

**City of Minneapolis
FY 2004
Financial Plan**

Municipal Parking Fund

Background

This fund accounts for the operation and maintenance of parking ramps, lots, on-street parking, a municipal impound lot, and traffic/parking control. Major parking related capital construction and development activities also occur in this fund.

Historical Financial Performance

Due to economic conditions actual revenue performance has been less than the annual forecast. Major street reconstruction also impacted the performance restricting access to many of the facilities. Prior to 2001 revenues exceeded projections. This was attributed to a sound economy and weather conducive to greater use of ramps (in cold and snowy weather more people use the ramps).

The Public Works Department has prepared a comprehensive business plan for the Parking Fund, with the assistance of the Finance Department. This plan will be released in conjunction or integrated within the other Public Works business plans. The plan will address strategies for managing and responding to a growing municipal parking system.

The financial condition of the Parking Fund has historically been stable, but it will present a future financial challenge for the City if cash outflows continue to exceed the inflows. While the Fund currently generates a positive fund margin, fund-operating income is used not only to provide for the restoration of its productive assets (ramps) but is also committed to heavy debt service and makes substantial annual contributions to the General Fund (\$10.9 million for 2003) and to the Target Center Arena (\$1.5 million of for 2003).

Rather than using equity to fund part of the capital cost of ramps, it has historically been financed 100% by debt. The fund carries \$10.80 of debt for each dollar of retained earnings. In addition, besides servicing the debt on its own balance sheet, the fund receives transfers from the Convention Center Special Revenue Fund (\$8.3 million in year 2003) to pay its share of debt service on Convention Center related parking facilities. The fund also receives transfers from tax increment and abatement revenue to pay part of major downtown development projects (\$5.5 million in year 2003). If revenues do not increase or if expenses do not decrease it may be necessary to reduce the annual transfer to the general fund and/or the Target Center debt service to avoid a negative cash position. A reduction to the General Fund transfer would result in fewer resources to fund general city services.

Current Year to Date / End of Year Financial Performance

Revenues

The revenues for 2002 in the operating budget were anticipated to increase by 6.4% from \$55.8 million to \$59.4 million, but actually decreased by 2.2% to \$54.6 million. The projected increase was due to parking rate adjustments and the addition of the LaSalle at 10th ramp. On-street meter revenues are projected to be slightly higher in 2003, than actual 2002, but both City and state parking and towing revenues are down significantly from 2002 levels. In 2003 operating revenues are budgeted at \$59.8 million and are projected to drop by \$8.5 million to \$51.3 million based on projections using 2001 and 2002 revenues. If additional revenues sources are not identified, or operating expenses and/or transfers are not adjusted to offset the decrease in revenue the City will have a growing negative cash balance in the parking fund.

Expenditures

In 2003 operating expenses are budgeted at \$39.4 million and are projected to be \$36.3 million based on 2001 and 2002. This will lessen the impact of the projected \$8 million dollar revenue shortfall by \$3.1 million, so that the operating margin's projection is \$4.9 million less than budgeted. Impound lot expenses may increase due to a significant increase in the cost per tow received from the recent bid pending contract approval, but the impound lot intends to raise rates to cover this increase.

Cash Position

Based on current and proposed budgets, operating cash balances are going to continue to decrease, especially for cash related to the City system. The state owned facilities are creating a positive cash flow, but with the transfers out to other funds the city owned facilities have a negative cash flow.

Non-parking related activities financed in the parking fund, which includes transfers to the General Fund and Target Center Arena Fund are contributing factors to the negative cash flow. The City's parking system is currently in a negative cash position that is expected to grow. The cash balance for the City System is projected to decrease by \$10.1 million to a negative \$8.8 million by year-end 2003.

The chart that follows illustrates that over the last few years revenue has been decreasing while expenses have been growing, the result is a continued decline in the cash position of the fund.

2004 Budget

Revenues

The revenues for 2004 in the operating budget are anticipated to decrease by 4.9% from \$60.3 million to \$57.3 million. The actual reduction in the current meter, impound lot, state and city owned ramps totals \$4 million.

Revenues are projected to increase \$1.03 million with the addition of the Walker Ramp. Revenue of \$1.023 million is included for the Harmon ramp, which will be due less a management fee to the ramps owner, Opus LLC. With the inclusion of the new facilities the total net change in revenue is proposed to decrease by \$2 million.

