



# Infrastructure Funding Programs for Cities

2024 Minnesota Municipal Clerks Institute  
May 8, 2024

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## Welcome



**Chelsea Alger**  
Director of Funding

Over 20 Years of public and nonprofit community development and grant writing



**Nancy Thorkelson**  
Senior Funding Specialist

Over 34 years of experience with Bolton & Menk

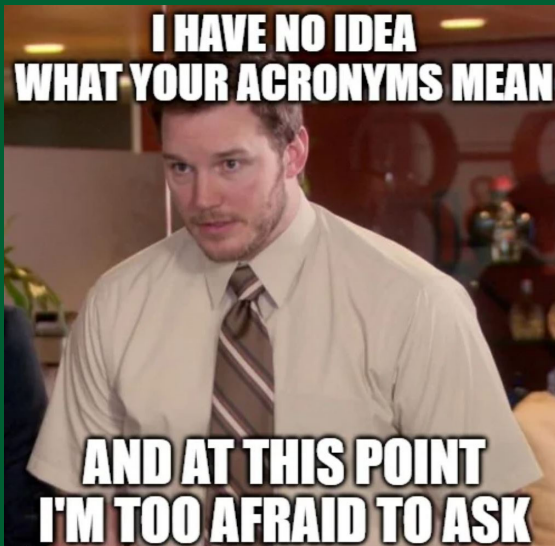
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## Presentation Topics



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*Acronyms are a given when working with public agencies. Let's find out what they all mean....*

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# Acronyms

<b>IIJA</b> • Infrastructure Investment and Jobs Act	<b>PFA</b> • Public Facilities Authority	<b>CWRF/DWRF</b> • Clean Water/Drinking Water Revolving Fund	<b>PPL</b> • Project Priority List	<b>IUP</b> • Intended Use Plan
<b>WIF</b> • Water Infrastructure Fund	<b>PSIG</b> • Point Source Implementation Grant	<b>LSLR</b> • Lead Service Line Replacement	<b>USDA RD</b> • US Department of Agriculture - Rural Development	<b>DEED</b> • MN Department of Employment and Economic Development
<b>SCDP</b> • Small Cities Development Program	<b>MDH</b> • MN Department of Health	<b>MPCA</b> • MN Pollution Control Agency	<b>AIS</b> • American Iron & Steel	<b>BABA</b> • Build America Buy America

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## PFA

### Public Facilities Authority

- State Revolving Fund
- Grant Resources

#### CWRF

Low-interest Loan for sanitary and (*storm*) system improvements

#### DWRF

Low-interest Loan for water system improvements

#### WIF

Affordability grant. *Only* available through use of CW/DWRF or USDA-RD

#### PSIG

Grant to address sanitary discharge limits. *Can* be stand alone

#### Emerging Contaminants

Grant to address drinking water standards. *Only* available through CW/DWRF

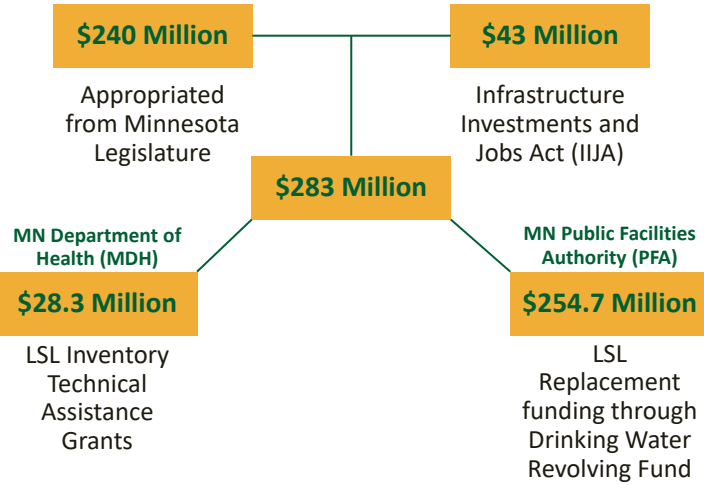
#### LSLR

Grant to address replacement of lead service lines

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# Minnesota Lead Service Line Funding

2022-2023



**2024-2028**

- \$10 Million in Governor’s 2024 budget recommendation and 2026 and 2028 planning estimates
- Approximately \$40 Million/year 2024-2026 from IIJA

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## Lead Service Line Replacement Funding

