

Business Item 2013-197: Adoption of MCES 2014 Wastewater Rates and Charges

Jason Willett, Director MCES Finance & Energy Management

Environment Committee, July 9, 2013



Today's Agenda

- I. Process Recap
- II. Budget Highlights
- III. Undesignation of Reserve
- IV. 2014 Proposed Rates and Charges
- V. Questions?

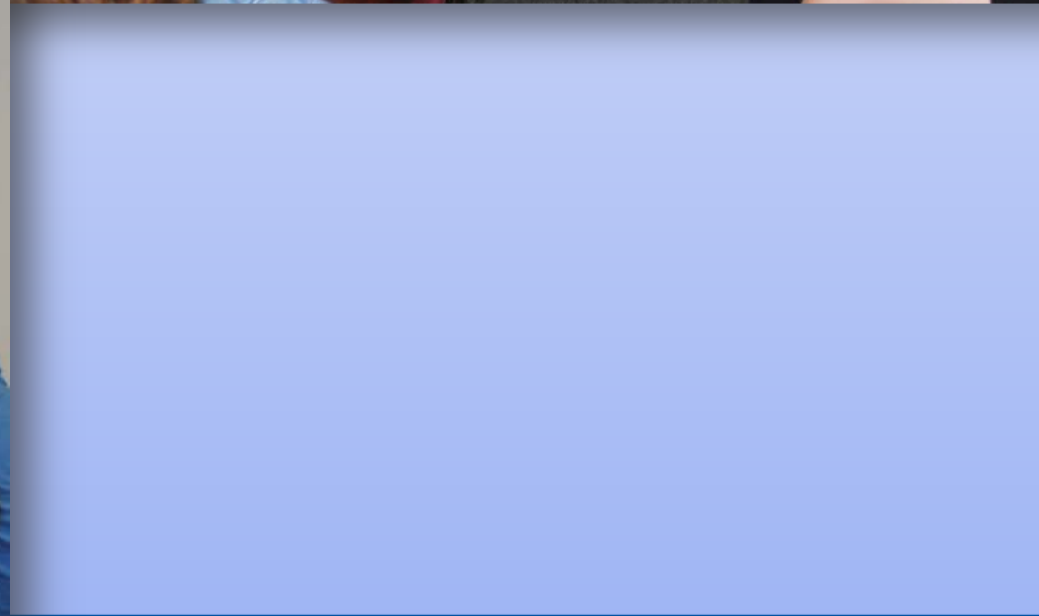
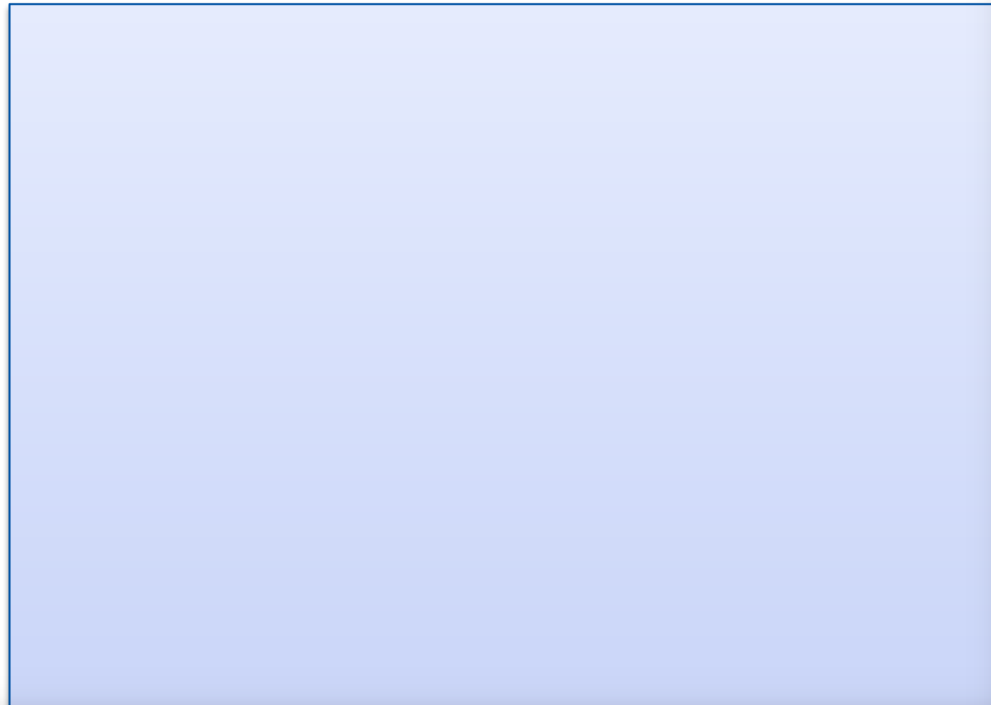
2014 Rate Setting Schedule