The 2004 operating revenue budget is based on conservative parking rate estimates provided by the Public Works Department that have been adjusted based on actual revenues that should reflect market demands. The net decrease is projected to be \$1.96 million versus the \$340,000 increase in 2003.

Non-operating revenues consist of interest revenue that is generated by investment earnings that shows up as revenue but transferred to the General Fund. Special assessment revenue is received from business' to reimburse part of the capital expenses for the construction of the Lyn-Lake Lots that helped meet minimum parking requirements.

Expenditures

The 2003 current service level operating expenditure budgets for Public Works Transportation, Finance and Licenses & Consumer Services has increased by 5% from \$39.4 to \$41.3 million. This is due to average personnel increases of 2% and non-personnel citywide increases of 1.32% based on an inflationary index. Interest expense (debt service) is a non-operating expense that is projected to total \$13.7 million for 2004 that consists of both fixed and variable rate bond debt.

Transfers

The transfer to the General Fund will decrease from \$10.9 million to \$9.8 million based on the 2004 adopted budget. The transfer to the General Fund would have increased by 3% based on the adopted five-year financial plan for the City, but due to the declining financial position of the Parking Fund the decision has been made to begin to reduce this transfer.

Transfers to the Target Center Arena Fund are proposed to increase from \$1.5 million to \$1.6 million based on the revised finance plan approved in 2000. This transfer has been coming out of net assets generated by City parking revenues and not the event revenue generated by the State owned TAD garages.

The State of Minnesota owned garages have reached a breakeven point and are generating positive retained earnings.

The ongoing annual operating transfer of \$146,000 to sanitation has been established to fund the bus shelter litter containers. The transfer to Business Information Systems has been increased by 4% based on the approved Financial Workout Plan.

Transfers from other funds for debt service payments for Convention Center related parking facilities were paid off with a state grant in 2002 and the transfers in from sales tax revenue and out to the long-term debt account group are continuing with a 2004 estimate of \$8.4 million. Based on various construction facility finance plans where tax increment and abatement were a revenue source it is estimated that \$6.2 million will be transferred for debt service from CPED. The following is a breakdown of the \$6.2 million in transfers by facility: \$4.8 million for LaSalle at 10th Ramp, \$.45 million for East LRT Ramp, \$0.65 million for the Hennepin at 10th Ramp, \$0.05 million for 10th and Washington Ramp and \$0.25 million for the Federal Courts Ramp.

Debt Service

The debt service payable, including principal and interest, in 2004 is \$25.1 million. The debt service is related to bonds issued for construction of municipal parking ramps, which will continue to grow as new facilities are added to the system. Debt service for 2004 includes bonds issued to cover the cost of condemnation, land and building costs that are reimbursed from tax increment revenue and sales tax proceeds for projects that had these financing sources identified in their original construction finance plans. The estimate for 2004 to be transferred in from the Convention Center Fund is \$8.4 million and the estimate to be transferred from tax increment and abatement revenue is \$6.2 million.

Decision Packages and Target Strategies

The adopted budget includes funding a parking ramp security system consolidation for \$350,000. This would consolidate the security operations for the Leamington and Hilton ramps into the Hawthorne Transportation Center Security Command Center. This will replace personnel with the use of technology that will generate substantial savings over the long term.

The adopted budget also includes \$1.5 million in additional costs related to payments to MetroTransit for the Downtown Circulator.

