

# **Municipal Publicly Owned Infrastructure I/I Grants Proposed Guidelines**

## **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 (I/I) to the Metropolitan Council's (Council) 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 I/I 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 to be fixed 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.
- Release of funds to Council will be on a reimbursement basis (that is, only after Council pays city).

## **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).
- Cities must sign standard grant agreement with Council to be eligible.
- Only construction costs will qualify.
- Eligible projects will be limited to I/I mitigation improvements, including but not limited to:
  - Manhole rehabilitation, sealing, and abandonment
  - Storm sewer cross connection elimination
  - CIPP projects only if supportive information is provided that demonstrates system susceptibility to I/I (Council 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 June 30, 2012.
- Grant awards will be paid on a reimbursement basis (that is, city will get paid from Council only after work is done and payment is made to contractors).

## **Proposed Process (see calendar and example 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 to be awarded and the work details.

- 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 50% of the total eligible amount submitted, net of Part 1. Council, in its sole discretion, shall determine the eligibility of the costs submitted; but will attempt to 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 partially (reduce the work being submitted for grants) or withdraw fully (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 notify Council (by a date certain) of their intent to remain in the grant program or withdraw.
- Council will re-proportion the Part 2 grant funds after excluding any cities that withdraw partially or fully (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).
- Council will provide final Grant agreements, to be executed by a date certain.
- Payment requests are made to Council and reviewed prior to submission to the State. Once approved, Council will pay the city and request the reimbursement from the State.
- 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 the 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 second round of grants. If not, the remaining funds will be awarded to participants by re-proportioning the Part 2 grant funds, subject to the 50% maximum.
- 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, 2010

Send notice of final grant program guidelines (aka RFP) to cities July 1, 2010

Grant proposals due from cities December 15, 2010

Met Council notifies cities of their assigned PMA January 5, 2011

Cities' withdrawal opportunity Through January 20, 2011

FRA determination, grant agreement distributed February 28, 2011

Signed grant agreements due March 31, 2011

### Example of Grant Allocation:

City	Qualified Expenses Submitted	Part 1 Lesser of 50K or 50%	Part 2 + Additional Allocation	= Total Award	%
A	1,200,000	50,000	+266,000	=316,000	26.3%
B	80,000	40,000	+0	=40,000	50.0%
C	10,000,000	50,000	+2,394,000	=2,444,000	24.4%
D	720,000	50,000	+150,000	=200,000	27.8%
<b>Total</b>	<b>12,000,000</b>	<b>190,000</b>	<b>+2,810,000</b>	<b>=3,000,000</b>	<b>25.0%</b>