



Appendix Q

Water and Wastewater Infrastructure Money for Projects in Minnesota

Small Cities Development Program

The **Small Cities Development Program (SCDP)** is a federally funded program administered by the Minnesota Department of Employment and Economic Development (DEED). The state receives approximately \$20 million annually and, of that amount, a portion is awarded for public facilities projects that include water storage and distribution and sewer treatment and collection. The Small Cities Program funds are awarded on a competitive basis, and projects with health or safety issues are more likely to be funded. The amount of the award varies considerably but is primarily based on community and user affordability.

Additional funds may be available for projects related to economic development purposes. Approximately \$3 million per year from Federal Economic Development funds are available to help business expansion where the primary goal is to create jobs. At least 51% of the jobs created must be taken by individuals of low-and moderate-income. For each job projected to be created over a two year period, a business may receive up to \$16,000. Minimum pay is \$10.25 per hour. For each job that pays over \$12.00 per hour, the business is eligible to receive \$24,000 from the program.

Also available through DEED is the Greater Minnesota Business Development Public Infrastructure Public Grant Program which was established by the 2002 legislature to assist with complex and costly public infrastructure development projects for industrial development parks and businesses that might not occur without public financial assistance. \$4.5 million has been appropriated for the 2008-2009 biennium. Applications are accepted on a year round basis. **For more information, please contact: Reed Erickson, Phone (651) 297-1980 or 800-657-3858, E-mail: reed.erickson@state.mn.us or Web site: www.deed.state.mn.us/SCDP/.**

U.S. Army Corps of Engineers

Environmental Infrastructure Assistance Program: Section 569. The Section 569 Program area consists of the northeastern Minnesota counties of Aitkin, Beltrami, Carlton, Cass, Chisago, Cook, Crow Wing, Hubbard, Isanti, Itasca, Kanabec, Koochiching, Lake, Mille Lacs, Morrison, Pine, St. Louis, and Wadena.

The Section 569 program authorizes the Corps to provide public entities in the 18-county northeastern Minnesota area assistance in the “form of design and construction assistance for water-related environmental infrastructure and resource protection and development projects, including projects for wastewater treatment and related facilities, water supply and related facilities, environmental restoration, and surface water resource protection and development.” Section 569 of the Water Resources Development Act of 1999 authorizes the program. **For more information, please contact: Roland Hamborg, Phone: 651-290-5327, E-mail: roland.o.hamborg@usace.army.mil or Web site: www.mvp.usace.army.mil.**

Economic Development Administration

U.S. Department of Commerce: Public Works and Development Facilities Program empowers distressed communities in economic decline to revitalize, expand and upgrade their physical infrastructure to attract new industry, encourage business expansion, diversify local economies, and generate or retain long-term, private sector jobs and investment.

In many cases, public works projects are used to upgrade or expand an area's economic infrastructure to support the next generation of industry or commerce. Whenever possible, this program seeks to redevelop existing facilities and industrial/commercial locations. EDA encourages such redevelopment projects because they promote sustainable economic development by taking advantage of readily available infrastructure and markets.

This Program supports locally developed projects that encourage long-term economic self-sufficiency and global competitiveness. Examples of past infrastructure investments include water and sewer facilities, industrial access roads, rail spurs, port improvements, skill-training facilities, technology-related infrastructure, as well as demolition, renovation, and construction of publicly-owned infrastructure facilities. **For more information and a list of state offices, please contact: John O’Leary, Phone: 612-335-4025, E-mail: jo’leary@eda.doc.gov or Web site: www.doc.gov/eda.**

Water and Wastewater Predevelopment Planning Grants

Water and Wastewater Predevelopment Planning Grants. There is a grant available to assist in paying costs associated with development of an application for a proposed water or wastewater project. Documents such as Preliminary Engineering Reports and Environmental Reports are required to be obtained prior to having funds committed for a project. Predevelopment Planning Grant funds can be used to help pay for these costs. Minnesota's annual allocation is approximately \$15,000. Projects are selected by July 1st of each year. Each grant is limited to \$15,000 or 75% of the project, whichever is less. Projects will be selected primarily on funding priorities but will also include the following criteria: Limited Resources, Small Systems with Lowest Income, and Funding Availability.

Eligibility and guidelines for the grant include: (a) the median household income (MHI) of the service area must be either below the poverty line or below 80% of the state's MHI; (b) the proposed project must be for eligible loan and grant purposes; (c) applicant's must show they do not have resources to pay predevelopment expenses on their own; and (d) grants are limited to projects the Agency expects to fund soon after the application is submitted. Funds are very limited.

