

Environment Committee

For the Metropolitan Council meeting of July 26, 2017

Subject: Adoption of MCES Wastewater Rates and Charges

Proposed Action

That Metropolitan Council adopts the following wastewater rates and charges to be effective January 1, 2018:

- Metropolitan Wastewater Charge (total of municipal wastewater charges) of **\$219,749,756**;
- Industrial Strength Charge: **\$.235** per excess pound of TSS (total suspended solids);
- Industrial Strength Charge: **\$.1175** per excess pound of COD (chemical oxygen demand);
- Brewery Strength Charge: **\$.737** per barrel;
- Standard Load Charge: **\$60.24** per thousand gallons;
- Holding Tank Load Charge: **\$10.92** per thousand gallons;
- Portable Toilet Waste Load Charge: **\$77.46** per thousand gallons;
- Collar County Load Charge: **\$75.24** per thousand gallons;
- Strength component of Industrial Load Charge **\$.4130** per excess pound of TSS;
- Strength component of Industrial Load Charge **\$.2065** per excess pound of COD;
- Out-of-Region Load Charge Component for hauled waste: **\$15.00** per thousand gallons;
- Industrial Permit Fees as shown on Attachment A; and
- Inflow and Infiltration (I&I) Exceedance Rate: **\$428,000** per million gallons per day (rate of maximum measured flow within an hour over allowed flow rate).

Summary of Committee Discussion/Questions

Staff clarified that the new debt estimates from 2017 through 2026 reflect new debt for all capital projects rather than debt for new facilities. In addition, the most recent Capital Improvement Plan (CIP) is 80% dedicated to rehabilitation.

Staff noted that the Council Levy is \$0.5 Million as opposed to \$2.0 Million as shown in the presentation.

Motion to approve the proposed action was made, seconded, and passed.

Environment Committee

Meeting date: July 11, 2017

For the Metropolitan Council meeting of July 26, 2017

Subject: Adoption of MCES Wastewater Rates and Charges

District(s), Member(s): All

Policy/Legal Reference: MS 473.517; Water Resources Policy Plan (pages 43-44); and Council Administrative policies 3-2-3 (re. municipal wastewater charges), 3-2-4 (re. industrial charges), and 3-2-5 (re. SAC)

Staff Prepared/Presented: John Atkins, 651-602-1020; Ned Smith, 651-602-1162

Division/Department: MCES c/o Leisa Thompson, 651-602-8101

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Background

On May 9, staff presented information to the Environment Committee on the 2018 preliminary budget and rates, along with the results of the Industrial Customer Workshop that was held April 27, 2017. Later in May and in early June, the 2018 preliminary budget and rates information was shared with community customers at two Municipal Customer Forums. A combined total of 27 customer representatives attended the 2018 budget customer meetings. A staff summary of customer comments and responses are contained in Attachment D.

The revenue proposed to be raised through the Metropolitan Wastewater Charge in 2018 is a 3.7% increase from 2017; although this increase will vary for each city depending on their flow. This increase and the other rate changes together comply with the Council policy and should enable MCES to meet wastewater regulatory requirements, implement MCES infrastructure rehabilitation and repair needs, and provide wastewater capacity for growth. Further, by Council policy, proposed charges and rates are based on a regional cost-of-service philosophy.

Rates are based on the preliminary or "rate-setting" budget which has total revenues of \$278.7 Million and total expenses of \$280.9 Million. This proposed budget will impact the wastewater operating

contingency reserve fund balance through its planned use of \$2.2 Million. However, the operating reserve balance will remain above its Council Policy minimum balance of \$14.1 Million. This rate-setting budget is further detailed in Attachment C.

SAC receipts to date indicate a financially sound SAC reserve fund balance, barring any new economic downturn. Accordingly, there is no increase in the SAC rate proposed for 2018 (and the related Temporary Capacity Charge). With SAC units as projected, the SAC reserve balance will stay above the Council's minimum target (Policy 3-2-5).

Once charges are approved and flow measurements finalized, staff will notify customer communities.

The proposed 2018 "rate sheet" description of rates can be found on Attachment B.

Rationale

Wastewater service rates for 2018 need to be set well in advance to allow communities and businesses (e.g. waste haulers) time to plan their budgets and rates.

Thrive Lens

Outcomes:

Stewardship: the budget reflects MCES ongoing effort to be good stewards of ratepayer revenue seeking savings where possible, but prudently investing in the ongoing maintenance and rehabilitation of the system to minimize long term expenses

Principles:

Collaboration: MCES customer outreach efforts around the budget preparation and presentation ensure we are working *with* our customers on operating and maintaining our system in a way that meets their level of service expectations

Accountability: MCES budget forums are a means to share all details of the budget and our operating plans with our customers.

Funding

100% of wastewater operations, maintenance, and debt service are funded by these charges and rates.

Known Support / Opposition

No known opposition.

