

(\$ in thousands)

Project Title	Rank	Fund	Project Requests for State Funds			Gov's Rec	Gov's Planning Estimates	
			2020	2022	2024	2020	2022	2024
Rural Finance Authority (RFA) Loans	1	GO	100,000	0	0	50,000	0	0
MDA MDH Laboratory Building Infrastructure Improvements and Renovation	2	GO	20,499	0	0	20,499	0	0
		GF	779	0	0	779	0	0
Total Project Requests			121,278	0	0	71,278	0	0
General Obligation Bonds (GO) Total			120,499	0	0	70,499	0	0
General Fund Cash (GF) Total			779	0	0	779	0	0

<http://www.mda.state.mn.us/>

AT A GLANCE

- 450 employees across the state
- Analyzed over 5,000 dairy product samples and 3,000 meat and poultry samples in partnership with the MDA Laboratory Division
- Conducted over 2,800 manufactured food, 7,000 retail food, and 1,000 animal feed inspections to ensure the safety and quality of products manufactured and distributed in Minnesota.
- Approximately 1.6 billion pounds of ag products certified as plant pest free for export to 70 countries by 136 Minnesota companies during 2017
- Assisted Minnesota counties, townships, and cities with the enforcement of noxious weed issues
- Annual Agricultural Growth, Research, and Innovation (AGRI) \$10.235 million state investment in FY17 was matched by \$78 million in private investment with an estimated 1,740 jobs created
- More than 1,300 farms and farmers' markets licensed to use the Minnesota Grown logo
- In partnership with all Minnesota counties, collected over 500,000 pounds of waste pesticides in 2017

PURPOSE

Our mission is to enhance Minnesotans' quality of life by ensuring the integrity of our food supply, the health of our environment, and the strength of our agricultural economy.

The Minnesota Department of Agriculture (MDA) provides many services to Minnesota farmers, their consumers, and the agriculture economy. Among our many efforts, we:

- Invest in farmers through education and grants aimed at modernizing the family farm;
- Invest in the future of the agricultural economy with grants for research and value-added processing;
- Ensure that state and federal regulations for food and health safety are followed;
- Educate producers, suppliers, and consumers on proper production and handling of food products;
- Educate Minnesotans about environmental hazards to keep our farms, homes, businesses, and neighborhoods safe;
- Promote the consumption of Minnesota-grown foods; and
- Promote the export of Minnesota crops and livestock.

We support the following statewide outcomes:

- A thriving economy that encourages business growth and employment opportunities
- All Minnesotans have optimal health
- People in Minnesota are safe
- A clean, healthy environment with sustainable uses of natural resources

STRATEGIES

We use a range of regulatory and voluntary strategies to support our mission. This includes the use of registration, labeling, licensing, permitting, inspection, and enforcement efforts. Additionally, we coordinate and conduct outreach activities such as workshops, conferences, and field demonstration projects.

Our staff conduct inspections and verify samples to ensure that producers, processors, wholesalers, haulers, grocery and convenience stores, and other industry personnel are producing and handling dairy, food, meat, and feed products in a safe manner to protect them from unintended alteration and contamination.

We ensure that Minnesota plant products meet the import requirements of our trading partners, meet grading standards established in contracts, that seeds meet viability and purity standards, that general health standards are met for nursery stock, and that standards for freedom from harmful plant pests are met.

Our marketing and promotional initiatives offer producers technical and financial assistance on a variety of issues, including dairy and livestock development, business planning, and emerging water quality and conservation practices.

Our staff facilitates access to new markets through the Minnesota Grown Directory, international trade market research, and client support for trade missions and export assistance. We also support the organic industry through education, direct financial support, and skill development.

Minnesota Statutes Chapter 17, (<https://www.revisor.mn.gov/statutes/?id=17>) creates the Department of Agriculture and provides specific authority to the commissioner.

