

Environment Committee

Meeting date: July 27, 2021

Management Committee

Meeting date: July 28, 2021

For the Metropolitan Council meeting of August 11, 2021

Subject: 2021 Unified Budget Amendment – 2nd Quarter

District(s), Member(s): All

Policy/Legal Reference: 2021 Unified Budget; Minnesota Statutes Section 473.13, Subdivision 1 – Council Budget Requirements. Total Watershed Management (Minn. Stat. § 473.505), and Metropolitan area water supply planning activities (Minn. Stat. § 473.1565)

Staff Prepared/Presented: Ned Smith, 651-602-1162; Jeannine Clancy, 651-602-1210; Adam Gordon, 651-602-4503

Division/Department: MCES c/o Leisa Thompson, 651-602-8101

Proposed Action

1. That the Metropolitan Council amends the 2021 Unified Budget – Authorized Capital Program (ACP) with a reallocation of \$21,000,000 as indicated and in accordance with the Unified Capital Program – Environmental Services (Table 10) and the Capital Program table (Attachment 3).
2. That Environmental Services return \$668,444 of unused Stormwater Grant funds to the Metropolitan Council General Fund (Table B-1), AND
3. That the Metropolitan Council place a restricted use on the \$668,000 of returned Stormwater Grants funds and repurpose to Environmental Services to help fund projected future shortfalls (2022-2024) in water supply planning operations.
4. That the Metropolitan Council amends the 2021 Unified Budget – Environmental Services Operating Budget to account for unbudgeted pay raises for RA Services in 2021 (Table B-1).

Background

Authorized Capital Program (ACP):

The proposed amendment reallocates funding from one program to another. The amendment includes the following changes to the Environmental Services ACP and Capital Improvement Program (CIP):

Reduce Authorization Funding for Program 8086, North Area Interceptor Rehabilitation by \$15,000,000.

Increase Authorization Funding for Program 8090, Interceptor Rehabilitation Program by \$15,000,000.

Reduce Authorization Funding for Program 8093, Brooklyn Park-Champlin Interceptor Renewal by \$6,000,000.

Increase Authorization Funding for Program 8082, St. Bonifacius LS/FM Rehabilitation by \$6,000,000.

Recent engineering estimates for the rehabilitation of interceptors in the North Area Interceptor Rehabilitation program are much less than the capital project

funding earmarked for the program. Meanwhile, ongoing condition assessments have revealed additional needs in the interceptor system for asset preservation, quality improvements, or capacity expansion. Furthermore, recent increases in projects bids received have indicated a nationwide shortage of polymers and resins. Funding for later phases of construction in the Brooklyn Park-Champlin Interceptor Renewal program is scheduled for post-2026. By amending the Capital Program, existing St. Bonifacius LS/FM program will have adequate funding to facilitate bidding in 2021.

The proposed amendment does not change the total 2021 budget for ACP or the anticipated Environmental Services current year expenditures. Furthermore, this action does not change the overall six-year Capital Program of \$1,032,670,524.

Operating Budget:

In 2015 and 2017, the Metropolitan Council approved levy funded stormwater grants for five projects: Minnesota Zoo Stormwater Reuse Project, Lilydale Stormwater Improvements, Minneapolis East Side Storage and Maintenance Facility, Evergreen Stormwater Reuse System, and Biochar Enhanced Filter for Bacteria and Dissolved Pollutants. These projects were either canceled or came in under budget, and unused funds are currently in Environmental Services' operating reserve fund.

In addition, The Environmental Services Division forecasts an annual \$150,000 funding shortfall in Water Supply Planning activities starting in 2022 and continuing yearly thereafter. The shortfall affects only water supply planning activities that are not eligible for funding by Clean Water Funds.

Statutory Metropolitan Council Water supply planning activities are funded by a combination of Council general funds (ongoing revenue), a separate, finite one-time source of Council funds, and the state Clean Water Legacy fund. Per state statute, Clean Water Legacy Funds cannot supplant prior established funding for activities that were in place before the Clean Water Fund was instituted.

Activities supported by Council funds, and not by Clean Water Funds, include advisory committee's administration, community plan reviews and development of the Council policy plans including the regional Master Water Supply Plan. These activities are conducted in accordance with the Regional Development Guide, Master Water Supply Plan and Water Resources Policy Plan. These activities will increase through the next 4 to 5 years to aid the work required to update the regional development guide in accordance with the 2025 planning cycle. Communities and state agencies support continuation of these activities.

A finite, non-renewing Council source of funds was provided when a water supply planning appropriation from the State general fund was not renewed. These funds will be exhausted and fall short of budgeted needs by 2022.

The Council will be unable to support the statutory required planning activities identified above if additional funds are not secured. The total need beyond recurring revenue is approximately \$150,000 annually starting in 2022.

