

Information Item: MCES Budget Concepts, Rates, and Workshops

Ned Smith, Director, ES Finance & Revenue

Environment Committee: May 14, 2019



2020 Executive Summary

- **Proposed Sources & Rates**

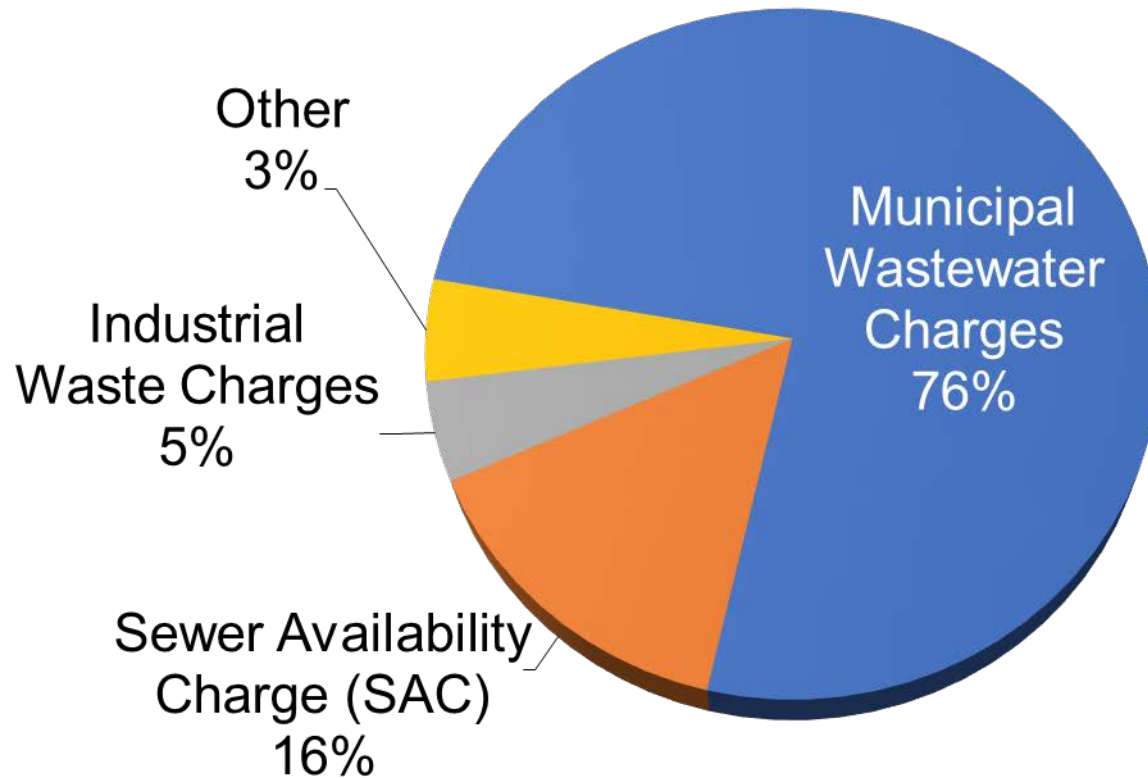
- Wastewater charge: 3.6%
- Sewer Availability Charge: No Increase
- Industrial Strength Charge: 4.9%
- Industrial Permit Fee: ~3.6%

- **Proposed Uses**

- 1.9% increase over 2019*

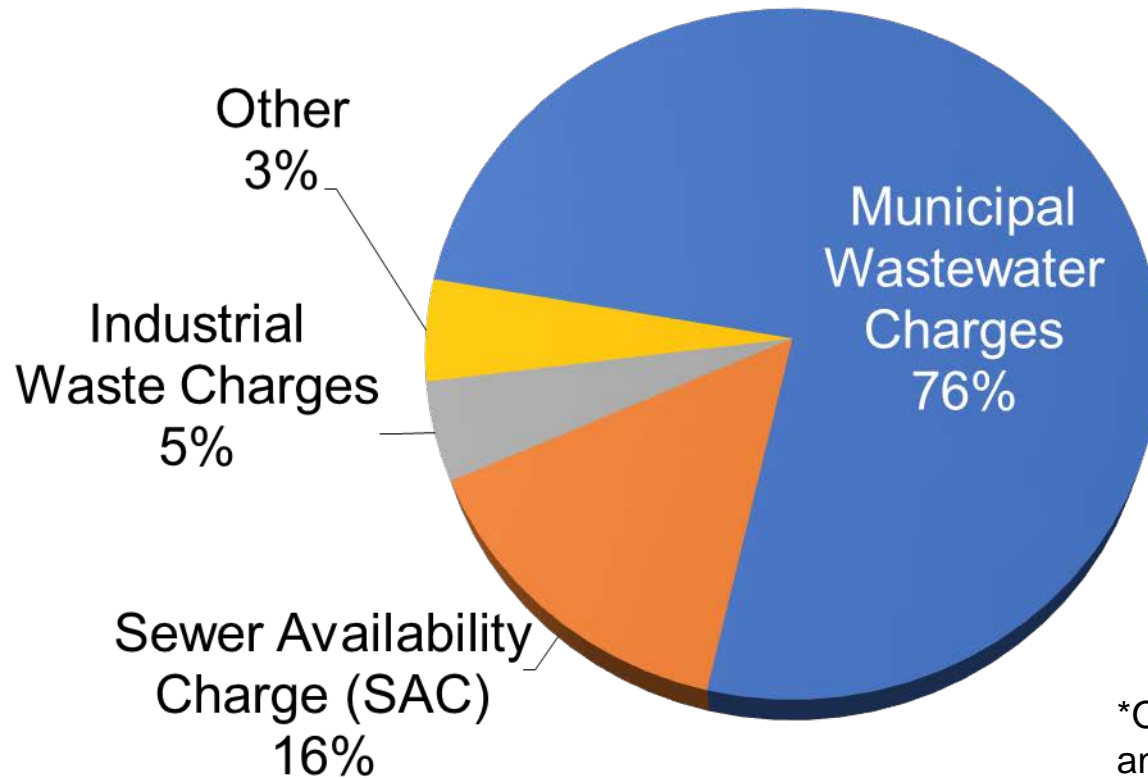
* 4.8% increase excluding 2019 Inflow and Infiltration (I/I) pass thru grants

