

# Information Item: MCES Finance Overview

Ned Smith, Director, ES Finance & Revenue

Environment Committee: April 9, 2019



# MCES Wastewater System



Protects public health and safety



Protects the environment



Fosters the economic growth of the region



## WHO WE SERVE

7-county Twin Cities Metro Area

109 communities

2,700,000+ people

## OUR FACILITIES

8 wastewater treatment plants

610 miles of interceptors

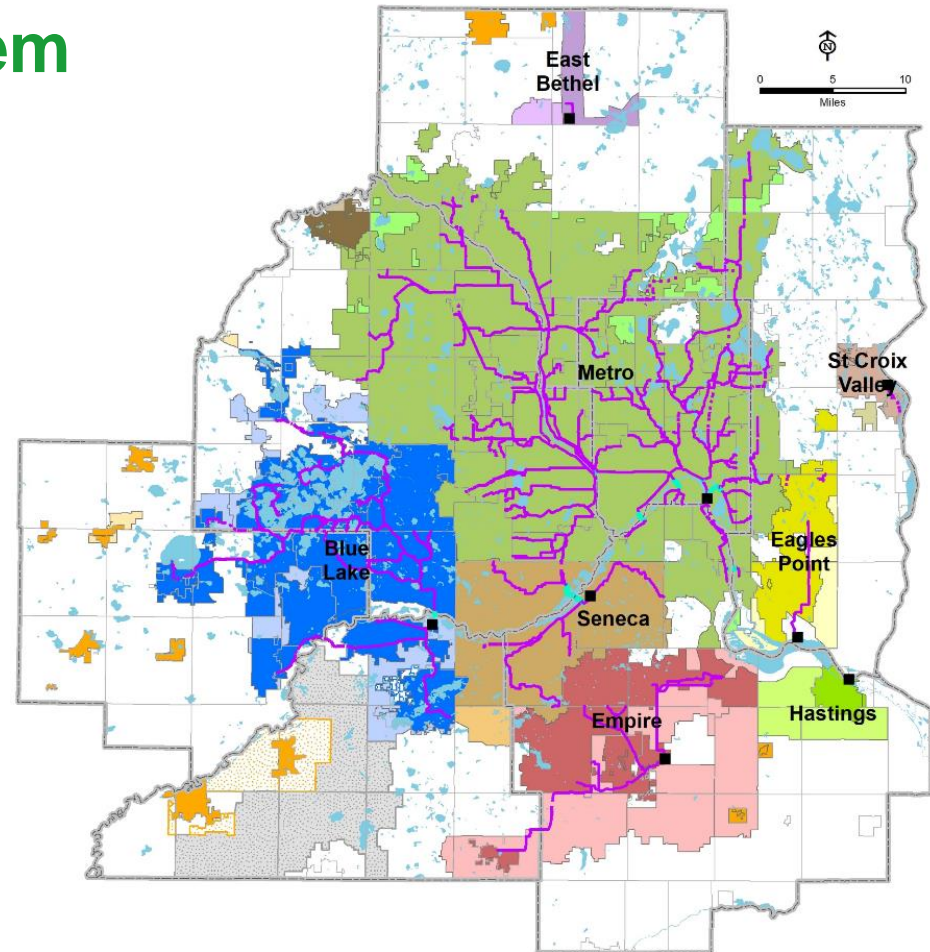
250 million gallons per day (avg)

