

**City of Minneapolis
FY 2010 Budget
Financial Plan**

Sanitary Sewer Fund

Background

The Sanitary Sewer Fund, which had previously been a combination of Storm Water and Sanitary Sewer, was split into two separate funds in 2005.

The Fund accounts for 95% of the contractual payments to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. These payments make up 75% of the fund's budget. It also accounts for sanitary sewer maintenance, design, capital programs, and long-term debt service.

Historical Financial Performance

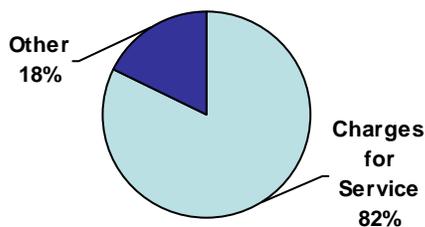
Total revenues for 2008 amounted to \$46.5 million compared to \$45 million in 2007. This increase of \$1.5 million is due to revenues from the capital program's bond proceeds. Similarly, the expenditures for 2008 totaled \$45.2 million compared to \$43.3 million in 2007, an increase of \$1.9 million. The increase in expenditures is mainly due to increase in debt service and capital programs.

2010 Budget

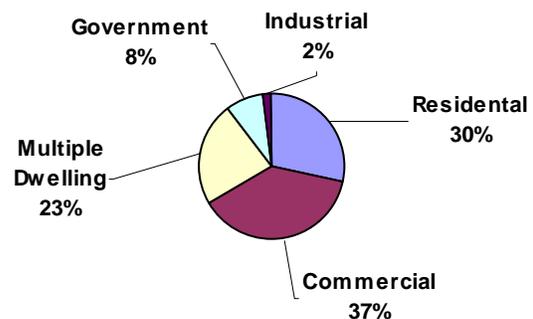
Revenues

Total revenue budget for Sanitary Sewer Fund for 2010 amounts to \$54.9 million compared to \$55 million in the 2009 current budget. This is a decrease of 0.1% over 2009 current budget. Sources of revenue for the Fund are monthly sanitary service fees, Sewer Availability Charges (SAC) charges, miscellaneous and bond revenues. Revenues from operations account for 82% of the budget and capital programs make up the remaining 18%. The decrease in revenue budget is due to decrease in consumer usage resulting in a lower revenue estimate for 2010.

**Sanitary Sewer
Source of Funds
(\$54.9 million)**



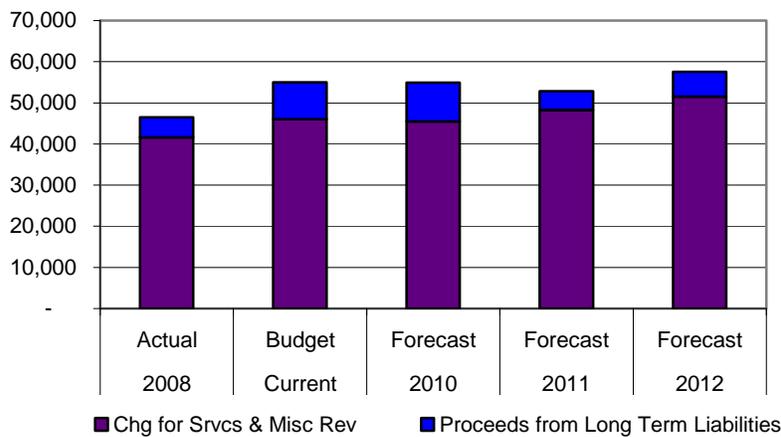
**Usage by Customer Type
(Based on actual revenue)**



Year	Rate (cost per 100 cubic feet)	% Increase	Average Monthly Bill	Total Planned Revenue from Utility Fee
2010	\$2.93	12.3%	\$17.58	\$42.9 million
2011	\$3.17	8.2%	\$19.02	\$45.8 million
2012	\$3.41	7.6%	\$20.46	\$49.0 million
2013	\$3.65	7.0%	\$21.90	\$52.2 million
2014	\$3.89	6.6%	\$23.34	\$55.4 million

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 sanitary sewer fund from sources other than utility fees, such as SAC.

Sanitary Sewer Fund Revenues
(in thousands of dollars)

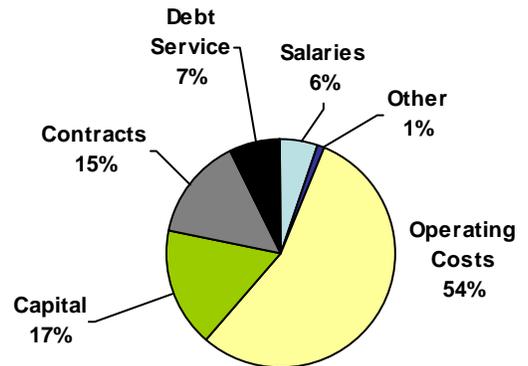


Expenditures

Total expenditure budget for 2010 amounts to \$55.6 million compared to \$53.7 million in the 2009 budget, an increase of \$2 million, or 3.5%. Debt service accounts for \$1.3 million of this increase whereas \$500,000 can be attributed to Capital programs; and the remaining \$200,000 increase stems from operations and pensions. The largest expense category in the sanitary sewer fund is the sanitary sewer charges paid to Met Council Environmental Services (MCES).

