

Project Title	Agency Priority	Funding Source	Agency Request			Governor's Rec	Governor's Planning Estimates	
			2008	2010	2012	2008	2010	2012
State Matching Funds for USEPA Capitalization Grants	1	GO	\$45,000	\$45,000	\$45,000	\$30,000	\$30,000	\$30,000
Wastewater Infrastructure Fund	2	GF	300	300	300	300	300	300
Small Community Wastewater Treatment	3	GO	15,000	15,000	15,000	10,000	10,000	10,000
		GO	2,000	2,000	2,000	2,000	2,000	2,000
Total Maximum Daily Load Grants	4	GO	15,000	15,000	15,000	2,000	2,000	2,000
Phosphorus Reduction Grants	5	GO	10,000	10,000	10,000	2,000	2,000	2,000
Phosphorus Reduction Grants - Reimbursement Projects	6	GF	10,000	0	0	0	0	0
Water Conservation Through Wastewater Reuse	7	GO	5,000	0	0	0	0	0
Streamline Infrastructure Financing	8	OTH	100	0	0	100	0	0

Project Total	\$102,400	\$87,300	\$87,300	\$46,400	\$46,300	\$46,300
General Obligation Bonding (GO)	\$92,000	\$87,000	\$87,000	\$46,000	\$46,000	\$46,000
General (OTH)	\$100	\$0	\$0	\$100	\$0	\$0
General Fund Projects (GF)	\$10,300	\$300	\$300	\$300	\$300	\$300

<b>Funding Sources:</b>	GF = General Fund	THF = Trunk Highway Fund	OTH = Other Funding Sources
	GO = General Obligation Bonds	THB = Trunk Highway Fund Bonding	UF = User Financed Bonding

### At A Glance

The Minnesota Public Facilities Authority (PFA) is an interagency financing authority governed by a board consisting of six state commissioners representing the Departments of Employment and Economic Development (DEED), Finance, Health, Agriculture, Transportation, and the Pollution Control Agency. The Commissioner of DEED serves as the chair and is responsible for hiring an executive director with the consent of the PFA. The executive director is responsible for staffing, debt issuance authorized by the PFA, and compliance with laws, regulations and disclosure requirements related to the PFA programs.

The PFA manages three revolving funds, several grant and loan programs, and has authority to issue \$1.5 billion in revenue bonds to raise the capital to make loans. All major programs of the PFA are managed in conjunction with member agencies, which establish priorities and provide technical reviews of projects before the PFA approves funding.

### Agency Purpose

The mission of the Minnesota Public Facilities Authority (PFA), Minnesota Statute Chapter 446A, is to utilize its interagency authority to provide municipal financing expertise and infrastructure financing programs to enhance the environmental and economic vitality of the state.

To achieve its goals the Authority implements the following strategies:

- ◆ Target limited resources to high priority projects identified by regulatory agencies by following their project priority lists.
- ◆ Coordinate project funding with all other state and federal funding programs to leverage resources necessary to keep projects affordable.
- ◆ Coordinate activities of various funding partners to minimize duplication, administrative costs, and confusion.
- ◆ Maintain the credit quality (AAA rated) and viability of the Authority's Revolving Funds.
- ◆ Balance the current demand for project funding (including nonpoint source and point source needs) with the long-term lending capacity of the Authority's Revolving Funds to maintain their critical role as important financing tools for high priority projects in perpetuity.

### Core Functions

The core functions of the PFA can be summarized as management of infrastructure financing programs (offering both loans and grants to political subdivisions of the state), investment of funds, issuance of bonds to make loans, and loan collections.

PFA programs include the following:

#### Clean Water Revolving Fund (CWRF)

- ◆ Low interest loans to municipalities for wastewater and stormwater projects
  - ⇒ Total to date: 311 loans for \$1.7 billion
    - Interest savings to cities/taxpayers: \$413 million
  - ⇒ 2008 Intended Use Plan: 55 projects for \$331 million eligible to receive loans
  - ⇒ Funding priorities set by PCA Project Priority List
  - ⇒ Future needs: 251 projects for \$1.8 billion on 2008 priority list
- ◆ PFA has provided \$79.4 million for nonpoint source loan programs (Ag BMP Loans, PCA Clean Water Partnership Loans, DEED Tourism Loans)
- ◆ PFA also provides program administration funds to PCA

#### Wastewater Infrastructure Funding (WIF) Program

- ◆ Supplemental assistance for high cost, high priority wastewater projects
  - ⇒ Grants to match USDA Rural Development
  - ⇒ Non-RD Projects: 0 percent deferred loans to package with CWRF loans
- ◆ Funding priorities set by PCA Project Priority List
- ◆ FY 2007 Awards: 14 projects, \$13.8 million
  - ⇒ \$9.3 million reserved for 15 projects expected to proceed in FY 2008

#### Total Maximum Daily Load (TMDL) Grant Program

- ◆ Fifty percent grants to assist municipalities with wastewater or stormwater projects needed to meet TMDL implementation plan requirements
- ◆ PFA received 23 eligible applications for \$13 million in grants in FY 2007
- ◆ Funding priorities based on PCA's Project Priority List

**Clean Water Legacy Phosphorus Reduction Grant Program**

- ◆ Seventy-five percent grants up to \$500,000 to assist municipalities with wastewater treatment projects that will reduce discharge of total phosphorus to one mg/l or less
- ◆ PFA received 46 eligible applications for \$18 million in grants in FY 2007
- ◆ Funding order based on PCA Project Priority List
- ◆ Grants can be used to reimburse projects that started after March 2000 but before 7-1-2006.

**Small Community Wastewater Treatment Program**

- ◆ Loans and grants to assist small communities with costs to replace non-complying Individual Sewage Treatment Systems (ISTS) with new ISTS and small cluster systems that are publicly owned and operated
- ◆ One percent loans for up to 100 percent of project costs, communities that have below average median household income can receive 50 percent of funding as a grant
- ◆ Funding order based on PCA Project Priority List
- ◆ PFA can provide up-front technical assistance grants to help small communities analyze possible wastewater alternatives
  - ⇒ Up to \$40,000 for ISTS professional to conduct preliminary feasibility analysis and for University of Minnesota Extension Service to advise community and

**Drinking Water Revolving Fund**

- ◆ Low interest loans to municipalities and other public water suppliers for drinking water infrastructure improvements
  - ⇒ Total to date: 194 loans for \$390 million
    - Interest savings to cities/taxpayers: \$79 million
  - ⇒ 2008 Intended Use Plan: 57 projects for \$85 million eligible to receive loans
  - ⇒ Funding priorities set by Health Department Project Priority List
  - ⇒ Future needs: 121 projects for \$191 million on 2008 priority list
  - ⇒ PFA also provide funds to Health Department for program administration, wellhead protection, public water supply supervision, technical assistance

**Transportation Revolving Loan Fund**

- ◆ Low interest loans to governmental entities for eligible transportation projects, including road and bridge projects and transit projects.

