



# Future Funding Considerations

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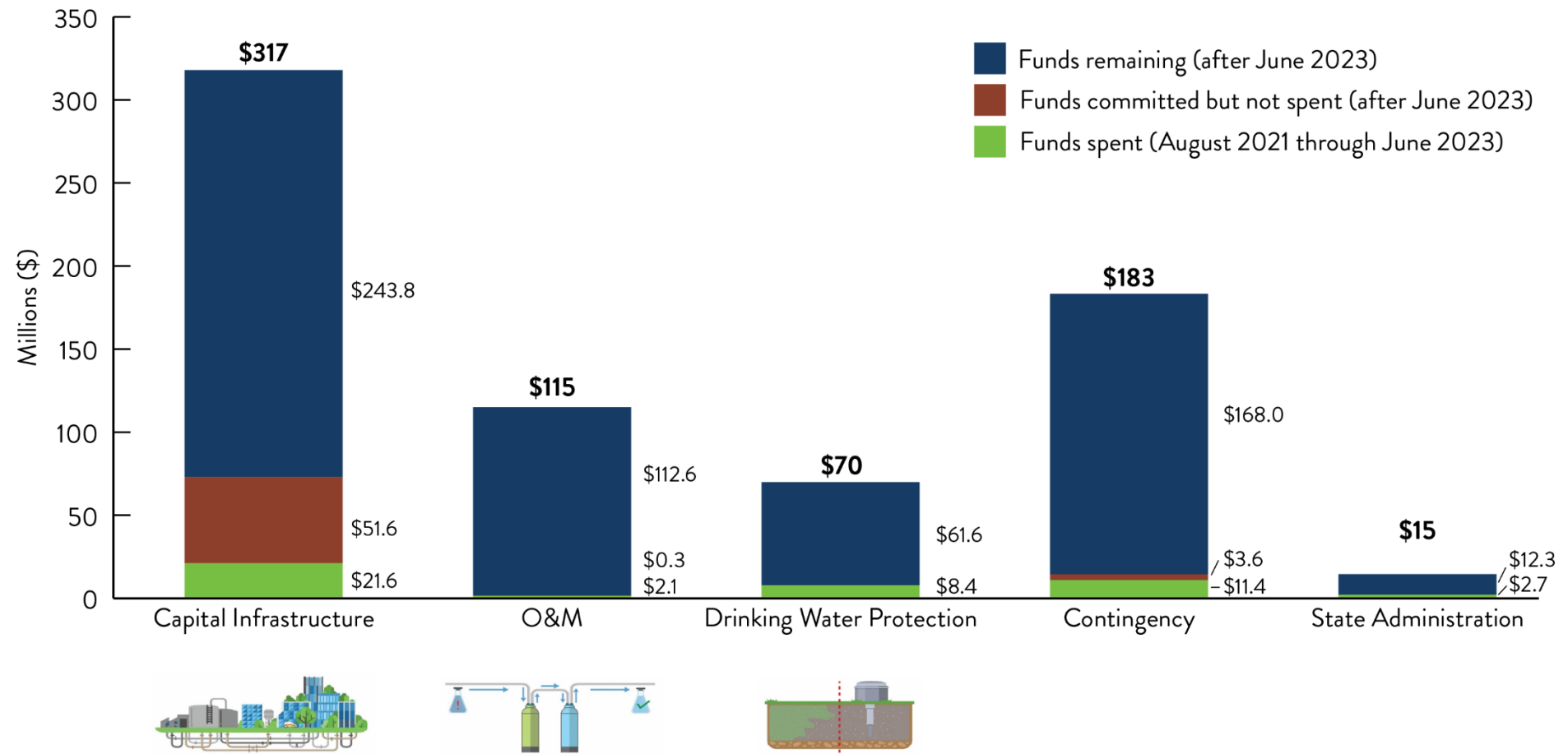
3M PFAS Settlement Work Group Meeting

