

BUSINESS ITEM 2012-219: ADOPTION OF MCES 2013 WASTEWATER RATES AND CHARGES

Environment Committee, June 10, 2012



Today's Agenda

- I. Process Recap
- II. Budget Highlights Review
- III. 2013 Proposed Rates and Charges
- IV. Questions?

2012 Schedule

| | |
|-----------|---|
| April 10 | Env. Comm.: budget & rate concepts |
| May 22 | Env. Comm.: authorization for public meetings on 2013 rates and charges |
| May 24 | Industrial Customer Forum |
| June 6 | Municipal Customer Forum (Golden Valley) |
| June 8 | Municipal Customer Forum (St. Paul) |
| July 10 | Env. Comm. 2013 rate adoption recommendation |
| July 25 | Council rate adoption |
| Late Aug. | 2013 MWC letters |
| Aug. 22 | Council preliminary operating budget adoption |

Customer Forums

- 3 Customer Forums on 2013 preliminary budget and rates
 - 26 at Industrial Forum at Metro 94, May 24
 - 19 at Municipal Forum at Brookview Community Center, June 6
 - 16 at Municipal Forum at League of MN Cities, June 8
- No written comments

Proposed 2013 Budget Highlights

- Key Operating Budget Sources
 - 3.0% increase in MWCs
 - No SAC shift
- \$2M budgeted deficit funded from reserves

Proposed 2013 Sources

(\$ in millions)

| Description | 2012 Budget | 2013 Budget | % Change |
|------------------------------------|----------------|-----------------|------------|
| Municipal Wastewater Charges (MWC) | \$173.6 | \$178.8 | 3.0 |
| SAC Transfer | \$27.4 | \$29.5 | 7.6 |
| Industry-Specific | \$12.7 | \$14.0 | 9.7 |
| Other | \$3.1 | \$3.2 | 3.2 |
| TOTAL REVENUE | \$216.8 | \$225.5* | 4.0 |

* Drawdown of Reserve = \$2 million

2013 Proposed Uses

(\$ in millions)

| Description | 2012 | 2013 | % Change |
|-----------------------|--------------|--------------|------------|
| Debt Service | 96.9 | 100.2 | 3.5 |
| Labor | 61.9 | 63.3 | 2.2 |
| Non-Labor | 47.0 | 51.5 | 9.6 |
| Interdivisional | 10.0 | 10.9 | 8.4 |
| PAYGO | 1.0 | 1.5 | 50.0 |
| TOTAL Expenses | 216.8 | 227.5 | 4.9 |

Debt Service Reserve Fund

- Balance was \$12.2M at year-end 2011
- Must keep reserve of 5% of annual debt service
- Planned future use includes:

| \$ in M. | Projected D.S. | Use of DS Reserve | Budgeted D.S. |
|-----------------|-----------------------|--------------------------|----------------------|
| 2013 | 101.5 | 1.3 | 100.2 |
| 2014 | 105.1 | 0 | 105.1 |
| 2015 | 111.4 | 1.0 | 110.4 |
| 2016 | 116.8 | .5 | 116.3 |
| 2017 | 125.5 | 2.0 | 123.5 |
| 2018 | 133.9 | 1.5 | 132.4 |

SAC Update

| Year | May YTD | Full Year | May YTD as % of Full Year |
|------|---------|-----------|---------------------------|
| 2009 | 2,267 | 6,653 | 34.1 |
| 2010 | 2,865 | 8,304 | 34.5 |
| 2011 | 2,165 | 9,817 | 22.1 |
| 2012 | 3,544 | 11,000 | 32.2 |
| 2013 | - | 11,500 | - |
| 2014 | - | 12,000 | - |
| 2015 | - | 13,000 | - |

2013 Proposed Rates and Charges

| Description | 2012 | 2013 | % Change |
|--|--------|--------|----------|
| Municipal Wastewater Charges (MWC) \$M | 173.65 | 178.82 | 3.0 |
| Sewer Availability Charge (SAC)—per unit | 2,365 | 2,435 | 3.0 |
| Industrial Strength Charge (TSS/lb) | 0.160 | 0.172 | 7.5 |
| Standard Load Charge (per 1K gal) | 49.97 | 53.20 | 6.5 |
| Holding Tank Load Charge (per 1K gal) | 6.78 | 8.81 | 30.0 |
| Portable Toilet Waste Rate (per 1K gal) | 63.73 | 67.79 | 6.4 |
| Collar County Load Charge (per 1K gal) | 64.97 | 68.20 | 5.0 |
| Industrial Load Charge (TSS/lb)* | 0.330 | 0.351 | 6.4 |

