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METROPOLITAN COUNCIL

Mears Park Centre, 390 Robert Street North, St. Paul, Minnesota 55101

Meeting of the **METROPOLITAN AREA WATER SUPPLY ADVISORY COMMITTEE** September 28, 2006

Committee Members Present:	Peter Bell, Chair Bev Aplikowski Dennis Berg Greg Buzicky Tom Furlong Chuck Haas James Japs Peggy Leppik Linda Loomis Doug Mandy Faye Sleeper John Stine Barry Stock	Metropolitan Council City of Arden Hills, Mayor Anoka County, Commissioner Department of Agriculture, Director, Pesticide & Fertilizer Mgmt. – Alternate City of Chanhassen, Mayor City of Hugo, Council Member DNR, Assistant Director, Waters - Alternate Metropolitan Council Member City of Golden Valley, Mayor Department of Health, Drinking Water Protection Director – Alternate PCA, Watershed Section Manager – Alternate Dept of Health, Director, Environmental Health Division – Alternate City of Savage, Administrator
Committee Members Excused:/Absent:	Joe Harris	Dakota County, Commissioner

I. Call to Order

Chair Bell called the meeting to order at 9:35 a.m.

II. Approval of Agenda and Minutes

It was moved by Ms. Leppik, seconded by Ms. Aplikowski to approve the 9/28/06 agenda and 8/24/06 minutes of the Metropolitan Area Water Supply Advisory Committee meeting.

III. Advisory Committee Schedule Update

The October 26th meeting will be reserved as a working session so that the Committee can review feedback received at the October 19th stakeholder meeting. The length of the November 13th Committee meeting will be extended if additional time is needed to review the draft report to the legislature. If a meeting is necessary in December it will be held before December 10th.

Keith Buttleman, Assistant General Manager-Environmental Quality Assurance, informed the Committee that October 19th stakeholder meeting will involve Suburban Utility Superintendents Association, MN Section of the American Water Works Association, Association of Metropolitan Municipalities, and other interested parties.

IV. Water Supply Financing

Scott Harder, Environmental Financial Group, provided an overview of water supply funding and financing considerations. Specific funding questions/issues will come into much clearer focus as more detailed planning is considered in Phase II.

Mr. Harder explained the approach used when looking at this: 1) Is there, and what is, an appropriate source of funding for ongoing planning at a regional level for water supply? 2) If during the planning process there is an opportunity for regional water supply projects to be undertaken or so endorsed as part of the plan, are the tools in place to finance those kinds of facilities? His key message was that as water supply projects get more expensive, more complex, and possibly even more risky, issues like access to capital, cost- and risk-sharing, and planning also get more complicated, and the question is what can be put in place today that will make it easier for the metro area to undertake those projects 20-30-40 years into the future.

A variety of capital financing options were reviewed: bonds, loans, grants, stock, lease, public/private partnership. Legislation currently exists that allows for intergovernmental agreements.

Cost recovery mechanisms include charges for water delivery and water system capacity, area charges and connection fees, and taxes.

The Committee was encouraged to look to the future beyond existing statutory authority in Minnesota. Is legislation needed that would enable communities to do something they can't do today? Currently there are a lot of statutory powers available to municipalities to access or arrange for financing. Establishing of powers also relates to issues of what the Council's role is in planning for the water supply systems in our cities, i.e. planning support, reviewing data.

Cost Sharing. Discussion included what is involved in negotiating cost sharing agreements. A standard methodology used is cost of service – sharing costs on basis of water use. Another example of cost sharing is based on water system capacity, the issue is who needs what capacity today as well as 10-20 years out. Another consideration is how cost is shared as aging infrastructure is repaired or replaced.

As work continues in Phase 2 with more detailed planning for the regional water supply plan the benefits of regional projects can be used to evaluate and prioritize projects for regional support. A hypothetical example of 3 communities cooperating on the construction of a surface water/aquifer storage and recovery system to reduce demands on the Prairie du Chien/Jordan aquifer was given. The example included a possible cost sharing arrangement, avoided costs and direct and regional benefits.