October 18, 2023

- Current Spending and Earnings
- Anticipated Spending
- Future Reallocation

# Current Spending and Earnings *Through Fiscal Year 2023*

# Overview of Funds Allocated and Spent



# Interest Earned in Fiscal Year 2023 by Allocation

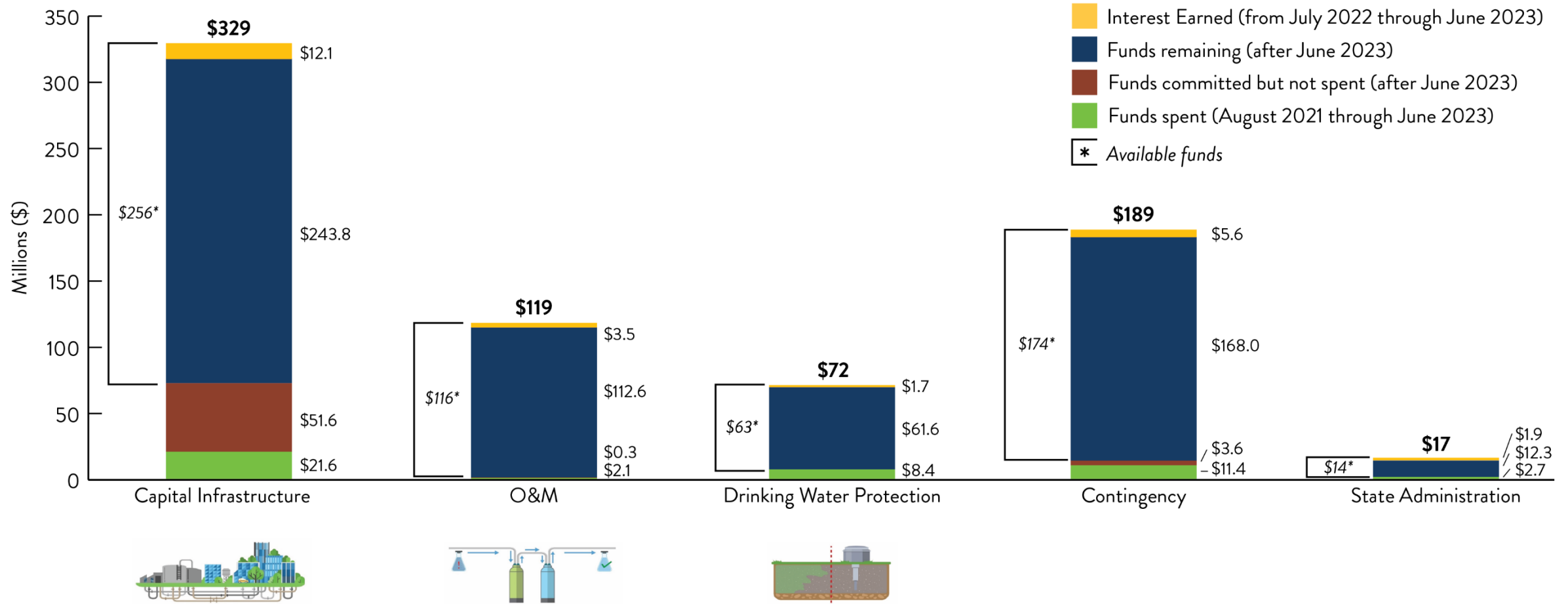
Conceptual Plan Allocation	Original allocation* amount	Interest allocated in FY23 <sup>†</sup>	New allocation amount
Capital	\$317,000,000	\$12,086,400	\$329,086,400
O&M	\$115,000,000	\$3,507,300	\$118,507,300
Drinking water protection	\$70,000,000	\$1,657,900	\$71,657,900
Contingency	\$183,000,000	\$5,581,100	\$188,581,100
State administration costs	\$15,000,000	\$1,902,500	\$16,902,500
<b>Total</b>	<b>\$700,000,000</b>	<b>\$24,735,200</b>	<b>\$724,735,200</b>

Notes:

\* All numbers rounded to the nearest hundred. As a reminder, interest earned on Settlement funds before this last year (through June 30, 2022) were allocated to primarily expedited projects and other early projects.

<sup>†</sup> Settlement funds are in interest-bearing accounts, and, as of June 30, 2023, have earned approximately \$24.7 million in interest. The interest earned in FY 2023 remains in the interest-bearing accounts split by allocations, as shown in this column.

