



2025 Customer Budget & Annual Update

May 22, 9:30 – 11:00 AM | In Person

June 5, 1:00 – 2:30 PM | Virtual



Agenda


1. Introductory Remarks
2. 2025 Updates
3. Budget and Finance
4. Municipal Wastewater Charge Calculations
5. Capital Improvement Program

Introductory remarks



A message from
**Councilmember
Lindstrom**

Water protection and economic growth



Protect human health and the environment and support economical growth.

Before 1969

Fragmented sewer system.

33 under-performing plants discharging partially treated wastewater to area lakes and rivers.

Now

Partner with 189 cities and townships to meet three main regional goals.

1. Protect public health
2. Achieve water quality and water supply goals
3. Foster the region's economical growth

Clean water for future generations

Partner

- Convene, engage, collaborate, and build solutions with our customers, stakeholders, and partners.



Plan

- Assess conditions and identify long-term approaches and infrastructure investments.



Provide

- Deliver critical services, tools, and resources.



Key roles for Environmental Services

Clean water for future generations

Coordinate cost-effective and resilient regional wastewater collection and treatment

- Capacity and resilience planning
- Collection and treatment
- Resource recovery
- Infrastructure assessment and maintenance

Support regional coordination for watershed organizations, communities, and water suppliers

- Water quality
- Surface water monitoring
- Watershed planning
- Water supply planning
- Efficiency grants



Long-range planning

Supporting cities and townships for the prosperity of the region



Environmental protection

Protecting public waterways and parklands to sustain our environment



Transportation services

Connecting people to places and keeping the economy moving



ES Budget Drivers and Cost Controls



Cost Increase Drivers

- Workforce
- Enterprise Technology Investments
- Tariffs and Inflation
- Inflow and Infiltration – local variability

ES Budget Drivers and Cost Controls



Cost Containment and Reduction

- Capital Outlay/Debt Service
- Labor
- Budget targets
- Energy and chemicals
- Revenue – low interest debt financing, searching for more grant opportunities (Inflation Reduction Act)

2026 Budget and Finance



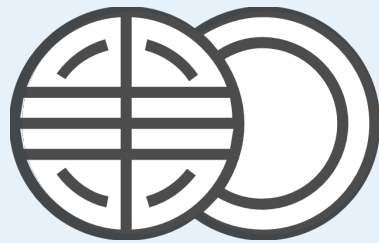
2026 executive summary (vs. 2025)

**Regional
Wastewater
Charge**



5.8%

**Sewer
Availability Unit
Charge**



0%

**Industrial Waste
Strength Charge**



8.1%

**Industrial Permit
Fee**



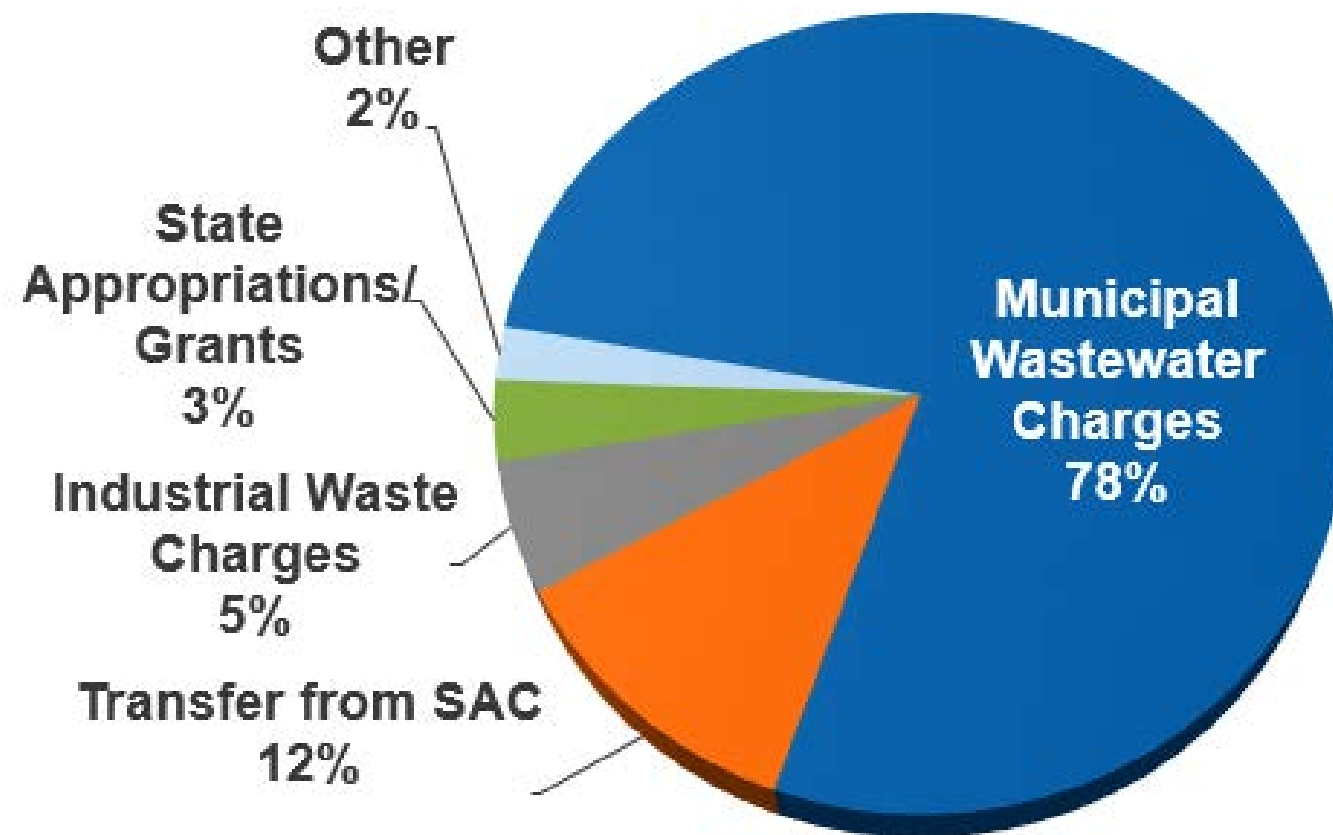
~5.8%

2026 preliminary regional municipal wastewater charge increase drivers

5.8 percent translates to \$17.3M

- Labor inflation accounts for 2.8% (\$8.4M)
- Interdivisional Charges accounts for 1.5% (\$4.5M)
- Contract services accounts for 1.3% (\$3.8M)
- Other direct expenses accounts for 0.3% (\$.8M)
- Materials and supplies inflation accounts for 0.2% (\$.7M)
- Chemicals and other accounts for -0.3% (-.9M)

