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**Public Facilities Authority**

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**AT A GLANCE**

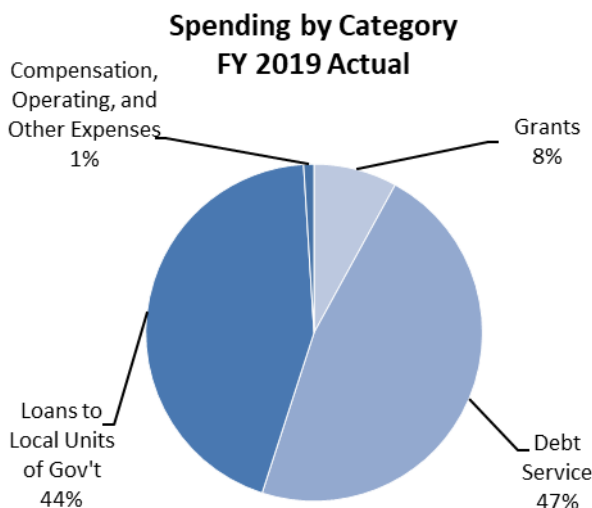
- PFA manages revolving loan funds and grant programs to help local governments statewide build wastewater, storm water, drinking water and transportation infrastructure.
- Since 1990, PFA has made 1,145 loans to local governments totaling \$4.5 billion. These below-market-rate loans have provided an estimated \$953 million in interest savings to local governments and their residents.
- Over the past ten fiscal years PFA has awarded \$510 million in grants to local governments based on affordability criteria and to address specific water quality goals and objectives.
- PFA has allocated \$91.8 million within its clean water revolving fund to nonpoint source loan programs administered by other agencies. The Minnesota Department of Agriculture’s Best Management Practices program and the Pollution Control Agency’s Clean Water Partnership program have used these funds and revolving loan repayments to provide \$313 million in low and no-interest loans to help landowners reduce nonpoint source pollution.

**PURPOSE**

The Minnesota Public Facilities Authority (PFA) is a multi-agency authority that provides financing and technical assistance to local governments for infrastructure projects that support a thriving economy and a clean, healthy environment.

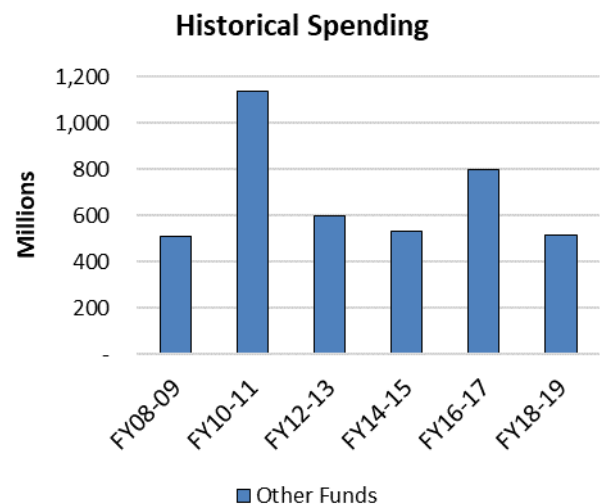
PFA priorities are to 1) manage capital assets (currently \$2.2 billion) to ensure a stable source of infrastructure financing in perpetuity; 2) provide financing programs to support water quality, public health, and other priorities identified by PFA member agencies; and 3) help local governments maintain and improve the condition of their water infrastructure assets while keeping costs affordable for their residents.

**BUDGET**



**Note:** Debt Service on PFA revenue bonds comes solely from PFA bond fund revenues (loan repayments and investment earnings).