Eligible predevelopment items funded must be agreed to and accepted by Rural Development prior to the disbursement of the grant. **If you are interested in applying for this program, or would like additional information, please contact your local Rural Development office.**

Minnesota Public Facilities Authority

The Clean Water Revolving Fund (CWRP) provides below-market rate loans to local governments for planning, design and construction of wastewater facilities. In Minnesota, the Fund is also known as the Water Pollution Control Revolving Fund, or simply the State Revolving Fund (SRF). The SRF is jointly administered by the Minnesota Pollution Control Agency (MPCA) and the Minnesota Public Facilities Authority (PFA). The MPCA is responsible for preparing the Project Priority List and for reviewing projects to ensure they meet environmental and technical requirements. The PFA is responsible for the financial administration of the program, including preparing the annual Intended Use Plan (IUP), which lists projects eligible to apply for loans, and reviewing and approving loan applications. Projects must start by requesting placement on the MPCA's Project Priority List and preparing a facilities plan. Projects with MPCA approved facilities plans may request placement on the PFA's IUP for the year when they expect to start construction. Projects must be listed on the IUP and certified by the MPCA before the PFA can approve a loan. Borrowers must issue a general obligation bond to the PFA to secure the loan, which may be up to 20 years. **For more information, please contact: MPCA: Bill Dunn, Phone: 651-757-2324, E-mail: bill.dunn@state.mn.us, or Web site: www.pca.state.mn.us/water/revolvingfund.html or PFA: Jeff Freeman, Phone: 651-259-7465, E-mail: jeff.freeman@state.mn.us or Web site: www.deed.state.mn.us/community/assistance/pfa.htm.**

The Drinking Water State Revolving Fund (DWSRF) provides below-market rate loans to local governments and other public water suppliers for planning, design and construction of drinking water facilities. In Minnesota, the Fund is known as the Drinking Water Revolving Fund (DWRF). The DWRF is jointly administered by the Minnesota Department of Health (MDH) and the Minnesota Public Facilities Authority (PFA). The MDH is responsible for preparing the Project Priority List and for reviewing projects to ensure they meet environmental and technical requirements. The PFA is responsible for the financial administration of the program, including preparing the annual Intended Use Plan (IUP), which lists the projects eligible to apply for loans, and reviewing and approving loan applications. Projects must start by requesting placement on the MDH's Project Priority List. Projects on the Project Priority List may request placement on the PFA's IUP for the year when they expect to start construction. Projects must be listed on the IUP and certified by the MDH before the PFA can approve a loan. Local government borrowers must issue a general obligation bond to the PFA to secure the loan, which may be up to 20 years. **For more information, please contact: MDH: John Schnickel, Phone: 651-201-4658, E-mail: john.schnickel@state.mn.us, Web site: www.health.state.mn.us/divs/eh/water/dwrf/index.html or PFA: Jeff Freeman, Phone: 651-259-7465, E-mail: jeff.freeman@state.mn.us or Web site: www.deed.state.mn.us/community/assistance/pfa.htm.**

Phosphorus Reduction Grant Program provides grants to assist municipalities with the cost of wastewater treatment projects that will reduce their discharge of total phosphorus to one milligram per liter or less.

Customer and Services: Any municipality that has an applicable phosphorus discharge limit incorporated into a permit issued by the Minnesota Pollution Control Agency (MPCA) on or after March 28, 2000, or that agrees to or has agreed to comply with the applicable limits is eligible to apply for the program. The MPCA approves a facilities plan for the project and certifies the eligible costs for the project to the Public Facilities Authority (PFA). The PFA awards grants to projects certified by the MPCA for 75 percent of the eligible capital costs up to a maximum grant of \$500,000. Eligible capital costs include engineering, inspection and as-bid or final construction costs for phosphorus treatment. **For more information, please contact: Jeff Freeman, Phone: 651-259-7465, E-mail: jeff.freeman@state.mn.us or Web site: www.deed.state.mn.us/programs/pfaphosphorus.htm.**

USDA Rural Development

Rural Development is a mission area of the United States Department of Agriculture that provides Guaranteed and Direct Loans and Grants through the Rural Utilities Service (RUS) program for water, wastewater and solid waste projects. Rural communities and small incorporated towns/cities with populations of 10,000 or less based on the latest decennial Census of the United States are eligible to apply. To qualify, applicants must be unable to obtain financing from other sources and/or their own resources at reasonable rates and terms. Public bodies and nonprofit corporations can be eligible applicants. Funds can be used for construction, land acquisition, legal fees, engineering fees, capitalized interest, equipment, initial operation and maintenance costs, project contingencies, and other cost that is determined by Rural Development to be necessary for the completion of the project. Projects must be primarily for the benefit of rural users.

Direct Loans

Market Rate – available to applicants whose 2000 Median Household Income (MHI*) for their service area is greater than the non-metropolitan MHI of Minnesota (\$46,993).

Intermediate Rate – available to applicants whose 2000 MHI is not more than the non-metropolitan MHI (\$46,993) of Minnesota and who otherwise do not qualify for the poverty rate.

Poverty Rate – available to applicants whose 2000 MHI is below the MHI of Minnesota (80% of \$46,993 = \$37,595) and there are existing health/sanitation conditions that would be alleviated with the proposed project so as to comply with regulatory agencies' established standards.

Guaranteed Loans – as negotiated by private lender and applicant and determined by RUS to be reasonable. May be fixed or variable rate.

