



Clean Water Revolving Fund & Drinking Water Revolving Fund

APPLICATION FORMS AND INSTRUCTIONS

October 2020

Minnesota Public Facilities Authority

1st National Bank Building • 332 Minnesota St. • Suite W820 • Saint Paul, MN 55101-1378 • USA

651-259-7469 • 800-657-3858 TOLL FREE • 651-296-8833 FAX • mn.gov/pfa

An equal opportunity employer and service provider

GENERAL INFORMATION AND DEADLINES	3
GENERAL INFORMATION	3
DEADLINES FOR PROJECTS ON THE 2021 INTENDED USE PLANS	3
APPLICATION CHECKLIST	4
APPLICATION ITEMS REQUIRED BY THE APPLICATION DEADLINE	4
APPLICATION – ADDITIONAL ITEMS TO BE SUBMITTED IF REQUESTED	4
APPLICATION ITEMS THAT MUST BE SUBMITTED WHEN AVAILABLE	5
POST LOAN AWARD SUBMITTALS	5
FORM 1 - GENERAL APPLICANT INFORMATION & CONTACTS.....	6
FORM 2A – PROJECT INFORMATION.....	9
FORM 2B – PLEDGED SECURITY	17
ILLUSTRATION OF FORMS 3, AND 4	20
<i>Form 3a Annual Operation & Maintenance Costs</i>	<i>20</i>
<i>Form 3b Annual Debt Service Costs</i>	<i>21</i>
<i>Form 3c System Costs</i>	<i>22</i>
<i>Form 3d Cash flow Projection</i>	<i>23</i>
<i>Form 3e Future Capital Improvements and Planning</i>	<i>24</i>
<i>Form 4a Clean Water Project Budget</i>	<i>25</i>
<i>Form 4b Drinking Water Project Budget.....</i>	<i>25</i>
<i>Form 4c Prior Incurred Costs.....</i>	<i>26</i>
FORM 3A, 3B, 3C, 3D, 3E 4A, 4B, 4C – INSTRUCTIONS.....	27
FORM 5 – COMPLIANCE WITH FEDERAL AND STATE LAWS, RULES, REGULATIONS.....	30
FORM 5 – COMPLIANCE WITH FEDERAL AND STATE LAWS, RULES, REGULATIONS – INSTRUCTIONS	34
FORM 6 – DISADVANTAGED BUSINESS ENTERPRISE (DBE) CERTIFICATION, REQUIRED DBE PROCUREMENT & CONTRACT CONDITIONS	35
FORM 6 –DISADVANTAGED BUSINESS ENTERPRISE (DBE) CERTIFICATION	37
EXAMPLE APPLICATION RESOLUTION.....	38

GENERAL INFORMATION AND DEADLINES

General Information

This document contains the fillable PDF Application forms for the Clean Water Revolving Fund and Drinking Water Revolving Fund. Instructions are also included. Forms 3 and 4 are included in this document as illustrations. Please use the Excel spreadsheets for Forms 3 and 4 that are on the PFA web page www.mn.gov/pfa under Infrastructure Funds and Programs (Clean Water or Drinking Water Revolving Fund) “forms” tab.

Save these files to your computer. The forms can be filled out electronically by using the TAB key to move from one field to the next. Send the completed and signed forms, including the completed Excel forms, along with all of the required documentation (identified on the Application Checklist), to your [PFA loan officer](#). All documents may be provided as pdf documents and sent via e-mail or sent as a hard copy through the mail.

The applicant must be the entity that will issue the General Obligation Revenue note or General Obligation Improvement note to the PFA as security for the PFA loan.

A DUNS number is requested on the forms. DUNS numbers can be found at <http://fedgov.dnb.com/webform>

NOTE: For additional information on the program requirements and resources, refer to the Supplemental Information Packet. For documents to be included in bid specifications and construction contracts, refer to the Contract Packet. Contact your [PFA loan officer](#) with any questions.

