



City of Minneapolis
Financial Status Report as of 1st Quarter 2005
Prepared by the
City of Minneapolis Finance Department
June 22, 2005

THE REPORT

The report consists of two sections. The first section of the report includes the Business line review. The second section includes detailed schedules and analysis of the results of individual funds thru March 31, 2005.

BUSINESS LINE REVIEW

The City's business activities are accounted for in funds and these funds are divided into two major groupings: Governmental funds and Proprietary funds.

Governmental Funds

Governmental Funds account for services and goods provided within the government and are primarily supported either directly or indirectly by taxes. These groupings include General fund, Special Revenue Funds, Capital Projects, Debt Services, and Agency funds. Governmental funds use the modified accrual basis of accounting to record transactions.

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. The General Fund began 2005 with a fund balance of \$61.3 million and an operating expense budget of \$291 million. The operating budget included \$5 million for unfunded pension obligations. This buy-down of unfunded pension obligation will allow the City to avoid having to issue additional debt and incur interest costs. It also caused the City to reduce its planned YE fund balance by the same amount. Additionally, the City Council reappropriated an additional \$14.4 million to fund: more pension obligation, One-Call, One-Stop and various one-time departmental initiatives. Despite the increases to expense appropriations, the City plans to end the year with a fund balance of \$46.8 million which meets the 15% requirement. General Fund spending, as a whole is at 24% for the year which is in line with 25% of the year elapsed.

The **Convention Center Fund** accounts for the operating activities of the Convention Center and for the City's sales tax and other related taxes. All of the tax revenue received by the Convention Center is used to support the Convention Center's capital and operating activities except the entertainment tax. The entertainment tax revenue is transferred to the City's General Fund and Arena Reserve Fund.

The Convention Center's 2005 operating budget planned for a loss of \$5.9 million; however, first quarter results and an updated forecast projects a loss in the \$3.4 million range. The majority of the recovery is in entertainment and lodging tax revenues and a reduction to operating expenses.

Grant Funds are used to record grant related activities. Fund 0300 represents all of the federal grant activity. Fund 0400 captures the Housing and Urban Development grants for community development and housing related programs. This fund includes the Community Development Block Grant, Emergency Shelter Program, HOME Investment Partnership Program, and Housing Opportunities for People with Aids. Fund 0600 is used to record all of the non-federal sources of restricted revenue. Because the year-end CDBG reprogramming is being presented through a separate council action, it is omitted from this report.

Internal Service Funds remain one of the largest financial challenges for the City of Minneapolis. Areas of particular note among the Internal Service Funds are:

The **Intergovernmental Service Fund** is operating at a level called for in its financial workout plan. The City instituted an Activity Based Costing rate model in 2005. Customers will be charged a rate based on how much of the services it consumes. This rate model replaces the arbitrary "fund-transfer" method that existed previously. Through 1st quarter, the results indicate that revenues and expenses are on track. Depreciation expense continues to pose a challenge for the fund because it is not recovered through the cost recovery model.

The **Equipment Fund** also operates under a Council-adopted financial workout plan. The fund has positive cash and net assets and continues to make good progress towards solvency and a pay-as-you-go approach to replacing its capital assets. Revenues and expenses are lower than expected but the funds operating margin remains positive. It is expected that both will increase during the summer months as the construction season begins.

The **Self-Insurance Fund** is expected to have a positive financial outcome at year-end and 1st quarter results indicate this is happening. Revenues and expenses are at 26% and 24% respectively.

The **Property Services Fund** is budgeted at a loss of \$934,000 and 1st quarter results are slightly better than expected. This funds financial performance is hindered by depreciation expense. Similar to BIS, it is not recovering for depreciation in its rental rates and this will continue to adversely affect the fund.

The **Engineering Materials and Testing Fund** is budgeted at a loss of \$1 million. This fund has consistently lost money for the last eight years and if the trend continues will be in need of a financial workout plan. The fund has a very small amount of cash and positive net assets but one more year of losses could reverse that situation. Public Works management has decided to continue outsourcing the asphalt production which may impact the financial result at year-end positively. In addition, management has increased its overhead rates to fully recover its fixed costs. First quarter results are too small to predict the year-end outcome as the vast majority of this funds activity occurs in second and third quarter.

