

**Agency Purpose**

The Minnesota Public Facilities Authority (PFA) is a multi-agency authority that provides municipal financing expertise and infrastructure financing programs to enhance the environmental and economic vitality of the state. The PFA manages three revolving loan funds and several other financing programs to help local governments upgrade and construct wastewater treatment and collection facilities, to upgrade and construct drinking water distribution and storage facilities, and to address transportation, public facilities and other high-cost infrastructure needs.

**At a Glance**

The PFA finances local government infrastructure, primarily clean water and drinking water systems, through low interest loans and grants. Since 1989, PFA has leveraged \$227 million in state funds and \$818 million in federal funds through its revolving loan funds to finance over \$2.8 billion in clean and drinking water projects.

**Clean Water State Revolving Fund – FY 2010**

- 30 loans for \$271 million made to local governments throughout the state, plus \$28 million granted as principal forgiveness
- \$47 million in interest savings to communities and their taxpayers

**Wastewater Infrastructure Fund – FY 2010**

- \$10.4 million awarded to projects in conjunction with CWRWF loans to address affordability needs
- \$4.0 million awarded to six projects for matching grants with U.S. Department of Agriculture (USDA) Rural Development

**Clean Water Fund – FY 2010**

- Total Maximum Daily Load (TMDL) grants: five awarded for \$4.6 million
- Phosphorus Reduction grants: six awarded for \$2.4 million
- Small Community WWT Program:
  - TA grants: six awarded for \$146,500

**Drinking Water State Revolving Fund – FY 2010**

- 40 loans for \$90 million made to local governments and public water suppliers throughout the state, plus \$18 million granted as principal forgiveness
- \$18 million in interest savings to communities and their taxpayers

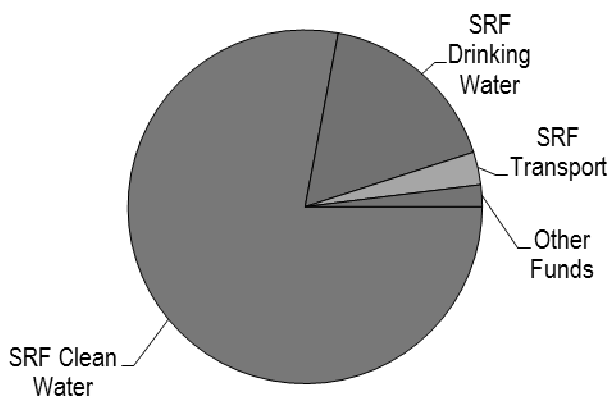
**Transportation Revolving Loan Fund – FY 2010**

- Two loans for \$2.8 million made to local governments for transportation improvements
- \$451,000 in interest savings to communities and their taxpayers

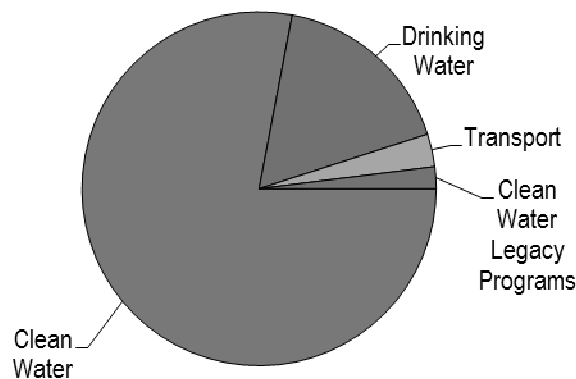
**Credit Enhancement Program – FY 2010**

- Provides limited state guarantee of general obligation bonds issued by counties (for law enforcement, social/human service facilities) and cities (for wastewater, stormwater, and drinking water facilities)
- FY 2010 participation: 25 bond issues for \$67 million

**Est. FY 2010-11 Expenditures by Fund**



**Est. FY 2010-11 Expenditures by Program**



Source: Minnesota Accounting and Procurement System (MAPS) 08/27/10. Note that federal grants are received and expended in the SRF Clean Water and SRF Drinking Water funds above.

Source: Minnesota Accounting and Procurement System (MAPS) 08/27/10 for BFY 2010 and Agency Spending Plan Certification for BFY 2011.

