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Minnesota operates a number of central services that recover their costs through direct billing of the benefiting agencies/programs. These programs and where they are reported in the state's Comprehensive Annual Financial Report (CAFR) are summarized below. Please see supporting documentation attached.

Internal Service Funds

CAFR Internal Service Fund	Central Service Program	Fund Number
Central Motor Pool Fund	Fleet Services	Fund 5100
Central Service Fund [1]	Management Analysis & Enterprise Training & Dev.	Fund 5200
	Administrative Hearings	Fund 5201
	Central Mail	Fund 5203
Risk Management Fund	Risk Management	Fund 5300
Plant Management Fund	Plant Management	Fund 5400
MN.IT Services Fund	Minnesota Information Technology	Fund 5500
Employee Insurance Fund	Employee Insurance Trust	Fund 5600

The remaining two programs are not readily tied back to the CAFR. These programs are the Workers Compensation Revolving Fund and the Office of the Attorney General.

Please refer to the individual program sections that follow for additional information.

[1] The CAFR—Central Service Fund includes three separate central service programs. These programs are: Management Analysis & Enterprise Training & Development—Fund 5200; the Office of Administrative Hearings—Fund 5201; and the Central Mail program—Fund 5203. A breakdown of the CAFR's Central Service Fund, by program, is also provided.

Imputed Interest Earnings for OMB 2 CFR 200 Reconciliations

Fiscal Year 2020- SWCAP

(in thousands)

	FLEET SERVICES FD 5100	MAD/ ETD FD 5200	ADMINISTRATIVE HEARINGS FD 5201	CENTRAL MAIL FD 5203	RISK MANAGEMENT FD 5300	PLANT MANAGEMENT FD 5400
FY 2020 Average Monthly Cash Balance (000s)	2,796	3,417	288	0	0	20,890
FY 2020 ITC Interest Rate*	1.74%	1.74%	1.74%	1.74%	1.74%	1.74%
Estimated Interest Earnings	49	59	5	0	Accumulates interest No imputed interest calculated	363

Monthly ITC Interest Rate FY 2020

YEAR/MONTH	MONTHLY INT RATE	Annualized Interest Rate
1907	0.0020093090	2.4112%
1908	0.0018795370	2.2554%
1909	0.0017828660	2.1394%
1910	0.0016908890	2.0291%
1911	0.0016032480	1.9239%
1912	0.0015212480	1.8255%
2001	0.0014797470	1.7757%
2002	0.0014876510	1.7852%
2003	0.0013310150	1.5972%
2004	0.0011143630	1.3372%
2005	0.0007928280	0.9514%
2006	0.0006708480	0.8050%
Average		1.7364%

MINNESOTA

State of Minnesota

Internal Service Funds

2020 Comprehensive Annual Financial Report

Central Motor Pool Fund

The fund accounts for the operation of a fleet of passenger vehicles and the state vehicle maintenance garage.

Central Services Fund

The fund accounts for miscellaneous centralized support services provided to state agencies.

Employee Insurance Fund

The fund accounts for employee health and life insurance premiums and makes payments based on insurance benefits provided to employees.

MN.IT Services Fund

The fund accounts for the operation of statewide communication and information systems.

Plant Management Fund

The fund accounts for maintenance and operation costs of state-owned buildings and grounds in the capitol complex.

Risk Management Fund

The fund accounts for the providing of liability insurance, primarily automobile, to state agencies.

STATE OF MINNESOTA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2020
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 1,314	$ 2,787	$ 407,689
Accounts Receivable	1,302	5,080	36,730
Interfund Receivables	—	—	—
Inventories	—	3	—
Prepaid Expenses	—	249	—
Total Current Assets	$ 2,616	$ 8,119	$ 444,419
Noncurrent Assets:			
Depreciable Capital Assets (Net)	$ 39,654	$ 354	$ —
Nondepreciable Capital Assets	—	—	—
Prepaid Expenses	—	—	—
Total Noncurrent Assets	$ 39,654	$ 354	$ —
Total Assets	$ 42,270	$ 8,473	$ 444,419
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	$ 394	$ 2,964	$ 2,254
Deferred Other Postemployment Benefits Outflows	3	21	14
Total Deferred Outflows of Resources	$ 397	$ 2,985	$ 2,268
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 1,129	$ 995	$ 11,936
Interfund Payables	—	2,263	—
Unearned Revenue	—	—	5,968
Accrued Interest Payable	—	—	—
Bonds and Notes Payable	10,625	—	—
Claims Payable	—	—	79,181
Compensated Absences Payable	9	61	54
Total Current Liabilities	$ 11,763	$ 3,319	$ 97,139
Noncurrent Liabilities:			
Bonds and Notes Payable	$ 17,280	$ —	$ —
Compensated Absences Payable	80	551	454
Other Postemployment Benefits	54	367	264
Net Pension Liability	244	1,836	1,396
Total Noncurrent Liabilities	$ 17,658	$ 2,754	$ 2,114
Total Liabilities	$ 29,421	$ 6,073	$ 99,253
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Inflows	$ 825	$ 6,207	$ 4,719
Deferred Other Postemployment Benefits Inflows	6	42	29
Total Deferred Inflows of Resources	$ 831	$ 6,249	$ 4,748
NET POSITION			
Net Investment in Capital Assets	$ 11,749	$ 354	$ —
Unrestricted	$ 666	$ (1,218)	$ 342,686
Total Net Position	$ 12,415	$ (864)	$ 342,686

	MN.IT SERVICES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
	$ 55,004	$ 20,137	$ 22,925	$ 509,856
	44,539	2,655	1,458	91,764
	—	325	—	325
	—	462	—	465
	14,594	—	191	15,034
	$ 114,137	$ 23,579	$ 24,574	$ 617,444
	$ 25,767	$ 7,730	$ 148	$ 73,653
	—	261	—	261
	3,140	—	—	3,140
	$ 28,907	$ 7,991	$ 148	$ 77,054
	$ 143,044	$ 31,570	$ 24,722	$ 694,498
	$ 38,315	$ 8,491	$ 580	$ 52,998
	298	83	4	423
	$ 38,613	$ 8,574	$ 584	$ 53,421
	$ 12,192	$ 4,631	$ 203	$ 31,086
	50,000	—	2	52,265
	8,481	—	272	14,721
	—	5	—	5
	7,857	166	—	18,648
	—	—	9,985	89,166
	1,187	217	23	1,551
	$ 79,717	$ 5,019	$ 10,485	$ 207,442
	$ 12,019	$ 3,157	$ —	$ 32,456
	9,555	1,256	148	12,044
	5,109	1,431	65	7,290
	23,726	5,257	359	32,818
	$ 50,409	$ 11,101	$ 572	$ 84,608
	$ 130,126	$ 16,120	$ 11,057	$ 292,050
	$ 80,214	$ 17,774	$ 1,214	$ 110,953
	562	158	8	805
	$ 80,776	$ 17,932	$ 1,222	$ 111,758
	$ 5,891	$ 7,622	$ 148	$ 25,764
	$ (35,136)	$ (1,530)	$ 12,879	$ 318,347
	$ (29,245)	$ 6,092	$ 13,027	$ 344,111

STATE OF MINNESOTA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
Operating Revenues:			
Net Sales	$ 14,047	$ 20,791	$ —
Insurance Premiums	—	—	1,055,454
Other Income	305	1,534	8,821
Total Operating Revenues	$ 14,352	$ 22,325	$ 1,064,275
Operating Expenses:			
Purchased Services	$ 1,531	$ 16,139	$ 82,287
Salaries and Fringe Benefits	773	6,783	4,496
Claims	—	—	863,099
Depreciation and Amortization	7,769	62	—
Supplies and Materials	2,493	442	11
Repairs and Maintenance	1,184	137	2
Indirect Costs	384	165	250
Other Expenses	489	1	574
Total Operating Expenses	$ 14,623	$ 23,729	$ 950,719
Operating Income (Loss)	$ (271)	$ (1,404)	$ 113,556
Nonoperating Revenues (Expenses):			
Investment Income	$ 504	$ —	$ 5,150
Interest and Financing Costs	(634)	—	—
Other Nonoperating Expenses	—	—	—
Gain (Loss) on Disposal of Capital Assets	219	—	—
Total Nonoperating Revenues (Expenses)	$ 89	$ —	$ 5,150
Income (Loss) Before Transfers and Contributions	$ (182)	$ (1,404)	$ 118,706
Transfers-Out	(3)	—	(28)
Change in Net Position	$ (185)	$ (1,404)	$ 118,678
Net Position, Beginning, as Reported	$ 12,600	$ 540	$ 224,008
Net Position, Ending	$ 12,415	$ (864)	$ 342,686

MN.IT SERVICES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 222,031	$ 76,690	$ 36	$ 333,595
—	—	12,686	1,068,140
—	1,012	—	11,672
$ 222,031	$ 77,702	$ 12,722	$ 1,413,407
$ 79,903	$ 13,361	$ 5,017	$ 198,238
(104,570)	17,102	1,008	(74,408)
—	—	3,242	866,341
12,647	676	37	21,191
14,714	2,439	6	20,105
6,329	7,787	—	15,439
1,095	779	169	2,842
24	78	3	1,169
$ 10,142	$ 42,222	$ 9,482	$ 1,050,917
$ 211,889	$ 35,480	$ 3,240	$ 362,490
$ 318	$ 6	$ 429	$ 6,407
(661)	(252)	—	(1,547)
—	(45)	(3,342)	(3,387)
—	14	—	233
$ (343)	$ (277)	$ (2,913)	$ 1,706
$ 211,546	$ 35,203	$ 327	$ 364,196
(110)	(35,367)	—	(35,508)
$ 211,436	$ (164)	$ 327	$ 328,688
$ (240,681)	$ 6,256	$ 12,700	$ 15,423
$ (29,245)	$ 6,092	$ 13,027	$ 344,111

STATE OF MINNESOTA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
Cash Flows from Operating Activities:			
Receipts from Customers	$ 14,808	$ 20,238	$ 1,050,870
Receipts from Other Revenues	305	1,534	8,821
Payments to Claimants	—	—	(861,165)
Payments to Suppliers	(8,087)	(16,710)	(89,919)
Payments to Employees	(787)	(6,578)	(4,602)
Payments to Others	—	—	—
Net Cash Flow from Operating Activities	$ 6,239	$ (1,516)	$ 104,005
Cash Flows from Noncapital Financing Activities:			
Transfers-Out	$ (3)	$ —	$ (28)
Advances from Other Funds	—	—	—
Net Cash Flows from Noncapital Financing Activities	$ (3)	$ —	$ (28)
Cash Flows from Capital and Related Financing Activities:			
Investment in Capital Assets	$ (12,433)	$ —	$ —
Proceeds from Disposal of Capital Assets	2,795	—	—
Proceeds from Loans	14,279	—	—
Repayment of Loan Principal	(10,491)	—	—
Interest Paid	(678)	—	—
Net Cash Flows from Capital and Related Financing Activities	$ (6,528)	$ —	$ —
Cash Flows from Investing Activities:			
Investment Earnings	$ 504	$ —	$ 5,150
Net Cash Flows from Investing Activities	$ 504	$ —	$ 5,150
Net Increase (Decrease) in Cash and Cash Equivalents	$ 212	$ (1,516)	$ 109,127
Cash and Cash Equivalents, Beginning, as Reported	$ 1,102	$ 4,303	$ 298,562
Cash and Cash Equivalents, Ending	$ 1,314	$ 2,787	$ 407,689
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	$ (271)	$ (1,404)	$ 113,556
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	$ 7,769	$ 62	$ —
Miscellaneous Nonoperating Expenses	—	—	—
Change in Assets, Liabilities, Deferred Outflows and Inflows:			
Accounts Receivable	761	(553)	(5,007)
Inventories	—	(2)	—
Other Assets	113	308	—
Deferred Outflows	378	2,440	2,149
Accounts Payable	(2,119)	(132)	(6,795)
Claims Payable	—	—	1,934
Compensated Absences Payable	13	31	43
Unearned Revenues	—	—	423
Other Postemployment Benefits	(2)	(19)	(32)
Net Pension Liability	(10)	60	(49)
Deferred Inflows	(393)	(2,307)	(2,217)
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 6,510	$ (112)	$ (9,551)
Net Cash Flows from Operating Activities	$ 6,239	$ (1,516)	$ 104,005
Noncash Investing, Capital and Financing Activities:			
Loan Liability Transfer	$ —	$ —	$ —

MN.IT SERVICES		PLANT MANAGEMENT		RISK MANAGEMENT		TOTAL	
$	206,081	$	74,732	$	13,209	$	1,379,938
	—		1,012		—		11,672
	—		—		(5,148)		(866,313)
	(111,233)		(24,757)		(5,166)		(255,872)
	(93,187)		(17,533)		(1,122)		(123,809)
	—		(45)		(3,342)		(3,387)
$	1,661	$	33,409	$	(1,569)	$	142,229
$	(110)	$	(32,480)	$	—	$	(32,621)
	(50,000)		—		—		(50,000)
$	(50,110)	$	(32,480)	$	—	$	(82,621)
$	(9,539)	$	(370)	$	—	$	(22,342)
	—		14		—		2,809
	8,428		153		—		22,860
	(7,468)		(9)		—		(17,968)
	(695)		(248)		—		(1,621)
$	(9,274)	$	(460)	$	—	$	(16,262)
$	318	$	6	$	429	$	6,407
$	318	$	6	$	429	$	6,407
$	(57,405)	$	475	$	(1,140)	$	49,753
$	112,409	$	19,662	$	24,065	$	460,103
$	55,004	$	20,137	$	22,925	$	509,856
$	211,889	$	35,480	$	3,240	$	362,490
$	12,647	$	676	$	37	$	21,191
	—		(45)		(3,342)		(3,387)
	(8,644)		(1,955)		450		(14,948)
	—		(90)		—		(92)
	2,106		—		(20)		2,507
	257,598		7,921		652		271,138
	(11,274)		(223)		49		(20,494)
	—		—		(1,906)		28
	2,884		(30)		7		2,948
	(7,306)		(3)		37		(6,849)
	1,148		(105)		(1)		989
	(73,506)		(133)		(46)		(73,684)
	(385,881)		(8,084)		(726)		(399,608)
$	(210,228)	$	(2,071)	$	(4,809)	$	(220,261)
$	1,661	$	33,409	$	(1,569)	$	142,229
$	—	$	2,887	$	—	$	2,887

STATE OF MINNESOTA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - Central services single fund report
YEAR ENDED JUNE 30, 2020
(IN THOUSANDS)

	5200	5201	5202	5203	TOTAL
Operating Revenues:					
Net Sales	$ 8,597	$ 2,076	$ 2	$ 10,116	$ 20,791
Insurance Premiums	-	-	-	-	-
Other Income	1,534	-	-	-	1,534
Total Operating Revenues	$ 10,131	$ 2,076	$ 2	$ 10,116	$ 22,325
Less: Cost of Goods Sold	-	-	-	-	-
Gross Margin	$ 10,131	$ 2,076	$ 2	$ 10,116	$ 22,325
Operating Expenses:					
Purchased Services	$ 7,054	$ 157	$ 2	$ 8,927	$ 16,139
Salaries and Fringe Benefits	4,415	1,765	(3)	606	6,783
Claims	-	-	-	-	-
Depreciation and Amortization	-	-	-	62	62
Supplies and Materials	315	5	-	122	442
Repairs and Maintenance	27	-	1	109	137
Indirect Costs	121	20	-	24	165
Other Expenses	-	-	1	-	1
Total Operating Expenses	$ 11,932	$ 1,947	$ 1	$ 9,850	$ 23,729
Operating Income (Loss)	$ (1,801)	$ 129	$ 1	$ 266	$ (1,404)
Nonoperating Revenues (Expenses):					
Investment Income	$ -	$ -	$ -	$ -	$ -
Federal Grants	-	-	-	-	-
Private Grants	-	-	-	-	-
Grants and Subsidies	-	-	-	-	-
Securities Lending Income	-	-	-	-	-
Other Nonoperating Revenues	-	-	-	-	-
Interest and Financing Costs	-	-	-	-	-
Grants, Aids and Subsidies	-	-	-	-	-
Securities Lending Rebates and Fees	-	-	-	-	-
Other Nonoperating Expenses	-	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	$ -	$ -	$ -	$ -	$ -
Income (Loss) Before Transfers and Contributions	$ (1,801)	$ 129	$ 1	$ 266	$ (1,404)
Capital Contributions	-	-	-	-	-
Transfers-In	-	-	-	-	-
Transfers-Out	-	-	-	-	-
Total Income (Loss)	$ (1,801)	$ 129	$ 1	$ 266	$ (1,404)
Special Item	$ -	$ -	$ -	$ -	-
Change in Net Position	$ (1,801)	$ 129	$ 1	$ 266	$ (1,404)
Net Position, Beginning, as Reported	$ 1,804	$ (1,926)	$ 43	$ 619	540
Prior Period Adjustment	-	-	-	-	-
Change in Accounting Principle	-	-	-	-	-
Change in Reporting Entity	-	-	-	-	-
Change in Fund Structure	-	-	-	-	-
Net Position, Beginning, as Restated	$ 1,804	$ (1,926)	$ 43	$ 619	$ 540
Net Position, Ending	$ 3	$ (1,797)	$ 44	$ 885	$ (864)

STATE OF MINNESOTA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET POSITION - Central Services single fund report

JUNE 30, 2020
(IN THOUSANDS)

	5200	5201	5202	5203	TOTAL
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 2,559	$ 183	$ 45	$ -	$ 2,787
Investments	-	-	-	-	-
Accounts Receivable	1,553	218	-	3,309	5,080
Interfund Receivables	-	-	-	-	-
Due from Component Unit	-	-	-	-	-
Accrued Investment/Interest Income	-	-	-	-	-
Federal Aid Receivable	-	-	-	-	-
Inventories	-	-	-	3	3
Loans and Notes Receivable	-	-	-	-	-
Securities Lending Collateral	-	-	-	-	-
Prepaid Expenses	-	-	-	249	249
Other Assets	-	-	-	-	-
Total Current Assets	$ 4,112	$ 401	$ 45	$ 3,561	$ 8,119
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ -	$ -	$ -	$ -	$ -
Investments-Restricted	-	-	-	-	-
Other Assets-Restricted	-	-	-	-	-
Due from Component Unit	-	-	-	-	-
Advances to Other Funds	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Loans and Notes Receivable	-	-	-	-	-
Depreciable Capital Assets (Net)	-	-	-	354	354
Nondepreciable Capital Assets	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-
Other Assets	-	-	-	-	-
Total Noncurrent Assets	$ -	$ -	$ -	$ 354	$ 354
Total Assets	$ 4,112	$ 401	$ 45	$ 3,915	$ 8,473
DEFERRED OUTFLOWS OF RESOURCES					
Bond Refunding	$ -	$ -	$ -	$ -	$ -
Deferred Outflows	-	-	-	-	-
Deferred Pension Outflows	1,575	1,053	-	336	2,964
Deferred Other Postemployment Benefits Outflows	13	6	-	2	21
Deferred Derivative Outflows	-	-	-	-	-
Total Deferred Outflows of Resources	$ 1,588	$ 1,059	$ -	$ 338	$ 2,985
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 785	$ 111	$ -	$ 99	$ 995
Interfund Payables	-	-	-	2,263	2,263
Due to Component Unit	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-
Bonds and Notes Payable	-	-	-	-	-
Capital Leases Payable	-	-	-	-	-
Claims Payable	-	-	-	-	-
Compensated Absences Payable	40	16	-	5	61
Securities Lending Liabilities	-	-	-	-	-
Other Liabilities	-	-	-	-	-
Total Current Liabilities	$ 825	$ 127	$ -	$ 2,367	$ 3,319
Noncurrent Liabilities:					
Accounts Payable-Restricted	$ -	$ -	$ -	$ -	$ -
Due to Component Unit	-	-	-	-	-
Unearned Revenue	-	-	-	-	-

Bonds and Notes Payable..	-	-	-	-	-
Capital Leases Payable...	-	-	-	-	-
Claims Payable...	-	-	-	-	-
Compensated Absences Payable...................................	354	160	-	37	551
Advances from Other Funds..	-	-	-	-	-
Other Postemployment Benefits...................................	220	106	-	41	367
Net Pension Liability..	975	652	-	209	1,836
Funds Held in Trust..	-	-	-	-	-
Other Liabilities..	-	-	-	-	-
Total Noncurrent Liabilities...................................	$ 1,549	$ 918	$ -	$ 287	$ 2,754
Total Liabilities..	$ 2,374	$ 1,045	$ -	$ 2,654	$ 6,073
DEFERRED INFLOWS OF RESOURCES					
Bond Refunding...	$ -	$ -	$ -	$ -	$ -
Capital Lease Restructuring...	-	-	-	-	-
Deferred Revenue..	-	-	-	-	-
Deferred Pension Inflows..	3,297	2,205	-	705	6,207
Deferred Other Postemployment Benefits Inflows.......	25	12	-	5	42
Total Deferred Inflows of Resources.....................	$ 3,322	$ 2,217	$ -	$ 710	$ 6,249
NET POSITION					
Net Investment in Capital Assets...	$ -	$ -	$ -	$ 354	$ 354
Unrestricted	$ 5	$ (1,802)	$ 44	$ 534	$ (1,218)
Total Net Position..	$ 5	$ (1,802)	$ 44	$ 888	$ (864)

DEPARTMENT OF ADMINISTRATION—FLEET SERVICES

Services Provided

Fleet Services provides cost-effective transportation solutions for state government offices for conducting official state business. Specific services provided include:

- Provides a long-term vehicle rental program
- Assist agencies in maximizing their vehicle utilization to fit its life cycle
- Manage the vehicle maintenance and fuel programs
- Manage a statewide fleet information database (M5) for agencies to access their fleet data
- Assists state agencies in meeting the federal Energy Policy Act (EPAct) requirements for alternative fuel vehicle purchasing

OMB Uniform Guidance, 2 CFR part 200, subpart 200.465(a)

- *“Subject to the limitations described in paragraphs (b) through (d) of this section, rental costs are allowable to the extent that the rates are reasonable..."*

OMB Uniform Guidance, 2 CFR part 200, subpart 200.416(a)

- *"For states, local governments and Indian tribes, certain services, such as motor pools, computer centers, purchasing, accounting, etc., are provided to operating agencies on a centralized basis. Since Federal awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process."*

How Rates are Computed

Rates are based on the estimated operating costs of the present fleet, vehicle depreciation costs, vehicle type, life cycle, and plus/minus any prior years' income/loss.

MANAGEMENT AND BUDGET

State of Minnesota
Statewide Cost Allocation Plan
Fiscal Year 2020 Actual

RECONCILIATION OF RETAINED EARNINGS
RE-BALANCE TO OMB 2 CFR 200 GUIDELINES
DEPARTMENT OF ADMINISTRATION

FOR YEAR ENDING JUNE 30, 2020
(All Figures in 000's)

				FLEET SERVICES FUND 5100
PART I 2 CFR 200 R.E. BALANCE				
2 CFR 200 R.E. BALANCE July 1, 2019 (Balance per Prior Year's Reconciliation of Fund to 2 CFR 200)				962
Adjustments				-
Adjusted Retained Earnings Balance				962
FY20 Retained Earnings Increase (Decrease) Per CAFR				
2 CFR 200 Revenues (Actual and Imputed) from Attachment A		14,352		
2 CFR 200 Revenues (Actual and Imputed) from Other		720		
Total Revenues			15,072	
Less Expenditures (Actual Costs):				
Total Operating Expenses per State's Financial Report		(14,623)		
Other Expenses		(634)		
Less Depreciation Expense		7,769		
Less 2 CFR 200 Unallowable Costs:				
Capital Outlay		-		
Projected Cost Increases/Replacement Reserve		-		
Unallowable excess RE balance refund		-		
Bad Debt		-		
GASB68 Net Pension Liability Adjustment		(24)		
GASB75 Net OPEB Liability Adjustment		(3)		
Total Expenditures			(7,515)	
Plus 2 CFR 200 Allowable costs:				
Indirect Costs From SWCAP (if not allocated in SWCAP)		-		
Depreciation or Use Allowance (if not included in Actual Cost above)		(7,769)		
Other		-		
Total OMB 2 CFR 200 Allowable Expenditures			(7,769)	
Plus 2 CFR 200 Adjustments:				
Imputed Interest Earnings on Monthly Average Cash Balance		49		
Debt Service Payments		-		
Other		-		
Total Adjustments			49	
FY20 Net Increase (Decrease) to Retained Earnings Balance per CAFR				(163)
2 CFR 200 R.E. BALANCE June 30, 2020	A)			799
Allowable Reserve	B)	1,253		
Excess Balance (A)-(B)		(454)		

(If less than zero, the amount on (A) is the beginning 2 CFR 200 R.E. balance for the next year's reconciliation. If there is an excess balance, at the request of the cognizant agency the federal share should be returned to the federal gov't and the amount on (B) will be the beginning 2 CFR 200 R.E. balance for the next year)

MANAGEMENT AND BUDGET

State of Minnesota
Statewide Cost Allocation Plan
Fiscal Year 2020 Actual

RECONCILIATION OF RETAINED EARNINGS
RE-BALANCE TO OMB 2 CFR 200 GUIDELINES
DEPARTMENT OF ADMINISTRATION

FOR YEAR ENDING JUNE 30, 2020 (All Figures in 000's)				FLEET SERVICES FUND 5100
PART II 2 CFR 200 CONTRIBUTED CAPITAL BALANCE				
2 CFR 200 CONTRIBUTED CAPITAL BALANCE JULY 1, 2019				501
TRANSFERS Per CAFR (Supported by Official Accounting Records)				
Plus: Transfers In (e.g. Contrib. Capital)		-		
Less: Transfers Out (e.g. Payback of Contrib. Capital, Other Users of Fund R.E.)		-		
Net Transfers			-	
2 CFR 200 CONTRIBUTED CAPITAL BALANCE JUNE 30, 2020	C)			501
PART III 2 CFR 200 ADJUSTMENTS BALANCE				
2 CFR 200 CONTRIBUTED CAPITAL BALANCE JULY 1, 2019				
ADJUSTMENTS:				
PPD Adjustment		124		
Accumulated prior years Fed Penalty		2,554		
Accumulated prior years State Portion		10,224		
FY2017 A-87 Excess Retained Earnings Settlement, Federal sources		-		
FY2017 A-87 Excess Retained Earnings Settlement, State portion		-		
Accumulated prior years Imputed Interest		(1,006)		
Current year Imputed Interest		(49)		
Contributed Capital		-		
Accumulated prior years GASB68 NPL Adjustments		(699)		
Current year GASB68 NPL Adjustments		24		
Accumulated prior years GASB75 OPEB Adjustments		(60)		
Current year GASB75 OPEB Adjustments		3		
Total Adjustments			11,115	
2 CFR 200 CONTRIBUTED CAPITAL BALANCE JUNE 30, 2020	D)			11,115
PART IV RECONCILIATION OF 2 CFR 200 R.E. CONTRIBUTED CAPITAL AND ADJUSTMENTS BALANCES TO CAFR BALANCE				
RECONCILIATION OF 2 CFR 200 R.E., CONTR. CAPITAL & ADJUST. BALANCES TO CAFR (A) + (C) + (D)				12,415
(Should Tie to the Fund Balance in the CAFR)				
Check Figure				-

DESCRIPTION	AMOUNT	COMMENTS
preFY2004 PPD Adjustment	124	per prior period
FY1999 A-87 Excess Retained Earnings Settlement, Federal sources	336	Federal refund
FY1999 A-87 Excess Retained Earnings Settlement, State sources	263	State portion
FYpre2004 Imputed Interest	(101)	interest earned on excess retained earnings
FY2004 Imputed Interest	(4)	interest earned on excess retained earnings
FY2005 Imputed Interest	(46)	interest earned on excess retained earnings
FY2006 A-87 Excess Retained Earnings Settlement, Federal sources	338	Federal refund
FY2006 A-87 Excess Retained Earnings Settlement, State sources	3,169	State portion
FY2006 Imputed Interest	(164)	interest earned on excess retained earnings
FY2007 Imputed Interest	(114)	interest earned on excess retained earnings
FY2008 Imputed Interest	(149)	interest earned on excess retained earnings
FY2009 Imputed Interest	(123)	interest earned on excess retained earnings
FY2010 A-87 Excess Retained Earnings Settlement, Federal sources	635	Federal refund
FY2010 A-87 Excess Retained Earnings Settlement, State portion	3,579	State portion
FY2010 Imputed Interest	(54)	interest earned on excess retained earnings
FY2011 Imputed Interest	(4)	interest earned on excess retained earnings
FY2012 A-87 Excess Retained Earnings Settlement, Federal sources	265	Federal refund
FY2012 A-87 Excess Retained Earnings Settlement, State portion	571	State portion
FY2012 Imputed Interest	(12)	interest earned on excess retained earnings
FY2013 Imputed Interest	(7)	interest earned on excess retained earnings
FY2014 Imputed Interest	(23)	interest earned on excess retained earnings
FY2015 Imputed Interest	(25)	interest earned on excess retained earnings
FY15 GASB68 Beginning Balance Adjustment	(703)	adjustment from CAFR
FY15 GASB68 Net Pension Liability Adjustment	71	change in deferred liability from CAFR
FY16 GASB68 Net Pension Liability Adjustment	92	change in deferred liability from CAFR
FY2016 Imputed Interest	(36)	interest earned on excess retained earnings
FY2017 Imputed Interest	(56)	interest earned on excess retained earnings
FY17 GASB68 Net Pension Liability Adjustment	(235)	change in deferred liability from CAFR
FY2017 A-87 Excess Retained Earnings Settlement, Federal sources	952	
FY2017 A-87 Excess Retained Earnings Settlement, State portion	2,642	
FY18 Imputed Interest	(34)	interest earned on avg. monthly cash balance
FY18 GASB68 Net Pension Liability Adjustment	(227)	change in deferred liability from CAFR
FY18 GASB75 Beginning Balance Adjustment	(56)	adjustment from CAFR for enacting GASB75
FY18 GASB75 Net OPEB Obligation Adjustment	(3)	change in deferred liability from CAFR
FY2017 A-87 Excess Retained Earnings Settlement, Federal sources	28	interest charge on federal source
FY19 Imputed Interest	(54)	interest earned on avg. monthly cash balance
FY2019 Adjustment Accumulated Prior Year Imputed Interest	-	MMB calculated adjustments
FY19 GASB68 Net Pension Liability Adjustment	303	change in deferred liability from CAFR
FY19 GASB75 Net OPEB Obligation Adjustment	(1)	change in deferred liability from CAFR
FY20 Imputed Interest	(49)	interest earned on avg. monthly cash balance
FY20 GASB68 Net Pension Liability Adjustment	(24)	change in deferred liability from CAFR
FY20 GASB75 Net OPEB Obligation Adjustment	(3)	change in deferred liability from CAFR
	11,061	

Fleet Services
Fund 5100

FISCAL YEAR 2020
Business Plan

Revision Date: 7/25/2019 3:57 PM
Holly Gustner, Director
Department of Administration
Fleet Services
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Website: http://mn.gov/admin/government/vehicles/

Table of Contents

Executive Summary

Who we are and what we do

The Fleet Services (FSS) program supplies safe, cost-effective, and sustainable transportation solutions for use in official government business. This program offers long-term vehicle leasing for state agencies, cities, and counties and provides enterprise-wide fleet management leadership through the State Fleet Council.

Our goals for next year

FSS has continually evolved over the past several years to include enterprise fleet management services to our partners related to the purchase, operation, fuel, maintenance, sustainability, and disposal of vehicles to ensure outstanding service. Enhancements to the Enterprise Fleet Management System (M5) will be made in Fiscal Year (FY) 2020 to automate manual processes for improved efficiency.

In FY 2020, the predominant goal is to continue the efforts of fleet consolidation of the combined section of the state fleet, advance sustainability in the area of fleet, and to implement strategies focused around fleet Centers of Excellence.

Our proposed rates

- Individual FSS vehicle rates are based on vehicle type, acquisition cost, maintenance, and life cycles. Actual expenses will vary based on contract pricing, vehicle type, and lease terms. The FY 2020 rates will be effective when the rates are approved.
    - Administration rate for lease vehicles will decrease by 8.5% to $50.67 per month per vehicle.
    - Insurance rate will increase 3.6% to an annual rate of $399 per vehicle due to higher value of vehicles.
    - Maintenance Rate is based on calendar year (CY) 2018 average repair costs for vehicle type +1% inflation + $7.56 handling fee per vehicle for fleet vehicle prep and detailing services. The handling fee is decreased by $.70 or (8.5%) in FY 2020. This rate is included in the monthly base rate.
- Managed Maintenance Service Rate for agency owned vehicles will reflect actual billed costs of repairs plus a monthly Managed Maintenance Administration fee of $12.18. This is an increase of $.30 or 2.5% in the Managed Maintenance Administration fee from FY 2019.
- Enterprise Fleet Management System (M5) application rate will be assessed for agency owned vehicles. An M5 Application fee will be charged to agencies based on agency owned fleet inventory count and application use in FY 2020 for IT and operational costs. Costs will be reviewed annually and rates adjusted to closely reflect costs associated with M5 use.
    - M5 Application Fee - Annual Fixed Rate for agency owned vehicles within an agency-specific defined business unit in M5, based on inventory and application use (See chart on page 37).
        - Department of Natural Resources (DNR) annual fee will increase $2,329 or 2.8%
        - Department of Public Safety (DPS) annual fee will increase $1,254 or 2.8%
    - M5 Agency Owned Vehicle Admin fee - Annual Per-Vehicle Rate will increase $1.15 or 4.4% to an annual rate of $27.03 for active agency owned vehicles within the M5 Admin defined business unit (See chart on page 37).

Our successes, challenges, along with economic and legislative impacts

Successes

- Significant improvement has been made towards achieving new sustainability goals identified through the Office of Enterprise Sustainability (OES) and by the Governor's Executive Order 19-27, including:
    - Green fleet replacement initiative prioritizing more energy efficient vehicles helped to convert 57% of vehicle replacements ordered from regular fuel combustion engines to fuel-efficient hybrid and electric vehicles (EV) through third quarter FY 2019. A cost effective greener alternative for passenger minivans is not yet available.
    - Improved fuel Miles per Gallon (MPG) by average of 7.93 in vehicles placed in service through third quarter FY 2019.
    - Approximately 67% of light passenger vehicles ordered in third quarter FY 2019 excluding law enforcement and non-rated vehicles have a United States Environmental Protection Agency (EPA) emission score of 7 or greater. A cost effective passenger van or light truck with a score of 7 or greater is currently not available.
    - FSS fleet attained a Tier 3 sustainable fleet certification by the National Association of Fleet Administrators (NAFA).

Challenges

- Establishing an enterprise fleet plan utilizing shared services with the four Centers of Excellence to improve statewide budgetary efficiencies, environmental sustainability, fleet accountability, and management strategies.
- Increasing the number of EV choices to meet agency transportation needs and meet the sustainability goals established as part of the Fleet Sustainability Work Group. This has proven difficult due to the limited EV market and EV charging infrastructure in parking facilities and throughout Minnesota.
- Agencies remain apprehensive about EV technology and whether vehicles can meet their needs. This has demonstrated some reluctance to move towards more fuel-efficient technology which may impact the state's ability to reach sustainability goals.
- The timing of vehicle contracts, manufacturing order cut-off dates, and agency orders can make it difficult to get all vehicles ordered in a timely manner.
- Vehicle contract delays, partner's budget constraints, and agency reluctance to consolidate into the FSS fleet have hindered the progress of moving forward with the 5 year combined fleet consolidation schedule.

Economic Impact

- FSS is projecting:
    - Higher acquisition costs for vehicles will increase the amount of Master Lease (ML) loan obligations and increase FSS lease rates.
    - Higher interest rate on longer ML loan terms will result in higher FSS lease rates.

Legislative Impacts

- There are no known legislative proposals impacting fees at this time.

Projected FY 2020 financial activity

Revenue	$16,362,132
Expenses	$16,389,599
Year-end Retained Earnings	$12,719,762
Allowable Working Capital	$2,731,600
Actual Working Capital (Current Assets – Current Liabilities as of 12/31/18)	($5,531,271)
Full Time Equivalents	8.25
Fuel	Reflects actual fuel card charge
Managed Maintenance Agency Owned Vehicles	Reflects actual cost
Projected overall change in revenue	18.2%

Retained Earnings

The retained earnings has been reduced from $14.033 million at end of FY 2016 to a forecast of $12.720 million at end of FY 2020.

Almost all of Fleet Services' assets are Non-Current Assets, which do not provide any ability to support the operations of the business. The Department of Administration (Admin) has discussed this concern with the Federal DHHS Program Officer in June 2018. After this discussion, and coming to understand of the progress that has been made on reducing retained earnings and the negative working capital position, the Program Officer at DHHS has documented their recommendation that there will be no further penalties in FY 2019, FY 2020, or FY 2021.

Description of Business

<u>How the business was created</u>

- Statutory authority – Minnesota Statute (M.S.) 16B.54
- Year created – 1961
- Purpose – To supply safe, cost-effective transportation solutions used in official government business
- Type of fund – Internal Service Fund

<u>Significant historical changes</u>

- Prior to FY 2014, lease rates for state agencies included all operational costs; including fuel based on vehicle type, lease term, and anticipated miles traveled. Lease rates were incremented upward by up to 3.5% at the beginning of each fiscal year, if needed, to track with inflation.
- FY 2015 vehicle depreciation terms for rate calculations were changed from sum of digits to straight line depreciation to more closely reflect the actual retention life of the vehicle.
- FY 2016 a two-part rate was established which included a per-mile rate for fuel and maintenance; however, this method has shown to be ineffective in terms of matching expenses with revenues.
- FY 2017 changes were made to the depreciation rate to reflect the depreciation term of the vehicle. Depreciation was previously paid over the term of lease which may not have been equal to the depreciation term.
- FY 2018 interest rates reflect the ML draw interest rate and term at time of acquisition replacing a flat annual interest rate. The per-mile rate is no longer used and fuel card purchases are billed back monthly to state agencies. An M5 Fee was established for agency owned vehicles utilizing M5.

This new methodology was developed as part of a continuous improvement (CI) project. The CI project offered an opportunity and challenge for FSS to develop a new strategy and direction that meets the needs of our state agencies and benefits all Minnesotans by providing improved statewide fleet accountability and management strategies. The identified strategies are focused around an award winning state fleet plan, customer service, environmental sustainability, data-driven decisions, and financial viability. Implementing these new strategies should lead to a less complicated and more manageable pricing structure that delivers fleet management expertise and efficiency.

In FY 2019, a statewide enterprise fleet study was completed by Management Analysis and Development (MAD) to analyze the strengths of each Center of Excellence with specialized fleets, the needs of state agencies for specialized vehicles, and the possibilities of consolidating specialty vehicles within one or more of the Centers.

FSS, together with the Fleet Council, has implemented several of the identified strategies from the study. Some approaches will require ongoing exploration and coordination with our fleet partners throughout state government in FY 2020. Ideas, such as the creation of Centers of Excellence, moving all agencies in the combined fleet towards leasing instead of owning, updating and narrowing the list of vehicles available to lease, and changes to financing options, are currently being addressed or considered.

Working with our government partners to meet their service needs, FSS incorporates new technology and processes that enhance operations, creates long-term plans for vehicle replacement, builds upon partner relationships, and provides vehicle operational expertise and monitoring. FSS ensures our partners' fleet needs are addressed through procurement, partner and vendor relationships, training, fuel management, and vehicle performance monitoring.

Specific strategies identified include:

- Analyze the current state fleet and research a new enterprise fleet services business model based on four Centers of Excellence.
  - Admin Fleet: Passenger vehicles.
  - DNR Fleet: Off-road vehicles.
  - DPS Fleet: Public safety vehicles.
  - Department of Transportation (MNDOT) Fleet: Heavy equipment.
- Build knowledge of each state agency's fleet needs and requirements to better understand accurate vehicle specification needs and replacement planning.
  - Optimize utilization.
  - Determine the most cost-effective fleet size.
  - Meet statewide sustainability objectives and goals.
- Collaborate with OES and the Fleet Council to create a statewide "Green Fleet" that will reduce fossil fuel consumption 30% by 2027.
- Improve fuel economy and increase average MPG in state fleet.
  - Only purchase passenger vehicles with an EPA emissions score minimum of 7 or better to lower carbon footprint unless agencies are able to justify such a vehicle will not meet the transportation needs of the agency.
  - Work with OES and agencies to improve charging infrastructure that will support statewide EV use.
- Optimize and standardize vehicle choices, leading to limited and improved vehicles selections.
- Use of data analytics on driving behavior to improve driver training.
- Utilize telematics data to improve fleet safety and increase effectiveness of state fleet management.
- Advance the use of state fleet data to drive decisions to optimize utilization and expand statewide fleet accountability.
- Research financing options considering longer loan terms and higher cost of vehicle replacement.

<u>Significant aspects of the business</u>

- Provide long-term vehicle leasing to state government and political subdivisions.
- Develop innovative strategies and efficiencies to ensure preventative maintenance and repairs are planned and managed to minimize lifecycle requirements.
- Establish best practices through planned work, targeted lifecycle analyses on specific fleet groups, and provide recommendations to partners to improve fleet usage, efficiency and cost.
- Help our partners match vehicles to work requirements, environmental sustainability goals, and agency budgets.
- Ensure the vehicles purchased comply with statutory and administrative regulations.
  - Purchase "Green Choice" vehicles.
  - Include Alternative Fuel Vehicles (AFVs) and vehicles with hybrid electric technology.
  - Promote use of alternate fuels such as ethanol (E85), electric, and compressed natural gas (CNG).
  - Comply with Executive Order 19-27 and M.S. 16C.137.
- Offer vehicle maintenance management services through third party contract.
  - Reduce staff administration, streamline operations, and offer 24/7 repair authorizations.
- Provide enterprise-wide fuel card services that allows for consistent fuel payment and reporting.

- Manage M5, a centralized fleet management and reporting system for state agency owned fleets.
    - FSS reports centrally for required Federal Energy Policy Act (EPAct) compliance and sustainability reporting.
- Operate a fleet telematics program.
    - Utilize telematics/data analytics to improve fleet safety and increase effectiveness of state fleet management.
    - Advance use of state fleet data to drive decisions to optimize utilization and expand statewide fleet accountability.

Our location, hours, and website

5420 Old Highway 8
Arden Hills, MN 55112
Hours: 7:30 am to 4:30 pm Monday - Friday
24 Hour towing and repair services provided through a 3rd party contract
Website: http://mn.gov/admin/government/vehicles/

Our partnerships

- Admin Office of State Procurement (OSP) – negotiates and issues term contracts for vehicle acquisition, repair, and fuel purchases.
- Admin Risk Management Division (RMD) – provides vehicle liability and collision insurance.
- Financial Management and Reporting (FMR) – provides financial functions and support.
- American Lung Association of Minnesota (ALAMN) – promotes the use of alternate fuels.
- MN.IT Services – supports technology for M5.
- Fleet Council – provides an avenue for state fleets to create and implement common goals. Fleet Council members include representation from Departments of: Administration, Natural Resources, Transportation, Commerce, Agriculture, Pollution Control (PCA), Corrections (DOC), and Public Safety.
- Office of Enterprise Sustainability (OES) – provides leadership and support to help meet state fleet operations sustainability goals.
- Minnesota Management and Budget (MMB) – provides debt management and rate review and approval.

Our strengths, weaknesses, opportunities, and threats/risks/vulnerabilities

Strengths

- Providing leadership and support for collaborative enterprise sustainability efforts, recommending goals and levers to the Sustainability Steering Committee, and establishing statewide best practices in the area of fleet sustainability.
- Establishing vehicle life cycles at the time of acquisition and monitoring vehicle usage to help agencies adjust to their transportation needs.
- Providing 24/7 cost-effective maintenance management knowledge and repair authorization resources to maintain safe, reliable vehicles.
- Specializing in selecting the appropriate vehicle to meet the agencies' transportation needs to accomplish their core business functions.
- Knowledge of fleet industry practices and emerging issues affecting vehicles, fuel, and maintenance.
- Use of fleet telematics data to improve fleet safety, utilization, environmental sustainability, and efficiency of agency operations.

Weaknesses

- Maintenance and fuel costs are hard to predict with changing markets and evolving end user needs.
- Lack of EV charging stations throughout the state reduces opportunities for EV purchasing.
- Limited viable EV options on state contract to meet agency transportation needs.
- Long-term lease financing for high-cost, low-use specialty vehicles.
- Lack of heavy duty and specialty vehicles for temporary vehicle needs.
- Limited parking at the FSS facility.

Opportunities

- Create a positive, engaged, and diverse workplace through employee engagement initiatives to ensure FSS is a safe and respectful organization.
- The Fleet Council along with several subcommittees are working to better define the four Centers of Excellence (Admin, DPS, DNR, and MNDOT). This initiative will first require stakeholder collaboration, agreement, and commitment. It is anticipated the execution of this model would be accomplished over the next several years.
- Create a greener fleet through the purchase of more fuel-efficient vehicles.
    - Promote increased use of E85 and electricity as alternate fuels.
- Work with OES, Clean Cities, and utility companies on expanding EV charging station infrastructure.
- Share vehicle resources within agencies with the M5 motor pool module.
- Improve utilization of vehicles and sustainability outcomes through vehicle telematics reporting.
    - Identify underutilized vehicles, excessive idling, vehicle condition, opportunities for improved driver behavior, etc.
- Increase number of cabinet level agencies obtaining all vehicles through FSS.
- Improve fleet safety, accountability, optimization, and environmental sustainability through use of telematics data.
- Optimize fleet performance and maximize vehicle usage with real time data to assist with development of state wide policy.
- Meet green objectives and ensure vehicles comply with the requirements of MN statutes and Environmental Protection Agency. By aligning the FSS operational objectives to the overall state goals and help agencies align their goals, the entire state fleet is working collectively to achieve success in FY 2020.

Threats

- Original lease terms of 60 months may create a financial hardship for agencies due to higher cost of vehicles for large trucks and specialty equipment.
- Cash flow shortage due to late monthly vehicle lease payments.
- Available cash funds to purchase high use vehicles requiring 2-year life cycles.
- Unexpected increases in fuel or maintenance costs.
- Service and/or program reductions within agencies can result in early return of vehicles.
- Potential decline in used vehicle market value.
- Delay in vehicle contracts may affect vehicle manufacturer order cut-off dates.
- Anticipated EV infrastructure may not materialize in a timely manner.

Other key/significant business/financial information important to our business

- ML funding program is utilized for vehicle purchases to maintain cash flow while expanding operational abilities. The current 5-year lease term makes it difficult for some agencies to afford certain vehicles (in particular expensive and specialized equipment) or to justify vehicles that get minimal use on an annual basis resulting in a slower replacement cycle. Feedback indicates that longer ML term options would benefit our partners. In the next year, FSS will continue to explore whether other financing options exist that would better meet customer needs.
- Planning for budgetary challenges such as higher vehicle acquisition costs for greener vehicles, number of vehicles, and operating expenses is difficult to project as agency transportation needs change.
- It is anticipated that approximately 709 agency owned vehicles will be converted to FSS lease vehicles over the next five years. This time line is dependent on agency collaboration and life cycle replacement schedules.
- The marketplace for EVs is changing quickly and long term will mean increased options that better meet the needs of our partners. In the short term, Minnesota does not have a strong market for EVs and this creates challenges in electrifying our fleet.
- EV charging infrastructure must be put in place in order to increase the use of EVs at state agencies and reach our sustainability goals.
- Agencies converting from owned vehicles to leased vehicles may not have established budgets for 5-year replacement plan as vehicle life cycles were not previously in place.

Products and Services

Our main products/services and the benefits to customer

Long-term Vehicle Leasing

FSS offers vehicle leases for official government business to state agencies, political subdivisions, and Minnesota State. Long-term vehicle leases are typically assigned to a customer from vehicle acquisition to disposal. FSS assists our partners in selecting the proper vehicle for the work function, the proper life cycle, and monitoring vehicle usage. Individual life cycles and rates are established for each vehicle based on acquisition cost, ML loan expense, fuel economy, life cycle, and projected operating expenses. In some cases, a vehicle may be re-assigned to another customer if a vehicle is turned in prior to end of lease term (See pages 35-37 for rate details).

- Vehicle lease rates include depreciation, maintenance, insurance, and administration costs.
- Vehicles are provided to help agencies comply with Executive Order 19-27, M.S 16C.137, Federal EPAct compliance, and statewide fleet sustainability requirements.
- Political Subdivisions provide their own vehicle insurance.

Maintenance Management Services

FSS provides vehicle repair authorization for FSS leased vehicles and agency owned vehicles through a third-party contractor, Automotive Rentals Inc. (ARI), allowing for 24/7 repair authorizations.

- Actual repair costs for agency owned vehicles utilizing the maintenance management program will be billed back to agencies monthly. A per-vehicle Managed Maintenance Administrative Fee is included for ARI monthly service fees and FSS operational costs.

Fuel Card Services
FSS provides fuel cards for leased vehicles and agency owned vehicles.

- Fuel for leased vehicles will be billed back to agencies monthly to accurately reflect costs associated with station pricing, savings for more fuel-efficient vehicles, and fuel usage associated with driving patterns such as driving under 60 mph for better fuel economy, excessive idling, or exceeding 60 mph.
    - Some vehicle leases to state agencies exclude fuel due to agency onsite fueling.
- Fuel for agency owned vehicles is billed back to agency at original cost excluding card carrier discount.
    - No additional fees are assessed to the agencies for these services as the card discount collected covers administrative costs.

M5 - Enterprise Fleet Management System Services
As recommended by the Fleet Council in 2008, State Agencies with owned vehicles began utilizing M5 to manage their fleet. M5 provides agencies a necessary tool and support to improve the management of their fleet vehicles. Separate business units within the Admin M5 application exist for Admin, DPS, and DNR, where comprehensive agency-wide fleet management programs are established, and system functionality requirements may be different based on core business needs. The Admin business unit is used by all other agencies using the Admin M5 application. Data entered into M5 can help agencies assess utilization, sustainability outcomes, and fleet operation costs. Additionally, the stored data in the M5 system is utilized by FSS to complete required statewide fleet reporting.

<u>Our major changes for this year</u>
FSS anticipates the following operational changes:

- A sustainability reporting tool is currently in development to collect and display data. This tool will use the M5 enterprise fleet data and compute Green House Gas (GHG) emissions from fleet activities, display key performance indicators, and will have a function to assist in fleet planning and producing agency sustainability reports. OES began to roll out this new tool in 4th quarter of FY 2019. A public facing dashboard should be functional by the end of first quarter FY 2020.
- Auto manufactures are shifting production to include greater number of models available as fully Electric Vehicles (EV), plug-in hybrid electric vehicles (PHEV), hybrids, and fuel cells. It is anticipated much of the State Fleet will transition to electric vehicles; however, there is limited availability of these vehicles in Minnesota. Vehicle choices will be optimized, standardized, and ultimately limited to focus on more sustainable, greener vehicles to help agencies meet their state sustainability goals and the state goal of a reduction in the consumption of fossil fuels of 30% by 2027.
- Enhancements to M5 will allow manual processes to be automated and improve efficiencies.
- Fleet composition is evolving to include specialty vehicles such as secure patient and prisoner transports, and medium duty trucks. These vehicles require special equipment up-fitting after the vehicle is received. Equipment is removed from vehicle prior to turn in at the end of the lease term.

Fleet Services FY 2020 Rate Comparison			
Rate Description	**FY 2019 Rate**	**FY 2020 Rate**	**Notes/Exceptions**
Admin Individual Vehicle Lease Rate			
Vehicle Cost - Depreciation	Straight Line Depreciation	Straight Line Depreciation	Based on lease/loan term and is removed when fully expensed
Vehicle Cost - Interest	Current Interest Rate	Current Interest Rate	Reflects Master Lease Draw Interest Rate
Maintenance	Based on CY 2017 Repair Costs	Based on CY 2018 Repair Costs	Based on vehicle type and adjusted annually
Maintenance Handling Fee	$8.26	$7.56	
Insurance	$385	$399	Adjusted annually
Administrative Cost	$665	$608	Adjusted annually
Extended Lease Term	Individual Lease Rate Excluding Vehicle Cost	Individual Lease Rate Excluding Vehicle Cost	
Early Lease Termination	$500 + Lease Rate	$500 + Lease Rate	Rate assessed until reassigned or sold
Fuel			
Leased Vehicles	Actual Fuel Transaction Cost	Actual Fuel Transaction Cost	
Agency Owned	Actual Fuel Transaction Cost	Actual Fuel Transaction Cost	
Managed Maintenance Owned Vehicles			
Repair Cost	Actual Repair Costs	Actual Repair Costs	
ARI Fee	$4 Per Vehicle	$4 Per Vehicle	Managed Maintenance Administration Fee = ARI Fee + Administrative Cost
Administrative Cost	$7.88 Per Vehicle	$8.18 Per Vehicle	Managed Maintenance Administration Fee = ARI Fee + Administrative Cost
Enterprise Fleet Management System M5 Application Fee			
M5 Agency Owned Vehicles - Admin Business Unit	$25.88	$27.03	
M5 Bulk Fuel Module Maintenance Fee	$4,381	$4,381	
M5 Bulk Fuel Module Maintenance Fee		$6,067	
M5 Application Fee - Separate Business Unit			
DNR	$82,069	$84,398	
DPS	$44,191	$45,445	

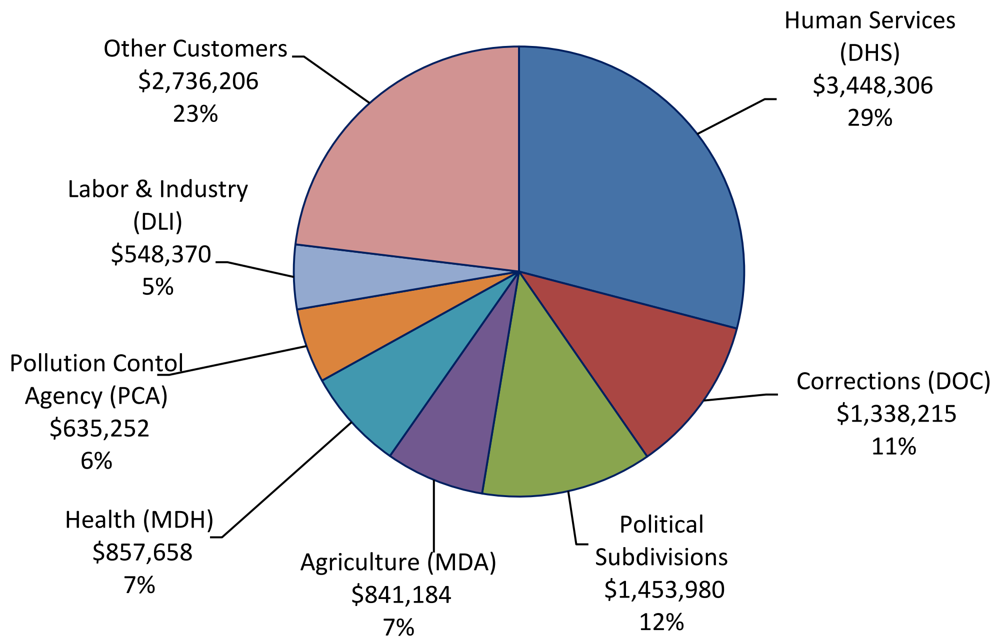
Marketing

<u>Our target audiences/partners</u>

- State agencies
- Cities and Counties

<u>Our key partners</u>

FY 2018 Revenue by Partners



<u>How our customer base is changing, and why</u>

- The FSS fleet is projected to grow 3.5% in FY 2020 based on agency owned vehicle replacement projections. This projection is dependent on DOC transitioning more owned vehicles to leased vehicles per recommended replacement schedule. FSS currently manages approximately 75% of the combined agency on road vehicles excluding MNDOT, DPS, and DNR.
- We expect minimal growth in political subdivision customers in FY 2020 due to limited lease terms and law enforcement vehicle contract delays.

<u>What is impacting our customers, and why</u>

- More agencies are now budgeting for vehicle leases annually instead of planning for periodic major vehicle replacement costs associated with owning vehicles.
- FSS has developed 5-year vehicle replacement plans for several agencies (DOC, Department of Revenue (MDOR), Department of Veterans Affairs (MDVA), and DHS) to convert their remaining agency owned vehicles to lease vehicles. This is approximately 81% of remaining agency owned vehicles in the combined agency fleet.

- Adhering to original lease terms of 60 months or less will require agencies to monitor and manage utilization of vehicles more closely. In some cases, it will create financial hardships for more costly vehicles including trucks and specialty vehicles.
- Replacing vehicles with more fuel-efficient options is necessary to achieve the environmental sustainability goals set forth by Executive Order 19-27, OES, and the fleet sustainability work group.
- Replacing existing vehicles with more fuel-efficient vehicles will help reduce cost of projected fuel price increases.
- Acquisition costs may be higher for greener, electric vehicles, however, total cost of ownership is found to be cheaper for electric vehicles due to less wear on the brakes and fewer moving parts.

How we reach out to potential customers

- State agencies, cities, and counties with agency owned vehicles identified through state wide sustainability efforts and/or current leasing partners are provided with vehicle leasing options.
- Gov Delivery messaging is used to address current fleet-related issues and provide updated information to our customers.
- FSS website http://mn.gov/admin/government/vehicles/ provides detailed information about the fleet program.
- Fleet Council provides a forum with multiple state agencies to develop strategies to improve state-wide fleet management.
- OES Fleet Sustainability Work Group provides strategic direction and recommendations on enterprise-wide sustainability activities.
- Agency sustainability coordinators connect with agency leadership to ensure good choices are being made in the area of fleet sustainability.
- Quarterly fleet coordinator emails are sent to provide enterprise information regarding fleet safety, best practices, vehicle replacement information.

What we have heard from our customers

- The utilization review dashboard developed by Fleet is an insightful and valuable tool showing the status and performance of our fleet. This tool will provide us with the data to help us reduce costs, improve safety, and increase our sustainability scores.
- Thank you for all your effort organizing the vehicle/trailer safety check. The event was well organized and very effective. We are very appreciative of your team providing the expertise to help us improve safety in our vehicles. We hope you will continue to offer these types of sessions.
- The Vehicle Selector List is very helpful. It makes my job so much easier to get my vehicle orders back in a timely manner.
- Thank you for providing us with the fleet analytics data. You are my hero!
- FSS is a humble group that is really proud of its work! I think that describes the team perfectly.
- Agencies are looking for longer-term leasing options for low-use, high-cost heavy duty trucks and vocational vehicles.
- Thank you for all the time you spent with us on our vehicles options. FSS has a wealth of knowledge on them and has helped us a lot.