- ⇒ Total to date: 19 loans for \$118 million
  - Interest savings to cities/taxpayers: \$17 million
- ⇒ MnDOT periodically solicits project proposals and ranks them on a competitive basis as loan repayments become available for new loans.

**County Credit Enhancement Program**

- ◆ Program reduces county borrowing costs on general obligation bonds issued for certain purposes by providing a limited state guarantee of the bond payments.
- ◆ Eligible projects include construction of jails, correctional facilities, law enforcement facilities, and social services and human services facilities
  - ⇒ Total to date: 32 bond issues for \$180 million
    - Interest savings to counties/taxpayers: \$3.3 million

**Methamphetamine Laboratory Cleanup Fund**

- ◆ Low interest loans to cities and counties to finance the cleanup of sites affected by conditions or chemicals associated with the manufacturing of methamphetamine
  - ⇒ Total to date: 2 loans for \$20,016

*In partnership with DEED* the executive director has begun to oversee the Community Assistance and Redevelopment and Brownfield Units located in the Business and Community Development Division. DEED and the PFA will be exploring options to maximize the utilization of the limited grant funds and the PFA's bonding authority to deliver comprehensive and coordinated financial packages critical to build the capacity for economic development opportunities across the state.

**Operations**

Communities that have drinking water or clean water needs are directed to the appropriate agency (MDH and MPCA) to list the project on the appropriate project priority list and to begin the environmental and technical review processes required to permit and certify projects to the PFA for funding. Each year the PFA solicits requests for placement on the Intended Use Plan (a federal requirement used to report to USEPA and the public on how the state will use the Clean Water and Drinking Water Funds each fiscal year). To be placed on the Intended Use Plan, the project must have approval of its preliminary engineering report or Facility Plan and be scheduled to start work during the fiscal year. The PFA board examines the

demand for funds and sets the cut off point for funding looking at current demand, projected future needs, and the short-term and long-term capacity of the fund to make loans.

The PFA manages capital assets for the making of loans through receipt of Federal Capitalization Grants, State Matching Funds, Loan Repayments, Investment Interest, and proceeds of Revenue Bond issuances. Communities issue their General Obligation Bonds to the PFA to back the loans. The combination of equity assets, general obligation pledges from a large and diverse pool of borrowers, and the seasoned staff and management practices of the Authority have achieved AAA bond ratings from all three Bond Rating Agencies.

The Wastewater Infrastructure Funding program follows the MPCA's project priority list and provides supplemental funding for high cost projects that qualify for grant funding by USDA Rural Development or when project costs exceed five percent of the market value of property in the service area for projects financed under the Clean Water Revolving Fund. For USDA Rural Development projects, the WIF program provides 50 percent of the grant eligible amount determined by Rural Development. For Clean Water Revolving Fund projects, the WIF program provides a zero interest loan, with payments deferred until the revolving fund loan is paid in full.

All other grant programs have specific application cycles. The application material for each program is available on the PFA website and notices are sent out to all eligible recipients on the Project Priority List notifying them of the deadlines and contacts for assistance.

### Key Operations

The key measure for the PFA is the savings offered by low interest loans. We track this by assuming each community could sell AAA rated bonds and comparing our loan rate to the AAA bond market rate to measure savings. In reality many other cost savings occur through reduced fees, costs of issuance and regulatory compliance activities such as annual market disclosure and arbitrage rebate reporting requirements. PFA loans made from FY 1989 through 2007 will save borrowers over \$500 million in interest costs over the life of the loans. Interest rate discounts on PFA loans range from 1.5 percent to four percent below the AAA market rate, with smaller

communities receiving the largest discounts, down to a minimum interest rate of 1 percent.

### Budget

Under M.S. 446A.11, Subd. 13, funds available to the PFA, unless otherwise indicated, are statutorily appropriated to the Authority and available until expended. The PFA's budget for FY 2008 is approximately \$521 million. This includes \$371 available for low interest loans, \$91.5 million for debt service on outstanding revenue bonds, \$2.5 million for grants, \$863,000 for staff (8.75 FTEs) and general administrative costs, and \$330,000 for bond issuance and related costs including bond counsel, financial advisor, auditor, and arbitrage rebate contractors.

In addition to these amounts, PFA annually provides administrative support funding to the Pollution Control Agency and the Department of Health for their work with the Clean Water and Drinking Water State Revolving Funds. These amounts for BFY 2008 are \$1,119,912 and \$473,973, respectively.

PFA also provides funding to the PCA and the Department of Agriculture for non-point source revolving loan programs under the Clean Water SRF. The anticipated funding level for FY 2008 is \$2.2 million, unchanged from FY 2007.

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### At A Glance: Agency Long-Range Strategic Goals

The Minnesota Public Facilities Authority (PFA), Minnesota Statutes Chapter 446A, is an interagency financing authority governed by a board consisting of six state commissioners representing the Departments of Employment and Economic Development, Finance, Health, Agriculture, Transportation, and the Pollution Control Agency. The Commissioner of DEED serves as the chair and is responsible for hiring an executive director with the consent of the PFA. The executive director is responsible for staffing, debt issuance authorized by the PFA, and compliance with laws, regulations and disclosure requirements related to the PFA programs.

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The mission of the PFA is to utilize its interagency authority to provide municipal financing expertise and infrastructure financing programs to enhance the environmental and economic vitality of the state.

To achieve its goals the Authority implements the following strategies:

- ◆ Target limited resources to high priority projects identified by regulatory agencies by following their project priority lists.
- ◆ Coordinate project funding with all other state and federal funding programs to leverage resources necessary to keep projects affordable.
- ◆ Coordinate activities of various funding partners to minimize duplication, administrative costs, and confusion.
- ◆ Maintain the credit quality (AAA rated) and viability of the PFA's Revolving Funds.
- ◆ Balance the current demand for project funding (including nonpoint source and point source needs) with the long-term lending capacity of the PFA's Funds to maintain their critical role as an important financing tool for high priority projects in perpetuity.

### Trends, Policies and Other Issues Affecting the Demand for Services, Facilities, or Capital Programs

There are many factors affecting the growing demand for infrastructure financing in Minnesota. They include aging municipal infrastructure which is at or beyond its useful life; population growth and shifts resulting in rapid growth in some areas and population loss in others, both of which create challenges for infrastructure investment; rising costs, including construction related inflation costs that have increased two to three times the cost of living, putting pressure on local government budgets and reducing their ability to fund projects locally; growing awareness of the impacts of failing individual septic systems which have generated a growing demand for municipal wastewater service in many unsewered communities and lakeshore areas; new standards imposed on drinking water to protect the health and safety of people; and an increased focus on impaired waters and the development and implementation of total maximum daily load (TMDL) studies to restore the ability of those waters to meet their designated uses. In addition there is the challenge of meeting these needs in the context of a global economy that keeps pressure on communities to keep costs of public services priced with their regional, national, and international competition.