Source: SWIFT

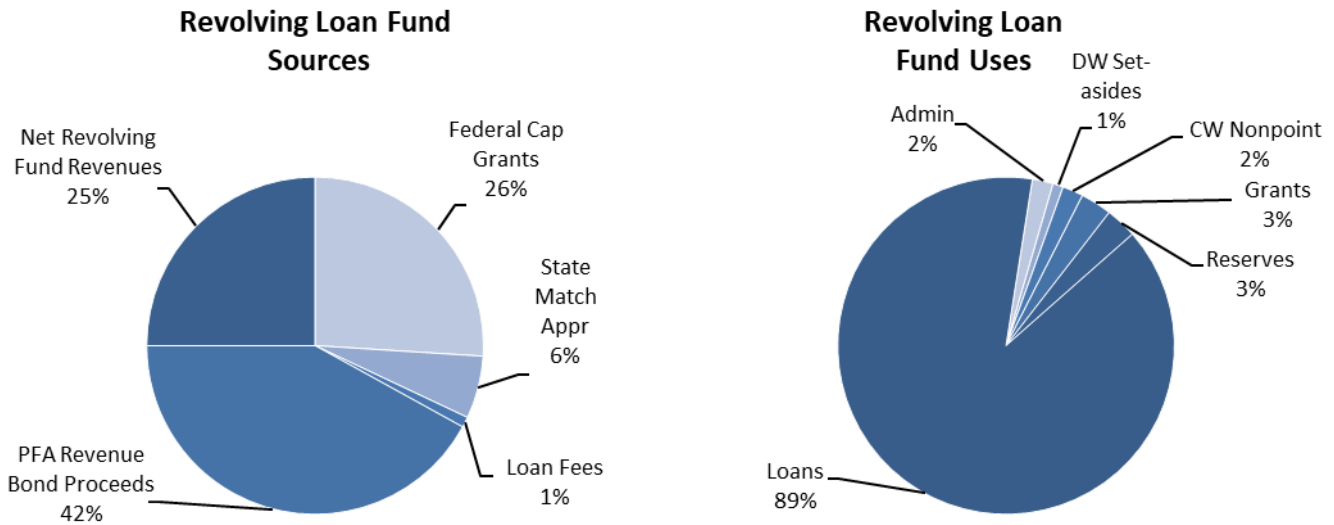


**Note:** FY 2010-2011 expended high due to two factors: 1) Federal ARRA stimulus funding, and 2) early bond redemptions due to low market rates.

Source: Consolidated Fund Statement

PFA receives no general fund appropriations for its programs or for administrative costs. Revolving loan fund resources include federal grants and state matching appropriations from bond proceeds. These resources are leveraged by selling PFA AAA-rated revenue bonds. Other programs are funded with state appropriations from bond proceeds and from the Clean Water Legacy Fund. Administrative costs are paid from loan servicing and grant application fees.

**Sources and Uses to-date for PFA’s Clean Water, Drinking Water, and Transportation revolving loan funds**



*Notes: Revenues (loan repayments and investment earnings) are net of debt service on bonds.*

*Source: PFA Internal records*

**STRATEGIES**

The PFA Board is composed of commissioners of the Departments of Employment and Economic Development, Minnesota Management and Budget, Health, Agriculture, Transportation, and the Pollution Control Agency. PFA manages its infrastructure financing programs to maximize economic, environmental, and public health outcomes. 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 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 an application is approved and construction bids are accepted by the applicant, PFA executes a project financing agreement, disburses funds as eligible project costs are incurred, and collects loan repayments. During project planning and design stages, PFA coordinates funding activities with other state and federal partners to leverage resources and minimize duplication, administrative costs, and confusion for the applicants.

**RESULTS**

The PFA’s revolving loan funds are an efficient tool to provide low cost financing to help local governments replace and improve water infrastructure systems to meet permit requirements, improve water quality, and protect public health. To date, each \$1 of state match funds has generated \$16 in construction funding and \$3 in interest savings to the communities and their residents. In addition, PFA’s upfront credit review and analysis of loan applications and systematic post loan award surveillance monitoring has helped borrowers achieve a record of no defaults on PFA loans.

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 requirements. The PFA’s authority to issue revenue bonds allows it to leverage additional loan funds based on demand. PFA tax-exempt revenue bonds are rated AAA by all three major national rating agencies and are well received in the bond market.

| <b>Type of Measure</b> | <b>Name of Measure</b>                  | <b>Previous</b> | <b>Current</b> | <b>Dates</b>            |
|------------------------|---|-----------------|----------------|-------------------------|
| Quantity               | Loan Awards (count / \$ millions)       | 262 / \$946     | 206 / \$731    | 2010-2014;<br>2015-2019 |
| Quantity               | Interest Savings on Loans (\$ millions) | \$187           | \$107          | 2010-2014;<br>2015-2019 |
| Quantity               | Grant Awards (count / \$ millions)      | 220 / \$194     | 189 / \$308    | 2010-2014;<br>2015-2019 |

Note 1: Measures compare the five year periods of state fiscal years 2010-2014 to 2015-2019.

Note 2: Sustained historically low market rates in the current 5 year period have resulted in lower interest savings on loans.

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M.S. 446A (<https://www.revisor.mn.gov/statutes/?id=446A>) provides the legal authority for PFA.

