

Environment Committee

Meeting date: August 12, 2014

For the Metropolitan Council meeting of August 27, 2014

Subject: Approval of 2014 Municipal Inflow and Infiltration (I&I) Grant Program Design and Guidelines

District(s), Member(s): All

Policy/Legal Reference: 2014 MN Bonding Bill Subd.4 Metropolitan Cities Inflow and Infiltration Grants and the Council Policy 3-3-1 (Grant/Loan Approval)

Staff Prepared/Presented: John Atkins, 651-602-1020

Division/Department: MCES c/o Leisa Thompson 651-602-8101

Proposed Action

That the Environment Committee approves the I&I grant program guidelines as shown in Attachment A, and authorizes the Regional Administrator to award grants and execute grant agreements pursuant to the guidelines.

Background

Championed by Metro Cities, the 2014 legislature and Governor appropriated \$2 million to the Council for additional I&I reduction grants from state bonding. These capital improvement grants are for eligible cities within the metropolitan wastewater system's service area to repair or replace public infrastructure to reduce the amount of I&I into the metropolitan disposal system. This grant program is similar to those funded from the 2010 and 2012 state bonding bills and will adhere to both state and Council guideline requirements.

Feedback from previous programs resulted in modest changes to streamline the process and on June 24, staff from MCES, Metro Cities and other selected cities discussed ideas and recommendations for changes. Results were included in the public meeting held on July 24.

Council Member Wendy Wulff chaired the public meeting which included 13 attendees along with several staff. Questions and comments along with staff responses are included in Attachment B. Program design and guidelines were unanimously accepted and Metro Cities expressed support for making the process more user friendly. No written comments have been received to date.

Rationale

Council guidelines are required by the language of the state appropriation. The expected improvement in public infrastructure from these grants will benefit the region as future regional capital spending on sewer system expansion can be avoided. This occurs as the unused capacity in the system can be used, as planned, to accommodate growth as opposed to excess I&I.

Funding

A \$2 million appropriation from the State bonding bill was approved in May 2014 and will be combined with a small amount of unused funds from a similar 2012 appropriation. The funding is disbursed by the state on a reimbursement basis, which will not occur until 2016. MCES plans to include these pass-through funds in its 2016 budget.

Known Support / Opposition

All involved parties support the guidelines. No known opposition.

DRAFT

2014 Municipal Grant Program – Council Guidelines

- The Council identifies cities as contributors of excess I&I that have (a) received a Preliminary I&I Surcharge letter from MCES since 2007, and (b) responded to the Council’s “Preliminary Surcharge” notification with some type of investigative or mitigation efforts which were reported to MCES. In addition, cities identified as having had a measured flow rate within 20 percent of its allowable council-determined I&I limits are also eligible to apply.
- Only construction costs will qualify; i.e. no costs of studies, engineering or planning shall be eligible.
- Grants shall be for a percentage of actual, reasonable and verifiable I&I mitigation construction costs. The percentage shall be determined by the process described below.
- Qualified spending on approved projects can occur between May 20, 2014 and any date that allows receipt of pay claims at the Council no later than October 30, 2016.
- Grant awards will be paid on a reimbursement basis upon completion of the project(s) and allocation to all participants.

Process (see calendar below):

- MCES will notify all eligible cities and request grant applications. The notice will include a draft agreement, with all terms final except for the dollars and percentage to be awarded.
- After all applications are received, Council will review eligibility of proposed expenses and determine a Preliminary Minimum Allocation (PMA) of grant funds based on Part 1 of this formula:
 - Part 1: Each submitting city will receive the lesser of \$25,000 or 50% of the submitted eligible project costs, and
 - Part 2: The remainder of the funds will be preliminarily allocated based on an allocation to all cities (that have submitted eligible costs) proportional to the cities’ remaining maximum grant after Part 1. The award to any city under this part shall be reduced where necessary to make sure that the total of the two parts does not exceed 50% of eligible costs (as required by law). Part 2 calculations are estimates only as final allocations cannot be determined until all projects are complete.
- All cities will be notified of its PMA and a potential final award amount through a letter of intent from the Council.
- When projects are completed, cities submit summaries of work completed (with invoices) and a Certification (notarized form confirming fee simple ownership or easements for locations where work was completed with a description or map of these locations) and a resolution from City Council authorizing application and execution of the grant.
- MCES will review completed project submissions and apply the lesser of 50% of the eligible I/I abatement costs or \$25,000 to each city. Then, any remaining funds would be applied proportionately to cities’ eligible expenses that have more than \$25,000 in eligible I/I expenses, until all available funds are allocated (but still limited to an overall maximum of 50% or eligible). This allocation process results in Final Reimbursement Amount (FRA) for all participating cities.