# Overview of Funds Allocated and Spent with Interest



# Anticipated Spending

*Fiscal Years 2024 and 2025*

# Impacts from New Information

- New information has resulted in additional implementation costs
  - Changing PFAS health values for drinking water
  - Inflation and other cost increases
  - Accounting for temporary drinking water treatment systems, including new requests as well as on-going O&M for existing systems
  - Additional components needed
- Conceptual Plan built with a degree of resiliency (e.g., conservative assumptions), but may need to use contingency funds or the fund reallocation process to cover additional implementation costs in the future



# Anticipated Fiscal Year 2024 and 2025 Projects

Co-Trustees are anticipating major projects in Fiscal Years 2024 and 2025

Several projects have estimates:

- Cottage Grove Low Zone Water Treatment Plant
  - \$42M (final design bids)
- Woodbury Centralized Water Treatment Plant
  - \$192M (30% design estimates)
- Woodbury Water Mains (pipelines)
  - \$136M (30% design estimates)

Other projects are on the horizon:

- Cottage Grove Intermediate Zone Water Treatment Plant
- Cottage Grove Water Mains
- Oakdale Water Treatment Improvements
- Oakdale Water Mains
- Lake Elmo (Multiple water supply options considered)
- Additional projects outlined in the Conceptual Plan

# Anticipated Fiscal Year 2024 and 2025 Projects

## Woodbury and Cottage Grove Cost Factors

Construction cost increases have driven costs higher than Conceptual Plan estimates along with other factors resulting from detailed designs

- These factors were determined to be Settlement eligible because they are reasonable and necessary to treat PFAS

### Cottage Grove

- Low Zone WTP treatment design changes:
  - Pretreatment
  - Clearwell storage
  - Pump chamber
  - Backwash Tanks
- Additional design effort to accommodate the above factors

### Woodbury

- Larger WTP capacity and more water mains due to:
