

Management Committee

Meeting date: January 22, 2020

For the Metropolitan Council meeting of January 22, 2020

Subject: Internal Loan for Cashflow of Parks Capital Funds

District(s), Member(s): All

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

Staff Prepared/Presented: Rich Koop, Senior Manager, Treasury (651-602-1629)

Division/Department: Finance / Community Development

Proposed Action

The Metropolitan Council authorize an internal loan to cover the cashflow needs of Parks capital funds.

Background

In accordance with the Council's invest 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. The Parks capital fund will pay interest charges to the pool.

Rationale

The Council typically issues municipal bonds annually. These bond issues are intended to fund the divisions capital cashflow needs for 12-18 months. The Parks Division last issued debt in the summer of 2016. Based on the spending pattern of the Parks Division, the bond proceeds were projected to last until the summer of 2020. The Parks capital spending accelerated in August of 2019 which resulted in the capital fund to turn negative in October of 2019.

The internal loan to the Parks Capital Fund will be repaid with bond proceeds no later than July 31, 2020.

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.

Funding

This proposed action does not authorize capital spending which is done through the adoption of the capital budget but does provide a temporary loan to cover the cashflow needs of approved projects. Negative balances in these funds are financed by the associated Council investment pool.

Known Support / Opposition

There is no known opposition to this business item