



**METROPOLITAN
C O U N C I L**

Information Item: MCES Preliminary Budget, Rates, and Workshops

Ned Smith, Director of Pretreatment and Finance

Environment Committee: May 9, 2023



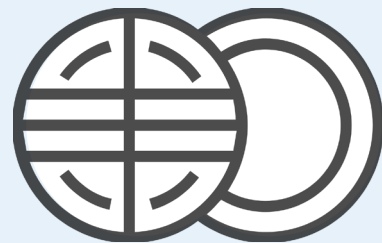
2024 executive summary (verses 2023)

**Regional
Wastewater
Charge**



6.8%

**Sewer
Availability Unit
Charge**



0%

**Industrial Waste
Strength Charge**



6.2%

**Industrial Permit
Fee**



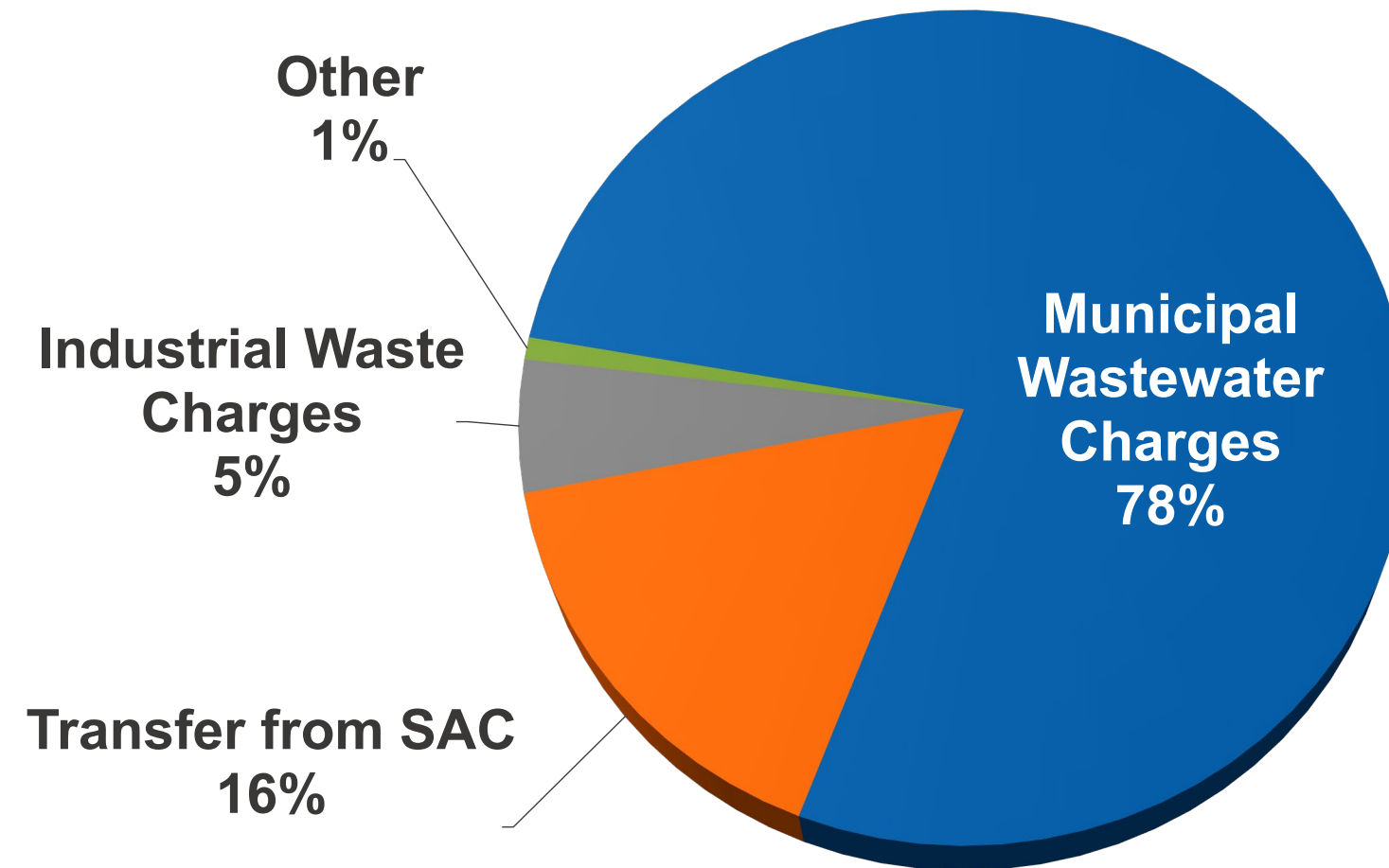
~6.8%

2024 preliminary regional municipal wastewater charge increase drivers

6.8 percent translates to \$17.9Million (M)

