

## Environment Committee

Meeting date: June 9, 2015

## Management Committee

Meeting date: June 10, 2015

For the Metropolitan Council meeting of June 24, 2015

**Subject:** Authorization to Amend the 2014 and 2015 Unified Budgets

**District(s), Member(s):** All

**Policy/Legal Reference:** Council Admin Policy 3-1 and Procedure 3-1a; MN Statute 473.13-Council Budget Requirements, and 473.517 – Wastewater fees and reserve authority

**Staff Prepared/Presented:** Ned Smith, 651-602-1162; Kyle Colvin, 651-602-1151

**Division/Department:** MCES c/o Leisa Thompson, General Manager (651-602-8101)

### Proposed Action

That the Metropolitan Council authorizes the amendment of the 2014 Unified Budget as indicated and in accordance with Attachment A and B, and authorize the amendment of the 2015 Unified Budget as indicated and in accordance with the attached tables.

### Amendment to the 2014 Unified Budget – Operating Budget

#### Background

The Environmental Services Division requires an amendment to the 2014 operating budget. For much of 2014, the electricity-generating turbine was offline at the Metro Plant due to performance failures, while an incinerator undergoing capital improvements was offline for longer than budgeted due to additional items discovered during rehabilitation. In addition, there were excess rains in late spring and early summer. These incidents resulted in increased electricity and natural gas consumption to offset the lack of electricity and heat generation for the plant, as well as increased electricity consumption to operate the effluent pumps to counter the high river level. In addition, sludge that would have been burned in the incinerator had to be treated and hauled for landfill disposal, resulting in increased chemical and contract services expenses.

Throughout the year, under runs in salary and benefits from vacancies and contract services were sufficient to cover the overruns in utilities. However, an exceptionally back-end loaded December for contract services (28% of annual spend booked to December versus 22% forecast and historical averages of 22-25%) erased the coverage. Invoices continued to book to December through March of 2015, reducing the visibility to the overall overspend until March. Going forward, Environmental Services will work to track contract billing more closely and partner with Regional Administration for timelier reporting. The incinerator and turbine are also improved and are back on line in 2015.

Requested changes to the operating component of the 2014 Unified Budget total \$682,000. The following requests are being made by the Environmental Services Division:

## Environmental Services

Change in Expenditures: \$682,000; Revenues: (\$0); Reserves: (\$682,000)

The proposed budget amendment will increase the Treatment Services utilities budget by \$682,000, from \$13,718,000 to \$14,400,000.

### **Rationale**

The proposed amendments will bring actual 2014 expenses within the amended budget for the Environmental Services Division.

### **Funding**

The motion proposes that this needed funding come from the Wastewater Operating Contingency Reserve. This amendment will not cause wastewater operating reserves to fall below the 10% Council policy target balance level.

### **Fiscal Impact**

The amendment will not impact wastewater users. The amendment uses available reserves and will not cause the year end 2014 fund balance to fall below the target fund balance for Environmental Services.

### **Known Support / Opposition**

None

## **Amendment to the 2015 Unified Budget – Capital Program**

### **Background**

The proposed amendment includes the following changes to the Environmental Services Authorized Capital Program (ACP) and Capital Improvement Program:

#### **Increased Authorization Funding for Program 8086, North Area Interceptor Rehabilitation**

Environmental Services has been conducting a gravity sewer condition assessment program over the past several years. This program has identified several locations across the north area of the region from Brooklyn Park/Champlin to Coon Rapids/Fridley to Hugo where gravity sewers are severely corroded and require rehabilitation as soon as practicable. Areas in Fridley and Hugo are being added to the Authorized Capital Program.

The proposed amendment increases the Authorized Capital Program by \$44,000,000. There is no net change to the Capital Program for the North Area Interceptor Rehabilitation work.

#### **Authorize Two New Programs - Program 8088, St. Paul Interceptor System Rehabilitation and Program 8087, Richfield Interceptor System Rehabilitation**

The gravity sewer condition assessment program has identified ten locations in St. Paul and nearby cities where interceptor rehabilitation should be implemented as soon as possible. These areas were identified after the preparation of the 2015 Capital Program.

The gravity sewer condition assessment program has identified the interceptor along 66<sup>th</sup> Street in Richfield as needing rehabilitation within ten years. Hennepin County and the City of Richfield are planning full re-construction of 66<sup>th</sup> Street and utilities in 2016-2017. To minimize disruption and provide efficient use of resources, rehabilitation of this interceptor will be expedited.

