MCES Budget Workshop & Open House

Environmental Services

May 24, 2018 & June 7, 2018
Who We Are

WHO WE SERVE
7-county Twin Cities Metro Area
109 communities
2,600,000 people

OUR FACILITIES
8 wastewater treatment plants
610 miles of interceptors
250 million gallons per day (avg)
212 meter stations

OUR ORGANIZATION
600+ employees
$7 billion in assets (replacement cost)
$140 million per year capital program
Proposed 2019 Budget & Rates

Ned Smith,
Director, ES Finance & Revenue
2019 Executive Summary

• Proposed Sources & Rates
  • Regional wastewater charge: ..................... 3.5%
  • Sewer Availability Charge: .............. No Increase
  • Industrial Strength Charge: ................. 3.4%
  • Industrial Permit Fee: ......................... 3.5%

• Proposed Uses
  • 6.1% increase over 2018
    • 4.7% without pass-through grants
Proposed 2019 Revenue Sources: $300M

- Municipal Wastewater Charges: 77%
- Sewer Availability Charge (SAC): 15%
- Industrial Waste Charges: 4%
- Other: 4%

*Other includes State Appropriations, OPEB adj., and $3M use of Reserves
Proposed 2019 Uses by Category: $300M

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

*Other includes pass through grants, centralized projects, and other misc. expense*
## MCES Proposed Operating Budget

### Sources

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019**</th>
<th>% Change ('19 v. ‘18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Wastewater Charges</td>
<td>211.9</td>
<td>219.7</td>
<td>227.4</td>
<td>3.5%</td>
</tr>
<tr>
<td>Industrial Charges</td>
<td>13.8</td>
<td>13.7</td>
<td>14.0</td>
<td>2.2%</td>
</tr>
<tr>
<td>Transfer from SAC Fund</td>
<td>39.4</td>
<td>41.9</td>
<td>44.3</td>
<td>5.7%</td>
</tr>
<tr>
<td>Other Sources¹</td>
<td>10.7</td>
<td>7.4</td>
<td>14.3</td>
<td>96%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>275.8</td>
<td>282.7</td>
<td>300.0</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

¹ Includes state appropriations, use of reserves, interest, and other revenue.

### Uses

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018*</th>
<th>2019**</th>
<th>% Change ('19 v. ‘18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor</td>
<td>63.7</td>
<td>65.8</td>
<td>67.0</td>
<td>1.8%</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>21.3</td>
<td>20.5</td>
<td>18.3</td>
<td>-10.7%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>9.3</td>
<td>9.0</td>
<td>8.6</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>8.3</td>
<td>8.7</td>
<td>8.7</td>
<td>0%</td>
</tr>
<tr>
<td>Utilities</td>
<td>16.6</td>
<td>15.9</td>
<td>16.2</td>
<td>1.9%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>124.0</td>
<td>131.0</td>
<td>139.0</td>
<td>6.1%</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>4.2</td>
<td>2.7</td>
<td>2.2</td>
<td>-18.5%</td>
</tr>
<tr>
<td>Central Services</td>
<td>15.5</td>
<td>16.6</td>
<td>17.3</td>
<td>4.2%</td>
</tr>
<tr>
<td>PAYGO (Capital Projects)</td>
<td>7.0</td>
<td>9.0</td>
<td>11.0</td>
<td>22.2%</td>
</tr>
<tr>
<td>Other Expenses²</td>
<td>5.9</td>
<td>3.5</td>
<td>11.7</td>
<td>234.3%</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>275.8</td>
<td>282.7</td>
<td>300.0</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

* 2018 does not include carryforward adjustments
** Preliminary

1. Includes state appropriations, use of reserves, interest, and other revenue.
2. Includes pass-through grants from state appropriations, centralized project funds, and training/travel.
Cost Control: Labor

MCES Full Time Employees 2002 - 2017
Pay-As-You-Go (PAYGO)

PAYGO Payments

PAYGO Payments (Millions)

