



Information Item: Metropolitan Council Environmental Services Preliminary Budget, Rates, and Workshops

Matt Gsellmeier, Budget Manager

Environment Committee: May 14, 2024



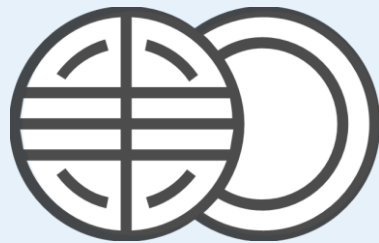
2025 executive summary (vs. 2024)

**Regional
Wastewater
Charge**



5.6%

**Sewer
Availability Unit
Charge**



0%

**Industrial Waste
Strength Charge**



7.1%

**Industrial Permit
Fee**



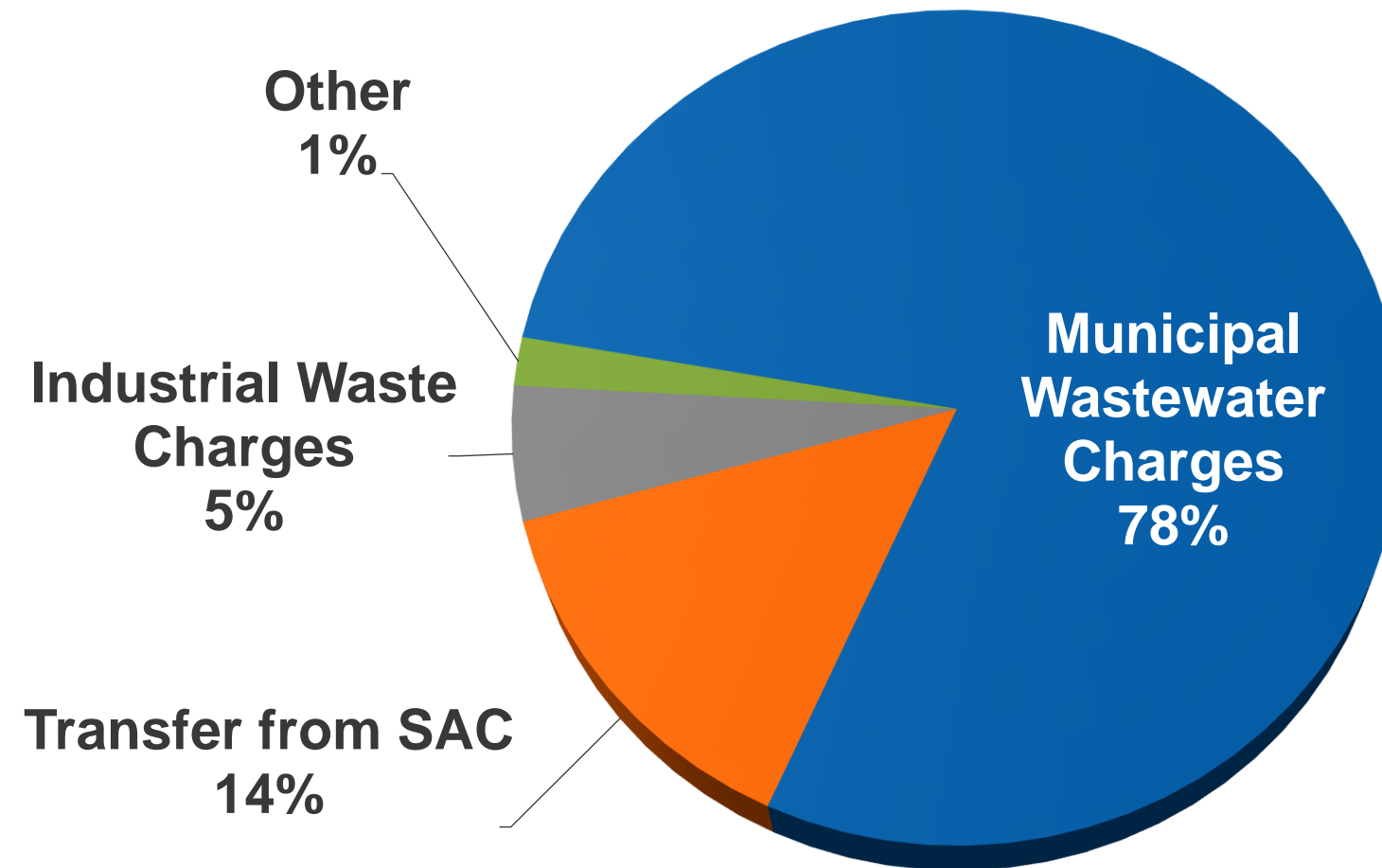
~5.8%

2025 preliminary regional municipal wastewater charge increase drivers

5.6 percent translates to \$15.8M

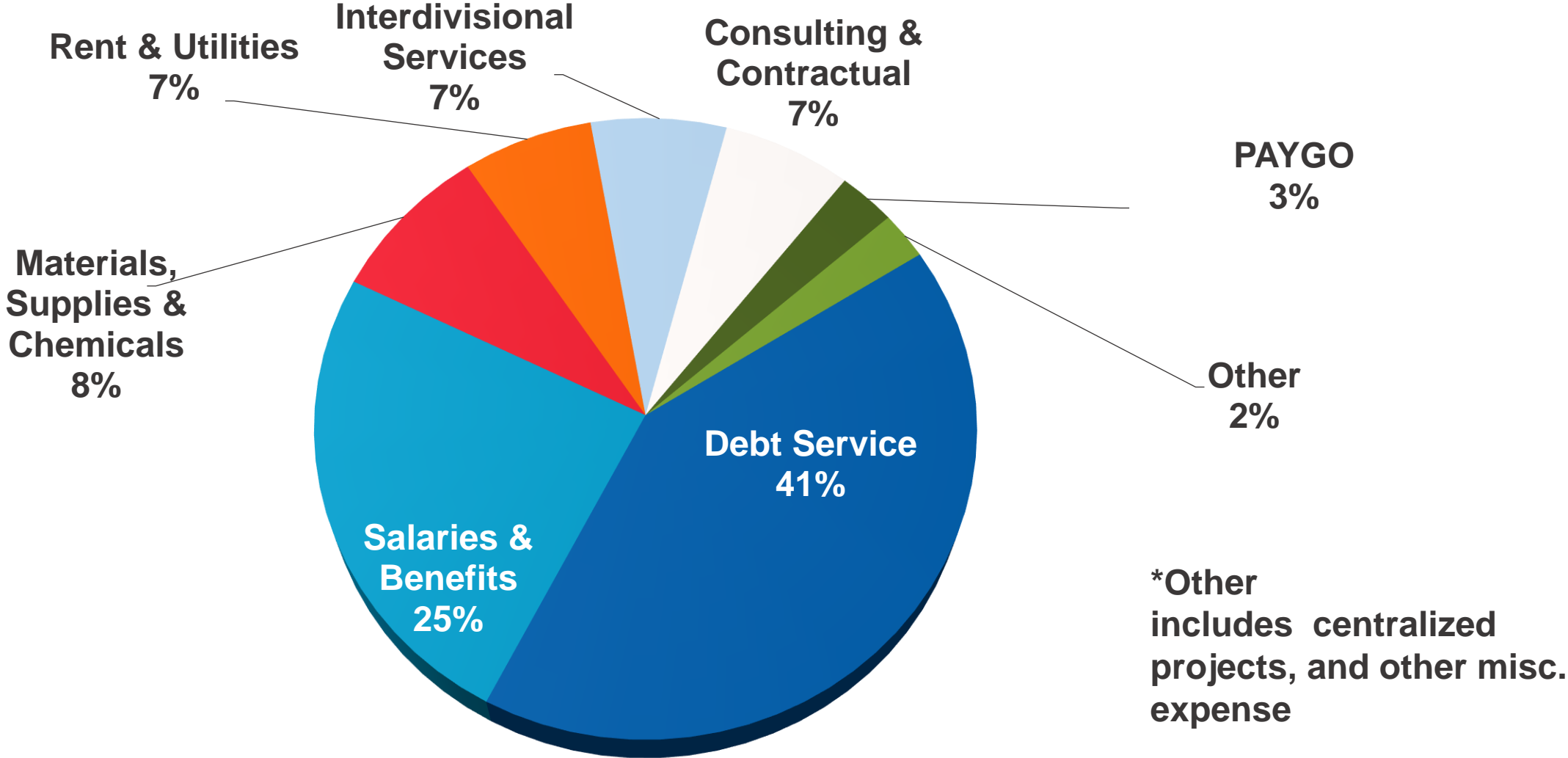
- Labor inflation accounts for 2.4% (\$6.8M)
- Contract services accounts for 1.2% (\$3.4M)
- Interdivisional Charges accounts for 1.1% (\$3.1M)
- Other (mostly grants) accounts for 0.6% (\$.1.7M)
- Materials and supplies inflation accounts for 0.6% (\$1.6M)
- Chemicals and other accounts for -0.3% (-.8M)

