt Service Funds, claims and judgments are generally liquidated by the General Fund or the Self-Insurance Internal Service Fund and compensated absences are generally liquidated by the General Fund or Convention Center Special Revenue Fund.

Amortization of Outstanding Governmental City Debt

As of December 31, 2008, annual debt service requirements for Governmental activities to maturity (in thousands) are as follows:

Governmental Activities – Non-Proprietary

Year Ending	Bonds		Notes	
Dec 31:	Principal	Interest	Principal	Interest
2009	$ 52,902	$ 60,981	$ 465	$ 576
2010	41,610	32,894	537	551
2011	38,585	30,985	3,072	472
2012	38,600	29,172	708	374
2013	37,921	27,338	447	338
2014 - 2018	203,220	110,569	2,632	1,334
2019 - 2023	192,779	56,444	3,250	682
2024 - 2028	100,730	18,328	1,410	106
2029 - 2032	23,580	2,102	9,770	18
Total	729,927	368,813	22,291	4,451

NOTE 5 - LONG-TERM DEBT (continued)

Year Ending	Internal Service Fund Bonds		Total Governmental Activity Bonds & Notes	
Dec 31:	Principal	Interest	Principal	Interest
2009	11,220	3,340	64,587	64,897
2010	11,205	2,825	52,582	36,270
2011	11,770	2,304	53,427	32,761
2012	11,345	1,755	50,653	31,301
2013	3,010	1,224	41,378	28,900
2014 - 2018	15,275	4,080	221,126	115,983
2019 - 2023	7,840	769	203,870	57,895
2024 - 2028	-	-	102,140	18,433
2029 - 2032	-	-	33,350	2,120
Total	$ 71,665	$ 16,297	$ 3,883	$ 389,560

Amortization of Outstanding Business-type City Debt

As of December 31, 2008, annual debt service requirements for Business-type activities to maturity (in thousands) are as follows:

Year Ending	Bonds		Notes		Total	Total
Dec 31:	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 32,966	$ 18,402	$ 2,052	$ 2,047	$ 35,018	$ 20,449
2010	31,020	16,972	2,161	1,987	33,181	18,959
2011	28,906	15,626	3,419	1,923	32,325	17,549
2012	26,530	14,530	3,273	1,826	29,803	16,356
2013	21,255	13,526	3,512	1,736	24,767	15,262
2014 - 2018	76,171	47,936	23,201	7,173	99,372	55,109
2019 - 2023	43,615	26,836	29,894	3,064	73,509	30,738
2024 - 2028	46,920	13,631	1,500	78	48,420	13,709
2029 - 2033	20,385	4,304	-	-	20,385	4,304
2034 - 2035	2,854	272	-	-	2,854	272
Total	$ 330,622	$ 172,035	$ 69,012	$ 19,834	$ 399,634	$ 192,707

For the fiscal year ended December 31, 2008 (Dollar Amounts Expressed in Thousands)

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

As of December 31, 2008, outstanding industrial, commercial, and housing revenue bonds and notes approximated $2,182 million. The bonds are payable solely from revenues of the respective enterprises and do not constitute an indebtedness of the City. They are not a charge against the City's general credit or taxing power.

NOTE 7 – PRIOR YEAR DEFEASANCE

In prior years, the City defeased certain general obligation bonds and self supporting revenue bonds by placing the proceeds of the refunding issues with a trustee who maintains special escrow accounts invested in securities of the U.S. Government and its Agencies. The maturities of these investments coincide with the principal and interest payment dates of the refunded bonds and have been certified to be sufficient to pay all principal and interest on the bonds when due as required by applicable laws. Accordingly, the original refunded bonds have been eliminated and the new advance refunding bonds added to the appropriate financial statements. The City remains contingently liable to pay the refunded bonds. The outstanding balance of the extinguished debt as of December 31, 2008 is $54,570 including $11,880 for an advance refunding completed in 2008.

NOTE 8 – DEMAND BONDS

General Obligation Demand Bonds
The City has issued General Obligation demand bonds maturing serially through December 1, 2033, in the original issue amounts of $88,400, $80,000, $10,610, $57,000, $15,985, $16,100, $19,170, $16,400, $4,250, $31,715 and $3,980. The bonds were issued pursuant to resolutions adopted by the City Council and the proceeds were used to finance a portion of the cost of constructing certain local improvements.
The remaining redemption schedule for these bonds is as follows:

Year	Amount
2009	7,635
2010	4,475
2011	5,120
2012	3,205
2013	2,925
2014	4,120
2015	21,420
2016	21,825
2017	22,140
2018	22,190
2019	1,590
2020	1,360
2021	1,750
2022	2,095
2023	1,920
2024	1,700
2025	4,675
2026	11,135
2027	11,020
2028	11,790
2029	10,445
2030	9,490
2031	8,335
2032	3,210
2033	3,100
Total	$ 198,670

NOTE 8 – DEMAND BONDS (continued)

The bonds are subject to purchase on demand of the holder at a price equal to principal plus accrued interest on delivery to the City's Remarketing agent. The Remarketing agent is authorized to use their best effort to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate. These demand bonds are backed by the full faith, credit and taxing power of the City and are included in long-term debt. Under irrevocable Standby Bond Purchase Agreements issued by Dexia Credit Local, acting through its New York branch, the trustee is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The letters of credit are for the original sale amount and are subject to extension with the agreement of the Bank. They carry a rate equal to the Federal Funds rate plus one-half of one percent per annum with respect to amounts advanced. The expiration dates for the Standby Bond Purchase Agreements are October 31, 2012. The City is required to pay Dexia Credit Local an annual commitment fee of 10.50 basis points on the outstanding principal amount of the bonds and on the maximum interest payments of these issues. The Remarketing Agent receives an annual fee of 10 basis points on the outstanding principal amount of bonds held by the public. The City has the option to convert all of the bonds from a variable interest rate to a fixed interest rate by giving written notice to Dexia, the Tender Agent, the Remarketing Agent and the Trustee. The conversion date must be on a business day not less than 15 days from the date of the written notice.

NOTE 9 – LEASES

Operating Leases

The City of Minneapolis leases office space, equipment and right of ways for its operations. The lease for office space expires in the year 2016 and the office space lease payments were $1,174 in 2008.

The future minimum lease payments for operating leases are as follows:

Year ending December 31	Government Activity Amount	Business Type Activity Amount
2009	$ 649	$ -
2010	580	-
2011	643	-
2012	789	-
2013	776	-
2014– 2018	2,076	-
Total minimum lease payments	$ 5,513	$ -

Operating leases with scheduled rent increases

The City leases office space for various operations. The leases contain scheduled rent increases with terms varying from two to seventeen years. The operating lease transactions are measured on a straight-line basis over the lease term per GASB Statement No. 13-Accounting for Operating Leases with Scheduled Rent Increases. Application of the straight-line basis to the total lease expenditures of $2,673 over the lease terms results in a total annual lease amount of $364.

For the fiscal year ended December 31, 2008 (Dollar Amounts Expressed in Thousands)

NOTE 9 – LEASES

Operating leases with scheduled rent increases (continued)

For 2008 the amount of lease expenditures is as follows:

	Amount
Operating leases	$ 409
Straight Line Basis	(45)
Total expenditures	$ 364

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

Year	Government Activities Amount	Business Type Activities Amount
2009	$ 312	$ 71
2010	36	71
2011	27	72
2012	-	73
2013	-	73
2014-2018	-	379
2019	-	79
Total minimum lease payments	$ 375	$ 818

NOTE 10 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of December 31, 2008 are as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Permanent Improvement Fund	Non major Governmental Funds	$ 188
CPED Special Revenue Fund	CPED Enterprise Fund	700
	Non major Governmental Funds	61
Non major Governmental Funds	General Fund	25
	Non major Governmental Funds	4,507
Internal Service Funds	Permanent Improvement Fund	1,018
	Internal Service Funds	2,480
Sanitary Sewer Enterprise Fund	Permanent Improvement Fund	5,065
Stormwater Enterprise Fund		11,924
Water Works Enterprise Fund		8,119
Municipal Parking Enterprise Fund		333
	Total	$ 34,420

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

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
Community Development Agency Special Revenue Fund	Community Development Agency Enterprise Fund	$ 10
Convention Center	Internal Service	9,250
General Fund	Internal Service	864
	Total	$ 10,124

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

For the fiscal year ended December 31, 2008 (Dollar Amounts Expressed in Thousands)

NOTE 10 – INTERFUND TRANSACTIONS (continued)

