

# Business Item

Environment Committee



Committee Meeting Date: July 11, 2023

For the Metropolitan Council: July 26, 2023

## Business Item: 2023-157

Adoption of MCES Wastewater Rates and Charges

<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	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)
<b>Staff Prepared/Presented:</b>	Ned Smith, Director of Pretreatment and Finance, 651-602-1162
<b>Division/Department:</b>	MCES c/o Leisa Thompson, 651-602-8101

### Proposed Action

That the Metropolitan Council adopts the following wastewater rates and charges to be effective January 1, 2024:

- Regional Wastewater Charge (total of municipal wastewater charges) of **\$281,587,000**;
- Sewer Availability Charge (SAC): **\$2,485** (\$3,185 for East Bethel and \$4,685 for Elko/New Market);
- Temporary SAC: **\$1.25** per thousand gallons;
- Industrial Capacity Charge: **\$2.31** per 1,000 gallons (\$2.96 for E. Bethel, \$4.35 for Elko NM);
- Industrial Strength Charge: **\$0.310** per excess pound of TSS (total suspended solids);
- Industrial Strength Charge: **\$0.155** per excess pound of COD (chemical oxygen demand);
- Brewery Strength Charge: **\$0.972** per barrel;
- Standard Load Charge: **\$61.60** per thousand gallons;
- Holding Tank Load Charge: **\$12.74** per thousand gallons;
- Portable Toilet Waste Load Charge: **\$78.45** per thousand gallons;
- Collar County Load Charge: **\$76.60** per thousand gallons;
- Strength component of Industrial Load Charge **\$0.4130** per excess pound of TSS;
- Strength component of Industrial Load Charge **\$0.2065** 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) Surcharge Exceedance Rate: **\$519,000** per million gallons per day (rate of maximum measured flow within an hour over allowed flow rate).

### Background

On May 9, 2023 staff presented information to the Environment Committee on the 2024 preliminary budget and rates. On May 25, 2023 and June 8, 2023, this information was shared with community customers at two Customer Webinars. 57 customer representatives attended the meetings. A staff summary of customer comments and responses are included in Attachment D.

The revenue proposed to be raised through the Regional Wastewater Charge in 2024 is a 6.8% increase from 2023 (note: this increase will vary for each city depending on their 2022 flow). This increase and the other rate changes comply with 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 methodology.

Rates are based on the preliminary or “rate-setting” budget which has total sources of \$360.7 million and total uses of \$361.0 million. This proposed budget includes a \$.4 million use of the wastewater operating contingency reserve fund. However, the operating reserve balance will remain above its Council Policy minimum balance of \$15 million. The proposed budget also includes an \$8.5 million use of the SAC reserve fund to be dedicated to a portion of the Pay-As-You-Go expenditure. This rate-setting budget is further detailed in Attachment C.

SAC receipts to date indicate a financially sound SAC reserve fund balance. Accordingly, there is no increase in the SAC rate proposed for 2024 (and the related Temporary Capacity Charge). With SAC units as projected, the SAC reserve balance will stay well above the Council’s minimum target (Policy 3-2-5).

Once charges are approved and flow measurements finalized, staff will distribute final community-specific municipal charges in August.

The proposed 2024 “rate sheet” description of rates can be found in Attachment B.

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## Rationale

Wastewater service rates for 2024 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 Analysis

### **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 and workshops are a means to share all details of the budget, our operating plans, and our capital plans with our customers.

## Funding

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

## Small Business Inclusion

Information in this section must be completed by the Office of Equal Opportunity.



## Attachment A

### 2024 Industrial Discharge Permit Fees

Quarterly Reporters (SIU>50MGY)	\$12,350
Quarterly Reporters (SIU<50 MGY)	\$10,325
Semi-annual Reporters (SIU>10 MGY)	\$8,225
Semi-annual Reporters (SIU 5-10 MGY)	\$6,200
Semi-annual Reporters (SIU 2-5 MGY)	\$4,050
Semi-annual Reporters (SIU <2 MGY)	\$2,050
Semi-annual Reporters (Non-SIU)	\$2,050
Annual Reporters (Non-SIU > 1 MGY)	\$2,050
Annual Reporters (Non-SIU < 1 MGY)	\$1,250
Annual R. (Non-Significant Categorical user (NSCIU))	\$1,250
Annual Reporters (standard low impact)	\$900
Annual Reporters (Sewer cleaning waste (vactor))	\$450
Liquid Waste Hauler (> 1 MGY)	\$2,050
Liquid Waste Hauler (< 1 MGY)	\$1,250
Liquid Waste Hauler (< 50,000 KGY)	\$700
Special Discharge Permit (quarterly reporter)	\$2,050
Special Discharge Permit (contingency/low impact)	\$1,250
General	\$125-\$500

*SIU = Significant Industrial User - a federal designation.*



## MCES 2024 Charges (preliminary)

1. **Budget Municipal Wastewater Charges:** MCES charges communities for sewer service and treatment. All customer communities pay an allocated portion of the Regional 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 2022. 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).

### 2024 Regional Wastewater Charge

Total Regional Wastewater Charge in 2023	\$281,587,000
Allocated based on system flow: in million gallons (mg), based on flow for calendar year 2022	81,400mg
Rate per million gallons	\$3,459

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 (100,000 gallons per year). 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 additional local charges (e.g., Local SAC and Local WAC) on this fee to cover their own capital costs.