## OUR ORGANIZATION

600+ employees

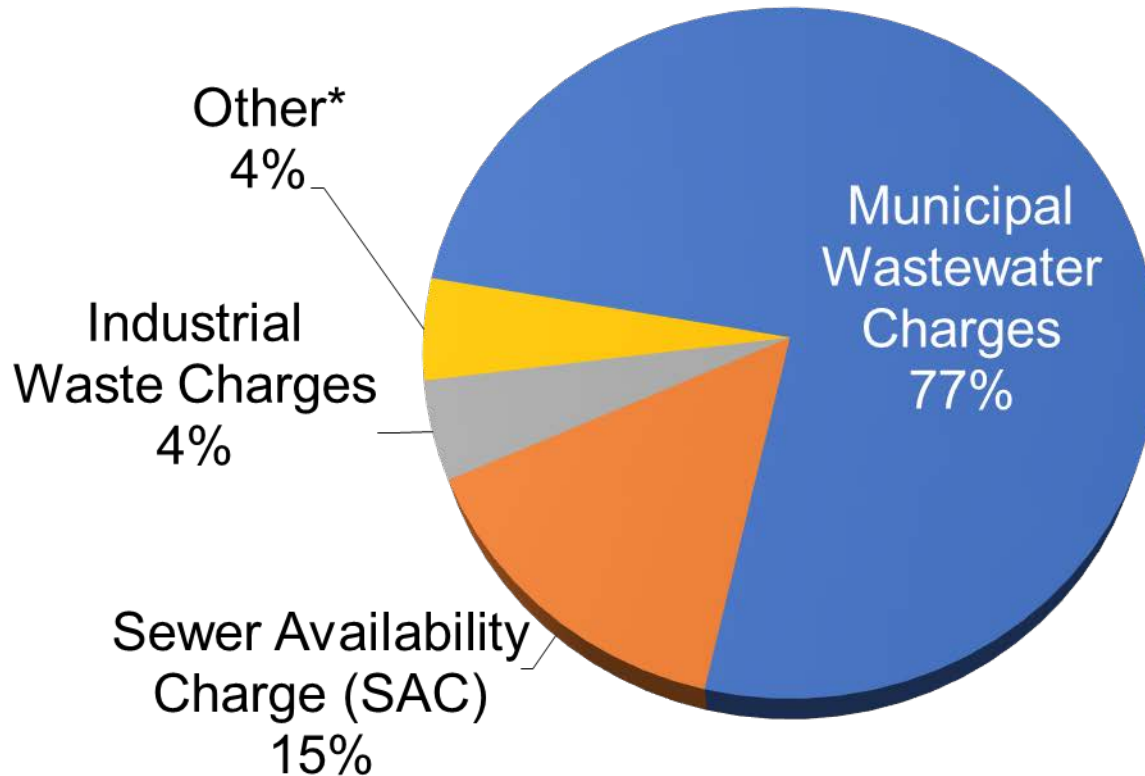
\$7 billion in valued assets

\$150 million / yr capital program



MCES serves ~50% of the State's Population

# 2019 Revenue Sources – \$300M



## Fee-for-service Agency:

- Operation, maintenance, rehabilitation 100% user financed
- No Federal Funds
- No State Funds
- No Council Funds (except grants)
- Cannot fund other council operations

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

# 2019 Executive Summary

## • Sources & Rates

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

Commitment to our customers to keep our overall revenue increase below 4%

## • Uses

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

MCES has had several years of surpluses – allowing use of the reserve for rate relief



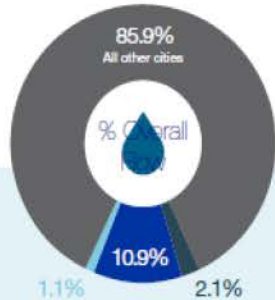
# MWC Increase $\neq$ Communities' Increase



## How is your community's MWC determined?

### 3 PRIMARY FACTORS IMPACT A COMMUNITY'S MWC:

- Regional Flow Volume
- Community Flow Volume
- Regional MWC budget



#### CITY A

1.1% of flow → 1.1% RWC  
 $\$227.4M \times 0.011 = \$2.53M$

#### CITY B

10.9% of flow → 10.9% RWC  
 $\$227.4M \times 0.109 = \$24.76M$

#### CITY C

2.1% of flow → 2.1% RWC  
 $\$227.4M \times 0.021 = \$4.78M$

### FLOW & CHARGES OVER TIME EXAMPLE

	2018 RWC	2019 RWC	% CHANGE IN MWC BUDGET
	\$219.7M	\$227.4M	+3.5%
2018 REGIONAL FLOW	90,748 MG	90,000 MG	% CHANGE REGIONAL FLOW
			-0.8%
CITY A			% CHANGE IN MWC
SAME VOLUME	CITY A FLOW 1,000 MG ↓ 1.1% PERCENT OF REGIONAL FLOW	CITY A FLOW 1,000 MG ↓ 1.1% PERCENT OF REGIONAL FLOW	+4.4%
CITY B			% CHANGE IN MWC
LESS VOLUME	CITY B FLOW 10,000 MG ↓ 11.0% PERCENT OF REGIONAL FLOW	CITY B FLOW 9,800 MG ↓ 10.9% PERCENT OF REGIONAL FLOW	+2.3%
CITY C			% CHANGE IN MWC
MORE VOLUME	CITY C FLOW 1,815 MG ↓ 2.0% PERCENT OF REGIONAL FLOW	CITY C FLOW 1,890 MG ↓ 2.1% PERCENT OF REGIONAL FLOW	+8.7%

\*2019 Regional Flow is estimated to be approximately 90,000 MG.

