

Environment Committee

Meeting date: July 8, 2014

Subject: Direction to Hold Public Meeting on Proposed Inflow and Infiltration (I&I) Abatement Grant Program Design

District(s), Member(s): All

Policy/Legal Reference: 2014 MN Bonding Bill Subd.4 Metropolitan Cities Inflow and Infiltration Abatement 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 directs staff to hold a public meeting to gather input and discuss the proposed grant program design guidelines for I&I abatement grants.

Background

Championed by Metro Cities, the 2014 legislature and Governor appropriated \$2 million from state bonding to the Council for additional I&I reduction grants. These capital improvement grants will be 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 from that meeting will be included in the public meeting. The proposed guidelines, to be discussed at the meeting are attached.

The following is a tentative schedule for the approval of the grant program design:

- Environment Committee Authorization to Conduct the Public Meeting..... July 8
- Public Meeting..... July 24
- Public Input (written comment period) Ends..... August 3
- Environment Committee Review of Public Input and Recommendation..... August 12
- Potential Council Approval..... August 27

Rationale

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 a formal public meeting. No known opposition.

DRAFT

2014 Municipal Grant Requirements, Guidelines & Timelines

INFO only:

State Requirements from the Appropriation

- *The grant must be for capital improvements in municipal wastewater collection systems to reduce the amount of inflow and infiltration to the Metropolitan Council's metropolitan sanitary sewer disposal system.*
- *To be eligible for a grant, a city must be identified by the Metropolitan Council as a contributor of excessive inflow and infiltration or have had peak flows within the 20% threshold.*
- *Grants from this appropriation are for up to 50 percent of the cost to mitigate the I/I.*
- *Grant awards will be based on applications from eligible cities that identify eligible capital costs.*
- *Grants are subject to Council Guidelines.*

State Requirements for Capital Improvements (bond dollars)

- *The infrastructure must be owned by the city receiving the grant.*
- *The project benefit must last more than one fiscal period.*
- *The capital expenditure must be made to a "fixed asset" (land, buildings, land improvement, equipment).*
- *A fixed asset being acquired must be "long-lived" (at least 10 years).*
- *Normal operating and other overhead costs will not qualify.*
- *Work proposed must satisfy MMB (Minnesota Management and Budget) requirements for title declaration or waiver therefore pursuant to M.S. 16A.695 and the Commissioners Orders related thereto. Note that MCES is in process of securing a "blanket waiver" for the recording (to property title), but only for certain improvements and with a city resolution.*

DRAFT 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 inflow and infiltration limits are 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 September 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 completed projects	September 30, 2016
• FRA determination, grant agreement distributed	October 15, 2016
• MCES processes reimbursement upon receipt of signed agreement	