



**RAMSEY/WASHINGTON
RECYCLING & ENERGY**
CONNECTING VALUE TO WASTE

**Ramsey/Washington Recycling & Energy Board (R&E Board) Workshop:
R&E's Financial Structure**

1/27/2022



R&E Board Workshop Agenda

Date: Thursday, January 27, 2022

Time: 11:00 am – 12:00 pm

Virtual Meeting: <https://zoom.us/j/96099510464?pwd=cGt5K09BNERnaUZ2UVFHUEZoK0NLUT09>

Meeting ID: 960 9951 0464 | Passcode: 191533 | Phone: 1-651-372-8299

The Chair of the Ramsey/Washington Recycling and Energy Board has determined that an in-person meeting is not practical or prudent because of the COVID-19 pandemic. Commissioners will participate by telephone or other electronic means and the board meeting will be conducted pursuant to and in compliance with Minnesota Statute 13D.021. Members of the public will be able to watch the public meeting live online.

Workshop Purpose

- Review the finance structure, policy direction and administrative policies that have been established by the R&E Board since 2016.
- Identify any areas of change, understand the impacts of change and provide direction to staff.

Workshop Outline

- I. Recycling & Energy Board vision and direction
- II. Confirm key issues to address
- III. Review R&E financial and budget structure
- IV. Discuss R&E key issues
- V. Review proposed Joint Leadership Team recommendations
- VI. Provide direction to Joint Leadership Team



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December 29, 2021

To: Recycling & Energy Board

From: Joint Leadership Team (JLT)

Re: R&E Finance Structure

The Ramsey/Washington Recycling & Energy Board (R&E Board) meeting on January 27, 2022 will include a one-hour workshop following the board's business meeting. The purpose of the workshop is to provide in-depth information on R&E's finance structure, policy direction and administrative policies that have been established by the R&E Board since 2016 when R&E purchased the Recycling & Energy Center. The workshop will provide time for discussion by the R&E Board and to provide further direction to JLT.

The following is a compilation of the important components of the financial structure of R&E. **Documents referenced are displayed in italics and are available upon request.** Please contact Jody Tharp at JTharp@recyclingandenergy.org for copies of any of these documents.



RECYCLING & ENERGY FIINANCIAL STRUCTURE

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ABBREVIATIONS KEY

EM&R	Equipment, Maintenance & Replacement Fund
ERF	Enterprise Reserve Fund
JA	Joint Activities
JLT	Joint Leadership Team
JPA	Amended and Restated Joint Powers Agreement
ORF	Operating Reserve Fund
R&E	Ramsey/Washington Recycling & Energy

OVERVIEW

Ramsey/Washington Recycling & Energy (R&E) is a separate and distinct public entity, with powers delegated to it by the two counties. This includes authorizations related to financing the operations overseen by the joint powers board. The *Amended and Restated Joint Powers Agreement (JPA)* that created and empowered R&E states that Ramsey County is the fiscal agent for R&E, and that R&E can develop finance policies independent of Ramsey County as it deems necessary. R&E can carry out its financial powers independently unless the Joint Powers Agreement specifies otherwise.

Since its origin in 2015, R&E has created a financial structure to fund operations and manage financial risk. That structure is described in three broad categories: governance, policy and administration.

FISCAL GOVERNANCE

Fiscal Governance – Joint Powers Agreement (JPA)

- **R&E Board**
 - The R&E Board is a separate and distinct public entity, which has received responsibility and control for actions taken under the *JPA*. The Board is to comply with laws and rules that govern a public entity.
 - The R&E Board is responsible to exercise such authority and powers necessary to carry out the mandates and purposes in the *JPA* without individual county board approval unless the *JPA* specifies otherwise.
 - Joint Leadership Team (JLT). Comprised of one staff member from each of the following: the Washington County Department of Public Health and Environment, Saint Paul - Ramsey County Public Health and the Ramsey County Finance Department. The Ramsey County Finance Department staff role shall be as a liaison between the JLT and Ramsey County on financial matters.
 - Specific Powers Related to Finance.
 - Property. Acquire, improve, lease and hold real and personal property to accomplish its purpose.
 - Contracts and Procurement. Negotiate, enter and enforce contracts. See approved *Procurement Guidelines*.
 - Grants. Apply for, accept, receive and disburse grants, loans, donations, other assistance.
 - Debt. Incur and discharge debts, liabilities and obligations.
 - Annual Budgets. Establish rates and fees, hold and receive revenue in accordance with a budget as an enterprise fund, and county board-approved Joint Activities Budget.
 - Accounting and Audits. All board funds shall be accounted for according to generally accepted accounting principles and any other applicable laws. The



