

CHAPTER 7380

PUBLIC FACILITIES AUTHORITY

LOAN PROGRAMS

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GENERAL ADMINISTRATION

7380.0100 DEFINITIONS.

Subpart 1. **Scope.** The terms defined in this part apply to parts 7380.0100 to 7380.0130.

Subp. 2. **Meetings.** Regular meetings and special meetings of the authority, and notice of such meetings, shall be as provided in the Minnesota Open Meeting Law, Minnesota Statutes, section 471.705.

Subp. 3. **Statute.** "Statute" means Minnesota Statutes, section 471.705, cited as the Minnesota Open Meeting Law.

Statutory Authority: *MS s 446A.06 subd 2*

History: *13 SR 1822*

7380.0110 REGULAR MEETINGS.

Regular meetings of the authority are held as provided in the notice of meeting schedule issued by the authority and on file at the office of the authority at 500 Metro

Square, 121 7th Place East, Saint Paul, Minnesota 55101-2146. If the authority decides to hold a regular meeting at a time or place different from the time or place stated in its schedule of regular meetings, it shall do so as provided by Minnesota Statutes, section 471.705, subdivision 1c.

Statutory Authority: *MS s 446A.06 subd 2*

History: *13 SR 1822*

7380.0120 SPECIAL MEETINGS.

Special meetings of the authority may be called by the chair or by a majority of the members of the authority, provided the notice is given as required by statute. The purpose of the meeting shall be only as provided in the notice, and shall be held at the office of the authority in Saint Paul, Minnesota, unless another place of meeting is designated by resolution.

Statutory Authority: *MS s 446A.06 subd 2*

History: *13 SR 1822*

7380.0130 AGENDA.

A proposed agenda of business to be conducted at any regular or special meeting of the authority must be included with the notice of meeting to all members of the authority. Any citizen, group, or organization that has requested to be included on the Public Facilities Authority mailing list shall receive an agenda. The mailing list will be updated every two years. Any member of the authority who wishes to add an item on the agenda of a regular meeting may do so with the concurrence of the majority of the members.

Statutory Authority: *MS s 446A.06 subd 2*

History: *13 SR 1822*

HEALTH CARE EQUIPMENT LOAN PROGRAM

7380.0200 SCOPE AND AUTHORITY.

Parts 7380.0200 to 7380.0240 apply to applications for loans for health care equipment made to the authority under Minnesota Statutes, section 446A.08, subdivision 3.

Statutory Authority: *MS s 446A.08; 446A.10; 446A.11*

History: *10 SR 1813; L 1987 c 386 art 3 s 28*

7380.0210 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of parts 7380.0200 to 7380.0240, the following terms have the meanings given to them.

Subp. 2. **Application fees.** "Application fees" means the fee charged by the authority, in connection with an application for program funds, based on the actual direct cost of processing the application and servicing loans by the commissioner and the commissioner of health. The application fee is two-fifths of one percent of the program funds requested in applications received during any calendar quarter established by part 7380.0240, subpart 1, and shall be paid in accordance with part 7380.0240, subpart 6. The fees shall not exceed the applicable federal limitations imposed by section 103(c) of the Internal Revenue Code of 1954, as amended, or other applicable federal laws governing the issuance of bonds or notes by the authority.

Subp. 3. **Authority.** "Authority" means the Minnesota Public Facilities Authority created in Minnesota Statutes, section 446A.01.

Subp. 4. **Commissioner.** "Commissioner" means the commissioner of Trade and Economic Development or a designee.

Subp. 5. **Program funds.** "Program funds" means the money for loans made available from the sale of bonds or notes as set forth in the indenture adopted by the

Minnesota Public Facilities Authority pursuant to Minnesota Statutes, section 446A.08, subdivision 2.

Subp. 6. **Project.** "Project" means all functionally related equipment and all associated costs including application fees; bond issuance costs; underwriting or placement fees; trustee fees; bond insurance; fees of guarantor, insurer, or financial institution other than the authority who provides letter of credit, surety bonds, or equivalent security; legal fees, including those of the authority's bond counsel; and debt service reserve fund.

Statutory Authority: *MS s 446A.08; 446A.10; 446A.11*

History: *10 SR 1813; L 1987 c 312 art 2 s 26 subd 2; 386 art 3 s 28*

7380.0220 ELIGIBLE PROJECT FOR PROGRAM FUNDS.

To be eligible for program funds, an application must meet the criteria outlined in Minnesota Statutes, section 446A.08, subdivision 3, and part 4647.0200, subpart 3.

Statutory Authority: *MS s 446A.08; 446A.10; 446A.11*

History: *10 SR 1813; L 1987 c 386 art 3 s 28*

7380.0230 PROCEDURES FOR HEALTH CARE EQUIPMENT LOAN APPLICATIONS.

Subpart 1. **In general.** To apply for assistance from the authority, an applicant shall submit two completed application forms to the commissioner on a form provided by the commissioner. An application must be completed, dated, and signed by an authorized officer of an applicant and include certification of bond insurance issued by a private insurer as required by Minnesota Statutes, section 446A.08, subdivision 2.

Subp. 2. **Contents.** Applications must include the amount of the requested loan and information necessary for approval by the commissioner of health pursuant to Minnesota Statutes, section 446A.08, subdivision 3, and parts 4647.0100 to 4647.0400.

Statutory Authority: *MS s 446A.08; 446A.10; 446A.11*

History: *10 SR 1813; L 1987 c 386 art 3 s 28*

7380.0240 PROCEDURES FOR APPLICATION PROCESSING.

Subpart 1. **Deadline for submission.** Applications for program funds will be processed on a quarterly basis. Applicants shall submit completed application forms by February 1, May 1, August 1, or November 1 to receive consideration or priority under part 4647.0300 in the respective quarter. If an application is received after the quarterly application deadline, it shall be forwarded to the commissioner of health.

Subp. 2. **Review by Department of Health.** When an application is received by the commissioner, a copy of the application will be sent to the commissioner of health for review. Upon receipt of the notification from the commissioner of health that the application or a project within an application has been approved, the commissioner will follow the procedure under subpart 3 or 4.

Subp. 3. **Review and approval.** The authority may not approve an application, or a project within an application, nor make a loan to an applicant unless the application or project within an application has been approved by the commissioner of health. If the commissioner of health has approved an application or project within an application, the authority shall pass a resolution approving the application or project and make the loan if sufficient program funds are available and if the loan to the applicant has been approved by the private insurer which has issued a letter of credit or bond insurance policy with respect to the indenture adopted by the authority pursuant to Minnesota Statutes, section 446A.08, subdivision 2.

Subp. 4. **Authority review and rejection.** If the commissioner of health has approved an application or project within an application, the authority shall pass a resolution rejecting the application or project, and notify the applicant of the rejection, only if the authority finds that there are insufficient program funds available or that the

applicant had been denied by the private insurer which has issued a letter of credit or bond insurance policy with respect to the indenture adopted by the authority pursuant to Minnesota Statutes, section 446A.08, subdivision 2.

Subp. 5. Loan agreement and disbursement. Upon approval of an application or project within an application by the authority, the commissioner shall send a loan agreement to the applicant. The applicant shall have a duly authorized officer execute and return the executed loan agreement to the commissioner. The program funds approved by the authority for an applicant will be disbursed upon execution of and according to the terms of the loan agreement and the health care equipment program indenture.

Subp. 6. Payment of application fee. The application fee established pursuant to part 7380.0210, subpart 2, shall be paid by the trustee specified in the health care equipment loan indenture on a quarterly basis no later than at the time of disbursement.

Subp. 7. Preparation of documents. The commissioner has the authority and responsibility to prepare or cause to be prepared all necessary documents and to execute them on behalf of the authority.

Statutory Authority: *MS s 446A.08; 446A.10; 446A.11*

History: *10 SR 1813; L 1987 c 386 art 3 s 28*

DRINKING WATER REVOLVING FUND

7380.0245 PURPOSE.

The drinking water revolving fund provides loans and other forms of financial assistance to eligible public drinking water suppliers for the planning, design, and construction of facilities to ensure safe and adequate drinking water. Under the provisions of the federal Safe Drinking Water Act and Minnesota Statutes, section 446A.081, the Minnesota Public Facilities Authority receives capitalization grants from the United States Environmental Protection Agency and manages the fund, including making loans to eligible borrowers and receiving loan repayments. The authority also raises funds for loans through the sale of revenue bonds. Parts 7380.0245 to 7380.0297 provide for the authority's administration of its responsibilities under Minnesota Statutes, section 446A.081. The Minnesota Department of Health also has administrative responsibilities under Minnesota Statutes, section 446A.081, including determining project priorities and approving projects prior to the award of financial assistance by the authority. Parts 4720.9000 to 4720.9080 provide for the administration of the Minnesota Department of Health's responsibilities.

Statutory Authority: *MS s 446A.081*

History: *22 SR 397*

7380.0250 DEFINITIONS.

Subpart 1. Scope. The terms defined in this part, the federal Safe Drinking Water Act, and Minnesota Statutes, section 446A.081, apply to parts 7380.0245 to 7380.0297.

Subp. 2. Act. "Act" means the Public Health Service Act, United States Code, title 42, sections 300f et seq., Public Law Number 104-184, title XIV, section 1452, Part E.

Subp. 3. Applicant. "Applicant" means any county, city, town, township, regional entity, or other governmental entity, or such other entity as provided in part 4720.9010, which is responsible for providing public drinking water, and which intends to apply or has applied to the authority for financial assistance from the fund. If an entity responsible for providing public drinking water is not empowered to issue a general obligation bond to the authority and another governmental entity agrees to issue a general obligation note on behalf of the drinking water supplier, applicant refers to both entities. All data used in these circumstances to determine the interest rate of a loan under part 7380.0270 shall be based on the entity responsible for providing public drinking water.

Subp. 4. **Application.** "Application" means the documents submitted to the executive director of the authority by the applicant which contains information and data in support of the applicant's loan request to the authority. The application includes the completed application forms provided by the authority; a municipal profile and current annual budget, or financial forecasts, as applicable; and financial audits for the last three years. Application materials submitted by a private provider of a public drinking water system may be private data as provided in part 7380.0260.

Subp. 5. **Authority.** "Authority" means the Minnesota Public Facilities Authority created in Minnesota Statutes, chapter 446A.

Subp. 6. **Basis point.** "Basis point" means the shorthand reference to 1/100 (0.01) of one percent.

Subp. 7. **Borrower.** "Borrower" means any county, home rule charter or statutory city, town, township, regional entity, or other governmental entity, or other entity as provided in part 4720.9010, which is responsible for providing public drinking water, and which will enter into or has entered into a loan agreement with the authority. If an entity responsible for providing public drinking water is not empowered to issue a general obligation bond to the authority and another governmental entity agrees to issue a general obligation note on behalf of the drinking water supplier, borrower refers to both entities. All data used in these circumstances to determine the interest rate of a loan under part 7380.0270 shall be based on the entity responsible for providing public drinking water.

Subp. 8. **CD.** "CD" means certificate of deposit.

Subp. 9. **Debt service account.** "Debt service account" means a separate booking account established and maintained in a borrower's official financial records to account for the accumulation of resources for, and the payment of, the general obligation bond issued by a borrower and purchased by the authority to effect the loan transaction for the financing of the borrower's drinking water supply project.

Subp. 10. **Dedicated sources of revenue.** "Dedicated sources of revenue" means one or more dedicated sources of revenue pledged by a borrower issuing a general obligation or revenue bond to the authority to service debt incurred from the fund as required by the act and Minnesota Statutes, section 446A.081, subdivision 8, paragraph (d).

Subp. 11. **Department.** "Department" means the Department of Health.

Subp. 12. **Eligible costs.** "Eligible costs" means the project costs that may be financed by the authority, pursuant to the act and parts 7380.0245 to 7380.0297, provided that the project costs are reasonable and necessary, and, subject to applicable law, provisions of the capitalization grant, and the authority's basic bond resolution and series bond resolution, may include the following:

- A. acquisition costs of land, as permitted under the act;
- B. site preparation;
- C. construction costs;
- D. engineering costs;
- E. cost of equipment and machinery;
- F. bond issuance costs;
- G. underwriting, financial advisor, or placement fees;
- H. trustee or paying agent fees;
- I. fees of guarantor, insurer, or financial institution, which provide letters of credit, surety bonds, or equivalent security;
- J. authority fees, including application and guaranty of the authority;
- K. certain contingency costs up to the amount permitted by the act;
- L. interest costs during construction; and
- M. legal fees, including those of the authority.

