

**COMMISSION FILE NO:** 16-149-11 **DATE INTRODUCED:** November 14, 2016

**INTRODUCED BY:** Executive Director (Signature on File in the Office of the Commission)

**REFERRED BY COMMISSION CHAIRPERSON TO:** Policy, Finance, and Personnel Committee

**RELATING TO:** Update of Cost Recovery Procedures Manual, Including 2017 User Charge Rates

**SUMMARY:**

The Commission is requested to adopt revisions to Sections 1, 2, 3, 5, 8, 10, 11, 12, 13, and 14 and the attached tables (2-1, 3-1 through 3-5, and 5-1) of the Cost Recovery Procedures Manual, including 2017 user charge rates. The Commission is also requested to authorize the Executive Director to transmit the Cost Recovery Procedures Manual to the User Charge Administrator of each municipality served by the District.

The estimated average household charge for District member communities is expected to increase 1.3% in 2017. The following table summarizes the estimated annual residential user charge over the last five years:

YEAR	ESTIMATED AVERAGE HOUSEHOLD CHARGE PER YEAR	PERCENT CHANGE FROM PRIOR YEAR
2017	\$124.04	1.3%
2016	\$122.42	-2.2%
2015	\$125.17	3.7%
2014	\$120.68	2.1%
2013	\$118.20	0.2%
2012	\$117.97	-2.6%

**ATTACHMENTS:** **BACKGROUND** ☐ **KEY ISSUES** ☒ **RESOLUTION** ☒  
**FISCAL NOTE** ☐ **S/W/MBE** ☐ **OTHER** ☒ Tables, Schedules, etc.

*PFP\_User\_Charge\_Rates2017TablesSchedules\_legislative\_file.docx*  
10-26-16

**COMMITTEE ACTION:** \_\_\_\_\_ **DATE:** \_\_\_\_\_

**COMMISSION ACTION:** \_\_\_\_\_ **DATE:** \_\_\_\_\_

## **SUMMARY (Cont'd)**

### **Update of Cost Recovery Procedures Manual, Including 2017 User Charge Rates**

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The Cost Recovery Procedures Manual is a document incorporated by reference in Chapter 17, District Rules and Regulations, which presents specific policies and procedures for the administration of the User Charge Program. An annual update of this manual and revisions to seven sections are required to assure that the collection mechanism for the Operations and Maintenance Budget is based on current data.

## KEY ISSUES

### Update of Cost Recovery Procedures Manual, Including 2017 User Charge Rates

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The staff requests adoption of the following revised Sections and Tables:

1	Equivalent Residential Unit
2	Residential Occupancy Factors, Table 2-1
3	Unit Process - Parameter Relationships, Tables 3-1 - Tables 3-5
5	Municipal Wholesale Billings – Table 5-1
8	Data Verification Procedures
10	Unit Costs of Treatment
11	Pretreatment Program and Monitoring Charges
12	Late Payment Penalty
13	Charges for Special Waste
14	Household Hazardous Waste Program Costs

Attached are schedules showing 2017 User Charge Rate Analysis vs Approved 2016 Rate (Schedule A), Annual Single Family Household Charge by Community (Schedule B), Estimated Total Billings by Community (Schedule C), and Percent of Estimated Billings by Class of User (Schedule D).

A brief explanation of the revisions to those sections affecting 2017 user charge rates and billings is as follows:

#### **Section 1: Equivalent Residential Unit (ERU)**

Water consumption is projected to be 53 gallons per capita per day in 2017, as compared to 54 gallons per capita per day in 2016 (Schedule B).

#### **Section 2: Residential Occupancy Factors**

This includes an updated table of residential occupancy factors based on current population and household unit data in each municipality. Table 2-1 lists people per unit for 2016 and 2017. This factor is used in the formula for calculating the wholesale residential bill to each municipality.

#### **Section 3: Unit Process - Parameter Relationships**

The District's User Charge System allocates operation and maintenance costs of each unit process, including all supporting activities, to four user charge parameters: Flow, Biochemical Oxygen Demand (BOD), Total Suspended Solids (TSS), and Connections.

Tables 3-1 and 3-2 detail the allocation, among charge parameters, of costs expected to be incurred by each of the District's unit processes during 2017, offsetting revenues from other sources, and adjustments to account for surpluses or deficits on each parameter in 2015 carried forward to 2017.

