

Central Corridor Light Rail Transit Cash Flow Financing Metropolitan Council

April 27, 2011



*Improving
mobility*

*Easing
congestion*

*Strengthening
our communities*

 **Metropolitan Council**

Central Corridor Light Rail Transit

Today's Topic

- Overview of cash flow financing needs and options.



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Funding Sources



<u>Amount</u>	<u>Percent</u>	<u>Source</u>
\$478.5	50.0%	FTA
283.9	29.7%	CTIB
91.6	9.6%	State MN
66.4	6.9%	RCRRA
28.2	2.9%	HCRRA
5.2	0.5%	St. Paul
2.6	0.3%	Council
0.5	0.1%	Collaborative
<u>\$956.9</u>	<u>100.0%</u>	Total

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Local Funding Partners



- Over \$150 million in local money expended pre-FFGA
- All State monies will be expended by December 2011
- All CTIB monies will be expended by August 2012

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FTA & the FFGA



- The Full Funding Grant Agreement (FFGA) commits the FTA to provide Federal funding over time.
- Actual FTA payments may vary depending on yearly Congressional appropriations.
- Timing of availability of federal money dependent on Congressional action.
- External interest expense is an eligible FFGA expense.

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Light Rail Transit**

FFGA Schedule of Federal Funds

(\$ Millions)

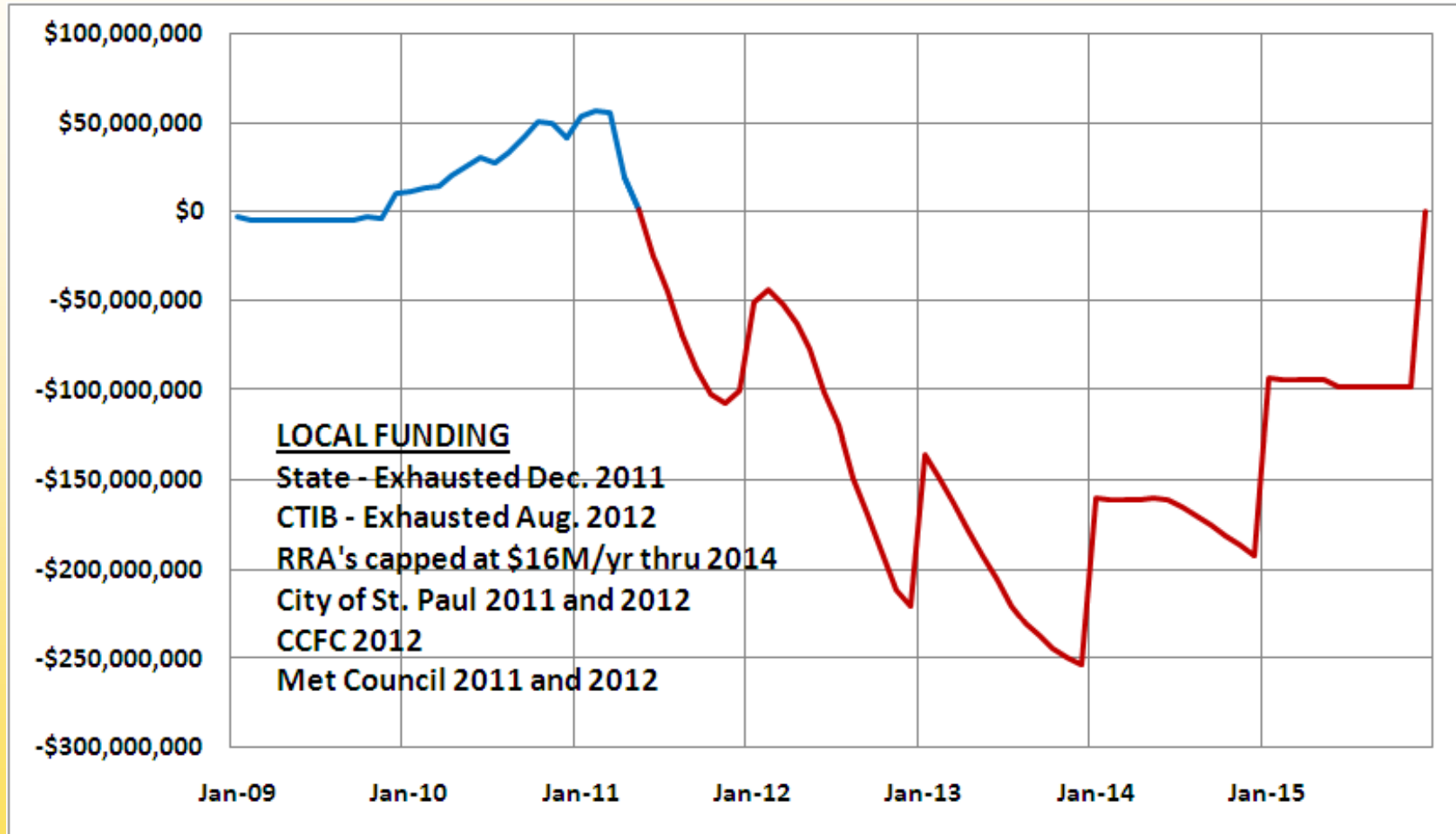
Federal Fiscal Year*	Amount
2011	\$45.00
2012	98.44
2013	98.44
2014	98.44
2015	<u>98.44</u>
Total	\$438.76

