



Legislative Water Commission

Barb Huberty, Director

65 State Office Building St. Paul, MN 55155-1201 Phone: (651) 284-6431 Fax: (651) 297-3697 TDD (651) 296-9896

Sept 20, 2017

Meeting Minutes

Members Present:

House

Representative David Bly
Representative Peter Fischer
Representative Clark Johnson
Representative Paul Torkelson

Senate

Senator Charles Wiger
Senator Paul Anderson

Members Excused:

Representative John Poston
Representative Glenn Gruenhagen

Senator Jason Isaacson
Senator Rich Draheim
Senator Kent Eken
Senator Bill Weber

A quorum was not present.

The first presentation began at 1:30. Rebecca Flood, Assistant Commissioner for the Minnesota Pollution Control Agency (MPCA), explained the three types of regionalization that happen in MN. First, joint powers agreements (JPA; MnStat 471.59) can be executed between communities that typically share the cost of wastewater treatment facilities (WWTFs), but remain autonomy for ownership of sewers, rate establishment and billing. Typically, the municipality receives a bill from the WWTF and then passes on those costs to its customers. Second, since 1961, 42 sanitary districts have been allowed to form as new governmental entities (MnStat 442A.04). The formation has been facilitated either by the Office of Administrative Hearings (formerly by MPCA; 21), county boards (9) and special legislation (12). The county board or legislative approaches are more typically used when outside intervention is needed. Public Facilities Authority (PFA) funding is typically directed to individual communities, but sanitary districts are also eligible for PFA funding. Third, there are 22 WWTFs that provide regional services by receiving wastewater from 72 communities. These are less formal arrangements, often managed through operating agreements. A map was provided that shows where these facilities, by type, are located in MN. Which type of regionalization is selected is usually a local government decision based on the level of government service that is needed. Regionalization most often happens where communities are more closely located and where the cost of excavation is manageable.

In 2007, MPCA was tracking 100 un-sewered communities (of 30-60 closely located homes) that had no septic systems or centralized wastewater treatment plants or ponds. Since then, 32 now have adequate septic systems, 32 of them regionalized by connecting to a nearby WWTF, and 26 installed new community septic systems or WWTFs. [The remaining 10 are still in the planning, design, or funding stages.]

MN also has about 1,300 sites where 5 or more homes are located in close proximity to each other and are under-sewered. In other words, they may have wastewater collection or treatment, but the level of water protection is inadequate.

Rep Johnson asked whether there was a way to be more efficient with PFA funding by funding joint powers or other regional organizations jointly? Ms Flood did not think that would necessarily provide more efficiency or is an obstacle to moving projects forward.

Rep Torkelson wondered if MPCA and PFA actively recruit communities to be multi-city systems. Yes, both agencies encourage this when it makes sense.

Rep Johnson wanted to know what the maximum distance is between regional facilities. Ms Flood said an affordable distance is a function of topography and geology. He then asked how many homes can be on a community water system. Community systems can be quite large. If they handle <10,000 gallons per day of wastewater, they do not need a state permit (but they may need a county permit). If they are larger than that, they need a state site disposal system (SDS) permit.

Rep Fischer noted that some communities are shrinking and asked whether guidance should be given to move them from a traditional system to a community septic system. Ms Flood said this is a difficult issue because it involves the cost of the initial installation and system operations, as well as the value of the homes served. Observing the similarity with school consolidations, Rep Fischer then asked if there was a way to make this change occur or decide on a size of community when this should happen. If the financial difficulties are too difficult, should people just move? Ms. Flood indicated that JPAs are administratively simpler and sanitary district formation is managed by the Office of Administrative Hearings; both usually emerge as local initiatives.

Next, Marianne Bohren, Superintendent of the Western Lake Superior Sanitary District (WLSSD), gave an overview of the history of the WLSSD, which was created by the legislature in 1971 to consolidate and treat 18 direct industrial and municipal discharges. Operations began in 1978 and the St Louis River saw dramatic water quality improvements within 2 years. WLSSD is governed by a 9-member citizen board representing Duluth, Cloquet, Carlton County and St Louis County. Actions by the board require 7 affirmative votes. Today, WLSSD treats over 13.9 billion gallons of wastewater per year delivered from 16 communities and 4 large industrial customers. The plant is designed to treat 48 million gallons/day, but wet weather flows can deliver up to 150 million gallons per day. Their service area is 530 square miles, which contains 78 miles of interceptor sewers and 18 pumping (lift) stations. Oliver WI and Knife River MN 2 of the communities but they are outside the statutory boundary of the district. PFA funding to the district is calculated without the industrial contribution. The biosolids that remain at the end of the treatment process are land applied to agricultural and mine land reclamation lands by certified operators. WLSSD is now working on a biogas project to harness energy from wastewater for heat and power.

