

FOR BOARD ACTION

Agenda Item # 3

Meeting Date:

11/09/10

SUBJECT:

Approval of the 2011 Electric and Water Budgets

PREPARED BY:

Sue Parker, Director of Corporate Services

ITEM DESCRIPTION:

In October, management reviewed the preliminary 2011 electric and water budgets with the finance committee and the Board as a whole. The board was presented with recommendations for no rate increase in the electric or water utility and approval of operating budgets in the amount of \$141,415,000 and \$8,180,000, respectively.

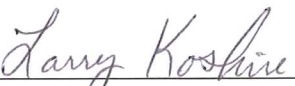
The significant current year business drivers are:

- Commitment to community to have no rate increase during tough economic times;
- Continuation of the cost reductions made during 2009 and 2010 into 2011;
- Continue our strategic initiatives of safety, reliability and fiscal strength;
- Purchased power costs from our wholesale provider, SMMPA, continues to be a significant operating expense at approximately \$90 million or about 68% of our operating costs;
- Lack of demand in MISO market has made it difficult to sell energy from the Silver Lake Plant this past year and RPU is projecting few wholesale sales from this facility in 2011;
- Increasing our energy conservation goals to achieve a 1.5% reduction in KWh sales;
- Continuing our participation in CAPX 2020 initiative to expand the electric transmission grid to ensure reliable and affordable service; and
- Implementing Smart Grid education and possible pilot projects.

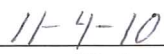
Summary financial sheets are attached reflecting the recommended operating and capital budgets.

UTILITY BOARD ACTION REQUESTED:

The Board is requested to approve and recommend that the City Council approve the 2011 RPU electric and water budgets.



General Manager



Date

**ROCHESTER PUBLIC UTILITIES
ELECTRIC UTILITY
2011 OPERATING BUDGET**

BASIC ASSUMPTIONS

- Cost center budgets maintained at reduced 2010 level
- Interest Earnings Rate: 3.0%
- Average Salary Expense Change: 1.4%
(consists of COLA, merit and promotion increases)
- Change in Full-time Equivalents: 0
- SMMPA Wholesale Power Cost: 0.0% increase
- SMMPA CROD Level: 216 MW
- Cash Reserve Requirements: Target amount \$37,100,000
Policy amount \$31,400,000

RETAIL REVENUES / SALES

- Revenue Adjustment: 0% Proposed
- Electric KWH Sales Forecast: 0.1 % Decrease over 2010 F2 Year End Projected Sales
- Total Electric Utility Customers: 0.8% Increase over Year End 2010 F2 Projected Customers
- Forecast Assumes Normal Weather : 524 Cooling Degree Days

WHOLESALE REVENUES / SALES & EXPENSES

- Wholesale Revenue Forecasts
 - o Silver Lake Plant \$1,941,533
 - o Cascade Creek Gas Turbines \$464,336
 - o Steam Generation \$5,368,861
 - Total \$7,774,730 (11.7% decrease from Y/E 2010 F2 Projected Revenue)
- Estimated Cost of Fuel 2011 \$3.950 / mmBtu
- Budgeted Cost of Fuel 2010 F2 \$4.580 / mmBtu