# Intercommunity Service Agreements



# Your Community's MWC...

## City of Plymouth 2018 Municipal Wastewater Charge (MWC) Determination

For the 2018 Cost Allocation Year, the total regional wastewater flow was 90,764.29 million gallons and the MWC to be allocated for the region is \$219,710,263. The table below shows the wastewater flow data used to determine the 2018 MWC, or annual charge, for your community.

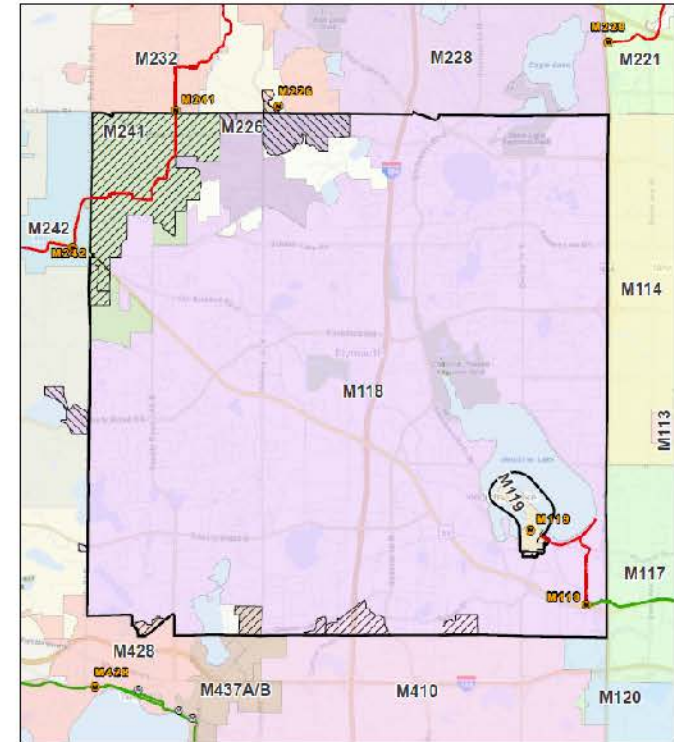
Metered Flow	2,405.40	million gallons (MG)
Unmetered Flow (see below)	56.66	MG
2018 Flow Allocation	2,462.06	MG
Percentage of Regional Flow	2.71%	percent (%)

The total flow for your community represents 2.71258664% of the regional flow. Your annual charge was calculated by multiplying your percentage of regional flow by the total MWC for the region, resulting in a 2018 annual charge of \$5,959,831.23. This is an increase of 5.27% from the previous year, including the overall MWC budget increase of approximately 3.7%.

The table below includes the calculated, unmetered wastewater flows used to adjust the metered flow for your community. For unmetered flow calculations that rely on residential equivalent connection (REC) counts, the assigned wastewater generation rate varies between 60,000 and 100,000 gallons/year/REC based on historical community responses to wet weather, age of services, and other available data.

Additions						
Flow To	Calculation/Description	1 <sup>st</sup> Q	2 <sup>nd</sup> Q	3 <sup>rd</sup> Q	4 <sup>th</sup> Q	Notes
Wayzata	30 x 100,000	0.75	0.75	0.76	0.76	
Minnetonka	(75 REC + 1) x 100,000 + Water use records	4.45	4.77	4.78	4.62	Plymouth data
Maple Grove	(217 REC + 137 REC) x 100,000	8.83	8.83	8.92	8.92	
	Sum of Adds	15.74				MG
Deductions						
Flow from	Calculation/Description	1 <sup>st</sup> Q	2 <sup>nd</sup> Q	3 <sup>rd</sup> Q	4 <sup>th</sup> Q	Notes
Minnetonka	1 SFU x 80,000	-0.02	-0.02	-0.02	-0.02	
Medicine Lake	(2 SFU + 1 Comm.) + (3 REC @ 100 days) x 100,000	-0.10	-0.10	-0.10	-0.10	100 weekend days for Catering Hall
	Sum of Deducts	-0.48				MG
	Unmetered Flow Total	56.66				MG