Budget estimates for 2023 and 2024 indicate a need for an additional \$100,000 on top of the current planning funding of \$150,000 to fund development of the Master Water Supply Plan and outreach activities (total planning need is \$250,000 per year) related to the increased effort required for the 2050 Regional Development Guide (i.e., THRIVE 2050 and the Water Resource Policy Plan).

The 2021 budget, developed during the period of economic uncertainty early in the pandemic, did not include a prospective increase in salary or wages. This amendment includes a \$362K assumed increase in salary and wages for RA services allocated to ES (ES Operating Budget – Table B-1).

Rationale

Authorized Capital Program (ACP):

This amendment is required for additional authorization funding for the Interceptor Rehabilitation Program. This action is needed to minimize operational impacts and to ensure reliable wastewater service.

Operating Budget:

Due to project cancelations and projects that came in under budget, a total of \$668,444 should be returned to the General Fund (ES Operating Budget – Table B-1). Project specifics and approval dates are as follows:

Project	Date approved by Met Council	Grantee	Awarded	Amount not spent
1) Minnesota Zoo Stormwater Reuse Project	6-24-15	Vermillion River Joint Powers Board	\$350,000	\$230,167
2) Lilydale Stormwater Improvement Project	6-24-15	Lower Mississippi River WMO*	\$9,000	\$3,473
3) Minneapolis East Side Storage and Maintenance Facility	5-24-17	Mississippi WMO*	\$150,000	\$131,600
4) Evergreen Stormwater Reuse System	9-27-17	City of Roseville	\$300,000	\$300,000
5) Biochar Enhanced Filter for Bacteria and Dissolved Pollutants	9-27-17	Coon Creek Watershed District	\$53,500	\$3,204
Total			\$862,500	\$668,444

*WMO = Watershed Management Organization

The \$650,000 being requested will fund water supply planning activities from 2022 – 2024 and ensure that statutory required planning activities are completed. This will be funded by the returned Stormwater Grants.

2022 – 2024 expected water supply planning expense:

- 2022: \$150,000
- 2023: \$250,000
- 2024: \$250,000

A known RA allocation increase should be included in the 2021 operating budget.

Thrive Lens Analysis

This action advances the Thrive outcomes of stewardship and sustainability. Public financial resources will be invested efficiently and effectively to restore and maintain wastewater infrastructure which protects the regions natural resources. The operating amendment accurately manages funds and returns unused funds to the Council General Fund and accounts for known increases in RA allocations.

Principles:

Sustainability: The operating amendment continues MCES' role in supporting sustainable water supply planning in the metro area.

Funding

Although there is no incremental increase in the ACP, the capital program in general is funded by wastewater fees. The operating amendment will allow unused, general levy council grant funds to be used for Water Supply Planning. No additional funds or charges are required. The RA allocation increase will be funded by the operating reserve.

Known Support / Opposition

No known opposition to capital amendment. Metro Area Water Supply Advisory Committee (MAWSAC) and the Technical Advisory Committee (TAC) support this request to provide ongoing water supply planning funding.