2020 Proposed Revenue Sources – \$311M



*Other includes OPEB (Other Post Employment Benefit) adj., Investment Earnings, and \$3.5M use of Reserves

2020 Proposed Uses by Category – \$311M



*Other includes centralized projects, and other misc. expense

MCES Proposed Operating Budget

\$ in millions

Category	2018	2019	2020**	% Change ('20 v. '19)
SOURCES				
Municipal Wastewater Charges	219.7	227.4	235.6	3.6%
Industrial Charges	13.7	14.0	14.4	3.2%
Transfer from SAC Fund	41.9	44.3	48.2	8.8%
Other Sources ¹	12.1	19.4	12.6	-35.0%
TOTAL	287.4	305.1	310.8	1.9%

Category	2018	2019*	2020**	% Change ('20 v. '19)
USES				
Labor	66.1	67.0	70.7	5.5%
Contracted Services	21.5	18.2	18.4	1.1%
Materials & Supplies	10.1	8.7	8.5	-2.3%
Chemicals	8.7	8.7	8.6	-1.1%
Utilities	15.9	16.2	18.4	13.6%
Debt Service	131.0	139.0	148.0	6.5%
Capital Outlay	3.2	2.3	1.6	-30.4%
Central Services	16.6	17.0	17.5	2.9%
PAYGO (Capital Projects)	9.0	11.0	11.0	0.0%
Other Expenses ²	5.3	17.0	8.1	-52.4%
TOTAL	287.4	305.1	310.8	1.9%

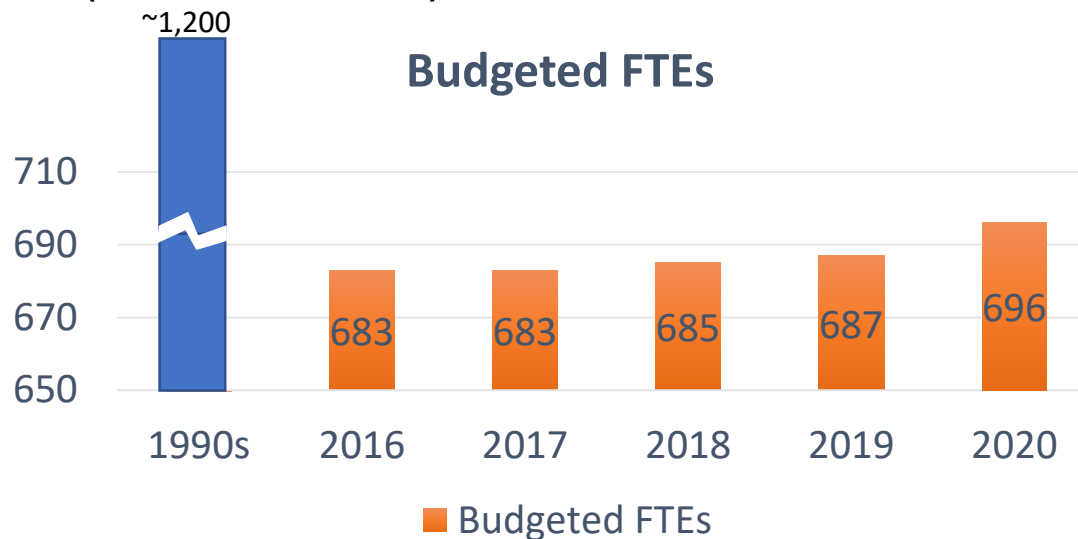
* 2019 does not include carryforward adjustments

** Preliminary

1. Includes OPEB adjustment, investment earnings, and \$3.5M use of reserves (\$2.7M use of reserves was budgeted in 2019).
2. Includes pass-through grants from state appropriations, centralized project funds, and training/travel.