May 16, 2017



City of Plymouth MCEs Facilities

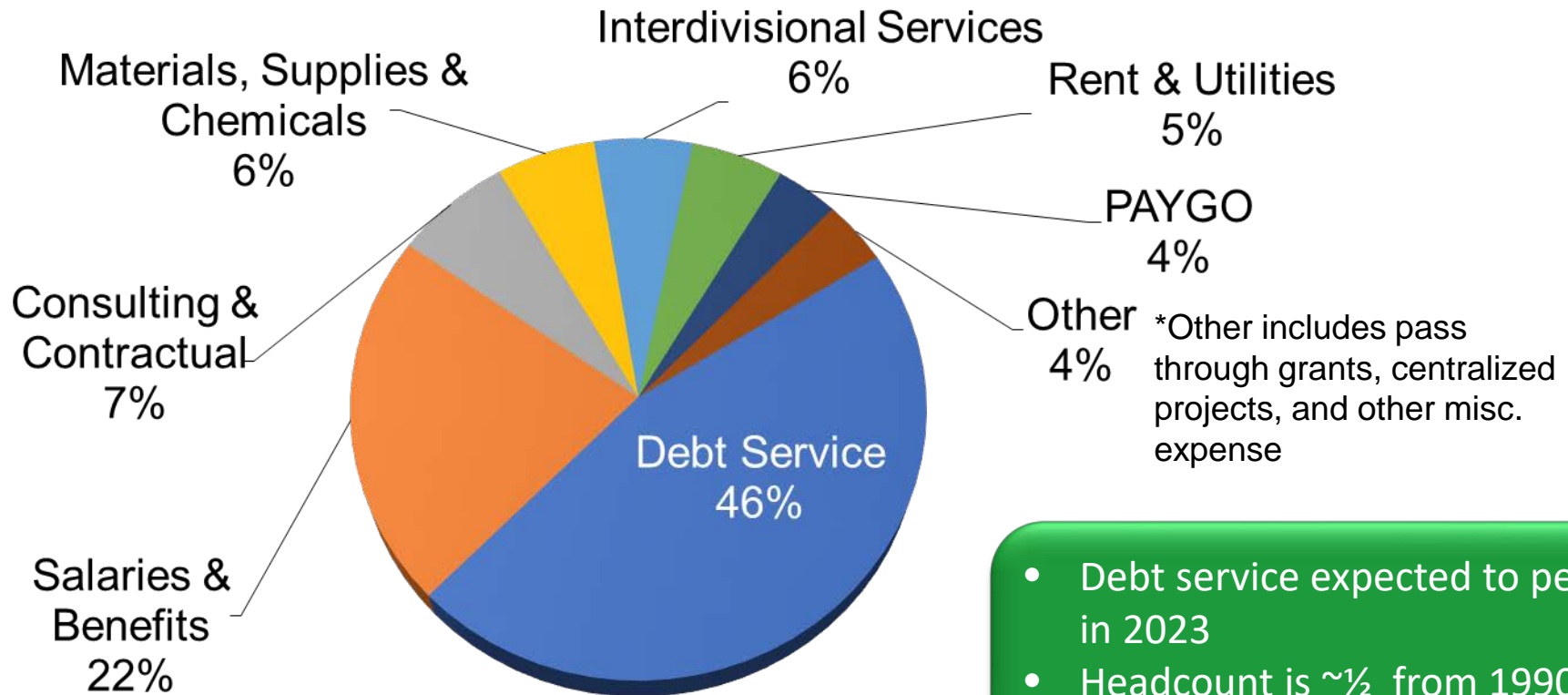


4/27/2017





# 2019 Uses by Category – \$300M

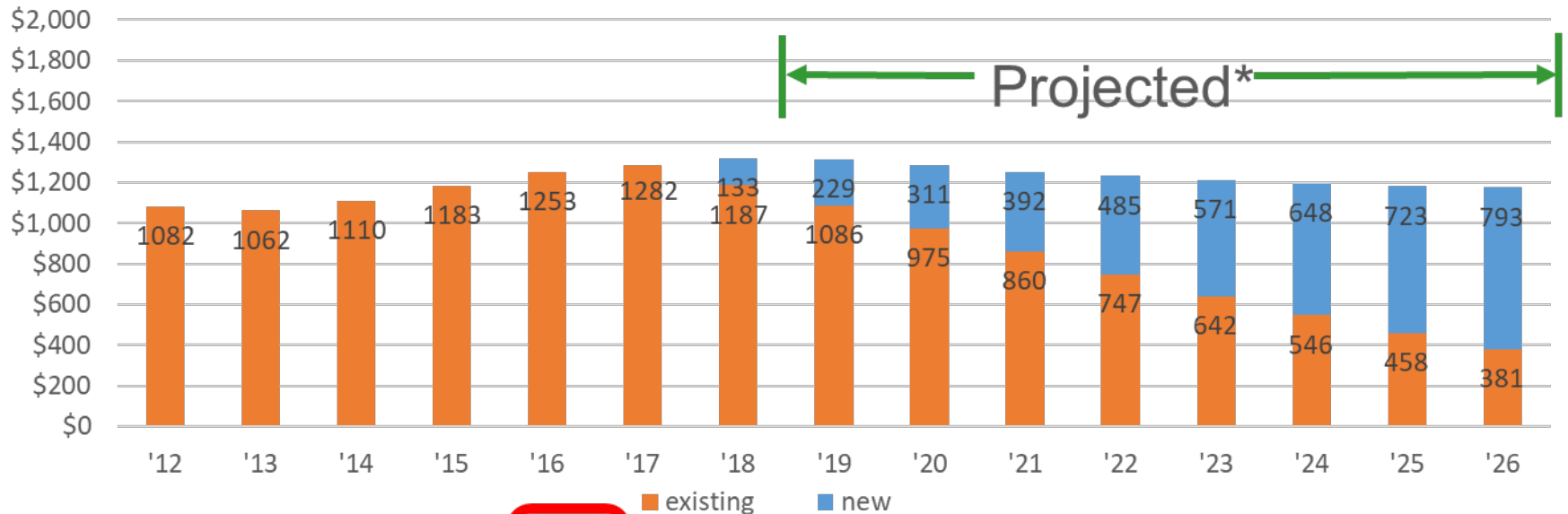


- Debt service expected to peak in 2023
- Headcount is ~½ from 1990s
