



City Council Memorandum

To: Mayor Fasbender & City Councilmembers
From: City Administrator Dan Wietecha
Date: October 7, 2024
Item: PFAS Update

Council Action Requested:

Informational memo, no action requested at this time.

Background Information

Hastings has PFAS contamination in all six of our municipal wells (specifically PFOA in all six wells and PFOS in two wells). We've also now found PFOA levels over the EPA's limit in the future Well No. 9 site. The City has completed a Feasibility Study to consider alternatives to mitigate the PFAS. The study recommended construction of three decentralized water treatment plants for PFAS and Nitrate removal.

The general plan is to build one WTP per year for three years. Design work has started for WTP 1 which is located in the Industrial Park, a commercial site. This WTP would serve the wells with the highest levels of PFAS and Nitrates. Several years ago, the City already installed watermain for a future WTP due to the Nitrate treatment being anticipated. This WTP will likely be put out for bids in early 2025.

The current construction cost estimate is \$68.9M with expectation to trend higher. Without financial assistance, water rates would need to double in three years and triple in five years. The City has been exploring and pursuing multiple opportunities to offset this "budget buster" expense.

Key Updates

Siting Study: The Feasibility Study is a planning document, geared toward functionality and cost effectiveness, not final sites. This summer Public Works followed up with a Siting Study to identify several potential sites for WTPs 2 and 3. There was a strong preference to avoid residential neighborhoods.

Potential sites were vetted against engineering criteria such as proximity to water and sewer infrastructure, proximity to wells, adequately sized water mains, road access, and location within pressure zones. Then they were modeled for feasibility and reviewed for cost estimates based on land acquisition and length of watermains and sewer mains that would be needed.

This study was presented at the September 3 City Council meeting, with preferred sites on North Frontage Road for WTP 2 and on General Sieben Drive for WTP 3. On September 16, City Council met in a closed session pursuant to Minnesota Statutes 13D.05 subd 3(c) to develop offers for purchase of real property.

Subsequently, we have hired Valbridge Property Advisors for appraisals of the two sites and are getting quotes for a firm to conduct a lease analysis to help with statutory requirements for relocating existing businesses at the North Frontage Road site.

State Capital Budget: The City submitted PFAS Treatment & Raw Water Lines for consideration in the State's 2024 Capital Budget due to the budget-busting expense, the fact that the treatment is to remove contamination/pollution caused by others, and the suddenness of new regulations preventing financial planning. Sen. Seeberger and Rep. Hudella indicated support and introduced SF 3161 and HF 3115.

The legislative session ended May 20 without passage of a bonding bill. I expect we will renew our State Capital Budget Request for next session. We are presently scheduling a meeting with Sen. Pappas, Chair of the Senate Capital Investment Committee, to provide an update on our project and funding needs.

Minnesota Veterans Home:

The Minnesota Veterans Home is presently served by a private well, which also has PFAS exceeding the EPA limits. In discussions with leadership at the Veterans Home, we had the first phase of our project include design of an interconnection of the Veterans Home water system to the City's water system, avoiding the need for the Veterans Home to construct and maintain a treatment plant for its private water system.

Without state bonding to cover the first phase, the City cannot cover the cost of the interconnect. The Veterans Home may now be conducting a feasibility study to determine whether to construct and maintain its own water treatment plant or to connect to the City water system. We offered that we could assess the connection at an estimated cost of \$1.7M. This does not need to be done as part of the WTP 1 phase; it can relatively easily be picked up singly or in conjunction with either of the other WTPs.

Congressionally Directed Spending / Community Project Funding: In April, we submitted requests of Senator Klobuchar, Senator Smith, and Representative Craig for \$10.3M (50%) of the first phase of the project. This amount is higher than typically funded.

All three advanced our request to their respective Appropriations Committees; however, it was not approved through the Senate Appropriations Committee. As it worked through “mark up” by the Appropriations Committees, it is now proposed at a little over \$1M. This is a first step and not a final decision. Senator Smith’s office said that approval would not occur until November at the earliest and potentially into 2025.

