

## Management Committee

For the Metropolitan Council meeting of: January 10, 2018

**Subject:** Internal Loans for Industrial Pre-Treatment Incentive Program (IPIP)

### Proposed Action

That the Metropolitan Council authorize internal loans to cover the cash flow needs of the Industrial Pre-Treatment Program.

### Summary of Committee Discussion/Questions

Richard Koop, Senior Treasury Manager, presented business item 2017-281 starting with a background of the IPIP program.

Internal loans are needed to cash flow the equipment purchases for the IPIP project by Kemps and Michael Foods. The Council will be issuing \$12 million in G.O. Taxable Revenue bonds in the summer of 2018 to fund the project. Council investment policy #3, "Finance and Asset Management" allows short-term loans across units. Any loan for more than three months or \$10 million must be approved by the Council.

Koop explained approximately \$3.6 million, which represents the design phase and 30% down, will be paid out in January/February of 2018. The remaining 70% is expected to be paid out in May/June of 2018 and bond proceeds should be in hand to pay this. The bond proceeds will reimburse the Council the \$3.6 million when received.

Council member did not have any questions.

Motion by Rummel, Seconded by Barber. Motion carried unanimously. Consent to Council.

## Management Committee

Meeting date: December 13, 2017

For the Metropolitan Council meeting of January 10, 2018

**Subject:** Internal Loans for Industrial Pre-Treatment Incentive Program (IPIP)

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

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

**Staff Prepared/Presented:** Rich Koop, Senior Treasury Manager (602-1629), Ned Smith, Environmental Services Finance Director (602-1162)

**Division/Department:** Finance / Environmental Services

### Proposed Action

That the Metropolitan Council authorize internal loans to cover the cash flow needs of the Industrial Pre-treatment Incentive Program.

### 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.

The Industrial Pretreatment Incentive Program (IPIP) was approved by Council on January 14, 2015 (business item 2014-310) and on November 8, 2017 the Council authorized the Regional Administrator to negotiate and execute contracts with Kemps and Michael Foods (business item 2017-246).

The Council will issue \$12 million in G.O. taxable revenue bonds in early summer of 2018 to finance the Kemps and Michael Foods industrial pretreatment equipment. A debt service schedule will be provided to the companies for payment of the principal and interest over 10 years. The interest rate on the debt will be the greater of 3% or the true interest rate of the bonds issued.

The amount of approximately \$3.6 million, which represents the design phase and 30% down, will be paid out in January/February of 2018. The remaining 70% is expected to be paid in May/June of 2018 and bond proceeds should be at the Council to pay for this. The Council will be reimbursed at that time.

### Rationale

The contracts with Kemps and Michael Foods were signed in November. We will be cash flowing the project before the proceeds from the G.O. taxable revenue bond issued in early summer of 2018 is received. An internal loan will cover the shortfalls until proceeds are received from the bond issue.

### Thrive Lens Analysis

This action advances the Thrive outcomes of stewardship, prosperity, and sustainability.

These contracts support stewardship by using the council's AAA bond rating to lower the financing costs for industrial customers building pretreatment facilities while preserving the capacity of our existing plants and lowering our operating costs. They support prosperity by enabling water reuse for a customer that was constrained by water use and lowering the strength charges of both customers. Finally, they support sustainability by improving the water quality we receive in our plants as well as supporting energy generation.

## **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