

Management Committee

For the Metropolitan Council meeting of: March 9, 2016

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

Richard Koop, Senior Treasury Manager, stated the Council is starting the 2016 bonding process and expects to receive the proceeds in mid-June. Based on the current cashflows of projects in the Environmental Services Capital Fund, it is projected the Fund will be a negative \$25 - \$30 million by the time the proceeds arrive.

According to 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.

Chairman Chavez expressed the need to have a payback date for the temporary loan. The committee further discussed this point and Chair Chavez provided a friendly amendment to include language adding the payback date. The following language was added to the business item, "The internal loan to the Environmental Services Capital Fund will be repaid with bond proceeds no later than June 30, 2016".

Motion by Rodriguez, seconded by Kramer. Consent to Council.

Management Committee

Meeting date: February 24, 2016

For the Metropolitan Council meeting of March 9, 2016

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: Rich Koop, Senior Manager (602-1629), Jim Chang, Financial Analyst (602-1366)

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

The 2015 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 2016 new-money bond issue for Wastewater purposes. The internal loan to the Environmental Services Capital Fund will be repaid with bond proceeds not later than June 30, 2016.

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