

Environmental Services 2011 Budget

July 28, 2010

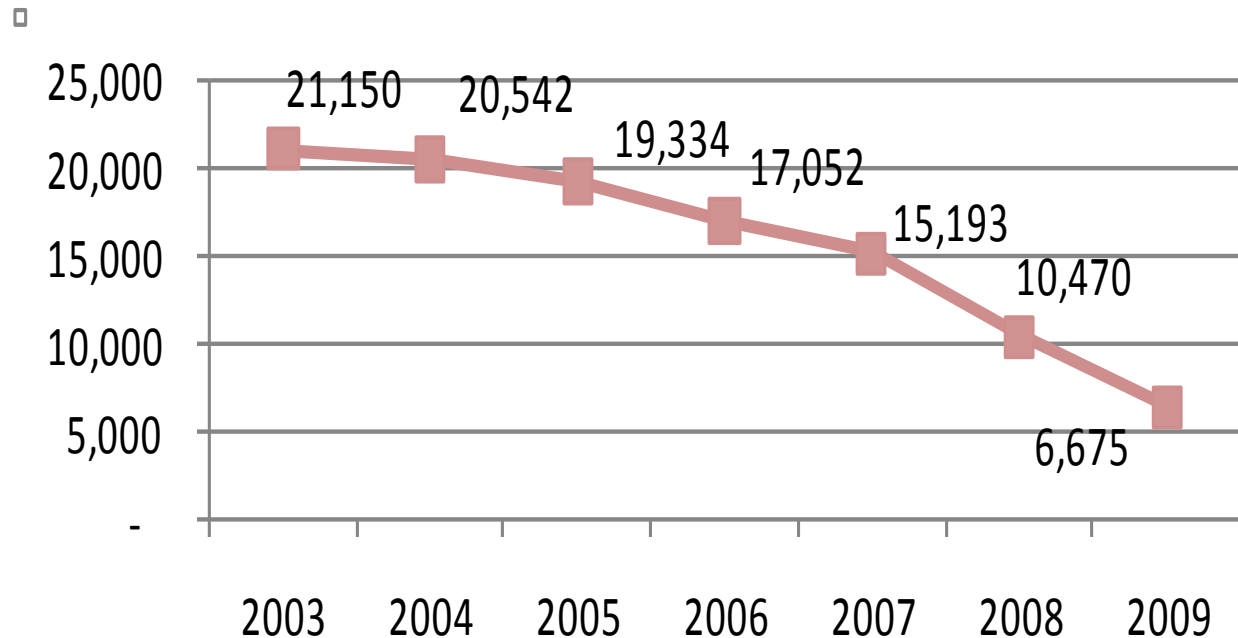
2011 MCES Budget Challenges

- ▶ Economic downturn/impact on service availability charge (SAC) revenues
- ▶ Shift in some SAC costs to municipal wastewater charge (MWC)
- ▶ Minimize rate increases to customers

