

Minnesota 3M PFAS settlement

Conceptual drinking water supply plan annual review, 2024-2025

November 2025

1. Annual review purpose

The Conceptual Drinking Water Supply Plan (conceptual plan), released on August 18, 2021, serves as a guide for using the 3M per- and polyfluoroalkyl substances (PFAS) settlement funds to provide safe, sustainable drinking water to the affected communities in Minnesota's East Metropolitan Area. The Minnesota 3M PFAS Settlement website (<https://3msettlement.state.mn.us/>) has additional information on the settlement and the conceptual plan.

As a part of the conceptual plan, the Co-Trustees — the Minnesota Pollution Control Agency (MPCA) and the Minnesota Department of Natural Resources (DNR) — recognize the need to annually evaluate progress in implementing projects (Figure 1). In addition, the Co-Trustees recognize that actual costs will likely differ from the estimated project costs in the conceptual plan, and therefore the amounts set in each fund allocation will need to be regularly evaluated.

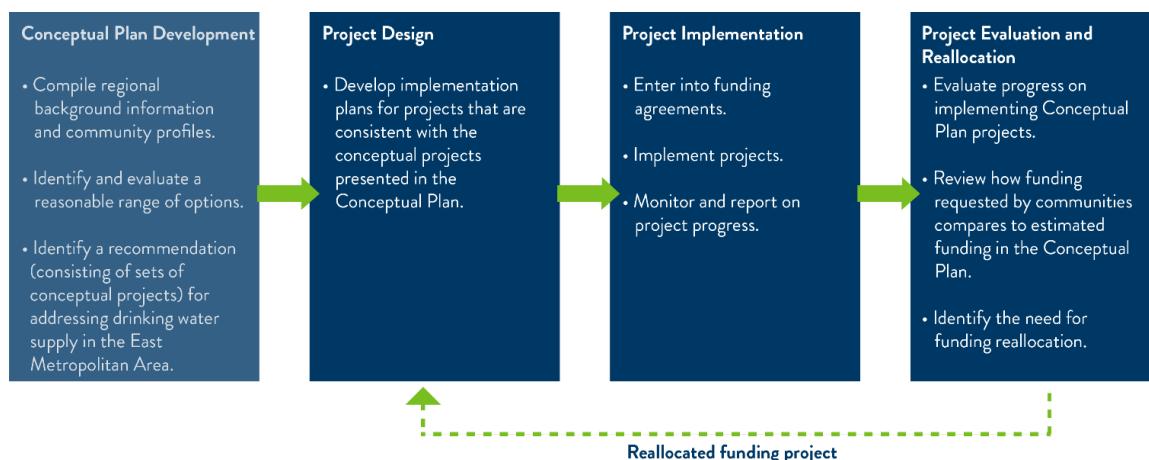


Figure 1. Process diagram for evaluating the conceptual plan project design, implementation, evaluation, and reallocation

The Co-Trustees are conducting an annual review of the conceptual plan implementation efforts, to evaluate progress, review how actual costs compare to estimates in the conceptual plan and determine whether a funding reallocation is warranted. The previous conceptual plan Annual Reviews (Annual Reviews) can be found at Minnesota's 3M PFAS Settlement site. This fourth annual review provides a year-in-review of progress made in fiscal year (FY) 2025, July 1, 2024 through June 30, 2025, and discusses anticipated progress for the next fiscal year July 1, 2025 through June 30, 2026.

To further support the review and awareness of progress on implementation of the conceptual plan, the Co-Trustees released a public [3M Settlement spending dashboard](#) in May 2024. The dashboard is updated annually and displays how communities are implementing the conceptual plan and achieving safe drinking water goals.

In this report, Section 2 provides an evaluation of progress in implementing the conceptual plan, Section 3 provides an overview of new information that has affected or may affect the implementation of the conceptual plan, and Section 4 discusses anticipated FY 2026 projects. Finally, Section 5 provides a review of contingency funding, a discussion of whether there was a need for a funding reallocation during this reporting period, and an explanation of funding reallocation anticipated in the next fiscal year.

2. Progress on the implementation of the conceptual plan

Priority 1 of the settlement aims to fund a variety of projects to enhance the quality, quantity, and sustainability of drinking water in the East Metropolitan Area. The conceptual plan allocates \$700 million in available funding from the 3M settlement, which is the amount of settlement funding available after payment of legal fees and deducting the \$20 million set aside for Priority 2.¹ Settlement funding includes three priority funding allocations: capital infrastructure, operation and maintenance (O&M), and drinking water protection (Figure 2).

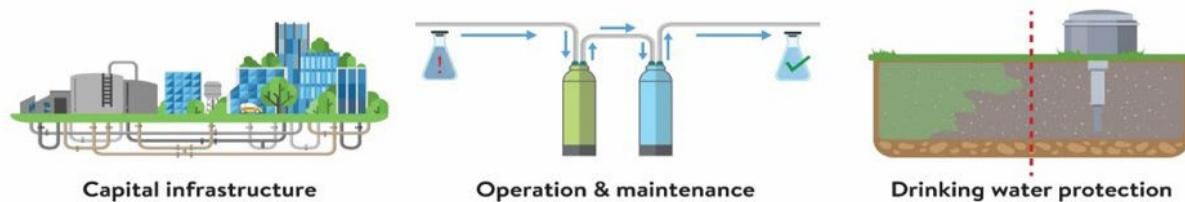


Figure 2. conceptual plan priorities

Including these three priority funding allocations, the settlement defines the following five funding allocations out of the available \$700 million:

- **Capital funding (45%,² or \$317 million)** allocated to plan, design, construct, and install the drinking water supply infrastructure for public water systems and private wells. The conceptual plan provides the affected communities with a tailored project list to meet the long-term goals of the settlement based on their specific needs and cost estimates.
- **Operation and maintenance (O&M) funding (16%, or \$115 million)** allocated to operate and maintain public water systems for an estimated 20 years and private well treatment systems for an estimated 30 years, as outlined in the conceptual plan.
- **Drinking water protection funding (10%, or \$70 million)** allocated to improve drinking water quality at the source, to target contamination cleanup in order to benefit drinking water quality for wells impacted by PFAS. This began with source assessment and feasibility evaluation of PFAS impacts on soil, groundwater, surface water, and sediments along the Project 1007 corridor that are transported to the drinking water. More information about Project 1007 can be found here: <https://3msettlement.state.mn.us/project-1007>.
- **Contingency funding (26%, or \$183 million)** allocated to potentially fund work in several different areas of uncertainty, including providing treatment for drinking water wells that are not included in

¹ The second priority of the Settlement is to restore and enhance aquatic resources, wildlife, habitat, fishing, and outdoor recreational opportunities in the East Metropolitan Area and in downstream areas of the Mississippi and St. Croix Rivers.

