

### **Sanitation Fund**

The Sanitation Fund accounts for the City's refuse and recycling program. January 1, 2009, marked the beginning of a new 7-year contract with Veolia Environmental Services to provide refuse collection and recycling services for all Blaine residents. The new agreement helped to reduce collection costs and has allowed fees to remain unchanged. The Veolia contract is scheduled to run through the end of 2015.

The growth that the City experienced from 2003 through 2007 helped to expand the fund's customer base and maintain a level of revenue to support all recycling activities and provide a sufficient fund reserve. Additionally, tipping fees, the cost to actually dump refuse, were relatively inexpensive at \$38.75 per ton up through 2009. As a result, the Sanitation Fund carried a reserve of \$1.2 million at the end of 2010 – roughly 46% of annual expenditures. This reserve is expected to decline by \$163,000 by the end of 2011. The decline in reserves was expected as customer growth has flattened and tipping fees have increased. Tipping fees will continue to increase dramatically over the next four years. Tipping fees were \$52/ton in 2010; increased to \$54/ton in 2011; and will continue to increase to \$58/ton in 2012; and \$72/ton in 2013. Tipping fees are currently held artificially low as Anoka County provides a subsidy to dump at the Elk River facility. This subsidy is scheduled to end in 2013, thus the large increase in tipping fees for that year. At this point last year, staff informed the Council that the subsidy loss would require fee increases beginning in 2012.

Current projections indicate that, in order to offset the substantial increases to tipping fees, a rate increase of \$1.50 per quarter in 2012, and \$2.00 per quarter each year thereafter through 2015 will be required. These rate increases will help to mitigate the reserve drawdown that is anticipated will occur in 2012 through 2015, bringing a controlled stabilization of reserves to the Sanitation Fund. The attached budget model incorporates these fee adjustments in 2012. Fund reserve will still be maintained at such a level as to provide operating cash flow as well as a reserve for large increases in fees due to fuel costs. The drawdown also allows for a gradual increase in rates rather than a large spike in any single year.

# CITY OF BLAINE, MINNESOTA

## 2012 BUDGET SUMMARY SANITATION FUND

	2010 Actual	2011 Projected	2012 Proposed	2013 Estimate	2014 Estimate	2014 Estimate	2015 Estimate
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	\$ 1,191,515	\$ 1,197,566	\$ 1,123,166	\$ 1,003,766	\$ 716,466	\$ 506,666	\$ 378,466
<b><u>REVENUES AND OTHER SOURCES</u></b>							
Charges for services	\$ 2,515,843	\$ 2,554,850	\$ 2,697,200	\$ 2,877,400	\$ 3,061,400	\$ 3,249,400	\$ 3,441,100
Intergovernmental	98,863	92,400	95,000	95,000	95,000	95,000	95,000
Interest	11,796	16,000	20,000	20,000	20,000	20,000	20,000
<b>Total revenues and other sources</b>	<b>2,626,502</b>	<b>2,663,250</b>	<b>2,812,200</b>	<b>2,992,400</b>	<b>3,176,400</b>	<b>3,364,400</b>	<b>3,556,100</b>
<b><u>EXPENDITURES AND OTHER USES</u></b>							
Contractual services	2,459,417	2,681,000	2,785,800	3,132,300	3,237,200	3,342,000	3,451,100
Administrative Charges	153,000	142,000	142,000	143,600	145,200	146,800	148,400
Other services and charges	8,034	3,600	3,800	3,800	3,800	3,800	3,800
<b>Total expenditures and other uses</b>	<b>2,620,451</b>	<b>2,826,600</b>	<b>2,931,600</b>	<b>3,279,700</b>	<b>3,386,200</b>	<b>3,492,600</b>	<b>3,603,300</b>
<b>Increase (decrease) in fund balance</b>	<b>6,051</b>	<b>(163,350)</b>	<b>(119,400)</b>	<b>(287,300)</b>	<b>(209,800)</b>	<b>(128,200)</b>	<b>(47,200)</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 1,197,566</b>	<b>\$ 1,034,216</b>	<b>\$ 1,003,766</b>	<b>\$ 716,466</b>	<b>\$ 506,666</b>	<b>\$ 378,466</b>	<b>\$ 331,266</b>