Respectfully Submitted,

Patrick P. Born
Finance Officer

Charles J. Elliott
Controller

General Fund

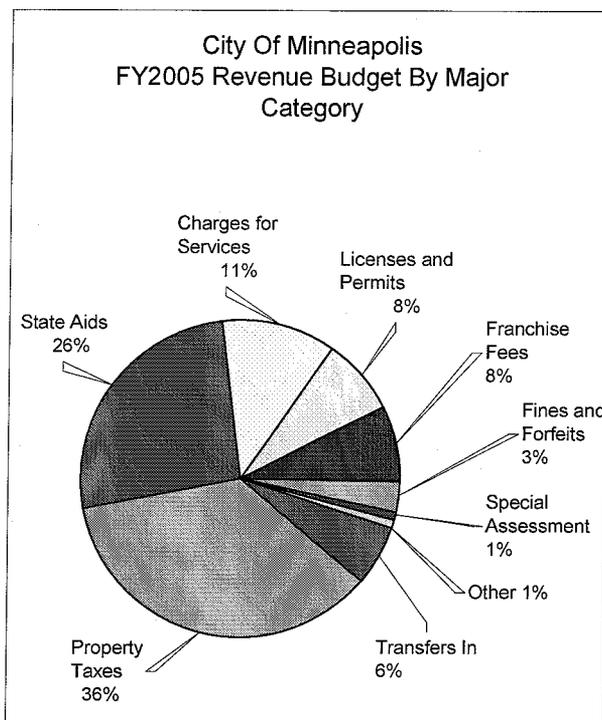
Fund Description

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Financial Performance

The General Fund is expected to end fiscal year 2005 with a significant change in fund balance. The fund balance for the General Fund at fiscal year-end 2004 was \$61.4 million and Council Resolution 2005R-168 dated April 1, 2005 allowed one time reappropriation of 2004 funds of about \$10 million for the early retirement of a portion of pension debts and one time allocation of \$4.5 million to various city departments. These changes resulted in a reduction of \$14.5 million from the 2004 fund balance bringing the 2005 beginning balance to \$46.9 million. Based on the current revenue and expenditure trends, we are not expecting significant changes in the current year and the fund balance at year-end is expected to be about \$46.8 million. The City's policy is to maintain a minimum fund balance of 15% of current expenditures in the General Fund and the projected balance would be within this requirement.

General Fund Revenues:



The five largest revenue sources account for 90% of total budgeted revenues: property taxes, state aids, charges for services, franchise fees, and licenses and permits.

Property taxes, the major source of General Fund revenue (36%), are expected to meet the budget of \$101.9 million at the end of the year.

State aids, the second major source of fund revenue (26%), are also expected to meet the current estimated revenue of \$74.7 million (received in July and December).

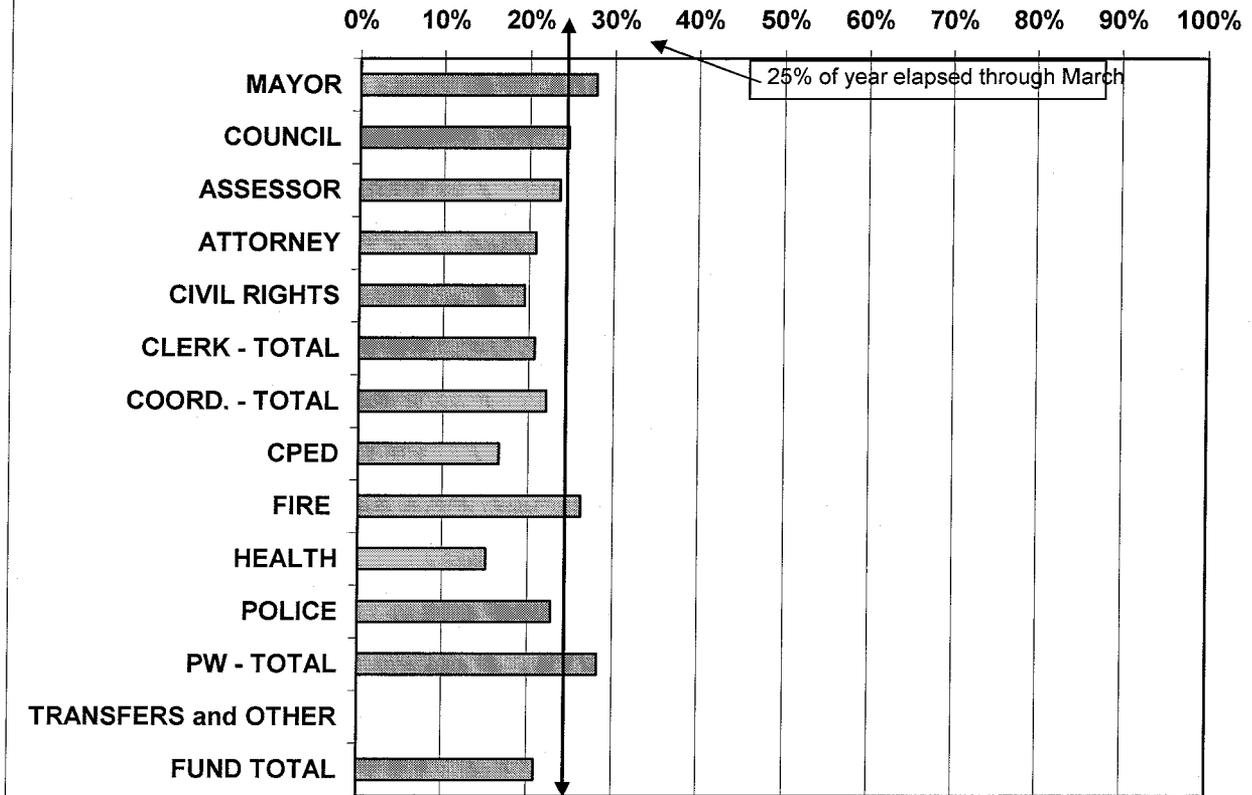
Charges for services, the third major source of fund revenue (12%), are expected to be about equal to the current budget of \$32.9 million.