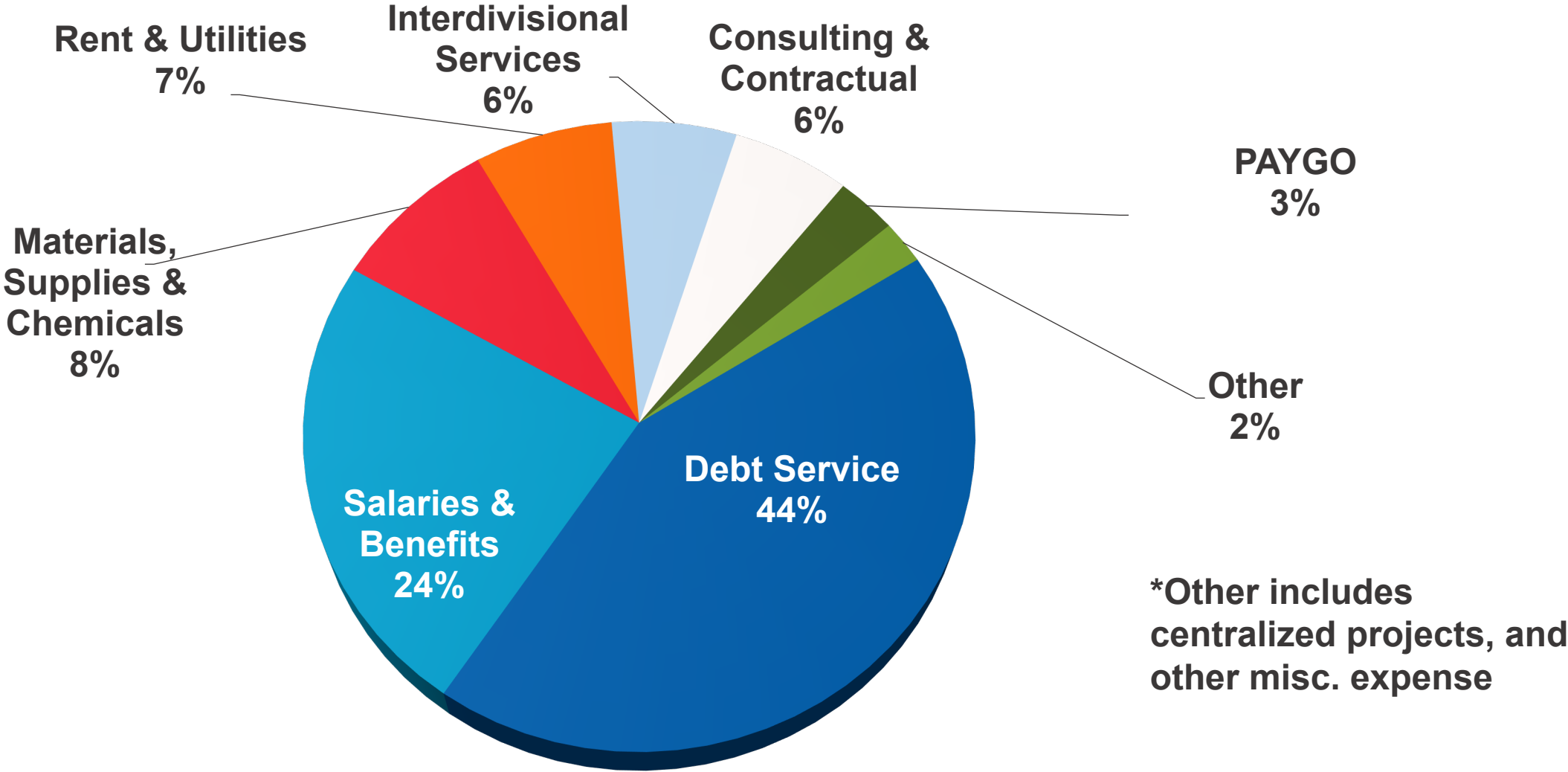
- Chemical inflation accounts for (\$5.1M)
- Labor inflation accounts for (\$4.9M)
- Utilities (electric and gas) inflation accounts for 1.4% (\$3.6M)
- Materials and supplies inflation accounts for .6% (\$1.5M)
- Contract services accounts for (\$1.4M)
- Reserve reduction (\$1.0M)
- Contingency increase (\$0.5M)

