

MN PUBLIC FACILITIES AUTHORITY
BOARD MEETING - Minutes
PFA Board Room
June 20, 2016

MEMBERS and DELEGATES PRESENT:

Shawntera Hardy, Chair, Dept. of Employment and Economic Development
Jennifer Hassemer, 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
Christie Eller, Attorney General's Office
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
Anita Gallentine, PFA Staff
Jennie Brown, PFA Staff

I. CALL TO ORDER:

Chair Shawntera Hardy called the meeting of the Public Facilities Authority to order on June 20, 2016 at 1:39 pm in the PFA Board Room, 1st National Bank Building, Saint Paul, Minnesota.

Roll call taken, voting yes: Shawntera Hardy, DEED; Jennifer Hassemer, MMB; Randy Ellingboe, MDH; Jim Boerboom, MDA; Rebecca Flood, PCA and Tracy Hatch, MDOT.

A quorum was established.

II. APPROVAL OF AGENDA

Chair Shawntera Hardy entertained a motion to approve the agenda. Motion made by Rebecca Flood, seconded by Tracy Hatch.

Approval of the agenda passed unanimously.

III. APPROVAL OF DECEMBER 15, 2015 MINUTES

Chair Shawntera Hardy entertained a motion to approve the minutes from the December 15, 2015 meeting as changed to correct a typo. Motion made by Randy Ellingboe, seconded by Jim Boerboom.

Approval of the December 15, 2015 Meeting minutes passed unanimously.

IV. FY 2017 ADMINISTRATIVE BUDGET AND INTERAGENCY AGREEMENTS

Jeff Freeman explained that prior to the beginning of each fiscal year, the Authority approves its general administrative budget and authorizes the Executive Director to execute interagency agreements with PCA and Health to provide funds for administration of the PFA's programs, and with DEED for administration and technical support services provided to the Authority.

The PCA budget request is based on 12 FTE's which is decreased by .25 FTE's from FY16, due to removal of a small item for review of small community design and start up operational issues that has now been completed. The MDH budget request is based on a total 4.35 FTE's which is also decreased from FY16. For FY17 the PFA will fund MDH's administrative costs from the drinking water fee account rather than using the 4% set-aside. The drinking water fee account balance is sufficient to shift MDH to fee revenues for the next several years. This allows the PFA to use a larger share of the federal capitalization grant to be used for loans to build current and future lending capacity. The PFA's budget is based on 10.5 FTE's, an increase from FY16. The FY17 budget includes two new loan officers and small space expansion to the PFA offices. Jeff noted that negotiations are currently taking place with the Dept. of Admin and building management regarding the expansion.

Jeff briefly explained the breakdown of the Authority's proposed FY 2017 budget included in the board packet. In addition to the general administrative budget, the memo also identifies estimated costs for on-going professional/technical service contracts to fulfill the Authority's responsibilities for managing its revolving funds and assets. This includes continuing an interagency agreement with Minnesota Housing Finance Agency (MHFA) for the services of Paula Rindels to help the Authority issues related to tax-exempt bond requirements and other matters.

Jeff noted, earlier this year, Governor Dayton announced his water infrastructure initiative, including a significant funding increase for PFA programs. The Governor's proposal recognized the state must do more to help cities meet their water infrastructure needs, and also recognized the needs are great and will require sustained effort and resources over many years. His bonding proposal recommended increased funding in order to fund more projects and with higher levels of assistance. Both PCA and MDH had supplemental request to the legislature. PCA's supplemental budget of \$923,000 was approved and signed by the Governor. At this time the PCA is holding off on creating any new positions from the supplemental budget pending the outcome of the bonding bill.

As future funding and the pace of increased demand becomes clearer, Jeff has asked PCA staff to consider whether the supplemental funding may allow for a decrease in PFA support to PCA in order to partially offset the PFA's need for additional staff. Assuming a bonding bill with increased funding for PFA programs does eventually pass, all three agencies will face challenges to meet the increasing demand from cities. PFA staff will be working with PCA and MDH to identify key measures to track over time to monitor the pace of the expected ramp-up in project demand and staff workload.

Resolution 16-01 approves the Authority's FY 2017 budget and authorizes the Executive Director to prepare and execute Interagency Agreements with the PCA, MDH and DEED, and other contracts, purchase orders, and agreements necessary and appropriate to manage and implement the Funds and programs of the Authority.

Chair Shawntera Hardy entertained a motion to approve Resolution 16-01. Motion made by Jim Boerboom, seconded by Tracy Hatch.

Roll call taken, voting yes: Shawntera Hardy, DEED; Jennifer Hassemer, MMB; Randy Ellingboe, MDH; Jim Boerboom, MDA; Rebecca Flood, PCA and Tracy Hatch, MDOT.

Voting no: None

Absent: none

V. DELEGATION OF SIGNATURE AUTHORITY

Jeff explained that under Minnesota Statutes, Section 446A.03, Subdivision 3a, members of the Authority may delegate to the Chair, Vice-Chair, or Executive Director their responsibilities for reviewing and approving financing to eligible projects that have been certified to the Authority by another department or agency or authorized by law. Past practice of the Authority has been to authorize the Chair or Vice-Chair to approve and sign financing agreements for projects that are recommended for funding by the Executive Director.

