



Environment and Natural Resources Trust Fund (ENRTF) M.L. 2018 ENRTF Work Plan (Main Document)

Today's Date: August 30, 2018

Date of Next Status Update Report: July 1, 2019

Date of Work Plan Approval:

Project Completion Date: June 30, 2022

Does this submission include an amendment request? No

PROJECT TITLE: PFA Wastewater Infrastructure Loan and Grant Programs

Project Manager: Jeff Freeman

Organization: Public Facilities Authority

College/Department/Division:

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Location: Statewide

Total Project Budget: \$59,000,000

Amount Spent: \$0

Balance: \$59,000,000

Legal Citation: M.L. 2018, Chp. 214, Art. 6, Sec. 4, Subd. 8

Appropriation Language:

(1) State Match for Federal Grants \$6,000,000

To match federal grants for the clean water revolving fund for wastewater treatment under Minnesota Statutes, section 446A.07. This appropriation must be used for qualified capital projects.

(2) Water Infrastructure Funding Program \$14,652,000

For grants to eligible municipalities under the wastewater infrastructure funding program under Minnesota Statutes, section 446A.072, for wastewater projects listed on the Pollution Control Agency's project priority list in the fundable range under the clean water revolving fund program.

(3) Point Source Implementation Grants Program \$38,348,000

For grants to eligible municipalities under the point source implementation grants program under Minnesota Statutes, section 446A.073. This appropriation must be used for qualified capital projects.

I. PROJECT STATEMENT:

The appropriation bond funds will be used to fund municipal water infrastructure projects under existing PFA loan and grant programs. All projects must be ranked on the Pollution Control Agency’s project priority list.

1. Clean Water Revolving Fund (Minnesota Statutes, Section 446A.07)

The Clean Water Revolving Fund (CWRF) provides low interest loans to municipalities for wastewater and stormwater improvement projects. The appropriation bond funds will provide a portion of the required match to FY19-20 federal clean water capitalization grants.

2. Water Infrastructure Funding (WIF) Program (Minnesota Statutes, Section 446A.072)

The WIF program provides grants to municipalities for up to 80% of project costs to a maximum of \$5 million based on affordability criteria to supplement low interest loans from the PFA’s CWRF or match funding from USDA Rural Development. WIF grants enable communities to address existing wastewater infrastructure needs while helping to keep costs affordable for their residents.

3. Point Source Implementation Grant (PSIG) Program (Minnesota Statutes, Section 446A.073)

The PSIG program provides 80% grants up to \$7 million to municipalities to upgrade water treatment facilities to reduce the discharge of specific pollutants to meet more stringent permit requirements to address water quality protection and restoration goals.

II. OVERALL PROJECT STATUS UPDATES:

First Update July 1, 2019

Second Update January 1, 2020

Third Update July 1, 2020

Fourth Update January 1, 2021

Fifth Update July 1, 2021

Sixth Update January 1, 2022

Final Report by August 15, 2022

III. PROJECT ACTIVITIES AND OUTCOMES:

ACTIVITY 1 Title: State Match for Federal Grants

Description: Annual Federal capitalization grants and state matching funds support the Clean Water Revolving Fund (CWRF) which provides low interest loans to municipalities for wastewater and stormwater improvement projects. The state must provide a minimum 20% match to federal funds, additional state funds help to further build future lending capacity. The Pollution Control Agency ranks eligible projects on its Project Priority List based on age/condition of existing infrastructure and water quality criteria, conducts technical and environmental reviews, and certifies approved projects to the PFA. PFA prepares an annual Intended Use Plan that identifies projects eligible to apply for loans. PFA staff conduct credit reviews, set loan terms and conditions, awards loans when projects are ready for construction, and disburse funds for eligible costs. PFA also services loans and provides overall fund management and program administration.

Pursuant to Minnesota Statutes, Section 446A.04, Subdivision 20, all revenues collected from loan repayments will be deposited to the Clean Water Revolving Fund.

