



Council Agenda Item: 25-0896R

MEETING DATE: November 24, 2025

SUBJECT/TITLE: RESOLUTION AUTHORIZING ALLOCATION OF LEAD SERVICE LINE REPLACEMENT FUNDS FOR REIMBURSEMENT OF DESIGN ENGINEERING COSTS INCURRED FOR FUTURE PROJECTS

SUBMITTED BY: Joshua Bailey, City Auditor

RECOMMENDATION: Approve.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION: Not applicable.

PREVIOUS COUNCIL ACTION: City Council approved ordinance 24-048-0 adopted November 12, 2024, authorizing the issuance, sale and delivery of Taxable Grant Anticipation Revenue Notes in an amount not to exceed \$8,218,142 for the payment of improvements to the Water Utility, for replacement of lead service lines as identified in the city's applications to the Authority.

BACKGROUND: The Minnesota Public Facilities Authority (MPFA) distributes Federal and State lead replacement funding through a combination of grants and forgivable loans. The City currently has 11 project orders with the MPFA for lead service line replacements. There are excess funds remaining from 4 existing 2024 project orders (City Projects 2079, 2080, 2081 and 2229). The City would like to allocate a portion of remaining funds to reimburse engineering costs incurred for the design of lead replacement projects to be constructed in 2026 and beyond. The MPFA condones the use of funds in this way, but the previous resolution does not include this use explicitly. This resolution authorizes allocation of lead service line replacement funds for reimbursement of design engineering costs incurred for future projects.

BUDGET/FISCAL IMPACT: The EPA's Lead and Copper Rule Revisions require public water systems to inventory and replace lead service lines. The MPFA program saves the City tens of millions of dollars in this effort. By participating in the State of Minnesota's forgivable loan program, the City's investment in replacing lead service lines is fully paid by a combination of forgivable loans and grants from the State of Minnesota. This action would allow maximizing the available funds by reimbursing incurred design costs with remaining funds in current project orders. This resolution allows the City to allocate approximately \$1.7 million in unused 2024 funds towards 2026 project design work.

OPTIONS: Authorize acceptance of this allocation to continue the mandated replacement of lead service lines and reimburse incurred costs. Failing to accept this action will result in the City not fully utilizing available lead replacement funding while having to pay for designs currently underway.

NECESSARY ACTION: Approve

ATTACHMENTS: Exhibit A