Subp. 13. **Emergency project.** "Emergency project" means a project so designated by the commissioner of the department as provided in part 4720.9055.

Subp. 14. **Executive director.** "Executive director" means the executive director of the authority.

Subp. 15. **Financial capability.**

A. "Financial capability" for a municipal borrower means the capability of the municipality to retire debt incurred from the fund, as measured by its current fiscal and socioeconomic data as determined through such measures as population trends, median household income, per capita debt load, user fee impact, composition of municipal long-term debt, debt service coverage ratio, planned capital improvements, and liquidity, as well as a review of the municipality's last three years' annual audits.

B. "Financial capability" for a private borrower means the capability of the private borrower to retire debt incurred from the fund, as determined by such measures as income and earnings forecasts, financial forecasts, credit reports, net worth calculations, and other related documents that demonstrate that the borrower has sufficient revenues to repay the loan.

Subp. 16. **Financial institution.** "Financial institution" means an investment or banking institution, a savings and loan, an insurance company, an investment company, or a public entity authorized to make loans.

Subp. 17. **Fund.** "Fund" means the drinking water revolving fund as provided in Minnesota Statutes, section 446A.081, subdivision 2.

Subp. 18. **General obligation bond or general obligation note.** "General obligation bond" or "general obligation note" means bonds or notes which are secured by the full faith and credit of a borrower as provided in Minnesota Statutes, chapters 116A and 475.

Subp. 19. **Interest.** "Interest" means the interest charged on the loan principal plus any servicing fees as provided in Minnesota Statutes, section 446A.04, subdivision 5.

Subp. 20. **Linked deposit loan.** "Linked deposit loan" means a loan made under contract by the authority with a financial institution authorized to issue CDs, where the authority invests funds in a CD up to an amount equal to the amount of the loan. The CD is intended to be a source of funds for the loan and may not be pledged as security on the loan.

Subp. 21. **Loan agreement.** "Loan agreement" means the financing agreement between the borrower, the financial institution, if utilized for a project, and the authority, which along with the general obligation bond, revenue bond, or promissory note and security agreement, as applicable, provides the terms and conditions of the loan.

Subp. 22. **Municipal bond index.** "Municipal bond index" means the index compiled by Merrill Lynch and Co. which is represented as being based on the yield that about 500 major issuers, mainly of investment grade, would pay on new long-term (20 years) general obligation, tax-exempt bonds. The index is published weekly in the Wall Street Journal. If this index is discontinued, the authority shall select a similar alternative index.

Subp. 23. **Official statement.** "Official statement" means the legal document prepared by the authority which summarizes all the salient features of the underlying documents and agreements which support the bond offerings of the authority. It is considered a disclosure document which presents information that is material to the offering, and contains what a reasonable investor would need to know in making a decision about investing in the issue. The document sets forth the pertinent facts concerning the issuer, the issuer's financial condition, the security pledged for the bonds being offered, the projected use of the proceeds of the bond sale, and, in the case of the authority, pertinent facts about the authority's borrowers.

Subp. 24. **Participation loan.** "Participation loan" means a loan made under contract with a financial institution in which the authority purchases up to a 50 percent share of a financial institution's loan to an eligible borrower.

Subp. 25. **Poverty level.** "Poverty level" means the number of persons in poverty within a municipality, expressed as a percentage, identified as the poverty level of a municipality by the United State Census Bureau, or by another federal or state agency, or by an accredited independent survey, which most accurately measures the level of poverty within a municipality.

Subp. 26. **Project completion.** "Project completion" means the date on which the operation of the project's major components will be initiated or will be capable of being initiated.

Subp. 27. **Quarterly set rate.** "Quarterly set rate" means the maximum rate of interest in a given quarter on a 20-year loan to a borrower providing a general obligation or revenue bond to the authority, using as guidance the average of the municipal bond index for the four weeks prior to the beginning of the quarter minus 50 basis points. For loans less than 20 years, an additional five basis points shall be deducted for each year less than 20 years.

Subp. 28. **Revenue bond.** "Revenue bond" means a bond payable from specified sources of revenue and to which the full faith and credit of the issuing entity is not pledged, issued by a city of the first class which cannot issue a general obligation bond or note to finance its water supply system without first obtaining the approval of the electors at a referendum.

Subp. 29. **Significant water user.** "Significant water user" means a nonresidential user of an applicant's water supply system whose current water needs or projected water needs cause the need for construction of the drinking water project, and whose water intake after the project is completed will be greater than or equal to 50 percent of the total gallons annually supplied by the water supply system.

Subp. 30. **True interest cost.** "True interest cost" means the weighted rate of interest on an authority series bond issue as determined at the time of bid opening and award of the issue to an underwriter.

Subp. 31. **Water service area.** "Water service area" means the area serviced by a borrower's drinking water project.

Subp. 32. **Water service charge.** "Water service charge" means the total charges levied upon the residential and nonresidential users of a borrower's water supply system for the purposes of operating and maintaining the system and paying debt service costs. Water service charges may include tax assessments, special assessments, user charges, user fees, or other charges for the use of the borrower's water supply system identified by any other name.

Subp. 33. **Water supply system.** "Water supply system" means the collective term to denote all of the property involved in the operation of a borrower's water system, including, but not limited to, the source of the water supply, treatment facilities, water storage, water lines, valves, meters, and general property.

Statutory Authority: *MS s 446A.081*

History: *22 SR 397*

7380.0255 INTENDED USE PLAN.

Subpart 1. **Adoption of intended use plan.** The authority shall, after providing for public notice and comment, annually adopt an intended use plan which describes the intended uses of the amounts in the fund in a particular fiscal year. The intended use plan shall identify:

A. the projects meeting the eligibility requirements in subpart 2 which are expected to be funded in the fiscal year;

B. the other eligible activities to be funded as provided in the act, and the amounts to be set aside for each; and

C. the amount to be reserved for emergency projects.

Subp. 2. **Eligibility.** To be eligible for placement on the intended use plan:

A. the project must be listed on the project priority list maintained by the department as provided in part 4720.9015; and

B. the applicant must submit a written request to the authority for placement on the intended use plan that includes:

(1) a brief description of the project for which financial assistance is sought;

(2) an updated project cost estimate and the requested loan amount;

(3) a project schedule indicating that the project will proceed in the fiscal year for which the intended use plan is being prepared; and

(4) an estimate of the monthly drawdown of the loan proceeds.

Subp. 3. **Priority order.** Projects shall be listed on the intended use plan in order of their priority on the project priority list maintained by the department as provided in part 4720.9015. If the total requested loan amount from applicants meeting the eligibility requirements in subpart 2 exceeds the amount expected to be available for loans, all eligible projects shall be listed on the intended use plan and the intended use plan shall identify the projects that are expected to be funded, beginning with the highest priority projects.

Subp. 4. **Bypass procedure.** If an applicant whose project is identified to receive funding on the intended use plan fails to meet the timing requirements in part 7380.0260, subpart 1, the project shall be bypassed and the loan amount designated for that project shall be offered to the remaining projects on the intended use plan, in priority order, that were not previously identified to receive funding.

Subp. 5. **Amendments to intended use plan.** The authority shall amend the intended use plan to add additional eligible projects to the extent sufficient funds are available.

Statutory Authority: *MS s 446A.081*

History: 22 SR 397

7380.0260 APPLICATIONS.

Subpart 1. **Timing.** Applicants whose projects are identified to receive funding on the intended use plan described in part 7380.0255 must submit the items specified in items A and B within six months after the date the authority adopts the intended use plan or an amendment to the intended use plan. If the applicant fails to submit these items by the required date, the applicant's project will be subject to the bypass procedure as provided in part 7380.0255, subpart 4. The applicant must:

A. submit an application for financial assistance to the authority; and

B. for construction projects, submit plans and specifications to the department as provided in part 4720.9045.

Subp. 2. **Financial information.** Financial information submitted by an applicant in support of a loan application to the authority, which may include credit reports, financial statements, and net worth calculations, is private data with regard to data on individuals as defined in Minnesota Statutes, section 13.02, subdivision 12, and nonpublic data as defined in Minnesota Statutes, section 13.02, subdivision 9.

Subp. 3. **Municipal profile.** An applicant must submit a municipal profile that contains basic applicant data and information. The profile shall include, at a minimum, population trends, major employers, building permits, largest taxpayers, trends of estimated market values, property tax rates, property tax collection, net tax capacity, indebtedness, budget forecasts, project capital expenditures, educational and health care facilities, and other information deemed necessary by the authority or its rating agencies in order to make an informed determination on the creditworthiness of the applicant. The borrower shall authorize the use of the municipal profile in any official

statements of the authority relating to its issuance of bonds and attest that the municipal profile does not contain an untrue statement of material fact, and to notify the authority if the borrower becomes aware of any changes which cause the information in the municipal profile to contain an untrue fact or omit a material fact.

Subp. 4. **Complete applications.** An application is considered complete when the applicant has provided the required forms, and the data, exhibits, and documentation which have been submitted are sufficient for the authority to make an informed determination that:

- A. the financing of the project is fully assured;
- B. the applicant has the financial capability to repay the loan; and
- C. adequate collateral is being provided by the applicant to secure the loan to the extent required by the authority.

Subp. 5. **Incomplete applications.** If an application is received that does not meet the requirements of subpart 4, the application shall be considered incomplete and the applicant shall be asked to provide the required data or information. Should the applicant not respond to the request, the executive director shall notify the applicant in writing of specific deficiencies in the application. The applicant has 60 days from the date of mailing of the executive director's notification to complete the application. If the application is not completed and received by the executive director within 60 days, the application shall be rejected, and the applicant, subject to the authority and department rules, must reapply to be further considered.

Subp. 6. **Evaluation of certified applications.** The executive director and staff shall evaluate applications for projects certified by the department to determine the applicant's capacity to comply with the act, Minnesota Statutes, section 446A.081, parts 7380.0245 to 7380.0297, the loan agreement, and the covenants of the general obligation bond, revenue bond, or promissory note and security agreement that will be issued by the applicant to the authority. When the department's certification of an applicant's project and the as-bid costs have been received, the staff shall provide a signed recommendation to the authority, approved and countersigned by the executive director, recommending whether the loan should be approved, approved with special conditions, or rejected.

Subp. 7. **Rejection of an application.** The authority shall reject an application for financial assistance for one or more of the following reasons:

- A. failure of the project to receive certification by the department under part 4720.9060;
- B. failure of the applicant to submit a complete application as provided in subpart 4;
- C. failure of the applicant to develop dedicated sources of revenue sufficient to ensure repayment of the loan and adequate operation and maintenance of the facility;
- D. failure of the applicant to demonstrate that it has the technical, managerial, and financial capability to construct the facility and adequately operate and maintain the water supply system for the term of the loan;
- E. failure of the applicant to adequately collateralize the loan; or
- F. failure of the applicant to demonstrate its capacity to comply with the act, Minnesota Statutes, section 446A.081, parts 7380.0245 to 7380.0297, the loan agreement, and the covenants of the general obligation bond, revenue bond, or promissory note and security agreement that will be issued by the applicant to the authority.

Statutory Authority: *MS s 446A.081*

History: 22 SR 397

7380.0265 LOAN TERMS AND CONDITIONS.

Subpart 1. **In general.** The authority shall provide loans or other financial assistance for eligible costs of projects listed on the intended use plan, or for

emergency projects designated by the commissioner of the department, which are not rejected for any of the reasons listed in part 7380.0260, subpart 7. The terms and conditions for loans or other financial assistance provided by the authority to borrowers for certified projects are as provided by the act, Minnesota Statutes, section 446A.081, subdivision 8, parts 7380.0245 to 7380.0297, the capitalization grant, the authority's basic bond resolution and series bond resolution, the loan agreement, and the general obligation bond, revenue bond, or promissory note and security agreement issued by the borrower to the authority for the project financing. Borrowers shall also comply with chapter 4720.

Subp. 2. Borrowers providing general obligation or revenue bonds. A borrower providing a general obligation or revenue bond to the authority must use a nationally recognized bond counsel identified as such and included in The Bond Buyer's Municipal Marketplace Directory to prepare the bonds and other related documentation and render an opinion to the authority. Items A to F apply to borrowers providing general obligation or revenue bonds to the authority.

A. The term of the loan shall not exceed 20 years.

B. The borrower shall designate and maintain dedicated sources of revenue sufficient to fully amortize the loan and to fully provide for the operation and maintenance of the drinking water system.