2024 Revenue Sources - \$361M

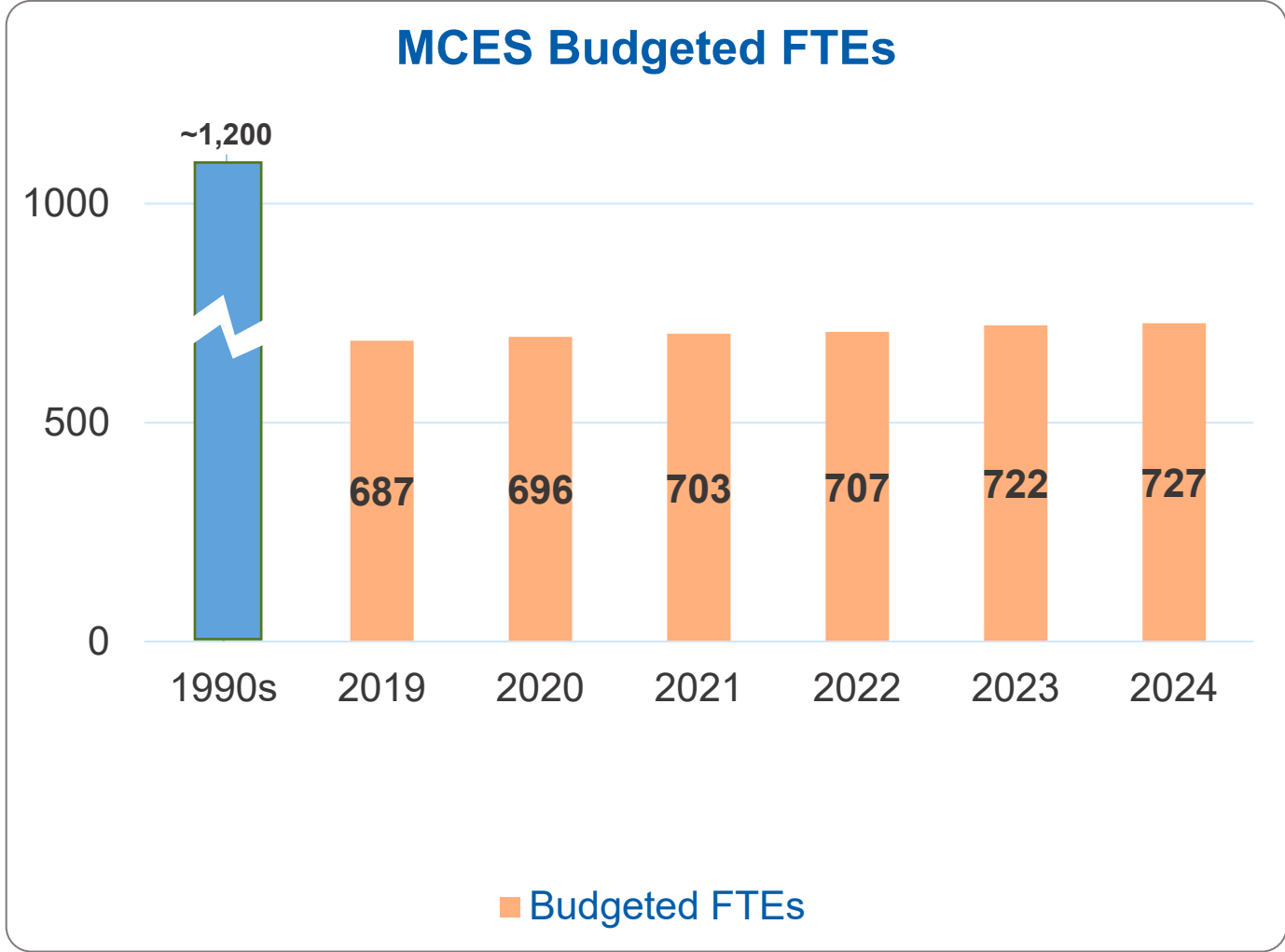


*Other includes
\$.4M use of
Reserves

Proposed Uses by Category - \$361M



Proposed Budget: Labor



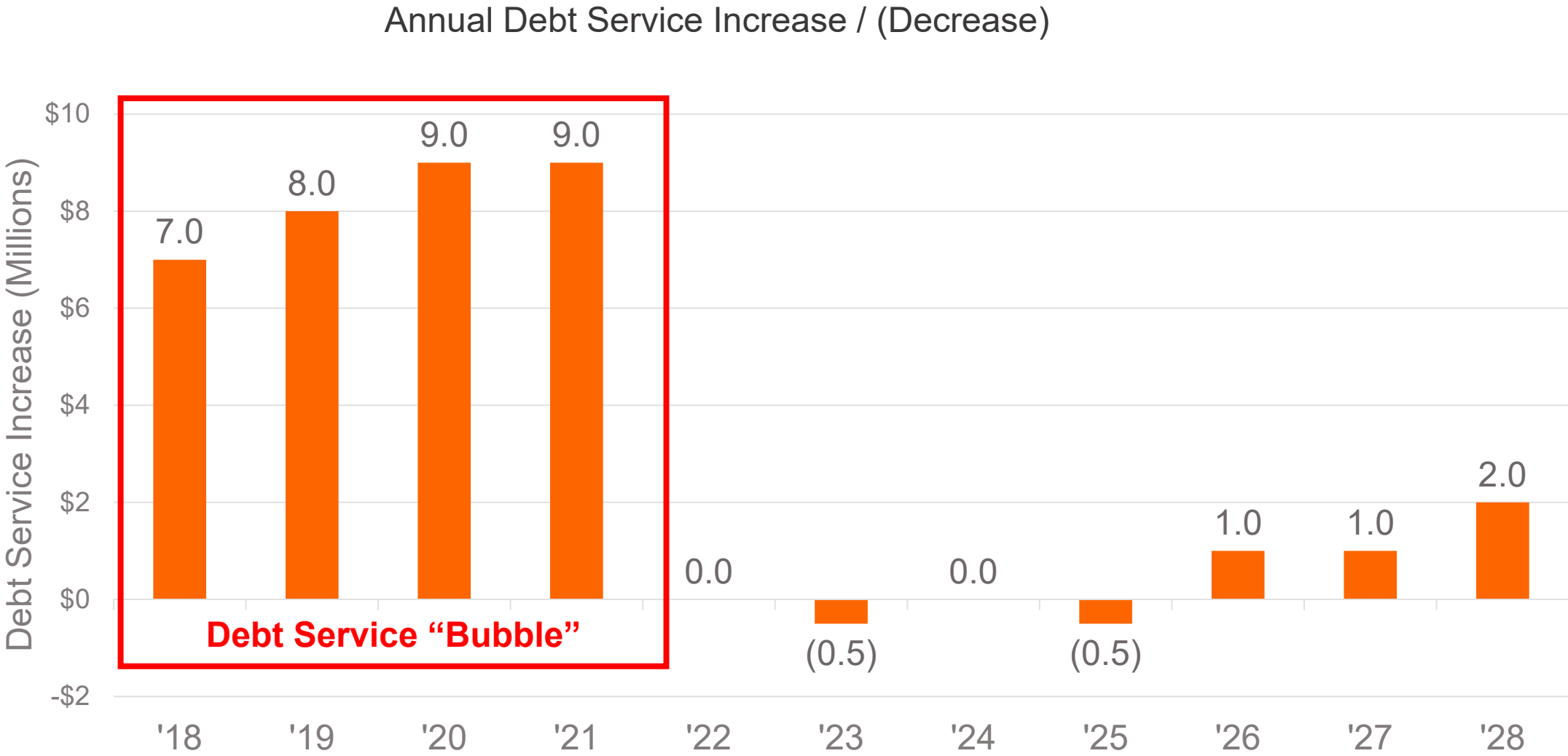
FTE Budget Count

- 699** Regular Fulltime Employees (FTEs)
- 727** FTEs Including Overtime
- 25** Budgeted Vacant FTEs