2025 Revenue Sources - \$376.9M

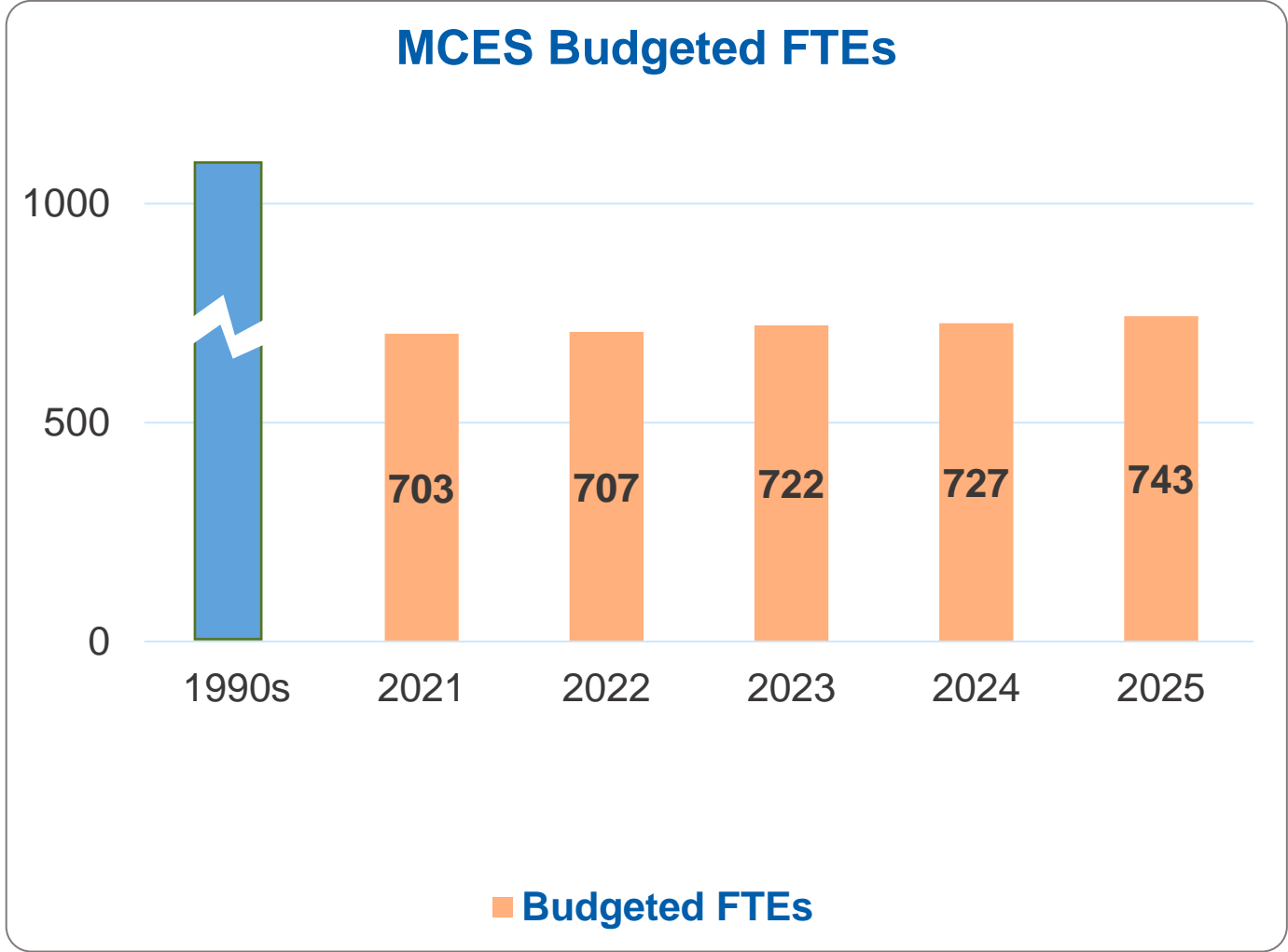


*Other includes \$2.4M use of Reserves

Proposed uses by category - \$376.9M



Proposed budget: labor



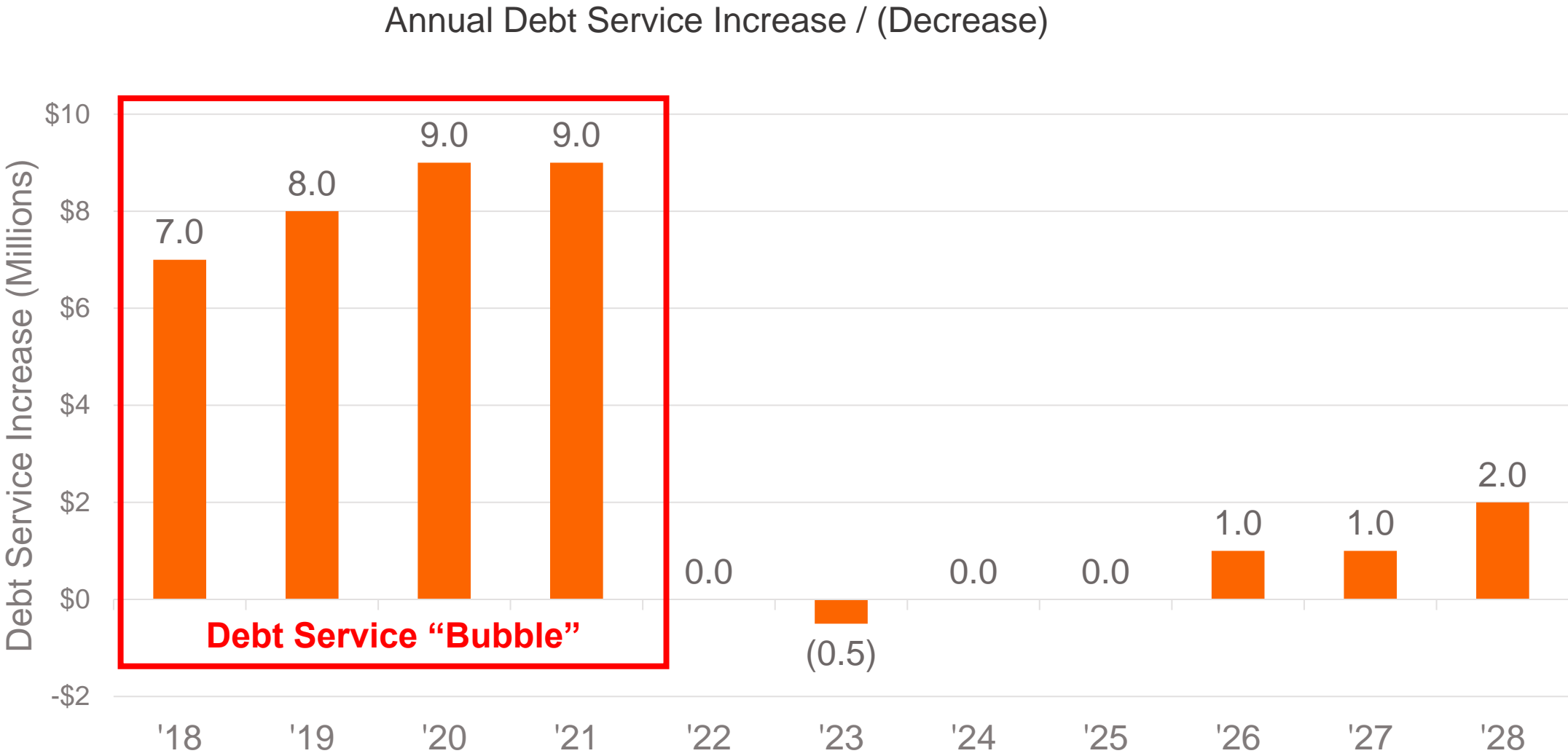