- March 12: Env. Comm: Budget & Rate Concepts
- June 11: Env. Comm: Direction for Public Meetings
- June 13: Industrial Customer Forum
- June 18: Municipal Customer Forum (Golden Valley)
- June 24: Municipal Customer Forum (League of MN Cities)
- July 9: Env. Comm Review of Customer Input and Rate Adoption Recommendation
- July 24: Council Rate Adoption
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- Aug. 28: Council Preliminary Operating Budget Adoption

Customer Forums

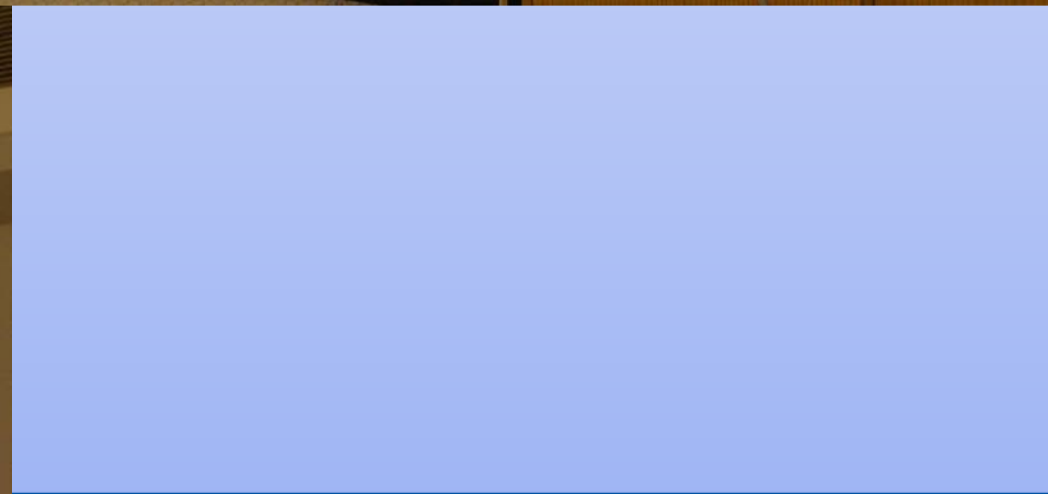
