

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

Date:	August 17, 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	Wes Kooistra (602-1567) Chief Financial Officer
Prepared/Presented:	Paul Conery (602-1374), Manager, Budget & Evaluation
Division/Department:	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.

	Adopted Budget	Previous Amendments	Proposed Amendment	Proposed Budget
Revenues				
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
Total Revenues	\$ 715,508,580	\$ 20,603,840	\$ 1,156,742	\$ 737,269,162
Expenditures				
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
Total Expenditures	\$ 738,589,252	\$ 12,566,530	\$ 17,087,442	\$ 768,243,224
Surplus / (Deficit)	\$ (23,080,672)	\$ 8,037,310	\$ (15,930,700)	\$ (30,974,062)

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
Revenues & Other Sources									
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
Total Revenues and Other Sources	\$ 715,508,580	\$ 735,962,420	\$ -	\$ -	\$ (4,355,700)	\$ -	\$ -	\$ (4,355,700)	\$ 731,606,720
Expenses									
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
Total Expenses	\$ 738,589,252	\$ 751,155,782	\$ 750,000	\$ -	\$ 10,825,000	\$ 5,512,442	\$ -	\$ 17,087,442	\$ 768,243,224
Other Uses									
Interdivisional Expense Allocation	\$ -	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	\$ -
A-87 Charges/Planning Chargebacks	-	-	-	-	-	-	-	-	-
Transfers (From) To Other Funds	-	(150,000)	-	-	-	(5,512,442)	-	(5,512,442)	(5,662,442)
Total Other Uses	\$ -	\$ (150,000)	\$ -	\$ -	\$ -	\$ (5,512,442)	\$ -	\$ (5,512,442)	\$ (5,662,442)
Total Expenses and Other Uses	\$ 738,589,252	\$ 751,005,782	\$ 750,000	\$ -	\$ 10,825,000	\$ -	\$ -	\$ 11,575,000	\$ 762,580,782
Surplus/(Deficit)	\$ (23,080,672)	\$ (15,043,362)	\$ (750,000)	\$ -	\$ (15,180,700)	\$ -	\$ -	\$ (15,930,700)	\$ (30,974,062)

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

ADVISORY INFORMATION

Date: July 27th, 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

Date:	July 30, 2010
Subject:	2010 Unified Budget Operating Amendment
District(s), Member(s):	All
Policy/Legal Reference:	3-1 (Budgets), 3-1-3 (Funding OPEB), and 3-8 (Target Fund Balance); M.S. 473.511 subd. 4 (CVCs)
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 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
MENDOTA HEIGHTS	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
NEW BRIGHTON	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
SHOREVIEW	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
Total	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