

**City of Minneapolis  
FY 2005 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 currently 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.

**2005 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 Recommended Rates***

The 2005 budget includes a rate increase for water from \$2.38/unit to \$2.50/unit. The rate increase will provide funding for the Capital Ultrafiltration Program, completion of the SCADA System and for Water Distribution Improvements.

Year	Rate (cost per 100 cubic feet)	Cost Per Month for Average Consumer <sup>1</sup>	% Increase	Total Planned Revenue from Utility Fee
2005	2.50	20.00	5.0%	\$62.1 Million
2006	2.62	20.96	4.8%	\$65.1 Million
2007	2.67	21.36	1.9%	\$66.3 Million
2008	2.75	22.00	3.0%	\$68.3 Million
2009	2.85	22.80	3.6%	\$70.8 Million

<sup>1</sup> 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 because revenue is also deposited in the Water Fund from sources other than utility fees.

***Expenditures***

The recommended budget provides funding for the capital infrastructure improvement program by decreasing it by 44% from \$37.5 million in 2004 to \$20.9 million in 2004.

The total budget for security in 2005 is \$1.15 million. The Water Fund has 16 (FTE) positions from the Police Department dedicated full time to providing security for Water Works.

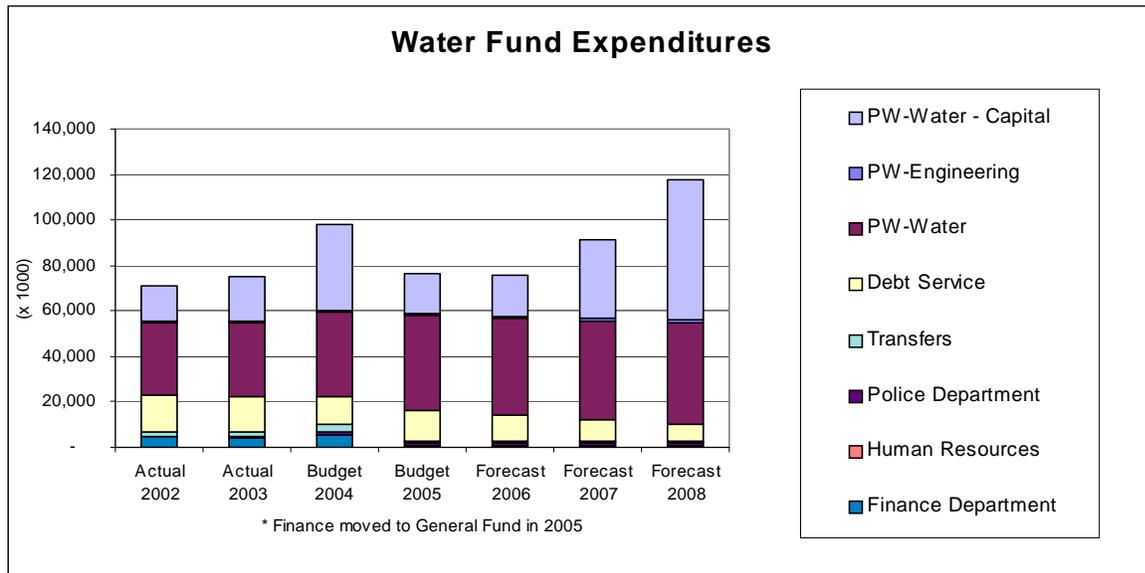
The decrease in the finance cost center is due to the expenses being moved from the water to the general fund. This will also impact the revenue that was received from Sewer and Solid Waste to fund a portion of the program, which has also been redirected to the general fund.

**Transfers to Other Funds**

The Water Fund will begin incurring a transfer expense related to its share of the Minneapolis Employee Retirement Fund (MERF) pension obligations. The \$0.6 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 and notes sold to finance the Water-Works Capital Construction program.



**City of Minneapolis  
FY 2005 Budget  
Financial Plan (in thousands of dollars)**

**Water Fund 7400**

	2002 Actual	2003 Actual	2004 Budget	2004 Projected	2005 Budget	% Chg from 2004	2006 Forecast	2007 Forecast	2008 Forecast
<b>Source of Funds:</b>									
Property Taxes									
Licenses and Permits	1	1	1	1	1		1	1	1
Federal Government	317	154	-	-	-		-	-	-
Charges for Service	54,733	61,733	66,818	66,818	65,672	-1.7%	66,100	67,334	69,321
Charges for Sales	1,715	679	1,740	1,740	1,780	2.3%	1,816	1,852	1,889
Special Assessments	1,769	1,031	-	-	-		-	-	-
Interest	23	2	-	-	-		-	-	-
Rents	3	-	2	2	1	-50.0%	1	1	1
Other Misc Revenues	2	39	19	19	19		20	20	21
Operating Transfers In	106	615	-	-	-		-	-	-
Proceeds of Long Term Liabilities	8,049	20,923	33,000	33,000	16,000	-51.5%	11,000	28,000	54,400
<b>Total</b>	<b>66,718</b>	<b>85,177</b>	<b>101,580</b>	<b>101,580</b>	<b>83,473</b>	<b>-17.8%</b>	<b>78,937</b>	<b>97,208</b>	<b>125,633</b>
<b>Use of Funds:</b>									
PW-Engineering	662	726	878	878	1,096	24.8%	1,118	1,140	1,163
PW-Water	31,796	32,508	37,586	37,586	43,273	15.1%	44,138	45,021	45,922
Debt Service	15,988	15,186	12,148	12,148	13,611	12.0%	11,287	9,212	7,756
Transfers									
To General Fund	63	63							
To Capital Improvement Fund			80	80					
To Debt Service for MERF Liability	45		483	483	584		602	614	626
To BIS Fund	2,414	2,429	2,526	2,526					
To Self Insurance Fund	27	26	26	26					
Police Department	-	-	1,110	1,110	1,150	3.6%	1,173	1,196	1,220
Human Resources	-	225	228	228	-		-	-	-
Finance Department	4,528	4,332	5,451	5,451	13	-99.8%	13	14	14
PW-Water - Capital	15,726	19,524	37,568	37,568	20,891	-44.4%	17,750	34,650	61,400
<b>Total</b>	<b>71,248</b>	<b>75,019</b>	<b>98,084</b>	<b>98,084</b>	<b>80,618</b>	<b>-17.8%</b>	<b>76,081</b>	<b>91,847</b>	<b>118,101</b>
<b>Water Works Fund Margin</b>	<b>-4,530</b>	<b>10,159</b>	<b>3,496</b>	<b>3,496</b>	<b>2,855</b>	<b>-18.3%</b>	<b>2,856</b>	<b>5,361</b>	<b>7,532</b>
<b>Water Fund Balance</b>	<b>111,612</b>	<b>125,364</b>	<b>128,860</b>	<b>128,860</b>	<b>131,715</b>	<b>2.2%</b>	<b>134,571</b>	<b>139,931</b>	<b>147,464</b>
<b>Cash Balances</b>									
Operating Cash	109	9,502	12,998	12,998	15,853	22.0%	18,709	24,069	31,602
Construction Cash	6,028	4,971							
<b>Total Cash Balance</b>	<b>6,137</b>	<b>14,473</b>	<b>12,998</b>	<b>12,998</b>	<b>15,853</b>	<b>0</b>	<b>18,709</b>	<b>24,069</b>	<b>31,602</b>