

Information Item: MCES Budget Concepts, Rates, and Customer Forums

Ned Smith, Director of Finance

Environment Committee: May 8, 2018



Regional Guide: Thrive MSP 2040

- **Stewardship**
- **Prosperity**
- **Sustainability**
- **Livability**
- **Equity**

Outcomes



- **Integration**
- **Collaboration**
- **Accountability**

Operating Principles



2019 Executive Summary

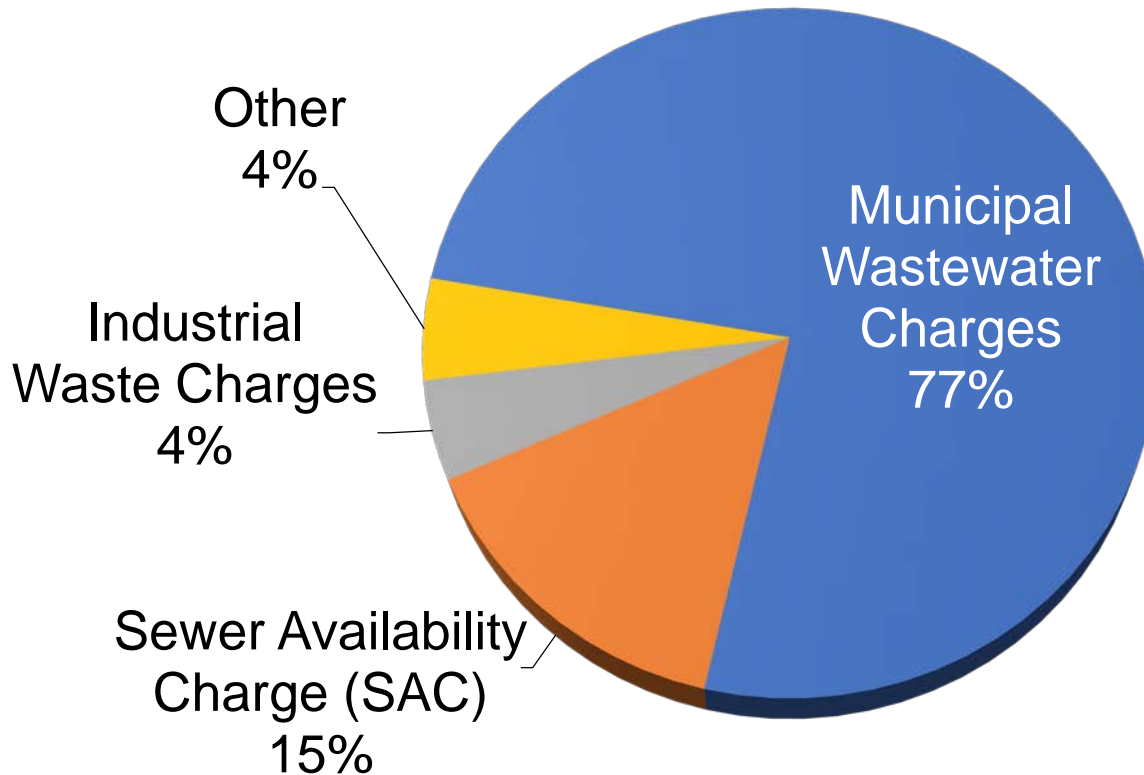
- **Sources & Rates**

- Wastewater charge: 3.5%
- Sewer Availability Charge: No Increase
- Industrial Strength Charge: 3.4%
- Industrial Permit Fee: 3.5%