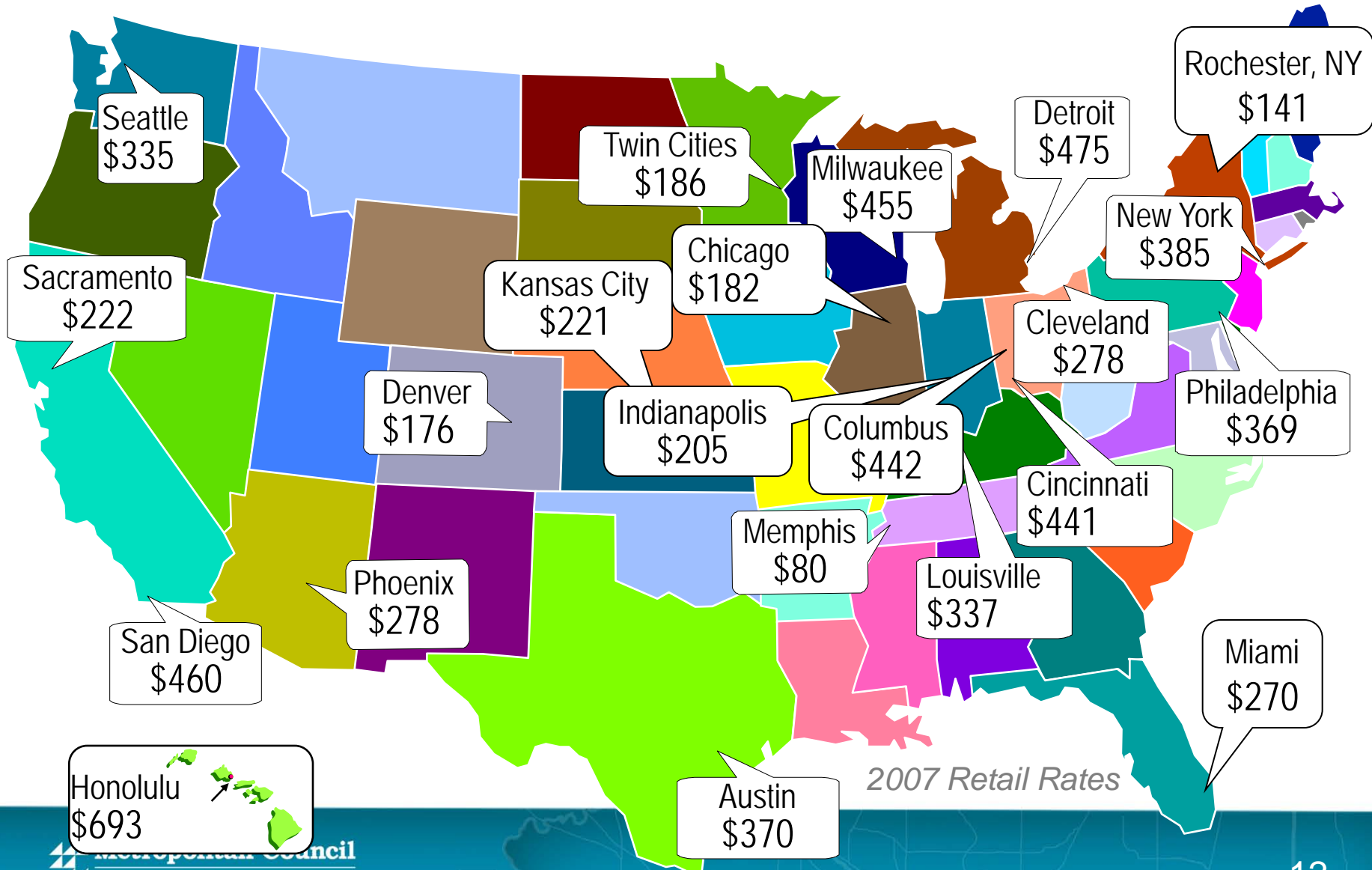
**Out of region haulers also pay an out of region component of \$15 per 1,000 gallons.*

