

Environment Committee

Meeting date: January 9, 2018

For the Metropolitan Council meeting of January 24, 2018

Subject: Industrial Pretreatment Incentive Program (IPIP) Contract Amendment

District(s), Member(s): All

Policy/Legal Reference: MN Statute 473.524 (Regarding public-private partnerships)

Staff Prepared/Presented: Ned Smith, 651-602-1162

Division/Department: Environmental Services / ES-Finance

Proposed Action

That the Metropolitan Council authorize its Regional Administrator to increase the IPIP contract for Kemps from \$0.7 million to \$0.9 million.

Background

The council authorized the Regional Administrator to negotiate a \$.7million Industrial Pretreatment Incentive Program (IPIP) contract with Kemps via Business Item 2017-246 on November 8, 2017.

Since approval, Kemps received an updated bid from its vendor, increasing the construction cost from \$725K to \$873K. This is more than a 10% increase and thus requires council authorization.

Rationale

Any contract revision greater than 10% requires re-authorization. The first IPIP agreements have required up to 12 months to work through process and contract details. Construction estimates typically do not remain unchanged for 12 months. However, the actual cost to the council will be minimal, since IPIP is a lease-back program, and Kemps will lease the full cost of the equipment over 10 years, less a performance discount.

Funding

The Kemps IPIP agreement will be funded through taxable council bonds. If Kemps achieves the maximum performance discount, they will pay 70% of total debt service on the bonds and Council will pay the remaining 30%. The requested increase will be included in the bond offering, expected in 2Q, 2018.

Thrive Lens

This action advances the Thrive outcomes of stewardship, prosperity, and sustainability.

These contracts support stewardship by using the council's AAA bond rating to lower the financing costs for industrial customers building pretreatment facilities while preserving the capacity of our existing plants and lowering our operating costs. They support prosperity by enabling water reuse for a customer that was constrained by water use and lowering the strength charges of both customers. Finally, they support sustainability by improving the water quality we receive in our plants as well as supporting energy generation.

Known Support / Opposition

None