

MEMORANDUM

To: Aisha Chughtai, Chair, Budget Committee
Council Members

From: Shawn Greene, Budget Director, Finance & Property Services

Copy: Margaret Anderson Kelliher, City Operations Officer
Casey Joe Carl, City Clerk
Dushani Dye, Chief Finance Officer
Jayne Discenza, Deputy Chief Finance Officer

Date: September 17, 2026

Subject: 2026-01017 - 2027 City Budget presentations

This memo addresses issues about the referenced item that were raised at the committee's September 10th meeting. The issues that were raised included:

1. What is the fund balance for the Downtown Assets Fund?

The table below contains the Downtown Assets (DA) Fund (01700) fund balance historical actuals, and the forecasted fund balances for 2026-2032.

Year	Type	Fund Balance
2018	Actual	\$ 18,617,518
2019	Actual	\$ 16,083,942
2020	Actual	\$ 46,452,064
2021	Actual	\$ 35,066,000
2022	Actual	\$ 53,496,049
2023	Actual	\$ 78,321,088
2024	Actual	\$ 97,238,942
2025	Actual	\$ 87,955,000
2026	Forecast	\$ 77,741,000
2027	Forecast	\$ 72,481,217
2028	Forecast	\$ 66,961,295
2029	Forecast	\$ 61,208,873
2030	Forecast	\$ 43,986,134
2031	Forecast	\$ 41,263,304
2032	Forecast	\$ 36,931,005

2. How much does the proposed budget rely on transfers from the Downtown Assets Fund? How much have we used over the past few years? And how much is the current balance? What dollars, since 2020, have we transferred from the Downtown Assets Fund to the General Fund (and the totals left in the fund each year)? How much longer can we keep taking 45-50 million annually for the General Fund (when our revenues in Downtown Assets are flat to falling) before we jeopardize the long-term health of the fund?

Below is a table outlining historic Downtown Assets (01700) to General Fund (00100) transfers; the 2026 current transfer budget; the 2027 recommended and 2028 planned transfer in correspondence with the Mayor's recommended budget; as well as planned/forecasted transfers for the outyears through 2032.

Year	Type	DA Fund transfer to General Fund	Year-End Balance
2018	Actual	\$ 30,850,000	\$ 18,617,518
2019	Actual	\$ 31,462,000	\$ 16,083,942
2020	Actual	\$ 10,711,000	\$ 46,452,064
2021	Actual	\$ 11,136,000	\$ 35,066,000
2022	Actual	\$ 11,136,000	\$ 53,496,049
2023	Actual	\$ 13,253,480	\$ 78,321,088
2024	Actual	\$ 25,092,716	\$ 97,238,942
2025	Actual	\$ 44,163,267	\$ 87,955,000
2026	Current Budget	\$ 56,829,941	\$ 77,741,000 (Forecasted)
2027	Recommended (Proposed) Budget	\$ 47,452,042	\$ 72,481,217
2028	Planned/Forecast	\$ 47,385,377	\$ 66,961,295
2029	Forecast	\$ 48,753,057	\$ 61,208,873
2030	Forecast	\$ 50,183,395	\$ 43,986,134
2031	Forecast	\$ 51,655,347	\$ 41,263,304
2032	Forecast	\$ 53,177,961	\$ 36,931,005

Financial policy does not dictate a minimum DA fund balance requirement. However, the Minneapolis Convention Center (MCC) and Target Center, which are included in the DA portfolio, have fund balance requirements per financial policy.

Revenues and expenses can be volatile due to the market-dependent nature of DA operations. Continuing the current rate of transfer is forecasted to bring the balance below \$40M by 2032. This forecast does not include funding to support the future issuance of debt for possible future DA projects such as facility renovation or modernization activities.

Additional Background: The City of Minneapolis currently has five local option sales taxes in effect. In 2025, they made up approximately \$87.6 million (or 5%) of all revenue in the City's budget. These local option sales taxes are:

- Sales and use tax (0.5%)
- Entertainment tax (3.0%)
- Lodging tax (3.0%)
- Downtown liquor tax (3.0%)
- Downtown restaurant tax (3.0%)

Entertainment tax revenues may be used for any authorized purpose. The remaining four local option sales taxes were originally restricted by the authorizing law for use for city convention center improvements, operations, and promotion. Subsequently, allowable uses have expanded in both purpose and geography. A 2001 law change expanded the allowed uses of the taxes to fund neighborhood and downtown capital improvements, including sports arenas.

In 2009, the uses were amended to include funding *“for capital projects to further residential, cultural, commercial, and economic development in both downtown Minneapolis and the Minneapolis neighborhoods.”*

In 2012, the period of the taxes was extended until January 2047. The uses were extended to *“fund other city expenditures in support of the basketball arena, other capital projects, or for other economic development, provided the city may direct excess revenue first to convention center debt, operations, capital improvements, and marketing. The City may issue bonds to fund any such projects or improvements using these taxes or any other available city resources to finance or secure the bonds.”* This remains the current legal authorization.

Use of local option sales taxes is also guided by the City Budget and Financial Policies, which are annually proposed by the Mayor and approved by the City Council. Currently (and since 2018), the language guiding use of these revenues is as follows:

- Entertainment taxes as defined in Laws of Minnesota 1969 Chapter 1092 can be used for any purpose and are not pledged to any particular operational or capital use. A portion of the entertainment taxes will be utilized within the Downtown Assets Fund for operating costs of assets that are not the convention center or marketing costs. The remainder will be transferred to the City’s General Fund.
- Sales taxes related to the downtown food and liquor taxes, as well as the lodging taxes, as described in Laws of Minnesota 2012, Chapter 299, Article 3, Section 3 shall first be utilized for:
 - The payment of debt service obligations on the City’s Convention Center.
 - The payment of debt service obligations on the City’s basketball arena.
 - The payment of the applicable portion of the State of Minnesota’s debt service obligations and annual capital and operating cost contribution for the MSFA and its stadium
- Any remainder of the downtown food and liquor taxes, the lodging taxes, together with the 0.5% general sales may then be used for:
 - Operational support of the City’s convention center, inclusive of maintenance, service, and marketing agreements.
 - Reserves necessary for the City’s convention center and its basketball arena and financing related to these facilities.
 - Economic development.
 - Capital projects generally and any debt service associated with capital projects.

For purposes of the City’s annual General Fund budget that is supported by local sales taxes, economic development may include a portion of the operations of the Community Planning and Economic Development Department, and a portion of any other General Fund supported department that enhances the economic vitality of the City.

For purposes of the budget, capital projects can include any General Fund cash or debt service for a capital budget item in the City’s capital budget in the current year or any prior year budget, either at the original adoption of the budget or added subsequently through amendments.

Please let me know if there are further issues to be addressed.