

(\$ in thousands)

Project Title	Rank	Fund	Project Requests for State Funds			Gov's Rec	Gov's Planning Estimates	
			2022	2024	2026	2022	2024	2026
Water Infrastructure Initiative: State Match for Federal Grants to State Revolving Fund Loan Programs	1	GO	49,000	49,000	49,000	49,000	49,000	49,000
Water Infrastructure Initiative: Water Infrastructure Funding Program	2	GO	76,000	76,000	76,000	76,000	76,000	76,000
Water Infrastructure Initiative: Point Source Implementation Grants Program	3	GO	75,000	75,000	75,000	75,000	75,000	75,000
<b>Total Project Requests</b>			200,000	200,000	200,000	200,000	200,000	200,000
<b>General Obligation Bonds (GO) Total</b>			200,000	200,000	200,000	200,000	200,000	200,000

<https://mn.gov/deed/pfa/>

### 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 1,167 loans to local governments totaling \$4.6 billion. These below-market-rate loans have provided an estimated \$1 billion in interest savings to local governments and their residents.
- Over the past ten fiscal years PFA has awarded \$540 million in grants to local governments based on affordability criteria and to address specific water quality goals and objectives.
- PFA has allocated \$94.8 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 \$330 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 \$2.1 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.

### 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.

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

**AT A GLANCE**

- 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.
- The PFA manages three revolving funds, several grant and loan programs, and has authority to issue \$2.0 billion in revenue bonds to raise capital to make loans.
- All major programs are managed in conjunction with PFA member agencies, which establish priorities and provide technical review of projects before funding is approved.

Strategic goals of the PFA are:

- To manage capital assets (currently \$2.1 billion) to ensure a stable source of infrastructure financing in perpetuity.
- To provide financing programs to support water quality, public health, and other priorities identified by PFA member agencies.
- To help local governments maintain and improve their water infrastructure assets while keeping costs affordable for their residents.

**Factors Impacting Facilities or Capital Programs**

Factors affecting the demand for infrastructure financing include aging municipal infrastructure that is at or beyond its useful life, treatment upgrades needed to restore impaired waters and protect threatened waterbodies, improvements to address chemical and other contamination threats to drinking water systems and new standards to protect public health and safety, a growing awareness of water quality impacts from stormwater runoff and failing septic systems in unsewered communities, and population growth and economic trends. In addition, there are the challenges of meeting these needs while being mindful of the importance of energy and water conservation, and in the context of a global economy that puts pressure on communities to keep costs of public services priced competitively.

The PFA manages its clean water loan and grant programs in conjunction with the Pollution Control Agency (PCA). Funding priorities for all PFA clean water programs follow the PCA's Project Priority List (PPL) that ranks wastewater and stormwater projects based on age and condition of existing infrastructure and environmental and public health factors. The 2022 clean water PPL lists 233 projects totaling \$1.6 billion that are seeking funding for construction over the next five years.

The PFA manages its drinking water loan and grant programs in conjunction with the Department of Health (MDH). Funding priorities follow the MDH Project Priority List (PPL) that lists drinking water projects based on age and condition of existing infrastructure and public health factors. The 2022 drinking water PPL lists 511 projects totaling \$1.2 billion that are seeking funding for construction over the next five years.

**Self-Assessment of Agency Facilities and Assets**

The PFA does not own or operate any facilities.

**Agency Process for Determining Capital Requests**

Each year, local government requests for water infrastructure funding exceeds \$300 million for wastewater projects and another \$300 million for drinking water projects. The Clean Water Revolving Fund (CWRF) and

Drinking Water Revolving Fund (DWRF) loan programs are the state’s primary source of financial assistance to help local governments meet their water infrastructure needs, but the annual lending capacity of these revolving loan funds is far less than demand. Even with low interest PFA loans, project costs are unaffordable for many communities and grant funds are needed to reduce the level of borrowing.