Estimated payment to MCES for 2010 is \$31.4 million, an increase of \$400,000 over 2009. Minneapolis is the largest customer in MCES' system. These charges make up 75% of the fund's budget and are reported as part of the Sewer Maintenance totals. The fund also accounts for maintenance and design works along with capital and debt service programs.

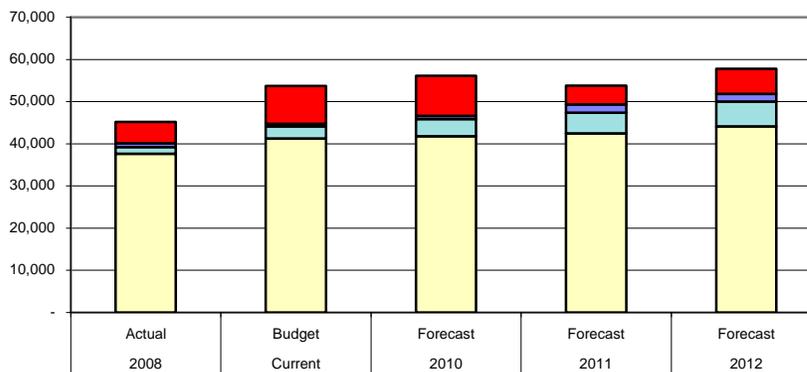
Sanitary Sewer Use of Funds (\$55.6 million)



Debt Service

When the sewer fund was split, it was determined the majority of the debt service was used to construct infrastructure related to storm water. Prior to 2007, all debt service was allocated to the storm water fund. The capital program was instituted in 2007 to address the inflow/infiltration issue in Minneapolis and will continue as part of the on-going five-year plan. Components of the program included expansion of the existing system and major repairs to current infrastructure. For 2010, \$9.5 million of the budget is set aside for capital programs and \$4 million is set aside as debt service payments for bonds sold in current and previous years to fund these projects.

Sanitary Sewer Fund Expenditures
(in thousands of dollars)



■ PW-Sewer Maintenance
 ■ Debt Service
 ■ PW-Sewer Design, Transfer, etc
 ■ PW- Capital

Original Budget

The Mayor recommended an increase of \$0.32 in per unit sanitary sewer rates. The Mayor further recommends a reduction of \$422,000 to the department's current service level operating budget. The Council approved the Mayor's recommendations.

The budget for this fund includes a reduction of BIS charges of \$1,800 due to the Council's actions to reduce the BIS budget. This reduction in BIS charges will subsequently reduce the fund's appropriation by the same amount. Additionally, the budget for this fund includes a \$9,331 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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Sanitary Sewer Fund - 7100

	2007 Actual	2008 Actual	2009 Current Budget	2009 Projected	2010 Council Adopted	% Chg from 2009 Budget	2011 Forecast	2012 Forecast	2013 Forecast
Source of Funds:									
Charges for Service	42,007	41,615	45,945	41,805	45,456	-1.1%	48,246	51,476	54,650
Other Misc Revenues			51	51	51		53	56	59
Proceeds from Long Term Liabilities	3,023	4,839	8,976	8,726	9,425	5.0%	4,500	6,000	6,750
Total	45,030	46,455	54,972	50,582	54,932	-0.1%	52,799	57,532	61,459
Use of Funds:									
PW-Sewer Design	258	312	357	325	409	14.6%	351	366	380
PW-Sewer Maintenance	38,807	37,624	41,283	39,269	41,405	0.3%	42,434	44,132	45,897
Debt Service	904	1,578	2,820	2,818	3,317	18%	3,174	3,387	2,044
Future Debt Service					749		1,750	2,509	3,362
Transfers	-				-		-	-	-
To Debt Service for MERF Liability	348	629	292	292	305	4.5%	708	1,096	1,178
PW- Capital	3,023	5,039	8,976	8,976	9,425	5.0%	4,500	6,000	6,750
Total	43,340	45,182	53,728	51,680	55,610	3.5%	52,918	57,489	59,611
Change in Net Assets	1,690	1,273	1,244	(1,098)	(678)	-154.5%	(118)	43	1,847
Net Asset Balance	86,142	86,891	88,135	85,793	85,115	-3.4%	84,997	85,040	86,887
Cash Balances									
Operating Cash	8,483	10,585	11,829	9,488	8,810	-25.5%	8,692	8,734	10,582