

AGENDA

Minnesota Pollution Control Agency Water Fee Advisory Committee

April 13, 2018

9:00 a.m. – 12:00 p.m.

MPCA Lower Level Conference Room
520 Lafayette Road
St. Paul, Minnesota 55155

Continental Breakfast/Welcome

John Linc Stine

Reminder of Purpose/Scope/Product

John Linc Stine

Overview of today's agenda

Milt Thomas

Presentation of fee scenarios and various options

MPCA staff

**Remaining questions from Advisory Committee
Members**

Milt Thomas

Closing note: What to expect next meeting

Milt Thomas / Mark Schmitt

Adjourn

<https://www.pca.state.mn.us/water/wastewater-permit-fees>

Invited participants:

Jennifer Levitt, City of Cottage Grove

Julie Anderson, Mathiowetz Construction

Blaine Hill, City of Morris

Todd Prafke, City of St. Peter

Andy Welti, City of Medford

Norm Miranda, CIRSSD

Ned Smith, MCES

Rob Baranek, Cliffs Mining

Nicole Gries, Valero

Zach Lind, Driftless Fish Company

Yan Gao, Industrial (small)

Brian Koski, Septic Check/MOWA

Anthony Ekren, Riverview, LLP

Grant Binford, Binford Farm

Adam Barka, Christensen Farms

Remaining Questions

- Application vs. Annual fees – Keep both types of fees or annual only for some programs?
- Separate Feedlots, Ind. Wastewater and Mun. Wastewater in the pool for application permit point calculation? Keep as is, pull apart or add everyone?
- How to implement phasing (percent, time, tiered, etc.)?
- Exercise existing authority to increase application fees without rule revision. What principles should be part of this option?

Water Fee Advisory Committee April 13, 2018
MPCA, St. Paul Office
Meeting Notes

Advisory Committee Attendees: Julie Anderson, Andy Welti, Ned Smith, Adam Barka, Grant Binford, Norm Miranda, Rob Baranek, Todd Prafke

MPCA: John Linc Stine, Shannon Lotthammer, Mark Schmitt, Doug Wetzstein, Jeff Stollenwerk, Milt Thomas, Angela Hawkins, Paul Leegard, Mary H. Lynn

Visitors: Paul Anderson, Tony Kwilas, Jim Robins, Brian Martinson

Meeting summary: Commissioner Stine opened the meeting with introductions and a reminder of the purpose of the Advisory Committee meetings. He noted we have taken in good advice from the Advisory Committee, with good reflection on the fee options and scenarios presented at the last meeting in March. Today's meeting will continue to discuss fee options and implications. For the last meeting we will try to make sure we heard everyone correctly and capsulize the Advisory Committees recommendations. Commissioner Stine stated that he does not expect to be making any fee changes during the Governors remaining term; however, the information the MPCA has gained from this Advisory Committee will help set up the Agency moving forward. Commissioner Stine did also note the Agency has some ability now to make fee adjustments, but will keep all informed.

Next meeting: The Advisory Committee was asked what the next meeting should look like, synthesizing what we've heard up to this point, and if it was reasonable to put something together for the May 4 meeting, or if June 8 is too late and not fresh in our minds? The MPCA heard that we should refine several of the fee scenarios, including more scenarios with a 20% fee increase and phasing, and offer the scenarios in the context of potential recommendations that members could discuss further with others outside of the Advisory Committee. Then in June, finalize the recommendations. The MPCA will look back at the meeting notes and distill the conversations we heard.

Commissioner Stine stated he would not have time before the next Governors term to make fee recommendations, and that this effort will provide guidance for the next Commissioner. Therefore, he would appreciate at least one more meeting to see draft or near final recommendations to ensure that we have captured the Advisory Committees comments correctly.

Advisory Committee members are welcome to provide additional comments, questions, and agenda items; submit to Mark Schmitt at Mark.Schmitt@state.mn.us and cc Mary H. Lynn at Mary.Lynn@state.mn.us

Water Fee Rule Advisory Committee meeting presentation:

- The presentation provided a short review of the journey and status of this process, as well as the context for this initiative showing frame of reference.
- The MPCA provided an overview of where MPCA programs are at showing "5 YR Average - Percent of Program Expenditures Covered by Fees" with grants removed for applicable programs. Why does the percent covered go up with grants removed? The MPCA responded that other expenses are taken out. For non-grant related work, what percentage of fees cover. The work is associated with accounting for our dollars, but is not associated with our permitting. In other words, grants are dollars going out (expenditures), not dollars coming in.
- Regarding the 20 and 60 percent for "Adjusted Fee Revenue to Expenditures Covered" for each program - what makes up the difference in fees; is it salary, hours? The MPCA responded yes, some programs are larger than others for work associated with permitting and compliance.
- Are there some grant dollars from the General Fund already paid for? The MPCA responded the worst-case scenario is if we had to replace all the grant dollars that come to us from other sources (worst-case, but not very realistic). The MPCA is trying to show what actual Agency costs are.
- What is the FTE by program for FY2017? The total number of staff is 191.