#### Clean Water

The Clean Water Legacy Act has led to the creation of several new programs to address impaired waters caused by both nonpoint and point source pollution. In the past two years the Authority implemented three new funding programs, the Total Maximum Daily Load Grant Program, Phosphorus Reduction Grant Program and the Small Community Wastewater Loan and Grant Program. In addition to new programs the existing Clean Water Revolving Fund and Wastewater Infrastructure Funding Program have been modified to include storm water treatment when it is a contributor to impaired waters.

The Pollution Control Agency (PCA) 2008 Project Priority List includes 251 projects totaling \$1.8 billion. The Clean Water SRF program is the primary source of funding for municipal wastewater projects and it is expected to receive federal funding (\$19.5 million annually) through federal fiscal year (FFY) 2012. States are required to provide a \$1 state match for every \$5 of federal funding, but given the demand on the funding the PFA is requesting a 1 to 1 match.

The WIF program provides grants to help small communities deal with the high cost of wastewater construction. WIF makes up about 10 percent of the total state assistance for wastewater, and demand has grown significantly in recent years as communities try to resolve problems with failing septic systems.

### **Drinking Water**

Threats to drinking water can come from contamination such as bacteria, viruses or nitrates from animal or human activities, naturally occurring inorganic chemicals such as arsenic, or radioactive elements such as radon. The Health Department's 2008 Project Priority List includes 121 projects totaling \$191 million. The Drinking Water SRF is expected to receive federal funding (\$15,000,000 annually) through FFY 2018. States are required to provide a \$1 state match for every \$5 of federal funding.

### **Describe the Agency's Long-Range Strategic Goals in Relationship to Capital Request:**

*State Match for the Clean Water Revolving Fund:* In conjunction with MPCA, the PFA manages the very successful Clean Water Revolving Fund, which provides low interest loans to municipalities for wastewater projects. This fund is the primary wastewater financing tool available to municipalities and historically has provided over 80 percent of all state funding of wastewater construction. The Clean Water Fund also provides money to MPCA and Agriculture for their nonpoint source loan programs. Demand for wastewater loans has grown to more than \$300 million per year, more than four times the average annual long-term lending capacity of the fund. State matching funds are required to capture the Federal USEPA Capitalization Grants to provide equity for the fund. The PFA's request for a \$1 to \$1 state match, versus the minimum required \$1 to \$5 match, will help tremendously in the PFA's ability to leverage the funds three to four times in the Municipal Bond Market to make loans.

*State Match for the Drinking Water Revolving Fund:* PFA manages the Drinking Water Revolving Fund (DWRF) in conjunction with the Minnesota Department of Health (MDH), which provides similar technical service as MPCA. The DWRF provides low interest loans to municipalities for drinking water projects and also funds a variety of technical services (including public water supply supervision, wellhead protection, and technical assistance to

small communities). To capture the Federal USEPA Capitalization Grants the state is required to provide a \$1 to \$5 match. The PFA believes the Fund capacity will be sufficient to address the high priority projects with the State Match, expected Federal Capitalization Grants and Drinking Water Revolving Fund revenue bonds (AAA rated) issued by the PFA. We are therefore requesting the minimum state match for the DWRF.

*Wastewater Infrastructure Fund:* The Wastewater Infrastructure Fund Program (WIF) provides grant funding to communities that are unable to finance projects solely through loans. For communities eligible to receive grants from the United States Department of Agriculture Rural Development (RD), the WIF matches RD grants on a 50/50 basis. Communities not eligible for RD grants may receive zero interest deferred loans based on the funding criteria in M.S. section 446A.072. Among projects funded in recent years, the PFA has found that communities under 2,500 population pay an average of \$53 per month per household, while those over 2,500 population average \$27 and cities in the metro service area average just over \$15 per month. Given the large cost differences between small and large communities, USDA Rural Development will reduce their grant formula from 1.7 percent of Median Household Income to 1.5 percent. This will result in more funds being committed as grants to help small communities, but it could also make it more difficult for them to fully commit their loan funds, potentially leading to some of their allocation for Minnesota reverting back to the national pool. To assist in fully utilizing Minnesota's allocation of federal funds, the PFA will be requesting a change to the WIF match requirement from 50/50 to 65 percent state to 35 percent federal. This will help provide greater assistance to small low income communities while also assuring that Rural Development fully utilizes its loan funds.

### *Small Community Wastewater Treatment Loan and Grant Program.*

This program is designed to allow the construction of publicly owned and operated onsite sewage systems on a voluntary basis by the homeowner in very small communities (too small to require a permit by MPCA). It provides 100 percent financing in the form of a loan, or 50 percent loan and 50 percent grant when the income levels are below the state average. This is a critical program to eliminate straight pipe communities and the pollution caused by failing septic systems as part of the state's effort to restore impaired waters.

*Total Maximum Daily Load (TMDL) Grants.* The TMDL grant program provides 50 percent grants to communities that are required to make improvements to their wastewater treatment systems based on a TMDL study and implementation plan. As of 6-30-2007 the MPCA has completed 13 TMDL studies and identified 217 communities as contributors to impaired waters. There are another 50 studies underway that will most likely expand this list. Funding priorities for this program were modified to follow the MPCA's Project Priority List so the funds will be directed to the highest priority construction projects and can be used in conjunction with the Clean Water Revolving Fund to provide complete project financing. This is a key program in providing assistance to communities to address impaired waters.

*Phosphorus Reduction Grants.* The Phosphorous Reduction Grant program provides 75 percent grant for the treatment of phosphorous to address MPCA's phosphorous requirements of 1 milligram per liter. This was a strategy adopted by MPCA in March of 2000. The program can reimburse project cost dating back to the adoption of the phosphorous strategy. The PFA is requesting \$10 million in general fund money to do the reimbursements as it is not considered an eligible use of bond proceeds and may run afoul of federal tax-exempt bond regulations. The PFA is also requesting \$10 million for new phosphorous reduction projects to assist communities with new permit requirements related to phosphorous discharge. Funding priorities follow the MPCA's Project Priority List and can be used in conjunction with the Clean Water Revolving Fund for major wastewater treatment upgrades.

*Pilot Project for Water Conservation through Wastewater Reuse.*

In conjunction with the Department of Natural Resources (DNR) and the MPCA the PFA is requesting funding to attempt to seek two industrial users, primarily ethanol producers, to convert from using ground water for cooling to the use of municipal wastewater. The funds will be used to make the necessary improvements to the municipal wastewater treatment and connection line to the industrial facility. Any plant conversion would be the responsibility of the user. The key outcome is to look at the feasibility and economics of such a conversion to encourage the reuse of wastewater and preservation of ground water, especially in area of the state where ground water is scarce and its use for such things as cooling is not a high value use of the resource.

### **Provide a Self-Assessment of the Condition, Suitability, and Functionality of Present Facilities, Capital Projects, or Assets**

The PFA does not own or operate facilities covered by this request.

