

Public Facilities Authority

Project Funding Summary

(\$ in Thousands)

Project Title	Agency Priority	Funding Source	Agency Request			Governor's Rec	Governor's Planning Estimates	
			2014	2016	2018	2014	2016	2018
State Matching Funds for USEPA Capitalization Grants	1	GO	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Wastewater Infrastructure Fund	2	GO	40,000	40,000	40,000	20,000	20,000	20,000

Project Total	\$52,000	\$52,000	\$52,000	\$32,000	\$32,000	\$32,000
General Obligation Bonding (GO)	\$52,000	\$52,000	\$52,000	\$32,000	\$32,000	\$32,000

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

Mission

The Minnesota Public Facilities Authority is a multi-agency authority that provides infrastructure financing programs and municipal financing expertise to enhance the environmental and economic vitality of the state.

Statewide Outcome(s)

Public Facilities Authority supports the following statewide outcome(s).

A thriving economy that encourages business growth and employment opportunities.

A clean, healthy environment with sustainable uses of natural resources.

Context

The Public Facilities Authority (PFA) addresses local governments' need for low cost financing to support infrastructure investment, particularly for water infrastructure. Strong and sustained infrastructure investment is essential to protect Minnesota's environment and public health and maintain the long term economic vitality of the state and its communities.

PFA's priorities are 1) managing capital assets (currently \$2.3 billion) to ensure that a stable source of low interest financing is available in perpetuity to help local governments timely meet their infrastructure needs; 2) provide infrastructure financing tools that support the water quality, public health and other priorities identified by PFA member agencies; and 3) help local governments maintain and improve the condition of their water infrastructure assets while keeping costs affordable for their residents. The PFA's primary customers are local units of government seeking funding for infrastructure projects through PFA programs jointly administered by PFA staff and staff of PFA member agencies.

The PFA receives no general fund appropriations. Funding for the PFA's revolving loan funds comes from federal capitalization grants and state matching funds appropriated from state general obligation bond proceeds. The PFA leverages these federal and state funds by selling its AAA-rated revenue bonds to generate additional loan funds. Project funding also comes from state bond appropriations for the Wastewater Infrastructure Funding

(WIF) program and from dedicated Clean Water Legacy Funds appropriated for specific point source implementation programs. Administrative costs are paid primarily from service fees on loan repayments.

Strategies

The PFA contributes to a thriving economy and a clean, healthy environment by providing financing to local governments for infrastructure projects that are essential to protect the environment and public health and also critical to the economic vitality of the state and its communities. PFA financing is provided through low interest loans and in some cases grants to keep project costs affordable for local governments and their residents.

The PFA manages three revolving loan funds and several other financing programs to help local governments build, improve, and rehabilitate wastewater, drinking water, and stormwater infrastructure, and to address transportation and other high-cost infrastructure needs. The PFA operates its clean water, drinking water, and transportation infrastructure financing programs in cooperation with the Pollution Control Agency, the Department of Health, and the Department of Transportation, respectively. The PFA partner agencies are responsible for determining project priorities, conducting technical and environmental reviews, and certifying approved projects to the PFA for funding.

PFA staff is responsible for reviewing the creditworthiness of the applicants, determining that full project financing is in place, and that the applicant has established dedicated revenues to pay debt service and operation and maintenance costs. When a financing application is approved, the project is certified and construction bids are received by the local government, the PFA executes the project financing agreement with the local government, disburses funds as eligible project costs are incurred, and collects loan repayments. During the planning and design stages of a project, the PFA works with other state and federal funding programs to leverage resources and coordinate funding activities to minimize duplication, administrative costs, and confusion for the applicant.

Annual project funding is a function of fund availability and demand from local governments. Local government demand for funding varies significantly from year to year, driven by economic factors, the need to replace aging

infrastructure, growth and development pressures, and more stringent treatment limits. The PFA has developed capacity models for its revolving funds to inform decision making when preparing its annual project funding lists in order to maximize available funding based on current demand, establish a consistent and predictable fundable range from year to year based on MPCA and MDH project priority points, and maintain long term lending capacity to meet future needs.