C. The borrower shall establish and maintain a debt service account and an operation and maintenance account in amounts to achieve the purposes in items A and B.

D. The borrower shall maintain the technical, managerial, and financial capability to adequately operate and maintain the water supply system for the full term of the loan.

E. The borrower shall begin making principal and interest payments on the loan no later than one year after approval of the loan or one year after project completion as estimated in the application, whichever is earlier. Subsequent principal and interest payments must be made in the amounts and at the times given in the loan agreement. In no case shall payments be less frequent than annual principal and interest payments sufficient to amortize the debt within the term of the loan.

F. If the project involves a significant water user, the borrower must enter into an agreement with the significant water supply user which ensures that the borrower and the authority are adequately protected in the event the significant water supply user curtails or ceases its operations.

Subp. 3. Borrowers not providing general obligation or revenue bonds. The authority shall provide financial assistance, up to a maximum of \$250,000, to a borrower not providing a general obligation or revenue bond by utilizing either a linked deposit loan or participation loan, as determined by the authority. The terms and conditions in items A to E apply to linked deposit loans and participation loans.

A. The maximum term of the loan shall first be determined by determining the useful life of the property being acquired with the loan proceeds. The term of the loan shall not exceed the following limits:

(1) 12 years for land, buildings, or other real property;

(2) the lesser of 80 percent of the useful life or seven years for equipment or machinery; or

(3) a weighted average of the limits provided in subitems (1) and (2) for loans that are a combination of real property and equipment or machinery.

B. Principal and interest payments are due in accordance with the loan agreement and the promissory note.

C. The borrower shall maintain the technical, managerial, and financial capability to adequately operate and maintain the water supply system for the full term of the loan.

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D. For linked deposit loans, the authority's CD shall be insured by the Federal Deposit Insurance Corporation or secured as provided in Minnesota Statutes, section 118A.03, subdivision 3. The CD term and amount shall be equal to the term and amount of the borrower's loan.

E. For participation loans, the financial institution and the authority shall take a security interest in capital assets or real property of the borrower to collateralize the loan.

Statutory Authority: *MS s 446A.081*

History: 22 SR 397

7380.0270 INTEREST RATE DETERMINATIONS FOR BORROWERS PROVIDING GENERAL OBLIGATION OR REVENUE BONDS.

Subpart 1. In general.

A. The interest rate charged a borrower providing a general obligation or revenue bond to the authority for the full amount of the loan shall be based on the quarterly set rate in effect when the application is received and the cumulative interest rate reductions provided in this part, except as provided in subparts 5 and 6. In no case shall the rate of interest on a loan to a borrower be discounted to less than one percent.

B. In order to effect the purposes and carry out the responsibilities of the authority as provided in Minnesota Statutes, section 446A.081, subdivision 2, and in accordance with the powers vested in the authority in Minnesota Statutes, section 446A.04, subdivision 7, the authority may, by resolution, reset the criteria and the means by which it determines terms, conditions, and interest rates on loans to borrowers, and shall effect the changes after providing public notice.

C. The authority shall suspend offering loans with interest rates based on the quarterly set rate if it determines that market conditions impacting the municipal bond index are:

(1) not representative of current market conditions; or

(2) such that continued use of the index would be detrimental to the viability of the fund.

At the time of that determination, the authority shall by resolution adopt a revised rate for a period of time determined by the authority. The authority shall, based on market conditions, extend the offering of loans at the revised rate and continue to do so until the time the authority considers it prudent to again use the municipal bond index as guidance for the set rate.

D. The data used to determine the population, median household income, and poverty level of the borrower shall be that which most accurately measures the current population, median household income, and poverty level of the borrower's water service area. If there is reason to believe that the United States Census data or the data from the state demographer is not a currently accurate representation of the median household income, poverty level, or population of the borrower's water service area, the borrower may document the reasons why the data is not an accurate representation, and obtain additional information regarding median household income, poverty level, or population of the borrower's water service area. The information must consist of reliable data from local, regional, state, or federal sources, or from a survey conducted by a reliable impartial source. If the authority determines that the demographic data submitted by the borrower does not reflect the most current or accurate measure of the population, median household income, and poverty level of the borrower's water service area, the authority shall update the demographic data to reflect the most current and accurate figures.

Subp. 2. **Population discounts.** A borrower shall receive interest rate discounts based on its population according to items A to D.

A. A borrower with a population of 25,000 or less and larger than 5,000 shall receive a 25 basis point discount.

B. A borrower with a population of 5,000 or less and larger than 2,500 shall receive a 50 basis point discount.

C. A borrower with a population of 2,500 or less and larger than 1,000 shall receive a 75 basis point discount.

D. A borrower with a population of 1,000 or less shall receive a 100 basis point discount.

Subp. 3. Median household income and poverty level discounts. A borrower shall receive interest rate discounts based on its median household income and poverty level as follows:

A. if the median household income level of the borrower is below the median household income level for the metropolitan or nonmetropolitan area, as applicable, based on the most recent census, the borrower shall receive a 50 basis point discount; or

B. if the poverty level of the borrower is at or above the national average, the borrower shall receive a 100 basis point discount.

Subp. 4. Water service charge discounts. A borrower shall receive interest rate discounts based on its estimated average annual residential water service charges after completion of the project as follows:

A. if the estimated average annual residential water service charge is at or exceeds one percent of the median household income level of the borrower, the borrower shall receive a 50 basis point reduction in the interest rate;

B. if the estimated average annual residential water service charge is at or exceeds 1-1/2 percent of the borrower's median household income, the borrower shall receive a 100 basis point reduction in the interest rate; or

C. if the estimated average annual residential water service charge is at or exceeds two percent of the borrower's median household income, the borrower shall receive a 150 basis point reduction in the interest rate.

Subp. 5. Loans funded through sale of authority bonds. Items A to C apply to loans funded through the sale of authority bonds.

A. Borrowers whose projects are funded through the sale of authority bonds shall have the option, except as provided in items B and C and subpart 6, of selecting an interest rate determined according to subparts 1 to 4, or selecting an interest rate determined by a specific basis point reduction from the true interest cost of the bonds sold by the authority. The authority shall annually provide by resolution the specific basis point reduction it will allow. Borrowers selecting this option must also comply with the following conditions:

(1) the payment schedule of the loan must follow the payment schedule of the bonds sold by the authority;

(2) an acceptable agreement on fund accountability must be reached;

(3) the borrower must demonstrate its creditworthiness; and

(4) the integrity of the fund must be maintained.

B. The authority shall have the option to fund projects in excess of \$5,000,000 through the sale of authority bonds and to set the interest rate based on the specific basis point reduction from the true interest cost of the authority's bonds provided by resolution as described in item A.

C. If the authority funds a loan through the sale of bonds to a borrower providing a revenue bond to the authority, the interest rate shall be based on the specific basis point reduction from the true interest cost of the authority's bonds provided by resolution as described in item A.

Subp. 6. Loans for projects involving significant water users. If a borrower's project involves a significant water user, the interest rate on the loan or portion of the

loan for the project costs directly attributable to the significant water user shall be the same as for United States treasury bills, notes, or bonds of a comparable maturity.

Statutory Authority: *MS s 446A.081*

History: 22 SR 397

7380.0275 INTEREST RATE DETERMINATIONS FOR BORROWERS NOT PROVIDING GENERAL OBLIGATION OR REVENUE BONDS.

Subpart 1. **In general.** The authority shall set the interest rate for a borrower not providing a general obligation or revenue bond to the authority, and utilizing a linked deposit or participation loan, as provided in this part.

Subp. 2. **Linked deposit loans.** The interest rate on a CD purchased by the authority to effect a linked deposit loan shall be at the rate of the financial institution's interest rate on a CD equal to the term of the loan being made, minus 200 basis points. The interest rate to the borrower on the linked deposit loan made by the financial institution shall be discounted by 200 basis points from the lending rate that the borrower would have been entitled to under normal circumstances. The borrower shall not be entitled to any other interest rate discounts pursuant to part 7380.0270.

Subp. 3. **Participation loans.** The interest rate on the authority's portion of a participation loan shall be at the rate of a United States government treasury security of a comparable maturity to the term of the loan being made, minus 100 basis points. The interest rate to a borrower on the total amount of a participation loan shall be a blended rate of the financial institution's rate and the authority's rate in proportion to the respective rates of participation. The borrower shall not be entitled to any other interest rate discounts pursuant to part 7380.0270.

Statutory Authority: *MS s 446A.081*

History: 22 SR 397

7380.0280 SUPPLEMENTAL ASSISTANCE FOR DISADVANTAGED COMMUNITIES.

Subpart 1. **In general.** The authority shall provide supplemental assistance, in the form of a reduction in the amount of loan principal which a borrower has to repay, to public water supply systems owned by a governmental or intergovernmental agency, a nonprofit organization, an Indian tribe, or any combination of them that meet the criteria in subpart 2. The total amount of supplemental assistance provided in any one year shall not exceed ten percent of the federal capitalization grant for that year or \$2,000,000, whichever is less.

Subp. 2. **Disadvantaged community criteria.** A borrower is eligible for supplemental assistance as described in subpart 1 if:

A. the borrower's project receives public health priority points on the department's project priority list under part 4720.9020;

B. after completion of the proposed project, the borrower will have an estimated average annual residential water service charge of 1.4 percent of median household income or more; and

C. the borrower has also applied to all other federal and state financial assistance programs for which it is eligible.

Subp. 3. **Amount of supplemental assistance.** The supplemental assistance amount shall be equal to 80 percent of the amount needed to reduce the estimated average annual residential water service charge to 1.4 percent of median household income. If the current average annual residential water service charge is at or exceeds 1.4 percent of median household income, the supplemental assistance amount shall be 80 percent of the project cost. The supplemental assistance amount provided to a single borrower shall not exceed \$500,000.

Statutory Authority: *MS s 446A.081*

History: 22 SR 397

7380.0285 OTHER FINANCIAL ASSISTANCE.

In addition to the loans provided in parts 7380.0265 to 7380.0275 and the supplemental assistance provided in part 7380.0280, the authority may provide other forms of financial assistance as provided in the act and in Minnesota Statutes, section 446A.081, subdivision 9. The executive director shall determine when other forms of financial assistance are appropriate based on existing financial conditions, the impact on the drinking water revolving fund, the financial capacity of the borrower, and the advantages to the borrower in using one form of financing as opposed to another form.

Statutory Authority: *MS s 446A.081*

History: 22 SR 397

7380.0290 FEES.

If the authority charges fees, they must be as provided in Minnesota Statutes, section 446A.04, subdivision 5, paragraph (a).

Statutory Authority: *MS s 446A.081*

History: 22 SR 397

7380.0295 RELEASE OF FUNDS.

Subpart 1. **In general.** Subject to the availability of funds, disbursements to the borrower shall be made in accordance with applicable state and federal law governing the disbursements. In addition, no disbursements shall be made to a borrower until and unless the authority has determined the total estimated cost of the project and ascertained that the financing of the project is assured by:

A. a loan authorized by state law or appropriation of bonds or other money of the borrower to a fund for the construction of the project; and

B. an irrevocable undertaking, by resolution of the borrower, to use all the money made available for the project exclusively for the project, and to pay any additional amount by which the cost of the project exceeds the estimate by the appropriation to the construction fund of additional money or proceeds of additional bonds to be issued by the borrower.

Subp. 2. **Adverse change.** The authority shall not release funds to a borrower for an approved project if there has been a material negative change in the financial condition of the borrower, as reasonably determined by the authority, since the day of the completion of the application. The authority reserves the right to suspend or terminate funding to a borrower if the authority determines that there has been such a change.

Subp. 3. **Withholding, disallowance, or termination of disbursements.**

A. The authority shall withhold or disallow either total or partial disbursements if:

(1) the commissioner of the department requests disbursements be withheld or disallowed as provided in part 4720.9075; or

(2) the borrower fails to comply with the requirements of the act, Minnesota Statutes, section 446A.081, parts 7380.0245 to 7380.0297, the loan agreement, or the bonds or promissory note and security agreement issued by the borrower to the authority.

B. If the authority withholds or disallows disbursements under item A, the executive director shall give a borrower written notice of the reasons and the time in which the borrower must demonstrate that the condition has or will be corrected. If the condition has not been corrected in the specified time period, withheld disbursements may be terminated. Termination of disbursements means that the amount of the loan available to the borrower is reduced by the amount so terminated.