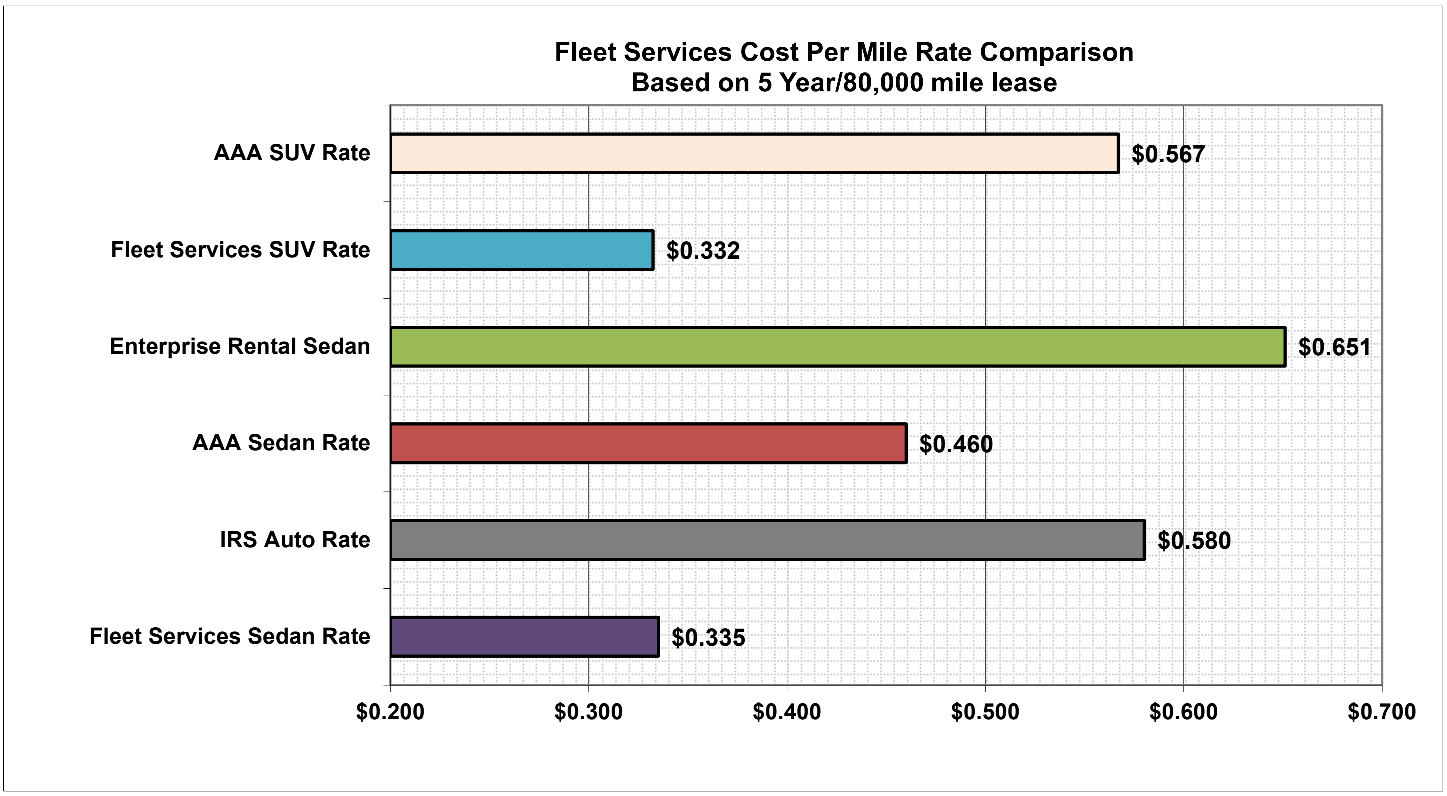
Competition

Our competition

- Private vehicle rental companies are occasionally utilized by agencies for short-term rentals who do not have fleet vehicles.
- Employee reimbursed mileage (driving own vehicle). Not all employees have fleet vehicles available to them, or in some cases they may prefer to drive their own vehicle.
- State agencies that purchase vehicles directly. It has been a practice of some state agencies to utilize end of year funds to purchase vehicles out-right.

How our rates compare

- Cost per mile for a standard sedan is 12.5 cents or 27.2% less than AAA estimated vehicle costs.
- Cost per mile for a standard sedan is 24.5 cents or 42.2% less than IRS reimbursement rate.
- Cost per mile for a standard sedan is 31.6 cents or 48.5% less than a monthly leased vehicle from the Enterprise rental contract.



Loans

<u>The purpose of our loans, and why we took them</u>

- Master Lease funding allows FSS to coordinate payments for state vehicle acquisitions to meet budget constraints and spread the cost of the vehicle over the useful life of the vehicle.

Department of Administration
Fleet and Surplus Services
Master Lease Obligations
For the Period Ended May 31, 2019

	Principal	Interest	Total
XV	549,252.47	7,704.08	556,956.55
XVI	2,206,090.52	101,101.28	2,307,191.80
XVII	1,445,518.11	155,753.38	1,601,271.49
Due 6/2019	4,200,861.10	264,558.74	4,465,419.84
XV	264,492.83	3,474.17	267,967.00
XVI	2,121,070.18	83,562.90	2,204,633.08
XVII	1,689,361.04	158,539.64	1,847,900.68
Due 12/2019	4,074,924.05	245,576.71	4,320,500.76
XV	112,617.51	1,412.94	114,030.45
XVI	2,117,789.90	66,451.01	2,184,240.91
XVII	1,710,782.47	137,148.23	1,847,930.70
Due 6/2020	3,941,189.88	205,012.18	4,146,202.06
XV	59,329.26	479.12	59,808.38
XVI	1,815,377.97	49,327.58	1,864,705.55
XVII	1,732,477.44	115,352.98	1,847,830.42
Due 12/2020	3,607,184.67	165,159.68	3,772,344.35
XVI	1,676,850.31	34,330.48	1,711,180.79
XVII	1,743,962.42	93,451.11	1,837,413.53
Due 6/2021	3,420,812.73	127,781.59	3,548,594.32
XVI	1,054,556.55	20,479.08	1,075,035.63
XVII	1,518,278.35	71,299.62	1,589,577.97
Due 12/2021	2,572,834.90	91,778.70	2,664,613.60
XVI	812,827.45	11,149.30	823,976.75
XVII	1,296,681.59	51,763.87	1,348,445.46
Due 6/2022	2,109,509.04	62,913.17	2,172,422.21
XVI	417,986.71	3,804.27	421,790.98
XVII	1,089,633.50	34,931.56	1,124,565.06
Due 12/2022	1,507,620.21	38,735.83	1,546,356.04
XVII	963,672.88	20,477.80	984,150.68
Due 6/2023	963,672.88	20,477.80	984,150.68
XVII			
Due 12/2023	450,991.43	7,593.53	458,584.96
	450,991.43	7,593.53	458,584.96
XVII			
Due 6/2024	131,697.38	1,559.94	133,257.32
	131,697.38	1,559.94	133,257.32
Total	**26,981,298.27**	**1,231,147.87**	**28,212,446.14**

Master Lease Obligations Summary

	Principal	Interest	Total
XV	436,439.60	5,366.23	441,805.83
XVI	10,016,459.07	269,104.62	10,285,563.69
XVII	12,327,538.50	692,118.28	13,019,656.78
	22,780,437.17	**966,589.13**	**23,747,026.30**

Financial Outlook

Our current overall financial health

Fleet Services' financial condition is good and can withstand the planned expenditures, barring any major unplanned repairs to building, changes to interest rates, or agencies' inability to pay their leases.

The Admin Internal Auditor began conducting an audit in FY 2019 on FSS rates, accounting principles, and lease practices, to ensure rates are calculated accurately. The audit is anticipated to be completed by the end of 1st quarter FY 2020.

Other impacts to FSS financial health:

- Admin fleet size is projected to grow by 3.5% or 75 vehicles by the end of FY 2020 if agency 5-year replacement plans are followed as anticipated.
- Fleet size did not meet the expected growth in FY 2019 due to delay of DOC transitioning to leased vehicles. A directive requiring all new vehicles to be purchased and owned by Admin and leased to agencies within the combined section of the state fleet was implemented in FY 2018. A new 5- year replacement plan is being developed with DOC to identify replacements needed due to age, safety, and costly maintenance/repairs.
- Vehicle auction prices remain strong.

Capital Assets

FSS maintains a 46,000 square foot distribution center with office area and parking lots. Unplanned maintenance and repairs are hard to predict and difficult to budget for repair costs.

- 652 new fleet vehicles are projected to be purchased in FY 2020 to replace vehicles that have reached the end of their useful life cycle (See chart on page 24).
- Construction will begin in the 2nd quarter of FY 2020 to improve sanitary sewer and water main service and remove or cap current deteriorating system at the FSS and DPS public facilities. Capital Asset Preservation & Replacement Account (CAPRA) funds have been approved for this project.

Changes to our rates and why

The following rate changes are required to accurately reflect operational costs and manage retained earnings while operating within state financial policies and federal guidelines.

- Monthly Admin rates for leased vehicles will decrease by $4.74 or 8.5% per month per vehicle.
- M5 Fleet application fee for agency owned vehicles utilizing Admin M5 application will increase in FY 2020. Agencies will be assessed a fee based on agency owned fleet inventory count and application use for IT and operational costs (see chart on page 37).
    - M5 Application Fee - Annual Fixed Rate for DNR and DPS agency owned vehicles within their agency-specific defined business unit in M5, based on inventory and application use will increase 2.8% in FY 2020 (See chart on page 37).
    - M5 Agency Owned Vehicle fee - Annual Per-Vehicle Rate will increase $1.15 or 4.4% for active agency owned vehicles within the M5 Admin business unit. This fee will have a higher impact on agencies with a greater number of owned vehicles such as DHS and DOC (see chart on page 37).
    - Each agency is responsible for costs associated with customized enhancements within their agency M5 company application if applicable.
- Maintenance Rate for leased vehicles is included in the monthly base rate. The rate for FY 2020 was developed using CY 2018 average repair costs for vehicle type + 1% inflation + $7.56 handling fee (See chart on page 36).

- Agency owned vehicle managed maintenance rates will reflect actual billed costs of repairs and a monthly administration fee of $12.18 (an increase of 2.5%) in FY 2020. This rate will accurately reflect the repair costs for fewer, and older, vehicles remaining in the program.
- Early lease termination fee of $500 per vehicle will continue to be charged in FY 2020. To ensure costs associated with the vehicle lease term are fully collected, agencies will continue to pay the current lease rate until the vehicle is re-assigned or sold.

<u>How our proposed rates impact our financial health</u>
FY 2020 rates will be effective as soon as they are approved. The simplified structure should create efficiencies for FSS staff and partners. Revenue is anticipated to grow in FY 2020 due to the increase of approximately 75 vehicles in the Admin fleet from agency consolidation efforts. The increase in leased vehicles will mean operational costs will be shared by more customers allowing the administration rates to remain low.

Examples include:
- Base rates are adjusted to more accurately depict true costs for maintenance.
- M5 Application Fees will recover costs associated with the use of M5 for agency owned vehicles.
- Accurately reflects fuel prices and actual fuel usage.

These rates should allow FSS to focus on delivering an award-winning state fleet plan, customer service, environmental sustainability, data-driven decisions, and financial viability.

<u>How our proposed rates will impact our customers</u>
Individual vehicle lease rates are based on vehicle type, acquisition cost, fuel economy, life cycle, and actual expenses including maintenance, fuel, and insurance. Customers actively participate in choosing vehicles, options, and life cycles, allowing the customer a great deal of input on management of their transportation costs.

Fuel pricing for leased vehicles will reflect actual fuel card purchases. Customers will realize real fuel savings by acquiring more fuel-efficient vehicles.

Agency owned vehicle managed maintenance rates will reflect actual costs for repairs. This rate accurately reflects the repair costs for fewer vehicles and aging vehicles remaining in the program. Agencies will need to monitor vehicle usage and set and manage vehicle life cycles to avoid costly repairs due to aging fleet.

Costs associated with managing the M5 is shared by all agencies utilizing M5. The proposed annual fees are based on agency inventory count, application use for staff support, and operational costs associated with M5 software application. DPS and DNR have specific business units within the M5 application related to their fleets and will be assessed an annual fee based on application use. Agencies including DOC, PCA, DHS, MDVA, MDOR, and Military Affairs that utilize the Admin business unit within M5 will be assessed an annual per vehicle fee.

Financial Data

Assumptions for Rate Matrix

Assumptions for Rate Matrix

MINNESOTA DEPARTMENT OF ADMINISTRATION
Fleet Services Unit
FOR FISCAL YEAR 2020

OPERATING REVENUE/EXPENSES

670013	**Vehicle Rental** Change = 18.6% or $1,845,868 Increase due to approximately 135 fully depreciated vehicles being replaced in FY 2020
670013	**Managed Maintenance - Other Agencies** Change = (29.5%) or ($5,515) Fewer Agency Owned vehicles in the Managed Maintenance Program
512606	**Other Revenue** Change = (29.6%) or ($58,133) Decrease in Agency Owned vehicle maintenance costs as more owned vehicles are being converted to FSS Leased vehicles
41400	**Repairs - Vehicle** Change = 12.% or $124,100 Increase for higher maintenance and repair costs on newer technology on vehicles
41500	**Repairs and Maintenance Other** Change = 33.4% or $11,758 Increase in building and road repairs for FY 2020
41500	**Managed Maintenance - Other Agencies** Change = (12.7%) or ($20,000) Decrease due to fewer vehicles in the program
41196	**Centralized IT Services** Change = 17.% or $91,044 Increase for M5 Enhancements
41160 & 41170	**Travel** Change = 61.3% or $2,165 Increase due to additional person attending NAFA Conference in FY 2020 for employee development
43000	**Fees** Change = 475.2% or $14,108 Increase due to new ML Program to start in FY 2020
41300	**Supplies Parts** Change = 10.0% or $18,633 Increase in cost of vehicle parts for newer technology
43000	**Purchased Services** Change = 32.0% or $13,932 Increase due to increase in telematics installations in FY 2020 for delayed vehicle arrivals
43000	**Vehicle Licensing Fees** Change = 51.4% or $11,961 Increase due to delayed vehicle arrivals in FY 2019 and fleet size growth in FY 2020
43000	**Telematics Fees** Change = 10.5% or $43,317 Increase due to additional vehicles in the program in FY 2020
42010	**Indirect Costs** Change = (35.5%) or ($211,162) Decrease based on MMB cost projections
42020	**Attorney General Fees** Change = (96.6%) or ($14,002) Decrease due to higher costs in FY 2019 for appeal review of Excessive Reserve Payback
	Depreciation Change = 24.6% or $1,519,025 Increase due to higher vehicle costs and fewer fully depreciated vehicles
512001	**Interest Revenue** Change = 50.1% or $300,295 Projection based on 4 year average. Increase due to longer borrowing terms, higher interest rates, and higher vehicle costs
	Interest Expense Change = 12.1% or $60,865 Increase due to higher interest rates and higher cost of vehicle replacements. Projections based off current schedule of outstanding loans and projected vehicle purchases for FY 2020
512260	**Gain (Loss) on Sale of Fixed Assets** Change = (67.2%) or ($361,018) Significant drop in expected gains on sale, most vehicles to be sold have depreciated to 35% salvage value vs 25% salvage value in previous years
55600	**Nonoperating Revenue** Change = (100.0%) or ($44,000) Decrease due to no auction revenue rebate expected from Surplus Services in FY 2020

Rate Matrix

Rate Matrix Total Program

Summary	Total
Salaries	818,234.49
Rent - Bldg	9,902.39
Rent - Equipment	957.52
Repairs - Vehicle	1,158,270.51
Repairs - Other	46,911.50
Managed Maintenance - Other Agencies - ARI	138,102.05
Insurance	853,466.00
Printing	625.00
Professional/Technical	6,400.00
Computer Services	0.00
Central IT Services	625,858.72
Communications	2,125.00
Travel	5,700.00
Fees	17,076.37
Purchased Services	57,532.00
Vehicle License Fees	35,208.00
Telematics Fees	456,060.00
Vehicle Maintenance Management Fees	118,452.00
Employee Development	8,429.20
Supplies - Parts	204,965.01
Supplies - Fuel	2,118,227.60
Supplies - Shop & Office	19,302.99
Fleet Card - Other Agencies	1,053,412.65
Attorney General Fees	500.00
Depreciation	7,685,980.85
Amortization	0.00
Indirect Costs	383,092.00
Other Expense	2,133.46
Total Operating Expenses	15,826,925.32
Interest Revenue	(899,625.85)
Gain (Loss) on Sale of Fixed Assets	(176,037.38)
Interest Expense	562,673.54
Total Basis for Rates	15,313,935.63
Adjustments to Basis for Rates:	
Fees	(17,076.37)
Attorney General Fees	(500.00)
Bulk Fuel Module Expenses	(6,067.00)
Other Revenue	(138,102.05)
Fleet Card - Leased Vehicles	(2,118,227.60)
Fleet Card - Other Agencies	(1,053,413.00)
Adjusted Basis for Rates:	11,980,549.61
Requested vs Breakeven Rates	
* Revenue at Requested Rates	11,917,911.68
Revenue at Breakeven Rates	11,980,549.61
Revenue Variance	(62,637.93)
Requested vs Current Rates	
* Revenue at Requested Rates	11,917,911.68
Revenue at Current Rates	10,078,692.00
Revenue Variance	1,839,219.68
Overall % Change in Rates	18.2%

Rate Matrix Computation

MINNESOTA DEPARTMENT OF ADMINISTRATION
Fleet Services Fund 5100
FOR FISCAL YEAR 2020

Methodology for expenses are based on current costs. An inflation factor was used where applicable based upon estimated increases in cost of services or volume. Indirect costs are estimated to decrease 35.5%. Vehicle depreciation is estimated to increase 24.6% due number of new vehicles replacing fully-depreciated vehicles and higher cost vehicles. Vehicle maintenance/repairs costs are projected to increase by 12%, parts by 10%, and telematics fees by 10.5% due to growth in fleet size. Fuel price estimate is the average of six months historical and six months projected as published by U. S. Energy Information Administration. Actual fuel costs will be billed back monthly to agencies. Insurance costs will increase by 4% primarily due to higher valued vehicles. Salary costs are based on FY 2019 and FY 2020 cost projections provided by MMB.

All expenses except fuel are included in the individual lease rate formula and charged back through individual vehicle leases as described on pages 35 - 37. Maintenance rates are calculated based on CY 2018 actual expenses plus a monthly handling fee of $7.56 and 1% inflation factor for maintenance by vehicle type. Administrative costs for fuel card services for other agencies is estimated at $52,747 based on anticipated FSS labor and resources used to administer the services. Prompt payment incentives received from the fuel card issuer cover all of these expenses. Administrative costs for agency owned managed maintenance services is estimated at $15,605 based on anticipated FSS labor and resources used to administer the services. The expenses are divided by 90 vehicles enrolled in the ARI Managed Maintenance Program.

FY 2020 proposed rates to recover costs related to the M5 includes an annual Bulk Fuel Management/maintenance fee of $6,067 which includes annual maintenance of $5,000 and $1,067 for FSS support for the M5 bulk fuel module utilized by DOC. Agency owned vehicles within a separate M5 company application will be charged an annual Admin fee based on M5 application transactions. An annual per vehicle fee of $27.03 will be charged for agency owned vehicles identified in the Admin company of M5.

Repair costs estimated at $10,000 to fix deteriorated road surface black top are included in the FY 2020 rates. Estimate is based on previous work completed and condition of the road. The entire cost of repairs will be shared by Surplus Services. Estimated purchase of 652 new vehicles to replace existing vehicles that have reached the end of their life cycle. Straight line depreciation over varying months (24, 36, 48, 60) based on lease term will be used.

Six Year Rate Comparison

Six Year Rate Comparison

MINNESOTA DEPARTMENT OF ADMINISTRATION
Fleet Services Fund 5100
Fiscal Year 2020

Lease Rate History for Individualized Leases							
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	**Percent Change**
Long Term Vehicle Lease rate[1]	Various	Various	Various	Various	Various	Various	Various
Monthly fixed rates for vehicle leases[2]	Various	Various	Various	Various	Various	Various	Various
Annual Insurance Fee per Vehicle	$360	$358	$398	$385	$385	$399	3.6%
Annual Administrative Fee per Vehicle		$676	$716	$685	$665	$608	-8.6%
Managed Maintenance Rate History - Agency Owned[3]							
Human Services	$919.00	$890.60	$890.60	Actual	Actual	Actual	N/A
Human Services MSOCS	$1,098.00	$1,054.85	$1,054.85	Actual	Actual	Actual	N/A
Pollution Contol	$661.00	$627.80	$627.80	Actual	Actual	Actual	N/A
Plant Management	$1,261.00	$1,394.30	$1,394.30	Actual	Actual	Actual	N/A
Administrative Fee per Vehicle	N/A	N/A	N/A	$11.88	$11.88	$12.18	2.5%
M5 Application Rate - M5 Agency Specific Company[4]							
DNR	N/A	N/A	N/A	$64,310.00	$82,069.00	$84,398.00	2.8%
DPS	N/A	N/A	N/A	$41,116.00	$44,191.00	$45,445.00	2.8%
M5 Application Rate - Admin Company[5]							
Agency Owned Vehicles per Vehicle				$25.16	$25.88	$27.03	4.4%
Bulk Fuel Module Setup Fee [8]					$4,381.00	$4,381.00	N/A
Bulk Fuel Module Maintenance Fee [8]						$6,067.00	N/A
Monthly Maintenance Rate By Vehicle Type[6]							
Auto/Hybrid				$48.27	$52.75	$51.16	-3.0%
Specialty ADA				$184.68	$148.01	$153.27	3.6%
Law Enforcement				$64.64	$63.14	$69.48	10.0%
Med/Heavy Truck/Spec				$67.46	$76.68	$70.91	-7.5%
Mini/SUV/LT Truck				$41.44	$46.59	$47.81	2.6%
Electric Sedan				$27.90	$29.99	$25.54	-14.8%
Misc Truck-Vocational Use				$638.99	$641.54	$642.95	0.2%
Misc Heavy Duty Truck				N/A	$372.20	$371.49	-0.2%
Handling Fee (Included in Monthly Maintenance Rate)				$7.74	$8.26	$7.56	-8.5%
E85 Rebate Rates Per Gallon	$0.50	$0.50	$0.50	$0.00	$0.00	$0.00	N/A
Actual Gasoline Cost History[7]	$2.69	$2.32	$2.11	$2.45	$2.47	$2.48	0.4%
Average New Car Acquisition Cost	$26,010	$26,500	$26,500	$28,500	$29,000	$29,950	3.3%

[1]Vehicle Lease prices vary due to vehicle type, cost of vehicle, and length of lease term

[2]Monthly fixed rates vary due to vehicle type

[3]Effective January 1, 2013 rates were based on actual agency maintenance costs from CY12 and adjusted by CY actuals thereafter through FY 2017
Effective November FY 2016 administrative costs were included in annual managed maintenance rates
Effective July FY 2018 actual costs for managed maintenance repairs and monthly admin fees billed back to agencies
Note: M5 Fleet Management system has been used by other agencies with owned vehicles since 2009. Vehicle lease rates have historically covered all costs associated with the M5 software application

[4]DNR and DPS have specific companies within the M5 application related to their fleet. Effective July FY 2018 costs associated with M5 usage for agency specific companies billed back to agencies through an annual rate. Fleet Services FY 2018 operational costs associated with M5 were used to develop initial rates

[5]State agencies with smaller fleets utilize the application within the Admin company to mange their fleet inventory. Effective July FY 2018 costs associated with M5 usage for agency owned vehicles in the Admin company will be billed back to agencies through an annual rate. Fleet Services FY 2018 operational costs associated with M5 were used to develop initial rates

[6]Maintenance Monthly Rate = CY18 ARI Repair Costs by vehicle type + Vehicle Handling Fee $7.56+ 1% Inflation
Note: E85 Fuel Rebate discontinued in FY 2018

[7]Fuel cost projections come from Administration (EIA) published six month historical and six month projected fuel pricing average

[8] In FY19 & FY20 Bulk Fuel Module is only utilized by DOC

History and Proforma

History and Proforma
Fleet Services Unit
Statement of Revenues, Expenses & Changes in Retained Earnings

	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Projection	FY 2020 Proforma	Change	% Change
Operating Revenue								
Vehicle Rental	13,260,643	11,901,507	10,591,681	8,327,388	9,910,153	11,756,021	1,845,868	18.6%
Fleet Card - Leased Vehicle				2,127,644	2,097,560	2,170,975	73,415	3.5%
Fleet Card - Other Agencies	1,397,483	1,007,807	960,594	1,020,573	1,017,790	1,053,413	35,623	3.5%
M5 Application - Other Agencies				126,535	149,870	154,803	4,933	3.3%
Managed Maintenance - Other Agencies	373,288	306,443	239,964	25,055	18,669	13,154	(5,515)	(29.5%)
*Other Revenue	593	0	8,295	213,915	196,235	138,102	(58,133)	(29.6%)
Total Operating Revenue	15,032,007	13,215,757	11,800,534	11,841,110	13,390,277	15,286,469	1,896,192	14.2%
Operating Expenses								
Salaries & Benefits	670,302	643,164	725,453	782,124	798,275	818,234	19,959	2.5%
Rent - Space	72,674	23,785	22,295	23,729	9,614	9,902	288	3.0%
Rent - Equipment	36	176	1,412	2,210	958	958	0	.0%
Repairs & Maintenance - Vehicles	798,294	830,918	897,729	1,039,009	1,034,170	1,158,271	124,100	12.0%
Repairs & Maintenance - Other	2,859	37,146	208,077	55,019	35,154	46,912	11,758	33.4%
Managed Maintenance - Other Agencies	406,893	376,454	302,560	181,996	158,102	138,102	(20,000)	(12.7%)
Printing	642	5,390	792	656	612	625	13	2.1%
Professional & Technical Services	1,730	7,250	37,822	81,381	6,101	6,400	299	4.9%
Computer Services	492	507	668	547	0	0	0	.0%
Central IT Services	579,375	443,526	538,581	536,671	534,814	625,859	91,044	17.0%
Communications	3,290	1,883	2,415	2,301	2,081	2,125	44	2.1%
Travel	5,344	1,914	3,650	3,669	3,535	5,700	2,165	61.3%
Fees	96	16,579	0	2,487	2,969	17,076	14,108	475.2%
Supplies - Shop & Office	41,240	8,325	162,146	9,863	18,741	19,303	562	3.0%
Supplies - Parts	140,383	367,052	240,350	229,111	186,332	204,965	18,633	10.0%
Supplies - Fuel	2,401,189	1,756,678	1,891,807	2,080,514	2,097,560	2,118,228	20,668	1.0%
Fleet Card - Other Agencies	1,369,856	996,322	943,315	1,020,573	1,017,790	1,053,413	35,623	3.5%
Employee Development	3,007	1,182	4,183	4,471	8,105	8,429	324	4.0%
Purchased Services	12,357	18,150	121,057	37,179	43,600	57,532	13,932	32.0%
Vehicle License Fees	13,148	21,092	14,549	29,405	23,247	35,208	11,961	51.4%
Telematics Fees		9,944	215,367	407,730	412,743	456,060	43,317	10.5%
Vehicle Maintenance Management Fees	115,583	96,441	99,440	116,047	116,459	118,452	1,993	1.7%
Insurance	675,834	717,338	783,534	772,599	820,845	853,466	32,621	4.0%
Indirect Costs	255,426	221,609	336,560	380,966	594,254	383,092	(211,162)	(35.5%)
Attorney General Fees	453	71	121	0	14,502	500	(14,002)	(96.6%)
Depreciation	6,088,619	5,443,274	4,538,151	4,866,280	6,166,956	7,685,981	1,519,025	24.6%
Amortization	0	0	0	0	0	0	0	.0%
Other Expense	0	0	1,682	4,984	2,071	2,133	62	3.0%
Total Operating Expenses	13,659,122	12,046,170	12,093,716	12,671,521	14,109,588	15,826,925	1,717,337	12.2%
Operating Income (Loss)	1,372,885	1,169,587	(293,182)	(830,411)	(719,311)	(540,457)	178,855	(24.9%)
Non-operating Revenue (Expense)								
Interest Revenue	82,433	95,254	148,448	297,629	599,331	899,626	300,295	50.1%
Interest Expense	(196,425)	(188,309)	(201,014)	(320,009)	(501,809)	(562,674)	(60,865)	12.1%
Nonoperating Revenue (Expense)	186,188	70,630	0	83,486	44,000	0	(44,000)	(100.0%)
Nonoperatin Transfer In (Out)				(4,591)	0	0	0	#DIV/0!
Refunds to Customers	0	0	(62,347)	(12,040)	(56,781)	0	56,781	(100.0%)
Excessive Reserve Payback	0	0	0	(952,293)	(27,812)	0	27,812	(100.0%)
Gain (Loss) on Sale of Fixed Assets	517,534	758,649	493,524	770,274	537,055	176,037	(361,018)	(67.2%)
Total Non-operating Revenue (expense)	589,730	736,224	378,611	(137,544)	593,984	512,990	(80,995)	(13.6%)
Transfers and Contributions								
Capital Contributions								
Per Active Vehicle Rebate	(1,000,000)	(2,000,000)	0	0				
One-time Telematics Device Purch/Install				0				
One-time Electric/Hybrid Vehicle Initiative		(10,000)	(158,000)	(115,000)				
One-Time Electric Charging Stations				0				
Fleet Management System M5 Enhancement				0				
Attorney General Fees								
Net Income (Loss)	962,615	(104,189)	(72,572)	(1,082,955)	(125,327)	(27,467)		
Retained Earnings - Beginning of Period	12,920,354	13,746,887	14,033,158	13,960,587	12,872,555	12,747,229		
Prior Period Adjustment	(136,082)	390,460	0	(5,076)	0			
Retained Earnings - as Restated	12,784,272	14,137,347	14,033,158	13,955,511	12,872,555	12,747,229		
Retained Earnings - End of Period	13,746,887	14,033,158	13,960,587	12,872,555	12,747,229	12,719,762		
Contributed Capital	500,700	500,700	500,700	500,700	500,700	500,700		
Total Net Assets	14,247,587	14,533,858	14,461,287	13,373,255	13,247,929	13,220,462		

*Prior to FY 2018 revenue from maintenance for agency owned vehicles was reflected in Managed Maintenance Other Agencies.

Capital Assets and Technology Purchases

Detailed Capital Assets and Technology FY 2020 Purchases

(Including all items meeting the current capitalization threshold)

Minnesota Department of Administration
Fleet Services Unit
Fiscal Year 2020

Description of Item	Fin Dept#	Org Name	Justification	Qty	Unit Price	Total Amount	Included in Master Lease Demand Survey Yes or No	If yes, identify quarter in which
Sub-total of items with $100,000 unit cost or more as identified in the business plan.								
	G023MF16	Vehicle Rental						
Automotive Equipment including cars, specialty vehicles, and light trucks			Replacement of existing fleet equipment	442	29,950	13,237,900	Yes	Primarily 1, 3&4
Automotive Equipment including cars, specialty vehicles, and light trucks				200	29,000	5,800,000	Yes	
Automotive Equipment including cars, specialty vehicles, and light trucks				6	50,000	300,000	Yes	
Automotive Equipment including cars, specialty vehicles, and light trucks (5100 Fund)[1]				4	29,950	119,800	No	
Sub-total of items with unit cost less than $100,000	G023MF15					19,457,700		
						0		
GRAND TOTAL				652		19,457,700		

[1]Vehicles with less than 36 month lease terms due to high usage will be purchased using fund 5100 and not the Master Lease Program unless additional loan terms become available

SWIFT Spending Plan

FY 2020 SWIFT SPENDING PLAN

MINNESOTA DEPARTMENT OF ADMINISTRATION
Fleet Services Unit
FOR FISCAL YEAR 2020

		Fund 5100	
		Name: Fleet Services	FinDept G0237200
	670013	Vehicle Rental	11,756,021
	670014	M5 Application - Other Agencies	154,803
	670013	Fleet Card - Leased Vehicles	2,170,975
	670013	Managed Maintenance - Other Agencies	13,154
	670013	Fleet Card - Other Agencies	1,053,413
	550451	Vehicle Disposal	4,305,272
	512606	Miscellaneous	138,102
	55600	Non-operating Revenue	0
	512001	Interest Revenue	899,626
			20,491,366
	SWIFT Account		
	41000	Full Time	818,234
	41030	Part Time	0
	41050	Overtime	0
	41050	Premium	0
	41070	Other	0
	41100	Space Rental	9,902
	41500	Repairs	1,205,182
	41500	Managed Maintenance - Other Agencies	138,102
	41110	Printing	625
	41130	Prof / Technical	5,760
	41196	Central IT Services	625,859
	41155	Communications	2,125
	41160	Travel - In State	855
	41170	Travel - Out State	4,845
	41300	Supplies	224,268
	41300	Fuel	2,118,228
	42020	Attorney General Fees	500
	41300	Fleet Card - Other Agencies	1,053,413
	41400	ML Loan Payments	10,917,401
	47060	Vehicle Purchases	119,800
	41400	Equipment Rental	958
	41180	Employee Development	8,429
	43000	Other Operating Costs	1,539,928
	42010	Statewide Indirect	383,092
	41190	State Prof / Technical	640
	44200	Excessive Reserve Payback	0
Total			19,178,145
Adjustments			
Plus:			
		Depreciation	7,685,981
Total			7,685,981
Minus:			
		ML Loan Payment	10,917,401
	47060	Vehicle Purchases	119,800
Total			11,037,201
Rate Matrix Amount			15,826,925

		Fund 5000	
			Total
Master Lease	47060		19,337,900

Projected Cash Flow

Projected Cash Flow - FY 2020

MINNESOTA DEPARTMENT OF ADMINISTRATION
Fleet Services - 5100

	Budget Projections 7/31/2019	Budget Projections 8/31/2019	Budget Projections 9/30/2019	Budget Projections 10/31/2019	Budget Projections 11/30/2019	Budget Projections 12/31/2019	Budget Projections 1/31/2020	Budget Projections 2/29/2020	Budget Projections 3/31/2020	Budget Projections 4/30/2020	Budget Projections 5/31/2020	Budget Projections 6/30/2020	Budgeted Totals
Beginning Balance	**1,141,625.83**	**2,226,765.38**	**3,330,809.91**	**3,781,637.76**	**4,835,358.41**	**492,329.35**	**1,458,124.31**	**2,475,628.51**	**3,529,362.00**	**4,485,533.92**	**5,512,515.49**	**1,060,338.07**	
Vehicle Rental	850,977.96	876,768.16	947,455.30	964,052.38	962,190.62	959,178.17	956,137.03	957,135.62	956,039.98	955,596.85	991,052.88	1,007,640.16	**11,384,225.11**
Voyager - Owned	100,516.37	100,516.37	87,784.42	87,784.42	87,784.42	87,784.42	87,784.42	87,784.42	87,784.42	87,784.42	87,784.42	87,784.42	**1,078,876.94**
Voyager - Leased	145,832.87	145,832.87	180,914.58	180,914.58	180,914.58	180,914.58	180,914.58	180,914.58	180,914.58	180,914.58	180,914.58	180,914.58	**2,100,811.53**
M5 Application Fee	-	-	154,803.00	-	-	-	-	-	-	-	-	-	**154,803.00**
Managed Maintenance - Other Agencies	1,449.36	1,449.36	1,097.00	1,097.00	1,096.00	1,096.00	1,096.00	1,096.00	1,096.00	1,096.00	1,096.00	1,096.00	**13,860.72**
Other Revenue	16,905.99	16,905.99	11,508.50	11,508.50	11,508.50	11,508.50	11,508.50	11,508.50	11,508.50	11,508.50	11,508.50	11,508.50	**148,896.99**
Sale of Vehicles	507,230.42	507,230.42	507,230.42	309,286.75	309,286.75	309,286.75	309,286.75	309,286.75	309,286.75	309,286.75	309,286.75	309,286.75	**4,305,272.01**
Interest Revenue	61,458.98	64,394.37	67,469.97	70,692.45	74,068.85	70,495.88	73,862.89	77,390.71	81,087.03	84,959.90	89,017.73	84,727.08	**899,625.84**
Total Cash Receipt	**1,684,371.95**	**1,713,097.54**	**1,958,263.19**	**1,625,336.08**	**1,626,849.72**	**1,620,264.30**	**1,620,590.17**	**1,625,116.58**	**1,627,717.26**	**1,631,147.00**	**1,670,660.86**	**1,682,957.49**	**20,086,372.14**
Expenses													
Salaries & Benefits	62,941.08	94,411.62	62,941.08	62,941.08	62,941.08	62,941.08	94,411.62	62,941.08	62,941.08	62,941.08	62,941.08	62,941.08	**818,234.00**
Rent - Space	299.66	825.17	825.17	825.17	825.17	825.17	825.17	825.17	825.17	825.17	825.17	825.17	**9,376.53**
Rent - Equipment	465.36	2.68	2.68	234.02	2.68	2.68	234.02	2.68	2.68	234.02	2.68	2.68	**1,188.86**
Repairs & Maintenance - Vehicles	98,465.62	96,522.58	96,522.58	96,522.58	96,522.58	96,522.58	96,522.58	96,522.58	96,522.58	96,522.58	96,522.58	96,522.58	**1,160,214.04**
Repairs & Maintenance - Other	2,929.50	3,909.00	3,909.00	3,910.00	3,909.00	3,909.00	3,910.00	3,909.00	3,909.00	3,910.00	3,909.00	3,909.00	**45,931.50**
Managed Maintenance - Other Agencies	17,261.47	11,508.50	11,508.50	11,508.50	11,508.50	11,508.50	11,508.50	11,508.50	11,508.50	11,508.50	11,508.50	11,508.50	**143,854.97**
Printing	52.90	52.08	52.08	52.08	52.08	52.08	52.08	52.08	52.08	52.08	52.08	52.08	**625.78**
Professional & Technical Services	688.20	533.33	533.33	533.33	533.33	533.33	533.33	533.33	533.33	533.33	533.33	533.33	**6,554.83**
Central IT	56,173.32	56,173.32	52,154.92	52,154.92	52,154.92	52,154.92	52,154.92	52,154.92	52,154.92	52,154.92	52,154.92	52,154.92	**633,895.84**
Communications	126.13	177.08	177.08	177.08	177.08	177.08	177.08	177.08	177.08	177.08	177.08	177.08	**2,074.01**
Travel	-	-	-	-	-	-	-	-	500.00	2,600.00	2,600.00	-	**5,700.00**
Fees	-	-	-	-	-	-	-	-	17,076.00	-	-	-	**17,076.00**
Supplies - Shop & Office	488.21	492.75	492.75	492.75	492.75	492.75	492.75	492.75	492.75	492.75	492.75	492.75	**5,908.46**
Supplies - Parts	35,209.97	17,080.42	17,080.42	17,080.42	17,080.42	17,080.42	17,080.42	17,080.42	17,080.42	17,080.42	17,080.42	17,080.42	**223,094.59**
Supplies - Fuel	180,914.58	180,914.58	167,727.83	180,914.58	180,914.58	167,727.83	180,914.58	180,914.58	167,727.83	180,914.58	180,914.58	167,727.83	**2,118,227.96**
Fleet Card - Other Agencies	87,784.42	87,784.42	87,784.42	87,784.42	87,784.42	87,784.42	87,784.42	87,784.42	87,784.42	87,784.42	87,784.42	87,784.42	**1,053,413.04**
Employee Development	1,495.05	702.42	702.42	702.42	702.42	702.42	702.42	702.42	702.42	702.42	702.42	702.42	**9,221.67**
Purchased Services	7,259.31	7,259.31	4,794.33	4,794.33	4,794.33	4,794.33	4,794.33	4,794.33	4,794.33	4,794.33	4,794.33	4,794.33	**62,461.92**
Vehicle License Fees	2,650.00	2,650.00	2,934.00	2,934.00	2,934.00	2,934.00	2,934.00	2,934.00	2,934.00	2,934.00	2,934.00	2,934.00	**34,640.00**
Telematics Fees	34,277.51	38,005.00	38,005.00	38,005.00	38,005.00	38,005.00	38,005.00	38,005.00	38,005.00	38,005.00	38,005.00	38,005.00	**452,332.51**
Vehicle Maintenance Management Fees	9,572.36	9,871.00	9,871.00	9,871.00	9,871.00	9,871.00	9,871.00	9,871.00	9,871.00	9,871.00	9,871.00	9,871.00	**118,153.36**
Insurance	-	-	853,466.00	-	-	-	-	-	-	-	-	-	**853,466.00**
Indirect Costs	-	-	95,773.00	-	-	95,773.00	-	-	95,773.00	-	-	95,773.00	**383,092.00**
Attorney General Fees	-	-	-	-	-	500.00	-	-	-	-	-	-	**500.00**
Other Expense	177.75	177.75	177.75	177.75	177.75	177.75	177.75	177.75	177.75	177.75	177.75	177.75	**2,133.00**
ML Payment - Principal	-	-	-	-	5,105,438.21	-	-	-	-	-	5,249,289.14	-	**10,354,727.35**
Interest Expense	-	-	-	-	293,057.48	-	-	-	-	-	269,616.05	-	**562,673.53**
Active Vehicle Rebate	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Vehicles - 5100	-	-	-	-	-	-	-	-	-	29,950.00	29,950.00	59,900.00	**119,800.00**
Total Expense Paid	**599,232.40**	**609,053.01**	**1,507,435.34**	**571,615.43**	**5,969,878.78**	**654,469.34**	**603,085.97**	**571,383.09**	**671,545.34**	**604,165.43**	**6,122,838.28**	**713,869.34**	**19,198,571.75**
Projected Ending Cash Balance	**2,226,765.38**	**3,330,809.91**	**3,781,637.76**	**4,835,358.41**	**492,329.35**	**1,458,124.31**	**2,475,628.51**	**3,529,362.00**	**4,485,533.92**	**5,512,515.49**	**1,060,338.07**	**2,029,426.22**	

Financial Statement

Statement of Net Position

FLEET SERVICES FUND 5100 3/15/2019
STATEMENT OF NET POSITION unaudited
DECEMBER 31, 2018

	FY19	FY18
ASSETS		
CURRENT ASSETS		
Cash	$ 813,782.73	$ 1,685,872.90
Imprest Fund - Checking	497.00	500.00
Accounts Receivable	2,138,344.01	1,634,570.84
Accounts Receivable - Non Trade (Note 3)	1,055.00	-
Prepaid Expenses	1,750.00	4,191.38
Prepaid Insurance	410,422.42	386,521.30
Prepaid Insurance - Workers' Compensation	325.50	4,826.48
Total Current Assets	$ 3,366,176.66	$ 3,716,482.90
NONCURRENT ASSETS (Note 4)		
Building Improvements	$ 994,294.34	$ 948,433.09
Accumulated Depreciation - Building Improvements	(568,206.43)	(514,366.77)
Vehicles	55,607,863.04	51,204,855.04
Accumulated Depreciation - Vehicles	(20,539,270.61)	(20,519,050.13)
Equipment	1,809.30	1,809.30
Accumulated Depreciation - Equipment	(1,809.30)	(1,809.30)
Infrastructure	157,530.00	157,530.00
Accumulated Depreciation - Infrastructure	(79,723.88)	(71,847.32)
Software	268,570.00	268,570.00
Accumulated Amortization - Software	(268,570.00)	(268,570.00)
Total Noncurrent Assets	$ 35,572,486.46	$ 31,205,553.91
TOTAL ASSETS	$ 38,938,663.12	$ 34,922,036.81
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Other Postemployment Benefits Outflows (Note 9)	$ 3,000.00	$ -
Deferred Pension Outflows (Note 10)	1,095,000.00	1,455,000.00
Total Deferred Outflows of Resources	$ 1,098,000.00	$ 1,455,000.00
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	$ 727,383.66	$ 651,265.35
Accounts Payable - Non-Trade (Note 5)	181,482.98	421,285.86
Salaries and Benefits Payable	38,194.53	36,854.07
Interest Payable	43,357.90	26,196.50
Sales Tax Payable	5,298.85	2,645.70
Loans Payable - Master Lease (Note 7)	7,892,730.11	3,036,482.26
Compensated Absences Payable (Note 8)	9,000.00	10,589.67
Total Current Liabilities	$ 8,897,448.03	$ 4,185,319.41
NONCURRENT LIABILITIES		
Loans Payable - Master Lease (Note 7)	$ 16,542,893.16	$ 15,993,425.75
Compensated Absences Payable (Note 8)	60,000.00	69,381.08
Other Postemployment Benefits (Note 9)	59,000.00	12,000.00
Net Pension Liability (Note 10)	1,312,000.00	2,078,000.00
Total Noncurrent Liabilities	$ 17,973,893.16	$ 18,152,806.83
TOTAL LIABILITIES	$ 26,871,341.19	$ 22,338,126.24
DEFERRED INFLOWS OF RESOURCES		
Deferred Other Postemployment Benefits Inflows (Note 9)	$ 3,000.00	$ -
Deferred Pension Inflows (Note 10)	785,000.00	152,000.00
Total Deferred Inflows of Resources	$ 788,000.00	$ 152,000.00
NET POSITION (Note 13)		
Net Investment in Capital Assets	$ 11,136,863.19	$ 12,175,645.90
Unrestricted Net Position	1,240,458.74	1,711,264.67
TOTAL NET POSITION	$ 12,377,321.93	$ 13,886,910.57

Statement of Revenues, Expenses & Changes in Net Position

FLEET SERVICES FUND 5100 3/15/2019
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION unaudited
FOR THE QUARTER ENDED DECEMBER 31, 2018

	FY19 QTD	FY19 YTD	FY18 QTD	FY18 YTD
OPERATING REVENUES				
Vehicle Rental	$ 2,451,569.81	$ 4,790,175.76	$ 2,053,324.80	$ 4,125,225.83
M5 Application - Other Agencies (Note 1)	-	-	-	124,799.20
Fleet Card - Leased Vehicles (Note 1)	558,314.93	1,150,157.14	524,255.30	1,024,726.43
Fleet Card - Other Agencies	268,074.16	559,144.04	248,931.45	500,861.49
Managed Maintenance - Other Agencies	4,743.57	9,645.26	6,425.10	13,710.66
Other Revenues	54,698.69	105,345.20	34,894.87	99,853.74
Total Operating Revenues	$ 3,337,401.16	$ 6,614,467.40	$ 2,867,831.52	$ 5,889,177.35
OPERATING EXPENSES				
Salaries and Benefits	$ 180,086.33	$ 359,217.18	$ 187,660.86	$ 380,563.91
Rent	3,531.39	6,968.42	4,439.59	7,594.38
Rent - Equipment	(77.10)	478.76	631.68	1,263.36
Repairs and Maintenance - Vehicles	236,650.73	469,112.65	237,403.10	504,771.30
Repairs and Maintenance - Other	8,891.97	17,783.95	14,184.88	35,939.84
Managed Maintenance - Other Agencies	45,969.57	90,338.46	44,016.09	100,248.92
Printing	214.56	329.82	111.80	281.47
Professional and Technical Services	1,540.00	2,730.00	4,942.55	7,005.37
Computer and Systems Services	-	-	485.87	546.74
Centralized IT Services	100,061.87	282,864.38	124,733.73	306,082.84
Communications	532.17	1,000.89	656.07	1,152.14
Travel	2,512.02	2,534.81	309.44	309.44
Fees	2,968.60	2,968.60	-	-
Supplies and Materials - General	2,770.97	3,007.47	396.92	1,600.09
Supplies and Materials - Parts	45,956.28	75,003.68	45,758.37	86,189.24
Supplies and Materials - Fuel	541,386.06	1,044,157.36	509,045.89	937,042.88
Fleet Card - Other Agencies	268,074.16	559,144.04	248,931.45	500,861.49
Employee Development	131.01	136.11	597.50	747.50
Purchased Services	1,675.25	2,712.92	1,945.61	4,544.08
Vehicle License Fees	3,099.23	9,433.70	3,086.25	14,325.00
Telematics Fees	136,530.61	206,651.03	101,522.31	201,419.89
Vehicle Maintenance Management Fees	30,215.21	59,138.62	31,858.99	58,046.12
Insurance	205,211.19	410,422.38	192,816.65	386,077.30
Indirect Costs	148,563.50	297,127.00	95,241.50	190,483.00
Attorney General Fees	11,580.40	14,501.70	-	-
Depreciation	1,538,590.04	2,972,960.73	1,155,676.94	2,347,614.29
Other Expenses	833.06	1,011.22	212.25	1,827.71
Total Operating Expenses	$ 3,517,499.08	$ 6,891,735.88	$ 3,006,666.29	$ 6,076,538.30
OPERATING INCOME (LOSS)	$ (180,097.92)	$ (277,268.48)	$ (138,834.77)	$ (187,360.95)
NONOPERATING REVENUES (EXPENSES)				
Interest Revenue	$ 142,799.13	$ 260,033.36	$ 66,685.47	$ 118,448.38
Interest Expense	(122,827.47)	(240,144.60)	(75,270.29)	(145,502.87)
Nonoperating Transfer In (Out) (Note 11)	-	-	(2,800.00)	(2,800.00)
Electric Vehicle Incentive (Note 6)	-	-	(85,000.00)	(85,000.00)
Refund to Customers	-	(1,045.00)	-	-
Excess Reserve Cash Payback to Fed Gov	-	(27,812.17)	-	-
Gain (Loss) on Disposal of Capital Assets	192,240.85	337,224.74	224,639.83	507,914.13
Total Nonoperating Revenue (Expenses)	$ 212,212.51	$ 328,256.33	$ 128,255.01	$ 393,059.64
TRANSFERS AND CONTRIBUTIONS				
Capital Contributions (Note 2)	$ -	$ -	$ -	$ -
Total Transfers and Contribution	$ -	$ -	$ -	$ -
CHANGE IN NET POSITION	$ 32,114.59	$ 50,987.85	$ (10,579.76)	$ 205,698.69
NET POSITION, BEGINNING	$ 12,345,207.34	$ 12,324,257.33	$ 13,897,490.33	$ 13,686,287.93
Adjustment to Net Position (Note 12)	-	2,076.75	-	(5,076.05)
NET POSITION, ENDING	$ 12,377,321.93	$ 12,377,321.93	$ 13,886,910.57	$ 13,886,910.57

Statement of Cash Flows

FLEET SERVICES FUND 5100 3/15/2019
STATEMENT OF CASH FLOWS unaudited
FOR THE QUARTER ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$	6,128,600.39
Receipts from Other Revenue		105,345.20
Payments to Suppliers for Goods and Services		(3,871,317.95)
Payments to Employees		(368,038.56)
Net Cash Flows from Operating Activities	$	1,994,589.08
CASH FLOWS NONCAPITAL ACTIVITIES		
Refund to Customers	$	(1,045.00)
Cash payback to the Federal Government		(27,812.17)
Net Cash Flows from Noncapital Financing Activities	$	(28,857.17)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Investment in Capital Assets	$	(7,810,131.33)
Proceeds from Disposal of Capital Assets		1,602,942.02
Proceeds from Master Lease Loan		6,743,069.04
Repayments of Master Lease Loan		(3,638,018.03)
Interest Paid		(230,520.11)
Net Cash Flows from Capital and Related Financing Activities	$	(3,332,658.41)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	$	260,033.36
Net Cash Flows from Investing Activities	$	260,033.36
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$	(1,106,893.14)
Cash and Cash Equivalents, Beginning		1,921,172.87
Cash and Cash Equivalents, Ending	$	814,279.73
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities		
Operating Income (Loss)	$	(277,268.48)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities		
Depreciation	$	2,972,960.73
(Increase) Decrease in Accounts Receivable		(380,521.81)
(Increase) Decrease in Prepaid Expenses		1,050.00
(Increase) Decrease in Prepaid Insurance		(410,422.42)
(Increase) Decrease in Prepaid Insurance - Workers' Compensation		(325.50)
Increase (Decrease) in Accounts Payable		94,843.00
Increase (Decrease) in Salaries and Benefits Payable		(8,495.88)
Increase (Decrease) in Sales Tax Payable		2,769.44
Total Adjustments	$	2,271,857.56
Net Cash Flows from Operating Activities	$	1,994,589.08
Noncash Investing, Capital, and Financing Activities	$	-

Budget to Actual Comparison

FLEET SERVICES FUND 5100 3/15/2019
STATEMENT OF BUDGET AND ACTUAL COMPARISON unaudited
FOR THE QUARTER ENDED DECEMBER 31, 2018

	BUDGET QTD	BUDGET YTD	ACTUAL QTD	ACTUAL YTD	VARIANCE QTD	VARIANCE YTD
OPERATING REVENUES						
Vehicle Rental	$ 2,640,289.00	$ 5,280,578.00	$ 2,451,569.81	$ 4,790,175.76	$ (188,719.19)	$ (490,402.24)
M5 Application - Other Agencies	37,872.75	75,745.50	-	-	(37,872.75)	(75,745.50)
Fleet Card - Leased Vehicles	558,303.50	1,116,607.00	558,314.93	1,150,157.14	11.43	33,550.14
Fleet Card - Other Agencies	255,772.50	511,545.00	268,074.16	559,144.04	12,301.66	47,599.04
Managed Maintenance - Other Agencies	4,757.25	9,514.50	4,743.57	9,645.26	(13.68)	130.76
Other Revenue	46,090.75	92,181.50	54,698.69	105,345.20	8,607.94	13,163.70
Total Operating Revenues	$ 3,543,085.75	$ 7,086,171.50	$ 3,337,401.16	$ 6,614,467.40	$ (205,684.59)	$ (471,704.10)
OPERATING EXPENSES						
Salaries and Benefits	$ 212,544.25	$ 425,088.50	$ 180,086.33	$ 359,217.18	$ (32,457.92)	$ (65,871.32)
Rent	5,896.25	11,792.50	3,531.39	6,968.42	(2,364.86)	(4,824.08)
Rent - Equipment	631.50	1,263.00	(77.10)	478.76	(708.60)	(784.24)
Repairs and Maintenance - Vehicles	279,009.75	558,019.50	236,650.73	469,112.65	(42,359.02)	(88,906.85)
Repairs and Maintenance - Other	10,535.50	21,071.00	8,891.97	17,783.95	(1,643.53)	(3,287.05)
Managed Maintenance - Other Agencies	46,090.75	92,181.50	45,969.57	90,338.46	(121.18)	(1,843.04)
Printing	110.00	220.00	214.56	329.82	104.56	109.82
Professional and Technical Services	5,625.00	11,250.00	1,540.00	2,730.00	(4,085.00)	(8,520.00)
Computer and Systems Services	162.50	325.00	-	-	(162.50)	(325.00)
Centralized IT Services	149,718.25	299,436.50	100,061.87	282,864.38	(49,656.38)	(16,572.12)
Communications	675.00	1,350.00	532.17	1,000.89	(142.83)	(349.11)
Travel	1,112.50	2,225.00	2,512.02	2,534.81	1,399.52	309.81
Fees	-	-	2,968.60	2,968.60	2,968.60	2,968.60
Supplies and Materials - General	5,112.50	10,225.00	2,770.97	3,007.47	(2,341.53)	(7,217.53)
Supplies and Materials - Parts	55,150.00	110,300.00	45,956.28	75,003.68	(9,193.72)	(35,296.32)
Supplies and Materials - Fuel	558,303.50	1,116,607.00	541,386.06	1,044,157.36	(16,917.44)	(72,449.64)
Fleet Card - Other Agencies	255,772.50	511,545.00	268,074.16	559,144.04	12,301.66	47,599.04
Employee Development	2,025.00	4,050.00	131.01	136.11	(1,893.99)	(3,913.89)
Purchased Services	3,725.00	7,450.00	1,675.25	2,712.92	(2,049.75)	(4,737.08)
Vehicle License Fees	8,842.00	17,684.00	3,099.23	9,433.70	(5,742.77)	(8,250.30)
Telematics Fees	108,337.50	216,675.00	136,530.61	206,651.03	28,193.11	(10,023.97)
Vehicle Maintenance Management Fees	27,529.00	55,058.00	30,215.21	59,138.62	2,686.21	4,080.62
Insurance	199,584.00	399,168.00	205,211.19	410,422.38	5,627.19	11,254.38
Indirect Costs	149,232.00	298,464.00	148,563.50	297,127.00	(668.50)	(1,337.00)
Attorney General Fees	-	-	11,580.40	14,501.70	11,580.40	14,501.70
Depreciation	1,669,888.50	3,339,777.00	1,538,590.04	2,972,960.73	(131,298.46)	(366,816.27)
Other Expenses	1,181.00	2,362.00	833.06	1,011.22	(347.94)	(1,350.78)
Total Operating Expenses	$ 3,756,793.75	$ 7,513,587.50	$ 3,517,499.08	$ 6,891,735.88	$ (239,294.67)	$ (621,851.62)
OPERATING INCOME (LOSS)	$ (213,708.00)	$ (427,416.00)	$ (180,097.92)	$ (277,268.48)	$ 33,610.08	$ 150,147.52
NONOPERATING REVENUES (EXPENSES)						
Interest Revenue	$ 87,625.00	$ 175,250.00	$ 142,799.13	$ 260,033.36	$ 55,174.13	$ 84,783.36
Refund to Customers	-	-	-	(1,045.00)	-	(1,045.00)
Interest Expense	(108,096.75)	(216,193.50)	(122,827.47)	(240,144.60)	(14,730.72)	(23,951.10)
Excess Reserve Cash Payback to Fed Gov	(6,953.00)	(13,906.00)	-	(27,812.17)	6,953.00	(13,906.17)
Gain (Loss) on Sale of Capital Assets	204,270.25	408,540.50	192,240.85	337,224.74	(12,029.40)	(71,315.76)
Total Nonoperating Revenue (Expenses)	$ 176,845.50	$ 353,691.00	$ 212,212.51	$ 328,256.33	$ 35,367.01	$ (25,434.67)
CHANGE IN NET POSITION	$ (36,862.50)	$ (73,725.00)	$ 32,114.59	$ 50,987.85	$ 68,977.09	$ 124,712.85

Footnotes to Financial Statements

FLEET SERVICES FUND 5100 3/15/2019
FOOTNOTES TO FINANCIAL STATEMENTS unaudited
FOR THE QUARTER ENDED DECEMBER 31, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

1. Basis of Presentation:

The accompanying financial statements of Fleet Services have been prepared to conform to Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity:

Fleet Services was established in 1961 to help state agencies effectively meet transportation needs. Fleet Services provides vehicles and support services including maintenance, fuel and insurance to all branches of state government and to political subdivisions including cities, counties, and school districts.

Basis of Accounting:

Fleet Services is an internal service fund accounted for using the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized as incurred.

Capital assets are generally defined as assets with an initial, individual cost of more than $300,000 for buildings and depreciable infrastructure, $5,000 or more for equipment and art and historical treasures, and $30,000 or more for software and internally generated computer software (IGCS). Land, land improvements, building improvements, and easement assets are capitalized, regardless of cost. Capital assets must also have an estimated useful life of two or more years. Capital assets are recorded at cost or, for donated assets, at acquisition value at the date of acquisition.

Capital assets are depreciated using the straight-line method based on the following useful lives: 20-50 years for buildings, 20-50 years for large improvements, 3-10 years for small improvements, 3-12 years for equipment and software; 8-12 years for IGCS; and 40 months with a 35% salvage value for vehicles.

Vehicle life of 36, 48, 60 and 72 months - 35%
Vehicle life of 120 months - 25%
Police vehicles life of 36 months or less - 30%
Police vehicles life of greater than 36 months - 20%

Changes in Classification:

M5 Application - Other Agencies: An M5 Fleet Management System application rate for other agency owned vehicles was developed in FY 2018. A monthly fee is charged to agencies based on agency-owned fleet inventory count and application use.

Fleet Card - Leased Vehicles: In FY 2018, Fuel was removed from the agency vehicle lease rate (Vehicle Rental) and fuel account was separated out to reflect actual fuel charges.

Managed Maintenance – Other Agencies: In FY 2018, Managed Maintenance repair expenses were removed from Managed Maintenance – Other Agencies, separated out and classified as Other Expenses, and charged back to the customer at actual cost.

LEGISLATION, AUTHORITY, AND CONTRIBUTIONS

2.