  - Additional capacity in Tamarack Wellfield realized
  - 2040 demand projection increased
  - Potential to treat the South and East Wellfield wells with new or anticipated advisories
- Clearwell storage and pump station to overcome hydraulic challenges due to centralization
- Backwash tanks included
- Future flexibility components
- Additional design effort to accommodate the above factors

# Anticipated Fiscal Year 2024 and 2025 Projects

## Comparison to Conceptual Plan

Major Projects	Current Cost Estimates	Conceptual Plan Estimate	Difference
Cottage Grove Low Zone WTP	\$42M	\$16M	\$26M
Woodbury Centralized WTP	\$192M*	\$40M	\$152M
Woodbury Water Mains	\$136M*	\$78M	\$58M
Sum	\$370M	\$134M	\$236M

\*Estimates are based on 30% design and subject to change

The settlement will have to cover an additional \$236M in capital costs for these projects alone

# Anticipated Fiscal Year 2024 and 2025 Projects

## Future Major Projects

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# Overall Anticipated Project Cost Increases

## WSP Conceptual Plan Cost Updates

**WSP updated the cost estimates from the Conceptual Plan for the purposes of discussing anticipated Settlement spending; assumptions include:**

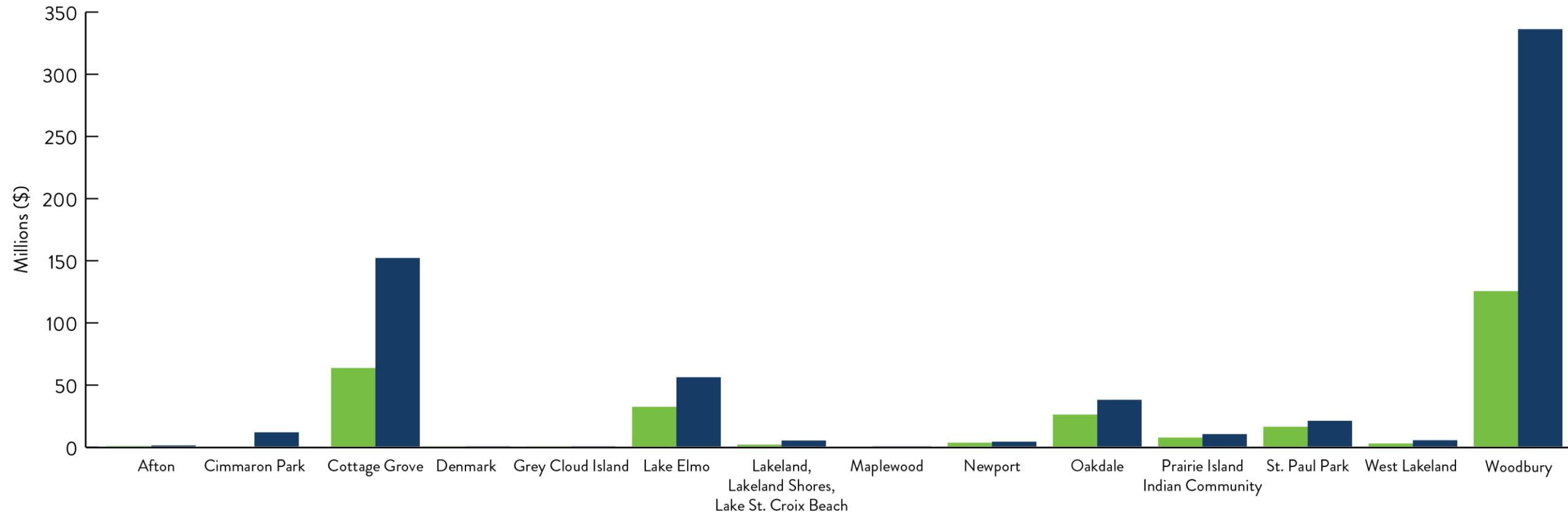
- Costs have been updated to reflect inflationary increases based on market indices between 2019 and 2023
  - Costs remain in present worth, and do not account for additional inflation
- Municipal and private treatment to account for additional potential treatment needs based on changing health values
  - Additional design components for Cottage Grove and Woodbury discussed previously are also included
- Cimarron Park community in Lake Elmo is included for treatment of their wells
- Note that increased costs for stormwater, professional services, and contingency are accounted for as percentages of costs discussed above, the same way they were calculated in the Conceptual Plan

