

E Environment Committee

Meeting date: August 14, 2007

For the Metropolitan Council Meeting of August 22, 2007

ADVISORY INFORMATION

Date:	August 3, 2007
Subject:	Authorization to Negotiate 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 negotiate 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 four northern sites cause problems: (1) solids deposition in the interceptors, which leads to frequent sewer cleaning and corrosion of concrete pipes, which eventually requires in-place lining to protect the structural integrity of the pipes, and (2) uncollected revenue, because these sites have no monitoring nor access control. MCES staff estimate that the additional sewer cleaning costs are approximately \$200,000 annually and that the uncollected revenue is \$100,000 to \$300,000 annually.

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 8250 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. Rather than filing for

bankruptcy, Star Environmental has asked whether MCES is interested in acquiring the facility or partnering in some manner to complete the facility.

MCES staff have sought legal advice from the Legal Department and its outside counsel. There appears to be no means for MCES to partner with Star Environmental. The available options are: (1) acquire the facility through appraisal and negotiation or, (2) if Star Environmental is unable to complete the facility and files for bankruptcy, attempt to acquire the facility through the bankruptcy process.

The bankruptcy process has distinct disadvantages to MCES: (1) there is no guarantee that MCES will actually acquire the facility, and (2) the delay in implementing a new north area septage facility will continue our high maintenance expenses and lost revenue. Further, acquisition of this facility will save MCES time and resources to site its own facility. Consequently, MCES has initiated an independent appraisal of the building and land and an independent engineering evaluation of the equipment. The engineering evaluation is also considering 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.

The estimated value of the Star Environmental facility is \$4,000,000 to \$6,000,000. Funding is available in the 2007 MCES Authorized Capital Program.