

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 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 2019 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 \$54.00 to \$57.00 per quarter - for FY 2019.

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 74% of the fund's operating costs in 2019, excluding depreciation. Based on information from MCES, charges for collection, treatment and disposal of wastewater will increase by \$300,000 (8.0%) in 2019. Personnel costs include a 3% general wage increase, but the overall increase is only 2.4% due to budget adjustments in other parts of the compensation package. Supplies and all other operating expenses (excluding depreciation) are increased by \$87,000; the majority of this increase is due to the new facility charges to be paid to the Building Maintenance internal service fund.

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 2019 Sewer Utility capital budget contains \$3.1 million in improvements, including \$1.9 million for lift station improvements and associated SCADA upgrades; \$400,000 for sanitary sewer lining; \$250,000 for the acquisition of a new jetter; \$150,000 for trunk oversizing; \$165,000 for a crane truck; \$130,000 for a portable generator; and \$165,000 for other capital equipment acquisitions.

5-Year Projections

In addition to the 2019 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 \$400,000 in 2019, and are expected to increase toward \$1.6 million by 2023. 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 2023.

CITY OF BLAINE, MINNESOTA

2019 FUND SUMMARY SEWER UTILITY FUND - 602

	2016 Actual	2017 Actual	2018 Budget	2018 Projected	2019 Proposed Budget
BEGINNING FUND RESERVE	\$ 6,324,634	\$ 5,852,338	\$ 6,655,041	\$ 6,655,041	\$ 7,351,621
REVENUES					
Operating Revenues	\$ 5,357,322	\$ 6,099,878	\$ 6,039,600	\$ 6,176,200	\$ 6,580,300
Capital Financing					
Sewer Connection Charges	25,704	24,407	25,000	55,000	25,000
TOTAL REVENUES	\$ 5,383,026	\$ 6,124,285	\$ 6,064,600	\$ 6,231,200	\$ 6,605,300
EXPENDITURES					
Operating					
Personal Services	\$ 359,477	\$ 339,195	\$ 376,530	\$ 407,950	\$ 385,580
Supplies	27,242	11,952	31,100	15,800	26,100
Contractual Services	455,856	330,483	358,350	416,880	294,100
MCES Disposal Charges	3,383,244	3,666,287	3,743,440	3,743,440	4,041,950
Other	555,848	541,731	556,150	556,150	711,975
Depreciation	1,108,265	1,169,250	1,175,000	1,175,000	1,235,000
	\$ 5,889,932	\$ 6,058,898	\$ 6,240,570	\$ 6,315,220	\$ 6,694,705
Capital & Infrastructure					
Capital Projects	897,562	431,934	4,100,000	394,400	3,092,000
TOTAL EXPENDITURES	\$ 6,787,494	\$ 6,490,832	\$ 10,340,570	\$ 6,709,620	\$ 9,786,705
Net Addition Fund Balance	\$ (1,404,468)	\$ (366,547)	\$ (4,275,970)	\$ (478,420)	\$ (3,181,405)
FUND BALANCE RESERVE					
Beginning	\$ 6,148,541	\$ 5,852,338	\$ 6,655,041	\$ 6,655,041	\$ 7,351,621
Add Net Income	(1,404,468)	(366,547)	(4,275,970)	(478,420)	(3,181,405)
Add Depreciation	1,108,265	1,169,250	1,175,000	1,175,000	1,235,000
Y/E Fund Balance Reserve	5,852,338	6,655,041	3,554,071	7,351,621	5,405,216
Required Reserve:					
Cash Flow	\$ 1,420,000	\$ 1,330,000	\$ 2,291,000	\$ 1,384,000	\$ 2,138,000
Capital Reserve	3,608,000	3,669,000	3,675,000	3,675,000	3,735,000
	\$ 5,028,000	\$ 4,999,000	\$ 5,966,000	\$ 5,059,000	\$ 5,873,000
Fund Reserve	\$ 824,338	\$ 1,656,041	\$ (2,411,929)	\$ 2,292,621	\$ (467,784)

CITY OF BLAINE, MINNESOTA

2019 FUND SUMMARY SEWER UTILITY FUND - 602

	2019 Proposed Budget	2020 Estimate	2021 Estimate	2022 Estimate	2023 Estimate
BEGINNING FUND RESERVE	\$ 7,351,621	\$ 5,405,216	\$ 5,515,016	\$ 4,548,246	\$ 5,289,196
REVENUES					
Operating Revenues	\$ 6,580,300	\$ 6,933,600	\$ 7,326,400	\$ 7,773,400	\$ 8,232,700
Capital Financing					
Sewer Connection Charges	25,000	15,000	15,000	15,000	15,000
TOTAL REVENUES	\$ 6,605,300	\$ 6,948,600	\$ 7,341,400	\$ 7,788,400	\$ 8,247,700
EXPENDITURES					
Operating					
Personal Services	\$ 385,580	\$ 395,240	\$ 406,820	\$ 419,060	\$ 432,170
Supplies	26,100	28,900	29,200	29,500	29,800
Contractual Services	294,100	256,260	256,590	259,920	263,280
MCES Disposal Charges	4,041,950	4,284,500	4,541,600	4,814,100	5,102,900
Other	711,975	713,900	738,960	764,870	791,720
Depreciation	1,235,000	1,280,000	1,330,000	1,380,000	1,440,000
	\$ 6,694,705	\$ 6,958,800	\$ 7,303,170	\$ 7,667,450	\$ 8,059,870
Capital & Infrastructure					
Capital Projects	3,092,000	1,160,000	2,335,000	760,000	460,000
TOTAL EXPENDITURES	\$ 9,786,705	\$ 8,118,800	\$ 9,638,170	\$ 8,427,450	\$ 8,519,870
Net Addition Fund Balance	\$ (3,181,405)	\$ (1,170,200)	\$ (2,296,770)	\$ (639,050)	\$ (272,170)
FUND BALANCE RESERVE					
Beginning	\$ 7,351,621	\$ 5,405,216	\$ 5,515,016	\$ 4,548,246	\$ 5,289,196
Add Net Income	(3,181,405)	(1,170,200)	(2,296,770)	(639,050)	(272,170)
Add Depreciation	1,235,000	1,280,000	1,330,000	1,380,000	1,440,000
Y/E Fund Balance Reserve	5,405,216	5,515,016	4,548,246	5,289,196	6,457,026
Required Reserve:					
Cash Flow	\$ 2,138,000	\$ 1,710,000	\$ 2,077,000	\$ 1,762,000	\$ 1,770,000
Capital Reserve	3,735,000	3,780,000	3,830,000	3,880,000	3,940,000
	\$ 5,873,000	\$ 5,490,000	\$ 5,907,000	\$ 5,642,000	\$ 5,710,000
Fund Reserve	\$ (467,784)	\$ 25,016	\$ (1,358,754)	\$ (352,804)	\$ 747,026