

## Environment Committee

For the Metropolitan Council meeting of August 23, 2017

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

### 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.

### Summary of Committee Discussion/Questions

What specific activities would the city engineering department do? Staff stated there are six types of qualifying work which includes pipe lining and replacement, pipe joint sealing and chimney seals, manhole lining or replacement, manhole sealing joints, casting, and covers, flood mitigation, and cross connection elimination which reduces Inflow and Infiltration into the wastewater collection system.

Staff indicated the language in the bonding bill specifies that up to 50% of eligible costs are reimbursable through this grant program. Staff also mentioned that the legislature appropriated \$3.739 Million dollars for this grant, and mentioned that the Office of Minnesota Management and Budget (MMB) specifies that work must be on a capital infrastructure project.

Staff clarified that 80 cities are eligible to apply for grants. In the 2014 grant program, 77 cities were eligible with 53 participants that received grant awards. It is anticipated that participating cities may be in the mid-50 range for the 2017 Inflow and Infiltration Grant Program. Once awarded, the capital improvements are to be used on the Cities local municipal system, and not for MCES pipes.

How do the excess funds get divided? Staff stated that an allocation process was developed. The part 1 allocation is for up to \$25,000 of eligible expenses, and part 2 is a weighted average distribution of the remaining eligible costs. The allocation process was established so that smaller cities receive an equitable reimbursement and has not changed since the previous program. Staff clarified that some of the guidelines were adjusted slightly to align with the wording in the Inflow and Infiltration program procedure manual, but that nothing significant has changed from the last program.

**Motion to approve the proposed action was made, seconded, and passed.**

## Environment Committee

Meeting date: August 8, 2017

For the Metropolitan Council meeting of August 23, 2017

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

**District(s), Member(s):** All

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

**Staff Prepared/Presented:** Matt Gsellmeier, 651-602-1802

**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 2017 legislature and Governor appropriated \$3.739 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, 2012, 2014, and 2015 state bonding bills and will adhere to both state and Council guideline requirements.

Eligible cities were invited to an information session on July 18, 2017 to share an overview of the program guidelines, a funding example, and a tentative program calendar. The session was attended by 34 individuals, and participants were excited about the upcoming program.

### 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.

### 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 funding 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.

# DRAFT

## 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 inflow and infiltration 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 Minnesota Management and Budget (MMB) requirements for title declaration or waiver therefrom pursuant to M.S. 16A.695 and the Commissioners Orders related thereto. Note that MCES is in the process of securing a “blanket waiver” for the recording (to property title), but only for certain improvements and with a city resolution.*

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### **DRAFT Council “Guidelines”:**

- Metropolitan Council Environmental Services (MCES, Council) calculates the peak hourly flow discharge limit (Inflow and Infiltration Goal) for each community connected to the metropolitan sanitary sewer disposal system. Wastewater flow that exceeds the respective Inflow and Infiltration Goal is considered excessive flow. Communities that have a measured wastewater flow rate greater than 80 percent of the Inflow and Infiltration Goal are eligible to apply for the Grant.
- Grants shall be for a percentage of actual, reasonable, and verifiable Inflow and Infiltration 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 Inflow and Infiltration 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 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 Inflow and Infiltration mitigation 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 Inflow and Infiltration 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.

### **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>

### **Draft Calendar:**

<ul style="list-style-type: none"> <li>• Council approval of “guidelines”</li> </ul>	August 8, 2017
<ul style="list-style-type: none"> <li>• Send notice of final grant program guidelines to cities, requesting applications</li> </ul>	August 24, 2017
<ul style="list-style-type: none"> <li>• Grant applications due from cities</li> </ul>	September 22, 2017
<ul style="list-style-type: none"> <li>• MCES notifies cities of their assigned PMA</li> </ul>	October 13, 2017
<ul style="list-style-type: none"> <li>• Cities submit pay claims for completed projects</li> </ul>	November 1, 2019
<ul style="list-style-type: none"> <li>• FRA determination, grant agreement distributed</li> </ul>	November 15, 2019
<ul style="list-style-type: none"> <li>• MCES processes reimbursement upon receipt of signed agreement</li> </ul>	