

January 3, 2005

Patrick E. Flahaven
Secretary of the Senate
231 Capitol
75 Rev. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1606

Al Mathiowetz
Chief Clerk of the House
211 Capitol
75 Rev. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1606

Dear Secretary Flahaven and Chief Clerk Mathiowetz:

On behalf of DNR Commissioner Gene Merriam, I am providing this annual report to the legislature on the ***Stream Protection and Improvement Loan Program***, as directed by Minnesota Statutes, Section 103G.705, Subdivision 1(b).

The stream loan program was created by Laws of 1999, Chapter 231, Section 129. A \$1.1 million start-up fund for the program was appropriated in Section 5, Subdivision 3, of Chapter 231. The program allows political subdivisions to apply to the DNR for loans to protect or improve streams. Loans must be repaid without interest over a period not to exceed ten years.

The City of Stillwater was the only political subdivision that submitted a loan application when the program was announced in 1999. Stillwater requested the entire \$1.1 million to protect Brown's Creek in Washington County, and identified a need for an additional \$1.7 million. DNR and Stillwater signed a stream loan agreement in February 2000 that provided Stillwater with the entire \$1.1 million. The repayment schedule for this loan extends through January 31, 2011.

The legislature appropriated an additional \$850,000 for the program in Laws of 2001, First Special Session, Chapter 2, Section 5, Subdivision 7(9). The City of Stillwater was the only political subdivision that submitted a loan application. DNR and Stillwater signed a second stream loan agreement in August 2002 that provided Stillwater with the entire \$850,000 for additional protection of Brown's Creek. The repayment schedule for this second loan extends through January 31, 2013.

Loan repayments are deposited in the Stream Protection and Redevelopment revolving fund authorized by Minnesota Statutes, Section 103G.705, Subdivision 2. There were no new loan applications in 2004. The current fund balance is about \$705,000 and we plan to solicit new loan applications in 2005.

Sincerely,
DNR WATERS

Kent Lokkesmoe
Director

cc: Gene Merriam, DNR Commissioner
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