Fulltime Equivalent (FTE) Budget Count

- 716 Regular FTEs
- 743 FTEs Including Overtime
- 30 Budgeted Vacant FTEs

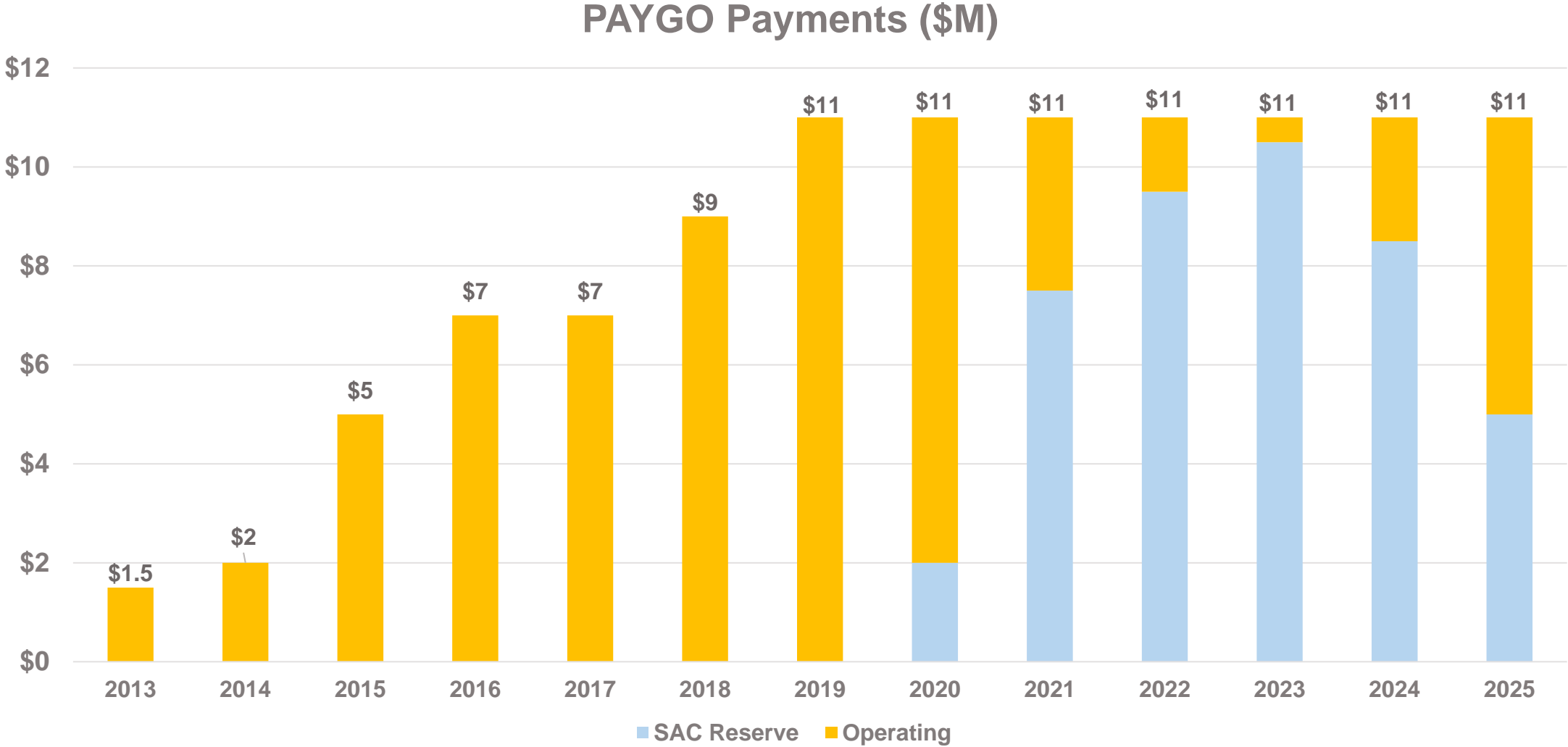
Risk Factors

- Rising wage pressure in response to rising inflation.