OTHER ITEMS

- In Lieu of Tax forecast increasing \$18,000

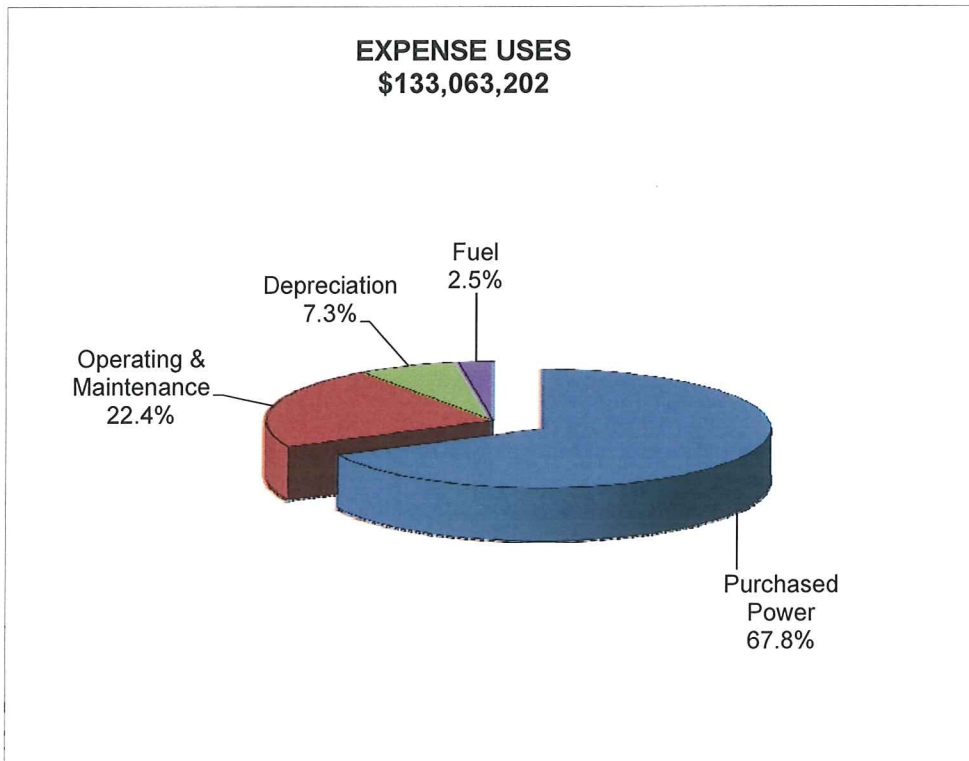
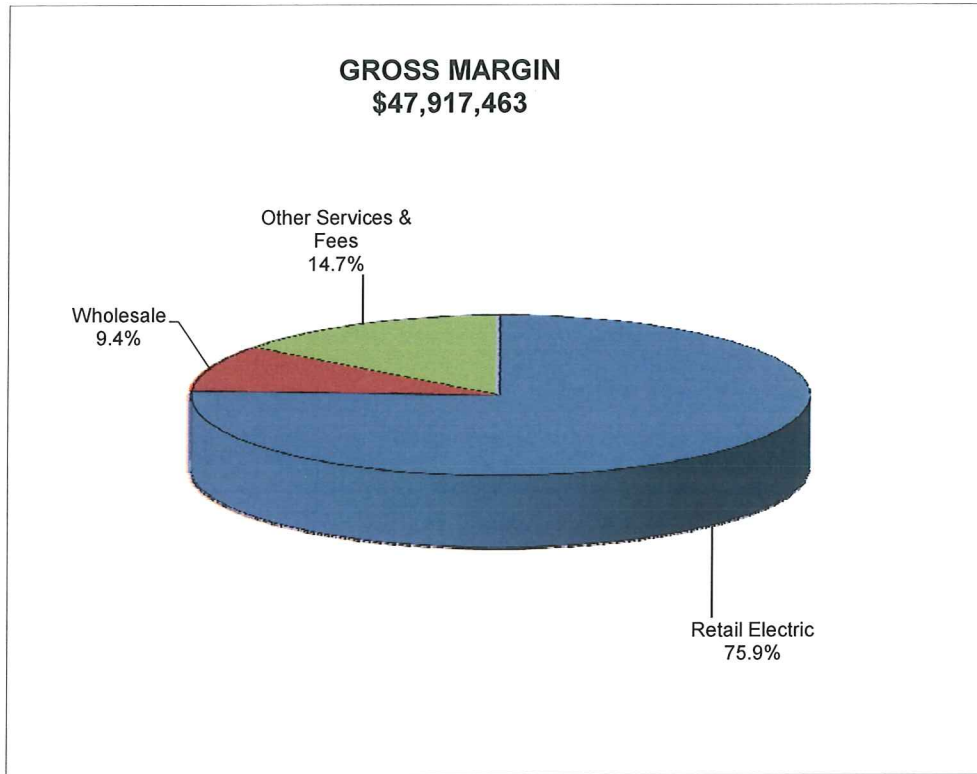
**ROCHESTER PUBLIC UTILITIES
ELECTRIC UTILITY
Management Reporting P&L**

