



WILLMAR

FINANCE

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**Finance Committee Meeting
4:00 P.M., Monday, November 26, 2012
Willmar Municipal Utilities Auditorium**

**Chair: Denis Anderson
Vice Chair: Rick Fagerlie**

**Members: Jim Dokken
Tim Johnson**

AGENDA

- 1) Public Comment
- 2) Rice Hospital Budget Presentation
- 3) Willmar Municipal Utilities Budget Presentation
- 4) 2013 Mayor's Proposed Budget
- 5) Future Meeting Agendas
 - A. Western Interceptor Final Budget
 - B. Update 1995 Contribution Policy
 - C. LELS 2012 Budget Amendment
- 6) Miscellany
- 7) Adjourn



Rice Memorial Hospital 2013 Budget

Presented to:

City Council

November 26, 2012

To: City of Willmar

From: Mike Schramm
Bill Fenske

Date: November 15, 2012

Subject: 2013 Budget

Attached is the 2013 Budget which has been approved by the Rice Memorial Hospital Board of Directors at its meeting on November 14, 2012. Previously the Rice Executive Team had received support from the Finance Committee at its meeting on November 6, 2012.

The 2013 Budget was developed based on assumptions that were reviewed and approved in the 5-Year Financial Plan. However, there are a couple of assumption changes from the approved 5-Year Financial Plan that need to be noted. The first assumption relates to volumes and revenues. The 5-Year Financial Plan was prepared earlier this year and was based on 2011 activity and 2012 budgeted activity. However, the volumes and revenues have significantly declined and thus the 2013 budgeted assumptions needed to reflect the revised and more accurate 2012 numbers.

Adjusting the volume assumptions resulted in the overall operating income margin declining from a 5-Year Financial Plan projection of 3.4% to the current 2013 Budget of 2.4%. The positive impact that the Therapy Suites has realized is more accurately reflected in the 2013 Budget. In addition, Home Medical activity has been adjusted to more accurately reflect 2012 activity which will result in another year of adjusting the operation in order to meet Rice's strategic growth initiatives. We realize that this is taking longer than anticipated, but still believe Rice is on the right track to strategically position Home Medical. The 2013 Capital Budget is the same as what was approved in the 5-Year Financial Plan.

A summary of Key Indicators are as follows:

Key Indicator	09/30/2012	2013 (5-Yr. Plan)	2013 Budget	Benchmark
Operating Margin %	-0.5%	3.4%	2.4%	2.2%
Excess Margin %	0.6%	4.6%	3.2%	2.8%
EBIDA	10.3%	14.6%	12.5%	10.8%
Debt/Capitalization	44%	43%	42%	39%
Debt Service Coverage	2.6x	3.6x	3.1x	2.9x
Net Days in Receivables	57	50	50	46
Days of Cash	112	131	129	131
Unrestricted Cash/Debt	62%	77%	75%	87%

FTE/Adj. Admit	14.5	14.4	14.7	14.9
FTE/Adj. Patient Day	4.1	4.1	4.1	4.1
Controllable Expense/Adj. Admit	\$8,236	\$8,363	\$8,630	\$8,682
Compensation Ratio	50.9%	48.3%	49.6%	50%
Capital Expense Ratio	9.2%	9.8%	9.1%	6.9%
Care Center Hours/Resident Day	6.2	6.0	6.7	5.8
Sales/FTE-Home Medical	\$145,749	\$174,686	\$159,750	\$170,000

The average daily census is projected to be 32 in 2013 compared to the projected 2012 census of 32.9. Outpatient activity is projected slightly up by 1%. The current staffing models should continue to work into 2013 even though the census will be slightly lower in 2013; however, close scrutiny will be necessary for all staffing within the organization.

Rice is projecting a positive Operating Margin of 2.4% for 2013 compared to the projected 1.3% for 2012 which is down from the 2011 Operating Margin of 4.4%. The 2012 projected Operating Margin of 1.3% includes \$1.2 million of "Meaningful Use" reimbursements which was received today and relates to the Epic Project. Rice's Excess Margin for 2013 is projected at 3.2% compared to the projected 2012 margin of 2.3%; last year's margin of 5.8%; and the industry benchmark of 2.8%. The EBIDA ratio is projected at 12.5% for 2013 compared to projected 2012 of 11.8%; last year's 14.6%; and the benchmark of 10.8%. Although productivity ratios at the Hospital have crept up from last year and projected 2012, the ratios are still in line with benchmark data.

The various worksheets related to the 2013 Budget are as follows:

- Tab 1 Statistics & Volumes
- Tab 2 Financial Statements
 - Balance Sheet
 - Income Statement
 - Cash Flow Statement
- Tab 3 Key Indicators
- Tab 4 Capital Budget

Process:

The building of the budget was based upon four major components; capital expenditures, statistical indicators, revenues & contractual allowances, and operating expenses.

Capital:

The first step was to develop the capital expenditure budget. The purpose was to identify capital expenditures for next year related to new initiatives, new technology, or replacements. With any capital expenditure there are related operating expenses in addition to depreciation expense that will affect the operating budget. These expenses could relate to improvements in efficiencies, reduction of service contracts or other expenses, or increased volumes. Once these are identified, they are incorporated into the operating budget. In addition, if a capital expenditure request is greater than \$50,000, then a financial analysis is performed specific to the request to determine how the request is related to one or more of Rice's Five Pillars as well as determining an internal rate of return, if applicable.

Prior to reviewing all of the requests, a budgeted dollar amount is determined. This is based on the 5-Year Financial Plan which incorporated a routine capital expenditure budget of approximately 110%-120% of equipment depreciation expense. The requests were further broken down into four categories; major equipment, equipment <\$15,000, computer equipment & software, and minor projects. In addition, \$800,000 was unallocated and put in a contingency category for unforeseen needs that arise during the year. The 2013 Capital Budget includes renovation expenditures at the Care Center, renovation at three Home Medical stores, and a permanent solution for the store in Redwood Falls.

A multi-disciplinary committee was developed consisting of directors from across the organization. The committee reviewed the requests and then prioritized the requests based on the Core Goals and an internal rate of return. Once the capital budget is approved, only items greater than \$50,000 or unbudgeted items will be further reviewed during the year; otherwise, items approved in the budget or items less \$15,000 will be approved by the appropriate executive at the time of the request.

Statistical Indicators:

A preliminary 2013 statistical budget was drafted and sent to all directors for departmental review. The directors reviewed and in a few cases modified the 2013 statistical budget and returned the statistics back to Finance. It is from these statistical indicators that the revenue and expense budgets were built upon. Rice is projecting declining inpatient volumes in 2013 as compared to actual 2012 and mostly stable volumes in the ancillary departments.

Revenues & Contractual Allowances:

This component of the budget was derived and determined by the Director of Revenue and Reimbursement. The final statistical indicators were utilized to determine revenues. Revenues in this budget assume an overall average of a 3% price increase. Actual increases by procedure, service, or department may vary from the overall 3% average.

Once again, historical data was compiled related to revenues in terms of revenue by unit within each revenue producing department. The price increase was then applied to the projected 2013 revenue per unit and then multiplied by the statistical indicator to determine total revenues.

Contractual allowances were determined based on historical trends in terms of payor mix, the net revenue reimbursement rate, and projected reimbursement increases by major payor category (Medicare, Medicaid, Blue Cross, and Commercial). From these calculations and deducting these amounts from total patient revenues, net patient revenues were calculated. This was then compared to a blended or weighted reimbursement increase and the projected total volume increase.

Operating Expenses:

The historical operating expenses were gathered by department and included with the projected 2012 operating expenses by department. It should be noted that the projected 2012 operating expenses were based on YTD July 2012 results and then annualized. Statistical indicators and paid staffing hours by department were also included to calculate expense and hours per unit calculations going back to 2003. A preliminary 2013 operating expense budget was projected by Finance based on historical trends of expense and hours per unit assuming per unit increases in salaries, benefits, and most all of the expense categories. This preliminary 2013 operating expense budget was then sent to the directors for their review.

Department directors reviewed their budgets with the Finance Staff as well as their respective executive and modifications were proposed. Once all of the departmental budgets were returned to Finance, they were once again compiled.