### **Agency Process Used to Arrive at These Capital Requests**

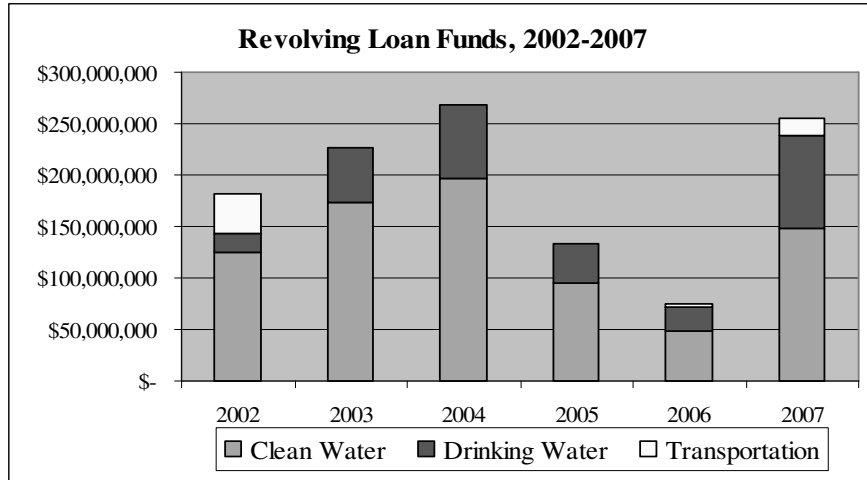
PFA staff worked with its funding and regulatory partners (Health, MPCA, DNR, USDA Rural Development, Army Corp of Engineers, and DEED's Community Assistance Unit) to assess the demand for funding and the opportunities to maximize other funding to fully fund those projects that should be ready to proceed during the next two years. PFA staff also met with constituent groups to discuss staff proposals and seek comments. The proposals were brought to the PFA Board on 6-13-2007 and were approved for submission to Finance and the Governor's Office. In addition, the Authority staff presented the proposed capital budget to the Clean Water Council for review and the Council formally approved a resolution supporting the PFA capital budget request on 7-17-2007.

### **Agency Capital Budget Projects During The Last Six Years (2002-2007):**

The PFA made its first loan in July of 1989 and has since provided over \$2 billion dollars of financing to local governments throughout the state for wastewater, drinking water, roads, bridges and transit projects. From FY 2002 through 2007, the PFA has provided \$1.1 billion in 252 revolving fund loans, including \$788 million for 101 Clean Water loans, \$295 million for 140 Drinking Water loans, and \$58 million for 11 Transportation loans.

PFA Revolving Loan Fund capital project funding by state FY 2002 through 2007:

been reserved or committed for 13 projects under these programs, and the PFA expects all appropriated funds to be under contract by the end of the fiscal year.



Also during the period of FY 2002 through 2007, the PFA allocated over \$14 million from the Clean Water Revolving Fund to the DOA and PCA for their nonpoint source loan programs. These funds, combined with previous loan repayments, resulted in a total of \$82 million in loans to private landowners to implement over 7,000 projects to reduce nonpoint source pollution.

From FY 2002 through 2007, the PFA also funded 35 projects for \$39.8 million in matching grants and deferred loans under the Wastewater Infrastructure Funding program. An additional \$8.4 million is reserved for 12 projects that have met requirements specified in the appropriation language, leaving \$3.2 million available for new WIF projects which the PFA expects will be committed soon after federal FY 2008 appropriations are made to USDA Rural Development in October 2007.

In FY 2007 the PFA also awarded a total of \$3.9 million to 9 projects under the three Clean Water Legacy Programs: the Small Community Wastewater Treatment Program, the Total Maximum Daily Load (TMDL) Grant Program, and the Phosphorus Reduction Grant Program. An additional \$5.1 million has



**State Matching Funds for USEPA Capitalization Grants**

**2008 STATE APPROPRIATION REQUEST:** \$45,000,000

**AGENCY PROJECT PRIORITY:** 1 of 8

**PROJECT LOCATION:** Statewide

**Project At A Glance**

State Matching Funds for U.S. Environmental Protection Agency (EPA) and Capitalization Grants for Clean Water and Drinking Water Revolving Funds

**Project Description**

The Public Facilities Authority (PFA) is seeking \$45 million in state funds to match expected EPA funds for federal FY 2009-10 at the rate of 1:1 for the Clean Water Revolving Fund (M.S. 446A.07), and at the minimum required match of 1:5 for the Drinking Water Revolving Fund (M.S. 446A.081). These funds will be used to leverage PFA revenue bonds to provide low interest loans for clean water and drinking water projects. In both programs, the state matching funds are used only for municipal, publicly-owned improvements.

**2008 Legislative Session Request (\$ in thousands): \$45,000**

FY	Clean Water		Drinking Water	
	Fed Cap. Grant	State Match	Fed Cap. Grant	State Match
2009	\$19,500	\$19,500	\$15,000	\$3,000
2010	<u>19,500</u>	<u>19,500</u>	<u>15,000</u>	<u>3,000</u>
Total	\$39,000	<b>\$39,000</b>	\$30,000	<b>\$6,000</b>

**Impact on Agency Operating Budgets (Facilities Notes)**

PFA operates on federal administrative funds and special revenues generated from fees on loan payments, which together provide for all

administrative expenses for these programs incurred by the PFA, the Pollution Control Agency (PCA), and the Department of Health (DOH).

**Previous Appropriations for this Project**

Previous state match appropriations total \$167.12 million to match federal grants from 1989-2008.

**Other Considerations**

Low-cost financing under the PFA's clean water and drinking water loan programs is an important element in helping communities contain costs and remain economically competitive, while providing essential infrastructure. Funds are awarded to projects based on their ranking on Project Priority Lists prepared by the Pollution Control Agency (PCA) for clean water projects and the health department for drinking water projects. Through FY 2007, the PFA has made below market rate loans in excess of \$2 billion which will result in interest savings to local taxpayers of almost \$500 million compared to market rate financing.

Demand for wastewater loans from the PFA has grown to \$300 million per year, more than four times the average annual long-term lending capacity of the Clean Water Revolving Fund. The demand for these loans has been driven by economic growth and population shifts, TMDL implementation plans to address impaired waters, the need to replace aging facilities, and greater attention to the impacts of individual sewage treatment systems. Demand will continue to grow as pressure to meet Clean Water Act requirements for impaired waters puts greater emphasis on storm water infrastructure needs in addition to wastewater needs. The focus on impaired waters will also increase demand for funds from nonpoint source pollution loan programs. The PFA, through the Clean Water Revolving Fund, has provided \$79.4 million to nonpoint source loan programs since 1995. Recognizing these growing needs, the Legislature appropriated Clean Water matching funds at a 1:1 level in 2006. For 2008, the PFA is seeking to maintain the 1:1 match level, adjusting for an anticipated moderate increase in federal funds for 2009-10. Despite the small increase in expected federal funds, maintaining the 1:1 state match is still needed to continue to fund high priority project needs.

**State Matching Funds for USEPA Capitalization Grants**

Demand for drinking water loans, while strong, has not grown as fast relative to the long-term lending capacity of the Drinking Water Revolving Fund. The request for drinking water matching funds remains at the minimum 20 percent necessary to access the federal funds. This should be sufficient for the Drinking Water Revolving Fund to continue to finance high priority projects.

