

Minutes of the

REGULAR MEETING OF THE ENVIRONMENT COMMITTEE

Tuesday, May 12, 2015

Committee Members Present:

Sandra Rummel-Chair, Wendy Wulff-Vice Chair, Harry Melander, Lona Schreiber, Edward Reynoso

Committee Members Absent:

Marie McCarthy

CALL TO ORDER

A quorum being present, Committee Chair Rummel called the regular meeting of the Council's Environment Committee to order at 4:01 p.m. Tuesday, May 12, 2015.

APPROVAL OF AGENDA AND MINUTES

It was moved by Lona Schreiber, seconded by Wendy Wulff to approve the agenda. **Motion carried.**

It was moved by Lona Schreiber, seconded by Wendy Wulff to approve the minutes of the Tuesday, April 14, 2015 regular meeting of the Environment Committee. **Motion carried.**

BUSINESS

Consent Items:

Motion to approve consent agenda items 2015-105 through 2015-108 by Edward Reynoso, seconded by Lona Schreiber. **Motion carried.**

1. **2015-105: Authorization to Award and Execute a Contract to Purchase Nitrate Salts and Odor Control Services for the Interceptor Services Business Unit**

That the Metropolitan Council authorize its Regional Administrator to issue a purchase order to Evoqua Water Technologies Inc. not to exceed \$6,675,000 to provide nitrate salts, odor control equipment and odor control services at a unit price of \$0.7171 per pound to Interceptor Services for the period June 01, 2015 through May 31, 2018.

2. **2015-106: Authorization to Award and Execute a Contract for Construction of the Corcoran Rogers Connection, Elm Creek Interceptor, Project No. 808510, Contract 15P051**

That the Metropolitan Council authorize its Regional Administrator to award and execute a contract for construction of the Corcoran Rogers Connection, Elm Creek Interceptor, Project No. 808510, Contract 15P051, with Lametti & Sons, Inc. for their low responsive and responsible bid of \$3,433,460.00.

3. **2015-107: Reject Existing Bids and Rebid Contract Number 14P252, North Area Interceptor Rehabilitation Phase 5, Project Number 808650**

That the Metropolitan Council rejects all bids for Contract Number 14P252, North Area Interceptor Rehabilitation Phase 5, Project Number 808650 and authorize rebidding this construction contract.

4. **2015-108: Authorization to Award and Execute a Contract for Construction of the Seneca Area System Rehabilitation – Phase 3, Project No. 808030, Contract 14P262 (Karen Keenan, 651-602-4561)**

That the Metropolitan Council authorize its Regional Administrator to award and execute a contract for construction of the Seneca Area System Rehabilitation – Phase 3, Project No. 808030, Contract 14P262, with Minger Construction for their low responsive and responsible bid of \$6,345,953.00.

Non-Consent Items:

5. 2015-91: Authorize Staff to Send the Final 2040 Water Resources Policy Plan and Public Hearing Report for the Water Resources Policy Plan to Full Council for Approval

It was moved by Wendy Wulff, seconded by Wendy Wulff that the Metropolitan Council approve the public hearing report for the 2040 Water Resources Policy Plan (WRPP); and adopt the 2040 Water Resources Policy Plan. **Motion carried.**

6. 2015-109: Authorization to Execute Joint Power Agreement with Hennepin County for Joint Purchasing of Community Solar Garden Subscriptions

It was moved by Edward Reynoso, seconded by Wendy Wulff that the Metropolitan Council authorizes the Regional Administrator, or his delegate, to execute a joint powers agreement (JPA) for the joint solicitation of community solar garden subscriptions. **Motion carried.**

INFORMATION

1. Master Water Supply Plan Update –

Staff provided an update on the work done to date with the Master Water Supply Plan. Input has been provided on preliminary drafts by the Metropolitan Area Water Supply Advisory Committee (MAWSAC) as well as through public meetings, the newly formed Community Technical Work Group, and staff review.

Common themes heard through the review process and reflected in the latest draft include: need for a clear vision of sustainable regional water supplies, conservation, emphasis on inter-jurisdictional cooperation, clarification of roles and responsibilities, an implementation and tracking process, reliability, security, cost effectiveness, water quality and concerns about bias toward surface water and uncertainty and variability of the process.

At this time, MAWSAC and the Community Technical Work Group have both agreed the document is ready for public review. Next steps will include the scheduling of the public hearing and review period. A business item will be brought to the Environment Committee on June 23rd to request this with approval going to the full Council on June 24. Public input will then be solicited through August with a revised draft and request for adoption in September.

Committee feedback and discussion included:

Chair Rummel stated members of the MAWSAC committee unanimously agreed the document is ready to move forward. Members had commented that roles are clearly defined and we are doing what we were mandated by the legislature to do with this plan. Chair Rummel also stated she is very appreciative of the work that has been done on the plan.

The Water Resource Policy Plan sets broad strategy, the Master Water Supply Plan implements the strategy to promote conservation and other efforts. It provides more detail of what our role will be and what the roles of the partner agencies should be.