PPL/IUP: In 2023, the City submitted the project for the State’s Drinking Water Revolving Fund Project Priority List (PPL). On May 1, 2024, we re-submitted to correct errors and to recognize new EPA regulations of MCLs for PFAS, which will result in our ranking at or near the top of the list. Additionally, we submitted the first two phases of the project for the Intended Use Plan (IUP) in early June. Although the Drinking Water Revolving Fund is not our preferred funding source, it has the possibility of a \$3M Emerging Contaminants Grant for each phase. We have been told that grant decisions will be in November.

Water Rates: With budget planning for 2025 (including workshops on June 3 and June 17), we will need to discuss potential water rate increases, phasing, and timing. At present, the recommended budget includes a rate increase of 37.3%. On an average residence using 15,000 gallons per quarter, this would be an increase of about \$15 per quarter. This would be the first of several increases coinciding with construction of each of the three WTPs. In total, rates would double in three years and triple in five years without financial assistance.

The City Council agreed that delaying the start of WTP 1 from bidding in September 2024 to February 2025 was best. This allows for possible decisions on recent funding applications, potential increases to water rates continue as part of the overall budget discussion for January implementation and offers more time for communication and transparency with residents.

Communications staff is sending a postcard to all residents/businesses around October 11 notifying them of the pending increase. Other parts of the communications plan will include utility billing inserts, letter to largest volume water users, FAQs on the website (these will also help front desk staff to answer questions and will also be printed as handouts for people without computer access), KDWA interview, overview and Q&A with Chamber of Commerce Government Affairs Round Table, newsletter, and social media.

3M Settlement: The 2018 Settlement Agreement provides grant money for drinking water projects “in the East Metropolitan Area.” It is not limited to any specifically named cities or townships and does not require a direction connection to one of the 3M disposal sites. Similarly, Minnesota’s Conceptual Drinking Water Supply Plan does not require a direct connection to one of the disposal sites. However, the State’s Co-Trustees (MPCA and DNR) have stated that a direct connection should be required and has excluded Hastings from funding under the Settlement Agreement.

Although we disagree with the Co-Trustees' interpretation, we value our relationship with them and have endeavored to not have this disagreement come between our mutual efforts. The MPCA has been helpful in conducting Phase I and II environmental site assessments, requesting 3M to conduct additional investigation of its disposal site and hydraulic modeling in the Hastings area, and has awarded a planning and design grant for Hastings to begin design engineering for the treatment plants.

Additionally, the 2007 Consent Order does require a direct connection to one of the East Metro disposal sites. This is extra important since the Co-Trustees have recently said that the Settlement Funds will run out as they cover currently proposed East Metro projects, so they will be transitioning to the Consent Order in the next couple years.

We believe the environmental studies have resulted in several lines of evidence of a connection of Well #5 to the 3M Cottage Grove site, specifically: updated Minnesota Geological Survey mapping of a fault in the bedrock, presence of HQ115/TFSI in Well #5, and additional water composition and PFOA chemical analyses.

We met with the Co-Trustees and Attorney General's Office in late July, and they agreed that there is a connection between Well #5 and 3M. They propose to use the Superfund process to require 3M to cover the costs associated with Well #5, and MPCA notified 3M of such in mid August. MPCA and 3M are presently discussing whether 3M might voluntarily enroll as a responsible party in the Superfund program.

Although it is exciting that we may receive some funding, Superfund is often a long process. The financial coverage and impact on our construction schedule are unknown until we might have a draft Superfund agreement.

In the meantime, the environmental investigations will continue as planned by the MPCA to determine connection and eligibility for the City's other wells.

3M Cottage Grove Draft NPDES/SDS Permit: The MPCA is considering an updated wastewater permit for the 3M Cottage Grove facility. An advanced wastewater treatment system is proposed to treat the facility's wastewater, stormwater, and cooling water; contaminated groundwater and leachate from a nearby landfill; water from a local power station; and decommissioning activities related to its incinerator. The permit would add new water quality protections for the Mississippi River and improve accountability through monitoring and reporting requirements, including removal of certain PFAS chemicals.

On behalf of the City, I submitted comments on the draft permit requesting 3M be financially responsible for damage it has already caused to Hastings drinking water and to the environment, stricter monitoring and regulation of discharge (particularly for PFAS), and greater public transparency.

Financial Impact:

Not applicable

Committee Discussion:

Not applicable

Attachments:

Not applicable