

MN PUBLIC FACILITIES AUTHORITY

BOARD MEETING - Minutes
Teams Video/Tele-conference
June 13, 2022

MEMBERS and DELEGATES PRESENT:

Kevin McKinnon, Chair, Department of Employment and Economic Development
Dana Vanderbosch, Pollution Control Agency
Jennifer Hassemer, Minnesota Management and Budget
Sam Brown, 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
Chad Kolstad, MDH
Corey Mathisen, MDH
Bill Dunn, PCA
Gabe Posteuca, PCA
Dan Schueller, 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
Jennie Brown, PFA
Melissa Ralph, PFA
Angela Berrens, PFA
Amanda Sowada, PFA

I. CALL TO ORDER:

Chair McKinnon called the meeting of the Public Facilities Authority to order on June 13, 2022, at 1:02 p.m. and stated: "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; MDA

Absent: None
A quorum was established.

II. APPROVAL OF AGENDA

Chair McKinnon entertained a motion to approve the agenda. The motion passed unanimously:

Roll call taken, voting yes: DEED; MMB; MDH; PCA; MDOT; MDA
Voting No: none
Absent: none

III. APPROVAL OF JANUARY 12, 2022, MINUTES

Chair McKinnon entertained a motion to approve the minutes from the January 12, 2022, meeting. The motion passed unanimously:

Roll call taken, voting yes: DEED; MMB; MDH; PCA; MDOT; MDA
Voting No: none
Absent: none

IV. PREPARATION FOR THE 2022 INDEPENDENT AUDIT

Corey Topp, Partner, and Managing Director with RSM US, presented the 2022 audit planning. This included the estimated timeline for the steps involved as well as an update on the accounting standards being adopted for the 2022 and 2023 audit years. The results from the upcoming audit will be shared at the December 2022 Board meeting.

Roll call taken: DEED; MMB; MDH; PCA; MDOT; MDA
Absent: none

V. FY 2023 ADMINISTRATIVE BUDGET AND INTERAGENCY AGREEMENTS

Jeff Freeman explained that prior to the beginning of each fiscal year, the Authority approves its general administrative budget and authorizes the Executive Director to execute interagency agreements with PCA and Health to provide funds for administration of the PFA's CWRP and DWRP programs, and with DEED and Minnesota Housing Finance Agency (MHFA) for administration and technical support services provided to the Authority.

Jeff noted that interagency agreements with the PCA and MDH fund expenses associated with their responsibilities for administration of the clean water and drinking water programs. The PCA and MDH budgets include the engineers and other technical staff that review the project proposals, plans and specifications, and environmental documents for projects seeking PFA funding. PCA and MDH staff also have regulatory responsibilities that go beyond specific program funding requirements.

Jeff explained that all PFA expenses and interagency agreements are covered by fee account revenues. The PCA and MDH budgets are very similar to the FY22 budgets, including salary, travel costs and indirect.

The PFA FY23 budget of \$1,918,000 is based on 13.5 FTE's, up from 12 FTE's. Last year the PFA created and filled a compliance coordinator position, an administrative support position, and one loan officer position was reduced to ½ time through a post retirement appointment. One new loan officer was hired, and for FY23 we created an additional loan officer position (filled on 8/3/2022). We also have tentative plans to re-create a deputy director position. The attached memo from Chief Financial Officer Steve Walter provides more PFA budget detail.

Jeff briefly reviewed the breakdown of the Authority's proposed budget included in the board packet. In addition to the general administrative budget, the memo also identifies estimated costs for on-going professional/technical service contracts to fulfill the Authority's responsibilities for managing its revolving funds and assets. This includes continuing an interagency agreement with MHFA for services of Paula Rindels to help the Authority with issues related to tax-exempt bond requirements and other matters, costs for the independent auditor, bond counsel, and financial advisor.

Jeff explained that the proposed Resolution 2022-01 approves the PFA's FY 2023 budget and authorizes the Executive Director to prepare and execute Interagency Agreements with the PCA, MDH, DEED, MHFA, and other contracts, purchase orders, and agreements necessary and appropriate to manage and implement the funds and programs of the Authority.

Chair McKinnon entertained a motion to approve Resolution 2022-01. Motion made by Andrea Vaubel, seconded by Tom Hogan. The motion passed unanimously:

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

Voting No: none

Absent: none

VI. DELEGATION OF SIGNATURE AUTHORITY

Jeff explained that under Minnesota Statutes, Section 446A.03, Subdivision 3a, members of the Authority may delegate to the Chair, Vice-Chair, or Executive Director their responsibilities for reviewing and approving financing to eligible projects that have been certified to the Authority by another department or agency or authorized by law. Past practice of the Authority has been to authorize the Chair or Vice-Chair to approve and sign financing agreements for projects that are recommended for funding by the Executive Director.