AT A GLANCE

The Department of Agriculture uses capital funding to support its goals of

- Protecting the food supply, natural environment and human health
- Maintaining an ability to assist with emergencies involving the agricultural sector
- Developing the state's agricultural resources

Factors Impacting Facilities or Capital Programs

The Department of Agriculture (MDA) has significant responsibility in planning for the needs of the state buildings it occupies, especially the MDA/MDH Laboratory building located at 601 Robert St N in St. Paul. The activities conducted by the MDA Laboratory Services Division employ very sophisticated equipment and procedures which require specialized building space with unique utilities, tight controls over temperature, air flow, and safety devices. Factors that drive capital needs for the Lab include ongoing technological developments, evolving threats to public safety and health, the natural environment, and the food supply. Additionally, quality control requirements drive needs for the reliability and regular replacement of the lab's capital assets.

In addition, MDA uses capital funding in the implementation of the Rural Finance Authority loan programs. The bonding used in support of these programs is user-financed, however new bonding authorizations must be enacted to keep the loan programs funded. Factors currently increasing demand for these programs include the escalating interest rate environment and a recent change in statute that allows people with net worth to qualify for these programs.

Self-Assessment of Agency Facilities and Assets

Analytical capital equipment costs required to meet changing and emergency needs of the MDA Laboratory Services Division go beyond levels that can be supported within the regular operating budgets of the department. Capital equipment constitutes core infrastructure to run tests of the complexity needed to address current issues faced in the agricultural sector and is in need of funding so the department can meet the critical needs anticipated in the coming years.

The MDA moved into new office and laboratory facilities in the fall of 2005. These facilities are shared with the Department of Health (MDH) and provide excellent opportunities for the two agencies to improve their productivity and to work collaboratively on areas of mutual concern. In the fall of 2015 the Department of Administration initiated the retro-commissioning of the MDA/MDH laboratory facility to determine if the fundamental building systems were operating as required to deliver functional and efficient performance to meet the two agency's current facility requirements and the original basis of design. The results of the retro-commissioning study highlighted several building infrastructure improvements required to make this facility function correctly and safely.

Agency Process for Determining Capital Requests

All divisions within MDA were surveyed to assess whether there are pressing capital needs or opportunities where capital investment could generate operational savings. The recently completed retro-commissioning study and its findings were given top consideration given their impact on the Department's mission to protect the food supply, environment, and human health. Additional consideration was given to the urgency of addressing potential threats to Minnesota's agricultural activities.

Major Capital Projects Authorized in 2018 and 2019

In 2018, \$35,000,000 was appropriated for the agricultural loan programs of the Rural Finance Authority.

(\$ in thousands)

Rural Finance Authority (RFA) Loans**AT A GLANCE****2020 Request Amount:** \$100,000**Priority Ranking:** 1**Project Summary:** Authorization to sell general obligation bonds totaling \$100 million. Proceeds from the bond sales will be used to support loan programs administered by the Minnesota Rural Finance Authority (RFA).**Project Description**

The RFA will purchase a forty-five percent (45%) interest in the lender's first mortgage (up to \$400,000) to an eligible farmer under the Basic, Seller Assisted and Agriculture Improvement Loan Programs.

The RFA will purchase a forty-five percent (45%) interest in the lender's first mortgage (up to \$525,000) to an eligible farmer under the Restructure II and Livestock Expansion Loan Programs.

The participation interest is set up on a reduced interest rate to improve the farmer's cash flow and share the risk of making the loan with the lender.

Project Rationale

The Minnesota Rural Finance Authority was created in 1986 to develop the state's agricultural sector by partnering with local lenders to offer credit to farmers on terms and conditions not otherwise available.

The RFA saw a sharp increase in loan volume in the first part of 2017, receiving loan requests in the first 5 months that are closer to an average year's worth of requests. RFA loan rates remain low in an escalating interest rate environment, making RFA participation financially attractive to farmers. This has spurred a number of new expansions of livestock facilities and restructuring of debt. The Beginning Farmer program has also seen a high level of interest and usage. Application volume has effectively doubled in FY2018 and FY2019 as compared to previous years. The somewhat recent change in statute that allows for almost double the maximum net worth farmers can have in order to qualify for our programs has been crucial in updating our programs to serve more Minnesota farmers. It is likely that the new limits and the continued lower than market interest rates will continue to drive robust future demand for these programs.