² Percentages do not sum to 100% because of rounding.

the capital and O&M budgets of the conceptual plan because they did not meet the treatment threshold at the time.

- **State administration (2%, or \$15 million)** allocated to administer and implement the conceptual plan, including review and development of grant agreements; tracking progress of project implementation; annual review and reallocation; reporting; and preparing for and holding public meetings.

The settlement funds have been placed into interest-bearing accounts distributed by allocation. Within the last fiscal year (2025) July 1, 2024 to June 30, 2025, the accounts had earned a total of approximately \$29.2 million in interest. The interest earned in FY 2025 remains in the interest-bearing accounts (Box 1).

Box 1. Allocation of interest earned on settlement dollars

Settlement funds are in interest-bearing accounts, and, as of June 30, 2025, had earned approximately \$29.2 million in interest in FY 2025. The interest earned in FY 2025 remains in the interest-bearing accounts split by allocation (note that the numbers below have been rounded):

- \$10.7 million is in the capital fund allocation.
- \$6.1 million is in the O&M fund allocation.
- \$2.4 million is in the drinking water protection fund allocation.
- \$9.8 million is in the contingency fund allocation.
- \$0.2 million is in the state administration fund allocation.

2.1 Fiscal year 2025 spending summary

During this last fiscal year, the state spent approximately \$91.3 million in settlement funding across the five funding allocations. The cumulative spending of settlement funding between the release of the conceptual plan in August 2021 and June 2025 is shown in Figure 3.

Spending during FY 2025 includes:

- **Capital funding (\$79.7 million)** spent on planning, design, and construction for water treatment plants in Cottage Grove, Lake Elmo, Woodbury and Cimarron Park; acquisition of a water treatment plant site in Hastings; construction of an interconnect for Newport and pipelines in Cottage Grove, St. Paul Park and Woodbury; water system modelling in Oakdale; and feasibility studies for Eagle's Watch in Denmark Township and Newport. Capital funds were also spent on installing whole-home water filter systems also called point of entry treatment systems (POETS) for private wells over the treatment threshold in communities across the East Metropolitan Area. Two projects were completed this year in Cottage Grove and Newport that included connecting homes to municipal water with capital funds. Construction related costs for temporary treatment of additional wells in Cottage Grove and Woodbury to meet their water demand until the permanent water treatment plants are in place were also Capital expenditures.
- **O&M funding (\$6.4 million)** spent on operation and maintenance at temporary treatment systems in Oakdale, Cottage Grove, and Woodbury, as well as water treatment in St. Paul Park.

This amount includes approximately \$1M was spent to maintain granular activated carbon (GAC) filters in POETS across the east metropolitan area.

- **Drinking water protection funding (\$3.4 million)** spent on Project 1007, including contractor support for the feasibility study, and laboratory costs for municipal system PFAS sampling and residential well sampling.
- **Contingency (\$0.3 million)** spent on completion of projects to extend water mains and connect homes to the municipal drinking water supply system in Lake Elmo. These projects were similar to expedited projects in that they were consistent with the conceptual plan, time-sensitive, and reviewed/approved with input from the work groups. However, these projects were funded with Contingency funds because interest earned (which was to cover the expenses) was not sufficient to cover these projects and maintain the capital allocation.
- **State administration (\$1.5 million)** spent on administering and implementing the conceptual plan, including state and contractor review and development of grant agreements, tracking project implementation progress, annual review and reallocation determination, reporting, and preparing for and holding work group and public meetings. The State is planning for the eventual depletion of settlement funds, anticipated in 2027, by preparing a path for transition to the 2007 Consent Order between the State of Minnesota and 3M Company.

Conceptual plan project status information is available at <https://3msettlement.state.mn.us/investing-east-metro-drinking-water>.