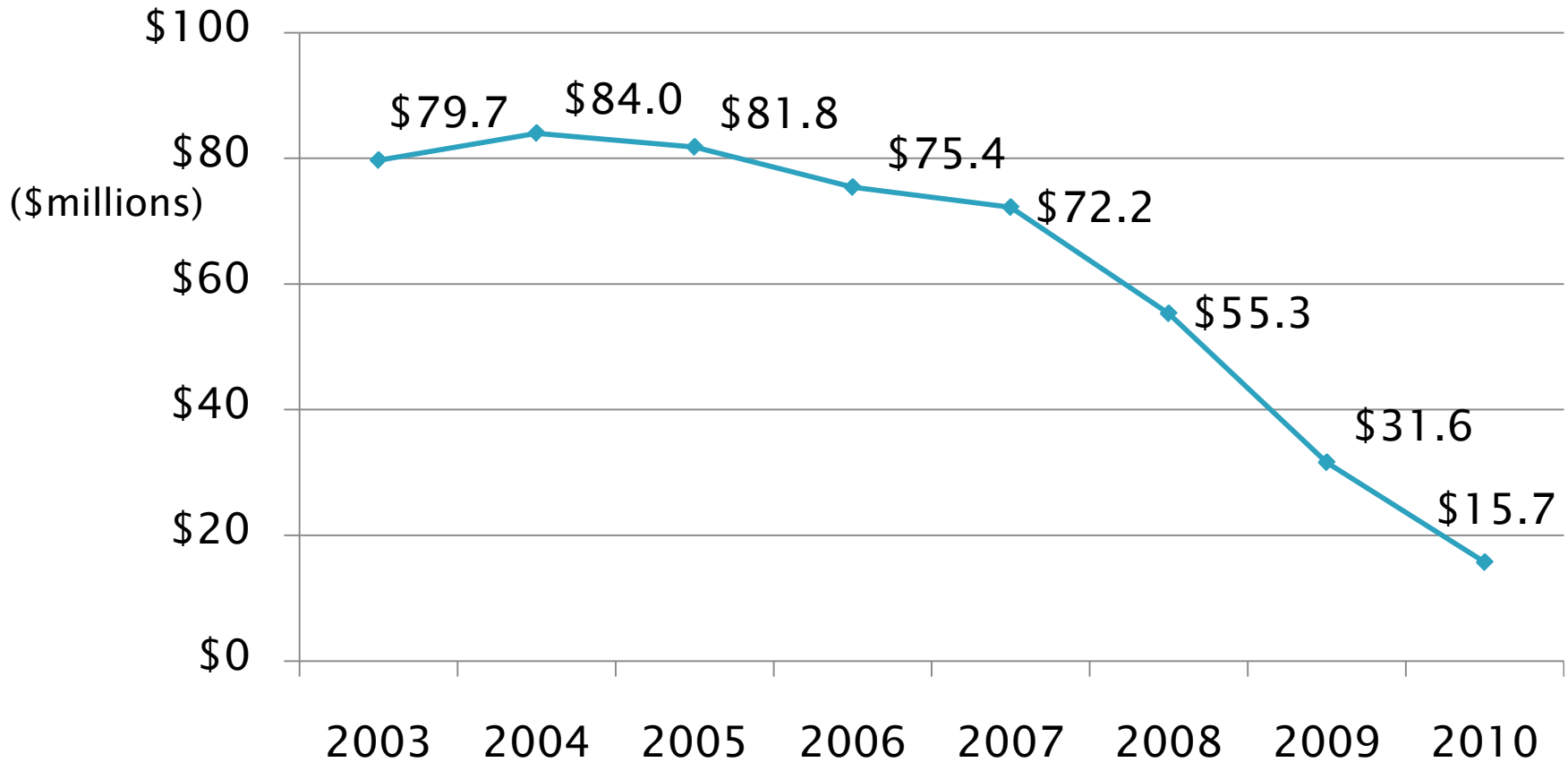
SAC Units

- ▶ In this decade, SAC units declined from 20,000/yr average to 6,675 in 2009, causing pressure on SAC reserve fund balance

- 2003: 21,150
- 2004: 20,542
- 2005: 19,334
- 2006: 17,052
- 2007: 15,193
- 2008: 10,470
- 2009: 6,675



SAC Reserve Fund Balance



2010 is estimated

Mitigation

- ▶ Deferred some capital projects
- ▶ Refined reserve capacity definition
- ▶ Appointed task force to develop long term plans
- ▶ Changed legislation to allow some SAC shift to MWC

SAC Legislation Summary

- ▶ Flexibility to temporarily reduce SAC transfer and shift cost to MWC
- ▶ Limited to when financially necessary
- ▶ Balanced by minimum SAC increase
- ▶ Shift back when fund recovers
- ▶ Sunsets in 2015