- Potential for increased medical expenses
- Potential for higher attrition rates leading to higher than planned vacancies (drives overtime).

Projected Debt Service Change



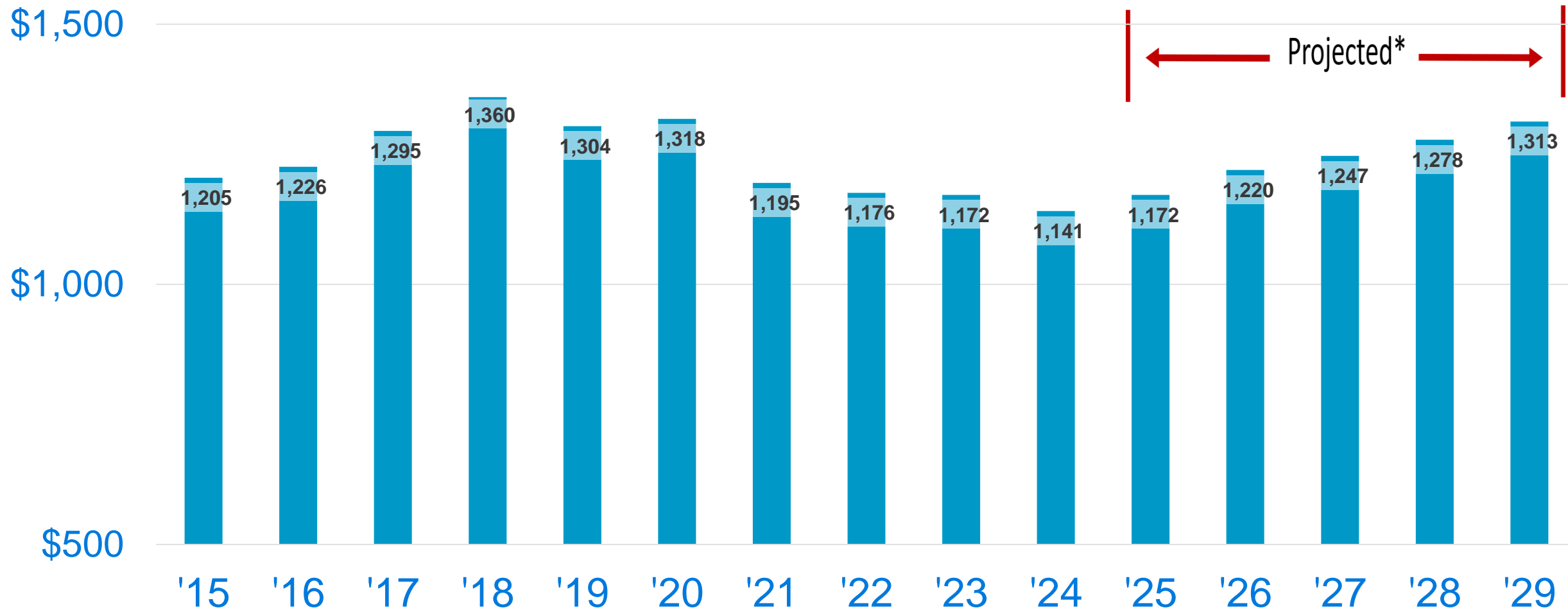
Pay-As-You-Go (PAYGO)



