

T Transportation Committee
Meeting date: May 9, 2011
Management Committee: May 11, 2011
Metropolitan Council: May 25, 2011

ADVISORY INFORMATION

Date: May 4, 2011
Subject: Request for Approval of Central Corridor Light Rail Transit Cash Flow Financing Plan
District(s), Member(s): All
Policy/Legal Reference: Minnesota Statutes: 473.39, subd. 5, and, 475.522; and, Council Policy #3-0-0 (Finance and Asset Management), and #3-1-2 (Debt Management)
Staff Prepared/Presented: Brian J. Lamb, General Manager, 612-349-7510
Mark Fuhrmann; Deputy General Manager, 651-602-1942; Mary Bogie, Deputy CFO, 651-602-1359
Division/Department: Metro Transit/Central Corridor Project Office
Regional Administration Finance Department

Proposed Action

That the Metropolitan Council authorize the Regional Administrator to execute a Cash Flow Financing Plan (the "Plan") for the Central Corridor Light Rail Transit project (the "CCLRT") during the years of 2011-2016, such Plan being comprised of the following:

1. Issue General Obligation (Revenue) Grant Anticipation Notes (the "G.O. GANs") at various dates, and in various amounts, to provide cash to cover expenses for the CCLRT project, pending receipt of federal grant payments, and, separately present each GANs issuance resolution to the Council for approval;
2. Without limit to frequency, borrow from the Council internal investment pool in a maximum amount of up to \$60 million at any one point in time;
3. Utilize Metro Transit available bond arbitrage reserve dollars to fund interest expense on internal borrowings (loans) when such expense is net of cumulative project interest revenue not associated with the G.O. GANs; and,
4. A report on the Plan's results will be provided quarterly to the Management and Transportation Committees.

Background

The Federal Transit Administration (FTA) has approved the nearly \$1 billion CCLRT project and awarded a Full-Funding Grant Agreement (FFGA) to cover 50% of the cost of the project. The balance of the cost is being fully funded by our local partners (see below listing), who have already provided the project with a significant amount of their share of the needed funding. Unfortunately, future FTA payments to the Council will be received after contractors have performed their work and need to be paid; the Plan provides interim cash to pay invoices until FTA dollars are received.

The net interest and issuance expense for the G.O. GANS is estimated to be \$15.7 million--the actual amount will depend on future changes in interest rates, cash flows, and related assumptions.

Assuming issuance of the G.O. GANs, the current estimate of net interest expense on internal borrowing is about \$0.2 million. This estimate is dependent on: (1) the amount of internal borrowing; (2) interest rates generated by the investment pool; and, (3) interest earnings on non-GANs project positive cash balances. Internal borrowing authority is required by policy when the amount is greater than \$10 million or the term is longer than three months. The precise amount and duration of the internal borrowing is determined by the amount of the cash shortages not covered by the GANs. Currently, \$45 million is projected be the largest internal borrowing, occurring in July, 2011; due to the variability of expenses and receipts, authorization is being sought for \$60 million (see above item #2).

The Plan seeks to minimize internal and external interest/issuance costs. The last FTA grant receipts are currently expected by early 2016.

Rationale

The proposed action is the only practical statutorily available debt solution, a variation is to issue non-G.O. GANs (i.e., "revenue only"), but that approach would add an estimated \$9 million to the project. Using Metro Transit's traditional (but limited) bonding authority for the project would not provide sufficient cash to cover project needs and would eliminate Metro Transit's ability to bond for routine capital needs.

Funding

Expenses directly associated with the G.O. GANS are part of the overall CCLRT project costs to be paid by our funding partners. Separately, Metro Transit available bond arbitrage reserve dollars will be used to fund net interest expense on internal borrowings.

Known Support / Opposition

Documented support for project costs, in the form of GANs interest and issuance expenses, comes from our project funding partners:

1. Federal Transit Administration
2. Counties Transit Improvement Board
3. State of Minnesota
4. Ramsey County Regional Railroad Authority
5. Hennepin County Regional Railroad Authority
6. City of St. Paul
7. Metropolitan Council
8. Central Corridor Funders Collaborative

Request for approval of this business item is being made to both the Transportation and Management Committees.