## Strategies

To achieve its goals the PFA implements the following strategies

- target limited resources to high priority projects identified by regulatory agencies through their project priority lists;
- coordinate project funding with all other state and federal funding programs to leverage resources necessary to keep projects affordable;
- coordinate activities of various funding partners to minimize duplication, administrative costs, and confusion;
- maintain the credit quality (AAA rated) and viability of the PFA's revolving loan funds; and
- balance the current demand for project funding (including nonpoint source and point source needs) with the long term lending capacity of the PFA's revolving funds to maintain their critical role as important financing tools for high priority projects in perpetuity.

## Operations

The PFA is governed by a board consisting of six state commissioners representing the departments of Employment and Economic Development (DEED), Management and Budget (MMB), Health (MDH), Agriculture, Transportation (MnDOT), and the Pollution Control Agency (PCA).

The PFA is established in M.S. Chapter 446A. The commissioner of DEED serves as the Chair and is responsible for hiring an Executive Director with the consent of the Board. The Executive Director is responsible for staff of the PFA, program administration, debt issuance as authorized by the Board, and compliance with laws, regulations and disclosure requirements related to the PFA programs. The PFA has statutory authority to issue up to \$1.5 billion in revenue bonds to raise capital to make loans.

The PFA operates infrastructure financing programs in cooperation with the departments and agencies represented on the PFA board, and closely coordinates project financing with other state and federal funding partners. For all direct financing programs the PFA reviews the financial status and creditworthiness of the applicants and determines that full project financing is in place and that dedicated revenues are established to pay debt service and operation and maintenance costs.

The PFA operates clean water financing programs in cooperation with the PCA, which is responsible for ranking eligible projects, conducting environmental and technical reviews, and certifying approved projects to the PFA for funding. All clean water financing programs follow the PCA's Project Priority List which ranks projects based on environmental and public health criteria. Based on the project priorities and readiness to proceed, the PFA prepares an annual Intended Use Plan to identify the projects eligible to apply for loans through the Clean Water Revolving Fund (CWRF). The Wastewater Infrastructure Funding (WIF) program provides grants in conjunction with CWRF loans or USDA Rural Development financing to address affordability needs. The PFA administers three programs funded by the Clean Water Fund (dedicated sales tax) to assist municipalities to meet requirements for additional treatment and address unmet needs in unsewered communities.

The PFA also allocates funds from the CWRF for nonpoint source loan programs administered by the PCA (Clean Water Partnership loan program) and the Department of Agriculture (Ag Best Management Practices loan program).

The PFA operates the Drinking Water Revolving Fund (DWRF) in cooperation with the Health Department, which is responsible for ranking eligible projects on the Project Priority List, conducting environmental and technical reviews, and certifying approved projects to the PFA for funding. Based on the project priorities and readiness to proceed, the PFA prepares an annual Intended Use Plan to identify the projects eligible to apply for loans through the DWRF.

The PFA operates the Transportation Revolving Loan Fund in cooperation with the Department of Transportation (MnDOT). The program provides low interest loans to governmental entities for eligible transportation projects, including road, bridge, and transit projects. MnDOT is responsible for soliciting project proposals as loan repayments become available for new loans and ranking them on a competitive basis.

The PFA manages the capital assets of the three revolving funds, including federal capitalization grants and state matching funds, loan repayments, investment interest, and proceeds of revenue bonds issued to generate additional capital to make loans. Communities issue their general obligation bonds to the PFA to secure the loans, which are pledged to the repayment of the PFA's bonds. The combination of equity assets, general obligation bonds from a large and diverse pool of borrowers, and the experienced staff and management practices of the PFA have achieved AAA bond ratings from all three bond rating agencies.

The PFA receives no general funds for administration. PFA administrative expenses are paid from application fees, service fees on loan repayments, and allowable set-asides from federal capitalization grants. The PFA also annually provides administrative support funding to the Pollution Control Agency and the Department of Health for their work with the Clean Water and Drinking Water Revolving Funds. Under M.S. 446A.11, Subd. 13, funds available to the PFA, unless otherwise indicated, are statutorily appropriated to the PFA and available until expended.