License and permit fees (8% of fund revenue) are also expected to be about equal to the current budget (\$22.5 million).

Franchise fees, the fifth major source of revenue (8%), are expected to be significantly over the current budget of \$22.1 million (by about 9% or \$2 million), primarily due to increased natural gas franchise fees collected.

Fine and Forfeit revenues are expected to exceed the estimated revenue budget by about 9% (or about \$0.8 million), primarily due to increased collections in the Regulatory Services Department (about \$2 million), which are expected to more than offset a shortfall in Police Department collections (currently projected to be about \$1.1 million).

City of Minneapolis FY2005 General Fund Exp by Dept

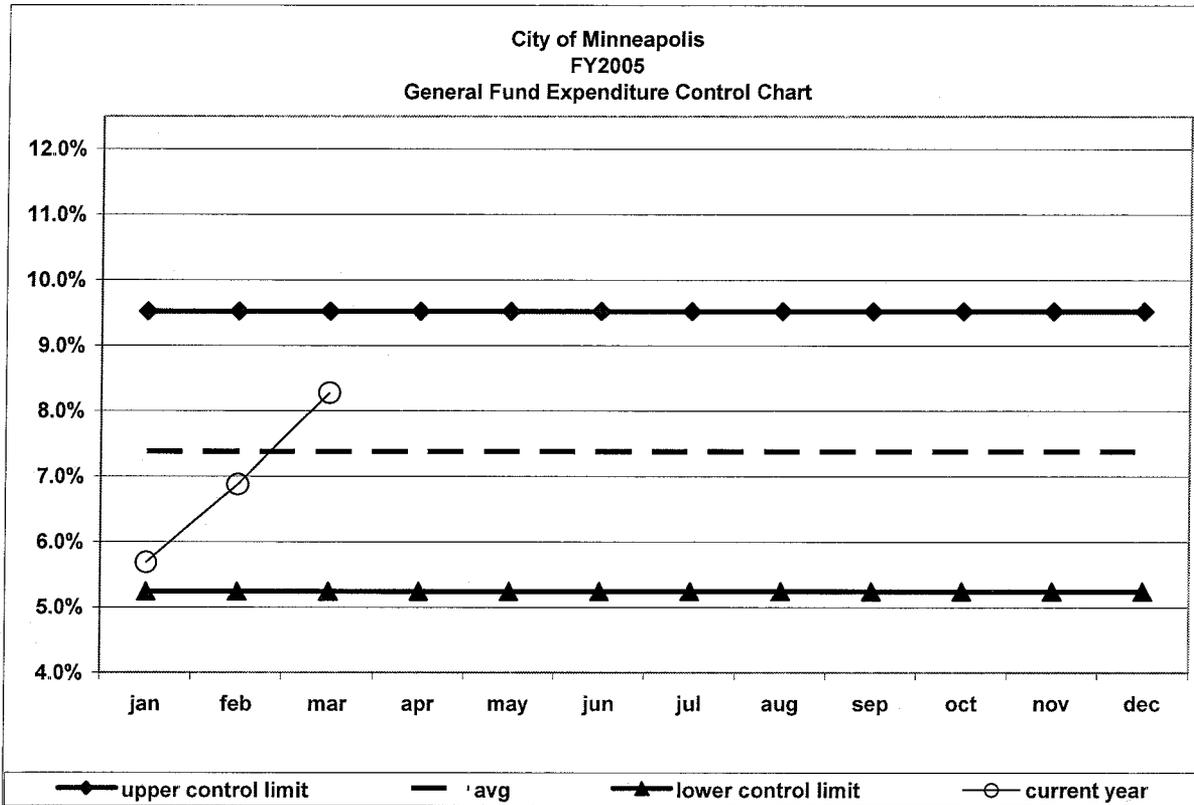


Budget vs. Actual, And Change In Fund Balance

For 2005, Council adopted a budget of \$291.3 million in the General Fund. During the year to date, various adjustments have been made to this budget, including the addition of \$0.2 million for prior year appropriation carryovers to various departments, and with the other net adjustments through the end of the first quarter of -\$0.2 million, the current appropriation in the fund is virtually unchanged at \$291.3 million. Currently, as indicated above, the beginning fund balance of \$61.3 million is expected to be significantly changed at the end of the year to \$48 million.

The original budget in the General Fund of \$291.3 million has not been significantly revised as of the end of the first quarter and, as indicated above, remains at \$291.3 million.

The fund balance for the General Fund at fiscal year-end 2004 was about \$61.4 million and the Council Resolution 2005R-168 dated April 1, 2005 allowed one time reappropriation of 2004 funds of \$10 million for the early retirement of a portion of pension debts and one time allocation of \$4.5 million to various city departments. These changes resulted in a reduction of \$14.5 million from the 2004 fund balance bringing the 2005 beginning balance to \$46.9 million. The early retirement of these bonds will provide an annual interest savings of \$1 million in the General Fund, which will be available for appropriation starting in 2006.



The expenditure control chart is a tool for management to see whether expenditures are within “acceptable” limits - whether expenditures are “under control”.

Actual expenditures for FY2005 are indicated by solid line with circle markers.

Rules for interpreting the control chart:

1. Whenever a data point falls outside the upper or lower control limits, it indicates a possible lack of control that should be investigated immediately.
2. Whenever four out of five successive data points are on the same side of the mid-line and all are closer to the upper or lower control limit than they are to the mid-line, there is the possibility of lack of control.
3. Whenever eight or more data points lie on the same side of the mid-line, there is a possible control problem.

Through March, the control chart suggests General Fund year-end expenditures will be within current FY2005 budget. Expenditures remained within (or below) the upper and lower control limits during the first quarter. Personnel savings through the first quarter are essentially permanent and will offset potential overspending in non-personnel areas through the end of the year.

Source: adapted from U.S. Navy, Handbook for Basic Process Improvement, May 1996.

Service Center also opened in February. First quarter operating revenues were 4.25% less than 2004 levels and is 32% of the 2005 adopted revenue budget.

Expenditures

In past years Convention Center operating shortfalls were offset in part by expenditure savings. For the first quarter 2005, Convention Center operating expenditures were under budget by 1.2%. Fund balanced is expected to decrease by \$3.4 million. In 2004, due to actual interest savings from bonds, the 2004 Fund balance increased by \$5.7 million. The budgeted assumption did not include interest savings.

Transfers

The Convention Center Fund annually transfers a share of its tax revenue to several other funds. Due to the extremely low interest rates on variable rate bonds, substantial savings were realized in prior years. The fund did not experience significant transfer activity in the first quarter.

Convention Facilities Reserve Fund

The Convention Facilities Reserve Fund was established as a holding fund for future capital needs of the existing Convention Center. Approximately \$1 million are transferred annually from the Convention Center Fund for this purpose. Fund balances held in the Reserve Fund at year end for Convention Center activities were \$8.2 million.

Arena Reserve

Like the Convention Facilities Reserve Fund, the Arena Reserve fund was established as a holding fund for the acquisition and capital maintenance costs of the Target Center as determined by the Target Center Finance plan. Transfers to debt service are made annually from the fund. Fund revenues are generated by transfers from other City funds for Target Center related revenue. During the first quarter 2005, there was not transfer activity.

