

04 - 0211

Date: April 7, 2004

To: Senator Richard J. Cohen
State Government, Economic Development
Judiciary Budget Division
Room 317 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

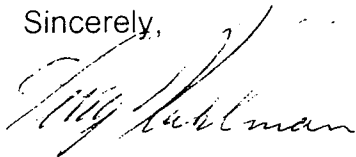
Representative Bob Gunther
Chair, Jobs and Economic Development Finance
485 State Office Building

Subject: 2004 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."

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

Sincerely,



Terry Kuhlman, Director
Minnesota Public Facilities Authority

cc. Legislative Library

Department of Employment and Economic Development

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2004 Annual Report on Fees
Prepared by Terry Kuhlman

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 and the enclosed Fee Report reflects collections, expenditures for the annual periods from March 2, 2001 through March 1, 2004.

The Goal for the fee account balance is to eventually have an ongoing balance sufficient to cover the program administrative cost incurred by the Authority, the Department of Employment and Economic Development (DEED), Department of Health (MDH), and Pollution Control Agency (MPCA) for one biennium. The PFA enters into interagency agreements with DEED, MPCA and MDH for administrative services as well as contracts for arbitrage rebate calculation and independent annual audit. Currently the Authority provides administrative funding to MDH from federal funds, which was also the case with MPCA prior to 2003 (a small amount of fees was also provided to MPCA in 2002). Federal law permits a small amount of the federal funds to be used for administration, however this is only a temporary source available only as long as the federal government appropriates funding for the capitalization of the revolving fund.

The fees generated by PFA to contract for ongoing administrative services versus the biennial appropriation process is important to maintaining its AAA bond rating, since it gives the Authority the financial means necessary to fulfill its obligations that extend out over 20 years. The federal regulations and state law 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 of the Funds.

Minnesota Public Facilities Authority
Annual Fee Report
For the Bond Years ending March 1, 2004, 2003, 2002, and 2001

Description	2004	2003	2002	2001
Beginning cash balance	\$ 2,919,411	\$ 3,101,856	\$ 2,450,281	\$ 1,744,730
Fees collected during the year	2,272,029	1,506,570	1,390,686	1,211,589
Expenditures during the year:				
Arbitrage rebate calculation	28,900	23,900	17,900	22,500
Annual audit	26,500	38,500	35,300	32,500
Bond related	40,737			
DTED administrative expenditures	688,577	611,908	502,961	451,039
MPCA administrative expenditures	1,192,930	1,014,165	182,732	
County Credit Enhancement	532	542	217	
Total Expenditures	1,978,175	1,689,015	739,111	506,039
Ending Cash balance *	<u>\$ 3,213,264</u>	<u>\$ 2,919,411</u>	<u>\$ 3,101,856</u>	<u>\$ 2,450,281</u>

* Cash balance by program:

Clean Water-DTED	\$ 1,963,896	\$ 1,783,905	\$ 2,749,091	\$ 2,302,981
Clean Water-PCA	534,598	621,208		
Drinking Water	581,058	376,782	219,778	91,837
Transportation	131,004	135,775	131,704	55,462
County Credit Enhancement	2,709	1,741	1,283	
	<u>\$ 3,213,264</u>	<u>\$ 2,919,411</u>	<u>\$ 3,101,856</u>	<u>\$ 2,450,281</u>

Notes: The Authority bond year ends on March 1.

Admin expenditures paid from other sources: a portion of FY 2002 PCA costs, and all PCA costs prior to 2002, as well as most TRLF expenses to date, were paid from federal, match or Operating Reserve balances and therefore are not reflected above.