Legislation		Amount	Description
YR 79 Chap 333, Sec 56, Sub 3	$	252,000.00	Restricted contribution from the General Fund, July 1979
YR 85 S Chap 13, Sec 17, Sub 2		250,000.00	Contributed capital increased
FY13 SEGIP Reduction		(1,300.00)	Returned to General Fund in August 2012
Total	$	500,700.00	

ACCOUNTS RECEIVABLE - NON TRADE

3. FY19 and FY18 Accounts Receivable - Non Trade has a balance of $1,055.00 and $0.00 respectively for vehicles sold to agencies.

4. CAPITAL ASSETS

	Balance 7/1/2018	Additions	Deletions	Balance 9/30/18
Land Improvements	$ -	$ -	$ -	$ -
Building Improvements	994,294.34	-	-	994,294.34
Vehicles	54,327,205.90	5,583,416.79	(4,302,759.65)	55,607,863.04
Equipment	1,809.30	-	-	1,809.30
Infrastructure	157,530.00	-	-	157,530.00
Software	268,570.00	-	-	268,570.00
Total Capital Assets	$ 55,749,409.54	$ 5,583,416.79	$ (4,302,759.65)	$ 57,030,066.68
Accumulated Depreciation/Amortization for:				
Land Improvements	$ -	$ -	$ -	$ -
Building Improvements	(540,331.15)	(27,875.28)	-	(568,206.43)
Vehicles	(20,634,360.81)	(2,941,147.17)	3,036,237.37	(20,539,270.61)
Equipment	(1,809.30)	-	-	(1,809.30)
Infrastructure	(75,785.60)	(3,938.28)	-	(79,723.88)
Software	(268,570.00)	-	-	(268,570.00)
Total Accumulated Depr/Amort	$ (21,520,856.86)	$ (2,972,960.73)	$ 3,036,237.37	$(21,457,580.22)

5. ACCOUNTS PAYABLE - NON TRADE

FY19 and FY18 Accounts Payable - Non Trade has a balance of $181,482.98 and $421,285.86 respectively for vehicles acquired.

6. ELECTRIC VEHICLE INCENTIVE

FY19 Fleet fuel-efficient vehicle replacement incentives for leased vehicles totaled $0.00. Rebate up to $7,000 per vehicle for electric or hybrid models that replace current leased vehicles.

FY18 Fleet fuel-efficient vehicle replacement incentives for leased vehicles totaled $85,000. Rebate up to $7,000 per vehicle for electric or hybrid models that replace current leased vehicles.

7. LOANS PAYABLE TO THE MASTER LEASE PROGRAM

Fleet Services periodically makes equipment purchases utilizing the Master Lease Program that is administered by Minnesota Management & Budget (MMB). These loans are paid off through semi-annual payments of both principal and interest to MMB over the term of the loan. The following is a schedule by fiscal years of future payments needed to satisfy Master Lease Loans Payable as of December 31, 2018.

2019		4,378,151.64
2020		7,798,908.06
2021		6,653,143.94
2022		4,225,475.79
2023		2,159,038.45
2024		306,535.08
Total Payments	$	25,521,252.96
Interest Amount		(1,085,629.69)
Principal Amount	$	24,435,623.27

8. COMPENSATED ABSENCES

State employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in the collective bargaining agreements. Leave balances are liquidated upon separation from state employment. The balance is shown as a liability.

	Current	NonCurrent
Beginning Balance 7/1/2018	$ 9,000.00	$ 60,000.00
Increase	-	-
Decrease	-	-
Ending Balance 12/31/2018	$ 9,000.00	$ 60,000.00

9. OTHER POSTEMPLOYMENT BENEFITS

In FY08, the State of Minnesota implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This statement requires the state to measure and report Other Postemployment Benefits (OPEB) expenses and related liabilities.

In FY18, the State of Minnesota implemented GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions”. This statement requires recording changes of total OPEB liability along with the inflows and outflows and expense associated with OPEB.

The June 30, 2018 liabilities and deferred outflows and inflows of resources are calculated using June 30, 2017 actuarial report as the June 30, 2018 information is not available in adequate time to incorporate in the financial statements, which is allowed by GASB 75.

A single rate of 3.58% was used to measure the total OPEB liability as of June 30, 2017. The single discount rate was based on a municipal bond rate of 3.58% (based on a 20-year Bond Buyer GO Index as of the end of June 2017). The Department of Administration’s allocation was determined based on the headcount of active employees and covered spouses eligible to receive health benefits.

The Net OPEB Liability (NOL) is equal to the actuarially determined total OPEB liability less the net position of the OPEB trust fund.

	Deferred OPEB Outflows	Other Postemployment Benefits	Deferred OPEB Inflows
Beginning Balance 7/1/2018	$ 3,000.00	$ 59,000.00	$ 3,000.00
Change in Accounting Principle	-	-	-
Increase	-	-	-
Decrease	-	-	-
Ending Balance 12/31/2018	$ 3,000.00	$ 59,000.00	$ 3,000.00

10. NET PENSION LIABILITY

Effective FY15 GASB established new accounting and financial reporting requirements for pension benefits. GASB Statement No. 68 “Accounting and Financial Reporting for Pensions” requires the state to recognize the state’s share of the pension plan’s liabilities, deferred outflows of resources, and deferred inflows of resources. The pension plan contributions are based on a percentage of salary. The Minnesota State Retirement System (MSRS) prepares a Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, which is audited by the Office of the Legislative Auditor.

The June 30, 2018 liabilities and deferred outflows and inflows of resources are calculated using June 30, 2017 actuarial report as the June 30, 2018 information is not available in adequate time to incorporate in the financial statements, which is allowed by GASB 68.

The net pension liability is the difference between the total pension liability and the plan’s fiduciary net position – accrued liability less the market value of assets.

The increase (decrease) in pension liability that is recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the difference between expected and actual experience in the measurement of the total pension liability, assumption changes and investment experience.

	Deferred Outflows	Net Pension Liability	Deferred Inflows
Beginning Balance 7/1/2018	$ 1,095,000.00	$ 1,312,000.00	$ 785,000.00
Increase	-	-	-
Decrease	-	-	-
Ending Balance 12/31/2018	$ 1,095,000.00	$ 1,312,000.00	$ 785,000.00

11. NONOPERATING TRANSFER IN (OUT)

Pursuant to M.S. 16B.04 and M.S. 471.59, an intra-agency agreement was signed between Department of Administration (Admin) and Department of Administration (Admin), effective from July 1, 2017 to June 30, 2019. The Office of Enterprise Sustainability (OES) will develop a State Government Sustainability Reporting Tool that will help agencies track and report their sustainability data. In consideration for sustainability services provided, Admin agreed to contribute funds to share in the cost. FSS transferred $2,800 to OES Fund 2001 in December 2017.

2017 session law, YR 17 1st Spec S Chp 4 Sec 42, required Minnesota Management and Budget (MMB) to reduce agency budgets by $4.012 million for the 2018-2019 biennium based on expected savings from employees opting out of SEGIP health insurance coverage. MMB provided Admin's share of the reduction. Admin opted to transfer the entire amount from FY18 appropriations to the general fund. The transfer out amount from Fleet Services fund was $1,791.00.

12. ADJUSTMENTS TO NET POSITION

In FY19, the total prior period adjustments are $2,076.75.
$2,076.75 is due to the overstatement of Vehicle Licensing Fees.

In FY18, the total prior period adjustments are ($5,076.05).
$0.10 is due to the understatement of Interest Revenue.
$13.01 is due to the overstatement of Employee Development.
($132.03) is due to the understatement of Communication.
($964.25) is due to the understatement of Supplies - Parts.
($290.88) is due to the understatement of Supplies - General.
($3,702.00) is due to the understatement of Vehicle Licensing Fees.

13. NET POSITION

The State of Minnesota implemented new accounting standards as prescribed by GASB. During FY02, the standards included revised statement formats which resulted in the change from Retained Earnings to Net Asset reporting. During FY13, the Net Assets was renamed to Net Position; and the Invested in Capital Assets, Net of Related Debt was renamed to Net Investment in Capital Assets. For historical cost comparison, the total net assets and the retained earnings have been reconciled as shown below.

Net Investment in Capital Assets	$	11,136,863.19
Unrestricted Net Position		1,240,458.74
Total Net Position	$	12,377,321.93

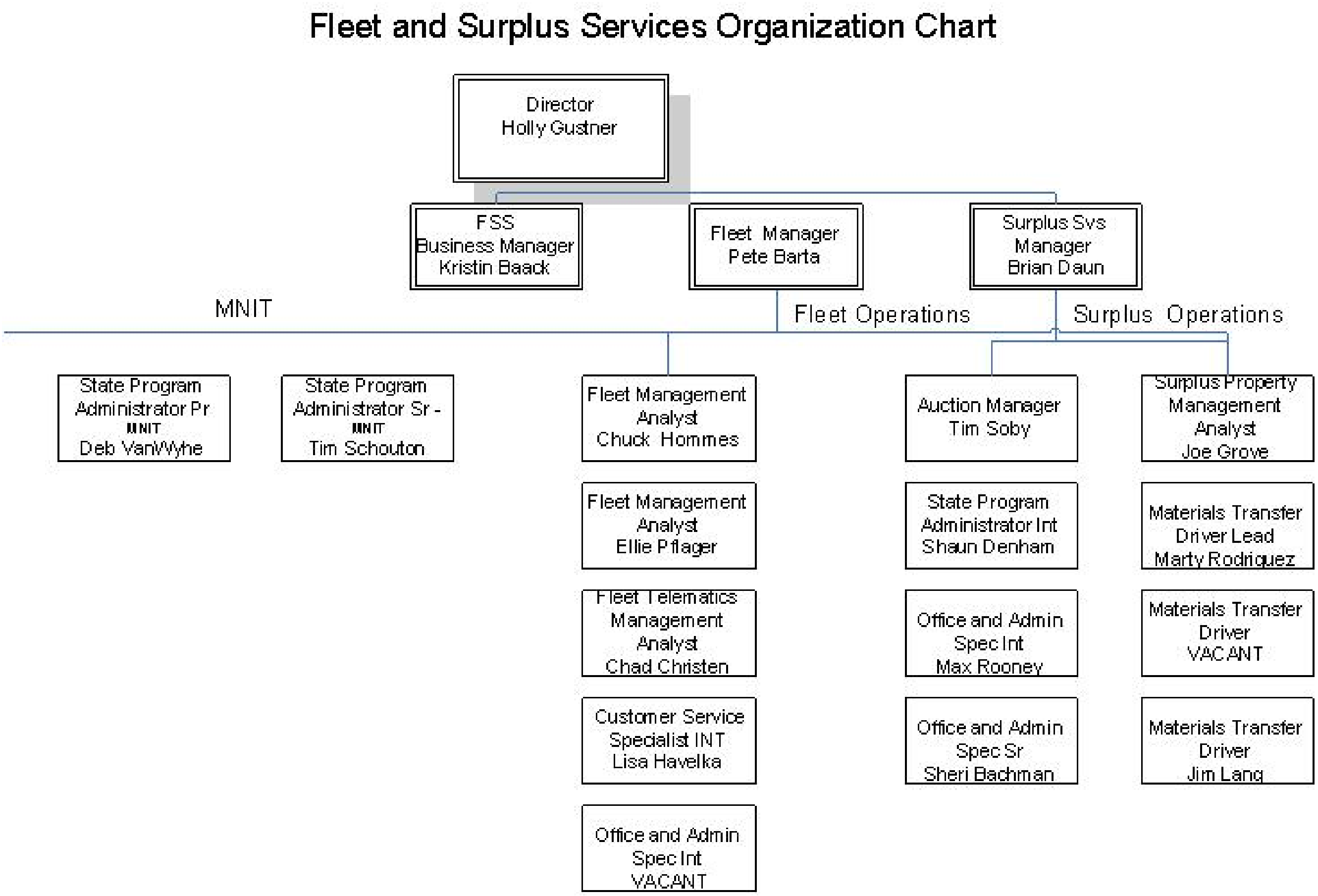
Schedule of Retained Earnings

		1st Qtr.		2nd Qtr.		3rd Qtr.		4th Qtr.
Beginning Retained Earnings	$	11,823,557.33	$	11,844,507.34	$	-	$	-
Quarterly Net Income (Loss)		18,873.26		32,114.59		-		-
Adjustments to Net Position (Note 12)		2,076.75		-		-		-
Change in Accounting Estimate		-		-		-		-
Change in Accounting Principle		-		-		-		-
Ending Retained Earnings	$	11,844,507.34	$	11,876,621.93	$	-	$	-
Add: Capital Contributions	$	500,700.00	$	500,700.00	$	500,700.00	$	500,700.00
Reconciliation to Total Net Position	$	12,345,207.34	$	12,377,321.93	$	500,700.00	$	500,700.00

The FY15 implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" required the recording of the net pension liability and the deferred inflows and outflows of resources associated with pensions. The FY18 implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" (OPEB) required recording changes of total OPEB liability along with the inflows and outflows and expense associated with OPEB. These caused the nonmajor enterprise and internal services funds to end in a deficit net position. The actuarially determined amounts are likely to vary significantly from year to year and are managed by the retirement systems and the Minnesota Legislature to ensure the defined benefit plans are adequately funded to pay plan benefits to employees participating as they become due. For these reasons, the state does not include the pension and OPEB related liabilities or deferred inflows and outflows of resources in the rate-setting process for managing these funds as long as the funds are contributing the statutory required contributions. The amounts will continue to be monitored by the retirement systems administering these plans and the Minnesota Legislature.

Supporting Information

Organization Chart



Personnel

At July 1, 2020, Fleet and Surplus Services' staff will consist of 19 FTEs including 2 MNIT employees. The organization chart shown above reflects the current organization team structure necessary to run both the fleet and surplus property operations. Fleet and Surplus will add one Office and Administrative Specialist Intermediate full time position in FY 2020 to be shared between divisions. The Fleet Services roster has 8.25 full time positions.

Individualized Rate Formula – Long-Term Vehicle Leasing

Input variables, vehicle specific:

- Depreciation months (24, 36, 48, 60) based on lease term
- Interest rate (interest rate of ML term at time of vehicle purchase)
- Salvage vehicles average 35%
    - Exceptions police SUVs, plow trucks 30%, K-9, police sedans 25%, secure transports 20%, high mileage use 25%, and heavy duty or vehicles with 120-month life 25%
- Life cycle in months
- Life cycle in miles
- Acquisition cost (from contract or invoice)
- Indicator for police, K-9, secure transport, or non-police vehicle (based on input from customer)

Annually adjusted values, all vehicles:

- Projected length in months of life remaining at time of disposal
- Maintenance costs (annual per vehicle class) (see chart page 36)
- Insurance costs ($399 annually)
- Administrative costs ($608 annually)

Calculations:

- **Maintenance**
    - Maintenance = CY 2018 total maintenance cost by vehicle type plus 1% inflation plus $7.56 vehicle handling fee (See chart on page 36)
- **Vehicle Cost**
    - Straight line depreciation based on lease term
    - Monthly cost = purchase price minus salvage value/life cycle months
- **Interest**
    - Acquisition cost used in formula with interest rate to obtain total of interest paid over the loan
- **Extended Lease Term:** Low mileage vehicles at end of original lease may be extended for up to 24 months if both parties agree to the new lease term. In some cases, vehicles with lower utilization are required by customers due to necessary special equipment or job requirements. Extensions may be one to two years based on projected miles and agency justification.
    - Depreciation and interest removed from lease rate when fully depreciated but administrative rate, fuel, and maintenance will continue to be charged

Fuel:

- Actual cost of fuel card transactions
- Fuel cost projections obtained quarterly from EIA using 6-month historical and 6-month projected fuel pricing

Charges:

- **Monthly Charge**
  - Monthly base rate = depreciation + interest + administrative cost + insurance + maintenance
  - Fuel card charges

Maintenance Rate Chart

FY 2020 Monthly Leased Vehicle Maintenance Rate By Vehicle Type							
Category	Monthly Repair Cost	Monthly Rate 1% Inflation	Vehicle Handling Fee Added $7.56	Vehicle CT	Monthly	Annual	Mthly Maint * 60 Avg Life Mths
Auto/Hybrid	$ 43.17	$43.60	$51.16	740	$37,859.36	$454,312.28	$3,069.68
Specialty ADA	$ 144.27	$145.71	$153.27	14	$2,145.81	$25,749.75	$9,196.34
Law Enforcement	$ 61.31	$61.92	$69.48	182	$12,645.85	$151,750.20	$4,168.96
Med/Heavy Truck/Spec	$ 62.73	$63.36	$70.92	133	$9,431.95	$113,183.36	$4,255.01
Mini/SUV/LT Truck	$ 39.86	$40.26	$47.82	1043	$49,874.37	$598,492.50	$2,869.09
Electric Sedan	$ 17.81	$17.99	$25.55	15	$383.22	$4,598.58	
Misc Truck-Vocational Use	$ 629.10	$635.39	$642.95	6	$3,857.70	$46,292.44	$38,577.04
Misc. Heavy Duty Truck	$ 360.33	$363.94	$371.50	1	$371.50	$4,457.97	
				2134	$116,569.76	$1,398,837.07	
Maintenance Monthly Rate = CY 2018 ARI Repair Costs by vehicle type + 1% Inflation fee + Vehicle Handling Fee $7.56 reviewed annually							

Agency Owned Vehicles – M5 Application Fee

The Enterprise Fleet Management System M5 utilized by state agencies to manage fleet operations for agency owned vehicles is separated by 3 business units (Admin, DNR, DPS) within one instance of M5 and administered by FSS.

- **Monthly M5 Application Fee –** costs related to the M5 for agency owned vehicles
  - M5 Application – agency owned vehicles within a separate M5 business unit application
  - M5 Agency Owned – agency owned vehicles identified within the Admin business unit of M5
  - M5 Bulk Fuel Module – agency owned bulk fuel tank electronic fuel tracking and reporting system

Agency Owned Vehicles – Managed Maintenance Fee

24/7 vehicle repair authorization for agency owned vehicles.

- **Monthly Managed Maintenance Fee –** Actual repair costs for agency owned vehicles utilizing the maintenance management program will be billed back to agencies
  - Monthly Managed Maintenance Administration Fee is $12.18 per vehicle

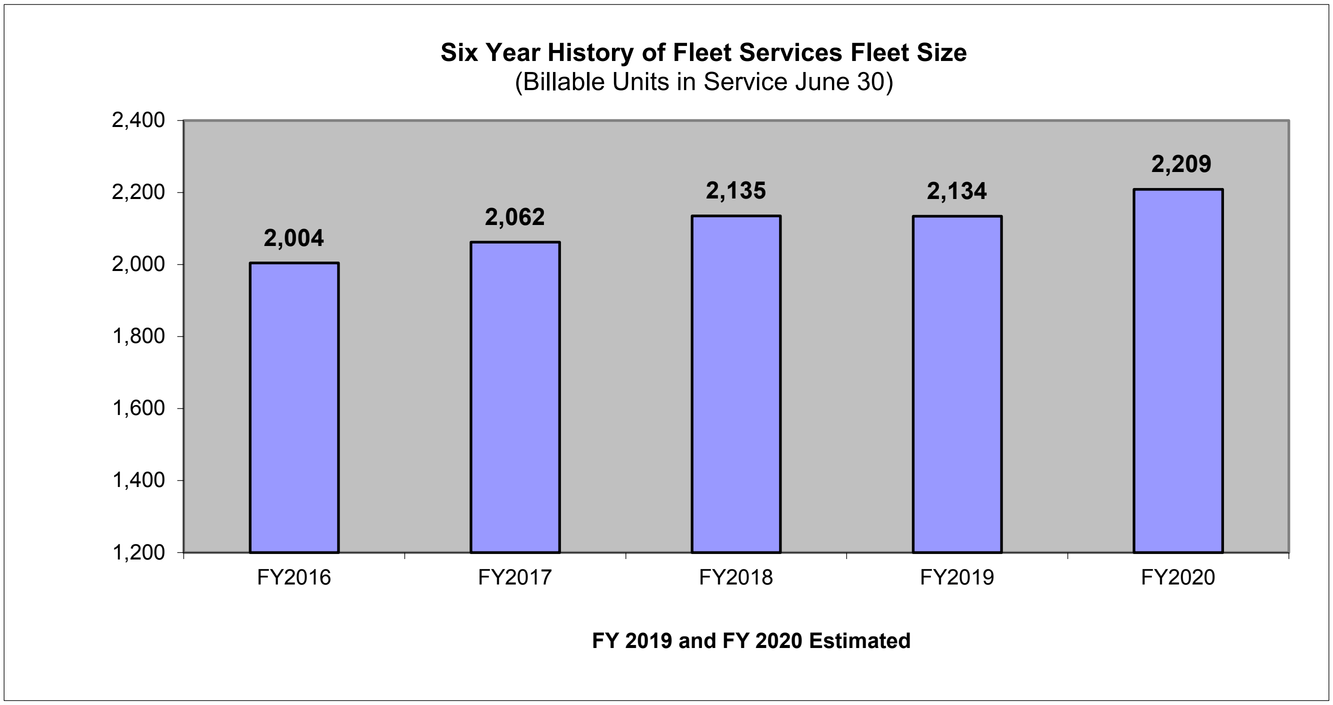
Admin Fee - Agency Owned Vehicles			
Expense	**Managed Maintenance**	**M5 Company Application**	**M5 Admin Application**
Salaries	**$5,447**	**$26,000**	**$6,343**
Rent - Bldg	$99	$99	$50
Rent - Equipment	$10	$10	$5
Repairs - Other	$347	$469	$235
Managed Maintenance Repairs - Other Agencies - ARI	$138,102	$0	$0
Professional/Technical	$64	$2,665	$0
Computer Services	$0	$0	$0
Central IT Services	$3,104	$97,926	$18,217
Communications	$21	$21	$0
Employee Development	$84	$2,460	$15
ARI Managed Maint Fees $4 per vehicle	$4,320	$0	$0
Supplies - Shop & Office	$193	$193	$97
Fleet Card - Other Agencies - Voyager	$0	$0	$0
Statewide & Agency Indirect Costs	$1,915	$0	$0
Total	**$153,707**	**$129,843**	**$24,960**
Revenue			
Fleet Card - Other Agencies - Voyager			
Managed Maintenance - Other Agencies - ARI	$138,102		
Number of Agency Owned Vehicles	90		699
Bulk Fuel Module Expenses			$6,067
Total Basis for Rates	$15,605	$129,843	$18,893
Admin Fee Per Vehicle	$173.39		$27.03
Admin Fee Per Vehicle - Monthly (Breakeven)	$14.45		
Admin Fee Per Vehicle - Monthly Actual Charge	$12.18		
Admin Fee Bulk Fuel Setup per Agency			$4,381
Admin Fee Bulk Fuel Maintenance per Agency			$6,067
Application Fee Agency M5 Company 65% DNR - Annual		$84,398	
Application Fee Agency M5 Company 35% DPS - Annual		$45,445	
In FY 2019 a Bulk Fuel module set up fee of $4,381 was developed for agencies utilizing the Bulk Fuel Module in M5. In FY 2020, an ongoing maintenance and support fee was established for costs relating to the module. Currently DOC is the only agency using this feature. It is not anticipated that there will be a new agency utilizing the Bulk Fuel Module in FY 2020. The Agency Admin Application per vehicle annual fee of $27.03 is proposed for agency owned vehicles identified in the Admin company of M5 in FY 2020.			

Miscellaneous Charges

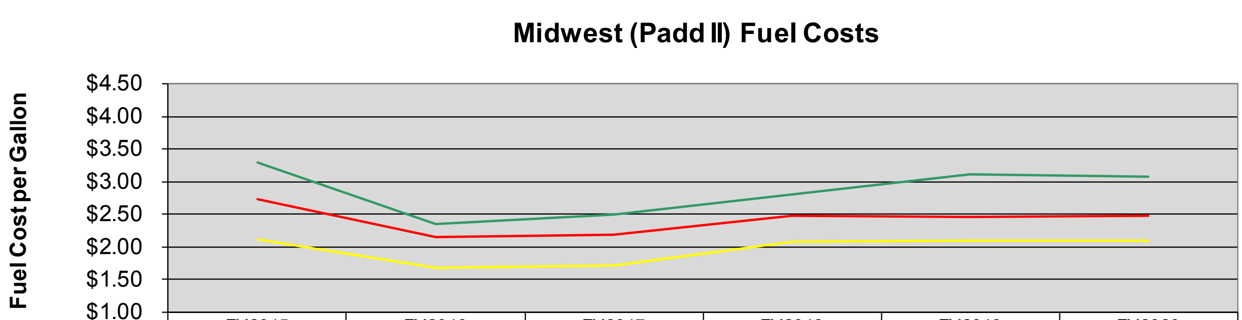
- Agency may be charged for:
  - Items missing from vehicles at replacement cost or anticipated loss from sale.
  - Mechanical repair work due to misuse, abuse, or neglect of equipment.
  - Overage charge for miles in excess of lease mileage allowance.
  - Smoking in the vehicle – cost of smoke removal and/or repairing burns in upholstery.
  - Vehicles turned in with unreported body damage will be assessed up to the $500 insurance deductible.
  - Additional accessories purchased on fuel card.
  - Road side assistance fee – non mechanical.
- Returned vehicle body damage, if repaired – $500 insurance deductible.
- Early Lease Termination. A $500.00 early termination fee will be assessed if a vehicle is turned in prior to the lease expiration date. In addition, to ensure costs associated with the vehicle lease term are fully collected, agencies will continue to pay the current lease rate until the vehicle is re-assigned or sold.

- Agency owned vehicle fuel charges are billed back to agency at original cost excluding card carrier discount.
    - State agencies with onsite fueling do not use the fuel cards for some select FSS leased vehicles (i.e. DHS St. Peter facility vehicles, DOC facility vehicles).
- Vehicle must be returned with all FSS-installed equipment unless otherwise agreed upon.
- Agency is responsible for the cost to install and remove custom decals, graphics, or wraps.
- Vehicles involved in a collision will continue to be billed until an insurance adjuster has determined vehicle is a total loss.

History of Fleet Size



History of Fuel Cost



	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Gasoline	2.732	2.145	2.195	2.485	2.466	2.478
Diesel	3.296	2.359	2.492	2.809	3.116	3.080
E85	2.110	1.678	1.710	2.071	2.091	2.091

Date: 03/29/2019
Q4 FY2019 and FY2020 Projected

Projection of Fuel Pricing

Fuel prices based on 12-month average (6-month history, 6-month projected April 2019). Source: EIA http://www.eia.gov/forecasts/steo/query/

FY2020 Quarterly Fuel Price Projections								
		Gasoline	**Diesel**				**Gasoline**	**Diesel**
2020	Jan	2.290	3.079		2019	Apr	2.358	2.977
2020	Feb	2.448	3.079		2019	May	2.437	2.967
2020	Mar	2.516	3.134		2019	June	2.572	2.981
2020	Apr	2.508	3.152		2019	Jul	2.547	2.995
2020	May	2.559	3.163		2019	Aug	2.567	3.001
2020	Jun	2.639	3.165		2019	Sep	2.486	3.008
2020	Jul	2.590	3.160		2019	Oct	2.463	3.037
2020	Aug	2.539	3.162		2019	Nov	2.429	3.060
2020	Sep	2.483	3.166		2019	Dec	2.287	3.088
2020	Oct	2.455	3.171		2020	Jan	2.290	3.079
2020	Nov	2.370	3.180		2020	Feb	2.448	3.079
2020	Dec	2.328	3.198		2020	Mar	2.516	3.134
1st quarter Average		**2.477**	**3.151**		**2nd Quarter Average**		**2.450**	**3.034**
		Gasoline	**Diesel**				**Gasoline**	**Diesel**
2019	Jul	2.547	2.844		2019	Oct	2.463	3.037
2019	Aug	2.567	2.843		2019	Nov	2.429	3.060
2019	Sep	2.486	2.866		2019	Dec	2.287	3.088
2019	Oct	2.463	2.857		2020	Jan	2.290	3.079
2019	Nov	2.429	2.866		2020	Feb	2.448	3.079
2019	Dec	2.287	2.847		2020	Mar	2.516	3.134
2020	Jan	2.290	2.813		2020	Apr	2.508	3.152
2020	Feb	2.448	2.767		2020	May	2.559	3.163
2020	Mar	2.516	2.814		2020	Jun	2.639	3.165
2020	Apr	2.508	2.809		2020	Jul	2.590	3.160
2020	May	2.559	2.821		2020	Aug	2.539	3.162
2020	Jun	2.639	2.846		2020	Sep	2.483	3.166
3rd Quarter Average		**2.478**	**2.833**		**4th Quarter Average**		**2.479**	**3.120**

Vehicle Assignment – State Agency Long Term Lease

Department of Administration, Fleet Services (Fleet Services) agrees to furnish a vehicle to _____ (customer) for official state business according to the terms and conditions set forth in this document. Fleet Services is responsible for providing and maintaining vehicles that meet current legal requirements for safe vehicle operation.

Vehicle Information:

Fleet Services vehicle number: _____ Year: _____ Make: _____ Model: _____ Vehicle Class Type: _____

Assignment Term and Cost:

Customer agrees to:

- A lease term of ______years, not to exceed _____ miles.
- Pay Fleet Services a daily rate of _____ to be billed monthly.
  - An annual rate adjustment (increase/decrease) may be assessed to reflect projected operating expenses effective July 1 of each year.
- Pay Fleet Services for FSS issued fuel card purchases associated with leased vehicle to be billed monthly.
- Pay Fleet Services for over lease mileage allowance charge.
- Pay Fleet Services invoices within 30 days after receipt.

Additional Terms:

- Customer is responsible for safe and lawful operation of the assigned vehicle.
- Customer will comply with Statute 16B.55 and state procedures governing the use of state vehicles.
- Customer may not modify the assigned equipment in such a way that it is unsafe or unlawful to operate.
- Customer must not disable or remove any manufacturer installed safety equipment.
- Fleet Services must approve any significant modification to the assigned equipment prior to the modification.
  - Modifications that jeopardize safe equipment operation will not be approved.
  - Any modification done to the vehicle must be removed prior to turn in.
  - Damage repair from modifications may be charged to the customer.
- Items removed from the vehicle (seats, tailgate, etc.) must be reinstalled or returned with the vehicle.
  - Fleet Services may charge the customer for any missing items either for replacement cost or anticipated loss on sale.
- Early Lease Termination. The vehicle may be returned to Fleet Services prior to the end of the agreed term if the customer notifies Fleet Services in writing one complete billing period prior to turn in.
  - Customer will be assessed a $500 early termination fee.
  - Customer will continue to pay the current lease rate until the vehicle is reassigned or sold. FSS will make every effort to re-assign or sell vehicle as expeditiously as possible.
- Cost of mechanical repair work due to misuse, abuse, neglect of the vehicle/equipment, or smoking in the vehicle is the responsibility of the customer.
- Vehicles turned in with unreported body damage will be assessed up to the $500 insurance deductible.

Cleanliness and Care:

It is important that Fleet Services vehicles present a clean and positive image to the public.

- Customer is responsible to keep the vehicle clean and presentable.
- Use car wash facilities that are run in conjunction with fuel stations when possible. Take advantage of savings with fuel fill.
  - Fleet Services allows the use the fuel card for car wash payment up to 2 times per month.
  - If this is not practical, Fleet Services will authorize a reasonable amount of vehicle washes.
- Customer is responsible for interior upkeep and cleaning.
- **SMOKING IS NOT ALLOWED IN ANY VEHICLE LEASED FROM FLEET SERVICES**

Lease terms effective the date of final signature and may be revised if agreed to by both the customer and Fleet Services.

Customer Agency or Unit: _____ VIN: _____

Customer Authorized Signature: ____Date:____________________

Fleet Services Authorized Signature: ____Date: ____________________

Driver Receiving Vehicle Signature: ____Date: ____________________ eff. 7/19

Vehicle Assignment - Long Term Lease

Department of Administration, Fleet Services (Fleet Services) agrees to furnish a vehicle to _____ (customer) for official government business according to the terms and conditions set forth in this document. Fleet Services is responsible for providing and maintaining vehicles that meet current legal requirements for safe vehicle operation.

Vehicle Information:

Fleet Services vehicle number: _____ Year: _____ Make: _____ Model: _____ Vehicle Class Type: _____

Assignment Term and Cost:

Customer agrees to:

- A lease term of ______years, not to exceed _____ miles.
- Pay Fleet Services a daily rate of _____ to be billed monthly.
  - An annual rate adjustment (increase/decrease) may be assessed to reflect projected operating expenses effective
- Pay Fleet Services for over lease mileage allowance charge.
- Pay Fleet Services invoices within 30 days after receipt.

Additional Terms:

- Customer is responsible for safe and lawful operation of the assigned vehicle.
- Customer will comply with Statute 16B.55 and procedures governing the use of state vehicles.
- Customer may not modify the assigned equipment in such a way that it is unsafe or unlawful to operate.
- Customer must not disable or remove any manufacturer installed safety equipment.
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  - Modifications that jeopardize safe equipment operation will not be approved.
  - Any modification done to the vehicle must be removed prior to turn in.
  - Damage repair from modifications may be charged to the customer.
- Items removed from the vehicle (seats, tailgate, etc.) must be reinstalled or returned with the vehicle.
  - Fleet Services may charge the customer for any missing items either for replacement cost or anticipated loss on sale.
- Early Lease Termination. The vehicle may be returned to Fleet Services prior to the end of the agreed term if the customer notifies Fleet Services in writing one complete billing period prior to turn in.
  - Customer will be assessed a $500 early termination fee.
  - Customer will continue to pay the current lease rate until the vehicle is reassigned or sold. FSS will make every effort to re-assign or sell vehicle as expeditiously as possible.
- Cost of repairs due to misuse, abuse, neglect of the vehicle/equipment, or smoking in the vehicle is the responsibility of the customer.
- Vehicles turned in with unreported body damage will be assessed up to the $500 insurance deductible.
- Political Subdivision is required to provide their own insurance coverage.
- Political Subdivision agrees to indemnify, hold harmless and defend with the approval of the Minnesota Attorney General, the State of Minnesota, Department of Administration, Fleet Services for all claims, liabilities and damages as a result of Political Subdivision's use of the leased vehicle(s) under this lease.

Cleanliness and Care:

It is important that Fleet Services vehicles present a clean and positive image to the public.

- Customer is responsible to keep the vehicle clean and presentable.
- Use car wash facilities that are run in conjunction with fuel stations when possible. Take advantage of savings with fuel fill.
  - Fleet Services allows the use the fuel card for car wash payment up to 2 times per month.
  - If this is not practical, Fleet Services will authorize a reasonable amount of vehicle washes.
- Customer is responsible for interior upkeep and cleaning.
- **SMOKING IS NOT ALLOWED IN ANY VEHICLE LEASED FROM FLEET SERVICES**

Lease terms effective the date of final signature and may be revised if agreed to by both the customer and Fleet Services.

Customer Agency or Unit: _____ VIN: _____
Customer Authorized Signature: ____Date:_____________________
Fleet Services Authorized Signature: ____Date: _____________________
Driver Receiving Vehicle Signature: ____Date: _____________________ eff. 7/19

MINNESOTA MANAGEMENT & BUDGET
MANAGEMENT ANALYSIS & DEVELOPMENT DIVISION
including ENTERPRISE TRAINING & DEVELOPMENT

Internal Service Fund 5200 consists of two independent service providers:
Management Analysis & Development (MAD)
Enterprise Training Development (ETD)
Each organization fulfills unique training and consulting requirements for Minnesota state and local governments.

MANAGEMENT ANALYSIS & DEVELOPMENT - Services Provided

The Management Analysis and Development Division is a fee-for-service management consulting group providing custom-designed services and training to state and local governments and higher education. These services include:

- **Analytical studies and program evaluation:** policy research, legislative studies, qualitative and quantitative data collection and analysis, fiscal analysis, program evaluation, market analysis, and comparison research and best practice reviews.
- **Meeting design and facilitation:** interagency collaboration, stakeholder engagement, focus groups, executive team sessions, and community input sessions. MAD also offers facilitation skills training.
- **Organization development and effectiveness:** measuring and communicating organizational performance, assessing organizational structure and operations, and developing better ways of delivering services.
- **Planning:** strategic, scenario, operational, and statewide planning.
- **Surveys:** customer, stakeholder, employee engagement, and public opinion surveys.
- **Staff and leadership capacity building:** improving team function, supporting diversity and inclusion, change management, conflict resolution, coaching, and supporting innovation.

OMB Uniform Guidance, 2 CFR part 200, subpart 200.459(a)

- *"Cost of professional and consultant services rendered by persons who are members of a particular profession or possesses special skill, and who are not officers or employees of the non-Federal entity, are allowable...."*

How Rates are Computed

Rates are determined annually to provide for recovery of operating costs with a breakeven objective.

MINNESOTA MANAGEMENT & BUDGET

MANAGEMENT ANALYSIS & DEVELOPMENT DIVISION

including ENTERPRISE TRAINING & DEVELOPMENT

ENTERPRISE TRAINING DEVELOPMENT - Services Provided

Enterprise Training Development (ETD) is the State of Minnesota's training and development organization, guided by MN Statute 43A.21 and Administrative Procedure (AP) 21. The AP designates specific responsibilities for employee training and development to agencies, employee managers and to Minnesota Management & Budget (MMB). As defined in the AP, MMB has responsibility for providing leadership and facilitating partnerships in human resource development for state employees, including but not limited to the following:

- Advocating for and providing continuous education about training and development issues throughout the executive branch, in partnership with agencies and collective bargaining units,
- Assisting agencies in formulating links between agency goals, performance management and employee development and providing training for supervisors and managers on developing employees,
- Continuously assessing state-wide training and development needs, and finding ways to meet those needs by providing opportunities for training on topics with state-wide impact, and
- Developing ways to share resources (trainers, materials, technology and facilities) and information on training plans, policies and procedures between and among public agencies to increase access, reduce costs and enhance quality.

The Enterprise Training and Development division was restructured as discussed above that resulted from several new significant initiatives that required this division to create statewide training on initiatives such as diversity and inclusion, sexual harassment, etc. These new initiatives required employees to be hired to develop material. These new initiatives are taking off at a slower rate than originally anticipated.

An agreement with the Federal cognizant agent was established after the review and approval of the FY2017/2019 and FY2018/2020 Minnesota Statewide Cost Allocation Plans for the billed services for Management Analysis Division (MAD)/Enterprise Training & Development (ETD) email dated 7/22/2019 (response 8/5/2019). Changes were made in FY2020 to reduce this excess balance. At the end of FY2020 the excess retained earnings balance decreased by $1.3 million. Although there is still an excess balance at the end of FY2020, we anticipate this amount decreasing further in FY2021 putting us at an appropriate level.

OMB Uniform Guidance, 2 CFR part 200, subpart 200.472

- *"The cost of training and education provided for employee development is allowable".*

How Rates are Computed

Enterprise Training and Development operates on a fee-for-service basis utilizing a competitive market structure. Rates are derived on a cost-recovery-plus-margin basis. A review of ETD records dating to FY2008 indicates that pricing has remained relatively consistent with only minor upward adjustments.

State of Minnesota
Statewide Cost Allocation Plan
Fiscal Year 2020 Actual

MINNESOTA

RECONCILIATION OF RETAINED EARNINGS
RE-BALANCE TO OMB 2 CFR 200 GUIDELINES
MINNESOTA MANAGEMENT AND BUDGET

FOR YEAR ENDING JUNE 30, 2020			MANAGEMENT ANALYSIS & DEVELOPMENT DIVISION / ENTERPRISE TRAINING & DEVELOPMENT
(All Figures in 000's)			**FUND 5200**
PART I 2 CFR 200 R.E. BALANCE			
2 CFR 200 R.E. BALANCE July 1, 2019 (Balance per Prior Year's Reconciliation of Fund to 2 CFR 200)			4,067
Adjustments (e.g. Contrib. Capital)			-
Adjusted Retained Earnings Balance			4,067
FY20 Retained Earnings Increase (Decrease) Per CAFR			
2 CFR 200 Revenues			
Operating Revenue	10,131		
Non Operating Revenue	-		
Total Revenues		10,131	
Less Expenditures (Actual Costs):			
Total Operating Expenses per State's Financial Report	(11,932)		
Other Expenses			
Less Depreciation Expense			
Less 2 CFR 200 Unallowable costs:			
Capital Outlay	-		
Projected Cost Increases/Replacement Reserve	-		
Unallowable excess RE balance Refund	-		
Bad Debt	-		
GASB68 Net Pension Liability Adjustment	562		
GASB75 Net OPEB Liability Adjustment	4		
Total Expenditures		(11,366)	
Plus 2 CFR 200 Allowable costs:			
Indirect Costs from SWCAP (if not allocated in SWCAP)	-		
Depreciation or Use Allowance (if not included in Actual Cost above)	-		
Other	-		
Total OMB 2 CFR 200 Allowable Expenditures		(11,366)	
Plus 2 CFR 200 Adjustments:			
Imputed Interest Earnings on Monthly Average Cash Balance	59		
Other	-		
Total Adjustments		59	
FY20 Net Increase (Decrease) to Retained Earnings Balance per CAFR			(1,176)
2 CFR 200 R.E. BALANCE June 30, 2020 A)			2,891
Allowable Reserve B)	1,894		
Excess Balance (A)-(B)	997		

(If less than zero, the amount on (A) is the beginning 2 CFR 200 R.E. balance for the next year's reconciliation. If there is an excess balance, at the request of the cognizant agency the federal share should be returned to the federal gov't and the amount on (B) will be the beginning 2 CFR 200 R.E. balance for the next year.)

MINNESOTA

State of Minnesota
Statewide Cost Allocation Plan
Fiscal Year 2020 Actual

RECONCILIATION OF RETAINED EARNINGS
RE-BALANCE TO OMB 2 CFR 200 GUIDELINES
MINNESOTA MANAGEMENT AND BUDGET

FOR YEAR ENDING JUNE 30, 2020 (All Figures in 000's)				MANAGEMENT ANALYSIS & DEVELOPMENT DIVISION / ENTERPRISE TRAINING & DEVELOPMENT FUND 5200
PART II 2 CFR 200 CONTRIBUTED CAPITAL BALANCE				
2 CFR 200 CONTRIBUTED CAPITAL BALANCE JULY 1, 2019				62
TRANSFERS Per CAFR (Supported by Official Accounting Records)				
Plus: Transfers In (e.g. Contrib. Capital)		-		
Less: Transfers Out (e.g. Payback of Contrib. Capital, Other Users of Fund R.E.)		-		
Net Transfers			-	
2 CFR 200 CONTRIBUTED CAPITAL BALANCE JUNE 30, 2020	C)			62
PART III 2 CFR 200 ADJUSTMENTS BALANCE				
2 CFR 200 ADJUSTMENTS BALANCE JULY 1, 2019				
ADJUSTMENTS:				
FYpre2004 PPD Adjustment		17		
FY98 PPD Adjustment (legacy MA Fund 890)		(30)		
FY08 PPD Adjustment (legacy HRD Fund 200)		1		
Accumulated Prior Year Imputed Interest Adjustment		(348)		
Adjustment Accumulated Prior Year Imputed Interest		(32)		
Current Year Imputed Interest Adjustment		(59)		
FY12 Federal Retained Earnings payback		153		
FY12 State Portion of Excess Retained Earnings		531		
Accumulated Prior Years GASB68 Adjustment		(2,135)		
Accumulated Prior Years GASB75 Adjustment		(482)		
FY20 GASB68 Net Pension Liability Adjustment		(562)		
FY20 GASB75 Net OPEB Adjustment		(4)		
Total Adjustments			(2,950)	
2 CFR 200 ADJUSTMENTS BALANCE JUNE 30, 2020	D)			(2,950)
PART IV RECONCILIATION OF 2 CFR 200 R.E. CONTRIBUTED CAPITAL AND ADJUSTMENTS BALANCES TO CAFR BALANCE				
RECONCILIATION OF 2 CFR 200 R.E., CONTR. CAPITAL & ADJUST. BALANCES TO CAFR (A) + (C) + (D)				
(Should Tie to the Fund Balance in the CAFR)				3
				-

DESCRIPTION	AMOUNT	COMMENTS
FY1998 PPD Adjustment	(30)	per FY04 A-87 MA Fund 890
FYpre2004 PPD Adjustment	17	per prior period,
FYpre2004 Imputed Interest	(119)	interest earned on excess retained earnings
FY2004 Imputed Interest	(3)	interest earned on excess retained earnings
FY2005 Imputed Interest	(5)	interest earned on excess retained earnings
FY2006 Imputed Interest	(12)	interest earned on excess retained earnings
FY2007 Imputed Interest	(21)	interest earned on excess retained earnings
FY2008 Imputed Interest	(20)	interest earned on excess retained earnings
FY2008 PPD Adjustment	1	per FY08 A-87 HRD Fund 200
FY2009 Imputed Interest	(16)	interest earned on excess retained earnings
FY2010 Imputed Interest	(6)	interest earned on excess retained earnings
FY2011 Imputed Interest	(4)	interest earned on excess retained earnings
FY2012 Imputed Interest	(4)	interest earned on excess retained earnings
FY12 Federal Retained Earnings payback	153	cummulative list of prior period adjustments
FY12 State Portion of Excess Retained Earnings	531	cummulative list of prior period adjustments
FY2013 Imputed Interest	(9)	interest earned on excess retained earnings
FY2014 Imputed Interest	(3)	interest earned on excess retained earnings
FY2015 Imputed Interest	(3)	interest earned on excess retained earnings
FY15 GASB68 Beginning Balance Adjustment	(2,529)	adjustment from CAFR
FY15 GASB68 Net Pension Liability Adjustment	257	change in deferred liability from CAFR
FY2016 Imputed Interest	0	interest earned on excess retained earnings
FY16 GASB68 Net Pension Liability Adjustment	518	change in deferred liability from CAFR
FY2017 Imputed Interest	(4)	interest earned on excess retained earnings
FY17 GASB68 Net Pension Liability Adjustment	(588)	change in deferred liability from CAFR
FY2018 Imputed Interest	(38)	interest earned on excess retained earnings
FY18 GASB68 Net Penstion Liability Adjustment	(138)	change in deferred liability from CAFR
FY18 GASB75 Beginning Balance Adjustment	(140)	adjustment from CAFR
FY18 GASB75 Net OPEB Adjustment	(314)	change in deferred liability from CAFR
Adjustment Accumulated Prior Year Imputed Interest	(32)	Adjustment to Accumulated Prior Year Imputed Interest - Change in calculation method
FY2019 Imputed Interest	(81)	interest earned on excess retained earnings
FY19 GASB68 Net Penstion Liability Adjustment	345	change in deferred liability from CAFR
FY19 GASB75 Net OPEB Adjustment	(28)	change in deferred liability from CAFR
FY2020 Imputed Interest	(59)	
FY20 GASB68 Net Penstion Liability Adjustment	(562)	
FY20 GASB75 Net OPEB Adjustment	(4)	
	(2,950)	****Total is off by 1k, most likely due to rounding
	-2950000	

Cumulative Totals

Prior Year Imputed Interest (cumulative)	(348)
GASB68 Prior Years Adjustment (cumulative)	(2,135)
GASB75 Prior Years Adjustment (cumulative)	(482)

	Imputed Interest	
	MADD	ELD
FY2013 Imputed Interest	9	0
FY2012 Imputed Interest	4	0
FY2011 Imputed Interest	4	0
FY2010 Imputed Interest	6	0
FY2009 Imputed Interest	15	1
FY2008 Imputed Interest	19	1
FY2007 Imputed Interest	19	2
FY2006 Imputed Interest	11	1
FY2005 Imputed Interest	4	1
FY2004 Imputed Interest	3	0
Total	94	6
pre2004	47	72
accumulated prior year imputed interest per SWCAP reports	141	78

	Contributed Capital	
	MADD	ELD
FY2013 Contributed Capital	0	0
FY2012 Contributed Capital	0	0
FY2011 Contributed Capital	0	0
FY2010 Contributed Capital	0	0
FY2009 Contributed Capital	0	0
FY2008 Contributed Capital	0	0
FY2007 Contributed Capital	0	0
FY2006 Contributed Capital	0	0
FY2005 Contributed Capital	0	0
FY2004 Contributed Capital	0	12
Total	0	12
pre2004	0	50
accumulated prior year contributed capital per SWCAP reports	0	62

Minnesota Management & Budget
Enterprise Talent Development
Revolving Fund (5200)

FY 2020 and 2021
Business Plan

Centennial Office Building, 458 Cedar
Saint Paul, Minnesota 55155
mn.gov/mmb/etd

Table of Contents

Executive Summary

Description of Business

Enterprise Talent Development (ETD) is the State of Minnesota's talent development organization. We are guided by Minnesota Statutes Section 43A.21 and Minnesota Management and Budget (MMB) Administrative Procedure (AP) 21. The Administrative Procedure designates specific responsibilities for employee training and development to agencies, managers and supervisors, and to MMB. The responsibilities at the state level are defined in the AP as the following:

MMB has responsibility for providing leadership and facilitating partnerships in human resource development for state employees, including but not limited to:

- *Advocating for and providing continuous education about training and development issues throughout the executive branch, in partnership with agencies and collective bargaining units,*
- *Assisting agencies in formulating links between agency goals, performance management and employee development and providing training for supervisors and managers on developing employees,*
- *Continuously assessing state-wide training and development needs, and finding ways to meet those needs by providing opportunities for training on topics with state-wide impact, and*
- *Developing ways to share resources (trainers, materials, technology, and facilities) and information on training plans, policies and procedures between and among public agencies to increase access, reduce costs and enhance quality.*

ETD Background and Business Model

In late Fiscal Year (FY) 2016, MMB began planning a new enterprise-wide approach to employee professional development, talent management and organizational development. One of the primary goals of the new approach was to create more consistent employee and organizational development practice across executive branch agencies. MMB has continued to evolve the Enterprise Talent Development process to offer additional training and services to state employees. In doing so, we hope to improve our ability to recruit and retain employees in a tightening labor market and improve the efficiency and effectiveness of State services to Minnesotans.

To inform the planning, MMB conducted an assessment with all agency leaders and senior staff to better understand their current practices in August and September 2016. In January 2017, MMB also formed a 45-member advisory group of state agency staff to counsel ETD on significant planning and implementation decisions. In 2019, an Enterprise-wide Employee Engagement survey was completed to identify continuing needs.

Making the transition from Enterprise Learning Development (ELD) to Enterprise Talent Development involved broadening the original mission of ELD from employee professional development to include talent management and organizational development. This involved making changes to organizational structure and hiring new staff throughout FY 2018 and FY 2019. The “formal” transition from ELD to ETD has resulted in updated and rebranded website, marketing and training materials, signage, and communications to key stakeholders**.**

Enterprise Value Proposition

This expanded business model allows ETD to offer agency leaders and all Minnesota government employees the following value and outcomes:

- High-quality training
- Access to a series of skill development opportunities (classroom, eLearning, blended)
- A toolbox of talent management resources to retain a talented and diverse workforce
- Workforce planning, talent development and organizational development consultation and training
- Accessible resources to cultivate safe, respectful, and inclusive work environments
- Facilitated best-practices via Train-the-Trainer model
- More leadership development programs
- A library of online personal and professional development courses

Funding Model and Rate Structure

MMB works with the ETD Finance Advisory Group to determine a rate structure for ETD services. Based on these discussions, MMB will recover costs for ETD by assessing two types of rates to state agencies.

1. Per Employee Rate

In light of current cash reserves, ETD will forego the Per Employee charges to Agencies in FY20 to draw down retained earnings to target levels. Per Employee charges will resume in FY 2021 to fund ongoing operations. For FY 2021, MMB will use interagency agreements with Governor's Cabinet agencies to collect $31.28 per employee (or a minimum of $5,000 for those with less than 200 employees). A summary of these charges is specified in the attached breakdown (Schedule A).

These costs are related to project staff, IT staff to support the Enterprise Learning Management (ELM) system, eLearning development, engagement survey, guiding principles, workforce planning, talent development, and organizational development/capacity building efforts. These costs are upfront and overhead costs that cannot be built into a per participant rate for training courses.

2. Per Participant Rate

For the FY 2020-2021 biennium, MMB will also continue to use a per participant rate for training courses. The courses include: Supervisor CORE, Manager CORE, HR Core, Emerging Leaders Institute, Senior Leadership Institute, Retirement Seminar, and open enrollment courses.

In FY 2019, ETD staff began executing expanded offerings, upgrades to Core programs (HR, Supervisor and Manager) and new Core content for Executive Leaders, Equity and Inclusion, Guiding Principles and other compliance offerings. This new training will be launched in FY 2020, and will be available to all leaders, directors, training / HR directors and other impacted employee groups.

Per participant rates will continue to be charged when employees register for training programs as specified in the attached breakdown. (Schedule B)

Schedule A – Per Employee FY 2020 and 2021 Billing (Projection)

Agency	FY 18 per employee costs	FY 19 per employee costs	FY 20 per employee costs	FY 20 costs per quarter	FY 21 per employee costs	FY 21 costs per quarter
Human Services	$298,035	$235,892	$0	$0	$232,107	$58,027
Transportation	$215,158	$168,451	$0	$0	$171,017	$42,754
Corrections	$195,647	$148,922	$0	$0	$137,451	$34,363
Natural Resources	$104,670	$77,879	$0	$0	$124,134	$31,034
MN.IT	$99,793	$76,667	$0	$0	$77,817	$19,454
Public Safety	$86,949	$66,532	$0	$0	$65,788	$16,447
Health	$69,452	$52,290	$0	$0	$50,559	$12,640
Employment and Economic Development	$62,068	$45,421	$0	$0	$42,491	$10,623
Revenue	$60,815	$46,431	$0	$0	$49,591	$12,398
Veterans Affairs	$60,636	$46,801	$0	$0	$45,775	$11,444
Pollution Control	$38,440	$28,552	$0	$0	$28,389	$7,097
Agriculture	$22,375	$17,441	$0	$0	$20,325	$5,081
Administration	$21,614	$17,037	$0	$0	$17,220	$4,305
Labor and Industry	$20,630	$15,623	$0	$0	$14,409	$3,602
Education	$16,960	$12,761	$0	$0	$12,218	$3,054
Military Affairs	$15,931	$14,478	$0	$0	$15,480	$3,870
Commerce	$15,394	$11,380	$0	$0	$12,645	$3,161
Housing	$10,740	$8,451	$0	$0	$7,527	$1,882
Management and Budget	$10,472	$8,249	$0	$0	$8,291	$2,073
Higher Education	$5,000	$5,000	$0	$0	$5,000	$1,250
Iron Range Resources and Rehabilitation	$5,000	$5,000	$0	$0	$5,000	$1,250
Human Rights	$5,000	$5,000	$0	$0	$5,000	$1,250
Mediation Services	$5,000	$5,000	$0	$0	$5,000	$1,250
Governor's Office	$5,000	$5,000	$0	$0	$5,000	$1,250
Total	$1,450,779	$1,124,258	$0	$0	$1,158,234	$289,558

Schedule B – Per Participant FY 2020 and 2021 Billing (Projection)

Financial Revenue and Sources - Projection for FY 2020 - Per Participant Rate				
ETD Fee-based Courses				
	Sessions	Participants per session	Price per Participant (b)	Total Revenue
Core Training:				
Management Core (4 days)	5	25	$845	$105,625
Supervisory Core (6 days) Lg Session	6	76	$845	$385,320
HR Core	3	40	$275	$33,000
Commissioners CORE	2	15	$0	$0
Executive Leaders CORE	2	35	$2,500	$175,000
Retirement Preparation Courses:				
State Retirement Seminar	6	110	$145	$95,700
Pre-planning for Retirement	6	50	$140	$42,000
Leadership Development Cohort Based:				
Strategic Effectiveness for Aspiring Leaders (SEAL - cohort 4 Days)	6	20	$935	$112,200
Emerging Leaders Institute (ELI - cohort. 11 days)	2	36	$3,740	$269,280
Senior Leadership Institute (SLI - cohort)	1	30	$4,070	$122,100
Required Compliance Training				
D and I required of new Managers and Supervisors	30	30	$150	$135,000
Other Compliance Training	30	30	$150	$135,000
Train-the-Trainer	4	30	$150	$18,000
Enterprise Guiding Principles				
Half Day for Supervisors/Managers	20	24	$150	$72,000
Leadership & Professional Development				
Advanced Project Management	3	15	$715	$32,175
Agile Scrum Overview	2	16	$550	$17,600
Better Communications/Better Teams	2	16	$150	$4,800
Big Decision: Outcomes with Better Results	1	15	$150	$2,250
Bldg a Respectful Workplace: Navigating Differences	2	15	$150	$4,500
Bldg an Inclusive Workplace: Understanding Your Role	6	15	$300	$27,000
Building Inclusive Teams	6	15	$300	$27,000
Business Writing Fundamentals	3	15	$275	$12,375
Citizen Service: Cust Serv Skills for Govt Employees	3	13	$150	$5,850
Coaching and Feedback Skills for Supvs and Mgrs	2	13	$150	$3,900
Conflict-Savvy Leader	3	13	$325	$12,675
Conflict-Savvy! Skills that Change Your World	1	12	$325	$3,900
Creative Thinking: How to Think Differently…	2	13	$150	$3,900
Dealing with Difficult People	3	13	$150	$5,850
Delegation Mastery: Leverage the Power of Your Team	2	15	$150	$4,500
Effective Presentations for Subject Matter Experts	3	15	$425	$19,125
Other Open Enrollment	35	20	$240	$346,010
Total Open Enrollment				
Contracted Services - Individual Consulting and Master Vendor Contracts				$2,233,635
Training Center Revenue				$50,313
Total Projected FY'20				**$2,283,948**

Financial Revenue and Sources - Projection for FY 2021 - Per Participant Rate				
ETD Fee-based Courses				
	Sessions	Participants per session	Price per Participant (b)	Total Revenue
Core Training:				
Management Core (4 days)	5	25	$845	$105,625
Supervisory Core (6 days) Lg Session	6	76	$845	$385,320
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Retirement Preparation Courses:				
State Retirement Seminar	6	110	$145	$95,700
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Dealing with Difficult People	3	13	$150	$5,850
Delegation Mastery: Leverage the Power of Your Team	2	15	$150	$4,500
Effective Presentations for Subject Matter Experts	3	15	$425	$19,125
Other Open Enrollment				$466,010
Total Open Enrollment				
Contracted Services - Individual Consulting and Master Vendor Contracts				$2,458,635
Training Center Revenue				$50,313
Total Projected FY'21				**$2,508,948**
* includes material costs				

ETD Successes - Review of FY 2019

ETD continued to experience significant growth in FY 2019. A new director joined the team in May 2018 and worked collaboratively with staff and multiple stakeholder groups to draft a FY 2019 business plan, a FY 2018 – 2021 strategic plan, as well as fiscal year priorities for FYs 2019, 2020 and 2021.

Along with establishing the strategic direction for ETD, several key positions were hired including enterprise project consultant (in August), business / operations manager (in August), training and talent Manager (in September), virtual development lead (in September), digital developer (in September), training coordinator (in November), and a communications specialist (in November).

