I. CALL TO ORDER:

Chair McKinnon called the meeting of the Public Facilities Authority to order on June 14, 2021 at 9:00 am 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; MDH; PCA; MDOT
Absent: MDA

A quorum was established.
II. APPROVAL OF AGENDA

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

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

Approval of the agenda passed unanimously.

III. APPROVAL OF DECEMBER 10, 2020 MINUTES

Chair McKinnon entertained a motion to approve the minutes from the December 10, 2020 meeting. Motion made by Jennifer Hassemer, seconded by Tom Hogan.

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

Approval of the December 10, 2020 Meeting minutes passed unanimously.

IV. FY2022 ADMINISTRATIVE BUDGET AND INTERAGENCY AGREEMENTS

Jeff Freeman explained that prior to the beginning of each fiscal year, the Authority approves its general administrative budget and authorizes the Executive Director to execute interagency agreements with PCA and Health to provide funds for administration of the PFA’s CWRF and DWRF programs, and with DEED and Minnesota Housing Finance Agency (MHFA) for administration and technical support services provided to the Authority.

Jeff noted that interagency agreements with the PCA and MDH fund expenses associated with their responsibilities for administration of the clean water and drinking water programs. The PCA and MDH budgets include the engineers and other technical staff that review the project proposals, plans and specifications, and environmental documents for projects seeking PFA funding. PCA and MDH staff also have regulatory responsibilities that go beyond specific program funding requirements.

Jeff explained that all PFA expenses and interagency agreements are covered by fee account revenues. The PCA and MDH budgets are very similar to the FY21 budgets, including salary, travel costs and indirect.

The PFA FY22 budget of $1,781,000 is based on 12.0 FTE’s, up from 11.5 FTE’s and a budget total less than the FY21 budget which was higher due to COVID and staffing uncertainties. One new loan officer was hired and PFA plans to create and fill a compliance coordinator position and another loan officer position in FY22. Chief Financial Officer Steve Walter provided a budget memo with more detail.
Jeff briefly reviewed the breakdown of the Authority’s proposed budget included in the board packet. In addition to the general administrative budget, the memo also identifies estimated costs for ongoing professional/technical service contracts to fulfill the Authority’s responsibilities for managing its revolving funds and assets. This includes continuing an interagency agreement with MHFA for services of Paula Rindels to help the Authority issues related to tax-exempt bond requirements and other matters, and costs for the independent auditor, bond counsel, and financial advisor.

Jeff explained that the proposed Resolution 2021-01 approves the PFA’s FY 2022 budget and authorizes the Executive Director to prepare and execute Interagency Agreements with the PCA, MDH and DEED, and other contracts, purchase orders, and agreements necessary and appropriate to manage and implement the funds and programs of the Authority.

Chair McKinnon entertained a motion to approve Resolution 2021-01. Motion made by Tom Hogan, seconded by Jennifer Hassemer.

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

Approval of Resolution 2021-01 passed unanimously.

V. DELEGATION OF SIGNATURE AUTHORITY

Jeff explained that under Minnesota Statutes, Section 446A.03, Subdivision 3a, members of the Authority may delegate to the Chair, Vice-Chair, or Executive Director their responsibilities for reviewing and approving financing to eligible projects that have been certified to the Authority by another department or agency or authorized by law. Past practice of the Authority has been to authorize the Chair or Vice-Chair to approve and sign financing agreements for projects that are recommended for funding by the Executive Director.

Jeff explained that the proposed Resolution 2021-02 authorizes the Chair or, in his absence, the Vice-Chair to approve and sign financing agreements for the WIF, PSIG, and Small Community programs, and for the Executive Director to sign Credit Enhancement Program agreements. Authority to sign CWRF and DWRF financing agreements is detailed in the annual Intended Use Plan resolutions that will be presented at the August board meeting.

Chair McKinnon entertained a motion to approve Resolution 2021-02. Motion made by Katrina Kessler, seconded by Tom Hogan.

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

Approval of Resolution 2021-02 passed unanimously.
VI. 2021 LEGISLATIVE UPDATE AND 2022 PRELIMINARY REQUESTS

Jeff stated the outcome of the 2021 legislative session is not yet known, with a special session beginning today, June 14. In October 2020 a large bonding bill was approved, it is unclear if there will be a 2021 bill and whether PFA will see any additional funding. Jeff noted that the 2020 bonding bill fully funded the Governor’s recommendation of $25 million for state matching funds for the PFA’s loan programs, provided $55 million for WIF grants and $44.6 million for PSIG grants. The PFA also receives appropriations from the Clean Water Fund and expect a Legacy bill in the special session to include $15.9 million in PSIG and $200,000 for Small Community Wastewater Treatment Program.

Jeff explained that 2022 capital budget preliminary requests are due by June 18, 2021, and PFA will be seeking appropriations to meet project needs for FY 2023-24. Demand continues to be very strong demand for PFA funding with hundreds of projects that cities are preparing for construction. Predictable PFA funding that is available when projects are ready for construction is important to keep pace with the state’s long-term water infrastructure needs.