SPECIAL REVENUE FUNDS
Federal, CDBG, and Other State and Local Grants
Quarter Ending March 31, 2005

The City receives a number of state and federal grants that are recorded in special revenue funds 0300, 0400, and 0600. These grants have varying grant periods and are used for a range of purposes.

Since the City records its financial information on a modified accrual basis the timing of cash receipts can result in grant funds reflecting a deficit cash balance. The deficits in fund 0300 and 0400 are a result of the timing of cash flows. This cash will be fully reimbursed when the grant revenue is received.

Federal Grants Fund 0300

The Empowerment Zone grant is one of the major grants in this fund. Its purpose is to create jobs and business opportunities in the most economically distressed areas of inner cities and the rural heartland. The EZ/EC effort provides tax incentives and performance grants and loans to create jobs, expand business opportunities, develop housing, improve education and support sustainable communities. It also focuses on activities to support people looking for work by assisting with job training, childcare, and transportation. Minneapolis is currently designated as a Round II federal urban Empowerment Zone (EZ) and an Enterprise Community (EC). The Grants and Special Projects Department managed the EC from 1995-1999. With the EZ designation in 1999, the administration of both programs was transferred to the Empowerment Zone office. Through reorganizations the program now resides with Community Planning and Economic Development (CPED). The loan receivable amount of \$2,336,022 in the fund is entirely comprised of loans related to the EZ program.

Other major programs accounted for in this fund are the Police Department's Local Law Enforcement Block grants and the Copsmore grants; the Maternal Child Health; Welfare to Work and various Workforce Incentive Act grant programs.

CDBG Fund 0400

The Community Development Block Grant (CDBG) is the City's largest single grant and is accounted for in fund 0400 with three other Housing and Urban Development (HUD) Programs. These programs are the Emergency Shelter Grant Program (ESG), HOME Investment Partnerships Program and Housing Opportunities for Persons with AIDS (HOPWA). Most of these programs are operated jointly with CPED where the City is the grant recipient and CPED is reimbursed for its expenditures through transfers from the City. The CDBG program is approximately \$16.5 million annually.

As of March 31, 2005, the revenue in the fund reflects a negative amount because of the timing of cash draw downs and the reversal of accrual entries made to record revenue that was earned in 2004 but not yet received. In April of 2005, \$2,196,187 of revenue was drawn down for various CDBG projects.

The following schedules summarize current year and grant to date expenditures for Year 30, Year 29, and prior CDBG programs. The Year 29 and to some extent the prior year programs include the programs operated by CPED and accounted for in fund FBG0.

Special Revenue Funds
Grant Funds
Quarter Ending March 31, 2005

	Federal Grants 0300	CDBG Grants 0400	Grants Other 0600	Total
Assets				
Cash and cash equivalents	\$1,740,611	\$506,979	\$3,920,368	\$6,167,958
Accounts - net			76,943	76,943
Intergovernmental Receivables	583,545			583,545
Loans receivable	2,336,022		6,372,539	8,708,561
Deposits with Fiscal Agents		\$395,841		395,841
Prepaid Expense			1,395	1,395
Due From Other Funds	3		25,243	25,246
Total Assets	<u>\$4,660,181</u>	<u>\$902,820</u>	<u>\$10,396,488</u>	<u>\$15,959,489</u>
Liabilities				
Salaries payable	\$75,336	\$96,390	\$78,900	\$250,626
Accounts payable	133,700	161,277	74,581	369,558
Use Taxes Payable	1,895		78	1,973
Due to Other Funds	582,281	2,864,000	3	3,446,284
Inter Governmental Payables	49,867			49,867
Deferred revenue & Contracts	2,336,022	395,841	6,445,746	9,177,609
Total Liabilities	<u>3,179,101</u>	<u>3,517,508</u>	<u>6,599,308</u>	<u>13,295,917</u>
Fund Balance	<u>\$1,481,080</u> ¹	<u>(\$2,614,688)</u> ¹	<u>\$3,797,180</u>	<u>\$2,663,572</u>
Total Liabilities and Fund Balance	<u>\$4,660,181</u>	<u>\$902,820</u>	<u>\$10,396,488</u>	<u>\$15,959,489</u>
Revenue				
Taxes			\$97,333	\$97,333
Grants and Shared Revenues	\$ 1,811,543	(\$1,167,631)	3,129,929	3,773,841
Private Contributions	1,500		426,190	427,690
Charges for Services			31,215	31,215
Interest	50,300		83,742	134,042
Loan Recapture	2,361,010		472,002	2,833,012
Loan Origination Fees		1,500		1,500
Lands & Buildings		84,312		84,312
Equipment			500	500
Miscellaneous Revenue		9,786	54,877	64,663
Transfer from General Fund				0
Transfer within Special Revenue Fund			(37,498)	(37,498)
Total Revenue	<u>\$4,224,353</u>	<u>(\$1,072,033)</u>	<u>\$4,258,290</u>	<u>\$7,410,610</u>
Expenditures	<u>\$2,743,908</u>	<u>\$1,542,655</u>	<u>\$1,014,241</u>	<u>\$5,300,804</u>
Revenues Over (Under) Expenditures	<u>\$1,480,445</u>	<u>(\$2,614,688)</u> ¹	<u>\$3,244,049</u>	<u>\$2,109,806</u>