**Public Facilities Authority**

**Agency Expenditure Overview**

*(Dollars in Thousands)*

|   | Actual<br>FY18 | Actual<br>FY19 | Actual<br>FY20 | Estimate<br>FY21 | Forecast Base  |               | Governor's<br>Recommendation |               |
|---|----------------|----------------|----------------|------------------|----------------|---------------|------------------------------|---------------|
|   |                |                |                |                  | FY22           | FY23          | FY22                         | FY23          |
| <b><u>Expenditures by Fund</u></b>        |                |                |                |                  |                |               |                              |               |
| 1000 - General                            | 900            |                |                |                  |                |               |                              |               |
| 2000 - Restrict Misc Special Revenue      | 62             | 85             | 170            | 1,084            | 382            | 382           | 382                          | 382           |
| 2302 - Clean Water                        | 14,602         | 12,956         | 6,910          | 18,239           | 1,241          |               | 9,309                        | 8,068         |
| 8200 - Clean Water Revolving              | 106,997        | 111,259        | 156,525        | 102,313          | 86,511         | 64,688        | 86,511                       | 64,688        |
| 8201 - Drinking Water Revolving           | 20,280         | 21,905         | 23,153         | 23,513           | 22,030         | 21,763        | 22,030                       | 21,763        |
| 8202 - Transportation Revolving           | 1,484          | 726            | 759            | 404              | 62             | 62            | 62                           | 62            |
| <b>Total</b>                              | <b>144,325</b> | <b>146,931</b> | <b>187,516</b> | <b>145,553</b>   | <b>110,226</b> | <b>86,895</b> | <b>118,294</b>               | <b>94,963</b> |
| Biennial Change                           |                |                |                | 41,814           |                | (135,948)     |                              | (119,812)     |
| Biennial % Change                         |                |                |                | 14               |                | (41)          |                              | (36)          |
| Governor's Change from Base               |                |                |                |                  |                |               |                              | 16,136        |
| Governor's % Change from Base             |                |                |                |                  |                |               |                              | 8             |
| <b><u>Expenditures by Program</u></b>     |                |                |                |                  |                |               |                              |               |
| Public Facilities Authority               | 144,325        | 146,931        | 187,516        | 145,553          | 110,226        | 86,895        | 118,294                      | 94,963        |
| <b>Total</b>                              | <b>144,325</b> | <b>146,931</b> | <b>187,516</b> | <b>145,553</b>   | <b>110,226</b> | <b>86,895</b> | <b>118,294</b>               | <b>94,963</b> |
| <b><u>Expenditures by Category</u></b>    |                |                |                |                  |                |               |                              |               |
| Compensation                              | 1,018          | 1,095          | 1,230          | 1,401            | 1,441          | 1,447         | 1,441                        | 1,447         |
| Operating Expenses                        | 348            | 346            | 398            | 712              | 864            | 865           | 864                          | 865           |
| Grants, Aids and Subsidies                | 19,511         | 20,556         | 15,897         | 29,057           | 9,505          | 8,264         | 17,573                       | 16,332        |
| Other Financial Transaction               | 123,447        | 124,934        | 169,991        | 114,383          | 98,416         | 76,319        | 98,416                       | 76,319        |
| <b>Total</b>                              | <b>144,325</b> | <b>146,931</b> | <b>187,516</b> | <b>145,553</b>   | <b>110,226</b> | <b>86,895</b> | <b>118,294</b>               | <b>94,963</b> |
| Total Agency Expenditures                 | 144,325        | 146,931        | 187,516        | 145,553          | 110,226        | 86,895        | 118,294                      | 94,963        |
| Internal Billing Expenditures             | 128            | 155            | 126            |                  |                |               |                              |               |
| <b>Expenditures Less Internal Billing</b> | <b>144,196</b> | <b>146,775</b> | <b>187,391</b> | <b>145,553</b>   | <b>110,226</b> | <b>86,895</b> | <b>118,294</b>               | <b>94,963</b> |
| <b><u>Full-Time Equivalent</u></b>        | <b>9.80</b>    | <b>10.21</b>   | <b>10.99</b>   | <b>12.00</b>     | <b>12.50</b>   | <b>12.50</b>  | <b>12.50</b>                 | <b>12.50</b>  |

**Public Facilities Authority**

**Agency Financing by Fund**

*(Dollars in Thousands)*

|                                   | Actual<br>FY18 | Actual<br>FY19 | Actual<br>FY20 | Estimate<br>FY21 | Forecast Base |      | Governor's<br>Recommendation |      |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|------|------------------------------|------|
|                                   |                |                |                |                  | FY22          | FY23 | FY22                         | FY23 |
| <b>1000 - General</b>             |                |                |                |                  |               |      |                              |      |
| Direct Appropriation              | 1,800          |                |                |                  |               |      |                              |      |
| Transfers Out                     | 600            |                |                |                  |               |      |                              |      |
| Cancellations                     | 300            |                |                |                  |               |      |                              |      |
| <b>Expenditures</b>               | <b>900</b>     |                |                |                  |               |      |                              |      |
| Biennial Change in Expenditures   |                |                |                | (900)            |               | 0    |                              | 0    |
| Biennial % Change in Expenditures |                |                |                |                  |               |      |                              |      |
| Governor's Change from Base       |                |                |                |                  |               |      |                              | 0    |
| Governor's % Change from Base     |                |                |                |                  |               |      |                              |      |