	Historical Data			2010 F2						
	2008	2009			2011	2012	2013	2014	2015	
in 000's										
RPU Rate Increase	4.0%	5.0%	0.0%		0.0%	6.0%	3.5%	3.5%	3.5%	
Revenue										
Retail Electric	\$119,169	\$120,960	\$125,280	\$126,606	\$135,607	\$141,138	\$147,030	\$153,217		
Wholesale Electric	\$19,130	\$4,507	\$3,473	\$2,406	\$2,483	\$2,566	\$2,658	\$2,502		
Wholesale Steam	\$3,772	\$5,178	\$5,328	\$5,369	\$7,769	\$7,941	\$8,116	\$8,297		
Other Services & Fees	\$5,391	\$5,504	\$6,546	\$7,035	\$6,712	\$6,781	\$6,850	\$6,397		
Total Revenue	\$147,462	\$136,149	\$140,626	\$141,415	\$152,571	\$158,426	\$164,655	\$170,413		
Cost of Revenue										
SMMPA Rate Increase	2.5%	6.0%	4.0%		0.0%	2.0%	2.0%	2.0%	2.0%	
Power Supply	\$79,935	\$81,139	\$89,271	\$90,251	\$92,404	\$94,482	\$96,602	\$98,737		
Generation Fuel	\$16,734	\$4,489	\$4,202	\$3,246	\$4,556	\$4,737	\$4,913	\$5,076		
Total Cost of Revenue	\$96,669	\$85,628	\$93,473	\$93,497	\$96,960	\$99,218	\$101,515	\$103,813		
Gross Margin										
Retail Electric	\$39,235	\$39,821	\$36,008	\$36,355	\$43,203	\$46,656	\$50,429	\$54,480		
Wholesale	\$6,167	\$5,196	\$4,598	\$4,528	\$5,695	\$5,770	\$5,862	\$5,724		
Other Services & Fees	\$5,391	\$5,504	\$6,546	\$7,035	\$6,712	\$6,781	\$6,850	\$6,397		
TOTAL GROSS MARGIN	\$50,793	\$50,521	\$47,153	\$47,917	\$55,611	\$59,207	\$63,141	\$66,600		
Controllable Costs										
Salaries & Benefits	\$18,074	\$18,548	\$18,053	\$19,598	\$20,788	\$21,525	\$22,308	\$23,125		
Other Operating Expenses	\$11,939	\$11,232	\$10,617	\$10,847	\$11,145	\$11,391	\$11,671	\$11,969		
Major Maintenance	\$1,390	\$1,805	\$3,216	\$2,287	\$3,044	\$2,735	\$2,769	\$2,683		
Non-Bonded Capital Projects	\$6,030	\$196	\$5,575	\$7,842	\$6,265	\$6,516	\$8,123	\$7,323		
TOTAL CONTROLLABLE COSTS	\$37,432	\$31,780	\$37,461	\$40,574	\$41,241	\$42,168	\$44,871	\$45,100		
Depreciation & Amortization	\$7,808	\$8,221	\$9,334	\$9,722	\$10,098	\$10,122	\$10,211	\$10,504		
Less Non Bonded Projects (capitalized)	(\$6,030)	(\$196)	(\$5,575)	(\$7,842)	(\$6,265)	(\$6,516)	(\$8,123)	(\$7,323)		
Less Total Internal Costs (capitalized)	(\$5,585)	(\$3,639)	(\$2,595)	(\$1,166)	(\$932)	(\$1,229)	(\$1,433)	(\$1,279)		