- board shall further develop accounting and auditing procedures and requirements in the *Bylaws*.
- Insurance. The board is obligated to maintain insurance to protect against risk of loss or damage to the facility and other claims.
 - Indemnification. Includes indemnification of counties, and outlines that claims settled or judgements against the board are apportioned between the counties on a 73% (Ramsey) - 27% (Washington) split.
 - Fiscal Agent. The Ramsey County Finance Department is identified in the *JPA* as the Fiscal Agent on behalf of the board, performing functions specified in *Fiscal Agent Agreement* with Ramsey County.
 - Budgets. There are two budgets, the Facility budget and the Joint Activities budget. The Facility Budget operates as an enterprise fund. The Joint Activities budget is funded on an annual basis from contributions from Ramsey and Washington counties.
 - Facility Budget. The board approves an annual Facility Budget for the operation and administration of the R&E Center. Funds for operations and maintenance are derived from revenue collected in operation of the facility, including collection of tipping fees. Costs included in the Facility Budget include operating funds, any operating reserve fund, capital improvements and repairs, administrative costs and debt service payments.
 - Joint Activities Budget. The Joint Activities Budget is used for board activities, including the joint activities set forth in the *JPA*. The counties' fiscal responsibility is in proportion to a 73% Ramsey County and 27% Washington County split.
 - Operating Reserve Fund. As part of the Facility Budget, the *JPA* had R&E originally create an Operating Reserve Fund (ORF), in which each county agreed to commit or hold sufficient funding for the ORF. In 2019 this was amended, and the R&E *Bylaws* now provide a process to release the counties from the obligation to hold funding for the ORF, and to pay back any operating reserve funds transferred to the board as an Enterprise Reserve Fund (ERF) is created and funded.
 - Enterprise Reserve Fund. As part of the Facility Budget, the board has created an ERF that replaces the ORF over a time period specified in the *Bylaws*. The purpose of the ERF is, first, to at least maintain essential facility operations; second, to make any required debt or obligations payments to third parties; and, third, to make any debt or obligations payments required to Ramsey or Washington counties. The *Bylaws* shall outline the scope and size of the ERF.
- **County Boards**
 - Waste Management Service Charges. Each county shall maintain and implement its ordinance requirements that impose on all waste generators a waste management service charge, currently called the "County Environmental Charge."



- Joint Activities. The R&E Board is authorized to administer the joint solid waste activities set forth in the *JPA* and approve an annual Joint Activities Budget that includes funding for such activities during the term of this agreement. It is the intention of the counties to continue their respective County Environmental Charges for purposes of making their respective contributions to the Joint Activities Budget.
- Waste Designation. The counties agree to coordinate with each other and the board to amend county Solid Waste Master Plans; prepare a joint Waste Designation Plan and adopt, implement, maintain and enforce waste designation ordinances.

Fiscal Governance – Bylaws

- **Facility & Finance Committee**
 - The Facility & Finance Committee consists of the secretary/treasurer, and two additional commissioners. The total makeup of the committee includes one commissioner from Washington County and two commissioners from Ramsey County.
 - Members of the Facility & Finance Committee are appointed by the chair each year and ratified by majority vote of the R&E Board.
 - The committee is authorized to develop and oversee the Joint Activities Budget, Facility Budget and Equipment Maintenance & Replacement Fund and make recommendations for these budgets to the R&E Board.
 - The committee is also authorized to monitor ongoing facility operations and make recommendations to ensure efficient operation of the facility.
- **Secretary/Treasurer**
 - The secretary/treasurer is elected on a biennial basis in odd numbered years.
 - The secretary/treasurer has the following duties:
 - Official recording of the minutes of all proceedings of the board meetings and actions
 - Provision for notice of all meetings of the board
 - Authentication of the records of the board
 - Oversees the board's budget and finances.
 - In the absence of the chair and vice chair, the secretary/treasurer shall preside over the board.
- **Annual Facility Budget**
 - The Facility Budget operates as an enterprise fund.
 - The Facility & Finance Committee will prepare an annual Facility Budget for board approval each year. The Facility Budget needs to be adopted on or prior to August 1.
 - The annual Facility Budget does not require approval of the counties, provided, however, that the counties must approve any county contributions to the annual Facility Budget other than the initial contributions set forth in the *Joint Powers Agreement*.