2026 preliminary revenue sources - \$405.5M

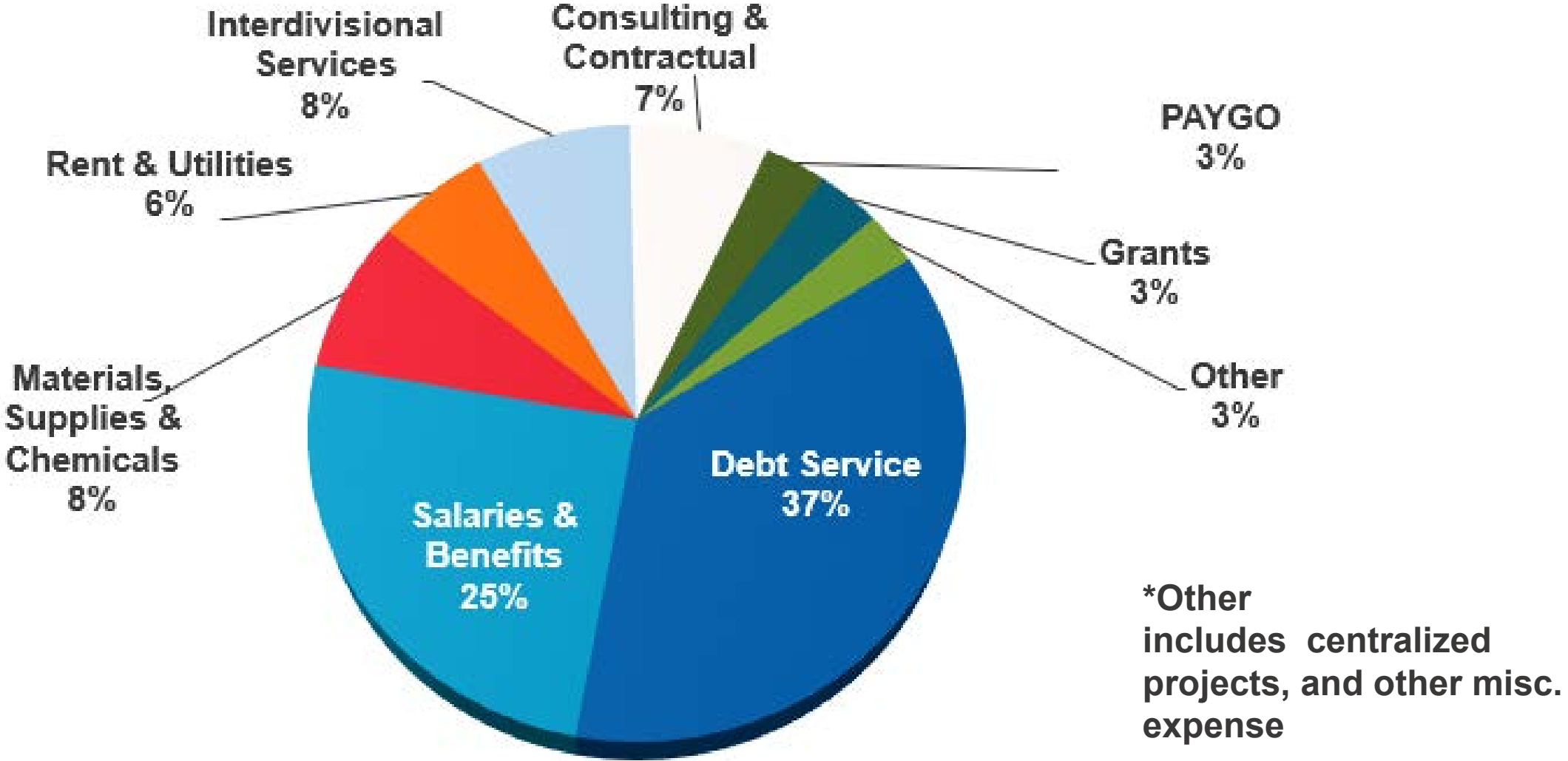


- Fee for service
- Not a tax
- No federal, state, or Council funds
- No Environmental Service funds used for other Council operations