- **Uses**

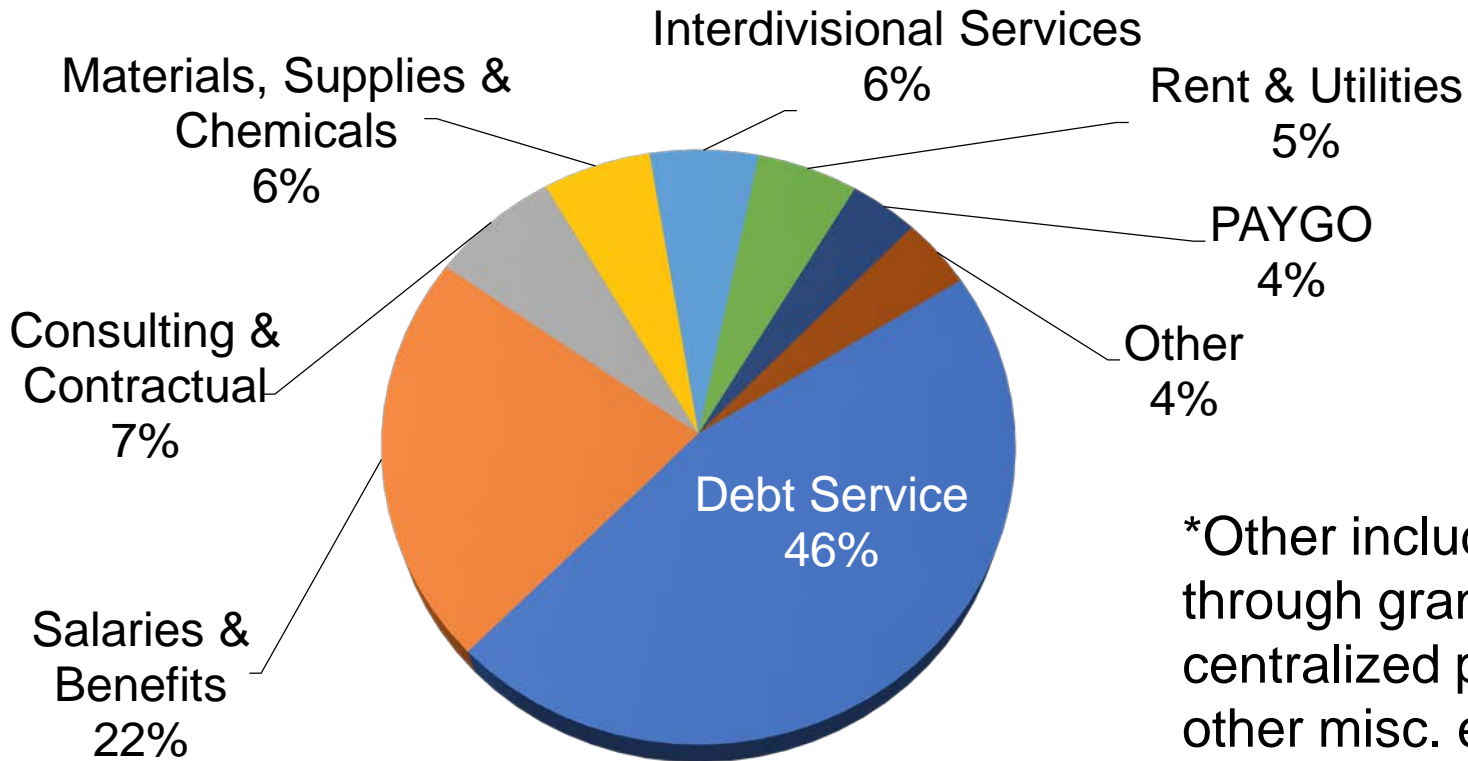
- 6.1% increase over 2018
 - 4.7% without pass-through grants

2019 Revenue Sources – \$300M



*Other includes State Appropriations, OPEB adj., and \$3M use of Reserves

2019 Uses by Category – \$300M



*Other includes pass through grants, centralized projects, and other misc. expense

MCES Operating Budget

Category	2017	2018	2019**	% Change ('19 v. '18)
SOURCES				
Municipal Wastewater Charges	211.9	219.7	227.4	3.5%
Industrial Charges	13.8	13.7	14.0	2.2%
Transfer from SAC Fund	39.4	41.9	44.3	5.7%
Other Sources ¹	10.7	7.4	14.3	96%
TOTAL	275.8	282.7	300.0	6.1%

* 2018 does not include carryforward adjustments

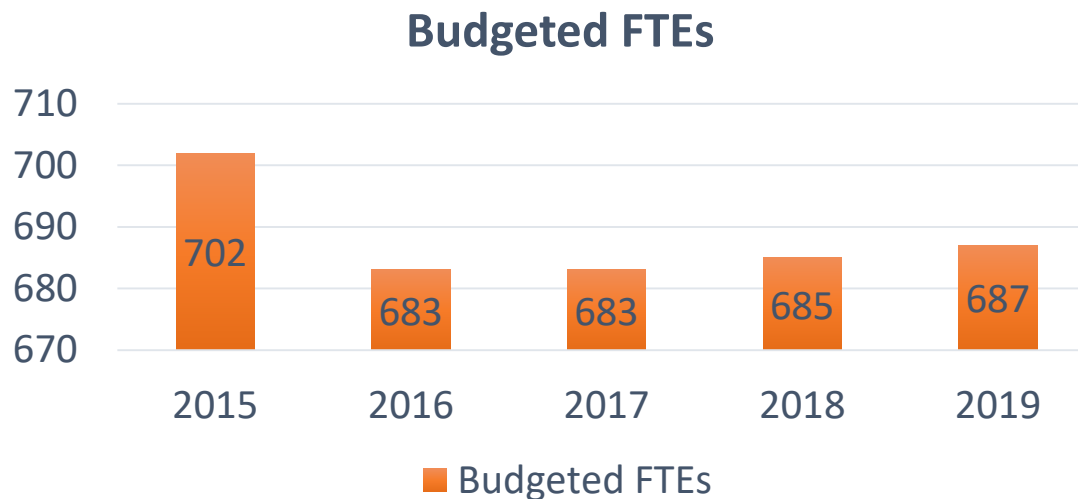
** Preliminary

1. Includes state appropriations, use of reserves, interest, and other revenue.
2. Includes pass-through grants from state appropriations, centralized project funds, and training/travel.

