

SUBJECT

BOARD RESOLUTION NO. 26-71

Pertaining to the acceptance of Minnesota Public Finance Authority funding to partially finance the replacement of lead services for a value of \$35,000,000.

2026 STRATEGIC PLAN GOALS: Financial Stability and Quality Water

At its March 8, 2022 meeting, the Board directed staff to initiate a 10-year enhanced lead service line replacement plan (“Lead Free SPRWS”).

At its March 18, 2025 meeting, the Board directed staff to apply to the Minnesota Public Facilities Authority (“MNPFA”) for funding in an amount of up to \$55M to finance the replacement of approximately 3,000 lead services in the 2026 construction season.

The Minnesota Department of Health (“MDH”) has determined that the application meets the applicable criteria. This allows for a Project Order under the Master Grant and Loan Agreement between the Board and the MNPFA to proceed, which will award a reduced amount of \$35M which will, therefore, reduce the number of lead replacements planned to 2,200.

Funding will be apportioned under two Project IDs assigned by MDH as shown here:

Project ID	Private	Public
1620026-30 Phase 5	\$30,606,660	\$3,443,340
1620026-31 Urgent Phase 2	<u>\$750,000</u>	<u>\$200,000</u>
Total	\$31,356,660	\$3,643,340

Phase 5 replacements represent planned, systematic lead service line replacements identified through the Lead Free SPRWS program and scheduled as part of the 2026 construction season. In contrast, Urgent Phase 2 replacements are unplanned and occur in response to reported leaks or failures on lead service lines that require immediate replacement to restore service and protect public health.

Minnesota Statute 446A.077 Subd. 4 (b) allows that grant funding can be used for 100% of the costs of private property replacements. The publicly-owned portions are financed via a grant anticipation note from the MNPFA, such debt service to be paid in full via a separately awarded grant from the MNPFA.

This resolution will accept the funding from the MNPFA, direct staff to complete the Phase 5 and Urgent Phase 2 Project Orders under the Master Grant and Loan Agreement, and approve 2026 Administrative Order #1.

RECOMMENDATION

Approval