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Public Facilities Authority

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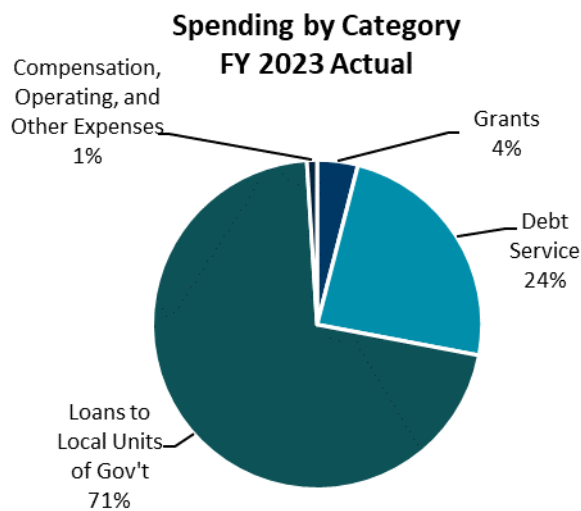
AT A GLANCE

- 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, 2024, PFA has made 1,283 loans to local governments totaling \$5.2 billion. These below-market-rate loans have provided an estimated \$1.0 billion 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 \$383 million in low and no-interest loans to help landowners reduce nonpoint source pollution.

PURPOSE

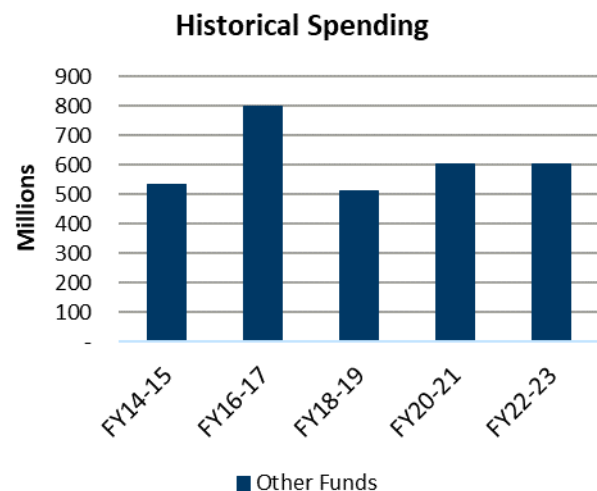
The Minnesota Public Facilities Authority (PFA) is a multi-agency authority that provides financing and technical assistance to local governments for infrastructure projects that support a thriving economy and a clean, healthy environment. These projects support the *One Minnesota Plan* priorities of: Minnesota's Environment, and Healthy Minnesotans.

PFA priorities are to 1) manage revolving fund 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