A recent Star Tribune article was briefly discussed. The interviews in the article had been done some months before, before the Community Technical Work Group was established. Since then, the Council and members of the Community Technical Work Group have been actively collaborating to revise the draft Metropolitan Area Master Plan, and members have expressed that the article did not reflect their current views of the process. One of the cities was quoted as being thankful for the process and that the Met Council through (the Community Technical Work Group) has done a good job. We've come a distance in a short time.

2. Public Meetings on Preliminary 2016 Rates and Charges –

Staff sought direction of this Committee to proceed with the municipal and customer forums, which will occur on June 9 at the League of Minnesota Cities, June 11 in Golden Valley, with the industrial forum on June 17 at Metro 94. Review of customer input and rate adoption recommendations is anticipated at the July 14 meeting with Council rate adoption anticipated July 22 (dates subject to change). Preliminary operating budget adoption is forecast for August 26.

Driven by increased debt service, pay-as-you-go, salaries, administrative support (information services, human resources, and rent) and inflation, total Environmental Services expenses are forecasted at a 5.9% increase over the 2015 budget. Metropolitan Wastewater Charge is budgeted at a 5.5% increase, Sewer Availability

Charge no increase, Industrial Waste Strength Charge is budgeted at an 11.6% increase, and Industrial Waste Permit Fees at a 10.5% increase.

Rate setting budget assumptions from 2015 and 2016 reflected a 6.3% increase year over year in revenues with a 5.9% increase in expenses as stated above. While there is a \$0.9 million dollar use of reserves in 2015, no use of reserves is proposed for 2016.

Debt service increased \$6.5 million or 6% from 2015 to 2016. Pay-as-you-go is forecasted to increase from \$5 million in 2015 to \$7.0 million in 2016. Risk factors include capital spending increases due to regulatory changes and interest rate increases such as market rates and public facilities authority subsidy withdrawal. Pay-as-you-go is currently planned to increase \$2M annually until it covers the rehabilitation of annual capital spending.

MCES outstanding debt is projected to continue increasing to 2025, with budgeted debt service projected to be in excess of \$175 million by 2025. When compared to our peer agencies MCES spends 45% of its budget on debt service compared to others such as Rochester, NY who spend 22% and Atlanta who spends 89% of their budget on debt service (data from NACWA). MCES's debt per capita per person is low at \$392 per person when compared to Boston, MA at \$2,647, but higher than Los Angeles, CA at \$188.

Preliminary budget overview reflected the main drivers of the 5.9% expense increase arising from debt service (2.6%), Pay-as-you-go (.8%), salaries (.8%), Inter-divisional charges and chemicals/utilities (both .6%), contract service and materials (.4%), and other/grants (.2%).

Preliminary budget on labor reflected a 3.3% increase from 2015 to 2016. There were 683 full time equivalents versus 702 in 2015. A 2% general salary increase, plus step increases of 2.5% result in a general wage increase of 4.5%. Risk factors include unresolved bargaining agreements, attrition rates, workforce planning, and health care costs

Preliminary budget for non-labor reflects a 4.8% increase with factors including contract services, utilities, materials, supplies, chemicals, and capital outlay. Risk factors include utility rate increases and emergency repairs that cannot be anticipated.

Revenue is anticipated to increase 6.3% in 2016. Communities are charged a wholesale fee for annual volume based on their percentage of overall flow from July 1, 2014 to June 30, 2015. A slight flow increase (1.5%) is projected through the first 9 months. Communities charge businesses and residents a retail fee for sewer services.

The municipal wastewater charge increase remains slightly less than the NACWA average. For 2015 MCES showed a 3.5% increase versus the NACWA average of 5.7%. For 2016 MCES will reflect an increase of 5.5% versus NACWA's average of 5.8%.

Individual city flow directly impacts their rates and examples were reviewed. Five-year projections for MWC increases were reviewed for 2016 through 2021. Key assumptions will factor in to the increases and include 3% annual expense inflation, annual \$2 million PAYGO increases, 5% annual increase in industrial waste revenue, no surpluses or deficits budgeted, the most recent capital improvement program and principle on new debt that is smoothed across the loan term.

SAC revenues, charged to cites for new connections or increased demand on available capacity, were reviewed. One SAC unit is charged per 274 gallons of maximum daily wastewater flow availability. It is important to remember availability does not equal treatment service. The SAC rate will not increase for 2016 and SAC units are continuing to recover from the recession. 16,000 units are estimated for 2016. The SAC reserve fund yearend balance for 2016 is estimated at \$49.5 million. Year to date through April, SAC units are up 35%.

The Industrial Strength Charge rate is proposed to increase 11.6% and annual permit fees for industrial waste preliminarily could range from \$925-\$8,875 (10.5% increase) in 2016. Late fees, encroachment applications and direct connection fees will not be increased.

Wastewater general operating reserve has been used in previous fiscal years for other post employment benefits, PAYGO for capital projects, rate mitigation, reserve for SAC issues, grants related to wastewater, and other special wastewater projects. The unaudited balance on 12/31/14 was \$16.5 million. Council policy establishes reserve balances target at 10% of operating expenses and is \$14.3 million for 2016.

