2020 MCES Budget Webinar

Charlie Zelle, Chair, Metropolitan Council
Ned Smith, Director of Finance
Kyle Colvin, Manager, Engineering Programs
Jeannine Clancy, Assistant General Manager, Technical Services

May 21, 2020
Welcome to the 2020 Customer Budget Webinar.

You are muted and your video is disabled upon entry.

Please utilize the "chat box" to type in comments or questions throughout the session. Questions will be answered after the presentation during the Q & A session.

If you experience any technical difficulties, please call 512.685.2958 or email Hannah.Lang@hdrinc.com.

The webinar will begin at 9 a.m.
Meet the presenters of the 2020 Customer Budget Webinar.

Anna Bessel
Charlie Zelle
Ned Smith
Kyle Colvin
Jeannine Clancy
Mission: Provide wastewater services and integrated planning to ensure sustainable water quality and water supply for the region

Vision: Be a valued leader and partner in water sustainability
Agenda

Welcome!

2021 Budget and Finance

MWC Calculation & Customer Portal

Capital Program

Questions and Discussion
2021 Budget & Finance
2021 Executive Summary (vs. 2020)

Regional Wastewater Charge: 2.0%
Sewer Availability Unit Charge: No Increase
Industrial Waste Strength Charge: 2.4%
Industrial Permit Fee: ~2.0%

3.9% total use increase over 2020
2021 Proposed Revenue Sources - $323M

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

*Other includes Other Post Employment Benefit adjustments and $2M use of Reserves
2021 Proposed Uses by Category – $323M

- Salaries & Benefits: 23%
- Debt Service: 48%
- Other: 6%
- Consulting & Contractual: 6%
- Materials, Supplies & Chemicals: 6%
- Interdivisional Services: 6%
- Rent & Utilities: 6%
- PAYGO: 3%
- Other: 2%

*Other includes centralized projects and other miscellaneous expenses.
2021 was year 4 of a 5-year commitment to keep our region-wide increase < 4%

MCES chose to go lower (2%) to meet revenue concerns of our customers

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

Labor force growth <2%

Increased services:
- Electrician apprentices
- Locators

Self-insured keeps healthcare increases modest

Total MCES labor force still nearly half of what it was in the 1990s.

<table>
<thead>
<tr>
<th>Year</th>
<th>FTEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990's</td>
<td>1200</td>
</tr>
<tr>
<td>2017</td>
<td>683</td>
</tr>
<tr>
<td>2018</td>
<td>685</td>
</tr>
<tr>
<td>2019</td>
<td>687</td>
</tr>
<tr>
<td>2020</td>
<td>696</td>
</tr>
<tr>
<td>2021</td>
<td>703</td>
</tr>
</tbody>
</table>
Projected Debt Service Change

Annual Debt Service Increase / (Decrease)

Debt Service "Bubble"
Retail Sewer Rates are an Excellent Value

Our customers’ retail sewer rates continue to be among the lowest in the nation.

Peer Agencies

MCES portion is typically 55-65% of community retail rates

2017 NACWA survey (2016 rates)
We are closely monitoring and scenario planning SAC activity in 2020
<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Workshops</td>
<td>Canceled due to COVID-19 pandemic</td>
</tr>
<tr>
<td>Environment Committee Direction for Public Meetings</td>
<td>May 12</td>
</tr>
<tr>
<td>Municipal Customer Forums</td>
<td>May 21: A.M. webinar</td>
</tr>
<tr>
<td>Environment Committee Review of Input/2020 Rate Amendment</td>
<td>June 11: P.M. webinar</td>
</tr>
<tr>
<td>Council Rate Adoption</td>
<td>July 14</td>
</tr>
<tr>
<td>Council Preliminary Operating Budget Adoption</td>
<td>July 22</td>
</tr>
<tr>
<td>Final Council Budget (Including MCES) released for public comment</td>
<td>August 12</td>
</tr>
<tr>
<td>Public comment period</td>
<td>August - December</td>
</tr>
<tr>
<td>Council Budget Adoption</td>
<td>December 9</td>
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Public input
MWC Calculation and Customer Portal
Operating Budget: MWC is Allocated Based on Flow

