City of Minneapolis
FY 2010 Budget
Financial Plan

Fleet Services Fund

Background

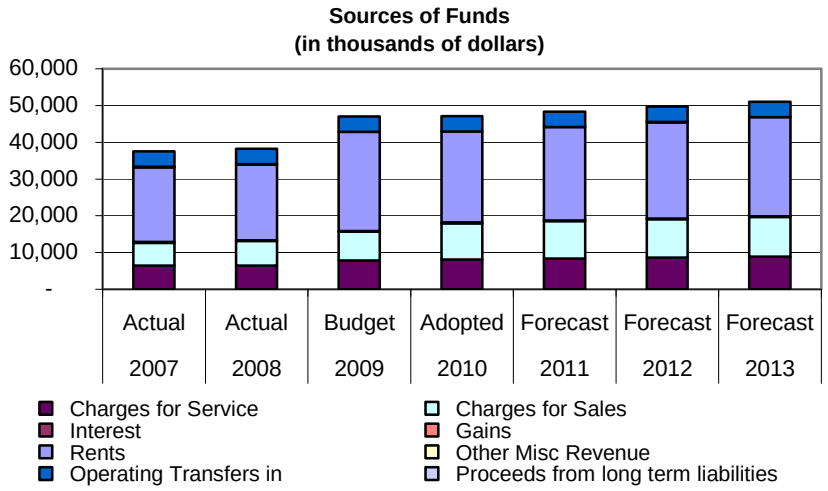
The Fleet Services Fund accounts for the ownership and operation of a fleet of approximately 1,200 vehicles and other pieces of motorized equipment, as well as 400 vehicle accessories. The City's fleet of vehicles and equipment is the largest portion of the fund's assets and has an estimated acquisition value of approximately $64.1 million.

The Fleet Services Fund rents vehicles and other equipment to City departments. For example, it provides police vehicles, fire trucks, heavy-construction equipment, snowplows and other maintenance equipment to City departments. In addition, the operation funds drivers and operators for equipment as necessary.

Historical Financial Performance

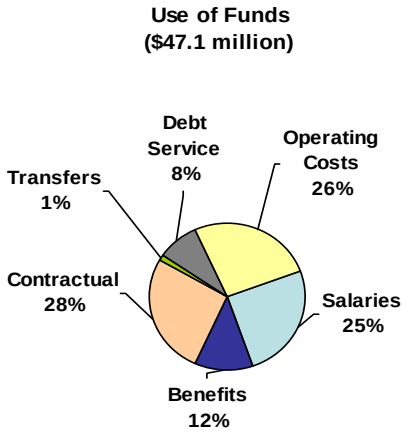
In 2000, the fund had a deficit cash position of $17.8 million due to the fund not recovering all the costs of operation. A long-range financial plan was developed in 2001 to generate sufficient revenue to cover the full cost of operations. The fund achieved a positive cash balance of $3.1 million in 2003 and net assets of $13.3 million. The fund maintained a positive cash balance until 2008 when the cash balance decreased $150,000 from the 2007 ending balance of $200,000 to a deficit ending balance of $49,000. A target cash balance of $4.9 million at year end 2008 was projected by the long-term financial plan. The 2008 ending net asset balance of $23.8 represents an increase of $2.1 in net assets from the 2007 balance of $21.7 million. The long-term financial plan projected a net increase of $4.2 million and a 2008 ending net asset balance of $26.8 million.

The original long-range financial plan financed fleet purchases by issuing general obligation bonds. Upgrading the fleet reduced the average age of the fleet, reducing maintenance costs in the fund. The fund continues to follow the plan to maintain a positive cash balance, increase net assets, and to end its reliance on bonds to fund the fleet purchases. In 2006, the practice of issuing bonds to finance fleet replacement was discontinued.



2010 Budget

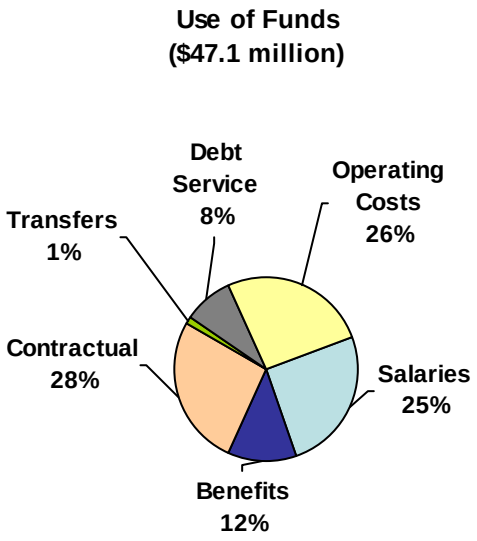
Revenue
The Fleet Services Division uses an activity-based costing approach to bill internal customers for use of vehicles. This method establishes a fleet rental rate that covers the replacement cost of the vehicles after the useful life. Maintenance, repairs and fuel costs of the fleet are charged separately. All of these charges are billed at a rate that allows the Fleet Services Division's revenue to match expenses. Total revenues for 2010 are budgeted at $47.1 million, an increase of 0.1% over the 2009 budget.



Expenditures
The 2010 expenditure budget is $47.1 million which represents an increase of 1.4% over the 2009 budget. The difference is primarily due to recording the cost fuel inventory as an expense to materials beginning in 2010.