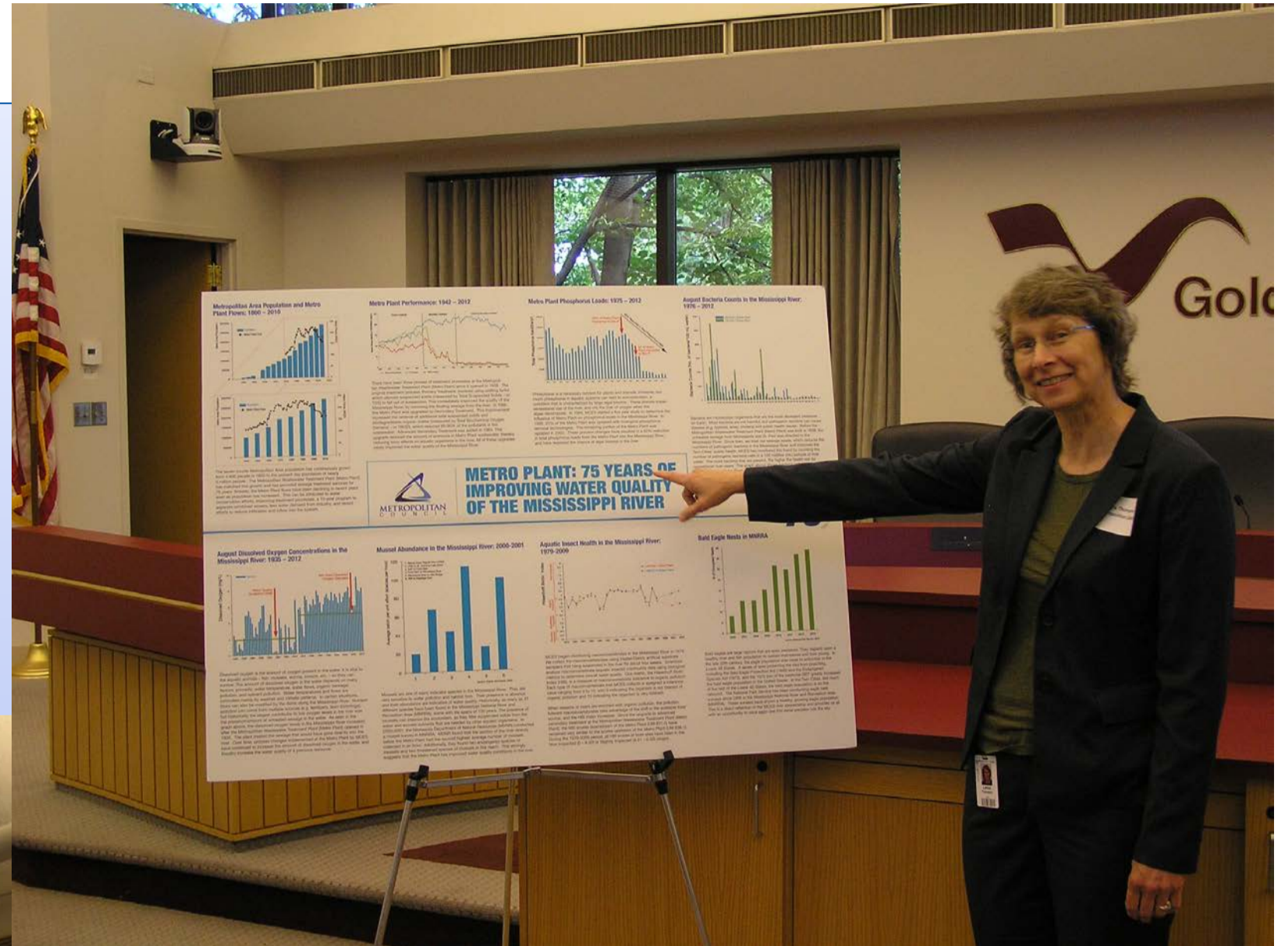
- Customers notified
 - Brochures were mailed to City Administrators, Finance Directors, Mayors and Public Works Directors
 - Posted on the Council's News & Events webpage (also included under Council Meetings)
 - Announced in *Metro Meetings* on Govdelivery weekly emails
 - Advertised in Open Channel News (Industrial Waste newsletter)
- Customer Forums
 - Industrial Forum, June 13: 34 customers
 - Municipal Forum, June 18: 13 customers
 - Municipal Forum, June 24: 10 customers
- No written comments submitted

