

**MN PUBLIC FACILITIES AUTHORITY**

BOARD MEETING - Minutes  
Webex Video/Tele-conference  
June 16, 2020

**MEMBERS and DELEGATES PRESENT:**

Kevin McKinnon, Chair, Department of Employment and Economic Development  
Jennifer Hassemer, Management and Budget  
Katrina Kessler, Pollution Control Agency  
Kristi Schroedl, Department of Transportation  
Tom Hogan, Department of Health  
Andrea Vaubel, Department of Agriculture

**Also present:**

Jeff Freeman, Executive Director  
Adam Sorenson, Attorney General  
Chad Kolstad, MDH  
Bill Dunn, PCA  
Corey Mathisen, PCA  
Dan Schueller, Met Council  
Wyatt Kemper, City of St. Martin  
Randy Olmscheid, City of St. Martin  
Steve Walter, PFA  
Becky Sabie, PFA  
Mary Jane Schultz, PFA  
Anita Gallentine, PFA  
Charlotte Paulson, PFA  
Melissa Ralph, PFA  
Jennie Brown, PFA

**I. CALL TO ORDER:**

Chair McKinnon called the meeting of the Public Facilities Authority to order on June 16, 2020 at 10:00 am and stated: "I now call the meeting of the Minnesota Public Facilities Authority to order as Chair. As the Chair of the Minnesota Public Facilities Authority, I determined that an in-person meeting was not practical because of the current health pandemic and ongoing peacetime emergency declared under Chapter 12 of Minnesota Statutes. As is permitted under the Open Meeting Law in these conditions, this meeting of the Minnesota Public Facilities Authority is being conducted over Audio Video Conferencing, and all votes will be counted with roll call. I will ask Jennie Brown to call roll after every agenda item including agenda, minutes, each resolution and adjournment."

Roll call taken; present: DEED; MMB; MDH; PCA; MDA; MDOT  
Absent: none

A quorum was established.

## **II. APPROVAL OF AGENDA**

Chair McKinnon entertained a motion to approve the agenda. Motion made by Tom Hogan, seconded by Katrina Kessler.

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

Voting No: none

Absent: none

Approval of the agenda passed unanimously.

## **III. APPROVAL OF DECEMBER 16, 2019 MINUTES**

Chair McKinnon entertained a motion to approve the minutes from the December 16, 2019 meeting. Motion made by Jennifer Hassemer, seconded by Andrea Vaubel.

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

Voting No: none

Absent: none

Approval of the December 16, 2019 Meeting minutes passed unanimously.

## **IV. TRLF LOAN REQUEST – ST. MARTIN**

Jeff Freeman discussed a new Transportation Revolving Loan Fund request, the first in over 5 years from the City of St. Martin that has been evaluated and certified by MN/DOT. Saint Martin is requesting a loan of \$1,772,316 to cover local costs including underground utilities in a Stearns County-sponsored project on County State Aid Highway 12.

Kristi Schroedl mentioned that MN/DOT has done more solicitations in the past year and their state aid team has made sure local partners are aware of this funding tool. There is a substantial amount of detail about the program on MN/DOT's website. Kristi then quickly walked through MN/DOT process of a request. Chair McKinnon asked about the \$37.8 million balance in the fund and what's the primary funding source of the TRLF program. Kristi responded that a portion is Federal and Trunk Highway funds. Jeff also commented that some of the \$37.8 million in the fund is from State General fund appropriations from years ago, also PFA were able to leverage by selling bonds. Most TRLF loans are still repaying.

Jeff noted the proposed Resolution 2020-01 authorizes approval of the St. Martin loan, subject to satisfactory underwriting review by PFA staff.

Chair McKinnon entertained a motion to approve Resolution 2020-01. Motion made by Andrea Vaubel, seconded by Katrina Kessler.

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

Voting No: none

Absent: none

## V. FY2021 ADMINISTRATIVE BUDGET REQUEST 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 CWRP and DWRP programs, and with DEED and Minnesota Housing Finance Agency (MHFA) for administration and technical support services provided to the Authority.

Jeff noted that interagency agreements with the PCA and MDH fund expenses associated with their responsibilities for administration of the clean water and drinking water programs. The PCA and MDH budgets include the engineers and other technical staff that review the project proposals, plans and specifications, and environmental documents for all wastewater and stormwater projects (PCA) and drinking water projects (MDH) seeking PFA funding. PCA and MDH staff also have regulatory responsibilities that go beyond specific program funding requirements.

Jeff explained that all PFA expenses and interagency agreements are covered by fee account revenues. The PCA FY21 budget of \$1,862,507 is based on 12.5 FTE's plus travel costs and indirect, a 0.5 FTE increase which will provide for transition to a new Program Coordinator to replace Bill Dunn who has announced his plans to retire in spring 2021. The MDH FY21 budget of \$672,320 is based on 4.65 FTE's plus travel costs and indirect, a small increase from 4.24 FTE's in FY20, based on increased project activity.

The PFA FY21 budget of \$1,775,000 is based on 11.5 FTE's, up from 10.75 FTE's in the FY20 budget. The budget includes hiring of a new loan officer midway through the year to provide some overlap and transition for an anticipated retirement. The attached memo from Chief Financial Officer Steve Walter provides more PFA budget detail.

