

Committee Report

Management Committee



Committee meeting date: December 17, 2025

For the Metropolitan Council: January 14, 2026

Business Item: 2025-320

Authorization for Internal Loan for Environmental Services Capital Fund

Proposed action

The Metropolitan Council authorize an internal loan to Environmental Services capital fund until 2026 bond funding is available.

Summary of Management Committee discussion/questions

The Business Item was presented by Mark Thompson, Director Treasury

The following background was given:

The Council issues bonds annually to fund projected capital project expenditures. The amount of bonds issued is based on projected capital expenditures for the following 12-15 months.

Over the course of a year changes to project budgets, funding sources, or spending patterns can cause capital expenditures to be spent faster than original projections. This can exhaust current bond funding before new bond funding becomes available. This is currently the case for Environmental Services, whose current bond funding will run out in December.

The Council is currently in the process of issuing new Wastewater bonds with proceeds available February 12. Council policy allows short-term internal loans to fund temporary cash flow needs. Council approval is required if a fund is negative for longer than 3 months or more than \$ 10 million. Environmental Services negative bond fund balance may reach \$10 million in January.

The primary driver behind the recent faster pace of Environmental Services bond fund spending is the shifting of projects originally planned for PFA loan funding to bond funding due to delays in state bonding bills affecting the PFA loan program, and due to delays in Federal approval of Buy and Build waivers required for PFA loan projects.

Interest is paid by the divisions on negative fund balances. Loans are funded by the general investment cash pool.

Council Member Jenkins asked the amount of the loan? Mr. Thompson explained that the Environmental Services bonding capital fund was negative \$2.5 million currently, but the total amount of the loan is not known. These loans fill a cash flow gap as needed. Total loan amount will depend on the amount of bond funded capital expenditures from now until new bonding comes February 12. The final loan amount could be \$15-20 million, depending on expenditures.

Note: Business Item 2025-320 has an incorrect Council meeting date of January 14, 2025. The Council meeting date was corrected to January 14, 2026 on this Committee Report for that item.

Moved by Morales, seconded by Osman. Motion carried.

Business Item

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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, Director Treasury, 651-602-1629

Christine Dwyer, Director Budget and Revenue

Environmental Services, 651-602-1115

Division/department: RA/Finance

Proposed action

The Metropolitan Council authorize an internal loan to Environmental Services capital fund until 2026 bond funding is available.

Background

The Council issues bonds annually to fund projected capital project expenditures. The amount of bonds issued is based on projected capital expenditures for the following 12-15 months. Over the course of a year changes to project budgets or spending patterns can cause capital expenditures to be faster than projections. This can result in bond funds being exhausted before new bond funding becomes available and temporary negative fund balances.

Council Policy FM 2-2 Finance and Asset Management, allows short-term loans to be made across funds to meet temporary cash flow needs. The capital fund receiving a loan will pay interest on any borrowing. Also, per this policy, any negative fund balance that occurs for more than three months or is greater than \$10 million must be approved by the Council.

Recently capital expenditures from the Environmental Services bond fund have been faster than expected and the fund is expected to go negative in December. The Council is currently working to sell additional General Obligation Wastewater Revenue bonds to replenish this funding. The expected sale date of these new bonds is January 20, 2026, with bond proceeds being received on February 12, 2026.

The primary driver behind the recent faster spending pace is the shifting of projects planned for PFA loan funding to bond funding due to two factors: 1) delay in the state bonding bill, and 2) delays in approval of Buy & Build America waivers from the federal government which are required for projects with PFA loans. Since the beginning of this calendar year, the approval of Buy & Build America waivers has slowed considerably. To keep projects moving forward and avoid costly delays, the funding was moved from PFA loans to bond funds.

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 approved projects. Negative balances in these funds are financed by the Council investment pool, which currently has adequate liquidity to pay ongoing Environmental Services capital expenditures, and interest is charged monthly on negative balances.

Small business inclusion

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