Tasks recommended for Phase II include:

1. Regional water project evaluation and prioritization criteria
2. Metropolitan water supply funding assistance
3. Interconnection grant program

4. Water supply system cost profile
5. Identify source to support ongoing planning

V. Water Conservation Benchmarks / Toolbox

Chris Elvrum, Manager of Water Supply Planning, reviewed the benchmarks that communities would be required to meet in order to utilize the proposed ten-year water appropriation permit plan offered by the Department of Natural Resources (DNR). Benchmarks are set up so that a community either has to meet them or must commit to conservation programs that are intended to lower water use in the benchmark categories.

The benchmarks were set up by a group of stakeholders. DNR convened a focus workgroup comprised of water utility representatives, DNR, and Metropolitan Council about 2 years ago to discuss this concept.

The Committee discussed the differences between the current process and the ten-year permit plan process.

Although the DNR looks at the same areas in its current permitting process, the new system is a pre-approval process for a ten-year period. It will also place the DNR near the beginning of the process rather than toward the end.

Mr. Japs commented that the DNR should be somewhere at the top of the water supply process, or even when talking about sewers. The DNR needs to be involved much earlier than the comprehensive plan process. Ten years is not adequate because some of the planning and growth activities are occurring on a much earlier schedule than that – 50 years for sewers.

The Committee reviewed the toolbox that is proposed for the next phase:

Toolbox:

1. Provide tools to help communities promote water conservation
2. Provide tools to help meet the benchmarks outlined in the 10-year permit
3. Send a uniform message throughout the region
4. Promote customer awareness of how and when they are using water

Ideas to implement the toolbox include:

1. Provide materials for use by all communities and private water customers
2. Create link to other state and local water protection programs that relate to drinking water conservation
3. Provide group savings by creating regional media campaign

Benefits of the toolbox:

1. Reduce the amount of time and resources spent by individual communities on water conservation
2. Provide consistency around the region

3. Reduce excessive watering with the added benefit of reducing storm water runoff and protecting water quality

Mr. Japs asked if the Committee will be recommending the toolbox as a conservation recommendation, and whether it should be looking more at policy, since developing a toolbox is not really getting at the policy issue. The question arose as to whether the Committee should make recommendations on how, when and where the toolbox is used and should conservation be promoted as a best management practice. Chair Bell said that this should be addressed by Committee as part of the discussion of the recommendation to the Legislature.

VI. Minneapolis, Saint Paul Water Supply System Interconnection

Doug Mandy, Minnesota Department of Health, provided an overview of the project, which is supported by the Minnesota Department of Health (MDH). The idea of interconnecting the two systems has been around since the 1930s. The two systems serve a number of communities totaling a population of nearly 1,000,000. The cost estimate as initially designed in 2005 was \$33.8 million. MDH requested bonding for \$10 million, and the remaining 2/3 would be split 53/47% between Minneapolis and Saint Paul, respectively. Benefits of interconnection include: Backup during an emergency, and reduction in maintenance and construction costs. The economic impact of a shutdown amounts to \$382.1 million/week in Minneapolis and \$274.9 million/week in St. Paul. In addition, water supply would be impacted for fire protection, drinking, cooking, human waste disposal, hygiene, and food preparation.

Since the initial design completed in 2003 was based on a system that could be used on a daily basis, Minneapolis and Saint Paul intend to re-examine the design to develop a system that is strictly for emergency use.

Mr. Haas supported the notion of interconnects, not only between the Minneapolis and Saint Paul, but on the broader scale, and asked if the Committee's report should include recommendations dealing with interconnection on a larger scale. He also proposed that the funding rationale and cost share mechanisms be reviewed if it is expanded to other interconnects.

VII. Draft Report to the Legislature

Keith Buttleman, Assistant General Manager, called attention to Executive Summary of report, which contains two recommendations – one on the regulatory process and one on the interconnection. The Summary also includes subsidiary recommendations and Phase II considerations.

