

**E** Environment Committee  
**Meeting date: July 24, 2012**

For the Council Meeting of August 8, 2012

**ADVISORY INFORMATION**

|                                  |  |
|----------------------------------|--|
| <b>Date:</b>                     | July 18, 2012  |
| <b>Subject:</b>                  | Approval of 2012 Infiltration/Inflow (I/I) Grant Program Guidelines  |
| <b>District(s), Member(s):</b>   | All  |
| <b>Policy/Legal Reference:</b>   | Water Resources Management Policy Plan: Wastewater Service, Inflow and Infiltration<br>Council Admin. Policy 3-3-1<br>2012 MN Bonding Bill |
| <b>Staff Prepared/Presented:</b> | Jason Willett, 651-602-1196  |
| <b>Division/Department:</b>      | MCES c/o Leisa Thompson, 651-602-8101  |

**Proposed Action**

That the Metropolitan Council approves amending the infiltration/inflow (I/I) grant program guidelines to those shown on Attachment A, and authorizes the Regional Administrator to award grants and execute grant agreements pursuant to the guidelines.

**Background**

Metro Cities championed inclusion of another I/I grant program in the 2012 state bonding bill similar to one that was funded for \$3 million from the 2010 state bonding bill and is ongoing. The 2012 I/I grant program was included in the state bonding bill and appropriates \$4 million for the purpose of providing cities' grants for capital improvements to public infrastructure to reduce I/I. In addition there will be some unspent grant funds for the 2010 state appropriation and grant program which are proposed to be added to the new appropriation and made available to cities for the 2<sup>nd</sup> round of grants which is anticipated to be made available through RFP this fall. The proposed schedule is shown in Attachment B.

Metro Cities held a meeting for interested stakeholders on June 19, 2012 and 15 people attended. As a result of that meeting some dating was changed on the proposed guidelines.

Notice of the Council's public meeting was posted on the Council's website and several local publications, as well as promoted by Metro Cities. The public meeting was chaired by Council Member Wendy Wulff and included 5 attendees. While there were no public concerns expressed, Metro Cities did express support for the program, proposed changes, and the process. Interested parties have through July 20, 2012 to submit written comments. At the time of this writing, the Council has received no written comments. Any received subsequent to this writing will be addressed to the Environment Committee at its July 24, 2012 meeting.

**Rationale**

Council Guidelines are required by the language of the state appropriation The expected improvements in city owned public infrastructure from these grants will benefit the region due to avoiding future regional capital spending on sewer system expansion (unused capacity in the system can be used as planned to accommodate growth as opposed to excess I/I).

**Funding**

The \$4 million appropriation comes from the State Bonding bill approved in April 2012. The funding will be disbursed by the State on a reimbursement basis. MCES has included \$1 million of this grant money (both as revenue and expense) in its 2013 budget and plans to include the remaining funds in its 2014 budget.

**Known Support / Opposition**

Metro Cities supports the guidelines.

## Municipal Grant Program Proposed Guidelines

- Grantees must sign a (standard) grant agreement and comply with state requirements.
- The Council identifies those cities as contributors of excess I&I that have (a) received a Preliminary I/I Surcharge letter from the Finance Director of MCES since 2007, and (b) responded to the Council's "Preliminary Surcharge" notification with some type of investigative and or mitigation efforts which were reported to MCES."
- Only construction costs will qualify.
- No costs of studies, engineering or planning shall be eligible.
- Grants shall be for a percentage of the actual, reasonable and verifiable I/I mitigation construction costs on the project(s) described in the grant agreement. 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 May 12, 2012 and June 30, 2014.
- Grant awards will be paid on a reimbursement basis, (quarterly progress payments are allowed).

### Process:

- MCES will notify all eligible cities and request grant proposals (the RFP). 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, MCES will review eligibility of proposed expenses and determine a Preliminary Minimum Allocation (PMA) of grant funds based on this formula:
  - Part 1: Each submitting city will be awarded the lesser of \$50,000 or 50% of the submitted eligible project costs, and
  - Part 2: The remainder of the funds available will be awarded based on an allocation to all cities (that have proposed 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).
- All cities will be notified of its PMA and will then be given a chance to withdraw or partially withdraw if there are multiple projects (withdrawal might occur if the PMA is materially less than anticipated and the city is unable or unwilling to budget the remainder).
- MCES will reallocate 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 Award (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. Interest expense incurred by the Council, if any, will be taken out of other miscellaneous funds and will not reduce the award to the cities. If a project's final eligible capital expenses are more than submitted in the grant proposal, no additional grant funds will be given. If actual spending is less than projected, the FRA percentage will not be increased, so a funding round would end with a small amount of funds unspent.
- If additional funds are appropriated by the legislature in subsequent years, the remaining amount (as described in preceding paragraph) will be rolled in with those funds for a subsequent round of grants. If not, in the Council's sole discretion the remaining funds may be awarded to participants in the last round in proportion to total awards (however, no city's receipts from this program can exceed 50% of eligible costs).
- MCES is authorized to allow a city, upon their request, to extend the end date for a grant award under the 2010 grant program, if the city provides sufficient evidence that they will be proceeding on the program with a year.

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.

**Proposed Round 2 Calendar:**

|   |                           |
|---|---------------------------|
| Council approval of "guidelines"                                  | August 8, 2012            |
| Send notice of final grant program guidelines (aka RFP) to cities | August 24, 2012           |
| Grant proposals due from cities                                   | October 26, 2012          |
| Council notifies cities of their assigned PMA                     | November 21, 2012         |
| Cities' withdrawal opportunity                                    | Through December 21, 2012 |
| FRA determination, grant agreement distributed                    | December 31, 2012         |
| Signed grant agreements due                                       | March 1, 2013             |

**From:** Patricia Nauman [<mailto:patricia@metrocitiesmn.org>]  
**Sent:** Thursday, July 19, 2012 3:49 PM  
**To:** Willett, Jason  
**Cc:** Reimer, Chuck  
**Subject:** Inflow and Infiltration Grant Program

Dear Jason:

I wanted to provide written comments on the proposed Inflow and Infiltration Grant Program that will be used to disburse the \$4 million state bonding appropriated by the 2012 Legislature. These comments are a follow up to proposed program recommendations we discussed at the meeting at Metro Cities offices on June 19<sup>th</sup>.

Metro Cities supports a program structure that largely mirrors the structure used for the last funding round in 2010. We support changes that allow for the proposed date for project eligibility be May 12, 2012, to coincide with the date of the passage of the legislative appropriation. Based on the feedback we received from our member city officials, we also support a change of the timeline for submission of grant applications to be shortened by two weeks, to November 1<sup>st</sup>, with a December 15<sup>th</sup> date for withdrawing. These changes will allow for some streamlining of the process, and some flexibility around the withdrawing of applications.

Thank you for your consideration. We look forward to working with you and your staff on the new I/I grant program.

Sincerely,

Patricia A. Nauman  
Executive Director  
Metro Cities  
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St. Paul, MN 55103  
651-215-4002