Major Initiatives:

There are no other major initiatives that are being developed or that have been developed that are not included above.

Tab 1

Statistics

2013 Budget Statistics & Volumes

10/30/2012

Department	% Change												
	2007	2008	2009	2010	2011	2012	2013	2008/2007	2009/2008	2010/2009	2011/2010	2012/2011	2013/2012
3021 Adult Health	10,144	9,427	8,636	7,003	7,005	6,194	6,008	-7.1%	-8.4%	-18.9%	0.0%	-11.6%	-3.0%
3060 RICE Inpatient	1,841	2,359	1,961	1,983	2,473	2,451	2,377	28.1%	-16.9%	1.1%	24.7%	-0.9%	-3.0%
3080 Women & Children's Care	3,766	3,453	3,330	2,835	2,867	2,616	2,538	-8.3%	-3.6%	-14.9%	1.1%	-8.8%	-3.0%
3120 ICCU	1,178	941	893	802	893	768	745	-20.1%	-5.1%	-10.2%	11.3%	-14.0%	-3.0%
Total Patient Days	16,929	16,180	14,820	12,623	13,238	12,029	11,668	-4.4%	-8.4%	-14.8%	4.9%	-9.1%	-3.0%
Average Daily Census	46.4	44.2	40.6	34.6	36.3	32.9	32.0	-4.7%	-8.2%	-14.8%	4.9%	-9.4%	-2.7%
Admissions	4,583	4,374	3,992	3,562	3,766	3,398	3,296	-4.6%	-8.7%	-10.8%	5.7%	-9.8%	-3.0%
Adjusted Patient Days	32,662	33,125	33,558	35,804	38,529	36,960	35,853	1.4%	1.3%	6.7%	7.6%	-4.1%	-3.0%
Adjusted Admits	8,847	8,971	9,607	10,120	10,963	10,502	10,128	1.4%	7.1%	5.3%	8.3%	-4.2%	-3.6%
Case Mix Index-Total	0.968	0.968	0.984	1.024	1.036	1.038	1.030	0.0%	1.7%	4.1%	1.2%	0.2%	-0.8%
Observation Care Days	-	-	815	1,715	2,775	2,672	2,699	-	-	-	61.8%	-3.7%	1.0%
Rice Care Center Days	24,626	24,168	24,252	24,100	24,031	26,329	25,552	-1.8%	0.3%	-0.6%	-0.3%	9.6%	-3.0%
3090 Nursery	1,924	1,848	1,700	1,667	1,761	1,473	1,429	-4.0%	-8.0%	-1.9%	5.6%	-16.4%	-3.0%
3123 Intermediate Care Nursery	402	255	328	239	246	143	139	-36.6%	28.6%	-27.1%	2.9%	-41.9%	-2.8%
3160 Hemodialysis	7,858	7,468	7,702	7,689	7,848	7,920	7,997	-5.0%	3.1%	-0.2%	2.1%	0.9%	1.0%
3165 Peritoneal Dialysis	2,230	1,311	1,072	538	835	1,074	1,085	-41.2%	-18.2%	-48.6%	55.2%	28.6%	1.0%
3171 Respiratory Therapy	34,291	33,704	33,477	34,744	32,572	28,137	27,616	-1.7%	-0.7%	3.8%	-6.3%	-13.6%	-1.9%
3177 Polysomnography	473	507	433	394	384	468	473	7.2%	-14.6%	-9.0%	-2.5%	21.9%	1.1%
3192 Delivery Room-Births	866	826	824	813	813	730	745	-4.6%	-0.2%	-1.3%	0.0%	-10.2%	2.1%
3210 Surgical Services	5,042	4,942	4,733	5,035	6,615	6,037	6,025	-2.0%	-4.2%	6.4%	31.4%	-8.7%	-0.2%
3218 Post Anesthesia Care	3,022	3,095	2,738	2,800	3,019	2,729	2,720	2.4%	-11.5%	2.3%	7.8%	-9.6%	-0.3%
3230 Emergency Services	11,591	11,935	12,836	12,873	13,862	13,449	13,500	3.0%	7.5%	0.3%	7.7%	-3.0%	0.4%
3235 ESD Physicians	9,857	9,875	10,873	11,457	13,614	12,602	12,671	1.2%	9.0%	5.4%	18.8%	-7.4%	0.5%
3240 GI Endoscopy	1,211	1,399	1,221	1,229	1,218	1,166	1,209	15.5%	-12.7%	0.7%	-0.9%	-4.3%	3.7%
3245 ERCP Endorethropic	162	158	204	248	50	40	23	-2.5%	29.1%	21.6%	-79.8%	-20.0%	-42.5%
Total Lab	275,144	281,775	298,788	295,632	304,187	282,188	282,219	2.4%	6.0%	-1.1%	2.9%	-7.2%	0.0%
4045 Radiation Therapy	8,222	6,642	6,477	6,675	6,647	7,773	7,850	-19.2%	-2.5%	3.1%	-0.4%	16.9%	1.0%
Total Medical Imaging	25,995	24,650	23,500	19,149	19,174	18,437	18,451	-5.2%	-4.7%	-18.5%	0.1%	-3.8%	0.1%
4070 Pharmacy	32,662	33,125	33,558	35,804	38,529	36,960	35,851	1.4%	1.3%	6.7%	7.6%	-4.1%	-3.0%
4075 Medical Oncology	-	-	-	2,064	2,312	2,697	2,724	-	-	-	12.0%	16.7%	1.0%
4080 Anesthesiology	4,269	4,423	4,042	4,132	4,373	4,080	4,074	-	-	2.2%	5.8%	-6.7%	-0.1%
4083 Heart Clinic	694	694	5947	7,141	6,697	7,382	7,455	0.0%	-100.0%	20.1%	-6.2%	10.2%	1.0%
4084 Cardio Health and Rehab	6,319	6,158	5,947	25,418	26,782	28,515	28,601	-2.5%	-3.4%	-5.9%	5.4%	6.5%	0.3%
4091 PT	30,446	29,967	27,018	11,751	11,986	10,704	10,747	-1.6%	-8.8%	-2.4%	2.0%	-10.7%	0.4%
4092 OT	12,168	11,679	12,045	11,751	4,186	5,204	5,241	-4.0%	3.1%	-7.4%	41.2%	24.3%	0.7%
4093 Speech Therapy	3,466	3,468	3,202	2,965	25,227	23,243	22,546	0.0%	-8.2%	7.7%	2.5%	-7.9%	-3.0%
4125 Hospice	24,771	23,223	25,007	25,623	25,227	23,243	22,546	-6.2%	7.7%	2.5%	29.6%	37.5%	0.6%
4150 WOC (Wound, Ostomy, Continence)	958	1,003	2,059	3,576	4,633	6,370	6,408	4.7%	105.3%	73.7%	29.6%	37.5%	0.6%
4185 RIO_Rice Institute Outpatient	2,331	5,346	6,305	7,353	7,144	7,489	7,476	129.3%	17.9%	16.6%	-2.8%	4.8%	-0.2%
4200 Ambulatory Care	2,497	2,498	2,212	4,778	4,835	4,372	2,954	-	-	116.0%	1.2%	-9.6%	-32.4%
4480 Ambulance	2,016	2,127	2,288	2,375	2,678	2,655	2,682	5.5%	7.6%	3.8%	12.8%	-0.9%	1.0%
4530 Outreach GI	826	645	575	391	-	-	-	-21.9%	-10.9%	-32.0%	-100.0%	-	-
8325 Grief Counseling	3,481	3,435	2,943	2,779	2,613	2,506	2,531	-1.3%	-14.3%	-5.6%	-6.0%	-4.1%	1.0%
8620 Lifeline	67,876	67,893	63,355	61,897	54,204	53,366	53,900	0.0%	-6.7%	-2.3%	-12.4%	-1.5%	1.0%
8905 Dental Clinic	170	6,207	6,693	7,370	7,679	8,211	7,883	-	-	4.2%	6.9%	6.9%	-4.0%

