MEMBERS and DELEGATES PRESENT:
Kevin McKinnon, Chair, Department of Employment and Economic Development
Jennifer Hassemer, Management and Budget
Katrina Kessler, Pollution Control Agency
Kristi Schroedl, Department of Transportation

Also present:
Jeff Freeman, Executive Director
Adam Sorenson, Attorney General
Paula Rindels
Chad Kolstad, MDH
Bill Dunn, PCA
Corey Mathisen, PCA
Steve Walter, PFA
Becky Sabie, PFA
Mary Jane Schultz, PFA
Kathe Barrett, PFA
Peter Bradshaw, PFA
Anita Gallentine, PFA
Melissa Ralph, PFA
Jennie Brown, PFA

I. CALL TO ORDER:

Chair McKinnon called the meeting of the Public Facilities Authority to order on August 20, 2020 at 1:32 pm and stated: “I now call the meeting of the Minnesota Public Facilities Authority to order as Chair. As the Chair of the Minnesota Public Facilities Authority, I determined that an in-person meeting was not practical because of the current health pandemic and ongoing peacetime emergency declared under Chapter 12 of Minnesota Statutes. As is permitted under the Open Meeting Law in these conditions, this meeting of the Minnesota Public Facilities Authority is being conducted over Audio Video Conferencing, and all votes will be counted with roll call. I will ask Jennie Brown to call roll after every agenda item including agenda, minutes, each resolution and adjournment.”

Roll call taken; present: DEED; MMB; PCA; MDOT
Absent: MDH; MDA

A quorum was established.

II. APPROVAL OF AGENDA

Chair McKinnon entertained a motion to approve the agenda. Motion made by Jennifer Hassemer, seconded by Kristi Schroedl.

Roll call taken; voting yes: DEED; MMB; PCA; MDOT
Voting No: none
Absent: MDH; MDA

Approval of the agenda passed unanimously.
III. APPROVAL OF JUNE 16, 2020 MINUTES

Chair McKinnon entertained a motion to approve the minutes from the June 16, 2020 meeting. Motion made by Katrina Kessler, seconded by Kristi Schroedl.

Roll call taken; voting yes: DEED; MMB; PCA; MDOT
Voting No: none
Absent: MDH; MDA

Approval of the June 16, 2020 Meeting minutes passed unanimously.

IV. 2021 INTENDED USE PLAN – CLEAN WATER REVOLVING FUND

Jeff Freeman provided an overview of the draft 2021 Clean Water Revolving Fund Intended Use Plan (IUP) and the approval process. He also expressed disappointment that the Legislature did not pass a bonding bill. Without an appropriation for state matching funds the 2021 IUP must reflect the assumption that the CWRF will not receive additional state or federal funding. Therefore, staff are recommending that the IUP fundable range include only carryover projects. These projects have already been approved and certified by MPCA. All new project requests are listed on the IUP project list but identified as not fundable at this time. If state matching funds are appropriated before the end of the FY 2021, the PFA could amend the CWRF IUP to establish a fundable range for new projects.

Jeff noted PFA rules regarding loan interest rates are set by providing a base interest rate discount from the AAA tax-exempt market rate at the time each loan is made. The base discount is set annually by the PFA board as part of the IUP process. Under the rules, additional discounts are available for borrowers under 2500 population based on affordability criteria. PFA rules establish a minimum interest rate of 1.00%. Staff recommend maintaining the 25 basis point discount for the 2021 IUP.

Regarding nonpoint source loans, Jeff reminded members that last year, the Authority approved a reallocation of funds for the three nonpoint programs. As a result, capitalization was increased by $5.5 million for the Agriculture Best Management Practices (AgBMP) program, and decreased by $5 million for the Clean Water Partnership (CWP) program and $500,000 for the Tourism loan program.

With the demand for point source loans continuing to grow and an uncertain future with respect to new state and federal funding, it is not possible for the Authority to provide additional nonpoint source allocations in FY 2021. PFA staff will continue to work with member agencies to monitor the nonpoint source programs, and will facilitate discussions about program demand, priorities, and available funding to ensure the programs continue to effectively address nonpoint source water quality needs.

Steve Walter reviewed the CWRF capacity model. Assuming no additional federal grants or state match, the approximate annual lending capacity is $108 million. The potential maximum lending of $161 million for carryover projects this year would reduce the sustainable capacity slightly to $107 million. While the carryover total is more than the sustainable capacity, the PFA will be able to fund these projects with current resources and potential future revenue bond proceeds. Any future revenue bond issuance would first require PFA board authorization.
Becky Sabie summarized the process of preparing the IUP and reviewed the draft 2021 IUP document. Table 1, the IUP project list, is divided into two parts. Part A includes 45 carryover projects totaling $161 million in estimated CWRF loans, a number of these projects are also eligible for federal principal forgiveness (grants) and state WIF and PSIG grants. Part B new projects, which are not fundable at this time, total 47 projects for $347 million. All Part B projects are ranked in the historical fundable range with 40 or more points. At the bottom of Table 1, 23 other project requests are listed that are not eligible for the IUP at this time, including 13 projects that haven’t yet received MPCA approval of their facilities plans. Other projects listed are small rural communities being referred to USDA Rural Development for possible funding.