Proposed Budget: Labor

- Labor Costs
 - 667 Regular Full Time Equivalents (FTEs)
 - 696 FTEs including Overtime (OT)
 - Vacancy Factor = 30 FTEs
 - General salary increases, plus medical
 - FTE increases for Rogers acquisition and other programs
- Risk Factors: attrition rates, workforce planning, and health care costs (self-insured)



Proposed Budget: Debt Service (DS)

Change:
+\$9.0M
or 6.5%

Debt Service Transfer

- 2019 \$139.0M
- 2020 \$148.0M

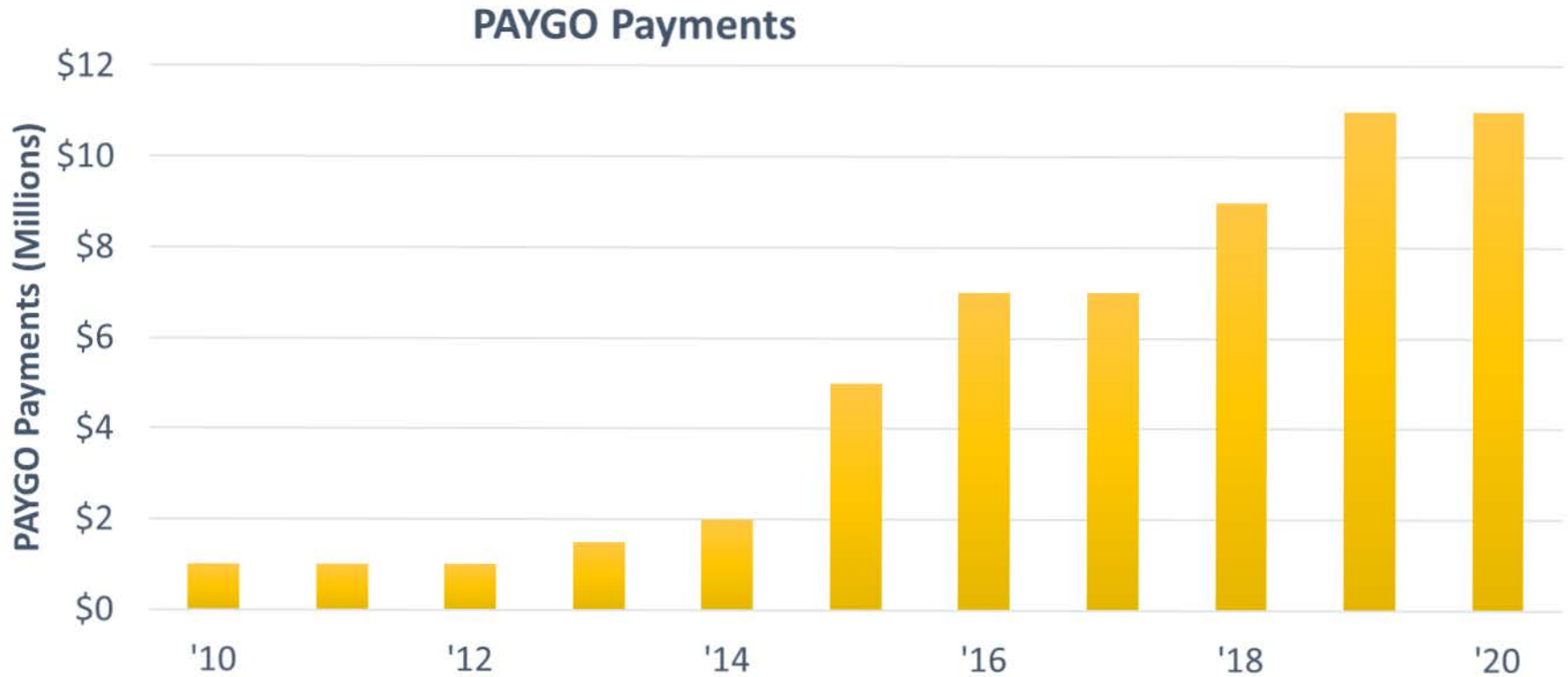
Change:
\$0.0M

PAYGO

- 2019 \$11.0M
- 2020 \$11.0M*

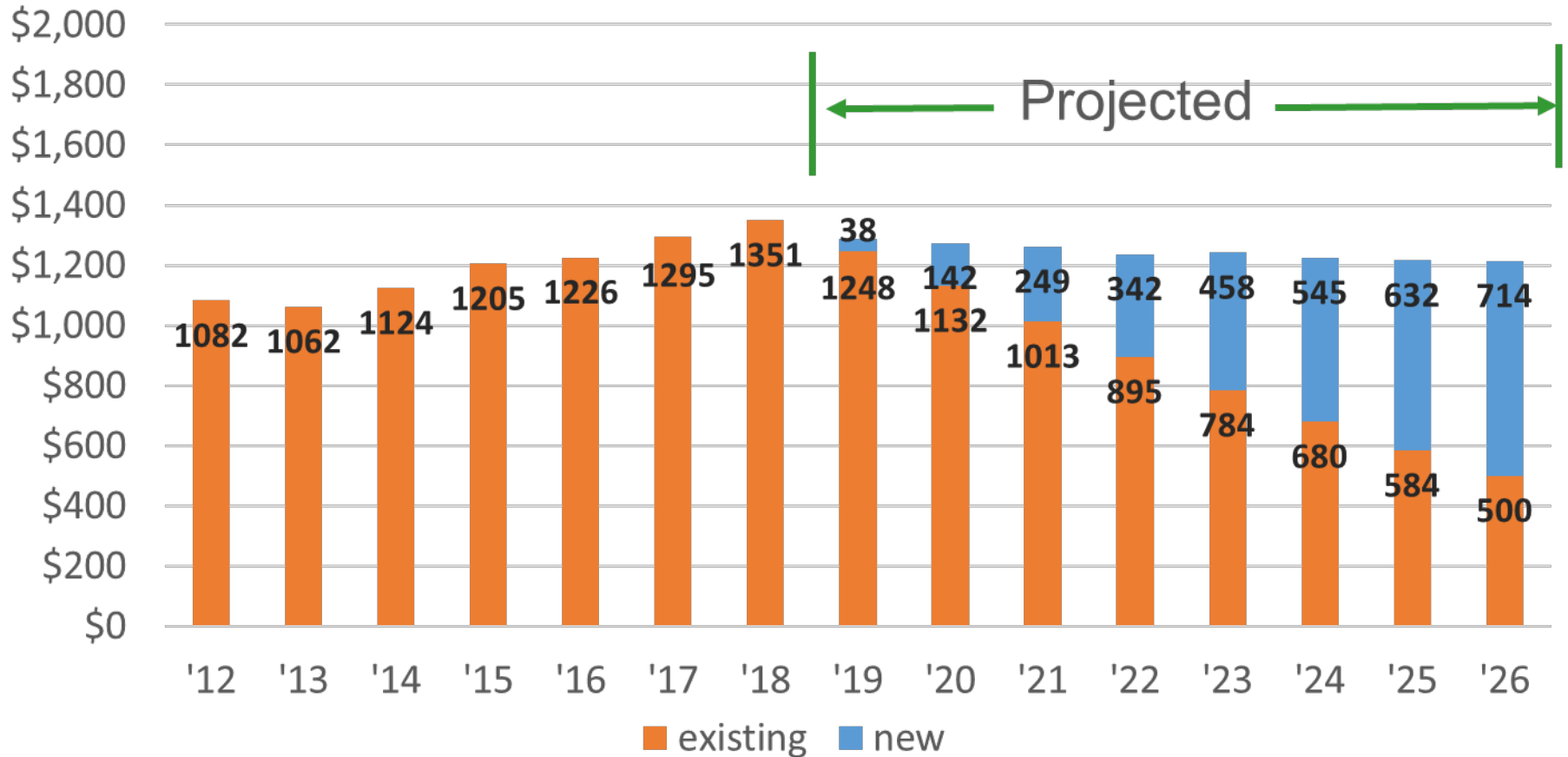
- Risk Factors
 - Capital spending increases (e.g., regulatory)
 - Interest rate increases on new debt (Public Facilities Authority loans and General Obligation bonds)

Proposed Pay-As-You-Go (PAYGO)



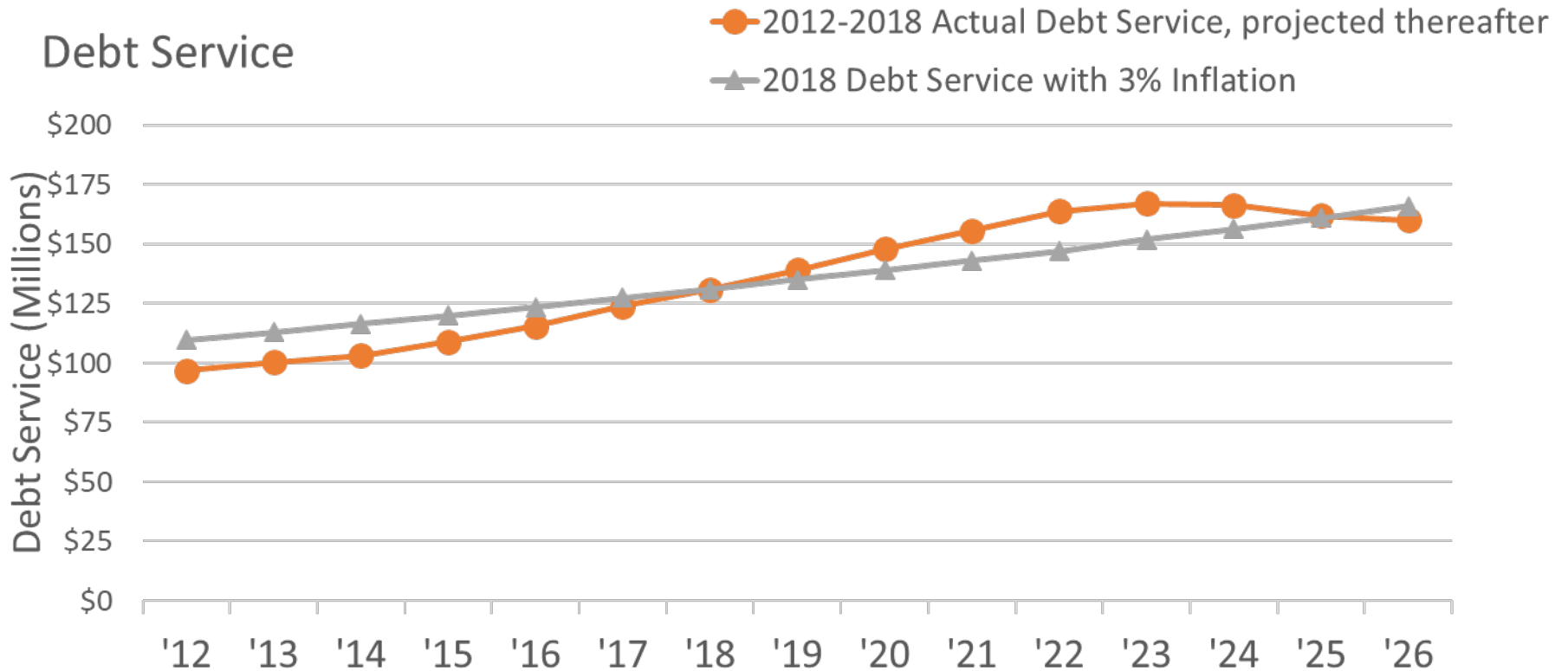
Wastewater Outstanding Debt

(\$ in millions)