Statutory Authority: *MS s 446A.081*

History: 22 SR 397

7380.0296 PENALTY FOR NONCOMPLIANCE WITH LOAN CONDITIONS.

If a borrower has failed to fully comply with the loan conditions provided in parts 7380.0245 to 7380.0297, the executive director shall notify the borrower in writing of the authority's determination. The borrower has three months from the date of notification to return to compliance or provide a written plan, acceptable to the authority, for returning to compliance. Upon submission of a plan by the borrower, the authority shall either accept or reject the plan. If an accepted plan has a longer time period for returning to compliance, the time period for compliance shall be the period specified in the accepted plan. If after three months the borrower fails to return to compliance or provide an acceptable plan, or fails to return to compliance within the time period specified in an accepted plan, the interest rate on the unpaid loan principal shall increase from and after the date of required compliance to the quarterly set rate in effect when the borrower's loan application was received, with no further discounts as provided in part 7380.0270. If the borrower subsequently returns to compliance, the borrower may request the authority to reinstate the original interest rate. If the authority determines, upon written request of the borrower, that the borrower has returned to compliance, the interest rate on the unpaid loan principal shall revert back to the original interest rate as of the date of the determination by the authority.

Statutory Authority: *MS s 446A.081*

History: 22 SR 397

7380.0297 REPORTS, DISCLOSURE, AND AUDITS.

Subpart 1. **Reports.** During the term of the loan, the borrower shall make written reports to the authority on forms provided by the authority and on a schedule determined by the executive director.

Subp. 2. **Disclosure.** During the term of the loan, the borrower is required on its own volition to disclose to the authority any material information or events impacting the creditworthiness of the borrower, including, but not limited to, those requirements contained in Code of Federal Regulations, title 17, section 240.15c2-12 adopted by the United States Securities and Exchange Commission. If and when required by the rule, the borrower shall enter into a continuing disclosure document in a form provided by the authority.

Subp. 3. **Audits.** During the term of the loan, the borrower must provide annual independent audits acceptable to the authority. Additionally, a borrower must provide an annual independent audit performed in compliance with the requirements of the federal Office of Management and Budget, circular A-133, published in the Federal Register, volume 61, number 215, on November 5, 1996, and in compliance with the Single Audit Act Amendment of 1996, United States Code, title 31, sections 7501 to 7507. A borrower providing a general obligation or revenue bond to the authority must provide such audits for those years in which the authority disburses \$300,000 or more to the borrower.

Statutory Authority: *MS s 446A.081*

History: 22 SR 397

7380.0300 MR 1995 [Obsolete, MS s 14.47, subd. 6, paragraph (b)]

7380.0310 MR 1995 [Obsolete, MS s 14.47, subd. 6, paragraph (b)]

7380.0320 MR 1995 [Obsolete, MS s 14.47, subd. 6, paragraph (b)]

7380.0330 MR 1995 [Obsolete, MS s 14.47, subd. 6, paragraph (b)]

7380.0340 MR 1995 [Obsolete, MS s 14.47, subd. 6, paragraph (b)]

7380.0350 MR 1995 [Obsolete, MS s 14.47, subd. 6, paragraph (b)]

7380.0360 MR 1995 [Obsolete, MS s 14.47, subd. 6, paragraph (b)]

7380.0370 MR 1995 [Obsolete, MS s 14.47, subd. 6, paragraph (b)]

7380.0380 MR 1995 [Obsolete, MS s 14.47, subd. 6, paragraph (b)]

WATER POLLUTION CONTROL REVOLVING FUND

7380.0400 PURPOSE.

The Water Pollution Control Revolving Fund administered by the Minnesota Public Facilities Authority provides loans and other forms of financial assistance for the planning, designing, and construction of municipal wastewater treatment systems to assure maintenance of progress toward municipal compliance, or implementation of nonpoint source management controls, as required by the Federal Water Pollution Control Act, to municipalities for projects that have been certified by the Minnesota Pollution Control Agency. The United States Environmental Protection Agency provides a capitalization grant to the state of Minnesota to provide loans through the authority to ensure that the Revolving Fund is available to finance water pollution control projects in perpetuity. The terms and conditions of the loan agreement for financial assistance provided by the authority must be in conformance with the Federal Water Pollution Control Act, United States Code, title 33, particularly sections 1381 to 1387, the rules of the agency, and this part.

Statutory Authority: *MS s 446A.07; 446A.071*

History: *13 SR 2155; 18 SR 614*

7380.0410 DEFINITIONS.

Subpart 1. **Scope.** The terms defined in this part, in Minnesota Statutes, section 446A.02, and in the Federal Water Pollution Control Act, apply to parts 7380.0400 to 7380.0480.

Subp. 2. **Act.** "Act" means the Federal Water Pollution Control Act, United States Code, title 33, sections 1251 to 1387.

Subp. 3. **Agency.** "Agency" means the Minnesota Pollution Control Agency.

Subp. 4. **Applicant.** "Applicant" means:

A. a governmental unit as defined in Minnesota Statutes, section 446A.02, subdivision 5; or

B. a municipality as defined in this part.

Subp. 5. **Average coupon rate.** "Average coupon rate" means the weighted average of bonds at the various maturity dates as provided in the bond.

Subp. 6. **Dedicated sources of revenue for repayment.** "Dedicated sources of revenue for repayment" means one or more dedicated sources of revenue established by the municipality to ensure repayment of the loan to the authority. Dedicated sources of revenue may be: special assessments; general taxes or general obligation bonds; sewer service charges; or other revenue sources acceptable to the authority.

Subp. 7. **Allowable costs.** Allowable costs that may be financed by the authority, provided the allowable cost item is reasonable, necessary, and permitted by the act, include those provided in the list of costs given below. The listing is only representative of allowable costs that may be financed by a loan from the authority. Other allowable costs may also fall within the language of the act, United States Code, title 33, sections 1381 to 1387.

A. acquisition costs of buildings or land under United States Code, title 33, sections 1381 to 1387;

B. site preparation;

C. construction costs;

D. engineering costs;

E. costs of equipment, machinery, or both;

F. bond issuance costs;

- G. underwriting, financial advisors, or placement fees;
- H. trustee fees;
- I. fees of guarantor, insurer, or financial institution, other than the authority, which provide letters of credit, surety bonds, or equivalent security;
- J. authority fees, including application and guaranty fees of the authority;
- K. certain contingency costs;
- L. interest costs during construction;
- M. legal fees, including those of the authority; and
- N. a debt service reserve fund.

Subp. 8. **Executive director.** "Executive director" means the executive director of the Public Facilities Authority.

Subp. 9. **Fund.** "Fund" means the Minnesota Water Pollution Control Revolving Fund created by Minnesota Statutes, section 446A.07, as amended.

Subp. 10. **Intended use plan.** "Intended use plan" means the document prepared annually by the agency according to requirements of the act and submitted to the United States Environmental Protection Agency. The plan will identify the intended uses of the amounts available to the fund, including a list of wastewater treatment projects and other eligible activities scheduled to be funded during the fiscal year.

Subp. 11. **Loan agreement.** "Loan agreement" means the loan agreement or financing agreement between the authority and the municipality that provides all the terms and conditions of the loan.

Subp. 12. **Municipal bond index.** "Municipal bond index" means the index based on the yield that about 500 major issuers, mainly of investment grade, would pay on new long-term (20 years) general obligation, tax exempt bonds. The index is published each Friday in the Wall Street Journal.

Subp. 12a. **Municipal service area.** "Municipal service area" means the geographic area of the municipality.

Subp. 13. **Municipality.** "Municipality" means any county, city, and town, the Metropolitan Waste Control Commission established in Minnesota Statutes, chapter 473 and the Metropolitan Council when acting under the provisions of that chapter or an Indian tribe or an authorized Indian tribal organization, and any other governmental subdivision of the state responsible by law for the prevention, control, and abatement of water pollution in any area of the state.

Subp. 14. **Poverty level.** "Poverty level" means the number of persons in poverty in a municipality, expressed as a percentage, identified as the poverty level of a municipality by the United States Census Bureau; or by another federal or state agency; or by an accredited independent survey, which most accurately measures the level of poverty within a municipality.

Subp. 15. **Project completion.** "Project completion" means the date on which the operation of the treatment works is initiated or is capable of being initiated.

Subp. 16. MR 1991 [Renumbered as Subp. 12a, 18 SR 614]

Subp. 17. **Quarterly set rate.** "Quarterly set rate" means the maximum rate of interest set for a calendar quarter and shall be determined by the authority using as guidance the average of the municipal bond index for the four weeks prior to the beginning of the quarter minus 100 basis points for 20-year term loans. For loans of less than 20 years, a discount of five basis points for each year less than 20 years shall be deducted from the quarterly set rate.

Subp. 18. **Sewer service area.** "Sewer service area" means the sewer service area that utilizes the municipal wastewater treatment system.

Subp. 19. **Sewer service charge.** "Sewer service charge" means a charge levied upon the users in the municipal service area to pay for the capital cost, operation, and maintenance, and replacement of equipment. Service charges include tax assessment, special assessments, user charges, or other charges identified by any other name.

Subp. 20. **Significant wastewater contributor.** "Significant wastewater contributor" means a nonresidential user whose current wastewater flow or projected wastewater flow causes the need for the construction of the wastewater treatment project, or whose current wastewater contribution is at or exceeds one-half of the current wastewater treatment plant's flow.

Statutory Authority: *MS s 446A.07; 446A.071*

History: *13 SR 2155; 18 SR 614*

7380.0420 PROCEDURES FOR FINANCIAL ASSISTANCE APPLICATIONS PROCESSING.

Subpart 1. **In general.** To apply for financial assistance from the authority, eligible applicants identified in the annual intended use plan prepared by the agency may submit an application at any time to the executive director of the authority, using the Department of Trade and Economic Development, Community Development Division's single application process.

Prior to the submission of an application to the authority, the municipality shall contact the authority to receive the authority's advice under Minnesota Statutes, section 446A.051.

The authority shall forward the application to the agency within ten day after receipt of the application by the authority. The agency will accept and review the application as provided in its rules.

Subp. 2. **Authority review.** When an application that has been certified by the commissioner of the agency and the as-bid cost have been received by the authority on or before the first business day of the month, the authority shall consider the application at the authority meeting that month. If the certified application is received after the first business day of the month and can be reviewed by the executive director prior to the authority agenda deadline, the authority may consider the application at the meeting in that month.

Subp. 3. **Completed application.** An application certified by the commissioner of the agency is considered complete when the executive director of the authority determines that the exhibits and documentation which have been received provide a full and accurate account of the project financing to the extent that the authority is able to make an informed determination on the application.

Subp. 4. **Incomplete application.** If an incomplete application is received, the executive director shall notify the applicant in writing of specific deficiencies in the application. The applicant has 60 days from the date of mailing of the executive director's notification to complete the application. If the application is not completed and received by the executive director within those 60 days, the application is deemed to be rejected and the applicant, subject to agency rules, must reapply to be further considered.

Subp. 5. **Applications not receiving certification.** An application not receiving certification by the commissioner of the agency will not receive consideration for financial assistance by the authority. The executive director of the authority shall notify the applicant of the rejection of the application by the authority within ten days of the rejection determination.

Subp. 6. **Rejection of loan applications by authority.** The authority shall not provide financing for projects if the per household cost is in excess of \$10,000, in 1992 dollars, as adjusted by the Consumer Price Index, unless the commissioner of the agency certifies that the project should be funded due to the environmental benefit to the state. The authority may reject an application for financial assistance for the following reasons:

- A. failure to obtain certification from the of the agency for the project;
- B. failure to develop and document dedicated sources of revenue sufficient in the judgment of the authority to ensure repayment of the loan to the authority; and

C. failure to submit a completed application using the procedure provided in part 7380.0420, subpart 4.

Statutory Authority: *MS s 446A.07; 446A.071*

History: *13 SR 2155; 18 SR 614*

7380.0430 AUTHORITY EVALUATION PROCEDURE.

Subpart 1. **In general.** The authority shall evaluate applications certified by the commissioner of the agency to determine the applicant's capacity to comply with the terms and conditions of the Act and the rules of the authority as provided in this part.

The applicant's project must have been identified in the agency's intended use plan for the year in which the applicant is applying.

The authority will only provide financial aid for the allowable costs provided in part 7380.0410, subpart 7.

Subp. 2. Loan terms and conditions.

A. The terms and conditions for loans and other forms of financial assistance provided by the authority to eligible applicants for certified projects are as provided by the act; Minnesota Statutes, chapter 446A; this part; and as provided by the authority in the loan agreement and the general obligation promissory note issued by the municipality to the authority for the project financing.

