

# **J** Joint Report of the Environment, Transportation and Management Committees

**For the Metropolitan Council meeting of September 8, 2010**

## **ADVISORY INFORMATION**

**Date Prepared:** August 31, 2010

**Subject:** 2010 Unified Operating Budget Amendment

### **Proposed Action:**

That the Metropolitan Council: Amend the 2010 Unified Operating Budget as indicated and in accordance with attached tables.

### **Summary of Committee Discussion / Questions:**

Transportation Committee – August 23, 2010: Staff presented the business item and answered Committee-members questions. Passed unanimously.

Environment Committee – August 24, 2010: Staff presented the business item and answered Committee-members questions. Passed unanimously.

Management Committee – August 25, 2010: Staff presented the business item and answered Committee-members questions. Passed unanimously.

# M Management Committee

Environment Committee: August 24, 2010  
Transportation Committee: August 23, 2010  
Metropolitan Council: September 8, 2010

Meeting date: August 25, 2010

## ADVISORY INFORMATION

<b>Date:</b>	August 17, 2010
<b>Subject:</b>	2010 Unified Operating Budget Amendment
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	MN Statutes section 473.13, sub. 1 -- Council Budget Requirements
<b>Staff</b>	Wes Kooistra (602-1567) Chief Financial Officer
<b>Prepared/Presented:</b>	Paul Conery (602-1374), Manager, Budget & Evaluation
<b>Division/Department:</b>	All

### Proposed Action

That the Metropolitan Council:

- Amend the 2010 Unified Operating Budget as indicated and in accordance with attached tables.

### Background

Staff recommends the following revisions to the 2010 budget.

#### Transportation

**Change in Revenues: (\$4,355,700); Reserves: (\$4,355,700)**

Metro Transit - Bus: Revenues: (\$4,355,700); Reserves: (\$4,355,700)

- Legislative action during the 2010 Special Session reduced State Appropriations to the Council by an additional \$8,550,000 in State Fiscal Year 2011. This action recognizes the calendar year 2010 reduction of \$4,275,000.
- Legislative action during the 2010 Session transfers \$80,700 of State Appropriations to the Minnesota Department of Transportation (MNDOT) for administrative expenses of the Minnesota Council on Transportation Access. The Council was originally appropriated the funding in 2009 with the requirement to pay MNDOT.

#### Environmental Services

**Change in Expenditures: \$5,512,442; Transfer In: \$5,512,442**

- \$5 million in additional expenditure authority is requested for deposit into the Other Post Employment Benefit (OPEB) account. This will require the use of wastewater operating contingency reserves.
- \$512,442 in additional expenditure authority is requested to retire the remaining Current Value Credits liability owed to local governments incurred when the wastewater facilities were acquired by the Council. This will require the use of wastewater operating contingency reserves.
- The wastewater operating contingency reserve will continue to meet Council target.

## Regional Administration

**Change in Expenditures: ~~\$500,000~~ \$750,000; Reserves: (~~\$500,000~~) (\$750,000)**

- \$500,000 in additional expenditure authority is requested for deposit into the Other Post Employment Benefit (OPEB) account. This will require the use of general fund operating reserves. Reserves will continue to meet Council target.
- \$250,000 in additional expenditure authority is requested to expand the Record Land Management System beyond the Washington County Pilot Project to include all Council property. This will create a comprehensive inventory of all Council properties and make the information readily available to all Council employees. This will require the use of general fund operating reserves. Reserves will continue to meet Council target.

## Other Fund – Debt Service

**Change in Expenditures: \$10,825,000; Reserves (Escrow): (\$10,825,000)**

- \$10,825,000 in additional expenditure authority is requested in Transportation Debt Service to recognize the retirement on refunded principal. This request is financed with funding currently held in escrow.

## **Rationale**

Staff is recommending the following revisions to the 2010 budget.

## **Funding**

The proposed operating budget amendment makes the following changes to the 2010 Unified Operating Budget.

