

# E Environment Committee

Meeting date: September 25, 2007

For the Metropolitan Council Meeting of September 26, 2007

## ADVISORY INFORMATION

**Date:** September 14, 2007

**Subject:** Authorization to Execute Purchase Agreement with Star Environmental for Septage Facility in Fridley

**District(s), Member(s):** 2, Tony Pistilli

**Policy/Legal Reference:** MN Statute 473.504, Subd. 9; Council Policy 3-3 Expenditures

**Staff Prepared/Presented:** Bryce Pickart, 651-602-1091

**Division/Department:** MCES c/o William G. Moore 651-602-1162

### Proposed Action/Motion

That the Metropolitan Council authorizes its Regional Administrator to execute a purchase agreement with Star Environmental for its septage facility in Fridley.

### Issue(s)

- Procurement of this magnitude requires Council authorization.
- Star Environmental's attempt to implement a privately-owned and operated septage handling facility has been stalled due to financial problems.

### Overview and Funding

Septage is the material pumped from septic tanks. Council policy is to accept septage at designated sites at the full cost of services. The designated sites include the Blue Lake, Empire, and Metropolitan Wastewater Treatment Plants, a site on an interceptor in Chanhassen, and four northern sites on interceptors.

The 2004 Septage Management Plan proposed to replace the northern septage receiving sites with one or more new sites that would: (1) be located on an interceptor with suitable hydraulic conditions; (2) have electronic access control, monitoring and volume measurement, e.g. truck scale, and (3) have a holding tank to retain heavy solids and to control the rate of discharge to the interceptor. Subsequently, the Council approved a strategy to allow private siting, ownership, and operation of the north area septage receiving facility.

A private firm, Star Environmental, has successfully sited a septage facility at 8296 Hickory Street in Fridley. The 6.3 acre site adjoins the railroad tracks and MCES interceptor on the west, trucking facilities on the south and east, and Springbrook Nature Center on the north. The City of Fridley has approved the facility as being compatible with existing land uses.

Construction of the facility is near completion. However, Star Environmental has encountered financial difficulties, and work has been suspended. Elk River Bank, its primary lender, has not agreed to provide additional financing. Nine companies have filed mechanics' liens against the property. At its August 22, 2007 meeting, the Council authorized the Regional Administrator to negotiate a purchase agreement with Star Environmental.

MCES has obtained an independent appraisal of the building and land and an independent engineering evaluation of the equipment. The engineering evaluation also considered additional uses of this facility, such as a vactor (sewer cleaning) waste receiving station for MCES and cities. The waste would be drained of its free water and then hauled to a landfill. A vactor waste receiving station would reduce interceptor cleaning costs and treatment plant grit disposal costs, since many cities discharge this waste into MCES interceptors.

A purchase agreement has been negotiated with Star Environmental in the amount of \$4,900,000, with the following conditions: (1) construction of the facility shall be completed, except for the septage thickening and dewatering system; (2) thickening and dewatering equipment is not being acquired and shall be removed within

one year after closing on the property; and (3) marketable title to the property shall be provided at the time of closing.

Based on the appraisal and engineering evaluation, \$2,700,000 (55%) of the purchase price will be assigned to the septage facility and \$2,200,000 (45%) will be assigned to interceptor system uses, such as sewer cleaning waste handling.

Funding is available in the 2007 MCES Authorized Capital Program.

<b>BUDGET INFORMATION</b>				
<b>Annual or Capital</b>	<b>Year</b>	<b>Cost Authorized</b>	<b>Unencumbered</b>	<b>Requested Amount</b>
Capital	2007	\$2,900,000	\$3,700,000	\$2,700,000
		\$2,200,000	\$2,200,000	\$2,200,000