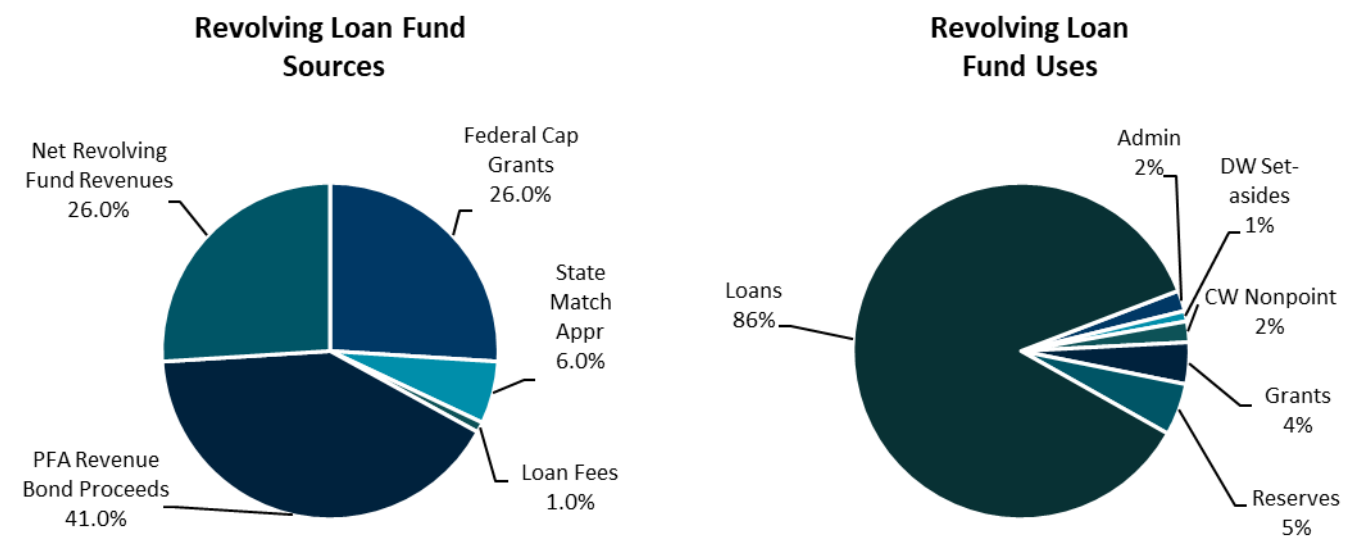


Note: FY 2016-2017 expended high due to early bond redemptions due to low market rates.

Source: Consolidated Fund Statement

PFA receives no general fund appropriations for administrative costs. PFA received a \$240 million one-time general fund appropriation from the 2023 legislature for the newly created program under 446A.077 for lead service line replacement. 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 (CW), Drinking Water (DW), 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 \$15 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>Measure Data Source</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Loan Awards (count / \$ millions)	Agency grant and loan contracts data	189/ \$654	214/ \$1,030	2014-18; 2019-23
Quantity	Interest Savings on Loans (\$ millions)	Agency grant and loan contracts data	\$97	\$70	2014-18; 2019-23
Quantity	Grant Awards (count / \$ millions)	Agency grant and loan contracts data	169/ \$248	193/ \$400	2014-18; 2019-23

Note 1: Measures compare the five-year periods of state fiscal years 2014-2018 and 2019-2023.

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

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	
	FY22	FY23	FY24	FY25	FY26	FY27
<u>Expenditures by Fund</u>						
1000 - General			1,203			
2000 - Restrict Misc Special Revenue	103	42	46	2,751	559	672
2302 - Clean Water	15,683	5,646	12,597	16,164		
8200 - Clean Water Revolving	84,262	66,184	133,756	96,101	76,139	77,932
8201 - Drinking Water Revolving	20,249	19,466	62,779	138,657	114,672	114,780
8202 - Transportation Revolving	57	33	32	62	66	64
Total	120,354	91,370	210,413	253,735	191,436	193,448
Biennial Change				252,423		(79,264)
Biennial % Change				119		(17)

Expenditures by Program

Public Facilities Authority	120,354	91,370	210,413	253,735	191,436	193,448
Total	120,354	91,370	210,413	253,735	191,436	193,448

Expenditures by Category

Compensation	1,283	1,453	1,659	2,265	2,389	2,354
Operating Expenses	296	377	1,147	648	954	947
Grants, Aids and Subsidies	20,268	12,733	28,017	154,565	98,610	100,408
Other Financial Transaction	98,508	76,807	179,589	96,257	89,483	89,739
Total	120,354	91,370	210,413	253,735	191,436	193,448

Full-Time Equivalents

10.50	12.83	12.96	12.96	18.01	18.01
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(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base	
	FY22	FY23	FY24	FY25	FY26	FY27
1000 - General						
Balance Forward In				216,000		
Direct Appropriation			241,294			
Transfers Out			24,000	216,000		
Cancellations			91			
Balance Forward Out			216,000			
Expenditures			1,203			
Biennial Change in Expenditures				1,203		(1,203)
Biennial % Change in Expenditures						

2000 - Restrict Misc Special Revenue

Balance Forward In	1,544	1,741	2,059	2,513	73	67
Receipts	56	119	214	186	196	196
Net Loan Activity	244	241	287	125	357	470
Balance Forward Out	1,741	2,059	2,513	73	67	61
Expenditures	103	42	46	2,751	559	672
Biennial Change in Expenditures				2,652		(1,566)
Biennial % Change in Expenditures				1,828		(56)
Full-Time Equivalents	0.75	0.40	0.39	0.39	0.51	0.51

