

Storm Sewer Utility Fund

The City's Storm Sewer Utility Enterprise Fund accounts for the operations of the City's storm drainage system. The fund was created in 2006 as staff began separately accounting for storm drainage activity. Prior to that, storm sewer operations were accounted for in the Sanitary Sewer budget. A stormwater utility fee was approved by Council in 2007, and implemented in January 2008. As an enterprise fund, the utility is designed to recover the cost of maintaining the City's storm drainage system, which includes over 100 miles of storm sewer pipes, and almost 80 miles of ditches as well as numerous catch basins, outfalls, manholes, weirs, culverts, and ponds. The system serves roughly 17,000 parcels throughout Blaine. The storm sewer operation functions as a division of the City's Public Services Department under the direction of the Stormwater Manager, and has an authorized staffing level of five fulltime equivalent (FTE) positions, including one Stormwater Manager and four Public Service Workers.

Revenues

Total revenues are expected to increase slightly in the 2012 fiscal year. Charges for service revenues are expected to increase nearly \$10,000 from 2011 projected levels. This figure is consistent with the amount of fees collected since 2009, supported by the amount of fees collected through October 31. Revenue from the payment of penalties is expected to generate \$15,000. Interest earnings are expected to remain at \$20,000.

Expenditures

Expenses in 2011 are projected to increase nearly \$450,000 over 2011 projections. Significant contractual expenses are included to allow for the proper maintenance of the system. Such expenses include on an annual basis: \$34,000 to continue the pond inspection program, \$100,000 for pond maintenance, and \$160,000 to implement an annual ditch survey and maintenance program. Also included is \$70,000 to continue replacing deteriorated catch basins throughout the system.

Capital Improvement Program

Staff is in the early stages of developing a long-term capital improvement program for the storm drainage operation. Currently included in the program is \$211,000 to replace a street sweeper in 2012, \$265,000 to correct drainage issues in the Erskin St/Belmont Acres neighborhood in 2013, and \$250,000 for a system-wide assessment in 2014. Accompanying this write-up is a net present value (NVP) analysis comparing the total cost of purchasing and operating a new street sweeper against the cost of contracting for the same service over the sweeper's seven-year useful life expectancy. While the analysis supports the purchase of the sweeper rather than contracting to do the work, funding is limited and could preclude purchasing the sweeper in 2012 if Council concludes other spending is of higher priority. Other projects that have been identified but do not as yet have cost estimates include Craig's Addition drainage improvements, and the implementation of the Golden Lake, Lake Pepin and Upper Mississippi bacteria TMDL's (total maximum daily load limits).

If all budget requests included in the 2012-16 projection were implemented, operating capital (reserve) in the Stormwater Fund would decline such that a fund deficit would occur by 2013. This can be remedied through a fee increase, a reduction in spending through reprioritization of capital equipment and projects or a combination of both.

Long-term Outlook

As the Storm Drainage operation evolves as a stand-alone enterprise fund, the true cost of providing the service is becoming clear. Proper system maintenance, administrative overhead,

depreciation and capital project expenses will continue to put pressure on the rate structure presently in place. Staff will continue to monitor the situation and is continuing to fine-tune the five-year budget model. A recommendation to increase service rates as early as the 2013 budget year is likely.

NPV CALCULATION -Street Sweeper: Purchase vs Contract

Inflation rate = 2%

	Period						
	1	2	3	4	5	6	7
Option 1 - Purchase							
Purchase	\$ 211,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Parts/Supplies	22,500.00	22,950.00	23,410.00	23,880.00	24,360.00	24,850.00	25,350.00
Fuel	8,700.00	8,870.00	9,050.00	9,230.00	9,410.00	9,600.00	9,790.00
Maintenance	8,000.00	8,160.00	8,320.00	8,490.00	8,660.00	8,830.00	9,010.00
Operator	46,365.00	47,290.00	48,240.00	49,200.00	50,180.00	51,180.00	52,200.00
	\$ 296,565.00	\$ 87,270.00	\$ 89,020.00	\$ 90,800.00	\$ 92,610.00	\$ 94,460.00	\$ 96,350.00
NPV							\$769,664.39

Option 2 - Contract

Payments	\$ 160,000.00	163,200.00	166,460.00	169,790.00	173,190.00	176,650.00	180,180.00
Other	-	-	-	-	-	-	-
	\$ 160,000.00	\$ 163,200.00	\$ 166,460.00	\$ 169,790.00	\$ 173,190.00	\$ 176,650.00	\$ 180,180.00
NPV							\$1,056,201.79