Transfers

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

Fund Transferred To	Fund Transferred From		Total Transfers In
Governmental Funds:			
General Fund	Convention Center	$ 8,366	
	Non-Major Governmental Funds	1,480	
	Municipal Parking	8,618	
	Solid Waste & Recycling	700	19,164
CPED Special Revenue Fund	Non-Major Governmental Funds	177	
	General Fund	16	
	Municipal Parking	2,773	
	CPED Enterprise Fund	4,010	6,976
Convention Center	Non-Major Governmental Funds	1,000	1,000
Permanent Improvement Fund	Convention Center	750	
	CPED Special Revenue Fund	927	
	Non-Major Governmental Funds	100	1,777
Special Assesment Debt Service Fund	CPED Special Revenue Fund	175	
	Permanent Improvement Fund	74	249
Non-Major Governmental Funds	General Fund	10,722	
	Convention Center	19,043	
	CPED Special Revenue Fund	61,810	
	Permanent Improvement Fund	2,900	
	Non-Major Governmental Funds	3,697	
	Internal Service Funds	1,052	
	Sanitary Sewer	629	
	Stormwater	513	
	Water Works	1,649	
	Municipal Parking	2,345	
	Solid Waste & Recycling	109	104,469
	Total Governmental Funds		$ 133,635

NOTE 10 – INTERFUND TRANSACTIONS

Transfers (continued)

Fund Transferred To	Fund Transferred From		Total Transfers In
Proprietary Funds:			
Business Type Activities			
Stormwater	Non-Major Governmental Funds	$ 1,147	1,147
Municipal Parking	CPED Special Revenue Fund	7,387	
	Convention Center	9,832	17,219
Solid Waste & Recycling	General Fund	200	
	Municipal Parking	146	346
	Total Business Type Activities		$ 18,712
Governmental Type Activities			
Internal Service Funds	General Fund		20,964
	Non-Major Governmental Funds		1,289
	Total Governmental Type Activities		$ 22,253

Transfers are made throughout the year between various funds. The majority of the transfers are funding the repayment of debt in the Development Debt and the General Debt Service Funds, transfers to Internal Service Funds for intergovernmental services and transfers to pass through grant resources between funds. Other significant transfers are to support economic development projects and capital projects.

NOTE 11 – NET ASSETS/FUND BALANCES

The government-wide and business-type activities fund financial statements use a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- Invested in capital assets, net of related debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This category represents net assets of the City, not restricted for any project or other purpose.

In the fund financial statements, reserves segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves are established by actions of the City Council and management and can be increased, reduced, or eliminated by similar actions.

For the fiscal year ended December 31, 2008 (Dollar Amounts Expressed in Thousands)

NOTE 11 – NET ASSETS/FUND BALANCES (continued)

As of December 31, 2008, reservations of fund balance are described below:

Reservations

- Loans and Advances – to reflect the amount due from other funds that are long-term in nature. Such amounts do not represent available spendable resources.
- Land held for development – a segregation of fund balance to indicate that land held for development does not represent available spendable resources.
- Specific development projects – to indicate that a portion of fund balance is reserved for specific development projects that are restricted by state law.
- Encumbrances – to reflect the outstanding contractual obligations for which goods and services have not been received.
- Prepaid items – to reflect the portion of assets, which do not represent available spendable resources.
- Pension Liability – to reflect that a portion of fund balance is reserved for pension liabilities.
- Street/Highway Projects – to reflect the portion of fund balance reserved for projects to be funded with Minnesota highway user tax.

NOTE 12 – RESTRICTED NET ASSETS – GOVERNMENTAL ACTIVITIES

Certain net assets are classified on the statement of net assets as restricted because their use is limited. The Governmental activities report restricted net assets for amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of December 31, 2008 the Governmental activities restricted net assets are as follows:

Debt service	$ 59,629

NOTE 13 – RESTRICTED NET ASSETS – BUSINESS-TYPE ACTIVITIES

Certain net assets are classified on the balance sheet as restricted because their use is limited. The Business-type activities report restricted net assets for amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of December 31, 2008, the Business-type restricted net assets are as follows:

Debt service	$ 34,456

NOTE 14 - DEFICIT NET ASSETS

The following funds had deficit net assets as of December 31, 2008:

Internal Service Funds:	
Self Insurance	$(15,493)

The City intends to fund the actuarially determined liability in the Self Insurance Internal Service Fund by maintaining a cash reserve equal to the claims liability. In 2003, the City adopted a long-range financial plan to increase the cash reserve and achieve a positive net asset balance. For fiscal year 2008, the cash reserve of $16,347 is increased by $7,345 from the 2007 balance of $9,002. The 2008 net assets in the Self-Insurance Fund increased $10,878 from the 2007 balance of ($26,371).

NOTE 15 - DEFINED BENEFIT PENSION PLAN – STATEWIDE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

All firefighters and police officers hired after June 15, 1980, and other full-time and certain part-time employees of the City hired after June 30, 1978, except employees covered under the CPED Defined Contribution Plan, are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes chapters 353 and 356. The police officers and firefighters are covered by the PEPFF. All other full-time and certain part-time employees covered by the defined benefit pension plans administered by the PERA are members of the PERF. PERF members of the City belong to the Coordinated Plan and are covered by Social Security.

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by State Statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For the Public Employees Police and Fire Fund members, the annuity accrual rate is 3 percent for each year of service.

For all Public Employees Police and Fire Fund members and Public Employees Retirement Fund members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088, or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Coordinated Plan members were required to contribute 6.00 percent of their annual covered salary in 2008. Contribution rates in the Coordinated Plan increased in 2009 to 6.75 percent. Public Employees Police and Fire Fund members were required to contribute 8.60 percent of their annual covered salary in 2008. That rate increased to 9.40 percent in 2009.

For the fiscal year ended December 31, 2008 (Dollar Amounts Expressed in Thousands)

NOTE 15 - DEFINED BENEFIT PENSION PLAN – STATEWIDE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description (continued)

The City is required to contribute the following percentages of annual covered payroll:

Public Employees Retirement Fund	2008	2009
Coordinated Plan members	6.50 %	6.75 %
Public Employees Police and Fire Fund	12.90 %	14.10 %

The City contributions for the years ending December 31, 2006, 2007, and 2008 for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	PERF	PEPFF
2006	$7,328	$8,740
2007	$8,041	$10,030
2008	$8,781	$12,243

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

NOTE 16 - DEFINED BENEFIT PENSION PLAN - MULTIPLE EMPLOYER MINNEAPOLIS EMPLOYEES RETIREMENT FUND

Plan Description

All full-time City employees hired on or before June 30, 1978, other than firefighters, and police officers, are covered by the Minneapolis Employees Retirement Fund (MERF), a defined benefit pension plan which is a cost-sharing, multiple-employer retirement plan. This plan is administered in accordance with Minnesota Statutes Chapter 422A. The MERF pension plan provides pension benefits, deferred annuity, and death and disability benefits as set by state statute. Members are eligible for service retirement either:

1) With 30 or more years of service at any age; or
2) At age 60 with three or more years of service; or
3) At age 65 with one year of service; or
4) With 20 or more years of service at age 55 under the Two Dollar Bill method of retirement (money purchase plan), if a
MERF member prior to June 28, 1973.

The MERF provides a number of retirement options from which the member may choose. The maximum benefit one may receive is a retirement allowance payable throughout life. Participants may receive lesser retirement allowances if they choose payments for a guaranteed number of years, request a certain percent or dollar amount of their retirement allowances to go to a beneficiary or if they chose to provide for a certain amount to be paid out upon death. The benefit amount for all options, except the money purchase plan, is calculated based on the average of the highest five years salary within the last ten years of employment and years of creditable service at the date of retirement. The member will receive a benefit amount equal to 2 percent of that average salary for each of the first ten years of service, and 2.5 percent of that salary for each year over ten years of service.

A monthly retirement benefit is available to employees who have under three years of service in the MERF, but only when these years, combined with service in other Minnesota statewide retirement systems, total three or more years. A monthly retirement benefit is also available to employees who have less then three years of combined allowable service in any of the qualifying funds, provided the employee works until age 65.

NOTE 16 - DEFINED BENEFIT PENSION PLAN - MULTIPLE EMPLOYER MINNEAPOLIS EMPLOYEES RETIREMENT FUND

Plan Description (continued)

Employees who leave public service before retirement and before age 60 may receive a refund of all personal contributions, with interest, except for the survivor benefit contribution, which is the equivalent of a non-refundable term insurance premium. Employees who leave public service after age 60 may not withdraw personal contributions with interest unless they have worked under three years and do not qualify for monthly retirement benefits.

Pension provisions include death benefits for a beneficiary or surviving spouse, and disability benefits for a disabled employee, as defined by the fund.

The MERF issues a publicly available financial report that includes financial statements and required supplementary information for the MERF. This report may be obtained by writing to MERF, 706 – Second Avenue South, #800, Minneapolis, Minnesota 55402, or by calling (612) 335-5950.

Funding Policy

Minnesota Statutes Chapter 422A sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. Employees contribute 9.25% of salary into the Deposit Accumulation Reserve and .50% of salary (subject to annual adjustment) into the Survivor Benefits Reserve. Employers, including the City contribute any excess of normal cost contributions of 9.72% of salary. The unfunded actuarial liability is funded partially by payments each year of 2.68% of salary plus $3,900 from all employers. MERF has a target date of June 30, 2020 to fully amortize the unfunded liability. The City levies taxes to finance the employer's share of pension costs for the General Fund.