Attachment A

2018 Industrial Discharge Permit Fees

| | |
|---|-------------|
| Quarterly Reporters (SIU>50 MGY) | \$9,675 |
| Quarterly Reporters (SIU<50 MGY) | \$8,075 |
| Semi-annual Reporters (SIU>10 MGY) | \$6,400 |
| Semi-annual Reporters (SIU 5-10 MGY) | \$4,850 |
| Semi-annual Reporters (SIU 2-5 MGY) | \$3,175 |
| Semi-annual Reporters (SIU <2 MGY) | \$1,625 |
| Semi-annual Reporters (Non-SIU) | \$1,625 |
| Annual Reporters (Non-SIU > 1 MGY) | \$1,625 |
| Annual Reporters (Non-SIU < 1 MGY) | \$1,000 |
| Non-Significant Categorical user (NSCIU) | \$1,000 |
| Liquid Waste Hauler (> 1 MGY) | \$1,625 |
| Liquid Waste Hauler (< 1 MGY) | \$1,000 |
| Special Discharge Permit (quarterly reporter) | \$1,625 |
| Special Discharge Permit (contingency/low impact) | \$1,000 |
| General | \$100-\$500 |

SIU = Significant Industrial User - a federal designation
MGY = Million Gallons per Year

MCES 2018 Charges (preliminary)

1. **Municipal Wastewater Charges (MWC):** MCES charges *communities* for sewer service and treatment. All customer communities pay an allocated portion of the Metropolitan Wastewater Charge which is their Municipal Wastewater Charge and is based on their estimated portion of the system’s wastewater to be treated which in turn is based on actual measured wastewater volume from 2016. Most communities cover their own sewer costs by charging a higher “retail” rate to residents and businesses (these rate “mark-ups” are specific to each city).

2018 Metropolitan Wastewater Charge

| | |
|---|------------------------|
| Total Metropolitan Wastewater Charge in 2018: | \$219,749,756 |
| Allocated based on system flow: in million gallons (mg) (based on flow for calendar year 2016): | 90,760 million gallons |
| Approximate rate per million gallons: | \$2,421.21 |

2. **Metropolitan Sewer Availability Charge (SAC):** The sewer availability charge to communities is imposed for new connections or increased demand to the metropolitan wastewater system. Generally, one SAC unit equals 274 gallons of maximum potential daily wastewater flow capacity. A freestanding single-family residence is charged one SAC unit. Other types of buildings pay a prorated SAC fee, based on the estimated capacity of wastewater required. Communities may also include a “mark-up” on this fee to cover their own costs.

2018 Sewer Availability Charges

| | SAC Rate |
|--|-------------------|
| Base Unit Fee (Single-Family Dwelling): * | \$2,485.00 |
| Apartment (without individual laundry facilities) | 20% discount |
| Multi-Dwelling Public Housing (without garbage disposals nor dishwashers) | 25% discount |
| Multi-Dwelling Public Housing (w/o laundry, garbage disposals nor dishwashers) | 40% discount |

Commercial: Base unit fee times number of residential equivalent connections (RECs) where the number of RECs is based on an estimated maximum daily capacity by use type.

| | |
|-------------------------|--------------|
| Outdoor Space Discount: | 75% discount |
|-------------------------|--------------|

Industrial Process Flow: Base unit fee times number of RECs where the number of RECs is based on maximum normal process flow plus RECs for commercial spaces

* Note: Elko New Market and East Bethel have higher base SAC rates set by contract

3. **Industrial Strength Charge:** Strength charges are MCES fees assessed directly to connected industries for the additional treatment costs caused by industrial wastewater that has more pollutants than typical residential wastewater. Industrial strength charges are based on the concentration of pollutants (as measured by Total Suspended Solids (TSS) and Chemical Oxygen Demand (COD)) and the volume of the discharge. Industrial

Users are also subject to normal municipal wastewater charges and SAC through their host communities.

2018 Industrial Strength Charges:

| | |
|---|----------|
| Cost per excess pound of Total Suspended Solids (TSS) | \$0.2350 |
| Cost per excess pound of Chemical Oxygen Demand (COD) | \$0.1175 |

- Liquid Waste Load Charge: Liquid waste haulers pay directly for septage, leachate and other hauled wastes that are discharged at MCES disposal sites. The load charges combine: i) a strength charge component, ii) a volume component that is based on the MCES metropolitan wastewater rate and iii) a special facilities component for the discharge sites. Also, iv) out-of-region waste is assessed an administrative service component.

2018 Liquid Waste Load Charges (per 1,000 gallons)

| | |
|--|---|
| Standard Load Charge | \$60.24 |
| Portable Toilet Waste Load Charge | \$77.46 |
| Holding Tank Load Charge | \$10.30 |
| Collar County Load Charge | \$75.24 (for 10 counties surrounding the Region) |
| Industrial Load Charge (\$ per excess lb.) | \$4130 TSS |
| | \$2065 COD plus \$10.30/1000-gallon volume (plus \$15/1000-gallon service fee for loads generated out of the Council's jurisdiction) |

- Industrial Discharge Permit Fee: Those Industrial Users issued a permit must also pay annual permit fees, which recover a portion of the costs to administer the industrial pretreatment program. Permit fees are based on permit type, annual volume of wastewater, Significant Industrial User (SIU) status, and self-monitoring reporting frequency. First-year permit fees for Liquid Waste Haulers and Special Dischargers are required at the time of permit application.