Interutility Allocation	(\$1,223)	(\$1,438)	(\$1,668)	(\$1,722)	(\$1,765)	(\$1,809)	(\$1,854)	(\$1,900)		
Total Operating Expenses	\$32,403	\$34,728	\$36,958	\$39,566	\$42,378	\$42,736	\$43,672	\$45,103		
Net Operating Income (Loss)	\$18,390	\$15,793	\$10,195	\$8,352	\$13,233	\$16,472	\$19,469	\$21,498		
Financing & Other Non-Operating Items:										
Bond & Interest Related Expenses	(\$4,771)	(\$4,086)	(\$4,239)	(\$4,076)	(\$5,503)	(\$5,310)	(\$5,103)	(\$4,846)		
Interest Income	\$2,626	\$947	\$1,364	\$1,202	\$2,056	\$2,013	\$1,785	\$1,534		
Misc Non-Operating Income (Expense)	(\$262)	(\$622)	(\$156)	(\$165)	(\$168)	(\$172)	(\$176)	(\$180)		
Total Financing & Non-Operating Items	(\$2,408)	(\$3,761)	(\$3,030)	(\$3,039)	(\$3,615)	(\$3,469)	(\$3,494)	(\$3,492)		
Income Before Transfers or Capital Contributions	\$15,983	\$12,032	\$7,165	\$5,312	\$9,618	\$13,003	\$15,975	\$18,006		
Transfers (In Lieu of Taxes)	(\$8,391)	(\$8,242)	(\$8,417)	(\$8,435)	(\$8,669)	(\$8,908)	(\$9,153)	(\$9,404)		
Capital Contributions	\$3	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
NET INCOME	\$7,594	\$3,790	(\$1,252)	(\$3,123)	\$949	\$4,095	\$6,822	\$8,602		
1/01 Cash Balance	\$ 27,025	\$ 37,948	\$ 41,371	\$ 35,142	\$ 34,237	\$ 35,732	\$ 39,430	\$ 39,430		
Change in Net Assets		3,790	(1,252)	(3,123)	949	4,095	6,822	8,602		
Depreciation & Amortization		8,221	9,334	9,722	10,098	10,122	10,211	10,504		
Capital Additions/Service Territory Comp		(15,150)	(11,821)	(9,008)	(11,999)	(15,710)	(22,273)	(20,317)		
Bond Principal Payments		(2,707)	(3,858)	(3,820)	(4,729)	(4,977)	(5,232)	(4,012)		
Bond Proceeds		6,007	-	-	39,500	-	-	-		
Net Change in Other Assets/Liabilities		10,764	11,019	-	(34,724)	7,965	14,170	11,716		
Net Changes in Cash		10,924	3,423	(6,229)	(905)	1,495	3,698	6,493		
12/31 Cash Balance	\$ 37,948	\$ 41,371	\$ 35,142	\$ 34,237	\$ 35,732	\$ 39,430	\$ 45,923	\$ 45,923		
Reserve Target	\$ 32,600	\$ 35,000	\$ 37,100	\$ 39,000	\$ 41,000	\$ 43,000	\$ 45,000	\$ 45,000		
Excess (Deficit) from Target	\$ 5,348	\$ 6,371	\$ (1,958)	\$ (4,763)	\$ (5,268)	\$ (3,570)	\$ 923	\$ 923		
Cash Balance as % of Reserve Target		118.2%	94.7%	87.8%	87.2%	91.7%	102.1%	102.1%		
Debt Service Coverage Ratio		3.6	2.6	2.4	2.5	2.8	3.0	3.8		

