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Public Facilities Authority

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AT A GLANCE

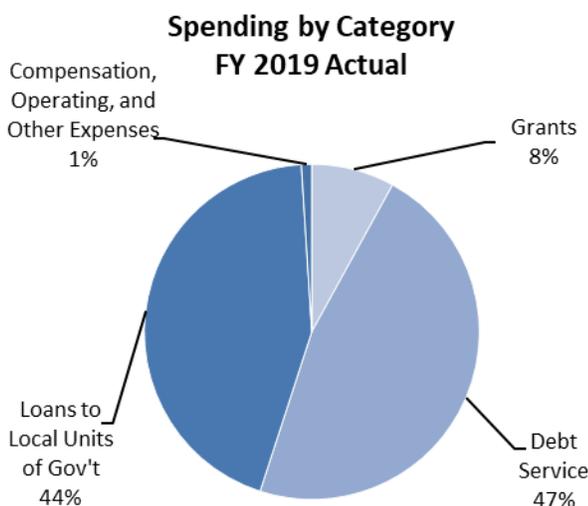
- PFA manages revolving loan funds and grant programs to help local governments statewide build wastewater, storm water, drinking water and transportation infrastructure.
- Since 1990, PFA has made 1,145 loans to local governments totaling \$4.5 billion. These below-market-rate loans have provided an estimated \$953 million in interest savings to local governments and their residents.
- Over the past ten fiscal years PFA has awarded \$510 million in grants to local governments based on affordability criteria and to address specific water quality goals and objectives.
- PFA has allocated \$91.8 million within its clean water revolving fund to nonpoint source loan programs administered by other agencies. The Minnesota Department of Agriculture’s Best Management Practices program and the Pollution Control Agency’s Clean Water Partnership program have used these funds and revolving loan repayments to provide \$313 million in low and no-interest loans to help landowners reduce nonpoint source pollution.

PURPOSE

The Minnesota Public Facilities Authority (PFA) is a multi-agency authority that provides financing and technical assistance to local governments for infrastructure projects that support a thriving economy and a clean, healthy environment.

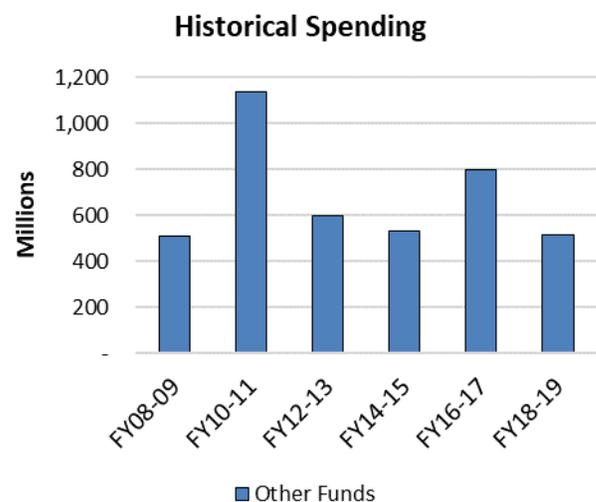
PFA priorities are to 1) manage capital assets (currently \$2.2 billion) to ensure a stable source of infrastructure financing in perpetuity; 2) provide financing programs to support water quality, public health, and other priorities identified by PFA member agencies; and 3) help local governments maintain and improve the condition of their water infrastructure assets while keeping costs affordable for their residents.

BUDGET



Note: Debt Service on PFA revenue bonds comes solely from PFA bond fund revenues (loan repayments and investment earnings).

