



## Environment Committee

Meeting date: February 28, 2012

### ADVISORY INFORMATION

**Date:** February 23, 2012  
**Subject:** Authorization to Hold a Public Meeting on a Proposed Loan Program for Communities  
**District(s), Member(s):** All  
**Policy/Legal Reference:** MN Stat. 473.517 and 473.521, Council Admin. Policy 3-2-3  
**Staff Prepared/Presented:** Jason Willett, 651-602-1196  
**Division/Department:** MCES c/o William G. Moore, 651-602-1162

### Proposed Action

That the Environment Committee authorizes staff to schedule and hold a public meeting to seek public input on a proposed municipal loan program that could, upon a community request, provide a deferral of a portion of the Municipal Wastewater Charges to a community in a year in which those charges experienced a substantial increase.

### Background

On January 5, MCES received a letter from the City of Maple Plain's administrator (see Attachment A) asking for additional time to pay its Municipal Wastewater Charges.

In addition, a letter was received from Metro Cities asking MCES to explore options to address this issue (see Attachment B). A work group was formed by Metro Cities and MCES. This group met on February 16 to discuss possible criteria and loan terms and the proposed program criteria, in Attachment C, resulted.

It is now proposed that the criteria and loan terms be presented for comment at a public meeting tentatively scheduled as follows:

Feb. 28	Environment Committee authorizes public meeting
May 14-May 18	Public Meeting, followed by written comment period.
June 12	Committee recommendation on loan program
June 27	Council decision on loan program

Related to this action, the Council and Metro Cities are seeking to amend the MCES Housekeeping bill (HF2148) to include an explicit authorization in MS. 473.517 for such a loan program. The proposed bill language would allow details of such a program to be at the discretion of the Council, and actual loans would only occur at the request of communities.

**Funding**

Council wastewater contingency reserve funds are available for a temporary deferment. The proposed loan terms include interest, so there would be no permanent cost to either the Council or other sewer rate paying communities.

**Rationale**

The proposal provides enhanced customer service to the municipalities that may experience substantial increases in these charges based on measured flows.

Maple Plain's appeal is the first time such a request has ever been made for Municipal Wastewater Charges. However, creating a uniform process available to all cities seems most equitable.

**Known Support / Opposition**

Metro Cities and the work group.



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January 5, 2012

Jason Willett  
Metropolitan Council Environmental Services  
390 North Robert Street  
St. Paul, MN 55101

Mr. Willett:

On December 13 we discussed the City's concern regarding its 2012 sanitary sewer charge. Also at this meeting was Kyle Colvin, MCES; Patti Nauman, Metro Cities; Roger Hackbarth, City Council; and Dan Boyum, City Engineer. As noted during the meeting, our rate increased by \$60,563, or 33.7%. This has placed a significant financial burden on the community, especially as it relates to potential resulting sewer rates. In order for the community to meet its operating and debt service expenses, including the sewer charge, sewer rates would need to increase by 28% on top of the approved 0% increase for 2012. That increase would give the City a balanced budget, but not bring its sewer operating fund out of deficit.

The City understands its responsibility to pay this charge. However, we are asking for your assistance, now, to help alleviate this burden.


As noted during our December 13 meeting, the City is seeking flexibility to meet this obligation. We are requesting to pay the amount owed in 2011, plus an additional amount per year, interest free, until the obligation is paid in full. It would be our full intention to pay off what is owed as soon as possible, provided funds allow.

We agree with Metro Cities that criteria for a larger program, addressing similar concerns for cities now, and in the future, should be considered by the Metropolitan Council. However, this issue is urgent for Maple Plain, now, and cannot wait for the time it would take to create such a program or policy.

We are not asking for special privileges. We are simply asking for understanding of the financial burden facing the community and its residents. We formally request the Metropolitan Council grant Maple Plain additional time to pay in full what is owed.

Feel free to contact me with further questions. I can be reached at (763) 479-0515 or [jziemer@mapleplain.com](mailto:jziemer@mapleplain.com). I would also be happy to attend the upcoming Environmental Committee meeting, if necessary.

Sincerely,

  
Jason A. Ziemer  
Maple Plain City Administrator

cc: Kyle Colvin, MCES  
Patti Nauman, Metro Cities



January 6, 2012

Mr. Jason Willett  
Finance Director, Metropolitan Council Environment Services  
300 North Robert Street  
St Paul, MN 55102

Dear Mr. Willett:

This letter is a follow up to our December meeting with city officials from Maple Plain regarding the city's concerns about the rate of increase in the city's wastewater charge.

At the meeting, we discussed the reasons for the increase and potential options around whether the city's bill could be paid over a period of time. I understand that the Council's flexibility with regard to the timing of these payments may not be clear. The purpose of this letter is to request that MCES explore its authority and possible options to assist cities in cases where the city's charge represents a significant increase and financial challenge for the city.

Metro Cities understands that the Council has such flexibility with regard to SAC payments and the Inflow and Infiltration Surcharge program. We would suggest that MCES explore options along these lines with regard to the wastewater charge.

We would suggest that MCES work with Metro Cities to coordinate a meeting with MCES and city officials to explore possible options, criteria, etc.. Metro Cities recognizes that any alternative methods around the timing of payment for these charges must not sacrifice equity for other ratepayers, and must be financially prudent for both the Metropolitan Council and individual cities.

Metro Cities understands that myriad issues may need to be resolved before any options could be established and that the time line for a potential resolution to this issue may not address the immediate challenges for the city of Maple Plain. To this end, we would ask that the Council work with city officials from Maple Plain to reach a solution that allows the city some flexibility, while these issues are discussed and addressed on a more systemic scale.

Thank you for your consideration of our request. We look forward to working with you on these issues.

Sincerely,

A handwritten signature in black ink, appearing to read 'Patricia Nauman', written over a horizontal line.

Patricia Nauman  
Executive Director

## **Proposed Criteria for loans to communities for Municipal Wastewater Charges (MWCs):**

- 1. Cities will be required to agree to a standard loan agreement.**
- 2. To qualify for a loan, a city's MWCs must have increased 15% or more from the prior year. To qualify for a second loan (in the following year) an additional 10% increase will have had to occur (i.e. apx. 25% cumulatively over the two years).**
- 3. The loan amount will be limited to the amount of increase in MWCs that is over and above the loan eligibility thresholds each year (i.e. 15% for the first loan and 10%, if a loan is requested the following year).**
- 4. Loan repayment schedules shall be limited to 3 years following the year of the deferral.**
- 5. Principal Outstanding on such loans shall be payable at any time with no prepayment penalties.**
- 6. The interest rate will be based on MCES' average cost of capital calculated at the most recent calendar year-end (e.g. the average rate was 3.24% at 12/31/11 so all loans originating in 2012 would be at this rate).**
- 7. Cities will be eligible for a loan two years in a row, but will not be allowed to have three loans outstanding at the same time.**
- 8. Cities facing extraordinary circumstances can appeal for additional assistance (e.g., additional loan amount or a longer term); requests will be reviewed by Council on a case-by-case basis.**
- 9. The Metropolitan Council shall retain the right to reduce or deny any loan request based on the balance in MCES' contingency reserve fund and/or impending large MCES cost increases (e.g. \$1 billion required for new regulatory compliance that would increase all communities MWCs past the loan threshold).**
- 10. The standard loan agreement will require the City to agree that the Council's deficiency levy rights (M.S. 473.521 subd. 4) will apply to any unpaid loan payments (i.e. current authority applies to the MWCs and the agreement will require this applies to the loan payments, including interest).**