The PFA’s key partners are the departments and agencies whose commissioners serve on the PFA Board: the Department of Employment and Economic Development, Minnesota Management and Budget, the Pollution Control Agency, and the Departments of Health, Agriculture, and Transportation. PFA partners also include the US Environmental Protection Agency, USDA Rural Development, other federal and state infrastructure funding agencies and technical assistance providers.

Results

Through these strategies the PFA:

- Provides a permanent source of stable and reliable financing for high priority infrastructure projects.
- Provides accessible and effective financing programs to help local governments implement infrastructure projects while keeping costs affordable and debt obligations manageable.
- Targets its financing to address infrastructure needs that contribute to the achievement of state environmental and public health priorities.
- Has leveraged available resources to make clean water and drinking water loans averaging \$219 million per year over the past five years while maintaining the AAA ratings of its revolving funds and without significantly diminishing future lending capacity.

The PFA’s revolving loan funds are an efficient tool to provide low cost financing to local governments. From FY 1990 to 2012, PFA loans totaling \$3.3 billion have provided an estimated \$693 million in interest savings to local governments and their residents, with each \$1 of state funds generating \$15 in construction and \$3 in interest savings to the communities and their residents. In addition, PFA’s upfront credit review and analysis of loan requests and systematic post loan award surveillance monitoring has helped borrowers achieve a record of no payment defaults on PFA loans.

Over the last several years, financial markets have sustained historically low over-all rates. This has resulted in lower borrowing costs for both the PFA and its borrowers, but this also puts a strain on the lending capacity of the revolving loan funds. The longer the low rates continue the more of a constraint that will put on the absolute dollar amount the funds can lend.

Performance Measures		Previous	Current	Trend
Grant Awards	Count/Amount (in millions)	58/\$48	294/\$213	Stable
Loan Awards	Count/Amount (in millions)	331/\$960	256/\$1,115	Stable
	Interest savings to borrowers (in millions)	\$188	\$228	Stable
SRF cumulative leveraging ratio at end of period		2.92:1	2.97:1	Stable
SRF bond ratings by the three major national rating firms		AAA	AAA	Stable

Performance Measures Notes

Note 1: Measures are comparing the five year periods of state fiscal year 2003-2007 to 2008-2012.

Note 2: The leveraging ratio for the State Revolving Funds as reflected above is the total cumulative amount of project expenditures at the end of the period, divided by the cumulative available federal capitalization grants plus state match.

Note 3: The State Revolving Fund Revenue Bonds are rated “Triple-A” by Standard & Poor’s (AAA), Moody’s (Aaa), and Fitch (AAA).

At A Glance: Agency Long-Range Strategic Goals

The Minnesota Public Facilities Authority (PFA), established under 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, Management and Budget, Health, Agriculture, Transportation, and the Pollution Control Agency. The Commissioner of DEED serves as the PFA chair. The executive director is responsible for staffing, program implementation, debt issuance authorized by the PFA board, and compliance with laws, regulations and disclosure requirements.

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

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

Strategic goals of the PFA are:

- To maintain the credit quality (AAA rated) and viability of the PFA's revolving funds to provide a permanent source of stable and reliable financing for high priority infrastructure projects.
- To provide effective financing programs to help local governments implement infrastructure projects while keeping costs affordable and debt obligations manageable.
- To target and coordinate PFA grant and loan funds with other state and federal funders to address infrastructure needs that help achieve state environmental and public health priorities.
- To manage the PFA's revolving fund assets and bonding authority to maximize project funding to meet current demand while maintaining long-term lending capacity for future needs.

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

Many factors affect the demand for infrastructure financing in Minnesota, including aging municipal infrastructure at or beyond its useful life; population growth and shifts; the overall economic downturn which has stressed local government budgets and made it more difficult to implement projects; growing awareness of impacts from stormwater discharges and failing individual septic systems in unsewered communities; new standards imposed on drinking water systems to protect public health and safety; and an increased focus on the need to restore impaired waters and protect threatened waterbodies. In addition there are the challenges of meeting these needs while being mindful of the importance of energy and water conservation, all in the context of a global economy that puts pressure on communities to keep costs of public services priced competitively.