	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total (in millions)	\$1,351	\$1,286	\$1,274	\$1,262	\$1,237	\$1,242	\$1,225	\$1,216	\$1,214

Projected Debt Service

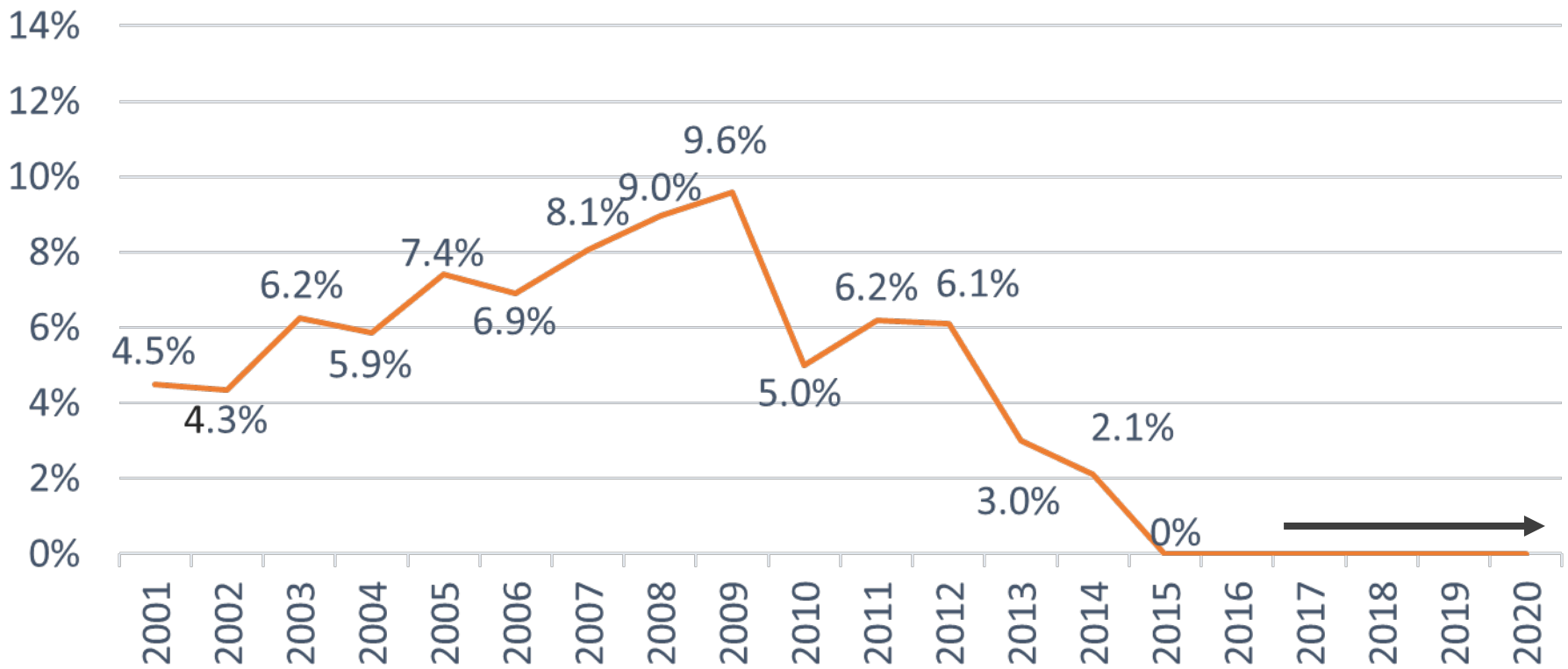


Peer Agency Debt per Capita*

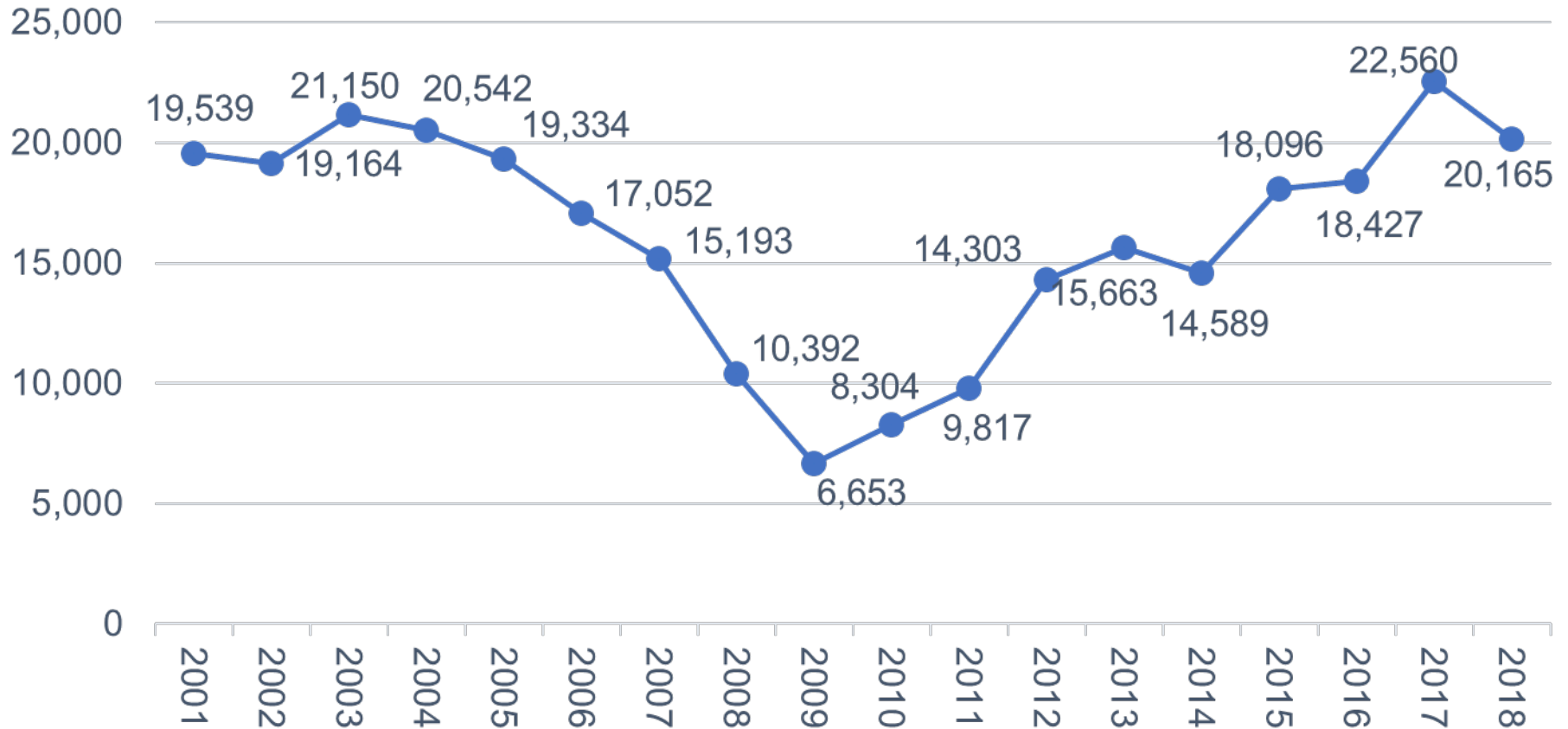
Los Angeles	\$149	Chicago	\$528	Cincinnati	\$1,131
Newark	\$174	Philadelphia	\$803	Wash. D.C.	\$1,238
Denver	\$325	Milwaukee	\$839	Cleveland	\$1,548
Phoenix	\$382	Columbus	\$872	Dallas	\$1,934
Orange County	\$388	St. Louis	\$912	Seattle	\$2,263
MCES	\$448	Austin	\$1,010	Boston	\$2,288
Las Vegas	\$471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

