

**MEMORANDUM**  
**Comfort Lake-Forest Lake Watershed District**

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**To:** Board of Managers  
**From:** Mike Kinney  
**Subject:** Clean Water Partnership Loan B - Updates

**Date:** October 12, 2021

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**Background/Discussion**

The purpose of this additional memo is to provide new information gained from a phone call with MN Pollution Control Agency (PCA) staff on October 12<sup>th</sup>.

The PCA Clean Water Partnership (CWP) Loan Program recently underwent a slight change compared to when the District first applied in 2018 (“Loan A”). This time around, **all CWP loan awards will be limited to \$1 million at a time**. PCA staff indicated that, due to high program demand, CWP loan awards will be lessened so that fewer loan dollars are tied up/encumbered over long periods of time. For example, other loan awardees in the past have requested and been awarded large sums of loan dollars, therefore encumbering those dollars, but not spending them very quickly. This leaves fewer dollars for potential awardees who are ready to implement projects immediately.

What this means for Comfort Lake-Forest Lake Watershed District:

- Our CWP Loan B application must be limited to a total of \$1 million
- Once we spend 75% of that initial award (\$750K) the District can request a loan work plan amendment to receive another installment of \$500K-\$1M. We can continue using this iterative process of work plan amendments over the course of the 3-year (or 4-year if extended) disbursement period of Loan B. We might utilize the following naming pattern to keep all of these amendments/loans organized:
  - Loan A: 2018 loan application, which is now officially closed out
  - Loan B: 2021 loan application, which can be submitted immediately following board adoption of resolution 21-10-01
    - B1: Initial loan application; \$1 million
    - B2: First loan amendment; \$1 million
    - B3: Second loan amendment; \$1 million
    - B4: Third loan amendment; \$500,000
    - Total Loan B potential award, including amendments = \$3.5 million
  - Loan C: A potential future loan application after Loan B is closed out. If Loan B ends up utilizing the total \$3.5 million, this maxes out our current general obligation note, and the District will need to go through the process of obtaining a new note for any subsequent loan applications.
- PCA staff indicated the District shouldn’t have to worry about future loan awards not being available. That is, we should be able to process these \$500K-\$1M amendments relatively easily, and the funds should be available from PCA. Since CLFLWD is an awardee of the PCA Section 319 Small Watersheds Focus grant, we will receive higher ranking for future loan awards. Furthermore, PCA staff are familiar with, and supportive of, the District’s work and are confident that CLFLWD can implement these loan dollars efficiently and effectively.

**Overall, the District should still be able to obtain \$3.5 million in loan awards over the next 3-4 year period. It will simply take a bit more administration to process loan amendments, rather than being awarded (and encumbering) all \$3.5 million right away.**