Category	2017	2018*	2019**	% Change ('19 v. '18)
USES				
Labor	63.7	65.8	67.0	1.8%
Contracted Services	21.3	20.5	18.3	-10.7%
Materials & Supplies	9.3	9.0	8.6	-4.4%
Chemicals	8.3	8.7	8.7	0%
Utilities	16.6	15.9	16.2	1.9%
Debt Service	124.0	131.0	139.0	6.1%
Capital Outlay	4.2	2.7	2.2	-18.5%
Central Services	15.5	16.6	17.3	4.2%
PAYGO (Capital Projects)	7.0	9.0	11.0	22.2%
Other Expenses ⁴	5.9	3.5	11.7	234.3%
TOTAL	275.8	282.7	300.0	6.1%

Preliminary Budget: Labor

- Labor Costs
 - 658 Regular FTEs
 - 687 FTEs including OT
 - Vacancy Factor = 30 FTEs
 - General salary increases, plus steps
- Risk Factors: attrition rates, workforce planning, and health care costs (self-insured)



Preliminary Budget: Debt Service (DS)

Change:
+\$8.0M
or 6.1%

Debt Service Transfer

- 2018 \$131.0M
- 2019 \$139.0M

Change:
\$2.0M
or
22.2%

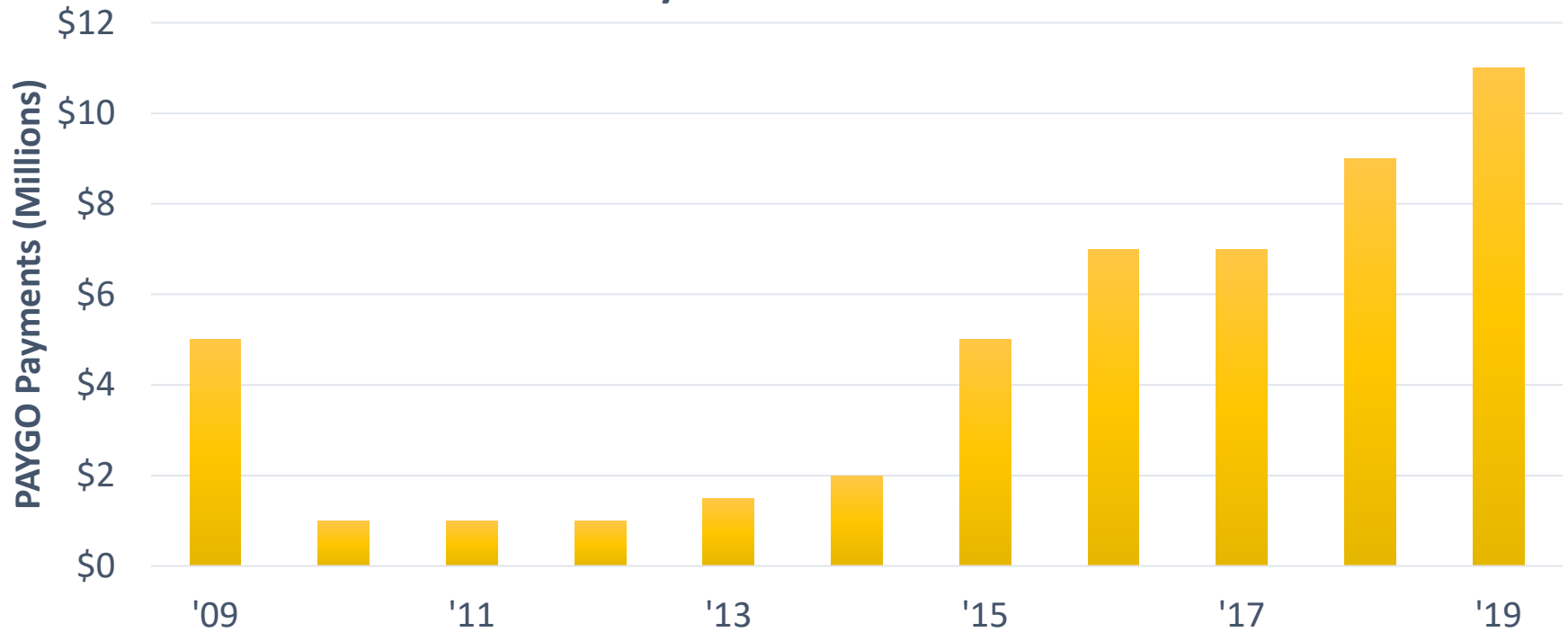
PAYGO

- 2018 \$9.0M
- 2019 \$11.0M

- Risk Factors
 - Capital spending increases (e.g., regulatory)
 - Interest rate increases on new debt (PFA loans and G.O. bonds)