Clean Water

The PFA's base clean water programs are the Clean Water Revolving Fund (CWRP) and the Wastewater Infrastructure Funding (WIF) program. The CWRP provides low interest loans to local governments for wastewater and stormwater infrastructure projects. The PFA manages the CWRP with assistance from the Pollution Control Agency (PCA). The WIF program provides supplemental assistance grants to communities with high priority projects based on affordability criteria. WIF generally makes up less than 10 percent of the total state assistance for wastewater but is critical to help municipalities implement projects that result in very high costs per household.

In addition to the PFA's base clean water programs, funds have been appropriated to the PFA from the dedicated Clean Water Legacy Fund for two other programs (Point Source Implementation Grants and the Small Community Wastewater Treatment Program) to help communities that are required to meet more stringent treatment requirements and to address problems in unsewered communities.

Funding priorities for all PFA clean water programs follow the PCA's Project Priority List (PPL). The 2014 PPL includes 330 projects totaling \$1.3 billion.

Drinking Water

The Drinking Water Revolving Fund (DWRF) provides low interest loans to municipalities for drinking water infrastructure projects. 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. In addition, municipalities have growing needs to rehabilitate and replace aging infrastructure such as wells, water mains, water towers, and treatment plants.

The PFA manages the DWRF with assistance from the Department of Health (MDH). DWRF funding follows the MDH Project Priority List. The 2014 PPL includes 368 projects totaling \$446 million.

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

State Matching Funds for USEPA Capitalization Grants. The PFA's highest priority capital request is for state matching funds to provide the required 1:5 match to federal capitalization grants for the Clean Water and Drinking Water Revolving Funds. These revolving loan funds are the state's primary source of financial assistance to help local governments meet their water infrastructure needs. Federal capitalization grants are expected to continue through FFY 2016 but at significantly reduced levels from the peak in 2010.

State match appropriations are directly used to make loans to eligible projects. However the impact of the state appropriations is much greater due to the leveraged nature of the revolving loan programs through which the state funds support all loans. Overall, since the beginning of the programs, each \$1 of state matching funds has generated over \$13 in project construction and more than \$3 in interest savings for local taxpayers.

Demand for wastewater loans exceeds \$200 million per year, double the CWRP's average annual long-term lending capacity of \$100 million. Demand for drinking water loans exceeds \$140 million per year, more than three times the DWRF's average annual long-term lending capacity of \$45 million. In most years the PFA has used its reserves and bonding authority to make loans in both programs at higher levels but this is not sustainable without continued federal and state support.

Wastewater Infrastructure Fund: The Wastewater Infrastructure Funding Program (WIF) provides supplemental assistance to communities for high cost wastewater projects. WIF grants help communities implement high priority projects that would otherwise be unaffordable. For communities eligible to receive grants from the US Dept of Agriculture Rural Development (USDA-RD), WIF matches USDA-RD funding by providing up to 65% of the total grant need determined by USDA-RD. This helps USDA-RD maximize the federal funds available for Minnesota communities and target funds to the state's highest priorities. Communities not eligible for USDA-RD funding may receive WIF grants in conjunction with CWRP loans when average per household costs exceed 1.4% of the median household income.

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 works with its funding and regulatory partners (PCA, MDH, USDA-RD, and DEED's Community Assistance Unit) to assess funding needs and opportunities to coordinate funding to address high priority projects. The capital requests were reviewed by the PFA Board on 06-10-2013 and were approved for submission to Minnesota Management and Budget.

Agency Capital Budget Projects During The Last Six Years (2008-2013):

From FY 2008 through 2013, the PFA's CWRP financed over 156 wastewater and stormwater projects totaling \$959 million, and the DWRF financed over 124 drinking water projects totaling \$292 million. During the same period the PFA also provided supplemental assistance grants and deferred loans to 72 projects for \$95.7 million through the Wastewater Infrastructure Funding (WIF) program.