Other 2013 Proposed Rates and Charges

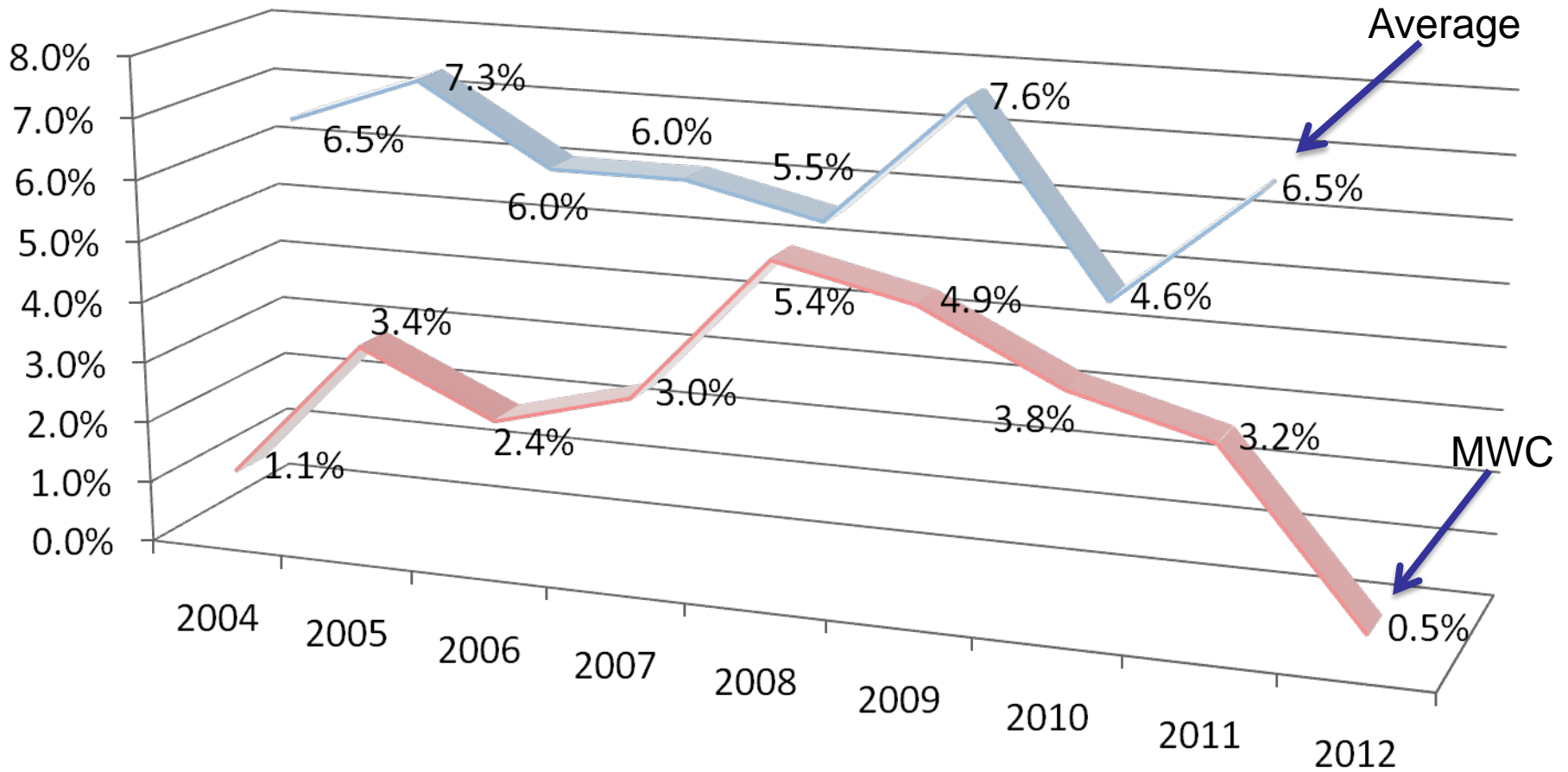
| Description | 2012 | 2013 | % Change |
|--|----------------------------|---------|----------|
| Industrial Permit Fees | <i>Varies by user type</i> | | 7.0-8.3 |
| Temporary Capacity Charge (per 1K gal) | 1.18 | 1.22 | 3.4 |
| Encroachment Application Fee (per easemt)* | 600 | 600 | 0.0 |
| Direct Connection Application Fee (per app)* | 1,000 | 1,000 | 0.0 |
| I&I Surcharge Exceedance Rate (per MGD) | 384,000 | 398,000 | 3.6 |

