

Information Item: Local and National Sewer Rates: Competitiveness and Trends

Dan Schueller, Principal Financial Analyst

Environment Committee: October 23, 2018



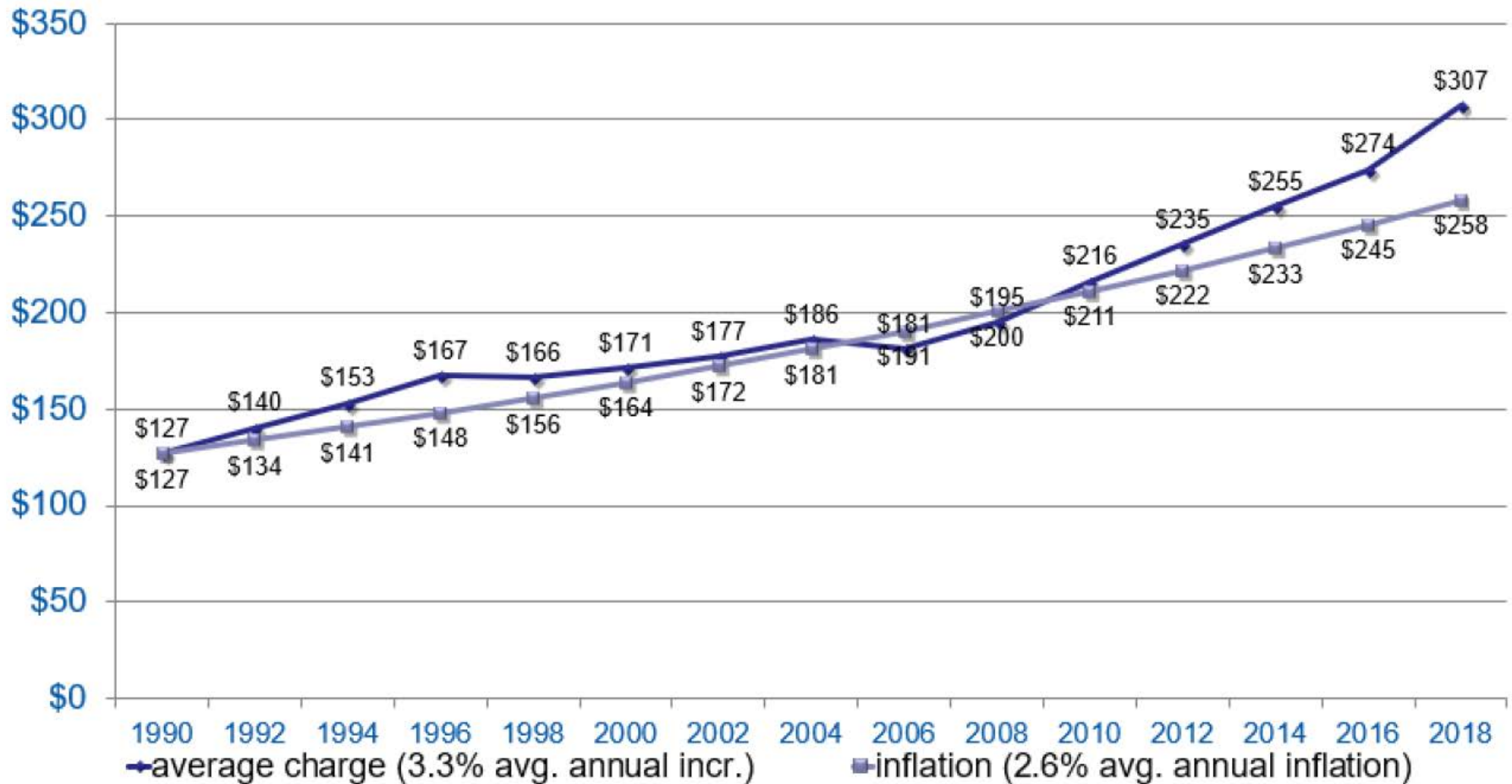
Today's Agenda

- Overview
- Historical average retail sewer charges
- Rate increases compared to NACWA average
- Cities with the 10 highest and lowest charges
- Types of rates
- NACWA triennial survey results
- Comparison to peers and to past surveys
- Questions