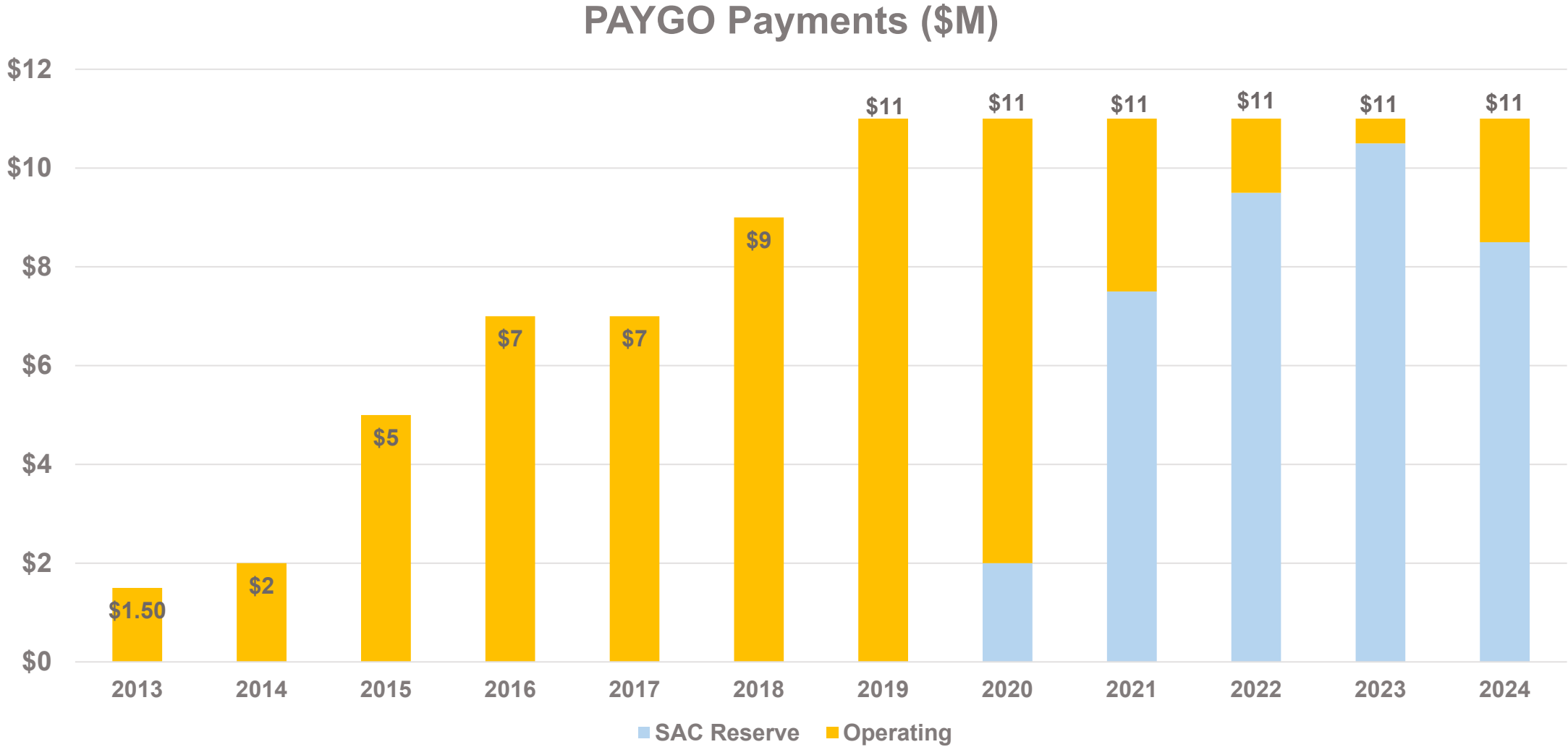
Risk Factors

- Potential rising wage pressure in response to rising inflation.
- As a self-insured employer, potential for increased medical expense due to pandemic-delayed routine medical care.
- Potential for higher attrition rates leading to higher than planned vacancies (drives overtime).

Projected Debt Service Change



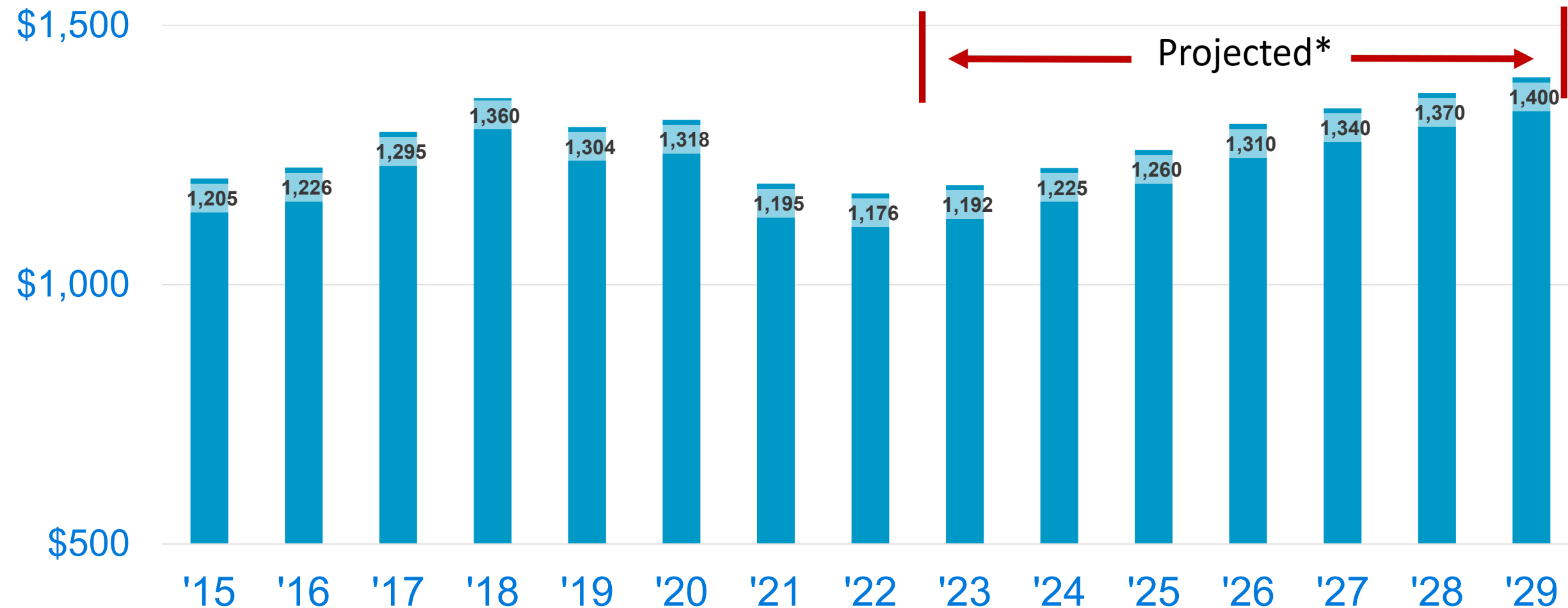
Pay-As-You-Go (PAYGO)