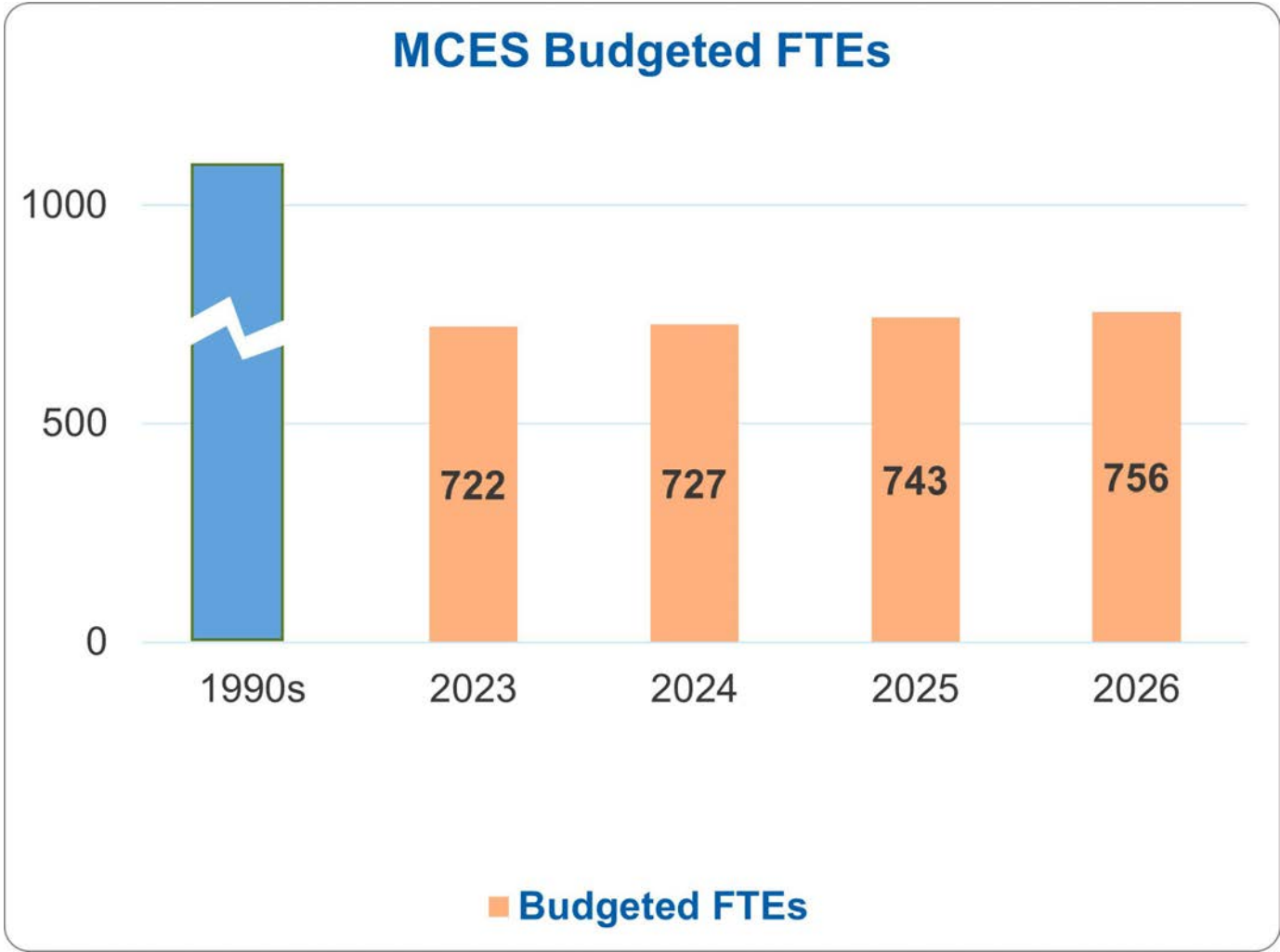


*Other includes: \$4.6M use of reserve

Preliminary uses by category - \$405.5M



Proposed budget: labor



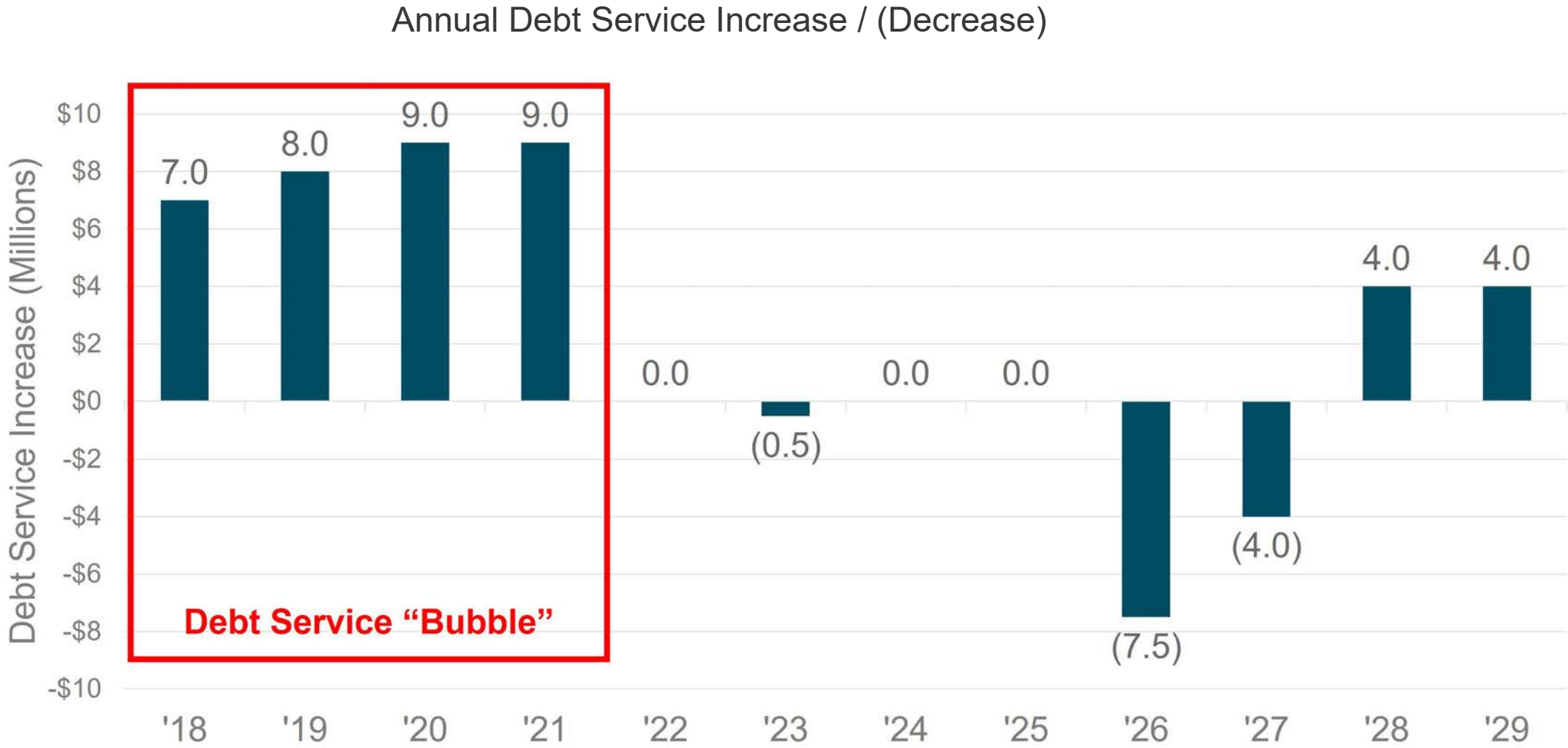
FTE Budget Count

- 732 Regular FTEs
- 756 FTEs Including Overtime
- 30 Budgeted Vacant FTEs

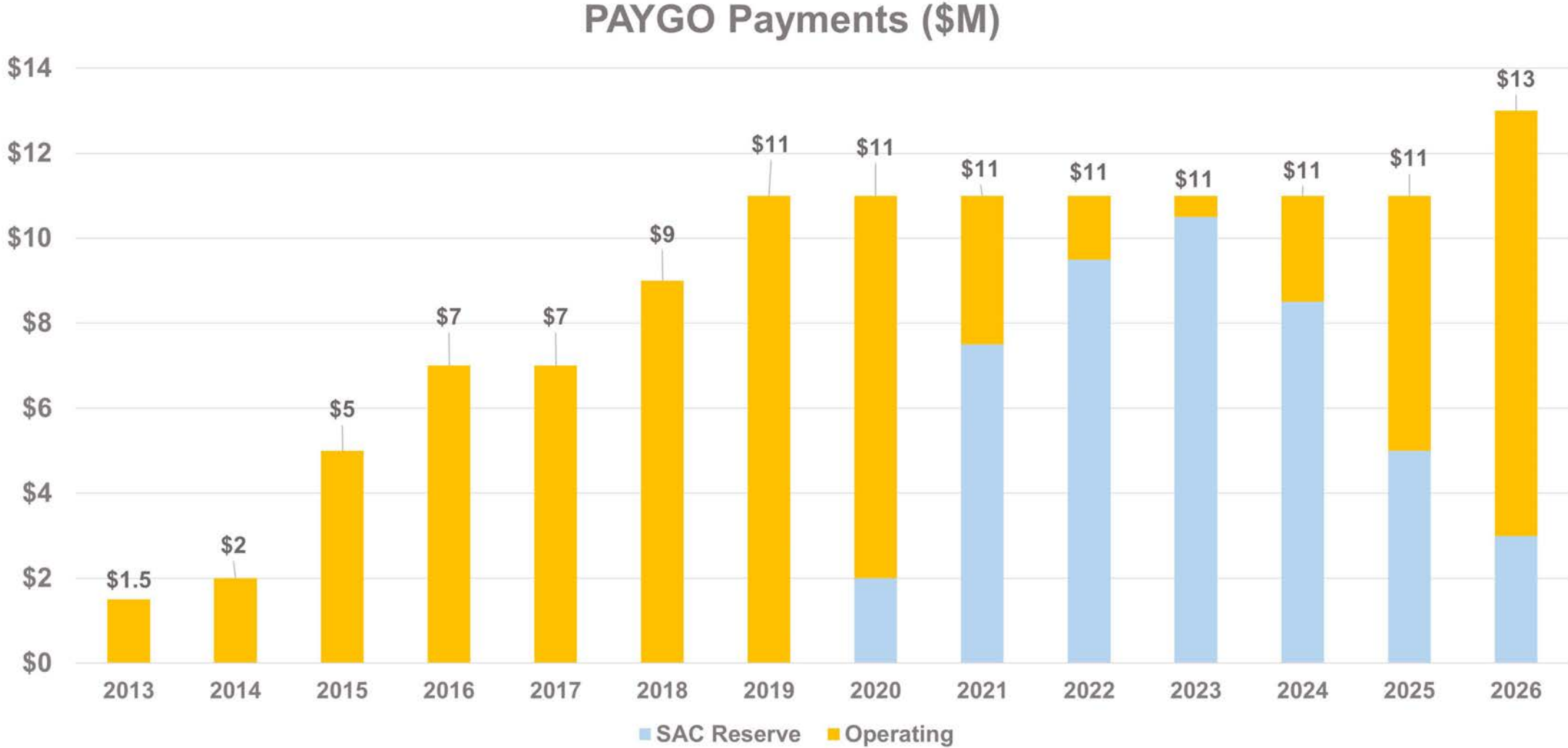
Risk Factors

- Rising wage pressure in response to rising inflation.
- Potential for increased medical expenses
- Potential for higher attrition rates leading to higher than planned vacancies (drives overtime).

Projected Debt Service Change



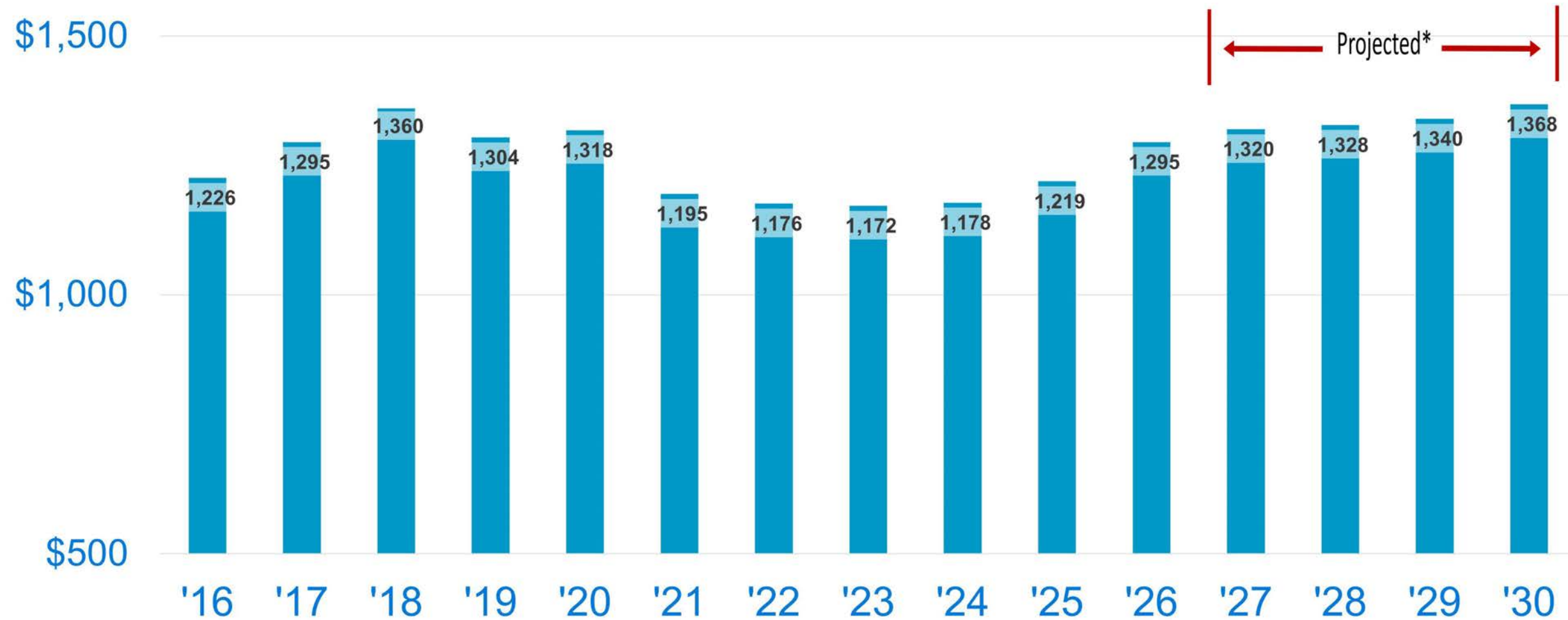
Pay-As-You-Go (PAYGO)



PAYGO is funded from the operating fund except for these amounts funded from the SAC fund: \$7.5M in 2021, \$9.5M in 2022, \$10.5M in 2023, \$8.5M in 2024, \$5M in 2025, and \$3M in 2026.

