

**City of Minneapolis  
2013 Budget  
Financial Plan**

**Fleet Services Division Fund**

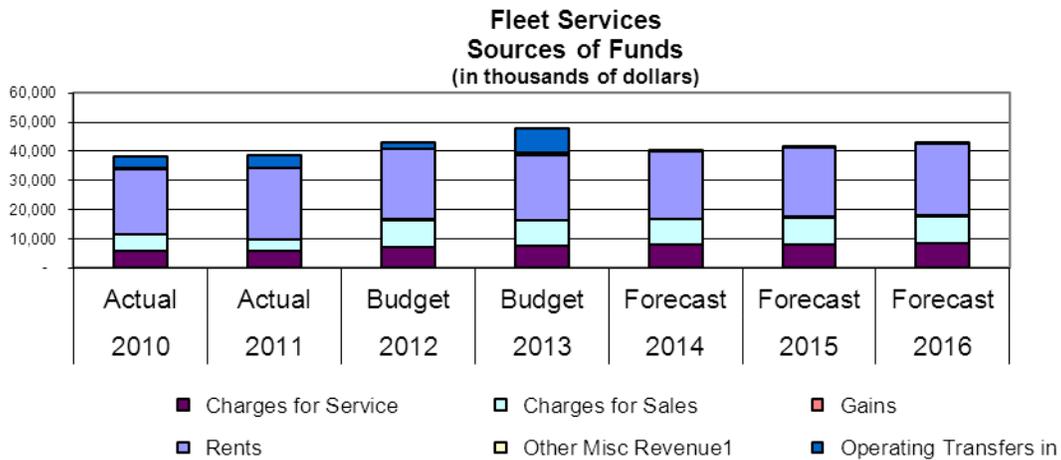
**Background**

The Fleet Services Division Fund manages the acquisition, maintenance and disposal of 1300 units of equipment; primarily the City's fleet of vehicles, including police cars, fire trucks, snow plows, sedans and pickup trucks along with off road equipment. This fund provides technicians to maintain the equipment as well as the drivers and operators for the equipment that is used in construction and snow removal. In addition, the fund manages the dispatch of City-owned and contractual equipment. The City's fleet of vehicles and equipment has an acquisition value of \$66.8 million and accounts for 47.5% of the net value of the long-term assets in this fund.

**Historical Financial Performance**

In 2000, the fund had a deficit cash position of \$17.8 million due to costs of operation exceeding revenues collected from City departments. A long-term financial plan was developed in 2001 to generate sufficient revenue to cover the full cost of operations. The fund maintained a positive cash balance through 2011 with the exception of the year ending 2008 when the cash balance was a deficit of \$49,000. At the end of 2011, the cash balance was \$12.3 million. The target cash reserve balance for this fund is \$4.3 million to be attained by year end 2013.

The original long-term financial plan financed fleet purchases by issuing general obligation bonds. Upgrading the fleet reduced the average age of the fleet, reducing maintenance costs in the fund. Historically, the fund continues to follow the plan to maintain a positive cash balance, increase net assets, and to end its reliance on bonds to fund the fleet purchases. In 2006, the practice of issuing bonds to finance fleet replacement was discontinued.

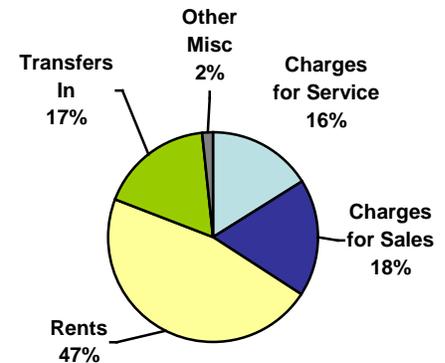


## 2013 Budget

### Revenue

The Fleet Services Division uses activity-based costing to bill internal customers for use of vehicles. This method establishes a fleet rental rate that covers the replacement cost of the vehicles after the useful life. Maintenance, repairs and fuel costs of the fleet are charged separately. These charges are billed at a rate that allows the Fleet Services Division to match revenue to expense. Total revenues for 2013 are budgeted at \$47.8 million, an increase of 7.7% from the 2012 projected revenue of \$44.4 million. The increase in projected revenue is due to an increase in the general fund transfer from \$1.9 million in 2012 to \$8.3 million in 2013 as part of a previously adopted schedule.