**ROCHESTER PUBLIC UTILITIES
ELECTRIC UTILITY
Management Reporting P&L**

	Historical Data		2010		Variance		%
	2008	2009	Orig Bdgt	2010 F2	2011	2010 Orig	
in 000's							
Revenue							
Retail Electric	\$119,169	\$120,960	\$127,976	\$125,280	\$126,606	(\$1,371)	-1.1%
Wholesale Electric	\$19,130	\$4,507	\$2,889	\$3,473	\$2,406	(\$483)	-16.7%
Wholesale Steam	\$3,772	\$5,178	\$5,382	\$5,328	\$5,369	(\$13)	-0.2%
Other Services & Fees	\$5,391	\$5,504	\$6,191	\$6,546	\$7,035	\$843	13.6%
Total Revenue	\$147,462	\$136,149	\$142,439	\$140,626	\$141,415	(\$1,024)	-0.7%
Cost of Revenue							
Power Supply	\$79,935	\$81,139	\$90,957	\$89,271	\$90,251	(\$706)	-0.8%
Generation Fuel	\$16,734	\$4,489	\$3,135	\$4,202	\$3,246	\$112	3.6%
Total Cost of Revenue	\$96,669	\$85,628	\$94,092	\$93,473	\$93,497	(\$595)	-0.6%
Gross Margin							
Retail Electric	\$39,235	\$39,821	\$37,019	\$36,008	\$36,355	(\$664)	-1.8%
Wholesale	\$6,167	\$5,196	\$5,136	\$4,598	\$4,528	(\$608)	-11.8%
Other Services & Fees	\$5,391	\$5,504	\$6,191	\$6,546	\$7,035	\$843	13.6%
TOTAL GROSS MARGIN	\$50,793	\$50,521	\$48,346	\$47,153	\$47,917	(\$429)	-0.9%
Controllable Costs							
Salaries & Benefits	\$18,074	\$18,548	\$18,687	\$18,053	\$19,598	\$911	4.9%
Other Operating Expenses	\$11,939	\$11,232	\$11,343	\$10,617	\$10,847	(\$497)	-4.4%
Major Maintenance	\$1,390	\$1,805	\$2,998	\$3,216	\$2,287	(\$711)	-23.7%
Non-Bonded Capital Projects	\$6,030	\$196	\$4,291	\$5,575	\$7,842	\$3,551	82.8%
TOTAL CONTROLLABLE COSTS	\$37,432	\$31,780	\$37,319	\$37,461	\$40,574	\$3,254	8.7%
Depreciation & Amortization	\$7,808	\$8,221	\$10,096	\$9,334	\$9,722	(\$374)	-3.7%
Less Non Bonded Projects (capitalized)	(\$6,030)	(\$196)	(\$4,291)	(\$5,575)	(\$7,842)	(\$3,551)	82.8%
Less Total Internal Costs (capitalized)	(\$5,585)	(\$3,639)	(\$2,012)	(\$2,595)	(\$1,166)	\$846	-42.0%
Interutility Allocation	(\$1,223)	(\$1,438)	(\$1,668)	(\$1,668)	(\$1,722)	(\$54)	3.2%
Total Operating Expenses	\$32,403	\$34,728	\$39,445	\$36,958	\$39,566	\$121	0.3%
Net Operating Income (Loss)	\$18,390	\$15,793	\$8,901	\$10,195	\$8,352	(\$550)	-6.2%
Financing & Other Non-Operating Items:							
Bond & Interest Related Expenses	(\$4,771)	(\$4,086)	(\$4,429)	(\$4,239)	(\$4,076)	\$352	-8.0%
Interest Income	\$2,626	\$947	\$1,173	\$1,364	\$1,202	\$28	2.4%
Misc Non-Operating Income (Expense)	(\$262)	(\$622)	(\$146)	(\$156)	(\$165)	(\$19)	13.1%
Total Financing & Non-Operating Items	(\$2,408)	(\$3,761)	(\$3,401)	(\$3,030)	(\$3,039)	\$362	-10.6%
