

Business Item

Management Committee



Committee meeting date: April 23, 2025

For the Metropolitan Council: April 23, 2025

Business Item: 2025-105 SW

Authorization for Internal Loan for Environmental Services Capital Fund

District(s), member(s):	All
Policy/legal reference:	Policy FM 2-2
Staff prepared/presented:	Mark Thompson, Directory Treasury, 651-602-1629 Kyle Colvin, Manager, Wastewater Planning and Community Programs, 651-602-1151
Division/department:	RA/Finance

Proposed action

The Metropolitan Council authorize an internal loan to fund Environmental Services capital expenditure cashflow until 2025 bond funding is available.

Background

The Council issues bonds annually to fund projected capital project expenditures. The amount issued is based on projected capital expenditures for the following 12-15 months. Occasionally, funding is spent faster than expected and bond funds are exhausted before new bond funding is available. Over the course of a year, changes to project budgets, funding or spending patterns can cause project cash flows to be different than original projections.

Council Policy FM 2-2 Finance and Asset Management, allows short-term loans to be made across units to meet such temporary cash flow needs. Any negative fund balance that occurs for more than three months or is \$10 million or greater must be approved by the Council. Units receiving such loans will pay interest on the borrowing.

Due to increases in capital expenditures, the Environmental Services capital bond fund went negative in March 2025. The Council has sold new bonds for Environmental Services capital project funding, but that funding is not available until the bonds close May 1st.

The primary driver behind the unplanned negative fund balance was the lack of a state bonding bill in 2023. This caused a large dollar project to be changed from PFA loan funding to bond funding. The Excelsior Area Lift Station L20 Project (802856), which was planned to be funded by the PFA loan could not be added to the Intended Use Plan (IUP) because of the lack of the State Bonding Bill. The Council decided to prioritize the timing of the project by utilizing GO bond funding in lieu of postponing the project to wait for a future bonding bill to pass. The total cost to date of project 802856 is approximately \$10.8 million.

Rationale

While policy allows funds to go negative and be financed by internal loans, this policy should be used as a safety net for emergency use and not as a funding mechanism.

Thrive lens analysis

On Feb. 12, 2025, the Council adopted Imagine 2050, which builds on policy direction in Thrive MSP 2040. Under the Thrive lens Stewardship – Providing cash flow internally before additional bond proceeds are available allows capital projects to continue towards completion without disruption or delay.

Funding

This proposed action does not authorize new capital spending, which is done through the adoption of the capital budget. It provides a temporary internal loan to cover cash flow needs of already approved projects. Negative balances in these funds are financed by the associated Council investment pool. Interest is charged monthly on negative balances.

Small business inclusion

There are no direct impacts to small business inclusion associated with the proposed action.