

Management Committee

For the Metropolitan Council meeting of June 28, 2017.

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

Proposed Action

That the Metropolitan Council authorize the Regional Administrator to:

1. Borrow from the Council's internal investment pool in an amount not to exceed \$40 million at any one point in time to continue to cash flow project expenditures incurred to date under Council Business Item 2016-182 and provide additional cash flow through September 2017 with repayment of such cash flows by Hennepin County through their assumption of the state's share of project capital costs and implementation of a Transportation Tax as outlined in their Board Action 17-0207.
2. Negotiate agreement of terms for repayment of Council cash flows with Hennepin County. Access to the authorized internal cash flow financing funds beyond July 2017 is contingent upon execution of a formal repayment agreement with the County.
3. Utilize Metro Transit available bond arbitrage dollars to fund interest expense on internal borrowings (loans).

Summary of Committee Discussion/Questions

Staff presented an overview of the internal cash flow financing proposal.

Discussion ensued regarding obtaining a repayment agreement with Hennepin County and committee asked for a status report at future meeting.

A motion made by Rodriguez, seconded by Rummel, motion carried.

Management Committee

Meeting date: June 14, 2017

For the Metropolitan Council meeting of June 28, 2017

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

District(s), Member(s): All

Policy/Legal Reference: Council Policy 3-0-0 (Finance and Asset 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

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Background

On August 31, 2016, the Council approved Resolution No. 2016-24 expressing the Council's intent to issue \$103.5 million in Certificates of Participation representing the remaining state share of local matching funds for SWLRT project capital costs. With desire not to exercise its intent to issue certificates prior to July, 2017, the Council approved Business Item 2016-182 on September 28, 2016 authorizing internal cash flow financing up to \$50 million allowing the project to continue to advance and incur necessary expenses for engineering, right-of-way acquisition and light rail vehicles.

Since then, the 2017 Legislature prohibited the Council from issuing Certificates of Participation for light rail transit secured by motor vehicle sales tax revenues or earnings thereon. On May 31, 2017 the Counties Transit Improvement Board passed a resolution of intent to dissolve; and on June 13, 2017 the Hennepin County Board will consider resolution as required by the terms of the CTIB Dissolution Resolution to assume the remaining state share (\$103.5 million) and implement a Transportation Tax to be imposed on October 1, 2017.

Through May 2017, the SWLRT project has accessed internal cash flow borrowing totaling \$12.4 million and the projected cumulative need through September 2017 approaches \$40 million.

Rationale

With CTIB dissolution on track for September 30, 2017, Hennepin County by resolution will assume 100% of the CTIB and remaining state share of capital costs and HCRRA will continue to fund at 20% of pre FFGA expenditures.

This sharing of cost responsibility allows SWLRT to continue to move forward to secure the Full Funding Grant Agreement now targeted for 2018.

Funding

The source for the Council expenditures is borrowing from the Council internal investment pool up to a maximum of \$40 million at any one point in time with repayment from Hennepin County as committed in anticipated Board action regarding the CTIB Dissolution and the County's assumption of SWLRT project funding responsibilities.

FTA does not permit internal interest charges as a project expense; therefore, Metro Transit available bond arbitrage dollars are needed 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

Resolution approving CTIB dissolution and assumption of responsibilities for the CTIB and state funding shares by Hennepin County is anticipated on June 13, 2017 and we will report on result of their action at our Committee Meeting.