

**MN PUBLIC FACILITIES AUTHORITY**  
**BOARD MEETING - Minutes**  
**PFA Board Room**  
**December 16, 2015**

**MEMBERS and DELEGATES PRESENT:**

Katie Clark Sieben, Chair, Dept. of Employment and Economic Development  
Kristin Hanson, Management and Budget  
Randy Ellingboe, Department of Health  
Jim Boerboom, Department of Agriculture  
Rebecca Flood, Pollution Control Agency  
Tracy Hatch, Department of Transportation

**Also present:**

Jeff Freeman, Executive Director  
Corey Topp, RSM  
Dianna Chance, RSM  
Jessica Cameron Mitchell, Public Financial Management  
Matt Schnackenberg, Public Financial Management  
Michael Rogers, Gilmore & Bell  
Martin Bode, City of Richmond  
David Drown, David Drown & Associates  
Sue Stein, Dept. of Transportation  
Christie Eller, Attorney General's Office  
Paula Rindels, Housing Finance Agency  
Bill Dunn, Pollution Control Agency  
Bill Priebe, Pollution Control Agency  
Chad Kolstad, Dept. of Health  
Richard Koop, Met Council  
Steve Walter, PFA Staff  
Becky Sabie, PFA Staff  
Steve LaFontaine, PFA Staff  
Kathe Barrett, PFA Staff  
Melissa Ralph, PFA Staff  
Jennifer Frasl, PFA Staff

**I. CALL TO ORDER:**

Chair Katie Clark Sieben called the meeting of the Public Facilities Authority to order on December 16, 2015 at 8:31am in the PFA Board Room, 1<sup>st</sup> National Bank Building, Saint Paul, Minnesota.

Roll call taken, voting yes: Katie Clark Sieben, DEED; Kristin Hanson, MMB; Randy Ellingboe, MDH; Jim Boerboom, MDA; Rebecca Flood, PCA and Tracy Hatch, MDOT.

A quorum was established.

## **II. APPROVAL OF AGENDA**

Chair Katie Clark Sieben entertained a motion to approve the agenda. Motion made by Kristin Hanson, seconded by Jim Boerboom.

Approval of the agenda passed unanimously.

## **III. APPROVAL OF AUGUST 19, 2015 MINUTES**

Chair Clark Sieben entertained a motion to approve the minutes from the August 19, 2015 meeting. Motion made by Rebecca Flood, seconded by Jim Boerboom.

Approval of the August 19, 2015 Meeting minutes passed unanimously.

## **IV. 2015 INDEPENDENT AUDIT**

Jeff Freeman referred to the documents in the Board Packet from the Authority's 2015 audit, including the Financial Report, the Compliance Report and the auditor's Report to the Board. There were no findings, issues or deficiencies identified.

Steve Walter observed loan and grant awards continue to be strong, and that low interest rates continue to benefit borrowers, but have a negative impact on future lending capacity.

Corey Topp announced that McGladrey had changed their name to RSM just days before the Authority's audit report was due. Corey introduced Dianna Chance who walked the board through the Report to the Board and emphasized that the audit was a clean audit with no finding, no issues, no audit adjustments and no deficiencies in internal controls.

## **V. AUTHORIZATION TO ISSUE BONDS – 2016 SERIES RESOLUTION**

Jeff Freeman noted the Authority has not needed to sell bonds since 2010, primarily due to the large amount of prepayments received a few years ago that have helped to cover cash needs for new loans. Projections show we will need to sell bonds within the coming months and staff is working with the Authority's financial advisor Public Financial Management and bond counsel Gilmore and Bell to prepare for a sale/pricing in mid-February. Staff is requesting authorization for the sale of bonds up to \$500 million which includes up to \$350 million of new money and up to \$150 million in refunding bonds.

Jim Boerboom posed the question regarding the last bond sale amount and dates. Steve Walter answered that in October 2010, four series of bonds were sold for approximately \$340 million new money and \$303 million refunding.

Jeff noted that approximately \$187 million of the new money bonds will be used to reimburse the Authority for eligible loan disbursements since July of this year.

Jessica Cameron Mitchell discussed the financial advisor services PFM provides to the Authority and walked the board through their maturity by maturity saving analysis related to the proposed refundings.

Michael Rogers from bond counsel Gilmore & Bell discussed their role in the bond sale and closing.

Series Resolution #7 authorizes the sale of bonds up to \$500,000,000, including up to \$350,000,000 in new money bonds and up to \$150,000,000 in refunding bonds. The actual amounts will be determined based on market conditions as we get closer to the sale date. The specific allocation of bond proceeds between the clean water fund and drinking water fund will be determined in a certificate signed by the Executive Director prior to closing.

Chair Katie Clark Sieben entertained a motion to approve Resolution 15-07 (Series Resolution #7). Motion made by Jim Boerboom, seconded by Randy Ellingboe.

Roll call taken, voting yes: Katie Clark Sieben, DEED; Kristin Hanson, MMB; Randy Ellingboe, MDH; Jim Boerboom, MDA; Rebecca Flood, PCA and Tracy Hatch, MDOT.

Voting no: None

Absent: none

## **VI. RICHMOND REQUEST TO RESTRUCTURE LOAN**

Jeff discussed the City of Richmond's request to restructure its Clean Water Revolving Fund loan agreement, including an extension of the loan term from 20 to 30 years. Ten years of stalled residential growth has impacted the city's ability to generate sufficient revenues to cover costs and maintain adequate reserves. The restructuring will allow the city to moderate steep rate increases and build reserves for operation and maintenance.