Jeff briefly reviewed the breakdown of the Authority's proposed 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 MHFA for services of Paula Rindels to help the Authority issues related to tax-exempt bond requirements and other matters, and costs for the independent auditor, bond counsel, and financial advisor.

Jeff explained that the proposed Resolution 2020-02 approves the PFA's FY 2021 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 McKinnon entertained a motion to approve Resolution 2020-02. Motion made by Tom Hogan, seconded by Jennifer Hassemer.

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

Voting No: none

Absent: none

## **VI. 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 2020-03 authorizes the Chair or, in his absence, the Vice-Chair to approve and sign financing agreements for the WIF, PSIG, and Small Community programs, and for the Executive Director to sign Credit Enhancement Program agreements.

Chair McKinnon entertained a motion to approve Resolution 2020-03. Motion made by Katrina Kessler, seconded by Kristi Schroedl.

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

Voting No: none

Absent: none

## **VII. 2020 LEGISLATIVE UPDATE AND 2021 PRELIMINARY REQUEST**

Jeff explained that a bonding bill was not approved in the regular legislative session but is expected to be a major item for the June special session. He reviewed the Governor's recommendations for full funding of the PFA requests which were sized based on expected program needs for a two year period (FY21-22). The House bill includes the full amounts recommended by the Governor. PFA programs under the Senate bill would receive less than the Governor's recommendations, but the total would still be the most ever appropriated to PFA in a single bill. The Senate amounts would be sufficient to fully fund FY21 program needs, but it is unknown at this point to what extent they would meet FY22 needs.

Jeff explained that the large number of earmarks in both the House and Senate bills is a serious concern. The House bill contains 28 earmarks totaling over \$122 million, while the Senate bill contains 12 earmarks for over \$68 million. He noted that he has testified in committee and explained to legislators individually that earmarks are a problem in a number of ways. While every city likes to receive grants for its capital projects, the scope and scale of Minnesota's water infrastructure needs make it impossible for the state to provide a grant for every project. Municipal water utilities are intended under state statutes to operate as enterprise funds, with user charges and other system revenues used to pay the cost of operation, maintenance and capital improvements. Cities often issue municipal bonds backed by system revenues or assessments to pay for water projects. Low interest loans through the PFA's revolving loan funds are available to cities of all sizes to keep borrowing costs low and make projects more affordable for residents and businesses.

Jeff noted that not all cities can afford to take loans for the full cost of needed projects, especially smaller cities that have fewer users to share the costs. He explained the PFA's funding framework targets grants based on objective criteria and projects are ranked by PCA and MDH according to

public health and water quality factors. This ensures that grants are targeted to the highest priority projects and the cities that need them the most, making the process more consistent and predictable so cities can have confidence in planning their capital improvements. Earmark appropriations without a clear and objective process helps a few projects proceed but also causes many others to defer, thereby slowing down the project pipeline and ultimately making it harder for the state to meet its long term water infrastructure needs. Jeff noted that the Office of the Legislative Auditor recognized this concern in their 2019 Evaluation of PFA Wastewater Infrastructure Programs and recommended the Legislature exercise restraint when making direct appropriations for wastewater projects.

Jeff explained the other source of state funding for PFA programs is the constitutionally dedicated Clean Water Fund (CWF). In 2019 the Legislature appropriated \$18,250,000 for PFA programs, with \$18 million to the Point Source Implementation Grant (PSIG) program and \$250,000 for the Small Community Wastewater Treatment Program. In May 2020, MMB received new budget projections that included a significant reduction in expected sales tax revenues due to the COVID 19 pandemic. MMB requested Clean Water Agencies to recommend overall reductions in FY20-21 CWF appropriations of approximately 7%. The PFA recommended a proportionate reduction to each of the two programs totaling \$1.241 million.

Katrina Kessler asked if the PFA ends up receiving more bonding money than in past years, would the amount requested from the clean water fund potentially change. Jeff responded that the PFA sized its bonding request with the clean water appropriations in mind, the two sources together are needed for the expected needs. The specific nature of the PSIG and Small Community programs is directed at cities that must make upgrades to their treatments plants. It's important that funds continue to have a place in the clean water fund to supplement those funds with appropriations.

Jeff explained that the proposed Resolution 2020-04 authorizes the Executive Director to prepare and submit the Clean Water Fund requests for the 2021 legislative session, to make adjustments as necessary, and to seek appropriations from the Legislature in the amounts recommended by the Governor.

Chair McKinnon entertained a motion to approve Resolution 2020-04. Motion made by Tom Hogan, seconded by Katrina Kessler.

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

Voting No: none

Absent: none

## **VIII. NEXT MEETING**

The next PFA Board meeting is expected to be in mid-August, where the agenda will include review and approval of the draft 2021 Intended Use Plans (IUPs) for the Clean Water and Drinking Water Revolving Funds. If necessary, the agenda could also include steps to address any potential payment difficulties due to revenue shortfalls resulting from the COVID 19 pandemic.

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

Absent: None

**IX. ADJOURN**

Chair McKinnon entertained a motion to adjourn. Motion made by Andrea Vaubel, seconded by Katrina Kessler.

Roll call taken: DEED; MMB; MDH; PCA; MDA; MDOT  
Absent: None

The meeting adjourned at approximately 10:53 am.

Respectfully Submitted,

A handwritten signature in black ink that reads "Jeff Freeman". The signature is written in a cursive, flowing style.

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Jeff Freeman, Executive Director  
Minnesota Public Facilities Authority