Deadlines for Projects on the 2021 Intended Use Plans

Item	Submitted to	Date Due
DWRF Loan Application	PFA	Six months from IUP Approval
Drinking Water Project Plans & Specifications	Department of Health	
CWRF Loan Application	PFA	
Wastewater and Stormwater Project Plans & Specifications	Pollution Control Agency	

Note: A project listed in the IUP fundable range that does not receive a loan but submits a loan application to the PFA and is certified by MDH (drinking water projects) or MPCA (stormwater and wastewater projects) by June 30, 2021 will be carried over to the fundable range on the next IUP.

APPLICATION CHECKLIST

The application consists of forms and supporting documents. This checklist identifies items required by the application deadline. The checklist also identifies other items that must be submitted when they are available.

Application items required by the application deadline

- ☐ Forms 1 through 6 and information as requested
- ☐ Resolution of Application: an example is included with the application packet
- ☐ Annual Financial Reports (Audits): The last three years of annual financial reports
- ☐ Budget: The current annual city budget, including enterprise funds
- ☐ Ordinances and Fee Schedules: Copy of water, wastewater, or stormwater ordinance (enacted) and service charge system, as appropriate
- ☐ Inter-municipal Agreement (draft or enacted) if more than one municipality is involved in the project

Application – additional items to be submitted if requested

- ☐ Management Contract/Private Operator Agreements: For applicants who have engaged a private contract operator to manage its drinking water or wastewater system, a copy of the management contract.
- ☐ A Cash Flow Projection (Form 3d): Cash Flow Projection or an alternative format in lieu of the PFA worksheet. A cash flow analysis should identify a plan for generating adequate revenues and assumptions used. Please submit amortization schedules for existing water and/or sewer debt.
- ☐ A listing of the number and value of building permits issued for the last five years

Application Items that must be submitted when available

☐ Official Statement if applicant has issued bonds within the year NOTE: If a current Official Statement is not available, submit the following two items:

☐ Certificate as to Taxes and Taxable Property, including 10 largest taxpayers. Obtain from the County Auditor. If the municipality is located in two counties, obtain a Certificate as to Taxes and Taxable Property from both counties.

☐ Listing of the 10 largest employers

☐ Documentation of other funding sources for the project (commitment letters, copy of grant agreement, etc.)

☐ Copy of appraisal(s) and evidence of sale for eligible land purchase, along with supporting documentation as may be required to demonstrate compliance with the Uniform Act.

☐ Split sheets for allocating costs, if the PFA eligible project is part of a larger infrastructure project done at the same time. The split sheet should break out the eligible CWRP and DWRP eligible costs and ineligible items. Submit split sheet to the PFA, MPCA and Health Department. Consult with MPCA and Health engineers for additional information.

☐ As-bid costs and engineer's letter of recommendation accepting bids

☐ Final Forms 3 and 4 based on as-bid costs

☐ Final Cash Flow Projection (Form 3d): Submit updated/final projection or alternate documentation when project costs are finalized. The information should include the final plan and schedule for generating required revenues.

Post Loan Award Submittals

Recipients will be responsible for submitting required forms after the PFA financing award (Real Property Declaration and/or Waiver Certification to Minnesota Management and Budget, Notice of Contract Award, Jobs, Report, Final Federal Labor Standards report, American Iron and Steel De Minimus Report, etc.) during the construction phase of the project and for project closeout. Additional information will be provided to the borrower after loan award.

FORM 1 - GENERAL APPLICANT INFORMATION & CONTACTS

APPLICANT NAME City of Duluth

Primary Municipal Contact Aaron Soderlund

Title Project Engineer

Phone 218-730-5083

E-mail asoderlund@duluthmn.gov

Mailing Address (including 9 digit zip code) 411 West First St
Duluth, Mn 55802

County Saint Louis

DUNS Number 77627883

Applicant MN Vendor ID Number 8021696

Applicant officials authorized to sign legal documents

#1 Name Chelsea J. Helmer

#1 Title City Clerk

#1 Email chelmer@DuluthMN.gov

#2 Name _____

#2 Title _____

#2 Email _____

Is a Public Utilities Commission (PUC) or other public entity legally responsible for setting or adjusting user rates, and/or operation and maintenance of the project? PUCs may also need to sign the PFA financing agreement. If so, please identify:

Name of PUC or Entity Duluth Public Utilities Commission

Contact Person Jim Benning

Title Director of Public Works

Address 211 West First Street
Duluth, Mn 55802

Phone 218-730-5200

CONSULTANTS AND ADVISORS

Consulting Engineer Name Scott Chilson, PE
Engineering Firm MSA Professional Services, Inc.
Phone 608-355-8868
E-mail schilson@msa-ps.com

Identify the date(s) when the consulting engineer was procured (hired for the project)
Professional Engineering Services Agreement was signed on 7/10/2019.

