

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 2020 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 35 cents. This increase, combined with the expectation that the customer base will increase by 250 households, result in budgeted expenses to increase by \$122,000 over 2019 projections. 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 expected to increase \$1.70 per ton. As a result, waste disposal expenses are budgeted to increase \$46,000. Finally, the per-ton rate charged to dispose of recyclables is predicted to be \$55, about eight dollars above the average rate paid so far this year, and well above the \$34 per ton rate built into the 2019 budget model. This increase adds \$44,000 to budgeted expenses. The attached budget document proposes 2020 budgeted expenses of just over \$4.5 million, or \$200,000 greater than 2019 projections.

Revenues

Over 96% of the revenue required to operate the Sanitation fund comes from charges for service. Given the increases in expenses as described above, the rates charged to households will need to be increased for the 2020 budget year. Consistent with the five-year model presented to Council last year, staff is recommending a three dollar per quarter increase to the city's sanitation fees. The budget as proposed will still result in a \$32,000 decrease in fund balance.

Five-Year Outlook

The attached five-year model continues the schedule of increasing customer fees in 2021 through FY 2024. Fee adjustments averaging two dollars per quarter are built into the last four years of the model. 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 the true cost of waste and recyclables disposal, as well as restoring the fund's cash position, staff is recommending the schedule of fee adjustments built into the five-year model that follows on the next page.

CITY OF BLAINE, MINNESOTA

2020 BUDGET - Five-Year Model

SANITATION FUND

	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Proposed	2021 Projected	2022 Projected	2023 Projected	2024 Projected
FUND BALANCE AT BEGINNING OF YEAR	\$ 638,660	\$ 630,589	\$ 570,189	\$ 570,189	\$ 544,354	\$ 512,454	\$ 500,254	\$ 501,354	\$ 552,454
<u>REVENUES AND OTHER SOURCES</u>									
Charges for services	\$ 3,801,707	\$ 3,933,326	\$ 3,937,800	\$ 4,020,200	\$ 4,311,000	\$ 4,505,000	\$ 4,709,800	\$ 4,943,900	\$ 5,161,100
Intergovernmental - SCORE	202,594	159,423	170,000	171,000	170,000	170,000	170,000	170,000	170,000
Interest	(126)	(409)	3,300	3,300	500	3,000	2,900	2,900	3,200
Total revenues and other sources	4,004,175	4,092,340	4,111,100	4,194,500	4,481,500	4,678,000	4,882,700	5,116,800	5,334,300
<u>EXPENDITURES AND OTHER USES</u>									
Supplies	1,971	96	2,000	14,100	2,500	2,500	2,500	2,500	2,500
Contractual services	3,848,058	3,974,631	3,947,100	4,082,800	4,299,600	4,488,100	4,676,000	4,870,000	5,073,900
Administrative Charges	138,800	145,900	139,600	139,600	142,100	144,600	147,100	149,700	152,300
Other services and charges	23,417	32,113	48,235	52,580	56,200	42,000	43,000	43,500	43,500
Total expenditures and other uses	4,012,246	4,152,740	4,136,935	4,302,080	4,513,400	4,690,200	4,881,600	5,065,700	5,272,200
Increase (decrease) in fund balance	(8,071)	(60,400)	(25,835)	(107,580)	(31,900)	(12,200)	1,100	51,100	62,100
FUND BALANCE AT END OF YEAR	\$ 630,589	\$ 570,189	\$ 544,354	\$ 462,609	\$ 512,454	\$ 500,254	\$ 501,354	\$ 552,454	\$ 614,554
Model Assumptions:									
Households served (est)			21,200	21,140	21,390	21,640	21,870	22,100	22,330
Quarterly Rate									
32 gal	\$31.50	\$33.00	\$33.00	\$33.00	\$36.00	\$37.80	\$39.75	\$42.03	\$44.10
64 gal	\$42.00	\$43.50	\$43.50	\$45.00	\$48.00	\$49.80	\$51.75	\$54.03	\$56.10
96 gal	\$54.00	\$58.50	\$58.50	\$58.50	\$61.50	\$63.30	\$65.25	\$67.53	\$69.60
Tipping Fee (per ton)	\$75	\$75	\$59.2	\$59.2	\$60.9	\$62.7	\$64.4	\$66.2	\$68.0
Commodity charge (per ton est)			\$32.0	\$45.5	\$55.0	\$56.8	\$58.6	\$60.5	\$62.5