

**City of Minneapolis  
2013 Budget  
Financial Plan**

**Water Fund**

**Background**

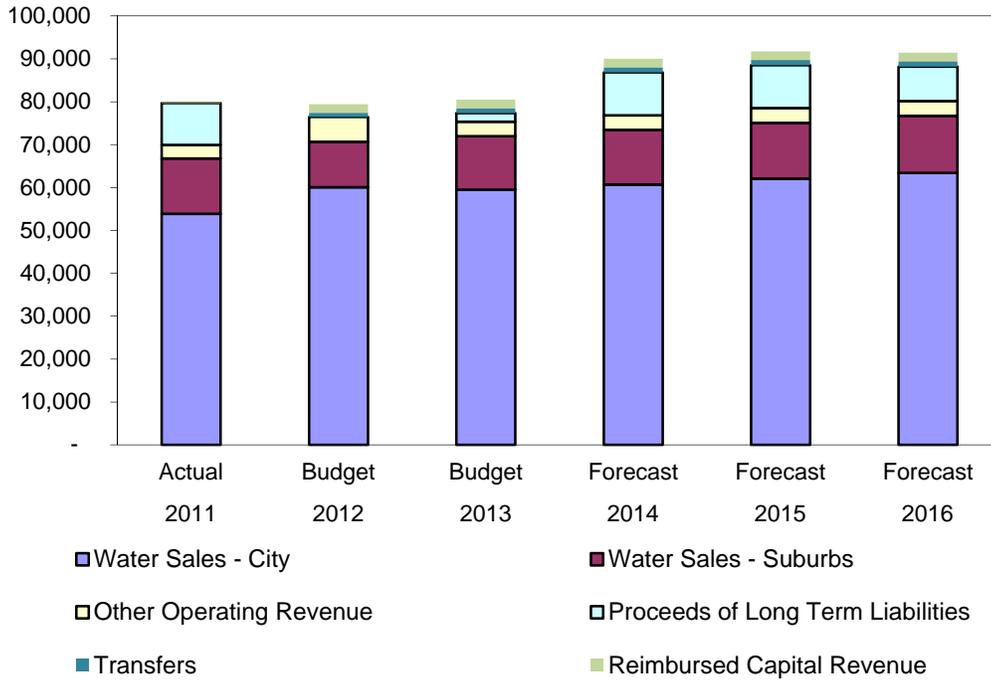
The Water Fund accounts for the operation, maintenance, and capital program of the water treatment and distribution system for the City of Minneapolis and several suburban city customers. The City currently sells water to seven suburbs including Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, Edina, and the Metropolitan Airport Commission.

**Historical Financial Performance**

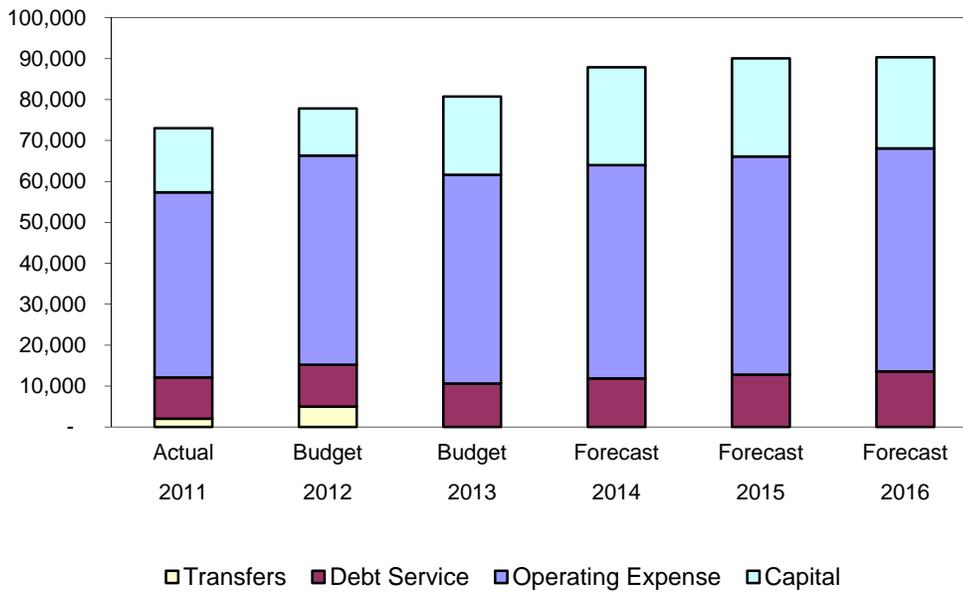
The net assets of the Water Fund have increased over the past several years due primarily to scheduled rate increases and major capital improvements. The following table shows the revenue earned from Minneapolis and suburban sales for years 2010 – 2011, the projected 2012 revenue, and the 2013 budgeted revenue:

<b>Source of Revenue</b>	<b>2010</b>	<b>2011</b>	<b>2012 Projected</b>	<b>2013 Budget</b>
Bloomington	\$3,543,587	\$3,015,665	\$3,145,006	\$3,129,543
Columbia Heights	1,156,604	1,185,559	1,239,166	1,235,632
Hilltop	106,734	99,005	87,435	72,334
Joint Water Commission	5,694,488	7,572,427	7,432,468	6,964,828
Edina	194,026	204,920	213,432	212,125
MAC	N/A	823,274	864,554	865,842
<b>Total Suburban</b>	<b>\$10,695,439</b>	<b>\$12,900,850</b>	<b>\$12,982,060</b>	<b>\$12,480,304</b>
Minneapolis	\$53,167,300	\$53,869,105	\$60,000,000	\$59,500,950
<b>Total Revenue</b>	<b>\$63,862,739</b>	<b>\$66,769,955</b>	<b>\$72,982,060</b>	<b>\$71,981,254</b>

### Water Fund Revenues (In thousands of dollars)



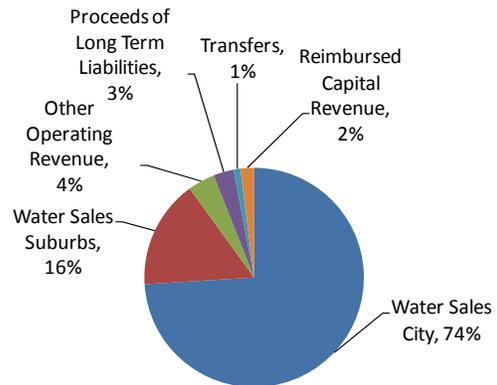
### Water Fund Expenses (In thousands of dollars)



## 2013 Budget

### Revenues

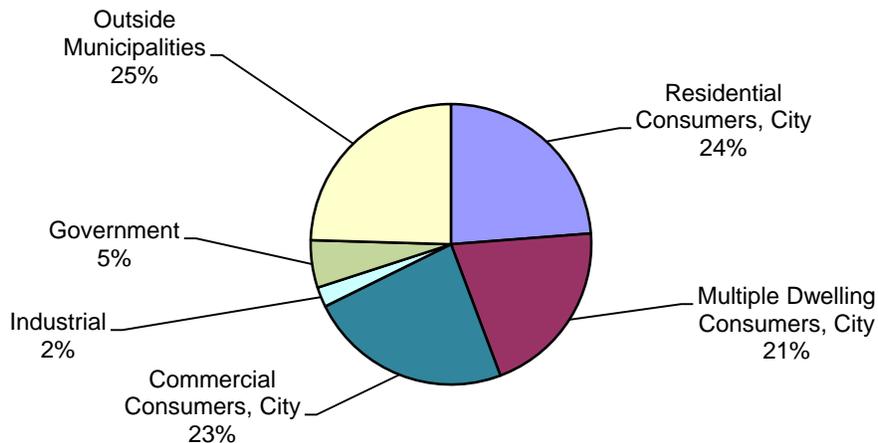
The 2013 revenue budget of \$80.5 million is 1.7% lower than the 2012 projected revenue of \$81.9 million. There are projected rate increases for years 2013 – 2016 to pay debt service for the capital expenses, as well as to cover anticipated growth in operating expenses and to repair infrastructure. Rate increases may not result in increased revenue, however, due to variable water consumption. A long-term trend has shown that Minneapolis water consumption has decreased over the past several years.



### Water Utility Rates

The budget includes a fixed rate charge based on meter size as well as a variable rate charge of \$3.29/unit. The fixed rate charge helps to cover the high fixed costs of operating the utility which increases the utility's financial stability as it continues to operate in an environment of declining consumption due to conservation efforts.

### Charges for Services by Customer Consumption (Based on 2011 Consumption)



<sup>1</sup> Rate is based on cost per 100 cubic feet and assumes 8 units of water are consumed per month for a 5/8" meter. The fixed rate increases as the meter size increases.