During the period of FY 2008-2013, the PFA made loans and grants from the CWRP, DWRF, and WIF programs to the following 214 local governments for water infrastructure projects:

Alborn Township	Clearwater	Grand Rapids	McIntosh	Owatonna	Spring Hill
Alexandria	Cleveland	Greenbush	Medford	Palisade	Springsteel Island SD
Alexandria LASR	Comfrey	Grove City	Metropolitan Council	Paynesville	Starbuck
Alvarado	Cosmos	Hamburg	Middle River	Pelican Rapids	Stewart
Annandale	Crosby	Hancock	Midway Township	Perham	Sturgeon Lake
Arlington	Dalton	Hawley	Milford Township	Pipestone	Swanville
Askov	Darfur	Henderson	Minneapolis	Plainview	Tamarack
Atwater	Dassel	Hendrum	Minneota	Plummer	Taylor Falls
Aurora	Dayton	Hibbing	Minnesota City	Proctor	Truman
Backus	Deer River	Hoffman	Minnetrissa	Quamba	Two Harbors
Barnesville	Deerwood	Howard Lake	Montevideo	Ramsey-Wash MWD	Tyler
Barnum	Detroit Lakes	Isanti	Montrose	Red Lake Falls	Ulen
Baudette	Dover-Eyota-St Charles S	Isle	Moorhead	Redwood Falls	Urbank
Bayport	Duluth	Jackson	Moose Lake	Remer	Verndale
Beardsley	Dumont	Kandiyohi	Mora	Renville	Virginia
Beaver Bay	Dunnell	Karlstad	Morton	Rush City	Wabasso
Belgrade	Eagle Bend	Kasson	Motley	Rushford	Wadena
Benson	Eagle Lake	Kent	Mountain Iron	Rushford Village	Walters
Bertha	East Bethel	La Salle	Mountain Lake	Saint Augusta	Warren
Big Lake	East Grand Forks	Lafayette	Nerstrand	Saint Bonifacius	Waseca
Bigelow	Eden Valley	Lake Park	New Hope	Saint Clair	Watson
Bigfork	Effie	Lake Township	New London	Saint Cloud	Waverly
Bird Island	Elbow Lake	Lansing Township	New Munich	Saint Francis	Welcome
Blomkest-Svea SB	Elgin	Le Center	New Prague	Saint Hilaire	Western Lk Superior SD
Blooming Prairie	Elizabeth	Le Sueur	New Richland	Saint James	Wheaton
Blue Earth	Ellendale	Lester Prairie	New York Mills	Saint Paul	Williams
Braham	Elmore	Lewisville	Newfolden	Saint Peter	Willmar
Brainerd	Erskine	Litchfield	North Koochiching ASD	Sauk Centre	Wilmont
Breckenridge	Evansville	Long Prairie	Norwood Young America	Seaforth	Winnebago
Brooten	Eveleth	Lonsdale	Oak Grove	Shelly	Wolf Lake
Browerville	Fairfax	Lowry	Odessa	Sherburn	Wrenshall
Brownton	Fairmont	Madison Lake	Olivia	Sleepy Eye	Zimmerman
Butterfield	Faribault	Mahnomen	Oronoco	Somerset Township	
Caledonia	Fosston	Manchester	Ortonville	South Saint Paul	
Canby	Fountain	Mankato			
Central Iron Range SSD	Gilbert	Mantorville			
Claremont	Glyndon	Maple Plain			
Clear Lake	Goodview	Martin County			

State Matching Funds for USEPA Capitalization Grants

2014 STATE APPROPRIATION REQUEST: \$12,000,000

AGENCY PROJECT PRIORITY: 1 of 2

Project At A Glance

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

Project Description

The Public Facilities Authority (PFA) is seeking \$12 million in state funds to match estimated EPA funds for federal FY 2015-16 at the rate of 1:5 (20%) for the Clean Water Revolving Fund (M.S. 446A.07), and the Drinking Water Revolving Fund (M.S. 446A.081). The State and Federal funds will be used together with loan repayments and PFA revenue bonds to provide low interest loans to local governments for clean water (wastewater and stormwater) and drinking water infrastructure projects. The state matching funds, as well as all other revolving loan funds, are used only for publicly-owned improvements.

FY	Clean Water		Drinking Water	
	Est. Federal	State Match	Est. Federal	State Match
2015	\$16,500	\$3,300	\$13,500	\$2,700
2016	<u>\$16,500</u>	<u>\$3,300</u>	<u>\$13,500</u>	<u>\$2,700</u>
Total	\$33,000	\$6,600	\$27,000	\$5,400

Impact on Agency Operating Budgets (Facilities Notes)

PFA operates the Clean Water and Drinking Water Revolving Funds from a combination of federal administrative funds and special revenues generated from fees on loan repayments, which together provide for administrative expenses for these programs incurred by the PFA, the Minnesota Pollution Control Agency (MPCA), and the Minnesota Department of Health (MDH).