**Key Activity Goals & Measures**

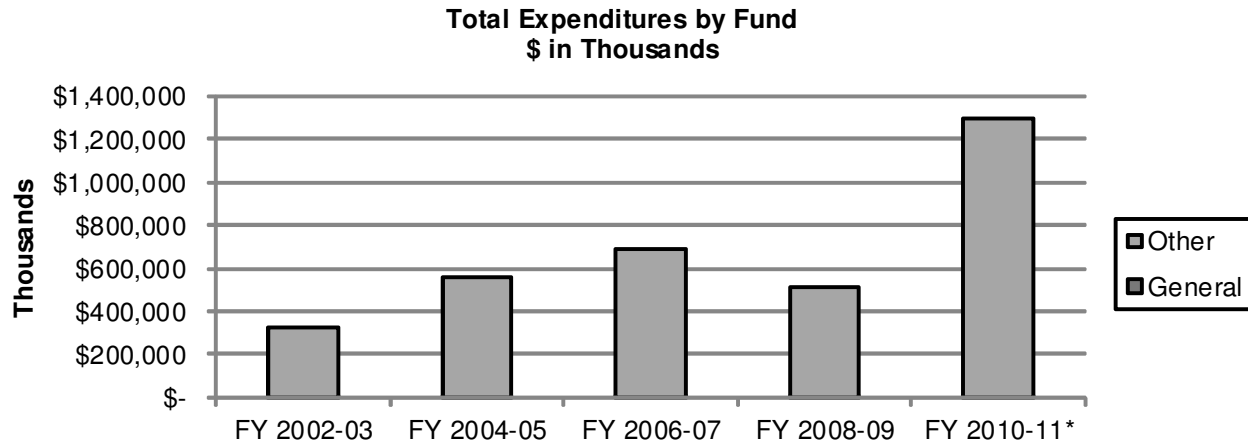
By providing for affordable basic infrastructure needs, PFA programs support the following specific *Minnesota Milestones* statewide goals:

- Economy: Minnesota will have sustainable, strong economic growth.
  - Goal 38: Growth in gross state product
  - Goal 39: Employment of working-age population
  
- Environment: Minnesota will improve the quality of the air, water, and earth.
  - Goal 64: Water quality in lakes and rivers
  - Goal 65: Nitrates in ground water
  - Goal 66: Erosion of cropland

Program output is measured primarily by the volume of grants and low-interest loans made. The amount of interest savings to local government borrowers and their taxpayers is another measure of program outcome.

Key measures		FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Grant Awards*:	Count	14	25	43	39	72
	Amount (\$ 000's)	16,121	14,783	20,831	39,886	69,101
Loans made:	Count	44	72	51	47	72
	Amount (\$ 000's)	74,068	254,652	182,373	200,881	363,465
	Interest savings to borrowers (\$ 000's)	12,817	65,344	40,529	39,712	76,129
<ul style="list-style-type: none"> <li>• Includes principal forgiveness awarded from the CWRD and DWRF as provided under federal and state law.</li> </ul>						

**Budget Trends**



<sup>1</sup> FY 2010-11 is estimated, not actual.

<sup>2</sup> FY 2010 expenditures include \$343 million for refunding prior debt issuances.

Federal grants are received and expended in the SRF Clean Water and Drinking Water funds, shown above as "Other".

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/27/10.

**External Factors Impacting PFA-** The large increase in estimated expenditures for FY 2010-11 is due in part to increased debt service payments from refunding bonds issued by PFA to take advantage of favorable interest rates. The increase is also driven by a significant increase in demand from local governments for financing for water infrastructure improvements. The economic slowdown has created a very favorable bidding climate for public infrastructure projects. Combined with historic low interest rates, local governments have seen this as a good time to make needed capital improvements. The PFA has been able to respond to this increase in demand with larger Intended Use Plan project lists due to recent increases in federal capitalization funds and state matching funds for the Clean Water and Drinking Water Revolving Funds. Another factor has been the additional subsidies available through grants from the WIF and dedicated Clean Water Fund programs and principal forgiveness through the CWRF and DWRF which have served as incentives to encourage local governments to move ahead with high priority projects.

**Contact**

Terry Kuhlman, Executive Director  
 1<sup>st</sup> National Bank Building  
 332 Minnesota Street, E200  
 Saint Paul, Minnesota 55101-1351  
 Phone: (651) 259-7468  
 Email: [terry.kuhlman@state.mn.us](mailto:terry.kuhlman@state.mn.us)  
<http://www.positivelyminnesota.com/pfa>