**City of Minneapolis
FY 2004 Budget
Financial Plan (in thousands of dollars)**

Municipal Parking Fund

	2001 Actual	2002 Actual	2003		2004 Budget	% Chg from 2003 Budget	2005 Forecast	2006 Forecast	2007 Forecast
			Current Budget	2003 Projected					
Source of Funds:									
Licenses and Permits	179	193	155	155	155		158	161	164
State Government	463	-	-	-	-		-	-	-
Charges for Service, Sales & Permits (Tr	53,257	52,729	59,431	50,896	56,456	-5.0%	57,585	58,737	59,912
Charges for Sales	1,149	1,063	826	826	1,001	21.2%	1,021	1,041	1,062
Special Assessments	170	159	38	38	133	250.0%	136	138	141
Interest	2	-	1	1	1		1	1	1
Gains	(39)	-	-	-	-		-	-	-
Rents (Transportation)	274	131	18	18	3	-83.3%	3	3	3
Other Misc Revenues	79	455	11	11	11		11	11	12
Tax Increment Transfers In	5,177	5,845	5,505	5,505	6,743	22.5%	6,129	8,242	8,283
Sales Tax Transfers In	8,757	8,235	8,301	8,301	8,400	1.2%	8,254	8,391	8,594
Arbitrage Transfers In	23,192	-	-	-	-		-	-	-
<i>Total Transfers In</i>	<i>37,125</i>	<i>14,080</i>	<i>13,806</i>	<i>13,806</i>	<i>14,520</i>	<i>5.2%</i>	<i>14,383</i>	<i>16,633</i>	<i>16,877</i>
Proceeds of Long Term Liabilities	18,673	19,122	-	-	-		-	-	-
Total	111,332	87,932	74,286	65,751	72,903	-1.9%	73,299	76,727	78,172
Use of Funds:									
Debt Service	45,615	26,644	24,149	24,149	25,881	7.2%	25,249	27,288	27,678
General Fund Transfer Out	10,108	10,575	10,890	10,890	9,800	-10.0%	9,800	9,800	9,800
Target Arena Transfer Out	1,199	1,335	1,470	1,470	1,620	10.2%	1,768	1,921	2,079
Debt Service Transfer Out (Mann Areawa	579	158	287	287	275	-4.4%	252	12	
Internal Service Funds Tranfers Out	65	91	76	76	77	1.1%	80	84	87
MERF Liability Transfer Out	-	-	-	-	129		-	-	-
Sanitation Transfer Out	-	146	146	146	146		146	146	146
Parkboard Transfer Out	1,000	-	-	-	-		-	-	-
<i>Total Transfers Out</i>	<i>12,951</i>	<i>12,305</i>	<i>12,869</i>	<i>12,869</i>	<i>12,046</i>	<i>-3.1%</i>	<i>12,046</i>	<i>11,963</i>	<i>12,112</i>
PW-Transportation	31,088	32,943	35,805	32,737	39,424	10.1%	40,212	41,017	41,837
Human Resources	-	-	225	225	228	1%	233	237	242
Finance Department	548	532	607	607	594	-2.1%	606	618	630
Licenses & Consumer Services	2,270	2,137	2,756	2,756	2,833	2.8%	2,890	2,947	3,006
PW-Transportation Capital	22,341	17,355	180	180	180	100%	184	187	191
Total	114,813	91,916	76,591	73,523	81,186	6.0%	81,419	84,258	85,697
Fund Margin									
TAD (State Owned) Ramps	3,141	2,272	3,757	2,306	2,282	-39%	2,328	2,374	2,422
City Ramps and Lots	(6,622)	(6,256)	(6,062)	(10,079)	(10,565)	74.3%	(10,448)	(9,905)	(9,946)
(1) Total	(3,481)	(3,984)	(2,305)	(7,773)	(8,283)	259.3%	(8,121)	(7,531)	(7,524)
Retained Earnings									
TAD (State Owned) Ramps	9,926	12,198	15,955	14,504	16,786	5.2%	19,114	21,488	23,910
City Parking System	12,987	16,363	15,068	11,052	6,560	-56.5%	2,184	(943)	(1,711)
Total	22,913	28,561	31,024	25,556	23,346	-24.7%	21,298	20,545	22,199
Cash Balances									
TAD (State Owned) Ramps	10,328	12,600	16,357	14,906	17,188	5.1%	19,516	21,890	24,312
City System Construction Cash (2)	16,200	22,799	-	-	-		-	-	-
City System Op Cash w/o Temp Loan	7,764	1,298	(4,764)	(8,780)	(19,346)	306.1%	(29,794)	(39,699)	(49,646)
Total	34,292	36,697	11,593	6,125	(2,158)	-118.6%	(10,279)	(17,809)	(25,334)

Footnotes:

- (1) Revenue and expense projections are based on 2% increases
- (2) Construction cash not included in current yr and projected years

**City of Minneapolis
FY 2004
Financial Plan**

Solid Waste and Recycling Fund

This fund accounts for solid waste collection and disposal/recycling activities for the City. The Solid Waste Division of the Public Works Department provides weekly trash and yard-waste pickup, bi-weekly recycling pickup and operates a solid waste transfer station for over 108,000 households.

