



MINNESOTA

PUBLIC FACILITIES AUTHORITY

Water Infrastructure Financing

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Water Infrastructure to Protect Water Quality and Public Health

PFA finances all types of municipal wastewater/drinking water projects:

- Replace aging infrastructure (pipes and treatment facilities)
- System improvements for better service and efficiency
- Upgrade treatment facilities to improve water quality
- Service extensions to serve existing needs



PFA Water Infrastructure Programs

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

- Low interest loans (total loans = \$4.4 billion since 1990)
- SRF programs are supported by annual federal and state match funds, loan repayments revolve back to make new loans
- A portion of federal funds are provided as principal forgiveness grants for disadvantaged communities and green infrastructure

Water Infrastructure Fund (WIF) Grant Program

- Grants to cities to replace aging infrastructure that would otherwise be unaffordable
- Packaged with PFA 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

PFA Funding Framework

- All projects must be ranked on MPCA (CW) or MDH (DW) priority lists
- SRF low interest loans available to all projects ranked in fundable range
 - FY 2022: 42 loans, \$211 million, average interest rate <2%
- Targeted grants based on affordability (WIF) and for treatment upgrades for specific water quality improvements (PSIG)
 - FY 2022: 26 grants, \$57 million
- PFA funding follows a stable and predictable process so cities can plan and prepare for their projects

PFA and Partner Agencies - Roles & Responsibilities

Partner Agencies

MDH – drinking water

MPCA – wastewater, stormwater

- Project Priority Lists (PPLs)
 - 5-year project pipeline
 - Projects ranked based on age and condition, public health, water quality
- Technical Review
 - Preliminary planning docs
 - Project plans and specs
- Environmental Review

Public Facilities Authority (PFA)

- Annual Intended Use Plans (IUPs)
 - Set fundable range based on project priority and readiness to proceed
- Financial and credit review
- Set loan terms and conditions
- Award financing, disburse funds
- Coordinate other funding sources
- Collect loan repayments
- On-going monitoring, compliance, audit review

PFA Funding Process

- Cities submit project proposals to MPCA or MDH for ranking on project priority lists (PPLs)
 - Projects for which cities are seeking funding for construction within 5 years
- Cities submit requests to PFA for annual Intended Use Plan for the year when project is scheduled to start construction
 - IUP sets annual fundable range for eligible projects
- Annual IUPs generally approved in October. Funds not awarded until projects are bid and ready to start construction
- Projects that receive technical approval/certification by end of fiscal year are automatically carried over to fundable range on the next IUP
- Projects that do not receive certification can reapply for next IUP

Infrastructure Investment and Jobs Act (IIJA)

IIJA water funding appropriated through State Revolving Funds

➤ *MN allocation: \$668 million over five years (2022-2026)*

- Supplemental funds for existing CWSRF and DWSRF programs
 - 49% for principal forgiveness grants, balance for loans and set-asides for admin and TA
 - Requires 10-20% state match
- Drinking water lead service line replacement
 - 49% for principal forgiveness grants, 16% set-asides (incl. inventories), 35% for loans
 - No state match
- Emerging contaminants (CW and DW)
 - 100% for principal forgiveness grants
 - No state match

2022 Federal Funds – Regular and IIJA

Federal Funding Allocations (2022 actual), IIJA and Regular SRF capitalization grants (*\$ in thousands*)

	Regular Federal Cap Grant *	2022 IIJA Appropriations
CWSRF existing program	\$ 21,267	\$ 32,713
CWSRF emerging contaminants	\$ -	\$ 1,719
DWSRF existing program	\$ 10,697	\$ 27,465
DWSRF lead service line replacement	\$ -	\$ 43,276
DWSRF emerging contaminants	\$ -	\$ 11,533
2022 total	\$ 31,964	\$ 116,706

* 2022 regular federal cap grants reduced by \$14M due to congressional earmarks

2023 Legislative Session Needs

State Funding

- State Match
 - Base federal SRF funds (2023-2024) and IIJA supplemental (2022-2024)
- WIF grants (affordability)
- PSIG grants (water quality)

Policy Language

- Statute changes needed to fully utilize IIJA funds for lead service lines and emerging contaminants