To date, federal and state funds have been leveraged 2.5:1 through the PFA's issuance of AAA rated revenue bonds. Overall, each dollar of state matching funds has generated over \$12 in project construction. It should be noted that every dollar spent on municipal water and wastewater construction generates 4.6 cents in general fund revenues directly from the income tax, corporate income tax, and sales tax. The interest savings from PFA loans for local taxpayers has been almost \$3 for every \$1 of state matching funds.

The Clean Water and Drinking Water Revolving Funds have shown considerable financial strength to finance municipal water and wastewater projects. The AAA ratings of the PFA's clean water and drinking water bonds from Standard and Poors Rating Group, Fitch I.C.B.A., Inc., and Moody's Investor Services reflects the financial strength of the funds, the credit quality of Minnesota communities, and the sound financial management of the programs.

**Project Contact Person**

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**Governor's Recommendations**

The governor recommends general obligation bonding of \$30 million for this project. Also included are budget planning estimates of \$30 million in 2010 and \$30 million in 2012.

<b>TOTAL PROJECT COSTS All Years and Funding Sources</b>	<b>Prior Years</b>	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	2,382,055	400,000	400,000	400,000	3,582,055
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
<b>TOTAL</b>	<b>2,382,055</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>3,582,055</b>

<b>CAPITAL FUNDING SOURCES</b>	<b>Prior Years</b>	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
<b>State Funds :</b>					
G.O Bonds/State Bldgs	122,573	45,000	45,000	45,000	257,573
General Fund Projects	24,500	0	0	0	24,500
General	4,444	0	0	0	4,444
Infrastructure Dev	15,600	0	0	0	15,600
<b>State Funds Subtotal</b>	<b>167,117</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	<b>302,117</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	656,404	69,000	69,000	69,000	863,404
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	1,558,534	286,000	286,000	286,000	2,416,534
<b>TOTAL</b>	<b>2,382,055</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>3,582,055</b>

<b>CHANGES IN STATE OPERATING COSTS</b>	<b>Changes in State Operating Costs (Without Inflation)</b>			
	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

<b>SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS</b> (for bond-financed projects)	<b>Amount</b>	<b>Percent of Total</b>
General Fund	45,000	100.0%
User Financing	0	0.0%

<b>STATUTORY AND OTHER REQUIREMENTS</b>	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2013

## Wastewater Infrastructure Fund

**2008 STATE APPROPRIATION REQUEST:** \$15,300,000

**AGENCY PROJECT PRIORITY:** 2 of 8

**PROJECT LOCATION:** Statewide

**Project At A Glance**

The Wastewater Infrastructure Funding Program (WIF) is designed to keep high cost projects affordable in conjunction with funding from either USDA Rural Development or the PFA's Clean Water Revolving Fund. Rural Development provides 40 year loans with grants in once debt service exceeds of 1.5 percent median household income. WIF is used to match the Rural Development grant. With the Clean Water Revolving Fund (CWRF) WIF is used to extend the term of the loan from 20 years up to 40 by using the WIF funds as a 0 percent loan with payments beginning after the CWRF loan is repaid.

**Project Description**

The Public Facilities Authority (PFA) is seeking \$15.3 million for the Wastewater Infrastructure Funding (WIF) program (MN Statutes 446A.072). For high cost projects, WIF monies are used either as grants to match grant assistance provided by the U.S. Department of Agriculture (USDA) Rural Development, or as 0% loans for up to 40 years to supplement loans from the Clean Water Revolving Fund.

For USDA Rural Development projects, the WIF program provides 50 percent of the grant eligible amount determined by Rural Development. Rural Development's grant calculations are determined by first looking at the amount of debt service and operation and maintenance costs a city can afford to pay based on a figure of 1.7 percent of its median household income, with the total grant then providing for 100 percent of construction costs above that level.

For projects that do not receive Rural Development funding, the WIF program provides a zero interest loan for up to 40 years for eligible project costs that exceed 5 percent of the market value of the project area.

**Impact on Agency Operating Budgets (Facilities Notes)**

The requested amount includes a \$300,000 general fund appropriation for program administrative costs by the Pollution Control Agency (PCA) and PFA. Of that amount, 90 percent would be used by the PCA to provide substantial project oversight, technical and environmental review, prioritizing projects, and permitting, and 10 percent would be for the PFA to cover program administrative costs not associated with the Clean Water Revolving Fund.

**Previous Appropriations for this Project**

Previous appropriations from 1996-2006 for projects under the WIF program total \$116 million. As of June 2007, the PFA has awarded \$102.8 million in grants and loans to 87 projects, and an additional \$9.1 million is reserved for projects that have met required deadlines and are waiting for final approvals prior to bidding. The remaining balance of \$4.1 million is available for new projects that are expected to receive USDA Rural Development funding commitments by 12-31-2007.

**Other Considerations**

WIF funds are directed to the highest priority projects from an environmental and public health standpoint based on their ranking on the Pollution Control Agency's Project Priority List. The WIF program gives small communities the opportunity to share in the benefits of a growing economy by addressing their wastewater problems while keeping costs affordable for their residents.

The WIF program was designed to be a gap-financing tool used in conjunction with the Clean Water Revolving Fund and the USDA's Rural Development grant program for wastewater. Communities are required to seek grant assistance from other sources before becoming eligible for either WIF or the USDA Rural Development grant program. The unique state/federal partnership with Rural Development was designed to coordinate

**Wastewater Infrastructure Fund**

assistance to communities to keep the systems affordable, as well as make it easier for many of the smaller communities to access funding.

An additional benefit is that the WIF grant match helps the Minnesota Rural Development office obligate all of its federal grant and loan funds, making it eligible to go to the national pool for additional funds for Minnesota communities. The potential for the Federal Farm Bill to provide a one time injection of capital to reduce the back log of projects on USDA Rural Development's list makes it important to have this money available to get as many federal funding commitments as possible for federal FY 2008-09.

The PFA will survey projects on the PCA's 2008 project priority list and provide its report on WIF needs to the appropriate legislative committees by 2-1-2008.

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**Governor's Recommendations**

The governor recommends general obligation bonding of \$10 million for this project. Also included are budget planning estimates of \$10 million in 2010 and \$10 million in 2012. The governor also recommends \$300 thousand from the general fund for project administration.

