

The Source

UTILITY ENTERPRISE MANAGEMENT

A publication of Advanced Engineering and Environmental Services, Inc.



First Quarter 2006

MN Public Facilities Authority Approves '06 Intended Use Plans

The Minnesota Public Facilities Authority (PFA) has approved the 2006 Intended Use Plans (IUPs) for the Drinking Water Revolving Fund and the Water Pollution Control Revolving Fund.

The 2006 IUPs identify drinking water and wastewater projects eligible for loans from the PFA in the 2006 fiscal year. A list of approved IUPs and application information is available on the PFA's website:

www.deed.state.mn.us/community/assistance/pfa.htm. The deadline for drinking water loan applications is March 27, 2006. The deadline for wastewater loan applications is June 30, 2006. ■

March Madness vs. Sense & Sensibility

The North Dakota League of Cities Municipal Government Academy will present a seminar on March 22, 23, & 24 at the Radisson Hotel in Bismarck.

Topics covered will include communication skills, city election requirements, open meetings, open records, mill levies, city budgets, disaster resistant offices, developing ordinances, sales tax, and more.

The seminar is open to all elected and appointed city officials. The registration is \$95 for the full seminar or \$75 for Thursday and Friday only. For more information or to register online, visit www.ndlc.org. ■

This quarter's Source features the North Dakota Public Finance Authority. Information was provided by Tim Porter, Executive Director, and DeAnn Leier Ament, Business Manager. For additional information, visit their website: www.state.nd.us/pfa.

Effective August 1, 2005, the North Dakota Municipal Bond Bank was renamed the North Dakota Public Finance Authority. The name change, which was approved in the past legislative session, more accurately reflects the

Changes at ND Municipal Bond Bank Present New Opportunities

Bond Bank's broader scope in its capacity to issue debt and administer new programs.

One of the new programs approved in the past legislative session allows the Public Finance Authority, within self-imposed program limits, to purchase

qualified small issue bonds and to issue industrial development revenue bonds covered under Chapter 40-57 (Municipal Industrial Development Act) of the Century Code. Qualified small issue bonds must meet the IRS definition for small manufacturing facilities and must meet a capital-spending requirement. According to this definition, a manufacturing facility includes any facility that is used in the manufacturing or production of tangible personal property including the process resulting in a change to the condition of such property. Businesses that meet this definition qualify for tax-exempt financing of expansions to existing facilities or the construction of new facilities. Examples of manufacturing facilities that have qualified under this definition include cheese plants, ethanol plants, and car/truck part manufacturers. The legislation limits the amount of debt that the Public Finance Authority can issue using the State's moral obligation as a credit enhancement to \$2,000,000 per borrower and \$20,000,000 overall for the program. This could impact utilities if a local qualifying facility is expanding and requires greater capacity than the utility can currently provide.

The legislation also allows the Public Finance Authority to act as a conduit issuer, without limits, for qualifying entities that have the financial strength to issue their own tax-exempt debt, but need a public entity to act as the issuer. Under these circumstances, repayment of the debt is the sole responsibility of the borrower, so the State and the Public Finance Authority would not be under any obligation to repay the debt. For example, if a facility has already established its own credit rating and meets the IRS definition of small manufacturing described above, the Public Finance Authority could simply act as issuer and the manufacturer would be liable for the repayment of the bonds.

For more information on this program or other Public Finance Authority programs, contact Tim Porter at (701) 328-7120. ■

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If you have any questions concerning the contents of this newsletter, please contact Sheryl Smith at 701.746.8087 or Sheryl.Smith@ae2s.com

2006 AE2S Regional Utility Rate Survey Underway

Each year, AE2S conducts a survey of water, wastewater, stormwater, and solid waste utility rates throughout the region for cities with populations of 5,000 and higher. This year, we will also be adding a survey of cities with populations of 1,000 to 4,999. The information is compiled in an easy to read report with graphs for quick comparison and distributed to survey participants to use in their rate planning. Rate survey participants have indicated that the survey report is an invaluable tool for utility and finance managers to use when discussing rates with government decision makers and constituents. All survey participants receive a complimentary copy.

The survey questionnaire will be available online at www.ae2s.com on February 21st. You may also email Sheryl.Smith@ae2s.com to have a copy sent to you. ■

ND Public Finance Authority Bond Rating Increases

The ND Public Finance Authority's bond rating increased from A- to A. This bond rating affects the industrial revenue bond program as well as the ND Public Finance Authority's Capital Financing Program, which is used to make loans at attractive interest rates to political subdivisions for qualifying projects, such as street improvements.

The ND Public Finance Authority also continues to administer the financial portion of the State Revolving Fund Program which offers below-market rate loans (currently at 3% for up to 20 years) to borrowers who are working on qualifying drinking water or sewer projects. This program continues to receive a AAA rating, the highest rating given by Moody's. ■

Municipal Bonds Update

Currently, the size of the US municipal bond market is approximately \$2 trillion. The reason municipal bonds appeal to investors is because government issued bonds are tax-exempt. Bonds are appealing to the issuers because tax-exempt bond financing has lower interest rates than conventional debt.

According to Mike Manstrom of Dougherty & Company, LLC, area tax-exempt issue bonds are currently being well received in today's market throughout the US. Tax-exempt rates do vary depending on the size of the issue, the number of years financed, size of the community, and whether the issue is rated or insured, but as a rule of thumb today's cities are seeing 4% to 5% rates. Short-term rates have been going up, but long-term rates have been remaining pretty steady. Long-term rates are the lowest they've been in 30 years. ■

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