**2000 - Restrict Misc Special Revenue**

|                                   |           |           |            |              |            |            |            |            |
|-----------------------------------|-----------|-----------|------------|--------------|------------|------------|------------|------------|
| Balance Forward In                | 432       | 667       | 1,000      | 1,302        | 89         | 92         | 89         | 92         |
| Receipts                          | 105       | 156       | 143        | 143          | 143        | 142        | 143        | 142        |
| Transfers In                      |           | 26        |            |              |            |            |            |            |
| Net Loan Activity                 | 192       | 235       | 330        | (272)        | 242        | 243        | 242        | 243        |
| Balance Forward Out               | 667       | 1,000     | 1,302      | 89           | 92         | 95         | 92         | 95         |
| <b>Expenditures</b>               | <b>62</b> | <b>85</b> | <b>170</b> | <b>1,084</b> | <b>382</b> | <b>382</b> | <b>382</b> | <b>382</b> |
| Biennial Change in Expenditures   |           |           |            | 1,107        |            | (490)      |            | (490)      |
| Biennial % Change in Expenditures |           |           |            | 753          |            | (39)       |            | (39)       |
| Governor's Change from Base       |           |           |            |              |            |            |            | 0          |
| Governor's % Change from Base     |           |           |            |              |            |            |            | 0          |
| Full-Time Equivalents             | 0.55      | 0.59      | 1.52       | 0.83         | 0.83       | 0.83       | 0.83       | 0.83       |

**2302 - Clean Water**

|                                   |               |               |              |               |              |          |              |              |
|-----------------------------------|---------------|---------------|--------------|---------------|--------------|----------|--------------|--------------|
| Balance Forward In                | 19,767        | 10,435        | 8,146        | 11,361        | 1,241        |          | 1,241        |              |
| Direct Appropriation              | 5,307         | 10,693        | 10,125       | 8,125         | 0            | 0        | 8,068        | 8,068        |
| Transfers In                      | 1,048         |               | 318          |               | 1,241        |          | 1,241        |              |
| Transfers Out                     | 1,048         | 26            | 318          |               | 1,241        |          | 1,241        |              |
| Net Loan Activity                 | (38)          |               |              | (6)           |              |          |              |              |
| Balance Forward Out               | 10,435        | 8,146         | 11,361       | 1,241         |              |          |              |              |
| <b>Expenditures</b>               | <b>14,602</b> | <b>12,956</b> | <b>6,910</b> | <b>18,239</b> | <b>1,241</b> |          | <b>9,309</b> | <b>8,068</b> |
| Biennial Change in Expenditures   |               |               |              | (2,408)       |              | (23,908) |              | (7,772)      |
| Biennial % Change in Expenditures |               |               |              | (9)           |              | (95)     |              | (31)         |
| Governor's Change from Base       |               |               |              |               |              |          |              | 16,136       |

**Public Facilities Authority**

**Agency Financing by Fund**

*(Dollars in Thousands)*

|                               | Actual<br>FY18 | Actual<br>FY19 | Actual<br>FY20 | Estimate<br>FY21 | Forecast Base |      | Governor's<br>Recommendation |      |
|-------------------------------|----------------|----------------|----------------|------------------|---------------|------|------------------------------|------|
|                               |                |                |                |                  | FY22          | FY23 | FY22                         | FY23 |
| Governor's % Change from Base |                |                |                |                  |               |      |                              |      |

**8200 - Clean Water Revolving**

|                                   |                |                |                |                |               |               |               |               |
|-----------------------------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|
| Balance Forward In                | 268,036        | 253,201        | 252,041        | 212,958        | 6,266         | 6,222         | 6,266         | 6,222         |
| Receipts                          | 41,805         | 76,772         | 79,699         | 38,543         | 113,835       | 83,131        | 113,835       | 83,131        |
| Transfers In                      | 143,555        | 178,308        | 214,129        | 162,983        | 141,409       | 148,836       | 141,409       | 148,836       |
| Transfers Out                     | 133,970        | 168,714        | 203,985        | 155,071        | 143,272       | 150,699       | 143,272       | 150,699       |
| Net Loan Activity                 | 40,772         | 23,734         | 27,599         | (150,834)      | (25,505)      | (16,627)      | (25,505)      | (16,627)      |
| Balance Forward Out               | 253,201        | 252,041        | 212,958        | 6,266          | 6,222         | 6,175         | 6,222         | 6,175         |
| <b>Expenditures</b>               | <b>106,997</b> | <b>111,259</b> | <b>156,525</b> | <b>102,313</b> | <b>86,511</b> | <b>64,688</b> | <b>86,511</b> | <b>64,688</b> |
| Biennial Change in Expenditures   |                |                |                | 40,582         |               | (107,639)     |               | (107,639)     |
| Biennial % Change in Expenditures |                |                |                | 19             |               | (42)          |               | (42)          |
| Governor's Change from Base       |                |                |                |                |               |               |               | 0             |
| Governor's % Change from Base     |                |                |                |                |               |               |               | 0             |
| Full-Time Equivalents             | 5.47           | 5.11           | 5.07           | 5.80           | 6.02          | 6.02          | 6.02          | 6.02          |