A community’s percentage of the total system flow determines their share of the total MWC.
## Operating Budget: MWC is Based on Flow

<table>
<thead>
<tr>
<th>City</th>
<th>Flow (MG)</th>
<th>2018</th>
<th>2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>City A</td>
<td>10,000</td>
<td>11.38%</td>
<td>10,000</td>
<td>10.31%</td>
</tr>
<tr>
<td>City B</td>
<td>1,000</td>
<td>1.14%</td>
<td>1,200</td>
<td>1.23%</td>
</tr>
</tbody>
</table>

Change in MWC:

- **City A**: 7.6%
- **City B**: 10.9%
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

MCESCustomerPortal.metc.state.mn.us
Customizable Data Dashboard

Allows for a quick view of flow data that may be useful for planning or prioritizing system updates.
Submit I/I program information, including work plans and credits, to track I/I work and keep a record of past expenses.
Capital Improvement Program (CIP)
MCES Wastewater System

WHO WE SERVE
7-county Twin Cities Metro Area
110 communities
2,700,000+ people

OUR FACILITIES
9 wastewater treatment plants
640 miles of interceptors
250 million gallons per day (avg)

OUR ORGANIZATION
600+ employees
$7 billion in valued assets
$150 million / yr capital program

MCES Serves ~50% of the State’s Population
Background

Customer Level of Service is the Foundation for the Capital Program
Capital Finance: Principles

PARTNERSHIP

1. Treat customers and stakeholders respectfully
2. Leave the community with something better than they had prior to our project.
3. Plan and coordinate project with other public infrastructure work.
4. Keep every promise made during planning, design, and construction.
5. Communicate in a manner as consistent as possible with each community’s protocol.
2020 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

76% of CIP will be spent on asset preservation.
Capital Program: Projected Expenses

Total
2020 – 2025
$1.009 Billion
## Capital Program: Interceptor System Asset Renewal

### Capital Program (through 2030)

<table>
<thead>
<tr>
<th>Component</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gravity Sewers</td>
<td>6-7 miles per year</td>
</tr>
<tr>
<td>Pressure Sewers</td>
<td>3-4 miles per year</td>
</tr>
<tr>
<td>Lift Stations</td>
<td>3 per year</td>
</tr>
<tr>
<td>Meter Stations</td>
<td>10 per year</td>
</tr>
</tbody>
</table>
Capital Program: Treatment Plant Asset Renewal

- Metropolitan Plant
  - Rehabilitation and Facilities Improvements
  - Asset Renewal
- Empire Plant Solids
- Hastings Plant Evaluation
- Crow River Plant
- Blue Lake Plant Facility Plan
- Regional Plant Improvements
Capital Program:
Large Capital Project Coordination

- FBR 1-3 Renewal
- Blue Lake WWTP
- Crow River WWTP
- Hastings WWTP

2021-2024
Metro Plant
Fourth Incinerator

2025-2030

- Minneapolis/St. Paul System Renewal
- Joint Interceptor
- Northeast WRP
- Seneca Solids

Post 2030

ONGOING INTERCEPTOR & TREATMENT PLANT PROGRAMS

Large projects are staged to level out impact on rates.
Capital Finance: Sources of Funds

**Public Facilities Authority (PFA) Loans**

- $50 million annual loan
- 1.5% interest rate discount

2021: $50M loan (anticipated)

**Council General Obligation Bonds**

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

2021: $11M in funds

**Pay-As-You-Go (PAYGO)**

- Funds dedicated to paying for some capital expenses with current revenue

2021: $11M in funds
Objectives/Goals

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

Serve Regional Population Growth
- 50,000 new residents in the Metro Plant service area in the Twin Cities by 2050.