ACTIVITY 1 ENRTF BUDGET: \$6,000,000

Outcome	Completion Date
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1. PFA approves its 2019 CWRP Intended Use Plan identifying carryover projects from FY 2018 that are certified by PCA and ready for CWRP loan funding, and new projects eligible to apply for and receive CWRP loans in FY 2019.	Sept 2018
2. New 2019 IUP projects submit loan applications to PFA and plans and specifications to PCA, PCA approves plans and specifications and certifies projects to PFA for funding, PFA completes credit review and awards loans to approved and certified projects when they are ready to start construction and have secured any other necessary funding.	Continuous throughout FY 2019
3. PFA approves its 2020 CWRP Intended Use Plan identifying carryover projects from FY 2019 that are certified by PCA and ready for CWRP loan funding, and new projects eligible to apply for and receive CWRP loans in FY 2020.	Sept 2019
4. New 2020 IUP projects submit loan applications to PFA and plans and specifications to PCA, PCA approves plans and specifications and certifies projects to PFA for funding, PFA completes credit review and awards loans to approved and certified projects when they are ready to start construction and have secured any other necessary funding.	Continuous throughout FY 2020
5. PFA disburses loan funds monthly to eligible recipients as costs are incurred.	Continuous until June 30, 2022
6. The ENTRF funds support the long-term lending capacity of the CWRP which provides a permanent source of low cost capital for municipal wastewater projects and currently has an estimated average lending capacity of \$95 million per year in perpetuity.	June 30, 2022

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Fourth Update January 1, 2021

Fifth Update July 1, 2021

Sixth Update January 1, 2022

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ACTIVITY 2 Title: Water Infrastructure Funding (WIF) Program

Description: The WIF program provides grants up to \$5 million to municipalities based on affordability criteria for high cost wastewater projects. WIF grants are packaged with CWRP loans or USDA Rural Development funding. Projects receiving CWRP loans are eligible for WIF grants up to 80% of project costs if the average annual residential wastewater system cost after completing the project, including costs for operation and maintenance and existing debt service, would otherwise exceed 1.4% of the median household income of the project service area. Projects receiving USDA-RD funding can receive WIF matching grants for up to 65% of the grant need based on RD affordability criteria.

ACTIVITY 2 ENRTF BUDGET: \$14,652,000

Outcome	Completion Date
1. PFA reviews CWRP loan applications for WIF grant eligibility based on affordability criteria in MS 446A.072.	Continuous
2. USDA Rural Development reviews their funding applications for grant eligibility based on RD affordability criteria.	Continuous
3. PFA reserves WIF grant funds in priority order for eligible 2018 projects certified by PCA or approved by USDA-RD.	6/30/2018 (CWRP); 9/30/2018 (RD)
4. PFA awards WIF grants in conjunction with CWRP loans and USDA-RD funding when projects are ready to start construction.	Continuous
5. PFA reserves WIF grant funds in priority order for eligible 2019 projects certified by PCA or approved by USDA-RD.	6/30/2019 (CWRP); 9/30/2019 (RD)

6. PFA awards WIF grants in conjunction with CWRF loans and USDA-RD funding when projects are ready to start construction.	Continuous
7. PFA disburses WIF grant funds monthly to eligible recipients as costs are incurred.	Continuous
8. Assuming an average WIF grant of \$2.5 million per project, the ENRTF funds will provide grants for an additional 5-6 municipalities for high cost construction projects to replace aging infrastructure and improve wastewater and stormwater systems to maintain compliance with permit requirements.	June 30, 2022

First Update July 1, 2019

Second Update January 1, 2020

Third Update July 1, 2020

Fourth Update January 1, 2021

Fifth Update July 1, 2021

Sixth Update January 1, 2022

Final Report by August 15, 2022

ACTIVITY 3 Title: Point Source Implementation Grant (PSIG) Program

Description: The PSIG program provides grants up to \$7 million for 80% of eligible costs to municipalities to upgrade water treatment facilities to reduce the discharge of specific pollutants to meet more stringent permit requirements. Project applications are accepted each July from projects listed on the Pollution Control Agency's Project Priority List. The PCA reviews project plans and specifications to determine eligible project costs and approved projects and costs are certified to the PFA. PSIG grants are not awarded until projects are ready to start construction.

