

**City of Minneapolis  
2011 Budget  
Financial Plan**

**Arena Reserve Special Revenue Fund**

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**Background**

The Arena Reserve Special Revenue Fund accounts for the maintenance and operation of the City-funded portion of the Target Center and related taxable activities. The fund was previously used primarily for transfers and was managed under a custodial agreement with Wells Fargo. Management was transferred to the City in 2010.

**Historical Financial Performance**

Because the City's management of the fund is new, there is no historical performance to document. This financial plan documents City resources only.

A portion of the entertainment tax (\$1.5 million in 2010) is redirected to the Arena Reserve Fund from the Convention Center Special Revenue Fund to fully credit the fund for entertainment tax proceeds generated from Target Center activities, as required by the Target Center arena finance plan. The entertainment tax is reconciled to the actual entertainment tax the Target Center received. The entertainment tax is deposited into the Convention Center Special Revenue Fund because it is pledged to debt service on outstanding Convention Center bonds in the event other revenue sources pledged to meet Convention Center debt service are insufficient.

**2011 Budget**

*Revenues*

Revenues for the Arena Reserve Fund come from the Event Parking Transfer, the Entertainment Tax Transfer, and a Property Tax Transfer from the General Fund. When these revenues do not completely offset expenses for Target Center Capital, Professional Services, and the Operator Reimbursement charge that pays for contracted services promoting the Target Center, tax increment revenue is transferred into the fund to cover the balance. Tax increment revenues from several districts flow into the NBA Arena Fund residing in the Community Planning and Economic Development Department and can only be used for administrative, capital and debt service costs. The net amount needed to cover the balance of expenditures remaining in the Arena Reserve Fund after the direct transfers is transferred from the NBA Arena Fund to the Arena Reserve Fund to balance the fund.

Most of the fund's budgeted 2011 revenues are from tax increment revenue generated by the consolidated tax increment district. In 2011, projected revenue from the district amounts to \$5.3 million. Total budgeted revenues in 2011 total \$11.2 million.

*Expenditures*

In 2011, the fund's projected expenditures will be used for modernization of the arena in the Target Center and base-level systems and structural improvements. Total use of funds in 2011 is budgeted at \$12.0 million.

## Council Adopted Budget

Increase the appropriation for the Target Center's operating capital (Fund 01260) by \$1.25 million to be funded through unspent balances from the 2010 budget. Of this amount, \$775,000 will be used to update concessions; \$100,000 for code compliance issues; \$275,000 for additional seating options and off-street storage; and \$100,000 for closed circuit cameras.

Reduce the capital in the Target Center by \$1.1 million on a one-time basis and transfer the corresponding entertainment tax resources into the General Fund on a one-time basis.

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**Target Center Special Revenue Fund**

	2010 Budget	2010 Projected	2011 Budget	% Chg From 2010 Projected	2012 Forecast	2013 Forecast	2014 Forecast
<b>Source of Funds:</b>							
<i>Tax Revenues:</i>							
Common Project Tax Increment	1,909	1,909	1,989	4.2%	2,072	1,438	1,474
Arena Tax Increment	979	979	1,038	6.0%	1,059	-	-
Consolidated Tax Increment	-	-	5,309		5,131	5,073	5,172
Sub-Total	2,888	2,888	8,336	188.6%	8,262	6,511	6,646
<i>Non-Operating Revenues:</i>							
Event Parking Transfer	2,241	2,241	2,758	23.1%	2,941	3,129	3,323
Entertainment Tax Transfer	1,500	1,100	80	-92.7%	1,118	1,118	1,118
Property Tax Transfer from the GF	92	92	92	0.0%	92	550	550
Centralized Leases Actions Transfer from the GF	10	10	-	-100.0%	-	-	-
Sub-Total	3,843	3,443	2,930	-14.9%	4,151	4,797	4,991
<b>Total</b>	<b>6,731</b>	<b>6,331</b>	<b>11,266</b>	<b>77.9%</b>	<b>12,413</b>	<b>11,308</b>	<b>11,637</b>
<b>Use of Funds:</b>							
Target Center Capital	1,500	250	6,403	2461.2%	5,617	5,031	5,234
Professional Services & Miscellaneous	310	310	321	3.5%	332	343	355
Operator Reimbursement	1,625	1,625	1,563	-3.8%	1,500	1,470	1,441
Transfer to Debt Service	1,572	1,572	3,686	134.5%	4,956	5,272	4,250
Encumbrance plus Green Roof Change Order	343	305	-	-100.0%	-	-	-
<b>Total</b>	<b>5,350</b>	<b>4,062</b>	<b>11,973</b>	<b>194.8%</b>	<b>12,405</b>	<b>12,116</b>	<b>11,280</b>
<b>Net Income</b>	<b>1,381</b>	<b>2,269</b>	<b>(707)</b>	<b>-131.2%</b>	<b>8</b>	<b>(808)</b>	<b>357</b>
<b>Fund Balance/Retained Earnings:</b>							
Beginning Balance	7,325	7,325	9,594	31.0%	8,887	8,895	8,087
Ending Balance	8,706	9,594	8,887	-7.4%	8,895	8,087	8,444

**Notes:**

Common Project Tax Increment	May only be used for debt service, certain administrative costs, and capital costs
Arena Tax Increment	May only be used for debt service, certain administrative costs, and capital costs
Consolidated Tax Increment	May only be used for debt service