¹ This report is on a modified accrual basis. Under full accrual, these amounts would be presented as grants receivable and the fund balance would be zero.

CDBG in Year 29
(June 1, 2003 to May 31, 2005)
March 31, 2005

Department	Agency	Grant	Budget	Reprogram Reduction	Revised Budget	2005 Expenditures	Grant To Date Expenditures	Remaining Grant Budget
Capital Grants:								
Environmental Health	835	Hud Lead Program	\$ 180,000		\$ 180,000	\$ 8,418	\$ 179,868	\$ 132
Regulatory Services	835	Boarded Building Demolition	-	175,990	175,990	8,060	8,060	167,930
Inspections Department	850	Boarded Building Demolition	202,000	(175,990)	26,010	-	26,010	-
Health & Family Support	860	GMDCA- Child care facilities	323,000		323,000	10,372	323,000	-
Health & Family Support/CPED	860/890	Adult Training, Placement & Retention	641,000		641,000	35,956	581,351	59,649
Health & Family Support/CPED	860/890	Industrial Cluster Training	99,000		99,000	14,334	24,357	74,643
MCDA/CPED	340/890	Multi Family Affordable Housing	5,056,241		5,056,241	1,039,305	1,607,605	3,448,636
MCDA/CPED	340/890	Neighborhood/Commercial Economic Dev Fd	300,000		300,000	112,470	3,391,794	300,000
MCDA/CPED	340/890	Vacant/Boarded Housing Program	5,354,859		5,354,859	23,608	199,207	1,963,065
Non Departmental	123	General Housing Rehabilitation MPH A	313,000		313,000	-	107,000	113,793
Public Works	607	Graffiti Removal	107,000		107,000	-	107,000	0
Public Works	680	Minneapolis American Indian Center	118,000		118,000	-	118,000	-
Public Works	680	Public Works Community Center Operations	42,000		42,000	-	10,639	31,361
		Subtotal Capital Grants	\$ 12,736,100		\$ 12,736,100	\$ 1,252,522	\$ 6,576,892	\$ 6,159,208
Public Service Grants:								
Environmental Health	835	Groundworks	\$ 25,000		\$ 25,000	-	25,000	\$ -
Health & Family Support	860	Block Nurse prg	66,000		66,000	-	64,126	1,874
Health & Family Support	860	Child Dental Services	17,000		17,000	-	17,000	-
Health & Family Support	860	Curfew Truancy Center	104,000		104,000	-	104,000	-
Health & Family Support	860	Domestic Abuse Prevention	87,000		87,000	-	87,000	-
Health & Family Support	860	GMDCA- Child care sliding fee	486,000		486,000	-	486,000	-
Health & Family Support	860	Head Start	99,000		99,000	-	99,000	-
Health & Family Support	860	Minnesota Aids Project	35,000		35,000	-	34,998	2
Health & Family Support	860	MPLS Community Clinics	394,000		394,000	-	394,000	-
Health & Family Support	860	Senior Services	92,000		92,000	-	74,530	17,470
Health & Family Support	860	Tubman Family Alliance	62,000		62,000	-	61,999	1
Health & Family Support	860	Volunteers of America	121,000		121,000	-	121,000	-
Health & Family Support	860	Way To Grow	331,000		331,000	-	331,000	-
Health & Family Support/CPED	860/890	Youth Employment & Training	568,000		568,000	-	568,000	-
Park & Recreation Board	127	Teamworks	23,000		23,000	-	23,000	-
		Subtotal Public Service Grants	\$ 2,510,000		\$ 2,510,000	\$ -	\$ 2,490,653	\$ 19,347
Administrative Grants:								
Civil Rights	300	Fair Housing Initiative	\$ 349,502	(7,774)	\$ 341,728	\$ 104	\$ 341,640	\$ 88
Finance Department	820	General Administration Finance	342,928	(125,210)	217,718	63,751	119,653	98,065
Grants and Special Projects	800	Grants Administration	229,339		229,339	48,756	214,539	14,800
Health & Family Support	860	Advocacy	210,000		210,000	-	210,000	-
Health & Family Support	860	Legal Aid Services	49,000		49,000	-	49,000	-
Health & Family Support	860	Multicultural Services	120,000		120,000	-	120,000	-
Health & Family Support	860	Neighborhood Services Administration	161,500		161,500	-	123,537	37,963
Health & Family Support	860	Way To Grow Administration	46,000		46,000	-	46,000	-
MCDA/CPED	340/890	Citizen (Resident) Participation	345,510		345,510	2,348	282,853	62,657
MCDA/CPED	340/890	General Administration	80,000	(36,435)	43,565	-	35,079	8,486
MCDA/CPED	340/890	Neighborhood Business Association	174,000		174,000	-	174,000	-
Planning/CPED	380	Planning Administration	1,282,980	(104,517)	1,178,463	-	1,178,463	-
Non Departmental	123	Citizen (Resident) Participation MPH A	98,000		98,000	-	86,446	11,554
Non Departmental	123	Youth Coordinating Board (YCB)	48,000		48,000	-	48,000	-
		Subtotal Administrative Grants	\$ 3,536,759	\$(273,936)	\$ 3,262,823	\$ 114,959	\$ 3,029,210	\$ 233,613
Office of Grants & Special Projects		Block E Deficit Reduction	\$ 273,936		\$ 273,936			\$ 273,936
		GRAND TOTAL	\$ 18,782,859	\$ -	\$ 18,782,859	\$ 1,367,482	\$ 12,096,755	\$ 6,686,104

