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2016-17 Biennial Budget – Public Facilities Authority

Agency Profile – Public Facilities Authority 1

www.mn.gov/deed/pfa

AT A GLANCE

- PFA manages three revolving loan funds and several other funding programs to help local governments build wastewater, storm water, drinking water and transportation infrastructure projects throughout the state.
- From 1990 to 2014, PFA has made 880 loans to local governments totaling \$3.5 billion.
- Below market interest rates on PFA loans have provided an estimated \$824 million in interest savings to local governments and their residents.
- Over the past ten years, the PFA has awarded \$290 million in grants to local governments for infrastructure projects based on affordability criteria and to address specific environmental goals and objectives.
- PFA has allocated \$89.6 million within its clean water revolving fund to nonpoint source loan programs administered by other agencies. These funds have generated a total of \$220 million in loans to implement almost 3,000 best management practices.

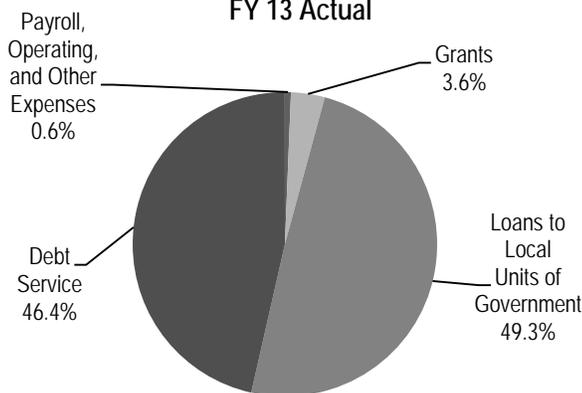
PURPOSE

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 that encourages business growth and employment opportunities, and a clean, healthy environment with sustainable uses of natural resources.**

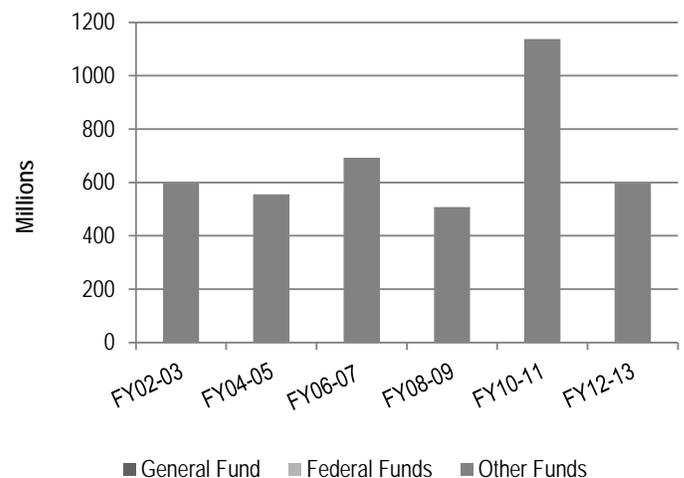
PFA priorities are to 1) manage capital assets (currently \$2.3 billion) to ensure a stable source of infrastructure financing in perpetuity; 2) provide financing programs to support water quality, public health, and other priorities identified by PFA member agencies; and 3) help local governments maintain and improve the condition of their water infrastructure assets while keeping costs affordable for their residents.

BUDGET

Spending by Category
FY 13 Actual



Historical Spending

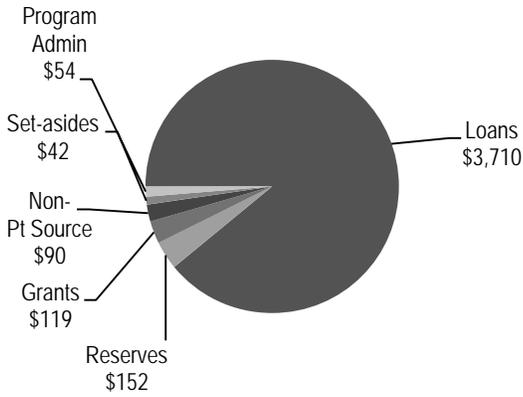


*Note: Debt Service on PFA revenue bonds comes solely from PFA bond fund revenues (loan repayments and investment earnings).
Source: SWIFT*

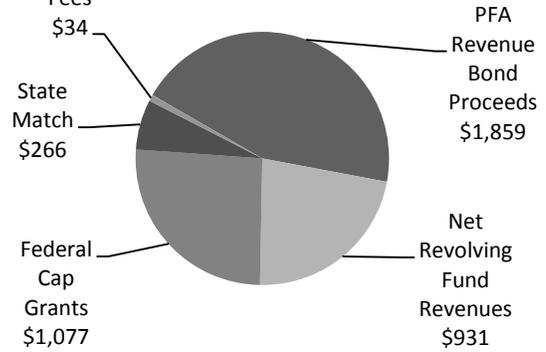
*Note: 2010-2011 expenditures high due to two factors: 1) federal ARRA stimulus funding, and 2) early bond redemptions due to low market rates.
Source: MAPS & SWIFT*

The PFA receives no general fund appropriations. Funding for the PFA’s revolving loan funds comes from federal capitalization grants and state matching funds appropriated from state general obligation bond proceeds. The PFA leverages these federal and state funds by selling its AAA-rated revenue bonds to generate additional loan funds as appropriate to maximize project outcomes while maintaining capacity to meet future needs. Project funding also comes from state bond appropriations for the Wastewater Infrastructure Funding (WIF) program and from dedicated Clean Water Legacy Funds appropriated for specific point source implementation programs. Administrative costs are paid primarily from service fees on loan repayments. The following charts reflect to-date amounts for the 3 major revolving loan funds.

Revolving Loan Fund Uses (millions)



Revolving Loan Fund Sources (millions)



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 from the Departments of Employment and Economic Development, Minnesota Management and Budget, Health, Agriculture, and Transportation, and the Pollution Control Agency. The multi-agency structure of the PFA helps it to focus and manage its infrastructure financing activities to maximize economic, environmental, and public health outcomes. PFA partner agencies are responsible for determining project priorities, including the Pollution Control Agency for wastewater and storm water projects and the Department of Health for drinking water projects. In addition, partner agencies conduct technical and environmental reviews and certify 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 a financing application is approved and construction bids are accepted by the applicant, the PFA executes the project financing agreement, disburses funds as eligible project costs are incurred, and collects loan repayments. During the planning and design stages of a project, the PFA works with other state and federal partners to leverage resources and coordinate funding activities to 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 local governments for important infrastructure projects. To date, each \$1 of state funds has generated \$15 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.

Type of Measure	Name of Measure	Previous	Current	Dates (fiscal years)
Quantity	Loan Awards (count / \$ millions)	192 / \$830	262 / \$960	2005-2009; 2010-2014
Quantity	Loan Awards Interest Savings on Loans (\$ millions)	\$190	\$190	2005-2009; 2010-2014
Quantity	Grant Awards (count / \$ millions)	123 / \$95	219 / \$195	2005-2009; 2010-2014

Note 1: Measures compare the five year periods of state fiscal years 2005-2009 to 2010-2014.

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.