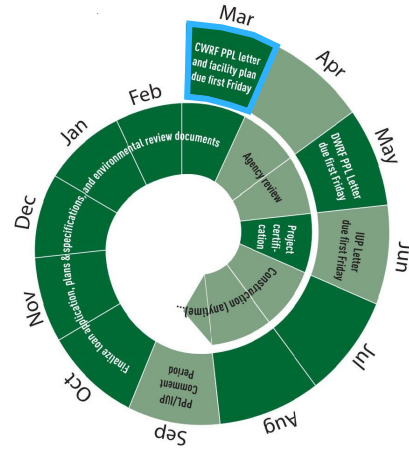
KEY TAKEAWAYS:

- All replacement funds pass through the MN Public Facilities Authority **Drinking Water Revolving Fund Program (DWRP)**
- Apply for the MDH **Project Priority List (PPL)** and PFA **Intended Use Plan (IUP)**
- LSL replacements will be at **no public or private cost** (for now)

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## Annual PFA Funding Cycle

- **CWRF:** Submit PPL and Facility Plan to MPCA by first Friday in March



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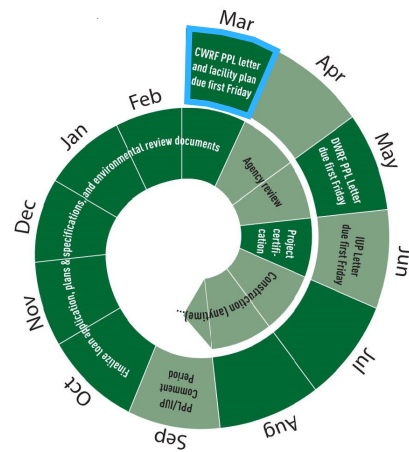
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PPL Website: [Wastewater and stormwater financial assistance | Minnesota Pollution Control Agency \(state.mn.us\)](#)

- Application (2-pages, community and system details)
- Scoring Worksheet
- Facility Plan\* (engineering report)

\*Only necessary if also intending to list a project on the IUP

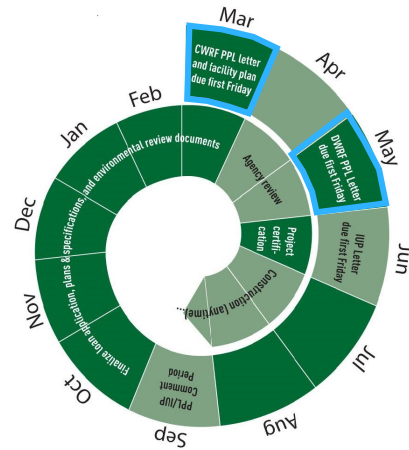


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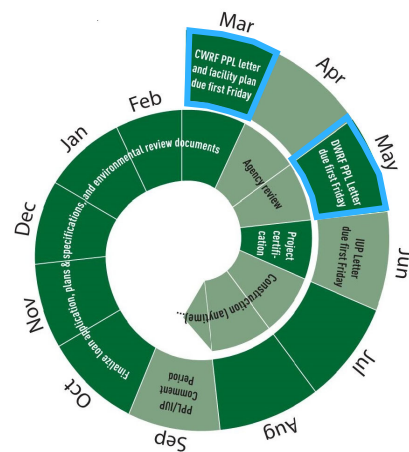
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PPL Website: [Drinking Water Revolving Fund Project Priority List - MN Dept. of Health \(state.mn.us\)](https://www.state.mn.us/health/dwrf/ppl/)

- Application (“abbreviated engineering report”)
- Template format provided on MDH website

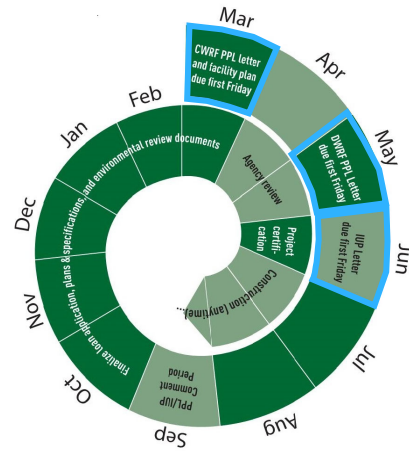


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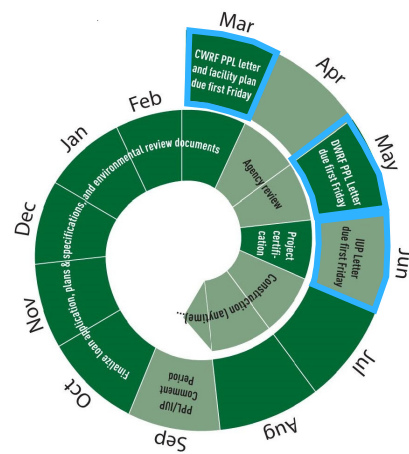
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PFA Website: [Public Facilities Authority \(PFA\) / Public Facilities Authority \(mn.gov\)](https://www.pfa.mn.gov)