B. If the authority provides a loan to a municipality for planning or design engineering of a wastewater treatment facility, the interest rate, terms, and conditions must be the same as for loans elsewhere in this part.

Subp. 3. **Repayment.** The repayment of loans to the authority by the recipient must be sufficient to fully amortize the loan for a period of not more than 20 years after project completion. If treatment works have been segmented or phased, the repayment requirements of this subpart and the payment requirements of subpart 6 apply to each phase or segment of the project.

Subp. 4. **Dedicated sources of revenue.** Loan recipients shall establish, and identify in the application, dedicated sources of revenue sufficient to operate and maintain the new facility, replace equipment, and fully amortize the loan for a term of not more than 20 years. The authority shall examine the identified dedicated sources of revenue to ensure that they are a sufficient amount and of sufficient certainty to fully repay the loan. Municipalities whose projects involve significant wastewater contributors shall be required to enter into an agreement with the significant wastewater contributor so as to ensure that the municipality and the authority are adequately protected in the event that the significant wastewater contributor curtails its operations, ceases operations, or moves out of the municipality.

Subp. 5. **Payments.** The first principal and interest payment is due and payable not later than one year after project completion, or 24 months from the approval of the loan by the authority, whichever is earlier. Subsequent principal and interest payments by the loan recipient must be made at the times agreed upon by the loan recipient and the authority in the loan agreement. In general, semiannual loan payments will be required, unless a different payment schedule is agreed upon and provided in the loan agreement. However, in no case shall payments be less frequent than annual principal and interest payments sufficient to amortize the debt within the contracted period. Interest shall accrue on any funds paid out to the borrower by the authority starting six months prior to the due date of the first loan repayment to the authority.

Statutory Authority: *MS s 446A.07; 446A.071*

History: *13 SR 2155; 18 SR 614*

7380.0440 INTEREST RATE DETERMINATIONS.

Subpart 1. **In general.** The interest rate charged by the authority to a loan recipient must be determined as provided in this part, except that in no case shall the

rate of interest on a loan to a borrower be reduced to less than one percent, except as provided in subpart 6.

Subp. 2. Setting of interest rates.

A. The interest rate charged to a loan recipient must be determined by the authority using as guidance the quarterly set rate in effect at either the time of the municipality's application to the authority, or at the time of the approval of the loan by the authority as determined by the municipality at the time of the approval by the authority.

B. The applicant is entitled to the cumulative interest rate adjustments provided in this part, regardless of when the applicant chooses to set the interest rate as provided in item A. If an applicant's project includes a facility which has been in significant noncompliance in the past 12 months, all basis point reductions provided under this part shall be halved. Significant noncompliance means the facility is listed on the most recent "Facilities in Significant Noncompliance" report which the commissioner of the Minnesota Pollution Control Agency shall certify to the authority with the intended use plan and amendments to the intended use plan.

C. If the authority funds an applicant's project through the sale of authority bonds, the applicant may request in its loan application the specific basis point reduction from the average coupon rate of the bonds sold by the authority as provided in item D. If an applicant chooses this option, the applicant will not be entitled to receive any other interest rate adjustment as provided in item B or subparts 4 to 6. The applicant also must comply with the following conditions:

- (1) the payment schedule agreed to follows the payment schedule of the bonds sold by the authority;
- (2) acceptable agreement on fund accountability is reached;
- (3) the municipality can demonstrate its creditworthiness; and
- (4) the integrity of the fund is maintained.

D. The authority shall annually provide by resolution the specific basis point reduction it will allow under item C.

Subp. 3. Suspension of loans at the quarterly set rate. The authority may suspend offering loans at the quarterly set rate if it determines that market conditions impacting the municipal bond index are unsettled or impair the viability of the fund. At the time of that determination, the authority may by resolution adopt a revised quarterly set rate, based upon generally accepted practices of interest rate forecasting, for a period of time determined by the authority. The authority may, based upon market conditions, extend the offering of loans at the revised quarterly set rate and continue to do so until the time the authority considers it prudent to again use the municipal bond index as guidance for the quarterly set rate.

Subp. 4. Demographic considerations.

A. A loan application will be considered for an interest rate reduction based upon the population of the municipal project service area, and be eligible for a reduction as follows:

(1) Applicants with a municipal service area population of 25,000 or less and larger than 5,000 are eligible to receive the quarterly set rate minus 25 basis points, subject to the interest rate adjustments in this part.

(2) Applicants with a municipal service area population of 5,000 or less and larger than 2,500 are eligible to receive the quarterly set rate minus 50 basis points, subject to the interest rate adjustments in this part.

(3) Applicants with a municipal service area population of 2,500 or less but larger than 1,000 are eligible to receive the quarterly set rate minus 75 basis points, subject to the interest rate adjustments in this part.

(4) Applicants with a municipal service population of 1,000 or less are eligible to receive the quarterly set rate minus 100 basis points, subject to the interest rate adjustments in this part.

B. The data used to determine the population, the median household income, and poverty level of the municipality should be that which most accurately measures the population, median household income, and poverty level of the municipality. The authority shall determine if the data submitted by the municipality is an appropriate and accurate measurement of the population, household income, and poverty level of the municipality.

C. The metropolitan and nonmetropolitan median household income levels of the state must be determined from income data from the most recent census of the United States or from data from the state demographer. The data provided must be applied as the criteria to determine if the municipality's service area household income is at, below, or above the median household level for the metropolitan or nonmetropolitan area as applicable.

D. If there is reason to believe that the United States census data or the data from the state demographer is not a currently accurate representation of the median household income, poverty level, or population of the municipality, the applicant may document the reasons why the data is not an accurate representation, and obtain additional information regarding median household income, poverty level, or population of the municipality. The information must consist of reliable data from local, regional, state or federal sources, or from a survey conducted by a reliable impartial source. If the authority determines that the demographic data submitted by the municipality does not reflect the most current or accurate measure of the municipality's population, median household income level, and poverty level, the authority shall update the demographic data to reflect the most current and accurate figures.

Subp. 5. **Interest rate adjustment.** Any applicant is eligible to receive consideration for interest rate adjustments to the interest rate to be charged by the authority as provided in this subpart.

A. The median household income is the income level for the municipal service area of the facility being financed by the authority. If the median household income level of the municipality is below the median household income level for a metropolitan or nonmetropolitan area, as applicable, the applicant is eligible for a 50 basis point reduction in the rate.

B. If the percentage of poverty level households in the municipality is at or above the national average, the applicant is eligible for a 100 basis points reduction in the interest rate charged by the authority.

C. If the estimated annual sewer service charge of the municipality after the completion of the project:

(1) is at or exceeds one percent of the median household income level of the municipality, the municipality is eligible for a 50 basis point reduction in the interest rate;

(2) is at or exceeds 1-1/2 percent of the applicant's median household income, the municipality is eligible for a 100 basis point reduction in the interest rate; or

(3) is at or exceeds two percent of the applicant's median household income, the municipality is eligible for a 150 basis point reduction in the interest rate.

Subp. 6. MR 1995 [Obsolete, MS s 14.47, subd. 6, paragraph (b)]

Statutory Authority: *MS s 446A.07; 446A.071*

History: *13 SR 2155; 18 SR 614*

7380.0450 OTHER FINANCIAL ASSISTANCE.

In addition to the loans provided in parts 7380.0430 to 7380.0440, the authority may use any forms of financial aids provided in United States Code, title 33, section 1383(d). The use of specific financing tools will be determined by the authority based on existing financial market conditions at the time the financing of the project takes place.

The revolving loan fund authorized by the act may be used:

A. to buy or refinance the debt obligation of municipalities for treatment works for which the debt was incurred and construction begun after March 7, 1985, at or below market rate;

B. to guarantee or purchase insurance for local obligations to improve credit market access or reduce interest rates;

C. to provide a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the authority if bond proceeds are deposited in the fund; and

D. to provide loan guarantees for similar revolving funds established by a governmental unit other than state agencies.

Statutory Authority: *MS s 446A.07 subd 10*

History: *13 SR 2155*

7380.0460 FEES.

If the authority charges a loan recipient a loan origination fee, the fee must be based on a schedule established by the authority and must not exceed one and one-half percent of funds borrowed from the authority. The fees, if any, will be charged to all loan recipients and must be as provided in the loan application form. These fees may be included as an eligible project activity or category in the municipality's application to the authority, and are due and payable as provided in the loan agreement.

Statutory Authority: *MS s 446A.07 subd 10*

History: *13 SR 2155*

7380.0470 RELEASE OF FUNDS.

Subpart 1. **In general.** Subject to the availability of funds, payments to the governmental unit for an approved project will be made in accordance with applicable state and federal law governing payments, but payments will not be made until the authority has determined the total estimated cost of the project, and ascertained that the total final financing of the project is assured by the following:

A. a loan authorized by state law or the appropriation proceeds of bonds or other money of the municipality to a fund for construction of a project; and

B. an irrevocable undertaking, by resolution of the applicant, to use the loan proceeds exclusively for the project, and to pay any additional amount by which the cost of the project exceeds the final estimate by the appropriation to the construction fund of additional money or proceeds of additional bonds to be issued by the governmental unit.

Subp. 2. **Adverse change.** The authority shall not release funds to a municipality for an approved project until the authority has determined that there have been no adverse changes in the financial capacity of the municipality since the day of the completion of the application.

The authority reserves the right to suspend or terminate funding to the municipality if the authority determines that there has been an adverse change.

Subp. 3. **Conformance with plans and reporting requirements.** The authority shall withhold, suspend, or terminate either total or partial payments if the authority determines that a project does not substantially conform to approved plans and specifications, or there has been substantial noncompliance with reporting requirements.

The executive director shall give a municipality written notice of the deficiencies the authority has determined exist, and the time in which the municipality must demonstrate to the authority's satisfaction that the condition has or will be corrected. The time for demonstration must not exceed 90 days.

Statutory Authority: *MS s 446A.07 subd 10*

History: *13 SR 2155*

7380.0480 REPORTS AND AUDITS.

Subpart 1. **Reports.** During the term of the loan, the municipality shall make written reports to the executive director on forms provided by the authority and on a schedule determined by the executive director.

Subp. 2. **Audits.** Financial assistance recipients must arrange and pay for independent audits, acceptable to the authority and prepared, if required by the Clean Water Act, in compliance with the Office of Management and Budget, Circular A-128, published in the Federal Register, volume 50, number 188, page 39083, on September 27, 1985, and in compliance with the Single Audit Act of 1984, United States Code, title 31, sections 7501 to 7507.

Statutory Authority: *MS s 446A.07; 446A.071*

History: *13 SR 2155; 18 SR 614*

INDEPENDENT WASTEWATER TREATMENT GRANTS PROGRAM**7380.0500 SCOPE OF RULES.**

Parts 7380.0500 to 7380.0582 provide for the awarding of grants by the Minnesota Public Facilities Authority under Minnesota Statutes, chapter 446A, to municipalities for wastewater treatment projects certified by the commissioner of the Minnesota Pollution Control Agency, as provided in Minnesota Statutes, sections 116.16 to 116.181, and chapter 7075.

The executive director of the authority shall assist municipalities in determining which grants or loans to apply for to finance eligible projects and the manner in which the municipality shall pay for its portion of the project cost.

Municipalities making application to the authority must comply with the requirements of the Pollution Control Agency independent grant program rules in chapter 7075 in order to receive the required certification of the commissioner of the agency before any determination by the authority on the municipality's application.

The authority shall, as provided in Minnesota Statutes, section 446A.051, review the proposed project financing for a municipal project certified by the commissioner of the agency to determine if the municipality has demonstrated in its application that:

A. the total financing of the project is assured; and

B. the municipality's financial plan to pay for its portion of the project is feasible.

Statutory Authority: *MS s 446A.06 subd 2*

History: *13 SR 1922*

7380.0510 DEFINITIONS.

The definitions in Minnesota Statutes, section 116.16, subdivision 2, and part 7380.0410, apply to parts 7380.0500 to 7380.0582.

Statutory Authority: *MS s 446A.06 subd 2*

History: *13 SR 1922*

7380.0520 STATE INDEPENDENT GRANTS PROGRAM.

Subpart 1. **Grants for certified projects.** The authority shall award state independent grants to municipalities for projects certified by the commissioner of the agency as provided in Minnesota Statutes, section 116.18, subdivisions 3a to 3d. The amount to be awarded by the authority must be equal to 50 percent of the eligible project cost as provided in the agency rules, or if the population of the municipality is 25,000 or less, 80 percent of the eligible project cost, as provided in the agency rules.