	Authorized Capital Program (ACP)			Capital Improvement Plan (CIP)							ACP + CIP Combined	
	2021 Current	Changes	2021 Amended	2021	2022	2023	2024	2025	2026	Total		
Treatment Plant Projects												
8059 - Metro Rehabilitation & Facilities Improve	110,417	-	110,417	-	-	-	-	-	-	-	-	110,417
8062 - Metro Solids Improvements	168,746	-	168,746	-	-	-	1,500	10,000	12,000	23,500	-	192,246
8074 - Empire Plant Solids Improvements	56,642	-	56,642	-	-	-	-	-	-	-	-	56,642
8075 - Seneca Solids Processing Improvements	28,960	-	28,960	-	-	-	-	-	-	-	-	28,960
8078 - Regional Plant Improvements	46,203	-	46,203	-	-	-	500	9,500	6,500	16,500	-	62,703
8089 - MWWTP Asset Renewal	122,141	-	122,141	-	-	-	3,500	14,000	36,000	53,500	-	175,641
8091 - Wastewater Reclamation Facilities	6,775	-	6,775	-	-	-	850	350	20,000	21,200	-	27,975
8097 - Blue Lake Solids Processing	1,948	-	1,948	-	-	-	20,000	20,000	20,100	60,100	-	62,048
8098 - Hastings WWTP	2,000	-	2,000	-	-	-	10,000	10,000	10,000	30,000	-	32,000
8100 - Industrial Pretreatment Incentive Program	12,957	-	12,957	-	-	-	-	-	-	-	-	12,957
TOTAL Treatment Plant Projects	556,788	-	556,788	-	-	-	36,350	63,850	104,600	204,800	-	761,588
Interceptor Projects												
8028 - Blue Lake System Improvements	58,919	-	58,919	-	-	-	7,831	9,591	-	17,422	-	76,341
8041 - Hopkins System Improvements	10,207	-	10,207	-	-	-	-	-	-	-	-	10,207
8055 - Lift Station Improvements	32,497	-	32,497	-	-	-	4,833	-	15,000	19,833	-	52,330
8056 - Meter Improvements	19,826	-	19,826	-	-	-	-	-	1,500	1,500	-	21,326
8063 - SWC Interceptor - Lake Elmo Connections	13,444	-	13,444	-	-	-	5,000	-	-	5,000	-	18,444
8076 - Mpls. Interceptor System Rehabilitation	82,949	-	82,949	-	-	-	100	100	100	300	-	83,249
8077 - Northeast Area Interceptor Imp	450	-	450	-	-	-	200	200	200	600	-	1,050
8080 - Seneca Interceptor System Rehabilitation	237	-	237	-	-	-	200	200	1,500	1,900	-	2,137
8081 - Maple Plain LS/FM Rehabilitation	5,000	-	5,000	-	-	-	-	-	-	-	-	5,000
8082 - St Bonifacius LS/FM Rehabilitation	26,161	6,000	32,161	-	-	-	-	-	-	-	-	32,161
8083 - Waconia LS/FM Rehabilitation	12,586	-	12,586	-	-	-	-	-	-	-	-	12,586
8084 - Bloomington System Improvements	17,035	-	17,035	-	-	-	-	-	-	-	-	17,035
8085 - Elm Creek - Corcoran/Rogers Connections	2,960	-	2,960	-	-	-	-	-	-	-	-	2,960
8086 - North Area Interceptor Rehabilitation	31,096	-15,000	16,096	-	-	-	26,800	14,000	-	40,800	-	56,896
8088 - St Paul Interceptor System Rehabilitation	46,792	-	46,792	-	-	-	-	15,000	28,000	43,000	-	89,792
8090 - Interceptor Rehabilitation - Program	44,422	15,000	59,422	-	-	-	-	-	3,600	3,600	-	63,022
8092 - Mpls. Interceptor 1-MN-340 Rehabilitation	17,550	-	17,550	-	-	-	500	2,000	20,000	22,500	-	40,050
8093 - Brooklyn Park-Champlin Interceptor Renewal	36,251	-6,000	30,251	-	-	-	16,400	17,500	7,000	40,900	-	71,151

METROPOLITAN COUNCIL
 CAPITAL PROGRAM
 ENVIRONMENTAL SERVICES

TABLE 10

(\$ in 000's)

	Authorized Capital Program (ACP)			Capital Improvement Plan (CIP)							ACP + CIP Combined
	2021 Current	Changes	2021 Amended	2021	2022	2023	2024	2025	2026	Total	
8094 - Brooklyn Park L32	15,509	-	15,509	-	-	-	11,000	11,000	1,523	23,523	39,032
8095 - Coon Rapids-Fridley Area Interceptor Renewal	450	-	450	-	-	-	200	200	200	600	1,050
8096 - Northwest Area Interceptor Imp	1,540	-	1,540	-	-	-	500	12,500	8,500	21,500	23,040
TOTAL Interceptor Projects	475,882	-	475,882	-	-	-	73,564	82,291	87,123	242,978	718,860
Total ES Capital Program	1,032,671	-	1,032,671	-	-	-	109,914	146,141	191,723	447,778	1,480,449

