

**City of Minneapolis
2013 Budget
Financial Plan**

Sanitary Sewer Fund

Background

The operating budget is set up under the Sanitary Sewer Collection & Treatment program. This program within 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 maintenance and design work, capital programs and long-term debt services.

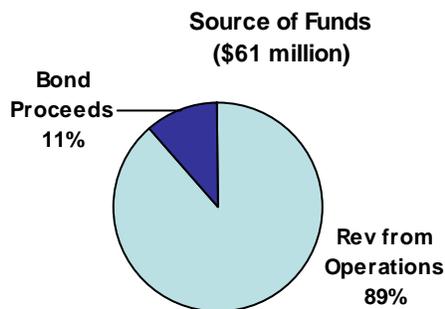
Historical Financial Performance

Total 2011 revenues were \$52.5 million compared to \$53.8 million in 2010. This is a decrease of \$1.3 million, or 2%, over 2010 and is mainly due to decreases in revenues from Capital programs. Sanitary service revenue totaled \$44.9 million, compared to the 2010 total of \$45.1 million. The expenditures for 2011 totaled \$51.1 million compared to \$50.8 million over 2010. An expenditure increase of \$3 million related to design, maintenance, Met Council, SAC charges, and debt services was offset by a decrease of \$2.6 million in MERF and capital programs.

2013 Budget

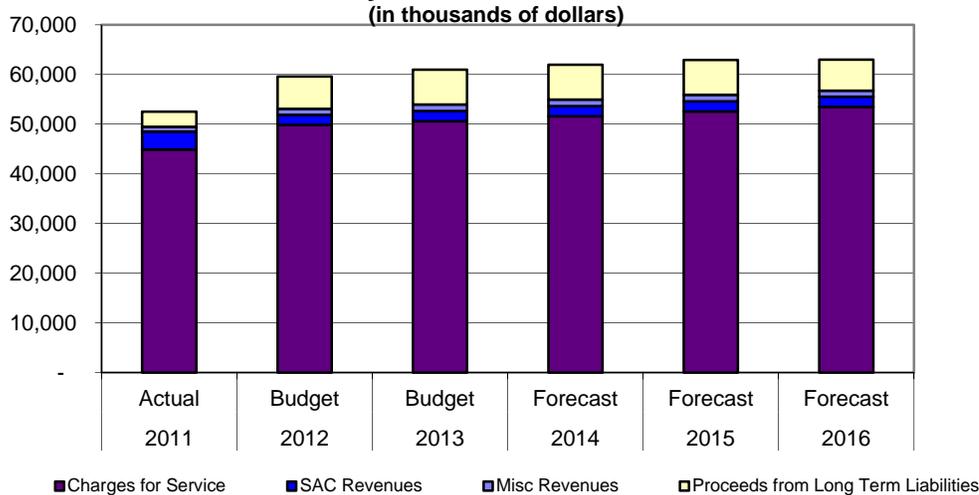
Revenues

The total revenue budget for the Sanitary Sewer Fund for 2013 amounts to \$61.0 million compared to \$59.6 million, an increase of \$1.4 million, or 2.5%, over 2012 projected revenues. Monthly sanitary utility charges, Sewer Access Charges (SAC), design and miscellaneous projects, along with proceeds from capital programs make up the sources of revenue for the Sanitary Sewer Fund. Revenues from operations account for 89% of the budget and bond proceeds from capital programs make up the remaining 11%. Sanitary sewer rates are comprised of variable and fixed rates. For 2013, the variable sewer rate has been set at \$3.14 per one hundred cubic feet; meanwhile, fixed rates are based on meter sizes. Revenue estimates were increased to fund sanitary collection and treatment programs, retirements (MERF program), capital programs, debt payments and shared meter costs.



Year	Rate (cost per 100 per cubic feet)	% Increase	Average Monthly Bill	Total Planned Revenue from Utility Fee
2013	\$3.14	3.00%	\$18.84	\$50.6 million
2014	\$3.24	3.20%	\$19.44	\$51.6 million
2015	\$3.34	3.10%	\$20.04	\$52.5 million
2016	\$3.44	3.00%	\$20.64	\$53.5 million
2017	\$3.44	0.00%	\$20.64	\$54.5 million

Sanitary Sewer Fund Revenues



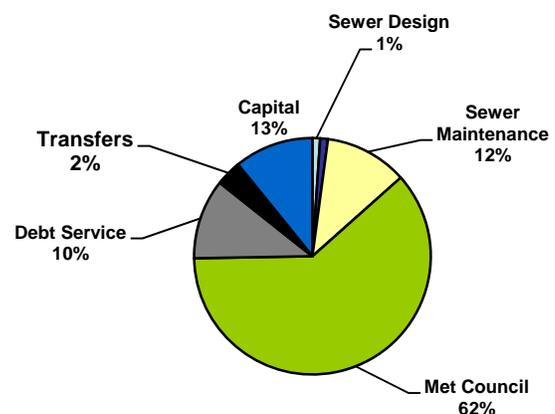
Expenditures

The total expenditure budget for 2013 amounts to \$61.6 million compared to \$59.2 million projected for 2012. This is an increase of \$2.5 million, or 4.2%, over 2012. Maintenance and design work, Met Council, capital programs, and long-term debt are funded from this budget. The increase of \$1.5 million in Met Council is mainly due to the rate increase for treatment services. Design and maintenance budgets increased by \$500K due to realignment of personnel, planned implementation of FOG (Fat, oil and grease) program, and a one-time software expenditure of \$295K.