PAYGO is funded from the operating fund except for these amounts funded from the SAC fund: \$2M in 2020, \$7.5M in 2021, \$9.5M in 2022, \$10.5M in 2023, \$8.5M in 2024, and \$5M in 2025.

Wastewater outstanding debt

(\$ in millions)



* Assumes 75% of ACP is spent.

Upcoming May 2024 Bond Sale – AAA, \$61M, 20 year fixed, estimated 3.4% to 3.7%

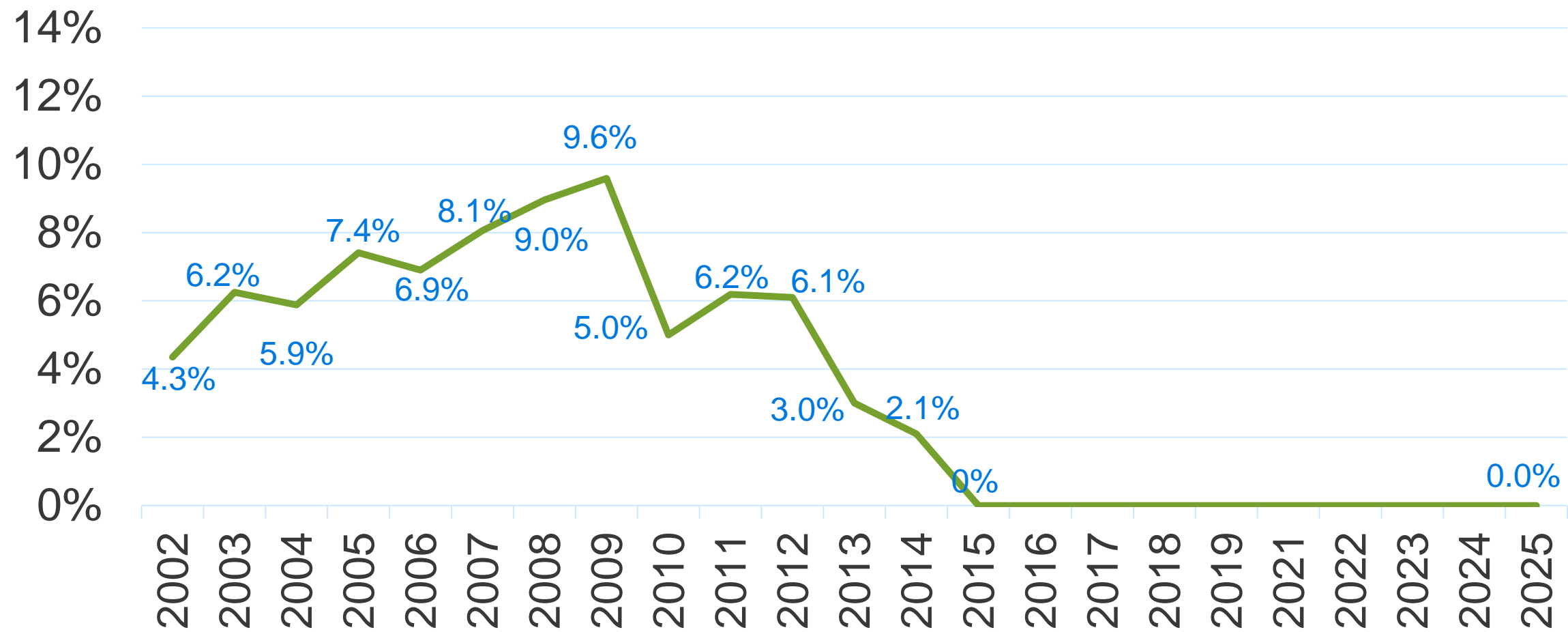
Debt per capita*

Los Angeles	\$121	Chicago	\$533	Boston	\$2,139
Denver	\$265	San Antonio	\$654	Indianapolis	\$2,817
Memphis	\$271	Arlington TX	\$842	Atlanta	\$2,866
Phoenix	\$345	Austin	\$894	Honolulu	\$3,062
Orange County	\$354	St. Louis	\$1,162	Louisville	\$3,322
Las Vegas	\$440	Wash D.C.	\$1,512		
MCES	\$445	Cleveland	\$1,812		
Virginia Beach	\$511	Seattle	\$2,006		