Problem Statement

A cash flow timing problem exists:

- Federal receipts lag expenditures.
- Cash balances go negative.

Projected Cash Balance



Negative cash balances can be filled by a combination of:

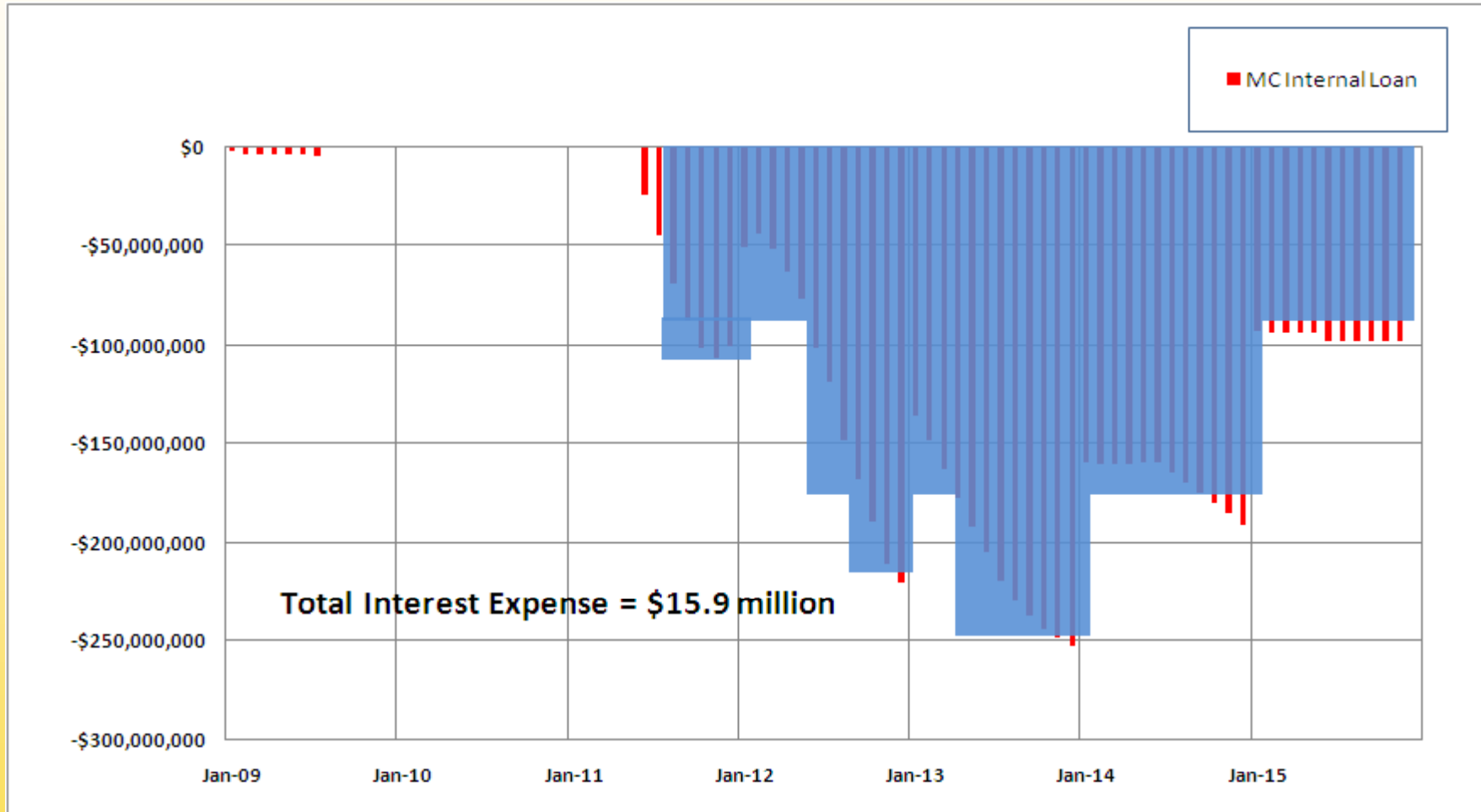
- Grant Anticipation Notes (GANs), and
- Internal borrowing.