Note: MCDA/CPED Grants identified above are accounted for in fund FBG0

Source : Period 3, April 9, 2005 G101M

**CDBG Programs Year 27 and Prior
(Beginning 6/1/1996-2001)
March 31, 2005**

Department	Agy	Grant	Budget	2005 Expenditures	Grant To Date Expenditures	Remaining Grant Budget
Capital Grants:						
Park & Recreation Board	127	Mill Ruins Park	\$ 447,902	\$ 7,702	\$ 413,172	\$ 34,730
Park & Recreation Board	127	Hosmer	33,537	-	32,807	730
Park & Recreation Board	127	Discovery Gardens	25,000	-	-	25,000
Non Departmental	123	Relocation	325,000	-	243,075	81,925
MCDA/CPED ¹			-	-	-	-
		Subtotal Capital Grants	\$ 831,439	\$ 7,702	\$ 689,054	\$ 142,385
Administrative Grants:						
Planning/CPED ²	380	Planning Corridor	\$ 172,762	\$ -	\$ 2,551	\$ 170,211
		Subtotal Administrative Grants	\$ 172,762	\$ -	\$ 2,551	\$ 170,211
		GRAND TOTAL	\$ 1,004,201	\$ 7,702	\$ 691,605	\$ 312,596

¹ Current MCDA information for the CDBG 96/97 was not available at the time of this report and therefore not included in the schedule above

² This amount was reprogrammed in October of 2001 as part of the Year 23 reprogramming process

Source : Period 3, April 9, 2005 G101M

**City of Minneapolis
Internal Service Funds**

SELF-INSURANCE FUND

Fund 6900	2005 Budget	31-Mar-05 Actual	Remaining Budget	% of Actual To Budget
Revenue incl. Trans.	66,092,694	17,450,045	48,642,649	26%
Expenditures	64,018,970	15,130,104	48,888,866	24%
Revenue Over (Under) Expense	2,073,724	2,319,941		

Revenue: Revenues vary by activity. Employee benefits collect revenue from payroll withholding or employee contribution enabling revenues to match expenditures. Workers Compensation, with related administrative services of Risk Management and Human Resources for the return-to-work program, recognizes revenues from direct billing of users. Tort Liability including administrative services of the City Attorney's Civil division earn revenue by billing departments participating in Self-Insurance. Expenses: Principal expenditures for Health and Welfare are to account for employee fringe benefits, Workers Compensation and Tort Liability. Worker's Compensation and Tort Liability are required to be reported based on future payout of existing claims. The fund is required to set aside resources annually to cover the future cost of compensated absences based on benefit accruing.