Capital expenditures for 2013 total \$8 million compared to \$7.5 million for 2012. This increase of \$500K is due to sanitary tunnel and sewer rehabilitation work scheduled for 2013. The largest expense in the Sanitary Sewer Fund is the service charge paid to Met Council Environmental Services (MCES).

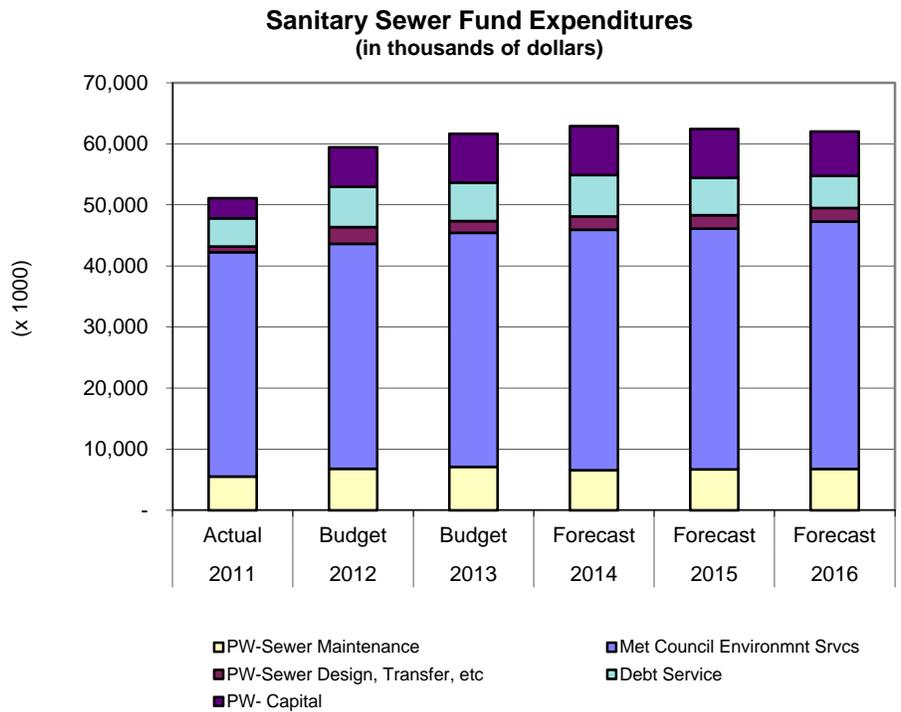
The estimated payment to MCES for 2013 is \$34.6 million, a 5.1% increase over 2012. The Sanitary Sewer Fund bears 95%, or \$32.8 million, of this cost with the remaining \$1.7 million paid from the Storm Water Fund. Minneapolis is the largest customer in the MCES system. (Please note, this payment is only a portion of the Met Council Environmental Services line as shown on the plan).

Use of Funds (\$61.7 million)



Debt Service & Transfers

Capital programs for 2013 include the inflow/infiltration and tunnel sewer rehab programs. An additional component of the capital program includes repair work on existing infrastructures. For 2013, \$6.3 million is set aside as debt service payments for bonds sold in current and previous years to fund these projects. A transfer from this fund is made to the Water fund to cover shared meter expenses. For 2013, the transfer is estimated at \$1.1 million.



Mayor’s Recommended Budget

The Mayor recommends no changes.

City of Minneapolis
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Financial Plan (in thousands of dollars)

Sanitary Sewer Fund - 07100

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg from 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
Source of Funds:									
Charges for Service	45,142	44,900	49,867	49,847	50,585	1.5%	51,568	52,526	53,461
SAC Revenues	2,984	3,592	2,000	2,000	2,060	3.0%	2,060	2,060	2,060
Other Misc Revenues	1,241	990	1,226	1,226	1,319	7.6%	1,319	1,319	1,222
Proceeds from Long Term Liabilities	4,477	3,020	6,500	6,500	7,000	7.7%	7,000	7,000	6,250
Total	53,843	52,501	59,593	59,573	60,964	2.3%	61,947	62,905	62,993
Use of Funds:									
PW-Sewer Design	298	366	632	632	775	22.7%	757	775	793
PW-Sewer Maintenance	5,470	5,510	6,796	6,796	7,085	4.3%	6,558	6,684	6,762
MERF Debt Service -New Plan	-	-	-	-	-		289	289	289
Met Council Environment Svcs	34,897	36,731	36,833	36,833	38,317	4.0%	39,364	39,426	40,505
Debt Service	3,551	4,618	5,217	5,217	4,604	-11.8%	4,192	2,645	1,040
Future Debt Service			-	-	1,709		2,582	3,455	4,219
Transfers	-								
To MERF Debt Service	825	577	1,112	1,112	-	-100.0%	-	-	-
To Water Fund			994	1,058	1,149	8.6%	1,149	1,149	1,149
PW- Capital	5,709	3,309	6,500	7,500	8,000	6.7%	8,000	8,000	7,250
Total	50,750	51,111	58,084	59,148	61,640	4.2%	62,891	62,423	62,006
Change in Net Assets	3,093	1,389	1,509	426	(677)		(945)	482	987
Net Asset Balance	96,156	100,825	102,334	101,251	100,574		99,630	100,112	101,099
Cash Balances									
Operating Cash	12,474	15,430	16,940	15,857	15,180		14,234	14,717	15,704
Construction Cash	4,177	5,338							