**8201 - Drinking Water Revolving**

|                                   |               |               |               |               |               |               |               |               |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Balance Forward In                | 129,435       | 114,033       | 117,042       | 108,572       | 4,065         | 3,572         | 4,065         | 3,572         |
| Receipts                          | 23,140        | 31,754        | 26,232        | 30,773        | 27,013        | 25,953        | 27,013        | 25,953        |
| Transfers In                      | 49,133        | 51,982        | 55,809        | 53,204        | 55,479        | 55,890        | 55,479        | 55,890        |
| Transfers Out                     | 60,923        | 64,765        | 68,151        | 63,651        | 56,151        | 56,562        | 56,151        | 56,562        |
| Net Loan Activity                 | (6,472)       | 5,943         | 794           | (101,320)     | (4,804)       | (4,015)       | (4,804)       | (4,015)       |
| Balance Forward Out               | 114,033       | 117,042       | 108,573       | 4,065         | 3,572         | 3,075         | 3,572         | 3,075         |
| <b>Expenditures</b>               | <b>20,280</b> | <b>21,905</b> | <b>23,153</b> | <b>23,513</b> | <b>22,030</b> | <b>21,763</b> | <b>22,030</b> | <b>21,763</b> |
| Biennial Change in Expenditures   |               |               |               | 4,481         |               | (2,873)       |               | (2,873)       |
| Biennial % Change in Expenditures |               |               |               | 11            |               | (6)           |               | (6)           |
| Governor's Change from Base       |               |               |               |               |               |               |               | 0             |
| Governor's % Change from Base     |               |               |               |               |               |               |               | 0             |
| Full-Time Equivalents             | 3.54          | 4.26          | 4.25          | 5.05          | 5.27          | 5.27          | 5.27          | 5.27          |

**8202 - Transportation Revolving**

|                    |        |        |        |        |     |     |     |     |
|--------------------|--------|--------|--------|--------|-----|-----|-----|-----|
| Balance Forward In | 32,951 | 37,219 | 41,748 | 46,064 | 102 | 94  | 102 | 94  |
| Receipts           | 1,266  | 1,586  | 1,360  | 845    | 845 | 808 | 845 | 808 |

**Public Facilities Authority**

**Agency Financing by Fund**

*(Dollars in Thousands)*

|                                   | Actual       | Actual     | Actual     | Estimate   | Forecast Base |           | Governor's Recommendation |           |
|-----------------------------------|--------------|------------|------------|------------|---------------|-----------|---------------------------|-----------|
|                                   | FY18         | FY19       | FY20       | FY21       | FY22          | FY23      | FY22                      | FY23      |
| Transfers In                      | 1,739        | 855        | 1,030      | 747        |               |           |                           |           |
| Transfers Out                     | 1,739        | 855        | 1,030      | 747        |               |           |                           |           |
| Net Loan Activity                 | 4,486        | 3,670      | 3,715      | (46,403)   | (791)         | (754)     | (791)                     | (754)     |
| Balance Forward Out               | 37,219       | 41,748     | 46,065     | 102        | 94            | 86        | 94                        | 86        |
| <b>Expenditures</b>               | <b>1,484</b> | <b>726</b> | <b>759</b> | <b>404</b> | <b>62</b>     | <b>62</b> | <b>62</b>                 | <b>62</b> |
| Biennial Change in Expenditures   |              |            |            | (1,048)    |               | (1,039)   |                           | (1,039)   |
| Biennial % Change in Expenditures |              |            |            | (47)       |               | (89)      |                           | (89)      |
| Governor's Change from Base       |              |            |            |            |               |           |                           | 0         |
| Governor's % Change from Base     |              |            |            |            |               |           |                           | 0         |
| Full-Time Equivalents             | 0.24         | 0.25       | 0.15       | 0.32       | 0.38          | 0.38      | 0.38                      | 0.38      |



(Dollars in Thousands)

