

M Report of the Management Committee

For the Metropolitan Council meeting of
June 24, 2009

ADVISORY INFORMATION

Date Prepared: June 16, 2009

Subject: Authorization for Internal Cash Flow Loan

Proposed Action:

That the Metropolitan Council authorize internal loans to cover the cash flow needs of:

- Capital Projects Funds for Environmental Services and Parks, and
- Metro Transit: Hiawatha Light Rail, Northstar Commuter Rail and BAPTA Project Funds

Summary of Committee Discussion / Questions:

Background: Council cash is pooled and invested by Treasury staff. Interest earnings accrue monthly and are paid to the funds based on the average daily cash balance attributed to the fund. If during the year, the cash flow needs of an individual fund temporarily drive its cash balance negative, interest is charged to the fund at a rate that is equal to the investment earnings received by pool. This ensures that all funds represented in the pool are fully reimbursed.

The Council's Finance and Asset Management Policy allows for these short-term internal "loans" to meet temporary cash flow needs. Any loan (i.e. negative cash balance) lasting more than three months or for over \$10 million must be approved by the Council.

Staff presented the business item. Chairman Scherer asked for information on the total number of Metro Transit funds, source internal loan funds, and interest paid on internal loans. Staff informed the committee that Met Transit has approximately 80 separate funds. Loans are made from a pool of all Council funds that is managed and invested by treasury staff. Interest is paid on internal loans.

Chairman Scherer requested information on the amount of the loans. Staff stated that the biggest portion is in Environmental Services PFA Loan fund with loan disbursements of \$4.5-\$5 million per month expected for a three to four month period until proceeds from new PFA loans would be received. Hiawatha currently has a negative balance of approximately \$250,000 with Northstar at \$500,000.

Chairman Scherer asked what would happen if the loans were not approved. Staff stated that payments to vendors would be delayed.

CM Sanda asked if there would be a benefit in meeting with CTIB members since the timing on the issuance of CTIB grants contributes to the need for these internal loans. Staff stated that negotiations are already in process with CTIB representatives and discussions appear close to reaching an interim agreement for the first six months of 2009. Further, a Master Funding Agreement is expected to be completed in the next few months that will provide the basis for future agreements. These agreements should assist greatly in resolving current cash flow issues.

CM Wittsack asked if an agreement is not reached, would we expect an annual payment. Staff stated that the interim agreement proposal from CTIB provides for payment to cover the first six months of 2009 with no additional payments to be made until the Master Funding Agreement is in place.

CM Sanda asked who is responsible for cash flow? Staff stated the Chief Financial Officer is primarily responsible. The decision to delay debt issuance was made earlier in the year due to uncertain market conditions, and this strategy was discussed with both the Investment and Management Committees. Internal loans to the capital fund were anticipated and deliberate as a result of this decision. With respect to the loans for Hiawatha and Northstar operations related to the timing of the issuance of CTIB grants, the CFO stated that this was also an issue of governance. This not only includes the timing of CTIB payments, but also what conditions can be placed on those payments. The growing complexity of transit governance will be an ongoing issue.

Chairman Scherer asked if there have been internal loans like this in the past or if this is a new development. Staff stated that requests for authorization for internal loans are routine.

CM Wittsack asked if there is the pressing need in parks. Staff stated the parks fund is already negative and that this too is the result of the deliberate delay in issuing debt earlier this year.

CM Wittsack asked if there is any funding expected from the State as the result of the recent legislative session and can that be used in place of a loan? Staff stated that operating and capital budget amendments that include legislative actions are scheduled to be presented at the next Management Committee; however, Legacy Act funding for parks is intended for new uses and can not be used to supplant existing funding.

The motion passed unanimously

M Management Committee

Business Item

Item: 2009-193

Meeting date: June 10, 2007

For Metropolitan Council Meeting: June 24, 2009

ADVISORY INFORMATION

Date:	May 20, 2009
Subject:	Authorization for Internal Cash Flow Loan
District(s), Member(s):	All
Policy/Legal Reference:	Council Policy 3 – Finance and Asset Management
Staff Prepared/Presented:	Mary Bogie, Deputy Chief Financial Officer, 651-602-1359 Ed Petrie, Director of Finance, 612-349-7624
Division/Department:	Fiscal Services

Proposed Action

That the Metropolitan Council authorize internal loans to cover the cash flow needs of:

- Capital Projects Funds for Environmental Services and Parks, and
- Metro Transit: Hiawatha Light Rail, Northstar Commuter Rail and BAPTA Project Funds

Background

The Council's Finance and Asset Management Policy allows for short-term loans to meet temporary cash flow needs. Any loan for more than three months or \$10 million must be approved by the Council.

Capital Projects

General Obligation bonds are used to finance the cash flow needs of capital projects. Proceeds from Council bonds issued in 2008 have been depleted for Environmental Services and Parks. The market conditions in early 2009 prompted staff to delay issuing new bonds until this summer. An internal loan is necessary to fund the cash flow needs of projects until new bonds are issued in July 2009.

Metro Transit

Overall the Metro Transit Operations has positive cash flow, but the following funds have temporary cash flow needs.

Hiawatha Light Rail

Fifty percent of the funding for Hiawatha Light Rail operations after passenger fares is provided by the Counties Transit Improvement Board (CTIB). Cash balances for the fund are expected to go negative at the end of May pending completion and approval Operations Master Funding Agreement with CTIB. This funding agreement is anticipated to be completed and approved in the next few months.

Northstar Commuter Rail

Fifty percent of the funding for the Northstar Commuter Rail Operations after passenger fares is provided by the Counties Transit Improvement Board (CTIB) and Sherburne County. The Northstar Fund had a negative cash balance of \$16 thousand on April 30, 2009. Staff are working with CTIB and Sherburne County on the Operations Master Funding Agreements and anticipate completion and approval in the next few months.

BAPTA Project (Bond Accelerated Program Transit Advantage)

Cash balances in the BAPTA project fund are negative \$2.5M pending closeout and final review of the project by MnDOT expected by July 2009.

Rationale

Internal loans are necessary to continue to fund the cash flow needs of approved projects and operations.

Funding

This funding does not authorize capital spending, which is done through the adoption of the capital budget, but provides a temporary loans to cover the cash flow needs of approved projects and operations. Per the Council's policy, interest expense will be charged to the projects.

Know Support / Opposition

None