**Source is the 2020 NACWA triennial financial survey, which includes 2019 data.*

**2023 survey results expected in July of 2024.*

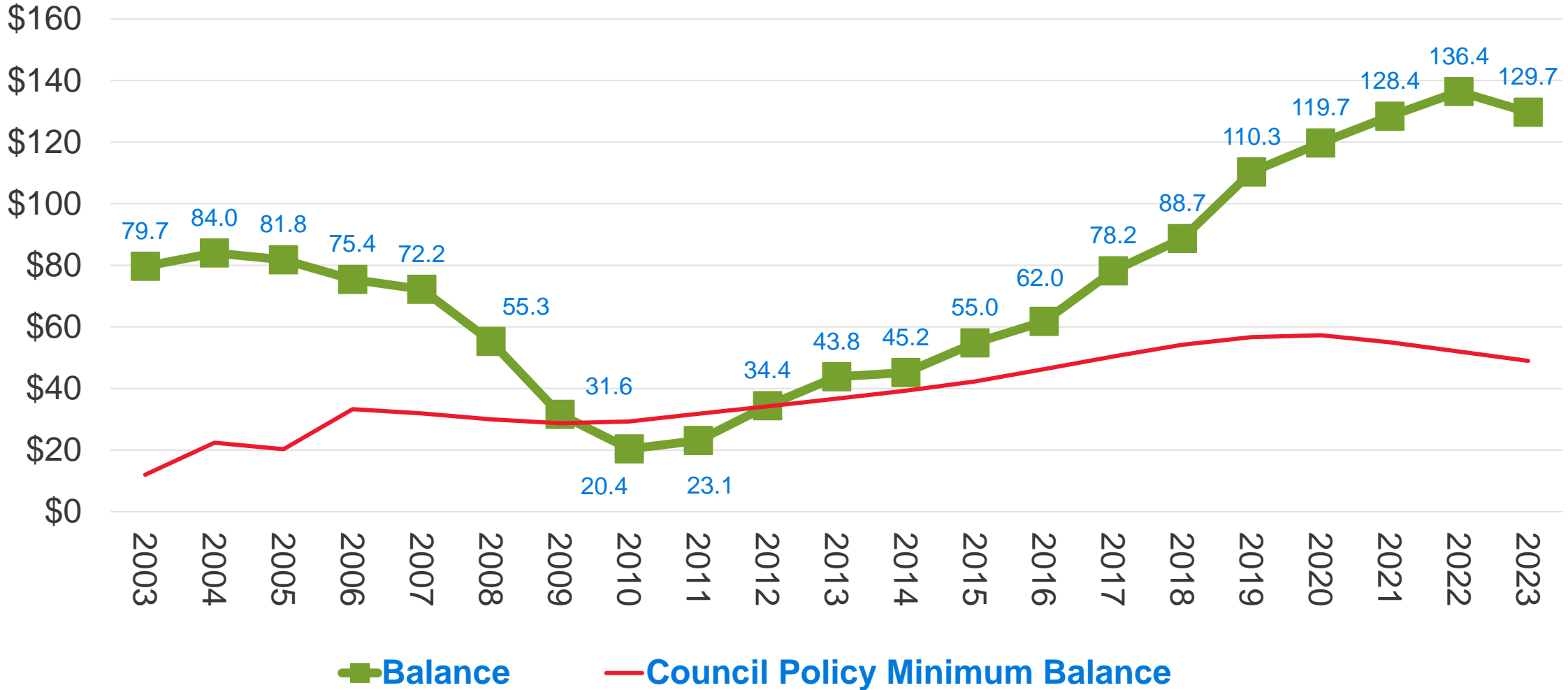
Historical Sewer Availability Charges (SAC) rate increases (%)



