



# City of Blaine Anoka County, Minnesota

Blaine City Hall  
10801 Town Sq Dr NE  
Blaine MN 55449

## Legislation Text

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**File #:** RES 21-226, **Version:** 1

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**Administration** - *Joe Huss, Finance Director/Asst. City Manager*

### **Title**

### **Adopt 2022 Sanitary Sewer Fund Budget**

### **Executive Summary**

Pursuant to requirements to adopt annual budgets for all operating funds, Staff is bringing forward the proposed 2022 Sanitary Sewer Fund Budget for Council consideration and adoption.

### **Background**

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 20,775 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 city residents. The city's sewer operation functions as a division of the Public Works Department under the direction of the Public Works Director, with four (4) FTE staff currently allocated to the division.

### **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 has reviewed the need to increase sewer rates pursuant to the plan that has been in place over the last several years.

### **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 over 70% of the fund's operating costs in 2022, excluding depreciation. Based on information from MCES, charges for collection, treatment and disposal of wastewater will increase by \$461,600 (12%) in 2022. Supplies and all other operating expenses (excluding depreciation) are increased by \$21,000.

### **Capital Improvements**

Sewer utility capital improvements are primarily funded through current fees, of which there is a component 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 2022 sewer utility capital budget totals just under \$1.6 million in improvements, including \$875,000 for lift station improvements; \$400,000 for sanitary sewer lining; and \$100,000 to replace a back-up generator at LS4.

### **5-Year Projections**

In addition to the 2022 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. The current 5-year outlook indicates smaller than expected rate increases will still provide a safe operating margin and maintain adequate reserve levels in the sanitary sewer fund through 2026.

**Strategic Plan Relationship**

Adoption of annual budgets contributes to the overall financial stability of the City.

**Board/Commission Review**

N/A

**Financial Impact**

The proposed budget, if adopted, would fully fund sanitary sewer operations and stabilize the fund's reserves through the end of the fund's five-year model.

**Public Outreach/Input**

N/A

**Staff Recommendation**

Approve the 2022 Sanitary Sewer Utility Fund Budget through the adoption of the following resolution.

**Attachment List**

**WHEREAS**, the proposed Sanitary Sewer Utility Enterprise Fund Budget for the fiscal year commencing January 1, 2022 has been prepared by the City Manager; and

**WHEREAS**, the City Council has examined, studied, and reviewed said proposed Sanitary Sewer Utility Enterprise Fund Budget; and

**WHEREAS**, the City Council has, after due consideration and deliberation, made such amendments and adjustments in the proposed Sanitary Sewer Utility Enterprise Fund Budget as they consider necessary, desirable, or expedient.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Blaine as follows:

1. That the proposed Budget for the Sanitary Sewer Utility Enterprise Fund Budget.
2. That the 2022 appropriations attached hereto are approved.
3. That the 2022 funding sources and fee adjustments identified and attached hereto and reflected in the City's fee schedule are approved.

That the City Manager is authorized and directed to implement and to administer, within the budgetary funding limits and within adopted City policy and relevant State and City laws and regulations, said approved Sanitary Sewer Utility Enterprise Fund Budget.

**PASSED** by the City Council of the City of Blaine this 6<sup>th</sup> day of December, 2021.