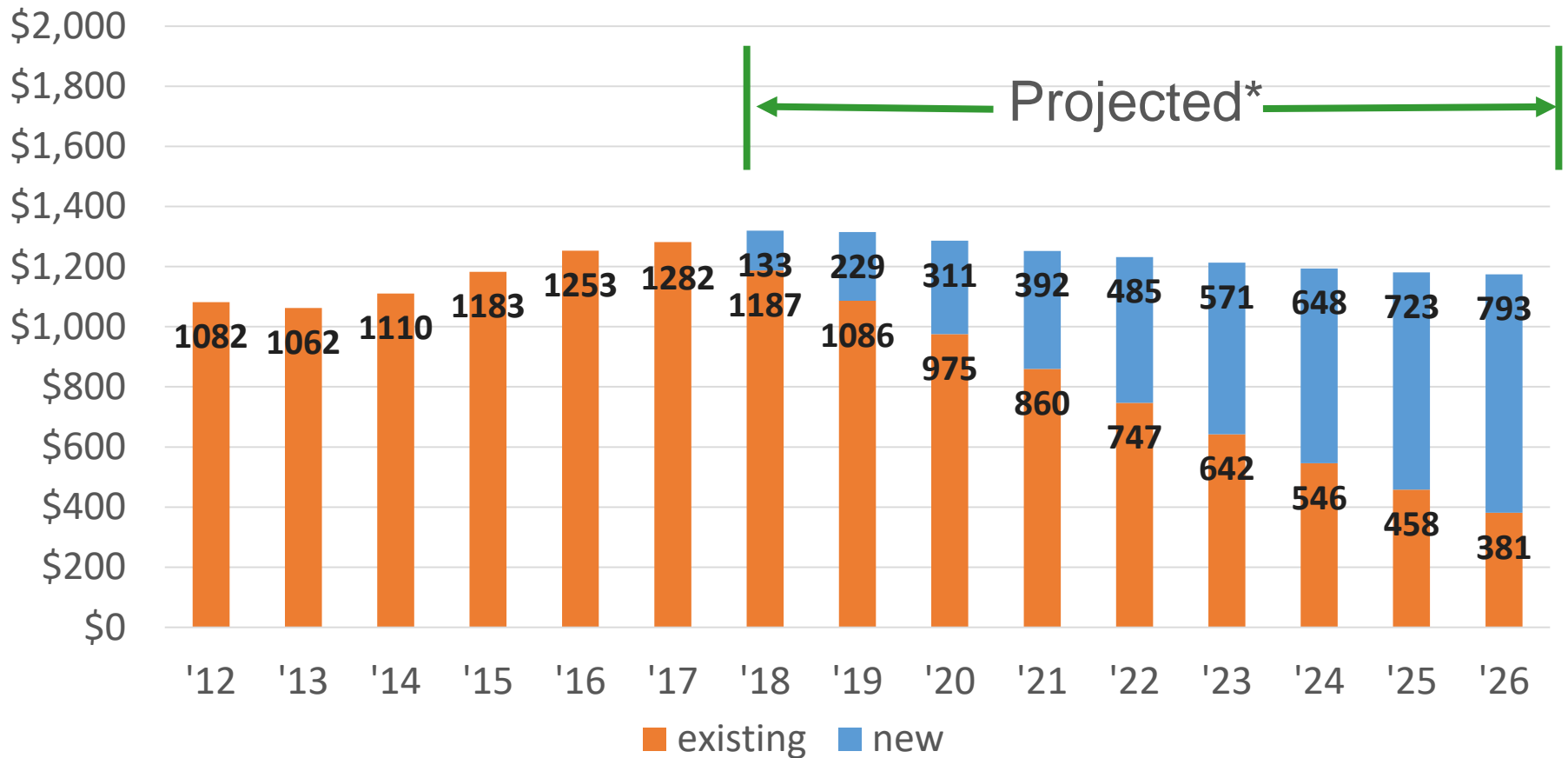
Pay-As-You-Go (PAYGO)