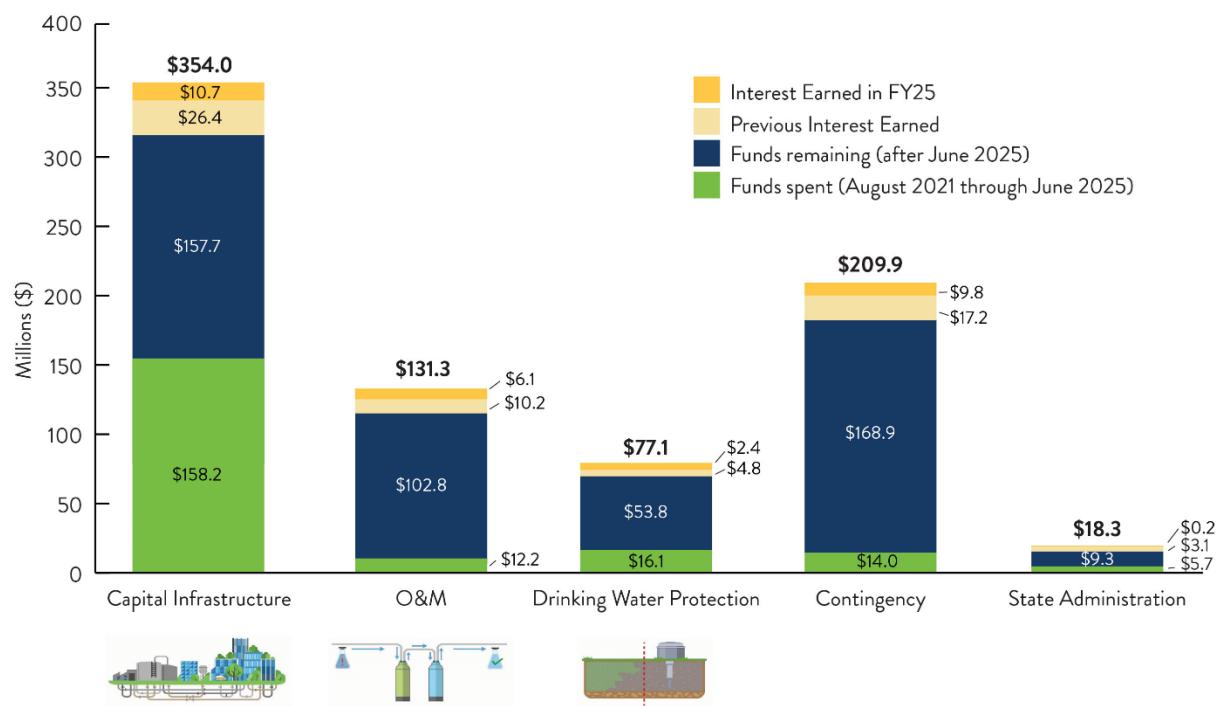


Figure 3. Funding Spent Across Project Types, August 2021–June 2025³

³ Figure 3 includes only funding from the \$700 million included in the Conceptual Plan. It does not include spending from interest earned or spending on temporary treatment.

2.2 Implementation of Grant Agreements

The conceptual plan identifies projects the Co-Trustees intend to fund, however, communities are not automatically allocated the portion of capital or O&M outlined in the conceptual plan. Project implementation is driven by the communities through a grant process with the state. The state reviews information provided by communities and develops grant agreements to enable project implementation.

Many communities will have multiple grants over several years for different phases of a given project (e.g., planning and design, construction, and O&M phases). Once a grant agreement is in place, each community follows their own processes for implementation, coordinating with the state as necessary. For private wells, the MPCA will continue to manage the installation and maintenance of POETSS using contractors.

Since the conceptual plan release, Co-Trustees have prioritized funding the projects outlined in the conceptual plan and have completed individual project funding reviews within the expected six- to eight-week timeframe. For grants that contain elements that are not specifically evaluated in the conceptual plan, the Co-Trustees must ensure that projects are consistent with the conceptual plan and that adequate funding is available to cover project costs. The level of reimbursement (i.e., cost share) of construction costs is based on cost-effectiveness and eligibility of projects under the settlement and as identified in the conceptual plan. Additional review time may be required as more information is gathered; however, the Co-Trustees are regularly refining the implementation process to increase efficiency.

The state had a total of 48 grant agreements active in FY 2025, July 1, 2024 to June 30, 2025, using settlement funding. Of the 48 grant agreements, 24 are ongoing, 15 are newly executed (within FY25), and 9 have been closed (Table 1).

- **40 of the grant agreements** are associated with capital projects. Six were closed during the annual review period, 14 were newly executed, and 20 are ongoing (executed prior to July 1, 2025).
 - The **20** ongoing capital projects include planning activities for permanent water treatment projects in Cottage Grove, Lake Elmo and Woodbury; continued construction of temporary treatment of additional wells in Cottage Grove; Grange Trunk water main construction in Cottage Grove; planning for the High Zone water main in Cottage Grove; Goodview Avenue water main extension in Cottage Grove; grant administration for Cottage Grove, Lake Elmo and Woodbury; Newport interconnect planning; Stillwater Boulevard Trunk water main, Washington County well sealing; and the completion of a home connection to municipal drinking water in Newport.
 - The **14** newly executed agreements are for water treatment plant planning, design, and construction in Cimarron Park, Cottage Grove, Lake Elmo, and Woodbury; High Zone water main construction in Cottage Grove; a feasibility study in Eagles Watch and Newport; land acquisition in Hastings and Newport; interconnect construction in Newport; modeling of Oakdale's distribution system and a comprehensive water system study in Oakdale; and pipeline construction in Woodbury.
 - The **six** closed grant agreements include Cottage Grove's ion exchange pilot study; Woodbury's land purchase for their water treatment plant; Woodbury's preliminary engineering report and ion exchange pilot study; a communications and outreach grant in

Woodbury; a planning grant for Lake Elmo; and St. Paul Park's connection of Well 2 to their treatment plant.

- **Five grant agreements** are associated with O&M. One was newly executed, and four are ongoing.
 - The **four** ongoing O&M projects include long-term treatment in St. Paul Park and temporary treatment in Cottage Grove, Oakdale, and Woodbury.
 - The **one** newly executed agreement includes long-term treatment in Cottage Grove.
- **Three agreements** are associated with contingency funding and all closed during the annual review period. They were projects initiated early on, before the conceptual plan was complete, similar to "expedited projects." These three grants extend water mains and connect homes in Lake Elmo neighborhoods to the municipal drinking water supply system. They all closed during the FY 2025 period.

Table 1. Number of settlement grant agreements, July 2024-June 2025

Funding allocation category	Ongoing grant agreements (open)	New grant agreements executed (open)	Number of grant agreements (closed)
Capital	20	14	6
O&M	4	1	0
Contingency	0	0	3
Total	24	15	9

2.3 Comparison of estimated costs to awarded funding

The following is a comparison of the amounts awarded from the settlement and the amounts estimated in the conceptual plan for projects. The amounts awarded are the grant amounts for the projects that the communities estimated following the completion of the conceptual plan. Planning project costs are generally composed of labor costs for tasks such as coordination and design and are compared with the professional service estimates in the conceptual plan. Construction projects include materials, equipment, and labor costs associated with construction and are compared with the capital cost estimates in the conceptual plan. Grant amounts for construction projects are often based on actual construction contractor bids, whereas professional services grant amounts are usually based on estimates completed by the communities' design contractors.