Municipal customer forum topics on June 9 and 11 will include management comments, water sustainability initiatives, discussion of preliminary 2016 budget and rates as well as information about Thrive MSP 2040. The

industrial forum will also include discussion on water sustainability initiatives and preliminary 2016 budget and rates, but will also include regulatory issues and the hauled waste program.

Committee feedback and discussion included:

There is a large difference in rates across the US. What does Atlanta, GA and Whittier, CA do that is different causing their rates to be so low? They may use different methods to pay for rates. Additional research will be done to determine.

There have to be some differences within the same region. There are some differences in standards and technologies.

Is there a difference in newer communities to older communities? Did they have to revamp their system? The factors pushing the numbers up can include aging infrastructure, regulations, and differences in technology.

I am concerned about long term incremental increases forecast. Having 4.5% salary increases is not sustainable. Retirements are being forecast in the next few years allowing for adjustment to staffing.

Has there been any consideration to leveling off PAYGO? We will always be seeking input from customers. It has not had the impact as it has at this time. We will continue to evaluate.

3. Microbreweries and Brewpubs Update –

Staff provided an update on microbreweries and brewpubs and how they affect wastewater in the system. The Environmental Protection Agency (EPA) was formed in 1970 and The Clean Water Act became law in 1972. As part of these, wastewater treatment plants across the country were required to have a National Pollutant Discharge Elimination System (NPDES) permit to discharge into U.S. waterways. In order to protect treatment plants, a national pretreatment program was also implemented. The responsibility for the regional pretreatment program has been delegated to MCES for the Twin Cities region. More specifically, this program is administered by the Industrial Waste and Pollution Prevention (IWPP) Section.

IWPP works with industrial users to recover wastewater treatment costs. As homeowners, we pay sewer charges as part of community's water bill. Industrial users do as well, but in cases where their generated discharge requires additional treatment a strength charge is also applied.

MCES has over 800 industrial discharge permits, 102 of these are general permits 14 of which have been issued for microbreweries and brewpubs. High volume breweries all have standard industrial discharge permits administered by IWPP because they discharge large volumes of wastewater. IWPP sought to understand the brew process which consisted of 4 ingredients (water, malted barley, hops and yeast). It takes four or more weeks to work through the process to a finished, drinkable product.

Based on past experience, there were wastewater concerns. PH levels were affected due to cleaning of the vessels, washing kegs, growlers, bottles, etc. as well as higher discharge temperatures and "high strength" due to higher chemical oxygen demand. The existence of non-contact cooling water, considered "clean" water is prohibited discharge in to the sanitary sewer. Spent grains and yeast are typically collected and hauled away by a local pig farmer as it has high feed value for livestock. Spent yeast is typically sewer or some have comingled it with the spent grains for off-site disposal.

A summer intern project was conducted in 2012 and 2013 to create a list of microbreweries and brewpubs, develop and administer a survey to 33 facilities, collect samples, and evaluate findings. Survey return rate was 50% in 2012 with 15 conducted inspections. Wastewater sampling projects were collected from key beer brewing processes at three facilities. The process to develop and implement criteria to evaluate existing and new microbrewery and brewpubs took longer than expected, so the intern project continued in to 2013 with additional surveys and samples taken. Results were then compiled and evaluated. Development of Best Management Practices included addressing various concerns associated with microbrewery discharges, the creation of a template for General Permits for Microbreweries and Brewpubs, and issuance of 9 General Permits for Microbreweries and 3 for Brewpubs in the Fall of 2013. A report form was also created that is submitted annually to IWPP report water usage and barrel production.

Two annual reports have been submitted to IWPP since then and a control mechanism is in place to track newly opened or soon to be opened microbreweries or brewpubs. The Twin Cities market has yet to be saturated and it is estimated there could be upwards of 100 before saturation occurs. There are currently 70 facilities which include distilleries.

A workgroup is in place to address issues such as transition point from General Permits to Standard Industrial Discharge Permit, strength charges, reviewing pros and cons of charges and reviewing policy and past practices as well as SAC and other issues.

The IWPP staff takes pride in achieving an excellent compliance record using sound engineering judgment in order to develop long, lasting strategies that are equitable to all industrial users within the MCES pretreatment program.

Committee feedback and discussion included:

This is an important issue that we need investigate and continue to evaluate. I want to thank the IWPP for doing this research work and the presentation. It takes 7 barrels of water to create 1 barrel of craft brew. The 6 barrels spent have yeasts, proteins, and sugars and in some cases can cause problems for the breakdown of the microbes used to breakdown the wastewater causing impacts to the system and potentially costing a great deal of money. It is a concern that we should look at how other states are handling. We are in an infancy stage and want to be sure we address this and not make the mistakes others have made that impact the system.

4. General Manager's Report –
 - No report at this time.

ADJOURNMENT

Business completed, the meeting adjourned at 5:41 p.m.

Susan Taylor
Recording Secretary