2011 SAC Shift Proposal

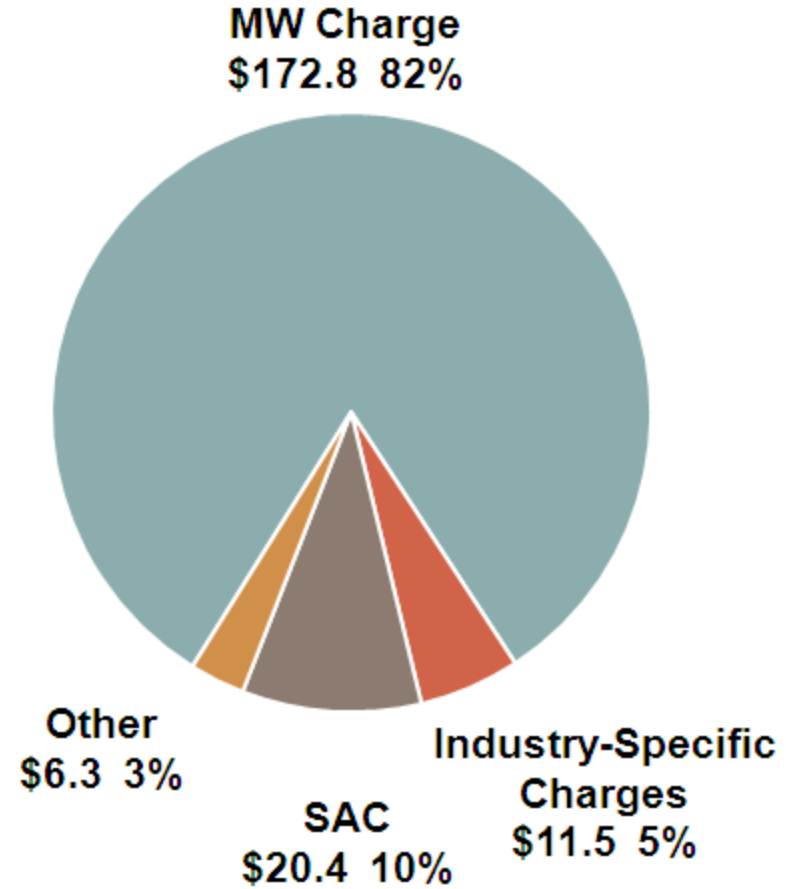
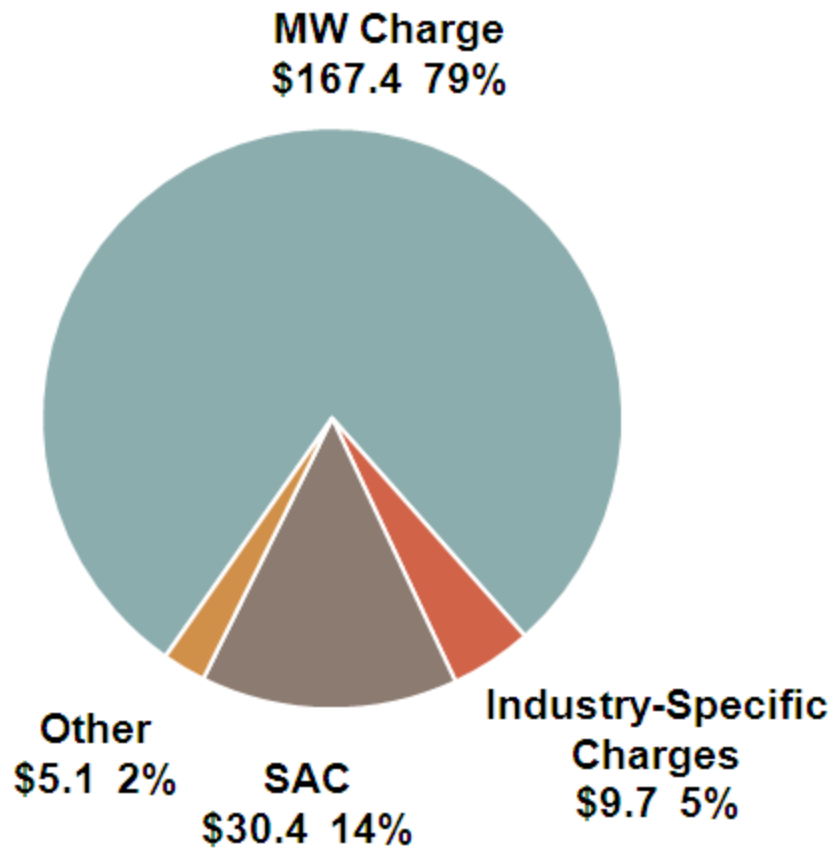
- ▶ SAC pays \$4.5 million less than reserve capacity computation
- ▶ Municipal wastewater charges (MWC) in aggregate pays additional \$4.5 million in 2011
 - \$2.78 (\$.23/month) per household and residential equivalent connection (REC)

