

### Management Committee

For the Metropolitan Council meeting of December 10, 2014

**Subject:** Authorization for Internal Loans for Environmental Services' Capital Funds

#### Proposed Action

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

#### Summary of Committee Discussion/Questions

Senior Manager (Treasury), Allen Hoppe, discussed the policy requirement that certain internal loans must be approved by the Council. Interim cash is needed pending receipt of a new PFA loan and a future bond issue. Internal loan recipients pay interest to the Council's pool of cash and investments. The capital projects funded by the loan/bond are separately approved by the Council when the capital budget is approved.

## Management Committee

Meeting date: November 12, 2014

For the Metropolitan Council meeting of December 10, 2014

**Subject:** Authorization for Internal Loans for Environmental Services' Capital Funds

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

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

**Treasury Staff Prepared/Presented:** Allen Hoppe, Senior Manager (602-1629)

**Division/Department:** Finance

### Proposed Action

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

### Background

In accordance with the Council's investment 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

New money bonds--\$30 million internal loan. The 2014 Wastewater new-money bond proceeds are experiencing faster expenditures than originally forecasted by Treasury. The internal loan should cover shortfalls until proceeds are received from the 2015 new-money bond issue for Wastewater purposes.

PFA loan--\$35 million internal loan. We've depleted the 2014 \$60 million PFA loan and experienced an EPA-initiated change that delayed putting the next loan together. The next PFA loan will provide reimbursements for eligible capital expenses starting sometime in January—February, 2015.

### Funding

This proposed action does not authorize capital spending which is done through the adoption of the capital budget but does provide temporary loans to cover the cash flow needs of approved projects. Negative balances in these funds are financed by the associated Council investment pool.

### Known Support / Opposition

None