Business Item: 2018-199 SW
Adoption of MCES Wastewater Rates and Charges

Ned Smith, Director of Finance

Metropolitan Council: July 25, 2018
Proposed Action

- That the Metropolitan Council adopt the wastewater rates and charges outlined on page one of the business item, to be effective January 1, 2019.
Overview

• 2019 Rate Setting Schedule
• Customer Workshops & Open Houses
• 2019 Executive Summary
• Proposed 2019 Sources & Uses
• Debt Service
• Sewer Availability Charge (SAC)
• Industrial Rates
• Questions
2019 Rate Setting Schedule

• Industrial Workshops – Metro 94*
  o March 22: Liquid Waste Haulers
  o April 19: Industrial Waste Customers
  o April 24: Industrial Waste Customers

• May 8: Environment Committee Direction for Public Meetings

• Municipal Customer Forums*
  o May 24: Minnetonka Community Center
  o June 7: Eagan Community Center Oaks Room

• July 24: 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
Customer Workshops & Open Houses

- Open House format with 12 stations featuring Environmental Services departments
- Preliminary Municipal Wastewater Charges (MWCs) sent mid-May to each of our 109 communities
- 40 attendees from 33 communities
Community Feedback

- All participants felt that materials, presentations and information were useful and will help them brief other city officials and staff.
- “[Fact sheets] were/are extremely helpful!”
- “Very informative, helpful information, was very good use of time.”
- “Will try to attend MCES informational meeting in the future.”
2019 Executive Summary

• Proposed Sources & Rates
  – Regional wastewater charge: .................. 3.5%
  – Sewer Availability Charge: ............ No Increase
    • $2,485 per SAC Unit – same since 2014
  – Industrial Strength Charge: .................. 3.4%
  – Industrial Permit Fee: ......................... 3.5%

• Proposed Uses
  – 6.0% increase over 2018
  – 4.7% increase excluding pass-through grants
Changes from May 8 Information Item*

2018:
• Increased expense budget by $4.7 million for approved carryforward items.

2019:
• Increased expense and revenue budget by $5 million for pass-through Inflow and Infiltration Grants.
• Decreased interdivisional charges by $.3 million, per RA.

*Changes will not impact MCES rates.

*Preliminary rate-setting numbers were presented at the May 8 meeting of the Environment Committee
Proposed 2019 Revenue Sources: $305 million

- Municipal Wastewater Charges: 75%
- Sewer Availability Charge (SAC): 15%
- Industrial Waste Charges: 5%
- Other: 5%

*Other includes state appropriations, OPEB adjustment, and $3 million use of Reserves
Proposed 2019 Uses by Category: $305 million

- Debt Service: 46%
- Salaries & Benefits: 22%
- Consulting & Contractual: 7%
- Materials, Supplies & Chemicals: 6%
- Rent & Utilities: 5%
- Interdivisional Services: 5%
- Other: 5%
- PAYGO: 4%

*Other includes pass through grants, centralized projects, and other misc. expense
Wastewater Outstanding Debt

($ in millions)

Projected*

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Total (in millions)

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<td>$1,213</td>
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Budgeted Debt Service

Debt Service (Millions)

2012-2018 Actual Debt Service, projected thereafter
Comparative Information
25 peer city average retail sewer rate per household = $404

*2013 Rates (per 2014 NACWA survey, next update 2018)
Proposed Changes to Industrial SAC

- Industrial Capacity Charge (ICC) provides industries an option to pay for Industrial Process SAC on an as-needed basis
  - Can still purchase SAC up-front, increasing baseline, reported through the cities
  - ICC does not change baseline
  - ICC in 2019 is $2.10 per 1,000 gallons of flow that exceeds baseline
  - Does not impact commercial (i.e., building) SAC
- ICC would be paid directly to MCES
- Activity would still be reported to cities
- Outreach coming as collaboration is needed to work with communities that charge local SAC and WAC
Changes to Commercial SAC

Current Determination Process

Proposed Determination Process

WAREHOUSE SPACE

OFFICE SPACE

CONF. SPACE

GROSS SQUARE FOOTAGE

New Grandparent Credit Date

No SAC Due

1973

2009
Historical SAC Rate Increases (%)
SAC Units: Recovering

Year  | SAC Units
-----|-----------
2001  | 19,539
2002  | 21,150
2003  | 20,542
2004  | 19,334
2005  | 17,052
2006  | 15,193
2007  | 10,392
2008  | 8,304
2009  | 6,653
2010  | 9,817
2011  | 14,303
2012  | 15,663
2013  | 14,589
2014  | 18,096
2015  | 18,427
2016  | 22,560

SAC Reserve Fund

* 2018 is projected balance.
Proposed Action

• That the Metropolitan Council adopt the wastewater rates and charges outlined on page one of the business item to be effective January 1, 2019.
Questions