



# MEMORANDUM

## Comfort Lake-Forest Lake Watershed District

**Date:** June 20, 2025  
**To:** CLFLWD Board of Managers  
**From:** Mike Kinney, District Administrator  
Emily Heinz, Planning Coordinator  
**Subject:** Funding and Financing Sources



### Introduction

As the Board requested at the June 16<sup>th</sup> workshop, here is a memo summarizing the various types of funding and financing sources available to the District. Funding differs from financing in that funding represents the ultimate source of revenues, whereas financing must be repaid to the lender. See also [Section 7 of the Watershed Management Plan – Funding and Financing Approach](#).

Project costs are mostly covered by grants. The District does not necessarily need to take on more debt in order to continue funding its projects. The primary issue with the District's expense-revenue balance is operational and programmatic costs, for which there aren't as many grants available.

At the June 16<sup>th</sup> meeting, the board requested a copy of the budget with uncertain grants and a copy of the budget with potential cuts to consider. Both are enclosed, along with the Budget Revision Log which summarizes the changes made to each draft.

### Attached

- 2026 Budget Revision Log
- 2026 Draft Budget\_Uncertain Grants
- 2026 Draft Budget\_Balanced Budget with Cuts

### Funding Sources

#### Levy

The Board discussed the District's history of levy increases at the last budget workshop. The last 10 years of levy increases, as compared to the prior year, are shown in the table below for reference.

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Levy Increase	6%	24%	20%	8%	8%	5%	10%	0%	6%	5%



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### Grants

As noted at the last budget workshop, grants generally don't offset local operating expenditures such as administration, staff, and programs. The District can utilize local staff costs to cover the required match associated with grants. The grant dollars themselves must go toward specific eligible expenditures, which are typically projects. Grants help the District achieve its goals, but they are not a reliable source of revenue for general operating costs.

As the Board requested, a copy of the budget workbook with potential, uncertain grants is enclosed. Revised grant-related cells are highlighted in yellow. Be aware that these grants may not be awarded. If uncertain grants are part of the budget but not awarded, the board will need to amend the budget to reflect the lack of grant revenue and the inability to incur the associated expense.

Uncertain grants include:

- 6-000-A Lessard-Sams Greenbelt (offset local spend by \$0, add \$100K in new grant-funded expense)
- 5-420-C Lessard-Sams Bone Lake South (offset local spend by \$0, add \$100K in new grant-funded expense)
- 5-224-A and 5-225-C Section 319 Small Watershed (offset local spend by \$72,455)
- 3-004-C and 3-005-A Fishers and Farmers Partnership (offset local spend by \$5,000 but also add \$35K in new expenses)

For more information on grants and projects, see the Earned Grant Breakout page in the enclosed budget workbook and the [2026 Project Planning Summary](#).

### Other Funding Sources

Other funding sources include:

- **Partner contributions** (e.g., AIS partnerships w/ cities and lake associations)
- **Stormwater Impact Fund** (dedicated for regional volume control facility; current balance: \$95,376)
- **Permit fees and escrows** (can cover some but not all permitting expenses; may amend fee and escrow schedule through rule revision process)
- **Bank interest** (currently approximately \$60,000 per year)
- **Special assessments** (for certain types of projects, the District may assess costs to property owners solely on the basis of benefits received)
- **Water management charges** (imposed on all land parcels within a defined area, including tax exempt, in accordance with a reasonable charge system determined by the District Board of Managers, 103D.729)



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### **Financing Sources (must be repaid to lender)**

#### **Clean Water Partnership Loan**

See Loan Repayment Projections page in budget workbook. The District has taken out \$4.5 million in loans through this program between 2019–2025. We have begun repayments, and our current outstanding debt is \$3 million. Program includes 1.5% interest rate and 7-year repayment schedule. Be aware of the future repayment schedule and the need to balance these expenses with continued operational expenses. The CWP Loan is part of the State Revolving Fund which has its own section below.

#### **County Conduit Bonds**

The District may obtain a bond through Washington County or Chisago County. These bonds are usually intended for a specific purpose such as a large capital improvement project. Emily spoke with Washington County staff and the County's municipal advisor, PSM Financial Advisors, to get more information on the county bond process.

PSM serves as a fiduciary, providing advice and helping with the bond process. If the District were to get a bond with the county as a conduit, we'd work with PSM and also engage our own bond counsel, Kutak Rock LLP (who we've worked with on the CWP loan).

PSM gave a recent example of a watershed district bond using the county as a conduit. Bois de Sioux Watershed District is working with Grant County to implement a large-scale ditch repair and improvement project. The County is issuing the debt, and the debt is being repaid by special assessments on benefiting landowners (the special assessment repayment strategy wouldn't be applicable for an office building, but could be utilized for a project such as a large scale flood volume storage facility). Sauk River Watershed District also has experience utilizing a county bond to finance its new office building.

