



City of Blaine Anoka County, Minnesota

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WORKSHOP ITEM - Joe Huss, Finance Director

PROPOSED 2020 SANITATION UTILITY FUND BUDGET

As part of the City’s comprehensive budgeting process, staff will be presenting a preliminary budget for the City’s Sanitation Utility Fund.

The presentation will provide Council with the opportunity to review and comment on the proposed budget before it is presented to Council for formal adoption at a subsequent Council meeting.

January 1, 2016 marked the beginning of a new contract with a new refuse hauler, Walter’s. The contract will extend for 5½ years. The change in service provider coincided with a hefty increase in disposal fees imposed on haulers by Great River Energy (GRE), the statutorily required waste handler. However, GRE closed its operations in January 2019, leaving waste haulers no option but to dispose waste in landfills. The change resulted in a benefit to Blaine, as disposal (or, “tipping”) fees that were scheduled to increase to \$75 per ton were actually reduced to \$59.20/ton. For 2020, tipping fees are expected to increase \$1.70/ton (2.9%) to \$60.90. The expectation is for tipping fees to increase by roughly 3% annually throughout the remainder of the five-year outlook.

On the recycling side, a collapse in the recycling market in 2018 created a glut of certain recyclables and all but eliminated any market for recycled plastics and paper. Where once waste haulers were able to market recyclables at a net gain, changes in the recyclable market resulted in a net cost to market the majority of recyclable materials. As allowed in the

agreement, the contract for waste hauling and recycling services was amended such that recycling services are now treated in the same manner as waste disposal services, whereby net payments or proceeds are passed through directly to the City. Under this revised model, the City began paying for materials to be recycled. The annual budget for recycling services is expected to increase about \$150,000 in 2020. It is expected that recycling costs will rise between \$45,000 and \$60,000 annually for the remainder of the five-year outlook. This increase has been incorporated into the five-year model.

Staff is recommending a \$3.00/quarter (\$12/year) increase on the recycling component of the sanitation bill for 2020. This is consistent with the plan presented to Council in 2018. Similar annual increases are incorporated into the five-year outlook and will be reviewed annually for their appropriateness.

Review the 2019 Proposed Sanitation Utility Fund Budget and provide further direction for adopting a final 2020 Budget.