Jeff reviewed Resolution 2020-05 which approves the fundable range for the 2021 IUP of carryover projects only; authorizes the Executive Director to solicit public comments; apply for the FY 2021 federal capitalization grant and to execute a FY 2021 grant agreement with EPA; authorizes the Chair to approve loan agreements for eligible projects; set the base interest rate discount for loans under the 2021 IUP at 0.25% below the AAA bond rate for loan amounts up to $50 million, larger loans will receive a blended loan rate with no discount on amounts over $50 million.

Chair McKinnon entertained a motion to approve Resolution 2020-05. Motion made by Katrina Kessler, seconded by Jennifer Hassemer.

Roll call taken; voting yes: DEED; MMB; PCA; MDOT
Voting No: none
Absent: MDH; MDA

Approval of Resolution 2020-05 passed unanimously.

V. 2021 INTENDED USE PLAN – DRINKING WATER REVOLVING FUND

Jeff gave a quick overview of the 2021 Drinking Water Revolving Fund Intended Use Plan that is scaled back with no bonding bill. Table 1, the IUP project list is divided into two parts. Part A includes 25 carryover projects totaling $116 million in DWRF loans. Part B new projects, which are not fundable at this time, includes 57 new project loan requests totaling $203 million. All Part B projects are ranked in the historical fundable range with 7 or more points. The bottom of Table 1 identifies potential new projects that are not eligible for the IUP at this time along with other small community projects that submitted IUP requests that are being referred to USDA Rural Development for possible loan and grant funding. Jeff also discussed the recommendation of the base interest rate discount for the DWRF loans to 25 basis points (.025%).

Becky Sabie then reviewed the 2021 IUP document in further detail and noted the DWRF eligible set-aside activities that are permitted under federal law to be taken from the federal capitalization grant. A maximum of 31% is allowable. Last year MDH requested taking 16% from the 2020 federal grant as shown in the table on page 8. This year MDH has requested 14% of the anticipated 2021 federal grant.

Steve reviewed the DWRF capacity model which shows an approximate annual lending capacity of $43 million, assuming no additional federal grants or state match. The potential of funding the maximum of $116 million in carryover projects would reduce the sustainable capacity slightly to $41 million. While the carryover total is more than the sustainable capacity, the PFA will be able to fund these projects with current resources and potential future revenue bond proceeds. Any future revenue bond issuance would first require PFA board authorization.
Jennifer Hassemer noted about a potential typo in the DWRF IUP language in Part B regarding the 57 new projects in the fundable range. Becky thanked her for catching the error and stated the correction will be made to the IUP prior to notice for public comment.

Resolution 2020-06 approves the fundable range for the 2021 IUP (carryover projects only); authorizes the Executive Director to solicit public comments on the draft IUP and to approve the 2021 IUP after correcting any errors; authorizes the Executive Director to apply for the FY 2021 federal capitalization grant and to execute a FY 2021 grant agreement with EPA; authorizes the Chair to approve loan agreements for eligible projects certified by the MDH and recommended for funding by the Executive Director; and sets the base interest rate discount for loans under the 2021 IUP at 0.25% below the AAA bond rate for loan amounts up to $20 million (approximately one-half of the DWRF average annual capacity). A borrower applying for a larger loan would receive a blended loan rate with no discount on amounts over $20 million.

Chair McKinnon entertained a motion to approve Resolution 2020-06. Motion made by Jennifer Hassemer, seconded by Katrina Kessler.

Roll call taken; voting yes: DEED; MMB; PCA; MDOT
Voting No: none
Absent: MDH; MDA

Approval of Resolution 2020-06 passed unanimously.

VI. NEXT MEETING

The next PFA Board meeting is expected to be in mid-December, where the agenda will include review of the PFA’s independent audit, draft Annual Report to the Governor and Legislature and draft WIF and PSIG grant needs report.

Roll call taken: DEED; MMB; PCA; MDOT
Absent: MDH; MDA

VII. ADJOURN

Chair McKinnon entertained a motion to adjourn. Motion made by Jennifer Hassemer, seconded by Katrina Kessler.

Roll call taken: DEED; MMB; PCA; MDOT
Absent: MDH; MDA

The meeting adjourned at approximately 2:25 pm.

Respectfully Submitted,

Jeff Freeman, Executive Director
Minnesota Public Facilities Authority