

Sanitary Sewer Utility Fund

The City's Sewer Utility Enterprise Fund accounts for the operations of the City's sanitary sewer system. As an enterprise fund, the Sewer Utility is designed to recover the cost of collecting, treating and disposing of the wastewater of its customers through user fees. The system serves about 19,400 accounts, 95% of which are residential. Those properties that maintain a private septic system and those not in the Metropolitan Urban Service Area (MUSA) are not required to subscribe to the City's sewer service. Overall, Blaine provides sanitary sewer service to over 96% of the citizens of Blaine. The City's sewer operation functions as a division of the City's Public Services Department under the direction of the Public Works Director, with 3.75 FTE staff allocated to the division. No additional staffing requests are included in the 2017 Proposed Budget.

Revenues

As with the Water Utility Fund, the Sewer Utility Fund receives the bulk of its funding through fees charged to customers. The utility's fee schedule is designed to provide sufficient revenue to recover all operating costs, as well as to provide for the replacement of major capital components of the system. Based upon current projections of the fund operating at a deficit, staff is recommending a \$3 per quarter rate increase in each of the next five years in order to meet its financial goals over the coming five-year period. Keep in mind, however, that approval of this budget authorizes only the rate increase - from \$48.00 to \$51.00 - for FY 2017.

Expenses

The largest single expense in the Sewer Fund is the monthly charge from Metropolitan Council Environmental Services (MCES). MCES collects, treats, and disposes of wastewater generated from Blaine properties. Overall this cost accounts for 74% of the fund's operating costs excluding depreciation. Based on information from MCES, charges for collection, treatment and disposal of wastewater will increase by nearly \$283,000 (7.7%) in 2017. Personnel costs include a 3% general wage increase, but the overall increase is 6.2% due to step increases earned, and higher cafeteria and worker's comp expenses. Supplies and all other operating expenses (excluding depreciation) are reduced by \$13,000.

Capital Improvements

Sewer Utility capital improvements are primarily funded through current fees, of which there is a component to provide for the replacement of capital assets once they are placed into service, and assessments to property owners for improvements to the system that enhance the value of the property benefiting from the improvement. The proposed 2017 Sewer Utility capital budget contains \$3.25 million in improvements, including \$2 million for sewer-main slip-lining; \$255,000 in lift station improvements; and \$896,000 for trunk extensions in districts 6 and 7.

5-Year Projections

In addition to the 2017 budget, 5-year projections for the Sewer Utility operations and capital improvement plan have been prepared. Both 5-year plans are monitored closely and updated annually to ensure that the fund maintains its financial stability and that rates and fees are properly adjusted. Since depreciation is included in operating costs, the replacement of existing capital assets is funded with current operating revenues. If sewer rates are not increased, operating losses are projected to exceed \$639,000 in 2017, and are expected to increase toward \$1.4 million by 2021. By recommending a \$3.00 per quarter increase in each of the next five years, it is staff's goal to increase fund reserves to targeted levels by the end of 2021.