Wastewater outstanding debt

(\$ in millions)



Upcoming May 2025 Bond Sale – AAA, \$75M, 20 year fixed, estimated 3.5% to 3.8%

Debt per capita*

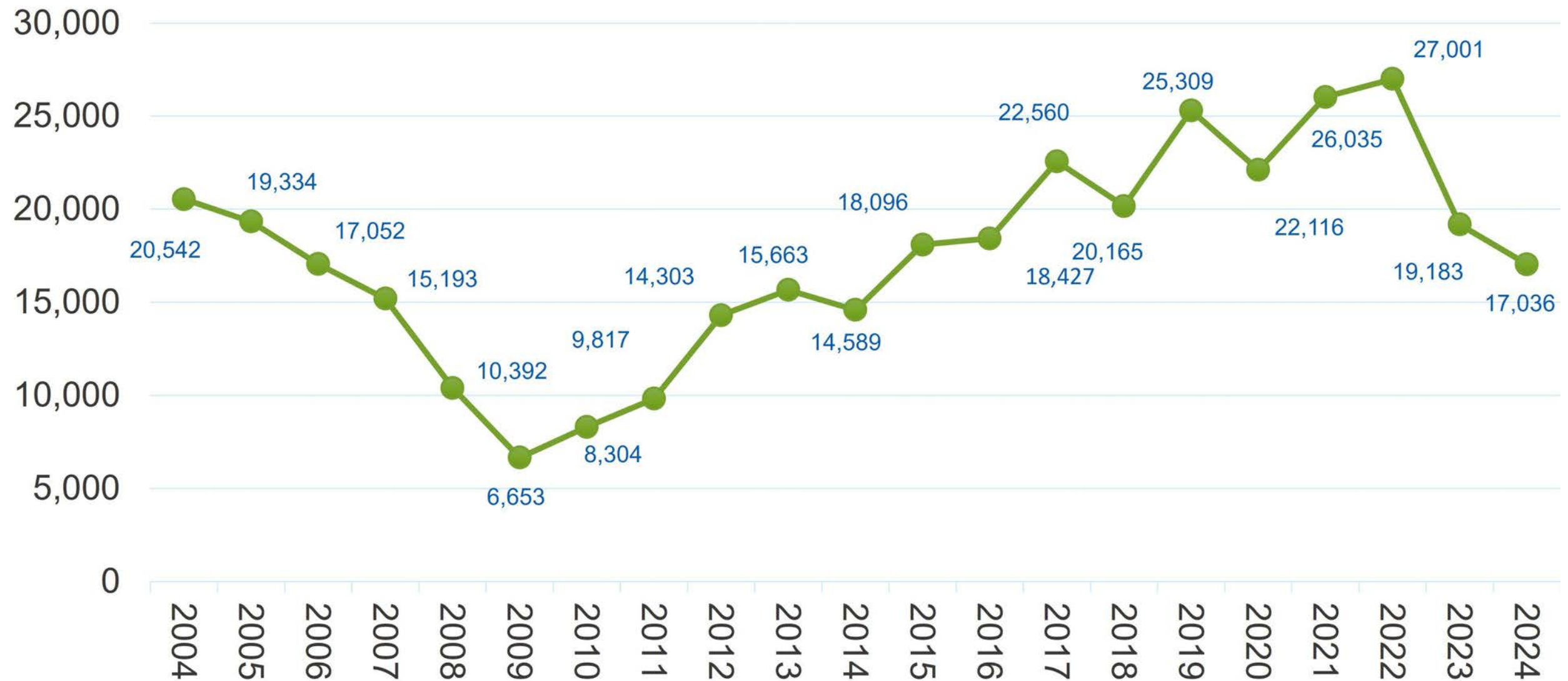
Denver	\$271	Memphis	\$475	Seattle	\$1,699
Phoenix	\$274	Oakland	\$486	Chelsea	\$1,850
Orange County	\$281	Virginia Beach	\$545	Indianapolis	\$1,950
Greenville	\$311	Los Angeles	\$664	Cleveland	\$1,985
San Diego	\$348	San Antonio	\$783	Fort Wayne	\$2,193
Clark County	\$376	Baltimore	\$802	Honolulu	\$3,240
MCES	\$406	Sacramento	\$1,297	Louisville	\$3,329
Chicago	\$463	St. Louis	\$1,347		

**Source is the 2024 NACWA triennial financial survey, which includes 2023 data.*

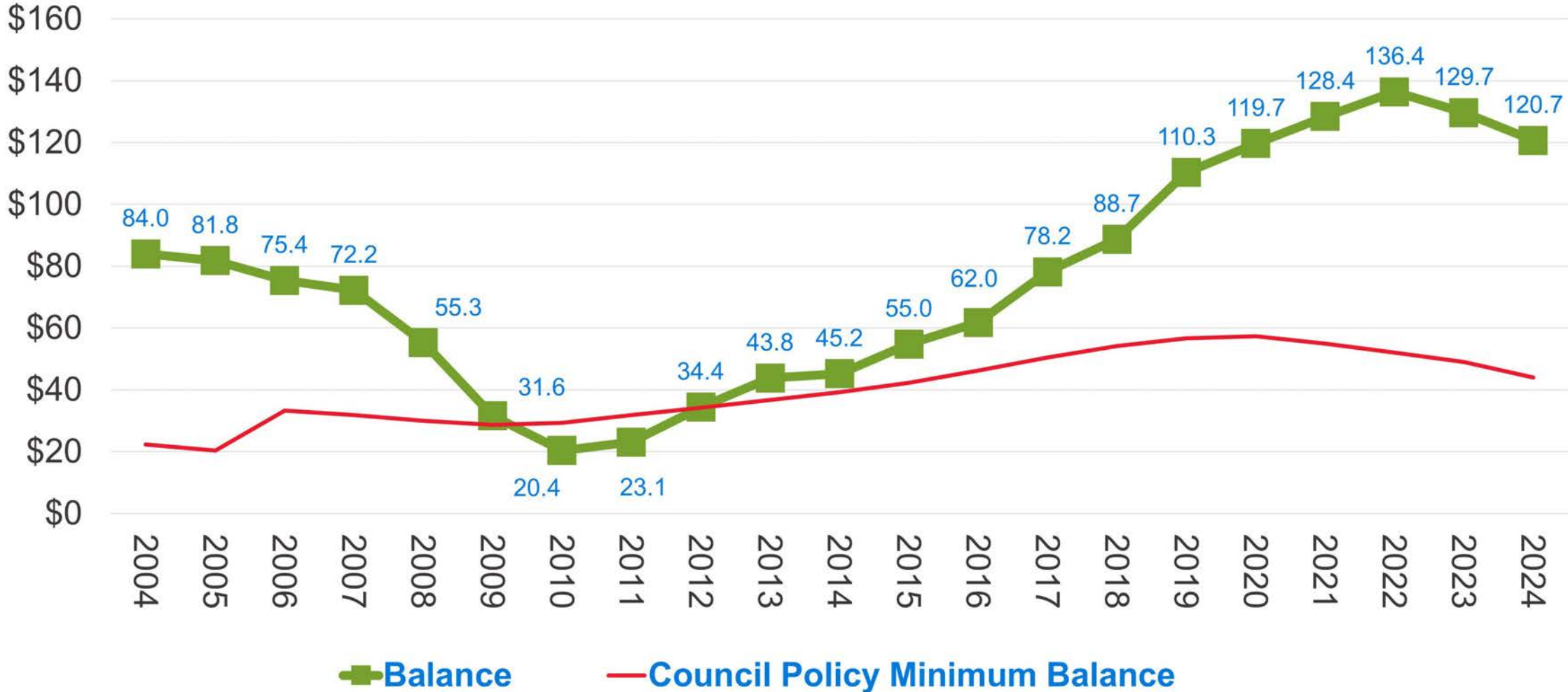
Historical SAC rate increases (%)