Additionally, the ETD team achieved several successes, which included:

- Maintain a comparable level of classroom participants in FY 2019 compared to FY 2018
- Incorporated Diversity and Inclusion into our Supervisor Core and Manager CORE program
- Successfully launched two Respectful Workplace training modules:
  - Cabinet-level leaders achieved 98% completion
  - Cabinet-level employees achieved 93% completion
- Relaunched HR Core for state government human resource professionals
- Launched the state's first statewide engagement survey
- Graduated 72 of the state's finest employees in our 19th and 20th cohort of the Emerging Leaders Institute
- Establishing Enterprise Guiding Principles

Other successes include:

- Initial development of online and blended courses
- Incorporating accessibility standards in more training and print material
- Successful redesign of ETD brand, including web, training and print materials
- Greater inroads on leveraging technology for training, including webinars and development of eLearning modules, and ensuring accessibility

Opportunities for FY 2020 and FY 2021

ETD continues to provide employee development, talent management and organizational development across executive branch agencies. As a result of successful models of programming and training this past year, we anticipate the following achievements for FY 2020 and FY 2021:

- Develop a series of hybrid and virtual learning opportunities for state employees
- Coordinate training on compliance related topics
- Further expand our eLearning footprint
- Offer more Policy and Review Acknowledgments via ELM
- Commissioners CORE and Executive Leaders CORE
- Library of eLearning / simulations / learning applications
- Integrating Guiding Principles in Performance Management Process
- Individual Development Plans (IDPs)
- Customized Services (career coaching, mentoring, training, etc.)
- Support statewide LinkedIn Learning

The core strategy of ETD is to improve our ability to recruit and retain state employees in a shrinking labor market and improve the efficiency and effectiveness of services Minnesotans rely on. We believe the above-mentioned initiatives will support those efforts as we continue to provide high-quality services to state employees and prove the validity of the enterprise wide approach.

Financial Status – History and Pro Forma

	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Proposed	FY2021 Proposed	$ Change FY19/FY20	% Change FY19/FY20
Operating Revenue	**1,609,179**	**1,515,216**	**2,076,084**	**4,399,717**	**2,592,876**	**2,283,948**	**$3,651,018**	**(308,928)**	**-11.9%**
Operating Expenses									
Full Time - Salary	717,391	535,393	588,300	835,814	1,128,112	1,564,575	1,611,512	**436,463**	**38.7%**
Part-Time-Seasonal-Labor Serv	70,915	181,049	177,100	135,456	1,856	6,000	6,000	**4,144**	**223.3%**
Overtime and Premium Pay	-	406	8	1,094	435	-	-	**(435)**	
Other Employee Cost	3,508	32,724	655	62,942	22,246	-	-	**(22,246)**	
Space Rental And Utilities	90,868	113,637	95,219	104,635	118,177	160,813	165,637	**42,636**	**36.1%**
Printing And Advertising	14,703	13,267	9,723	32,181	45,276	72,000	72,000	**26,724**	**59.0%**
Prof-Tech Serv-Outside Vend	572,641	323,271	601,198	1,230,966	598,274	1,591,808	1,166,058	**993,534**	**166.1%**
IT/Prof/Tech O/S Vendor	35,000	35,000	22,333	2,098	2,598	-	-	**(2,598)**	**-100.0%**
Computer and System Services	33	29,814	23,412	40,030	45,500	75,000	76,320	**29,500**	**64.8%**
Communications	1,079	1,493	1,121	1,545	3,468	2,000	2,000	**(1,468)**	**-42.3%**
Trav-Sub-InState-Border Comm	3,027	1,445	816	4,140	1,952	7,000	7,000	**5,048**	**258.7%**
Trav/Sub-OutOfState-BorderComm	2,218	-	528	1,309	230	-	-	**(230)**	
Employee Development	15,184	1,328	1,299	5,806	28,658	40,000	32,000	**11,342**	**39.6%**
State Agcy-Prov Prof-Tech Serv	-	-	20,280	41,208	100,801	35,000	35,000	**(65,801)**	
Centralized IT Services	25,320	-	-	161,436	259,700	362,800	246,704	**103,100**	**39.7%**
Claims	-	-	-	15	-	-	-	**-**	
Supplies	99,167	134,627	99,221	98,802	95,010	110,300	96,180	**15,290**	**16.1%**
Equipment	-	-	-	-	-	-	-	**-**	
Repairs To Equip & Furn	1,153	1,276	1,482	2,037	3,894	5,000	5,000	**1,106**	
Statewide Indirect Costs	11,828	14,499	3,527	776	8,039	9,159	9,159	**1,120**	**13.9%**
State Agency Reimbursements	-	-	-	-	-	-	-	**-**	
Other Operating Costs	61,555	84,844	13,455	13,496	29,997	87,492	87,492	**57,495**	**191.7%**
Pmt To Indiv-Med-Rehab Client	-	-	-	-	-	-	-	**-**	
Pmt To Indiv-Not Med-Rehab	-	315	-	-	-	-	-	**-**	
Equipment-Capital	-	-	-	455	-	-	-	**-**	
Equipment-Non Capital	91,389	-	1,270	-	1,537	135,000	40,950	**133,463**	**8682.1%**
Total Operating Expenses	**1,816,980**	**1,504,388**	**1,660,947**	**3,093,021**	**2,495,760**	**4,263,947**	**3,659,012**	**1,768,187**	**70.8%**
Operating Income (Loss)									
Nonoperating Revenues (Expenses)									
Interest Expense									
Interest Revenue									
Total Nonoperating Revenues (Expenses)									
Income (Loss) before Contributions and Transfers									
Transfers									
Net Income (Loss) before Contributions	**(207,800)**	**10,827**	**415,138**	**1,306,697**	**97,116**	**(1,979,999)**	**(7,995)**		
Retained Earnings, Beginning Period	**428,380**	**220,580**	**231,407**	**646,545**	**1,953,242**	**2,614,609**	**634,610**		
Adjustment to Retained Earnings					**564,251**				
Retained Earnings, Ending Period	**220,580**	**231,407**	**646,545**	**1,953,242**	**2,614,609**	**634,610**	**626,615**		
Reconciliation to Net Assets									
Retained Earnings	**220,580**	**231,407**	**646,545**	**1,953,242**	**2,614,609**	**634,610**	**626,615**		
Contributed Capital									
Total Net Assets, Endining Period	**220,580**	**231,407**	**646,545**	**1,953,242**	**2,614,609**	**634,610**	**626,615**		

Summary of FY 2020 Projected Revenues/Expenses

FY2020	"Per Participant" Proposed	"Upfront Rate" Proposed	Total
Revenues:			
Operating Revenue	$2,283,948	$0	$2,283,948
Expenses:			
Full Time - Salary	$762,959	$801,616	$1,564,575
Part-Time-Seasonal-Labor Serv	$6,000		$6,000
Overtime and Premium Pay	$0		$0
Other Employee Cost	$0		$0
Space Rental And Utilities	$135,793	$25,020	$160,813
Printing And Advertising	$70,000	$2,000	$72,000
Prof-Tech Serv-Outside Vend	$936,808	$655,000	$1,591,808
Computer and System Services	$44,000	$31,000	$75,000
Communications	$2,000	$0	$2,000
Trav-Sub-InState-Border Comm	$7,000	$0	$7,000
Employee Development	$20,000	$20,000	$40,000
State Agcy-Prov Prof-Tech Serv	$15,000	$20,000	$35,000
Rate-Based MNIT Services	$290,240	$72,560	$362,800
Supplies	$100,000	$10,300	$110,300
Repairs To Equip & Furn	$5,000	$0	$5,000
Statewide Indirect Costs	$6,869	$2,290	$9,159
Other Operating Costs	$15,000	$72,492	$87,492
Equipment-Non Capital	$48,000	$87,000	$135,000
Total Operating Expenses	**$2,464,669**	**$1,799,278**	**$4,263,947**
Net Income (Loss) before Contributions	**($180,721)**	**($1,799,278)**	**($1,979,999)**
Retained Earnings, Beginning Period	**486,301**	**2,128,308**	**2,614,609**
Adjustment to Retained Earnings			
Retained Earnings, Ending Period	**305,580**	**329,030**	**634,610**
Reconciliation to Net Assets			
Retained Earnings	**305,580**	**329,030**	**634,610**
Contributed Capital			
Total Net Assets, Endining Period	**305,580**	**329,030**	**634,610**

Summary of FY 2021 Projected Revenues/Expenses

FY2021	"Per Participant" Proposed	"Upfront Rate" Proposed	Total
Revenues:			
Operating Revenue	$2,508,948	$1,142,070	$3,651,018
Expenses:			
Full Time - Salary	$785,848	$825,664	$1,611,512
Part-Time-Seasonal-Labor Serv	$6,000		$6,000
Overtime and Premium Pay	$0		$0
Other Employee Cost	$0		$0
Space Rental And Utilities	$139,867	$25,771	$165,637
Printing And Advertising	$70,000	$2,000	$72,000
Prof-Tech Serv-Outside Vend	$936,808	$229,250	$1,166,058
Computer and System Services	$45,320	$31,000	$76,320
Communications	$2,000	$0	$2,000
Trav-Sub-InState-Border Comm	$7,000	$0	$7,000
Employee Development	$20,000	$12,000	$32,000
State Agcy-Prov Prof-Tech Serv	$15,000	$20,000	$35,000
Rate-Based MNIT Services	$217,680	$29,024	$246,704
Supplies	$90,000	$6,180	$96,180
Repairs To Equip & Furn	$5,000	$0	$5,000
Statewide Indirect Costs	$9,159	$2,290	$11,449
Other Operating Costs	$15,000	$72,492	$87,492
Equipment-Non Capital	$19,200	$21,750	$40,950
Total Operating Expenses	**$2,383,882**	**$1,277,421**	**$3,661,302**
Net Income (Loss) before Contributions	**$125,066**	**($135,351)**	**($10,285)**
Retained Earnings, Beginning Period	**305,580**	**329,030**	**634,610**
Adjustment to Retained Earnings		-	
Retained Earnings, Ending Period	**430,646**	**193,679**	**624,325**
Reconciliation to Net Assets			
Retained Earnings	**430,646**	**193,679**	**624,325**
Contributed Capital			
Total Net Assets, Endining Period	**430,646**	**193,679**	**624,325**

Summary of Budgeted Staff Expense

Enterprise Talent Development does not receive General Fund allocations. ETD will continue its operations using both a fee per participant (registrant), as well as a fee per employee (up-front charge to Governor's Cabinet-level agencies). ETD provides high-quality and efficient enterprise programs and resources, and based on the proposed FY 2020-2021 programming, the following staffing levels are recommended to provide adequate support: (See following table).

Proposed ETD Staffing

Name	Position	Per Emp.*	Per Part.**	FTE
TBD	Enterprise Director	0.50	0.50	1.00
TBD	Enterprise Project Consultant	0.50	0.50	1.00
Michelle LeBow	Communications Specialist	0.50	0.50	1.00
Joyce Cole	Training and Talent Manager	.25	.75	1.00
Greg Mellang	Virtual Development Lead	1.0		1.00
Laurie Aberle	Digital Developer	1.0		1.00
Kathie Kosharek	Training Consultant		1.0	1.00
Debra Gramza	Training &Development Consultant		1.0	1.00
George Wellock	Business and Operations Manager	0.5	0.5	1.00
Lovlie Bromley	Contracts/Business Administrator	0.25	0.75	1.00
Cynthia Thompson	Enrollment Specialist		1.0	1.00
Lovie Kidd	Program Coordinator		1.0	1.00
Genny Johnston	Program Coordinator		1.0	1.00
Shelly Fine	OD and Engagement Manager	1.0		1.00
De Anna Conover	Organization Development Consultant	1.0		1.00
TBD	Program Coordinator	0.5	0.5	1.00
RJ Duff	ELM System Training Administrator	0.5	0.5	1.00
TBD	Learning & Development Consultant	1.0		1.00
Total		8.5	9.5	18.00

*Employees who do not work directly in the provision of or support of classroom or fee per participant training, and whose duties are part of the upfront and overhead costs that cannot be built into a per participant rate for training courses.

** Employees who in some way are engaged in providing classroom or fee per participant training: Costs associated with salaries and benefits have been built into the per participant rate structure.

Changes in Staffing for FY 2020 and FY 2021

OD and Engagement Manager: This new management position is required to establish and manage strategic priorities for the Organization Development / Talent Management teams to Innovate and meet the current and future organizational and workforce needs for all State Agencies.

Training and Development Consultant: This is an additional development position to create content for new Commissioners CORE, Executive Leaders CORE, and leadership programs to support employee career pathways, coaching and mentoring.

Learning and Development Consultant: This is an additional development position to support ETD's expanded model, additional staff, and increased demand for delivering increased priorities and initiatives.

Note: The overall budget includes funding that was allocated to MNIT for additional staffing to support the Enterprise Learning Management System. These costs were allocated between our two Financial Departments based on ELM utilization. These MNIT staff are not included in the overall ETD Staffing plan.

Summary of Proposed Rates/Rationale

As noted in the Executive Summary, ETD is now funded through a multi rate structure.

The table below depicts ETD's 10-year revenue summary.

Enterprise Talent Development 10 Year Revenue Summary		
FY2009	$642,157	
FY2010	$522,960	-19%
FY2011	$534,946	2%
FY2012	$845,511	58%
FY2013	$1,296,497	53%
FY2014	$1,798,202	39%
FY2015	$1,688,421	-6%
FY2016	$1,515,216	-10%
FY2017	$2,076,084	37%
FY2018	$4,399,717	112%
FY2019	$ 2,592,876	-41%

Per Participant Proposed Rates/Rationale

For the Rate per Participant side of its business, overall, ETD proposes to maintain its current rate structure for FY 2020 and 2021 (consistent with FY 2019) with these exceptions related to new course offerings:

- The fee for the training related to Executive Leaders CORE ($2,500).

We propose to maintain our project management fee of 18% on external vendor contracts.

Rates for Products and Services/Five Year Historical Rate Comparison

ETD Rate Schedule	2015	2016	2017	2018	2019	2020 Proposed	2021 Proposed
Contracted Customized Group Training Facilitated by ETD Staff:							
One Hour Session	$500	$550	$550	$550	$550	$550	$550
One and 1/2 Hour Session	$650	$715	$715	$715	$715	$715	$715
Two Hour Session	$800	$880	$880	$880	$880	$880	$880
Two and 1/2 Hour Session	$950	$1,045	$1,045	$1,045	$1,045	$1,045	$1,045
Half Day Rate	$1,275	$1,405	$1,405	$1,405	$1,405	$1,405	$1,405
Full Day Rate	$2,125	$2,340	$2,340	$2,340	$2,340	$2,340	$2,340
Contracted Training-Related Services:							
Hourly Rate	$125	$140	$140	$140	$140	$140	$140
Extraordinary Leader Workshop							
Facilitated by Z-F; 1-day, 30 max.*							
Materials	$299	$310	$310	$310	$310	$310	$310
Facilitation Fee	$5,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000
Facilitated by ETD Staff; 1-day, 30 max.							
Materials	$299	$310	$310	$310	$310	$310	$310
Facilitation Fee	$3,000	$3,100	$3,100	$3,100	$3,100	$3,100	$3,100
Extraordinary Leader 1-to-1							
Facilitated by Dr. Folkman/Zenger*	$1,449	$1,180	$1,180	$1,180	$1,180	$1,180	$1,180
Facilitated by Senior Z-F Coach*	$874	$590	$590	$590	$590	$590	$590
Facilitated by ETD Coach	$489	$210	$210	$210	$210	$210	$210
Core Classroom Training (per person):							
Supervisory Core ****	$770	$845	$845	$845	$845	$845	$845
Management Core ****	$770	$845	$845	$845	$845	$845	$845
HR Core****	$150	$275	$275	$275	$275	$275	$290
Commissioners Core***	$0	$0	$0	$0	$0	$0	$3,500
Executive Leaders CORE***	$0	$0	$0	$0	$0	$2,500	$2,500
Enterprise Guiding Principles							
Half Day for Communication Directors, HR directors and training directors				$150	$150	$150	$150
Retirement Preparation Courses (per person):							
State Retirement Seminar ****	$130	$145	$145	$145	$145	$145	$145
Pre-planning for Retirement ****	$125	$140	$140	$140	$140	$140	$140
Other Open Enrollment courses (per person):**							
Half Day Class	$135	$150	$150	$150	$150	$150	$150
Full Day Class	$250	$275	$275	$275	$275	$275	$275
2 Day Class		$550	$550	$550	$550	$550	$550
3 Day Class	$650	$715	$715	$715	$715	$715	$715
4 Day Class	$850	$935	$935	$935	$935	$935	$935
Extraordinary Leader	$550	$275	$275	$275	$275	$275	$275
Extraordinary Coach - 1 day	$451	$275	$275	$275	$275	$275	$275
Elevating Feedback - 1/2 day	$250	$150	$150	$150	$150	$150	$150
Cohort Based Learning (per person):							
Emerging Leaders Institute***	$3,400	$3,400	$3,740	$3,740	$3,740	$3,740	$3,740
Senior Leadership Institute ***	$3,700	$3,700	$4,070	$4,070	$4,070	$4,070	$4,070
Strategic Effectiveness for Aspiring Lea	$850	$935	$935	$935	$935	$935	$935

*	plus travel expenses
**	materials fees may apply, depending on course and vendor
***	multi month programs
****	multi day programs

Market Evaluation, Strategies and Competition

Market Information

Enterprise Talent Development's target market is public sector agencies and their employees, primarily State of Minnesota Government agencies.

Contracted Services Revenues

Revenue is generated by contracting with either state or local agencies via interagency agreements or income agreements. Requests for contracted training comes from previously established relationships, referrals/recommendations, open-enrollment participants who would like a training brought back to their group, and marketing on the ETD website and via GovDelivery. ETD will coordinate and/or deliver the training on-site at the customer desired location.

When coordinating interagency agreements for ETD vendors on Master Contract, an 18% administrative fee has been used to recover the costs associated with the execution of all contracting process components (e.g., request for proposal (RFP), invoicing, preparation/routing of agreements, vendor/client communications, etc.).

Open Enrollment Revenues

Quarterly courses are classroom style trainings. Participants enroll on ETD's registration system (ELM – Enterprise Learning Management) and the training is held at a designated location. Topics can range from soft skills courses such "Time Management", leadership skills such as "Coaching Employees" and project management skills such as "Agile Scrum." Additional employee learning and development offerings that are published on the ETD's website, posted fliers throughout various buildings, emails to stakeholder groups and referrals.

ETD also offers a series of Retirement related courses, and a series of Leadership Development Programs, including the Senior Leadership Institute, the Emerging Leaders Institute, and Strategic Effectiveness for Aspiring Leaders.

There are two CORE courses that are offered: Supervisory and Management. The CORE classes are mandatory training to be taken by an individual within a year of moving into that position. We are also expanding our CORE offerings to include HR CORE, Commissioners CORE and Executive Leaders CORE.

ETD periodically conducts a survey of the training provider landscape to assess the competitiveness of ETD's pricing structure. The following table indicates that ETD's pricing is consistently below that of other providers with whom ETD's customers may engage.

Half Day Classroom Training per person rate		
Training Provider	Half Day Rate Per Enrollee	Compared to ETD
Minnesota Management & Budget ETD	$150	NA
Working Conversations (same/similar soft skills courses with same instructors on soft skills)	$295	$145
Science Museum of Minnesota Computer Education Center (many state employees enroll in these courses, generally more technical in nature than what ETD offers)	$199	$49
American Management Association, GSA rate (soft skills courses, such as “Leading Virtual Teams). These are live online, not classroom.	$249	$99
Full Day Classroom Training per person rate		
Training Provider	Full Day Rate Per Enrollee	Compared to ETD
Minnesota Management & Budget ETD	$275	NA
University of Minnesota, College of Continuing Education (similar courses on a wide range of leadership/soft skills)	$528	$253
Learning Tree International (GSA pricing)	$520	$245
Franklin Covey	$445	$170
Thera Rising (same course/facilitators that we offer in Change Management)	$395	$120
Core Strengths Training (mgmt/leadership skills)	$399	$124
TrainUP Diversity Training (virtual/live)	$495	$220
Two Day Classroom Training per person rate		
Training Provider	Two Day Rate Per Enrollee	Compared to ETD
Minnesota Management & Budget ETD	$550	NA
Center for Leadership Studies - Situational Leadership (same course we offer)	$1,498	$948
AMA (GSA Rate) (Courses similar to ETD, “Collaborative Leadership Skills”, live)	$1,889	$1,339
University of Minnesota, College of Continuing Education	$1,065	$515

Contracted Training – 1 Day – Group, customized, on premise		
Training Provider	Full Day Rate	Compared to ETD
Minnesota Management & Budget ETD	$2,340	NA
University of Minnesota, College of Continuing Education	$4,000	$1,660
Center for Leadership Studies	$3,500 plus travel	$1,160
DeepSee Consulting (diversity training)	$5,000	2,660
Contracted Training – Half Day – Group, customized, on premise		
Training Provider	Half Day Rate	Compared to ETD
Minnesota Management & Budget ETD	$1,045	NA
University of Minnesota, College of Continuing Education	$3,000	$1,955
DeepSee	$3,000	$1,955
Mateffy and Company	$1,500	$455

State employees have several options for their training and development needs, and we strive to be their training destination of choice. We are highly competitive in pricing our training courses and review our competition on an annual basis. We leverage our buying power to keep costs low to provide excellent value to the Agencies who use our services.

Research conducted by ETD staff shows that we continue to be the high quality / low cost option for State employees. We reviewed comparable training costs for similar options provided by our competition and compare very favorably within our market analysis. Even though the majority of our competitors have held their prices consistent from year-to-year, we still maintain a distinct competitive advantage for similar offerings. Within our competitive analysis, only the University of Minnesota has raised prices. The table above shows our relationship with the rest of our competition and we remain positioned to provide the best value to our State employees.

Per Employee Proposed Rates/Rationale

For the Per Employee Rate side of its business, ETD proposes to address a retained earnings problem during FY 2020 by turning off the Agency fee collections and to use existing cash balances to return retained earnings to the expected levels for 60-day cash position. During FY 2020, no Per Employee fees will be collected from State Agencies, but we will return to the standard process in FY 2021.

In FY 2020 and continuing through FY 2021, ETD staff will continue to provide Organization Development / Workforce Planning, and Talent Development support for all State Agencies as requested and as capacity allows.

Organizational Development

ETD will innovate to meet the current and future organizational and workforce needs of State Agencies. The key objectives are to operate with leading technologies and well-researched best-practices to support the needs of our key clients and stakeholders. ETD will employ and champion inclusive, collaborative and perceptive facilitators. Key Performance Indicators (KPIs) for Organizational Development will be developed and maintained to include Knowledge Transfer Improvement percent, Org Transition Cycle Time, and Agency/Client Productivity.

The following will be delivered:

- Develop and deploy an enterprise engagement survey
- Design, create, and launch an enterprise toolbox of programs and resources to support employee engagement
- Design and implement new leader (agency appointees) integration and on-boarding resources
- Offer customized support for agency workforce planning needs
- Design and deploy an organizational capacity building assessment and dashboard for evaluation and reporting
- Coordinate workforce experiential learning program (similar to a study abroad)
- Offer professional development scholarships to agency facilitators who support enterprise training

Talent Management

ETD provides accessible and culturally responsive learning, programs and services in a cost-effective manner to engage and develop an inclusive and diverse workforce. Training and development opportunities are offered to serve our multicultural and multi-generation workforce needs. Tools and resources will be developed to support new employee integration. TIMELINE: ETD will support diverse leaders at all levels to increase retention and advancement opportunities. Key Performance Indicators (KPIs) for Talent Management will be developed and updated to include Training Cost per Employee and Diversity Rate.

The following Initiatives will be delivered:

- Unveil enterprise guiding principles then integrate into performance management processes
- Develop Individual Development Plans (IDPs) to support employees career development
- Use the train-the-trainer model for an array of career development programs
- Deploy enterprise online modules for compliance training requirements

- Offer a series of skill development courses to all employees
- Expand on-boarding toolbox of resources to support employee integration
- Continuously provide workforce planning data and resources to agencies
- Provide online career pathway resources and opportunities

There are several key programs that will be introduced in FY 2020 to support Enterprise-wide strategic initiatives:

- Commissioner Core - We propose to develop and launch Commissioners CORE in November 2020 to support the new administration and meet the requirements of the executive team to support One Minnesota. Initial deliverables will be focused on One Minnesota Through Operational Excellence; Communicating in the Minnesota Spotlight and Serving Minnesota with Inclusivity and Equity
- Executive Leaders CORE – A follow up to Commissioner Core, this program will drive learning and consistency for Assistant and Deputy Commissioners to support One Minnesota goals. Requirements will be identified and built into the CORE training to be delivered to this level of executive leadership.
- LinkedIn Learning – One of the key initiatives for this biennium is the development of virtual and blended learning modules to more effectively deliver skills development opportunities to all State employees. As a supplement to internal content development, we will partner with LinkedIn Learning on a pilot program to utilize training content available through their online platform. The pilot program will target 10,000 employees with licenses to utilize already prepared content for skills and organization development. Training will be completed on the LinkedIn platform and records will be maintained in ELM.
- HR Directors Training – One of the key enterprise needs is to provide consistent and comprehensive training for HR Directors across the State. We will partner with Master Contract vendors to develop and deliver the necessary training and support content to address this organizational development requirement.
- Equity and Inclusion – eLearning content will be developed to support the State's Equity and Inclusion objectives and to provide mandatory training to ALL State employees in 2020.
- Affirmative Action and ADA - Additional talent development support is needed to enhance the affirmative action needs of the State and to bring the affirmative action officers to the proper level of credentialing required for their roles in each agency.
- ELM Upgrades – ELM upgrades are required to enhance the current Learning Management System across the Enterprise. ETD has allocated the expected Upgrade budget to both the Per Participant and Per Employee Rates to support both enterprise-wide activities as well as ongoing ELM utilization for the per Participant programs.

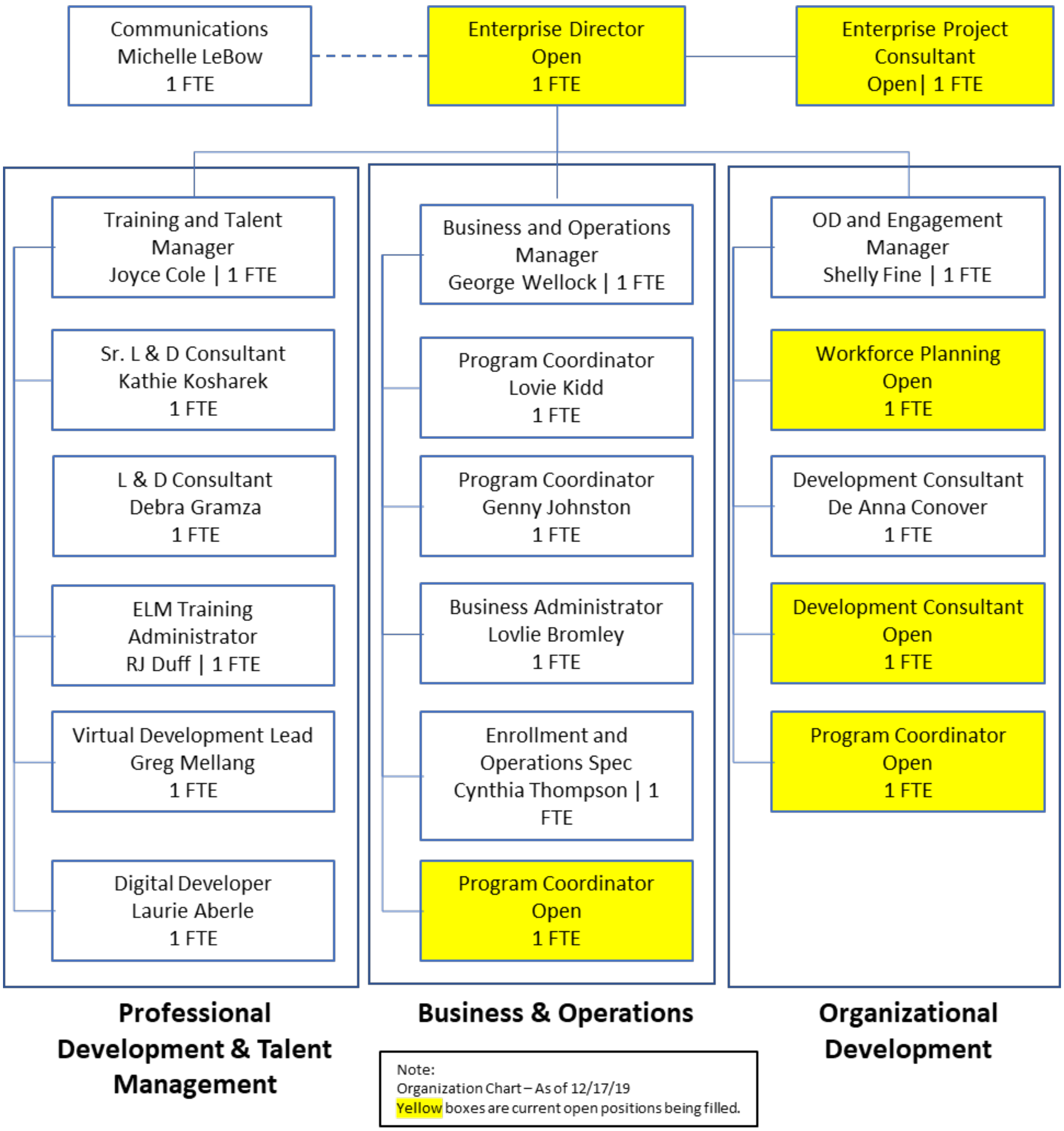
Included in the Per Employee proposed rates/rationale are the additional, necessary expenses for staff, facilities, utilities, general IT support, communications, certifications / employee development, supplies and other operating costs.

Additional Documentation

Organization Chart
Statement of Net Position
Statement of Revenues, Expenses and Changes in Assets
Draft of proposed expenditures

MANAGEMENT AND BUDGET
ENTERPRISE TALENT DEVELOPMENT

ETD Organizational Chart



STATE OF MINNESOTA - MANAGEMENT ANALYSIS FUND			
STATEMENT OF NET POSITION			
For the Period Ending 05/31/2019			
	MAD	ETD	Fund
ASSETS			
CURRENT ASSETS			
100001 - Cash in Treasury	$ 740,191	$ 2,963,702	$ 3,703,893
100007 - In Trans Adj	-	-	-
100008 - Deposit Adj	-	-	-
120001 - AR SWIFT	914,536	246,162	1,160,698
120097 - Maintenance Control	(110)	110	-
Total Current Assets	1,654,617	3,209,974	4,864,591
NONCURRENT ASSETS			
Total Noncurrent Assets	-	-	-
Total Assets	1,654,617	3,209,974	4,864,591
LIABILITIES			
CURRENT LIABILITIES			
200001 - Accounts Payable	-	-	-
200003 - Vouchers Payable	23,790	19,397	43,187
220060 - State SUT	-	61	61
220080 - Local SUT	-	4	4
220090 - Transit SUT	-	4	4
200100 - Salaries Payable	24,055	16,014	40,069
240001 - Deferred Revenue	-	-	-
240200 - Unearned Revenue	-	-	-
260500 - Compensated Absences Payable	19,919	9,081	29,000
Total Current Liabilities	67,764	44,562	112,326
NONCURRENT LIABILITIES			
260501 - Compensated Absences-Non Cur	178,997	74,003	253,000
290100 - Net Pension Obligation	-	-	-
290150 - Net OPEB Obligation	132,377	70,623	203,000
Total Noncurrent Liabilities	311,374	144,626	456,000
TOTAL LIABILITIES	379,138	189,188	568,326
NET POSITION			
Unrestricted Fund Balance	1,275,479	3,020,785	4,296,265
TOTAL NET POSITION	1,275,479	3,020,785	4,296,265

STATE OF MINNESOTA - MANAGEMENT ANALYSIS FUND							
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS							
For the Period Ending 05/31/2019							
	YEAR TO DATE				CURRENT MONTH		
	MAD	**ETD**	**Fund**		**MAD**	**ETD**	**Fund**
OPERATING REVENUES							
670011 - MAD Management Services	**6,455,671**	**-**	**6,455,671**		**735,178**	**-**	**735,178**
512605 - Interagency Agreements	**-**	**1,175,038**	**1,175,038**		**-**	**281,065**	**281,065**
512800 - Other Income	**-**	**1,650**	**1,650**		**-**	**-**	**-**
513304 - Seminar - Workshop Fees	**-**	**1,356,624**	**1,356,624**		**-**	**94,915**	**94,915**
Total Operating Revenues	**6,455,671**	**2,533,312**	**8,988,983**		**735,178**	**375,980**	**1,111,158**
OPERATING EXPENSES							
410001 - Full Time Salary	**1,300,285**	**817,058**	**2,117,343**		**105,630**	**78,499**	**184,129**
410002 - Full Time Fringe	**399,971**	**258,873**	**658,844**		**32,817**	**25,824**	**58,641**
410301 - Part Time, Seasonal Labor	**165,957**	**1,724**	**167,681**		**17,117**	**-**	**17,117**
410303 - Part Time, Seasonal Labor Fringe	**64,214**	**132**	**64,346**		**7,440**	**-**	**7,440**
410501 - Overtime Pay, Salary	**-**	**320**	**320**		**-**	**-**	**-**
410502 - Overtime Pay, Fringe	**-**	**43**	**43**		**-**	**-**	**-**
410701 - Separation Expense, Salary/Fringe	**-**	**-**	**-**		**-**	**-**	**-**
410702 - Separation Expense-Insurance	**16,087**	**10,486**	**26,573**		**-**	**-**	**-**
410705 - Relocation Expense	**1,922**	**-**	**1,922**		**-**	**-**	**-**
410707 - Unemployment Compensation	**-**	**11,760**	**11,760**		**-**	**-**	**-**
411001 - Rent - Non State Owned Space	**68,378**	**106,198**	**174,575**		**6,216**	**4,154**	**10,371**
411002 - Rent -State Owned Space	**-**	**-**	**-**		**-**	**-**	**-**
411003 - Utility Services	**72**	**-**	**72**		**-**	**-**	**-**

411006 - Rent - Other - General	**-**	**1,469**	**1,469**		**-**	**-**	**-**
411101 - Printing - Non State Shops	**4,675**	**33,057**	**37,731**		**1,434**	**7,233**	**8,668**
411102 - Duplication	**-**	**-**	**-**		**-**	**-**	**-**
411301 - General Mgmt - Fiscal Services	**3,919,355**	**-**	**3,919,355**		**578,980**	**-**	**578,980**
411302 - Personnel	**-**	**-**	**-**		**-**	**-**	**-**
411303 - Advertising	**259**	**-**	**259**		**-**	**-**	**-**
411304 - Writing Services	**-**	**-**	**-**		**-**	**-**	**-**
411309 - Bldg Ops Real Estate-Constru	**-**	**-**	**-**		**-**	**-**	**-**
411313 - Court Reporter & Transcriber	**-**	**3,504**	**3,504**		**-**	**-**	**-**
411319 - Educational-Instruction Serv	**2,800**	**380,530**	**383,330**		**2,800**	**29,720**	**32,520**
411322 - Public Speakers - Entertainer	**-**	**-**	**-**		**-**	**-**	**-**
411375 - Outside <25k	**-**	**-**	**-**		**-**	**-**	**-**
411451 - Information Technology Devlpmt	**68,040**	**2,598**	**70,638**		**-**	**-**	**-**
411452 - Information Technology Maint	**-**	**-**	**-**		**-**	**-**	**-**
411501 - OET CompSrv/Oth Mainframe	**-**	**45,500**	**45,500**		**-**	**-**	**-**
411502 - Software Lic Fee/Rent/Subscrip	**953**	**-**	**953**		**99**	**-**	**99**
411504 - Commercial Software Pur/<30K	**-**	**-**	**-**		**-**	**-**	**-**
411505 - Software Maintenance	**-**	**-**	**-**		**-**	**-**	**-**
411506 - On-Line Subscriptions/Sys Fees	**-**	**-**	**-**		**-**	**-**	**-**
411551 - Postal Mailing-Shipping Ser	**-**	**2,355**	**2,355**		**-**	**-**	**-**
411552 - Freight-Delivery Service	**-**	**37**	**37**		**-**	**-**	**-**
411553 - OET Network Srv-Oth Network Sr	**2,647**	**426**	**3,073**		**-**	**-**	**-**
411554 - Wireless Communications	**-**	**25**	**25**		**-**	**-**	**-**
411601 - Travel Expense - In-State	**3,633**	**532**	**4,165**		**405**	**-**	**405**

411605 - Private Auto Mileage In-State	**3,214**	**195**	**3,409**		**-**	**61**	**61**
411606 - Car/Vehicle Rental In-State	**231**	**892**	**1,122**		**-**	**-**	**-**
411701 - Travel Expense Out of State	**1,075**	**-**	**1,075**		**-**	**-**	**-**
411705 - Private Auto Mileage Out State	**-**	**-**	**-**		**-**	**-**	**-**
411801 - Tuition And Registration Fees	**7,855**	**1,399**	**9,254**		**350**	**-**	**350**
411802 - Registration Fees - Conf-Sem In StP	**2,245**	**-**	**2,245**		**1,245**	**-**	**1,245**
411803 - Regist Fees - Conf-Sem Out StP	**400**	**-**	**400**		**-**	**-**	**-**
411804 - Memberships	**400**	**209**	**609**		**-**	**-**	**-**
411901 - General Mgmt - Fiscal Services	**25,505**	**89,440**	**114,945**		**25,230**	**-**	**25,230**
411939 - Education<25K	**-**	**6,551**	**6,551**		**-**	**-**	**-**
411960 - Centralized MN.IT Services	**-**	**86,618**	**86,618**		**-**	**-**	**-**
412001 - Stipends	**-**	**-**	**-**		**-**	**-**	**-**
413001 - Supplies, Material, and Parts	**11,669**	**80,339**	**92,008**		**2,261**	**3,786**	**6,046**
413002 - Computer Related Parts - Sup	**-**	**-**	**-**		**-**	**-**	**-**
413006 - Food (Not Food Service)	**-**	**-**	**-**		**-**	**-**	**-**
414004 - Equipment Rental	**-**	**-**	**-**		**-**	**-**	**-**
415001 - Repair to Equip and Furniture	**1,971**	**2,411**	**4,382**		**326**	**584**	**910**
415002 - Repair-Alterations To Build	**-**	**-**	**-**		**-**	**-**	**-**
415003 - Maintenance Contracts	**310**	**515**	**825**		**-**	**-**	**-**
420101 - Statewide Indirect Costs	**10,867**	**4,019**	**14,886**		**-**	**-**	**-**
420301 - State Agency Reimbursements	**-**	**-**	**-**		**-**	**-**	**-**
420302 - Purchasing Card Rebate	**(207)**	**-**	**(207)**		**-**	**-**	**-**
430001 - Other Purchased Services	**3,467**	**12,873**	**16,340**		**-**	**5,310**	**5,310**

430002 - Exp Reimbursement Other Svcs	**-**	**-**	**-**		**-**	**-**	**-**
430010 - Taxes, Assessments, Shared Rev	**-**	**-**	**-**		**-**	**-**	**-**
430011 - Fixed Charges	**-**	**-**	**-**		**-**	**-**	**-**
430014 - Prizes-Awards	**309**	**322**	**631**		**-**	**-**	**-**
430016 - Departmental Memberships	**102**	**102**	**204**		**-**	**-**	**-**
430018 - Bonds And Insurance	**296**	**-**	**296**		**-**	**-**	**-**
430019 - Department Head Expense	**-**	**-**	**-**		**-**	**-**	**-**
441103 - O Svc/Cost For Clnt Pd To Vend	**-**	**-**	**-**		**-**	**-**	**-**
441004 - Special Costs Paid To Vendors	**-**	**-**	**-**		**-**	**-**	**-**
470602 - Motor Vehicles - Capital	**-**	**-**	**-**		**-**	**-**	**-**
470605 - Communication Equip-Capital	**-**	**-**	**-**		**-**	**-**	**-**
470606 - Equipment-Capital	**-**	**-**	**-**		**-**	**-**	**-**
471603 - Computer-Peripheral - Non Cap	**-**	**-**	**-**		**-**	**-**	**-**
471606 - Equipment - Non Capital	**-**	**773**	**773**		**-**	**-**	**-**
Total Operating Expenses	**6,088,953**	**1,963,285**	**8,052,238**		**782,350**	**155,172**	**937,523**
OPERATING INCOME(LOSS)	**366,718**	**570,026**	**936,745**		**(47,172)**	**220,807**	**173,635**
NON-OPERATING REVENUES(EXPENSES)							
511302 - Other Grants	**-**	**-**	**-**		**-**	**-**	**-**
442001 - Distribution Of Amnt Collect	**-**	**-**	**-**		**-**	**-**	**-**
Total Non-Operating Revenues(Expenses)	**-**	**-**	**-**		**-**	**-**	**-**

CHANGE IN NET ASSETS	**366,718**	**570,026**	**936,745**		**(47,172)**	**220,807**	**173,635**
NET POSITION, BEGINNING 07/01/2018	**(565,089)**	**1,447,609**	**882,520**				
Adjustment for 6/30/18 accruals	**1,473,850**	**1,003,150**	**2,477,000**				
ADJUSTED NET POSITION BEGINNING 7/1/18	**908,761**	**2,450,759**	**3,359,520**				
NET POSITION, ENDING 03/31/2019	**1,275,479**	**3,020,785**	**4,296,265**				

ETD 20-21 Biennium Expenditures

Estimates as of 12/19/19

	Previously Submitted			Proposed	Proposed
Upfront Development (Per Employee) Rate	**FY 17**	**FY 18**	**FY19**	**FY20**	**FY21**
Project management	$52,000	$155,000	$90,000	$14,116	$67,757
Communications		$90,000	$90,000	$46,089	$47,472
ELM Administrator		$100,000	$100,000	$52,365	$53,936
OD and Engagement manager			$155,000	$66,871	$103,315
Workforce planning	$34,000	$136,000	$136,000	$114,368	$117,799
eLearning Developers	$26,233	$100,000	$200,000	$188,151	$193,795
Training Management/learning and development			$0	$134,856	$138,902
Other Shared ETD Resources			$0	$200,791	$155,111
Commissioners and Executive Core	$0	$50,000	$25,000	$85,000	$15,000
Equity and Inclusion		$15,000	$50,000	$240,000	$40,000
HR Directors Training		$20,000	$0	$115,000	$15,000
AAO / ADA Train / Cert	$0	$50,000	$49,940	$165,000	$0
Employee engagement survey		$350,000	$68,318	$0	$100,000
Shared training center replacement			$200,000	$87,000	$0
MN.IT staff and contractor to uplift ELM	$160,000	$360,000	$360,000	$72,560	$36,000
eLearning equipment and software		$14,780	$60,000	$31,000	$15,000
eLearning Just-In-Time / LinkedIn Learning		$0	$0	$135,000	$135,000
Other Per Employee Expenses				$51,112	$41,045
Total			$1,494,258	$1,799,278	$1,275,131

ETD 20-21 Biennium Expenditures - continued

Billing estimates as of 12/20/19

Per Participant Rate	FY 17 Previous	FY18 Previous	FY 19 Previous	FY 20 Proposed	FY 21 Proposed	
Current Course Offerings	Improvements incurrent Course Offerings: Expansion of Strategic Effectiveness for Aspiring Leaders; ELI; SLI; Redesign of Supervisory and Management CORE programs					
Quarterly skill development training Supervisor and Manager Cores, ELI, SLI, Retirement, Open Enrollment + Greater MN	$ 350,268	$ 1,190,000	$ 1,321,259	$ 1,598,764	$ 1,756,264	Represents approx. 3500 participants Covers labor, materials and general overhead.
Module I: Diversity and Inclusion training for managers and supervisors	$ 30,000	$ 1,290,000		$ -		
	$ 380,268	$ 2,480,000	$ 1,321,259	$ 1,598,764	$ 1,756,264	
New or Upgraded Offerings						
Compliance Train-the-Trainer				$ 15,000	$ 15,000	New Course Development
HR CORE - relaunch				$ 39,000	$ 39,000	
Supervisor / Manager Core CORE				$ 84,000	$ 20,000	
Executive Leaders CORE				$ -	$ 45,000	
HR Directors Training				$ -	$ 15,000	
AAO / ADA / BIC Training				$ -	$ -	
Per participant – Non required	**$ 380,268**	**$ 2,480,000**	**$ 1,321,259**	**$ 1,736,764**	**$ 1,890,264**	
Accessibility accommodation for training	$ 9,500	$ 50,000	$ 25,000	$ 25,000	$ 25,000	Built into per participant rate
Lease additional office/training center space	$ 12,000	$ 75,000	$ -	$ 135,793	$ 139,867	Built into per participant rate
ELM Upgrade / Support	$ 12,000	$ 75,000	$ -	$ 290,240	$ 197,363	Built into per participant rate
Guiding Principles Training		$ 630,000	$ 589,050	$ -	$ 88,358	(unbilled) Required/half-day /$150per/3927
Module II: Diversity and Inclusion classroom training			$ 589,050	$ 58,905	$ 88,358	Required/half-day /$150per/3927
Module II: Sexual harassment prevention training for supervisors and managers			$ 589,050	$ -	$ 20,000	Required/half-day /$150per/3927
Accessibility training			$ 24,000	$ 24,000	$ 24,000	$1,000/Agency/Required
Other Per Participant Expenses			$ 97,693	$ 276,873	$ 131,388	
Per participant - Subtotal			**$ 1,443,953**	**$ 2,464,669**	**$ 2,383,882**	

Minnesota Management and Budget
Management Analysis and Development
Revolving Fund

FY 2020
Business Plan

~~May 24, 2019~~ Revised 10/24/2019

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Rate request

Management Analysis and Development (MAD) proposes to maintain our hourly rate of $140 for consulting services in FY 2020. This rate is in the low range of hourly rates charged by private sector providers of similar consulting services, and, as always, agencies are not obligated or required to contract with MAD.

We propose to maintain our project management fee of 8 percent on external vendor contracts and to cap this fee for contract amounts exceeding $100,000. This has been the same since FY 2016.

Description of business

MAD is the State of Minnesota's management consulting organization. We offer a wide range of consulting services to state and local government as well as public K-12 and higher education. We have worked on hundreds of projects with all departments, most agencies, many boards, units of local government, and educational institutions. We also play a role in supporting and strengthening management practices across the enterprise of state government.

MAD works with external partners through our master contract when our staff cannot meet the specific needs of a client or project. MAD's current staffing level is 19.25 FTE (see organization chart on page 13).

MAD operates on a fee-for-service basis in a competitive market. Our clients have the option of contracting with private sector consultants, working in-house, or, in many cases, doing nothing. Clients negotiate a final project price with us based on the division's rate per consultant hour, the number of hours needed to complete the project, and any additional expenses.

We monitor the following indicators to maintain the health of the business:

- Customer satisfaction is important to ensure that MAD is effective and that MAD's services will continue to be in demand. We survey customers to determine their overall satisfaction with the engagement.
- Repeat business is an indicator of customer satisfaction because it shows that past clients trust MAD based on their own experience and are willing to hire us again. Repeat business for FY 2019 is 49 percent of all contracts.
- Retained earnings are an important measure. In the proper range, they reflect a healthy business with adequate demand, responsible spending, and a competitive rate.
- MAD monitors the market to ensure that our rate remains competitive and at the low end of the price range for comparable services.

Successes and challenges

Successes in FY 2019

Consulting services

- In FY 2019, MAD consultants and vendors worked on approximately 240 consulting projects, with contracts ranging from 7 hours to over 2,000 hours. This work resulted in a high degree of client satisfaction, as evidenced on post-engagement client satisfaction questionnaires.
- MAD built upon our already strong foundation of work on stakeholder research and engagement. For example, this year we worked with the Minnesota Department of Transportation (MnDOT) on a large, multi-district project to help the department incorporate equity in transportation decision-making. The method developed by MAD is likely transferrable to other program and policy areas. Other qualitative research and stakeholder engagement projects this year included work with the Minnesota Department of Health (MDH), such as quality measurement framework, newborn screening, and healthcare homes rulemaking projects, and with the Department of Natural Resources (DNR), for the 10th anniversary of the Legacy Amendment.
- MAD's analytical, program evaluation, and organization assessment practice remained strong in FY 2019, with well-regarded projects for the Department of Human Services (DHS) and MDH (Ryan White program administration) and DHS's Deaf and Hard of Hearing Services division. MAD has repeat and ongoing engagements in this area of our practice with the Minnesota Department of Education's (MDE) Early Learning Scholarship program, MnDOT's Commercial Vehicles Office, DHS's Behavioral Health Division, the Minnesota Pollution Control Agency's (MPCA) Minnesota Green Corps program, and the Interagency Climate Adaptation Team (through MPCA).
- MAD helped our clients understand employee perspectives and needs through employee surveys and focus groups this fiscal year, including projects with the DNR and various divisions in MDH. MAD also designed, administered, and analyzed the statewide employee engagement survey under contract with MMB.
- MAD consulted with state agency leaders as they identified opportunities and worked through challenges during various policy and leadership transitions. Our consultants provided leadership coaching, leadership team facilitation, and agency planning conversations with MDH, MMB, MnDOT, MDE, DHS, and Department of Corrections (DOC).
- MAD's strategic, operations, and business planning practice also remained strong this year. For planning projects in particular, we can tailor our consulting engagements to meet the needs and budgets of our clients—from facilitating a two-day strategic planning retreat to partnering with a client to develop a completely new plan for their organization or service. In FY 2019, we

provided planning services to large and small organizations, including the Department of Administration's State Historic Preservation Office, the Police Officer Standards and Training Board, the Teachers Retirement Association, MDH, and the Department of Administration's Minnesota Multistate Contracting Alliance for Pharmacy. MAD also expanded our board development consultation practice, with projects serving the Guardian ad Litem board and the Commission on Deaf, Deafblind, and Hard of Hearing Minnesotans.

- MAD continued to help state agencies implement Results-Based Accountability (RBA). In addition to conducting specific training and workshops, MAD assisted clients with developing and implementing RBA approaches. Demand for MAD's condensed RBA training session has been strong among state agencies and local governments, and we anticipate offering it next fiscal year.
- MAD continued to provide open enrollment and agency-specific facilitation skills classes. The course was updated to reflect increased use of technology-assisted meetings such as WebEx and teleconferencing, and additional instructors were recruited and trained so that we have deeper bench of staff to provide the classes. Offerings were often overbooked and additional course offerings were added, into FY 2020.

Other successes

- In FY 2019, Minnesota elected a new governor. MAD's director, business manager, and one consultant played a key role in establishing the transition office for the incoming governor and administration, preparing briefing materials for the governor and new cabinet, and providing informal advice and support to the transition office in the early days of the new administration. The work was a great success on all accounts and MAD's director continues to advise the new Chief of Staff on matters such as leadership development for the new cabinet and other executive leaders.
- MAD issued a request for proposals (RFP) for vendors to provide consulting services under a master contract. The RFP included an expanded array of Specialty Service Area consulting topics (including one focusing on diversity, equity, and inclusion) and was advertised to increase participation from targeted vendor groups such as minority-owned, women-owned, and veteran-owned businesses. The response exceeded prior solicitations, both in the total number of responses and the number of certified vendors. As a result of the solicitation, MAD has invited approximately 60 vendors to be included in the master contract, including 21 certified vendors.
- MAD expects to end FY 2019 on strong financial footing. For the third time since we stopped receiving a general fund allocation, MAD revenues are expected to exceed expenses (in part because of continued strong demand for service provided by MAD consultants and external vendors alike).

Challenges in FY 2019

- We continue to develop the capacity and institutional knowledge of newer consultants who have been hired to replace retiring and other departing staff. Over half of our consultants were hired within the last three years.
- In FY 2019, we had a decrease of 14 percent in repeat business, following the general downward trend we've noted in recent years. This is a business metric we track closely, because repeat business is critical to our success. We receive consistently positive evaluations from both repeat and new clients, suggesting that any decline in repeat business is not due to dissatisfaction. Client retirements will require that we do more to market our services to potential clients who may not know about us.

Challenges in FY 2020

- MAD continues to adapt to ensure the sustainability of our business model. Although the model has proven sustainable over time, sales and staffing fluctuate significantly. For example, MAD's staffing was reduced by about 24 percent after the general fund appropriation was eliminated a few years ago. Due to increased demand, MAD increased staffing from 14.75 FTE to 19.4 FTE just last fiscal year. Increased customer demand has also resulted in increased utilization of MAD's master contract. The challenge for MAD will be to maintain relatively stable staffing levels through achieving high customer satisfaction ratings and repeat demand for MAD consultants, while also facilitating increased business for vendors on our master contract. We will also continually address consultant productivity, billable percentages, and costs to ensure that MAD consulting revenue is adequate to cover expenses.
- Staff changes at MAD mean that we will need to focus on our own organizational and professional development in FY 2020. Additionally, we will need to effectively respond to changes in state government by matching staff availability and skills to client needs. Balancing our internal organizational needs with meeting our clients' needs will require maintaining high productivity throughout the fiscal year.
- Continued uncertainty at the federal level may lead to uncertainty among our clients—changes in funding and policies for human services, environmental protection, and healthcare could affect our clients in significant ways. (This will be a challenge for us if it means clients are reluctant to engage MAD for projects, but it may also be an opportunity for MAD to help our clients through challenging times.)
- Another challenge will be to keep MAD's retained earnings as close to the two-month allowable level as possible. Having only two months' operating capital in reserve is a thin margin compared with related businesses. It is critical that MAD be as close to that level as possible so that we can respond to variables that create uncertainty that affects sales.

- In FY 2020, we will have a new management consulting master contract that is broader in scope and includes more vendors than our previous master contract. We anticipate spending considerable time developing the master contract, ensuring that vendors on the contract have the opportunity to submit proposals for projects, and managing the quality of services offered under the master contract.

Financial status

We expect to end FY 2019 with approximately ~~$1,445,122~~$1,077,172 in retained earnings, which is just ~~over~~ under two months' operating capital.

Summary of proposed rate

- For FY 2020, MAD proposes a rate of $140 per consultant hour for MAD consulting.
- For FY 2020, MAD proposes an 8 percent contract management fee for third-party contracts, with a cap on contracts above $100,000. The fee will be applied only to the first $100,000 of a contract amount. This fee covers the cost of administering the master contract program from beginning to end, qualifying and selecting contractors (including negotiating vendor agreements), serving as a liaison with the master contract consultants and state agency clients, assisting clients with vendor selection, handling all interagency agreements, issuing work order contracts, invoicing clients, managing vendor billing, and troubleshooting.

  The contract management fee is determined by projecting the effort needed to administer the master contract program over the contract period, multiplied by the hourly rate, and considering the projected client demand for master contract consulting in FY 2020.

Reason for the rate

- The hourly rate is driven primarily by our largest operating expense categories: salaries, benefits, rent, and IT costs.
- MAD projects a breakeven rate of $142 in FY 2020, resulting in a slight operating loss. We increased our rate in FY 2016 and in FY 2018; though neither rate increase was detrimental to our business, we believe it is prudent not to increase our rate this fiscal year.
- The proposed master contract project management fee is based on the projection that it will require 8 percent per contract (on contract amounts up to $100,000) to manage the master contract consultant program. We assume that MAD will contract with master contract consultants for $4,900,000 in business in FY 2020.
- The proposed rate is based on a MAD consultant productivity level (in billable hours) of 55 percent of a 2,088-hour year, which is the same as the productivity assumption in previous business plans.

- As an enterprise in a competitive market, it is always in MAD's interest to offer the most competitive rate that generates sufficient revenue to cover expenses. The requested rate is low compared with the rates of competitors for comparable services (see Market Information).
- If revenues are less than projected, we will monitor expenses versus income throughout the year and adjust spending as needed. We closely monitor revenues, and fine-tune expenditures accordingly, to maintain fiscal health and a stable reserve of retained earnings. Because salaries are the primary driver of operating expense, MAD is careful to maintain the proper balance between the numbers of billable and nonbillable staff.

Products and services

Our services are customized for clients and their management needs. Each engagement is the result of our work with the client to create an appropriate scope, goal, and price. MAD involves clients in the project at all times, from a precontract discussion to a postengagement evaluation. After an initial meeting with the client, we submit a proposal that describes the consultant's understanding of the present situation and offers a project plan to meet the client's needs. Once the client approves the proposal, MAD prepares an interagency agreement or contract. Our project teams work with the client and their employees to produce successful outcomes. We focus on understanding the clients' needs, good communications, and respect for employees and stakeholders.

Our distinctive advantage is that our consultants tailor their services for each client engagement, are grounded and practical in their approach, and work in the same state government operating environment as our clients.

Our services include:

- **Analytical studies and program evaluation:** policy research, legislative studies, qualitative and quantitative data collection and analysis, fiscal analysis, program evaluation, market analysis, and comparison research/best practice reviews.
- **Meeting design and facilitation:** interagency collaboration, stakeholder engagement, focus groups, executive team sessions, and community input sessions. MAD also offers facilitation skills training.
- **Organization development and effectiveness:** measuring and communicating organizational performance, assessing organizational structure and operations, and developing better ways of delivering services.
- **Planning:** strategic, scenario, operational, and statewide planning.
- **Surveys:** customer, stakeholder, employee engagement, and public opinion surveys.
- **Staff and leadership capacity building:** improving team function, supporting diversity and inclusion, change management, conflict resolution, coaching, and supporting innovation.

Market information

The market

Our target market is executive branch agencies, public sector K-12 and higher education, and local government. In FY 2019, 49 percent of MAD's clients were repeat customers.

Table 1: Top five customer agencies

Customer	FY 2019 actual revenue through 3/31	Percent of revenue
DHS	$1,515,439	32%
Health	$675,914	14%
MnDOT	$551,878	11%
MHFA	$469,907	10%
DEED	$250,571	5%

The top five customer agencies accounted for 72 percent of the division's business in FY 2019. In recent years, MAD's top five client agencies accounted for 60 to 75 percent of annual sales.

Marketing strategy

MAD's primary strategy is to tailor our marketing efforts (and our consulting) to address the needs of our clients. Our current marketing activities include providing clear, up-to-date information about our services on our website, sending a newsletter to all state managers, making small and large group presentations, and maintaining ongoing personal connections with our clients. In FY 2019, we developed a shared marketing resource with our partner organizations that provide tailored services across the enterprise, including the Office of Continuous Improvement, Office of Collaboration and Dispute Resolution, Organizational Health Services, and Enterprise Talent Development. We also feature an external partner page and other state resources on our website to increase awareness of the resources available to clients.

Customer input

MAD gathers customer input at each stage of the consulting process. At the beginning, our consultants meet with prospective clients to determine their goals and expectations, the scope of the project, the skills it requires, and whether MAD is best equipped to help them with the project. Consultants check in with clients on a regular basis during the course of a project to ensure they are making progress and adjustments to the project as needed. We survey all customers after each engagement. The most recent surveys (FY 2019 clients) indicated that 100 percent of respondents believed the engagement made a positive contribution to the organization, and 92 percent were satisfied or very satisfied overall with MAD's services. The evaluations had an 83 percent response rate.

Competition and external partners

We have no direct competition within state government. Our indirect competitors are other departments' internal staff analysts and facilitators, and other units of state government that provide similar services (in some cases at no charge to the client), including the Department of Administration's Continuous Improvement program, Employee Assistance Program's Organizational Health consulting, and the Bureau of Mediation Services. Private-sector consulting firms secure a large amount of the state's business.

MAD partners with outside consulting firms when clients' consulting needs require:

- Involvement in potential conflict-of-interest situations that could compromise MAD's objectivity or client relationship as an ongoing consulting group internal to state government;
- Resources beyond our capacity; or
- Specific technical expertise not currently available among MAD staff.

