



06 - 0593

Date: April 3, 2006

To: Senator Richard J. Cohen
State Government, Economic Development
Judiciary Budget Division
Room 121 State Capitol

Senator Dallas Sams
Chair Environment, Agriculture, and Economic
Development Budget Division
Room 328 State Capitol

Representative Jim Knoblach
Chair, Ways and Means Committee
453 State Office Building

Representative Bob Gunther
Chair, Jobs and Economic Development Finance
559 State Office Building

Subject: 2006 Fee Report of the Minnesota Public Facilities Authority

The attached report is being submitted to comply with 446A.04 Subd. 5 (b), which requires the Authority to submit an "annual report to the Chairs of the finance and appropriations committees of the Legislature on: (1) the amount of fees collected under this subdivision for cost incurred by the authority; (2) the purposes for which the fee proceeds have been spent; and (3) the amount of any remaining balance of fee proceeds." The Authority is authorized to collect up to 2% of each loan repayment for servicing fees. This excludes deducting any principal, which is not allowed by the federal government.

Loan repayments are made to the Public Facilities Authority by municipalities every August and February. The Public Facilities Authority pays interest on its bonds on September 1st and principal and interest on March 1st of every year.

February is the last fee collection period in the fiscal year for the three revolving funds managed by the Authority. The enclosed Fee Report spreadsheet reflects collections and expenditures for the annual periods from March 2, 2003 through March 1, 2006.

In preparation for the partial shut down of State Government this year the Authority provided assurance to the rating agencies that it has the legal authority to fulfill its contractual obligations with bondholders, even when the operating budgets of the Authority's service providers (DEED, Health, and MPCA) are not appropriated. After looking at several options the Authority passed a resolution to transfer all the appropriate administrative functions to the Department of Finance in the event DEED closed its doors and staff assigned to the Authority were not allowed to work or have access to the Authority's records at DEED.

The Public Facilities Authority's legal authority and financial capacity, provided by fees, to contract for services necessary to fulfill its obligations is critical in maintaining its AAA bond ratings. The expenditure of fee revenues is governed by federal regulations and state law. Both prohibit using fees generated for one purpose (e.g. wastewater) to be used for another purpose (e.g. transportation) providing another layer of protection the rating agencies consider in evaluating long term management capacity and the political stability of the Public Facilities Authority.

If you have any questions or would like to discuss the contents of the report please call me at 651/296-4704.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry Kuhlman". The signature is fluid and cursive, with a large initial "T" and "K".

Terry Kuhlman, Director
Minnesota Public Facilities Authority

cc. Legislative Library

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Minnesota Public Facilities Authority
Annual Fee Report
For the Bond Years ending March 1, 2006, 2005, 2004, and 2003

Description	2006	2005	2004	2003
Beginning cash balance	\$ 2,572,845	\$ 3,213,294	\$ 2,919,411	\$ 3,101,856
Fees collected during the year	1,793,067	1,587,331	2,272,029	1,506,570
Expenditures during the year:				
Authority Expenses:				
Arbitrage rebate calculation	23,000	18,500	28,900	23,900
Annual audit	50,201	67,715	26,500	38,500
St. Board of Investment charges				
Bond related	126,120	407,113	40,737	
DEED administrative expenditures	724,878	635,806	688,547	611,908
MPCA administrative expenditures	1,088,613	1,096,936	1,192,930	1,014,165
County Credit Enhancement	1,854	1,711	532	542
Total Expenditures	2,014,666	2,227,781	1,978,145	1,689,015
Ending Cash balance *	<u>\$ 2,351,246</u>	<u>\$ 2,572,845</u>	<u>\$ 3,213,294</u>	<u>\$ 2,919,411</u>

* Cash balance by program:

Clean Water	\$ 1,390,539	\$ 1,713,220	\$ 2,498,283	\$ 2,405,113
Drinking Water	836,446	730,145	581,058	376,782
Transportation	117,367	123,731	131,245	135,775
County Credit Enhancement	6,894	5,748	2,709	1,741
	<u>\$ 2,351,246</u>	<u>\$ 2,572,845</u>	<u>\$ 3,213,294</u>	<u>\$ 2,919,411</u>

Notes: The Authority bond year ends on March 1.

Admin expenditures paid from other sources: Some PCA, Most TRLF, and all Dept of Health expenses to date, were paid from federal, match or Operating Reserve balances and therefore are not reflected above.