Income Before Transfers or Capital Contributions	\$15,983	\$12,032	\$5,500	\$7,165	\$5,312	(\$188)	-3.4%
Transfers (In Lieu of Taxes)	(\$8,391)	(\$8,242)	(\$8,541)	(\$8,417)	(\$8,435)	\$106	-1.2%
Capital Contributions	\$3	\$0	\$0	\$0	\$0	\$0	0.0%
NET INCOME	\$7,594	\$3,790	(\$3,041)	(\$1,252)	(\$3,123)	(\$82)	2.7%
1/01 Cash Balance		\$ 27,025	\$ 33,316	\$ 37,948	\$ 41,371	\$ 8,055	24.2%
Change in Net Assets		3,790	(3,041)	(1,252)	(3,123)	(82)	2.7%
Depreciation & Amortization		8,221	10,096	9,334	9,722	(374)	-3.7%
Capital Additions/Service Territory Comp		(15,150)	(11,173)	(11,821)	(9,008)	2,164	-19.4%
Bond Principal Payments		(2,707)	(3,858)	(3,858)	(3,820)	38	-1.0%
Bond Proceeds		6,007	-	-	-	-	0.0%
Net Change in Other Assets/Liabilities		10,764	7,342	11,019	-	(7,342)	-100.0%
Net Changes in Cash		10,924	(634)	3,423	(6,229)	(5,596)	883.1%
12/31 Cash Balance		\$ 37,948	\$ 32,682	\$ 41,371	\$ 35,142	\$ 2,460	7.5%
Reserve Target		\$ 32,600	\$ 35,000	\$ 35,000	\$ 37,100	\$ 2,100	6.0%
Excess (Deficit) from Target		\$ 5,348	\$ (2,318)	\$ 6,371	\$ (1,958)	\$ 360	-15.5%
Cash Balance as % of Reserve Target				118.2%	94.7%		

**ROCHESTER PUBLIC UTILITIES
ELECTRIC UTILITY
2011 OPERATING BUDGET**



**ROCHESTER PUBLIC UTILITIES
WATER UTILITY
2011 OPERATING BUDGET**

BASIC ASSUMPTIONS

- Cost center budgets maintained at reduced 2010 level
- Interest Earnings Rate: 3.0%
- Average Salary Expense Change: 1.4%
(consists of COLA, merit and promotion increases)
- Change in Full-time Equivalents: 0
- Cash Reserve Requirements: Policy Amount \$2,481,000
(1yr Operating and Maintenance costs is being proposed
in current rate study, approx. \$5.9M)

RETAIL REVENUES / SALES

- Revenue Adjustment: 0.0%
- Water CCF Sales Forecast: 0.6% Decrease from 2010 Projected Sales
- Total Water Utility Customers: 0.9% Increase over Y/E 2010 Projected Customers
- Forecast Assumes Normal Weather : 524 Cooling Degree Days,
18.67 Inches Summer Rainfall

OTHER ITEMS

- In Lieu of Tax forecast decreasing \$2,000, driven by a projected decrease in ccf sales.
- RPU water projects are greatly dependent on the plans of the City Public Works Department and developers.
- Developer-installed subdivision water infrastructure assets and City-installed water towers are contributed to RPU at no cost. RPU records depreciation expense on these assets and is responsible for ongoing maintenance and replacement costs.