PAYGO Payments



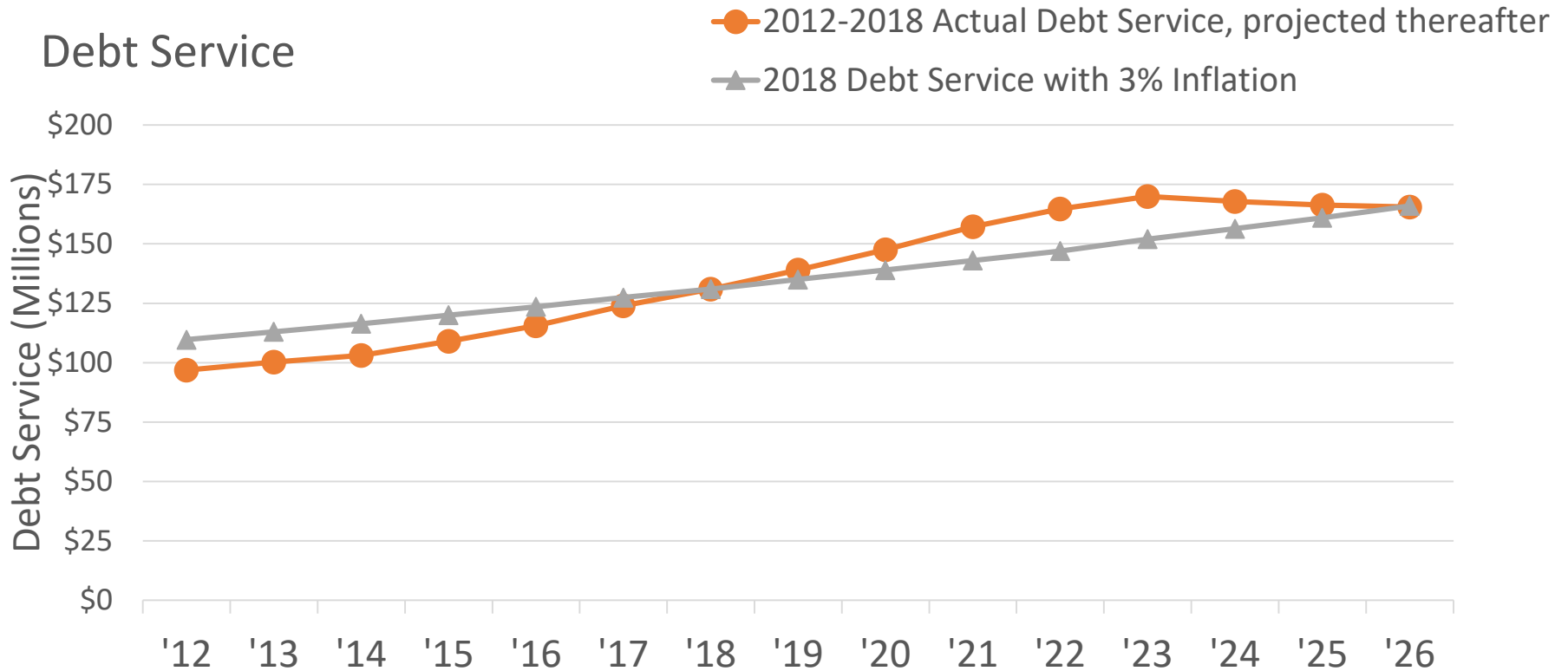
Wastewater Outstanding Debt

(\$ in millions)



	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total (in millions)	\$1,320	\$1,315	\$1,286	\$1,252	\$1,232	\$1,213	\$1,194	\$1,181	\$1,174