PAYGO is funded from the operating fund except for these amounts funded from the SAC fund: \$2M in 2020, \$7.5M in 2021, \$9.5M in 2022, \$10.5M in 2023 and \$8.5M in 2024.

Wastewater Outstanding Debt

(\$ in millions)



* Assumes 75% of ACP is spent.

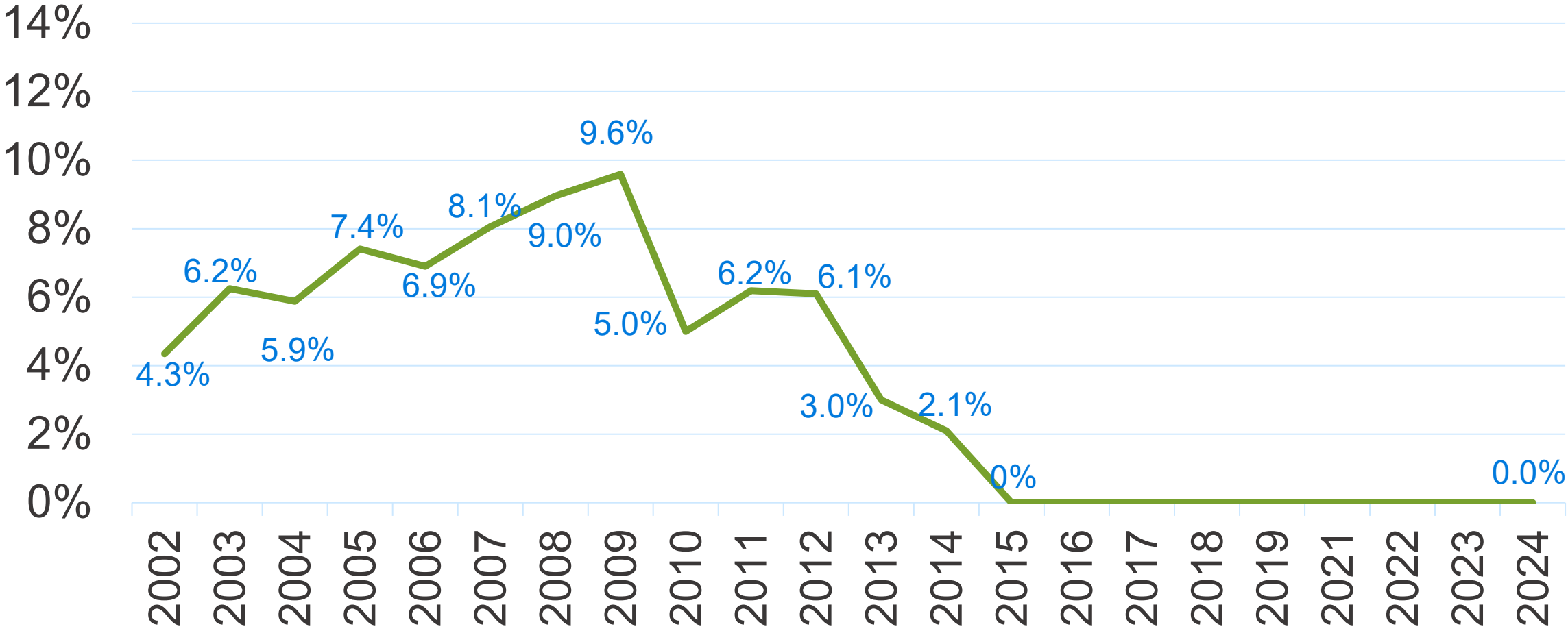
Upcoming May 2023 Bond Sale – AAA, \$100M, 20 year fixed, estimated 3.7%

