

Committee Report

Environment Committee



Committee Meeting Date: November 14, 2023

For the Metropolitan Council: December 13, 2023

Business Item: 2023-267

2023 Municipal Inflow and Infiltration Grant Program

Proposed Action

That the Metropolitan Council approves the Inflow and Infiltration (I/I) grant program guidelines and authorizes the Regional Administrator to award and execute grants and grant agreements pursuant to the guidelines outlined in Attachment A.

Summary of Environment Committee Discussion/Questions

- CM Wulff asked: What was the tone of the feedback at these sessions?
- Staff responded: Overall the feedback was positive and we received several thank you messages from communities. We also held an information session on the private I/I grant program recently. That session also had positive feedback, but we did receive additional questions since that is a new program.
- CM Lindstrom asked: The equity component with the net tax compacity built into the legislation or something we came up with?
- Staff responded: We came up with the equity component after 3-4 months of collaborating with Integrated Servant Leadership Team (ISLT), Patty Nauman, Council Member Wulff, and several internal staff.
- CM Lindstrom asked: Early 2024 is the next time we can expect the next round of applications?
- Staff responded: That is correct. We expect to receive applications in late 2023/early 2024.

Motion by CM Wulff, seconded by CM Morales. Motion carried.

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2023 Municipal Inflow and Infiltration Grant Program

District(s), Member(s):	All
Policy/Legal Reference:	2023 MN Bonding Bill Subd.2 Metropolitan Cities Inflow and Infiltration Grants and the Council Policy 3-3-1 (Grant/Loan Approval)
Staff Prepared/Presented:	Matt Gsellmeier (651-602-1802) and Kyle Colvin (651-602-1151)
Division/Department:	MCES c/o Leisa Thompson, 651-602-8101

Proposed Action

That the Metropolitan Council approves the Inflow and Infiltration (I/I) grant program guidelines and authorizes the Regional Administrator to award and execute grants and grant agreements pursuant to the guidelines outlined in Attachment A.

Background

Championed by Metro Cities, the 2023 legislature and Governor appropriated \$12 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, and 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, 2015, 2017, 2018, and 2020 state bonding bills and will adhere to both state and Council guideline requirements.

Eligible cities were invited to a virtual information session on November 3, 2023 to share an overview of the program guidelines, a funding example, and a tentative program calendar. The session was attended by 50 individuals representing over 35 communities and organizations.

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 \$12 million appropriation from the State bonding bill was approved in June 2023. The funding is disbursed by the state on a reimbursement basis, which will not occur until 2026. MCES plans to include these pass-through funds in its 2026 budget.

Attachments

A – Draft 2023 Municipal Grant Requirements, Guidelines & Timelines



DRAFT**2020 Municipal Grant Requirements, Guidelines & Timelines****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.*
- *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 75 to 100 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).
 - **2023 Equity Pilot Program** - Communities with a 2021 Net Tax Capacity per capita that is lower than 85% of the eligible communities median NTC per capita (\$1,060) will be eligible to receive 100% of eligible amounts for public facility improvements. All other communities are eligible for 75%.
- Qualified spending on approved projects can occur between January 1, 2024 and December 31, 2026.
- Grant awards will be paid on a reimbursement basis upon completion of the project(s) and allocation to all participants.
- MCES reserves the right to review and accept late applicants to the current program.

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 \$50,000 or 75% to 100% (for NTC per capita qualifying cities) 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 75% to 100% (for NTC per capita qualifying cities) of eligible costs. 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 an estimated 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 75% to 100% (for NTC per capita qualifying cities) of the eligible I/I mitigation costs or \$50,000 to each city. Then, any remaining funds would be applied proportionately to cities' eligible expenses that have more than \$50,000 in eligible I/I expense, until all available funds are allocated (but still limited to an overall maximum of 75% to 100% (for NTC per capita qualifying cities). 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"	December 13, 2023
Send notice of final grant program guidelines to cities, requesting applications	December 20, 2023
Grant applications due from cities	January 26, 2024
MCES notifies cities of their assigned PMA	By February 29, 2024
Cities submit pay claims for completed projects	March 31, 2026
FRA determination, grant agreement distributed	May 1, 2026
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>