- **Operating Reserve Fund (ORF)**
 - The R&E Board has established an ORF, initially equivalent to \$10,000,000.00.
 - In 2019, as part of the *Enhancements Financing Plan*, there was direction to phase out the ORF and create an Enterprise Reserve Fund (ERF).
 - The plan looks like this:
 - Beginning in 2020, the size of the ORF (counties' obligation) was reduced from \$10,000,000 to \$5,000,000.00, with the released funds being used to provide a loan from the counties to the R&E Board for R&E Center improvements.
 - During the period of 2025–2028, the aggregate obligation of the counties shall be reduced by at least \$1,000,000.00 per year, until the obligation is eliminated. The release of this obligation is directly related to the creation, growth and maintenance of the ERF.
 - The reduction of the counties' obligation related to the ORF may be accelerated at the sole discretion of the R&E Board, if Facility Budget surplus funds exceed \$1,500,000.00 in years 2020–2022, and \$1,000,000.00 thereafter, and the excess funds are placed into the ERF and are not otherwise designated for another use by the R&E Board.
 - During the period 2025–2028 the R&E Board shall repay to the counties the \$4,100,000.00 ORF withdrawal made in 2016.
- **Facility Equipment Maintenance & Replacement Fund (EM&R)**
 - This is an important fund to the R&E Center. Without this fund, the annual operating budget or drawing down the ORF would be the only options for ongoing capital expenditures.
 - The purpose of this fund is to make sure that maintenance is not deferred, and the R&E Board's investment in the R&E Center is protected.
 - Equipment maintenance and replacement expenses are for major periodic projects, such as repaving the area around the facility; rebuilding heavy equipment, such as front-end loaders or replacement of major components.
 - This has been treated as a separate budget, with a cumulative reserve being created to assure sufficient resources for major maintenance projects, as well as major equipment replacement. Included in this budget is a five-year forecast of equipment maintenance and replacement expenses. The Facility & Finance Committee is charged with recommending the size, scope and schedule for establishing this fund; the R&E Board-approved *Equipment, Maintenance & Replacement Budget Fund Policy* has accomplished this.
- **Payment in Lieu of Taxes**
 - The board makes payments in lieu of taxes to local government entities with taxing jurisdiction (such as Washington County and the City of Newport, but excluding the state of Minnesota and fiscal disparity) in amounts equal to the taxes that would be applicable to the R&E Center if it were classified as privately-owned commercial/ industrial property.



- **Enterprise Reserve Fund (ERF)**
 - As directed in amendments to the *JPA* and *Bylaws*, R&E has established an ERF.
 - The size of the ERF increases each year until it reaches at least 25% of the Facility Budget. Funds more than 25% of the Facility Budget may be used by the board for projects it identifies.
 - The ERF is being managed as follows:
 - At the end of 2019, \$1,500,000 in year-end surplus funds was deposited into the ERF, as well as \$1,640,000 from 2018 year-end reserves. For the period of 2020 through 2023, R&E will deposit at least \$1,500,000 per year into the ERF. For the period of 2024 through 2030, at least \$1,000,000 per year shall be deposited. At the end of 2021, there is \$6.14 million in the ERF.
 - In any year, the increase in the ERF may be accelerated at the sole discretion of the R&E Board, if Facility Budget surplus funds exceed \$1,000,000 and the excess funds are not otherwise designated for another use by the R&E Board.
- **Joint Activities (JA) Budget**
 - The Facility & Finance Committee prepares a two-year JA Budget for board approval each year on or prior to August 1.
 - The board submits the JA Budget for approval of the counties (for the counties' respective contributions) on or prior to September 1 each year.
- **Fiscal Policy and Procedures**