|   | FY21           | FY22          | FY23          | Biennium<br>2022-23 |
|---|----------------|---------------|---------------|---------------------|
| <b>Direct</b>                                     |                |               |               |                     |
| <b>Fund: 2302 - Clean Water</b>                   |                |               |               |                     |
| FY2021 Appropriations                             | 8,125          | 8,125         | 8,125         | 16,250              |
| Base Adjustments                                  |                |               |               |                     |
| One-Time Legacy Fund Appropriations               |                | (8,125)       | (8,125)       | (16,250)            |
| Forecast Base                                     | 8,125          | 0             | 0             | 0                   |
| Change Items                                      |                |               |               |                     |
| Municipal Clean Water Infrastructure              |                | 8,068         | 8,068         | 16,136              |
| <b>Total Governor's Recommendations</b>           | <b>8,125</b>   | <b>8,068</b>  | <b>8,068</b>  | <b>16,136</b>       |
| <b>Dedicated</b>                                  |                |               |               |                     |
| <b>Fund: 2000 - Restrict Misc Special Revenue</b> |                |               |               |                     |
| Planned Spending                                  | 1,084          | 382           | 382           | 764                 |
| Forecast Base                                     | 1,084          | 382           | 382           | 764                 |
| <b>Total Governor's Recommendations</b>           | <b>1,084</b>   | <b>382</b>    | <b>382</b>    | <b>764</b>          |
| <b>Fund: 8200 - Clean Water Revolving</b>         |                |               |               |                     |
| Planned Spending                                  | 102,313        | 86,511        | 64,688        | 151,199             |
| Forecast Base                                     | 102,313        | 86,511        | 64,688        | 151,199             |
| <b>Total Governor's Recommendations</b>           | <b>102,313</b> | <b>86,511</b> | <b>64,688</b> | <b>151,199</b>      |
| <b>Fund: 8201 - Drinking Water Revolving</b>      |                |               |               |                     |
| Planned Spending                                  | 23,513         | 22,030        | 21,763        | 43,793              |
| Forecast Base                                     | 23,513         | 22,030        | 21,763        | 43,793              |
| <b>Total Governor's Recommendations</b>           | <b>23,513</b>  | <b>22,030</b> | <b>21,763</b> | <b>43,793</b>       |
| <b>Fund: 8202 - Transportation Revolving</b>      |                |               |               |                     |
| Planned Spending                                  | 404            | 62            | 62            | 124                 |
| Forecast Base                                     | 404            | 62            | 62            | 124                 |
| <b>Total Governor's Recommendations</b>           | <b>404</b>     | <b>62</b>     | <b>62</b>     | <b>124</b>          |
| <b>Revenue Change Summary</b>                     |                |               |               |                     |
| <b>Dedicated</b>                                  |                |               |               |                     |
| <b>Fund: 2000 - Restrict Misc Special Revenue</b> |                |               |               |                     |
| Forecast Revenues                                 | 143            | 143           | 142           | 285                 |
| <b>Total Governor's Recommendations</b>           | <b>143</b>     | <b>143</b>    | <b>142</b>    | <b>285</b>          |
| <b>Fund: 8200 - Clean Water Revolving</b>         |                |               |               |                     |

**Public Facilities Authority**

**Agency Change Summary**

*(Dollars in Thousands)*

|  | FY21          | FY22           | FY23          | Biennium<br>2022-23 |
|--|---------------|----------------|---------------|---------------------|
| Forecast Revenues                            | 38,543        | 113,835        | 83,131        | 196,966             |
| <b>Total Governor's Recommendations</b>      | <b>38,543</b> | <b>113,835</b> | <b>83,131</b> | <b>196,966</b>      |
| <b>Fund: 8201 - Drinking Water Revolving</b> |               |                |               |                     |
| Forecast Revenues                            | 30,773        | 27,013         | 25,953        | 52,966              |
| <b>Total Governor's Recommendations</b>      | <b>30,773</b> | <b>27,013</b>  | <b>25,953</b> | <b>52,966</b>       |
| <b>Fund: 8202 - Transportation Revolving</b> |               |                |               |                     |
| Forecast Revenues                            | 845           | 845            | 808           | 1,653               |
| <b>Total Governor's Recommendations</b>      | <b>845</b>    | <b>845</b>     | <b>808</b>    | <b>1,653</b>        |

# Public Facilities Authority

## FY 2022-23 Biennial Budget Change Item

### Change Item Title: Municipal Clean Water Infrastructure

| Fiscal Impact (\$000s)                           | FY 2022  | FY 2023  | FY 2024  | FY 2025  |
|--|----------|----------|----------|----------|
| General Fund                                     |          |          |          |          |
| Expenditures                                     | 0        | 0        | 0        | 0        |
| Revenues   | 0        | 0        | 0        | 0        |
| Other Funds                                      |          |          |          |          |
| Expenditures                                     | 8,068    | 8,068    | 0        | 0        |
| Revenues   | 0        | 0        | 0        | 0        |
| Net Fiscal Impact =<br>(Expenditures – Revenues) | 8,068    | 8,068    | 0        | 0        |
| <b>FTEs</b>                                      | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |

### Recommendation:

The Governor recommends \$8,068,000 in FY 2022 and \$8,068,000 in FY 2023 from the Clean Water Fund to the Public Facilities Authority for municipal clean water infrastructure. The recommendation includes \$7.968 million per year for the Point Source Implementation Grants (PSIG) program and \$100,000 per year for the Small Community Wastewater Treatment program. This reflects the collaborative recommendation of the executive branch water agencies, which includes the Pollution Control Agency (PCA), Department of Natural Resources, Department of Agriculture, Department of Health, Board of Water and Soil Resources, Metropolitan Council, and the Public Facilities Authority (PFA).

