

Minutes of the

REGULAR MEETING OF THE ENVIRONMENT COMMITTEE

Tuesday, May 10, 2016 4:00 p.m. Council Chambers

IN ATTENDANCE

Sandra Rummel-Chair, Marie McCarthy; Harry Melander, Edward Reynoso, Lona Schreiber, Wendy Wulff-Vice Chair

NOT IN ATTENDANCE

None

CALL TO ORDER

A quorum being present, Committee Chair Rummel called the regular meeting of the Council's Environment Committee to order at 4:01 p.m. Tuesday, May 10, 2016.

APPROVAL OF AGENDA AND MINUTES

It was moved by Wendy Wulff seconded by Lona Schreiber to approve the agenda. **Motion carried.**

It was moved by Lona Schreiber seconded by Wendy Wulff to approve the minutes of the Tuesday, April 26, 2016 regular meeting of the Environment Committee. **Motion carried.**

BUSINESS

No regular business at this time.

INFORMATION ITEMS

1. Changing Workforce – Equity Outreach Update:

Dana Durkee, Changing Workforce Specialist with Environmental Services provided an update on the work she has been conducting made possible by equity grant funding. The goal was to create interest in Environmental Services careers by delivering workshops and presentations and providing assistance with Environmental Services diversity recruiting for current job openings. The target audience has included diverse, disadvantaged residents.

We have collaborated with members of Human Resources and the Office of Equal Opportunity on many outreach efforts. Because of work being done in the region regarding equity, it helped focus efforts. One initiative evaluated was "Career Days" that the nonprofit AchieveMpls holds at all Minneapolis high schools. She connected Environmental Services staff, who are more knowledgeable to answer questions about their job, to three events in the spring to talk about work and careers. During these presentations, frequent questions came up regarding environmental issues. At one local school, a request had been made to present to an African American High School Girl Club. Anticipated participation was a group of 30, but quickly grew to about 100 with the inclusion of the other clubs meeting that same day. After learning Environmental Services works with water quality, planning and treatment, many questions were asked about the Flint water crisis and the California drought situation. Only 10% of the questions were about careers and the other 5% complaints about late buses.

Next steps are the continue to expand outreach efforts through long term relationships rather than one time interactions as well as continuing to educate on what it takes to be good stewards of our natural resources. An Urban Scholar will continue this important outreach work as Dana will be leaving the Council to move to the East Coast. Osiris Bardales was introduced as Dana's replacement. This is a part-time position.

Comments/Questions

Community engagement is important. Looking at the next work force generation is crucial. It is vitally important to consider making the position full time. It is great to go out to the schools and engage students to our careers. Thank you for the work you have done.

Presentations are short and provide an overview of the Council and what we do. Questions are more of a curiosity of process rather than policy.

One agency partnered with for the June 7 Explore Career Day include Big Brothers/Big Sisters. Mentors will bring "littles". A scientist from Environmental Services with water props will be available to talk about careers. Collaborated with Metro Transit to have a bus on site. Children's Water Festival has been sourced for information. Science Museum, Kitty Anderson Center promotes STEM careers to disadvantaged youth. Our partnership is in development.

Environmental Services has a variety of career fields, not just scientist careers.

The focus of this work has been most in Brooklyn Park and Champlain. Research has been limited and on a part time basis. Length of time for the role depends on the number of hours worked, as it is a fixed grant amount.

2. Public Meetings on Preliminary 2017 Rates & Charges

Ned Smith, Director of MCES Finance and John Atkins, MCES Budget Manager presented information on the 2017 preliminary budget and proposed rates based on that preliminary budget. This is the information that will be discussed at customer forums on May 24 and 26 with the industrial forum on June 2. Customer input from the forums and rate recommendations are anticipated for presentation to the Environment Committee on July 12 with adoption for full Council consideration on July 27. The Council's unified preliminary budget adoption is anticipated for August 24, but for MCES, the revenue side will be materially constrained by the rate setting. Customers expect, and to some extent need, information as soon as possible to set their own budgets and rates for 2017.

Highlights of Sources of Funds and Proposed Rate Increases:

- Metropolitan Wastewater Charge: 5.4%
- Metropolitan Sewer Availability Charge: None
- Industrial Strength Charge: 7.8% - driven mostly by continuation of a 5-year phase in of a strength related debt service component
- Standard Load Charges 6.0%
- Industrial Permit Fee: 10.4% - driven by the phase in of permitting fees covering of program costs.