The proposed amendment increases the Authorized Capital Program by \$56,000,000 for the St. Paul Interceptor System Rehabilitation Program and \$24,000,000 for the Richfield Interceptor System Rehabilitation Program. The amendment also provides \$29,000,000 in the Capital Improvement

Program for the second phase of the Richfield Interceptor System Rehabilitation work in the Airport area. The net increase to the Capital Program as a result of these two programs is \$109,000,000.

### **Rationale**

This amendment is required for additional authorization funding for the North Area Interceptor Rehabilitation Program and to authorize funding and add two new additional interceptor rehabilitation projects to the Capital Program. This action is needed to ensure reliable wastewater service and to preserve our assets.

### **Funding**

The capital amendment will be funded with \$109,000,000 in new regional funds. The amendment also changes the Environmental Services current year expenditures. Based on the projected expenditures for the proposed amendment, the 2015 Capital Budget will be increased by \$10,000,000.

### **Fiscal Impact**

If no other projects were re-prioritized, the increase in debt service would result in a 0.5% MWC increase and a 2.0% SAC increase per year for four years. However, throughout 2015, MCES will re-evaluate other lower priority projects to decrease the rate impacts.

### **Known Support / Opposition**

No known opposition.

Attachments:

- A – Table B-1 – Environmental Services Division Operating Budget as amended through June 24, 2015
- B – Table 10 – Environmental Services Division Capital Program as amended through June 24, 2015



**METROPOLITAN COUNCIL**  
**SUMMARY BUDGET**  
**ENVIRONMENTAL SERVICES DIVISION**  
**FY14**

Table B - 1

(\$ in 000s)

	Treatment Services	Interceptors	Technical Services	EQA	GM Office	ES Wide	Total Operating	Debt Service	Passthrough Grants	Memo Total
<b>Revenues:</b>										
Municipal Wastewater Charges	0	0	0	0	0	117,698	117,698	66,490	0	184,188
Industrial Wastewater Charges	0	0	0	0	0	13,205	13,205	815	0	14,020
State Revenue & Tax	0	0	0	1,472	0	0	1,472	0	2,500	3,972
Investment Earnings	0	0	0	0	0	500	500	0	0	500
Other MISC Revenue	80	0	0	292	7	71	450	0	0	450
<b>Total Revenues</b>	<b>80</b>	<b>0</b>	<b>0</b>	<b>1,764</b>	<b>7</b>	<b>131,474</b>	<b>133,325</b>	<b>67,305</b>	<b>2,500</b>	<b>203,130</b>
<b>Expenses:</b>										
Salaries, Wages & Fringes	41,892	5,905	2,962	7,964	2,336	4,162	65,221	0	0	65,221
Consultant & Contractual Services	14,629	2,483	49	1,952	424	1,314	20,851	0	0	20,851
Materials	5,588	1,336	117	728	46	410	8,225	0	0	8,225
Chemicals	5,931	2,300	0	0	0	0	8,231	0	0	8,231
Utilities	14,400	2,224	10	272	3	8	16,917	0	0	16,917
Printing	0	5	17	1	4	0	27	0	0	27
Travel	239	43	33	78	30	0	423	0	0	423
Capital Outlay	1,752	674	0	178	0	856	3,460	0	0	3,460
Other Operating Expenses	113	10	7	487	105	459	1,181	0	0	1,181
Grants	0	0	0	80	0	0	80	0	2,500	2,580
Debt Service Expenses	0	0	0	0	0	0	0	102,967	0	102,967
<b>Total Expenses</b>	<b>84,544</b>	<b>14,980</b>	<b>3,195</b>	<b>11,740</b>	<b>2,948</b>	<b>7,209</b>	<b>124,616</b>	<b>102,967</b>	<b>2,500</b>	<b>230,083</b>
<b>Other Sources and (Uses):</b>										
Transfer From SAC	-	-	-	-	-	0	0	35,662	0	35,662
Transfer From Other Funds	-	-	-	-	-	233	233	0	0	233
Interdivisional Allocation	-	-	-	-	-	(11,151)	(11,151)	0	0	(11,151)
Transfer To Other Funds	-	-	-	-	-	2,000	(2,000)	0	0	(2,000)
Net Other Sources and (Uses)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,918)</b>	<b>(12,918)</b>	<b>35,662</b>	<b>0</b>	<b>22,744</b>
<b>Change in Fund Balance</b>	<b>(84,464)</b>	<b>(14,980)</b>	<b>(3,195)</b>	<b>(9,976)</b>	<b>(2,941)</b>	<b>111,347</b>	<b>(4,209)</b>	<b>0</b>	<b>0</b>	<b>(4,209)</b>