Budgeted Debt Service

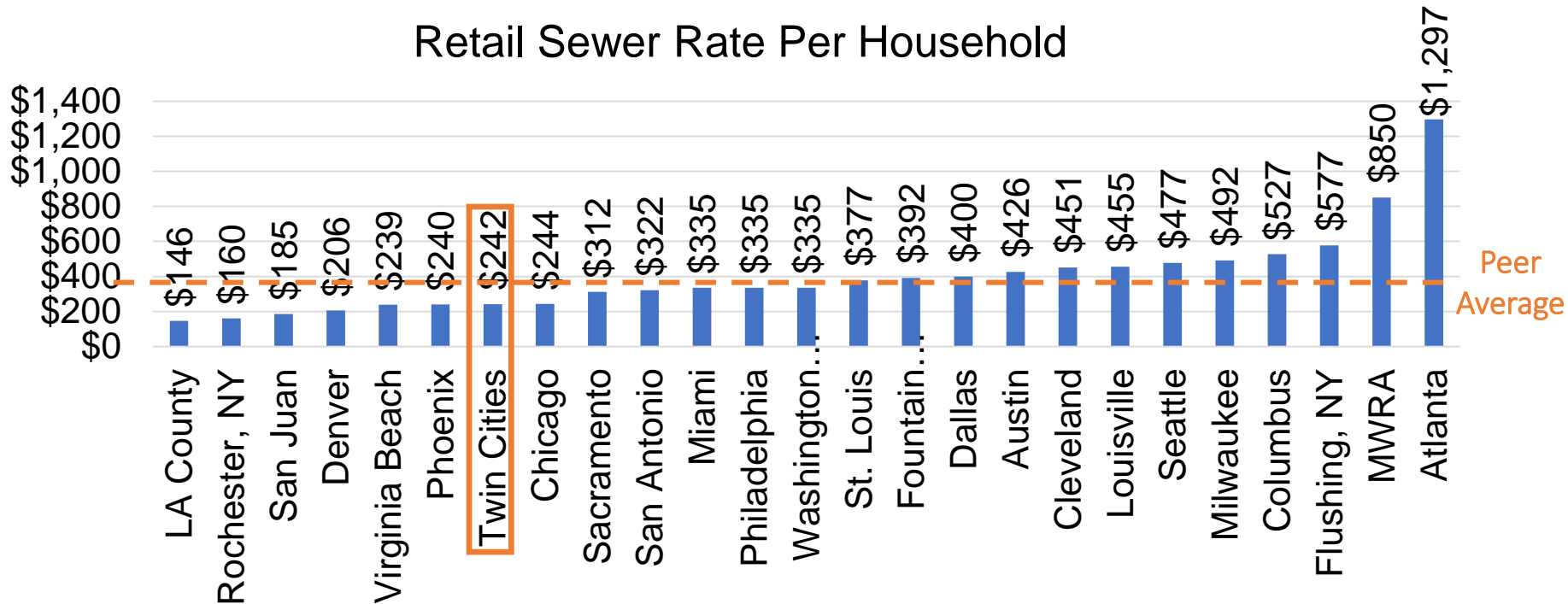


Peer Agency Debt per Capita (person)*

Los Angeles	\$188	St. Louis	\$653	Columbus	\$1,514
Denver	\$370	Philadelphia	\$766	Louisville	\$1,971
MCES	\$392	Sacramento	\$922	Seattle	\$2,607
Virginia Beach	\$451	Milwaukee	\$930	Boston	\$2,647
Orange County	\$464	Washington, DC	\$939		
Chicago	\$473	Cleveland	\$987		
Phoenix	\$525	Miami	\$1,037		
San Antonio	\$622	Austin	\$1,259		