Table 2: Sales by MAD and external partners (master contract), FY 2017–2019

Fiscal year	MAD consulting	Master contract vendors
FY 2017	$1,721,065	$4,319,304
FY 2018	$2,240,380	$4,320,776
FY 2019 (projected)	$2,412,818	$4,758,990

Rate comparison of other consulting firm fees

The organizations in the table below provide management consulting primarily in the Twin Cities; several also consult nationally. All submitted proposals in response to our RFP for a management consulting master contract. They submitted these rates as cost proposals and the rates will apply to state agencies through MAD's master contract.

Table 3: Consultant hourly rates (sorted alphabetically by firm)

Organization name	Low	High
MAD	**$140**	**$140**
ACET, Inc.	$110	$126
Advanced Strategies, Inc.	$125	$215
Aeritae Consulting Group	$165	$200
Agile Gov	$80	$185
Alliant Consulting, Inc.	$120	$200
Bellwether Consulting	$35	$150
BerryDunn	$80	$325
Bronner Group, LLC	$175	$325
C2 Solutions	$125	$225
Carroll, Franck & Associates	$30	$140

Organization name	Low	High
Common Sense Consulting	$170	$250
CRC	$50	$200
Data Recognition Corporation	$41	$209
DeYoung	$150	$200
Fiscal Choice	$175	$275
Freshwater	$50	$125
HDR, Inc.	$80	$160
HilgersWerner	$125	$250
Hollstadt Consulting	$72	$192
Human Systems Dynamics Institute	$250	$350
Impact Group	$100	$165
Improve Group	$115	$300
Intueor	$190	$350
Jessica Shryack	$60	$100
Karen Lanson	$290	$290
KMH Consulting, Inc.	$140	$225
Lanterna Consulting, Inc.	$135	$225
Leadership Advantage, LLC	$150	$210
Lila Kelly Associates, LLC	$75	$200
LogiSolve	$85	$225
Mahmish, LLC	$140	$221
McDonald Blue	$75	$125
More Insight, LLC	$125	$220
Newman Associates	$150	$150
North American Research	$70	$125
North Highland	$120	$220
Odyssey Group	$75	$125
Pamela Belknap	$150	$150
Parsimony	$100	$165
PFM	$110	$285
Portage Partners Consulting	$150	$225
Professional Data Analysts	$85	$145
Project Consulting Group, Inc.	$90	$175
Public Consulting Group	$95	$305
Public Health Consultants, LLC	$75	$140
Public Sector Consultants	$90	$320
Rainbow Research	$70	$150
ReEngine Consulting, LLC	$180	$265
Rise Research	$110	$175
Sand Creek	$75	$295
SDK Communications + Consulting	$50	$200
Slalom	$125	$300
Strategic Improvement Systems	$250	$250
Strategy & Effectiveness, LLC	$45	$400
The Macro Group	$135	$200

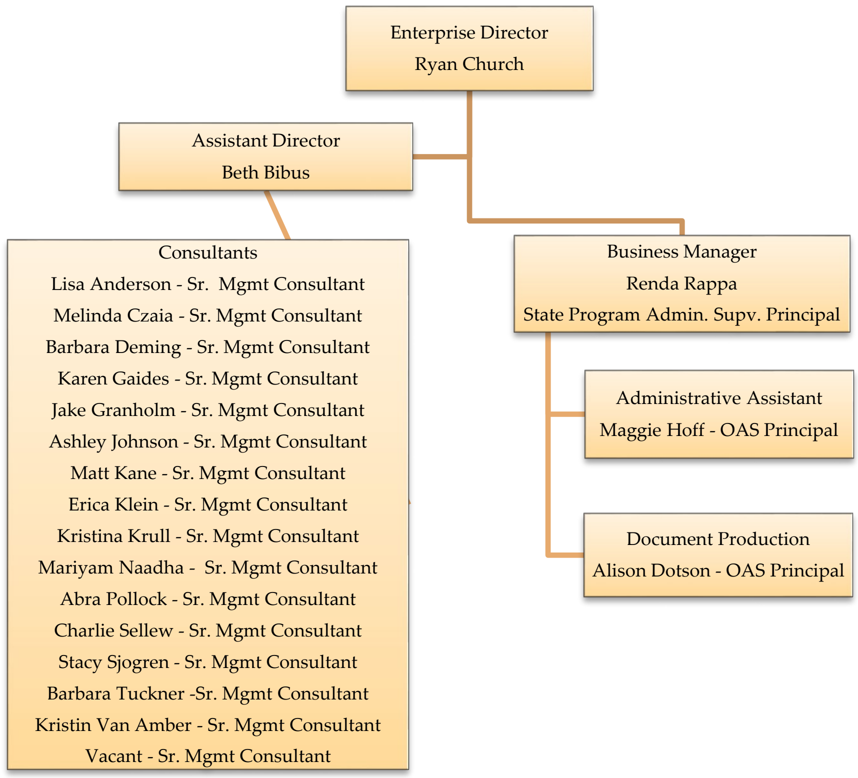
Organization name	Low	High
The Research Edge	$42	$140
The Watson Group Marketing	$75	$195
Tom LaForce	$100	$200
Trissential	$120	$250
Vreeman Consulting, LLC	$50	$150
Wilder Research	$34	$271

MAD's hourly rate is at the lower end of consulting firms in this comparison, although not the lowest. All but three of the comparison firms stratify their rates. Their low rates are generally for junior staff researchers, technology specialists, specialists in various assessment tools, or telephone consultations. Of the sixty-one comparison firms, forty-five have lower low rates but only six have lower high rates. Our rates are within reasonable boundaries compared with the management consulting market in the Twin Cities and to other firms that serve state agencies.

Expected effect of pricing

Based on MAD's rate matrix, the breakeven rate is $142 for breakeven revenues of $7,623,604. With the requested hourly rate of $140, MAD anticipates a slight decrease in retained earnings. Projected retained earnings for FY 2020 are ~~$1,337,698~~$969,748. This is a decrease from FY 2019.

MAD’s organization chart



OFFICE OF ADMINISTRATIVE HEARINGS—ADMINISTRATIVE HEARINGS

Services Provided

The Office of Administrative Hearings has three divisions as follows: Administrative Law, Workers' Compensation, and Municipal Boundary Adjustments.

Administrative Law Division

- Conducts trial-type hearings, rulemaking proceedings, and alternative dispute resolution

Workers' Compensation Division

- Conducts settlement conferences
- Provides a procedure for parties to obtain an expedited interim administrative decision, as provided in state statute.
- Compensation judges conduct hearings and issue final decisions on cases.

Municipal Boundary Adjustments Division

- Responsible for resolving issues of annexation and detachment between cities, townships, and landowners.

<u>OMB Uniform Guidance, 2 CFR part 200, subpart 200.435(e)(1)</u>

- *"Costs incurred in connection with proceedings ……may be allowed but only to the extent that: The costs are reasonable and necessary in relation to the administration of the Federal award and activities required to deal with the proceeding and underlying cause of action"*

How Rates are Computed

Rates are based on recovering the actual cost of services provided.

MINNESOTA

State of Minnesota
Statewide Cost Allocation Plan
Fiscal Year 2020 Actual

RECONCILIATION OF RETAINED EARNINGS
RE-BALANCE TO OMB 2 CFR 200 GUIDELINES
MINNESOTA MANAGEMENT AND BUDGET

FOR YEAR ENDING JUNE 30, 2020				ADMINISTRATIVE HEARINGS
(All Figures in 000's)				**FUND 5201**
PART I 2 CFR 200 R.E. BALANCE				
2 CFR 200 R.E. BALANCE July 1, 2019 (Balance per Prior Year's Reconciliation of Fund to 2 CFR 200)				481
Adjustments (e.g. Contrib. Capital)				-
Adjusted Retained Earnings Balance				481
FY20 Retained Earnings Increase (Decrease) Per CAFR				
2 CFR 200 Revenues				
Operating Revenue		2,075		
Non Operating Revenue		-		
Total Revenues			2,075	
Less: Expenditures (Actual Costs):				
Total Operating Expenses per States Financial Report		(1,947)		
Other Expenses		-		
Less Depreciation Expense		-		
Less 2 CFR 200 Unallowable costs:				
Capital Outlay		-		
Projected Cost Increases/Replacement Reserve		-		
Unallowable excess RE balance Refund		-		
Bad Debt		-		
GASB68 Net Pension Liability Adjustment		(404)		
GASB75 Net OPEB Liability Adjustment		(18)		
Total Expenditures			(2,369)	
Plus 2 CFR 200 Allowable costs:				
Indirect Costs from SWCAP (if not allocated in SWCAP)		-		
Depreciation or Use Allowance (if not included in Actual Cost above)		-		
Other		-		
Total OMB 2 CFR 200 Allowable Expenditures			-	
Plus 2 CFR 200 Adjustments:				
Imputed Interest Earnings on Monthly Average Cash Balance		5		
Other		-		
Total Adjustments			5	
FY20 Net Increase (Decrease) to Retained Earnings Balance per CAFR				(289)
2 CFR 200 R.E. BALANCE June 30, 2020	A)			192
Allowable Reserve	B)	395		
Excess Balance (A)-(B)		(203)		

(If less than zero, the amount on (A) is the beginning 2 CFR 200 R.E. balance for the next year's reconciliation. If there is an excess balance, at the request of the cognizant agency the federal share should be returned to the federal gov't and the amount on (B) will be the beginning 2 CFR 200 R.E. balance for the next year.)

MINNESOTA

State of Minnesota
Statewide Cost Allocation Plan
Fiscal Year 2020 Actual

RECONCILIATION OF RETAINED EARNINGS
RE-BALANCE TO OMB 2 CFR 200 GUIDELINES
MINNESOTA MANAGEMENT AND BUDGET

FOR YEAR ENDING JUNE 30, 2020				ADMINISTRATIVE HEARINGS
(All Figures in 000's)				FUND 5201
PART II 2 CFR 200 CONTRIBUTED CAPITAL BALANCE				
2 CFR 200 CONTRIBUTED CAPITAL BALANCE JULY 1, 2019				237
TRANSFERS Per CAFR (Supported by Official Accounting Records)				
Plus: Transfers In (e.g. Contrib. Capital)		-		
Less: Transfers Out (e.g. Payback of Contrib. Capital, Other Users of Fund R.E.)		-		
Net Transfers			-	
2 CFR 200 CONTRIBUTED CAPITAL BALANCE JUNE 30, 2020	C)			237
PART III 2 CFR 200 ADJUSTMENTS BALANCE				
2 CFR 200 ADJUSTMENTS BALANCE JULY 1, 2019				
ADJUSTMENTS:				
FY98 PPD Adjustment		(39)		
Accumulated Prior Year Imputed Interest Adjustment		(340)		
Adjustment Accumulated Prior Year Imputed Interest		99		
Current Year Imputed Interest Adjustment		(5)		
Accumulated Prior Years GASB68 Adjustment		(2,208)		
Accumulated Prior Years GASB75 Adjustment		(155)		
FY20 GASB68 Net Pension Liability Adjustment		404		
FY20 GASB75 OPEB Adjustment		18		
Total Adjustments			(2,226)	
2 CFR 200 ADJUSTMENTS BALANCE JUNE 30, 2020	D)			(2,226)
PART IV RECONCILIATION OF 2 CFR 200 R.E. CONTRIBUTED CAPITAL AND ADJUSTMENTS BALANCES TO CAFR BALANCE				
RECONCILIATION OF 2 CFR 200 R.E., CONTR. CAPITAL & ADJUST. BALANCES TO CAFR (A) + (C) + (D)				
(Should Tie to the Fund Balance in the CAFR)				(1,797)
				(1,797)
Check Figure				-

DESCRIPTION	AMOUNT	COMMENTS
FY1998 PPD Adjustment	(39)	per FY2004 A-87 Admin Hearings Fund 904
FYpre2004 Imputed Interest	(176)	interest earned on excess retained earnings, per FY2004 A-87 Admin Hearings Fund 904
FY2004 Imputed Interest	(8)	interest earned on excess retained earnings
FY2005 Imputed Interest	(11)	interest earned on excess retained earnings
FY2006 Imputed Interest	(17)	interest earned on excess retained earnings
FY2007 Imputed Interest	(27)	interest earned on excess retained earnings
FY2008 Imputed Interest	(29)	interest earned on excess retained earnings
FY2009 Imputed Interest	(18)	interest earned on excess retained earnings
FY2010 Imputed Interest	(5)	interest earned on excess retained earnings
FY2011 Imputed Interest	(3)	interest earned on excess retained earnings
FY2012 Imputed Interest	(1)	interest earned on excess retained earnings
FY2013 Imputed Interest	(3)	interest earned on excess retained earnings
FY2014 Imputed Interest	(5)	interest earned on excess retained earnings
FY2015 Imputed Interest	(6)	interest earned on excess retained earnings
FY15 GASB68 Beginning Balance Adjustment	(1,646)	adjustment from CAFR
FY15 GASB68 Net Pension Liability Adjustment	168	change in deferred liability from CAFR
FY2016 Imputed Interest	(5)	interest earned on excess retained earnings
FY16 GASB68 Net Pension Liability Adjustment	(62)	change in deferred liability from CAFR
FY2017 Imputed Interest	(6)	interest earned on excess retained earnings
FY17 GASB68 Net Pension Liability Adjustment	(1,061)	change in deferred liability from CAFR
FY2018 Imputed Interest	(10)	interest earned on excess retained earnings
FY18 GASB68 Net Pension Liability Adjustment	(396)	change in deferred liability from CAFR
FY18 GASB75 Beginning Balance Adjustment	(110)	adjustment from CAFR
FY18 GASB75 Net OPEB Liability Adjustment	(56)	change in deferred liability from CAFR
Accumulated Imputed Interest Adjustment	99	adjustment on accumulated imputed interest due to change in calculation
FY2019 Imputed Interest	(10)	interest earned on excess retained earnings
FY19 GASB68 Net Pension Liability Adjustment	789	change in deferred liability from CAFR
FY19 GASB75 Net OPEB Liability Adjustment	11	change in deferred liability from CAFR
FY2020 Imputed Interest	(5)	
FY20 GASB68 Net Pension Liability Adjustment	404	
FY20 GASB75 Net OPEB Liability Adjustment	18	
.	(2,226)	
	(2,226,000)	

Cumulative Totals	
Accumulated Imputed Interest	(340)
GASB68 Net Pension Liability Adjustment	(2,208)
GASB75 Net OPEB Liability Adjustment	(155)

CONTRIBUTED CAPITAL	AMOUNT	
Per FY2004 2 CFR 200 Admin Hearings Fund 904	182	This is per Vicki's restatement of Retained Earnings research.
FY16 Transfer from GF (1000) Municipal Boundary Adjustment Approp	55	
	237	

MINNESOTA
OFFICE OF ADMINISTRATIVE HEARINGS

Fiscal Year 2020

Business Plan and Rate Proposal for Enterprise Fund (5201)

June 11, 2019

PURPOSE

Pursuant to Minn. Stat. § 16A.126, subd. 1 (2018), the Office of Administrative Hearings (OAH) submits this Rate Proposal to obtain the Commissioner's approval of the rates that OAH will charge for the services provided by its Administrative Law Division in Fiscal Year 2020 (FY20).

Section I: EXECUTIVE SUMMARY AND RECOMMENDATION

The Office of Administrative Hearings is Minnesota's centralized administrative court system. OAH hears cases involving challenges brought by residents and businesses adversely affected by actions of state agencies and political subdivisions. OAH ensures that the public's constitutional guarantee of due process and statutory rights are protected through the provision of fair and impartial hearings conducted by highly qualified judicial personnel. OAH's Administrative Law Judges conduct hearings related to public benefits, licensing actions, public boundary adjustments, utility rates and routes, special education, and other challenges to the actions of public agencies. The Administrative Law Division also judges the necessity, reasonableness and legal sufficiency of all rules promulgated by state agencies. In summary, the work of the Division involves the following:

- Conducting state contested case proceedings
- Conducting other state administrative hearings
- Conducting administrative hearings for political subdivisions
- Hearings on violations of the Fair Campaign Practices Act
- Expedited Data Practices Act Hearings
- State rule review and hearings
- Disposition of municipal boundary adjustment petitions
- Formation and modification of Sanitary Districts
- Mediation of contested cases
- Arbitration of contested cases
- Technical administrative law assistance
- Searchable database of decisions
- Support for online database of rulemaking materials

A. Mission

OAH's Administrative Law Division exists to ensure that when government agencies undertake regulatory or rulemaking functions they do so within their legal authority and provide to affected individuals and businesses all of the procedural and substantive legal guarantees to which they are entitled.

B. Administrative Law Division Enterprise Fund

With three small exceptions,[1] the Administrative Law Division of the Office of Administrative Hearings receives no general or special fund appropriations for its administrative hearing functions. Instead, the Legislature directs the Division to "assess agencies the cost of services rendered to them in the conduct of hearings."[2]

For the work of the Administrative Law Division, OAH charges agencies a specified hourly rate for the time that administrative law judges and staff attorneys spend on the matters referred to this court. When paid by the agencies and received by OAH, these assessments are deposited in a revolving fund account (Enterprise Fund) established pursuant to Minn. Stat. § 14.54 (2018), the proceeds of which are annually appropriated to OAH for carrying out the duties specified in Minnesota Statutes, Chapter 14 (2018).

C. Fiscal Year 2020 (FY20) Rate Recommendation

The agency currently anticipates FY20 spending of approximately **$3,193,380.** The agency estimates a carry forward from FY19 into FY20 of **$462,086,** an amount below the two-month expenditure cap (approximately $532,230) allowed by OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments," codified at 2 C.F.R. Part 225.

For FY20, OAH proposes no changes to its billable rates and asks that the rates be approved as follows:

(1) Administrative Law Judges - **$170** per billable hour; and

(2) Staff Attorneys - **$90** per billable hour.

Although OAH has requested and been approved in the past to charge $35/hour for the time of paralegals, the agency has discontinued the use of such and so has eliminated that category of charge from this submitted Rate Plan.

Section II: OAH Structure and Staffing

OAH is the fourth largest trial-level tribunal in the state. OAH has worked with Minnesota Management and Budget (MMB) to create an office structure that reflects our status as one of the state's largest court systems.

Chief Administrative Law Judge Tammy L. Pust heads the agency. She was appointed by Governor Mark Dayton and confirmed by the Senate in 2013; her six-year term expires on June 30, 2019.[3] The Chief Judge has appointed a Deputy Chief Judge and two Judge Supervisors to manage the judicial staff in the agency. The administrative staff is led by the Court Administrator, who reports directly to the Chief Judge.

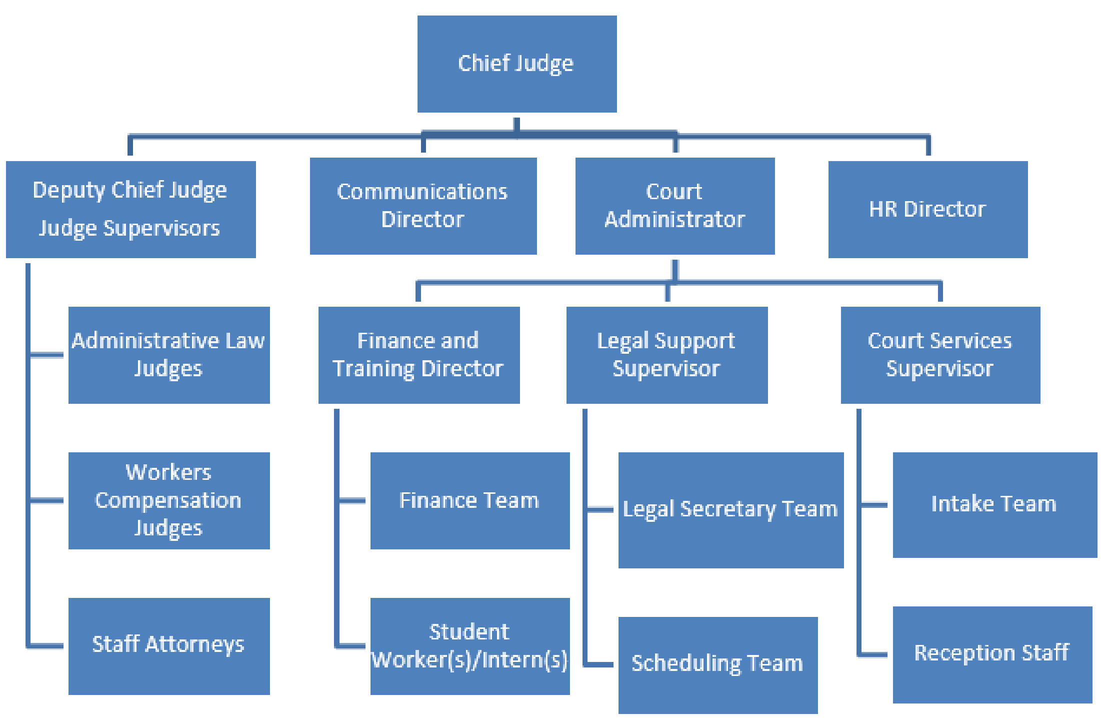
[1] OAH receives small general fund appropriations to support its work in the areas of municipal boundary adjustments, campaign practices challenges, and data practices matters.
[2] *See* Minn. Stat. § 14.53 (2018).
[3] The appointment process for a successor or reappointment is currently underway.

During FY19, OAH's professional staff consisted of 9 administrative law judges (including the Chief Judge, who carries a 50% caseload), 18 workers' compensation judges,[4] and 5 staff attorneys who provide legal research and writing support to the judges. Given the elevation of one administrative law judge to the Minnesota Court of Appeals and various anticipated retirements in the Workers' Compensation court, hiring processes are currently underway to ensure that both courts within the agency retain their current complement.

As allowed by Minn. Stat. § 14.49, the agency uses contract administrative law judges when scheduling conflicts prevent a full-time administrative law judge from presiding, or when there are temporary spikes in the volume of cases presented to the court. The Administrative Law Division currently has professional and technical services contracts with five individuals who serve as contract administrative law judges. The process is underway to open the contract in order to add the capacity for at least one additional contractor and to increase the hourly rate paid to contractors to $100/hour.[5]

The agency employs 66 FTE overall, the remainder of which are administrative and supervisory staff. Although this Rate Proposal addresses the funding structure pertinent only to the agency's Administrative Law Division, the following organizational chart reflects the structure of the entire agency.

Office of Administrative Hearings
June 2019



[4] The Workers' Compensation court is funded by a biennial appropriation from the Workers' Compensation Special Fund, and operates fiscally separate from the Administrative Law Division's fee-based activities.
[5] Contractors have been paid $80/hour for at least eight years. Increasing the rate will allow the agency to better compete for the highest qualified individuals seeking to serve as contract administrative law judges.

Section III: Fiscal Challenges and Solutions

OAH's Administrative Law Division provides hearing services to state agencies, and invoices monthly for the time expended in providing those services. By law, agencies have, and often take, 30 or more days to pay those invoices. OAH must retain sufficient resources in its Enterprise Fund to pay all operational costs during the two+ month period required by the invoice/payment cycle.

In addition, the agency's workload fluctuates wildly and unpredictably: some weeks we receive 20-30 cases from agencies; other weeks we receive less than ten. Some of those cases require the equivalent of one administrative law judge on a near full-time basis over a 90-120 day period; other cases require less than a half-day of judicial time. All of this volatility presents a fiscal challenge to the agency in that it is difficult to reliably predict the agency's revenue generation potential on an annual basis.

Noting this difficulty, the present administration of the agency has adopted fiscal management tools designed to track both spending and revenue on a monthly basis, including the ability to compare both sides of the fiscal ledger to the Rate Proposal predictions. Quarterly analysis of these reports allows the agency to seek mid-year adjustment of approved hourly rates, a tool that the agency has used when necessary to ensure compliance with the applicable rules of accountability relative to the use of public funds.

Section IV: Rate Computation

A. Projected Operating Expenses for FY20

The operating expenses of the Administrative Law Division are expected to be $3,193,380 in FY20. The increase from FY19 is due mainly to a 3.5% / 3.5% salary increase legislatively granted to the judicial staff, as well as an increase in the number of contract hours anticipated given the number and complexity of dockets expected from the Public Utilities Commission throughout FY20.

B. Projected Revenues for FY20

Three components make up the revenues earned by the Administrative Law Division in a fiscal year: (1) carryover from the prior fiscal year; (2) number of hours billed; and (3) rates at which hours are billed. Each of these factors is addressed below.

1. Carry Forward

As noted in the Pro Forma statement included in Section V below, the Office of Administrative Hearings projects ending FY19 with **$462,086** in reserve.

2. Billable Hours

Since FY17, OAH has enforced a billable hour expectation for administrative law judges of 110 hours per month. This billable hour expectation will remain constant in FY20.

3. Break-Even Rate

As detailed in **Option 1** in the Break-Even Scenario analysis set forth in Section V below, the Division's projected expenses for FY20 could be supported by an actual break-even rate of $166/billable hour for one year. The use of that rate would leave the court virtually no cushion at the end of the fiscal year: only $3,466, or .001% of expenses, would remain going into FY21. Clearly, that option is not fiscally prudent.

The Break-Even Scenario illustrates two other options. Both retain the agency's current rate structure for FY20 and then present different options for FY21.

Option 2 retains the existing $170/hour rate for administrative law judges and the $90/hour rate for staff attorneys for both FY20 and FY21. To increase revenue as needed under this option in FY21, the number of billable hours is increased by both adding a .5 FTE (50% caseload) and by reasonably increasing the number of hours billed by contract judges. Under this option, the court would enter into FY22 with a small cushion of just $34,111.

Under **Option 3**, FY20 again retains the existing $170/hour rate for administrative law judges and the $90/hour rate for staff attorneys. For FY21, this option notes both the increase in billable hours described in Option 2 (an additional .5 FTE and additional contract judge hours) but also increases the hourly rate from $170 to $180/hour. This option results in a greater carry-forward of $184,511.

Given that both Option 2 and Option 3 retain the existing billable rates for FY20, it is not necessary at this time to elect between these options for FY21. Instead, the agency has the luxury of managing its resources through the next fiscal year, when it will be in a better position to determine whether the caseload has stabilized with the new hires and contractors, and whether any unpredictable spending requirements will reveal one option to be better suited to the agency's needs than the other. Therefore, the Office of Administrative Hearings proposes to manage its finances through FY20 and make a decision in next year's Rate Plan regarding whether Option 2 or Option 3, or perhaps some other scenario not yet identified, makes the most fiscal sense for a FY21 Rate Plan proposal.

4. Proposed Billable Rates

The Office of Administrative Hearings proposes its billable rates remain as they are currently, as set forth below.

	Existing FY19 Rates	**Proposed FY20 Rates**
Judges	$170 per hour	**$170 per hour**
Staff Attorneys	$90 per hour	**$90 per hour**

Section V: Financial Statements and Fiscal Comparisons

Rate Comparison - Break Even Scenario For Fiscal Year 2020 Rate Package

		Option 1: One-Year Break-Even Rate		Option 2: Current Rate + Increase in Judge Hours		Option 3: Current Rate FY20 + Increase in Judge Hours + Rate Increase FY21	
		2020	2021	2020	2021	2020	2021
		$166/ $90		$170/ $90		$170/$90	$180/ $95
EXPENSES							
Planned Expenditures		$3,193,380	$3,080,395[6]	$3,193,380	$3,080,395	$3,193,380	$3,080,395
REVENUE							
Roll Forward from prior Fiscal Year		$462,086	$3,466	$462,086	$57,306	$462,086	$57,306
Fees and Reimbursements		$90,000	$90,000	$90,000	$90,000	$90,000	$90,000
Time Billed	Hours						
FY20 - Administrative Law Judges - FTEs	11,660	$1,935,560	$1,935,560	$1,982,200		$1,982,200	
FY21 - Administrative Law Judges - FTEs	12,540				$2,131,800		$2,257,200
FY20 -Administrative Law Judges - Contractors	1,800	$298,800	$298,800	$306,000		$306,000	
FY21 -Administrative Law Judges - Contractors	2,500				$425,000		$450,000
Staff Attorneys	4,560	$410,400	$410,400	$410,400	$410,400	$410,400	$410,400
TOTAL REVENUE		$3,196,846	$2,738,226	$3,250,686	$3,114,506	$3,250,686	$3,264,906
Proj. Rev. less Expenses		$3,466	($342,169)	$57,306	$34,111	$57,306	$184,511
EOY Fund Balance		$3,466	($342,169)	$57,306	$34,111	$57,306	$184,511

[6] FY21 represents an estimated 3.0% increase from FY20 expenditures for salary/benefits (86% of budget) and MN.IT costs, plus savings based on reduced IT budget given completion of upgrade project.

RATE	2014	2015	2016	2017	2018	2019 (Est.)	2020 (Est.)
Administrative Law Judges (non-PUC)	$165.00	142.50*	$120.00	$170	$170	$170	$170
Administrative Law Judge (PUC)	$180.00	155.00*					
Staff Attorney	$80.00	$80.00	$80.00	$90	$90	$90	$90
Paralegal	$35.00	$35.00	$35.00	$35	$35	$35	0
HOURS							
Administrative Law Judges (non-PUC)	12,625	10,834	14,900	14,445	14,006	11,655	13,460
Administrative Law Judge (PUC)	2,226	3,735					
Staff Attorney	1,694	2,310	2,626	3,472	3,802	4,264	4,560
Paralegal	225	123	19	18	15		0
TOTAL	16,770	17,002	17,545	17,935	17,823	15,919	18,020

REVENUE							
Administrative Law Judges (non-PUC)	$2,083,125	$1,543,845	$1,788,000	$2,455,650	$2,381,020	$1,959,590	$2,288,200
Administrative Law Judge (PUC)	$400,680	$578,925					
Staff Attorney	$135,520	$184,800	$210,080	$312,480	$342,180	$383,733	$410,400
Paralegal	$7,875	$4,305	$665	$630	$525	0	$0
Fees and Expense Reimbursements (billed to clients)	$52,766	$62,718	$108,322	$101,531	$87,696	$46,510	$90,000
TOTAL*	$2,679,966	$2,374,593	$2,107,067	$2,870,291	$2,811,421	$2,389,833	$2,788,600

Pro Forma Fund Statement

Office of Administrative Hearings Operations (5201)

Including Appropriations G9K1CVH and G9K1OAH

		Actual 2014	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Estimate EOY 2019	Projection 2020
Balance Forward		667,307	1,189,414	1,015,372	439,198	752,200	806,923	462,086
Transfer In				55,034				
				185	1,479	0	125	0
Revenue	**1OAH**							
600145-8001	State Agencies	2,353,659	2,238,558	1,903,845	2,671,639[7]	2,575,870	2,065,251	2,545,593
600145-8002	Non-State Agencies	214,814	107,627	148,953	123,622	146,925	173,769	152,607
600145-8003	Interested Parties	1,177	1,669	2,089	1,379	879	550	1,369
600145-8004	Data Practices Fees	2,305	2,000	17,393	26,118	6,446	50	1000
600145-8007	CVH					81,252	150,813	85,000
	1CVH							
600145-8001	State Agencies	6,742	8,412	23,146	46,054	0	0	0
600145-8002	Non-State Agencies	101,268	16,327	11,456	0	0	0	0
Total Revenue		**2,679,965**	**2,374,593**	**2,107,067**	**2,870,291**	**2,811,421**	**2,390,558**	**2,785,569**
Operating Expenditures								
41000	Salary & Benefits	1,546,807	1,852,762	2,092,572	2,075,573	2,328,329	2,252,728	2,562,080
41100	Rent	73,039	109,033	113,600	113,325	77,728	23,218	30,683
41110	Printing	102	72	601	0		80	200
41130	Professional & Technical Svcs	323,037	389,238	294,264	190,918	162,185	98,729	241,050
41145	Information Technology	0	25,877	6,725	0		0	0
41150	Computer & System Svcs	59,593	59,981	62,942	14,682	8,289	586	9,191
41155	Communications	12,828	10,324	8,824	3,516	3,780	3,203	3,175
41160	Instate Travel	9,606	11,224	10,104	8,752	10,999	7,966	9,525
41170	Outstate Travel	5,636	2,711	1,572	776	1,506	5,285	5,910
41180	Employee Development	7,363	11,292	10,950	7,230	12,121	9,145	14,158
41190	Agency Provided Prof & Tech Svcs	44,966	44,260	18,103	12,176	10,390	1,704	2,813
41195	Info Technology	0	2677	6,000	0	0	0	0
41196	Centralized IT Services	0	9,021	1,760	75,218	95,522	302,950	283,331
41300	Supplies	24,486	14,862	16,216	15,353	12,815	6,483	4,668
41400	Equipment Rental	2,740	5,300	2,702	2,116	4,231	1,097	1,457
41500	Repairs	3,804	27,047	3,070	1,262	292	20	112
42010	Statewide Indirect Costs	16,631	15,788	13,856	29,208	18,718	19,033	19,809
42020	Attorney General Costs	1,006	2,632	1,303	0	4,781	0	2,000
43000	Other Operating Costs	6,873	3,987	11,982	7,184	5,008	3,168	3,218
44100	Pmt to Indiv - Med-Rehab Client	0	2000	0	0	0	0	0
47160	Equipment-Cap/No Capitol	19,341	3,580	6,096	0	0	0	0
	Total Operating Exp.	**2,157,858**	**2,603,668**	**2,683,242**	**2,557,289**	**2,756,649**	**2,735,395**	**3,193,380**
	EOY Fund Balance	**1,189,414**	**1,015,372**	**439,198**	**752,200**	**806,923** [8]	**462,086**	**54,275**

[7] CVH and OAH 5201 funds were combined in FY17; as such CVH revenue has been combined into OAH.
[8] CVH and OAH 5201 funds were combined in FY17; as such CVH balance forward has been combined into OAH.

DEPARTMENT OF ADMINISTRATION—CENTRAL MAIL

Services Provided

Central Mail provides comprehensive, cost-effective mailing services to state offices and agencies. These services include:

- Process out-going pre-sorted, First Class, and standard automated and bar-coded mail
- Process interoffice and incoming federal mail
- Provide inserting, folding, warrant processing, and mail metering services
- Serve as liaison between state agencies and the U.S. Postal Service
- Provide consulting services to state offices and agencies on cost saving mailing procedures

OMB Uniform Guidance, 2 CFR part 200, subpart 200.459(a)

- *"Cost of professional and consultant services rendered by persons who are members of a particular profession or possesses a special skill, and who are not officers or employees of the non-Federal entity, are allowable...."*

OMB Uniform Guidance, 2 CFR part 200, subpart 200.461(a)

- *"Publication costs for electronic and print media, including distribution, promotion, and general handling are allowable."*

How Rates are Computed

Rates are based on estimated costs of operating, such as labor, materials and overhead, plus/minus any prior years' income/loss.

State of Minnesota
Statewide Cost Allocation Plan
Fiscal Year 2020 Actual

RECONCILIATION OF RETAINED EARNINGS
RE-BALANCE TO OMB 2 CFR 200 GUIDELINES
MINNESOTA MANAGEMENT AND BUDGET

FOR YEAR ENDING JUNE 30, 2020 (All Figures in 000's)				Central Mail FUND 5203
PART I 2 CFR 200 R.E. BALANCE				
2 CFR 200 R.E. BALANCE July 1, 2019 (Balance per Prior Year's Reconciliation of Fund to 2 CFR 200)				1,181
Adjustments				-
Adjusted Retained Earnings Balance				1,181
FY20 Retained Earnings Increase (Decrease) Per CAFR				
2 CFR 200 Revenues				
Operating Revenue		10,116		
Non Operating Revenue		-		
Total Revenues			10,116	
Less: Expenditures (Actual Costs):				
Total Operating Expenses per States Financial Report		(9,850)		
Other Expenses		-		
Less Depreciation Expense		62		
Less 2 CFR 200 Unallowable costs:				
Capital Outlay		-		
Projected Cost Increases/Replacement Reserve		-		
Unallowable excess RE balance Refund		-		
Bad Debt		-		
GASB68 Net Pension Liability Adjustment		39		
GASB75 Net OPEB Liability Adjustment		(6)		
Total Expenditures			(9,755)	
Plus 2 CFR 200 Allowable costs:				
Indirect Costs from SWCAP (if not allocated in SWCAP)		-		
Depreciation or Use Allowance (if not included in Actual Cost above)		(62)		
Other		-		
Total OMB 2 CFR 200 Allowable Expenditures			(62)	
Plus 2 CFR 200 Adjustments:				
Imputed Interest Earnings on Monthly Average Cash Balance		-		
Debt Service Payments		-		
Total Adjustments			-	
FY20 Net Increase (Decrease) to Retained Earnings Balance per CAFR				299
2 CFR 200 R.E. BALANCE June 30, 2020	A)			1,480
Allowable Reserve	B)	1,626		
Excess Balance (A)-(B)		(146)		

(If less than zero, the amount on (A) is the beginning 2 CFR 200 R.E. balance for the next year's reconciliation. If there is an excess balance, at the request of the cognizant agency the federal share should be returned to the federal gov't and the amount on (B) will be the beginning 2 CFR 200 R.E. balance for the next year)

State of Minnesota
Statewide Cost Allocation Plan
Fiscal Year 2020 Actual

RECONCILIATION OF RETAINED EARNINGS
RE-BALANCE TO OMB 2 CFR 200 GUIDELINES
MINNESOTA MANAGEMENT AND BUDGET

				Central Mail
FOR YEAR ENDING JUNE 30, 2020				
(All Figures in 000's)				FUND 5203
PART II 2 CFR 200 CONTRIBUTED CAPITAL BALANCE				
2 CFR 200 CONTRIBUTED CAPITAL BALANCE JULY 1, 2019				66
TRANSFERS Per CAFR (Supported by Official Accounting Records)				
Plus: Transfers In (e.g. Contrib. Capital)		-		
Less: Transfers Out (e.g. Payback of Contrib. Capital, Other Users of Fund R.E.)		-		
Net Transfers			-	
2 CFR 200 CONTRIBUTED CAPITAL BALANCE JUNE 30, 2020	C)			66
PART III 2 CFR 200 ADJUSTMENTS BALANCE				
2 CFR 200 ADJUSTMENTS BALANCE JULY 1, 2019				
ADJUSTMENTS:				
PPD Adjustment		(34)		
Prior year Imputed Interest		-		
Adjustment Accumulated Prior Year Imputed Interest		8		
Current year Imputed Interest		-		
Contributed Capital		(13)		
Prior year GASB68 NPL Adjustments		(539)		
Current year GASB68 NPL Adjustments		(39)		
Prior year GASB75 OPEB Adjustments		(50)		
Current year GASB75 OPEB Adjustments		6		
Total Adjustments			(661)	
2 CFR 200 ADJUSTMENTS BALANCE JUNE 30, 2020	D)			(661)
PART IV RECONCILIATION OF 2 CFR 200 R.E. CONTRIBUTED CAPITAL AND ADJUSTMENTS BALANCES TO CAFR BALANCE				
RECONCILIATION OF 2 CFR 200 R.E., CONTR. CAPITAL & ADJUST. BALANCES TO CAFR (A) + (C) + (D)				
(Should Tie to the Fund Balance in the CAFR)				885
				885
Check Figure				-

DESCRIPTION	AMOUNT	COMMENTS
FY1998 PPD Adjustment	(34)	per FY2004 A-87 Central Mail Fund 980
FYpre2004 Imputed Interest	(48)	interest earned on excess retained earnings
FY2004 Imputed Interest	(3)	interest earned on excess retained earnings
FY2005 Imputed Interest	(14)	interest earned on excess retained earnings
FY2006 Imputed Interest	(16)	interest earned on excess retained earnings
FY2007 Imputed Interest	(29)	interest earned on excess retained earnings
FY2008 Imputed Interest	(29)	interest earned on excess retained earnings
FY2009 Imputed Interest	(22)	interest earned on excess retained earnings
FY2010 Imputed Interest	(9)	interest earned on excess retained earnings
FY2011 Imputed Interest	(3)	interest earned on excess retained earnings
FY2012 Imputed Interest	(5)	interest earned on excess retained earnings
FY2013 Imputed Interest	(4)	interest earned on excess retained earnings
FY2014 Contributed Capital	(13)	per FY2014 Plant Mgmt "Footnotes to Financial Stmts"
FY2014 Imputed Interest	(5)	interest earned on excess retained earnings
FY2015 Imputed Interest	(7)	interest earned on excess retained earnings
FY15 GASB68 Beginning Balance Adjustment	(630)	adjustment from CAFR
FY15 GASB68 Net Pension Liability Adjustment	64	change in deferred liability from CAFR
FY2016 Imputed Interest	(9)	interest earned on excess retained earnings
FY16 GASB68 Net Pension Liability Adjustment	144	change in deferred liability from CAFR
FY2017 Imputed Interest	(11)	interest earned on excess retained earnings
FY17 GASB68 Net Pension Liability Adjustment	(296)	change in deferred liability from CAFR
FY2018 Imputed Interest Adj - Restatements	214	MMB calculated adjustments
FY18 GASB68 Net Pension Liability Adjustment	(102)	change in deferred liability from CAFR
FY18 GASB75 Beginning Balance Adjustment	(49)	adjustment from CAFR for enacting GASB75
FY18 GASB75 Net OPEB Obligation Adjustment	(4)	change in deferred liability from CAFR
FY2019 Adjustment Accumulated Prior Year Imputed Interest	8	FY17 Imputed Interest was incorrect on this tab. Corrected in FY19.
FY2019 Adjustment Accumulated Prior Year Imputed Interest	-	interest earned on avg. monthly cash balance
FY19 GASB68 Net Pension Liability Adjustment	281	change in deferred liability from CAFR
FY19 GASB75 Net OPEB Obligation Adjustment	3	change in deferred liability from CAFR
FY20 Adjustment Accumulated Prior Year Imputed Interest	-	
FY20 GASB68 Net Pension Liability Adjustment	(39)	
FY20 GASB75 Net OPEB Obligation Adjustment	6	
	(661)	
	(661,000)	

Summary

PPD Adjustment	(34)
Prior year Imputed Interest	8
FY2020 Adjustment Accumulated Prior Year Imputed Interest	-
Current year Imputed Interest	-
Contributed Capital	(13)
Prior year GASB68 NPL Adjustments	(539)
Current year GASB68 NPL Adjustments	(39)
Prior year GASB75 OPEB Adjustments	(50)
Current year GASB75 OPEB Adjustments	6
	(661)
amount should be zero	-

Central Mail
Fund 5203

Fiscal Year 2020
Business Plan

May 15, 2019

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Table of Contents

Executive Summary

<u>Who we are and what we do</u>

Central Mail's Internal Service Fund (ISF) provides the following mail services to state agencies:

- Inserting.
- Addressing.
- Folding.
- Postage automation services.
- Postage metering.
- Processing outgoing United States Postal Service (USPS) mail.

Services provided under Central Mail's general fund appropriation include:

- Delivering incoming USPS mail.
- Picking up outgoing mail.
- Processing and delivering interoffice mail.
- Consultation concerning postage-related issues.

Services are provided to:

- State agencies located in St. Paul.
- The Department of Education in Roseville.
- The Department of Corrections in Arden Hills.
- The Health Boards in Minneapolis.

<u>Our goals for next year</u>

- Provide the state overall postage savings of $2 million.
- Implement new billing system.

<u>Our proposed rates</u>

Central Mail is increasing overall rates by 2% in FY 2020. Services with rate changes are shown below.

Changes in Central Mail Rates

Service	Current Rate/ Credits ($)	FY 2020 Rate/ Credits ($)	Change ($)	Change (%)	Date of last rate change
Folding per 1000 Fold	$7.50	$7.75	$0.25	3%	FY 2019
Match Inserting Set-Up includes 1st 1000 pieces	$40.00	$45.00	$5.00	13%	FY 2006
Match Inserting – 2 inserts per 1000	$25.00	$30.00	$5.00	20%	FY 2006
Use of State Permit #171	$20.00	$40.00	$20.00	100%	FY 2003
OCR Sort & Bar Code Permit - Pieces Sorted	$0.029	$0.030	$0.001	3%	FY 2018
OCR Sort & Bar Code Meter - Pieces Sorted	$0.029	$0.030	$0.001	3%	FY 2009
eVS Parcel Bar Code - Pieces Sorted	$0.029	$0.040	$0.011	38%	FY 2018

Service	Current Rate/ Credits ($)	FY 2020 Rate/ Credits ($)	Change ($)	Change (%)	Date of last rate change
Shop Rate per hour	$36.75	$45.00	$8.25	22%	FY 2005
Ink Jet Sort & Bar Code - Pieces Sorted	$0.029	$0.030	$0.001	3%	FY 2018
Ink Jet Custom per 1000	$6.00	$6.50	$0.50	8%	FY 2005
Ink Jet Indicia per 1000	$6.00	$6.50	$0.50	8%	FY 2005
Tabbing Set-Up	$25.00	$30.00	$5.00	20%	FY 2018
Tabbing # of tabs applied	$0.015	$0.020	$0.005	33%	FY 2018
Agency Delivery Service per hour	$68.10	$70.00	$1.90	3%	FY 2012
Postage Handling Fee	3.25%	5.00%	1.75%	54%	FY 2006
Bar Code Credits average per piece	($0.05)	($0.03)	($0.02)	(40%)	FY 2019

The majority of rate increases reflect inflation over the many years they remained unchanged. Other reasons for changes include:

- Agencies are charged a Use of State Permit #171 fee when mailings are produced by an outside vendor and are presented to the USPS bearing the State Permit #171 on the mail piece for postage payment. Agencies may use outside vendors if Central Mail is unable to provide the services needed because of:
    - Job complexity;
    - Central Mail does not have required equipment; or
    - Central Mail is unable to meet job deadlines.

  There are some agencies that are using the permit without consulting Central Mail. This permit fee increase may deter agencies from bypassing Central Mail.
- The Bar Code Credits are given to two agencies, the Department of Revenue and Department of Public Safety (DPS). This credit is intended to provide a discount to high-volume agencies. The current formula for calculating Bar Code Credits results in credits that exceed bar code sorting charges. Last year, this formula was changed to partially offset this imbalance. After the FY 2020 change, the credits provided to customers will no longer exceed the charges.
- The Postage Handling Fee has been expanded to be applied to Optical Character Reader (OCR) sorted permit mail. Previously, this fee was only charged to metered mail, postage due, and postage stamps. The expansion of the application of this fee will make it more equitable to our customers.

See page 20 for detailed rates.

Our successes and challenges

Successes

- Provided the state overall postage savings of $1.8 million in FY 2018 which exceeded the goal of $1.5 million.

- Partnered with Office of Administrative Hearings (OAH) to find a solution that met their statutory obligation for same-day mailings.

Challenges

- Providing the same services with several team members on leave.
- Our current billing system is outdated and unreliable.
- The plan to develop a new, simplified rate structure as specified in last year's plan has not been accomplished as team members have focused on the new billing system project.
- Maintaining competitive rates while labor and supply costs continue to rise.
- Keeping up to date with changing USPS requirements such as postage rate changes, mail preparation requirements, and mail piece design changes.
- Maintaining enough retained earnings to meet cash flow requirements.

Projected FY 2020 financial activities

Revenue	$9,081,132
Expenses	$9,158,979
Year-end Retained Earnings	$1,146,782
Working Capital	$1,516,043
Full Time Equivalents (FTE)	9.97
Overall Rate Change	2%

The Business

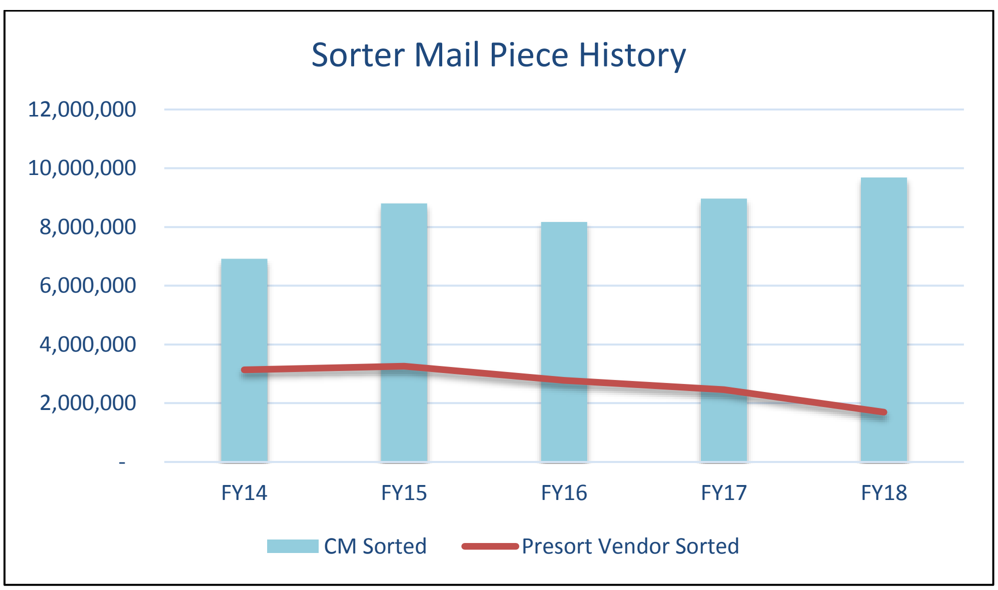
Description of Business

<u>How the business was created</u>

- Statutory authority – M.S. 16B.49.
- Year created – 1929.
- Purpose – Central Mail provides mailing services to state agencies located in St. Paul allowing them to take advantage of bulk postage savings.
- Type of fund – Internal Service Fund (ISF).

<u>Significant historical changes</u>

- A Postage Handling Fee (PHF) was incorporated in FY 2000 as a way to supplement the general fund appropriation. The PHF was a small charge assessed to customers based on metered postage for outgoing USPS mail. This is being expanded to OCR sorted permit postage in FY 2020.
- USPS provides discounts to business mailers that sort postage by zip-code. In FY 2017, Central Mail installed a Pitney Bowes OCR. Since the upgrade, the sort level improved from the 3-digit postage rate to the 5-digit postage rate. The amount discounted for 5-digit sort is greater than the discount for a 3-digit sort. The new OCR has also increased the quantity of mail sorted and presented to USPS on-site thus fewer pieces are sent to a presort vendor. Central Mail's presort vendor is utilized for handling First-Class letter mail when Central Mail is unable to process all outgoing mail due to high volumes or envelope size. The graph below shows the history of pieces sorted.
- In late FY 2018, Central Mail provided a mail meter to OAH. They are billed actual costs for the meter and postage.



Significant aspects of the business

Central Mail provides mail services to state agencies in the St. Paul area. State agencies within the boundaries of St. Paul are required by M.S. 16B.49 to use Central Mail for outbound USPS mail. Buildings within the Capitol Complex have a unique USPS designated zip code. Any incoming mail with this zip code is delivered to Central Mail to be sorted and distributed to building tenants.

The statute also allows state agencies to receive waivers from using Central Mail for outbound mail. Currently, the following agencies hold waivers:

- Minnesota Attorney General's Office, 1999, for their legal documents.
- Pollution Control Agency, 2002, for their board documents only.
- Minnesota Secretary of State, 2007, for their 'Safe at Home' program documents only.
- Department of Human Services (DHS), 2008, for its own official outgoing business related mail. Documents produced by the DHS Issuance Operations Center (IOC) on behalf of other agencies are not included in the waiver and are sent to Central Mail for mail processing.

When additional postage is due after sorting mail from multiple agencies on the OCR, Central Mail absorbs this cost due to the inability to determine which agencies mail the additional postage was applied to.

Our location, hours, and website

Transportation Building
395 John Ireland Boulevard
Room G-60
St. Paul, MN 55155

Hours: 7:30 am to 4:30 pm M-F

Website: www.mn.gov/admin/government/mail/services/

Our partnerships

- USPS – provides guidelines and regulations for outgoing mail and delivers incoming mail to Central Mail.
- Presort Vendor – provides handling of First-Class letter mail when Central Mail is unable to process due to high volume or envelope size.

Our strengths, weaknesses, opportunities, and threats/risks/vulnerabilities

Strengths

- Staff have extensive knowledge and experience with:
  - USPS rules and rates.
  - Agencies and their associated needs.
- We provide the following services on-site:
  - Mail piece design.
  - Business reply artwork creation.
  - Postal acceptance by USPS.

Weaknesses

- Aging workforce.
- Complex rate structure.
- Outdated, unreliable billing system, planned for replacement in FY 2020.

Opportunities

- Improve our billing system through current project which will:
    - Consolidate invoices for all service types versus segregated invoices by service.
    - Provide consistent and standardized invoice numbering.
    - Allow for timely invoice distribution to customers.
- Simplify rate structure: unit cost based versus multiple services with multiple rates.
- Technology advancements:
    - Improve efficiency of electronic verification service (eVS) processing by providing agencies access to the portal to enter shipping addresses themselves.
    - Upgrade ink jet computer; it is currently running on an outdated platform. This was planned for FY 2019 however due to significant staffing gaps the upgrade has been delayed.
- Evaluate the possibility of expanding our services to include printing. This is a service many of our customers are interested in and several of our competitors can deliver.

Threats/Risks/Vulnerabilities

- Several Central Mail team members are approaching retirement which will result in high severance costs and decreased institutional knowledge.
- There have been many problems with our current billing system resulting in long delays in generating and distributing invoices. This has led to customer dissatisfaction and more significant cash flow shortages.
- Many state agencies are looking for opportunities to take advantage of electronic communications which will reduce future reliance on Central Mail services.
- Agencies are able to outsource services associated with large print/mail jobs at their discretion.
- The print side of business within state government no longer exists; agencies are getting this work done by competitors that can provide both the print and mail services.

Products and Services

<u>Our main products/services and the benefits to customer</u>
Central Mail provides state agencies with mail services including:

- Sort and delivery of inbound USPS mail.
- Sort and delivery of interoffice mail.
- Process outbound USPS mail:
  - Postage automation services.
  - Postage metering.
  - Monitor changing USPS rates and new requirements to remain compliant.
  - Mail piece design ensuring mail pieces meet all of the automation compatible mail requirements.
- Fold, insert, and address.
- Provide advice on cost-effective mailing practices.

Services provided under the $439,000 general fund appropriation include:

- Deliver incoming USPS mail to Capitol Complex tenants. The Department of Revenue and DHS have their mail delivered to PO Boxes rather than Central Mail because of the large volume and timing of incoming mail.
- Process and deliver interoffice mail to agency customers located in the following areas:
  - Capitol Complex.
  - Downtown St. Paul.
  - Lafayette Park in St. Paul.
  - Olive Street in St. Paul.
  - St. Paul airport.
  - State boards' buildings in Minneapolis.
  - Roseville.
  - Arden Hills.
  - Energy Park Drive in St. Paul.
  - Spruce Tree Centre in St. Paul.
- Consultation to all state agencies regarding postage matters.

See Appendix A on page 33 for description of services and how charges for each are calculated.

Benefits to Customer

- By providing enterprise mail services, the state realizes operational efficiencies in staffing, space, postage meters, and other equipment.
- Reduces the number of associated USPS permit fees.
- Combining mail achieves maximum postage savings for small and large agencies.
- In-house bar coding of First-Class mail for state agencies generates postage savings.
- In-house addressing and sorting generates savings for agencies through the use of its ink jet addressing equipment for First-Class and USPS Marketing mail classes.
- The general fund appropriation provides efficient, cost-effective interoffice mail delivery, and mail processing for agencies.

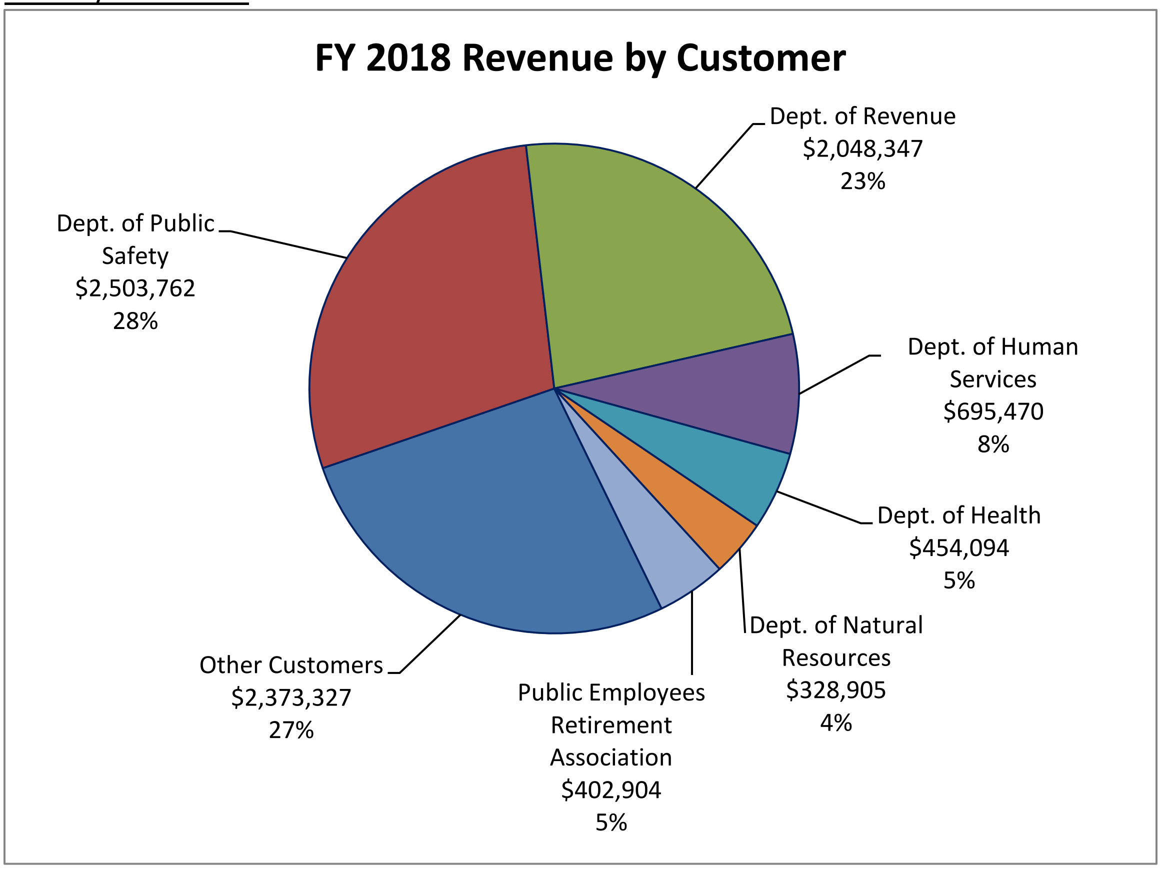
Marketing

Our target audiences/customers

Central Mail's primary customers are:

- Cabinet level agencies.
- Minnesota State Colleges and Universities.
- Minnesota State Retirement System, Public Employees Retirement Association, and Teachers Retirement Association.
- Supreme Court.
- Constitutional offices.
- House of Representatives.
- Senate.
- Several of the state boards.

Our key customers



How our customer base is changing and why

Changes affecting Central Mail's customer base include:

- Public Employees Retirement Association and Department of Natural Resources (DNR) had increased mailings in FY 2019 that are not expected to continue in FY 2020.
- Some state agencies are opting to send projects to off-site vendors for services. We believe this is happening for two main reasons:

- Some customers are choosing vendors that can print as well as address and fold. Central Mail is considering expanding our services to include printing.
- Due to staffing changes, some agencies are not aware of the services Central Mail offers. We will increase our education and marketing efforts to state agencies.

- Increasing e-commerce has resulted in a reduction of USPS mailings.