Tab 2

Financial Statements

CONSOLIDATED BALANCE SHEET

ASSETS

	2006	2007	2008	2009	2010	2011	2012	2013
CURRENT ASSETS								
CASH AND CASH EQUIVALENTS	\$ 4,422,107	\$ 4,326,434	\$ 3,702,724	\$ 6,187,746	\$ 5,532,518	\$ 3,728,757	\$ 2,814,604	\$ 2,897,654
TRUSTEE BOND AGREEMENTS & CONSTRUCTION	1,939,946	2,132,754	2,065,451	2,300,481	2,195,297	2,130,440	2,011,897	2,011,897
ACCOUNTS RECEIVABLE NET	11,880,643	13,741,130	16,945,254	16,896,053	17,647,904	16,143,018	15,254,302	14,847,025
OTHER RECEIVABLES	1,404,105	1,242,796	2,355,375	1,005,000	717,723	521,979	467,199	467,199
INVENTORY	2,141,614	2,163,229	2,102,436	2,147,029	1,885,408	1,858,419	1,729,058	1,815,511
PREPAID EXPENSES	1,011,938	1,002,379	1,115,099	1,073,720	1,069,362	1,517,862	1,144,936	1,144,936
TOTAL CURRENT ASSETS	22,800,353	24,608,722	28,286,339	29,610,029	29,048,212	25,900,471	23,421,996	23,184,222
ASSETS LIMITED AS TO USE								
HOLD BY TRUSTEES - BOND AGREEMENTS & CONST. FUNDS	3,730,910	3,730,910	3,730,910	3,730,910	3,730,910	3,731,642	3,181,089	3,181,089
REMAINDER UNITRUST - RECEIVABLE	47,686	50,062		28,294	47,976	47,976	28,765	28,765
SPECIFIC PURPOSE FUND-CASH	190,266	161,467	480,790				0	0
ENDOWMENT FUND - INVESTMENTS	2,433,632	2,560,782	2,042,635	2,329,870	2,525,627	2,466,271	2,612,694	2,743,329
TOTAL ASSETS - USE IS LIMITED	6,402,494	6,503,221	6,254,335	6,089,774	6,304,513	6,245,889	5,822,548	5,953,183
PROPERTY PLANT & EQUIPMENT								
PROPERTY PLANT & EQUIPMENT	119,164,361	122,475,166	116,001,724	119,357,077	122,492,596	129,292,102	132,984,635	143,087,142
LESS: ACCUMULATED DEPRECIATION	(44,127,753)	(51,594,788)	(48,340,411)	(54,467,665)	(60,811,022)	(67,522,491)	(75,578,991)	(83,992,281)
NET PROPERTY, PLANT & EQUIPMENT	75,036,608	70,880,378	67,661,313	64,889,412	61,681,574	61,769,611	57,405,644	59,094,861
OTHER ASSETS								
INVESTMENTS	6,366,052	7,691,514	6,565,064	11,117,305	14,265,880	25,125,564	31,425,824	34,359,082
INVESTMENTS - SHARED HEALTH RESOURCES	434,627	439,627	427,386	404,781	400,054	411,413	417,225	417,225
INVESTMENTS - WILLMAR MEDICAL SERVICES	1,263,127	1,417,896	3,523,892	3,317,127	3,482,924	3,335,316	4,075,069	4,278,822
INVESTMENTS - OTHER				50,000	50,000	79,136		101,352
DEFERRED DEBT ACQUISITION COSTS & OTHER	719,499	663,964	672,249	580,533	538,818	518,347	204,145	183,731
TOTAL OTHER ASSETS	8,783,305	10,213,001	11,188,591	15,469,746	18,737,676	29,469,776	36,223,615	39,340,212
TOTAL ASSETS	\$ 113,022,760	\$ 112,205,322	\$ 113,390,578	\$ 116,088,961	\$ 115,771,975	\$ 123,385,747	\$ 122,873,803	\$ 127,572,478

LIABILITIES AND NET ASSETS

	2006	2007	2008	2009	2010	2011	2012	2013
CURRENT LIABILITIES								
CURRENT MATURITIES OF LONG TERM DEBT	\$ 1,585,303	\$ 1,191,151	\$ 1,092,684	\$ 1,798,653	\$ 1,901,027	\$ 1,981,181	\$ 2,279,069	\$ 2,143,196
ACCOUNTS PAYABLE - TRADE	3,640,646	2,561,768	2,453,452	1,548,274	1,528,188	1,563,350	1,627,223	1,789,945
ESTIMATED THIRD PARTY PAYOR SETTLEMENTS	800,000	750,000	845,782	205,000	0	217,700	0	0
ACCRUED EXPENSES	8,449,047	8,672,192	10,724,239	12,309,740	12,210,743	13,200,661	13,223,716	14,546,088
TOTAL CURRENT LIABILITIES	14,474,996	13,175,111	15,116,157	15,861,667	15,639,958	16,962,892	17,130,008	18,479,229
LONG TERM DEBT (LESS CURRENT PORTION)								
LONG TERM DEBT (LESS CURRENT PORTION)	52,892,127	50,897,312	49,781,216	50,634,865	48,873,411	49,270,010	45,800,345	45,557,149
TOTAL LIABILITIES	67,367,123	64,072,423	64,897,373	66,496,532	64,513,369	66,232,902	62,930,353	64,036,378
RESTRICTED FUNDS								
DEBT SERVICE AND RESERVE	3,730,910	3,730,910	3,730,910	3,730,910	3,730,910	3,552,250	3,181,089	3,181,089
SPECIFIC PURPOSE FUND	237,952	211,529	480,790	242,951	368,042	74,593	0	0
PERMANENT ENDOWMENT	2,433,632	2,560,782	2,042,635	2,329,870	2,525,627	2,466,271	2,612,694	2,743,329
CURRENT YEAR INCOME				0	0	0	0	3,462,015
UNRESTRICTED NET ASSETS	39,253,143	41,629,678	42,238,870	43,258,699	44,634,028	51,059,731	51,822,177	54,149,667
TOTAL NET ASSETS	45,655,637	48,132,899	48,493,205	49,562,430	51,258,607	57,152,845	59,943,450	63,536,100
TOTAL LIABILITIES AND NET ASSETS	\$ 113,022,760	\$ 112,205,322	\$ 113,390,578	\$ 116,088,962	\$ 115,771,976	\$ 123,385,747	\$ 122,873,803	\$ 127,572,478

