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Public Facilities Authority

http://www.positivelyminnesota.com/pfa

Small Agency Profile

Mission:

The Minnesota Public Facilities Authority is a multi-agency authority that provides infrastructure financing programs and municipal financing expertise to enhance the environmental and economic vitality of the state.

Statewide Outcome(s):

Public Facilities Authority supports the following statewide outcome(s).

A thriving economy that encourages business growth and employment opportunities.

A clean, healthy environment with sustainable uses of natural resources.

Context:

The Public Facilities Authority (PFA) addresses local governments' need for low cost financing to support infrastructure investment, particularly for water infrastructure. Strong and sustained infrastructure investment is essential to protect Minnesota's environment and public health and maintain the long term economic vitality of the state and its communities.

PFA's priorities are 1) managing capital assets (currently $2.3 billion) to ensure that a stable source of low interest financing is available in perpetuity to help local governments timely meet their infrastructure needs; 2) provide infrastructure financing tools that support the 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. The PFA's primary customers are local units of government seeking funding for infrastructure projects through PFA programs jointly administered by PFA staff and staff of PFA member agencies.

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. 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.

Strategies:

The PFA contributes to a thriving economy and a clean, healthy environment by providing financing to local governments for infrastructure projects that are essential to protect the environment and public health and also critical to the economic vitality of the state and its communities. PFA financing is provided through low interest loans and in some cases grants to keep project costs affordable for local governments and their residents.

The PFA manages three revolving loan funds and several other financing programs to help local governments build, improve, and rehabilitate wastewater, drinking water, and stormwater infrastructure, and to address transportation and other high-cost infrastructure needs. The PFA operates its clean water, drinking water, and transportation infrastructure financing programs in cooperation with the Pollution Control Agency, the Department of Health, and the Department of Transportation, respectively. The 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 reviewing the creditworthiness of the applicants, 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, the project is certified and construction bids are received by the local government, the PFA executes the project financing agreement with the local government, 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 funding programs to leverage resources and coordinate funding activities to minimize duplication, administrative costs, and confusion for the applicant.

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 limits. The PFA has developed capacity models for its revolving funds to inform decision making when preparing its annual project funding lists in order to maximize available funding based on current demand, establish a consistent and predictable fundable range from year to year based on MPCA and MDH project priority points, and maintain long term lending capacity to meet future needs.

The PFA's key partners are the departments and agencies whose commissioners serve on the PFA Board: the Department of Employment and Economic Development, Minnesota Management and Budget, the Pollution Control Agency, and the Departments of Employment and Economic Development, Health, Agriculture, and Transportation. PFA partners also include the US Environmental Protection Agency, USDA Rural Development, other federal and state infrastructure funding agencies and technical assistance providers.

Results:

Through these strategies the PFA:

- Provides a permanent source of stable and reliable financing for high priority infrastructure projects.
- Provides accessible and effective financing programs to help local governments implement infrastructure projects while keeping costs affordable and debt obligations manageable.
- Targets its financing to address infrastructure needs that contribute to the achievement of state environmental and public health priorities.
- Has leveraged available resources to make clean water and drinking water loans averaging $219 million per year over the past five years while maintaining the AAA ratings of its revolving funds and without significantly diminishing future lending capacity.

The PFA's revolving loan funds are an efficient tool to provide low cost financing to local governments. From FY 1990 to 2012, PFA loans totaling $3.3 billion have provided an estimated $693 million in interest savings to local governments and their residents, with each $1 of state funds generating $15 in construction and $3 in interest savings to the communities and their residents. In addition, PFA's upfront credit review and analysis of loan requests and systematic post loan award surveillance monitoring has helped borrowers achieve a record of no payment defaults on PFA loans.

Over the last several years, financial markets have sustained historically low over-all rates. This has resulted in lower borrowing costs for both the PFA and its borrowers, but this also puts a strain on the lending capacity of the revolving loan funds. The longer the low rates continue the more of a constraint that will put on the absolute dollar amount the funds can lend.