Revenues and Sources by Type

Environmental Services

2010 Adopted - \$212.6M

2011 Proposed - \$211.0M

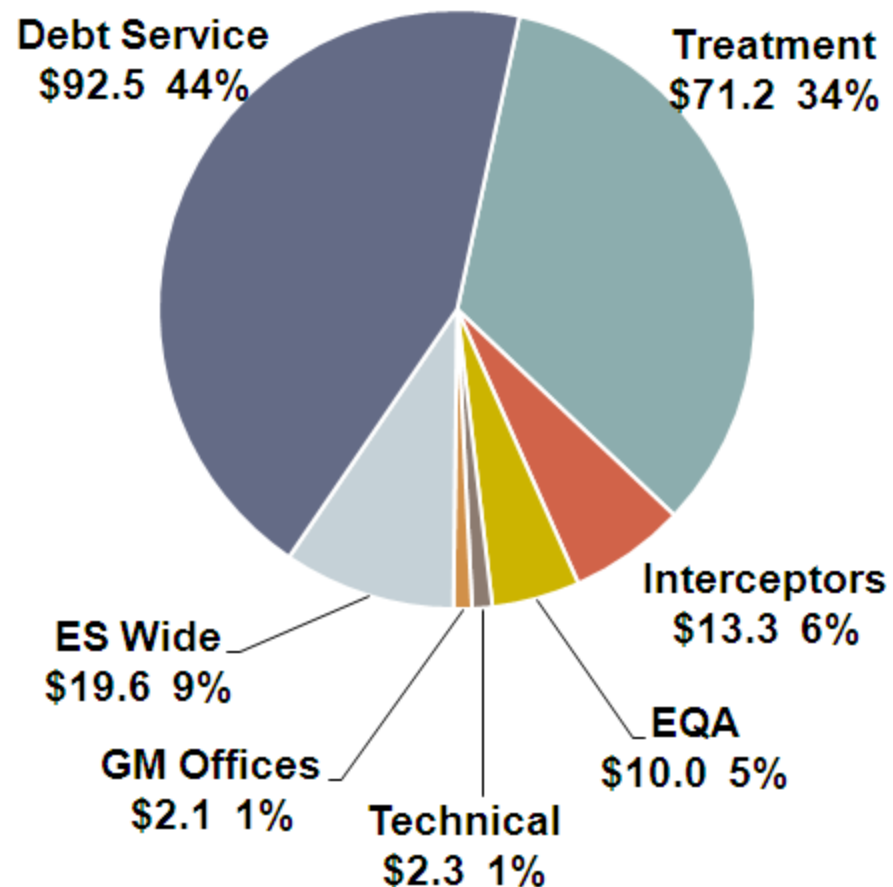
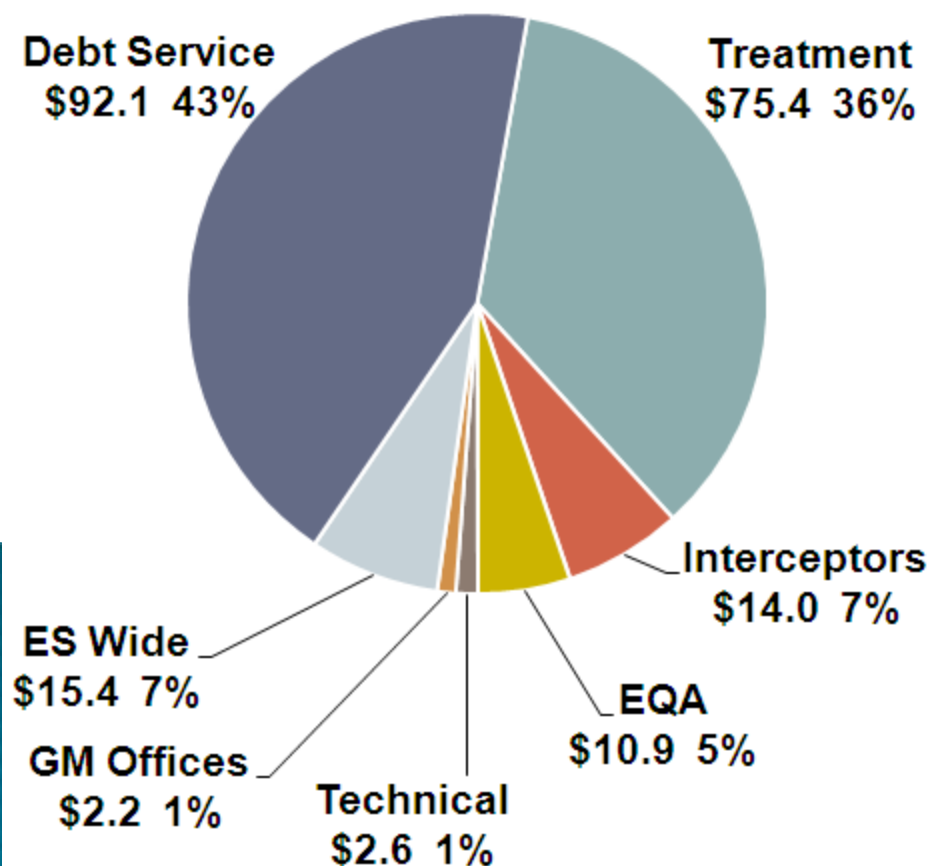