The City's contributions for the years ended June 30, 2006, 2007, and 2008 for the MERF were:

2006	$13,375
2007	$3,259
2008	$5,824

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

NOTE 17 - DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER MINNEAPOLIS FIREFIGHTER'S RELIEF ASSOCIATION MINNEAPOLIS POLICE RELIEF ASSOCIATION

Plan Description

Firefighters and police officers hired prior to June 15, 1980, are members of their respective relief associations. Each Association is the administrator of a single-employer defined benefit pension plan. The Minneapolis Firefighter's Relief Association (MFRA) was established November 24, 1886. It operates under the provisions its bylaws and Minnesota State Law. The Minneapolis Police Relief Association (MPRA) was established on August 23, 1905, and it operates under the provisions of Minnesota Statutes, sections 423B.01-.18 and 69.80. Each member who is at least 50 years of age and has five years of service with the Minneapolis Fire Department or the Minneapolis Police Department is eligible to receive a service pension, monthly, for the remainder of the member's life. All benefits are based on a plan of a number of units. A unit is 1/80th of the maximum current monthly salary of a first grade firefighter (MFRA) or a first grade patrol officer (MPRA). Pensions are based on current Minneapolis Fire Department payroll or Minneapolis Police Department payroll and are fully escalated for all persons receiving a pension benefit.

For the fiscal year ended December 31, 2008 (Dollar Amounts Expressed in Thousands)

**NOTE 17 - DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER
MINNEAPOLIS FIREFIGHTER'S RELIEF ASSOCIATION
MINNEAPOLIS POLICE RELIEF ASSOCIATION**

Plan Description (continued)

Each vested MFRA member also receives a lump sum amount, at the time of separation, from the MFRA's General Fund based on the number of years the member has belonged to the MFRA.

A member is entitled to disability benefits in conformity with the provisions applicable to the association and the circumstances of the disability, not to exceed 41 units (MFRA) or 34 units (MPRA). Death benefits for a beneficiary or surviving spouse are also available.

The MFRA issues a publicly available financial report that includes financial statements and required supplementary information for the MFRA. The most recent report, dated December 31, 2007 may be obtained by writing to the Minneapolis Firefighter's Relief Association at 2021 East Hennepin Avenue, Suite 360, Minneapolis, Minnesota 55413. The MPRA issues a publicly available financial report that includes financial statements and required supplementary information for the MPRA. The most recent report, dated December 31, 2007, may be obtained by writing to the Minneapolis Police Relief Association, 10 - Second Street Northeast, Suite 103, Minneapolis, Minnesota, 55413.

Funding Policy

Authority for contributions to the MFRA and the MPRA pension plans is established by Minnesota Statutes, section 69.77 and may be amended only by the Minnesota State Legislature. The MFRA and the MPRA funding policies provide for contributions from the City, the State of Minnesota, and active plan members. City contributions are actuarially determined and requires full funding of the MFRA's accrued liability with a 15-year amortization of any unfunded liabilities and full funding of the MPRA's accrued liability by the year 2020. The City contributed $4,290 to MFRA and $6,814 to MPRA for the fiscal year ended December 31, 2007. Employees under these plans contribute annually an amount equal to eight percent of the maximum first grade firefighter's salary or eight percent of the maximum top grade patrol officer's salary from which pension benefits are determined. The State of Minnesota annually contributes two percent fire premium insurance aid and the amortization state aid to the MFRA and two percent peace officers' state aid to the MPRA.

**NOTE 17 - DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER
MINNEAPOLIS FIREFIGHTER'S RELIEF ASSOCIATION
MINNEAPOLIS POLICE RELIEF ASSOCIATION**

Plan Description (continued)

The City's annual pension cost for the fiscal year ended December 31, 2007, and related information for each plan is as follows:

	MFRA	MPRA
Annual pension cost	$ 2,150	$ 27,890
Contributions made	$ 4,290	$ 6,814
Actuarial valuation date	12/31/2007	12/31/2007
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll
Remaining amortization period	14 years, closed	14 years, closed
Asset valuation method	Book value plus the average unrealized gain for the last three years minus excess investment income as defined by state law.	Book value plus the average unrealized gain for the last three years minus excess investment income as defined by state law.
Actuarial assumptions:		
Investment rate of return	6% per annum	6% per annum
Projected salary increases:	4% per annum	4% per annum
Inflation	NA	NA
Cost-of-living adjustments	NA	NA

Three-Year Trend Information:

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed (%)	Net Pension Obligation
MFRA				
	2005	$ 6,651	100	-
	2006	$ 2,570	100	-
	2007	$ 4,290	100	-
MPRA				
	2005	$ 31,550	100	-
	2006	$ 10,952	100	-
	2007	$ 6,814	100	-

There have been no significant changes to plan provisions and actuarial methods and assumptions in the last eight years.

NOTE 17 - DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER MINNEAPOLIS FIREFIGHTER'S RELIEF ASSOCIATION MINNEAPOLIS POLICE RELIEF ASSOCIATION

Plan Description (continued)

Schedules of Funding Progress:

MFRA:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) --Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (Previous Fiscal Year) (c)	UAAL as a Percentage of Covered Payroll (%) ((b - a)/c)
2005	$ 269,426	$ 312,563	$ 43,137	86.2	$ 2,933	1470.7
2006	$ 263,276	$ 300,926	$ 37,650	87.5	$ 2,489	1512.7
2007	$ 270,096	$ 291,078	$ 20,982	92.8	$ 2,236	938.4

MPRA:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) --Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (Previous Fiscal Year) (c)	UAAL as a Percentage of Covered Payroll (%) ((b - a)/c)
2005	$ 359,032	$ 464,222	$ 105,190	77.3	$ 1,403	7497.5
2006	$ 377,013	$ 439,992	$ 62,979	85.7	$ 1,236	5095.4
2007	$ 376,466	$ 428,281	$ 51,815	87.9	$ 1,186	4368.9

NOTE 18 - DEFINED CONTRIBUTION PLAN – CPED

Plan Description

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

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

The payroll for employees covered by the CPED's defined contribution plan for the year ended December 31, 2008, was $2,315 and the CPED's total payroll was $8,403.

Contributions Required and Made

The City of Minneapolis and CPED employee participants are each required to contribute five percent of the participants' annual compensation to an investment fund administered by Union Central Life Insurance Company, which will provide retirement benefits under a Money Purchase Plan. Participants are vested at the rate of 20 percent per year, for the employer's share of the contribution, and are 100 percent vested immediately for their individual contribution.

The City and CPED employee participants contributed $128 and $118 respectively to the plan during the year, which amounts represented 5.53% and 5.1% respectively of the covered payroll.

NOTES TO THE FINANCIAL STATEMENTS CITY OF MINNEAPOLIS, MINNESOTA
For the fiscal year ended December 31, 2008 (Dollar Amounts Expressed in Thousands)

NOTE 19 – POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The City provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical and dental coverage. Medical coverage is administered by Medica. Dental coverage is administered through the Delta Dental Plan of Minnesota. The City is self-insured for dental coverage. Retirees pay 100 % of the blended active/retiree premium rate, in accordance with Minnesota Statutes Chapt. 471.61, subd. 2b. It is the City's policy to periodically review its medical and dental coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees.

Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Medica and Delta Dental. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2008, the City contributed $3,411 to the plan. As of January 1, 2008, there were approximately 1,089 retirees receiving health benefits from the City's health plan.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 6,028
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	6,028
Contributions made	3,411
Increase in net OPEB obligation	2,617
Net OPEB obligation – beginning of year	2,213
Net OPEB obligation – end of year	$ 4,830

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and 2007 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	$ 6,028	56.6%	$ 4,830
12/31/2007	5,497	59.7%	2,213

NOTE 19 – POSTEMPLOYMENT HEALTHCARE PLAN (continued)

Funded Status and Funding Progress

As of January 1, 2007, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was $61,198 and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of $61,198. The covered payroll (annual payroll of active employees covered by the plan) was $383,114, and the ratio of the UAAL to the covered payroll was 16.0 %.

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

Actuarial Methods and Assumptions

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

In the January 1, 2007, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.0% discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (about 7% to 8.5%, long-term, similar to a pension plan) or unfunded (3.5% to 5%, shorter term, based on City's general assets). The City currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual healthcare cost trend rate was calculated to be 11% initially, reduced incrementally to an ultimate rate of 5% after ten years. As of January 1, 2008 it was 10.5%. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The original amortization period was 30 years, as of January 1, 2008, 29 years remain.