Briefly describe the procurement process used to select the consulting engineer

A request for proposals was publicly posted on 6/5/2019 for consulting engineering services, which included all work necessary to provide final design including plans and specifications and bidding services. Proposals were reviewed by City staff and a selection was made based of a weighted scale which was shown in the proposal request documents. Proposals were evaluated on a best value basis with 90% qualifications and 10% cost consideration. The review committee did not open the cost proposals until after the qualification points had been awarded. Cost proposals were only opened for the three top ranked firms.

Bond Counsel (Attorney) Name Bob Toftey
Firm Fryberger, Buchanan, Smith & Frederick, P.A.
Phone 218-722-0861
E-mail rtoftey@fryberger.com

Financial Advisor Name _____
Financial Advisor Firm PFM Financial Advisors LLC
Phone (612) 338-3535
E-mail _____

Other Consultant Name (none)

Other Firm _____

Phone _____

E-mail _____

Is there a Private Operator contract or agreement in place for management and/or operation of the water or sewer system?

☐

Yes

☒

No

If yes, please identify private operator name

Name of firm _____

Date of Contract _____

Term of Contract _____

Person responsible for American Iron and Steel compliance monitoring

Name Aaron SoderlundFirm City of DuluthPhone 218-730-5083E-mail asoderlund@duluthmn.gov

Person responsible for prevailing wage compliance monitoring

Name Angela HerbertFirm City of DuluthPhone 218-730-5081E-mail aherbert@DuluthMN.gov

MPCA / MDH ENGINEER

Name Jeff UddPhone 218-302-6637

FORM 2A – PROJECT INFORMATION

Prior to receiving PFA approval, applicants must identify and establish dedicated source(s) of revenue sufficient to repay the PFA financing and to cover operational, maintenance and equipment replacement (O, M & R) costs for the drinking water and or sewer system. Applicants proposing to levy special assessments for the project will need to provide additional information as a part of the application. Please contact your loan officer for the PFA's special assessment guidance.

1. Discuss the problem/need and the proposed project.

Pump #1 was placed into service in 1946 and currently is not operational primarily due to the age of the motor and electrical controls. The pump itself could still be operable if a new motor and control panel were installed. Pump #2 has been in operation since 1987 and has a history of cavitation issues which are believed to be caused by the suction piping. This issues has caused increase wear on the pump which has dramatically shortened the amount of time between pump overhauls. Pump #3 has been in operation since 1969 and is approaching the end of it serviceable lifetime. Electrical control parts are no longer available for pump #1 panel and as such the panel cannot be repaired. Parts for pump #2 are very scarce and pump #3 has exceeded it's expected life span. It is recommended that all electrical controls for the pump station be replaced.

2. Briefly describe the area to be served. Identify each local governmental jurisdiction (cities and townships) in the project area. For each jurisdiction, indicate who owns the collection or distribution system and how the billing is handled. Provide a map, if it helps define the service area.

The Middle Booster Station provides direct water to 3 main pressure zones within the City of Duluth, the Middle Pressure Zone, part of the Woodland Pressure Zone, and the Highland Pressure Zone. (see attached map)

3. Identify other municipalities (cities and townships) or service areas to be served in project area.

The Middle Booster Station also provides water to the Cities of Hermantown and Rice Lake.

4. Discuss ownership of collection or distribution system and how charges are billed for services. Provide a map of the project area to clarify if necessary.

The public water collection and distribution system is owned by the City of Duluth and begins at the Lakewood Water Treatment Plant, located just north of Duluth along the north shore of Lake Superior. The water is then pumped up through over 424 miles of water mains, stored in 12 different tanks/reservoirs, and separated into 8 different major operating zones and several minor zones. Users are charged based on usage by rates that are set by the City's Public Utilities Commission.