- IUP Application (letter summarizing PPL request(s))
- Can also submit at the same time as the PPL- copy all relevant agencies



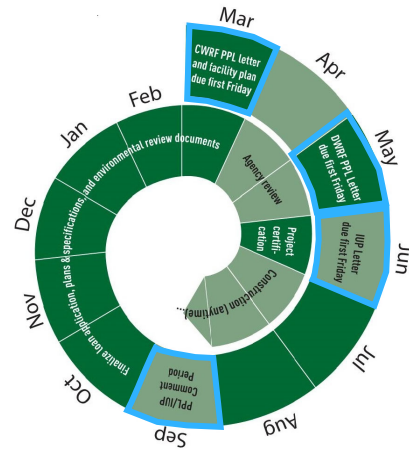
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- **PPL/IUP** lists published in September. Eligible projects are listed on Part B of the IUP.

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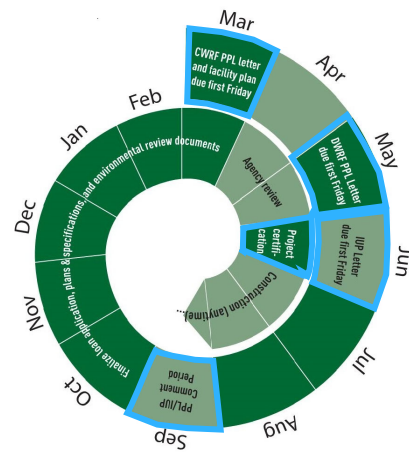


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- **PPL/IUP** lists published in September. Eligible projects are listed on Part B of the IUP.
- [Public Facilities Authority \(PFA\) / Public Facilities Authority \(mn.gov\)](https://www.pfa.mn.gov/)
- Once listed on the IUP, the project is eligible to Certify and Fund by:
  - Plan and specification approval by MDH and/or MPCA
  - Loan application to PFA
  - Environmental Clearance



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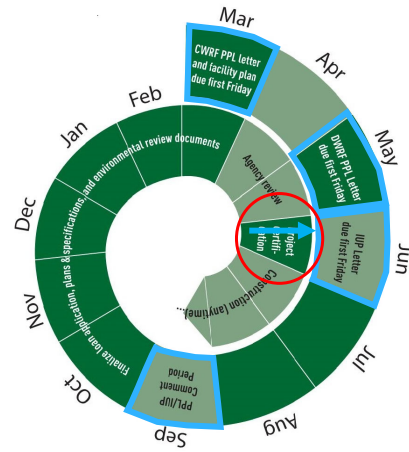
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# Annual PFA Funding Cycle

**Not ready to move forward after all? That's okay!**

- Submit a new IUP request by the next June deadline
- PPL Applications are good for FIVE YEARS
- IUP Applications must be renewed every year if a project does not certify by June 30<sup>th</sup>



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## LSL Replacement Projects

LSL Replacement included in a utility project

- Project with city bonding only- must follow PFA guidelines if bid under one contract
- Project with PFA financing- follow the same guidelines

LSL Replacement as a stand-alone project

- Past projects with known lead services
- Addressing a large number of services at once

Work with your consultant to determine the best option for your system

MDH has great resources on their website! →



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## USDA- RD

*United States  
Department of  
Agriculture- Rural  
Development*

- Water & Waste Disposal Program
- Loan and Grant Resources

**40-Year Financing**

**SEARCH Grant**

**Affordability Grant**

Low-interest loans to address water and sanitary system rehabilitation

Up to \$30,000 of assistance for the Preliminary Engineering Report

May come through USDA or PFA WIF program

**Demographic Limits**

**Open Application**

Rural communities with population under 10,000

No application deadlines. Apply whenever your community is ready

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## DEED

*Department of  
Employment and  
Economic Development*

- Small Cities Development Program (SCDP)
- Public Facilities Grant

**Affordability Grant**

**Gap Funding**

**Stand-Alone Grant**

Up to \$600,000 to address water and sanitary system rehabilitation\*

Often coupled with USDA-RD or PFA to meet affordability need

Can be a stand-alone funding source for a project

**Income Limits**

**Annual Application**

Community or benefitting area must be at least 51% LMI

Annual competitive application for non-entitlement communities\*\*

\*Other primary funded activities include housing and commercial rehabilitation  
\*\*Cities under 50,000 and Counties under 200,000

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## Affordability Grants

Both PFA and USDA-RD offer affordability grant options:

- **PFA (WIF):** 80% of project cost up to \$5,000,000
- **USDA-RD:** Median Household Income\* (MHI) is used to determine grant thresholds:

> \$75,750

Not Grant Eligible

\$60,600 - \$75,749

Up to 45% of project cost

< \$60,600

Up to 75% of project cost

Must also have a health and safety issue

\*USDA-RD is currently using the 2017-2021 ACS Census Data.