## KEY ISSUES (Cont'd)

### Update of Cost Recovery Procedures Manual, Including 2017 User Charge Rates

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On September 11, 1996, the Public Service Commission ruled that capital cost recovery charges related to watercourse improvement projects can only be collected from those extraterritorial municipalities that are tributary to the watercourse being improved.

Table 3-3 summarizes the 2017 budgeted dollars by watercourse and the municipalities impacted by each watercourse. Table 3-4 portrays the total flow rate by adding the base flow rate (Table 3-2) and the watercourse rate (Table 3-3). In addition, Table 3-4 reports the volumetric charge and average household charge. Table 3-5 shows the current status of the User Charge Stabilization Fund.

#### **Section 5: Municipal Wholesale Billing**

Table 5-1 contains the Schedule for Transmission of User Data for each municipality for the year 2017. This schedule was provided to each of the Municipal User Charge Administrators within the past month for review and comment.

#### **Section 8: Data Verification Procedures**

This section contains the data verification procedures for certified users.

#### **Section 10: Unit Costs of Treatment**

This section contains the derivation of 2017 user charge rates. Projected 2017 wasteloads are listed for each parameter. Dividing budgeted dollars by these wasteloads yields rates for each parameter. The old and new rates are as follows:

	<b><u>2016</u></b>	<b><u>2017</u></b>
Flow (Base Rate):	\$1.09248/1000 gallon	\$1.09424/1000 gallon
Flow (Watercourse Rate):	See Table 3-4	See Table 3-4
BOD:	\$0.11869/pound	\$0.12730/pound
TSS:	\$0.16275/pound	\$0.16289/pound
Connection Charge:	\$21.71/year	\$23.98/year

#### **Section 11: Pretreatment Program and Monitoring Charges**

This section contains the annual fees for waste strength verification, sampling, and laboratory tests to recover the technical, monitoring, and laboratory costs of administering the Industrial Waste Pretreatment Program.

#### **Section 12: Late Payment Penalty**

This section contains the rate charged for a late payment penalty for the year 2017.

## **KEY ISSUES (Cont'd)**

### **Update of Cost Recovery Procedures Manual, Including 2017 User Charge Rates**

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#### **Section 13: Charges for Special Waste**

##### **Septic and Holding Tank Waste**

Staff recommends that the present disposal rates remain at \$25.19 per thousand gallons for holding tank waste, \$33.15 per thousand gallons for septic tank waste, and a permit fee of \$250/vehicle. These costs provide for recovery of treatment costs and capital costs, but only a portion of the program administration and compliance costs.

##### **Rates for Groundwater Discharge**

During 2017, staff recommends the rate to remain at \$2.50 per 1,000 gallons (\$0.0025/gallon).

##### **Rates for Beneficial High Strength Waste**

During 2017, the rate to discharge beneficial High Strength Waste at the South Shore Water Reclamation Facility to be used for Anaerobic Co-Digestion will be \$0.035 per gallon unless otherwise negotiated by contract.

#### **Miscellaneous Special Waste**

This section contains how the District will establish charges for special waste according to MMSD Rules, sec. 17.211.

#### **Section 14: Household Hazardous Waste Program Costs**

This section reflects the recovery of a separate municipal charge for Household Hazardous Waste Program costs. The actual costs incurred in operating the Household Hazardous Waste Program will be billed to each community on the basis of residential units. The Household Hazardous Waste Program Charge for 2017 will be billed to each participating community on or before March 1, 2018, and payable by April 1, 2018.

## RESOLUTION

### Update of Cost Recovery Procedures Manual, Including 2017 User Charge Rates

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**RESOLVED**, by the Milwaukee Metropolitan Sewerage Commission, that the revisions to Sections 1, 2, 3, 5, 8, 10, 11, 12, 13, and 14 of the Cost Recovery Procedures Manual, including revisions to Table 2-1, Table 3-1, Table 3-2, Table 3-3, Table 3-4, Table 3-5, and Table 5-1 (attached), are hereby adopted for the calendar year 2017, and that the Executive Director shall incorporate these revisions and transmit the Cost Recovery Procedures Manual to the User Charge Administrator of each municipality served by the District.