INTERGOVERNMENTAL SERVICES FUND

Fund 6400	2005 Budget	31-Mar-05 Actual	Remaining Budget	% of Actual To Budget
Revenue incl. Trans.	27,610,118	8,087,793	19,522,325	29%
Expenditures	29,887,923	7,925,796	21,962,128	27%
Revenue Over (Under) Expenses	(2,277,805)	161,997		

Revenue:

The BIS rate model was used to charge out for their services beginning in 2005. This has replaced the transfers from customer funds in previous years along with realigning the charges for Telephone service throughout the City. It also defines services that are performed for specific customers and assigns charges for those special services. Because the model assigns cost based on activity versus a more arbitrary allocation, customers of Intergovernmental Services are more aware of the items that they are paying for and are becoming more accountable for the services requested and provided.

Implementation of the rate model has benefited in defining the revenue streams within the fund and helped determine what services are being charged back to the customer based on specific requests such as in the Project Management area. This area separately bills for its services as it serves its customers by providing service for specific requests from equipment moves to Project Management in the Capital Projects area. A change made in 2005 was to charge Capital Projects for their services versus coding directly. This has enabled the PMD area to more properly recover its costs and is reflected in the dramatic increase in revenue through the first quarter of 2005. The implementation also has improved the matching of revenues with the Fund's expenditures. This can be seen by comparing the revenues with the respective disbursements. This also reflects that activity in the City Clerk area has declined due to using outside sources to perform some of its services. Overall the fund is generating enough revenue to cover expenses including the depreciation through the first quarter.

**City of Minneapolis
Enterprise Funds**

STORMWATER FUND

Fund 7300	2005 Budget	31-Mar-05 Actual	Remaining Budget	% of Actual To Budget
Revenue	37,314,034	6,805,402	30,508,632	18%
Expenditures	20,925,750	3,014,490	17,911,260	14%
Revenue Over (Under) Expenses	16,388,284	3,790,912		

The Sewer fund was split in 2005 into two funds, Storm Water and Sanitary Sewer. Revenue: Revenues are lower than budgeted as the new billing system for the separate fees was not implemented until March; during the second quarter a review will be done of the revenue provided by the new rate schedule. In addition, there are also some timing differences in Inter-Departmental billings as well as the volatility of the Inspection Services revenues for SAC charges related to the construction market that are expected to increase during the summer. Expenses: Sewer fund expenses are currently at 14% of budget. The apparent under spending is due to timing differences on operating transfers for street sweeping and debt service that will occur after the first quarter.

PARKING FUND

Fund 7500	2005 Budget	31-Mar-05 Actual	Remaining Budget	% of Actual To Budget	31-Mar-04 Actual
Revenue	55,588,366	13,803,374	41,784,992	25%	14,782,727
Expenditures	43,943,245	6,862,433	37,080,812	16%	7,587,514
Revenue Over (Under) Expenses	11,645,121	6,940,941			7,195,213

Revenues: First quarter revenues for 2005 were \$13.8 million which stands at 25% of the budget. This is a decrease of 7% compared to first quarter revenue of 2004. Revenues from on-street parking and towing were up 13% and 4%. New meter management plan such as adjustments to rates, hours, time limits, and days of reinforcements reflect the increase in on-street parking revenue. Increase in towing revenues is the result of increase in rate and the numbers of vehicle towed. Off-street parking for the quarter is \$10.3 million which is less than first quarter revenues of 2004 by 11%. While 4% of the decrease can be traced to City-owned facilities, the other 7% can be attributed to State-owned facilities where revenues are now only limited to City's direct expenditures and overheads. Besides, in 2004, Metro Transit bus strike during the first quarter contributed to increased use of on-street as well as off-street facilities thereby boosting the revenues. Expenditures: Expenditures for first quarter, 2005, were \$6.86 million and at 16% of the budget. This is a decrease of 10% in expenditures over the first quarter of 2004. Decrease in contractual services in off-street parking system account for this variance. Automation and centralization of operations are some of the key initiatives implemented to reduce expenses in the current and for future years. A new agreement with Municipal Parking Inc. Has reduced management fees and should result in savings of \$300,000 for the fund. Operating expenditures for 2005 are projected to be at \$38 million and does not include major maintenance work for State-owned ramps which could be scheduled in the current year. All expenses related to State-owned facilities, however, are fully reimbursed by the State.