1. State Auditor releases Annual Analysis of Municipal Liquor Store Operations
2. Reminder to cities operating municipal liquor stores
3. Notification of Legislative Auditor Evaluation Report
4. TIF pre-populated data corrections requested

----

1. State Auditor releases Annual Analysis of Municipal Liquor Store Operations

State Auditor Rebecca Otto today released a report on the finances of Minnesota's municipal liquor stores. The report, entitled "Analysis of Municipal Liquor Store Operations, for the year ended December 31, 2005", summarizes the financial data of the 226 cities that operate 255 municipal liquor establishments in Minnesota.

The combined net profit of all municipal liquor operations increased 1.1 percent to a total of $18.8 million in 2005. Over the past five years, net profits have decreased 7.1 percent overall. Among off-sale stores (retail stores), there was a 3.3 percent increase in net profits, while on-sales stores (bars, bars selling off-sale as well, and cities with both off-sale and on-sale operations) showed a decrease of 39.7 percent.

Minnesota's municipal liquor stores transferred $17.8 million of their profits to other city funds in 2005, an increase of 11.0 percent over the $16.0 million transferred in 2004.

A PDF version of this report, and accompanying Excel spreadsheets, is available for download at www.auditor.state.mn.us. A printed copy of the report can be obtained by emailing Ms. Debra Schultz at Debra.Schultz@state.mn.us.

----

2. Reminder to cities operating municipal liquor stores

Just a reminder to cities operating municipal liquor stores that Minnesota law requires a city to hold a public hearing on the future of its liquor store if the operation of the municipal liquor store has experienced losses, before transfers, in at least two of the past three consecutive years. See Minn. Stat. § 340A.602. The public hearing should be held "not more than 45 days prior to the end of the fiscal year following the three-year period." For example, a city with liquor store operations that experienced two years of losses during the three-year period ending December 31, 2005 should have held a public hearing on or after November 17, 2006. Two weeks notice of the hearing must be in the city's official newspaper.

----

3. Notification of Legislative Auditor Evaluation Report

The Pension Division of the Office of the State Auditor has received a number of phone inquiries regarding the evaluation report that was recently released by the Office of the Legislative Auditor (OLA). The key recommendations of the report were that the legislature should require that all volunteer fire relief associations invest their assets through the State Board of Investment, and that relief associations should be required to develop investment policies that incorporate best practices. The report found that 96 percent of relief associations would have earned higher rates of return and had lower investment costs if they had invested through the State Board of Investment over the eight-year period examined (1997-2004). This finding is consistent with observations made in the past two Financial and Investment Reports that the Pension Division has published.

The OLA has given presentations to several legislative committees on its findings. The recommendations of the report will not take effect unless legislation is introduced and passed that incorporates some or all of the report findings. As of the date of this mailing, no legislation has been introduced. We will keep relief association trustees notified of any proposed pension legislation via Pension Newsletters and the State Auditor's E-Update. Even if the recommendations of the report do not become required under state law, relief association trustees are encouraged to examine their investment strategies and policies.

A copy of the complete evaluation report is available on the Legislative Auditor's Website at: www.auditor.leg.state.mn.us. Copies of the annual Financial and Investment Reports are available in the reports section of the State Auditor's Website at: www.auditor.state.mn.us.

----

4. TIF pre-populated data corrections requested

The TIF Division is in the process of finalizing the pre-populated data for the annual tax increment financing reporting forms. We are requesting that authority representatives and/or their consultants let us know of corrections or changes that need to be made in the pre-populated data for the 2006 TIF reporting forms. Please send this information to our office no later than March 15, 2007. The corrections can be sent by one of the following options:

Mail: 525 Park Street, Ste. 500, St. Paul, MN 55103
Email: Marsha.Pattison@state.mn.us
Fax: (651) 297-3689 (attention: Marsha Pattison)