Funding for solid waste and recycling activities are provided mainly from sanitation fees and partly from sources such as Hennepin County Grants, recyclable sales, and charges for other services. City crews provide approximately one-half of the solid waste collection service and the other half of the service is provided through a contract with a consortium of companies specializing in waste collection.

Historical Financial Performance

The overall financial condition of the Solid Waste Fund is positive as a result of management practices and annual scheduled rate increases for the sanitation fee. The net assets for this fund at the end of year 2002 were \$13.2 million, as compared to \$13.1 million in year 2001.

The Solid Waste fund has been partially updating their fleet on a yearly basis. In year 2002, four recycling units, one side loader for litter containers, and three problem material vehicles were purchased.

2004 Budget

Revenues

For year 2004, no solid waste and recycling rate increase is included in the adopted budget. The monthly rate will remain at \$19.25 per month per dwelling unit. In addition, if projections included in the financial plan for this fund are met, it is likely that a rate increase will not be needed until year 2006. For planning purposes a rate increase of 3% is assumed for year 2006 and 2007. A 3% increase would result in a \$19.83 and \$20.42 per month per dwelling unit for years' 2006 and 2007, respectively.

For the past three years, the solid waste and recycling fee was being adjusted by 75-cents per month per dwelling unit. This will be the first year since 2001 that there will not be a scheduled rate increase.

The Hennepin County Recycling Grant is estimated to total at \$804,000 in 2004.

Expenditures

Overall operating expenditures are budgeted to increase by 2.0% for personnel expense, and 1.32% for non-personnel from 2003 to 2004.

In year 2003, the Division eliminated two solid waste routes for total annual savings of \$280,000. Solid Waste and Recycling has eliminated 2 municipal solid waste collection routes by consolidating the two subject routes into other existing routes, thus eliminated 4.0 FTE Solid Waste & Recycling Worker positions and 2 of the oldest packer trucks.

The 2004 budget includes \$50,000 in revenue from the General fund for graffiti programs in the department.

Transfers

The 2004 adopted budget includes the continuation of a \$700,000 transfer from Solid Waste and Recycling to the General Fund to pay for snow alley plowing to ensure delivery of solid waste and recycling services in the alleys.

In addition, the 2004 budget includes: a \$70,000 transfer to the Intergovernmental Services Fund; a transfer of \$11,271 to the Self Insurance Fund for liability and workers compensation payments; and a transfer of \$90,000 to the Debt Service fund for pension obligations related to the Minneapolis Employees Retirement Fund (MERF).

The Solid Waste and Recycling Fund receives a transfer of \$146,000 from the Parking Fund to pay for litter container pick-up (downtown).

Debt Service

This fund does not have any associated debt service payments.

**City of Minneapolis
FY 2004 Budget
Financial Plan (in thousands of dollars)**

Solid Waste Fund 7700

	2001 Actual	2002 Actual	2003 Current Budget	2003 Projected	2004 Budget	% Chg from 2003 Budget	2005 Forecast	2006 Forecast	2007 Forecast
Sources of Funds:									
Sales and Other Taxes	5	-	-	-	-		-	-	-
Local Government	943	936	804	804	804		804	828	853
Charges for Service	24,177	24,906	26,099	26,099	26,099		26,099	26,882	27,688
Charges for Sales	668	617	640	640	640		640	659	679
Special Assessments	143	128	-	54	-		-	-	-
Operating Transfers In:									
From Parking Fund	166	146	146	146	196	34.2%	146	146	146
Proceeds of Long Term Liabilities			-	-	-		-	-	-
Total	26,102	26,733	27,689	27,743	27,739	0.2%	27,689	28,515	29,366
Use of Funds:									
Debt Service							-	-	-
Transfers:									
To General Fund	160	170	757	757	790	4.4%	90	90	90
To ITS Fund	12	12	75	75	70	-6.7%	72	74	76
To Self Insurance Fund	11	11	11	11	11		11	12	12
To MERF Fund									
Retiree Incentive							-	-	-
PW-Solid Waste Consolidating	24,576	24,271	25,083	25,083	25,601	2.1%	26,369	27,160	27,975
Finance Department	203	183	195	195	196	0.5%	196	202	208
Human Resources			225	225	228	1.3%	228	235	242
Capital					-		-	-	-
Total	24,962	24,647	26,346	26,346	26,896	2.1%	26,966	27,773	28,603
Fund Margin	1,140	2,086	1,343	1,397	843	-37.2%	723	743	763
Fund Balance	8,542	13,212	14,555	14,609	15,452	6.2%	16,175	16,917	17,680
Cash Balance	4,827	8,005	9,348	9,348	10,191	9.0%	10,914	11,656	12,419