*State Match to Federal Grants to State Revolving Loan Programs.* The PFA’s highest priority capital request is for state matching funds to federal capitalization grants for the Clean Water and Drinking Water Revolving Funds. The requested \$25 million will provide the required 20% match for estimated 2023-2024 federal grants up to \$125 million and help build future lending capacity. State match appropriations are directly used to make loans for eligible project costs. However the impact of the state appropriations is much greater due to the leveraged nature of the revolving loan programs. Overall, since the beginning of the programs, each \$1 of state matching funds has generated \$15 in project construction and more than \$3 in interest savings for local taxpayers.

*Water Infrastructure Fund (WIF).* The WIF provides supplemental grants to communities for high cost wastewater and drinking water projects. WIF grants help communities implement high priority projects that would otherwise be unaffordable. WIF grants are awarded in conjunction with PFA loans or as match to USDA Rural Development funding for small rural communities. The PFA WIF request of \$100 million is based on estimated grant needs for projects expected to be ready for construction over the next two years.

*Point Source Implementation Grants (PSIG) Program.* The PSIG program provides grants to help cities upgrade treatment facilities to meet more stringent treatment requirements established by the Pollution Control Agency. The PFA PSIG request of \$75 million is based on estimated grant needs for projects expected to be ready for construction over the next two years.

The PFA capital requests were reviewed by the PFA Board on June 14, 2021 and were approved for submission to Minnesota Management and Budget.

### **Major Capital Projects Awarded in 2020 and 2021**

The following table lists the 80 local governments that received loans and grants during fiscal years 2020-2021 from PFA’s CWRP, DWRF, WIF, and PSIG programs for water infrastructure projects:

Ada	Detroit Lakes	Lakefield	Perham
Adams	Dumont	Lanesboro	Pipestone
Aitkin	Eagle Bend	Le Sueur County	Red Lake Falls
Appleton	Easton	Little Falls	Rice Lake
Askov	Elbow Lake	Loretto	Robbinsdale
Austin	Eveleth	Marshall	Saint Cloud
Barnesville	Farwell-Kensington SD	Marshall Municipal	Saint James
Barrett	Fertile	Mayer	Saint Paul
Battle Lake	Frazee	Metropolitan Council	Sandstone
Burnsville	Gary	Montrose	Silver Bay
Caledonia	Gibbon	Moorhead	Staples
Chisago Lakes JSTC	Gilbert	Mountain Lake	Starbuck
Clarkfield	Greenbush	Nashwauk	Tracy
Clear Lake	Grey Eagle	New London	Twin Valley
Clearwater	Hamburg	Nisswa	Waldorf
Clearwater River	Houston	Onamia	Walker
Cokato	Hoyt Lakes	Ortonville	Waverly
Currie	Kandiyohi County	Ostrander	Western Lake Superior SD
Dassel	Keewatin	Otsego	Winnebago
Deer River	Lake Park	Pelican Rapids	Wood Lake

(\$ in thousands)

**Water Infrastructure Initiative: State Match for Federal Grants to State Revolving Fund Loan Programs****AT A GLANCE****2022 Request Amount:** \$49,000**Priority Ranking:** 1

**Project Summary:** The Public Facilities Authority (PFA) requests \$49,000,000 for deposit to the Clean Water Revolving Fund and the Drinking Water Revolving Fund to make loans to local governments for clean water and drinking water infrastructure projects. The funds will provide the required state match for estimated federal FY 2023-24 capitalization grants and FY2022-24 supplemental funds from the federal infrastructure bill. PFA also recommends Drinking Water Revolving Fund statutory changes.

**Project Description**

The Clean Water Revolving Fund provides low cost financing for municipal wastewater treatment facilities, sewer collection systems and stormwater treatment facilities. Demand for clean water loans is driven by the need to replace aging facilities and sewer lines, provide additional treatment capacity, and meet more stringent treatment requirements.

