



Minnesota Department of Transportation

Transportation Building

395 John Ireland Boulevard
Saint Paul, Minnesota 55155-1899

July 16, 2010

The Honorable Steve Murphy
325 State Capitol Building
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1606

Dear Senator Murphy:

On behalf of the Minnesota Department of Transportation and in accordance with Laws of Minnesota 2010, Chapter 350, Section 3 (Minn. Stat. 167.60), I have approved the attached debt and financial management policies, effective July 1, 2010.

In brief, the policies are:

- (Mn/DOT Policy SS1055) Debt Management – Establishes controls to strategically focus and manage the debt service threshold so that it does not exceed 20 percent of annual projected state revenues to the trunk highway fund.
- (Mn/DOT Policy SS1056) Fund Balance – Establishes management controls to limit trunk highway fund balances to not less than the sum of: 1) a 6 percent reserve against annual projected state revenues to the trunk highway fund, plus 2) a 2 percent reserve against authorized but unissued debt, plus 3) a reserve to cover future debt service funding shortfalls identified in G-1: Debt Management.
- (Mn/DOT Policy SS1057) Cash Balance – Establishes management controls to maintain a trunk highway fund cash balance that exceeds Mn/DOT cash flow needs for 15 days.
- (Mn/DOT Policy SS1058) Advance Construction – Establishes management controls to maintain advance construction balances for the trunk highway fund not to exceed: 1) 125 percent of federal obligation authority within a state fiscal year, and 2) 100 percent of federal obligation authority at state fiscal year end. This policy also establishes limits on federal obligation authority for conversions of all projects.

In addition, the policies define mitigation actions, responsibilities and communication protocols required to maintain compliance.

Mn/DOT closely coordinated the development of these policies with Minnesota Management and Budget. We appreciate the assistance and guidance provided not only by MMB, but also by members of the House of Representatives and Senate in establishing this comprehensive set of debt and financial management control policies and processes. Please contact me if you would like more information or want to discuss any of these policies further. You can also contact Tom Halverson, Mn/DOT's CFO, at 651-366-4816.

Sincerely,

A handwritten signature in blue ink that reads "Thomas K. Sorel".

Thomas K. Sorel
Commissioner

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cc: Tom Hanson, MMB Commissioner
Kathy Kardell, MMB Assistant Commissioner
Thomas Halverson, Mn/DOT Chief Financial Officer
Scott Peterson, Mn/DOT Government Affairs Director
Keith Bogut, MMB Executive Budget Officer
Legislative Reference Library