Year	Fixed Rate (5/8" Meter)	Rate (cost per 100 cubic feet)	Cost Per Month for Average Consumer <sup>1</sup>	Variable % Increase	Total Monthly Cost Increase per Household	Total Planned Revenue from Utility Fee
2013	\$2.00	\$3.29	\$26.32	2.81%	\$0.72	\$59.5 Million
2014	\$2.00	\$3.38	\$27.04	2.74%	\$0.72	\$60.7 Million
2015	\$2.00	\$3.48	\$27.84	2.96%	\$0.80	\$62.0 Million
2016	\$2.00	\$3.58	\$28.64	2.87%	\$0.80	\$63.3 Million
2017	\$4.00	\$3.58	\$28.64	0.00%	\$4.00	\$66.3 Million

The following table shows the projected revenue earned from suburban utility sales:

Year	Combined Average Rate	% Increase	Total Revenue Earned from Utility Fee - Suburbs
2013	\$2.10	2.81%	\$12.5 Million
2014	\$2.15	2.74%	\$12.7 Million
2015	\$2.22	2.96%	\$13 Million
2016	\$2.28	2.87%	\$13.3 Million
2017	\$2.28	0.00%	\$13.2 Million

### Expenses

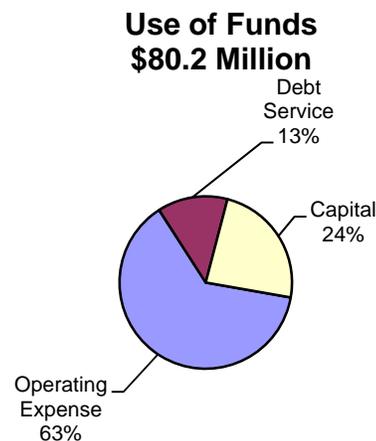
The 2013 expense budget is \$80.2 million, a 1.8% increase over the 2012 projected expense of \$78.8 million. The budget provides funding for water treatment and distribution and the capital improvement program. Current capital projects include improvements to the water distribution network, treatment infrastructure improvements, rehabilitation of the Fridley filter facility and replacement of the distribution maintenance facility. The 2013 capital budget of \$18.7 million represents a 62.5% increase from the 2012 capital budget.

### Transfers

The Water Fund incurs a transfer expense related to its share of the Minneapolis Employee Retirement Fund (MERF) pension obligations. There will be \$2.3 million 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 total of \$10.4 million is primarily for bonds and notes sold to finance the Water Fund's Capital Construction program.



### Mayor's Recommended Budget

The Mayor recommends no changes.

City of Minneapolis

2013 Budget

Financial Plan (In thousands of dollars)

Water Fund - 7400

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg from 2012 Budget	2014 Forecast	2015 Forecast	2016 Forecast
<b>Source of Funds:</b>									
Water Sales - City	53,459	53,869	60,574	60,000	59,501	-1.8%	60,702	62,053	63,384
Water Sales - Suburbs	10,695	12,901	10,081	12,982	12,480	23.8%	12,747	13,047	13,342
Other Operating Revenue	1,508	3,171	4,794	5,666	3,358	-30.0%	3,390	3,423	3,459
Proceeds of Long Term Liabilities	15,692	9,732		215	2,000		10,000	10,000	8,000
Transfers									
From Sewer Fund for Meter Shop			994	994	1,149	15.6%	1,184	1,219	1,254
From General Fund					22				
Reimbursed Capital Revenue	365	247	2,000	2,000	2,000		2,000	2,000	2,000
<b>Total</b>	<b>81,719</b>	<b>79,920</b>	<b>78,443</b>	<b>81,857</b>	<b>80,510</b>	<b>-1.6%</b>	<b>90,023</b>	<b>91,742</b>	<b>91,439</b>
<b>Use of Funds:</b>									
Operating Expense	47,916	45,267	51,106	50,317	50,901	-0.4%	52,145	53,303	54,500
Debt Service	9,518	10,038	10,226	10,273	10,379	1.5%	10,454	10,691	10,906
Future Debt Service	-	-	-	-	231	100.0%	1,389	2,092	2,655
Transfers									
To Debt Service for MERF Liability	1,258	2,042	4,992	4,992	-	-100.0%	-	-	-
To Debt Service - Other	249	-	-	-	-		-	-	-
Capital	19,762	15,674	11,510	13,174	18,700	62.5%	23,900	24,000	22,300
<b>Total</b>	<b>78,703</b>	<b>73,021</b>	<b>77,834</b>	<b>78,756</b>	<b>80,211</b>	<b>3.1%</b>	<b>87,888</b>	<b>90,086</b>	<b>90,361</b>
<b>Water Works Fund Margin</b>	<b>3,016</b>	<b>6,899</b>	<b>609</b>	<b>3,101</b>	<b>299</b>		<b>2,135</b>	<b>1,656</b>	<b>1,078</b>
<b>Water Net Assets</b>	<b>176,894</b>	<b>186,111</b>	<b>186,720</b>	<b>189,212</b>	<b>189,511</b>	<b>1.5%</b>	<b>191,646</b>	<b>193,302</b>	<b>194,380</b>
<b>Cash Balance</b>	<b>13,227</b>	<b>14,877</b>	<b>15,488</b>	<b>17,979</b>	<b>15,226</b>	<b>-1.7%</b>	<b>17,361</b>	<b>19,017</b>	<b>20,095</b>