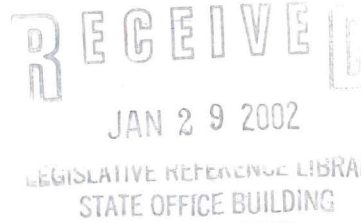


**Metropolitan Council***Building communities that work*

January 14, 2002

Mr. Patrick Flahaven
Secretary of the Senate
231 Capitol
75 Constitution Avenue
St. Paul, MN 55155

Mr. Edward A. Burdick
Chief Clerk
House of Representatives
211 Capitol
75 Constitution Avenue
St. Paul, MN 55155



Dear Mr. Flahaven and Mr. Burdick,

Attached is a copy of the Metropolitan Council Service Efficiency Pilot Project report. This legislative report was prepared in response to Minnesota Session Laws 1998, Chapter 381, Section 2. The report summarizes "in-sourcing" revenues potentially authorized by the subject legislation.

Please contact the Metropolitan Council's Data Center at (651) 602-1140 if you would like additional copies of the report.

Sincerely,

Beth Widstrom-Anderson
Chief Financial Officer

1998 Minn. Laws Chap. 381
Sec. 2

METROPOLITAN COUNCIL SERVICE EFFICIENCY PILOT

Report to the
Minnesota State Legislature

Prepared by
Metropolitan Council

As required by Minnesota Session Laws 1998 - Chapter 381, Section 2

January 2002

*Metropolitan Council Service Efficiency Pilot
Report to Legislature*

January 2002

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For additional copies of this paper please contact the Metropolitan Council's Data Center at 651-602-1140.

I. Introduction

In 1998, the Minnesota Legislature passed Chapter 381, Section 2, which authorized the Council to provide services to the public and private sector – “insourcing” – where the Council had excess capacity, as follows:

Minnesota Session Laws - 1998

CHAPTER 381-S.F.No. 535

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Sec. 2. [METROPOLITAN COUNCIL SERVICE EFFICIENCY PILOT PROJECT.]

Subdivision 1. [SUNSET OF PROVISION.] This section expires on June 30, 2002.

Subd. 2. [DECLARATION OF POLICY.] The state of Minnesota recognizes that the provision of the best possible services to the public may be attained through governmental entities maximizing the efficiency of their operations. Such efficiency may be improved through a pilot project by the metropolitan council that allows for the sale of council service capacity to other governmental entities or the private sector in order to maximize the efficient use of existing public resources.

Subd. 3. [EXTERNAL USE OF EXISTING SERVICE CAPACITY.] For purposes of this subdivision, "service capacity" means an existing service or operation carried out by the council as authorized by law, or existing council real or personal property, for which the council on a temporary basis has capacity available for use outside the council. Notwithstanding other law, the council may enter into arrangements to provide service capacity to other governmental entities or the private sector on the terms and conditions it considers appropriate. In providing service capacity, the council: (1) may not commit to providing the service capacity for a period in excess of two years; and (2) must receive compensation for providing the service capacity in at least an amount sufficient to recover the actual costs of providing the service capacity including, but not limited to, the costs of materials and supplies, employee salaries and benefits, and administrative overhead. The council must annually evaluate whether any temporary service capacity should be eliminated in place of selling that service capacity to other governmental entities or the private sector.

Subd. 4. [REPORT TO LEGISLATURE.] The council must evaluate the external use of council service capacity and report the results of the council's evaluation to the legislature by January 15, 2002. The report must include information on estimated cost savings and efficiencies recognized through the efficient use of existing public resources.

Sec. 4. [APPLICATION.]

This act applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 5. [EFFECTIVE DATE.]

This act is effective on the day following its final enactment.

Presented to the governor April 10, 1998

Signed by the governor April 20, 1998, 11:25 a.m.

II. Financial Information

During this period, only the Environmental Services division of the Metropolitan Council identified revenue that may have been covered under this Law. Other laws, as documented in the footnotes to the table, also authorize activities that generate the subject revenue received by Environmental Services.

The following table is a listing of revenue that was received that could be considered subject to this law:

<u>Customer(s)</u>	<u>Service</u>	<u>1998*</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>Total</u>
Private farmers around Empire plant	Land Lease	\$12,097	29,005	29,800	29,800	100,702
Various public sector & non-profits	Lab Fees	56,105	41,951	9,854	56,228	164,138
City of Bloomington	Maintenance on a Lift Station	0	7,824	0	0	7,824
Various public sector & non-profits	Water Monitoring	0	68,572	55,430	51,390	175,392
Western Lake Superior Sanitary District	Biosolids Expertise	950	1,664	0	0	2,614
City of White Bear Lake	Flow Monitoring	0	640	0	0	640
Eller Media	Billboard	0	500	500	0	1,000
City of St. Paul	Staff Support Grit Handling Project	0	0	469	0	469
City of Northfield	Processing Biosolids	0	0	30,119	0	30,119
Totals:		69,152	150,156	126,172	137,418	\$482,898

* April 21 - December 31, 1998

Note, that the Council believes that one or more of the following statutes also cover each of the above items:

- MN Statutes 473.504 Subd 9 - allows the Council to lease excess property.
- MN Statutes 471-59 allows agreements to provide services to other government units.
- MN Statutes 473.505 allows the Council to enter into agreements with other governmental bodies and agencies and spend funds to implement total watershed management.

Since these items are also authorized by additional statutes and would have been pursued with or without this statute, there were no savings attributable solely to this statute. However, since substantial portions of the costs of providing these services were sunk, these services do provide savings that benefit the municipal and industrial ratepayers of the Division.

III. Example of Services Provided

MCES for many years has provided laboratory analysis to public sector clients (mostly local governments and other agencies) and public interest non-profit organizations (such as citizen lake monitoring associations) for a fee. These arrangements have benefited both MCES and the customer agencies by increasing the economies of scale and thus the reducing the costs of analysis to both parties. We believe that it is in the long-term interest of the public to continue to provide these services.

IV. Discussion of Changes Needed in Legislation

The Council is seeking material changes in the legislation in 2002, specifically:

- 1) The sunset provision of the law should be eliminated in order to allow the Council, where it can, to more efficiently utilize public resources and keep taxes, sewer rates, and bus fares as low as possible.
- 2) One of the obstacles to additional use of this statute is the two-year limit on contract term. One illustration of the issue, is MCES' significant excess capacity for the final stabilization of wastewater solids (plant capacity is usually built to handle the volume for the expected population 20 years in the future). The Council believes it may be able to contract for this capacity in the future to nearby communities and/or industries if longer contracts are allowed. These neighboring communities require a 3-5 year lead-time to build their own capacity and thus the 2-year contract limit is onerous. The Council is suggesting that the 2-year constraint be changed to 5 years.
- 3) Elimination of the reporting requirements.