5. Identify the proposed non-PFA sources of financing for the project

Source	Amount Requested	Contact Person	Contact Phone	Status
(n/a)	(n/a)	(n/a)	(n/a)	(n/a)

6. Additional information on other sources of project financing:

No other funding sources are being utilized.

7. Will the PFA eligible project be done as part of a larger infrastructure project that will be included in the same bid, share road construction costs, etc.? If so, please describe how the projects are related.

No, this is a standalone project to renovate the existing pump station.

8. Identify whether the project site(s) needed for the project are owned by the applicant, leased by the applicant or other status: *(NOTE: after PFA financing is awarded a real property declaration will need to be filed with the county recorder's office unless a waiver is granted by Minnesota Management and Budget. An example declaration form and additional information is included in the Supplemental Application Information packet.)*

The entire project site will be property owned by the City of Duluth and in public right-of-way.

9. Will any part of the project occur on the public right-of-way or existing utility or transit corridors?

The project will tie into the existing water main within the public right-of-way of E 6th Street just outside of the existing station.

10. Will any part of the project occur in a State Trunk Highway right-of-way?

No.

11. Will easements or land be purchased for the project? *(Please refer to the Supplemental Application Information packet for guidance and requirements on the Uniform Act which governs how property/permanent easements needed for the project must be acquired (appraisals, process, etc.) in order to be considered for reimbursement. Note: any land acquired for a drinking water project must be voluntary.)*

No.

12. Discuss the financial condition of the water/sewer fund over the last three years (revenues, negative balances, existing debt, type of debt, changes in population and users).

Year	Revenues	Net Gain (Loss)	Non-Operating Expenses (Capital)
2019	\$15,383,035	\$4,317,687	\$3,250,715
2018	\$15,102,012	\$3,624,672	\$2,435,833
2017	\$14,925,155	\$3,231,273	\$2,611,309

Existing Debt (as of 12/31/19) \$12,767,204

13. Explain any situations that have caused the water/sewer fund to operate at a loss.

Fund has not operated at a loss in recent years.

14. Identify steps the applicant has taken to address the loss.

n/a

15. Specify the sources of revenue that will be pledged to repay the PFA loan, including user charges, special assessments, tax levy and connection charges. If requested, provide preliminary cash flow and list assumptions used (see Forms 3d and 3e). Cash flow must include all existing debt related to the water and/or sewer fund, such as revenue notes and improvement notes issued for the system which the City is paying out of a separate debt service fund).

Revenues for repayment of PFA loan will include user fees, connection fees, and miscellaneous operating revenues.

16a. Describe the current drinking water/sewer rates, including details on the rate structure (base rate, how many gallons are included in the base rate, minimum charges, billing cycle (monthly, quarterly), etc.).

Effective with meter readings after January 1, 2021

Fixed Charges this fixed monthly charge varies with the size of the meter

Up to 1"....\$6.27

1 1/2" \$10.97 2" \$18.80

16b. Describe any recent or planned rate increases.

Beginning January 1, 2018 the City implemented a 6 year rate increase schedule with a 4.7% increase annually until 2023

16c. Identify the monthly use for the average residential household (in gallons).

4,405 gals./month

16d. Discuss current charges for new connections and any recent or planned WAC/SAC increases.

New connections are charged a \$90 fee in-lieu of assessment. The City does not have wac/sac increases.

17. Identify if special assessments are proposed to pay debt service. *(NOTE: If special assessments are proposed, the applicant will be required to provide additional information. Contact your PFA loan officer for more information and for a copy of the PFA special assessment guidance.)*

No special assessments.

18. Identify status of special assessment hearings and notices (required under Minnesota Statutes 429).

No special assessments.

19. Identify when special assessment revenue will be available for debt service payments. *(NOTE: Debt service payments begin within one year after approval of loan and are payable on February 20 and August 20.)*

No special assessments.

20. Identify if tax levies are proposed to pay debt service.

No tax levies.

