I. CALL TO ORDER:

Chair McKinnon called the meeting of the Public Facilities Authority to order on August 31, 2021 at 2:30 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 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; MDH; PCA; MDA; MDOT
Absent: MMB

A quorum was established.
II. APPROVAL OF AGENDA

Chair McKinnon entertained a motion to approve the agenda. Motion made by Tom Hogan, seconded by Andrea Vaubel.

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

Approval of the agenda passed unanimously.

III. APPROVAL OF JUNE 14, 2021 MINUTES

Chair McKinnon entertained a motion to approve the minutes from the June 14, 2021 meeting. Motion made by Tom Hogan, seconded by Kristi Schroedl.

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

Approval of the June 14, 2021 Meeting minutes passed unanimously.

IV. 2022 INTENDED USE PLAN – CLEAN WATER REVOLVING FUND

Jeff Freeman provided an overview of the draft 2022 Clean Water Revolving Fund Intended Use Plan (IUP) and the approval process. Jeff noted that this year the PFA received the largest number of loan requests to date of over $500 million, including a number of very large loan requests. Jeff explained that, rather than raising the traditional 40 point PPL fundable range cutoff, staff will work with cities with large requests over $35 million to make loans over multiple years on an annual cash flow basis similar to how we finance Metropolitan Council loans. This results in a loan total of $342 million in fundable range on the 2022 IUP.

Jeff explained that in addition to funding point source (wastewater and stormwater) projects, since 1996 the PFA has allocated a total of $90.6 million within the CWRF to support nonpoint source loan programs administered by the Department of Agriculture (MDA) and MPCA. The nonpoint source programs are also seeing loan demand that significantly exceeds lending capacity of the programs, and both MPCA and MDA have requested additional funding allocations. Jeff recommends an additional allocation of $2 million to the MPCA for the Clean Water Partnership (CWP) program and $1 million to the MDA for the Agriculture Best Management Practices (AgBMP) program.

Steve Walter reviewed the CWRF capacity model. Assuming no additional federal grants or state match, the approximate annual lending capacity is $115 million. The potential maximum lending of $342 million for projects this year would reduce the sustainable capacity slightly to $111 million. While the total is significantly more than the sustainable capacity, the PFA would be able to use current resources and potential future revenue bond proceeds to fund all of the approved projects. Any future revenue bond issuance would first require PFA board authorization.
Tom Hogan asked if the lending capacity is based on current funding and does not include potential infrastructure funding that is being discussed at the federal level. Jeff confirmed that the IUP and lending capacity are based on current funding. Jeff is hopeful that the infrastructure bill will pass which could than result in changes to the current or future IUPs.

Becky Sabie summarized the process of preparing the IUP and reviewed the draft 2022 IUP document. Table 1, the IUP project list, is divided into two parts. Part A includes 53 carryover projects totaling $189 million in estimated CWRF loans, and identifies projects eligible for federal principal forgiveness (grants) and state WIF and PSIG grants. Part B 39 new projects in the fundable range for $153 million. All Part B projects are ranked with 40 or more points, which is the 2022 IUP fundable range. Table 1 also lists 10 other project requests that are not eligible for the IUP at this time, including 5 projects that haven’t yet received MPCA approval of their facilities plan. Other projects listed are small rural communities being referred to USDA Rural Development for possible funding.

Jeff reviewed Resolution 2021-05 which approves the fundable range for the 2022 IUP; authorizes the Executive Director to solicit public comments on the draft IUP and to approve the 2022 IUP after correcting any errors; authorizes the Executive Director to apply for the FY 2022 federal capitalization grant and to execute a FY 2022 grant agreement with EPA; authorizes the Chair to approve loan agreements for eligible projects certified by the MPCA 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 appropriate bond yield scale for loan amounts up to $57 million, with no base discount applied to loan amounts in excess of $57 million.

Chair McKinnon entertained a motion to approve Resolution 2021-05. Motion made by Katrina Kessler, seconded by Tom Hogan.

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

Approval of Resolution 2021-05 passed unanimously.

V. 2022 INTENDED USE PLAN – DRINKING WATER REVOLVING FUND

Jeff gave a quick overview of the 2022 Drinking Water Revolving Fund Intended Use Plan. Table 1, the IUP project list is divided into two parts. Part A includes 32 carryover projects totaling $45 million in DWRF loans. Part B new projects includes 58 new project loan requests totaling $231 million. All Part B projects are ranked in the historical fundable range with 7 or more points. The bottom of Table 1 identifies 55 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%).

Steve reviewed the DWRF capacity model which shows an approximate annual lending capacity of $46 million, assuming no additional federal grants or state match. The potential of funding the maximum of $276 million in carryover projects would reduce the sustainable capacity to $40 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 then reviewed the 2022 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 set-asides of 14% from the 2021 federal grant as shown in the table on page 7. MDH has again requested 14% of the anticipated 2022 federal grant.

Resolution 2021-06 approves the fundable range for the 2022 IUP; authorizes the Executive Director to solicit public comments on the draft IUP and to approve the 2022 IUP after correcting any errors; authorizes the Executive Director to apply for the FY 2022 federal capitalization grant and to execute a FY 2022 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 2022 IUP at 0.25% below the AAA bond rate for loan amounts up to $23 million and no discount on amounts over $23 million.

Chair McKinnon entertained a motion to approve Resolution 2021-06. Motion made by Katrina Kessler, seconded by Tom Hogan.

Roll call taken, voting yes: DEED; MDH; PCA; MDA; MDOT
Voting No: none
Absent: MMB
Approval of Resolution 2021-06 passed unanimously.

VI. POTENTIAL 2022 LEGISLATIVE INITIATIVES

Jeff explained some technical amendments to program statutes that staff would like to pursue during the 2022 Legislative session. If approved by the Governor’s office, PFA would seek to include them as language changes in a bonding bill as has been done in the past.

The first proposed change would be to amend language that was added to the DWRF statutes in 2020 that allows federal principal forgiveness grant funds to be used to replace the privately owned portion of drinking water lead service lines. Current language limits the principal forgiveness funds to 50 percent of the project costs up to a maximum of $250,000. The proposed language would delete the 50 percent limitation and increase the maximum award to $500,000. This would allow greater flexibility to determine how best to use the principal forgiveness funds to address lead service line needs and would increase the number of service lines that could be replaced with each funding award.

Secondly, Jeff proposed increasing the maximum grants allowable through the Water Infrastructure Funding (WIF) and Point Source Implementation Grant (PSIG) programs. The current maximum grant under the WIF program is $5 million and maximum under the PSIG program is $7 million per project. We are seeing more large projects that reach these grant caps, particularly with the PSIG program. Increasing the maximum grants would provide additional assistance to cities that need undertake larger projects to replace aging infrastructure and make treatment upgrades required to protect water quality. Also, by making larger grants available to projects that meet the program eligibility criteria, it may help moderate the growing number of legislative earmarks.
Further Board member discussion occurred regarding the Infrastructure Bill at the Federal level and adjustments in the amount to be requested at the 2022 Legislated Session.

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

VII. 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 report and the draft 2021 Annual Report to the Governor and Legislature, and WIF and PSIG grant needs report to the Legislature.

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

VIII. ADJOURN

Chair McKinnon entertained a motion to adjourn. Motion made by Andrea Vaubel, seconded by Tom Hogan.

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

The meeting adjourned at approximately 3:30 pm.

Respectfully Submitted,

Jeff Freeman, Executive Director
Minnesota Public Facilities Authority