

(\$ in thousands)

Project Title	Priority Ranking	Funding Source	Project Requests for State Funds		
			2018	2020	2022
Water Infrastructure Initiative: State Match for Federal Grants to State Revolving Loan Programs	1	GO	\$ 25,000	\$ 25,000	\$ 25,000
Water Infrastructure Initiative: Water Infrastructure Funding Program	2	GO	\$ 80,000	\$ 80,000	\$ 80,000
Water Infrastructure Initiative: Point Source Implementation Grants Program	3	GO	\$ 62,000	\$ 62,000	\$ 62,000
		OT	\$ 18,000	\$ 18,000	\$ 18,000
Total Project Requests			\$ 185,000	\$ 185,000	\$ 185,000
General Obligation Bonds (GO) Total			\$ 167,000	\$ 167,000	\$ 167,000
Other Funding (OT) Total			\$ 18,000	\$ 18,000	\$ 18,000

(\$ in thousands)

Water Infrastructure Initiative: State Match for Federal Grants to State Revolving Loan Programs**AT A GLANCE****2018 Request Amount:** \$25,000**Priority Ranking:** 1

Project Summary: The Public Facilities Authority (PFA) is requesting \$25,000,000 to provide the required 20% state match for estimated federal FY 2019-20 capitalization grants for the Clean Water Revolving Fund (MS 446A.07) and the Drinking Water Revolving Fund (MS 446A.081) and to build lending capacity to meet demand. The state and federal funds will be used with loan repayments and PFA revenue bonds to provide low interest loans to local governments for clean water and drinking water infrastructure projects.

Project Description

The Clean Water Revolving Fund provides financing for municipal wastewater treatment facilities, sewer collection systems and interceptors, and also for infiltration basins, rain gardens, and other components for stormwater treatment. Demand for clean water loans is driven by cities' need to replace aging facilities, provide additional treatment capacity, and meet more stringent treatment requirements including stormwater requirements.

The Drinking Water Revolving Fund provides financing for municipal drinking water systems, including treatment plants, water towers, watermains, wells and pump houses. Demand for drinking water loans is driven by the need to replace aging facilities, provide additional treatment to meet required public health standards, and replace old watermains to minimize water loss and contamination problems.

Each year the PFA receives funding requests for more than 200 wastewater, stormwater, and drinking water infrastructure projects totaling over \$400 million, more than double the sustainable long-term annual lending capacity of the Clean Water and Drinking Water Revolving Funds. Additional federal and state support is needed to build future lending capacity in order to continue to meet high priority water infrastructure needs.

The PFA's Clean Water and Drinking Water Revolving Funds have a proven track record as effective and efficient programs to finance municipal water infrastructure projects. The AAA ratings of the PFA's clean water and drinking water revenue bonds from Standard and Poors, Fitch, and Moody's reflects the financial strength of the Funds, the credit quality of Minnesota communities, and the PFA's experienced staff and sound financial management.

Project Rationale

The PFA's clean water and drinking water revolving loan programs are important infrastructure financing tools to help communities throughout the state reduce borrowing costs, while providing essential infrastructure to serve their residents and businesses and meet public health and environmental requirements. Under federal and state law, PFA loans are made at below-market

interest rates. Through FY 2017, the PFA has made low interest loans from these two revolving funds in excess of \$3.7 billion, resulting in interest savings to local taxpayers of over \$841 million compared to market rate financing.

Through the PFA's revolving loan programs, the impact of the state match funds is leveraged by federal funds, loan repayments, and the PFA's AAA rated revenue bonds. Overall, each dollar of state matching funds to date has generated over \$14 in project construction. The interest savings for local taxpayers from PFA low-interest loans is more than \$3 for every \$1 of state matching funds.

Project Timeline

Other Considerations

Eligible projects are prioritized based on environmental and public health criteria and ranked by the Pollution Control Agency (for wastewater and stormwater projects) and the Health Department (for drinking water projects) on their annual project priority lists, ensuring that limited funds are targeted to the highest priority projects.