Expenses and Uses by Function

Environmental Services

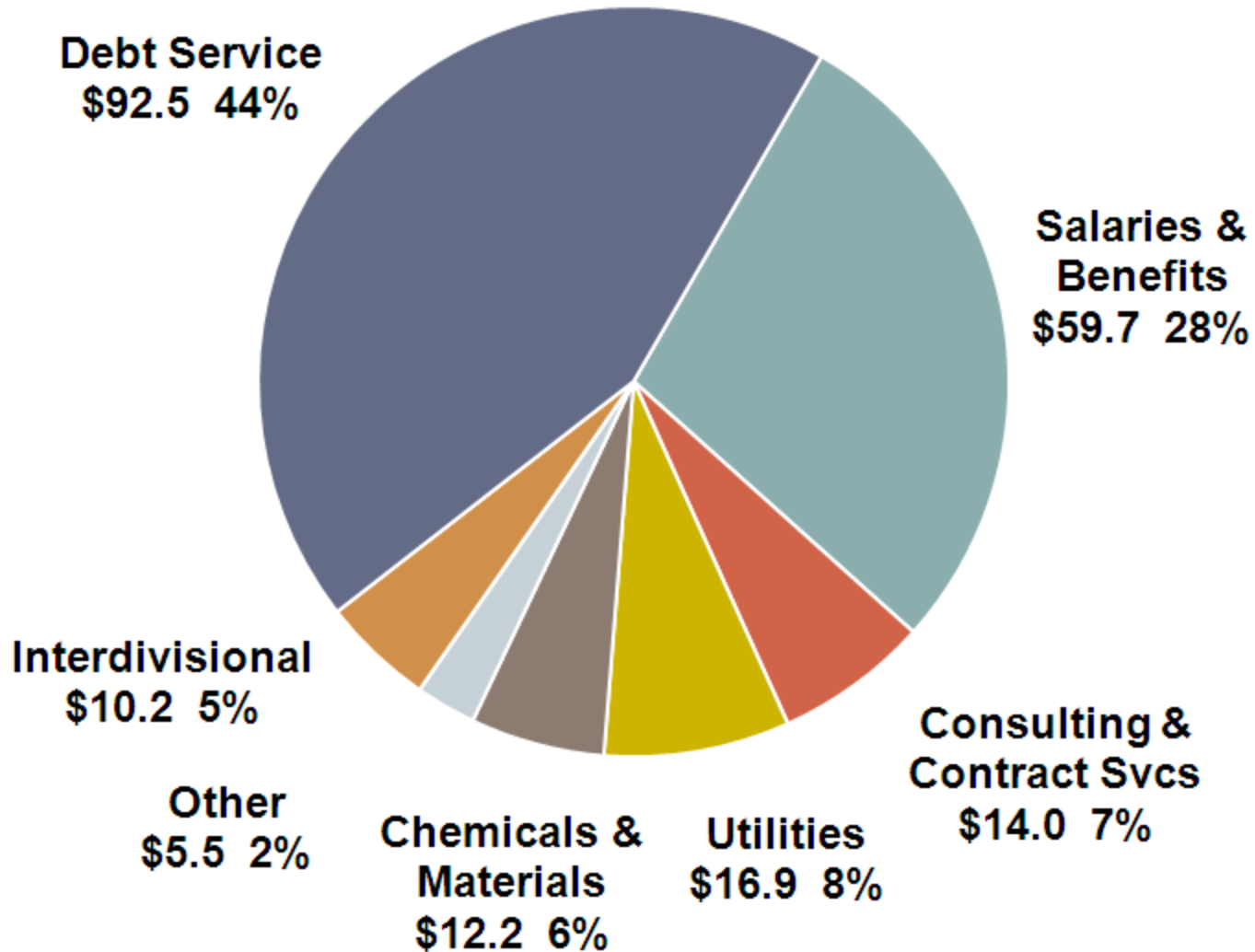
2010 Adopted - \$212.6M

2011 Proposed - \$211.0M



