

**E Environment Committee
Meeting date: April 13, 2010**

For the Metropolitan Council Meeting of April 28, 2010

ADVISORY INFORMATION

Date:	April 6, 2010
Subject:	Direction to Hold Public Meeting on Proposed Guidelines for the Infiltration and Inflow (I/I) Grant Program
District(s), Member(s):	All
Policy/Legal Reference:	2010 MN Bonding Bill Subd. 3 "Metropolitan Cities Inflow and Infiltration Grants" and the Council Policy 3-3-1 (Grant/Loan Approval)
Staff Prepared/Presented:	Jason Willett 651-602-1196
Division/Department:	MCES c/o William G. Moore 651-602-1162

Proposed Action

That the Metropolitan Council directs staff to hold a formal public meeting to gather input and discuss the proposed guidelines for a \$3 million I/I Grant Program from funding appropriated as part of the adopted 2010 State bonding bill.

Background

Metro Cities championed inclusion of a \$3 million grant program in the 2010 bonding bill for the purpose of providing grants to municipalities for capital improvements to public infrastructure to reduce I/I. This \$3 million was approved in the bill with language as follows:

Metropolitan Cities Inflow and Infiltration Grants

For grants to cities within the metropolitan area, as defined in MN Statutes, Section 473.121, subdivision 2, 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. Grants from this appropriation are for up to 50 percent of the cost to mitigate inflow and infiltration in the publicly owned municipal wastewater collection systems. The council must award grants based on applications from eligible cities that identify eligible capital costs and include a timeline for inflow and infiltration mitigation construction, pursuant to guidelines established by the council.

On April 19, staff will bring proposed guidelines (see Attachment A) for this grant program to the I/I Demand Charge Task Force for their review and input. Any suggested changes they may offer will be included in the public meeting information for discussion in addition to the attached.

Rationale

I/I reducing improvements in public infrastructure will benefit the region because future capital spending on sewer system expansion can be avoided (unused capacity in the system can be used to accommodate growth rather than I/I).

Funding

The \$3 million comes from the State bonding bill approved in March 2010. The funding is available as soon as a program is adopted, but will be disbursed by the state on a reimbursement basis. Later in the year, MCES will amend its 2010 budget to show part of the funding (coming in and going out) in this calendar year.

Known Support / Opposition

It is proposed that the public meeting be held on May 25, 2010. The following is a tentative schedule for approval of the program "guidelines":

Environment Committee authorization to conduct the public meeting	April 13
I/I Demand Charge Task Force review of proposed guidelines	April 19
Council authorization to hold a public meeting	April 28
Public meeting	May 25
Public input period ends	June 4
Environment Committee review of public input, and recommendation	June 8
Potential Council approval	June 23

Municipal Publicly Owned Infrastructure I/I Grants

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
- Grants from this appropriation are for up to 50 percent of the cost to mitigate inflow and infiltration in the publicly owned municipal wastewater collection systems
- Grant awards will be based on applications from eligible cities that identify eligible capital costs and include a timeline for inflow and infiltration mitigation construction

State Requirements for Capital Improvements (bond dollars)

- The infrastructure must be owned by the city receiving the grant.
- If applicable to the project, the non-public benefit should be 5% or less.
- The project benefit must last more than one fiscal period.
- The capital expenditure must be made to a "fixed asset" (land, buildings, land improvement, equipment).
- A fixed asset being acquired must be "long-lived" (at least 10 years).
- An expenditure to improve a fixed asset already owned must (a) comprise a substantial improvement or expansion of a fixed asset, (b) extend the useful life or substantially increase the value of a fixed asset, and (c) not be predictable or recurring.
- Normal operating and other overhead costs don't qualify.

Council Proposed "Guidelines":

- Eligible communities need to have been on past or current Council Surcharge list and have committed to I/I mitigation work under that program (the local source mitigation program since 2007).
- Only construction costs will qualify.
- Eligible projects will be limited to *inflow* sources only, including but not limited to:
 - Manhole rehabilitation, sealing, and abandonment
 - Storm sewer cross connection elimination
 - Flood mitigation project costs that target reducing or eliminating inflow sources [eligible only partially – as with proposed Phase 2 surcharge guidelines]
 - CIPP projects only if demonstrated to reduce inflow by meter data showing substantial response to rain events (MCES approval needed).

- No costs of studies, engineering or planning shall be eligible
- Grants shall be for a percentage of actual, reasonable and verifiable project construction costs. The percentage shall be determined by the process described below.
- Grant proposals must include a timeline for project completion.
- Qualified spending on approved projects can occur between the date of Council request for (grant) proposals (RFP), expected around July 1, 2010 and 6/30/2012.
- Grant awards will be paid on a reimbursement basis, (quarterly progress payments will be allowed).

Possible Process (see calendar below):

- Council will request grant proposals (the RFP) from all eligible communities. The RFP will include a draft agreement, with all terms final except for the dollars and percentage to be awarded.
- After all proposals are received, Council will review eligibility of proposed expenses and determine a Preliminary Minimum Allocation (PMA) of grant funds based on this formula:
 - Part 1: Each submitting community will receive the lesser of \$50,000 or 50% of the submitted eligible project costs, and
 - Part 2: The remainder of the \$3 million will be allocated to all communities proportional to the communities proposed eligible costs submitted. MCES, in its sole discretion, shall determine the eligibility of the costs submitted; but will be uniform in application and in a manner consistent with the above guidelines. The allocation to any community 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).
- All cities getting a PMA then will be given a chance to withdraw (this might happen if the PMA is materially less than anticipated and the community is unable or unwilling to budget the remainder). Each proposing City must either agree to remain in the grant program or withdraw entirely.
- MCES will re-proportion the grant funds after excluding any cities that withdraw (funds from the withdrawn cities will be given proportionately to remaining cities, subject to the 50% maximum). This will determine the Final Reimbursement Allocation (FRA) and associated FRA percentage (based on the total eligible costs).
- MCES will provide final Grant agreements, to be executed by a date certain.
- Payment requests are made to MCES and reviewed prior to submission to the State. Once approved MCES will pay the city and request the reimbursement from the state. Interest expense incurred by the Council will be taken out of other miscellaneous funds and will not reduce the award to the communities. However, should the state fail to pay, the community may be required to reimburse the Council.
- If a project's final eligible capital expenses are more than submitted, no additional grant funds will be given. If actual spending is less than projected, the FRA percentage will not be increased, so program may end with a small amount of funds un-awarded.

- If additional funds are appropriated by the legislature in 2012, the remaining amount (as described in preceding paragraph) will be rolled in with those funds for a 2nd round of grants. If not, the remaining funds will be awarded to participants in proportion to total awards (however, no community's receipts from this program shall exceed 50% of eligible costs).
- 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.

Tentative Calendar:

Council approval of "guidelines"	June 23
Send notice of final grant program guidelines (aka RFP) to cities	apx. July 1
Grant proposals due from cities	Sept. 15
Met Council notifies cities of their assigned PMA	apx. Sept. 30
Cities' withdrawal opportunity	Through Oct. 15
FRA determination, grant agreement distributed	Nov. 1
Signed grant agreements due	Jan. 1, 2011