Since the completion of the conceptual plan in August 2021 through June 2025, project costs have generally exceeded the costs estimated in the conceptual plan, shown in Figure 4. Over this period, cost increases have been driven by inflation, as well as other factors such as: additional wells requiring treatment, leading to more or larger treatment facilities; changes in treatment equipment; changes in water demand growth projections; overcoming additional distribution system challenges; and incorporating approaches to adaptability for long-term treatment. Some of these changes (e.g., treating additional wells or adding pretreatment where warranted) were anticipated in the conceptual plan, while other changes (e.g., evolving system operations and the magnitude of inflation) were not.

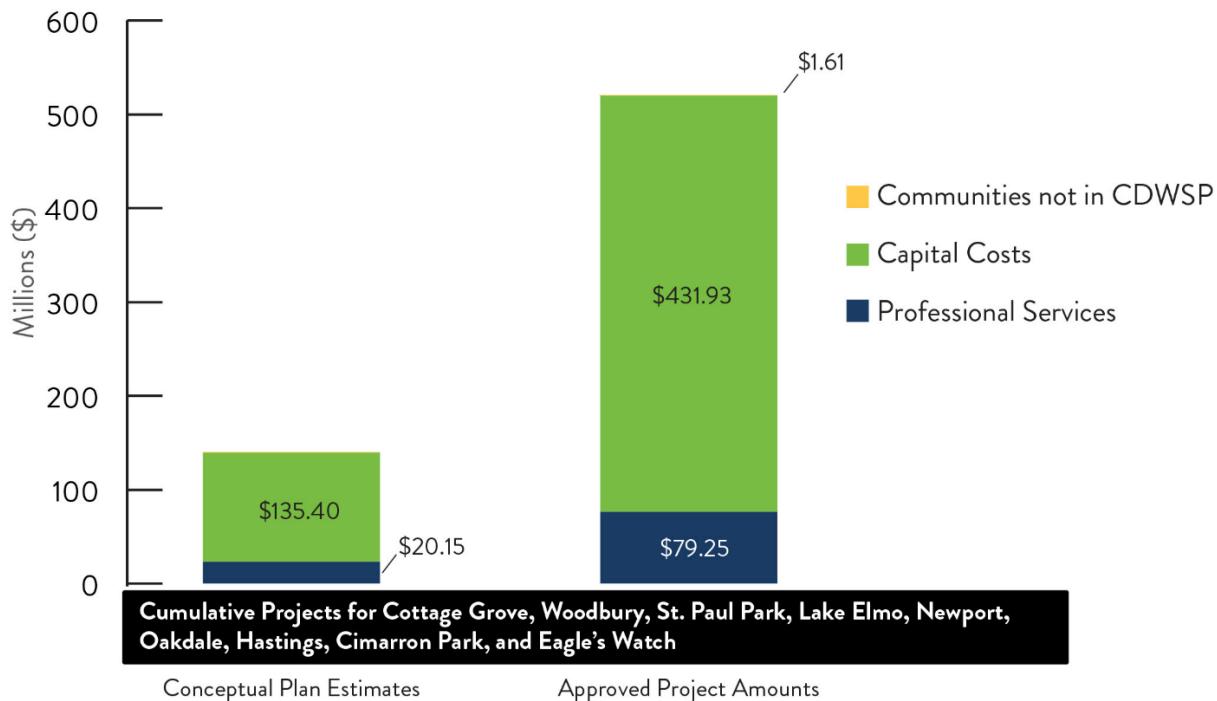


Figure 4. Cost comparison of conceptual plan estimates and grant awards for Cottage Grove, Woodbury, St. Paul Park, Lake Elmo, Newport, Oakdale, Hastings, Cimarron Park, and Eagle's Watch Municipal System Projects, Aug. 2021-June 2025

During this fiscal year 2025 review period, July 2024-June 2025, the overall sum of grant funding awarded for municipal capital projects exceeds the estimated sum of their equivalent conceptual plan estimates, where available.⁴ Figure 5 shows this comparison, which includes the eight communities that had new grants awarded during the review period: Cottage Grove, Woodbury, Lake Elmo, Newport, Oakdale, Cimarron Park, Eagle's Watch, and Hastings. Projects may take place over multiple years, and grant amounts awarded may include full project costs even though the projects may not be completed within the annual review period.

Similar to the last review period, all projects across five of the eight communities (Cottage Grove, Woodbury, Lake Elmo, and Newport) experienced higher project costs than the conceptual plan estimates. Three of the eight communities (Cimarron Park, Eagle's Watch, and Hastings) that had projects this review period were not part of the conceptual plan, therefore no comparisons could be made. In general, the higher costs during fiscal year 2025 can be attributed to: the inclusion of settlement-eligible projects in communities not originally included in the conceptual plan, additional settlement-eligible design elements not included in the conceptual plan, construction cost increases driven by inflation and labor shortages, and variations in the construction setting, which was different from what was assumed in the conceptual plan. The conceptual plan generally did not account for things

⁴ A comparison to estimates in the Conceptual Plan is not always exact, because some communities' separate portions of projects into several different grant agreements, combine the costs of individual project elements, and/or propose projects that are different than the Conceptual Plan projects such that the costs cannot be directly compared. In instances where the project was not in the Conceptual Plan, the Conceptual Plan estimate used is \$0. The Conceptual Plan estimates are being compared to the total grant agreement amounts, not necessarily the amount reimbursed during this review period.

like costs associated with communication services or planning and designing temporary treatment for communities. Such activities have depleted the already limited resources in the planning estimates and will create higher capital and O&M costs in the future. However, the conceptual plan is designed to adapt to and cover these higher costs so long as they are settlement-eligible.