Customer Forum: Industrial, Metro 94



June 13

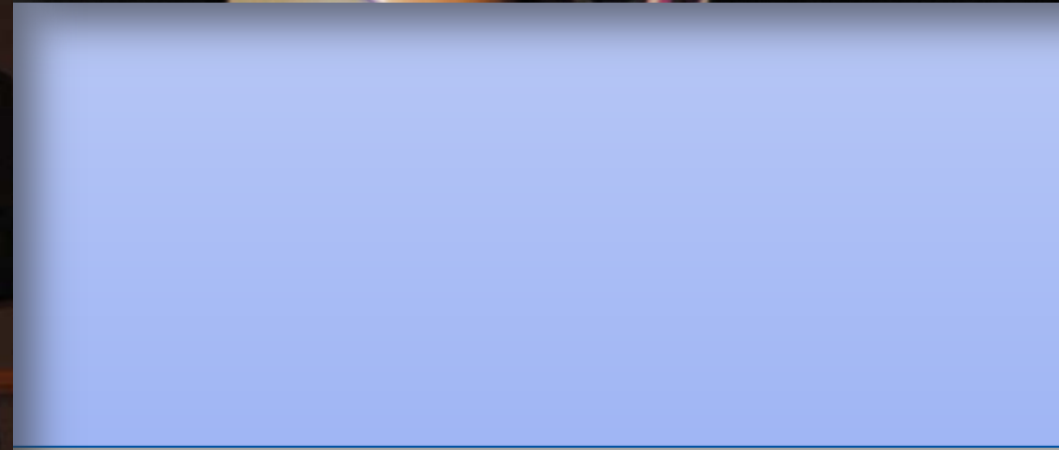
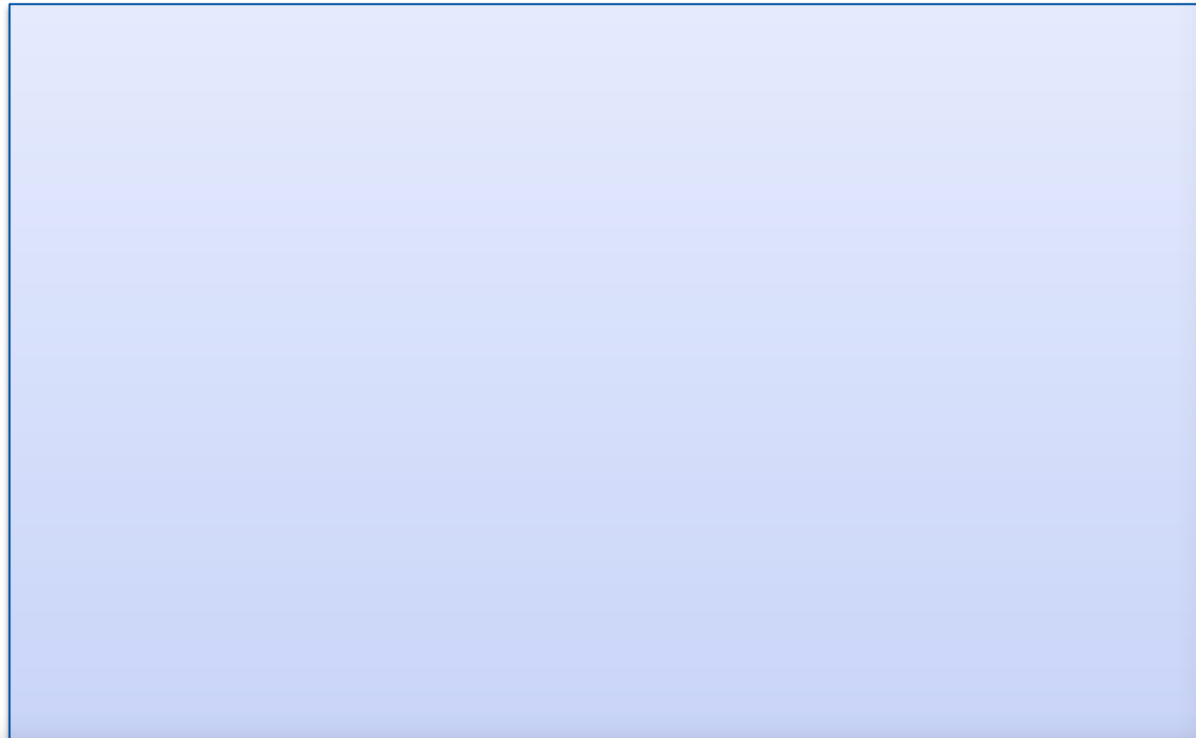
2013 Customer Forums: Golden Valley City Hall



