

**City of Minneapolis
2013 Budget
Financial Plan**

Public Works Stores Fund

Background

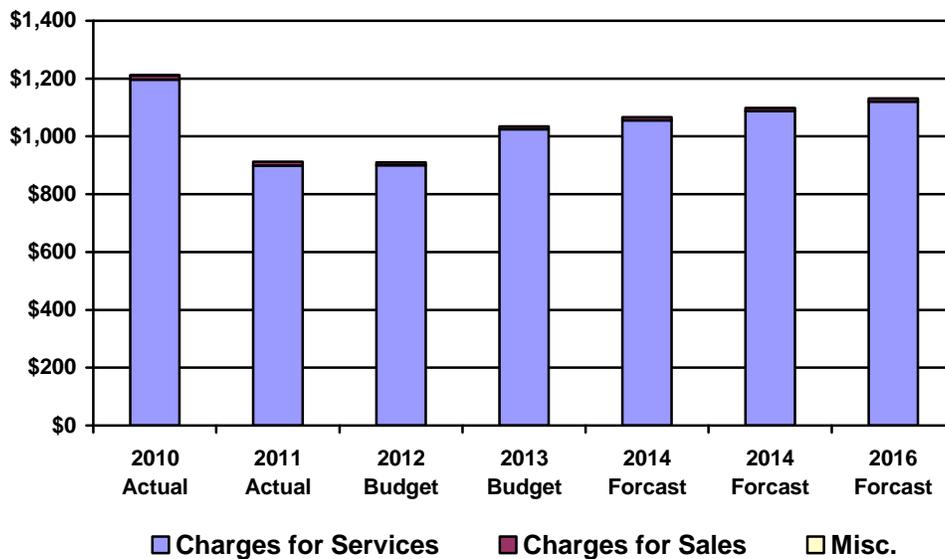
The Public Works Stores Fund accounts for the centralized procurement, receiving, warehousing, and distribution of stocked inventory items and the purchase of special goods and services through Central Stores and Public Works Traffic Stores.

Historical Financial Information

Public Works operated Central Stores beginning January 1965. At that time, the stockrooms of property services, bridge maintenance, paving construction, and sewer construction and maintenance were combined to establish a central stores operation. In 1980, Central Stores began purchasing the City's office supplies and non-specialty items. In April 2011, Central Stores was transitioned from the Public Works department to become a cost center within the department of Finance & Property Services. Central Stores remains an internal service division and transactions are recorded to the Public Works Stores Fund. Public Works Traffic Stores purchases components for traffic signals, controllers, and street lights.

A revised overhead structure implemented in 1998, resulted in positive net income for years 2000 through 2007. For year ending 2010, PW Stores recorded net income of \$20,000. The net loss for 2011 was \$(198,000).

Public Works Stores Revenue
(in thousands of dollars)



2013 Budget

Revenues

Revenues for 2013 are budgeted at \$1.0 million, a decrease of 10.8% from the 2012 projected revenue of \$1.2 million. Revenues for 2012 are projected to be higher than the budgeted amount due to an increase in inventory issued to the Minneapolis Park Board. Revenues for 2013 are not expected to be sufficient to cover expenses of the fund. The fund has experienced a decline in revenue earned from processing orders for goods for City departments. The majority of orders for goods that are not inventoried are processed by the Finance & Property Services Department.

Expense

The 2013 expense budget of \$1.0 million is a 9.9% decrease from the 2012 projected expense of \$1.2 million. The primary reason for the decrease is that the final debt payment of \$117,000 related to the Minneapolis Employees Retirement Fund (MERF) unfunded pension liability was budgeted and paid in 2012.

Transfers

Beginning in 2013, this fund will not have a transfer out for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability. The City determined to retire bonds related to this debt service in 2012 resulting in substantial savings to the City and creating a large increase to this debt payment for the proprietary funds. The Public Works Stores Fund used fund balance as the source of funding for this payment.

Debt Service

This fund does not have long-term debt.

Net Assets and Cash Balance

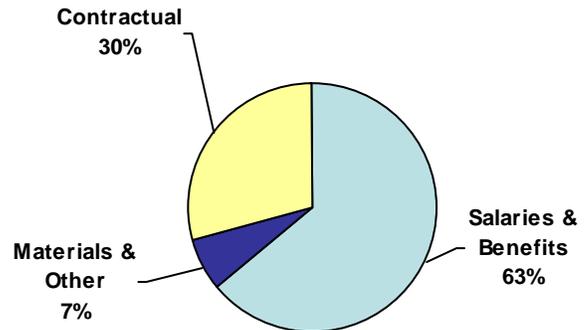
The year-end net asset balance for 2011 was \$3.0 million, a decrease of \$198,000 from the ending net asset balance of \$3.2 million in 2010. The financial policy for the net asset balance for this fund determines that fund should maintain a net asset balance, at a minimum, equal to 15% of the operating budget. For year ending 2011, the benchmark for net assets is \$0.2 million and the fund exceeded the benchmark by \$2.8 million.

The fund has experienced a negative cash balance since year-end 2006 when the balance was a deficit of \$(0.9) million. By 2010, the deficit had improved to \$(826,000). In 2011 the deficit cash balance increased to \$(1,027,000).

Mayor's Recommended Budget

The Mayor recommended no changes to this fund.

**Public Works Stores Funds
Use of Funds
(\$1.0 million)**



City of Minneapolis
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PW Stores Fund - 06300*

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg From 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
Source of Funds:									
Changes for Services	1,196	899	900	1,125	1,025	-8.9%	1,056	1,087	1,120
Charges for Sales	15	13	10	70	10	-85.7%	10	11	11
Misc Revenues	1	-	-	-	-	0.0%	-	-	-
Total	1,211	912	910	1,195	1,035	-13.4%	1,066	1,098	1,131
Use of Funds:									
Salaries and Fringes	730	666	652	668	664	-0.6%	684	704	726
Contractual Services	376	299	293	308	307	-0.3%	316	326	335
Materials and Other	52	92	113	100	70	-30.0%	72	74	76
Transfers	33	51	117	117	-	-100.0%	-	-	-
Total	1,191	1,108	1,175	1,193	1,041	-12.7%	1,072	1,104	1,138
Change in Net Assets	21	(196)	(265)	2	(6)		(6)	(6)	(7)
Net Assets	3,224	3,026	2,761	3,028	3,022		3,016	3,009	3,003
Cash Balance	(826)	(1,027)	(1,292)	(1,025)	(1,031)		(1,037)	(1,044)	(1,050)
Target Cash Reserve¹	172	155	159	159	157		161	166	171
Variance Cash to Target Reserve	(998)	(1,182)	(1,451)	(1,184)	(1,188)		(1,198)	(1,210)	(1,221)

* This fund includes Cental Stores (Department of Finance) and Public Works Traffic Stores.

¹The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve the PW Stores Fund should be maintained at a minimum of 15% of the operating budget.

Note: The 2014-2016 forecasts for source and use of funds are calculated using a factor of 3.0% to capture increases in revenues and expense.