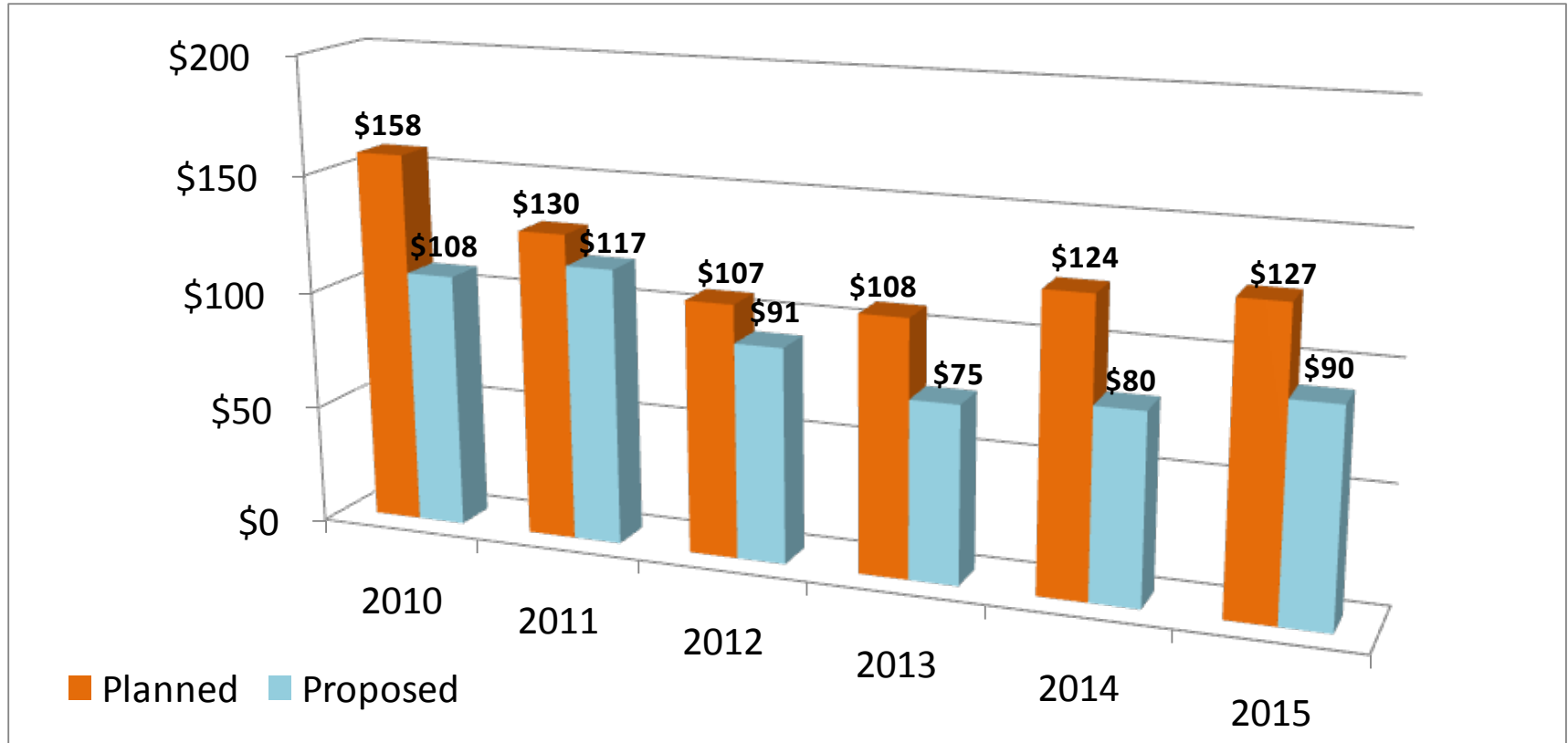
Expenses and Uses by Type

Environmental Services \$211.0M

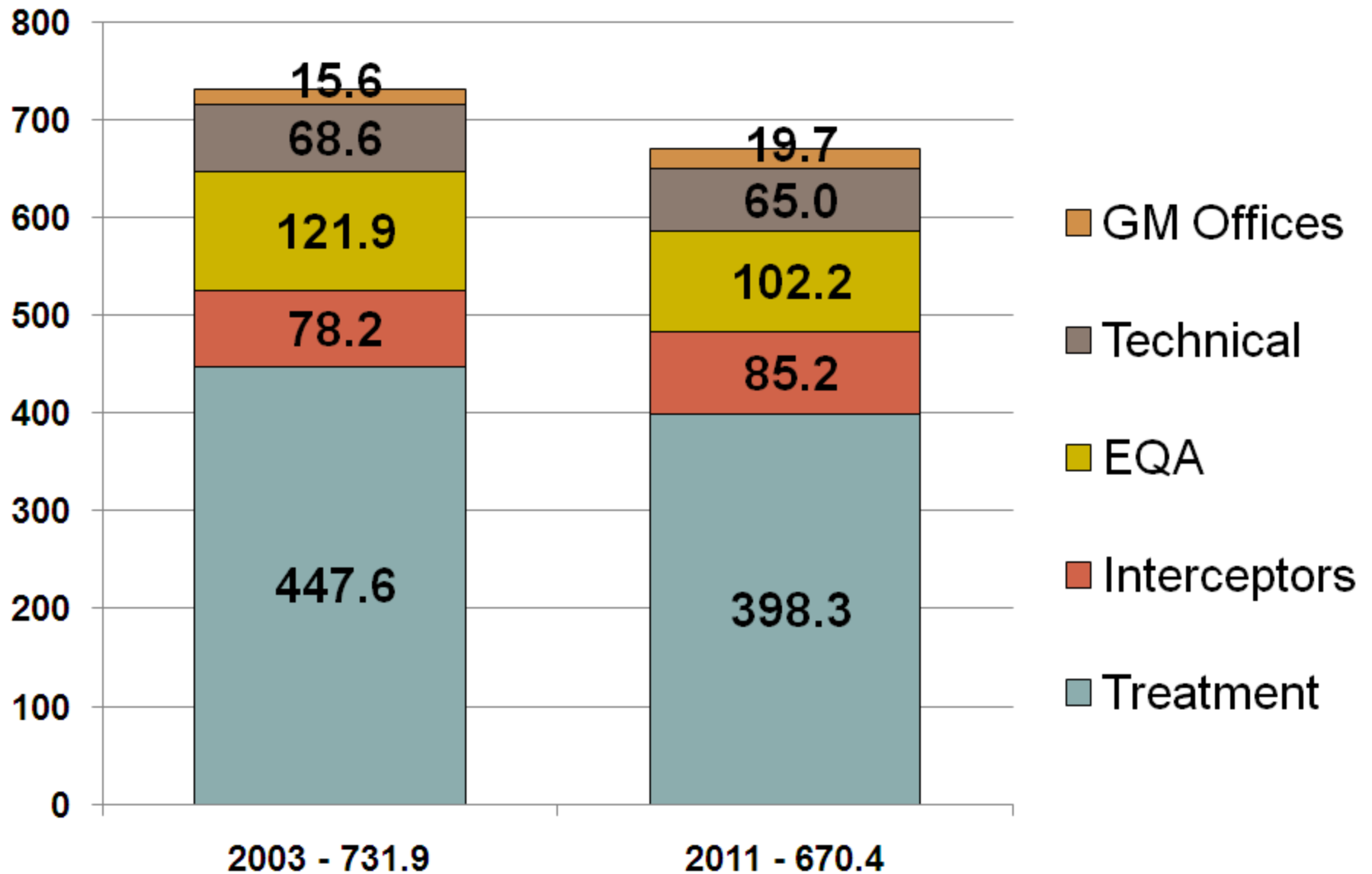


Proposed CIP Revisions

(millions)