# Overall Anticipated Project Cost Increases

## WSP Conceptual Plan Cost Updates

\$276: Original Estimate For Base Capital  
\$361: Estimated Increases In Cost Total  
\$637: Updated Estimate for Base Capital

Original Estimate for Base Capital  
Updated Estimate for Base Capital



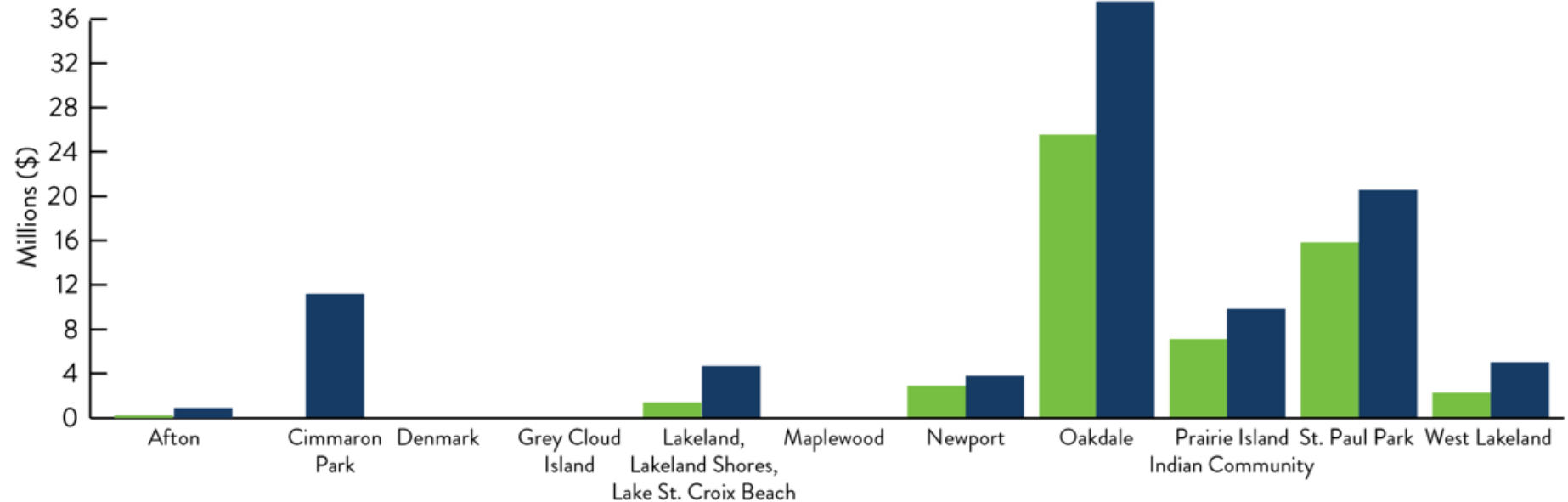
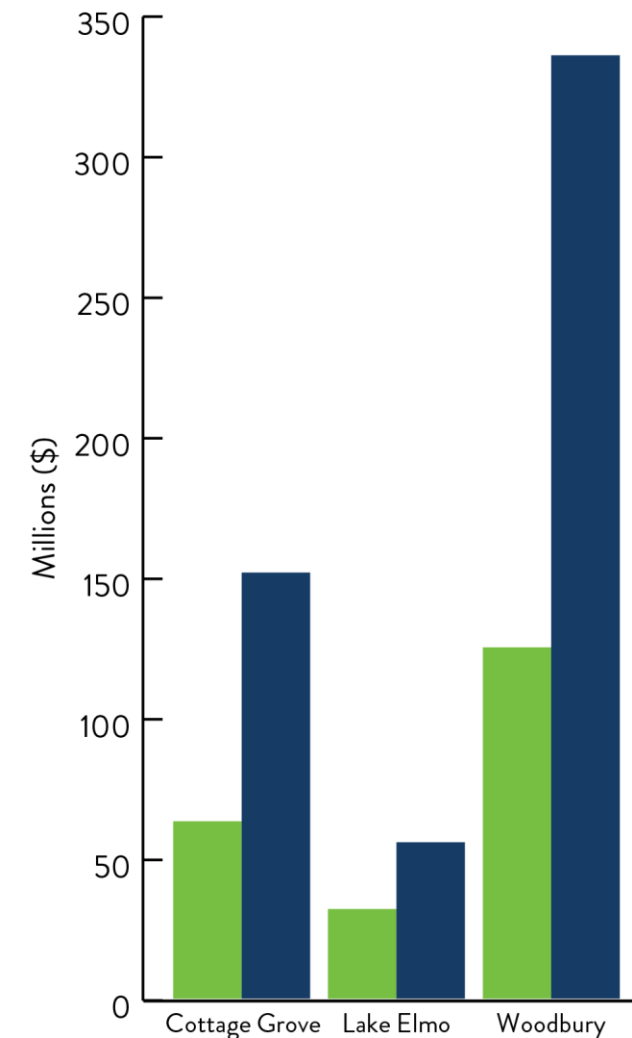
*These are estimates for discussion purposes only*