The Drinking Water Revolving Fund provides low cost financing for municipal drinking water systems, including treatment plants, water towers, water mains, wells and pump houses. Demand for drinking water loans is driven by the need to replace aging facilities, provide additional treatment to meet required public health standards, and replace old water mains to minimize water loss and contamination problems.

Each year the PFA receives funding requests for more than 200 wastewater, stormwater, and drinking water infrastructure projects totaling over \$500 million, more than double the sustainable long-term annual lending capacity of the Clean Water and Drinking Water Revolving 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 revenue bonds from Standard and Poors, Fitch, and Moody's reflects the financial strength of the Funds, the credit quality of Minnesota communities, and the PFA's experienced staff and sound financial management.

**Drinking Water Revolving Fund Statutory Change**

This proposal amends Drinking Water Revolving Fund statutes related to the use of federal principal forgiveness grant funds for replacement of lead service lines. The proposal removes the 50%

limitation on grant funding, removes the \$250,000 maximum grant per project, and makes funding available for both private and public owned lead service lines.

### **Project Rationale**

The PFA’s clean water and drinking water revolving loan programs are important infrastructure financing tools to help communities throughout the state reduce borrowing costs for essential infrastructure to serve their residents and businesses and meet public health and environmental requirements. Under federal and state law, PFA loans are made at below-market interest rates. Since inception the PFA has made \$4.5 billion in low interest loans from these two revolving funds, resulting in savings to local taxpayers of over \$1.1 billion compared to market rate financing.

Through the PFA’s revolving loan programs, the impact of the state match funds is leveraged by federal funds, loan repayments, and the PFA’s AAA rated revenue bonds. Overall, each dollar of state matching funds to date has generated \$15 in project construction. Savings to local taxpayers from PFA low-interest loans is approximately \$4 for every \$1 of state matching funds.

### **Project Timeline**

#### **Other Considerations**

Eligible projects are prioritized based on environmental and public health criteria and ranked by the Pollution Control Agency (for wastewater and stormwater projects) and the Health Department (for drinking water projects) on their annual project priority lists, ensuring that limited funds are targeted to the highest priority projects.

#### **Impact on Agency Operating Budgets**

Operating costs for the Clean Water and Drinking Water Revolving Funds are paid from fees up to 2% collected on loan repayments. These fees are taken from the interest portion of the loan repayments and are not an additional cost to the borrowers. Fee revenues cover the administrative expenses for these programs incurred by the PFA, the Minnesota Pollution Control Agency (MPCA), and the Minnesota Department of Health (MDH).

#### **Description of Previous Appropriations**

Prior appropriations for state match to US EPA capitalization grants:

- 1987 \$ 3,200,000
- 1989 \$ 4,700,000
- 1990 \$15,600,000
- 1992 \$ 7,500,000
- 1993 \$ 4,000,000
- 1994 \$13,400,000
- 1996 \$ 4,000,000
- 1997 \$ 4,444,000
- 1998 \$24,000,000
- 1999 \$ 2,200,000

2000 \$14,893,000  
2002 \$16,000,000  
2005 \$14,380,000  
2006 \$38,800,000  
2008 \$30,000,000  
2010 \$30,000,000  
2012 \$ 8,500,000  
2013 \$ 8,000,000  
2014 \$12,000,000  
2017 \$17,000,000  
  
2018 \$14,000,000  
  
2019 \$ 6,000,000  
  
2020 \$ 25,000,000

**Project Contact Person**

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**Governor's Recommendation**

The Governor recommends \$49 million in general obligation bonds for this request. Also included are budget estimates of \$49 million for each planning period for 2024 and 2026.

