

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 20,280 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 city residents. The city's sewer operation functions as a division of the Public Works 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 2020 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. Staff is again 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 \$57.00 to \$60.00 per quarter - for FY 2020.

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 73% of the fund's operating costs in 2020, excluding depreciation. Based on information from MCES, charges for collection, treatment and disposal of wastewater will increase by \$159,000 (3.9%) in 2020. Total personnel costs increase \$35,850 as a result of: a 3% general wage increase, a \$6,000 increase in seasonal part-time wages, and adjustments to employee benefits. Supplies and all other operating expenses (excluding depreciation) are increased by \$96,000; the majority of this increase is due an increase in administrative fees paid to the General Fund, and increasing maintenance expenses at the city's lift stations.

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 2020 sewer utility capital budget totals \$3.1 million in improvements, including \$1 million for lift station improvements; \$400,000 for sanitary sewer lining; \$250,000 for the acquisition of a new camera van; \$150,000 for trunk oversizing; and \$120,000 to replace two aging 4x4 pickup trucks.

5-Year Projections

In addition to the 2020 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 reach \$389,000 in 2020, and are expected to increase toward \$1.2 million by 2024. 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 2024.

CITY OF BLAINE, MINNESOTA

2020 FUND SUMMARY SEWER UTILITY FUND - 602

	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Proposed Budget	2021 Estimate	2022 Estimate	2023 Estimate	2024 Estimate
BEGINNING FUND RESERVE	\$ 6,028,431	\$ 6,866,616	\$ 7,428,061	\$ 7,428,061	\$ 4,769,501	\$ 3,984,606	\$ 2,840,716	\$ 2,953,986	\$ 3,678,436
REVENUES									
Operating Revenues	\$ 6,169,651	\$ 6,442,867	\$ 6,039,600	\$ 6,491,200	\$ 6,905,700	\$ 7,262,400	\$ 7,658,700	\$ 8,109,200	\$ 8,572,100
Capital Financing									
Sewer Connection Charges	24,407	50,628	25,000	55,000	25,000	15,000	15,000	15,000	15,000
TOTAL REVENUES	\$ 6,194,058	\$ 6,493,495	\$ 6,064,600	\$ 6,546,200	\$ 6,930,700	\$ 7,277,400	\$ 7,673,700	\$ 8,124,200	\$ 8,587,100
EXPENDITURES									
Operating									
Personal Services	\$ 339,195	\$ 418,522	\$ 385,580	\$ 407,950	\$ 421,430	\$ 438,110	\$ 451,130	\$ 464,830	\$ 479,520
Supplies	11,952	15,787	26,100	15,800	26,100	28,900	29,200	29,500	29,800
Contractual Services	253,683	385,729	294,100	320,150	338,100	233,710	234,040	237,370	240,730
MCES Disposal Charges	3,666,287	3,743,434	4,041,950	4,041,950	4,201,110	4,366,600	4,538,600	4,717,400	4,903,300
Other	618,531	673,177	711,975	711,975	763,855	782,970	802,460	830,650	859,840
Depreciation	1,169,250	1,492,229	1,235,000	1,175,000	1,235,000	1,280,000	1,330,000	1,380,000	1,440,000
	\$ 6,058,898	\$ 6,728,878	\$ 6,694,705	\$ 6,672,825	\$ 6,985,595	\$ 7,130,290	\$ 7,385,430	\$ 7,659,750	\$ 7,953,190
Capital & Infrastructure									
Capital Projects	466,225	695,401	3,092,000	3,145,490	1,965,000	2,571,000	1,505,000	1,120,000	1,020,000
TOTAL EXPENDITURES	\$ 6,525,123	\$ 7,424,279	\$ 9,786,705	\$ 9,818,315	\$ 8,950,595	\$ 9,701,290	\$ 8,890,430	\$ 8,779,750	\$ 8,973,190
Net Addition Fund Balance	\$ (331,065)	\$ (930,784)	\$ (3,722,105)	\$ (3,272,115)	\$ (2,019,895)	\$ (2,423,890)	\$ (1,216,730)	\$ (655,550)	\$ (386,090)
FUND BALANCE RESERVE									
Beginning	\$ 6,028,431	\$ 6,866,616	\$ 6,866,616	\$ 6,866,616	\$ 4,769,501	\$ 3,984,606	\$ 2,840,716	\$ 2,953,986	\$ 3,678,436
Add Net Income	(331,065)	(930,784)	(3,722,105)	(3,272,115)	(2,019,895)	(2,423,890)	(1,216,730)	(655,550)	(386,090)
Add Depreciation	1,169,250	1,492,229	1,235,000	1,175,000	1,235,000	1,280,000	1,330,000	1,380,000	1,440,000
Y/E Fund Balance Reserve	6,866,616	7,428,061	4,379,511	4,769,501	3,984,606	2,840,716	2,953,986	3,678,436	4,732,346
Required Reserve:									
Cash Flow	\$ 1,339,000	\$ 1,483,000	\$ 2,138,000	\$ 2,161,000	\$ 1,929,000	\$ 2,105,000	\$ 1,890,000	\$ 1,850,000	\$ 1,883,000
Capital Reserve	3,669,000	3,992,000	3,735,000	3,675,000	3,735,000	3,780,000	3,830,000	3,880,000	3,940,000
	\$ 5,008,000	\$ 5,475,000	\$ 5,873,000	\$ 5,836,000	\$ 5,664,000	\$ 5,885,000	\$ 5,720,000	\$ 5,730,000	\$ 5,823,000
Fund Reserve	\$ 1,858,616	\$ 1,953,061	\$ (1,493,489)	\$ (1,066,499)	\$ (1,679,394)	\$ (3,044,284)	\$ (2,766,014)	\$ (2,051,564)	\$ (1,090,654)