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**Public Facilities Authority**

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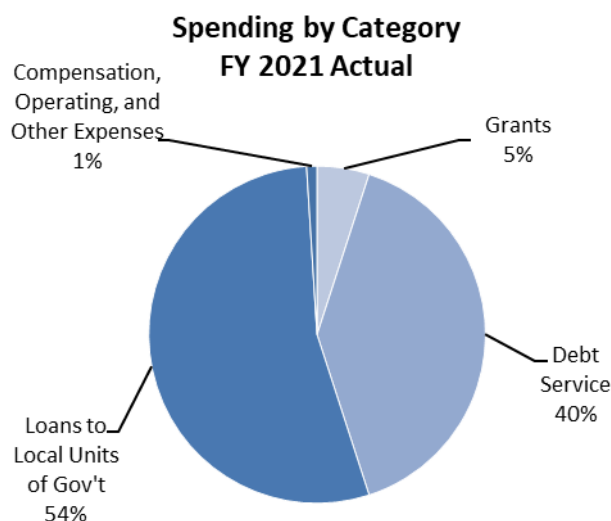
**AT A GLANCE**

- PFA manages revolving loan funds and grant programs to help local governments statewide build wastewater, storm water, drinking water and transportation infrastructure.
- Through June 30, 2022, PFA has made 1,209 loans to local governments totaling \$4.8 billion. These below-market-rate loans have provided an estimated \$962 million in interest savings to local governments and their residents.
- Over the past ten fiscal years PFA has awarded \$533 million in grants to local governments based on affordability criteria and to address specific water quality goals and objectives.
- PFA has allocated \$94.8 million within its clean water revolving fund to nonpoint source loan programs administered by other agencies. The Minnesota Department of Agriculture's Best Management Practices program and the Pollution Control Agency's Clean Water Partnership program have used these funds and revolving loan repayments to provide \$343 million in low and no-interest loans to help landowners reduce nonpoint source pollution.

**PURPOSE**

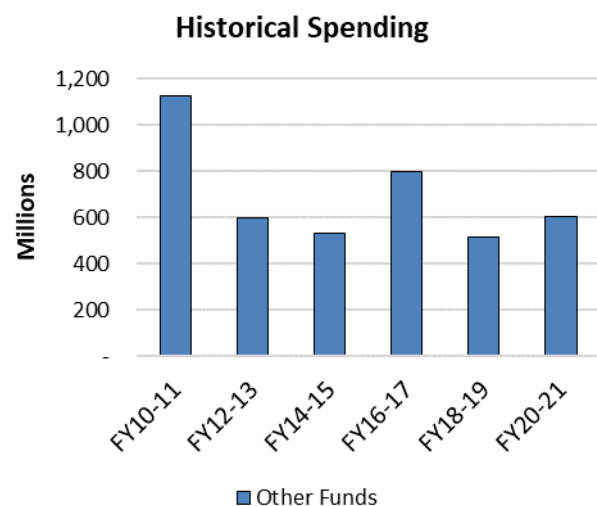
The Minnesota Public Facilities Authority (PFA) is a multi-agency authority that provides financing and technical assistance to local governments for infrastructure projects that support a thriving economy and a clean, healthy environment.

PFA priorities are to 1) manage capital assets (currently \$2.1 billion) to ensure a stable source of infrastructure financing in perpetuity; 2) provide financing programs to support water quality, public health, and other priorities identified by PFA member agencies; and 3) help local governments maintain and improve the condition of their water infrastructure assets while keeping costs affordable for their residents.

**BUDGET**

**Note:** Debt Service on PFA revenue bonds comes solely from PFA bond fund revenues (loan repayments and investment earnings).