- Headcount will grow 1-2% with Rogers and other additions



# Wastewater Outstanding Debt

(\$ in millions)

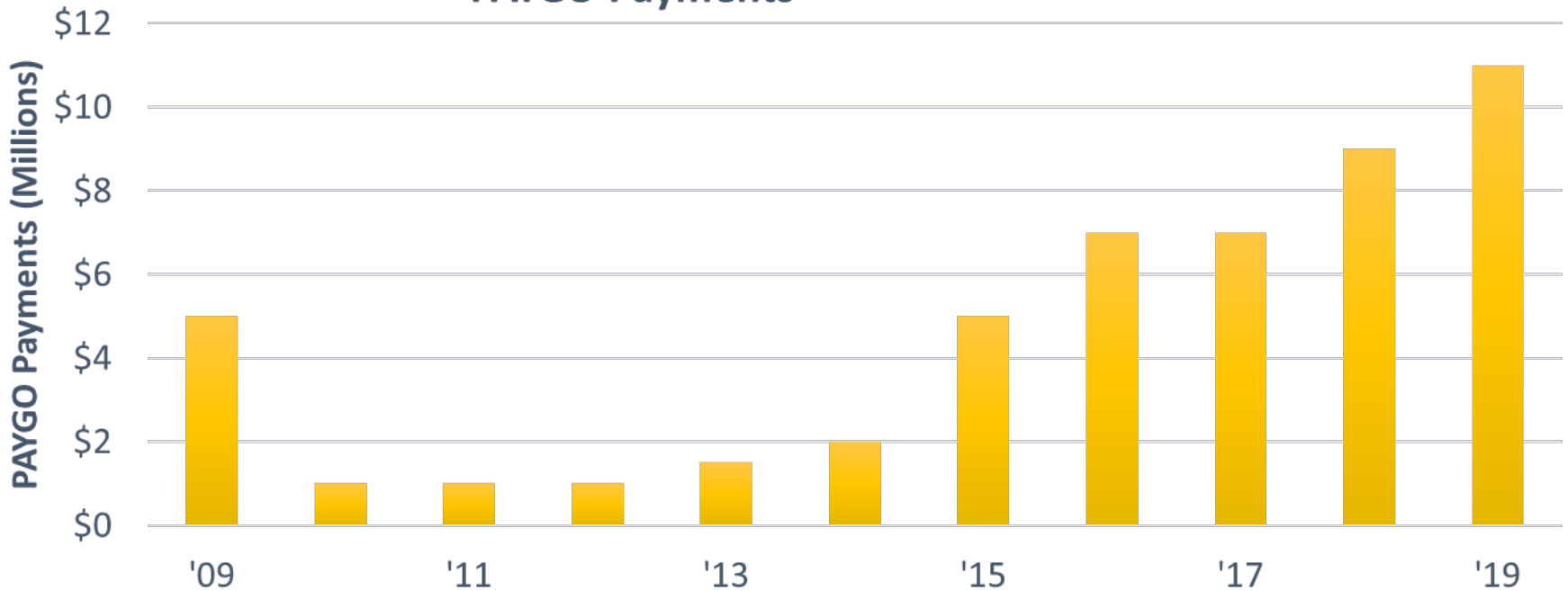


	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total (in millions)	\$1,320	\$1,315	\$1,286	\$1,252	\$1,232	\$1,213	\$1,194	\$1,181	\$1,174