The WLSSD sewer areas, within the 530 sq mile district, have grown dramatically between 1978 and 2017. Most expansion happened within the 1st 10 years, when more funding assistance was available

(75% federal, 15% state, and 10% local shares), totaling nearly \$300 million. More recent expansion happens as PFA and Clean Water Fund dollars are available. There are several challenges to further expansion:

- Lack of funding
- Inflow/infiltration (I/I) loads (WLSSD and the City of Duluth were under a consent decree for 5 years to reduce I/I, which they have satisfied through an I/I ordinance, the installation of storage tanks, and an annual report card)
- Population centers; not all people settle in concentrated areas or on soils/bedrock that is conducive to sewer line extension

Their next focus area is to better serve Hermantown.

The 350 homes around Big Lake had failing septic systems and lots were too small for onsite solutions. Big Lake is over 8 miles from WLSSD and there are few affordable and feasible options to provide a remedy. Therefore, the Big Lake Area Sanitary District was established in 2012 to collect wastewater from around the lake and connect to the WLSSD network. Funding is being provided by a USDA grant, tribal funds, and 2 PFA programs. They will start construction in 2018 and expect to initiate service in 2019 or 2020. Because the density of homes is low, each home will have a high cost share and each house will need to install a grinder. Their cost estimates assume everyone will connect, which may not be the ultimate case. The Duluth North Shore Sanitary District had a similar situation and expected to pay \$80/month, but because construction costs were higher and fewer people connected, residents are paying \$150-\$170/month.

Pike Lake also has failing on-site systems and is pursuing a JPA between two townships instead of a sanitary district to address their problem. They have a \$400 million WIF grant and a \$4 million PFA loan to proceed.

John Linc Stine, Commissioner of the MPCA, explained that regionalization has economic and administrative benefits, but also has many challenges, including: timing, current and future rate structure equity (i.e., rate structures don't fully account for future costs), capacity for future development, legal structure, costs, new or more stringent regulatory requirements, loss of identity, and lack of consultant guidance of regionalization as an option. He showed a map that demonstrates how current locations of regional systems align with the state's population centers. This shows that most regionalization driven by population density has already happened. However, there may be some site-specific cases where regionalization may still make sense. Regionalization today costs more and it is not a panacea of hope for most places. When upgrades are made, regulations must be revisited because MPCA can't treat tomorrow's waste according to 40 year old standards.

Minnesota is the 12th largest state by area, the 21st largest by population and 40% of the population lives outside the metro area (it used to be 60%). When people centralize in the larger communities, small cities lose population.

Regionalization must be affordable to succeed. Distance and elevation are big factors. Installing a mile of sewer in hard rock might be as expensive as installing 5 miles of sewer in a sandy part of the state. MPCA has heard from locals that they can't afford any more loans.

The Central Iron Range Sanitary District is a recent success. They installed one new mechanical plant with tertiary treatment with funding from many sources, including the USDA. Communities don't like to have the state tell them how to develop or redevelop.

Natural disasters have helped two small (<200 people) towns rebuild their wastewater infrastructure with federal and state money. In 1998, Comfry was damaged by a tornado and in 1997 Georgetown was flooded by the Red River.

Rural community depopulation is not just a wastewater issue; it is a community determination problem. Privatization won't save infrastructure because the value of the infrastructure may not be directly related to the value of a community. There needs to be a broader conversation about the future of small MN communities, which will be unpopular. There is no report that inventories the age, status and value of the state's infrastructure. ND, WY and MT are already dealing with this problem; MN must decide whether to let it happen or plan for it. MPCA should not determine a community's future.

Rep Johnson asked whether Regional Development Commissions are addressing this issue or how more entities can be brought into economic development conversations. Mr Stine said RDCs could help, but they don't exist everywhere in the state.

Rep Torkelson agreed that this is just the start of the conversation and asked whether MPCA could show permitting discretion to help small communities survive. Mr Stine said MPCA doesn't want to condemn small towns to death because wastewater treatment is unaffordable, but it is bad for the state to overinvest in communities that have a limited future. Both financial and environmental effects need to be examined; the level of investment vs the benefit must align and flexible approaches are needed.

Members were given three handouts with information gathered from wastewater listening sessions and asked to review them prior to the October LWC meeting.

The meeting was recessed while members drove to the WLSSD. Once on site, members were given a safety briefing, an overview of WLSSD operations, and a tour of the facility. The tour ended at 3:55 p.m.