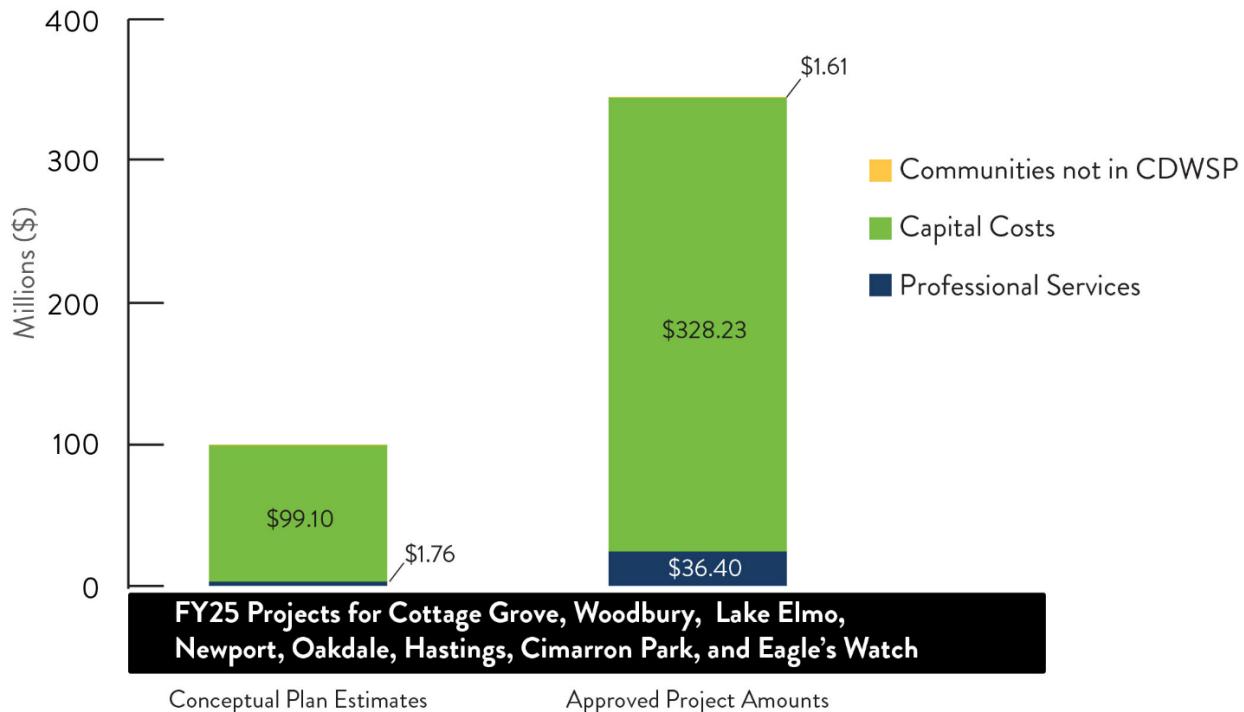


Figure 5. Cost comparison of conceptual plan estimates and approved project amounts (or grant awards) for Cottage Grove, Woodbury, St. Paul Park, Lake Elmo, Newport, Oakdale, Hastings, Cimarron Park, and Eagle's Watch (combined) municipal system projects, July 2024-June 2025

Figure 6 below shows the breakdown per community of the cost comparison of conceptual plan Estimates and Approved Project Amounts (or Grant Awards) during the review period. Cottage Grove received a grant to complete construction on the second of the two water treatment facilities. Construction capital costs for the treatment facility have increased from the conceptual plan estimates because of settlement-eligible changes in their design, such as pretreatment. An additional factor that led to increased costs was the construction of water mains to connect additional wells to treatment. Although the conceptual plan did not include the construction of these water mains, they were deemed settlement-eligible because of changing state and federal health values and standards. This also resulted in a larger treatment facility, further increasing costs.

Woodbury received a grant to complete construction on one water treatment facility. Construction capital costs for the treatment facility have increased from the conceptual plan estimates because of settlement-eligible changes in their design. Additional water mains were needed due to changes in health values at the state and federal level. Increased construction costs resulted from the need for a larger treatment facility, as a result of the need to treat additional wells, and an increase to their 2040 water demand. In addition to the increased costs related to the larger treatment plant, costs were further increased due to the inflation of labor and materials.

During this review period, Newport initiated multiple projects encompassing planning, design, and interconnect construction. Collaborative planning with Cottage Grove led to Newport receiving a grant for a water system interconnection between the two communities. Overall costs for the Newport and Cottage Grove interconnect exceeded the conceptual plan estimates mostly related to inflation of labor and materials. There were also unforeseen land acquisition costs associated with easement area adjustments. Furthermore, recent testing has indicated that PFAS concentrations in Newport's wells now exceed health-based guidance values. This resulted in the need for Newport to conduct a feasibility study to assess other options, which was not included in the conceptual plan.

The comparison for Lake Elmo during this review period includes construction on their Well 2 temporary treatment facility. At the time of the conceptual plan, Well 2 was considered a safe drinking water supply well without the need for PFAS treatment, therefore no estimate exists in the conceptual plan for the temporary treatment facility. An amendment was also approved to conduct additional planning for the south area production wells and treatment plant, a project which was not specifically accounted for in the conceptual plan. Estimates for an optional project in Lake Elmo were included in the conceptual plan Capital Allocation and was considered to be a placeholder due to various unknown factors at the time. One of the other options identified (see conceptual plan section 9.5.2) was installing two new wells within the City of Lake Elmo and adding treatment if necessary, which is the option that Lake Elmo is currently pursuing.

Oakdale began planning and design for their centralized water treatment plant, including evaluating existing infrastructure, developing design criteria, analyzing improvement alternatives, and providing updated cost opinions. At the early stage of these projects, a comparison with the conceptual plan estimates is not conclusive for the approved amounts during the review period.