Jeff explained that the proposed Resolution 2022-02 authorizes the Chair or, in his absence, the Vice-Chair to approve and sign financing agreements for the WIF, PSIG, and Small Community programs, and for the Executive Director to sign Credit Enhancement Program agreements. Authority to sign CWRF and DWRF financing agreements is detailed in the annual Intended Use Plan resolutions that will be presented at the August board meeting.

Chair McKinnon entertained a motion to approve Resolution 2022-02. Motion made by Tom Hogan, seconded by Jennifer Hassemer. The motion passed unanimously:

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

Voting No: none

Absent: none

VII. 2022 LEGISLATIVE UPDATE

Jeff stated the outcome of the 2022 legislative session ended without the passing of a bonding bill. This means many potential WIF and PSIG grant recipients that were preparing for construction will be delayed and funding uncertainties for many projects will likely have ripple effects well into the future. With many issues left unfinished there may still be hope for a summer special session that would include a bonding bill, but PFA will need to be prepared if that doesn't happen.

Jeff explained that the Governor's 2022 bonding recommendations included \$49 million for state match to federal funds for the Clean Water and Drinking Water State Revolving Fund (SRF) programs, \$76 million for the Water Infrastructure Fund (WIF) grant program, and \$75 million for the Point Source Implementation Grant (PSIG) program. The Governor's recommendations also included PFA's proposed statute changes for lead service line replacement projects and to increase the maximum WIF grant.

The state match funding and proposed statute changes are linked to the new federal funding through the Infrastructure Investment and Jobs Act (IIJA). While Minnesota is not in immediate danger of losing IIJA funds, the lack of a bonding bill with state match funds potentially delays our receipt of the additional federal funds. Our plan is to submit applications for Year 1 IIJA funds this fall as soon as the 2023 IUPs are approved. If state match funds are not available, we would not be able to start drawing the supplemental IIJA funds.

Jeff went on to say that the lack of a bonding bill will also prevent PFA from making full use of the dedicated IIJA funds for lead service line (LSL) replacement. While the LSL funding does not require a state match, the PFA had proposed changes to the Drinking Water SRF statutes to expand the use of principal forgiveness grant funds beyond the current limit of \$250,000 and had proposed a 0% interest rate for LSL projects. Without these changes, it will not be possible to fully utilize the IIJA lead service line funding.

Another concerning aspect of the 2022 session was the introduction of several policy bills that would significantly change the PFA funding framework. Bills targeted WIF and principal forgiveness affordability criteria and proposed major changes to MPCA and MDH project ranking criteria. Toward the end of session PFA received an OLA information request that asked very details questions about similar issues. A copy of the OLA request and PFA response was provided in the board packet.

Tom Hogan asked if there were any thoughts to do some outreach to key legislators and that MDH would be more than willing to participate in that. Jeff responded that the IUP's do go through a public comment process, and we have been talking about how we can take some additional steps beyond the standard public notice and other ways to expand that outreach. For lead service line projects in particular, we want to know more about the city and how they are working with their neighborhoods to target these projects and incorporate that into our public notice. Jeff agreed that reaching out to legislators directly is something that should be considered for next year's session.

Dana Vanderbosch commented that they were taken by surprise by the bill introductions that attempted to incorporate different kinds of climate resiliency when there had been no conversation about it before the bills were introduced. After elections are done and we know what the makeup of legislator will be, we can better decide who may be best to coordinate with for future projects.

Roll call taken: DEED; MMB; MDH; PCA; MDOT; MDA
Absent: None

VIII. NEXT MEETING

The next PFA Board meeting is expected to be in mid-August or September, where the agenda will include review and approval of the draft 2023 Intended Use Plans (IUPs) for the Clean Water and Drinking Water Revolving Funds.

Roll call taken: DEED; MMB; MDH; PCA; MDOT; MDA
Absent: None

IX. ADJOURN

Chair McKinnon made a motion to adjourn. The motion passed unanimously:

Roll call taken, voting yes: DEED; MMB; MDH; PCA; MDOT; MDA
Voting No: none
Absent: NONE

The meeting adjourned at approximately 1:54pm.

Respectfully Submitted,



Jeff Freeman, Executive Director
Minnesota Public Facilities Authority