

**311th MEETING OF THE
STATE ENVIRONMENTAL IMPROVEMENT
AND ENERGY RESOURCES AUTHORITY
Jefferson City Office
425 Madison Street, 2nd Floor
Jefferson City, Missouri**

**February 11, 2014
10:00 a.m.
Telephone Meeting
(866) 906-9888
Access Code 1703606#**

1. Call to Order
2. Authorization for the Director or her Designee to Negotiate and Enter Into an Agreement on Behalf of the Authority with Wichita State University Relating to the Assessment of the Financial Capability of Communities to Address Wastewater Infrastructure Needs
3. Adjournment of Open Meeting

The Authority may vote to close a portion of the meeting in conjunction with the discussion of litigation matters (including possible legal actions, causes of action, any confidential or privileged communications with its attorneys and the negotiation of items of a contract), real estate matters, personnel matters (including the hiring, firing, disciplining or promoting of personnel), or specification for competitive bidding pursuant to Section 610.021 (1), (3) or (11) RSMo.

Members to be Present:

Andy Dalton, Chair
Ryan Doyle, Vice-Chair
LaRee DeFreece, Secretary
Deron Cherry, Treasurer

Staff to be Present:

Karen Massey, Director
Joe Boland, Deputy Director
Kristin Allan Tipton, Development Director
Marcus Rowe, Administration and Project Mgr.
Genny Eichelberger, Office Support Assistant

Legal Counsel to be Present:

Dave Brown
Lewis, Rice & Fingersh, L.C.

State Environmental Improvement and Energy Resources Authority
311th Board Meeting
February 11, 2014

Agenda Item #2

Issue:

The Department of Natural Resources has asked the Authority to enter into and manage a contract for the development of a decision making tool to assess the financial ability of Missouri communities to meet their future water and wastewater infrastructure needs. Wichita State University has experience developing such tools and could provide these services to Missouri.

Action Needed:

Authorization of the director or her designee to negotiate and enter into an agreement with Wichita State University to develop a tool to help MDNR assess the financial ability of Missouri communities to meet their future water and wastewater infrastructure needs.

Staff recommendation:

Staff recommends that the Board hire Wichita State University to develop the assessment tool and authorize the director to negotiate and enter into an agreement for those services.

Staff Contact:

Karen Massey

Background:

Missouri communities are facing more stringent federal drinking water and wastewater treatment requirements. These requirements are having a financial impact on all systems and can be particularly challenging to smaller, rural communities many of which are steadily declining in population. In recognition of the financial impact of these federal requirements, in 2011 the Missouri General Assembly passed a law (§644.145 RSMo.) requiring MDNR to make a finding of affordability when issuing new water quality (wastewater) permits for publically owned treatment works.

Since that time, MDNR staff has worked with stakeholders and developed an affordability analysis process. The length of time by which a community has to meet their water quality permit standards is determined by the result of this analysis. The analysis takes into consideration the estimated costs of the project, community size, age of population, population growth/decline, household income, property tax revenues, investment in other environmental improvements, impact on distressed populations, and other factors. Based on these factors, MDNR determines whether there is a high, medium or low financial burden for most individual customers or households. The level of burden is used to determine the length of time the community has to meet permit requirements. Prior to these determinations, five years was generally the maximum amount of time given for a community to come into compliance. After the affordability determination requirement,

communities with a high burden have been given up to ten years to comply. During this time, MDNR works with the community to help find ways to meet the requirements while lessening the immediate financial burden: alternative, less expensive treatment options are explored; centralization may be considered; or rate increases may be phased in gradually. The affordability determination requirement does not relieve the community from its requirement to meet the environmental standards; it simply provides a reasonable basis for an extended time frame to do so.

Based on its experience in implementing the affordability determination process and feedback from stakeholders, MDNR now wishes to refine the method by which it makes affordability determinations. The State of Nebraska is in the final stages of developing their AWIN (Assessing Wastewater Infrastructure Needs) Sustainability Model. AWIN is a probability model that determines the sustainability risk of a community's ability to pay for infrastructure needs in the future by analyzing population trends, economic status and resources. MDNR has reviewed Nebraska's AWIN model and, after discussions with the Nebraska environmental regulators, feel that it could serve as a basis for the development of a Missouri specific model that would enhance MDNR's affordability process, particularly for small, rural communities.

The Environmental Finance Center at Wichita State University, located in the Hugo Wall School of Public Affairs, developed the AWIN model for Nebraska. This effort was accomplished in two phases. The first phase identified future changes in rural populations as the critical factor for the sustainability of a community and ability to pay for infrastructure improvements. Analysis of research was performed to determine what indicators were statistically significant in predicting changes in rural populations. Phase two incorporated those and other factors into a model to help Nebraska evaluate a community's ability to pay for infrastructure needs in the future. Additionally, the model was tested on a select number of communities to validate the model's accuracy and a survey was developed to capture community information not available from known data sources accounted for in the model.

Similar to the work we are performing on the Water Quality Fee Study, MDNR has asked us provide contract management and other services related to a Missouri AWIN project and their affordability efforts. In exchange for these services, MDNR will pay our staff time, overhead rate and out of pocket expenses, including consultant fees.

Staff is requesting authorization to negotiate and enter into an agreement with Wichita State University to provide a Missouri specific AWIN model covering both drinking and wastewater. The specific scope of work is still being negotiated, but would include updating, tailoring and expanding the Nebraska AWIN research to provide Missouri specific information and data sources; revising the Nebraska model by incorporating Missouri data used to analyze the sustainability risk of our communities' ability to pay for future drinking water and wastewater infrastructure needs; testing the validity of the model; developing a supplemental survey instrument; and training on the model's use. These deliverables would be completed within one year and the preliminary cost is not expected to exceed \$60,000. At the time of the Board Meeting, we should have more complete time and cost information. The other terms of the contract will be consistent with those contained in the UNC agreement.

KM:ge