Project Timeline

Applications are accepted and loans are distributed on a rolling basis throughout the year.

Other Considerations

Principal and interest received on loan participations are deposited into a fund for the redemption of bonds issued under the various programs and may not be used to fund further loans. Annually, around December 1, these funds are transferred to the Minnesota Management and Budget Debt Service Fund for bond redemption and interest payments on the bonds for the following year.

Impact on Agency Operating Budgets

There is no change to annual operating budgets.

Description of Previous Appropriations

Laws of Minnesota for 2017, Chapter 4, appropriated \$35 million in general obligation bonds.

Laws of Minnesota for 2018, Chapter 214, appropriated \$35 million in general obligation bonds.

Project Contact Person

Peder Kjeseth
Director of Government Affairs
651-201-6607
peder.kjeseth@state.mn.us

Governor's Recommendation

The Governor recommends \$50 million in general obligation-user financed bonds for this request.

Agriculture

Project Detail

(\$ in thousands)

Rural Finance Authority (RFA) Loans

PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2020	FY 2022	FY 2024
State Funds Requested				
General Obligation Bonds	\$ 70,000	\$ 100,000	\$ 0	\$ 0
Funds Already Committed				
Pending Contributions				
TOTAL	\$ 70,000	\$ 100,000	\$ 0	\$ 0

TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2020	FY 2022	FY 2024
Property Acquisition	\$ 0	\$ 0	\$ 0	\$ 0
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 70,000	\$ 100,000	\$ 0	\$ 0
Construction	\$ 0	\$ 0	\$ 0	\$ 0
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL	\$ 70,000	\$ 100,000	\$ 0	\$ 0

IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2020	FY 2022	FY 2024
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 0	0 %
User Financing	\$ 100,000	100 %

STATUTORY REQUIREMENTS

The following requirements will apply to projects after adoption of the bonding bill.

Is this project exempt from legislative review under M.S. 16B.335 subd. 1a?	Yes
Predesign Review (M.S. 16B.335 subd. 3):	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
Will the project design meet the Sustainable Building Guidelines under M.S. 16B.325?	N/A
Will the project designs meet applicable requirements and guidelines for energy conservation and alternative energy sources (M.S. 16B.335 subd. 4 and 16B.32)?	N/A
Have Information Technology Review Preconditions been met (M.S. 16B.335 subd. 5 & 6 and 16E.05 subd. 3)?	N/A
Will the project comply with the targeted group purchasing requirement (M.S. 16C.16 subd. 13)?	N/A
Will the project meet public ownership requirements (M.S. 16A.695)?	N/A
Will a use agreement be required (M.S. 16A.695 subd. 2)?	N/A
Will program funding be reviewed and ensured (M.S. 16A.695 subd. 5)?	N/A
Will the matching funds requirements be met (M.S. 16A.86 subd. 4)?	N/A
Will the project be fully encumbered prior to the Cancellation Deadline (M.S. 16A.642): December 31, 2024?	Yes
M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required	N/A
M.S. 473.4485: Guideway Project	
Is this a Guideway Project?	No
Is the required information included in this request?	N/A

(\$ in thousands)

MDA|MDH Laboratory Building Infrastructure Improvements and Renovation**AT A GLANCE****2020 Request Amount:** \$21,278**Priority Ranking:** 2

Project Summary: The Agriculture and Health departments are jointly seeking capital funding of \$21.278 million to correct safety, energy, and operational efficiency problems at the MDA/MDH Laboratory Building in Saint Paul. Architectural, mechanical, and electrical improvements are needed throughout the building to support critical laboratory testing in the areas of emergency response, food safety, infectious diseases, homeland security, and environmental contaminants.

Project Description

The Minnesota Department of Agriculture/Minnesota Department of Health (MDA/MDH) Lab Building is an 181,000 square-foot building completed in 2005. Periodic retro-commissioning is a recommended best practice for these type of facilities to provide a stable environment for laboratory testing and to ensure the building and its various systems are performing as originally designed.