Impact on Agency Operating Budgets

Operating costs for the Clean Water and Drinking Water Revolving Funds are paid from fees collected on loan repayments. These fees are 2% of the loan repayments due, not an additional cost to the borrowers. The revolving funds' costs include administrative expenses for these programs incurred by the PFA, the Minnesota Pollution Control Agency (MPCA), and the Minnesota Department of Health (MDH).

Description of Previous Appropriations

Prior appropriations for state match to US EPA capitalization grants:

1987	\$ 3,200,000
1989	\$ 4,700,000
1990	\$15,600,000
1992	\$ 7,500,000
1993	\$ 4,000,000
1994	\$13,400,000
1996	\$ 4,000,000
1997	\$ 4,444,000
1998	\$24,000,000
1999	\$ 2,200,000
2000	\$14,893,000
2002	\$ 6,000,000
2005	\$ 4,380,000
2006	\$38,800,000
2008	\$30,000,000
2010	\$30,000,000
2012	\$ 8,500,000
2013	\$ 8,000,000
2014	\$12,000,000
2017	\$17,000,000

Project Contact Person

Jeff Freeman
Executive Director, Minnesota Public Facilities Authority
651-259-7465
Jeff.Freeman@state.mn.us

Water Infrastructure Initiative: Water Infrastructure Funding Program

AT A GLANCE

2018 Request Amount: \$80,000

Priority Ranking: 2

Project Summary: The Public Facilities Authority (PFA) is requesting \$80,000,000 for the Water Infrastructure Funding (WIF) program (MS 446A.072). WIF funds are awarded as grants to supplement low-interest loans from the PFA’s Clean Water Revolving Fund or Drinking Water Revolving Fund, or to match funding from the U.S. Department of Agriculture (USDA) Rural Development.

Project Description

WIF grants are targeted to the highest priority projects based on environmental and public health criteria as determined by MPCA or MDH through their project priority lists. The WIF program helps communities address their existing water infrastructure needs while keeping costs affordable for their residents.

WIF grants are not awarded until projects are ready to start construction. Each year that WIF funds are available, funds are reserved for projects in priority order after design plans and specifications are submitted and MPCA or MDH certification is received, or after a funding commitment from USDA Rural Development is received.

The unique state/federal partnership with USDA Rural Development helps coordinate assistance for small rural communities, making it easier for them to access funding. Providing WIF grants to match USDA Rural Development funding helps the Minnesota Rural Development office fund more projects and obligate all of its allotted federal funds, making it eligible to go to the national pool for additional funds for Minnesota communities. The Minnesota Rural Development office has been very successful in getting additional federal funds from the national pool because of the leveraging they are able to show with the state WIF funds.

Project Rationale

WIF grants are needed when high priority water projects would otherwise not be affordable for local residents based on criteria established in M.S. 446A.072, Subd. 5a. Municipalities that receive Clean Water Revolving Fund loans are eligible for WIF grants if the average per household system cost exceeds 1.4% of median household income. Municipalities that receive Drinking Water Revolving Fund loans are eligible for WIF grants if the average per household system cost exceeds 1.2% of median household income. For USDA Rural Development projects, the WIF program provides up to 65 percent of the grant need as determined by USDA Rural Development based on their affordability criteria for small rural communities. WIF grants are capped at \$5,000,000 or \$20,000 per connection, whichever is less, unless specifically approved by law. WIF eligible project costs include only those costs necessary to meet existing needs, not to address future growth.

Project Timeline

Other Considerations

The MPCA and MDH will finalize their 2018 project priority lists in July 2017. Those lists will include more than 70 projects that will carry over from the previous lists with unfunded WIF needs over \$60 million, plus approximately 130 new projects many of which will also need WIF grant funds to make their projects affordable. In the fall of 2017 the PFA will survey projects on the 2018 project priority lists to more accurately determine estimated WIF needs and project schedules for the PFA's biennial WIF report to the Legislature in February 2018.