2013 Budget Income Statement

11/6/2012

Consolidated

	2007	2008	2009	2010	2011	2012 Projected	2013 Budget
Inpatient Revenue	\$ 68,546,616	\$ 68,928,660	\$ 63,085,598	\$ 60,784,542	\$ 66,088,084	\$ 59,002,233	\$ 60,522,886
Outpatient Revenue	63,690,047	72,306,735	88,804,545	111,787,553	126,052,247	122,059,289	125,451,630
Rice Care Center Revenue	4,798,704	4,601,454	5,021,223	5,344,141	5,874,651	9,175,993	9,733,227
Rice Home Medical Revenue	7,587,476	9,726,761	9,168,107	10,191,996	10,384,359	10,266,135	12,077,066
Total Patient Revenue	144,622,842	155,563,630	166,079,473	188,108,232	208,399,341	200,503,650	207,784,809
Less Contractual Allowances	(61,415,386)	(69,924,662)	(76,640,677)	(88,995,761)	(101,844,791)	(96,237,741)	(99,401,530)
Net Revenue from Patients	83,207,456	85,638,968	89,438,796	99,112,471	106,554,550	104,265,909	108,383,279
Other Operating Revenue	8,085,017	15,254,285	15,629,706	16,349,445	17,329,689	17,527,056	17,828,130
Less WMS Operating Revenue	(11,540,089)	(12,123,394)	(12,123,394)	(19,645,355)	(21,315,935)	(20,476,499)	(20,511,907)
Total Operating Revenue	91,292,473	89,353,164	92,945,109	95,816,561	102,568,304	101,316,466	105,699,502
OPERATING EXPENSES							
SALARIES AND WAGES	40,123,636	42,764,029	42,998,588	44,062,322	44,885,891	44,640,764	46,267,224
CONTRACT LABOR	-	-	971,386	2,312,756	2,153,267	3,605,466	3,044,641
SUPPLEMENTAL BENEFITS	11,160,474	12,099,958	11,890,419	12,887,440	12,735,818	13,022,088	13,462,941
SUPPLIES	9,558,238	10,640,485	10,880,371	11,952,962	12,139,676	12,104,727	12,828,464
DRUGS	2,758,743	2,685,211	3,125,237	6,536,881	7,084,245	9,221,134	9,337,074
PURCHASED SERVICES	6,695,435	6,618,832	6,326,641	6,288,187	7,093,324	7,201,297	7,403,510
REPAIRS, SERVICE & RENTALS	3,044,201	3,023,830	3,296,336	3,264,743	3,051,829	3,090,146	3,328,529
UTILITIES	1,378,818	1,488,845	1,519,233	1,566,136	1,614,847	1,654,144	1,717,437
INSURANCE	544,285	464,789	475,737	528,895	618,350	696,205	726,582
PATIENT RELATED TRAVEL	420,328	406,062	385,706	402,361	435,763	412,485	460,028
EDUCATION, TRAVEL, & DUES	672,686	783,202	793,485	864,556	919,977	919,115	988,008
OTHER	441,141	294,313	401,558	467,617	490,645	473,905	479,925
DEPRECIATION AND AMORT	8,446,609	8,004,657	7,379,433	7,279,117	7,362,417	8,056,500	8,413,290
INTEREST	2,632,424	2,543,081	2,567,037	2,541,519	2,504,714	1,869,921	1,754,576
BAD DEBTS	2,074,465	1,778,587	1,818,139	2,130,722	2,008,831	1,690,073	1,707,196
TAXES & SURCHARGE	1,460,172	1,707,814	1,798,029	1,846,658	2,074,809	2,131,562	2,258,240
TOTAL OPERATING EXPENSES	91,411,653	95,303,695	96,627,335	104,932,872	107,174,403	110,789,532	114,177,665
Less: WMS Expenses	(5,436,281)	(4,087,590)	(4,087,590)	(8,957,967)	(9,162,896)	(10,756,942)	(11,006,228)
Net Operating Expenses	91,411,653	89,867,414	92,539,745	95,974,905	98,011,507	100,032,590	103,171,437
Net Operating Income (Loss)	(119,179)	(514,250)	405,364	(158,344)	4,556,797	1,283,876	2,528,065
Non-Operating Revenue	1,974,229	714,420	556,964	1,241,176	1,449,824	1,043,614	933,950
Net Income (Loss)	\$ 1,855,050	\$ 200,170	\$ 962,328	\$ 1,082,832	\$ 6,006,621	\$ 2,327,490	\$ 3,462,015

2013 Budget
Income Statement
 11/6/2012

Consolidated

Inpatient Revenue
 Outpatient Revenue
 Rice Care Center Revenue
 Rice Home Medical Revenue

Total Patient Revenue

Less Contractual Allowances

Net Revenue from Patients

Other Operating Revenue

Less WMS Operating Revenue

Total Operating Revenue

OPERATING EXPENSES

SALARIES AND WAGES
 CONTRACT LABOR
 SUPPLEMENTAL BENEFITS
 SUPPLIES
 DRUGS
 PURCHASED SERVICES
 REPAIRS, SERVICE & RENTALS
 UTILITIES
 INSURANCE
 PATIENT RELATED TRAVEL
 EDUCATION, TRAVEL, & DUES
 OTHER
 DEPRECIATION AND AMORT
 INTEREST
 BAD DEBTS
 TAXES & SURCHARGE

TOTAL OPERATING EXPENSES

Less: WMS Expenses

Net Operating Expenses

Net Operating Income (Loss)

Non-Operating Revenue

Net Income (Loss)

	% of Total Operating Revenue					% Change							
	2007	2008	2009	2010	2011	2012	2013	2008/2007	2009/2008	2010/2009	2011/2010	2012/2011	2013/2012
						Projected	Budget						
Inpatient Revenue	47.4%	44.3%	38.0%	32.3%	31.7%	29.4%	29.1%	0.6%	-8.5%	-3.6%	8.7%	-10.7%	2.6%
Outpatient Revenue	44.0%	46.5%	53.5%	59.4%	60.5%	60.9%	60.4%	13.5%	22.8%	25.9%	12.8%	-3.2%	2.8%
Rice Care Center Revenue	3.3%	3.0%	3.0%	2.8%	2.8%	4.6%	4.7%	-4.1%	9.1%	6.4%	9.9%	56.2%	6.1%
Rice Home Medical Revenue	5.2%	6.3%	5.5%	5.4%	5.0%	5.1%	5.8%	28.2%	-5.7%	11.2%	1.9%	-1.1%	17.6%
Total Patient Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	7.5%	6.8%	13.3%	10.8%	-3.8%	3.6%
Less Contractual Allowances	-42.5%	-44.9%	-46.1%	-47.3%	-48.9%	-48.0%	-47.8%	13.9%	9.6%	16.1%	14.4%	-5.5%	3.3%
Net Revenue from Patients	57.5%	55.1%	53.9%	52.7%	51.1%	52.0%	52.2%	2.9%	4.4%	10.8%	7.5%	-2.1%	3.9%
Other Operating Revenue	5.6%	9.8%	9.4%	8.7%	8.3%	8.7%	8.6%	88.7%	2.5%	4.6%	6.0%	1.1%	1.7%
Less WMS Operating Revenue				-10.4%	-10.2%	-10.2%	-9.9%				8.5%	-3.9%	0.2%
Total Operating Revenue	63.1%	64.9%	63.3%	61.4%	59.4%	60.7%	60.7%	-2.1%	4.0%	3.1%	7.0%	-1.2%	4.3%
OPERATING EXPENSES													
SALARIES AND WAGES	44.0%	47.9%	46.3%	46.0%	43.8%	44.1%	43.8%	6.6%	0.5%	2.5%	1.9%	-0.5%	3.6%
CONTRACT LABOR	0.0%	0.0%	1.0%	2.4%	2.1%	3.6%	2.9%			138.1%	-6.9%	67.4%	-15.6%
SUPPLEMENTAL BENEFITS	12.2%	13.5%	12.8%	13.5%	12.4%	12.9%	12.7%	8.4%	-1.7%	8.4%	-1.2%	2.2%	3.4%
SUPPLIES	10.5%	11.9%	11.7%	12.5%	11.8%	11.9%	12.1%	11.3%	2.3%	9.9%	1.6%	-0.3%	6.0%
DRUGS	3.0%	3.0%	3.4%	6.8%	6.9%	9.1%	8.8%	-2.7%	16.4%	109.2%	8.4%	30.2%	1.3%
PURCHASED SERVICES	7.3%	7.4%	6.8%	6.6%	6.9%	7.1%	7.0%	-1.1%	-4.4%	-0.6%	12.8%	1.5%	2.8%
REPAIRS, SERVICE & RENTALS	3.3%	3.4%	3.5%	3.4%	3.0%	3.0%	3.1%	-0.7%	9.0%	-1.0%	-6.5%	1.3%	7.7%
UTILITIES	1.5%	1.7%	1.6%	1.6%	1.6%	1.6%	1.6%	8.0%	2.0%	3.1%	2.4%	2.4%	3.8%
INSURANCE	0.6%	0.5%	0.5%	0.6%	0.6%	0.7%	0.7%	-14.6%	2.4%	11.2%	16.9%	12.6%	4.4%
PATIENT RELATED TRAVEL	0.5%	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	-3.4%	-5.0%	4.3%	8.3%	-5.3%	11.5%
EDUCATION, TRAVEL, & DUES	0.7%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	16.4%	1.3%	9.0%	6.4%	-0.1%	7.5%
OTHER	0.5%	0.3%	0.4%	0.5%	0.5%	0.5%	0.5%	-33.3%	36.4%	16.5%	4.9%	-3.4%	1.3%
DEPRECIATION AND AMORT	9.3%	9.0%	7.9%	7.6%	7.2%	8.0%	8.0%	-5.2%	-7.8%	-1.4%	1.1%	9.4%	4.4%
INTEREST	2.9%	2.8%	2.8%	2.7%	2.4%	1.8%	1.7%	-3.4%	0.9%	-1.0%	-1.4%	-25.3%	-6.2%
BAD DEBTS	2.3%	2.0%	2.0%	2.2%	2.0%	1.7%	1.6%	-14.3%	2.2%	17.2%	-5.7%	-15.9%	1.0%
TAXES & SURCHARGE	1.6%	1.9%	1.9%	1.9%	2.0%	2.1%	2.1%	17.0%	5.3%	2.7%	12.4%	2.7%	5.9%
TOTAL OPERATING EXPENSES	100.1%	106.7%	104.0%	109.5%	104.5%	109.3%	108.0%	4.3%	1.4%	8.6%	2.1%	3.4%	3.1%
Less: WMS Expenses				-9.3%	-8.9%	-10.6%	-10.4%				2.3%	17.4%	2.3%
Net Operating Expenses	100.1%	100.6%	99.6%	100.2%	95.6%	98.7%	97.6%	-1.7%	3.0%	3.7%	2.1%	2.1%	3.1%
Net Operating Income (Loss)	-0.1%	-0.6%	0.4%	-0.2%	4.4%	1.3%	2.4%	331.5%	-178.8%	-139.1%	-2977.8%	-71.8%	96.9%
Non-Operating Revenue	2.2%	0.8%	0.6%	1.3%	1.4%	1.0%	0.9%	-63.8%	-22.0%	122.8%	16.8%	-28.0%	-10.5%
Net Income (Loss)	2.0%	0.2%	1.0%	1.1%	5.8%	2.3%	3.2%	-89.2%	380.8%	12.5%	454.7%	-61.3%	48.7%

