



City Council Memorandum

To: Mayor Fasbender & City Councilmembers
From: City Administrator Dan Wietecha
Date: July 1, 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 at 16 ppt, which is 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 Feasibility Study is a planning document, geared toward functionality and cost effectiveness, not final sites. Public Works has begun identifying several potential sites for WTPs 2 and 3. There is a strong preference to avoid residential neighborhoods. They need to be 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 can be modeled for feasibility and reviewed for cost estimates based on land acquisition and length of watermains and sewer mains that would be needed. These options will be presented to the City Council in August.

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

Key Updates

State Capital Budget: The City has 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 have indicated support and introduced SF 3161 and HF 3115.

The legislative session ended May 20 without passage of a bonding bill. We will need to weigh options either to proceed at ratepayers' expense without state assistance or to delay the project in hopes of other funds coming through. In either case, we will continue to seek assistance (several examples are listed below) as well as renew our State Capital Budget Request for next session.

We are meeting with our lobbyist July 2 to discuss federal support, maintaining relationships, and potential state funding in the 2025 legislative session.

Congressionally Directed Spending / Community Project Funding: On April 26 and 29, 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 have advanced our request to their respective Appropriations Committees. Senator Smith's office said that approval would not occur until November at the earliest and potentially into 2025. Representative Craig indicated that, if approved, it would very likely be at a lesser amount.

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.

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, we are looking at a rate increase around 35% to 40%. This would be the first of several increases coinciding with construction of each of the three WTPs.

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.

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 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.

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. Although these studies are ongoing, we are contacting the Co-Trustees about potential inclusion of this well in the 3M Settlement. In the meantime, the environmental investigation will continue.

Financial Impact:

Not applicable

Committee Discussion:

Not applicable

Attachments:

Not applicable