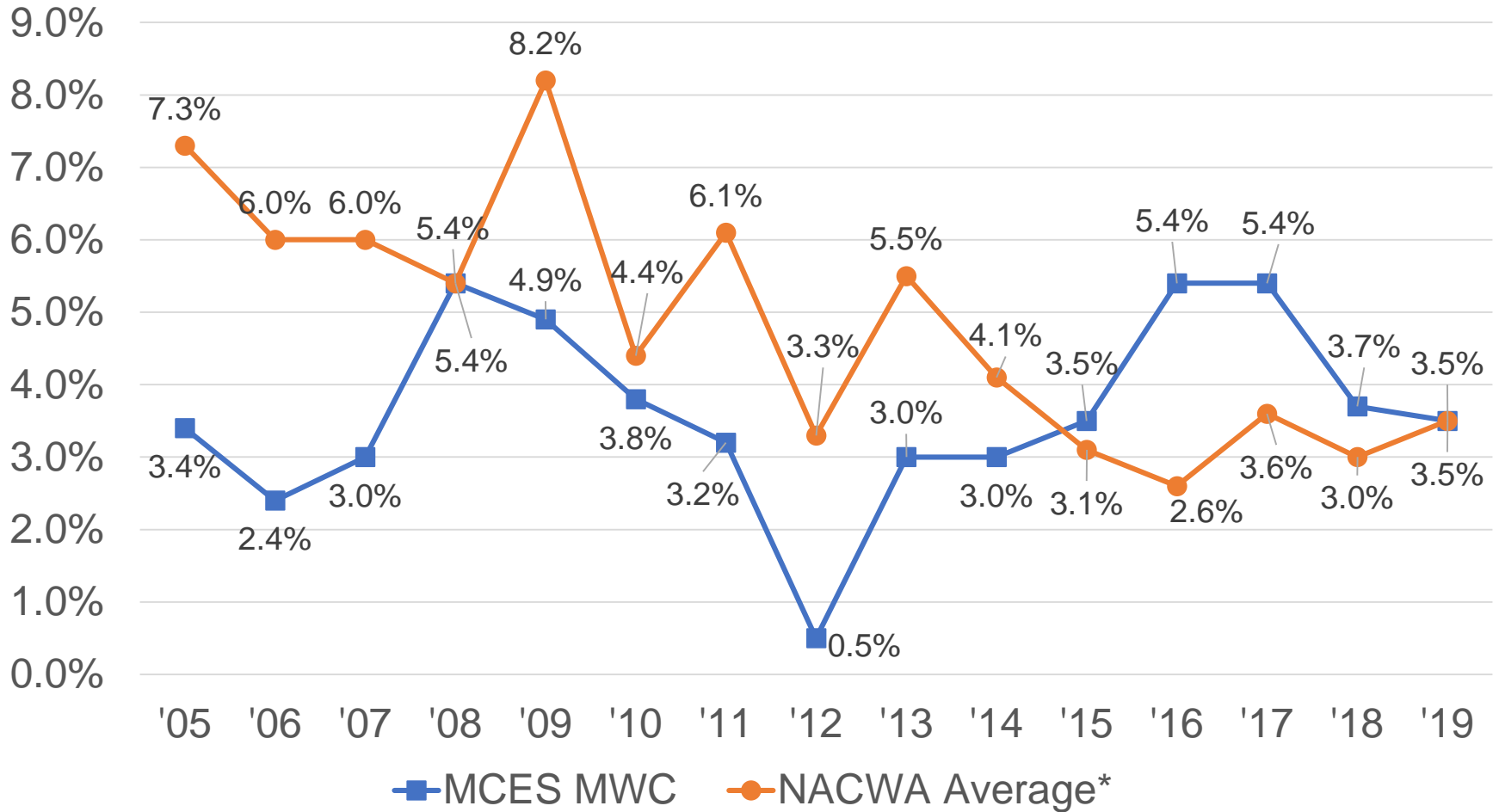
Comparative Information

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



*2013 Rates (per 2014 NACWA survey, next update 2018)

MWC Increases Compared to NACWA Average

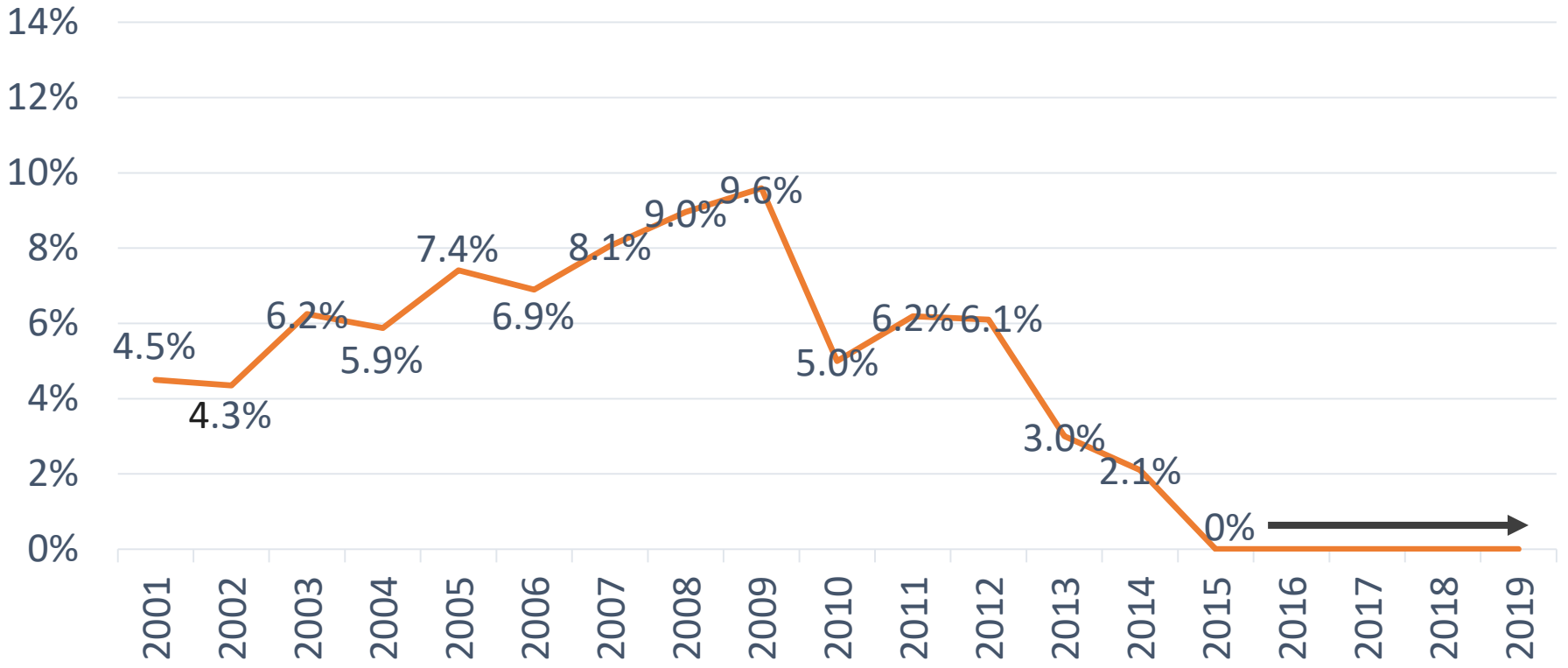


* Source is NACWA 2017 Cost of Clean Water Index

Municipal Wastewater Charges

2016-2017:	• 5.4% Increase
2018:	• 3.7% Increase
2019:	• 3.5% Increase
2020-2022 Goal:	• <4% Increase
Long-Term Goal:	• \leq Inflation Rate