CONSOLIDATED CASH FLOW STATEMENT

Line #		12/31/2012	12/31/2013
1	Sources of Cash & Investments:		
2	Net Income	\$ 2,327,490	\$ 3,462,015
3	Depreciation & Amortization	8,056,500	8,413,290
4	Debt Proceeds	-	1,900,000
5	Construction Fund Transfers	-	-
6			
7	Total Sources	10,383,990	13,775,305
8			
9	Uses		
10	Property, Plant, and Equipment - Gross	3,692,533	10,102,507
11	Debt Payments	3,171,777	2,279,069
12	Working Capital Changes & Other - Net	(1,866,427)	(1,622,580)
13			
14	Total Uses	4,997,883	10,758,996
15			
16	Increase / (Decrease) Cash & Investments	5,386,107	3,016,309
17			
18	Beginning of Period (January 1)	28,854,321	34,240,428
19			
20	End of Period	\$ 34,240,428	\$ 37,256,737

Tab 3

Key Indicators

2013 Budget KEY INDICATORS

11/6/2012

	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	Industry Benchmarks
Operational								
Operating Margin	-0.1%	-0.6%	0.4%	-0.2%	4.4%	1.3%	2.4%	2.2%
Excess Margin	2.0%	0.2%	1.0%	1.1%	5.8%	2.3%	3.2%	2.8%
EBIDA	13.9%	12.0%	11.6%	11.3%	14.6%	11.8%	12.5%	10.8%
Financial								
Debt/Capitalization Ratio	51%	51%	51%	49%	46%	43%	42%	39%
Debt Service Coverage	2.8	2.9	2.5	2.5	3.5	2.8	3.1	2.9
Net Days in Accounts Receivable	60	74	69	65	55	53	50	46
Days of Cash	53	41	66	81	116	122	129	131
Unrestricted Cash/Debt	24%	19%	34%	41%	59%	75%	82%	87%
Cushion Ratio	2.6	2.6	4.6	4.5	6.3	7.9	8.6	9.1
Average Age of Plant	6.1	6.0	7.4	8.4	9.2	9.4	10.0	10.2
Financial Strength Index	(0.43)	(1.10)	(0.48)	(0.21)	1.65	0.84	1.21	0.3
PRODUCTIVITY								
Hospital								
Salary per FTE	\$ 55,410	\$ 59,035	\$ 61,001	\$ 61,639	\$ 63,429	\$ 60,940	\$ 63,637	\$ 70,240
Benefits per FTE	15,051	16,381	16,578	17,767	17,536	17,384	17,724	19,545
Salary & Benefits per FTE	\$ 70,461	\$ 75,416	\$ 77,578	\$ 79,407	\$ 80,964	\$ 78,324	\$ 81,360	\$ 89,785
Compensation Ratio	57.5%	55.7%	54.0%	52.0%	48.1%	50.3%	49.6%	50%
FTE per Adjusted Admit	17.7	17.2	15.4	14.7	13.4	14.3	14.7	14.9
FTE per Adjusted Patient Day	4.8	4.6	4.4	4.2	3.8	4.1	4.1	4.4
Supply Expense per CMI Adjusted Discharge	\$ 757	\$ 829	\$ 767	\$ 796	\$ 739	\$ 735	\$ 794	
Drug Expense per CMI Adjusted Discharge	\$ 307	\$ 294	\$ 320	\$ 621	\$ 614	\$ 828	\$ 865	
Gross Revenue per Adj. Admit	\$ 14,947	\$ 15,744	\$ 15,810	\$ 17,053	\$ 17,526	\$ 17,241	\$ 18,466	
Controllable Expense per Adj. Admit	\$ 7,812	\$ 8,075	\$ 7,697	\$ 8,110	\$ 7,610	\$ 8,118	\$ 8,630	
Total Expense per Adj. Admit	\$ 9,122	\$ 9,335	\$ 8,818	\$ 9,165	\$ 8,592	\$ 9,116	\$ 9,692	
Bad Debt Expense % of Net Patient Revenue	2.8%	2.4%	2.3%	2.4%	2.1%	1.8%	1.8%	7.4%
Capital Expense Ratio %	12.9%	11.7%	10.9%	9.8%	9.6%	9.2%	9.1%	6.9%
Contractuals % of Gross Revenues	-45.5%	-48.4%	-49.1%	-50.0%	-51.3%	-50.8%	-50.8%	
Care Center								
Care Center Hours per Resident Day	5.8	5.8	5.9	5.9	6.5	6.7	6.7	5.8
Care Center Revenue per Resident Day	\$ 194.86	\$ 190.24	\$ 207.04	\$ 221.75	\$ 244.46	\$ 348.51	\$ 380.92	
Care Center Expense per Resident Day	\$ 178.49	\$ 179.71	\$ 189.22	\$ 187.43	\$ 212.42	\$ 246.81	\$ 270.29	
Home Medical								
Home Medical Sales per FTE	\$ 133,114	\$ 156,883	\$ 144,380	\$ 157,284	\$ 158,057	\$ 144,593	\$ 159,750	
Hospital FTE's	654	652	634	644	632	647	640	
Care Center FTE's	69	68	69	69	76	85	83	
Home Medical FTE's	57	62	64	65	66	71	76	
Total FTE's	780	782	766	777	773	803	798	

2013 Budget KEY INDICATORS

<u>% CHANGE</u>	2007/2006	2008/2007	2009/2008	2010/2009	2011/2010	2012/2011
PRODUCTIVITY						
Hospital						
Salary per FTE	6.5%	3.3%	1.0%	2.9%	-3.9%	4.4%
Benefits per FTE	8.8%	1.2%	7.2%	-1.3%	-0.9%	2.0%
Salary & Benefits per FTE	7.0%	2.9%	2.4%	2.0%	-3.3%	3.9%
Compensation Ratio	-3.07%	-3.11%	-3.74%	-7.55%	4.60%	-1.31%
FTE per Adjusted Admit	-2.82%	-10.70%	-4.17%	-8.97%	6.39%	3.14%
FTE per Adjusted Patient Day	-4.17%	-4.78%	-5.25%	-8.43%	6.60%	1.97%
Supply Expense per CMI Adjusted Discharge	9.54%	-7.45%	3.71%	-7.11%	-0.54%	7.95%
Drug Expense per CMI Adjusted Discharge	-4.30%	8.91%	94.01%	-1.09%	34.86%	4.44%
Gross Revenue per Adj. Admit	5.3%	0.4%	7.9%	2.8%	-1.6%	7.1%
Controllable Expense per Adj. Admit	3.4%	-4.7%	5.4%	-6.2%	6.7%	6.3%
Total Expense per Adj. Admit	2.3%	-5.5%	3.9%	-6.3%	6.1%	6.3%
Bad Debt Expense % of Total Operating Revenue	-16.6%	-3.5%	5.1%	-13.6%	-11.4%	-2.4%
Fixed Expense % of Total Operating Revenue	-8.6%	-7.2%	-10.0%	-2.4%	-3.9%	-0.7%
Contractuals % of Gross Revenues	6.2%	1.6%	1.6%	2.7%	-1.0%	0.0%
Care Center						
Care Center Hours per Resident Day	0.3%	0.9%	0.2%	10.7%	2.6%	0.3%
Care Center Revenue per Resident Day	-2.4%	8.8%	7.1%	10.2%	42.6%	9.3%
Care Center Expense per Resident Day	0.7%	5.3%	-0.9%	13.3%	16.2%	9.5%
Home Medical						
Home Medical Sales per FTE	17.9%	-8.0%	8.9%	0.5%	-8.5%	10.5%
Statistics & Volumes:						
Hospital FTE's	-0.3%	-2.7%	1.5%	-1.8%	2.4%	-1.1%
Care Center FTE's	-1.4%	1.2%	-0.4%	10.4%	12.4%	-2.7%
Home Medical FTE's	8.8%	2.4%	2.0%	1.4%	8.1%	6.5%
Total FTE's	0.2%	-1.9%	1.4%	-0.4%	3.8%	-0.6%

