



## STAFF REPORT

DATE: May 7, 2019  
REGULAR

**AGENDA ITEM:** Expedited Water Projects  
**SUBMITTED BY:** Kristina Handt, City Administrator

---

### **BACKGROUND:**

In February 2018 3M and the State of Minnesota reached a settlement in the natural resources damages lawsuit. Since last summer work groups have been meeting to develop long range plans to provide safe drinking water in the East Metro. The trustees (Commissioners of DNR and MPCA) have recognized that there is a need to expedite some projects such as those that relate to road projects or mitigate risks. The state released the application for expedited projects on April 10<sup>th</sup> with proposals due by May 25<sup>th</sup>.

### **ISSUE BEFORE COUNCIL:**

Does the Council have any questions about the projects chosen for the expedited process?

### **PROPOSAL:**

The city had been identifying potential projects where municipal water could be extended to existing neighborhoods in the 2019-2023 CIP provided grant funding was available. Most of the projects identified coincided with road projects but a couple were related to previous contacts from properties that have well advisories and are still receiving bottled water.

Since the state has placed a time limit of 24 months on the projects that can qualify for the expedited projects, city staff is planning to submit for Stonegate, 31<sup>st</sup> St (south of the UPRR), Blackford property and Hamlet on Sunfish Lake. The first three projects would be constructed in 2020 and the Hamlet would be in 2021 when the roads are scheduled for reconstruction. Staff has made contact with representatives in three of the four projects. The Council may decide to decline any grants in September if significant neighborhood opposition exists.

Important conditions of the grant:

- Existing private wells would be abandoned and sealed. This cost would be covered by the grant.
- If a home in the neighborhood where funding is provided decides not to connect to the municipal water system, state funding for the GAC or bottled water will cease two years after the project is completed.
- Costs beyond supplying water to the neighborhood (i.e. typical road and stormwater costs) would not be covered by the grant. The city would follow its special assessment policy (30% paid by the property owners/70% by the city) for these costs outside of the grant.

### **FISCAL IMPACT:**

The City Engineer is working on cost estimates to submit with the grant application. At this time there is no expected deviation from the 2019-2023 CIP. Our intention is to apply for funds to cover the costs related to the public infrastructure, private hookups, well sealing, and associated fees.

**RECOMMENDATION:**

No action required by council. Staff is seeking to inform and update only.

**ATTACHMENTS:**

- Expedited Project Eligibility

# Minnesota 3M PFC Settlement

## Expedited Project Eligibility (Version 3.0)

### April 2, 2019

#### Background

---

The State of Minnesota's 2018 Agreement and Order (Agreement) with 3M Company (3M) establishes the 3M Grant for Water Quality and Sustainability Fund (Grant). The Minnesota Pollution Control Agency (MPCA) and the Minnesota Department of Natural Resources (DNR) will use the Grant for projects that are reasonable and necessary to achieve the purposes of the Agreement. The first and highest priority (Priority 1) of the Agreement is to:

1. Enhance the quality, quantity, and sustainability of the drinking water in the East Metropolitan Area. The goal of this highest priority work is to ensure clean drinking water in sufficient supply to residents and businesses in the East Metropolitan Area to meet their current and future water needs. Examples of projects (not listed by preference) may include, but are not limited to, the development of alternative drinking water sources, the treatment of existing water supplies, water conservation and efficiency, open space acquisition (as related to drinking water supply), and groundwater recharge. For individual households, projects may include, but are not limited to, connecting those residences to municipal water supplies, providing individual treatment systems, or constructing new wells. In selecting and performing activities under this priority, the State will prioritize water supplies where health based values, health risk limits, and/or health risk indices for perfluorochemicals [PFCs, also referred to as per- and polyfluoroalkyl substances (PFAS)] are exceeded.

#### Purpose

---

The MPCA and DNR will make approximately \$25 million available from the Grant to fund expedited projects. As discussed further below, providing funds for expedited projects recognizes that there may be some time-sensitive opportunities that are consistent with the Agreement's first priority.

This document provides an initial list of criteria to define the potential pool of projects eligible for expedited funding. The document also provides additional factors that the MPCA and DNR may consider to evaluate projects that pass the initial criteria for expedited funding and expectations for grant recipients.