(\$ in thousands)

**Water Infrastructure Initiative: State Match for Federal Grants to State Revolving Fund Loan Programs****PROJECT FUNDING SOURCES**

Funding Source	Prior Years	FY 2022	FY 2024	FY 2026
<b>State Funds Requested</b>				
General Obligation Bonds	\$ 62,000	\$ 49,000	\$ 49,000	\$ 49,000
<b>Funds Already Committed</b>				
Other Funding	\$ 975,443	\$ 0	\$ 0	\$ 0
<b>Pending Contributions</b>				
Other Funding	\$ 0	\$ 375,000	\$ 375,000	\$ 375,000
<b>TOTAL</b>	<b>\$ 1,037,443</b>	<b>\$ 424,000</b>	<b>\$ 424,000</b>	<b>\$ 424,000</b>

**TOTAL PROJECT COSTS**

Cost Category	Prior Years	FY 2022	FY 2024	FY 2026
Property Acquisition	\$ 0	\$ 0	\$ 0	\$ 0
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 0	\$ 0	\$ 0
Construction	\$ 1,037,443	\$ 424,000	\$ 424,000	\$ 424,000
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 0	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 1,037,443</b>	<b>\$ 424,000</b>	<b>\$ 424,000</b>	<b>\$ 424,000</b>

**IMPACT ON STATE OPERATING COSTS**

Cost Category	FY 2022	FY 2024	FY 2026
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

**SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS**

	Amount	Percent of Total
General Fund	\$ 49,000	100 %
User Financing	\$ 0	0 %



**STATUTORY REQUIREMENTS**

The following requirements will apply to projects after adoption of the bonding bill.

<b>Is this project exempt from legislative review under M.S. 16B.335 subd. 1a?</b>	Yes
<b>Predesign Review (M.S. 16B.335 subd. 3):</b>	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
<b>Will the project design meet the Sustainable Building Guidelines under M.S. 16B.325?</b>	N/A
<b>Will the project designs meet applicable requirements and guidelines for energy conservation and alternative energy sources (M.S. 16B.335 subd. 4 and 16B.32)?</b>	N/A
<b>Have Information Technology Review Preconditions been met (M.S. 16B.335 subd. 5 &amp; 6)?</b>	N/A
<b>Will the project comply with the targeted group purchasing requirement (M.S. 16C.16 subd. 13)?</b>	Yes
<b>Will the project meet public ownership requirements (M.S. 16A.695)?</b>	Yes
<b>Will a use agreement be required (M.S. 16A.695 subd. 2)?</b>	No
<b>Will program funding be reviewed and ensured (M.S. 16A.695 subd. 5)?</b>	Yes
<b>Will the matching funds requirements be met (M.S. 16A.86 subd. 4)?</b>	N/A
<b>Will the project be fully encumbered prior to the Cancellation Deadline (M.S. 16A.642): December 31, 2026?</b>	Yes
<b>M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required</b>	Yes
<b>M.S. 473.4485: Guideway Project</b>	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A

**Water Infrastructure Initiative: Water Infrastructure Funding Program****AT A GLANCE****2022 Request Amount:** \$76,000**Priority Ranking:** 2

**Project Summary:** The Public Facilities Authority (PFA) requests \$76,000,000 for the Water Infrastructure Funding (WIF) program (MS 446A.072). WIF provides grants to local governments based on affordability criteria, supplementing low-interest loans from the PFA's clean water revolving fund, drinking water revolving fund or match funding from the U.S. Department of Agriculture Rural Development. PFA recommends \$45,000,000 for wastewater projects and \$31,000,000 for drinking water and increasing the maximum grant.

**Project Description**

WIF grants are targeted to the highest priority projects based on environmental and public health criteria as determined by MPCA or MDH through their clean water and drinking water project priority lists. The WIF program supplements other funding to help communities address their existing water infrastructure needs 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 after design plans and specifications are approved and certified by MPCA or MDH, or after a funding commitment by USDA Rural Development.

**WIF Statutory Change**

This proposal would amend the Authority's statutes to increase the maximum grant award for projects under the Water Infrastructure Funding (WIF) grant program, from \$5 million per project to \$8 million.

