

**E Environment Committee  
Meeting date: August 24, 2010**

Management Committee: August 25, 2010

Metropolitan Council: September 8, 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>	Kay Dawson 651-602-1020; 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 1) \$5,000,000 for Retiree Health Care or Other Post-Employment Benefits (OPEB) Reserve to supplement the existing fund balance, and 2) \$512,442 for early payoff of Current Value Credit (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				131,878	16,238	148,116
<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	367,204	53,088	420,292
<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	13,360	1,922	15,282
<b>Total</b>	81,727	20,497	102,224	84,995	17,229	102,224	88,395	13,829	102,224	91,931	10,293	102,224	95,587	6,618	102,205	69,807	2,782	72,589	512,442	71,248	583,690