

## WATER INFRASTRUCTURE FINANCING PROGRAMS

### Overview

- The Public Facilities Authority (PFA) administers state programs to fund wastewater, drinking water, and stormwater treatment projects for cities throughout the State.
  - Programs are administered in conjunction with Pollution Control Agency (wastewater and stormwater) and Health Department (drinking water)
    - PFA – financial review and fund management
    - PCA/MDH – technical review and project priorities
- Eligible projects include rehabilitation, replacement and upgrade of municipal wastewater and drinking water treatment facilities, sanitary sewer collection systems, watermain distribution systems, wells, and water towers.
- All PFA programs follow project priority lists prepared by the Pollution Control Agency (wastewater and stormwater projects) and Health Department (drinking water projects)
  - Projects are ranked based on age and condition of existing infrastructure and water quality and public health criteria
- The PFA funding framework is based on low interest loans that are available to cities of all sizes and targeted grants focused on affordability needs and specific water resource protection and restoration goals.
- The PFA works closely with other state and federal agencies to coordinate funding, including USDA Rural Development and the DEED Small Cities Development Program.

### Clean Water and Drinking Water Revolving Funds

- Low interest loans for municipal wastewater and drinking water projects. Loan repayments revolve back to make new loans, providing a permanent source of capital to help cities finance water infrastructure construction projects.
  - Clean water (wastewater) loans, 1990 to date: 533 for \$2.9 billion
  - Drinking water loans, 1999 to date: 395 loans for \$802 million
  - \$838 million in interest savings to local governments and their taxpayers
- Program support provided by annual federal capitalization grants and 20% state match. PFA leverages federal and state funds by issuing its AAA rated revenue bonds to generate additional loan funds.
  - To date, each \$1 in state matching funds has generated over \$16 in project construction and more than \$3 in interest savings
- Current average annual lending capacity
  - Clean Water Revolving Fund: \$94 million/year
  - Drinking Water Revolving Fund: \$40 million/year

### **Water Infrastructure Funding (WIF) Program**

- Supplemental grants up to 80% based on affordability criteria for high cost water infrastructure projects.
- WIF grants are packaged with CWRP/DWRP loans or provided as match with USDA Rural Development funding.
  - Projects receiving CWRP or DWRP loans are eligible for WIF grants if O&M and debt service costs per household exceed affordability criteria
    - Wastewater - 1.4% of MHI (\$48/mo. for avg non-metro MHI)
    - Drinking Water – 1.2% of MHI (\$41/mo. for avg non-metro MHI)
  - Projects receiving RD funding can receive a WIF matching grant for up to 65% of the grant need based on RD affordability criteria.
- 2017 legislation made drinking water projects eligible for WIF and increased the maximum grant to \$5,000,000.

### **Point Source Implementation Grant (PSIG) Program**

- Grants to help cities upgrade treatment facilities to reduce discharge of specific pollutants to in order to meet more stringent treatment requirements.
- 2017 legislation increased the grant percentage to 80% of eligible costs and the maximum grant to \$7,000,000.

### **Small Community Wastewater Treatment Program**

- Grants and loans to help small unsewered communities address problems from failing and noncomplying septic systems.
  - Technical assistance grants up to \$60,000 for site evaluations and feasibility studies
  - Construction loans and grants up to \$2 million to failing septic systems with community subsurface sewage treatment systems

