

**T** Transportation Committee  
Meeting date: November 8, 2010  
Management Committee: November 10, 2010  
Metropolitan Council Meeting: December 8, 2010

**ADVISORY INFORMATION**

Date: October 29, 2010  
Subject: Central Corridor Light Rail Transit: Cash Flow Internal Loan Authority  
District(s), Member(s): All  
Policy/Legal Reference: Council Policy 3, Finance and Asset Management  
Staff Prepared/Presented: Brian Lamb, General Manager, 612-349-7510  
Mark Fuhrmann, Deputy General Manager, 651-602-1942  
Allen Hoppe, Senior Manager Treasury, 651-602-1629  
Division/Department: Metro Transit/ Central Corridor Project Office

**Proposed Action**

That the Metropolitan Council authorize the Regional Administrator to utilize internal loans for the Central Corridor Light Rail Transit Project consistent with Council Policy 3, Finance and Asset Management, during calendar year 2011.

**Background**

The Central Corridor Light Rail Transit (CCLRT) Project is expected to secure the Full Funding Grant Agreement from the Federal Transit Administration (FTA) in the first quarter 2011 which will contractually commit the FTA to their 50% share or \$478.4 million. Staff will provide regular FFGA updates to the Council in early 2011. Federal appropriations to the Metropolitan Council are scheduled to occur over a number of years from federal FY 2011 through FY 2015.

CCLRT construction has begun and is scheduled to ramp up to full construction in 2011 with revenue service scheduled to begin in 2014. As a result, expenditures will outpace receipt of federal revenues causing cash flow shortages beginning in 2011 through 2015. The combination of advancing local match from the Counties Transit Improvement Board and the state of Minnesota, two issues of Grant Anticipation Notes and internal loan borrowing over this time will address the projected cash flow shortfalls.

Internal loan authority is required as the loans will be longer than three months and greater than \$10 million per Council Policy 3, Finance and Asset Management. Loan authority will be activated only when necessary to supplement available proceeds from the Grant Anticipation Notes. The first issuance of Grant Anticipation Notes is anticipated in fall 2011. The precise amount and duration of the internal borrowing will be dictated by the timing of congressional appropriations and availability of the federal funds from FTA. Staff will report quarterly to Management Committee the activity of CCLRT internal loans.

**Rationale**

Given the lag in federal funding and statutory limitations on the amount of Grant Anticipation Notes the Council can issue, the Council will be required to utilize its internal borrowing authority to provide sufficient cash resources to pay its invoices promptly.

Given the variability in the timing of the federal appropriations cycle, internal borrowing provides the Council the flexibility to tap internal borrowing only when necessary.

## **Funding**

Internal interest expense incurred for the CCLRT loans will be charged to a unique CCLRT fund. Internal interest expense is assumed to be an eligible expense for federal reimbursement from the Full Funding Grant Agreement just as it was for the Hiawatha LRT Project. FTA has not completed its review of the eligibility of the full internal interest expense. These expenses estimated at \$3.3 million are assumed in the CCLRT project budget of \$956.9 million.

## **Known Support / Opposition**

CCLRT local funding partners support Metropolitan Council use of internal borrowing and support the interest expense as an eligible expense in the project budget.