Sebesta, an NV5 Global Company, recently completed a retro-commissioning study to answer those questions. Retro-commissioning is a process that evaluates and improves the way building equipment and systems work together. Depending on the age of a building, the retro-commissioning process can uncover problems associated with design or construction, or problems that developed throughout the building's life. The results of the Sebesta retro-commissioning study highlighted several building infrastructure improvements needed to make the MDA/MDH Lab building function correctly and safely. The recommendations include general architectural, mechanical, and electrical improvements throughout the building to correct safety, energy, and operational efficiency problems.

Required corrections and improvements include:

- Replacing deteriorated ductwork to reduce the risk of liquid and air contamination of laboratory spaces and to reduce the need to operate exhaust systems beyond design parameters.
- Updating exhaust and airflow systems to ensure that lab air contaminants do not enter office and meeting spaces.
- Repairing and replacing components of HVAC systems to improve efficiency and to ensure safe and proper conditions for laboratory testing.
- Redesigning laboratory spaces to minimize the risk of cross contamination of samples.
- Create a dedicated biosafety level 3 (BSL-3) laboratory space needed to test food for threat agents such as anthrax, plague, and ricin that meets federal standards and allows for safe handling of select agents.
- Installing a centralized, building-wide uninterruptable power supply to ensure critical laboratory equipment does not shut down during a power outage.
- Performing standard 10-year maintenance on building systems to protect the value of this \$60

million asset.

While MDA and MDH rely on a variety of standard operating procedures to mitigate these risks, the improvements identified in the retro-commissioning study are a more efficient and effective means to ensure laboratory testing is accurate.

Work will include bidding, construction administration, construction, commissioning, and post-construction phases.

Project Rationale

The MDA/MDH laboratories play a critical role in protecting human health, the environment, and the agricultural economy in Minnesota. Much of the testing performed by these laboratories is not available at other laboratories and requires the use of sophisticated, up-to-date facilities and instrumentation. Routine testing includes screening of food, water, human clinical specimens, and a variety of other samples to identify environmental risks, infectious diseases, threats to our food and water supplies, and other public health threats. The labs perform testing and analyses to:

- Ensure a safe, secure food supply free of pesticides, food-borne pathogens, and environmental contaminants by testing food samples and investigating foodborne disease outbreaks.
- Detect, investigate, and control infectious diseases like Ebola, Zika, and measles.
- Monitor bacteria and viruses to look for alarming trends such as resistance of microorganisms to antimicrobial agents or vaccines used to treat and prevent illness.
- Protect the environment and drinking water from hazardous chemicals, radioactive substances, pharmaceutical compounds, and misuse of agricultural chemicals.
- Detect rare but treatable disorders in newborns, so they can receive treatment to prevent illness, physical disability, or death.
- Detect and respond to potential biological and chemical terrorism threats, such as anthrax and nerve agents.

In order to perform advanced testing on these demanding organisms and chemicals, the MDA/MDH laboratories must employ sophisticated equipment and procedures that require highly specialized facilities. The state invested \$60 million to construct a state-of-the-art laboratory facility to support these important public services. This facility, if operating properly, provides a safe environment for staff processing and handling specimens and samples through the use of fume hoods, biosafety cabinets, and engineering controls to maintain proper directional air flow. Proper functioning of the facility provides analysts confidence that they are not being inadvertently exposed to harmful substances and helps ensure that data generated within the facility is accurate and not at risk from cross contamination, which could affect patient health and negatively impact the regulated community. The concerns identified in the retro-commissioning study must be corrected to ensure the building meets current functionality requirements and can be operated safely and efficiently well into the future. This proposal contains a request for additional dollars to contract the moving expenses associated with sensitive high end scientific equipment and the subsequent calibrations and verification of their performance.