Subp. 2. **Grant limitation.** Until December 31, 1990, the authority shall award not more than 20 percent of the total amount of grants awarded under this part to any municipality in any fiscal year.

Subp. 3. **Economic development set-aside.** The authority shall set aside up to ten percent of the money to be awarded as grants under this part in any fiscal year for municipalities having substantial economic development projects that cannot come to fruition without municipal wastewater treatment improvements.

After the authority has allocated the first 90 percent of the total available money for the fiscal year to municipalities in accordance with agency priorities, the set-aside must be used by the authority to award grants to the remaining municipalities that have been identified by the authority.

Subp. 4. **Reimbursement.** The authority may award grants under this part to reimburse municipalities willing to proceed with projects and be reimbursed in a later year if an appropriation of sufficient funds has been made under Minnesota Statutes, section 116.18, subdivision 1, for that year.

Subp. 5. **Reimbursement grant percentages.** A municipality awarded a state independent grant for reimbursement for a project shall receive an additional five percent of the total eligible project construction cost beyond the percentage to which the municipality is entitled under subpart 1.

Statutory Authority: *MS s 446A.06 subd 2*

History: *13 SR 1922*

7380.0530 ELIGIBLE COSTS.

Eligible costs for grant applications are the eligible costs provided in the agency independent grant program rules and certified by the commissioner of the agency.

Statutory Authority: *MS s 446A.06 subd 2*

History: *13 SR 1922*

7380.0540 CAPITAL COST COMPONENT GRANT PROGRAM.

Subpart 1. **Grants for certified projects.** The authority shall award capital cost component grants to municipalities for projects certified by the commissioner of the agency.

Subp. 2. **Amount set aside.** The authority may set aside up to \$1,500,000 of the funds to be awarded as grants under part 7380.0520, subpart 1, in any fiscal year for capital cost component grants.

Subp. 3. **Project amount.** The amount of the award granted by the authority shall be as provided in the agency rules.

Statutory Authority: *MS s 446A.06 subd 2*

History: *13 SR 1922*

7380.0550 INDIVIDUAL ON-SITE TREATMENT SYSTEMS PROGRAM.

Subpart 1. **Grants for certified projects.** The authority shall award individual on-site treatment systems grants to municipalities for projects certified by the commissioner of the agency.

Subp. 2. **Amount set aside.** The authority may set aside up to ten percent of the funds to be awarded as grants as provided in part 7380.0520, subpart 1, in any fiscal year, up to a maximum of \$1,000,000, for the award of grants to municipalities to reimburse owners of individual on-site wastewater treatment systems for 50 percent of the costs of upgrading or replacing the systems, as provided in part 7075.1250, subpart 2.

Statutory Authority: *MS s 446A.06 subd 2*

History: *13 SR 1922*

7380.0560 CORRECTIVE ACTION GRANTS.

The authority shall award corrective action grants to municipalities for projects certified by the commissioner of the agency.

Statutory Authority: *MS s 446A.06 subd 2*

History: *13 SR 1922*

7380.0570 APPLICATION PROCESS.

Subpart 1. **In general.** To apply for state independent grants or the other grants programs as provided under parts 7380.0520, 7380.0530, 7380.0540, 7380.0550, and 7380.0560, applications by municipalities shall be made to the authority on forms provided by the agency which require information prescribed by the agency rules.

Subp. 2. **Notice of taking applications.** Applications must be taken as provided by the agency independent grant program rules. The application period for any of the grants programs shall be established by the commissioner of the agency.

Subp. 3. **Application processing.** The authority shall forward an application to the agency within ten days of receipt of an application by the authority. The agency will accept and review applications as provided in the program rules in chapter 7075.

Subp. 4. **Certified applications.** When an application certified by the commissioner of the agency is returned to the authority on or before the first business day of the month, the authority shall consider the application at the authority meeting that month. If a certified application is received after the first business day of the month and can be reviewed by the executive director before the authority agenda deadline, the authority may consider the application at the meeting in that month.

Subp. 5. **Complete applications.** An application is complete for the authority's purposes when the executive director receives all documentation and exhibits required for the authority to make the determinations required by Minnesota Statutes, section 446A.051.

Subp. 6. **Incomplete applications.** If the executive director determines, relative to the authority's requirements, that an application is incomplete, the executive director shall notify the applicant of the specific deficiencies in the application. The applicant has 30 days from the date of mailing of the executive director's notification to complete the application. If the application is not completed and received by the executive director within 30 days from the date of mailing, the application is considered rejected and the applicant, subject to agency rules, shall reapply to be further considered.

Subp. 7. **Applications not receiving certification.** An application not certified by the commissioner of the agency will not be considered for financial assistance by the authority. The executive director of the authority shall notify the applicant of the rejection of the application by the authority within ten days of the rejection of the application by the authority.

Subp. 8. **Rejection of applications by the authority.** An application for financial assistance may be rejected by the authority for the following reasons:

A. failure to develop and document that other project-required funding commitments have been secured, as provided in Minnesota Statutes, section 446A.051;

B. failure to submit a completed application using the procedure provided in subpart 6; and

C. failure to demonstrate that the municipality's financial plan to pay for its portion of the project is feasible, as provided in Minnesota Statutes, section 446A.051.

Statutory Authority: *MS s 446A.06 subd 2*

History: *13 SR 1922*

7380.0580 AWARD OF GRANTS AND LOANS.

Subpart 1. **In general.** Upon certification of an application by the agency and the review and approval of the application by the authority, the authority shall make the award and notify the municipality that it is to receive a grant or loan and prepare and advise the municipality of the grant or loan forms or other documents that must be executed to complete the grant or loan.

Subp. 2. **Amendments to grant award.** A municipality that seeks an amendment to a previously awarded grant or loan shall follow the procedure in part 7380.0570 for applying to the authority.

Statutory Authority: *MS s 446A.06 subd 2*

History: *13 SR 1922*

7380.0581 RELEASE OF FUNDS.

Subject to the availability of funds, payments to a municipality, which have been certified by the commissioner of the agency, will be made in accordance with applicable federal and state laws governing those payments. However, payments will not be made until the authority has determined the total estimated cost of the project and ascertained that financing of the project is assured by:

A. a grant to the municipality by an agency of the federal government within the amount of funds then appropriated to that agency and allocated by it to projects within the state;

B. a grant of funds appropriated by state law;

C. a loan authorized by state law;

D. the appropriation of proceeds of bonds or other funds of the municipality to a fund for the construction of the project; or

E. any or all of the means referred to in items A to D; and

F. an irrevocable undertaking, by resolution of the governing body of the municipality, to use all funds made available exclusively for the construction of the project, and to pay any additional amount by which the cost of the project exceeds the estimate, by the appropriation to the construction fund of additional municipal funds or the proceeds of additional bonds to be issued by the municipality; and

G. conformity of the project and of the grant or loan application with the state water pollution control plan as certified to the federal government and with all other conditions under applicable state and federal law for a grant of state or federal funds of the nature and in the amount involved.

Statutory Authority: *MS s 446A.06 subd 2*

History: *13 SR 1922*

7380.0582 REPORTS.

During the term of the grant or loan agreement, the municipality shall make written reports to the executive director of the authority on forms provided by the authority on a schedule determined by the executive director.

Statutory Authority: *MS s 446A.06 subd 2*

History: *13 SR 1922*

DISTRICT HEATING LOANS

7380.0600 DEFINITIONS.

Subpart 1. **Scope.** The terms defined in this part and in Minnesota Statutes, section 216C.36, subdivision 2, apply to parts 7380.0600 to 7380.0650.

Subp. 2. **Construction loan.** "Construction loan" means a loan to fund construction costs.

Subp. 3. **Design loan.** "Design loan" means a loan made to fund those activities required to be completed during the final design phase of a district heating system in order to finance and construct the system. These activities include conducting economic feasibility analyses, obtaining heat source commitments and customer contracts, structuring financing, and related district heating project tasks.

Subp. 4. **District heating project or project.** "District heating project" or "project" means a district heating design or construction project for a new or existing district heating system.

Subp. 5. **Existing system.** "Existing system" means a district heating system that has at least one customer and has been operational for more than one year.

Subp. 6. **Financial consultant.** "Financial consultant" means a reputable person or firm experienced in working with complex revenue-supported financial plans and qualified to assess the financial condition and operation of the district heating project.

Subp. 7. **Gross revenues.** "Gross revenues" means all revenues, fees, user charges, rents, franchise fees, special assessments, and other income and receipts derived from the ownership or operation of the district heating project, the proceeds of any insurance that insures against the loss of gross revenues, any investment income from money or securities derived from the state loan under Minnesota Statutes, section 216C.36, and any other income and receipts attributable to the ownership or operation of the project from whatever source derived, calculated on an annual basis.

Subp. 8. **New system.** "New system" means a district heating system that has at least one customer and has been operational for less than one year.

Subp. 9. **Operating expenses.** "Operating expenses" means the expenses directly and properly attributable to the operation of the project on an annual basis, including: expenses for operation, maintenance, repairs, ordinary replacement, ordinary acquisition of equipment, fuel and heat, labor and fringe benefits, lease rental payments, insurance premiums, administration, legal services, engineering services, payments of all indebtedness, and any other current expenses or obligations required to be paid by the municipality or owner of the district heating project, all to the extent properly and directly attributable to the operation of the district heating project. Operating expenses do not include any costs or expenses for new construction or any allowance for depreciation.

Statutory Authority: *MS s 446A:11 subd 2*

History: *13 SR 1922*

7380.0610 CONTENTS OF APPLICATION FOR NEW SYSTEM.

A completed application for a construction loan to a new system must contain:

A. The name, address, and telephone number of the responsible official of the municipality.

B. Complete engineering design of the district heating project, including:

(1) an analysis of the proposed piping layout that must address optimum service to the total designated area, reliability of service, system temperatures and pressure requirements, thermal and hydraulic operability for normal and emergency conditions, and optimum piping configuration to provide service and flexibility for future expansion;

(2) an analysis of the proposed piping design that must address reliability of service, ease of construction, ease of maintenance, installation methods, and specifications and standards; and

(3) an analysis of the heat source design that must define the proposed roles of the following heat sources in the development and future operation of the system: base load heating plant, peaking plants, large boiler plants in existing buildings, mobile boilers, accumulators, and future heat sources such as solid waste, solar, and industrial waste heat.

C. A market study of customers who represent 90 percent of the proposed thermal load of the district heating system. This study must show detailed information on present fuel consumption or heating demand and the present heating system in each building.

D. A preliminary expansion plan showing how the system could be expanded to serve other parts of the community.

E. A complete economic analysis, including:

(1) a preliminary financing and development plan for the district heating system prepared by a financial consultant;

(2) cash flow, income, and balance sheets for the time period of the loan;

(3) a cost estimate and expenditure schedule for all transmission and distribution piping, heat source conversion, purchase or rental, operating and maintenance costs excluding fuel costs, and building heating conversion costs; and

(4) a statement showing the source of all funds to be used by the applicant for the design or construction of the system, and the amount of funds from each of those sources.

F. A certification by the municipality that a bid package for the construction of the project has been completed and is available to the department of public service if requested.

G. A copy of the standard contract entered into with customers of the project and a list of customers already under contract, listing the thermal load of each customer presently under contract and comparing the total of the thermal load already contracted with the total load of the district heating project.

H. Where applicable, a copy of any contract for the furnishing of heat and fuel for the district heating project.

I. A resolution in support of the project from the governing body of the municipality that must include the pledges the municipality proposed to make to guarantee prepayment of the loan and evidence of the municipality's capability to sponsor the district heating project.

J. Identification of all licenses, permits, zoning regulations, and other requirements of federal, state, or local governments with which the project would be expected to comply and the present status of compliance with each.

K. A list of key personnel and their qualifications as they relate to the district heating project.

L. An estimate of the type and amount of fuel to be saved per year from the full operation of the district heating system compared to the type and amount of fuel used by the existing system.

M. A copy of a completed environmental impact statement or a negative declaration of the need for an environmental impact statement from a completed environmental assessment worksheet, or in those cases where no environmental assessment worksheet is required, a statement as to the environmental effects of the project.