**METROPOLITAN COUNCIL**  
**UNIFIED CAPITAL PROGRAM**  
**ENVIRONMENTAL SERVICES - WASTEWATER**

Dollars in Thousands

Prog #	Program	Authorized Capital Program (ACP)		Capital Improvement Plan (CIP)		Capital Program (ACP+CIP)	
		Current	Amended	Current	Amended	Current	Amended
<b>Treatment Plant Projects</b>							
8006	Small System Improvement Projects	5,000	5,000	-	-	5,000	5,000
8016	Rural Area Acquisitions and Improvements	72,000	72,000	-	-	72,000	72,000
8018	Blue Lake Plant Improvements	117,000	117,000	-	-	117,000	117,000
8030	Hastings WWTP	6,500	6,500	58,500	58,500	65,000	65,000
8059	MWWTP Rehabilitation & Facilities Improve	144,000	144,000	30,000	30,000	174,000	174,000
8062	MWWTP Solids Improvements	3,200	3,200	126,800	126,800	130,000	130,000
8072	Energy Conservation & Recovery	5,000	5,000	-	-	5,000	5,000
8073	MWWTP Nutrient Removal	4,000	4,000	-	-	4,000	4,000
8074	Empire Plant Solids Processing	15,000	15,000	-	-	15,000	15,000
8075	Seneca Plant Solids Processing Improve.	13,000	13,000	10,000	10,000	23,000	23,000
8078	Regional Plant Improvements	10,000	10,000	4,000	4,000	14,000	14,000
	<b>Subtotal - Treatment Plants</b>	<b>394,700</b>	<b>394,700</b>	<b>229,300</b>	<b>229,300</b>	<b>624,000</b>	<b>624,000</b>
<b>Interceptor System Projects</b>							
8012	Odor Control Improvements	3,000	3,000	-	-	3,000	3,000
8028	Blue Lake System Improvements	168,000	168,000	40,000	40,000	208,000	208,000
8039	Chaska Lift Station	17,000	17,000	-	-	17,000	17,000
8041	Hopkins System Improvements	77,000	77,000	-	-	77,000	77,000
8055	Lift Station Improvements	36,000	36,000	-	-	36,000	36,000
8056	Meter Improvements	22,000	22,000	6,000	6,000	28,000	28,000
8057	Golden Valley Area Improvements	24,000	24,000	-	-	24,000	24,000
8063	SWC Interceptor - Lake Elmo Connections	17,500	17,500	-	-	17,500	17,500
8068	Mpls. Interceptor 1-MN-310/320 Diversion	12,000	12,000	88,000	88,000	100,000	100,000
8069	Interceptor Rehabilitation - Trenchless	19,000	19,000	-	-	19,000	19,000
8076	Mpls Interceptor System Rehabilitation	75,000	75,000	-	-	75,000	75,000
8079	Brooklyn Park LS/FM Rehabilitation	14,000	14,000	-	-	14,000	14,000
8080	Seneca Interceptor System Rehabilitation	98,000	98,000	22,000	22,000	120,000	120,000
8081	Maple Plain Area Improvements	3,000	3,000	19,000	19,000	22,000	22,000
8082	St. Bonifacius LS/FM Rehabilitation	19,000	19,000	-	-	19,000	19,000
8083	Waonia LS/FM Rehabilitation	15,000	15,000	-	-	15,000	15,000
8084	Bloomington System Improvements	6,000	6,000	-	-	6,000	6,000
8085	Elm Creek - Corcoran/Rogers Connections	7,000	7,000	-	-	7,000	7,000
8086	North Area Interceptor Rehabilitation	75,000	119,000	65,000	(44,000)	140,000	140,000
8087	Richfield Interceptor System Rehabilitation	-	24,000	-	29,000	-	53,000
8088	St Paul Interceptor System Rehabilitation	-	56,000	-	-	-	56,000
8090	Interceptor Rehabilitation - Program	16,000	16,000	-	-	16,000	16,000
	<b>Subtotal - Interceptor System</b>	<b>723,500</b>	<b>847,500</b>	<b>240,000</b>	<b>(15,000)</b>	<b>963,500</b>	<b>1,072,500</b>
	<b>Grand Total</b>	<b>1,118,200</b>	<b>1,242,200</b>	<b>469,300</b>	<b>(15,000)</b>	<b>1,587,500</b>	<b>1,696,500</b>