

**City of Minneapolis
2014 Budget
Financial Plan**

Engineering Materials and Testing Fund

Background

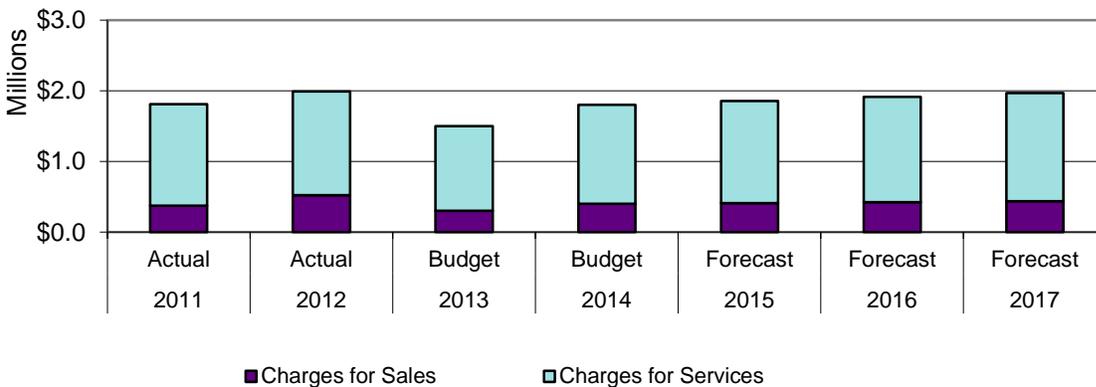
The Engineering Materials and Testing Fund accounts for City purchases of hot-mix asphalt and ready-mix concrete in order to ensure compliance with State and Federal standards and specifications, and to provide quality control of these materials. The Engineering Laboratory is a component of this fund which provides inspection and testing services and maintains a laboratory for testing construction materials, performing geotechnical evaluations, and coordinating related environmental field services.

Historical Financial Performance

The revenue sources for this fund include overhead charged on the procurement of hot-mix asphalt and ready-mix concrete materials along with fees for inspection and testing services by the Engineering Laboratory.

The decision to suspend operations at the asphalt plant at the end of 2003 resulted in a \$777,000 loss on the disposal of this asset and a decrease in net assets of \$709,000. From 2003 through 2008, this fund had a decrease in net assets of \$1.5 million of which \$777,000 is due to the loss on the disposal of the asphalt plant. In 2012, the net assets increased \$455,000 bringing the ending balance from \$1.1 million in 2011 to \$1.6 million in 2012. The cash balance increased from a balance of \$1.1 million in 2011 to a balance of \$1.7 million in 2012.

Engineering Materials and Testing Revenues



2014 Budget

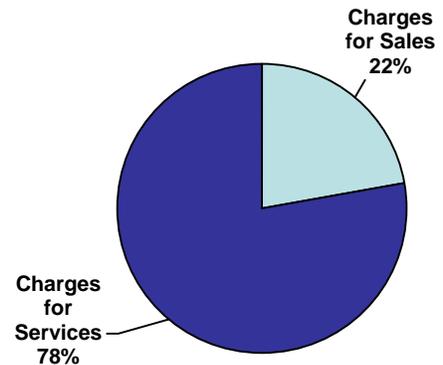
Revenues

The 2014 revenue budget is \$1.8 million, a 5.1% decrease from the 2013 projected revenue of \$1.9 million. In 2013, it is projected that revenue will increase significantly over the budgeted amount due to a significant yearly increase in City road construction/overlay projects and

maintenance activities. There also appears to be an increase in private sector development work being done this year and this adds to the workload with regards to its impact to the City infrastructure.

This fund generates revenue from testing and inspection services provided by the Engineering Lab and the sale of concrete and asphalt from outside vendors to other City departments. Product types and quantities are identified for customer departments. A cost allocation model determines product costs to allow the fund to generate revenues that match operating expenditures. The 2014 revenue budget includes \$1.4 million earned from charges for services provided by the Engineering Lab and \$400,000 as mark up on the sale of asphalt and concrete.

