

M Management Committee

Meeting Date: July 23, 2008

Environment Committee: July 22, 2008

For the Metropolitan Council Meeting of August 13, 2008

Date:	July 10, 2008
Subject:	Transfer of Excess Metropolitan Council Environmental Services (ES) Operating Reserves
District(s), Member(s):	All
Policy/Legal Reference:	Council policies 3-1-3 and 3-8
Staff Prepared/Presented:	Jason Willett 651-602-1196
Division/Department:	MCES c/o William G. Moore 651-602-1162

Proposed Action

That the Metropolitan Council approve a transfer of \$0.5 million from the Reserve/Contingency Fund to the Liability Self-Insurance Fund.

Background

Financial results for 2008 have been established with the completion of the annual audit, allowing action on the allocation of excess reserves to other uses. Council policy 3-8 establishes a target for ES operating reserves of 10% of annual budgeted expenses, exclusive of debt service and pay-as-you-go for capital project expenses. The reserves at the beginning of 2008 exceed the 10% target by \$6.7 million. One million of that excess was authorized for the 2008 operating budget, and use of another \$1 million is planned in the preliminary 2009 budget for rate mitigation, leaving \$4.7 million above the target.

A new Liability Self-Insurance Fund was established in 2007 to provide a cap to the exposure ES would face in any given year. The initial funding was for one million, to match the tort cap outlined in statute and the deductible in our insurance policy.

Rationale

The statutory tort cap has risen in 2008 to \$1.2 million, and will increase to \$1.5 million in 2009. It is recommended that the ES Self-Insurance Fund be supplemented with \$0.5 million of the 2007 surplus to bring the ES Self-Insurance Fund to the 2009 tort cap level.

The Council could allocate the remaining \$4.2 million of excess reserves to achieve other wastewater purposes. Options were discussed at the Environment Committee meeting on May 13th of this year. At that time, action was delayed awaiting the final audit of the 2007 financial results and the post-retirement actuarial study. The consensus reached at that meeting was to not allocate the entire excess reserves to other purposes at this time given the economic stress to the SAC fund and wastewater rates. The actuarial study forecast that the MCES post-retirement benefits will be fully funded (with interest to be earned in the trust fund) by the end of 2014 and annual payments up to that point can be gradually reduced. Thus no additional transfer to the post-retirement fund, as discussed in Council policy 3-1-3, is recommended at this time.

Funding

No new funding is required. However, transfers between Council funds require Council authorization.

Known Support / Opposition

None