



# City of Blaine Anoka County, Minnesota

Blaine City Hall  
10801 Town Sq Dr NE  
Blaine MN 55449

## Legislation Text

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### **WORKSHOP ITEM - Joe Huss, Finance Director**

#### **PROPOSED 2019 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. Disposal (or, "tipping") fees increased by \$11/ton - from \$64 to \$75 per ton in 2016. and were slated to increase 3% annually through 2022. This increase required an associated increase in the City's utility fee. Taking the increased disposal fees into account, the fund's five-year model projected annual across-the-board utility fee increases in order for the fund to retain its solvency.

However, over the last 60 days, the solid waste disposal and recycling landscape has changed both globally and locally. GRE is set to close its operations by mid-January 2019, if not sooner, leaving waste haulers no option but to dispose waste in landfills. This change will actually benefit Blaine, as the cost to dispose this waste will drop from \$77.25/ton to \$59.18/ton, resulting in considerable savings.

On the other hand, a collapse of the recycling market has 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, recent changes in the recyclable market are now such that there is a net cost to market the majority of recyclable materials. As allowed in the current agreement, Walters is requesting to reopen negotiations for Recycling Services. Walters is proposing an amendment to the contract wherein recycling services would be 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 would begin paying for

materials to be recycled. The annual cost to the City for this service is estimated at \$160,000 for 2019. It is expected that recycling costs could rise about \$10,000 annually. This increase has been incorporated into the five-year model.

As the numbers above indicate, the changes in the market provide an overall net benefit to Blaine's Sanitation operations. Relative to that, in 2017 Council adopted a revised fee structure with a focus on limiting the amount of non-typical household waste that can be collected at no additional cost and increased the quarterly fee for premium service. For 2018 Council approved an across-the-board increase of \$0.50 (fifty cents) per month (\$1.50/quarter) for each level of service. Projections at that time indicated that the plan implemented in 2016 to stabilize the fund with small fee increases would continue in 2018 and extend through 2022 under the current three-tier fee schedule. With changes the above imminent changes to the cost structure factored into the budget model, staff is recommending no increase to rates in 2019, with more modest rate increases planned for 2020 through 2023.

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