<b>TOTAL PROJECT COSTS All Years and Funding Sources</b>	<b>Prior Years</b>	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	300	300	300	900
5. Construction Costs	398,653	38,000	38,000	38,000	512,653
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
<b>TOTAL</b>	<b>398,653</b>	<b>38,300</b>	<b>38,300</b>	<b>38,300</b>	<b>513,553</b>

<b>CAPITAL FUNDING SOURCES</b>	<b>Prior Years</b>	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
<b>State Funds :</b>					
G.O Bonds/State Bldgs	143,111	15,000	15,000	15,000	188,111
General Fund Projects	1,700	300	300	300	2,600
General	3,000	0	0	0	3,000
Infrastructure Dev	1,101	0	0	0	1,101
<b>State Funds Subtotal</b>	<b>148,912</b>	<b>15,300</b>	<b>15,300</b>	<b>15,300</b>	<b>194,812</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	82,239	8,000	8,000	8,000	106,239
Local Government Funds	11,055	0	0	0	11,055
Private Funds	0	0	0	0	0
Other	156,447	15,000	15,000	15,000	201,447
<b>TOTAL</b>	<b>398,653</b>	<b>38,300</b>	<b>38,300</b>	<b>38,300</b>	<b>513,553</b>

<b>CHANGES IN STATE OPERATING COSTS</b>	<b>Changes in State Operating Costs (Without Inflation)</b>			
	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

<b>SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS</b> (for bond-financed projects)	<b>Amount</b>	<b>Percent of Total</b>
General Fund	15,000	100.0%
User Financing	0	0.0%

<b>STATUTORY AND OTHER REQUIREMENTS</b>	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2013

## Small Community Wastewater Treatment

**2008 STATE APPROPRIATION REQUEST:** \$2,000,000

**AGENCY PROJECT PRIORITY:** 3 of 8

**PROJECT LOCATION:** Statewide

**Project At A Glance**

The Small Community Wastewater Treatment Program provides loans and grants to small communities to replace non-complying septic systems with new individual sewage treatment systems or small cluster systems that are publicly owned and operated.

**Project Description**

This program provides 1 percent loans for 100 percent of the project costs to replace failing septic systems with new individual sewage treatment systems or small soil-based cluster systems. Communities with median household incomes below the statewide average can receive grants for up to 50 percent of the project costs. The program requires public ownership of the systems being financed. The program also provides technical assistance grants for feasibility studies and to assure the communities have the technical, financial, and managerial capacity to operate and maintain the systems built under the program. This is a critical feature in making lasting improvements that will restore and protect water quality.

The requested funds will finance publicly owned capital improvements as a loan or combination loan and grant. Property owners that voluntarily choose to participate in a project must donate utility easements to the community to allow for installation and maintenance of the systems. The systems must comply with M.S. 115.55 for soil-based treatment systems and must be less than the Pollution Control Agency's (PCA's) permit threshold of 10,000 gallons per day. The program is a critical component of the state's effort to reduce pollution going into impaired waters from failing septic systems and straight pipes. Funds are awarded based on the project ranking on the PCA's Project Priority List.

**Impact on Agency Operating Budgets (Facilities Notes)**

Administrative costs of the PFA are captured through fees assessed on loan repayments.

**Previous Appropriations for this Project**

In 2006 \$1 million was appropriated from state general obligation (GO) bonds and \$100,000 from the state general fund as part of the Clean Water Legacy funding package.

**Other Considerations**

In 2007, the PFA was appropriated \$100,000 per year in its base budget to award up-front technical assistance grants to unsewered small communities based on their ranking on the PCA's Project Priority List. Grants of \$10,000 plus \$500 per household can be used by the community to hire a licensed professional to conduct site evaluations and determine the feasibility of installing soil-based systems, and to contract with the University of Minnesota Extension Service to advise the community on treatment alternatives and help the community develop the technical, managerial and financial capacity to operate and maintain the systems once installed.

Given the very small size and low income of many unsewered communities, financial assistance from the state is often the only option to address the pollution problems generated by failing septic systems. The PFA plays a major role in coordinating funding from the various state financing programs and with other funding partners to minimize administrative duplication and confusion for small communities.

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**Governor's Recommendations**

The governor recommends general obligation bonding of \$2 million for this project. Also included are budget planning estimates of \$2 million in 2010 and \$2 million in 2012.



<b>TOTAL PROJECT COSTS All Years and Funding Sources</b>	<b>Prior Years</b>	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	1,100	2,000	2,000	2,000	7,100
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
<b>TOTAL</b>	<b>1,100</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>7,100</b>

<b>CAPITAL FUNDING SOURCES</b>	<b>Prior Years</b>	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
State Funds :					
G.O Bonds/State Bldgs	1000	2,000	2,000	2,000	7,000
General	100	0	0	0	100
<b>State Funds Subtotal</b>	<b>1,100</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>7,100</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
<b>TOTAL</b>	<b>1,100</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>7,100</b>

<b>CHANGES IN STATE OPERATING COSTS</b>	<b>Changes in State Operating Costs (Without Inflation)</b>			
	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

<b>SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS</b> (for bond-financed projects)	<b>Amount</b>	<b>Percent of Total</b>
General Fund	2,000	100.0%
User Financing	0	0.0%

<b>STATUTORY AND OTHER REQUIREMENTS</b>	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2013

## Total Maximum Daily Load Grants

**2008 STATE APPROPRIATION REQUEST:** \$15,000,000

**AGENCY PROJECT PRIORITY:** 4 of 8

**PROJECT LOCATION:** Statewide

**Project At A Glance**

The Total Maximum Daily Load Grant Program provides 50 percent grants for wastewater treatment and storm water projects that are needed to comply with point source wasteload allocations required by approved TMDL implementation plans.

**Project Description**

The Public Facilities Authority (PFA) is seeking \$15 million for the Total Maximum Daily Load (TMDL) grant program (M.S. 446A.073). The Pollution Control Agency (PCA) has approved 13 completed TMDL studies as of June 2007. Within these 13 TMDL areas 217 different communities have been identified as contributing to the water impairments (127 unsewered communities with straight pipes from homes discharging into surface waters, 46 communities with wastewater treatment or bypass issues, and 44 communities needing to undertake improvements to reduce pollution caused by storm water flowing into an impaired water). The TMDL grant program provides 50 percent grants up to a maximum of \$3 million for the improvements necessary to reduce the pollutant load to the limits identified in the TMDL implementation plan. Projects are prioritized based on their ranking on the PCA's Project Priority List. The priority system will assure the available funds are directed to the projects that are the highest environmental priorities.

**Impact on Agency Operating Budgets (Facilities Notes)**

The PFA covers its administrative costs for the program from a 0.5 percent (one half of one percent) fee charged to grantee at the time of the contract issuance.

**Previous Appropriations for this Project**

A total of \$7 million was appropriated for the program from the 2005 and 2006 bonding bills. The PFA received 23 eligible applications for over \$12 million in requests for the \$7 million appropriated to the PFA. The requests were limited to the first two TMDL study areas to be completed. As of June 2007 the PFA has awarded three TMDL grants for \$1.6 million. Three communities are working with USDA for additional grant and loan funds to undertake their project and should be awarded this fall for a total of \$1.48 million. The PFA expects to award the remaining funds by the end of the December 2007.

**Other Considerations**

As the Clean Water Legacy Act continues to provide the framework to restore impaired waters throughout the state, the list of needed wastewater and storm water improvements by local governments will continue to grow. Most communities required to upgrade a component of their treatment works will undertake other improvements to upgrade and expand capacity at the same time to save costs. This creates additional construction jobs, reduces future costs of modernizing the systems as they wear out, and provides capacity necessary for residential and industrial growth. The PFA will coordinate TMDL grants with other funding sources to minimize administrative duplication and confusion for cities.