Source of Revenue (\$47.8 million)



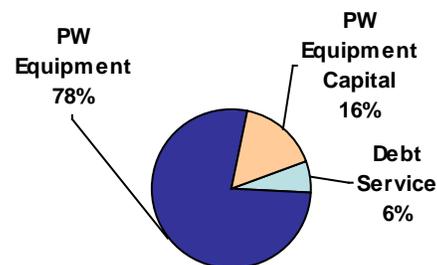
### Expense

The 2013 expense budget is \$45.8 million which represents a decrease of 2.4% from the 2012 projected expense of \$46.9 million. The decrease in expense is primarily due to a projected decrease in the transfer out for 2013. In years 2010 and 2012, Fleet Services purchased fewer vehicles than planned causing the net income for the fund to increase over the planned amount. This increase to net income is recorded as an increase to the net asset balance.

### Transfers

The transfer out from this fund for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability ended with a final payment in 2012. In 2012 the transfer out was \$2.2 million to retire bonds related to this debt service. The Fleet Services Division is using fund balance as a revenue source for this payment and will recover the cost of the payment through the Fleet allocation model for years 2012 through 2014.

Use of Funds (\$45.9 million)



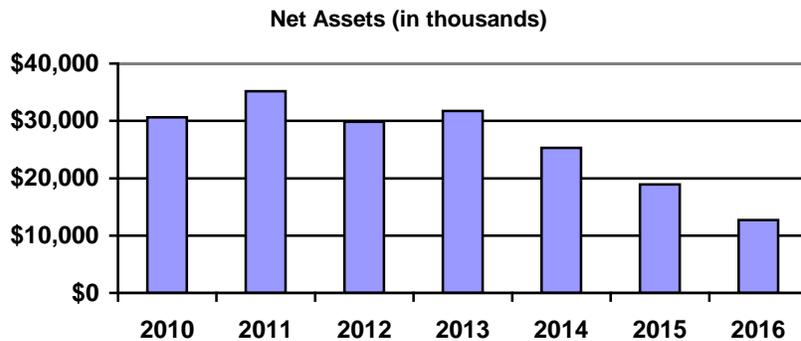
In 2013, the fund will receive a transfer from the general fund of \$8.3 million as determined by the long term financial plan to assist with debt service payments. The fund is not scheduled to receive transfers from the general fund after 2013.

### Debt Service

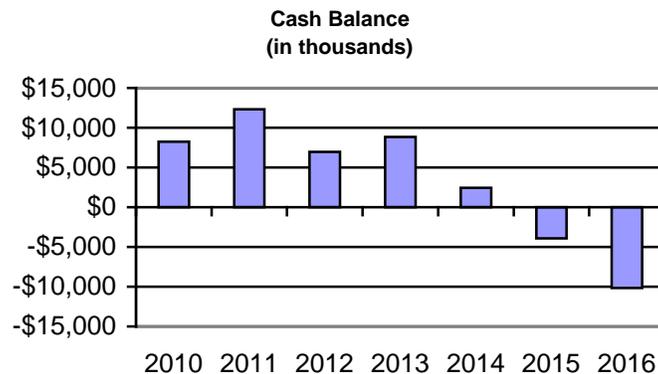
As part of the fleet modernization effort that began in 1997, the City issued bonds to finance fleet upgrades and to build new maintenance facilities. In 2010, the City issued \$22.3 million of refunding bonds to refinance current debt at a lower interest rate. Principal and interest payments totaling \$2.9 million are due in 2013 related to these bonds.