### 2024 Sewer Availability Charges

Base Unit Fee (Single Family Dwelling) *	\$2,485.00
Apartment	20% discount
Multi-Dwelling Public Housing (without garbage disposals nor dishwashers)	25% discount
Multi-Dwelling Public Housing (without laundry, garbage disposals, nor dishwashers)	40% discount
Commercial Outdoor Space Discount	75% discount
* Note: Elko/New Market and East Bethel have higher base SAC rates set by contract (\$3,185 for E. Bethel and \$4,685 for Elko/New Market).	

**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.

**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

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 domestic 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.

**2024 Industrial Strength Charges**

Cost per excess pound of Total Suspended Solids (TSS)	\$0.310
Cost per excess pound of Chemical Oxygen Demand (COD)	\$0.155

4. **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 regional wastewater rate and iii) a special facilities component for the discharge sites. Also, iv) out-of-region waste is assessed an administrative service component.

**2024 Liquid Waste Load Charges (per 1000 gallons)**

Standard Load Charge	\$61.60
Portable Toilet Waste Load Charge	\$78.45
Holding Tank Load Charge	\$12.74
Collar County Load Charge (for 10 counties surrounding the region)	\$76.60
Industrial Load Charge (\$ per excess lb.)	\$0.4130 TSS

5. **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.

**2024 Liquid Waste Load Charges (per 1000 gallons)**

Volume (MGY)	>50 m.	<50 m.	>10 m.	5-10 m.	2-5 m.	<2 m.	>1 m.	<1 m.
Quarterly Reporters	\$12,350	\$10,325						
Semi-annual Reporters			\$8,225	\$6,200	\$4,050	\$2,050		
Annual Reporters & Liquid Waste Haulers							\$2,050	\$1,250
General Permits	\$100-500							



6. **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.

2024 Temporary Capacity Charge	\$1.25 per 1,000 gallons
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7. **Industrial Capacity Charge (ICC):** As of January 1, 2019, industries had a new option for paying SAC for process discharge (which may reduce or eliminate large SAC payments). In lieu of paying SAC for process flow that exceeds established baseline flow, industries can choose to pay a smaller but ongoing ICC; ICC is like renting capacity instead of owning it. The ICC will be applied to discharges above an industry’s SAC baseline and it will be invoiced after each industry’s reporting period. Depending on the variability of flow, it may make sense to purchase SAC units instead of continuing to rent; purchasing SAC permanently increases an industry’s SAC baseline which decreases or eliminates future ICC payments. ICC payments do not increase the baseline.

2024 Industrial Capacity Charge	\$2.31 per 1,000 gallons over baseline flow (\$2.96 for East Bethel and \$4.35 for Elko/New Market)
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8. **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.

2024 Late Report Fees:	\$150-\$800 per report (more detail available on website)
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9. **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.

10. **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 of these fees are assessed to recover administrative costs for time spent by MCES staff.



Rate Setting Budget	2023 Original Budget \$s in thousands	2024 Rate- Setting Budget \$s in thousands	% Change
REVENUE & Other Sources:			
Regional Wastewater Charge	263,703	281,587	6.8
SAC Transfer (incl. \$7.5M and \$9.5M paygo from SAC fund)	60,057	57,768	-3.8
Industrial & Hauler Charges	16,500	18,500	12.1
Other Sources*	7,645	2,833	-62.9
<b>Total</b>	<b>347,905</b>	<b>360,688</b>	<b>3.7</b>
EXPENSES & Other Uses:			
Wastewater Debt Service	156,500	156,500	0
MCES Labor	81,040	85,928	5.5
Non-Labor	77,893	85,048	9.2
Interdivisional Charges	23,481	22,569	-6.1
Pay-as-You-Go for Capital Projects	11,000	11,000	0
<b>Total</b>	<b>349,914</b>	<b>361,035</b>	<b>3.2</b>
SURPLUS/(DEFICIT) to (from) Op. Reserve	(2,008)	(358)	



## Customer Forum Feedback

### *Attendees*

57 non-council attendees from 45 communities

### *Meeting Topics*

- Introductory remarks
- Proposed 2024 Budget and Finance Overview
- Municipal wastewater charge
- MCES Capital program
- Updates on:
  - Emergency Plan and response
  - Collection system issues: Fats, Oils and Grease (FOG) along with rags
  - Public and private inflow and infiltration grant programs
  - Water resources policy planning
  - Climate action plan

### *Questions Received from Participants*

- What level of increases do you anticipate over the next 10 years?
- What specific areas are cost increases coming from? What has ES done to bend the cost curve in the treatment of wastewater?
- What does SAC stand for?
- Are capital expenses funded through sewer rates? If so, would it be more cost-effective to fund some capital expenses through SAC fee increases?
- Why did we see a large increase this year when we have replaced our old sewer lines in recent years? Our internal billing remained flat.
- What is causing flows to decline year over year despite the growth of the metropolitan area?
- Is there a preferred point of contact or with MCES collection system staff relating to coordination of I/I reduction activities?
- If a community water main breaks and overflows, should both the community and ES be involved in the emergency?
- What is the equity lens based on for the Private Property I/I Grant program?
- Where can I find resources mentioned in the presentation?

### *Webinar Materials and Video*

<https://metro council.org/Wastewater-Water/Funding-Finance/Budget-Workshops.aspx>