- Do staff work across programs? The MPCA responded yes, most frequently municipal and industrial wastewater. When staff work across programs is this allocated for on the timesheet? Yes.
- The MPCA noted what it is doing with the fee information and showing different percentages is what it would take in fees to cover Agency costs (17% on average (5 years) across the Agency with grant dollars).
- To look at fees covering grants – grant dollars should be excluded because they are too variable as they come from the General Fund/Legislature.
- The MPCA noted it costs the Agency dollars to take in grants/contracts and disburse them. If there were no dollars coming from the Legislature to do that work, someone else has to do it. The MPCA needs to be able to process grants the way the Legislature intends us to. Is there a 10% administrative fee included with grant dollars to administer the grant? The MPCA responded not always.
- Make sure the MPCA partners with the Chamber of Commerce and other parties with strong opinions about changing fees. Consider economic development.
- Need to move back to where we are looking at 50% paid out of General Fund. All people of Minnesota should be funding these programs (e.g. like the Clean Water Legacy). This would help keep application and annual fees down.
- Use of the Consumer Price Index is not applicable. Look at annual costs or projected 5-year costs.
- Are funds predominately now fees and General Fund dollars? Is there a percent designated that does not get touched? The MPCA responded the Agency gets very little, a small percentage from the General Fund. The MPCA is trying to move away from the General Fund because of lack of reliability (see slide #13 from February 2 meeting). Reminder – most fees go into the Environmental Fund, the Legislature allocates funds to MPCA programs.
- Is the municipal wastewater fund guaranteed annually? The MPCA responded that there are multiple components, which include negotiating Public Facilities Authority (PFA) dollars. Substantial amount of dollars but no guarantee they will always be there.
- Regarding costs to implement programs – limits on technology, one-time cost and maintenance needed to keep systems operating going forward. Cost differences due to some are more self-supportive (cookie cutter type). How to move in a direction that makes it efficient to keep process up annually. Regarding costs of operating – some permittees cannot pass costs on to anyone/neighbors; competition is the producer in the next state, need to keep in relative cost basis with other states.
- Realistic to focus more on 20% fee increases; fee increase higher than that not sustainable.

The MPCA will make the presentation available in PDF format showing each program with each % fee increase and post it on the Water Fee Advisory Committee webpage (Note – the % fee increase slides are interactive using Tableau; though it was noted everyone may not have this software.)

Advisory Committee feedback on remaining questions:

- 1) Application vs. Annual fees – Keep both types of fees or annual only for some programs?
 - Across programs should not be a specific number (20%) because of program variability in percent of program expenditures covered (see handout). If going to look at an identified percent for all, advocate for a one-fee system, different percentages would not work.
 - Business models probably have numbers in them (highest paid fee payer). If we focus on bottom percentages, freeze what is in the business model. Do not want to increase fee disparity; however, upper fee payer should not match uniform smaller fee payers.
 - For industry that is expanding, need both application and annual fees. Otherwise, existing facilities will be forced to pay for new facilities coming in.
 - Are majority of application fees renewals? MPCA responded it depends on the program – construction stormwater are new applications, municipal permits are application renewals.
 - Application fee and annual fee should be one fee, so regulated party can pay consistently and Agency will have constant cash flow.
- 2) Separate Feedlots, Industrial Wastewater and Municipal Wastewater in the pool for application permit point calculation? Keep as is, pull apart or add everyone?

- Keep together since funding is shared from same funds.
- 3) How to implement phasing (percent, time, tiered, etc.)?
- The MPCA notes we have not heard much comment on the tiered system we presented (e.g. animal units, gallons per day discharge, population for municipalities...). If you have any comments, let us know and we will try to prepare scenarios.
 - Regarding municipalities – do not know how MPCA came up with the breakdown for the point system. Mark Schmitt replied he was not involved when the point system was developed. However, the Administrative Law Judge determined the rules were needed and reasonable and we have yet to hear any justification for changing the systems as currently configured.
 - Do not know that a tiered approach will work for feedlots; size does not reflect complexity; confined vs. open feedlot more of a factor.
 - Construction stormwater is based on acres disturbed and pollutant – this measure makes sense; industrial stormwater is based on type of business and pollutant, which also makes sense.
 - Highly encourage phasing overtime. What is reasonable - 3, 5, 20 years? The MPCA responded do not rule out any option. It will depend if fees are raised and how much. The larger the increase - the greater the number of years.
- 4) Exercise existing authority to increase application fees without rule revision. What principles should be part of this option?
- No comments provided regarding this item.