Source: SWIFT

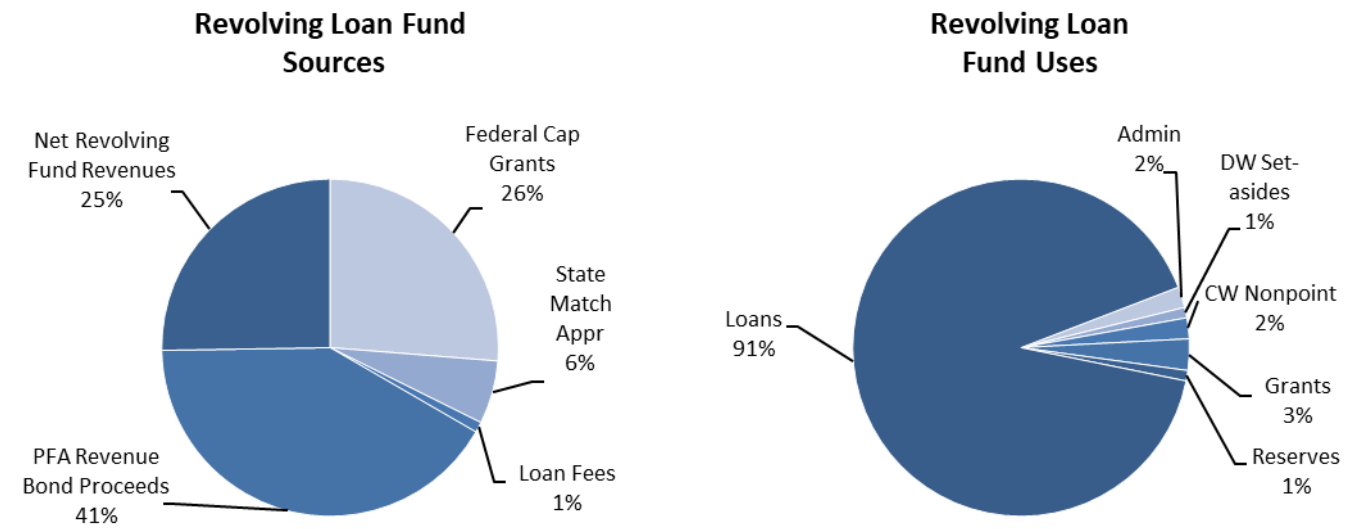


**Note:** FY 2010-2011 expended high due to two factors:  
1) Federal ARRA stimulus funding, and 2) early bond redemptions due to low market rates.

Source: Consolidated Fund Statement

PFA receives no general fund appropriations for its programs or for administrative costs. Revolving loan fund resources include federal grants and state matching appropriations from bond proceeds. These resources are leveraged by selling PFA AAA-rated revenue bonds. Other programs are funded with state appropriations from bond proceeds and from the Clean Water Legacy Fund. Administrative costs are paid from loan servicing and grant application fees.

Sources and Uses to-date for PFA’s Clean Water, Drinking Water, and Transportation revolving loan funds



Notes: Revenues (loan repayments and investment earnings) are net of debt service on bonds.

Source: PFA Internal records

STRATEGIES

The PFA Board is composed of commissioners of the Departments of Employment and Economic Development, Minnesota Management and Budget, Health, Agriculture, Transportation, and the Pollution Control Agency. PFA manages its infrastructure financing programs to maximize economic, environmental, and public health outcomes. PFA partner agencies are responsible for determining project priorities, conducting technical and environmental reviews, and certifying approved projects to the PFA for funding.

PFA staff is responsible for determining that full project financing is in place and that the applicant has established dedicated revenues to pay debt service and operation and maintenance costs. When an application is approved and construction bids are accepted by the applicant, PFA executes a project financing agreement, disburses funds as eligible project costs are incurred, and collects loan repayments. During project planning and design stages, PFA coordinates funding activities with other state and federal partners to leverage resources and minimize duplication, administrative costs, and confusion for the applicants.

RESULTS

The PFA’s revolving loan funds are an efficient tool to provide low-cost financing to help local governments replace and improve water infrastructure systems to meet permit requirements, improve water quality, and protect public health. To date, each \$1 of state match funds has generated \$16 in construction funding and \$4 in interest savings to the communities and their residents. In addition, PFA’s upfront credit review and analysis of loan applications and systematic post loan award surveillance monitoring has helped borrowers achieve a record of no defaults on PFA loans.

Annual project funding is a function of fund availability and demand from local governments. Local government demand for funding varies significantly from year to year, driven by economic factors, the need to replace aging infrastructure, growth and development pressures, and more stringent treatment requirements. The PFA's authority to issue revenue bonds allows it to leverage additional loan funds based on demand. PFA tax-exempt revenue bonds are rated AAA by all three major national rating agencies and are well received in the bond market.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Loan Awards (count / \$ millions)	203 / \$691	202 / \$794	2012-2016; 2017-2021
Quantity	Interest Savings on Loans (\$ millions)	\$118	\$70	2012-2016; 2017-2021
Quantity	Grant Awards (count / \$ millions)	170 / \$184	196 / \$349	2012-2016; 2017-2021

Note 1: Measures compare the five year periods of state fiscal years 2012-2016 to 2017-2021.

Note 2: Sustained historically low market rates in the current 5-year period have resulted in significantly lower interest savings on loans.