Project #	Family Proj	Description	CURRENTLY AUTHORIZED				PROPOSED CHANGES				AMENDED				2021 Budget	Multi-Year Authorization
			Regional	PFA	Pay-Go	Total	Regional	PFA	Pay-Go	Total	Regional	PFA	Pay-Go	Total		
ENVIRONMENTAL SERVICES													Original Adopted	\$ 185,519,000	\$ 1,032,670,524	
													After Prior Amendments	\$ 185,519,000	\$ 1,032,670,524	
													After This Amendment	\$ 185,519,000	\$ 1,032,670,524	
Administrative Adjustments																
Closing Projects / Reallocate Authorized Funding																
Section Subtotal			\$ -		\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Closed and Removed from Authorized Capital Program											\$ -	\$ -	\$ -			
New Authorized / Increase Authorized Funding / Reduce Authorized Funding																
808600	8086	North Area Interceptor Rehabilitation	\$ 31,095,878	\$ -	\$ -	\$ 31,095,878	\$ (15,000,000)	\$ -	\$ -	\$ (15,000,000)	\$ 16,095,878	\$ -	\$ -	\$ 16,095,878	\$ (15,000,000)	\$ (15,000,000)
809099	8090	Interceptor Rehabilitation Program	\$ 33,570,187	\$ 3,975,000	\$ 6,876,800	\$ 44,421,987	\$ 15,000,000	\$ -	\$ -	\$ 15,000,000	\$ 48,570,187	\$ 3,975,000	\$ 6,876,800	\$ 59,421,987	\$ 15,000,000	\$ 15,000,000
809300	8093	Brooklyn Park - Champlin Interceptor Renewal	\$ 8,602,000	\$ 25,175,813	\$ 2,473,000	\$ 36,250,813	\$ -	\$ (6,000,000)	\$ -	\$ (6,000,000)	\$ 8,602,000	\$ 19,175,813	\$ 2,473,000	\$ 30,250,813	\$ (6,000,000)	\$ (6,000,000)
808200	8082	St. Bonifacius LS/FM Rehabilitation	\$ -	\$ 26,161,128	\$ -	\$ 26,161,128	\$ -	\$ 6,000,000	\$ -	\$ 6,000,000	\$ -	\$ 32,161,128	\$ -	\$ 32,161,128	\$ 6,000,000	\$ 6,000,000
Section Subtotal			\$ 73,268,065	\$ 55,311,941	\$ 9,349,800	\$ 137,929,806	\$ -		\$ -	\$ -	\$ 73,268,065		\$ 9,349,800	\$ 137,929,806	\$ -	\$ -
TOTAL			\$ 73,268,065		\$ 9,349,800	\$ 137,929,806	\$ -		\$ -	\$ -	\$ 73,268,065		\$ 9,349,800	\$ 137,929,806	\$ -	\$ -



**METROPOLITAN COUNCIL
SUMMARY BUDGET
ENVIRONMENTAL SERVICES DIVISION
FY21**

Table B-1

	Operations	Support Services	Maintenance Services	Technical Services	EQA	GM Office	ES Wide	Total Operating	Debt Service	Memo Total
Revenues:										
Net Property Tax	-	-	-	-	-	-	-	-	-	-
State Revenues	-	-	-	-	1,326	-	-	1,326	-	1,326
Municipal Wastewater Charges	-	-	-	-	-	-	138,350	138,350	101,992	240,342
Industrial Wastewater Charges	-	-	-	-	-	-	14,839	14,839	667	15,506
Sewer Availability Charges	-	-	-	-	-	-	-	-	-	-
Investment Earnings	-	-	-	-	-	-	1,250	1,250	-	1,250
Other Revenues	-	275	25	-	100	99	-	499	-	499
Total Revenues	-	275	25	-	1,426	99	154,439	156,264	102,659	258,923
Expenses:										
Salaries & Benefits	41,720	13,341	6,917	4,634	4,766	2,594	(1,615)	72,357	-	72,357
Consulting & Contractual Services	10,266	2,014	2,401	201	1,768	471	675	17,796	-	17,796
Materials & Supplies	5,991	1,391	749	84	166	12	901	9,294	-	9,294
Fuel	216	14	28	10	8	-	-	276	-	276
Chemicals	9,755	-	-	-	-	-	-	9,755	-	9,755
Utilities	17,736	271	147	-	15	-	211	18,380	-	18,380
Printing	5	1	-	2	20	1	-	29	-	29
Travel	80	138	28	80	147	90	-	563	-	563
Insurance	-	-	-	30	-	-	1,700	1,730	-	1,730
Operating Capital	185	187	550	-	-	-	329	1,251	-	1,251
Governmental Grants	-	-	-	-	66	-	-	66	-	66
Other Expenses	235	36	20	30	479	350	4,185	5,335	-	5,335
Passthrough Grants	-	-	-	-	-	-	-	-	-	-
Debt Service Obligations	-	-	-	-	-	-	-	-	157,000	157,000
Total Expenses	86,189	17,393	10,840	5,071	7,435	3,518	6,386	136,832	157,000	293,832
Other Sources and (Uses):										
Interdivisional Allocation	-	-	-	-	-	-	(18,491)	(18,491)	-	(18,491)
SAC Transfers In	-	-	-	-	-	-	7,500	7,500	50,341	57,841
Transfers From Other Funds	-	-	-	-	200	-	-	200	-	200
Transfer in from OPEB	-	-	-	-	-	-	-	-	4,000	4,000
Transfer to other Funds	-	-	-	-	-	-	(668)	(668)	-	(668)
Transfers To Capital Program	-	-	-	-	-	-	(11,000)	(11,000)	-	(11,000)
Net Other Sources and (Uses)	-	-	-	-	200	-	(22,659)	(22,459)	54,341	31,882
Change in Fund Balance	(86,189)	(17,118)	(10,815)	(5,071)	(5,809)	(3,419)	125,394	(3,027)	-	(3,027)