Performance Measures		Previous	Current	Trend
Grant Awards	Count/Amount (in millions)	58/$48	294/$213	Stable
Loan Awards	Count/Amount (in millions)	331/$960	256/$1,155	Stable
	Interest savings to borrowers (in millions)	$188	$228	Stable
SRF cumulative leveraging ratio at end of period		2.92:1	2.97:1	Stable
SRF bond ratings by the three major national rating firms		AAA	AAA	Stable

Performance Measures Notes:

Note 1: Measures are comparing the five year periods of state fiscal year 2003-2007 to 2008-2012.
Note 2: The leveraging ratio for the State Revolving Funds as reflected above is the total cumulative amount of project expenditures at the end of the period, divided by the cumulative available federal capitalization grants plus state match.
Note 3: The State Revolving Fund Revenue Bonds are rated "Triple-A" by Standard & Poor's (AAA), Moody's (Aaa), and Fitch (AAA).

Public Facilities Authority
Current, Base and Governor's Recommended Expenditures
(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)		$755,904		$755,904
Current Law Expenditures (FY 2014-15)		$664,013		$664,013
Governor's Recommended Expenditures (FY2014-15)		$686,013		$686,013
$ Change from FY 2014-15 Current Law to Governor's Rec		$22,000		$22,000
% Change from FY 2014-15 Current Law to Governor's Rec		3%		3%

Public Facilities Authority
Sources and Uses
(Dollars in Thousands)

	Biennium FY14-FY15			
	General Funds	Other State Funds	Federal Funds	Total Funds
BALANCE FORWARD IN		$389,686		$389,686
REVENUE		$439,031		$439,031
TRANSFERS IN		$296,449		$296,449
APPROPRIATION		$22,000		$22,000
SOURCES OF FUNDS		**$1,147,167**		**$1,147,167**
BALANCE FORWARD OUT		$162,069		$162,069
TRANSFERS OUT		$299,085		$299,085
EXPENDITURES		$686,013		$686,013
PAYROLL EXPENSE		$1,750		$1,750
OPERATING EXPENSES		$1,535		$1,535
OTHER FINANCIAL TRANSACTIONS		$646,214		$646,214
GRANTS, AIDS AND SUBSIDIES		$36,514		$36,514
USES OF FUNDS		**$1,147,167**		**$1,147,167**

Public Facilities Authority

Governor's Changes

(Dollars in Thousands)

		FY 14	FY 15	FY 14-15 Biennium	FY 16	FY 17	FY 16-17 Biennium

Clean Water Legacy - Total Maximum Daily Load Grant Program

The Total Maximum Daily Load program will assist municipalities to meet the required water quality based effluent limits set by the Pollution Control Agency to restore or protect specific water bodies.

Performance Measures:
This initiative will simplify and streamline the funding process and improve program effectiveness to help cities implement water quality restoration and protection projects.

Other Funds	Expenditure	9,000	9,000	18,000	0	0	0
	Net Change	**9,000**	**9,000**	**18,000**	**0**	**0**	**0**

Clean Water Legacy - Small Community Wastewater Treatment Program

The Small Community Wastewater Treatment program will provide technical assistance for small unsewered communities and fund construction projects to address serious environmental and public health problems from failing septic systems.

Performance Measures:
This initiative is expected to improve the program to more effectively address serious environmental and public health problems from failing septic systems.

Other Funds	Expenditure	2,000	2,000	4,000	0	0	0
	Net Change	**2,000**	**2,000**	**4,000**	**0**	**0**	**0**

Net All Change Items	Other Funds	11,000	11,000	22,000	0	0	0
	Net Change	**11,000**	**11,000**	**22,000**	**0**	**0**	**0**

Public Facilities Authority
All Funds FTE by Program

Program	Current FY 2013	Forecast Base FY 2015	Governor's Recommendation FY 2015
Program: Public Facilities Authority	9.0	9.0	9.0
Public Facilities Authority	9.0	9.0	9.0

Public Facilities Authority
Revenue Summary
(Dollars in Thousands)

		Biennium FY14-15			
		General Fund	Other State Funds	Federal Funds	All Funds
Non Dedicated	ALL OTHER	1			1
	Subtotal	1			1
Dedicated	FEDERAL GRANTS		84,000		84,000
	DEPARTMENTAL EARNINGS		5,902		5,902
	INVESTMENT INCOME		7,798		7,798
	ALL OTHER		341,331		341,331
	Subtotal		439,031		439,031
	Total	**1**	**439,031**		**439,033**