

Management Committee

For the Metropolitan Council meeting of: January 25, 2017

Subject: Internal Cash Flow Loan for Capital Funds

Proposed Action

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

Summary of Committee Discussion/Questions

Richard Koop, Senior Treasury Manager, stated the Council is starting the 2017 bonding process and expects to receive the proceeds in mid-April. Based on the current cashflows of projects in the Environmental Services and Metro Transit Capital Fund, they are expected to go negative in early to mid-March.

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.

It is not expected that the negative balances will be more than \$10 million for each capital fund but this action was taken as a precautionary measure in case the projected spending patterns increase. Any loans will be paid back at the end of April when the bond proceeds are received.

Chairman Chavez asked if interest was charged on the loan in which the answer from Mr. Koop was yes.

Motion by Cunningham, seconded by Barber. Consent to Council.

Management Committee

Meeting date: January 11, 2017

For the Metropolitan Council meeting of January 25, 2017

Subject: Internal Cash Flow Loan for 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), Jacob LaVigne, Financial Analyst (602-1436)

Division/Department: Finance

Proposed Action

That the Metropolitan Council authorize internal cash flow loan to cover the cash flow needs of Environmental Services' and Metro Transits' capital funds.

Background

In accordance with the Council's investment policy #3, "Finance and Asset Management", short-term loans may be made across units to meet temporary cash flow needs. 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 2016 Wastewater and Metro Transit new-money bond proceeds are experiencing faster expenditures than originally forecasted. The internal cash flow loan should cover needs until proceeds are received from the 2017 new-money bond issue for Wastewater and Metro Transit purposes. As of November 2016, the Wastewater Capital fund has a balance of \$24.1 million and at the expected spending pattern, is projected to go negative in March of 2017. As of November 2016, the Metro Transit Capital fund has a balance of \$6.5 million and at the expected spending pattern, is projected to go negative in March of 2017.

We anticipate entering bond market for capital financing needs in March and expect bond proceeds to be settled in April.

Thrive Lens Analysis

Stewardship – Providing a funding mechanism internally before bond proceeds arrive allows capital projects to continue towards completion without disruption which equates into a good use of Council funds.

Sustainability - The Capital program is in place for the preservation of the Metropolitan Council's infrastructure. This internal loan provides a funding

source to bridge the funding gap until bond process are received which helps preserve this infrastructure.

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