2019 Customer Budget Workshop

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Jeannine Clancy, Assistant General Manager, Technical Services
Anna Bessel, Assistant Manager, Engineering Programs

June 6, 2019
Agenda

- Introductions
- Folder Materials
- 2020 Budget & Finance
- Customer Survey Results
- Customer Portal
- Capital Improvement Program
2020 Budget & Finance
# 2020 Executive Summary (vs. 2019)

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Regional Wastewater Charge</td>
<td>3.6%</td>
</tr>
<tr>
<td>Sewer Availability Unit Charge</td>
<td>No Increase</td>
</tr>
<tr>
<td>Industrial Waste Strength Charge</td>
<td>4.5%</td>
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<tr>
<td>Industrial Permit Fee</td>
<td>3.6%</td>
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</table>

4.9% total Use increase over 2019*

* 1.9% including 2019 I/I pass thru grants
2020 Revenue Sources - $311M

- Fee for service
- Not a tax
- No federal, state or council $
- No MCES $ for other Council operations

76%
Municipal Wastewater Charges (MWC)

3% Other*
5% Industrial Waste Charges
16% Sewer Availability Charge

*Other includes Other Post Employment Benefit adjustments, Investment Earnings, and use of Reserves
2020 Revenue Uses by Category - $311M

- Debt Service: 48%
- Salaries & Benefits: 23%
- Consulting & Contractual Services (6%)
- Interdivisional Services (6%)
- Rent & Utilities (6%)
- Materials, Supplies & Chemicals (5%)
- PAYGO (4%)
- Other (2%)

*Other includes centralized projects and other miscellaneous expense.
Aggressive Cost Containment

2020 is year 3 of a 5 year commitment to keep our region-wide increase < 4%

- Budget “Flat to last Year”
- Labor scheduling optimization
- Energy upgrades
- Asset management teams
Labor Efficiencies Continue

Labor force growth <2%

Increased services:
- Rogers Plant addition
- Odor Control Facilities
- Improved planning & scheduling

Self-insured keeps healthcare increases modest

Total MCES labor force still nearly half of what it was in the 1990’s.
Debt Service “Bubble” Peaking

Debt bubble driving +$7 - $10M expense increase/year.

Peak in 2023
MCES Rates are an Excellent Value

Regional retail sewer rates continue to be among the lowest in the nation.
SAC Units Continue Recovery
<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td><strong>Industrial Workshops</strong></td>
<td></td>
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<tr>
<td>March 21: Liquid Waste Haulers</td>
<td></td>
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<tr>
<td>April 18: Industrial Waste Customers</td>
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<tr>
<td>April 25: Industrial Waste Customers</td>
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<tr>
<td><strong>Environment Committee Direction for Public Meetings</strong></td>
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<tr>
<td>May 14</td>
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<tr>
<td><strong>Municipal Customer Forums</strong></td>
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<tr>
<td>May 23: Minnetonka Community Center</td>
<td></td>
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<tr>
<td>June 6: League of Minnesota Cities</td>
<td></td>
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<tr>
<td><strong>Environment Committee Review of Input/2020 Rate Amendment</strong></td>
<td></td>
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<tr>
<td>July 9</td>
<td></td>
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<tr>
<td><strong>Council Rate Adoption</strong></td>
<td></td>
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<tr>
<td>July 24</td>
<td></td>
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<tr>
<td><strong>Council Preliminary Operating Budget Adoption</strong></td>
<td></td>
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<tr>
<td>August 28</td>
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</tbody>
</table>
2018 MCES Customer Survey
Background

**FINANCIAL**

- **CHARGES & FEES**
  Charges and fees should be predictable, justifiable, and provide good value for the region.

- **RETAIN AAA BOND RATING**
  Retain AAA Bond rating in order to provide the lowest cost debt financing possible.

- **OPTIMIZE BUDGET PLAN**
  MCES' 5-year-budget plan should optimize capital, O&M programs to meet customer service goals.

- **PRESEVE ASSETS**
  The region's wastewater assets should be well maintained to preserve their value and performance.

- **BE FAIR AND TRANSPARENT**
  Allocation of all charges should be fair, equitable, and transparent to the customer.

**HEALTH, SAFETY, & ENVIRONMENT**

- **COMPLY WITH PERMITS**
  Comply consistently with water, air, and other environmental permits.

- **MINIMIZE IMPACTS**
  Convey and treat wastewater safely with minimal backups, spills, and traffic impacts.

- **LEAD BY EXAMPLE**
  Be a leader on environmental sustainability, including water/energy conservation and water reuse.