Debt per Capita*

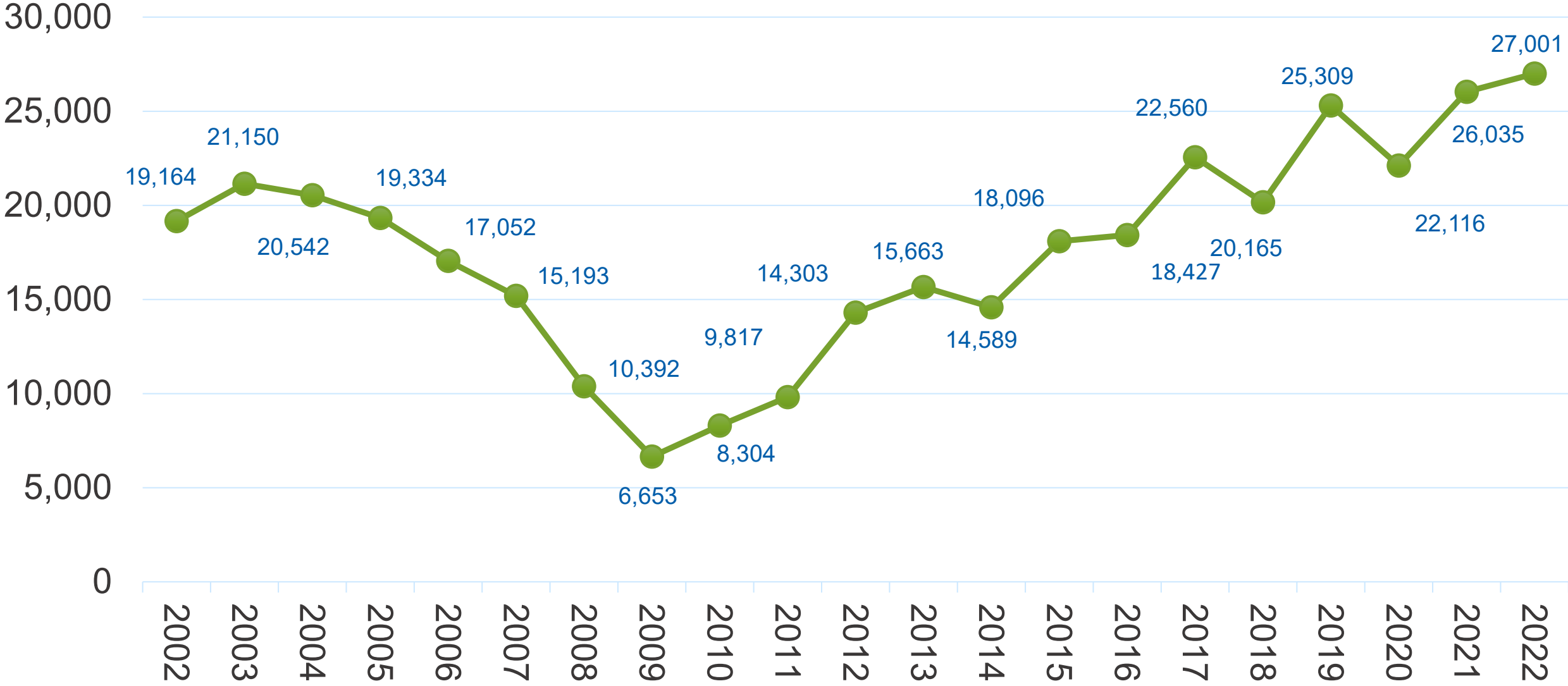
Los Angeles	\$121	Chicago	\$533	Boston	\$2,139
Denver	\$265	San Antonio	\$654	Indianapolis	\$2,817
Memphis	\$271	Arlington TX	\$842	Atlanta	\$2,866
Phoenix	\$345	Austin	\$894	Honolulu	\$3,062
Orange County	\$354	St. Louis	\$1,162	Louisville	\$3,322
Las Vegas	\$440	Wash D.C.	\$1,512		
MCES	\$445	Cleveland	\$1,812		
Virginia Beach	\$511	Seattle	\$2,006		

* Source is the 2020 NACWA triennial financial survey, which includes 2019 data

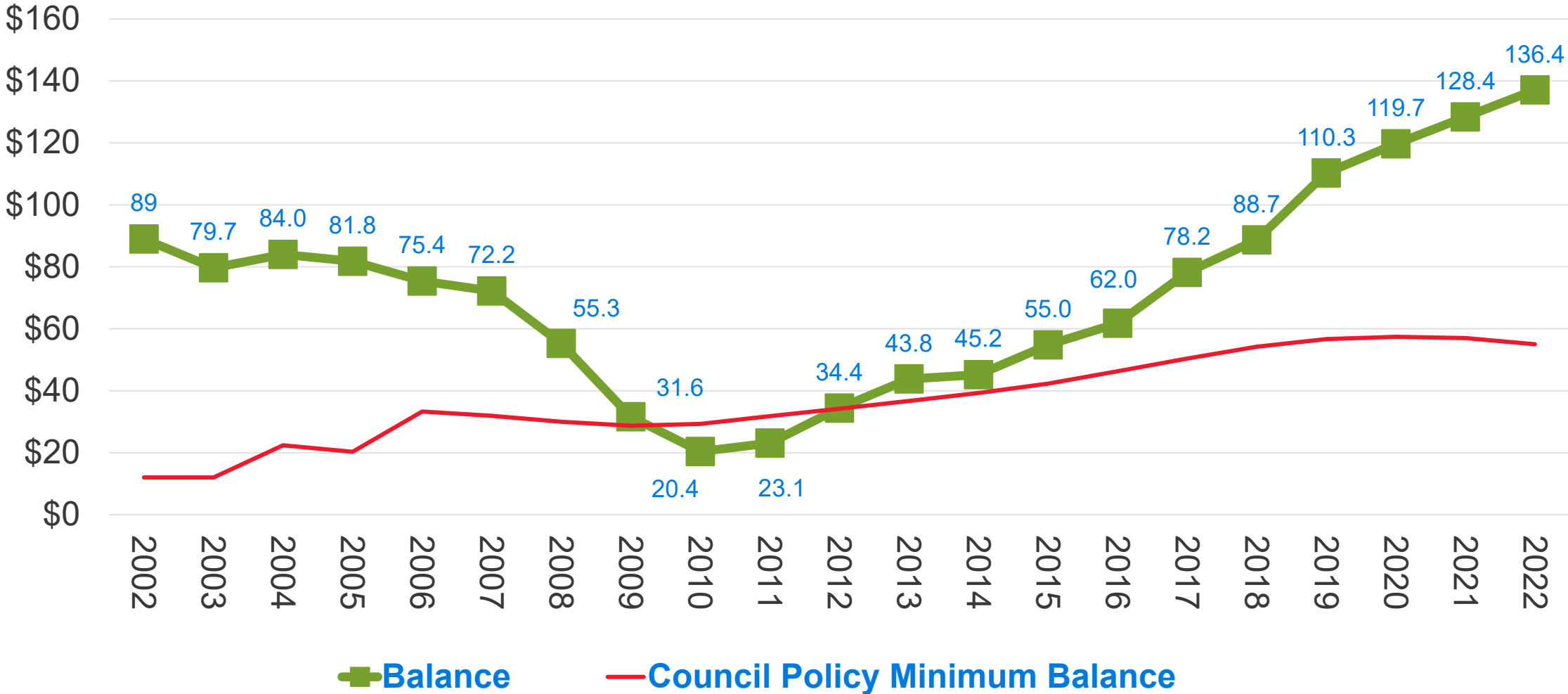
Historical SAC Rate Increases (%)