2018 Industrial Discharge Permit Fees:

| Volume (MGY) | >50 m. | <50 m. | >10 m. | 5–10 m. | 2–5 m. | <2 m. | >1 m. | <1 m. |
|---|------------------|------------------|------------------|----------------|---------------|-----------------|-----------------|-----------------|
| Quarterly Reporters | \$9,675 | \$8,075 | | | | | | |
| Semi-annual Reporters | | | \$6,400 | \$4,850 | \$3,175 | \$1,625 | | |
| Annual Reporters and Liquid Waste Haulers | | | | | | | \$1,625 | \$1,000 |
| General Permits | \$100-\$500 | | | | | | | |

- Temporary Capacity Charge: A charge assessed for temporary use of the metropolitan system (e.g. capacity for disposal of contaminated groundwater). This charge is assessed in lieu of SAC, due to the temporary nature of the service – essentially renting capacity in the system.

| | |
|--|---------------------------------|
| 2018 Temporary Capacity Charge: | \$1.25 per 1,000 gallons |
|--|---------------------------------|

7. Late Report Fee: A fee assessed to permittees who fail to submit a complete self-monitoring report on a timely basis. The late fee amount is based on the frequency and severity of late reports.

| | |
|-------------------------------|--|
| 2018 Late Report Fees: | \$150–\$800 per report (more detail available on website) |
|-------------------------------|--|

8. Stipulation Agreement Payment: These are negotiated monthly payments and daily penalties intended to negate the economic advantage of noncompliance with federal pretreatment standards or local limits.
9. Cost Recovery Fees: These fees are used to recover costs from any responsible party associated with spill or enforcement responses, non-routine data requests, special discharge requests, orders to appear, or notices of violation. Two administrative cost recovery fees are the Encroachment Application Fee (\$600 per easement) and the Direct Connection Application Fee (\$1,000 per connection). Both fees are assessed to recover administrative costs for time spent by MCES staff.

Attachment C

Rate Setting Budget

| | 2017 Rate- Setting Budget \$s in thousands | 2018 Rate- Setting Budget \$s in thousands | Change % |
|--|---|---|--------------|
| REVENUE & Other Sources: | | | |
| Metropolitan Wastewater Charge | 211,942 | 219,750 | 3.7 |
| SAC Transfer (incl. Shift Backs, \$2.7M in 2015) | 39,388 | 41,929 | 6.5 |
| Industrial & Hauler Charges | 13,833 | 13,680 | -1.1 |
| Other Sources | <u>5,714</u> | <u>3,353</u> | <u>-41.3</u> |
| Total | 270,877 | 278,712 | 2.9 |
| EXPENSES & Other Uses: | | | |
| Wastewater Debt Service | 124,000 | 131,000 | 5.6 |
| MCES Labor | 63,498 | 65,826 | 3.7 |
| Non-Labor | 62,150 | 58,708 | -5.5 |
| Interdivisional Charges | 15,504 | 16,403 | 5.8 |
| Pay-as-You-Go for Capital Projects | <u>7,000</u> | <u>9,000</u> | <u>28.6</u> |
| Total | 272,208 | 280,937 | 3.2 |
| SURPLUS/(DEFICIT) to (from) Op. Reserve | (1,331) | (2,226) | |

Customer Forum Responses

Were the topics today relevant to you?

All yes (7)

What topics would you like to see covered in the future?

I/I Mitigation Program

Keep having the open discussion and breakouts

Share infrastructure health index with customers

Overall, do you think the forum was helpful?

6 yes, 1 no

How can MCES improve outreach to its customers?

Communications updates

Continue with forums but sell as more finance focused or more technical.

More individual community outreach, particularly to those communities experiencing significant rate increases.

On site meetings are great and were very helpful in my community.

Continue communications programs associated with construction projects.

Comments on the forum in general?

Well done!

Always good and they build trust in your operation through transparency.

Good interaction and explanation on increases.

Would like more detail.

Notes from Breakout Sessions

Questions:

Are the items in level of service clear?

Are these things important to you?

What's missing?

The flow-year/billing cycle change is good (4).

Communications - continue to improve

Asset preservation in community helps staff "sell" the program and rates.

Be proactive regarding technical coordination.

Still variable - more "education" for small cities and explanations (directly by staff) - do more!

Need reasons for rate increases. Key points on why would be useful for city staff.

More partnering on water quality, how to prioritize greening practices for the region

We like the format of meetings, good finance section. Concise is good.

Could extend more construction notices to the public (2).

Technical/public works vs. non-tech/finance/elected officials

Wastewater works is below radar - if it works, people don't care

Missing: public education for non-engineers

Need to invest in infrastructure preservation

More communication (e.g. Roseville parks); use League of Cities/Metro Cities (2)

Obtain advantage of partnering and coordination

Want more info on inflow/infiltration

Measures might be hard some are outside ES control

Outreach good, no complaints (other than noise, fixed right away)

Capital program - need more info, explain sources of costs of debt service and priorities

Infrastructure Health Index used to coordinate with paving projects