



City Council Memorandum

To: Mayor Fasbender & City Councilmembers
From: City Administrator Dan Wietecha
Date: March 3, 2025
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. The central WTP is expected to bid in May 2025, start construction in August 2025, and substantial completion in December 2026. The eastern WTP would bid in January 2026, and substantial completion October 2027. Finally, the western WTP would bid January 2027, and substantial completion October 2028. These dates are approximate, but the point is that one WTP per year leaves little room for compliance with the EPA deadline of April 2029.

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

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, 2024, without passage of a bonding bill.

In October 2024, we met with Sen. Pappas, Chair of the Senate Capital Investment Committee, to provide an update on our project and funding needs. The City Council approved a resolution of support on the December 2, 2024, a new state application has been submitted, and new bills will be needed once the new legislative session opens January 14, 2025.

Clean and safe drinking water was identified as the City Council's number one legislative priority during its workshop on November 16, 2024. With recent approval of a \$3M Emerging Contaminants Grant, we have been able to reduce the amount of this bonding request to \$16.6M for the eastern WTP. We plan to include the interconnect of the Minnesota Veterans Home with this phase of the project.

Both Sen. Seeberger and Rep. Dippel have indicated strong support for our project. Rep. Dippel has prepared four bills: one seeking to designate Hastings as eligible for funding through the East Metro's 2018 3M Settlement and one seeking funding through the Clean Water Fund of the Legacy Fund. The other two seek to fund the remaining \$16.6M costs for the Eastern WTP, one through the capital budget and the other as a general cash appropriation; Sen. Seeberger has signed on to these two. On February 27, we had a hearing with the House Capital Investment Committee on the capital budget request (HF1192).

It is vitally important to have support from both of our legislators and that they work together.

Congressionally Directed Spending / Community Project Funding: In April 2024, 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 they hope that by March 14, 2025, Congress will have agreed to a full-year budget for FY25 that includes CDS projects. Awards are not final until Congress passes and the President signs a full-year budget.

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 June 2024. Although the Drinking Water Revolving Fund is not our preferred funding source, its application is the venue for the Emerging Contaminants Grant.

The Public Facilities Authority has listed the eastern WTP is ranked #2 and central WTP appears ranked tied at #13 on the PPL and both projects are in the “fundable – emerging contaminants” category. Both projects are scheduled to receive \$3M Emerging Contaminants Grant (\$6M total). Although this is through a state agency, the funds have originated as federal assistance. The PFA does not believe this will pose a problem, but it does raise some uncertainty.

Water Rates: With budget planning for 2025 (including workshops on June 3, June 17, and September 3, 2024), we discussed potential water rate increases, phasing, and timing. During the preliminary budget planning, we anticipated a 37.3% increase in water rates for 2025.

During our October 21, 2024, meeting, following Co-Trustee approval of 3M Settlement Funds for Well #5, the City Council supported a two-step water rate increase in 2025, with a 10% increase effective January 1, 2025, and a second increase to be determined effective July 1, 2025. On an average residence using 15,000 gallons per quarter, the January increase would be about \$4 per quarter. City Council approved the January increase on December 16, 2024.

Additional increases are expected to coincide with construction of each of the three WTPs. In total, rates would double in three years and triple in five years without financial assistance.

I expect to schedule a City Council workshop in April to discuss low-interest loan to finance the City’s portion of the Central WTP, as well as the July rate increase, and projections for future rate increases.

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 direct 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 previously 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 acknowledged 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.

To date, 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.

In October 2024, the Co-Trustees agreed that there is a connection between Well #5 and the 3M Cottage Grove site and that the costs associated with Well #5 (to be treated with the central WTP) would be eligible for funding under the 2018 Settlement Agreement. We estimate the costs associated with Well #5 to be \$14.5M, but that amount has not yet been reviewed or approved by the Co-Trustees. In November 2024, we submitted our first application for Settlement funds to cover the cost of land purchase and business relocation necessary for the central WTP. The City Council approved the grant agreement at its January 21 meeting.

