

# CITY OF MINNETRISTA



## CITY COUNCIL AGENDA ITEM

---

**Subject:** Water Treatment Plant Funding Update

**Prepared By:** Jasper Kruggel, City Administrator

**Meeting Date:** August 18, 2025

---

**Issue:** Staff would like to provide a Public Facilities Authority (PFA) funding timeline update to the City Council.

**Overview:** The City of Minnetrista has applied for Public Facilities Authority (PFA) funding for the future water treatment plant the past three years. These applications are scored and fundability is determined by the PFA annually. Each year the water treatment plant project has not achieved a fundable status from the application scoring. Staff have applied again for funding in 2026, and recently the state legislature funded the PFA program at a level that exceeds the past funding precedent. The 2026 funding level was a product of negotiations related to the bonding bill passage at the end of the 2025 legislative session, and in lieu of funding individual projects with bonding dollars, the legislature funded PFA at a higher level than generally expected.

This may mean that the fundable level cutoff score may lower to a level that Minnetrista may be eligible to utilize PFA funding. In general, the City of Minnetrista will likely only receive a better interest rate due to the PFA having a AAA bond rating versus the City's AA+ bond rating. This equates to around a percentage point difference between the two. For example, a \$20M bond using conventional financing with an interest rate of 4.5% will have a total interest payment over the term of the bond of \$10,750,457 compared to the total interest payment from a PFA loan at 3.5% of \$8,144,431, a difference of \$2,606,026 in savings. It is estimated that the additional requirements to receive PFA money related to Build America, Buy America (BABA), cultural resource studies, environmental review, and other regulatory requirements to be a premium of around 20% or the total project cost, or \$4,000,000.

Staff should know the status of our 2026 PFA application prior to the potential award of the project on October 3, 2025, per the draft Intended Use Plan (IUP) that is generally released in September. Staff is prepared to do an analysis based the IUP status in quick fashion, but unless the City of Minnetrista receives an interest rate of around 2.6% with a \$20M project, it is recommended to continue with traditional financing using general obligation bonds.

**Recommended City Council Action:** Staff requests to engage City Council in a discussion related to this Water Treatment Plant funding update.

**Mission Statement:**

The City of Minnetrista will deliver quality services in a cost effective and innovative manner and provide opportunities for a high quality of life while protecting natural resources and maintaining a rural character.