I. CALL TO ORDER:

Chair McKinnon called the meeting of the Public Facilities Authority to order on June 4, 2019 at 2:00 pm in the PFA Board Room, 1st National Bank Building, Saint Paul, Minnesota.

Roll call taken, present: Kevin McKinnon, DEED; Jennifer Hassemer, MMB; Tom Hogan, MDH; Katrina Kessler, MPCA, via phone; Kristi Schroedl, DOT
Absent: MDA

A quorum was established.

II. APPROVAL OF AGENDA

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

Approval of the agenda passed unanimously.
III. APPROVAL OF DECEMBER 13, 2018 MINUTES

Chair McKinnon entertained a motion to approve the minutes from the December 13, 2018 meeting. Motion made by Tom Hogan, seconded by Kristi Schroedl.

Approval of the December 13, 2018 Meeting minutes passed unanimously.

IV. FY 2020 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 CWRF and DWRF programs, and with DEED and Minnesota Housing Finance Agency (MHFA) for administration and technical support services provided to the Authority.

Jeff noted that staff continue to see an increase in the number of new project proposals which means greater staff workloads for PFA, PCA, and MDH. This year clean water loan and grant awards totaled $181 million, an increase of 83% with 47 individual awards compared to 32 last year. Drinking water loan and grant awards totaled $99 million, an increase of 36% with 48 individual awards compared to 34 last year. The project numbers reflect growing demand driven in part by additional grant funding through the Water Infrastructure Fund (WIF) and Point Source Implementation Grant (PSIG) programs. Most grant recipients also receive Clean Water or Drinking Water Revolving Fund loans as part of a funding package.

Jeff explained the FY20 PCA budget is based on the same number of FTE’s (12) as FY19 and is $1,738,080. Additional PCA expenses are also paid from a supplemental budget appropriation that was extended for FY20 by the Legislature. The MDH budget of $624,200 is based on 4.25 FTE’s, including funding for an additional engineer position to assist with DWRF project review and technical assistance to help ensure compliance with program requirements.

The PFA budget of $1,679,000 is based on 11.5 FTE’s, up from 10.75 FTEs in FY19. The budget assumes adding a new account clerk position for processing of fiscal transactions and additional staff support. The budget also provides for some training-period overlap for a recently hired Loan Officer as we prepare for a pending retirement and an increasing number of project applications.

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 noted that all FY 2020 budgets and expenses will again be funded from PFA fee revenues.

Chair McKinnon entertained a motion to approve Resolution 2019-01. Motion made by Jennifer Hassemer, seconded by Tom Hogan.

Roll call taken, voting yes: Kevin McKinnon, DEED; Jennifer Hassemer, MMB; Tom Hogan, MDH; Katrina Kessler, MPCA; Kristi Schroedl, DOT.

Voting no: None
Absent: MDA
Jeff began by mentioning that in early March a small bonding bill was passed to restore $59 million in funding for PFA and amounts for other agencies that were originally approved last year through the sale of bonds backed by the Environment and Natural Resources Trust Fund.

The 2019 Legislature approved appropriations from the Clean Water (Legacy) Fund bill that included $18 million for the PSIG program and $250,000 for the Small Community Wastewater Treatment Program for fiscal years 2020-2021. Governor Walz had also recommended $67 million for PFA loan and grant programs as part of a new bonding bill, however the Legislature adjourned without approving a bonding bill.

Jeff explained that the continual start/stop funding pattern of the past few years creates uncertainty that ripples through cities with projects on the priority lists in all stages of planning and design. For cities to be willing to make the necessary up front investments in pre-construction work, they need to have confidence that funding will be available when their projects are ready for construction.

With low interest loans and targeted grants, PFA programs provide a predictable funding framework for cities to replace aging infrastructure and implement treatment facility upgrades to help protect and restore Minnesota’s water resources. Approval of a 2020 bonding bill with significant water infrastructure funding for PFA loan and grant programs will be critical to keep pace with the state’s long-term water infrastructure needs.

MMB has released the 2020 capital budget instructions and preliminary requests are due in the Capital Budget System by June 14, 2019. Jeff explained that he is recommending a PFA bonding request of $200 million to address current project needs and provide adequate funding for expected 2020-2021 construction projects. In priority order the requests are: (1) $25 million for state match to federal capitalization grants for the clean water and drinking water revolving loan funds; (2) $100 million for WIF program grants; and (3) $75 million for the PSIG program.

Tom Hogan asked if the request will be sufficient to catch up on existing needs and cover future needs. Jeff stated that the requested funds are based on all expected needs for the next two years, although like other bond funds, would be available for 4-5 years. Kevin McKinnon noted and Jeff confirmed that the 2020 requested amounts are based on the assumption that there will not be another bonding bill until 2022.

Jennifer Hassemer asked if the increased needs will be reflected in the new 2020 IUPs. Jeff responded that, in addition to the annual IUPs, the longer term needs surveys and project priority lists continue to show very large infrastructure needs but many cities delay projects until necessary grants funds are available. Kristi Schroedl asked if the PFA will be bringing the needs list to the 2020 Legislature. Jeff explained that he presented the priority lists and needs information to various legislative committees last session and will update the lists and information in preparation for the upcoming session.

Chair McKinnon entertained a motion to approve Resolution 2019-02. Motion made by Tom Hogan, seconded by Kristi Schroedl.

Roll call taken, voting yes: Kevin McKinnon, DEED; Jennifer Hassemer, MMB; Tom Hogan, MDH; Katrina Kessler, MPCA; Kristi Schroedl, DOT.

Voting no: None
Absent: MDA
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 2019-03 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, a state-funded limited guarantee program.

Chair McKinnon entertained a motion to approve Resolution 2019-03. Motion made by Jennifer Hassemer, seconded by Tom Hogan.

Roll call taken, voting yes: Kevin McKinnon, DEED; Jennifer Hassemer, MMB; Tom Hogan, MDH; Katrina Kessler, MPCA; Kristi Schroedl, DOT.

Voting no: None
Absent: MDA

VII. NEXT MEETING

The next PFA Board meeting will be in mid-August when the agenda will include reviewing and approving the draft 2020 Intended Use Plans (IUPs) for the Clean Water and Drinking Water Revolving Funds.

VIII. ADJOURN

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

The meeting adjourned at approximately 2:23 pm.

Respectfully Submitted,

[Signature]

[Name]
Executive Director
Minnesota Public Facilities Authority