- Debt provides generational equity
- Term is 20 years with a fixed rate
- Debt is General Obligation Council bonds (Wastewater specific); ~3% interest rate and MN Public Facilities Authority subsidized (via Federal State Revolving Funds) loans; ~1.75%

# Pay-As-You-Go (PAYGO)

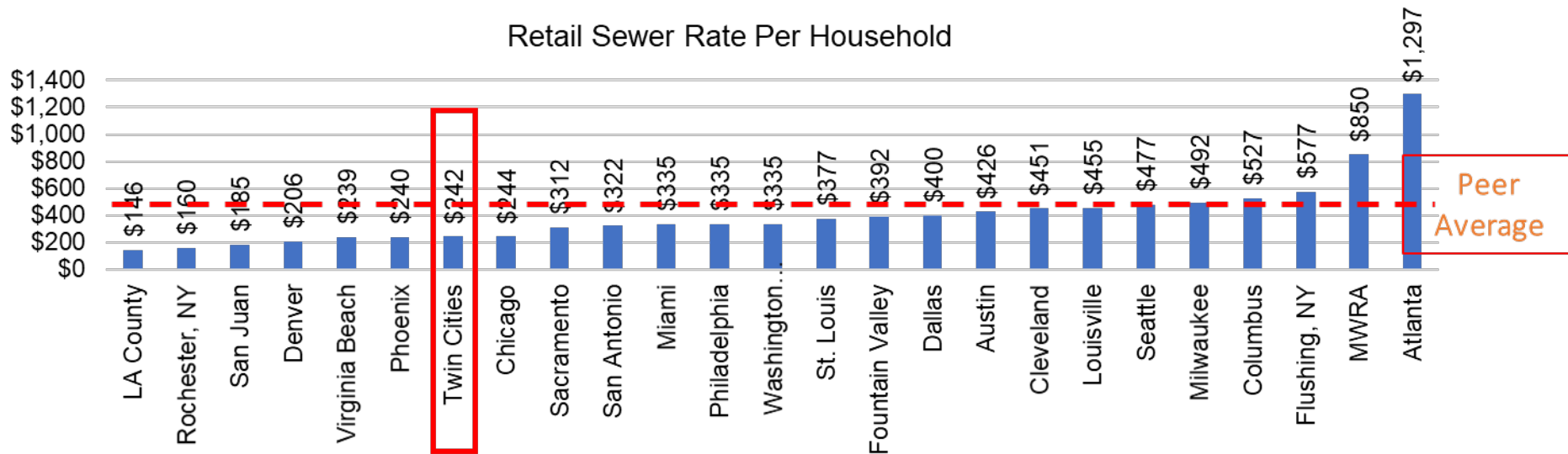
PAYGO Payments



- PAYGO uses operating \$ to pay for capital items that would have required debt
- PAYGO saves approximately \$300K per \$1M spent