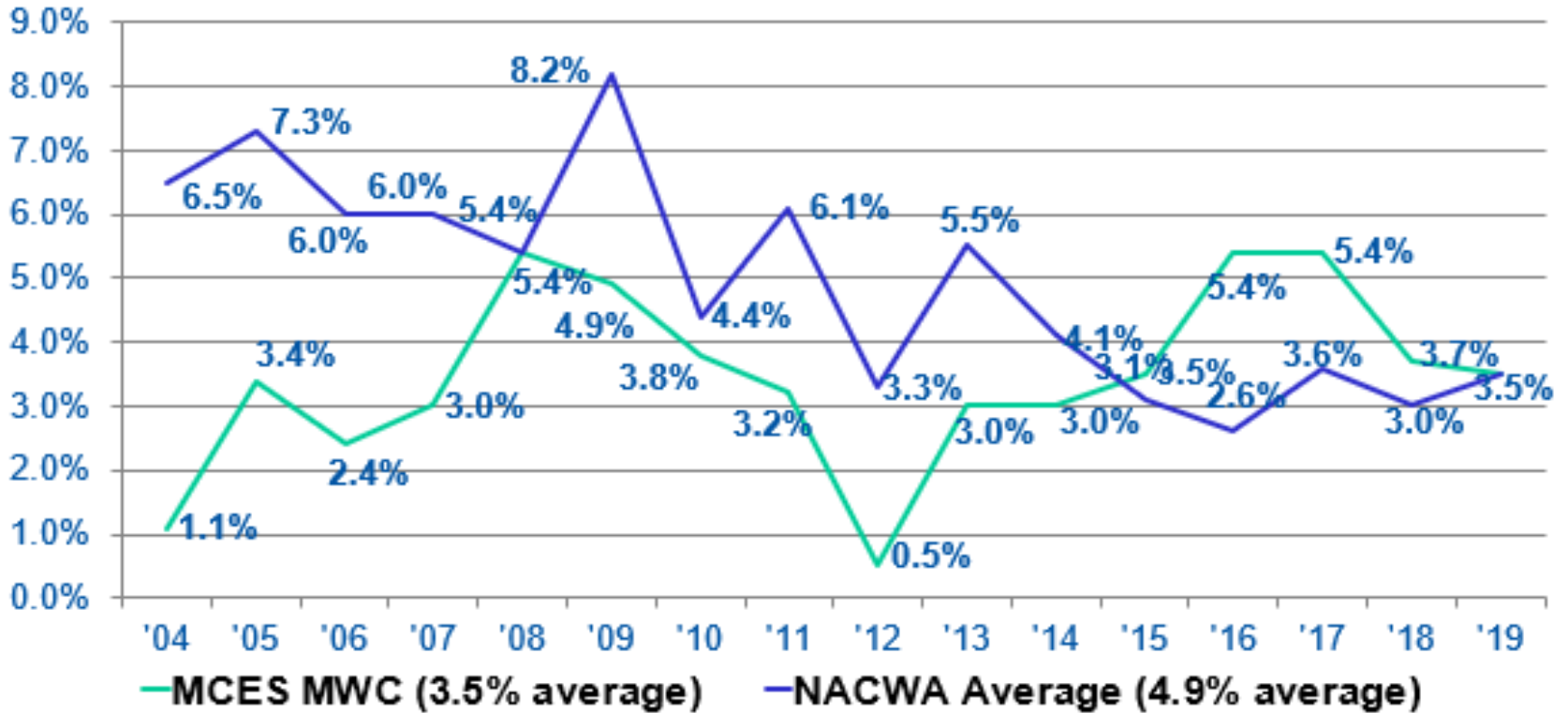
Overview

- Biennial survey of retail sewer charges by community
 - 109 communities in 2018
 - Includes the wholesale cost from MCES plus city charges that fund local sewer costs
 - About 55% of the average retail sewer charge per household is paid to MCES (\$170 of \$307 in 2018)
- Survey conducted in even numbered years
- Survey has been done for over 30 years
- Since 1986 the study has focused on sewer charges to a single-family detached house
- Conducted mainly to see how retail rates compare locally and nationally

Historical Average Sewer Charges (per household)



Rate Increases Compared to NACWA Average*



* Based on NACWA's annual Cost of Clean Water Index for 2017.

Highest Charges per Household

City	2018
Independence	\$672
Greenfield	\$663
Orono	\$603
Elko New Market	\$576
North Saint Paul	\$545
Mound	\$538
Tonka Bay	\$530
Maple Plain	\$516
Mahtomedi	\$512
Arden Hills	\$509

Weighted average for metro area = \$307

Minneapolis = \$375

St. Paul = \$335



Lowest Charges per Household

City	2018
North Oaks	\$157
Mendota	\$160
Gem Lake	\$172
Empire Township	\$182
Hilltop	\$182
Osseo	\$202
Newport	\$207
Willernie	\$208
Lilydale	\$210
Blaine	\$216

Weighted average for metro area = \$307

Minneapolis = \$375

St. Paul = \$335



Types of Rates

In 2018, communities reported several types of rates that are charged to residential customers:

Rate Type	# of communities using this type
Base/uniform rate	66
Flat charge	22
Uniform rate	10
Base/increasing block rate	8
No residential sewer rates	2
Increasing block rate	1

Flat Charges

Typically, flat charges do not encourage water conservation. So the reduction in flat-rate charges since 2006 is a positive sign.

