

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 17,000 accounts, 95% of which are residential. Not all properties are required to subscribe to City sanitary sewer. 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 95% 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 2014 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 on current projections, it is likely fund would require a rate increase in the next two years in order to meet its financial goals over the coming five-year period.

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 nearly 70% of the fund's operating costs. Based on information from MCES, charges for collection, treatment and disposal of wastewater will increase by over \$243,800 (8.3%) in 2014. Personnel costs increase by \$14,940 (4%), as some staffing time has been reallocated from the Water Utility Fund. The allocation for contractual services decreases by \$18,770 (5%) for 2014.

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 20143 Sewer Utility capital budget contains \$2.5 million in improvements, including \$2 million for sewer-main slip-lining; \$450,000 for improvements to lift stations 12 and 13; and \$57,000 for equipment replacement.

5-Year Projections

In addition to the 2014 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. With operating losses of \$200,000 projected for 2013, and \$500,000 for 2014, plus increasing MCES costs, the current 5-year operating plan indicates that an increase would be warranted for 2014 and 2015.

CITY OF BLAINE, MINNESOTA

2014 FUND SUMMARY SEWER UTILITY FUND - 602

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Preliminary Budget
BEGINNING FUND RESERVE	\$ 10,036,454	\$ 8,538,022	\$ 7,543,678	\$ 7,543,678	\$ 6,823,651
REVENUES					
Operating Revenues	\$ 4,849,387	\$ 4,795,536	\$ 4,883,000	\$ 4,822,840	\$ 4,853,000
Capital Financing					
Sewer Connection Charges	9,333	3,834	15,000	11,183	15,000
TOTAL REVENUES	\$ 4,858,720	\$ 4,799,370	\$ 4,898,000	\$ 4,834,023	\$ 4,868,000
EXPENDITURES					
Operating					
Personal Services	\$ 284,005	\$ 299,159	\$ 328,770	\$ 296,830	\$ 343,710
Supplies	21,037	20,561	35,700	26,900	35,700
Contractual Services	327,623	355,407	374,420	319,630	355,650
MCES Disposal Charges	2,797,910	2,606,122	2,927,664	2,927,664	3,171,480
Other	492,645	500,174	523,390	523,790	523,800
Depreciation	873,750	942,594	900,000	950,000	975,000
Debt Service	-	-	-	-	-
	\$ 4,796,970	\$ 4,724,017	\$ 5,089,944	\$ 5,044,814	\$ 5,405,340
Capital & Infrastructure					
Capital Projects	2,433,932	2,012,291	2,395,300	2,453,580	2,506,950
TOTAL EXPENDITURES	\$ 7,230,902	\$ 6,736,308	\$ 7,485,244	\$ 7,498,394	\$ 7,912,290
Net Addition Fund Balance	\$ (2,372,182)	\$ (1,936,938)	\$ (2,587,244)	\$ (2,664,371)	\$ (3,044,290)
FUND BALANCE RESERVE					
Beginning	\$ 10,036,454	\$ 8,538,022	\$ 8,538,022	\$ 8,538,022	\$ 6,823,651
Add Net Income	(2,372,182)	(1,936,938)	(2,587,244)	(2,664,371)	(3,044,290)
Add Depreciation	873,750	942,594	900,000	950,000	975,000
Y/E Fund Balance Reserve	8,538,022	7,543,678	6,850,778	6,823,651	4,754,361
Required Reserve:					
Cash Flow	\$ 1,589,000	\$ 1,448,000	\$ 1,646,000	\$ 1,637,000	\$ 1,734,000
Capital Reserve	3,374,000	3,443,000	3,400,000	3,450,000	3,475,000
Debt Service	-	-	-	-	-
	\$ 4,963,000	\$ 4,891,000	\$ 5,046,000	\$ 5,087,000	\$ 5,209,000
Fund Reserve	\$ 3,575,022	\$ 2,652,678	\$ 1,804,778	\$ 1,736,651	\$ (454,639)

CITY OF BLAINE, MINNESOTA

2014 FUND SUMMARY SEWER UTILITY FUND - 602

	2014 Preliminary Budget	2015 Estimate	2016 Estimate	2017 Estimate	2018 Estimate
BEGINNING FUND RESERVE	\$ 6,823,651	\$ 4,754,361	\$ 4,148,571	\$ 1,517,821	\$ 1,599,161
REVENUES					
Operating Revenues	\$ 4,853,000	\$ 4,927,500	\$ 5,021,500	\$ 5,115,500	\$ 5,219,500
Capital Financing					
Sewer Connection Charges	15,000	15,000	15,000	15,000	15,000
TOTAL REVENUES	\$ 4,868,000	\$ 4,942,500	\$ 5,036,500	\$ 5,130,500	\$ 5,234,500
EXPENDITURES					
Operating					
Personal Services	\$ 343,710	\$ 338,870	\$ 353,470	\$ 369,200	\$ 385,490
Supplies	35,700	36,300	36,900	37,500	38,100
Contractual Services	355,650	360,100	366,230	372,660	379,380
MCES Disposal Charges	3,171,480	3,330,100	3,496,600	3,671,400	3,855,000
Other	523,800	534,420	545,050	555,900	566,960
Depreciation	975,000	1,000,000	1,030,000	1,060,000	1,090,000
Debt Service	-	-	-	-	-
	\$ 5,405,340	\$ 5,599,790	\$ 5,828,250	\$ 6,066,660	\$ 6,314,930
Capital & Infrastructure					
Capital Projects	2,506,950	948,500	2,869,000	42,500	2,120,000
TOTAL EXPENDITURES	\$ 7,912,290	\$ 6,548,290	\$ 8,697,250	\$ 6,109,160	\$ 8,434,930
Net Addition Fund Balance	\$ (3,044,290)	\$ (1,605,790)	\$ (3,660,750)	\$ (978,660)	\$ (3,200,430)
FUND BALANCE RESERVE					
Beginning	\$ 6,823,651	\$ 4,754,361	\$ 4,148,571	\$ 1,517,821	\$ 1,599,161
Add Net Income	(3,044,290)	(1,605,790)	(3,660,750)	(978,660)	(3,200,430)
Add Depreciation	975,000	1,000,000	1,030,000	1,060,000	1,090,000
Y/E Fund Balance Reserve	4,754,361	4,148,571	1,517,821	1,599,161	(511,269)
Required Reserve:					
Cash Flow	\$ 1,734,000	\$ 1,387,000	\$ 1,917,000	\$ 1,262,000	\$ 1,836,000
Capital Reserve	3,475,000	3,500,000	3,530,000	3,560,000	3,590,000
Debt Service	-	-	-	-	-
	\$ 5,209,000	\$ 4,887,000	\$ 5,447,000	\$ 4,822,000	\$ 5,426,000
Fund Reserve	\$ (454,639)	\$ (738,429)	\$ (3,929,179)	\$ (3,222,839)	\$ (5,937,269)