Bond interest rates vary and fluctuate over time. The federal government can make decisions that create volatility in interest rates. Otherwise, interest rates are primarily based on the size of the loan, repayment term, and the county's credit rating (Washington County has the highest credit rating possible – AAA). Current interest rates, based on industry standard scales, are as follows:

- 1-year repayment period: 2.65%,
- 5-year repayment period: 2.77%,
- 10-year repayment period: 3.26%
- 15-year repayment period: 3.75%
- 20-year repayment period: 4.15%.



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Lead time for bonding varies depending on the complexity of the project, but generally the process takes about 6 months (starting the process in June/July and having the bond ready by end of December). The process can potentially be shortened, if needed, to as low as 4 months. Depending on the type of project, there may be statute requirements for a public hearing, 30-day comment period, etc. which affect the turnaround time.

There are, of course, other options for funding/financing besides bonding. Below are a few notes comparing some of the funding/financing options against the bond option.

- New Office Space: may use a bond, but there is also the option of long-term lease with current building owner, and the District is also eligible for the [USDA Community Facilities Direct Loan and Grant Program](#) (we first need a site specific feasibility study in order to apply).
- Water Quality/Flood Projects: There are many grant programs available to pay for water quality/flood resiliency projects. Unlike a bond, grants wouldn't need to be paid back.
- Water Quality Program Costs: Bonds are not typically used to pay for programmatic and operational costs. If the District wants to take on more debt in order to finance programmatic and operational costs, the Clean Water Partnership loan may be utilized for this purpose.

### **Bank Loan/Line of Credit**

Loans and lines of credit are available through the District's official banking institution, First Resource Bank. In May, the bank quoted a 5.25% interest rate for tax exempt organizations such as the CLFLWD. There is an additional origination fee of approximately 1%.

### **State Revolving Fund (some funding sources, some financing sources)**

The Board specifically requested a summary of the State Revolving Fund. There are multiple programs under the State Revolving Fund – some are loans (financing sources) and some are grants (funding sources).

The Environmental Protection Agency (EPA) passes State Revolving Fund (SRF) monies through state agencies. Minnesota Public Facilities Authority (PFA) and MN Pollution Control Agency (MPCA) jointly administer the SRF program in our state. Local organizations like ourselves can't go directly to EPA for these funds, but we can work with MPCA and PFA to access these funds. Grants and loans are available through this program.

Below is an outline of some of the most applicable SRF programs. See also [program outline here](#).



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- **Clean Water Partnership Loan**: the District has been utilizing this since 2019 – see section on CWP Loan above. No loan forgiveness offered through this program.
- **Clean Water Revolving Fund (CWRP) Loan**
  - Intended for big infrastructure projects, not operational costs.
  - Below market interest rates, repayment period is 20 years and, in some cases, 30 years.
  - Green Project Reserve (GPR) may provide principal forgiveness for 25% up to \$1 million for energy efficiency or green infrastructure projects.
  - Projects must be listed on the Minnesota Pollution Control Agency (MPCA) project priority list (PPL) and Public Facilities Authority (PFA) Intended Use Plan. That means we must apply to be on the PPL and IUP first, get approved for that step, and then apply for the funding itself. E.g., Projects must be on the 2026 IUP if they are seeking SRF financing in state fiscal year 2026 (July 1, 2025, to June 30, 2026).
  - This program has more [steps](#) than the Clean Water Partnership Loan.
- **Point Source Implementation Grant (PSIG)**
  - Must be within an MS4 community (i.e., Forest Lake or Wyoming). We can apply even though we aren't an MS4 permit holder, but we must partner with the city in order to be eligible. We would get more points on the scoring sheet if the MS4 permit holder is the applicant.
  - Must address something from a Total Maximum Daily Load waste load allocation (see [CLFLWD Six Lakes TMDL](#))
  - Prioritizes construction of large, permanent, structural water treatment facilities. They are looking for “municipal infrastructure projects.”
  - More focused on municipal stormwater than habitat/wetland/flood benefits. Projects can have multiple benefits, but the primary for this program is waste load reduction.
  - Must do projects on publicly owned land, or at least on land that has a perpetual easement. Land acquisition costs are eligible for grant, if the land is necessary for the project.
  - Must have a specific project identified, then submit application, and the review committee will score our proposal.
  - Provides up to 80% of eligible PSIG costs up to \$7 million maximum. PFA generally wants all grant funds going toward the treatment itself (e.g., not using grant funds for education and outreach, or projects that don't have a direct TMDL benefit).
  - Application lead time can be 1-2 years depending on complexity and review time. Grant implementation period is typically 3 years.