City of Minneapolis
2014 Budget
Financial Plan

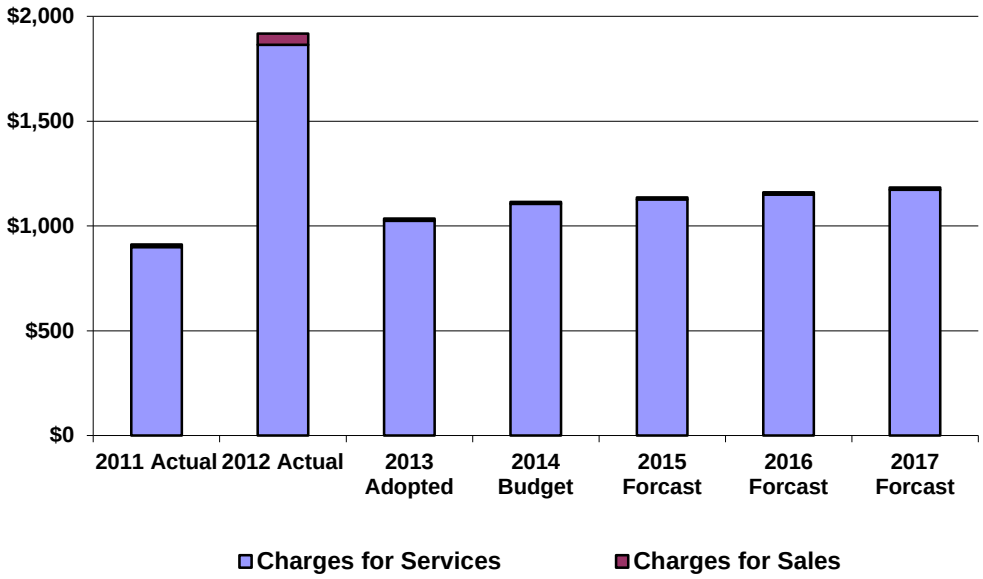
Public Works Stores Fund

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 was implemented in 1998 which resulted in positive net income for years 2000 through 2007. For year ending 2011, PW Stores recorded a net loss of $(196,000). The net income for 2012 was $667,000.

Public Works Stores Revenue
(in thousands of dollars)

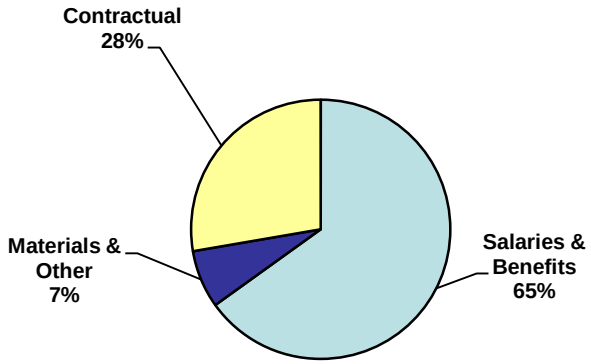


2014 Budget

Revenues
Revenues for 2014 are budgeted at $1.1 million, an increase of 2.3% from the 2013 projected revenue of $1.09 million. Revenues for 2013 are projected to be higher than budgeted due to an increase in inventory transactions processed by both Central Stores and Traffic Stores. The 2013 revenue budget was calculated using historical levels of inventory sales.

Expense
The 2014 expense budget of $985,000 is a 6.2% decrease from the 2013 projected expense of $1.05 million. There are no significant planned changes for expenses.

Public Works Stores Funds
Use of Funds
($985,000)



Transfers
Beginning in 2013, this fund no longer plans for a transfer out for debt service related to the Minneapolis Employees Retirement Fund (MERF) unfunded liability. The City retired the 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 2012 was $3.7 million, an increase of $667,000 from the ending net assets of $3.0 million in 2011. The financial policy for the net position for this fund determines that the fund should maintain a net position, at a minimum, 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 $3.5 million.

The fund has experienced a negative cash balance since year-end 2006 when the balance was a deficit of $(900,000). By 2011, the deficit had increased to $(1,027,000). In 2012 the deficit cash balance decreased to $(163,000) and is projected to continue to improve and achieve a positive balance in 2016.

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PW Stores Fund - 06300*

	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	899	1,865	1,025	1,075	1,105	2.8%	1,127	1,150	1,173
Charges for Sales	13	54	10	15	10	-33.3%	10	10	11
Total	912	1,920	1,035	1,090	1,115	2.3%	1,137	1,160	1,183
Use of Funds:									
Salaries and Fringes	666	727	662	700	641	-8.4%	654	667	680
Contractual Services	299	310	308	310	273	-11.9%	279	284	290
Materials and Other	92	99	70	40	71	77.0%	72	74	75
Transfers	51	117	-	-	-	0.0%	-	-	-
Total	1,108	1,253	1,040	1,050	985	-6.2%	1,005	1,025	1,045
Change in Net Position	(196)	667	(5)	40	130		133	135	138
Net Position	3,026	3,692	3,687	3,732	3,862		3,995	4,130	4,268
Cash Balance	(1,027)	(163)	(168)	(123)	7		139	274	412
Target Cash Reserve[1]	158	159	156	156	148		151	154	157
Variance Cash to Target Reserve	(1,185)	(322)	(325)	(279)	(141)		(12)	121	255

* This fund includes Central Stores (Department of Finance & Property Services) and Public Works Traffic Stores.

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