Statutory Authority: *MS s 446A.11 subd 2*

History: *13 SR 1922*

7380.0620 CONTENTS OF APPLICATION FOR EXISTING SYSTEM.

A completed application for a construction loan to an existing system must contain:

A. The name, address, and telephone number of the responsible official of the municipality.

B. Background information on the existing system, including: ownership, type and size of heat source, heat source capacity, backup heat boilers, and customer base, including information on process loads.

C. A complete engineering design of the expansion project, including:

(1) an analysis of the proposed piping layout, system temperatures and pressure requirements, and flexibility for future expansion; and

(2) an analysis of the heat source, including the capacity available and information concerning the backup heat source.

D. A discussion of proposed customer load including information on present fuel consumption or heating demand and the present heating system in each building for new customers.

E. A complete discussion of how the loan is to be secured, the current outstanding debt of the applicant, and the cash flow for the term of the loan. This

discussion must also contain a cost estimate and expenditure schedule for all transmission and distribution piping, heat source conversion, purchase or rental, operating and maintenance costs excluding fuel costs, and building heating conversion costs.

F. A certification by the municipality that a bid package for the construction of the project has been completed and is available to the department of public service if requested.

G. A copy of the standard contract entered into with the customers of the project and a list of customers already under contract and the total load it represents.

H. A copy of any contract for the furnishing of heat.

I. A copy of any contract for the furnishing of fuel for the district heating project if this is a waste-to-energy project.

J. A resolution in support of the project from the governing body of the municipality that must include the pledges the municipality proposes to make to guarantee repayment of the construction loan and evidence of the municipality's capability to sponsor the district heating project.

K. Identification of all licenses, permits, zoning regulations, and other requirements of federal, state, or local governments with which the district heating project would be expected to comply and the present status of compliance with each.

Statutory Authority: *MS s 446A.11 subd 2*

History: *13 SR 1922*

7380.0630 APPLICATION PROCEDURE.

Subpart 1. **Submitting.** The applicant shall submit ten copies of a complete application to the chair of the authority on a form provided by the authority.

Subp. 2. **Review by Department of Public Service.** When an application is received by the chair, copies of the application shall be sent to the commissioner of the Department of Public Service for review. The commissioner of public service shall prepare and submit to the authority a technical evaluation and a recommendation on the application.

Statutory Authority: *MS s 446A.11 subd 2*

History: *13 SR 1922*

7380.0640 AUTHORITY REVIEW AND EVALUATION.

The authority will review the application for compliance with Minnesota Statutes, section 216C.36, and the rules of this part in conjunction with the recommendation of the commissioner of public service on the application. The authority shall also review the commissioner of public service priority list for funding district heating loans that must be based on the requirements under Minnesota Statutes, section 216C.36, subdivisions 3, 4, 5, 6, and 7. The authority shall give higher priority to a project as provided in Minnesota Statutes, section 216C.36, subdivision 4.

The commissioner of finance shall sell bonds and the authority shall make loans for district heating projects only upon the recommendation of the commissioner of public service.

If the authority disapproves the application, the chair shall notify the applicant in writing.

Statutory Authority: *MS s 446A.11 subd 2*

History: *13 SR 1922*

7380.0650 REPORTS AND MONITORING.

Subpart 1. **Quarterly project status report.** The municipality shall submit to the authority, on forms provided by the authority, a quarterly project status report. This report is due within 30 days of the end of each calendar quarter until the design or construction of the district heating project is completed. Projects begun part way through a quarter must submit a quarterly report for the portion of the quarter during

which the project was active. The project status report must indicate the progress of the implementation of the district heating project funded, problems encountered, the effect of the problems on the project, and the corrective action taken. The authority shall, in consultation with the commissioner of public service, declare the entire loan amount due and payable if the authority determines that a project does not substantially conform to the construction schedule or if there has been substantial noncompliance with reporting requirements. The executive director of the authority shall inform the municipality in writing of any noncompliance with the construction schedule or reporting requirements and of the time in which the municipality must correct the deficiencies to the authority's satisfaction. If the deficiencies are not corrected to the authority's satisfaction the authority shall declare the entire amount of the loan due and payable.

Subp. 2. **Quarterly financial report.** The municipality shall submit to the authority, on forms provided by the authority, a quarterly financial status report that indicates expenditures of loan funds through the last date of each quarter. This report is due within 30 days of the end of each calendar quarter until the design or construction of the district heating project is completed and all expenses applicable to the loan are paid. Projects begun part way through a quarter must submit a quarterly report for the portion of the quarter during which the project was active.

Subp. 3. **Final report.** Within 60 days of the completion of the project, the municipality shall submit to the authority, on forms provided by the authority, a final financial status report that gives expenditures of the district heating project. The final financial report shall give actual expenditures for the costs incurred.

Subp. 4. **Failure to comply with provisions of part.** If the municipality fails to comply with any of this part, the municipality may, with the advice and consent of the authority, be declared ineligible for further contracts with the state under the district heating loan program.

Statutory Authority: *MS s 446A.11 subd 2*

History: *13 SR 1922*

7380.0700 [Renumbered 7607.0100]

TRANSPORTATION REVOLVING LOAN FUND

7380.0705 PURPOSE.

The transportation revolving loan fund provides loan assistance to eligible borrowers for approved transportation projects. The program is jointly administered by the Minnesota Department of Transportation and the Minnesota Public Facilities Authority. Minnesota Statutes, section 446A.085, authorizes the Minnesota Public Facilities Authority to manage and administer the fund and establishes the transportation committee of the Minnesota Public Facilities Authority to review and approve financial assistance to projects certified by the commissioner of transportation. Parts 7380.0705 to 7380.0775 provide for the authority's administration of its duties under Minnesota Statutes, section 446A.085. Parts 8800.0050 to 8800.0500 provide for the Department of Transportation's responsibilities.

Statutory Authority: *MS s 446A.085*

History: *23 SR 1353*

7380.0710 [Renumbered 7607.0110]

7380.0715 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 7380.0705 to 7380.0775 have the meanings given them in this part.

Subp. 2. **Act.** "Act" means the National Highway System Designation Act of 1995, Public Law Number 104-59, as amended.

Subp. 3. **Applicant.** "Applicant" means an eligible borrower under Minnesota Statutes, section 446A.085, subdivision 1, paragraph (b), that applies for a loan from the fund.

Subp. 4. **Application.** "Application" means the documents submitted to the executive director of the authority by an applicant that contain information and data in support of the applicant's loan request to the authority. The application includes the complete application forms provided by the authority. Municipal applicants must submit a municipal profile and current annual budget, or financial forecasts, as applicable, and financial audits for the last three years.

Subp. 5. **Authority.** "Authority" means the Minnesota Public Facilities Authority created in Minnesota Statutes, chapter 446A.

Subp. 6. **Basis point.** "Basis point" means the shorthand reference to 1/100 (0.01) of one percent.

Subp. 7. **Bond market index.** "Bond market index" means a nationally recognized index of yields on tax-exempt bonds, mainly of investment grade, that issuers would pay on issues of various maturities.

Subp. 8. **Debt service account.** "Debt service account" means a separate bookkeeping account established and maintained in a borrower's official financial records to account for the accumulation of resources for, and the payment of, the general obligation bond or revenue bond purchased by the authority.

Subp. 9. **Dedicated sources of revenue.** "Dedicated sources of revenue" means one or more sources of revenue pledged by a borrower for repayment of the loan.

Subp. 10. **Department.** "Department" means the Minnesota Department of Transportation.

Subp. 11. **Eligible costs.** "Eligible costs" means all or part of the cost of a project that may be financed by a loan from the fund provided the costs are permitted under the act and Minnesota Statutes, section 446A.085. Eligible costs include capitalized interest.

Subp. 12. **Executive director.** "Executive director" means the executive director of the authority.

Subp. 13. **Financial capability.** "Financial capability" means the capability of a borrower to retire debt incurred from the fund, as determined by its fiscal and socioeconomic data through such measures as: population trends, median household income, debt per capita, composition of municipal long-term debt, debt service coverage ratio, revenue coverage ratio, planned capital improvements, liquidity, revenue forecasts, audits or financial statements, as applicable, income and earning forecasts, financial forecasts, credit reports, and net worth calculations.

Subp. 14. **Fund.** "Fund" means the transportation revolving loan fund created in Minnesota Statutes, section 446A.085.

Subp. 15. **General obligation bond.** "General obligation bond" means a bond or note that is secured by the full faith and credit of a borrower as provided in Minnesota Statutes, chapter 475.

Subp. 16. **Loan.** "Loan" means financial assistance as defined in Minnesota Statutes, section 446A.085, subdivision 1, paragraph (d).

Subp. 17. **Loan agreement.** "Loan agreement" means the financing agreement between the borrower and the authority that provides the interest rate and the terms and conditions of the loan.

Subp. 18. **Municipal profile.** "Municipal profile" means a written document prepared by a municipality that describes population trends, major employers, building permits, largest taxpayers, trends of estimated market values, property tax rates, property tax collection, net tax capacity, indebtedness, budget forecasts, project capital expenditures, educational and health care facilities, and other information deemed

necessary by the authority or its rating agencies to make an informed determination on the creditworthiness of the municipality.

Subp. 19. **Revenue bond.** "Revenue bond" means a bond or note payable from one or more specified sources of revenue and to which the full faith and credit of the issuing entity is not pledged.

Subp. 20. **Transportation committee.** "Transportation committee" means a committee of the authority, acting on behalf of the authority, as provided in Minnesota Statutes, section 446A.085, subdivision 1.

Statutory Authority: *MS s 446A.085*

History: *23 SR 1353*

7380.0720 [Renumbered 7607.0120]

7380.0725 APPLICATIONS.

Subpart 1. **Evaluation of loan applications.** The executive director and staff shall evaluate loan applications for projects certified by the department. Loan applications must provide sufficient information to allow the authority to make an informed determination about whether:

- A. the financing of the project is fully ensured;
- B. the applicant has the financial capability to repay the loan;
- C. collateral is being provided by the applicant to secure the loan to the extent required in part 7380.0735, subpart 3; and
- D. the applicant has the capability to comply with Minnesota Statutes, section 446A.085, parts 7380.0705 to 7380.0775, the loan agreement, and the permissible legal covenants of the general obligation bond or revenue bond that will be issued by the applicant to the authority.

Subp. 2. **Approval or rejection of loan applications.** The transportation committee shall approve a loan application unless it is rejected for one or more of the following reasons:

- A. failure of the applicant to ensure full project financing;
- B. failure of the applicant to demonstrate financial capability to repay the loan;
- C. failure of the applicant to collateralize the loan to the extent required in part 7380.0735, subpart 3;
- D. failure to develop a dedicated source of revenue sufficient to ensure timely repayment of the loan; or
- E. failure of the applicant to demonstrate its capacity to comply with Minnesota Statutes, section 446A.085, parts 7380.0705 to 7380.0775, the loan agreement, and the permissible legal covenants of the general obligation bond or revenue bond issued by the applicant to the authority.

Subp. 3. **Loan agreement.** When the applicant is ready to proceed with a project for which a loan application has been approved by the transportation committee, the executive director shall prepare a loan agreement.

Statutory Authority: *MS s 446A.085*

History: *23 SR 1353*

7380.0730 [Renumbered 7607.0130]

7380.0735 LOAN CONDITIONS.

Subpart 1. **In general.** Conditions for loans provided by the authority to borrowers for certified projects are as provided by the act, Minnesota Statutes, section 446A.085, parts 7380.0705 to 7380.0775, any applicable bond resolution or series bond resolution of the authority, the loan agreement, and the general obligation bond or revenue bond issued by the borrower to the authority for the project financing.

Subp. 2. **Specific conditions.** The conditions in items A to E apply to borrowers receiving a loan from the fund.

A. Borrowers other than the department shall provide a general obligation bond or revenue bond to the authority for the full amount of the loan. Borrowers must use a nationally recognized bond counsel identified as such and included in The Bond Buyer's Municipal Marketplace Directory to prepare bond and other related documents and render an opinion to the authority.

B. The maximum term of the loan shall not exceed the useful life of the project.

C. The borrower shall designate and maintain a dedicated source or sources of revenue sufficient to fully amortize the loan.

D. The borrower shall designate and maintain a debt service account.

E. The borrower shall begin making interest payments no later than one year after the execution of the loan agreement and principal payments on the loan no later than three years after the execution of the loan agreement. Subsequent principal and interest payments must be made in the amounts and at the times given in the loan agreement.

Subp. 3. **Collateral.** For borrowers providing a revenue bond for a private activity loan as provided in part 7380.0745, subpart 3, the authority shall take a security interest in privately held capital assets or real property to collateralize the loan.