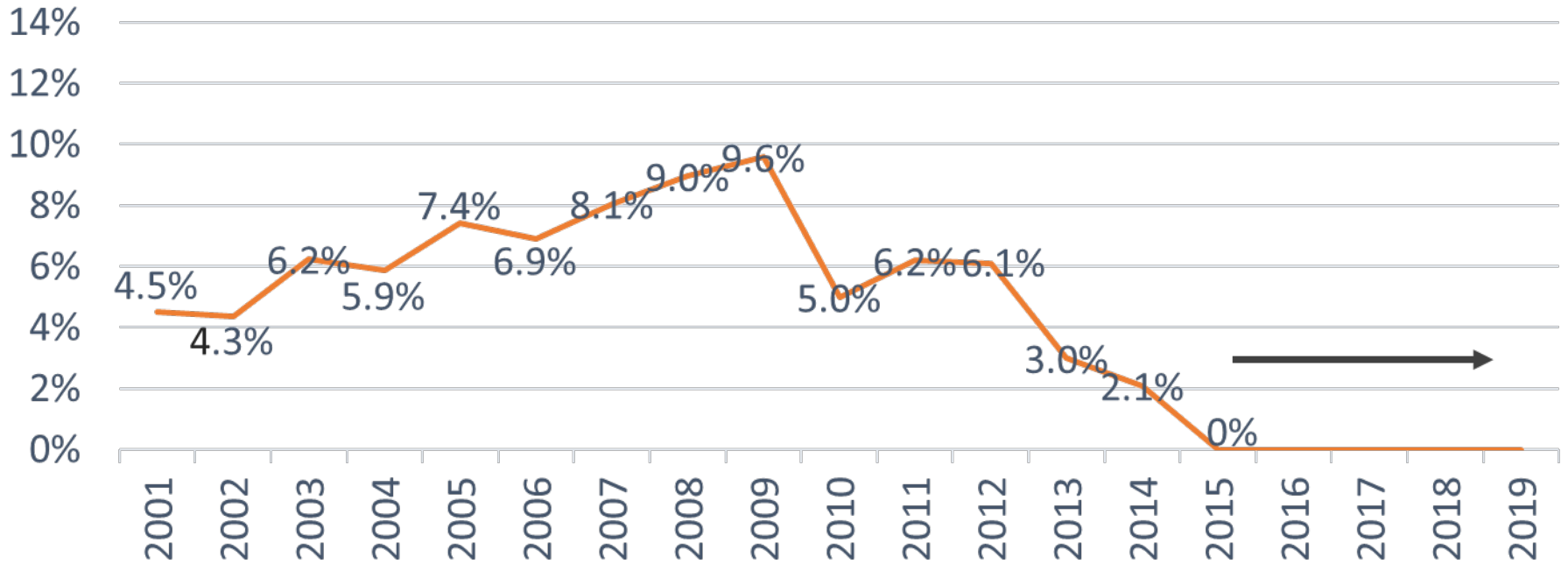
# Comparative Information

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



- Retail rates are 40% lower than the national average for peer agencies
- Competitive advantage for the region
- Industrial rates are also competitive

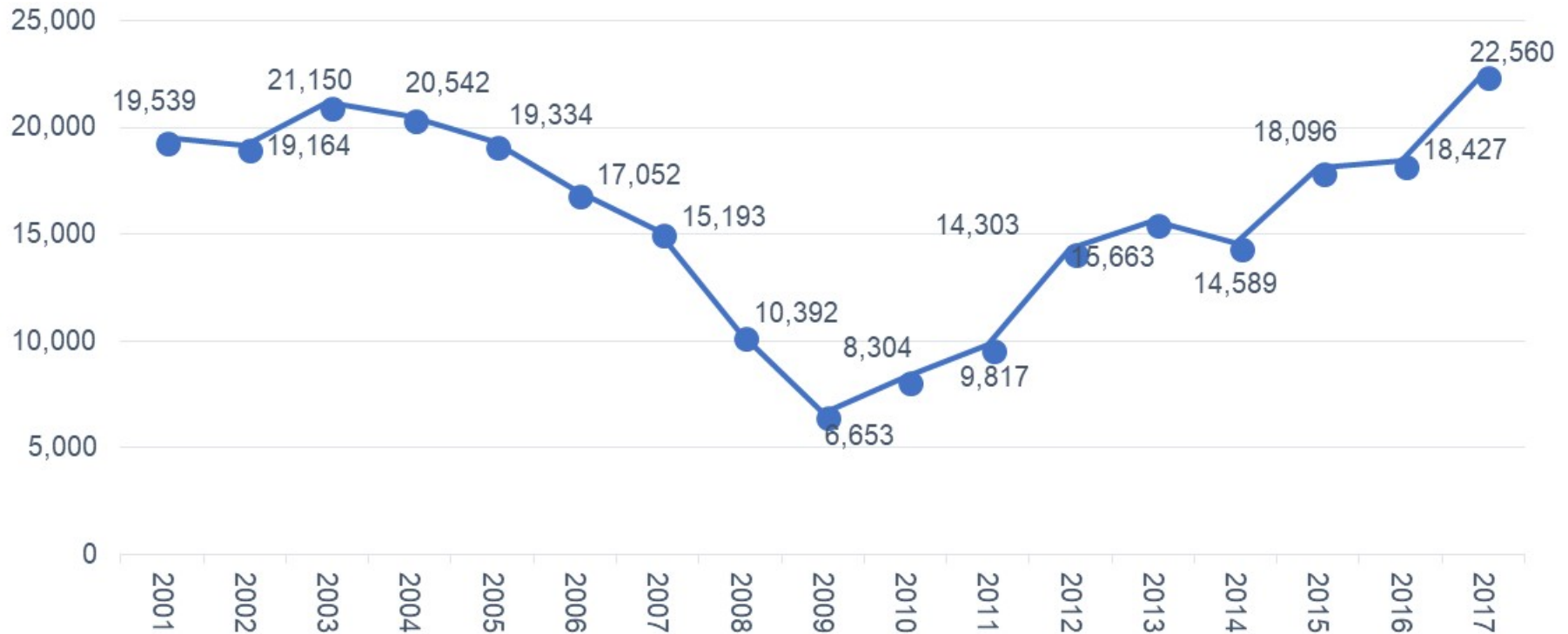
# Historical SAC Rate Increases (%)