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## Affordability Determinations



Four Elements of Affordability



Affordability Thresholds for PFA and USDA RD



Affordability Cost Per Household Calculation



Using Affordability Calculation to Evaluate Additional Debt Capacity

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## Four Elements of Affordability

### Affordability is Based on Four Main Elements:

- Operation and Maintenance (O&M) Costs of the system being financed
- Community Median Household Income (MHI) from census estimates
- Debt for improvements to the system being financed
- Equivalent Residential Units (ERUs) in the community

*The total cost per household to operate, maintain and pay debt on the system proposed for improvement must be higher than the affordable monthly cost per household as established by each Program:*

$$(MHI \times \text{Affordability } \%) / 12 = \text{Affordable cost per household/month}$$

System	PFA	USDA-RD
Clean (Sanitary) Water	1.4%	1.5%
Drinking Water	1.2%	1.5%

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## Affordable Cost Per Household Calculation

System	PFA	USDA-RD
Clean (Sanitary) Water	1.4%	1.5%
Drinking Water	1.2%	1.5%

**MHI = \$50,000**

**Program= PFA Drinking Water**

$$(MHI \times \text{Affordability } \%) / 12 = \text{Affordable cost per household/month}$$

$$(\$50,000 \times 1.2\%) / 12 = \$50.00/\text{month}$$

- \$50.00 represents the monthly cost per household the PFA DW Program deems "affordable" to operate the drinking water system.
- Each Utility is evaluated separately, and affordability is not an aggregate of ALL utilities

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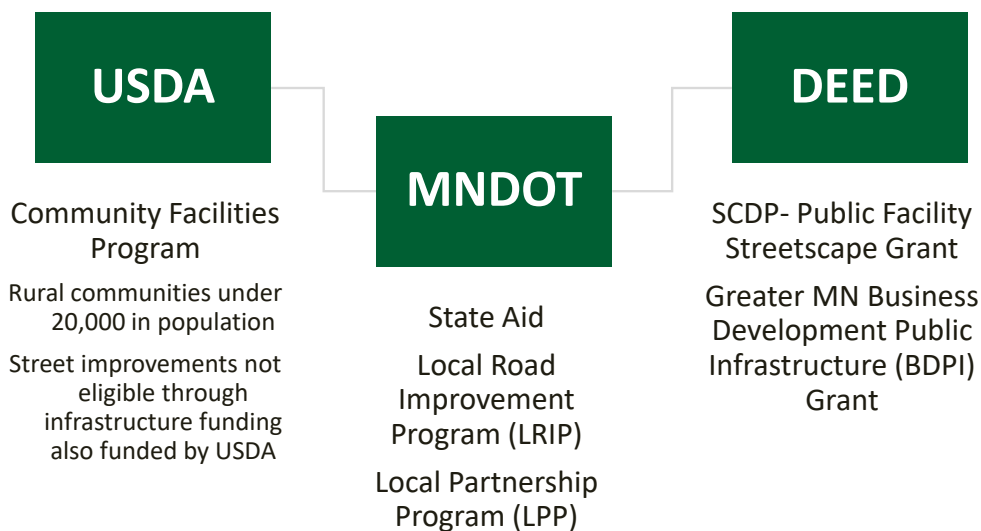
## Using Affordability Calculation to Evaluate Additional Debt Capacity

Median Household Income (MHI)	\$50,000
Total Equivalent Residential Units (ERUs)	4,000
Max Monthly Water Cost per ERU (1.2% of MHI)	\$50.00
Max Yearly Revenue at 1.2% MHI	\$2,400,000
	Yearly Expenditures
Operations and Maintenance	\$1,600,000
Average Yearly System Debt Service (P&I)	\$500,000
Total Yearly Expenditures	\$2,100,000
Excess in Yearly Funds at Max Revenue	\$300,000
Yearly Debt Service Payment at 2% Interest Over 20-year Term Per \$1.0M Loan	\$60,000
Debt Capacity Range	\$5M

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## Supplemental Funding Resources



