

FOR BOARD ACTION

Agenda Item # 4

Meeting Date:

3/27/12

SUBJECT:

Lake Zumbro Restoration

PREPARED BY:

Joe Hensel, Director of Field Services

ITEM DESCRIPTION:

Representatives from Lake Zumbro Forever, Inc. will provide an update of the lake restoration project. The objective of the project is to improve fish and wildlife habitat, increase hydroelectric power potential and provide recreation by dredging approximately 1 million cubic yards of sediment from the lake bed. The estimated cost of the project is \$10 million. Feasibility studies and preliminary engineering have been completed. The project is now in the funding development stage and stakeholders are working towards a 2013 dredging project.

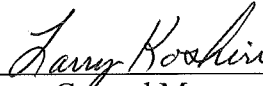
Funding for this project is included in over \$134 million in Rochester area bonding requests. Bills have been introduced in the Minnesota Senate (SF 2129 Senjem and Howe) and House (HF 2588 Quam) to allocate \$7.5 million in bonding dollars to this project. During committee hearings a discussion of local cost-sharing is likely.

If the Lake Zumbro restoration project is funded through the 2012 bonding bill the level of funding could range from \$7.5 million state / \$2.5 million local to \$5 million state / \$5 million local. Regardless of the final cost-sharing ratio of state to local dollars, local match funding will be required. The local match will have to be provided by some combination of county funding, RPU funding and taxation of lake residents through a Lake Improvement District (LID). Reaching an equitable cost-sharing agreement between the local entities will be essential prior to RPU providing funding. Assuming an equal three-way split of the local match obligation, RPU's contribution could range from \$834,000 to \$1,667,000.

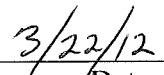
Finance and Accounting is currently evaluating options for providing that range of funding for RPU's portion of the local match cost-sharing required for project. It should be noted that by the end of the legislative session the timing and magnitude of state and local project funding will be certain.

UTILITY BOARD ACTION REQUESTED:

Management requests that the Board provide direction regarding RPU funding for the restoration project. If the Board supports cost-sharing for this project, an item will be included in the 2013 Electric Utility operating budget and RPU's level of financial support will be communicated to Lake Zumbro Forever.



General Manager



Date