

Environment Committee

Meeting date: June 26, 2018

For the Metropolitan Council meeting of July 11, 2018

Subject: 2017 Municipal Inflow and Infiltration (I&I) Grant Program

District(s), Member(s): All

Policy/Legal Reference: 2017 MN Bonding Bill Subd.3 & 2018 MN Bonding Bill Subd.2 Metropolitan Cities Inflow and Infiltration Grants and the Council Policy 3-3-1 (Grant/Loan Approval)

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

Proposed Action

That the Metropolitan Council approves the amended I&I grant program guidelines shown in Attachment A, and authorizes the Regional Administrator to award grants and execute grant agreements pursuant to the amended guidelines in Attachment A. The two guideline amendments include:

1. Revise the part 1 allocation from \$25,000 to \$50,000
2. Adjust the proposed calendar so MCES can solicit for additional program participants

Background

Championed by Metro Cities, the 2018 legislature and Governor appropriated \$5 million to the Council for additional I&I reduction grants. Coupled with the \$3.739 million appropriated in the 2017 legislature, the 2017 I&I Grant Program can now fund \$8.739M in capital improvement grants for eligible cities within the metropolitan disposal system's service area. Municipal I&I Grants aid in the repair or replacement of public infrastructure to reduce the amount of clear water that flows into the metropolitan disposal system, and the 2017 I&I Grant Program is similar to those funded from the 2010, 2012, 2014, and 2015 state bonding bills.

Rationale

The additional appropriation will support a larger upfront allocation, which will help smaller communities achieve their I&I goal. In addition, MCES will resolicit for participation so that all eligible and interested communities have an opportunity to receive funds.

Thrive Lens Analysis

The Inflow and Infiltration grant program supports the repair of sewer infrastructure, and directly ties in with the sustainability outcome. By assisting with the repair of infrastructure, MCES is making a commitment to the long-term well-being of our region.

Funding

A \$3.739 million appropriation from the State bonding bill was approved in May 2017. The 2018 Bonding bill adds \$5 million. The funding for both is disbursed by the state on a reimbursement basis, which will not occur until 2019. MCES plans to include these pass-through funds in its 2019 budget.

Known Support / Opposition

All involved parties support the guidelines. No known opposition.

2017 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 a measurable flow rate within 20 percent of the allowable flow limit.*
- *Grants from this appropriation are for up to 50 percent of the cost to mitigate the I&I in the publicly owned wastewater collection systems.*
- *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 capital expenditure must be made to a "fixed asset" (land, buildings, land improvement, equipment) owned by the city receiving the grant and the project benefit must last more than one fiscal period.*
- *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 therefrom 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.*

Council Guidelines:

- Metropolitan Council Environmental Services (MCES, Council) calculates the peak hourly flow discharge limit (I&I Goal) for each community connected to the metropolitan sanitary sewer disposal system. Wastewater flow that exceeds the respective I&I Goal is considered excessive flow. Communities that have a measured wastewater flow rate greater than 80 percent of the I&I Goal are eligible to apply for the Grant.
- Grants shall be for a percentage of actual, reasonable, and verifiable I&I mitigation construction costs. No costs of studies, engineering, or planning shall be eligible. The construction costs are eligible for up to 50 percent of the eligible amounts for public facility improvements detailed in the Ongoing I&I Program procedure manual, available on the MCES Inflow and Infiltration Program webpage (see links below).
- Qualified spending on approved projects can occur between May 31, 2017 and any date that allows receipt of pay claims at the Council no later than November 1, 2019.
- 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~~ \$50,000 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 mitigation costs or ~~\$25,000~~ \$50,000 to each city. Then, any remaining funds would be applied proportionately to cities' eligible expenses that have more than ~~\$25,000~~ \$50,000 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.

Calendar:

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| • Council approval of "guidelines" | August 8, 2017 |
| • Send notice of final grant program guidelines to cities, requesting applications | August 24, 2017 |
| • Grant applications due from cities | September 22, 2017 |
| • <u>Notice & solicitation of applications from newly participating cities</u> | <u>July 12, 2018</u> |
| • <u>Grant applications due from newly participating cities</u> | <u>August 31, 2018</u> |
| • <u>MCES provide newly participating cities Letter of Intent, PMA & estimated FRA</u> | <u>September 21, 2018</u> |
| • MCES notifies cities of their assigned PMA | October 13, 2017 |
| • Cities submit pay claims for completed projects | November 1, 2019 |
| • FRA determination, grant agreement distributed | November 15, 2019 |
| • MCES processes reimbursement upon receipt of signed agreement | |

Links

<https://metro council.org/Wastewater-Water/Planning/Wastewater/Inflow-and-Infiltration.aspx>

<https://metro council.org/Wastewater-Water/Funding-Finance/Available-Funding-Grants.aspx>