

**City of Minneapolis  
2012 Budget  
Financial Plan**

**Sanitary Sewer Fund**

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**Background**

The operating budget has been set up under Sanitary Sewer Conveyance & Treatment program. As part of this program, 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 service for these activities.

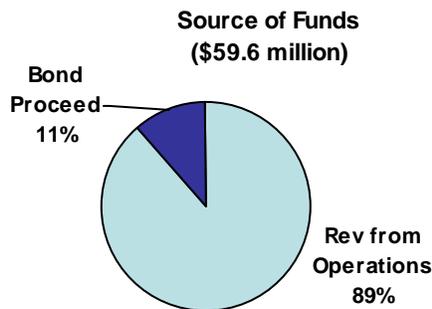
**Historical Financial Performance**

Total 2010 revenues were \$53.8 million compared to \$50.1 million in 2009. Sanitary service revenue increased due to a rate increase. The expenditures for 2010 were close to the 2009 total of \$50.8 million. An expenditure increase of \$2.7 million related to design, maintenance, Met Council, and debt services was offset by decrease of \$2.7 million in capital programs.

**2012 Budget**

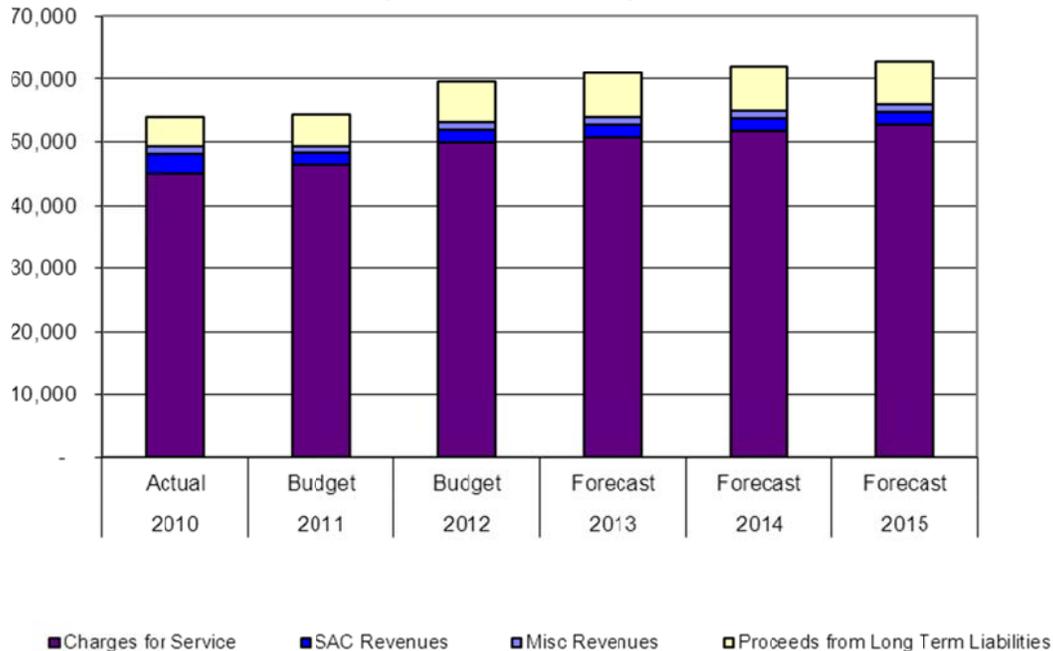
*Revenues*

The total revenue budget for the Sanitary Sewer Fund for 2012 amounts to \$59.6 million compared to \$51.9 million in 2011, an increase of 14.5% over 2011 projected revenues. Service revenues have been estimated at \$49.8 million, an increase of \$4.7 million; and bond proceeds for 2012 have been budgeted at \$6.5 million, an increase of \$1.5 million over projected 2011. Monthly sanitary utility charges, Sewer Access Charges (SAC), design and miscellaneous revenues, along with bond proceeds are the sources of revenue for Sanitary Sewer Fund. Revenues from operations account for 89% of the budget and bond proceeds from capital programs make up the remaining 11%. For 2012, sanitary sewer rate has been maintained at \$3.05 per one hundred cubic feet; however, a fixed revenue component has been added to establish a base in order to cover fixed expenses. Revenue estimates were increased to fund Minneapolis Employees Retirement Fund (MERF) debt payments and participate in cost sharing for meter reading.