*2016 data from 2017 National Association of Clean Water Agencies (NACWA) survey

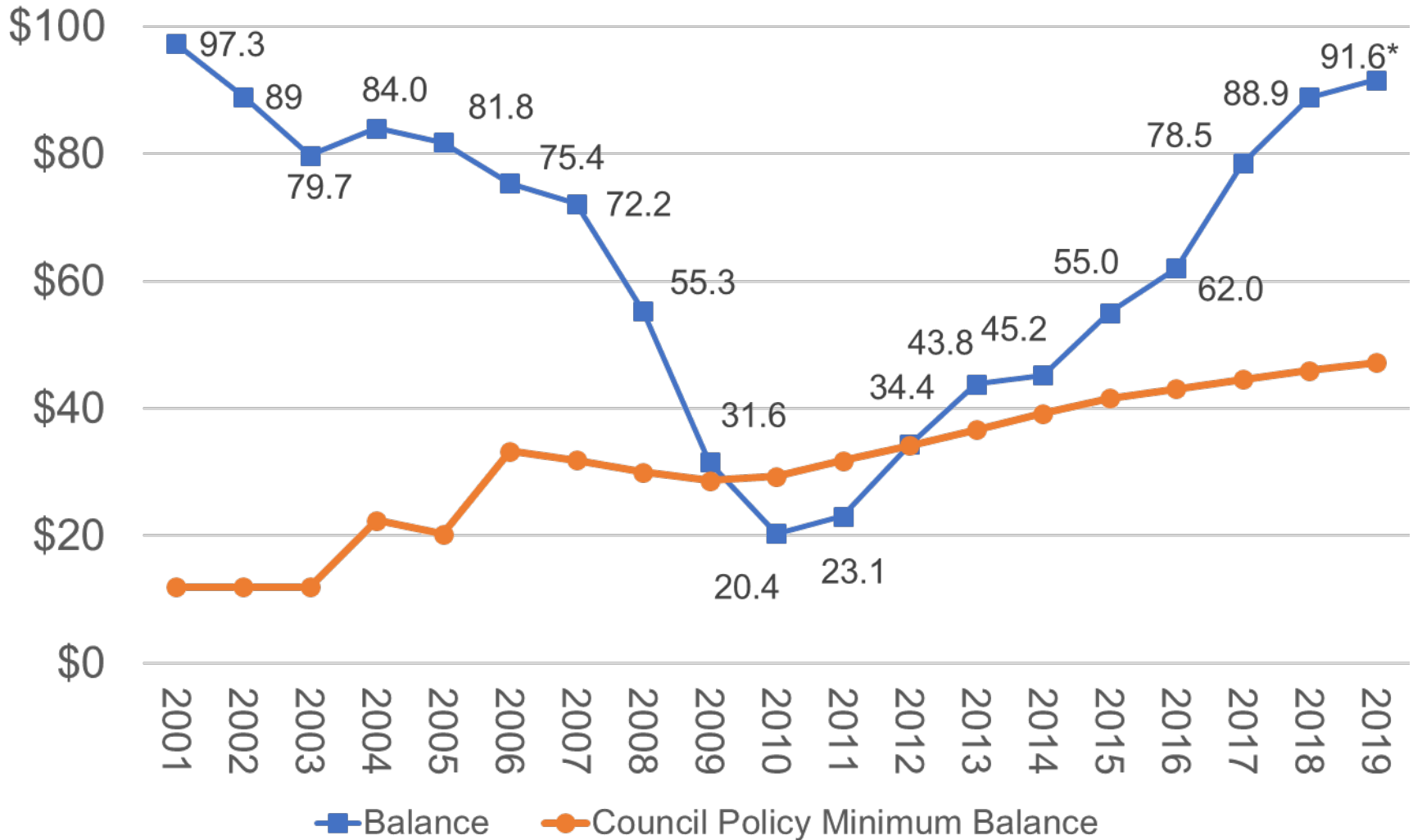
Historical SAC Rate Increases (%)



SAC Units: Recovering



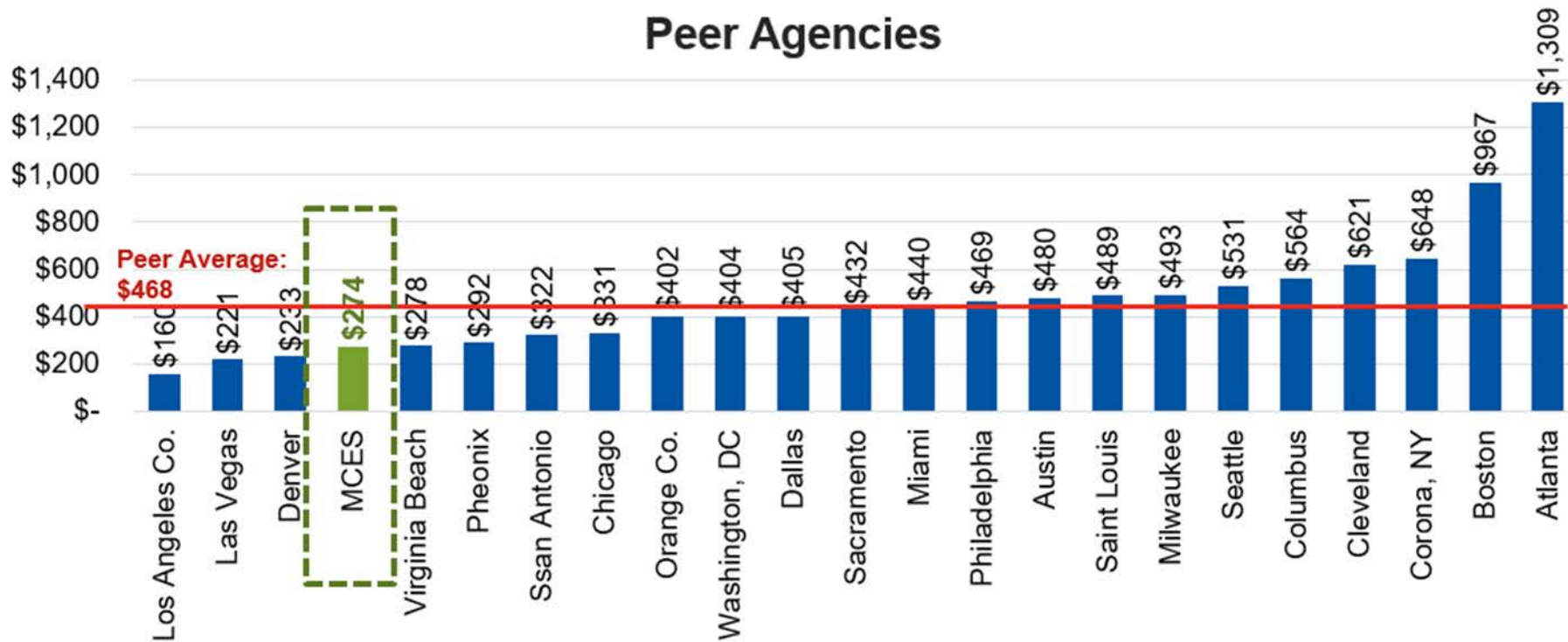
SAC Reserve Fund



* 2019 is projected balance.