	<b>Adopted Budget</b>	<b>Previous Amendments</b>	<b>Proposed Amendment</b>	<b>Proposed Budget</b>
<b>Revenues</b>				
Operating	\$ 499,850,930	\$ 20,603,840	\$ 644,300	\$ 521,099,070
Pass Through	78,378,860	-	-	78,378,860
Debt Service	137,278,790	-	512,442	137,791,232
<b>Total Revenues</b>	<b>\$ 715,508,580</b>	<b>\$ 20,603,840</b>	<b>\$ 1,156,742</b>	<b>\$ 737,269,162</b>
<b>Expenditures</b>				
Operating	\$ 519,405,804	\$ 12,566,530	\$ 5,750,000	\$ 537,722,334
Pass Through	78,253,455	-	-	78,253,455
Debt Service	140,929,993	-	11,337,442	152,267,435
<b>Total Expenditures</b>	<b>\$ 738,589,252</b>	<b>\$ 12,566,530</b>	<b>\$ 17,087,442</b>	<b>\$ 768,243,224</b>
<b>Surplus / (Deficit)</b>	<b>\$ (23,080,672)</b>	<b>\$ 8,037,310</b>	<b>\$ (15,930,700)</b>	<b>\$ (30,974,062)</b>

## **Know Support / Opposition**

Committee Actions:

Environment Committee: to be presented August 24, 2010

Transportation Committee: to be presented August 23, 2010

**Metropolitan Council**  
**2010 Annual Budget - Summary of Revisions**  
**Operating Budget Amendment - Business Item 2010-260**

	2010 Adopted Budget	2010 Amended Budget	Total Reg'l Admin & Community Dev	HRA Programs	Total Transportation	Environmental Services	Capital	Net Change	2010 Revised Budget
<b>Revenues &amp; Other Sources</b>									
Property Tax (Net)	\$ 11,555,894	\$ 11,555,894	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ 11,555,894
Federal	38,506,243	46,307,345	-	-	-	-	-	-	46,307,345
State	207,353,555	219,900,276	-	-	(4,355,700)	-	-	(4,355,700)	215,544,576
Municipal & Wastewater Charges	105,628,000	105,628,000	-	-	-	-	-	-	105,628,000
Industrial Waste Charges	9,665,000	9,665,000	-	-	-	-	-	-	9,665,000
Passenger Fares	100,724,775	100,724,775	-	-	-	-	-	-	100,724,775
Debt Service	137,278,790	137,278,790	-	-	-	-	-	-	137,278,790
Passthrough	78,378,860	78,378,860	-	-	-	-	-	-	78,378,860
Other Sources	26,417,463	26,523,480	-	-	-	-	-	-	26,523,480
<b>Total Revenues and Other Sources</b>	<b>\$ 715,508,580</b>	<b>\$ 735,962,420</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (4,355,700)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (4,355,700)</b>	<b>\$ 731,606,720</b>
<b>Expenses</b>									
Salaries & Benefits	\$ 304,349,627	\$ 304,476,327	500,000	\$ -	-	\$ 5,000,000	\$ -	\$ 5,500,000	\$ 309,976,327
Consultant / Contractual Services	37,927,699	43,528,873	250,000	-	-	-	-	250,000	43,778,873
Materials and Supplies	33,827,578	33,942,672	-	-	-	-	-	-	33,942,672
Rent, Utilities, & Insurance	27,820,000	27,820,000	-	-	-	-	-	-	27,820,000
Other Operating Expenses	40,401,128	41,225,946	-	-	-	-	-	-	41,225,946
Transit Assistance	73,079,597	75,466,917	-	-	-	-	-	-	75,466,917
Debt Service	140,929,993	140,929,993	-	-	10,825,000	512,442	-	11,337,442	152,267,435
Passthrough Grants & Loans	74,785,040	77,826,464	-	-	-	-	-	-	77,826,464
Capital Expenditures	5,468,590	5,938,590	-	-	-	-	-	-	5,938,590
<b>Total Expenses</b>	<b>\$ 738,589,252</b>	<b>\$ 751,155,782</b>	<b>\$ 750,000</b>	<b>\$ -</b>	<b>\$ 10,825,000</b>	<b>\$ 5,512,442</b>	<b>\$ -</b>	<b>\$ 17,087,442</b>	<b>\$ 768,243,224</b>
<b>Other Uses</b>									
Interdivisional Expense Allocation	\$ -	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	\$ -
A-87 Charges/Planning Chargebacks	-	-	-	-	-	-	-	-	-
Transfers (From) To Other Funds	-	(150,000)	-	-	-	(5,512,442)	-	(5,512,442)	(5,662,442)
<b>Total Other Uses</b>	<b>\$ -</b>	<b>\$ (150,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,512,442)</b>	<b>\$ -</b>	<b>\$ (5,512,442)</b>	<b>\$ (5,662,442)</b>
<b>Total Expenses and Other Uses</b>	<b>\$ 738,589,252</b>	<b>\$ 751,005,782</b>	<b>\$ 750,000</b>	<b>\$ -</b>	<b>\$ 10,825,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,575,000</b>	<b>\$ 762,580,782</b>
<b>Surplus/(Deficit)</b>	<b>\$ (23,080,672)</b>	<b>\$ (15,043,362)</b>	<b>\$ (750,000)</b>	<b>\$ -</b>	<b>\$ (15,180,700)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (15,930,700)</b>	<b>\$ (30,974,062)</b>

