

**City of Minneapolis
2012 Budget
Financial Plan**

Engineering Materials and Testing Fund

Background

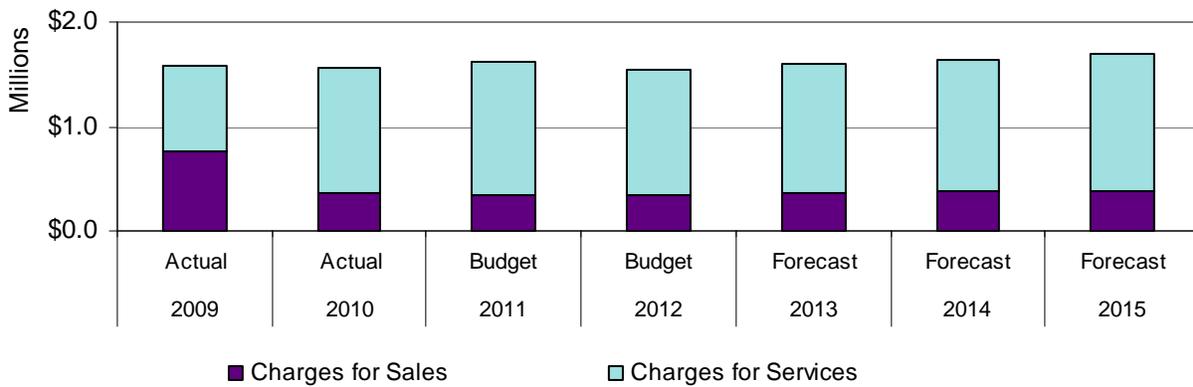
The Engineering Materials and Testing Fund accounts for City purchases of hot-mix asphalt and ready-mix concrete in order to ensure compliance with State and Federal standards and specifications and provide quality control of these materials. The Engineering Laboratory is a component of this fund which 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 2010, the net assets increased \$245,000 bringing the ending balance from \$490,000 in 2009 to \$735,000 in 2010. The cash balance increased from a balance of \$560,000 in 2009 to a balance of \$802,000 in 2010.

Engineering Materials and Testing Revenues



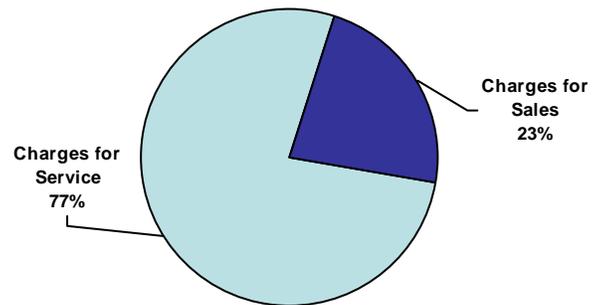
2012 Budget

Revenues

The 2012 revenue budget is \$1.6 million, a 10.3% decrease from the 2011 projected revenue. 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. An allocation model determines product costs to allow the fund to generate revenues that match operating expenditures.

With the implementation of the new financial accounting system in 2008, the recording of revenue earned from asphalt and concrete sales was modified to include only the revenue generated from the mark up overhead added to the cost of the product. Previously, revenue was recorded as the cost of the goods plus the markup. The 2012 revenue budget includes \$1.2 million earned from charges for services provided by the Engineering Lab and \$352,000 as mark up on the sale of asphalt and concrete.

**Source of Funds
(\$1.6 million)**



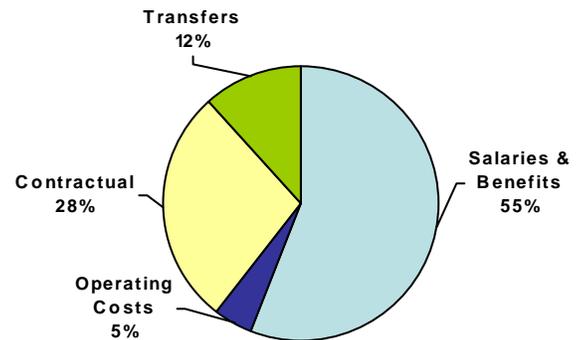
Expenditures

The 2012 expense budget is \$1.7 million, an increase of 26.3% from the 2011 projected budget. The increase is primarily due to the transfer out for MERF related debt.

Transfers

The 2012 budget includes a transfer out of \$195,000 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 Engineering Lab and Materials Fund will use fund balance as a revenue source for this payment.

**Use of Funds
(\$1.7 million)**



Debt Service

This fund does not have long-term debt.

Mayor’s Recommended Budget

The Mayor recommended no changes.

Council Adopted Budget

The Council adopted the Mayor’s recommendations.

City of Minneapolis
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Financial Plan (in thousands of dollars)

Engineering, Materials and Testing - 06000*

	2009 Actual	2010 Actual	2011 Budget	2011 Projected	2012 Budget	% Chg From 2011 Projected	2013 Forecast	2014 Forecast	2015 Forecast
Source of Funds:									
Charges for Services	830	1,194	1,261	1,350	1,200	-11.1%	1,236	1,273	1,311
Charges for Sales	760	371	352	380	352	-7.4%	363	373	385
Total	1,590	1,565	1,613	1,730	1,552	-10.3%	1,599	1,647	1,696
Use of Funds:									
Personnel Services	747	761	900	820	923	12.6%	951	979	1,009
Contractual Services	273	390	434	358	458	27.9%	472	486	500
Materials and other	36	102	134	45	80	77.8%	85	87	89
Transfers Out	58	57	88	88	195	121.6%	-	0	0
Total	1,114	1,310	1,556	1,311	1,656	26.3%	1,506	1,551	1,597
Change in Net Assets	462	245	57	419	(103)	0.0%	92	95	99
Net Assets	490	735	792	1,154	1,051		1,143	1,238	1,338
Cash Balance	560	802	859	1,221	1,118		1,210	1,305	1,405

* This fund includes the Public Works divisions Engineering Lab, Asphalt Distribution, and Ready-Mix Concrete.