Rates – are subject to change quarterly. The intermediate rate is set halfway between the poverty and market rates. Rates are fixed and the maximum rate is established at the time the loan is approved. If rates drop by the time the loan is closed, the applicant is afforded the opportunity to receive the lower rate.

Repayment Terms – up to 40 years for both direct and guaranteed loans based on the applicants authority and the useful life expectancy of the system.

Public Bodies – Revenue Bonds, General Obligation Bonds, Special MHI is below the Assessment Bonds, Non-Profit Corporations – Promissory Notes, Real Estate Mortgages, Financing Statements, and Security Agreements. Obligations that secure a guaranteed loan must be taxable.

Maximum Amounts – direct loans may be obtained for 100% of eligible projects costs subject to adequate security, ability to repay, applicant's authority to borrow and availability of funds.

Guaranteed Loans – same as for direct loans as determined by the private lender and approved by RUS. However, the Rural Development guarantee cannot exceed 90% of the loan, with the norm being 80%.

Grants – grants are used to supplement direct loans for the purpose of reducing user charge for the facility to a reasonable level when compared to comparable systems and similar size communities with similar economic and income conditions.

Maximum Grants – up to 75% of eligible project costs for applicants whose 2000 MHI is below the latest established nationwide poverty level or below 80% of the non-metropolitan MHI of Minnesota (80% of \$46,993 = \$37,595) and the project is needed to correct health and sanitation problems.

Eligibility of an applicant can be determined by filing an application package with the appropriate USDA, Rural Development Area Office.

Applications should be made at the Rural Development area office. The area office staff will be glad to discuss services available from the RUS and explain how to prepare a written application.

Minnesota has offices in:

Alexandria	(320) 763-3191	Bemidji	(218) 751-1942
Baxter	(218) 829-5965	Detroit Lakes	(218) 847-9392
Marshall	(507) 532-3234	Faribault	(507) 332-7418
Cambridge	(763) 689-3354	Willmar	(320) 235-5612

*The MHI numbers are subject to change with the new Census data.

Minnesota Rural Water Finance Authority

Minnesota Rural Water Finance Authority Interim Financing Loan Program (MRWFA) was created to assist communities in obtaining competitive interim financing for construction projects.

In an effort to assist borrowers across the State with the overwhelming burden of financing capital construction projects, the MRWFA in conjunction with Morgan Keegan have created an interim construction loan program to provide funding for communities which have received a permanent loan commitment from the United States Department of Agriculture, Rural Development (RD). The program is structured to provide a mechanism for obtaining competitive fixed rate loans for construction projects at a very low cost of borrowing. Loan proceeds are utilized for the construction period only and are paid off with USDA-RD funds when the project is complete or funded. **For more information please contact: Ruth Hubbard, Phone: 800-367-6792, E-mail: mrwa@mrwa.com or Web site: www.mrwa.com.**

Minnesota Governmental Agency Finance Group

Minnesota Governmental Agency Finance Group (MGAFG), through its Flexible Term Finance Program available from Minnesota Rural Water Association, assists communities in obtaining competitive financing for water and wastewater projects, streets reconstruction and maintenance, land and building acquisition, equipment purchases and repairs, refunding of existing debt, and community facilities projects through a bond pool process including city halls, libraries, hospitals, community centers, fire halls, and more. Payback period ranges from 1 to 26 years. **For more information please contact Ruth Hubbard, MRWA, at Phone: 800-367-6792 or E-mail: mrwa@mrwa.com or David Drown & Associates, Program Financial Advisor, at Phone: 612-920-3320. Web site: www.mrwa.com/flextermfinance.htm.**

Micro Loan Program

Minnesota Rural Water Association's Micro Loan Program helps finance small projects at the lowest possible cost. Program Specifics: loans from \$30,000 to \$200,000 repaid in seven years or less; loans structured as single G.O. Note; tax-exempt, bank qualified, and all loans placed with one bank; loans with terms of two years or less can be prepaid at any time at par; and loans with terms over two year must pay a call premium of 0.5% if prepaid in the first two years. Benefits for Borrowers: simple; quick; competitive interest rates; and low, fixed costs. **For more information please contact: Ruth Hubbard, MRWA, at Phone: 800-367-6792 or E-mail: mrwa@mrwa.com or David Drown Associates, Program Financial Advisor, at Phone: 612-920-3320. Web site: www.mrwa.com/microloan.htm.**

NRWA Revolving Loan Fund

The National Rural Water Association (NRWA) Revolving Loan Fund was established under a grant from the USDA/RUS to provide financing to eligible utilities for pre-development costs associated with proposed water and wastewater projects. RLF funds can also be used with existing water/wastewater systems and the short term costs incurred for replacement equipment, small scale extension of services or other small capital projects that are not a part of your regular operations and maintenance. Systems applying must be public entities including: municipalities, counties, special purpose districts, Native American Tribes, and corporations not operated for profit, including cooperatives, with up to 10,000 population and rural areas with no population limits. Loans have a maximum repayment period of 10 years. **For more information visit: www.nrwa.org (Use the Revolving Loan Fund link).**