Tab 4

Capital Budget

2013 Capital Budget

10/30/2012

	2013 Budget	2012 Carry forward \$\$	Reclass Adjust	External Funding	2013 FINAL Budget
Routine OVER \$15K	\$ 1,250,000	\$	\$ 500,000	\$	\$ 1,750,000
Requests UNDER \$15K	\$ 450,000	\$	\$ (450,000)	\$	\$ -
Computer Equipment/Software	\$ 900,000	\$ 400,000			\$ 1,300,000
Minor Projects	\$ 600,000				\$ 600,000
Care Center - Routine Equipment-C	\$ 300,000				\$ 300,000
Care Center - Project C	\$ 2,452,410	(97,493)			\$ 2,354,917
Home Medical - Routine	\$ 400,000				\$ 400,000
Home Medical - Willmar	\$ 803,000				\$ 803,000
Home Medical - Alexandria	\$ 350,000				\$ 350,000
Home Medical - Madison	\$ 150,000				\$ 150,000
Contingency	\$ 844,590		\$ (50,000)		\$ 794,590
Total	\$ 8,500,000	\$ 302,507	\$ -	\$ -	\$ 8,802,507

*	Care Center - Project D	2014	\$ 2,305,458	(94,878)	\$ 2,210,580
**	Care Center - Project E	2015	\$ 905,391	(50,198)	\$ 855,193
***	Home Medical - Redwood Store	2014	\$ 1,300,000		\$ 1,300,000

* Care Center Project D will start in October 2013 and be completed in 2014
 ** Care Center Project E will start in October 2014 and be completed in 2015
 *** Home Medical Store in Redwood will start in 2nd Quarter 2013 and be completed by 2014



WILLMAR MUNICIPAL UTILITIES

2013 WMU BUDGET OVERVIEW

2012 was a year to move from a reactive mode towards a proactive mode. We had retirements of key people that had not been adequately planned for, so the replacements are still getting up to speed with the WMU "way of operating". 2013 will see them getting all the processes and procedures down. We also anticipate that their "fresh set of eyes" will see areas we can improve and make our procedures more efficient.

Financially, through September of 2012, electric revenue has exceeded estimates mainly in the commercial and industrial sectors due to increased demand. Residential electric revenues were slightly below estimates in the same time frame due to reduced demand. Water revenues were slightly higher than forecast mainly due to dry weather. Heating revenues were low due to a very warm 2012 portion of the winter.

Overall financial performance is highly dependent on the cost of power. In 2012, MISO market power pricing was lower than budgeted because of low natural gas pricing and a lower regional demand. Existing power purchase contracts covered almost all the requirements for the year, and any market purchases we did make had a relatively small impact on overall costs. In July, WMU signed a long term contract with CMMPA for over 9 MW of nuclear generated power with a start-delivery of August. This expense was not anticipated during the 2012 budgeting process, so the savings realized from low market pricing early in the year will be spent on the new contract the final months of the year.

Projects started in 2012 that will run into 2013 include the water plant life extension project, carhoe unloading system, and the storm water drainage project.

The 2012 projected budget shows revenues adequate to cover expenses with enough retained earnings to fund capital projects. Looking at the 2013 budget, revenues are projected to cover the approved budget expenses. However, as 2013 progresses and we have a better idea how the new power purchase contract affects the financial performance, we will study whether a rate adjustment may need to be considered in 2014.

The year 2013 will be a year of preparation.

Power Plant Operations and Maintenance

The Power Plant will overhaul turbine #3, the unit that we run 24-7, eleven months of the year which provides power to our grid and steam to our district heating system. The estimated cost to just open up the cover of the turbine, clean, maintain and rebalance the rotor inside and work on the rest of the contents of this turbine is \$250,000. If we discover any major issue once we open it up, the bill to put it back together will be higher, depending on what is found.

Associated with the Power Plant are equipment repair and maintenance projects that allow for the normal operation of it. The coal unloading system, steam valves, safety issues, and normal wear and

tear have caused some maintenance needs to be addressed. These needs are essential for normal operating and are not included in the future upgrade project that was permitted in March of this year.

The capital projects planned for 2013 will mainly be to prepare for future projects that will cost much more.

Prepare for a Cooling Tower Replacement (\$0.5 million)

2013 will be a design and permit investigation year so we could move on the project in 2014.

Prepare for Power Plant Upgrade (total possible cost is \$16 million)

The permit states that if we start the upgrade, which includes a baghouse, biofuel handling, coal dust control and all the other things that will make the plant ready for co-firing biomass, we have to do everything at once.

Preparation for this is mainly financial in 2013.

Prepare for a Transmission Substation (\$2.3 million)

There are issues such as land acquisition, an Xcel interconnection agreement, and other foundational needs to be met prior to actual design and build in 2014 and possibly 2015.

Prepare for Power Purchase Contracts (\$150,000 operating expense)

In 2012, we were able to take advantage of a long term contract for a portion of our needs that is projected to limit our risk to market price fluctuations for many years in the future. In 2013 we will continue to work on acquiring other power purchase contracts with cost and risk mitigation in mind.

Prepare to Rebuild our Mobile Sub Transformer (\$4,000 to \$350,000)

Recent testing revealed damage that needs to be addressed. This means we will send it to a vendor who specializes in this type of work. Once they open up the tank, we will know what will need to be done. Best case is a cleanup, worst case may be a rebuild.

Prepare for Final Undergrounding Projects (\$150,000 2013 and \$154,000 2014)

After over 25+ years of converting our residential distribution system to underground system, we are nearing the last projects. The main feeders will remain overhead to enhance reliability, but the system that serves our residential customers will be mainly underground. The next phase of our undergrounding efforts will be replacing what was installed in the 1970's and 1980's.

Prepare to Integrate the KPC System in the City on the South Side of the Hwy 23 Bypass (\$2.03 million)

Work to integrate the KPC system that serves Abbot Drive and the Mills auto center will include feeder lines that will run under the bypass as well as a new distribution substation inside the Willmar substation.

Prepare for LED Street Lighting (\$10,000)

As LED technology improves and prices come down, the replacement of our existing fleet of High pressure sodium street lights becomes a real possibility. 2013 will be used as a test year to see how some of the newest units perform. The winners may not be known for a while, but we will have data to help make that decision.

Prepare to Upgrade our Meter Reading System (\$50,000)

Our meter reading system is not being supported by the original vendor, and is showing cracks. The latest technology is also known as smart metering, a possible two way communication between the

utility and our customers. These systems are very expensive, so 2013 will be a year of analysis and testing of various systems and their potential for WMU.

Prepare for Water Treatment Plant Upgrades (\$6.9 million across 2014-16)

The water treatment plants were built in the early 1990's and have done their job of removing iron from our water supply very well. Lately, they have shown signs that they may need some work. Adding to that, there are regulations that we need to comply with and a plan has been put into place to upgrade these plants. In 2012, the Commission was shown a plan that first uses a pilot plant that investigates how to comply with the new rules. Once a process is found that will treat our water to satisfy the new rules, a detailed design using as much of our existing plant will be done. In 2015 and 2016 the plan is to remodel the existing plants to the new standards.