SAC Units: Development Continues



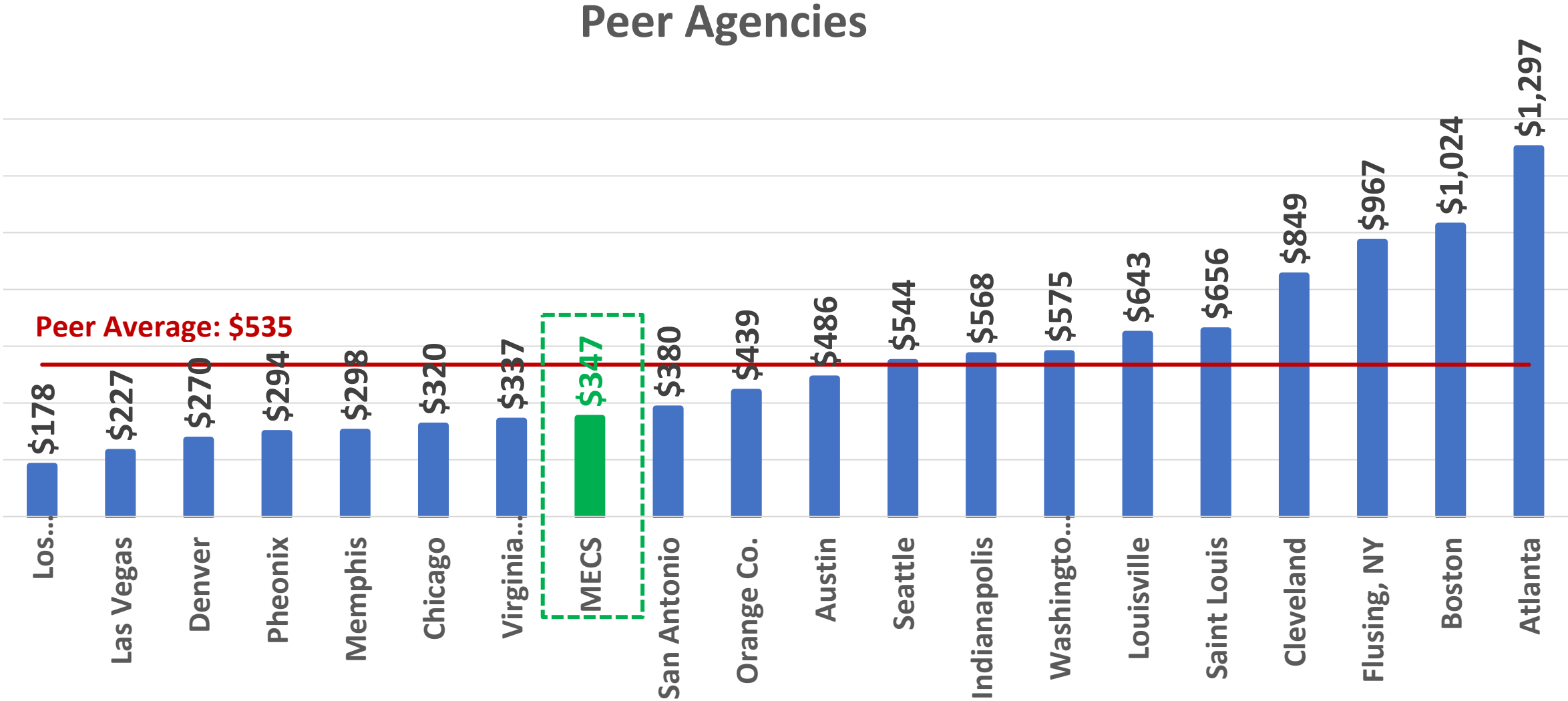
SAC Reserve Balance



Strong reserve balance will help MCES manage future SAC rates

Comparative Information

- Average retail sewer rates per household



* 2020 NACWA survey of 2019 rates

Municipal Wastewater Charges

2018-2022 Commitment:

≤ 4% Increase

2023 & Beyond:

≤ Wastewater Inflation Rate

	<u>MWC Increase:</u>		<u>Wastewater Inflation (ES specific inflation*):</u>
2023:	5.5%	≤	6.4%
2024:	6.8%	≤	7.2%

* See next slide.

