

Minutes of the

REGULAR MEETING OF THE ENVIRONMENT COMMITTEE

Tuesday, May 9, 2017

Committee Members Present:

Sandra Rummel-Chair, Wendy Wulff-Vice Chair, Cara Letofsky, Marie McCarthy, Harry Melander

Committee Members Excused:

Lona Schreiber, Edward Reynoso

CALL TO ORDER

A quorum being present, Committee Chair Rummel called the regular meeting of the Council's Environment Committee to order at 4:05 p.m. on Tuesday, May 9, 2017.

APPROVAL OF AGENDA AND MINUTES

Request to move Information Item on Rates and Charges to the first information item followed by the Industrial Waste presentation.

It was moved by Wendy Wulff, seconded by Cara Letofsky to approve the agenda. **Motion carried.**

It was moved by Cara Letofsky, seconded by Wendy Wulff to approve the minutes of the April 11, 2017 regular meeting of the Environment Committee. **Motion carried.**

BUSINESS

1. 2017-82: Project Communications and Outreach Master Contracts for MCES Capital Program
It was moved by Cara Letofsky, seconded by Wendy Wulff, that the Metropolitan Council authorize its Regional Administrator to award and execute master contracts 16P306 for communications and outreach related to MCES capital projects in the amount of \$500,000 each to HDR Engineering, Inc., ZAN Associates, and WSB & Associates, Inc. totaling \$1,500,000. **Motion carried.**
2. 2017-105: 2017 Stormwater Grants
It was moved by Marie McCarthy, seconded by Cara Letofsky, that Metropolitan Council authorize its Regional Administrator to award and execute the stormwater management grants described in Attachment A in the total amount of \$1million.

If detailed project budgets vary from preliminary amounts resulting in unallocated funds, staff may re-allocate those funds among recommended proposals or high ranking un-funded proposals.

Motion carried.

INFORMATION

1. Budget Concepts, Rates, and Customer Forums:

Ned Smith, Director of Finance and Revenue presented a summary of the MCES budget concepts, rates, and customer forums.

This effort addresses Thrive MSP 2040 outcomes of stewardship, prosperity, sustainability, and livability and principles of integration, collaboration, and accountability.

Executive Summary:

Sources and Rates – wastewater charge 3.7% increase, sewer availability charge no increase, industrial strength charge 6.8% increase, industrial

permit fee 3.7%. Expenses increased 3.1% over 2017. Estimated 2018 Municipal Wastewater Charges (MWC) will be sent to each municipality in May.

2018 Revenue Sources – 79% from MWC, 15% Sewer Availability Charge (SAC), 5% Industrial Waste Charge. No shifts over previous year.

2018 uses by category consist of 47% Debt Service, 23% Salaries & Benefits, 7% Consulting & Contractual, 6% Materials, Supplies, & Chemicals, 6% Interdivisional Services, 6% Rent & Utilities.

Total 2018 MWC increase is 3.7% or \$7.8M over 2017. This is driven by the following line item increases vs. 2017: \$7 million increase in debt service, \$2.3 million increase in labor, \$2.0 million increase in Pay As You Go, and \$.3 million increase in chemicals. These are offset by: \$.6 million decrease in capital outlay, \$1.2 million decrease in utilities, contracts, and materials, and a \$2.0 million decrease resulting from a use of reserves.

Total anticipated 2018 Operating Budget \$280.6 Million consisting of \$131.0 million in debt service, \$65.8 million labor, \$20.7 million contracted services, \$16.1 million central services, \$15.9 million utilities, \$9.0 million Pay As You Go, \$8.7 million chemicals, \$8.6 million materials and supplies, \$3.4 million capital outlay, \$1.4 million other expenses including pass-through grants from state appropriations.

Debt service risk factors include capital spending increases and interest rate increases on new debt. Summary of the labor portion of the budget reflects regular FTE's similar to 2016 at 655. Vacancy factor is holding at 30 FTE's. Risk factors for labor include attrition rates, workforce planning, and health care costs due to being self-insured.