- '09
- '11
- '13
- '15
- '17
- '19

PAYGO Payments (Millions)
Wastewater Outstanding Debt
($ in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Existing</th>
<th>New</th>
<th>Total (in millions)</th>
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<tbody>
<tr>
<td>'12</td>
<td>1,082</td>
<td>0</td>
<td>$1,082</td>
</tr>
<tr>
<td>'13</td>
<td>1,062</td>
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<td>$1,062</td>
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<td>'14</td>
<td>1,110</td>
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<td>'15</td>
<td>1,183</td>
<td>0</td>
<td>$1,183</td>
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<tr>
<td>'16</td>
<td>1,253</td>
<td>0</td>
<td>$1,253</td>
</tr>
<tr>
<td>'17</td>
<td>1,282</td>
<td>0</td>
<td>$1,282</td>
</tr>
<tr>
<td>'18</td>
<td>1,33</td>
<td>0</td>
<td>$1,33</td>
</tr>
<tr>
<td>'19</td>
<td>1,187</td>
<td>0</td>
<td>$1,187</td>
</tr>
<tr>
<td>'20</td>
<td>2,29</td>
<td>311</td>
<td>$1,311</td>
</tr>
<tr>
<td>'21</td>
<td>392</td>
<td>485</td>
<td>$877</td>
</tr>
<tr>
<td>'22</td>
<td>485</td>
<td>571</td>
<td>$1,081</td>
</tr>
<tr>
<td>'23</td>
<td>571</td>
<td>648</td>
<td>$1,219</td>
</tr>
<tr>
<td>'24</td>
<td>648</td>
<td>723</td>
<td>$1,371</td>
</tr>
<tr>
<td>'25</td>
<td>723</td>
<td>793</td>
<td>$1,516</td>
</tr>
<tr>
<td>'26</td>
<td>793</td>
<td>0</td>
<td>$793</td>
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</tbody>
</table>

Projected*
Budgeted Debt Service

Debt Service (Millions)

- 2012-2018 Actual Debt Service, projected thereafter
- 2018 Debt Service with 3% Inflation
Comparative Information
25 peer city average retail sewer rate per household = $404

Retail Sewer Rate Per Household

*2013 Rates (per 2014 NACWA survey, next update 2018)
Municipal Wastewater Charges

2016-2017: 5.4% Increase

2018: 3.7% Increase

2019: 3.5% Increase

2020-2022 Goal: <4% Increase

Long-Term Goal: ≤ Inflation Rate
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, and is $2.10 per 1,000 gallons of capacity for 2019
  - 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

For more information, please visit the SAC table during the Open House.

New Grandparent Credit Date

1973 → 2009

No SAC Due
Historical SAC Rate Increases (%)
SAC Reserve Fund

* 2018 is projected balance.
2019 Rate Setting Schedule

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

• May 8: Environment Committee Direction for Public Meetings

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

• July 10: 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
Metro Plant Solids Management Facility Plan

Jeannine Clancy,
Assistant General Manager, ES Technical Services
Project Location

The Metro Plant Processes ¾ of Regions Solids.

Metro Plant

- Treats 180 million gallons of wastewater every day for 66 communities.
- Processes 850 wet tons of solids every day for 73 communities.
History of Incineration at Metro

1938-2005
Multiple Hearth Incinerators

2005-Present
Fluidized Bed Incinerators

SMB is a model for “sustainable incineration” within the wastewater treatment industry.
Project Overview

MCES proposes construction of a fourth incinerator followed with renewal of existing incinerator facilities.

All three existing incinerators must be operated to keep up with existing loadings.
The existing incinerators will be 20 years old in 2025.
The region is growing and MCES must be able to support economic growth of the region.
Why the Fourth Incinerator

The fourth incinerator is the most **cost-effective** and **sustainable** alternative to meet the region’s wastewater needs.

It will have the **lowest community impact**, and will improve the **reliability** of the wastewater treatment system.
Exceptional Track Record of Environmental Compliance

Metro Plant Incinerator Performance Compared to EPA Emission Standards for New Fluidized Bed Incinerators

Existing incinerators meet EPA emission limits for existing and new fluidized bed incinerators.
The energy recovery system provides 1/4 of the Metro Plant’s power demand.

The energy recovered is used within the plant and saves customers $2.5 million/year.