NOTE 20 - VACATION, SEVERANCE, SICK AND COMPENSATORY TIME PAY

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CITY OF MINNEAPOLIS, MINNESOTA

For the fiscal year ended December 31, 2008 (Dollar Amounts Expressed in Thousands)

NOTE 21 - RISK MANAGEMENT & CLAIMS

The City is self insured and exposed to a variety of risks related to liability claims; theft of, damage to, and destruction of assets, bodily injuries, and accidents. The City is self-insured for workers' compensation, general liability, and re-employment. Claims under $25,000 and unrepresented are handled by Risk Management & Claims. Claims represented and over $25,000 are handled by the City Attorneys' Office. The workers' compensation program includes the BET and all City departments. The Park Board and MBC maintained their own workers' compensation programs. The City, CPED, and the BET are self-insured for general liability. The MBC and the Park Board maintain their separate liability programs. The City, including all discrete and blended component units of government, also maintains a self-funded dental plan for covered
employees. The claims liability of $31.8 million is reported in the Self-Insurance Internal Service Fund at December 31, 2008, is based on the requirements of GASB Statement No. 10-Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, and covers the exposures of workers' compensation, liability, dental and re-employment.

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

Dental coverage is based on plan design and includes Delta Preferred coverage of up to $1,000 or Delta Premier coverage of up to $750 per person annually. Based on an actuarial review of the dental plan, it has been determined that the premium rates are sufficient.

Changes in the claims liabilities during fiscal 2007 and 2008 are:

	2007	2008
Liability balance – January 1	$ 32,246	$ 33,467
Current year claims and changes in estimates	12,243	9,340
Claim payments	(11,022)	(11,034)
Liability balance – December 31	$ 33,467	$ 31,773

NOTE 22 – CLEANUP OF HAZARDOUS MATERIALS

Properties owned by the City of Minneapolis may have certain contingent liabilities associated with them due to potential contamination from hazardous material or difficulty in securing vacant structures located on them. It is not expected that these contingencies will have a material effect on the financial statements of the City.

Any of these related costs that are incurred during City project construction are charged to the project that incurs them, and are capitalized when the project is completed.

NOTE 23– OTHER COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the grantor agencies. Any disallowed claims, including amounts previously recognized by the City as revenue, would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time. City officials expect such amounts, if any, to be immaterial.

In connection with the normal conduct of its affairs, the City is involved in various claims and litigations pending against the City involving claims for monetary damages. Except as follows, these pending cases are not unusual in number and amount.

> The City is a defendant in various cases that allege injuries and wrongful death, as a result of police misconduct.
>
> The City is a defendant in cases that allege property damages from sewer repair work and bridge replacement.
>
> The City is also a defendant in a case that alleges “violation of constitutional rights” of the plaintiff.
>
> A notice of claim has been filed against the city by one of the major corporations arising from damage to property caused by water infiltration due to a water main break.
>
> The City is a defendant in a case alleging discrimination based upon religious beliefs, and for breach of contract

NOTE 24 – SUBSEQUENT EVENTS

The City has issued the following Bonds since December 31, 2008

In May 2009, the City issued $85,370 of General Obligation Various Purpose Bonds, Series 2009 to support the five-year capital plan. These bonds were issued for a variety of public works infrastructure improvements, park,, municipal building commission, diseased tree, technology, sanitary and storm sewer and water improvements. The 2009 Series, Various Purpose Bonds were issued in fixed rate mode and had interest rates ranging from 2.00% to 4.00% and a final maturity date of December 1, 2025.

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GENERAL FUND — **CITY OF MINNEAPOLIS, MINNESOTA**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended December 31, 2008 — **(In Thousands)**

	2008 Budgeted Amounts Original	2008 Budgeted Amounts Final	2008 Actual	2008 Variance	2007 Actual
REVENUES:					
Taxes	$ 179,344	$ 175,329	$ 181,392	$ 6,063	$ 150,886
Licenses and permits	26,449	26,894	25,922	(972)	25,202
Intergovernmental revenues	83,445	87,461	75,605	(11,856)	84,026
Charges for services and sales	36,124	37,872	38,339	467	35,902
Fines and forfeits	11,358	11,358	8,670	(2,688)	8,488
Special assessments	1,753	3,253	4,869	1,616	4,423
Interest	1,203	1,203	4,082	2,879	2,780
Miscellaneous revenues	1,435	1,495	1,011	(484)	1,066
Total revenues	341,111	344,865	339,890	(4,975)	312,773
CURRENT EXPENDITURES:					
Current:					
General government:					
Mayor	1,374	1,404	1,349	55	1,280
Council & Clerk	5,481	5,684	5,009	675	5,121
Assessor	3,766	3,777	3,692	85	3,519
Attorney	7,095	7,199	7,177	22	6,056
Civil rights	2,492	2,937	2,509	428	2,287
Clerk-Elections and registration	1,341	1,342	1,281	61	788
Coordinator	1,379	1,606	1,558	48	1,446
Coordinator-Communications	2,683	2,492	2,338	154	2,261
Coordinator-Finance	18,720	18,757	18,752	5	17,541
Coordinator-Grants and special projects	-	-	-	-	201
Coordinator-Human resources	6,071	6,145	5,719	426	5,947
Coordinator-Intergovernmental relations	1,470	1,474	1,211	263	868
Contingency	2,733	648	1,623	(975)	570
Miscellaneous	-	-	-	-	163
Total general government	54,605	53,465	52,218	1,247	48,048
Public safety:					
Coordinator-Regulatory services	23,022	24,345	24,345	-	23,912
Corrections	-	-	-	-	775
Emergency communications	9,953	10,169	10,040	129	9,226
Fire	50,348	50,517	51,517	(1,000)	48,471
Police	121,248	123,157	122,734	423	116,268
Total public safety	204,571	208,188	208,636	(448)	198,652
Public works:					
Administration	2,901	2,902	2,712	190	2,869
Engineering design	1,080	1,653	1,331	322	1,058
Field services	23,956	26,437	26,417	20	25,218
Surface water and sewers	569	-	-	-	-
Transportation and special projects	11,499	11,508	11,828	(320)	11,424
Solid waste	150	150	-	150	-
Property services	25	25	-	25	-
Total public works	40,180	42,675	42,288	387	40,569
Culture and recreation - Library	22,100	22,100	22,009	91	1,205
Health and welfare - Health and family support	4,081	4,083	4,083	-	4,047
Community & economic development	3,474	3,491	3,475	16	3,642
Total expenditures	329,011	334,002	332,709	1,293	296,163
Excess (deficiency) of revenues over (under) expenditures	12,100	10,863	7,181	(3,682)	16,610
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	19,636	19,636	19,164	(472)	12,736
Transfers to other funds	(31,736)	(31,736)	(31,902)	(166)	(29,213)
Total other financing sources (uses)	(12,100)	(12,100)	(12,738)	(638)	(16,477)
Net change in fund balance	-	(1,237)	(5,557)	(4,320)	133
Fund balance - January 1	55,245	55,245	55,245	-	55,112
Fund balance - December 31	$ 55,245	$ 54,008	$ 49,688	$ (4,320)	$ 55,245

The notes to the required supplementary information are an integral part of this statement.

COMMUNITY PLANNING AND ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND — **CITY OF MINNEAPOLIS, MINNESOTA**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended December 31, 2008 — **(In Thousands)**

	2008 Budgeted Amounts Original	2008 Budgeted Amounts Final	2008 Actual	2008 Variance	2007 Actual
REVENUES:					
Taxes:					
General property tax	$ -	$ -	$ -	$ -	$ 226
Property tax increment	80,265	83,035	82,149	(886)	77,109
Total taxes	80,265	83,035	82,149	(886)	77,335
Intergovernmental revenues:					
Federal grantor agencies	-	-	-	-	8
State grants and shared revenues	-	-	587	587	768
County grants	-	-	20	20	385
Other local grants	-	-	323	323	588
Total intergovernmental revenues	-	-	930	930	1,749
Charges for services and sales	2,332	2,332	6,384	4,052	8,840
Interest	87	87	4,605	4,518	8,975
Miscellaneous revenues:					
Rents and commissions	5,141	5,141	4,937	(204)	4,564
Sale of land	10,222	11,132	1,469	(9,663)	1,055
Loan recapture	3,525	3,525	3,297	(228)	4,289
Other	2,425	2,445	933	(1,512)	822
Total miscellaneous revenues	21,313	22,243	10,636	(11,607)	10,730
Total revenues	103,997	107,697	104,704	(2,993)	107,629
EXPENDITURES:					
Current:					
Community & economic development	43,975	146,675	45,929	100,746	50,945
Capital Outlay	-	-	756	(756)	-
Debt Service:					
Bond issuance costs	-	-	87	(87)	-
Total expenditures	43,975	146,675	46,772	99,903	50,945
Excess (deficiency) of revenues over (under) expenditures	60,022	(38,978)	57,932	96,910	56,684
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	3,596	4,028	6,976	2,948	11,151
Transfers to other funds	(69,330)	(69,579)	(70,299)	(720)	(67,709)
Bonds issued	-	-	2,770	2,770	-
Premium	-	-	22	22	-
Refunding bonds issued	-	-	12,360	12,360	-
Payments to escrow agents	-	-	(12,262)	(12,262)	-
Total other financing sources (uses)	(65,734)	(65,551)	(60,433)	5,118	(56,558)
Net change in fund balance	(5,712)	(104,529)	(2,501)	102,028	126
Fund balance - January 1	224,664	224,664	224,664	-	224,538
Fund balance - December 31	$ 218,952	$ 120,135	$ 222,163	$ 102,028	$ 224,664

The notes to the required supplementary information are an integral part of this statement.