SAC units: development continues



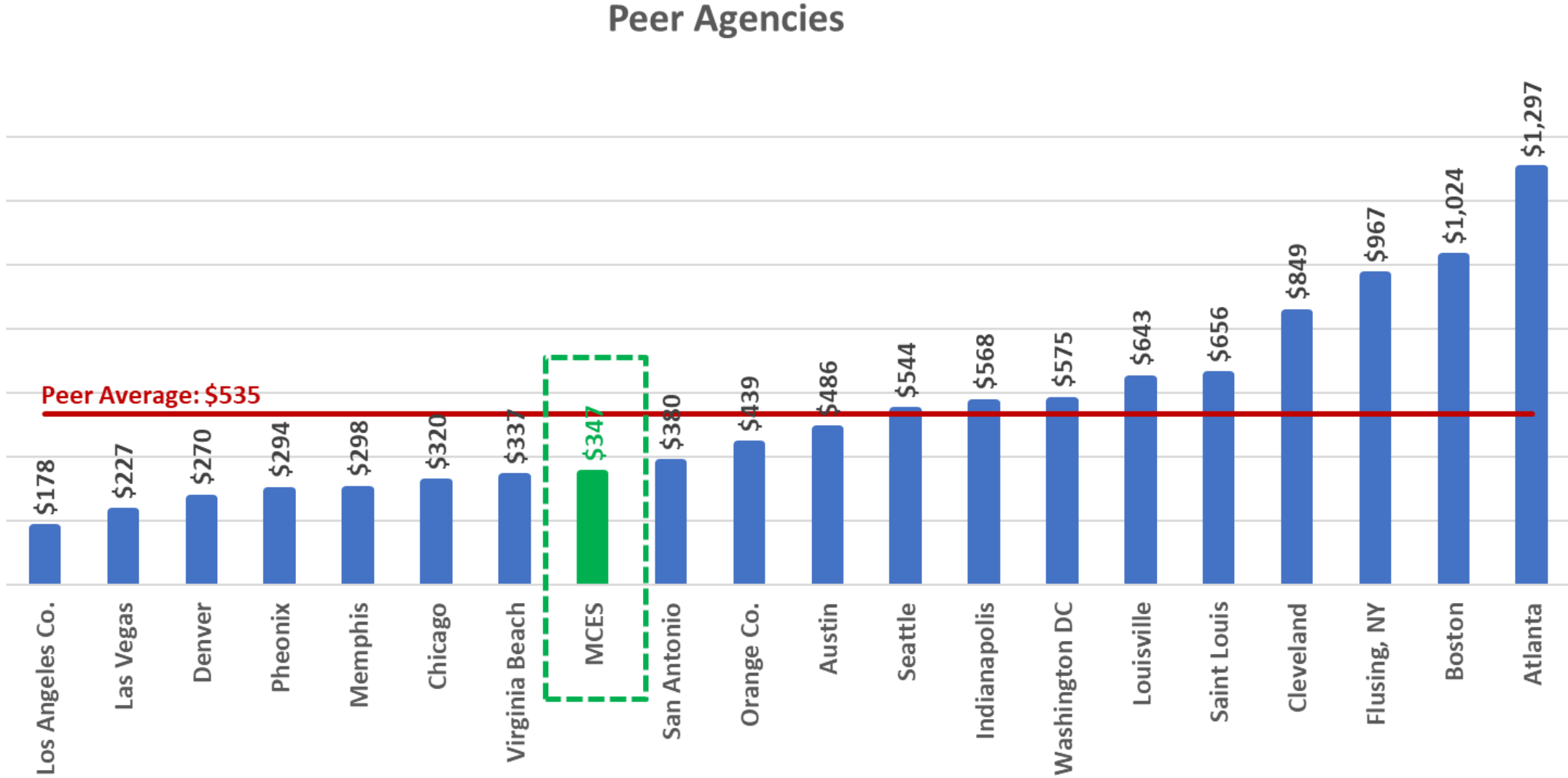
SAC reserve balance



Strong reserve balance will help MCES manage future SAC rates

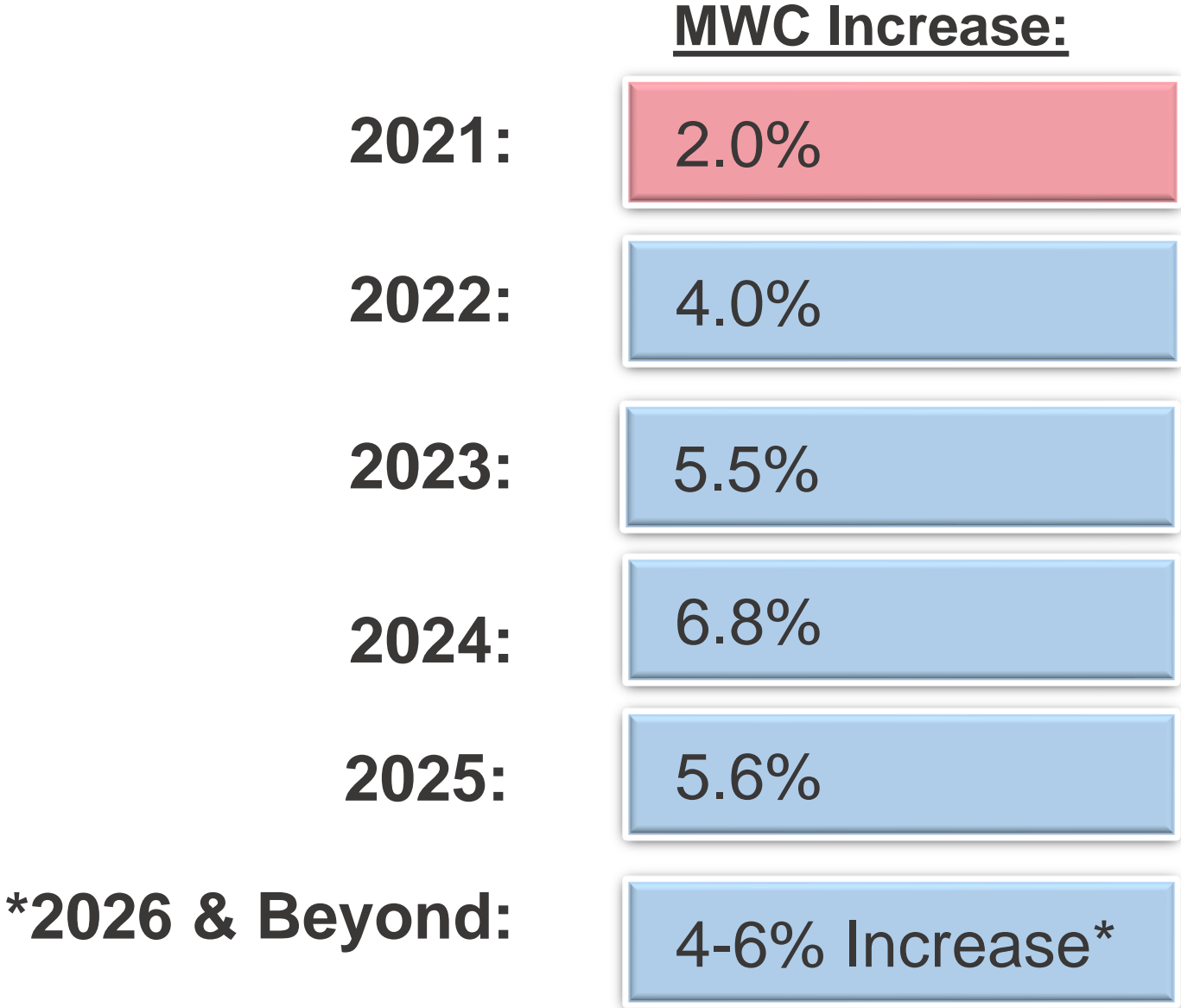
Comparative information

- Average retail sewer rates per household



* 2020 NACWA survey of 2019 rates. 2023 survey results expected in July 2024.

Municipal wastewater charges (MWC)



*For 2026 and beyond, 4-6% increase assumes moderate inflation and no new regulatory requirements.