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**Governor's Recommendations**

The governor recommends general obligation bonding of \$2 million for this project. Also included are budget planning estimates of \$2 million in 2010 and \$2 million in 2012.

<b>TOTAL PROJECT COSTS All Years and Funding Sources</b>	<b>Prior Years</b>	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	19,868	30,000	30,000	30,000	109,868
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
<b>TOTAL</b>	<b>19,868</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>109,868</b>

<b>CAPITAL FUNDING SOURCES</b>	<b>Prior Years</b>	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
State Funds :					
G.O Bonds/State Bldgs	7,000	15,000	15,000	15,000	52,000
<b>State Funds Subtotal</b>	<b>7,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>52,000</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	5,894	0	0	0	5,894
Local Government Funds	773	15,000	15,000	15,000	45,773
Private Funds	0	0	0	0	0
Other	6,201	0	0	0	6,201
<b>TOTAL</b>	<b>19,868</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>109,868</b>

<b>CHANGES IN STATE OPERATING COSTS</b>	<b>Changes in State Operating Costs (Without Inflation)</b>			
	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

<b>SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS</b> (for bond-financed projects)	<b>Amount</b>	<b>Percent of Total</b>
General Fund	15,000	100.0%
User Financing	0	0.0%

<b>STATUTORY AND OTHER REQUIREMENTS</b>	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2013

**Phosphorus Reduction Grants****2008 STATE APPROPRIATION REQUEST:** \$10,000,000**AGENCY PROJECT PRIORITY:** 5 of 8**PROJECT LOCATION:** Statewide**Project At A Glance**

The Phosphorus Reduction Grant Program was created as part of the Clean Water Legacy Act to provide 75 percent grants to cities for wastewater treatment improvements to reduce the discharge of phosphorus.

**Project Description**

The Public Facilities Authority is seeking \$10 million to provide grants for new projects under the Phosphorus Reduction Grant Program (M.S. 446A.074). The program provides grants to local governments to assist with the cost of wastewater treatment projects to reduce the discharge of total phosphorus to 1 milligram per liter or less. The Pollution Control Agency (PCA) requires that all wastewater treatment facilities that discharge more than 200,000 gallons per day to surface waters provide treatment to reduce phosphorus to at least the 1 milligram per liter standard. The program was established to assist local governments in meeting this mandate by providing a grant for 75 percent of eligible capital costs, up to a maximum of \$500,000.

By law the PFA accepts application in the month of July and will reserve funds for projects based on their ranking on the PCA's Project Priority List. Projects have until May 1<sup>st</sup> the following year to bid and have the eligible cost certified by PCA to obtain grant funds for the project. Under the program statute, any remaining balance can be used to reimburse local governments for phosphorus reduction projects that were previously built, provided it is an eligible use of funds.

**Impact on Agency Operating Budgets (Facilities Notes)**

The PFA recovers its administrative costs with a 0.5 percent (one half on one percent) fee charged to grantee at the time of the contract issuance.

**Previous Appropriations for this Project**

In 2006 the PFA received \$2.31 million in the bonding bill. In July of 2006 the PFA requested applications for Phosphorus Reduction Grants and received 47 eligible requests totaling \$17.6 million for the \$2.31 million available. As of June 2007, the PFA awarded five grants for \$1.3 million and reserved the remaining \$1 million for three other projects expected to be under contract in the near future.

**Other Considerations**

Most communities required to upgrade a component of their treatment works will undertake other improvements to upgrade and expand capacity at the same time to save cost in the future. This creates additional construction jobs, reduces future costs of modernizing the system as it wears out and provides capacity necessary for residential and industrial growth

The PFA will coordinate Phosphorus Reduction Grants with other funding sources to minimize administrative duplication and confusion for cities.

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**Phosphorus Reduction Grants**

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**Governor's Recommendations**

The governor recommends general obligation bonding of \$2 million for this project. Also included are budget planning estimates of \$2 million in 2010 and \$2 million in 2012.

<b>TOTAL PROJECT COSTS All Years and Funding Sources</b>	<b>Prior Years</b>	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	7,433	13,334	13,334	20,000	54,101
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
<b>TOTAL</b>	<b>7,433</b>	<b>13,334</b>	<b>13,334</b>	<b>20,000</b>	<b>54,101</b>

<b>CAPITAL FUNDING SOURCES</b>	<b>Prior Years</b>	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
State Funds :					
G.O Bonds/State Bldgs	2,310	10,000	10,000	10,000	32,310
<b>State Funds Subtotal</b>	<b>2,310</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>32,310</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	1,531	3,334	3,334	10,000	18,199
Private Funds	0	0	0	0	0
Other	3,592	0	0	0	3,592
<b>TOTAL</b>	<b>7,433</b>	<b>13,334</b>	<b>13,334</b>	<b>20,000</b>	<b>54,101</b>

<b>CHANGES IN STATE OPERATING COSTS</b>	<b>Changes in State Operating Costs (Without Inflation)</b>			
	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

<b>SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS</b> (for bond-financed projects)	<b>Amount</b>	<b>Percent of Total</b>
General Fund	10,000	100.0%
User Financing	0	0.0%

<b>STATUTORY AND OTHER REQUIREMENTS</b>	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2013

**Phosphorus Reduction Grants - Reimbursement Projects**

**2008 STATE APPROPRIATION REQUEST:** \$10,000,000

**AGENCY PROJECT PRIORITY:** 6 of 8

**PROJECT LOCATION:** Statewide

**Project At A Glance**

One time request for the Phosphorus Reduction Grant Program for funds to reimburse local governments that implemented wastewater improvements for phosphorus reduction between 3-28-2000 and 7-1-2006. This requires funding from sources other than General Obligation Bond proceeds.

**Project Description**

The Public Facilities Authority (PFA) is seeking \$10 million from non-bond funds for reimbursement grants to local governments under the Phosphorus Reduction Grant Program (M.S. 446A.074). The Pollution Control Agency adopted a statewide phosphorus reduction strategy on 3-28-2000 and began requiring all permittees with discharges in excess of 200,000 gallons per day to reduce their phosphorus discharge to one milligram per liter or less. In July 2006 after the Clean Water Legacy Act passed, the PFA received 23 applications for \$8.65 million for reimbursement projects. Since that time several more communities have had to proceed with phosphorus reduction projects that did not receive funding due to the lack of appropriation in 2006.

**Impact on Agency Operating Budgets (Facilities Notes)**

The PFA recovers its administrative costs with a 0.5 percent (one half on one percent) fee charged to grantee at the time of the contract issuance.

**Previous Appropriations for this Project**

In 2006 the PFA received \$2.31 million for the Phosphorus Reduction Grant Program in the bonding bill.

**Other Considerations**

Although no additional environmental benefits are expected by reimbursing local units of government for costs incurred, it does make it a matter of fairness to treat those local governments that were required to undertake phosphorus reduction improvements prior to the program being established the same as those that are now eligible to receive grants from the program for those improvements.