Schedule & Cost

2019
- IMPROVEMENTS PROJECT
  - $20 million

2021
- FOURTH INCINERATOR
  - $150 million

2024
- RENEWAL PROJECT
  - $30 million

The Metro Plant processes 75% of the region’s wastewater solids including solids from four other treatment plants.
Rogers WWTF Acquisition
Crow River WWTP Construction

Objectives/Goals

Extend Life of Existing Wastewater Treatment Facility Infrastructure
- MCES acquired Rogers WWTF on July 1, 2019.
- 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

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.”
Minneapolis System Renewal - Minnehaha Park Area Sewer Improvements

Objectives/Goals

• Preserve sewer’s structural integrity
• Minimize risk of failure

Schedule & Cost

- Jan 2014: Planning/Design
- Jan 2019: Construction
- Sept 2019: Planning/Design
- Jul 2022: Construction

Cost: $18.5 million
Brooklyn Park Sanitary Sewer Improvement Project

Objectives/Goals

- Improve customer service
- Be a good neighbor
- Minimize regional impacts of wastewater system on the environment
- Coordinate infrastructure work with other agencies

Schedule & Cost

- Winter 2016: Design
- Spring 2019: Design
- Winter 2019: Construction
- Spring 2021: Construction
- Summer 2021: Restoration

CONSTRUCTION $19.8 million
Interceptors 1-SP-200 and 1-SP-201
Battle Creek Rehabilitation

Objectives/Goals

• Preserve system capacity
• Improve operator safety
• Minimize impacts
• Be a good neighbor

Schedule & Cost

<table>
<thead>
<tr>
<th>June 2015</th>
<th>May 2020</th>
<th>Sep 2020</th>
<th>June 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning/Design</td>
<td>Construction</td>
<td>Construction</td>
<td>CONSTRUCTION COST ESTIMATE</td>
</tr>
</tbody>
</table>

$15 million
Maple Plain, Medina, and Independence Improvements

Objectives/Goals

• Meet capacity needs: Serve a new customer, the City of Loretto
• Protect the environment by removing Loretto’s effluent discharge to Lake Independence which is impaired for phosphorous
• Improve system reliability

Schedule

2019 2020 2021
Design & Bidding Construction Service to Loretto
$2.7 million

Substantial Completion in Fall 2020
More Information about the Capital Program

MCES 2020 – 2025
CAPITAL PROGRAM

Rogers Wastewater Treatment Plant

Approved December 2019

Extraordinary Facts by the numbers!

Environmental Services

- Moves and treats 250 million gallons of wastewater each day
- Serves 2.7 million people in 110 communities in the 7-county Twin Cities metro area.

That wastewater moves through privately owned and city sewer pipes into 634 miles of regional interceptor sewer mains ranging in size from 9 inches to 14 feet in diameter and in age from 140 years old to brand new.

The wastewater also passes:

- 224 meters measuring how much water is flowing through the pipes.
- 61 lift stations pumping water from lower elevation to higher elevation so gravity can help us move it.
- On its way to 9 treatment plants cleaning the water before it is returned to the environment.

Metrocouncil.org/Wastewater-Water/Projects/Capital-Program/Project-Factsheets/2020-2025
2050 Water Resource Policy Plan Development

Requested input for topics, issues, areas of concerns

- Chloride: Surface water impairment and emerging concern in wastewater treatment
- Reconveyance of regional wastewater assets
- Reuse: Next steps
- Local surface water and water supply planning process
- Groundwater and surface water interaction: appropriation and climate

Send comments or suggestions to:

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judy.sventek@metc.state.mn.us

Kyle Colvin
Manager, Engineering Programs
kyle.colvin@metc.state.mn.us
Questions

Resources
MCESCustomerPortal.metc.state.mn.us
metrocouncil.org/Wastewater-Water/Projects/Capital-Program/Project-Factsheets/2020-2025
For more information:

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Tentative Customer Plant Tours

Metropolitan Wastewater Treatment Plant – St. Paul, MN
Thursday, September 10, 2020,
2:00 – 4:00 pm

Empire Wastewater Treatment Plant – Empire Twp., MN
Thursday, September 24, 2020,
2:00 – 4:00 pm

Invitations to be sent later this summer (first come, first served).