**T** Transportation Committee  
Meeting date: August 23rd, 2010  
Management Committee: August 25th, 2010  
Metropolitan Council: September 8th, 2010

**ADVISORY INFORMATION**

Date: July 27<sup>th</sup>, 2010  
Subject: 2010 Unified Operating Budget Amendment  
District(s), Member(s): All  
Policy/Legal Reference: MN Statutes Section 473.13, sub. 1 – Council Budget Requirements  
Staff Prepared/Presented: Brian Lamb, General Manager Metro Transit, (612-349-7510)  
Edwin Petrie, Director of Finance, (612-349-7624)  
  
Division/Department: Transportation/Metropolitan Transportation Services

**Proposed Action**

That the Council amend the 2010 Unified Operating Budget in accordance with the attached table.

**Background**

This amendment requests a decrease in operating revenues offset by operating reserves.

The specific changes for Transportation are as follows:

**Transportation**

**Change in Revenues: (\$4,355,700); Reserves: (\$4,355,700)**

Metro Transit - Bus: Revenues: (\$4,355,700); Reserves: (\$4,355,700)

- Legislative action during the 2010 Special Session reduced State Appropriations to the Council by an additional \$8,550,000 in State Fiscal Year 2011. This action recognizes the calendar year 2010 reduction of \$4,275,000.
- Legislative action during the 2010 Session transfers \$80,700 of State Appropriations to the Minnesota Department of Transportation (MNDOT) for administrative expenses of the Minnesota Council on Transportation Access. The Council was originally appropriated the funding in 2009 with the requirement to pay MNDOT.

**Rationale**

Legislative action during the 2010 Special Session reduces State Appropriations to the Council.

**Funding**

Recognizes decreases in State Appropriations and use of Reserves.

**Known Support / Opposition**

No known opposition.

**E** Environment Committee  
Meeting date: August 10, 2010

ADVISORY INFORMATION	
<b>Date:</b>	July 30, 2010
<b>Subject:</b>	2010 Unified Budget Operating Amendment
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	3-1 (Budgets), 3-1-3 (Funding OPEB), and 3-8 (Target Fund Balance); M.S. 473.511 subd. 4 (CVCs)
<b>Staff Prepared/Presented:</b>	Jason Willett 651/602-1196
<b>Division/Department</b>	MCES c/o William G. Moore 651/602-1162

Proposed Action

That the Metropolitan Council authorizes an amendment to the MCES budget and transfers, from the Wastewater Operating Contingency Reserve of:

- \$5,000,000 for Retiree Health Care or Other Post-Employment Benefits (OPEB) Reserve to supplement the existing fund balance, and
- \$512,442 for early payoff of CVC debt

Background

Council policy calls for review of the OPEB balance and unfunded liability when there are surpluses in the Operating Contingency Reserve Fund. The new actuarial study establishes the liability for the "explicit" benefit provided for MCES retirees by union bargaining agreements at \$58 million at December 31, 2009, compared to a fund balance of \$28 million.

