

MN PUBLIC FACILITIES AUTHORITY

BOARD MEETING - Minutes

PFA Board Room

August 26, 2016

MEMBERS and DELEGATES PRESENT:

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

Jennifer Hassemer, Management and Budget

Paul Allwood, Department of Health

Rebecca Flood, Pollution Control Agency

Sue Stein, Department of Transportation

Also present:

Jeff Freeman, Executive Director

Christie Eller, Attorney General's Office

Bill Dunn, Pollution Control Agency

Chad Kolstad, Dept. of Health

Steve Walter, PFA Staff

Steve LaFontaine, PFA Staff

Anita Gallentine, PFA Staff

Melissa Ralph, PFA Staff

Jennie Brown, PFA Staff

I. CALL TO ORDER:

Chair Shawntera Hardy called the meeting of the Public Facilities Authority to order on August 26, 2016 at 1:01 pm in the PFA Board Room, 1st National Bank Building, Saint Paul, Minnesota.

Roll call taken, present: Shawntera Hardy, DEED; Jennifer Hassemer, MMB; Paul Allwood, MDH; Rebecca Flood, PCA and Sue Stein, MDOT.

Absent: MDA

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 Jennifer Hassemer.

Approval of the agenda passed unanimously.

III. APPROVAL OF JUNE 20, 2015 MINUTES

Chair Shawntera Hardy entertained a motion to approve the minutes from the June 20, 2016 meeting. Motion made by Rebecca Flood, seconded by Jennifer Hassemer.

Approval of the June 20, 2016 Meeting minutes passed unanimously.

IV. 2017 INTENDED USE PLAN – DRINKING WATER REVOLVING FUND

Jeff Freeman discussed the background of the Drinking Water Revolving Fund and process to develop the annual Intended Use Plan (IUP). The Legislature failed to pass a bonding bill which complicated things this year. Without an appropriation for state matching funds, the 2017 IUP must be based on the assumption that the DWRF will not receive any additional state or federal support. Therefore staff recommends that the fundable range only include carryover projects from the 2016 IUP. These projects have already been approved and certified by the MDH. Jeff also explained that if a bonding bill is approved before the 2018 IUP is prepared, the 2017 IUP could be amended which would require Board approval.

The IUP project list is divided into two parts. Part A lists 36 carryover projects from the 2016 IUP totaling \$84 million. Part B lists 105 new project requests totaling \$199 million. The total of 141 projects for \$283 million compares to 104 for \$182 last year. The increase is primarily due to the hope for a bonding bill with additional grant funds which delayed many existing projects and also led to an increase in new project requests.

Jeff reviewed the DWRF capacity model and IUP Table 2 showing the Sources and Uses of Funds. Assuming no additional federal grants or state match, the annual sustainable base capacity is \$39 million per year. Funding all \$84 million in carryover projects this year would reduce future capacity to \$37 million but would be possible from existing funds without selling additional bonds. However, funding all carryover projects plus new project requests down to last year's fundable range cutoff of 7 points on the MDH PPL (\$256 million) would require selling additional bonds and would significantly reduce future capacity to \$33 million per year.

Jeff briefly mentioned the draft IUP also presents the percentage of 2017 capitalization grant funds requested by MDH for eligible set-aside activities. As in past years MDH is requesting a total of 22% be reserved for technical assistance to small systems, public water supply supervision (PWSS), and wellhead protection. MDH also requests that an additional \$2 million in previously banked PWSS set-aside funds be used for community field staff activities, which would also be taken from the 2017 capitalization grant, further reducing funds available for loans.

Resolution 16-04 approves the fundable range for carryover projects only, approves the MDH requested set-aside percentages and use of banked funds, authorizes the Executive Director to solicit public comments on the draft IUP and to approve the 2017 IUP after correcting any errors based on comments received; authorizes the Executive Director to apply for and execute the FY 2017 grant agreement with EPA; authorizes the Chair to approve loan agreements for eligible projects; and sets the base interest rate discount for loans under the 2017 IUP at the same level as last year (1.5% base discount, reduced by 1.25 basis points for each \$1 million over \$20 million).

Jennifer Hassemer asked Jeff to explain the application process given there is no bonding bill and wondered if the Authority would be able to receive funding at a later date when a bonding bill is passes. Jeff explained that Authority would continue with the EPA Cap Grant application process, but we would not be able to receive the federal funds until a bonding bill with state match is approved.

Rebecca Flood questioned if a bonding bill were to pass, would the board meet again reevaluate a funding limit.

Jeff responded by stating that when a bonding bill is approved, the timing of a board meeting will depend on the ability and readiness of new projects to proceed. If new projects are ready to go

before the next IUP cycle, a meeting will be called.