Prepare for Retirements

In 2012, as stated above, there was not a replacement hired in time to learn from the retiring person. As we move forward, we plan to be able to put the replacements in place while the existing employee is still here or spend more time and effort documenting the significant institutional knowledge our retiree has before they leave.

Prepare for Future

In 2010, WMU engaged an architect firm to study our space, how we use it and what could be done to improve our operations. The results of that study clearly show that WMU has outdated buildings with a host of issues, and that our organization is segmented with separated buildings that cause much inefficiency in the operation. As we move into the future, the Commission approved plan should be followed and new facilities should be considered.

NO.	DESCRIPTION	PRIORITY (1-3)	TOTAL COST	2013	2014	2015	2016	2017	FUNDED PROJECTS 2013	OTHER FUNDING/ CARRYOVER
<u>POWER PRODUCTION DEPT</u>										
1	COAL AREA RUNOFF CONTROL	2	225,000	0	225,000	0	0	0	0	0
2	DIESEL GEN-SETS STRUCTURES EAST	2	250,000	250,000	0	0	0	0	250,000	0
3	DIESEL GEN-SETS STRUCTURES SW	2	250,000	0	250,000	0	0	0	0	0
4	COOLING TOWERS REPLACEMENT	2	500,000	25,000	475,000	0	0	0	25,000	0
5	#4 BOILER ACCESS	1	33,000	33,000	0	0	0	0	33,000	0
6	#3 BOILER ID FAN VFD	1	30,000	30,000	0	0	0	0	30,000	0
7	#2 BOILER CATWALK	1	30,000	30,000	0	0	0	0	30,000	0
8	COAL UNLOADING STRUCTURE	2	322,900	322,900	0	0	0	0	322,900	0
9	PUFFER CONTROL	2	23,100	23,100	0	0	0	0	23,100	0
10	TOOLS & EQUIP AS NEEDED (>\$500 EACH)	2	35,000	15,000	5,000	5,000	5,000	5,000	15,000	0
11	EXHAUST CATALYTIC CONVERTERS	3	373,500	373,500	0	0	0	0	0	0
12	PRIAM SUBSTATION	1	2,300,000	100,000	1,100,000	1,100,000	0	0	100,000	0
13	MOBILE SUBSTATION TRANSFORMER	2	350,000	350,000	0	0	0	0	350,000	0
TOTAL POWER PRODUCTION DEPT			4,722,500	1,552,500	2,055,000	1,105,000	5,000	5,000	1,179,000	0

PRIORITY #1: PROJECT OR PURCHASE MUST BE DONE IN THE YEAR BUDGETED

PRIORITY #2: PROJECT OR PURCHASE SHOULD BE DONE IN THE YEAR BUDGETED, IF FUNDING IS AVAILABLE.

PRIORITY #3: PROJECT OR PURCHASE COULD BE DONE IN THE YEAR BUDGETED, IF FUNDING IS AVAILABLE.

NO.	DESCRIPTION	PRIORITY (1-3)	TOTAL COST	2013	2014	2015	2016	2017	FUNDED PROJECTS 2013	OTHER FUNDING/ CARRYOVER
<u>ELECTRIC DISTRIBUTION DEPT</u>										
1	HOOKUPS	1	23,400	4,000	4,200	4,800	4,900	5,500	4,000	
2	NEW STREET LIGHTS	2	9,700	1,700	1,700	2,000	2,000	2,300	1,700	
3	NEW SECURITY LIGHTS	1	2,000	400	400	400	400	400	400	
4	RESIDENTIAL ADDITIONS	1	237,000	36,000	39,000	45,000	54,000	63,000	36,000	
5	COMMERCIAL CUSTOMERS	1	629,000	122,000	124,000	124,000	128,000	131,000	122,000	
6	U/G CONVERSION PROJECTS	2	421,000	150,000	154,000	39,000	39,000	39,000	150,000	
7	REPLACE EXISTING U/G PRIMARIES	1	671,000	75,000	79,000	165,000	172,000	180,000	75,000	
8	COMMERCIAL CUST U/G IMPROVEMENT	2	70,500	13,500	14,000	14,000	14,500	14,500	13,500	
9	U/G FEEDER CABLE REPLACEMENT	1	396,000	95,000	95,000	103,000	103,000	0	95,000	
10	U/G FEEDER LINE CO RD 5 FR HWY 12 TO HWY 40	2	167,000	0	167,000	0	0	0	0	
11	CITY INDUSTRIAL PARK DISTRIBUTION SYSTEM	1	116,500	0	42,500	44,000	30,000	0	0	
12	EXTEND FDR 43 TO EAST OF AIRPORT	3	157,000	0	94,500	62,500	0	0	0	
13	BURY 3 PH IN BACK OF NEW BURGER KING	1	36,200	36,200	0	0	0	0	36,200	
14	SM U/G RESIDENTIAL PROJECT AREAS	3	41,500	14,900	14,000	12,600	0	0	0	
15	VEHICLE REPLACEMENT	2	483,000	73,000	160,000	0	250,000	0	73,000	
16	LINE DEPT & DRAFTING/ENGR TOOLS	1	18,500	18,500	0	0	0	0	18,500	
17	U/G DIST LINES SO OF HWY 23 & E HWY 71	1	2,030,000	0	2,000,000	30,000	0	0	0	
18	L.E.D. STREET LIGHT TESTING	2	10,000	10,000	0	0	0	0	10,000	
TOTAL ELECTRIC DISTRIBUTION			5,519,300	650,200	2,989,300	646,300	797,800	435,700	635,300	0

NO.	DESCRIPTION	PRIORITY (1 - 3)	TOTAL COST	2013	2014	2015	2016	2017	FUNDED PROJECTS 2013	OTHER FUNDING/ CARRYOVER	
<u>WATER & HEATING DEPT</u>											
1	WATER METERS	1	175,100	31,800	33,200	35,000	36,600	38,500	31,800		
2	WATER VEHICLES	2	60,000	0	0	30,000	30,000	0	0		
3	WATER DEPT TOOLS / EQUIPMENT	2	17,500	3,500	3,500	3,500	3,500	3,500	3,500		
4	TRANSMISSION MAINS & VALVES	1	459,100	58,300	100,800	100,000	100,000	100,000	58,300		
5	HEATING METERS	1	65,000	15,000	15,000	10,000	10,000	10,000	15,000		
6	HEATING DEPT TOOLS / EQUIPMENT	2	17,500	3,500	3,500	3,500	3,500	3,500	3,500		
7	WELL LIFE EXTENSION	2	99,300	18,300	22,500	19,000	19,500	20,000	18,300		
8	BOOSTER STATION LIFE EXTENSION	2	55,400	55,400	0	0	0	0	55,400		
9	WILLMAR WATERTOWER LIFE EXTENSION	2	500,000	0	0	0	0	500,000	0		
10	WATER PLANTS LIFE EXTENSION	2	6,979,600	198,200	471,400	3,155,000	3,155,000	0	198,200		
11	COLLEGE WATERTOWER LIFE EXTENSION	2	393,400	393,400	0	0	0	0	393,400		
TOTAL WATER & HEATING DEPT				8,821,900	777,400	649,900	3,361,000	3,358,100	675,500	777,400	0

NO.	DESCRIPTION	PRIORITY (1-3)	TOTAL COST	2013	2014	2015	2016	2017	FUNDED OTHER		
									PROJECTS 2013	FUNDING/ CARRYOVER	
<u>GENERAL ADMINISTRATIVE & METER</u>											
1	COMPUTER HARDWARE/SOFTWARE	2	700,000	100,000	250,000	250,000	50,000	50,000	100,000		
2	OFFICE FURNITURE & EQUIPMENT	2	50,000	10,000	10,000	10,000	10,000	10,000	10,000		
3	NEW TRAILER 7' X 16'	2	4,000	4,000	0	0	0	0	4,000		
4	LOAD MANAGEMENT PROGRAMS	2	250,000	50,000	50,000	50,000	50,000	50,000	50,000		
5	REPLACE JD145 MOWER & SNOW BLOWER	2	25,000	25,000	0	0	0	0	25,000		
6	REROOF SERVICE CENTER	1	80,000	0	40,000	40,000	0	0	0	0	
7	PROPERTY ACQUISITION	2	300,000	100,000	100,000	100,000	0	0	100,000		
8	INFRARED CAMERA	1	12,000	12,000	0	0	0	0	12,000		
9	REPLACE MULTI-GAS MONITORS	2	3,900	3,900	0	0	0	0	3,900		
10	AUTOMATED METER READING	2	500,000	50,000	150,000	150,000	150,000	0	50,000		
TOTAL GENERAL ADMINISTRATIVE & METER				1,924,900	354,900	600,000	260,000	110,000	354,900	0	
<u>GRAND TOTAL</u>											
				12,166,700	2,557,600	5,644,300	2,351,300	1,062,800	550,700	2,169,200	0