**City of Minneapolis
FY 2004 Fund
Financial Plan**

Storm Water, Sewer Rental, and Flood Mitigation Utility Fund

This fund accounts for contractual payments to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. This fund also accounts for storm water management activities including the Combined Sewer Overflow (CSO) program, which separates the remaining storm sewer lines that are connected to sanitary sewer lines.

During 1998, the City embarked on a \$72 million, nine-year, flood control program (which has been expanded since the original plan was adopted). This program targets specific areas in the City and creates holding ponds and additional storm drains that are designed to mitigate the effects of flash floods. This fund also accounts for the cost of street sweeping as a related cost activity.

Historical Financial Performance

The Sewer Rental Fund has had positive retained earning experience the last several years. This is due to the combination of rate increases being implemented as planned and unanticipated delays in capital project expenditures. Delay in capital project expenditures also impacts cash balance, when bonds are sold and the expenditures are delayed into the next year. This has resulted in an increasing total cash balance for this fund for the past few years. For the year ending in 2002, about \$10.0 million of cash was related to the capital improvements in the Fund and about \$4.0 million of cash for operations.

2004 Budget

Revenues

The Sewer Rental Fund has a projected rate increase of 14-cents (per 100 cubic feet) for 2004. The rate increase will be used to pay for ongoing operating expenses as well as debt service related to the CSO and flood mitigation programs. The following rate schedule is proposed for years' 2004 to 2007.

Storm Water, Sewer, Flood Mitigation Utility Rates

Below is a summary of the rates for years 2004 to 2008.

Year	Rate (cost per 100 cubic feet)	Cost Per Month for Average Consumer ¹	Monthly % Increase	Total Planned Revenue from Utility Fee
2004	3.43	20.58	4.3%	63,413
2005	3.58	21.48	4.4%	66,186
2006	3.72	22.32	3.9%	68,775
2007	3.86	23.16	3.8%	71,360
2008	4.00	24.00	3.6%	73,951

¹ Rate is based on cost per 100 cubic feet and assumes 6 units per month.

Note: Total revenue from charges for services in the financial plan exceeds the amount generated by the utility fee (below) because other revenue is also deposited in the Sewer Fund.

Expenditures

The Sewer Rental Fund has a projected increase in expenses due to sewage flow increases. The flow increases will result from newer, more accurate meters installed by the Metropolitan Council Environmental Services. For 2004, the capital expenditures will increase, as more sewer designs are ready for construction. The budget also includes continuation of funding to complete the CSO (combined sewer overflow) Separation Evaluation Project.

Beginning in year 2004, the Sewer Fund will incur a Government Service Fee (\$3.1 million) for the general government services that support activities in the Sewer Fund. The Government Service Fee will be calculated annually by reviewing the asset base of the Sewer Fund and other factors that go into the defined formula for calculating the fee.

CSO (Combined Sewer Overflow)

In Year 2001 a study was done by the City of Minneapolis and Metropolitan Council, which indicated that there may be as many as 5,000 buildings and properties with rainwater connection to the sanitary system. To resolve this issue, both parties will need to identify these properties and work on an alternative for rainwater connection. Once this task is complete, the department of Public Works will be required to hire additional staff to redesign and reconstruct the storm water drainage system. The project could take 3 to 5 years to complete. The estimated cost for 2004 is approximately \$2 million. The adopted budget includes the addition of three positions for overflow code compliance staffing.

Transfers

A transfer of \$10,000 for liability and workers compensation payments to the Self-Insurance Fund is budgeted in 2004. A transfer of \$66,000 for Information Technology Services is budgeted for 2004. A transfer of \$288,000 to the bond redemption fund for debt service related to the Minneapolis Employee Retirement Fund (MERF) outstanding liability.