**Project Rationale**

WIF grants are needed to assist financially challenged communities with high priority water infrastructure projects that would otherwise not be affordable for local residents. WIF grants are capped at \$5,000,000 or \$20,000 per connection, whichever is less, unless specifically approved by law. WIF eligible project costs are only those costs necessary to meet existing needs, not to address future growth.

Based on criteria established in M.S. 446A.072, Subd. 5a, municipalities that receive CWRP loans are eligible for WIF grants if the average per household system cost exceeds 1.4% of median household income. Municipalities that receive Drinking Water Revolving Fund loans are eligible for WIF grants if the average per household system cost exceeds 1.2% of 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. The unique state/federal partnership with USDA Rural Development helps coordinate assistance for small rural communities, making it easier for them to access funding. Providing WIF grants to match USDA Rural Development funding helps the Minnesota USDA office fund more projects by obligating its allotted federal funds and then accessing the national pool for additional funds for Minnesota communities.

### **Project Timeline**

### **Other Considerations**

For cities to make the necessary up-front investments in pre-construction work, they need to have confidence that funding will be available when their projects are ready for construction. The MPCA and MDH project priority lists rank projects for which cities are seeking funding for construction within a five year period. The current priority lists include more than 80 projects with unfunded WIF needs over \$100 million, and additional WIF eligible projects are expected to submit proposals for the 2022 priority lists. In the fall of 2021 the PFA will survey cities with projects on the project priority lists to more accurately determine estimated WIF needs and project schedules for the PFA’s report on estimated funding needs to the Legislature in February 2022.

The federal infrastructure bill requires approximately half of the state revolving fund supplemental monies to be awarded as principal forgiveness grants, providing additional resources to address WIF affordability needs.

### **Impact on Agency Operating Budgets**

The WIF program is administered in conjunction with the PFA’s Clean Water Revolving Fund and Drinking Water Revolving Fund programs and administrative costs are paid from fees collected on CWRP and DWRF loan repayments. For projects receiving WIF grants to match funding from USDA Rural Development, the state/federal partnership is a cost effective strategy that uses USDA field staff to conduct much of the field work involved in reviewing applications and monitoring projects through construction.

### **Description of Previous Appropriations**

Prior appropriations for the WIF program:

- 1987 \$ 3,240,951
- 1989 \$ 390,000
- 1990 \$ 380,970
- 1996 \$ 17,500,000
- 1997 \$ 7,000,000
- 1998 \$ 15,300,000
- 1999 \$ 20,500,000
- 2000 \$ 17,300,000
- 2003 \$ 13,500,000

2005 \$ 26,903,338  
2006 \$ 22,996,039  
2008 \$ 15,028,056  
2010 \$ 27,000,000  
2011 \$ 20,000,000  
2012 \$ 15,000,000  
2014 \$ 18,333,000  
2015 \$ 10,000,000  
2017 \$ 55,000,000  
  
2018 \$ 25,000,000  
  
2019 \$ 14,652,000  
  
2020 \$ 55,494,000

**Project Contact Person**

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**Governor's Recommendation**

The Governor recommends \$76 million in general obligation bonds for this request. Also included are budget estimates of \$76 million for each planning period for 2024 and 2026.

(\$ in thousands)

## Water Infrastructure Initiative: Water Infrastructure Funding Program

## PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2022	FY 2024	FY 2026
<b>State Funds Requested</b>				
General Obligation Bonds	\$ 150,146	\$ 76,000	\$ 76,000	\$ 76,000
<b>Funds Already Committed</b>				
<b>Pending Contributions</b>				
<b>TOTAL</b>	<b>\$ 150,146</b>	<b>\$ 76,000</b>	<b>\$ 76,000</b>	<b>\$ 76,000</b>

## TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2022	FY 2024	FY 2026
Property Acquisition	\$ 0	\$ 0	\$ 0	\$ 0
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 0	\$ 0	\$ 0
Construction	\$ 150,146	\$ 76,000	\$ 76,000	\$ 76,000
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 0	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 150,146</b>	<b>\$ 76,000</b>	<b>\$ 76,000</b>	<b>\$ 76,000</b>

## IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2022	FY 2024	FY 2026
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

## SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 76,000	100 %
User Financing	\$ 0	0 %

**STATUTORY REQUIREMENTS**

The following requirements will apply to projects after adoption of the bonding bill.