At the time of the conceptual plan, projects within the neighborhoods of Eagle's Watch and Cimarron Park were not anticipated. Since then, PFAS concentrations in wells in Eagle's Watch and Cimarron Park have exceeded health-based guidance values. In addition, MPCA determined with sufficient data and evidence that the contamination of Hastings' well 5 can be traced back to the 3M Cottage Grove site. In order for a community to be settlement eligible, there must be a clear link between PFAS contamination and one of the four sites (3M's Cottage Grove, Woodbury, Oakdale sites and the Washington County landfill). This is the same criteria used to allow other communities to be eligible for the 3M Settlement funds that were not specifically named in the settlement. (e.g., Lakeland, Lakeland Shores, Maplewood, Prairie Island Indian Community, and Denmark Township).

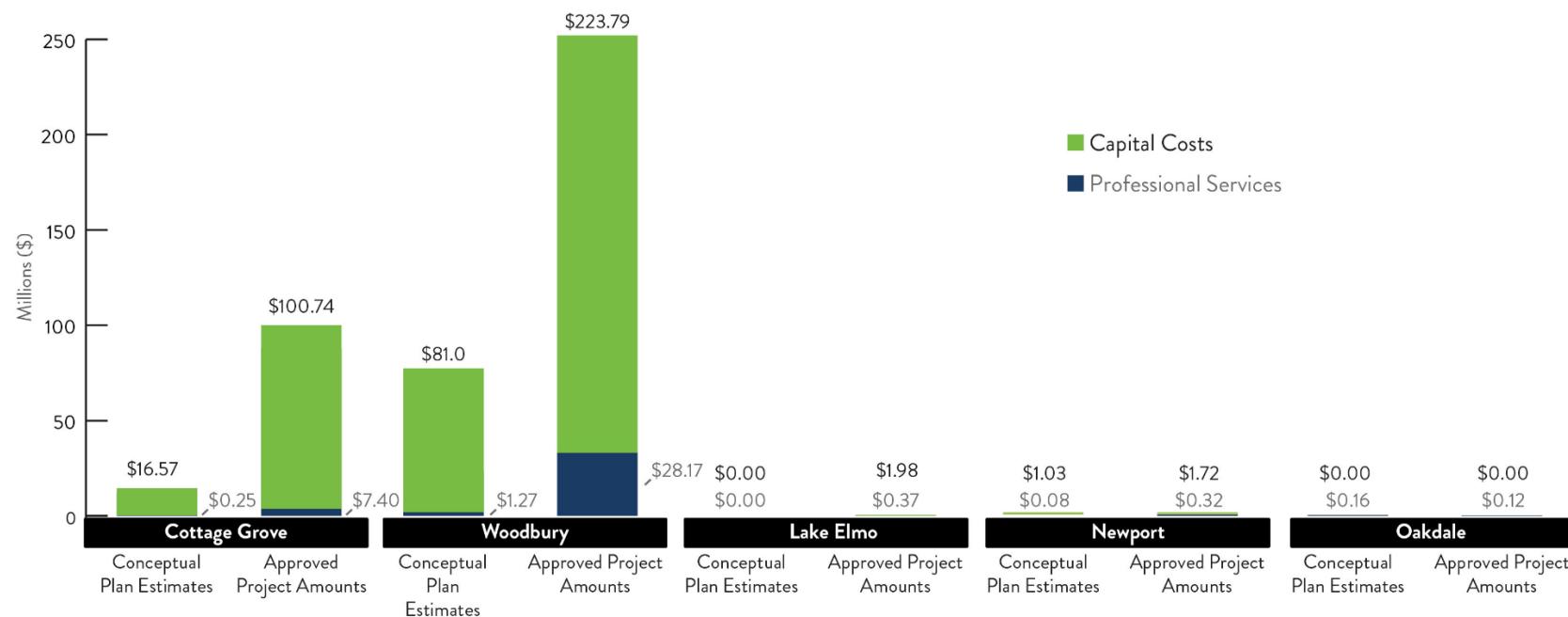


Figure 6. Cost comparison of conceptual plan estimates and approved project amounts (or grant amounts) awarded for Cottage Grove, Woodbury, Lake Elmo, Newport, and Oakdale, municipal system projects, July 2024-June 2025⁵

⁵ St. Paul Park conceptual plan estimates and approved project amounts for FY2025 are less than \$500,000 and so do not appear in this chart.

Funding for O&M costs for long-term municipal drinking water treatment is under way, and a comparison to conceptual plan estimates is still very preliminary. Cottage Grove received a grant for O&M for their low zone water treatment plant. Annual O&M cost estimates in the grant are higher than those estimated in the conceptual plan. This is due to changes in their design strategy and settlement-eligible treatment components that were not included in the conceptual plan estimates, such as storage and high service pump stations. Other permanent treatment systems are in progress but are not yet constructed. More data will be available once additional long-term systems come online and/or when existing systems are completed and incur media change-outs in the next few years.

Previous Annual Reviews have addressed cost comparisons for other projects under the conceptual plan such as POETSS and neighborhood connections, which can be found in the [2022 Annual Review](#) and [2023 Annual Review](#).

3. Impacts to implementation from new information

The conceptual plan was built with a degree of resiliency to proactively account for future potential changes. For example, the conceptual plan includes a 25% contingency built into capital costs, rather than a traditional 10%, and an additional \$16 million in capital funds was set aside to cover potential future inflation of costs. In addition, the conceptual plan includes a designated contingency fund allocation in addition to the capital allocation for future changes and is more robust than traditional approaches.

While the conceptual plan outlines estimated costs for projects, unknown conditions continue to introduce additional costs as communities implement drinking water infrastructure projects. This section focuses on new information and unexpected conditions during the annual review period that have had the greatest impact on implementation.