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M.S. 446A (<https://www.revisor.mn.gov/statutes/?id=446A>) provides the legal authority for PFA.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Enacted Budget	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
<b><u>Expenditures by Fund</u></b>								
1000 - General							241,294	
2000 - Restrict Misc Special Revenue	170	98	103	949	253	296	253	296
2302 - Clean Water	6,910	10,655	15,683	9,216				
8200 - Clean Water Revolving	156,525	99,828	84,262	65,333	107,635	63,071	107,635	63,071
8201 - Drinking Water Revolving	23,153	19,824	20,249	20,301	139,656	88,913	139,656	88,913
8202 - Transportation Revolving	759	383	57	57	60	61	60	61
<b>Total</b>	<b>187,516</b>	<b>130,788</b>	<b>120,354</b>	<b>95,856</b>	<b>247,604</b>	<b>152,341</b>	<b>488,898</b>	<b>152,341</b>
Biennial Change				(102,095)		183,735		425,029
Biennial % Change				(32)		85		197
Enacted Budget Change from Base								241,294
Enacted Budget % Change from Base								60

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Enacted Budget	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation							241,294	
Expenditures							241,294	
Biennial Change in Expenditures				0		0		241,294
Biennial % Change in Expenditures								
Enacted Budget Change from Base								241,294
Enacted Budget % Change from Base								
2000 - Restrict Misc Special Revenue								
Balance Forward In	1,000	1,303	1,544	1,741	1,141	1,238	1,141	1,238
Receipts	143	130	56	110	87	87	87	87
Net Loan Activity	330	210	244	239	263	302	263	302
Balance Forward Out	1,302	1,544	1,741	1,141	1,238	1,331	1,238	1,331
Expenditures	170	98	103	949	253	296	253	296
Biennial Change in Expenditures				784		(503)		(503)
Biennial % Change in Expenditures				292		(48)		(48)
Enacted Budget Change from Base								0
Enacted Budget % Change from Base								0
2302 - Clean Water								
Balance Forward In	8,146	11,361	8,832	1,218				
Direct Appropriation	10,125	8,125	8,068	8,068	0	0	0	0
Transfers In	318		152					
Transfers Out	318		152					
Net Loan Activity				(70)				
Balance Forward Out	11,361	8,832	1,217					
Expenditures	6,910	10,655	15,683	9,216				
Biennial Change in Expenditures				7,334		(24,899)		(24,899)
Biennial % Change in Expenditures				42		(100)		(100)
Enacted Budget Change from Base								0
Enacted Budget % Change from Base								
8200 - Clean Water Revolving								
Balance Forward In	252,041	212,962	170,199	152,233	3,566	3,459	3,566	3,459
Receipts	79,699	39,784	42,887	67,450	135,166	98,072	135,166	98,072

## Public Facilities Authority

## Agency Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Enacted Budget FY24 FY25	
Transfers In	214,129	162,207	149,695	163,963	157,489	145,763	157,489	145,763
Transfers Out	203,985	154,294	144,854	156,865	150,796	145,305	150,796	145,305
Net Loan Activity	27,599	9,368	18,568	(157,882)	(34,331)	(35,744)	(34,331)	(35,744)
Balance Forward Out	212,958	170,199	152,233	3,566	3,459	3,174	3,459	3,174
<b>Expenditures</b>	<b>156,525</b>	<b>99,828</b>	<b>84,262</b>	<b>65,333</b>	<b>107,635</b>	<b>63,071</b>	<b>107,635</b>	<b>63,071</b>
Biennial Change in Expenditures				(106,758)		21,111		21,111
Biennial % Change in Expenditures				(42)		14		14
Enacted Budget Change from Base								0
Enacted Budget % Change from Base								0

**8201 - Drinking Water Revolving**

Balance Forward In	117,042	108,575	99,398	67,258	2,002	1,988	2,002	1,988
Receipts	26,232	21,718	22,495	109,829	189,846	126,724	189,846	126,724
Transfers In	55,809	54,106	54,885	58,931	60,752	54,525	60,752	54,525
Transfers Out	68,151	64,553	65,227	68,812	70,228	57,766	70,228	57,766
Net Loan Activity	794	(623)	(24,043)	(144,903)	(40,728)	(34,682)	(40,728)	(34,682)
Balance Forward Out	108,573	99,398	67,259	2,002	1,988	1,876	1,988	1,876
<b>Expenditures</b>	<b>23,153</b>	<b>19,824</b>	<b>20,249</b>	<b>20,301</b>	<b>139,656</b>	<b>88,913</b>	<b>139,656</b>	<b>88,913</b>
Biennial Change in Expenditures				(2,427)		188,019		188,019
Biennial % Change in Expenditures				(6)		464		464
Enacted Budget Change from Base								0
Enacted Budget % Change from Base								0