SAC units: development continues



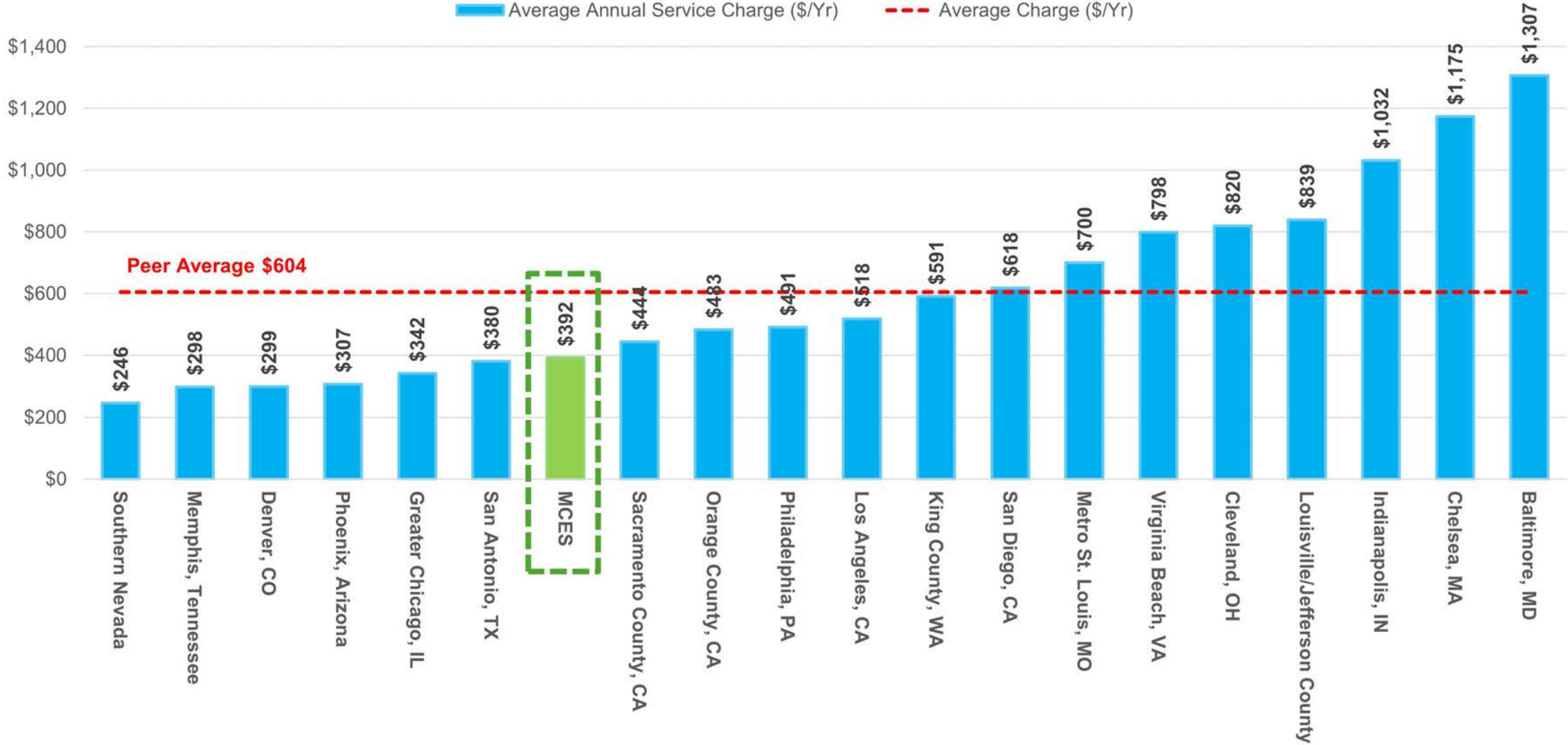
SAC reserve balance



Strong reserve balance will help MCES manage future SAC rates

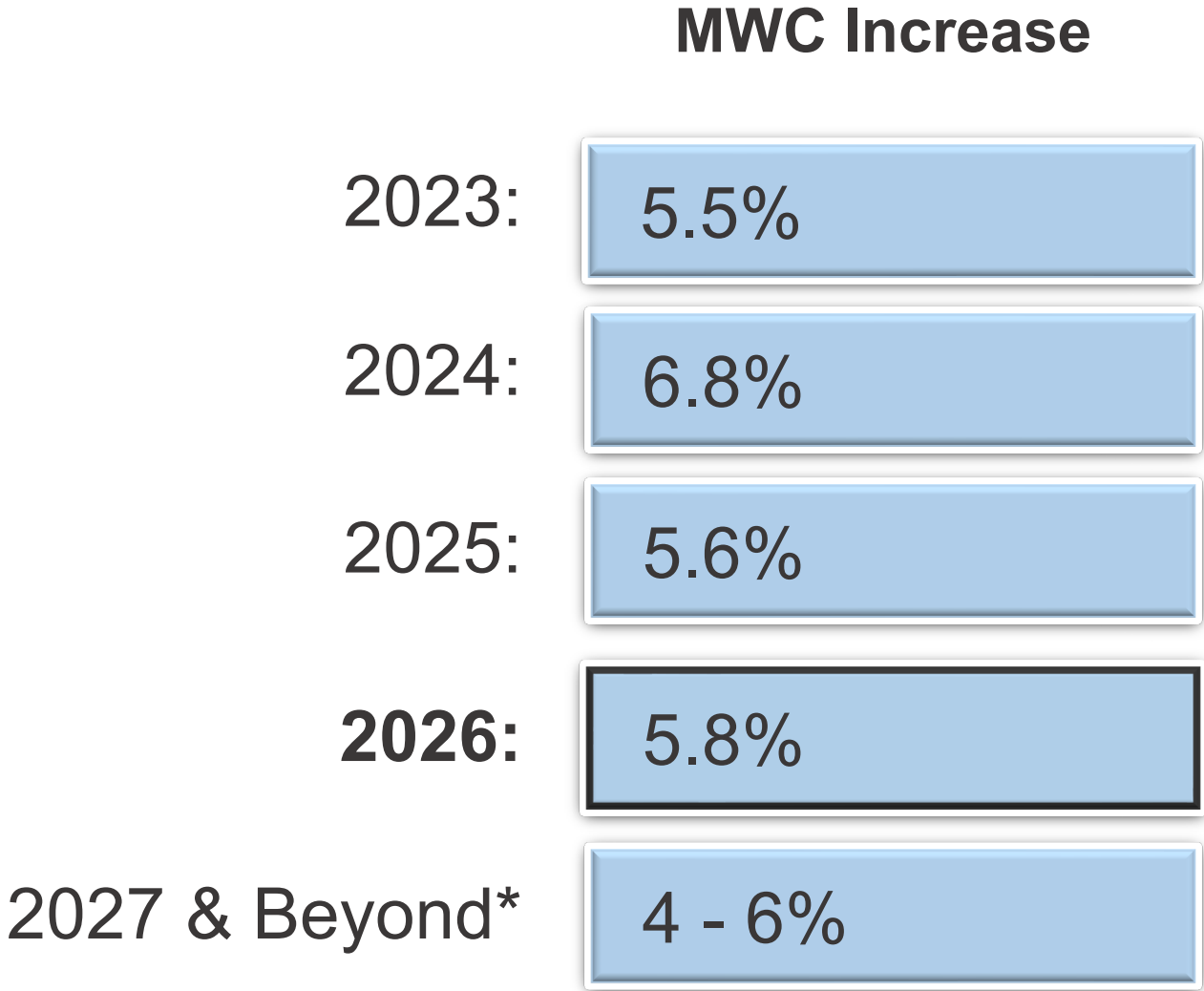
Comparative information

Average retail sewer rates per household



* 2024 NACWA survey of 2023 rates

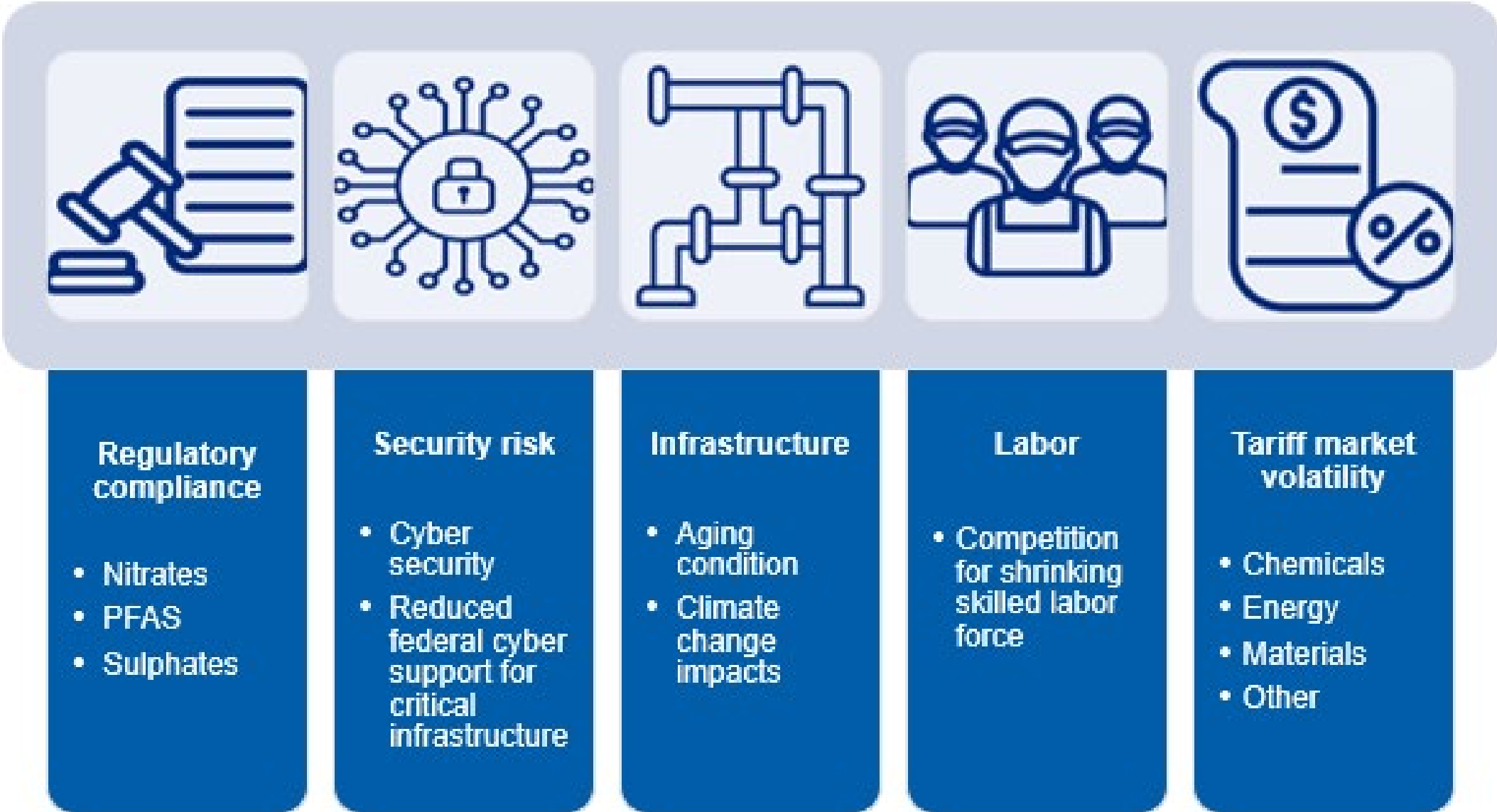
Municipal wastewater charges



*Impacted by uncertainties

Increasing uncertainty

Future rates could be affected by:



Preliminary industrial rates

Rate Type	Prelim. 2026	% Change
Strength Charge (excess lb. TSS*)	\$0.359	8.1
Brewery Strength Charge (per barrel)	\$1.126	8.1
Standard Load Charge (per 1000 gal.)	\$67.27	4.0
Industrial Load Charge (excess lb TSS*)	\$0.440	6.5
Collar County Load Charge (per 1000 gal.)	\$82.27	3.3
Portable Toilet Load Charge (per 1000 gal.)	\$86.20	4.4
Holding Tank Load Charge (per 1000 gal.)	\$12.74	0.0
Standard Permit Fee	\$1,400-\$13,800	~5.8
General Permit Fee	\$550	4.8

*Total Suspended Solids (TSS)

2026 rate and budget setting schedule

Date	Event
May 8 and May 20	Industrial workshops
May 13	Environment Committee budget workshops preview
May 22 and June 5	Municipal customer forums (May 22 in person, June 5 virtual)