### Rationale/Background:

The PSIG program provides grants to help cities upgrade water treatment facilities to meet more protective requirements to improve water quality. Eligible project costs are those necessary to meet wasteload reduction requirements under Total Maximum Daily Load (TMDL) implementation plans and to reduce the discharge of phosphorus, chlorides, nitrogen, and other pollutants. The PFA administers the program in partnership with the PCA which determines eligible projects and priorities. Through Minnesota’s interagency water management framework, specific water bodies are identified by the PCA where pollutant reductions are needed to meet water quality standards. Watershed restoration and protection strategies are then developed to guide implementation activities, including permit requirements for more stringent effluent limits.

The PSIG program has received Clean Water Fund appropriations each year since 2010. In addition, in 2017 the program received \$33.7 million, and in 2019 \$38.3 million, in state general obligation bond appropriations to supplement program funding in response to growing project needs and requests from cities for more state assistance.

The Small Community Wastewater Treatment program provides grants and loans to assist small unsewered communities with technical assistance and construction funding to replace non-complying septic systems with community subsurface sewage treatment systems (SSTS). The PFA administers the program in partnership with the PCA which determines eligible projects and priorities. Minnesota has many very small unsewered communities with serious environmental and public health problems from failing septic systems. In many of these communities individual private systems are not feasible or affordable due to small lots, poor soils and limited financial capacity.

The Small Community Wastewater Treatment program has received Clean Water Fund appropriations each year since 2010.

**Proposal:**

The Point Source Implementation Grants (PSIG) program provides grants up to \$7 million to municipalities for 80% of eligible project costs for infrastructure construction necessary to meet more stringent permit requirements to improve water quality. Proposed projects must be ranked on the PCA's project priority list and the PCA reviews and approves projects prior to grant award. PFA does not award a grant until full project funding is in place and the project is ready to start construction. In many cases PSIG grants are awarded in conjunction with loans from PFA's low interest revolving loan fund. Through its monitoring and enforcement activities, the PCA verifies that completed projects meet required permit limits and conditions, and monitors progress toward overall water quality goals through watershed monitoring.

In FY 2020 the PFA awarded nine PSIG grants totaling \$34.1 million, an average of \$3.8 million per project. The PFA currently has 17 unfunded PSIG applications with estimated grant needs totaling \$73 million. Of these, four projects for \$19.7 million have already been approved and are ready for construction. Available funding is allocated to eligible projects based on the PCA project priority list and project readiness.

The Small Community Wastewater Treatment program provides technical assistance grants up to \$60,000 for site evaluations and feasibility studies, and construction financing up to \$2 million through low interest loans and grants based on affordability criteria. All proposed projects must be ranked on the PCA's project priority list. The outcome of a technical assistance grant is a community assessment report that evaluates potential wastewater treatment alternatives with a focus on decentralized soil-based treatment alternatives. The PCA reviews community assessment reports and construction plans and specifications to ensure that new community systems are designed in accordance with state statutes and rules. The PFA reviews construction applications to ensure the borrower has the necessary technical, managerial, and financial capacity to build, operate, and maintain their system. PFA does not award construction loans and grants until full project funding is in place and the project is ready to start construction.

The PCA's project priority list includes 10-15 unsewered areas that are potential Small Community construction projects and additional projects may be identified. Eight communities have received technical assistance grants and are evaluating possible treatment alternatives. The requested \$135,000 will provide funding for an additional 2-3 technical assistance grants.

**Impact on Children and Families:**

N/A

**Equity and Inclusion:**

All residents in eligible cities and other local government jurisdictions will benefit from the requested funds which will reduce the financial cost of providing appropriate wastewater treatment.

**IT Related Proposals:**

N/A

# Public Facilities Authority

# Federal Funds Summary

(Dollars in Thousands)

| Federal Agency and CFDA #                     | Federal Award Name and Brief Purpose   | New Grant | FY 2020 Actuals  | FY 2021 Budget   | FY 2022 Base     | FY 2023 Base     | Required State Match or MOE? | FTEs         |
|---|--|-----------|------------------|------------------|------------------|------------------|------------------------------|--------------|
| Environmental Protection Agency, CFDA #66.458 | <b>Capitalization Grants for Clean Water State Revolving Funds:</b> These funds will pass-through to local units of government for wastewater infrastructure projects. Approximately 90% will be used for low-interest loans and 10% for Principal Forgiveness grants.   | no        | \$ 48,801        | \$ 11,830        | \$ 36,000        | \$ 36,000        | 20% match                    | 5.40         |
| Environmental Protection Agency, CFDA #66.468 | <b>Capitalization Grants for Drinking Water State Revolving Funds:</b> Approximately 22% will be used for MN Department of Health Drinking Water Set-Aside programs. The remainder will pass thru to local units of government for loans and Principal Forgiveness grants, for funding local drinking water infrastructure projects. | no        | \$ 15,013        | \$ 16,673        | \$ 17,137        | \$ 17,137        | 20% match                    | 4.60         |
| <b>Federal Fund – Agency Total</b>            |  |           | <b>\$ 63,814</b> | <b>\$ 28,503</b> | <b>\$ 53,137</b> | <b>\$ 53,137</b> |                              | <b>10.00</b> |

## Narrative:

The federal capitalization grants are deposited into the revolving loan funds and are used, together with state match, fund revenues, and net proceeds of Authority revenue bond issuances, to provide financial assistance to local units of government to fund wastewater and drinking water infrastructure. The primary form of assistance is low interest rate loans. Loan repayments and all fund assets and revenues are pledged to Authority bondholders for payment of the revenue bond debt service. Annually, the excess revenues over the debt service requirements are used for making additional loans or debt service reserves.