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**Governor's Recommendations**

The governor does not recommend funding for this request.



<b>TOTAL PROJECT COSTS All Years and Funding Sources</b>	<b>Prior Years</b>	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	0	13,334	0	0	13,334
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>13,334</b>	<b>0</b>	<b>0</b>	<b>13,334</b>

<b>CAPITAL FUNDING SOURCES</b>	<b>Prior Years</b>	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
State Funds :					
General Fund Projects	0	10,000	0	0	10,000
<b>State Funds Subtotal</b>	<b>0</b>	<b>10,000</b>	<b>0</b>	<b>0</b>	<b>10,000</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	3,334	0	0	3,334
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>13,334</b>	<b>0</b>	<b>0</b>	<b>13,334</b>

<b>CHANGES IN STATE OPERATING COSTS</b>	<b>Changes in State Operating Costs (Without Inflation)</b>			
	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

<b>SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS</b> (for bond-financed projects)	<b>Amount</b>	<b>Percent of Total</b>
General Fund	0	0%
User Financing	0	0%

<b>STATUTORY AND OTHER REQUIREMENTS</b>	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2013

**Water Conservation Through Wastewater Reuse****2008 STATE APPROPRIATION REQUEST:** \$5,000,000**AGENCY PROJECT PRIORITY:** 7 of 8**PROJECT LOCATION:** Statewide**Project At A Glance**

This request is for \$5 million for a pilot program to seek opportunities to support sound industrial development through reusing treated municipal wastewater for non-contact cooling water applications versus using ground water.

**Project Description**

The Public Facilities Authority (PFA), in conjunction with the Department of Natural Resources (DNR) and the Pollution Control Agency (PCA), is seeking \$5 million for a pilot program to encourage water conservation through the reuse of treated wastewater for industrial purposes. Development in many Minnesota communities is constrained by limited availability of ground and surface water supplies. This proposal will conserve ground and surface water at two or three municipally owned demonstration projects. These demonstrations will assess and explore the opportunity to recycle treated wastewater as non-contact cooling water, a major point of industrial water consumption. The demonstration projects will drive more efficient use of natural resources to support continued community and economic development throughout Minnesota.

Factors to be considered in the assessment include; scale of water constraint, volume of treated wastewater supply, quality of water supplied and treatment implications for the industrial user, impacts to stream flow and downstream users, appropriation and discharge permit considerations, construction and on-going operational costs, and user fees.

**Impact on Agency Operating Budgets (Facilities Notes)**

The PFA recovers its administrative costs with a 0.5 percent (one half of one percent) fee charged to grantee at the time of the contract issuance.

**Other Considerations**

The PFA will work with the DNR and the PCA to explore potential projects that could be used to demonstrate how treated municipal wastewater can be reused as non-contact cooling water at industrial facilities. Special emphasis will be placed on existing ethanol plants to determine if opportunities exist to reduce overall groundwater consumption. If needed the PFA will coordinate funding of the pilot projects with other funding sources to get the projects financed in a timely manner with a minimum of confusion.

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**Governor's Recommendations**

The governor does not recommend capital funds for this request.

<b>TOTAL PROJECT COSTS All Years and Funding Sources</b>	<b>Prior Years</b>	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	0	10,000	0	0	10,000
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>10,000</b>	<b>0</b>	<b>0</b>	<b>10,000</b>

<b>CAPITAL FUNDING SOURCES</b>	<b>Prior Years</b>	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
State Funds :					
G.O Bonds/State Bldgs	0	5,000	0	0	5,000
<b>State Funds Subtotal</b>	<b>0</b>	<b>5,000</b>	<b>0</b>	<b>0</b>	<b>5,000</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	2,500	0	0	2,500
Private Funds	0	2,500	0	0	2,500
Other	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>10,000</b>	<b>0</b>	<b>0</b>	<b>10,000</b>

<b>CHANGES IN STATE OPERATING COSTS</b>	<b>Changes in State Operating Costs (Without Inflation)</b>			
	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

<b>SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS</b> (for bond-financed projects)	<b>Amount</b>	<b>Percent of Total</b>
General Fund	5,000	100.0%
User Financing	0	0.0%

<b>STATUTORY AND OTHER REQUIREMENTS</b>	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2013

**Streamline Infrastructure Financing****2008 STATE APPROPRIATION REQUEST:** \$100,000**AGENCY PROJECT PRIORITY:** 8 of 8**PROJECT LOCATION:** Statewide**Project At A Glance**

This request will provide \$100,000 in general fund monies for the development of legal documents and staff consultant costs to develop a credit enhanced pooled bond program for municipal infrastructure projects.

**Project Description**

The Public Facilities Authority (PFA) is seeking a one-time appropriation of \$100,000 from the general fund for staff consultant costs to develop a credit enhanced pooled bond program for municipal infrastructure projects, including costs associated with developing legal documents and application forms, and negotiating underwriting criteria with the major bond rating agencies necessary to obtain bond ratings for the program. The purpose of the program is to provide loans to governmental units through the purchase of their general obligation bonds to finance municipal infrastructure projects, including facilities for wastewater, drinking water, stormwater, energy conservation, telecommunications and high speed internet, public safety, and any public building or infrastructure improvement that receives funding from grants awarded by the commissioner of the department of employment and economic development related to redevelopment, contaminated site cleanup, bio-science, small cities development programs and rural business infrastructure programs.

By pooling bonds issued by multiple governmental units, the program will provide local governments with better access to capital markets at competitive rates and save issuance costs. Interest savings will be achieved by extending the credit enhancement provisions and state aid intercept of the

existing county credit enhancement program under Minnesota Statutes section 446A.086 to local government bonds issued under the program.

**Impact on Agency Operating Budgets (Facilities Notes)**

Once the program is established, the PFA will recover its administrative costs by charging fees to all program participants.

**Other Considerations**

The credit enhanced pooled bond program that will be developed through this appropriation is part of the Governor's Strategic Entrepreneurial Economic Development (SEED) initiative.

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**Governor's Recommendations**

The governor recommends a one-time appropriation of \$100,000 for this project from the general fund.

<b>TOTAL PROJECT COSTS All Years and Funding Sources</b>	<b>Prior Years</b>	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	100	0	0	100
5. Construction Costs	0	100	0	0	100
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>200</b>

<b>CAPITAL FUNDING SOURCES</b>	<b>Prior Years</b>	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
State Funds :					
General	0	100	0	0	100
<b>State Funds Subtotal</b>	<b>0</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>100</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>100</b>

<b>CHANGES IN STATE OPERATING COSTS</b>	<b>Changes in State Operating Costs (Without Inflation)</b>			
	<b>FY 2008-09</b>	<b>FY 2010-11</b>	<b>FY 2012-13</b>	<b>TOTAL</b>
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

<b>SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS</b> (for bond-financed projects)	<b>Amount</b>	<b>Percent of Total</b>
General Fund	0	0%
User Financing	0	0%

<b>STATUTORY AND OTHER REQUIREMENTS</b>	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
No	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2013