

Minnesota 3M PFC Settlement

Notes from the Government and 3M Working Group Meeting

Wednesday, June 17, 2021

9 a.m. – noon

Virtual Webex meeting

Group members in attendance

- Ann Pierce
- Chris Hartzell
- Christina Volkers
- Dave Schultz
(substitute for Daniel Kyлло)
- Jess Richards
- Jim Kotsmith
- Kathy Sather
- John Herdegen
(substitute for Kevin Chapdelaine)
- Kirk Koudelka
- Kristina Handt
- Lowell Johnson
- Mary Hurliman
- Michelle Elsner
- Monica Stiglich
- Ron Moorese

Presenters

- Kirk Koudelka, Minnesota Pollution Control Agency (MPCA)
- Jess Richards, Minnesota Department of Natural Resources (DNR)
- Cori Rude-Young, MPCA
- Mark Lorie, Abt Associates
- Heather Hosterman, Abt Associates

Welcome

Heather Hosterman (Abt Associates) welcomed the work group to the meeting. Mark Lorie (Abt Associates) reviewed the agenda. The purpose of this meeting was to provide an update on the Conceptual Drinking Water Supply Plan (Plan) and associated activities. Kirk Koudelka (MPCA) then welcomed the work group. Kirk announced that Kathy Sather is retiring from MPCA as well as highlighted some requests for funding that have been approved, including land for a treatment plant in Woodbury and land for a treatment plant in Cottage Grove. In both cases, these purchases were components in all three recommended options in the draft Plan. Their execution included a clause that if the land was not used for its intended purposes, the money would be returned to the Settlement. Kirk also explained that the meeting would provide an update on the elements of the Plan that need to be finalized before making higher-level policy decisions.

The Citizen-Business and Government and 3M group liaisons provided a recap of the Citizen-Business work group's meeting that took place the day before (June 15). Key topics discussed include:

- The White Bear Lake court case and the need for flexibility in the final Plan to address any changes and adaptations that are needed.
- Citizen-Business members concerned that the Cottage Grove ion exchange pilot project has shown that pre-treatment is important, but it may not be covered by the Settlement.

- The status of the work groups following the Plan's release is to be determined, but the Co-Trustees would like to continue receiving input from citizens.

Update on the Final Conceptual Plan

Mark provided an update on the Final Conceptual Plan and decisions being made that affect the entire Plan. He reviewed the general timeline for the Plan. Key takeaways include:

- The Plan's release date is expected to be August.
- The Co-Trustees do not expect to have July work group meetings
- Whether or not the work groups meet after the Plan's release is to be determined. However, the Co-Trustees recognize the need for continued community engagement during implementation and when addressing Priority 2 under the Plan.

Mark also reviewed the process for developing the Plan, including how the Co-Trustees received and incorporated feedback. The comments generally fell into common themes:

- Administrative comments, which were primarily about allowing communities to do preliminary work before the Plan is released
- Capital and operation and maintenance (O&M) comments, which were about how funds were distributed, the length of O&M for private and municipal wells, and concerns about overall costs and communities paying more than expected
- Funding priority comments, which showed a strong desire to fund drinking water treatment before anything else
- Recommended option comments, which showed a desire to treat as many wells as possible

Feedback:

One work member expressed the importance of the communities getting a briefing before the Plan is released. They would like to know exact timing for the release to keep their own communications teams and city councils informed, and they would like talking points for responding to the news as well. The work group member also emphasized that they could not accommodate another extension, and would like a schedule. Kirk said the Co-Trustees understand the need to have a final release date and begin the implementation phase. They will keep all the communities informed and plan to have briefings with communities before the Plan is released. The State will also plan to host a meeting for the media.

Mark then walked through some issues critical to developing the Plan. These issues, which need to be resolved before the Plan is finalized, include:

- City water fees: The Co-Trustees previously asked communities to provide information on city water fees, water availability charges, and related fees. Wood has been collecting formal input from communities on these items. The communities confirmed that the funds are generally used for covering capital costs (e.g., new development and recapitalization). The Co-Trustees have decided that the Settlement will cover these fees, but it will not cover pro-rated infrastructure items that are related to growth (e.g., some storage tanks).
 - *Feedback:* A work group member said that communities need more direction on how to calculate fees. Their city does not have a mechanism to break fees out into line items

because of acreage associated fees. Hannah Albertus-Benham (Wood) explained that the Plan covers fees but does not cover pro-rated costs for tanks/wells. Kirk said that this acreage fee was not disclosed before as a fee associated with a home getting connected to municipal water. This conversation is focused on when someone is getting connected to water. The work group member said that this is a problem when the community starts acquiring land for treatment facilities. They said that because the Settlement is not paying pro-rated fees, the community will see a reduction in fees collected. However, they are unable to re-calculate their fee structures. Another work group member said they were also concerned that the Settlement would not cover pro-rated costs. Kirk emphasized that the Co-Trustees need information from communities on all potential fees when a home is connecting to a municipal system. Another work group member explained that with a new treatment system, they will need additional water storage (not related to growth) and that if those costs are not covered, they need to have more conversations with the Co-Trustees. Another work group member agreed saying that they only need to build bigger systems because of PFAS, not because of growth. Co-Trustees will have follow-up discussions with communities to clarify this issue.

- Pre-treatment: The Co-Trustees are evaluating the benefits and costs of potential pre-treatment. Water with high iron and manganese concentrations could benefit from pre-treatment by allowing for less frequent treatment media change-out.
- Stormwater costs. This was a main topic of discussion in the February and March work group meetings. The feedback from communities showed that stormwater costs were not properly addressed in the draft Plan. The Co-Trustees and consultants worked with the communities and watershed districts to incorporate their feedback. Each community will have an add-on to their capital costs based on the expected costs of stormwater compliance. The difference between the expected costs for each community is based on different watershed requirements and past community projects. Overall, capital costs increase will be 5% to 30% for each community depending on location. Mark confirmed that stormwater costs will be included in the Plan.
- Centralized water softening. While there are some potential benefits to centralized water softening (e.g., water use savings), Co-Trustees have decided that it will not be covered in the final Plan.