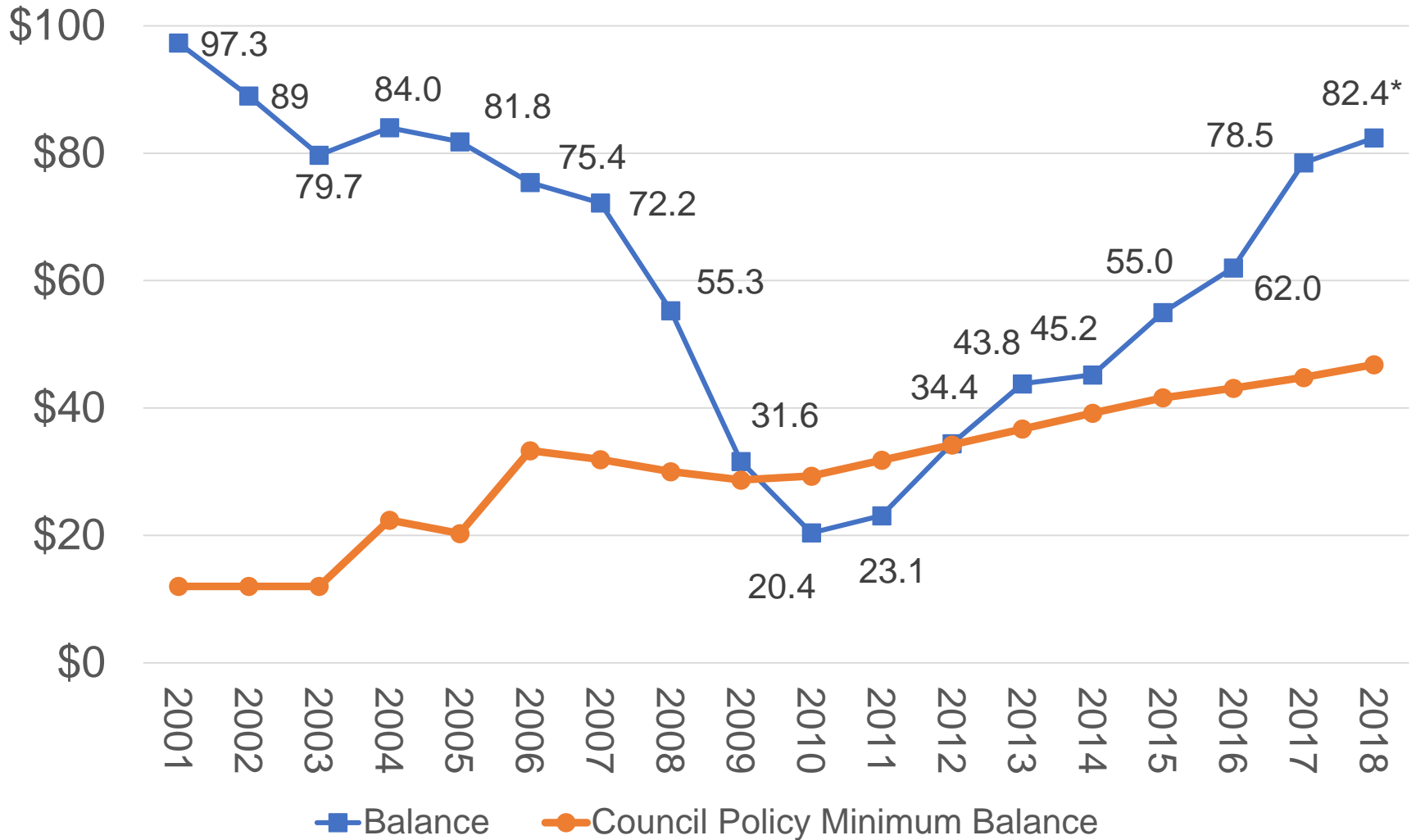
Historical SAC Rate Increases (%)



SAC Units: Recovering



SAC Reserve Fund



* 2018 is projected balance.

Industrial Rates

Rate Type	Prelim. 2019	% Increase
Strength Charge (excess lb TSS*)	\$0.243	3.4
Standard Load Charge (per 1000 gal.)	\$60.24	0.0
Industrial Load Charge (excess lb TSS*)	\$0.413	0.0
Collar County Load Charge (per 1000 gal.)	\$75.24	0.0
Portable Toilet Load Charge (per 1000 gal.)	\$77.46	0.0
Holding Tank Load Charge (per 1000 gal.)	\$11.10	1.6
Annual Permit Fee	\$1,025-\$10,000	3.5
General Permit Fee	\$100-\$500	0

**Total Suspended Solids*

2019 Rate Setting Schedule

- **Industrial Workshops – Metro 94***
 - March 22: Liquid Waste Haulers
 - April 19: Industrial Waste Customers
 - April 24: Industrial Waste Customers
- May 8: Environment Committee Direction for Public Meetings
- **Municipal Customer Forums***
 - May 24: Minnetonka Community Center
 - June 7: Eagan Community Center Oaks Room
- July 10: Environment Committee Review of Customer Input and 2019 Rate Adoption Recommendation
- July 25: Council Rate Adoption
- Aug. 22: Council Preliminary Operating Budget Adoption

* *public input*

Questions