



MINNESOTA

PUBLIC FACILITIES AUTHORITY

2022 CIFA SRF Workshop

State Spotlight on SRF Process

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PFA and Partner Agencies

MN Public Facilities Authority (PFA)

- Annual Intended Use Plans (IUPs)
 - Set fundable range for projects on PPLs
- Underwriting and program compliance
- Set loan terms and conditions
- Award financing, disburse funds
- Coordinate other funders
- Collect loan repayments
- On-going monitoring, audit review

Other:

USDA Rural Development

- Default lead funder for small rural communities (<1000 pop)
- PFA may co-fund with matching state grant

MN Pollution Control Agency – Clean Water MN Department of Health – Drinking Water

- Project Priority Lists (PPLs)
 - 5-year project pipeline
 - Projects ranked based on age and condition, public health, water quality
- Technical Review (facility plans, plans and specs)
- Environmental Review
- Certify projects to PFA for funding when reviews are complete

PFA Water Infrastructure Programs

Clean Water and Drinking Water State Revolving Funds (CWSRF/DWSRF)

- Interest rates follow daily AAA bond market, minus discounts
 - Current base discount – 1% (current loan rate as of 11/2/22: 2.55% on 20-year loan)
 - Cities under 2,500 can receive additional discounts up to 1.5%
- PF grants for disadvantaged comm. (state WIF affordability criteria) and green infrastructure

Water Infrastructure Fund (WIF) Grant Program

- State grants up to \$5m to cities based on affordability criteria
 - Avg system cost per HH > 1.4% MHI (CW), 1.2% MHI (DW)
- WIF grants packaged with SRF loans or USDA Rural Development funding for small cities

Point Source Implementation Grant (PSIG) Program

- State grants to help cities upgrade water treatment facilities to improve water quality

➤ *All programs follow the Clean Water and Drinking Water PPLs*

Background

- Annual IUP requests greatly exceed annual lending capacity
 - 2023 CW IUP Requests - \$625m; Average lending capacity = \$128m
 - 2023 DW IUP Requests - \$569m; Average lending capacity = \$51m
- For many reasons, projects often don't proceed on schedule
- PFA doesn't award or commit funds until a project completes all technical, environmental, financial reviews and submits as-bid costs

Goals:

- *Stable and predictable process for cities*
- *Maximize the number of projects that can access funding each year*
- *Fund all eligible projects, big and small*

Project Priority Lists

- The Project Priority Lists (PPLs) list eligible projects for which cities plan to seek funding within five years
 - Projects are ranked by MPCA/MDH based on age and condition of existing infrastructure, water quality and public health factors
 - Cities can submit new project proposals in the spring each year
 - Projects remain on PPL until construction starts and they receive funding
 - MPCA/MDH score projects based established priority scoring system, provide updated PPLs to PFA each year in July
 - 2023 PPLs:
 - CW: 276 projects, \$2.9 billion
 - DW: 675 projects, \$1.8 billion

Intended Use Plans

- Cities submit IUP requests to PFA each year by June for projects that are planned to start construction in the coming year
- PFA matches IUP requests to the new PPL (points/rank)
- IUP fundable range is determined based on PPL point value
 - CW: all projects above 40 points (out of 100+) are in fundable range
 - DW: all projects above 7 points (out of 30) are in fundable range
 - *As much as possible, fundable range cutoff is held steady from year to year*
- Small communities (generally under 1000) are referred to USDA Rural Development unless PFA has prior lending history or other circumstances
 - PFA may still co-fund with state WIF grant

IUP Approval and Application Process

- Draft IUPs presented to PFA Board in August/September
 - Board approves IUP fundable range, set-aside percentages, allocations for nonpoint programs
 - Board delegates individual project awards to Chair based on Executive Director recommendations
- Projects in the IUP fundable range have six months to submit their financing application to PFA and plans/specs to MPCA/MDH
 - Financing application:
 - Audits, revenue and cash flow projections
 - System users, O&M budgets and debt service schedules (used in affordability calcs for principal forgiveness and WIF grants)
 - Program compliance documentation
 - Equivalency requirements generally applied to all projects unless exempted on case-by-case basis

Funding Awards and 'Carryover' Projects

- IUP projects receive funding awards when:
 - Financial review complete (including documentation of full project funding)
 - Technical review complete (plans/specs, env review) and project is certified
 - City lets construction bids and submits as-bid project costs
- IUP project that receives technical certification by end of state FY (6/30) but hasn't yet bid or is delayed for some reason becomes a 'carryover' projects on the next IUP
 - PFA's commitment to fund project (but not actual obligation of funds)
- IUP projects that aren't certified by end of state FY can submit new IUP request the following year

SRF Funding for large projects

- Large projects with long construction schedules may be funded with separate financing agreements over multiple years based on project cash flow needs
- PFA provides the base interest rate discount only on amounts up to ½ of average annual lending capacity
 - Loan amounts that exceed ½ of capacity will be at market rate
- Large utilities with multiple projects under construction at once can be funded through a Pro-Fi approach, with one financing agreement for multiple eligible projects with flexibility to shift funds