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

Central Water Treatment Plant: During our October 21, 2024, meeting, the City Council agreed to flip the sequence of the construction schedule: proceed with the central WTP in 2025 and delay the eastern WTP until 2026.

Proceeding with the WTP that has significant outside funding has two major advantages. 1) It would mean a smaller water rate increase for our residents and businesses. 2) It gives us additional time to seek state bonding, grants, and/or direct connection to 3M Cottage Grove before proceeding with the other WTPs.

At our November 18, 2024, meeting, the City Council approved a purchase agreement for 1292 North Frontage Road as the site for the central WTP. This location is in a non-residential area, is located next door to the existing nitrates treatment facility and ground storage reservoir, and has lower incremental costs than other sites. Additionally, timing and ability to proceed without delay were important considerations.

In January, a Phase I environmental review was conducted and found record of a 2005 petroleum spill at the site. In February, a Phase II environmental assessment was approved to determine the extent of potential contamination. If soil borings confirm contamination within the redevelopment area, then a Response Action Plan will be created and we will enroll in the MPCA Brownfield Program for assurance letter(s). On February 18, the Purchase Agreement was extended to on or before May 30 to allow necessary time for the Phase II assessment.

SRF Consulting is assisting with business relocation analysis for the two businesses currently at this location. Under state law, some costs associated with the relocation of these businesses will be borne by the project. Both have indicated strong interest in continued operations in Hastings.

We have begun Geotechnical Investigation and Topographic Survey to design the new site location for the central WTP with the WSB team that conducted the work on eastern WTP site already. WSB has been cost effective and efficient with the work due to their expertise, understanding of scope, close coordination with the City, flexibility on direction, and responsiveness to listen and meet the City's needs. Continuing with the team that has developed the water system modeling, WTP Siting Study, and treatment plant design specific to Hastings eliminates re-work and a learning curve that would add more expense and time to the project.

As design reaches 60% and architectural renderings are developed, we will host a public open house (likely in March-April), so neighboring properties can learn about the upcoming project.

At present, we anticipate final design could be completed and ready to bid by May 2025.

Financial Impact:

Not applicable

Committee Discussion:

Not applicable

Attachments:

Not applicable



March 3, 2025

Jess Richards
Assistant Commissioner
Minnesota Department of Natural Resources
500 Lafayette Road North
St. Paul, MN 55155

Kirk Koudelka
Deputy Commissioner
Minnesota Pollution Control Agency
520 Lafayette Road North
St. Paul, MN 55155

Re: Clean Drinking Water in the East Metro

Dear Assistant Commissioners Richards and Koudelka:

We write to emphasize how important it is for you, as the State of Minnesota's Trustees of the funds in the 3M Grant for Water Quality and Sustainability Fund, to properly prioritize the use of the \$850 million grant in the Settlement Agreement. The grant must be used "to ensure clean drinking water in sufficient supply to residents and businesses in the East Metropolitan Area," which is your "first and highest priority."

The Settlement Agreement allows you "immediate access of up to \$20 million of Grant funds" for secondary goals of "projects that restore and enhance aquatic resources, wildlife, habitat, fishing, resource improvement, and outdoor recreational opportunities." In late January, you issued a Request for Proposals to spend these funds.

The Settlement Agreement does not mandate using these funds for secondary projects; it provides "access." This is your choice to prioritize fishing piers over drinking water.

A year ago, in May 2024, you said that the East Metro Settlement funds are projected to run out of money. Using these limited funds for discretionary, recreational projects is simply irresponsible. We encourage you to re-allocate these recreational funds toward clean drinking water for the East Metro Area.

Thank you for your immediate attention,

Mary Fasbender
Mayor

Angie Haus
City Councilmember, At-Large

Dave Pemble
City Councilmember, At-Large

DawnMarie Vihrachoff
City Councilmember, Ward 1

Mya Beck
City Councilmember, Ward 2

Lisa Leifeld
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Tim Lawrence
City Councilmember, Ward 4