As stated in MS 446A.073, Subdivision 1, PSIG eligible projects are those made necessary by:

- (1) a wasteload reduction prescribed under a total maximum daily load plan required by section 303(d) of the federal Clean Water Act;
- (2) a phosphorus concentration or mass limit which requires discharging 1 milligram per liter or less at permitted design flow which is incorporated into a permit issued by PCA;
- (3) any other water quality-based effluent limit established under section 115.03, subdivision 1, paragraph (e), clause (8), and incorporated into a permit issued by PCA that exceeds secondary treatment limits; or
- (4) a total nitrogen concentration or mass limit that requires discharging ten milligrams per liter or less at permitted design flow.

ACTIVITY 3 ENRTF BUDGET: \$38,348,000

Outcome	Completion Date
1. Municipalities submit 2018 PSIG applications to PFA in July 2017.	July 2017
2. PCA reviews PSIG applications and project plans and specifications and certifies 2018 eligible projects to PFA.	6/30/2018
3. PFA reserves PSIG funds for 2018 certified projects in priority order and awards grants from available funds when projects are ready to start construction and have secured any other necessary funding.	Continuous
4. Municipalities submit 2019 PSIG applications to PFA in July 2018.	July 2018
5. PCA reviews PSIG applications and project plans and specifications and certifies 2019 eligible projects to PFA.	6/30/2019
6. PFA reserves PSIG funds for 2019 certified projects in priority order and awards grants from available funds when projects are ready to start construction and have secured any other necessary funding.	Continuous
7. PFA disburses PSIG grant funds monthly to eligible recipients as costs are incurred.	Continuous

8. Assuming an average PSIG grant of \$3.5 million per project, the ENRTF funds will provide grants for an additional 10-11 municipalities to upgrade water treatment facilities to meet more stringent permit requirements.	June 30, 2022
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- First Update July 1, 2019**
- Second Update January 1, 2020**
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IV. DISSEMINATION:

Description: Notices of PFA loan and grant awards are posted on the PFA website and press releases are distributed to news outlets. The notices and press releases will acknowledge ENRTF support.

- First Update July 1, 2019**
- Second Update January 1, 2020**
- Third Update July 1, 2020**
- Fourth Update January 1, 2021**
- Fifth Update July 1, 2021**
- Sixth Update January 1, 2022**
- Final Report by August 15, 2022**

V. ADDITIONAL BUDGET INFORMATION:

A. Personnel and Capital Expenditures

Explanation of Capital Expenditures Greater Than \$5,000:

PFA loan and grant agreements require the recipient to own and operate the system components that make up the project in compliance with all applicable laws, regulations and permit requirements, and that the recipient may not sell or change the use of any portion without prior written approval of the Commissioner of Minnesota Management and Budget.

Explanation of Use of Classified Staff:

NA

Total Number of Full-time Equivalent (FTE) Directly Funded with this ENRTF Appropriation:

Enter Total Estimated Personnel Hours: 0	Divide by 2,080 = TOTAL FTE: 0
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Total Number of Full-time Equivalent (FTE) Estimated to Be Funded through Contracts with this ENRTF Appropriation:

Enter Total Estimated Personnel Hours: 0	Divide by 2,080 = TOTAL FTE: 0
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B. Other Funds:

The CWRP loan program includes a variety of funding sources including federal funds, state match funds, PFA revenue bond proceeds, loan repayments and interest earnings. Loans may be funded through any one or more of these sources. The 2018 federal capitalization grant is \$29,501,000. Federal capitalization grants in 2019 and

2020 are expected in similar amounts. The current estimated average lending capacity is \$95 million per year in perpetuity.

The WIF program includes appropriations from state general obligation bonds. WIF grants are awarded in conjunction with CWRP loans or USDA Rural Development funding. In 2017, the appropriation for the WIF program (for wastewater projects) from state g.o. bonds was \$40,000,000.

The PSIG program includes appropriations from Clean Water Legacy Funds and state general obligation bonds. PSIG grants may be awarded in conjunction with other PFA loans and grants or USDA Rural Development funding, or cities may choose to use their own funds for the local share. In 2017, appropriations for the PSIG program were \$15,750,000 from Clean Water Legacy Funds and \$33,737,000 from state g.o. bonds.

