

M Management Committee
For the Metropolitan Council meeting of February 13, 2008

Item: 2008-31

ADVISORY INFORMATION

Date Prepared: February 6, 2008

Subject: Cash Flow Management Plan for Northstar

Proposed Action:

That the Metropolitan Council authorize providing cash flow financing to the Northstar Corridor Commuter Rail Project for passenger car and locomotive contracts while awaiting receipt of federal appropriations.

Summary of Committee Discussion / Questions:

The Council will be acting on behalf of MnDot to purchase vehicles for the Northstar project.

As with all major federally funded transit projects, federal funds are not available for draw-down as cash is needed. Federal funds are received from six to nine months after expenditures are made, creating a need for interim cash flow funding.

Committee members asked if the interest cost would be charged to the Northstar project. Staff responded that the interest would be charged to the project and that, because interest is an eligible federal expenditure, the cost will be reimbursed by the federal government.

M Management Committee

Business Item

Item: 2008-31

Meeting Date: January 23, 2008

Council Meeting Date: February 13, 2008

ADVISORY INFORMATION

Date:	January 16, 2008
Subject:	Cash Flow Management Plan for Northstar
District(s), Member(s):	All
Policy/Legal Reference:	Northstar Corridor Commuter Rail Full Funding Grant Agreement, Metropolitan Council Finance and Asset Management Policy
Staff Prepared/Presented:	Edwin D. Petrie, Director of Finance (612) 349-7624 Beth Widstrom-Anderson, Chief Financial Officer (651) 602-1567 Mark W. Fuhrmann, Deputy General, Manager (651) 602-1942
Division/Department:	Metro Transit

Proposed Action

That the Metropolitan Council authorize providing cash flow financing to the Northstar Corridor Commuter Rail Project for passenger car and locomotive contracts while awaiting receipt of federal appropriations.

Background

The Full Funding Grant Agreement for the Northstar Corridor Commuter Rail Project established a schedule for federal funding with a revenue operations date late 2009. On large transit projects, it is common for federal funding to be released after the funds are needed to make payments. This is the case with Northstar, as it was for the Hiawatha LRT project, and results in the need for cash flow financing for the project.

The Metropolitan Council has agreed to procure rolling stock (locomotives and passenger cars) on behalf of the Northstar Project and MnDOT. MnDOT will reimburse the Council for costs of the passenger cars and locomotives, including interest costs.

The Council does not have authority to issue Grant Anticipation Notes or Revenue Anticipation Notes for short-term financing. The most cost-effective financing mechanism available to the Council is internal borrowing from the Council's investment pool. The Council Policy on Finance and Asset Management requires charging interest for any internal loan. Based on current forecasts for Northstar rolling stock expenditures and revenues, the Metropolitan Council is being requested to provide cash flow financing averaging \$7.5M for the period of April 2008 through April 2009 with interest costs projected to be approximately \$400K for the duration of the project.

Rationale

Providing cash flow financing for the Northstar passenger car and locomotive purchases will allow the project to stay on schedule for the 2009 opening. Internally financing the cash flow loan from the Council's investment pool is cost effective and administratively efficient.

Funding

Interest expense is an eligible expense for federal reimbursement. The Northstar project budget includes funds to reimburse the Council for interest on the cash flow loan.

Known Support / Opposition

None