July 8	Environment Committee review of input and 2026 rate adoption recommendation
July 23	Council rate adoption
August 27	Council preliminary operating budget adoption
October 22	Final Council budget (including Environmental Services) released for public comment
October to December	Public comment period
December 10	Council budget adoption

Municipal Wastewater Charge (MWC) Calculation













Operating budget: MWC is allocated based on flow



A community's **percentage of the total system flow** determines their share of the total MWC.



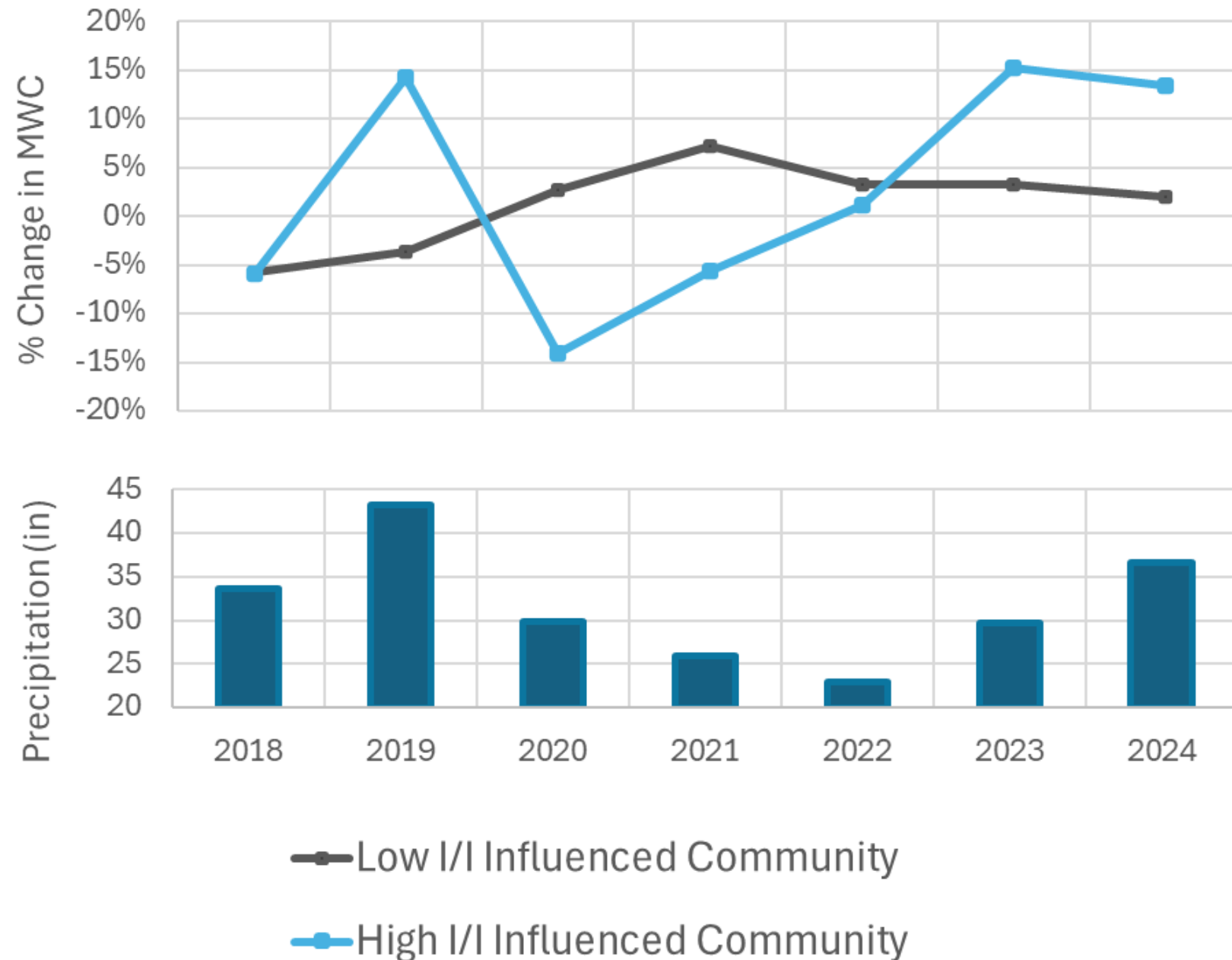
Operating budget: 2026 Municipal Wastewater Charge is based on 2024 flow

	2023	2024	% Change
Flow (MG) 	85,129	90,689	 6.53%
City A 	1,610 MG  1.89% <small>PERCENT OF TOTAL FLOW</small>	1,755 MG  1.93% <small>PERCENT OF TOTAL FLOW</small>	 8.27% <small>Change in Billed Wastewater Charge</small>
City B 	75 MG  0.09% <small>PERCENT OF TOTAL FLOW</small>	75 MG  0.08% <small>PERCENT OF TOTAL FLOW</small>	 -0.26% <small>Change in Billed Wastewater Charge</small>

Note: The 2026 Regional Wastewater Charge reflects a **5.8% increase** from 2025.