<b>Is this project exempt from legislative review under M.S. 16B.335 subd. 1a?</b>	Yes
<b>Pre-design Review (M.S. 16B.335 subd. 3):</b>	
Does this request include funding for pre-design?	N/A
Has the pre-design been submitted to the Department of Administration?	N/A
Has the pre-design been approved by the Department of Administration?	N/A
<b>Will the project design meet the Sustainable Building Guidelines under M.S. 16B.325?</b>	N/A
<b>Will the project designs meet applicable requirements and guidelines for energy conservation and alternative energy sources (M.S. 16B.335 subd. 4 and 16B.32)?</b>	N/A
<b>Have Information Technology Review Preconditions been met (M.S. 16B.335 subd. 5 &amp; 6)?</b>	N/A
<b>Will the project comply with the targeted group purchasing requirement (M.S. 16C.16 subd. 13)?</b>	Yes
<b>Will the project meet public ownership requirements (M.S. 16A.695)?</b>	Yes
<b>Will a use agreement be required (M.S. 16A.695 subd. 2)?</b>	No
<b>Will program funding be reviewed and ensured (M.S. 16A.695 subd. 5)?</b>	Yes
<b>Will the matching funds requirements be met (M.S. 16A.86 subd. 4)?</b>	N/A
<b>Will the project be fully encumbered prior to the Cancellation Deadline (M.S. 16A.642): December 31, 2026?</b>	Yes
<b>M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required</b>	Yes
<b>M.S. 473.4485: Guideway Project</b>	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A

**Water Infrastructure Initiative: Point Source Implementation Grants Program****AT A GLANCE****2022 Request Amount:** \$75,000**Priority Ranking:** 3**Project Summary:** The Public Facilities Authority (PFA) requests \$75,000,000 for the Point Source Implementation Grants (PSIG) program under MS 446A.073 to provide grants to cities to help pay for treatment plant upgrades to address water quality restoration and protection goals.**Project Description**

The PSIG program provides grants for infrastructure construction projects needed to improve water quality by meeting more stringent permit requirements to reduce the discharge of specific pollutants. The Public Facilities Authority (PFA) administers the program in partnership with the Pollution Control Agency (PCA). Proposed projects must be ranked on the PCA's project priority list (PPL) and the PCA reviews and approves projects prior to grant award. PFA does not award a grant until full project funding is in place, which may include local funds and other PFA funds.

**Project Rationale**

The PSIG program provides grants for infrastructure construction projects needed to improve water quality by meeting more stringent permit requirements to reduce the discharge of specific pollutants. The Public Facilities Authority (PFA) administers the program in partnership with the Pollution Control Agency (PCA). Proposed projects must be ranked on the PCA's project priority list (PPL) and the PCA reviews and approves projects prior to grant award. PFA does not award a grant until full project funding is in place, which may include local funds and other PFA funds.

**Project Timeline****Other Considerations**

The PSIG program provides grants for infrastructure construction projects needed to improve water quality by meeting more stringent permit requirements to reduce the discharge of specific pollutants. The Public Facilities Authority (PFA) administers the program in partnership with the Pollution Control Agency (PCA). Proposed projects must be ranked on the PCA's project priority list (PPL) and the PCA reviews and approves projects prior to grant award. PFA does not award a grant until full project funding is in place, which may include local funds and other PFA funds.