CONVENTION CENTER SPECIAL REVENUE FUND **CITY OF MINNEAPOLIS, MINNESOTA**
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2008 **(In Thousands)**

	2008				2007
	Budgeted Amount				
	Original	Final	Actual	Variance	Actual
REVENUES:					
Taxes:					
Sales and use tax	$ 29,103	$ 29,103	$ 29,502	$ 399	$ 29,535
Entertainment tax	9,664	9,664	9,631	(33)	9,880
Food tax	9,811	9,811	10,789	978	10,319
Liquor tax	3,826	3,826	3,939	113	3,757
Lodging tax	5,460	5,460	6,619	1,159	6,574
Total taxes	57,864	57,864	60,480	2,616	60,065
Charges for services and sales	6,180	6,215	6,062	(153)	5,251
Interest	1,704	1,204	2,114	910	1,544
Miscellaneous revenues:					
Rents and commissions	6,689	6,689	6,705	16	6,509
Private contributions	-	510	510	-	392
Privileges	2,700	2,700	2,801	101	2,555
Other	14	14	8	(6)	27
Total miscellaneous revenues	9,403	9,913	10,024	111	9,483
Total revenues	75,151	75,196	78,680	3,484	76,343
CURRENT EXPENDITURES:					
General government	-	-	-	-	66
Public safety	500	500	-	500	-
Community & economic development	40,354	44,561	39,300	5,261	33,620
Total expenditures	40,854	45,061	39,300	5,761	33,686
Excess (deficiency) of revenues over (under) expenditures	34,297	30,135	39,380	9,245	42,657
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	1,000	1,000	1,000	-	500
Transfers to other funds	(40,260)	(40,260)	(37,991)	2,269	(38,461)
Total other financing sources (uses)	(39,260)	(39,260)	(36,991)	2,269	(37,961)
Net change in fund balance	(4,963)	(9,125)	2,389	11,514	4,696
Fund balance - January 1	45,918	45,918	45,918	-	41,222
Fund balance - December 31	$ 40,955	$ 36,793	$ 48,307	$ 11,514	$ 45,918

The notes to the required supplementary information are an integral part of this statement.

NOTE 1 – BUDGETS

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

NOTE 2 – POSTEMPLOYMENT BENEFITS PLAN

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2007	$ -	$ 61,251	$ 61,251	0.0%	$ 288,996	21.2%
1/1/2008	$ -	$ 61,198	$ 61,198	0.0%	$ 383,114	16.0%

GOVERNMENTAL FUNDS **CITY OF MINNEAPOLIS, MINNESOTA**
BALANCE SHEET - NONMAJOR FUNDS
December 31, 2008 **(In Thousands)**

	Special Revenue	Debt Service	Capital Project	Total Nonmajor Governmental
ASSETS				
Cash and cash equivalents	$ 19,113	$ 40,508		$ 59,621
Deposits with fiscal agents	444	-	-	444
Investments with trustees	1	6,497	-	6,498
Receivables:				
Accounts - net	87	609		696
Taxes	148	569		717
Special assessments	1,278	-		1,278
Loans	5,323	-	-	5,323
Accrued interest	37	103		140
Intergovernmental	15,230	-	-	15,230
Due from other funds	4,532	-	-	4,532
Land held for development	5,321	-		5,321
Total assets	**$ 51,514**	**$ 48,286**	**$ -**	**$ 99,800**
LIABILITIES and FUND BALANCES				
Liabilities:				
Salaries payable	$ 527	$ -		$ 527
Accounts payable	3,698	125		3,823
Intergovernmental payable	112	-		112
Due to other funds	4,755	-		4,755
Deferred revenue	15,325	325		15,650
Total liabilities	24,417	450	-	24,867
Fund balances:				
Reserved for:				
Reserved				
Land held for development	5,321	-		5,321
Encumbrances	7	-		7
Pension liability	9,707	-	-	9,707
Unreserved				
Designated for debt service	-	47,836	-	47,836
Unreserved, reported in:				
Special Revenue Fund	12,062	-	-	12,062
Total fund balances	27,097	47,836	-	74,933
Total liabilities and fund balances	**$ 51,514**	**$ 48,286**	**$ -**	**$ 99,800**

GOVERNMENTAL FUNDS **CITY OF MINNEAPOLIS, MINNESOTA**
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR FUNDS
For the Fiscal Year Ended December 31, 2008 **(In Thousands)**

	Special Revenue	Debt Service	Capital Project	Total Nonmajor Governmental
REVENUES:				
Taxes	$ 10,038	$ 26,925		$ 36,963
Licenses and permits	1,043	-		1,043
Intergovernmental revenues	53,649	507		54,156
Charges for services and sales	8,593	-		8,593
Fines and forfeits	1,030	-	-	1,030
Special assessments	4,292	2		4,294
Interest	396	826		1,222
Miscellaneous revenues	3,657	2,585		6,242
Total revenues	82,698	30,845	-	113,543
EXPENDITURES:				
Current:				
General government	6,645	-		6,645
Public safety	29,056	-	-	29,056
Public works	1,605	-	-	1,605
Health and welfare	9,226	-	-	9,226
Community & economic development	28,692	-	-	28,692
Debt Service:				
Principal retirement	-	62,612	-	62,612
Interest and fiscal charges	-	58,225	-	58,225
Total expenditures	75,224	120,837	-	196,061
Excess (deficiency) of revenues over (under) expenditures	7,474	(89,992)	-	(82,518)
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	8,544	95,925		104,469
Transfers to other funds	(7,444)	(1,446)		(8,890)
Total other financing sources (uses)	1,100	94,479	-	95,579
Net change in fund balance	8,574	4,487	-	13,061
Fund balances - January 1	18,523	43,349	-	61,872
Fund balances - December 31	$ 27,097	$ 47,836	$ -	$ 74,933

SPECIAL REVENUE FUNDS **CITY OF MINNEAPOLIS, MINNESOTA**
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR FUNDS
For the Fiscal Year Ended December 31, 2008 **(In Thousands)**

	Arena Reserve	Board of Estimate and Taxation	Community Development Block Grant	Convention Facilities Reserve	Employee Retirement	Grants-Federal	Grants-Other	Police	2008 Total	2007 Total
REVENUES:										
Taxes	$ -	$ 242	$ -	$ -	$ 9,638	$ -	$ 11	$ 147	$ 10,038	$ 9,155
Licenses and permits	-	-	-	-	-	-	210	833	1,043	918
Intergovernmental revenues	-	7	19,380	-	2,758	17,102	14,402	-	53,649	60,253
Charges for services and sales	-	-	686	-	-	6,515	125	1,267	8,593	992
Fines and forfeits	-	-	-	-	297	-	-	733	1,030	909
Special Assessments	-	-	7	-	-	-	4,285	-	4,292	-
Interest	74	-	39	-	243	29	11	-	396	764
Miscellaneous revenues	-	-	602	-	1,259	184	1,612	-	3,657	4,544
Total revenues	74	249	20,714	-	14,195	23,830	20,656	2,980	82,698	77,535
CURRENT EXPENDITURES:										
General government	-	315	2,188	-	3,577	368	197	-	6,645	6,150
Public safety	-	-	532	-	9,804	11,454	4,770	2,496	29,056	24,171
Public works	-	-	12	-	-	1,518	75	-	1,605	1,323
Culture and Recreation	-	-	-	-	-	-	-	-	-	43
Health and welfare	-	-	1,430	-	-	4,360	3,436	-	9,226	10,146
Community & economic development	-	-	14,907	-	-	4,983	8,802	-	28,692	28,141
Total expenditures	-	315	19,069	-	13,381	22,683	17,280	2,496	75,224	69,974
Excess (deficiency) of revenues over (under) expenditures	74	(66)	1,645	-	814	1,147	3,376	484	7,474	7,561
OTHER FINANCING SOURCES (USES):										
Transfers from other funds	3,598	100	3,696	1,150	-	-	-	-	8,544	4,668
Transfers to other funds	(3,697)	-	(20)	(1,000)	(780)	(1,147)	(800)	-	(7,444)	(11,203)
Total other financing sources (uses)	(99)	100	3,676	150	(780)	(1,147)	(800)	-	1,100	(6,535)
Net change in fund balances	(25)	34	5,321	150	34	-	2,576	484	8,574	1,026
Fund balances - January 1	1,674	171	-	5,650	9,673	-	734	621	18,523	17,497
Fund balances - December 31	$ 1,649	$ 205	$ 5,321	$ 5,800	$ 9,707	$ -	$ 3,310	$ 1,105	$ 27,097	$ 18,523

SPECIAL REVENUE FUNDS **CITY OF MINNEAPOLIS, MINNESOTA**
COMBINING BALANCE SHEET - NONMAJOR FUNDS
December 31, 2008 **(In Thousands)**

