

Sanitation Fund

The Sanitation Fund accounts for the City's refuse and recycling program. January 1, 2016 marked the beginning of a new 5½ year contract with Walters Recycling and Refuse, Inc. to provide refuse collection and recycling services for all Blaine residents.

Expenditures

The proposed budget for 2019 and the accompanying five-year model confront certain realities associated with the business of waste collection and disposal. The terms of the new contract with Walters dictate that the basic monthly waste collection charges per household will increase by 34 cents. Because of the closure of the Great River Energy facility, collected waste will be hauled to a landfill for disposal. Tipping fees at the landfill are \$18.45 per ton **less** than at the GRE facility, which will benefit Sanitation fund by an estimated \$340,000. However, changes in the recyclables markets have forced Walters to pay a commodity charge to offload collected recyclable materials. This fee, which is estimated to be \$32 per ton, will be passed through to the City, resulting in an estimated budget increase of \$160,000. These factors in combination should still result in total expenses that are \$180,000 **less** than otherwise anticipated. The attached budget document proposes 2019 budgeted expenses of \$4.12 million, which is equal to 2018 projections.

Revenues

Over 95% of the revenue required to operate the Sanitation fund comes from charges for service. Given the net decrease in expenses as described above, the increase in rates charged to households that was originally planned for 2019 will be delayed until the 2020 budget year. The budget as proposed will result in a \$9,300 decrease in fund balance.

Five-Year Outlook

The attached five-year model resumes the schedule of increasing customer fees in 2020 and continuing through FY 2023. Fee adjustments ranging from \$0.50-\$1.00 per month (depending on container size) are built into the last four years of the model. Recent analysis by Utility Billing staff has revealed that the rates charged for 38 and 68 gallon services are insufficient to cover the cost of the service. In addition, while the fund balance at year's end continues to be healthy, the actual cash/investment balance is nearly zero (negative). In order to cover more of the true cost of waste disposal at all three service levels, as well as restoring the fund's cash position, staff is recommending higher fee adjustments over the five-year model.

CITY OF BLAINE, MINNESOTA

2019 BUDGET - Five-Year Model

SANITATION FUND

	2016 Actual	2017 Actual	2018 Projected	2019 Proposed	2020 Estimated	2021 Estimated	2022 Estimated	2023 Estimated
FUND BALANCE AT BEGINNING OF YEAR	\$ 733,553	\$ 644,289	\$ 638,797	\$ 571,697	\$ 568,797	\$ 558,097	\$ 583,697	\$ 613,697
<u>REVENUES AND OTHER SOURCES</u>								
Charges for services	\$ 3,688,967	\$ 3,801,707	\$ 3,887,600	\$ 3,937,800	\$ 4,112,600	\$ 4,338,500	\$ 4,521,000	\$ 4,706,700
Intergovernmental - SCORE	178,128	202,594	165,000	170,000	170,000	170,000	170,000	170,000
Interest	319	(126)	1,900	3,300	3,300	3,200	3,400	3,600
Total revenues and other sources	3,867,414	4,004,175	4,052,700	4,111,100	4,285,900	4,511,700	4,694,400	4,880,300
<u>EXPENDITURES AND OTHER USES</u>								
Supplies	20,996	1,971	1,500	2,000	2,000	2,000	2,000	2,000
Contractual services	3,770,242	3,848,058	3,952,000	3,947,100	4,127,200	4,313,700	4,489,500	4,670,900
Administrative Charges	138,700	138,800	145,900	139,600	142,100	144,600	147,100	149,700
Other services and charges	26,740	20,838	22,600	25,300	25,300	25,800	25,800	26,350
Total expenditures and other uses	3,956,678	4,009,667	4,122,000	4,114,000	4,296,600	4,486,100	4,664,400	4,848,950
Increase (decrease) in fund balance	(89,264)	(5,492)	(69,300)	(2,900)	(10,700)	25,600	30,000	31,350
FUND BALANCE AT END OF YEAR	\$ 644,289	\$ 638,797	\$ 569,497	\$ 568,797	\$ 558,097	\$ 583,697	\$ 613,697	\$ 645,047
Model Assumptions:								
Households served (est)				21,200	21,500	21,800	22,100	22,400
Quarterly Rate								
32 gal	\$31.50	\$31.50	\$33.00	\$33.00	\$34.50	\$37.50	\$39.00	40.50
64 gal	\$42.00	\$42.00	\$43.50	\$43.50	\$45.00	\$48.00	\$49.50	51.00
96 gal	\$54.00	\$54.00	\$58.50	\$58.50	\$60.00	\$61.50	\$63.00	64.50
Tipping Fee (per ton)	\$75	\$75	\$75	\$59	\$61	\$63	\$64	\$66
Commodity charge (per ton est)				\$32	\$34	\$36	\$38	\$40