How we reach out to potential customers

- One-on-one consultation – This is the primary way for Central Mail staff to advise customers. This consultation can occur in person, via telephone, e-mail, or Skype instant messenger (IM). We will continue to reach out to existing and potential customers during FY 2020 to explore additional opportunities.
- Website – Information is updated on a regular basis.
- Promotional material – Informational handouts regarding Central Mail's various service lines are developed, updated, and distributed as needed.

What we have heard from our customers

In April 2019, we distributed an online survey to 101 Central Mail customers; 18 people responded. All customers (100%) are satisfied with the overall service they receive from Central Mail.

The one area that some customers ranked as dissatisfying is billing due to delays in sending invoices. These delays will be resolved once the new billing system is operational in FY 2020.

Other comments indicated problems with the delivery and pick up times not happening as scheduled. This was the result of several staff vacancies and several medical leaves of absences; this issue has since been resolved.

Level of satisfaction with Central Mail Services

	Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied
Overall	33%	67%	0%	0%	0%
Billing	11%	17%	49%	17%	6%
Cost Effective Options	28%	17%	55%	0%	0%
Delivery	33%	61%	6%	0%	0%
Inkjet	22%	22%	56%	0%	0%
Inserting	28%	17%	55%	0%	0%
Metering	22%	22%	56%	0%	0%

Level of importance

	1 - Most Important	2nd Most Important	3rd Most Important	4th Most Important	5th Most Important	6 - Least Important
Response Time	16%	39%	28%	11%	6%	0%
Delivery Accuracy	16%	33%	22%	6%	17%	6%
Cost Savings	16%	17%	6%	50%	11%	0%
Billing	32%	6%	6%	11%	17%	28%
Delivery Route	16%	6%	28%	6%	28%	16%
Website	0%	0%	11%	17%	22%	50%

Competition

Our competition

Central Mail's primary competition is:

- IOC for high volume laser printing, inserting, and sorting.
- Twin Cities' private-sector mail houses or printing operations with mailing units.

How our rates compare

Central Mail compared its production and service rates to one private-sector vendor and two government agencies offering similar services. There is no standard pricing structure for mailing services so comparing rates is difficult. Generally, we charge less than our competitors.

A comparison chart is on the next page.

Service	Central Mail Rates	Vendor A	Vendor B	Vendor C
Folding Set-up[1]	$0.00	$50.00	N/A	$12.50
Folding per 1000 per page[2]	$7.75	$7.50	N/A	$13.75
Inserting Set-up includes 1st 1000 pieces[3]	$30.00	$50.00	N/A	$35.00
Inserting Additional Page Set-up	$0.00	$3.50	N/A	$10.00
Inserting per 1000 - 1 insert[3]	$18.00	$17.00	$82.60	$17.00
Inserting per 1000 - Add'l inserts[3]	$3.00	$6.00	N/A	$7.00
Match Inserting Set-up[4]	$45.00	$50.00	N/A	N/A
Match Inserting - 2 inserts per 1000[4]	$30.00	$69.00	N/A	$103.75
Match Inserting – 3 inserts per 1000	N/A	$85.00	N/A	$117.75
Use of Permit	$40.00	N/A	N/A	$35.00 OR $55.00
OCR Sort & Bar Code Permit – per piece	$0.030	N/A	$0.0278	$0.00
OCR Sort & Bar Code Meter – per piece	$0.030	N/A	N/A	$0.00
eVS Parcel Bar Code – per piece	$0.040	N/A	N/A	N/A
Shop Rate per hour[5]	$45.00	$80.00	N/A	$60.00
Ink Jet Set-up & Data Import[6]	$51.00	$50.00	N/A	$35.00
Ink jet Zip+4, NCOA per 1000	$15.00	$0.00	N/A	N/A
Ink Jet Address per 1000[7]	$17.50	$9.00	N/A	$18.75
Ink Jet Sort & Bar Code – per piece	$0.030	$0.00	N/A	N/A
Ink Jet Custom per 1000	$6.50	$0.00	N/A	$8.75
Ink Jet Indicia per 1000	$6.50	$0.00	N/A	N/A
Ink Jet Quantity Discount	$0.01	$0.00	N/A	N/A
Tabbing Set-up	$30.00	$60.00	N/A	$35.00
Tabbing number of tabs applied[8]	$0.020	$0.012	N/A	$0.024

[1] Folding set-up: Vendor A charges $50.00 folding set-up for simple or $100.00 for complex folds; Vendor C charges $11.00 for complex

[2] Vendor A folding per 1000 is $7.50, with a $100 minimum – complex rate is $15.00 with $115 minimum; Vendor C Folding per 1000 per fold – complex rate is $15.00

[3] Central Mail charges one inserting setup fee which includes the first 1000 pieces inserted regardless of page quantity; Vendor A charges $50.00 setup fee plus $69.00 per 1000 pieces for 2 inserts, $85.00 per 1000 for 3 inserts; Vendor B rate is@ $0.03 per pc and includes set-up, additional inserts and metering processing; Vendor C charges an additional page set-up of $15.00

[4] Central Mail charges one set-up fee, regardless of page quantity; Vendor A charges $82.00 for match inserting – 3 inserts; Vendor C does not charge a setup fee, $103.75 for manual hand match inserting – 2 inserts and $117.75 for manual hand match inserting – 3 inserts

[5] Vendor A minimum charge $250.00; hourly rate is $75.00 per hour

[6] Central Mail charges $51.00 set up regardless of quantity; Vendor A charges $125 with a minimum of $175 and $100 for complex ink jet jobs; Vendor C charges $30.00 ink jet set up plus $10.00 import fee to NCOA

[7] Vendor A charges $8.00 per 1000 for letters, $10.00 per 1000 for flats; Vendor C charges $17.00 per 1000 for letters, $20.00 per 1000 for flats; shown price is the average

[8] Vendor A charges $60.00 setup fee, plus $0.012 for in-line tabbing (2 tab min) or $0.017 for off-line tabbing (2 tab min); Vendor C charges $35.00 setup plus $.012 (2 tab min)

Financial Outlook

Our current overall financial health

Central Mail's cash and retained earnings balances are less than preferred. FY 2020 will see multiple rates adjusted to bring us to a better financial position.

Efforts continue toward improvements to Central Mail's billing system. Thus far, a software solution has been identified. Work flows, production equipment, reporting needs, and financial requirements have been reviewed with the vendor. The vendor is currently developing a proposed plan and timeline. We anticipate implementation to occur in FY 2020.

This plan includes estimated software costs of $150,000 for the improved billing system. This is lower than previous projections. If the actual cost is lower or higher than this estimate, the difference will be reflected in future rates.

Our cash flow position

Prior to FY 2005, Central Mail operations were managed in two separate funds, an ISF and a fiduciary fund. In FY 2005, the Department of Administration (Admin) and Minnesota Management and Budget (MMB) jointly decided to eliminate the fiduciary fund and combine postage clearing with the Central Mail ISF to conform to new accounting changes as prescribed by the Governmental Accounting Standards Board (GASB). Since this change was made in FY 2005, Admin has annually required cash flow assistance with MMB's approval for this fund. The cash flow assistance allows this fund to have a negative cash balance.

Over time, managing the excess retained earnings in accordance with state policy resulted in a gradual reduction in the cash balance. It is clear the negative cash flow requires additional analysis and strategic planning to both effectively manage retained earnings and reverse negative cash flow. Admin and MMB will need to work together to determine next steps.

Changes to our rates and why

Central Mail has experienced financial losses over the past four years. To correct the path going forward we are increasing overall rates by 2% in FY 2020.

How our proposed rates will impact our financial health

The goal of an ISF is to recover its own expenses with rates set as close to the break-even rate as possible. Retained earnings for FY 2020 are projected to decrease by $77,847. The expected decrease is due to the investment in the new billing system. FY 2020 ending retained earnings is projected to be $1,146,782. This is roughly 45 days working capital.

How our proposed rates will impact our customers

Customers' costs for our services will increase by 2% or less depending on types of services used.

Financial Data

Assumptions for Rate Matrix
Minnesota Department Of Administration
Central Mail For Fiscal Year 2020

Operating Revenues	
SWIFT Account	**Operating Revenues**
512802, 670005, 670006	Change = 2% or $181,742 Due to FY 2020 rate increases.
Operating Expenses	
SWIFT Account	**Salaries**
41000 - 41070	Change = 7% or $43,470 FY 2019 unusually low due to staff vacancies; FY 2019 reflects increase in cost of financial services.
SWIFT Account	**Rent**
41100	Change = 10% or $8,092 FY 2020 shifted more of the allocation of rent to ISF from the general fund due to general fund budget constraints.
SWIFT Account	**Professional & Technical Services**
41130	Change = 104% or $169 FY 2020 anticipating pre-employment tests for new hires.
SWIFT Account	**Centralized IT Services**
41196	Change = 279% or $164,822 FY 2020 includes one-time cost of new billing system and additional related ongoing costs.
SWIFT Account	**Supplies**
41300	Change = 7% or $4,060 FY 2020 includes replacement of anti-fatigue mats.
SWIFT Account	**Statewide Indirect Cost**
42010	Change = (49%) or ($23,340) Per allocation less estimated waiver.

*The assumptions for the business plan includes an inflation factor of 1.9% for most expense categories.

Rate Matrix

Minnesota Department Of Administration

Central Mail For Fiscal Year 2020

	FY 2020	FY 2019	$ CHANGE	% CHANGE
Expenses	PROPOSED	ESTIMATE	FY20-FY19	$ Change/FY19
Salaries & Benefits	711,512	668,042	43,470	7%
Rent	90,536	82,444	8,092	10%
Rent - Equipment	57,541	55,495	2,046	4%
Repairs & Maintenance	114,212	113,776	437	0%
Insurance	702	689	13	2%
Professional & Technical Services	332	163	169	104%
Centralized IT Services	223,948	59,126	164,822	279%
Purchased Services	566	555	11	2%
Communications	42,817	41,890	927	2%
Less Intrafund Communications	(26,400)	(26,400)	0	0%
Communications-Postage Clearing	7,769,394	7,769,394	0	0%
Other Operating Expenses	25,091	24,132	959	4%
Supplies	61,293	57,233	4,060	7%
Equipment	6,500	0	6,500	100%
Statewide Indirect Cost	24,714	48,055	(23,340)	-49%
Subtotal	9,102,758	8,894,594	208,165	2%
Excluded From Rates				
Less Equipment	(6,500)	0	(6,500)	-100%
Subtotal	9,096,258	8,894,594	201,665	2%
Included In Rates				
Depreciation - Equipment	62,721	62,053	668	1%
Intrafund Expense (postage)	26,400	26,400	0	0%
Basis for Rates before Adjustment	9,185,379	8,983,046	202,333	2%
Retained Earnings Adjustment	(77,847)			
Total Basis for Rates after Adjustment	**9,107,532**			

Billable Units	FY 2020	FY 2019	CHANGE
Folding per 1000 per Fold	2,700	2,710	(10)
Inserting Set-Up includes 1st 1000 pieces	150	238	(88)
Inserting Per Thousand - 1 Insert	1,550	2,061	(511)
Inserting Per Thousand - Add'l Inserts	1,000	1,726	(726)
Match Inserting Set-Up includes 1st 1000 pieces	15	15	0
Match Inserting - 2 inserts per 1000	36	36	0
Use of State Permit #171	8	8	0
OCR Sort & Bar Code Permit - Pieces Sorted	2,047,128	2,047,128	0
OCR Sort & Bar Code Meter - Pieces Sorted	2,992,121	2,992,121	0
eVS Parcel Bar Code - Pieces Sorted	20,000	17,770	2,230
Shop Rate per hour	150	150	0
Ink Jet Set-Up and Data Import	250	250	0
Ink Jet Zip+4 NCOA/Sort per 1000	4,000	4,646	(646)

Billable Units	FY 2020	FY 2019	CHANGE
Ink Jet Address per 1000	4,100	4,740	(640)
Ink Jet Sort & Bar Code - Pieces Sorted	2,000,000	2,000,000	0
Ink Jet Custom per 1000	800	800	0
Ink Jet Indicia per 1000	465	465	0
Ink Jet Quantity Discount	2,000,000	2,000,000	0
Tabbing Set-Up	55	55	0
Tabbing # of tabs applied	2,000,000	2,000,000	0
Agency Delivery Service per hour	1,621	1,621	0
Postage Handling Fee	6,394,804	4,897,532	1,497,271
Total	17,470,953	15,974,072	1,496,880

Requested VS Current Rates	Requested Rates	Current Rates	Change in Rates	% Change in Rates	Revenues at Requested Rates	Revenues at Current Rates	Change in Revenues	Overall Change in Rates - %
Folding Per 1000 per Fold	$7.75	$7.50	$0.25	3%	$20,925	$20,250	$675	
Inserting Set-Up includes 1st 1000 pieces	$30.00	$30.00	$0.00	0%	$4,500	$4,500	$0	
Inserting Per Thousand - 1 Insert	$18.00	$18.00	$0.00	0%	$27,900	$27,900	$0	
Inserting Per Thousand - Add'l Inserts	$3.00	$3.00	$0.00	0%	$3,000	$3,000	$0	
Match Inserting Set-Up includes 1st 1000 pieces	$45.00	$40.00	$5.00	13%	$675	$600	$75	
Match Inserting - 2 inserts per 1000	$30.00	$25.00	$5.00	20%	$1,080	$900	$180	
Use of State Permit #171	$40.00	$20.00	$20.00	100%	$320	$160	$160	
OCR Sort & Bar Code Permit - Pieces Sorted	$0.030	$0.029	$0.001	3%	$61,414	$59,367	$2,047	
OCR Sort & Bar Code Meter - Pieces Sorted	$0.030	$0.029	$0.001	3%	$89,764	$86,772	$2,992	
eVS Parcel Bar Code - Pieces Sorted	$0.040	$0.029	$0.011	38%	$800	$580	$220	
Shop Rate per hour	$45.00	$36.75	$8.25	22%	$6,750	$5,513	$1,237	
Ink Jet Set-Up and Data Import	$51.00	$51.00	$0.00	0%	$12,750	$12,750	$0	
Ink Jet Zip+4 NCOA/Sort per 1000	$15.00	$15.00	$0.00	0%	$60,000	$60,000	$0	
Ink Jet Address per 1000	$17.50	$17.50	$0.00	0%	$71,750	$71,750	$0	
Ink Jet Sort & Bar Code - Pieces Sorted	$0.030	$0.029	$0.001	3%	$60,000	$58,000	$2,000	
Ink Jet Custom per 1000	$6.50	$6.00	$0.50	8%	$5,200	$4,800	$400	
Ink Jet Indicia per 1000	$6.50	$6.00	$0.50	8%	$3,023	$2,790	$233	
Ink Jet Quantity Discount	$0.010	$0.010	$0.000	0%	$20,000	$20,000	$0	
Tabbing Set-Up	$30.00	$25.00	$5.00	20%	$1,650	$1,375	$275	
Tabbing # of tabs applied	$0.020	$0.015	$0.005	33%	$40,000	$30,000	$10,000	
Agency Delivery Service per hour	$70.00	$68.10	$1.90	3%	$113,470	$110,390	$3,080	
Postage Handling Fee	5.00%	3.25%	1.75%	54%	$319,740	$207,831	$111,909	
Postage Handling Fee-House/Senate (monthly each body)	$100.00	$100.00	$0.00	0%	$2,400	$2,400	$0	
Value Add					$453,979	$453,979	$0	
Presort Rebates					$37,427	$37,427	$0	
Bar Code Credits					-$80,379	-$112,892	$32,513	
Postage Clearing					$7,769,394	$7,769,394	$0	
Total					$9,107,532	$8,939,536	$167,996	**2%**

Postage Clearing added back to the rate matrix in FY 2020 so that all expenses to customers are included.

Rate Matrix Computations

Minnesota Department Of Administration
Central Mail For Fiscal Year 2020

1. **Describe cost and usage estimation methods:** Actual expenses for the past four years and current SWIFT reports were analyzed. FY 2019 and FY 2020 expenses are estimated based on available data. Expense projections are based on historical experience with adjustments made for known changes in this business.

2. **Method used to allocate expenses to cost centers:** Postage Clearing transactions are recorded to that cost center. All other transactions are recorded to Central Mail Operations.

3. **Treatment of capital equipment, including estimated purchases and depreciation method:** Assets are depreciated on a straight line basis with no salvage value, based on estimated useful life. OCR and sorting and bar-coding equipment has an estimated useful life of 7 years and warrant processing equipment and electric pallet truck have an estimated useful life of 5 years.

Six-year Rate Comparison

Minnesota Department Of Administration

Central Mail For Fiscal Year 2020

Rate	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Folding						
Per 1000 per fold	$6.00	$6.00	$6.00	$6.00	$7.50	$7.75
Traditional inserting						
Inserting Set-Up includes 1st 1000 pieces	$25.00	$25.00	$25.00	$30.00	$30.00	$30.00
Inserting Per 1000 - 1 Insert	$18.00	$18.00	$18.00	$18.00	$18.00	$18.00
Inserting Per 1000 - Additional Inserts	$1.00	$1.00	$1.00	$3.00	$3.00	$3.00
Match inserting						
Inserting Set-Up includes 1st 1000 pieces	$40.00	$40.00	$40.00	$40.00	$40.00	$45.00
Inserting fee (per 1000) - 2 inserts	$25.00	$25.00	$25.00	$25.00	$25.00	$30.00
Permit filing						
Use of State Permit #171	$20.00	$20.00	$20.00	$20.00	$20.00	$40.00
Sorting and Bar Coding - Pieces Sorted						
OCR Sort & Bar Code Permit	$0.020	$0.020	$0.020	$0.029	$0.029	$0.030
OCR Sort & Bar Code Meter	$0.029	$0.029	$0.029	$0.029	$0.029	$0.030
eVS Parcel Bar Code	n/a	n/a	n/a	$0.029	$0.029	$0.040
Shop Rate[1]						
Per hour	$36.75	$36.75	$36.75	$36.75	$36.75	$45.00
Ink-jet addressing						
Set-up and Data Import	$51.00	$51.00	$51.00	$51.00	$51.00	$51.00
Ink Jet Zip+4 NCOA/Sort per 1000	$9.50	$9.50	$9.50	$15.00	$15.00	$15.00
Address - Per 1000	$17.50	$17.50	$17.50	$17.50	$17.50	$17.50
Sort & Bar Code - Pieces Sorted	$0.020	$0.020	$0.020	$0.029	$0.029	$0.030
Ink Jet Custom per 1000	$6.00	$6.00	$6.00	$6.00	$6.00	$6.50
Ink Jet Indicia per 1000	$6.00	$6.00	$6.00	$6.00	$6.00	$6.50
Ink Jet Quantity Discount	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01
Tabbing						
Tabbing Set-up	$15.00	$15.00	$15.00	$25.00	$25.00	$30.00
Tabbing # of tabs applied	$0.010	$0.010	$0.010	$0.015	$0.015	$0.020
Agency Delivery Service						
Per hour	$68.10	$68.10	$68.10	$68.10	$68.10	$70.00
Postage Handling Fee						
Postage Handling Fee	3.25%	3.25%	3.25%	3.25%	3.25%	5.00%
House/Senate (monthly each body)	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00

[1]On rare occasion, 1 1/2 times the billing rate may be assessed for rush overtime jobs, related to the required service

History and Proforma
Minnesota Department Of Administration
Central Mail For Fiscal Year 2020

	FY 2015 ACTUAL	FY 2016 ACTUAL	FY 2017 ACTUAL	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 PROPOSED	$ CHANGE FY20-FY19	% CHANGE $ Change/FY19
Operating Revenue								
Sales	902,733	737,024	788,171	825,177	997,226	1,018,398	21,172	2%
Postage Handling Fee	208,170	61,673	171,232	163,173	159,170	319,740	160,570	101%
Postage Clearing	8,991,491	8,315,308	8,276,124	7,865,428	7,769,394	7,769,394	0	0%
Less Intrafund Revenue	(20,088)	(25,843)	(24,688)	(46,969)	(26,400)	(26,400)	0	0%
Total Revenues	**10,082,307**	**9,088,162**	**9,210,839**	**8,806,809**	**8,899,390**	**9,081,132**	**181,742**	2%
Operating Expenses								
Salaries & Benefits	492,076	594,043	580,904	591,997	668,042	711,512	43,470	7%
Rent	74,443	70,119	81,388	74,999	82,444	90,536	8,092	10%
Rent - Equipment	62,103	56,022	56,026	55,481	55,495	57,541	2,046	4%
Repairs & Maintenance	18,485	25,869	285,003	109,046	113,776	114,212	437	0%
Insurance	346	809	862	853	689	702	13	2%
Professional & Technical Services	418	17,565	9,474	733	163	332	169	104%
Centralized IT Services	128,738	114,479	89,646	92,842	59,126	223,948	164,822	279%
Purchased Services	2,093	4,890	1,891	3,388	555	566	11	2%
Communications[1]	25,145	44,291	52,724	119,777	41,890	42,817	927	2%
Less Intrafund Communications	(20,088)	(25,843)	(24,688)	(46,969)	(26,400)	(26,400)	0	0%
Communications-Postage Clearing	8,991,491	8,289,707	8,251,747	7,819,640	7,769,394	7,769,394	0	0%
Other Operating Expenses[1]	7,786	6,517	20,082	19,056	24,132	25,091	959	4%
Supplies	61,040	60,202	56,573	81,262	57,233	61,293	4,060	7%
Equipment	0	0	0	0	0	6,500	6,500	100%
Equipment	0	0	0	0	0	(6,500)	(6,500)	-100%
Depreciation - Equipment	7,899	8,862	61,418	63,863	62,053	62,721	668	1%
Statewide Indirect Cost	12,374	8,426	15,347	32,742	48,055	24,714	(23,340)	-49%
Total Operating Expenses	**9,864,351**	**9,275,957**	**9,538,395**	**9,018,710**	**8,956,646**	**9,158,979**	**202,333**	2%
Operating Income (Loss)	217,955	(187,796)	(327,556)	(211,901)	(57,256)	(77,847)	(20,591)	
Non-Operating Income (Expense)								
Gain (Loss) on Disposal of Capital Assets	1,845	0	1,935	5,152	0	0	0	
Net Income (Loss)	219,800	(187,796)	(325,621)	(206,749)	(57,256)	(77,847)	(20,591)	
Beginning Retained Earnings	1,743,201	1,952,641	1,781,418	1,462,965	1,257,170	1,224,629		
Adjustment to Contributed Capital	0	0	13,018	0	0	0		
Adjustment to Retained Earnings	(10,360)	16,572	(5,850)	954	24,715	0		
Ending Retained Earnings	**1,952,641**	**1,781,418**	**1,462,965**	**1,257,170**	**1,224,629**	**1,146,782**		
Reconciliation to Net Position								
Retained Earnings	1,952,641	1,781,418	1,462,965	1,257,170	1,224,629	1,146,782		
Contributed Capital	79,018	79,018	66,000	66,000	66,000	66,000		
Total Net Position, Ending Period	**2,031,659**	**1,860,437**	**1,528,965**	**1,323,170**	**1,290,629**	**1,212,782**		

[1] Beginning FY 2018, all annual fees are included in Communications. Previously some were included in Other Operating Expenses.

Capital Assets and Technology Purchases

(Including all items meeting the current capitalization threshold)

Minnesota Department Of Administration

Central Mail For Fiscal Year 2020

Description of Item	FinDept ID	Dept. Name	Justification	Qty	Unit Price	Total Amount
Electric Pallet Truck	G0234750	Central Mail	replacement	1	$6,500	$6,500
						$0
Grand Total						$6,500

SWIFT Spending Plan

Minnesota Department Of Administration

Central Mail For Fiscal Year 2020

Revenue Description	SWIFT Account	Total	Fund 5203 FinDept ID G0234750 Central Mail	Fund 5203 FinDept ID G0234751 Postage Clearing
Sales	670005	$1,018,398	$1,018,398	$0
Postage Handling Fee	670006	319,740	319,740	0
Postage Clearing	512802	7,769,394	0	7,769,394
Total		9,107,532	1,338,138	7,769,394
Less: Intrafund Revenue		(26,400)	0	(26,400)
History & Proforma Net Sales Amount		9,081,132	1,338,138	7,742,994
Expense Description				
Salaries & Benefits	41000	$706,477	$706,477	0
Salaries & Benefits - Overtime	41050	4,027	4,027	0
Salaries & Benefits - Other Benefits	41070	1,008	1,008	0
Rent	41100	90,536	90,536	0
Rent - Equipment	41400	57,541	57,541	0
Repairs & Maintenance	41500	114,212	114,212	0
Insurance	430018	702	702	0
Professional & Technical Services	41130	332	332	0
Centralized IT Services	41196	223,948	223,948	0
Purchased Services	43000	566	566	0
Communications	41155	7,785,811	16,417	7,769,394
Intrafund Communications	41155	26,400	26,400	0
Supplies	41300	61,293	61,293	0
Equipment	41300	6,500	6,500	0
Other Operating (Printing)	41110	200	200	0
Other Operating (Travel - Vehicle Leases)	41160	21,350	21,350	0
Other Operating (Travel - Out of state)	41170	2,038	2,038	0
Other Operating (Travel - In state)	41160	55	55	0
Other Operating (Employee Development)	41180	1,448	1,448	0
Statewide Indirect Cost	42010	24,714	24,714	0
Total		**$9,129,158**	**$1,359,764**	**$7,769,394**
Adjustments				
Plus: Depreciation - Equipment		62,721	62,721	0
Less: Intrafund Expense		(26,400)	0	(26,400)
Less: Equipment		(6,500)	(6,500)	0
History & Proforma Expense Amount		**$9,158,979**	**$1,415,985**	**$7,742,994**

Projected Cash Flow

Minnesota Department Of Administration

Central Mail For Fiscal Year 2020

	Estimate Jul 19	Estimate Aug 19	Estimate Sep 19	Estimate Oct 19	Estimate Nov 19	Estimate Dec 19	Estimate Jan 20	Estimate Feb 20	Estimate Mar 20	Estimate Apr 20	Estimate May 20	Estimate Jun 20
Projected Beginning Cash Balance	(1,973,144)	(1,321,368)	(1,611,816)	(1,827,011)	(2,380,225)	(2,416,125)	(2,254,162)	(1,968,728)	(1,965,296)	(2,105,407)	(2,275,734)	(2,240,983)
Services - operating	149,839	67,750	40,979	48,129	72,033	57,371	142,491	79,345	90,548	93,667	85,551	90,694
Postage Handling Fee - operating	47,044	21,271	12,866	15,111	22,616	18,012	44,737	24,911	28,429	29,408	26,860	28,475
Postage Clearing - operating	1,139,245	515,114	311,571	365,933	547,676	436,195	1,083,372	603,266	688,447	712,164	650,457	689,555
Transfer Ins	0	0	0	0	0	0	0	0	0	0	0	0
Other Non Operating Receipts	0	0	0	0	0	0	0	0	0	0	0	0
Total Cash Receipt	**1,336,128**	**604,136**	**365,416**	**429,174**	**642,325**	**511,578**	**1,270,599**	**707,522**	**807,423**	**835,240**	**762,868**	**808,723**
Expenses												
Salaries & Benefits	54,732	82,098	54,732	54,732	54,732	54,732	82,098	54,732	54,732	54,732	54,732	54,732
Communications - Postage Clearing	612,921	608,103	506,685	871,073	607,492	253,604	861,364	618,026	855,009	861,218	620,182	493,715
Indirect Costs	0	0	6,179	0	0	6,179	0	0	6,179	0	0	6,179
Other Operating Expenses	16,699	204,383	13,016	56,584	9,500	35,101	41,703	31,333	31,615	89,618	53,203	34,284
Capital Assets	0	0	0	0	6,500	0	0	0	0	0	0	0
Other Non Operating Expenses	0	0	0	0	0	0	0	0	0	0	0	0
Total Expense Paid	**684,352**	**894,584**	**580,611**	**982,388**	**678,224**	**349,615**	**985,165**	**704,090**	**947,534**	**1,005,568**	**728,117**	**588,910**
Projected Ending Cash Balance	**(1,321,368)**	**(1,611,816)**	**(1,827,011)**	**(2,380,225)**	**(2,416,125)**	**(2,254,162)**	**(1,968,728)**	**(1,965,296)**	**(2,105,407)**	**(2,275,734)**	**(2,240,983)**	**(2,021,170)**

Assumptions:

Central Mail will continue to request cash flow assistance, as we have since FY 2005.

Financial Statement

STATE OF MINNESOTA		2/27/2019
FACILITIES MANAGEMENT - CENTRAL MAIL FUND 5203		Unaudited
STATEMENT OF NET POSITION		
SEPTEMBER 30, 2018		
	FY19	FY18
ASSETS	YTD	YTD
CURRENT ASSETS		
Cash	$ -	$ -
Accounts Receivable - Mail (Note 3)	310,632.89	149,012.27
Accounts Receivable - Postage Handling Fee	34,117.23	31,637.77
Accounts Receivable - Postage Clearing	1,862,298.06	1,299,344.90
Inventory	3,782.59	5,309.25
Prepaid Expenses	-	1,957.18
Prepaid Expenses - Postage Clearing	499,575.21	589,378.23
Prepaid Insurance	-	639.76
Prepaid Insurance - Workers' Compensation	-	692.24
Total Current Assets	$ 2,710,405.98	$ 2,077,971.60
NONCURRENT ASSETS (Note 4)		
Equipment	$ 854,876.72	$ 885,924.04
Accumulated Depreciation - Equipment	(390,815.96)	(358,064.89)
Total Noncurrent Assets	$ 464,060.76	$ 527,859.15
TOTAL ASSETS	$ 3,174,466.74	$ 2,605,830.75
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Other Postemployment Benefits Outflows (Note 6)	$ 3,000.00	$ -
Deferred Pension Outflows (Note 7)	896,000.00	1,348,000.00
Total Deferred Outflows of Resources	$ 899,000.00	$ 1,348,000.00
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	$ 61,068.95	$ 61,716.91
Salaries and Benefits Payable	20,940.82	20,434.36
Compensated Absences Payable (Note 5)	3,000.00	4,830.64
Due to Other Funds (Note 8)	1,657,246.22	969,869.38
Total Current Liabilities	$ 1,742,255.99	$ 1,056,851.29
NONCURRENT LIABILITIES		
Compensated Absences Payable (Note 5)	$ 36,000.00	$ 42,681.78
Net Other Postemployment Benefits Obligation (Note 6)	54,000.00	11,000.00
Net Pension Liability (Note 7)	1,073,000.00	1,925,000.00
Total Noncurrent Liabilities	$ 1,163,000.00	$ 1,978,681.78
TOTAL LIABILITIES	$ 2,905,255.99	$ 3,035,533.07
DEFERRED INFLOWS OF RESOURCES		
Deferred Other Postemployment Benefits Inflows (Note 6)	$ 2,000.00	$ -
Deferred Pension Inflows (Note 7)	643,000.00	141,000.00
Total Deferred Inflows of Resources	$ 645,000.00	$ 141,000.00
NET POSITION (Note 10)		
Net Investment in Capital Assets	$ 464,060.76	$ 527,859.15
Unrestricted Net Position	59,149.99	249,438.53
TOTAL NET POSITION	$ 523,210.75	$ 777,297.68

STATE OF MINNESOTA 2/27/2019
FACILITIES MANAGEMENT - CENTRAL MAIL FUND 5203 Unaudited
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	FY19 QTD	FY19 YTD	FY18 QTD	FY18 YTD
OPERATING REVENUES (Note 1)				
Sales	$ 283,738.77	$ 283,738.77	$ 188,363.56	$ 188,363.56
Postage Handling Fee	34,054.07	34,054.07	45,741.30	45,741.30
Postage Clearing Sales	1,845,633.39	1,845,633.39	1,905,738.25	1,905,738.25
Total Operating Revenues	$ 2,163,426.23	$ 2,163,426.23	$ 2,139,843.11	$ 2,139,843.11
OPERATING EXPENSES (Note 1)				
Salaries and Benefits	$ 154,138.62	$ 154,138.62	$ 149,087.32	$ 149,087.32
Rent	20,741.91	20,741.91	18,013.05	18,013.05
Rent - Equipment	14,266.81	14,266.81	13,994.70	13,994.70
Repairs and Maintenance	29,775.62	29,775.62	27,043.62	27,043.62
Professional and Technical Services	27.15	27.15	96.50	96.50
Centralized IT Services	10,045.37	10,045.37	8,562.66	8,562.66
Communications	11,914.36	11,914.36	10,710.23	10,710.23
Communications - Postage Clearing	1,845,633.39	1,845,633.39	1,905,738.25	1,905,738.25
Supplies and Materials	5,582.33	5,582.33	10,532.26	10,532.26
Purchased Services	255.22	255.22	3,236.58	3,236.58
Insurance	689.00	689.00	213.24	213.24
Indirect Costs	12,013.75	12,013.75	8,185.50	8,185.50
Depreciation	15,573.89	15,573.89	15,638.16	15,638.16
Other Expenses	5,442.79	5,442.79	2,458.49	2,458.49
Total Operating Expenses	$ 2,126,100.21	$ 2,126,100.21	$ 2,173,510.56	$ 2,173,510.56
OPERATING INCOME (LOSS)	$ 37,326.02	$ 37,326.02	$ (33,667.45)	$ (33,667.45)
NONOPERATING REVENUES (EXPENSES)				
Gain (Loss) on Disposal of Capital Assets	$ -	$ -	$ -	$ -
Total Nonoperating Revenues (Expenses)	$ -	$ -	$ -	$ -
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	$ 37,326.02	$ 37,326.02	$ (33,667.45)	$ (33,667.45)
TRANSFERS AND CONTRIBUTIONS				
Capital Contributions (Note 2)	$ -	$ -	$ -	$ -
Total Transfers and Contributions	$ -	$ -	$ -	$ -
CHANGE IN NET POSITION	$ 37,326.02	$ 37,326.02	$ (33,667.45)	$ (33,667.45)
NET POSITION, BEGINNING, AS REPORTED	$ 461,170.11	$ 461,170.11	$ 810,965.13	$ 810,965.13
Adjustment to Net Position (Note 9)	24,714.62	24,714.62	-	-
Change in Accounting Principle	-	-	-	-
NET POSITION, BEGINNING, AS RESTATED	$ 485,884.73	$ 485,884.73	$ 810,965.13	$ 810,965.13
NET POSITION, ENDING	$ 523,210.75	$ 523,210.75	$ 777,297.68	$ 777,297.68

STATE OF MINNESOTA 2/27/2019
FACILITIES MANAGEMENT - CENTRAL MAIL FUND 5203 Unaudited
STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED SEPTEMBER 30, 2018

		YTD
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$	2,110,522.07
Receipts from Other Revenues		-
Payments to Suppliers for Goods and Services		(1,803,140.71)
Payments to Employees		(161,195.59)
Payments to Others		-
Net Cash Provided from Operating Activities	$	146,185.77
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Overdraft Position Assumed to be Financed	$	(146,185.77)
Operating Contributions		-
Net Cash Provided from Noncapital Financing Activities	$	(146,185.77)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Investments in Capital Assets	$	-
Proceeds from Disposal of Capital Assets		-
Capital Contributions		-
Net Cash Provided from Capital and Related Financing Activities	$	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	$	-
Net Cash Provided from Investing Activities	$	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$	-
Cash and Cash Equivalents, Beginning, as Reported		-
Cash and Cash Equivalents, Ending	$	-
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities		
Operating Income (Loss)	$	37,326.02
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities		
Depreciation	$	15,573.89
(Increase) Decrease in Accounts Receivable - Mail		(88,004.07)
(Increase) Decrease in Accounts Receivable - Postage Handling Fee		2,029.86
(Increase) Decrease in Accounts Receivable - Postage Clearing		33,070.05
(Increase) Decrease in Inventory		1,180.00
(Increase) Decrease in Prepaid Expenses		2,187.47
(Increase) Decrease in Prepaid Expenses - Postage Clearing		137,727.57
(Increase) Decrease in Prepaid Insurance		-
(Increase) Decrease in Prepaid Insurance - Workers' Compensation		-
(Increase) Decrease in Other Postemployment Benefits Outflow		-
(Increase) Decrease in Deferred Pension Outflow		-
Increase (Decrease) in Accounts Payable		12,151.95
Increase (Decrease) in Salaries and Benefits Payable		(7,056.97)
Increase (Decrease) in Retainage Payable		-
Increase (Decrease) in Unearned Revenue		-
Increase (Decrease) in Compensated Absences Payable		-
Increase (Decrease) in Due to Other Funds		-
Increase (Decrease) in Other Postemployment Benfits		-
Increase (Decrease) in Net Pension Liability		-
Increase (Decrease) in Deferred Other Postemployment Benefits Inflows		-
Increase (Decrease) in Deferred Pension Inflows		-
Net Reconciling Items to be Added to (Deducted from) Operating Income	$	108,859.75
Net Cash Provided from Operating Activities	$	146,185.77
Noncash Investing, Capital and Financing Activities	$	-

STATE OF MINNESOTA
FACILITIES MANAGEMENT - CENTRAL MAIL FUND 5203
STATEMENT OF BUDGET AND ACTUAL COMPARISON
FOR THE QUARTER ENDED SEPTEMBER 30, 2018

2/27/2019
Unaudited

	BUDGET QTD	BUDGET YTD	ACTUAL QTD	ACTUAL YTD	VARIANCE QTD	VARIANCE YTD
OPERATING REVENUES (Note 1)						
Sales	$ 281,251.75	$ 281,251.75	$ 283,738.77	$ 283,738.77	$ 2,487.02	$ 2,487.02
Postage Handling Fee	42,366.50	42,366.50	34,054.07	34,054.07	(8,312.43)	(8,312.43)
Postage Clearing Sales	1,982,069.65	1,982,069.65	1,845,633.39	1,845,633.39	(136,436.26)	(136,436.26)
Total Operating Revenues	$2,305,687.90	$ 2,305,687.90	$2,163,426.23	$2,163,426.23	$ (142,261.67)	$ (142,261.67)
OPERATING EXPENSES (Note 1)						
Salaries and Benefits	$ 161,613.75	$ 161,613.75	$ 154,138.62	$ 154,138.62	$ (7,475.13)	$ (7,475.13)
Rent	20,646.75	20,646.75	20,741.91	20,741.91	95.16	95.16
Rent - Equipment	13,180.25	13,180.25	14,266.81	14,266.81	1,086.56	1,086.56
Repairs and Maintenance	28,144.00	28,144.00	29,775.62	29,775.62	1,631.62	1,631.62
Professional and Technical Services	27.50	27.50	27.15	27.15	(0.35)	(0.35)
Centralized IT Services	18,418.75	18,418.75	10,045.37	10,045.37	(8,373.38)	(8,373.38)
Communications	17,801.25	17,801.25	11,914.36	11,914.36	(5,886.89)	(5,886.89)
Communications - Postage Clearing	1,982,069.65	1,982,069.65	1,845,633.39	1,845,633.39	(136,436.26)	(136,436.26)
Supplies and Materials	21,965.25	21,965.25	5,582.33	5,582.33	(16,382.92)	(16,382.92)
Purchased Services	803.50	803.50	255.22	255.22	(548.28)	(548.28)
Insurance	682.00	682.00	689.00	689.00	7.00	7.00
Indirect Costs	8,341.00	8,341.00	12,013.75	12,013.75	3,672.75	3,672.75
Depreciation	15,638.25	15,638.25	15,573.89	15,573.89	(64.36)	(64.36)
Other Expenses	4,866.75	4,866.75	5,442.79	5,442.79	576.04	576.04
Total Operating Expenses	$2,294,198.65	$ 2,294,198.65	$2,126,100.21	$2,126,100.21	$ (168,098.44)	$ (168,098.44)
OPERATING INCOME (LOSS)	$ 11,489.25	$ 11,489.25	$ 37,326.02	$ 37,326.02	$ 25,836.77	$ 25,836.77
NONOPERATING REVENUE (EXPENSES)						
Gain (Loss) on Disposal of Capital Assets	$ -	$ -	$ -	$ -	$ -	$ -
Total Nonoperating Revenue (Expenses)	$ -	$ -	$ -	$ -	$ -	$ -
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	$ 11,489.25	$ 11,489.25	$ 37,326.02	$ 37,326.02	$ 25,836.77	$ 25,836.77
TRANSFERS AND CONTRIBUTIONS						
Capital Contributions (Note 2)	$ -	$ -	$ -	$ -	$ -	$ -
Total Transfers and Contributions	$ -	$ -	$ -	$ -	$ -	$ -
CHANGE IN NET POSITION	$ 11,489.25	$ 11,489.25	$ 37,326.02	$ 37,326.02	$ 25,836.77	$ 25,836.77

STATE OF MINNESOTA 2/27/2019
FACILITIES MANAGEMENT - CENTRAL MAIL FUND 5203 Unaudited
FOOTNOTES TO FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

The accompanying financial statements of Facilities Management - Central Mail have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

On July 1, 2011, the state implemented Statewide Integrated Financial Tools (SWIFT). The amounts presented in the financial statements are based upon information from SWIFT. The capital asset amounts are based upon historical records along with acquisitions and dispositions in FY19.

Reporting Entity:

Central Mail (CM), subdivision of the Department of Administration's (Admin's) Facilities Management Division (FMD), provides inserting, addressing, folding and postage automation services to state agencies. Central Mail provides services on a cost reimbursement basis and postage clearing account in which customers' postage expense is passed through separate from other services.

Basis of Accounting:

Central Mail Fund 5203 is an internal service fund accounted for using the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as incurred.

Capital assets are generally defined as assets with an initial, individual cost of more than $300,000 for buildings and depreciable infrastructure, $5,000 or more for equipment and art and historical treasures, and $30,000 or more for software and internally generated computer software (IGCS). Land, land improvements, building improvements, and easement assets are capitalized, regardless of cost. Capital assets must also have an estimated useful life of two or more years. Capital assets are recorded at cost or, for donated assets, at acquisition value at the date of acquisition.

Capital assets are depreciated using the straight-line method generally based on the following useful lives: 20-50 years for buildings, 17-50 years for large improvements, 3-10 years for small improvements, 10-55 years for infrastructure, 3-12 years for equipment and software, and 8-12 years for IGCS.

2. LEGISLATION, AUTHORITY, AND CONTRIBUTIONS

Central Mail derives operating authority from M.S. 16B.48. In FY05, the Postage Clearing Account, previously reported in Fund 610, was combined with the Central Mail Fund 980 (now Fund 5203) in order to meet the requirements of GASB Statement No. 34.

Legislation		Amount	Description
Yr. 79, Chp. 333, Sec. 56, Subd. 1a	$	67,230.00	Restricted contribution from the General Fund, July 1979
FY03 budget reduction		(1,230.00)	Returned to the General Fund in February 2003
Total General Fund Contributions	$	66,000.00	
Total Contributed Capital	$	66,000.00	

3. ACCOUNTS RECEIVABLE - MAIL

In Fiscal Year 2019, Central Mail - ISF, will write-off $42,305.78 of its current Accounts Receivable from a state agency. This debt is uncollectible.

4. CAPITAL ASSETS

	Balance 7/1/2018	Additions	Deletions	Balance 9/30/18
Equipment	$ 854,876.72	$ -	$ -	$ 854,876.72
Total Capital Assets	$ 854,876.72	$ -	$ -	$ 854,876.72
Accumulated Depreciation for:				
Equipment	$ (375,242.07)	$ (15,573.89)	$ -	$ (390,815.96)
Total Accumulated Depreciation	$ (375,242.07)	$ (15,573.89)	$ -	$ (390,815.96)

5. COMPENSATED ABSENCES

State employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in the collective bargaining agreements. Leave balances are liquidated upon separation from state employment. The balance is shown as a liability.

	Current	Noncurrent
Beginning Balance 7/1/2018	$ 3,000.00	$ 36,000.00
Increase	-	-
Decrease	-	-
Ending Balance 9/30/2018	$ 3,000.00	$ 36,000.00

6. OTHER POSTEMPLOYMENT BENEFITS

In FY08, the State of Minnesota implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions". This statement requires the state to measure and report Other Postemployment Benefits (OPEB) expenses and related liabilities.

In FY18, the State of Minnesota implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". This statement requires recording changes of total OPEB liability along with the inflows and outflows and expense associated with OPEB.

The June 30, 2018 liabilities and deferred outflows and inflows of resources are calculated using June 30, 2017 actuarial report as the June 30, 2018 information is not available in adequate time to incorporate in the financial statements, which is allowed by GASB 75.

A single rate of 3.58% was used to measure the total OPEB liability as of June 30, 2017. The single discount rate was based on a municipal bond rate of 3.58% (based on a 20-year Bond Buyer General Obligation Index as of the end of June 2017). Admin's allocation was determined based on the headcount of active employees and covered spouses eligible to receive health benefits.

The Net OPEB Liability (NOL) is equal to the actuarially determined total OPEB liability less the net position of the OPEB trust fund.

	Deferred OPEB Outflows	Other Postemployment Benefits	Deferred OPEB Inflows
Beginning Balance 7/1/2018	$ 3,000.00	$ 54,000.00	$ 2,000.00
Increase	-	-	-
Decrease	-	-	-
Ending Balance 9/30/2018	$ 3,000.00	$ 54,000.00	$ 2,000.00

7. NET PENSION LIABILITY

Effective FY15, GASB established new accounting and financial reporting requirements for pension benefits. GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" requires the state to recognize the state's share of the pension plan's liabilities, deferred outflows of resources, and deferred inflows of resources. The pension plan contributions are based on a percentage of salary. The Minnesota State Retirement System (MSRS) prepares a Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, which is audited by the Office of the Legislative Auditor.

The June 30, 2018 liabilities and deferred outflows and inflows of resources are calculated using June 30, 2017 actuarial report as the June 30, 2018 is not available in adequate time to incorporate in the financial statements, which is allowed by GASB 68.

The net pension liability is the difference between the total pension liability and the plan's fiduciary net position – accrued liability less the market value of assets.

The increase (decrease) in pension liability that is recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the difference between expected and actual experience in the measurement of the total pension liability, assumption changes, and investment experience.

	Deferred Pension Outflows	Net Pension Liability	Deferred Pension Inflows
Beginning Balance 7/1/2018	$ 896,000.00	$ 1,073,000.00	$ 643,000.00
Increase	-	-	-
Decrease	-	-	-
Ending Balance 9/30/2018	$ 896,000.00	$ 1,073,000.00	$ 643,000.00

8. DUE TO OTHER FUNDS

FY19 - the due to other funds amount of $1,657,246.22 is due to the cash overdraft position of the fund on September 30, 2018.

FY18 - the due to other funds amount of $969,869.38 is due to the cash overdraft position of the fund on September 30, 2017.

9. ADJUSTMENT TO NET POSITION

In FY19, the total prior period adjustment is $24,714.62 due to the overstatement of Communications Expense and Accounts Payable.

In FY18, the total prior period adjustment is $0.00.

10. NET POSITION

The State of Minnesota implemented new accounting standards as prescribed by GASB. During FY02, the standards included revised statement formats which resulted in the change from Retained Earnings to Net Asset reporting. During FY13, Net Assets was renamed to Net Position; and Invested in Capital Assets, Net of Related Debt was renamed to Net Investment in Capital Assets. For historical cost comparison, total net assets and retained earnings have been reconciled as shown below.

Net Investment in Capital Assets	$	464,060.76
Unrestricted Net Position		59,149.99
Total Net Position	$	523,210.75

Schedule of Retained Earnings

		1st Qtr.		2nd Qtr.		3rd Qtr.		4th Qtr.
Beginning Retained Earnings	$	395,170.11	$	-	$	-	$	-
Net Income (Loss)		37,326.02		-		-		-
Adjustments to Net Position (Note 9)		24,714.62		-		-		
Ending Retained Earnings	$	457,210.75	$	-	$	-	$	-
Add: Capital Contributions (Note 2)	$	66,000.00	$	-	$	-	$	-
Reconciliation to Total Net Position	$	523,210.75	$	-	$	-	$	-

The FY15 implementation of GASB Statement No. 68 “Accounting and Financial Reporting for Pensions” required the recording of the net pensi liability and the deferred inflows and outflows of resources associated with pensions. The FY18 implementation of GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions” (OPEB) required recording changes of total OPEB liability along with the inflows and outflows and expense associated with OPEB. These caused the nonmajor enterprise and internal services funds to end in a deficit net position. The actuarially determined amounts are likely to vary significantly from year to year and are managed by th retirement systems and the Minnesota Legislature to ensure the defined benefit plans are adequately funded to pay plan benefits to employees participating as they become due. For these reasons, the state does not include the pension and OPEB related liabilities or deferred inflows and outflows of resources in the rate-setting process for managing these funds as long as the funds are contributing the statutory required contributi The amounts will continue to be monitored by the retirement systems administering these plans and the Minnesota Legislature.

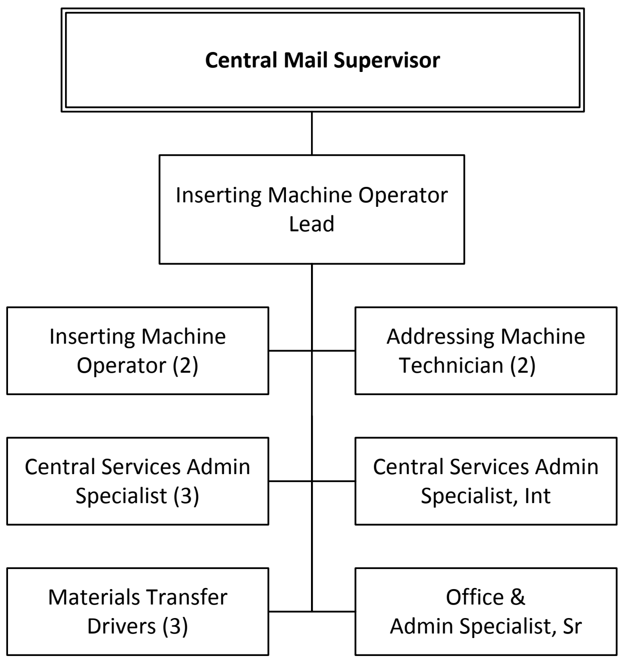
Supporting Information

Organization Chart

The FY 2020 budgeted FTE for Central Mail is 15.69; 5.72 for the general fund and 9.97 for the ISF. The ISF budgeted FTE for FY 2019 was 9.29. The change reflects an increase in allocation for financial services.

Each year, the ISF covers the short-fall in salaries for the general fund.

Percentages for several positions are allocated to other parts of the division and department.



Appendix A: Products/Services Descriptions and How Calculated

Accounting Fee
Description: One-time fee to reimburse Central Mail for the USPS fee paid for the right to receive Business Reply mail.
How calculated: equal to USPS fee

Agency Delivery Service per hour
Description: specialty delivery runs for select agencies
How calculated: number of hours X rate

Bar Code Credits and **OCR Sort & Bar Code Permit - Pieces Sorted**
OCR Sort & Bar Code Permit – Pieces Sorted Description: permit letter mail sorted and bar coded on the OCR for the Department of Revenue and DPS
How calculated: number of pieces X rate

Bar Code Credits Description: provided to agencies that process 750,000+ mail pieces with Central Mail annually. The credit received is postage savings less the sort fee. The postage savings are the automated area distribution center (AADC) postage rate less actual postage. The agencies receiving credits are the DPS and the Department of Revenue. Mail pieces sorted on the OCR are assessed a per piece sort fee in which the credits help to offset.
How calculated: difference between USPS AADC rate versus actual discounted rate paid.

Examples of Customer costs with and without Bar Code Credits
Example 1: customer with bar coding credits

Full Rate	Paid to USPS	Value Add	Customer Postage Charge	Customer OCR Sort Charge	Bar Code Credit	Customer Savings
0.500	0.383	0.076	0.459	0.030	-0.029	0.040

Example 2: customer without bar coding credits

Full Rate	Paid to USPS	Value Add	Customer Postage Charge	Bar Code Credit	Customer OCR Sort Charge	Customer Savings
0.500	0.383	0.076	0.459		0.030	0.011

eVS Parcel Bar Code - Pieces Sorted
Description: parcels and First-Class mail with eVS
How calculated: number of pieces X rate

Folding Per 1000 per Fold
Description: folding of documents from size 8.5” x 11” up to size 11” x 17”
How calculated: number of pieces rounded up to the next 1000 / (1000 X rate)

Ink Jet Address per 1000
Description: address application onto mail pieces
How calculated: number of pieces rounded up to the next 1000 / (1000 X rate)

Ink Jet Custom per 1000
Description: mail piece customization – for instance, adding a message to mail pieces
How calculated: number of pieces rounded up to the next 1000 / (1000 X rate)

Ink Jet Indicia per 1000
Description: printing permit information on mail pieces
How calculated: number of pieces rounded up to the next 1000 / (1000 X rate)

Ink Jet Quantity Discount
Description: for ink jet services only; customers with quantities over 500,000 in the previous fiscal year are charged at a reduced rate – in FY 2020 DNR and DPS will qualify
How calculated: number of pieces rounded up to the next 1000 / (1000 X rate)

Ink Jet Set-Up and Data Import
Description: importing address information into ink jet software
How calculated: flat fee per job

Ink Jet Sort & Bar Code – Pieces Sorted
Description: ink jet processed mail
How calculated: number of pieces X rate

Ink Jet Zip+4 National Change of Address (NCOA)/Sort per 1000
Description: address verification and correction to USPS standards through ink jet software
How calculated: number of addresses rounded up to the next 1000 / (1000 X rate)

Inserting Per 1000 - 1 Insert
Description: inserting 1 page into each envelope
How calculated: number of pieces rounded up to the next 1000 / (1000 X rate)

Inserting Per 1000 - Add'l Inserts
Description: inserting multiple pages into each envelope
How calculated: number of additional inserts rounded up to the next 1000 / (1000 X rate)

Example: A job with 1100 envelopes with 4 inserts each, the cost would be $18 (for 1st page) + $9 ($3 X 3 additional inserts) = $27 per piece plus fee for Inserting Set-Up includes 1st 1000 pieces

Inserting Set-Up includes 1st 1000 pieces
Description: preparing inserter; if job is less than 1000 pieces, no additional charges apply
How calculated: flat fee per job

Intrafund Sales
Description: services for the Central Mail business. There are 3 types:

- Metered mail
- Postage Handling Fee
- Value Add

Intrafund sales and the corresponding expense transaction are deducted from sales and expenses to avoid double counting.
How calculated: same as services to customers

Match Inserting - 2 inserts per 1000
Description: the critical information on the document matched to information on the envelope
How calculated: number of pieces rounded up to the next 1000 / (1000 X rate)

Match Inserting Set-Up includes 1st 1000 pieces
Description: preparing inserter; if job is less than 1000 pieces, no additional charges apply
How calculated: flat fee per job

Metered Mail
Description: method of applying postage to mail pieces using a meter (largely automated)
How calculated: actual cost for postage based on USPS rates; included in Postage Clearing

OCR Sort & Bar Code Meter - Pieces Sorted
Description: metered letter mail sorted and bar coded on the OCR for the Department of Revenue and DPS
How calculated: number of pieces X rate

Postage Clearing
Description: this fee consists of:

- Metered mail
- Postage paid through Permit #171
- Business Reply/Postage Due: on inbound reply mail
- Stamps requested by agency

How calculated: actual cost for postage based on USPS rates

Permit Mail
Description: A mailer may be authorized to mail material without affixing postage when payment is made at the time of mailing from a permit imprint advance deposit account established with USPS. This payment method may be used for postage and extra service fees for Priority Mail Express (“eVS” only), Priority Mail, First-Class Mail, First-Class Package Service — Commercial, USPS Marketing Mail, Package Services, and Parcel Select mail pieces.
How calculated: actual cost for postage based on USPS rates; included in Postage Clearing

Postage Handling Fee
Description: flat percentage applied to total metered mail, OCR sorted permit mail, value add, postage due, and stamps except postage meters in customer locations. Was incorporated in FY 2000 to offset general fund reductions. Over time, this has become a way to supplement the general fund appropriation.
How calculated: (metered mail postage X %-this calculation is also called the Class Surcharge in the billing system) + (permit mail postage X %-this calculation is also called the Class Surcharge in the billing system) + (value add X %-this calculation is also called the VA Rate in the billing system) + (postage due X %) + (stamps X %)

Postage Handling Fee-House/Senate (monthly each body)
Description: flat monthly fee for each body. Unlike most other St. Paul based locations, the House and Senate are benefiting from the delivery service yet have their own meters for processing their own outbound mail. This fee helps to cover a small portion of the delivery service.
How calculated: flat fee per month

Presort Rebates
Description: rebate per piece from workshare contract vendor who handles overflow. Workshare with our presort vendor who receives mail pieces that either do not qualify on our OCR, or where delivery time is critical for the sending agency. Mail is sent daily where it is commingled with the vendor’s mail and presented to the USPS. By worksharing, we receive a rebate each month for the mail pieces processed by the presort vendor. Central Mail reports the rebate as service revenue.
How calculated: negotiated rate X number of pieces

Shop Rate per hour
Description: hourly labor rate for manual labor such as collating, manual inserting, etc.; any job that cannot be completed on a machine or if overtime is needed
How calculated: number of hours X rate

Tabbing number of tabs applied
Description: applying tabs (round, self-adhesive seals) to mail pieces per USPS requirement of two per mail piece
How calculated: number of tabs X rate

Tabbing Set-Up
Description: preparing tabber
How calculated: flat fee per job

Use of State Permit #171
Description: Agencies are charged a Permit Use Fee when mailings are produced by an outside vendor and are presented to the USPS bearing the State Permit #171 on the mail piece for postage payment. Agencies may use outside vendors if Central Mail is unable to provide the services needed because of:

- Job complexity;
- Central Mail does not have required equipment; or
- Central Mail is unable to meet job deadline.

How calculated: flat fee per mailing

USPS Refunds
Description: In the event of metering errors, Central Mail returns metered envelopes to the USPS for a postage refund of the amount applied, less 10%. These transactions are recorded as reimbursement of expenses. In FY 2018, $2,492 was refunded.
How calculated: actual cost for postage based on USPS rates. This amount offsets Central Mail's communications expense.

Value Add (VA)
Description: this charge is only applied to metered letters sorted by OCR. Because of presorting, the actual postage cost is lower than the rate billed to the customer. The value add is the difference between the actual rate applied and the rate billed. VA is reported as service revenue.
How calculated: The VA charge is based on a formula in Central Mail's billing system. The system seeks out pieces of mail with specific postage rates. It then multiples the total piece count for that specific rate and calculates the VA to determine total postage cost for customer (effective rate). The formula is:

If presort rate is:	VA formula is:	Effective rate:
0.383	number of pieces X 0.076	0.459
0.412	number of pieces X 0.047	0.459
0.428	number of pieces X 0.031	0.459

The effective rate is the USPS presort rate. VA does not apply to mail that cannot be sorted (parcels, priority flat rate envelopes, media, library, etc.). These mailings are invoiced at the actual cost.