Debt Service

The debt service payments are primarily for bonds previously sold to finance the Combined Sewer Overflow (CSO) and flood mitigation programs.

City of Minneapolis
FY 2004 Budget
Financial Plan (in thousands of dollars)

Sewer Fund 7300

	2001	2002	2003	2003	2004	% Chg	2005	2006	2007
	Actual	Actual	Current Budget	Projected	Budget	from Budget	Forecast	Forecast	Forecast
Source of Funds:									
Federal Government	3,758	980			310				
State Government	365	566	516	516	1,159	106.2%	1,159	1,159	1,159
Local Government	148	128	148	148	290	154.1%	387	399	411
Charges for Service	58,209	64,122	66,243	66,243	68,843	4.3%	71,588	74,177	76,765
Charges for Sales	-	5			1		1	1	1
Special Assessments	310	275	115	115	115		118	122	126
Interest	1	(3)	-	-	-		-	-	-
Gains	(14)		-	-	-		-	-	-
Other Misc Revenues	18	(60)	53	53	52	-1.9%	54	55	57
Operating Transfers In	-	-	-	-	-		-	-	-
Proceeds of Long Term Liabilities	6,339	7,988	6,000	6,000	10,519	93.2%	6,580	6,725	4,800
Total	69,134	74,001	73,075	73,075	81,289	12.6%	79,887	82,638	83,318
Use of Funds:									
Debt Service	2,547	3,007	8,151	8,151	11,004	35.0%	10,918	10,014	8,194
Transfers									
To General Fund	1,877	116	63	63					
To Debt Service for MERF Liability					288		400	600	800
To BIS Fund	65	65	65	65	66		69	69	69
To Self Insurance Fund	10	10	10	10	10		10	10	10
PW-Sewer Design	1,755	2,338	4,484	4,484	5,014	4.5%	5,215	5,215	5,215
PW-Field Services	4,514	5,177	5,479	5,479	5,683	0.4%	5,910	5,910	5,910
PW-Sewer Maintenance	35,781	36,530	39,855	39,855	40,542	10.3%	42,164	42,164	42,164
Finance Department	134	117	137	137	129	66.4%	134	134	134
Human Resources			225	225	228		237	237	237
Government Service Fee					3,055		3,177	3,304	3,436
PW- Capital	11,812	19,034	15,000	15,000	15,881	-20.0%	11,220	11,417	9,300
Total	58,495	66,394	73,469	73,469	81,900	9.7%	79,454	79,074	75,469
Fund Margin	10,639	7,607	(394)	(394)	(611)	-524.4%	433	3,564	7,850
Fund Balance	56,780	293,665	293,271	293,271	292,660	0.6%	293,093	296,658	304,507
Cash Balance	18,887	14,077	13,683	13,683	13,072	12.2%	13,505	17,070	24,919

Note: Cash balance includes restricted cash for capital projects.

**City of Minneapolis
FY 2004 Budget
Financial Plan**

Water Fund

This fund accounts for the operation and maintenance of a water delivery system for the City and several suburban city customers. The City sells water to seven cities including Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal and Edina.

Historical Financial Performance

The financial condition of this fund has been stable. Retained earnings have been positive the past several years, due primarily to the timing of scheduled rate increases for major capital improvements.

2004 Budget

Revenues

The projected rate increases for the following years is to pay debt service for the capital expenditures for the Hilltop reservoir and the Ultra-Filtration program, as well as growth in operating expenditures.

Water Utility Rates

The 2004 budget includes a lower rate increase for water than that proposed by the Citizen Long Range Improvement Committee (CLIC). The adopted budget includes a 7.7% increase in year 2004 as compared to a 10.4% increase by CLIC. The adopted budget includes reducing capital spending and reducing the level of capital funded from current revenue versus bonds.

Year	Rate (cost per 100 cubic feet)	Cost Per Month for Average Consumer ¹	% Increase	Total Planned Revenue from Utility Fee
2004	2.38	19.04	7.7%	59,140
2005	2.56	20.48	7.6%	63,613
2006	2.73	21.84	6.6%	67,837
2007	2.81	22.48	2.9%	69,825
2008	2.89	23.12	2.8%	71,813

¹ Rate is based on cost per 100 cubic feet and assumes 8 units of water is consumed per month.