The board follows the fiscal policies and procedures set forth in the *Fiscal Agent Agreement* with Ramsey County. The board has established additional fiscal and financial policies, procedures and controls as it deems necessary.
- **Expenditures**
 - Facility Expenditures. JLT is authorized to enter into agreements and commit the board to payment obligations in an emergency in order to maintain facility operations with limitations on authority to be outlined in the board's fiscal policy.
 - Joint Activities Expenditures. JLT is authorized to enter into agreements or financial commitments consistent with the board's Joint Activities Budget in order to achieve the purposes of the *JPA*, originally established as not to exceed \$50,000 dollars without specific board authorization, subject to approval by county attorneys and in accordance with board's fiscal policies. Subsequently, the board has expanded this authority in the adoption of *R&E Procurement Guidelines*.

Fiscal Governance – Fiscal Agent Agreement

R&E has entered into a *Fiscal Agent Agreement* with Ramsey County, as identified in the *JPA*. The scope of that agreement notes that "R&E has developed resources to independently manage its finances. At certain times it will be necessary to seek the assistance of Ramsey County. The county agrees that, at those times and upon the request of R&E, it will provide financial services in a manner complying with



generally accepted accounting principles and, except as noted, in accordance with Ramsey County Finance Department policies. The agreement specifies these services:

- **Disbursement**

R&E prepares disbursements for goods and services based on R&E contracts entered into the county financial system by R&E. All disbursements are made using the county financial system.
- **Accounts Receivable**

R&E prepares and issues invoices for the sale of goods and services by R&E generated using the county's financial system.
- **Cash/Receivables Management**
 - The county manages cash and accounts receivable for the board in accordance with county policies and procedures, including a depository account (s) for R&E revenue.
 - Depository accounts are created at the county's primary bank. Interest on any depository account shall accrue for all of R&E's funds.
 - Collection of past due accounts receivable is outside of the scope of this agreement, and R&E is responsible for it.
- **Contracts**

R&E maintains its own contract process, consistent with its *Bylaws* and the adopted *Procurement Guidelines*. A fully executed contract is deemed sufficient and no further review by the county is necessary.
- **Asset Management**

Until R&E develops its own asset management system, the county maintains an inventory of assets and associated schedules of depreciation for all R&E capital assets. Those are defined as machinery and equipment with a cost of \$15,000 or more and more than two years of useful life, and facility and infrastructure improvements with a cost of \$100,000 or more. Assets are managed using the county's financial system.
- **Segregation of the Activities of the R&E Center**

The activities of the R&E Center are accounted for as an enterprise fund within the Ramsey County financial system. All other R&E activities (joint activities) are accounted for as a general fund.
- **Reporting**

All books and records are prepared and maintained in accordance with generally accepted accounting principles. Records of expenditures, receipts and balances shall be available at any time to R&E or its designees.
- **Audit Requirements**

The activities of R&E will receive an annual audit by R&E's independent auditor; at this time this is the Minnesota State Auditor.
- **Segregation of Duties**

The county and R&E have adequate segregation of duties as stipulated by the Government Accounting Standards Board.
- **Administrative Fees**



For its services under this agreement, R&E pays the county an annual administrative fee of \$30,000 for staffing and other services provided by the county to R&E.

Fiscal Governance – Financial Consulting Group

- *Financial Consulting Group Outline*
- While Ramsey/Washington Recycling & Energy (R&E) is an independent entity, the two counties have a strong interest in the financial success of R&E. Both counties have invested in the purchase of and improvements to the R&E Center and contribute county funds annually to the joint activities that the R&E Board is authorized to carry out.
- **Consultation Group.** A financial consultation group was formed in 2021 to help ensure R&E financial success.
 - Designated staff from the respective county finance departments meet regularly (quarterly is suggested) with R&E finance and procurement staff to assure a common understanding of R&E finance planning and budget status.
 - County finance staff attendance occurs at selected other meetings, such as R&E Facility & Finance Committee meetings, in the event commissioners have county-specific questions.