DEPARTMENT OF ADMINISTRATION—RISK MANAGEMENT DIVISION

Services Provided

The Risk Management Division has four primary areas of responsibility for state agencies, and political subdivisions. The services include:

- Manage the Risk Management Fund, which operates as the state's internal insurance company
- Purchase commercial insurance to meet customer needs, when placement in the Risk Management Fund may not be appropriate
- Provide underwriting and claim services
- Provide ongoing loss control services

The primary types of insurance provided by the Division's Risk Management Fund include:

- Automobile Liability Insurance on owned or leased vehicles
- Collision and Comprehensive Insurance on vehicles for those customers who select the coverage
- "All Risk" Property and Business Interruption Insurance for customers
- Boiler and Machinery, Crime, and other specific coverage designed to meet our customers' needs

OMB Uniform Guidance, 2 CFR part 200, subpart 200.447(a)

- *"Costs of insurance required or approved and maintained, pursuant to the Federal award, are allowable."*

OMB Uniform Guidance, 2 CFR part, 200, subpart 200.447(b)

- *"Cost of other insurance in connection with the general conduct of activities are allowable subject to the following limitations..."*

How Rates are Computed

Premiums charged for vehicle and general liability lines are based upon actuarial projection, utilization, paid loss development and expenses to administer the program. This includes loss adjusting, claims related expenses and special assessments. Property rates are built on total insurable values based on a deductible levels profile and property reinsurance cost.

MINNESOTA

State of Minnesota
Statewide Cost Allocation Plan
Fiscal Year 2020 Actual

RECONCILIATION OF RETAINED EARNINGS
RE-BALANCE TO OMB 2 CFR 200 GUIDELINES
MINNESOTA MANAGEMENT AND BUDGET

FOR YEAR ENDING JUNE 30, 2020				Risk Management - Property and Casualty
(All Figures in 000's)				FUND 5300
PART I 2 CFR 200 R.E. BALANCE				
2 CFR 200 R.E. BALANCE July 1, 2019 (Balance per Prior Year's Reconciliation of Fund to 2 CFR 200)				14,205
Adjustments				-
Adjusted Retained Earnings Balance				14,205
FY20 Retained Earnings Increase (Decrease) Per CAFR				
2 CFR 200 Revenues				
Operating Revenue		12,722		
Non Operating Revenue		429		
Total Revenues			13,151	
Less: Expenditures (Actual Costs):				
Total Operating Expenses per States Financial Report		(9,482)		
Other Expenses		(3,342)		
Less Depreciation Expense		37		
Less 2 CFR 200 Unallowable costs:				
Capital Outlay		-		
Projected Cost Increases/Replacement Reserve		-		
Unallowable excess RE balance Refund		-		
Bad Debt		-		
GASB68 Net Pension Liability Adjustment		(121)		
GASB75 Net OPEB Liability Adjustment		-		
Total Expenditures			(12,908)	
Plus 2 CFR 200 Allowable costs:				
Indirect Costs from SWCAP (if not allocated in SWCAP)		-		
Depreciation or Use Allowance (if not included in Actual Cost above)		(37)		
Other		-		
Total OMB 2 CFR 200 Allowable Expenditures			(37)	
Plus 2 CFR 200 Adjustments:				
Imputed Interest Earnings on Monthly Average Cash Balance		-		
Other Transfers		-		
Total Adjustments			-	
FY20 Net Increase (Decrease) to Retained Earnings Balance per CAFR				206
2 CFR 200 R.E. BALANCE June 30, 2020	A)			14,411
Allowable Reserve	B)	2,151		
Excess Balance (A)-(B)		12,260		

(If less than zero, the amount on (A) is the beginning 2 CFR 200 R.E. balance for the next year's reconciliation. If there is an excess balance, at the request of the cognizant agency the federal share should be returned to the federal gov't and the amount on (B) will be the beginning 2 CFR 200 R.E. balance for the next year)

State of Minnesota
Statewide Cost Allocation Plan
Fiscal Year 2020 Actual

RECONCILIATION OF RETAINED EARNINGS
RE-BALANCE TO OMB 2 CFR 200 GUIDELINES
MINNESOTA MANAGEMENT AND BUDGET

FOR YEAR ENDING JUNE 30, 2020 — **Risk Management - Property and Casualty**
(All Figures in 000's) — **FUND 5300**

PART II 2 CFR 200 CONTRIBUTED CAPITAL BALANCE				
2 CFR 200 CONTRIBUTED CAPITAL BALANCE JULY 1, 2019				-
TRANSFERS Per CAFR (Supported by Official Accounting Records)				
Plus: Transfers In (e.g. Contrib. Capital)		-		
Less: Transfers Out (e.g. Payback of Contrib. Capital, Other Users of Fund R.E.)		-		
Net Transfers			-	
2 CFR 200 CONTRIBUTED CAPITAL BALANCE JUNE 30, 2020	C)			-
PART III 2 CFR 200 ADJUSTMENTS BALANCE				
2 CFR 200 ADJUSTMENTS BALANCE JULY 1, 2019				-
ADJUSTMENTS:				
Less: 2 CFR 200 Unallowable Costs				
Plus: 2 CFR 200 Allowable Costs				
Accumulated Prior Year Imputed Interest Adjustment		(322)		
Current Year Imputed Interest Adjustment		-		
Accumulated Prior Years GASB68 Adjustment		(1,114)		
FY19 GASB68 Net Pension Liability Adjustment		121		
Accumulated Prior Years GASB75 Adjustment		(69)		
FY19 GASB75 Net OPEB Obligation Adjustment		-		
Total Adjustments			(1,384)	
2 CFR 200 ADJUSTMENTS BALANCE JUNE 30, 2020	D)			(1,384)
PART IV RECONCILIATION OF 2 CFR 200 R.E. CONTRIBUTED CAPITAL AND ADJUSTMENTS BALANCES TO CAFR BALANCE				
RECONCILIATION OF 2 CFR 200 R.E., CONTR. CAPITAL & ADJUST. BALANCES TO CAFR (A) + (C) + (D)				
(Should Tie to the Fund Balance in the CAFR)				13,027
				13,027
Check Figure				-

DESCRIPTION	AMOUNT	COMMENTS
FYpre2004 Imputed Interest	(322)	ı excess retained earnings, per FY2004 A-87 Risk Mgmt Fund 410
FY2004 Imputed Interest	0	interest earned on excess retained earnings
FY2005 Imputed Interest	0	interest earned on excess retained earnings
FY2006 Imputed Interest	0	interest earned on excess retained earnings
FY2007 Imputed Interest	0	interest earned on excess retained earnings
FY2008 Imputed Interest	0	interest earned on excess retained earnings
FY2009 Imputed Interest	0	interest earned on excess retained earnings
FY2010 Imputed Interest	0	interest earned on excess retained earnings
FY2011 Imputed Interest	0	interest earned on excess retained earnings
FY2012 Imputed Interest	0	interest earned on excess retained earnings
FY2013 Imputed Interest	0	interest earned on excess retained earnings
FY2014 Imputed Interest	0	interest earned on excess retained earnings
FY2015 Imputed Interest	0	interest earned on excess retained earnings
FY2016 Imputed Interest	0	interest earned on excess retained earnings
FY2017 Imputed Interest	0	interest earned on excess retained earnings
FY2018 Imputed Interest	0	interest earned on excess retained earnings
FY15 GASB68 Beginning Balance Adjustment	(948)	adjustment from CAFR
FY15 GASB68 Net Pension Liability Adjustment	95	change in deferred liability from CAFR
FY16 GASB68 Net Pension Liability Adjustment	(92)	change in deferred liability from CAFR
FY17 GASB68 Net Pension Liability Adjustment	(418)	change in deferred liability from CAFR
FY18 GASB68 Net Pension Liability Adjustment	(395)	change in deferred liability from CAFR
FY18 GASB75 Beginning Balance Adjustment	(74)	adjustment from CAFR
FY18 GASB75 Net OPEB Obligation Adjustment	11	change in deferred liability from CAFR
FY19 GASB68 Net Pension Liability Adjustment	644	
FY19 GASB75 Net OPEB Obligation Adjustment	(6)	
FY20 GASB68 Net Pension Liability Adjustment	121	
FY20 GASB75 Net OPEB Obligation Adjustment	0	
	(1,384)	
	-1384000	

RISK MANAGEMENT DIVISION
Property & Casualty
Fund 5300

FISCAL YEAR 2020
Business Plan

May 1, 2019

Gary Westman, Director
Department of Administration
Risk Management Division / Property & Casualty
310 Centennial Building
658 Cedar Street
St. Paul, MN 55155
Phone: 651/201-3010
Fax: 651/297-7715
Email address: gary.westman@state.mn.us
Website: www.mn.gov/admin/risk

Table of Contents

Executive Summary

Who we are and what do we do

The Risk Management Division's (RMD) Property and Casualty Program (Program) serves as the state's insurance company, providing auto liability coverage for all state agencies and offering our partners auto physical damage, property, and general liability coverages. We do this by managing the Risk Management Fund (RMF), the state's self-insurance fund.

Our goals for next year

We have the following goals for the coming year:

- Continue to strengthen loss control efforts for all RMF lines of insurance
- Provide excellent service to our partners
- Pursue and provide innovative coverage options and competitive insurance rates for our partners
- Address RMF cyber security/data breach exposure
- Automate driver's license record check process
- Seek underwriting efficiencies
- Shorten claim reporting timelines

Our proposed rates

Rate	Current Rate ($)	Proposed FY 2020 Rate ($)	Change ($)	Change (%)
Automobile Liability per non-siren vehicle				
Tier 1	$164	$164	$0.00	0.00%
Tier 2	$184	$184	$0.00	0.00%
Tier 3	$204	$204	$0.00	0.00%
Tier 4 – "A" rated	Varies	Varies	$0.00	0.00%
Auto Liability per siren vehicle				
Tier 1	$221	$221	$0.00	0.00%
Tier 2	$251	$251	$0.00	0.00%
Tier 3	$281	$281	$0.00	0.00%
Public Safety	$484	$484	$0.00	0.00%
Automobile Physical Damage (per $100 of insurance)				
$ 500 deductible	$0.75	$0.75	$0.00	0.00%
$1,000 deductible	$0.65	$0.65	$0.00	0.00%
$ 500 deductible (selected agencies)	$1.47	$1.47	$0.00	0.00%
$1,000 deductible (selected agencies)	$1.37	$1.37	$0.00	0.00%
$1,500 deductible (Human Services)	$1.97	$1.97	$0.00	0.00%
$2,500 deductible (MAC)	$1.67	$1.67	$0.00	0.00%
General Liability				
Standard rate	$34/1,000 ft^2	$34/1,000 ft^2	$0.00	0.00%
"A" rated	Varies	Varies	Varies	Varies
Police Professional, Broadcasters, Public Officials *	$500/cov	$500/cov	$0.00	0.00%

*Minnesota State receives Police Professional, Broadcasters, and Public Officials Liability at no charge. MN State Fair receives Police Professional Liability at no charge.

Rate	Current Rate ($)	Proposed FY 2020 Rate ($)	Change ($)	Change (%)
Property (including Boiler & Crime/Cyber) / (per $100 of insurance)				
$ 1,000 deductible	$0.0930	$0.0930	$0.00	0.00%
$ 2,500 deductible	$0.0614	$0.0614	$0.00	0.00%
$ 5,000 deductible	$0.0502	$0.0502	$0.00	0.00%
$ 10,000 deductible	$0.0447	$0.0447	$0.00	0.00%
$ 25,000 deductible	$0.0372	$0.0372	$0.00	0.00%
$ 50,000 deductible	$0.0316	$0.0316	$0.00	0.00%
$ 75,000 deductible	$0.0298	$0.0298	$0.00	0.00%
$100,000 deductible	$0.0279	$0.0279	$0.00	0.00%
$250,000 deductible	$0.0239	$0.0239	$0.00	0.00%
Builder's Risk (per $100 of insurance)				
$ 5,000 deductible	$0.173	$0.173	$0.00	0.00%
Homeowner's Warranty (per $1,000 of replacement value)	$8.75	$8.75	$0.00	0.00%
Inland Marine (per $100 of insurance)				
Computer Equipment				
$ 100 deductible	$0.75	$0.75	$0.00	0.00%
$ 250 deductible	$0.50	$0.50	$0.00	0.00%
$ 500 deductible	$0.30	$0.30	$0.00	0.00%
$ 1,000 deductible	$0.25	$0.25	$0.00	0.00%
$10,000 deductible	$0.18	$0.18	$0.00	0.00%
Fine Arts				
$ 500 deductible - non-owned exhibits (blanket limit)	$1.75	$1.75	$0.00	0.00%
$ 500 deductible - owned exhibits	$0.65	$0.65	$0.00	0.00%
$1,000 deductible - non-owned exhibits (blanket limit)	$1.30	$1.30	$0.00	0.00%
$1,000 deductible - owned exhibits	$0.50	$0.50	$0.00	0.00%
$5,000 deductible - non-owned exhibits (blanket limit)	$1.05	$1.05	$0.00	0.00%
$5,000 deductible - owned exhibits	$0.35	$0.35	$0.00	0.00%
Contractors Equipment				
$ 500 deductible	$0.40	$0.40	$0.00	0.00%
$1,000 deductible	$0.30	$0.30	$0.00	0.00%
$2,500 deductible	$0.25	$0.25	$0.00	0.00%
Musical Instruments				
$ 500 deductible	$0.65	$0.65	$0.00	0.00%
$1,000 deductible	$0.50	$0.50	$0.00	0.00%
Scoreboards				
$ 500 deductible	$0.65	$0.65	$0.00	0.00%
$1,000 deductible	$0.50	$0.50	$0.00	0.00%
Cameras, TV & Radio Equipment				
$ 500 deductible	$0.40	$0.40	$0.00	0.00%
$1,000 deductible	$0.30	$0.30	$0.00	0.00%
Towers, Radio & TV				
$1,000 deductible	$0.90	$0.90	$0.00	0.00%
Miscellaneous Equipment				
$ 500 deductible	$0.25	$0.25	$0.00	0.00%
$1,000 deductible	$0.20	$0.20	$0.00	0.00%

Rate	Current Rate ($)	Proposed FY 2020 Rate ($)	Change ($)	Change (%)
Garagekeepers (average premium)	$827	$827	$0.00	0.00%
Insurance Services Fee Schedule - per hour				
Consulting	$100	$100	$0.00	0.00%
Non-Insured Tort Claims	$60	$65	$5.00	8.33%
Billback (Purchased Insurances)	Varies	Varies	$0.00	0.00%

See Products and Services beginning on page 10 for detailed discussion of each service and rate. See Six-Year Rate Comparison, page 31.

We are proposing no RMF rate changes for FY20.

The following factors influence the above rates:

- Appropriate retained earnings
- Favorable loss experience attributed to policy holder efforts
- Favorable claim adjustment and loss development
- Favorable reinsurance renewals (property and excess casualty)
- No change to property retention level
- No change to tort cap level
- Cyber security/data breach reinsurance with plan to remove RMF cyber exposure in FY21 and offer alternative options

We are proposing an 8.3% increase in the hourly fee for non-insured tort claims management for FY20. The new rate will be $65.00.

<u>Our successes, challenges, along with economic and legislative impacts</u>

Successes

- Able to offer RMF FY20 rates at FY19 levels
- Renewing property reinsurance with rate reduction, in spite of transitioning to a layered program
- Renewing excess casualty reinsurance with rate reduction, rate guarantee, and loss control allowance
- Released Fleet Safety Standards and driver license record (DLR) check process
- Completed RMF stress test

Challenges

- Changing reinsurance market impacting availability, limits, and future pricing
- Future development of existing FY19 property losses and higher than expected future losses could impact future reinsurance pricing
- Increased demand for alternative insurance products placed outside of RMF
- RMF’s cyber security/data breach exposure due to consolidation of technology and the expansion of statewide systems
- A comprehensive cyber security/data breach plan for our partners

Economic Impacts

- Partners with favorable claims experience are projected to receive dividend payments once again in FY20
- Non-insured Tort (NIT) claims service partners can expect an increase in costs assuming a similar number of hours billed in the course of the year

Legislative Impacts

- Any impact of the current legislative session is unknown at this time

Projected FY20 financial activity

Revenue	$12,001,192
Expenses	$11,926,821
• Rebate/Dividend, if applicable	$3,284,864
Year-end Retained Earnings	$11,267,932
Working Capital *	$1,981,637
Full Time Equivalents	10
Overall Revenue Change	2.3%

*RMF requires additional funds for future claim costs based on internal analysis and independent actuarial analysis.

The Business

Description of Business

The RMD's Program serves as the state's insurance company, providing auto liability coverage for all state agencies and offering its partners auto physical damage, property, and general liability coverages through the self-insured Risk Management Fund (RMF).

Our primary goal is to provide broad-coverage insurance products and services below market rates while delivering exceptional service to our partners.

How the business was created

- Statutory authority – M.S. 16B.85 (1986)
- Year created – 1987
- Purpose – Provide state government with cost effective insurance alternatives and risk management coordination and guidance
- Type of fund – Internal Service Fund which receives no appropriation from the general fund

Significant historical changes

- 1988 – Wrote first auto liability policy
- 1990 – Declared first RMF dividend
- 1993 – Added auto physical damage and general liability coverage
- 1995 – Added property coverage and used reinsurance to protect fund from catastrophic loss
- 2005 – Partnered with Attorney General to offer agencies non-insured tort claim management
- 2007 – Merged the Risk Management Division with the Workers' Compensation Division
- 2008 – Adopted auto liability tier rating model
- 2018 – Placed disaster management services coverage

Significant aspects of the business

We provide four major areas of service to our partners

- Manage the RMF
- Provide underwriting, loss control, and claims management for the RMF
- Purchase commercial insurance for agency exposures not covered by the RMF
- Provide risk and insurance management consulting services to partners

Our location, hours, and website

310 Centennial Office Building
658 Cedar St
St Paul, MN 55155
Hours: 8:00 am to 4:30 pm M-F
After-hours phone service - 651-201-2594
Website: www.mn.gov/admin/risk

Our partnerships

- **Risk Management Advisory Committee** - We maintain a Risk Management Advisory Committee (RMAC) that provides independent oversight of our activities and accomplishments. The RMAC is comprised of policyholder representatives as well as public and private sector insurance and risk management professionals. The RMAC meets semi-annually. A list of current RMAC representatives can be found in the Supporting Information section, page 46
- **Insurance Brokers** - We utilize insurance brokers to:
    - Purchase reinsurance from the private market to protect the RMF from catastrophic losses
    - Provide current insurance market information, expertise, and resources
    - Purchase conventional insurance products for exposures not insured in the RMF
- **Attorney General's Office** - We maintain a partnership with the Attorney General's Office to process non-insured tort claims made against the state for agencies without internal capacity. The Attorney General's Office also provides legal defense counsel on litigated claims being adjusted by the Program
- **Third Party Claims Adjuster** - We currently contract with a third party claims administrator (TPA) to manage auto liability claims

Our strengths, weaknesses, opportunities, and threats/risks/vulnerabilities

Strengths

- Favorable loss experience resulting in dividend payments to RMF insureds
- Stable rates for our partners
- Appropriate retained earnings
- Property reinsurance program that protects the RMF from catastrophic property losses
- Excess casualty reinsurance program that affords extraterritorial coverage, providing a buffer against claims not subject to tort cap, and includes rate guarantees (subject to loss ratio parameters)
- Ongoing rate guarantees (subject to loss ratio parameters) for property reinsurance program
- Experienced claim adjusting team members and TPA managing claims

Weaknesses

- Staffing levels, concentration of duties with individual team members, and manual processes make it challenging to expand risk management services
- Aging workforce will result in future retirements of team members

Opportunities

- In coordination with partners, placement of a statewide cyber security/data breach policy to cover restoration costs and liability claims caused by data breaches and cyber attacks
- Work with agencies to place insurance coverage
- Expand underwriting capabilities for coverages placed in conventional market
- Expand loss reporting and use of claims data by insureds

- Expand understanding and use of risk management concepts within state government
- Strengthen and expand loss control activities

Threats

- Increased prevalence of cyber-attacks in conjunction with greater enterprise wide IT systems has created a catastrophic RMF exposure threat that is not currently reinsured or a viable coverage offering.
- The significant size and nature of our exposures limits the number of reinsurers available in the market that are willing and able to underwrite our program
- Unexpected increase in number and/or severity of claims, which can drive up insurance costs and impact ability to secure property and excess casualty reinsurance policies
- Misconception by many that agencies are "self-insured"
- Loss of existing partners who choose to obtain insurance elsewhere or to forego insurance altogether
- Legislative action can impact cost of our business (e.g., tort cap changes or increases in auto insurance statutory minimum limits)
- Due to the size of state government, it is difficult to keep apprised of events that can result in claims
- New and emerging exposures

Major accomplishments and cost saving measures

- Renewing property reinsurance with rate reduction, in spite of transitioning to a layered program
- Renewing excess casualty reinsurance with rate reduction, rate guarantee, and loss control allowance
- Saved $4 million in administrative costs over the last five years compared to the industry average operating expense ratio
- Paid in excess of $2.7 million in dividends during FY19
- Increasing percentage of COPE (construction, occupancy, protection, and exposure) inspection recommendations implemented in 90 days

<u>Other key/significant business/financial information that is important to our business</u>

The RMF is protected from high frequency and/or severity of losses in any given year through the procurement of reinsurance from the private market for both the property and liability lines of coverage. This reinsurance serves as excess coverage over a self-insured retention (similar to a deductible).

Our loss experience significantly influences our ability to affordably purchase reinsurance and is a significant factor in the rates we charge our partners. The RMF currently has good loss ratios and is receiving very competitive reinsurance rates and favorable policy terms and conditions.

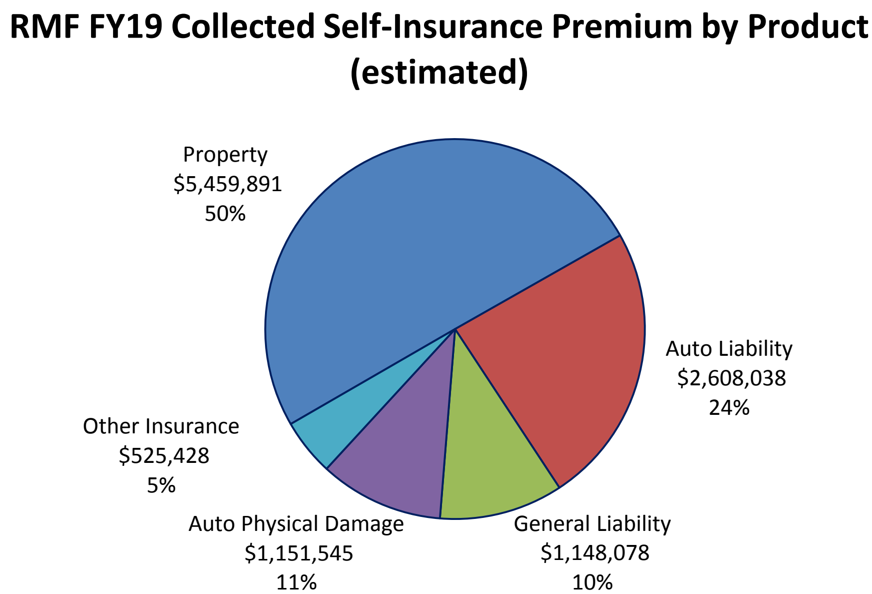
Products and Services

<u>Our main products/services and the benefits to partners</u>

As the "state's insurance company," the Program offers a broad range of insurance products through the RMF and purchased from the conventional insurance market. We also deliver various insurance and risk management related services.

Insurance Products

The following graph summarizes estimated RMF collected premium by line of insurance for FY19.



1. **Property Insurance** (offered through the RMF)

   Property insurance provides coverage to insureds for damage to the insured's real and/or personal property caused by insured perils (e.g. fire, windstorm, hail, collapse, theft, vandalism, flood, earthquake, business interruption, and other unforeseen causes of loss).

   The RMF property policy offers broader coverage than is normally found in the private insurance marketplace by providing coverage for:

   - Boiler & machinery - loss arising from the operation of boilers and machinery
   - Extra expenses - reimbursement for extra expenses reasonably incurred to continue operation of a business when the insured property has been damaged by a covered peril
   - Business income – loss resulting from a temporary shutdown of operations because of fire or other insured peril. The insurance provides reimbursement for lost net profits and necessary continuing expenses
   - Crime - loss as a result of employee dishonesty and for theft of money and securities
   - Cyber – property to a first party (insured), stemming from cyber security losses involving electronic data and information assets such as credit card numbers and client lists. Coverage applies to recovery costs and expenses incurred to restore, recreate, or recollect data and other intangible assets. Coverage also provides reimbursement for

loss of income and/or extra expense. The cyber limit of $25,000 applies per occurrence and as an annual aggregate. Cyber coverage expected to be removed from RMF property coverage in FY21.

Property rates were last decreased in FY17 by 10% for all deductible levels. The proposed property rates for FY20 are unchanged from FY19 and are presented in the following table.

FY20 Property Rates (per $100 of property value)	
Deductible	Rate
$1,000	$0.0930
$2,500	$0.0614
$5,000	$0.0502
$10,000	$0.0447
$25,000	$0.0372
$50,000	$0.0316
$75,000	$0.0298
$100,000	$0.0279
$250,000	$0.0239

Real property values will receive a 5% inflationary increase for the FY20 policy year. Personal property values will also receive a 5% inflationary increase for the FY20 policy year. The FY20 estimated total insurable value is $17.5 billion.

The annual property reinsurance premium includes a fund set-aside for property appraisals and loss control services (discussed further in Products and Services section). The loss control set-aside is $125,000 for FY20.

Builder's Risk – Builder's risk provides coverage for loss to building materials, fixtures, and equipment that will become a permanent part of the building in the course of construction, if those items sustain physical loss or damage from an insured peril.

The following table outlines the FY20 Builder's Risk rate which is unchanged from FY19.

Deductible	Rate per $100 of insurance
$5,000	$0.173

The property rates for FY20 will allow us to provide continued service delivery at FY19 levels.

Property rates for FY20 and the past five years are detailed in the Six-Year Rate Comparison table, page 31.

2. **Automobile Liability** (offered through the RMF)

We provide auto liability coverage for all state agencies. Automobile liability provides coverage for injuries to others and/or damage to their property ("bodily injury and property damage") arising out of a policyholders' ownership or use of motor vehicles, as specified in M.S. 3.732 and M.S. 3.736. The coverage includes defense costs, awards, and/or settlements associated with claims.

We estimate providing auto liability coverage for 13,711 vehicles in FY20.

A tier rating model, in use since 2008, rewards policyholders for good results in the form of lower rates. Higher rates apply to policyholders with less favorable results. This approach will continue in FY20.

a. **Standard Rates** (non-siren vehicles) - The following table details annual FY20 standard rates which are unchanged from FY19.

Auto Liability Standard Rates (non-siren)		
Tier	Loss Ratio	Rate (per vehicle)
1	<50%	$164
2	51% - 85%	$184
3	86% - 110%	$204
4	>110%	"A" rated*-Varies
*"A" rating is a manually calculated rate for entities that do not meet the standard rating criteria. Their loss experience and special exposures are taken into account when establishing their specific rates.		

b. **Siren Rates** -Siren (emergency response vehicles) are involved in hazardous driving activities and experience higher losses. The following table details annual FY20 siren rates which are unchanged from FY19.

Auto Liability Siren Rates		
Tier	Loss Ratio	Rate (per vehicle)
1	<50%	$221
2	51% - 85%	$251
3	86% - 110%	$281
4	>110%	"A" rated - Varies

Public Safety has the largest number of siren vehicles. These vehicles are "A" rated due to their exposure and loss volatility. The FY20 rate will remain the same as FY19 for Public Safety's siren vehicles at $484 per vehicle.

Auto liability rates for FY20 and the past five years are detailed in the Six-Year Rate Comparison table, page 31. The Auto Liability Tier Rating worksheet is included in the Supporting Information section on page 47.

3. **General Liability** (offered through the RMF)

General liability coverage protects our insureds against claims by others alleging bodily injury or property damage, as specified in M.S. 3.732 and 3.736. The coverage includes defense costs, awards, and/or settlements associated with claims.

The RMF general liability policy offers broader coverage than is normally found in the private insurance marketplace by providing cyber coverage for liability to third-parties, including identity theft that stems from breaches in network security. Also covered are expenses to comply with privacy regulations, such as communications to and credit monitoring services for affected partners. The cyber limit of $100,000 applies per claim and as an annual aggregate. Cyber coverage is expected to be removed from RMF liability coverage in FY21.

A major distinction between the RMF and private insurers is the simplicity of the rating structure and also the fact that the RMF does not require an annual audit of the exposures. The proposed general liability rate for FY20 is unchanged from FY19 and is presented in the following table.

Standard General Liability Rate
\$34 per 1,000 ft^2

Because our insureds have a wide variety of general liability exposures, we generate unique "A" rated general liability rates for some of our partners.

New requests for general liability coverage will be evaluated to determine whether the standard rate or an insured-specific "A" rating will apply.

Other professional coverages available under the general liability coverage include:

- Police Professional Liability - Police professional liability provides coverage for legal obligations to pay damages because of wrongful acts, bodily injury, property damage, or personal injury resulting from the performance of law enforcement activities. Police professional liability is offered at a flat rate of $500 per package policy.
- Broadcasters Liability - Broadcasters liability provides coverage for legal obligations to pay damages for claims arising out of broadcasting, incidental publishing and advertising, personal injury, and errors and omissions in broadcasting, telecasting or cablecasting over scheduled stations or cable television systems. Broadcasters liability is offered at a flat rate of $500 per package policy.
- Public Officials Liability - Public officials liability provides coverage for legal obligations to pay damages because of wrongful acts in the performance of prescribed duties. Public officials liability is offered at a flat rate of $500 per package policy.

Police professional, broadcasters and public officials liability coverages are included in the Minnesota State general liability policies for no additional premium. Police professional is included in the MN State Fair general liability policy for no additional premium.

4. **Automobile Physical Damage** (offered through the RMF)

Automobile physical damage provides coverage for damage to owned vehicles. There are two basic types of physical damage:

- Collision coverage insures against damage from collision with another vehicle or object, as well as from overturning
- Comprehensive coverage provides protection against damage from perils other than collision, such as hail, fire, vandalism, and flood

We estimate providing auto physical damage coverage for 9,861 vehicles in FY20 with a total insurable value of $99.2 million for rating purposes.

The following tables detail automobile physical damage rates for FY20 which are unchanged from FY19.

<table>
<tr><td colspan="3">Base Auto Physical Damage</td></tr>
<tr><td>Deductible</td><td colspan="2">Rate per $100 of insurable value</td></tr>
<tr><td>$500</td><td colspan="2">$0.75</td></tr>
<tr><td>$1,000</td><td colspan="2">$0.65</td></tr>
<tr><td colspan="3">Surcharged* Auto Physical Damage</td></tr>
<tr><td>Deductible</td><td colspan="2">Rate per $100 of insurable value</td></tr>
<tr><td>$500</td><td colspan="2">$1.47</td></tr>
<tr><td>$1,000</td><td colspan="2">$1.37</td></tr>
<tr><td colspan="3">* Commerce, Corrections, Fleet Services, Lottery, Minnesota State, MN State Academies, MN Zoo, Pollution Control, Revenue, Veterans Homes</td></tr>
<tr><td colspan="3">“A” Rated Auto Physical Damage</td></tr>
<tr><td>Agency</td><td>Deductible</td><td>Rate per $100 of insurable value</td></tr>
<tr><td>Human Services</td><td>$1,500</td><td>$1.97</td></tr>
<tr><td>Metropolitan Airports Commission</td><td>$2,500</td><td>$1.67</td></tr>
</table>

We use the following vehicle depreciation schedule to determine a vehicle’s insurable value for rating purposes.

Vehicle Depreciation Schedule
Use to calculate insurable value =
(Cost New * Depreciation Factor)

Vehicle Year	Depreciation factor
2020	1
2019	.85
2018	.74
2017	.63
2016	.52
2015	.43
2014	.34
2013	.29
2012	.23
2011	.20
<2011	.15

Auto physical damage rates for FY20 and the past five years are detailed in the Six-Year Rate Comparison table, page 31.

5. Other insurance products (offered through the RMF):

a. **Inland Marine** – Inland Marine is a form of property insurance used by the RMF to cover certain items that the agency would like to insure at a deductible lower than their chosen property deductible. The following tables outline the types of Inland Marine coverage offered and FY20 rates, which are unchanged from FY19.

   i. **Computer Equipment**

Deductible	Rate per $100 of insurance*
$100**	$0.75
$250**	$0.50
$500	$0.30
$1,000	$0.25
$10,000	$0.18
* $100 minimum premium first year of new business ** Deductible level not available to new partners	

   ii. **Fine Arts**

      1. Owned (art owned by insured)

Deductible	Rate per $100 of insurance*
$500	$0.65
$1,000	$0.50
$5,000	$0.35
* $100 minimum premium first year of new business	

      2. Non-Owned (art on loan from another owner)

Deductible	Rate per $100 of insurance*
$500	$1.75
$1,000	$1.30
$5,000	$1.05
* $100 minimum premium first year of new business	

   iii. **Contractors Equipment**

Deductible	Rate per $100 of insurance*
$500	$0.40
$1,000	$0.30
$2,500	$0.25
* $250 minimum premium first year of new business	

   iv. **Cameras, TV & Radio Equipment**

Deductible	Rate per $100 of insurance*
$500	$0.40
$1,000	$0.30
* $100 minimum premium first year of new business	

   v. **Towers, Radio and TV**

Deductible	Rate per $100 of insurance*

$1,000	$0.90
* $250 minimum premium first year of new business	

vi. Scoreboards

Deductible	Rate per $100 of insurance*
$500	$0.65
$1,000	$0.50
* $100 minimum premium first year of new business	

vii. Musical Instruments

Deductible	Rate per $100 of insurance*
$500	$0.65
$1,000	$0.50
* $100 minimum premium first year of new business	

viii. Miscellaneous Equipment

Deductible	Rate per $100 of insurance*
$500	$0.25
$1,000	$0.20
* $100 minimum premium first year of new business	

Inland marine rates for FY20 and the past five years are detailed in the Six-Year Rate Comparison table, page 31.

b. **Garagekeepers Legal Liability** – Garagekeepers Legal Liability covers damage to others' vehicles while they are in the care, custody, and control of the insured. Garagekeepers Legal Liability coverage has a $500 per auto/$5,000 maximum per loss deductible.

The following table outlines the FY20 Garagekeepers Legal Liability rates, which are unchanged from FY19.

Garagekeepers Legal Liability		
Limit of Liability Range (per location)		Premium
$ -	$ 22,500	$ 173
$ 22,501	$ 30,000	$ 220
$ 30,001	$ 37,000	$ 259
$ 37,001	$ 45,000	$ 295
$ 45,001	$ 60,000	$ 366
$ 60,001	$ 75,000	$ 434
$ 75,001	$ 99,000	$ 498
Limit of Liability Range (per location)		Premium
$ 99,001	$ 120,000	$ 615

$ 120,001	$ 150,000	$ 729
$ 150,001	$ 180,000	$ 834
$ 180,001	$ 225,000	$ 1,009
$ 225,001	$ 300,000	$ 1,278
$ 300,001	$ 375,000	$ 1,550
$ 375,001	$ 450,000	$ 1,815
$ 450,001	$ 600,000	$ 2,331
$ 600,001		$ 2,500
Average premium		$ 827

c. **Homeowner's Warranty** (i.e. Vendor's Warranty) – Some Minnesota State Colleges and Universities (Minnesota State) have construction programs in which students build homes that are sold when completed. The RMF offers a ten-year homeowners' warranty policy that Minnesota State may choose to purchase when the home is sold.

The following tables outline the FY20 Homeowner's Warranty rate which is unchanged from FY19.

Rate per $1,000 of replacement value
$8.75

6. **Purchased Insurance** (Billback)

In some instances, it is more prudent to utilize the conventional insurance market to meet partner needs for unique coverages. Through our purchased insurance program, we:

- Work with our partners to identify possible insurance needs
- Work with brokers or directly with the market to identify available coverages
- Assist with policy applications and other underwriting information
- Review proposed insurance policies, limits, and premiums
- Bind the policy
- Invoice our partner
- Renew policies per partners' needs

The following table summarizes the Program's FY19-20 purchased insurance efforts.

Coverage	Policy count
Accident	2
Aviation	5
Bonds	10
Cyber	2
Directors & Officers	5
Disaster Management Services	1
Excess Crime	12
Fine Arts	2
General Liability	6
Liquor Liability	1
Professional Liability	4
Property	1
Travel Accident	2
Volunteer Accident	4
Work Comp	11
Grand Total	68

Insurance Services

1. **RMF Claim Services**

   Property, liability, and auto physical damage claims are adjusted by our RMD team. Legal support is provided by the Minnesota Attorney General's Office. A detailed claim reporting guide and electronic fillable claim forms have been made available to our insureds.

   Timely reporting of claims by our insureds is tracked as a quarterly operations goal. We seek to have 80% of property and auto liability claims reported within 24 hours and general liability claims reported within three (3) days.

   We contract with a TPA to adjust auto liability claims.

2. **Consulting Services**

   We offer risk management and insurance consulting services to all state agencies.

   Consulting services may be in the form of:

   - Insurance information and claim procedures for uninsured state agencies
   - Premium cost allocation and insurance feasibility studies
   - Contract and vendor insurance requirements
   - Contract insurance language resolution

   There will be no changes in the hourly fees for FY20. Consulting rates for FY20 and the past five years are detailed in the Six-Year Rate Comparison table, page 31. For FY19 there have been no chargeable consulting services and we are not projecting any for FY20.

3. **Property Valuation**

   Each year, the real and personal property values are adjusted for inflation, based on regionalized cost index factors established by national appraisal firms.

   Additionally, we also review our insured property schedules each year and identify properties that warrant a professional appraisal to ensure accurate replacement cost values. Information from property appraisals is shared with the property owner and is used to adjust property schedules as needed.

   The fees for appraisal services coordinated by RMD are included in the RMF property rate so there is no cost for this service to our insureds.

4. **COPE Property Inspections**

   COPE audits evaluate the construction, occupancy, protection, and exposure of a property with the goal of reducing future property losses associated with typical insured perils such as fires, storms, and floods.

   We seek to maintain a 4-year inspection rotation schedule of properties greater than $10 million in value. The fees for COPE property audits coordinated by RMD are included in the RMF property rate so there is no cost for the audits to our insureds.

   Loss control recommendations generated during COPE audits are provided to the property owner. Implementation of the recommendations is tracked by our loss control team. Our operational goal is to have 80% of recommendations implemented within 90 days. The costs to implement any COPE audit recommendation is the responsibility of the property owner.

5. **Infrared Inspections**

   Infrared inspections are non-destructive inspections utilizing infrared cameras to identify potential electrical problems that may result in loss of electrical service, fire, or serious damage to equipment. We will continue to review property schedules to identify properties that may benefit from infrared inspections. The fees for infrared inspections coordinated by RMD are included in the RMF property rate so there is no cost for the inspections to our insureds.

   Loss control recommendations generated during infrared inspections are provided to the property owner. Implementation of the recommendations is tracked by our loss control team. The costs to implement any infrared inspection recommendation is the responsibility of the property owner.

6. **Drivers’ License Record Checks**

   We provide partners with driver’s license record check service. We maintain access to the MN Department of Public Safety – Drivers and Vehicle Service’s license database to review Minnesota driver’s license records and maintain a subscription service to review non-Minnesota driver’s license records.

Our expenses necessary to conduct driver's license record checks through the current process (manual lookup) are included in auto liability rates and there is no additional cost to our insureds.

7. **Fleet Safety Standards**

   The Fleet Safety Standards provide minimum requirements for our insureds in managing their work-related driving tasks to eliminate or reduce risks and prevent motor vehicle crashes and damage. Our insureds utilize these minimum requirements to develop, implement, and modify safe driving policies and procedures. The Fleet Safety Standards also serve as a framework for insureds to develop and assess risk factors, identify control measures, implement corrective action plans, and monitor results.

   In addition to defining responsibilities, training requirements, and minimum driver qualifications, the Fleet Safety Standards include:

   - A DLR check guide which explains the DLR check process, criteria used to determine driver risk level, and recommendations for insureds to consider when results are unfavorable.
   - A state agency guide for determining the appropriate vehicle to use (i.e., state owned, rental, or personal vehicle)
   - Revised Vehicle Crash/Damage Notice forms
   - Revised Claim Reporting Guide
   - Telematics Program (sponsored by Admin Fleet and Surplus Services) which monitors vehicle diagnostics, fuel economy, mileage tracking, vehicle utilization, theft prevention, and driver behavior. Monthly reports are distributed to agencies to help them better manage their fleet and improve overall effectiveness and safety.

8. **Disaster Management Services**

   Up to 30 days of disaster management services for natural and manmade disasters involving 3 or more fatalities and/or critical Injuries, occurring either:

   - On or at a Insured Location; or
   - At an event hosted or organized by the Insured, regardless of the location; or
   - During a trip in which the Insured is directly responsible for those involved in the Insured Incident

   All services provided will be coordinated and/or sub-contracted by Disaster Management International (DMI) and include:

   - One-on-one family assistance
   - Victim assistance and any necessary coordination
   - Behavioral health services
   - Media management/crisis communications

   There is no deductible and the coverage will carry a $1 million per event limit and $2 million annual aggregate. The fee for this service is covered through RMF premiums, so there is no cost for the services to our insureds.

9. **NIT Claims Services**

   We maintain an inter-agency agreement with the Attorney General's Office to provide third-party tort claims management services to agencies that do not have liability insurance.

   We are proposing an increase in the hourly fee for non-insured tort claims management for FY20. The new rate will be $65.00 per hour up from $60.00 per hour. Prior to FY19, the rate had not been changed since RMD began providing the service in FY2005. Increases in salary and expense costs necessitate the increase.

   NIT claims management rates for FY20 and the past five years are detailed in the Six-Year Rate Comparison table, page 31.

<u>Our major changes for this year</u>

The RMF property reinsurance program for FY20 will be restructured from a single reinsurer to a layered program with two reinsurers. First layer will be $500 million, excess of our $1 million retention. The second layer will be $500 million excess of $500 million.

The RMF extraterritorial excess casualty program will be placed with a new carrier. The placement includes a rate guarantee and loss control set aside at a premium reduction.

In FY06, the RMF began offering a limited amount of cyber security/data breach coverage at no cost within its property ($25K) and general liability ($100K) coverages. The increased prevalence of cyber-attacks in conjunction with greater enterprise wide IT systems has created a potentially catastrophic RMF exposure threat. This threat was further quantified within the recently completed RMF stress test.

It is our intention to remove the RMF cyber security/data breach coverage from the RMF coverages in the FY21 policy year. For FY20, we are proposing to acquire a cyber security/data breach reinsurance policy to cover existing RMF cyber security/data breach exposure, maintaining insureds existing coverage through FY20 policy year. The cyber reinsurance cost will be absorbed by the RMF and will not impact rates. RMD will be working with our partners and the IT community to identify alternative cyber security/data breach solutions that provide more appropriate coverage options.

Marketing

<u>Our target audiences/partners</u>

We currently insure Minnesota State and over 100 state agencies, boards, bureaus, commissions, and political subdivisions for various types of coverage. All state agencies, political subdivisions, and Minnesota State are eligible to participate in the RMF and secure insurance products through us.

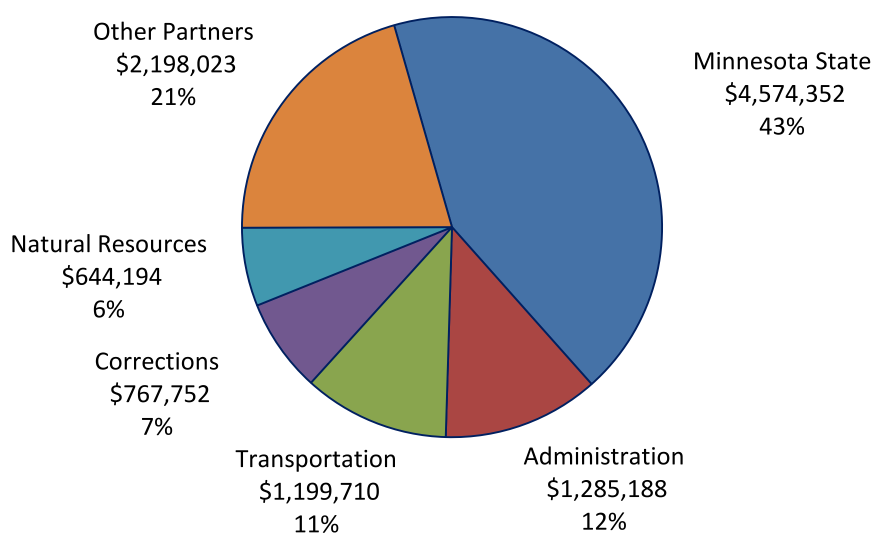
We provide auto liability coverage for all state automobiles which is required for any agency that owns or leases vehicles for business use.

All other coverages offered by us are voluntarily purchased.

<u>Our key partners</u>

The following graph summarizes our top five partners.

FY18 Self-Insurance Revenue by Partner



<u>How our partner base is changing, and why</u>

The following new insureds and coverages were added to the RMF in FY19:

Named Insured	RMF Coverage
Guardian ad Litem	Public Officials Liability
Podiatric Medicine Board	Public Officials Liability
Veterinary Medicine Board	Public Officials Liability
Optometry Board	Public Officials Liability
Dietetics & Nutrition Board	Public Officials Liability
Behavioral Health & Therapy Board	Public Officials Liability
Nursing Home Administration	Public Officials Liability
Social Work Board	Public Officials Liability
Minnesota State – St. Cloud State University	Garagekeepers

What is impacting our partners, and why

At the time this business plan is published and reviewed by the RMAC, the Minnesota Legislature is still in session. Legislative changes may cause partners to modify their risk management strategies.

How we reach out to potential partners

We promote the concepts of risk management and attempt to reach potential partners through the following means:

- Website: Information on RMD's website (www.mn.gov/admin/risk) is designed to assist our partners as well as the public. In addition, there are valuable external links, such as Fleet and Surplus Services, the Federal Emergency Management Agency (FEMA), and Business Continuity Management
- GovDelivery email communications: Periodic, just-in-time, loss control communications are created and distributed to interested subscribers
- Alert Newsletter: The intent of the newsletter is to address topical issues and provide updated insurance information. As new issues are published, they are made available on the website
- Annual Safety & Loss Control Conference: The RMD, in partnership with Minnesota State, sponsors a statewide safety and loss control conference for existing and potential RMD partners. The conference focuses on subjects related to losses insured through RMD and experienced by our partners

What we have heard from our partners

Claimant Surveys
In FY14, we began surveying all claimants submitting general liability, auto liability, and uninsured tort claims. Each month phone calls are made to claimants asking the following:

"You recently reported a (type of claim) with the Risk Management Division. Risk Management seeks to continuously improve its performance and service delivery. We would like to ask you one service delivery question today. Is that okay? Were you treated in a professional and courteous manner by our Risk Management team member you spoke with?"

79.3% of the claimants surveyed during FY18 answered "yes" to the question. If additional comments are received, the comments are tracked with follow-up calls being made by management, if warranted.

Competition

<u>Our competition</u>

Our partners, other than agencies purchasing auto liability coverage, are not mandated to purchase insurance products through RMD or from the RMF.

Additionally, state agencies may simply choose to remain uninsured.

<u>How our rates compare</u>

Our goal is to develop and maintain the RMF as a low-cost alternative to the purchase of conventional insurance. One measure used to determine our success is the annual expense ratio, which is well below the industry average. It should be noted that the RMF's expense ratio includes unallocated loss adjusting expenses due to the self-administration of automobile liability, automobile physical damage, property, and general liability. These expenses are excluded from the private sector's expense ratios.

This cost savings, when compared to the industry average, has resulted in savings of $4.1 million for our partners over the past five years.

The following table outlines the administrative expense savings we provide.

	FY15	FY16	FY17	FY18	FY19(est.)
Net premium written	$7,755,553	$7,932,393	$7,411,395	$7,462,320	$7,777,940
Industry average operation expense ratio	33.7%	32.1%	33.20%	33.10%	32.9%
Projected industry average operation expense based on RMF's premium base	$2,613,621	$2,546,298	$2,460,583	$2,470,028	$2,558,942
Actual RMF operating expenses*	$1,670,258	$1,571,597	$1,771,992	$1,755,736	$1,795,188
RMF operating expense ratio	21.5%	19.8%	23.9%	23.5%	23.1%
Savings to partners	$943,363	$974,701	$688,591	$714,292	$763,754
Five-year total savings	$4,084,702				

*Note: Operating expenses in the chart above do not include non-insured tort expenses.

Financial Outlook

<u>Our current overall financial health</u>

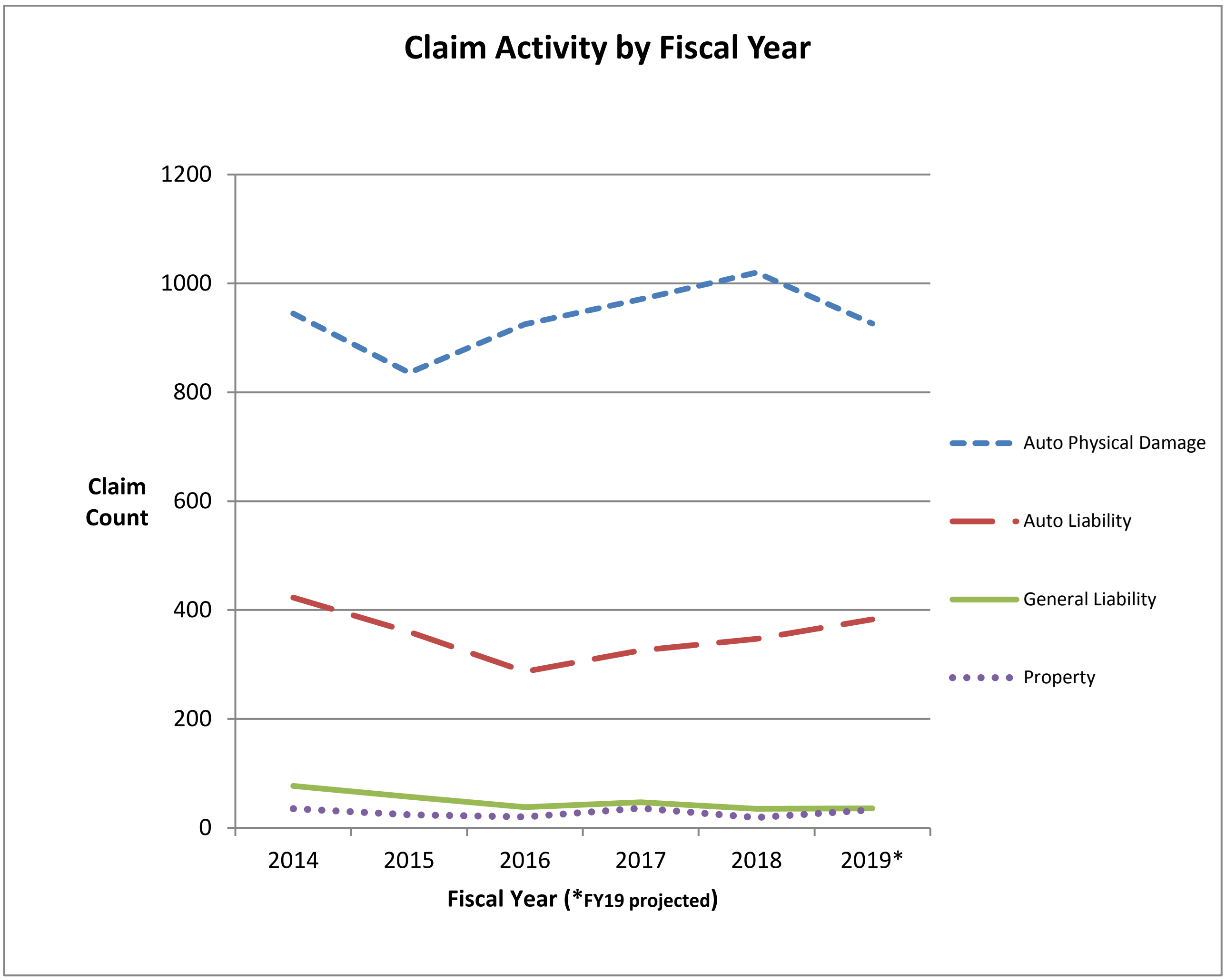
The RMF remains stable.

The financial outlook of the RMF depends greatly on:

- The frequency and severity of claim activity
- The condition and availability of insurance markets which will impact the state's reinsurance rates
- Our ability to maintain our partner base

Claim Activity

The following chart summarizes projected claim activity for FY19 and the past five years for the four major lines of coverage offered through the RMF. After three years of rising auto physical damage claims, the FY19 total is projected to be down. Counts of general liability, property, and auto liability all are projected to increase.



Loss Ratios

Loss ratios represent the ratio of claim expenses (including administrative fees) to net premium collected. Combined loss ratios below 100% are desirable.

Line of Insurance	Combined loss ratio as of 3/31/19	Periods	Policy year loss ratios below 100% since	Note
Property	84%	FY12-19	Current year ratio above 100%	Two FY19 claims penetrated the retention level and have exceeded the annual aggregate
General Liability	42%	FY12-19	FY06	Continued excellent results
Auto Liability	87%	FY12-19	FY18	Continued trend in increased reported claims
Auto Physical Damage	88%	FY12-19	Current year ratio above 100%	Continued trend in increased reported claims

Rate Guarantees

Due to favorable loss experience, we received rate guarantees for property reinsurance program (three-year through FY17 and a three-year renewal through FY20). These rate guarantees create stability in the rates we offer to our partners.

We have also been offered a rate guarantee on our extraterritorial excess casualty coverage.

RMF Dividend Programs

Dividends represent the return of premium for superior loss and expense experience. We have returned $ 13,101,947 in dividends over the past 5 years (FY15-19).

The following table summarizes estimated FY20 dividends as of 3/31/2019.

	Property	Auto Liability	General Liability	Total
Estimated FY18 Dividend Payable in FY20	$1,885,269	$612,132	$787,463	$3,284,864

Actuarial Analysis

Annually, an actuarial analysis of the RMF's auto and general liability lines is completed. The analysis provides information to ensure proper reserves are maintained for claim development and for incurred but not reported (IBNR) losses.

Retained Earnings

Retained Earnings or Net Position (depending on the financial report) for FY20 is projected to decrease by $2,710,493 for an ending retained earnings balance of $11,267,932. The RMF requires retained earnings for future claim costs.

Major anticipated changes to capital assets

We are not anticipating any changes to capital assets.

Changes to our rates, and why

We are proposing an 8.3% rate increase for our tort claims management services. Prior to FY19 the rate had not been changed since RMD began providing the service in FY05. Increases in salary and expense costs necessitate the increase.

FY20 proposed rates and the rates for the past 5 years are detailed in the Six-Year Rate Comparison table, page 31.

How our proposed rates will impact our financial health

The proposed rates will help us manage our retained earnings level while still permitting us to:

- Provide necessary funds to manage reported claims
- Provide most risk management consulting services free of charge to state government
- Ensure adequate retained earnings to protect the RMF from catastrophic losses

How our proposed rates will impact our partners

Since our proposed RMF rates do not include rate increases, partners will only be impacted by the following changes that may have occurred over the past year:

- Poor loss experience (auto liability or auto physical damage)
- Automatic inflationary increase in real and personal property values
- Changes in property value, square footage, or other rating basis they report to us
- Enrollment/participation changes

NIT claims service partners can expect an increase in costs assuming a similar number of hours billed in the course of the year.

We will continue to strengthen safety and loss control strategies for all lines of business. This is consistent with the goal of creating a safer environment for the visiting public. It also is the best known approach to preventing future losses and controlling costs.

We will continue to diligently control program costs and maximize Minnesota's government resources by helping our partners actively manage risk.

Financial Data

Assumptions for Rate Matrix

MINNESOTA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION
FOR FISCAL YEAR 2020
OPERATING REVENUES/EXPENSES

SWIFT Account	
670040	**REVENUES - NON-INSURED TORT** Change = 8.3% or $2,890 Increase is a result of a per hour rate increase.
41200	**CLAIMS (SELF-INSURANCE & IBNR)** Change = 22.6% or $1,021,197 Increase is due to anticipated claims expense as a result of the claims analysis.
41000-70	**SALARIES** Change = 14.9% or $171,085 Increase is due to filling 2 vacant positions, one as a result of a long term medical leave, and a reallocation of the Claim Manager and System Administrator positions.
41110	**PRINTING** Change = 43.8% or $350 Increase is due to copy overages and re-printing auto insurance cards.
41130	**PROFESSIONAL & TECHNICAL SERVICES - BROKER** Change = (13.9%) or ($25,010) Decrease is a result of performing a stress test in FY19.
41130	**PROFESSIONAL & TECHNICAL SERVICES - Legal & Other Services** Change = 454.5% or $25,000 Increase is due to utilizing a vendor to create an automated drivers license record check process.
41196	**CENTRALIZED IT SERVICES** Change = 15.7% or $41,690 Increase is due in part to upgrading the claims management system, adding a test server for the policy system and the addition of a dedicated part-time MN.IT employee.
41155	**COMMUNICATIONS** Change = 33.3% or $500 Increase is due to an increase in postage costs.
41160-70	**TRAVEL** Change = 36.5% or $1,900 Increase is a result of attending an additional out-of-state National Association of Fleet Administrators (NAFA) conference.
41300	**SUPPLIES AND MATERIALS** Change = (40.0%) or ($3,000) Decrease is a result of purchases made in FY19 associated with the office move.
41180	**MEMBERSHIPS & EMPLOYEE DEVELOPMENT** Change = 5.7% or $200 Increase is due to anticipated membership dues and increased attendance at local professional organizational meetings.
42020	**ATTORNEY GENERAL COST** Change = 26.0% or $26,000 Increase is due to an increase in the AG Office rates.
43000	**INDIRECT COSTS** Change = (16.3%) or ($11,055) Decrease is due to a decrease in statewide indirect costs.
44200	**DIVIDENDS** Change = 17.9% or $497,580 Dividends are cyclical and depend on loss experience. Because of continued favorable loss experience, the dividend calculation shows a $3,284,864 possible payout in FY20.

The assumptions for the business plan do not include an inflation factor.

