

Date: June 4, 2025
To: MN Public Facilities Authority (MPFA) Board Members
From: Steve Walter, Executive Director
Subject: **Action Item:** MPFA Board Resolution 2025-02
FY 2026 Administrative Budgets and Interagency Agreements

Recommended Action:

Resolution 2025-02 will approve FY 2026 administrative budgets and authorize the executive director to prepare and execute interagency agreements with three partner agencies (the Minnesota Pollution Control Agency (MPCA), Minnesota Department of Health (MDH), and the Department of Employment and Economic Development (DEED)), and other administrative contracts, agreements, and purchase orders as necessary.

Background:

Prior to each fiscal year, the board approves administrative budgets and authorizes the executive director to execute interagency agreements, contracts, and other agreements to manage and implement the funds and programs of the Authority.

The MPFA's administrative budget includes funds for staff and related operating costs. For efficient use of resources and appropriate segregation of duties, the MPFA contracts with DEED for payroll, HR and some general administrative services.

MPCA and MDH incur expenses associated with their responsibilities for administration of the clean water and drinking water programs. Their budgets include engineers and other technical staff that review project proposals, plans and specifications, and environmental documents, and ensure achievement of regulatory responsibilities.

The number of projects seeking MPFA funding has grown. The 2025 Project Priority Lists (PPLs) included 845 drinking water projects and 630 clean water projects. We expect the 2026 Drinking Water PPL to include many new Lead Service Line Replacement projects. Combined with increasing complexity of funding requirements, the project load presents administrative challenges for MPFA, MPCA, and MDH staff. All three agencies have had significant increases in administrative costs since FY 2023, some of which will diminish after additional funding through the federal Infrastructure Investment and Jobs Act (IIJA) ends in a few years. The three agencies have met and continue planning for the end of IIJA administrative funding.

For many years MPFA avoided use of federal set-aside funds for administration costs, in order to maximize funds available for loans and principal forgiveness grants. We relied on loan and application fees to fund costs for all three agencies. The fees alone cannot support the current increased level of costs. We will use federal funds for MDH costs for FYs 2025-2027, for MPCA for FYs 2026-2027 and for MPFA LSLR costs. We will reevaluate after FY 2027.

The table below shows the budgets and FTEs for FY 2025-approved and FY 2026-proposed:

Agency/ Dept	Program	FY 2025 Approved		FY 2026 Proposed		FY 2026 Source
		Budget	FTE	Budget	FTE	
MPCA	CWSRF	\$ 2,643,730	15	\$ 2,487,077	14	Federal
MDH	DWSRF - Reg	1,274,000	7	1,390,760	8	Federal
	DWSRF - LSL	1,455,120	9	3,422,640	18	Federal
	DWSRF - EC	465,400	3			Federal
	<i>MDH total</i>	<i>3,194,520</i>	<i>18</i>	<i>4,813,400</i>	<i>26</i>	
MPFA	CWSRF	1,340,000	7	926,000	5	Loan Fees
	DWSRF - Reg & EC	1,217,000	6	908,000	5	Loan Fees
	DWSRF - LSL	208,000	2	705,000	4	Federal
	TRLF	62,000	0	144,000	1	Loan Fees
	Cred Enh & CWL	63,000	1	117,000	1	Applic. Fees
	<i>MPFA total</i>	<i>2,890,000</i>	<i>16</i>	<i>2,800,000</i>	<i>16</i>	
<i>Totals:</i>		<i>\$ 8,728,250</i>	<i>49</i>	<i>\$ 10,100,477</i>	<i>56</i>	

The table below shows MPFA's budgets by category:

Category	FY 2025		FY 2026	
Salaries including severance	\$ 2,414,228	84%	\$ 2,186,876	78%
Other	475,772	16%	613,124	22%
<i>MPFA totals</i>	<i>\$ 2,890,000</i>		<i>\$ 2,800,000</i>	

MPCA's FY 2026 budget is 94% of the FY 2025 approved budget.

MDH's FY 2025 budget was 48% higher than 2024, and the FY 2026 proposed budget is 51% higher than 2025.

The MPFA FY 2026 budget is 97% of FY 2025 and doesn't include as much software development start-up costs. The 16 budgeted FTEs are the same but includes 4 vacancies of which we plan to immediately fill 1 accounting and 1-2 loan officer positions and then reevaluate.

In addition to the MPFA's general administrative budget reflected above, we estimate \$150,000 for on-going professional and technical service contracts to fulfill the Authority's responsibilities for managing its revolving funds and assets. These include an independent auditor, bond counsel, and a municipal advisor.