**Increased \$100 in 2010.*

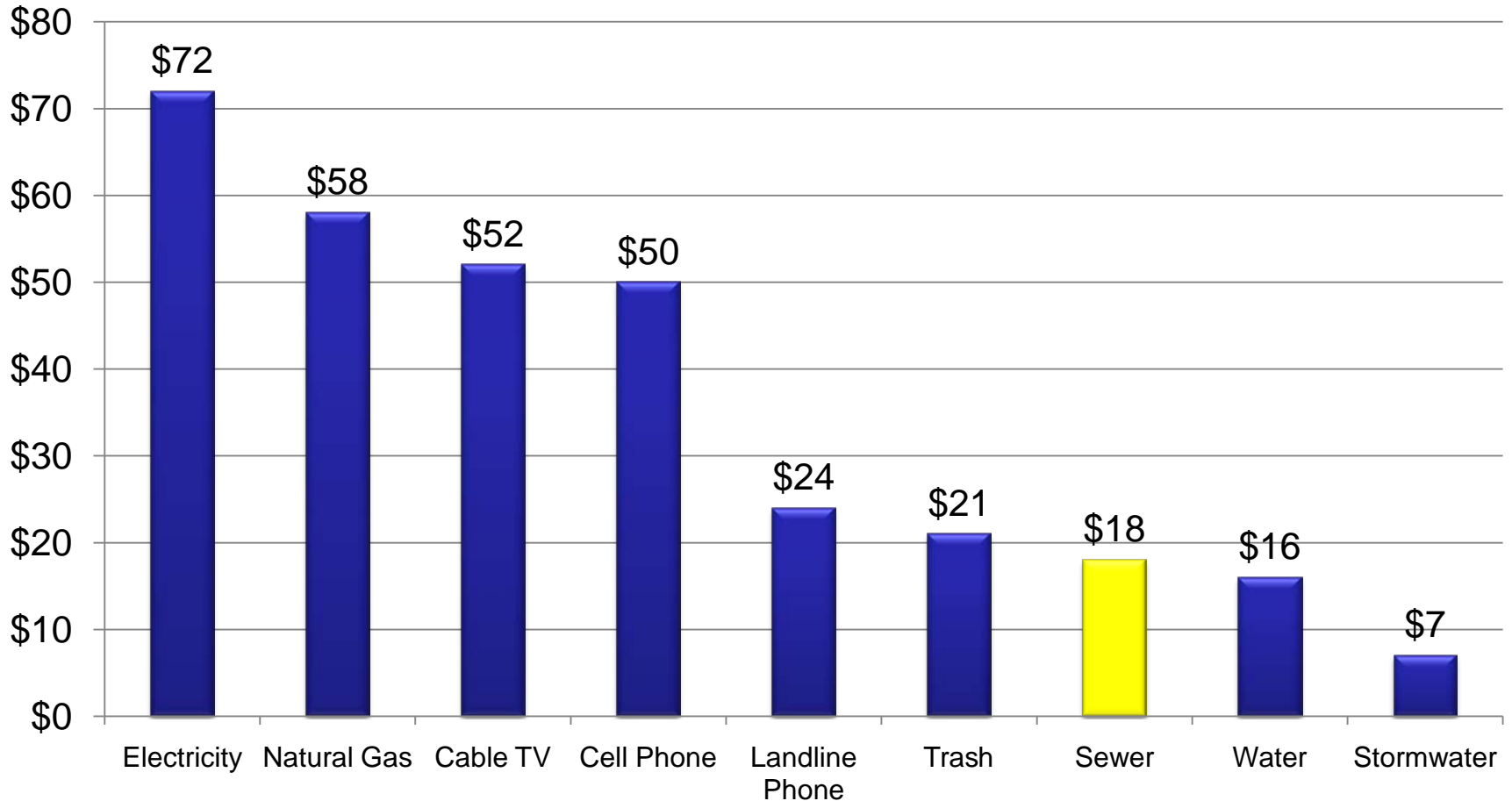
Comparative Information



MWC Increases vs. NACWA Averages



Monthly Utility Costs



Per household data for metro area (except electricity is MN and cell phone is national average)

Questions, Concerns