**CUSTOMER SERVICE**

- **BE A GOOD NEIGHBOR**
  Mitigate community impacts related to odors, traffic, noise, and visual aesthetics.

- **MEET CAPACITY NEEDS**
  Provide conveyance and treatment capacity consistent with regional and local plans.

- **COMMUNICATE INFORMATION**
  Communicate with customers about financial info and capital projects and programs that impact them.

- **ENGAGE CUSTOMERS**
  Engage customers in a meaningful public process. Provide notice for changes in rules, fees, projects, environmental performance, and resolving competing Council policies/interests.

- **COORDINATE WITH OTHERS**
  Optimize intergovernmental coordination in all MCES work that intersects with community work.

**MCES is committed to meeting its Customer Level of Service**
Background

The goals of the survey were defined as:

2. Measure customer satisfaction by segment.
3. Identify strengths of MCES and areas in which MCES can improve.

Survey results will be used to:

- Address identified issues
- Provide feedback to customers
- Strengthen customer relationships
- Baseline for future satisfaction surveys
Metropolitan Council

Methodology

Survey Methodology

Surveys were conducted from:

October 24 – November 30, 2018

- 82 Communities
  (73 different communities out of 110 served)

- 270 Industrial Waste

- 35 Water Resources
  (15 city staff, plus 20 representatives from watershed districts or organizations)
More than 70% of respondents say they are satisfied or very satisfied with MCES work in the region.

88% level of satisfaction with Industrial Waste customers which is the highest level of satisfaction.

72% level of satisfaction with city customers which is the second highest level of satisfaction.
Community

Community Strengths

- Strong majority are satisfied with capital project coordination and communication.
- High level of satisfaction with communication on Sewer Availability Charge and the Municipal Wastewater Charge.
- High satisfaction with interagency and city coordination on projects, awareness and responsiveness.
- The Top 10 and larger communities (>15,000) are more likely than smaller communities (15,000 or less) to strongly agree that MCES works with you as a partner.

69% of communities agree or strongly agree that MCES services are priced fairly.
Continued effort on intergovernmental coordination

Communities identified a need for more feedback on comprehensive plan updates

Customers indicated a need to improve communications

More than half of customers expressed a need for improved outreach and collaboration of MCES water supply activities
Next Steps

- Develop a work plan to address improvement areas
- Provide survey results to customer groups
- Perform a survey again in 3-4 years
Customer Portal
MCES Customer Portal

Supports the MCES Customer Level of Service by improving communication and service to the cities MCES services:

**Data**
Allows access to timely, accurate data

**Engagement**
Provides customers access to local public outreach materials

**Communication**
Offers a means of streamlined communication
Customizable Data Dashboard

Allows for a quick view of flow data that may be useful for planning or prioritizing system updates.
Data on Demand

Intuitive, easy to use process provides timely, accurate data
Submit I/I program information, including work plans and credits, to track I/I work and keep a record of past expenses.

**Work Plan 2022**

Eligible Credit Total

$ 25000.00

Please describe the planned mitigation activities and the expected costs.

<table>
<thead>
<tr>
<th>Cost</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>System analysis and work prioritization</td>
<td>$25000.00</td>
</tr>
</tbody>
</table>
Useful Links & Outreach Resources

Tools for Local Government

Reduce I/I in your community
Many communities have reduced I/I in publicly owned sewer infrastructure. But up to 80% of the I/I comes from private property. Use these tools to educate home and property owners about how to reduce I/I on their property.

Communicate with PropertyOwners about I/I

Basics for property owners

- I/I Sources (pdf)
- About Sump Pumps (pdf)
- You Can Reduce I/I (pdf)
- Community Benefits (pdf)
- Reduce Risk (pdf)

Newsletter Inserts: Focused topics

MCESCustomerPortal.metc.state.mn.us
Capital Improvement Program (CIP)
Metropolitan Council Environmental Services

WHO WE SERVE
7-county Twin Cities Metro Area
110 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
2019 Capital Program Breakdown, by Objective

**Preserve Assets**
Rehabilitate & replace assets to preserve value & performance

**Meet Capacity Needs**
Expand system capacity through plant expansions & interceptor extensions

**Improve Quality**
of service by responding to more stringent regulations, reusing wastewater, increasing system reliability, & conserving and generating energy

87% of CIP will be spent on asset preservation.
## Capital Program: Principles

### Partnership

<table>
<thead>
<tr>
<th></th>
<th>Metropolitan Council</th>
<th>110 Communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Treat customers and stakeholders respectfully</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Leave the community with something better than they had prior to our project.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Plan and coordinate project with other public infrastructure work.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Keep every promise made during planning, design, and construction</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Communicate in a manner as consistent as possible with each community’s protocol.</td>
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</table>
Public Facilities Authority (PFA) Loans

