City of Minneapolis 2011 Budget Financial Plan

Sanitary Sewer Fund

Background

The Fund accounts for 95% of the contractual payments made to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. It also accounts for sanitary sewer maintenance and design works, capital programs, and long-term debt service.

Historical Financial Performance

Total revenues for 2009 amounted to \$50.1 million compared to \$46.5 million in 2008. This increase of \$3.6 million is due to the combination of rate increase and bond revenues from capital programs. Similarly, the expenditures for 2009 totaled \$50.8 million compared to \$45.2 million in 2008 which is an increase of \$5.6 million, or 12%. The increase in expenditures is mainly due to increases in debt services of \$1.8 million and \$3.3 million in capital programs.

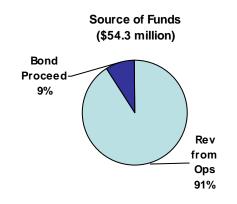
2011 Budget

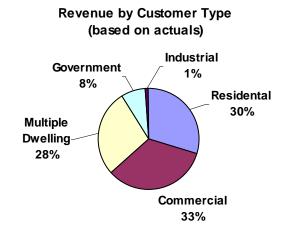
Revenues

The total revenue budget for the Sanitary Sewer Fund for 2011 amounts to \$54.3 million compared to \$54.9 million budgeted in 2010. This is a decrease of \$600,000 from 2010. Service revenues have been estimated at \$46.4 million, an increase of \$3.5 million; and bond proceeds for 2011 have been budgeted at \$5 million, a decrease of \$4 million from 2010.

Estimated increase in service revenue has been offset by decrease in capital revenues due to fewer capital programs set for 2011. The Sanitary Sewer Fund draws its revenues from: (i) monthly sanitary service fees, (ii) Sewer Access Charges (SAC), (iii) bond revenues, and (iv) design revenue, charged primarily to capital projects, and (v) miscellaneous services provided primarily to external entities. Revenues from operations account for 91% of the budget and bond proceeds from capital programs make up the remaining 9%.

For 2011, sanitary sewer rate has been set at \$3.05 per one hundred cubic feet. This is an increase of 12 cents, or 4.10%, over 2010 rate of \$2.93.

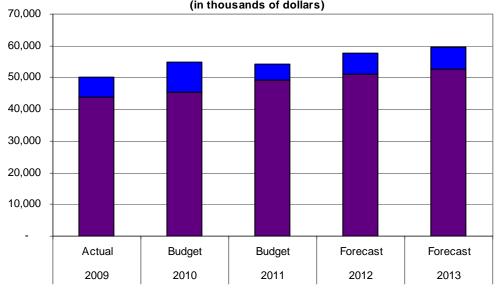




Year	Rate (cost per 100 cubic feet)	% Increase	Average Monthly Bill	Total Planned Revenue from Utility Fee
2011	\$3.05	4.10%	\$18.30	\$45.2 million
2012	\$3.18	4.30%	\$19.08	\$46.4 million
2013	\$3.29	3.50%	\$19.74	\$48.1 million
2014	\$3.42	4.00%	\$20.52	\$51.2 million
2015	\$3.57	4.40%	\$21.42	\$53.1 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.





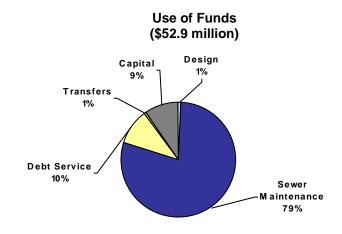
■ Chg for Srvcs & Misc Rev

■ Proceeds from Long Term Liabilities

Expenditures

Total expenditure budget for 2011 amounts to \$52.9 million compared to \$55.6 million for 2010. This is a decrease of \$2.7 million, or 4.7%, from 2010. This expense budget will fund maintenance and design works, capital programs, and long-term debts. A decrease in the capital program scheduled for 2011 is the main component for an overall reduction in the Fund's expenditure budget. The operating budget at \$42.3 million is \$500,000 higher than 2010 figure which totaled \$41.8 million.

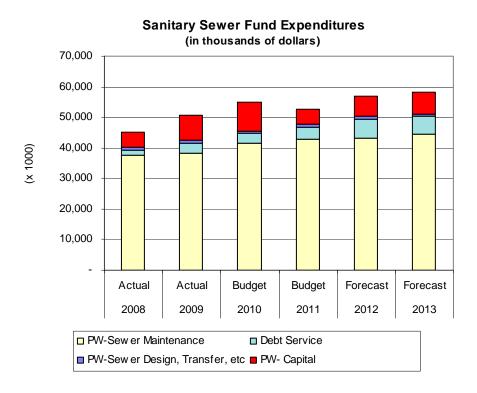
Capital expenditures for 2011 total \$5 million which is \$4 million less than 2010 capital budget.



The largest expense in the Sanitary Sewer Fund is the sanitary sewer charges paid to Met Council Environmental Services (MCES). The estimated payment to MCES for 2011 will be \$31.6 million, an increase of \$1.1 million, or 4%, over 2010. The Sanitary Sewer Fund bears 95%, or \$30 million, of this cost with the remaining \$1.6 million paid from the Storm Water Fund. Minneapolis is the largest customer in MCES system.

Debt Service

Capital programs were 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 2011, \$5 million of the budget is set aside for capital programs and another \$5.2 million is set aside as debt service payments for bonds sold in current and previous years to fund these projects.



Mayor's Recommended Budget

The Mayor recommended a rate increase of \$0.24 per unit. The Mayor included a wireless commitment charge of \$52,808 which is partially offset by healthcare savings.

Council Adopted Budget

The Council adopted a rate increase of \$0.12 per unit compared with the Mayor's recommendation of \$0.24. The Council adopted the remainder of the Mayor's recommendations.

City of Minneapolis 2011 Budget

Financial Plan (in thousands of dollars)

Sanitary Sewer Fund - 7100

						% Chg			
	2008 Actual	2009 Actual	2010 Budget	2010 Projected	2011 Budget	from 2010 Budget	2012 Forecast	2013 Forecast	2014 Forecast
Source of Funds:									
Charges for Service	41,615	40,230	42,932	45,192	46,367	8.0%	48,087	49,477	51,155
Other Misc Revenues		3,723	2,575	3,251	2,929	13.7%	3,124	3,189	3,189
Proceeds from Long Term Liabilities	4,839	6,154	9,425	9,425	5,000	-46.9%	6,500	7,000	7,000
Total	46,454	50,107	54,932	57,868	54,296	-1.2%	57,711	59,666	61,344
Use of Funds:									
PW-Sewer Design	312	230	409	307	427	4.4%	431	441	452
PW-Sewer Maintenance	37,624	38,158	41,405	39,905	41,870	1.1%	43,080	44,401	45,765
Debt Service	1,578	3,372	3,317	3,551	3,757	13%	4,127	2,754	2,642
Future Debt Service			749		1,439	92%	2,333	3,296	4,259
Transfers	-								
To MERF Debt Service	629	628	305	305	478	56.7%	319	276	276
To MERF Debt Service -New Plan							-	-	-
PW- Capital	5,039	8,383	9,425	9,425	5,000	-46.9%	6,500	7,000	7,000
Total	45,182	50,771	55,610	53,493	52,971	-4.7%	56,790	58,168	60,394
Change in Net Assets	1,273	(664)	(678)	4,375	1,325	-295.4%	921	1,498	950
Net Asset Balance	86,891	89,638	88,960	94,013	95,338	7.2%	96,259	97,757	98,707
Cash Balances									
Operating Cash	10,585	9,640	8,962	14,014	15,339	71.2%	16,260	17,758	18,705