

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 18,500 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 2016 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 four 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 \$44.70 to \$48.00 - for FY 2016.

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 72% 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 \$263,000 (8.4%) in 2016. Personnel costs include a 3% general wage increase, but any increase is offset by recent vacancies being filled at a lower wage rate. Contractual services, which would otherwise show a small decrease from 2015 appropriations, include \$50,000 to fund an update to the Sewer comp plan.

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 2016 Sewer Utility capital budget contains \$3.24 million in improvements, including \$2 million for sewer-main slip-lining; \$243,000 in lift station improvements; \$63,000 for the sewer fund share of the SCADA system replacement; and \$900,000 for trunk extensions in districts 6 and 7.

5-Year Projections

In addition to the 2016 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 \$650,000 in 2016, and are expected to increase toward \$1.3 million by 2020. By recommending a \$3.00 per quarter increase in each of the next four years, it is staff's goal to eliminate the operating deficit by the end of FY 2020.

CITY OF BLAINE, MINNESOTA

2016 FUND SUMMARY SEWER UTILITY FUND - 602

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Proposed Budget
BEGINNING FUND RESERVE	\$ 8,126,842	\$ 7,538,858	\$ 6,843,665	\$ 6,843,665	\$ 7,134,260
REVENUES					
Operating Revenues	\$ 4,608,597	\$ 4,911,654	\$ 5,020,000	\$ 4,919,650	\$ 5,320,200
Capital Financing					
Sewer Connection Charges	35,042	22,235	15,000	41,700	20,000
TOTAL REVENUES	\$ 4,643,639	\$ 4,933,889	\$ 5,035,000	\$ 4,961,350	\$ 5,340,200
EXPENDITURES					
Operating					
Personal Services	\$ 289,734	\$ 277,753	\$ 342,960	\$ 329,100	\$ 342,330
Supplies	19,189	32,065	28,200	16,800	30,200
Contractual Services	227,425	221,883	349,100	323,500	366,850
MCES Disposal Charges	2,927,664	3,171,480	3,120,400	3,120,400	3,383,250
Other	598,006	593,357	519,550	519,000	545,700
Depreciation	939,382	980,090	1,000,000	1,000,000	1,000,000
	\$ 5,001,400	\$ 5,276,628	\$ 5,360,210	\$ 5,308,800	\$ 5,668,330
Capital & Infrastructure					
Capital Projects	1,169,605	1,332,544	3,242,000	361,955	3,237,000
TOTAL EXPENDITURES	\$ 6,171,005	\$ 6,609,172	\$ 8,602,210	\$ 5,670,755	\$ 8,905,330
Net Addition Fund Balance	\$ (1,527,366)	\$ (1,675,283)	\$ (3,567,210)	\$ (709,405)	\$ (3,565,130)
FUND BALANCE RESERVE					
Beginning	\$ 8,126,842	\$ 7,538,858	\$ 6,843,665	\$ 6,843,665	\$ 7,134,260
Add Net Income	(1,527,366)	(1,675,283)	(3,567,210)	(709,405)	(3,565,130)
Add Depreciation	939,382	980,090	1,000,000	1,000,000	1,000,000
Y/E Fund Balance Reserve	7,538,858	6,843,665	4,276,455	7,134,260	4,569,130
Required Reserve:					
Cash Flow	\$ 1,308,000	\$ 1,407,000	\$ 1,901,000	\$ 1,168,000	\$ 1,976,000
Capital Reserve	3,439,000	3,480,000	3,500,000	3,500,000	3,500,000
Debt Service	-	-	-	-	-
	\$ 4,747,000	\$ 4,887,000	\$ 5,401,000	\$ 4,668,000	\$ 5,476,000
Fund Reserve	\$ 2,791,858	\$ 1,956,665	\$ (1,124,545)	\$ 2,466,260	\$ (906,870)

CITY OF BLAINE, MINNESOTA

2016 FUND SUMMARY SEWER UTILITY FUND - 602

	2016 Proposed Budget	2017 Estimate	2018 Estimate	2019 Estimate	2020 Estimate
BEGINNING FUND RESERVE	\$ 7,134,260	\$ 4,569,130	\$ 2,567,260	\$ 3,541,880	\$ 4,671,900
REVENUES					
Operating Revenues	\$ 5,320,200	\$ 5,691,300	\$ 6,081,300	\$ 6,479,800	\$ 6,555,500
Capital Financing					
Sewer Connection Charges	20,000	15,000	15,000	15,000	15,000
TOTAL REVENUES	\$ 5,340,200	\$ 5,706,300	\$ 6,096,300	\$ 6,494,800	\$ 6,570,500
EXPENDITURES					
Operating					
Personal Services	\$ 342,330	\$ 346,460	\$ 359,440	\$ 373,400	\$ 387,740
Supplies	30,200	33,800	34,400	35,000	35,600
Contractual Services	366,850	322,350	328,600	335,140	341,970
MCES Disposal Charges	3,383,250	3,525,300	3,673,400	3,857,100	4,050,000
Other	545,700	556,760	567,840	579,140	590,670
Depreciation	1,000,000	1,030,000	1,060,000	1,090,000	1,120,000
	\$ 5,668,330	\$ 5,814,670	\$ 6,023,680	\$ 6,269,780	\$ 6,525,980
Capital & Infrastructure					
Capital Projects	3,237,000	2,923,500	158,000	185,000	185,000
TOTAL EXPENDITURES	\$ 8,905,330	\$ 8,738,170	\$ 6,181,680	\$ 6,454,780	\$ 6,710,980
Net Addition Fund Balance	\$ (3,565,130)	\$ (3,031,870)	\$ (85,380)	\$ 40,020	\$ (140,480)
FUND BALANCE RESERVE					
Beginning	\$ 7,134,260	\$ 4,569,130	\$ 2,567,260	\$ 3,541,880	\$ 4,671,900
Add Net Income	(3,565,130)	(3,031,870)	(85,380)	40,020	(140,480)
Add Depreciation	1,000,000	1,030,000	1,060,000	1,090,000	1,120,000
Y/E Fund Balance Reserve	4,569,130	2,567,260	3,541,880	4,671,900	5,651,420
Required Reserve:					
Cash Flow	\$ 1,976,000	\$ 1,927,000	\$ 1,280,000	\$ 1,341,000	\$ 1,398,000
Capital Reserve	3,500,000	3,530,000	3,560,000	3,590,000	3,620,000
Debt Service	-	-	-	-	-
	\$ 5,476,000	\$ 5,457,000	\$ 4,840,000	\$ 4,931,000	\$ 5,018,000
Fund Reserve	\$ (906,870)	\$ (2,889,740)	\$ (1,298,120)	\$ (259,100)	\$ 633,420