Chair Shawntera Hardy entertained a motion to approve Resolution 16-04. Motion made by Jennifer Hassemer, seconded by Sue Stein.

Roll call taken, voting yes: Shawntera Hardy, DEED; Jennifer Hassemer, MMB; Paul Allwood, MDH; Rebecca Flood, PCA and Sue Stein, MDOT.

Voting no: None

Absent: MDA

V. 2017 INTENDED USE PLAN – CLEAN WATER REVOLVING FUND

Jeff reviewed the draft 2017 Clean Water Revolving Fund Intended Use Plan. The Legislature failed to pass a bonding bill which complicated things this year. Without an appropriation for state matching funds, the 2017 IUP must be based on the assumption that the CWRF will not receive any additional state or federal support. Therefore staff recommends that the fundable range only include carryover projects from the 2016 IUP. These projects have already been approved and certified by the PCA. Jeff also explained that if a bonding bill is approved before the 2018 IUP is prepared, the 2017 IUP could be amended which would require Board approval.

The IUP project list is divided into two parts: Part A includes 71 carryover projects from the 2016 IUP totaling \$102 million. Part B which lists 53 new project requests totaling \$223 million. Jeff pointed out an error in the memo, instead of six there were 11 additional IUP requests for \$73 million that are not eligible at this time because of facility plans have not yet received preliminary approval from PCA. These project will be added to Part B if they receive a facility plan approval during the comment period. Total IUP requests this year are 124 projects for \$325 million compared to 104 projects totaling \$236 last year.

Jeff reviewed the CWRF capacity model and the IUP Table 2 showing the Sources and Uses of Funds. Assuming no additional federal grants or state match, the annual sustainable base capacity is \$94 million per year. Funding all \$102 million in carryover projects this year would reduce future capacity to \$93 million but would be possible from existing funds without selling additional bonds. However, funding all carryover projects plus all new project requests down to last year's fundable range cutoff of 38 points on the PCA's PPL (\$334 million) would require selling additional bonds and would significantly reduce future capacity to \$83 million per year.

Jeff also noted the Department of Agriculture Best Management Practices program staff and the MPCA Clean Water Partnership program staff have evaluated funding needs for their nonpoint source loan programs and determined again this year that existing funding levels and revolving loan repayments are sufficient to meet expected 2017 loan demand and they are not requesting a new funding allocation in 2017.

Resolution 16-05 approves the fundable range for carryover projects only, authorizes the Executive Director to solicit public comments on the draft IUP and to approve the 2017 IUP after correcting any errors based on comments received; authorizes the Executive Director to apply for and execute the FY 2017 grant agreement with EPA; authorizes the Chair to approve loan agreements for eligible projects certified by the Pollution Control Agency and recommended for funding by the Executive Director; and sets the base interest rate discount for loans under the 2017 IUP at the same level as last year (1.5% base discount, reduced by 1.25 basis points for each \$1 million over \$40 million).

Chair Shawntera Hardy entertained a motion to approve Resolution 16-05. Motion made by Rebecca Flood, seconded by Jennifer Hassemer.

Roll call taken, voting yes: Shawntera Hardy, DEED; Jennifer Hassemer, MMB; Paul Allwood, MDH; Rebecca Flood, PCA and Sue Stein, MDOT.

Voting no: None

Absent: MDA

VI. AMENDMENT TO FY 2017 ADMINISTRATIVE BUDGET

Jeff explained the plans for an office expansion as discussed at the last Board meeting have been finalized. Unfortunately the building owners were unwilling to share in the construction costs. A FY 2017 budget increase of \$40,000 is requested for one-time construction costs and building of three new work stations. Chair Hardy asked about the \$40,000 estimate. Jeff stated that the estimated costs are solid and the amount should be sufficient.

Resolution 16-06 approves the \$40,000 amendment to the Authority's 2017 Budget for one-time construction and related expansion costs.

Chair Shawntera Hardy entertained a motion to approve Resolution 16-06. Motion made by Jennifer Hassemer, seconded by Rebecca Flood.

Roll call taken, voting yes: Shawntera Hardy, DEED; Jennifer Hassemer, MMB; Paul Allwood, MDH; Rebecca Flood, PCA and Sue Stein, MDOT.

Voting no: None

Absent: MDA

VII. NEXT MEETING

Jeff Freeman mentioned the next Board meeting will be held in December; which as of now would only include a review of the Authority's 2016 independent audit. Unless other business comes up before then, such as the need to amend the 2017 IUPs, the audit review may possibly be postponed until the following board meeting.

VIII. ADJOURN

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

Board members unanimously approved the adjournment for this meeting.

The meeting adjourned at approximately 1:36 pm

Respectfully Submitted,



Jeff Freeman, Executive Director
Minnesota Public Facilities Authority