Proposed industrial rates

Rate Type	Prelim. 2025	% Increase
Strength Charge (excess lb. TSS*)	\$0.332	7.1
Brewery Strength Charge (per barrel)	\$1.041	7.1
Standard Load Charge (per 1000 gal.)	\$64.65	5.0
Industrial Load Charge (excess lb TSS*)	\$0.413	0.0
Collar County Load Charge (per 1000 gal.)	\$79.65	4.0
Portable Toilet Load Charge (per 1000 gal.)	\$82.54	5.2
Holding Tank Load Charge (per 1000 gal.)	\$12.78	0.3
Standard Permit Fee	\$1,325-\$13,075	~5.9
General Permit Fee	\$525	5.0

*Total Suspended Solids (TSS)

2025 Rate Setting Schedule

May 2 and
May 9

Industrial Workshops (May 2 in person, May 9 virtual)

May 14

Environment Committee Direction for Public Meetings

May 21 and
June 6

Municipal Customer Forums (May 21 virtual, June 6 in person)

June 9

Environment Committee Review of Customer Input and
2024 Rate Adoption Recommendation

July 24

Council Rate Adoption

August 28

Council Preliminary Operating Budget Adoption

Questions

Appendix:

MCES Proposed Operating Budget

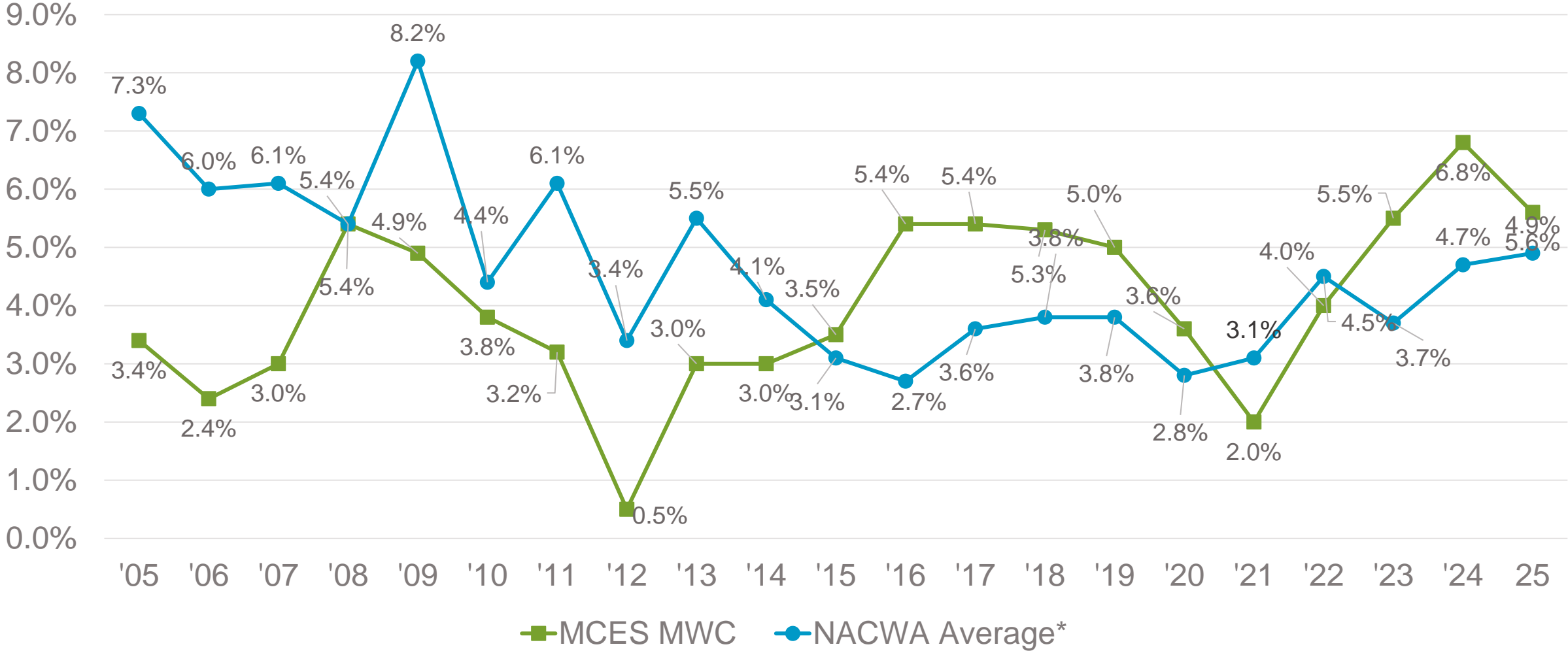
Category	2023*	2024**	2025	% Change ('25 v. '24)
SOURCES (REV)				
Municipal Wastewater Charges	263.7	281.6	297.4	5.6%
Industrial Charges	18.5	18.5	19.6	5.9%
Transfer from SAC Fund	60.1	57.8	52.8	-8.7%
Other Sources ¹	14.9	3.1	7.1	129.0%
TOTAL	357.2	361.0	376.9	4.4%

Category	2023*	2024**	2025	% Change ('25 v. '24)
USES (EXP)				
Labor	81.3	85.9	92.7	7.9%
Contracted Services	22.0	21.4	24.8	15.9%
Materials & Supplies	12.7	12.7	14.3	12.6%
Chemicals	16.7	17.7	17.2	-2.8%
Utilities	24.5	25.1	25.0	-0.4%
Debt Service	156.5	156.5	156.5	0%
Capital Outlay	2.5	2.1	1.8	-14.3%
Central Services	23.0	22.6	26.0	15.0%
PAYGO (Capital Projects)	11.0	11.0	11.0	0%
Other Expenses ²	7.0	6.0	7.6	26.7%
TOTAL	357.2	361.0	376.9	4.4%

- *2023 budget includes amendments to expense (Chemicals and Utilities), and revenue (Industrial Charges, and Other Sources/Newport and WBL grants)
- ** 2024 Preliminary Budget
 1. Includes use of reserves (\$1.8M in 2023 and \$.4M in 2024) and \$5M in pass-through grant revenue in 2023
 2. \$5M in pass-through grants in 2023. Includes centralized project funds and training/travel.

Municipal Wastewater Charge Increases

- Compared to NACWA Average



* Source is NACWA 2022 Cost of Clean Water Index