2302 - Clean Water

Balance Forward In	8,832	9,643	12,065	7,819		
Direct Appropriation	8,068	8,068	8,350	8,350	0	0
Transfers In	152	14	84			
Transfers Out	152	14	84			
Net Loan Activity				(5)		
Balance Forward Out	1,217	12,065	7,819			
Expenditures	15,683	5,646	12,597	16,164		
Biennial Change in Expenditures				7,432		(28,761)
Biennial % Change in Expenditures				35		(100)

8200 - Clean Water Revolving

Balance Forward In	170,199	152,233	130,704	303,143	9,721	9,408
Receipts	42,887	48,459	279,659	106,128	107,810	106,651

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base	
					FY26	FY27
Transfers In	149,695	160,988	170,649	172,299	162,272	162,676
Transfers Out	144,854	153,965	164,308	172,458	164,374	164,778
Net Loan Activity	18,568	(10,833)	20,195	(303,290)	(29,882)	(26,935)
Balance Forward Out	152,233	130,699	303,144	9,721	9,408	9,090
Expenditures	84,262	66,184	133,756	96,101	76,139	77,932
Biennial Change in Expenditures				79,411		(75,786)
Biennial % Change in Expenditures				53		(33)
Full-Time Equivalents	4.94	6.52	6.10	6.10	8.12	8.12

8201 - Drinking Water Revolving

Balance Forward In	99,398	67,274	20,778	257,512	5,515	2,599
Receipts	22,495	17,978	303,878	154,748	145,777	149,797
Transfers In	54,885	57,392	63,667	67,348	66,051	60,816
Transfers Out	65,227	67,242	73,238	69,833	66,051	60,816
Net Loan Activity	(24,043)	(35,132)	5,207	(265,603)	(34,021)	(35,016)
Balance Forward Out	67,259	20,804	257,513	5,515	2,599	2,600
Expenditures	20,249	19,466	62,779	138,657	114,672	114,780
Biennial Change in Expenditures				161,721		28,016
Biennial % Change in Expenditures				407		14
Full-Time Equivalents	4.41	5.70	6.28	6.28	9.13	9.13

8202 - Transportation Revolving

Balance Forward In	47,391	50,512	54,783	60,231	136	118
Receipts	655	2,069	3,210	3,351	3,349	3,307
Net Loan Activity	2,524	2,234	2,270	(63,384)	(3,301)	(3,259)
Balance Forward Out	50,512	54,783	60,230	136	118	102
Expenditures	57	33	32	62	66	64
Biennial Change in Expenditures				4		36
Biennial % Change in Expenditures				5		38
Full-Time Equivalents	0.40	0.21	0.19	0.19	0.25	0.25

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Direct				
Fund: 2302 - Clean Water				
FY2025 Appropriations	8,350	8,350	8,350	16,700
Base Adjustments				
One-Time Legacy Fund Appropriations		(8,350)	(8,350)	(16,700)
Forecast Base	8,350			
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	2,751	559	672	1,231
Forecast Base	2,751	559	672	1,231
Fund: 8200 - Clean Water Revolving				
Planned Spending	96,101	76,139	77,932	154,071
Forecast Base	96,101	76,139	77,932	154,071
Fund: 8201 - Drinking Water Revolving				
Planned Spending	138,657	114,672	114,780	229,452
Forecast Base	138,657	114,672	114,780	229,452
Fund: 8202 - Transportation Revolving				
Planned Spending	62	66	64	130
Forecast Base	62	66	64	130
Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	186	196	196	392
Fund: 8200 - Clean Water Revolving				
Forecast Revenues	106,128	107,810	106,651	214,461
Fund: 8201 - Drinking Water Revolving				
Forecast Revenues	154,748	145,777	149,797	295,574
Fund: 8202 - Transportation Revolving				
Forecast Revenues	3,351	3,349	3,307	6,656