

BUSINESS ITEM 2015-163: **Adoption of MCES 2016** **Wastewater Rates and Charges**

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Environment Committee: July 14, 2015



Today's Agenda

- Process & Customer Outreach
- Budget Highlights
- 2016 Proposed Rates and Charges
- Questions

2016 Rate Setting Schedule

- May 12: Environment Committee Direction for Public Meetings
- June 9: Municipal Customer Forum (League of MN Cities)
- June 11: Municipal Customer Forum (Golden Valley)
- June 17: Industrial Customer Forum
- **July 14: Environment Committee Review of Customer Input and Rate Adoption Recommendation**
- July 29: Council Rate Adoption
- Aug. 26: Council Preliminary Operating Budget Adoption

Customer Outreach

- Customers Notified
 - Mailed brochures
 - Posted on Council's web site
 - Announced in emails and hard copy
- Customer Forums
 - Metro Cities Municipal Forum, June 9: **20** customers
 - Golden Valley Municipal Forum, June 11: **9** customers
 - Industrial Forum, June 17: **24** customers
- Two written questions submitted

2015 Customer Forums

June 9
June 11
June 17



Changes Since Preliminary Budget

Sources (\$M)	Preliminary	Final	\$ Change
Municipal Wastewater Charges*	201,264,000	201,013,000	(251,000)
Council Levy**	0	1,000,000	1,000,000

Uses (\$M)	Preliminary	Final	\$ Change
Interdivisional	14,064,000	13,813,000	(251,000)
Storm Water Project Grants**	0	1,000,000	1,000,000

* Preliminary numbers were presented at the May 12 Environment Committee, however the final Municipal Wastewater Charges were shown at the customer forums.

** No Municipal Wastewater Charge Impact

2016 Budget – Executive Summary

- Municipal Wastewater Charge: 5.4% Increase
- Total Environmental Services Expenses: 6.2% increase over 2015 Budget
 - Driven primarily by increased Debt Service, Pay-as-you-go, pass through grants, administrative support (Information Services, Human Resources, Rent), and inflation
- Sewer Access Charge: No increase
- Industrial Waste Strength Charge: 7.4% Increase
- Industrial Waste Permit Fees: 10.4% Increase

2016 Revenue/Sources

	2015 Budget	2016 Budget	% Change
MWC*	\$190.7	\$201.0	5.4
SAC** Transfer	33.4	37.5	12.3
SAC Shift Back	2.7	1.7	(37.0)
Industry-specific	14.3	14.7	3.1
State Appropriations	2.8	4.8	69.6
General Fund Transfer	3.8	4.9	28.0
Other	1.8	1.4	(22.2)
TOTAL Revenue	249.5	266.0	6.6

* *Metropolitan Wastewater Charge, which is allocated to customer communities*

** *Sewer Availability Charge*

2016 Proposed Uses

(\$ in millions)

Description	2015	2016	% Change
Debt Service	109.0	115.5	6.0
Labor	64.8	66.9	3.2
Non-Labor	58.9	62.8	4.9
Interdivisional	12.7	13.8	8.4
PAYGO for capital projects	5.0	7.0	40.0
TOTAL EXPENSES/USES	250.4	266.0	6.2

Budget Overview

Source of Expense Increases

	<u>\$ (M)</u>	<u>% Growth in Rate From Item</u>	<u>Cumulative Growth %</u>
2015 Expense Budget	250.4		
Debt Service	6.5	2.6%	2.6%
PayGO	2.0	0.8%	3.4%
Salary (raise, fringe)	2.1	0.8%	4.2%
Other (grants, permits, etc)	1.9	0.8%	5.0%
Chemicals & Utilities	1.5	0.6%	5.6%
Inter-divisional Charge	1.1	0.4%	6.0%
<u>Cntrct Srvcs/Mat/CapOutlay</u>	0.5	0.2%	6.2%
Total 2016 Expense Budget	266.0		6.2%

Rate Changes Since Preliminary Rates

Rate	Preliminary*	Final*	Final Increase
Strength Charge (excess lb TSS)	\$.212	\$.204	7.4%
Industrial Load Charge (excess TSS)	\$.417	\$.409	5.4%
Standard Load Charge**	\$59.77	\$58.80	4.4%
Collar County Load Charge**	\$74.77	\$73.80	3.5%
Portable Toilet Load Charge**	\$77.16	\$75.86	4.6%
Annual Permit Fees	\$925-\$8,875	\$925-\$8,850	10.4%

* Preliminary rates were presented at the May 12 Environment Committee, however the final rates were shown at the customer forums.