This document only focuses on an expedited process for projects that pertain to Priority 1 of the Agreement. **This process does not apply to short-term drinking water projects that are covered under the 2007 Settlement Agreement and Consent Order and the \$40 million/5-year cap.**

## Expedited Project Eligibility

---

The MPCA and DNR will consider potential expedited projects subject to an initial list of criteria, in addition to the need to demonstrate consistency with Priority 1 of the Agreement. The eligibility criteria are presented below. Examples of ineligible projects or project activities are also provided.

### Eligibility Criteria

Proposed projects must meet all of the eligibility criteria below to be considered by the MPCA and DNR for funding. However, if a project meets all of the criteria, it does not necessarily guarantee funding. In addition, the MPCA and DNR reserve the right to consider other projects that don't meet the eligibility criteria if they are deemed reasonable and necessary to provide safe drinking water in an expedited manner consistent with Priority 1.

The eligibility criteria include:

- Address drinking water supply and/or groundwater protection/restoration issues due to PFAS contamination in the East Metropolitan Area consistent with Priority 1 of the Agreement.
- Comply with applicable/relevant federal, state, tribal, and local laws, regulations, and rules (in some limited instances, projects that conflict with local regulations and rules can be considered if a reasonably achievable plan is provided to address these conflicts).
- Be technically and administratively feasible.
- Not jeopardize public health and/or safety.
- Not negatively impact results of remediation under the 2007 Settlement Agreement and Consent Order (Consent Order) or other remedies addressing other sources of contamination.
- Be time-critical (i.e., there must be a compelling reason to implement the project at this time).
- Provide safe drinking water to existing residences and/or businesses in the East Metropolitan Area where health based values, health risk limits, and/or health risk indices for PFAS are exceeded.
- Provide benefits in an expedited timeframe (i.e., no more than 24 months to begin construction from the date of the funding agreement).
- Does not adversely impact feasibility of, or pre-determine, potential long-term solutions.
- Be supported by the local government unit (LGU) where the project is located. If a project is being proposed by an applicant other than the LGU, the applicant must provide documentation of support from their LGU or a copy of their application submittal to their LGU.

### Ineligible Projects

Types of projects or project activities that will not be funded through this expedited process include, but may not be limited to:

- Extending coverage or increasing connections to existing wastewater/sewer systems.
- Extending coverage of existing municipal drinking water systems to facilitate new residential or commercial developments.
- New road construction (e.g., constructing a road where no road was present before).
- Large-scale, long-term solutions currently being evaluated through the Conceptual Drinking Water Supply planning process, such as new municipal wells, treatment systems, and alternate drinking water supplies.
- Short-term drinking water projects that are covered under the 2007 Settlement Agreement and Consent Order and the \$40 million/5-year cap (See “Purpose” above).

### Additional Factors for Consideration

---

In addition to the eligibility criteria listed above, the MPCA and DNR may further consider the proposed projects using the [Priority 1 evaluation criteria](#) (page 2 in linked document). The MPCA and DNR may consider projects separately, and not directly compare projects with different underlying characteristics (e.g., different objectives, benefitting communities, etc.).

### Expectations for Funded Expedited Projects

---

The MPCA and DNR have the following expectations for projects accepted for receiving funding through the expedited process:

- If the State is funding a project that replaces an existing private or non-community well with another drinking water source (e.g., connecting to a municipal drinking water system), the existing well will be properly sealed and abandoned as part of the project within a reasonable timeframe. The sealing and abandonment of the existing well would be funded by the State; however, the LGUs are responsible for ensuring the wells are properly sealed and abandoned. Details will be outlined in the funding agreement.
- If an expedited project is determined to be a long-term solution for a community, the expectation is that the temporary solution would not be provided after two (2) years following completion of the expedited project. For example, if a neighborhood is being connected to a municipal water system as an expedited project, but a household within that neighborhood receiving either bottled water or a granular activated carbon (GAC) system does not want to be connected to the municipal water system, then the State will only support the temporary solution (i.e., bottled water or GAC) for two (2) years following completion of the expedited project.
- It is expected that the expedited project should address immediate drinking water needs. Any components that are above and beyond these immediate drinking water needs should be paid for by the LGU, as appropriate. For example, if an expedited project increases the size of the infrastructure in order to meet future water needs or involves additional road replacement (beyond the requirements for the drinking water expedited project), then these additional costs should be covered by the LGU.

## Expedited Project Submission

---

A formal submission process for expedited projects will be used. It is anticipated that project submission will be open to all applicants, including individuals, for-profit businesses, nonprofit organizations, and public entities including state, tribes, counties, municipalities, schools, and higher education institutions.