Incineration recovers enough energy to power 2,400 homes.
# Sustainability

<table>
<thead>
<tr>
<th>Icon</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Smoke Stack" /></td>
<td>Lowest Air Emissions</td>
</tr>
<tr>
<td><img src="image" alt="Lightning Bolt" /></td>
<td>Superior Energy Recovery</td>
</tr>
<tr>
<td><img src="image" alt="Cloud" /></td>
<td>Similar GHG Emissions</td>
</tr>
<tr>
<td><img src="image" alt="Recycle Arrow" /></td>
<td>Ash Reuse Potential</td>
</tr>
</tbody>
</table>

*The fourth incinerator was found to be the most sustainable alternative.*
Community Impacts

- **No Impact to Air Quality**
- **No Odors**
- **No Offsite Land Impacts**
- **Fewest Trucks**

A fourth incinerator provides the lowest impact to the surrounding communities.
System Reliability

- Fourth incinerator allows Metro to backup other MCES facilities
- Increases reliability of whole MCES system

*A fourth incinerator allows Metro to perform renewals and preserve existing infrastructure.*
The fourth incinerator schedule was carefully coordinated with other capital projects.
# Facility Plan Schedule

<table>
<thead>
<tr>
<th>Action</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committee of the Whole Meeting</td>
<td>4/18/18</td>
</tr>
<tr>
<td>Public Outreach</td>
<td>4/23/18 – 6/26/18</td>
</tr>
<tr>
<td>Environment Committee Authorizes Public Hearing</td>
<td>6/26/18</td>
</tr>
<tr>
<td>Council Authorizes Public Hearing</td>
<td>7/11/18</td>
</tr>
<tr>
<td>Public Hearing for Facility Plan</td>
<td>8/28/18</td>
</tr>
<tr>
<td>Environment Committee Adopts Facility Plan</td>
<td>9/11/18</td>
</tr>
<tr>
<td>Council Adopts Facility Plan</td>
<td>9/26/18</td>
</tr>
</tbody>
</table>
Project Schedule

<table>
<thead>
<tr>
<th>PLANNING</th>
<th>PERMITTING &amp; DESIGN</th>
<th>FOURTH INCINERATOR CONSTRUCTION</th>
<th>RENEWAL OF EXISTING INCINERATORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2019</td>
<td>2020</td>
<td>2021</td>
</tr>
</tbody>
</table>

Fourth incinerator operational in 2024

Existing incinerators will be 20 years old in 2025

*The fourth incinerator will allow for preservation of existing infrastructure while serving regional growth.*
Wastewater Reuse Policy

Deborah Manning, P.E.
Plant Engineering Assistant Manager, ES Technical Services
Process to Amend Wastewater Reuse-Related Water Policy Plan

**APRIL-NOV. 2017**
Wastewater Reuse Policy Task Force

**FEB. 27 & MAR. 1, 2018**
Public Workshops

**APRIL 3, 2018**
Public hearing

**MAY 9, 2018**
Metropolitan Council approved amendment
# Key Policy Amendment Features

<table>
<thead>
<tr>
<th>Pilot Program</th>
<th>Cooperation with local communities &amp; water suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual cost-of-service basis, not single rate</td>
<td>Pursue non-Council funding</td>
</tr>
<tr>
<td>Long-term reclaimed water service agreement with users</td>
<td>Reporting at annual budget meetings</td>
</tr>
<tr>
<td>Regional cost share based on regional wastewater system benefit</td>
<td>Cap on cumulative regional cost share (approx. $1.65M/yr)</td>
</tr>
</tbody>
</table>
Regional Cost Share Criteria: Regional Wastewater System Benefit

• Proposed project is:
  • In sub-regional area where regional wastewater system built to serve long-term growth and
  • Water managers in that area now concerned about:
    • Sustainable water supply and impact of future water use
    • Difficulty to obtain a DNR groundwater use permit

  and/or

• Proposed project would reduce MCES’ surface water discharge, delaying capital improvements to meet more stringent regulatory requirements
Plant Tours

Metropolitan Wastewater Treatment Plant – St Paul, MN

• Tuesday, August 7, 2018: 9:00AM to 11:00AM
• Invites to be sent later this summer (first come, first served)

Plant Facts:

• Serves 65 communities & 1.8 million people
• Treats ~180 million gallons of wastewater per day
• 251 million gallons per day capacity
• 332 miles of interceptors to the plant
Plant Tours

Seneca Wastewater Treatment Plant – Eagan, MN

• Wednesday, August 15, 2017: 2:30PM to 4:00PM
• Invites to be sent later this summer (first come, first served)

Plant Facts:

• Serves 8 communities & 250,000 people
• Treats 21.9 million gallons of wastewater per day
• 38 million gallons per day capacity
• 46 miles of interceptors to the plant
Questions