FISCAL POLICY

Fiscal Policy – Enhancements Financing Plan

Primary reasons the R&E Center was purchased were to extract greater value from materials recovered from waste, and to diversify the end markets for products of the R&E Center beyond Xcel Energy. These project improvements have been well-researched, vetted, discussed and supported by the R&E Board and the counties.

- Preliminary work on the concepts began in 2014, with early designs and economic life-cycle analyses presented to the R&E Board prior to purchase of the R&E Center.
- The Joint Designation Plan, approved by the county boards and the Minnesota Pollution Control Agency, contains a description of these improvements, with cost estimates and tipping fee schedules
- Similarly, the current adopted county solid waste management master plans also include policies and strategies that commit to incorporating new technologies at the R&E Center.

The *Enhancements Financing Plan* adopted in August 2019 provided a framework for financing the enhancements and addressed issues related to the Operating Reserve Fund (ORF) and Enterprise Reserve Fund (ERF), as discussed above.



Fiscal Policy – *Procurement Guidelines*

The R&E Board has adopted *Procurement Guidelines* to specify the procurement methods for contracts and purchases. The *JPA* authorizes the R&E Board to negotiate, enter and enforce contracts, provided the contracts and purchases made conform to the requirements applicable to contracts and purchases of either county, as determined by the R&E Board. R&E Board *Bylaws* specify that the Ramsey County Finance Department is the R&E Board’s fiscal agent, but that “Board may conform to the procurement policies of either County, as it deems appropriate”. The R&E Board has amended its guidelines as needed to align with Ramsey County guidelines, state and federal requirements.

FISCAL ADMINISTRATION

Fiscal Administration – Financial Work Assignments 2022

- Annual document outlining administrative structure for finance (see Attachment 1).

Fiscal Administration – Administrative Policies

- **Facility Budget Surplus Policy** – Approved 9/2019
The *JPA* and R&E *Bylaws* establish an Enterprise Reserve Fund (ERF). This policy provides guidance on the desired level of funds in the ERF balance to be maintained by R&E in the ERF.
 - It explains how the ERF is funded as the county obligation to hold funds for the Operating Reserve Fund (ORF) is reduced.
 - It specifies that the ERF is funded with budgeted funds and Facility Budget surplus.
- **JA Fund Balance Policy** – Approved 6/2018
This policy establishes goals and provides guidance on the desired level of fund balance to be maintained by R&E in its General Fund.
 - It states that unrestricted fund balance of the Joint Activities Fund shall be maintained at between 20% and 35% of the subsequent year’s Joint Activities Budget.
 - The minimum unassigned fund balance shall be no less than 20% of the subsequent year’s operating budget.
 - If the year-end unrestricted fund balance exceeds 35% of the subsequent year’s budget, the excess amounts shall be transferred to the R&E Equipment, Maintenance & Replacement (EM&R) Fund.
- **EM&R Budget Policy** – Approved 3/2017
This policy states that the expectation of the R&E Board is that funds for operation and maintenance of the Facility are derived from R&E Center revenue. This policy provides a systematic method of providing funds for major equipment maintenance and replacement, setting aside certain revenues for that purpose. That includes:
 - Sale of recyclables
 - Sale of surplus equipment
 - Miscellaneous recoveries