Jeff explained that the proposed Resolution 16-02 only applies to the WIF and PSIG grant programs and the Small Community Wastewater Treatment Program. With respect to other programs, Transportation Revolving Loan Fund projects certified by MNDOT are individually presented to the Authority Board for approval, and for the Clean Water and Drinking Water Revolving Funds, a delegation to the Chair for approval of projects certified by the PCA or MDH is included in the Authority resolutions approving the annual Intended Use Plans. The proposed resolution also reiterates that the Executive Director is authorized to sign credit enhancement program agreements.

Chair Shawntera Hardy entertained a motion to approve Resolution 16-02. Motion made by Jennifer Hassemer, seconded by Rebecca Flood.

Roll call taken, voting yes: Shawntera Hardy, DEED; Jennifer Hassemer, MMB; Randy Ellingboe, MDH; Jim Boerboom, MDA; Rebecca Flood, PCA and Tracy Hatch, MDOT.

Voting no: None

Absent: none

VI. 2016 SESSION REVIEW AND 2017 PRELIMINARY REQUESTS

Jeff expressed his disappointment that the legislature could not agree on a bonding bill during regular session. In the fall of 2015 several agencies traveled the state and held listening sessions for cities to testify on current needs and issues. These sessions were well attended and made a strong case for additional state assistance.

A Capital Investment Conference Committee meeting was held earlier in June. At this point it appears the House and Senate committees have a tentative agreement with respect to PFA funding as outlined in the Board memo packet.

Jeff noted as we look forward to the 2017 session we begin to prepare for Clean Water Legacy Fund requests for Point Source Implementation Grant (PSIG) program and the Small Community Wastewater Treatment program.

The Governor's recommendations for the PSIG program along with bonding appropriations to increase both the grant caps and percentage came out of the water infrastructure listening sessions held last fall. In 2013 and 2015 the PFA requested and received \$18 million for the PSIG program. In order to meet future grant needs at the proposed higher levels, we will need to maintain Clean Water Legacy appropriations at \$18 million per biennium.

Jeff recommended reducing the request for the Small Community Wastewater Treatment program to better align the funding with the pace and scope of future projects. Funds are available from past appropriations for two pending construction projects totaling \$2.7 million, leaving \$1.2 million still available for a future unidentified construction project. Jeff recommends reducing the 2017 request to \$250,000, down from \$500,000 in 2015, to maintain adequate funding for future technical assistance grants given that PCA will be adding a number of new unsewered community projects to the priority list.

Board members discussed needs and challenges of small communities and the small community wastewater program.

Tracy Hatch mention adding the asset management plan to the request for the governor's support to help out these small cities and referenced last year's board discussions on this topic. Jeff noted it is a good point and that work is ongoing in this area but staff is not ready to submit a specific funding request. Minnesota Rural Water Association is conducting a pilot project for asset management and developing templates and tools that small cities can use. PFA staff continue to work with Rural Water and other agencies to look for ways to encourage and assist small cities to implement asset management plans and activities.

The attached Resolution 16-03 authorizes the Executive Director to prepare and submit requests of Clean Water Fund requests of \$18,000,000 for the PSIG program and \$250,000 for the Small Community Wastewater Treatment program for consideration in the Governor's budget, and to seek appropriations from the Legislature in the amounts recommended by the Governor.

Chair Shawntera Hardy entertained a motion to approve Resolution 16-03. Motion made by Tracy Hatch, seconded by Jennifer Hassemer.

VII. NEXT MEETING

Jeff mentioned the Authorities next Board meeting will be in mid-August will include reviewing and approving the draft 2017 Intended Use Plans (IUPs) for the Clean Water and Drinking Water Revolving Funds. Jeff also mentioned the outcome of special session negotiations will greatly impact the 2017 IUPs. If a bonding bill with state matching funds for federal capitalization grants is not approved soon, we will prepare the 2017 IUPs based only on the current lending capacity of the two revolving funds, approximately \$100 million for clean water and \$42 for drinking water. This would mean the IUP project lists would be limited to only 2016 carryover projects that are certified by PCA and MDH by June 30, 2016, and possibly a small number of high priority new projects. If a bonding bill with state match funds is approved, we hope to recommend 2017 IUPs with the fundable range cutoff for new projects at or close to current levels.

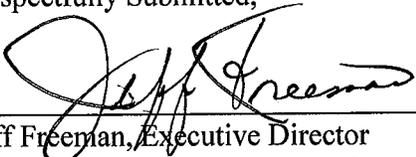
VIII. ADJOURN

Chair Shawntera Hardy entertained a motion to adjourn the meeting of the Public Facilities Authority. Motion made by Rebecca Flood, seconded by Jim Boerboom.

Board members unanimously approved the adjournment for this meeting.

The meeting adjourned at approximately 2:35 pm

Respectfully Submitted,



Jeff Freeman, Executive Director
Minnesota Public Facilities Authority