Impact on Agency Operating Budgets

The WIF program is administered in conjunction with the PFA Clean Water Revolving Fund and Drinking Water Revolving Fund programs and follows the same project prioritization and funding processes. Administrative costs for these projects are paid from fees collected on loan repayments.

These fees are 2% of the loan repayments due, not an additional cost to the borrowers. For projects receiving WIF grants to match funding from USDA Rural Development, the state/federal partnership is a cost effective strategy that has USDA field staff undertaking most of the field work involved in monitoring and reviewing the projects through construction.

Description of Previous Appropriations

Prior appropriations for the WIF program:

1987	\$	3,240,951
1989	\$	390,000
1990	\$	380,970
1996	\$	17,500,000
1997	\$	7,000,000
1998	\$	15,300,000
1999	\$	20,500,000
2000	\$	17,300,000
2003	\$	13,500,000
2005	\$	26,903,338
2006	\$	22,996,039
2008	\$	15,028,056
2010	\$	27,000,000
2011	\$	20,000,000
2012	\$	15,000,000
2014	\$	18,333,000
2015	\$	10,000,000
2017	\$	55,000,000

Project Contact Person

Jeff Freeman
Executive Director, Minnesota Public Facilities Authority
651-259-7465
Jeff.Freeman@state.mn.us

Water Infrastructure Initiative: Point Source Implementation Grants Program**AT A GLANCE****2018 Request Amount:** \$80,000**Priority Ranking:** 3**Project Summary:** The Public Facilities Authority (PFA) is requesting \$62 million for the Point Source Implementation Grants (PSIG) program under MS 446A.073 to provide grants to help cities pay for treatment plant upgrades to address water quality restoration and protection goals.**Project Description**

The PSIG program provides grants for infrastructure construction projects needed to meet more stringent permit requirements to address specific water quality goals. The Public Facilities Authority (PFA) administers the program in partnership with the Pollution Control Agency (PCA). Proposed projects must be ranked on the PCA's project priority list (PPL) and the PCA reviews and approves projects prior to grant award. PFA does not award a grant until full project funding is in place, which may include local funds and other PFA funds.

Project Rationale

Through Minnesota's interagency water management framework, specific water bodies are identified where pollutant reductions are needed to meet water quality standards, and watershed restoration and protection strategies are developed to guide point source and nonpoint source implementation activities. The PSIG program provides grants to help municipalities construct wastewater, stormwater, and drinking water treatment projects when the Pollution Control Agency determines that higher levels of treatment are necessary to meet water quality goals. These include projects to meet Total Maximum Daily Load (TMDL) requirements and water quality based effluent limits for phosphorus, chlorides, and other pollutants.

Project Timeline**Other Considerations**

The PFA and PCA track project completions by watershed. Through its monitoring and enforcement activities, the PCA verifies that completed projects meet the required permit limits and conditions, and monitors progress toward overall water quality goals through its watershed monitoring program.

Impact on Agency Operating Budgets

Administrative costs are paid partially from PSIG grant application fees of 1/2 of 1%, collected under MS 446A.04 Subd. 5. The PSIG program is administered in conjunction with the PCA's Clean Water PPL, so a portion of the Clean Water Revolving Fund loan fees can and is used for PSIG administration.

Description of Previous Appropriations

Previous appropriations for the PSIG program, and its predecessor the TMDL grant program, from FY

2012-2017 are shown below:

Clean Water (Legacy) Fund 2302:

FY 2012: \$11,185,000

FY 2013: \$11,185,000 less \$146,085.50 cancelled

FY 2014: \$9,000,000

FY 2015: \$9,000,000

FY 2016: \$9,000,000

FY 2017: \$9,000,000

FY 2018: \$5,182,000

FY 2019: \$10,568,000

G.O. Bond Fund 3605:

FY 2017: \$33,737,000

Project Contact Person

Jeff Freeman

Executive Director

651-259-7465

jeff.freeman@state.mn.us