The state must provide a minimum 20% match to the capitalization grants. Historically this has been appropriated thru the capital budget process.

Estimated awards for 2022-2023 are based on historical trends and information available at the time biennial budgets are prepared; actual awards may be more or less than estimated. Amounts shown for 2020-2021 reflect actual and budgeted federal draws. Timing of federal grant awards can significantly impact state fiscal year to year receipts totals because awards in any year may be before or after June 30th, and receipts will generally begin immediately.

FTEs related to these programs are paid from the fee portion of loan repayments. Approximately 11 of PFA's 12 (projected forward) FTE support these programs.

## Public Facilities Authority

## Pass-thru (Grants & Loans) Funding Detail

(Dollars in Thousands)

| Program Name<br>Federal or State<br>or Both (citation)  | Purpose/ Recipient Type(s)<br>Eligibility Criteria   | FY 2018<br>and<br>FY 2019 | FY 2020<br>and 2021<br>thru Oct |
|---|--|---------------------------|---------------------------------|
| Clean Water SRF low-interest<br>Loans<br>446A.07<br>federal + state + SRF revolving             | <b>Purpose:</b> Provides low interest loans for wastewater and storm water infrastructure.<br><b>Recipient Type(s):</b> MN local units of government.<br><b>Eligibility Criteria:</b> Must be on the PCA's Project Priority List (PPL)   | \$ 163,415                | \$ 256,798                      |
| Clean Water SRF Principal<br>Forgiveness Grants<br>446A.07<br>federal funded                    | <b>Purpose:</b> Provides principal forgiveness grants, in conjunction with low interest loans, for wastewater infrastructure.<br><b>Recipient Type(s):</b> MN local units of government.<br><b>Eligibility Criteria:</b> Must be on the PCA's PPL.   | \$ 4,542                  | \$ 7,045                        |
| Drinking Water low-interest<br>Loans<br>446A.081<br>federal + state + SRF revolving             | <b>Purpose:</b> Provides low interest loans for drinking water infrastructure.<br><b>Recipient Type(s):</b> MN local units of government.<br><b>Eligibility Criteria:</b> Must be on the MDH's PPL.  | \$ 131,052                | \$ 104,342                      |
| Drinking Water SRF Principal<br>Forgiveness Grants<br>446A.081<br>federal funded                | <b>Purpose:</b> Provides principal forgiveness grants, in conjunction with low interest loans, for drinking water infrastructure.<br><b>Recipient Type(s):</b> MN local units of government.<br><b>Eligibility Criteria:</b> Must be on the MDH's PPL.   | \$ 10,112                 | \$ 8,301                        |
| Water Infrastructure Financing<br>446A.072<br>state funded                                      | <b>Purpose:</b> Provides supplemental grants for high cost wastewater and drinking water projects based on affordability criteria established by statute.<br><b>Recipient Type(s):</b> MN local units of government.<br><b>Eligibility Criteria:</b> Must be on the PCA's PPL.                 | \$ 57,847                 | \$ 50,795                       |
| Clean Water Legacy: Point Source<br>Implementation Grants<br>446A.073<br>state funded           | <b>Purpose:</b> Provides grants to assist with the cost of wastewater or storm water projects to reduce the discharge of phosphorus, nitrogen and other pollutants.<br><b>Recipient Type(s):</b> MN local units of government.<br><b>Eligibility Criteria:</b> Must be on the PCA's PPL.       | \$ 63,949                 | \$ 58,788                       |
| Clean Water Legacy: Small<br>Community Wastewater<br>Treatment Program 446A.075<br>state funded | <b>Purpose:</b> Provides technical assistance grants and construction grants + loans to assist small unsewered communities replace noncomplying sewage treatment systems.<br><b>Recipient Type(s):</b> MN local units of government.<br><b>Eligibility Criteria:</b> Must be on the PCA's PPL. | \$ 261                    | \$ 60                           |
| Transportation Revolving Loan<br>Fund<br>446A.085<br>federal + state + RLF revolving            | <b>Purpose:</b> Provides low interest loans for transportation infrastructure.<br><b>Recipient Type(s):</b> MN local units of government.<br><b>Eligibility Criteria:</b> MN DOT prioritizes, recommends.  | \$ -                      | \$ 1,772                        |