**8202 - Transportation Revolving**

Balance Forward In	41,748	46,131	47,391	50,512	88	86	88	86
Receipts	1,360	713	655	896	907	850	907	850
Transfers In	1,030	749						
Transfers Out	1,030	749						
Net Loan Activity	3,715	930	2,524	(51,263)	(849)	(791)	(849)	(791)
Balance Forward Out	46,065	47,391	50,512	88	86	84	86	84
<b>Expenditures</b>	<b>759</b>	<b>383</b>	<b>57</b>	<b>57</b>	<b>60</b>	<b>61</b>	<b>60</b>	<b>61</b>
Biennial Change in Expenditures				(1,028)		7		7
Biennial % Change in Expenditures				(90)		6		6

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Enacted Budget	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Enacted Budget Change from Base								0
Enacted Budget % Change from Base								0



(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
<b>Direct</b>				
<b>Fund: 1000 - General</b>				
Change Items				
Lead Service Line Replacement		240,000		240,000
Crane Lake Watershed District		1,294		1,294
<b>Total Enacted Budget</b>		<b>241,294</b>		<b>241,294</b>
<b>Fund: 2302 - Clean Water</b>				
<b>FY2023 Appropriations</b>	<b>8,068</b>	<b>8,068</b>	<b>8,068</b>	<b>16,136</b>
Base Adjustments				
One-Time Legacy Fund Appropriations		(8,068)	(8,068)	(16,136)
<b>Forecast Base</b>	<b>8,068</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Enacted Budget</b>	<b>8,068</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Dedicated</b>				
<b>Fund: 2000 - Restrict Misc Special Revenue</b>				
Planned Spending	949	253	296	549
Forecast Base	949	253	296	549
<b>Total Enacted Budget</b>	<b>949</b>	<b>253</b>	<b>296</b>	<b>549</b>
<b>Fund: 8200 - Clean Water Revolving</b>				
Planned Spending	65,333	107,635	63,071	170,706
Forecast Base	65,333	107,635	63,071	170,706
<b>Total Enacted Budget</b>	<b>65,333</b>	<b>107,635</b>	<b>63,071</b>	<b>170,706</b>
<b>Fund: 8201 - Drinking Water Revolving</b>				
Planned Spending	20,301	139,656	88,913	228,569
Forecast Base	20,301	139,656	88,913	228,569
<b>Total Enacted Budget</b>	<b>20,301</b>	<b>139,656</b>	<b>88,913</b>	<b>228,569</b>
<b>Fund: 8202 - Transportation Revolving</b>				
Planned Spending	57	60	61	121
Forecast Base	57	60	61	121
<b>Total Enacted Budget</b>	<b>57</b>	<b>60</b>	<b>61</b>	<b>121</b>
<b>Revenue Change Summary</b>				
<b>Dedicated</b>				
<b>Fund: 2000 - Restrict Misc Special Revenue</b>				

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Forecast Revenues	110	87	87	174
Total Enacted Budget	110	87	87	174
<b>Fund: 8200 - Clean Water Revolving</b>				
Forecast Revenues	67,450	135,166	98,072	233,238
Total Enacted Budget	67,450	135,166	98,072	233,238
<b>Fund: 8201 - Drinking Water Revolving</b>				
Forecast Revenues	109,829	189,846	126,724	316,570
Total Enacted Budget	109,829	189,846	126,724	316,570
<b>Fund: 8202 - Transportation Revolving</b>				
Forecast Revenues	896	907	850	1,757
Total Enacted Budget	896	907	850	1,757

*(Dollars in Thousands)*

	FY23	FY24	FY25	Biennium 2024-25	FY26	FY27	Biennium 2026-27
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**Municipal Clean Water Infrastructure**

This provision provides funding for grants for municipalities for eligible project costs for infrastructure construction to meet more stringent water quality requirements.

<b>2302 - Clean Water Fund Cost (Savings)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Expenditures	0	0	0	0	0	0	0

**Lead Service Line Replacement**

This provision allows for the funding of grant programs to replace lead drinking service lines.

<b>1000 - General Fund Cost (Savings)</b>	<b>0</b>	<b>240,000</b>	<b>0</b>	<b>240,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
Expenditures	0	240,000	0	240,000	0	0	0

**Crane Lake Watershed District**

This provision provides funding for a grant to the Crane Lake Water and Sanitary District for debt in order to bring the district's monthly wastewater rates in line with other similarly situated Minnesota facilities.

<b>1000 - General Fund Cost (Savings)</b>	<b>0</b>	<b>1,294</b>	<b>0</b>	<b>1,294</b>	<b>0</b>	<b>0</b>	<b>0</b>
Expenditures	0	1,294	0	1,294	0	0	0