

## Management Committee

Meeting date: July 24, 2019

For the Metropolitan Council meeting of August 14, 2019

**Subject:** Internal Loans for Cashflow of Environmental Services Capital Funds

**District(s), Member(s):** All

**Policy/Legal Reference:** Policy #3, Finance and Asset Management

**Staff Prepared/Presented:** Richard Koop, Senior Manager, Treasury (651-602-1629)

**Division/Department:** Finance / Environmental Services

### Proposed Action

The Metropolitan Council authorize internal loans to cover the cash flow needs of Environmental Services capital funds.

### Background

In accordance with the Council's invest policy #3, "Finance and Asset Management", short-term loans may be made across units. Any loan for more than three months or \$10 million must be approved by the Council. Loan recipients will pay interest charges to the pool.

### Rationale

The Minnesota Public Facilities Authority (PFA) operates a Clean Water Revolving Fund Program in which the Council participates in annually. This program loans organizations money for clean water capital projects. The total loan amount is approved by PFA with the Council submitting documentation monthly to reimburse itself from the loan its expenditures until the loan is fully drawn. The rate on the loan is typically one percent lower than the Council could bond for on its own.

The 2018 loan of \$45,000,000 was executed on July 18, 2018. As of July 12, 2019, the loan has approximately \$4.3 million remaining to be drawn. This total is expected to be drawn in August which will fully draw the 2018 loan. The Council can't begin the process to obtain the 2019 until the middle of August with the anticipated closing date in early December. This timing of the loans means cashflows will go negative for more than three months.

### Thrive Lens Analysis

Stewardship – Providing a funding mechanism to leverage borrowing needs at low interest rates to complete capital projects.

Sustainability - The Capital program is in place for the preservation of the Metropolitan Council's infrastructure.

### Funding

PFA Loans principal and interest payments will be paid from the revenues of the Wastewater System. A General Obligation backing is provided for the PFA Loan.

### Known Support / Opposition

None