June 18



2013 Customer Forums: League of MN Cities



June 24



Changes Since Preliminary Budget

Expenses (\$M)	Preliminary	Final	Change
Labor	64.2	65.3	1.1
Interdivisional	10.9	11.2	.3
Debt Service	103.5	102.7	-.8
Contracted Services	18.8	18.4	-.4
Total	197.4	197.6	.2
Use of Reserves	.3	.5	.2

- Budgeting software implementation issues understated labor cost
- Interdivisional charges finalized when new positions were approved
- 3% MWC increase maintained by increasing use of both debt service and operating reserves

Proposed 2014 Sources

(\$ in millions)

Description	2013 Budget	2014 Budget	% Change
Metropolitan Wastewater Charge	\$178.8	\$184.2	3.0
SAC Transfer (includes \$4.4M shift-back)	\$29.5	\$35.7	20.9
Industry-Specific charges	\$14.0	\$14.0	.3
Other	\$3.2	\$5.2	62.2
TOTAL REVENUE	\$225.5	\$239.0	6.0

Proposed 2014 Uses

(\$ in millions)

Description	2013	2014	% Change
Debt Service	100.2	102.7	2.5
Labor	63.3	65.3	3.1
Non-Labor	52.4	58.3	11.3
Interdivisional	10.9	11.2	3.0
PAYGO	1.5	2.0	33.3
TOTAL Expenses	228.3	239.5	4.9

Undesignation of Reserve*

SAC units paid

Year	May YTD	Full Year
2010	2,865	8,304
2011	2,165	9,817
2012	3,544	14,003
2013	4,302	15,000-17,000
2014	-	16,000
2015	-	17,000

Highlighted red = estimate

* From wastewater Operating and Contingency Reserve Fund

Undesignation of Reserve

		Scenario Description	2013	2014	2015	2016	2017
SAC Units	Slower Recovery		14,000	15,000	16,000	17,000	18,000
	Base Case		15,000	16,000	17,000	18,000	18,000
	Faster Recovery		16,000	17,000	18,000	18,000	18,000
Reserve Balance \$M	Slower Recovery		\$40	\$43	\$50	\$60	\$71
	Base Case		\$42	\$48	\$57	\$70	\$82
	Faster Recovery		\$45	\$53	\$65	\$78	\$90
Minimum Balance (Council Policy)			\$37	\$40	\$43	\$46	\$49
SAC rate Increase for all scenarios			3%	2.1%	2%	2%	2%

Note: Reserve balances include shift-backs paid from the SAC reserve fund in 2014, 2015, 2016 and 2017.



Wastewater General Operating Reserve

- Balance on 12/31/12: \$23.3M
 - Includes \$11M currently designated for SAC shifts
(undesignation is proposed)
 - Targeted balance is \$12.2M
- Primary uses in past:
 - OPEB
 - PAYGO for capital projects
 - Decrease budgeted → rate mitigation
 - Grants
 - Special projects

2014 Proposed Rates and Charges

Description	2013	2014	% Change
Metropolitan Wastewater Charge (MWC) \$M	178.8	184.2	3.0
Sewer Availability Charge (SAC)—per unit	2,435	2,485	2.1
Industrial Strength Charge (TSS/lb)	0.172	0.185	7.6
Standard Load Charge (per 1K gal)	53.20	54.71	2.8
Holding Tank Load Charge (per 1K gal)	8.81	9.60	9.0
Portable Toilet Waste Rate (per 1K gal)	67.79	70.26	3.6
Collar County Load Charge (per 1K gal)	68.20	69.71	2.2
Industrial Load Charge (TSS/lb)*	0.351	0.373	6.3

**Out of region haulers also pay an out of region component of \$15 per 1,000 gallons.*

Note: No changes to rates presented at customer forums.