** per 1,000 gallons

2016 Proposed Rates and Charges

Description	2015	2016	% Change
Metropolitan Wastewater Charge (MWC) \$M	190.7	201.0	5.4
Sewer Availability Charge (SAC)—per unit	2,485	2,485	0.0
Industrial Strength Charge (TSS/lb)	0.190	0.204	7.4
Standard Load Charge (per 1K gal)	56.31	58.80	4.4
Holding Tank Load Charge (per 1K gal)	9.39	9.34	-.5
Portable Toilet Waste Rate (per 1K gal)	72.49	75.86	4.6
Collar County Load Charge (per 1K gal)	71.31	73.80	3.5
Industrial Load Charge (TSS/lb)*	0.388	0.409	5.4

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

Note: No changes to the rates that were presented at customer forums.

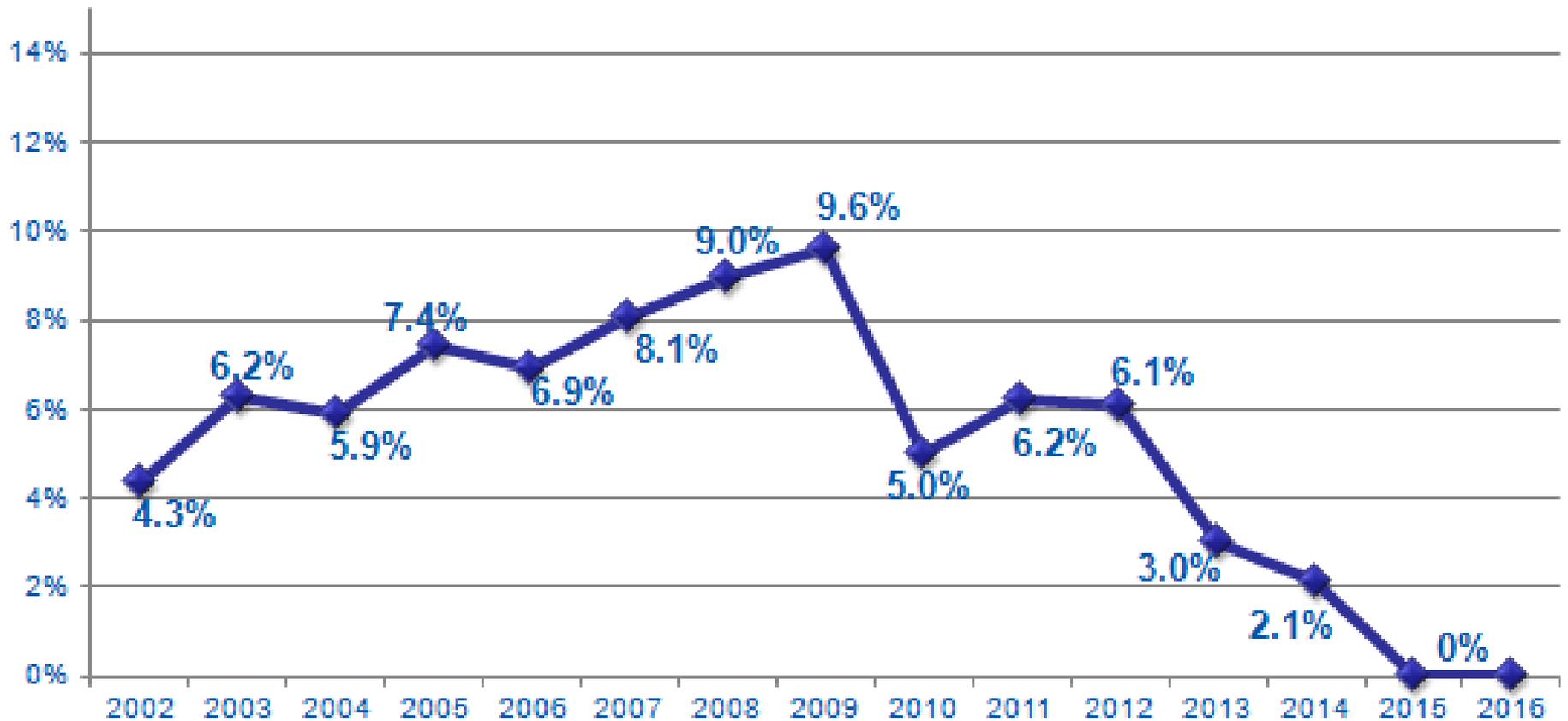


Other 2016 Proposed Rates and Charges

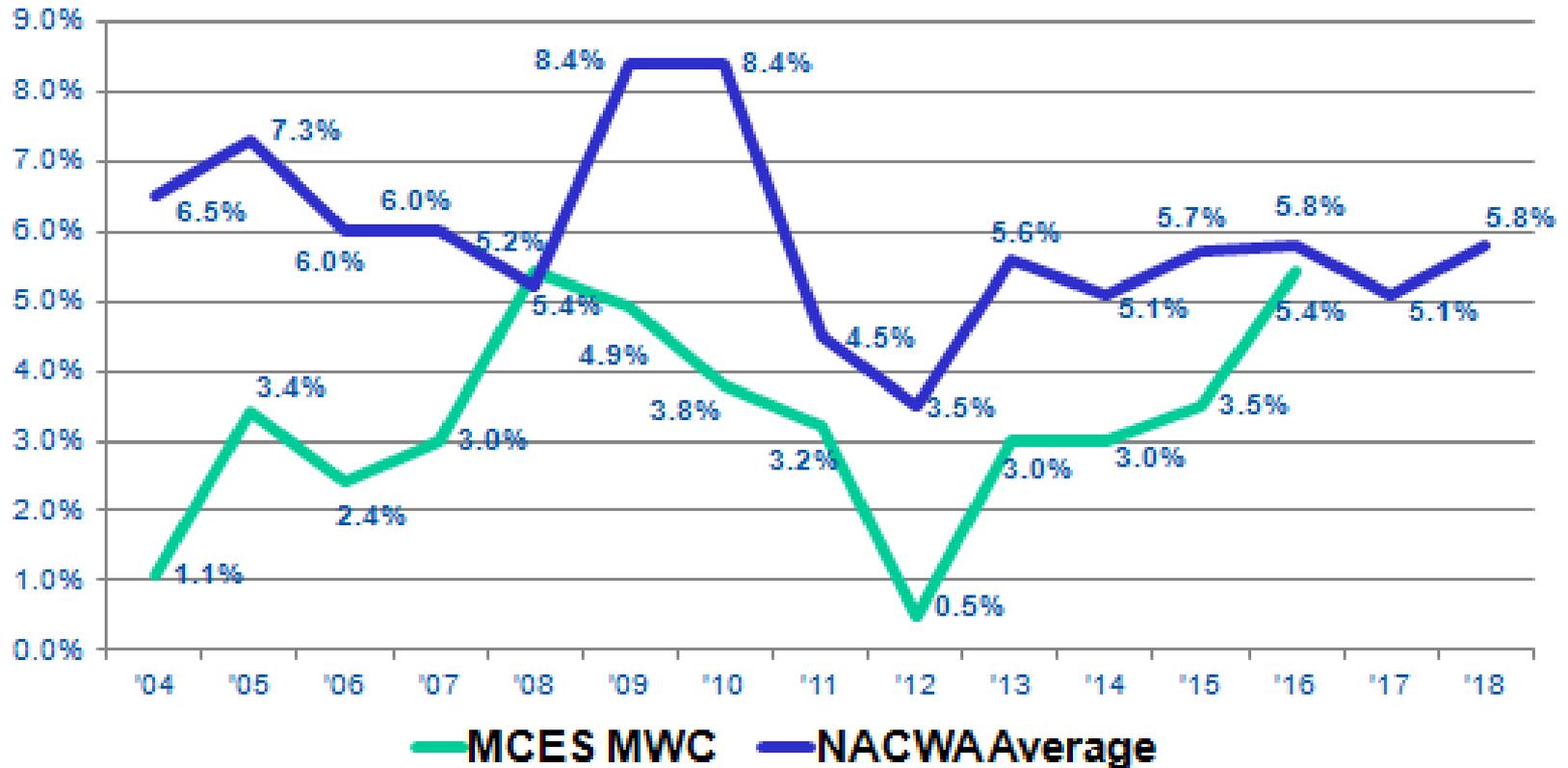
Description	2015	2016	% Change
Industrial Permit Fees	Varies by user type	Varies by user type	6.9-8.7
Temporary Capacity Charge (per 1000 gallons)	1.25	1.25	0.0
Encroachment Application Fee (per easement)	600	600	0.0
Direct Connection Application Fee (per application)	1,000	1,000	0.0
Inflow & Infiltration Surcharge Exceedance Rate (per Million Gallons per Day)	415,000	421,000	1.4

Note: No changes to these rates from what was presented at customer forums.