- SAC has stayed flat at \$2,485 per unit since 2014
- 2020 is expected to remain flat for the 6<sup>th</sup> year

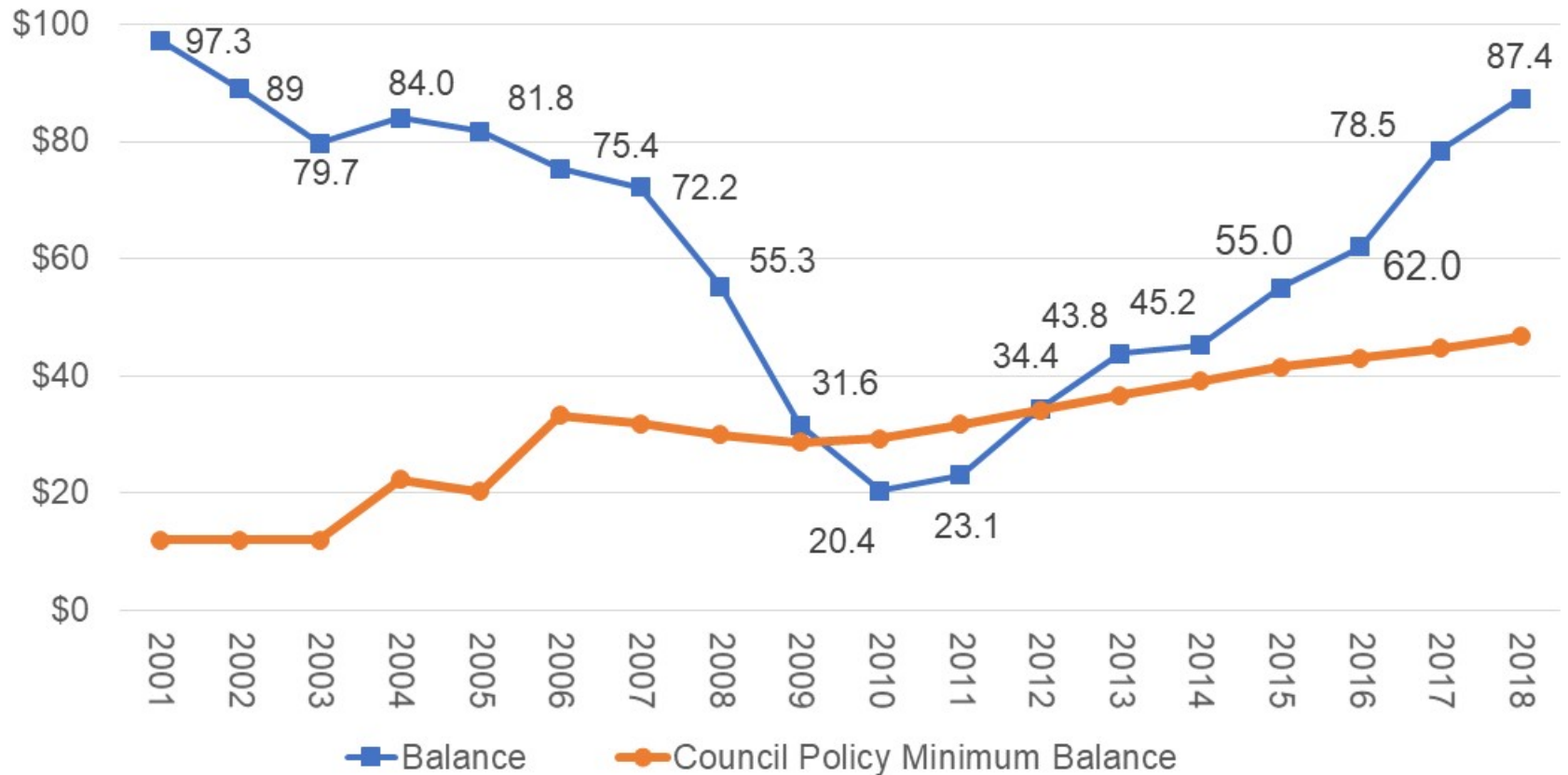


# SAC Units: Recovering



- Flat SAC rates are the result of robust growth in the region
- Growth is expected to slow in 2019 and beyond
- Increase expected in 2022 or 2023

# SAC Reserve Fund



2006-2010 recession is a reminder of how quickly the reserve can fall

# 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*

The rate schedule provides multiple input opportunities for customers to provide feedback and influence on the annual budget

# Questions

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