Project Timeline

- May 2015 – Project initiated for retro-commissioning building
- June 2015 – Consultant RFP to SDSB
- November 2015 – Sebesta (NV5) selected through SDSB for retro-commissioning and potentially design

- August 2016 – Winter Fixes bid package for immediate repairs
- December 2016 – Retro-commissioning report finalized
- March 2017 – Schematic Design package completed
- June 2017 – Design Development package completed
- June 2017 – Capital Budget Request submittal
- September 2017 – CM at Risk under contract for Pre-Construction Services
- March 2018 – Construction Documents (bid docs) 95% complete
- May 2018 – Capital Budget request not carried into bond bill
- October 2019 – Limited number of critical repairs started with CAPRA funding
- May 2020 – Bond bill approval
- June 2020 – Construction Documents (bid docs) 100% complete
- July 2020 – Subcontractor bidding
- August 2020 – GMP execution
- September 2020 – Tentative start of on-site construction
- June 2022 – Tentative substantial completion of construction

Other Considerations

N/A

Impact on Agency Operating Budgets

The Department of Administration will increase lease rates charged to MDA and MDH for the life of the bonds to recover debt service costs, possibly as soon as FY 2024. The projected annual increase for MDA and MDH is \$1.092 million. Staff and equipment will need to be relocated within the building multiple times during the project to maintain highly-specialized laboratory testing that cannot be performed elsewhere. These relocation costs are not bondable.

Description of Previous Appropriations

N/A

Project Contact Person

Ryan Allen
 Principal Project Manager
 651-201-2392
 ryan.allen@state.mn.us

Governor's Recommendation

The Governor recommends \$20.499 million in general obligation bonds and \$779,000 in general fund cash for this request.

(\$ in thousands)

MDA|MDH Laboratory Building Infrastructure Improvements and Renovation

PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2020	FY 2022	FY 2024
State Funds Requested				
General Obligation Bonds	\$ 0	\$ 20,499	\$ 0	\$ 0
General Fund Cash	\$ 0	\$ 779	\$ 0	\$ 0
Funds Already Committed				
Pending Contributions				
TOTAL	\$ 0	\$ 21,278	\$ 0	\$ 0

TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2020	FY 2022	FY 2024
Property Acquisition	\$ 0	\$ 0	\$ 0	\$ 0
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 1,303	\$ 0	\$ 0
Construction	\$ 0	\$ 19,196	\$ 0	\$ 0
Relocation Expenses	\$ 0	\$ 779	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment*	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL	\$ 0	\$ 21,278	\$ 0	\$ 0

*Inflation is already included in project costs.

IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2020	FY 2022	FY 2024
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 20,499	100 %

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
User Financing	\$ 0	0 %

STATUTORY REQUIREMENTS

The following requirements will apply to projects after adoption of the bonding bill.

Is this project exempt from legislative review under M.S. 16B.335 subd. 1a?	No
Predesign Review (M.S. 16B.335 subd. 3):	
Does this request include funding for predesign?	No
Has the predesign been submitted to the Department of Administration?	Yes
Has the predesign been approved by the Department of Administration?	Yes
Will the project design meet the Sustainable Building Guidelines under M.S. 16B.325?	Yes
Will the project designs meet applicable requirements and guidelines for energy conservation and alternative energy sources (M.S. 16B.335 subd. 4 and 16B.32)?	Yes
Have Information Technology Review Preconditions been met (M.S. 16B.335 subd. 5 & 6 and 16E.05 subd. 3)?	Yes
Will the project comply with the targeted group purchasing requirement (M.S. 16C.16 subd. 13)?	Yes
Will the project meet public ownership requirements (M.S. 16A.695)?	Yes
Will a use agreement be required (M.S. 16A.695 subd. 2)?	No
Will program funding be reviewed and ensured (M.S. 16A.695 subd. 5)?	N/A
Will the matching funds requirements be met (M.S. 16A.86 subd. 4)?	N/A
Will the project be fully encumbered prior to the Cancellation Deadline (M.S. 16A.642): December 31, 2024?	Yes
M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required	Yes
M.S. 473.4485: Guideway Project	
Is this a Guideway Project?	No
Is the required information included in this request?	N/A