SOURCE OF AND USE OF OTHER FUNDS	Amount Proposed	Amount Spent	Status and Timeframe
Other Non-State \$ To Be Applied To Project During Project Period:			
Estimated 2019 CWRP loans	\$ 89,000,000	\$	Secured (Estimated average annual lending capacity minus \$6 M ENRTF.)
Other State \$ To Be Applied To Project During Project Period:			
M.L. 2017 G.O. Bonds for WIF	\$40,000,000	\$	Secured
M.L. 2017 G.O. Bonds for PSIG	\$33,737,000		Secured
M.L. 2017 Clean Water Fund for PSIG	\$ 15,750,000		Secured
In-kind Services To Be Applied To Project During Project Period:			
	\$	\$	
Past and Current ENRTF Appropriation:			
	\$	\$	
Other Funding History:			
	\$	\$	

VI. PROJECT PARTNERS:

A. Partners outside of project manager’s organization receiving ENRTF funding

NA

B. Partners outside of project manager’s organization NOT receiving ENRTF funding

The Pollution Control Agency prepares its project priority list to rank proposed projects, conducts technical and environmental project reviews, and certifies eligible projects to the PFA.

VII. LONG-TERM- IMPLEMENTATION AND FUNDING:

Municipalities receiving PFA loans and grants are responsible for completing their projects and operating and maintaining their water infrastructure systems in compliance with permit requirements. PFA loan officers review municipal audits, budgets, rates and cash flows to ensure that loan recipients have sufficient revenues to cover annual operation and maintenance and debt service costs.

WIF recipients are required to establish a system replacement fund and annually deposit a minimum of \$0.50 per 1000 gallons of flow for major rehabilitation, expansion, or replacement of the wastewater system. Money must remain in the fund for the term of the project loan unless use of the fund is approved by the PFA. The PFA receives an annual report from each recipient indicating the amount deposited and the fund balance.

VIII. REPORTING REQUIREMENTS:

- The appropriation bond funds will be used for eligible projects beginning on the day that the bond proceeds are made available by MMB.
- The PFA will provide periodic reports showing the disbursement of appropriation bond funds to eligible recipients.
- A final report will be provided when the appropriation bond funds are fully disbursed showing the recipients and amounts received.

IX. SEE ADDITIONAL WORK PLAN COMPONENTS:

- A. Budget Spreadsheet - Attached**
- B. Visual Component or Map - NA**
- C. Parcel List Spreadsheet - NA**
- D. Acquisition, Easements, and Restoration Requirements - NA**
- E. Research Addendum - NA**

**Attachment A:
Environment and Natural Resources Trust Fund
M.L. 2018 Budget Spreadsheet**



Legal Citation: M.L. 2018, Chp 214, Art 6, Sec 4, Subd 8

Project Manager: Jeff Freeman

Project Title: PFA Wastewater Infrastructure Loan and Grant Programs

Organization: Public Facilities Authority

Project Budget: \$59,000,000

Project Length and Completion Date: June 30, 2022

Today's Date: August 29, 2018

ENVIRONMENT AND NATURAL RESOURCES TRUST FUND BUDGET	Budget	Amount Spent	Balance
BUDGET ITEM			
Personnel (Wages and Benefits)		\$0	\$0
Professional/Technical/Service Contracts			
		\$0	\$0
		\$0	\$0
Equipment/Tools/Supplies			
		\$0	\$0
		\$0	\$0
Capital Expenditures Over \$5,000			
Activity 1. State Match for Federal Grants	\$6,000,000	\$0	\$6,000,000
Activity 2. Water Infrastructure Funding (WIF) Program	\$14,652,000	\$0	\$14,652,000
Activity 3. Point Source Implementation Grant (PSIG) Program	\$38,348,000	\$0	\$38,348,000
Fee Title Acquisition			
		\$0	\$0
Easement Acquisition			
		\$0	\$0
Professional Services for Acquisition			
		\$0	\$0
Printing			
		\$0	\$0
Travel expenses in Minnesota			
		\$0	\$0
		\$0	\$0
Other		\$0	\$0
COLUMN TOTAL	\$59,000,000	\$0	\$59,000,000