### Net Assets

A primary objective of the long-term financial plan is to increase the fund's net assets and the cash balance from the deficit balances in 2002. The fund has steadily increased its net asset balance since 2003 when the financial plan was first implemented. The net asset balance at year-end 2011 was \$35.2 million, an increase of \$4.5 million from the 2010 ending balance of \$30.6 million. The financial policy related to net asset balance for the Fleet Services Division states that the value of net assets should not fall below two times the annual depreciation amount. The annual depreciation for Fleet Services in 2011 was \$6.5 million. The 2011 balance of \$35.2 million is \$22.2 million greater than the benchmark amount. The 2012 projected net asset balance is \$32.6 million.



The 2011 ending cash balance of \$12.3 million is an increase of \$4.1 million from the 2010 ending balance of \$8.2 million. The target cash balance for 2011 as determined by the cash reserve policy is \$2.8 million. The 2012 projected balance is \$7.0 million. The following chart illustrates the historical and projected cash performance of the fund:



### Mayor's Recommended Budget

The Mayor recommended no changes to this fund.

### Council Adopted Budget

Council adopted the Mayor's recommendations.

**City of Minneapolis  
2013 Budget  
Financial Plan (in thousand of dollars)**

**Fleet Services Divison - 06100**

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg From 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
<b>Source of Funds:</b>									
Charges for Service	5,850	5,863	7,346	8,022	7,656	-4.6%	7,886	8,122	8,366
Charges for Sales	5,586	4,026	9,198	9,053	8,634	-4.6%	8,893	9,160	9,435
Gains	169	36	200	221	200	-9.5%	200	200	200
Rents	22,378	24,250	24,254	24,584	22,343	-9.1%	23,013	23,704	24,415
Other Misc Revenue	136	179	30	554	630	13.7%	30	30	30
Operating Transfers in	4,180	4,299	1,926	1,926	8,315	331.7%	-	-	-
<b>Total</b>	<b>38,299</b>	<b>38,653</b>	<b>42,954</b>	<b>44,360</b>	<b>47,778</b>	<b>7.7%</b>	<b>40,022</b>	<b>41,216</b>	<b>42,445</b>
<b>Use of Funds:</b>									
Debt Service	3,590	2,996	3,010	3,010	2,916	-3.1%	2,827	2,870	2,834
Transfers	581	923	2,222	2,222	-	-100.0%	-	-	-
PW Equipment	25,687	25,982	35,748	34,323	35,487	3.4%	36,548	37,641	38,767
PW Equipment Capital	1,687	4,912	7,906	7,390	7,425	0.5%	7,000	7,000	7,000
<b>Total</b>	<b>31,545</b>	<b>34,813</b>	<b>48,886</b>	<b>46,945</b>	<b>45,828</b>	<b>-2.4%</b>	<b>46,375</b>	<b>47,511</b>	<b>48,601</b>
<b>Change in Net Assets</b>	<b>4,060</b>	<b>4,549</b>	<b>(5,932)</b>	<b>(2,585)</b>	<b>1,950</b>		<b>(6,353)</b>	<b>(6,295)</b>	<b>(6,156)</b>
<b>Net Assets</b>	<b>30,608</b>	<b>35,157</b>	<b>29,225</b>	<b>32,572</b>	<b>34,522</b>		<b>28,169</b>	<b>21,874</b>	<b>15,718</b>
<b>Cash Balance</b>	<b>8,235</b>	<b>12,303</b>	<b>6,371</b>	<b>9,718</b>	<b>11,668</b>		<b>5,315</b>	<b>(980)</b>	<b>(7,136)</b>
<b>Target Cash Reserve<sup>1</sup></b>	<b>2,108</b>	<b>2,838</b>	<b>3,569</b>	<b>2,838</b>	<b>4,300</b>		<b>4,442</b>	<b>4,607</b>	<b>4,776</b>
<b>Variance Cash to Target Cash Reserve</b>	<b>6,127</b>	<b>9,465</b>	<b>2,802</b>	<b>6,880</b>	<b>7,368</b>		<b>873</b>	<b>(5,587)</b>	<b>(11,912)</b>

<sup>1</sup> The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Fleet Services Division should be at a minimum equal to 15% of the operating budget. The target cash for years 2010 through 2013 is a phase-in amount.

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.