Relative to peer agencies, MCES has some of the lowest debt per capita rates in the country. MCES' wastewater rates per household are 40% less than the national peer agency average. It is anticipated SAC will not increase in the next several years. SAC units continue to recover. Determination volumes continue to be high into 2018. We have a healthy SAC reserve at \$61.2 million. Policy requires MCES to have \$45.2 million on hand. Interceptor charge has been removed from the load charge, resulting in no increase. Annual permit fees increased with the MWC and General permit fees are flat.

2018 Rate Setting Schedule:

- Municipal Customer Forums (Council members are encouraged to attend)
 - May 23 at the Minnetonka Community Center
 - June 8 at Metro Cities
- Environment Committee will be presented with a review of customer input and will hear the 2018 rate adoption recommendation on July 11
- Council rate adoption anticipated July 26
- Council preliminary operating budget adoption is anticipated August 23

Comments and Questions:

Is the decrease in personnel due to technology or efficiencies? Staff stated it is a result of the organization of work load due to attrition, technology and continuous improvement efforts.

It was clarified that 1 FTE is equivalent to 2,080 hours based on an 8-hour work day. Overtime is part of 12 hour schedules. Would be curious to see how many work hours represent the vacancy factor of 30 FTEs. Staff will provide information to committee members. Some of the overtime is seasonal.

Council Member Melander inquired if a broader conversation could occur to address if there is a possibility to take additional funds from less FTE's and create a pool of staff to address retirements.

2. Industrial Waste Customer Workshop Update

Bob Nordquist, Manager of the Industrial Waste section and Tina Nelson, Assistant Manager of the Industrial Waste section shared their recent success with utilizing collaboration techniques for an industrial waste customer workshop held on April 27, 2017. They had their largest attendance on record with 53 industrial waste customers attending along with MCES staff from industrial waste, finance, technical services, communications, and MCES senior leadership.

Informational tables containing industrial waste procedures, electronic reporting, finance, and capital projects were available to attendees. Along with a welcome message from Bob Nordquist, the group participated in two separate discussion sessions which covered finance as well as industrial waste key subject areas.

Subject areas for finance covered:

- Industrial Permit Fees
- Strength Charge
- SAC
- Liquid Waste Hauler
- Enforcement Fees

Subject areas for industrial waste covered:

- Electronic Reporting – we are first in the nation to implement
- Enforcement Response Plan
- Monitoring Reports
- Communications
- Regulatory Updates
- Strength Charge Stabilization
- Technical Assistance

Comments received:

- Customers would like to have more transparency with SAC as well as the ability to spread payments out over time
- Electronic reporting is well liked but could use more improved templates; however, some don't like submitting sampling data earlier and separately from reporting period operational data
- Strength charges have been unpredictable, most are in favor of using data from longer time periods to determine charges
- Phosphorus (soluble non-reactive) is a concern and MCES needs to work with the metal finishing industry
- Monitoring reports are useful, but need to be timely

This effort utilized the Thrive lens principles of integration for moving beyond organizational silos, collaboration to protect our area waters with industry not from industry, and accountability by seeking customer opinions and ideas as well as developing a commitment to action.

Overall, the session was well received and appreciated. Participants felt their concerns were heard, the transparency was refreshing, there was an excellent level of support, communication, and professionalism, and even wished it were longer in duration.

Comments and Questions:

Clarification was provided regarding the comment, "Never seen anything like this in other states". Staff stated the person worked for an organization that has locations across the country. They never saw or participated in breakout sessions asking for input. They appreciated the focus of listening to their feedback.

Chair Rummel stated outreach and collaboration seems to be the right way to go for the agency to welcome customers and clients. It is worth the effort. Thank you for breaking out of the mold.

3. General Manager Report:

- Success relies on partnerships and we've been having success recently with partnerships in the communities we serve. We have been utilizing principles of collaboration along with other Thrive principles with thoughtful consideration in the meetings that are planned.
- A tour was completed at the Blue Lake Wastewater Treatment Plant on Friday, May 5.
 - 5 elected officials from area suburbs (1 mayor and 4 city council members)
 - 2 Metropolitan Council members
 - 8 staff
 - 2 representatives from Metro Cities

They were happy with the work and partnership we are doing as well as having an opportunity to share concerns.

ADJOURNMENT

Business completed, the meeting adjourned at 5:14 p.m.

Susan Taylor
Recording Secretary