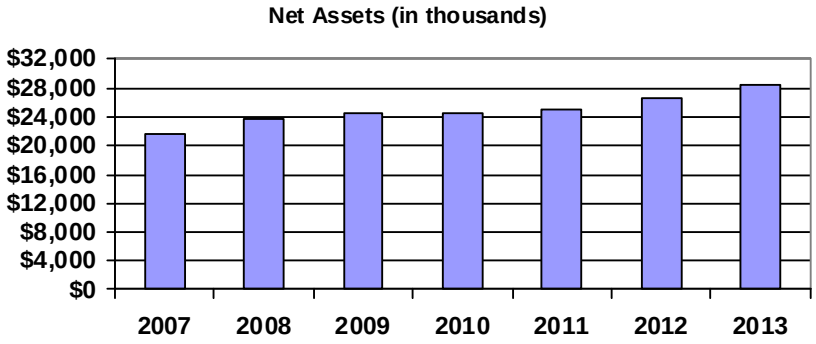
Revenue Assumptions (2010)	
Number of vehicles serviced	1200
Number of vehicles purchased	60

Transfers
The 2010 budget includes a transfer out of $581,000 for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability.

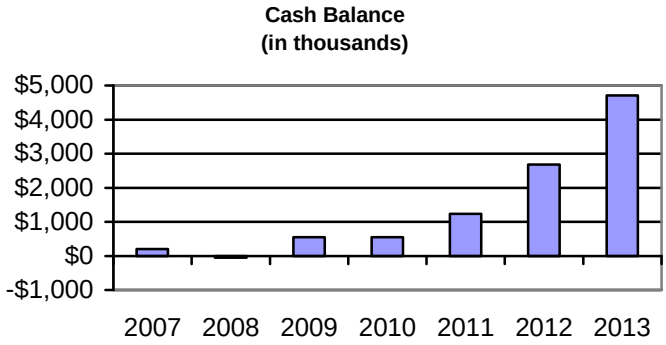


Debt Service
As part of the fleet modernization effort that began in 1997, the City issued bonds to finance fleet upgrades and to build new maintenance facilities. Principal and interest payments totaling $3.4 million is due in 2010 related to these bonds.

Net Assets
A primary objective of the long-range financial plan is to increase the fund's net assets and the cash balance. The net asset balance at year end 2008 is $23.8 million which is an increase of $2.1 million from the 2007 ending balance of $21.7 million.



The fund has steadily increased its net assets since 2003 when the long range financial plan was first implemented. The 2008 ending cash balance of a deficit of $48,707 is a decrease of $248,644 from the 2007 ending balance of $199,937. The following charts illustrate the historical and projected performance of the fund:



Original Budget
The Mayor recommended and Council approved no changes to the Equipment fund.

The budget for this fund includes a reduction of BIS charges of $24,800 due to the Council's actions to reduce the BIS budget by $1.7 million. This reduction in BIS charges will subsequently reduce the fund's appropriation by the same amount. Additionally, the budget for this fund includes a $9,620 increase to General Fund Overhead charges due to the Council's actions to fund two internal audit positions.

Mayor's Revised Budget
The Mayor recommended no changes to this fund.

Council Revised Budget
The Council approves the Mayor's recommendations.

City of Minneapolis
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Financial Plan (in thousand of dollars)

Fleet Services

	2007 Actual	2008 Actual	2009 Current Budget	2009 Projected	2010 Budget	% Chg From 2009 Budget	2011 Forecast	2012 Forecast	2013 Forecast
Source of Funds:									
Charges for Service	6,486	6,460	7,860	7,000	8,133	3.5%	8,377	8,628	8,887
Charges for Sales	6,118	6,695	7,800	6,600	9,838	26.1%	10,133	10,437	10,750
Interest	1	0	1	1	0	-100.0%	1	1	1
Gains	282	164	200	200	200	0.0%	200	200	200
Rents	20,263	20,685	27,004	27,000	24,726	-8.4%	25,467	26,231	27,018
Other Misc Revenue	187	30	10	20	10	0.0%	10	10	10
Operating Transfers in	4,180	4,180	4,180	4,180	4,180	0.0%	4,180	4,180	4,180
Proceeds from long term liabilities	-	-	-	-	-		-	-	-
Total	37,517	38,214	47,055	45,001	47,087	0.1%	48,368	49,688	51,047
Use of Funds:									
Debt Service	7,363	3,826	3,462	3,462	3,405	-1.6%	3,451	3,280	3,331
Transfers	332	453	502	502	581	15.7%	581	581	581
PW Equipment	22,218	27,788	34,562	30,916	35,334	2.2%	36,041	36,761	37,497
PW Equipment Capital	4,852	6,996	7,927	8,469	7,752	-2.2%	7,600	7,600	7,600
Total	34,765	39,063	46,453	43,349	47,072	1.3%	47,673	48,222	49,009
Change in Net Assets	3,338	2,069	602	1,652	15		696	1,465	2,038
Net Assets	21,715	23,784	24,386	24,386	24,401		25,096	26,562	28,600
Cash Balance [1]	200	(49)	553	553	568		1,263	2,729	4,767
Long Range Financial Plan Target Cash	2,988	4,910	7,293	7,293	9,734		12,127	14,692	14,692
Variance Cash to LRFP	(2,788)	(4,959)	(6,740)	(6,740)	(9,166)		(10,864)	(11,963)	(9,925)

[1]Cash balance for 2007 and 2008 is the sum of the CAFR cash balance and the Due to Other Funds.