Sources - Blaine PW Department

Private Contract - 1,280 hours annually @ \$125/hr in 2012, annually adjusted for inflation thereafter

Assumes retention of current staff

Discount Rate = 3%

Annual Inflation rate = 2%

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Operator	46,365.00	47,290.00	48,240.00	49,200.00	50,180.00	51,180.00	52,200.00
	\$ 296,565.00	\$ 87,270.00	\$ 89,020.00	\$ 90,800.00	\$ 92,610.00	\$ 94,460.00	\$ 96,350.00
NPV							\$769,664.39

Option 2 - Contract

Payments	\$ 160,000.00	163,200.00	166,460.00	169,790.00	173,190.00	176,650.00	180,180.00
Wages	(28,978.00)	(29,560.00)	(30,150.00)	(30,750.00)	(31,370.00)	(32,000.00)	(32,640.00)
	\$ 131,022.00	\$ 133,640.00	\$ 136,310.00	\$ 139,040.00	\$ 141,820.00	\$ 144,650.00	\$ 147,540.00
NPV							\$864,893.34

Sources - Blaine PW Department

Private Contract - 1,280 hours annually @ \$125/hr in 2012, annually adjusted for inflation thereafter

Assumes Sweeper operators are not retained

Discount Rate = 3%

Annual Inflation rate = 2%

CITY OF BLAINE, MINNESOTA

2012 FUND SUMMARY

STORM DRAINAGE UTILITY FUND - 604

	2010 Actual	2011 Projected	2012 Preliminary	2013 Estimate	2014 Estimate	2015 Estimate	2016 Estimate
BEGINNING FUND RESERVE	\$ 650,623	\$ 826,500	\$ 942,760	\$ 616,960	\$ 219,220	\$ (266,240)	\$ (504,830)
REVENUES							
Operating Revenues	\$ 865,554	\$ 875,600	\$ 885,000	\$ 893,500	\$ 910,700	\$ 928,200	\$ 946,100
TOTAL REVENUES	\$ 865,554	\$ 875,600	\$ 885,000	\$ 893,500	\$ 910,700	\$ 928,200	\$ 946,100
EXPENDITURES							
Operating							
Personal Services	\$ 383,914	\$ 381,300	\$ 409,700	\$ 420,920	\$ 432,180	\$ 443,710	\$ 455,560
Supplies	109,520	153,650	118,100	121,920	125,980	130,380	134,720
Contractual Services	73,240	36,030	295,400	302,950	403,000	403,050	403,100
Other	16,052	175,740	176,600	180,450	185,000	189,650	196,300
Depreciation	310,223	325,000	325,000	347,800	372,100	398,100	426,000
Debt Service	-	-	-	-	-	-	-
	\$ 892,949	\$ 1,071,720	\$ 1,324,800	\$ 1,374,040	\$ 1,518,260	\$ 1,564,890	\$ 1,615,680
Capital & Infrastructure							
Capital Projects	106,951	12,620	211,000	265,000	250,000	-	-
TOTAL EXPENDITURES	\$ 999,900	\$ 1,084,340	\$ 1,535,800	\$ 1,639,040	\$ 1,768,260	\$ 1,564,890	\$ 1,615,680
Net Addition Fund Balance	\$ (134,346)	\$ (208,740)	\$ (650,800)	\$ (745,540)	\$ (857,560)	\$ (636,690)	\$ (669,580)
FUND BALANCE RESERVE							
Beginning	650,623	826,500	942,760	616,960	219,220	(266,240)	(504,830)
Add Net Income	(134,346)	(208,740)	(650,800)	(745,540)	(857,560)	(636,690)	(669,580)
Add Depreciation	310,223	325,000	325,000	347,800	372,100	398,100	426,000
Y/E Fund Balance Reserve	826,500	942,760	616,960	219,220	(266,240)	(504,830)	(748,410)
Required Reserve:							
Cash Flow	\$ 194,000	\$ 187,000	\$ 333,000	\$ 342,000	\$ 382,000	\$ 389,000	\$ 397,000
Capital Reserve	310,000	325,000	325,000	348,000	372,000	398,000	426,000
Debt Service	-	-	-	-	-	-	-
	\$ 504,000	\$ 512,000	\$ 658,000	\$ 690,000	\$ 754,000	\$ 787,000	\$ 823,000