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**Fiscal Year 2005
Annual Report**

To the

**Governor
&
Legislature**

Introduction

The Public Facilities Authority (Authority) is a multi-agency Authority consisting of Commissioners from the Pollution Control Agency (MPCA) and Departments of Health (MDH), Transportation (MnDOT), Agriculture (Ag), Finance, and Employment and Economic Development (DEED). The Department of Employment and Economic Development provides the administrative support to manage the various Funds and financing programs of the Authority. The Authority provides administrative funding to cover administrative costs at DEED, MDH, and MPCA (approximately 23 FTEs). The Minnesota Pollution Control Agency, the Minnesota Department of Health, and the Department of Transportation are responsible for establishing priorities and undertaking the technical and regulatory compliance work on projects being considered for financing by the Authority

The Authority provides financial assistance to municipalities through the Water Pollution Control Revolving Fund, Drinking Water Revolving Fund, Transportation Revolving Loan Fund, the Wastewater Infrastructure Funding program for construction of vital infrastructure, and the Methamphetamine Laboratory Cleanup Fund. In addition, the Authority administers a County Credit Enhancement Program to provide AA+/AA1 bond ratings on county General Obligation bonds related to law enforcement facilities, social and human services buildings, and solid waste facilities.

Water Pollution Control Revolving Fund

In 1987, the Minnesota Legislature created the Authority with a mandate to establish the Water Pollution Control Revolving Fund. The Fund was designed to provide below-market rate financing in perpetuity for the construction of municipal wastewater treatment and collection facilities. Minnesota's revolving fund has AAA/AAA/Aaa ratings by Standard & Poor's Corporation, Fitch IBCA, and Moody's Investor Service. The practical effect of the Authority's funds and management practices has been to minimize the cost of borrowing for Minnesota municipalities and their taxpayers and ratepayers.

The Authority leverages State and Federal seed money through revenue bond sales. The Authority issued \$319,000,000 Water Pollution Control Revolving Fund Bonds in FY 2005. Since the first issue in 1989 the Authority has issued \$1,421,962,117. The Fund has an outstanding bonds payable balance of \$746,515,000 par as of June 30, 2005. During fiscal year 2005 the Authority made 14 wastewater loans for \$95,160,167 to municipalities and provided \$2,000,000 for nonpoint source pollution loan programs administered by the Department of Agriculture and MPCA. The table below shows the wastewater loans financed during state fiscal year (FY) 2005.

**Water Pollution Control Revolving Fund
Wastewater Loans, FY 2005**

<u>Borrower</u>	<u>Amount</u>	<u>Rate</u>
Benson, City of	4,322,000.00	1.980%
Browerville, City of-3rd	521,363.00	1.000%
Chisago Lakes JSTC	13,506,690.00	2.230%
Dawson, City of	1,789,050.00	1.730%
East Gull Lake, City of-2nd	6,416,500.00	1.000%
Eveleth, City of-2nd	3,522,034.00	1.340%
Le Center, City of-2nd	2,675,000.00	1.980%
Metropolitan Council-16th	50,000,000.00	2.536%
Red Wing, City of-5th	5,283,360.00	2.340%
Rice, City of	1,244,620.00	1.980%
Skyline, City of	1,504,550.00	1.000%
Spring Lake Township-2nd	1,100,000.00	1.000%
Trimont, City of	1,715,000.00	1.000%
Wells, City of	1,560,000.00	1.960%
<u>Totals and weighted average rate</u>	<u>95,160,167.00</u>	<u>2.183%</u>

Drinking Water Revolving Fund

In FY 2005, the Authority made 16 loans for \$38,978,593 using a combination of State match funds, Federal capitalization grants and AAA/AAA/Aaa rated Drinking Water Revolving Fund Revenue Bonds. Three projects also received \$1,095,622 in grants from Federal funds for principal forgiveness under the Disadvantaged Community provisions of the Federal Safe Drinking Water Act. The table below shows the wastewater loans financed during FY 2005.

**Drinking Water Revolving Fund
Drinking Water Loans, FY 2005**

<u>Borrower</u>	<u>Loan Amount</u>	<u>Rate</u>	<u>Disadv. Comm. Grants</u>
Duluth, City of-2nd (Morgan Park)	2,485,231	2.530%	
Hamburg, City of-2nd	1,014,041	2.340%	
Ironton, City of	405,300	1.090%	
Bagley, City of	1,074,120	1.730%	
Grand Marais, City of-2nd	916,653	2.530%	
Hoffman, City of	880,248	1.480%	
Renville, City of	278,200	1.980%	
Fisher, City of	2,255,974	1.000%	500,000
Big Lake, City of	9,787,000	2.530%	
Baudette, City of	337,729	2.460%	
Glenwood, City of-2nd	675,000	2.210%	
Nielsville, City of	42,078	1.210%	95,622
Saint Cloud, City of-2nd	2,859,928	2.530%	
Sturgeon Lake, City of	2,476,541	1.220%	500,000
Minneapolis, City of-3rd	12,500,000	2.530%	
Cosmos, City of	990,550	1.720%	
<u>Totals and weighted average rate</u>	<u>38,978,593</u>	<u>2.260%</u>	<u>1,095,622</u>

Wastewater Infrastructure Funding Program

The Wastewater Infrastructure Funding (WIF) program was created to be used in combination with the Water Pollution Control Revolving Fund and was later modified to also match grant funds provided by the US Department of Agriculture's Rural Development loan and grant programs to keep wastewater projects affordable.

In FY 2005, the Authority awarded a total of 3 WIF grants for \$5,126,000. The Authority has also reserved \$14,996,444 for 9 projects that have met the program requirements under MN Laws 2003, Chapter 20, Section 12, Subdivision 3 and MN Laws 2005, Chapter 20, Article 1, Section 23, Subdivision 3. We expect to award these funds following final technical approvals by MPCA and USDA Rural Development, and bidding of the projects by the communities.

Wastewater Infrastructure Funding Program Grant Awards, FY 2005

<u>Project</u>	<u>WIF Amount</u>
Knife River-Larsmont Sanitary District	620,000
Koochiching County - Jackfish Bay	3,750,000
Prinsburg	\$ 756,000
<u>Total</u>	<u>\$ 5,126,000</u>

Reserved as of 12/31/05 for projects expected to proceed in FY 2006:

Chisago Lakes JSTC Ph 2 (Stacy)	313,135
Dent	100,000
Effie	449,000
Garrison/Kathio/W. Mille Lacs Lake SD	4,000,000
Gary	582,164
Knife River-Larsmont SD-2 (Larsmont portion)	3,800,000
Murray County - Lake Shetek	2,565,700
Rutledge	342,000
Sturgeon Lake	2,844,445
<u>Total</u>	<u>\$ 14,996,444</u>

Transportation Revolving Loan Fund Program

This program was created during the 1997 Legislature in response to the new federal initiative to create State Infrastructure Banks as a way to develop innovative financing of transportation projects to help address the growing gap between transportation needs and funding availability. During fiscal year 2003 the Legislature removed \$8.2 million dollars from the Fund, which eliminated any opportunity for making loans in FY 2005.

Financial Condition of the Authority's Revolving Funds

The FY 2005 annual audit of the Authority is attached. The PFA remains in excellent financial health. All three Funds have bonds outstanding and are highly rated. All PFA Bonds outstanding have AAA ratings by at least two national bond rating agencies, with the one exception of the \$20,450,000 in Transportation Revenue Bonds for a closed pool of nine municipalities that were rated Aa2 by Moody's Investor Services.

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