Source: SWIFT

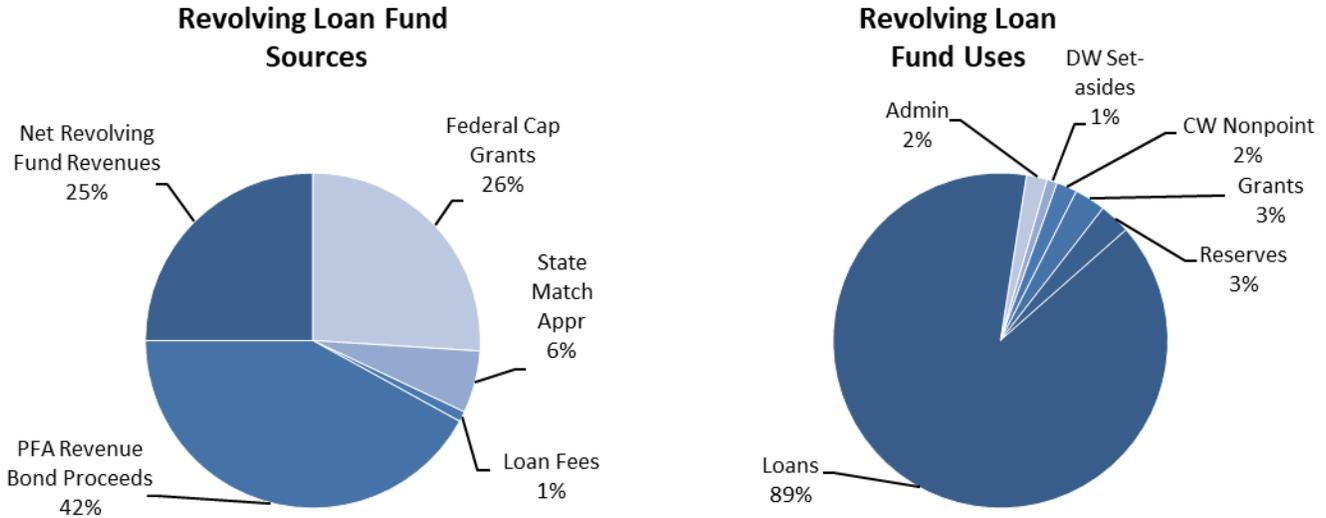


Note: FY 2010-2011 expended high due to two factors: 1) Federal ARRA stimulus funding, and 2) early bond redemptions due to low market rates.

Source: Consolidated Fund Statement

PFA receives no general fund appropriations for its programs or for administrative costs. Revolving loan fund resources include federal grants and state matching appropriations from bond proceeds. These resources are leveraged by selling PFA AAA-rated revenue bonds. Other programs are funded with state appropriations from bond proceeds and from the Clean Water Legacy Fund. Administrative costs are paid from loan servicing and grant application fees.

Sources and Uses to-date for PFA’s Clean Water, Drinking Water, and Transportation revolving loan funds



Notes: Revenues (loan repayments and investment earnings) are net of debt service on bonds.

Source: PFA Internal records

STRATEGIES

The PFA Board is composed of commissioners of the Departments of Employment and Economic Development, Minnesota Management and Budget, Health, Agriculture, Transportation, and the Pollution Control Agency. PFA manages its infrastructure financing programs to maximize economic, environmental, and public health outcomes. PFA partner agencies are responsible for determining project priorities, conducting technical and environmental reviews, and certifying approved projects to the PFA for funding.

PFA staff is responsible for determining that full project financing is in place and that the applicant has established dedicated revenues to pay debt service and operation and maintenance costs. When an application is approved and construction bids are accepted by the applicant, PFA executes a project financing agreement, disburses funds as eligible project costs are incurred, and collects loan repayments. During project planning and design stages, PFA coordinates funding activities with other state and federal partners to leverage resources and minimize duplication, administrative costs, and confusion for the applicants.

RESULTS

The PFA’s revolving loan funds are an efficient tool to provide low cost financing to help local governments replace and improve water infrastructure systems to meet permit requirements, improve water quality, and protect public health. To date, each \$1 of state match funds has generated \$16 in construction funding and \$3 in interest savings to the communities and their residents. In addition, PFA’s upfront credit review and analysis of loan applications and systematic post loan award surveillance monitoring has helped borrowers achieve a record of no defaults on PFA loans.

Annual project funding is a function of fund availability and demand from local governments. Local government demand for funding varies significantly from year to year, driven by economic factors, the need to replace aging infrastructure, growth and development pressures, and more stringent treatment requirements. The PFA’s authority to issue revenue bonds allows it to leverage additional loan funds based on demand. PFA tax-exempt revenue bonds are rated AAA by all three major national rating agencies and are well received in the bond market.

Type of Measure	Name of Measure	Previous	Current	Dates
Quantity	Loan Awards (count / \$ millions)	262 / \$946	206 / \$731	2010-2014; 2015-2019
Quantity	Interest Savings on Loans (\$ millions)	\$187	\$107	2010-2014; 2015-2019
Quantity	Grant Awards (count / \$ millions)	220 / \$194	189 / \$308	2010-2014; 2015-2019

Note 1: Measures compare the five year periods of state fiscal years 2010-2014 to 2015-2019.

Note 2: Sustained historically low market rates in the current 5 year period have resulted in lower interest savings on loans.

M.S. 446A (<https://www.revisor.mn.gov/statutes/?id=446A>) provides the legal authority for PFA.

Public Facilities Authority

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base	
					FY22	FY23
<u>Expenditures by Fund</u>						
1000 - General	900					
2000 - Restrict Misc Special Revenue	62	85	170	1,084	382	382
2302 - Clean Water	14,602	12,956	6,910	18,239	1,241	
8200 - Clean Water Revolving	106,997	111,259	156,525	102,313	86,511	64,688
8201 - Drinking Water Revolving	20,280	21,905	23,153	23,513	22,030	21,763
8202 - Transportation Revolving	1,484	726	759	404	62	62
Total	144,325	146,931	187,516	145,553	110,226	86,895
Biennial Change				41,814		(135,948)
Biennial % Change				14		(41)

Expenditures by Program

Public Facilities Authority	144,325	146,931	187,516	145,553	110,226	86,895
Total	144,325	146,931	187,516	145,553	110,226	86,895

Expenditures by Category

Compensation	1,018	1,095	1,230	1,401	1,441	1,447
Operating Expenses	348	346	398	712	864	865
Grants, Aids and Subsidies	19,511	20,556	15,897	29,057	9,505	8,264
Other Financial Transaction	123,447	124,934	169,991	114,383	98,416	76,319
Total	144,325	146,931	187,516	145,553	110,226	86,895

