positively Minnesota
Department of Employment and Economic Development

05 - 0432

Date: June 30, 2005

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: 2005 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

Terry Kuhlman, Director
Minnesota Public Facilities Authority

cc. Legislative Library

Department of Employment and Economic Development
1st National Bank Building • 332 Minnesota St., Suite E200 • Saint Paul, MN 55101-1351 • USA
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2005 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, 2003 through March 1, 2005. The only significant difference from previous years is the use of fees to cover much of the costs associated with the issuance of bonds versus including the costs in the bond sale.

The fees generated by the PFA are used to contract for ongoing administrative services versus the biennial appropriation process. The legal authority to do so 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.

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

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

* Cash balance by program:			
Clean Water	$ 1,713,220	$ 2,498,283	$ 2,405,113
Drinking Water	730,145	581,058	376,782
Transportation	123,731	131,245	135,775
County Credit Enhancement	5,748	2,709	1,741
	$ 2,572,845	$ 3,213,294	$ 2,919,411

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.