**ROCHESTER PUBLIC UTILITIES
WATER UTILITY
Management Reporting P&L**

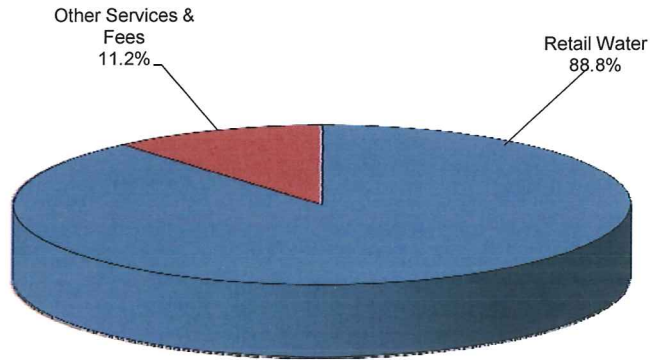
	Historical Data							
	2008	2009	2010 F2	2011	2012	2013	2014	2015
in 000's								
RPU Rate Increase	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Revenue								
Retail Water	\$7,508	\$7,425	\$7,481	\$7,437	\$7,480	\$7,527	\$7,574	\$7,618
Other Services & Fees	\$666	\$768	\$750	\$743	\$759	\$775	\$792	\$809
Total Revenue	\$8,174	\$8,192	\$8,230	\$8,180	\$8,239	\$8,302	\$8,366	\$8,427
Cost of Revenue								
Water Supply	\$1,601	\$1,656	\$1,624	\$1,565	\$1,637	\$1,719	\$1,811	\$1,913
Total Cost of Revenue	\$1,601	\$1,656	\$1,624	\$1,565	\$1,637	\$1,719	\$1,811	\$1,913
Gross Margin								
Retail Water	\$5,907	\$5,768	\$5,857	\$5,872	\$5,842	\$5,808	\$5,763	\$5,705
Other Services & Fees	\$666	\$768	\$750	\$743	\$759	\$775	\$792	\$809
TOTAL GROSS MARGIN	\$6,573	\$6,536	\$6,606	\$6,615	\$6,601	\$6,583	\$6,555	\$6,514
Controllable Costs								
Salaries & Benefits	\$1,712	\$1,794	\$1,814	\$1,899	\$2,086	\$2,198	\$2,256	\$2,315
Other Operating Expenses	\$391	\$455	\$507	\$580	\$642	\$655	\$671	\$687
Major Maintenance	\$273	\$184	\$217	\$424	\$232	\$378	\$459	\$260
Non-Bonded Capital Projects	\$1,231	\$1,124	\$2,108	\$1,950	\$1,564	\$2,035	\$3,003	\$1,953
TOTAL CONTROLLABLE COSTS	\$3,607	\$3,557	\$4,646	\$4,853	\$4,524	\$5,266	\$6,388	\$5,215
Depreciation & Amortization	\$2,112	\$2,110	\$2,124	\$2,376	\$2,283	\$2,355	\$2,407	\$2,445
Less Non Bonded Projects (capitalized)	(\$1,231)	(\$1,124)	(\$2,108)	(\$1,950)	(\$1,564)	(\$2,035)	(\$3,003)	(\$1,953)
Less Total Internal Costs (capitalized)	(\$326)	(\$448)	(\$489)	(\$288)	(\$209)	(\$188)	(\$214)	(\$178)
Interutility Allocation	\$1,223	\$1,438	\$1,668	\$1,722	\$1,765	\$1,809	\$1,854	\$1,900
Total Operating Expenses	\$5,385	\$5,533	\$5,841	\$6,713	\$6,799	\$7,207	\$7,432	\$7,429
Net Operating Income (Loss)	\$1,189	\$1,003	\$765	(\$98)	(\$198)	(\$624)	(\$877)	(\$915)
Financing & Other Non-Operating Items:								
Bond & Interest Related Expenses	(\$60)	(\$43)	(\$26)	\$0	\$0	\$0	\$0	\$0
Interest Income	\$196	\$155	\$169	\$161	\$161	\$152	\$113	\$72
Misc Non-Operating Income (Expense)	\$1	(\$111)	\$0	\$0	\$0	\$0	\$0	\$0
Total Financing & Non-Operating Items	\$136	\$2	\$143	\$161	\$161	\$152	\$113	\$72
Income Before Transfers or Capital Contributions	\$1,325	\$1,005	\$908	\$64	(\$37)	(\$471)	(\$764)	(\$843)
Transfers (In Lieu of Taxes)	(\$374)	(\$360)	(\$356)	(\$355)	(\$356)	(\$358)	(\$360)	(\$361)
Capital Contributions	\$1,091	\$2,595	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100
NET INCOME	\$2,042	\$3,241	\$1,651	\$809	\$707	\$271	(\$23)	(\$105)
1/01 Cash Balance	\$ 5,332	\$ 5,869	\$ 5,538	\$ 5,385	\$ 5,502	\$ 4,804	\$ 2,871	\$ 2,871
Change in Net Assets		3,241	1,651	809	707	271	(23)	(105)
Depreciation & Amortization		2,110	2,124	2,376	2,283	2,355	2,407	2,445
Capital Additions/Service Territory Comp		(1,572)	(2,597)	(2,238)	(1,773)	(2,223)	(3,217)	(2,132)
Non-Cash Contributions		(2,595)	(1,100)	(1,100)	(1,100)	(1,100)	(1,100)	(1,100)
Debt Principal Payments		(390)	(410)	-	-	-	-	-
Debt Proceeds		-	-	-	-	-	-	-
Net Change in Other Assets/Liabilities		(256)	-	-	-	-	-	-
Net Changes in Cash	537	(331)	(153)	117	(697)	(1,933)	(891)	(891)
12/31 Cash Balance	\$ 5,869	\$ 5,538	\$ 5,385	\$ 5,502	\$ 4,804	\$ 2,871	\$ 1,980	\$ 1,980
Reserve Policy	\$ 2,538	\$ 2,576	\$ 2,481	\$ 2,502	\$ 2,563	\$ 2,603	\$ 2,615	\$ 2,615
Excess (Deficit) from Policy	\$ 3,331	\$ 2,962	\$ 2,903	\$ 3,000	\$ 2,241	\$ 269	\$ (635)	\$ (635)
Cash Balance as % of Reserve Policy		215.0%	217.0%	219.9%	187.4%	110.3%	75.7%	75.7%

