

(\$ in thousands)

Project Title	Priority Ranking	Funding Source	Project Requests for State Funds		
			2024	2026	2028
Water Infrastructure Initiative: State Match for Federal Grants to State Revolving Fund Loan Programs	1	GO	\$ 39,000	\$ 39,000	\$ 39,000
Water Infrastructure Initiative: Water Infrastructure Funding Program	2	GO	\$ 90,000	\$ 90,000	\$ 90,000
Water Infrastructure Initiative: Point Source Implementation Grants Program	3	GO	\$ 71,000	\$ 71,000	\$ 71,000
Total Project Requests			\$ 200,000	\$ 200,000	\$ 200,000
General Obligation Bonds (GO) Total			\$ 200,000	\$ 200,000	\$ 200,000

(\$ in thousands)

Water Infrastructure Initiative: State Match for Federal Grants to State Revolving Fund Loan Programs

AT A GLANCE

2024 Request Amount: \$39,000

Priority Ranking: 1

Project Summary: The Public Facilities Authority (PFA) requests \$39,000,000 for deposit to the Clean Water Revolving Fund and the Drinking Water Revolving Fund to make loans to local governments for clean water and drinking water infrastructure projects. The funds will provide the required state match for estimated federal FY 2025-26 US EPA capitalization grants.

Project Description

The Clean Water Revolving Fund provides low cost financing for municipal wastewater treatment facilities, sewer collection systems and stormwater treatment facilities. Demand for clean water loans is driven by the need to replace aging facilities and sewer lines, provide additional treatment capacity, and meet more stringent treatment requirements.

The Drinking Water Revolving Fund provides low cost financing for municipal drinking water systems, including treatment plants, water towers, water mains, 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 water mains 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 \$500 million, more than double the sustainable long-term annual lending capacity of the Clean Water and Drinking Water Revolving Funds.

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 for 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. Since

inception the PFA has made \$5.0 billion in low interest loans from these two revolving funds, resulting in savings to local taxpayers of over \$1.2 billion 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 \$15 in project construction. Savings to local taxpayers from PFA low-interest loans is approximately \$4 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 up to 2% collected on loan repayments. These fees are taken from the interest portion of the loan repayments and are not an additional cost to the borrowers. Fee revenues cover the 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 \$16,000,000
2005 \$14,380,000
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
2018 \$14,000,000
2019 \$ 6,000,000
2020 \$ 25,000,000
2023 \$ 41,000,000

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(\$ in thousands)

Water Infrastructure Initiative: Water Infrastructure Funding Program**AT A GLANCE****2024 Request Amount:** \$90,000**Priority Ranking:** 2

Project Summary: The Public Facilities Authority (PFA) requests \$90,000,000 for the Water Infrastructure Funding (WIF) program (MS 446A.072). WIF provides grants to local governments based on affordability criteria, supplementing low-interest loans from the PFA's clean water revolving fund, drinking water revolving fund or match funding from the U.S. Department of Agriculture Rural Development. PFA recommends \$50,000,000 for wastewater projects and \$40,000,000 for drinking water.

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 clean water and drinking water project priority lists. The WIF program supplements other funding to help 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 approved and certified by MPCA or MDH, or after a funding commitment by USDA Rural Development.

Project Rationale

WIF grants are needed to assist financially challenged communities with high priority water infrastructure projects that would otherwise not be affordable for local residents. 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 are only those costs necessary to meet existing needs, not to address future growth.

Based on criteria established in M.S. 446A.072, Subd. 5a, municipalities that receive CWRP 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. 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 USDA office fund more

projects by obligating its allotted federal funds and then accessing the national pool for additional funds for Minnesota communities.

Project Timeline

Other Considerations

For cities 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. The MPCA and MDH project priority lists rank projects for which cities are seeking funding for construction within a five year period. The current priority lists include more than 100 projects with unfunded WIF needs over \$150 million, and additional WIF eligible projects are expected to submit proposals for the 2024 priority lists. In the fall of 2023 the PFA will survey cities with projects on the project priority lists to more accurately determine estimated WIF needs and project schedules for the PFA’s report on estimated funding needs to the Legislature in February 2024.

The federal infrastructure bill requires approximately half of the state revolving fund supplemental monies to be awarded as principal forgiveness grants, providing additional resources to address WIF affordability needs.

Impact on Agency Operating Budgets

The WIF program is administered in conjunction with the PFA’s Clean Water Revolving Fund and Drinking Water Revolving Fund programs and administrative costs are paid from fees collected on CWRP and DWRP loan repayments. For projects receiving WIF grants to match funding from USDA Rural Development, the state/federal partnership is a cost effective strategy that uses USDA field staff to conduct much of the field work involved in reviewing applications and monitoring 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
2018 \$ 25,000,000
2019 \$ 14,652,000
2020 \$ 55,494,000
2023 \$ 87,200,000

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Water Infrastructure Initiative: Point Source Implementation Grants Program**AT A GLANCE****2024 Request Amount:** \$71,000**Priority Ranking:** 3**Project Summary:** The Public Facilities Authority (PFA) requests \$71,000,000 for the Point Source Implementation Grants (PSIG) program under MS 446A.073 to provide grants to cities to help 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 improve water quality by meeting more stringent permit requirements to reduce the discharge of specific pollutants. 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

The PSIG program provides grants for infrastructure construction projects needed to improve water quality by meeting more stringent permit requirements to reduce the discharge of specific pollutants. 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 Timeline**Other Considerations**

The PSIG program provides grants for infrastructure construction projects needed to improve water quality by meeting more stringent permit requirements to reduce the discharge of specific pollutants. 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.

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 are also used for PSIG administration.

Description of Previous Appropriations

Previous appropriations for the PSIG program from FY 2013-2019 are shown below.

2013 \$18,000,000 Clean Water (Legacy) Fund

2015 \$18,000,000 Clean Water (Legacy) Fund

2017 \$15,750,000 Clean Water (Legacy) Fund

2017 \$33,737,000 G.O. Bond Proceeds Fund

2019 \$38,348,000 G.O. Bond Proceeds Fund

2019 \$18,000,000 Clean Water (Legacy) Fund

2020 \$44,553,000 G.O. Bond Proceeds Fund

2021 \$15,936,000 Clean Water (Legacy) Fund (\$7,968,000 each FY 2022-23)

2023 \$16,500,000 G.O. Bond Proceeds Fund (\$8,250,000 each FY 2024-25)

2023 \$80,000,000 Clean Water (Legacy) Fund

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