Full Time Equivalents Environmental Services

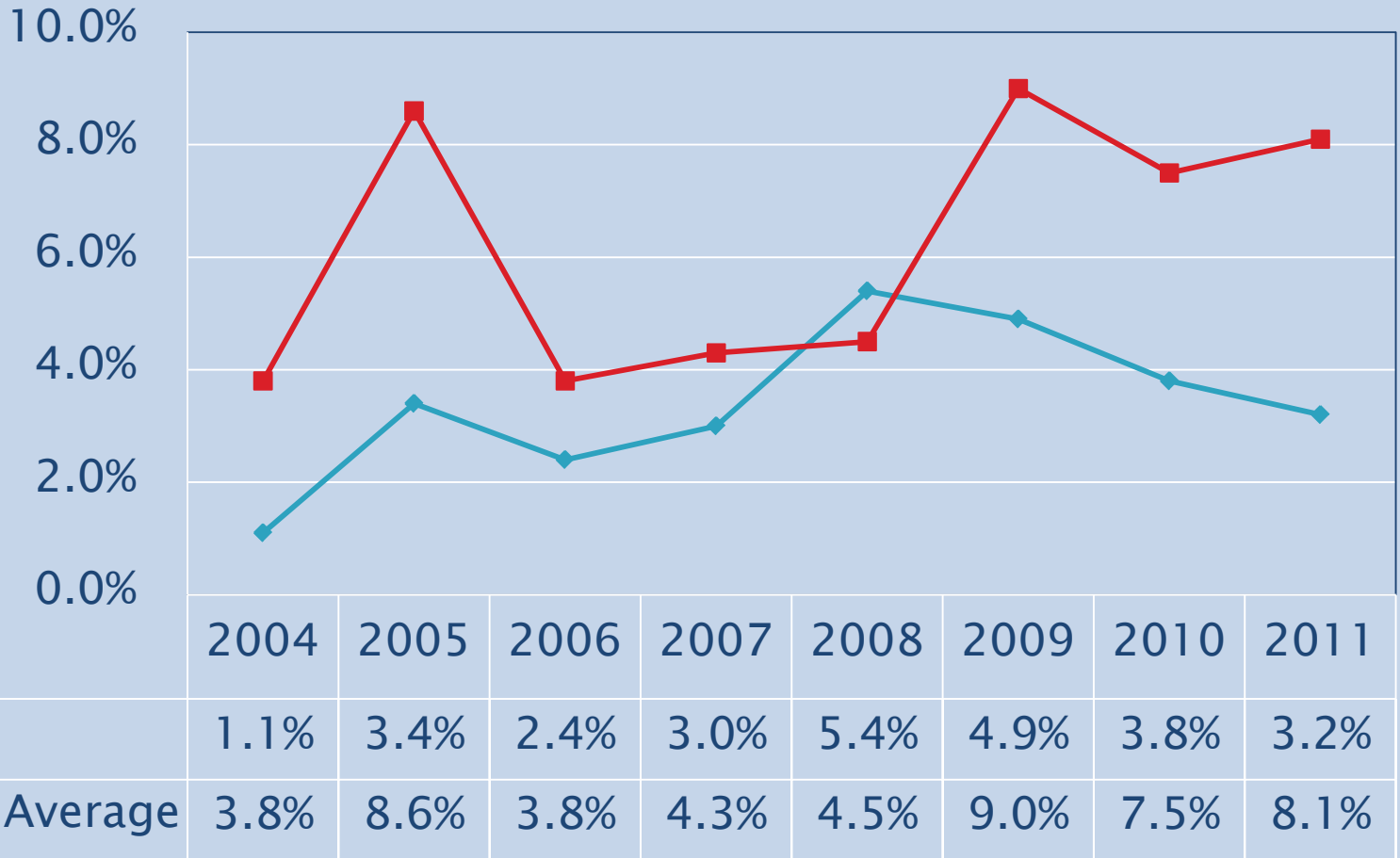


Proposed 2011 Expenses/Uses

(in millions)	2010	2011	% Change
Debt Service	\$92.1	\$92.5	0.4
Labor	60.3	59.7	(0.9)
Non-Labor	48.7	47.6	(2.2)
Interdivisional	10.5	10.2	(3.4)
Pay-As-You-Go	1.0	1.0	0.0
TOTAL Expenses	\$212.6	\$211.0	(0.8)