# Overall Anticipated Project Cost Increases

## WSP Conceptual Plan Cost Updates

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Original Estimate for Base Capital  
Updated Estimate for Base Capital

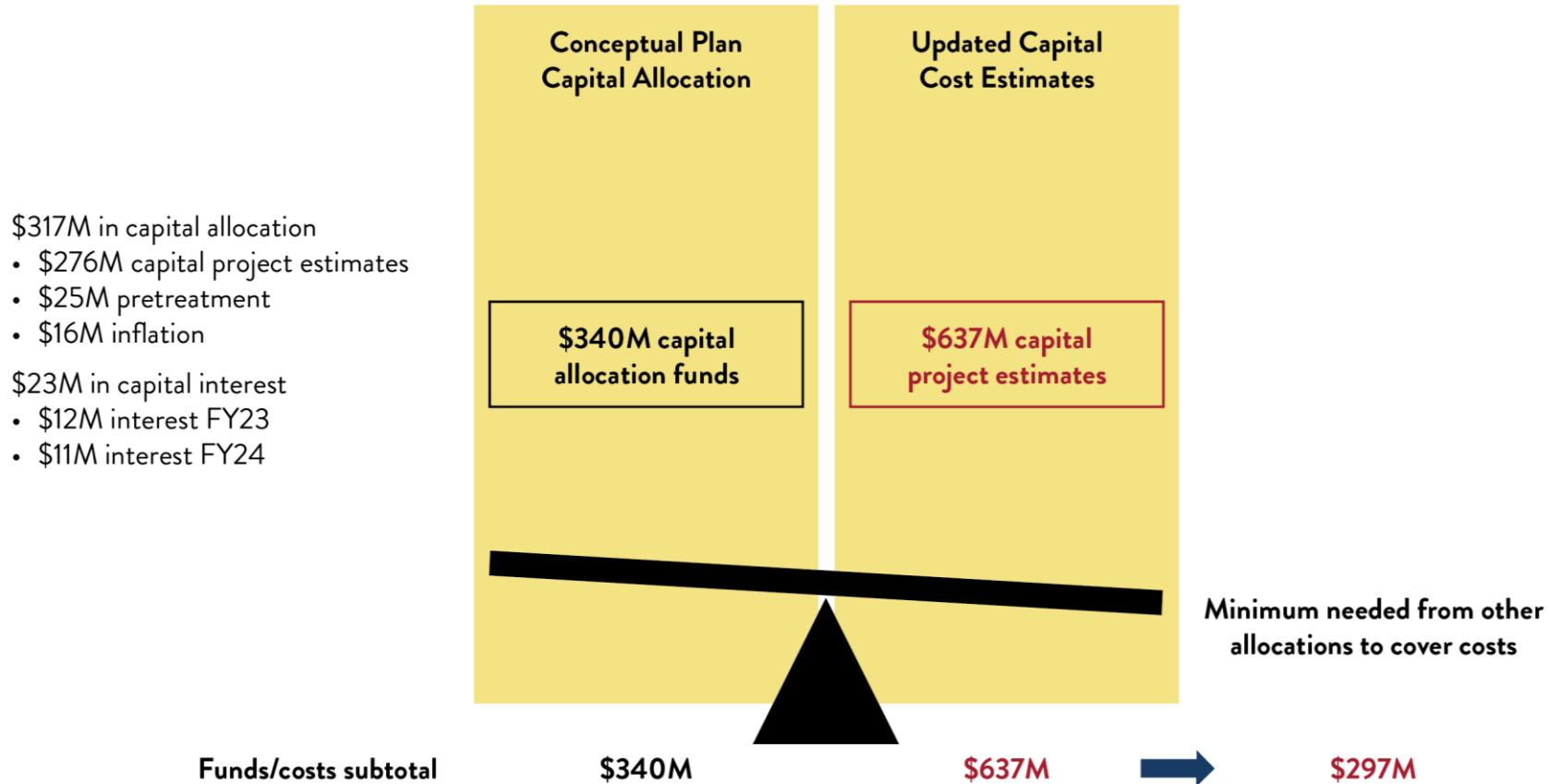


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# Future Reallocation



# Anticipated Fiscal Year 2024 and 2025 Projects Capital Allocation versus Updated Costs Estimates

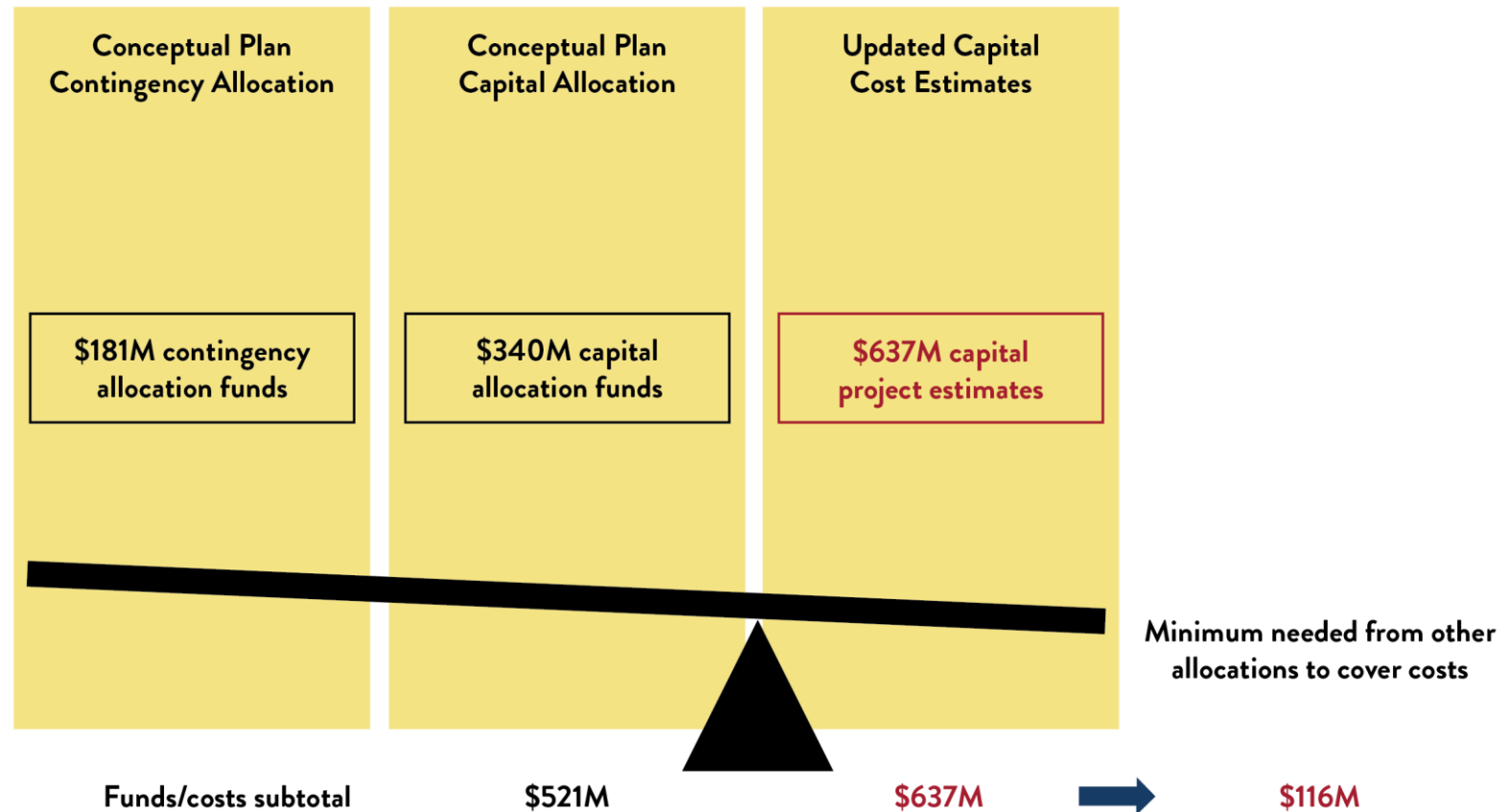