12/11/01 BUDOS

WILLMAR MUNICIPAL UTILITIES BUDGET ANALYSIS
STATEMENT OF ACTUAL & ESTIMATED OPERATIONS
ELECTRIC DIVISION

	ACTUAL AMOUNTS		
	YEAR 2010	YEAR 2011	YEAR 2012
OPERATING REVENUES			
RESIDENTIAL OPERATING REVENUES	6,729,692	7,529,100	7,924,000
COMMERCIAL/INDUSTRIAL REVENUES	16,760,821	18,772,800	19,272,500
MISCELLANEOUS REVENUE	250,544	198,300	252,300
TOTAL OPERATING REVENUES	23,741,057	26,519,700	27,948,900
OPERATING EXPENSES			
PRODUCTION OPERATION	3,112,445	3,329,000	3,404,700
PRODUCTION MAINTENANCE	651,543	696,700	1,158,700
PURCHASED POWER	12,494,704	13,600,000	14,707,300
TRANSMISSION OPERATION	185,550	226,300	148,000
TRANSMISSION MAINTENANCE	161,867	90,500	91,500
DISTRIBUTION OPERATION	587,708	575,700	575,700
DISTRIBUTION MAINTENANCE	289,198	347,700	429,800
CUSTOMER SERVICE	489,271	556,800	542,000
GENERAL & ADMINISTRATIVE	2,677,868	2,737,500	2,715,500
DEPRECIATION	1,671,500	1,660,900	1,711,000
TOTAL OPERATING EXPENSES	22,387,622	25,536,200	27,921,700
OPERATING INCOME	2,045,529	2,981,500	3,027,200
OTHER INCOME	646,265	237,000	168,200
OTHER DEDUCTIONS	365,426	550,900	321,400
NET EARNINGS	2,326,368	2,667,600	2,874,000
INTERGOVERNMENTAL TRANSFER	1,658,070	1,770,700	1,799,800
RETAINED EARNINGS	543,928	1,076,900	458,400
TOTAL	2%	2%	2%

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12/11/01 BUDOS

WILLMAR MUNICIPAL UTILITIES BUDGET ANALYSIS
STATEMENT OF ACTUAL & ESTIMATED OPERATIONS
WATER DIVISION

ACTUAL AMOUNTS		ESTIMATED AMOUNTS	
YEAR 2010	YEAR 2011	YEAR 2012	YEAR 2014
OPERATING REVENUES			
925,261	978,212	1,124,000	1,100,000
794,029	827,228	932,000	940,000
84,236	77,505	77,600	83,200
1,801,526	1,878,050	2,133,600	2,153,200
OPERATING EXPENSES			
254,208	264,978	287,500	274,500
94,238	92,409	118,500	114,500
112,622	120,707	125,000	137,000
132,071	139,827	125,700	145,500
27,135	102,006	131,100	142,700
153,102	178,731	177,300	194,200
470,842	499,240	532,700	549,200
374,644	374,385	375,300	248,400
1,700,084	1,771,623	1,900,100	1,814,000
101,442	121,427	220,500	307,200
16,145	56,908	22,200	16,200
32,982	23,879	22,500	12,900
78,619	148,454	230,100	212,900
128,962	122,419	127,700	143,600
50,243	16,027	92,400	153,900
(2%)	0%	4%	7%

12/11/01 BUDOS

WILLMAR MUNICIPAL UTILITIES BUDGET ANALYSIS
STATEMENT OF ACTUAL & ESTIMATED OPERATIONS
HEATING DIVISION

	ACTUAL AMOUNTS YEAR 2010	YEAR 2011	OPERATING REVENUES	YEAR 2012	ESTIMATED AMOUNTS YEAR 2013	YEAR 2014
	117,160	121,225	RESIDENTIAL OPERATING REVENUES	120,000	112,000	112,000
	796,310	809,883	COMMERCIAL/INDUSTRIAL REVENUES	813,200	806,500	800,000
	28,914	15,165	ENERGY ACQUISITION/FUEL ADJ	55,000		
	3,979	3,966	MISCELLANEOUS REVENUE	4,000	4,000	4,000
	940,363	950,239	TOTAL OPERATING REVENUES	992,300	926,500	916,000
	13,440	3,149	OPERATING EXPENSES			
	367,033	377,877	PRODUCTION MAINTENANCE	16,000	16,000	16,000
	46,978	74,032	PURCHASED POWER	470,000	399,500	399,500
	46,032	38,922	DISTRIBUTION OPERATION	79,900	67,200	68,400
	8,155	8,938	DISTRIBUTION MAINTENANCE	46,100	49,600	52,600
	125,558	133,130	CUSTOMER SERVICE	8,900	9,700	9,700
	244,116	237,742	GENERAL & ADMINISTRATIVE	142,000	146,500	147,500
			DEPRECIATION	289,500	194,100	182,400
	371,367	382,726	TOTAL OPERATING EXPENSES	942,400	882,300	875,600
	48,996	117,413	OPERATING INCOME	49,900	44,200	40,400
	4,432	39,015	OTHER INCOME	18,000	12,300	12,300
	35,287	56,731	INTERGOVERNMENTAL TRANSFER	39,000	38,700	31,500
	30,160	99,707	RETAINED EARNINGS	8,900	2,200	8,500
	2%	10%		0%	0%	0%

MILLIKAR MUNICIPAL UTILITIES BUDGET ANALYSIS
STATEMENT OF ACTUAL & ESTIMATED OPERATIONS
COMBINED DIVISION

	ACTUAL AMOUNTS		ESTIMATED AMOUNTS	
	YEAR 2010	YEAR 2011	YEAR 2010	YEAR 2011
OPERATING REVENUES				
RESIDENTIAL OPERATING REVENUES	18,917,563	18,917,563	20,517,600	21,122,200
COMMERCIAL/INDUSTRIAL REVENUES	22,914	15,165	55,000	
ENERGY ACQUISITION/FUEL ADJ	316,939	399,210	279,700	339,750
MISCELLANEOUS REVENUE	26,443,026	27,289,440	29,645,600	30,968,100
TOTAL OPERATING REVENUES				
OPERATING EXPENSES				
PRODUCTION OPERATION	3,144,136	3,378,423	3,616,500	3,555,600
PRODUCTION MAINTENANCE	695,763	747,101	821,500	1,072,500
PURCHASED POWER	12,543,427	12,949,628	13,785,000	14,825,700
TRANSMISSION OPERATION	141,071	155,550	226,500	138,200
TRANSMISSION MAINTENANCE	84,558	161,957	90,500	92,500
DISTRIBUTION OPERATION	747,008	794,573	789,500	782,400
DISTRIBUTION MAINTENANCE	460,218	480,096	544,900	605,900
CUSTOMER SERVICE	640,325	678,940	742,500	760,000
GENERAL & ADMINISTRATIVE	2,138,935	3,328,886	3,551,600	3,609,500
DEPRECIATION	2,315,474	2,265,627	2,275,600	2,195,400
TOTAL OPERATING EXPENSES				
OPERATING INCOME	2,949,123	2,304,399	2,719,000	2,576,800
OTHER DEDUCTIONS				
OTHER INCOME	277,005	742,288	277,200	192,400
OTHER DEDUCTIONS	418,715	395,315	378,500	268,600
NET EARNINGS				
INTERGOVERNMENTAL TRANSFER	2,407,413	2,651,372	3,145,600	2,542,800
RETAINED EARNINGS	1,542,500	1,891,700	1,957,400	1,955,400
	565,113	759,672	1,178,200	587,400
TOTAL				
	2%	2%	3%	1%
				2%