

Minutes of the

REGULAR MEETING OF THE ENVIRONMENT COMMITTEE

Tuesday, September 22, 2015

Committee Members Present:

Sandra Rummel-Chair, Wendy Wulff-Vice Chair, Marie McCarthy Harry Melander, Lona Schreiber; Edward Reynoso

Committee Members Absent:

None

CALL TO ORDER

A quorum being present, Committee Chair Rummel called the regular meeting of the Council's Environment Committee to order at 4:02 p.m. Tuesday, September 22, 2015.

APPROVAL OF AGENDA AND MINUTES

It was moved by Wendy Wulff, seconded by Edward Reynoso to approve the agenda. **Motion carried.**

It was moved by Edward Reynoso, seconded by Wendy Wulff to approve the minutes of the Tuesday, September 8, 2015 regular meeting of the Environment Committee. **Motion carried.**

BUSINESS

1. 2015-226 SW: Authorize Staff to Send the Final 2015 Twin Cities Metropolitan Area Master Water Supply Plan to Full Council for Approval

It was moved by Harry Melander, seconded by Edward Reynoso that the Metropolitan Council adopt the 2015 Twin Cities Metropolitan Area Master Water Supply Plan. **Motion carried.**

2. 2015-227 SW: Approval of Clean Water, Land, & Legacy Water Efficiency Grant Program Design and Guidelines

It was moved by Lona Schreiber, seconded by Wendy Wulff that the Metropolitan Council approve the Clean Water, Land, & Legacy Water Efficiency Grant Program design and guidelines. **Motion carried.**

3. 2015-228: Authorization to Award and Execute a Contract for Construction of Metropolitan Wastewater Treatment Plant Vector Waste Phase 2 Project 805950, Contract 15P082A

It was moved by Wendy Wulff, seconded by Marie McCarthy that the Metropolitan Council authorizes its Regional Administrator to award and execute a contract to construct Metropolitan Wastewater Treatment Plant (MWWTP) Vector Waste Phase 2 Project 805950, Contract 15P082A, to Rice Lake Construction Group for their low, responsive bid of \$2,658,200.

INFORMATION

1. Survey of Municipal Residential Wastewater Rates –

Staff discussed the biennial survey of residential wastewater rates in which the regions comparative rate information is derived and reported. This presentation will focus on the retail rate charged by cities that is evaluated every two years as well as historical average sewer charges per household, cities with the 10 highest and lowest charges, and

the way municipalities bill their rates. In 2014, 107 communities were surveyed. Approximately 60% of the average retail sewer charge per household is paid to MCES, 40% to the cities. The survey is conducted in even numbered years and has been completed for over 30 years. Since 1986, the study has focused on sewer charges to a single-family detached house and was done mainly to see how retail rates compare locally and nationally.

Rates across the country from 25 peer cities was shared reflecting a comparative average retail sewer rate per household. The average rate for the Minneapolis-St. Paul area experienced a rate increase from \$235 in 2012 to \$242 (3%) reported to NACWA recently.

Historical average sewer charges per household compared to the consumer price increase. There has been a 3.3% average annual increase in the average charge with a 2.8% average annual increase in inflation.

MCES has been able to keep sewer rate increases below the NACWA average, however, for the next several years, due to projected average 7% increases in annual debt service and estimated 3% increases for inflation we will be closer to the NACWA average.

The ten highest retail rates in the area was provided. The ten highest cities ranged from \$410 (Mound) to \$672 (Independence). The weighted average for the Metro area is \$255 with Minneapolis and St. Paul coming in at \$305 and \$306 respectively. The ten lowest charges per household were \$107 (North Oaks) to \$187 (Rosemount)

Types of rates include base/uniform rates, flat charge, base/increasing block rate, uniform rate, no residential sewer rates, and increasing block rate. A breakdown of the cities who utilize each type of rate was provided.

Staff stated typically flat charges discourage water conservation, so the reduction in flat-rate charges since 2006 is a positive sign. The percentage of households that are charged a flat rate has decreased from 19% in 2006 to 8.6% in 2014.