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# Anticipated Fiscal Year 2024 and 2025 Projects

## Capital Allocation versus Updated Costs Estimates

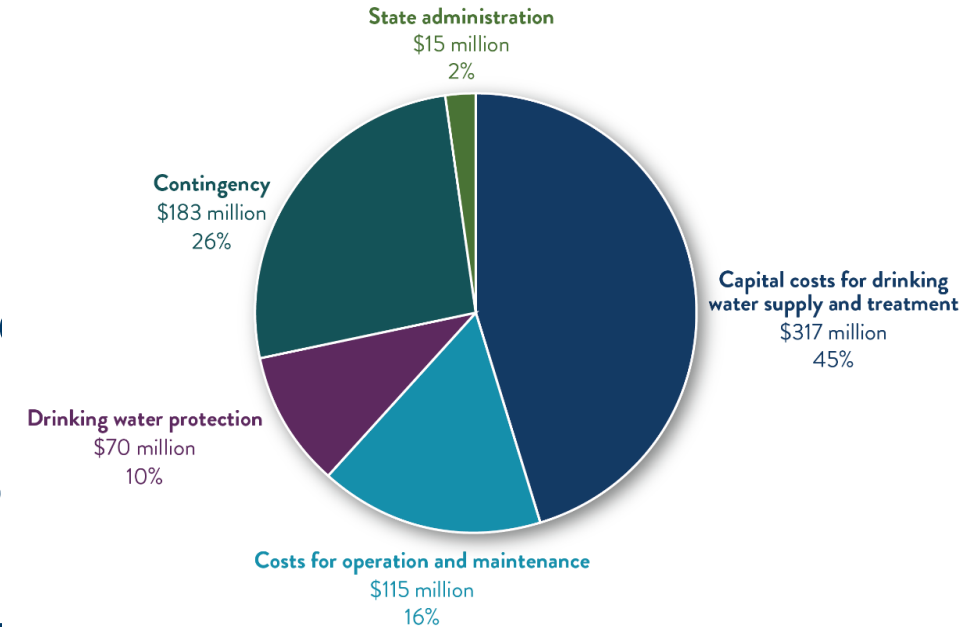
- \$168M in contingency allocation
- \$13M in contingency interest
  - \$6M interest FY23
  - \$7M interest FY24
- \$317M in capital allocation
  - \$276M capital project estimates
  - \$25M pretreatment
  - \$16M inflation
- \$23M in capital interest
  - \$12M interest FY23
  - \$11M interest FY24