$45 million annual loan
1.5% interest rate discount

2018: $45M loan

Council General Obligation Bonds

The Council sells general obligation bonds. The Council has a AAA bond rating and receives low interest rates

2019: $9M in funds

Pay-As-You-Go (PAYGO)

Funds dedicated to paying for some capital expenses with current revenue

2019: $9M in funds
2019 Current Project Status

43 Projects under construction or in the commissioning phase

Projects range in value from $500K to $25M.
Objectives/Goals

- **Extend Life of Existing Wastewater Treatment Facility Infrastructure**
  City of Rogers requested MCES acquire their WWTF. MCES will use existing capacity in Rogers WWTF until Crow River WWTP can be built.

- **Serve Regional Population Growth**
  NW Hennepin County is growing rapidly. A new regional facility is needed to free interceptor capacity for downstream communities.

Schedule & Cost

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>MCES ACQUIRES ROGERS WWTF</td>
<td>$800,000</td>
</tr>
<tr>
<td>2020</td>
<td>IMPROVEMENTS PROJECT ROGERS WWTF</td>
<td>$1.5 – $2.5 Million</td>
</tr>
<tr>
<td>2021</td>
<td>PLANNING FOR CROW RIVER WWTP</td>
<td></td>
</tr>
<tr>
<td>2028</td>
<td>CONSTRUCTION OF CROW RIVER WWTP</td>
<td>$30 - $100 Million</td>
</tr>
<tr>
<td>2030</td>
<td>DECOMMISSION ROGERS WWTF</td>
<td></td>
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<tr>
<td>2031</td>
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From MCES 2040 Water Resources Policy Plan, Urban Area Wastewater Service Policy:

"Acquire wastewater treatment plants from suburban communities outside the current service area, based upon request through the comprehensive plan and comprehensive sewer plan process, after soliciting customer input and conducting a public hearing on the request"
Upcoming Plant Tours

**Metropolitan Wastewater Treatment Plant**
*St. Paul, MN*

**Monday, August 5, 2019**
*1:00 – 3:30 pm*

**Blue Lake Wastewater Treatment Plant**
*Shakopee, MN*

**Friday, August 16, 2019**
*8:30 – 10:30 am*

*Invites to be sent later this summer (first come, first served).*
Questions

For more information and workshop materials, visit:
metrocouncil.org/wastewater-water/funding-finance/budget-workshops.aspx
Highlighted Capital Projects
Metro Plant Solids Management Improvements

Objectives/Goals

- **Preserve Existing Wastewater Treatment Plant Infrastructure**
  Planned renewal projects will require extended downtime of the existing incinerators.

- **Serve Regional Population Growth**
  500,000 new residents in the Metro Plant service area in the Twin Cities by 2050.

Schedule & Cost

<table>
<thead>
<tr>
<th>Year</th>
<th>Project</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>IMPROVEMENTS PROJECT</td>
<td>$20 million</td>
</tr>
<tr>
<td>2021</td>
<td>FOURTH INCINERATOR</td>
<td>$150 million</td>
</tr>
<tr>
<td>2024</td>
<td>RENEWAL PROJECT</td>
<td>$30 million</td>
</tr>
</tbody>
</table>

The Metro Plant processes 75% of the region’s wastewater solids including solids from four other treatment plants.
Brooklyn Park – Champlin Interceptor Renewal

Objectives/Goals

- Condition
- Coordination with partners

Schedule

Part 1

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Planning/Design</td>
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<td>Construction</td>
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Part 2

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</thead>
<tbody>
<tr>
<td>Planning/Design</td>
<td></td>
<td>Construction</td>
<td></td>
</tr>
</tbody>
</table>
Interceptor 1-MN-344 Tunnel and Emergency Relief Structure ERS04

Objectives/Goals

- Condition
- Regulatory compliance

Schedule

- Planning/Design: Jan 2019
- Construction: Jul 2022
- Temporary Conveyance: Sept 2019
Objectives/Goals

- Condition
- Reliability

Schedule

- Sep 2015: Planning/Design
- Oct 2018: Construction
- Jun 2019: Construction
- Dec 2020: Construction
Waconia Forcemain 7508 Phase 2 Replacement

Objectives/Goals

- Condition
- Capacity for Planned Growth
- Coordination with local partners

Schedule

Jun 2017: Planning/Design
Apr 2019: Construction
Sep 2019: Construction
Dec 2020: Construction
More information regarding the MCES Capital Program can be found at:

metrocouncil.org/wastewater-water/projects/capital-program.aspx