Mark explained that the Co-Trustees would continue to meet with the communities and review their feedback. He mentioned that West Lakeland Township recently released the results of a survey about switching to a municipal water system. The Co-Trustees will be looking at the feedback from that survey.

Mark also provided an update on investment options for Settlement funds, which were reviewed by the State Board of Investment (SBI). The draft Plan includes an expected investment return of 3.5%. Feedback on the draft plan suggested that 5-6% may be more feasible. For SBI's analysis, the Co-Trustees indicated very low risk tolerance for investment of capital funds and slightly higher risk tolerance for investment of O&M funds. The capital funds will be invested in a low-risk way because the fund must cover the estimated costs of the Plan. Given these risk considerations, SBI concluded that while an interest earnings up to 3.5% is realistic, 5-6% is unrealistic because it carries too much uncertainty in future years.

Mark concluded his presentation by reiterating that the cost allocations under the Plan would need to handle a range of uncertainties and be flexible. The Co-Trustees may need to re-allocate funds in the future to accommodate future shortfalls or surpluses. During the implementation phase, Co-Trustees will monitor expenditures and interest earnings.

Feedback:

One work group member asked about the results of the West Lakeland Township survey. The survey results are posted on West Lakeland's website.

Another work group member was concerned that two key components of the Plan had not been addressed yet: HI level and O&M duration. They stressed that providing safe drinking water was their primary goal and that the new PFAS testing methods revealed additional contamination in Woodbury wells. Kirk explained that these were the large policy issues that would be made once the foundational issues were taken care of.

A member of the public was concerned that an investment return rate of 3.5% was too aggressive and asked how the State was planning on investing funds. Mark explained that the 3.5% had originally come from another state program looking at average long-term earnings. The Co-Trustees and SBI plan to use an investment portfolio that includes bonds and stocks to reduce risk.

Disseminating and Communicating the Final Conceptual Plan

Cori Rude-Young (MPCA) outlined the communications rollout that would happen alongside the release of the Plan. The communications strategy will focus on why PFAS is a problem in the East Metro and how the Plan is addressing that. There will be three key phases of the communications plan:

- Before the Plan is released. This phase is important because while people have been hearing about PFAS for a while, the Co-Trustees want to re-engage people before the Plan is released.
- At the Plan's release. Communications in this phase will focus on how the Plan will affect residents and the details of the Plan. This phase will include briefings with key stakeholders.
- After the Plan is released. This phase will involve continued communication on details of the plan and will include state-sponsored public meetings and participation in other community events.

The goal of all phases of the communications plan is to be flexible and focus on community needs. The Co-Trustees plan to use a variety of tools such as email, social media, and media outreach, as well as public meetings. The State is building a website dedicated to the Plan's release and implementation that highlight different pieces of the Plan. The State plans to use NextDoor to stay connected with community members.

Feedback:

One work group member asked to receive the communications plan in writing with more specific information (e.g., dates). Cori explained that the communities would receive more information as soon as it was available.

One work group member suggested having a booth at the Washington County Fair where a State representative could take questions and comments. The County also holds a Water Consortium meeting that would have many interested stakeholders. The work group member also suggested reviving past

presentations that explained the work MDH had done to test the PFAS levels in residents. The results showed that PFAS levels were decreasing in East Metro residents as drinking water treatment was being implemented. He felt this would be helpful information for the public. They also suggested working with Washington County Public Health to disseminate information.

Grant Implementation Process for the Final Conceptual Plan

Heather Hosterman (Abt) presented on the process for establishing project implementation grants under the Plan. The application process aims to be simple and gather all documentation before entering the grant agreement. The process is similar to what was done for expedited projects. Grant agreements are important for tracking and reporting spending. It also allows the Co-Trustees to effectively and adaptably allocate funds if the Plan changes during implementation. All projects will need to follow Minnesota State statutes and MPCA will continue to manage POETS installation.

Heather explained that the grant process will be a phased approach:

- The first phase is detailed information gathering, including project description, budget, schedule, and other information. MPCA will begin their administrative process for grants, which includes adding information into a project database and developing the internal single source justification. The State will also ensure that all of the grant elements are Settlement-eligible.
- The second phase is the grant agreement. Every project needs a grant agreement, and each grant is issued for up to five years. Projects that go beyond five years will need a new grant agreement to continue work. Agreements can be amended.
- The third phase occurs after the grant agreement is in place, and includes the community bidding process, contractor selection, and design or construction. This portion is managed by the individual community though must follow State statutes.

Heather also discussed advanced funding that would provide communities with funding to draw from as they start large projects instead of paying upfront and getting reimbursed by the State.

Feedback:

Work group members expressed concern about the burden this would place on them. They said they do not have the staff necessary to put together large grant proposals. They suggested receiving some funding ahead of the grant to be able to supply all of the necessary information. Another work group member said that until they saw the details of the Plan, they would not be able to begin working on grant implementation. Kirk explained that not all of the grant application work would have to happen at the same time. He also mentioned the capacity grants that are already in place to ease the burden on communities as they apply for implementation grants. Another work group member suggested putting some design parameters on these grants. They said they would need to work closely with their contractors, which would be a large upfront task.

Multiple work group members said they would like advanced funding. One work group member said they would need advanced funding for at least 2-3 months as they apply for bids.

Public Comments

A member of the public mentioned that there are many great resources about PFAS from various state and national agencies and wanted to dissuade people from misinformation.