	Arena Reserve	Board of Estimate and Taxation	Community Development Block Grant	Convention Facilities Reserve	Employee Retirement	Grants-Federal	Grants-Other	Police	2008 Total	2007 Total
ASSETS										
Cash and cash equivalents	$ 1,640	$ 215	$ 73	$ 5,800	$ 9,594	$ 54	$ 1,589	$ 148	$ 19,113	$ 22,336
Deposits with fiscal agents	-	-	-	-	-	-	444	-	444	490
Investments with trustees	1	-	-	-	-	-	-	-	1	-
Receivables:										
Accounts - net	-	-	16	-	-	-	-	71	87	138
Taxes	-	5	-	-	143	-	-		148	223
Special Assessments	-	-	-	-	-	-	1,278	-	1,278	-
Intergovernmental	-	-	5,735	-	-	5,026	3,379	1,090	15,230	9,566
Loans	-	-	-	-	-	4,885	438	-	5,323	5,740
Accrued Interest	8	-	-	-	29	-	-	-	37	72
Due from other funds	-	-	-	-	-	18	4,510	4	4,532	3,972
Land held for development	-	-	5,321	-	-	-	-	-	5,321	-
Total assets	$ 1,649	$ 220	$ 11,145	$ 5,800	$ 9,766	$ 9,983	$ 11,638	$ 1,313	$ 51,514	$ 42,537
LIABILITIES AND FUND BALANCES										
Liabilities:										
Salaries payable	$ -	$ 11	$ 121	$ -	$ -	$ 118	$ 166	$ 111	$ 527	$ 762
Accounts payable	-	1	1,477	-	-	788	1,345	87	3,698	2,006
Intergovernmental payable	-	1	65	-	-	21	24	1	112	11
Due to other funds		-	4,161	-	-	517	77	-	4,755	5,827
Deferred revenue	-	2	-	-	59	8,539	6,716	9	15,325	15,408
Total liabilities	-	15	5,824	-	59	9,983	8,328	208	24,417	24,014
Fund balances:										
Reserved for:										
Land held for development	-	-	5,321	-	-	-	-	-	5,321	-
Encumbrances	-	-	-	-	-	-	-	7	7	8
Pension liability	-	-	-	-	9,707	-	-	-	9,707	9,673
Unreserved:										
Undesignated	1,649	205	-	5,800	-	-	3,310	1,098	12,062	8,842
Total fund balances	1,649	205	5,321	5,800	9,707	-	3,310	1,105	27,097	18,523
Total liabilities and fund balances	$ 1,649	$ 220	$ 11,145	$ 5,800	$ 9,766	$ 9,983	$ 11,638	$ 1,313	$ 51,514	$ 42,537

DEBT SERVICE FUNDS **CITY OF MINNEAPOLIS, MINNESOTA**

COMBINING BALANCE SHEET - NONMAJOR FUNDS

DECEMBER 31, 2008 **(In Thousands)**

	Community Planning and Economic Development	Development	General Debt Service	2008 Total	2007 Total
ASSETS					
Cash and cash equivalents	$ 13,590	$ 84	$ 26,834	40,508	$ 37,093
Investments with trustees	5,180	1,317	-	6,497	5,463
Receivables:					
Accounts - net	-	-	609	609	379
Taxes:					
Current	-	-	244	244	248
Delinquent	-	-	325	325	851
Accrued Interest	23	-	80	103	173
Total assets	**$ 18,793**	**$ 1,401**	**$ 28,092**	**$ 48,286**	**$ 44,207**
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ -	$ 26	$ 99	$ 125	$ 7
Deferred revenue	-	-	325	325	851
Total liabilities	**-**	**26**	**424**	**450**	**858**
Fund balances:					
Unreserved:					
Designated for debt service	18,793	1,375	27,668	47,836	43,349
Total liabilities and fund balances	**$ 18,793**	**$ 1,401**	**$ 28,092**	**$ 48,286**	**$ 44,207**

DEBT SERVICE FUNDS **CITY OF MINNEAPOLIS, MINNESOTA**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR FUNDS

For the Fiscal Year Ended December 31, 2008 **(In Thousands)**

	Community Planning and Economic Development	Development	General Debt Service	2008 Total	2007 Total
REVENUES:					
Taxes:					
General property tax	$ -	$ -	$ 24,720	$ 24,720	$ 24,996
Fiscal disparities	-	-	2,205	2,205	2,184
Total taxes	-	-	26,925	26,925	27,180
Intergovernmental revenues	-	-	507	507	592
Special assessments	-	-	2	2	1
Interest	63	29	734	826	2,242
Miscellaneous revenues:					
Rents and commissions	-	302	801	1,103	628
Other	-	108	1,374	1,482	1,863
Total miscellaneous revenues	-	410	2,175	2,585	2,491
Total revenues	63	439	30,343	30,845	32,506
EXPENDITURES:					
Principal retirement on bonds	10,659	21,135	30,375	62,169	58,063
Principal retirement on notes	65	-	378	443	2,495
Interest and fiscal charges	28,591	17,074	12,560	58,225	60,529
Total expenditures	39,315	38,209	43,313	120,837	121,087
Excess (deficiency) of revenues over (under) expenditures	(39,252)	(37,770)	(12,970)	(89,992)	(88,581)
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	40,535	37,524	17,866	95,925	97,091
Transfers to other funds	(157)	-	(1,289)	(1,446)	(2,456)
Refunding bonds issued		-	-	-	1,750
Payments to escrow agents		-	-	-	(1,480)
Total other financing sources (uses)	40,378	37,524	16,577	94,479	94,905
Net change in fund balances	1,126	(246)	3,607	4,487	6,324
Fund balances - January 1	17,667	1,621	24,061	43,349	37,025
Fund balances - December 31	$ 18,793	$ 1,375	$ 27,668	$ 47,836	$ 43,349

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
December 31, 2008

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Engineering Materials & Testing	Inter-governmental Services	Property Services	Equipment Services	Public Works Stores	Self-Insurance	2008 Total	2007 Total
ASSETS								
Current assets:								
Cash and cash equivalents	$ 3	$ 94	$ 592	$ 11	$ 6	$ 16,347	$ 17,053	$ 9,883
Receivables:								
Accounts - net	214	43	18	51	13	6	345	180
Intergovernmental	-	63	-	11	4	184	262	204
Notes	-	6,897	-	-	-	-	6,897	-
Due from other funds	-	1,018	60	-	-	2,420	3,498	3,605
Inventories	-	-	427	1,187	5,421	-	7,035	6,615
Prepaid items	-	20	-	-	-	23	43	-
Total current assets	217	8,135	1,097	1,260	5,444	18,980	35,133	20,487
Long-term assets:								
Deferred charges	-	31	9	36	-	-	76	86
Capital assets:								
Land, leaseholds and easements	-	-	21,117	2,186	-	-	23,303	23,303
Construction in progress	-	21,071	7	331	-	-	21,409	26,459
Buildings and structures	-	-	25,588	30,062	-	-	55,650	55,649
Less accumulated depreciation	-	-	(19,765)	(5,431)	-	-	(25,196)	(24,292)
Public improvements	-	-	2,726	330	-	-	3,056	3,056
Less accumulated depreciation	-	-	(2,493)	(167)	-	-	(2,660)	(2,585)
Machinery and equipment	286	1,977	12,185	64,149	132	-	78,729	74,106
Less accumulated depreciation	(251)	(1,542)	(3,947)	(35,330)	(132)	-	(41,202)	(36,872)
Computer equipment	61	58,482	162	37	7	-	58,749	44,593
Less accumulated depreciation	(61)	(41,935)	(162)	(37)	(7)	-	(42,202)	(37,393)
Software	-	24,944	8	-	9	-	24,961	14,894
Less accumulated depreciation	-	(10,765)	(8)	-	(9)	-	(10,782)	(8,884)
Other capital outlay	15	-	21	-	14	-	50	51
Less accumulated depreciation	(15)	-	(20)	-	(14)	-	(49)	(46)
Total long-term assets	35	52,263	35,428	56,166	-	-	143,892	132,125
Total assets	$ 252	$ 60,398	$ 36,525	$ 57,426	$ 5,444	$ 18,980	$ 179,025	$ 152,612
LIABILITIES AND NET ASSETS								
Current liabilities:								
Salaries payable	$ 35	$ 348	$ 337	$ 591	$ 36	$ 296	$ 1,643	$ 3,079
Accounts payable	6	5,221	548	968	173	1,563	8,479	4,876
Intergovernmental payable	1	5	13	6	5	-	30	1
Due to other funds	130	-	-	60	2,290	-	2,480	2,570
Interest payable	-	133	25	117	-	-	275	291
Unearned revenue	-	4,609	-	-	-	205	4,814	4,440
Bonds payable-current portion	-	8,575	590	2,055	-	-	11,220	5,145
Compensated absences payable-current portion	12	126	138	237	13	164	690	873
Total current liabilities	184	19,017	1,651	4,034	2,517	2,228	29,631	21,275
Long-term liabilities:								
Bonds payable	-	25,840	6,825	27,780	-	-	60,445	70,890
Unamortized premium (discounts)	-	160	174	1,079	-	-	1,413	1,462
Advances from other funds	-	10,114	-	-	-	-	10,114	10,114
Compensated absences payable	28	293	320	554	30	383	1,608	2,039
Other post-employment benefits	12	106	119	195	12	89	533	-
Unpaid claims payable	-	-	-	-	-	31,773	31,773	33,467
Total long-term liabilities	40	36,513	7,438	29,608	42	32,245	105,886	117,972
Total liabilities	224	55,530	9,089	33,642	2,559	34,473	135,517	139,247
Net Assets:								
Invested in Capital Assets, net of related debt	35	17,688	27,839	25,252	-	-	70,814	55,602
Restricted	640	-	-	-	-	-	640	640
Unrestricted	(647)	(12,820)	(403)	(1,468)	2,885	(15,493)	(27,946)	(42,877)
Total net assets	28	4,868	27,436	23,784	2,885	(15,493)	43,508	13,365
Total liabilities and net assets	$ 252	$ 60,398	$ 36,525	$ 57,426	$ 5,444	$ 18,980	$ 179,025	$ 152,612

