

MN PUBLIC FACILITIES AUTHORITY

BOARD MEETING - Minutes

Webex Video/Tele-conference

January 12, 2022

MEMBERS and DELEGATES PRESENT:

Kevin McKinnon, Chair, Department of Employment and Economic Development

Katrina Kessler, Pollution Control Agency

Jennifer Hassemer, Minnesota Management and Budget

Kristi Schroedl, Department of Transportation

Tom Hogan, Department of Health

Andrea Vaubel, Department of Agriculture

Also present:

Jeff Freeman, Executive Director

J. Adam Sorenson, Assistant Attorney General

Paula Rindels, MHFA

Corey Topp, RSM

Jeff Miller, RSM

Chad Kolstad, MDH

Corey Mathisen, MDH

Randy Thorson, PCA

Dan Schueller, Met Council

Kyle Colvin, Met Council

Cory McCullough, Met Council

Steve Walter, PFA

Becky Sabie, PFA

Mary Jane Schultz, PFA

Anita Gallentine, PFA

Kathe Barrett, PFA

Peter Bradshaw, PFA

Katelyn Kanuit, PFA

Melissa Ralph, PFA

Jennie Brown, PFA

I. CALL TO ORDER:

Chair McKinnon called the meeting of the Public Facilities Authority to order on January 12, 2022 at 11:02 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 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 Katrina Kessler, seconded by Tom Hogan.

Roll call taken, voting yes: DEED; MMB; MDH; PCA; MDOT

Voting No: none

Absent: MDA

Approval of the agenda passed unanimously.

Andrea Vaubel, MDA arrived after Agenda Item II.

III. APPROVAL OF AUGUST 31, 2021 MINUTES

Chair McKinnon entertained a motion to approve the minutes from the August 31, 2021 meeting. Motion made by Jennifer Hassemer, seconded by Katrina Kessler.

Roll call taken, voting yes: DEED; MMB; MDH; PCA; MDA; MDOT

Voting No: none

Absent: none

Approval of the August 31, 2021 Meeting minutes passed unanimously.

IV. 2021 INDEPENDENT AUDIT

Steve Walter, Chief Financial Officer noted that there were no findings in PFA's 2021 Independent Audit and nothing unusual to report; PFA had a large volume of loans and grants but nothing out of the ordinary.

Steve reviewed the Management Analysis and Discussion section of the Authority's financial report which included narratives and charts explaining Authority operations and financial performance. There were no significant or unusual issues related to fiscal year 2021 financial activity. Steve introduced Corey Topp, partner at RSM, the Authority's independent auditing firm. Corey introduced Jeff Miller as the lead on transaction testing. Corey discussed RSM's responsibilities and their auditing process and scope of the audit. He reviewed RSM's Report to the Board, their opinions expressed in the financial report and compliance report and confirmed that no findings were issued.

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

Absent: none

V. DRAFT PFA REPORTS

Jeff Freeman briefly reviewed the three required annual reports the PFA is required to submit to the Legislature and Governor due mid-January 2022.

The Annual Report describes FY 2021 funding activity and program descriptions for each of the PFA programs and a brief discussion of water infrastructure needs and the PFA funding process.

The Fee Report identifies the amount of fees collected by the PFA, the purposes for which the fees have been spent, and the amount of any remaining fee balances.

The Estimated Funding Needs Report requires the PFA to report on estimated funding needs for eligible projects under the WIF and PSIG grant programs. The report also provides information on average annual residential wastewater rates for eligible projects with and without PFA grants, , and a comparison with average wastewater charges in the metropolitan area.

Jeff noted that all three draft reports are provided to members for review and comment before they are submitted. The reports make no funding or policy decisions or recommendations. Reports will be submitted to the Legislature and Governor mid-January, Board Members will also be sent a copy.

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

Absent: none

VI. UPDATE ON PREPARATIONS FOR 2022 LEGISLATIVE SESSION

Jeff described the new federal water infrastructure funding from the recently approved federal Infrastructure Investment and Jobs Act (IIJA, also known as the Bipartisan Infrastructure Law – BIL). The Act includes major new federal appropriations over the next five years to the Clean Water and Drinking Water State Revolving Funds for water infrastructure improvements. Minnesota’s estimated share over the five-year period is to be approximately \$663 million.

There are many questions yet to be answered about the new federal funding, and PFA staff continue to participate in discussions with USEPA and other states through various forums. Jeff explained that we hope to apply for the 2022 supplemental program funds as soon as possible based on existing projects on the current 2022 Intended Use Plans. There are also new project categories for replacement of drinking water lead service lines and addressing emerging contaminant. Those funds will likely have to wait until eligible projects can be identified on the 2023 Intended Use Plans.

Commissioner Kessler asked if we could approach EPA to start identifying these projects now rather than waiting to apply. Jeff confirmed that we have been in discussion with EPA and various other States and staff will be working to identify potential projects although there are still many questions about project eligibilities. EPA has set up a workgroup to identify questions and develop answers and staff will be participating in that process.

Jeff described the state match requirement for the IIJA funds. IIJA requires a state match for the existing SRF program funding of 10% for the first two years, increasing to 20% for the last three. In June 2021, the Board authorized submittal of the PFA’s 2022 capital budget request totaling \$200 million to meet estimated funding needs through state FY 2024, including \$25 million for SRF state matching funds, \$100 million for WIF grants, and \$75 million for PSIG grants. Staff have recommended to MMB that the request be adjusted to meet the additional IIJA state match requirement by moving \$24 million from WIF to state match, thereby increasing the state match portion to a total of \$49 million to cover the estimated regular and IIJA state match through 2024. The total PFA bonding request would stay at \$200 million, and the reduction in WIF funding would be more than offset by the increased principal forgiveness funds mandated by IIJA.

Jeff also described changes to PFA’s proposed legislative initiatives that were discussed at the August 2021 board meeting to proceed through the Governor’s office process for legislative proposals. First was a change to the DWRF statutes regarding the use of federal principal forgiveness grant funds for lead

service line replacement. The original proposal was to delete the 50% limitation on principal forgiveness funds and to increase the maximum award from \$250,000 to \$500,000. With IJA providing very large, dedicated funding for lead service lines with 49% principal forgiveness, the proposal has been changed to remove the maximum award amount.

Second was a proposal to increase the maximum grants allowed under the WIF and PSIG programs to better address the needs of larger projects. After further discussion with PCA staff, we agreed that, due to the complexity of issues and project types potentially eligible for PSIG grants, we should hold off on the PSIG increase at this time. The WIF proposal to increase the maximum WIF grant from five to eight million will proceed.

The legislative proposals have been drafted by the Revisor and are waiting for final approval and direction from the Governor's Office. Following that approval, we will work with the capital investment chairs to include these provisions in a 2022 bonding bill.

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

VII. NEXT MEETING

The next PFA Board meeting is expected to be early to mid-June which will include approval of the FY2023 administrative budget, interagency agreements, and a discussion with Corey Topp, RSM US LLP, regarding planning for the FY 2022 audit.

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

VIII. ADJOURN

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

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

The meeting adjourned at approximately 12:09 pm.

Respectfully Submitted,



Jeff Freeman, Executive Director
Minnesota Public Facilities Authority