Total Agency Expenditures	144,325	146,931	187,516	145,553	110,226	86,895
Internal Billing Expenditures	128	155	126			
Expenditures Less Internal Billing	144,196	146,775	187,391	145,553	110,226	86,895

<u>Full-Time Equivalent</u>	9.80	10.21	10.99	12.00	12.50	12.50
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Public Facilities Authority

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base	
					FY22	FY23
1000 - General						
Direct Appropriation	1,800					
Transfers Out	600					
Cancellations	300					
Expenditures	900					
Biennial Change in Expenditures				(900)		0
Biennial % Change in Expenditures						

2000 - Restrict Misc Special Revenue

Balance Forward In	432	667	1,000	1,302	89	92
Receipts	105	156	143	143	143	142
Transfers In		26				
Net Loan Activity	192	235	330	(272)	242	243
Balance Forward Out	667	1,000	1,302	89	92	95
Expenditures	62	85	170	1,084	382	382
Biennial Change in Expenditures				1,107		(490)
Biennial % Change in Expenditures				753		(39)
Full-Time Equivalents	0.55	0.59	1.52	0.83	0.83	0.83

2302 - Clean Water

Balance Forward In	19,767	10,435	8,146	11,361	1,241	
Direct Appropriation	5,307	10,693	10,125	8,125	0	0
Transfers In	1,048		318		1,241	
Transfers Out	1,048	26	318		1,241	
Net Loan Activity	(38)			(6)		
Balance Forward Out	10,435	8,146	11,361	1,241		
Expenditures	14,602	12,956	6,910	18,239	1,241	
Biennial Change in Expenditures				(2,408)		(23,908)
Biennial % Change in Expenditures				(9)		(95)

8200 - Clean Water Revolving

Balance Forward In	268,036	253,201	252,041	212,958	6,266	6,222
Receipts	41,805	76,772	79,699	38,543	113,835	83,131
Transfers In	143,555	178,308	214,129	162,983	141,409	148,836

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base	
					FY22	FY23
Transfers Out	133,970	168,714	203,985	155,071	143,272	150,699
Net Loan Activity	40,772	23,734	27,599	(150,834)	(25,505)	(16,627)
Balance Forward Out	253,201	252,041	212,958	6,266	6,222	6,175
Expenditures	106,997	111,259	156,525	102,313	86,511	64,688
Biennial Change in Expenditures				40,582		(107,639)
Biennial % Change in Expenditures				19		(42)
Full-Time Equivalents	5.47	5.11	5.07	5.80	6.02	6.02

8201 - Drinking Water Revolving

Balance Forward In	129,435	114,033	117,042	108,572	4,065	3,572
Receipts	23,140	31,754	26,232	30,773	27,013	25,953
Transfers In	49,133	51,982	55,809	53,204	55,479	55,890
Transfers Out	60,923	64,765	68,151	63,651	56,151	56,562
Net Loan Activity	(6,472)	5,943	794	(101,320)	(4,804)	(4,015)
Balance Forward Out	114,033	117,042	108,573	4,065	3,572	3,075
Expenditures	20,280	21,905	23,153	23,513	22,030	21,763
Biennial Change in Expenditures				4,481		(2,873)
Biennial % Change in Expenditures				11		(6)
Full-Time Equivalents	3.54	4.26	4.25	5.05	5.27	5.27

8202 - Transportation Revolving

Balance Forward In	32,951	37,219	41,748	46,064	102	94
Receipts	1,266	1,586	1,360	845	845	808
Transfers In	1,739	855	1,030	747		
Transfers Out	1,739	855	1,030	747		
Net Loan Activity	4,486	3,670	3,715	(46,403)	(791)	(754)
Balance Forward Out	37,219	41,748	46,065	102	94	86
Expenditures	1,484	726	759	404	62	62
Biennial Change in Expenditures				(1,048)		(1,039)
Biennial % Change in Expenditures				(47)		(89)
Full-Time Equivalents	0.24	0.25	0.15	0.32	0.38	0.38

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
Direct				
Fund: 2302 - Clean Water				
FY2021 Appropriations	8,125	8,125	8,125	16,250
Base Adjustments				
One-Time Legacy Fund Appropriations		(8,125)	(8,125)	(16,250)
Forecast Base	8,125	0	0	0
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	1,084	382	382	764
Forecast Base	1,084	382	382	764
Fund: 8200 - Clean Water Revolving				
Planned Spending	102,313	86,511	64,688	151,199
Forecast Base	102,313	86,511	64,688	151,199
Fund: 8201 - Drinking Water Revolving				
Planned Spending	23,513	22,030	21,763	43,793
Forecast Base	23,513	22,030	21,763	43,793
Fund: 8202 - Transportation Revolving				
Planned Spending	404	62	62	124
Forecast Base	404	62	62	124
Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	143	143	142	285
Fund: 8200 - Clean Water Revolving				
Forecast Revenues	38,543	113,835	83,131	196,966
Fund: 8201 - Drinking Water Revolving				
Forecast Revenues	30,773	27,013	25,953	52,966
Fund: 8202 - Transportation Revolving				
Forecast Revenues	845	845	808	1,653