

MN PUBLIC FACILITIES AUTHORITY

BOARD MEETING - Minutes

PFA Board Room

December 13, 2018

MEMBERS and DELEGATES PRESENT:

Shawntera Hardy, Chair, Dept. of Employment and Economic Development

Jennifer Hassemer, Management and Budget

Shannon Lotthammer, Pollution Control Agency (via Conference Call)

Kristi Schroedl, Department of Transportation

Tom Hogan, Department of Health

Andrea Vaubel, Department of Agriculture

Also present:

Jeff Freeman, Executive Director

Paula Rindels, Housing Financing Agency

Christie Eller, Attorney General

Adam Sorenson, Attorney General

Chad Kolstad, Dept. of Health

Bill Priebe, Pollution Control Agency

Bill Dunn, Pollution Control Agency

Evan Owens, Met Council

Kyle Colvin, Met Council

Ned Smith, Met Council

Steve Walter, PFA

Becky Sabie, PFA

Steve Lafontaine, PFA

James Fletcher, PFA

Anita Gallentine, PFA

Mary Jane Schultz, PFA

Melissa Ralph, PFA

Jennie Brown, PFA

I. CALL TO ORDER:

Chair Hardy called the meeting of the Public Facilities Authority to order on December 13, 2018 at 3:02 pm in the PFA Board Room, 1st National Bank Building, Saint Paul, Minnesota.

Roll call taken, present: DEED; MDH; MMB; PCA; MDOT; MDA

Absent: none

A quorum was established.

II. APPROVAL OF AGENDA

Chair Hardy entertained a motion to approve the agenda. Motion made by Jennifer Hassemer, seconded by Andrea Vaubel.

Approval of the agenda passed unanimously.

III. APPROVAL OF AUGUST 28, 2018 MINUTES

Chair Hardy entertained a motion to approve the minutes from the August 28, 2018 meeting. Motion made by Kristi Schroedl, seconded by Jennifer Hassemer.

Approval of the August 28, 2018 Meeting minutes passed unanimously.

IV. 2018 INDEPENDENT AUDIT

Jeff Freeman noted that there were no audit findings in PFA's 2018 Independent Audit and then introduced PFA Chief Financial Officer Steve Walter.

Steve Walter summarized the Management Analysis and Discussion section of the financial report noting that FY 2018 loan and grant awards were lower than average but otherwise activity was similar to recent years. Federal drawdowns were much lower than the previous year, due both to lower project activity but also to the need to spend down PFA's 2016 bond proceeds within the three year IRS limit. Steve discussed the large bond issuance in 2016, based then on expectations of continued large loan demand which then dropped off significantly for FYs 2017-2018, but is already off to a much better start for FY 2019. He also discussed the continued low market interest rates, which lead to very low PFA loan rates. He discussed the leveraging chart showing that MPFA's SRF loans to date far exceed the net federal and state deposits to the loan funds: 3.5:1 to date for Clean Water, and approaching 3:1 for Drinking Water. Revenue Coverage charts for each of the bond funds show sufficiency of revenues over required debt service.

Jeff Freeman commented that the loan portfolio information on pages 52-71 gives good information on how many outstanding loans exist to borrowers throughout the state.

Tom Hogan asked about the leveraging chart – has the Drinking Water SRF matured/leveled off or will it surpass 3:1? Steve said it is likely to grow as the funds continue to revolve.

Corey Topp, partner at RSM, discussed RSM's communication letter with the board and the scope of the audit. He discussed the new GASB requirement to report other post-employment benefits, and that MPFA's liability of \$78,000 was deemed by management to be immaterial. He also discussed the fair-value adjustment of \$14,800 related to transportation bonds that management also deemed to be immaterial. There was full cooperation and no disagreements with management during the audit. Corey also reviewed RSM's opinions on the financial report and compliance report. RSM reviewed compliance and controls and issued no findings.

V. 2018 PFA ANNUAL REPORTS

Jeff Freeman briefly reviewed the Authority's draft 2018 Fee Report to the Legislature. The Authority reports annually to the chairs of the finance and appropriations committees on the amount of fees collected for costs incurred by the Authority, the purposes for which the fees have been spent, and the amount of any remaining balance of fee proceeds. The Authority's fee accounts support program administration expenses of the PFA, the MPCA and MDH.

Jeff then reviewed the draft Annual Report to the Legislature and Governor that is due by January 15 each year. The PFA Annual Report summarizes each of the PFA loan and grant programs and reports on FY 2018 activities. The PFA funded 50 water infrastructure projects in FY 2018 with loan and grant awards totaling \$196 million.

The Annual Report must also include a complete operating and financial statement covering the Authority's operations during the year. When the final report is submitted it will include the PFA's audited financial report.

VI. ESTIMATED FUNDING NEEDS REPORT TO LEGISLATURE

Jeff noted the Legislature expanded PFA reporting requirements last session on estimated grant needs. Previously the PFA was required to report every other year on grant needs under the Water Infrastructure Funding (WIF) program. The 2018 Legislature added a new reporting requirement that requires a report by February 1 each year on the estimated amount needed to fund grants under the WIF program and the Point Source Implementation Grant (PSIG) program. The language also requires the report to include information on average annual residential wastewater rates if a community does and does not receive grant funding, and a comparison with average charges in the metropolitan area.

The new requirements significantly expand the complexity and workload needed to prepare this report. Jeff reviewed draft WIF and PSIG tables that show FY 2019 funds awarded or committed to projects to date and estimated funding needs for remaining projects on the 2019 PPL's. These tables will be the primary focus of the report. Staff is currently collecting new and revised project information regarding pending projects which will likely increase the potential grant needs in the final report. Jeff also explained how the report will address the new requirement for information on residential wastewater rates for WIF grant projects. He reviewed a draft table showing estimated average annual residential costs with and without grants for potential 2019 WIF projects compared to the metropolitan area average.

The Estimated Funding Needs Report contains no funding or policy decisions or recommendations so a Board resolution is not necessary. Staff will continue to collect additional project information for the report over the next several weeks and work on ways to simplify the presentation of the average wastewater residential cost data.

VII. NEXT MEETING

The next PFA Board meeting will be in June 2019. The agenda will include approval of the FY 2020 administrative budget and interagency agreements.

VIII. ADJOURN

Chair Hardy made a motion to adjourn the meeting of the Public Facilities Authority.

The meeting adjourned at approximately 3:55 pm.

Respectfully Submitted,



Jeff Freeman, Executive Director
Minnesota Public Facilities Authority