The 2017 budget was developed with certain principles in mind, including preserving our infrastructure, the customer, and Thrive principles. For infrastructure, MCES desires to protect and preserve the estimated \$7 billion asset base and continue a 100% permit compliance goal. Customer principles include a cost-of-service rate design, as specified in Council policy, and levels of service that are being developed with customers. The third lens focusses on Thrive principles to assure we are good stewards of ratepayer money, ensure livability with affordable rates, and sustain the environment through our treatment of water and energy work. We do this through collaboration, as seen with our multiple outreach and task force efforts around water planning, financial forums, and inflow & infiltration, as well as accountability resulting from our customer forums and other outreach.

Rate-setting budget assumptions for 2017, sources are proposed at \$268.9 million dollars, while uses are proposed \$1 million higher at \$269.9. This use of reserve provides rate relief as we work through a few years of large debt increases.

For 2017, debt service transfer is proposed at \$124.0 million, up \$8.5 over 2015. Pay as you go, which is using operating funds to pay for projects that would normally be capitalized and financed, is proposed to stay flat at \$7 million. The proposal to hold PAYGO flat is based on: i) low interest rates do not deliver material savings from increasing pay as you go contributions, and ii) rate pressure from debt service is high for a few years. The plan to increase PAYGO by \$2 million per year may be put on hold for a few years, until the sizeable increases in debt service ease up.

Budgeted debt service has to be included in the expense budget. It is projected to go up 6-9% per year through 2022 when it is projected to flatten out. This is mainly due to higher debt principal repayments and somewhat due to high capital improvement program spending in 2014-2018.

Despite high percent increases in debt service in the near term, debt per capita compared to other peer agencies is at the low end of the spectrum.

Metropolitan Wastewater Charge (MWC) – Staff propose to allocate the MWC to communities for 2017 service based on estimated flow using the actual flow percentages for period of January 1, 2015 to December 31, 2015. This flow period is different from previously used. Flow for 2015 was 85.3 billion gallons versus 85.6 billion gallons the prior year. Customer feedback has been positive.

Source of SAC funds:

No projected SAC rate increases are needed for the next several years. Even with no rate increases, the reserve capacity (SAC) fund balance has continued to rise since 2012.

Council policy minimum balance for wastewater general operating reserve in 2016 was \$13.9 million (10% of operating expenses, excluding Debt Service, PAYGO, and grants). Balance as of 12/31/15 (unaudited) is \$20.2 Million

Summary of Thrive outcomes and principles in this budget:

- Outcomes
 - Stewardship – care for water and rate payer money
 - Livability – maintain rates 40% lower than national peer average
 - Sustainability – incorporate energy and water conservation into operations
 - Equity – research service affordability for ALL residents
- Principles
 - Collaboration – work with partners and stakeholders on rates and policies
 - Accountability – regular customer forums and feedback

Comments/Questions

- Staff clarified that of the 35 FTE (full time equivalent positions) vacancy proposed 30 are not specified in a particular area. Based on historical data, this is the overall expectation for vacancies, which cause savings while waiting to be filled. However, five FTEs are planned position reductions to be made throughout 2016.
- Staff clarified that the “rainy season long on the books” means the wettest part of the calendar year in April, May, and June will have already been recorded and will no longer have to be estimated for communities when it is difficult because of the large variability from year to year.
- There was discussion about attendance and whether the plan was enough outreach. Based on RSVP'd attendance staff will consider a third municipal forum. Council members asked for documentation of prior forum attendance and staff will provide.

3. General Manager's Report:

In March, the Pollution Control Agency awarded seven of our eight plants perfect compliance for plant performance. Operators are at the heart of the process in helping us meet compliance. Thank you.

Staff is preparing for customer forums. We been receiving feedback from communities on how to help with budgeting. Updates to reference tools were requested and are under review.

Committee Member Wulff said she gave a wastewater presentation to realtors in Apple Valley. She stated those in attendance were impressed about our sewer system performance.

ADJOURNMENT

Business completed, the meeting adjourned at 5:03 p.m.

Susan Taylor
Recording Secretary