Jeff introduced Martin Bode, Richmond City Administrator, and David Drown, the city's financial advisor. Martin Bode explained the city entered into a \$9,023,171 Loan and Bond Purchase Agreement with the Authority in 2006. Funds were used to upgrade and expand the city's wastewater treatment facility. Financing consisted of a \$7.6 million clean water loan and a \$1.3 million WIF loan. The WIF loan was converted in 2014 to a WIF grant as authorized by statute. The city has one clean water loan and one drinking water loan with outstanding balances of \$4,972,000 and \$796,786, respectively. Richmond's restructuring request is limited to the clean water loan.

Jim Boerboom asked what the impact would be on cash reserves and surplus if a restructure was to take place. David Drown referred to the city's exhibits in the board packet showing projected sewer utility cash flows with and without the proposed restructuring. Current residential sewer rates are approximately \$50 per month for an average household. To maintain adequate cash reserves without the loan restructuring, the city would have to implement a rate increase of 110% in 2016. With the loan restructuring the rate increase will be held to 50%, approximately \$75 per household, which the city council has committed to by resolution.

Resolution 15-08 authorizes the Executive Director to further evaluate the city's proposed financial plans and after confirming the plan is acceptable, to prepare appropriate amendments to the city's loan and bond purchase agreement for execution by the chair.

Chair Katie Clark Sieben entertained a motion to approve Resolution 15-08. Motion made by Rebecca Flood, seconded by Randy Ellingboe.

Roll call taken, voting yes: Katie Clark Sieben, DEED; Kristin Hanson, MMB; Randy Ellingboe, MDH; Jim Boerboom, MDA; Rebecca Flood, PCA and Tracy Hatch, MDOT.

Voting no: None

Absent: none

## **VII. WIF PROGRAM REPORT TO LEGISLATURE**

Jeff summarized the Authority's Wastewater Infrastructure Funding (WIF) program. The WIF program is the state's supplemental assistance program for high priority wastewater projects with high cost needs. WIF assistance is provided to projects either as a match to grants from USDA Rural Development or in conjunction with Clean Water Revolving Fund loans. Under the WIF program statutes, the PFA is required to report to the Legislature by February 1 in even numbered years on estimated WIF funding needs.

Jeff briefly reviewed the table in the WIF report that shows all of the appropriated WIF funds to date have been awarded or are committed to projects and the spreadsheet that shows estimated WIF funding needs for projects on the MPCA's 2016 Project Priority List. The estimated WIF grant amounts are based on preliminary project information from municipalities and other data compiled by the PFA. In November 2015, the PFA surveyed all municipalities with projects on the 2016 PPL and received updated information on 72 of the 293 projects. In most cases this information is still considered preliminary and has not been verified. Therefore, the WIF amounts shown in the report table are estimates and are subject to change.

At the current 38 point funding cutoff on the 2016 Intended Use Plan for Clean Water Revolving Fund loans, estimated WIF grant needs exceed \$105 million for 71 projects. Jeff noted that some of the estimates could still change as the report is finalized. One particular area that could change some WIF estimates is median household income data which is used in the affordability calculations. The Census Bureau will release its latest data in mid-December and staff will work to download this data in a format where it can be used for WIF grant calculations.

Resolution 15-09 approves the draft WIF report and authorizing the Executive Director to finalize the report by making any appropriate changes and corrections and to submit the WIF report to the appropriate legislative committees by February 1, 2016.

Chair Katie Clark Sieben entertained a motion to approve Resolution 15-09. Motion made by Randy Ellingboe, seconded by Rebecca Flood.

## **VIII. INFORMATIONAL ITEMS**

Jeff noted that in the fall he participated with MPCA Commissioner Stine and MDH Commissioner Ehlinger in a series of listening sessions with cities throughout the state to better understand the challenges they face to maintain and improve their wastewater and drinking water infrastructure systems. They heard from many cities about the serious problems they have trying to pay for the necessary upgrades and rehabilitation of their aging systems while keeping costs affordable for their residents. While low interest loans can be part of the solution, local capacity for additional debt is limited and the need for additional grant funding is critical.

Staff from the Governor's office also participated in these sessions and discussions are underway about possible initiatives for the 2016 legislative session, including bonding proposals that would build on the PFA's preliminary requests.

Jeff also mentioned the Authority's annual report which is required by statute to be submitted to the Governor and Legislature by January 15 on its operations during the prior fiscal year, including its audited financial report. At that time the Authority also submits its annual fee report to the Legislature. These are factual reports that do not contain any specific recommendations and do not require board approval. As in the past, draft FY 2015 reports will be provided to members in early January prior to formally submitting them to the Governor and Legislature.

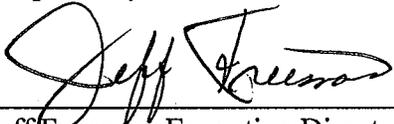
Jeff expects the next PFA Board meeting to be in June 2016 when the agenda will include approval of the FY 2017 administrative budget and interagency agreements.

## **IX. ADJOURN**

Chair Katie Clark Sieben entertained a motion to adjourn the meeting of the Public Facilities Authority. Motion made by Tracy Hatch, seconded by Jim Boerboom. Board members unanimously approved the adjournment for this meeting.

The meeting adjourned at approximately 9:35 am

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Jeff Freeman", written over a horizontal line.

Jeff Freeman, Executive Director  
Minnesota Public Facilities Authority