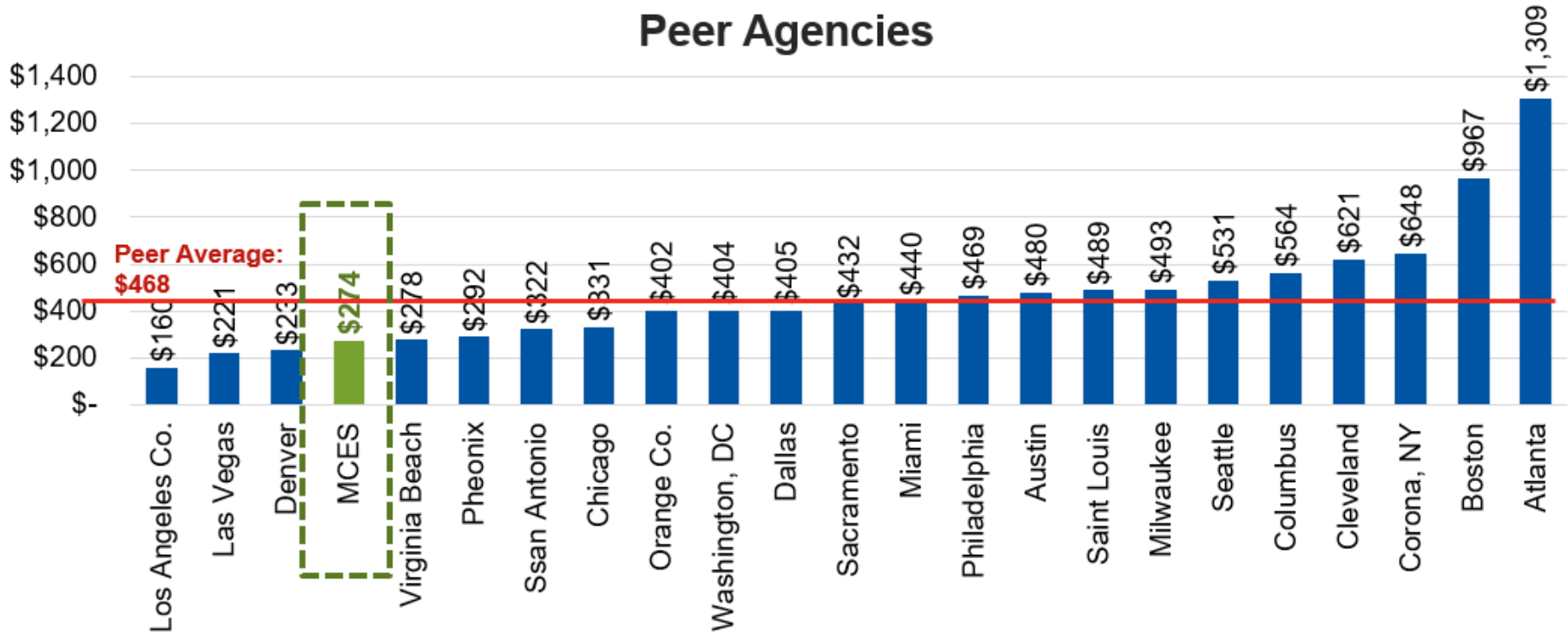
Year	% of households that are charged a flat rate
2006	19.0%
2008	18.0%
2010	15.2%
2012	11.5%
2014	8.6%
2016	8.4%
2018	8.1%

NACWA Triennial Survey Results

NACWA does a comprehensive survey every three years. Our rates compare favorably to peer agencies (those that treat more than 100 million gallons per day). A few other metrics are compared below:

Metric (2016 data)	MCES	Peer average	% lower than Peer group avg.	MCES rank	Percentile rank
Avg. annual retail charge	\$274	\$468	41%	4 of 23	86.4%
Total expenses per MG	\$2,703	\$3,837	30%	6 of 26	80.0%
FTEs per billion gallons	7.1	10.7	33%	6 of 24	78.3%
Debt per capita	\$448	\$991	54%	6 of 23	77.3%

2016 Retail Sewer Charges per Household



Comparison to past NACWA Surveys

Survey	MCES retail rate	Peer rank	Percentile rank*
2017	\$274	4 th of 23	86.4%
2014	\$242	7 th of 25	75.0%
2011	\$216	5 th of 24	82.6%
2008	\$186	5 th of 22	81.0%
2005	\$192	6 th of 23	77.3%
2002	\$174	6 th of 31	83.3%
1999	\$170	9 th of 30	72.4%
1996	\$167	8 th of 29	75.0%

* Indicates percent of agencies with higher rates.

Debt per Capita (person)*

Los Angeles	\$149	Chicago	\$528	Cincinnati	\$1,131
Newark	\$174	Philadelphia	\$803	Wash. DC	\$1,238
Denver	\$325	Milwaukee	\$839	Cleveland	\$1,548
Phoenix	\$382	Columbus	\$872	Dallas	\$1,934
Orange County	\$388	St. Louis	\$912	Seattle	\$2,263
MCES	\$448	Austin	\$1,010	Boston	\$2,288
Las Vegas	\$471	Sacramento	\$1,025	Atlanta	\$2,486
Virginia Beach	\$509	San Antonio	\$1,074		

* 2017 NACWA survey of 2016 data.

Questions

Link to Survey:

<https://metro council.org/Wastewater-Water/Funding-Finance/Finance-Pubs/Survey-of-Municipal-Residential-Wastewater-Ra.aspx>