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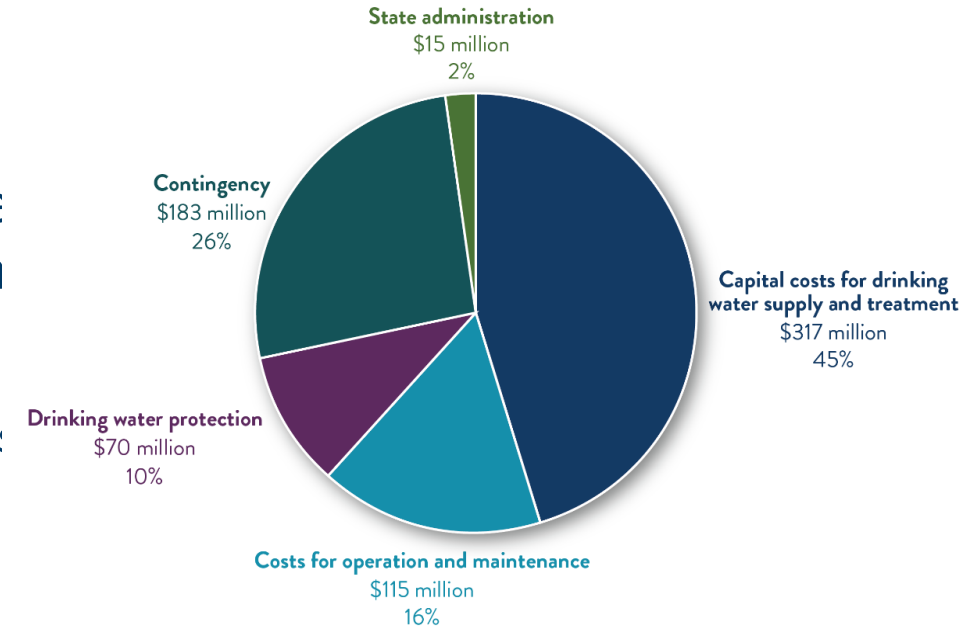
# Anticipated Spending and Earning in FY24 and FY25

- Priority one funds in their entirety are sufficient to cover currently estimated **capital project** costs
- **Capital fund allocation** will continue to fund eligible projects, including using interest earned on capital fund until the fund is depleted
- **Contingency fund allocation** will then be used to fund eligible projects
  - Likely to use dollars from the contingency fund allocation for capital projects in Fiscal Year 2025
  - Will continue to fund remaining expedited projects and O&M temporary treatment systems



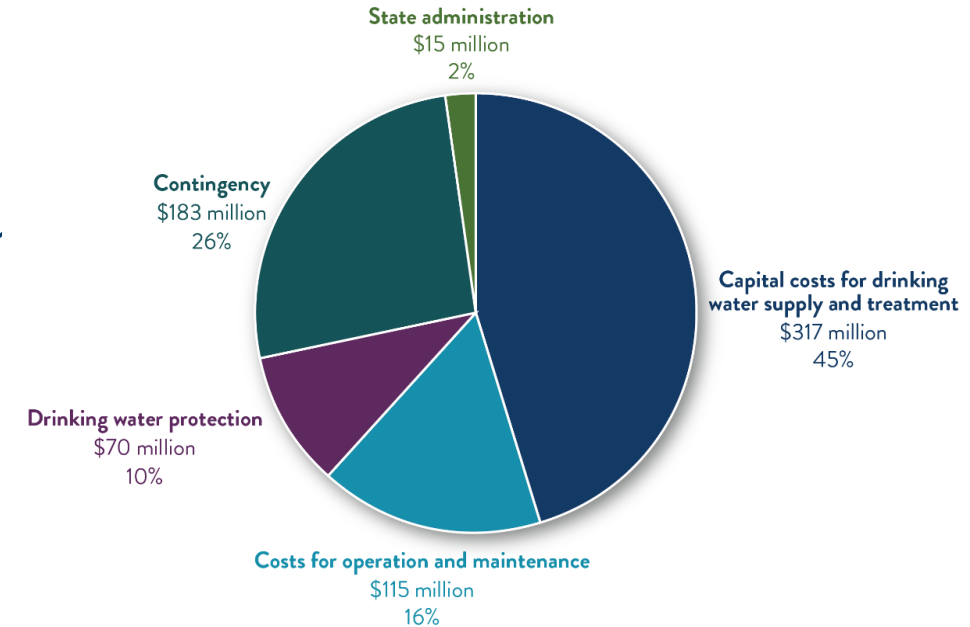
# Anticipated Spending and Earning in FY24 and FY25

- **O&M allocation** will continue to maintain individual POETs as well as permanent municipal water treatment plants
- **Drinking water protection allocation** will complete P 1007 feasibility study, as required under the Settlement and fund drinking water sampling for private wells and public systems
  - Feedback will be sought before moving forward any project outlined in the feasibility study
- **State administration allocation** will continue to fund implementation of the Conceptual Plan



# Anticipated Spending and Earning in FY24 and FY25

- May need to discuss a formal reallocation of funds in Fiscal Year 2025, if contingency fund allocation looks to be fully utilized
- In the event all of the allocations were to run out of funding, drinking water activities would revert to beir reimbursed by 3M under the 2007 Consent Order



# Questions?