Precipitation Trends

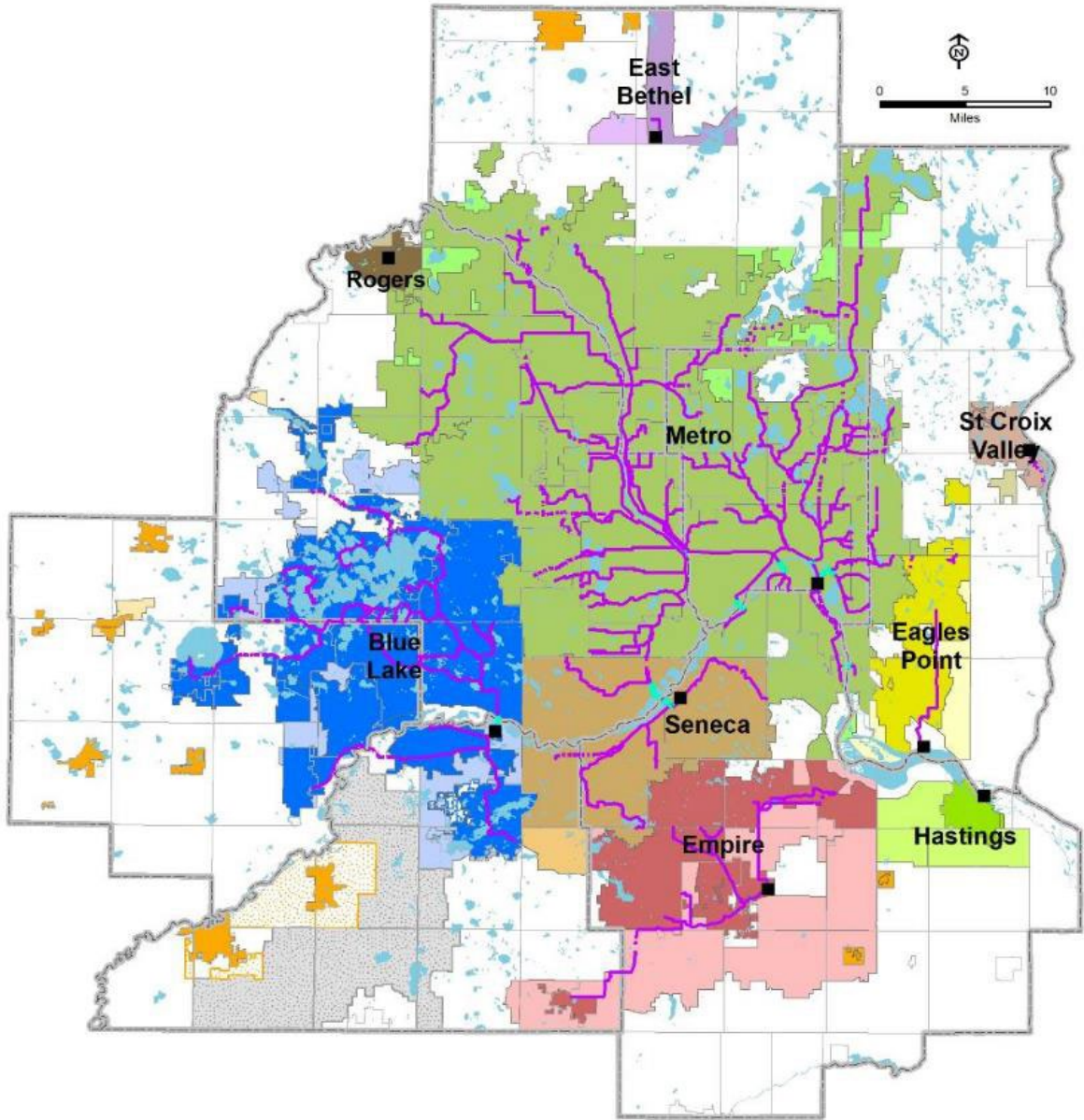
- Some communities see significant swings in MWC allocation.
- Communities with high levels of inflow and infiltration are particularly affected.



Capital Improvement Program



Metropolitan Council wastewater system



Three icons on a blue background:

- Icon 1: Two people silhouettes. Text: **Protects public health and safety**
- Icon 2: A hand holding a plant. Text: **Protects the environment**
- Icon 3: A bar chart with an upward arrow. Text: **Fosters the economic growth of the region**

WHO WE SERVE

- 7-county Twin Cities metro area
- 111 communities
- 2.9 million people

OUR FACILITIES

- 9 water resource recovery facilities
- 60 pump or lift stations
- 634 miles of interceptors
- 250 million gallons per day (avg)

OUR ORGANIZATION

- 600+ employees
- \$9 billion in valued assets
- \$350 million/year capital program

2025-2030 Capital Program by ACP Objectives



Preserve Assets

Rehabilitate and replace assets to preserve value and performance



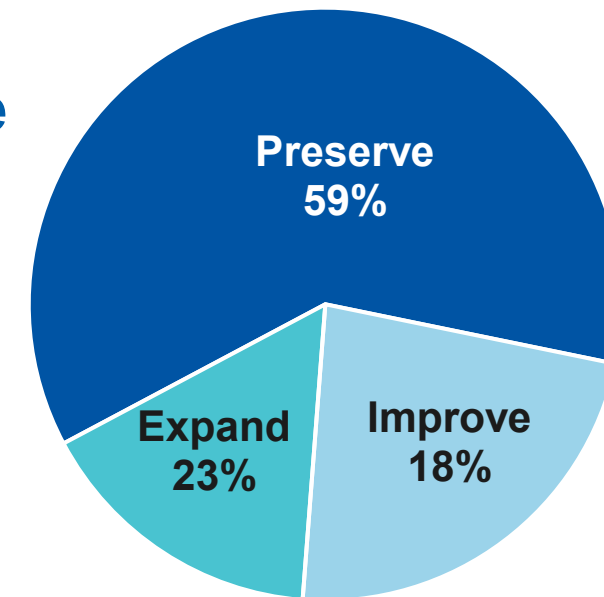
Meet Capacity Needs

Expand system capacity through plant expansions and interceptor extensions or improvements

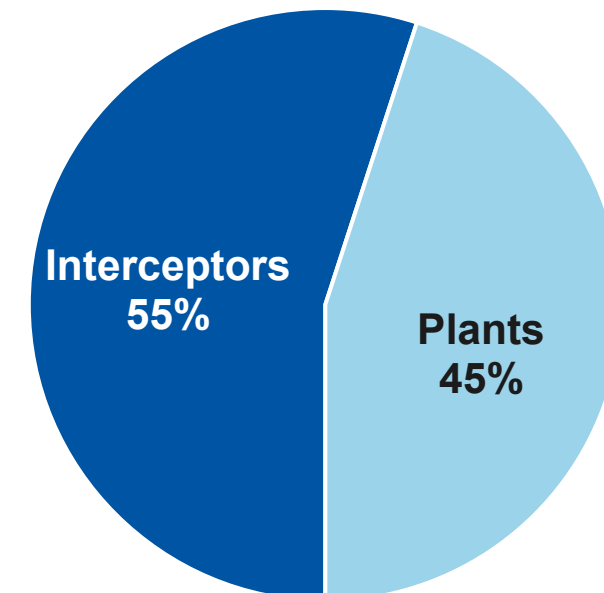


Improve Quality of service by responding to more stringent regulations, reusing wastewater, increasing system reliability, and conserving and generating energy

Objective



Type



Capital Program Financing

Public Facilities Authority (PFA) Loans

Funded mostly by the State Clean Water Revolving Loan Program. Discounted interest rate.

2023: \$45 million @ 1.59%
2025: \$32 million @ 2.68%

Council General Obligation Bonds

The Council sells general obligation bonds. The Council has a AAA bond rating and receives low interest rates.

2024: \$59.6 million @ 3.52%
2025: \$74.5 million @ 3.82%

Pay-As-You-Go (PAYGO)