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

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended December 31, 2008

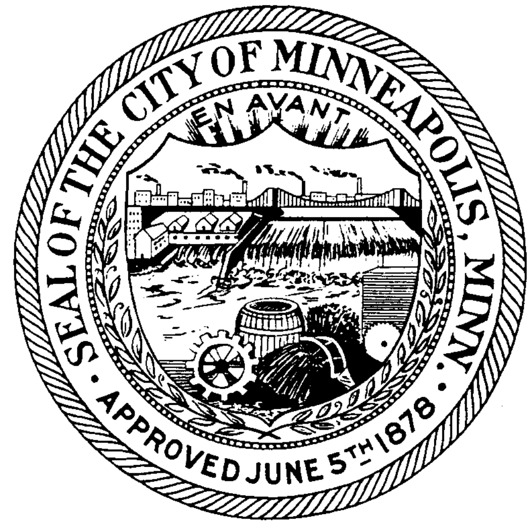
CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Engineering Materials and Testing	Inter-governmental Services	Property Services	Equipment Services	Public Works Stores	Self-Insurance	2008 Total	2007 Total
Operating revenues:								
Charges for services and sales	$ 1,278	$ 36,997	$ 10,251	$ 13,154	$ 1,061	$ 49,253	$ 111,994	$ 138,408
Rents and commissions	-	20	8,071	20,685	-	-	28,776	27,412
Total operating revenues	1,278	37,017	18,322	33,839	1,061	49,253	140,770	165,820
Operating expenses:								
Personnel costs	731	5,792	8,393	14,374	801	10,016	40,107	42,342
Contractual Services	498	15,417	7,795	3,973	239	38,332	66,254	95,280
Materials, supplies, services and other	67	595	1,658	8,442	591	1,482	12,835	21,741
Rent	61	146	-	998	29	393	1,627	1,651
Cost of stores issuance	-	-	-	-	-	-	-	7,515
Depreciation	36	6,464	1,221	6,487	16	-	14,224	8,834
Total operating expenses	1,393	28,414	19,067	34,274	1,676	50,223	135,047	177,363
Operating income (loss)	(115)	8,603	(745)	(435)	(615)	(970)	5,723	(11,543)
Non-operating revenue (expenses)								
Interest revenue	-	-	-	-	-	-	-	1
Interest expense	-	(1,594)	(313)	(1,416)	-	(21)	(3,344)	(3,635)
Gain (loss) on disposal of capital assets	-	-	-	164	-	-	164	736
Damages/losses recovered	-	-	-	-	-	-	-	4
Other revenues	-	5	7	30	-	6,357	6,399	7,182
Total non-operating revenues (expenses)	-	(1,589)	(306)	(1,222)	-	6,336	3,219	4,288
Income (loss) before operating transfers	(115)	7,014	(1,051)	(1,657)	(615)	5,366	8,942	(7,255)
Transfers in (out):								
Transfers from other funds	-	11,762	668	4,180	-	5,643	22,253	24,619
Transfers to other funds	(53)	(296)	(88)	(453)	(31)	(131)	(1,052)	(728)
Total transfers	(53)	11,466	580	3,727	(31)	5,512	21,201	23,891
Change in net assets	(168)	18,480	(471)	2,070	(646)	10,878	30,143	16,636
Net assets - January 1	196	(13,612)	27,907	21,714	3,531	(26,371)	13,365	(3,271)
Net assets - December 31	$ 28	$ 4,868	$ 27,436	$ 23,784	$ 2,885	$ (15,493)	$ 43,508	$ 13,365

INTERNAL SERVICE FUNDS **CITY OF MINNEAPOLIS, MINNESOTA**
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2008 **(In Thousands)**

	Engineering Materials and Testing	Inter-governmental Services	Property Services	Equipment Services	Public Works Stores	Self-Insurance	2008 Total	2007 Total
Cash flows from operating activities:								
Cash received from customers and users	$ 985	$ 30,434	$ 18,855	$ 33,963	$ 1,069	$ 55,170	$ 140,476	$ 172,101
Payments to suppliers	(408)	(14,802)	(9,514)	(12,326)	(228)	(42,003)	(79,281)	(129,106)
Payments to employees	(764)	(6,021)	(8,649)	(15,124)	(813)	(10,253)	(41,624)	(39,231)
Net Cash Provided (used) by operating Activities	(187)	9,611	692	6,513	28	2,914	19,571	3,764
Cash flows from non-capital financing activities:								
Transfers from other funds	-	11,762	668	4,180	-	5,643	22,253	24,619
Advances from other funds	-	-	-	-	-	-	-	(4,357)
Principal paid on bonds and notes	-	-	-	-	-	(1,060)	(1,060)	(320)
Interest paid on bonds and notes	-	-	-	-	-	(21)	(21)	(48)
Transfers to other funds	(53)	(296)	(88)	(453)	(31)	(131)	(1,052)	(728)
Net cash provided (used) by non-capital financing activities	(53)	11,466	580	3,727	(31)	4,431	20,120	19,166
Cash flows from capital and related financing activities								
Bonds issued	-	1,560	-	-	-	-	1,560	1,450
Principal paid on bonds	-	(1,805)	(655)	(2,410)	-	-	(4,870)	(8,810)
Interest paid on bonds	-	(1,640)	(333)	(1,513)	-	-	(3,486)	(3,720)
Premium (discount)	-	106	-	-	-	-	106	-
Acquisition and construction of capital assets	-	(19,325)	(7)	(6,996)	-	-	(26,328)	(11,896)
Bond issuance costs	-	7	-	-	-	-	7	(1)
Proceeds from sale of capital assets	-	-	-	490	-	-	490	2,018
Net cash provided (used) by capital and related financing activities	-	(21,097)	(995)	(10,429)	-	-	(32,521)	(20,959)
Cash flows from investing activities:								
Interest	-	-	-	-	-	-	-	1
Net increase (decrease) in cash and cash equivalents	(240)	(20)	277	(189)	(3)	7,345	7,170	1,972
Cash and cash equivalents, beginning of year	243	114	315	200	9	9,002	9,883	7,911
Cash and cash equivalents, end of year	$ 3	$ 94	$ 592	$ 11	$ 6	$ 16,347	$ 17,053	$ 9,883
Reconciliation of operating income to net cash provided (used) by operating activities								
Operating income (loss)	$ (115)	$ 8,603	$ (745)	$ (435)	$ (615)	$ (970)	$ 5,723	$ (11,543)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	36	6,464	1,221	6,487	16	-	14,224	8,834
Accounts receivable	(214)	(6,940)	2	88	4	(1)	(7,061)	191
Intergovernmental receivable	-	-	-	-	-	(2)	(2)	(3)
Inventories	8	-	(6)	635	(1,057)	-	(420)	83
Prepaid items	-	(20)	-	-	-	(23)	(43)	-
Due from other funds	-	(39)	510	-	-	(420)	51	546
Salaries payable	-	(248)	(261)	(654)	(17)	(226)	(1,406)	810
Accounts payable	1	3,377	(52)	392	(32)	(81)	3,605	(3,032)
Due to other funds	130	(2,000)	-	60	1,720	-	(90)	30
Interest payable	-	-	(3)	-	-	(3)	(6)	(1)
Intergovernmental payable	1	5	13	6	4	-	29	(2)
Unearned revenue	(31)	386	-	-	-	(12)	343	(1,631)
Compensated absences payable	(15)	(88)	(113)	(291)	(7)	(100)	(614)	1,075
Other post-employment benefits	12	106	119	195	12	89	533	-
Unpaid claims	-	-	-	-	-	(1,694)	(1,694)	1,221
Damages/Losses recovered	-	-	-	-	-	-	-	4
Other non-operating revenue	-	5	7	30	-	6,357	6,399	7,182
Net cash provided (used) by operating activities	$ (187)	$ 9,611	$ 692	$ 6,513	$ 28	$ 2,914	$ 19,571	$ 3,764
Non-cash investing, capital and financing activities:								
Gain (Loss) on disposal of capital assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 454