Previous Appropriations for this Project

Previous state match appropriations total \$243.6 million to match federal grants from 1989-2013.

Other Considerations

Eligible projects are prioritized based on environmental and public health criteria and ranked by the MPCA (for wastewater and stormwater projects) and the MDH (for drinking water projects) on their annual project priority lists.

Low-cost financing through the PFA's clean water and drinking water loan programs is an important tool to help communities throughout the state contain costs and remain economically competitive, while providing essential infrastructure to serve their residents and businesses. Through FY 2013 the PFA has made below market rate loans from these two revolving funds in excess of \$3.2 billion, resulting in interest savings to local taxpayers of over \$756 million compared to market rate financing.

Each year the PFA receives funding requests for more than 100 wastewater and stormwater infrastructure projects totaling over \$200 million, more than double the sustainable long-term annual lending capacity of the Clean Water Revolving Fund. Additional federal and state support is needed to build future lending capacity in order to continue to meet high priority wastewater and stormwater project needs. Demand for clean water loans is driven by cities' need to replace aging facilities, provide additional treatment capacity, meet more stringent treatment requirements, and address problems from failing individual sewage treatment systems and straight pipes.

Each year the PFA also receives funding requests for more than 100 drinking water infrastructure projects totaling over \$100 million, more than double the lending capacity of the Drinking Water Revolving Fund. Additional federal and state support is needed to build future lending capacity in order to continue to meet high priority drinking water project needs. Drinking water project requests include new and rehabilitated treatment plants, water towers, watermains, wells and pumphouses. In particular, funding demand for watermain replacement has grown in recent years as cities work to fix their aging underground infrastructure to minimize water loss and problems from major watermain breaks.

State Matching Funds for USEPA Capitalization Grants

Since the beginning of the revolving fund programs, federal and state funds have been leveraged 2.6 to 1 through loan repayments and the PFA's issuance of its AAA rated revenue bonds. Overall, each dollar of state matching funds has generated over \$13 in project construction. The interest savings for local taxpayers from PFA low-interest loans is more than \$3 for every \$1 of state matching funds.

The PFA's Clean Water and Drinking Water Revolving Funds have a proven track record as effective and efficient programs to finance municipal water infrastructure projects. The AAA ratings of the PFA's clean water and drinking water bonds from Standard and Poors Rating Group, Fitch Ratings, and Moody's Investor Services reflects the financial strength of the Funds, the credit quality of Minnesota communities, and the PFA's experienced staff and sound financial management of the programs.

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Governor's Recommendation

The Governor recommends general obligation bonding of \$12 million for this request. Also included are budget estimates of \$12 million for each of the planning periods in 2016 and 2018.

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
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	3,313,876	394,000	394,000	394,000	4,495,876
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
TOTAL	3,313,876	394,000	394,000	394,000	4,495,876

CAPITAL FUNDING SOURCES	Prior Years	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
State Funds :					
G.O Bonds/State Bldgs	152,573	12,000	12,000	12,000	188,573
Bond Proceeds Grants	46,500	0	0	0	46,500
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
State Funds Subtotal	243,617	12,000	12,000	12,000	279,617
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	1,001,000	60,000	60,000	60,000	1,181,000
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	2,069,259	322,000	322,000	322,000	3,035,259
TOTAL	3,313,876	394,000	394,000	394,000	4,495,876

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
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
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	12,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
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
Yes	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 2019

Wastewater Infrastructure Fund

2014 STATE APPROPRIATION REQUEST: \$40,000,000

AGENCY PROJECT PRIORITY: 2 of 2

Project At A Glance

The Wastewater Infrastructure Funding Program (WIF) provides supplemental assistance grants to municipalities in conjunction with funding from the Public Facilities Authority's Clean Water Revolving Fund or USDA Rural Development for high cost wastewater projects. WIF grant awards are based on affordability criteria and follow the Pollution Control Agency's Project Priority List.