Comments/Questions:

Committee members suggested having an open conversation further. Chair Rummel asked the committee members to share comments or questions with staff prior to the discussion.

2. Twin Cities Water Rates Study –

MCES charge to cities can be considered a wholesale rate. In turn, each city bills property owners a higher rate to include local sewer costs. This presentation focuses on the retail rate the cities charge which we determine every two years.

Water is generally inexpensive the Metropolitan area. The average Metro area residential household uses approximately 270 gallons of water per day, which is approximately 8,200 gallons per month. Average cost in the Metropolitan area is around \$29.10 per month. Across the country there is a variety of average costs ranging from \$25.84 in Fresno, CA to \$73.67 in Seattle. In the Metropolitan area there are 33 communities that do not have a rate structure.

Rate structures are viewed in “tiers.” The first tier is a low volume with average winter use and often a discounted rate, often referred to as the “lifeline” rate. The second tier is usually

set to include average volume use (including summer use) with a rate that covers the full cost of service. The third tier, or higher tiers, usually contains higher rates to discourage excessive water use. An increasing tiered rate structure may not be deemed a “conservation” rate structure if the step up in rates from tier to tier does not convey the conservation incentive to the customer and change customer behavior. Census data has shown that wealthier households use higher volumes of water, especially in the summer. There are also lower prices associated with greater water use, especially in the summer months. Also, when there is a higher cost there is less consumption. Staff reviewed the residential per capita water use broken out by each of the Council districts. Equivalent monthly water bill averages ranged from approximately \$16 per month to approximately \$45 per month through all Council districts. Peak month to winter month ratios varied from approximately 1.5 to as much as approximately 3.8.

In summary, 31% of tiered rate structures have 8,000 gallons per month in the first tier. There is greater per capita water use in most communities with tiered rate structures versus flat rates structures. Inclined block rate structures are not necessarily water conservation rate structures. There is significant room for improvement in rate structures across the Metropolitan area. Water savings realized could be substantial.

Comments/Questions:

Why is the cost higher in communities such as East Bethel? Do they use well water? The cost is higher because they are smaller communities, fewer users and may have new systems. Communities such as White Bear Lake use groundwater that requires less treatment with a greater number of users. There could also be an impact if there is a connection fee for users.

Why is water consumption higher in wealthier demographic areas? Staff stated wealthier communities may have larger lots, irrigation systems, demographics may have additional members in the household using water.

The idea of assigning merit to a certain number of gallons per month per household across the Metro area may be problematic. When there are smaller households in the core then in the outer areas, you are penalizing people for having kids. Household size matters as well as if there is new landscaping or other factors that increases water use.

3. General Manager’s Report –

A previous information item regarding microbreweries was discussed with staff in the Industrial Waste area. The staff has worked through the approach for permitting and charging the microbreweries. An informational meeting occurred with the microbreweries and answered questions. There was surprise at having to pay a fee. Good questions were raised. Presentation by staff was well received. They wish they didn’t have to pay as it wasn’t planned for and what the fee system that would be in place.

Staff member Ned Smith, addressed the committee regarding sampling that has been done since 2012. The businesses are environmentally conscience. Studies were completed to determine what was being put in the water. Suspended solids and chemical oxygen demand were evaluated for discharge coming out of the breweries. Suggestions on best practices were shared to reduce waste products being put in to the wastewater system. Average cost per barrel was determined. A per barrel charge of 60 cents was suggested as permitting will be cheaper and allow them to complete a survey. Each brewery may have a

1 to 1.5% increase to their bottom line. Fulton expressed appreciation to the work done to understand the brewing process and collaboration done to understand them.

CM Reynoso added it takes 6-8 barrels of water to create 1 barrel of beer. This impacts our communities. It takes a lot of water. Staff stated the largest portion of industrial customers are food processing businesses.

Announcement was received for the Blue Lake Solar event on 10/06/15. GM Thompson encouraged members of the committee to check emails for details.

ADJOURNMENT

Business completed, the meeting adjourned at 5:23 p.m.

Susan Taylor
Recording Secretary