Recommendation #1 – Approve changes clarifying agency roles in water supply plan review and consolidating into one statute the requirements of community water supply plans in the metropolitan area and link water supply planning to comprehensive planning.

The regulatory process recommendation is in response to complaints that the regulatory process is cumbersome and in need of streamlining. While the process has improved recently, one of the common observations made is that opposing interpretations are made as a consequence of the requirements being located in different parts of the statutes.

This is also an opportunity to determine how to administer the process and eliminate duplication and overlap of agency efforts.

Discussions have taken place between the DNR and Council to identify regional interests the Council has within the metropolitan area for reviewing local plans compared to the overarching resource management responsibilities that the DNR has for water appropriation statewide.

Discussion included the value the Council can add to the process, how it would relate to a master plan ultimately developed, and its affect on the DNR's decision-making on permitting.

There is considerable room for additional discussion over the couple of years about how these processes could work, but the first recommendation is that we start by combining statutorily all of the references to water supply, planning and appropriation permits into a single statutory location.

Mr. Haas suggested that as part of the first recommendation in the report, the agencies that are involved in the water supply process prepare a consolidated permit recommendation, similar to the process used by the TIP panel. Mr. Japs responded that the idea has been discussed, but has not yet been formalized.

In response to questions from Mr. Berg about the consolidation of the statutes, Mr. Buttleman clarified that the intent of the first recommendation is to resolve where separate statues now leave interpretation open to create conflicts and to clarify processes to eliminate confusion. Mr. Elvrum also explained that part of the recommendation is that a single application system be developed for multi-agency approvals. This has been discussed as a Phase II administrative function activity and does not require legislative action at this point. Mr. Japs noted that the DNR needs to be involved prior to development of the single application system and this needs to be built into the recommendation. Staff responded that the overall planning process is intended to evaluate resources, identify limitations, and determine alternatives based on projected 20, 50 year growth, while working closely with the DNR. It could be spelled out a little more clearly in the subsequent draft report. Mr. Japs asked for more clarity on the issue.

In response to questions raised by Mr. Stock relative to the language of the proposed legislation, Mr. Buttleman said the draft legislation will be written as part of this report. The Committee expects to be involved in writing the model legislation.

Recommendation #2 – Approve funding for the Minneapolis and Saint Paul water system interconnection.

Mr. Buttleman noted that the subsidiary recommendations also include endorsement of interconnections generally, as a mechanism for promoting safety, security and reliability of individual water systems. They also support source water protection effort so that the risks to water supplies are reduced, which, in turn, would reduce the need for interconnection. All of this has to be based on an evaluation of what the risks are and what the opportunities are for regional or sub-regional cooperation to enhance security and reliability.

Chair Bell asked about the expectations for the state funding sub-regional or regional interconnects. Mr. Buttleman responded that nothing specific is being recommended. The Minneapolis/Saint Paul interconnection has been examined sufficiently and enough economic analysis has been done to support a conclusion that there is not just a regional but a statewide interest in supporting it. Similar analysis would have to be performed for local or smaller scale interconnections to determine whether there would be a regional benefit, and whether some regional or state assistance should be provided.

The funding concept is that the State's share would be one-third of the emergency backup portion of an interconnect project. The Committee concurred.

Mr. Berg expressed concern about the wording of the second recommendation, and suggested removing the reference to Minneapolis/Saint Paul.

Mr. Buttleman noted that the last area of the executive summary relates to the institutional arrangements and funding. Common funding options in both Minnesota and nationwide have been discussed. Basically, this section of the report tells the legislature that we are going to continue to work on the questions of how institutions are arranged in order to provide water to the metropolitan area in the most efficient and effective way. It also indicates what might require additional funding and, if so, what sources are available, but without specific conclusions at this time. That would be reserved for the next phase of the report.

VIII. Adjourn

Business completed, it was moved by Mr. Harris, seconded by Ms. Aplikowski to adjourn the meeting at 11:23 a.m. **Motion carried.**