**WASTEWATER AND WATER INFRASTRUCTURE FUNDING AT A GLANCE**

	Public Facilities Authority					USDA
Funding Programs:	Clean Water Revolving Fund	Drinking Water Revolving Fund	Water Infrastructure Funding Program	Point Source Implementation Grant Program	Small Community Wastewater Treatment Program	Rural Development Program
<b>Program Purpose:</b>	Low interest loans to cities of all sizes for ww projects. (10% of fed \$ can be used for principal forgiveness grants)	Low interest loans to cities of all sizes for dw projects. (20% of fed \$ can be used for principal forgiveness grants)	Supplemental grants up to \$5M for high cost ww and dw projects based on affordability criteria (primarily small cities). Matched with PFA loans or USDA-RD funding.	Grants up to \$7M for treatment plant upgrades to reduce discharge of specific pollutants (phosphorus, chlorides, others)	Grants and loans to help very small unsewered communities address failing septic systems. TA grants up to \$60K, construction loans/grants up to \$2M	Grants and loans to rural cities (generally under 1000 population) for ww and dw projects
<b>Average annual appropriations, 2012-2016</b>	Federal: \$25.3M State: \$3.5M Other sources: loan repayments and PFA revenue bonds	Federal: \$15.1M State: \$2.2M Other sources: loan repayments and PFA revenue bonds	State: \$8.7M (wastewater WIF only)	State CW Legacy Fund: \$11.1M (Includes TMDL and Phos Reduction programs)	State CW Legacy Fund: \$1.35M	Federal: \$45M (includes \$28M state allocation, plus \$17M reallocation from national pool due to WIF match)
<b>2017 Appropriations</b>	Federal: \$24.4M State: \$10M (to match 2017-18 fed funds, 20%)	Federal: \$14.7M State: \$7M (to match 2017-18 fed funds, 20%)	State: \$55M (\$40M ww, \$15M dw)	St CW Legacy: \$15.75M State bonding: \$33.7M	St CW Legacy Fund: \$250K	Federal: \$37M (\$28M state allocation plus \$9M from national pool due to WIF match)
<b>Total Project Funding to Date</b>	\$2.9B, 1989-2017 (533 loans)	\$802M, 1999-2017 (395 loans)	\$244M, 1996-2017 (199 projects)	\$86M, 2007-2017 (96 projects)	TA Grants: \$988K (39 projects) Const loans/grants: \$7.7M (13 projects)	
<b>Average annual project funding</b>	Average lending capacity = \$94M/year	Average lending capacity = \$40M/year	\$7.4M per year, 2013-17	\$11M per year, 2013-17	\$1.5M per year, 2013-17	\$36M, 2017
<b>2018 project requests</b>	Total: \$360M Approved IUP fundable range: \$301M	Total: \$269M Approved IUP fundable range: \$205M	Current estimated 2018 WIF Needs: WW=\$42M, DW=\$26M	2018 applications: \$129M (39 projects)	2018 apps to date: \$96K (2 projects)	
<b>Project Needs - 5 year</b>	\$1.5B (2018 Clean Water Project Priority List)	\$607M (2018 DW Project Priority List)				
<b>Project Needs - 20 years</b>	\$4.2B (MPCA WINS Survey)	\$7.4B (EPA/MDH Needs Survey)				
<b>Annual Project Funding Target to Address Needs</b>	CWRF average annual lending capacity: \$125M	DWRF average annual lending capacity: \$50M	WW WIF: \$25M DW WIF: \$15M	\$40M / year	\$125K / year (TA grants), Const funding TBD	\$36M / year
<b>Long-term State Appropriation Need</b>	\$15M (per biennium)	\$10M (per biennium)	\$80M (per biennium)	\$80M (per biennium, bonding and CW Legacy)	\$250K per biennium (CW Legacy)	

**Water Infrastructure Project Funding**

FY	Public Facilities Authority								USDA RD (&SCDP grants)		Total
	CWRF loans	CWRF PF grants	DWRF loans	DWRF PF grants	WW WIF	DW WIF	PSIG grants	Sm Comm WWT	RD loans	RD/SCDP grants	
Avg per year, 2013-2017	\$ 90,331,817	\$ 3,807,347	\$ 35,194,080	\$ 3,958,888	\$ 7,448,251	\$ -	\$ 10,973,771	\$ 1,465,447	\$ 26,241,800	\$ 20,449,713	\$ 199,871,114
2018 estimated	\$ 94,000,000	\$ 2,400,000	\$ 40,000,000	\$ 2,900,000	\$ 40,000,000	\$ 15,000,000	\$ 38,919,000	\$ 125,000	\$ 23,000,000	\$ 15,000,000	\$ 271,344,000
Target	\$ 125,000,000	\$ 2,400,000	\$ 50,000,000	\$ 2,900,000	\$ 25,000,000	\$ 15,000,000	\$ 40,000,000	\$ 125,000	\$ 23,000,000	\$ 15,000,000	\$ 298,425,000