3.1 Changing PFAS health values for drinking water

The Minnesota Department of Health (MDH) finalized updated Health Based Values (HBVs) for perfluorooctanoic acid (PFOA) and perfluorooctane sulfonate (PFOS) in 2025. HBVs are designed to protect populations most vulnerable to the potentially harmful effects of a chemical, such as infants, developing fetuses, and pregnant individuals. The updated HBVs are non-regulatory values designed to provide context and guidance for policy makers. However, HBVs do apply when it comes to making decisions about the safety of private drinking water wells. The 2007 Consent Order specifically requires the use of the HBVs and the settlement prioritizes exceedances of HBVs and health risk limits (HRLs). More information is available on the [MDH website](#) and in [Priority 1 Work Group meeting materials](#) from early 2024.

MDH has been working with communities to increase sampling at public wells, and MPCA continues to sample private wells based on plume location and resident requests.

The U.S. Environmental Protection Agency (EPA) has also announced final National Primary Drinking Water Regulations for a subset of PFAS chemicals, including enforceable maximum contaminant levels (MCLs) for PFOA and PFOS of 4.0 ppt. As of May 14, 2025, the EPA plans to develop a rulemaking that extends the compliance date another two years (2031). The EPA also plans to rescind and reconsider the regulatory determinations for PFHxS, PFNA, HFPO-DA (commonly known as GenX) and the hazard index calculation of these three and PFBS. The initial regulation will apply until the new regulations are finalized. While the settlement relies on the lower level of the HBVs, the MCLs will be enforceable.

3.2 Inflation and other cost increases

Since the State of Minnesota and 3M Company settled in October 2018 and the conceptual plan was completed in August 2021, project costs have significantly increased. Due to these and other cost increases, the settlement is being spent at an expedited rate. Projects are impacted by the new HBVs, HRLs and MCLs, inflation, and material cost increases. Even though the conceptual plan was built with a degree of resiliency with conservative assumptions, contingency, and reallocation options, it does not account for all of the cost increases.

One factor includes the lower HBVs impacting the municipal wells. More municipal wells have exceeded HBVs than initially projected in the conceptual plan. The costs therefore have increased to account for planning, design and projected treatment for these additional wells. Lower HBVs also impact the private well sampling program. The MPCA has been resampling wells with improved testing capabilities. A number of wells were also sampled for the first time in areas that were previously thought to have no PFAS impacts. Over the last year, approximately 920 wells were issued a well advisory and now need treatment. With more wells needing treatment, the number of treatment systems needing annual maintenance also increases. While residents wait for the installation of their treatment system, bottled water is offered as an alternative drinking water source. This is another area where costs are increasing.

During this reporting period, MPCA determined, with sufficient data and evidence, that the contamination of Hastings' well #5 can be traced back to the 3M Cottage Grove site, adding this well to the list of projects eligible for settlement funding. In order for a community to be settlement eligible, there must be a clear link between PFAS contamination and one of the four sites (3M's Cottage Grove, Woodbury, Oakdale sites and the Washington County landfill). This is the same criteria used to allow other communities to be eligible for the settlement funds that were not specifically named in the settlement. (e.g., Lakeland, Lakeland Shores, Maplewood, Prairie Island Indian Community, and Denmark Township). In Hastings, well #5 is the only well to get this designation. However, 3M, under the direction and oversight of the MPCA is determining if additional wells in Hastings are impacted by 3M's four disposal sites.

Actual costs for materials and labor continue to be higher than what was estimated in the conceptual plan because of higher-than-anticipated inflation, material cost increases, labor shortages, and supply chain issues. Construction and material costs are tracked by a number of indices. For example, between January 2020 and July 2023 material and equipment costs increased by 41% for water treatment, 30–40% for ductile iron, and over 100% for plastics and rubber.

Escalation of construction costs from the various indices slowed between 2023-2025 (CCI, Construction-related FRED). Sectors that had the most dramatic increases over 2020-2023 – such as steel, plastics and rubber – show a dramatic decrease over 2023-2025. In the case of steel, costs have dropped dramatically over the second half of 2022 through early 2025 (-30%); rubber and plastics are slower to deflate. Most markets have stagnated since 2023, meaning costs remain much higher than originally anticipated, because of the high inflation in past years. Further, since early 2025, less dramatic, but notable increases can be seen for the iron (9%) and steel (10%) markets. Thus, although costs have come

down since 2022/2023, it hasn't been to the same extent as the increases over 2020-2023, and it is prudent to continue to exercise caution in estimating costs due to continued market volatility.⁶

3.3 Accounting for temporary drinking water treatment systems

Under the terms of the settlement, 3M provided up to \$40 million for a period of up to five years (Feb. 20, 2018-Feb. 20, 2023) to fund temporary drinking water treatment solutions. The \$40 million was in addition to the settlement grant amount. Since this provision expired on February 20, 2023, settlement funds from the capital allocation are now used to fund the remaining and additional construction of temporary treatment construction. Funds from the O&M allocation are used to fund the O&M needs of any temporary treatment solutions. Section 2.1 provides the FY 2025 spending associated with temporary treatment.

3.4 Adapting to the changes

Because of the aforementioned cost increases and need to treat more wells, owing to the state and federal health value revisions, the settlement is being spent at an expedited rate and as a result the end of the settlement funds is expected much sooner than previously anticipated. Even though the conceptual plan was built with a degree of resiliency with conservative assumptions, contingency, and reallocation options, it is not enough to account for all of these cost increases. Capital infrastructure costs projected over the next several years surpass settlement dollars available. Next fiscal year, Co-Trustees will need to draw from the contingency fund allocation to cover capital costs. (See Section 5.1 for additional information about the use of contingency funding.)

During this past fiscal year, Co-Trustees continued the pause on the connection of additional neighborhoods and instead using capital infrastructure dollars on drinking water treatment. This pause is specifically for neighborhoods where the majority of residences already have POETSS on their homes and have access to safe drinking water.