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PROPOSAL FOR $57,480,000 TAXABLE GENERAL OBLIGATION TAX INCREMENT REFUNDING BONDS (TARGET CENTER PROJECT), SERIES 2009D**

To: BOARD OF ESTIMATE AND TAXATION
CITY OF MINNEAPOLIS, MINNESOTA
c/o Ehlers & Associates
3060 Centre Pointe Drive
Roseville, MN 55113-1105
(651) 697-8500 FAX (651) 697-8555

SALE DATE: December 8, 2009
Bid Due 10:00 A.M. Central Time

EXPECTED CLOSING DATE: December 30, 2009

Subject to the provisions of the Terms of Proposal for $57,480,000** Taxable General Obligation Tax Increment Refunding Bonds (Target Center Project), Series 2009D, dated December 30, 2009 of the City of Minneapolis, Minnesota which is made a part of this proposal, we offer to purchase all of the Bonds described in said Official Terms, said Bonds to bear interest at the annual rates as follows:

March 1 Year	Amount	Interest Rate	March 1 Year	Amount	Interest Rate	March 1 Year	Amount	Interest Rate
2011	$1,355,000	____%	2016	$2,755,000	____%	2021	$4,685,000	____%
2012	2,675,000	____%	2017	3,125,000	____%	2022	5,140,000	____%
2013	3,065,000	____%	2018	3,500,000	____%	2023	5,630,000	____%
2014	2,115,000	____%	2019	3,870,000	____%	2024	6,155,000	____%
2015	2,425,000	____%	2020	4,265,000	____%	2025	6,720,000	____%

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity.

If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity.

*In lieu of Serial bonds we request Term Bonds Maturing and bearing interest as follows:

Term Year	Maturities Included	Amount	Interest Rate
		$	%
		$	%
		$	%

and to pay therefore a price of $ (NOTE: Price may not be less than $57,480,000) plus an amount equal to the interest on said Bonds accrued to the date of payment of the purchase price.

In making this offer we accept all of the terms and conditions of the Official Terms of Proposal published in the *Official Statement* dated November 30, 2009. In the event of failure to deliver these Bonds in accordance with the Official Terms of Proposal as printed in the *Official Statement* and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission. We understand that, if we are the successful underwriter, at the time the above-described Bonds are awarded, we will be required to advise the Finance Officer of the Initial Reoffering Prices for each maturity of Bonds. In this regard, the Finance Officer may communicate with and rely on the information provided by ____________________ ______________________________, whose telephone number (including area code) is (________) ____________________.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: $ ____________________ TRUE INTEREST RATE: __________%

Account Members

____
Account Manager

By: ______________________________

I hereby certify that the above proposal was and the same is hereby accepted by proper action of the City of Minneapolis, duly adopted this 8th day of December, 2009.

____
Finance Officer of the
City of Minneapolis

ATTEST:

____
Secretary to the Board of Estimate and Taxation

______ SURE-BID ______ Wire Transfer _______ Good Faith Check Submitted

PROPOSAL FOR $57,480,000 TAXABLE GENERAL OBLIGATION TAX INCREMENT REFUNDING BONDS (TARGET CENTER PROJECT), SERIES 2009D**

To: BOARD OF ESTIMATE AND TAXATION
CITY OF MINNEAPOLIS, MINNESOTA
c/o Ehlers & Associates
3060 Centre Pointe Drive
Roseville, MN 55113-1105
(651) 697-8500 FAX (651) 697-8555

SALE DATE: December 8, 2009
Bid Due 10:00 A.M. Central Time

EXPECTED CLOSING
DATE: December 30, 2009

Subject to the provisions of the Terms of Proposal for $57,480,000** Taxable General Obligation Tax Increment Refunding Bonds (Target Center Project), Series 2009D, dated December 30, 2009 of the City of Minneapolis, Minnesota which is made a part of this proposal, we offer to purchase all of the Bonds described in said Official Terms, said Bonds to bear interest at the annual rates as follows:

March 1 Year	Amount	Interest Rate	March 1 Year	Amount	Interest Rate	March 1 Year	Amount	Interest Rate
2011	$1,355,000	____%	2016	$2,755,000	____%	2021	$4,685,000	____%
2012	2,675,000	____%	2017	3,125,000	____%	2022	5,140,000	____%
2013	3,065,000	____%	2018	3,500,000	____%	2023	5,630,000	____%
2014	2,115,000	____%	2019	3,870,000	____%	2024	6,155,000	____%
2015	2,425,000	____%	2020	4,265,000	____%	2025	6,720,000	____%

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity.

If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity.

*In lieu of Serial bonds we request Term Bonds Maturing and bearing interest as follows:

Term Year	Maturities Included	Amount	Interest Rate
		$	%
		$	%
		$	%

and to pay therefore a price of $ (NOTE: Price may not be less than $57,480,000) plus an amount equal to the interest on said Bonds accrued to the date of payment of the purchase price.

In making this offer we accept all of the terms and conditions of the Official Terms of Proposal published in the *Official Statement* dated November 30, 2009. In the event of failure to deliver these Bonds in accordance with the Official Terms of Proposal as printed in the *Official Statement* and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission. We understand that, if we are the successful underwriter, at the time the above-described Bonds are awarded, we will be required to advise the Finance Officer of the Initial Reoffering Prices for each maturity of Bonds. In this regard, the Finance Officer may communicate with and rely on the information provided by ____________________ ____________________, whose telephone number (including area code) is (________) ____________________.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: $ ____________________ TRUE INTEREST RATE: __________%

Account Members

____
Account Manager

By: ____________________

I hereby certify that the above proposal was and the same is hereby accepted by proper action of the City of Minneapolis, duly adopted this 8th day of December, 2009.

____
Finance Officer of the
City of Minneapolis

ATTEST:

____
Secretary to the Board of Estimate and Taxation

______ SURE-BID ______ Wire Transfer _______ Good Faith Check Submitted

PROPOSAL FOR $57,480,000 TAXABLE GENERAL OBLIGATION TAX INCREMENT REFUNDING BONDS (TARGET CENTER PROJECT), SERIES 2009D**

To: BOARD OF ESTIMATE AND TAXATION
CITY OF MINNEAPOLIS, MINNESOTA
c/o Ehlers & Associates
3060 Centre Pointe Drive
Roseville, MN 55113-1105
(651) 697-8500 FAX (651) 697-8555

SALE DATE: December 8, 2009
Bid Due 10:00 A.M. Central Time

EXPECTED CLOSING
DATE: December 30, 2009

Subject to the provisions of the Terms of Proposal for $57,480,000** Taxable General Obligation Tax Increment Refunding Bonds (Target Center Project), Series 2009D, dated December 30, 2009 of the City of Minneapolis, Minnesota which is made a part of this proposal, we offer to purchase all of the Bonds described in said Official Terms, said Bonds to bear interest at the annual rates as follows:

March 1 Year	Amount	Interest Rate	March 1 Year	Amount	Interest Rate	March 1 Year	Amount	Interest Rate
2011	$1,355,000	____%	2016	$2,755,000	____%	2021	$4,685,000	____%
2012	2,675,000	____%	2017	3,125,000	____%	2022	5,140,000	____%
2013	3,065,000	____%	2018	3,500,000	____%	2023	5,630,000	____%
2014	2,115,000	____%	2019	3,870,000	____%	2024	6,155,000	____%
2015	2,425,000	____%	2020	4,265,000	____%	2025	6,720,000	____%

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity.

If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity.

*In lieu of Serial bonds we request Term Bonds Maturing and bearing interest as follows:

Term Year	Maturities Included	Amount	Interest Rate
		$	%
		$	%
		$	%

and to pay therefore a price of $ (NOTE: Price may not be less than $57,480,000) plus an amount equal to the interest on said Bonds accrued to the date of payment of the purchase price.

In making this offer we accept all of the terms and conditions of the Official Terms of Proposal published in the *Official Statement* dated November 30, 2009. In the event of failure to deliver these Bonds in accordance with the Official Terms of Proposal as printed in the *Official Statement* and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission. We understand that, if we are the successful underwriter, at the time the above-described Bonds are awarded, we will be required to advise the Finance Officer of the Initial Reoffering Prices for each maturity of Bonds. In this regard, the Finance Officer may communicate with and rely on the information provided by ____________________ ____________________, whose telephone number (including area code) is (________) ____________________.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: $ ____________________ TRUE INTEREST RATE: __________%

Account Members

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Account Manager

By: ____________________

I hereby certify that the above proposal was and the same is hereby accepted by proper action of the City of Minneapolis, duly adopted this 8th day of December, 2009.

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Finance Officer of the
City of Minneapolis

ATTEST:

____
Secretary to the Board of Estimate and Taxation

______ SURE-BID ______ Wire Transfer _______ Good Faith Check Submitted