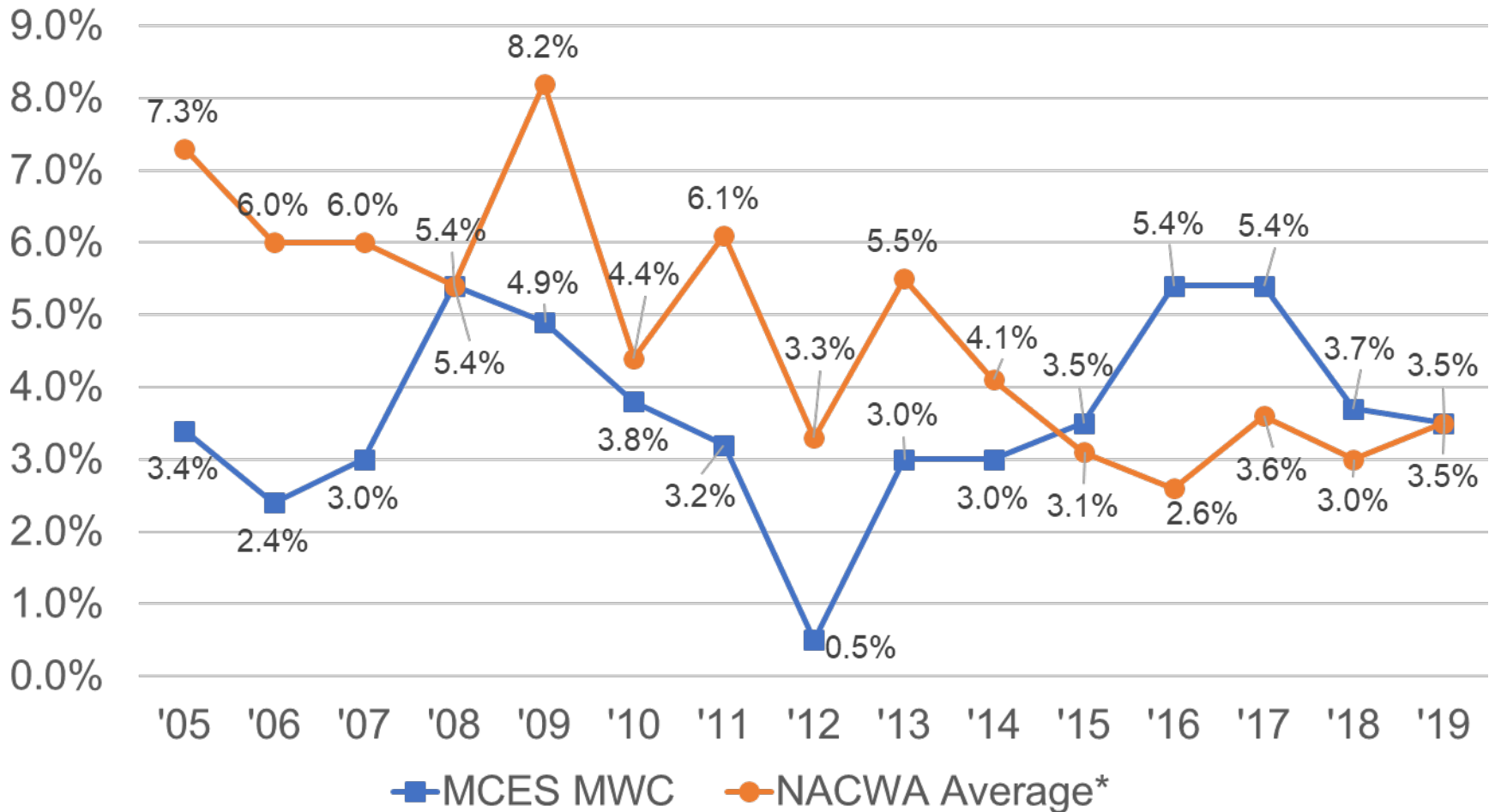
Comparative Information

Average retail sewer rates per household



* 2017 NACWA survey (2016 rates)

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:	{	• 3.6% Increase
2018-2022 Goal:	{	• <4% Increase
Long-Term Goal:	{	• ≤ Inflation Rate

Proposed Industrial Rates

Rate Type	Prelim. 2020	% Increase
Strength Charge (excess lb. TSS*)	\$0.255	4.9
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.)	\$11.29	1.7
Annual Permit Fee	\$1,050-\$10,350	~3.6
General Permit Fee	\$100-\$500	0

**Total Suspended Solids (TSS)*

2020 Rate Setting Schedule

- **Industrial Workshops – Metro 94***
 - March 21: Liquid Waste Haulers
 - April 18: Industrial Waste Customers
 - April 25: Industrial Waste Customers
- May 8: Environment Committee Direction for Public Meetings
- **Municipal Customer Forums***
 - May 23: Minnetonka Community Center
 - June 6: League of MN Cities
- July 9: Environment Committee Review of Customer Input and 2020 Rate Adoption Recommendation
- July 24: Council Rate Adoption
- Aug. 21: Council Preliminary Operating Budget Adoption

* *public input*

Questions

Ned Smith, Director, ES Finance & Revenue
651-602-1162
ned.smith@metc.state.mn.us