ROCHESTER PUBLIC UTILITIES
WATER UTILITY
Management Reporting P&L

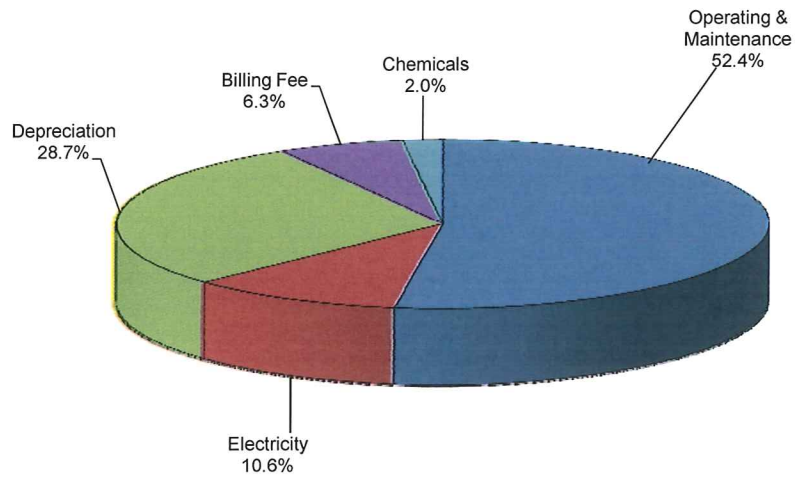
	Historical Data		2010		Variance		%
	2008	2009	Orig Bdgt	2010 F2	2011	2010 Orig	
5 in 000's							
6 Revenue							
7 Retail Water	\$7,508	\$7,425	\$7,122	\$7,481	\$7,437	\$315	4.4%
8 Other Services & Fees	\$666	\$768	\$790	\$750	\$743	(\$47)	-5.9%
9 Total Revenue	\$8,174	\$8,192	\$7,911	\$8,230	\$8,180	\$268	3.4%
10 Cost of Revenue							
11 Water Supply	\$1,601	\$1,656	\$1,486	\$1,624	\$1,565	\$79	5.3%
12 Total Cost of Revenue	\$1,601	\$1,656	\$1,486	\$1,624	\$1,565	\$79	5.3%
13 Gross Margin							
14 Retail Water	\$5,907	\$5,768	\$5,636	\$5,857	\$5,872	\$236	4.2%
15 Other Services & Fees	\$666	\$768	\$790	\$750	\$743	(\$47)	-5.9%
16 TOTAL GROSS MARGIN	\$6,573	\$6,536	\$6,425	\$6,606	\$6,615	\$190	3.0%
17 Controllable Costs							
18 Salaries & Benefits	\$1,712	\$1,794	\$1,786	\$1,814	\$1,899	\$114	6.4%
19 Other Operating Expenses	\$391	\$455	\$465	\$507	\$580	\$115	24.8%
20 Major Maintenance	\$273	\$184	\$364	\$217	\$424	\$60	16.4%
21 Non-Bonded Capital Projects	\$1,231	\$1,124	\$2,448	\$2,108	\$1,950	(\$498)	-20.3%
22 TOTAL CONTROLLABLE COSTS	\$3,607	\$3,557	\$5,062	\$4,646	\$4,853	(\$209)	-4.1%
23 Depreciation & Amortization	\$2,112	\$2,110	\$2,258	\$2,124	\$2,376	\$118	5.2%
24 Less Non Bonded Projects (capitalized)	(\$1,231)	(\$1,124)	(\$2,448)	(\$2,108)	(\$1,950)	\$498	-20.3%
25 Less Total Internal Costs (capitalized)	(\$326)	(\$448)	(\$337)	(\$489)	(\$288)	\$49	-14.6%
26 Interutility Allocation	\$1,223	\$1,438	\$1,668	\$1,668	\$1,722	\$54	3.2%
27 Total Operating Expenses	\$5,385	\$5,533	\$6,203	\$5,841	\$6,713	\$719	11.6%
28 Net Operating Income (Loss)	\$1,189	\$1,003	\$222	\$765	(\$98)	(\$529)	-238.4%
29 Financing & Other Non-Operating Items:							
30 Bond & Interest Related Expenses	(\$60)	(\$43)	(\$41)	(\$26)	\$0	\$41	-100.0%
31 Interest Income	\$196	\$155	\$158	\$169	\$161	\$4	2.2%
32 Misc Non-Operating Income (Expense)	\$1	(\$111)	\$0	\$0	\$0	\$0	0.0%
33 Total Financing & Non-Operating Items	\$136	\$2	\$117	\$143	\$161	\$45	38.1%
34 Income Before Transfers or Capital Contributions	\$1,325	\$1,005	\$339	\$908	\$64	(\$484)	-143.0%
35 Transfers (In Lieu of Taxes)	(\$374)	(\$360)	(\$329)	(\$356)	(\$355)	(\$25)	7.7%
36 Capital Contributions	\$1,091	\$2,595	\$1,100	\$1,100	\$1,100	\$0	0.0%
37 NET INCOME	\$2,042	\$3,241	\$1,110	\$1,651	\$809	(\$510)	-45.9%
38 1/01 Cash Balance	\$ 5,332		\$ 5,805	\$ 5,869	\$ 5,538	(\$268)	-4.6%
39 Change in Net Assets		3,241	1,110	1,651	809	(300)	-27.1%
40 Depreciation & Amortization		2,110	2,258	2,124	2,376	118	5.2%
41 Capital Additions/Service Territory Comp		(1,572)	(2,785)	(2,597)	(2,238)	547	-19.6%
42 Non-Cash Contributions		(2,595)	(1,100)	(1,100)	(1,100)	-	0.0%
43 Debt Principal Payments		(390)	(410)	(410)	-	410	-100.0%
44 Debt Proceeds		-	-	-	-	-	0.0%
45 Net Change in Other Assets/Liabilities		(256)	-	-	-	-	0.0%
46 Net Changes in Cash		537	(927)	(331)	(153)	774	-83.5%
47 12/31 Cash Balance	\$ 5,869		\$ 4,878	\$ 5,538	\$ 5,385	\$ 506	10.4%
48 Reserve Policy	\$ 2,538		\$ 2,576	\$ 2,576	\$ 2,481	\$ (95)	-3.7%
49 Excess (Deficit) from Policy	\$ 3,331		\$ 2,302	\$ 2,962	\$ 2,903	\$ 601	26.1%
50 Cash Balance as % of Reserve Policy			189.3%	215.0%	217.0%		

ROCHESTER PUBLIC UTILITIES
WATER UTILITY
2011 OPERATING BUDGET

GROSS MARGIN
\$6,614,886



EXPENSE USES
\$8,277,506





RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Common Council of the said City is requested to approve the 2011 electric and water capital and operating budgets.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 9th day of November, 2010.

President

Secretary