21. Identify the year when tax levy revenue will be available for debt service payments.

No tax levies.

22. Does the community have an asset management program for the drinking water and/or wastewater systems?

Yes. The City of Duluth manages all utility infrastructure through an electronic asset management program. All utility assets are within the system.

23. If so, briefly describe the asset management program, including how long the program has been in place.

Duluth's asset management software has been in place approximately 8 years. During this period, the City has continued to populate all assets of the utilities. This system is used for wastewater collection, water distribution, storm water collection and natural gas distribution.

24. Are you interested in financial assistance to enhance an existing or develop a new asset management plan for the drinking water and/or wastewater systems?

The City of Duluth is not currently interested in financial assistance for work on their asset management system.

All borrowers are required, at a minimum, to post a public notice about the project and funding. The PFA will provide basic information about the project funding to the borrower at the time of loan award. The Supplemental Information Packet identifies options beyond the minimum requirement (physical signs, press releases, posters, etc.).

25. Identify how the applicant will meet the public notice requirement:

☒ Post a public notice (minimum required) or;

☐ Other notice (describe)

FORM 2B – PLEDGED SECURITY

The following questions are related to the type of security the applicant will issue to the PFA to secure the loan. The type of security pledged to the PFA may have an impact on the interest rate on the transaction (i.e. whether the bond is tax-exempt or taxable). Some of this information may not be known at the time the application is submitted, but it is needed before PFA can process the financing agreement.

Consult with your bond counsel to specify the type of debt instrument (i.e. General Obligation Revenue Note; General Obligation Improvement Note; taxable or tax-exempt) the applicant expects to issue to the PFA. General Obligation Revenue notes are generally backed by user fees, connection fees and other net revenues of the system. General Obligation Improvement notes are generally backed by at least 20% special assessments.

1. Identify the statutory authority (ies) to be used to issue the PFA debt. *Applicant should discuss with their bond counsel the Minnesota statutory authority/authorities that the applicant will use to issue the debt to secure the PFA transaction (i.e. MN Statutes 115, 429, 444, 475).*

Section 55 of City Charter; MN Statute 444.075 chapter 475

2. Identify the type of general obligation bond that will be issued (i.e. improvement or revenue):

Revenue

3. Identify whether the project has any significant wastewater contributors or a significant water users per the definitions included below. Note: Projects involving a significant wastewater contributor or significant water user must have an executed agreement that meets PFA standards to protect the financial interests of the borrower in the event the significant contributor or user curtails or ceases its operation.

n/a

4. If there is a significant wastewater contributor or significant water user per the PFA definitions, does the applicant have a significant user agreement with the contributor/user?

n/a

5. Identify whether the project has any private activity considerations involving a major private user. Projects that benefit a private business above the level permitted in the Federal Internal Revenue Service Code may cause bonds issued for the project to be considered private activity bonds. Projects that have any possible private activity considerations must consult with their bond counsel.

Does the project raise any possible private activity considerations? If yes, explain.

n/a

6. Identify whether the bond will be taxable or tax-exempt:

Bond will be tax exempt.

Definitions

Significant wastewater contributor means a nonresidential user of a municipal wastewater treatment system whose current wastewater flow or projected wastewater flow causes the need for the construction of the project, or whose wastewater contribution, after project completion, will exceed 50% of the wastewater treatment system's capacity.

Significant wastewater contributor agreement means a written agreement between a borrower and a significant wastewater contributor that will protect the financial interest of the borrower in the event the wastewater contributor curtails or ceases its operation. The agreement must include a secured, written guarantee by the significant wastewater contributor for its proportional share of the debt payments for the term of the Authority's loan with the Borrower.

Significant water user means a nonresidential user of a municipal drinking water system whose current water needs or projected water needs cause the need for construction of the project, or whose water intake after the project is completed will exceed 50% of the total gallons annually supplied by the water system.

Significant water user agreement means an agreement between a borrower and a significant water user that will protect the financial interest of the borrower in the event the water user curtails or ceases its operation. The agreement must include a secured, written guarantee by the significant water user for its proportional share of the debt payments for the term of the Authority's loan with the borrower.