- MCES will provide final Grant agreements, to be executed by a date certain.
- Upon return and execution of signed agreements, payments will be processed to cities based on invoices submitted to determine FRA.
- The Council reserves the right to change these guidelines, if in its sole discretion the results of the process do not equitably allocate the funds.

Draft Calendar:

Council approval of “guidelines”	August 27, 2014
Send notice of final grant program guidelines to cities, requesting applications	August 28, 2014
Grant proposals due from cities	September 26, 2014
MCES notifies cities of their assigned PMA	October 10, 2014
Cities submit pay claims for projects	October 30, 2016
FRA determination, grant agreement distributed	November 15, 2016
MCES processes reimbursement upon receipt of signed agreement	

MCES I&I Grant Public Meeting – July 24, 2014 – Questions/Comments

Question: What is a capital project? City's capital improvement plan is for 2 years, and it's already been finalized. (Assumed I/I work wasn't included in plan.)

Answer: Work needs to meet state definition of capital and Council requirements. Whether or not it's in the city's CIP is City business.

Question: Can construction costs include tasks completed by the City's own crew?

Answer: Yes, but also Council requirements must be met (actual, reasonable and verifiable) in addition to State requirements.

Comment: Addressed lesser funds, but mentioned that this is the 3rd bonding cycle that we've gotten \$ for these grants. Want to ensure process is user-friendly. Wants feedback from cities.

Question: If 50% of communities submitted applications and if Eden Prairie's share is less than they anticipated, can they alter their plan?

Answer: Yes, you can change it up until 2016. (MCES suggested that cities should notify MCES of major reductions in plan so we can let the other applicant cities know that more dollars have become available.)

Question: Is the October 2016 date accurate? (It was listed as a different date elsewhere.)

Answer: Yes, we'll fix the discrepancy.

Question: How many cities participated last time?

Answer: 30 cities out of 50 eligible with \$4 million available; 60%, so the lesser funding with more cities is a challenge.

Question: Can Part 1 allocation be released right when work is done?

Answer: No, because we won't be in a legally binding contract until later. To clarify, part 1 and part 2 are paid together in one lump sum payout. We simply show this as part 1 and part 2 so that you can understand how we calculate the lump sum payout. Staff emphasized that the parts are because, as with the last round, we wanted everyone to get some money, but for those who spent more to get more too.

Question: Should multiple smaller projects be lumped together?

Answer: 1 application per community, please. It makes our (MCES) job easier if projects are lumped together, but overall we are open to either way. Work needs to be descriptive on application so we know what is being proposed.

Comment: Staff noted that while surcharge program is aimed at metersheds, that isn't the case with the grant program. For the grant, the work just needs to occur within the City. However, it is important to note that grant funded work within a metershed that has a surcharge requirement, is eligible to be counted against the required (surcharge) spending. But if the grant funded work is outside the surcharged metershed, it is not.

Question: Thank you for the money and effort to support the grant program. Grant money covers 10-20% of project costs. How much of the grant money covers maintenance in the metro area?

Answer: We've looked at local response to wet weather events, and we've seen a reduction in region-wide base flow. (~20% reduction tied to water conservation, I/I work, etc.). Communities with a lot of work have exceeded the 20% trend. Communities tackling private property issues have seen the

greatest reduction in peak flows versus communities improving local infrastructure. Overall, peaks from the June 19, 2014 storm event have been less than the peaks from the October 4-5, 2005 storm event.

Question: \$1 million went to the clean water grant program. What did people spend it on, and do you have any good examples of private property projects?

Answer: Toolkit has examples of success stories. Repairs weren't just to sump pumps etc., but also involved repairs to private service lines. Staff mentioned that cities should exercise caution in inspection programs, because some cities have been sued or had threatened when city inspections are required; but also this is possible if done right.

Question: Is that in the toolkit?

Answer: (from another city) We had an ordinance for that; MCES can use it in the toolkit.

Comment: Any additional \$ that we can get for private work, would be great. We have citizens that are interested.

Answer: (from Metro Cities) The Clean Water Council makes recommendations, but the legislature makes the final decision. The Mound situation may show the legislature why this is an important topic.

Question: Now that \$1 million is gone, how much did each City get?

Answer: Staff will send out a summary after this meeting is over.

Question: Wants City of Eden Prairie to bid to do work on MCES interceptor (Purgatory Creek).

Answer: Our Interceptor group is always interested in information from cities regarding MCES facilities, and we do sometimes do repairs with contracts with Cities (usually joint construction). While we have a routine inspection program, you are closer, so please don't hesitate to let us know if you think there is a need for work in our pipes.

Comment: The City of Golden Valley asked MCES to come out when they had a problem, and MCES came out right away.