With the release of the new HBVs, MPCA increased sampling at private wells and continues install POETSS. There are approximately 7,000 – 8,000 residential wells in the East Metropolitan area. In accordance with the conceptual plan, the state tests drinking water for PFAS, issues well advisories, and provides temporary bottled water to residents until a point of entry treatment system is placed in the home or the residence is connected to city water. In the past year, 1,267 samples were collected, 254 new POET systems were installed, and 1,101 POETSS were maintained by exchanging the carbon filters.⁷ There has been an increase in sampling requests and samples taken over the past reporting period. In 2024, the requests and samples tripled compared to the previous year. There is additional information within the [Private Well Sampling Memo \(2024\)](#). Due to a large increase in wells sampled, there is a significant backlog to install POETSS. MPCA is working on adding additional contractors to the project to address the backlog. Bottled water is provided to residents waiting for their POETSS.

⁶ The Chemical Engineering Plant Cost Index: <https://www.chemengonline.com/pci-home>; Engineering News Record Construction Cost Index: <https://www.enr.com/economics>; Federal Reserve Bank of St Louis: Federal Reserve Economic Data | FRED | St. Louis Fed (PCU33123312, PCU3353133531, PCU236211236211, PCU2365002365003, PCU3315113315111, PCU23640023640013, PCU32612232612213, PCU2364002364002243, PCU5413354133, PCU3312103312100, WPU072106033).

⁷ The Private Well Sampling Memo reports data from calendar year 2024. Numbers will be different from this report summarizing data from fiscal year 2025

4. Projects anticipated in fiscal year 2026

Communities are continuing to move forward implementing projects outlined in the conceptual plan. The Co-Trustees anticipate several new projects in FY 2026, including:

- **Capital fund allocation:**
 - Planning and design for wells, watermains, and water treatment plants in Cimarron Park, Lake Elmo, and Oakdale
 - Construction of permanent water treatment plants and associated water main extensions and installations in Cimarron Park, Hastings, Lake Elmo, and Oakdale
 - Local area connections to municipal system in Cottage Grove
 - Well decommissioning in Cottage Grove
 - Planning and design for Newport
 - Well modifications and upgrades in Oakdale
 - Communications support for Woodbury for their ongoing construction of a permanent water treatment plant
 - Installation of POETSs in Afton, Baytown Township, Cottage Grove, Denmark Township, Lake Elmo, Lakeland, Maplewood, Newport, St. Paul Park, West Lakeland Township, and Woodbury, and other settlement-eligible communities as needed
 - Sealing of private wells in Afton, Lake Elmo, Lakeland, Lakeland Shores, Lake St. Croix Beach, Newport, Oakdale, St. Paul Park, and the townships of Baytown, Denmark and West Lakeland under the Washington County well sealing program.
- **O&M fund allocation:**
 - In addition to existing O&M grants, new grants for Cottage Grove and Lake Elmo
 - Maintenance of individual POETSs
- **Drinking water protection fund allocation** will continue to be expended on Project 1007, including contractor support for the feasibility study, and drinking water monitoring for public and private systems.
- **Contingency fund allocation** will be spent on capital projects, as discussed in Section 5.
- **State administration fund allocation** will continue for the administration of the conceptual plan, including state and contractor review and development of grant agreements, tracking project implementation progress, annual review, reporting, holding work group and public meetings, and developing the transition path to the Consent Order.

5. Contingency fund allocation and fund reallocation

As implementation of the conceptual plan continues, the Co-Trustees will evaluate progress on projects, compare actual costs to estimates, and monitor when contingency funds will be used and when funds may warrant reallocation.

When settlement funds are depleted in the future, the 2007 Consent Order requires 3M to fund treatment costs for drinking water wells with a health advisory (issued when the PFAS HI ≥ 1). A summary of the Consent Order is available at

<https://3msettlement.state.mn.us/sites/3msettlement/files/3M%20settlement-FINAL.pdf>.

5.1 Contingency fund allocation

Contingency fund allocation dollars can be used for eligible projects at any time and do not require fund reallocation. As described in Section 2, \$0.3 million (or 0.2%) of the \$183 million dedicated to the contingency fund allocation have been spent within this annual review period for the continuation and completion of settlement-eligible neighborhood connection projects. Approximately \$14.0 million (or 7.7%) of the contingency fund allocation has been spent in total since August 2021. An additional \$162.5 million of the contingency fund allocation has been committed to grants for capital projects.

Contingency funds will continue to be used in fiscal year 2026 to cover capital infrastructure projects because of the funds in the capital infrastructure account being fully committed.

5.2 Fund reallocation

As part of the annual review of the conceptual plan, the Co-Trustees consider new information that has evolved over the previous year, provide a review of actual costs of projects, and discuss other adjustments that are necessary to ensure the effectiveness of the plan.

The conceptual plan provides a framework with flexibility to reallocate funds, as necessary, which includes obtaining work group feedback (see section 10.4 in the conceptual plan). After reviewing how actual costs compare to estimates and considering new information over the past year, the Co-Trustees determined that a funding reallocation was not necessary during FY 2025. The project grants awarded in FY 2025 did not exceed the total capital fund allocation (see Section 2.1) nor require use of contingency fund allocation, with exceptions noted in Section 2.

Based on community survey input, it is anticipated that awarded grant amounts will exceed the remainder of the capital and contingency funds in FY 2026. Co-Trustees are planning now for the reallocation of funds in anticipation of capital costs exceeding both the capital and contingency allocations.

The Co-Trustees plan to cover costs in excess of the capital and contingency allocations from 2026 and beyond with dollars from the O&M, drinking water protection and State Administration allocations.

Based on current projections, it is estimated that \$26.2 million will be needed from those three accounts to cover capital infrastructure costs in FY26. Funds drawn from the accounts will be proportional to the distribution percentages from the original allocations (see Section 2). The reallocation will consist of approximately \$15.1 million from O&M, \$9.2 million from Drinking Water Protection fund and \$2.0 million from the State Administration account. After reallocation, the O&M account will have \$78.6 million remaining, the Drinking Water Protection account will have \$49.8 million remaining, and the State Administration account will have \$9.2 million remaining. The Co-Trustees will continue to work on the transition to the 2007 Consent Order while working closely with workgroup members.