Proposed Industrial Rates

Rate Type	Prelim. 2024	% Increase
Strength Charge (excess lb. TSS*)	\$0.310	6.2
Brewery Strength Charge (per barrel)	\$0.972	6.2
Standard Load Charge (per 1000 gallons (gal.))	\$61.60	2.2
Industrial Load Charge (excess lb TSS*)	\$0.413	0.0
Collar County Load Charge (per 1000 gal.)	\$76.60	1.8
Portable Toilet Load Charge (per 1000 gal.)	\$78.45	1.3
Holding Tank Load Charge (per 1000 gal.)	\$12.74	9.0
Standard Permit Fee	\$1,250-\$12,350	~6.8
General Permit Fee	\$100-\$500	0

**Total Suspended Solids (TSS)*

2024 Rate Setting Schedule

May 4 and
May 9

Industrial Workshops (May 4 in person, May 9 virtual)

May 9

Environment Committee Direction for Public Meetings

May 25 and
June 8

Municipal Customer Forums (May 25 virtual, June 8 in person)

July 11

Environment Committee Review of Customer Input and
2024 Rate Adoption Recommendation

July 26

Council Rate Adoption

August 23

Council Preliminary Operating Budget Adoption

Questions

Appendix:

MCES Proposed Operating Budget

Category	2022*	2023**	2024	% Change ('24 v. '23)
SOURCES				
Municipal Wastewater Charges	250.0	263.7	281.6	6.8%
Industrial Charges	18.5	16.5	18.5	12.1%
Transfer from SAC Fund	57.8	60.1	57.8	-3.8%
Other Sources ¹	9.4	9.7	3.1	-68.0
TOTAL	335.7	349.9	361.0	3.2%

* 2022 MCES Amended Y/E budget

** 2023 Does not include carryforward adjustments

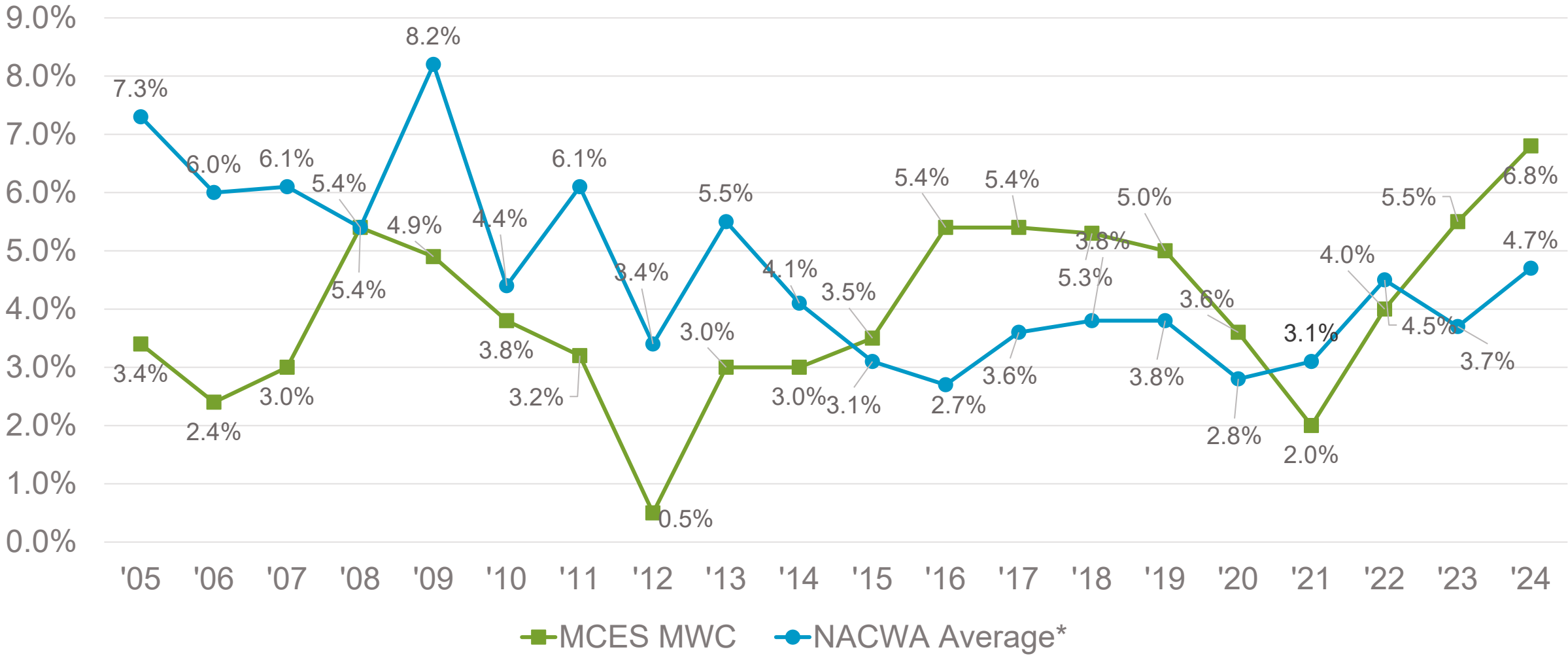
*** 2024 Preliminary Budget

1. Includes use of reserves (\$2M in 2023 and \$.4M in 2024) and \$5M in pass-through grants in 2023.
2. Includes centralized project funds, training/travel, and \$5M in pass-through grants in 2023.

Category	2022*	2023**	2024	% Change ('23 v. '22)
USES				
Labor	77.0	81.0	85.9	6.0%
Contracted Services	21.2	20.0	21.4	7.0%
Materials & Supplies	11.9	11.2	12.7	13.4%
Chemicals	13.0	12.6	17.7	40.5%
Utilities	23.3	21.5	25.1	16.7%
Debt Service	157.0	156.5	156.5	0%
Capital Outlay	1.7	1.8	2.1	16.7%
Central Services	22.3	23.7	22.6	-4.6%
PAYGO (Capital Projects)	11.0	11.0	11.0	0.0%
Other Expenses ²	3.8	10.6	6.0	-43.4%
TOTAL	342.2	349.9	361.0	3.2%

Municipal Wastewater Charge Increases

- Compared to NACWA Average



* Source is NACWA 2022 Cost of Clean Water Index