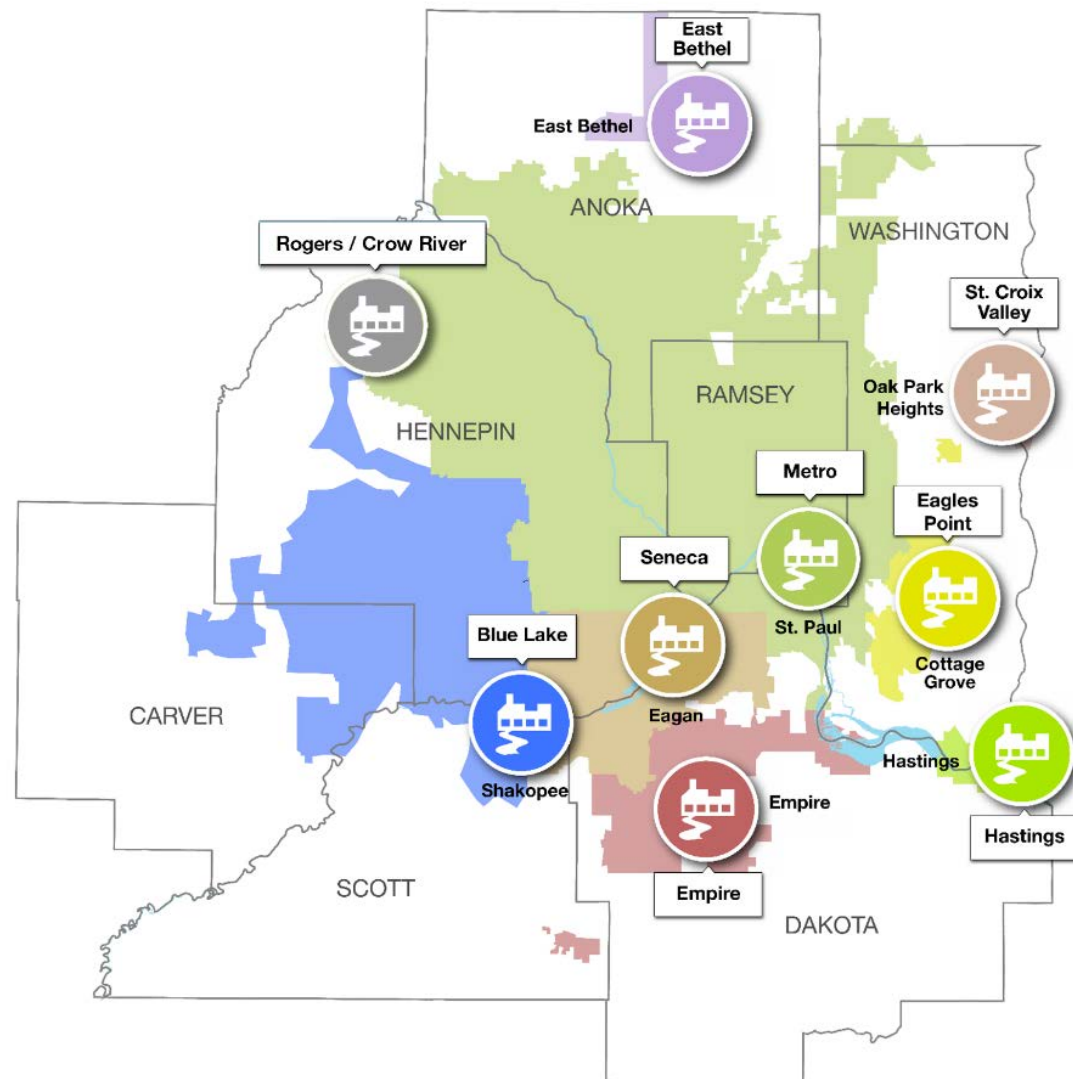
Funds from set-aside revenue to dedicated to paying for some capital expenses.

2025: \$11 million

Service Area and Treatment Facilities

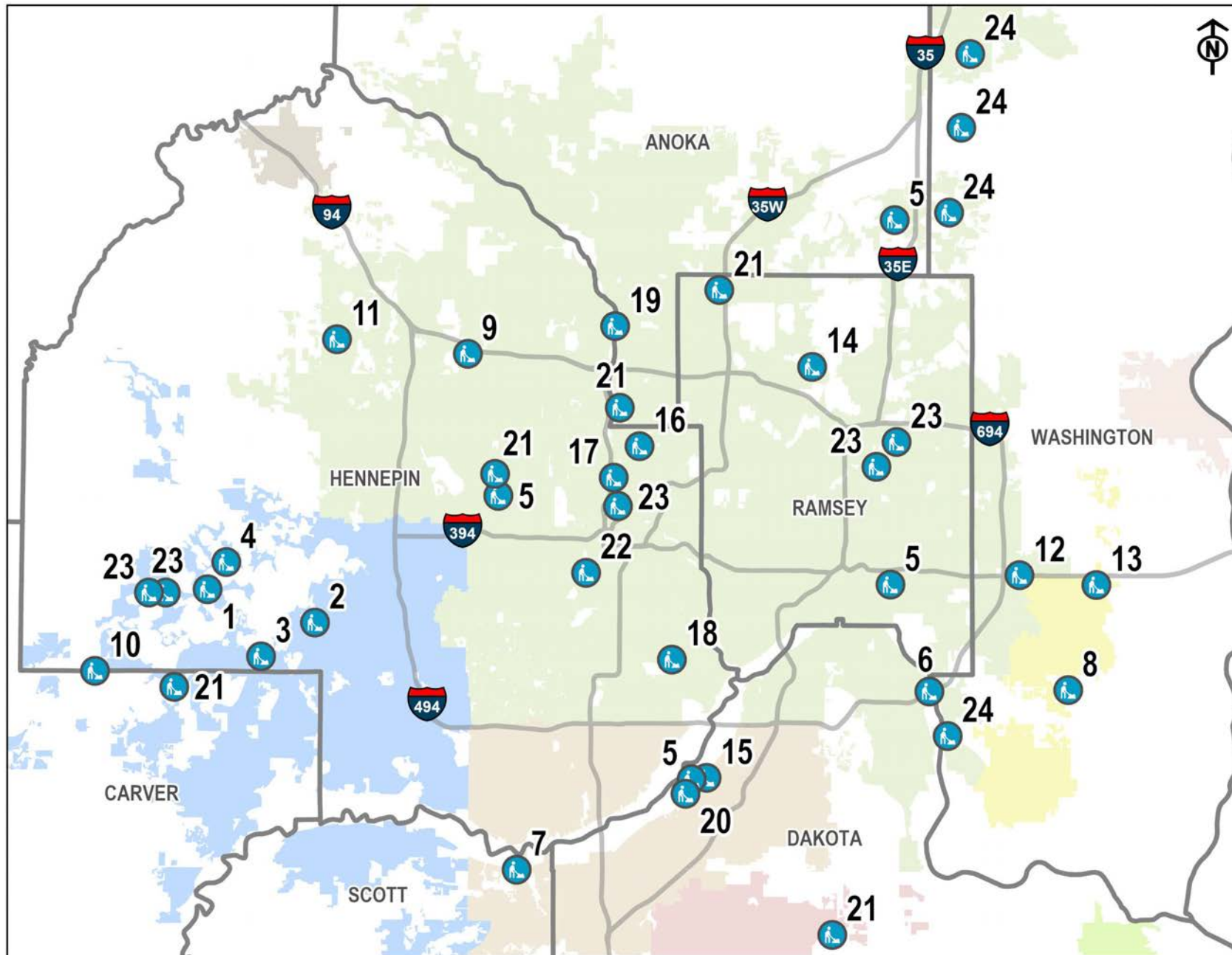
Water Resource Recovery Facilities

Met Council Water Resource Recovery Facilities Capital Budget (2025 to 2030)



Plant	\$M	Preserve	Improve	Expand
Blue Lake	156	✓	✓	✓
Rogers / Crow River	179			✓
East Bethel	2.0	✓		✓
Empire	4.6	✓	✓	✓
Hastings	29.2	✓		
Metro	626	✓	✓	✓
Seneca	13.4	✓	✓	
St. Croix Valley	17.2	✓	✓	

2025 Conveyance Related Projects



- 1 - 802831 Orono Lift Stations L46 and L49 Improvements
- 2 - 802834 L48 Rehab and 6-DH-645 FM replacement
- 3 - 802856 Excelsior Area Lift Station L-20
- 4 - 802863 8567 Channel Crossings Replacement
- 5 - 805506 FM-Siphons-Rx-Outfall Inspection - Phase 1
- 6 - 805509 L65 HVAC Improvements
- 7 - 805564 L66 Rehabilitation
- 8 - 805569 L73 Odor Control Improvements
- 9 - 805636 Meter Station M228A and Interceptor 7015-C
- 10 - 808200 L24 Renovation
- 11 - 808622 Maple Grove Interceptor 900416 Replacement
- 12 - 808687 Lake Elmo West Connection
- 13 - 808688 L77 Lift Station Improvements
- 14 - 808863 Snail Lake Rehabilitation Project
- 16 - 809211 1-MN-303 Pipe-in-Pipe
- 17 - 809213 1-MN-310 Rehab - Phase 2
- 18 - 809214 1-MN-346 Improvements - Phase 1
- 19 - 809400 New Lift Station L32A
- 20 - 809513 7031-9003 Siphon Outlet Structure Imp.
- 21 - 819014 Misc. Odor Control Improvements
- 22 - 819020 HSI - East Isles FM, Contract H
- 23 - 819022 6-MO-650 Interceptor Rehabilitation
- 24 - 805566 Lift Station Electrical Rehabilitation

Project 15 - RMF Improvements completed in early 2025

More about the capital program

ES CAPITAL PROGRAM: 2025 THROUGH 2030




METROPOLITAN
COUNCIL

Adopted December 11, 2024

metro council.org/Wastewater-Water/Projects/Capital-Program.aspx



Questions

Share Comments and Questions

Please share comments and questions in writing through the chat feature or verbally by raising your hand. For a reply after the meeting, send an email to jessica.spiess@metc.state.mn.us

Resources

MCECustomerPortal.metc.state.mn.us

MetroCouncil.org/Wastewater-Water/Projects/Capital-Program.aspx





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