Current Value Credits are MCES liability for the acquisition of local government facilities during the regionalization process many years ago. By statute (referenced above), the local governments had their wastewater debt service acquired by predecessor agencies to MCES and also were promised these "credits" for the local cost basis they had in their wastewater facilities. The statute specifies that these costs could be paid back over 30 years at 4% interest. Three such loans remain outstanding, scheduled for payoff in 2015 and 2016, as detailed in Attachment 1. If this item is approved, we will pay off the remaining \$512,442 principal before the end of 2010.

Rationale

Fund transfers and budget amendments require Council approval.

In the Operating reserve these funds are in excess of the Council target for the MCES. However the OPEB reserve remains underfunded and so transferring the funds puts it where it is needed. Moreover, the transfer although uncertain may also be expected to earn greater returns at the state board of investment.

Funds in the Wastewater Operating Contingency Reserve have earned approximately 2.5% in 2009. Council Treasury has provided an assumed earning rate of 2.6% for 2010 and 2011. CVC payments are accruing interest at 4%, so there is a small savings from reduced interest and also this payoff will also bring an end to a minor accounting effort.

## Funding

At December 31, 2009, the Wastewater Operating Contingency Reserve Fund balance was \$26.9 million, or \$14.9 million above its \$12 million target of 10% of 2010 operating costs. At this time it does not appear that MCES is likely to use much of the \$2.2 million budgeted to be used in 2010. MCES has forecasted using \$8.5 million of these funds to mitigate municipal wastewater rate increases in 2011-15. If no reserves are needed in 2010, then approximately \$6.4 million of the reserve fund to be transferred to other funds or used for other purposes. The transfers proposed leave a buffer of about \$1 million (in addition to the reserve not forecast to be used for a few years).

## Known Support / Opposition

There is no known opposition or support for the transfers.

**METROPOLITAN COUNCIL ENVIRONMENTAL SERVICES  
CURRENT VALUE CREDIT  
2011-2016**

Attachment 1 Item 2010-260

	2011			2012			2013			2014			2015			2016			Total 2011-2016		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
<b>MENDOTA HEIGHTS</b>	24,352	5,275	29,627	25,326	4,301	29,627	26,339	3,288	29,627	27,393	2,234	29,627	28,468	1,140	29,608				<b>131,878</b>	<b>16,238</b>	<b>148,116</b>
<b>NEW BRIGHTON</b>	55,362	14,688	70,050	57,576	12,474	70,050	59,879	10,171	70,050	62,274	7,776	70,050	64,765	5,285	70,050	67,348	2,694	70,042	<b>367,204</b>	<b>53,088</b>	<b>420,292</b>
<b>SHOREVIEW</b>	2,013	534	2,547	2,093	454	2,547	2,177	370	2,547	2,264	283	2,547	2,354	193	2,547	2,459	88	2,547	<b>13,360</b>	<b>1,922</b>	<b>15,282</b>
<b>Total</b>	<b>81,727</b>	<b>20,497</b>	<b>102,224</b>	<b>84,995</b>	<b>17,229</b>	<b>102,224</b>	<b>88,395</b>	<b>13,829</b>	<b>102,224</b>	<b>91,931</b>	<b>10,293</b>	<b>102,224</b>	<b>95,587</b>	<b>6,618</b>	<b>102,205</b>	<b>69,807</b>	<b>2,782</b>	<b>72,589</b>	<b>512,442</b>	<b>71,248</b>	<b>583,690</b>