Rate Matrix

MINNESOTA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION
FOR FISCAL YEAR 2020

	Automobile Liability	Auto Physical Damage	General Liability	(Estimated) Property Boiler/Crime	Miscellaneous Lines	Total
Claim Expense	$1,389,381	$839,341	$489,828	$2,711,096	$435,107	$5,864,753
MN Auto Assigned Claims Bureau Expense	$4,600					$4,600
Estimated Statewide/Agency Allocation	$15,980	$5,340	$20,896	$11,960	$2,480	$56,656
Estimated Miscellaneous Expense	$225,161	$99,718	$125,507	$168,433	$23,133	$641,952
Estimated Salary Expense	$444,575	$221,010	$221,830	$337,855	$65,880	$1,291,150
Reinsurance Premium	$366,345		$328,153	$2,520,322		$3,214,820
Surcharge premium	$74,371					$74,371
TOTAL BASE SELF-INSURANCE PREMIUM	$2,520,413	$1,165,409	$1,186,214	$5,749,666	$526,600	$11,148,302
2018 ESTIMATED DIVIDEND	($612,132)		($787,463)	($1,885,269)		($3,284,864)
TOTAL NET BASE SELF-INSURANCE PREMIUM	$1,908,281	$1,165,409	$398,751	$3,864,397	$526,600	$7,863,438

ESTIMATED FY18 SELF-INSURANCE PREMIUM
Based on Estimated Vehicle Costs and Insurable Values

Automobile Liability		
Rate per Vehicle	$184	($251 siren)
		($484 siren - Public Safety-State Patrol)
Number of Vehicles (FY20 Estimate)	13,711	
Estimated FY20 Premium	$2,520,413	
Automobile Physical Damage		
Auto Phys. Damage per $100 Ins. Value	$0.75	$500 Deductible Option
	$0.65	$1,000 Deductible Option
Surcharged* Auto Phys. Damage per $100 Ins. Value	$1.47	$500 Deductible Option
*Commerce, Corrections, Fleet Services, Lottery, Minnesota State, MN State Academies, Minnesota Zoo, Pollution Control, Revenue Veterans Homes	$1.37	$1,000 Deductible Option
"A" Rated** Auto Physical Damage	$1.97	$1,500 Deductible
**MAC-$2,500 Deductible, Human Services-$1,500 Deductible	$1.67	$2,500 Deductible
Number of Vehicles (Estimated)	9,861	
Estimated Insurable Value (FY20)	$99,222,371	
Estimated FY20 premium	$1,165,409	
General Liability		
Specific rates established by exposure	Various	
Estimated FY20 premium	$1,186,214	
Property (Including Boiler & Crime)		
Property per $100 Ins. Value	Various	
Includes $.0151 Reinsurance Premium		
FY20 Estimated Total Insurable Value	$17,498,232,041	
Estimated FY20 premium	$5,749,666	
Inland Marine		
Specific rates established by exposure	Various	
FY20 Estimated Total Insurable Value	$184,852,946	
Estimated FY20 premium	$492,800	
Garage Keepers		
Specific rates vary by Limits of Liability	Various	
FY20 estimated total insurance values included in property		
Estimated FY20 premium	$32,800	
All Other		
Rates established by consultation with insurance broker	Various	
Estimated FY20 premium	$1,000	
TOTAL ESTIMATED FY20 SELF-INSURANCE PREMIUM	**$11,148,302**	

* Average rates for Minnesota State. Actual rates charged will be based on Auto Physical Damage loss experience.

REVENUES AT CURRENT RATES	10,892,980
CHANGE IN REVENUES	255,322
OVERALL CHANGE IN REVENUE	2.3%

Rate Matrix Computation

MINNESOTA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION
FOR FISCAL YEAR 2020

1. Describe cost and usage estimation methods.

Property - The billable units for property coverage consist of the total insured property values.

General Liability - Total square foot area of insured premises and student and teacher FTEs make up the billable units, for the most part, for General Liability. Historical data is used in determining the FY20 billable units for General Liability.

Auto Liability - The total number of vehicles reported by insured clients constitutes the billable units for Auto Liability. Historical data, as well as insights pertaining to proposed increases or decreases in the state's fleet, e.g., outsourcing vehicle rentals, impacts the billable unit base used for FY20.

Auto Physical Damage - Billable auto physical damage units consist of the total number of vehicles that insured clients report to the RMD for the purpose of obtaining comprehensive and collision coverage. Factors influencing billable unit projections are historical data, as well as impending changes in the state's fleet.

2. Method used to allocate expenses to cost centers by SWIFT account code (each cost center should recover its own expenses).

Insurance premium covers expenses for each line of business.

3. Treatment of capital equipment, including estimated purchases and amortization method.

iRISK, the internal generated computer software, is amortized over an estimated 10-year useful life utilizing a straight-line basis with no salvage value.

Six-Year Rate Comparison

MINNESOTA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION
FOR FISCAL YEAR 2020

Rate	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Change FY19/FY20
Automobile Liability per non-siren vehicle							
Tier 1	$164	$164	$164	$164	$164	$164	0.00%
Tier 2	$184	$184	$184	$184	$184	$184	0.00%
Tier 3	$204	$204	$204	$204	$204	$204	0.00%
Tier 4 - "A" rated	Varies	Varies	Varies	Varies	Varies	Varies	N/A
Auto Liability per siren vehicle							
Tier 1	$221	$221	$221	$221	$221	$221	0.00%
Tier 2	$251	$251	$251	$251	$251	$251	0.00%
Tier 3	$281	$281	$281	$281	$281	$281	0.00%
Public Safety	$484	$484	$484	$484	$484	$484	0.00%
Automobile Physical Damage (per $100 of insurance)							
$ 500 deductible	$0.75	$0.75	$0.75	$0.75	$0.75	$0.75	0.00%
$1,000 deductible	$0.65	$0.65	$0.65	$0.65	$0.65	$0.65	0.00%
$ 500 deductible (selected agencies)	$1.47	$1.47	$1.47	$1.47	$1.47	$1.47	0.00%
$1,000 deductible (selected agencies)	$1.37	$1.37	$1.37	$1.37	$1.37	$1.37	0.00%
$1,500 deductible (MAC until 7/1/2017, Human Services)	$1.97	$1.97	$1.97	$1.97	$1.97	$1.97	0.00%
$2,500 deductible (MAC effective 7/1/2017)				$1.67	$1.67	$1.67	0.00%
General Liability							
Standard rate	$40/1,000 ft2	$40/1,000 ft2	$40/1,000 ft2	$34/1,000 ft2	$34/1,000 ft2	$34/1,000 ft2	0.00%
"A" rated	Varies	Varies	Varies	Varies	Varies	Varies	N/A
Police Professional, Broadcasters, Public Officials Liability *	$500/cov	$500/cov	$500/cov	$500/cov	$500/cov	$500/cov	0.00%
Property (including Boiler & Crime/Cyber) / (per $100 of insurance)							
$ 1,000 deductible	$0.1034	$0.1034	$0.0930	$0.0930	$0.0930	$0.0930	0.00%
$ 2,500 deductible	$0.0682	$0.0682	$0.0614	$0.0614	$0.0614	$0.0614	0.00%
$ 5,000 deductible	$0.0558	$0.0558	$0.0502	$0.0502	$0.0502	$0.0502	0.00%
$ 10,000 deductible	$0.0496	$0.0496	$0.0447	$0.0447	$0.0447	$0.0447	0.00%
$ 25,000 deductible	$0.0413	$0.0413	$0.0372	$0.0372	$0.0372	$0.0372	0.00%
$ 50,000 deductible	$0.0351	$0.0351	$0.0316	$0.0316	$0.0316	$0.0316	0.00%
$ 75,000 deductible	$0.0331	$0.0331	$0.0298	$0.0298	$0.0298	$0.0298	0.00%
$100,000 deductible	$0.0310	$0.0310	$0.0279	$0.0279	$0.0279	$0.0279	0.00%
$250,000 deductible	$0.0265	$0.0265	$0.0239	$0.0239	$0.0239	$0.0239	0.00%
Builder's Risk (per $100 of insurance)							
$ 5,000 deductible	$0.173	$0.173	$0.173	$0.173	$0.173	$0.173	0.00%
Homeowner's Warranty (per $1,000 of replacement value)	$8.75	$8.75	$8.75	$8.75	$8.75	$8.75	0.00%
Inland Marine (per $100 of insurance)							
Computer Equipment ($100 min prem 1st yr of new business)							
$ 100 deductible	$0.75	$0.75	$0.75	$0.75	$0.75	$0.75	0.00%
$ 250 deductible	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	0.00%
$ 500 deductible	$0.30	$0.30	$0.30	$0.30	$0.30	$0.30	0.00%
$ 1,000 deductible	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	0.00%
$10,000 deductible	$0.18	$0.18	$0.18	$0.18	$0.18	$0.18	0.00%
Fine Arts ($100 min prem 1st yr of new business)							
$ 500 deductible - non-owned exhibits (blanket limit)	$1.75	$1.75	$1.75	$1.75	$1.75	$1.75	0.00%
$ 500 deductible - owned exhibits	$0.65	$0.65	$0.65	$0.65	$0.65	$0.65	0.00%
$1,000 deductible - non-owned exhibits (blanket limit)	$1.30	$1.30	$1.30	$1.30	$1.30	$1.30	0.00%
$1,000 deductible - owned exhibits	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	0.00%
$5,000 deductible - non-owned exhibits (blanket limit)	$1.05	$1.05	$1.05	$1.05	$1.05	$1.05	0.00%
$5,000 deductible - owned exhibits	$0.35	$0.35	$0.35	$0.35	$0.35	$0.35	0.00%
Contractors' Equipment ($250 min prem 1st yr of new business)							
$ 500 deductible	$0.40	$0.40	$0.40	$0.40	$0.40	$0.40	0.00%
$1,000 deductible	$0.30	$0.30	$0.30	$0.30	$0.30	$0.30	0.00%
$2,500 deductible	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	0.00%
Musical Instruments ($100 min prem 1st yr of new business)							
$ 500 deductible	$0.65	$0.65	$0.65	$0.65	$0.65	$0.65	0.00%
$1,000 deductible	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	0.00%
Scoreboards ($100 min prem 1st yr of new business)							
$ 500 deductible	$0.65	$0.65	$0.65	$0.65	$0.65	$0.65	0.00%
$1,000 deductible	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	0.00%
Cameras, TV & Radio Equipment ($100 min prem 1st yr of new business)							
$ 500 deductible	$0.40	$0.40	$0.40	$0.40	$0.40	$0.40	0.00%
$1,000 deductible	$0.30	$0.30	$0.30	$0.30	$0.30	$0.30	0.00%
Towers, Radio & TV ($250 min prem 1st yr of new business)							
$1,000 deductible	$0.90	$0.90	$0.90	$0.90	$0.90	$0.90	0.00%
Miscellaneous Equipment ($100 min prem 1st yr of new business)							
$ 500 deductible	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	0.00%
$1,000 deductible	$0.20	$0.20	$0.20	$0.20	$0.20	$0.20	0.00%
Garagekeepers (average premium)	$827	$827	$827	$827	$827	$827	0.00%
A $50 minimum annual premium will apply to RMF renewal policies. A $100 minimum annual premium will apply to new RMF policies.							
Insurance Services Fee Schedule - per hour							
Consulting	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00	0.00%
Non-Insured Tort Claims	$55.00	$55.00	$55.00	$55.00	$60.00	$65.00	8.33%
Billbacks	Varies	Varies	Varies	Varies	Varies	Varies	N/A

*Minnesota State receives Police Professional, Broadcasters and Public Officials Liability at no charge. MN State Fair receives Police Professional Liability at no charge

History and Proforma

MINNESOTA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION
FOR FISCAL YEAR 2020

	SWIFT Code	FY 2015 ACTUAL	FY 2016 ACTUAL	FY 2017 ACTUAL	FY 2018 ACTUAL	FY 2019 EST/ACTUAL	FY 2020 PROPOSED	$ CHANGE FY19/FY20	% CHANGE FY19/FY20
Operating Revenues									
Insurance Premiums - Self Insurance	670022	10,834,986	11,027,989	10,673,329	10,669,219	10,892,980	11,148,302	255,322	2.3%
Insurance Premiums - Purchased		755,922	732,047	758,710	732,186	801,000	815,000	14,000	1.7%
Consulting Services		800	800	800	800	-	-	-	0.0%
Non-Insured Tort	670040	79,619	49,000	41,184	33,671	35,000	37,890	2,890	8.3%
Total Operating Revenue		11,671,327	11,809,835	11,474,023	11,435,875	11,728,980	12,001,192	272,212	2.3%
Operating Expenses									
Claims - Self-Insurance	41200	3,938,941	1,335,830	3,379,561	2,689,378	4,800,000	5,487,613	687,613	14.3%
Claims - IBNR	41200	161,013	(199,491)	49,835	(17,312)	(283,584)	50,000	333,584	-117.6%
Salaries and Benefits	41000-70	1,159,831	1,091,176	1,233,548	1,149,882	1,145,715	1,316,800	171,085	14.9%
Rent	41100	75,390	74,631	74,963	76,612	67,500	67,000	(500)	-0.7%
Rent - Equipment	41400	3,581	3,893	3,653	3,734	4,000	4,000	-	0.0%
Printing	41110	547	954	1,358	1,385	800	1,150	350	43.8%
Advertising	41110	-	909	-	920	500	500	-	0.0%
Repairs	41500	-	-	-	-	-	-	-	0.0%
Professional & Technical Services - Adjuster	41130	292,557	286,280	188,447	192,216	197,100	202,140	5,040	2.6%
Professional & Technical Services - Broker	41130	160,560	157,560	154,500	154,500	179,560	154,550	(25,010)	-13.9%
Professional & Technical Services - Legal & Other Services	41130	7,031	5,000	5,000	8,793	5,500	30,500	25,000	454.5%
Centralized IT Services	41196	213,522	177,790	193,334	258,186	265,000	306,690	41,690	15.7%
Purchased Services	43000	35,521	27,816	33,187	37,478	36,550	36,550	-	0.0%
Communications	41155	1,960	1,133	1,514	1,583	1,500	2,000	500	33.3%
Travel	41160-70	3,949	2,051	6,224	3,337	5,200	7,100	1,900	36.5%
Supplies and Materials	41300	4,992	4,320	4,441	4,013	7,500	4,500	(3,000)	-40.0%
Membership & Employee Development	41180	3,309	1,273	3,388	3,384	3,500	3,700	200	5.7%
Insurance	43000	202	-	-	-	-	-	-	0.0%
Insurance Premium - Self-Insurance	430018	3,133,120	3,139,046	3,294,505	3,231,729	3,086,048	3,214,820	128,772	4.2%
Insurance Premium - Purchased	430018	755,922	732,047	758,710	732,186	801,000	815,000	14,000	1.7%
Attorney General Costs	42020	405,456	166,646	193,862	127,768	100,000	126,000	26,000	26.0%
Indirect Costs	42010	63,534	67,989	62,547	51,144	67,711	56,656	(11,055)	-16.3%
Amortization	49005	37,002	37,002	37,002	37,002	37,002	37,002	-	0.0%
Other Expenses	43000	1,399	2,273	2,067	3,492	2,650	2,550	(100)	-3.8%
Total Operating Expenses		10,459,337	7,116,127	9,681,646	8,751,410	10,530,752	11,926,821	1,396,069	13.3%
Operating Income (Losses)		1,211,990	4,693,709	1,792,377	2,684,465	1,198,228	74,371	(1,123,857)	-93.8%
Nonoperating Revenues (Expenses)									
Interest Earnings		123,511	169,911	245,870	337,592	550,000	500,000	(50,000)	-9.1%
Policyholder Dividend Expense		(2,318,483)	(2,518,857)	(3,151,107)	(2,326,216)	(2,787,284)	(3,284,864)	(497,580)	17.9%
Non-Operating Revenues		-	-	-	-	-	-	-	0.0%
Total Nonoperating Revenue (Expenses)		(2,194,972)	(2,348,946)	(2,905,237)	(1,988,624)	(2,237,284)	(2,784,864)	(547,580)	24.5%
Income (Loss) before Contributions and Transfers		(982,982)	2,344,763	(1,112,860)	695,842	(1,039,056)	(2,710,493)	(1,671,437)	160.9%
Transfers		-	-	-	(3,116.00)	-	-	-	0.0%
Change in Net Position		(982,982)	2,344,763	(1,112,860)	692,726	(1,039,056)	(2,710,493)	(1,671,437)	160.9%
Retained Earnings, Beginning Period		14,117,572	13,089,130	15,432,950	14,317,856	15,017,481	13,978,425	(1,039,056)	-6.9%
Adjustment to Retained Earnings		(45,460)	(943)	(2,234)	6,900	-	-	-	0.0%
Retained Earnings, Ending Period		13,089,130	15,432,950	14,317,856	15,017,481	13,978,425	11,267,932	(2,710,493)	-19.4%

SWIFT Spending Plan

MINNESOTA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION
FOR FISCAL YEAR 2020

		Fund 5300			
			FinDept ID G0236100	FinDept ID G0236200	FinDept ID G0236400
	SWIFT	Total	Operations	Claims	Tort Claims
Revenue Description*	Account				
Self Insurance/Purchased Insurance	670022	11,963,302		11,963,302	
Non-Insured Tort Claims	670040	37,890			37,890
Interest	512001	500,000		500,000	
		12,501,192		12,463,302	37,890
Expense Description*	Account				
Salaries	41000	1,315,400	1,289,800	-	25,600
Part-time/Seasonal	41030	-	-	-	-
Overtime	41050	-	-	-	-
Premium Pay	41050	-	-	-	-
Other Benefits	41070	1,400	1,350	-	50
Rent	41100	67,000	65,000	-	2,000
Rent - Equipment	41400	4,000	3,800	-	200
Printing/Advertising	41110	1,650	1,600	-	50
Prof/Tech Services-Outside Vendor	41130	387,190	185,050	202,140	-
Centralized IT Services	41196	306,690	299,430	-	7,260
Purchased Services	43000	36,550	36,550	-	-
Communications	41155	2,000	1,500	-	500
Travel - In-state	41160	2,900	2,670	-	230
Travel - Out-of-state	41170	4,200	4,200	-	-
Supplies	41300	4,500	4,100	-	400
Employee Development	41180	3,700	3,500	-	200
Claims	41200	5,537,613	-	5,537,613	-
Other Purchased Services	43000	2,550	2,550	-	-
Insurance Premiium Expense	430018	815,000	-	815,000	-
Reinsurance Premium	430018	3,214,820	-	3,214,820	-
Statewide Indirects	42010	56,656	55,256	-	1,400
Attorney General	42020	126,000	1,000	125,000	-
Dividend	44200	3,284,864	-	3,284,864	-
		15,174,683	1,957,356	13,179,437	37,890
Adjustments					
Depreciation	49005	37,002	37,002		
Total		37,002	37,002	0	0
Minus:		-	-		
Total		-	-	0	0
History and Proforma Expense Amount		15,211,685	1,994,358	13,179,437	37,890

SWIFT Spending Plan by FinDept ID

MINNESOTA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION
FOR FISCAL YEAR 2020

Reconciliation:

G0236100	Operating expenses	1,994,358
G0236200	Claims, Reinsurance, and Dividends	
	Claims - Self-Insurance	5,537,613
	Reinsurance Premium	3,214,820
	Insurance Premium - Purchased	815,000
	Dividends	3,284,864
	Professional & Technical Services - Broker	202,140
	Attorney General	125,000
		13,179,437
G0236400	Non-Insured Tort Claims Operating Expenses	37,890
TOTAL		**15,211,685**

Self-Insurance

		Other Operations	Professional & Technical Services - Adjuster - 41130	Attorney General-42021	Dividends	Totals
G0246210	Auto Liability	1,491,086	202,140	62,500	612,132	2,367,858
G0246220	Auto Physical Damage	839,341				839,341
G0246230	General Liability	755,481		62,500	787,463	1,605,444
G0246240	Property/Boiler/Crime	5,231,418			1,885,269	7,116,687
G0246250	Miscellaneous Lines	424,107				424,107
G0246260	Homeowner's Warranty	1,000				1,000
G0236200	Other Expenses	10,000				10,000
	TOTAL	8,752,433	202,140	125,000	3,284,864	12,364,437

Purchased Insurance by FinDept ID- FY20		**43000**
G0246270	Liability (Med Mal, Student Intern, D&O)	365,000
G0246271	Property	15,000
G0246272	Accident Insurance	18,000
G0246273	Crime	96,000
G0246274	Bonds	1,000
G0246275	Aviation	250,000
G0264276	Workers' Compensation	70,000

Projected Cash Flow

MINNESOTA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION
FOR FISCAL YEAR 2020

	Estimate Jul 19	Estimate Aug 19	Estimate Sep 19	Estimate Oct 19	Estimate Nov 19	Estimate Dec 19	Estimate Jan 20	Estimate Feb 20	Estimate Mar 20	Estimate Apr 20	Estimate May 20	Estimate Jun 20
Projected Beginning Cash Balance	**23,249,760**	**19,209,523**	**20,826,397**	**23,557,415**	**21,904,294**	**23,550,209**	**23,405,098**	**23,046,935**	**22,702,256**	**22,165,177**	**21,640,355**	**21,118,271**
Receipts - operating	83,718	2,360,891	3,405,899	2,428,824	2,407,512	454,172	253,290	299,267	134,047	91,860	66,958	14,755
Transfer Ins	-	-	-	-	-	-	-	-	-	-	-	-
Other Non Operating Receipts	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667
Total Cash Receipt	**125,385**	**2,402,558**	**3,447,566**	**2,470,490**	**2,449,179**	**495,838**	**294,956**	**340,933**	**175,713**	**133,527**	**108,625**	**56,422**
Expenses (include major categories for the business)												
Salaries & Benefits	101,292	151,938.46	101,292	101,292	101,292	101,292	101,292	101,292	151,938	101,292	101,292	101,292
Indirect Costs	-	-	14,164	-	-	14,164	-	-	14,164	-	-	14,164
Claim Expense	488,730	488,730	488,730	488,730	488,730	488,730	488,730	488,730	488,730	488,730	488,730	488,730
Other Operating Expenses	3,575,600	145,016	112,362	248,726	213,242	36,763	63,097	95,591	57,960	68,327	40,686	31,240
Dividends/Rebates, if applicable	-	-	-	3,284,864	-	-	-	-	-	-	-	-
Transfer Outs	-	-	-	-	-	-	-	-	-	-	-	-
Other Non Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Total Expense Paid	**4,165,622**	**785,684**	**716,548**	**4,123,612**	**803,264**	**640,949**	**653,119**	**685,613**	**712,792**	**658,349**	**630,708**	**635,426**
Projected Ending Cash Balance	**19,209,523**	**20,826,397**	**23,557,415**	**21,904,294**	**23,550,209**	**23,405,098**	**23,046,935**	**22,702,256**	**22,165,177**	**21,640,355**	**21,118,271**	**20,539,267**

Financial Statement

Statement of Net Position

STATE OF MINNESOTA
RISK MANAGEMENT - PROPERTY AND CASUALTY FUND 5300
STATEMENT OF NET POSITION
MARCH 31, 2019

4/16/2019
Unaudited

		FY19		FY18
ASSETS				
CURRENT ASSETS				
Cash	$	27,737,043.94	$	22,883,865.69
Accounts Receivable		467,297.10		2,086,548.70
Prepaid Expenses		39,135.28		42,662.09
Prepaid Insurance - Billback		289,142.41		170,327.24
Prepaid Insurance - Reinsurance		765,000.86		803,432.30
Prepaid Insurance - Workers' Compensation		-		265.75
Reinsurance Recoverable		1,700,000.00		-
Total Current Assets	$	30,997,619.59	$	25,987,101.77
NONCURRENT ASSETS (Note 3)				
Internally Generated Computer Software (IGCS)	$	370,018.85	$	370,018.85
Accumulated Amortization - IGCS		(175,758.95)		(138,757.07)
Total Noncurrent Assets	$	194,259.90	$	231,261.78
TOTAL ASSETS	$	31,191,879.49	$	26,218,363.55
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Other Postemployment Benefits Outflows (Note 5)	$	4,000.00	$	-
Deferred Pension Outflows (Note 6)		1,922,000.00		2,562,000.00
Total Deferred Outflows of Resources	$	1,926,000.00	$	2,562,000.00
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	$	196,684.20	$	230,749.60
Salaries and Benefits Payable		34,138.17		32,824.44
Claims Payable		6,927,453.28		4,150,901.96
Claims Payable - IBNR (Note 1)		4,361,716.00		4,389,748.00
Dividend Payable		2,787,284.00		9,203.00
Unearned Premiums - Billback		351,653.75		254,821.08
Unearned Premiums - Self-Insurance		2,717,005.93		2,669,825.97
Compensated Absences Payable (Note 4)		23,000.00		35,395.78
Due to Other Funds (Note 7)		4,025.14		1,187.23
Total Current Liabilities	$	17,402,960.47	$	11,774,657.06
NONCURRENT LIABILITIES				
Compensated Absences Payable (Note 4)	$	140,000.00	$	214,290.24
Other Postemployment Benefits (Note 5)		64,000.00		16,000.00
Net Pension Liability (Note 6)		2,302,000.00		3,658,000.00
Total Noncurrent Liabilities	$	2,506,000.00	$	3,888,290.24
TOTAL LIABILITIES	$	19,908,960.47	$	15,662,947.30
DEFERRED INFLOWS OF RESOURCES				
Deferred Other Postemployment Benefits Inflows (Note 5)	$	3,000.00	$	-
Deferred Pension Inflows (Note 6)		1,378,000.00		267,000.00
Total Deferred Inflows of Resources	$	1,381,000.00	$	267,000.00
NET POSITION (Note 9)				
Net Investment In Capital Assets	$	194,259.90	$	231,261.78
Unrestricted Net Position		11,633,659.12		12,619,154.47
TOTAL NET POSITION	$	11,827,919.02	$	12,850,416.25

Statement of Revenues, Expenses & Changes in Net Position

STATE OF MINNESOTA — 4/16/2019
RISK MANAGEMENT - PROPERTY AND CASUALTY FUND 5300 — Unaudited
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION
FOR THE QUARTER ENDED MARCH 31, 2019

	FY19 QTD	FY19 YTD	FY18 QTD	FY18 YTD
OPERATING REVENUES				
Insurance Premiums - Self-Insurance	$ 2,676,160.25	$ 8,106,097.48	$ 2,623,768.86	$ 7,969,538.04
Insurance Premiums - Billback	170,131.71	597,261.43	412,031.84	616,443.86
Non-Insured Tort Claims	9,984.00	26,190.00	7,199.50	24,040.50
Consulting Services	-	-	800.00	800.00
Total Operating Revenues	$ 2,856,275.96	$ 8,729,548.91	$ 3,043,800.20	$ 8,610,822.40
OPERATING EXPENSES				
Claims - Self-Insurance	$ 3,434,652.40	$ 3,595,057.72	$ 1,188,589.74	$ 2,193,375.68
Claims - IBNR	(283,584.00)	(283,584.00)	(272,864.00)	(272,864.00)
Salaries and Benefits	271,174.08	821,785.91	332,552.81	949,335.92
Rent	16,601.44	49,164.94	19,257.88	57,427.85
Rent - Equipment	950.84	2,997.51	951.71	2,855.13
Repairs and Maintenance	-	574.12	-	-
Printing	397.71	593.08	193.37	1,198.44
Advertising	-	-	920.00	920.00
Professional and Technical Services - Adjuster	49,014.00	147,042.00	48,054.00	144,162.00
Professional and Technical Services - Broker	38,635.28	115,905.84	38,625.00	115,875.00
Professional and Technical Services - Legal and Other	-	65.50	129.38	388.14
Centralized IT Services	37,086.01	211,280.43	26,429.37	181,000.99
Purchased Services	7,492.82	26,074.81	8,396.03	28,753.94
Communications	248.31	844.59	193.30	1,197.57
Travel	75.49	3,683.80	51.04	3,059.19
Supplies and Materials	856.03	6,612.83	725.97	3,471.71
Employee Development	1,073.14	2,651.31	374.42	2,136.92
Insurance Premiums - Self-Insurance	765,000.86	2,295,002.58	807,932.29	2,423,796.87
Insurance Premiums - Billback	170,131.71	597,261.43	412,031.84	616,443.86
Attorney General Costs	19,246.53	71,121.23	15,441.90	103,095.70
Indirect Costs	16,927.75	50,783.25	12,786.00	38,358.00
Amortization	9,250.47	27,751.41	9,250.47	27,751.41
Other Expenses	100.00	1,989.00	573.75	1,837.49
Total Operating Expenses	$ 4,555,330.87	$ 7,744,659.29	$ 2,650,596.27	$ 6,623,625.14
OPERATING INCOME (LOSS)	$ (1,699,054.91)	$ 984,889.62	$ 393,203.93	$ 1,987,197.26
NONOPERATING REVENUES (EXPENSES)				
Interest Revenue	$ 170,353.48	$ 417,831.77	$ 93,092.00	$ 232,178.91
Policyholder Dividend Expense	-	(2,787,284.00)	-	(2,326,216.00)
Total Nonoperating Revenues (Expenses)	$ 170,353.48	$ (2,369,452.23)	$ 93,092.00	$ (2,094,037.09)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	$ (1,528,701.43)	$ (1,384,562.61)	$ 486,295.93	$ (106,839.83)
TRANSFERS AND CONTRIBUTIONS				
Capital Contributions	$ -	$ -	$ -	$ -
Total Transfers and Contributions	$ -	$ -	$ -	$ -
CHANGE IN NET POSITION	$ (1,528,701.43)	$ (1,384,562.61)	$ 486,295.93	$ (106,839.83)
NET POSITION, BEGINNING, AS REPORTED	$ 13,356,620.45	$ 13,212,481.63	$ 12,364,120.32	$ 12,954,856.08
Adjustment to Net Position (Note 8)	-	-	-	2,400.00
NET POSITION, BEGINNING, AS RESTATED	$ 13,356,620.45	$ 13,212,481.63	$ 12,364,120.32	$ 12,957,256.08
NET POSITION, ENDING	$ 11,827,919.02	$ 11,827,919.02	$ 12,850,416.25	$ 12,850,416.25

Statement of Cash Flow

STATE OF MINNESOTA		4/16/2019
RISK MANAGEMENT - PROPERTY AND CASUALTY FUND 5300		Unaudited
STATEMENT OF CASH FLOWS		
FOR THE QUARTER ENDED MARCH 31, 2019		
		YTD
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$	13,110,664.63
Payments to Claimants		(2,411,087.85)
Payments to Suppliers for Goods and Services		(4,497,519.15)
Payments to Employees		(842,880.15)
Net Cash Flows from Operating Activities	$	5,359,177.48
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Policyholder Dividend Payments	$	-
Nonoperating Revenue		-
Nonoperating Transfer In (Out)		(3,116.00)
Net Cash Flows from Noncapital Financing Activities	$	(3,116.00)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Investment in Capital Assets	$	-
Capital Contributions		-
Net Cash Flows from Capital and Related Financing Activities	$	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	$	417,831.77
Net Cash Flows from Investing Activities	$	417,831.77
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$	5,773,893.25
Cash and Cash Equivalents, Beginning, as Reported		21,963,150.69
Cash and Cash Equivalents, Ending	$	27,737,043.94
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities		
Operating Income (Loss)	$	984,889.62
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities		
Depreciation		-
Amortization	$	27,751.41
(Increase) Decrease in Accounts Receivable		1,502,916.00
(Increase) Decrease in Due from Other Funds		-
(Increase) Decrease in Prepaid Expenses		(997,105.84)
(Increase) Decrease in Prepaid Insurance - Workers' Compensation		-
(Increase) Decrease in Reinsurance Recoverable		(1,700,000.00)
(Increase) Decrease in Other Current Assets		-
(Increase) Decrease in Deferred Other Postemployment Benefits Outflows		-
(Increase) Decrease in Deferred Pension Outflows		-
Increase (Decrease) in Accounts Payable		79,647.03
Increase (Decrease) in Salaries and Benefits Payable		(21,094.24)
Increase (Decrease) in Claims Payable		2,600,385.87
Increase (Decrease) in Sales Tax Payable		
Increase (Decrease) in Unearned Revenue		2,878,199.72
Increase (Decrease) in Compensated Absences Payable		-
Increase (Decrease) in Other Postemployment Benefits		-
Increase (Decrease) in Due to Other Funds		3,587.91
Increase (Decrease) in Other Current Liabilities		-
Increase (Decrease) in Net Pension Liability		-
Increase (Decrease) in Deferred Other Postemployment Benefits Inflows		-
Increase (Decrease) in Deferred Pension Inflows		-
Net Reconciling Items to be Added to (Deducted from) Operating Income	$	4,374,287.86
Net Cash Flows from Operating Activities	$	5,359,177.48
Noncash Investing, Capital and Financing Activities:	$	-

Budget to Actual Comparison

STATE OF MINNESOTA
RISK MANAGEMENT - PROPERTY AND CASUALTY FUND 5300
STATEMENT OF BUDGET AND ACTUAL COMPARISON
FOR THE QUARTER ENDED MARCH 31, 2019

4/16/2019
Unaudited

	BUDGET QTD	BUDGET YTD	ACTUAL QTD	ACTUAL YTD	VARIANCE QTD	VARIANCE YTD
OPERATING REVENUES						
Insurance Premiums - Self-Insurance	$ 2,694,419.25	$ 8,083,257.75	$ 2,676,160.25	$ 8,106,097.48	$ (18,259.00)	$ 22,839.73
Insurance Premiums - Billback	188,750.00	566,250.00	170,131.71	597,261.43	(18,618.29)	31,011.43
Non-Insured Tort Claims	8,750.00	26,250.00	9,984.00	26,190.00	1,234.00	(60.00)
Total Operating Revenue	$ 2,891,919.25	$ 8,675,757.75	$ 2,856,275.96	$ 8,729,548.91	$ (35,643.29)	$ 53,791.16
OPERATING EXPENSES						
Claims - Self Insurance	$ 1,294,868.50	$ 3,884,605.50	$ 3,434,652.40	$ 3,595,057.72	$ 2,139,783.90	$ (289,547.78)
Claims - IBNR	25,000.00	75,000.00	(283,584.00)	(283,584.00)	(308,584.00)	(358,584.00)
Salaries and Benefits	330,332.00	990,996.00	271,174.08	821,785.91	(59,157.92)	(169,210.09)
Rent	16,875.00	50,625.00	16,601.44	49,164.94	(273.56)	(1,460.06)
Rent - Equipment	1,000.00	3,000.00	950.84	2,997.51	(49.16)	(2.49)
Printing	375.00	1,125.00	397.71	593.08	22.71	(531.92)
Advertising	125.00	375.00	-	-	(125.00)	(375.00)
Professional and Technical Services - Adjuster	49,275.00	147,825.00	49,014.00	147,042.00	(261.00)	(783.00)
Professional and Technical Services - Broker	44,890.00	134,670.00	38,635.28	115,905.84	(6,254.72)	(18,764.16)
Professional and Technical Services - Legal and Other	1,375.00	4,125.00	-	65.50	(1,375.00)	(4,059.50)
Centralized IT Services	68,312.25	204,936.75	37,086.01	211,280.43	(31,226.24)	6,343.68
Purchased Services	9,137.50	27,412.50	7,492.82	26,074.81	(1,644.68)	(1,337.69)
Communications	500.00	1,500.00	248.31	844.59	(251.69)	(655.41)
Travel	1,850.00	5,550.00	75.49	3,683.80	(1,774.51)	(1,866.20)
Supplies and Materials	1,500.00	4,500.00	856.03	6,612.83	(643.97)	2,112.83
Employee Development	1,075.00	3,225.00	1,073.14	2,651.31	(1.86)	(573.69)
Insurance Premiums - Self-Insurance	771,512.00	2,314,536.00	765,000.86	2,295,002.58	(6,511.14)	(19,533.42)
Insurance Premiums - Billback	188,750.00	566,250.00	170,131.71	597,261.43	(18,618.29)	31,011.43
Attorney General	50,187.50	150,562.50	19,246.53	71,121.23	(30,940.97)	(79,441.27)
Indirect Costs	17,597.50	52,792.50	16,927.75	50,783.25	(669.75)	(2,009.25)
Amortization	9,250.50	27,751.50	9,250.47	27,751.41	(0.03)	(0.09)
Other Expenses	562.50	1,687.50	100.00	1,989.00	(462.50)	301.50
Total Operating Expense	$ 2,884,350.25	$ 8,653,050.75	$ 4,555,330.87	$ 7,744,659.29	$ 1,670,980.62	$ (908,391.46)
OPERATING INCOME (LOSS)	$ 7,569.00	$ 22,707.00	$ (1,699,054.91)	$ 984,889.62	$ (1,706,623.91)	$ 962,182.62
NON-OPERATING REVENUE (EXPENSES)						
Interest Revenue	$ 77,500.00	$ 232,500.00	$ 170,353.48	$ 417,831.77	$ 92,853.48	$ 185,331.77
Policyholder Dividend Expense	-	(1,993,837.00)	-	(2,787,284.00)	-	(793,447.00)
Total Non-Operating Revenue (Expenses)	$ 77,500.00	$ (1,761,337.00)	$ 170,353.48	$ (2,369,452.23)	$ 92,853.48	$ (608,115.23)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	$ 85,069.00	$ (1,738,630.00)	$ (1,528,701.43)	$ (1,384,562.61)	$ (1,613,770.43)	$ 354,067.39
TRANSFERS AND CONTRIBUTIONS						
Capital Contributions	$ -	$ -	$ -	$ -	$ -	$ -
Total Transfers and Contributions	$ -	$ -	$ -	$ -	$ -	$ -
CHANGE IN NET POSITION	$ 85,069.00	$ (1,738,630.00)	$ (1,528,701.43)	$ (1,384,562.61)	$ (1,613,770.43)	$ 354,067.39

Footnotes to Financial Statements

STATE OF MINNESOTA 4/16/2019
RISK MANAGEMENT DIVISION - PROPERTY AND CASUALTY FUND 5300 Unaudited
FOOTNOTES TO FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation:

The accompanying financial statements of the Risk Management Division (RMD) - Property and Casualty fund have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

On July 1, 2011, the state implemented the Statewide Integrated Financial Tools (SWIFT). The amounts presented in the financial statement are based upon information available from SWIFT. The capital asset amounts are based upon historical records along with acquisitions and dispositions in FY19.

Reporting Entity:

The RMD - Property and Casualty fund provides automobile liability, general liability, automobile physical damage, property, boiler and machinery insurance on real and personal property, business interruption and other insurance coverages to state agencies. Insurance coverage generally coincides with the fiscal year and revenue is recognized over the period of coverage. Coverage was first issued on January 1, 1987. The fund also purchases reinsurance to protect itself from catastrophic losses and the aggregation of losses. The fund purchases commercial insurance at state agencies' request and bills those agencies at cost. These revenues and expenses are referred to as "Billbacks" and are pro-rated over the lives of the various policies.

Basis of Accounting:

The RMD - Property and Casualty fund is an internal service fund using the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized as incurred.

An estimated liability has been included for claims incurred but not reported (IBNR). This financial statement includes claims information known as of March 31, 2019 for claims incurred prior to April 1, 2019.

Capital assets are generally defined as assets with an initial, individual cost of more than $300,000 for buildings and depreciable infrastructure, $5,000 or more for equipment and art and historical treasures, and $30,000 or more for software and internally generated computer software (IGCS). Land, land improvements, building improvements, and easement assets are capitalized, regardless of cost. Capital assets must also have an estimated useful life of two or more years. Capital assets are recorded at cost or, for donated assets, at acquisition value at the date of acquisition.

Capital assets are depreciated using the straight-line method generally based on the following useful lives: 20-50 years for buildings; 17-50 years for large improvements; 3-10 years for small improvements; 10-55 years for infrastructure; 3-12 years for equipment and software; and 8-12 years for IGCS.

2 LEGISLATION & AUTHORITY

The Risk Management fund was established under Minnesota Laws of 1986, Chapter 455, Section 3 (M.S. 16B.85 Subd.2).

3. CAPITAL ASSETS

CAPITAL ASSETS	Balance 7/1/2018	Additions	Deletions	Balance 3/31/2019
Internally Generated Computer Software (IGCS)	$ 370,018.85	$ -	$ -	$ 370,018.85
Total Capital Assets	$ 370,018.85	$ -	$ -	$ 370,018.85
Accumulated Depreciation/Amortization for:				
Internally Generated Computer Software (IGCS)	$ (148,007.54)	$ (27,751.41)	$ -	$ (175,758.95)
Total Accumulated Depr/Amort	$ (148,007.54)	$ (27,751.41)	$ -	$ (175,758.95)

4. COMPENSATED ABSENCES

State employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in their collective bargaining agreements. Leave balances are liquidated upon separation from state employment. The balance is shown as a liability.

	Current	Noncurrent
Balance 7/1/2018	$ 23,000.00	$ 140,000.00
Increase	-	-
Decrease	-	-
Balance 3/31/2019	$ 23,000.00	$ 140,000.00

5. **OTHER POSTEMPLOYMENT BENEFITS**

In FY08, the State of Minnesota implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This statement requires the state to measure and report Other Postemployment Benefits (OPEB) expenses and related liabilities.

In FY18, the State of Minnesota implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". This statement requires recording changes of total OPEB liability along with the inflows and outflows and expense associated with OPEB.

The June 30, 2018 liabilities and deferred outflows and inflows of resources are calculated using June 30, 2017 actuarial report as the June 30, 2018 information is not available in adequate time to incorporate in the financial statements, which is allowed by GASB 75.

A single rate of 3.58% was used to measure the total OPEB liability as of June 30, 2017. The single discount rate was based on a municipal bond rate of 3.58% (based on a 20-year Bond Buyer GO Index as of the end of June 2017). The Department of Administration (Admin)'s allocation was determined based on the headcount of active employees and covered spouses eligible to receive health benefits.

The Net OPEB Liability (NOL) is equal to the actuarially determined total OPEB liability less the net position of the OPEB trust fund.

	Deferred OPEB Outflows	Other Postemployment Benefits	Deferred OPEB Inflows
Balance 7/1/2018	$ 4,000.00	$ 64,000.00	$ 3,000.00
Change in Accounting Principle	-	-	-
Increase	-	-	-
Decrease	-	-	-
Balance 3/31/2019	$ 4,000.00	$ 64,000.00	$ 3,000.00

6. **NET PENSION LIABILITY**

Effective FY15, GASB established new accounting and financial reporting requirements for pension benefits. GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" requires the state to recognize the state's share of the pension plan's liabilities, deferred outflows of resources, and deferred inflows of resources. The pension plan contributions are based on a percentage of salary. The Minnesota State Retirement System (MSRS) prepares a Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, which is audited by the Office of the Legislative Auditor.

The June 30, 2018 liabilities and deferred outflows and inflows of resources are calculated using June 30, 2017 actuarial report as the June 30, 2018 information is not available in adequate time to incorporate in the financial statements, which is allowed by GASB 68.

The net pension liability is the difference between the total pension liability and the plan's fiduciary net position – accrued liability less the market value of assets.

The increase (decrease) in pension liability that is recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the difference between expected and actual experience in the measurement of the total pension liability, assumption changes and investment experience.

	Deferred Pension Outflows	Net Pension Liability	Deferred Pension Inflows
Balance 7/1/2018	$ 1,922,000.00	$ 2,302,000.00	$ 1,378,000.00
Increase	-	-	-
Decrease	-	-	-
Balance 3/31/2019	$ 1,922,000.00	$ 2,302,000.00	$ 1,378,000.00

7. **DUE TO OTHER FUNDS**

As of March 31, 2019, the total Due to Other Funds balance is $4,025.14.

$3,587.91 represents the balance due to Workers' Compensation Fund 2001 for the Centralized IT Services expenses paid by Workers' Compensation Fund. Expenditure correction will be processed in April 2019.

In FY03, Admin became a participant in a new worker's compensation plan. As a result, the previous worker's compensation plan administered by RMD had a surplus balance. Funds were returned to the appropriate divisions based on the status of outstanding claims except for those held by the RMD on behalf of the Health and Safety Committee. During the course of the previous workers' compensation plan, .0025% of the premiums paid from the divisions had been allocated to Admin's Health and Safety Committee. These dollars are used to purchase supplies and/or memberships as needed. $437.23 represents the remaining balance as of March 31, 2019.

8. **ADJUSTMENT TO NET POSITION**

In FY19, as of March 31, 2019, the total prior period adjustment is $0.00.

In FY18, as of March 31, 2018, the total prior period adjustment is $2,400.00.
$2,400.00 is due to the overstatement of Insurance Premiums - Self-Insurance expense.

9. NET POSITION

The State of Minnesota implemented new accounting standards as prescribed by GASB. During FY02, the standards included revised statement formats which resulted in the change from Retained Earnings to Net Asset reporting. During FY13, Net Assets was renamed to Net Position; and Invested in Capital Assets, Net of Related Debt was renamed to Net Investment in Capital Assets. For historical cost comparison, the total net assets and the retained earnings have been reconciled as shown below.

Net Investment In Capital Assets	$	194,259.90
Unrestricted Net Position		11,633,659.12
Total Net Position	$	11,827,919.02

Schedule of Retained Earnings

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Retained Earnings, Beginning	$ 13,212,481.63	$ 14,560,392.75	$ 13,356,620.45	
Net Income (Loss)	1,347,911.12	(1,203,772.30)	(1,528,701.43)	
Adjustment to Net Position (Note 8)	-	-	-	
Retained Earnings, Ending	$ 14,560,392.75	$ 13,356,620.45	$ 11,827,919.02	
Add: Capital Contributions	$ -	$ -	$ -	
Reconciliation to Total Net Position	$ 14,560,392.75	$ 13,356,620.45	$ 11,827,919.02	

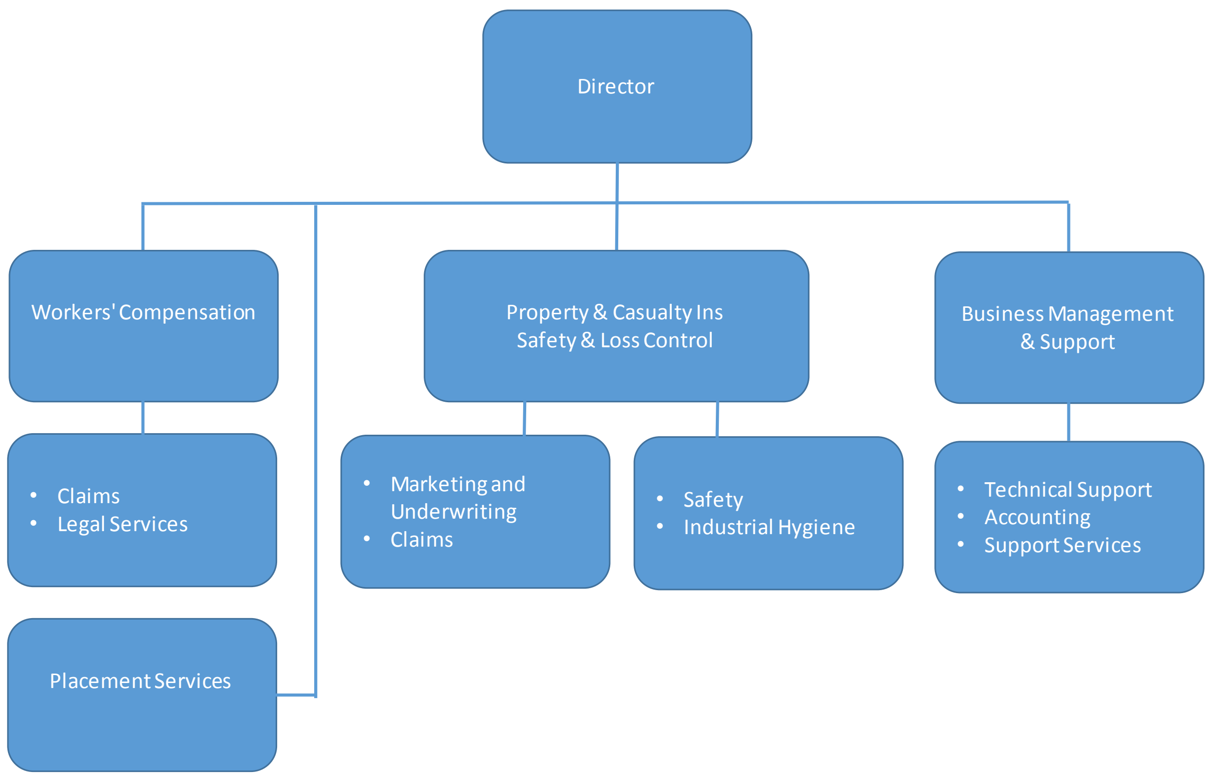
The FY15 implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" required the recording of the net pension liability and the deferred inflows and outflows of resources associated with pensions. The FY18 implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" (OPEB) required recording changes of total OPEB liability along with the inflows and outflows and expense associated with OPEB. These caused the nonmajor enterprise and internal services funds to end in a deficit net position. The actuarially determined amounts are likely to vary significantly from year to year and are managed by the retirement systems and the Minnesota Legislature to ensure the defined benefit plans are adequately funded to pay plan benefits to employees participating as they become due. For these reasons, the state does not include the pension and OPEB related liabilities or deferred inflows and outflows of resources in the rate-setting process for managing these funds as long as the funds are contributing the statutory required contributions The amounts will continue to be monitored by the retirement systems administering these plans and the Minnesota Legislature.

Supporting Information

Staffing and Organizational Chart

The current plan is a reduction from 10.5 FTEs to 10.

We have a highly experienced team from virtually all disciplines necessary to run a financially self-supporting insurance company. Private sector vendors are utilized to provide support for specialized adjusting and brokerage services that support our operations.



Actuarial Opinion

Upper Midwest Insurance Services LLC

Kevin J. Moynihan ACAS MAAA
Principal

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St. Paul, Minnesota 55105
651-290-2361
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Minnesota Department of Administration
Risk Management Division
Retained Liability Lines of Coverage

Statement of Actuarial Opinion
as of March 31, 2019

Identification

I, Kevin J. Moynihan, Principal, Upper Midwest Insurance Services, LLC am a Member of the American Academy of Actuaries and an Associate of the Casualty Actuarial Society. I meet the qualification standards to render a Statement of Actuarial Opinion ("Opinion") with respect to property and casualty loss and allocated loss adjustment expense ("ALAE") reserves. I have been retained by the Minnesota Department of Administration, Risk Management Division ("Division") to render this Opinion with respect to the Division's loss and ALAE reserves as of March 31, 2019.

Scope

The Division is responsible for the self-insurance program for the State of Minnesota ("State") which includes the automobile liability and general liability risks of the State. I have examined the reserves summarized below in Table A, as shown in the current Annual Report of the Division as prepared for filing with regulatory officials, as of March 31, 2019.

Table A
Net Loss and Allocated Loss Adjustment Expense Reserves

Line of Coverage	Low	Expected	High
Automobile Liability	$ 4,135,000	$ 4,416,000	$ 4,792,000
General Liability	$ 1,456,000	$ 1,663,000	$ 1,948,000
Total	$ 5,591,000	**$ 6,079,000**	$ 6,740,000

In forming my opinion on the loss and ALAE reserves, I prepared an actuarial analysis using loss and ALAE data valued as of March 31, 2019. The actuarial analysis employs methodologies considered generally acceptable by the Casualty Actuarial Society.

Unallocated loss adjustment expense ("ULAE") reserves, if any, are outside the scope of this Opinion. The loss and ALAE reserves indicated above make no provision for ULAE reserves.

This Opinion is limited to loss and ALAE reserves. All other balance sheet or income statement items are excluded from the Opinion. The Opinion assumes that reserves are supported by valid assets, which have suitably scheduled maturities and adequate liquidity to meet cash flow requirements. Further, the Opinion assumes that any reinsurance is valid and collectible.

The Division does not discount its loss and ALAE reserves for the time value of money.

This Opinion makes no provision for future emergence of new classes of losses or types of losses that are not sufficiently represented in the historical data or which are not yet quantifiable. The prior Strike Force claims are an example of this type of claim.

An accrual outside the range of reserves indicated above in Table A will provide increased (decreased for the low range) conservatism in the form of a risk margin.

Actuarial projections involve estimates of future events. There can be no assurance that actual results will not differ, perhaps materially, from the estimates reflected above.

Review and Verification of Data

Responsible parties representing the Division have provided the necessary data. I have relied upon the accuracy and completeness of this data without independent audit or verification.

The data included:

- Paid and incurred loss and allocated loss adjustment expense data organized by individual claimant and organized by fiscal year.
- Exposure data organized by fiscal year.
- Per occurrence retention level by fiscal year

Expression of Opinion

In my opinion, the net loss and ALAE reserves indicated above in Table A:

- meet the requirements of the insurance laws of the State of Minnesota;
- are computed in accordance with generally accepted loss reserving standards and principles; and
- make a reasonable provision in the aggregate for all net unpaid loss and ALAE obligations of the Division under the terms of its policies and agreements.

This Opinion is based on information available to March 31, 2019.

Work Papers

Copies of the relevant work papers are kept at the Minnesota Department of Administration, 320 Centennial Office Building, 658 Cedar St., St. Paul which is the Division's principal office.

Kevin Moynihan

Kevin J. Moynihan ACAS MAAA
April 15, 2019

Risk Management Advisory Committee

The current RMAC representatives are:

- Larry Freund, Department of Public Safety
- Steve Lund, Department of Transportation
- Holly Gustner, Fleet & Surplus Services/Administration
- Wendy Hearn, Regis Corporation
- vacant, Department of Commerce
- Geoffrey Harrold, Metropolitan Airports Commission
- Keswic Joiner, MN State Colleges and Universities (Minnesota State)
- Vicky Baukol, Department of Corrections
- Jenny Liao, Financial Mgmt & Reporting/Administration
- Brian Hudalla, MN State Agricultural Society/State Fair
- Suzann Willhite, Department of Natural Resources
- Dr. Andy Whitman, University of Minnesota
- Shawn Kremer, MN Management & Budget

Auto Liability Tier Rating

Policy Period FY 2012-FY 2019
As of 3/31/19

Tier	Loss Ratio	
1	0%	50%
2	51%	85%
3	86%	110%
4	111% & over	

FY19 Tier Rates

Tier	Non-Siren	Siren
1	164	221
2	184	251
3	204	281
4 ****	'A' Rated	
State Patrol	204	484

FY20 Tier Rates

Tier	Non-Siren	Siren
1	164	221
2	184	251
3	204	281
4 ****	'A' Rated	
State Patrol	204	484

	Earned Premium	Total Incurred Loss and Expenses	Loss Ratio	Tier	Non-Siren Vehicle Count	Siren Vehicle Count	FY19 Tier	FY19 Non-Siren Vehicle Premium	FY19 Siren Vehicle Premium	FY19 Premium	Non-Siren Vehicle Premium	Siren Vehicle Premium	Total Projected Premium
Administration	$2,828,166	$2,344,410	83%	2	2,066		2	380,144	-	380,144	380,144	-	380,144
Agriculture	$6,702	$3,260	49%	1	3		1	492	-	492	492	-	492
Animal Health Board	$1,269	$393	31%	1	1		1	164	-	164	164	-	164
Commerce	$51,350	$28,506	56%	2	26		3	5,304	-	5,304	4,784	-	4,784
Corrections	$676,694	$463,376	68%	2	546		2	100,464	-	100,464	100,464	-	100,464
Employment & Economic Development	$1,636	$2,663	163%	3 *	1		3	204	-	204	204	-	204
Governor's Office	$1,355	$952	70%	2	1		2	184	-	184	184	-	184
Health	$3,809	$7,428	195%	3 *	1		3	204	-	204	204	-	204
Human Services	$540,844	$602,697	111%	3 *	131		3	26,724	-	26,724	26,724	-	26,724
I.R.R.R.B.	$72,425	$27,240	38%	1	83		1	13,612	-	13,612	13,612	-	13,612
Metropolitan Airport Commission	$692,817	$284,288	41%	1	635	49	1	104,140	8,036	112,176	104,140	10,829	114,969
Military Affairs	$353,182	$139,590	40%	1	329		1	53,956	-	53,956	53,956	-	53,956
Mn Amateur Sports Commission	$102,601	$39,461	38%	1	97		1	15,908	-	15,908	15,908	-	15,908
MN Board of Water & Soil Resources	$9,512	$2,839	30%	1	10		2	1,840	-	1,840	1,640	-	1,640
MN Historical Society	$2,583	$795	31%	1	1		1	164	-	164	164	-	164
MN State Academies	$32,871	$25,791	78%	2	27		2	4,968	-	4,968	4,968	-	4,968
MinnState	$2,270,064	$1,192,288	53%	2	1,622		1	266,008	-	266,008	298,448	-	298,448
Natural Resources	$2,475,865	$1,128,179	46%	1	2,694		1	441,816	-	441,816	316,896	-	316,896
Perpich Center for Arts Education	$1,330	$434	33%	1	1		1	164	-	164	164	-	164
Pollution Control Agency	$47,090	$25,345	54%	2	26		2	4,784	-	4,784	4,784	-	4,784
Public Safety	$3,101,142	$2,805,830	90%	3/4	531	577	3/4	108,324	279,268	387,592	108,324	279,268	387,592
Revenue	$50,406	$21,783	43%	1	41		1	6,724	-	6,724	6,724	-	6,724
State Fair	$168,340	$90,646	54%	2	131		2	24,104	-	24,104	24,104	-	24,104
State Lottery	$53,106	$43,582	82%	2	45		2	8,280	-	8,280	8,280	-	8,280
Supreme Court	$3,022	$3,094	102%	3	2		3	408	-	408	408	-	408
Teachers Retirement Assoc	$1,199	$387	32%	1	1		1	164	-	164	164	-	164
Transportation	$6,390,788	$8,109,385	127%	4	3,788		4	829,572	-	829,572	829,572	-	829,572
Veterans Affairs	$32,751	$12,494	38%	1	29		1	4,756	-	4,756	4,756	-	4,756
Veterans Home	$97,463	$91,857	94%	3	81		3	16,524	-	16,524	16,524	-	16,524
Zoological Board	$159,052	$60,984	38%	1	135		1	22,140	-	22,140	22,140	-	22,140
TOTAL	**20,229,435**	**17,559,975**	**87%**		**13,085**	**626**		**2,442,240**	**287,304**	**2,729,544**	**2,349,040**	**290,097**	**2,639,137**

* Due to nominal premium difference, these were moved to tier 3 from tier 4

** Public Safety - Tier 3 rate for non-siren vehicles

*** DNR On-road/Off-road rates+ safety program

**** 'A' rated - pricing based on loss experience and other factors

Dividend Calculation

The RMF returns unused premium to insureds with favorable premium loss ratios in the form of an annual dividend. The following discussion outlines the dividend calculation process and exceptions utilized by the Program.

- **Property Dividend:** Property losses have the shortest maturity. Dividends are generated quickly with a 25 percent dividend declaration just 24 months after the close of the policy year, and 25 percent for each of the following three years.
- **Automobile Liability:** Automobile Liability losses are longer to mature, with dividends being declared 36 months after the close of the policy year. Dividends are paid out over a four-year time period with 35 percent paid the first year, 25 percent for years two and three and 15 percent the last year.
- **General Liability:** General Liability losses are the longest to mature, resulting in a 48-month period before the first dividend declaration. Dividends are paid out over a four-year time period with 35 percent paid the first year, 25 percent for years two and three and 15 percent the last year.

Risk Management Division
Dividend Criteria
Dividend Pay Out Pattern in Years after Policy Year is Closed

Lines of Business	Dividend Start Date	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total
Property	24 mos. after fiscal year closes	0%	0%	25%	25%	25%	25%	0%	0%	100%
Auto Liability	36 mos. after fiscal year closes	0%	0%	0%	35%	25%	25%	15%	0%	100%
General Liability	48 mos. after fiscal year closes	0%	0%	0%	0%	35%	25%	25%	15%	100%

Exceptions:

1. Predicated on the division's responsibility to maintain adequate funds to pay obligations, dividends will only be declared and paid at the discretion of the RMD, following approval by the Risk Management Advisory Committee.
2. Dividends declared for an entity that merges with a second entity will be paid to the successor entity.
3. Dividends declared for an entity that ceases to exist, provided financial functions of that entity have ceased, or voluntarily leaves the Risk Management Fund, will be placed back into the dividend pool to be distributed, on a pro-rata basis, among existing participants.
4. Dividends are declared and distributed by line of business. Participants having negative balances will be subsidized by participants having positive balances until the number of participants with negative balances reaches zero. The remaining declared dividends will be distributed only to participants with positive balances. If an entire line(s) of business develops unfavorably, it may then be necessary to subsidize that line(s) from other lines.

5. For any insured, if their pre-dividend period results have a negative balance in a line of business that is subject to dividends, the payment of a dividend for that insured will be waived until such time as the insured’s results return to profitability in both the pre-dividend and the dividend payout periods.

Dividend estimates for the coming fiscal year are presented in the Financial Outlook section.