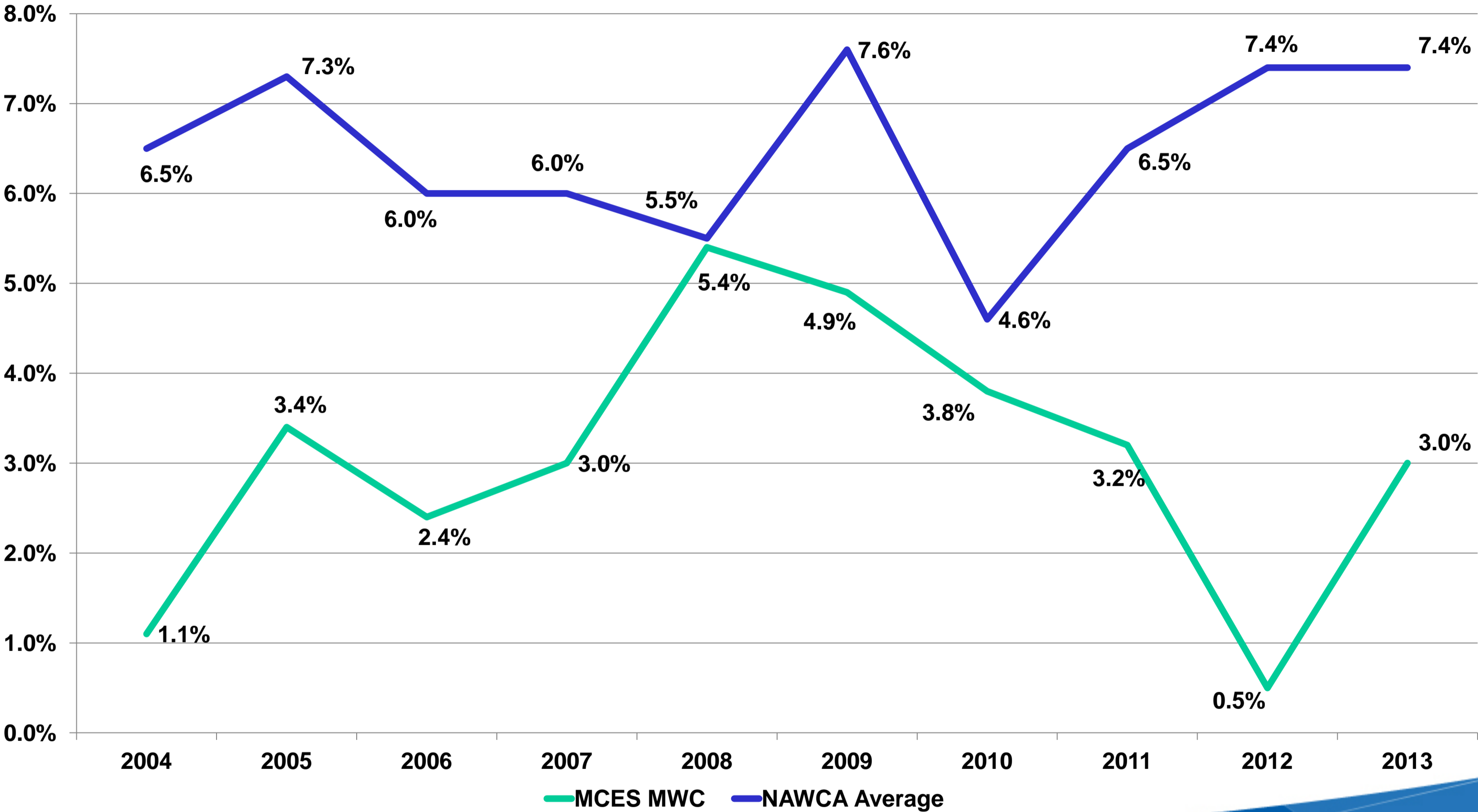


Other 2014 Proposed Rates and Charges

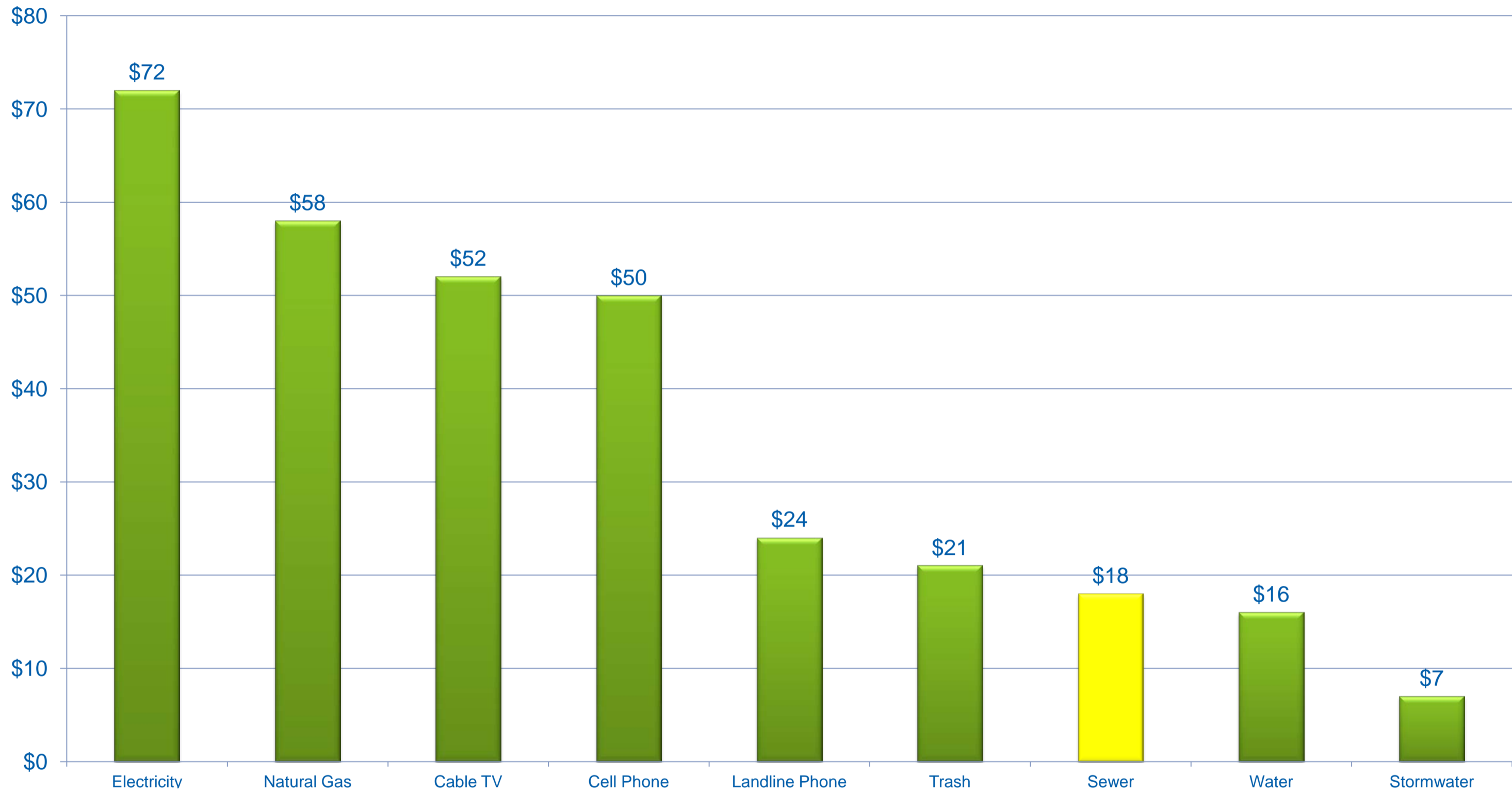
Description	2013	2014	% Change
Industrial Permit Fees	<i>Varies by user type</i>		6.9-8.7
Temporary Capacity Charge (per 1K gal)	1.22	1.25	2.5
Encroachment Application Fee (per easemnt)	600	600	0.0
Direct Connection Application Fee (per applic.)	1,000	1,000	0.0
I&I Surcharge Exceedance Rate (per MGD)	398,000	407,000	2.3

Note: No changes to rates presented at customer forums.

MWC Increases Compared to NACWA Average



Monthly Utility Costs



Per household data for metro area (except electricity is MN and cell phone is national average)

Questions, Concerns