Year	Rate (cost per 100 cubic feet)	% Increase	Average Monthly Bill	Total Planned Revenue from Utility Fee
2012	\$3.05	0.00%	\$18.30	\$49.9 million
2013	\$3.14	3.00%	\$18.84	\$50.7 million
2014	\$3.24	3.20%	\$19.44	\$51.7 million
2015	\$3.34	3.10%	\$20.04	\$52.7 million
2016	\$3.44	3.00%	\$20.64	\$53.7 million

### Sanitary Sewer Fund Revenues (in thousands of dollars)

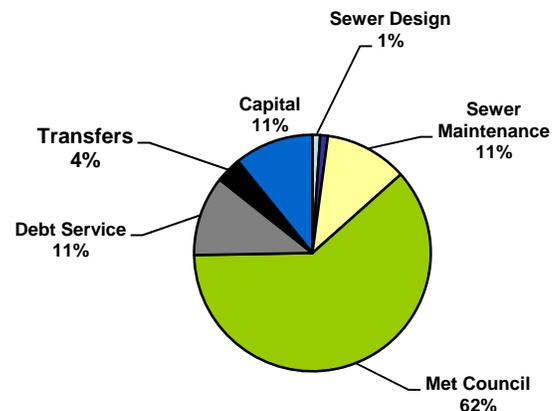


### Expenditures

The total expenditure budget for 2012 amounts to \$59.5 million compared to \$51.9 million for projected 2011. This is an increase of \$7.5 million, or 14.5%, from 2011. The use of funds includes maintenance and design work, Met Council, capital programs, and long-term debts. Increase of \$500K in design and maintenance budget are mainly due to personnel realignment. Increase of \$1.7 million in Met Council department is due to rate increase for treatment services.

Capital expenditures for 2012 total \$6.5 million compared to \$5 million for 2011. This increase of \$1.5 million is due to sanitary tunnel and sewer rehabilitation work scheduled for 2012. The largest expense in the Sanitary Sewer Fund is the

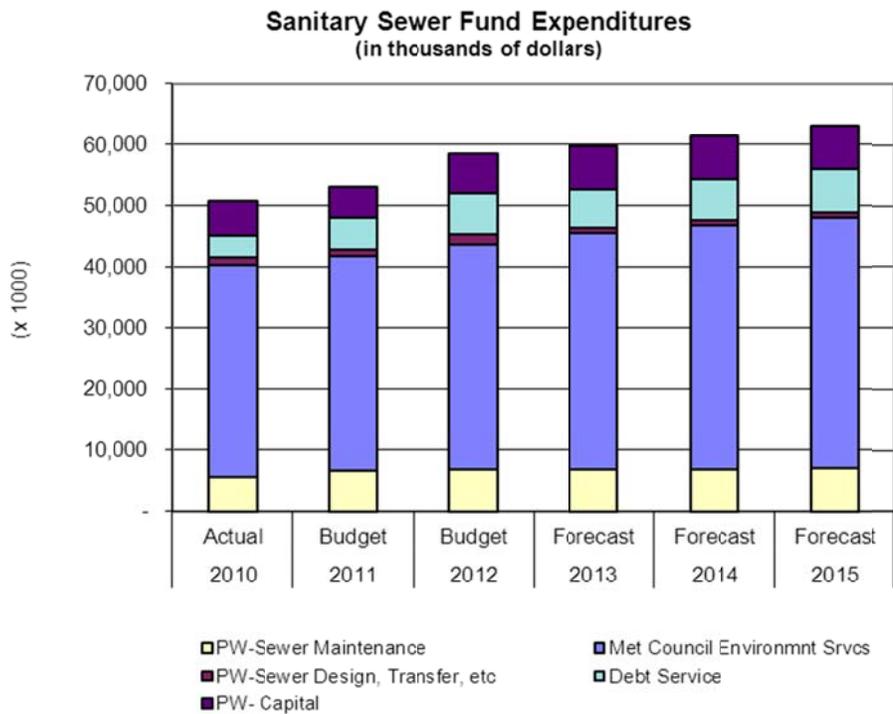
### Use of Funds (\$59.5 million)



sanitary sewer charges paid to Met Council Environmental Services (MCES). The estimated payment to MCES for 2012 is \$32.9 million a 4% increase over 2011. The Sanitary Sewer Fund bears 95%, or \$31.2 million, of this cost with the remaining \$1.7 million paid from the Storm Water Fund. Minneapolis is the largest customer in MCES system.