Dollars in Thousands

	Current		Forecast Base		Biennium 2012-13
	FY2010	FY2011	FY2012	FY2013	
<b><u>Direct Appropriations by Fund</u></b>					
<b>General</b>					
Current Appropriation	82	86	86	86	172
<b>Forecast Base</b>	<b>82</b>	<b>86</b>	<b>86</b>	<b>86</b>	<b>172</b>
Change		0	0	0	0
% Biennial Change from 2010-11					2.4%
<b>Clean Water</b>					
Current Appropriation	13,441	19,259	19,259	19,259	38,518
<b>Forecast Base</b>	<b>13,441</b>	<b>19,259</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change		0	(19,259)	(19,259)	(38,518)
% Biennial Change from 2010-11					-100%
<b><u>Expenditures by Fund</u></b>					
<b>Carry Forward</b>					
Clean Water	0	0	13,741	0	13,741
<b>Direct Appropriations</b>					
General	82	86	86	86	172
Clean Water	4,700	14,259	0	0	0
<b>Statutory Appropriations</b>					
Clean Water Revolving Fund	585,762	364,547	314,012	312,525	626,537
Drinking Water Revolving Fund	57,227	127,037	110,514	109,989	220,503
General	4	0	0	0	0
Miscellaneous Special Revenue	12	142	54	54	108
Transportation Revolving Fund	15,101	26,434	22,779	21,343	44,122
Federal Stimulus	82,967	21,293	0	0	0
<b>Total</b>	<b>745,855</b>	<b>553,798</b>	<b>461,186</b>	<b>443,997</b>	<b>905,183</b>
<b><u>Expenditures by Category</u></b>					
Total Compensation	898	996	1,018	1,039	2,057
Other Operating Expenses	2,318	2,998	872	907	1,779
Local Assistance	63,557	33,565	27,904	14,893	42,797
Other Financial Transactions	679,082	516,239	431,392	427,158	858,550
<b>Total</b>	<b>745,855</b>	<b>553,798</b>	<b>461,186</b>	<b>443,997</b>	<b>905,183</b>
<b><u>Expenditures by Program</u></b>					
Public Facilities Authority	745,855	553,798	461,186	443,997	905,183
<b>Total</b>	<b>745,855</b>	<b>553,798</b>	<b>461,186</b>	<b>443,997</b>	<b>905,183</b>
<b>Full-Time Equivalent (FTE)</b>	<b>10.9</b>	<b>10.9</b>	<b>11.3</b>	<b>11.3</b>	

**PUBLIC FACILITIES AUTHORITY**

Agency Revenue Summary

*Dollars in Thousands*

	<b>Actual FY2010</b>	<b>Budgeted FY2011</b>	<b>Current Law</b>		<b>Biennium 2012-13</b>
			<b>FY2012</b>	<b>FY2013</b>	
<b><u>Non Dedicated Revenue:</u></b>					
<b>Other Revenues:</b>					
General	1	1	1	1	2
<b>Other Sources:</b>					
General	6	3	3	3	6
<b>Total Non-Dedicated Receipts</b>	<b>7</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>8</b>
<b><u>Dedicated Receipts:</u></b>					
<b>Departmental Earnings:</b>					
Clean Water Revolving Fund	2,113	2,100	2,100	2,100	4,200
Drinking Water Revolving Fund	542	600	700	710	1,410
General	13	0	0	0	0
Miscellaneous Special Revenue	19	25	22	22	44
Transportation Revolving Fund	0	20	20	20	40
<b>Grants:</b>					
Clean Water Revolving Fund	12,507	37,449	37,449	37,449	74,898
Drinking Water Revolving Fund	12,020	19,748	23,200	23,200	46,400
Federal Stimulus	82,967	21,293	0	0	0
<b>Other Revenues:</b>					
Clean Water Revolving Fund	37,087	34,519	39,400	38,200	77,600
Drinking Water Revolving Fund	8,757	9,703	11,163	10,642	21,805
Miscellaneous Special Revenue	1	3	2	2	4
Transportation Revolving Fund	2,096	1,832	1,637	1,386	3,023
<b>Other Sources:</b>					
Clean Water Revolving Fund	454,787	286,250	233,010	239,010	472,020
Drinking Water Revolving Fund	32,304	110,474	75,010	75,010	150,020
Miscellaneous Special Revenue	17	13	13	13	26
Transportation Revolving Fund	11,099	16,583	15,180	14,597	29,777
<b>Total Dedicated Receipts</b>	<b>656,329</b>	<b>540,612</b>	<b>438,906</b>	<b>442,361</b>	<b>881,267</b>
<b>Agency Total Revenue</b>	<b>656,336</b>	<b>540,616</b>	<b>438,910</b>	<b>442,365</b>	<b>881,275</b>