Project Description

The Public Facilities Authority (PFA) is seeking \$40 million for the Wastewater Infrastructure Funding (WIF) program (M.S. 446A.072). For municipalities with high cost wastewater projects on the Minnesota Pollution Control Agency's (MPCA) project priority list, WIF funds are awarded as grants to municipalities to supplement low-interest loans from the PFA's Clean Water Revolving Fund or to match grant and loan funding from the U.S. Department of Agriculture (USDA) Rural Development .

Municipalities that receive Clean Water Revolving Fund loans are eligible for WIF grants if their average per household system cost exceeds 1.4% of the median household income. For USDA Rural Development projects, the WIF program provides up to 65 percent of the grant need as determined by USDA Rural Development based on their affordability criteria for small rural communities. In either case WIF grants are capped at \$4,000,000 or \$15,000 per connection, whichever is less, unless specifically approved by law. WIF eligible project costs include only those costs necessary to meet existing needs, not to address future growth.

Impact on Agency Operating Budgets (Facilities Notes)

The WIF program is administered in conjunction with other PFA clean water programs and follows the same basic project prioritization and funding process. Administrative costs of the PFA and MPCA are paid from special revenues generated from fees on Clean Water Revolving Fund loan repayments.

For projects receiving WIF grants to match funding from USDA Rural Development, the state/federal partnership is a cost effective strategy that has USDA field staff undertaking most of the field work involved in monitoring and reviewing the projects through construction. Thus, small rural communities that need the most help in working their way through the process have local USDA field staff available to assist them. Through this partnership, USDA also finances the loan portion of project costs for communities with the highest credit risks, which helps the PFA maintain its AAA bond ratings.

Previous Appropriations for this Project

Previous WIF appropriations from 1996-2012 total \$222 million. As of June 2013, the PFA has awarded \$211 million in WIF funds to 172 projects. The remaining \$11 million is reserved for 9 projects that have met the required deadlines and are waiting for final approvals prior to bidding.

Other Considerations

WIF funds are directed to the highest priority projects from an environmental and public health standpoint based on their ranking on the MPCA project priority list. The WIF program helps communities address their existing wastewater problems while keeping costs affordable for their residents.

WIF grants are not awarded until projects are ready to start construction. Each year that WIF funds are available, funds are reserved for projects in priority order that submit design plans and specifications and receive MPCA certification or receive a funding commitment from USDA Rural Development.

Wastewater Infrastructure Fund

The unique state/federal partnership with USDA Rural Development helps coordinate assistance for small rural communities, making it easier and less confusing for them to access funding. Providing WIF grants to match USDA Rural Development funding helps the Minnesota Rural Development office fund more projects and obligate all of its allotted federal funds, making it eligible to go to the national pool for additional funds for Minnesota communities. The Minnesota Rural Development office has been very successful in getting additional federal funds from the national pool because of the leveraging they are able to show with the state WIF funds.

The PFA will survey projects on the MPCA's 2014 project priority list and provide its report on WIF needs to the appropriate legislative committees by February 1, 2014.

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Governor's Recommendation

The Governor recommends general obligation bonding of \$20 million for this request. Also included are budget estimates of \$20 million for each of the planning periods in 2016 and 2018.

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
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	300	0	0	0	300
5. Construction Costs	537,302	78,000	78,000	78,000	771,302
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
TOTAL	537,602	78,000	78,000	78,000	771,602

CAPITAL FUNDING SOURCES	Prior Years	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
State Funds :					
G.O Bonds/State Bldgs	154,241	40,000	40,000	40,000	274,241
Bond Proceeds Grants	62,000	0	0	0	62,000
General Fund Projects	1,700	0	0	0	1,700
General	3,000	0	0	0	3,000
Infrastructure Dev	1,100	0	0	0	1,100
State Funds Subtotal	222,041	40,000	40,000	40,000	342,041
Agency Operating Budget Funds	300	0	0	0	300
Federal Funds	85,096	8,000	8,000	8,000	109,096
Local Government Funds	5,636	0	0	0	5,636
Private Funds	0	0	0	0	0
Other	224,529	30,000	30,000	30,000	314,529
TOTAL	537,602	78,000	78,000	78,000	771,602

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
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
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	40,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
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
Yes	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 2019