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## Supplemental Resources

**Project Examples:**  
Do the proposed improvements involve any of the following?

MnDOT Highways or connection to MnDOT highways?	County roads or crossing of county roads	City streets that connect highways to grain elevators or schools	Providing access and utilities to newly developed business* areas
Local Partnership Program (LPP)	County state aid funding	Local road Improvement Program (LRIP)	DEED Business Development Public Infrastructure (BDPI)  <small>*Industrial, manufacturing, warehousing, including speculative industrial parks</small>

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## Agency Partnerships

**Capitalize on potential partnerships to bring additional funds to the table:**

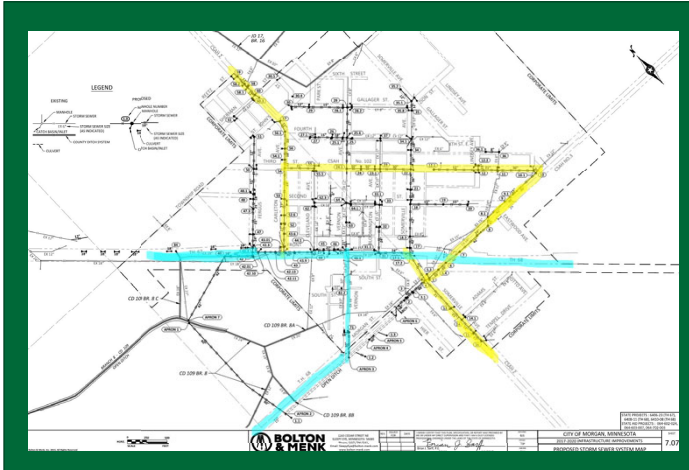
County Five-Year Plans	MnDOT Local Partnership Program (LPP)	MnDOT Capital Highway Investment Plan (CHIP) and State Transportation Improvement Program (STIP)
Talk to the county, research their planning documents	MnDOT districts annually solicit for applications for projects that solve transportation issues on Trunk Highways where locally led projects benefit both the agencies.	Identify future MnDOT projects Contact MnDOT early in the process Contact MnDOT to request a scoping study

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# Project Funding Success Stories

## CAPITALIZING ON PARTNERSHIPS- City of Morgan:



Morgan Infrastructure Improvements Funding Partners	
RD Loan	\$12,432,000
RD Grant (includes WIF)	\$8,516,000
Local Funding	\$258,000
Redwood County	\$2,940,000
MnDOT	\$1,175,000
<b>Total</b>	<b>\$25,321,000</b>
<b>City of Morgan</b>	<b>\$12,690,000</b>
<b>Grant / Outside Funding</b>	<b>\$12,631,000</b>
<b>Total</b>	<b>\$25,321,000</b>

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# Project Funding Success Stories


## MAXIMIZING GRANT ELIGIBILITY AND RESOURCES- City of Hoyt Lakes WWTP:

	Original Project Scope	Final Project Scope
Components:	Mercury Filters, Chlorine Contact Tank, Chemical Feed	<u>Original, plus:</u> EQ Tank, Influent Screen and Flume, Trickling Filters, Gas Handling Equipment, Controls, Samplers, Sludge Truck
Total Project Cost:	\$6,000,000	\$12,000,000
Grant (PSIG/WIF):	\$4,800,000 (80%)	\$10,200,000 (85%)
Total City Cost:	\$1,200,000	\$1,800,000

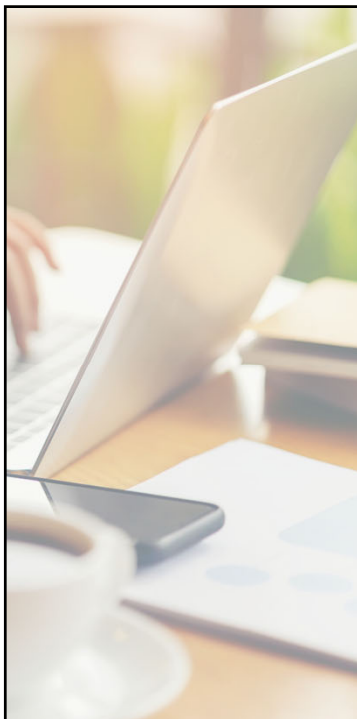
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## Tips for a Successful Application

-  Start early and understand the funding Program
-  Build Relationship with overseeing agency/staff
-  Develop Partnerships with other key community resources

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## Tips for a Successful Application

-  Is your Project included in other planning documents?
-  Is your project at an appropriate phase for the funding application? Is it "shovel ready"?
-  Is the City's financial "house" in order?
-  Be creative and persistent

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# Questions?



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