

# T Management Committee

**Meeting date: October 22, 2008**

**For Metropolitan Council meeting: November 12, 2008**

## ADVISORY INFORMATION

<b>Date:</b>	October 16, 2008
<b>Subject:</b>	Authorization for Internal Cash Flow Loan
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	Council Policy 3 – Finance and Asset Management
<b>Staff Prepared/Presented:</b>	Mary Bogie (651) 602-1359 Edwin D. Petrie, Director of Finance (612) 349-7624
<b>Division/Department:</b>	Metro Transit

### Proposed Action:

That the Metropolitan Council authorizes an internal loan to cover the cash flow needs of the Hiawatha Light Rail Fund and the Northstar Commuter Rail Fund.

### 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. Overall the Metro Transit Transportation System has a positive cash flow, but these two funds are currently in a negative cash flow.

### Hiawatha Light Rail Fund

The funding for Hiawatha Light Rail Operations after passenger fares has been 50% from the State of Minnesota and 50% from the Hennepin County Regional Railroad Authority. On November 24, 2008, at the HCRRA Board Meeting, a financial presentation on Hiawatha Light Rail Operations will be made by Council Staff and the HCRRA Board is expected to approve the Hiawatha Corridor Light Rail Transit Master Cooperative Operations Funding Agreement between Hennepin County Regional Railroad Authority and the Metropolitan Council. This approved agreement will provide \$7,950,000 funding for Hiawatha Light Rail for the period of July 1, 2007 to December 31, 2008.

### Northstar Commuter Rail Fund

The legislature provided funding for the state portion of the capital costs of the Northstar Commuter Rail. Northstar Commuter Rail service is scheduled to commence in later 2009. Before this service begins, startup activities will include hiring managers, hiring and training staff, developing operating procedures, and ordering parts and supplies. These activities are beginning in 2008 and will be included in the 2008 Northstar Operating Budget Amendment to be presented to the Metropolitan Council on November 12, 2008. The revenue source for the 2008 Northstar Startup Operations will include a use of operating reserves and subordinate funding agreements with the Hennepin, Anoka, and Sherburne Regional Rail Authorities.

### Rationale:

An internal loan is necessary to fund the cash flow needs for the Hiawatha Light Rail Fund and the Northstar Commuter Rail Fund. This funding will ensure continued revenue operations on the Hiawatha Light Rail and pre-revenue startup operations on the Northstar Commuter Rail.

**Funding:**

This approval will provide a temporary loan to cover the cash flow needs of the Hiawatha Light Rail Line and the Northstar Commuter Rail pre-revenue startup operations. Funding for the Hiawatha Light Rail line is expected on November 24, 2008, at the HCRRA Board Meeting with approval of the Hiawatha Corridor Light Rail Transit Master Cooperative Operations Funding Agreement. Funding for the Northstar Commuter Rail pre-revenue startup expenses will be presented to the Metropolitan Council on November 12, 2008 with the source of funding to include use of operating reserves and subordinate funding agreements with the Hennepin, Anoka, and Sherburne Regional Rail Authorities. Per the Council's policy, interest expenses will be charged to the projects.

**Known Support/Opposition:**

None