**Debt Service & Transfers**

Capital programs were instituted in 2007 to address the inflow/infiltration issue in Minneapolis and will continue as part of the on-going five-year plan. Other components of capital program included expansion of the existing system and major repairs to current infrastructure. For 2012, \$6.6 million is set aside as debt service payments for bonds sold in current and previous years to fund these projects. This is an increase of \$1.4 million over 2011 debt appropriation. Transfers from this fund are made to the pension and water funds to cover the MERF debts and shared expenses with Water Fund. For 2012, pension related transfer is estimated at \$1.1 million compared to \$478,000 for 2011; and the transfer to Water fund to support the meter shop is estimated at \$994,000.



**Mayor’s Recommended Budget**

The Mayor recommended no changes.

**Council Adopted Budget**

On December 16<sup>th</sup>, Council adopted the utility rates for water, sewer, stormwater and solid waste and recycling services effective January 1, 2012. The resolution included changes to sewer and water rates. The variable rate component will remain flat from 2011 at \$3.05.

In addition to rates based on water usage, a fixed charge based on meter size will be included in each billing period. The monthly fixed charge ranges from \$3.00 for a 5/8 inch meter to \$990 for a 12 inch meter.

**City of Minneapolis**  
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**Financial Plan (in thousands of dollars)**

**Sanitary Sewer Fund - 07100**

	2009 Actual	2010 Actual	2011 Budget	2011 Projected	2012 Budget	% Chg from 2011 Projected	2013 Forecast	2014 Forecast	2015 Forecast
<b>Source of Funds:</b>									
Charges for Service	40,230	45,142	46,367	45,154	49,867	10.4%	50,739	51,737	52,707
SAC Revenues	2,305	2,984	2,000	2,000	2,000		2,000	2,000	2,000
Other Misc Revenues	1,418	1,241	929	929	1,226	32.0%	1,189	1,189	1,189
Proceeds from Long Term Liabilities	6,154	4,477	5,000	5,000	6,500	30.0%	7,000	7,000	7,000
<b>Total</b>	<b>50,107</b>	<b>53,843</b>	<b>54,296</b>	<b>53,083</b>	<b>59,593</b>	<b>12.3%</b>	<b>60,928</b>	<b>61,926</b>	<b>62,896</b>
<b>Use of Funds:</b>									
PW-Sewer Design	230	298	427	563	632	12.3%	615	630	645
PW-Sewer Maintenance	5,923	5,470	6,488	5,986	6,796	13.5%	6,707	6,851	6,997
MERF Debt Service -New Plan	-	-	-	-	-		286	286	286
Met Council Environment Svcs	32,235	34,897	35,382	35,086	36,833	5.0%	38,849	39,901	40,983
Debt Service	3,372	3,551	3,757	4,814	5,217	8.4%	3,814	3,172	2,645
Future Debt Service			1,439		1,367		2,406	3,446	4,486
Transfers	-								
To MERF Debt Service	628	825	478	478	1,112	132.6%	-	-	-
To Water Fund					994				
PW- Capital	8,383	5,709	5,000	5,000	6,500	30.0%	7,000	7,000	7,000
<b>Total</b>	<b>50,771</b>	<b>50,750</b>	<b>52,971</b>	<b>51,927</b>	<b>59,451</b>	<b>14.5%</b>	<b>59,677</b>	<b>61,286</b>	<b>63,042</b>
<b>Change in Net Assets</b>	<b>(664)</b>	<b>3,092</b>	<b>1,325</b>	<b>1,156</b>	<b>142</b>		<b>1,251</b>	<b>641</b>	<b>(146)</b>
<b>Net Asset Balance</b>	<b>89,638</b>	<b>96,156</b>	<b>97,481</b>	<b>97,312</b>	<b>97,454</b>		<b>98,705</b>	<b>99,346</b>	<b>99,200</b>
<b>Cash Balances</b>									
Operating Cash	9,640	12,474	13,799	13,630	13,772		15,023	15,664	15,518
Construction Cash	4,678	4,177							