Note: Total revenue from charges for services in the financial plan exceeds the amount generated by the utility fee (below) because other revenue is also deposited in the Sewer Fund other than from utility fees.

Expenditures

The budget holds the funding level for infrastructure improvement program at the prior year level and does not include anticipated growth in this area of expenditure. In 2003, the fund was given a \$500,000 increase for security. During 2003, the Council made the decision to provide security to the treatment facility with Police personnel. The total budget for security in 2004 is \$1.1 million. The Water Fund has 16 (FTE) positions from the Police Department dedicated full time to providing security for Water Works.

Beginning in year 2004, the Water Fund will incur a Government Service Fee (\$1.2 million) for the general government services that support water distribution and treatment activities. The Government Service Fee will be calculated annually by reviewing the asset base of the Water Fund and other factors that go into the defined formula for calculating the fee.

Transfers to Other Funds

The transfers represent annual payment for information technical services charges of \$2.5 million, mostly related to the technology costs related to utility billing services (which are partially offset by Sewer and Solid Waste fees) and a \$26,000 payment to the Self Insurance Fund for workers compensation and general liability coverage.

In addition, the Water Fund will begin incurring a transfer expense related to its share of the Minneapolis Employee Retirement Fund (MERF) pension obligations. Nearly \$0.5 million will be transferred to the bond redemption fund to cover the liability obligations related to Water Fund employees that have retired under the MERF pension plan.

Debt Service

The debt service amounts are primarily for bonds sold to finance the Water-Works Capital Construction program.

**City of Minneapolis
FY 2004 Budget
Financial Plan (in thousands of dollars)**

Water Fund 7400

	2001 Actual	2002 Actual	2003 Current Budget	2003 Projected	2004 Budget	% Chg from 2003 Budget	2005 Forecast	2006 Forecast	2007 Forecast
Source of Funds:									
Licenses and Permits	1	1	1	1	1		1	1	1
Federal Government	765	317	-	-	-		-	-	-
Charges for Service	51,609	54,733	65,002	65,002	66,818	2.8%	71,091	75,315	77,303
Charges for Sales	1,991	1,715	1,625	1,625	1,740	7.1%	1,766	1,915	2,026
Special Assessments	713	1,769	-	-	-		-	-	-
Interest	18	(22)	-	-	-		-	-	-
Gains	(13)	-	-	-	-		-	-	-
Rents	8	3	2	1	2		2	2	2
Other Misc Revenues	21	2	16	16	19	18.8%	16	17	17
Operating Transfers In	14,053	5,266	-	-	-		-	-	-
Proceeds of Long Term Liabilities	-	3,718	4,350	4,350	33,000	658.6%	34,040	58,000	35,920
Total	69,165	67,502	70,996	70,995	101,580	43.1%	106,917	135,250	115,270
Use of Funds:									
Debt Service	3,285	2,796	13,566	13,566	12,148	-10.5%	14,931	16,244	16,177
Transfers	2,573	2,548	2,518	2,518	3,035	20.5%	3,156	3,283	3,414
Police Department	-	-	-	-	1,109		1,153	1,199	1,247
PW-Engineering	486	662	779	779	878	12.7%	913	950	988
PW-Water	28,795	31,796	34,848	34,814	36,091	3.6%	37,535	39,036	40,597
Human Resources	-	-	225	225	269	19.6%	280	291	303
Finance Department	4,535	4,528	4,795	4,795	4,985	4.0%	5,184	5,392	5,607
Government Service Fee	-	-	-	-	1,495		1,555	1,617	1,682
PW-Water - Capital	13,735	15,726	9,525	33,802	37,340	292.0%	38,681	64,500	42,320
SISPP Projects	31	-	-	-	-		-	-	-
Total	53,440	58,056	66,256	90,499	97,350	46.9%	103,388	132,512	112,335
Water Works Fund Margin	15,725	9,446	4,740	-19,504	4,230	-10.8%	3,528	2,738	2,934
Water Fund Balance	78,361	111,612	116,352	92,108	96,338	-17.2%	99,866	102,605	105,539
Water Cash Balance	10,055	6,137	2,634	2,634	6,864	160.6%	10,392	13,131	16,065