CITY OF BLAINE, MINNESOTA

2017 FUND SUMMARY SEWER UTILITY FUND - 602

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Proposed Budget
BEGINNING FUND RESERVE	\$ 7,538,765	\$ 6,822,156	\$ 6,551,565	\$ 6,551,565	\$ 7,122,780
REVENUES					
Operating Revenues	\$ 4,911,654	\$ 4,943,994	\$ 5,020,000	\$ 5,430,150	\$ 5,770,400
Capital Financing					
Sewer Connection Charges	22,235	26,139	15,000	41,700	20,000
TOTAL REVENUES	\$ 4,933,889	\$ 4,970,133	\$ 5,035,000	\$ 5,471,850	\$ 5,790,400
EXPENDITURES					
Operating					
Personal Services	\$ 277,753	\$ 325,847	\$ 342,330	\$ 342,330	\$ 363,570
Supplies	32,065	9,698	30,200	30,200	25,200
Contractual Services	221,883	210,236	366,850	366,850	366,850
MCES Disposal Charges	3,171,480	3,120,398	3,383,250	3,383,250	3,666,300
Other	593,357	589,667	545,700	545,700	537,650
Depreciation	980,090	1,101,179	1,000,000	1,120,000	1,150,000
	\$ 5,276,628	\$ 5,357,025	\$ 5,668,330	\$ 5,788,330	\$ 6,109,570
Capital & Infrastructure					
Capital Projects	1,353,960	984,878	3,237,000	502,896	3,248,500
TOTAL EXPENDITURES	\$ 6,630,588	\$ 6,341,903	\$ 8,905,330	\$ 6,291,226	\$ 9,358,070
Net Addition Fund Balance	\$ (1,696,699)	\$ (1,371,770)	\$ (3,870,330)	\$ (819,376)	\$ (3,567,670)
FUND BALANCE RESERVE					
Beginning	\$ 7,538,765	\$ 6,822,156	\$ 6,822,156	\$ 6,822,156	\$ 7,122,780
Add Net Income	(1,696,699)	(1,371,770)	(3,870,330)	(819,376)	(3,567,670)
Add Depreciation	980,090	1,101,179	1,000,000	1,120,000	1,150,000
Y/E Fund Balance Reserve	6,822,156	6,551,565	3,951,826	7,122,780	4,705,110
Required Reserve:					
Cash Flow	\$ 1,413,000	\$ 1,310,000	\$ 1,976,000	\$ 1,293,000	\$ 2,052,000
Capital Reserve	3,480,000	3,601,000	3,500,000	3,620,000	3,650,000
Debt Service	-	-	-	-	-
	\$ 4,893,000	\$ 4,911,000	\$ 5,476,000	\$ 4,913,000	\$ 5,702,000
Fund Reserve	\$ 1,929,156	\$ 1,640,565	\$ (1,524,174)	\$ 2,209,780	\$ (996,890)

CITY OF BLAINE, MINNESOTA

2017 FUND SUMMARY SEWER UTILITY FUND - 602

	2017 Proposed Budget	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
BEGINNING FUND RESERVE	\$ 7,122,780	\$ 4,705,110	\$ 2,620,110	\$ 3,534,120	\$ 4,644,900
REVENUES					
Operating Revenues	\$ 5,770,400	\$ 6,122,600	\$ 6,498,100	\$ 6,927,400	\$ 7,368,800
Capital Financing					
Sewer Connection Charges	20,000	15,000	15,000	15,000	15,000
TOTAL REVENUES	\$ 5,790,400	\$ 6,137,600	\$ 6,513,100	\$ 6,942,400	\$ 7,383,800
EXPENDITURES					
Operating					
Personal Services	\$ 363,570	\$ 364,760	\$ 378,550	\$ 393,360	\$ 408,620
Supplies	25,200	31,300	31,900	32,500	33,100
Contractual Services	366,850	331,690	338,380	345,370	352,660
MCES Disposal Charges	3,666,300	3,820,300	3,980,800	4,179,800	4,388,800
Other	537,650	548,550	559,460	570,590	581,940
Depreciation	1,150,000	1,180,000	1,220,000	1,260,000	1,300,000
	\$ 6,109,570	\$ 6,276,600	\$ 6,509,090	\$ 6,781,620	\$ 7,065,120
Capital & Infrastructure					
Capital Projects	3,248,500	3,126,000	310,000	310,000	310,000
TOTAL EXPENDITURES	\$ 9,358,070	\$ 9,402,600	\$ 6,819,090	\$ 7,091,620	\$ 7,375,120
Net Addition Fund Balance	\$ (3,567,670)	\$ (3,265,000)	\$ (305,990)	\$ (149,220)	\$ 8,680
FUND BALANCE RESERVE					
Beginning	\$ 7,122,780	\$ 4,705,110	\$ 2,620,110	\$ 3,534,120	\$ 4,644,900
Add Net Income	(3,567,670)	(3,265,000)	(305,990)	(149,220)	8,680
Add Depreciation	1,150,000	1,180,000	1,220,000	1,260,000	1,300,000
Y/E Fund Balance Reserve	4,705,110	2,620,110	3,534,120	4,644,900	5,953,580
Required Reserve:					
Cash Flow	\$ 2,052,000	\$ 2,056,000	\$ 1,400,000	\$ 1,458,000	\$ 1,519,000
Capital Reserve	3,650,000	3,680,000	3,720,000	3,760,000	3,800,000
Debt Service	-	-	-	-	-
	\$ 5,702,000	\$ 5,736,000	\$ 5,120,000	\$ 5,218,000	\$ 5,319,000
Fund Reserve	\$ (996,890)	\$ (3,115,890)	\$ (1,585,880)	\$ (573,100)	\$ 634,580