Historical SAC Rate Increases (%)

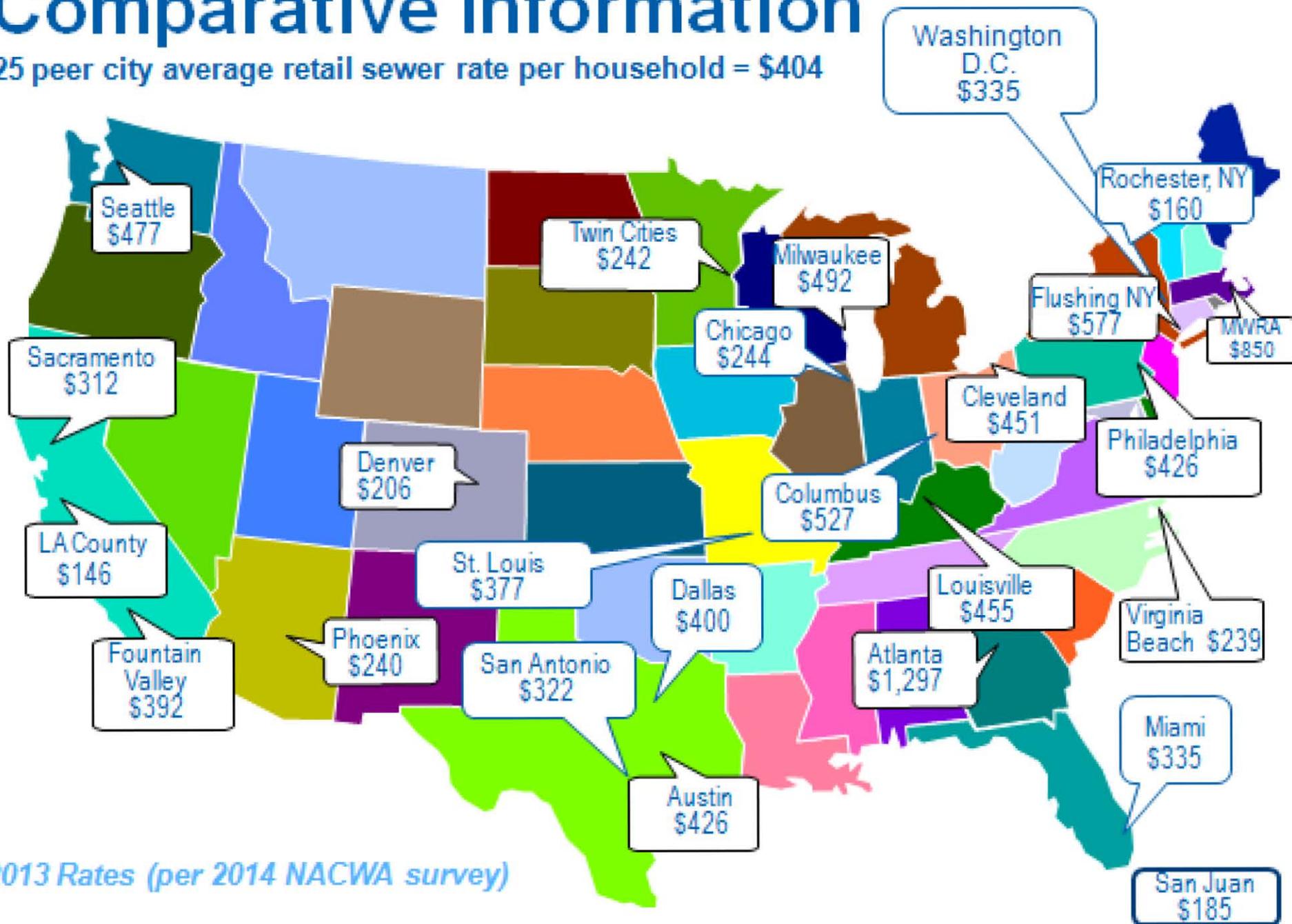


MWC Increases Compared to NACWA Average



Comparative Information

25 peer city average retail sewer rate per household = \$404



2013 Rates (per 2014 NACWA survey)

Wastewater General Operating Reserve

- Balance on 12/31/14: \$17.5M
- \$0.9M use of reserves expected in 2015
- \$0.0M use of reserves budgeted in 2016
- Policy target for 2016 is \$14.3M (10% of operating expenses)
 - Anticipated Balance on 12/31/16: \$16.6M (11.6% of operating expense)

Questions