

21. Consideration of adopting Resolution 2026-20 authorizing submission of a drinking water revolving loan fund application to the Minnesota Public Facilities Authority (MPFA)

Prepared by: Finance Director	Meeting Date: 3/23/2026	<input checked="" type="checkbox"/> Consent Agenda Item <input type="checkbox"/> Regular Agenda Item
Reviewed by: Public Works Director/City Engineer.	Approved by: City Administrator	

ACTION REQUESTED

Motion to approve adopt Resolution 2026-20 authorizing submission of drinking water revolving loan fund application to the Minnesota Public Facilities Authority (MPFA).

REFERENCE AND BACKGROUND

- August 24, 2020:** City Council authorized WSB to complete a feasibility study for the installation of a water treatment facility.
- June 28, 2021:** City Council approved a resolution in support of construction of a Water Treatment Facility.
- August 28, 2023:** City Council authorized the solicitation of a request for proposals for engineering services for the construction of a new water treatment plant.
- December 11, 2023:** City Council authorized AE2S to provide engineering services for the construction of a water treatment plant at a total cost of \$1,939,800.
- December 9, 2024:** City Council authorized submission of information to the Minnesota Public Facilities Authority and to enter into a grant agreement for the \$11,000,000 award in the 2023 bonding bill.

REFERENCE AND BACKGROUND

During testing of the City’s raw water manganese levels as part of the U.S. Environmental Protection Agency’s Fourth Unregulated Contaminant Monitoring Rule (UCMR), the manganese levels in the water were found to be elevated. While manganese levels are not currently regulated, the Minnesota Department of Health (MDH) adopted manganese guidelines in 2018.

Currently, there are options for residents to use home water treatment devices to reduce or remove manganese; however, constructing a water treatment plant would provide a community-wide option for removing both manganese and iron to comply with the health-based guidance developed by MDH. Current estimates for the cost of constructing a water treatment facility is \$45 million.

The City was awarded \$11,000,000 in funding from the 2023 state bonding bill for the construction of a water treatment facility. The balance of the project cost is expected to be financed through a Minnesota Public Facilities Authority (MPFA) low-interest loan. Design is nearly completion with construction expected to begin this summer.

To proceed, Monticello needs to formally apply to the MPFA for the low-interest loan. The anticipated interest rate on a PFA loan for Monticello is 2.5% to 3.0%. While different factors are at play, a recent projection provided for lease revenue bonds estimated an average coupon of 4.3%.

Staff continue to pursue additional funding requests for the project as they become available. The City has requests submitted at the State and Federal level for additional funding assistance for the project.

- I. **Budget Impact:** None currently.
- II. **Staff Impact:** The steps to complete the application and necessary follow-up are included in normal job duties of the Finance Director and Public Works Director/City Engineer.
- III. **Comprehensive Plan Impact:** Consideration is consistent with the Monticello 2040 Vision + Plan Policy: "Continue to provide efficient, cost-effective, high-quality water and sewer service to all Monticello residents."

STAFF RECOMMENDED ACTION

City staff recommend adopting Resolution 2026-20 authorizing the City of Monticello to submit a loan application to the Minnesota Public Facilities Authority (MPFA). The low-interest loan funding is critical to completing construction of the Water Treatment Plant.

SUPPORTING DATA

- A. Draft Resolution 2026-20

STATE OF MINNESOTA
COUNTY OF WRIGHT
CITY OF MONTICELLO

RESOLUTION 2026-20

RESOLUTION AUTHORIZING SUBMISSION OF DRINKING WATER REVOLVING LOAN FUND
APPLICATION TO THE MINNESOTA PUBLIC FACILITIES AUTHORITY

WHEREAS, the City of Monticello is constructing a Water Treatment Plant for centralized treatment of the city's water; and

WHEREAS, the design phase for the Water Treatment Plant is nearing completion; and

WHEREAS, the City of Monticello intends to commence the construction phase in 2026; and

WHEREAS, the City of Monticello will be submitting a complete application package to the Minnesota Public Facilities Authority.

BE IT RESOLVED that the City of Monticello is hereby applying to the Minnesota Public Facilities Authority for a loan from the Drinking Water Revolving Fund for improvements to its municipal drinking water system as described in the loan application.

BE IT RESOLVED that the City of Monticello estimates the loan amount to be \$34,000,000 or the as-bid total project cost less \$11,000,000 awarded to the City in the 2023 State Bonding Bill.

BE IT FURTHER RESOLVED that the City of Monticello has the legal authority to apply for the loan, and the financial, technical, and managerial capacity to repay the loan and ensure proper construction, operation and maintenance of the project for its design life.

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MONTICELLO: Is hereby authorized to execute such agreements as necessary to implement the project on behalf of the applicant.

ADOPTED BY the Monticello City Council this 23rd day of March, 2026.

Lloyd Hilgart, Mayor

Jennifer Schreiber, City Clerk

I HEREBY CERTIFY that the above is a true and correct copy of a resolution presented to and adopted by the Municipality of Monticello, County of Wright, State of Minnesota, at a duly authorized Municipal Council Meeting held in the Municipality of Monticello, Minnesota on the 23rd day of March, 2026, as disclosed by the records of said Municipality on file and of record in the office.

Municipality of Monticello

Jennifer Schreiber, City Clerk

WITNESS, Vicki Leerhoff, Deputy City Clerk

DRAFT