



City of Blaine Anoka County, Minnesota

Blaine City Hall
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Legislation Text

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Workshop Item *Alison Bong, Deputy Finance Director*

Title

2023 Proposed Refuse Fund Budget

Background

The Sanitation Fund accounts for the city's refuse and recycling program. Walters Recycling and Refuse, Inc. provides refuse, recycling, and organics collection services for all Blaine residents. The current contract term, which was extended in 2019, ends June 30, 2024. The Purchasing Policy requires the city to regularly issue Requests for Proposals (RFP) to ensure a competitive contracting process. An RFP process for waste management services will begin in July 2023 to ensure that a new contract is in place when the current contract expires. Additional information regarding the RFP process follows the budget report.

Walters Recycling and Refuse was initially awarded a 5 ½ year contract beginning January 1, 2015. They submitted the lowest cost proposal of four respondents. In response to substantial changes in global recycling and local solid waste hauling markets, and in an effort to secure favorable pricing for services, the city extended the contract with Walters through June 30, 2024.

Revenues

Over 96% of the revenue required to operate the Refuse Fund comes from per container fees charged to residents for service. The table that follows below details the quarterly rates currently in place alongside recommended rates for 2023.

Service	2022	2023
38 Gallon	\$40.50	\$42.00
68 Gallon	\$51.00	\$52.50
96 Gallon	\$64.50	\$66.00

Activity in this fund in recent years has resulted in actual operating surplus of \$240,000 in 2021 and a projected operating surplus of \$567,000 in 2022. The primary reason for these surpluses occurring is that, rather than paying for the disposal of our recyclables, as was the practice the past couple years, the city now earns credits for the sale of recyclable material. More information on this topic is provided in the Expenditures section below. Despite these recent increases in fund balance, cash reserves fall below targeted level equal to three months of operating expenditures. Staff recommends a rate increase of \$1.50 per quarter for all container sizes in 2023. Gradual increases to container charges are built into this model beginning in 2024 in order to build cash reserves to the necessary level. The budget as proposed would result in a projected \$138,000 increase in cash reserves by year-end 2023.

Expenditures

Expenditures related to the handling of waste and recyclables within the Refuse Fund can be broken down to two parts: the cost for the collection and the cost for disposal of that material. Both are relatively straight forward. The proposed 2023 budget and the accompanying five-year plan include a 39-cent increase in the monthly waste and recycling collection charges per household. These charges are applied to a customer base that is projected to increase by 250 households annually.

Expenditures for the disposal of material can be divided between waste and recyclables. Tipping fees at the landfill are expected to increase \$1.75 per ton for each year of the model, consistent with recent past actual charges. The 'cost' of disposing of recyclables is much more variable and lately has resulted in credits earned by the city on its monthly payments to Walters. In 2019 and 2020, the city was paying between \$30-\$50 per ton each month to process recyclables; to date in 2022 the city is earning credits averaging \$90 per ton every month. The updated model assumes a net cost of zero per ton for recyclables throughout the five years.

Other budgeted expenditures cover the cost of marketing and professional services designed to encourage recycling, operation of the organics recycling program, billing fees, and chargebacks to the General Fund for administrative support.

The attached budget document proposes 2023 budgeted expenditures of \$4.9 million: a \$120,000 (2.5%) increase over the 2022 budget.

Five-Year Outlook

The attached five-year model builds in increases in customer fees in 2024 through 2027 in order to generate and maintain adequate cash reserves. The availability of cash on hand is particularly important to the refuse operation because of the timing differences in expenses paid and revenue received; expenses to Walters are made monthly, while revenues are received on a quarterly basis. Finance staff determined that cash reserves should equal three months of annual expenses, which is roughly \$1 million. Without adequate cash on hand, this fund is forced to borrow from other city funds. The recommended model generates available cash of just over \$700,000 by the end of 2023. By the end of the 5-year model, available cash is projected to reach \$1.15 million, which meets the 3-month goal.

RFP Process

With the current contract expiring in June 2024, a Request for Proposals process will begin soon enough such that adequate time is available to review and evaluate the proposals. Staff confirms that the RFP will be developed to ensure that the level of service that is being provided today is maintained.

Walters is located in Blaine and several employees are also residents. Recent social media interactions show that residents have a favorable impression of the service level being provided. The fees charged to the city on a per customer basis have been predictable, growing at a steady 3 percent rate year over year. Walters initially obtained low tipping fees charged for waste disposal and have secured reasonable and predictable \$1.75 per ton increases year over year.

Staff is considering adding a requirement in the contract that would require the successful proposer to annually report on the Refuse and Recycling industry to the Blaine Council.

Staff Recommendation

Staff recommends the 2023 Refuse Fund budget and five-year plan as presented to generate and maintain necessary cash balances.

Does Council wish to move the 2023 Proposed Refuse Budget forward as presented for adoption at a future Council meeting?

Attachment List

Summary of Refuse Fund budget

2023 Refuse Fund Powerpoint presentation