Grant Anticipation Notes (GANs)

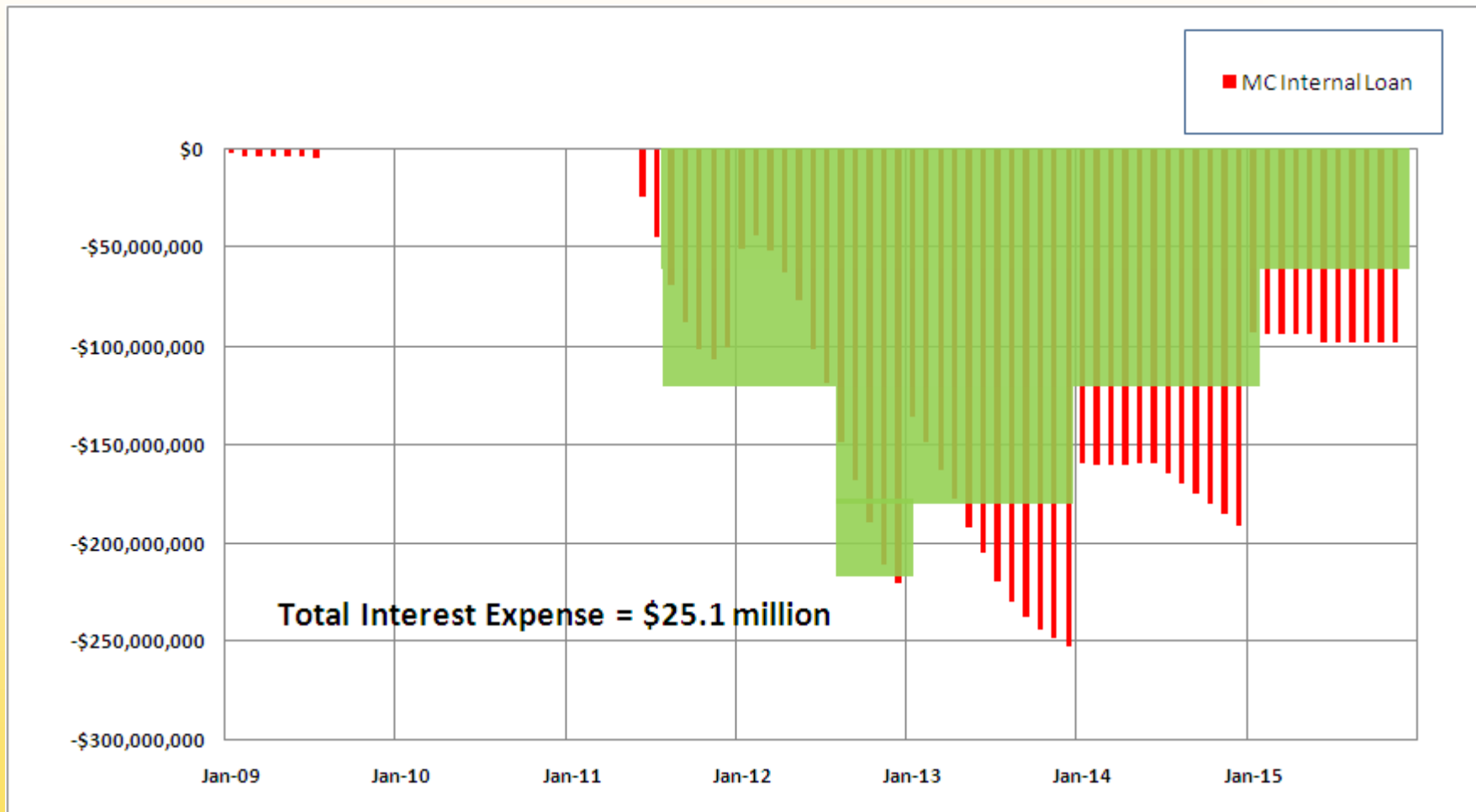


- Federal grants as revenue source.
- Size and number of issuances based on the schedule of federal payments.
- Options to issue Revenue GANs or General Obligation Revenue GANs
 - Coverage ratio for Rev. GANs = 150% plus required reserves
 - Coverage ratio for G.O. GANs = 110%

General Obligation Rev. GANs (AAA)



Revenue GANs (AA)



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Internal Loans



- Internal loan financing costs are not an eligible FFGA expense (new federal policy)
- CCLRT internal loans start June, 2011 and continue off-and-on throughout the project.
- Lost interest earnings to the Council's investment pool due to internal loans will be assigned as costs to the project.
- With no explicit outside funding source, an objective is to minimize internal loan costs.

GANs: “G.O. Rev.” vs. “Rev.”

Characteristic	G.O.’s	Rev.
Pledges FTA Revenue	Y	Y
Pledges Property Taxes	Y	N
Interest Rate Paid	Lowest	Highest
Internal Borrowing	Least	Most
Cash Provided	Most	Least
Debt Coverage Multiple	1.1X	1.5+.1=1.6X
Bond Rating	AAA	AA

Interest Expense Projections (in Millions)

	2011 G.O. Rev GANs 2.5%	2011 Rev GANs 4.25%
GANs Interest Expense	\$17.2	\$23.7
GANs Interest Rev. (1.75%)	<u>-1.5</u>	<u>-1.0</u>
Net GANs Expense	\$15.7	\$22.7
Internal Interest Expense (1.75%)	<u>\$ 0.2</u>	<u>\$ 2.4</u>
Total Interest Expense	<u>\$15.9</u>	<u>\$25.1</u>

Risks & Solutions



- Risk: Federal grant payments come in later than maturity of GANs.

Solution: *Roll maturing GANs into new GANs. May require internal loan increases.*

- Risk: Federal grant commitments are withdrawn or not met.

Solution: *Pursue recovery through all potential sources.*

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Other Info



- Final cash flow financing plan developed for Council approval.
 - Recommendation to issue G.O. Rev. GAN's
 - Approve internal loans and project funding source
- Quarterly financing reports to Management and Transportation Committees.
- Retain Financial Advisor, Bond Counsel, and Rating Agencies.

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Key Dates



April 27, 2011: Council Meeting

- Cash flow financing overview

May 9, 2011: Transportation Committee

May 11, 2011: Management Committee

May 25, 2011: Council Meeting

- Request approval of cash flow financing plan

June-July 2011: Meetings of Management Committee and Council

- Request approval of resolution to issue G.O.
Revenue GANs

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Questions?

Check out our website:

- www.centralcorridor.org

Contact the Central Corridor Project Office:

- 540 Fairview Avenue North
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- Construction Hotline: 651-602-1404
- Comment Line: 651-602-1645
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