Jeff again recommends a bonding request of $200 million, with $25 million for CWRF/DWRF State Match, $100 million for WIF grants, and $75 million for PSIG grants. The state match is the first priority to provide the 20% required match to federal funds for the Clean Water and Drinking Water Revolving Funds. The request is sized to match estimated 2023-24 federal funds based on current levels and the need to continue to build lending capacity. Jeff explained that negotiations in Washington point to possible significant increases in federal funds but we don’t yet know how that will turn out and the impact on future state match needs.

Jeff explained the proposed Resolution 2021-03 which authorizes the Executive Director to prepare and submit the Clean Water Fund requests for the 2022 legislative session, to make adjustments as necessary, and to seek appropriations from the Legislature in the amounts recommended by the Governor.

Katrina Kessler asked if the PFA ends up receiving more federal funding that requires a larger state match, what would the process look like. Jeff responded the requested funds are for two years of expected federal funds so if there is a future increase PFA would likely have enough for the at least the first-year match and we would have an opportunity to seek additional funding without losing federal funds.

Tom Hogan asked if PFA current staffing will be adequate if additional funds were appropriated to the PFA. Jeff responded that the PFA will need to add more staff and has begun the process of creating new positions to handle the increasing workload. He noted that it’s not just PFA but the Pollution Control Agency and Health Department will also see increased administrative needs.

Katrina Kessler commented that in her conversations with the Environment Protection Agency and federal entities on the topic of additional federal infrastructure funding she has emphasized that, while states are excited to receive additional resources we have to be aware of the administrative cost and it will be very important to leverage existing mechanisms to deliver those funds. Jeff agreed and noted that while federal proposals appear to be primarily focused on the State Revolving Funds there are ideas for creating new programs which would be much more difficult to implement. He
agreed that we all need to send the message that the ability to manage increased federal funding through the State Revolving Funds with flexibility for states to address their needs is important.

Chair McKinnon entertained a motion to approve Resolution 2021-03. Motion made by Katrina Kessler, seconded by Tom Hogan.

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

Approval of Resolution 2021-03 passed unanimously.

VII. REQUEST TO RESTRUCTURE LOAN – DULUTH/NO. SHORE SANITARY DISTRICT

Jeff provided the background of the Duluth/North Shore Sanitary District request to restructure their 2002 Clean Water Revolving Fund loan agreement by extending the loan term an additional 10 years to a total of 30 years to reduce scheduled loan repayments through 2023 and provide flexibility as the District seeks additional legislative relief.

The original loan amount was $7,952,500 and has a current outstanding balance of $645,869.24. The loan was part of a PFA funding package that also included a Water Infrastructure Fund (WIF) grant of $6 million. At the time the PFA loan was made, loan terms were limited by federal requirements to 20 years. In 2010 the PFA received authority to offer loan terms up to 30 years for borrowers whose project costs exceed the state’s WIF affordability criteria. The District meets this requirement and therefore is eligible for an extended loan term.

The District was formed in the early 2000’s to address public health and water quality problems from non-complying septic systems along the North Shore of Lake Superior. The District stretches 13 miles along the North Shore from the northeastern border of Duluth to Lake County, serving over 400 residential and small business users in the City of Duluth, Duluth Township and Lakewood Township.

The project was plagued by very high construction costs due to bedrock conditions and overly optimistic growth projections. Actual growth has been only 20 new users since operation began, resulting in very high operation and debt service charges to the existing users.

Angie Braud, District Treasurer provided some information stating, in 2016 the District received a legislative general fund appropriation of $1,220,000 which the PFA accepted as a loan prepayment to reduce the District’s debt service charges. The District is again seeking an additional debt relief appropriation from the Legislature.

Jennifer Hassemer wanted clarification on the cash flow projections and the risks to the PFA if the legislature didn’t provide any additional requested funding. Jeff mentioned that the outstanding balance is $645,869.24. Staff still need to review and verify the specific details, but the District does appear to have sufficient revenues and cash balances. Jeff indicated that a loan this small will not have a significant impact on the PFA.

Jeff mentioned Resolution 2021-04 which authorizes the Executive Director and staff to further evaluate the District’s request and proposed financial plan and, after confirming the plan is
acceptable, to execute appropriate amendments to the District’s loan and bond purchase agreement and general obligation note.

Jennifer Hassemer asked a follow-up question in term of the internal PFA standard process on when to approve or deny a potential restructure. Steve mentioned that the amount is far too small to have an impact on our ability to pay our bonds. PFA’s master bond resolution has limits on restructured loans based on percentages of those loans and repayment on the overall loan portfolio.

Chair McKinnon entertained a motion to approve Resolution 2021-04. Motion made by Katrina Kessler, seconded by Tom Hogan.

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

Approval of Resolution 2021-04 passed unanimously.

VIII. NEXT MEETING

The next PFA Board meeting is expected to be in mid-August, where the agenda will include review and approval of the draft 2022 Intended Use Plans (IUPs) for the Clean Water and Drinking Water Revolving Funds.

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

IX. ADJOURN

Chair McKinnon entertained a motion to adjourn. Motion made by Kristi Schroedl, seconded by Katrina Kessler.

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

The meeting adjourned at approximately 9:57am.

Respectfully Submitted,

Jeff Freeman, Executive Director
Minnesota Public Facilities Authority