**Source of Funds
(\$1.8 million)**



Expense

The 2014 expense budget is \$1.76 million, an increase of 21.3% from the 2013 projected expense of \$1.55 million. The increase is primarily due to plans to hire two additional engineering technicians to work in the lab.

Transfers

There are no transfers scheduled in 2014 for this fund.

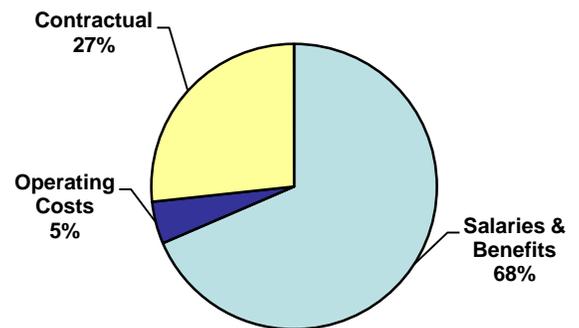
Debt Service

This fund does not have any long-term debt.

Net Assets and Cash Balance

The Engineering, Materials and Testing Fund has a positive net asset balance of \$1.6 million at year-end 2012, an increase of \$455,000 from the 2011 ending balance of \$1.1 million. The net assets are projected to be \$2.03 million at the end of 2013 and to increase slightly to \$2.07 million in 2014. The financial policy for the net assets for this fund determines that the fund should maintain a net asset balance equal to 15% of the operating budget. For the year ending 2012, the benchmark for net assets is \$0.2 million and the fund exceeded the benchmark by \$1.4 million. The net asset balance is projected to exceed the benchmark of \$0.2 million for 2013 and \$0.3 million for 2014 by \$1.8 million each year.

**Use of Funds
(\$1.8 million)**



The 2012 year-end cash balance is \$1.7 million, an increase of \$582,000 from the 2011 year-end balance of \$1.2 million. Financial reserve policies for the internal service funds determine that the cash reserve target for the Engineering, Materials and Testing fund should not be less than 15% of the operating budget, or \$0.2 million for 2012. The fund exceeded the benchmark by \$1.5 million. The cash balance is projected to be \$2.2 million in both 2013 and 2014, exceeding the cash reserve benchmark each year by \$2.0 million.

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Engineering, Materials and Testing - 06000

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Budget	% Chg From 2013 Projected	2015 Forecast	2016 Forecast	2017 Forecast
Source of Funds:									
Charges for Services	1,438	1,468	1,200	1,450	1,403	-3.2%	1,431	1,460	1,489
Charges for Sales	373	521	300	450	400	-11.1%	408	416	424
Total	1,811	1,989	1,500	1,900	1,803	-5.1%	1,839	1,876	1,913
Use of Funds:									
Personnel Services	822	826	917	917	1,209	31.9%	1,233	1,257	1,283
Contractual Services	424	454	458	458	471	2.9%	481	490	500
Materials and other	80	56	180	80	84	5.5%	86	88	90
Transfers Out	88	195	-	-	-	0.0%	-	-	-
Total	1,414	1,530	1,554	1,454	1,764	21.3%	1,797	1,834	1,870
Change in Net Position¹	394	455	(54)	446	39		42	41	43
Net Position	1,129	1,584	1,530	2,030	2,069		2,110	2,152	2,195
Cash Balance	1,164	1,746	1,691	2,191	2,230		2,272	2,313	2,356
Target Cash Reserve²	220	248	233	233	265		270	275	281
Variance Cash to Target Reserve	944	1,498	1,458	1,958	1,965		2,002	2,038	2,075

¹The 2013 budget for materials includes \$100,000 for the purchase of capital equipment. The source of funding for capital equipment will be fund balance and not operations. It is expected that the purchase will be delayed until 2014.

²The target cash reserve is in accordance with the financial reserve policy for internal service funds. The cash reserve for the Engineering, Materials and Testing Fund should be maintained at a minimum of 15% of the operating budget.

Note: The 2015-2017 forecasts for source and use of funds are calculated using a factor of 2.0% to capture increases in revenues and expense.