Statutory Authority: *MS s 446A.085*

History: *23 SR 1353*

7380.0740 [Renumbered 7607.0140]

7380.0745 INTEREST RATE DETERMINATIONS.

Subpart 1. **Bond market index.** Except as provided in subpart 4, the interest rate charged to a borrower shall be as described in items A to C and shall be based on the bond market index on the day prior to the date of the loan agreement.

A. A borrower providing a general obligation bond to the authority shall be charged interest based on the yields for a Aaa rated issue.

B. The department shall be charged interest based on the yields for a Aaa rated issue.

C. A borrower providing a revenue bond to the authority shall be charged interest based on the yields for a Baa rated issue.

Subp. 2. **Discounts.** The discount given to a borrower shall be as described in items A and B.

A. The authority shall set annually by resolution the discount, if any, that shall be applied to the interest rate determined in subpart 1.

B. A borrower under 5,000 population shall receive an additional discount of 100 basis points.

Subp. 3. **Private activity loans.** If a loan meets the definition of private activity under section 141 of the Internal Revenue Code of 1986, as amended, the interest rate shall be determined by dividing the rate determined in subparts 1 and 2 by 0.75.

Subp. 4. **Loans funded through the sale of authority bonds.** The interest rates charged to a borrower whose project is funded through the sale of authority bonds shall be based on the yields on the authority's bonds, minus any discount set by resolution of the authority.

Statutory Authority: *MS s 446A.085*

History: *23 SR 1353*

7380.0750 [Renumbered 7607.0150]

7380.0755 OTHER FINANCIAL ASSISTANCE.

In addition to loans, the authority may provide other forms of financial assistance as provided in the act and in Minnesota Statutes, section 446A.085, subdivision 1. The transportation committee shall determine when other forms of financial assistance are appropriate based on existing financial conditions, the impact on the viability of the fund, the financial capacity of the borrower, and the advantages to the borrower.

Statutory Authority: *MS s 446A.085*

History: 23 SR 1353

7380.0760 [Renumbered 7607.0160]

7380.0765 RELEASE OF FUNDS.

Subpart 1. **In general.** Subject to the availability of funds, disbursements to the borrower shall be made as project costs are incurred in accordance with applicable state and federal law governing such disbursements. In addition, no disbursements shall be made to a borrower until and unless the authority has determined the total estimated cost of the project and ascertained that the financing of the project is ensured by:

A. a loan authorized by state law or appropriation of bonds or other money of the borrower to fund the construction of the project; and

B. an irrevocable undertaking, by resolution of the borrower, to use all the money made available for the project exclusively for the project and to pay any additional amount by which the cost of the project exceeds the estimate by the appropriation to the construction fund of additional money or proceeds of additional bonds to be issued by the borrower.

Subp. 2. **Adverse change.** The authority shall not release funds to a borrower for an approved project until the authority has determined that there has been no adverse change in the financial capacity of the borrower since the day of the completion of the application. The authority reserves the right to suspend or terminate funding to a borrower if the authority determines that there has been an adverse change.

Subp. 3. Withholding, disallowance, or termination of disbursements.

A. The authority shall withhold or disallow either total or partial disbursements if the borrower fails to comply with the requirements of the act, Minnesota Statutes, section 446A.085, parts 7380.0705 to 7380.0775, the loan agreement, or the general obligation bond or revenue bond issued by the borrower to the authority.

B. If the authority withholds disbursements under item A, the executive director shall give a borrower written notice of the reasons and the time in which the borrower must demonstrate to the authority's satisfaction that the condition has or will be corrected. If the condition has not been corrected in the specified time period, withheld disbursements may be terminated. Termination of disbursements means that the amount of the loan available to the borrower is reduced by the amount terminated.

Statutory Authority: *MS s 446A.085*

History: 23 SR 1353

7380.0770 [Renumbered 7607.0170]

7380.0775 REPORTS, DISCLOSURE, AND AUDITS.

Subpart 1. **Project status reports.** During the term of the loan the borrower shall provide written reports to the authority. The content and timing of these reports must be as specified in the loan agreement.

Subp. 2. **Disclosure.** During the term of the loan the borrower must, on its own volition, disclose to the authority any material information or events impacting the creditworthiness of the borrower, including those requirements contained in rule 15c2-12 promulgated by the United States Securities and Exchange Commission, Code of Federal Regulations, title 17, section 240.15c2-12. If and when required by this rule,

as determined by the authority, the borrower shall enter into a continuing disclosure document.

Subp. 3. **Audits.** During the term of the loan, the borrower must provide to the authority on an annual basis a financial audit conducted by an independent accounting firm.

Statutory Authority: *MS s 446A.085*

History: *23 SR 1353*

7380.0780 [Renumbered 7607.0180]

ONCE-THROUGH COOLING CONVERSION LOAN PROGRAM

7380.0800 DEFINITIONS.

Subpart 1. **Scope.** The terms defined in this part apply to parts 7380.0800 to 7380.0840.

Subp. 2. **Applicant.** "Applicant" means those applicants which are eligible to apply as provided in Minnesota Statutes, section 446A.21.

Subp. 3. **Authority.** "Authority" means the Minnesota Public Facilities Authority.

Subp. 4. **Capital cost.** "Capital cost" means the costs to be incurred for the replacement of once-through cooling systems with environmentally acceptable cooling systems. Capital cost includes construction and renovation costs, engineering costs, machinery and equipment costs; and legal costs, professional services costs, or loan fees, including those of the authority.

Subp. 5. **Department.** "Department" means the Department of Public Service.

Subp. 6. **Financial institution.** "Financial institution" means an investment or banking institution, a savings and loan, an insurance company, an investment company, a public entity authorized to make loans, or an entity operating a district cooling system, making, purchasing, or participating in a loan or part of a loan.

Subp. 7. **Participation agreement.** "Participation agreement" means the agreement by and between the financial institution and the authority which establishes the relationship between the parties, and contains all the terms and conditions regarding the participation in the borrower's loan which the authority has purchased from the financial institution, and any amendment, modification, or substitution thereof.

Subp. 8. **Participation loan.** "Participation loan" means a loan made under a contract with a financial institution in which the authority purchases a share of a financial institution's loan to an eligible borrower for the purposes of the program.

Statutory Authority: *MS s 446A.021*

History: *19 SR 1227*

7380.0810 PROCEDURES FOR FINANCIAL ASSISTANCE APPLICATION.

Subpart 1. **In general.** To apply for financial assistance from the authority, an applicant shall obtain an application form from the authority and submit a completed form to the authority by June 1 of each calendar year. The application form must be signed by a financial institution expressing interest in providing a loan for the purpose of converting the applicant's once-through cooling system to an environmentally sound cooling system. Applications shall be sent to the authority which shall forward the applications to the department for its review and certification of eligible projects.

Those applications certified by the department, based on the information provided by the applicants in the applications, shall be assigned rankings by the authority for funding in a given year as provided in subpart 2, item C, and Minnesota Statutes, section 446A.21. The authority shall provide the balance of the application forms by August 1 of a given year to those applicants which have been certified. Applicants shall submit the rest of the applications as provided in subpart 3 to the executive director of the authority postmarked no later than October 1 or the first business day of October

of each year. The full applications must include a letter from the participating financial institution committing the financial institution to provide project funding conditioned upon the authority approval of the loan. The authority shall fund certified projects in order of their rankings, as provided in subpart 2, item C, and Minnesota Statutes, section 446A.21, and award loans by December 31 of each year. The authority shall change the application submission due dates and award dates only by public notice in the State Register.

Subp. 2. Authority review.

A. When an applicant's project has been certified by the commissioner of the department, the authority shall review and evaluate the application to determine the applicant's capacity to comply with the terms and conditions of this part, Minnesota Statutes, section 446A.21, and the terms and conditions of the participation agreement.

B. The authority shall only approve and provide financial assistance for the capital cost for certified applicants that demonstrate that:

- (1) the total financing of the project is assured;
- (2) the applicant has the capacity to repay the loan to the authority;
- (3) the applicant has a written commitment from a financial institution for the necessary amount of the project loan; and
- (4) the applicant is able to provide collateral for the loan.

C. The authority shall give priority to, and shall first fund in a given year, projects for nonprofit organizations and school districts, listed on the Department of Natural Resources once-through cooling water use permit list. Should the authority not have sufficient program funds in a given year to fund all certified and approved projects, the authority shall first fund the most cost-effective projects. The cost effectiveness of a project shall be determined by:

- (1) calculating for each loan application, the gallons per year of ground-water consumption eliminated based on the average of the previous three years consumption as provided by Department of Natural Resources records, per dollar of the authority loan money for which the application has been made;
- (2) ranking applications in descending order according to gallons per year eliminated per dollar of the authority loan; and
- (3) providing funding to as many projects as possible within the limits of available funding based on the rank order.

Subp. 3. Completed application. A project application certified by the commissioner of the department is considered complete by the authority at such time as the applicant provides all the information required in the application.

Subp. 4. Incomplete application. If an incomplete application is received from an applicant before August 1 of a given year, the executive director of the authority shall notify the applicant of the specific deficiencies in the application. If a revised and completed application is not received by the executive director by the application deadline, October 1, or the first business day of October, the application is deemed to be rejected, and the applicant, subject to parts 7685.0100 to 7685.0140, must reapply in a later year to be considered.

Subp. 5. Projects not receiving certification. A project application not receiving certification by the commissioner of the department shall not receive consideration for financial assistance by the authority. The executive director of the authority shall notify the applicant of the rejection of the application by the authority within ten days of the rejection determination.

Subp. 6. Rejection of certified applications by authority. The authority shall reject a certified application from applicants unable to comply with subpart 2, item B.

Statutory Authority: *MS s 446A.021*

History: *19 SR 1227*

7380.0820 PARTICIPATION LOAN TERMS AND CONDITIONS.

Subpart 1. **In general.** The authority shall provide financial assistance as provided by this part.

Subp. 2. **Type of assistance and interest rates.** The authority shall provide financial assistance and determine interest rates as described in items A and B.

A. The authority shall utilize loan participation as the means to provide financial assistance to borrowers. An applicant may select a financial institution of its choice. The authority, subject to the requirements of this part, shall purchase a loan participation in a loan up to 50 percent of the total eligible project cost of the project.

B. The authority shall set its interest rates to be charged all borrowers on October 1 or the first business day of October of each year. The interest rate on the authority's portion of the loan shall be at the rate of a United States government treasury security of a comparable maturity to the term of a loan being made, minus 100 basis points. The interest rate to the borrower on the total amount of a participation loan to the borrower shall be a blended rate of the financial institution's rate and the authority's rate in proportion to the respective rates of participation.

Subp. 3. **Dedicated sources of repayment and collateral requirements.**

A. A public entity shall establish, and identify in its application, dedicated sources of revenue sufficient to fully amortize the loan.

B. A public entity shall also, if empowered to do so, provide the financial institution and the authority with a general obligation note for the full amount of the principal and interest payments to be received by the authority.

C. A public entity not empowered to issue general obligation notes shall provide to the financial institution and the authority collateral for the loan that the financial institution and the authority have determined to be adequate to collateralize the loan.

D. As required by Minnesota Statutes, section 446A.21, subdivision 2, paragraph (b), a public entity shall provide to the financial institution and the authority, audits and budgets which document that the entity has the revenue to repay the loan.

E. As required in Minnesota Statutes, section 446A.21, subdivision 2, paragraph (b), private and nonprofit organizations shall provide to the financial institution or the authority, income and earnings forecasts, audits, credit reports, and other related materials that documents that the entity has revenues to repay the loan. The financial institution and the authority shall take a security interest in capital assets or real property.

Subp. 4. **Term of Loan.** The maximum term of a loan shall not exceed the useful life of the real property being offered as collateral, 80 percent of the useful life of the equipment or machinery, or the following limits, whichever is less:

A. ten years for land, building, or other real property;

B. five years for equipment or machinery; or

C. a weighted average of the limits provided in items A and B for loans that are for a combination of real property and equipment or machinery.

Statutory Authority: *MS s 446A.021*

History: *19 SR 1227*

7380.0830 FEES.

Any loan origination fees charged a loan recipient by the authority shall be as provided in Minnesota Statutes, section 446A.04, subdivision 5, paragraph (a).

Statutory Authority: *MS s 446A.021*

History: *19 SR 1227*

7380.0840 AUDITS.

During the term of the loan, loan recipients shall provide annual independent audits.

Statutory Authority: *MS s 446A.021*

History: *19 SR 1227*