

Management Committee

For the Metropolitan Council meeting of September 28, 2016

Subject: Southwest Light Rail Transit (Green Line Extension) Internal Cash Flow Financing

Proposed Action

That the Metropolitan Council authorize the Regional Administrator to:

1. Without limit to frequency, borrow from the Council internal investment pool in a maximum amount of up to \$50 million at any one point in time until the federal Full Funding Grant Agreement is executed; and
2. Utilize Metro Transit available bond arbitrage dollars to fund interest expense on internal borrowings (loans).

Summary of Committee Discussion/Questions

Metro Transit Deputy General Manager Mark Fuhrmann presented this item. In response to CM Barber's request at Transportation Committee, Mr. Fuhrmann went over the similar process which was done for the Central Corridor Project. The authority granted at that time was up to \$60M, with the maximum borrowed internally for that project being \$22.4M. The total interest cost was \$12,500, which was paid back to the Council's investment pool.

CM Rummel asked if \$50M is the maximum to borrow during the next five months or is it up to \$50M each time. Mr. Fuhrmann responded that this is not \$50M per internal loan, but an aggregate not to exceed \$50M.

CM Melander asked which departments the pools of internal money come from. Mary Bogie responded that the Council pools all its cash together. CM Melander asked if things went awry, how would you determine who is short and who is not. Mary Bogie responded that if things do go awry, it would mean that the Council lost its authority to issue certificates of participation. In that case, we would need to find cash from another transportation source, or the Council's general fund, because we can't use revenues from parks or wastewater to pay for a transportation purpose. This request to allow the cash flow to go negative is dependent upon us issuing COPs in July or the legislature finding another revenue source for us to use.

CM Barber asked if the whole \$50M would be utilized, would we know what that cost of interest would be? Mary Bogie and Mark Fuhrmann recollected that what we had budgeted for Central Corridor was \$500,000 to \$1,000,000 in interest costs. Mr. Fuhrmann expects the internal borrowing this time to be closer to that in interest expense, as it will be over a longer period of time than Central Corridor and for a greater amount.

Moved by CM Melander, seconded by CM Rummel and approved.

Transportation Committee

For the Metropolitan Council meeting of September 28, 2016

Subject: Southwest Light Rail Transit (Green Line Extension) Internal Cash Flow Financing

Proposed Action

That the Metropolitan Council authorize the Regional Administrator to:

1. Without limit to frequency, borrow from the Council internal investment pool in a maximum amount of up to \$50 million at any one point in time until the federal Full Funding Grant Agreement is executed; and
2. Utilize Metro Transit available bond arbitrage dollars to fund interest expense on internal borrowings (loans).

Summary of Committee Discussion/Questions

Metro Transit Deputy General Manager Mark Fuhrmann presented this item. CM Barber asked that when this item is presented to Management Committee, if additional information regarding the amount of the internal loan and interest expense can be provided on how this worked with Central Corridor.

Motion by Letofsky, seconded by Munt and carried.

Transportation Committee

Meeting date: September 12, 2016

Management Committee

Meeting date: September 14, 2016

For the Metropolitan Council meeting of September 28, 2016

Subject: Southwest Light Rail Transit (Green Line Extension) Internal Cash Flow Financing

District(s), Member(s): All

Policy/Legal Reference: Minnesota Statutes: 473.39, subd. 5, and 475.522; and Council Policy 3-0-0 (Finance and Asset Management), and 3-1-2 (Debt Management)

Staff Prepared/Presented: Mary Bogie, Chief Financial Officer, 651-602-1359
Mark Fuhrmann, Deputy General Manager, 612-373-3810

Division/Department: Regional Administration
Metro Transit, Southwest Project Office

Proposed Action

That the Metropolitan Council authorize the Regional Administrator to:

1. Without limit to frequency, borrow from the Council internal investment pool in a maximum amount of up to \$50 million at any one point in time until the federal Full Funding Grant Agreement is executed; and
2. Utilize Metro Transit available bond arbitrage dollars to fund interest expense on internal borrowings (loans).

Background

The Southwest LRT (SWLRT) Project has successfully completed the Project Development Phase of the federal New Starts Program. The Project has made application to the Federal Transit Administration to enter the Engineering Phase which is expected to be approved late fall 2016. Subsequently, the Council will formally apply for the Full Funding Grant Agreement (FFGA) in early 2017 with grant execution expected in mid-2017. The federal grant agreement will fund 50% of overall expenditures with federal appropriations. Until the grant is executed, local funding partners including the Council must pay 100% of expenditures. Funding shares prior to the federal grant are generally 60% Counties Transit Improvement Board (CTIB), 20% Hennepin County Regional Railroad Authority (HCRRA) and 20% Metropolitan Council.

The Council approved Resolution No. 2016-24 on August 31, 2016 expressing the Council's intent to issue Certificates of Participation to provide local matching funds for SWLRT. If the Council exercises this intent, the Council would not issue prior to July 2017. During the period of October 2016 through June 2017, the Project will continue to advance and incur expenses for Engineering, right-of-way acquisition and Light Rail Vehicles.

Rationale

Project expenditures during this nine month period will be funded by CTIB, HCRRA and the Council with the Council responsible to fund approximately 20%. CTIB and HCRRA have passed resolutions committing to their 60% and 20% shares respectively for pre FFGA expenditures.

This sharing of cost responsibility allows SWLRT to continue to move forward to secure the Full Funding Grant Agreement in mid-2017.

Funding

The source for the Council expenditures is borrowing from the Council internal investment pool up to a maximum of \$50 million at any one point in time. FTA does not permit internal interest charges as a Project expense; therefore, Metro Transit available bond arbitrage dollars need to fund the internal borrowing interest expense.

Once the Full Funding Grant Agreement is executed and the schedule of federal payments is known, Project staff and Finance staff will develop a longer term Cash Flow Financing Plan which will likely require additional Council authority to issue Grant Anticipation Notes backed by the federal grant.

Known Support / Opposition

Resolutions supporting this October 2016 through June 2017 short-term funding strategy have been passed by the CTIB and HCRRA. Governor Dayton has also stated his support for this approach.