- Budgeted amounts
- Year-end surpluses as directed by the R&E Board
- **Surplus Policy and Procedures** – Approved 1/2017
Describes the process for R&E owned surplus property that conforms to state law, ensures an open and competitive sale, and maximizes revenue from sales. Revenue from sales is deposited into the EM&R Fund.
- **Cash & Credit Policy** - Approved 10/2017
Establishes policy and procedures for acceptance of cash and credit cards at the R&E Center.
- **Credit Policy** - Approved 1/2016
Outlines the process for extending credit to customers of the R&E Center.
- **Petty Cash Policy** - Approved 5/2018
Establishes a petty cash fund to use to pay cash for claims against the R&E Board for which it is impractical or inefficient to pay by warrant check or procurement card.
- **Payment In Lieu of Taxes** - Approved 6/2018
Establishes policies and procedures for the Payment In Lieu of Taxes (PILT) to Washington County for distribution to local government entities with taxing jurisdiction (excluding the state of Minnesota and fiscal disparity) for the R&E Center.
- **Procurement Card Policy and Procedures** - Approved 10/2017
Establishes policies and procedures for use of procurement cards by authorized employees and officials of R&E.
- **Budget Adjustment Authority** – Approved 9/2016
Delegates to the JLT the authority to adjust the Facility Budget by any increased expenses and increased revenues but only on the condition that any expense increase be fully covered by revenues.
- **Accounts Receivable Policy and Procedures** - Approved 10/2017
Outlines the management of accounts receivable that arise during the normal course of business by granting credit to commercial users of the R&E Center in accordance with the *Credit Policy*.
- **Approval of Finance Policies; Delegation Approved** - Approved 10/2017
Approved several policies and authorizes the JLT to approve administrative finance policies and procedures necessary for management and operation of the R&E Center in consultation with the Fiscal Agent.
- **Facility Budget Adjustment Authority Resolution**
- **Operating Reserve Fund – Working Capital Request to Counties 2015 Resolution**



ATTACHMENT 1 – Financial Work for R&E Board Assignments for 2022

Role	Task/Duty	2022 Assignment
Facility-Related Invoice Payment	Receive facility-related Invoices	Sandy Koger
	Reviewed by	Kris Wehlage, Sam Holl, Kelli Hall
	Processing	Fatima Janati
	<ul style="list-style-type: none"> • Receipting invoices • Invoice backup • Backup for accounts receivable AR for any function. 	Ramsey County Finance
Joint Activities Invoice Payment	Receive joint activities invoices	Fatima Janati
	Set up new vendors	Fatima Janati
	Expense reviewed and approved	<u>Program Management:</u> Kris Wehlage; other managers <u>Joint Activities:</u> Sam Hanson <u>Policy Evaluation:</u> <ul style="list-style-type: none"> • Foth: Sam Holl • HDR: Leigh Behrens • Stoel Rives: JLT
	Processing	Fatima Janati
	Receive & approve voucher	Kris Wehlage
	Receive & approve voucher; issue check	Ramsey County Finance
	<ul style="list-style-type: none"> • Maintain Laser fiche for voucher backup • Approve new suppliers • Backup for accounts payable and accountant for any function 	Ramsey County Finance



Payroll	Employee entry into CBiz	Jen Palmquist
	Payroll data entry	Jen Palmquist
	CBiz administrator	Kelli Hall
Accounts Receivable	<ul style="list-style-type: none"> • Import Compuweigh • Create master list • Enter billing into Aspen • Run invoices and post in Aspen • Create pdfs • Email invoices • Upload invoices to Aspen 	Kecia Thomason
	Receive & apply payments to invoice	Ramsey County Finance
	Run aging reports; mark invoices paid or refer to MN for collection	Kris Wehlage
	Collect overdue payments	State of MN
SWM Tax payments	Determine SWMT payment, send to Ramsey County	Kris Wehlage
	Wire transfer from R&E funds to MN Dept. of Revenue	Ramsey County Finance
Fund Management	<ul style="list-style-type: none"> • Bank reconciliations • Investments • System upgrades • Escheat checks • Positive pay sent to bank • All banking functions • All accounting policies and procedures 	Ramsey County Finance
R&E Board Budget Adjustments		Kris Wehlage, Ramsey County Finance
Budget Reporting		Kris Wehlage
Journal Entries		Kris Wehlage
	Reviewed and posted by	Tom Och – Ramsey County Finance
Bond Billing/Note Payable Billing		Kris Wehlage



Capital Asset Management	Enter assets into inventory, procure tags, link to MP2 system, place tags	Kris Wehlage
	Review and approve assets entered in asset management system	Renee Vought – Ramsey County Finance
Quarterly Billing of Counties for JA budget		Kris Wehlage
Budget Preparation	2022 – 2023 budget development	Kris Wehlage, JLT
Monthly Revenue and Expense Tracking		Kris Wehlage
Annual Financial Statements		Kris Wehlage