MCES Increases Below NACWA

Average Household % Increase



MCES

NACWA Average

2004

2005

2006

2007

2008

2009

2010

2011

1.1%

3.4%

2.4%

3.0%

5.4%

4.9%

3.8%

3.2%

3.8%

8.6%

3.8%

4.3%

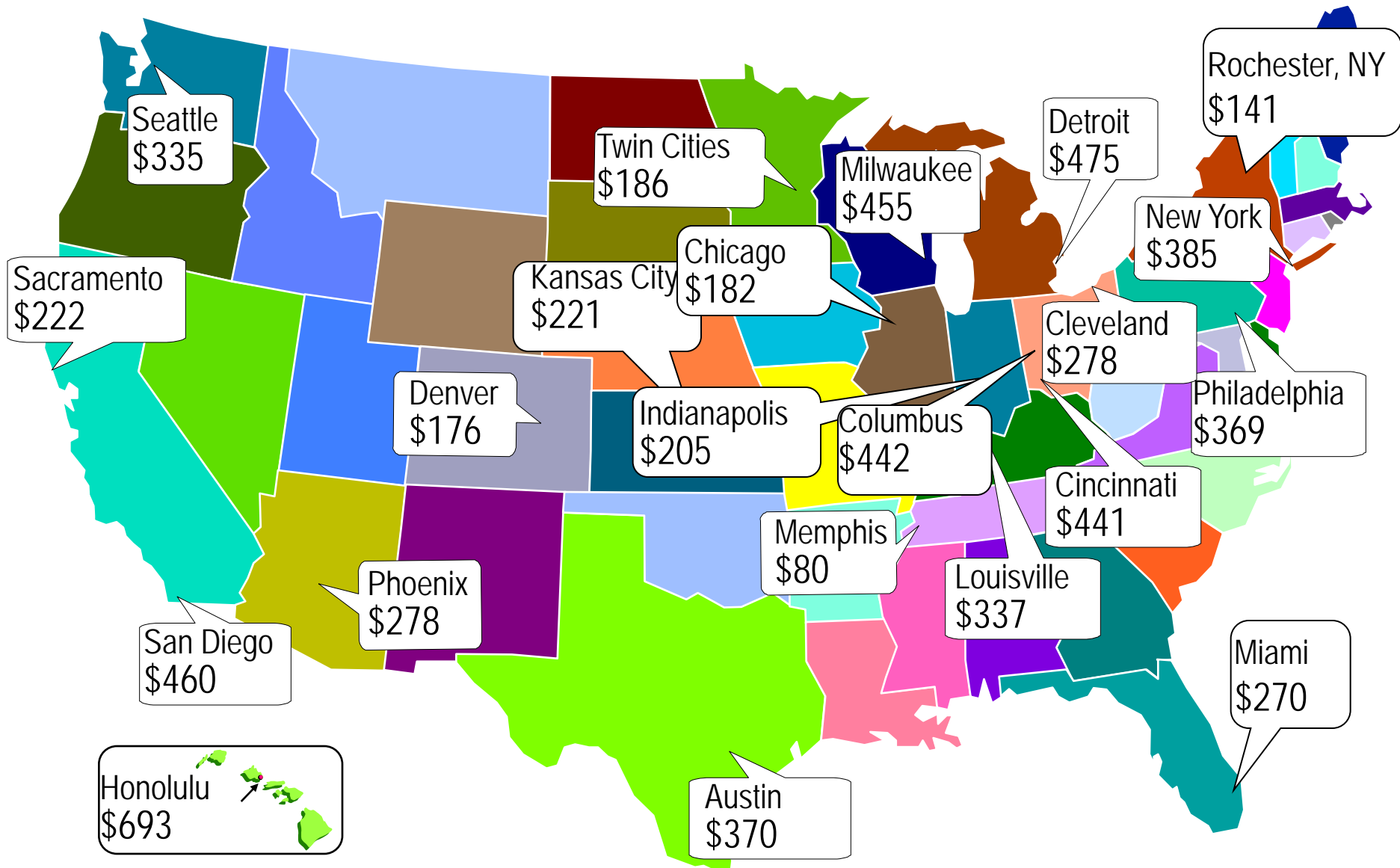
4.5%

9.0%

7.5%

8.1%

Comparative Information Annual Household Rates



2003–2010 Accomplishments

- ▶ Expanded regional wastewater system
- ▶ New Metro Plant incinerators reduced many emissions by 90%
- ▶ New processes cut phosphorus discharges by two-thirds
- ▶ Reduced energy consumption
- ▶ System to reduce inflow and infiltration
- ▶ Regional Water Supply Master Plan
- ▶ Increased operating reserves