**Impact on Agency Operating Budgets**

Administrative costs are paid partially from PSIG grant application fees of 1/2 of 1%, collected under MS 446A.04 Subd. 5. The PSIG program is administered in conjunction with the PCA's Clean Water PPL, so a portion of the Clean Water Revolving Fund loan fees are also used for PSIG administration.

### **Description of Previous Appropriations**

Previous appropriations for the PSIG program from FY 2013-2019 are shown below.

2013 \$18,000,000 Clean Water (Legacy) Fund

2015 \$18,000,000 Clean Water (Legacy) Fund

2017 \$15,750,000 Clean Water (Legacy) Fund

2017 \$33,737,000 G.O. Bond Proceeds Fund

2019 \$38,348,000 G.O. Bond Proceeds Fund

2019 \$18,000,000 Clean Water (Legacy) Fund

2020 \$44,553,000 G.O. Bond Proceeds Fund

2021 \$15,936,000 Clean Water (Legacy) Fund (\$7,968,000 each FY 2022-23)

### **Project Contact Person**

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### **Governor's Recommendation**

The Governor recommends \$75 million in general obligation bonds for this request. Also included are budget estimates of \$75 million for each planning period for 2024 and 2026.



(\$ in thousands)

## Water Infrastructure Initiative: Point Source Implementation Grants Program

## PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2022	FY 2024	FY 2026
<b>State Funds Requested</b>				
General Obligation Bonds	\$ 116,638	\$ 75,000	\$ 75,000	\$ 75,000
Other Funding	\$ 33,750	\$ 0	\$ 0	\$ 0
<b>Funds Already Committed</b>				
Other State Funds	\$ 0	\$ 15,936	\$ 0	\$ 0
<b>Pending Contributions</b>				
<b>TOTAL</b>	<b>\$ 150,388</b>	<b>\$ 90,936</b>	<b>\$ 75,000</b>	<b>\$ 75,000</b>

## TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2022	FY 2024	FY 2026
Property Acquisition	\$ 0	\$ 0	\$ 0	\$ 0
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 0	\$ 0	\$ 0
Construction	\$ 150,388	\$ 90,936	\$ 75,000	\$ 75,000
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 0	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 150,388</b>	<b>\$ 90,936</b>	<b>\$ 75,000</b>	<b>\$ 75,000</b>

## IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2022	FY 2024	FY 2026
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

## SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 75,000	100 %
User Financing	\$ 0	0 %

**STATUTORY REQUIREMENTS**

The following requirements will apply to projects after adoption of the bonding bill.

<b>Is this project exempt from legislative review under M.S. 16B.335 subd. 1a?</b>	Yes
<b>Predesign Review (M.S. 16B.335 subd. 3):</b>	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
<b>Will the project design meet the Sustainable Building Guidelines under M.S. 16B.325?</b>	N/A
<b>Will the project designs meet applicable requirements and guidelines for energy conservation and alternative energy sources (M.S. 16B.335 subd. 4 and 16B.32)?</b>	N/A
<b>Have Information Technology Review Preconditions been met (M.S. 16B.335 subd. 5 &amp; 6)?</b>	N/A
<b>Will the project comply with the targeted group purchasing requirement (M.S. 16C.16 subd. 13)?</b>	Yes
<b>Will the project meet public ownership requirements (M.S. 16A.695)?</b>	Yes
<b>Will a use agreement be required (M.S. 16A.695 subd. 2)?</b>	No
<b>Will program funding be reviewed and ensured (M.S. 16A.695 subd. 5)?</b>	Yes
<b>Will the matching funds requirements be met (M.S. 16A.86 subd. 4)?</b>	N/A
<b>Will the project be fully encumbered prior to the Cancellation Deadline (M.S. 16A.642): December 31, 2026?</b>	Yes
<b>M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required</b>	Yes
<b>M.S. 473.4485: Guideway Project</b>	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A